



“SIS Limited Q3 FY2022 Earnings Conference Call

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MANAGEMENT:

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OFFICER – SIS LIMITED**

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Moderator: Ladies and gentlemen, good day and welcome to Q3 FY2022 Earnings Conference Call of SIS Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Devesh Desai, Group CFO. Thank you and over to you Sir!

Devesh Desai: Thank you. Good afternoon everyone welcome to our Q3 FY2022 earnings conference call. Along with me I have our group Managing Director Mr. Rituraj Sinha. I hope everyone has had an opportunity to look at our results. The presentation has been uploaded on the stock exchange and on the company website www.sisindia.com. We are extremely happy to report one of the strongest ever quarter growth for SIS with consolidated revenues touching a historic high of Rs.2601 Crores during the quarter. This effectively translates to an annualized revenue run rate in excess of 10000 Crores. Our consolidated revenue was up 10.3% year-on-year and 7% over the last quarter. All businesses across the group reported strong revenue growth and almost all of them crossed their pre-COVID levels during the quarter. At Rs.130 Crores reported EBITDA was at 5% whereas the pro-forma EBITDA was 5.4% after removing the impact of additional expenses during the quarter and which included certain one-off expenses and details have been provided in the earnings note, which was released as part of the stock exchange upload.

Operating PAT for the quarter was Rs.76.7 Crores again which is the highest ever. On YTD basis OCF to EBITDA was 31.6%, which was driven mainly by the revenue growth gained year-to-date. A strong order book and new wins during the quarter for all businesses have setup strongly for both the next quarter and the year across. The cash logistics segment continues with steady revenue growth with all service lines performing well and EBITDA and EBIT steadily moving up coupled with strong cash accruals. In fact this was the only business in the group that sustained its revenue and financial performance throughout the COVID period over the last two years. It also has a strong pipeline of orders and deployment. This is one business segment which was till now not aspired is true value and the cusp will not change. We also released our first sustainability report well ahead of the mandatory requirement under the regulations and we trust it will be useful to the readers of the report and we would welcome comments and inputs from readers.

With these remarks I would now like to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Vidit Shah from IIFL. Please go ahead.

Vidit Shah: Thanks for taking my question so just a couple of questions regarding margins from me so FM business is now surpassed pre-COVID levels but the margins still remain fairly low so if you could just share the like margin profile of the businesses within facilities management and like is this due to a change in mix are there other reasons impacting?

- Devesh Desai:** If you look at the facility management business the margins have improved both on a quarter-to-quarter basis and on a year-to-year basis so I am just wondering any specific concerns that you have?
- Vidit Shah:** No Sir what I was asking is let us say before COVID hit we were doing around 6.7% margin with around Rs.330 Crores of quarterly revenue. We are back to around Rs.360 Crores of quarterly revenue but margins are around 4.8% so just trying to understand what is the reason for the decline versus the pre-COVID level?
- Rituraj Sinha:** Vidit what we have always guided is that the pre-COVID level normal for SIS Group is between 5.5% and 6% and for individual businesses like FM is closer to 6%, we are currently tracking in a percent lower than that a large part of that actually will come from the fact that we have done significant increments in October to December quarter. There has also been one time catch up pay correction payments that have happened which are not recurring in nature plus there is a continuing expenditure on account of basic COVID PPE and other things. Having said that, I believe that there is no reason why the business will not settle at same 6% ballpark simply because there is no fundamental change in mix. In fact, the revenue mix of FM just got better with lesser exposure on IT and greater traction coming from e-commerce and manufacturing, so I am confident that as the third wave and other things settle down we will get back to that trajectory.
- Vidit Shah:** Okay so in this trajectory towards 6% like would it be a thing for one or two quarters to cover or would it be like over the next couple of years do you see yourself getting to 6% I mean how do we model these things?
- Devesh Desai:** I would say that we still wait and watch because we do not know third wave is still going to hang heavy on Q4 so I would myself find it very hard to forecast exactly how things will play out, but the all important thing is that the gross margin line is holding steady so there is no reduction in gross margin so these are volume adjustments and one off expenses and I am sure it will settle down as soon as things become closer to normal.
- Vidit Shah:** Understood fine I had another question regarding the tax rate and the cash taxes paid so even in this quarter and if I see the nine months as a whole, our tax expense on P&L has been roughly Rs.36 Crores however we paid around Rs.110 Crores-Rs.120 Crores of cash taxes as per your net debt bridge that you all have said across the three quarters and even in this quarter the tax expenses the foreclosure and the P&L but 70 odd Crores as cash taxes paid so just trying to understand what causes this difference and how should we think about it like is this a one-off cash tax paid or like is the cash back generally higher?
- Devesh Desai:** I will take that so that I think you should look at it in two buckets one is the international bucket and one is the India bucket. In the international bucket it is a standard 30% tax which gets paid out you do not have those things like TDGA etc., over there so that gets paid as you go it is called a pay-as-you-go tax like an advanced tax regime we have in India it is the same way you

