Security and Intelligence Services (India) Ltd

Issue Snapshot:

Issue Open: July 31 - August 02 2017

Price Band: Rs. 805 – 815

*Issue Size: 9,565,404 Equity Shares (including Fresh issue of 4,444,785 Equity Shares + Offer for sale 5,120,619 equity shares)

Offer Size: Rs. 770-780 crs

QIB	atleast	75% eq sh
Retail	upto	10% eq sh
Non Institutional	upto	15% eq sh

Face Value: Rs 10

Book value: Rs 79.05 (March 31, 2017)

Bid size: - 18 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity: Rs. 68.71 cr

Post issue Equity: Rs. 73.16 cr

Listing: BSE & NSE

Global Co-ordinator and Book Running Lead Manager: Axis Capital Limited, ICICI Securities Limited, IIFL Holdings Limited, Kotak Mahindra Capital Company Limited

Book Running Lead Manager: SBI Capital Markets Ltd, Yes Securities (India) Limited, IDBI Capital Markets & Securities Limited.

Registrar to issue: Link Intime India Pvt Ltd

Shareholding Pattern

Shareholding Pattern	Pre issue %	*Post issue %
Promoters & Promoter Group	76.90	70.44
Public (incl institutions & employees)	23.10	29.56
Total	**100.0**	**100.0**

* Assuming issue subscribed at the upper band

Source for this note: RHP

Background & Operations:

Security and Intelligence Services (India) Ltd is a leading provider of private security and facility management services in India. Its portfolio of services includes:

Private security services, comprising of:-

Security services: SIS provides a comprehensive range of security services ranging from providing trained security personnel for general guarding to specialized security roles in India and Australia. In Australia, it also provides paramedic and allied health, mobile patrol and fire rescue services;

Cash logistics services: SIS are the second largest cash logistics service provider in India, in terms of market share by revenue, number of employees, ATMs served and cash vans utilized, as of March 31, 2015, according to Frost & Sullivan. Its cash logistics business in India includes services such as cash in transit including transportation of bank notes and other valuables, doorstep banking as well as cash processing, ATM related services including ATM replenishment, first line maintenance and safekeeping, and vault related services for bullion and cash; and

Electronic security services and home alarm monitoring and response services: In India, SIS provide electronic security services, including integrated and turnkey electronic security and surveillance solutions combining electronic security with trained manpower and has recently entered into a joint venture in order to provide home alarm monitoring and response services;

Facility management services:

SIS's facility management services in India include cleaning, janitorial services, disaster restoration and clean-up of damage, as well as facility operation and management such as deployment of receptionists, lift operators, electricians and plumbers, and also pest and termite control.

It has developed its portfolio of services in order to cater to the needs of diverse consumer segments, including, business entities, Government organizations and households, and to leverage the growth and potential of such customer segments in India.

SIS has entered into strategic relationships in India with several multinational companies. Its strategic relationships with reputed industry participants enable it to offer a one-stop-shop for the portfolio of private security and facility management services, benefit from know-how, technology, staff and market reputation of its partners, leverage its existing infrastructure, branch network and customers, and share risk and costs associated with starting new businesses, including by lowering its capital expenditure. As of April 30, 2017, SIS has a widespread branch network consisting of 251 branches in 124 cities and towns in India, which cover 630 districts. SIS employed 148,678 personnel in India and rendered security and facility management services at 11,869 customer premises across India. In Australia, it operates in each of the eight states and employed 5,754 personnel servicing 245 customers, as of April 30, 2017. Its widespread branch network enables it to service a large number of customer premises and render customized services across India and Australia.

Objects of Issue:

The Offer consists of the Fresh Issue and the Offer for Sale. SIS will not receive any proceeds from the Offer for Sale. The objects of the Net Proceeds of the Fresh Issue are:

- Repayment and pre-payment of a portion of certain outstanding indebtedness availed by the Company (Rs.2000 mn);
- Funding working capital requirements of the Company (Rs.600 mn)
- General corporate purposes.

Competitive Strengths:

Diverse portfolio of private security and facility management services: SIS's diverse portfolio of services comprises of security services, cash logistics services and electronic security and home alarm monitoring and response, as well as facility management services. Its security services range from providing trained security personnel for general guarding to specialized security roles in India and Australia. In Australia, it also provides paramedic and allied health, mobile patrol and fire rescue services. Its cash logistics business includes services such as cash in transit including transportation of bank notes and other valuables, doorstep banking as well as cash processing, ATM related services including ATM replenishment and first line maintenance and safekeeping, and vault related services for bullion and cash. SIS's extensive portfolio of services enables it to grow customer relationships and scope of engagements and serve as a single point of contact for multiple services, driving high customer retention. Its multiple service offerings allow it to derive operational efficiencies, by centralizing and sharing certain key functions such as finance and sales and also certain other administrative functions. Given its operational experience SIS has developed in-house expertise to handle all stages of deployment and management of private security and facility management services and cater to the varying requirements of its customers, which has enabled it to grow market share and instill its customers with confidence in its ability to address their diverse and dynamic business needs.

Leader in providing security services in India and Australia: SIS is the second largest security services provider in India, in terms of revenue as of March 31, 2016, and the fastest growing security services provider in India, based on revenues for Fiscal Years 2010 to 2014. Freedonia ranks its wholly-owned Subsidiary, MSS, as the largest security services provider in Australia, jointly with a competitor, in terms of revenues, as of March 31, 2015. It entered this business in Australia by acquiring Chubb Security's security services business in August 2008. Between Fiscal Years 2013 and 2017, its revenue from operations from security services business in Australia grew at a CAGR of 7.7% in Australian Dollar terms. On June 9, 2017, it signed definitive agreements to increase voting rights in Southern Cross Protection Pty Ltd ("SXP") from 10.0% to 51.0%, with effect from July 1, 2017. Its long-standing presence in India and Australia has helped it to gain an understanding of the respective markets, which has contributed towards the success of its operations. Its brands are well-recognized for providing quality security services in India and Australia and its strong brand positioning and strategic focus on such business has contributed to sustained increase in its business over the years.

Second largest cash logistics service provider in India: SIS is the second largest cash logistics service provider in India, as of March 31, 2015, in terms of market share by revenue, number of employees, ATMs served and cash vans utilized, according to Frost & Sullivan. For its cash logistics business, it has entered into a joint venture with an affiliate of Prosegur, a global player in cash management services. It further increased its market share through the acquisition of specified business contracts, vendor contracts, licensed properties, employees and related assets from Scientific Security, in December 2016. Its customers for cash logistics services range from banks, retailers, restaurants and jewelers to metro stations and toll collection plazas. It has established a nation-wide network in India, comprising of 80 branches, including shared branches, 2,748 cash routes, served by 2,518 cash vans as well as two wheeler vehicles and 59 vaults and strong rooms, as of April 30, 2017, and has set up a secure cash processing unit at New Delhi, to service its customers' needs.

