

Private security services in India

2015



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Foreword

The private security industry has assumed an important role in recent years. It was the opportunity and nature of the private security industry which enabled employment to a hitherto large section of the populace, which, if not employed in this industry, may have remained outside the fold of formal employment. It is in this sense that contribution of the private security industry to employment generation in India is unique. The industry presently provides employment to nearly 7 million people. With the growth of urbanisation in the country and the changes in the perception of security by governments, business houses and citizens, this industry is poised to register a substantial CAGR in the near future. Particularly important is the Government's focus on development of Smart Cities in the country and the need of more security personnel.

In the context of current policy and regulatory developments in the country, the private security industry is destined to continue to play an important role. The Hon'ble Prime Minister's emphasis on "Make in India" will encourage foreign capital into manufacturing and other such industries. This will not only trigger demand for private security personnel, but will compel industry to adopt processes and practices in sync with international standards. Added to this, the government's emphasis on "Digital India" will introduce new security technology into the industry. This will not only enable entry of technocrats into the sector, but will also provide an opportunity for dispersal of technical knowledge and professional expertise to otherwise not so technical job roles.

The private security industry in India is estimated to be some INR 400 billion, and is expected to grow exponentially at a CAGR of 20 per cent. The private security companies have a pan India presence. Though more prominently present in the Tier I and Tier II cities, the industry operates in about 550 districts of the country, and is expected to develop more as the fruits of development percolate from the districts to the block and village levels. This is indeed a sunrise sector, with potential to be the second-largest employment generator in the country and a major source of revenue for the exchequer by way of taxes.

The FICCI–Grant Thornton report is an attempt to address various issues affecting the industry. I am confident that the information presented in this report will serve as a valuable reference to all stakeholders.



A. Didar Singh
Secretary General,
FICCI

Foreword

Growing urbanisation, coupled with retail boom and increased concerns regarding security of men, money and material has led to rise of organisation under the umbrella of private security segment in India.

The Indian security industry was INR 40,000 crore in 2014 and is expected to reach INR 80,000 crores by the year 2020. This growth is fuelled by creation of additional infrastructure like industrial complexes, public infrastructure, residential complexes and the humungous opportunity presented by government initiatives like ‘Smart Cities’ and ‘Make in India’.

The private security industry in India also provides employment to more than 70 lakh people, which is expected to rise manifold as the size of the industry increases.

The Indian security industry, which primarily comprised man-guarding is now witnessing a shift towards cash management and electronic surveillance.

Grant Thornton India LLP and FICCI, through this report bring to you an in-depth analysis of the Indian security industry along with a broad global perspective. The report also provides an analysis of the industry break-up of key players and their outreach. We hope this report will draw attention of its readers and policy makers towards sustainable development of security space in context of today's India.



Rahul Kapur
Partner,
Grant Thornton India LLP

Experts' views

The private security industry is expanding phenomenally and is in a bullish state, growing at a pace of 18 – 20 percent and will continue to do so in the coming years. Reflecting the growth segment, the industry is moving towards consolidation, and credible firms will emerge as market leaders. While this sector is country's largest corporate tax payer, it has also emerged as a significant component of the Indian economy. It will continue to lure investors, both international and domestic. This sector also contributes to the generation of large scale employment and life skill training, to a segment which is educationally challenged, hence it's critical that the government should be sensitive and considerate while formulating and implementing laws such as levying of service taxes.



Major Manjit Rajain
Chairman, Peregrine
Guarding And Group
Chairman, Tenon Group of
Companies

The sector seems to have a very positive outlook both from an organic and an inorganic growth perspective. Due to continued thrust on infrastructure development, the industry has a huge potential to grow organically since it is an ancillary service which is required both at infrastructure development stage and also at maintenance stage. On the inorganic growth front, there is a huge opportunity to consolidate the market as there are large number of small firms that present themselves as attractive targets. This will help capture bigger share of the pie of the industry. While valuation mismatch and concerns around corporate governance may be an obstacle to the domestic M&A, a few small firms may not be able to survive the increasing quality and transparency expectations from the customers. Funding domestic transactions might be a challenge, however pickup in alternate buy out financing by PEs will be a definite option.



Prashant Mehra
Partner,
Grant Thornton India LLP

Experts' views

The private security companies, today, are growing exponentially with constant innovation and technology adoption in their services, but it seeks to extend the FDI limit to fuel this growth and invite funds from the global market to drive this momentum. Though security companies are one of the major employment and tax generators for the government, they are yet to be recognised with 'industry' status, we are in need of continuous up gradation of workforce skillset through various schemes of the government specific for security industry.

Further, Indian private security companies are operating by securing only non-critical sectors unlike other developed countries. In India, critical public utilities, large scale events, high profile individual's security are still managed by the police officials, who can otherwise be utilised for their core responsibilities of law and order, unlike globally where majority of non-policing activities are managed by private security companies. We believe that the government needs to encourage Public-Private Partnerships (PPP) for the aforementioned public places, events, personalities and other projects demanding security services.

Indian economy is clearly on the road to recovery. Globally, private security business has grown 1.5 times to 3 times of the GDP. With the push for 'Make in India' campaign, revival initiatives for coal, power and mining sectors and infra spend outlay, the macro environment is very favourable for private security sector. We already witnessed traction amongst our customer base and the overall sentiment has been positive. Keen interest of private equity investors and consolidation play in the sector is simply validation for the strong fundamentals in this sector. Private security sector has the unique capacity to marry high growth with high RoCE, making it a preferred sector for investors. I am bullish that the next billion dollar security enterprise shall emerge from India. Within the next 3 years, we will also witness multiple cross border deals by Indian companies.

If we are looking for insurance against theft, arson, loot, destruction, we will find it in our security services. If we are sincerely looking for a place of safety, for real security and success then we should begin to turn to the private security services. Picking the right security provider can really save our assets. Quality brings security and confidence.



Ramesh Iyer
Vice Chairman and CEO,
TOPS Group India



Rituraj Sinha
Group COO
SIS Group Enterprises



Vikram Mahurkar
MD Checkmate Group
of Companies

Executive summary

The private security sector is among the fastest growing sectors which has witnessed significant growth since 2010 and is expected to continue its growth through 2020. Global demand for private contract security services is likely to increase by 7.4 percent annually and reach US\$ 244 billion (INR 15.86 lakh crore) in 2016. The demand for security services is fuelled by an increasing rate of urbanisation, improving foreign investment activity and growing middle class owning assets they wish to protect. Fear of terrorism and crime has also fuelled this demand.

It is expected that security industry segment will rapidly grow in the developing parts of Asia, Eastern Europe, Africa and the Middle East, where security markets are relatively underdeveloped. In fact, several markets including China, India, Mexico, Russia and South Africa are expected to achieve double digit annual growth through the year 2016.

With the growth of Indian economy over the last two decades, the need for security arrangements has grown manifold. There has been significant investment in large scale infrastructure projects, industrial set ups and in various urban landscape developments such as industrial complexes, offices, IT parks. Development has also been witnessed in public infrastructures such as airports, metro stations, shopping malls and other public utilities which have created a direct demand for private security services.

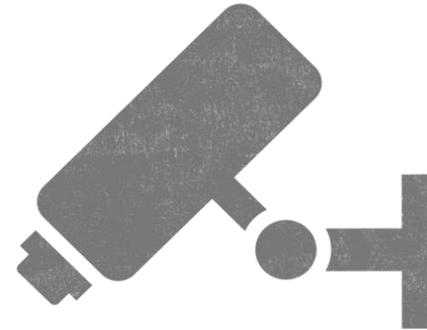
Some of the key elements for the industry are:

- Indian security services are expected to increase from a level of INR 40,000 crore (2014) to INR 80,000 crore in the year 2020
- Private security services are expected to increase at a rate of 20 percent over the next few years.
- Cash services segment of the industry is expected to increase by 25 percent
- The industry is expected to generate 50 lakh jobs by the year 2020

Some of the major firms in the industry in India are Peregrine, Securitas, G4S, Security and Intelligence Services India (SIS) and Tops. All these five companies collectively generate a revenue of INR 2212.68 crores.* Moreover, SIS, Securitas and Peregrine have registered the highest growth of more than 30 percent in the last five years.

The security providers in India have a pan India presence. However, they are more prominently present in tier I and tier II cities. With increase in the development of tier III cities, there is a significant demand for private security services in India, primarily in the tier II and III cities.

Private security services - overview and need



What qualifies as private security

A

Definitions

- 'Private security' means security provided by a person, other than a public servant, to protect or guard people or property or both and includes provision of armoured car service. Also, 'private security agency' means a person or body of persons, other than a Government agency, department or organisation engaged in the business of providing private security services including training to private security guards or their supervisor or providing security guards to any industrial or business undertaking or a company or any other person or property.

- **By Private Security Agencies Regulation Act 2005**

- Private security industry, as defined by some of the experts means all type of private organisations and individuals providing all types of security related services, including investigation, guard, patrol, lie detection, alarm and armored transportation. Private security is more than just a 'private police' as it not only provides protection against crime but also against three additional threats namely accident, error and unethical practice.

