



Press Release

AP Securitas Private Limited [APSPL]

September 17, 2020

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned*	Rating Action
1	Long Term Fund based – Cash Credit	34.00	IVR BBB/ Positive Outlook [IVR Triple B with Positive Outlook]	Outlook revised from Stable
2	Short Term Fund based – Sales Invoice Discounting	20.00 (enhanced from INR 15)	IVR A3+; [IVR A Three Plus]	Reaffirmed
3	Short Term Non-Fund based – Bank Guarantee	10.00 (reduced from INR 11)	IVR A3+; [IVR A Three Plus]	Reaffirmed
	Total	64.00		

Details of facilities are in Annexure 1

Rating Rationale

The rating continues to derive strength from experienced promoter and senior management with long track record, established position in the security industry, consistent rise in operating revenues & profitability and improved gearing & debt coverage indicators. The rating is however constrained by large investments in group companies coupled with guarantees on behalf of subsidiaries, moderate customer concentration risk and highly competitive industry.

The change in Outlook from Stable to Positive is on account of the expected improvement in revenues & profitability and debt protection parameters.

Key Rating Sensitivities:

➤ **Upward Rating Factor:**

Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics



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➤ **Downward Rating Factor:**

Any further decline in revenue and/or EBITDA margin leading to negative GCA & decline in debt protection metrics

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter and senior management with long track record

APSPL was promoted by Mr. Anil Puri in 1986 to provide security services, the flagship company of APS group. The group has grown to provide a variety of service verticals such as Facilities Management, Cash Transportation, Telecom Support Service, Outsourcing and High-end Security Solutions.

Established position in the security industry

APSPL is a well-known brand in the private security industry and has a long history, having been established way back in 1986. APS group has a pan-India presence with a network of over 100 branches situated across 26 states and 7 union territories. APSPL has built up a client base across industries including Banks, NBFCs, Educare, Hotels and Government Departments.

Consistent rise in operating revenues & profitability

The Company's total income from rendering of services increased to INR 342.84 Crore in FY20 (Provisional) from INR 265.68 Crore in FY19, recording a growth of ~29% (INR 246.33 Crore in FY18 & INR 201.36 Crore in FY17). The EBITDA margin improved to 6.24% in FY20 (Provisional) from 5.88% in FY19. The PAT margin fell slightly to 2.62% in FY20 (Provisional) from 2.66% in FY19 owing to slightly higher interest cost & lower non-operating income. The Company's Gross Cash Accruals have also improved to INR 11.76 Crore as at FY20 (Provisional) from INR 8.82 Crore as at FY19.

Improved Gearing & Debt Coverage Indicators

The overall gearing ratio of the Company is very comfortable & further improved to 0.85x as at FY20 (Provisional) from 0.89x as at FY19. The interest coverage ratio stands very



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comfortable at 4.95x in FY20 and 5.57x in FY19. Total debt to GCA (in years) has improved to 4.30x as at FY20 (Provisional) from 5.06x as at FY19.

Key Rating Weaknesses

Large investments in group companies coupled with guarantees on behalf of subsidiaries

APSPL has large investments in subsidiaries and group companies at 29.69% of its Tangible Net Worth as on March 31, 2020 (Provisional). However, the aggregate revenue and PAT is low from these companies. APSPL has also extended guarantees to the extent of INR 23.19 Crore on behalf of its subsidiaries. The overall gearing adjusted for the guarantees extended in favour of the subsidiaries is moderate at 1.56x as on March 31, 2020 (Provisional).

Moderate customer concentration risk

Though APSPL has a diversified portfolio of customers cutting across various industries such as Banks, NBFCs, Educational Institutions, Hotels and Government Departments, the top 10 customers constituted 43% of its sales for FY20 (45% in FY19). However, the company has built strong relationships with its clients with long term engagements running back for 10-15 years.

Highly competitive industry

The security service industry is highly fragmented with low differentiation leading to the company facing stiff competition both from the organised and unorganised sector players. This has a consequential impact on pricing and in turn, to lower profitability. However, APSPL has been able to establish a strong presence with its long track record and a wider array of services including facility management and security consultancy.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Service sector Companies
- Financial Ratios & Interpretation (Non-Financial Sector)



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Liquidity: Adequate

The Company has been earning a comfortable level of GCA for the last few years and the same is expected to increase further with an increase in scale of operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. The utilization of working capital limits remained moderately high at 89.50% during the 12 months ended July 31, 2020 and its long term debt obligations are also minimal. The Current & Quick ratios are comfortable at 1.57x each as at FY19 and 1.57x each as at FY20 (Provisional) respectively.

About the Company

AP Securitas Private Ltd (APSPL) is a flagship company of APS Group. The company was incorporated in 1986 with Mr. Anil Puri as the Chairman. Mr. Puri holds a degree in Hotel Management and has over 30 years of experience in the security services industry, having been at the helm of operations of APSPL since its inception. The company has a pan India presence with 133 branches situated across 26 states and 7 union territories. It has built up a client base across industries including Banks, NBFCs, Educational Institutions, Hotels and Government Departments.

Financials (Standalone)

For the year ended / As on	INR in Crore	
	31-Mar-19 Audited	31-Mar-20 Provisional
Total Operating Income	265.68	342.84
EBITDA	15.61	21.40
PAT	7.06	8.99
Total Debt	44.69	50.64
Tangible Net Worth	50.37	59.46
EBIDTA Margin (%)	5.88	6.24
PAT Margin (%)	2.66	2.62
Overall Gearing ratio (x)	0.89	0.85

Classification as per Infomerics' standards



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Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (Sep. 03, 2019)	Date(s) & Rating(s) assigned in 2018-19 (Oct. 26, 2018)	Date(s) & Rating(s) assigned in 2017-18
Cash Credit	Long Term	34.00	IVR BBB/ Positive Outlook	IVR BBB/ Stable Outlook	IVR BBB/ Stable Outlook	--
Sales Invoice Discounting	Short Term	20.00 (enhanced from INR 15)	IVR A3+	IVR A3+	IVR A3+	--
Bank Guarantee	Short Term	10.00 (reduced from INR 11)	IVR A3+	IVR A3+	IVR A3+	--
	Total	64.00				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (INR Crore) (Sanctioned)	Rating Assigned/ Outlook
Long Term Fund based – Cash Credit	--	--	--	34.00	IVR BBB/ Positive Outlook
Short Term Fund based – Sales Invoice Discounting	--	--	--	20.00 (enhanced from INR 15)	IVR A3+
Short Term Non-Fund based – Bank Guarantee	--	--	--	10.00 (reduced from INR 11)	IVR A3+