

February 11, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	12.00	SMERA BBB-/Stable (Assigned)
Term Loan	3.52	SMERA BBB-/Stable (Assigned)
Conditional Working Capital Demand Loan	1.00	SMERA BBB-/Stable (Assigned)
Cash Credit (Proposed)	20.00	SMERA BBB-/Stable (Assigned)
Term Loan (Proposed)	3.48	SMERA BBB-/Stable (Assigned)
Bank Guarantee	20.00	SMERA A3 (Assigned)

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) on the Rs.40.00 crore bank facilities and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs.20.00 crore bank facilities of Scientific Security Management Services Private Limited (Scientific Security). The outlook is '**Stable**'.

The ratings are supported by the company's long track record of operations and experienced promoters in the security service industry. The ratings also draw support from the healthy financial risk profile marked by comfortable leverage (debt/equity), profitability and coverage indicators. The gearing stood at 0.74 times in FY2014-15 as compared to 0.84 times in the previous year. Scientific Security has healthy coverage ratio of 3.95 times in FY2014-15 as compared to 5.18 times in the previous year. The operating profit stood at 9.89 times in FY2014-15 as compared to 9.62 times in the previous year. For FY2014-15, Scientific Security reported profit after tax (PAT) of Rs.6.30 crore as compared with PAT of Rs.8.79 crore in FY2013-14. The reason for decline in PAT is majorly on account of increase in depreciation to Rs. 7.22 crore in FY2014-15 from Rs. 3.70 crore in FY2013-14. However, the ratings are constrained by the company's working capital intensive nature of operations in the highly competitive manpower services industry. SMERA notes that the company has high bank limit utilisation of 97 percent for the period of April 2015 to December 2015. The ratings are also constrained by risks inherent in the sector and exposure to risk in the cash management service (possible loss in transit) undertaken by the company.

Outlook: Stable

SMERA believes that Scientific Security will maintain a stable business risk profile over the medium term owing to the promoters' industry experience and established relationships with customers. The outlook may be revised to 'Positive' if Scientific Security substantially improves its revenue by diversifying its client base and prudently managing its working capital requirements. Conversely, the outlook may be revised to 'Negative' in case of decline in capital structure and deterioration of financial risk profile.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

Rating sensitivity Factors

- Improvement in revenues and working capital cycle
- Efficient control mechanism of cash management services
- Future Debt capex plan

About the Company

Scientific Security, incorporated in 1974, is a New Delhi-based company that provides manpower services such as guarding, housekeeping, security consultancy among others. The company is also engaged in cash management services. The promoter Mr. Sanjeev Paul, has around two decades of experience in the security service industry.

For FY2014-15, Scientific Security reported profit after tax (PAT) of Rs.6.30 crore on operating income of Rs.241.61 crore, as compared with PAT of Rs.8.79 crore on operating income of Rs.202.05 crore in FY2013-14. The company's net worth stood at Rs.40.08 crore as on March 31, 2015, as compared with Rs.33.89 crore a year earlier. Scientific Security registered revenue of Rs.147.21 crore (provisional) from April 2015 to October 2015. The company's net worth stood at Rs.57.73 crore (provisional) as on October 31, 2015.

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