



Press Release

Dynamic Services & Security Limited

June 28, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	11.55	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	4.95	IVR A3 (IVR A three)	-	Assigned	Simple
Total	16.50 (INR sixteen crore and fifty lakhs only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Dynamic Services & Security Limited (DSSL) derives strength from long track record of operations coupled with experienced management. The ratings also factors in its healthy financial position characterized by conservative leverage, robust debt coverage, adequate liquidity, and improvement in working capital management. These strengths are offset by modest scale of current operations of the company and highly competitive industry.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals
- Improvement in the capital structure and debt protection metrics on a sustained basis
- Managing working capital requirement efficiently leading to improvement in the operating cycle with improvement in liquidity.

Downward Factors

- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company
- Moderation in the capital structure and/ or coverage indicators
- Elongation in the operating cycle with moderation in liquidity



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- Reduction in order flow

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced management and**

The key promoters of Dynamic Services & Security Limited (DSSL), Mr Jugal Kishore Bhagat has been in the logistics and manpower industry for twenty-five years. The long-standing experience has been through the erstwhile proprietorship concern, Dynamic Services. They had started off with manpower supply activities and grown to provide variety of services and solutions such as Guarding/ Custodial services, Integrated facility management, Web development and IT-services. Infomerics derives comfort from the long experience of the promoter in the industry.

- **Healthy order book position**

DSSL has achieved revenues of Rs.105.67 crores in FY2024 (refers to period April 1st, 2023, to Mar 31, 2024) as compared to revenues of Rs.73.12 crores in FY2023 (refers to period April 1st, 2022, to Mar 31, 2023), thereby registering a y-o-y growth of 44.53 per cent. The long experience has helped them execute large orders. In addition to this, the company has a healthy order book position as on 31st May 2024 to the tune of Rs.1037.19 Cr (9.82x of FY2024 revenues), thus providing comfortable revenue visibility over the medium term.

- **Healthy financial risk profile supported by comfortable leverage structure**

The company's capital structure remains comfortable marked by a conservative capital structure. The adjusted tangible net worth (ATNW) of the company stood at Rs.79.18 crore as on March 31, 2024, Rs.54.09 crore as on March 31, 2023 and Rs.45.48 as on March 31, 2022 (refers to period April 1st, 2021, to Mar 31, 2022). The companies adjusted tangible net worth increased due to accretion of reserves and money received against share warrants amounting to Rs.14.66 Cr. Further, the adjusted overall gearing of the company stood comfortable at 0.32x as on March 31, 2024 as against 0.34x as on March 31, 2023. Again, the adjusted TOL/TNW also stood comfortable at 0.52x in as on March 31, 2024 as against 0.57x as on March 31, 2023. Furthermore, the debt protection metrics of the company stood comfortable marked by Interest Coverage Ratio at 5.10x as on March 31, 2024, and Debt Service



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Coverage Ratio at 2.61x as on March 31, 2024. The total debt/EBITDA stood moderately comfortable at 1.62x as on March 31, 2024. The financial risk profile of the company will remain at similar level backed by steady accruals and no major debt funded capex plans in the medium term.

- **Moderate working capital management**

The working capital management of DSSL is moderate marked by operating cycle of the company which stood at 111 days as on 31st March 2024 as compared to 190 days as on 31st March 2023. The operating cycle is predominantly driven by the stretched collection mechanism during the same period. The debtor period stood high at 134 days as on 31st March 2024 as compared to 266 days as on 31st March 2023, as DSSL is majorly dealing with the Government bodies; nevertheless, the counter party risk remains low. The inventory holding stood low at 10 days as on 31st March 2024 as compared to 13 days as on 31st March 2023. The working capital management of the company will remain at similar levels over the medium term owing to the nature of the industry.

Key Rating Weaknesses

- **Modest scale of current operations**

The scale of operation of the company remained modest over the years marked by its small total operating income (TOI) mainly due to its presence in specialized industry. The small scale restricts the financial flexibility of the company in times of stress. Nevertheless, the revenue of the company witnessed a y-o-y growth of ~44.53% to Rs.105.67 Cr in FY2024 from Rs.73.12 Cr in FY2023 on account of healthy order book position and timely execution of the same. Going forward, the improvement in the revenue of the company will be a key rating monitorable.

- **Highly competitive industry**

The security service industry is highly fragmented with low differentiation leading to the company facing stiff competition both from the organised and unorganised sector players. This has a consequential impact on pricing and, in turn, to lower profitability. However, DSSL has been able to establish a strong presence with its long track record and experienced senior management with a wider array of services including facilities management and security consultancy.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

[Complexity level of rated Instruments/Facilities](#)

Liquidity– Adequate

The company has adequate liquidity position marked by sufficient net cash accruals which stood at Rs.9.62 Cr as on March 31, 2024, as against long term debt repayment of Rs.1.77Cr over the same period. The current ratio stood comfortable at 2.54x as on March 31, 2024, and the Quick Ratio stood comfortable at 2.47x as on March 31, 2023. The cash and bank balances of the company stood at Rs.1.51 Cr as on March 31, 2024. The average fund-based limit utilisation remains high at around 94 per cent over the twelve months ended March 2024. Going forward, the liquidity position of the company is likely to improve supported by steady accruals.

About the Company

Incorporated in 2016, Dynamic Services & Security Limited is engaged in providing security and manpower services. The company offer wide range of security and facility management services to various sectors across India. It is providing services such as manpower services particularly in the field of mechanized cleaning, catering, housekeeping, conservancy service, security service, catering services, contractual services, logistics and other related services majorly for Indian Railway and other reputed Government organisations on a pan India level, over the years. The promoters had started their activities in the form of a proprietorship firm under the name of Dynamic Services in 2006 and the constitution was changed in 2016 under its current name.



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Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	73.12	105.67
EBITDA	5.69	15.90
PAT	9.68	9.32
Total Debt	18.39	25.73
Adjustable Tangible Net Worth	54.09	79.18
EBITDA Margin (%)	7.79	15.05
PAT Margin (%)	11.70	8.81
Overall adjusted Gearing Ratio (x)	0.34	0.32
Interest Coverage (x)	2.03	5.10

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information:

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	11.50	IVR BBB-/ Stable	-	-	-
2.	Proposed Cash Credit	Long Term	0.05	IVR BBB-/ Stable	-	-	-
3.	Bank Guarantee	Short Term	4.95	IVR A3	-	-	-

Analytical Contacts:

Name: Kaustav Saha

Tel: (033) 48033621

Email: kaustav.saha@infomerics.com

Name: Sandeep Khaitan

Tel: (033) 48033621

Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit I	-	-	-	-	9.50	IVR BBB-/Stable
Cash Credit II	-	-	-	-	2.00	IVR BBB-/Stable
Proposed Cash Credit	-	-	-	-	0.05	IVR BBB-/Stable
Bank Guarantee	-	-	-	-	4.95	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Dynamic-Services-june24.pdf>



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Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