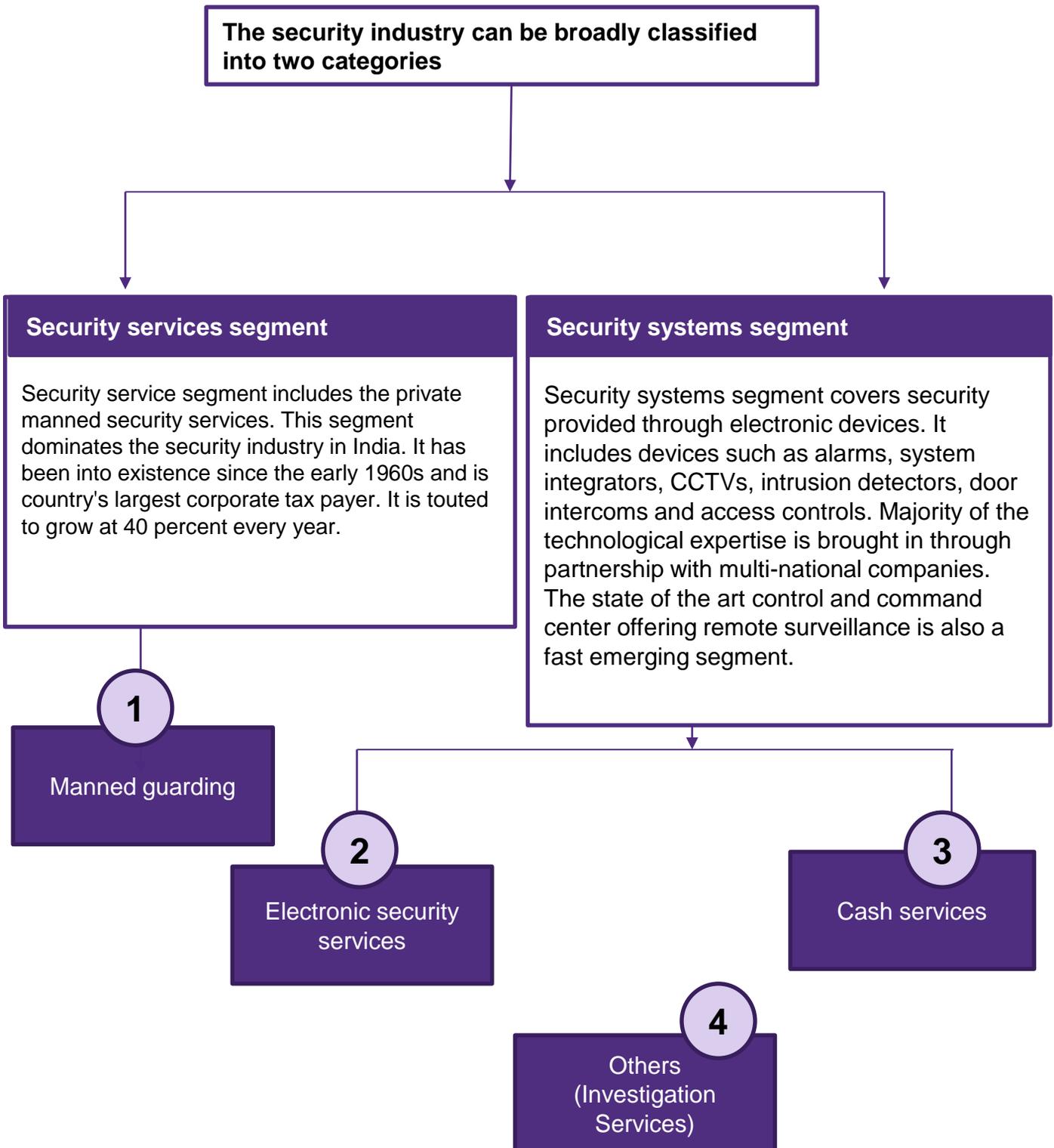
- 'Private Security Services' means the performance of at least one of the following activities:
 - Observing and reporting unlawful activity
 - Preventing or detecting theft or misappropriation of goods, money or other items of value
 - Protecting individuals or property, including but not limited to proprietary information, from harm or misappropriation
 - Controlling access to premises being protected
 - Securely moving prisoners
 - Taking enforcement action by detaining persons or placing persons under arrest
 - Providing canine services for guarding premises or for detecting unlawful devices or substances

- **By Oregon Law**

- Private security company is the one which provides armed and unarmed security services and expertise to private and public clients. These companies are primarily engaged in providing guard and patrol services such as bodyguard, guard dog, parking security and other security services. These services can be broadly described as the protection of personnel and/or assets. Examples of services provided by these companies include the prevention of unauthorised activity or entry, traffic regulation, access control, and fire and theft prevention and detection.

Classification of private security industry

Security is one of the most important concerns in setting up a residential property, school, hospitals, malls, social gatherings, etc.

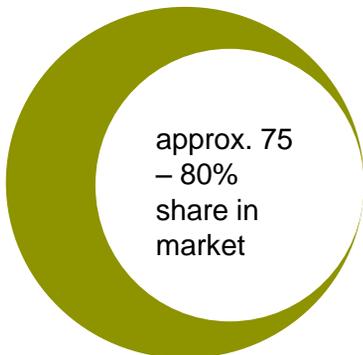


Manned guarding

1

- Manned guarding implies providing guarding services in client premises against unauthorised access or occupation, and guarding property against destruction and damage
- Globally, and in India, manned guarding is the key segment in private security services space followed by cash services. It is the largest segment in the security service industry and pertains to provision of manpower to secure premises and individuals. Even in a commercial environment where technology is everywhere, the physical presence of an on site security officer can never be underestimated

- Manned security accounts for the largest share of security services market with a range of approximately 75-80 percent share



- Factors for increase in the proportion of organised market are
 - Strict enforcement of regulations such as minimum wages, provident fund norms, gratuity, insurance etc.
 - Increasing trend of providing training to the security guards, in which organised sector players are better positioned
 - More preference for organised players by the customers

- Key industry user segments are:

Manufacturing

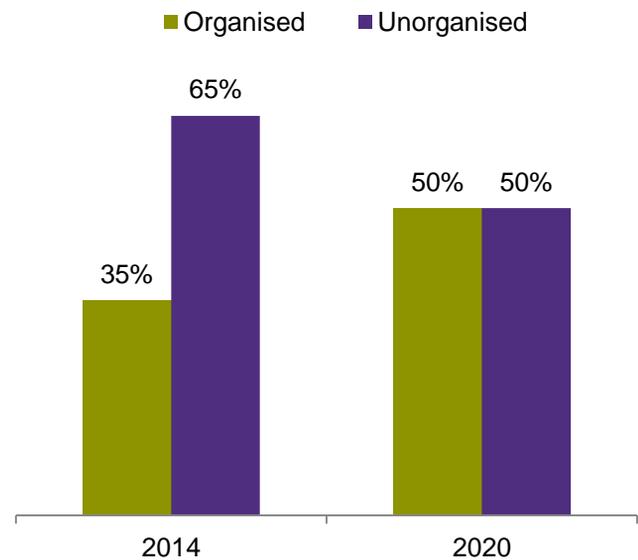
Retail

Commercial

IT

Residential

Manned guarding –industry structure



- The manned guarding segment of the industry has become much more organised in recent years. In the year 2014, only 35 percent of the industry was organised which is expected to reach at a level of approximately 50 percent in the year 2020

Manned guarding

- Relevant activities within manned guarding include:

Surveillance and protection of facilities

Transport security

Security checks

Close monitoring and protection

Crowd management

Event security

Background verification

Executive protection

- Round the clock manned security services ensure that there is a visual deterrent on-site, with potentially little or no delays in the response to incidents. To summarise, the advantages of manned guarding over technology related security service are:
 - It provides visual deterrent from crime, trespassing and vandalism events
 - Incidents reported by a human are considered genuine and not false alarms
 - An on-site response to water, gas or electricity faults
 - General inspection and management services
 - Real-time surveying of CCTV footage
 - Alarm system surveillance
 - Manned guards are more alert to a possible breach of security
- Some of the leading firms in this segment of the industry are:
 - **G4S**
 - **Peregrine**
 - **Securitas**
 - **Tops**
 - **SIS**

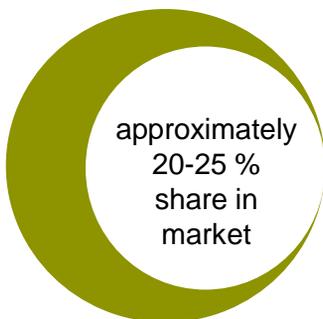
Cash and Electronic security services

Cash services

2

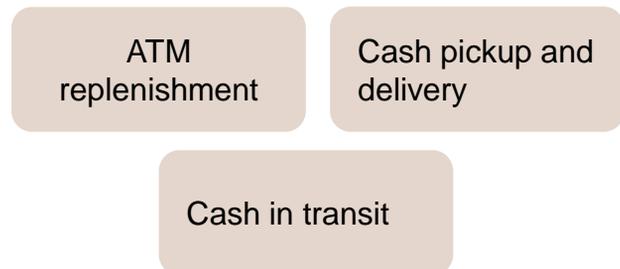
- Cash services are provided to banks for safe transit of cash in the banking network . They are also provided to large corporates and retail customers for collection of cash and valuables
- Cash services is a relatively small but rapidly growing segment. It is predominantly an organised segment in the security service industry. 90 percent of it is organised

- Cash and electronic security services account for the remaining part of the security services market with approximately 20-25 percent share.



- Some of the firms in cash services segment are **BRINKS, SIS, Writers Safeguard, SMS and ISS-SDB**
- There has been an increase in demand for cash services, reasons being
 - Increase in number of ATMs
 - Opening of new bank branches
 - Growing penetration of debit cards

- Relevant activities within cash services include
 - ATM replenishment – involves providing cash replenishment and first line maintenance services for ATM network of banks
 - Cash in transit- involves movement of cash and high value items within a bank's branch network
 - Cash pickup and delivery - involves secure pickup and delivery of cheques for large corporate houses, and their business outlets and various retail outlets
- However, this segment faces the following challenges :
 - Market is not mature
 - High risk, low return business
 - Issues with weapon licensing
 - Issues of Insurance
 - Passing of liability
 - No minimum standards or guidelines
- Key industry user segments are:



Banking industry

Financial Industry

Retail

Other public infrastructure

Cash and Electronic security services

Electronic security services

3

- Electronic security services include services such as system integration, operations and maintenance of electronic security products in customer premises
- This segment includes large original equipment manufacturers with proprietary products and a large number of system integrators. Security service companies typically provide electronic services as an add on to their existing customers, and are involved in installation, monitoring and maintenance
- The electronic security services market is driven by a sustained threat perception and investments in both public and private infrastructure
- A new segment is emerging where artificial logic base intelligence is used to provide high level of preventive security control through command and control centers

- Below are some of the players in electronic security services segment of the industry:

- Brinks
- Soteria
- Modern Informatics
- Securens
- IBM
- Hikvision
- Aditya
- HCL
- Wipro
- NIIT
- TCS
- Delta
- Schneider Electricals
- Honeywell
- AECOM

- Relevant activities within electronic security services include:

CCTVs

Alarm systems

Access control systems

Other electronic equipment

Command and Control Centers

- Key industry user segments are:



Office complexes

Retail

Airports

Other public infrastructure

Banking

Warehouse

Segments and importance of private security services

B Segments of private security services are:

Core segments include:

- infrastructure security
- personnel security
- information systems security
- investigations
- loss prevention
- risk management
- IPR
- legal aspects
- fire protection
- crisis management
- disaster management
- counterterrorism
- emergency and contingency planning
- competitive intelligence
- executive protection
- violence at the workplace
- crime prevention
- security architecture and engineering
- security audit

C Importance of security industry

The private security industry is a crucial component of security and safety in the world. Today, private security is responsible not only for protecting the nation's property and critical infrastructure systems, but also for protecting intellectual property and sensitive information. In the present scenario, many countries rely on the private security services for a wide range of functions including protecting employees and property, conducting investigations, performing background verification, providing information technology security and many other functions. These services are used in a wide range of markets, from commercial to resident. Some companies hire their own security personnel, whereas others contract with security firms for these services or use a mix of services- both proprietary and contract staff.

"The second most important need after food and shelter is the need for protection and security. That comes even before the need for love, social esteem and self growth. Believe it or not; ask yourself and you'll know it's true."

