

Press Release

Unique Delta Force Security Private Limited

July 19, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 27.50 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-** (read as **SMERA BBB minus**)' and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 27.50 crore bank facilities of Unique Delta Force Security Private Limited. The outlook is '**Stable**'.

Set up as a partnership firm in 1988 by Mr. Prabhakar Salunke and his wife, Ms. Sunanda Salunkhe, Unique Delta Force Security Private Limited (UDFSPL) was reconstituted as a private limited company in 2004. The company provides security services such as manned guarding services, executive protection, cash management, consulting, investigation, electronic surveillance services and caters to around 250 companies. UDFSPL has corporate offices at Pune and branch offices at Delhi, Mumbai, Gurgaon, Goa among others.

Key Rating Drivers

Strengths

- **Long operational track record and experienced management**

UDFSPL has long operational track record of around three decades in the industry. The promoters, Mr. Prabhakar Salunke and his wife, Ms. Sunanda Salunkhe, have over two decades of experience in the service industry. Thus, the company has been able to forge long lasting relationships with its customers.

- **Healthy revenue growth**

UDFSPL registered healthy operating income growth at a CAGR of 12.28 percent for the period FY2014 to FY2017 on account of addition of new clients. The company catered to approximately ~250 clients in FY2016-17 as against ~170 in FY2015-16. The operating income stood at Rs.172.02 crore in FY2017 (Provisional) compared to Rs.145.90 crore in FY2016 and Rs.135.79 crore in FY2015.

- **Established relations with reputed clientele**

The company caters to a reputed clientele including Infosys Ltd., Wipro Ltd and Credit Suisse.

- **Comfortable working capital management**

The working capital operations are comfortable with Gross Current Assets (GCAs) of 88 days in FY2017 (76 days in PY) on account of comfortable debtor levels of 76 (68 days in PY) days in FY2017 (Provisional). The average cash credit utilisation is ~90 percent in the last six months ended June 2017.

Weaknesses

- **Uneven profitability**

The EBIDTA margins stood at 6.35 percent in FY2017 (Provisional) compared to 5.25 percent in FY2016 and 6.12 per cent in FY2015. The PAT margins stood at 2.39 percent in FY2017 (Provisional) as against 2.53 percent in FY2016 and 2.82 per cent in FY2015. The profitability has shown an uneven trend from FY2015 to FY2017 owing to fluctuations in employee cost as a percentage of sales.

• **Moderate financial risk profile with exposure to group entities**

The financial risk profile is healthy marked by net worth of Rs.28.95 crore as on 31 March 2017 (Provisional). The gearing (debt to equity ratio) stood low at 0.84 times as on 31 March, 2017 (Provisional) compared to 0.41 times as on 31 March 2016. The Interest coverage ratio (ICR) stood at 4.11 times for FY2017 (Provisional) as against 3.98 times in FY2016. The Debt service coverage ratio (DSCR) stood at 2.54 times in FY2017 (Provisional) compared to 2.46 times in FY2016. Summit Corporation Private Limited (SCPL), a group company of UDFSPL, has transferred its assets (Land and Building) along with long term debt to UDFSPL in FY2016-17, thus additional debt is expected to moderate the coverage indicators, mainly DSCR to ~1.70 times in the medium term. Further, UDFSPL also has exposure to group companies via non-current investments worth Rs.13.33 crore as indicated by the management. The exposure to group companies is not likely to increase in the near to medium term.

• **Competitive and fragmented industry**

UDFSPL operates in a highly fragmented and competitive industry with large number of organised and unorganised players.

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 UDFSPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or if the company registers deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company registered profit after tax (PAT) of Rs.4.12 crore on operating income of Rs.172.02 crore as against net profit after tax of Rs.3.69 crore on operating income of Rs.145.90 crore in the previous year. The net worth stood at Rs.28.95 crore as on 31 March, 2017 (Provisional) as compared to Rs.24.83 crore as on 31 March 2016.

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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>

Note on complexity levels of the rated instrument

<https://www.smera.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	15.00	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A3

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ABOUT SMERA

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