SIS Group Enterprises

A Market Leader in Security, Cash Logistics & Facility Management

Earnings Update

Q3 and 9M – FY20-21

February 3, 2021

Earnings Highlights

9M REVENUES
Rs. 6,682 Crs
6.5% YoY

9M EBITDA
Rs. 397 Crs
4.1% YoY

9M PAT
Rs. 265 Crs
15.5% YoY

ROCE
19.0%
1.2% YoY

Q3 REVENUES
Rs. 2,358 Crs
8.2% YoY

Q3 EBITDA
Rs. 147 Crs
10.0% YoY

Q3 PAT
Rs. 99 Crs
26.5% YoY

Net Debt/ EBITDA
0.92X
0.53X YoY

Rituraj Sinha
Group Managing Director

"Our 9M results firmly establish the V Shaped Recovery at SIS. Q3FY21 revenue of Rs. 2,358 Crs & EBITDA of Rs. 147 Crs – is the highest ever Quarterly Revenue and EBITDA in SIS history.

Q3 OCF of Rs. 213 Crs is higher than full year FY20 OCF. 9M results are validation of our guidance in April 2020 that 'essential services' are likely to be 'the least impacted and amongst first to recover' despite the unprecedented crisis & GDP contraction year."

Notes from the Group Managing Director

Highest ever quarterly revenue reported in Q3FY21. Moats underlined in GDP contraction year

We ended Q3FY21 at Rs. 2,358 Crs revenue, highest quarterly revenues in our history. Our Dec 2020 monthly revenue was at Rs. 807 Crs, which is the highest ever, setting a strong base for Q4FY21. India Security segment is operating at 97% of March 2020 levels. SIS International is at 136%, Facility Management is at 83% Vs March 2020 which is due to the sizeable exposure of the business to Railways, Hotels, Education & IT spaces which are yet to revert to full capacity operations.

However, the FM segmental revenue is up 10.7% QoQ and should be at pre-COVID levels soon. In the intermediate term, FM's slower recovery should not distort group performance as FM is only 12% of SIS Group revenues.

The broad-based segmental recovery to pre COVID levels and back to growth mode within 9 months amidst GDP contraction year underlines three vital aspects of our business that are the foundation of resilience and predictability.

First, a unique portfolio mix of 'essential services' that are needed in growth years but needed more in crisis. A unique combination of growth & defensive plays.

Second, our customer segment agnostic nature of business, with no single customer contributing more than 3% and no customer segment contributing greater than 15% of revenue. Totally derisked proxy for the India growth story.

Third, our geographic spread and micro market approach with presence across Tier 1/2/3 cities through 332 branches in India and an International portfolio that ideally complement and counterbalances volatility of Indian economy.

These fundamentals have not just ensured least impact and V shaped recovery, they also serve as the long term moats for our business, across economic cycles

Strong PAT and OCF generation continues – reflecting underlying operational performance

Gross margins have been stable through the year underlining pricing power as market leader and customer's payment prioritisation for essential services like security, facility management and cash logistics solutions. The reported PAT for the first 9 months is Rs. 265 Crs as against Rs. 229 Crs for 9M FY20.

We continue our stellar cash flow conversion metrics from H1 to Q3 and we are glad to report OCF generation of Rs. 213 Crs in Q3 (145% of EBITDA), for a total of Rs. 555 Crs of OCF generation in the 9M FY21 (140% of 9M EBITDA).

Leveraging strong Balance Sheet and low cost of debt environment

Our Net Debt increased marginally by Rs. 30 Crs from Rs. 462 Crs in Q2 to Rs. 492 Crs in Q3, which is creditable as this is inspite of a Rs. 203 Crs pay-out for the acquisition of the balance stake in SXP.

At the end of December, our Net Debt/ EBITDA was 0.9 which is a steep decline from 1.35 at the end of March 2020.

The overall macro environment for debt fund raising is quite sanguine and we are looking at a healthy reduction in interest expenses in the coming quarters. Our cost of working capital loans in India has been renegotiated down from 9.3% in Q4FY20 to 8.3% in Q3FY21.

With respect to international long term loans secured against MSS cash flows, National Australia Bank (NAB) has extended our credit line- that matures in April 2021- for another 12 months. Our interest cost on the international credit line has come down from 3.1% in Q4FY20 to 2.4% in Q3FY21. Similarly, in India, the NCD of Rs. 150 Crs that matures in April 2021 is under negotiations with various funds and banks to be refinanced/ rolled over. With the current interest rate scenario in India and our improved credit rating of AA-, we are confident of a strong reduction in interest expense on this account.

