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CAPSI SURVEY AND REPORT - IMPACT ON PRIVATE SECURITY INDUSTRY

MAY 2020



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AKMV

CONTENTS



03
MESSAGE FROM
THE CHAIRMAN (CAPSI)

04
PREFACE

05
SURVEY INSIGHTS

11
SURVEY SUMMARY

14
GOVERNMENT
ASSISTANCE

15
OUR
RECOMMENDATION

22
ANNEXURE 1

CAPSI AKMV

MESSAGE FROM THE CHAIRMAN



CAPSI is an apex body of Private Security industry having more than 5,000 + active and associate members. Private Security industry plays a pivotal role in nation building by creating secure environment for communities and corporate to work and grow. In a country like India where police people ratio is one of the lowest in the world, private security services act as Force Multipliers in internal security situations. This is the major factor that Government of India has declared PSS as Essential Services to support its COVID-19 operations.

We assure our most respected Prime Minister Sh. Narendra Modi, MHA, State Chief Ministers and State Controlling Authorities that we will continue to perform our assigned duties under the most unfavourable conditions. We are your Frontline Corona Warriors and we know our job very well. The idea of carrying out this survey was to understand the ground realities so as to take appropriate decisions or course corrections to deal with the prevailing situation. Sh. G Kisan Reddy, Hon'ble Minister of State for Home Affairs and in charge of the Private Security Services was immediately briefed about our operational preparedness to take up special security responsibilities to secure establishments and people under Lockdown conditions.

This Survey was conducted by CAPSI with the assistance of AKMV Consultants to ascertain the financial health of the industry under Covid-19. Additionally, the survey aimed to capture the well-being of the security guards - the future prospect of better survival and growth. It is heart-warming to see that a total of 233 companies, both domestic and international, having operations in all the 36 states and UTs, responded to the survey giving us a holistic overview of the ground realities and industry's issues. This will also offer an opportunity for the Government to revisit few decisions so that a pragmatic road map can be drawn for the betterment of the 23000 PSAs and 9million Guards men and women.

Kunwar Vikram Singh
Chairman,
Central Association of Private Security Industry

PREFACE

The private security industry of India is united and will continue to fight the invisible enemy with full might and perseverance. The industry provides dignified employment to around 9 million people (and growing at a very fast pace) besides being one of the largest contributors to national exchequer. It provides gainful employment to people who are otherwise not employable. Security industry recruits people and provide them adequate training to upgrade their skills, as in absence of sufficient training the people so recruited can not be employed for deployment at client location. Security service needs both soft as well as subject related skills so that they can provide security as a service. Given the challenging times, the industry is working harder than ever to continue to save life and property. The players must continue to be agile and positive.

This survey has been curated based on extensive industry experience and designed to capture all aspects of the business and impact from COVID. Survey results reveal that 85% of security companies are of MSME category and suffering under dual pressure of loss of cash flow and payment of salaries to the staff who are not working due to lockdown of some of the client location..It is probable that clients will invariably delay the salaries and the vicious cycle may lead to difficulty for many. The industry has made several representations at the right platform to seek relief in the form of subsidies, incentives, changes in GST regulation, refund of overdue TDS amount, trade dues receivable from government and mega business houses. While support has been given, the industry needs a lot more support to survive the crisis.

It is a question of the survival of the millions of households that find direct employment within the industry. CAPSI and AKMV remain committed to find ways and means to help our industry, its people, clients, interest of government and all stake holders.

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EXECUTIVE SUMMARY



The survey was initiated by CAPSI and conducted and analysed by AKMV consultants. The survey roll-out, analysis of results, and subsequent dissemination of results ensure security and confidentiality of data, follow communication protocols. This survey provides the first ever pan-Industry snapshot of the private security industry in India.

233 security companies from across geographies, and of varied sizes, responded to the survey. Respondents were from across regions ranging from Kashmir valley to Kerala and Kutch to way of Bengal and north east. Respondents were also of diverse sizes-from very small and emerging companies to mega multinationals. These companies provide employments within the range of 500 people to more than 2,00,000 people. Survey results are the true reflections as the sample is very large and objective. This survey not only reveals the current situation of security industry but can also be used as a proxy for the entire man power industry and MSME sector.

