

October 06, 2017

Tops Security Limited

Summary of rated instruments

Instrument [^]	Rated Amount (in Rs. crore)	Rating Action
Long-term, fund based limits	41.50	[ICRA]C+ ISSUER NOT COOPERATING*; Rating moved to the 'Issuer Not Cooperating' category
Long-term loans	3.50	[ICRA]C+ ISSUER NOT COOPERATING*; Rating moved to the 'Issuer Not Cooperating' category
Total	45.00	

*Issuer did not co-operate; Based on best available information.

[^]Instrument Details captured under Annexure-1

Rating action

ICRA has moved the ratings for the Rs. 45.00 crore bank facilities of Tops Security Limited ('TSL' or 'the company') to the 'Issuer Not Cooperating' category. The rating is now denoted as: "[ICRA]C+;

Rationale

The rating action is based on no updated information on the entity's performance since the time it was last rated in March 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity's credit profile may have changed since the time it was last reviewed by ICRA; however, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with TSL, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information, and in line with SEBI's *Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016*, ICRA's Rating Committee has taken a rating view based on the best available information

Key rating drivers

Credit strengths

- **Established brand name in domestic private security business with close to four decades of experience in manned guarding**– The company was incorporated in 1970 by Major (Retd.) R.C. Nanda as a proprietorship concern and was converted into a public limited company in 1995 and is currently headed by Major (Retd.) R.C. Nanda's son, Dr. Diwan Rahul Nanda. Long standing experience of the promoters has helped in establishing the brand.
- **Established global presence through group companies and joint ventures offering comprehensive security solutions** - TSL along with its subsidiaries and joint ventures ('TOPSGRUP' or 'the group') is engaged in providing comprehensive security services which include manned guarding, security training, emergency services, physical cash management, electronic surveillance and risk consultancy. The group (headquartered in London, UK) serves around 8,500 clients through its 120 offices located globally, with TSL serving more than 27,000 pin code locations in India.

Credit weaknesses

- **Stretched liquidity position owing to revenue and profitability pressures arising on account of client attrition as well as rise in receivable period** – The liquidity position of the company remained stretched till FY 2015 owing to sustained weakness in its profitability levels. Further, the receivable period for the company (at standalone level) has also increased to 125 days as on December 31, 2015 from 62 days as on March 31, 2014 which has further strained the liquidity position.
- **Sizeable amount of statutory dues as well as employee related payables continue to remain outstanding, stretching the cash flows and liquidity**– The outstanding statutory dues payable by the company continued to remain high in December 2015. The company had Rs. 152 crore worth of statutory dues outstanding as on December 31, 2015 (vis-à-vis Rs. 95 crore as on March 31, 2014) and Rs. 26 crore of employee related payables outstanding as on December 31, 2015 (vis-à-vis Rs. 31 crore as on March 31, 2014).

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Ratings: A Note on Methodology](#)

[Policy in respect of non-cooperation by the rated entity](#)

About the company:

Tops Security Limited (TSL) is the flagship company of the TOPSGRUP and is primarily engaged in the provision of manned guarding and private security services in India. The company was incorporated in 1970 by Major (Retd.) R.C. Nanda as a proprietorship concern and was converted into a public limited company in 1995. TSL is an ISO 9001:2008 certified company and is currently headed by Major (Retd.) R.C. Nanda's son, Dr. Diwan Rahul Nanda. The group (headquartered in London, UK) serves its ~8,500 diversified clientele through 120 offices located globally, with TSL serving more than 27,000 pin code locations in India. Promoter group (the Nanda family) owns majority stake (65.87%) in the company and the private equity investors, including Indivision India Partners, ICICI Ventures and RARE Enterprises, hold the balance stake.

In FY2015, the company reported a net profit of Rs. 18.06 crore on an operating income of Rs. 271.70 crore, as compared to a net loss of Rs. 10.80 crore on an operating income of Rs. 272.81 crore in the previous year.

Key Financial Indicators (Audited)

	FY2014	FY2015
Operating Income (Rs. crore)	272.81	271.70
PAT (Rs. crore)	-10.80	18.06
OPBDIT/ OI (%)	3.38%	13.66%
RoCE (%)	3.59%	16.96%
Total Debt/ TNW (times)	0.47	0.50
Total Debt/ OPBDIT (times)	6.26	1.88
Interest coverage (times)	0.64	2.74
NWC/ OI (%)	-22%	-13%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);

NWC: Net Working Capital

Source: Financial statements of TSL(Standalone) and ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:
Table:

S. No.	Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
					Oct' 2017	Apr'2016	-	Feb'2015
1	Cash Credit	Long Term	41.50	NA	[ICRA]C+ ISSUER NOT COOPERATING*	[ICRA]C+	-	[ICRA]BB+ (Stable); suspended
2	Term Loan	Long Term	3.50	NA	[ICRA]C+ ISSUER NOT COOPERATING*	[ICRA]C+	-	[ICRA]BB+ (Stable); suspended
3	Unallocated limits	Long Term & Short Term	-	-	-	-	-	[ICRA]BB+ (Stable)/ [ICRA]A4+; suspended

*Issuer did not co-operate; Based on best available information

NA- Not available

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Cash Credit	-	-	-	41.50	[ICRA]C+ ISSUER NOT COOPERATING*
Term Loan	-	-	-	3.50	[ICRA]C+ ISSUER NOT COOPERATING*

*Issuer did not co-operate; Based on best available information

Source: TSL

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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