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INDIA

SIS Group Enterprises
A Market Leader in Security, Cash Logistics & Facility Management

Q3FY22

EARNINGS UPDATE

3rd February, 2022

Earnings Highlights

9M REVENUES	9M EBITDA	9M PAT	RoNW
Rs. 7,411 Crs	Rs. 374 Crs	Rs. 229 Crs	18.0%
↑ 10.9% YoY	↓ 5.9% YoY	↓ 13.8% YoY	

Q3 REVENUES	Q3 EBITDA	Q3 PAT	Net Debt/ EBITDA
Rs. 2,601 Crs	Rs. 130 Crs	Rs. 101 Crs	1.4x
↑ 10.3% YoY	↓ 11.7% YoY	↑ 1.6% YoY	

Rituraj Sinha
Group Managing Director

"Q3FY22 was a record quarter for SIS with highest ever revenue at Rs. 2,601 Crs and Reported PAT at Rs. 101 Crs for the quarter.

Our 9M FY22 result continues to re-inforce the inelastic demand for essential services like security, facility management and cash logistics across CoVID waves and economic activity rebound phases. SIS is geared up to take on the COVID third wave resiliently."

Notes from the Group Managing Director

With quarterly revenue base crossing Rs. 2,600 Crs, SIS has now clearly established an annualized revenue base in excess of Rs. 10,000 Crs, coupled with a close to double-digit revenue growth trajectory for FY22 despite COVID impacting Q1 and Q4

We ended Q3FY22 at Rs. 2,600.8 crs revenue, the highest ever quarterly revenue in our history. Our revenue was up 10.3% YoY and 7.0% over last quarter. All the three segments continue reporting strong revenue growth with Security Solutions – India up by 5.2% over the previous quarter, Security Solutions – International up by 7.8% over the previous quarter and Facility Management up by 9.4% over the previous quarter. While we continued our primary focus on the health and safety of our employees in the face of COVID third wave, our execution was on point through Q3 and we crossed the Rs. 10,000 crs annual revenue run rate during this quarter.

While SIS ranked is amongst the top 10 in our industry globally (by revenue), it is the fastest growing amongst listed peers across global markets and the only platform with market leading positions across Security Services (#1), Facility Management (#2) and Cash Logistics (#2) in a major market like India. The performance and results of the SIS Group during the period of the COVID pandemic underlines and reinforces the fundamentals that add long term predictability to our growth story, i.e., essential services demand remains resilient in crisis and growth phases, and SIS has built a unique natural hedge with its International Operations.

Margin recovery is on track and moving back to pre COVID levels.

Reported EBITDA was stable at 5.0% in Q3FY22 despite one-off costs of Rs. 5.1 Crs

EBITDA margins were stable through Q3 FY22. This is despite significant additional expenses in the quarter on the pay revision, one-time discretionary incentive payouts, and expenses towards health, medical assistance and vaccination of our employees. More importantly, the gross margins have also been stable underlining the pricing power of an essential service with its customers and building on the advantage of being the market leader. Without these additional expenses (including one-off expenses of Rs. 5.1 Crs), EBITDA would have been 5.4% for the quarter and higher on a q-o-q basis on a comparable basis.

On a y-o-y basis, EBITDA for the quarter was impacted by reduction of cost savings during the periods of lockdowns, reduction of adhoc COVID related business in Security Solutions – International and additional expenses including the one-off costs mentioned above with their resultant impact on the EBITDA.

With the economic and social situations impacted due to COVID situation settling down in the last quarter, Security Solutions – India EBITDA margin improved from 4.1% to 4.3%, Facility Management from 4.6% to 4.8% and Cash Logistics from 11.4% to 12.4% in Q3 FY22 compared to Q2 FY22. Overall Group EBITDA margins was flat at 5.0% in Q3 FY22. We continue to remain confident on the EBITDA moving back to pre COVID levels, as the macro environment normalizes over the coming quarters.

SIS releases its first Sustainability Report. Socially Responsible Enterprise endorsed by leading FIIs

As an essential services provider, we contribute to the economic and societal wellbeing. We are also a powerful vehicle for creating employment opportunities and empowering people from the grassroots.

Our first sustainability report essentially articulates our responsibility towards all stakeholders. This responsibility goes beyond mere economic and financial considerations and touches upon our broader role in society and the communities we touch everyday and work with. Although as an essential service provider, our environmental footprint is minimal, we are always on the vigil, taking steps to help conserve the environment. We conduct internal scorings of our governance framework and also plan to get an independent audit of our ESG scores to identify areas of focus and improvement

A testament to our employee welfare and social impact was the Great Place to Work rankings for 2021-22 which named SIS as #31 in the list of Best Employers in India, while including us in the Top 15 Nation Builders & Mega Employer categories. We have also been recognized for our diversity and inclusiveness by being named in the Top 50 Best Employers for Women in India.

As part of our strong governance culture, the majority of the SIS Board is Independent, and all critical Board Committees, viz., Audit Committee, Nomination and Remuneration Committee, comprise 100% Independent Directors though not mandated by the regulations. Through a heavily independent Board comprising stalwarts from diverse backgrounds, we are able to draw upon their expertise and wisdom to guide us.