have in other countries also. So that is one aspect so that is where your tax payment comes. In India the tax payment comes because there are mandatory TDS on all invoices raised to customers by all our businesses so while at the end of the year when we file our return and we take the benefits of TDGA and other deductions that is not reflected in the TDS rate so the TDS is a mandatory payment which goes out to the government every year and then you go out and claim a refund when you file your return that is why you will find a difference between the cash payout and the tax expense in the P&L.

Vidit Shah: Sure so this TDS is about 1%?

Devesh Desai: Standard rate is 2%, but you are able to make an application to the government to reduce the rate that takes time during the year and by the time that approval comes in half the year is gone and then you go out and engage with every customer and go and tell them okay now go and please fix this new rate to our invoice in that another three months course so we try and get some benefit out of that but we are not able to get the full benefit because of timing issues.

Vidit Shah: Understood so you said 2%?

Devesh Desai: 2% is standard rate.

Vidit Shah: All right.

Moderator: Thank you. The next question is from the line of Mukul Garg from Motilal Oswal. Please go ahead.

Mukul Garg: First question the overall demand environment I think it looks like things are recovering quite well and so I just wanted to kind of get your sense on the reasons behind the hike and one-time payment which you did this quarter I understand like now there is a very commendable effort from the team during last 1.5 years, but is there any supply side issue which is also kind of pressurizing the availability of associates which was behind the thought of doing this one time catch up from your side, is that also a factor which is playing out?

Rituraj Sinha: Well let me first clarify that we are not a stocking business and there is no associate concept here so what I was talking about is the increments that were due to our staff we have done increments for our non-billing staff people who are back office not front frontline but back office staff those increments happened in October and the one time implication there is that there was a bunch of people who did not receive pay increases in the previous year. In 2020 the higher salaried back office staff while they did not have any pay cuts, SIS did not do any pay cuts or any job cuts we also were not able to give increments to the higher cost back office staff now those people were compensated via a one time-one month equivalent pay which was paid out in Q3 so that is the one time effect that is coming into play. As regards to supply side challenges I do not see any I would once again draw your attention to the fact that SIS amongst its peer set is the only company that reported a 7% revenue growth in FY2021 and in FY2022 nine months we are

tracking close to 10% year-on-year revenue growth so we have grown in both years, which are impacted by COVID and this could not be possible if we had a supply side constraint of any kind.

Mukul Garg: Sure the other question was again like normalization as business comes back I think one thing which has clearly happened as you just mentioned that like you guys have grown during this whole crisis also, do you think there is an element of market share gain and that can help you kind of take some bit of price hike with your clients or do you still see the competitive intensity remaining as strong as what it was pre-pandemic?

Rituraj Sinha: I think there are two fundamental issues here, first one I am assuming that you are comparing to the peer set when you talk about growth, the first fundamental difference is that SIS is a pure play essential services provider, security is categorized as an essential service so it does not get disrupted even if there is a lockdown or anything like that, same for facility management in fact the demand for hygiene and sanitation services post-COVID have gone up per square foot expenditure on these services has gone up because of greater consciousness similarly cash logistics despite second wave, third wave the services ought to continue as normal because that is the currency supply system of the economy so that is the mother of all differences that this is essential services therefore its demand resilience is extremely high and we continue to grow in crisis periods just like we grow in growth years albeit at a lower rate. The second difference is that post COVID experience, several customers recognize the essential component and the fact that this is important for business continuity when malls were shut or when factories were operating at reduced capacity or IT parks were operating at reduced capacity, the services that they still required to go on there was security and facility management so they recognized that the service provider has to be financially robust to be able to cater to that requirement and also reliable apart from being an expert at delivering the service and therefore we see a natural trigger for consolidation. We see more pressure on the smaller operators who ran into some cash crisis also and who had service continuity issues, SIS has done outstandingly well in that contrast in fact our January customer satisfaction survey index is 8.6%, which is extremely good and we believe that over a period of time this will help us towards market consolidation as you that today 65% market share is with unorganized small operators and I think this experience of COVID will be a trigger to change that setup, but it would not happen instantly it is not a flip over switch it would happen over a period of time.

