



Press Release

Raxa Security Services Limited

Revised Press Release

April 26, 2023

This is with reference to the press release dated April 26, 2023. The revised press release consists of additional details as mentioned below as per the regulatory guidelines:

- Adequacy of credit enhancement structure
- Transaction structure
- Detailed explanation of covenants of the rated instrument/facilities

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund based facilities – Term Loan	156.62 (Reduced from 193.29 crore)	IVR BBB- (CE)* / Rating Watch with Developing Implications [IVR Triple B Minus (Credit Enhancement) under Rating Watch with Developing Implications]	Reaffirmed	Complex
Total	Rs. 156.62 (Rupees One Fifty-Six Crore and Sixty-Two Lakhs Only)			

**CE rating fully backed by an unconditional and irrevocable Corporate Guarantee from GMR Power and Urban Infra Limited (GPUIL)*

Unsupported Rating	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)
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#Unsupported Rating does not factor in the explicit credit enhancement

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of the company is based on the strength of the unconditional & irrevocable corporate guarantee given by GMR Power and Urban Infra Limited (GPUIL) to the bank facilities of the company. The rating reaffirmation to the bank facilities of Raxa Security Services Limited considers stable growth in the revenue during FY22. The



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company derives strength from support from GMR group, experienced directors, established position in the security industry with diverse client-base, wide array of services. The rating is, however, constrained on account of moderate financial risk profile, Weak Gearing ratio & debt coverage indicator albeit with improvement in FY22, a highly competitive industry.

Adequacy of Credit Enhancement Structure

For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee issued by GMR Power and Urban Infra Limited (GPUIL) in favour of lender who have extended the said facilities. The guarantee is legally enforceable, irrevocable, and unconditional and covers the entire amount and tenor of the rated facilities. This corporate guarantee results in credit enhancement in the rating of the said bank facilities to IVR BBB- (CE)/ Rating Watch with Developing Implication [IVR Triple B Minus (Credit Enhancement) with Rating Watch with Developing Implication] and IVR A3 (CE)/ Rating Watch with Developing Implication [IVR A Three (Credit Enhancement) with Rating Watch with Developing Implication] against the unsupported rating of IVR BB+; Stable (IVR Double B plus with Stable Outlook).

Transaction Structure In event of payment default

For assigning the ratings, Infomerics has assessed the attributes of the guarantees issued by GPUIL in favour of the lender who have extended the said facility. While the guarantee is legally enforceable and unconditional and covers the entire amount of the rated facilities, it does not have a structured payment mechanism defining invocation and payment timelines.

Key Rating Sensitivities:

Upward Factors

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

Downward Factors

- Any further decline in revenue and/or EBITDA margin leading to decline in debt protection metrics.



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List of Key Rating Drivers with Detailed Description:

Key Rating Strengths

Support from GMR group

GMR Airports Infrastructure Limited (GIL - formerly known as GMR Infrastructure Ltd) is the Holding Company of Raxa Security Services Limited (RSSL). By virtue of being part of GMR group (having a diverse business profile), the company has the advantage of operational synergies. Also, an unconditional and irrevocable corporate guarantee given by GMR Power and Urban Infra Limited ('GPUIL') for the bank facilities of the company indicates support from the GMR group.

Experienced Directors

The day-to-day operation of the company is managed by professionals having rich industry experience. Mr. G. Subbarao, CEO of the company, is a qualified Chartered Accountant having an overall experience of over four decades. He has been associated with GMR Group for over 26 years. Mr. M R Reddy, a Postgraduate in Physics, joined Indian Police Service (IPS) in 1967 and was allotted to Maharashtra cadre as Superintendent of Police / Deputy Commissioner of Police, post which he went on deputation to Government of India and served in the Intelligence Bureau (IB), handling Intelligence, Industrial / VIP security and Counter Terrorism. Mr. H J Dora, Former Director General of Police of Andhra Pradesh, also worked as Director General, CISF - New Delhi and as Vigilance Commissioner, Central Vigilance Commission. S I S Ahmed, an Indian Police Service officer of 1970 batch from West Bengal Cadre, also served in the Border Security Force (BSF) as Additional Director General, overseeing the Indo Bangladesh Border Management.

Established position in the security industry with diverse client-base.

