Group Enterprises

A Market Leader in Security, Cash Logistics & Facility Management

Earnings Update
Q3 – FY19-20
January 29, 2020

Quarter Highlights

2,178 Cr REVENUES ↑ 18.6% YoY 4.3%QoQ	134 Cr EDITDA ↑ 35.6% YoY 8.0% QoQ	78 Cr PAT ↑ 32.6% YoY 2.9% QoQ	Rs 10.7 EPS ↑ 32.3% YoY 2.8% QoQ
23.3% RONW ↑ 700 bps	20.5% ROCE ↑ 190 bps	1.2x Net Debt/ EBITDA ↓ 0.2x	80% OCF/ EBITDA ↑ 500 bps

Rituraj Sinha
Group Managing Director

"We crossed USD 100 Mn per month revenue milestone in Dec. 2019 while maintaining a 23% ROE – a testimony to strength of our business model"

Notes from the Group Managing Director

Scalability of business model demonstrated–all four business segments continue to outperform

We remain extremely focussed on our execution and continue to register new client wins. Our cost structures and collections are being constantly monitored across all our business verticals. Operational productivity measures are witnessing steady uptick.

Our consolidated revenues increased from Rs 2,089 Cr in Q2 of FY20 to Rs. 2,178 Cr in Q3 of FY20. This is a QoQ increase of 4.3% in revenues and a YoY increase of 18.6%. For 9MFY20, the revenues were Rs 6,275 Cr which is a 22.1% growth YoY.

Our EBITDA registered a strong increase at Rs 133.5 Cr in Q3 as against Rs 123.6 Cr in Q2 of FY20, which is a QoQ increase of 8.0% and a YoY increase of 35.6%. The strong EBITDA performance has been due to impacts of operating leverage playing out across our verticals along with a keen eye on costs.

Demand Resilience evident- Predictability reinforced

The Indian economy has been seeing a steep slowdown that is being reflected in various national and international bodies downgrading the GDP growth of the country for FY20 and FY21. While we are a part of this macro environment and we can't be immune to it, we have been buffeted from the storms by the inelastic nature of demand for our services. Customers prefer to move to more efficient vendors and single-window service providers who can drive productivity and optimize costs.

The SIS business model has demonstrated its resilience consistently, quarter after quarter over the years and we will continue to work towards increase our market share in each of our verticals leveraging our strong market positions and pan India network.

We ended Q3FY20 with a monthly run rate of Rs 727 Cr in December 2019. Over the last 11 quarters our revenues have grown at a quarterly CAGR of 5.8% and our EBITDA has shown a quarterly CAGR of 7.2% over this period. We enter the last quarter of FY20 with strong momentum and look to end the year with a strong base for FY21.

Earnout adjustments for SLV underway – unique deal structure tested

We have agreed on terms of adjustment for the first tranche of the SLV acquisition. Against the initial tranche payment in September 2018, we would be receiving an additional equity stake. Documentation to make this effective would happen over the next few days.

At the time of acquisition monthly revenues of SLV were Rs 21 Cr in September 2018 which has now increased to Rs 26 Cr in December 2019, which is a 25% increase in monthly run rate. Promoter alignment of interests coupled with SIS processes and technology has helped the business exhibit strong operational and financial metrics. As stipulated in our M&A investment theses, we are looking to make upwards of 30% IRR on the acquisition.

Net debt reduces – return ratios reflect asset light model

Our key metric of Return on Equity, is currently at 23.0%, despite a large hit on account of non-cash items in interest and amortization due to PPA treatment for acquisitions. This is a 700-bps increase over Q3FY19

