

Press Release

NISA Industrial Services Private Limited

08 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.168.80 Cr.
Long Term Rating	SMERA A/ Outlook: Stable
Short Term Rating	SMERA A1

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA A**' (**read as SMERA A**) and short term rating of '**SMERA A1**' (**read as SMERA A one**) on the Rs. 168.80 crore bank facilities of NISA Industrial Services Private Limited. The outlook is '**Stable**'.

NISA Industrial Services Private Limited (NISA) incorporated in 1992, provides security management and man guarding services to various sectors including energy, power, telecom, BFSI, IT & ITES to name a few. The company, promoted by Mr. Paramjeet Sahi and family is part of the NISA Group. The group consists of two other companies viz. Logicash Solutions Private Limited (LSPL) and Cattleya Technosys Private Limited (CTPL). LSPL has been providing cash management services (CMS) to BFSI and the retail sector since 2010 while CTPL provides IOT based services which help in e-surveillance. The company also provides CMS solutions to banks, ATMs and telecom sites.

Analytical approach:

SMERA has consolidated the business and financial risk profiles of NISA, LSPL and CTPL together referred to as the 'NISA Group' (NG) to arrive at the rating. The consolidation is in view of the similarities in the lines of business, operational and financial synergies and common management. Besides, NISA is the holding company with 87.61 per cent stake in LSPL and 80 per cent in CTPL.

Key rating drivers

Strengths

Long track record of operations and experienced management: The group, established in 1992 has long track record of operations and enjoys comfortable relations with customers enabling it to maintain steady revenue growth.

Mr. Paramjeet Sahi, the promoter, has experience of around four decades in the business and is joined by his sons, Mr. Harkeerat Sahi and Mr. Karanraj Sahi. Mr. Harkeerat Sahi joined NISA in 2008 while Mr. Karanraj Sahi joined in 2005.

Diversified customer base: The group has pan India presence. The company has around 52 branches and more than 3,000 customers mostly from the telecom and BFSI sector. The reputed clientele base includes State Bank of India, Axis Bank, ICICI Bank to name a few.

Steady growth in revenue and healthy profitability: The group has been growing at a CAGR of 20.25 per cent from FY2014 to FY2017. It earned revenue of Rs. 668.47 crore in FY2017 and has achieved gross revenue of Rs.535.09 crore from April to December, 2017 (Provisional). The operating margins have remained in the range of 4.8 per cent to 5.4 per cent in the past three years ended FY2017. The operating margins improved in FY2017 to 5.42 per cent compared to 4.93 per cent in FY2016.

Strong financial risk profile: The financial risk profile is marked by healthy networth, low gearing and comfortable debt coverage indicators. The net worth stood at around Rs.119.42 crore as on 31 March, 2017 as against Rs. 85.37 crore as on 31 March, 2016. The networth increased in FY2017 due to capital infusion of Rs.25.00 crore during the year. The overall gearing remained comfortable during the period under study, with gearing of around 1.03 times as on March 31, 2017 as against 0.73 times as on 31 March, 2016. The total debt of Rs.122.98 crore consists of term loan of Rs.38.83 crore, unsecured loans of Rs.15.94 crore and working capital funds of Rs. 68.21 crore. The Interest Coverage Ratio and DSCR stood at 3.41 times and 1.93 times for FY2017 respectively. The Net cash Accruals to Total Debt (NCA/TD) stood at 0.10 times in FY2017 and 0.22 times in FY2016. The net cash accruals stood at Rs. 12.21 crore as against repayment obligation of Rs.7.57 crore in FY2017.

Going forward, SMERA expects the group to maintain its financial risk profile and improve its networth in the absence of a major debt funded capex plan.

Weaknesses

Highly fragmented and competitive security service industry: The private security services market is dominated by large multinationals and Indian players on the one end and a fairly fragmented, unorganised segment on the other. The key service offerings for private security players are manned guarding, cash services apart from electronic security services. The Indian security services industry has grown rapidly in the last decade, given the continuous threat from crime and terrorism, demand for security for infrastructure projects such as airports, roads and telecom towers and emergence of modern retail. There exists a growing need for security for movement of cash within the banking system.

Outlook - Stable

SMERA believes that the group will maintain a stable outlook over the medium term on the back of its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company maintains strong growth in revenues and profit margins while maintaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case of large, debt-funded, capital expenditure (capex), leading to deterioration in its capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	668.47	516.66	384.43
EBITDA	Rs. Cr.	36.22	25.46	18.43
PAT	Rs. Cr.	9.37	11.51	9.38
EBITDA Margin	(%)	5.42	4.93	4.79
PAT Margin	(%)	1.40	2.23	2.44
ROCE	(%)	16.33	17.65	28.96
Total Debt/Tangible Net Worth	Times	1.03	0.73	0.63
PBDIT/Interest	Times	3.41	3.98	6.41
Total Debt/PBDIT	Times	3.54	2.40	2.50
Gross Current Assets (Days)	Days	147	145	150

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Status of non-cooperation with previous CRA (if applicable): India Ratings revised the ratings of the company to non-cooperating category, with the following rationale on December 22, 2017: India Ratings and Research (Ind-Ra) has migrated NISA Industrial Services Private Limited's (NISPL) Long-Term Issuer Rating to the non-cooperating category. The issuer did not participate in the surveillance exercise despite continuous requests and follow-ups by the agency. Therefore, investors and other users are advised to take appropriate caution while using these ratings. The rating will now appear as 'IND A-(ISSUER NOT COOPERATING)' on the agency's website.

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00*	SMERA A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A/ Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	8.80	SMERA A/ Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	80.00	SMERA A/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A1 (Assigned)

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ABOUT SMERA

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