April 03, 2025

Velocis Systems Pvt. Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Fund-based Limits/ Cash Credit	75.00	75.00	[ICRA]A- (Stable); Reaffirmed
Short-term/Non-fund Based Limits	90.00	90.00	[ICRA]A2+; Reaffirmed
Total	**165.00**	**165.00**	

**Instrument details are provided in Annexure-1*

Rationale

The ratings reaffirmation for Velocis Systems Pvt. Limited (VSPL/the company) factors in the significant experience of VSPL's promoters and its established track record in the IT industry, coupled with its healthy relationships with customers and suppliers, particularly CISCO Systems. The ratings also consider the company's pan India presence, and diversified and reputed client base, which is expected to help generate repeat business from its clients. ICRA also notes the significant increase in the company's scale, which is expected to sustain on account of healthy revenue visibility and the company's efforts to diversify its revenue streams. During FY2019-FY2024, VSPL's revenue has rose at a CAGR of over ~20%. In FY2024, VSPL achieved a robust ~28% growth in revenues over the previous fiscal. The revenue growth is expected to continue in the current fiscal as well, albeit at a slower pace. Along with the revenue growth, the operating profit margins (OPM) have also improved in FY2024 and 9M FY2025 owing to improving share of the services business, which is more margin accretive compared to the hardware installation business. Further, a healthy order book position amid diversifying revenue streams is expected to support VSPL's earnings, going forward. This apart, the company's recent foray into the cloud managed service augurs well for its business prospects.

The rating strengths are partially offset by VSPL's modest margin profile, which is inherent in the industry. However, VSPL's margins have improved consistently in the recent past owing to the operating leverage benefits and increasing share of services business. The ratings are also constrained by the working capital intensive nature of the business, which results in dependence on external funding, which may increase with further expansion in the company's scale. The company also remains exposed to competition from other players.

The Stable outlook on the [ICRA]A- rating reflects ICRA's opinion that VSPL will continue to benefit from its established relationships with OEMs, particularly CISCO and distributors, along with its healthy revenue visibility on the back of stable demand of networking infrastructure.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in the IT industry – The company has a successful track record of more than two decades. Established in 1995, it benefits from its long relationships with original equipment manufacturers (OEM) such as CISCO, HP and Dell, Palo Alto, AWS, and Microsoft. VSPL has been associated with CISCO since 2006, given OEM's market leadership in network infrastructure equipment.

Strong order book leading to healthy revenue visibility amid diversifying revenue streams – VSPL has a strong order book of ~Rs. 630 crore (as of December 2024), which provides healthy revenue visibility over the near-to-medium term. Demand scenario for networking infrastructure is stable. Along with VSPL's core system integration business, the company is focusing on growing its service business, which is more margin accretive. This apart, the company has recently been empanelled as the Managed Service Provider (MSP) for Amazon Web Services (AWS), which will open up another revenue stream for the company's cloud vertical. To grow further, the company is targeting new data centres, which may have hardware, software, support and maintenance requirements and provide another avenue for the company to scale up its business. This coupled with healthy order book (owing to repeat orders from existing clients) and regular onboarding of fresh customers, the revenue visibility for the company in near to medium term remains strong.

Pan India presence and diversified client base – The company caters to the demand across India through its offices at eight cities. It also has a branch in Singapore. VSPL has been able to successfully increase its clientele and order flow over the years. It has more than 500 customers from both the public as well as the private sectors. A strong market position of its key OEMs also enables VSPL to garner reputed clients.

Improving profitability – VSPL has a modest margin-accretive business, given the limited value addition nature of its operations. However, it has witnessed improving profitability levels, reflecting in an OPM of 4.6% in FY2024 against 3.8% in FY2023. The OPM has improved further to 5.6% in 9M FY2025. The consistent improvement in margins is largely due to operating leverage benefits as its scale has grown significantly since FY2022. Further, there has been an increase in the service income during the above-mentioned period, which is a margin accretive business compared to the hardware installation business. The combined share of service income to the total revenue has increased from 25.6% in FY2023 to 27% in FY2024 and further to 29.8% in 9M FY2025.

Credit challenges

Working capital nature of operations – VSPL's business is working capital intensive in nature with a moderately high debtor cycle. Generally, in this industry, the inventory and receivables are funded by creditors. For VSPL, the funding is largely made through interest-free credit extended by CISCO-backed bill discounting, working capital debt and credit period extended by other suppliers.