Mukul Garg: Let me just rephrase the question what I was referring to was the news which was there that the global peers in the security side in India, they have been scaling back or they have not been able to retain kind of the guards during this lockdown period in the last one and half years so is that something which you are seeing on the ground and helps from a competitive point of view or do you still see the same kind of competition out there which was there pre-pandemic?

- Rituraj Sinha:** We would not say that our competitors have not been able to maintain business continuity barring the smaller ones I think all our major competitors continue to deliver services like we do so I do not see where your question is coming from actually.
- Mukul Garg:** Okay I understood just one clarification from Devesh, Devesh for India's security business, x of the one off impact this quarter the base margin comparison for Q4 will be 4.8%?
- Devesh Desai:** I have not completed separately for the standalone you want me to get back to you separately on that?
- Mukul Garg:** Sure.
- Devesh Desai:** I will just note it down and get back to you.
- Moderator:** Thank you. The next question is from the line of Alok Deshpande from Edelweiss. Please go ahead.
- Alok Deshpande:** Congratulations on a very good set of numbers in trying conditions and also congratulations to the SIS team on the first sustainability report. Two questions from my side, firstly can you give some color on the quarter ending run rates for all the three segments so that is slightly easier for us to see how this quarter and next quarter may pan out?
- Rituraj Sinha:** Thanks for that just to give you comparable set of numbers in September security facility management and cash in India were doing 465 Crores and in December they were doing 486 Crores and if you add the international business today, international business was if you add all four businesses including international business in September we were run rating 857 and now we are run rating 903, but this is just a topline addition of all four businesses it does not factor equity accounting on the cash side.
- Alok Deshpande:** Rituraj you mentioned Rs.483 Crores that is why India securities plus cash?
- Rituraj Sinha:** Let me break it down further for you, just security business in India is 327 and just FM business in India is 127 both put together is 453 for India which in September end, this is I am comparing December to September and September ended was 435 and now it is 463 and if you add cash to that we are doing 486 and if you add all four segments we are doing 903.
- Alok Deshpande:** Got it sure so this is quite helpful and also I think I just needed a little bit more color on the international segment reason being this ad hoc contracts which are COVID related are now tapering down as you are mentioning the press release also there is a mention of some events at your end that had happened which would have helped this quarter's revenue, now going forward how should we look at it what part of this run rate can get shaved off because of the ad hoc contracts going out and then what part of that can get offset by the structural growth that can come in?

- Rituraj Sinha:** So ballpark I will give you our assessment on the Australian business which is the mothership the biggest chunk of the international piece. In Australia we have close to \$40 million worth of COVID related contracts that are still continuing and every month they will continue to reduce. Australia is now even as they have a COVID impact right now they are also fully vaccinated almost fully vaccinated in the country so we see COVID quarantine work or COVID vaccination center related work declining from \$40 million to a lower number per annum that is right and we see aviation sector other retail sector and other such sectors our regular clients which have reduced our service volumes they are adding back volumes the universe is adding back volumes so we see a similar scale backup of roughly \$40 or odd million for my existing customer so on a net-net basis we do not think that the revenue will contract majorly because COVID work going off but it depends the pace at which the COVID contracts come off and the speed at which the regular permanent contracts scale up back to normalcy operations so there might be some aberrations in a quarter or two but if you look at the entire financial year FY2023 I do not see a major impact because of COVID work reducing. I think we will make that up adequately with regular contracts. In fact, our international business has won close to \$2.5 million worth of work even the last quarter.
- Alok Deshpande:** Right so Rituraj overall net-net that topline which is annualized about 5000 Crores for international business I mean going by this quarter's run rate of that roughly 300 Crores is what is that sort of which may taper down and a similar number can come back net-net?
- Rituraj Sinha:** Ballpark you are right absolutely so Alok this is what I have been underlining quite regularly in the last 7-8 quarters we have literally a natural hedge with international operations when Indian operations were struggling in FY2021 with severe lockdowns etc., international business had a surge in revenue they reported a 20% year-on-year growth and that sort of covered ground for our growth story. This year in the coming 12 months we see international business reducing those one-time contracts but then Indian growth is coming back strongly so these are very very complementary businesses and that is what makes the SIS story much more predictable in that sense.
- Alok Deshpande:** Sure absolutely so just one more question from my side this facility management run rate that you mentioned see we are above the pre-COVID levels now so now has the railways part of it come back to also the pre-COVID levels or there is an upside that can come from that bit?
- Rituraj Sinha:** No railways is about operating at close to 65% or for pre-COVID still.
- Alok Deshpande:** Okay so that is there is still room for that to come back right?
- Rituraj Sinha:** There is room for come back in IT sector has room for come back in the railway sector. There is room for come back in several other subsectors so that is what I have been saying that as this COVID thing normalizes what we expect is that our existing customers certain segments that have cut back like education for example, schools have been shut for long periods of time educational establishments IIT, IIMS such educational establishments have also reduced

