

Innovision Limited

October 03, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	27.00 (Reduced from 28.45)	CARE BBB-; Positive	Reaffirmed; Outlook revised from Stable
Long Term / Short Term Bank Facilities	5.00 (Enhanced from 3.55)	CARE BBB-; Positive / CARE A3	Reaffirmed; Outlook revised from Stable
Long Term / Short Term Bank Facilities	10.00	CARE BBB-; Positive / CARE A3	Revised from CARE A3*

Details of instruments/facilities in Annexure-1.

*Reclassification of bank facilities from Short Term to Long Term / Short Term

Rationale and 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 albeit growing scale of operations, delay in realization of receivables, dependence on availability of requisite manpower and competition from organized and unorganized players.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistent improvement in scale of operations as marked by total operating income of above Rs.500.00 crore on sustained basis.
- Improvement in profitability margins as marked by PBILDT margin above 5.50% respectively.
- Improvement in debt coverage indicators as marked by interest coverage ratio of above 5.50x.

Negative factors

- 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 2.00% respectively on sustained basis.
- Inordinate delays in the timely realization of its long pending receivables.

Analytical approach: Standalone

Outlook: Positive

CARE has revised the outlook of IL from 'Stable' to 'Positive' with the expectation of improvement in the financial risk profile of the company marked by growth in its scale of operations and steady improvement in its profitability margins along with comfortable capital structure. The outlook, however, may be revised to 'Stable' if the company is unable to ramp up the scale as envisaged or there is a sizable decline in IL's profitability or any adverse impact on its capital structure and debt coverage indicators due to large size acquisition/capex or any other event.

Detailed description of the key rating drivers:

Key strengths

Experienced promoters coupled with long track record of operations: IL was incorporated in 2007 and has been in service industry for more than one and a half decade. The company is currently being managed by Mr. Randeep Hundal, Mr. Uday Pal Singh and Mr. Gurpal Singh. All of them are post graduates by qualification and holds an 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 a 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.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

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 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. FY21-FY23 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 improved and stood at 5.82% in FY23 (prov.) as against 5.09% in FY22. The improvement in the PBILDT margin was on account of increase in the proportion of revenue generation from skills development vertical which generally fetches better margin. Further, in line with PBILDT margin, PAT margin also improved and stood at 3.29% in FY23 (prov.) as against 3.14% in FY22 on account of capital gain from the liquidation of investments. Going forward, PBILDT margin is expected to remain range-bound between 5%-6% in the projected period.

Comfortable capital structure and moderate debt coverage indicators: As on March 31, 2023 (prov.), the debt profile of the company comprises of vehicle loan of Rs.0.76 crore, LAP of Rs.1.94 crore, GECL loan of Rs.3.63 crore, unsecured loans from banks & financial institutions of Rs.2.28 crore, unsecured loans from directors of Rs.2.49 crore and working capital bank borrowings of Rs.21.55 crore against tangible net worth of Rs.41.09 crores. The company has cash and cash equivalents (fixed deposit) of Rs.20.44 crore resulting in net debt amount of Rs.12.20 crore as on March 31, 2023. Adjusted overall gearing ratio stood at 0.30x as on March 31, 2023 (prov.) showing improvement from 0.40x as on March 31, 2022 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 incremental growth. However, despite increase in debt levels, the adjusted overall gearing is expected to remain comfortable in the near to medium term.

Further, on account of moderate profitability margins and limited debt levels, the debt coverage indicators of the company continue to remain moderate as marked by interest coverage ratio and total debt to GCA which stood at 2.90x and 1.34x respectively, during FY23 (prov.) as against 3.04x and 1.79x respectively, during FY22. The improvement in total debt/ GCA is on the back of increase in PBILDT leading to increase in gross cash accruals. During the projected period, the coverage indicators are expected to remain moderate in the near to medium term owing to limited debt levels leading to lower interest cost.

Key weaknesses

Modest albeit growing scale of operations: IL's scale of operations continues to remain modest as marked by total operating income (TOI) of Rs.255.54 crore and gross cash accruals (GCA) of Rs.9.10 crore respectively, during FY23 (FY refers to the period April 1 to March 31; based on provisional results) as against Rs.209.77 crore and Rs.7.34 crore respectively, during FY22. Nevertheless, the scale remains modest, it limits the company's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the IL's scale of operations has been on a growing trend registering a compounded annual growth rate (CAGR) of about 25.87% during (FY21-23). The increase in TOI is primarily 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.81.13 crore during 4MFY24 (refers to the period from April 1, 2023 to July 31, 2023; based on provisional results) and is projecting expected turnover of ~Rs.503.02 crore for FY24.

Delay in realization of receivables: Total receivables increased from Rs.46.28 crore as on March 31, 2022 to Rs.56.18 crore as on March 31, 2023 (Prov.). However, debtors more than 180 days improved and stood at Rs.13.48 crore as on July 31, 2023 as against Rs.16.22 crore as on March 31, 2023. The 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 primarily government departments in timely manner.

Dependence on availability of requisite manpower: The company's services are totally dependent on availability of the requisite manpower. The industry is always facing high attrition and staffing of sufficient manpower remains a 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, 2023. The ability of the company to scale up its operations is thus dependent upon availability and retention of requisite manpower. Any challenges with regards to availability of workforce may constrain the relationship with the client and 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.

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 net cash accruals (NCA) to the extent of Rs.9.10 crore during FY23 and is expected to generate envisage NCA of Rs.16.42 crore for FY24 against repayment obligations of Rs.2.31 crore in same year. Further, company's liquidity profile is also supported by cash and bank balances which stood at Rs.1.82 crore as on March 31, 2023. 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 July, 2023 and having debtors more than six months to the tune of Rs.13.48 crore as on July 31, 2023.

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 and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Other Consumer Services

Gurugram, Haryana based Innovision Limited (IL) was incorporated in January, 2007. The company is currently being managed by Mr. Randeep Hundal, Mr. Uday Pal Singh and Mr. Gural 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 Uttar Pradesh and Haryana.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (Prov.)	4MFY24*
Total operating income	209.77	255.54	81.13
PBILDT	10.68	14.88	NA
PAT	6.59	8.42	NA
Overall gearing (times)	1.03	0.79	NA
Interest coverage (times)	3.04	2.90	NA

A: Audited; Prov.: Provisional; NA: Not Available; Note: 'the above results are latest financial results available'
*refers to the period from April 1, 2023 to July 31, 2023.

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 May 3, 2023.

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

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-; Positive
Fund-based - LT-Term Loan		-	-	December, 2026	3.00	CARE BBB-; Positive
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	10.00	CARE BBB-; Positive / CARE A3
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	5.00	CARE BBB-; Positive / CARE A3

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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	24.00	CARE BBB-; Positive	-	1)CARE BBB-; Stable (07-Oct-22)	1)CARE BBB-; Stable (25-Nov-21) 2)CARE BBB-; Stable	1)CARE BBB-; Stable (02-Nov-20)

							(05-Apr-21)	
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	10.00	CARE BBB-; Positive / CARE A3	-	1)CARE A3 (07-Oct-22)	1)CARE A3 (25-Nov-21) 2)CARE A3 (05-Apr-21)	1)CARE A3 (02-Nov-20)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	5.00	CARE BBB-; Positive / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (07-Oct-22)	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)
4	Fund-based - LT-Term Loan	LT	3.00	CARE BBB-; Positive	-	1)CARE BBB-; Stable (07-Oct-22)	1)CARE BBB-; Stable (25-Nov-21)	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instrument/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings 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.

Contact us

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About us:

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