Intense competition in the business –The competition remains high in the system integration business, particularly in the segment where VSPL operates. Limited pricing flexibility, coupled with the nature of the business, keeps the operating margins thin. Nevertheless, the company is present in the value-added services business, through which it has been able to garner higher operating margins. Even in VSPL's other businesses, the competition is high, resulting in variability of business and profitability.

Dependence on working capital debt and supplier funding – The working capital intensive nature of VSPL's operations keeps it dependent on external funding. Thus, in line with the business scale-up, VSPL's debt levels have been rising. However, with a consistent increase in the net worth to Rs. 166.2 crore in FY2024 and Rs. 224.8 crore in 9M FY2025 and increasing profitability, its TD/OPBDITA and TOL/TNW improved to 3.6 times and 2.8 times, as on December 31, 2024, respectively. ICRA notes the presence of unearned revenues, which are part of the company's current liabilities and contribute to its Total Outside Liabilities (TOL). Nevertheless, VSPL's interest coverage ratio and Debt Service Coverage Ratio (DSCR) remained comfortable at 10.1 times and 11.7 times, respectively in 9M FY2025. Improvement in leverage metrics, in line with the earnings growth, remains crucial, going forward.

Liquidity position: Adequate

VSPL has adequate liquidity with healthy unencumbered cash surplus of ~Rs. 50 crore (as on December 31, 2024). The liquidity is further aided by the cushion in the working capital limits against the drawing power, which stood at ~Rs. 61 crore as of December 2024. The company had an average utilisation of ~51% in the last 12 months ending in February 2025, providing sufficient cushion for liquidity. The capex requirements are being funded through internal accruals and there are no scheduled repayments, which further lend comfort to the overall liquidity of the company.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if VSPL demonstrates a sustained increase in revenues and profitability, leading to an improvement in credit metrics and liquidity.

Negative factors – ICRA could downgrade the ratings in case of a sustained decline in revenue and profitability, leading to a reduction in cash accruals. The ratings may also be downgraded if weakening of working capital intensity results in a weakened liquidity position, or the interest coverage ratio falls below 5.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Velocis Systems Private Limited was incorporated in 1995 by Mr. Atul Bansal and Mr. Rishi Kumar Malhotra. Its registered office is in Okhla Industrial Area, New Delhi. The company is involved in three different businesses, i.e., system integration services (hardware trading), information technology (IT) solutions and software services, as well as managed services. VSPL's technology partners include CISCO, HP, Dell, Acer, Palo Alto, AWS, and Microsoft, etc. Its clientele includes reputed names such as L&T, DBS Bank, Amazon, Airtel etc. VSPL caters to the demand across the country, from its offices in Noida, New Delhi, Gurugram, Ahmedabad, Mumbai, Chennai, Bengaluru and Pune.

Key financial indicators (audited)

VSPL Standalone	FY2023	FY2024	9M FY2025*
Operating income	1,061.4	1,368.0	1,021.0
PAT	32.3	49.5	58.6
OPBDIT/OI	3.8%	4.6%	5.6%
PAT/OI	3.0%	3.6%	5.7%
Total outside liabilities/Tangible net worth (times)	4.3	3.3	2.8
Total debt/OPBDIT (times)	5.9	3.3	3.6
Interest coverage (times)	11.1	10.6	10.1

*Source: Company, ICRA Research; Amount in Rs. Crore; *Provisional*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

			Current rating (FY2026)	Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Apr 03, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based Limits/ Cash Credit	Long-term	75.00	[ICRA]A- (Stable)	Feb 21, 2024	[ICRA]A- (Stable)	Dec 05, 2022	[ICRA]BBB+ (Stable)	Sep 30, 2021	[ICRA]BBB+ (Stable)
Non-fund Based Limits	Short term	90.00	[ICRA]A2+	Feb 21, 2024	[ICRA]A2+	Dec 05, 2022	[ICRA]A2	Sep 30, 2021	[ICRA]A2

Complexity level of the rated instrument

Instrument	Complexity indicator
Fund-based Limits/ Cash Credit	Simple
Non-fund Based Limits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance/ Sanction	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Fund-based Limits/ Cash Credit**	NA	NA	NA	75.00	[ICRA]A- (Stable)
NA	**Non-fund Based Limits**	NA	NA	NA	90.00	[ICRA]A2+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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