Overall we are working towards bringing the annual interest cost down by over 20% on an annualised basis.

Milestone Year for Labour Intensive Sectors - Labour Reforms set to create a level playing field

The Parliament passed three labour reform bills on September 23, 2020 while the Wage Code Bill was passed in 2019. Currently the draft model rules are under final review and expected to be finalised this month with April 1st 2021 being the current target for implementation of all the four codes in one go.

The labour reforms envisage a single labour registration code for every employer & single online filing for all statutory compliances through Shram Suvidha portal.

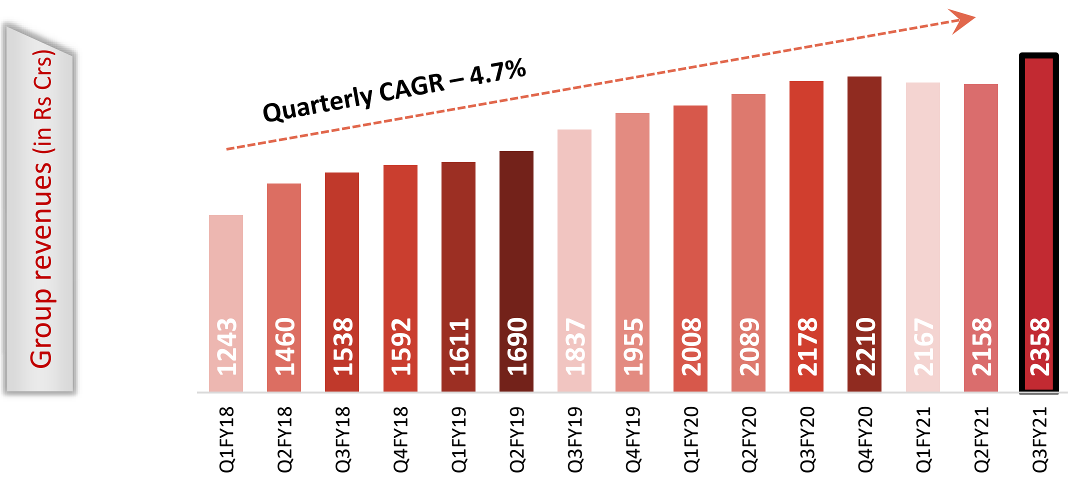
This will allow labour department cross check abilities to ensure compliance consistency across MW, PF, ESI, Bonus etc. As the scope of shortcuts gets weeded out, it shall make way for a level playing field and fair competition. More importantly, compliance onus shifts to customers as principal employer. This change is set to drive compliance consciousness and shift away from non- compliant service providers, thereby expanding our addressable market size.

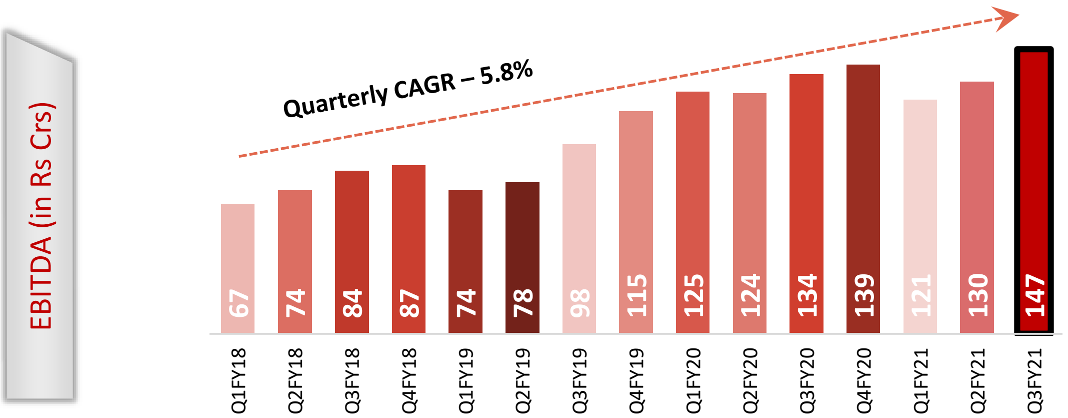
Labour reforms are also likely to accelerate market consolidation and potentially change market structure from 60% unorganised to less than 40% unorganised in 3-5 years. However, like GST, and given state legislatures involvement, one must see labour reforms implementation as a 2-3 years process, and not as a single day event.

Landmark Budget – Infra focus set to boost market size

The Finance Bill 2021 proposes a massive capex push of over Rs. 5.5 lakhs crores, especially in the areas of healthcare, airports, railways, metros, city gas, ports etc. This is likely to lead to enhanced demand for our services from construction stage through the asset life cycle.

