

Press Release

Innovision Limited (IL)

June 22, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+ (read as ACUITE A four plus)**' on the Rs.30.00 crore bank facilities of Innovision Limited. The outlook is '**Stable**'.

Innovision Limited (IL) is a New Delhi based company incorporated in 2007. The company provides security services (manned and electronic), facilities management services (technical and non-technical), manpower sourcing & HR solutions and skills development services. The company is promoted by Major Randeep Hundal (Managing Director), Lt. Col. Surendra Kumar Baliwal and Mr. Uday Pal Singh. The company presently has thirty two branches pan-India.

Key Rating Drivers

Strengths

• Experienced management

IL was incorporated in 2007, thereby, having established presence of over a decade in the industry. This has entailed strong ties with reputed customers which in turn has helped the company to maintain steady revenue growth.

The directors of the company have experience of over a decade in the security services industry. Major Randeep Hundal, Managing Director, is an alumnus of Officers Training Academy (Chennai) and Commando School (Belgaum) and holds medals and prestigious awards from the Indian security industry. Lt. Col. Surendra Kumar Baliwal, Director, is a decorated officer and has served the Indian Army for over two decades. He is an alumnus of the National Defence Academy (Khadakwasala) and Defence Services Staff College (Wellington). Mr. Uday Pal Singh, Director, has been a strategic planner in the domain of advertising, media and public relations.

Acuité believes that the promoters' extensive experience in the industry will support the business risk profile of the company for over near to medium term.

• Reputed clientele and healthy order book position

The company has an established network of 32 branches across India, catering to various industries including banking, telecom, real estate, hospitality, IT/ITES, logistics and healthcare among others. Its clientele include Vedanta, Max Healthcare, HDFC Bank, Manappuram Finance Ltd, Reliance Industries Limited, HPCI-Mittal Energy Limited, Big Basket, Indusind Bank, and Shoppers Stop among others. Innovision Limited has orders in hand of Rs. 84.00 crore as on date which is to be executed in FY2019.

• Growth in scale of operations and moderate profitability:

The company has reported operating income of Rs.103.00 crore in FY2018 (Provisional) as compared to Rs.73.71 crore in FY2017 and Rs.61.20 crore in FY2016. This is mainly due to increased orders for security services.

Weaknesses

• Decline in profitability

The operating margins have declined to 5.06 percent in FY2017 from 6.30 percent in FY2016. This is mainly due to increased employee cost as a percentage of sales. The Profit after Tax (PAT) margins have declined to 1.43 percent in FY2017 from 3.40 percent in FY2016. This is mainly due to increase in finance cost.

• Average financial risk profile

The financial risk profile of Innovision Limited remained average marked by tangible net worth of Rs.6.09 crore as on 31 March, 2017 as against Rs. 5.07 crore as on 31 March, 2016. The gearing is high at 3.87 times as on 31 March, 2017 as against 1.79 times as on 31 March, 2016. The total debt of Rs.23.55 crore as on 31 March, 2017 comprises Rs.20.05 crore of working capital borrowings and Rs.3.50 crore of loans from banks and financial institutions. The Interest Coverage Ratio (ICR) declined to 2.05 times for FY2017 from 4.64 times in FY2016. The DSCR (Debt service coverage ratio) stood at 1.70 times in FY2017 as against 3.59 times in FY2016. Further, Debt to EBITDA stood high at 5.03 times in FY2017 as against 2.06 times in FY2016. Acuité believes that the company's ability to maintain its financial risk profile will remain a key rating sensitivity factor.

• Working capital intensive operations

The operations are working capital intensive marked by Gross Current Assets of 155 days in FY2017 as against 173 days in FY2016. This is mainly due to high debtor of 128 days in FY2017 as major receivables are from the government entities. The debtors for FY2016 stood at 165 days. The bank limit utilisation stood at ~93 percent for the last six months ended April 2018.

• Dependence on tender from government

The company receives tenders from government for training employees. In the event of no tenders or low tenders from the government, the company's operations and profitability are likely to be impacted as the otherwise profitable training centres would turn unprofitable because the company's ability to realize fixed costs on these centres will remain limited.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Innovision Limited to arrive at this rating.

Outlook: Stable

Acuité believes that IL will maintain a 'Stable' outlook over the medium term on the back of its promoters' industry experience and established relations with customers. The outlook may be revised to 'Positive' if the company substantially improves its revenue by diversifying its client base while prudently managing its working capital requirements. Conversely, the outlook may be revised to 'Negative' in case of decline in capital structure and deterioration of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	73.71	61.20	23.61
EBITDA	Rs. Cr.	3.73	3.86	1.58
PAT	Rs. Cr.	1.06	2.08	0.78
EBITDA Margin (%)	(%)	5.06	6.30	6.68
PAT Margin (%)	(%)	1.43	3.40	3.30
ROCE (%)	(%)	19.05	40.48	58.91
Total Debt/Tangible Net Worth	Times	3.87	1.79	1.95
PBDIT/Interest	Times	2.05	4.64	2.48
Total Debt/PBDIT	Times	5.03	2.06	2.13
Gross Current Assets (Days)	Days	155	173	73

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Service Sector Entities - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
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Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.90	ACUITE BB / Stable (Assigned)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4+ (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BB / Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE BB / Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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