**Press Release**

**AP Securitas Private Limited**

**September 3, 2019**

**Rating**

| Instrument / Facility | Amount (Rs.Crore) | Rating | Rating Action |
|---|---|---|---|
| Long Term Fund Based Facilities | Rs 34.00 crore (enhanced from Rs.29.00 crore) | IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook) | Reaffirmed |
| Short Term Fund Based Facilities | Rs 15.00 crore (enhanced from Rs.10.00 crore) | IVR A3+ (IVR A Three Plus) | Reaffirmed |
| Short Term Non-Fund Based Facilities | 11.00 (enhanced from Rs.6.00 crore) | IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook) | Reaffirmed |
| **Total** | **60.00** | | |

**Details of Facility are in Annexure 1**

**Detailed Rationale**

The ratings derive comfort from the experience and long track record of the promoter and senior management, established position in the security industry, comfortable gearing and debt protection metrics and support from promoters in the form of interest free unsecured loans. The ratings are constrained by working capital intensive nature of operations, low profits in group companies where the company has significant investments, moderate customer concentration risk and highly competitive industry. Growth in scale of operations, profitability and working capital management are the key rating sensitivities.

**Detailed Description of Key Rating Drivers**

**Key Rating Strengths**

**Experienced promoter and senior management with long track record**

APSPL was promoted by Mr. Anil Puri in 1986 to provide security services, the flagship company of APS group. The group has grown to provide a variety of service verticals such as Facilities Management, Cash Transportation, Telecom Support Service, Outsourcing and High-end Security Solutions.

**Established position in the security industry**

APSPL is a well-known brand in the private security industry and has a long history, having been established way back in 1986. APS group has a pan-India presence with a network of over 100 branches situated across 26 states and 7 union territories. APSPL has built up a client base across industries including Banks, NBFCs, Educare, Hotels and Government Departments.

**Comfortable gearing and debt protection metrics coupled with moderate profitability**

APSPL does not have any long term loans. Although the overall gearing and interest coverage ratios have declined to 1.14x and 6.01x as on March 31, 2019 as compared with 0.74x and 7.78x, as on March 31, 2018, they remain comfortable. The total debt to gross cash accruals stood at 6.45x as on March 31, 2019(provisional).

The Return on Net Worth (RONW) dipped marginally to 15.11% in FY19 as against 16.93% for FY18. The EBITDA and PAT margin improved marginally to 6.40% and 2.72% in FY19 (provisional) as compared to 6.00% and 2.70% in FY18, respectively.

**Promoters support in the form of interest-free unsecured loans**

The promoters have extended interest-free unsecured loans without any specific repayment schedule to APSPL. These loans are sub-ordinated to the other debts of the company.

**Key Rating Weaknesses**

**Working capital intensive nature of operations**

The average utilisation of the working capital limits was moderate at 71% over the last 12 months ended June 2019.

**Large investments in group companies coupled with guarantees on behalf of subsidiaries**

APSPL has large investments in subsidiaries and group companies at 29% of its tangible net worth as on March 31, 2019 (provisional). However, the aggregate revenue and PAT is low from these companies.

APSPL has also extended guarantees to the extent of Rs.25.5 crore, on behalf of its subsidiaries. The overall gearing adjusted for the guarantees extended in favour of the subsidiaries is moderate at 1.63x as on March 31, 2019 (Provisional).

**Moderate customer concentration risk**

Though APSPL has a diversified portfolio of customers cutting across various industries such as Banks, NBFCs, Educational Institutions, Hotels and Government Departments, the top 10 customers constituted 45% of its sales for FY19. However, the company has built strong relationships with its clients with long term engagements running back for 10-15 years.

**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, APSPL has been able to establish a strong presence with its long track record and a wider array of services including facilities management and security consultancy.

**Analytical Approach & Applicable Criteria**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation – Non-Financial Companies

**Liquidity**

APSPL is a services company and its operations are working capital intensive in nature. It does not have any long term debt on its books. The company maintains a balance of cash and cash equivalents of around Rs.10 crore to tide over any emergency liquidity requirements. APSPL generated GCA of Rs.9.2 crore in FY19 (Provisional), and with an overall gearing of 1.14x, interest coverage of 6.01x and DSCR of 3.73x, its debt servicing parameters appear to be comfortable. The company is expected to generate adequate liquidity to meet its obligations for the 12 months going forward.

**About the Company**

AP Securitas Private Ltd (APSPL) is a flagship company of APS Group. The company was incorporated in 1986 with Mr. Anil Puri as the Chairman. Mr. Puri holds a degree in Hotel Management and has over 30 years of experience in the security services industry, having been at the helm of operations of APSPL since its inception. The company has a pan India presence with 133 branches situated across 26 states and 7 union territories. It has built up a client base across industries including Banks, NBFCs, Educational Institutions, Hotels and Government Departments.

The company reported PAT of Rs.7.15 crore on total net sales of Rs.263.43 crore for FY19 (provisional).

**Financials (Standalone)** **(Rs. Crore)**

| For the year ended / As on* | 31-03-2018 | 31-03-2019 |
|---|---|---|
| | Audited | Provisional |
| Total Operating Income | 246.57 | 263.43 |
| EBITDA | 14.79 | 16.86 |
| Interest | 1.90 | 2.80 |
| PAT | 6.66 | 7.15 |
| Total Debt | 31.40 | 59.27 |
| Tangible Net worth | 50.58 | 59.69 |
| Ratios (%) | | |
| a. EBITDA Margin | 6.00 | 6.40 |
| b. PAT Margin | 2.70 | 2.72 |
| c. Overall Gearing ratio | 0.74 | 1.14 |

**Classification as per Infomerics standards*

**Status of non-cooperation with previous CRA:** None

**Any other information:** Nil

**Disclosure**

**Rating History for last three years:**

| S. No. | Name of Instrument/Facilities | Current Rating (Year 2019-20) | | | Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|
| | | Type | Amount outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2018-19 | Date(s) & Rating(s) assigned in 2017-18 | Date(s) & Rating(s) assigned in 2016-17 |
| 1. | Long Term Fund Based Facilities | Long Term | 34.00* | IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook) | IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook) | -- | -- |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2. | Short Term Fund Based Facilities | Short Term | 15.00 | IVR A3+ (IVR A Three Plus) | -- | -- | -- |
| 3. | Long Term Non-Fund Based Facilities | Long Term | 11.00* | IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook) | | | |

**the long term fund based facilities and long term non-fund based facilities have proposed limits amounting to Rs.5 crore each*

**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.

**Annexure 1: Details of Facility**

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crores) | Rating Assigned/ Outlook |
|---|---|---|---|---|---|
| Long Term Fund Based Facilities - Cash Credit | - | - | - | 34.00 | IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook) |
| Short Term Non-Fund Based Facilities - Bill Discounting | - | - | - | 15.00 | IVR A3+ (IVR A Three Plus) |
| Long Term Non-Fund Based Facilities - Bank Guarantee | - | - | - | 11.00 | IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook) |