

January 22, 2025

VisionIndia Tech Services Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund based - Cash Credit	4.00	2.00	[ICRA]BB+(Stable); Reaffirmed
Long-term Fund based - Overdraft	3.00	10.00	[ICRA]BB+(Stable); Reaffirmed
Long Term-Fund Based-Term Loan	1.35	0.82	[ICRA]BB+(Stable); Reaffirmed
Short Term-Non Fund Based-Bank Guarantee	19.95	24.48	[ICRA]A4+; Reaffirmed
Long Term-Fund Based-Unallocated	6.65	0.00	-
Short Term-Non Fund Based-Unallocated	10.05	0.00	-
Total	45.00	37.30	

*Instrument details are provided in Annexure-1

Rationale

The reaffirmation of ratings factors in VisionIndia Tech Services Limited's (VITSL) established track record in the financial inclusion industry, its asset-light business model, and a comfortable capital structure and coverage metrics because of low debt levels. VITSL is empanelled as a corporate business correspondent (CBC) with several public sector banks. The banks enter into contracts with CBCs, which further engage with several business correspondents (BCs), who provide banking and related services in rural locations for a commission. The initial investments required for the basic set-up and the maintenance of working capital for transactions are undertaken by the BCs, leading to an asset-light business model for the company. Further, the commissions payable to the BCs are generally paid only after the payment is received from the respective banks, leading to relatively lower working capital requirements for VITSL. With this, the overall debt level of VITSL remains low (with total debt of Rs. 15.7 crore and a gearing of 0.3 times as of March 31, 2024), with no sizeable fresh debt addition envisaged over the near term on account of limited capex outlay.

The ratings, however, are constrained by VITSL's moderate scale of operations (with an operating income of Rs. 133.0 crore in FY2024), high dependence on the performance of BCs and the risk associated with the non-renewal of contracts/ downward revision of commercials by the banks. VITSL's revenues are largely a derivative of the performances of BCs, who are independent agents working on a commission. Accordingly, the company emphasises on recruiting suitable candidates and has a performance monitoring mechanism in place. Nonetheless, the value and volumes of transactions are also dependent on macro-economic factors. VITSL signs contracts for three-to-five years. While banks generally renew their contracts with existing vendors, the risk of non-renewal or downward revision of commission continues to exist. This was seen in FY2023 and FY2024, when the company's performance was impacted by downward revision in the payout structure by two of its customers, leading to a decline in the operating profit margin (OPM) from the historic 10-12% level to 4-5% during this period. A gradual recovery in profitability is anticipated going forward, aided by the cost optimisation measures undertaken by VITSL. Further, CBCs have limited pricing flexibility as the terms of the contracts are fixed as per the banks' policies. Also, the financial inclusion industry is indirectly subject to regulations that govern banks and other financial institutions. Any adverse policy change has the potential to impact VITSL's business and scale down its operations.

The Stable outlook on the long-term rating reflects ICRA's expectation that VITSL's credit profile will be supported by the expected scaling up of operations, while maintaining a comfortable capital structure and coverage metrics.

Key rating drivers and their description

Credit strengths

Established track record of the company in the financial inclusion business – VITSL is primarily involved in providing services under the financial inclusion business correspondent programme. Its established track record has enabled VITSL to get empanelled as a CBC with several banks. Further, the company benefits from the extensive experience of its promoters in this business.

Low debt levels result in comfortable coverage metrics – Given the low capital-intensive nature of operations, VITSL's reliance on debt has remained relatively lower. This has led to comfortable credit metrics with Total Outside Liabilities/ Tangible Net Worth (TOL/TNW) of 0.7 times and a gearing of 0.3 times as of March 31, 2024. Further the coverage metrics are expected to remain comfortable, going forward as well, in the absence of any major debt-funded capex plans over the near-to-medium term.

Asset-light business model – The company's operations are asset light in nature as the investment required in the working capital for day-to-day transactions are undertaken by the BC. The commissions and incentives due to the BC are also paid after receipt of payments from the bank, resulting in minimal working capital blockage for the company. Further, the fixed cost set-up for the company is also low as it requires minimal capital as the business is mainly conducted by BCs, who work on the field and have their own basic IT set-up.

Credit challenges

Moderate scale of operations— The company's scale of operations remains moderate, as reflected by an operating income of Rs. 133.0 crore in FY2024 (Rs. 103.9 crore in FY2023). Nonetheless, VITSL's operations are expected to scale up, going forward, supported by growth in the touchpoints, increased business from existing banks, introduction of new services and access to new geographies.

Risks associated with non-renewal of contracts/ downward revision of commercials – VITSL's revenues are subject to the risk of non-renewal of such contracts by the banks as its CBC business is largely contract-based in nature. However, this risk is mitigated to a large extent as changing the CBC would lead to business disruption for the bank. Hence, these contracts are generally renewed. Nevertheless, in line with other players in the industry, the company has limited pricing flexibility with its customers as commercials are generally fixed as per the banks' policies. Thus, any instances of reduction in commission will impact VITSL's revenues and profitability, as witnessed in FY2023 and FY2024.