After being entrusted with the receptivity of critical service provider, the industry took quick and necessary measures to battle Covid-19. Guards were trained overnight, hygiene standards dictated Standard Operating Procedures, and the hands that used to hold stick suddenly started using sophisticated thermometers. Wearing PPE kits and helping ambulances and healthcare became a rule rather than exception. The industry takes pride in sharing the transformation that it could bring to stand on the duty in the most difficult of times. Despite knowing that the entire industry is more vulnerable to the virus, they were standing and holding the post.

Survey results confirm that there are issues and challenges across personnel availability, protective gear availability, and business cash flow. Movement is restricted, protection equipment such as PPE kits, masks etc are in short supply, and protective gears take time to reach, compromising safety standards. There is a need to protect security personnel who are extremely vulnerable. Industry works on wafer thin margins and it does not have reserve to sustain any blow. Industry has seen many cycles and have survived but COVID - 19 is one and equals to all downturn put together.

Respondents have indicated that some of security guards had to travel to their villages as migratory workers. They suffered in remote locations and even the industry could not service them quickly due to imposed restrictions on travels.

Due to lockdown, the cash flow of the industry suffered. Even during business-as-usual, payments to security companies have not been considered a priority, and due to COVID-19 it has become even more challenging. The clients who wanted to make payments were also in capacitated as their clients did not pay on time. The quick action taken by Reserve Bank of India and our honourable finance minister Smt. Nirmala Sitharaman to provide financial moratorium and deferring the GST and TDS contribution was very helpful.

The immediate future holds the real testing time. Whatever little reserve the companies had has been consumed, salaries of the guards and other staff member must be paid. Industry is not able to cope with this situation. Companies have responded that there i s a high possibility of bankruptcy, non/delayed payment of salaries and loss of business to the extent of 40%.

Industry is moving rapidly from unorganized to organized sector. After enactment of Private Security Agencies Regulation Act 2005, ("PSARA"), respective state governments are taking steps to enforce regulatory requirements such as education, training, verification of credentials..The more such greater compliance will lead to better management of clients and workforce. Organized sector offers better pay though banking channels, and social security payments as per the law. Clients are also being protected as their exposure towards non-compliance gets greatly reduced. Clients being ultimate employers are responsible for payment of wages and social security. Still there is huge scope of advancement and automation.90% of the security is being services by man guards in India. After implementation of PSARA and digitization of social security department such as PF and ESI, things have improved and unorganized and noncompliant companies are getting eliminated. We expect that all stake holders will be benefitted and the workforce will be socially secure.

It has been envisaged that the world may slip into recession and India will lose its growth momentum. Our growth could be 2% with an extremely optimistic outlook. It will have its own ripple effect on our economy and on our business. Being an active partner of the economy, the industry's growth will also slow down. We are extremely thankful to the government for according us the status – it was long overdue. We also urge the government to recognize the plight of the industry and announce targeted relief measures to ensure survival.



Pre-Covid Security Industry Snapshot



85M

Total workforce

$15.2BN

Current Market Size

* FICCI Research Report

$23.2BN

Market Size by 2022

* FICCI Research Report

20-25% CAGR

Growth Rates





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50-55%

Semi organised sector with 50-55% of the man force employed in the unorganised sector

23000+

Number of private security companies in India

BIHAR, UP ORISSA

Majority of the migrant workers belong to the above states

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SURVEY INSIGHTS

- Timelines: Survey was rolled out on April 22nd and was closed on April 30th.
- Sample size: 233 Companies responded.
- Turnover: 73.8% of the respondents are having turnover of below INR 25 Crores, **85.4% and 90% are below INR 50 and 100 Crs respectively.** ~10% were higher than INR 100 crores.
- Category:85% of the business is being services by MSME–Critical for survival
- Employees: 77.7% companies have work strength below 2000.
- 59% of the respondents will see revenue reduction. **40% feel that loss of revenue will be more than 30%.**
- Almost all respondents confirm that **client will delay payments** – 26% feels that delays could be from more than 40% of the Client.
- 50% of companies do not visualize any business termination, though other **half feel that client will terminate contracts.**
- **63.5% of the companies are using migrant workers** and due to lockdown 26% of the respondents are saying that some of the Guards left the post without notifying the company. It means industry may be witnessing the pressure of lesser availability of manpower.
- Only 55% of the companies feels that most of the Guards will return Most of the migratory workers belong to UP, Bihar, Karnataka, Rajasthan and Assam
- Only 22.7% of the companies (including all big and small) believes that customer will pay on time.
- **65.5% of the respondents will not reduce salaries** and 19% see reduction up to 15% of salaries. Only 15% responses are for higher deduction of salaries

