

Infosoft Digital Design And Services Private Limited

December 20, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00 (Enhanced from 20.00)	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	41.80 (Enhanced from 34.00)	CARE A4+	Reaffirmed
Long Term Bank Facilities – Term Loan	-	-	Withdrawn
Proposed Short Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Infosoft Digital Design and Services Private Limited (IDDS) continue to remain constrained by large working capital requirement on account of stretched receivables, competitive industry, and susceptibility of business risk due to tender related business. The ratings, however, continue to derive strength from its experienced promoters, the average financial risk profile of the company with stable profitability and coverage indicators, reputed customer base and healthy order book position providing revenue visibility in the near to medium term.

CARE has withdrawn the rating assigned to the proposed short-term bank facilities of IDDS which has not been availed by the company and Term loan facility with immediate effect, as the aforementioned term loan has been repaid in full and there is no outstanding under the facility as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained growth in total operating income along with PBILDT margin above 8.00%.
- Infusion of equity leading to an improvement in capital structure and liquidity.

Negative factors

- Decrease in total operating income below Rs. 90 crores.
- Decline in PBILDT margin below 5.00% on a sustained basis.
- Deterioration in capital structure as marked by overall gearing above 0.50x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall sustain increase in the scale of operations along with increase in the profitability margins on the back of experienced promoters with long track of operations.

Detailed description of the key rating drivers:

Key weaknesses

Large working capital requirements due to stretched receivables: The company requires large amount of working capital due to tender based business model which are generally for duration of 2-3 years. The tender received require performance bank guarantee of the company to be placed for 10% of the contract value. The project is usually of a higher period as the company supply raw materials in phases based on the onsite requirement and the bank guarantee of the company is utilized till the time the warranty of the product is expired. Due to this, there is requirement for working capital and since majority of the clients for the company are government companies, the collection period for the company also remain at higher side. Also, the company operates on the model of SITC (Supply – Install – Testing – Completion) under which the 70% of the payment is received when the raw materials are supplied, 20% is received when the installation and testing is completed and remaining 10% is received

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

when the handover is given. However, in FY23 (refers to the period April 01, 2022, to March 31, 2023), the average collection period of the company decreased to 131 days from 189 days in FY22 owing to high billing in March.

Susceptibility of business risk due to tender related business: About 70% of company's business is tender based either from Indian Railways or from Airport Authorities. Since the company operates in a competitive industry, the companies are lowering their margins to increase their chances to get tenders, which exerts pressure on profitability of the company. Even though the company has an established position in the business, continued success at tenders and renewals of contract remains critical for maintaining the scale of operation. Loss of any major tender can weaken business risk profile.

Competitive industry: IDDS operates in an industry which is highly competitive and fragmented with presence of large numbers of players in the market, low entry barriers. The industry operates on tender based business model. With the growing focus of the government on digitalization and need for better security systems, the demand for CCTV is likely to increase in the upcoming years, thus increasing the competition among players.

Key strengths

Order book position providing revenue visibility: The company has received orders of Rs. 284.30 crore in FY24 out of which orders of Rs. 130 crores have been executed till November 2023. The orders received include order from Indian Railways under Amrit Bharat Station Scheme, Tata Projects Limited, Indian Oil Corporation Limited, WAISL Limited, Airports Authority of India, Surat Smart City Development Limited, NDMC, various Railway projects and many more.

Average financial risk profile: The total operating income (TOI) of the company improved by ~55% on y-o-y basis from Rs 100.37 crores in FY22 to Rs 155.41 crores in FY23 on account of increase in the number of orders executed from Indian Railways and Airports. Further the PBILDT and PAT margins of the company also improved to 6.98% and 4.37%, respectively, in FY23 (PY: 6.55% and 3.48%). The overall gearing of the remained comfortable as marked by 0.12x as on March 31, 2023 (PY: 0.66x) on account of repayment of term loans. The debt coverage indicators also remain comfortable as marked by interest coverage ratio of 7.05x as on March 31, 2023.

Reputed customer base: The customer base of the company includes reputed customers like Indian Railways, Airports Authority of India, domestic and international airports, and major private players etc. The company generates revenue from tender offers from Airport authorities to maintain flight information display system and LED signage for the same. IDDS also provides similar services to Indian railways as well to maintain their monitors, servers, workstations, and camera and networking equipment. The other source of revenue comes from maintenance of CCTV system, public address system and IT infrastructure for various IT companies. A reputed customer base and long-standing relations with the same enables IDDS to ensure repeated orders.

