

US Technology International Private Limited

April 04, 2025

Facilities	Amount (₹ crore)	Rating	Rating Action
Long-term bank facilities	15.00 (Reduced from 27.00)	CARE A; Stable	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to bank facilities of US Technology International Private Limited (USTIPL) continues to derive strength from the global presence of the parent, UST Global, its established relationship with reputed clients, stable operations of the Indian entities, comfortable capital structure, and debt protection metrics. However, the rating is constrained by client concentration risk and elongated working capital cycle with high receivables position at the India level. The company, as a matter of policy, prefers to keep the debtors high in India while maintaining liquidity at the entities abroad. However, the receivables position from the end customers remains comfortable. The rating is also constrained by the group's business prospects being closely linked to the global economic scenario and the highly fragmented and competitive nature of the global IT industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in collection of receivables at the Indian operations level.
- Improvement in capital structure of the ultimate holding company with overall gearing below 1x on a sustained basis.
- Ability to integrate the newer acquisitions with the existing businesses and consistently grow its scale of operations at the global level and resultantly improve scale with total operating income (TOI) above ₹5,000 crore at the Indian operations.
- Ability to lower client concentration.

Negative factors

- Any large debt-funded capital expenditure leading to moderation of the capital structure with overall gearing above 0.5x.
- Drop in profit before interest, lease rentals, depreciation and taxation (PBILDT) margins of the group at Indian level to below 15% on a sustained basis.
- Any slowdown in global demand leading to decline in financial performance of the holding company, adversely affecting the income levels of Indian entities of the group.

Analytical approach: Combined and factoring linkages with parent

CARE Ratings Limited (CARE Ratings) has taken a combined view on five UST group companies, namely, US Technology International Private Limited (USTIPL), US Technology Resources Private Ltd (USTRPL), UST Global Technology Services (India) Private Ltd (USTSPL), UST Global Information Technology Parks Private Ltd (USTGPL), and Xpanxion International Private Limited (XIPL), together referred as *UST-India*, as all the five companies have synergies in operations, exhibit cash flow fungibility, and are owned and managed by common promoters with cross-holding in few entities. The list of entities combined are given in Annexure-6.

Outlook: Stable

The stable outlook reflects that the company is expected to sustain its comfortable capital structure with no debt-funded capital expenditure and maintain the growth in scale of operations with contribution of off-shore income from acquisitions at global level.

Detailed description of key rating drivers

Key strengths

Global presence of the parent and professionally managed group

UST Global is a leading provider of end-to-end IT services and solutions for Global 1000 / Fortune 500 companies and its operations are spread globally. The group has a significant presence onshore and executes ~60% of the order value from its onshore centres. The group's operations are spread across 25 countries and employs over 34,448 associates as on February 28, 2025. The UST Global group companies are managed by experienced professionals with long experience in the IT industry. Being the largest employer in the IT sector in Kerala, USTIPL also works closely with the Government of Kerala in its various initiatives.

Reputed clientele despite with moderate client concentration

UST Global's clients are spread across healthcare, retail, BFSI, technology, manufacturing, and insurance, among others. In the calendar year 2024 (CY24), the healthcare sector contributed 33% (PY: 29.7%) of the total revenues of the UST group, while Retail and BFSI contributed 22% (PY: 16.5%) and 21% (PY: 23.5%) of the total revenues, respectively. UST Global has a moderate risk of client concentration with its top two clients contributing to ~12.3% of its total revenue in CY24 (CY22: 16%).

Stable operations offering multiple IT services

UST has a diversified presence across execution platforms and industry verticals enabling the group to provide end-to-end solutions to its customers. The total income for UST-India remains stable at ₹3,866.3 crore in FY24 (refers to April 1 to March 31) compared to ₹3,875.60 crore in FY23. CARE Ratings observes, the group is expected to improve its growth of income in Indian entities on the back of off-shore businesses of the companies acquired in current calendar year.

Healthy capital structure and debt coverage indicators

The capital structure of UST-India stood comfortable with overall gearing at 0.08x as on March 31, 2024, against 0.07x as on March 31, 2023. The debt coverage metrics for the group also stood healthy with total debt/ gross cash accrual (TDGCA) ratio at 0.51x (PY: 0.42x) and interest coverage of 72.03x (PY: 41.79x) as on March 31, 2024.

Key weaknesses

Highly fragmented and competitive industry directly linked to global economic scenario

The IT/ITES industry in India is highly fragmented and dominated by a large number of large and medium players. In India, UST is much smaller than the established players, such as TCS, Infosys, Cognizant, Wipro, and Tech Mahindra, among others. Globally, it faces competition from big companies such as IBM, Accenture, and several other companies, big and small. The industry faces intense competition due to low entry barriers. The IT industry also faces challenge from rapid technological changes, which may lead to obsolescence of certain software/services. The profitability levels of UST-India had declined from the range of 24-28% in the past till FY22 to 18.73% in FY23 and 19.92% in FY24 due to competitive pressure on margins.