Abraham Maslow, a renowned psychologist

Need for private security services

D Need for security services

1 Growing Urbanisation and Globalisation

- There has been an increasing trend in urbanisation, growth in the industry sector, and job creation, which has directly impacted the need for security services
- In the year 1950, only 30 percent of the world's population was residing in urban areas
- The percentage of population residing in urban areas increased to 54 percent in the year 2014 and is expected to reach a level of 66 percent in the year 2050
- The GDP per capita of developed countries like USA and UK are US\$ 53,042 and US\$ 41,787 respectively. Also the GDP of developing countries like India and China is US\$ 1,499 and US\$ 6,807 respectively.¹ There has been an increase in the GDP per capita of all these countries, which has led to increase in the spending pattern on luxury items. Thus, leading to increased demand for security services

2 Frequent terror attacks

- Since the year 2000, there has been a five fold increase in the number of people killed due to terrorism
- In the year 2013, the number of deaths due to terrorists activity was 17,958 as compared to 11,133 in the year 2012; an increase of almost 61 percent²
- The number of countries that experienced terrorist activities were 87 in the year 2013 as compared to 81 in the year 2012

3 Shortage of police personnel

- The number of police officers available to cater the increasing population has been low
- The global average rate of police personnel declined from 305 in 2012 to 297 in 2013 per 100,000 population
- There is slow response at the end of police personnel at the time of security breach. Moreover, police cannot protect each establishment

1. World Bank

2. Global Terrorism Index Report, Institute for economics and peace

Need for private security services

4 Increase in crime rates

- Globally, there has been an increase in crime rates
- International homicide caused the deaths of around 437,000 people across the world in the year 2012
- The global average homicide rate stands at 6.2 per 100,000 population³

5 Increasing crime against women

- There has been increase in the crime rate against women
- The number of sexual offences have almost doubled in the last decade
- The number of cases of sexual violence in the year 2003 were 220,049 which increased to 426,338 in the year 2012⁴

6 Increase in number of banks

- There has been increase in the number of banks and bank branches in the last few years, which has directly resulted in increase of security services
- For example, in India the number of branches of scheduled commercial banks have increased from a level of 68,681 bank branches in 2006 to 102,343 bank branches in 2013
- Similarly, the number of ATMs have also increased globally, creating the direct demand for increase in security services

3. Global Terrorism Index Report, Institute for economics and peace

4. Reserve bank of India

Rise in demand for private security services in developing nations

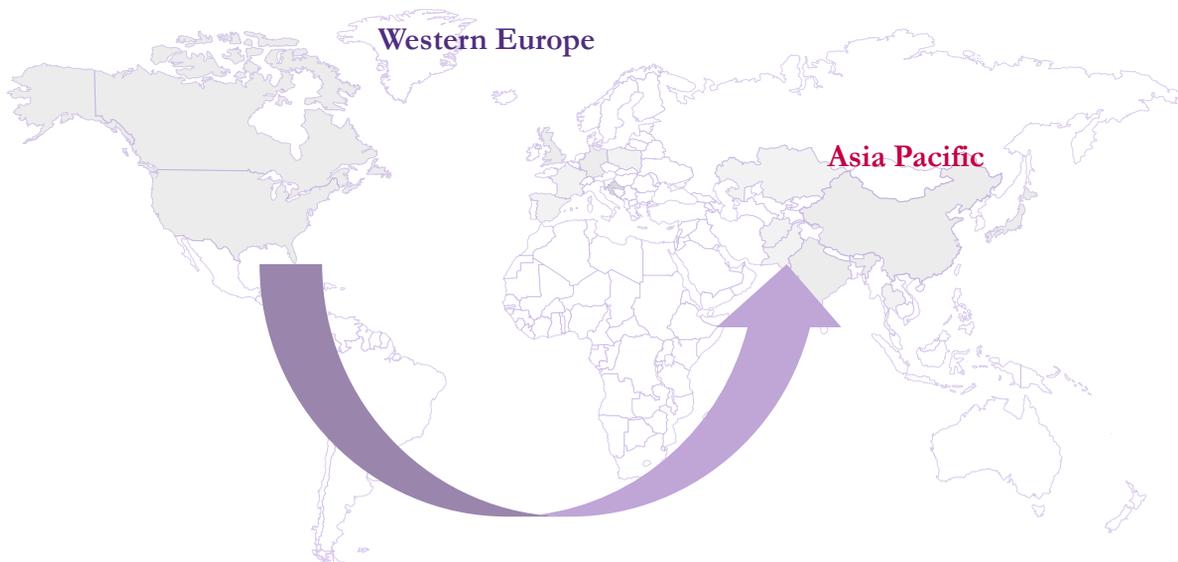
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Shift of private security industry from developed nations to developing nations

There has been a shift in the demand for private security service industry from the developed nations to the developing nations in the last 10 years. The gainers would be developing parts of Asia, Eastern Europe, Africa and the Middle East where security markets are relatively underdeveloped. In fact, several markets including India, China, Mexico, Russia and South Africa are expected to achieve double digit annual growth by 2016.

Demand for security services shall be sustained by improved economic activities, growing construction activities in various segments particularly in developing nations, with rising urbanisation and higher per capita income supporting demand in developing nations. Also, manned security dominates demand in developing nations, the developed markets are focusing more on electronic security services which are more widely used in the US, Canada, much of West Europe, Japan and South Korea.

North America



There is an overall trend of shift in market share from western countries to Asia Pacific. Between 2002 and 2019 there is a steady increase in Asia Pacific market and fall in North America and Europe markets.

Indian security industry

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Indian security industry

The private security industry in India has now become an important sector. With the growth of the Indian economy over the last two decades, the need for security arrangements of industrial complexes, offices, IT parks and other public infrastructures such as airports, metro stations, shopping malls and public utilities has grown manifold

The Indian integrated security industry has been broadly classified into:

- **Manned guarding** is the largest segment in the security space and is a human resource intensive segment. It provides security for premises and individuals. Activities under the umbrella of manned guarding include surveillance and protection of real estate properties including industrial, commercial and infrastructure facilities, security checks, crowd (event) management among others
- **Cash services** is a growing segment considering the stringent requirements of safety of money form the principal employers. The activities under this umbrella include provision of secured logistics for cash and other valuables from banks and other corporate entities. While there are specialised cash services players, this segment is primarily dominated by the organised players which also manned guarding services
- **Electronic security services** have vast scope for growth, though currently they are significantly small in comparison to manned guarding. They are primarily catered by large international OEMs-and building solutions provider. Security service companies provide electronic security services and are also involved in installation, monitoring and maintenance
- A new segment is emerging that provides security through sophisticated intelligence technology and platform



Factors favouring demand for private security services in India

1 Low police to people ratio (number of policemen for every one lakh people)

- This ratio is low in comparison to the ratio as recommended by the United Nations. UN recommends a minimum number of 222 policemen for every one lakh people. To cater to the shortage of government security personnel in the form of policemen, there has been a rise in the demand for private security services
- India's police to people ratio is not very favourable. Hence, it has directly created a demand for an alternative source of security service. The current police to people ratio in India is 131, which means there are only 131 policemen for every one lakh people
- Also the police to people ratio at present is even below the ideal number of 176 policemen for every one lakh people, as instructed by the Bureau of Police Research and Development under the Ministry of Home Affairs

2 High global terrorism index (direct and indirect impact of terrorist activities)

- The increase in terrorist activities in India has raised alarms for correspondingly increasing the security services in India. India ranks sixth out of the 162 countries in terms of terrorism. The score of India is 7.86 out of 10 in terms of terrorism⁵
- The total number of incidents occurred in the year 2014 were 1545, the bifurcation being 624 of terrorist activities, 404 number of killings, 619 injury incidents and 158 property damages
- People have started feeling unsafe and insecure due to the increase in the number of terrorist activities around the country

3 Increase in crime rate

- Increase in crime rate in India is also one of the factors that has led to a rise in demand for private security services. There has been increase in the number of crime incidents that have occurred in the last few years
- The total number of complaints received by police and cases registered under IPC and SLL were around 66.40 lakh in the year 2013 as compared to 60.41 lakh cases in the year 2012⁶

4 Increase in the number of public events

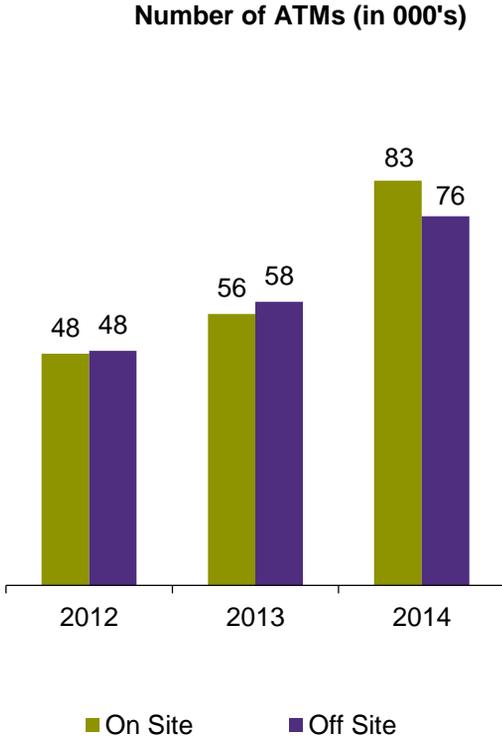
- In India, the number of instances of public events have also witnessed a significant growth, creating a direct need for the private security services in the form of crowd management and security
- Sports events such as Indian Premier League, Hockey India League, Badminton League attract huge crowd and eventually create a direct demand for increased security
- The country has also witnessed increase in the number of entertainment related events which are again substantial crowd puller events. These events are inevitable to manage without the involvement of private security agencies

5. Global Terrorism Index Report, Institute for economics and peace
6. National Crime Records Bureau, Ministry of Home Affairs

Factors favouring demand for private security services in India

5 Drivers for cash services

- Increase in cash services has also led to direct need for private security services in the country. The increase in the number of ATMs across the nation has led to a direct increase in demand for private security services. The number of ATMs in India has increased from 95,686 in the year 2012 to 158,891 in the year 2014
- Along with the increase in ATMs, there has been a corresponding increase in the number of debit and credit card transactions which has forced the banks to increase their security services. The number of ATM transactions in the year 2012 were 47.12 crore, which increased to 57.18 crores in the year 2014
- There has also been an increase in the amount of transactions over these ATMs triggering the need for better and increased security services. The amount of transactions done over the ATMs across the country in the year 2014 were 179,776 crore as compared to 131,838 crore in the year 2012
- Moreover, the number of banks and bank branches have also increased in the last decade, creating demand for manned guarding and CCTV surveillance. In India, the number of branches of scheduled commercial banks have increased from a level of 68,681 bank branches in 2006 to 102,343 bank branches in 2013



Source: Reserve Bank of India (RBI)

6 Increasing crime against women

- The increase in crime rates against women have also increased the demand for security services in the country. The total number of crime incidents reported against women were around 309,000 in the year 2013⁷
- The rate of cognisable offences per every one lakh women has increased from a level of 41.74 in the year 2012 to 52.25 in the year 2013
- The increase in number of incidents against women has raised questions about the security of the women in the country and has therefore triggered the rise in the demand for private security services

