

Agile Security Force Private Limited

July 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	67.00	CARE BBB; Stable	Assigned
Long-term / short-term bank facilities	33.00	CARE BBB; Stable / CARE A3+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Agile Security Force Private Limited (ASFPL) factor the promoters' extensive experience and the company's long-standing presence in the manpower and security services industry. The company has been demonstrating growth in its revenue, which grew at a compound annual growth rate (CAGR) of around 17% over last four years. The company's operating income is estimated at around ₹400 crore in coming fiscal backed by repeat orders and company bidding for additional tenders. ASFPL's operating profitability stood satisfactory marked by profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of around 8% in FY24.

Rating strengths are partially offset by higher concentration towards state government-related contracts resulting in stretched collection period leading to higher reliance on working capital bank borrowings. Although the company has a diversified clientele spread across different sectors including banks, hospitals, educational institutes, corporates, PSUs, and government agencies, the revenue concentration from state government organisations remains high. Ratings are further constrained by investment in subsidiary (Agile Entertainment Private Limited) which forms about 27% of ASFPL's current net worth, intense competition from unorganised players in the industry, and dependence on availability of requisite manpower amid high attrition.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Optimising working capital utilisation and achieving positive cash flows from operating activities on a sustained basis.
- Significantly improving total operating income (TOI) to above ₹500 crore while maintaining operating margins at existing level.

Negative factors

- Increasing exposure towards group company/ subsidiary.
- Increasing exposure to government contracts leading to significantly stretching working capital cycle.
- Total outside liabilities to tangible net worth (TOL/TNW) deteriorating beyond 2x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from its long-standing presence in the industry and diversified clientele with growing revenue from operations.

Detailed description of key rating drivers:

Key strengths

Improvement in scale of operations with stable profitability margins

The company's revenue from operations has grown at a CAGR of 16.8% over last four years. In FY24, the company's revenue grew by around 46% y-o-y, from ₹249.27 crore in FY23 to ₹364.13 crore. This improvement in the scale of operations is due to the addition of more clients across different sectors and states. The company has maintained stable profitability margins, with PBILDT margins ranging between 6.5% and 8%. In FY24, PBILDT margin improved to 8.05% from 6.64% in FY23 due to marginal decline in the employee cost as a percentage of revenue and better absorption of overheads.

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

Long-standing presence and experienced management team

The company has been in operation for over 30 years, serving a diversified clientele. Dr V. R. K. Rao, the founder, has extensive experience of 16 years in the Indian Air Force and over 30 years in the security industry. The directors, V. Amarnath, V. Meena Kumari, V. Geeta, and Shyam Sunder Reddy Gopu, each have more than a decade of experience in the security field.

Satisfactory capital structure

The company's capital structure stands satisfactory, marked by a below unity overall gearing. Other debt coverage indicators are also comfortable, with an interest coverage ratio of 4.47x and total debt/PBILDT of 2.64x for FY24. The major component of the total debt comprises working capital borrowings. The TNW stands at around ₹80 crore as on March 31, 2024, which moderates to around ₹58 crore after adjusting the loans and advances given to the subsidiary.

Key weaknesses

Extension of loans and advances to its subsidiary

The company has a wholly owned subsidiary, Agile Entertainment Private Limited, which owns the "Hyderabad Hunters" team that participated in the Premiere Badminton League. Currently, the subsidiary is not operational as the league did not achieve the expected success. The company anticipates selling the franchise when approached by potential investors and has funded the subsidiary through loans and advances amounting to ₹22.59 crore. Since the league failed to meet expectations for success, the management plans to sell the team going forward. Adjusting this investment from the net worth moderates the adjusted overall gearing to 1.34x as on March 31, 2024, from an overall gearing of 0.96x as on the same date.

