ICRA

May 12, 2017

NIS Management Private Limited

Summary of rated instruments

Instrument*	Rated Amount (in crore)	Rating Action
Fund-based – Cash Credit	36.00	[ICRA]BBB+ (Stable); Assigned
Non-Fund-based – Bank Guarantee	10.00	[ICRA]A2; Assigned
Total	**46.00**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus)[1] on the Rs. 36.0-crore[2] fund-based bank facility of NIS Management Private Limited (NISMPL). The outlook on the long-term rating is 'Stable'. ICRA has also assigned the short-term rating of [ICRA]A2 (pronounced ICRA A two) on the Rs. 10.0-crore non-fund based facility of NISMPL.

Rationale

The assigned ratings take into consideration long track record and established market position of NISMPL in the domestic security and facility-management business, particularly in the eastern region of India, and the company's established relationship with its reputed client base which ensures repeat business from them. The ratings also positively consider the persistent growth in NISMPL's turnover in the last few years, driven by expansion of customer base and geographies as well as its comfortable financial profile as reflected by healthy return on capital employed, comfortable capital structure and debt-coverage indicators.

The ratings, however, are constrained by the company's high working capital requirements arising out of stretched receivables, and the high competitive intensity on account of fragmented nature of the security services and facilities management industry with presence of numerous unorganised players which restricts pricing flexibility and put pressure on profit margins.

Going forward, the company's ability to maintain top-line growth through geographical expansion and acquisition of new clients, while retaining its existing clientele along with improvement in profitability, would remain key rating sensitivities.

[1] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

[2] *100 lakh = 1 crore = 10 million*

Key rating drivers

Credit strengths
- Long track record and established market position in the domestic security and facility-management business, particularly in the eastern region of India
- Reputed client base with established relationships and repeat business from several clients
- Consistent growth in turnover in recent years, driven by expansion of customer base and geographies
- Comfortable financial profile as reflected by a healthy return on capital employed, comfortable capital structure and debt-coverage indicators

Credit weaknesses
- High working capital requirements arising out of stretched receivables
- High competitive intensity on account of the fragmented nature of security services and facilities management industry with presence of numerous unorganised players which restricts pricing flexibility and put pressure on profit margins

Description of key rating drivers:

NISMPL is a part of the NIS Group which has over three decades of experience in the security services and facility management services industry. NISMPL provides comprehensive services like security, housekeeping, technical maintenance and support etc. The company primarily operates in the eastern region of India, where it has an established market position. Nevertheless, the company has expanded its geographical presence over the years. At present, it operates from 11 branch offices and has presence in 13 states. NISMPL's diverse service offerings and pan-India presence helped it in establishing a wide customer base comprising several reputed government as well as private corporates of various states. However, ICRA notes that the security service and facilities management industry is largely unorganised and fragmented, given the low entry barriers and limited regulatory supervision, thereby, resulting in stiff competition and pressure on margins.

The operating income of NISMPL grew at a healthy compounded annual growth rate of ~22% during FY2013 to FY2017, driven primarily by expansion of customer base. The working capital cycle of the company generally remains high on account of long receivable period. Nonetheless, the capital structure of the company remained comfortable as on March 31, 2017, and comprised primarily of working capital borrowings. This coupled with healthy returns had resulted in comfortable coverage indicators.

Analytical approach: For arriving at the ratings, ICRA has taken into account the debt-servicing track record of NISMPL, its business risk profile, financial risk drivers and the management profile.

Links to applicable criteria:
Corporate Credit Rating – A Note on Methodology

About the company:
NIS Management Private Limited (NISMPL) was incorporated in 2006 by Mr. Debajit Choudhury and Mrs. Rina Choudhury. The company is the flagship entity of the NIS Group, based out of Kolkata, which had commenced operations in 1985 as National Investigation and Security for providing integrated security solutions. The group then added facility management services to its portfolio. NISMPL, at present, provides security services and facility management services like housekeeping, electromechanical services etc. across 13 states in India. The company operates through 11 offices and has employee strength of around 16,000 personnel, at present.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table:

S. No.	Instrument	Current Rating (2017)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. Crore)	Date & Rating	Date & Rating in FY2016	Date & Rating in FY2015	Date & Rating in FY2014
				May 2017	**-**	**-**	**-**
1	Cash Credit	Long Term	36.00	[ICRA]BBB+ (Stable)	-	-	-
2	Bank Guarantee	Short Term	10.00	[ICRA]A2	-	-	-

Complexity level of the rated instrument:
ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1

Instrument Details

Instrument	**Date of Issuance / Sanction**	**Coupon Rate**	**Maturity Date**	**Amount Rated (Rs. Crore)**	**Current Rating and Outlook**
Cash Credit	-	-	-	36.00	[ICRA]BBB+ (Stable)
Term Loan	-	-	-	10.00	[ICRA]A2

Source: NIS Management Private Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit **www.icra.in**

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