As market leaders in security solutions and facility management, with existing contracts and credentials, SIS group brands are in pole position to leverage on this opportunity.





Consolidated Financial Results

Particulars (in Rs Crs)	Q3 FY21	Q3 FY20	%age	9M FY21	9M FY20	%age
Revenue	**2,357.5**	**2,178.2**	*8.2%*	**6,682.1**	**6,275.4**	*6.5%*
EBITDA	**146.9**	**133.5**	*10.0%*	**397.4**	**381.9**	*4.1%*
EBITDA %	***6.2%***	***6.1%***		***5.9%***	***6.1%***	
Depreciation	24.6	27.5	*-10.4%*	73.1	78.0	*-6.3%*
Finance Costs	25.1	29.3	*-14.2%*	82.3	82.8	*-0.5%*
Other income & share of profit/(loss) in associates *see section titled "Special items"*	38.3	5.1	*653.6%*	127.8	0.8	*15240.0%*
Earnings Before Taxes (Operating)	**135.4**	**81.8**	*65.5%*	**369.9**	**222.0**	*66.6%*
Less: Business combination related accounting charges						
- Depreciation & Amortization	3.0	5.8	*-48.0%*	11.4	17.3	*-34.1%*
- Finance costs	3.4	9.0	*-61.8%*	16.8	30.3	*-44.7%*
Earnings Before Taxes (Reported)	**128.9**	**67.0**	*92.3%*	**341.7**	**174.4**	*95.9%*
EBT (Reported) %	***5.5%***	***3.1%***		***5.1%***	***2.8%***	
Tax Expenses	29.9	-1.6		76.7	-9.9	
Profit After Taxes (Pro Forma)	**99.0**	**68.7**	*44.2%*	**265.0**	**184.3**	*43.8%*
PAT (Pro forma) %	***4.2%***	***3.2%***		***4.0%***	***2.9%***	
Add / (Less): One-off adjustments*	-	-9.6		-	-45.1	
Profit After Taxes (Reported)	**99.0**	**78.3**	*26.5%*	**265.0**	**229.4**	*15.5%*
PAT (Reported) %	***4.2%***	***3.6%***		***4.0%***	***3.7%***	
Profit After Taxes (Operating) *see section titled "Taxes & Profit after Tax"*	**68.1**	**68.4**	*-0.3%*	**157.7**	**194.7**	*-19.0%*
PAT (Operating) %	***2.9%***	***3.1%***		***2.4%***	***3.1%***	
EPS	**6.7**	**5.3**	*25.5%*	**17.9**	**15.7**	*14.6%*
OCF	213.0	107.0	*99.1%*	555.0	92.0	*503.1%*
OCF to EBITDA	***145.0%***	***80.1%***		***139.6%***	***24.1%***	
Net Debt (with lease liabilities)	**491.9**	**719.6**		**491.9**	**719.6**	
Net Debt to EBITDA (LTM EBITDA)	***0.92***	***1.45***		***0.92***	***1.45***	

**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		PAT Growth (proforma)	
Total Growth - %age	**Q3 FY21 v/s Q3 FY20**	**9M FY21 v/s 9M FY20**	**Q3 FY21 v/s Q3 FY20**	**9M FY21 v/s 9M FY20**	**Q3 FY21 v/s Q3 FY20**	**9M FY21 v/s 9M FY20**
Security Solutions – India	-2.1%	-0.3%	-7.5%	-9.7%	-29.5%	-50.0%
Security Solutions – International (on a constant currency basis)	14.9%	10.2%	41.1%	30.5%	207.8%	213.6%
Facilities Management	-14.9%	-11.2%	-49.5%	-46.6%	-76.2%	-80.7%
Total of SIS Group	**8.2%**	**6.5%**	**10.0%**	**4.1%**	**44.2%**	**43.8%**

Q3 and 9MFY21: Financial Commentary

Revenue Development

Consolidated revenue for Q3FY21 was Rs. 2,358 Crs ; grew by 8.2% over Q3FY20. Consolidated revenue for Q3FY21 had a QoQ change of 9.3%.

Business segment wise revenue growth for Q3FY21 are as follows:

- Security Solutions – India increased by 6% over Q2FY21 and a Q3 YoY decline of 2.1%. The 9M performance is flat YoY
- Security Solutions – International grew by 11.4% over Q2 FY21 and had a YoY increase of 26.6% (14.9% and 10.7% respectively on a constant currency basis); and
- Facility Management increased by 10.7% over Q2 FY21 and had a YoY decline of -14.9%. The 9M revenues are down 11.2% over 9MFY20

Earnings Before Interest, Tax, Depreciation & Amortization

Consolidated EBITDA for Q3FY21 was Rs. 146.9 Crs and the EBITDA margin was 6.2%, thus representing a change of 13.3% over Q2 FY21.