quantities this will come back strongly as in as and when they normalize and similarly there has been heightened demand from sectors like healthcare, which may see some reduction as things go back to normal right now healthcare manufacturing etc., are on exceptionally high volumes.

Alok Deshpande: I had one more question I do not know if there is a long queue in that case I may go back but I had one more question can I go ahead? I had this question on not directly margin is output of the costs that are going in obviously but with regards to the staff vaccination in terms of the additional costs that are going in terms of hygiene etc, this is something which during the pandemic has led to our margins contracting by about 100 bills or so roughly in facility management also in securities. What I wanted to ask was now as we go forward in time and demand becomes much more normalized the part to normalize margins how will it work is it that these cost will not be there anymore or is it that we will be able to pass this cost much more effectively to the customers.

Rituraj Sinha: No I do not see the cost being passed through to customers that is not a position we have taken from the beginning just for you to have the numbers SIS has taken undertaken probably the largest vaccination drive in any company of our scale and size of operation we have inoculated we have organized more than 450000 doses of COVID vaccine and all transportation everything arrangements that go into that they have been taken care of at company costs similarly close to Rs.9.5 Crores has been paid out as COVID sort of welfare payments because people when they get COVID they cannot work for 10 days, 15 days they need medical attention, they need medicines and as a company we have taken a call to pay the next gratia amount so that is another thing that is ongoing now these things are not something that are intended to be passed on to customers because this is not industry norm our competitors are not doing anything of this sort they are not organizing a vaccination program or a welfare fund so this is not as in when the entire company gets fully vaccinated and we are very close to that we started a booster dose round now but as soon as this is out of the way which is maybe one or two quarters and hopefully COVID not taking up so much time attention and cost we believe that these costs will go out of the books so this is not a possible situation at all.

Alok Deshpande: Understood thanks Rituraj for all the responses and I wish you all the best and your team for this coming quarters.

Moderator: Thank you. The next question is from the line Siddhant Matta from B&K Securities. Please go ahead.

Siddhant Matta: First of all I wanted to talk about days outstanding so we have seen slight margin decrease largely marginally moved up so what is trajectory there wherever we see a strong growth it comes in DHO and FM so how can we buy on that? So we are days outstanding moved up so do you see falling back to 60 to 65 because it is rising to 70-75 and in the fourth quarter last year March, we did around 68 so how do you see that?

