NIS Management Limited

September 11, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount(Rs. crore)	Rating Action
Fund-Based-Cash Credit	36.00	36.00	[ICRA]BBB+ (Stable); reaffirmed
Non-fund Based- Bank Guarantee	10.00	10.00	[ICRA]A2; reaffirmed
Total	**46.00**	**46.00**	

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) to the Rs. 36.00-crore[1] cash-credit limit of NIS Management Limited (NIS; erstwhile NIS Management Private Limited)[2]. ICRA has also reaffirmed the short-term rating of [ICRA]A2 (pronounced ICRA A two) to the Rs. 10-crore non-fund-based bank facilities of NIS. The outlook on the long-term rating is Stable.

Rationale

The ratings reaffirmation continues to factor in the extensive experience of the promoters and established market position of NIS in the domestic security and facility management business, particularly in eastern India. The company has established relationship with its reputed client base, which ensures repeat business. This along with expansion of customer base across geographies led to persistent growth in NIS' turnover in the last few years. The ratings also consider the company's comfortable financial profile, as reflected by a healthy return on capital employed, comfortable capital structure and debt-coverage indicators. ICRA also notes the company's near-term plan of an initial public offering (IPO) of equity shares which is likely to have a favourable impact on the company's capital structure and liquidity as well as help expand business in new segments, going forward.

The ratings, however, are constrained by the intense competition on account of the 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. The company is also exposed to high geographical concentration risk as a major portion of the turnover is generated from West Bengal.

The company's ability to maintain its turnover growth in the intensely competitive industry and raise equity in the capital market at a favourable premium, would remain the key rating sensitivities, going forward.

Outlook: Stable

The Stable outlook reflects ICRA's expectation that NIS will continue to benefit from the extensive experience of the promoters and its established relationship with a reputed client base. The outlook may be revised to Positive if the proposed IPO results in a considerable improvement in the company's capital structure and liquidity. Conversely, the outlook may be revised to Negative if the company registers a sizeable de-growth in revenues and profits.

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

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

Key rating drivers

Credit strengths

Long track record of the promoters and established market position in the domestic security services and facility-management business, particularly in the eastern India: NIS is one of the leading players in the organised security services and facility management industry in eastern India with the promoters Mr. Debajit Choudhury and Mrs. Rina Choudhury having vast experience in the manpower outsourcing and security services industry. NIS provides services like security, facility management, housekeeping, technical maintenance and support etc. The company primarily operates in eastern India, where it has an established market position. Nevertheless, it has expanded its geographical presence over the years in 16 states in the country and at present operates from 15 branch offices.

Established relationship with reputed clientele helped generate repeat business: NIS' successful track record coupled with its diverse service offerings helped it in establishing a wide customer base comprising several reputed government as well as private companies. This led to repeat orders from the clients, supporting the company's revenue stream.

Consistent growth in turnover in recent years, driven by expansion of customer base across geographies: The company's operating income grew consistently in recent years on the back of expansion of customer base across geographies, as reflected by a compounded annual growth rate of 26.6% over the last five years. During FY2018, the company also registered a sizeable growth of around 15%.

Comfortable financial profile as reflected by a healthy RoCE, comfortable capital structure and debt-coverage indicators: The return on capital employed (ROCE) of the company has historically remained strong on account of asset-light business operations of the company and stood at 27.7% in FY2018. The company's debt majorly comprises working capital borrowings. Its capital structure continued to remain comfortable with a gearing of 0.75 times as on March 31, 2018. NIS' comfortable capital structure and healthy profits at an absolute level resulted in comfortable debt-coverage indicators as reflected by interest coverage, total debt/OPBDITA and NCA/total debt of 5.2 times, 1.6 times and 36%, respectively in FY2018.

Credit challenges

Intense competition on account of the fragmented nature of security services and facilities management industry: The security service and facilities management industry is primarily unorganised and fragmented. Given the low entry barriers, there is considerable headroom for small contractors to provide temporary staffing services to industries. This results in tough competition and put pressure on margins of the players in the industry.

Exposure to geographical concentration risk as a major portion of the turnover is generated from West Bengal: The company's sales are concentrated in eastern India, particularly in West Bengal, from where around 64% of its total revenues were generated in FY2018. Notwithstanding its significant geographical concentration, the company's revenues remain fairly diversified across a large customer base.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology]

About the company:

NIS is the flagship entity of the Kolkata-based NIS Group, promoted by Mr. Debajit Choudhury and Mrs. Rina Choudhury. It commenced operations in 1985 as a firm called National Investigation and Security for providing integrated security solutions. In March 2006, the firm was converted into a private limited company named NIS Management Private Limited. In June 2018, the company was converted into a public limited company and its name was changed to NIS Management Limited from the erstwhile NIS Management Private Limited. NIS, at present, in addition to security service also provides services like facility management, housekeeping, technical maintenance and support etc. across 16 states in India. The company operates through its 15 offices and has an employee strength of around 16,000, at present.

NIS posted a net profit of Rs. 11.29 crore on an operating income (OI) of Rs. 280.14 crore in FY2018. In FY2017, the company reported a net profit of Rs. 8.22 crore on an OI of Rs. 243.55 crore.

Key financial indicators

Standalone	FY2017 (audited)	FY2018 (audited)
Operating Income (Rs. crore)	243.55	280.14
PAT (Rs. crore)	8.22	11.29
OPBDIT/ OI (%)	7.23%	7.76%
RoCE (%)	27.35%	27.68%
Total Debt/ TNW (times)	1.02	0.75
Total Debt/ OPBDIT (times)	2.02	1.59
Interest Coverage (times)	3.96	5.23

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)				Chronology of Rating History for the Past 3 Years		
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date &Rating September 2018	Date & Rating in FY2018 May 2017	Date & Rating in FY2017 -	Date & Rating in FY2016 -
1	Cash Credit	Long Term	36.00	**2.37 (July 2018)**	**[ICRA]BBB+ (Stable)**	[ICRA]BBB+ (Stable)	-	-
2	Bank Guarantee	Short Term	10.00	-	**[ICRA]A2**	[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

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	36.00	[ICRA]BBB+ (Stable)
NA	Bank Guarantee	NA	NA	NA	10.00	[ICRA]A2

Source: NIS Management 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.

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