Business segment wise EBITDA change for Q3FY21 on QoQ basis are as follows:

- Security Solutions – India increased by 3.5%. Margin maintained at 5.7%
- Security Solutions – International, had a growth of 12.4% (12.7% on a constant currency basis); and
- Facility Management – had an increase of 85.7% and margin increased to 4.3% on account of operating synergies on the back of volume revival

The Group continues to benefit from operating leverage and its relentless focus on profit improvement initiatives. The Group's cost management measures continued to yield savings to the tune of Rs. 13 Crs during the quarter Q3FY21, in addition to the Rs. 30.3 Crs of savings in H1 FY21, this taking the total savings for 9M ended FY21 to Rs. 43.3 Crs. Some of these cost savings are expected to continue into Q4 and also into FY22 as we look to leverage the productivity and efficiency tools that we have learnt over the past nine months.
A detailed explanation is available in the section titled "Special Items"

Earnings Before Taxes (Reported)

The Earnings Before Taxes for the Group were at Rs. 128.9 Crs for Q3FY21, compared to Rs. 67.0 Crs for Q3FY20, thus showing an increase of 92.3%.

Other income & share of profit/(loss) in associates is largely comprised of:

- The effects of unrealised currency translation amounting to Rs. 3.4 Crs for the future tranche liabilities for Henderson and Platform 4 Group in Singapore and New Zealand respectively which was offset by a negative unrealised currency translation amounting to Rs. (5.0) Crs in respect of the RDBs issued by the parent to its Australian subsidiary
- A gain of Rs. 32.5 Crs resulting from recognition of income from grants in our International security business ***(see section "Special items")***
- Interest income from bank deposits, the Group's share of the profit /(loss) in its associates, and income from other gains/ losses amounts to Rs. 7.4 Crs

The Group's consolidated **Depreciation & Amortization** amounted to Rs. 27.7 Crs for Q3FY21 which was lower than Rs. 33.3 Crs for the same quarter last year driven by:

- Winding down of amortisation of the intangibles in connection with acquisitions over a period of time
- Freeze on discretionary capital expenditure during FY21

Finance costs for the Group amounted to Rs. 28.6 Crs, representing a decrease of 25.3% over the Q3FY20. This is driven by:

- Re-negotiation of our facilities leading to a reduction in the rate of interest of our existing working capital facilities by 100 bps in our India business
- Lower average utilisation of working capital debt facility aided by strong debtors management and which is reflected in our OCF / EBITDA of 145.0%

Special items

During the quarter, we recognized income from grants, amounting to Rs. 32.5 Crs, received from Singapore and New Zealand governments, based on final confirmation received as to our eligibility for receipt of those grants.

On a cumulative basis, for the 9 months period ended December 31, 2020, there was:

- An amount of Rs. 47.1 Crs on account of the effects of unrealised currency translation for the future tranche liabilities for SIS Henderson Holdings Pte Ltd and Platform 4 Group Ltd in Singapore and New Zealand respectively, which was offset by a negative unrealised currency translation amounting to Rs. 14.7 Crs in respect of the RDBs issued by the parent to its Australian subsidiary.
- A gain of Rs. 32.5 Crs resulting from recognition of income from grants in our International security business
- A gain of Rs. 42.4 Crs as a result of a write down of the liability created for the acquisition of the balance 49% shares of Southern Cross Protection Pty Ltd as the final price paid for those shares was less than the estimated liability created for those shares in 2017

Q3 and 9MFY21: Financial Commentary

Taxes & Profit after Tax

Operating PAT

Operating Profit after Tax (Operating PAT) has been computed after adjusting for these amounts in order to explain the real/sustainable PAT:

Particulars (in Rs Crs)	Q3FY21	Q2FY21	Q1FY21	9MFY21	9MFY20	Q3FY20
Reported PAT	**99.0**	**108.1**	**57.9**	**265.0**	**229.4**	**78.3**
Less: one-off adjustments on account of adopting a reduced tax rate in FY20	-	-	-	-	45.1	9.6
Less: the effect of special items explained above	30.9	58.1	18.3	107.3	-10.4	0.3
Operating PAT	**68.1**	**50.0**	**39.6**	**157.7**	**194.7**	**68.4**
Change % QoQ	*36.3%*	*26.3%*				
Change % YoY	*(0.3%)*			*(19.0%)*		

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.