Leading position in facility management services in India: In March 2008, SIS entered into an exclusive license agreement with ServiceMaster for the 'ServiceMaster Clean' brand, and associated proprietary processes, operating materials and knowhow in order to develop its facility management business in India. It has also entered into a joint venture with Terminix, a multinational provider of termite and pest control services. Factors such as its diverse range of services, customer base comprising business entities, Government organizations and households and ranging from malls and retail centers, hotels and hospitals to government offices and airports, and strength of the established brands it use, enable SIS to further strengthen its leading position.

Widespread and integrated branch network in India*:* As of Apri 30, 2017, SIS had 251 branches in 124 cities and towns in India, which cover 630 districts, and rendered security and facility management services at 11,869 customer premises, giving it a nation-wide presence and reducing its dependence on any one particular region. Locating SIS's branches in proximity to its customer premises is a significant factor for success in its business and widespread branch network results in greater focus on, and attention to its customers as well as higher quality and customized service delivery. At the same time, SIS's nation-wide presence enables it to offer services to customers who prefer a single service provider for their operations at multiple locations. Simultaneously with the expansion of its branch network, SIS has made investments in information technology to improve connectivity across its branches and operations and provide for data-based decision-making. Knowledge sharing across its branches and business segments enables sales lead generation and development of location specific know-how for particular geographical areas. Further, through its extensive branch infrastructure, SIS has developed economies of scale, which allow it to provide efficient and cost-effective solutions to its customers.

Diverse customer base*:* SIS provides its private security and facility management services to several customer segments such as business entities, Government organizations and households. These customer segments range across a variety of industries and sectors, which include banking and financial services, IT/ ITeS and telecom, automobile, steel and heavy industries, governmental undertakings, hospitality and real estate, utilities, educational institutions, healthcare, consumer goods, engineering and construction, which reduces its vulnerabilities to economic cycles and dependence on any particular set of customers. Its ability to offer customized private security and facility management services to fit the needs of its customers across various business segments allows it to deepen its relationships with its customers and enables it to target a greater share of their requirements. It has been able to retain existing customers and attract new customers because of its brand, strong market position and delivery of quality services.

Established systems and processes leading to a scalable business model: SIS has implemented standardized recruitment, training, deployment, operations and services related quality measurement and business analysis systems and processes that enable it to develop a scalable business model, with quality service delivery. It has standardized the recruitment criteria for its personnel in order to maintain high quality and consistency in the services and experience it provides to its customers. Further, it use data such as sales revenue, operating margins, cash flows and new sales, collected for each branch, to generate a balance score card for each branch, which is used to assess the performance of its branches and branch managers. SIS has also instituted a 'seven finger model' management tool which focuses on identified drivers to achieve business and operational targets. It focus on four key result drivers, i.e., developing new sales in a consistent and sustainable manner, operational management resulting in quality service delivery, manpower management driving high employee quality and retention and efficient receivables collection minimizing bad debt, in order to develop three key performance measures i.e. sales revenues, total costs and profit margin. SIS's technology based operational and reporting systems and management processes has helped it in becoming a professionally managed business with a scalable business model.

Experienced management and operational team: SIS's Promoters, Ravindra Kishore Sinha and Rituraj Kishore Sinha, has over three decades and one decade of experience, respectively, in operating its business. In addition, it is led by a well- qualified and experienced management team, which has demonstrated its ability to manage and grow its operations organically and also acquire and integrate businesses. The knowledge and experience of its managers in private security and facility management services provides it with a significant competitive advantage as it seeks to grow its business. Given SIS's extensive presence and operations across India and across different business segments, it has developed a second line of operational managers with significant managerial experience. Each of its businesses has separate management teams, each led by their respective chief executive officer or president and experienced operational and functional managers who are responsible for the management of the daily operations of these businesses.

Business Strategy:

Grow businesses across customer segments: SIS is well placed to capitalize on the expected growth in the private security and facility management services industry due to its early mover advantage and strong brand presence. The Indian economy is expected to become the fifth largest economy by 2020, resulting in growth across end user and customer segments in India and the security services market in India is likely to grow at the rate of 20.00% between Fiscal Years 2015 and 2020. It intends to grow its businesses, leveraging on the growth of private sector business entities due to investments in infrastructure, manufacturing and services, growth in demand of its services from Government organizations and from households due to an increase in the disposable income available with the Indian middle class. The electronic security market is estimated to grow at a CAGR of 26.60% between Fiscal Years 2016 and 2020. SIS intends to grow its sales of electronic security and home alarm monitoring and response and facility management services to households and the residential sector, focusing on alarms, consulting, investigation, surveillance and data analytics as well as housekeeping, cleaning and pest control.

Use and upgrade technology to improve productivity and customer satisfaction*:* SIS intends to continue to use and upgrade its existing technological systems to strengthen its personnel training, deployment, sales and marketing, operational and management initiatives and derive greater operational efficiencies. It intends to supplement its existing ERP reporting systems with easy to use mobile technology. It is also integrating various operational and financial systems in its businesses to enhance the efficiency of its operations and to ensure that key performance indicators are easily tracked. SIS anticipate that these initiatives would increase productivity, including through an increase in the number of security and facility management personnel it can deploy and manage from each of its branches, a reduction in cost per personnel deployed, as well as improve service experience for its customers. It intends to further develop and implement technological and customer oriented initiatives in order to diversify its service offerings and exploit future growth opportunities. In the private security services industry, it anticipate an increasing role for technology led solutions and have developed a blend of physical and technology based services i.e. its 'Man-Tech' solutions.

Leverage existing branch infrastructure to achieve operational synergies*:* SIS intends to leverage its existing branch network in India to further grow its cash logistics and facility management services and to deepen its presence by increasing service offerings at its individual branches. Further, it intends to reduce operating costs by enabling resource sharing and cross-utilization of its sales team and support services such as IT, accounts, tax and legal. SIS also intends to leverage its existing branches to grow its service offerings to customers who have operations at multiple locations across India. Further, it intends to continue expanding its branch network to drive greater and deeper penetration in the territories and markets in which it operates, including historically underserved regions such as Northeast India, as well as micro-markets in major cities in India, such as New Delhi.

