

Press Release

Scientific Security Management Services Private Limited

October 10, 2017

Rating Downgraded



Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 60.00 crore bank facilities of Scientific Security Management Services Private Limited. The outlook is '**Stable**'.

Scientific Security Management Services Private Limited (SSMSPL), incorporated in 1974, is a New Delhi-based company that provides manpower services (guards, housekeeping and security consultancy). The promoter, Mr. Sanjeev Paul, has around two decades of experience in the security and protection services industry.

Key Rating Drivers

Strengths

• **Established track record of operations**

SSMSPL incorporated in 1974 offers security services apart from providing housekeeping staff, traffic marshals among others.

• **Experienced management**

The company was founded by the late Lt. Col. J. S. Paul and is supported by competent second line of staff.

• **Reputed clientele base**

SSMSPL caters to a reputed client base which includes Tata Communication Payment Solutions Limited and State Bank of India.

Weaknesses

• **Competitive and fragmented industry**

The company operates in a competitive industry with several organised and unorganised players.

• **Inherent risk of loss of cash in transit**

The company is exposed to the inherent risk of loss of cash in transit owing to theft.

• **Sharp dip in profitability resulting in net loss during FY2016**

The company registered operating margin of Rs. 23.89 crore on revenue of Rs. 241.61 crore in FY2015. During FY2016, revenue declined to Rs. 220.18 crore with operating margin falling to Rs. 7.58 crore. As per provisional figures for FY2017, the company booked net sales of Rs.236 crore upto 31 March, 2017. The company registered net loss of Rs. 10.71 crore as against PAT of Rs. 6.30 crore in FY2015. The ROCE was negative at 7.09 per cent in FY2016 as against 25.54 per cent in FY2015.

- **Below average financial risk profile**

The financial risk profile of the company is below average marked by fluctuating gearing of 0.81 times in FY2017, 1.48 times in FY2016 and 0.74 times in FY2015. The total debts shot up from Rs. 29.78 crore in FY 2015 to Rs.43.35 crore in FY 2016. In FY2017 (provisional), the same is at Rs.40.50 crore. Net worth declined from Rs. 40.08 crore in FY2015 to Rs.29.37 crore in FY 2016 due to net loss of Rs. 10.71 crore in FY 2016. DSCR stood at 0.02 times in FY 2016 as against 1.56 times in FY 2015. In FY2017, it increased to 2.61 times.

Analytical approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes that SSMSPL will maintain a stable outlook over the medium term owing to the promoters' extensive industry experience and established relationships with customers. The outlook may be revised to 'Positive' if the company 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 the financial risk profile.

Key financials

For FY2016-17 (Provisional), SSMSPL reported Profit after Tax (PAT) of Rs.20.72 crore on operating income of Rs.235.99 crore as compared to net loss of Rs.10.71 crore on operating income of Rs.220.18 crore in FY2015-16 (audited). The net worth stood at Rs.50.10 crore as on 31 March, 2017 (Provisional) against Rs.29.37 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities in Services sector - <https://www.smera.in/criteria-services.htm>
- Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Feb-2016	Cash Credit	Long Term	INR 12	SMERA BBB- / Stable
	Term Loan	Long Term	INR 3.52	SMERA BBB- / Stable
	Conditional Working Capital Demand loan	Long Term	INR 1	SMERA BBB- / Stable
	Proposed Cash Credit	Long Term	INR 20	SMERA BBB- / Stable

	Proposed Term loan	Long Term	INR 3.48	SMERA BBB- / Stable
	Bank Guarantee	Short Term	INR 20	SMERA A3

*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	12.00	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.09	SMERA BB+ / Stable
Working capital demand loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB+ / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BB+ / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	14.76	SMERA BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.15	SMERA A4+

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