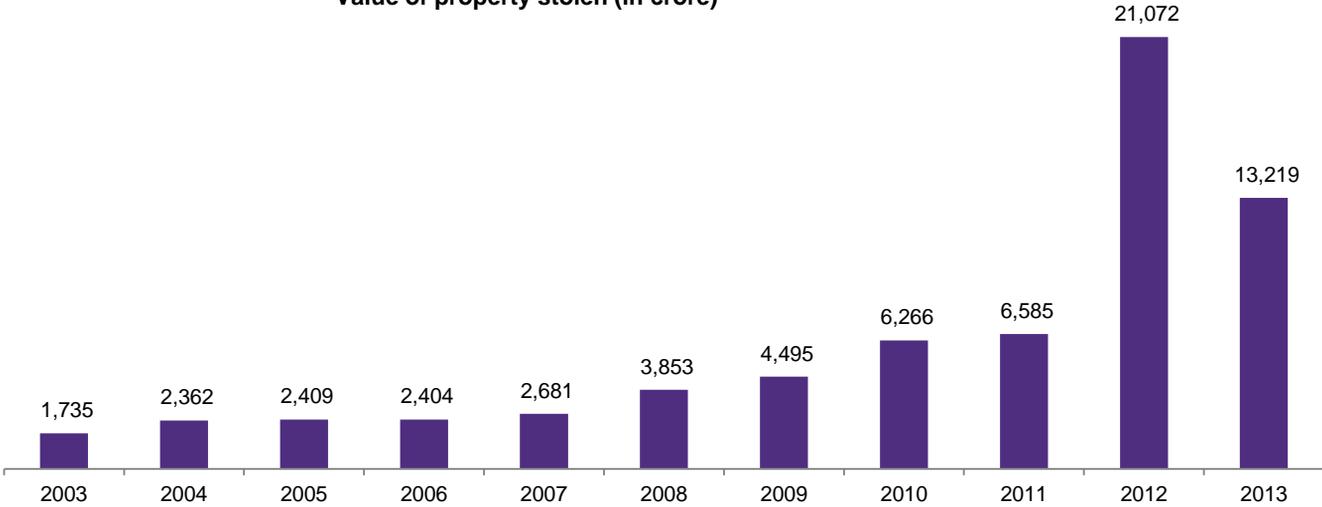
7. National Crime Records Bureau, Ministry of Home Affairs

Factors favouring demand for private security services in India

7 Infrastructure related crimes

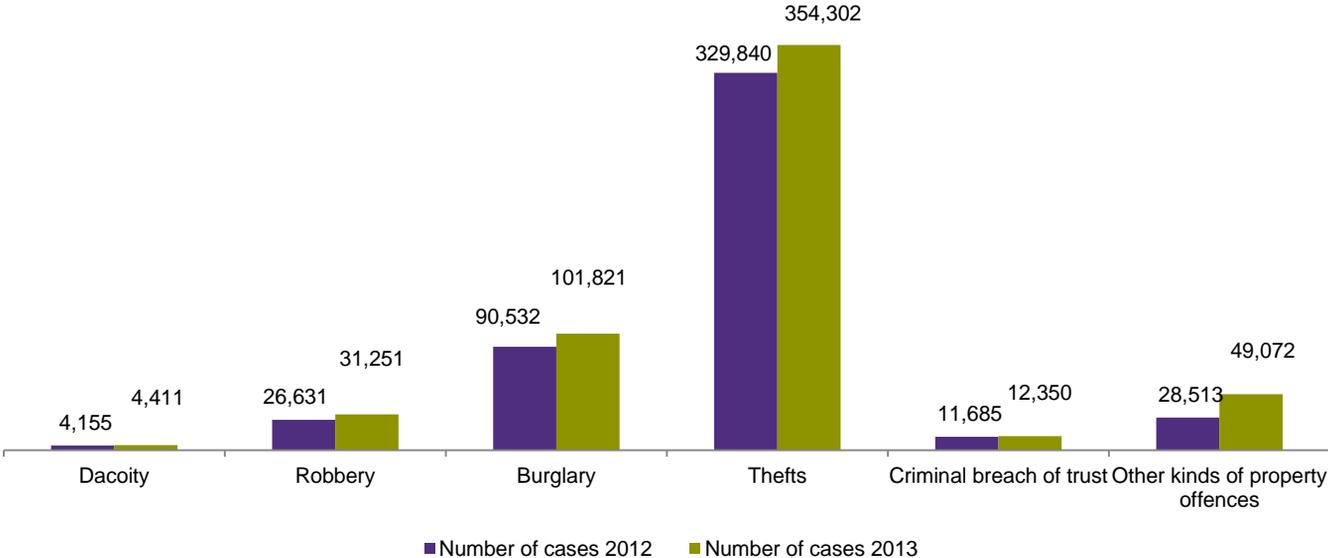
- There has been an increase in infrastructure related crimes across the nation
- The value of property stolen has increased from 1,735 crore in the year 2003 to 13,219 crore in the year 2013, an increase of almost 7.6 times

Value of property stolen (in crore)



- There has been an increase in the number of property offence cases. The total number of infrastructure related crime cases registered under different crime heads in the year 2013 and 2012 are:

Property related criminal cases (2013)



Source: National Crime Records Bureau, Ministry of Home Affairs

Factors favouring demand for private security services in India

8

Growing urbanisation (number of policemen for every one lakh people)

- Construction is the second largest economic activity in India after agriculture, and has been growing rapidly
- Construction services require a lot of security services primarily manned guarding
- Increase in townships, housing, built-up infrastructure and construction development projects
- The number of hotels, malls, hospitals, religious places and other public places have shown an increase in the last few years, and a lot of private security services are required to cater to the security of these places

9

India, the land of pilgrimages (direct and indirect impact of terrorist activities)

- India has a lot of holy places where people go for pilgrimage and security of these places is a concern
- The increasing number of footfall at religious places has led to the increase for demand of private security services
- Also, the country has witnessed an increase in number of religious riots in the last few years.
- The number of foreign tourists arrivals in India in 2013 were 69.7 lakh, as compared to 65.77 lakh in the previous year 2012

10

Government initiatives

- Compulsory security in schools
 - The Ministry of Home Affairs has issued compulsory security guidelines
 - Each school gate should be manned by at least 3 security guards on a 24 hour basis
 - Installation of CCTV systems all along the boundary as well as some additional locations inside the premises
 - Currently, there are around 15 lakh education institutions in India. So, there is a huge scope for the growth of private security services
- Increased emphasis on women security
 - Government has laid emphasis on women security to eliminate the crime against women
 - Some of the states are planning to set up Mahila Suraksha Dal or Women Security Force. The other states may want to replicate it
 - There are also plans of having 5000 bus marshals to prevent and deter crime in public transport
 - The Delhi Government is also planning to install CCTVs in public spaces and buses
 - This will lead to increase in demand for private security services in India

Factors favouring demand for private security services in India

11 Future opportunities - Government initiatives like Smart Cities and Make in India

- With the introduction of Smart Cities initiative by Government of India, around 100 smart cities are envisaged by the government with a total public investment of around INR 48,000 crore. Public safety and security shall be paramount for city administrations. This would include protection against crime, natural disasters, accidents or terrorism. The concept of smart cities imbibes the four principles of planning viz. physical infrastructure, social infrastructure, institutional infrastructure and economic infrastructure. Institutional infrastructure has laid down security as one of its important pillars
- Also with 'Make in India', the growth of industrial sector is inevitable. Hence, the opportunity for private security services in these greenfield as well as brownfield projects is significant
- The newly built smart grids and related infrastructure shall need protection from attacks that could cause severe stoppages to cities, public communities, industrial sites and essential services

12 Increased concern for personal safety

- With the increase in the high income level category, there has been a direct growth in the need for private security services
- More people have started feeling the need of increased escort services and personal guards
- Home guarding has also witnessed a significant growth in the last few years
- Increased urbanisation and job opportunities for women have also resulted in increased opportunity for escort services that include trained security personnel

13 Potential for increase in security advisory services

- There is a potential for the Indian security industry to enter into security advisory services which shall include travel and event security, risk management and crisis management services

14 Low cost of services

- The cost of services for private security services has been low due to the following factors
 - Increased corporatisation
 - Increased awareness for private security services
 - Increased globalisation
 - Adherence to standard operating procedure by global companies

Untapped sectors for India – learning from global market

Some of the areas where private security companies are present globally are mentioned below:

- **Europe:** Private security services are used for transporting prisoners and guarding prisons.
- **United States:** Private security firms in the US provide services for critical infrastructure like airports, railways, conducting passenger and baggage checks
- **Australia:** Private security personnel are employed in controlling traffic within cities
- **Canada:** The largest employers of private police forces in Canada are the railways for the two rail carriers, Canadian Pacific Railway and Canadian National Railway
- **United Kingdom:** Port authorities in the UK hire private security personnel in the port police force
- **Gulf region:** Private security firms provide a wide range of services including personnel security detail, security escort teams, fixed site guard forces, as well as security services with radio communications capability

The examples stated above may be considered as a learning for India and even the critical areas may be opened up for private security sector.

Select examples below present a snapshot of how private security industry is taking up a bigger role and venturing into critical areas as well as growing globally. It is paving a path that can be followed by others along with providing a reflective trend towards efficient utilisation of our forces by making private security an extended arm of these forces. Some of the examples of this trend where private security service is venturing into critical areas are listed:

- **Coast guard surveillance and primary protection: Australia**
- **Guarding nuclear power plants: Germany, France**
- **Guarding military compounds: Germany**
- **Guarding standstill traffic: Austria, Germany**
- **Productions of I.D. cards as well as supporting fire brigade services: Sweden**
- **Watching over fishing quotas: Netherlands**
- **Airport security control: Belgium, England, Germany, Sweden**
- **Prisoner transportation, building of and running prison facilities: Great Britain**

Major firms in India in private security services

Some of the major firms in India in the field of private security services are

- G4S
- Peregrine
- Securitas
- Tops
- ISS - SDB
- SIS
- Sentinel
- Brinks
- Checkmate



Peregrine

Background

- They have 71 offices in 29 states and 7 UTs with extensive geographical reach in over 11,000 locations
- Expertise in transport security with more than 9 lakh escort trips at PAN India level with zero incidence annually
- Non-unionised work culture with zero litigation
- Stable and experienced management
- Part of the London Stock Exchange listed Mortice Limited
- Expanding globally
- First Indian member of ASIS, also holds membership of CAPSI and APSA
- It provides services in India, Singapore & United Kingdom

Services offered

- Manned guarding
- Executive protection
- Canine squad
- Event security
- Security survey and consultancy
- Command and control center
- Security audit across industries
- Specialised women security through escort guarding
- Recruitment and placement
- Facility management through group company
- Knowledge based security advisories and white papers
- Electronic security, surveillance and monitoring

Clients

- **Accenture**
- **GM**
- **Vodafone**
- **ICICI Bank**
- **Leela,**
- **Convergys**
- **Mercedez Benz**
- **Airtel, HSBC**
- **JW Mariott**
- **Sun Pharma**
- **Rapid Metro**
- **Vedanta**
- **Sumitomo**