Endorsed by leading FIIs / FPIs
Capital Group, an American financial services company is the latest FPI to join the SIS investor community through its funds like Smallcap World Fund, Inc and American Funds Insurance Series Global Small Capitalization Fund, and is amongst the largest institutional shareholders today

COVID third wave impact contained. Planning Booster Doses for all employees. Gearing for demand spikes

The SIS Group, being one of the largest employers in the country, has a large employee base in high exposure roles which pose an enhanced risk during the current third wave of the COVID pandemic. Our definitive and timely action during the first two waves supported and ensured business continuity with relatively low impact. To date, we have spent Rs. 11.2 Crs expenses on welfare measures including through the Humare Heroes Welfare Fund. The Humare Heroes Vaccination Drive (HHVD) continues its work on a war footing with 96% of our active workforce being double vaccinated till January 31, 2022. These 5.3 lac doses were organized in record time and we achieved an average of 10,195 inoculations per week.

HHVD 2.0 was announced on January 10, 2022 with an aim to achieve 100% booster doses for all. With the experience of the last two years and two waves, business continuity plans are in place and activated for business / service continuity and the SIS Group remains fully geared up and alert to pro-actively manage any adverse fallout of the third wave as well as cater to demand spikes for our services.

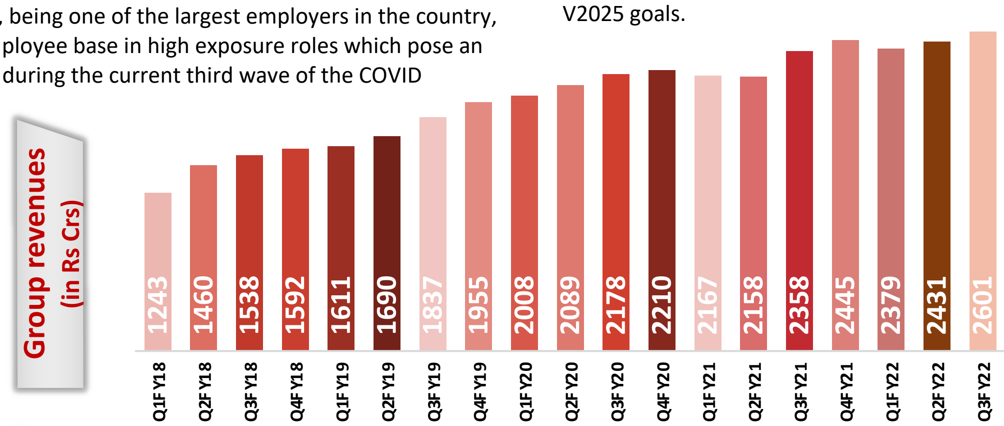
With a thrust on infrastructure, Budget 2022 holds great promise for SIS & the sector

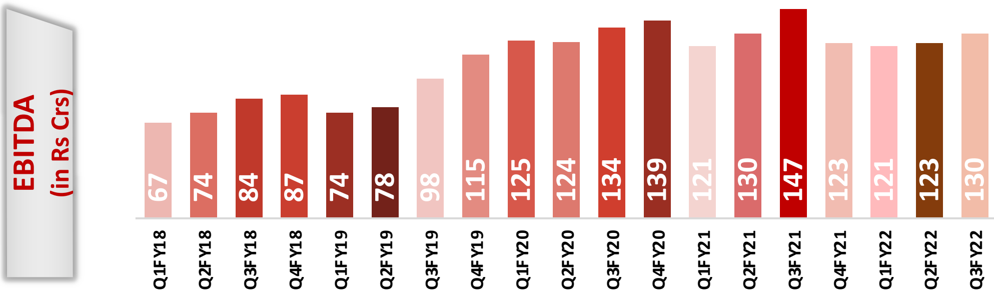
Budget 2022 signals a strong addressable market expansion for SIS. Every new public infrastructure from metro to highways, multi modal logistics parks to railways expansion and airports, is a buyer for security services, electronic security hardware and software and facility management services. Such services are commissioned during the pre-construction ground breaking phase itself and the scope of work continues to expand as the public utility infrastructure is operationalised. It is estimated that the cost of operation & management services over a 15 year cycle are often greater than the cost of construction itself.

With the government's decision to commit over Rs. 10 lakh crores to public infrastructure creation, we are extremely bullish on the new prospects. The SIS Group is a service provider to many metro rail projects and to the railways and airports and has vast experience with its unique solutions for these sectors which we are confident of leveraging for new projects

The announcement around PPP thrust, use of GEM portal for government procurement and the introduction of mandatory online bill processing, tracking and timely payment of dues in government sector enhance the attractiveness of the opportunity.

We believe that the continuing impetus on capex spending led growth shall provide strong tailwinds for SIS to accomplish its V2025 goals.





