VIS
Credit Rating Company Limited

RATING REPORT

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APPLICABLE METHODOLOGY(IES):
VIS Entity Rating Criteria Methodology – Industrial Corporates
(https://docs.vis.com.pk/docs/CorporateMethodology.pdf)

Rating Scale:
(https://docs.vis.com.pk/docs/VISRatingScales.pdf)

SECURITY ORGANIZING SYSTEM PAKISTAN (PVT.) LIMITED

Group Chief Executive: Mr. Muhammad Irshad Ali

RATING DETAILS

RATINGS CATEGORY	INITIAL RATING	
	Long-term	Short-term
ENTITY	A-	A2
RATING OUTLOOK/ WATCH	Stable	
RATING ACTION	Initial	
RATING DATE	August 01, 2025	

RATING RATIONALE

The assigned ratings reflect Security Organizing System Pakistan (Pvt.) Limited's ('SOS') sound financial risk profile, sustained revenue growth, and solid positioning within the industry. The Company benefits from structural demand drivers such as macroeconomic growth, urbanization, high currency circulation, and regulatory mandates for physical security—particularly in the banking sector. However, the rising adoption of digital and online payment platforms may gradually influence long-term demand for cash-handling services. SOS maintains a conservative capital structure, with moderate debt levels largely tied to fleet expansion. Strong internal controls, ERP-enabled reporting, and ISO 9001:2015 certification underpin the Company's operational governance. While revenue is concentrated among a few clients, counterparty risk remains limited due to established, long-term relationships with financially sound commercial banks.

COMPANY PROFILE

Security Organizing System Pakistan (Pvt.) Limited ('SOS') is a family-owned private limited company incorporated in 1994 and headquartered in Multan, Punjab. Over three decades, the business has evolved into one of Pakistan's leading integrated security service providers, operating from 63 offices nationwide and employing an average of 11,806 people in FY24. SOS holds valid license to operate across all regions of Pakistan, including Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan, Gilgit-Baltistan, and Azad Jammu & Kashmir. The Company is ISO 9001:2015 certified.

SOS delivers a full suite of physical and cash-handling solutions – cash-in-transit (CIT), guarding, ATM replenishment (ATMR) and cash-processing cell (CPC) services-to clients namely financial institutions.

Table 1: Service Portfolio

Service	Details
CIT	Supported by a fleet of 475 armored vehicles
Guarding	Providing both armed and unarmed personnel deployments with average 11,589 guards in FY24
ATMR	Offering cash handling and refill services for financial Institutions at more than 600 ATMs
CPC	Secure sorting, counting and vaulting of currency with 12 CPC vaults strategically located across the country
Import/Export of Foreign Currency	New segment

Going forward, SOS plans to expand its fleet of armored vehicles by approximately 200 units to meet the growing demand for CIT and ATMR services nationwide. The Company also intends to introduce a chartered plane service for high-risk areas. In addition, SOS aims to diversify its client base beyond the banking sector, with a focus on providing guarding services to a broader range of industries.

The Company anchors a family-controlled ecosystem that includes nine sister concerns: SOS Pakistan (manned guarding), SOS Technologies (medical devices), SOS Engineering (industrial manufacturing), SOS Capital (investments), SOS Shipping (logistics), SOS Foundation (philanthropy), SOS Energy (Oil & Gas), South Air (proposed airline) and Bahauddin Hotel (hospitality) together with SOS International in the UAE. These complementary ventures broaden the group's revenue base while reinforcing SOS's capacity to offer end-to-end security and logistics solutions.

Control of SOS rests entirely with its founding family, whose members collectively own 100 percent of the share capital. Kanwar Muhammad Tariq holds the largest stake at 40%, followed by Najma Parveen at 25%, Muhammad Irshad Ali Rana at 20% and Asghari Begum at 15%. The enterprise is led by its founder, Chairman and Chief Executive Officer, Muhammad Irshad Ali Rana—a retired Pakistan Army officer with more than 45 years of frontline experience in security management, operations and public relations. His son, Kanwar Muhammad Tariq, serves as Executive Director and has been instrumental in scaling the business since 2012, drawing on two decades of senior-level expertise in operations, marketing and security consultancy.

The sponsors maintain close strategic oversight of the Company, supported by quarterly board meetings and an internal audit function that reports directly to the Board and CFO. While corporate governance remains largely family-centric with absence of independent representation, formal succession planning is now under way. The sponsors' deep operational involvement and long-standing sector know-how underpin SOS's stability and growth trajectory. Moreover, Board is aided by a group of advisors comprising Jahangir Khan, legendary squash champion; Syed Anwar Mahmood, veteran federal bureaucrat; Ch. Hamid Hameed, former Member of the National Assembly and Mayor of Sargodha; Faisal Khan, Supreme Court Advocate and corporate legal expert; Tahir Iqbal, seasoned professional in capital markets and investment advisory; and Nishat Fatima, a strategic HR specialist and trainer with a strong background in the education sector.

