



The Pakistan Credit Rating Agency Limited

Rating Report

Yaldram Security Services (Pvt.) Limited

Report Contents

1. Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Security Grading	Action
11-Apr-2018	SG3	Initial

Rating Rationale and Key Rating Drivers

Today, almost 250 private security agencies are member of All Pakistan Security Agencies Association. Pakistan's security services industry is still far from maturity. Moreover, CPEC has added another dimension to this arena, by generating demand from physical to procedural security with growing use of technology.

The rating reflects Yaldram Security Services association with an establishing security provider group, offering a range of security related services. It has valid license to operate throughout the country. At present, Yaldram Security Services is experiencing revenue growth which mainly emanates from a select client base. It has a good tilt towards multinationals and diplomatic entities. Though Yaldram Security Services's infrastructure is in congruence with its operations, regionally segregated operation rooms require framing of formal policies. Yaldram Security Services deploys value addition facility only at critical sites. However, well-framed policies to alert quick reaction force are in place. Although the company follows adequate basic pay structure for its guards, other critical staff benefits are usually linked to needs underlying clients. Moreover, guards training need to be formally structured. Revenue concentration, from a single client, will eventually go down as business opportunities are tapping in.

The ratings are dependent on the management's ability to upgrade infrastructure for improved operations. Attention must be dawn to benefits and facilities provided to human resource, particularly guards. Improvement in business and financial profile along with effective changes in governance framework would be considered good.

Disclosure

Name of Rated Entity	Yaldram Security Services (Pvt.) Limited
Type of Relationship	Solicited
Purpose of the Rating	Security Agency Grading
Applicable Criteria	Methodology Security Agency Grading (Jun-2017)
Related Research	Sector Study Security Services(Apr-2018)
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YALDRAM SECURITY SERVICES PVT. LIMITED		INDUSTRY SNAPSHOT	
Incorporated	2005	<ul style="list-style-type: none">250 security agencies are registered with All Pakistan Security Agency Association.Providing 250,000 guards performing man guarding and close protection security duties.Conducive platform exists for security agencies because of growing awareness of deploying preventive measures for safekeeping.Profit maximization focus possess quality risk.	
Major business lines	Man Guard Services		
Legal status	Private Limited		
PROFILE AND OWNERSHIP			
<ul style="list-style-type: none">Profile – Yaldram Security Services was incorporated in 2005, as a Private Limited Company. It holds valid operational license from Ministry of Interior, Provincial and Federal Governments to provide security services throughout Pakistan. However, license from Pakistan Banking Association (PBA) security agencies panel is valid for Punjab and ICT only.Yaldram has been awarded ISO 9001: 2008 quality certificate and is in process of upgrading it to ISO 9001:2015 and ISO 18788. It is a member of International Code of Conduct Association (ICOCA) and in process of getting is certification. Yaldram Security Services has 850 guards (FY17), deployed across Pakistan.As a group, Yaldram Security Services offers multiple security related services – man guarding, escort, training school, shooting club, and armour vehicles. Moreover, they offer analysis on security and economic situation prevailing in Pakistan. Yaldram has also tapped into tourism.Ownership – Major shareholding vests with Col. Naveed Ahmad Khan (59%); followed by his wife, Mrs. Ambreen Gohar (40%) and Mr. Muhammad Arshad (1%).			
GOVERNANCE			
<ul style="list-style-type: none">Structure – All shareholders are members of the board with no other board committees. Company’s board lack independence, indicating room for improvement in company’s governance framework.Profile – Col. Naveed Ahmad Khan – Board’s Chairman - has 25 years of military experience and is associated with Yaldram since inception.Process - During FY17 board met four times to review the performance of the company. However, no formal board package designed and meeting minutes are cursory.			
MANAGEMENT			
<ul style="list-style-type: none">Management - Company’s senior management comprises Col. Naveed Ahmad Khan - Group’s CEO. Mr. Mehmood Hashmi, Managing Director, manages business development side and is a part of Yaldram since 2008. Mr. Hanif Akhtar, Executive Director, has 35 years of military and corporate experience and manages company’s operational side.Organization Structure - Traditional hierarchical reporting structure enables effective control over regional operations. Each regional office is headed by designated manager reporting to the Executive Director, who eventually reports to the CEO.Yaldram Security Services is planning to setup Staff Development Committee - comprising two staff members from Head Office and one from each zone; to deal with training, reviewing and evaluation of employment decisions on quarterly basis.			
INFRASTRUCTURE			
<ul style="list-style-type: none">Regulatory – To fulfill the regulatory requirements, Yaldram Security Services provides necessary information about its guards and weapons, however, company needs to strengthen their compliance department.Physical – Yaldram Security Services has a training school at group level and operation rooms in each region with its head office located in Islamabad. Regional operation rooms have weapons storage rooms, computers with access to the company’s MIS and internet to update operational data on daily basis. Also, key contact list is maintained which includes numbers of Yaldram Security Services’s management, deployment sites, guards and emergency service providers – police, fire brigade etc. Communication is established through dedicated mobile phones sets provided to Supervisors only. Thus, incident reporting from site is done through the guards’ personal cell phones and wireless sets.All weapons are duly licensed and kept in separate rooms with double lock system. These locks are accessed by authorized personnel only. Periodical maintenance checks on weapons are made through the company’s employed armorers to test the operating status by bringing them in use.Operating Activities – Adequately framed policies to alert quick reaction force, in case of fire emergency and on-going suspicious activity, are in place at Yaldram Security Services. Moreover, these are communicated to relevant personnel in understandable language during training/orientation.			