SURVEY INSIGHTS

- 86% of the entities are feeling margin pressure. 42.5% responded that disruption will continue for another 4-6 months while 25.8% anticipate that the disruption will be for more than a year.
- 76.8%feelsthatGovernmentwillprovidefinancialassistance.65.2%of the companies are happy with the support of union government to our industry while 59% of the entity are satisfied with the performance of state government.
- 78.9% are looking forward to banks to provide them funding.
- Industry wants a bigger change in GST laws. 68.5% advocate for Reverse Charge Mechanism while 31.5% recommend collect and pay methodology.

  For detailed survey analysis kindly refer annexure 1



SURVEY SUMMARY

- Private Security Industry is responding positively to the current tough and challenging environment.
- More than 85% of the companies are MSME–need nurturing and support. People in every category founder, managers and security guards are looking forward to saving the nations – people of India.
- While people are working behind the door, we are doing front end in securing their business continuity, life and wealth.
- There is a serious threat of loss of life, loss of money and loss of business. Companies feel that there will be severe cash flow challenges. Client will not pay on time.
- It has been mandated to pay salaries without any deduction- and hence it is a time of burning the candle from both sides.
- Banks are also finding it difficult to support during difficult time. Though in case of MSME – the credit line has been enhanced – but issue like non availability of stamp papers or other procedural challenges are restricting the disbursements.
- GST based on the principle of Pay and collect needs immediate reversal to either RCM or Collect and Pay.
- Government has been very considerate in helping security companies. Security companies are looking forward to fiscal incentives so that they can pay salaries on time and bear the burden of loss of life and revenue.
- Reduction of revenue will cause further injury to the companies and could been during in nature.
- Collaboration, Merger and Acquisition could be necessary to create value. Better training and investment in advanced security solutions could be a WINNING proposition for future growth.
- Diversification in natural business line could be the way forward.

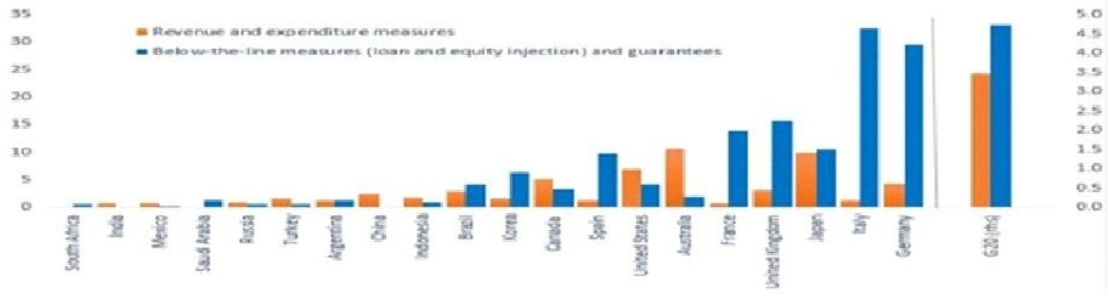
Covid-19 Fiscal Stimulation by G20 Countries

- COVID -19 Confirmed cases exceeds 3 million as on April 30
- It is climbing further
- Restriction in economic activity is unprecedented in peace time.
- OECD estimates that this containment could reduce economic output by 20 to 25% initially
- IMF projects negative global growth for 2020. – The worst economic fallout since great depression.
- G20 will be spending $ 5.3 trillion 7.8% of 2019 GDP, collective GDP of G-20. G20 EM member has spent 2% of GDP while G20 AE member has spent 11.7% of GDP – India is at 0.9% of GDP.
    - S2.5 trillion (3.7%ofGDP) for credit enhancement,
    - S2.1 trillion (3.1% of GDP) in direct government spending,
    - S0.6 trillion (o.9% of GDP) in tax relief
    - This is only to keep company and individuals afloat, rather than stimulating demand or investment

HELPLINE BY WORLD ECONOMIES

Emergency lifelines
So far, countries around the world have used about $8 trillion to fight the pandemic, with G20 countries taking the lead.

