



## Press Release

### Matrix Security and Surveillance Private Limited

June 07, 2024

#### Ratings

Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	31.40	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	39.00	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>70.40</b> <b>(Rs. Seventy Crore and Forty Lakhs Only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Matrix Security and Surveillance Private Limited (MSSPL) derives strength from the established track record of operations and experienced promoters, significant improvement in financial performance in FY24 (Provisional), and comfortable capital structure and coverage ratios. However, these ratings strengths are partially constrained due to the working capital intensive nature of operations, customer concentration risk, and reliance on tender driven business.

#### Rating Sensitivities

##### Upward Factors

- Steady growth in scale of operations with improvement in the margins of the company.
- Improvement in the capital structure and debt protection metrics of the company.

##### Downward Factors

- Deterioration in the margins of the company along with the deterioration in the scale of operation on a sustained basis.



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- Any unplanned debt funded capex leading to the deterioration in capital structure and debt protection metrics.
- Deterioration in operating cycle on a sustained basis.

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### **Established track record of operations and experienced promoters**

Matrix Security and Surveillance Private Limited was established in 2002, and the key promoter of the company is Mr. Venkata Raju Manthena, who serves as the Executive Chairman of the company. Over the years the company has progressed steadily and Mr. Venkata Raju Manthena has an experience of two decades in this industry. He is ably assisted by the other promoters, Mr K. S.N. Raju, Ms. Swetha Manthena, and Mr. Praveen Uppalapati all of whom have long experience in this industry.

##### **Significant improvement in financial performance in FY24 (Provisional)**

The operating income of the company increased by ~44% YoY from INR194.02 crore in FY23 to INR280.22 crore in FY24 (Provisional), primarily because of execution of existing order book driven by the large orders from Warangal Smart City Corporation, and Pimpri Chinchwad Municipal Corporation Phase 2. The EBITDA in absolute term increased by ~45% YoY from INR21.85 crore in FY23 to INR31.69 crore in FY24 (Provisional). The PAT improved substantially from INR7.49 crore in FY23 to INR15.33 crore in FY24 (Provisional) because of less than proportionate increase in interest and depreciation in FY24 (Provisional) compared to FY23 and reduced effective tax rate in FY24 (Provisional) compared to FY23. As a consequence of better net profits, the gross cash accruals of the company also improved from INR8.09 crore in FY23 to INR16.29 crore in FY24 (Provisional). The operating margin increased from 11.26% in FY23 to 11.31% in FY24 (Provisional). The PAT margin improved from 3.82% in FY23 to 5.44% in FY24 (Provisional) because of the reason mentioned above.

##### **Comfortable capital structure and coverage ratios**

The total debt of the company decreased from INR101.19 crore on March 31, 2023 to INR40.25 crore on March 31, 2024 primarily because of decrease in unsecured loans. The long term debt equity ratio considering adjusted tangible networth dipped from 0.62x on March



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31, 2023 to 0.31x on March 31, 2024. The overall gearing ratio on adjusted tangible net worth decreased from 2.15x on March 31, 2023 to 0.66x on March 31, 2024 (Adjusted tangible networth is the book tangible network less investments in group/subsidiary companies by MSSPL. The book tangible network of MSSPL was INR67.81 crore on March 31, 2024 while investments in group/subsidiary companies on March 31, 2024 was INR7.06 crore). Thus, the capital structure of the company is comfortable and is expected to remain comfortable in the projected years. The interest coverage ratio increased from 1.68x in FY23 to 2.65x in FY24 primarily because of increased operating profits. However, DSCR dipped from 1.48x in FY23 to 1.27x in FY24 while still remaining comfortable.

### Key Rating Weaknesses

#### Working capital intensive nature of operations

MSSPL business is working capital intensive in nature, and the average operating cycle was around 92 days in FY24 (Provisional) and 113 days in FY23. The high operating cycle is primarily on account of a high collection period of around 121 days in FY24 (Provisional) and 168 days in FY23. The collection period was very high till FY23 as sizeable debtors were stuck up for more than 2 years. All these debtors have been recovered in FY24 (Provisional). Thus, going forward the collection period is expected to reduce substantially.

#### Customer concentration risk

The top 5 customers contributed to ~94% of sales in FY24 (Provisional), which indicates a very high customer concentration risk. However, all these entities are government bodies and thus the counterparty risk remains low.