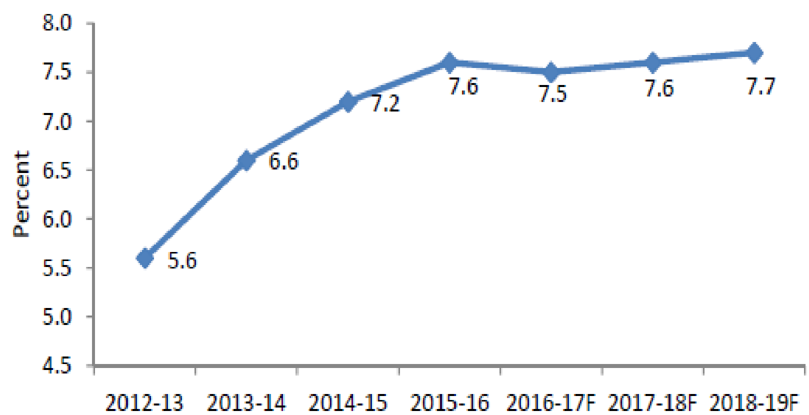
Inorganic growth through strategic acquisitions*:* While continuing to maintain organic growth momentum, SIS intends to explore inorganic expansion as well leveraging on the experience it has gained through its previous acquisitions Leveraging on this consolidation, it intends to evaluate growth opportunities to inorganically grow its cash logistics operations, including by acquisition of cash accretive contracts from its competitors, similar to the acquisition of specified business contracts, vendor contracts, licensed properties, employees and related assets from Scientific Security in December 2016. SIS will also continue to consider opportunities for inorganic growth in India and the Asia Pacific region, particularly to:

- consolidate market position in existing business lines;
- achieve operating leverage in key markets by unlocking potential efficiency and synergy benefits;
- strengthen and expand service portfolio;
- enhance depth of experience, knowledge-base and know-how; and
- increase branch network, customers and geographical reach.

Industry:

Overview of the Indian Economy

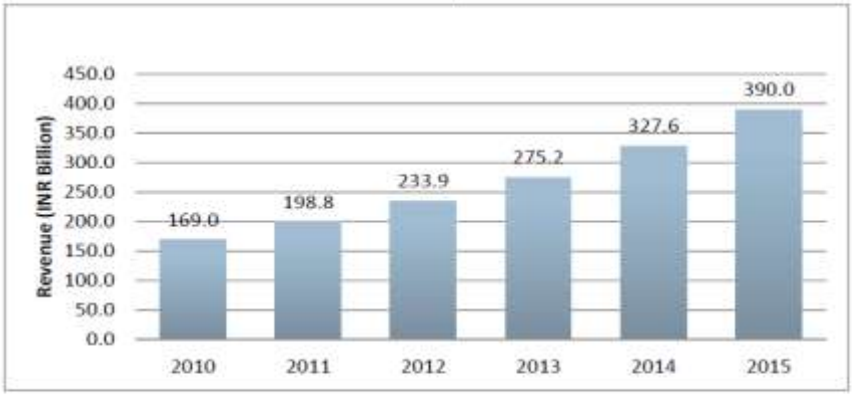
The Indian economy has been on a steady expansionary path for the last few years, with the country's gross domestic product ("GDP") growing at 7.60% in Fiscal Year 2016, up from 5.60 % in Fiscal Year 2013. India is expected to remain the fastest growing major economy and become the fifth largest economy in the world by Fiscal Year 2020.



Strong economic fundamentals, a narrow current account deficit, development in the manufacturing sector and steady private consumption have allowed India to become one of the fastest growing economies in the world. This growth is likely to be supported by the ease in inflationary pressures as a result of the recent fall in global commodity pricing, supply-side reforms and astute food management by the government. The economic climate in India has further been characterized by increased public sector spending that has increased at a compound annual growth rate ("**CAGR**") of 8.30% during the period between Fiscal Year 2012 to Fiscal Year 2016.

Security Services in India

The security services market in India is witnessing high growth due to an improved economic environment, increasing concerns about crime, terrorism, inadequate public safety measures and urbanization. The urban population is growing and is estimated to reach 590 million in Fiscal Year 2030. Due to this mass migration of people from semi-urban and rural areas to cities, up to 75% of India's GDP will be attributed to the contribution of urban areas by Fiscal Year 2021. Due to urbanization, there is greater emphasis on building sustainable infrastructure and incorporating efficient mechanisms for service delivery to citizens. Safety and security has played and will continue to play a key role in urban design and planning. The market for security services in India was Rs.169 billion in Fiscal Year 2010 and grew at the rate of about 18.20% CAGR to reach Rs.390 billion in Fiscal Year 2015. The graph below displays historic growth of the security services market in India between Fiscal Years 2010 and 2015:



Source: Frost & Sullivan Analysis

Industry Operations

Leading market participants in security services have a presence across India while simultaneously providing services at local levels. Branches that manage operational delivery also serve as recruitment and training centers. In most cases, regional offices are the decision-making authorities. In some cases, however, leading companies have centralized contracts with large customers to provide guards across locations. Such contracts, while better for administrative control and cost-optimization, are not common due to the customers' preference to have control over the contracts. The security services industry usually works on a credit period of 60 to 90 days from date of completion of services. Many of the smaller operators pay wages only when they receive payments from the customers while most of the larger national players pay wages on a monthly basis. Therefore, the security company has to organize substantial bank loans or funds to meet monthly wage payments and service tax compliance. In addition, security services is a low margin, high volume business. All of these reasons make the security services industry a working capital intensive business. This operating model is not expected to undergo any evolution in the next few years.

The primary costs for companies include manpower-related expenses including salaries, Employees' Provident Fund ("**PF**") and insurance. For the organized sector, pricing for security services is largely dependent on the minimum wages prescribed in each state. Organized companies adhere strictly to the norms related to PF and Employees' State Insurance Act ("**ESI**") and these norms are directly linked to minimum wage payment obligations. According to Frost & Sullivan's discussions with organized security service providers, pricing has increased at an average rate of 8.00% to 10.00% over the last five years. However, lately, there has been a significant increase in the wages by up to 50% in a few big cities including Bengaluru due to the higher cost of living, benefits to retain guards and cost of compliance with human resources and labour statutes. Since unorganized companies do not comply strictly with labour laws, their pricing is more market driven and is low. A more stringent enforcement of labour laws and the increasing cost of compliance will put pressure on the unorganized service providers and work in favor of organized companies. The industry faces high attrition rates, but that does not mean the guards are exiting the industry. When a large contract is lost or expired, the guards already employed in that establishment will be absorbed into the payrolls of the company that wins or takes over the contract. This is a common business practice in the Indian security services market.

End User Segments

Increased maturity of end users has however resulted in significant market penetration of security services. Until recently, security services were largely perceived to be in the area of business to business ("**B2B**") services and were adopted in private establishments. Now, security services are increasingly being offered to consumers and residential ("**B2C**"), and to government ("**B2G**") services as well.