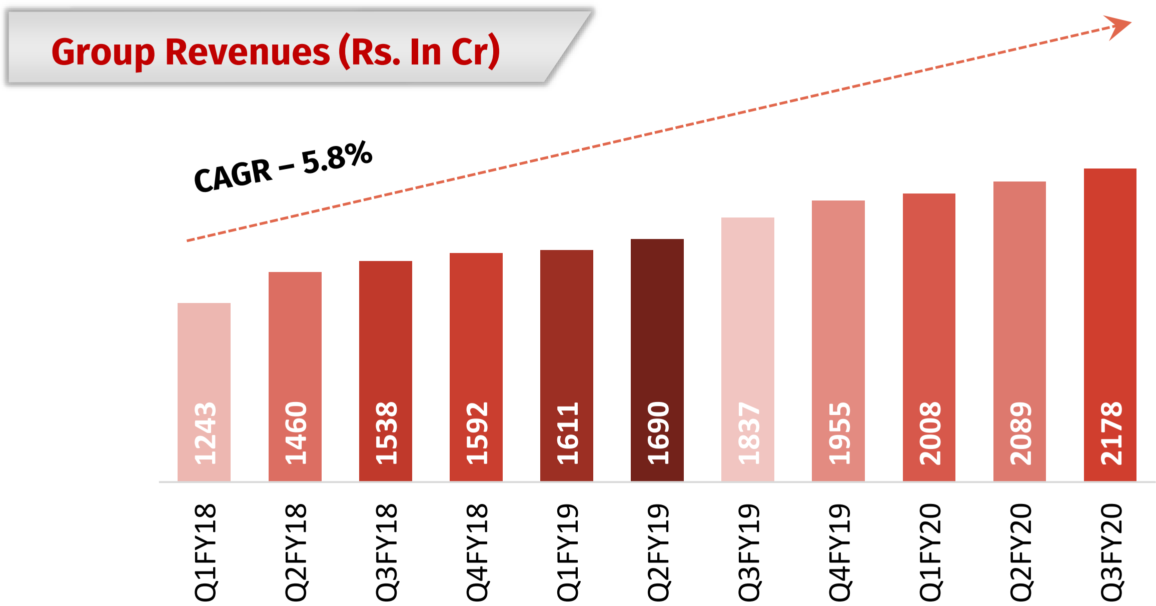
After an year of acquisitions, the focus on integration and utilisation of the acquired assets has led to a healthy RONW.

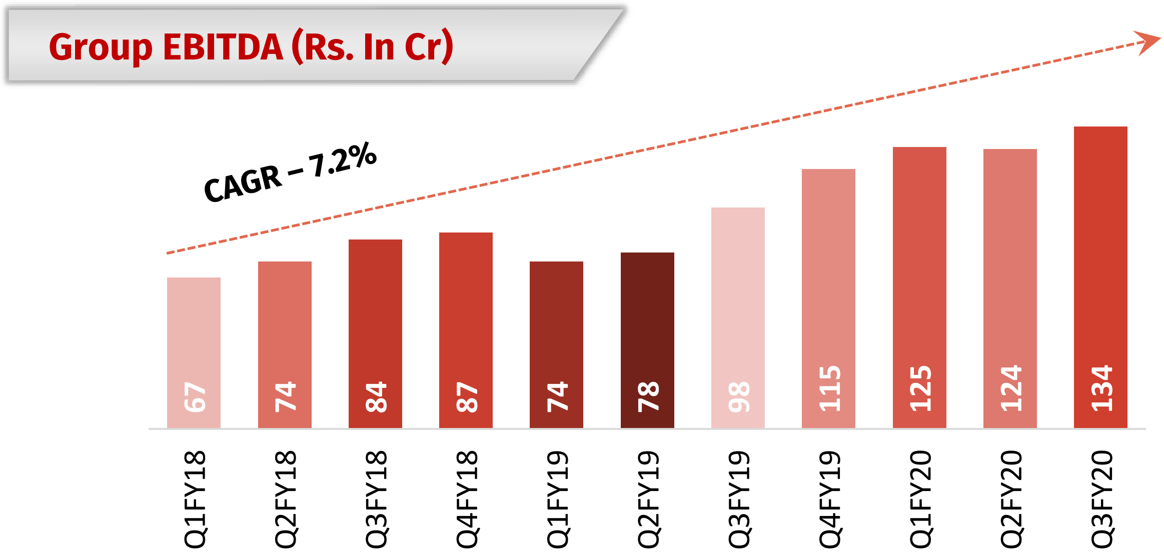
Our leverage levels are comfortable at 1.2X Net Debt/ EBITDA with an average cost of capital of 7.5%.

