Group Enterprises

A Market Leader in Security, Cash Logistics & Facility Management

SELECTED BUSINESS Superbrands INDIA
Industry Validated
2021

Great Place To Work®
Certified
APR 2021–MAR 2022
INDIA

Q1FY22
EARNINGS UPDATE

July 28, 2021

Earnings Highlights

Q1FY22 REVENUES
Rs. 2,379 Crs
9.8% YoY

Q1FY22 EBITDA
Rs. 121 Crs
0.4% YoY

Q1FY22 ROE
22.6 %
220 bps YoY

Q1FY22 OCF/ EBITDA
95.5%
1450 bps YoY

Rituraj Sinha
Group Managing Director

"Our Q1FY22 results establish once again that essential services demand remains resilient even in extreme crisis conditions. It underlines the 3 moats for SIS - 100% revenues from essential services categories, diversified customer base derisking performance and international operations in developed markets- that offer an ideal hedge aiding sustainable performance through growth and crisis phases"

Notes from the Group Managing Director

Demand resilience for essential services demonstrated, yet again. Q1 marks solid start for FY22.

Despite impact of Covid second wave, we had a solid and stable Q1 with revenues for the group up 9.8% YoY and down marginally by 2.7% over Q4FY21. India experienced extremely turbulent conditions in April and May. We had several challenges as a country – from health emergencies, economic hits, supply chain disruptions and a rearing inflation. However, we are glad that we are able to deliver a solid quarter, despite our primary focus being on health and safety of our employees this quarter.

Our essential services nature ensured least impact of multiple state level lockdowns. We had our eyes firmly on ensuring that the existing operations were catered to without disruption. This was an immensely challenging task on the supply chain and logistics front, ensuring that our 220,000+ employees were able to serve our customers while ensuring their health and safety proactively.

While volume did contract in May owing to the severity of the second wave, pickup towards the end of the quarter was evident with the revenues in June 2021 higher than the revenues in April and May 2021. Our diversified customer segments and geographies helped and the international segment established a strong counter balance. Q1FY22 again reinforced the predictability and sustainability of our operations and financial results. The key to our high visibility comes from the fact that 100% of SIS revenues comes from essential services where we continue to be the market leader.

Stable EBITDA and strong cash flows continue

EBITDA margins were stable through Q1FY22 and marginally better than Q4FY21. This is despite significant one-off expenses in the quarter on the health, medical assistance and vaccination of our employees.

More importantly, the gross margins have also been relatively stable despite cost cut pressures from customers.

While the margins on the International segment are reverting to historical levels as temporary Covid work tapers, the Facility Management business margins are recovering on the back of higher revenues and operating leverage. The steady recovery in the FM vertical and back to normal push across customer segments gives us hope for a strong rebound.

After a stellar year for cash flow generation in FY21, Q1FY22 also showed similar strong trends with total cash generation of Rs116 Crs. 96% of our EBITDA in the quarter, despite large disruption owing to second wave. The DSO for the group continues to be a very efficient 57 days, thus showing the value that customers place on vital service providers like us and prioritise payments. The Net Debt/ EBITDA is at 1.15 despite outflows this quarter on account of payments towards balance stake acquisitions and for buyback to the extent of Rs301 Crs.

Great Place to Work Best Employer #31; Major boost to ESG score

The business segments that SIS operates in, leave minimal environmental impact. The significant jobs that SIS creates and accompanying training and benefits that we provide have a high and abiding social impact. We have also done an internal assessment of our governance using the standards set by leading regulators and research houses. We are working towards a third party ESG rating in FY22. We are also instituting a Sustainability reporting framework that we will bring out in Q3 every year starting FY22.

Our progressive employment policies and social impact gave us a ranking of 31 in the Great Places to Work (GPTW) rankings for FY20 which is a tremendous ratification of our organisation culture, policies and employee motivation levels.

We are also proud to be recognised as India's top Facility Management company by GPTW. Similarly our stellar work during the Covid year has placed us in the Top 15 Nation Builders category by GPTW. To be recognised by GPTW with our large employee base, and most of them frontline blue collar workforce and amidst COVID crisis year, is humbling. We remain committed to our 'People First' philosophy. Our two-fold contribution to India continues to be – a) creating good jobs for the most needy section of society and b) engaging them in service to society and nation, as has been duly demonstrated during COVID crisis.