RSSL was founded in 2005, to meet the security requirements of the Group companies. It is an ISO 18788:2015 certified company. Since 2011, Raxa started providing security services to external clients also & now it has got a diverse portfolio of clients that includes renowned companies in Manufacturing, Pharmaceutical, IT, Hospitality & Educational sectors as well as Government establishments. It has presence in around 18 states with 5,500 plus personnel.



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Wide array of services

Raxa provides integrated security solutions with a good combination of technology & manpower like premium manned guarding, consultancy and advisory, integrated security systems, facility management, events security, aviation related services and security training. In the year 2007, it established Raxa Academy, which is spread over in a 100-Acre campus, with state-of-the-art Training Infrastructure. The Academy is an ISO 29993:2017 certified academy. The company has also added a fire wing where-in the company is supplying firefighting equipment.

Key Rating Weaknesses

Moderate financial risk profile

Over the period of last 4 years, the company's total income from operations has been increasing from INR 162.20 Crore in FY19 to INR 186.26 Crore in FY22 at a CAGR of 5%. As per the FY23 estimates the total operating income stood at Rs. 262.46 Cr. The revenue in FY22 was improved as marked by growth in all the three revenue segments i.e., Manpower Security Services, Manpower Services and Systems. The operating profit moderated to 3.41% in FY22 from that of 5.05% in FY21. PAT margin, however, improved marginally to 1.76% in FY22 from that of 1.01% in FY21. The company's profitability is expected to improve as the company has been introducing new safety products to its portfolio and receiving sizable orders for the same.

Weak Gearing ratio & debt coverage indicator albeit with improvement in FY22

The overall gearing ratio of the company continues to be elevated however improving from that of previous year and stood at 3.44x in FY22 as against 3.72x in the previous year. Similarly, the Total outside liabilities to Tangible Net Worth marginally improved however remains elevated at 4.64x in FY22 as against 4.78x in FY21. The interest coverage ratio stands modest at 0.25x in FY22 and Debt service coverage ratio stood at 0.58x as at FY22 owing to higher repayments & interest as compared to gross cash accruals.



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Highly competitive industry

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

Analytical Approach: Standalone approach

Credit Enhancement (CE Rating): GMR Power and Urban Infra Limited (GPUIL), has given unconditional & irrevocable corporate guarantee for the debt of Raxa Security Services Limited (RSSL).

Unsupported Rating: Standalone financials of Raxa Security Services Limited (RSSL).

Note on scheme of amalgamation:

The composite scheme of amalgamation and arrangement for amalgamation of GMR Power Infra Limited ('GPIL') with the GMR Infrastructure Limited ('GIL') and demerger of Engineering Procurement and Construction ('EPC') business and Urban Infrastructure Business of GIL (including Energy business) into GMR Power and Urban Infra Limited ('GPUIL') ("The Scheme") was approved by the Hon'ble National Company Law Tribunal, Mumbai Bench ("the Tribunal") vide its order dated December 22, 2021 (formal order received on December 24, 2021). The said Tribunal order was filed to the Registrar of Companies by GIL, GPIL and GPUIL on December 31, 2021 thereby making the Scheme effective. After the scheme becoming effective, GPUIL becomes the Parent Company.

Applicable Criteria:

[Rating Methodology for Service Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of Rating Outlook | Infomerics Ratings](#)

[Criteria On Parent/Group Support](#)

[Criteria For Ratings Based on Credit Enhancement](#)



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Liquidity – Adequate

The Company has been earning a moderate 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. However, it derives comfort from an unconditional & irrevocable corporate guarantee given by GMR Power and Urban Infra Limited.

About the Company

Raxa Security Services is a GMR Group company, founded in 2005, to meet the security requirements of the Group companies. Since 2011, Raxa started providing security services to external clients also & now it has got a diverse portfolio of clients that includes renowned companies in Manufacturing, Pharmaceutical, IT, Hospitality & Educational sectors as well as Government establishments. It has presence in around 18 states with 5,500 plus personnel. Raxa provides Integrated Security Solutions with a good combination of Technology & Manpower. It is an ISO 18788:2015 certified company. The scope of projects undertaken includes Access Control, CCTV Surveillance, Perimeter Security, Anti Sabotage & Anti-Terror measures and Command Control Centres. Raxa provides very high level of security training not only to its security personnel but outside clients also. Raxa provides niche security services such as Canine, QRT/SOT, Event Management, Executive Protection, Risk Assessment & Management, Travel Advisory and Fraud Prevention & Detection.

