

October 01, 2020

INI Design Studio Pvt. Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Overdraft	3.44	2.69	[ICRA]BBB-(Stable); Reaffirmed
Non-Fund based Bank Guarantee	3.00	3.00	[ICRA]A3; Reaffirmed
Unallocated Limits	1.06	1.81	[ICRA]BBB-(Stable)/A3; Reaffirmed
Total	7.50	7.50	

*Instrument details are provided in Annexure-1,

Rationale

The rating reaffirmation continues to favourably factor in the experience of the senior management of INI Design Studio Pvt. Ltd. (IDSPL) from project design to on-site implementation service industry, and the company's erstwhile association with Stantec Inc., which lends credibility to its operations. The ratings continue to positively consider the company's comfortable capital structure and its adequate liquidity position on the back of undrawn overdraft facility and liquid investment. The ratings also factor in the healthy order-book position of ~Rs. 128.7 crore as on March 31, 2020 (order book to operating income (FY2020) ratio of 7.0 times), which provides adequate revenue visibility over the medium term. ICRA also notes the company's diversified revenue stream and geographical reach (both domestic and international markets), and its established relationship with clients, which include reputed private and public sector entities.

The rating, however, remains constrained by the modest scale of operations, the moderate return indicators and the high working capital intensity due to sizeable unbilled revenue and stretched receivables. The rating also factors that IDSPL's operating environment remains skewed towards infrastructure and government sector, which are cyclical. Further, the intense competition and the high employee cost to retain quality manpower put pressure the margins. ICRA also notes that IDSPL's ability to attract quality manpower and retain key managerial personnel to execute the orders in hand remains important.

The outlook is stable as the entity is expected to maintain its business positioning by virtue of its established presence in the project design to on-site implementation service industry.

Key rating drivers and their description

Credit strengths

Established track record and reputed clientele - IDSPL and its management team have an established track record of providing architect consultancy services to infrastructure-related projects in India and globally through their earlier association with Stantec Inc., a leading architect and engineering services firm. Further, over the years, IDSPL has successfully executed projects for reputed private entities (Indian and international) as well as for Government and semi government entities.

Diversified revenue stream and geographical presence - IDSPL offers a wide range of services such as architecture, engineering, planning, urban design, landscape, and sustainable interiors, with architectural design services being the key service segment. Further, it has executed projects across various states India and abroad on a work-share basis.

Comfortable capital structure and adequate liquidity - IDSPL has limited dependence on external debt, resulting in a comfortable capital structure. Further, IDSPL has adequate liquidity and an undrawn working capital facility of Rs. 2.69 crore and liquid investment of Rs. 3.4 crore as on FY2020-end.

Comfortable order-book position – The current unexecuted order book of Rs. 128.7 crore (7.0 times FY2020 operating income (OI)), to be executed over the next five to ten years, provides revenue visibility over the medium term. However, the timely execution of the orders and the associated receipts of bills remain crucial.

Credit challenges

Modest scale of operations, moderate return indicator and high working capital intensity – The combined scale of operations of IDSPL and its subsidiary INI Infrastructure and Engineering Private Limited (INIE) is modest, as reflected by its consolidated operating income (OI) of Rs. 23.7 crore in FY2020 (provisional unaudited). Further, the return indicator on a consolidated basis remains moderate, as reflected by ROCE of 12.1% in FY2020. Also, sizeable unbilled revenue as well as delay in receipt of payments from a few clients has escalated the working capital intensity, as evident from its NWC/OI, which was in the range of 48% as on FY2020-end.

Intense competition and cyclical operating environment – Stiff industry competition limits the pricing flexibility of the industry participants, including IDSPL. However, the company benefits to some extent from its established operational track record and wide service offerings. Further, a major number of IDSPL's projects are in the infrastructure and government sector, which are cyclical in nature. Hence, cancellation or deferment of any large project, owing to unfavourable market conditions, adverse changes in the political scenario timely approvals, may adversely impact its financial risk profile.

Challenges in attracting and retaining quality manpower – Being an employee-driven company, the retention of key managerial personnel and quality manpower is crucial for IDSPL, in the face of intense competition.

