

Press Release

AP Securitas Private Limited

September 3, 2019

Rating

Instrument / Facility	Amount (Rs.Crore)	Rating	Rating Action
Long Term Fund Based Facilities	Rs 34.00 crore (enhanced from Rs.29.00 crore)	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed
Short Term Fund Based Facilities	Rs 15.00 crore (enhanced from Rs.10.00 crore)	IVR A3+ (IVR A Three Plus)	Reaffirmed
Short Term Non-Fund Based Facilities	11.00 (enhanced from Rs.6.00 crore)	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed
Total	60.00		

Details of Facility are in Annexure 1

Detailed Rationale

The ratings derive comfort from the experience and long track record of the promoter and senior management, established position in the security industry, comfortable gearing and debt protection metrics and support from promoters in the form of interest free unsecured loans. The ratings are constrained by working capital intensive nature of operations, low profits in group companies where the company has significant investments, moderate customer concentration risk and highly competitive industry. Growth in scale of operations, profitability and working capital management are the key rating sensitivities.

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.

Comfortable gearing and debt protection metrics coupled with moderate profitability

APSPL does not have any long term loans. Although the overall gearing and interest coverage ratios have declined to 1.14x and 6.01x as on March 31, 2019 as compared with 0.74x and 7.78x, as on March 31, 2018, they remain comfortable. The total debt to gross cash accruals stood at 6.45x as on March 31, 2019(provisional).

The Return on Net Worth (RONW) dipped marginally to 15.11% in FY19 as against 16.93% for FY18. The EBITDA and PAT margin improved marginally to 6.40% and 2.72% in FY19 (provisional) as compared to 6.00% and 2.70% in FY18, respectively.

Promoters support in the form of interest-free unsecured loans

The promoters have extended interest-free unsecured loans without any specific repayment schedule to APSPL. These loans are sub-ordinated to the other debts of the company.

Key Rating Weaknesses

Working capital intensive nature of operations

The average utilisation of the working capital limits was moderate at 71% over the last 12 months ended June 2019.

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

APSPL has large investments in subsidiaries and group companies at 29% of its tangible net worth as on March 31, 2019 (provisional). However, the aggregate revenue and PAT is low from these companies.

APSPL has also extended guarantees to the extent of Rs.25.5 crore, on behalf of its subsidiaries. The overall gearing adjusted for the guarantees extended in favour of the subsidiaries is moderate at 1.63x as on March 31, 2019 (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 45% of its sales for 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 facilities management and security consultancy.

Analytical Approach & Applicable Criteria

Rating Methodology for Manufacturing Companies Financial Ratios & Interpretation – Non-Financial Companies

<u>Liquidity</u>

APSPL is a services company and its operations are working capital intensive in nature. It does not have any long term debt on its books. The company maintains a balance of cash and cash equivalents of around Rs.10 crore to tide over any emergency liquidity requirements. APSPL generated GCA of Rs.9.2 crore in FY19 (Provisional), and with an overall gearing of 1.14x, interest coverage of 6.01x and DSCR of 3.73x, its debt servicing parameters appear to be comfortable. The company is expected to generate adequate liquidity to meet its obligations for the 12 months going forward.

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



(Rs. Crore)

Infomerics Valuation And Rating Pvt. Ltd.

union territories. It has built up a client base across industries including Banks, NBFCs, Educational Institutions, Hotels and Government Departments.

The company reported PAT of Rs.7.15 crore on total net sales of Rs.263.43 crore for FY19 (provisional).

Financials (Standalone)

For the year ended / As on*	31-03-2018	31-03-2019
	Audited	Provisional
Total Operating Income	246.57	263.43
EBITDA	14.79	16.86
Interest	1.90	2.80
PAT	6.66	7.15
Total Debt	31.40	59.27
Tangible Net worth	50.58	59.69
Ratios (%)		
a. EBITDA Margin	6.00	6.40
b. PAT Margin	2.70	2.72
c. Overall Gearing ratio	0.74	1.14

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: None

Any other information: Nil

Disclosure

Rating History for last three years:

S.	Name of	Current Rating (Year 2019-20)		2019-20)	Rating History for the past 3 years		
No.	Instrument/Facil ities	Туре	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018- 19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund	Long	34.00*	IVR	IVR		
	Based Facilities	Term		BBB/Stab	BBB/Stab		
				le	le		
				Outlook	Outlook		
				(IVR	(IVR		
				Triple B	Triple B		
				with	with		
				Stable	Stable		
				Outlook)	Outlook)		



2.	Short Term Fund	Short	15.00	IVR A3+	 	
	Based Facilities	Term		(IVR A		
				Three		
				Plus)		
3.	Long Term Non-	Long	11.00*	IVR		
	Fund Based	Term		BBB/Stab		
	Facilities			le		
				Outlook		
				(IVR		
				Triple B		
				with		
				Stable		
				Outlook)		

*the long term fund based facilities and long term non-fund based facilities have proposed limits amounting to Rs.5 crore each

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 Facility

Name of Facility	Date of	Coupon	Maturity	Size of	Rating Assigned/
	Issuance	Rate/ IRR	Date	Facility (Rs.	Outlook
				Crores)	
Long Term Fund	-	-	-	34.00	IVR BBB/Stable
Based Facilities -					Outlook (IVR Triple B
Cash Credit					with Stable Outlook)
Short Term Non-	-	-	-	15.00	IVR A3+ (IVR A Three
Fund Based					Plus)
Facilities - Bill					
Discounting					
Long Term Non-	-	-	-	11.00	IVR BBB/Stable
Fund Based					Outlook (IVR Triple B
Facilities - Bank					with Stable Outlook)
Guarantee					