



Press Release

Scientific Security Management Services Private Limited [SSMS]

September 17, 2020

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned*	Rating Action
1	Long Term Fund based – Term Loan	2.01 (reduced from INR 3)	IVR BBB (CE)/ Positive Outlook [IVR Triple B (Credit Enhancement) with Positive Outlook]	Outlook revised from Stable
2	Long Term Fund based – Cash Credit	17.00 (enhanced from INR 16)	IVR BBB (CE)/ Positive Outlook [IVR Triple B (Credit Enhancement) with Positive Outlook]	Outlook revised from Stable
3	Short Term Fund based – Sales Invoice Discounting	3.00 (reduced from INR 5)	IVR A3+ (CE); [IVR A Three Plus (Credit Enhancement)]	Reaffirmed
4	Short Term Non-Fund based – Bank Guarantee	9.00 (enhanced from INR 4)	IVR A3+ (CE); [IVR A Three Plus (Credit Enhancement)]	Reaffirmed
	Total	31.01		

*CE rating fully backed by an unconditional and irrevocable Corporate Guarantee of AP Securitas Private Limited.

Details of facilities are in Annexure 1

Rating Rationale

The rating assigned to the bank facilities of Scientific Security Management Services Private Limited (SSMS) continues to derive comfort from an unconditional & irrevocable Corporate Guarantee given by AP Securitas Private Limited (APSP) [Holding Company] to the bank facilities of the company (SSMS). 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 and improved gearing & debt coverage indicators. The rating is



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however constrained by declining top-line resulting in losses in previous years albeit with improvement in FY20 (Provisional) and highly competitive industry.

The change in Outlook from Stable to Positive is on account of the expected improvement in revenues & profitability and debt protection parameters.

Key Rating Sensitivities:

➤ **Upward Rating Factor:**

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

Improved financial performance of the Guarantor and favourable support from the parent entity

➤ **Downward Rating Factor:**

Any further decline in revenue and/or EBITDA margin leading to negative GCA & decline in debt protection metrics

Decline in financial performance of the Guarantor

Detailed Description of Key Rating Drivers

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, 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 has 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.



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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.

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 Gearing & Debt Coverage Indicators

The overall gearing ratio of the Company is comfortable & improved to 2.83x as at FY20 (Provisional) from 4.02x as at FY19.

The Total outside liabilities to Tangible Net Worth of the Company also improved to 3.59x as at FY20 (Provisional) from 4.78x as at FY19. The interest coverage ratio stands comfortable & improved at 3.01x in FY20 (Provisional) from 0.71x in FY19.

Key Rating Weaknesses

Declining top-line resulting in losses in previous years albeit with improvement in FY20

The total operating income of the company has continuously decreased for the past three years. From 193.43 Crore in FY17 to 159.51 Crore in FY18 and 144.72 Crore in FY19, it has taken a downward spiral path. However, post the acquisition by APSPL, the operations seem to have revived & revenue improved to INR 167.98 Crore in FY20 (Provisional), recording a growth of 16%.

The EBITDA margin improved to 6.44% in FY20 (Provisional) from 3.67% in FY19 (It was negative 4.42% in FY18).



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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 organised and unorganised sector players. This has a consequential impact on pricing and, in turn, to lower profitability.

Analytical Approach & Applicable Criteria:

- Credit Enhancement (CE Rating):
Being the subsidiary of AP Securitas Private Limited (APSPL) and APSPL has given corporate guarantee for the debt of SSMS.
Unsupported Rating: Standalone
- Rating Methodology for Service sector Companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The company earned negative GCA for FY18 (INR 12.46 Crore) & FY19 (INR 0.29 Crore). However, it improved to positive INR 7.64 Crore in Provisional FY20. The repayment obligations in earlier years were serviced out of fresh infusion of unsecured loans by the APSPL promoters. Further this infusion of funds and synergies with parent company is expected to improve the liquidity position of the company. Also, the corporate guarantee provided by AP Securitas Pvt. Ltd. for the bank loan facilities of SSMS provides comfort. The Average working capital utilisation stood high at 88.44% over the last 12 months ended July, 2020.



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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 (Standalone)

For the year ended / As on	INR in Crore	
	31-Mar-19 Audited	31-Mar-20 Provisional
Total Operating Income	144.72	167.98
EBITDA	5.32	10.82
PAT	1.36	3.85
Total Debt	58.22	52.94
Tangible Net Worth	14.49	18.70
EBIDTA Margin (%)	3.67	6.44
PAT Margin (%)	0.93	2.29
Overall Gearing ratio (x)	4.02	2.83

Classification as per Infomerics' standards

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

Any other information: N.A.



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Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating*	Date(s) & Rating(s) assigned in 2019-20 (June 21, 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
Term Loan	Long Term	2.01 (reduced from INR 3)	IVR BBB (CE)/ Positive Outlook	IVR BBB (CE)/ Stable Outlook	--	--
Cash Credit	Long Term	17.00 (enhanced from INR 16)	IVR BBB (CE)/ Positive Outlook	IVR BBB (CE)/ Stable Outlook	--	--
Sales Invoice Discounting	Short Term	3.00 (reduced from INR 5)	IVR A3+ (CE)	IVR A3+ (CE)	--	--
Bank Guarantee	Short Term	9.00 (enhanced from INR 4)	IVR A3+ (CE)	IVR A3+ (CE)	--	--
	Total	31.01				

*CE rating fully backed by an unconditional and irrevocable Corporate Guarantee of AP Securitas Private Limited.

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.

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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. 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	Amount (INR Crore) (Sanctioned/ outstanding as on July 31 st , 2020)	Rating Assigned/ Outlook*
Long Term Fund based – Term Loan	--	--	Upto Nov. 2023	2.01 (reduced from INR 3)	IVR BBB (CE)/ Positive Outlook
Long Term Fund based – Cash Credit	--	--	--	17.00 (enhanced from INR 16)	IVR BBB (CE)/ Positive Outlook
Short Term Fund based – Sales Invoice Discounting	--	--	--	3.00 (reduced from INR 5)	IVR A3+ (CE)
Short Term Non-Fund based – Bank Guarantee	--	--	--	9.00 (enhanced from INR 4)	IVR A3+ (CE)

*CE rating fully backed by an unconditional and irrevocable Corporate Guarantee of AP Securitas Private Limited.



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Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Scientific-Security-17sept20.pdf>