- Rituraj Sinha:** Year end target is always that 65 to 70 days that is year-end target and this was time period in Q3 sometimes you have businesses having the issues of the year-end and Christmas holidays sometimes you are able to get the collection, sometimes you are not able to get the collection in fact in India security there were some collections which were delayed they all came out in the fourth week of January as soon as the office opened so this was just like a temporary payment timing issue and nothing to do with any structural issues so in the March quarter typically we tend to target that 65 to 70 day range.
- Siddhant Matta:** Same for the facility management also? That was around 80 to 85 we have seen consistent fall over the period of time so do you expect to fall further?
- Rituraj Sinha:** Well we are focus on getting the cash out from the customers so that focus continues how much it will fall off or whether it stays stable or is difficult to say but definitely we will not allow it to go out of hand out of this service.
- Siddhant Matta:** My last question is as earlier we have talked about facilities management models which will go around 6% in a few times to come after all these expenses and everything one off expenses go away same with India when do you expect the 6% margin mark that you can achieve that?
- Rituraj Sinha:** Like I said we are eagerly waiting for all these exceptional costs related to COVID to go out and also our regular volumes from existing customers to come back. It is very hard to predict when that is going to happen like for example we had no clue that we will have to tackle a third wave and a booster dose so it is very hard for us to forecast whether that is a one quarter issue or a more than one quarter issue but I think I will again draw your attention to the fact that the gross margin in security like FM remains unchanged. The gross margin line is intact it is not as if customers are reducing prices or something so we are therefore confident that we will be able to go back to the pre-COVID level.
- Siddhant Matta:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Rohan an Individual Investor. Please go ahead.
- Rohan:** I just have three questions, first is regarding the margin, second is regarding the market share and third is technology so I just want to know what is SIS doing uniquely compared to its peers in improving these three stuff?
- Rituraj Sinha:** What are the three things my friend you said margins?
- Rohan:** Margins and in terms of technology because technology so these three things first of all?
- Rituraj Sinha:** Okay I think we have adequately answered the margin question, security facility management cash logistics had businesses globally if you look at the peer group other listed companies world over in our segment they are operating ballpark 5.5%-6% EBITDA margin line. We were at

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5.5%-6% pre-COVID we have slipped because of reasons I have explained already and we are very hopeful to go back to 5.5% to 6% margin but this I would like to underline that security FM and cash logistics as on a combined basis are not double-digit EBITD margin businesses so you have to take that into account that this is a ballpark 6% type industry, what is exciting about this industry is that even at a 6% EBITDA margin this industry has capacity to deliver more than 20% return on capital employed and more than 20% return on equity ultimately that is the beauty of the industry and if you see our ROC line for the last four or five years since we got listed. You will see that we have been oscillating around the 20% we would take few percent here and there including the COVID period ROC has been very strong as regards to market share our vision 2025 revolves around two basic themes, one building on market share and two building on solution so as far as market share is concerned we are a believer that the Indian industry will see a fundamental change over the next three to four years as labor reforms get implemented as labor reforms get implemented there will be a more level playing field customers will prefer to operate with larger financially more stable and more compliance oriented service providers and that will change the industry mix today organized players like ourselves have only 35% as addressable market 65% is taken care of by regional players, local players and smaller unorganized players. Over a period of five years I see this mix changing more than half of the market will be addressed by large organized players and that will open up the addressable market size for us so we are very bullish that we have the opportunity to double our market share and security double our market share in FM and double our market share in cash logistics in the next three to four years as regards to technology SIS has been a pioneer in implementing technology both at the back end for our own internal efficiency whether it is implementing oracle or implementing facial recognition based attendance software or IOPs for operation management, mobile based training platforms where people can self learn we have done a whole lot of work around technology at the back end similarly we are doing a whole lot of technology related work on the customer end you will be very pleased to know that our latest business we protect which is an alarm monitoring company it does not provide security guards it provides alarms and does monitoring of customer sites remotely using CCTV footage that business has crossed 5000 connections this quarter which is a great signal and we are working more and more to build new technology based products in our FM business like energy management like one SIS solutions and in our cash business with other such services so we are looking very aggressively to enhance our service offering and use more and more technology my friend. I hope that is the longest answer but I hope I have addressed some of your concerns.

Rohan:

Yes you have addressed all the concerns thank you for that because I also think that many we use technology we can exponentially grow the business compared to because I know we think on any company we think that it is a capital intensive business and whenever you need to grow there will be a physical growth like there are people involved in that so that is why I think that when we use technology I guess there will be a huge growth and that will be an exponential group so that is why I ask it so thank you for your long answer. Thank you Sir.

