

Press Release

PRECISION INFOMATIC (MADRAS) PRIVATE LIMITED

October 25, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.00	ACUITE BBB- Stable Reaffirmed Negative to Stable	-
Bank Loan Ratings	8.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	29.00	-	-

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.29.00 Cr bank facilities of Precision Infomatic (Madras) Private Limited (Precision). The outlook has been revised from 'Negative' to 'Stable'.

Rationale for Rating

The revision in outlook is on account of the improvement in operating performance of the company marked by improving profitability, diversification of customer profile and reduced working capital cycle. The operating margins of the company stood at 3.52% in FY2023 (Prov) as against 3.17% in FY2022. Furthermore, the company has currently diversified its customer profile by focusing more on Infrastructure services, Biometric and IoT business segments. The same is also expected to reduce the customer concentration risk going forward. Also, the quoted segments generate higher margins and are thus expected to further improve the company's profitability over the medium term despite an anticipated drop in revenues of the company during this year. The revision in outlook also considers improvement in company's working capital cycle reflected by improvement in GCA days to 185 days for FY2023 (Prov) as against 306 days in FY2022. The rating continues to factor in the extensive experience of management above 2 decades in the service Industry, established track record of operations with long standing relationship with reputed clientele such as Vodafone Idea, H.P. Enterprise Pvt Ltd, Hyundai Autoever India Pvt Ltd, and among others.

About the Company

Precision Infomatic (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.

Standalone (Unsupported) Rating

None

Analytical Approach

For arriving at the ratings, Acuite has considered the standalone business and financial risk profile of Precision Infomatic (Madras) 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 (~ 62%), infrastructure services (~29%), and biometric solutions (~9%). The company as of October 2023 has an outstanding order book of Rs.93.54 Cr. The order book here consists of 40-45% from System Integration, 30-35% from Infrastructure Services, and the remaining 20-30% from Biometrics and IoT.

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 stood moderate marked by moderate net worth, gearing and debt protection metrics. The tangible net worth stood at Rs.41.73 crore as on 31 March, 2023 (Prov) as against Rs.38.62 crore as on 31 March, 2022. The total debt of the company stood at Rs.4.72 crore includes Rs.0.66 crore of long-term debt, Rs.3.80 crore of short-term debt, and Rs.0.26 crore of CPLTD as on 31 March 2023. The gearing (debt-equity) stood at 0.11 times as on 31 March, 2023 (Prov) as compared to 0.49 times as on 31 March, 2022. Interest Coverage Ratio stood at 2.31 times for FY2023 (Prov) as against 5.28 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.76 times in FY2023 (Prov) as against 3.57 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.60 times as on 31 March, 2023 (Prov) as against 5.18 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.83 times for FY2023 (Prov) as against 0.29 times for FY2022.

Acuite believes the financial risk profile of the company will continue to remain moderate on account of its moderate revenue growth.

Weaknesses

Intensive Working capital management

The working capital management of the company is intensive, however there has been improvement in the GCA days of 185 days in FY2023 (Prov) as against 306 days in FY2022. The debtor days stood at 150 days in FY2023 as against 277 days in FY2022. However, the average credit period allowed to customers for System Integration (SI) is 120-180 days, for Infrastructure Services (IS) and cloud services (CS) is 30-45 days. The creditor days stood at 162 days in FY2023 (Prov) as against 295 days in FY2022. However, the credit period for SI is 120-180 days, for IS and CS is 30-45 days. The inventory days stood at 26 days in FY2023 (Prov) as against 18 days in FY2022. Further, the average working capital utilization for fund-based limits stood at ~80 percent and for non-fund-based limits stood at ~75-80 percent for the last 07 months ending July 2023.

Vulnerability of profitability to competitive pressures and technological changes

The IT industry is susceptible to risks related to technological changes, competition from substitutes and shifts in customer's preferences. Further, due to the agency-like nature of business of Precision, the margins are thin. The operating margins of the company ranged between 3.17-4.56 percent in the last three years ended FY2023 (Prov.).

Rating Sensitivities

- Movement in scale of operations and profitability margins
- Movement in working capital cycle

All Covenants

Not Available

Liquidity Position

Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.3.91-Rs.5.38 Crore from FY 2021- 2023 (Prov) against its maturing debt obligations in the range of Rs.0.26-Rs.0.33 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.4.61-Rs.5.07 crore against the maturing repayment obligations of around Rs.0.20-Rs.1.20 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 185 days in FY2023 (Prov) as against 306 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.0.10 crore as on March 31, 2023 (Prov). The current ratio stands at 1.30 times as on March 31, 2023 (Prov) as against 1.14 times as on March 31, 2022. The average working capital utilization for fund-based limits stood at ~80 percent and for non-fund-based limits stood at ~75-80 percent for the last 07 months ending July 2023.

Acuité believes that the liquidity of PIPL is likely to remain adequate over the medium term on account of sufficient net cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that Precision will maintain a 'Stable' outlook over the medium term on account of the improvement in operating margins, experienced management and reputed clientele. Further, it also considers improvement in company's working capital cycle. Further, the outlook may be revised to 'Positive' if the company is able to improve its scale of operations while maintaining its profitability margins and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of increased customer concentration or registers lower-than-expected revenues and profitability.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	276.76	271.88
PAT	Rs. Cr.	3.08	4.67
PAT Margin	(%)	1.11	1.72
Total Debt/Tangible Net Worth	Times	0.11	0.49
PBDIT/Interest	Times	2.31	5.28

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

Not Available

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>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Jul 2022	Covid Emergency Line.	Long Term	3.61	ACUITE BBB- Negative (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB- Negative (Reaffirmed)
	Proposed Bank Facility	Long Term	0.39	ACUITE BBB- Negative (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Standby Line of Credit	Long Term	2.00	ACUITE BBB- Negative (Reaffirmed)
04 Feb 2021	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Standby Line of Credit	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Letter of Credit	Short Term	6.00	ACUITE A3 (Reaffirmed)

Annexure - Details of instruments rated

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

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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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