The chart below displays end-user classification for the security services market in India:

Type of Customer Segment	End-users Included
B2B	Private commercial office, private educations institutions, Hotels, Hospitals, IT&ITES, BFSI etc.
B2G	Government offices, Research and Educational Institutes (CLRI, CPRI, IITs, IIMs etc), Housing Colonies for Government Staff, Aviation, Metros etc.
B2C	Bunglows, Row Houses, Condominiums, Large apartment complexes

Source: Frost & Sullivan Analysis

The primary end-user segments for security services are the IT and ITES sectors, industrial, banking, financial services and insurance sectors. Together, these segments constitute approximately 80.00% of the total business of organized companies and have adopted global best practices in terms of security services, with high quality control for deployed guards. Organized industry participants cater to these segments chiefly due to their clear emphasis on compliance. Sensitive infrastructure assets such as airports and metro stations are increasingly employing private security guards at their premises to mitigate the shortage of government security forces. Delhi, Mumbai, Cochin, Hyderabad, Bangalore, and Nagpur airports all have their own private security forces.

Retail and residential sectors (apartment complexes, high-rise residential units, communities, among others) are also important end-user segments for the security services market. Both organized companies and unorganized companies participate in this sector. However, the unorganized sector tends to gain a competitive advantage because of cost-sensitiveness of customer, location and the nature of services demanded. Similarly, small manufacturing units utilize unorganized service providers due to remoteness of factories and warehouses and the scope for non-adherence to statutory norms. The commercial sector is expected to continue driving the growth for the security services market. A rise in mid and high-level incomes will help boost the retail and residential space in the country. Similarly, the 'Make in India' initiative of the Indian government, aimed at increasing the manufacturing sector's contribution to 25% of the Indian GDP by 2020, is expected to boost the manufacturing industry. This initiative is expected to prop up industrial infrastructure such as industrial parks, national investment and manufacturing zones, sector specific clusters, and industrial and economic corridors leading to increased need for security.

Key Demand Drivers

Increasing economic activity and GDP growth leading to need for improved security

The security services market in India is dependent on the growing segments of manufacturing and services. Manufacturing and services sector contribution to the Indian GDP grew at a CAGR of 8.50% and 15.40% respectively, between Fiscal Years 2012 and 2015. With increased economic activity, business establishments are increasing their budgets for safety and security. Contribution of security services to India's GDP has consistently increased indicating that the security services market is outpacing the growth of GDP. Positive outlook for GDP is expected to drive the growth of demand for security services.

Growth in Wages

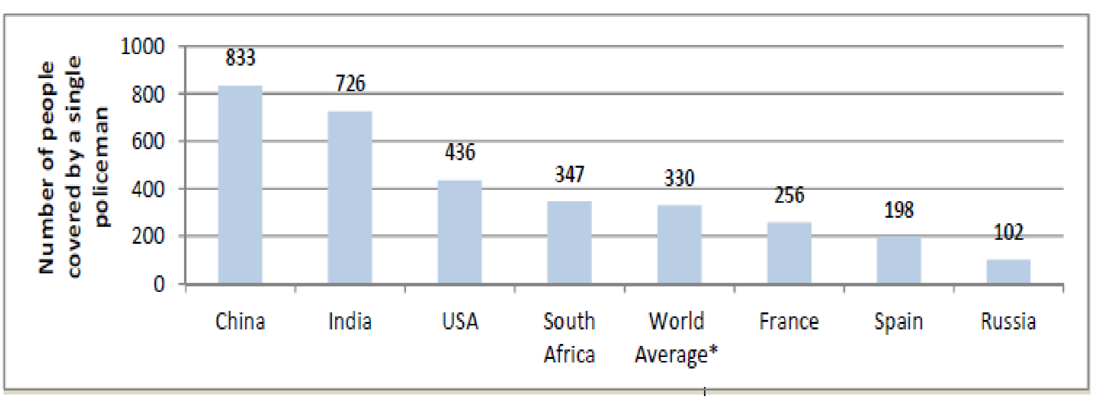
Annual increase in wages of security guards is a key driver in the growth of the security services industry. The government of India stipulated minimum daily wages grew at a CAGR of 11.90% during the period between Fiscal Years 2007 to 2016. This hike in minimum wages alone provides around 8% growth for the market. Industry participants are of the opinion that that prices are growing by 8%-10%, which is almost in line with the growth in minimum wages. Coupled with the year-on-year wage increase, the overall cost of compliance with PSARA and cost of training needs are expected to go up that will impact the billing rate for security services. The introduction of PSARA brought all private security agencies under government control. The central government drafted the law and state governments were responsible for its implementation and enforcement. PSARA was a key driver favoring organized participants by mandating agencies to undergo certain mandatory training to impart professionalism in the market.

Increased threat from anti-social elements and terrorist outfits

The growing status of India in global politics has also resulted in increased threats from anti-social elements and terrorist outfits. In the last decade, the country has witnessed several security breaches. Such threats have influenced the demand for private security agencies to fill the security gaps in both private and government establishments.

Societal perception on threats and awareness on security

India has the world's lowest police to population ratio. There is an opportunity for private security services to supplement the efforts of government forces like police and central industrial security force (CISF). The total police strength in India is about 1.72 million for a population of 1.25 billion. This translates to a ratio of 1 policeman for every 726 people. The ratio is far lower than the government sanctioned ratio of 1 officer for every 547 Indians as well as the United Nation's recommended strength ratio of 1 police officer for every 450 people, as demonstrated below:



Asset Creation – Real estate growth

The demand for office space in India was 26.00 million sq. ft. in Fiscal Year 2015 and is expected to reach 28 million sq. ft. in 2016 in eight major cities (Chennai, Hyderabad, Mumbai, Kolkata, NCR, Bengaluru, Pune, and Ahmedabad) mainly due to demand from IT/ITeS, BFSI, e-Commerce, telecom, healthcare companies, and startups. The demand for office space in the eight major cities is expected to grow at a CAGR of 11.10% by Fiscal Year 2020.

