

## Press Release

### Precision Informatic (M) Private Limited

July 27, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	4.00	ACUITE BBB-   Negative   Assigned	-
Bank Loan Ratings	8.00	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	29.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B Minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.25.00 Cr bank facilities of Precision Informatic (M) Private Limited (Precision). The outlook has been revised from 'Stable' to 'Negative'.

Further, Acuite has assigned long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 4.00 Cr bank facilities. The outlook is 'Negative'.

### Rationale for rating reaffirmation and revision in outlook

The revision in outlook takes into account the increasing customer concentration risk. The company earned an aggregate revenue of Rs. 272.00 Cr in FY2022 of which Rs. 172 Cr was derived from Vodafone Idea Limited (VIL), about 63 percent. Additionally, of the total outstanding debtors as on June 2022, 63 percent are receivable from VIL. Further, the operating margins of the company reduced to 3 percent in FY2022 against an average of 6 percent through FY2019-21. In addition, the negative outlook factors the stretched working capital cycle marked by gross current asset days (GCA) of 306 against 198 in FY2019.

However, the rating reaffirmation draws comfort from the company's steady revenue despite the outbreak of Covid-19, moderate financial risk profile marked by moderate net worth, low debt and moderate coverage indicators. Further, business risk profile is supported Precision's established market position, extensive experience of its promoters and long-standing relationship with its leading customers ensuring repeated orders.

### About the Company

Precision Informatic (Madras) Private Limited (Precision) is a Chennai (Tamil Nadu) based company incorporated in June 1996. Precision is promoted by Mr. Mathew Chacko, Mr. Viswanathan Murali and Mr. Thanjavur Govindarajan Ramesh. The company's revenue profile is diversified into Infrastructure Management, System Integration and Biometrics & Internet of

things (IoT) services. It has a Pan India presence with 10 branches. Precision has a well-diversified client base comprising of IT companies, Banks, Telecom companies, public sector units, among others.

## Analytical Approach

For arriving at the ratings, Acuité has considered the standalone business and financial risk profile of Precision Infomatic (M) Private Limited.

## Key Rating Drivers

### Strengths

- **Experience of promoters and established track record of operations:**

Incorporated in 1996, Precision's promoters Mr. Mathew Chacko, Mr. Viswanathan Murali and Mr. T G Ramesh are technocrats and having more than two decades of experience in the IT/ITES industry. Over the years the company has developed well-diversified client base comprising of Automobile companies, FMCG companies and Telecom companies. Its major clientele includes Hyundai Autoever India Private Limited, ITC Limited Vodafone-Idea Ltd, Hewlett Packard Enterprise (India) Private Limited and Samsung India Electronics Private Limited. Further, the revenues are diversified into: system integration (~ 73%), infrastructure services (~21%), and biometric solutions (~5%). The company as of June 2022 has an outstanding order book of Rs. 38.50 Cr.

Acuité believes that promoters' entrepreneurial experience, healthy relations with its clientele is expected to aid in improving its business risk profile over the medium term.

- **Moderate financial risk profile:**

The financial risk profile of the company is moderate marked by moderate networth, low debt and moderate coverage indicators. The net worth of the company stood at Rs. 33.92 Cr as on March 31, 2021 against Rs. 29.40 Cr as on March 31, 2020. The increase in net worth is on account of moderate accretion to reserves. The aggregate debt of the company reduced to Rs. 6.01 Cr as on March 31, 2021 against Rs. 14.69 Cr as on March 31, 2020. The short debt of the company reduced in FY2021 on account of reduced working capital cycle to 23 days against 53 days in FY2020. Further, the company follows conservative leverage policy marked by peak gearing of 0.60 times through 2019-21.

However, in FY2022 Precision has availed Covid loan of Rs. 3.61 Cr. Subsequently, the aggregate debt is expected to be around ~Rs. 18-20 Cr with debt to equity in the range of 0.49-0.52 times as on March 31, 2022. The interest coverage ratio and debt coverage ratio stood at 3.92 times and 3.37 times respectively as on March 31, 2021.

