



Press Release

Scientific Security Management Services Private Limited [SSMSPL]

December 16, 2021

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating*	Rating Action
1	<u>Long Term Fund based facilities</u> Term Loan	1.38 (reduced from INR 2.01)	IVR BBB (CE)/ Positive Outlook [IVR Triple B (Credit Enhancement) with Positive Outlook]	Reaffirmed
2	<u>Long Term Fund based facilities</u> Cash Credit	20.00	IVR A3+ (CE); [IVR A Three Plus (Credit Enhancement)]	Reaffirmed
3	<u>Short Term Non-Fund based facilities</u> Bank Guarantee	9.00	IVR A3+ (CE); [IVR A Three Plus (Credit Enhancement)]	Reaffirmed
Total		30.38		

* CE Rating backed by an unconditional and irrevocable Corporate Guarantee of A.P. Securitas Private Limited.

Details of facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Scientific Security Management Services Private Limited (SSMSPL) continues to derive comfort from an unconditional & irrevocable Corporate Guarantee given by AP Securitas Private Limited (APSPL) [Holding Company] to the bank facilities of the company (SSMSPL). This corporate guarantee results in credit enhancement in the rating of the said bank facilities to IVR BBB (CE)/ Positive Outlook [IVR Triple B (Credit Enhancement) with Positive Outlook] against the unsupported rating of IVR BBB-; Stable Outlook (IVR Triple B Minus with Stable Outlook).

Further, the rating continues to derive strength from support from parent company, experienced senior management with long track record, advantages associated with strong patronage, reputed clientele, improved revenue & profitability and improved gearing & debt coverage indicators. The rating is however constrained by highly competitive industry.

The Outlook is Positive is on account of the expected improvement in revenue & profitability and debt protection parameters.



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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 parent company

Scientific Security Management Services Private Limited (SSMS) is a subsidiary of AP Securitas Pvt. Ltd. (APSPL), a renowned name in industry. APSPL took over the control of the company SSMS in December 2018. By virtue of being part of APS group, the company has the advantage of operational synergies. Also, an unconditional and irrevocable corporate guarantee given by APSPL to the bank facilities of the company indicates support from the APS group.

Experienced senior management with long track record

The current executive team is well qualified and have a long experience in the field of manpower services and security operations. Mr. Sanjay Monga, Graduate from London University, has more than 25 years of experience in Manpower Services and currently he looks into Business Development and Client Relation Management.

Advantages associated with strong patronage

After getting acquired by APS group, a well-established brand in the private security industry, SSMS stands to benefit from the rich expertise and experience that APSPL management brings along with its huge pan-India network consisting of 110+ branches situated across 26 states and 7 union territories.



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Reputed clientele

Over the years, SSMS has established a vast portfolio of clients that includes many reputed companies belonging to both public and private sector. These clients have entrusted their faith in SSMS which can be seen from the long association with the company.

Improved revenue & profitability

The Company's total income from rendering of services increased to INR 205.41 Crore in FY21 (Provisional) from INR 167.88 Crore in FY20, recording a growth of ~22%. The EBITDA margin improved to 6.77% in FY21 from 6.19% in FY20. The PAT margin also improved to 3.54% in FY21 from 2.10% in FY20.

Improved Gearing & Debt Coverage Indicators

The overall gearing ratio of the Company is comfortable & improved to 1.95x as at FY21 from 5.25x as at FY20 owing to reduction in debt on account of timely repayments and increase in profits. Resultantly, the Total outside liabilities to Tangible Net Worth of the Company also improved to 2.83x as at FY21 from 6.80x as at FY20. The interest coverage ratio stood comfortable & improved to 6.23x in FY21 from 2.93x in FY20.

Key Rating Weaknesses

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.

Analytical Approach:

Credit Enhancement (CE Rating): Being the subsidiary of AP Securitاس Private Limited (APSPL) and APSPL has given corporate guarantee for the debt of SSMSPL.

Unsupported Rating: Standalone financials of Scientific Security Management Services Private Limited (SSMSPL).

Applicable Criteria:



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

Liquidity: Adequate

The Company has now started earning a comfortable level of GCA for the last two 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 72.50% during the 12 months ended June 30, 2021 and its long term debt obligations are also minimal.

About the Company

Incorporated in June, 1974, Scientific Security Management Services Private Limited (SSMSPL) is a professionally managed Security Consultant agency providing customised security arrangements to the industrial, commercial, and business houses. It is a licensed Private Security Agency having been registered in over a dozen states under the Private Security Agencies Regulation Act, 2005. The company has an ISO 9001:2015 certification for conforming to Quality Management System Standards. A.P. Securitas Pvt. Ltd. (APSPL), a renowned name in industry has taken over the control of the company since December 2018.

Financials – SSMSPL (Standalone)

For the year ended/ As on*	INR in Crore	
	31-03-2020 (Audited)	31-03-2021 (Provisional)
Total Operating Income	167.88	205.41
EBITDA	10.39	13.90
PAT	3.54	7.31
Total Debt	52.94	38.65
Tangible Net Worth	10.08	19.86
EBITDA margin (%)	6.19	6.77
PAT margin (%)	2.10	3.54
Overall Gearing Ratio (x)	5.25	1.95

* Classification as per Infomerics' standards



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

Any other information: N.A.

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* (21-Jun-2019)	Rating assigned in 2018-19*
Term Loan	Long Term	1.38 (reduced from INR 2.01)	IVR BBB (CE)/ Positive Outlook	IVR BBB (CE)/ Positive Outlook	IVR BBB (CE)/ Stable Outlook	--
Cash Credit	Long Term	20.00	IVR A3+ (CE)	IVR A3+ (CE)	IVR A3+ (CE)	--
Bank Guarantee	Short Term	9.00	IVR A3+ (CE)	IVR A3+ (CE)	IVR A3+ (CE)	--

* CE Rating backed by an unconditional and irrevocable Corporate Guarantee of A.P. Securitas Private Limited.

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
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About Infomerics:



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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.

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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> Term Loan	--	--	Nov-2023	1.38 (reduced from INR 2.01)	IVR BBB (CE)/ Positive Outlook
2	<u>Long Term Fund based facilities</u> Cash Credit	--	--	--	20.00	IVR A3+ (CE)
3	<u>Short Term Non-Fund based facilities</u> Bank Guarantee	--	--	--	9.00	IVR A3+ (CE)
	Total				30.38	

* CE Rating backed by an unconditional and irrevocable Corporate Guarantee of A.P. Securitas Private Limited.

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



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Scientific-Security-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	Term Loan	Simple
2	Cash Credit	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.