Q1FY22 thrust on EHS, over 2.28 lakh vaccination doses completed in record time

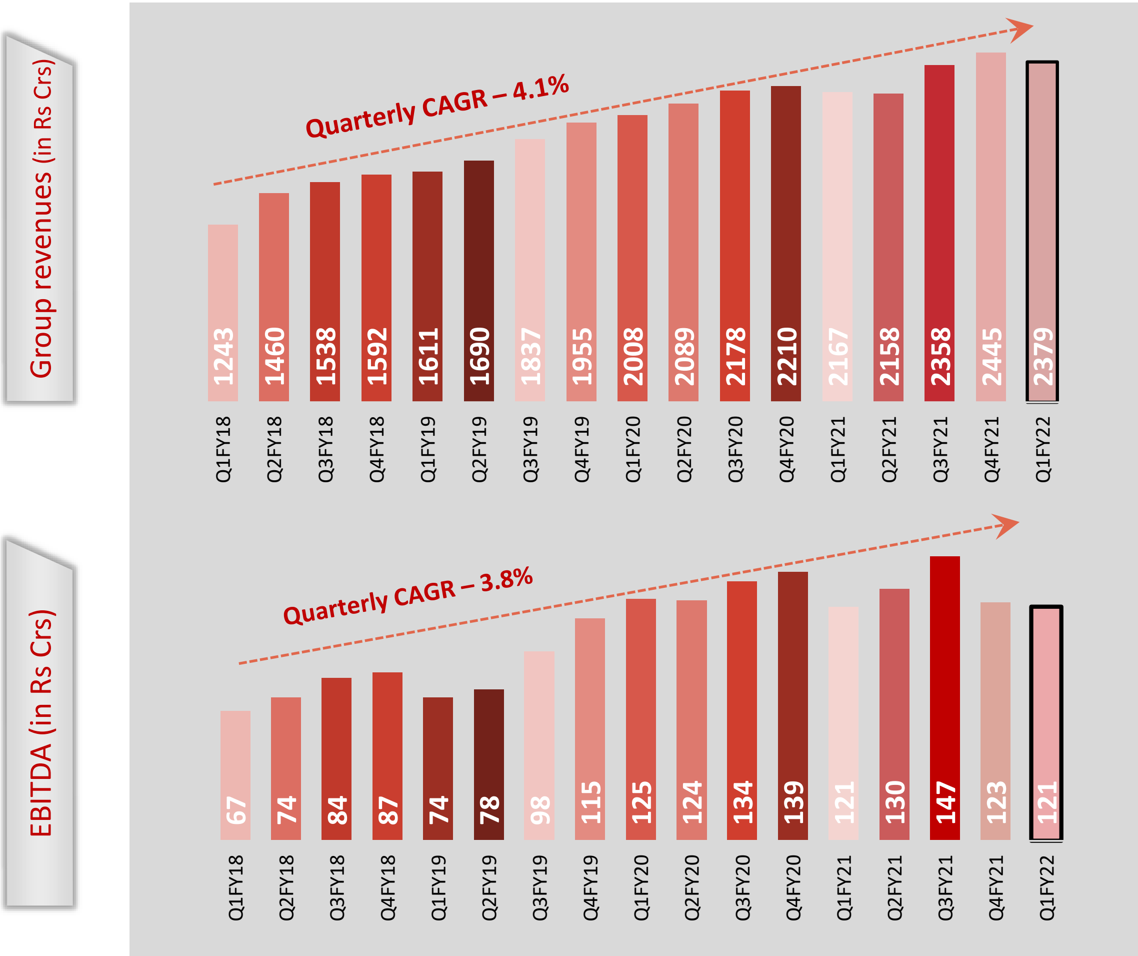
Our guiding principle throughout the Covid crisis has been, 'Business Continuity with EHS priority'. EHS has been a continuous challenge – with our large workforce and higher risk/ frontline roles with no option to work from home. Our infection rates and fatalities have however been quite low compared to national averages.

