Innovision Limited

November 02, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	24.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	13.50 (Enhanced from 6.50)	CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable / A Three)	Reaffirmed
Short Term Bank Facilities	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 (IL) continues to draw comfort from the experienced promoters and management team, PAN India presence with diversified clientele, diversified revenue stream and moderate financial risk profile marked by, growing scale of operations, moderate profitability margins, capital structure and debt service coverage indicator,. The ratings also draw comfort from backward Integration for skill business and adequate liquidity position.

The ratings, however, continue to remain constrained by delay in realization of receivables, dependence on availability of requisite manpower and competition from organized and unorganized players.

Rating Sensitivities

Positive Factors

- Increase in the total operating income of the company above Rs.300 crore on sustained basis.
- Improvement in profitability margins as marked by PBILDT and PAT margins 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.

Key Rating Strengths

Experienced promoters and management team

IL was incorporated in 2007 and 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.

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 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.

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

Growing scale of operations
The scale of operation of the company have increased marked by total operating income and gross cash accruals of Rs. 205.73 crores and Rs. 10.66 crores respectively in FY20 (Provisional: refers to the period from April 1, 2019 to March 31, 2020) as against Rs. 166.62 Crores and Rs.12.61 Crores respectively in FY19. The improvement in income from operations from Rs. 104.71 crore in FY18 to Rs. 205.73 crore in FY20 was primarily on account of additional new clients and extension of services. The company reported a CAGR of around 25.25 percent for the past three years ending March 31, 2020. The growth is derived on account of diversification done by the company during the past three years. Further, the company has achieved total operating income of Rs. 81.72 crore in H1FY21 (Provisional results: refer to the period from April 01 to September 30).

Moderate financial risk profile
The capital structure of the company stood moderate as marked by debt-equity and overall gearing ratio of 0.50x and 1.50x respectively as on March 31, 2020 as against 1.07x and 3.32x respectively as on March 31, 2019. The improvement in the gearing was on account of repayment of debt obligations of the company coupled with increase in net worth base due to retention of profit.
The profitability margins of the company has remained moderate for the last three financial years i.e. FY18-FY20 owing to diversified revenue stream couple with medium term contacts with few of its customers which provides stable revenue model to the company. The PBILDT margin of the company stood at 8.12% in FY20 as against 8.61% in FY19. The moderation in the PBILDT margin was on account of increase in overhead cost and toll collection expenses. Also, PAT margin stood moderate and increased from 3.19% in FY19 to 3.63% in FY20. The marginal increase in the same was on account of decline in depreciation costs of the company.
Further, owing to moderate profitability level and decline in debt level of the company, the coverage indicators stood moderate marked by interest coverage and total debt to GCA of 3.76 times and 2.58 times respectively for FY20 as against 3.01 times and 2.46 times, respectively for FY19. The adjusted total debt to gross cash accruals improved further and stood at 0.46 times for FY20.

Key Rating Weaknesses
Delay in realization of receivables
Total receivables increased from Rs 34.45 crore as on 31st Mar 2019 to Rs 39.70 crore as on March 2020 with increasing scale of operations. 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. Debtors outstanding as on September 30, 2020 stood at Rs. 38.42 crore which include Rs. 32.52 crore of debtors less than 90 days and Rs. 5.90 crore of debtors more than 90 days respectively.

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 19,000 employees as on September 30, 2020. 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.

Impact of Covid-19
On account of nationwide lockdown in the country due to covid-19, the company has been offering its security services mainly under the purview of essential services. The toll services were not operational till mid of May after which the services were resumed following ease of restrictions by the Government; however, due to lack of mobility, the revenue in the sector has been affected in the initial months. Under skill development sector, the training in the centres are completely shut following the government regulations and no new enrolments have been done in this year. IL is expected to achieve a turnover of around Rs.226.83 crore in FY21 with a growth rate of 10.25% in FY21 over FY20 (Prov.). The security division, toll collection and skill development division will contribute ~Rs.156.00 crore, ~Rs.60.83 crore and

~Rs.10.00 crore respectively towards the total topline. Additionally, the business is expected to add more clients in the security division coupled with increased toll projects from this division.

Liquidity: Adequate

The company has adequate liquidity position supported by moderate cash accruals of Rs.10.66 crore during FY20. Further, liquidity indicators continue to remain adequate marked by current ratio of 1.34x as on March 31, 2020 as against current ratio of 1.24x as on March 31, 2019. The company maintains regular free cash and bank balance which stood at Rs.5.40 crore as on March 31, 2020. 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. The average utilization of working capital limits remained around 85% for the period of twelve months ended September 2020. Innovision Limited has not sought any moratorium period as a COVID-19 relief measure from its bankers in-line with RBI circular.

Analytical approach:

Standalone

Applicable Criteria

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

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 Rajasthan etc.

Brief Financials (Rs. crore)	31-03-2018	31-03-2019	31-03-2020
	A	A	Prov.
Total operating income	104.71	166.62	205.73
PBILDT	8.19	14.35	16.70
PAT	1.38	5.32	7.48
Overall gearing (times)	4.11	3.32	1.50
Interest coverage (times)	2.04	3.01	3.76

A: Audited   Prov.: Provisional

Status of non-cooperation with previous CRA: Acuite (SMERA) had put its ratings under 'ISSUER NOT COOPERATING' category vide 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	-	-	-	13.50	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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	24.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (17-Oct-19)	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	4.50	CARE A3	-	1)CARE A3 (17-Oct-19)	-	-
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	13.50	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (17-Oct-19)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument: Not applicable

Annexure 4: Complexity level of various instruments rated for this company

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