

Infosoft Digital Design and Services Private Limited

November 25, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	22.16 (Enhanced from 18.37)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	34.84 (Reduced from 38.63)	CARE A4+ (A Four Plus)	Reaffirmed
Total Bank Facilities	57.00 (₹ Fifty-Seven Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Infosoft Digital Design and Services Private Limited (IDDS) continue to factor the 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, reputed customer base and healthy order book position providing revenue visibility.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Increase in total operating income above Rs. 120 crores along with PBILDT margin above 8.00% on a sustained basis
- Infusion of equity leading to an improvement in tangible net worth

Negative factors – Factors that could lead to negative rating action/downgrade:

- Decrease in total operating income below Rs. 70 crores on a sustained basis
- Decline in PBILDT margin below 5.00% on a sustained basis

Detailed description of the key rating drivers

Key rating weaknesses

Large working capital requirement due to stretched receivables: The company requires large amount of working capital on account of 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 materials in phases based on site 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. During FY22 (refers to the period April 01 to March 31), the receivable days of the company increased to 197 days from 183 days in FY21 owing to high billing in March.

Susceptibility of business risk due to tender related business: About 80% of company's business is tender based either from railways or from airport authorities. Since the competition is increasing and companies are cutting off their margin to win tenders, the profitability of the company gets impacted. Although the company has an established position in the business, continued success at tenders and renewals of contract remain critical for maintaining the scale of operation. Loss of any major tender may weaken the business risk profile.

Competitive Industry: IDDS operates in tender based business model and with the presence of large players in the market, the extent of competition grows. With the growing focus of the government on digitalization and need for better security need, the demand for CCTV is likely to increase in the upcoming years. IDDS operates in the electrical equipment industry characterized by high competition due to low entry barriers and the presence of a large number of players in the organized and unorganized sector. Thus, the entities present in the segment generally have low bargaining power vis-à-vis their customers.

Key rating strengths

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.

Reputed customer base: The customer base of the company includes reputed customers like Indian Railways, Airports Authority of India and major domestic and international airports 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.

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

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.

Order Book Position providing revenue visibility: The company has received orders of ~Rs.115 cr in FY23 out of which order worth Rs. 75.68 crore has been executed and billed till October 31, 2022. Further the billing of Rs 19.55 crores is pending pertaining to Servicing AMC and Installation. The orders received include Annual Maintenance Contract from Wipro, TIM Delhi, DIAL, Honeywell and Tata, Airport Authority of India, Indian Railways, GMR Hyderabad among others. Moreover, the company is expecting to receive orders of ~Rs 74 crore from Indian Railways, Airport Authority of India among others.

Average Financial Risk Profile

The total operating income (TOI) of the company improved by 22% on y-o-y basis from Rs 81.78 cr in FY 21 to Rs 100.15 cr in FY22. Further the PBILDT margins of the company also improved to 6.34% in FY22 (PY: 5.85%). The same is attributable to the cost rationalization measures taken by the company as optimizing employee cost. The total debt of the company increased to Rs 18.73 cr as on March 31, 2022, from Rs 7.87 cr in FY21 owing to increase in working capital utilisation. The increase in working capital limits was in line with the increase in the TOI of the company. The overall gearing of the company slightly moderated to 0.67x in FY22 (PY: 0.32x). However, the financial profile of the company continues to be average.

Liquidity: Adequate

The liquidity is characterized by a current ratio and quick ratio of above 1x since last 3 fiscals. The repayment obligations of the company for FY23 stands at Rs. 1.50 crore as against the projected gross cash accruals of above Rs. 3 crores. The working capital requirement of the company is moderate and the average utilization for last twelve months ending Oct 2022 stood at around 46%.

Analytical approach: Standalone

Applicable criteria

[Financial Ratios – Non financial Sector](#)

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

[Policy on default recognition](#)

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company

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, 2021 (A)	March 31, 2022 (A)	H1 FY23 (Prov.)
Total operating income	81.78	100.15	NA
PBILDT	4.78	6.35	NA
PAT	2.62	3.49	NA
Overall gearing (times)	0.32	0.67	NA
Interest coverage (times)	3.81	4.36	NA

A: Audited, Prov.: Provisional, NA: Not Available

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and has placed the ratings of IDDS in "Issuer Not cooperating" category vide its press release dated August 24, 2022.

India Ratings has conducted the review on the basis of best available information and has placed the ratings of IDDS in "Issuer Not cooperating" category vide its press release dated July 28, 2022.

Any other information: Not Applicable

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

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

Complexity level of various instruments rated for this company: Annexure-4

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		-	-	-	20.00	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	32.00	CARE A4+
Non-fund-based - ST-ILC/FLC		-	-	-	2.00	CARE A4+
Non-fund-based - ST-Proposed non fund based limits		-	-	-	0.84	CARE A4+
Term Loan-Long Term		-	-	June 2024	2.16	CARE BB+; Stable

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	20.00	CARE BB+; Stable	-	1)CARE BB+; Stable (04-Oct-21)	1)CARE BB+; Stable (04-Feb-21) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (04-Nov-20)	1)CARE BB+; Stable (03-Feb-20)
2	Non-fund-based - ST-ILC/FLC	ST	2.00	CARE A4+	-	1)CARE A4+ (04-Oct-21)	1)CARE A4+ (04-Feb-21) 2)CARE A4; ISSUER NOT COOPERATING* (04-Nov-20)	1)CARE A4+ (03-Feb-20)
3	Non-fund-based - ST-Bank Guarantee	ST	32.00	CARE A4+	-	1)CARE A4+ (04-Oct-21)	1)CARE A4+ (04-Feb-21) 2)CARE A4; ISSUER NOT COOPERATING* (04-Nov-20)	1)CARE A4+ (03-Feb-20)
4	Non-fund-based - ST-Proposed non fund based limits	ST	0.84	CARE A4+	-	1)CARE A4+ (04-Oct-21)	1)CARE A4+ (04-Feb-21) 2)CARE A4; ISSUER NOT COOPERATING* (04-Nov-20)	1)CARE A4+ (03-Feb-20)
5	Term Loan-Long Term	LT	2.16	CARE BB+; Stable	-	1)CARE BB+; Stable (04-Oct-21)	1)CARE BB+; Stable (04-Feb-21)	-

*Long term/Short term.

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

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of 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: Bank lender details for this company

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

Note on 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.

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About us:

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