

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

AP Securitas Private Limited

October 26, 2018

Rating

Instrument / Facility	Amount (Rs.Crore)	Rating	Rating Action
Long Term Fund Based Facilities	29.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Assigned
Short Term Fund Based Facilities	10.00	IVR A3+ (IVR A Three Plus)	Assigned
Long Term Non-Fund Based Facilities	6.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Assigned
Total	45.00		

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.

List of Key Rating Drivers

- Experienced promoter and senior management with long track record
- Established position in the security industry
- Comfortable gearing and debt protection metrics, despite moderate profitability
- Promoters support in the form of interest-free unsecured loans
- Working capital intensive nature of operations
- Low profits in group companies where the company has significant amount of investment
- Moderate customer concentration risk
- Highly competitive industry

Infomerics Valuation And Rating Pvt. Ltd.

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 133 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, despite moderate profitability

APSPL does not have any long term loans. The debt protection metrics for the company were comfortable as on March 31, 2018 (provisional), with the overall gearing ratio and interest coverage ratio being 0.76x and 6.34x, respectively, as compared to 0.75x and 6.17x, as on March 31, 2017. The Return on Net Worth (RONW) was moderate at 13.84% for FY18 (provisional).

The EBITDA margin of APSPL was in the range of 4.80%-4.95% for FY17 and FY18 (provisional), while the PAT margin was moderate, in the range of 2.15%-2.50% for FY17 and FY18.

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.

Infomerics Valuation And Rating Pvt. Ltd.

Key Rating Weaknesses

Working capital intensive nature of operations

The average utilisation of the working capital limits was moderate at 82% over the last 12 months ended July 2018.

Low profits in group companies where the company has significant amount of investment

APSPL has large investments in subsidiaries and group companies at 36% of its tangible net worth as on March 31, 2018 (provisional). However, the aggregate revenue and PAT is low from these companies.

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 56% of its sales for FY18.

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

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation – Non-Financial Companies

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.

Infomerics Valuation And Rating Pvt. Ltd.

The company reported PAT of Rs.5.3 crore on total net sales of Rs.245.0 crore for FY18 (provisional).

Financials (Standalone)

(Rs. Crores)

For the year ended / Rs. Crs*	31-03-2017	31-03-2018
	Audited	Provisional
Total Operating Income	201.6	245.0
EBITDA	10.0	12.0
Interest	1.6	1.9
PAT	5.0	5.3
Total Debt	26.3	31.4
Tangible Net worth	35.1	41.1
<u>Ratios (%)</u>		
a. EBITDA Margin	4.94	4.89
b. PAT Margin	2.47	2.15
c. Overall Gearing ratio	0.75	0.76

*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 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Facilities	Long Term	29.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	--	--	--

Infomerics Valuation And Rating Pvt. Ltd.

2.	Short Term Non-Fund Based Facilities	Short Term	10.00	IVR A3+ (IVR A Three Plus)	--	--	--
3.	Long Term Non-Fund Based Facilities	Long Term	6.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)			

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.

Name and Contact Details of the Rating Analyst:

Name: Mr. Sriram Rajagopalan

Tel: (022) 40036966

Email: srajagopalan@infomerics.com

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present.

Infomerics Valuation And Rating Pvt. Ltd.

The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	-	-	-	29.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
Short Term Non-Fund Based Facilities - Bill Discounting	-	-	-	10.00	IVR A3+ (IVR A Three Plus)
Long Term Non-Fund Based Facilities - Bank Guarantee	-	-	-	6.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)