The revenue decline for SIS Group in Q1 and the early part of Q2 has largely been reversed and revenues are already showing an upward trajectory in Q3. The SIS Group, though back on the recovery curve, has decided to continue its conservative approach and has not accounted for any additional benefit under section 80JJAA pertaining to FY21 during the quarter and 9 months ended December 31, 2020. However, the Group continues to receive, and account for, the tax benefits under section 80JJAA which have accrued to the Group during FY20 and FY19 and which the eligible entities of the Group will claim in FY21 and FY22.

During Q3FY21 too, there has been a net increase in the number of employees compared to the previous quarter Q2 FY21. However, we expect that the number of employees as at March 2021 to be equivalent to the number of employees as at March 2020 and therefore we expect to start accruing tax benefits under section 80JJAA in the next financial year FY22.

In the following years, 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 NIL as a result of the benefits accruing under Section 80JJAA of the Income Tax Act, 1961.

On a Standalone basis, our pro-forma PAT increased by 3.9% from Rs. 47.7 Crs for 9M FY'20 to reach Rs. 49.5 Crs for the same period this financial year (9M FY'21).

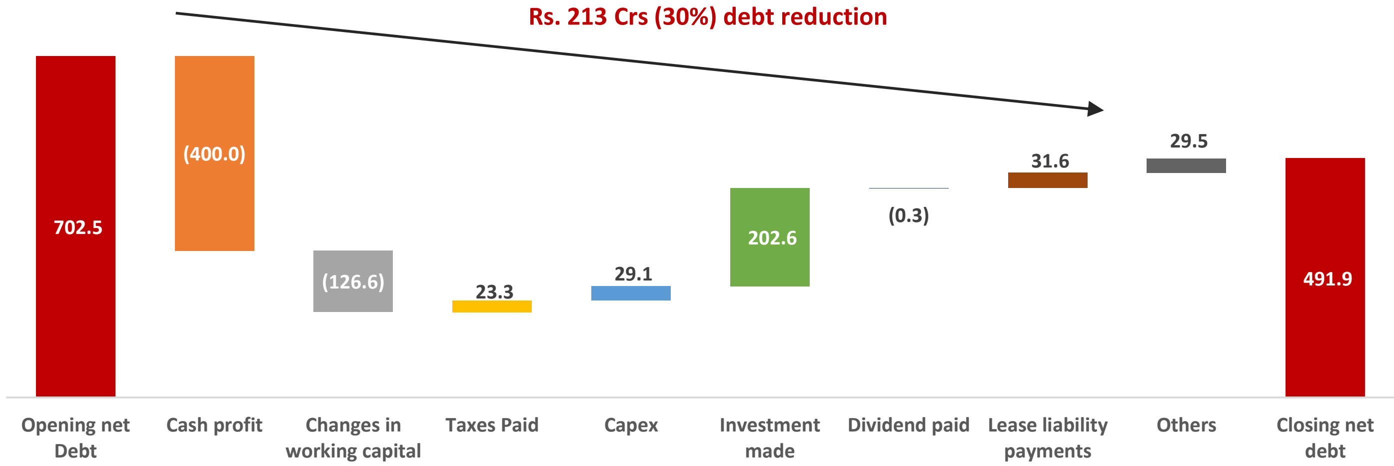
The current tax rate reflects the amount of tax the standalone entity is expected to pay when preparing and filing its tax returns. The real effective tax rate reflects the current tax plus the deferred tax effect on timing differences. The current tax rate and real effective tax rate, is computed below:

Particulars (in Rs Crs)	Q1FY21	Q2FY21	Q3FY21	9M FY21
PBT	20.8	24.4	23.7	69.0
Current tax	0.1	(0.0)	(0.0)	0.0
Deferred tax effect on timing differences	(1.0)	(2.0)	(5.4)	(8.4)
Total tax items	(0.9)	(2.0)	(5.4)	(8.4)
Current tax rate	*0.5%*	*-0.1%*	*-0.0%*	*0.0%*
Real Effective tax rate	*-4.4%*	*-8.3%*	*-23.1%*	*-12.20%*

Leverage and Financing

Particulars (in Rs Crs)	December 2020			September 2020			March 2020		
	India	Intl	Total	India	Intl	Total	India	Intl	Total
Gross Debt									
LT Borrowings	40	33	74	44	30	74	197	433	630
ST Borrowings	512	5	517	500	5	504	537	5	542
Current Portion of LT Liability	175	505	680	178	472	650	28	14	42
Lease liabilities	57	59	116	59	57	116	60	51	111
Gross Debt	**785**	**603**	**1,387**	**781**	**564**	**1,345**	**822**	**503**	**1,325**
Less: Cash/Cash Equivalents	358	538	895	338	546	884	197	426	623
Net Debt	**427**	**65**	**492**	**443**	**19**	**462**	**625**	**77**	**703**

Net Debt Bridge from March 2020 to December 2020 (In Rs Crs.)



