

Security services A Sunrise industry

Globally, security services is a \$140 billion industry. In India, it is at the take-off stage, as a growing number of corporates are hiring security firms to provide a range of services. Interestingly, Indian companies have started acquiring firms abroad as well, writes **Annamma Oommen**.



THE explosive growth of several key sectors in the Indian economy, including retailing, real estate, infrastructure, telecommunications, entertainment and financial services, has resulted in growing demand for the services of private security agencies and for sophisticated gadgets and devices.

Private security agencies offer a wide range of services – from providing security to top businessmen, industrialists and celebrities, to accompanying consignments containing cash (from a bank head-office to a branch, or for replenishing ATMs), gold and precious stones, monitoring the movement of visitors at shopping malls, construction sites and other places.

The industry has been growing at a rapid pace, clocking a compound average growth rate (CAGR) of 25 per cent. Key drivers for growth include increasing urbanisation and rapid economic development and consequent asset creation. Still at a nascent stage, the Indian private security industry is setting a scorching pace in a bid to match up to global standards.

Worldwide, the industry is estimated to generate \$140 billion in revenue, expanding at a CAGR of 10-12 per cent. This has been primarily driven by markets like China, the Middle-East, South America and other Asian economies. India's private security industry is estimated to be worth over \$600 million. However, only 60 per cent of this is in the organised sector, and 'manned guarding' accounts for the bulk of the revenue.

Considering the growing demand for security services, domestic firms are seeking capital to expand rapidly. And international firms are also eyeing the burgeoning sector. Securitas AB, a Swedish security major, recently paid over \$15 million to acquire a 49 per cent stake in Walsons, India's fourth-largest national security services company.

The Delhi-based firm – it employs 6,500 people and has a turnover of over \$10 million – has a high quality contract portfolio with a majority of the business within the IT, insurance and finance sectors. "The acquisition will give us a strong foothold in the fast growing Indian security services market and also the



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possibility to service our multinational clients in India in the best possible way," says Alf Göransson, president and ceo, Securitas.

Another notable combine, the Indo-Singaporean joint venture of SDB-Cisco, too is looking to raise additional capital for expansion through an initial public offer (IPO).

According to Brig H.C. Chawla, managing director, SDB-Cisco, earlier only multinationals and large Indian corporates were particular about their security needs. "Now even smaller companies are looking for trained and verified security personnel and electronic security systems," he adds. But Indian security companies are also on the prowl for acquisitions.

Zicom Electronic Security Systems, which last year acquired a stake in a UAE-based firm, is looking at acquiring companies both in India and abroad. "We are definitely looking for acquisitions," says Pramoud Rao, managing director, Zicom. The company caters to several sectors including infotech, telecom, media and banking and finance.

The most significant overseas acquisition was the recent one by Topsgroup, a leading Indian firm, which bought a 51 per cent stake in The Shield Guarding Company Ltd, a leading UK firm, in an



GUARDING CELEBRITIES : Private security agencies provide services to Bollywood superstars

all-cash deal for \$30 million.

"The Shield acquisition will act as a strategic gateway for our global growth plans in the coming years," says Dr Diwan Rahul Nanda, chairman and managing director, Topsgroup. "We envisage much cost and experience sharing across both companies that will benefit Indian and British customers and employees."

Gerry Paxton, executive chairman, Shield, notes that "the strategic partnership of two nationally leading security brands augurs well for the rapidly growing global security industry, which is estimated to cross the \$230 billion mark by 2015."

Topsgroup has been one of the biggest success stories on the domestic front in recent years. The company boasts a 20 per cent market share in the organised industry and employs over 65,000 people with a network of 110 offices across the country. Its clients include groups and companies like the Tatas, the Birlas, Reliance, Airtel, Oracle, HSBC, Stanchart, ICICI and the Future group.

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It offers a variety of services, including providing guards, electronic security systems, investigation, facilities management, cash management, consultancy, advanced training and an emergency response service called Toppline 1252.

Tops Security Ltd, the flagship of the group, was the first in the domestic

industry to receive private equity funding in 2007. ICICI Venture acquired a 13.69 per cent equity, while Indivision, the private equity arm of Future Capital Holdings also acquired additional equity taking its total exposure to 7.08 per cent. Leading billionaire investor Rakesh Jhunjhunwala also has a 12.7 per cent stake in the firm.

The company, which earlier acquired a south India-based firm, Guardwell Detective Services, is aiming for revenues of \$235 million this fiscal, and has targeted a turnover of \$1 billion by 2010.

One of the main contributing factors to the growth of the security services industry has been favourable legislation. The Private Security Agency (Regulation) Act was enacted in 2005 to ensure that private security agencies would provide additional support to government law enforcement agencies.

