



## Press Release

**R.S. Security**

**September 19, 2023**

### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	11.65	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned	<a href="#">Simple</a>
Short Term Bank Facilities	19.50	IVR A4+ (IVR A Four Plus)	Assigned	<a href="#">Simple</a>
Proposed	10.61	IVR BB+/ Stable; IVR A4+ (IVR Double B Plus with Stable Outlook & IVR A Four Plus)	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>Rs.41.76 Crore</b> (Rupees Forty-One Crore and Seventy- six Lakhs Only)			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The ratings assigned to the bank facilities of R.S. Security derive strength from experienced management and long track record, stable revenue growth, comfortable capital structure and stable working capital cycle. The rating is however constrained on account of stable growth albeit thin profit margins, highly competitive industry.

### Key Rating Sensitivities:

#### Upward Factors

- Significant & sustained increase in scale of operations with improvement in profitability and debt protection metrics.

#### 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



## Press Release

### **A. Key Rating Strengths**

#### **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.

#### **Stable revenue growth**

R.S. Security has witnessed stable growth the revenue with revenue has increase at CAGR of 9% through FY20-FY23 (P) to Rs.148.55 crore in FY23 despite impacting during COVID. Revenue has increased due to additions of order from existing customers as well as addition of new customers.

#### **Comfortable capital structure**

The capital structure marked by overall gearing and TOL/TNW has remained comfortable at 0.41x and 1.12x respectively as on March 31, 2023 (Prov.) {as against 0.42x and 1.36x respectively as on March 31, 2022 (A)} mainly due to stable accretion of profit to reserves. Additionally, despite of increase in working capital limits we expect gearing to improve further from FY24 onwards with expected improvement in profitability. The firm's debt protection metrics remains comfortable with EBITDA interest coverage of 9.07x at the end of FY23 (FY22: 6.45x). DSCR also remains comfortable and stood at 9.30x at the end of FY23, we expect DSCR to remains above 5x through FY24-FY26 with stable profitability and no significant repayments.

#### **Stable working capital cycle**

The firm's working capital remains stable with the net operating cycle of 36 days at the end of FY23 (FY22: 31 days). Receivable days have decrease in FY23 and remained comfortable at 50 days in FY23. As per management, majority of the outstanding debtors are by well reputed entities such as Vedanta Limited, ACC limited, Indus Towers Limited, Ultratech cement Limited and Birla Corporation Limited



## Press Release

### **B. Key Rating Weaknesses**

#### **Thin profit margins**

R.S.Security EBITDA margins remained thin in line with nature of business and was around 3% through FY20-FY23, while net profit margins also remained thin and around 2% in the same period. IVR expects EBITDA as well as net profit margins are expected to remain at the current levels due to nature of business.

#### **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 on Default Recognition](#)

[Criteria of assigning rating outlook](#)

[Rating methodology for service companies](#)

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

#### **Liquidity: Adequate**

The liquidity of the firm remains adequate as evidenced by gross cash accruals of Rs.4.48 crore in FY23 against minimal repayment obligation of Rs.0.45 crore. The firm is expected to generate adequate cash accruals to cover the debt obligation during FY24-FY26. The average working capital utilization stood at ~86% during the 12 months ended August 2023. The current ratio stood at 1.91x as on March 31, 2023. The cash balance as of March 31, 2023, remained at INR 0.26 crore.

### **About the company**



## Press Release

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.

### Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Provisional)
Total Operating Income	96.70	148.55
EBITDA	3.47	4.90
PAT	2.10	3.17
Total Debt	4.58	6.20
Tangible Net worth	10.79	15.01
<b>Ratios</b>		
EBITDA Margin (%)	3.59	3.30
PAT Margin (%)	2.17	2.13
Overall Gearing Ratio (x)	0.42	0.41

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

### Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Bank Facilities	Long Term	11.65	IVR BB+/Stable	-	-	-
2.	Short Term Bank Facilities	Short Term	19.50	IVR A4+	-	-	-
3.	Proposed	Long Term/Short Term	10.61	IVR BB+/Stable; IVR A4+	-	-	-

Name and Contact Details of the Rating Analyst:



## Press Release

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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



## Press Release

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long term fund-based - WCTL-GECL	--	--	March 2024	0.40	IVR BB+/Stable
Long term fund-based - WCTL-GECL	--	--	March 2024	0.49	IVR BB+/Stable
Long term fund-based - Drop Line Overdraft	--	--	Revolving	3.26	IVR BB+/Stable
Long term fund-based - Cash Credit	--	--	Revolving	7.50	IVR BB+/Stable
Short Term non-fund based – Bank Guarantee	--	--	--	19.50	IVR A4+
Proposed	--	--	--	10.61	IVR A4+

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-RSS-sep23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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](http://www.infomerics.com).