Asset Creation – Infrastructure growth

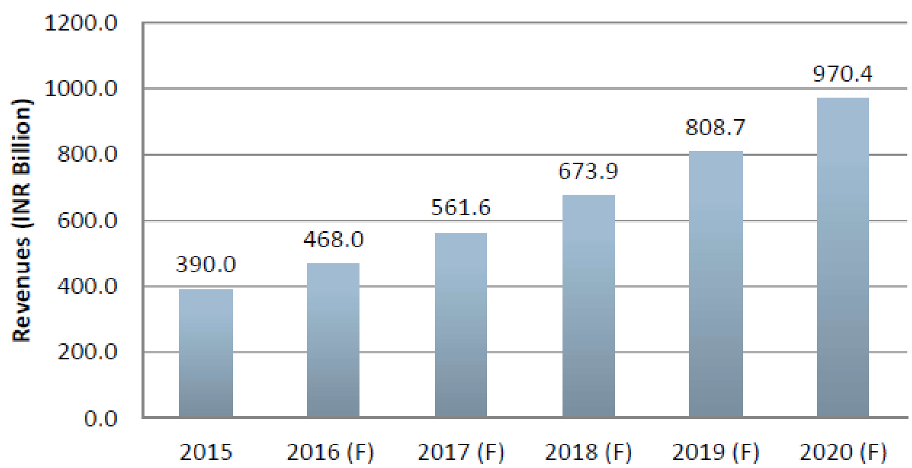
With the government going ahead with its initiative of developing 100 smart cities, the demand for security services could witness significant growth. India's smart cities could be the nodes of the industrial corridors such as Delhi-Mumbai Industrial Corridor, the Chennai-Bangalore Industrial Corridor and the Bangalore-Mumbai Economic Corridor

Premiumization and hybrid solutions

The need to protect assets being built in India using high-tech surveillance and intrusion detection devices supplemented by competent security services is a required security solution in India. The advent of electronic security systems is not detrimental to the growth of security services. This is a premiumization of offerings for organized market participants to capitalize on the technological innovations in security applications as end users are recognizing the benefits of incorporating an efficient video surveillance system manned by competent guards who can properly operate and monitor technological systems like fire detection, and suppression systems, video surveillance, perimeter intrusion detection, and access control.

Industry Growth Forecast

The security services market in India is likely to grow at the rate of 20.00% between Fiscal Years 2015 and 2020 and achieve market revenues round Rs.970,400 million, as follows:



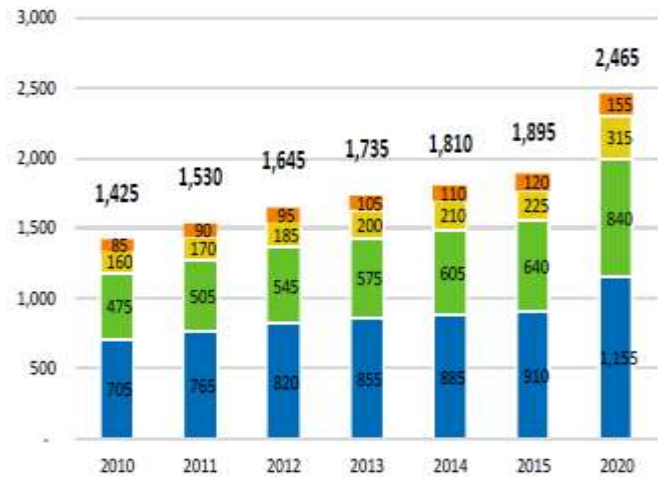
Tier II and Tier III cities are likely to see fast tracked growth for these services because of increased economic activity in those regions. Increasing importance to statutory compliance has a significant impact on the growth forecast of the overall growth expected. As more and more companies fall under the regulatory ambit and comply with employee norms, the market is expected to become more organized. Increasing penetration of security services in B2C and B2G segments will further help in accelerating growth in market revenues as new customers would be added. Initiatives such as smart cities will increase the emphasis on safety and security.

Security Services Industry in Australia

Market Size and Historical Growth.

Security services are defined as guarding and associated security services, such as static guarding, mobile patrols, alarm response, event management, aviation/maritime screening, concierge services, loss prevention and VIP protection.

The following chart displays the growth in Australian security services between Fiscal Years 2010 and 2015 and the forecasted growth between Fiscal Years 2015 and 2020 as well as key end-user segments *(in USD millions)*:



CAGR	15/10	20/15
Total	5.8%	5.4%
Commercial & Industrial	5.2%	4.9%
Government & Institutional	6.0%	5.6%
Aviation	7.4%	6.8%
Other	6.6%	5.2%

Source: Freedonia Custom Research

End User Segments

Commercial and Industrial. The largest market for security services in Australia were the commercial and industrial sectors, including mining, retail, office, financial institutions and other commercial buildings that accounted for 48.00% of security services revenue in Fiscal Year 2015. Growth in the commercial sector was driven by moderate growth rates (about 2.00% per year on average) in office, retail and other commercial space, as well as the trend of outsourcing non-core operations such as security in order to gain more highly trained guards who can manage new security technology. The industrial segment was bolstered by rapid growth in the mining segment from 2010 to 2012, as global demand for commodities spurred rapid increases in production. Recent weakness in global commodity prices has caused a rapid drop off in production, hurting demand for security services.

Government and Industrial. The government and institutional sector (including primary and secondary schools; higher education; hospitals; state, local and federal governments; and defense accounts) represented 34% of the Australian security services market in Fiscal Year 2015. Demand was segmented as follows in Fiscal Year 2015: government (USD 375 million), defense and related (USD 150 million) and institutional (USD 115 million). In March 2015, the Australian government announced plans to boost security spending (for guards and cameras) by USD 13.50 million over three years at 54 schools around Australia, half of which have a Jewish or Islamic religious affiliation. Although this value reflects only a 0.50% increase to the institutional market sector, it does indicate future increased funding for security in institutional establishments. Hospitals warn that rising assault statistics, due to growing drug abuse in Australia, necessitate the addition of guards, but there are no indications yet that funding will increase to help satisfy the need.

Aviation. The aviation segment, representing 12.00% of the market, experienced the strongest (but slowing) growth over past five years, following the growth trends of air traffic and passenger movements as well as increased demand for guards at airport terminals.

Key Demand Drivers in Australia and Industry Growth Forecasts

A mandatory increase in the minimum wage, which averaged 2.90% per year, was the most significant driver of revenue growth for security services. The health of the overall economy is a significant driver of demand for security services according to security service providers. The Australian GDP grew 2.70% annually over the past five years, a rate projected till Fiscal Year 2020. Security threats from terrorist groups (especially after the 2014 Sydney hostage crisis) have heightened demand for security services, especially for high-risk groups such as schools, religious and government establishments, and law enforcement. Tourism was frequently cited by primary respondents as an important driver of security services. According to Tourism Research Australia, tourism provides a boost to more than 13% of Australia's total businesses, which also require increased security. Furthermore, safety and security has emerged as the leading factor in tourists' destination decisions, so security service suppliers can expect a bump in demand for places like hotels, accommodations and event venues. Although growth due to this factor is notable, it is less significant than drivers such as the overall health of the economy, growth in key end-markets or increased security threats.