We had set up a HumaraHeroes fund of Rs10 Crs that has given assistance to the employees amidst testing times. We have also set up SOS groups in major cities that has saved precious lives by working proactively in medical emergencies. However, recognising that vaccination is the only permanent solution, we have prioritised a nationwide inoculation drive, commencing 1st May in the midst of second wave as GoI opened 18+ age group vaccination. As on 26th July, 194,758 employees were vaccinated with first dose and 33,179 fully vaccinated. We are targeting to achieve 100% vaccination by 30 September, 2021.

Supplementing growth aspirations with equal thrust on compliance and governance assurance for customers & other stakeholders

As communicated earlier, we have launched our 4 year Vision 2025 plan with two primary objectives - doubling market share and scaling solution based revenues. Vision 2025 aims to leverage the impending labour reforms and technology uptake in general as wider opportunities to convert our market leading positions in Security, FM and Cash solutions to dominant market share in each of these segments.

Keeping in view the requirements of the business for the next few years, as we enter a new phase of growth, we will increasingly need diverse skill sets on the Board. We are pleased to welcome to the Board Mr. Rajan Verma - Ex Chief Labour Commissioner as labour reforms expert and Mr. Ajay Relan – ex-CVC/ CX Partners as capital allocation & M&A expert. For Industry specific expertise, Thomas Berglund, Ex-CEO Securitas AB & Capio and Hakan Winberg, ex CFO Securitas AB will be joining a new Advisory Board as PSARA regulations restrict foreign nationals from being on the Board of licensed companies.



Consolidated Financial Results

Particulars (in Rs Crs)	Q1 FY22	Q1 FY21	%age	Q4 FY21	%age
Revenue	**2,379.3**	**2,166.7**	*9.8%*	**2,445.2**	*-2.7%*
EBITDA	**121.3**	**120.9**	*0.4%*	**123.3**	*-1.6%*
EBITDA %	*5.1%*	*5.6%*		*5.0%*	
Depreciation	23.9	23.6	*1.4%*	25.5	*-6.0%*
Finance Costs	24.6	30.4	*-19.2%*	24.7	*-0.7%*
Other income & share of profit/(loss) in associates *see section titled "Special items"*	10.9	22.8	*-52.1%*	75.1	*-85.5%*
Earnings Before Taxes (Operating)	**83.8**	**89.7**	*-6.6%*	**147.8**	*-43.3%*
Less: Business combination related accounting charges					
- Depreciation & Amortization	3.0	4.9		3.1	
- Finance costs	-	6.9		3.4	
Earnings Before Taxes (Reported)	**80.7**	**77.9**	*3.6%*	**140.9**	*-42.7%*
EBT (Reported) %	*3.4%*	*3.6%*		*5.8%*	
Tax Expenses	21.2	20.0		38.7	
Profit After Taxes (Reported)	**59.5**	**57.9**	*2.8%*	**102.2**	*-41.8%*
PAT (Reported) %	*2.5%*	*2.7%*		*4.2%*	
Profit After Taxes (Operating) *see section titled "Taxes & Profit after Tax"*	**51.9**	**39.6**	*31.2%*	**35.9**	*44.7%*
PAT (Operating) %	*2.2%*	*1.8%*		*1.5%*	
EPS	4.0	3.9	2.8%	6.9	*-42.1%*
OCF	115.9	97.9	*18.4%*	109.2	*6.2%*
OCF to EBITDA	***95.5%***	***80.9%***		***88.5%***	
Net Debt	601.5	675.3		375.6	
Net Debt to EBITDA	***1.15***	***1.31***		***0.72***	

**For an explanation of special items affecting the EBITDA and EBIT, please refer the section titled "Special items"*

Revenue, EBITDA and PAT Growth Development by Business Segment

Business Segments	Revenue Growth		EBITDA Growth		Operating PAT Growth	
Total Growth - %age	**Q1 FY22 v/s Q1 FY21**	**Q1FY22 v/s Q4 FY21**	**Q1 FY22 v/s Q1 FY21**	**Q1FY22 v/s Q4 FY21**	***Q1 FY22 v/s Q1 FY21***	***Q1 FY22 v/s Q4 FY21***
Security Solutions – India	*2.6%*	*-2.3%*	*-4.0%*	*0.3%*	*361.7%*	*436.5%*
Security Solutions – International	*17.7%*	*-4.2%*	*7.2%*	*-12.2%*	*457.0%*	*20.7%*
Facility Management	*4.2%*	*3.1%*	*-12.6%*	*129.9%*	*26.5%*	*341.4%*
Total of SIS Group	***9.8%***	***-2.7%***	***0.4%***	***-1.6%***	***31.2%***	***44.7%***