Extensive experience of the promoters in the communications equipment industry: Mr. Krishna Kumar Aggarwal has over 25 years of experience in the information display system & airport automation business and experience in project management and execution. The management of the company is supported by qualified and experienced personnel.

Liquidity: Stretched

The company is expected to generate gross cash accruals of Rs. 10.30 crore in FY24 against repayment obligations of Rs. 0.55 crore. The company has already repaid their term debt in H1FY24. The average utilization for past twelve months period ending October 2023 is 90-100%. The company usually have lower utilisation in March due to higher collection. Hence, their outstanding limit as on March 31, 2023, remain low at Rs. 3.04 crores. However, in subsequent months the collection is slow due to which the working capital utilization stretches beyond 90%. Further, the operating cycle of the company has improved to 78 days in FY23 as against 125 days in FY22 owing to reduction in average collection period to 131 days in FY23 as against 189 days in FY22. The Current ratio and Quick ratio stood at 1.54x and 1.35x as on March 31, 2023, as against 1.30x and 1.22x as on March 31, 2022, respectively.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Short Term Instruments](#)

[Service Sector Companies](#)

[Rating Outlook and Credit Watch](#)

[Policy on Withdrawal of Ratings](#)

[Policy on default recognition](#)

[Manufacturing Companies](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Information Technology	Information Technology	IT - Services	IT Enabled Services

Infosoft Digital Design and Services Private Limited (IDDS) was set up in 1997. The company is engaged in communication equipment assembling and testing with a focus on information display and security systems. IDDS provides services such as flight information display systems, LED boards, touch screen kiosks and computerized automatic announcement systems for Indian Railways and domestic and international airports. The company has its manufacturing facility located in Manesar, Gurugram for the assembling and testing of LED based information display boards, GPS based clocks and Token displays.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	8MFY24 (UA)
Total operating income	100.37	155.41	130.00
PBILDT	6.58	10.85	NA
PAT	3.49	6.80	NA
Overall gearing (times)	0.66	0.12	NA
Interest coverage (times)	4.52	7.05	NA

A: Audited UA: Unaudited; NA: Not Available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL has continued the ratings assigned to the bank facilities of IDDS into 'Issuer not-cooperating' category vide press release dated October 19, 2023, on account of non-availability of requisite information from the company.

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	39.80	CARE A4+
Non-fund-based - ST-ILC/FLC		-	-	-	2.00	CARE A4+
Non-fund-based - ST-Proposed non fund based limits		-	-	-	0.00	Withdrawn
Term Loan-Long Term		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	30.00	CARE BB+; Stable	-	1)CARE BB+; Stable (25-Nov-22)	1)CARE BB+; Stable (04-Oct-21)	1)CARE BB+; Stable (04-Feb-21) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (04-Nov-20)
2	Non-fund-based - ST-ILC/FLC	ST	2.00	CARE A4+	-	1)CARE A4+ (25-Nov-22)	1)CARE A4+ (04-Oct-21)	1)CARE A4+ (04-Feb-21) 2)CARE A4; ISSUER NOT COOPERATING* (04-Nov-20)
3	Non-fund-based - ST-Bank Guarantee	ST	39.80	CARE A4+	-	1)CARE A4+ (25-Nov-22)	1)CARE A4+ (04-Oct-21)	1)CARE A4+ (04-Feb-21)

								2)CARE A4; ISSUER NOT COOPERATING* (04-Nov-20)
4	Non-fund-based - ST-Proposed non fund based limits	ST	-	-	-	1)CARE A4+ (25-Nov- 22)	1)CARE A4+ (04-Oct- 21)	1)CARE A4+ (04-Feb-21) 2)CARE A4; ISSUER NOT COOPERATING* (04-Nov-20)
5	Term Loan-Long Term	LT	-	-	-	1)CARE BB+; Stable (25-Nov- 22)	1)CARE BB+; Stable (04-Oct- 21)	1)CARE BB+; Stable (04-Feb-21)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple
3	Non-fund-based - ST-ILC/FLC	Simple
4	Non-fund-based - ST-Proposed non fund based limits	Simple
5	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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