

CARE/DRO/RL/2019-20/ 2505

Mr. Randeep Mundal

Director

Innovision Limited

Plot No-251, 1st floor, Phase- 4,
Udyog Vihar, Gurgaon, Haryana-121001

October 17, 2019

Confidential

Dear Sir,

Credit rating for bank facilities

Please refer to your request for rating the bank facilities of your company.

2. The following ratings have been assigned by our Rating Committee:

Facility	Amount (Rs. crore)	Rating ^[1]	Rating Action
Long Term Bank Facilities	24.00	CARE BBB-; Stable (Triple B Minus; Outlook:Stable)	Assigned
Short Term Bank Facilities	4.50	CARE A3 (A Three)	Assigned
Long Term/Short term Bank Facilities	6.50	CARE BBB-; Stable/CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Assigned
Total facilities	35.00 (Rs. Thirty Five crores only)		

3. Refer **Annexure I** for details of rated facilities.

4. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is **October 16, 2019**).

5. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure II**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.
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hear from you by **October 17, 2019**; we will proceed on the basis that you have no any comments to offer.

6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
8. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
9. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
10. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.
11. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,
Yours faithfully,



Amit Jindal
Senior Manager
amit.jindal@careratings.com
Encl.: As above



Yamini Garg
Analyst
Yamini.garg@careratings.com

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Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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Annexure I

Details of Rated Facilities

1. Long-term facilities

1.A. Fund based Limits

(Rs. Crore)

Sr. No.	Name of Bank	Cash Credit	Total fund-based limits
1	State Bank Of India	24.00	24.00
	TOTAL	24.00	24.00

2. Short-term Facilities

2.A. Non-Fund based Limits

(Rs. Crore)

Sr. No.	Name of Bank	Bank Guarantee	Total non-fund-based limits
1	State Bank Of India	4.50	4.50
	TOTAL	4.50	4.50

3. Long/short term Facilities

Sr. No.	Name of Bank	Proposed	Total fund/non-fund-based limits
1	Proposed	6.50	6.50
	TOTAL	6.50	6.50

Total Long term facilities of Rs.24.00 crore

Total short-term facilities of Rs.4.50 crore

Total Long term/short-term facilities of Rs.6.50 crore

Total Bank facilities: Rs.35.00 crore (Rupees Thirty Five crore only)

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**Annexure
Press Release
Innovision Limited**

Ratings

Facility	Amount (Rs. crore)	Rating ^[1]	Rating Action
Long Term Bank Facilities	24.00	CARE BBB-; Stable (Triple B Minus; Outlook:Stable)	Assigned
Short Term Bank Facilities	4.50	CARE A3 (A Three)	Assigned
Long Term/Short term Bank Facilities	6.50	CARE BBB-; Stable/CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Assigned
Total facilities	35.00 (Rs. Thirty Five crores only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Innovision Limited derive comfort from the experienced promoters and management team, PAN India presence with diversified clientele, moderate scale of operations & moderate financial risk profile. The ratings also draw comfort from strong liquidity position, comfortable working capital, diversified revenue stream and backward Integration for skill business. The ratings, however, continue to remain constrained by delay in realization of receivables, dependence on availability of requisite manpower, short term nature of the toll business and competition from organized and unorganized players.

Going forward; the ability of Innovision Limited to increase its scale of operations while maintaining its profitability margins and capital structure shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key rating strengths

Experienced promoters and management team

IL incorporated in 2007 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.

Moderate scale of operations

The scale of operation of the company stood moderate marked by total operating income and gross cash accruals of Rs. 166.62 crores and Rs. 12.57 crores respectively in FY19 (Audited: refers to the period from April 1, 2018 to March 31, 2019) as against Rs. 104.71 Crores and

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company has achieved a TOI of Rs. 74.50 crores in 5MFY20 (refers to the period from April 01, 2019 to August 31, 2019). The company is expecting to close FY20 by achieving TOI of Rs.279.21 crore.

PAN India presence with diversified clientele

The company serves of large clientele with over 500 customers through 50 branches spread throughout India deploying 12500+ 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.

Moderate financial risk profile

As on March 31, 2019, the debt profile of the company comprises of rupee term loan of Rs. 2.84 crores, vehicle loan of Rs. 0.47 crores, working capital borrowings of Rs. 20.94 crores and unsecured loans of Rs. 6.72 crores respectively as against net worth base of Rs. 13.06 crore. The company has cash and cash equivalents in the form of collateral of Rs.19.05 crore fixed deposit resulting in net debt amount of Rs. 11.92 crore as on March 31, 2019. The capital structure of the company stood comfortable as marked by debt-equity and overall gearing ratio of 1.21x and 4.11x respectively for FY18 and 0.76x and 2.37x respectively for FY19. The improvement was on account of repayment of term loan and vehicle loan coupled with comfortable net worth base owing to accretion of profits to reserves. The adjusted overall gearing (after adjusting for cash balance of Rs.19.05cr lien marked for bank facilities) also stood comfortable at 0.91x as on March 31, 2019.