Q1 FY22: Financial Commentary

Revenue Development

Consolidated revenue for Q1 FY22 was INR 2,379.3 Crs; grew by 9.8% over Q1 FY21.
Consolidated revenue for Q1 FY22 had a q-o-q change of (2.7%)

All businesses reported higher revenue in June 2021 compared to April and May signifying the start of business recovery in all geographies and service segments where the Group operates.

Business segment wise revenue growth for Q1 FY22 are as follows:

a. Security Services – India, had a q-o-q change over Q4 FY21 of (2.3%) and a y-o-y increase by 2.6% over Q1 FY21
b. Security Services – International, had a q-o-q change over Q4 FY21 of (4.2%) and a y-o-y growth of 17.7% over Q1 FY21 ((4.5%) and 3.6%) respectively on a constant currency basis); and
c. Facility Management, had a q-o-q increase over Q4 FY21 of 3.1% and a y-o-y increase by 4.2% over Q1 FY21

Earnings Before Interest, Tax, Depreciation & Amortization

Consolidated EBITDA for Q1 FY22 at Rs 121.3 Crs was marginally higher than Q4 FY21.

Business segment wise EBITDA movement for Q1 FY22 on y-o-y basis are as follows:

a. Security Services – India, had a q-o-q increase over Q4 FY21 of 0.3% and a y-o-y change by (4.0%) over Q1 FY21
b. Security Services – International, had a q-o-q change over Q4 FY21 of (12.2%) and a y-o-y growth of 7.2% over Q1 FY21 (however had a change by (12.9%) and (7.3%) respectively on a constant currency basis); and
c. Facility Management, had a q-o-q increase over Q4 FY21 of 129.9% and a y-o-y change of (12.6%) over Q1 FY21

Earnings Before Taxes (Reported)

The Earnings Before Taxes for the Group were at Rs 80.7 Crs for Q1 FY22, compared to Rs 77.9 Crs for Q1 FY21, thus showing an increase of 3.6%.

Other income & share of profit/(loss) in associates for the year is comprised of:

a. A gain of Rs 6.7 Crs resulting from recognition of income from grants in our international security business ***(see section "Special items")***.
b. Interest income from bank deposits; and the Group's share of the profit/(loss) in its associates and other gains and losses which is driven by a continued improvement in the Cash Logistics business

Special items

During the quarter, we recognized income from grants, amounting to INR 6.7 Crs during the quarter, received from the Singapore government

Depreciation, Amortisation and Finance Costs

The Group's consolidated **Depreciation & Amortization** amounted to Rs 27.0 Crs for Q1 FY22 which was lower than Rs 28.5 Crs for the same quarter last year driven by:

a. Winding down of amortisation of the intangibles in connection with acquisitions over a period of time
b. Continued freeze on discretionary capital expenditure during FY22

Finance costs for the Group amounted to Rs 24.6 Crs, representing a decrease of (34.1%) over the same quarter in the year FY21. This is driven by:
a. Continuous review and re-negotiation of our facilities leading to a reduction in the rate of interest of our existing working capital facilities by 270 bps from 9.3% to 6.6% in our India business; and
b. Completion of acquisitions of remaining shareholding in most businesses acquired in FY19 and FY20 resulting in a reduction in the fair value true-ups of the liability for such acquisitions

Q1FY22: Financial Commentary

Taxes & Profit after Tax

Operating PAT

The Operating Profit after Tax has been computed after adjusting for these amounts to explain the normalised sustainable PAT:

Particulars (in INR Crs)	Q1FY22	Q4FY21	Q1FY21	FY21
Reported PAT	**59.5**	**102.2**	**57.9**	**367.2**
Less: the effect of special items explained above	7.6	66.3	18.3	173.7
Operating PAT	**51.9**	**35.9**	**39.6**	**193.5**

Accounting for the benefits under Section 80JJAA of the Income Tax Act, 1961

The key qualifying criterion for availing the tax benefits under section 80JJAA are an increase in the number of employees during the year and eligible employees completing a period of employment of at least 240 days in the year either in the year of recruitment or in the immediately succeeding financial year.