Liquidity position: Adequate

The IDSPL's overall liquidity position is expected to remain adequate, given the absence of any fixed repayment obligations, the presence of cushion in working capital limits (Rs. 2.69 crore overdraft facility) and Rs. 3.4 crore of liquid investment as on FY2020-end.

Rating sensitivities

Positive triggers – ICRA could upgrade IDSPL's ratings if the company demonstrates substantial growth in revenue and profitability, leading to higher-than-expected cash accruals on a sustained basis. Further, significant improvement in receivables cycles that improves working capital cycle and supports the liquidity position may also lead to a rating upgrade.

Negative triggers – Negative pressure on the company's ratings could arise if a substantial decline in revenues because of slower-than-expected project execution, cancellation/suspension of any order, or moderation in profitability leads to lower-than-expected cash accruals. Moreover, any further increase in receivables that stretches the working capital cycle and adversely impacts the liquidity profile are credit negatives.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on the consolidated financials of INI Design Studio Pvt. Ltd. and INI Infrastructure and Engineering Pvt. Ltd. given the close business, financial and managerial links between them.

About the company

IDSPL started its operations in India in 2007 as a wholly-owned subsidiary of Burt Hill Inc., USA. The name was changed to Stantec Consulting Private Limited, when the holding company, Burt Hill Inc., was taken over by the Stantec Group of Canada, in early 2011. Further, in 2015, it was taken over by erstwhile employees through INI Design Services Private Limited, which was later on merged with IDSPL. At present, IDSPL is a multi-disciplinary consulting services company offering professional consulting services in the field of architecture, engineering, planning, urban design, landscape, sustainability, interiors, research and art. IDSPL has its head office in Ahmedabad and also operates from its offices in Atlanta, Kolkata, London, Mumbai, Pune.

IDSPL also has a wholly-owned subsidiary namely INI Infrastructure & Engineering Private Limited (INI INFRA), which provides consultancy for electrical domain, mechanical, electrical, firefighting and energy management consulting services.

The company on a standalone basis recorded a net profit of Rs. 2.0 crore on an operating income of Rs. 18.3 crore in FY2020 (provisional unaudited) as against a net profit of Rs. 1.0 crore on an operating income of Rs. 17.9 crore in FY2019. Further, on a consolidated basis, it reported a net profit of Rs. 2.5 crore on an operating income of Rs. 23.7 crore in FY2020 (Provisional unaudited) as against a net profit of Rs. 1.5 crore on an operating income of Rs. 21.7 crore in FY2019.

Key financial indicators (audited)

	Standalone FY2019	FY2020*	Consolidated FY2019	FY2020*
Operating Income (Rs. crore)	17.9	18.3	21.7	23.7
PAT (Rs. crore)	1.0	2.0 ^	1.5	2.5 ^
OPBDIT/ OI (%)	10.9%	9.3%	11.5%	9.8%
RoCE (%)	6.0%	10.4%	8.0%	12.1%
Total Outside Liabilities/Tangible Net Worth (times)	0.2	0.2	0.2	0.2
Total Debt/OPBDIT (times)	0.2	0.0	0.2	0.0
Interest Coverage (times)	45.4	20.1	52.8	23.4
DSCR	45.9	34.0	52.2	34.7

* Provisional financials ^ profit before tax

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating	FY2020	FY2019	FY2018
					01-Oct-2020	29-Aug-2019	25-Apr-2018	-
1	Overdraft Limits	Long Term	2.69	NA	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	-
2	Bank Guarantee	Short Term	3.00	NA	[ICRA]A3	[ICRA]A3	-	-
3	Unallocated Limits	Long Term/Short Term	1.81	NA	[ICRA]BBB-(Stable)/A3	-	-	-

Amount in Rs. crore;

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	NA	NA	NA	2.69	[ICRA]BBB- (Stable)
NA	Cash Credit	NA	NA	NA	3.00	[ICRA]A3
NA	Unallocated Limits	NA	NA	NA	1.81	[ICRA]BBB- (Stable)/A3

Source: INI Design Studio Pvt. Ltd.

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