

Innovision Limited

April 05, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	24.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	13.50	CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable/ A Three)	Reaffirmed
Short Term Bank Facilities	4.50	CARE A3 (A Three)	Reaffirmed
Total Bank Facilities	42.00 (Rs. Forty-Two Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Innovision Limited (IL) continue to derive strength from the experienced promoters and management team, PAN India presence with diversified clientele, diversified revenue stream and moderate financial risk profile marked by growing scale of operations, moderate profitability margins, capital structure and debt service coverage indicators. The ratings also draw comfort from backward Integration for skill business and adequate liquidity position.

The ratings, however, continue to remain constrained by delay in realization of receivables, dependence on availability of requisite manpower and competition from organized and unorganized players.

Rating Sensitivities

Positive Factors

- Increase in the total operating income of the company above Rs.300 crore on sustained basis.
- Improvement in profitability margins as marked by PBILDT and PAT margins above 12% and 6% respectively on a sustained basis

Negative Factors

- Any incremental borrowings leading to deterioration in capital structure as marked by overall gearing ratio of above 1.50x on a sustained basis.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team

IL was incorporated in 2007 and has a track record of around a decade in services sector. The company is currently being managed by Mr. Randeep Hundal, Mr. Surendra Kumar Balwal and Mr. Uday Pal Singh. All the directors are post graduates by qualification and have an experience of a decade in the manpower industry through their association with IL. The company is well supported by qualified management team.

PAN India presence with diversified clientele

The company has its presence in PAN India with 50 branches. IL also serves a large clientele base with over 500 customers deploying 17000 employees across the country. The company is having a diversified customer base from various sectors including retail, IT/BPO's, event management, healthcare, infrastructure, IT, banking and hospitality. The entity is catering to a diversified set of customers, who poses respectable position in the industry, which reduces the counter party risk for the company to a large extent.

Diversified revenue stream and Backward Integration for skill business

The company has three verticals for generating revenue primarily toll collection, skill development and security services. Being diversified business profile the company does not have an excessive dependence on any single revenue source, which in turn stabilize their financial position, and thereby reduces the risk of financial vulnerability arises to any particular segment / sector in near future.

The company required huge manpower for its security division, which are being met by the skills development business. As under the skills development programme, the company has responsibility of providing placement to the trained candidate, which are in turn absorbed by its security division. This enables the company to earn income on the training of the manpower and also provide ready skilled workforce for its security division.

Growing scale of operations

The scale of operation of the company have increased marked by total operating income and gross cash accruals of Rs. 205.33 crores and Rs. 12.73 crores respectively in FY20 as against Rs. 166.62 Crores and Rs.12.61 Crores respectively in FY19. The improvement in income from operations from Rs. 104.71 crore in FY18 to Rs. 205.33 crore in FY20 was primarily on account of additional new clients and extension of services. The company reported a CAGR of around 40 percent for the past three years ending March 31, 2020. The growth was derived on account of diversification of business from security services to Toll management and skill development services. Done by the company during the past three years. It is expected that the company is going to report decline in total operating income in FY21 on account of lower revenue reported from Toll management and skill development services segments. The decline in total operating income will be a key monitorable factor from analytical aspects.

Moderate financial risk profile

The capital structure of the company stood moderate as marked by debt-equity and overall gearing ratio of 0.45x and 1.15x respectively as on March 31, 2020 as against 1.07x and 3.32x respectively as on March 31, 2019. The improvement in the gearing was on account of repayment of debt obligations of the company coupled with increase in net worth base due to retention of profit. The company is having sanctioned working capital limits of Rs.24.00 crore, which are further backed by cash and equivalent (Fixed Deposit) of Rs.19.05 crore, thereby resulting in net working capital limit of Rs.4.95 crore. If the same has been adjusted, the gearing will further improve to xx times

The profitability margins of the company has remained moderate for the last three financial years i.e. FY18-FY20 owing to diversified revenue stream couple with medium term contracts with few of its customers which provides stable revenue model to the company. The PBILDT margin of the company stood at 7.35% in FY20 as against 8.61% in FY19. The moderation in the PBILDT margin was on account of increase in overhead cost and toll collection expenses. Also, PAT margin stood moderate and increased from 3.19% in FY19 to 3.63% in FY20. The marginal increase in the same was on account of decline in depreciation costs of the company.

