

## Infosoft Digital Design And Services Private Limited

December 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	46.00 (Enhanced from 30.00)	CARE BBB-; Stable	Upgraded from CARE BB+; Stable
Short Term Bank Facilities	42.32 (Enhanced from 41.80)	CARE A3	Upgraded from CARE A4+

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The upgrade in the ratings assigned to the bank facilities of Infosoft Digital Design and Services Private Limited (IDDS) factor in the improvement in the operational performance during in FY24 (refers to the period April 01 to March 31) marked by increase in scale of operations coupled with improvement in profitability margins. Further, with healthy profitability, the net-worth base of the company has grown resulting in an improvement in capital structure and liquidity position of the company. The ratings also draw comfort from the experienced promoters and reputed clientele as marked by healthy order book position providing revenue visibility in the medium term. However, the ratings are constrained by working capital intensive nature of operations, presence in a competitive industry, and susceptibility of business risk due to tender related business. CARE Ratings Limited (CARE Ratings) believe the company's ability to improve its collection period will remain a key credit monitorable.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained growth in total operating income (TOI) of above ₹450 crore with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 9.00%.
- Improvement in collection period to below 30 days leading to improved liquidity position on a sustained basis.

#### Negative factors

- Decrease in TOI below ₹200 crore with a PBILDT margin below 6.50% on a sustained basis.
- Deterioration in capital structure as marked by overall gearing above 0.80x on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

"Stable" outlook reflects CARE Ratings' opinion that IDDS will continue to derive benefit from its long-standing experience of promoters in the industry.

### Detailed description of key rating drivers:

#### Key strengths

##### Improvement in operational performance

The company has demonstrated significant growth in its operational performance, with TOI increasing at a CAGR of ~30% over the last five years, reaching ₹271.69 crore in FY24, a 76% rise from FY23, driven by increase airport orders particularly for various products. In H1FY25 (refers to the period April 01 to September 30), TOI was ₹133 crore, with further improvements expected based on the current order book. Operating profitability has remained stable, with PBILDT margin ranging between 6-8% over the past three years, improving to 8.26% in FY24 due to cost measures taken by the company. The Profit after Tax (PAT) margin also improved, standing at 5.29% in FY24 compared to 4.40% in FY23. CARE Ratings anticipates that the company will sustain its growth in operational performance in the short to medium term, based on its current order book.

##### Healthy order book position providing revenue visibility

As of October 31, 2024, the company holds orders worth ₹347.91 crore, to be executed in FY25 and FY26, with expectations of further growth throughout the year. These orders come from esteemed clients such as Indian Railways, Tata Projects Limited,

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

Indian Oil Corporation Limited, WAISL Limited, Airports Authority of India, Surat Smart City Development Limited, New Delhi Municipal Council (NDMC), and various railway projects. The company's order book is anticipated to expand further driven by expansion into supplying and installing chairs, recliners, and baggage trolleys at airports. Additionally, the company has started receiving orders from a distinguished client base.

### **Comfortable financial risk profile**

The company's capital structure stood comfortable, as marked by an overall gearing of 0.49x as on March 31, 2024 (PY: 0.12x) and total outside liabilities to net-worth moderated to 1.34x as on March 31, 2024 (PY: 1.06x). The moderation was on account of an increase in working capital borrowings to support the growth in scale of operations with average utilization of ~57% over the twelve-month trailing period. However, the debt coverage indicators stood strong, as marked by comfortable interest coverage of 7.23x in FY24 (PY: 6.49x) and comfortable TDGCA (Total debt to Gross Cash Accruals) of 1.65x in FY24 (PY: 0.59x).

### **Experienced promoters and reputed clientele position**

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. Attributed to the management's experience, the company has been able to build a reputed clientele like Indian Railways, Airports Authority of India, and major domestic and international airports etc.