Consolidated Financial Results

(In INR Crs)	Quarterly Numbers		Change %	9M Numbers		Change %
Particulars	**Q3 FY22**	**Q3 FY21**	**Y-o-Y**	**9M FY22**	**9M FY21**	**9M FY22 v/s 9M FY21**
Revenue	**2,600.8**	**2,357.5**	*10.3%*	**7,411.1**	**6,682.1**	*10.9%*
EBITDA	**129.7**	**146.9**	*-11.7%*	**374.1**	**397.4**	*-5.9%*
%	*5.0%*	*6.2%*		*5.0%*	*5.9%*	
Proforma EBITDA**	**140.6**					
%	5.4%					
Depreciation	25.3	24.6	*2.7%*	72.7	73.1	*-0.6%*
Finance Costs	24.5	25.1	*-2.5%*	73.7	82.3	*-10.4%*
Other income & share of profit/(loss) in associates –	1.8	5.8	*-69.4%*	11.2	117.6	*-90.5%*
Earnings Before Taxes (operating)	**81.7**	**102.9**	*-20.6%*	**238.9**	**359.7**	*-33.6%*
Grants Income	0.0	32.5		9.2	10.2	
Earnings Before Taxes (Incl. Grants)	**81.7**	**135.4**	*-39.6%*	**248.1**	**369.9**	*-32.9%*
Less: Acquisition related costs / (income)						
- Depreciation & Amortization	3.0	3.0		9.0	11.4	
- Finance costs	0.0	3.4		0.0	16.8	
- Gains arising out of adjustment of future tranche of acquired entities	-25.7	0.0		-25.7	0.0	
Earnings Before Taxes (Reported)	**104.4**	**128.9**	*-19.0%*	**264.7**	**341.7**	*-22.5%*
%	*4.0%*	*5.5%*		*3.6%*	*5.1%*	
Tax Expenses	3.8	29.9		36.2	76.7	
Profit After Taxes (Reported)	**100.6**	**99.0**	*1.6%*	**228.5**	**265.0**	*-13.8%*
%	*3.9%*	*4.2%*		*3.1%*	*4.0%*	
Profit After Taxes (Operating)	**76.4**	**68.1**	*12.1%*	**190.8**	**157.7**	*21.0%*
%	*2.9%*	*2.9%*		*2.6%*	*2.4%*	
EPS	6.8	6.7	*2.0%*	15.5	17.9	*-13.6%*
OCF	19.4	213.0	*-90.9%*	118.2	555.0	*-78.7%*
OCF to EBITDA	***14.9%***	***145.0%***		***31.6%***	***139.6%***	
Net Debt	717.7	491.9		717.7	491.9	
Net Debt to EBITDA	***1.4***	***0.9***		***1.4***	***0.9***	

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

Revenue, EBITDA, and PAT Growth Development by Business Segment

Business Segments	Revenue Growth		EBITDA Growth		PAT Growth	
Total Growth - %age	**Q3 FY22 v/s Q3 FY21**	**Q3 FY22 v/s Q2 FY22**	**Q3 FY22 v/s Q3 FY21**	**Q3 FY22 v/s Q2 FY22**	**Q3 FY22 v/s Q3 FY21**	**Q3 FY22 v/s Q2 FY22**
Security Solutions - India	11.8%	5.2%	-16.3%	8.7%	33.5%	38.8%
Security Solutions – International (on a constant currency basis)	3.4%	7.2%	-18.0%	1.9%	-18.2%	54.3%
Facilities Management	29.9%	9.4%	44.9%	13.9%	179.0%	21.3%
Total of SIS Group	**10.3%**	**7.0%**	**-11.7%**	**5.4%**	**1.6%**	**47.2%**

Q3 FY22: Financial Commentary

Revenue Development

Consolidated revenue for Q3 FY22 was INR 2,600.8 Crs; grew by 10.3% over Q3 FY21.
Consolidated revenue for Q3 FY22 had a q-o-q change of 7.0%

All businesses continued to report revenue growth during the quarter signifying the continuation of the business recovery in all segments.

Security Solutions – India posted a strong quarter with 5.2% growth q-o-q on the back of new wins of more than INR 20 Crs of monthly revenue during the quarter

Facility Management segment revenues continued its strong comeback during the quarter with a revenue increase of 29.9%, compared to the same quarter in the previous year, and has now crossed pre-COVID levels on a run-rate basis. This growth was primarily driven by new wins of more than INR 7 Crs of monthly revenue during the quarter in Manufacturing, Healthcare and E-commerce / Logistics segments though some customer segments have delayed their return to full scale operations

Security Solutions – International also reported strong revenue growth backed by new business wins of Rs. 10 Crs on a monthly basis and the holiday season related seasonal contracts which helped to offset of the reduction of the COVID induced casual work amidst the continuation of various degrees of lockdowns in most of Australia and Singapore. On a constant currency basis, the International Security segment reported revenue growth of 3.4% and 7.2% on a y-o-y and q-o-q basis respectively.

Despite the lingering effects of partial and intermittent lockdowns imposed by the local governments on account of the COVID-19 across all our operating geographies, our Q3FY22 results continue to establish the resilient nature of the SIS business. These results continue to reflect that SIS business operations are tracking ahead of the revival of the economy and that SIS is best positioned to take advantage of the "return to normal" mode.

