

Press Release

IVIS International Private Limited

January 10, 2022

Rating Assigned



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---------------------------------|------------------|--------------------------------|-----------------------|
| Bank Ratings Loan | 6.00 | | ACUITE A3+ Assigned |
| Bank Ratings Loan | 51.81 | ACUITE BBB Stable Assigned | |
| Total | 57.81 | - | - |

Rating Rationale

Acuité has assigned the long-term rating of 'ACUITE BBB' (read as ACUITE Triple B) and the short-term rating of 'ACUITE A3+' (read as Acuite A Three plus) on the Rs.57.81 crore bank facilities of iVIS International Private Limited (iVIS). The outlook is 'Stable'.

Rationale for Rating Assigned

The rating assigned takes into account the established track record of operations of the Provigil Group, experienced management and established relations with reputed clients. The ratings, further, also derive comfort from the healthy financial risk profile and improving operating performance of the Group. However the working capital intensive nature of operations remain as constraining factor for the rating. Provigil Group's ability to improve its scale of operations and working capital cycle will continue to remain a key rating sensitivity.

About the Company

Incorporated in October 2014 in in Guntur, Andhra Pradesh by Dr. Ravikumar Vemuru and Mr. Murali Mohan RVN, iVIS International Private Limited (iVIS) is engaged in providing video monitoring services to banks & financial institutions for ATMs, retail outlets, warehouses and government institutions. iVIS is a part of the larger Provigil Group (defined later in the document) which is also engaged in similar line of business. Further, the company also sells the video monitoring equipment to its customers, depending upon the nature of the order.

About the Group

iVIS and Provigil Surveillance Limited (Provigil) are together referred to as Provigil Group. Since 2007, Provigil was initially engaged in the business of providing technology and back-end monitoring operations to US-based Provigil Inc. which was incorporated in 2006. However, Provigil Inc. has now been bought by a US-based private equity firm and looks after the US operations, whereas Provigil has been retained by the current management to look after the Indian operations. Currently, iVIS and Provigil are engaged providing video monitoring services to banks & financial institutions for ATMs, retail outlets, warehouses and government institutions. Further, both the companies also sell the video monitoring equipment to its customers, depending upon the nature of the order. Since Provigil as a brand has more experience in the market, most of the orders are currently routed through Provigil, although iVIS executes those orders.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of iVIS and Provigil to arrive at

the rating. The consolidation is in the view of the similarities in the lines of business, operational & financial synergies and common management.

Extent of Consolidation: Full

Key Rating Drivers

Strengths

Established track record of operations, experienced management and established relations with clients

Provigil as a group possesses an experience of over 14 years in the video monitoring services segment. Prior to making a foray into India the promoters of the Group had presence in the US. Since 2007, Provigil was initially engaged in the business of providing technology and backend monitoring operations to US-based Provigil Inc. which was incorporated in 2006. However, Provigil Inc. has now been bought by a US-based private equity firm and looks after the US operations, whereas Provigil has been retained by the current management to look after the Indian operations.

The overall operations of Provigil Group are looked after by the Chairman - Dr. Ravikumar Vemuru and Director & CEO - Mr. Murali Mohan RVN, Dr. Ravikumar Vemuru is a doctor by profession, and had been practicing Gastroenterology in Texas, prior to the incorporation of the Provigil Group. On the other hand, Mr. Murali Mohan RVN is a Computer Science engineer and an MBA, who possesses a total experience of over 3 decades in software designing & development, having worked with many blue chip companies. They are also supported by other qualified & experienced senior management personnel.

Provigil Group has a reputed clientele base primarily consisting of banks and other Government authorities like State Bank of India, Bank of Baroda, Punjab National Bank, Central Bank of India, Director General of AP Police, FIS Payment Solutions & Services India Private Limited, Union Bank of India, Bank of Maharashtra, IDFC First Bank, IIFL Holdings Limited, Titan Company Limited, etc. With these customers, the Group enters into 5-year longterm contracts, which may be extendable for 2 more years. As on November 30, 2021, the Group possesses contracts worth ~Rs.425 crore in hand which shall yield revenues over FY22-FY27. Currently, the Group has installed 80,000 cameras at 20,000 sites and 4 lakh sensors, which send the data to the technical team on a continuous basis.

Acuité believes that the Group shall continue to benefit from the established track record of operations along with experienced management fuelling the growth impetus to the Group.

Improving operating performance

The scale of operations of Provigil Group has been continuously increasing with the operating income having grown by 89.77% CAGR over FY19-FY21 (from Rs.25.50 crore in FY19 to Rs.49.74 crore and Rs.91.85 crore in FY20 and FY21 respectively) owing to a continuous additions of various sites of the existing clientele by way of renewal of existing contracts and entering into new contracts with the existing customers, as well as addition of new customers.

The profit margins of Provigil Group stood healthy with the operating margin having stood at 50.58% in FY21 as against 23.51% and 17.26% in FY20 and FY19 respectively, whereas the same has been continuously improving over FY19-FY21 owing to a proportionate decrease in various fixed & variable overhead costs on the back of a continuous and a healthy increase in the scale of operations over the same period. Given the healthy operating margin, the net margin has also been continuously improving from 17.26% in FY19 to 23.51% and 50.58% in FY20 and FY21 respectively.

Acuité believes that the profit margins are expected to remain healthy with the increase in the scale of operations in the future.

