Innovision Limited

October 07, 2022

Ratings

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	28.45	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	3.55 (Reduced from 6.55)	CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Reaffirmed
Short Term Bank Facilities	10.00 (Enhanced from 7.00)	CARE A3 (A Three)	Reaffirmed
Total Facilities	**42.00 (₹ 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 draw comfort from the experienced promoters coupled with long track record of operations, PAN India presence with diversified clientele, diversified revenue stream and backward integration for skill business. The ratings, further continue to derive strength from moderate profitability margins, comfortable capital structure and moderate debt coverage indicators. The ratings, however, continue to remain constrained by its modest and fluctuating scale of operations, delay in realization of receivables, dependence on availability of requisite manpower and competition from organized and unorganized players.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Consistent improvement in scale of operations as marked by total operating income of above Rs.350.00 crore on sustained basis.
- Improvement in profitability margins as marked by PBILDT and PAT margin above 11.00% and 7.00% respectively.
- Improvement in debt coverage indicators as marked by interest coverage ratio of above 6.00x.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Any significant deterioration in the capital structure of the company as marked by overall gearing ratio of above 1.50x.
- Decline in scale of operations by more than 20% from envisaged level and decline in profitability margins as marked by PBILDT and PAT margin below 5.00% and 3.00% respectively on sustained basis.
- Inordinate delays in the timely realization of its long pending receivables.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters coupled with long track record of operations: IL was incorporated in 2007 and has a track record of more than a decade in manpower sector. The company is currently being managed by Mr. Randeep Hundal, Mr. Surendra Kumar Balwal and Mr. Uday Pal Singh. All of them are post graduates by qualification and holds experience of more than a decade in the manpower industry through their association with IL. Further, they are also assisted by a team of qualified managerial personnel and technical team having considerable experience in the industry. These long-standing promoters experience and expertise in the industry has enabled the company to establish healthy relationship with its customers.

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 17,000 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 security services, toll collection and skill development services. Being diversified business profile the company

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE publications

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 requires 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.

Moderate profitability margins: The profitability margins of the company have remained moderate for the last three financial years i.e. FY20-FY22 owing to better realization of fixed cost coupled with the stable revenue model due to increase in client acquisition. Moreover, the skills development vertical of the company generally fetches better margins as compared to its security business. PBILDT margin of the company stood at 5.68% in FY22 (prov.) as against 6.99% in FY21. The slight deterioration in the PBILDT margin was mainly on account of decline in the proportion of revenue generation from skills development and toll management business of its total operating income owing to COVID-19 impact and farmers protest. Further, in line with PBILDT margin, PAT margin also declined and stood at 3.12% in FY22 (prov.) as against 3.38% in FY21. Further, PBILDT margin is expected to improve and remain range-bound between 11%-12% in the projected period owing to expected increase in the proportion of its revenue generation from skills development business.

Comfortable capital structure and moderate debt coverage indicators: As on March 31, 2022 (prov.), the debt profile of the company comprises of working capital demand loan of Rs.1.13 crore, vehicle loan of Rs.0.95 crore, LAP of Rs.1.97 crore, GECL loan of Rs.5.10 crore, unsecured loans from banks & financial institutions of Rs.1.38 crore working capital bank borrowings of Rs.23.03 crore. The company has cash and cash equivalents (fixed deposit) of Rs.20.44 crore resulting in net debt amount of Rs.13.12 crore as on March 31, 2022. Adjusted overall gearing ratio stood at 0.40x as on March 31, 2022 (prov.) showing improvement from 0.49x as on March 31, 2021 mainly on account of repayments of loan coupled with accretion of profit to net reserves. Further, the debt levels are expected to increase marginally in the projected period as company has proposed enhancement in its working capital limits to support its growing scale of operations. However, despite increase in debt levels, gearing is expected to remain comfortable in the near to medium term.
Further, the debt coverage indicators of the company also improved and stood moderate as marked by interest coverage ratio and total debt to GCA which stood at 3.41x and 1.79x respectively, during FY22 (prov.) as against 2.38x and 1.96x respectively, during FY21. The improvement in interest coverage ratio is on the back of increase in PBILDT owing to increase in its scale of operations coupled with low finance cost, consequently leading to higher gross cash accruals. During the projected period, the same are expected to remain comfortable in the near to medium term owing to improvement in its profitability margins.