During the quarter, the number of employees in all businesses started showing an increase. With revenues starting to increase in all businesses during the quarter, we project that the economic situation will continue improving through the year. With significant wins being reported by all businesses for deployment in the next quarter, we believe that we will achieve a net increase in the number of employees in the current year.

As a result, we have decided to use a cautiously optimistic approach and have accounted for tax benefits under Section 80JJAA of the Income Tax Act by projecting the number of employees expected to be added during the year on a conservative basis.

We continue to receive, and account for, the tax benefits under section 80JJAA which have accrued to the Group during FY20 and which the eligible entities of the Group will claim in FY22.

In FY22, the Group will also be eligible to claim benefits in respect of those eligible employees employed in FY21 and completing a period of employment of at least 240 days in FY22. On a standalone basis, the Company's current tax rate continues to be close to NIL because of the benefits accruing under Section 80JJAA of the Income Tax Act, 1961.

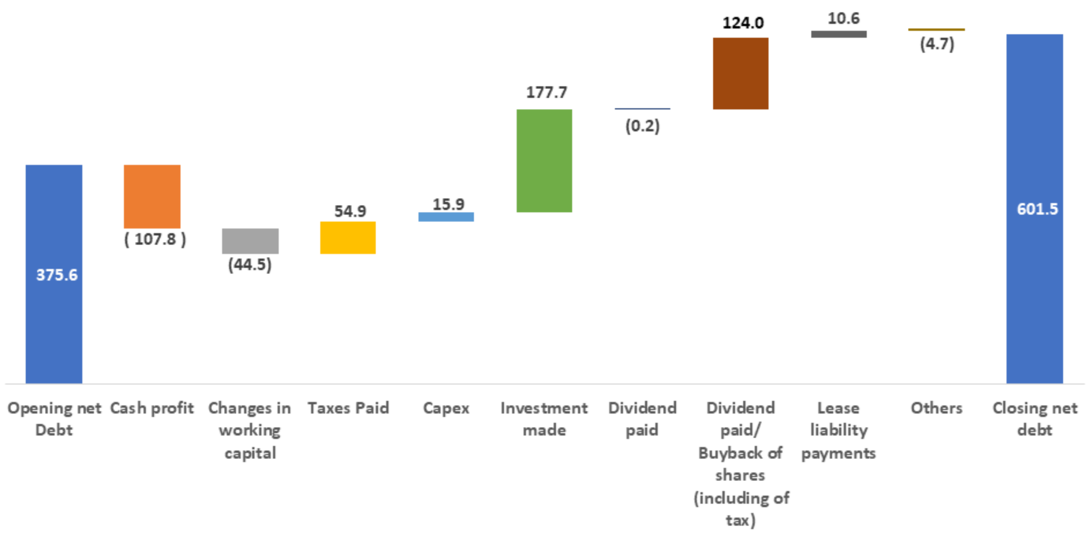
The current tax rate reflects the amount of tax the Company is expected to pay when preparing and filing its tax returns. The real effective tax rate reflects the current tax plus the deferred tax effect on timing differences. The current tax rate and real effective tax rate, is computed below:

INR Crs	Q1FY21	Q4 FY21	FY21	Q1 FY22
PBT	**20.8**	**16.6**	**85.6**	**70.5**
Less: dividend subject to special tax rates				50.2
Current tax	0.1	(0.0)	0.0	10.0
Less: tax on dividend at special rates				8.6
Deferred tax effect on timing differences	(1.0)	1.0	(7.4)	(1.8)
Total tax items	(0.9)	1.0	(7.4)	(0.5)
Current tax rate	*0.5%*	*0.3%*	*0.0%*	*6.6%*
Real Effective tax rate	*-4.4%*	*5.8%*	*-8.7%*	*-2.4%*

