Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Scientific Security Management Services Pvt. Ltd

June 21, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term – Fund Based (Term Loan)	3.00	IVR BBB (SO)/Stable Outlook (IVR Triple B [Structured Obligation] with Stable Outlook)*
2	Long Term – Fund Based (Cash Credit)	16.00	
3	Long Term – Non Fund Based (Bank Guarantee)	4.00	
4	Short Term – Fund Based (Sales Invoice Discounting)	5.00	IVR A3+ (SO) (IVR A Three Plus[Structured Obligation])*
	Total	**28.00**	

* *SO rating fully backed by an unconditional and irrevocable guarantee of A.P. Securitas Pvt. Ltd.*

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from the support from the parent company in the form of unconditional and irrevocable corporate guarantee, experienced promoters and management team and reputed clientele. The rating however is constrained by the stressed financials and the stiff competition from other industry players. Financial performance of the parent company, scaling up of operations and profitability are the key rating sensitivities.

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 have a long experience in the field of manpower services and security operations. Mr.SumitBhutani, a commerce graduate from Delhi University, has 15 years of experience in the field. 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.

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.

Key Rating Weaknesses

Declining top-line resulting in losses in consecutive years

The total operating income of the company has continuously decreased for the past four years. From 193.42 Cr in FY17 to 159.57 Cr in FY18 and 144.42 Cr in FY19 (provisional), it has taken a downward spiral path. This annual decline rate of 10% is a major cause of concern for the company and has resulted in losses in FY18 and FY19 (provisional). However post the acquisition by APSPL, the operations are expected to turn around.

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.

Stretched debt metrics

The debt protection metrics for the company as on March 31, 2019 (provisional) were weak with the overall gearing ratio and interest coverage ratio being 3.42x and 0.89x, respectively. However, the parent company APSPL has infused interest-free unsecured loans (Rs.31.9 crore as on March 31, 2019) which enhanced the liquidity position of SSMS.

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)   **(Rs. Crore)**

For the year ended / As on	31-Mar-17	31-Mar-18
Total Operating Income	193.42	159.51
EBITDA	0.74	-14.17
PAT	3.55	-21.76
Total Debt	36.33	30.79
Tangible Net worth	40.3	19.2
EBIDTA Margin (%)	0.38	-8.89
PAT Margin (%)	1.68	-13.59
Overall Gearing ratio (x)	0.9	1.6

 * Classification as per Infomerics' standards

Any other information: N.A

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Rating History for last three years:

Name of Instrument / Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Long Term - Term Loan	3.00	IVR BBB (SO)/Stable Outlook	--	--	--
	Long Term - Cash credit (CC)	16.00				
	Short Term - Sales Invoice Discounting	5.00				
Non - Fund Based Facilities	Long Term - Bank Guarantee	4.00	IVR A3+ (SO)	--	--	--
	Total	**28.00**				

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 Facilities

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
1	Long Term Fund Based (TL)	--	--	--	3.00	
2	Long Term Fund Based (CC)	--	--	--	16.00	IVR BBB (SO) /Stable
3	Long Term Non-Fund Based (BG)	--	--	--	4.00	
4	Short Term Fund Based Facilities (SID)	--	--	--	5.00	IVR A3+ (SO)
Total					**28.00**	