Business segment wise revenue growth for Q3 FY22 are as follows:

a. Security Solutions – India, had a q-o-q increase over Q2 FY22 of 5.2% and a y-o-y increase by 11.8% over Q3 FY21

b. Security Solutions – International, had a q-o-q increase over Q2 FY22 of 7.8% and a y-o-y growth of 4.8% over Q3 FY21 (7.2% and 3.4% respectively on a constant currency basis); and

c. Facility Management, had a q-o-q increase over Q2 FY22 of 9.4% and a y-o-y increase by 29.9% over Q3 FY21

Earnings Before Interest Tax Depreciation & Amortization (EBITDA)

Consolidated EBITDA for Q3 FY22 at INR 129.7 Crs was 5.4% higher than Q2 FY22.
Proforma EBITDA for Q3 FY22 at INR 140.6 Crs (5.4%) was higher than INR 123.1 Crs (5.1%) in Q2 FY22

In Q3FY21, 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. 13.0 crores for Q3FY21. The strong EBITDA margins in Security Solutions – International in Q3FY21 was also driven largely by the ad-hoc business which came in higher than usual margins and coupled with reduction of spends on travel.

With the economic activity picking up and growth and revenue back to pre-COVID levels, we continue to restore certain critical activities back to normal mode, especially the customer interactions and customer facing activities which has resulted in an increase in the related costs of travel, people training and development, third party professional fees.

In Security Solutions – International there was a significant reduction in the ad-hoc business which came in higher than usual margins

During Q3FY22, we announced a salary revision, one-time discretionary incentive payouts, and incurred additional expenses towards health, medical assistance and vaccination of our employees. These have resulted in an increase in SG&A costs of INR 10.9 cr (including one-off costs of Rs. 5.1 cr) which has impacted the EBITDA for the quarter.

Inspite of these items of reduction of cost savings, reduction of adhoc COVID related business and additional expenses including the one-off costs mentioned above with their resultant impact on the EBITDA, the business reported a 5.4% growth in the EBITDA on a q-o-q basis.

Proforma EBITDA at 5.4%

Without these additional expenses, including non-recurring one-off costs (Rs. 5.1 cr), EBITDA would have been 5.4% during the quarter.

Business segment wise reported EBITDA movement for Q3 FY22 on y-o-y basis are as follows:

a. Security Solutions – India, had a q-o-q increase over Q2 FY22 of 8.7% and a y-o-y change by (16.3%) over Q3 FY21

b. Security Solutions – International, had a q-o-q increase over Q2 FY22 of 1.6% and a y-o-y change of (17.1%) over Q3 FY21 (however had a change by 1.9% and (18.0%) respectively on a constant currency basis); and

c. Facility Management, had a q-o-q increase over Q2 FY22 of 13.9% and a y-o-y increase of 44.9% over Q3 FY21

Q3 FY22: Financial Commentary

Earnings Before Taxes (Reported)

The Earnings Before Taxes for the Group were at INR 104.4 Crs for Q3 FY22, compared to INR 128.9 Crs for Q3 FY21, thus showing a decrease of (19.0%). On a q-o-q basis, the Reported EBT was 31.2% higher

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

a. The effects of unrealised currency translation amounting to INR (1.3) Crs in respect of the RDBs issued by the parent to its Australian subsidiary.

b. A gain of INR 25.7 Crs as a result of a write down of the liability created for the acquisition of the balance 49% shares of Platform4Group Ltd as the final price paid for those shares was less than the estimated liability created for those shares in 2019 (see section titled “Special items”)

c. Interest income from bank deposits; and

d. 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

The Group’s consolidated **Depreciation & Amortization** amounted to INR 28.3 Crs for Q3 FY22 which was marginally higher than INR 27.7 Crs for the same quarter last year

Finance costs for the Group amounted to INR 24.5 Crs, representing a decrease of (14.2%) 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 200 bps in our India business (the effective rate of interest during the quarter was 4.8%); and

b. Completion of acquisitions of remaining shareholding in all businesses acquired in FY19 and FY20 resulting in a reduction in the fair value true-ups of the liability for such acquisitions

Special items

During the quarter, the following special items were accounted for in the statement of profit and loss:

a. During the quarter, the Group’s subsidiary in Australia completed the acquisition of the balance 49% shares in Platform4 Group Ltd (P4G) pursuant to share purchase and option agreements entered into in 2019. At that time, in 2019, under the relevant accounting policies and standards, the Group also estimated and accounted for a liability to reflect the price which it expected to pay for the remaining 49% shares held by the erstwhile shareholders. Under the terms of these agreements, and based on the formula contained in those agreements, a purchase price for these 49% shares was computed and final payments were made to the shareholders during the quarter . As a result of this computation and final payment to the shareholders, a gain of INR 25.7 Crs has been recorded and accounted under “Other gains/losses” as a result of a write down of the liability created in 2019 for the acquisition of the balance 49% shares of P4G.

