

Press Release

Logicash Solutions Private Limited

May 13, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE A**' (**read as ACUITE A**) and short term rating of '**ACUITE A1**' (**read as ACUITE A one**) on the Rs.67.00 cr. bank facilities of Logicash Solutions Private Limited (LSPL). 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

Acuité 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. Extent of Consolidation: Full

Key Rating Drivers

Strengths

- **Established track record and experienced management**

The group is engaged in providing various security management and man guarding services to various industries such as telecom, BFSI, IT to name a few. The group has its presence since 1992 having a long track record of operations and enjoys healthy relations with its customers enabling it to maintain steady revenue growth. The group is promoted by Mr. Paramjeet Sahi, the promoter, having industry experience of around four decades and is joined by second generation, Mr. Harkeerat Sahi and Mr. Karanraj Sahi. Mr. Harkeerat Sahi joined NISA in 2008 while Mr. Karanraj Sahi joined in 2005.

Acuité believes that the group will benefit from its established position in the service industry, experienced management and established relationships with customers and suppliers.

- **Diversified customer base**

The group has pan India presence. The group has more than 60 branches and more than 3,500 customers mostly from diversified sectors such as telecom, BFSI, Information Technology sector among others. The group has reputed clientele base which includes Reliance Industries Limited, State Bank of India, Axis Bank, and ICICI Bank to name a few.

- **Healthy Revenue growth**

The revenues of the group have grown at a Compounded annual growth rate (CAGR) of ~26 per cent from FY2015 to FY2018. The group has achieved revenues of Rs.762.49 crore for FY2018 as against Rs.668.47 crore in the previous year. Further, the group has achieved revenues of Rs.897.21 crore in FY2019 (Provisional). Acuité believes the group's healthy relationship with customers and its diversified business model will support the revenues growth of the group going forward.

- **Healthy financial risk profile**

The financial risk profile of the group is healthy marked by healthy net worth, comfortable gearing and coverage indicators. The tangible net worth of the group stood at Rs.129.39 crore as on 31 March 2018 as against Rs.119.42 crore as on 31 March 2017. Gearing (debt-equity) of the group stood comfortable at 1.41 times as on 31 March 2018 as against 1.03 times in the previous year. Interest coverage ratio (ICR) of the group has deteriorated to 1.38 times for FY2018 as against 3.41 times for FY2017. ICR has deteriorated majorly on account of interest paid on delayed service tax payment in FY2018 and FY2019. However, Acuité does not expect these one times expenses to be incurred going forward. Total outside liabilities to tangible net worth (TOL/TNW) stood at 2.37 times as on 31 March 2018 as against 1.98 times as on 31 March 2017. The debt-EBITDA of the group stood at 5.02 times for FY2018 as against 3.54 times for FY2017. Acuité believes the financial risk profile of the group to remain healthy in near to medium term backed by healthy net cash accruals and expected equity infusion in LSPL. Further, any deterioration in financial risk profile of the will remain a key rating sensitivity factor.

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.

Liquidity Position:

NISA group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.8.98 to 13.57 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.1.44-7.57 crore over the same period. The cash accruals of the group are estimated to remain around Rs.15 – 30 crore during 2019-21 while its repayment obligation is estimated to be around Rs. 20 – 25 crores. The reliance on working capital borrowings, the cash credit limit in the group remains utilized at 85 percent during the last 12 months period ended March 2019. The group maintains unencumbered cash and bank balances of Rs.30.98 crore as on March 31, 2018. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité 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 significant deterioration in profitability leading to deterioration in its working capital management.

About the Rated Group - Key Financials (Consolidated)

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	762.49	668.47	516.66
EBITDA	Rs. Cr.	40.30	36.22	25.46
PAT	Rs. Cr.	6.66	9.37	11.51
EBITDA Margin	(%)	5.29	5.42	4.93
PAT Margin	(%)	0.87	1.40	2.23
ROCE	(%)	12.24	16.33	17.65
Total Debt/Tangible Net Worth	Times	1.41	1.03	0.73
PBDIT/Interest	Times	1.38	3.41	3.98
Total Debt/PBDIT	Times	5.02	3.54	2.40
Gross Current Assets (Days)	Days	164	147	145

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
24-Feb-2018	Cash Credit	Long Term	10.00^	ACUITE A / Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A / Stable (Assigned)
	Cash Credit	Long Term	3.00#	ACUITE A / Stable (Assigned)
	Working capital demand loan	Long Term	10.00	ACUITE A / Stable (Assigned)
	Bill Discounting	Short Term	5.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	12.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	12.00	ACUITE A1 (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE 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.

***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^	ACUITE A / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00#	ACUITE A / Stable (Reaffirmed)
Working capital demand loan	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A / Stable (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A1 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	34.00	ACUITE A1 (Reaffirmed)

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About Acuité Ratings & Research:

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