Although this law has gone a long way in alleviating the burden on the local police, only a handful of states like West Bengal, Gujarat, Madhya Pradesh, Rajasthan, and

SECURE FUTURE

WITH the mushrooming of shopping malls, special economic zones, self-contained townships, IT parks and other exclusive facilities, demand for private security services in India is expected to soar over the coming years.

According to the Central Association of Private Security Industry (CAPSI), an industry body, the private security services sector will be one of the largest generators of jobs in India. There are about five million security-men and women working for about 50,000 agencies in India today.

While a majority of these agencies are in the unorganised sector, there has been phenomenal growth in the organised segment as well, especially following the explosive growth in the retail, real estate and infrastructure sectors. CAPSI estimates that the private security services industry will see rapid growth over the next five years, with at least another five million security personnel likely to be hired. With 10 million persons employed by the

industry, it will emerge as a significant component of the Indian economy.

Considering the huge demand for security personnel, several new academies are being set up to train youngsters, especially from rural areas. Topsgroup, a leading security industry player, is planning to set up five training academies, in Mumbai, Kolkata, Bangalore, Hyderabad and Delhi.

According to Ramesh Iyer, executive director, Topsgroup, the academies will conduct residential training programmes, both for its own captive requirements and external programmes for other industry segments. The company also plans to start professional security courses in affiliation with reputed international universities and institutions.

The GMR group, which has a significant presence through its firm, GMR Infrastructure, in sectors like airports, energy, highways and urban infrastructure – all of which require a large number of security-

guards – recently decided to launch a security services training academy in the southern state of Andhra Pradesh. The group plans to invest over \$8 million in the academy, to be located on a 100-acre campus at Kodikonda on the Bangalore-Hyderabad national highway. According to G.M. Rao, chairman, "The academy will impart induction training to marshals and security supervisors, besides organising refresher training programmes." The campus features grounds for parade, athletics and sports, besides a swimming pool, gymnasium, simulator for firing practice, miniature firing range and a driving track. The faculty comprises former army and police officers.

A growing number of companies prefer to outsource security services to private agencies, instead of hiring personnel and offering them training, and this trend is likely to continue. In fact, the industry now expects growing demand for Indian security personnel in other countries as well.

Maharashtra have implemented it.

“Encouraging private security agencies to come up is a right step to help the police,” says Rajan Bhagat, spokesman for Delhi Police. “They are helpful, especially in providing security at different business establishments, shopping malls and other individual places.”

Already the ratio of private security personnel to police in India is 2:1 and will soon reach 3:1. The Private Detectives Agencies (Regulation) Bill, 2007, is another legislation that will relieve the police of some its burdens.

Also, there are plans for establishing a Central Private Detective Agencies Regulatory Board and state regulatory boards. These bodies will standardise certification, training and other regulatory processes.

One of the major benefits of this rapidly expanding industry is the generation of large scale employment. “The 15,000 private security agencies registered across the country create a million jobs every year, which is the highest as compared to any other service sector,” claims Kunwar Vikram Singh, chairman, Central Association of Private Security Industry (CAPSI), an industry body.

The sector also provides huge job opportunities for women. While women currently account for just 20 per cent of security jobs, analysts expect this to go up to 50 per cent over the coming decade.

“More than half of the establishments where we deploy security personnel demand women guards,” says Capt S Salaria of Trig security. “We are recruiting women guards almost on a daily basis, but at any given point of time, there is a 20-25 per cent shortage of applicants.”

Demand for women guards is huge at retail outlets, diamond workshops, airports and other places where female visitors are being frisked. Security agencies are also increasingly going in for the recruitment of retired service personnel from other central and state security forces.

Training and education of security personnel is also emerging as a major service industry. Specialised security training and vocational courses are also springing up, offering diplomas in security and intelligence management.

While demand for security guards is boosting employment, the industry is increasingly going hi-tech. State-of-the-art



INTENSIVE TRAINING: Companies are investing huge amounts in setting up training academies

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biometric authentication through fingerprint, retinal, iris, and voice scans will be the norm in the near future. Even sophisticated face recognition software is being deployed.

Indian companies are now gradually setting up indigenous centres to cut down costs of technology. For example, a Pune-based start-up, Axis Technologies, expects to offer savings equivalent to two-thirds the cost of imported biometric equipment once it starts production locally.

“The main constraint for wider acceptance of the biometric systems is the high cost of imported equipment,” explains Mohan Mehta, general manager, Axis Technologies.

“We will be able to supply the same equipment at an affordable price.” Zicom, which is listed on the Bombay Stock Exchange, is another major domestic player foraying into biometric devices in a big way.

Significantly, like in all other industries, the focus is already shifting from quantity to quality as the sector moves up the value chain: from primarily providing security guards to the use of biometric devices and other high tech solutions.

The private security industry is set to expand phenomenally over the coming years, mirroring the growth trajectory of the Indian economy, even as the bright prospects for this sunshine sector continue to lure investors, both international and domestic. 🌈