

Press Release

Agile Security Force Private Limited

December 08, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	25.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	40.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite 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**'.

rationale for the rating

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 debtors 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

Acuite 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) and total outside liabilities to total net worth (TOL/TNW), and comfortable debt protection metrics. The gearing stood at 0.31 times as on March 31, 2022 against 0.41 times as on March 31, 2021. TOL/TNW stood at 1.01 times as on March 31, 2022 against 1.38 times as on March 31, 2021. Tangible net worth of the company stood modest at Rs.58.64 crore as on March 31, 2022 against Rs.49.18 crore as on March 31, 2021. The total debt of Rs.18.17 crore as on March 31, 2022 mainly consists of long-term debt of Rs.3.49 crore, short-term debt of Rs.12.84 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 8.52 times and 0.60 times respectively in March 31, 2022; while DSCR stood at 3.35 times in March 31, 2022. 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, IDBI, Hindustan Aeronautics Limited, Hyderabad Central University to name a few.

Weaknesses

Working capital intensive operations

ASFPL's working capital operations are intensive marked by Gross Current Asset days (GCA) of 81 days in March 31, 2022 against 100 days in March 31, 2021. The debtors' days stood at 76 days in March 31, 2022 against 85 days in March 31, 2021 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 ~60.72% for last trailing 12 months ended October 2022. Acuité believes that the company's ability to maintain its working capital efficiently will remain critical to maintain a stable credit profile.

Extension of funds to group company

The company has also extended funds to group companies in the form of loans and advances worth Rs.22.77 crore as on March 31, 2022. The adjusted net worth of the company stood at Rs.58.64 crore as on March 31, 2022 as against Rs.49.18 crore in March 31 2021. The adjusted debt equity stood comfortable at 0.31 times as on March 31, 2022 as against 0.41 times as on March 31, 2021. Acuité believes that any incremental support to the group company would be impacting the financial risk profile of ASFPL over the medium to long term.

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.10.92 crore – Rs.9.39 crore during the last three years through FY2020 -22 against moderate repayment obligations of Rs.1.84 crore during the same period. It is expected to generate cash accruals in the range of Rs.19.84 crore – Rs.13.94 crore over the medium term, against moderate repayment obligations in the range of Rs.0.35 crore – Rs.1.95 crore. Unencumbered cash and bank balances stood at Rs.1.41 crore as on March 31, 2022 with a current ratio of 1.10 times in the same period. The working capital limits remained utilized at 60.72% for last trailing 12 months ended October 2022. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	210.99	191.38
PAT	Rs. Cr.	9.46	8.89
PAT Margin	(%)	4.49	4.65
Total Debt/Tangible Net Worth	Times	0.31	0.41
PBDIT/Interest	Times	8.52	7.78

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Sep 2021	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Secured Overdraft	Long Term	7.00	ACUITE BBB (Withdrawn)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A3+ (Withdrawn)
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	Secured Overdraft	Long Term	7.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.54	ACUITE BBB (Withdrawn)
	Bank Guarantee	Short Term	25.00	ACUITE A3+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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