CASH LOGISTICS INDUSTRY IN INDIA

Market Size and Historical Growth

Cash logistics services are integral to the Indian banking system, particularly considering the large amounts of cash circulating through the country. Every day, private cash logistics companies carry approximately Rs.150,000 million in more than 8,000 cash vans. According to Federation of Indian Chambers of Commerce and Industry ("**FICCI**"), these companies also hold, at any point in time, more than Rs.40,000.00 million in their vaults on behalf of banks and other financial institutions. With high risks and low error tolerance, competition is highly restricted and involves a small number of companies that have proven credibility. The top five to six companies dominate more than 80% of the market. The growing banking inclusion initiative, growing banking infrastructure and increasing ATM installations in the country are major drivers for the market, which, for Fiscal Year 2015, is valued at Rs.29,000 million growing at the rate of more than 19.30% from Fiscal Year 2010.

Key Demand Drivers in India

Increase in number of ATMs and ATM transactions

There has been nearly 23%-25% year-on-year growth in the number of ATMs (190,000 currently), their deployment has been predominantly in Tier I and in few Tier II centers. ATMs outsourced at roughly about 140,000 in India. RBI's initiative to set up white label ATMs is all set to boost the ATM penetration in the country. Of the new ATMs, 50% to 65% will be deployed in Tier II and Tier III cities. The Government's initiative in providing bank accounts for all has also driven the banks to increase the number of ATMs in the country. Debit card transactions are also growing significantly, and have climbed by a CAGR of 36.50% over the past five Fiscal Years. Along with the growth in the number of ATMs, this projected increase in usage of banks will drive the need for cash management services. Approximately 140,000 ATMs in India are outsourced.

Increasing number of organized retail shops, jewellers, gold loan companies and hospital chains

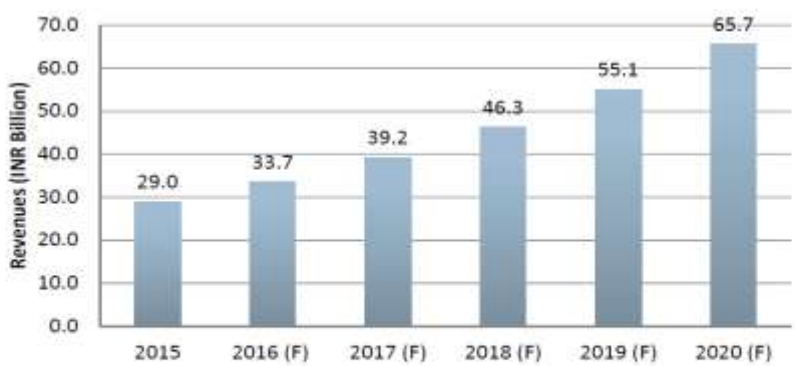
A positive economic outlook has paved way for the organized retail movement in India. Organized retail sector has witnessed a growth of more than 15% between Fiscal Year 2011 and 2015. Increasing customer base in the form of jewelers, gold loan companies and hospital chains are positively driving the cash logistics market, especially the CPD business in India. These three sectors handle large volumes of cash and use the services of private cash logistics companies. The gold loan market in India is rapidly growing and the annual demand for gold in India is projected to increase, at a CAGR of 2.60%, from 1,000.00 metric tons in Fiscal Year 2013 to more than 1,200 metric tons by Fiscal Year 2020. Hospital chains are another key end-user segment contributing to the growth of cash logistics services market in India. A majority of the hospital transactions in India are cash based.

Positive economic outlook and continued use of cash in the country

According to the RBI, 63% of all payments in the country are still in the form of cash. Notwithstanding the modernization of the banking system along with the surge of e-commerce business, India still remains cash intensive and the value of notes and coins in circulation as a percentage of GDP

Industry Growth Forecasts

The cash logistics market in India is estimated to grow at a CAGR of 17.80% between Fiscal Year 2015 and Fiscal Year 2020. The majority of this growth will be driven by the growth in banking sector. As the economy moves towards using less cash, competition is expected to become stiff, leading to further consolidation of the market. Market revenue is projected to increase as follows



Source: Frost & Sullivan Analysis

Electronic Security Industry in India

Electronic security services involve the installation and commissioning of security systems, products or equipment along with operations and maintenance ("**O&M**") services. Electronic security systems include CCTV, alarm systems, access control systems, and other safety related systems such as fire alarms, automatic fire suppression systems and other electronic equipment installed for security purposes.

Market Size and Historical Growth

The electronic security services market in India was estimated at Rs.24,300 million in Fiscal Year 2011 and recorded growth at a CAGR of 25.60%, reaching a value of Rs.60,500.00 million in Fiscal Year 2015. Demand is driven by increasing awareness about safety, and investments in public and private establishments

End User Segments

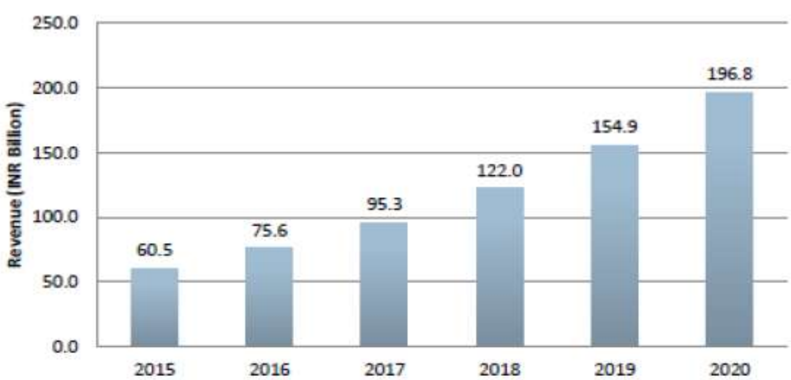
Private industrial and commercial sectors contribute to over 80.00% of the electronic security services market in India. In the industrial sector, security norms are highly stringent and strictly implemented, leading to the high prevalence of electronic security in medium and large scale industries. Particularly in heavy and large-scale industries, security services are largely dominated by fire alarm and safety systems. Historically, end-users have engaged OEMs and system integrators for security systems and private security service companies for security services. Lately, however, many industrial units are calling private security providers to provide end-to-end solutions in order to bring all their security needs under a single umbrella. In the commercial sector, electronic security services are majorly dominated by demand arising from the IT and ITES office space, the banking sector, retail, healthcare and hospitality. These sectors require services such as video surveillance, access control and fire safety systems. Similar services in addition to perimeter protection, x-ray scanners and metal detectors are required to administer metros, airports and other public spaces. Residential areas also demand installation of intrusion alarms, fire detection systems, intercom and video door phones.

