



Press Release

AP Securitas Private Limited [APSPL]

December 16, 2021

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating	Rating Action
1	<u>Long Term Fund based facilities</u> Cash Credit	34.00	IVR BBB/ Positive Outlook [IVR Triple B with Positive Outlook]	Reaffirmed
2	<u>Short Term Fund based facilities</u> Sales Invoice Discounting	15.00 (reduced from INR 20.00)	IVR A3+; [IVR A Three Plus]	Reaffirmed
3	<u>Short Term Non-Fund based facilities</u> Bank Guarantee	15.00 (enhanced from INR 10.00)	IVR A3+; [IVR A Three Plus]	Reaffirmed
	Total	64.00		

Details of facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of AP Securitas Private Limited (APSPL) 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 and highly competitive industry. The Outlook is Positive is on account of the expected improvement in revenue & profitability and debt protection parameters.

Key Rating Sensitivities:

Upward Factors:

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



Press Release

Downward Factors:

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

List of Key Rating Drivers with Detailed Description

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, 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

Over a period of last 4 years, the Company's total income from operations shows an increasing trend with revenue of INR 246 Crore in FY18, INR 266 Crore in FY19, INR 342 Crore in FY20 (recording a rise of 29%). Thereafter, it increased further by 1.6% in FY21 (Provisional) to INR 347 Crore. The EBITDA margin has been within the range of 5%-6% over the last few years. The PAT margin has also been within the range of 2%-3% over the last few years.

Improved Gearing & Debt Coverage Indicators

The overall gearing ratio of the Company stood comfortable & further improved to 0.69x as at FY21 (Provisional) from 0.85x as at FY20. The interest coverage ratio also stood comfortable at 4.65x in FY21 (Provisional) and 4.28x in FY20.



Press Release

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 26% of its Tangible Net Worth as on March 31, 2021 (Provisional). However, the aggregate revenue and PAT is low from these companies. APSPL has also extended guarantees to the extent of INR 27.69 Crore on behalf of its subsidiaries. The overall gearing adjusted for the guarantees extended in favour of the subsidiaries is moderate at 1.49x as on March 31, 2021 (Provisional).

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: Standalone

Applicable Criteria:

- Rating methodology for Service sector companies
- Financial ratios and Interpretation (Non-Financial Sector)

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 moderate at 63.08% during the 12 months ended June 30, 2021 and its long term debt obligations are also minimal.



Press Release

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 – APSPL (Standalone)

For the year ended/ As on*	INR in Crore	
	31-03-2020 (Audited)	31-03-2021 (Provisional)
Total Operating Income	341.91	347.30
EBITDA	19.09	17.96
PAT	8.68	8.02
Total Debt	50.63	47.03
Tangible Net Worth	59.24	67.89
EBITDA margin (%)	5.58	5.17
PAT margin (%)	2.54	2.31
Overall Gearing Ratio (x)	0.85	0.69

* Classification as per Infomerics' standards

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

Any other information: N.A.



Press Release

Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2021-22)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	Rating assigned in 2020-21 (17-Sep-2020)	Rating assigned in 2019-20 (03-Sep-2019)	Rating assigned in 2018-19 (26-Oct-2018)
Cash Credit	Long Term	34.00	IVR BBB/ Positive Outlook	IVR BBB/ Positive Outlook	IVR BBB/ Stable Outlook	IVR BBB/ Stable Outlook
Sales Invoice Discounting	Short Term	15.00 (reduced from INR 20.00)	IVR A3+	IVR A3+	IVR A3+	IVR A3+
Bank Guarantee	Short Term	15.00 (enhanced from INR 10.00)	IVR A3+	IVR A3+	IVR A3+	IVR A3+

Name and Contact Details of the Analysts:

Name: Ms. Neha Mehta Tel: (022) 62396023 Email: nmehta@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: prakash.kabra@infomerics.com
--	---

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

Annexure 1: Details of Facilities

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	<u>Long Term Fund based facilities</u> Cash Credit	--	--	--	34.00	IVR BBB/ Positive Outlook
2	<u>Short Term Fund based facilities</u> Sales Invoice Discounting	--	--	--	15.00 (reduced from INR 20.00)	IVR A3+
3	<u>Short Term Non-Fund based facilities</u> Bank Guarantee	--	--	--	15.00 (enhanced from INR 10.00)	IVR A3+
	Total				64.00	

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/AP-Securitas-lenders-dec21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable.

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr. No.	Instrument	Complexity Indicator
1	Cash Credit	Simple
2	Sales Invoice Discounting	Simple
3	Bank Guarantee	Simple

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.