Moving forward – Services to Solutions

The customer experience has evolved from traditional manpower supply a decade ago towards outcome-based SLA driven model and now towards customised problem solving and "solutioning" leveraging technology. This trend is being accelerated by increases in Minimum Wages which is making customers look at cost optimisation measures and greater use of Tech.

Over the last two years, our business verticals have identified key customer segments for solutioning. Our customised security solutions for BFSI and Oil & Gas sectors have found great traction. Similarly, our FM business has established great differentiation in Railways and healthcare segments. Over the coming quarters, SIS looks to invest aggressively to pursue our "SOLVE and SCALE" strategy.





Group Overview

In INR Cr	Q3		Change	9M		Change	Full Year
Particulars	**FY 2020**	**FY 2019**	**%age**	**FY 2020**	**FY 2019**	**%age**	**FY 2019**
Revenue	**2,178.2**	**1,836.8**	**18.6%**	**6,275.4**	**5,138.4**	**22.1%**	**7,093.3**
EBITDA	**133.5**	**98.4**	**35.6%**	**381.9**	**251.7**	**51.7%**	**365.2**
%age	6.1%	5.4%		6.1%	4.9%		5.1%
Depreciation	27.5	13.1	110.5%	78.0	36.7	112.5%	51.9
Finance Costs	29.3	18.4	59.5%	82.8	47.0	76.0%	61.5
Other income & share of profit/(loss) in associates	5.1	-0.6		0.5	0.6		4.2
Earnings Before Taxes (operating)	**81.8**	**66.4**	**23.3%**	**221.7**	**168.6**	**31.5%**	**255.9**
Less: Acquisition related costs							
- Depreciation & Amortization	5.8	4.6	26.3%	17.3	10.2	70.3%	14.0
- Finance costs	9.0	4.5	99.4%	30.3	11.1	173.1%	32.3
Earnings Before Taxes	**67.0**	**57.3**	**17.0%**	**174.3**	**147.3**	**18.2%**	**209.5**
%age	3.1%	3.1%		2.8%	2.9%		3.0%
Tax Expenses	-11.2	-1.8		-55.0	5.0		-5.2
Profit After Taxes	**78.3**	**59.1**	**32.5%**	**229.4**	**142.3**	**60.9%**	**214.7**
%age	3.6%	3.2%		3.6%	2.8%		3.0%
EPS	10.7	8.1	32.3%	31.3	19.6	5.5%	29.5
Net Debt {excl. lease liability}	608.1	467.7		719.6	467.7		416.9
Net Debt to EBITDA	1.2	1.4		1.2	1.4		1.1

Revenue, EBITDA and PAT Growth Development by Business Segment

Business Segments	Revenue Growth		EBITDA Growth		PAT Growth	
Total Growth - %age	**Q3 FY20 v/s Q3 FY19**	**9m FY20 v/s 9m FY19**	**Q3 FY20 v/s Q3 FY19**	**9m FY20 v/s 9m FY19**	**Q3 FY20 v/s Q3 FY19**	**9m FY20 v/s 9m FY19**
Security Services - India	25.8%	35.6%	30.2%	58.4%	13.0%	91.8%
Security Services – International	8.9%	7.8%	37.0%	50.2%	5.3%	27.5%
Facilities Management	32.6%	39.5%	34.0%	36.6%	25.3%	30.9%
Total of SIS Group	**18.6%**	**22.1%**	**36.6%**	**52.5%**	**32.5%**	**61.1%**

Business Segments	Revenue Growth		EBITDA Growth		PAT Growth	
Organic Growth - %age	**Q3 FY20 v/s Q3 FY19**	**9m FY20 v/s 9m FY19**	**Q3 FY20 v/s Q3 FY19**	**9m FY20 v/s 9m FY19**	**Q3 FY20 v/s Q3 FY19**	**9m FY20 v/s 9m FY19**
Security Services - India	18.5%	27.7%	23.8%	51.7%	7.5%	84.4%
Security Services – International	2.4%	2.8%	16.3%	32.4%	3.4%	19.9%
Facilities Management	29.2%	35.9%	30.3%	33.6%	21.1%	25.0%
Total of SIS Group	**10.5%**	**13.9%**	**20.8%**	**37.7%**	**39.6%**	**41.2%**

Q3 FY20: October – December 2019

Revenue Development

Consolidated revenue for Q3 FY20 was INR 2,178 Cr; grew by 18.6% over Q3 FY19.

