

Press Release

Logicash Solutions Private Limited

24 February, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.67.00 Cr.
Long Term Rating	SMERA A/ Outlook: Stable
Short Term Rating	SMERA A1

** Refer Annexure for details*

Rating Rationale

SMERA has assigned the 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. 67.00 crore bank facilities of Logicash Solutions Private Limited. The outlook is '**Stable**'.

Logicash Solutions Private Limited (LSPL) incorporated in 2010, is engaged in providing cash management services (CMS) to BFSI and retail sectors. The company, promoted by Mr. Paramjeet Sahi and family is part of the NISA Group. The group consists of two other companies viz. NISA Industrial Services Private Limited (NISA) and Cattleya Technosys Private Limited (CTPL). 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 while CTPL provides IOT based services which help in e-surveillance.

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 line of business, operational and financial synergies and common management. Besides, NISA is the holding 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 an 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. Similarly Mr. Karanraj Sahi joined in 2005 has experience of more than a decade in the security agencies business.

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 revenues 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 network, low gearing and comfortable debt coverage indicators. The net worth stood at around Rs.119.42 crore as on March 31, 2017 as against Rs. 85.37 crore as on 31 March, 2016. The network has increased in FY2017 due the capital infusion of Rs. 25.00 crore during the year. The overall gearing has 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 31 March, 2016. The total debt of Rs.122.98 crore consist 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 FY2106. 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 network in absence of major debt funded capex plan.

Weaknesses

Highly fragmented and competitive security service industry: The private security services market is dominated by large multinational and Indian players on the one end and a fairly fragmented, unorganized 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 the group will maintain a stable business risk profile over the medium term on the back 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.smera.in/criteria-default.htm>
- Services Entities - <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>

Status of non-cooperation with previous CRA (if applicable): Not Applicable

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	10.00*	SMERA A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00#	SMERA A/ Stable (Assigned)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A/ Stable (Assigned)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA A1 (Assigned)

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Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A1 (Assigned)

***one-way interchangeability from Cash Credit to Bank Guarantee to the tune of Rs. 7.00 crore.**

#includes sub-limit of working capital demand loan to the tune of Rs. 3.00 crore.

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ABOUT SMERA

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