Exposed to regulatory risks – The financial inclusion industry is dependent on the regulatory policies framed by the Reserve Bank of India (RBI) and the Government of India (GoI). Hence, any adverse policy change by the RBI/ GoI pertaining to CBCs could impact the company's business.

Revenues depend on performance of BCs – The company's revenues are dependent on the performance of the BCs, who are independent agents working on commission basis. Accordingly, the company emphasises on recruiting suitable candidates and has a performance monitoring mechanism. However, the transaction size and the number also depend on macro-economic factors and BC commission fixed by the banks.

Liquidity position: Adequate

VITSL's liquidity position is adequate, supported by steady internal accrual generation, free cash and bank balance of Rs. 1.3 crore as on September 30, 2024, and lower reliance on working capital due to the asset-light nature of its business. Further, VITSL has working capital limits of Rs. 2.0 crore, utilisation of which stood at around 40% for the last 12 months, ended in November 2024, in addition to buffer available in the form of undrawn working capital lines from the drop line OD of Rs. 10.0 crore. Moreover, the company does not have any major capex plan over the near-to-medium term. ICRA also notes the loans

and advances extended by the company to other related entities. Any considerable increase in the same in the future and its impact on VITSL's liquidity position will remain monitorable.

Rating sensitivities

Positive factors – ICRA is likely to upgrade VITSL's ratings if the company demonstrates healthy growth in revenue and accrual generation, while maintaining its adequate liquidity position on a sustained basis.

Negative factors – Pressure on the company's ratings could arise in case of any decline in revenues or any unfavourable regulatory developments lead to weakening of its credit profile on a sustained basis; or stretched working capital cycle leading to deterioration in its liquidity profile. Specific credit metrics that could lead to a rating downgrade include Total Debt/OPBDITA of more than 4.0 times on a sustained basis.

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 consolidated financials of VisionIndia Tech Services Limited.

About the company

Incorporated in 2000, VITSL is primarily involved in providing services under the financial inclusion business correspondent programme. It mainly caters to Public Sector Banks (PSBs) and Regional Rural Banks (RRBs), and provides multiple services ranging from account opening, mobilisation of loan accounts, and recovery of loans to micro insurance services. Moreover, the company provides remote surveillance of bank branches and ATM services under its wholly-owned subsidiary, VISEL Infotech Private Limited.

Key financial indicators

VITSL – Consolidated	FY2023 Audited	FY2024 Audited
Operating Income (Rs. crore)	103.9	133.0
PAT (Rs. crore)	4.0	0.6
OPBDIT/OI (%)	4.6%	4.1%
PAT/OI (%)	3.8%	0.4%
Total Outside Liabilities/Tangible Net Worth (times)	0.5	0.7
Total Debt/OPBDIT (times)	2.3	2.9
Interest Coverage (times)	4.6	3.1

PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Source: VITSL, ICRA Research

Status of non-cooperation with previous CRA:

Infomeric Ratings vide its release dated October 1, 2024 has revised the ratings of VITSL to IVR B+(Negative)/IVR A4 ISSUER NOT COOPERATING from IVR BB-(Negative)/ IVR A4 ISSUER NOT COOPERATING.

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	January 22, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long-term	2.00	[ICRA]BB+(Stable)	16-Oct-23	[ICRA]BB+(Stable)	-	-	-	-
Overdraft	Long-term	10.00	[ICRA]BB+(Stable)	16-Oct-23	[ICRA]BB+(Stable)				
Term Loan	Long-term	0.82	[ICRA]BB+(Stable)	16-Oct-23	[ICRA]BB+(Stable)				
Non Fund Based-Bank Guarantee	Short-term	24.48	[ICRA]A4+	16-Oct-23	[ICRA]A4+				
Fund Based-Unallocated	Long-term	0.00	-	16-Oct-23	[ICRA]BB+(Stable)				
Non Fund Based-Unallocated	Short-term	0.00	-	16-Oct-23	[ICRA]BB+(Stable)				

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund based - Cash Credit	Simple
Long-term Fund based - Overdraft	Simple
Long Term-Fund Based-Term Loan	Simple
Short Term-Non Fund Based-Bank Guarantee	Very Simple

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-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	May 2022	9% p.a.	April 2026	0.82	[ICRA]BB+(Stable)
NA	Cash Credit	NA	NA	NA	2.00	[ICRA]BB+(Stable)
NA	Overdraft	NA	NA	NA	10.00	[ICRA]BB+(Stable)
NA	Bank Guarantee	NA	NA	NA	24.48	[ICRA]A4+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis

Company Name	VITSL Ownership	Consolidation Approach
VISEL Infotech Private Limited	100%	Full consolidation

Source: Company data

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