Consolidated revenue for Q3 FY20 had a q-o-q growth of 4.3% over the previous quarter i.e., Q2 FY20.

Business segment wise revenue growth for Q3 FY20 are as follows:

a. Security Solution – India, growth of 25.8% .

b. Security Solution – International, had growth of 12.8% on a constant currency basis.

c. Facility Management Solutions had the strongest growth during the quarter at 32.6% .

Earnings Before Interest, Tax, Depreciation & Amortization

Consolidated EBITDA for Q3 FY20 was INR 133.5 Cr and the EBITDA margin was 6.1%, thus representing a growth of 36.6% over Q3 FY19. Group's organic EBITDA grew by 20.8% during the same period, which is a result of operating leverage and profit improvement initiatives.

Business segment wise EBITDA growth for Q3 FY20 over Q3FY19 is as follows:

a. Security Solution – India - 30.2% .

b. Security Solution– International, had growth of 37.0% on a constant currency basis .

c. Facility Management – India, delivered a growth of 34.0% .

The adoption of new lease accounting standard (IND AS 116) has had a positive impact on the EBITDA of INR 6.6 Cr across the Group during the quarter.

Earnings Before Taxes:

The Group's consolidated Depreciation & Amortization amounted to INR 33.3 Cr for Q3 FY20, which was primarily driven by amortization of intangible assets identified as a part of business combination accounting.

Finance costs for the Group amounted to INR 38.2 Cr, representing an increase of 67.3% the finance costs for the Group over Q3 FY19. This is mainly due to the following:

a. True up of finance costs relating to future pay-out of the acquired entities

b. Borrowings in order to facilitate the first tranche pay-out to the acquired entities in FY 19

c. Assumption of working capital borrowings of the acquired entities

Thus, the Earnings Before Taxes for the Group were at INR 67 Cr for Q3 FY20, showing an increase of 17.0% over Q3 FY19 of INR 57.3 Cr.

Taxes, Net Income and Earnings per Share

The Group at a Consolidated level continues to receive 80JJAA tax benefits and this has resulted in total taxes for the current quarter Q3 FY20 at INR (11.2) Cr when compared to INR (1.8) Cr during Q3 FY19. This tax benefit has boosted the Group's Profit after taxes to reach INR 78.3 Cr for Q3 FY20, representing a healthy 32.5% increase when compared to Q3 FY19 of INR 59.1 Cr.

Earnings per share have also improved by 32.3% to reach INR 10.7 per share for Q3 FY20 when compared to INR 8.1 per share during Q3 FY19.

Security Solutions – India

The India Security Solutions business comprises five entities - our flagship SIS security business, SLV, Uniq, Tech SIS and Vprotect.

The India Security Solutions business currently operates across 170 branches and has 157, 922 employees. With Rs 304 Cr monthly run rate in December 2019, we have established clear market leadership in security segment in India.

Solid Organic Revenue Growth

The India Security business had a strong Q3, with total revenues of Rs 909 Cr as against Rs 876 Cr for Q2 FY20. This is a QoQ increase of 3.8% and a YoY increase of 25.3%. The business continues to show rapid growth, despite its large base, with strong client additions and reduction in client attrition.

Revenues per Branch growing

The revenues per branch per month, on an organic basis, increased from Rs1.45 Cr in Q3 FY19 to Rs 1.75 Cr in Q3 FY20. Including the acquisitions, the revenue per branch increased to Rs 1.79 Cr. Every single branch has shown growth in 9MFY20.

