

## Innovative Ideals and Services India Limited

October 01, 2019

### Rating

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	5.75	<b>CARE B- ; Stable</b> <b>(Single B Minus; Outlook: Stable)</b>	Assigned
<b>Total Facilities</b>	<b>5.75</b> <b>(Rs. Five Crore and Seventy Five Lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Innovative Ideals and Services India Limited (II&SIL) is constrained by small scale of operations, moderate capital structure and debt coverage indicators and elongated operating cycle along with stretched liquidity position. The ratings are further constrained by pending payment of statutory dues.

The above constraints are partially offset by long track record of operations along with experienced promoter diversified product portfolio, comfortable profit margins.

Going forward, the ability of the II&SIL to increase in total operating income, profitability margins and capital structure and managing its working capital requirements are the key rating sensitivities.

### Detailed description of Key rating drivers

#### Key rating Weakness

**Small scale of operations:** The scale of operations of II&SIL stood relatively small with a total operating income of Rs.25.72 crore in FY19 (vis-à-vis Rs.20.30 crore in FY8), given the mid-sized order executions undertaken by the company owing to significant increase in the revenue from AMC services during FY19.

**Moderate capital structure & debt coverage indicators:** II&SIL capital structure has significantly improved on account of fund raised through IPO and during FY19 the tangible networth has increased from Rs.11.67 crore to Rs.24.70 crore in FY19 on account of addition of 3066000 equity shares during FY19 which resulted in improvement of overall gearing to 0.14x as on March 31<sup>st</sup> 2019 from 0.69x as on March 31<sup>st</sup> 2018.

Further the debt coverage indicators of II&SIL stood comfortable marked by interest coverage at 4.61x and total debt to GCA at 0.79x during FY19. The deterioration in interest coverage during FY19 was mainly due to significant increase in interest expenses due to enhancement of working capital limit (From 5.50 cr to 7.00 crore during Feb 2019) & also due to increase in the interest expenses against unsecured loan taken from NBFC's.

**Elongated operating cycle:** The operations of II&SIL are highly working capital intensive in nature with majority of funds blocked in debtors followed by inventory. However the operating cycle has improved and remained elongated at 385 days during FY19 (vis-à-vis 416 days in FY18) on account of improvement in collection period and lenient credit period received from its suppliers.

Further the collection period has improved from 186 days in FY19 (vis-à-vis 250 days in FY18) on account of increase in efficiency of collections from its customers while creditor period remain high at 124 days in FY19 on account of lenient credit period received from its suppliers due to long-standing relationship. Moreover the inventory period has been elongated mainly due to stock of Innovative Solution and Concept N Design was taken into books of Innovative Ideals during slump sale which resulted increase in holding levels which is likely to dispose off by FY20.

**Stretched liquidity positions:** The liquidity position of the company stood stretched during FY19 marked by moderately high current ratio and quick ratio of 2.15x and 1.02x as on March 31, 2019 on account of higher inventory period. While cash flow from operating activities was remained negative, the unencumbered cash & bank balance was around Rs.0.06 crore as on March 31, 2019. Further the average utilization of cash credit limit during last 6 months ended August 30 2019 stood at 99.57%.

**Pending Statutory dues:** II&SIL has undisputed statutory dues of Rs. 1.87 Cr as per FY19 (Audited) financial as against interest on income tax payable and PF for employee and employer payable

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications.

### Key rating Strengths

**Long and established track record of the company along with strong promoter experience in the integrated system and electronic security system business:** II&SIL has a track record of more than two decades in the electronic video surveillance & security system industry through its proprietorship entity which was later on converted into to private limited company in the year 2000 and then in 2017 as a public limited company as II&SIL which is being promoted by Maqsood Dabir Shaikh, Tazyeen Maqsood Shaikh and Dabir Ahmed Shamsuddin Shaikh who has an extensive experience in this domain of more than three decade and looks after the overall management of the company. Further, the promoters are supported by a team of qualified managerial personnel having long standing experience in in the field of production / finance / distribution / marketing and corporate laws etc. On account of long track record of operations and experience of the promoters, the company has gained reputation and has established good relationships with their customers and suppliers.

**Diversified product portfolio:** II&SIL provides range of services like video door phone, audio door phone, access controls, home automation systems, intrusion alarm system, CCTV systems, fire alarm systems and telecom products. II&SIL target customer is residential construction mainly B2B segment. These products address various architectural and organizational needs and comply with all current industrial and security standards.

**Comfortable profit margins:** Profitability margin of II&SIL remained at comfortable level and stood in the range of 20.87 to 22.73% during FY17 to FY19. During FY19 the PBILDT margin has marginally decline by 143 bps on account of IPO expenses incurred by the company during the year.

Further the PAT margin of the company remained comfortable during FY17-FY19 and reflected a fluctuating trend whereas the same has improved in FY19 and stood at 17.19% as against 16.53% during FY18. The improvement in PAT margin was mainly on account of adjustment were made against extraordinary income of Rs.1.82 crore which resulted in growth in PAT margin during FY19

**Analytical Approach:** Standalone

### Applicable criteria

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

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

[Rating Methodology – Service Sector Companies](#)

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

### About the company

Incorporated as on December 06, 2000, Innovative Ideals and Services India Private Limited as a private limited company, subsequently the company was converted into public limited pursuant to special resolution passed in August 30,2017 and the name of the company was changed to “Innovative Ideals and Services India Limited” dated on Sep 21, 2017. Subsequently II&SIL acquired the ongoing sole proprietorship business of “M/S Innovative Solutions” vide business acquisition agreement dated Sep 23,2017 and Ongoing sole proprietorship business of “M/S Concept N Designs” i.e vide business acquisition agreement dated September 29, 2017, Consequently the ongoing businesses of these proprietorship concerns were merged into II&SIL.

II&SIL started business as proprietorship concern with trading of varieties of security equipment by importing from Korea, after acquisition of proprietorship concerns and incorporation as a company and later on public limited company II&SIL provides security solution. They are providing services of system integration for security, safety and building automation an installation of various electronic systems. II&SIL provides range of services like video door phone, audio door phone, access controls, home automation systems, intrusion alarm system, CCTV systems, fire alarm systems and telecom products. II&SIL provides video door phones under its own brand name ‘Onyx’ & ‘Inok’. Further, home automation solutions under the brand name of ‘eHomes’

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	20.30	25.72
PBILDT	4.61	5.48
PAT	3.35	4.42
Overall gearing (times)	0.69	0.14
Interest coverage (times)	9.95	4.61

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not applicable

**Rating History (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	-	-	-	5.75	CARE B-; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	5.75	CARE B-; Stable	-	-	-	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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