Revenue concentration and working capital intensive operations

The company provides housekeeping and security manpower services to its diversified clientele, which includes Bengaluru Metro Rail Corporation Limited, HHL Infratech, MP State Tourism Development Corporation, area hospitals, government hospitals, NIT Warangal, HDFC, SBI, ITC, Laurus Labs, and others. Despite this diversification and its operations across eight states, including Madhya Pradesh, Maharashtra, and all states in south India, revenue concentration from government-related entities remains high at around 75%. The collection period for private companies is around 30 days, whereas for government entities, it extends upto three months, leading to increased working capital borrowing needs to cover operational payments, primarily salaries to staff. This has resulted in a negative CFO of ₹38.29 crore for FY24.

Tender-based nature of operations

The tender-based nature of the company's operations introduces several risks, including revenue uncertainty due to dependence on securing contracts through competitive bidding, intense competition leading to potential margin erosion, and the risk of non-renewal of three-year contracts. Government undertakings, hospitals, agencies, corporations, and PSUs contribute a major share of the company's revenue. Educational institutions and hospitals served by the company are government-owned, resulting in approximately 75% of the revenue coming from government-related entities. Contracts with these entities typically span three years, while contracts with private companies are for one year. Although contracts with government entities provide revenue stability, they also involve tender-based operations risk.

Exposure to intense competition in industry

The manpower security guarding services industry is characterised by intense competition due to the presence of numerous unorganised players and a few organised ones. The low entry barriers in this industry facilitate the easy establishment of new companies, leading to significant pricing pressure. Unorganised players, with their regional presence, often offer services at lower costs, creating challenges for organised players who incur higher overheads to maintain quality standards. The industry also faces a high employee attrition rate, exacerbated by the prevalence of unorganised players. This high turnover can lead to workforce availability challenges, potentially straining client relationships and adversely impacting revenue and profitability.

Liquidity: Adequate

The company maintains an adequate liquidity position, supported by gross cash accruals (GCA) of ₹17.84 crore for FY24, free cash and bank balance standing at ₹3.47 crore and current ratio of 1.34x as on March 31, 2024. The company's reliance on bank borrowings for working capital purpose is high marked by average working capital limit utilisation of 82% for the 12 months ended February 29, 2024. Negative CFO of ₹38.29 crore for FY24 is considering increase in the receivables outstanding due to delay in collections from Government-related entities due to elections.

Assumptions/Covenants - Not applicable

Environment, social, and governance (ESG) risks - Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Services	Services	Commercial services & supplies	Consulting services

ASFPL was founded in 1994 by Dr V. R. K. Rao, who has extensive experience of 16 years in the Indian Air Force and over 30 years in the security industry. Headquartered in Hyderabad, the company is ISO 9001:2015, ISO 14001:2015, and OHSAS 18001:2007 certified. It is managed by a team of ex-servicemen, senior police officers, and security professionals. Agile Security Force operates four business verticals: Security Services, Facility Management Services, Integrated Security Solutions, and Remote Monitoring Systems. Additionally, the company runs the Agile Security Force Training Academy, which is recognised and certified by the Private Security Agencies (Regulation) Act, Government of Telangana, and the National Skills Development Corporation (NSDC), for training prospective security professionals.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	210.99	249.27	364.13
PBILDT	17.88	16.55	29.31
PAT	9.46	9.17	15.61
Overall gearing (times)	0.32	0.42	0.96
Interest coverage (times)	8.25	5.51	4.47

A: Audited, UA: Unaudited. Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	67.00	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank guarantee		-	-	-	33.00	CARE BBB; Stable / CARE A3+

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash credit	LT	67.00	CARE BBB; Stable				
2	Non-fund-based - LT/ ST-Bank guarantee	LT/ST	33.00	CARE BBB; Stable / CARE A3+				

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities - Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Non-fund-based - LT/ ST-Bank guarantee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated - Not applicable

Note on complexity levels of 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 clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Analytical Contacts Karthik Raj K Director CARE Ratings Limited Phone: +91 80-46625555 E-mail: karthik.raj@careedge.in Nivedita Anirudh Ghayal Associate Director CARE Ratings Limited Phone: +91-040 40102030 E-mail: nivedita.ghayal@careedge.in Sainandan S Pavansri Analyst CARE Ratings Limited E-mail: Sainandan.Pavansri@careedge.in
--	---

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.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**