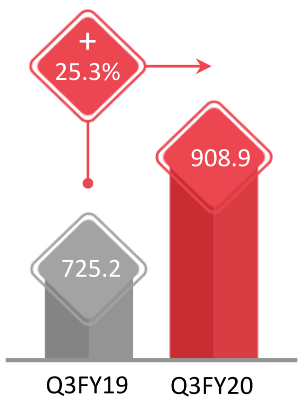
Operating leverage playing out

The segmental EBITDA for India security was Rs 54.9 Cr which is a 2.1% QoQ growth and a YoY increase of 30.1%. EBITDA margins remained steady at 6.0% in Q3 FY20 from 6.1% in Q2 FY20. Operating leverage has played an important role – at the end of December 2019, the SG&A staff in India Security Solutions was lower by 10% as compared to December 2018, despite the revenues per month increasing by 21%. Operating leverage is an important factor in future margin upsides in all our business verticals.

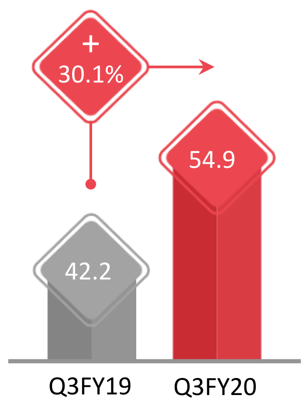
DSOs inched up marginally due to the stress in the economy and poor working capital availability for many clients. DSO at the end of December was 69 days as against a DSO of 67 days in Q2 FY20.

in INR Cr	Q3 FY20	Q2FY20	Change QoQ	Q3FY19	Change YoY	9MFY20	9MFY19	Growth
Revenues	**908.9**	**875.9**	**3.8%**	**725.2**	**25.3%**	**2593.2**	**1917.6**	**35.2%**
EBITDA	**54.9**	**53.8**	**2.1%**	**42.2**	**30.1%**	**161.8**	**102.0**	**58.5%**
EBITDA%	**6.0%**	**6.1%**		**5.8%**		**6.2%**	**5.3%**	
Share of group Revenues	41.7%	41.9%		39.5%		41.3%	37.3%	
Share of group EBITDA	41.2%	43.5%		42.9%		42.4%	40.5%	

Revenues



EBITDA



Security Solutions – International

The International security business comprises four entities - MSS and SXP in Australia, Henderson in Singapore 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 9,200 employees.
Successfully delivered on Melbourne Cup and retained marquee clients like BHP Billiton, Reserve Bank of Australia and Federal Courts.

Focus on margin improvement

The international business had an excellent quarter on revenue growth, margin uptick and working capital. The International business ended Q3 FY20 with total revenues of Rs 940 Cr which is a QoQ increase of 4.0% from Rs 903 Cr for Q3 FY20. The strong revenue growth has been coupled with a margin upside too with EBITDA margin increasing from 4.6% in Q3 FY19 to 5.8% in Q3FY20. This is a 37 % YoY increase in EBITDA. As has happened in the past and indicated earlier, we continue to pass on the wage revisions to the clients, albeit with a lag.