(Announced fiscal measures in G20 economies, % of GDP)



Sources: National authorities; and IMF staff estimates as of April 8, 2020.
Note: G20 = Group of twenty. G20 aggregates are calculated using PPP-adjusted GDP weights

INTERNATIONAL MONETARY FUND

CURRENT INDUSTRY CHALLENGES UNDER COVID

- Cash flow issues – Delayed payment from Clients
- Cash Flow issues – Revenue loss as per FICCI the loss of revenue could be to the tune of 50%
- Payment of wages – Government notification to pay wages in spite of cash flow challenges
- Bank Borrowings – Either not available or very expensive
- Health Concern – Guards are posted from hospital to hazardous industry
- Migratory work force – Workers wants to leave the post and go to native place
- Transportation – In spite of critical service, transport is not available.
- Additional Cost in the form of PPE Kits, Sanitizer, Thermometer etc.
- Training – As there is increased level of hygiene and health protection







GOVERNMENT ASSISTANCE

- Declared as critical service that supported in business continuity
- Loan repayment moratorium of 3 months
- Immediate cash assistance by relaxing withdrawal of 3 months' salary from PF corpus
- Banking support by way of increasing the banking limits
- Direction to clients to pay all dues of security companies
- Expediting the payments due to security companies from Government or government owned entities
- Liquidity of 3 Lakhs crores to MSME without collateral
- Creation of additional liquidity by way of Fund of Funds for 50,000 Crs and allocation of 20,000 Crores for distress funding.
- Relaxation in various procedural compliance and decriminalization under companies act.
- And various other measures taken by government will directly or indirectly benefit the industry





OUR RECOMMENDATIONS

The above analysis of survey results clearly confirms that Security companies are continuously engaged in their activities. There are disruptions in specific sectors such as retail, travels, logistics, manufacturing of non-essential items. Sector such as BFSI, Pharma, IT, Food and food processing, manufacturer of essential items are doing better than pre COVID period. Industry support is sector agnostic and hence in some sectors they would be doing better business and in some sector they would be losing the business. Similarly companies whose clients are more in non-disruptive horizon will do better as compared to their peers serving the sector that are suffering. That is the reason the survey reports that there could be business loss to the extent of 40%. 40% loss of business is a big loss that will surely disturb cash flow as well as margin.

We strongly feel that this is the time of survival and each and every company emerging or growing will have to revisit their strategy. There will be advancement on technological front and innovation will be the key for future client expectations.

It will also be pertinent to mention that the interest of workforce should also be protected. There is a pressure on migratory workers and once they move to their village it will become a social-economical challenge to bring them back in short period.

Collaboration as formal or non formal based on strength and weakness will be the need of the hour. There will be a need to complement in some sectors based on geography, innovation, relationship and cost of servicing.



Market will also see a lot of traction for merger and acquisition though there could be value depression. We expect that international players will hover for better acquisition opportunities. Companies irrespective of their size should analyse with care if such opportunity arise then how to respond? Even companies which are financially strong can opt for acquiring companies that provide synergistic values. These values can be inform of geography, client base, management competencies, infrastructure sharing and technical solutions.

Acquisitions have to be fail safe and need lots of specialized skills and experience. Both for buyer and for seller, expertise is needed right from finding the target to negotiating the termsheet, due diligence process and definitive agreement. Post acquisitions there should be proper planning and execution matrix for integration.

Industry players should be receptive to new ideas and new way of working. There could be investment in medical care equipment and accessories and could be one of the supplemental and profitable business verticals.



Outcome of the survey also acknowledged that Central government along with all state governments have been very supportive to the industry and have recognized their importance in nation building. In a civil society to fight with invisible enemy we need war warrior who could save the life and property in a situation that can endanger their own life and livelihood. Security agencies along with their security guards were attending the call of the duty in spite of all odds. Government recognized the commitment and provided the honour of critical service provider.

Industry by using the well equipped platform of CAPS, I should request the government to provide much needed assistance so that Industry continues to be standing on its own feet. In survey many companies are fearing bankruptcy and to our mind that can not be an option.

Government should provide them assistance by way of subsidizing the salary payments to the security guards minimum up to 40% of the salary cost. It should provide relief by way of changing the GST rule from Pay and collect model to either reverse charge mechanism or Collect and pay. Our mathematics confirms that the requirement of cash flow will be reduced by 20% just by changing the rule on GST without incurring any loss to exchequer.

All TDS refund should be expedited and all dues from government in any form should be paid immediately.



