

April 02, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF ZICOM SAAS PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities – Term Loan*	50.60	CARE A- (SO) [Single A Minus (Structured Obligation)]	Revised from CARE BBB+ (SO) [Triple B Plus (Structured Obligation)]
Long-term Bank Facilities – Fund-based Limits*	1.25	CARE A- (SO) [Single A Minus (Structured Obligation)]	Revised from CARE BBB+ (SO) [Triple B Plus (Structured Obligation)]
Short-term Bank Facilities – Non-fund-based Limits*	2	CARE A2 (SO) [A Two (Structured Obligation)]	Revised from CARE A3+ (SO) [A Three Plus (Structured Obligation)]

*Backed by unconditional and irrevocable corporate guarantee of Zicom Electronic Security Systems Limited (Zicom)

Rating Rationale

The ratings factor in the unconditional and irrevocable corporate guarantee provided by Zicom Electronic Security Systems Limited (Zicom) to the lenders of Zicom Saas for timely payment of the obligations. The rating revision of Zicom Saas follows the revision in the ratings of the guarantor – Zicom.

The ratings revision of Zicom Electronic Security Systems Limited (Zicom) takes into consideration healthy operating performance over the period FY12-FY14 (refers to the period April 1 to March 31) and fresh equity infusion in FY15. Furthermore, CARE notes that change in business focus towards more value-added service business is expected to improve the profitability margins in medium term.

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 and fire protection market in the gulf countries.

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

Zicom Saas Private Limited (Zicom Saas), a wholly owned subsidiary of Zicom 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 service model involves the installation and management of security and surveillance equipment on the client's premises with 24x7 remote monitoring which includes intrusion detection, fire detection, video surveillance, access

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

control, critical condition monitoring and remote response services. The monitoring of these systems is done remotely by Zicom Saas through its command centre at Goregaon, Mumbai. These security managed services are offered with four levels of security-security hardware, remote monitoring, remote response and insurance for which, the client is charged a recurring fixed monthly charge thus reducing the client's need to invest in security capex. Other services provided include onsite/ offsite technical support, alarm and system health check reports via SMS and e-mail, remote login and access, security tips at regular intervals and monthly MIS reports on trouble/alarm conditions.

During FY14, Zicom Saas recorded a net profit of Rs.0.58 crore on a total operating income of Rs.17.38 crore as compared to a net profit of Rs.0.14 crore on a total operating income of Rs.6.45 crore in FY13.

About the Guarantor (Zicom)

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 customised 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 fire protections business has contributed around 65% (PY 59%) of the total revenue and 82% (PY 78%) of the PAT on a consolidated level during FY14.

In FY14 (refers to the period April 1 to March 31), on a consolidated level Zicom reported a total operating income of Rs.927.03 crore (PY: Rs.692.70 crore) and a PAT of Rs.44.62 crore (PY: Rs.36.90 crore). Furthermore, it posted a total operating income of Rs.778.19 crore and a PAT of Rs.34.03 crore during 9MFY15 consolidated (unaudited).

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

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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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