#### Reliance on tender driven business

The company is mostly reliant on tender driven business for generation of revenues. Thus, the success of the company is entirely dependent on being the L1 bidder in as many tenders as possible, hence, the company has to make a compromise on profit margins on some occasions to ensure steady business.

**Analytical Approach:** Standalone



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### **Applicable Criteria:**

[Rating Methodology for service companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on Default Recognition](#)

### **Liquidity – Adequate**

The company had a comfortable current ratio of 1.58x as on March 31, 2024 (Provisional). Current ratio is expected to remain between 1.68x and 2.39x during March 31, 2025 to March 31, 2027. The GCAs of each of the years between FY25 and FY27 are expected to cover the debt repayments due in the respective years. The Operating Cycle was 92 days in FY24 (Provisional). The average utilisation of fund based working capital limits was moderate at around 61% between May 2023 and April 2024. No significant capex is planned for FY25-27. Cash and Free FD balance as on 31.03.2024 was INR2.46 crore.

### **About the Company**

Incorporated in 2002, MSSPL is promoted by Mr. M.V.S Subbaraju and Mr. K Suyanarayana Raju. It provides a wide range of indoor and outdoor security and surveillance solutions. The company has a wide product range, which includes video surveillance, perimeter detection systems, access control systems and scanning systems. Clients for the company across the years have included Indian Railways, Andhra Pradesh, Telangana and Karnataka police departments, defence establishments, various public sector banks, various municipal authorities, Andhra Pradesh State Fibernet Limited, etc.

Basically, the company has 3 revenue streams – (1) sale of products, which comprise of traded goods like CCTV cameras, servers, etc., (2) annual maintenance contract income, which is basically operations and maintenance income in the form of annuities, and (3) revenue from works contracts and services, which includes installation, testing, integration, etc.



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Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	84.31	194.02
EBIDTA	-19.21	21.85
PAT	-25.64	7.49
Total Debt	48.50	101.19
Tangible Net Worth (Adjusted)	39.83	47.13
EBDITA Margin (%)	-22.79	11.26
PAT Margin (%)	-30.29	3.82
Overall Gearing Ratio (Adjusted) (x)	1.22	2.15

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit 1	Long Term	9.00*	IVR BBB-/ Stable	-	-	-
2.	Cash Credit 2	Long Term	12.40 <sup>#</sup>	IVR BBB-/ Stable	-	-	-
3.	Cash Credit 3	Long Term	10.00	IVR BBB-/ Stable	-	-	-
4.	Bank Guarantee 1	Short Term	14.00 <sup>\$</sup>	IVR A3	-	-	-
5.	Bank Guarantee 2	Short Term	10.00 <sup>%</sup>	IVR A3	-	-	-
6.	Letter of Credit	Short Term	15.00 <sup>@</sup>	IVR A3	-	-	-

\*Letter of credit of INR 9.00 crore is a sublimit. Performance guarantee of INR9.00 crore is a sublimit.

# Line of credit for short term loan of INR12.40 crore and Letter of Credit of INR12.40 crore are sublimits of Cash Credit. Bank Guarantee of INR12.40 crore is also a sublimit of Cash Credit.

\$Letter of credit of INR 14.00 crore is a sub-limit.

%Letter of Credit of INR10.00 crore is a sublimit of the Bank Guarantee.

@Bank Guarantee of INR10.00 crore is a sublimit of Letter of Credit.





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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.

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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.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit 1	-	-	-	9.00*	IVR BBB-/ Stable
Cash Credit 2	-	-	-	12.40#	IVR BBB-/ Stable
Cash Credit 3	-	-	-	10.00	IVR BBB-/ Stable
Bank Guarantee 1	-	-	-	14.00\$	IVR A3
Bank Guarantee 2	-	-	-	10.00%	IVR A3
Letter of Credit	-	-	-	15.00@	IVR A3

\*Letter of credit of INR 9.00 crore is a sublimit. Performance guarantee of INR9.00 crore is a sublimit.

# Line of credit for short term loan of INR12.40 crore and Letter of Credit of INR12.40 crore are sublimits of Cash Credit. Bank Guarantee of INR12.40 crore is also a sublimit of Cash Credit.

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### Annexure 2: List of companies considered for consolidated analysis: NA

### Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-MatrixSecurity-june24.pdf>

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