Taxes & Profit after Tax

Operating PAT

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

<table>
<tr><th colspan="2">Particulars (in INR Crs)</th><th>Q3FY22</th><th>Q3FY21</th><th>Q2FY22</th><th>9M FY22</th></tr>
<tr><td colspan="2">Reported PAT</td><td>100.6</td><td>99.0</td><td>68.4</td><td>228.5</td></tr>
<tr><td colspan="2">Less: the effect of special items explained above</td><td>24.3</td><td>30.9</td><td>5.8</td><td>37.7</td></tr>
<tr><td colspan="2">Operating PAT</td><td>76.4</td><td>68.1</td><td>62.5</td><td>190.8</td></tr>
<tr><td rowspan="2">Growth</td><td>y-o-y</td><td colspan="2">12.1%</td><td></td><td></td></tr>
<tr><td>q-o-q</td><td colspan="3">22.1%</td><td></td></tr>
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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 continued its trend of increase. With revenues continuing to increase in all businesses during the quarter and crossing 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 during the quarter and for deployment in the next quarter, we have already recorded a net increase in the number of employees in the current year

Q3 FY22: Financial Commentary

As a result, we have accounted for the 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 Q3FY22 and 9MFY22 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 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:

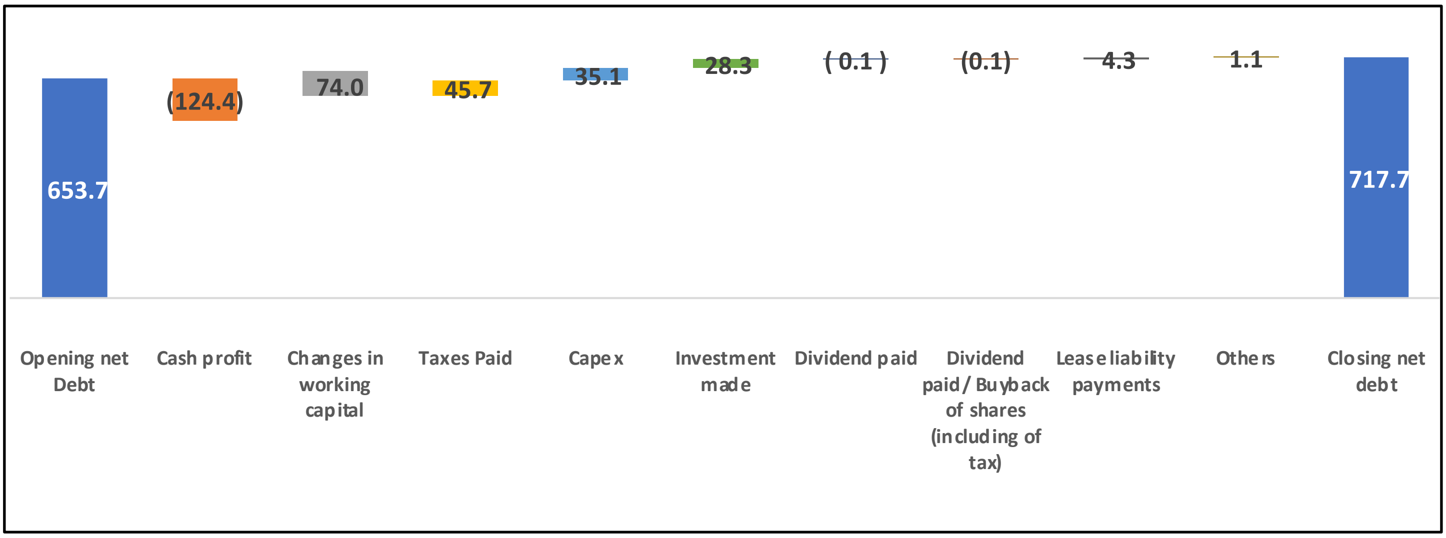
INR Crs	Q1FY22	Q2 FY22	Q3FY22	9MFY22
PBT	70.5	13.6	17.9	102.0
Less: dividend subject to special tax rates	50.2	-	-	50.2
Current tax	10.0	1.2	(2.2)	9.0
Less: tax on dividend at special rates	8.6	-	-	8.6
Deferred tax effect on timing differences	(1.8)	(2.1)	(3.3)	(7.2)
Total tax items	(0.5)	(0.9)	(5.5)	(6.8)
Current tax rate	6.6%	8.8%	-12.1%	0.6%
Real Effective tax rate	**-2.4%**	**-6.4%**	**-30.5%**	**-13.2%**

Leverage and Financing

Leverage (Net Debt)

The movement in Net debt on a quarter to quarter basis is provided in the table and chart below:

In INR Cr	September 2021			December 2021		
Particulars	**India**	**Intl**	**Total**	**India**	**Intl**	**Total**
Long-term borrowings	214	32	246	224	544	768
Short-term borrowings (incl. current portion of LT Liability)	518	607	1,125	578	18	596
Add: Lease liabilities	63	51	113	61	48	108
Gross Debt	**795**	**689**	**1,484**	**863**	**609**	**1,472**
Less: Cash and Cash Equivalents	286	545	831	290	465	755
Net Debt	**509**	**144**	**654**	**573**	**145**	**718**



During the quarter, we paid down AUD 15 mn of debt to NAB during the quarter and funded the completion of the buyout of P4G through cash accruals which also had an impact on the Net Debt position.

