

March 24, 2025

NIS Management Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term - Fund based – Term loan	10.30	9.37	[ICRA]BBB+ (Stable); reaffirmed
Long-term - Fund based – Cash credit	56.00	71.00	[ICRA]BBB+ (Stable); reaffirmed and assigned for enhanced amount
Short-term - Fund-based – Standby line of credit	3.50	3.50	[ICRA]A2; reaffirmed
Short-term - Non-fund based – Bank guarantee	12.00	22.00	[ICRA]A2; reaffirmed and assigned for enhanced amount
Total	81.80	105.87	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation continues to factor in the extensive experience and established market position of NIS Management Ltd (NIS) in the domestic security and facility management business, particularly in West Bengal and the company's long relationships with its reputed client base, leading to repeat orders. ICRA notes the Group's association with Government-sponsored skill development programme and vocational training, which helps NIS in recruiting and training its large manpower. The ratings consider NIS' conservative capital structure due to its healthy net worth, aided by sizeable accretion to reserves over the years despite an increase in working capital borrowings after the pandemic. ICRA notes that the company's planned equity infusion through an initial public offer (IPO) may reduce its debt level and strengthen the liquidity position. The company received approval from the BSE for listing its equity on the SME platform in February 2025 and plans to conclude the share listing process by Q1 FY2026, notwithstanding some deferment from the initial plan.

NIS' consolidated revenue grew by 11% in FY2024, and the operating margin sustained at the FY2023 level (8.4%). In the current fiscal, the company's revenue growth and operating margin are likely to moderate to some extent. The company's standalone operating margin stood at 6.7% in H1 FY2025, ~90 basis points lower than 7.6% reported in FY2024. A similar contraction in the consolidated margin is expected in the current fiscal due to lower margin in some of the recent contracts. However, Government incentives (mainly income tax and provident fund reimbursements) linked to fresh recruitment of manpower are likely to support the company's profits, to some extent. Improving service diversity and the company's initiatives to expand operations geographically are likely to support its revenue growth, going forward. However, the fragmented and intensely competitive nature of the private security industry would keep the players exposed to contract renewal risks and restrict pricing flexibility, exerting pressure on profit margins. Tightening of compliance requirements, however, augurs well for the growth of the organised players like NIS in the medium to long term. NIS remains vulnerable to high geographical concentration risk as the major portion (77% in FY2024) of its turnover is generated from West Bengal. Besides, the ratings are constrained by NIS' high working capital intensity of operations due to elevated debtor days and sizeable income tax receivables, which in turn, led to an increase in borrowings in recent years.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's opinion that NIS' established client relationships and expanding service portfolio and geographical presence will mitigate client attrition risks and protect its market share amid competitive pressure. The company's profits and cash accruals are likely to remain healthy, despite a likely moderation in its operating margin in FY2025, and the debt coverage metrics are likely to improve, going forward, with a gradual decline in the debt level.

Key rating drivers and their description

Credit strengths

Significant operational track record and established market position in the security services and facility management business, particularly in West Bengal – NIS is one of the established players in the organised security services and facility management industry. The company operates through more than 20 branch offices in 14 states and serves clients in 19 states. However, it has a strong market position particularly in West Bengal. NIS provides security service and facility management services including housekeeping, integrated facility management, technical maintenance and support, etc. The promoters, Mr. Debajit Choudhury and Mrs. Rina Choudhury, have vast experience in the manpower outsourcing and security services industry.

Established relationships with reputed clientele leads to repeat business – NIS has established relationships with a wide customer base (~650) comprising several reputed Government as well as private companies. This helps the company get repeat business from the clients, supporting revenue growth.

In-house training and technological capabilities of subsidiaries lend operational strength – NIS' subsidiary, Keertika Academy Private Limited, is involved in manpower training/skill development under various Government schemes. Another subsidiary, Keertika Education & Associates LLP, runs vocational training institutes in West Bengal. The Group's presence in such activities lends operational strength to NIS, aiding in recruiting and training its large number (~17,000) of employees. Besides, NIS uses software developed by a subsidiary and a Group entity for cyber security, automated monitoring of workforce, etc., which strengthen its operational capabilities and provide scopes for deriving additional revenues from such services, going forward.

