

Press Release

Agile Security Force Private Limited

January 07, 2019



Rating Reaffirmed and Withdrawn

Total Bank Facilities Rated*	Rs. 32.00 crore (Enhanced from Rs.24.92 crore)
Long Term Rating	ACUITE BBB / Outlook: Stable
Short Term Rating	ACUITE A3+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating to '**ACUITE BBB**' (**read as ACUITE triple B**) and short term rating to '**ACUITE A3+**' (**read as ACUITE A three plus**) to the bank facilities of the Rs. 32.00 crore of Agile Security Force Private Limited (ASFPL). Further, Acuité has withdrawn the long term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs.0.54 crore bank facility. 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. ASFPL provides housekeeping, manned guarding and manpower outsourcing services. The overall operations of the company are currently managed by Mr. V.R.K. Rao and Mr. V. Amarnath. The company has six branches and two training institutes.

Analytical Approach

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

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. Long standing presence has helped the company earn a good reputation in the industry and long standing relations with its customers which in turn has helped the company to maintain steady revenue growth. Mr. V. R. K. Rao who is the Managing Director of the company is an ex-IAF and has served in Indian Air Force as a Squadron Leader and participated in Indo-Pak war and has gallantry awards by Indian Government. Mr. V. Amarnath, son of Mr. V. R. K. Rao, has more than a decade of experience in the security field. Mr. Sreeramulu and Mr. G. Shyamsunder Reddy, who 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 having more than two decades of experience in the security field.

Improvement in revenue despite uneven operating margins

The company's revenues have increased in FY2018 to Rs.137.58 crore 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. The company catered in Andhra Pradesh and Telangana only in the past year, however it has acquired orders in Karnataka, Tamil Nadu and other states too. The company has registered revenues of ~Rs.100 crore from April to November, 2018.

The operating margins of the company have marginally deteriorated in FY2018 to 7.07 percent as compared

to 8.49 percent in FY2017, due to increase in direct expense for catering to new contracts. Further, the profit after tax (PAT) margin stood at 3.64 percent in FY2018 as against 4.29 percent in FY2017.

Healthy financial risk profile

The financial risk profile of the company is healthy marked by tangible net worth, debt protection metrics, coverage indicators and leverage ratios of the company. ASFPL's net worth stood healthy at Rs.24.85 crore as on 31 March, 2018 as against Rs.19.84 crore as on 31 March, 2017 due to retention of profits in the business. Gearing (debt-equity) stood low at 0.37 times as on 31 March 2018 as against 0.34 times as on 31 March, 2017. The total debt of Rs.9.29 crore as on 31 March, 2018 comprises unsecured loan of Rs.0.61 crore, term loan of Rs.4.68 crore and working capital facility of Rs.4.00 crore. The interest coverage ratio (ICR) stood healthy at 7.48 times for FY2018 as against 5.61 times for FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.26 times as on 31 March, 2018.

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.

Diversified customer base

The company has a customer base of around 350 customers. The clientele base includes a mix of Government bodies, industrial, residential and commercial premises. Clientele include 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 of Rs.18.61 crore (PY: Rs.17.64 crore).

The company has also extended funds to group companies in the form of loans and advances worth Rs.13.50 crore. The adjusted net worth of the company stood at Rs.11.35 crore as on 31 March 2018 as against Rs.12.72 crore in the previous year. The adjusted debt equity stood comfortable at 0.35 times as on 31 March, 2018 as against 0.33 times as on 31 March, 2017.

Presence in highly fragmented and competitive security service industry

The private security services 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 and 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 threat perception from crime and terrorism; 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.

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, leading to deterioration in its capital structure.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	137.58	94.18	92.16
EBITDA	Rs. Cr.	9.73	7.99	6.34
PAT	Rs. Cr.	5.01	4.04	3.24
EBITDA Margin	(%)	7.07	8.49	6.88
PAT Margin	(%)	3.64	4.29	3.52
ROCE	(%)	31.55	31.59	29.79

Total Debt/Tangible Net Worth	Times	0.37	0.34	0.36
PBDIT/Interest	Times	7.48	5.61	9.42
Total Debt/PBDIT	Times	0.87	0.82	0.86
Gross Current Assets (Days)	Days	103	122	105

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
06-06-2018	Term Loan	Long Term	0.54	ACUITE BBB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Overdraft	Long Term	4.00	ACUITE BBB/Stable (Reaffirmed)
	Proposed Short Term	Short Term	0.37	ACUITE A3+ (Assigned)
15-11-2017	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)
12-08-2016	Term Loan	Long Term	2.24	ACUITE BBB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	6.50	ACUITE A3+ (Reaffirmed)
	Proposed Overdraft	Long Term	2.24	ACUITE BBB/Stable (Reaffirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.54	ACUITE BBB (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3+ (Reaffirmed)
Overdraft	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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