Key Demand Drivers

Statistics reveal more than a 10.00% year-on-year growth in crime rates in Tamil Nadu, Bihar, Odisha, Lakshadweep, West Bengal, Arunachal Pradesh, Assam, Jharkhand and Manipur. These growing crime rates have led to increased threat perception which in turn influence the demand for electronic security. There is a growing need to have round- the-clock monitoring of premises and properties to evade and confront threats. Evidence obtained from electronic security has proven to be integral, not only in identifying perpetrators, but also in creating a sense of security for the inhabitants of buildings or residents of a locality. Declining prices of electronic security systems increase the incentive for end-users to reduce their dependence on manual monitoring. Furthermore, private establishments have increased budgets for security significantly over the past few years. In India, increasing economic activity has led to increased investments in buildings and infrastructure projects. Government spending to augment public infrastructure such as roads, railways, metros and airports has increased the demand for electronic security. Budgets for security and safety are amplified in an effort to improve safety and security. Due to high bandwidth capabilities and compression technologies, the solutions are getting more affordable and customized as per user industry.

Industry Growth Forecast

Rapid urbanization, increasing governmental investments and various technology advances in the domestic market are expected to provide a promising future for electronic security services market. The electronic securities market is projected to grow at a CAGR of 26.60% between Fiscal Years 2016 and 2020, to reach Rs.196,800 million by Fiscal Year 2020, as shown in the chart below:



Source: Frost & Sullivan analysis

Evolving trends in technology are significant in shaping the future of electronic security. Low-end, analogue cameras have been replaced with high-end high definition cameras. Similarly, a number of intelligent products such as smart plug-and-play cameras which will allow access to videos over wi-fi, physical security information management ("**PSIM**") and more are making inroads into the Indian market. Through the Internet of Things ("**IoT**"), security data can now be accessed anywhere and can even be stored on the cloud or on memory cards, therefore making ubiquitous access to data a reality. An emerging development is the utilization of artificial logic based intelligence to provide high levels of preventative security control through command centers. These changing trends in technology have allowed security companies to invest in more complicated command centers to monitor, manage and analyze data around the clock. The Indian government's smart cities initiative lays a strong emphasis on the integrated security of cities. This focus on security may involve large contracts requiring security systems and services, leading to private companies playing an integral role in providing security consulting and services to city planners. Another important factor which is expected to drive the growth of electronic security services is the shift in focus from B2B and B2G to B2C segment. The security demands from the residential sector are increasing rapidly, with many home owners willing to invest in electronic security to protect their assets. This segment is estimated to increase the market potential for private security companies. Large systems integrators are not involved in the B2C segment as the volume of business is low. Hence, growth in security in the residential sector directly boosts the market prospects for private security companies. Finally, the private security industry's attempt to reduce dependence on manual guarding has led to a strong urge to diversify into other services where there is untapped potential to increase future business prospects.

Industry Operations and End User Segments – Cleaning Services
Driven mainly by the growth of the real estate sector, the cleaning services market accounted for 30%, that is, Rs.30,000 million of the overall facility management services market in India for Fiscal Year 2015. The cleaning services market grew at 19.00% CAGR from Rs.12,570 million in Fiscal Year 2010 to reach Rs.30,000 million in Fiscal Year 2015. Commercial establishments such as offices, banks, retail outlets, hotels, healthcare and education, among others, contribute to 50% of the market for cleaning services. Increasing awareness and rising demand for healthcare infrastructure are resulting in growing opportunities for cleaning services in India. Recently, many government entities, and industrial companies have offered long-term contracts for cleaning services in India.

Industry Growth Forecast and Competitive Landscape – Cleaning Services
Organized players accounted for 56% of the market for Fiscal Year 2015 and are projected to account for 65% of the market by Fiscal Year 2020. Lately, there has been a visible change in the awareness of outsourcing of cleaning services among various end users. Market development activities and improvements in service delivery by organized service providers have led to greater acceptance of these services. The market for cleaning services in India is projected to reach Rs.81,070 million by Fiscal Year 2020 at a CAGR of 22%. Customized cleaning solutions are becoming popular in India by meeting the needs of individual end users and new offshoot market catering to residential homes. New growth opportunities for facility management and cleaning service companies include municipal, road and highway cleaning and municipalities are now eyeing public sanitation and hygiene.

Market Size and Historical Growth – Pest and Termite Control
The overall market for outsourced pest control services in India grew to Rs.12,000 million in Fiscal Year 2015, at a CAGR of 8.50% from Fiscal Year 2010.

End User Segments in India and Competitive Landscape – Pest and Termite Control
Industries such as food and beverages, pharmaceuticals and airports account for 40% to 45% of the market, while small-medium commercial enterprises ("**SMEs**") such as restaurants, hotels, educational institutions and residential areas account for the remaining 55% to 60% of the market. The Indian pest control services market is highly fragmented with many small service providers. The entry barrier is much lower and offers wider growth opportunity for unorganized players that operate locally within the city. Organized players account for about 37% of the market.

Key Demand Drivers and Industry Growth Forecast – Pest and Termite Control
The demand for pest control services is consistently growing with increasing awareness among end users on health and safety issues followed by disease outbreaks. The overall market for outsourced pest control services in India was Rs.12,000 million in Fiscal Year 2015 and is expected to grow to Rs.21,140 million by Fiscal Year 2020.

Revenue from Operations from SIS's Business Lines
The following table sets forth revenue from operations from business lines for the periods indicated:

	Revenue from Operations					
	Fiscal Year 2017		Fiscal Year 2016		Fiscal Year 2015	
	(₹ in millions)	*as a % of Total Revenues*	*(₹ in millions)*	*as a % of Total Revenues*	*(₹ in millions)*	*as a % of Total Revenues*
Security Services (India)	15,874.80	34.68%	12,548.02	32.59%	10,262.65	28.79%
Security Services (Australia)	23,945.35	52.32%	21,925.88	56.95%	22,509.35	63.14%
Cash Logistics	1,651.28	3.61%	2,869.58	7.45%	2,020.58	5.67%
Electronic Security	69.34	0.15%	108.65	0.28%	129.21	0.36%
Cleaning and Facility Operation and Management	3,869.38	8.45%	826.51	2.15%	512.60	1.44%
Pest and Termite Control	80.39	0.18%	53.54	0.14%	43.26	0.12%

Key Concerns:

Operational risks are inherent in the business as it includes rendering services in challenging environments: Certain operational risks are inherent in SIS's businesses due to the nature of the industry in which it operates. It renders private security and facility management services, including security services, at customer premises in a number of challenging environments such as airports and to aviation industry clients, mines, manufacturing facilities, vehicles, hospitals, hotels, corporate canteens and public events and provide transport and logistics services in relation to cash and valuables. Further, it provides pest and termite control solutions as well as cleaning and housekeeping services which involve the handling of chemicals such as insecticides and cleaning solutions, which if handled improperly may have an adverse impact on the health of its employees, customers and on the environment. Consequently, its business is associated with numerous safety, privacy and public health concerns. It has in place adequate corporate, crisis response, training and management policies and protocols, a failure to adequately address and manage risks inherent in its business, or a failure to meet the operational requirements of its customers, or a failure to develop effective risk mitigation measures, or respond adequately to a crisis situation, could have an adverse effect on its reputation, customer retention, earnings and profitability and consequently, its business, results of operations and financial condition may also be adversely impacted.

