GDX Facility and Management Services Private Limited (Revised)

August 02, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	35.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Revised from CARE A3 (A Three) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	**40.00 (₹ Forty Crore Only)**		

Details of instruments/facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from GDX Facility and Management Services Private Limited to monitor the ratings vide e-mail communications/letters dated July 27, 2022, July 13, 2022, June 22, 2022, and May 26, 2022, among others and numerous phone calls. However, despite our repeated requests, the Company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on GDX Facility and Management service Private Limited bank facilities will now be denoted as **CARE BB+; Stable/CARE A4+; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-submission of information with respect to the financial and operational performance. The ratings assigned to the bank facilities of GDX Facility and Management services Private Limited are constrained by Working capital intensive nature of operations, dependency on availability and retention of requisite manpower, along with its presence in competitive and fragmented industry. However, these rating weaknesses are partially offset by experienced promoters and management team along with reputed diversified clientele with Pan India presence coupled with growing scale of operations and moderated financial risk profile.

Detailed description of the key rating drivers

Key Rating Weaknesses

Working capital intensive nature of operations: The company has a working capital-intensive nature of operations marked by high operating cycle of 57 days in FY21 which is in line with PY (58 days in FY20). The company provides a credit period of around 60 days to its clients due to the intense competition in the market and the debtors are primarily from large, reputed companies and thus the company has low bargaining power leading to high collection days. The average fund-based utilization remains low at around 28.33% for trailing twelve months ending March 2021. The total receivables have increased from Rs 23.25 crore as on March 31, 2020, to Rs 24.60 crore as on March 31, 2021, which includes debtors of Rs 2.42 crore which are due for more than 90 days, however, none of these are disputed and are fully recoverable and for which no provisioning is required.

Dependence on availability of requisite manpower: The company caters to a wide customer base with a workforce of more than 8000 personnel. The need to train security personnel is imperative due to specialized nature of the job and managing attrition is equally critical as a higher rate may lead to an increase in the training costs. The company hires through referrals, advertising, Walk ins, and placement agencies. It provides training to the new recruits enabling them to perform their duties. Specialized training is also imparted to security personnel to be deployed at a specific location like mall, retail store, MNC, educational, manufacturing or Hospitality sector.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Exposure to intense competition in industry: The manned security guarding services industry has large number of unorganized players and a few organized players due to low entry barriers which has made it easy for companies to start business and has pushed down prices leading to intense competition in the industry. Unorganized players have regional presence and offer services at low cost resulting in pricing pressure for organized players which have higher overheads to maintain quality. Moreover, the industry has high employee attrition rate due to the presence of large number of unorganized players. Any issues with regards to availability of workforce may constrain the relationship with the client and may also impact revenue and profitability.

Key Rating Strengths

Experienced promoter and management team: GDX Facility and Management Services Private Limited (GFMS) was incorporated in 1987 by Mr. Mahesh Chandra Sharma who is the promoter and Chairman and Managing Director (CMD) of the company and oversees the company's strategic decisions and implementation. He is currently secretary general of CAPSI (Central Association of Private Security Industry) and has been associated with various security and professional forums. He is ably supported by an experienced management team with Mr Anurag Sharma who has done master's in international business from York University and looks after the sales and marketing functions of company and Ms Niharika Sharma, a qualified CFA who looks after the finance and accounting departments of the company.

Growing scale of operations with moderate profit margins: The scale of operations of company has grown at a compounded annual growth rate (CAGR) of 22% p.a. over a period of three years from FY17 (refers to period from April 01 till March 31) till FY20 to Rs 142.71 crore, however in FY21 TOI fell by about 6% to Rs 136.16 crore mainly on account of lower demand for security personnel during H1FY21 (refers to the period from April 1 to September 30) due to Covid-19 led disruptions which led to closure of several businesses. Employee cost remains the single largest in the overall cost structure accounting for 90% - 92% of the total cost. The company's operating profit margin has remained moderate and reduced to 4.69% in FY21 from 4.86% in FY20 on account of increase in employee strength in verticals like facility and payroll where company earns a less margin as compared to security services because security contracts are only manpower contracts where company doesn't have to provide any hardware products unlike other verticals.