In the year 2007, it established Raxa Academy, which is spread over in a 100-Acre campus, with state-of-the-art Training Infrastructure. It is located on Bengaluru – Hyderabad National Highway (NH-44), at a distance of about 80 km. from Bengaluru Airport. The Academy is an ISO 29993:2017 certified academy. The Academy has faculty/trainers drawn from various forces like Army, CISF and Paramilitary and is headed by a highly competent ex-armed forces officer having rich experience in training. Academy has a capacity to train about 500 trainees at a time.



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About the Guarantor:

GMR Power and Urban Infra Limited (GPUIL), is a diversified infrastructure player and a subsidiary of GMR Enterprises Private Limited (GEPL) holds expertise in the sectors of Energy, Urban Infrastructure and Transportation. The EPC Business and Urban Infrastructure Business of GMR Infrastructure Limited (GIL); (now; GMR Airports Infrastructure Ltd.) has been demerged and stands transferred and vested in GPUIL, on a going concern basis w.e.f. April 1, 2021, being the Appointed Date, as per the scheme sanctioned by National Company Law Tribunal (NCLT), Mumbai (Bench). The Company and its subsidiaries, associates, joint ventures and jointly controlled operations (hereinafter collectively referred to as 'the Group') are mainly engaged in generation of power, coal mining and exploration activities, development of highways, development, maintenance and operation of special economic zones, and construction business including Engineering, Procurement and Construction ('EPC') contracting activities.

Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	165.06	186.26
EBITDA	8.34	6.35
PAT	1.95	2.23
Total Debt	222.54	212.21
Tangible Net worth	59.86	61.61
EBITDA Margin (%)	5.05	3.41
PAT Margin (%)	1.02	1.06
Overall Gearing Ratio (times)	3.72	3.44

*Classification as per Infomerics standards

Financials (GPUIL – Guarantor) *:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	2733.23	4281.70
EBITDA	330.91	675.38
PAT	-2184.52	-651.57
Total Debt	11634.43	10401.78
Tangible Net worth	-1824.97	-2236.93



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For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
EBITDA Margin (%)	12.11	15.77
PAT Margin (%)	-71.36	-15.22
Overall Gearing Ratio (times)	-6.38	-4.65

**Classification as per Infomerics standards*

Status of non-cooperation with previous CRA: None

Any other information:

GMR Aerostructure Services Limited (GASL): Erstwhile holding company of Raxa Securities Services Limited. The company has ceased to be subsidiary with effect from December 31, 2021 based on the Composite Scheme.

Rating History for last three years:

		Current Ratings (Year 2023-24)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
Press Release					January 28, 2022	October 30, 2020	–
1.	Long Term Fund based facilities – Term Loan	Long Term	156.62 (Reduced from 193.29 crore)	IVR BBB-(CE)*/ Rating Watch with Developing Implications	IVR BBB-(CE)*/ Credit Watch with Developing Implications	IVR BBB-(CE)/ Stable Outlook	–
2.	Long Term Fund based facilities – Cash Credit	Long Term	–	–	Withdrawn	IVR BBB-(CE)/ Stable Outlook	–

Name and Contact Details of the Rating Analyst:

Name: Ms. Sejal Patil Tel: (022) 62396023 Email: sejal.patil@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@infomerics.com
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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based –Term Loan	–	–	April- 2025	28.59	IVR BBB- (CE)/ Rating Watch with Developing Implications
Long Term – Fund Based –Term Loan	–	–	November- 2025	128.03	IVR BBB- (CE)/ Rating Watch with



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
					Developing Implications

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details – <https://www.infomerics.com/admin/prfiles/Len-RaxaSecurity-apr23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/ facilities:

- 10% FD margin of the outstanding facility amount to be maintained.
- Unconditional & Irrevocable Corporate Guarantee from GMR Power and Urban Infra Limited (GPUIL);
- Undertaking from GMR group (GIL) to hold majority stake in GMR Highways Limited (GHL)
- No change in Shareholding of the Borrower without YBL approval; (applicable only for dilution outside the GMR group)
- No change in management control of the Borrower without prior written approval of YBL

Link to the previous press release dated April 26, 2023, published on Infomerics' website:

[Press release - Raxa Security Services Limited](#)

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