

March 19, 2014

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF
ZICOM ELECTRONIC SECURITY SYSTEMS LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long term Bank Facilities (Fund Based/Non Fund Based)	127.25 (Enhanced from Rs.105 crore)	CARE BBB+ [Triple B Plus]	Reaffirmed
Long term Bank Facilities (Term Loan)	-	-	Withdrawn
Short term Bank Facilities	20.00 (Enhanced from Rs.15 crore)	CARE A3+ [A Three Plus]	Reaffirmed
Total Facilities	147.25		

Rating Rationale

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

The ratings however, continue to be constrained by highly working capital intensive nature of operations, deterioration in capital structure following increase in debt level to fund overseas acquisition/increase in stake in overseas subsidiaries, the inherent risk of technological obsolescence in the electronic security industry and highly competitive nature of the industry.

The ability of ZESSL's to derive the envisaged earnings from the subsidiaries and efficiently manage the working capital requirement of the group remain the key rating sensitivities.

Background

Promoted by Mr. Manohar Bidaye and Mr. Pramoud Rao in 1995, Zicom Electronic Security Systems Limited (ZESSL) is engaged in the business of providing electronic security solutions mainly assembling and marketing of security equipment and devices (like CCTV Surveillance System, Access Control System, Fire Alarm System, Multi-Apartment Video Door Phones, Alarm System, Fingerprint Locks and Video Door Phones). The company also has a wholly owned subsidiary - Zicom SaaS Private Limited (Zsaas) in India which is engaged in the business of providing managed security and surveillance services on a recurring service basis to retail customers, banks, retail chains and small businesses.

The international businesses of Zicom group consist of fire protection business carried by its two flagship subsidiaries Unisafe Fire Protection Specialists LLC, Dubai (Unisafe Dubai) and Phoenix International WLL, Qatar. Unisafe was acquired in FY08 for USD 1.5 million and Phoenix was acquired at a cost of USD 15 million in June 2012. Both these subsidiaries are the EPC contractors

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

for implementing the fire protection systems in buildings (both residential, corporates and Public establishments) and cater mainly to the Middle East market.

In FY13 (refers to the period April 1 to March 31), on a consolidated level ZESSL reported a total operating income of Rs.692.70 crore and a PAT of Rs.36.90 crore. Further, it posted a total operating income of Rs.620.50 crore and a PAT of Rs.29.55 crore during 9MFY14 consolidated (unaudited).

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