Securitas

Background

- Securitas is present in India since 2007, through a partnership with Walsons Services Pvt. Ltd
- It has organised its operations in a flat structure divided into 2 regions geographically:
 - Securitas India: North and East
 - Securitas India: South and West
- Securitas has offices across 11 cities in India

Services offered

- Event security
- Executive protection
- Specialised guarding
- Safety services
- Transport security
- Background verification

Clients

- **Hilton Garden Inn**
- **Metlife**
- **Wipro**
- **Adidas**
- **Adobe**
- **PVR**



Background

- G4S has completed 25 years in India. It had started its operations in India in 1989
- It is the leading security service providers in India offering a wide spectrum of services to its clients
- Today, G4S has a strong nationwide network of 8 hubs and more than 160 branches
- G4S operates in more than 125 countries with a workforce of nearly 6,57,000 employees worldwide

Services offered

- Secure solutions
- Security systems
- Cash solutions
- Facilities management
- Garment manufacturing
- Recruitment and placement
- Aviation security
- Event security solutions

Clients

- **WHO**
- **HCL**
- **World Bank**
- **Glaxo Smith Kline**
- **Axis Bank**



Security and Intelligence Services India (SIS)

Background

- SIS commenced operations in 1974 as a specialised guarding company
- In the year 2005, SIS entered the cash management service segment
- CRISIL awarded 'SME1' rating to SIS
- SIS has a pan India presence with 192 branches across the country

Services offered

- Manned guarding
- Cash logistic
- Electronic security solutions
- Consulting and Investigation services
- Mechanises cleaning
- Pest and termite control
- Training programmes

Clients

- **RBI**
- **Delhi Metro**
- **Coca Cola**
- **Nestle**
- **Reliance**
- **Ambuja Cement**
- **Oberoi Hotels and Resorts**



Background

- Tops started its operations in India in the year 2007-08
- Tops has its offices in almost every state of the country. It has its Indian headquarters in Mumbai
- It is an ISO 9001:2008 certified total security solutions group
- Tops group operates out of 120 offices around the world and is globally headquartered in London ,United Kingdom

Services offered

- Manned guarding
- Systems integration
- Investigations
- Consultancy and training
- Facility management
- Emergency response

Clients

- **IBM**
- **Jaypee Group**
- **Chhatrapati Shivaji International Airport**
- **Essar**
- **Aditya Birla Group**
- **Yes**



Checkmate

Background

- Checkmate has been into operations for more than 25 years
- Checkmate has its offices in 26 states in the country with its headquarters in Vadodara
- It received ISO 9001:2008 quality certification in the year 2007
- Checkmate operates through 60 regional and subsidiary branches with a strong workforce of 30,000 guards

Services offered

- Security and survey
- Recruitment and training
- Site and venue layout consulting
- Transport, traffic and pedestrian management
- Crowd management and segregation management
- Operational communications
- Emergency management
- General safety and hazard identification

Clients

- **Aircel**
- **Aegis**
- **Union Bank**
- **Ranbaxy**
- **Videocon**



Premier Shield

Background

- Premier Shield was incorporated in the year 1976
- It provides services in countries of South Asia, Middle East, Africa and America
- It is a leading ISO 27001:2005 and ISO 9001:2008 certified company
- It has more than 100 offices covering 350 locations, and around 18,000 trained personnel across the globe

Services offered

- Security Guards- armed and unarmed
- Executive protection services
- Premises security
- Housekeeping and janitorial
- Business support
- Technical services
- Mall management
- Integrated facilities
- Dedicated cash vans
- Cash in transit
- Training
- Currency chest management
- Employment verifications
- Project risk management

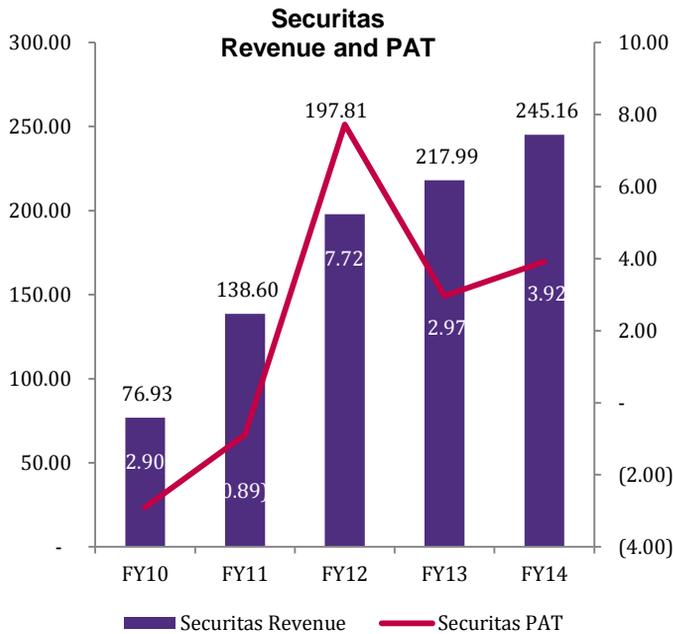
Clients

- **Reliance**
- **Novotel**
- **Lulu**
- **Geant**
- **Coco Cola**
- **Blue Dart**
- **Nokia**



Profitability of major security players

Amount in INR crore



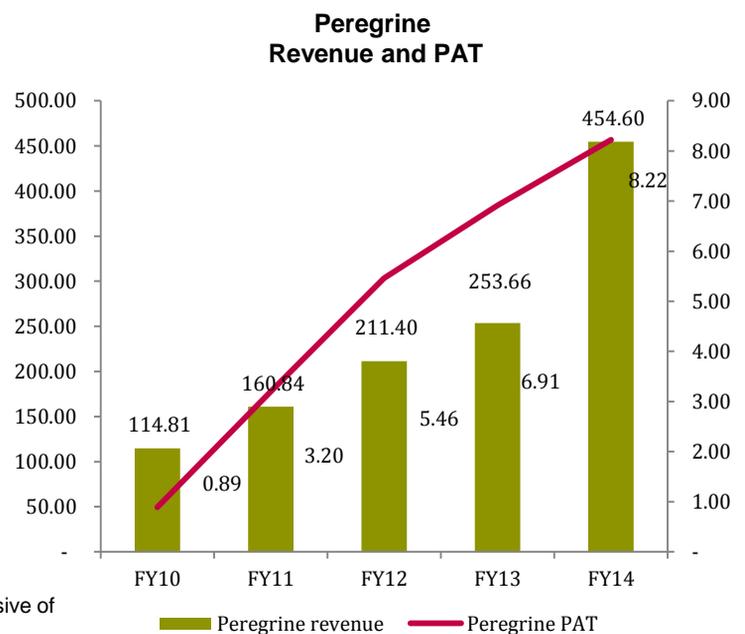
Securitas

- The revenue of the company increased from a level of INR 76.93 crore in FY10 to INR 245.16 crore in the year FY13
- There has been an increase in the revenue by more than 3 times during this period
- The company recorded a Profit after Tax (PAT) of INR 2.90 in the FY10 which increased to a level of INR 7.72 crore in the year FY12, however, in the year FY14, it recorded a considerable decline reaching to a level of INR 3.92 crore
- The net profitability ratio of the company in the year FY12 and FY14 was 4 percent and 2 percent respectively

Note: The above revenue number are net of service tax

Peregrine

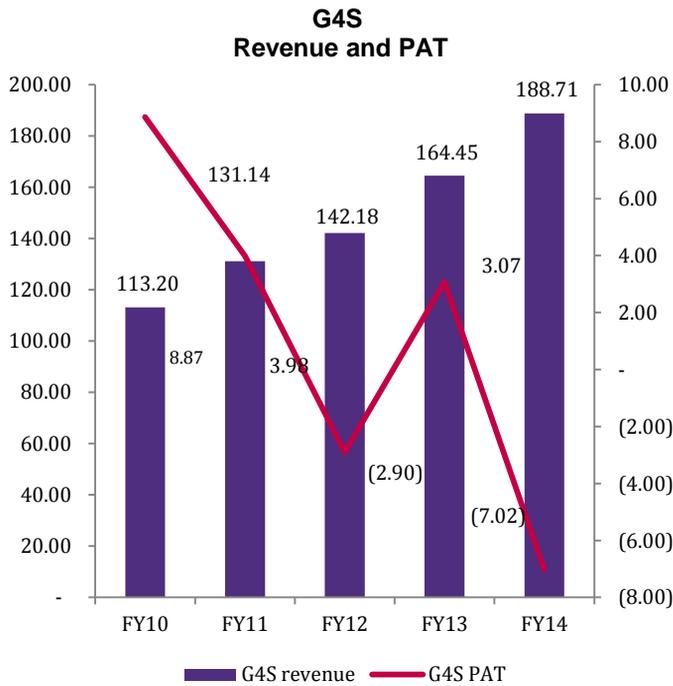
- The revenue of the company increased from a level of INR 114.81 crore in FY10 to INR 211.40 crore in FY 12 and further reaching to a level of INR 454.60 crore in the year FY14
- The company recorded a Profit after Tax (PAT) of INR 0.89 crore in the FY10 which increased to a level of INR 5.46 crores in the year FY12 and further increased to a level of INR 8.22 crore in the year FY14
- The net profitability ratio of the company in the year FY13 and FY14 was 3 percent and 2 percent respectively



Note: Unless specifically mentioned, the revenue figures are inclusive of service tax

The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.)

