Innovision Limited

October 17, 2019

Ratings

Facility	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long Term Bank Facilities	**24.00**	**CARE BBB-; Stable (Triple B Minus; Outlook:Stable)**	**Assigned**
Short Term Bank Facilities	**4.50**	**CARE A3 (A Three)**	**Assigned**
Long Term/Short term Bank Facilities	**6.50**	**CARE BBB-; Stable/CARE A3 (Triple B Minus; Outlook: Stable/ A Three)**	**Assigned**
Total facilities	**35.00 (Rs. Thirty Five crores only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Innovision Limited derive comfort from the experienced promoters and management team, PAN India presence with diversified clientele, moderate scale of operations & moderate financial risk profile. The ratings also draw comfort from strong liquidity position, comfortable working capital, diversified revenue stream and backward Integration for skill business. The ratings, however, continue to remain constrained by delay in realization of receivables, dependence on availability of requisite manpower, short term nature of the toll business and competition from organized and unorganized players.

Going forward; the ability of Innovision Limited to increase its scale of operations while maintaining its profitability margins and capital structure shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and management team

IL incorporated in 2007 has a track record of around a decade in services 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 have an experience of a decade in the manpower industry through their association with IL. The company is well supported by qualified management team.

Moderate scale of operations

The scale of operation of the company stood moderate marked by total operating income and gross cash accruals of Rs. 166.62 crores and Rs. 12.57 crores respectively in FY19 (Audited: refers to the period from April 1, 2018 to March 31, 2019) as against Rs. 104.71 Crores and Rs.3.71 Crores respectively in FY18. Total income from operations has increased from Rs 61.75 crore in FY16 to Rs 74.66 crore in FY17 and further to Rs 104.71 crore in FY18 primarily on account of additional new clients and extension of services. Further the company has achieved a TOI of Rs. 74.50 crores in 5MFY20 (refers to the period from April 01, 2019 to August 31, 2019).The company is expecting to close FY20 by achieving TOI of Rs.279.21 crore.

PAN India presence with diversified clientele

The company serves of large clientele with over 500 customers through 50 branches spread throughout India deploying 12500+ 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.

Moderate financial risk profile

As on March 31, 2019, the debt profile of the company comprises of rupee term loan of Rs. 2.84 crores, vehicle loan of Rs. 0.47 crores, working capital borrowings of Rs. 20.94 crores and unsecured loans of Rs. 6.72 crores respectively as against net worth base of Rs. 13.06 crore. The company has cash and cash equivalents in the form of collateral of Rs.19.05 crore fixed deposit resulting in net debt amount of Rs. 11.92 crore as on March 31, 2019. The capital structure of the company stood comfortable as marked by debt-equity and overall gearing ratio of 1.21x and 4.11x respectively for FY18 and 0.76x and 2.37x respectively for FY19. The improvement was on account of repayment of term loan and vehicle loan coupled with comfortable net worth base owing to accretion of profits to reserves. The adjusted overall gearing (after adjusting for cash balance of Rs.19.05cr lien marked for bank facilities) also stood comfortable at 0.91x as on March 31, 2019.

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

The profitability margins of the company has remained moderate for the last three financial years i.e. FY17-FY19 owing to better realization of fixed cost coupled with the stable revenue model due to increase in client acquisition. During FY19 (based on audited results), PBIDLT and PAT margin increased to 8.61% and 3.19% as compared to 7.82% in FY18.
Further, owing to moderate profitability level, The coverage indicators of the company improved and stood moderate marked by interest coverage and total debt to GCA of 3.01x and 2.46x respectively for FY19 as against 3.02x and 8.24x respectively for FY18.The improvement resulted on account of increasing profitability levels of the company. The adjusted total debt to GCA also stood comfortable at 0.95 for FY19. Also as on August 31, 2019, the company has free cash and bank balance of Rs.1.58cr.

Strong liquidity position as marked by current ratio and quick ratio
Liquidity indicators continue to remain moderate marked by current ratio of 1.13x and quick ratio of 1.13x as on March 31, 2019 as against current ratio of 1.04x and quick ratio of 1.04x as on March 31, 2018. With a gearing of 0.91x, the issuer has sufficient gearing headroom, to raise additional debt for its capex. The company is having sanctioned working capital limits of Rs.24cr, which are further backed by cash and equivalent of Rs.19.05cr, thereby resulting in net working capital limit of Rs.5cr. After adjusting for the cash and cash equivalent, the company is having working capital limit of Rs.5cr on total operating income of Rs.166cr during FY19.

Moderate operating cycle
The working capital cycle of the company remain moderate as reflected by operating cycle of 20 days at the end of FY19 as against 27 days at the end of FY18. The average collection period of the company stood high during past three financial years i.e. FY17-FY19 owing to higher credit period being extended in the security division. Also, the debtors have been traditionally higher on account of deployment of various employees at different locations and verification of invoices being a time-consuming process.

Diversified revenue stream
The company reported a CAGR of around ~29% percent for the past four years ending March 31, 2019. The growth is derived on account of diversification done by the company during the past 4 years. The company has three verticals for generating revenue primarily toll collection, skill development and security services out of which security services contributes to maximum in topline. 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 in near future. However the toll business is short term in nature as the company gets contract for period of 3 months and as on Oct 16, 2019, the company has four contracts for toll collection. Therefore going forward, the continued receipt of new contract would be a key rating sensitivity.

Backward Integration for skill business
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 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.

Key Rating Weaknesses
Delay in realization of receivables
Total receivables increased from Rs 24.7 crore as on 31st Mar 2018 to Rs 34.96 crore as on 31st March 2019 with increasing scale of operations. Debtors more than 180 days arise on account of delays in payments by government for its skill business. 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. As on August 31, 2019, the company has total debtors outstanding of Rs.41.67cr.

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 12,500 employees as on June 30, 2019. 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.

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
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 12,500 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 and Pradhan Mantri Kaushal Vikas Yojana (PMKVY). Post training the manpower are placed in-house which helps the company meet its workforce requirements. The company receives government grant in return for the training expenses.
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 Uttarakhand, Haryana, Andhra Pradesh and Rajasthan.

Brief Financials (Rs. crore)	FY18 (A)	FY19(A)
Total operating income	104.71	166.62
PBILDT	8.19	14.35
PAT	1.38	5.32
Overall gearing (times)	1.54	0.91
Interest coverage (times)	2.04	3.01

Status of non-cooperation with previous CRA: Acuite (SMERA) has placed its ratings under "ISSUER NOT COOPERATING" vide its Press Release dated August 16, 2019.

Any other information: Not Applicable

Rating History for 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	-	-	-	24.00	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	4.50	CARE A3
Fund-based/Non-fund-based-LT/ST	-	-	-	6.50	CARE BBB-; Stable / CARE A3

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	24.00	CARE BBB-; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	4.50	CARE A3	-	-	-	-
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	6.50	CARE BBB-; Stable / CARE A3	-	-	-	-

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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