- Services offered and weapons procured are as per clients' requirement. Thus deploying and procuring value added facilities, are also for critical sites only like World Bank or Embassies. Moreover, there is no formal process in place to log and assess the complaints frequency.
- MIS:** Every weapon procured is licensed, whose record is manually maintained. This record informs number and kind of weapon procured and license expiry dates. Through there is a dedicated finance team, yet most of the information is kept as per requirement. However, Quickbook and payroll system is in place. Since most of the records are manually maintained, loss of data can become a serious concern.

HR – GUARDS

- HR Policies** – Guards are hired by regional offices as per their requirement, following the vetting criteria. Standard employment contracts, abiding the minimum stipulated wage are in place at Yaldrum Security Services. However, benefits and facilities are ensured as per clients' requirement. Also, an annual formal appraisal system with an informal feedback channel is available to guards.
- Profile and Performance** – Guards hired lie in the age bracket of 18 to 55 years. Moreover, 70% of guards hired have a military background.
- All on-duty guards are equipped with documents prescribed by the regulator. These documents include; number and kind of weapons deployed at each site, valid and original license, NOC and replacement orders of break and reliever guards.
- Training** – Yaldrum Security Services has its own training school to equip guards. Yaldrum Security Services has no formal training structure.

FINANCIAL SUSTAINABILITY

- Business Risk** – Formal business plan to retain and enhance diplomatic clientele is required as company plans to develop a proactive team having required qualification and ability.
- More than one third of company's total revenue is generated from a single client, signaling concentration risk. As the company is growing, relative concentration will go down. Company is generating revenue of PKR 226 million (FY17), reflecting stable margins (gross ~ 12.4% and operating ~ 3.1%). Insurance costs are prioritized as per clients' requirement. Bottom-line is confined to PKR 2 million (FY17) due to high administrative costs and license renewal costs.
- Company is eyeing on growth in medium term, by focusing on diplomatic clients.
- Financial Risk** – Yaldrum Security Services's current business activity has kept its leverage low (FY17~9.1%), owing to lease liability for vehicles and high coverage (765 times).
- Company's external auditors - Mushtaq Akbar and Co. - Chartered Accountants, have not been QCR rated by ICAP.






FINANCIAL SNAPSHOT

PKR (MILLION)

Assets	42	Revenue	226
Equity	13	Net Profit	2
Debt	1	Gross Margins	12.4%

SECURITY AGENCY GRADING

SCALE & DEFINITIONS

 Very Strong	Ability to provide protection services as per terms of contract is considered very strong, while exceeding security services industry standards and best practices
 Strong	Ability to provide protection services as per terms of contract is considered strong, while meeting or exceeding security services industry standards and best practices
 Good	Ability to provide protection services as per terms of contract is considered good, while meeting security services industry standards and best practices
 Adequate	Ability to provide protection services as per terms of contract is considered adequate, while meeting majority of security industry standards and best practices
 Weak	Ability to provide protection services as per terms of contract are considered weak, while being below security industry standards and best practice.

The scale has five grading categories from “SG1” to “SG5” with SG1 being the highest. PACRA may append “+” sign to a grading to denote relative status within a grading category.

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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

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- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

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Conduct of Business

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- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report.
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- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
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