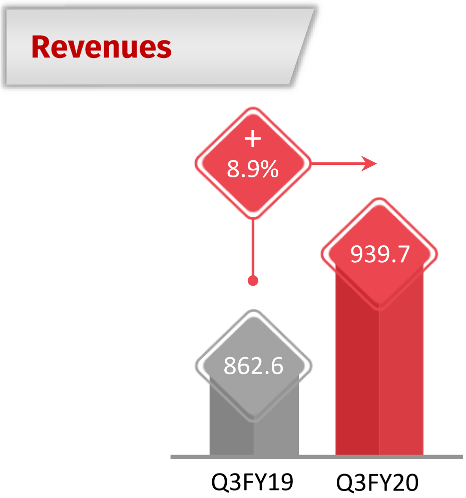
Integration of newer entities on track

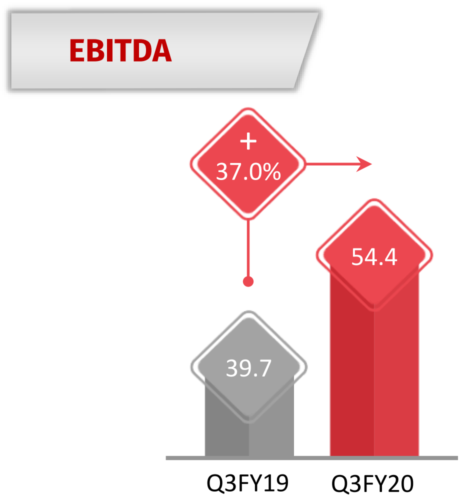
We have put in place margin improvement plans in Singapore that have helped the business generate EBITDA margin of over 10% in Q3FY20. Similarly our bolt-on acquisitions in New Zealand are doing well and have positioned us well to acquire leadership in the alarm solutions and monitoring business.

International operations continue to generate robust cashflows

Australia had an excellent quarter for working capital with collections hitting a historic high. The DSOs in Australia came down from 54 in Q2FY20 to 46 days in Q3FY20. This has been the result of a coordinated effort between the business and finance teams on accounts receivables.

In INR Cr	Q3FY20	Q2FY20	Change QoQ	Q3FY19	Change YoY	9MFY20	9MFY19	Growth
Revenues	939.7	903.4	4.0%	862.6	8.9%	2756.5	2556.2	7.8%
EBITDA	54.4	49.0	11.1%	39.7	37.0%	157.1	105.0	49.6%
EBITDA%	5.8%	5.4%		4.6%		5.7%	4.1%	
Share of group Revenues	43.1%	43.2%		47.0%		43.9%	49.7%	
Share of group EBITDA	40.8%	39.6%		40.4%		41.1%	41.7%	





Facility Management Solutions-India

The facility management business comprises DTSS, SMC, Rare Hospitality and TerminixSIS. We are the second largest and fastest growing FM business in the country. The FM business continued its strong growth as the fastest growing vertical in the group. The FM business currently operates across 77 branches and has close to 64,000 employees.

Continued Revenue Momentum

The revenues for the FM vertical were Rs 332.6 Cr as against Rs 313.9 Cr for Q2 FY20. This is a QoQ increase of 6.0%, and a YoY increase of 32.7%. The organic growth YoY is 30.5%. The FM segment ended Q3 with a run rate of Rs. 114 Cr. We are inching closer to being the No.1 in the Indian FM sector. All the SBU's showed strong growth trends despite a slowdown in the broader economy.

Specialized solutions bearing fruit

Our focus on specialised verticals like hospitality, railways and healthcare, by creating an in-house knowledge base and customised productivity tools has helped us notch impressive client wins. We service over 300 hospitals across the group currently. We will look to create more specialised SBUs in SIS as we look to scale and deliver more efficiencies to the clients.

Rare Hospitality – Update

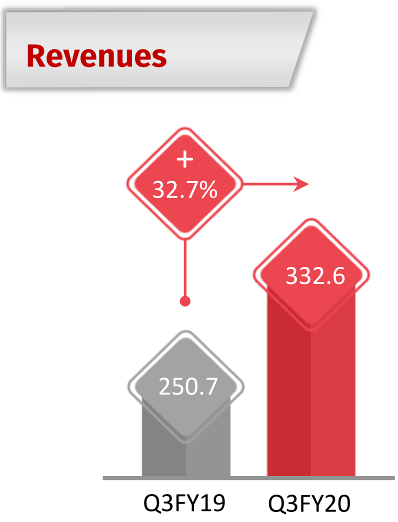
Rare Hospitality is delivering in line with the acquisition objectives by creating a strong in-house expertise in the healthcare sector.