Key Rating Weaknesses

Modest and fluctuating scale of operations: IL's scale of operations continues to remain modest as evident from total operating income (TOI) of Rs.211.08 crore and gross cash accruals of Rs.7.34 crore respectively, during FY22 (FY refers to the period April 1 to March 31; based on provisional results) as against Rs.162.60 crore and Rs.6.50 crore respectively, during FY21. Nevertheless, the scale remains modest, it limits the company's financial flexibility in times of stress and deprives it of scale benefits. Moreover, IL's scale of operations remained fluctuating for the period FY20-FY22 (refers to the period April 1 to March 31). TOI declined in FY21 over FY20 and thereafter registered improvement in FY22 reflecting a growth rate of 29.82% on account of increased business with existing clients coupled with addition of new client base. Further, the company has achieved total operating income of Rs.109.73 crore during 5MFY23 (refers to the period from April 1, 2022 to August 31, 2022; based on provisional results) and is expected to clocked revenue of Rs. 346.63 crore in FY23 as envisaged on account of addition of new clients coupled with revamp of the skill development business.

Delay in realization of receivables: Total receivables increased from Rs.39.52 crore as on March 31, 2021 to Rs.46.28 crore as on March 31, 2022 (Prov.). Further, debtors more than 180 days stood at Rs.15.36 crore as on August 31, 2022 as against Rs.15.25 crore as on March 31, 2022. 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 around 17,000 employees as on August 31, 2022. 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 may also impact its 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 corporates 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. Further, its margins are also dependent on the scalability of revenue generation from skills development and toll management business.

Liquidity: Adequate
The liquidity position of the company remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company has reported gross cash accruals to the extent of Rs.7.34 crore during FY22 and is expected to generate envisage GCA of Rs.26.12 crore for FY23 against repayment obligations of Rs.3.91 crore. Further, company's liquidity profile is also supported by cash and bank balances which stood at Rs.1.66 crore as on March 31, 2022. 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.20.44 crore, thereby resulting in net working capital limit of Rs.3.56 crore. However, the average utilization of its working capital limits stood around 95% for the past 12 month's period ending August, 2022 and having debtors more than six months to the tune of Rs.15.25 crore.

Analytical approach: Standalone

Applicable Criteria
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Service Sector Companies

About the Company
Gurugram, Haryana based Innovision Limited (IL) was incorporated in January 2007. The company is currently being manged by Mr. Randeep Hundal, Mr. Surendra Kumar Baliwal 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 around 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 (NSDC) and Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY). Post training, the manpower is placed in-house which helps the company to meet its workforce requirements. Moreover, it is also engaged in toll collection on contractual based (under the toll road allotted by tender process by NHAI). The company is currently undertaking toll collection projects in states of Chhattisgarh and Meghalaya.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (Prov.)	5MFY23*
Total operating income	162.60	211.08	109.73
PBILDT	11.36	11.98	NA
PAT	5.50	6.59	NA
Overall gearing (times)	1.17	1.03	NA
Interest coverage (times)	2.38	3.41	NA

A: Audited; Prov.: Provisional; NA: Not Available
**refers to the period from April 1, 2022 to August 31, 2022.*

Status of non-cooperation with previous CRA: Acuite (SMERA) Ratings has conducted the review and has maintained Innovision Limited as "Not Cooperating" vide its press release dated February 3, 2022.

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure- 4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	24.00	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	10.00	CARE A3
Fund-based/Non-fund-based-LT/ST		-	-	-	3.55	CARE BBB-; Stable / CARE A3
Fund-based - LT-Term Loan		-	-	December, 2026	4.45	CARE BBB-; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	24.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (25-Nov-21) 2)CARE BBB-; Stable (05-Apr-21)	1)CARE BBB-; Stable (02-Nov-20)	1)CARE BBB-; Stable (17-Oct-19)
2	Non-fund-based - ST-Bank Guarantee	ST	10.00	CARE A3	-	1)CARE A3 (25-Nov-21) 2)CARE A3 (05-Apr-21)	1)CARE A3 (02-Nov-20)	1)CARE A3 (17-Oct-19)
3	Fund-based/Non-fund-based-LT/ST	LT/ST*	3.55	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (25-Nov-21) 2)CARE BBB-; Stable / CARE A3 (05-Apr-21)	1)CARE BBB-; Stable / CARE A3 (02-Nov-20)	1)CARE BBB-; Stable / CARE A3 (17-Oct-19)
4	Fund-based - LT-Term Loan	LT	4.45	CARE BBB-; Stable	-	1)CARE BBB-; Stable (25-Nov-21)	-	-

*Long term/Short term.

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 Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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