

APRIL 19, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF ZICOM ELECTRONIC SECURITY SYSTEM LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term Bank Facilities	127.25	CARE BBB+ (Triple B Plus)	Revised from CARE A- (Single A Minus)
Short Term Bank Facilities	20.00	CARE A3+ (A Three Plus)	Revised from CARE A2 (A Two)
Total	147.25 (One Hundred Forty Seven Crore and Twenty Five Lakhs Only)		

Rating Rationale

The ratings revision of Zicom Electronic Security Systems Limited (Zicom) takes into consideration the significant adverse effect on its Middle East business owing to decline in crude oil prices. The sharp decline in crude oil prices has adversely affected the collection period of its overseas subsidiary resulting into deterioration of the company's liquidity profile.

The ratings continue to derive strength from the long track record of the Zicom group and experience of its promoters in electronic security systems and fire protection industry, strong brand image and positive long-term growth prospects for electronic security sector in India.

The above ratings are partially tempered by high working capital intensity of business, partial exposure to volatility in exchange rates, inherent risk of technological obsolescence in the electronic security industry and highly competitive nature of the industry.

The ability to improve its profitability margins, capital structure and effectively manage its working capital requirements are the key rating sensitivities.

Background

Promoted by Mr. Manohar Bidaye and Mr. Pramoud Rao in 1994, Zicom is engaged in the business of electronic security systems in India and fire protection business in Gulf Nations through its subsidiaries. In the Indian market, the company offers customized solutions to meet security needs of the customers in the application areas such as intrusion and burglar alarm, access control, fire detection, CCTV surveillance, electronic article surveillance, remote video surveillance, integrated building management, car park management and smart card solutions. The company also provides managed security and surveillance services on a recurring basis to retail customers, banks, retail chains and small businesses through its wholly owned subsidiary Zicom SaaS Private Limited (Zicom Saas).

In the Middle East market, the company is involved in implementation of fire protection systems in buildings (both residential, corporates and public establishments) through its two subsidiaries Unisafe Fire Protection Specialists LLC, Dubai (Unisafe Dubai) and Phoenix International WLL, Qatar (Phoenix, Qatar). The international business has contributed around 62% of the total revenue (PY: 65%) on a consolidated level during FY15.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

During FY15 on a consolidated basis, (refers to the period April 1 to March 31), Zicom recorded a total operating income of Rs.1109.12 crore (PY Rs. 927.03 crore) and posted a net profit of Rs.53.52 crore (PY Rs. 44.62 crore). During 9M FY16, Zicom recorded a total income from operations of Rs. 858.32 crore and a PAT of Rs. 33.70 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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