Elongated working capital cycle with high receivables position

The working capital cycle of UST-India remained elongated with a collection period of 206 days in FY24 against 188 days in FY23. Most receivables are from UST Singapore and UST UK, the offshore contract provider, and the payments are made on a mutually agreed basis. The group as a strategy keeps cash at the Global level for acquisitions. Operating cycle stood elongated at 184 days in FY24 against 167 days in FY23. CARE Ratings notes that the collection period at the global level, however, stood comfortable in the range of 75-85 days.

Liquidity: Strong

The liquidity is strong marked by sufficient cushion in accruals of ₹499 crore in FY24 against the repayment obligations of ₹27.8 crore in FY25 and cash balance of ₹523.5 crore (PY: ₹264.5 crore) as on March 31, 2024. The current ratio stood comfortable at 8.22x (PY: 8.48x) as on March 31, 2024. UST-India had closed the entire sanctioned working capital limits and also the unsecured term loans from HP, Siemens, and others, and at present, has only term loans from banks in two of its entities. Operating cycle of UST-India continued to remain stretched at 184 days in FY24 (PY: 167 days) due to elongated collection period.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information technology	Information technology	IT - Services	IT-enabled services

The Kerala-based UST group is engaged in providing software development and support services majorly to multinational customers of UST Global (refers to companies under UST Holdings Limited, Bermuda engaged in providing IT services, operating under common management) and also to domestic clients. Operations of UST Global are spread across the US, Mexico, Europe, Singapore, Philippines, Asia Pacific regions, and India. UST Global has an onsite and off-shore development model. UST Global

Inc. (based in USA) and UST Global (P) Ltd (based in UK) are the main front-end (onsite) companies procuring the orders, while the off-shore works are passed down to USTIPL, USTSPL, and USTRPL, all based in India.

USTIPL and USTSPL provide off-shore development services for the clients of UST Global, whereas USTRPL provides services primarily to the other clients based in India. Apart from these three companies, USTGPL is engaged in the development and leasing of Technology Park for the group companies based in India. XIPL, incorporated on June 24, 1998, is into concept design and prototyping, product and software engineering, assurance services, and digital solutions. XIPL, which was acquired by the UST Group in FY15, provides offshore contract software development and support services to its parent company.

Brief Financials (₹ crore) – UST - India (Combined)	March 31, 2023 (UA)	March 31, 2023 (UA)	March 31, 2024 (UA)
Total operating income	3,459.5	3,875.6	3,866.3
PBILDT	810.8	725.8	770.0
PAT	435.9	374.4	318.1
Overall gearing (times)	0.09	0.07	0.08
Interest coverage (times)	28.09	41.79	72.03

UA: Unaudited; Note: These are latest financial results available.

Brief Financials (₹ crore) – USTIPL (Standalone)	March 31, 2023 (A)	March 31, 2024 (A)	6mFY25 (UA)
Total operating income	3,092.8	3,154.8	1,816.0
PBILDT	463.1	534.5	251.3
PAT	200.4	178.2	87.7
Overall gearing (times)	0.30	0.28	0.27
Interest coverage (times)	10.36	10.58	18.75

A: Audited; UA: Unaudited; Note: These are latest financial results available.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instruments/facilities: 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	October 2028	15.00	CARE A; Stable

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	-	-	-	-	1)Withdrawn (04-Apr-22)	1)CARE A- ; Stable (05-Apr-21)
2	Fund-based - ST-EPC/PSC	ST	-	-	-	-	1)Withdrawn (04-Apr-22)	1)CARE A2 (05-Apr-21)
3	Fund-based - ST-Packing Credit in Foreign Currency	ST	-	-	-	-	1)Withdrawn (04-Apr-22)	1)CARE A2 (05-Apr-21)
4	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	-	1)Withdrawn (04-Apr-22)	1)CARE A2 (05-Apr-21)
5	Fund-based - LT-Term Loan	LT	15.00	CARE A; Stable	-	1)CARE A; Stable (08-Jan-24)	1)CARE A; Stable (06-Feb-23) 2)CARE A; Stable (04-Apr-22)	1)CARE A- ; Stable (05-Apr-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-Term Loan	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)**Annexure-6: List of entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	US Technology Resources Private Limited	Full	Operational and financial linkages
2	UST Global Technology Services (India) Private Limited	Full	Operational and financial linkages
3	UST Global Information Technology Parks Private Limited	Full	Operational and financial linkages
4	Xpanxion International Private Limited	Full	Operational and financial linkages

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 for clarifications.

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About us:

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