



Press Release

Raxa Security Services Limited

January 28, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator (Simple/High /Complex)
Long Term Fund based facilities – Term Loan	193.29	IVR BBB- (CE)*/ Credit Watch with Developing Implications [IVR Triple B Minus (Credit Enhancement) under Credit Watch with Developing Implications]	IVR BBB- (CE)/ Stable Outlook [IVR Triple B Minus (Credit Enhancement) with Stable Outlook]	Reaffirmed	Simple
Long Term Fund based facilities – Cash Credit	-	-	IVR BBB- (CE)/ Stable Outlook [IVR Triple B Minus (Credit Enhancement) with Stable Outlook]	Withdrawn	Simple
Short Term Facilities – Non-Fund Based –	-	-	IVR A3 (CE) [IVR A Three (Credit Enhancement)]	Withdrawn	Simple
Total	193.29				

** CE rating fully backed by an unconditional and irrevocable Corporate Guarantee of GMR Infrastructure Limited*

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Raxa Security Services Limited (RSSL) derives comfort from an unconditional & irrevocable Corporate Guarantee given by GMR Infrastructure Limited (GIL) [Parent of Holding Company] to the bank facilities of the company (RSSL).



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This corporate guarantee results in credit enhancement in the rating of the said bank facilities to IVR BBB- (CE)/ Credit Watch with Developing Implications [IVR Triple B Minus (Credit Enhancement) under Credit Watch with Developing Implications] against the unsupported rating of IVR BB+; Stable Outlook (IVR Double B Plus with Stable Outlook).

Infomerics Valuation and Rating Private Limited has withdrawn the rating assigned to the bank facilities- Cash Credit and Letter of Credit at the request of the company and email confirmation from the banker that the limits are not active.

Further, the rating derives strength from Support from GMR group, Experienced Directors, Established position in the security industry with diverse client-base, Wide array of services and Considerable increase in total operating income & improved operating profitability. The rating is however constrained by Weak Gearing ratio & weak debt coverage indicator albeit with improvement in FY21, Highly competitive industry and Stressed financial risk profile of the group holding company.

Key Rating Sensitivities:

- Upward Factors

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

- 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

Support from GMR group

GMR Infrastructure Limited (GIL) is the Parent of Holding Company of Raxa Security Services Limited (RSSL). By virtue of being part of GMR group (having a diverse business profile), the company has the advantage of operational synergies. Also, an



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unconditional and irrevocable corporate guarantee given by GIL for the bank facilities of the company indicates support from the GMR group.

Experienced Directors

The day-to-day operation of the company is managed by professionals having rich industry experience. Mr. Sastry, CEO of the company. Earlier he has served as Head of Security at GHIAL Airport and then as Chief Operating Officer. Post which, he went to CEBU (Philippines) as COO. Before joining GMR, Mr. Sastry served as an IPS Officer, assigned to Tamil Nadu cadre. He is associated with GMR Group for over 12 years. Mr. M R Reddy, a Postgraduate in Physics, joined Indian Police Service (IPS) in 1967 and was allotted to Maharashtra cadre as Superintendent of Police / Deputy Commissioner of Police, post which he went on deputation to Government of India and served in the Intelligence Bureau (IB), handling Intelligence, Industrial / VIP security and Counter Terrorism. Mr. H J Dora, Former Director General of Police of Andhra Pradesh, also worked as Director General, CISF - New Delhi and as Vigilance Commissioner, Central Vigilance Commission. S I S Ahmed, an Indian Police Service officer of 1970 batch from West Bengal Cadre, also served in the Border Security Force (BSF) as Additional Director General, overseeing the Indo Bangladesh Border Management. Mr. Ashwani Lohani, Director of RAXA, is a veteran in Indian aviation industry and has earlier worked as the Chairman & Managing Director of Air India.

Established position in the security industry with diverse client-base

RSSL was founded in 2005, to meet the security requirements of the Group companies. It is an ISO 18788:2015 certified company. Since 2011, Raxa started providing security services to external clients also & now it has got a diverse portfolio of clients that includes renowned companies in Manufacturing, Pharmaceutical, IT, Hospitality & Educational sectors as well as Government establishments. It has presence in around 18 states with 5,500 plus personnel.

Wide array of services

Raxa provides integrated security solutions with a good combination of technology & manpower like premium manned guarding, consultancy and advisory, integrated



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security systems, facility management, events security, aviation related services and security training. In the year 2007, it established Raxa Academy, which is spread over in a 100-Acre campus, with state-of-the-art Training Infrastructure. The Academy is an ISO 29993:2017 certified academy. The company has also added a fire wing where-in the company is supplying firefighting equipment.