- Moderator:** Thank you. The next question is from the line of Ashwini Agarwal from Ashmore. Please go ahead.
- Ashwini Agarwal:** Great set of numbers as for the December quarter side one question in the last two years you have been kind of talking about improvement in market share through inorganic maybe as an opportunity looking at the environment where a lot of the small price players were struggling to get through the tough times constrained cash flows and so on and so forth but we did not really do anything so is it because now you feel more confident that organic growth is a better way a better quality growth part or is the were the pricey expectations from potential candidates were completely haywire I was just curious to understand what happened?
- Rituraj Sinha:** Well thanks for that Ashwini I think SIS has always been an organic led growth story we have always believed that is the best way to create value and maintain our return profile that we want to maintain 20% plus. We have acquired companies in the past we continue to look at opportunities but in the last two years we have been preoccupied in settling the transactions that were half closed like last this quarter for example if you see we have closed the P4G New Zealand transaction we acquired the remaining shareholding there and that is a beautiful story where we bought a very small \$8 million business and today it is almost run rating close to \$25-\$30 million over a cycle of three years so the return profile on that business is absolutely fantastic it is a 20% plus IRR for us so we will look at doing acquisitions. Our acquisitions predominantly will be India focused but we will also be looking at transactions which are very value attractive for us and we will have to wait for the expectations to settle down there have been several IPOS in our sector off late Ashwini and several other IPOs are being lined up so obviously at this point in time people who can IPO are looking at completely different level of multiples which we believe are unviable for us to even contemplate and I am sure that in near term there will be a period of time where people who have attempted to IPO and they cannot IPO they will definitely be on the block and that is when we hope to make a move.
- Ashwini Agarwal:** Okay great thanks for that the other thing is that one of the drivers for your topline especially in the security businesses how the minimum wage regulation moves in different states, could you provide some update as to what has happening there, there is a huge amount of I would say economic distress on the lower leg of this k-shaped recovery and unfortunately the urban bottom of the pyramid workers and rural India has seen a brunt of that in that context I was a little surprised that the government provides for more support by way of consumption but is wage an area I wonder if the government's looking at it or state government thinking about it and what are you hearing?
- Rituraj Sinha:** Well I am glad you asked that question because when we say 20% plus growth Ashwini that 20% growth generally is broken down into three components roughly 7%-8% roundabout came from minimum wage inflation and the remainder 12% came from existing customer new business and new customer acquisition now in the last two years what we witnessed is that the minimum wage escalation has completely stalled that minimal wage collection that came through for the central

minimum wage was very 1.5% as against 8% to 10% so that is has been a problem while we have acquired customers to make up as much as we believe that the minimum wage inflation is a key element of our growth story and it has been for the last many many years and that is not just unique to us that is an industry-wide global phenomena but looking at it from a different perspective Ashwini I see also that there is a massive catch up that is building government has not really done anything much for the minimum wage paid workers in the last year and a half two years because of the state of the economy but today as the economy is looking at 9% growth this year and 8.5% growth next year sooner than later I guess there will be significant pressure to do something major on the minimum wage side and I guess that that is going to be a mega opportunity for SIS.

Ashwini Agarwal: The ignorance on this is that kind of centrally mandated or is centrally advised and then each state passes its own law how does it work?

Rituraj Sinha: Well the way it works is that so far the way it has worked is that the central government generally does central minimum wage related height and the state governments do their own hikes but they all sort of lean on each other's percentage of height given right so if it is subdued then it is going to be subdued across the country, central and state so I guess there will be catch hopefully soon enough in that direction and if the labor reforms wage code gets implemented sooner I think the act is there since last year and a half they are yet to announce the implementation schedule but if and when that gets implemented Ashwini that is also talking about a national floor minimum wage which basically provides a framework for connecting the central wage and the state wages like a floor wage for the whole country so as and when that floor wage comes that could be another booster but I see these two things as different even if the floor wage does not come or it comes at a lower level the minimum wage catch-up has to come so I am banking more on the minimum wage catch-up that has not happened across India for the last year and a half two years and then the national floor which could be a sort of a booster on top of that.

Ashwini Agarwal: And what is the reason I am sure you have been in touch with various government ministries that take these decisions what is their kind of explanation they just want to put burden on industry in a tough time?

Rituraj Sinha: Absolutely I think the government's clearly trying to do more reducing taxes incentivizing production, they do not want to do anything to upset the apple cart in terms of additional cost one of the things that labor reforms entails is higher cost to employer right and therefore I think the government is a little wary of bringing that out unless the general sentiment in the economy is favorable and amenable to that idea in fact we completely believe Ashwini that it should only happen even if it happened two quarters late it should only happen when the industry sentiment is favorable because we do not want to get into fist fight with our customers to pass it through industry uptake has to be high so that the pass-through is automatic.