Insurance cover should also be extended to security guards, as it has been extended to other CORONA war warriors.

In policy announcement where Government of India under the decisive leadership of Respected Shri Narendra Modi ji, have announced a package of 20 Lakhs Crores almost 10% of our GDP. This is commendable.

3 Lakhs crores of loans provided to MSME, is a very big boon as this is collateral free and can provide much needed relief. Most of our security company will be eligible under this category.

Companies should be very active in finding solution to the cash flow challenges and use all that has been provided as financial support.This is by way of soft loan, withdrawal from Employees Provident Fund, reduction in EPF contribution and postponement of EMIs, GST and TDS etc.

At the outset we must say that security industry should enjoy the moment of pride for being recognized at the high or the highest level. Industry leaders needs to be careful and optimistic and should be looking out for opportunities in the market. For us future seems to be much better than others for business continuity. While finding opportunities we need to look after our people the most vulnerable lot under COVID-19.



CAPSI - A brief

Central Association of Private Security Industry(CAPSI)-TheCAPSIisa National Federal body of the Private Security Industry of India representing interests of 23000 Private Security Agencies and 9 million Guard-force operating in all States of the Republic of India. It was formed in 2005 as a Joint Action Committee of Security Industry in which all National and State based industry associations joined hands to support Private Security Agencies Regulation Act(PSARA).

The CAPSI emerged as efficiently managed body having its Governing Council and National Office Bearers Committee State Chapters were constituted in almost all States to coordinate with State Controlling Authorities and PSAs for effective implementation of the PSARA .

A Board of Governors was formed as a supreme Advisory Body so that policies and strategic planning can be guided by a team of experienced former Army Generals, internationally reputed Security professionals and high ranking officers from the Law Enforcement Authorities. The Executive leadership of CAPSI is provided by Security Entrepreneurs of Second Generation who have achieved excellence in the business of security management in India and abroad. The unique bouquet of experience and entrepreneurship has taken CAPSI to its new height within a period of 13 years, especially after the enactment of the Private Security Agencies Regulation Act-2005.The CAPSI is now playing a leadership role in the formulation of "Global Standards and Best Practices" for Private Security Industry world over. CAPSI was invited by United Nations Office on Drugs and Crime (UNODC) to participate in the "Planning Meeting" for Civilian Private Security Services their Role Oversight & Contributions to Crime Prevention &Community Safety held at Abu Dhabi (UAE). At this meeting CAPSI was taken as the member of the Standing Committee to take this UN initiative further. CAPSIs initiatives and relentless pursuit eventually led to the Parliament enacting the PSAR Act in 2005 which was quickly followed by the States adopting their PSARA Rules,there by taking the first step towards transforming the Industry from a Non-organised one to an Organised Sector. CAPSI coordinates with the Ministry of Home Affairs,

Ministry of Commerce, Ministry of Labour & Employment, Quality Council of India and other departments of the Government of India on matters of Policy formations and industry development . We maintain regular interaction with MHA and State Controlling Authorities to modify their Model Rules in order to ensure Ease of Business for Private Security Sector at all Levels.

The CAPSI has developed a STAR RATING processes and mechanism to grade PSAs in partnership with Quality Council of India.

Now CAPSI is developing International Standards for the Security Guards & Supervisors for training and placement for foreign countries. TheCAPSI members are governed by a Code Of Ethics so that Best Practices are enforced to provide quality delivery of Services to the Service Takers.

Recently the Government of India declared Private Security Services as "Essential Services"giving the PSI a most desirable status. The CAPSI had been organising National Conferences and State Conference of it's membership so that governmental policies and Skilling initiatives can be discussed. New Partnerships with foreign based security organisations are being forged to bring well structured growth of the PSI to meet new challenges and opportunities.







AKMV - A Brief

AKMV Consultants Private Limited is a boutique consulting firm focused on security services. It provides strategic consulting to security companies and help them grow. It also helps emerging companies to participate in value chain by way of merger and acquisition, fund raising and strategic tieups.

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Protect yourself and loved ones from coronavirus.

Wash your **hands** regularly with **soap** and **water** or use an **alcohol-based** hand rub.



Cover your mouth and nose while **sneezing** or **coughing**.



Avoid close contact with anyone who has a cold or flu-like symptoms.



If you have fever, cough and difficulty breathing, **seek medical care early**.



Central Association of Private Security Industry

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