# Presto Info Solutions Private Limited

**February 04, 2025**

## Re-classification

**Ratings**

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|---|---|---|---|---|---|
| Long Term Bank Facilities | 35.10 (Reduced from Rs. 58.00 crore) | IVR BBB/Stable (IVR Triple B with Stable Outlook) | IVR BBB/Stable (IVR Triple B with Stable Outlook) | Rating reaffirmed | Simple |
| Short Term Bank Facilities | 89.90 (Enhanced from Rs. 67.00 Crore) | IVR A3+ (IVR A Three Plus) | IVR A3+ (IVR A Three Plus) | Rating reaffirmed | Simple |
| Non Convertible Debentures (NCDs) | 30.00 (Reduced from Rs. 50.00 crore) | IVR BBB/Stable (IVR Triple B with Stable Outlook) | IVR BBB/Stable (IVR Triple B with Stable Outlook) | Rating reaffirmed | Simple |
| **Total** | **155.00** | **(Rupees One hundred fifty five crore only)** | | | |

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

**Detailed Rationale**

There was reclassification for short term proposed bank facility of Letter of Credit/Bank Guarantee amounting to Rs. 30.90 Crore, out of which Rs. 5.28 crore has been reclassified as one-time Performance Bank Guarantee, Rs. 17.62 crore as one-time Advance Payment Bank Guarantee and the remaining Rs. 8 crore as a proposed Letter of Credit/Bank Guarantee facility.

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities/NCD's, which derives comfort from experienced management and long track record of operations coupled with reputed clientele and growing scale of operations with moderate profitability. The ratings further draw support from comfortable capital structure and moderate coverage indicators, along with a healthy orderbook position. However, these rating strengths are partially offset by working capital intensive nature of operation, project risk, though it is noted that the majority of the work has been completed and the risk of uncertainty involved with the inflow of number of projects. The rating further remains constrained due to the competition from major players in the industry and technology obsolescence risk

The Stable outlook indicates a low likelihood of rating change over the medium term. Infomerics Ratings believes that PISPL will continue to benefit from its experienced promoters and healthy order book position indicating near to medium term revenue visibility.

Infomerics Ratings has principally relied on the standalone audited financial results of Presto Info Solutions Private Limited (PISPL) up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024), and projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

**Key Rating Sensitivities:**

**Upward Factors**

- Substantial and sustained improvement in revenue while maintaining profitability and capital structure
- Successful Commissioning of the project within the envisaged time and cost parameters

**Downward Factors**

- Any significant decline in revenue and/or profitability impacting the debt protection metrics or liquidity
- Any major debt funded capex undertaken by the company resulting in deterioration of capital structure with overall gearing remaining above 1.5x on sustained basis

**List of Key Rating Drivers with Detailed Description**

**Key Rating Strengths**

- **Experienced management and long track record of operations**
  Established in 2000, the company is engaged in rendering system integration services to large corporate and Govt. bodies. The company has an experienced management team having considerable expertise in the IT industry. The company is promoted by Mr. Sandeep Arya, having more than three decades of experience in the field of electronics and telecommunication and Mr. Krishan Kumar Girdhar, have experience

in the same field for around three decades and looks after overall functions of the company.

- **Reputed clientele**

  Over the years, PISPL has developed a well-diversified and reputed client base. The company has a strong client base, with clients including Electronics Corporation of India Limited (ECIL), Telecommunication Consultants India Limited (TCIL), NEC Corporation India Pvt Ltd., BSNL, and others.

- **Growing scale of operations with moderate profitability**

  The total operating income of the company has increased by 43.51% in FY24 to Rs.463.18 crore as against Rs. 322.75 crore in FY23 mainly on account of increase in execution of orders. The profitability margins marked by EBITDA margin improved by 43 bps and stood at 9.74% in FY24 as compared to 9.31% in FY23 on account of execution of orders and decrease in input prices like cost of material. Despite increase in EBITDA margin, the PAT margin marginally declined by 29 bps and stood at 4.46% in FY24 as against 4.75% in FY23 mainly on account of increase in interest expenses as a result of term loan and NCD issue availed for Delhi Safe city project.

- **Comfortable capital structure with moderate debt protection metrics**

  The capital structure of the company remained comfortable marked by the Overall Gearing Ratio of the company as on 31-Mar-2024 stood at 0.61x (31-Mar-2023: 0.32x); deteriorated mainly on account of term loan and NCD issue for availed in FY24 for Delhi Safe city project. Despite this, the company’s capital structure remains within a comfortable range. The total indebtedness of the company as reflected by TOL/TNW deteriorated from 1.56x as on 31-Mar-23 to 1.98x as on 31-Mar-24 due to increase in creditors.  The debt protection metrics stood moderate marked by Interest Coverage Ratio of 2.95 times in FY24 (FY23: 3.47x) deteriorated as a result of increase in interest cost. Total Debt to NCA deteriorated to 3.07 years in FY24 as against 1.77 years in FY23 due to increase in debt as a result of term loan and NCD issue availed in FY24 for Delhi Safe city project. The DSCR also stood moderate at 1.67x in FY24 as compared to 3.25x in FY23. The structural features of the debt including Term loan from Indian bank and NCD, provide comfort due to the presence of an escrow mechanism and DSRA covering 3 months of principal and interest.