Leverage and Financing

Particulars (in Rs Crs)	June 2021			March 2021		
	India	Intl	Total	India	Intl	Total
Gross Debt						
LT Borrowings	217	33	250	223	519	742
ST Borrowings	498	4	502	417	5	421
Current Portion of LT Liability	24	627	651	176	16	192
Lease liabilities	64	55	119	55	58	114
Gross Debt	**803**	**719**	**1,522**	**874**	**598**	**1,472**
Less: Cash/Cash Equivalents	287	633	920	520	576	1,096
Net Debt	**516**	**86**	**602**	**353**	**22**	**376**
Net Debt/EBITDA	**2.29**	**0.29**	**1.15**	**1.54**	**0.08**	**0.72**

Net Debt Bridge from March 2021 to June 2021 (In Rs Crs.)



OCF/EBITDA - The total operating cash generation this quarter was Rs 116 Crs, which on a consolidated basis is **95.5%** of the Q1 FY22 EBITDA. This continues the strong cash flow generation in FY21 and is a testimony to our continued and relentless focus on aggressive management of receivables and also the customer prioritisation for payments to essential service providers like us.

Net Debt/ EBITDA was 1.15 as of June 2021, up from 0.72 in March 2021. During the quarter, we have had significant cash outflows on account of a) Balance stake purchase of Henderson and Uniq– Rs 177 Crs and c) Buyback – Rs 124 Crs (incl. tax). Together these accounted for a cash outflow of Rs. 301 crs. Despite these significant outflows, the Net Debt/ EBITDA was a very comfortable 1.15.

Barring P4G in New Zealand, payouts for all other M&A targets has been completed. Over the last 15 months, we have managed to buy out the balance stakes in the acquired entities, while still reducing the Net Debt/ EBITDA ratio.

We believe that subject to growth and recovery pace and consequent working capital requirements, cash flows are likely to be robust for the rest of the year.

Ratios: Our consolidated Return on Capital employed (ROCE) is **18.0%** and our adjusted Return on Net Worth is **22.6%**. We have kept our Return ratios within the historical range despite the continuing turbulence. Sound cost management coupled with stable revenues have helped us manage strong return ratios.

Cash fungibility –During the quarter, the International business returned cash of Rs 50 Crs. to the parent SIS in the form of dividend. As communicated earlier, we will look to remit cash from the international operations in the most tax efficient manner.

Security Solutions – India

The India Security Solutions business comprises five entities - our flagship SIS security business, SLV, Uniq, Tech SIS and Vprotect. We are the largest security solutions company in India. All the group companies showed great resilience in the toughest period for the Group since inception.

The business currently operates across 182 branches and has 148, 567 employees.

Solid start to FY22

The segmental revenues for Q1 were Rs881 Crs which is a marginal 2.3% drop over Q4 of FY21 and a 2.6% YoY increase. The revenues after taking a marginal hit in April and May have seen a good uptick in June to end the quarter at revenues of Rs 295 Crs.

The margins have held firm with the gross margins stable and despite additional spends on Covid related EHS measures, the EBITDA is marginally higher at 5.0% as against 4.9% in Q4 FY21. We are confident that with revenues inching up and reduced Covid expenditure, the margins will also see an uptick to historical levels. While the business recovery will depend to a large extent on the nature and scale of the future health scenario, our security vertical has demonstrated its innate inelasticity during this extremely tough quarter. Over the past 15 months, the vertical has been very minimally impacted due to the essential nature of our services.

During Q1, we managed to get new orders worth Rs 15 Crs, indicating a steady normalisation. These wins have been across segment and geographies.

Significant wins in Technology solutions

The Tech SIS business has won significant new orders from leading PSUs putting us on a strong footing to increase our solution sales under the Vision 2025 plan.

- Leading Oil and Gas company - to manage video analytics based CCTVs for all the hazardous areas in 7 terminals
- Leading Oil and Gas company – Artificial Intelligence Projects for managing Covid related SOP compliance across 82 terminals
- Leading Gas distribution firm – composite security project across 100 locations for running video analytics based CCTV system and setting up of multiple regional and central control rooms

We believe that the strong impetus that SIS has laid on Tech solutions are increasingly winning customer support and these solutions can greatly expand in coverage.