Conservative capital structure – The company's debt mainly comprises working capital loans which formed ~78% of the consolidated total debt as on March 31, 2024. NIS' consolidated debt level increased from FY2021, mainly due to rising working capital requirements on the back of a recovery in turnover after the pandemic and high working capital intensity of operations. Nevertheless, its healthy tangible net worth, aided by sizeable accretion to reserves over the years, kept the capital structure conservative, as reflected in a consolidated gearing of 0.7 times and TOL/TNW of 0.9 times as on March 31, 2024. The company's debt level is likely to decline going forward, with repayment of long-term debt and a gradual moderation in the working capital intensity with refund of income tax receivables. The proposed IPO, if materialises, will strengthen the capital structure.

Credit challenges

Fragmented and competitive nature of the industry gives rise to contract renewal risks and restricts pricing flexibility, keeping profitability under check – The company derives almost equal revenues from the security service and facility management segments. As per the industry practice, the company follows a wage-plus-service-charge model for the manpower provided to most of the customers. The industry is fragmented and intensely competitive in nature with the presence of many organised and unorganised players. This leads to a significant price-based competition, giving rise to contract renewal risk and keeping margins under check, primarily in the security service segment. Nevertheless, price-based competition from the unorganised players has eased to some extent owing to an increase in formalisation, along with tightened compliance requirements in the recent years. The facility management segment fetches higher margins than security service owing to comparatively value-added nature of the services.

Revenue highly concentrated in West Bengal – The company's sales are concentrated in West Bengal, from where it derived 77% of its total revenues in FY2024. Nevertheless, the company has a large customer base and is expanding its presence in other states, which is likely to improve geographical diversification, going forward.

Sizeable debtors and income tax receivables resulting in high working capital intensity of operations – NIS' debtor days remained high in the recent years (107 and 118 on a standalone and consolidated basis, respectively, in FY2024) because of

delay in receipt of payments particularly from the Government and public sector customers. This, along with sizeable income tax (IT) receivables (~Rs. 45 crore as on March 31, 2024 on a standalone basis), resulted in a high net working capital relative to the operating income (NWC/OI) of more than 40% over the last four fiscals. This, in turn, led to an increase in the borrowings to meet the incremental working capital requirements. The company has received IT refund of ~Rs. 5 crore in the current fiscal. However, receipt of a refund of a sizeable portion of the IT receivable and NIS' ability to curb the high receivable level would remain important from the credit perspective.

Liquidity position: Adequate

NIS' liquidity position is likely to remain adequate. Its consolidated cash flow from operations (CFO) remained low in the range of Rs. 2-3 crore over the last two fiscals due to an increase in working capital requirement with healthy revenue growth. However, the CFO is likely to improve and remain healthy in the near to medium term, as a gradual moderation in the working capital intensity is expected. This, coupled with absence of any major capex plans, adequate free cash balance (~Rs. 15 crore as on March 31, 2024) and moderate undrawn working capital limits (~Rs. 7 crore in September 2024) are likely to support the liquidity position despite an annual debt repayment obligation of Rs. 7.0-7.5 crore annually till FY2026. An enhancement in the fund-based working capital limit by Rs. 5 crore in the recent past would also support the liquidity position.

Rating sensitivities

Positive factors – ICRA may upgrade NIS' ratings, if there is a significant improvement in its revenues and profits on a sustained basis, strengthening the debt coverage metrics. Improvement in the company's liquidity position would also remain a key factor for upgrade of the ratings.

Negative factors – Sustained deterioration in the company's profitability, debt coverage metrics and/or a stretch in the working capital cycle, adversely impacting the liquidity position, may trigger ratings downgrade. Specific credit metrics that may lead to ratings downgrade include a consolidated interest coverage of less than 3.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial statements of the rated entity, along with its five subsidiaries (as mentioned in Annexure-II), which also have operational linkages with NIS and a common management. NIS has provided a corporate guarantee for a subsidiary's loans.

