Innovision Limited

November 25, 2021

Ratings

Facilities	**Amount (Rs. crore)**	**Ratings[1]**	**Rating Action**
Long Term Bank Facilities	4.45	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	Assigned
Long Term Bank Facilities	24.00	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	Reaffirmed
Long Term / Short Term Bank Facilities	6.55 (Reduced from 13.50)	**CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable/ A Three)**	Reaffirmed
Short Term Bank Facilities	7.00 (Enhanced from 4.50)	**CARE A3 (A Three)**	Reaffirmed
Total 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 (DPPL) continue to draw comfort from experienced promoters and management team, PAN India presence with diversified clientele, diversified revenue stream and backward Integration for skill business. The ratings, further continue to derive strength from moderate financial risk profile marked by moderate profitability margins, capital structure and moderate debt service coverage indicators. The ratings, however, continue to remain constrained by its moderate 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 increase in scale of operations as marked by total operating income of above Rs.300.00 crore on sustained basis.
- Improvement in profitability margins as marked by PBILDT and PAT margin 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 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 the directors are post graduates by qualification and holds experience of more than 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

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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 financial risk profile: IL has moderate financial risk profile as marked by moderate profitability margins, capital structure and moderate debt coverage indicators.
The profitability margins of the company have remained moderate for the last three financial years i.e. FY19-FY21 owing to better realization of fixed cost coupled with the stable revenue model due to increase in client acquisition. PBILDT margin of the company stood at 6.96% in FY21 as against 7.35% in FY20. The moderation in the PBILDT margin was on account of increase in overhead cost and toll collection expenses. Also, PAT margin stood moderate and stood at 3.20% in FY21. Further, during H1FY22, PBILDT and PAT margin improved and stood at 7.04% and 4.09% respectively.
As on March 31, 2021, the debt profile of the company comprises of working capital demand loan of Rs.1.39 crore, vehicle loan of Rs. 0.34 crore, LAP of Rs.1.89 crore, GECL loan of Rs.5.72 crore, working capital borrowings of Rs.17.77 crore and unsecured loans of Rs.3.43 crore respectively as against net worth base of Rs.25.77 crore. The capital structure of the company stood moderate as marked by debt-equity and overall gearing ratio of 0.50x and 1.18x respectively for FY21 as on March 31, 2021 as against 0.45x and 1.34x as on March 31, 2020. The marginal improvement in overall gearing ratio was on account of lower utilization of working capital borrowings as on balance sheet date. The company has cash and cash equivalents (fixed deposit) of Rs.19.05 crore resulting in net debt amount of Rs.12.77 crore as on March 31, 2021. If the same has been adjusted, the gearing will further improve to 0.45x as on March 31, 2021. As on September 30, 2021, Overall gearing ratio stood at 1.10x and adjusted overall gearing ratio stood at 0.46x.
Further, owing to decline in profitability margins, the debt coverage indicators of the company deteriorated however continue to remain moderate as marked by interest coverage ratio and total debt to GCA of 2.38x and 4.95x respectively for FY21 as against 3.58x and 2.16x respectively for FY20. The adjusted total debt to gross cash accruals also stood moderate at 2.06x for FY21. During H1FY22, interest coverage ratio and total debt to GCA stood at 4.81x and 2.97x respectively.

Key Rating Weaknesses
Moderate scale of operations: IL's scale of operations continues to remain modest as marked by total operating income and gross cash accruals of Rs.161.91 crore and Rs.6.17 crore respectively, during FY21 (FY refers to the period April 1 to March 31; based on provisional results) as against Rs.205.33 crore and Rs.12.73 crore respectively in FY20. The decline was primarily on account of disruption in toll business due to farmer protest and lower demand from customers during the lockdown imposed on account of COVID-19 impact. It is expected that the company is going to report an increase in total operating income in FY22 on account of incremental revenue reported from toll management and skill development services segments. The company has already booked revenue of around Rs.103.19 crore in H1FY22 (refers to the period April 1 to September 30; based on provisional results).

Delay in realization of receivables: Total receivables declined from Rs.37.06 crore as on March 31, 2020 to Rs.30.42 crore as on March 31, 2021. However, debtors more than 180 days stood at Rs.7.16 crore in H1FY22 as compared to nil in FY21. 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 12,000 employees as on August 31, 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
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 of Rs.6.17 crore for FY21 and Rs.4.73 crore in H1FY22 and is expected to generate envisaged gross cash accruals of Rs.9.12 crore for FY22 against repayment obligations

of Rs.5.59 crore in same year. Further, liquidity indicators continue to remain moderate marked by current ratio of 1.66x as on March 31, 2021. The company maintains regular free cash and bank balance which stood at Rs.5.50 crore as on March 31, 2021. 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. However, the debtors more than 180 days stood at Rs.7.16 crore in H1FY22. The average utilization of working capital limits remained around 95% for the period of twelve months ended October, 2021.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology – Service Sector Companies
Liquidity Analysis of Non-Financial Sector Entities
Financial ratios – Non-Financial Sector

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 Uttar Pradesh, Haryana and Rajasthan.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)	FY21 (Prov.)	H1FY22*
Total operating income	166.62	205.33	161.91	103.19
PBILDT	14.35	15.09	11.27	7.27
PAT	5.32	7.46	5.18	4.23
Overall gearing (times)	3.32	1.34	1.18	1.10
Interest coverage (times)	3.01	3.58	2.38	4.81

A: Audited; Prov.: Provisional; NA: Not Available
**refers to the period from April 1, 2021 to October 31, 2021.*

Status of non-cooperation with previous CRA: Acuite (SMERA) Ratings has conducted the review and has classified Innovision Limited as "Not Cooperating" vide its press release dated November 6, 2020.

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-Cash Credit		-	-	-	24.00	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantees		-	-	-	7.00	CARE A3
Fund-based/Non-fund-based-LT/ST		-	-	-	6.55	CARE BBB-; Stable / CARE A3
Fund-based - LT-Term Loan		-	-	May, 2024	4.45	CARE BBB-; Stable

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-Cash Credit	LT	24.00	CARE BBB-; Stable	1)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 Guarantees	ST	7.00	CARE A3	1)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*	6.55	CARE BBB-; Stable / CARE A3	1)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				

**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 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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