Cash flows, Leverage (Net Debt) and Return Ratios

- **Net Debt/ EBITDA** was **1.44** as of December 2021, which is marginally higher than 1.27 in September 2021. This increase in Net Debt / EBITDA was a result of an increase in DSO during the quarter resulting from large contract deployment during the quarter across the Group and the effects of lockdowns implemented in some parts of our International business. 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. We also paid down AUD 15 mn of debt to NAB during the quarter and funded the completion of the buyout of P4G of NZD 5.3 mn through cash accruals which also had an impact on the Net Debt position.

- **New syndicated facility:** During the quarter, we signed up for a new facility of A$ 200 mn (including an accordion of A$25 mn), at an all-in-cost of 2.1%, with a three bank syndicate led by NAB at significantly better terms including a reduced interest margin of 25 bps and easing the conditions around the use of cash accruals of the Australian businesses. This new facility has allowed us to bring on board two new, large banks, viz., Westpac & CBA, to the syndicate which is a great validation to the strength of the business and its operating model.

- **OCF/EBITDA** on a consolidated basis, for the quarter, was impacted by the small DSO increase during the quarter. On a YTD basis, inspite of the increase in the Working Capital driven largely by new wins and contract deployment, the OCF/EBITDA was 31.6% on a consolidated basis. The intermittent lockdowns and restrictions have also impacted the DSO and OCF in Q3FY22 but our cash and leverage position is quite comfortable with significant head room in our current Working capital facilities.

- **Return Ratios** Our consolidated Return on Capital employed (ROCE) which is a reflection of the operating earnings as a percentage of operating capital is 15.9% and our adjusted Return on Net Worth is 18.0%.

Security Solutions – India

The India Security Solutions business comprises five entities - our flagship SIS security business, SLV, Uniq, Tech SIS and Vprotect. We continue our leadership position as the largest security solutions company in India.

The business currently operates across 180 branches and has 162,237 employees (an increase of 4,950 over Q2FY22)

Strong revenue growth continues

The segmental revenues for Q3 were Rs 995 Crs which was a 5.2% quarterly growth over Q2 FY22, thus continuing the growth momentum. This is also a 11.8% YoY increase over the same quarter in the previous year. 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 during the quarter were more than Rs 20 Crs of monthly revenue, which is similar to the pre-Covid period. The operational movements, inspections and training are back to normal. The industry is back to business as usual during the quarter barring the IT / ITeS segment which is yet to come back to the earlier levels due to the continuation of their work from home policy. Pleasingly, the Retail and E-commerce segments seem to have largely recovered and the Manufacturing sector demand is robust. We have ensured timely and full mobilisation of the manpower deployment for our new customers even during these phases.

Gross margin intact. EBITDA recovery on track to pre-Covid level

Throughout this period, we have been able to maintain our gross margins which is the result of our focus on robust management of our operations and contracts. We rolled-out pay revisions and one time discretionary incentives for the office based employees during the third quarter, continued incurring costs towards health and safety of our employees and vaccination and other COVID related welfare measures, including certain costs in the nature of one-off costs amounting to Rs. 5.1 Crs. While these additional costs have suppressed the margins during the quarter, we believe that it was important to incentivise and reward the office based employees for their tremendous and unflinching support and dedication during the last two years which enabled continuity of operations to meet the expectations of the customers.

Increasing demand for technological solutions

In the evolving security landscape especially, post pandemic, a paradigm shift has been observed in the industry which is clearly and seriously exploring, and moving towards, MANTECH solutions wherein, security guards are coupled with, and supported by, technological solutions to provide a superior and more efficient outcome for the clients. We continue converting large MANTECH solution orders and we have a strong and robust pipeline for such proposals.

Our technology and electronic security solutions businesses continue innovating and introducing new products and solutions to our clients. VProtect, our alarm monitoring and response business which provides custom solutions to clients looking for technology as the primary component for their security needs, added three new clients, with an order value exceeding Rs. 50 cr, to offer AI based solutions in one case and full technology stack of comprehensive security including intrusion detection, access control, monitoring and response services in a large private bank. We also won an order with a logistics company thus marking our entry into that segment which holds enormous possibilities of applying technology based solutions for security and tracking. VProtect also launched its monitoring and response services in Noida, Greater Noida & Lucknow during the quarter.

Tech SIS, our electronic security solutions business, won orders including AI based, MANTECH orders worth Rs. 45 cr during the quarter from O&G companies, infrastructure, and logistics companies.

Cash flows

Our DSOs increased marginally from 71 days at the end of September 2021 to 75 days which was largely a result of new deployments in Q3. However, inspite of the business and revenue growth and the DSO increase during the quarter, the OCF/EBITDA was at 34% for 9MFY22

Particulars (in Rs Crs)	Q3 FY22	Q3 FY21	*Change YoY*	Q2 FY22	*Change QoQ*
Revenues	**994.5**	**889.4**	***11.8%***	**945.3**	***5.2%***
EBITDA	**42.5**	**50.8**	***-16.3%***	**39.1**	***8.7%***
EBITDA%	***4.3%***	***5.7%***		***4.1%***	
Share of group Revenues	***38.2%***	***37.7%***		***38.9%***	
Share of group EBITDA	***32.8%***	***34.6%***		***31.8%***	

Security Solutions – International

The International security business comprises four entities - MSS and SXP in Australia, Platform4Group in New Zealand and Henderson in Singapore. We continue to be the market leader in Australia and a top 3 player in New Zealand. The International security business currently has 8,100 employees.