Management, Internal Control & IT

Management at SOS is guided by a practical and responsive approach, with meetings convened as required based on operational and strategic needs. These sessions are led by the Executive Director, who is responsible for overseeing the Company's nationwide operations and driving its strategic agenda. The broader management team comprises seasoned professionals with strong academic with decades of relevant industry experience, enabling efficient execution across the Company's diverse service lines. Key members include Sheikh Muhammad Tahir (Company Secretary), with 48 years of experience; Mujahid Hussain (CFO and Consultant for SOS Energy), with a background in finance; Zahid Ashraf (Chief Technology Officer), a network engineer with two decades of experience; and other functional heads responsible for major service areas such as CIT, CPC and Guarding.

SOS operates through a function-based organizational structure that enables clear accountability and smooth workflows. A well-defined authority matrix guides decision-making, outlining financial and administrative responsibilities at all levels. The Company has also institutionalized a robust internal control environment, encompassing comprehensive supervision mechanisms, stringent guard recruitment and training protocols, an operational control room, and risk mitigation through adequate insurance coverage.

Operational efficiency is further enhanced through the use of a customized Enterprise Resource Planning (ERP) platform—GBMS—which integrates all core business functions with secure access and Power BI-enabled reporting. To ensure data integrity and security, SOS conducts automated daily and weekly backups that are stored securely off-site.

INDUSTRY PROFILE & BUSINESS RISK

Pakistan's private security services industry plays a crucial role in providing security mainly to financial institutions, infrastructure projects, and commercial operators amidst a persistently volatile security environment. The volume of currency in circulation – estimated at approximately PKR 9.2 trillion as of end FY24 reflects the scale of cash handling needs across the economy. The inherently cash-intensive nature of Pakistan's economy, amplified by the expansion of retail networks and the proliferation of banking services, continues to drive sustained demand for secure logistics and manned guarding services. As of 9MFY25, Pakistan had 17,769 bank branches and 20,164 ATMs requiring physical security, cash replenishment and monitoring further reinforcing the sector's relevance. At the same time, the rising adoption of digital and online payment platforms may gradually influence long-term demand for cash-handling services.

Demand is also supported by regulatory requirements. The State Bank of Pakistan (SBP) mandates physical security at all bank branches and ATMs and requires armed guards for CIT operations. These rules create a stable, recurring demand base, particularly within the financial sector. Broader commercial growth and infrastructure expansion – including projects under the China Pakistan Economic Corridor (CPEC) and ongoing urbanization further contribute to the sector's demand, especially for guarding and surveillance in high-risk or high-density areas.

The security services industry in Pakistan is largely fragmented, comprising a mix of national and regional players. While numerous smaller companies operate at the provincial or city level, the market is led by a few dominant players—most notably Askari Guards, Phoenix Armour, SOS and Wackenhut Pakistan—based on fleet size, guard deployment, client portfolio, and geographic footprint. According to SOS management, the Company commands a notable share in several service lines, approximately 40% in ATMR, 30–35% in CIT, 15–20% in guarding, and 15% in CPC. These estimates suggest that SOS is among the top-tier providers in Pakistan's formal security services sector, particularly in cash management operations.

The security services industry in Pakistan, while steadily expanding, is subject to several business risks that can impact operational efficiency and profitability. Although barriers to entry are relatively high—owing to stringent licensing requirements, mandatory NOCs, complex IT infrastructure and the need for certified and trained personnel—established players still face significant challenges in maintaining competitiveness and operational resilience. One of the foremost issues is high employee turnover and rising labor costs. The sector is heavily reliant on manpower, and frequent attrition among security personnel, coupled with increasing competition for skilled workers, puts upward pressure on wages and affects service consistency. This not only erodes margins but also increases recruitment and training costs for providers.

Another growing concern is the escalating compliance burden. Companies must adhere to complex regulatory frameworks encompassing licensing, insurance, labor laws, and operational protocols. These evolving requirements add to administrative overheads and necessitate continual investments in systems and documentation, thereby increasing operational complexity—especially for providers operating across multiple provinces. CIT services, in particular, are exposed to heightened operational and financial risks. The transport of high-value assets through remote or underdeveloped areas raises the risk of armed robbery, theft, and physical attacks on personnel. While companies mitigate these threats through extensive insurance coverage—including international fronting for large-value routes—such incidents can still result in significant reputational damage, operational disruption, and potential financial exposure.

