

August 10, 2017

Unecops Technologies Limited

Instrument*	Rated Amount (Rs. crore)	Rating Action
Fund-based – Term Loans	0.60	[ICRA]BBB- (Stable); Reaffirmed
Fund-based – Cash Credit	12.20	[ICRA]BBB- (Stable); Reaffirmed
Unallocated Limits	3.70	[ICRA]BBB- (Stable); Reaffirmed
Non Fund-based Bank Guarantee	13.50	[ICRA]A3; Reaffirmed
Total	30.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) on the Rs. 16.50 crore¹ fund based facilities of Unecops Technologies Limited (UTL)². ICRA has also reaffirmed the short term rating of [ICRA]A3 (pronounced ICRA A three) on the Rs 13.50 crore non fund based limits of UTL. The outlook on the long-term rating is ‘Stable’.

Rationale

ICRA’s ratings reaffirmation takes into account the muted growth of 2% in the top-line of the company in FY2017 while the company was able to maintain its operating margin. Owing to limited reliance on external debt, the debt coverage indicators and capital structure of the company remain satisfactory. The ratings continue to factor in the extensive experience of the promoters in selling and marketing of electronic products along long established relationships with various government organizations which have helped the company in attaining regular business orders. The ratings also take into account the diversified product portfolio of UTL by virtue of its association with multiple principals such as Canon, NEC, Wipro Infotech Limited etc. ICRA also takes note of the diversification of the company work orders to install rooftop solar power plants in NCR region which has increased the revenue visibility in the medium term.

The ratings are, however, constrained by the modest profitability margins which are inherent in the trading line of business along with UTL’s limited bargaining power with respect to its principals as well as customers owing to their bigger size. The agreements have to be renewed on a yearly basis from the suppliers as well the customers side thus risk of non-renewal of agreements remains a critical factor. Going forward, the ability of the company to scale up its operation while efficiently managing its working capital requirements would be the key rating sensitivities.

Key rating drivers

Credit strengths

- **Experience of promoters in the selling and marketing of electronic products spanning over 20 years** - Incorporated in 1996 for the purpose of trading of various electronic products including photocopiers, printers, projectors, laptops, desktops, smart class projects equipment etc. The promoters are engaged in the business from more than 20 years.
- **Diversified revenue stream which decreases the reliance on any particular business segment-** The Company is engaged in trading of various electronic products which include photocopiers,

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

printers, projectors, laptops, desktops, smart class projects equipment etc. In addition to the trading business, the company also has a rental business wherein it rents out photocopiers to customers on long term contracts. Additionally, the company is also an alliance partner for SAP and is engaged in providing comprehensive solutions to small and medium sized businesses. The company also specialises in providing ERP solutions as well as developing management information systems for schools. Hence, this diversified product portfolio decreases the reliance of the company on any particular business.

- **Long established relationships with various government organizations have helped the company attain regular business orders** - The Company has a established client base with mainly Government bodies like Kendriya Vidyalaya, Sarva Shiksha Abhiyan, Delhi Police, etc. Long established relationships with various government organizations as well as established track record have helped the company attain regular business orders in the past. With the advent of SAP implementation and software business getting added to the overall profile of the company the overall customer profile has also diversified with big industry players such as Mankind Pharma, Honda, Grofers etc
- **Comfortable capital structure along with healthy coverage indicators** – UTL’s capital structure remained healthy as on March 31, 2017 with overall gearing level of 0.70 times. The coverage indicators of the company have remained healthy over the years with OPBDITA/Interest of 3.20 times as on March end as against 3.37 times in the previous year. The Total Debt/OPBDITA and NCA/Total Debt of 2.03 times and 29% respectively in FY2017.

Credit weaknesses

- **Moderate profitability due to lower margins on sales of various OEM products** – As majority of the company’s sales are through the trading route which typically command lower margins, the profitability of the company remains moderate with operating margin in the range of 6-7% in the last 4-5 years.
- **Low bargaining power with the suppliers as well as the customers primarily owing to the bigger size of these parties as compared to the entity** - The Company procures the photocopiers machines and software from Canon India and Redington India Limited and the customer base includes Government bodies. Due to the bigger size of these parties as compared to the entity, the company has low bargaining power with the suppliers as well as the customers.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company

Unecops Technologies Limited (UTL) was incorporated in 1996 and is engaged in trading of various electronic products which include photocopiers, printers, projectors, laptops, desktops, smart class projects equipment etc. In addition to the trading business, the company also has a rental business wherein it rents out photocopiers to customers on long term contracts. Additionally, the company is also an alliance partner for SAP and is engaged in providing comprehensive solutions to small and medium sized businesses. The company also specialises in providing ERP solutions as well as developing management information systems for schools. The company has also diversified its business services through installation of rooftop solar power plants. The day to day management of the company is taken care of by Mr. Piyush Jain (managing director) who has experience of more than 25 years in dealing with various Government agencies.

Key Financial Indicators

	FY2016	FY2017 prov.
Operating Income (Rs. crore)	112.32	114.96
PAT (Rs. crore)	2.27	2.51
OPBDIT/ OI (%)	7.72%	7.80%
RoCE (%)	17.26%	15.34%
Total Debt/ TNW (times)	0.58	0.70
Total Debt/ OPBDIT (times)	1.56	2.03
Interest coverage (times)	3.37	3.80
NWC/ OI (%)	10%	19%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);

NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No	Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015	
									August 2017
1	Fund-based – Term Loans	Long Term	0.60	0.60	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BB+ (Positive)	
2	Fund-based – Cash Credit	Long Term	12.20	12.20	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BB+ (Positive)	
3	Unallocated Limits	Long Term	3.70	3.70	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BB+ (Positive)	
4	Non Fund-based Bank Guarantee	Short Term	13.50	13.50	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A4+	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

ISIN No	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
	Fund-based – Term Loans	-	-	FY2018	0.60	[ICRA]BBB- (Stable)
	Fund-based – Cash Credit			-	12.20	[ICRA]BBB- (Stable)
	Unallocated Limits			-	3.70	[ICRA]BBB- (Stable)
	Non Fund-based Bank Guarantee			-	13.50	[ICRA]A3

Source: the company

Contact Details

Analyst Contacts

Sabyasachi Majumdar
sabyasachi@icraindia.com
[+91-124-4545 304](tel:+91-124-4545-304)

Manish Ballabh
manish.ballabh@icraindia.com
[+91-124-4545 812](tel:+91-124-4545-812)

Sukriti Kapoor
Sukriti.kapoor@icraindia.com
[+91-124-4545 327](tel:+91-124-4545-327)

Amit Arora
amita@icraindia.com
[+91-124-4545 318](tel:+91-124-4545-318)

Relationship Contact

Jayanta Chatterjee
[+91 80 4332 6401](tel:+91-80-4332-6401)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500