Reputed and diversified clientele along with pan India presence: The company has a client portfolio of more than 200 clients and 1500 network cities along with presence in 21 PSARA (Private Security Agencies Regulations Act) licensed states. The company has a diversified base of clients across different industries and geographies/ states. The company has a long-established relationship with its clients, where the company is working with some of its clients for more than two decades now like Godfrey Philips (34 years), MB Power (20 years), Suzuki Motors (7 years), etc. The company has a diversified end user industry/sectors including power projects, hotel & hospitality, media & communication, schools & educational institutions, banking & financial services, real estate & construction, and FMCG. The company has a diversified customer base with top 10 customers contributing ~60% of the total operating income in FY21 which has increased from ~57% of TOI in FY20, thus reducing the customer concentration risk.

Moderate financial risk profile: The overall gearing of GFMS has deteriorated to 1.21x as on March 31, 2021 as compared to 1.12x as on March 31, 2020 along with TDGCA to 4.00x as on March 31, 2021 as compared to 2.52x as on March 31, 2020 due to increase in total debt to Rs 19.64 crore as on March 31, 2021 from Rs 14.63 crore as on March 31, 2020 mainly on account of increase in vehicle loan and rupee term loan. The company has taken rupee term loan of Rs 6.87 crore as on March 31, 2021, which includes MSME covid loan of Rs 2.38 crore during FY21 and the balance for general corporate purposes.

Liquidity: Adequate

The liquidity of company is marked by moderate current ratio of 1.27x as on March 31, 2021 (PY: 1.26x). Further, the company has a scheduled debt repayment of only Rs. 0.88 crore for FY22 as against projected GCA of Rs 7.93 crore for FY22. The company has cash and bank balance of Rs 3.83 crore as on March 31, 2021, however, enjoys sufficient unutilized working capital limits. The operating cycle remains elongated at 57 days in FY21 (PY: 57 days), but the company manages it through their own cash accruals with lower dependence on external debt. The average utilization of fund-based limits remains low at around ~28% during trailing twelve months ending March 2021, thus its unutilized bank limits are adequate to meet its incremental working capital needs over the next one year. The company has adequate cash flows to meet the debt obligation along with loan instalments. The company availed moratorium from its lenders as part of the Covid19 relief package announced by the RBI in March 2020.

Analytical approach: Standalone

Applicable criteria

Policy in respect of Non-cooperation by issuer
CARE's criteria on assigning outlook and credit watch to credit ratings
CARE's policy on default recognition
Liquidity Analysis – Non-financial sector
Rating Methodology – Services Sector companies
CARE's methodology for financial ratios – non-financial sector
CARE's criteria Short Term Instruments

About the company

GDX Facility and Management Services Private Limited (GFMS) is a private limited company incorporated in the year 1987 by Mr. Mahesh Chandra Sharma who is the chairman as well as managing director of the company. The company is primarily engaged into providing security/guarding services, facility & technical services, investigations, fleet management, legal services, etc. to its varied clientele including government, banks, industrial houses, multi-national companies (MNCs) and private organizations like hospitals, factories and residences. The company has license to operate all over India under PSARA Act (Private Security Agency Regulation Act) and is accredited with ISO 9001:2015/14001/45001 certification. GFMS's headquarter is in New Delhi and it operates through 5 zonal offices and 17 branch offices spread across all over India.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23
Total operating income	136.16	NA	NA
PBILDT	6.39	NA	NA
PAT	3.19	NA	NA
Overall gearing (times)	1.21	NA	NA
Interest coverage (times)	4.10	NA	NA

A: Audited

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History for last three years: Please refer Annexure-2
Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3
Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-Working Capital Demand loan		-	-	-	8.00	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - ST-Bank Overdraft		-	-	-	2.00	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Proposed non-fund-based limits		-	-	-	19.00	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	6.00	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantee		-	-	-	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-Working Capital Demand loan		-	-	-	8.00	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund-based limits		-	-	-	3.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - ST-Working Capital Demand loan	ST	8.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (06-Jul-21)	-	-
2	Fund-based - ST-Bank Overdraft	ST	2.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (06-Jul-21)	-	-
3	Non-fund-based - ST-Proposed non-fund-based limits	ST	19.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (06-Jul-21)	-	-
4	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	6.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3 (06-Jul-21)	-	-
5	Non-fund-based - LT-Bank Guarantee	LT	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (06-Jul-21)	-	-
6	Fund-based - LT-Proposed fund-based limits	LT	3.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (06-Jul-21)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
2	Fund-based - ST-Working Capital Demand loan	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Non-fund-based - ST-Proposed non-fund-based limits	Simple
5	Non-fund-based - LT-Bank Guarantee	Simple
6	Fund-based - LT-Proposed fund-based limits	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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