Strong growth in Australia

Orders from the Australian government for securing quarantine centers continued to remain stronger than expected in Q3 due to the continued restrictions on inbound domestic and international travelers. These orders are expected to taper off as and when the situation eases and we expect to partially compensate these reductions by increase in revenues from existing customers that were hit by the pandemic and its restrictions.

Our Australian businesses gained revenues due to new wins (Rs. 10 crs of monthly revenue), a successful seasonal Christmas and New Year season campaigns and also special events like the Melbourne Cup which is traditionally held in November every year.

P4G deal delivering in line with investment case

We acquired 51% of P4G in February 2019 and acquired the remaining 49% from its founder during the quarter, thus resulting in P4G now becoming a 100% subsidiary of the SIS Group.

P4G acquisition gave SIS an entry into New Zealand, a low risk, highly regulated and compliant market adjacent to Australia, allowing us the ability to tap into Australia – New Zealand combined opportunities and service our Australia customers in New Zealand

SIS had planned for P4G to grow to NZD 25M through both organic and inorganic means and also make it a national player and has successfully reached this planned target. Since the initial investment in P4G in February 2019, the company's revenues grew 3x from NZD 8.6M to NZD 27.0M making it one of the top 3 players in the region now with nationwide presence. EBITDA has also increased by almost 3x times and we are on track to deliver the Vision 2025 target

Margins returning to pre-Covid normal as Covid temporary contracts decline

EBITDA for the quarter is 5.6% compared to 5.9% in the previous quarter Q2FY22. The margins are returning to the pre-Covid normal levels as the Covid temporary contracts decline which are at a high margin compared to the regular business

New Syndicated Facility for A$ 200 Mn

Vision 2025 had envisaged a plan of incremental bolt on acquisitions which required a war chest to be created. With the existing facility almost fully utilised, SIS took the opportunity to seek a larger facility and to expand its banking relationships with a wider lending group which allowed a syndication of the new facility led by NAB, the existing banker.

During the quarter, we signed up for a new facility of A$ 200 mn (including an accordion of A$25 mn), at an all-in-cost of 2.1%, with a three bank syndicate led by NAB at significantly better terms including a reduced interest margin of 25 bps, easing the conditions around the use of cash accruals of the Australian businesses and no guarantee from the parent entity in India. This new facility has allowed us to bring on board two new, large banks, viz., Westpac & CBA to the syndicate which is a great validation to the strength of the business and its operating model.

DSOs remaining stable

The DSOs in the international business inched up marginally by 1 day from the previous quarter (41 days of Q2FY22). Our OCF in International Security has returned to normal in Q3 and showing a healthy 47% OCF/EBITDA for 9MFY22

Particulars (in Rs Crs)	Q3 FY22	Q3 FY21	*Change YoY*	Q2 FY22	*Change QoQ*
Revenues	**1,246.9**	**1,189.7**	***4.8%***	**1,156.3**	***7.8%***
EBITDA	**69.6**	**83.9**	***-17.1%***	**68.5**	***1.6%***
EBITDA%	***5.6%***	***7.1%***		***5.9%***	
Share of group Revenues	***47.9%***	***50.5%***		***47.6%***	
Share of group EBITDA	***53.6%***	***57.1%***		***55.6%***	

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 99 branches and has 64,969 employees, an increase of 4,169 over the previous quarter.

Highest Quarterly Revenues in History

With a revenue growth of 9.4% over Q2FY22 and 29.9% over Q3FY21, the Business recorded its highest ever quarterly revenues of Rs 368 Crs, surpassing the previous high of Rs 342 Crs recorded in Q4FY20 (pre-COVID). The business momentum continues to be quite strong going into Q4 and we continue to get back to the pre-COVID EBITDA levels, while also building on operating leverage. New orders/wins were more than Rs. 7 cr of monthly revenue during the quarter

Major wins came from Manufacturing, Healthcare and E-commerce / Logistics segments. Dedicated efforts on customer satisfaction, as captured through QR code based CSAT surveys, has resulted in continued low attrition rates, in a challenging business environment. The teams continue to focus on converting management fee contracts to SLA based contracts. Pleasingly, the largest IPC has recently recognised TerminixSIS as the best Pest control company.

Staying ahead of the curve

The Facility Management Business has stayed ahead of other companies by constantly testing and launching new products and service lines supported by the use of technology for these enhanced solutions. The two new segments launched by Terminix SIS (Pest Control) – Bird control (AVES-X) and the clutter breaking Rodent Smart Solutions (Ekomille) have been well received. DTSS, SMC & RARE all continue to drive to success Technology based solutions for inventory & asset management and for improved productivity enabled through real time performance management tools.