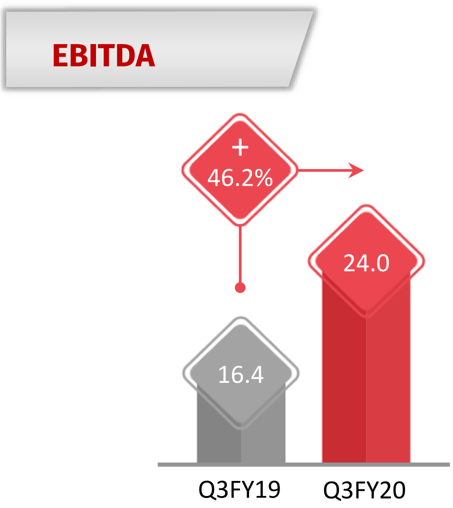
The business has been showing strong client retention and expanding presence in key markets. The monthly run rate has increased from Rs 7.5 Cr in December 2018 to Rs 9 Cr in December 2019, an increase of 20%.

Strong performance on margins and collections

The EBITDA margin improved from 6.7% in Q2 FY20 to 7.2% in Q3 FY20. All the business segments have shown healthy margin increases. The DSOs have also shown improvement this quarter with DSOs for the segment decreasing by one day over Q2FY20.

In INR Cr	Q3FY20	Q2FY20	Change QoQ	Q3FY19	Change YoY	9MFY20	9MFY19	Growth
Revenues	332.6	313.9	6.0%	250.7	32.7%	936.2	670.9	39.5%
EBITDA	24.0	20.9	14.9%	16.4	46.2%	63.0	44.7	41.1%
EBITDA%	7.2%	6.7%		6.6%		6.7%	6.7%	
Share of group Revenues	15.3%	15.0%		13.6%		14.9%	13.1%	
Share of group EBITDA	18.0%	16.9%		16.7%		16.5%	17.7%	





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 2000 cash vans and 59 vaults covering over 300 cities across India.

Changing Business Mix

Our focus continues to be on building on ATM portfolio. We are focussed on weeding out unprofitable routes and contracts. We are picking up additional volume on Cash in Transit business. Doorstep Banking business witnessing consolidation. New CIT and DSB business at significantly better pricing. In Q3 FY20 our revenues were Rs 85.5 Cr, a 3.7% decline over Q2FY20 and a 17.4% increase from Q3 of FY19.

Margins Stable

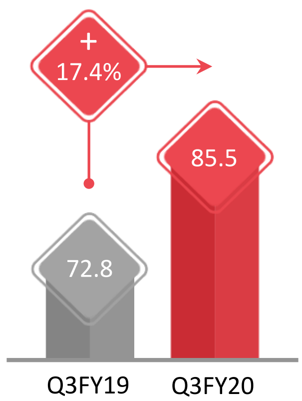
Our focus on non-ATM business over ATM business has helped us increase margins over FY19. The EBITDA for the segment was Rs 5.1 Cr for Q3 FY20. Continuous productivity improvement measures and better route synergies helped the segment improve margins

ATM pricing continues to struggle

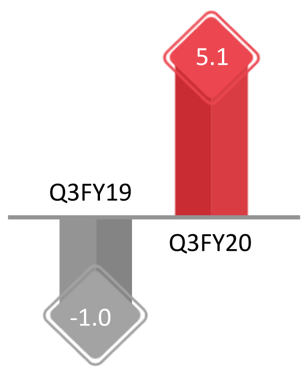
Though we continue to be cautiously optimistic there has not been any material movement on ATM pricing front though it has been close to two years since the RBI-MHA regulations were passed. The cassette swap process is especially important for reconciliation and reduction of pilferage risk . Banks being under financial stress is not helping price re-negotiation despite evident benefits to the banking and currency cycle ecosystem and hence the pricing reset through the IBA has failed.

In INR Cr	Q3FY20	Q2FY20	Change QoQ	Q3FY19	Change YoY	9MFY20	9MFY19	Growth
Revenues	85.5	88.8	-3.7%	72.8	17.4%	253.9	210.4	20.6%
EBITDA	5.1	8.4	-39.5%	(-1)	NA	17.0	(7.7)	NA
EBITDA%	6.0%	9.5%		-1.4%		6.7%	-3.7%	