- **Healthy order book**

  The company has a healthy unexecuted order book of Rs. 2446.07 Crore as on January 15, 2025, which is almost 5.81 times of its FY24 revenue providing revenue visibility for the next three years.

**Key Rating Weaknesses**

- **Working capital intensive nature of operation**

  PISPL has large working capital requirements, as reflected in the high collection period of 113 days as against the average creditor days of 112 days as on 31st March 2024, implying working capital-intensive operations. Furthermore, the company's major proportion of receivables is comprised of Government Institutions resulting in long periods of payment. However, high receivable levels are to some extent mitigated by the high payable period.

- **Project Risk remains, nonetheless, the majority of the work has been completed**

  Presto Info Solution Private Limited (PISPL) secured a contract with RailTel Corporation of India Ltd. for the Delhi Safe City Project under CDAC to lease bandwidth to connect the surveillance infrastructure for monitoring at various command and control stations across Delhi. PISPL is part of a consortium, and it will receive 95% of the revenue from the project. The project, with a lease rental of Rs. 176.52 crore for the first three years, is expected to generate Rs. 167 Cr (including GST) in revenue. The agreement also includes a 3-year extension option, potentially doubling the revenue with an additional maintenance contract. However, there has been a cost overrun with interest and other costs increasing from Rs. 25.42 crore to Rs. 33.87 crore. Material Cost and HDD Cost is also expected to increase by approx. Rs. 20.00 Crores. The cost overruns are primarily due to project delays caused by the implementation of GRAP (Graded Response Action Plan) in Delhi as well Government extension given due to non-availability of land. The project, originally set to be completed by June 2024, is now expected to be completed by June 30, 2025. 70% of the total work is completed and Phase 1 inspection has been completed. Billing for phase 1 will be from April 01, 2025. Billing for Phase 2 is scheduled in June 2025 and Phase 3 in July 2025. Successful completion of capex with no further cost and time overrun, is essential for the company to derive expected benefits from this project.

- **Risk of uncertainty involved with the inflow of number of projects**
  Majority of the company's revenue comes from Government projects that are awarded through closed bidding processes. There is always an improbability attached to the number of projects that could arise in any financial year. Further, as Government institutions fund the projects, the risks of delays and cost overrunning exist as well.

- **Competition from major players in the industry and technology obsolescence risk**
  Company faces stiff competition from larger players industry impacting its pricing flexibility and the ability of to acquire new customers. Additionally, the pace of change in the IT industry continues to remain rapid which translates into technology obsolescence risk, hence, it requires the company to keep up with the changes and advancements by constantly upgrading its products and technologies

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Service Companies.
Criteria on assigning rating outlook
Policy on Default Recognition and Post-Default Curing Period
Complexity Level of Rated Instruments/Facilities
Financial Ratios & Interpretation (Non- Financial Sector)

**Liquidity – Adequate**

The liquidity position of the company is expected to remain adequate as the company expects sufficient cushion in its cash accruals as against its scheduled debt repayment obligation during the next 3 years. Its fund-based working capital limits remained moderately utilised at around ~69.83% and non- fund based working capital limits remain utilised at ~60.55% during the past twelve months ended December 2024. The Current Ratio of the company stood at 1.17x as on March 31, 2024. The unencumbered cash and bank balance as on March 31, 2024, is Rs. 28.55 Crore. The cash operating cycle of the company is of 12 days in FY24 (57 days in FY23). Apart from this, the company is maintaining a DSRA. For term loan, the company maintain a DSRA equivalent to one quarter's debt service obligations (principal + interest). For NCDs, one instalment (principal + interest), approximately amounting to Rs. 7 crore, will be in the form of an FD lien-marked to the debenture trustee.

**About the Company**

Presto Info Solutions Private Limited (PISPL), incorporated in 2000, is a system integrator specialising in IT solutions and services including IT consultation and presales, system delivery, implementation & integration as well as operations & maintenance. The company serves Government as well as corporate clients and has extensive range of operations in India, primarily in Delhi. The company has a registered office located at Mathura Road, Delhi and has also established its branch office in Singapore to cater to international clients.