Considerable increase in total operating income & improved operating profitability

Over a period of last 5 years, the Company's total income from operations has been increasing from INR 137.53 Crore in FY17 to INR 165.06 Crore in FY21 at a CAGR of 5%. The revenue in FY21 was mainly impacted due to Covid-19 related lockdown and restrictions resulting into decreased revenue and increased sanitization and training costs. The EBITDA margin stood at 5.05% and PAT margin at 1.02% in FY21. The company's profitability is expected to improve as the company has been introducing new safety products to its portfolio and receiving sizable orders for the same.

Key Rating Weaknesses

Weak Gearing ratio & weak debt coverage indicator albeit with improvement in FY21
The overall gearing ratio of the Company is weak and stood at 2.79x from 2.53x in previous year. The Total outside liabilities to Tangible Net Worth also increased from 3.18x in FY20 to 3.65x in FY21. The interest coverage ratio stands low at 0.28x in FY21 and Debt service coverage ratio stood at 0.68x as at FY21.

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



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Stressed financial risk profile of the group holding company

GIL (on a consolidated basis- “Group”) continues to have a stressed financial risk profile reflected by low profitability and weak debt coverage matrices. The group has been reporting losses in the last three financial years, primarily driven by high interest cost (on account of high debt burden) and share of loss on impairment of investments in associates resulting in low debt service coverage indicators. However, after the consummation of ADP stake purchase in GMR Airport, the liquidity position of the group is expected to improve.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service sector companies](#)

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

[Policy on Withdrawal of Ratings](#)

Credit Enhancement (CE Rating): Consolidated financials of GMR Infrastructure Limited (GIL). GMR Infrastructure Limited (GIL), being the Parent of Holding Company of Raxa Security Services Limited (RSSL) and GIL has given corporate guarantee for the debt of RSSL.

Unsupported Rating: Standalone financials of Raxa Security Services Limited (RSSL)

Liquidity –Adequate

The Company has been earning a moderate 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. However, it derives comfort from an unconditional & irrevocable corporate guarantee given by GMR Infrastructure Limited.



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About the Company

Raxa Security Services is a GMR Group company, founded in 2005, to meet the security requirements of the Group companies. Since 2011, Raxa started providing security services to external clients also & now it has got a diverse portfolio of clients that includes renowned companies in Manufacturing, Pharmaceutical, IT, Hospitality & Educational sectors as well as Government establishments. It has presence in around 18 states with 5,500 plus personnel. Raxa provides Integrated Security Solutions with a good combination of Technology & Manpower. It is an ISO 18788:2015 certified company. The scope of projects undertaken includes Access Control, CCTV Surveillance, Perimeter Security, Anti Sabotage & Anti-Terror measures and Command Control Centres. Raxa provides very high level of security training not only to its security personnel but outside clients also. Raxa provides niche security services such as Canine, QRT/SOT, Event Management, Executive Protection, Risk Assessment & Management, Travel Advisory and Fraud Prevention & Detection.

In the year 2007, it established Raxa Academy, which is spread over in a 100-Acre campus, with state-of-the-art Training Infrastructure. It is located on Bengaluru – Hyderabad National Highway (NH-44), at a distance of about 80 km. from Bengaluru Airport. The Academy is an ISO 29993:2017 certified academy. The Academy has faculty/trainers drawn from various forces like Army, CISF and Paramilitary and is headed by a highly competent ex-armed forces officer having rich experience in training. Academy has a capacity to train about 500 trainees at a time.



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Financials (Standalone):

(In Crore)

For the year ended/ As on*	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Income	181.21	165.06
PAT	6.54	1.95
Total Debt	231.09	222.54
Tangible Net Worth	59.21	59.86
PAT margin (%)	3.20	1.02
Overall Gearing Ratio (x)	2.53	2.79

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term Fund based	193.29	IVR BBB-(CE)/ Credit Watch with Developing Implications	IVR BBB-(CE)/ Stable Outlook	-	-
2.	Cash Credit	Long Term Fund based	-	-	IVR BBB-(CE)/ Stable Outlook	-	-
3.	Letter of Credit	Short Term-Non-Fund Based	-	-	IVR BBB-(CE)/ Stable Outlook	-	-



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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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 Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term loans	-	-	April-2025	44.47	IVR BBB- (CE)/ Credit Watch with Developing Implications
Term loans	-	-	Nov-2025	148.82	IVR BBB- (CE)/ Credit Watch with Developing Implications



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

Annexure 3: Facility wise lender detail

<https://www.infomerics.com/admin/prfiles/len-Raxa-Security-Services-Limited.pdf>

Annexure 4: Detailed explanation of covenants of the rated 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.