

Press Release

Dynamic Services

July 29, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.70 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 8.70 crore bank facilities of DYNAMIC SERVICES (DS). The outlook is '**Stable**'.

Dynamic Services is a West Bengal based proprietorship firm established in the year 2001. The firm is promoted by Mr. Jugal Kishore Bhagat. The firm is engaged in providing security and manpower services.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of DS to arrive at the rating.

Key Rating Drivers

Strengths

- Long track record of operations and experienced management**

DS has a long track record of over 17 years in the same line of business. The long track record has helped the firm to receive repeat tenders for providing manpower services to Indian Railways and other Government entities.

- Reputed clientele**

The firm has diversified and reputed clientele base operating in the states of Assam, Madhya Pradesh, West Bengal, Maharashtra and Tamil Nadu. The clientele base includes a mix of Government bodies, industrial premises and colleges. Some of the clients are Indian Railways and Calcutta National Medical College and Hospital.

Weaknesses

- Modest scale of operations and low profitability**

The firm's scale of operations stood modest at Rs.89.22 crore as on 31 March, 2019 (Provisional) as against Rs.79.50 crore a year earlier. Further, the operating margins stood low at 2.32 per cent in FY19 (Provisional) as against 1.80 per cent in FY18. The ability of the firm to improve its scale and profitability going forward will remain a key rating sensitivity.

- Moderate financial risk profile**

The firm's financial risk profile is moderate marked by low net worth, modest gearing and modest debt coverage metrics. The net worth of the firm stood low at Rs.7.73 crore as on 31 March, 2019 (Provisional) as against Rs. 2.18 crore in the previous year. The gearing stood at 1.5 times in FY2019 (Provisional) from 7.84 times in FY18. The gearing levels have improved in FY2019 (Provisional) mainly due to increase in net worth on account of capital infusion of Rs.4.65 crore in FY2019. Total debt of Rs.11.57 crore as on 31 March, 2019 (Provisional) consist of Rs. 3.40 crore of long term borrowings, Rs. 4.17 crore of unsecured loan from promoter and Rs. 4.00 crore of working capital borrowings. Further, the debt protection metrics is modest marked by debt service coverage ratio (DSCR) of 2.00 times as on March 31, 2019 (Provisional) and interest coverage ratio of 2.23 times as on March 31, 2019 (Provisional). Going forward, Acuité expects the firm's financial risk profile to remain moderate.

- **Presence in highly fragmented and competitive security service industry**

The private security services market is dominated by large multinational and Indian players on one end of the market and a fairly fragmented, unorganised segment on the other.

Liquidity Profile:

The firm has adequate liquidity position marked by net cash accruals of Rs.0.99 crore in FY2019 (Provisional) against long term debt obligations of Rs.0.36 crore over the same period. The firm has a moderate working capital cycle marked by gross current asset (GCA) days of 92 in FY 2019 (Provisional). However, the cash credit limit of the firm remained utilised at 98 percent during the last six months ended May, 2019. The current ratio of the firm stood at 1.58 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term backed by healthy net cash accruals.

Outlook: Stable

Acuité believes that DS will maintain a 'Stable' business risk profile over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm achieves higher than expected revenue growth and profit margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability margins, or significant deterioration in its financial risk profile most likely because of a stretch in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	89.22	79.50	69.52
EBITDA	Rs. Cr.	2.07	1.43	1.86
PAT	Rs. Cr.	0.91	0.50	0.48
EBITDA Margin	(%)	2.32	1.80	2.68
PAT Margin	(%)	1.02	0.63	0.70
ROCE	(%)	11.05	9.70	29.90
Total Debt/Tangible Net Worth	Times	1.50	7.84	3.72
PBDIT/Interest	Times	2.23	3.26	4.49
Total Debt/PBDIT	Times	5.22	10.91	1.43
Gross Current Assets (Days)	Days	92	112	52

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB- /Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.70	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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