Profitability of major security firms



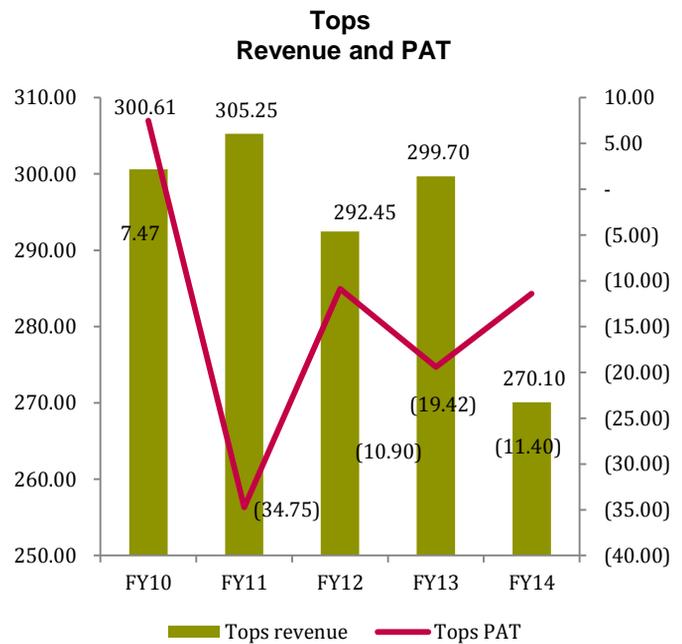
Amount in INR crore

G4S

- The revenue of the company increased from a level of INR 113.20 crore in FY10 to INR 188.71 crore in the year FY14
- The company recorded a Profit after Tax (PAT) of INR 8.87 in the FY10 which decreased to a level of INR (2.90) crore in the year FY 12 and again declining to a level of (7.02) crore in the year FY14
- The net profitability ratio of the company was around -4 percent in the year 2014

Tops

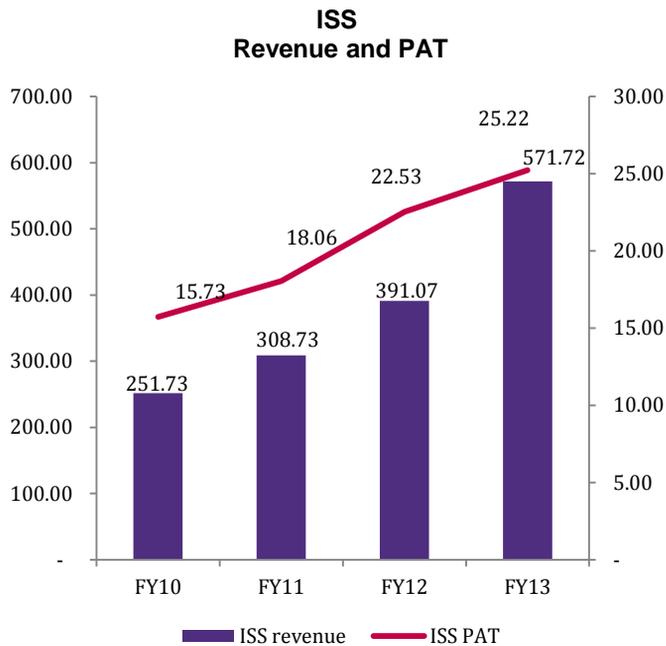
- The revenue of the company has been around the INR 300 crore mark for the last 4 years
- The revenue figures for the company for the years FY10 to FY13 are INR 300.61, INR 305.25, INR 292.45 and 299.70 crore respectively
- However the revenue of the company in the year FY14 declined to INR 270.10 crores
- The company recorded a Profit after tax (PAT) of INR 7.47 in the FY10 which declined to a level of INR (10.90) crore in the year FY 12 and further declined to a level of INR (11.40) crore in the year FY14



The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.)

Profitability of major security firms

Amount in INR crore

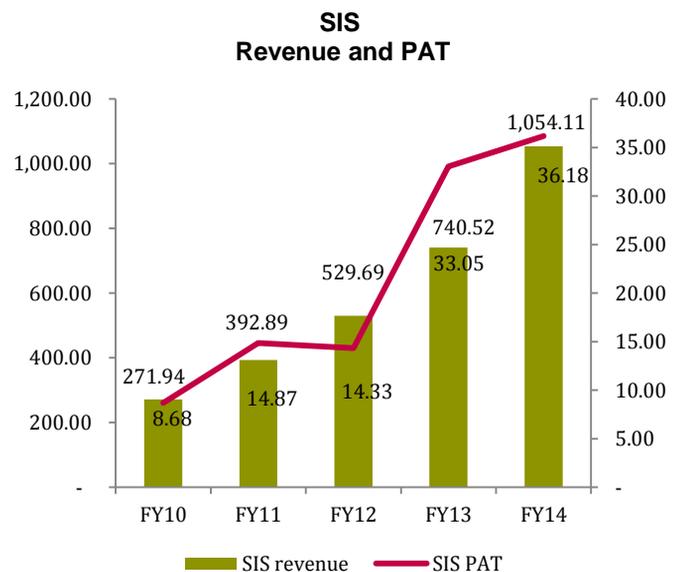


ISS SDB

- The revenue of the company increased from a level of INR 251.73 crore in FY10 to INR 571.72 crore in the year FY13
- The company recorded a Profit after Tax (PAT) of INR 15.73 crore in the FY10 which increased to a level of INR 22.53 crores in the year FY12 and further increased to a level of INR 25.22 crore in the year FY13
- The net profit ratio of the company for the years FY10 to FY12 was around 6 percent, however for FY13 it was around 4 percent

Security and Intelligence Services (SIS)- India

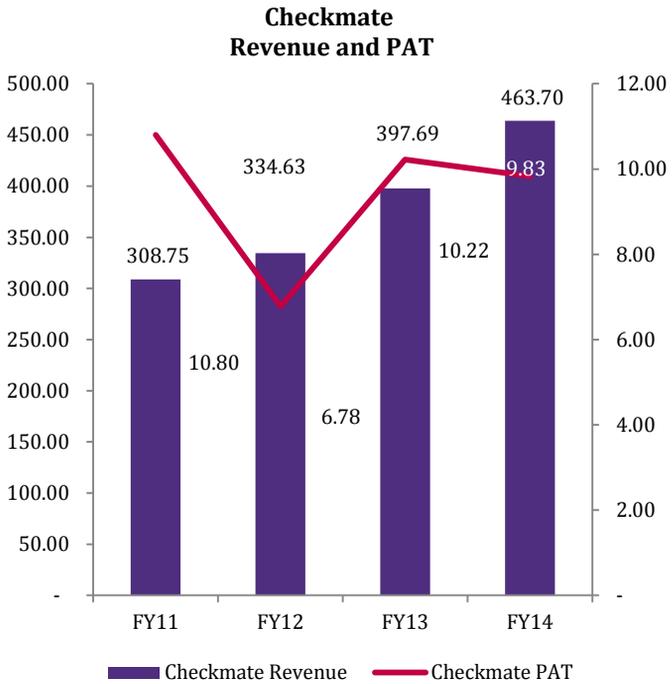
- The revenue of the company increased from a level of INR 271.94 crore in FY10 to INR 529.69 crore in the year FY12 and further increased to INR 1,054.11 crore in FY14
- The company recorded a Profit after Tax (PAT) of INR 8.68 crore in the FY10 which increased to a level of INR 14.33 crores in the year FY 12 and further increased to a level of INR 36.18 crore in the year FY14
- The net profit ratio of the company for the year FY12 was 3 percent, which increased to a level of 4 percent for the year FY13



The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.)

Profitability of major security firms

Amount in INR crores

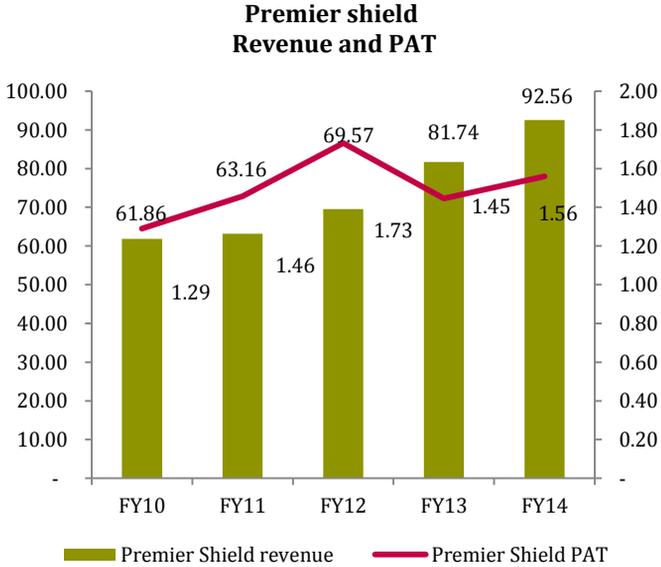


Checkmate

- The revenue of the company increased from a level of INR 308.75 crore in FY11 to INR 463.70 crore in the year FY14
- The company recorded a Profit after tax (PAT) of INR 10.80 crore in the FY11 which decreased to a level of INR 6.78 crore in the year FY 12 and again reached to a double digit level of INR 10.22 crore in the year FY13
- The profit of the company for the year FY14 was around INR 9.83 crores

Premier Shield

- The revenue of the company increased from a level of INR 61.86 crore in FY10 to INR 92.56 crore in the year FY14
- The company recorded a Profit after Tax (PAT) of INR 1.29 crore in the FY10 which increased to a level of INR 1.73 crores in the year FY 12 thereafter decreased to a level of INR 1.56 crore in the year FY14
- The net profit ratio of the company for the year FY12 was 2.49 percent, which decreased to a level of 1.69 percent for the year FY14



The company's information has been obtained from the financial statements of the respective companies available in public domain (ROC, websites etc.)

Major deals in the past few years

| Some of the major deals in the past years | | | | |
|-------------------------------------------|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------|------------------------------------|
| Year | Acquirer | Target | Deal Type | Deal Value |
| 2015 | Peregrine (through Tenon Facility Management UK Ltd which is the WoS of the group holdco, Mortice Ltd) | Frontline Security, Singapore | Acquisition- outbound deal | SGD 4.03 million |
| 2015 | Peregrine (through Tenon Facility Management UK Ltd which is the WoS of the group holdco, Mortice Ltd) | O&G Group, UK | Acquisition- outbound deal | US\$ 650 million (GBP 6.5 million) |
| 2014 | SIS Prosegur | ISS Cash management services | Acquisition- domestic deal | N.A |
| 2013 | CX Partners | SIS | PE | US\$ 46.15 million (INR 300 crore) |
| 2013 | OCS Group | Central Investigation and Security Services Ltd. | Minority Stake- inbound deals | US\$ 6.73 million |
| 2012 | Tops Group | The shield Guarding Company Ltd | Acquisition -outbound deal | US\$ 33.4 million |
| 2012 | Zicom Electronic Security Systems Pvt Ltd | Phoenix International WLL | Strategic Stake- outbound deal | US\$ 15 million |
| 2010 | Schneider Electric (through its Indian arm Schneider Electric India Pvt Ltd) | Zicom Electronic Security Systems Pvt Ltd | Acquisition- cross border deal -inbound | US\$ 47.82 million |
| 2010 | ISS (49%) together with employee welfare trusts of ISS & SDB Cisco (51%) | SDB Cisco (India) Ltd | Acquisition- cross border deal -inbound | N.A |
| 2009 | Group 4 Securicor (through G4S Pvt Ltd.) | Project security systems division of Eureka Forbes Ltd | Acquisition- cross border deal -inbound | N.A |

Source: Dealtracker, ROC & respective company websites

Comparative analysis of Indian players

| Name of security providers | Peregrine | Securitas | G4S | SIS | Tops | Checkmate | Premier Shield |
|---------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------|
| Revenue (2014) (INR crore) | 454.60 | 245.16 | 188.71 | 1,054.11 | 270.10 | 463.70 | 92.56 |
| Revenue CAGR % (5 years) | 41% | 34% | 14% | 40% | -3% | 15% (based on 4 year data) | 11% |
| Year of commencement of operations in India | 1995 | 2007 | 1989 | 1974 | 2007 | 1987 | 1976 |
| Coverage in India | 71 offices in 29 states and 7 UT's | Offices in 11 cities | Operates from hubs in 8 cities | 192 branches across the country | Office almost in every state of the country | 60 offices in 26 states | Offices in 25 cities |
| Key clients | Accenture, General Motors, Vodafone, ICICI Bank, The Leela, Sunpharma | Hilton, PVR Cinemas, MetLife, Wipro ,Adobe, Adidas | HCL, WHO, The World Bank, HSBC , Glaxo Smith Kline, Axis Bank | RBI, Ambuja Cement, Delhi Metro, Nestle, Coca Cola, Reliance | IBM, Essar, Jaypee Group, Yes Bank, Chhatrapati Shivaji International Airport | Aircel ,Aegon, Union Bank of India, Videocon, Ranbaxy | Reliance, Coca Cola, Nokia,, Lulu, Blue Dart, Geant, Novotel |