Given the learnings from last two years, we have consciously continued to reduce our exposure to IT / ITeS and have focussed on increasing our exposure to more resilient and stable sectors like Manufacturing, Food processing industries and the new sectors like e-commerce.

Industry and business trends point to a clear shift to the organized players

While Health & Hygiene continue to be defining factors for the business, the last two years have fast tracked the shift from un-organized to organized sector players especially for larger clients who are now seeking financially strong, ability to scale up, quality conscious and statutory compliant service providers.

The trend of large clients moving towards consolidation of service providers is visible, as they try to reduce the number of suppliers and consolidate their purchases with larger and more compliant service providers. This will enable better pricing & more SLA based contracts for the industry on the whole.

We see the introduction of technology based solutions to be a key differentiator going forward and customers being more receptive to a solution based approach with improved productivity, transparency and cost effectiveness.

While the third wave of COVID has delayed the back to office plans of several potential customers often resulting in business getting pushed forward, we expect that key segments of IT/ ITeS, Hospitality and Education will witness a revival in Q1 of FY23 which will provide an additional boost to overall economic and business revival.

Strong Collection Trends continue

Our DSOs continue to taper down with the DSOs at 83 days for the quarter as against 84 in Q2FY22 and 87 days in Q2FY21. Focus on strong credit controls and focussed collection efforts have led to a decline in DSOs. OCF/EBITDA took a dip and is at -43.3% for the 9MFY22 which was driven by the revenue growth of 9.4% in the quarter and 21.4% for the 9MYTD period

Particulars (in Rs Crs)	Q3 FY22	Q3 FY21	*Change YoY*	Q2 FY22	*Change QoQ*
Revenues	**367.8**	**283.1**	***29.9%***	**336.3**	***9.4%***
EBITDA	**17.6**	**12.1**	***44.9%***	**15.4**	***13.9%***
EBITDA%	***4.8%***	***4.3%***		***4.6%***	
Share of group Revenues	***14.1%***	***12.0%***		***13.8%***	
Share of group EBITDA	***13.6%***	***8.3%***		***12.5%***	

Cash Logistics Solutions

The cash management 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 2,500 cash vans and 50 vaults covering over 300 cities across India.

Strong growth momentum continues – scaling historical high in revenues

After the second wave, the cash business continues to grow, posting its highest ever revenues at Rs.94 Crs for the quarter, a 4.0% jump over Q2 and a 15.0% increase over Q3FY21 revenues. As a result of this growth, our market share has increased during the 9MFY22 and the strong order book ensures that this trend would continue.

Innovative solutions gaining traction

Our Cash Today and PEGE business lines have been seeing very good momentum with large wins from Liquor vendors and Fuel stations – the first such success in India from both segments. The innovative tech enabled solutions and new product lines contribution reached almost 5% of overall revenue

Continuing to invest in best-in-industry technology and compliance to standards

We have successfully rolled-out our app solution for the CIT business line, which is a first in the industry and which allows us to offer better service and control enhancement to on-call units, which is a huge differentiator. We also developed a software offering through an integrated platform for our CPO business, which offers to us and clients seamless visibility of the different daily performance operational parameters.

From implementation of RBI/ MHA norms in two cities in Jan-21, full implementation in 8 cities has happened for all business lines and 14 cities from December were transitioned proactively by us. Corresponding tariff increases have been finalised for all clients. This will also facilitate to a faster migration to the cassette swap mechanism which will aid operations by reduction in penalties and will certainly lead to enhanced productivity. Our data has shown higher ATMs uptime and lower cash float for banks when serviced through cassette swap, which means a win-win situation for MSPs and banks. To date, we have converted almost 400 ATMs to cassette swap mechanism, a majority of which are in Delhi.

Highest ever EBITDA margin

The segment continued its strong EBITDA margin trend with overall margins for the segment at 12.4%, the highest ever for SIS Cash and a 14% 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 trend and potential.

The tariff hikes continue to be implemented and we continue to make steady progress on this.

Risk Management: Publicly Recognized

We renewed our insurance policy in Oct-21 and have been recognised by Lloyd's of London as the CIT player in the Indian market with the lowest track record of losses, in absolute and relative terms, which is a great testament to the superior risk mitigation strategy adopted by the company we are the only player in the market that has managed to obtain a reduction in the insurance premium in 2021.

Strong Cashflows

We continue our focus on cash conversion and the DSOs have steadily decreased by 7 days during 9MFY22. OCF/EBITDA also increased to 251% during the quarter from 193% in the previous quarter reflecting the DSO movement and the positive results in the P&L. As a result of the positive results over the last several quarters, the business has managed to steadily build up its cash reserves which it can use to leverage for the next stage of growth and opportunities available.

Particulars (in Rs Crs)	Q3 FY22	Q3 FY21	*Change YoY*	Q2 FY22	*Change QoQ*
Revenues	**94.2**	**81.9**	***15.0%***	**90.6**	***4.0%***
EBITDA	**11.7**	**8.2**	***43.8%***	**10.3**	***13.9%***
EBITDA%	***12.4%***	***10.0%***		***11.4%***	

SIS PROSEGUR LEADER IN CASH LOGISTICS

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