The Group's continued and relentless focus on working capital management is reflected in an all round improvement of key metrics of leverage, interest coverage, OCF/EBITDA.

OCF/EBITDA on a consolidated basis was **145.0%** for the quarter which was a direct result of the focus on aggressive management of receivables across all business segments**.** The cash generation of Rs. 555 Crs over the past 9 months has been the highest ever in the history of the company.

Net Debt/ EBITDA was **0.92** as of December 2020, which is a steep reduction from 1.35 in March 2020. We have maintained our Net Debt / EBITDA position at a level of < 1.0, inspite of a significant pay-out amounting to AUD 37 Mn for the purchase of the remaining 49% of shareholding in Southern Cross Protection Pty Ltd (SXP). This steady Net Debt / EBITDA was achieved by our continued drive to improve our cash realization and reduce the working capital.

Our **Interest coverage ratio improved** to **5.8** from **4.8** at the end of Q2'FY21

Our interest cost has reduced on an annualised basis by close to 23%.

Net Debt in the quarter went down by Rs. 16 Crs in India and increased by only Rs. 46 Crs in International (despite the payment to SXP mentioned above). demonstrating the Group's ability to manage debt and working capital cycles even during a downturn.
As indicated earlier, against the backdrop of our improved credit rating and a benign interest rate environment, we are looking to reduce our interest costs further once the NAB and NCD rollover/ refinance process consummates. The NCD refinancing is likely to be done by March 31st while the NAB line has been extended for an year and we have already availed lower costs there on account of a floating rate.

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 remarkable fortitude in the toughest year for the Group since inception.

The business currently operates across 170 branches and has 151, 062 employees.

Strong demand recovery underway

The segmental revenues for Q3 were Rs 889 Crs which is a 6% increase over Q2 FY21. The revenues have shown a steep increase in Q3 on the back of revival in the economy and festival demand led growth. At end of December the segmental revenues were Rs. 294 Crs which is 97% of the March 2020 revenues of Rs. 304 Crs.

The in-elastic nature of our demand has been re-inforced during the past few months. The security vertical, already at pre-Covid levels, is now poised to get back into historical growth patterns led by new customer segments, newer solutions and greater demand for one-stop solution providers.

Gross margins intact – EBITDA inching up

Gross margins and EBITDA margins continue to be stable with EBITDA margins at 5.7%, despite Q3 being the quarter for Diwali bonuses. Despite minimum wage hikes this year being muted, we are pleased that our productivity improvement measures have helped us keep gross margins stable.

As demand recovery gets underway, operating leverage is going to come into play to a greater extent with the cost rationalisation measures undertaken this year to continue to a significant extent in the coming quarters.

Calibrating growth with credit control

Our efforts have yielded encouraging results in Q3FY21 and we are looking at similar calibrated growth over next few quarters. We have used the crisis as an opportunity to rethink and refine customer segment mix for lower credit risk and higher working capital efficiency. Based on internal credit scores and external measures, we have identified segments that we will target aggressively, segments that would need special permissions and those that are on the no-go list. This will help us reduce exposure to stressed sectors and clients.

Risk management will continue to take priority over growth for next few quarters till impact of Covid on customer segments and path / pace of economic recovery becomes clearer.

Particulars (in Rs Crs)	Q3 FY21	Q3 FY20	*Change YoY*	Q2 FY21	*Change QoQ*	*9MFY21*	*9MFY20*	*Growth*
Revenues	889.4	908.9	*-2.1%*	839.2	*6.0%*	2,586.7	2,593.2	-0.3%
EBITDA	50.8	54.9	*-7.5%*	49.1	*3.5%*	146.1	161.8	-9.7%
EBITDA%	*5.7%*	*6.0%*		*5.8%*		*5.6%*	*6.2%*	
Share of group revenues	*37.7%*	*41.7%*		*38.9%*		*38.7%*	*41.3%*	
Share of group EBITDA	*34.6%*	*41.2%*		*37.8%*		*36.7%*	*42.4%*	

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 over 9,150 employees.

Stellar revenue growth continues

The International business continues to perform outstandingly through the year with Q3 revenues at Rs. 1,190 Crs which is a 11.4% increase over Q2 FY21 (10.7% in constant currency basis)

The strong ad-hoc revenues in Australia securing quarantine facilities has continued into Q3. This has been aided by rebound in aviation and special events. Retail stores opened up, even in the state of Victoria (which was earlier under a lockdown) owing to Christmas and New year holidays.