The company generates revenue through tender offers from airport authorities for maintaining flight information display systems and LED signage. It also provides similar services to Indian Railways, maintaining monitors, servers, workstations, cameras, and networking equipment. Additionally, revenue comes from maintaining CCTV systems, public address systems, and IT infrastructure for IT companies. The diversification of the product portfolio has enabled the company to expand its customer base, contributing to revenue growth in H1FY25 and further orders expected during the remaining part of the year.

### **Key weaknesses**

#### **Working capital intensive nature of operations**

The company requires a large amount of working capital due to the tender-based business model which is generally for a duration of 2-3 years. The tender received requires a performance bank guarantee from 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. Due to this, there is a requirement for working capital and since the majority of the clients for the company are government companies, the collection period for the company also remains on the higher side. Also, the company operates on the model of SITC (Supply – Install – Testing – Completion) under which the 80% of the payment is received when the raw materials are supplied and the remaining 20% is received when the installation, testing is completed, and handover is given. However, the operating cycle of the company has been improving over the years and has improved to 59 days in FY24 from 83 days in FY23 primarily due to improvement in collection period with payments now being received within one month through bill discounting. The company's ability to improve its collection period will remain a key credit monitorable.

#### **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. Due to the competitive nature of the industry, companies have to offer competitive bids by compromising on its margins to secure tenders, which adversely affects the company's profitability. 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 the business risk profile. The company's capacity to bid for additional contracts while preserving its profitability will continue to be a crucial factor to monitor.

### **Competitive industry**

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

### **Liquidity: Adequate**

The gross cash accruals of IDDS stood at ₹14.66 crore as on March 31, 2024, against negligible repayment obligations. The average utilization for the past twelve months ending October 2024 is ~57% with the highest average utilization of 72% in the month of October 2024. The operating cycle of the company has improved to 59 days in FY24 as against 83 days in FY23 primarily due to improvement in collection period with payments now being received in one month through bill discounting. The current

ratio and quick ratio stood at 1.41x and 1.38x, respectively, as on March 31, 2024, as against 1.42x and 1.24x, respectively, as on March 31, 2023.

**Assumptions/Covenants:** Not Applicable

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

### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information Technology	Information Technology	IT - Services	IT Enabled Services

Incorporated 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, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	154.55	271.69	133.00
PBILDT	9.98	22.44	NA
PAT	6.80	14.38	NA
Overall gearing (times)	0.12	0.49	NA
Interest coverage (times)	6.49	7.23	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** CRISIL and India Ratings has continued the ratings assigned to the bank facilities of IDDS into 'Issuer not-cooperating' category vide press release dated October 19, 2023, and July 14, 2024, respectively, on account of non-availability of requisite information from the company.

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	46.00	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantee	-	-	-	-	40.32	CARE A3
Non-fund-based - ST-ILC/FLC	-	-	-	-	2.00	CARE A3

**Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	46.00	CARE BBB-; Stable	-	1)CARE BB+; Stable (20-Dec-23)	1)CARE BB+; Stable (25-Nov-22)	1)CARE BB+; Stable (04-Oct-21)
2	Non-fund-based - ST-ILC/FLC	ST	2.00	CARE A3	-	1)CARE A4+ (20-Dec-23)	1)CARE A4+ (25-Nov-22)	1)CARE A4+ (04-Oct-21)
3	Non-fund-based - ST-Bank Guarantee	ST	40.32	CARE A3	-	1)CARE A4+ (20-Dec-23)	1)CARE A4+ (25-Nov-22)	1)CARE A4+ (04-Oct-21)
4	Non-fund-based - ST-Proposed non fund based limits	ST	-	-	-	1)Withdrawn (20-Dec-23)	1)CARE A4+ (25-Nov-22)	1)CARE A4+ (04-Oct-21)
5	Term Loan-Long Term	LT	-	-	-	1)Withdrawn (20-Dec-23)	1)CARE BB+; Stable (25-Nov-22)	1)CARE BB+; Stable (04-Oct-21)

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of 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

**Annexure-5: Lender details**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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### About us:

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