

November 29, 2022

Voyants Solutions Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Working capital facilities	3.00	3.00	[ICRA]BBB (Stable) reaffirmed
Non-fund based – Working capital facilities	30.00	30.00	[ICRA]A3+ reaffirmed
Unallocated limits	72.00	72.00	[ICRA]BBB (Stable)/[ICRA] A3+ reaffirmed
Total	105.00	105.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of ratings factor in Voyants Solutions Private Limited's (VSPL) healthy order book position of ~Rs. 603.5 crore (5.2 times of the FY2022 operating income) as on August 31, 2022, which is expected to result in healthy revenue growth in the medium term. The company's revenues increased by more than 30% to Rs. 66.8 crore in H1 FY2023 and is expected to sustain on the back of healthy order book execution. VSPL's financial profile remains comfortable, characterised by low overall indebtedness and comfortable coverage indicators (interest cover of 8.2 times in FY2022). The ratings further consider the company's established track record in providing engineering consulting services across various sectors, including railways (32.7% of FY2022 revenues), roads and bridges (19.2%), architecture and project management (18.7%), water and sanitation (10.3%), among others.

The ratings are, however, constrained by the high working capital intensity of 30% in FY2022 due to the elongated receivable cycle in case of design contracts. Further, around 31% of the debtors are more than 180 days resulting in sizeable funds remaining blocked in working capital for an extended period. The company is required to submit performance security in the form of bank guarantee (BG). Timely enhancement in working capital limits will be crucial to support the expected improvement in its scale of operations. Given the stiff competition from established consultants as well as boutique firms, the pricing flexibility is limited as reflected in moderate operating margins of 10.9% in FY2022. ICRA notes the employee-intensive nature of the consulting business and the challenges associated with the retention of key personnel.

The Stable outlook on the long-term rating reflects ICRA's opinion that VSPL will be able to report healthy revenue growth on the back of its strong order book position and timely receipt of payments from its key customers.

Key rating drivers and their description

Credit strengths

Healthy order book position providing medium-term revenue visibility – The company reported an order book of Rs. 603.5 crore (5.2 times of the FY2022 operating income) as on August 31, 2022, providing medium-term revenue visibility. VSPL's revenues improved to Rs. 66.8 crore in H1 FY2023 and the growth is expected to continue in the medium term, driven by healthy order execution. Moreover, VSPL's order book is geographically diversified across multiple states in India.

Comfortable financial profile – The financial profile remains comfortable, characterised by low overall indebtedness with TOL/ TNW of 0.7 times as on March 31, 2022, owing to low debt levels. The company's debt profile comprises term debt of Rs. 0.40 crore and unsecured loans of Rs. 5.01 crore as on March 31, 2022. The debt coverage metrics are healthy with interest cover of 8.2 times and TD/OPBDIT of 0.4 times in FY2022.

Established track record in consulting business – VSPL has more than 15 years of track record in the consulting business and has established relationship with reputed clients in providing engineering consulting services across various sectors. VSPL has presence in railways (32.7% of FY2022 revenues), roads and bridges (19.2%), architecture and project management (18.7%), water and sanitation (10.3%), among others.

Credit challenges

High receivable cycle and cash margins to constrain the improvement in VSPL liquidity position – The debtor days are high due to elongated receivable cycle in case of design contracts, which accounts for 26% of the revenues. Out of the total debtors, 31% debtors are more than 180 days leading to high working capital intensity of 30% in FY2022. Further, the company has to provide sizeable cash margins for availing non-fund based limits constraining its liquidity position to an extent. Going forward, timely enhancement in working capital limits will be crucial to support the expected improvement in the scale of operations.

Employee-intensive nature of business with high attrition – The attrition rate is high at above 20% in FY2022 for regular employees (mainly in lesser experienced category). Further, the company's ability to retain critical talent is crucial for maintaining its competitive position as the projects are awarded based on the technical expertise of key personnel. Hence, the retention of key management personnel and employees remains critical, given the high training spends and human resource intensive operations.

Competition from established local, multinational and boutique firms – The company faces competition from several large consulting companies including Aarvee Associates Engineers & Consultants Private Limited (rated [ICRA]A (Stable)/A2+), Consulting Engineering Group Limited, RITES Limited, Louis Berger, Lea Associates South Asia ([ICRA]A+(Stable)/[ICRA]A1), Renarde, Intercontinental Consultants and Technocrats (ICT, [ICRA]BBB- (Stable)/[ICRA]A3), L.N.Malviya Infra Projects Pvt Ltd ([ICRA]BBB(Stable)), etc, which results in pricing pressure. VSPL's operating margins stood moderate at 10.9% in FY2022.

Liquidity position: Adequate

The company's liquidity position is adequate with free cash balance of Rs. 4.94 crore as on October 31, 2022 and average utilisation of 68.8% in the fund-based limits for the last twelve month period that ended in October 2022. Further, it has low debt repayment obligations, which can be met comfortably met through its estimated cash flow from operations. It also has limited capex plans in FY2023, which will support its liquidity position.

Rating sensitivities

Positive factors – The ratings are likely to be upgraded if the company demonstrates a scale up in revenues, while improving the profitability parameters on a sustained basis. Further, improvement in liquidity position led by a meaningful reduction in the overall collection cycle would support a rating upgrade.

Negative factors – The pressure on the ratings could emerge if a significant decline in the revenue and profitability or any elongation in working capital cycle weakens the company's liquidity position. Further, any delay in securing adequate enhancement in working capital limits impacting the order book addition or execution will be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the company's standalone financial statements

About the company

Established in 2004, Voyants Solutions Private Limited (VSPL) is a multi-disciplinary infrastructure consultancy services firm with its corporate office located in Gurugram. It provides end-to-end, integrated infrastructure solutions across all major sectors viz. transportation, roads, bridges, railways, ports, residential townships, commercial complexes, industrial parks, SEZs, urban infrastructure, smart cities, energy, water and sanitation, and waste management. VSPL has a team of around 1,147 professionals as on March 31, 2022 with expertise in the fields of civil engineering and infrastructure sectors.

Key financial indicators (audited)

	FY2021	FY2022
Operating income	101.0	115.2
PAT	7.1	8.7
OPBDIT/OI	10.4%	10.9%
PAT/OI	7.0%	7.5%
Total outside liabilities/Tangible net worth (times)	1.0	0.7
Total debt/OPBDIT (times)	1.0	0.4
Interest coverage (times)	3.8	8.2

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					Nov 29, 2022	Oct 13, 2021	October 22, 2020	Apr 26, 2019
1	Cash credit	Long-term	3.00	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2	Bank guarantee	Short-term	30.00	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+
3	Unallocated limits	Long-term/Short-term	72.00	-	[ICRA]BBB (Stable)/[ICRA]A3+	[ICRA]BBB (Stable)/[ICRA]A3+	[ICRA]BBB (Stable)/[ICRA]A3+	[ICRA]BBB (Stable)/[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based– Cash credit	Simple
Short-term Non-fund based– Bank guarantee	Very Simple
Long-term/Short-term – Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	NA	NA	NA	3.00	[ICRA]BBB(Stable)
NA	Bank guarantee	NA	NA	NA	30.00	[ICRA]A3+
NA	Unallocated limits	NA	NA	NA	72.00	[ICRA]BBB (Stable)/[ICRA]A3+

Source: Company

Annexure II: List of entities considered for consolidated analysis: Not applicable

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