



Press Release
PRECISION INFOMATIC (MADRAS) PRIVATE LIMITED
January 20, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.00	ACUITE BBB- Stable Reaffirmed	-
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Total Withdrawn Quantum (Rs.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 Rs. 29.00 Cr. bank facilities of Precision Infomatic (Madras) Private Limited (PIPL). The outlook remains ‘**Stable**’.

Rationale for Rating

The rating reaffirmation takes into consideration the established track record with diversified service offerings and moderate financial risk profile of the company. The rating also factors in the change in business model of system integration (SI) services from capex to opex model by one of key technology partners of the company i.e. Hewlett Packard Enterprise through GreenLake services scheme under which PIPL shall now bill for its physical infrastructure services to its customers over a period of five years instead of the earlier one-shot billing mechanism.

Acuite understands that while this change has led to decline in the operating performance in FY24, however, a steady growth in the operating performance is expected over medium term on the back of growing scale of cloud business and healthy order book of the SI services. The rating is however constrained due to the intensive working capital operations of company, customer concentration risk and intense competition in the industry.

About the Company

Incorporated in 1996, Precision Infomatic (Madras) Private Limited (PIPL), is a Chennai based company engaged in information technology (IT) services and is a technology solutions provider. The company offers a wide range of IT services which includes Infrastructure Management Services, System Integration and Cloud Solutions and has presence across India with more than 10 branches. The company is promoted by Mr. Mathew Chacko, Mr. Viswanathan Murali and Mr. Thanjavur Govindarajan Ramesh.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of PIPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations with diversified portfolio of services

PIPL's promoters Mr. Mathew Chacko, Mr. Viswanathan Murali and Mr. T G Ramesh are technocrats and have more than three decades of experience in the IT enabled services industry. Over the years, the company has developed well-diversified client base comprising of automobile companies, FMCG companies, telecom companies, etc. Its major clientele includes Vodafone-Idea Ltd, Hewlett Packard Enterprise (India) Private Limited, Hyundai Autoever India Private Limited, ITC Limited, and Samsung India Electronics Private Limited. Further, the company generates a revenue of around ~60% from System Integration (SI) services, ~20% from Infrastructure Management Services (IMS) and balance ~20% from Cloud Solutions (CS). Acuité believes that promoters' entrepreneurial experience, healthy relations with its service providers and clientele is expected to aid in strengthening its business risk profile over the medium term.

Steady growth in operating performance expected on the back of growing scale of business

The revenue of the company reduced to Rs. 224.94 Cr. in FY24 as compared to Rs. 276.64 Cr. in FY23 on account of change in the model of SI services which accounted for nearly 60% of overall business. Going forward, with ease of payment terms in SI services and changing customer preference towards cloud solutions, the operating performance of company is expected to improve over the medium term. The company expects an increase in the demand of cloud solutions to ~40-45% of the revenue over the medium term.

Further, the operating margins of the company stood at 3.41 percent in FY24 as against 3.47 percent in FY23, owing to the increase in hiring of engineers for the cloud services.

Additionally, under the Greenlake scheme, company has a healthy order book of Rs. 246.80 Cr. in the opex model of SI business which is expected to be recognised over the coming four fiscals. Further, till December' 24, the company has clocked a revenue of Rs. 235.17 Cr.

Moderate financial risk profile

The company's financial risk profile remains moderate marked by moderate tangible net worth of Rs. 44.86 Cr. as on March 31, 2024, as against Rs. 41.73 Cr. as on March 31, 2023, owing to the accretion of profits to reserves. The gearing increased and stood at 0.42 times as on March 31, 2024, as against 0.11 times in the March 31, 2023, pertaining to the increase in the utilisation of short-term facilities as depicted by total debt of Rs. 19.04 Cr. in FY24 as compared to Rs. 4.72 Cr. in FY23. Further, the TOL/TNW stood at 2.54 times as on March 31, 2024 as against 2.60 times as on March 31, 2023. The interest coverage ratio (ICR)/debt service coverage ratio (DSCR) stood improved at 2.66/2.14 times as on March 31, 2024 as against 2.32/1.76 times as on March 31, 2023 respectively.

Acuité believes the financial risk profile of the company will continue to remain moderate.

Weaknesses

Intensive Working capital management

The working capital management of the company is intensive as evident by high GCA of 241 days in FY24 as against 185 days in FY23. The GCA days are majorly driven by increased debtor levels which stood at 195 days in FY24 as against 150 days in FY23. This is mainly attributable to the SI Business wherein the average credit period allowed to customers is 120-180 days, however, for Infrastructure Management Services and cloud services, average credit period is 30-45 days. Further, since the creditor payments are linked to receipts from customers, hence, the creditor days also stood high at 190 days in FY24 as against 162 days in FY23. Further, the inventory days stood at 29 days in FY24 as against 26 days in FY23.

Exposure to customer concentration risk

The company is exposed to client concentration risk, with the top five customers contributing to around 47% of total revenue in FY24. Though the company has strong relationship with customers, as reflected in repeat orders, high customer concentration risk makes PIPL vulnerable to downturns in the business of large customers or any change in the clients' business plans. However, management is actively working towards reducing the customer concentration risk with steady addition of new customers as witnessed from reduction in contribution from the top client i.e., Vodafone Idea from ~54% in FY23 to ~32% in FY24.

Highly competitive nature of the IT industry with emerging technologies

The global IT services industry is dominated by several large players and small niche technology players. PIPL faces stiff competition from domestic as well as international IT service companies leading to intense margin pressure. The industry is highly technology oriented which keeps on changing time to time. Thus, the company has

to keep upgrading the services it offers according to the needs of the clients and changes in the industry. However, the established relationship with clients and vendors, diversified geographical presence and experienced management mitigates the risk to some extent.

Rating Sensitivities

- **Improvement in scale of operations and profitability margins**
- **Reduction in the working capital cycle**

Liquidity Position

Adequate

The company's liquidity profile is adequate marked by sufficient net cash accruals of Rs. 3.87 Cr. in FY24 as against maturing debt obligations of Rs. 0.26 Cr. for the same period. Going forward, the cash accruals of the company are estimated to remain in the range of around Rs. 4.50-6.00 Cr. during FY2025-26 against repayment obligations ranging from Rs. 0.10-0.30 Cr. for the same period. The average utilisation of fund-based bank facilities remained high at ~98.08 percent and for non-fund based facilities, the average utilisation remained at ~83.17% for last six months ended as on October 2024. The company maintained unencumbered cash and bank balances of Rs. 0.10 Cr. as on March 31, 2024. The current ratio stood at 1.31 times as on March 31, 2024.

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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	224.94	276.64
PAT	Rs. Cr.	3.11	3.08
PAT Margin	(%)	1.38	1.11
Total Debt/Tangible Net Worth	Times	0.42	0.11
PBDIT/Interest	Times	2.66	2.32

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
25 Oct 2023	Letter of Credit	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Covid Emergency Line.	Long Term	3.61	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.39	ACUITE BBB- Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
27 Jul 2022	Letter of Credit	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Stand By Line of Credit	Long Term	2.00	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Negative (Reaffirmed)
	Covid Emergency Line.	Long Term	3.61	ACUITE BBB- Negative (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.39	ACUITE BBB- Negative (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	17 Mar 2025	3.30	Simple	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE A3 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.70	Simple	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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