

Press Release

Agile Security Force Private Limited

September 17, 2021



Rating Reaffirmed & Withdrawn

Total Bank Facilities Rated*	Rs.40.00 Cr.
Long Term Rating	ACUITE BBB/ Outlook: Stable (Reaffirmed & Withdrawn)
Short Term Rating	ACUITE A3+ (Reaffirmed & Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB** (read as ACUITE triple B) and the short-term rating of '**ACUITE A3+** (read as ACUITE A three plus) on the Rs.40.00 Cr bank facilities of Agile Security Force Private Limited (ASFPL). The outlook is '**Stable**'.

Acuité has also withdrawn the long-term rating of '**ACUITE BBB** (read as ACUITE triple B) and the short-term rating of '**ACUITE A3+** (read as ACUITE A three plus) on the Rs.32.00 crore bank facilities of ASFPL as per the withdrawal request from ASFPL in accordance with Acuité's withdrawal Policy.

The reaffirmation in the rating reflects the long track record of operations of the company and experienced management, comfortable financial risk profile, adequate liquidity position and diversified customer base. The rating, however, continues to remain constrained on account of working capital intensive operations, high payables and extension of funds to group company i.e. Agile Entertainment Private Limited (AEPL).

About the Company

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. Later, Mr. Shyam Sunder Reddy Gopu also appointed as director in 2017. 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 situated in different cities of Andhra Pradesh.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of ASFPL to arrive at the rating.

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. The promoters, Mr. VRK Rao, Mr. V Amarnath, Mrs. V. Meena Kumari, Mrs. V. Geeta and Mr. Shyam Sunder Reddy Gopu have more than a decade of experience in the security field.

Acuité believes that the experience of the management in the industry is likely to favorably impact the business risk profile of the company over the near to medium term.

- **Comfortable financial risk profile**

Financial risk profile of ASFPL is comfortable marked by comfortable gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and comfortable debt protection metrics. The gearing stood at 0.42 times as on March 31, 2021 (Provisional) against 0.33 times as on March 31, 2020. TOL/TNW stood at 1.43 times as on March 31, 2021 (Provisional) against 1.33 times as on March 31, 2020. Tangible net worth of the company stood modest at Rs.48.24 crore as on March 31, 2021 (Provisional) against Rs.40.29 crore as on March 31, 2020. The total debt of Rs.20.44 crore as on March 31, 2021 (Provisional) mainly consists of long-term debt of Rs.5.74 crore, short-term debt of Rs.14.54 crore and unsecured loans of Rs.0.16 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 8.24 times and 0.46 times respectively in FY2021 (Provisional); while DSCR stood at 2.75 times in FY2021 (Provisional). The company has

not availed covid loans / covid moratorium.

Acuité believes that the financial risk profile of the company is expected to remain comfortable on account of modest net worth backed by healthy cash accruals vis-à-vis moderate debt repayment obligations and comfortable debt protection metrics.

- **Diversified customer base**

The company has a customer base of more than 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

- **Working capital intensive operations**

ASFPL's working capital operations are intensive marked by Gross Current Asset days (GCA) of 155 days in FY2021 (Provisional) against 122 days in FY2020. The debtors' days stood at 85 days in FY2021 (Provisional) against 67 days in FY2020 majorly due to the delay in the payment from the government customers. However, the situation has improved and the money is being recovered. The company generally provides a credit period of 30 days to their customers. However, working capital bank lines remains utilized at ~56.14 percent for last trailing 14 months ended August, 2021.

Acuité believes that the company's ability to maintain its working capital efficiently will remain critical to maintain a stable credit profile.

- **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 March 31, 2021 (Provisional) of Rs.40.57 crore (PY: Rs.31.61 crore). The company has also extended funds to group companies in the form of loans and advances worth Rs.22.59 crore as on March 31, 2021 (Provisional). The adjusted net worth of the company stood at Rs.48.24 crore as on March 31, 2021 (Provisional) as against Rs.40.29 crore in the previous year. The adjusted debt equity stood comfortable at 0.42 times as on March 31, 2021 (Provisional) as against 0.33 times as on March 31, 2020.

- **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, unorganized 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.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity: Adequate

ASFPL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals in the range of Rs.6.09 crore – Rs.9.39 crore during the last four years through FY2018-21 against moderate repayment obligations of Rs.2.28 crore during the same period. It is expected to generate cash accruals in the range of Rs.10.02 crore – Rs.11.98 crore over the medium term, against moderate repayment obligations in the range of Rs.0.13 crore – Rs.2.28 crore. Unencumbered cash and bank balances stood at Rs.7.42 crore as on March 31, 2021 (Provisional) with a current ratio of 1.14 times in the same period. The working capital limits remained utilized at ~56.14 percent for last trailing 14 months ended August, 2021.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that ASFPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its margins. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or deterioration in its working capital management or larger-than-expected debt-funded capex leading to deterioration in its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	191.39	195.52
PAT	Rs. Cr.	7.95	8.12
PAT Margin	(%)	4.15	4.15
Total Debt/Tangible Net Worth	Times	0.42	0.33
PBDIT/Interest	Times	8.24	6.31

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Service Entities - <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Mar-2020	Secured Overdraft	Long Term	7.00	ACUITE BBB/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	8.00	ACUITE BBB/ Stable (Assigned)
07-Jan-2019	Term Loan	Long Term	0.54	ACUITE BBB (Withdrawn)
	Bank Guarantee	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Secured Overdraft	Long Term	7.00	ACUITE BBB/ Stable (Reaffirmed)
06-Jun-2018	Term Loan	Long Term	0.54	ACUITE BBB/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Proposed Secured Overdraft	Long Term	4.00	ACUITE BBB/ Stable (Reaffirmed)
	Proposed Short Term Loan	Short Term	0.37	ACUITE A3+ (Assigned)

***Annexure – Details of instruments rated**

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Punjab National Bank	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	7.00^	ACUITE BBB (Withdrawn)
ICICI Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB/ Stable (Reaffirmed)
Indusind Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB/ Stable (Reaffirmed)
Punjab National Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00^	ACUITE A3+ (Withdrawn)
ICICI Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ (Reaffirmed)
Indusind Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00*	ACUITE A3+ (Reaffirmed)

* Counter bank guarantee is sublimit to the extent of Rs. 10.00crore.

^Amount not included in total facilities rated.

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About Acuité Ratings & Research:

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