DSOs impacted marginally

Our DSOs inched up a bit in line with prior years' trends for the first quarter. The DSOs were 74 days at the end of June, as against 68 days at the end of March 2021. We believe that the DSOs will be pulled back to historical levels shortly, just as we had done in FY21.

We continue to tread cautiously on a few business segments to ensure that our working capital does not get impacted. Similarly we have sharpened our credit controls checks and processes which have helped us stabilise our working capital over the past 2-3 quarters.

Particulars (in Rs Crs)	Q1 FY22	Q1 FY21	*Change YoY*	Q4 FY21	*Change QoQ*
Revenues	**880.6**	**858.1**	***2.6%***	**901.3**	***-2.3%***
EBITDA	**44.3**	**46.2**	***-4.0%***	**44.2**	***0.3%***
EBITDA%	***5.0%***	***5.4%***		***4.9%***	
Share of group revenues	***37.0%***	***39.6%***		***36.9%***	
Share of group EBITDA	***36.5%***	***38.2%***		***35.8%***	

Security and Intelligence Services (India) Limited
A Market Leader in Security
An SIS Group Enterprise
An SIS Group Enterprise

Security Solutions – International

The International security business comprises four entities - MSS and SXP in Australia, Henderson in Singapore and Platform4Group in New Zealand. We are the market leader in Australia and a top 3 player in Singapore and New Zealand. The International security business currently has 8,296 employees.

YoY growth strong despite temporary work tapering off

The International business had an outstanding year in FY21 on the back of good ad-hoc orders from the Australian government for securing quarantine centres. As indicated earlier, that business is slowly tapering off. This has been countered to some extent by the recovery in the aviation and other segments.

The segment recorded revenues of Rs1201 Crs this quarter which is a 4.2% drop over Q4FY21 but still a 17.7% increase over Q1FY21.

Tender activity in Australia is slowly picking up. Australia has been reporting very low unemployment rates in recent times, even more since pandemic. With the difficult labour market owing to the border restrictions, wage escalation and pass through will be in focus over the coming quarters.

The EBITDA margins during FY21 had been the highest in the past many years. The temporary Covid contracts came in at a much higher margin than normal, which are now being normalised. Some of the cost improvement measures on travel and other overheads continue to assist in margin support during the turbulent times.

DSOs at historic best

The collection performance continued to be outstanding with overall DSOs for the International market at 38 days, the lowest in our history.

All the regions are showing strong collection trends. This shows the confidence that clients have on our ability to service them through trying times.

The international performance in FY21 showcases the importance of having a distributed and diversified geographical mix of business. Our developed market presence has been a vital strength of our portfolio and has been a great counterbalance to the vagaries of the Indian economy.

Apart from its core features of steady growth, strong cash flows and high return ratios, the strong macro-economic situation in these countries enables good growth prospects even during weaker years.

Particulars (in Rs Crs)	Q1 FY22	Q1 FY21	*Change YoY*	Q4 FY21	*Change QoQ*
Revenues	**1,200.7**	**1019.9**	***17.7%***	**1,253.0**	***-4.2%***
EBITDA	**64.3**	**60.0**	***7.2%***	**73.3**	***-12.2%***
EBITDA%	***5.4%***	***5.9%***		***5.8%***	
Share of group revenues	***50.5%***	***47.1%***		***51.2%***	
Share of group EBITDA	***53.0%***	***49.6%***		***59.4%***	

Facility Management Solutions

The facility management business comprises DTSS, SMC, RARE Hospitality and TerminixSIS. We are the second largest FM business in the country. The FM business currently operates across 92 branches and has 56,765 employees.

Strong demand recovery

The segment had a strong recovery with a 4.2% revenue growth over Q4FY21 with all the FM group companies showing strong wins during the quarter.

DTSS

- Was impacted in FY21 due to the continuing work from home of the IT sector which is DTSS' biggest vertical
- Despite continuing lower volumes of IT segment, DTSS recorded a revenue increase
- Production support services, a solution launched in FY21, has been seeing good traction
- DSOs continue to be very well managed

SMC

- Despite continuing impact on railways and hospitality, the division recorded healthy growth and margin performance
- Won new sales of close to Rs 5 Crs in Q1FY22
- Improved productivity and solution selling led to margin uptick
- Launched Antimicrobial Surface Treatment and UV based Airborne Infection Control Solutions as solutions in the market place

Rare Hospitality

- Had a double digit QoQ growth on the back of solid wins in the healthcare sector winning 7 new hospital clients
- Running ahead of budget despite second wave impact
- Won new solutions business on the back of healthcare expertise

Terminix SIS (Pest Control)

- Continues its strong run with close to double digit growth, with the highest EBITDA margins in the group
- Successfully helped many customers complete external Audits ranging from GFS Audits, NABH Audit, EHS Audit, NDDB Audit, Yum Brand Global restaurant Audit
- New product launches in Q2 : Bird control, Rodent Smart Solutions

Q1 trends point a strong FY22

With most major customer segments steadily recovering, there is a steady revival of service volumes.

With even some of the IT majors making back to work plans and hospitality sector also reviving, we are hopeful of a rebound to historical levels shortly. The newer solutions like production support, safety audits, infection control etc. are seeing a good amount of customer traction.

The newly passed labour reforms provide further impetus to the outsourcing of production support services and the SIS' group penetration in the core sector will help us exploit this opportunity.

Particulars (in Rs Crs)	Q1 FY22	Q1 FY21	*Change YoY*	Q4 FY21	*Change QoQ*
Revenues	**305.0**	**292.7**	***4.2%***	**295.7**	***3.1%***
EBITDA	**13.1**	**15.0**	***-12.6%***	**5.7**	***129.9%***
EBITDA%	***4.3%***	***5.1%***		***1.9%***	
Share of group revenues	***12.8%***	***13.5%***		***12.1%***	
Share of group EBITDA	***10.8%***	***12.4%***		***4.6%***	

Cash Logistics Solutions

The cash logistics business is a JV with Prosegur of Spain, a world leader in cash solutions. We have a 49% holding in the JV which is the second largest cash logistics business in India. We operate over 2,000 cash vans and 54 vaults covering over 300 cities across India.

Strong YoY growth in revenues

The retail business had an impact in Q1 on account of the lockdown related restrictions. This led to a drop in revenues of 15.6% over Q4 FY21, but the cash logistics segment still shows a significant increase of 17.4% increase YoY.

The recovery from the second wave has been equally swift with the revenues in June 2021 being the second highest ever in our history.

New Solutions finding traction

Our cash processing business line has been seeing very good momentum and the SBI contract has seen steady installations in Q1 despite the pandemic. We also managed to successfully replicate the cash processing business model with KVB where post order receipt, deployment has commenced.

During pandemic, bullion services continued to be operating at peak capacity.

Robust EBITDA margin – in the double digits

The segment continued its strong EBITDA margin trend with overall margins for the segment at 10.1%, one of our highest ever, despite a steep increase in fuel costs this quarter by over 7% thus reinforcing the high EBITDA potential of the segment. Across the well organised mature markets, the cash logistics industry is a double digit margin industry and the results over the past few quarters reinforce this.

All the measures – tariff increases, portfolio rationalisation, efficient route planning and proactive cost control have aided margin increase

Implementation of RBI/MHA norms by a few leading private banks has commenced across the country – which portends the movement towards a cassette swap eventually. The cassette swap transition will aid the operations by reduction in deductions and enhanced productivity.

The ATM interchange hike announced by the RBI effective August 1, 2021 is also likely to give room to banks to proactively hike tariffs for cash management firms.

Organic consolidation

There have been some initial price changes that hold out promise for a more broad-based price re-negotiation.

Some of this tariff increase that banks have been signing upto is due to better bargaining power by the suppliers on the back of exiting of weaker players and organic consolidation of market share among the rest. We believe that this will play out further over the next few years and will aid industry restructuring, and a better pricing and operational environment

Particulars (in Rs Crs)	Q1 FY22	Q1 FY21	*Change YoY*	Q4 FY21	*Change QoQ*
Revenues	**84.2**	**71.8**	***17.4%***	**99.8**	***-15.6%***
EBITDA	**8.5**	**7.9**	***8.2%***	**7.9**	***8.2%***
EBITDA%	***10.1%***	***10.9%***		***7.9%***	