NZ has also seen a strong quarter with a 63% growth in revenues due to full quarter impact of Guardforce contract additions in Q2 and strong pick up in the events business where our NZ arm has a specialization.

All our international markets continue to show strong underlying health and economic trends with the economies back on a sound footing. We believe that the fiscal and economic incentives provided by these governments will continue to hold the countries in good stead in coming quarters.

Government business continues to hold firm

In most developed markets, govt. is a large customer as it augments its security needs for public transport and other utilities through private security. In Australia too, the government is a large customer for us and accounts for 46% of the revenues (including defence). This number has increased during the last 9 months on account of Covid related ad-hoc demand and thus continues to be a strong support in headwind conditions.

Continued strong EBITDA margins

EBITDA margins continue to be strong. The gross margins have been stable on the regular business. The ad-hoc business also came in at very strong margins, which pushed up the overall EBITDA margins. We have managed to reduce spends on travel and use technology enabled performance improvement measures such as attendance, centralised NOC to improve margins.

All these have helped EBITDA margins sustain above 7% across the region. This has been despite customer pressures and weak minimum wage growth.

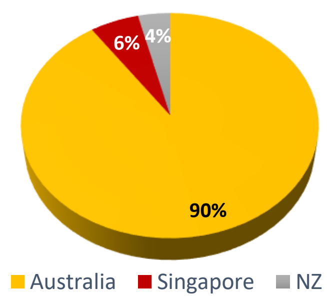
Historically high cashflows

The International segment improved upon its excellent DSO track record and has reached a historically low 41 days as against 47 in Q2FY21 The strong collection trends are being seen across all geographies. This shows that clients continue to repose a lot of confidence in our ability to service their critical needs in these vital times.

The international performance in the 9M FY21 shows that these markets are a strong counter-balancing force for the Indian business. Apart from showing stable growth and cash flows during regular times, the strong macro-economic situation in these countries enables good growth prospects even during weaker years. Once the situation reverts back to normality, the International business will continue to play its role as a stable cash flow and return generator.

Particulars (in Rs Crs)	Q3 FY21	Q3 FY20	*Change YoY*	Q2 FY21	*Change QoQ*	*9MFY21*	*9MFY20*	*Growth*
Revenues	**1,189.7**	**939.7**	***26.6%***	**1,067.7**	***11.4%***	**3,277.4**	**2,756.5**	**18.9%**
EBITDA	**83.9**	**54.4**	***54.2%***	**74.7**	***12.4%***	**218.6**	**157.1**	**39.2%**
EBITDA%	***7.1%***	***5.8%***		***7.0%***		***6.7%***	***5.7%***	
Share of group revenues	***50.5%***	***43.1%***		***49.5%***		***49.0%***	***43.9%***	
Share of group EBITDA	***57.1%***	***40.8%***		***57.6%***		***55.0%***	***41.1%***	

Revenue breakdown by region



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 close to 52,700 employees.

Revenue impact from a few key segments

The revenues for the FM vertical for 9MFY21 were Rs. 832 Crs which is a 11.2% decline over the same period in FY20. While Railways revenues have seen the biggest impact, other key segments like hotels, retail, airports and IT sector have all seen varying degrees of impact. The segment has seen a 10.7% growth from the previous quarter as these segments slowly but surely start returning to pre-Covid operating levels.

Order flows provide clear roadmap towards recovery

With most major customer segments steadily recovering, there is a steady revival of service volumes. DTSS and SMC are inching back to normality with new orders of over Rs. 2.5 Crs per month and we are optimistic of ending the year at a strong note and establish a good base for FY22.

Rare Hospitality, our specialty healthcare FM company has been showing strong YoY growth on the back of continued wins in the healthcare segment and currently service some of the biggest Covid hospitals in the country.

Terminix SIS is also showing a robust YoY growth on the back of strong wins in the area of disinfection and sanitization. At 26% EBITDA margins for the 9M, the business is poised to have its best year ever.

EBITDA recovery on track

EBITDA margin for the segment, that was 2.6% in Q2, increased to 4.3% in Q3 on the back on operating leverage led by volume and revenue recovery. As business recovers to pre-Covid levels, we expect operating leverage to continue and provide an equally strong upturn to EBITDA margins, back to historical trends.

From FM to Safety Assurance and Production Support Services

We estimate that monthly operating expenditure on hygiene management will witness a sharp uptick across customer segments as a fallout of the Covid crisis. To capture the potential increase in client spends on hygiene and cleaning, we have launched new solutions to pivot to smart surface disinfection and anti-microbial treatments.

