



Press Release

Urmila International Services Private Limited

September 22, 2023

Ratings Facilities	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	26.86	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	63.14	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Long Term/Short Term Bank Facilities	10.00	IVR BBB;Stable/ IVR A3+ (IVR Triple B with Stable Outlook / IVR A Three Plus)	Assigned	Simple
Total	100.00 (INR One Hundred Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Urmila International Services Private Limited (UISPL) considers long track record of operation of the company under experienced management with reputed clientele across diverse segments and satisfactory order book position indicating healthy revenue visibility in the near to medium term. The ratings also consider steady growth in its scale of operations along with healthy financial risk profile and relatively low working capital intensity of operations. However, these rating strengths are partially offset by its exposure to intense competition along with limited geographical diversification as the major portion of revenue is derived from Bihar and high attrition levels inherent in industry.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals.
- Sustenance of the capital structure with improvement in debt protection metrics

Downward Factors



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- Moderation in operating income and/ or moderation in profitability impacting the debt coverage indicators.
- Moderation in overall gearing to more than 1.5x and/or moderation in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management

The promoters have vast experience in providing staffing service catering diversified industries. Mr. Avinash Kumar, is the founder director of the company, having experience over two decades in providing staffing service. The other directors also having a decade of experience in providing staffing service and business operation. Further, the extensive reach across India with the support of trained personnel helps the company to cater diverse staffing needs of the clients.

Long track record with reputed clientele across diverse segments

UISPL's business profile is characterised by its presence across multiple service offerings for various business segments. The company has a long operational track record in providing staffing service. The company has deputed 34,000 associates, who are deputed in over 2000 pin codes across the country. The company has also hired and payrolled more than 1,00,000 associates PAN India which helped the company to build and retain many reputed clients across diverse segments including e-Governance, financial inclusion, digital inclusion, telecom, power, renewable energy, security, information technology, education, health, human resource management, finance etc.

Satisfactory order book position indicating healthy revenue visibility in the near to medium term

The company has a work order to supply manpower of 27973 work force to different government and non-government sector which will create an estimated revenue of ~Rs.790 crores in FY24.

Steady growth in business performance

The Company's scale of operations witnessed a steady growth over the past three years. The company's operating income improved from Rs.155.97 crore in FY21(A) to Rs. 535.27 crore in FY2023 (Prov.). The growth is primarily driven by increase in revenue from manpower supply services. The EBITDA margin and PAT margin of the company witnessed



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moderation from 5.63% in FY22(A) to 4.85% in FY23(Prov.) mainly due to rise in employee cost in FY23(Prov.). Further, the PAT margin also moderated from 3.04% in FY22(A) to 2.85 % in FY23 (Prov.) due to increase in depreciation and financial cost. However, gross cash accruals of the company have improved from Rs.9.02 crore in FY22(A) to Rs.17.97 crore in FY23 (Prov.) on the back of increase in absolute EBITDA and PAT. In Q1FY24, the company earned a revenue of ~Rs.142 crore.

Relatively lower working capital intensity of operations

The company's working capital intensity of operations remained at a relatively lower level with moderate receivables as well as payables. Further, the company is also getting the benefit of collection and pay model adopted by the government due to which company receives 80% of the dues against the service first for payment to employees. As a result, the company's working capital requirements remained low, supporting its liquidity position.

Healthy financial risk profile

The financial risk profile of the company remains satisfactory marked by its comfortable capital structure as on the past three account closing dates coupled with satisfactory debt coverage indicators and minimal near to medium term debt repayment obligations. With minimal long-term debt in the capital structure, the debt equity ratio remains comfortable at 0.08x as on March 31, 2023 (0.25x as on March 31,2022). Moreover, the overall gearing ratio and total indebtedness marked by TOL/TNW also remained comfortable at 0.27x and 1.43x respectively as on March 31, 2023 (0.65x and 1.70x respectively as on March 31, 2022). The debt protection parameters of the company remained comfortable, marked by interest coverage ratio at 27.20x as on March 31,2023 (18.04x as on March 31,2022) and Total Debt/GCA at 0.52x as on March 31,2023 (1.39x as on March 31,2022). The DSCR also remained comfortable at 6.32 x in FY23 (Prov.).

Key Rating Weaknesses

Limited geographical diversification as the major portion of revenue is derived from Bihar

USIPL has five offices for providing services across India including its corporate office in Delhi and head office in Patna. However, the company derives the majority of its total revenue from the state of Bihar.

Exposure to intense competition

In line with the industry practice, the company follows a wage-plus-service-charge model for pricing of Human Resource Management Services, Integrated Facility Management,



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Information Technology Services and other manpower supply-based services rendered to the customers. The service contracts generally remain valid for one year. The manpower outsourcing services industry are fragmented and intensely competitive in nature with the presence of many organised and unorganised players. This leads to a significant price-based competition, giving rise to contract renewal risk and exerting pressure on the margins.

High attrition levels inherent in industry

The company, like the rest of the industry players, witnesses high employee attrition owing to skilled/unskilled/ low skill and temporary nature of the job. However, the risk is partially mitigated by continuous spending on training and development of employees with industry standard remuneration.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate marked by its expected adequate gross cash accruals against its minimal debt repayment obligations during FY24-FY26. The company has earned a gross cash accrual of Rs.17.97 crore in FY23 (Audited). Further, the working capital utilisation of the company in the past 12 months ended in July 2023 remained satisfactory at ~50% indicating an adequate liquidity buffer. Moreover, driven by its comfortable gearing ratio the company has adequate gearing headroom.

About the Company

Bihar Based Urmila International Services Private Limited (UISPL), was incorporated in 2015 by Mr Avinash Kumar along with Ms Jyoti Kumari for providing various services such as Human Resource Management Services, Integrated Facility Management and Information Technology Services. Initially, the business runs in the name of Urmila Info Solutions. However, after incorporation of UISPL, the business was taken over by Urmila International Services Private Limited. At Present, USIPL has five offices across India including its corporate office in Delhi and head office in Patna.

Financials: Standalone



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For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	202.76	535.27
EBITDA	11.41	25.95
PAT	6.18	15.27
Total Debt	12.58	9.40
Tangible Net worth	0.25	0.08
EBITDA Margin (%)	5.63	4.85
PAT Margin (%)	3.04	2.85
Overall Gearing Ratio (x)	0.65	0.27

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: "Nil"

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding. (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	LT	1.86	IVR BBB/Stable	-	-	-
2.	Cash Credit	LT	5.50	IVR BBB/Stable	-	-	-
3.	Cash Credit (Proposed)	LT	19.50	IVR BBB/Stable	-	-	-
4.	Bank Guarantee	ST	31.00	IVR A3+	-	-	-
5.	Bank Guarantee (Proposed)	ST	32.14	IVR A3+	-	-	-
6.	Bank Guarantee*	LT/ST	10.00	IVR BBB/Stable / IVR A3+	-	-	-

* Cash credit of Rs. 10 crores is the sublimit of Bank Guarantee.

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About Infomerics:



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Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit <https://www.infomerics.com/>

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	July 2024	1.86	IVR BBB/Stable
Cash Credit	-	-	-	5.50	IVR BBB/Stable
Cash Credit (Proposed)	-	-	-	19.50	IVR BBB/Stable
Bank Guarantee	-	-	-	31.00	IVR A3+
Bank Guarantee (Proposed)				32.14	IVR A3+
Bank Guarantee*				10.00	IVR BBB/Stable/



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** Cash credit of Rs.10 crores is the sublimit of Bank Guarantee.*

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-USIPL-sep23.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at <https://www.infomerics.com>.