Further, owing to moderate profitability level and decline in debt level of the company, the coverage indicators stood moderate marked by interest coverage and total debt to GCA of 3.76 times and 2.58 times respectively for FY20 as against 3.01 times and 2.46 times, respectively for FY19. The adjusted total debt to gross cash accruals improved further and stood at 0.46 times for FY20. Furthermore,

During 11MFY21 (Provisional results: refer to the period from April 01 to February 28), the company has achieved total operating income of Rs. 143.40 crore in 11MFY21. Further, the PBILDT and PAT margin stood at 7.50% and 4.53% respectively. The interest coverage ratio and total debt to GCA stood at 3.19x and 5.16x respectively as on December 31, 2020. Further, Debtors outstanding as on February 28, 2021 stood at Rs. 37.31 crore which include Rs. 30.87 crore of debtors less than 90 days and Rs. 6.44 crore of debtors more than 90 days respectively.

Key Rating Weaknesses

Delay in realization of receivables

Total receivables increased from Rs 34.45 crore as on 31st Mar 2019 to Rs 37.06 crore as on March 31, 2020 with increasing scale of operations. Debtors more than 180 days arise on account of delays in payments from government departments due to procedural matters. However despite of high receivable period, no bad debts or provisions have been made in the past 2 years and the company expects to receive payments from these debtors in timely manner.

Dependence on availability of requisite manpower

The company's services are totally dependent on availability of the requisite manpower. Given the high attrition rate in this industry; staffing of sufficient manpower remains key challenge. Further, the manpower and staffing services provided by "Innovision Limited" are labour intensive in nature. The company had a total workforce of over 19,000 employees as on February 28, 2021. The ability of the company to scale up its operations is thus dependent upon availability and retention of requisite manpower. Any issues with regards to availability of workforce may constrain the relationship with the client and also impact revenue and profitability.

Competition from organized and unorganized players

The Indian Security Service Industry comprises of few organized players and large number of unorganized players. Though the gap between the pricing of organized and unorganized players remains a key challenge for the industry, large corporate are increasingly preferring reputed and organized security solutions provider. With the increasing number of domestic and foreign security agencies operating in the country, the Government of India (GoI) felt the need for regulating the industry and passed 'Private Security Agencies Regulation Act' (PSARA) in 2005. With presence of various players, IL has limited bargaining power which exerts pressure on its margins.

Liquidity: Adequate

IL has adequate liquidity characterized by expected cash accruals of around Rs.7.16 crore during FY21 against which it had repayment obligations of Rs. 3.33 crore in FY21. The company had unencumbered cash balance of around Rs.2.15 crore as on February 28, 2021 (Rs.5.40 crore as on March 31, 2020). The average unused limits in fund-based facilities to the extent of 20% which will enable the company to meet any fluctuations in cash flows in any adverse market scenarios. Further, IL has moderate liquidity ratio marked by current ratio of 1.34x as on March 31, 2020.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology – Service Sector Companies](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

Gurugram, Haryana based Innovision Limited (IL) was incorporated in January 2007. The company is currently being managed by Mr. Randeep Hundal, Mr. Surendra Kumar Balwal and Mr. Uday Pal Singh. The company provides security services (manned and electronic), facilities management (technical and non- technical), manpower sourcing and HR solutions, skills development services and toll collection. The company has its presence through more than 50 offices all over India and over 17,000 employees are deployed across the country catering to more than 500 clients and the employees are on the payroll of the company.

The company provides skill development training programmes to youth for government agencies such as National Skill Development Corporation and Deen Dayal Upadhyaya Grameen Kaushalya Yojana. Post training the manpower are placed in-house which helps the company meet its workforce requirements.

Moreover, it is engaged in toll collection on contractual based (under the toll road allotted by tender process by NHAI) with its projects in states namely Rajasthan etc.

(Rs. in crore)

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	FY20 (A)
Total operating income	104.71	166.62	205.33
PBILDT	8.19	14.35	15.09
PAT	1.38	5.32	7.46
Overall gearing (times)	4.11	3.32	1.34
Interest coverage (times)	2.04	3.01	3.58

A: Audited

Status of non-cooperation with previous CRA: Acuite (SMERA) had put its ratings under 'ISSUER NOT COOPERATING' category vide press release dated November 06, 2020.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	24.00	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	4.50	CARE A3
Fund-based/Non-fund-based-LT/ST	-	-	-	13.50	CARE BBB-; Stable / CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	24.00	CARE BBB-; Stable	1)CARE BBB-; Stable (02-Nov-20)	1)CARE BBB-; Stable (17-Oct-19)	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	4.50	CARE A3	1)CARE A3 (02-Nov-20)	1)CARE A3 (17-Oct-19)	-	-
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	13.50	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (02-Nov-20)	1)CARE BBB-; Stable / CARE A3 (17-Oct-19)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based/Non-fund-based-LT/ST	Simple
3.	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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