

Press Release

Impressions Services Private Limited

September 26, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.45.00 Cr.
Long Term Rating	ACUITE BBB+/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A2 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.45.00 crore bank facilities of IMPRESSIONS SERVICE PRIVATE LIMITED. The outlook is '**Stable**'.

Gurgaon-based Impressions Services Private Limited (ISPL), promoted by Mr. Bikram Singh Chadha and Mrs. Sonu Chadha, was established as a proprietorship concern in 1991 and later in 2002, the constitution was changed to private limited. ISPL is engaged in providing housekeeping services such as pantry services, catering services, pest control among others. The company is catering to reputed clients- Bharat Electronics Ltd., HSBC Bank, Courtyard by Marriott to name a few.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the ISPL to arrive at this rating.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

ISPL was established in 1991, has a long track record of operations in the said industry. Being in the housekeeping industry for a considerable amount of time has helped the company to maintain good relations with its customers and maintain steady revenue growth. The promoter, Mr. Bikram Singh Chadha, has more than two decades of experience in the aforementioned industry, and is joined by his wife Mrs. Sonal Chadha. Acuite believes that ISPL's established market position in the facility management industry, its experienced management and established relations with customers will continue to benefit the company over the medium term.

• Healthy financial risk profile

ISPL has healthy financial risk profile marked by healthy net worth, healthy debt protection metrics and low gearing. The net worth of the company has sequentially improved to Rs.72.03 crore as on 31 March, 2019 (Provisional) as against Rs.62.58 crore as on 31 March, 2018 on account of healthy accretion to reserves.

The company has followed a conservative financial policy in the past, the same is also reflected through its gearing levels. The gearing level (debt-equity) stood stable at 0.68 times as on 31 March, 2019 (Provisional) as against 0.67 times as on 31 March, 2018. The gearing of ISPL is expected to remain low over the medium term on account of absence of any debt funded capex plans and modest incremental working capital requirements, which is likely to be completely funded by the cash accruals of the company. The total debt of Rs.49.17 crore as on 31 March, 2019 (Provisional) consists of long term debt of Rs.7.94 crore, unsecured loans of Rs.11.58 crore and working capital borrowings of Rs.29.65 crore.

Operating income of the company have grown by 5.75 per cent in FY2019 (Provisional) over FY2018 and the operating margins have also improved slightly to 7.11 per cent in FY2019 (Provisional) as against 7.06 per cent in FY2018, leading to healthy coverage indicators. The interest coverage ratio (ICR) stood healthy at around 5.72 times to 6.57 times over the last three years. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.26 times in FY2019 (Provisional) and 0.29 times in FY2018. Debt to EBITDA stood at 2.30 times in FY2019 (Provisional) as against 2.06 times in FY2018.

Acuite believes that the financial risk profile of the company is expected to remain healthy backed by

average net cash accruals and in absence of any major debt funded capex in near to medium term.

• Diversified and Reputed Client base

The company has reputed clientele such as ITC Limited, IGI New Delhi, HSBC Bank to name a few, from diversified industries such as Hospitality, BFSI, Telecom, education sector and also embassies such as German Embassy and American Embassy. Further, the company has branches across India, which enables them to have a pan India presence.

• Improved Operating income and profitability

The operating income of ISPL grew at 5.75 per cent in FY2019 (Provisional) over 2018 and stood at Rs.295.56 crore. Further, the operating income of the company grew at a CAGR of ~15 per cent for the last four years ending March, 2019 (provisional). EBITDA margins improved slightly and stood at 7.11 per cent in FY2019 (Provisional) as against 7.06 per cent in 2018.

Weaknesses

• Highly fragmented and competitive security service industry

The private security services market is dominated by large multinationals and Indian players on one end and a fairly fragmented, unorganized segment on the other. The key service offerings for private security players are manned guarding and cash services apart from electronic security services. The Indian security services industry has grown rapidly in the last decade.

Rating Sensitivities

- Substantial improvement in scale of operations, while sustaining the profitability margin over the medium term.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile.

Liquidity Profile

The company has healthy liquidity marked by healthy net cash accruals to its maturing debt obligations. ISPL generated cash accruals of Rs.12.95 crore in FY2019 (Provisional) against debt obligations of Rs.1.68 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.13.81 crore to Rs.15.51 crore during FY2020-22 against repayment obligations, ranging from Rs.0.49 crore to Rs.0.50 crore for the same period. The company's working capital operations are moderate marked by gross current asset (GCA) days of 147 days in FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 9.84 crore as on 31 March 2019 (Provisional). The current ratio stood at 1.80 times as on 31 March, 2019 (Provisional).

Outlook: Stable

Acuite believes that the company will maintain a 'Stable' outlook over the medium term on the back of its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company maintains higher-than-expected growth in revenues and profit margins while maintaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case of large, debt-funded capital expenditure (capex), leading to deterioration in its capital structure and/or deterioration in working capital.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	295.56	279.50	251.87
EBITDA	Rs. Cr.	21.00	19.74	18.02
PAT	Rs. Cr.	9.43	8.92	8.13
EBITDA Margin	(%)	7.11	7.06	7.16
PAT Margin	(%)	3.19	3.19	3.23
ROCE	(%)	16.29	18.82	21.01
Total Debt/Tangible Net Worth	Times	0.68	0.67	0.57
PBDIT/Interest	Times	5.72	6.57	6.09
Total Debt/PBDIT	Times	2.30	2.06	1.68
Gross Current Assets (Days)	Days	147	145	137

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities in Service sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
05-Jun-2018	Overdraft	Long term	10.00	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long term	16.00	ACUITE BBB+/Stable (Assigned)
	Dropline Overdraft	Long term	3.00	ACUITE BBB+/Stable (Assigned)
	Cash Credit	Long term	6.00	ACUITE BBB+/Stable (Assigned)
	Bank Guarantee/ Letter of Guarantee	Short term	4.00	ACUITE A2 (Assigned)
	Bank Guarantee/ Letter of Guarantee	Short term	3.00	ACUITE A2 (Assigned)
	Proposed	Short term	3.00	ACUITE A2 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ /Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE BBB+ /Stable (Reaffirmed)
Dropline Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB+ /Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB+ /Stable (Reaffirmed)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2 (Reaffirmed)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A2 (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A2 (Reaffirmed)

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About Acuité Ratings & Research:

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