The industry is also undergoing a gradual technological transition. Enhanced surveillance systems, GPS tracking, automated monitoring and real-time reporting tools are improving operational control and service delivery. However, these innovations require significant capital investment, which may challenge smaller less technologically advanced operators.

Overall, demand for private security services – particularly CIT, guarding and ATMR related operations is expected to remain stable. Regulatory mandates, widespread cash usage and continued infrastructure development will sustain sector growth, while firms that adapt to evolving technologies are better positioned to enhance service efficiency and scale competitively.

FINANCIAL RISK

Capital Structure

The Company's equity base grew at a 3-year CAGR of 25%, supported by consistent profit retention. In FY24, total debt increased primarily due to higher lease liabilities associated with fleet expansion in the CIT segment, as well as short-term borrowings to meet working capital requirements. Notably, during FY24, the Company also secured short-term borrowings to address temporary liquidity needs arising from tax obligations.

Despite the rise in debt, the Company's gearing improved from 1.01x at end FY21 to 0.72x at end FY24, as the growth in equity outpaced the rise in debt. Leverage also improved to 1.61x at end FY24, compared to 1.71x at end FY23. As of 9MFY25, further improvement was observed, with gearing at 0.52x and leverage at 1.02x, demonstrating continued equity growth and stable debt levels.

Looking ahead, at end FY26, debt is projected to increase to support CAPEX requirements for fleet expansion. Although this is expected to elevate gearing levels, leverage is projected to improve as retained earnings continue to bolster the equity base at a faster rate than debt growth.

Profitability

SOS's revenue grew at a CAGR of 18% over FY21-FY24, with a 27% YoY increase in FY24. Guarding services remain the highest revenue contributor with 66% while CIT accounted for 25% of revenue. ATMR and CPC together contributed 8% to revenues in FY24.

Table 2: Segment Shares

Segment Revenue Contribution	FY23	FY24	9MFY25
Guarding	71%	66%	71%
Cash in Transit (CIT)	22%	25%	22%
ATM Replenishment (ATMR)	4%	5%	4%
Cash Processing Cell (CPC)	3%	3%	3%

The Company's customer base is primarily composed of well-established financial institutions, including leading commercial banks and government-backed entities, which reflects a portfolio of sound and creditworthy counterparties. These relationships have been built over time on credibility and market standing within the security services industry. However, revenue concentration remains relatively high, with the top five clients accounting for approximately 70% of total revenues.

Gross margins of the Company increased to 38.0% (FY23: 27.9%) on account of operational efficiency gains and improved pricing. Despite a rise in operating expenses, operating profit increased as revenue growth outpaced the rise in operating costs. Consequently, the operating margin rose to 18.8% (FY23: 12.5%). Furthermore, the improvement in gross margins had a positive impact on net profit, leading to a net margin of 10.3% (FY23: 7.3%).

In 9MFY25, margins continued to strengthen. Gross, operating and net margins were reported at 39.3% (FY24: 38.0%), 20.6% (FY24:18.8%) and 13.0% (FY24: 10.3%), respectively.

As per the management, profitability is expected to continue its upward trend, driven by the expansion of CIT and ATMR services, as well as the introduction of foreign currency and valuable assets handling under import/export operations.

Debt Coverage & Liquidity

The Company's liquidity profile remained adequate, showing consistent improvement across key indicators. The current ratio strengthened from 1.02x in FY23 to 1.17x in FY24, and further to 1.37x by 9MFY25, indicating enhanced short-term financial flexibility. The net operating cycle remained largely positive.

Funds from Operations (FFO) rose significantly with continued upward momentum during 9MFY25, demonstrating improved cash generation capacity. This translated into robust debt servicing metrics, with the Debt Service Coverage Ratio (DSCR) at a stable 2.01x in FY24 and further improving to 3.10x in 9MFY25, supported by stronger operating performance. Although debt levels are projected to increase in the near term due to planned capital expenditures, coverage metrics are expected to remain within a comfortable range, underpinned by steady cash flows.

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Security Organizing System Pakistan (Pvt) Limited				
Sector	Security Agency				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Type: Entity				
	Rating Date	Medium to Long Term	Short Term	Outlook/Rating Watch	Rating Action
	August 01, 2025	A-	A2	Stable	Initial
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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Due Diligence Meetings Conducted	S.No.	Name	Designation	Date	
	1.	Kanwar Muhammad Tariq	Executive Director	23 May 2025	