Similarly, we have also initiated production support services to assist manufacturing, warehousing and ecommerce companies in their operations and maintenance. 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)	Q3 FY21	Q3 FY20	*Change YoY*	Q2 FY21	*Change QoQ*	*9MFY21*	*9MFY20*	*Growth*
Revenues	**283.1**	**332.6**	***-14.9%***	**255.7**	***10.7%***	**831.5**	**936.2**	**-11.2%**
EBITDA	**12.1**	**24.0**	***-49.5%***	**6.5**	***85.7%***	**33.7**	**63.0**	**-46.6%**
EBITDA%	***4.3%***	***7.2%***		***2.6%***		***4.1%***	***6.7%***	
Share of group revenues	***12.0%***	***15.3%***		***11.8%***		***12.4%***	***14.9%***	
Share of group EBITDA	***8.3%***	***18.0%***		***5.0%***		***8.5%***	***16.5%***	

dts dusterstotalsolutionsservices An SIS Group Enterprise

ServiceMASTER Clean An SIS Group Enterprise

RARE HOSPITALITY An SIS Group Enterprise

TERMINIX SIS Secured from pest...Assured by world's best

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 2,300 cash vans and 54 vaults covering over 300 cities across India.

Steep increase in Cash in circulation

Cash in circulation in the economy sees a steep increase in times of crisis. We are witnessing the same in India where cash in circulation/ GDP has reached 16% currently which is one of the highest in recent history.

Resorting to cautious behaviour, people tend to keep more cash with them for emergency needs. Direct benefits transfer (DBT) in rural areas has increased cash usage.

Revenue growth with focus on viability

Despite prioritising viability of each stop (pickup/ replenishment point) over absolute revenue growth, we have still been able to generate a 6.3% QoQ growth. The business is now 6.5% above the March 2020 levels and looks to consolidate its growth further.

We won cash processing business (a new business line) from SBI for managing currency chests. The cassette swap regulation of the RBI has slowly started taking off in parts of Delhi with reasonable price escalation.

Pricing uptick + Cost measures led to margin upsides

While a broad-based price renegotiation with banks is still long overdue, we have been able to get pricing increases on a few of our contracts.

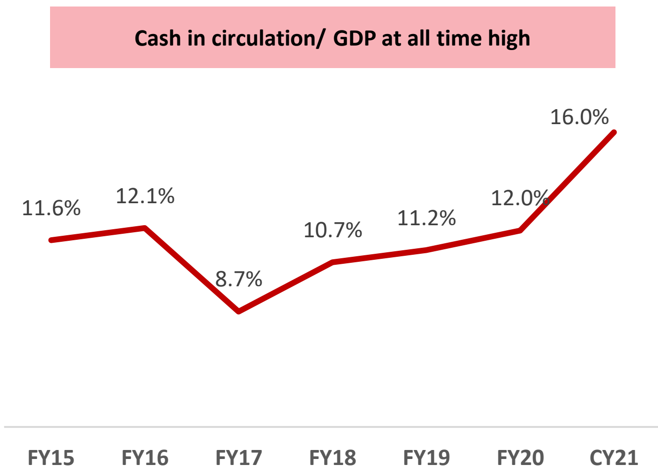
The segment continued its strong EBITDA margin trend with margins at 10.0%, up from 8.6% in the previous quarter. Across the world, the cash logistics industry is a high margin segment and with our focussed efforts we are confident that our margins will continue to do well.

We are doubly pleased that this margin increase has come about despite an increase in fuel costs by 19%. More efficient of management of on-ground routes, proactive cost control and productivity improvement measure have aided margin increase.

Organic consolidation

There has been a slow and steady consolidation that is underway with small players exiting the industry over the past 2-3 years. This reduces unviable price competition and better economics for the remaining players, partly explaining the better margin performance this year. We see this process intensify with greater enforcement of RBI and MHA norms, labour reforms etc.

Particulars (in Rs Crs)	Q3 FY21	Q3 FY20	*Change YoY*	Q2 FY21	*Change QoQ*	*9MFY21*	*9MFY20*	*Growth*
Revenues	**81.9**	**85.5**	***-4.2%***	**77.0**	***6.4%***	**230.6**	**253.9**	***-9.2%***
EBITDA	**8.2**	**5.1**	***59.6%***	**6.6**	***23.4%***	**20.6**	**17.0**	***21.0%***
EBITDA%	***10.0%***	***6.0%***		***8.6%***		***8.9%***	***6.7%***	



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