- Ashwini Agarwal:** That is right and finally congratulations on the wonderful recognition from the prime minister's office and all the best.
- Moderator:** Thank you. The next question is from the line of Shalabh Agarwal from Snowball Capital. Please go ahead.
- Shalabh Agarwal:** Good afternoon and Sir thank you for taking my question so the first question is I wanted to check about this segment of residential apartment security is that a big business for us or are we really looking at it and how are we making in-rooms into this business because this is a strong hold of players like JLS of the world?
- Rituraj Sinha:** Well residential welfare association or residential security is not a primary focus market for SIS per se and the reason for that is basically because it is more addressed by the lower cost operators however we do certain high-end societies which are generally managed directly where the impetus is not just on the lowest cost provider but also on the quality of service so in Gurgaon you would have some Auralias and Magnolias and top-end residential accommodation like that or in Bangalore you have certain facilities but barring that we are not either very big or very super bullish on the RWA segment.
- Shalabh Agarwal:** Okay so in these high-end societies is it like provided directly by us or we get it we work with JLS of the world to get the contract because they typically get the contract and they would outsource?
- Rituraj Sinha:** In certain instances they may be direct contracts but in most instances it is basically the customer going through a JLL or a CBRE or colliers but mandating that their security provider will be SIS or their facility management must be done by DTSS.
- Shalabh Agarwal:** Okay so this is not a segment which one SIS is targeting?
- Rituraj Sinha:** One SIS is primarily as of right now targeting manufacturing, healthcare and commercial establishments like an I.T park or a mall or something like that.
- Shalabh Agarwal:** Okay and Sir just to touch upon one SIS can you also let us know what where we are on our journey and how big is that component in our overall scheme of things?
- Rituraj Sinha:** Well one SIS is very recent as a development it was an idea that we were cultivating as a part of our vision 2025. It is still fairly small we barely have five-seven people team that started it now it is gaining momentum we are winning more contracts, we are partnering with some of the large commercial real estate owners, they love the idea that unlike a large IPC property managers we are not going to take the contract and then outsource everything we are talking about self delivery we are also adding a technology component energy management dashboards for customers to see service fulfillment so I think that there is a lot of exciting things on one SIS and it is one of our

big funds in our vision 2025 plan but for it to really take material site I guess is at least a year or two away.

Shalabh Agarwal: Thank you.

Moderator: Thank you. Ladies and gentlemen this was the last question for today I would now like to hand the conference over to the management for closing comments.

Rituraj Sinha: Thank you very much everybody for participating and also asking all your questions I hope we have been able to address them satisfactorily this third quarter has been a remarkable quarter for SIS it signals a strong growth coming back looking at the order pipeline Q4 again looks like an interesting quarter for all four segments security in India and international facility management and cash logistics. We are also very encouraged by the budget we believe that India's commitment to spend 5 lakh Crores last year and 7.5 lakh Crores in the current year towards infrastructure creation is a massive opportunity creation for us because whether it is building a metro or a healthcare establishment or educational establishment or a railway platform everything any kind of infrastructure any kind of square footage that is added is going to need CCTV cameras, security staff and hygiene and sanitation staff so effectively we see this as addressable market expansion and it is really wonderful and encouraging news for us. I also believe that certain developments in the market although very well for SIS particularly the listing of certain competitors in the cash logistics space even as SIS is the second largest cash logistics company in the country our cash logistics business has honestly not received true recognition or value because it happens to be the smallest amongst the four segments that we operate but with other cash companies getting listed we are very hopeful that the market will take note of our cash business that is not just continuing to grow it is also run rating of Rs.500 Crores ballpark revenue and a 12%-13% EBITDA margin so on a standalone basis just the cash business is worth significant value which is currently not fully captured in the SIS story so we are very encouraged by the macro environment and also the stock environment and the order pipeline and we hope to close this financial year FY2022 despite the first quarter April, May, June getting literally wiped out because of second wave of COVID and Q4 again January, February seem to have significant COVID third wave impact despite four or five months of disruption in this FY2022, we are very hopeful to close near to 10%, near to double digit revenue growth and I think that is a testimony to the power of essential services and the platform that SIS has created as a unique off platform which is not just a market leader in security but also a market leader in facility management and cash logistics segments so thank you very much once again for your patience and I look forward to speaking to you sometime in the near future. Please take care. Thank you bye-bye.

Moderator: Thank you. On behalf of SIS Limited that concludes this conference call. Thank you all for joining us. You may now disconnect your lines.