

Press Release

Unitforce Technologies Consulting Private Limited

August 30, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.49 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs. 7.49 crore bank facilities of Unitforce Technologies Consulting Private Limited (UTPL). The outlook is '**Stable**'.

Incorporated in 2005, Unitforce Technologies Consulting Private Limited (UTPL) is a Bangalore (Karnataka) based company which is promoted by Mr. N.S. Natesh and Mr. Somasekhar. The company provides staffing and IT services to various Multi-National Companies and institutions. UTPL has around 100 professionals working in projects across India.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the UTPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management and reputed clientele

Established in 2005, UTPL has a long operational track record of over a decade in the staffing and IT services. The promoters have an experience of around two decades in the same line of business. Before setting up of this company, Mr. P.L. Somasekhar had worked in IT industry for over a decade. He worked with Tata Elxsi Limited where he got considerable experience in IT field and then started this company along with Mr. N.S.Natesh as a partnership firm in 2003 and later converted into private limited company in 2005. Mr. N.S. Natesh also has over two decades of experience in the IT field. The company provides staffing services to reputed players in IT and engineering space such as Hindustan Motors, Infosys, Wipro, Accenture, Magna Powertrain, Ashok Leyland, FLSmidth and many more. Acuité believes that the experience of the promoters and relationship with clients will help the company over the medium term.

Weaknesses

• Average financial risk profile

The financial risk profile is marked by moderate gearing and comfortable debt protection metrics though underpinned by low net worth levels. Gearing is moderate at 1.12 times (Provisional) as on March 31, 2018 as compared to 0.21 times as on March 31, 2017. The gearing levels deteriorated due to debt funded purchase of land for construction of new space at Hi-Tech, Defence & Aerospace Park. Debt protection metrics such as interest coverage ratio (ICR) is comfortable at 5.65 times in FY2018 (Provisional) and net cash accruals to total debt (NCA/TD) is moderate at 0.24 times in FY2018 (Provisional). The net worth stood at Rs.2.61 crore as on 31 March, 2018 (Provisional), improved by Rs.0.04 crore as compared to FY2017. Acuité believes that the financial risk profile is expected to deteriorate over the medium term in the presence of major debt funded capex. The company is planning to construct an office space with the project outlay of Rs.9.00 crore funded via term loan of Rs.7.00 crore and promoters' contribution of Rs.2.00 crore. The company would start the same in 2019 and finish within the duration of 9 months. The company's net cash accruals over the medium term would fall at the start of current maturity of short term debt to the extent of Rs.0.96 crore.

• **Moderate scale of operation and decreasing revenues due to intense competition**

The revenue of the company is modest and decreased from Rs.8.96 crore in FY2017 to Rs.8.48 crore in FY2018 (Provisional). UTPL is operating in a fragmented industry with several unorganised and large organised players leading to competition. However, EBITDA margin of the company has been increasing over the past years because of decrease in employee cost which is the major cost in staffing industry. EBITDA margin stood at 13.72 percent which has increased in FY2018 (Provisional) as compared to 10.10 percent in FY2017.

• **Intense working capital management**

The operations are working capital intensive as evident from Gross Current Asset (GCA) days of 242 as on March 31, 2018 (Provisional). The working capital is majorly in the form of debtors and advance given to purchase of land. The company offers credit period of about 30 days to its customers. Acuité believes that with the expected growth in revenues at about 5-10 percent over the medium term, the operations are expected to be working capital intensive.

Outlook: Stable

Acuité believes that UTPL will maintain a 'Stable' outlook over the medium term on account of the management's experience and established relations with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues while improving its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any significant volatility in profitability or stretch in its working capital operations impacting the liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	8.45	8.96	11.63
EBITDA	Rs. Cr.	1.16	0.90	1.19
PAT	Rs. Cr.	0.61	0.57	0.60
EBITDA Margin	(%)	13.72	10.10	10.21
PAT Margin	(%)	7.19	6.31	5.16
ROCE	(%)	25.04	33.52	65.84
Total Debt/Tangible Net Worth	Times	1.12	0.21	0.00
PBDIT/Interest	Times	5.65	20.24	25.29
Total Debt/PBDIT	Times	2.46	0.55	0.00
Gross Current Assets (Days)	Days	242	98	65

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.49	ACUITE B / Stable

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About Acuité Ratings & Research:

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