Healthy financial risk profile

The financial risk profile of Provigil Group stood healthy marked by healthy capital structure, comfortable debt coverage indicators and moderate tangible net-worth base. The capital structure stood at 0.51 times as on March 31, 2021 as against 0.42 times as on March 31, 2020. The Group follows a conservative leverage policy with higher use of shareholders' funds to manage working capital requirements. The tangible net-worth base stood moderate at Rs.80.76 crore as on March 31, 2021 as against Rs.59.29 crore as on March 31, 2020. Along with

the comfortable capital structure, the debt coverage indicators also stood comfortable with an interest coverage and DSCR of 11.13 times and 5.21 times respectively in FY21 as against 8.09 times and 8.02 times respectively in FY20, on account of healthy profitability.

Acuité expects the Group's financial risk profile to remain healthy over the medium term, given the management's conservative leverage policy.

Weaknesses

Working capital intensive nature of operations

The operations of Provigil Group are working capital intensive in nature with GCA of 196 days as on March 31, 2021. The working capital intensive nature of operations is primarily on account of higher receivable period. Although the payment terms agreed upon with the customers (majorly banks) are 40-45 days, certain banks hold back the dues in form of retention up to 2-4 months, and release the same upon the installation of further sites.

Moreover, in certain cases, the banks approve the invoices raised, only after the certification of the newly installed sites. Given all of the above, the Group's receivable period stood elongated at 131 days in FY21 as against 120 days and 162 days in FY20 and FY19 respectively. The inventory holding period stood at 60 days in FY21 as against 93 days in FY20, whereas the inventory comprises of video surveillance parts. On the other hand, the creditors' days stood at 63 days in FY21 as against 51 days in FY20. However, the working capital requirements are majorly funded by way of internal accruals, and the average cash credit utilization in the last 6 months ended October 2021 remained low at 35.10% for the Group.

Acuité believes that the Group's ability to improve its working capital cycle will remain a key rating sensitivity.

Presence in competitive industry with inherent risks of tender-driven nature of operations

Provigil Group is present in a competitive industry wherein it has to resort to competitive bidding procedure undertaken by various banks which float the tenders. The Group's revenues also depend on the overall tenders being floated by the banks increasing uncertainty. The segment also has larger participants with established presence in the IT security industry, thereby increasing the competition further. However, the Group's focus on hardware and artificial intelligence (AI) software has helped it to manage its operations with lower number of people and higher efficiency in threat recognition.

Acuité believes that the Group shall continue to face competitive pressures, despite having an edge over its competitors.

Rating Sensitivities

- Slower-than-expected scale up of operations or significant deterioration in profitability
- Significant deterioration in the liquidity position or the overall financial risk profile

Material covenants

None

Liquidity Position: Adequate

The operations of the Group are working capital intensive in nature with GCA days and working capital cycle of 196 days and 128 days respectively in FY21 as against 286 days and 163 days respectively in FY20. However, the working capital requirements are majorly funded by way of internal accruals, whereas the average overdraft utilization in the last 6 months ended October 2021 stood moderately low at 35.10% for iVIS. Moreover, the Group generated healthy net cash accruals worth 10.74 crore and Rs.35.46 crore in FY20 and FY21 respectively as against moderate debt repayment obligations worth NIL and Rs.3.33 crore in those respective years. The Group is expected to generate net cash accruals in the range of Rs.55-65 crore over FY22-FY23, as against the debt repayment obligations worth Rs.8.50-9.50 crore over the same period. Furthermore, the current ratio stood moderate at 1.71 times as on March 31, 2021 as against 1.67 times as on March 31, 2020. The liquidity profile of the Group is expected to remain adequate owing to healthy net cash accruals and high unutilized bank

limits.

Outlook: Stable

Acuité believes that iVIS will maintain a 'Stable' outlook on the back of the Group's management's extensive experience and established position in the video monitoring services segment. The outlook may be revised to 'Positive' if there is a significant increase in the Group's revenues without deterioration in the profitability. Conversely, the outlook may be revised to 'Negative' in case of a decline in the revenues, or significant deterioration in its capital structure or liquidity position.

Other Factors affecting Rating

Not Applicable

Key Financials

| Particulars | Unit | FY 21 (Actual) | FY 20 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 91.85 | 49.74 |
| PAT | Rs. Cr. | 23.66 | 5.01 |
| PAT Margin | (%) | 25.76 | 10.08 |
| Total Debt/Tangible Net Worth | Times | 0.51 | 0.42 |
| PBDIT/Interest | Times | 11.13 | 8.09 |

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History:

Not Applicable

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|---------------|----------------|----------------------|------------------|----------------|----------------|-------------------|--------------------------------|
| HDFC Bank Ltd | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE A3+ Assigned |
| HDFC Bank Ltd | Not Applicable | Overdraft | Not Applicable | Not Applicable | Not Applicable | 7.00 | ACUITE BBB Stable Assigned |
| HDFC Bank Ltd | Not Applicable | Term Loan | Not available | 8.10 | Not available | 7.00 | ACUITE BBB Stable Assigned |

| | | | | | | | |
|----------------|----------------|-----------|---------------|---------------|---------------|-------|--------------------------------|
| HDFC Bank Ltd | Not Applicable | Term Loan | Not available | 8.10 | Not available | 3.43 | ACUITE BBB Stable Assigned |
| HDFC Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | 8.42 | ACUITE BBB Stable Assigned |
| HDFC Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | 9.86 | ACUITE BBB Stable Assigned |
| HDFC Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | 2.87 | ACUITE BBB Stable Assigned |
| ICICI Bank Ltd | Not Applicable | Term Loan | Not available | Not available | Not available | 13.23 | ACUITE BBB Stable Assigned |

Contacts

| Analytical | Rating Desk |
|---|--|
| Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in | Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in |
| Sonali Ved Senior Analyst-Rating Operations Tel: 022-49294065 sonali.ved@acuite.in | |

About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité