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

Q2FY22

EARNINGS UPDATE

October 27, 2021

Earnings Highlights

H1FY22 REVENUES
Rs. 4,810 Crs
11.2% YoY

H1FY22 EBITDA
Rs. 244 Crs
2.5% YoY

H1FY22 PAT*
Rs. 114 Crs
27.8 % YoY

H1FY22 RoE
19.2%
3.9 % YoY

**based on operating PAT*

Notes from the Group Managing Director

Rituraj Sinha
Group Managing Director

"Q2 results signal strong and secular growth, across service segments. Security & Facility management segments have reported 7% and 10% growth respectively as compared to Q1FY22, which is amongst the highest QoQ change for SIS. Overall, H1 revenues is up 11% Vs H1FY21.With strong recovery in the economy, service volumes are witnessing an uptick. Coupled with an encouraging order pipeline for Q3, SIS is looking at a 10,000 Crs annual revenue runrate. Full vaccination of 84% of our workforce has emboldened us to go back to growth mode in full steam"

Growth in Q2 was faster and earlier than expected, giving a solid foundation for H2

After the economic and social shocks left behind by the second wave of Covid in Q1, we had signalled a relatively staid return path to growth. However, the performance in Q2 was a pleasant surprise and indicates that from a macro economic point of view and from an internal company execution angle, both the engines are firing on all cylinders.

We had a solid Q2 with revenues up 2.2% over Q1FY21 and 12.7% YoY. For the H1 as a whole we are 11% up in revenues over H1 of FY21. All the BUs and geographies had a stellar performance. Despite the management focus in the initial months being primarily on vaccination drive, our execution was on point through Q2 and we are close to a Rs. 10,000 Crs annual revenue run rate.

New order pipeline for Q3 is strong. The last 18 months of Covid demonstrate that our India and International businesses are complementary to each other and each is a good counterbalance to the other.

3,71,000+ vaccination doses in record time; operations back to normal

Commencing April our vaccination drive has been a key priority for all levels of management. We are scheduled to complete 100% vaccination by early December.

It is back to business as usual from the last 2 months. We have started hiring, have opened up all travel and business development efforts, started regular site inspection and trainings, and other operational activities. It is an important milestone for us and a strong signal to the clients.

We feel confident about the state of the health situation, the vaccination both in the country and SIS, to open up the operations. However, we continue to be watchful for any early signs of health risks to our employees.

PAT is back to normal with taxation reverting to historical levels

The higher tax rate which we faced in the recent quarters is reverting to the earlier lower levels on the back on a steep increase in hiring. The PAT for H1 (on an operating basis after adjusting for grants income and forex gains etc) has gone up nearly 28% over H1 of last year.

EBITDA in India security has seen an impact due to normalisation of expenses on travel, hiring and additional expenses on vaccination. Gross margins remain stable at the pre-Covid levels. With operating leverage on increasing revenues, EBITDA margins should be back to normal in coming quarters.

OCF/ EBITDA was 40% in H1. We had an exceptional Q1 while Q2 was impacted on account of extended lockdowns in Australia which have gone on for the longest period in the world. This impacted collection efforts. We are back on average to the historical range of cash flow conversion and will be in the range of 50-70% as growth revives.

ESG Reporting and Sustainability

We will shortly come out with our first ever sustainability report.

The social tumult over the past two years have made it ever more important to marry a social role with an economic agenda, which together can propel our society and our industry to a more cohesive and sustainable future.

At SIS, which has its origins as a vehicle to create jobs at the bottom end of the pyramid, this period of reflection has resulted in great learnings, humility, and also pride. We have been able to contribute towards keeping the economy safe and secure, our employees looked after and ultimately reinforce the culture that has kept us thriving through the decades.

We have done internal scorings of our governance using benchmarks set by the stock exchange and other independent bodies and am glad that we rank very highly on these scores compared to many in the listed space in India. As a next step, we will look to get an external audit done of our ESG scores so that we are able to accurately identify areas for focus and improvement.

Labour reforms preparation in full swing

The pending labour reforms that are now expected to be rolled out in Q4 are the biggest regulatory change in our manpower intensive sector. This is going to be a trigger for formalisation and consequently consolidation. Compliance onus is going to shift from service provider to user of services (our clients) driving greater compliance.

This is going to create a level playing field. The delay in implementation will help as the economy is on the upswing and easier to implement as against an environment where customers are too focused on cost.

We are using this delay in rollout of reforms as an opportunity to upgrade our IT systems for compliance assurance and training our sales and finance teams.

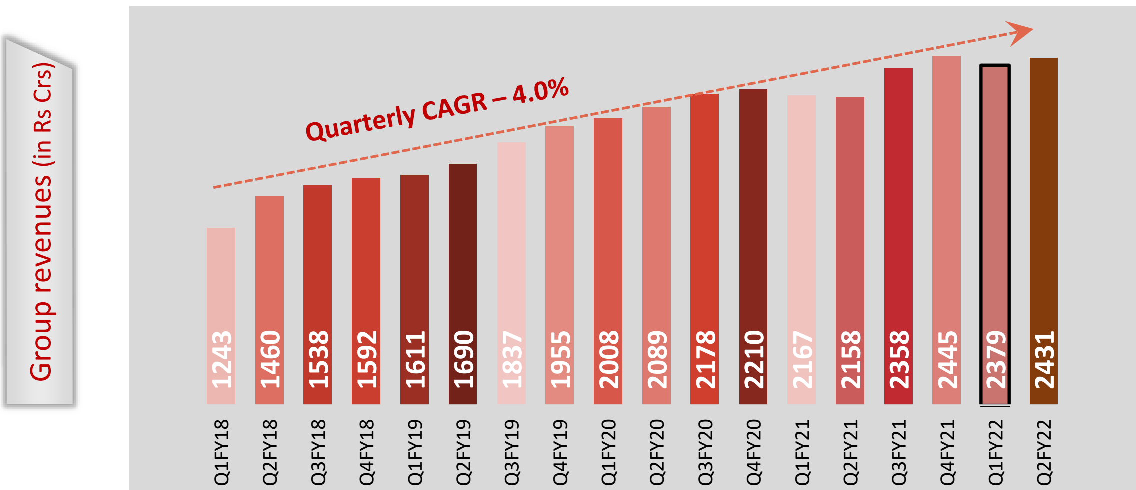
First 6 months of Vision 2025 have seen a solid base established for achieving market share and solutions growth

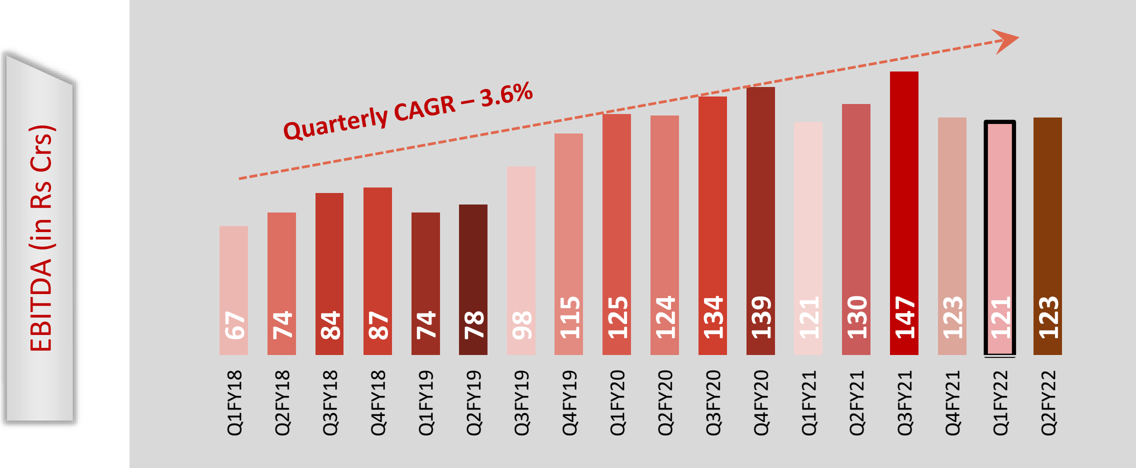
After a slow start to Q1 due to the Second Wave, we have picked up significant pace in Q2 to end H1 at a historical high run rate and all our segments firmly back in the growth saddle.

The security segment is benefiting from the capex revival underway, which is especially focussed on the manufacturing sector due to the PLI incentives rolled out by the government. SIS has historically been very strong in the manufacturing sector and we are ideally placed to benefit from the revival here which can already be seen from the Q2 growth and continued enquiries from the manufacturing sector.

The technology segment has made firm progress by ramping up the range of solutions being offered and also winning new clients. Similarly our alarm monitoring business after installation hurdles in Q1 is fast installing the 9000 additional connections that had been won through RFPs. Integrated facility management offering under One SIS is also seeing good traction with real estate firms and blue chip clients evincing great interest.

This capex growth coupled with the acceleration on technology adoption over the last 18 months and the digital leapfrogging India is undergoing, make the new few years an exciting phase for SIS and we are confident that the Vision 2025 plans can be realised.





Consolidated Financial Results

Particulars (In Rs Crs)	Q2 FY22	Q2FY21	YoY	H1FY22	H1FY21	YoY
Revenue	**2,430.9**	**2,157.9**	*12.7%*	**4,810.2**	**4,324.6**	*11.2%*
EBITDA	**123.1**	**129.7**	*-5.1%*	**244.4**	**250.6**	*-2.5%*
%	*5.1%*	*6.0%*		*5.1%*	*5.8%*	
Depreciation	23.4	24.8	*-5.6%*	47.4	48.5	*-2.2%*
Finance Costs	24.7	26.8	*-7.9%*	49.2	57.2	*-13.9%*
Other income & share of profit/(loss) in associates	5.2	24.4	*-78.6%*	9.4	47.2	*-80.1%*
Earnings Before Taxes (Operating)	**80.2**	**102.4**	*-21.7%*	**157.2**	**192.1**	*-18.2%*
Grants Income	2.4	0.0		9.2	-	
Earnings Before Taxes (Incl. Grants)	**82.6**	**102.4**	*-19.4%*	**166.3**	**192.1**	*-13.4%*
Less: Acquisition related costs / (income)						
- Depreciation & Amortization	3.0	3.5		6.0	8.4	
- Finance costs	0.0	6.5		0.0	13.4	
- Gains arising out of adjustment of future tranche of acquired entities	0.0	-42.4		-	(42.4)	
Earnings Before Taxes (Reported)	**79.6**	**134.9**	*-41.0%*	**160.3**	**212.7**	*-24.7%*
%	*3.3%*	*6.3%*		*3.3%*	*4.9%*	
Tax Expenses	11.2	26.8		32.4	46.8	
Profit After Taxes (Reported)	**68.4**	**108.1**	*-36.7%*	**127.9**	**166.0**	*-22.9%*
%	*2.8%*	*5.0%*		*2.7%*	*3.8%*	
Profit After Taxes (Operating)	**62.5**	**50.0**	*25.1%*	**114.5**	**89.6**	*27.8%*
%	*2.6%*	*2.3%*		*2.4%*	*2.1%*	
EPS	4.7	7.3	*-36.6%*	*8.7*	*11.2*	*-22.9*

For an explanation of special items affecting the EBITDA, EBIT and PAT, 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	**Q2 FY22 v/s Q2 FY21**	**Q2 FY22 v/s Q1 FY22**	**Q2 FY22 v/s Q2 FY21**	**Q2 FY22 v/s Q1 FY22**	**Q2 FY22 v/s Q2 FY21**	**Q2 FY22 v/s Q1 FY22**
Security Solutions – India	12.7%	7.4%	-20.2%	-11.7%	18.8%	-70.1%
Security Services – International (on a constant currency basis)	6.8%	0.1%	-9.3%	11.5%	-31.3%	-15.5%
Facility Management	31.5%	10.3%	136.2%	17.6%	935.8%	33.9%
Total of SIS Group	**12.7%**	**2.2%**	**-5.1%**	**1.4%**	**25.1%**	**20.4%**

Q2 FY22: Financial Commentary

Revenue Development

Consolidated revenue for Q2 FY22 was Rs 2,430.9 Crs; grew by 12.7% over Q2 FY21. This is a QoQ change of 2.2%

The Indian businesses of security and facility management reported steep revenue increases over the previous quarter while the International segment had a marginal decline due to the decline of the ad-hoc Covid business.

Business segment wise revenue growth for Q2 FY22 are as follows:

a) Security Services – India, had a QoQ change over Q1 FY22 of 7.4% and a YoY increase of 12.7% over Q2 FY21
b) Security Services – International, had a QoQ change over Q1 FY22 of (3.7%) and a YoY growth of 8.3% over Q2 FY21 (0.1% and 6.8% respectively on a constant currency basis); and
c) Facility Management, had a QoQ increase over Q1 FY22 of 10.3% and a YoY increase by 31.5% over Q2 FY21

Earnings Before Interest, Tax, Depreciation & Amortization

Consolidated EBITDA for Q2 FY22 at Rs 123.1 Crs was marginally higher than Q1 FY22.

Business segment wise EBITDA movement for Q2 FY22 are as follows:

a) Security Services – India, had a QoQ decrease over Q1 FY22 of (11.7%) and a YoY decrease of (20.2%) over Q2 FY21
b) Security Services – International, had a QoQ change over Q1 FY22 of 6.4% and a YoY decrease of (8.3%) over Q2 FY21 (however had a change by 11.5% and (9.3%) respectively on a constant currency basis); and
c) Facility Management, had a QoQ increase over Q1 FY22 of 17.6% and a YoY change of 136.2% over Q2 FY21

In the last 5 quarters, certain cost savings were realised during the periods of lockdown and restrictions on movement, like rentals on premises, travel, people training and development, third party professional fees, etc.. These amounted to Rs. 49.5 Crs for the full year FY21.

On a quarter to quarter and year to year basis, as a result of the "return to normal" mode across all businesses, and with the economic activity picking up and growth and revenue back to pre-COVID levels, it was considered necessary to restore certain critical activities back to normal mode, especially the customer interactions and customer facing activities. Costs were also incurred on deploying the new contracts (Rs. 20 Crs increase in the monthly run-rate compared to the previous quarter), lifting of the recruitment freeze, additional training of the frontline staff and new recruits, travel and accommodation to facilitate customer facing interactions and visits.

All these resulted in an impact on the EBITDA of the standalone SIS business.

The operating leverage in our FM business, from the lower base of the previous year, helped to improve the EBITDA of the FM business.

Earnings Before Taxes (Reported)

The Earnings Before Taxes for the Group were at Rs 79.6 Crs for Q2 FY22, compared to Rs 134.9 Crs for Q2 FY21, thus showing a decrease of (41.0%).

Other income & share of profit/(loss) in associates for the year is comprised of:
a) A gain of Rs 2.4 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 Rs 2.4 Crs during the quarter, received from the Singapore government

Depreciation, Amortisation and Finance Costs

The Group's consolidated **Depreciation & Amortization** amounted to Rs 26.4 Crs for Q2 FY22 which was lower than Rs 28.3 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

Q2 FY22: Financial Commentary

Finance costs for the Group amounted to Rs 24.7 Crs, representing a decrease of (7.9%) over Q2FY21. 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 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

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 Rs Crs)	Q2FY22	Q2FY21	Q1FY22	H1 FY22
Reported PAT	68.4	108.1	59.5	127.9
Less: the effect of special items explained above	5.8	58.1	7.6	13.4
Operating PAT	62.5	50.0	51.9	114.5

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 showed a significant increase. With revenues continuing to increase and back to pre-COVID levels for all eligible business units, 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 are confident that we will end the financial year with a net increase in the number of employees in the current year.

As a result, we continue to account for the for tax benefits under Section 80JJAA of the Income Tax Act by projecting the number of employees expected to be added during the year using the growth trend of Q2FY22 and H1FY22 as the base.

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 is 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 is close to NIL because of the benefits accruing under Section 80JJAA of the Income Tax Act, 1961.

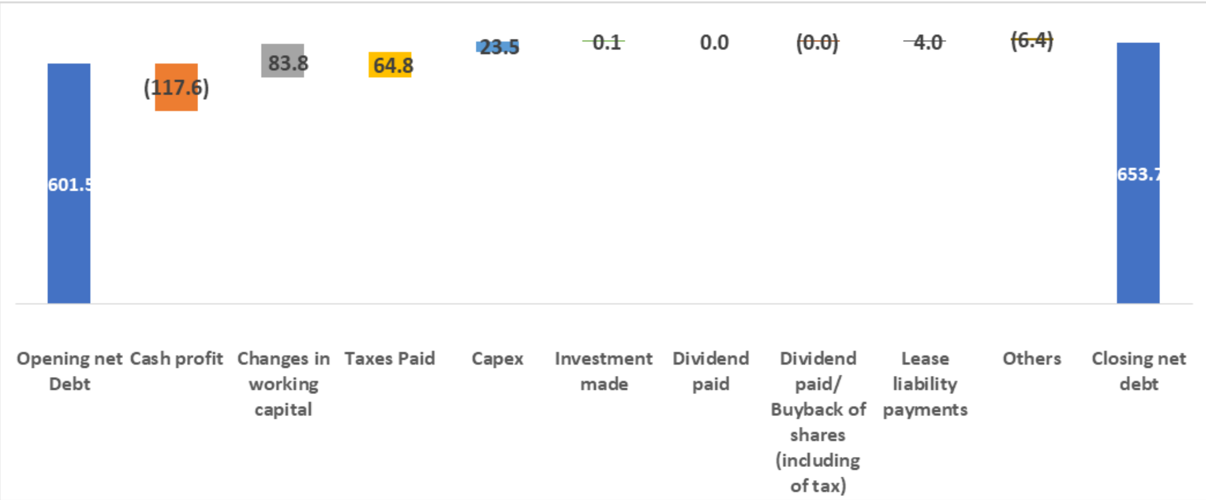
The current tax rate reflects the amount of tax the Company is expected to pay when preparing and filing its tax returns. The real effective tax rate reflects the current tax plus the deferred tax effect on timing differences. The current tax rate and real effective tax rate, is computed below:

Rs Crs	Q2FY21	Q1 FY22	FY21	Q2 FY22
PBT	**24.4**	70.5	**85.6**	13.6
Less: dividend subject to special tax rates		50.2	-	-
Current tax	(0.0)	10.0	0.0	1.2
Less: tax on dividend at special rates		8.6	-	-
Deferred tax effect on timing differences	(2.0)	(1.8)	(7.4)	(2.1)
Total tax items	(2.0)	(0.49)	(7.4)	(0.87)
Current tax rate	*-0.1%*	6.6%	*0.0%*	8.8%
Real Effective tax rate	*-8.3%*	-2.4%	*-8.7%*	-6.4%

Leverage and Financing

Particulars (in Rs Crs)	September 2021			June 2021		
	India	Intl	Total	India	Intl	Total
Long-term borrowings	214	32	246	217	33	250
Short-term borrowings	496	2	498	498	4	502
Current Portion of LT Liability	23	604	627	24	627	651
Add: Lease liabilities	63	51	113	64	55	119
Gross Debt	**795**	**689**	**1,484**	**803**	**719**	**1,522**
Less: Cash/Cash Equivalents	286	545	831	287	633	920
Net Debt	**509**	**144**	**654**	**516**	**86**	**602**
Net Debt/EBITDA	**2.27**	**0.50**	**1.27**	**2.29**	**0.29**	**1.15**

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



OCF/EBITDA on a consolidated basis was impacted by the DSO change in our International business during the quarter. The intermittent lockdowns in International business have impacted the DSO and OCF in Q2FY22 but we are witnessing improvement since then.

On a YTD basis, inspite of the increase in the DSO, the OCF/EBITDA was **40.4%** on a consolidated basis.

Net Debt/ EBITDA was **1.27** as of September 2021, which is slightly higher than 1.15 in June 2021. This increase in Net Debt / EBITDA was a result of an increase in DSO in our International business resulting from large contract deployment during the quarter, lockdowns implemented in most parts of our International business and a coming off a historically low DSO in our International business in the previous quarter. However, our focus on ensuring and achieving steady and strong cash flows ensure that inspite of this increase during the quarter, our leverage position continues to be very comfortable

Ratios - Our consolidated Return on Capital employed (ROCE) which is a reflection of the operating earnings as a percentage of operating capital is **17.8%** and our adjusted Return on Net Worth is **19.2%**.

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.

The business currently operates across 182 branches and has 157,287 employees (an increase of 8,720 over Q1FY22)

Growth in Q2 portends a strong H2

The segmental revenues for Q2 were Rs 945 Crs which at 7.4% quarterly growth is one of the highest quarterly revenue growth in many quarters. This is also a 12.7% YoY increase. The quarterly revenues for India security are the highest in our history and indicates a strong growth revival over the past few months.

Our new order wins crossed Rs 5 Crs per month which is similar to pre-Covid period. Wins were primarily in the fields of manufacturing and pharma. The operational movements, inspections and training are back to normal and we have carried out customer satisfaction survey for more than 2500 customers centrally and achieved an average rating of 8.5/10.

We have commenced hiring again and have added further to our sales teams which is already the largest in India. While this has temporarily suppressed the margins we believe that we will be solidly placed to capture the growth revival that is underway in the economy. We have incurred some additional vaccination related expenditure this quarter which is a one-time expense.

The above mentioned costs on new hires, vaccinations and commencement of sales and BD efforts have impacted margins this quarter due to higher SG&A costs, while the gross margins are fairly stable. We believe the sales and revenue revival will absorb these higher SG&A costs in the coming months. After subdued government minimum wage hikes over the past 18 months, new wage notifications are also likely to come afresh with substantial hike post normalisation of pandemic.

Evident uptick in technology solution contracts

The Tech SIS business continues its strong momentum with fresh orders putting us on a strong growth path towards doubling our solution sales

- Won orders from a leading Oil and Gas company – for installing explosion proof cameras, edge based Video Analytics, Redundant Servers and Real time Reports in the control room
- Partnered with some of the leading OEMs and cutting edge startups in delivering customised solutions
- Completed execution of a contract for a leading gas distribution firm across 100 locations for running video analytics based CCTV system and setting up of multiple regional and central control rooms in a record time of three months

Under vProtect (our opex based Alarm Monitoring and Response solution) we also entered the new markets of Noida & Lucknow for our B2C business while the B2B business is continuing installation of the orders that were won earlier. We are in various stages of order pipeline with several BFSI and logistics clients.

During H1 of FY22, our tech arms have set a strong foundation for Vision 2025 on the back of large order wins, key collaborations with partners and relentless execution for timely contract delivery.

Strong collections and cash flow performance

Our DSOs declined further from 74 days at the end of June 2021 to 71 days at the end of Q2. Compared to the September 2020 DSO of 77 days, we have pulled back significantly. Historically H1 has had marginally higher DSOs and we are confident that over the coming months we will be able to further reduce the DSOs.

Particulars (in Rs Crs)	Q2 FY22	Q2 FY21	*Change YoY*	Q1 FY22	*Change QoQ*
Revenues	**945.3**	**839.2**	***12.7%***	**880.6**	***7.4%***
EBITDA	**39.1**	**49.1**	***-20.2%***	**44.3**	***-11.7%***
EBITDA%	***4.1%***	***5.8%***		***5.0%***	
Share of group revenues	***38.9%***	***38.9%***		***37.0%***	
Share of group EBITDA	***31.8%***	***37.8%***		***36.5%***	

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 8,074 employees.

Strong growth 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. That work is gradually tapering off. However, this has been countered to some extent by the recovery in the aviation and other segments.

The segment recorded revenues of Rs 1156 Crs this quarter which is a 3.7% drop over Q1FY22 but still a 8.3% increase over Q2FY21. Even with the revenue dip, we are running ahead of our budget for FY22 as newer business has replaced some of the lost one-time business and we are in line with our Vision 2025 plans.

The business was affected due to the continued lockdowns which are the longest in the world resulting in a delay in new RFPs and tenders. However with the lockdowns easing and vaccination progressing quickly and both Australia and New Zealand moving away from a zero Covid strategy, we are confident of a much stronger H2.

Harnessing Group Synergies

We are doing interesting work in optimising regional synergies and have bid for a few prestigious contracts for all the 4 international geographies. Tech SIS is also closely working with our international geographies in doing solution design and consulting.

Similarly iOPS, developed in India, has been adopted in a few clients and is now going to be an integral part of our solutions in the international markets.

DSOs coming off the lowest ever in Q1

The DSOs in the international business inched up marginally by 3 days from the historically low 38 days in Q1. Even at 41 day, the DSOs are lower than our prior DSOs. Because of this increase in DSOs and collection efforts being hampered due to extended lockdowns, our OCF in SIS International took a dip while still showing a healthy 42% OCF/ EBITDA for H1FY22

Particulars (in Rs Crs)	Q2 FY22	Q2 FY21	*Change YoY*	Q1 FY22	*Change QoQ*
Revenues	**1,156.3**	**1067.7**	***8.3%***	**1,200.7**	***-3.7%***
EBITDA	**68.5**	**74.7**	***-8.3%***	**64.3**	***6.4%***
EBITDA%	***5.9%***	***7.0%***		***5.4%***	
Share of group revenues	***47.6%***	***49.5%***		***50.5%***	
Share of group EBITDA	***55.6%***	***57.6%***		***53.0%***	

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 60,800 employees, an increase of 4,035 over the previous quarter.

Strong demand recovery

The segment had a very strong recovery with a revenue growth of 10.3% over Q4FY21, reaching revenues of Rs 336 Crs for the quarter, just short of the all time high of Rs 342 Crs recorded in Q4FY20. The momentum is quite strong going into H2 and we have had a much stronger Q2 than envisioned. The increase in revenues is also flowing down to the EBITDA due to operating leverage.

Economic revival has led to increased RFPs and this quarter has seen big client wins, especially in the manufacturing, healthcare and ecommerce verticals. Focus on manufacturing paying off with many new clients added – nearly 40% of new enquiries coming from manufacturing sector.

Healthcare focus continues to pay off across the group entities especially Rare which continues its stellar performance.

Client attrition continues to be minimal with clients preferring to stick to larger vendors who can bring better quality parameters.

Robotic cleaning is seeing increasing interest from clients with a few big wins. Greater focus is being laid on quality management system and SLA adherence and real time performance improvement. Clients are steadily moving away from management fee to SLA based contracts.

Terminix SIS (Pest Control) continued its strong growth momentum and entered two new segments - Bird control (AVES-X) , Rodent Smart Solutions (Ekomille).

Service requirements and Audits in many sectors are making things more technical which has given us an opportunity to sell our innovative processes & technical expertise.

Q2 trends point to a strong FY22

We foresee a strong revival in the key segments like IT/ ITeS, retail, hospitality and education segments in Q3 which will give additional boost to the revival.

One SIS is seeing good interest from customers who want to consolidate vendors and move to integrated solutions. During the quarter, we have signed on some of the marquee names in the FMCG and logistics domains as clients. One SIS is going to be an important part of our Vision 2025 move to solutions and we are moving in sync with the plan.

Strong Collection Trends continue

Our DSOs continue to taper down with the DSOs at 84 days for the quarter as against 87 in Q1FY22 and 93 days in Q2FY21. Focus on a higher quality portfolio of clients, credit controls and focussed collection efforts have led to a decline in DSOs.

Particulars (in Rs Crs)	Q2 FY22	Q2 FY21	*Change YoY*	Q1 FY22	*Change QoQ*
Revenues	**336.3**	**255.7**	***31.5%***	**305.0**	***10.3%***
EBITDA	**15.4**	**6.5**	***136.2%***	**13.1**	***17.6%***
EBITDA%	***4.6%***	***2.6%***		***4.3%***	
Share of group revenues	***13.8%***	***11.8%***		***12.8%***	
Share of group EBITDA	***12.5%***	***5.0%***		***10.8%***	

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 growth momentum continues – historical high in revenues

After the second wave, the cash business has had a V-shaped recovery, posting highest ever revenues at Rs.91 Crs for the quarter, a 7.5% jump over Q1 and a 17.7% increase over Q2FY21 revenues.

Won prestigious orders with Railways in the DSB segment and two of the largest banks in India for ATM and CIT. The cash processing initiative continues to see good momentum with SBI contract seeing greater deployment apart from winning other banking customers like KVB. New business line of Cash deposit machines seeing good early response.

Highest ever EBITDA margin, despite steel fuel costs increase

Despite steep increase in fuel rate by over 10%, gross margin has remained stable, through dynamic management of on-ground routes, proactive cost control and productivity improvement measures.

The segment continued its strong EBITDA margin trend with overall margins for the segment at 11.4%, the highest ever for SIS Cash and a 21% increase QoQ. Across the well organised mature markets globally, the cash logistics industry is a double digit EBITDA margin industry and the results over the past few quarters reinforce this potential.

There has been a slow but steady trend of tariff hikes that are being implemented and we are confident that by the end of the year we will see a strong tariff uptick across the board.

From implementation of RBI/ MHA norms in two cities in Jan-21, full implementation in 8 cities has happened for all business lines. Corresponding tariff Increase finalised or being finalised for almost all clients. This will also lead to a stronger migration to the cassette swap mechanism which will aid operations by reduction in deductions and enhanced productivity.

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.

The Cash Logistics segment offers a significant option value to SIS in view of the steep growth in revenues and profitability.

Particulars (in Rs Crs)	Q2 FY22	Q2 FY21	*Change YoY*	Q1 FY22	*Change QoQ*
Revenues	**90.6**	**77.0**	***17.7%***	**84.2**	***7.5%***
EBITDA	**10.3**	**6.6**	***55.7%***	**8.5**	***21.1%***
EBITDA%	***11.4%***	***8.6%***		***10.1%***	