### Weaknesses

- **Stagnating scale of operations and declining operating margins:**

The company earned a total revenue of Rs. 272.00 Cr in FY2022 against Rs. 137.00 Cr in FY2021. The substantial increase in revenue is attributable to the one-time order of Rs. 153.00 received from VIL in FY2022. Despite increase in revenue, the operating margins of the company reduced to 3 percent in FY2022 from average of 5-6 percent in earlier years. The reduction in operating profit is attributable to the low margin towards the one time order from VIL. The margin against the special order stood at 1.5-2 percent.

Acuité believes, going forward the revenue of the company are expected to remain in the range of Rs. 149-155 Cr in FY2023-24.

- **Customer concentration risk:** The company has an aggregate order book of Rs. 38.50 Cr as on June 30, 2022. Of the total order book, about 65% are orders from VIL. In FY2022, ~63 percent of the revenue receipts are from VIL. Additionally, Rs. 83.00 Cr are receivable from VIL against Rs. 136 Cr outstanding debtors as on June 30, 2022.

The Company dealing with one customer- Vodafone Idea, exposes it to customer concentration risk. VIL has been rated 'CARE B+'. The dependence on a single customer has

adversely impacted Precision's overall working capital cycle and the operating margins. Acuité believes the company's ability to diversify its customer base will remain a key rating sensitivity.

### Rating Sensitivities

- Ability to diversify from its existing customer base and procure orders from new customers.
- Further deterioration in the working capital cycle resulting into deterioration in the liquidity profile.
- Sustained improvement in revenue while maintaining profitability.

### Material covenants

None.

### Liquidity Position: Stretched

The net cash accruals of the company stood was in the range of 4.46-5.25 Cr through FY2019-21 against repayment obligation of 0.33 in FY2020 and FY2021. The NCA for FY2022 and FY2023 is Rs.4.89 and Rs.5.79 against no repayment obligation. The repayment of ~Rs.3.61 Cr covid loan shall commence from FY2024. Further, the operations of the company are working capital intensive marked by GCA of 202 days in FY2021 against 163 in the previous year. The high GCA days can be attributed to high debtor days of 174. Despite high GCA days the working capital cycle days stood moderate at 23 due to high creditor days of 174.

The GCA days in FY2022 is expected to be around 300-306 days with debtor days of 285. The bank limit utilization of the company stood at 90 percent for the month ended Mar 2022 along with increased creditor days of 307. However, the average bank limit utilization for the 11 month period ended June 2022 stood at 82 percent.

### Outlook: Negative

Acuité has revised the outlook on Precision to 'Negative' due to decline in operating margins despite increase in aggregate revenue. Further, excessive dependence on a single customer has resulted into stretched working capital cycle thereby resulting into increased reliance on external funding. The rating may be further downgraded in case of further customer concentration thereby causing further deterioration in the working capital cycle. Conversely, the outlook may be revised to 'Stable' if the company is able to diversify its customer base thereby enabling it to improve its operating margins and working capital cycle.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	137.53	128.71
PAT	Rs. Cr.	4.48	4.11
PAT Margin	(%)	3.26	3.20
Total Debt/Tangible Net Worth	Times	0.18	0.50
PBDIT/Interest	Times	3.92	4.02

### Status of non-cooperation with previous CRA (if applicable)

None.

### Any other information

None.

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Feb 2021	Standby Line of Credit	Long Term	2.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Letter of Credit	Short Term	6.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
19 Nov 2019	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Short Term	4.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	4.00	ACUITE BBB-   Stable (Assigned)
01 Nov 2018	Proposed Letter of Credit	Short Term	4.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	7.00	ACUITE A3 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	3.61	ACUITE BBB-   Negative   Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.39	ACUITE BBB-   Negative   Assigned
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative

**State Bank of India:** Letter of credit includes Bank Guarantee (BG) and Stand by letter of credit (SBLC) of Rs. 8.00 Cr and Forward Contact limit of Rs. 0.30 Cr as sublimit.

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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