Revenues



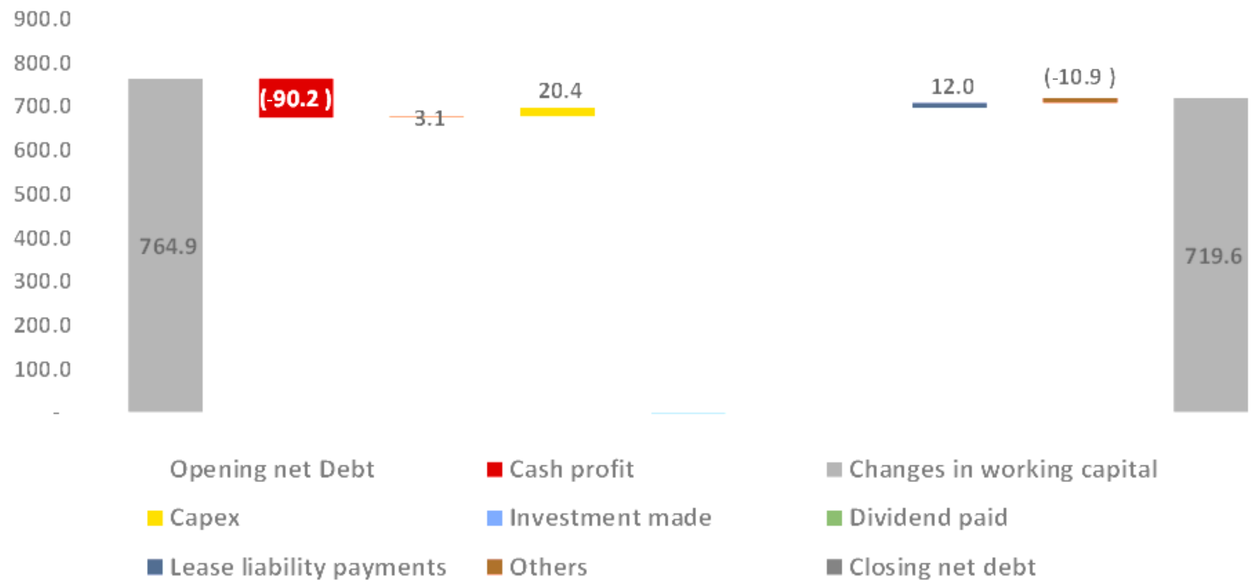
EBITDA



Capital Employed and Leverage

In INR Cr	December 31st 2019			September 30th 2019		
	India	Intl	Total	India	Intl	Total
Gross Debt						
Long-term borrowings	202	470	672	201	444	646
Short-term borrowings	504	9	513	464	7	470
Current Portion of LT Liability	22	10	31	26	8	33
Gross Debt	**727**	**490**	**1,216**	**690**	**459**	**1149**
Add: Lease Liability	61	50	111	57	51	107
Less: Cash and Cash Equivalents	217	391	608	199	293	492
Net Debt	**571**	**149**	**720**	**547**	**217**	**765**

Net Debt movement from Q2FY20 to Q3FY20



Net Debt Reducing

At SIS we have always been prudent in leverage. Our leverage at the end of December 2019 was 1.2X Net Debt/ EBITDA which was 1.4X in the previous quarter. Solid cash generation across all our businesses has helped us reduce our Net/ EBITDA ratio. We believe that compared to international comparable of 2-2.5X Net Debt/ EBITDA, we are comfortably positioned.

Debt – largely working capital

A large part of our debt is working capital debt which tends to increase with the rapid business growth that we are seeing for the past few years. When the business growth moderates, the cash generation improves resulting in lower Net Debt. Our international business is case in point where we consistently generate strong cash flows

SIS is uniquely positioned as 43% of our revenue are in International markets generating robust FCF which helps balance aggressive growth capital requirements in India.

Access to Attractive Financing

SIS has the unique advantage of being able to tap international sources of funds because of its Australia balance sheet. Our blended cost of borrowing across India and International is around 7.5% which has also seen a decline over the past couple of years. Once the RBI rate cuts in India also get passed through by the banks, we are hopeful of a further reduction in the financing costs. Borrowing on the Australia balance sheet also helps immensely in tax planning by reducing the tax burden in Australia.