**Financials (Standalone):** **(Rs. crore)**

| For the year ended/ As on* | 31-03-2023 | 31-03-2024 |
|---|---|---|
| | Audited | Audited |
| Total Operating Income | 322.75 | 463.18 |
| EBITDA | 30.05 | 45.13 |
| PAT | 15.55 | 20.89 |
| Total Debt | 36.49 | 81.03 |
| Tangible Net Worth | 112.34 | 133.23 |
| EBITDA Margin (%) | 9.31 | 9.74 |

| | | |
|---|---|---|
| PAT Margin (%) | 4.75 | 4.46 |
| Overall Gearing Ratio (x) | 0.32 | 0.61 |
| Interest Coverage (x) | 3.47 | 2.95 |

* *Classification as per Infomerics' standards.*

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not applicable

**Rating History for last three years:**

| **Sr. No.** | **Name of Security/Facilities** | **Current Ratings (Year 2024-2025)** | | | **Rating History for the past 3 years** | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Type (Long Term/Short Term)** | **Amount outstanding (Rs. Crore)** | **Rating** | **Date(s) & Rating(s) assigned in 2023-24** | | **Date(s) & Rating(s) assigned in 2022-23** | **Date(s) & Rating(s) assigned in 2021-22** |
| | | | | | **February 05, 2024** | **May 31, 2023** | **-** | **-** |
| 1. | Long Term Bank Facilities | Long Term | 35.10 | IVR BBB/Stable<br><br>**(Dated: January 29, 2025)** | IVR BBB/Stable | IVR BBB-/Stable | - | - |
| 2. | Short Term Bank Facilities | Short Term | 89.90 | IVR A3+<br><br>**(Dated: January 29, 2025)** | IVR A3+ | IVR A3 | - | - |
| 3. | Non-Convertible Debentures (NCDs) | Long Term | 30.00 | IVR BBB/Stable<br><br>**(Dated: January 29, 2025)** | IVR BBB/Stable | -- | - | |

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**About Infomerics:**

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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**Annexure 1: Instrument/Facility Details**

| Name of Facility/ /Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Listing Status | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Long Term Bank Facility – Term Loan | - | - | - | January 2028 | NA | 27.10 | IVR BBB/Stable |
| Long Term Bank Facility – Cash Credit | - | - | - | Revolving in Nature | NA | 6.00 | IVR BBB/Stable |
| Long Term Bank Facility – Proposed Cash Credit | - | - | - | - | NA | 2.00 | IVR BBB/Stable |
| Short Term Bank Facility – Letter of Credit/ Bank Guarantee | - | - | - | - | NA | 40.00* | IVR A3+ |
| Short Term Bank Facility – Bank Guarantee | - | - | - | - | NA | 41.90** | IVR A3+ |
| Short Term Bank Facility – Proposed Letter of Credit/Bank Guarantee | - | - | - | - | NA | 8.00 | IVR A3+ |
| Non-Convertible Debentures (NCDs) | INE0RL207018 | 23-10-2023 | 14.90% Payable on Quarterly Basis | 30-06-2026 | Unlisted | 30.00 | IVR BBB/Stable |

**Bank Guarantee/Letter of Credit availed from HDFC Bank includes sublimit of Rs. 3.50 crore as Adhoc WCDL and Rs. 5.00 crore as UBSTL for purchase invoice discounting*
***Includes one time Performance Bank Guarantee amounting Rs. 5.28 crore and one time Advance Payment Bank Guarantee amounting Rs. 17.62 crore from Indian Bank*

**Annexure 2: Facility wise lender details**
https://www.infomerics.com/admin/prfiles/Len-Presto-Info-Solutions-4feb25.pdf
**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:**

**NCD of Rs. 30.00 crore**

| Name of the Instrument | Detailed Explanation |
|---|---|
| **Financial Covenants** | • Order Book executable over 3 years 1.5x of last 12 months revenue<br>• External Long-term debt less than 120 Crores<br>• TOL/TNW to be maintained below 2.5x from Q3FY25 to end of tenor<br>• Cash Debt Service Coverage Ratio to be maintained greater than 1.1x from Q3FY25 till the end of tenure. |

| | |
|---|---|
| **Rating Covenant** | • To be rated BBB- or above for all senior secured facilities for the entire tenor of the instrument. Breach of this covenant can lead to early redemption of the entire facility |
| **Non - Financial Covenants** | • Prior approval to be taken from VAM before the following events:<br>• Availment of any fresh debt beyond Rs. 185 crore. Debt for this purpose will include Term debt, Fund based and non fund based limits<br>• Creation of charge on any assets stipulated as security under this sanction letter for any borrowing other than borrowing of Rs. 50 crore from Indian Bank<br>• Capex > Rs. 10 crore over the tenor of the issuance |

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com