



Press Release

R.S. Security (RSS)

November 19th, 2024

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	10.31 (Reduced from Rs.11.65 crore)	IVR BB+/ Stable [IVR Double B Plus with Stable Outlook]	IVR BB+/ Stable [IVR Double B Plus with Stable Outlook]	Reaffirmed	Simple
Short term Bank Facilities	19.50	IVR A4+ [IVR A Four Plus]	IVR A4+ [IVR A Four Plus]	Reaffirmed	Simple
Long term / Short term Bank Facilities - Proposed	11.95 (Enhanced from Rs.10.61 crore)	IVR BB+/ Stable; IVR A4+ [IVR Double B Plus with Stable Outlook and IVR A Four Plus]	IVR BB+/ Stable; IVR A4+ [IVR Double B Plus with Stable Outlook and IVR A Four Plus]	Reaffirmed	Simple
Total	Rs. 41.76 crore (Rupees Forty-one crore and seventy-six lakhs Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has reaffirmed the rating assigned to the bank facilities of RSS, considering the stable growth in revenue along with stable profitability margins over past two years. Further the rating continues to derive comfort from moderate pipeline of contracts, comfortable debt protection metrics, stable working capital cycle and experienced management and long track record. The rating strengths are, however, constrained by moderate capital structure, thin profit margins and highly competitive industry.

The Stable Outlook reflects expected stable growth in revenue and stable profitability while capital structure and debt protection metrics are expected to commensurate with the current rating levels over FY25-FY27.



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Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and profitability while maintaining current debt protection metrics and generation of positive cash flow from operations on a sustained basis.

Downward Factors

- Substantial decline in the revenue and profitability leading to sustained decline in the debt protection metrics and/or liquidity profile.
- Significant deterioration in working capital cycle

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Moderate pipeline of contracts

The firm has outstanding contracts book of Rs.192.11 crore as of 1st October 2024. The contracts are renewed on a year-on-year basis and it's a ongoing process. Some of the contracts have a maturity of more than two years or three years. Major order is from Vedanta Limited. It has successfully provided security and other services to client such as Birla Institute of Technology & Science, ACC Limited Indus Tower Limited UPL Limited.

Stable revenue growth

R.S. Security has achieved a flat growth in revenue amounting to Rs.151.23 crore in FY24 (Prov.) (Period refers from April 01, 2023, to March 31st, 2024) this was mainly due elections government projects were delayed, despite this firm has managed to maintain the same revenue levels as the previous year, supported by comfortable order books from earlier contracts. However, firm has already achieved a revenue of Rs.87.80 crore as on Sept 24, hence the projections for FY25 of Rs ~180 crore seems to be achievable.

Comfortable debt protection metrics

The firm's debt protection metrics remains comfortable with EBITDA interest coverage of 5.87x at the end of FY24 (FY23: 5.91x). Total debt / NCA stood at 1.95x in FY24 (Prov.) (FY23: 1.20x). Total debt of RSS stood at Rs.10.24 crore out of which working capital accounted for



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Rs.8.34 crore and remaining is GECL of Rs.1.90 crore. The low debt levels and rise in operating profits supported the strong debt protection metrics, with estimated Total debt/NCA at 1.23x. The debt protection metrics are likely to remain comfortable in the medium term

Stable working capital cycle

The firm's working capital cycle remains stable with the net operating cycle of 25 days at the end of FY24 (FY23: 16). Receivable days has remained stable in FY24 to 55 days as compared to 52 days in FY23. As per management, majority of the outstanding debtors consists of reputed companies like Vedanta Limited, ACC limited, Indus Tower Limited, Ultratech cement Limited and Birla Corporation Limited and hence debtors are likely to realise.

Experienced Management and long track record

The firm is promoted by Mr. Ishwar Singh Rathod who has more than decades of experience in the same line business. They are actively involved in day-to-day management of the firm and are well assisted by effectively qualified second-tier management in day-to-day operations. The firm also has long track record with more than decades.

B. Key Rating Weaknesses

Moderate capital structure

The capital structure, as marked by the overall gearing and TOL/TNW, has remained moderate at 1.08x and 2.61x, respectively, as of March 31, 2024 (Prov.), {compared to 0.45x and 1.95x, as of March 31, 2023}. This decline is primarily attributed to the withdrawal of Rs. 8.03 crore in capital for purchasing office land. On April 2, 2024, the company infused Rs. 4 crore into the business, with plans to provide the remaining capital in the second half of FY25. We expect gearing to improve further from FY24 onwards with the expected improvement in profitability and absence of debt led capex.

Thin profit margins

EBITDA margins remained thin in line with nature of business, and it remained in the range of 3%-4% through FY21-FY24. PAT margins remained stable during FY24 to 3.19% (FY23: 2.87%), due to marginal increase in absolute EBITDA and stable interest expenses. IVR expects EBITDA as well as net profit margins are expected to be remained at the current level's due nature of business.



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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, RSS has been able to establish a presence with its long track record and a wider array of services including facility management and security services.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Service companies](#)

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

[Criteria on Default Recognition](#)

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

Liquidity: Adequate

The liquidity of the firm remains adequate as evidenced by gross cash accruals of Rs.7 crore to Rs.8 crore for the period of FY25 to FY27 against minimal repayment obligation of Rs.0.07 crore to Rs.1.43 crore. The firm is expected to generate adequate cash accruals to cover the debt obligation during FY25-FY27. The average working capital utilization stood at ~56% during the 12 months ended July 2023. The current ratio stood at 1.28x as on March 31, 2024. The cash balance as of March 31, 2024, remained at INR 0.93 crore.

About the company

RS Security incorporated in 2009 and promoted by Mr. Ishwar Singh Rathod. The firm is engaged in the business of providing security services such as manpower and operates fully certified quality assurance system. Management System incorporates the activities associated with the provision of guarding and alarm responses, loss prevention, event security services, call centre services, access control systems and mobile patrols. For which the firm has been awarded ISO9001:2008 certification.



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Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Provisional)
Total Operating Income	151.58	151.23
EBITDA	5.51	6.06
PAT	4.35	4.83
Total Debt	5.80	10.24
Tangible Net Worth	12.92	9.45
EBITDA Margin (%)	3.64	4.01
PAT Margin (%)	2.87	3.19
Overall Gearing Ratio (x)	0.45	1.08
Interest Coverage (x)	5.91	5.87

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (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.	Long term Bank Facilities	Long term	10.31	IVR BB+/Stable	(Sept 19 th , 2023) IVR BB+/Stable	--	--
2.	Short term Bank Facilities	Short term	19.50	IVR A4+	(Sept 19 th , 2023) IVR A4+	--	--
3.	Long term / Short term Bank Facilities - Proposed	Long term / Short term	11.95	IVR BB+/Stable; IVR A4+	(Sept 19 th , 2023) IVR BB+/Stable; IVR A4+	--	--

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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.

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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 Bank Facilities – GECL	--	--	January 06, 2027	0.41	IVR BB+/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	7.50	IVR BB+/ Stable
Long Term Bank Facilities – Overdraft	--	--	Revolving	2.40	IVR BB+/ Stable
Short Term Bank Facilities – Bank Guarantee	--	--	--	19.50	IVR A4+
Long Term Bank Facilities - Proposed	--	--	--	5.00	IVR BB+/ Stable
Short Term Bank Facilities - Proposed	--	--	--	6.95	IVR A4+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-RS-Security-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

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.