

Press Release

ENVISION NETWORK TECHNOLOGIES PRIVATE LIMITED

18 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 10.00 crore bank facilities of ENVISION NETWORK TECHNOLOGIES PRIVATE LIMITED. The outlook is '**Stable**'.

Envision Network Technologies Private Limited (ENTPL) is a Bangalore-based company incorporated in February 2000 by Mr. Ashok Deshpande and Mr. R Muralidharan. The company deals in video surveillance products such as CCTV Cameras apart from managing IT infrastructure (network technology) and providing maintenance services to Karnataka Power Corporation Limited. Further, ENTPL also generates revenue from leasing of office space of 25000 sq. feet.

Key Rating Drivers

Strengths

- Experienced management**

ENTPL commenced operations in 2002. The Directors, Mr. Ashok Deshpande and Mr. Muralidharan Ramanathan have over three decades of experience in the information technology industry.

- Reputed clientele**

ENTPL caters to a reputed client base (video surveillance segment) including Southern Railways, NPCI, and Apollo Hospitals to name a few. Further, the company also caters to Karnataka Power Corporation Limited. SMERA believes that the business risk profile is supported by ENTPL's established relations with its reputed customer base.

- Average financial risk profile**

The financial risk profile is moderate marked by low net worth of Rs. 6.04 crore as on 31 March, 2017 as against Rs. 5.49 crore as on 31 March, 2016. The gearing (debt-to-equity ratio) stood at 0.73 times as on 31 March, 2017. The total debt of Rs.4.40 crore consists of term loans from banks of Rs.3.78 crore and working capital facility of Rs. 0.63 crore as on 31 March, 2017. The Interest Coverage ratio (ICR) improved to 2.85 times in FY2017 from 2.94 times in FY2016. In FY2017, the Total outstanding Liabilities to tangible Networth (TOL/TNW) stood at 1.09 times in FY2017. SMERA believes that ENTPL will maintain a moderate financial risk profile over the medium term.

Weaknesses

- Small scale of operations and moderate profitability**

ENTPL generates revenue from three sources namely, video surveillance products and projects, infrastructure management services and rent. The company registered revenue of Rs. 9.50 crore in FY2017 compared to Rs. 6.42 crore in FY2016 and Rs. 5.56 crore from April to December 2017. Of the total revenue generated in FY2017, income from video surveillance products and projects constituted 55 per cent (previous year-38 per cent), while IMS was 20 per cent (previous year- 36 per cent) and rental income contributed 14.06 per cent (previous year-25 per cent). The operating margins (EBIDTA) declined to 17.30

per cent in FY2017 from 23.23 per cent in FY2016. This is mainly due to increase in revenue from video surveillance projects as a proportion of total sales wherein the cost of raw material is project specific. The margins are also impacted due to increase in other costs as a percentage of total sales. SMERA believes that ENTPL's scale of operations will show an upward trend over the medium term backed by a diversified revenue base and healthy order book.

• Working capital intensive operations

ENTPL has working capital intensive operations. The Gross Current Assets (GCA) stood at 247 days in FY2017 as against 278 days in FY2016. The debtors stood at 163 days in FY2017 as against 127 days in FY2016. The company has high inventory holding of 63 days in FY2017 as against 78 days in FY2016.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company.

Outlook: Stable

SMERA believes that ENTPL will maintain a stable outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case of substantial and sustainable growth in revenue and operating profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability, deterioration in the financial risk profile or further elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	9.50	6.42	6.84
EBITDA	Rs. Cr.	1.64	1.49	1.45
PAT	Rs. Cr.	0.57	0.57	0.50
EBITDA Margin	(%)	17.30	23.23	21.18
PAT Margin	(%)	6.00	8.81	7.27
ROCE	(%)	13.63	13.20	25.05
Total Debt/Tangible Net Worth	Times	0.73	0.76	0.91
PBDIT/Interest	Times	2.85	2.94	2.79
Total Debt/PBDIT	Times	2.50	2.64	2.93
Gross Current Assets (Days)	Days	247	278	292

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the	Date of	Coupon Rate	Maturity	Size of the Issue	Ratings/Outlook
Facilities	Issuance		Date	(Rs. Crore)	
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.40	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	3.60	SMERA BB- / Stable

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ABOUT SMERA

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