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 provides manpower outsourcing services like security services, facility management including housekeeping, integrated facility management, technical maintenance and support, etc., across 19 states in India. The company operates through its 22-23 offices and has an employee strength of around 17,000, at present.

Key financial indicators (audited)

NIS	Standalone			Consolidated	
	FY2023	FY2024	H1 FY2025*	FY2023	FY2024
Operating income	305.1	352.7	187.0	340.6	378.0
PAT	12.3	15.6	7.8	15.0	18.4
OPBDIT/OI	7.6%	7.6%	6.7%	8.4%	8.4%
PAT/OI	4.0%	4.4%	4.2%	4.4%	4.9%
Total outside liabilities/Tangible net worth (times)	0.7	0.7	0.6	1.0	0.9
Total debt/OPBDIT (times)	2.9	2.6	2.7	3.0	2.9
Interest coverage (times)	3.6	3.5	3.6	3.4	3.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore; *Provisional

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA:

CRA	PR Date	Rating Action
CRISIL	September 12, 2024	CRISIL B/Stable (ISSUER NOT COOPERATING*; Rating continues at the same level)

*Issuer did not cooperate; based on best-available information

Any other information: None

Rating history for past three years

Current (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Mar 24, 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long-term	9.37	[ICRA]BBB+ (Stable)	31-Jan-2024	[ICRA]BBB+ (Stable)				
				21-Nov-2023	[ICRA]BBB+ (Stable); ISSUER NOT COOPERATING*	04-Aug-2022	[ICRA]BBB+ (Stable)	-	-
Cash credit	Long-term	71.00	[ICRA]BBB+ (Stable)	31-Jan-2024	[ICRA]BBB+ (Stable)	04-Aug-2022	[ICRA]BBB+ (Stable)		
				21-Nov-2023	[ICRA]BBB+ (Stable); ISSUER NOT COOPERATING*	19-Jul-2022	[ICRA]BBB+ (Stable); ISSUER NOT COOPERATING*	05-Apr-2021	[ICRA]BBB+ (Stable)
Standby line of credit	Short-term	3.50	[ICRA]A2	31-Jan-2024	[ICRA]A2	-	-	-	-
Bank guarantee	Short-term	22.00	[ICRA]A2	31-Jan-2024	[ICRA]A2	04-Aug-2022	[ICRA]A2		
				21-Nov-2023	[ICRA]A2; ISSUER NOT COOPERATING*	19-Jul-2022	[ICRA]A2; ISSUER NOT COOPERATING*	05-Apr-2021	[ICRA]A2

*Issuer did not cooperate; based on best-available information

Complexity level of the rated instruments

Instrument	Complexity indicator
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Long-term - Fund-based – Term loan	Simple
Long-term - Fund-based – Cash credit	Simple
Short-term - Fund-based – Standby line of credit	Simple
Short term - Non-Fund based – Bank Guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Nov 22, 2021	-	Dec 2026	9.37	[ICRA]BBB+ (Stable)
NA	Cash Credit	-	-	-	71.00	[ICRA]BBB+ (Stable)
NA	Standby Line of Credit	-	-	-	3.50	[ICRA]A2
NA	Bank Guarantee	-	-	-	22.00	[ICRA]A2

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis:

Company Name	NIS Ownership	Consolidation Approach
NIS Facility Management Services Private Limited	100.00%	Full Consolidation
NIS Ace Management Private Limited	99.86%	Full Consolidation
Keertika Academy Private Limited	99.86%	Full Consolidation
Keertika Education & Associates LLP [^]	99.97%	Full Consolidation
Achilles Resolute Private Limited	51.00%	Full Consolidation

Source: NIS' annual report for FY2024; [^]NIS has provided a corporate guarantee of Rs. 7.65 crore for loans availed by Keertika Education & Associates LLP

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