The profitability margins of the company has remained moderate for the last three financial years i.e. FY17-FY19 owing to better realization of fixed cost coupled with the stable revenue model due to increase in client acquisition. During FY19 (based on audited results), PBIDLT and PAT margin increased to 8.61% and 3.19% as compared to 7.82% in FY18.

Further, owing to moderate profitability level, The coverage indicators of the company improved and stood moderate marked by interest coverage and total debt to GCA of 3.01x and 2.46x respectively for FY19 as against 3.02x and 8.24x respectively for FY18. The improvement resulted on account of increasing profitability levels of the company. The adjusted total debt to GCA also stood comfortable at 0.95 for FY19. Also as on August 31, 2019, the company has free cash and bank balance of Rs.1.58cr.

Strong liquidity position as marked by current ratio and quick ratio

Liquidity indicators continue to remain moderate marked by current ratio of 1.13x and quick ratio of 1.13x as on March 31, 2019 as against current ratio of 1.04x and quick ratio of 1.04x as on March 31, 2018. With a gearing of 0.91x, the issuer has sufficient gearing headroom, to raise additional debt for its capex. The company is having sanctioned working capital limits of Rs.24cr, which are further backed by cash and equivalent of Rs.19.05cr, thereby resulting in net working capital limit of Rs.5cr. After adjusting for the cash and cash equivalent, the company is having working capital limit of Rs.5cr on total operating income of Rs.166cr during FY19.

Moderate operating cycle

The working capital cycle of the company remain moderate as reflected by operating cycle of 20 days at the end of FY19 as against 27 days at the end of FY18. The average collection period of the company stood high during past three financial years i.e. FY17-FY19 owing to higher credit period being extended in the security division. Also, the debtors have been traditionally higher on account of deployment of various employees at different locations and verification of invoices being a time-consuming process.

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Diversified revenue stream

The company reported a CAGR of around ~29% percent for the past four years ending March 31, 2019. The growth is derived on account of diversification done by the company during the past 4 years. The company has three verticals for generating revenue primarily toll collection, skill development and security services out of which security services contributes to maximum in topline. 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 in near future. However the toll business is short term in nature as the company gets contract for period of 3 months and as on Oct 16, 2019, the company has four contracts for toll collection. Therefore going forward, the continued receipt of new contract would be a key rating sensitivity.

Backward Integration for skill business

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.

Key rating weaknesses***Delay in realization of receivables***

Total receivables increased from Rs 24.7 crore as on 31st Mar 2018 to Rs 34.96 crore as on 31st March 2019 with increasing scale of operations. Debtors more than 180 days arise on account of delays in payments by government for its skill business. 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. As on August 31, 2019, the company has total debtors outstanding of Rs.41.67cr.

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 12,500 employees as on June 30, 2019. 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.

Analytical Approach: Standalone

Applicable Criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Rating Methodology – Service Sector Companies

Financial ratios – Non-Financial Sector

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 12,500 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 and Pradhan Mantri Kaushal Vikas Yojana (PMKVY). Post training the manpower are placed in-house which helps the company meet its workforce requirements. The company receives government grant in return for the training expenses. 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 Uttarakhand, Haryana, Andhra Pradesh and Rajasthan.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	104.71	166.62
PBILDT	8.19	14.35
PAT	1.38	5.32
Overall gearing (times)	1.54	0.91
Interest coverage (times)	2.04	3.01

A: Audited

Status of non-cooperation with previous CRA – Acuite (SMERA) has placed its ratings under "ISSUER NOT COOPERATING" vide its 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-	-	-	-	6.50	CARE BBB-;

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based-LT/ST					Stable / CARE A3
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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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	24.00	CARE BBB-; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	4.50	CARE A3	-	-	-	-
3.	Fund-based/Non-fund-based-LT/ST	LT/ST	6.50	CARE BBB-; Stable / CARE A3	-	-	-	-

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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(Formerly known as Credit Analysis & Research Limited)

13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238 • www.careratings.com • CIN-L67190MH1993PLC071691

Contact us

Media Contact

Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Amit Jindal

Contact no.: +91- 11-4533 3228

Email ID: amit.jindal@careratings.com

Business Development Contact

Swati Agrawal

Contact no.: +91-11-4533 3200

Email ID: swati.agrawal@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238 • www.careratings.com • CIN-L67190MH1993PLC071691