



Press Release
Agile Security Force Private Limited
February 22, 2024
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	-	-

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 reaffirmation

The reaffirmation of rating is on account of stable improvement in the operating revenue and above average financial risk profile of the company. The operating income improved from Rs.210.99 Cr in FY2022 to Rs.249.27 Cr in FY2023 reporting growth of ~18.14%. However, the operating margin declined in FY2023 and stood at 6.84 % as against 8.47% in FY2022. The gearing of the company stood comfortable below unity at 0.42 times as on March 31, 2023 as against 0.31 times as on March 31 2022. The rating also factors the long track record of operations of the company and experienced management, efficient working capital operations, adequate liquidity position along with diversified customer base.

The rating, however, continues to remain constrained on account of extension of funds to group company i.e. Agile Entertainment Private Limited (AEPL).

About the Company

Agile Security Force Private Limited (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 total of nine branches with three branches added in 2023 and 2024 with two training institutes situated in Telangana and Andhra Pradesh.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of Agile Security Force Private Limited (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.

ASFPL reported stable growth in turnover of Rs.249.27 Cr, with registering a y-o-y growth of 18.14 per cent in FY2023 as against Rs.210.99 Cr in FY2022. The operating margin moderated to 6.84 percent in FY2023 as against 8.47 percent in FY2022. PAT margin of the company stood at 3.88 percent in FY2023 as against 4.49 percent in FY2022. Decline in profitability margins has translated to decrease in ROCE levels to 18.94 percent in FY2023 from 23.35 percent in FY2022. Further, ASFPL has reported turnover of Rs.210 Cr till November 2023. With adding new clients and expanding to new geographical locations, the company targets to achieve turnover of Rs.320-340 Cr in FY2024

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

Above -average financial risk profile

The financial risk profile of ASFPL is above -average marked by improving networth, low gearing (debt to equity ratio) and above -average debt protection metrics. The tangible net worth of the company improved to Rs.64.82 Cr as on March 31, 2023 from Rs.58.64 Cr as on March 31, 2022, aided by accretion to reserves. The company declared the dividend to shareholders of Rs.3.00 Cr in FY2023. The gearing of the company stood comfortable below unity at 0.42 times as on March 31, 2023 as against 0.31 times as on March 31 2022. The total debt of Rs.26.93 Cr consists of long term debt of Rs.5.40 Cr, Short term debt of Rs.20.00 Cr and current maturities for long term of Rs.1.53 Cr as on March 31, 2023. The TOL/ TNW of the company is low and stood at 0.82 times as on March 31 2023 as against 1.01 times as on March 31 2022. The Debt/ EBITDA slightly deteriorated and stood at 1.55 times as on March 31 2023 due to the decrease in the operating margin and increase in the short term debt of the company. The weakening of operating margin in FY2023 resulted to deterioration in the coverage ratios, as Interest Coverage Ratio stood at 5.79 times in FY2023 as against 8.52 times in FY2022 and Debt Service coverage ratio at 2.91 times in FY2023 as against 3.35 times in FY2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.30 times as on March 31, 2023. Acuité believes that the financial risk profile of the company is expected to remain above-average on account of modest net worth backed by healthy cash accruals vis- à-vis moderate debt repayment obligations and above -average debt protection metrics.

Diversified and reputed 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.

In FY2023, ASFPL has added new clients such as HLL life care, Puducherry university, Raheja developers, etc along with expanding its clientele in new geographical locations such as Bhopal, Kochi, Puducherry, etc. ASFPL deals with in various industries like financial institutions, construction, commercial & retail malls, Hospitality sector, educational institutions & Universities, etc. in both public and private sectors.

Efficient working capital operations

ASFPL's working capital operations are efficient marked by Gross Current Asset days (GCA) of 88 days in March 31, 2023 against 120 days in March 31, 2022. The improvement in the GCA days is mainly due to the improvement in the debtor days. The debtor days stood at 39 days as on 31 March 2023 as against 76 days as on 31 March 2022. The creditor days have remained low, ranging from 1-4 days in the past two years. Further, working capital bank lines remains moderately utilized at ~78.39% for last trailing 12 months ended November 2023.

Acuité believes that the company will be able to maintain its working capital efficiently over the medium term.

Weaknesses

Extension of funds to group company

The company has also extended funds to group companies in the form of loans and advances worth Rs.22.59 crore as on March 31, 2023. The adjusted net worth of the company stood at Rs.64.82 crore as on March 31, 2023 as against Rs.58.64 crore in March 31 2022. The adjusted debt equity stood comfortable at 0.42 times as on March 31, 2023 as against 0.31 times as on March 31, 2022.

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.

Liquidity Position: Adequate

ASFPL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The net cash accruals stood at Rs.8.11 Cr as on March 31, 2023 as against long term debt repayment of only Rs.1.84 Cr over the same period. The NCA is expected to be in the range of Rs.15.64 -22.96 Cr for the FY2024-26 against the modest CPLTD of 1.53 -2.45 Cr for the same period. Unencumbered cash and bank balances stood at Rs.6.28 crore as on March 31, 2023 with a current ratio of 1.06 times in the same period. The working capital limits remained utilized at 78.39% for last trailing 12 months ended November 2023.

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 improving 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	249.27	210.99
PAT	Rs. Cr.	9.67	9.46
PAT Margin	(%)	3.88	4.49
Total Debt/Tangible Net Worth	Times	0.42	0.31
PBDIT/Interest	Times	5.79	8.52

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

Not applicable

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, Acuite 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
08 Dec 2022	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
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)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A3+ Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	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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