Challenges faced by the industry

The challenges faced by the security industry are as enlisted below:

- **Lack of efficient management, mentoring and monitoring of security employees**
 - A number of lawsuits are being filed against the security service providers and their employees for various reasons, such as unlawful arrests, excessive use of force, unlawful restraint, failure to protect or perform their contracted duties
 - Instances have been observed, where security officials have been found guilty in cases like theft, robbery, sexual assault, aggravated assault, attempted murder and murder
 - Such cases need to be constantly mentored and monitored by the security forces
- **Workmen related problems**
 - Private security officers are expected to provide similar nature of services to their counterparts in the police forces. However, the salary paid to them is much lower than their counterparts
 - They face similar risks to their lives with almost no or inadequate social security and insufficient training. Moreover, they tend to work in extremely poor working conditions
 - Dissatisfaction will crop amongst the security employees, leading to attrition and workforce switching their jobs due to better job opportunities and greener pastures
- **Licensing related issues**
 - Security agencies face issues while procuring the license for setting up a private security. There have been delays at the authority level in granting license to the private security agencies
 - Moreover the regulatory conditions are different in every state, which makes it even more difficult for these agencies to establish a new work location at other states
- **Compliance requirements**
 - Increasing compliance related requirements such as training and minimum wages will lead to escalation of costs, further pressurising the margins. They will also reduce the attractiveness of certain opportunities for leading players, where the unorganised sector, with low compliance costs, will be more cost competitive
- **Ownership and management restrictions**
 - Currently, Foreign Direct Investment is allowed only up to 49 percent in the security services industry. Some of the leading players have suggested to increase the FDI limit, so as to have more funds for their growth plans

Challenges faced by the industry

- **Unionisation in the industry**
 - Unrealistic union demands in the form of high wages may have a negative impact on the effect of client. They may refuse to pay such huge wages to the security agencies
- **Problems in arms licensing**
 - Private security service companies do not have the authority to procure licensed firearms and have to rely on guards, who have the license to carry them for personal use. This is one of the most acute problems the agencies face
- **Increase in the rate of service tax and point of taxation**
 - The rate of service tax for private security sector has also increased, which has further increased the cost of services for the security agencies

The PSAR Act, 2005 brought in its wake aspirations and apprehensions for the Private Security Sector (PSS). The organised market is tip of the iceberg and a major bulk is the unorganised portion with an estimated 70 lakh workforce. Sadly, the mechanism for ensuring this transformation has not been established in the last 10 years, and what has emerged is a distinct identification of the organised players struggling to maintain their transitional survival. Compliance and training costs have immeasurably scaled for the PSS, due to mismatch in the increments in service pricing. The government being a major consumer works with lowest bid tenders, without ensuring the compliance and fair profit margins as safeguarding practices. The PSS is essential to the nation's well-being since it not only contributes in the success of country's internal security but acts as a leading Service Tax collector, a prominent employer and a labour market differentiator with a predicted 25 percent growth. Some sectors are still awaiting the help from Government to come up and rise.

In the current scenario, the Government can help by developing an empowered nodal body comprising members from the Ministry of Home Affairs, Ministry of Labour (EPFO, ESIC etc.), Ministry of Finance, Ministry of Skills, trade associations and the PSS. This empowered nodal body's key responsibility areas would be to meet regularly and coordinate the regulation of the PSAR Act coupled with a balanced development and growth of the PSS. The future prospects of the PSS are woven around the liberalisation of the FDI policy. The Alternative Investment Fund (AIF) may also provide certain circuitous routes. However, liberalisation would certainly come as a boon to the fund starved MSME players in the PSS, especially in absence of support on funding for start-ups or development in PSS.



Sanjeev Paul
Managing Director,
Scientific Security
Management Services
Pvt. Ltd.

Industry Viewpoint - Roadblocks and suggestions



Industry's viewpoint – Roadblocks and suggestions

Some of the other regulatory/ policy issue which are being faced by the industry are as follows:

- **Enforcement of PSARA 2005**

- PSARA was passed by the parliament and then was implemented by the states in India, however the states have implemented this act as per their requirements based on state-specific guidelines
- Not every state has been able to implement this policy in a proper manner, and issues continue to remain unattended. Therefore the Acts need to be reinforced properly
- The licensing needs to be controlled centrally under one authority
- Government would need to regulate the sector to ensure it is more planned and organised (resolving the issue of un-organised segment)

- **Labour reforms**

- Along with being the employment generator for a large population of the country, this sector contributes to the revenues for the government
- The classification of security guards needs to be revisited. Currently they are being classified as unskilled. They are also clubbed with other categories of classifications. Despite discharging highly skilled functions like access controls using baggage x-ray machines, metal detection equipment at five star hotels, guarding industrial complexes through the use of CCTV surveillance systems or managing entry/exit of thousands of workers and vehicles outside IT parks and managing complex functions at private ports and airports, the private security guard continues to be categorised as an 'unskilled worker' and draws wages as per the minimum wages for the unskilled category
- Security personnel need to be classified upwards of skilled and highly skilled along with better payouts. Though there were revisions in the minimum wage rates for security guards in the year 2013, which compared the security guards with semi-skilled and skilled segment of construction workers. However, there is still a dire need for revision with regards to their salary payouts
- There is an urgent need for separate classification for the security industry with continuous up-gradation of skill sets through various schemes of the government.
- Uniformity with respect to the labour laws is the need of the hour
- Number of departments involved like PF, ESIC, other state boards make the business complex
- For the ease of doing business, there could be one nodal department which the private agencies can contact for the above stated sub-segments

- **Minimum wages policy**

- There are different policies for labour/ minimum wages as per central and state governments
- Uniformity of wage policies needs to be considered and should be centralised
- Movement of employees across states is not possible because of various laws in different states
- Some examples are:
 - In Goa, as per the private security act in the state, only a resident of Goa (born in Goa or resided there for more than 10 years) can be a security guard
 - A company can operate in Haryana only if it has its Headquarters in Haryana
- All these aspects add to the cost of the companies. Hence, the Government may consider easing/relaxing the norms for companies to operate

Industry's viewpoint – Roadblocks and suggestions

- **Point of taxation – service tax**

- As per rule 6 of the Service Tax Rules 1994, the service provider is liable to deposit 100 percent of the service tax liability on or before 5th of the month (6th in case of deposit through online banking) irrespective of realisation of dues from our customers
- On an average, customers of private security services settle dues between 60 – 90 days from date of completion of services. Therefore, every service tax compliant Private Security Company has to organise substantial bank loans to meet the service tax compliance. Thus the payment of service tax requires a lot of working capital management
- Further, the companies also have to comply with other statutory requirements like timely deposit of provident fund, employee state insurance (ESI) deposit and wages as per minimum wages act and labor laws, the companies face crisis on their cash flow. There are a lot of cases of default in payments from the principal employer. Therefore, the employer at least should be directed (to be prescribed in the Contract Labour Act) to not hold onto payments pertaining to wages, PF, ESI and Service tax etc. Considering the private security companies have to pay its employees, even if the principal employer defaults on payments (or late payment which may reach to 90 days) based on the labour law, which does not hold the principal employer for nonpayment of dues
- Also, considering the private security is a low margin high volume business and has to fund the service tax; additional burden is on working capital for the company. The private security industry works on a thin margin, therefore the companies do not have the financial muscle to pay the huge service tax portion
- Earlier, service tax was paid at the time of collection, however now, it is paid on the invoiced amount. The government may consider to either change the point of taxation so that onus goes back to the principal employer, or allow the service provider to make payment of service tax only after the receipt of payment from the service recipient.. As a result to this, the collections are likely to increase, which will benefit the government as well and bring the unorganised sector under the gambit of taxation

- **Working capital Management**

- The biggest challenge faced by the industry is the ability to raise fund for the business
- The business needs to take care of the working capital management.
- Also, considering there is no requirement for capex for the industry as such; hence the company finds it difficult to raise funds specifically from banks. They ask for collaterals which, unlike the manufacturing industry, the private security segment is not able to provide for
- In the UK, there is a facility named as a confidential invoice discount facility. This facility needs to be introduced in the country to overcome the issue of working capital management

Industry's viewpoint – Roadblocks and suggestions

- **Security Companies currently only in non critical areas**
 - The private security services in India are currently confined only to non critical areas unlike other developed nations
 - The government should open the doors for the private security companies to enter some of the critical areas which are currently managed by the police officials
 - A number of events globally are managed by private security guards, which currently in India are managed by the police officials. In India, the police to population ratio is very low, hence it may be considered to extend the services/ sectors that can be taken up by private security agencies through a proper mechanism and policy
 - For example - In Europe, even the prisons are managed by private security officials
- **Armed security for cash logistics**
 - The Arms Act severely curtails the ability to pool armed guards in an efficient manner to service clients and can be particularly crucial in case of inter-state transfer of goods/personnel leading to hiring of personnel holding licenses from different states
 - It is important that the Ministry of Home Affairs articulates a clear policy to all state governments on armed guards. RBI may kindly intervene to support the private security industry/ cash logistics operators in order to safeguard the interests of the banking sector
 - The following is recommended for the smooth transition of the banking sector:
 - Issue commercial licenses to security agencies, who can employ individuals for the use of the licenses, and deploy them for the protection of the commercial establishments: or
 - Issue commercial licenses to specific organisations based on need, example, cash logistics companies with proper accountability
- **Lack of standardised guidelines for cash logistics companies**
 - Cash Logistics Agencies (CLA) take care of physical movements of huge amount of public money and other valuables valuing around INR 15,000 crore and storage of around INR 4,000 crore on behalf of the banks
 - The agencies which are engaged in providing these services should be made to follow strict prescribed standards related to premises, security arrangements, security vans, proper selection of staff, training facility, risk mitigation etc.
 - It can be achieved if the RBI issues guidelines and makes it mandatory for the banks to follow such standards during outsourcing of cash logistics facility to any third party
- **FDI Limit**
 - It may be considered to increase the FDI limit in the sector which currently has a capping of 49 percent. The current scenario limits international companies from entering in India resulting in limiting the international fund flow in the country
 - Also, as a result of the above, some small time companies are unable to consolidate. Even the international companies would be hesitant, due to the existing cap of 49%
 - The cap can be revised to 51 percent or even higher, so that the small time entrepreneurs can en-cash out and consolidate their business. It will also help in meeting compliances and norms

