

## Injo Technical Services

March 23 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	8.09	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.25	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>8.34 (Rs. Eight Crore and Thirty-Four Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Injo Technical Services to monitor the rating(s) vide e-mail communications/letters dated March 03, 2022, February 28,2022, and February 25,2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Injo Technical Services's bank facilities will now be denoted as **CARE BB-, Stable/CARE A4; ISSUER NOT COOPERATING\***.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

### Rating Sensitivities

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

- Sustained improvement in total operating income above Rs.40 crore
- Improvement in total outside liabilities/total net worth (TOL/TNW) ratio below 1.00x on sustained basis
- Improved collection efficiency on sustained basis

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

- Deterioration in total debt to GCA beyond 4.00x on sustained basis
- Inordinate delay in execution and stabilization of project
- Deterioration in liquidity position marked by accumulation of debtors

### Detailed description of the key rating drivers

*At the time of last rating on April 05, 2021 the following were the rating strengths and weaknesses*

### Key Rating Weaknesses

#### Small scale of operations with moderate capitalization

Despite track record of nearly three decades in the industry, the scale of operation of ITS is small as reflected by total operating income of Rs.20.02 crore and total capital employed was at Rs.16.45 crore as on March 31, 2020. The revenues of the company have witnessed the CAGR of 22.28% during last three years ended FY20 on the back of improved order execution. The small size restricts the financial flexibility of the company in times of stress. The operations of the company were halted for two months due to COVID-19 induced lockdown for the period of April and May,2020. However, the operations were resumed in the month of July, 2020.As indicated by management, the firm has booked the revenue of ~Rs.22.86 crore during the period July 2020-March 2021.

#### Moderate capital structure

The low net worth base against moderate debt profile resulted in moderate capital structure with an overall gearing of 1.06x as on March 31, 2020 (as against 0.83x as on March 31, 2019).Further, total outside liabilities to total Net worth ratio stood at 1.54x as on March 31,2020(as against 1.26x as on March 31,2019).The capital structure of the company deteriorated as on March 31, 2020 and continues to remain moderate with additional debts availed during the year.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Project implementation and stabilization risk**

ITS is planning to purchase advanced machineries amounting to Rs.2 crore in order to improve its testing capabilities. The said machineries will be funded in debt to equity ratio of 3:1. As on March 30, 2021, ITS has not incurred any cost towards the project and financial closure is pending. Timely completion of the project undertaken within estimated cost and generation of envisaged returns through the same will be crucial.

**Presence in competitive industry ITS is engaged in providing testing and inspection services to various end user industries.**

The industry is characterized by high competitive intensity owing to presence of large number of service providers in the country. The market is dominated by few large players limiting the scope for margin expansion. However, requirement of technically skilled workforce acts as an entry barrier to some extent.

**Constitution as a proprietorship firm limiting financial flexibility**

The proprietorship nature of business limits the financial flexibility of the entity. Being a proprietorship firm, ITS is exposed to the risk of withdrawal of capital by proprietor due to personal exigencies, dissolution of firm due to retirement or death of proprietor, restricted financial flexibility due to inability to explore cheaper sources of finance leading to limited growth potential and lack of succession planning. This also limits the firm's ability to meet any financial exigencies.

**Key Rating Strengths****Experienced promoters**

ITS possesses track record of more than two and a half decade in the providing testing services. The proprietor of the firm Mr. Nitin Ingale has an experience of more than two decades in providing testing services to clients through ITS. Extensive experience of the promoter and experienced professionals helps ITS in strategic planning and execution of the projects.

**Comfortable profitability and debt coverage indicators**

The PBILD and PAT margins of the firm have remained comfortable in the range of 17-20% and 6-8% during the last three years ending on FY20. Profitability margins derive comfort from better control over the indirect expenses during the period. Further, on account of comfortable profitability, the debt coverage indicators also stood comfortable with total debt to GCA of 2.94x and interest coverage of 3.78x in FY20.

**Association with established clients from diversified sectors**

With the promoters' extensive industry experience coupled with marketing effort, the firm has been able to establish strong relationship with its customers. ITS's major customers include established companies from various industry segments such as electrical, steel & heavy manufacturing, oil and gas etc. Because of the reputed clientele, the credit risk remains low. ITS has been able to get repeat orders from these clients, while the receipt of sales proceeds from this clientele had been regular.

**Liquidity -Stretched**

Liquidity position of the ITS is stretched characterized by high utilization of bank limits at 90% during last twelve months ended in Feb 28, 2021 and modest cash and bank balance Rs.0.05 Crore as on March 31, 2020. However the GCA in FY22 is expected to be in range of Rs.3-3.5 crore which is sufficient to cover repayment obligations for FY22. Furthermore, the firm has availed moratorium for the period of 6 months from March to August 2020 for interest and principal repayments of term loan account as per Covid-19 Regulatory Package announced by RBI and covid-19 assistance loans amounting to Rs.1.27 crore. The gross current asset days of the firm stood at 132 days as at the end of FY20 with major funds blocked with debtors. Moreover, due to experienced promoters and good relationship, the firm has been able to receive credit period of around one to two months.

**Analytical approach:** Standalone

**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

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

[CARE's Methodology for Services Sector Companies](#)

**About the Company**

Established in 1991, Pune based Injo Technical services (ITS) is a proprietorship firm established by Mr. Nitin Ingale and is managed and supported by experienced professionals and management. ITS is engaged in the business of providing Industrial Equipment testing, Digital CR Radiography Services, Helium Leak Testing Service & Industrial Radiography Service which finds its utility in various industry segments such as electrical, steel & heavy manufacturing organization. Furthermore, these also hold their usage in solvents, paints, petroleum, oil and gas firms. ITS also serve to reputed clients such as HEMRL (High Energy Materials Research Laboratory), Mather & Plant – RT, and Sealol, Intervolve – RT, UT on annual contract basis.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	9MFY22
Total operating income	16.11	20.02	NA
PBILDT	2.81	3.91	
PAT	1.01	1.53	
Overall gearing (times)	0.83	1.06	
Interest coverage (times)	4.00	3.78	

A: Audited

**Status of non-cooperation with previous CRA: NIL****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	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	-	4.79	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	3.30	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	0.25	CARE A4; ISSUER NOT COOPERATING*

**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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	4.79	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (16-Apr-21)	-	-	-
2	Fund-based - LT-Cash Credit	LT	3.30	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (16-Apr-21)	-	-	-
3	Non-fund-based - ST-Bank Guarantee	ST	0.25	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (16-Apr-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	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.

## Contact us

### Media Contact

Name: Mradul Mishra  
Contact no.: +91-22-6754 3573  
Email ID: mradul.mishra@careedge.in

### Analyst Contact

Name: Parijat Sinha  
Contact no.: 9769398029  
Email ID: parijat.sinha@careedge.in

### Relationship Contact

Name: Aakash Jain  
Contact no.: +91-20-4000 9090  
Email ID: aakash.jain@careedge.in

### About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

### Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**