

Press Release

Agile Security Force Private Limited

June 06, 2018



Rating Assigned and Reaffirmed

Total Bank Facilities Rated*	Rs. 24.91 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and short-term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs.24.54 crore bank facilities and assigned of short-term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs.0.37 crore bank facilities of Agile Security Force Private Limited (ASFPL). The outlook is '**Stable**'.

ASFPL, incorporated in 1995, is a Hyderabad-based ISO 9001:2008-certified company owned by Mr. V.R. K. Rao, Mr. V. Amarnath, Mrs. V. Meena Kumari and Mrs. V. Geeta. The overall operations of the company are currently managed by Mr. V.R.K. Rao and Mr. V. Amarnath. ASFPL provides housekeeping, manned guarding and manpower outsourcing services. The company has six branches and two training institutes.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

ASFPL was established in 1995 and has an operational track record of more than two decades. The long standing presence has helped the company earn a good reputation in the industry and long standing relation with its customers which in turn has helped the company to maintain steady revenue growth. V. R. K. Rao (Managing Director) is an ex-IAF and has served in Indian Air Force as a Squadron Leader. Mr. V. Amarnath (his son) has more than a decade of experience in the security field. Brigg. Sreeramulu and Mr. G. Shyamsunder Reddy are the Vice Presidents of the company have more than a decade of experience in security field. Mr. K. Ramachandra Rao (General Manager) is also an ex-army officer and has more than two decades of experience in the security field.

- **Average financial riskprofile**

The financial risk profile is average marked by low net worth, high gearing and low interest coverage ratio. The net worth stood at Rs.3.41 crore as on 31 March, 2017 which has declined from Rs.5.67 crore in the previous year. The gearing (debt-equity) stood moderate at 2.25 times as on 31 March, 2017 as against 1.36 times in the previous year. The interest coverage ratio stood at 1.58 times as on FY2017 as against 1.75 times as on FY2016.

- **Improvement in revenue but uneven operating margins**

The revenues have increased in FY2018 (Provisional) to Rs.135.08 crore when compared to Rs.94.18 crore in FY2017. Increase in revenues is backed by new contracts acquired by the company in the security services and cleaning services.

Operating margins for FY2018 (Provisional) stood at 7.34 percent as compared to 8.49 percent for FY2017. However, the profit after tax (PAT) margin stood healthy at 4.40 percent in FY2018 (Provisional) as against 4.29 percent in FY2017.

- **Healthy financial risk profile**

The financial risk profile of ASFPL stood healthy marked by net worth of Rs.25.78 crore as on 31 March, 2018 (Provisional) as against Rs.19.84 crore as on 31 March, 2017. The gearing (debt-equity) stood at 0.24 times as on 31 March, 2018 (Provisional) as against 0.37 times as on 31 March, 2017. The total debt of Rs.6.29 crore as on 31 March, 2018 (Provisional) comprises of unsecured loans of Rs.1.61 crore, term loan of Rs.0.22 crore and working capital facility of Rs.4.46 crore. Interest Coverage Ratio stood at 7.31 times for FY2018 (Provisional) as against 5.61 times for FY2017. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 0.97 times as on 31 March, 2018 (Provisional).

Acuité believes that the financial risk profile of the company will remain healthy marked by healthy net cash accruals and no major debt funded capex.

- **Reputed Clientele base**

The company has a customer base of around 350 customers. The clientele base include a mix of Government bodies, industrial, residential and commercial premises. Clientele includes HDFC Bank Limited, State Bank of India, Andhra Pradesh Health Medical Housing & Infrastructure Development Corporation, Vijayawada Railways, Guntur Railways, TSM SIDC, HPCL, NIT Warangal, to name a few.

Weaknesses

- **High payables and extension of funds to group company**

The company being into service industry, the major payables for the company is salary to its employees. The company has payables outstanding as on 31 March, 2018 (Provisional) of Rs.15.95 crore (Prev: Rs.17.64 crore).

The company has also extended funds to group companies in the form of loans and advances worth Rs.13.58 crore. The adjusted debt equity stood comfortable at 0.52 times as on 31 March, 2018 (Provisional) as against 0.57 times as on 31 March, 2017.

- **Presence in highly fragmented and competitive security service industry**

The private security service market is dominated by large multinational and Indian players on one end of the market and a fairly fragmented, unorganised segment on the other. The key service offerings for private security players are manned guarding, cash services and allied services such as electronic security services. The Indian security services industry has grown rapidly in the last decade, given the continuing demand for security in new infrastructure projects such as airports, roads and telecom towers; emergence of modern retail and growing need for security for movement of cash within the banking system. High competition also leads to employee poaching and high attrition rate.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the ASFPL to arrive at this rating.

Outlook: Stable

Acuité believes that ASFPL will maintain a 'Stable' business risk profile over the medium term on the back its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company maintains strong growth in revenues and profit margins while attaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case the company undertakes a large, debt-funded, capital expenditure (capex), leading to deterioration in its capital structure.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	135.08	94.18	92.16
EBITDA	Rs. Cr.	9.92	7.99	6.34
PAT	Rs. Cr.	5.94	4.04	3.24
EBITDA Margin	(%)	7.34	8.49	6.88
PAT Margin	(%)	4.40	4.29	3.52
ROCE	(%)	35.23	31.01	28.91
Total Debt/Tangible Net Worth	Times	0.24	0.37	0.38
PBDIT/Interest	Times	7.31	5.61	9.42
Total Debt/PBDIT	Times	0.56	0.88	0.92
Gross Current Assets (Days)	Days	98	122	105

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Service Entities - <http://acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
15-Jun-17	Term Loan	Long Term	2.24	ACUITE BBB (Indicative)
	Bank Guarantee	Short Term	6.50	ACUITE A3+ (Indicative)
	Proposed Overdraft	Long Term	3.00	ACUITE BBB (Indicative)
12-Aug-16	Term Loan	Long Term	2.24	ACUITE BBB / Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.50	ACUITE A3+ (Reaffirmed)
	Proposed Overdraft	Long Term	3.00	ACUITE BBB / Stable (Reaffirmed)
13-Apr-15	Term Loan	Long Term	2.24	ACUITE BBB / Stable (Assigned)
	Bank Guarantee	Short Term	6.50	ACUITE A3+ (Assigned)
	Proposed Overdraft	Long Term	3.00	ACUITE BBB / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.54	ACUITE BBB / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3+ (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB / Stable (Reaffirmed)
Proposed Short Term	Not Applicable	Not Applicable	Not Applicable	0.37	ACUITE A3+ (Assigned)

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About Acuité Ratings & Research:

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