Government initiatives

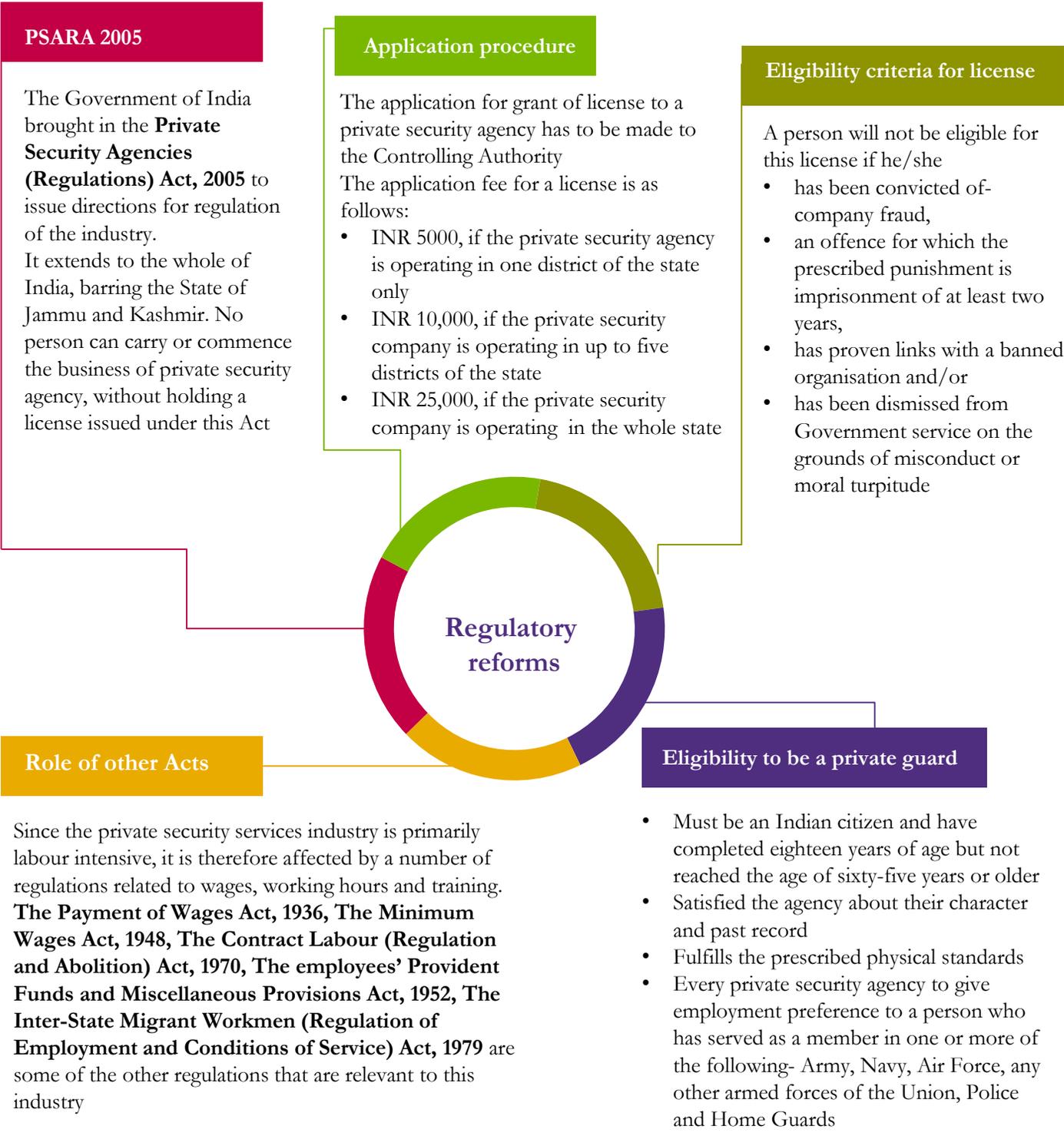
The Government has made initiatives for strengthening the security system in the country. Some of the recent development are:

- Delhi Police gets additional funds to increase security - The Delhi Police has been allotted INR 5,372 crore for 2015-16 Union Budget, an increase of more than Rs 500 crore from last year
- DTC awaits Nirbhaya fund for CCTV in buses - The Delhi Transport Corporation is hoping that the renewed focus on the December 16 rape incident would help hasten its bid to get over INR 10 million for fitting CCTV cameras in all its 5600 buses
- Planning to install CCTVs in all 234 police stations in the state of Rajasthan
- Installation of CCTV cameras on Gurgaon expressway
- Government to track public transport for safety- All modes of public transport including BPO cabs, school buses and vans, Gramin Seva vehicles, besides buses, taxis and auto rickshaws will be tracked and monitored by government agencies for safety of passengers
- Pune railway station to soon get IP CCTV with remote surveillance capability
- 44 'high crime zones' in Delhi to come under CCTV surveillance



Rules and regulations pertaining to security service industry

Industry discussions suggest that the level of compliance to labour laws is higher in the organised sector, as compared to the unorganised sector. The following diagram depicts various regulatory frameworks in the security services industry, as per the Private Security Agencies (Regulation) Act, 2005



Glossary

| | |
|----------|-------------------------------------------------------|
| [ATM] | [Automated Teller Machine] |
| [CAGR] | [Compound Annual Growth Rate] |
| [CCTV] | [Closed Circuit Television] |
| [CRISIL] | [Credit Rating Information Services of India Limited] |
| [FY] | [Financial Year] |
| [GDP] | [Gross Domestic Product] |
| [INR] | [Indian Rupees] |
| [IPC] | [Indian Penal Code] |
| [IT] | [Information Technology] |
| [OEM] | [Original Equipment Manufacturer] |
| [PAT] | [Profit After Tax] |
| [SIS] | [Security and Intelligence Services India] |
| [SLL] | [State and Local Laws] |
| [UN] | [United Nations] |
| [US] | [United States] |
| [US\$] | [United States Dollar] |



Users' perspective

The projected quantum growth of Private Security Agencies is 20-25 percent YOY. This needs to match the improvement in value of service, where the current bias for profitability has to reassign focus upon professionalism in deliverance, besides margins and revenue.

Licensing norms along with strict enforcement of QR will curtail proliferation of unorganised players who undermine business, undercut revenue and impact service delivery in the organised sector.

Very few large players in the organised sector have been able to maintain a reasonable level of performance over time. This is attributed largely to the utilisation per guard, which has been affected due to diluted recruitment, unstructured training and rapid turnover. The contract guards are sometimes industry orphans, who possess minimal professional skills, and are further stunted by lack of growth.

In the world of rapidly evolving risks, compounded with increased stress on governmental policing forces, the private security agencies are the second line of defense in keeping the society safe and secure. They command a collective manpower strength equal to the best governmental uniformed agency and when appropriately leveraged with sound training, they will truly be the force multipliers in the true sense. A unified minimum standard is the call of the hour to ensure guarding agencies are truly enabled to handle and deliver in real time situations.

Training of security staff & implementation of PSARA Act 2005 needs urgent emphasis. The general perception is that the agencies are more concerned with getting business and increasing manpower rather than focusing on consolidation and providing quality business.

Although there is a special skill set associated with security & there is a dearth of trained resources, however, this sector continues to be the last resort because of lack of motivation.

Long duty hours for security staff with continuous stretches do not boost the morale of the employees in this sector.

Compliance needs to be adequately addressed and this sector needs to be more organised. Also, we need to consider how we can have uniform minimum wages in Delhi/NCR.



Col Manoj Dewan,
CPP Corporate Head -
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Bharat Hotels Limited



Col Harendra Bana,
Head Security – PepsiCo
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Grant Thornton in India is one of the largest assurance, tax, and advisory firms in India. With over 2,000 professional staff across 13 offices, the firm provides robust compliance services and growth navigation solutions on complex business and financial matters through focused practice groups. The firm has extensive experience across a range of industries, market segments, and geographical corridors. It is on a fast-track to becoming the best growth advisor to dynamic Indian businesses with global ambitions. With shorter decision-making chains, more senior personnel involvement, and empowered client service teams, the firm is able to operate in a coordinated way and respond with agility.

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About FICCI

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialisation, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

About FICCI Security Department

FICCI has many specialised committees where key concerns of the industry are debated and discussed with the specific aim of presenting the recommendations to the Government for favourable decisions.

Considering internal security is the backbone of growth and overall development of a nation, FICCI has constituted two specialised committees to look into various aspects of security –

- Committee on Private Security Industry (PSI) is chaired by Ms. Manjari Jaruhar, Former Special DG – CISF, Govt. of India. The committee has been advocating for key policy issues confronting the industry.
- Committee on Homeland Security (HLS) is chaired by Mr. G. K. Pillai, Former Union Home Secretary, Govt. of India, which is working towards bridging the gap between policing and technology.

Some of the focus areas:

Enforcement of Private Security Agencies

Regulation (PSAR) Act 2005: Major portion of the private security industry is unorganised. FICCI is advocating the proper enforcement of the Act.

Armed Security for Cash Logistics: FICCI is advocating for a well-articulated policy for deployment of armed private security guards for protection of cash vans, which carry crores of public money every day.

Private Security Workers' Categorisation as Skilled / Highly Skilled Workers: FICCI is working towards appropriate categorisation of the private security guards.

Minimum Standards/Guidelines for Cash Logistics Companies: FICCI is advocating for establishment of standards and operating guidelines for cash logistics companies.

Police Modernization: FICCI is working towards bridging the gap between policing and technology. We engage with various enforcement agencies and

provide them a platform to interact with industry, to articulate their requirements and to understand new technologies for security. This initiative is under our umbrella theme of “Safe & Secure Nation”.

SMART Policing: FICCI has initiated the process of examining the details of reforms in SMART Policing across the country and will share the same with the relevant ministries/departments to help Government and police departments in learning from the experiences of other states and also for possible adoption of some of the best practices. FICCI has also been advocating for the cause of SMART policing and its relevance for India's growth India Risk Survey: FICCI every year conducts survey of risk as perceived by corporates, which could affect business continuity. The objective of the report is to inform and sensitise all stakeholders about the emerging risks for a developing economy like India, so that well planned and strategic policy decisions can be made.

Security Standards and Guidelines: FICCI is working with the Bureau of Indian Standards (BIS) for creation of standards and guidelines for electronic security.

Road Safety: United Nations has proclaimed 2011-20 as the Decade of Action on Road Safety. FICCI feels that the Indian Industry can play a significant role in addressing the issue of road safety and will be promoting potential private sector interventions in Road Safety through their core business activities. Capacity Building Programmes: FICCI has initiated capacity-building programmes and workshops as an attempt to increase awareness about Women Safety at Work Place, Forensics of Fraud Detection, White Collar Crimes, etc.

Public Procurement for Internal Security: FICCI is working towards advocacy for bringing well-defined procedures for fair and transparent procurement of security products and solutions, so as to provide level playing field to the industry.

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