SIS has large workforce deployed across workplaces and customer premises: SIS has a large workforce deployed across India and Australia As of April 30, 2017, it employed 154,432 personnel of which 144,765 'billing' personnel were rendering security and facility management services (including at 11,869 customer premises in India and 5,560 security personnel rendering security services to 245 customers in Australia, consequently, its ability to control the workplace environment in such circumstances is limited. Additionally SIS is subject to labour legislations that protect the interests of workers, including legislations that set forth detailed procedures for the establishment of unions, dispute resolution and employee removal and impose certain financial obligations on employers upon retrenchment of employees. Its business and profitability may also be affected if any union contracts or collective bargaining agreements it may have to enter into restrict its ability in using employees across different service types. There can be no assurance that the corporate policies SIS have in place to help reduce its exposure to these risks will be effective or that it will not experience losses as a result of these risks. Any losses that it incurs in this regard could have an adverse effect on its reputation, business, results of operations and financial condition.

Businesses are manpower intensive and inability to attract and retain skilled manpower could have an adverse impact on growth, business and financial condition: SIS's security services, cash logistics and facility management businesses are manpower intensive and it hires a considerable number of personnel every year to sustain its growth. It cannot be assured that it will be able to meet its manpower requirements in the future or grow the number of its employees in a consistent manner, which may adversely impact the growth and business. High attrition and competition for manpower may limit its ability to attract and retain the skilled manpower necessary for it to meet its future growth requirements. There can be no assurance that skilled manpower will continue to be available in sufficient numbers and at wages suitable to its requirements.

SIS is subject to several labour legislations and regulations governing welfare, benefits and training of its employees and it is also a party to several litigations initiated by its former or current employees: SIS is subject to laws and regulations relating to employee welfare and benefits such as minimum wage and maximum working hours, overtime, working conditions, non-discrimination, hiring and termination of employees, employee compensation, employee insurance, bonus, gratuity, provident fund, pension, superannuation, leave benefits and other such employee benefits. In the event the welfare requirements under labour regulations applicable to it is changed, which leads to an increase in employee benefits payable by it, there can be no assurance that SIS will be able to recover such increased amounts from its customers in a timely manner, or at all. In addition, SIS relies on being able to recruit, train and retain high quality and qualified employees in India and Australia. Any regulatory change in such minimum levels, including in respect of educational qualifications and training or additional license requirements for employees in certain positions such as security guards, supervisors, armed guards, firemen or business service personnel, may limit its ability to recruit new employees or replace leaving employees effectively, thereby impacting its ability to expand its business. Additionally, there are cases filed against SIS by its former or current employees before various courts in relation to alleged claims for arrears of remuneration and wrongful termination. If any of the pending cases are decided against it, its personnel retention and administrative costs may increase and adversely affect the business, financial condition and results of operations.

SIS may be unable to fully realize the anticipated benefits of acquisitions, including that of Dusters Total Solutions Services Private Limited, and any future acquisitions or within its expected timeframe: With effect from July 1, 2017, SIS, through its 100.00% Subsidiary, SIS Australia Group, acquired an additional 41.00% of the voting rights in SXP, formerly one of its associates ("SXP Acquisition"). As a result, SXP has become one of its Subsidiaries. Further, on May 19, 2016, it acquired additional equity interest in its Subsidiary, Lotus Learning Private Limited ("Lotus"), for an aggregate consideration of Rs.180.00 million pursuant to which Lotus became its 99.99% owned Subsidiary. In December 2014, it acquired the cash and valuables services division of ISS SDB Security Services Private Limited in India and in August, 2008 it acquired the manned guarding business of Chubb Security in Australia. In addition, it intends to continue to explore selective strategic acquisitions both in India and outside, for inorganic growth. In addition, SIS may not be able to identify suitable acquisition candidates or opportunities, negotiate attractive terms or expand, improve and augment its existing businesses. The number of attractive expansion opportunities may be limited, and attractive opportunities may command high valuations for which it may be unable to secure the necessary financing or its internal accruals may not be sufficient to invest in such opportunities. If it is not able to successfully identify opportunities to build, acquire or expand its additional and existing private security and facility management services or if it face difficulties in the process of acquiring, developing or expanding such operations, or if its competitors capitalize on such opportunities before it does, its business and prospects may be adversely affected.

SIS is subject to risks associated with operating with joint venture and other strategic partners: SIS has entered into joint ventures in India with Singpai Pte. Ltd., an affiliate of Prosegur Compañía de Seguridad, S.A ("Prosegur") and SVM Services (Singapore) Private Limited, an affiliate of Terminix International Company, Limited Partnership ("Terminix"), in relation to its cash logistics and pest and termite control businesses, respectively. The Company's interests in these joint ventures include majority and minority control positions. In addition, it has entered into a license agreement with The ServiceMaster Company, LLC ("ServiceMaster") in relation to its facility management business, which has been assigned to its subsidiary Service Master Clean Limited ("SMC"). SIS need the cooperation and consent of its joint venture partners in connection with the operations of its joint ventures, which may not always be forthcoming and it may not always be successful at managing its relationships with such partners. There can be no assurance that it will always have a controlling interest in any joint venture it may enter into. In the event any of the risks in relation to its existing joint ventures and license arrangements, future joint ventures or other strategic relationships materialize, SIS's results of operations and financial condition may be adversely affected.

Derives a significant portion of the total revenue from security services business: SIS's security services business in India and Australia contributed a significant portion of its total revenue from operations, which was Rs.39,820.15 million, Rs. 34,473.90 million and Rs. 32,772.00 million or 87.19%, 89.86% and 92.30% of its total revenues from operations for Fiscal Years 2017, 2016 and 2015, respectively. SIS is exposed to the risk of reduction in the demand for its security services due to a potential shift away from physical security toward less labour intensive electronic security, alarms, video surveillance and other technology based systems, particularly in developed countries, such as Australia. In addition, it may face increased competition from unorganized sector players due to cost-sensitiveness of certain customers or the location or nature of service demanded. Although, SIS's strategy is to actively grow its other lines of business, including facility management, electronic security and home alarms businesses, its security services business will continue to constitute a significant portion of its revenues and operating profits and any decline in, or adverse impact on, its security services business may have an adverse impact on the business, financial condition and results of operations.

SIS's cash logistics business exposes to additional risks in relation to the conduct of employees, contractual liability and inadequate insurance cover, all of which may have an adverse effect on reputation, business, results of operations and financial condition: SIS provided cash logistics services through SIS Cash Services Private Limited, its joint venture with Singpai Pte Limited, an affiliate of Prosegur Compañía de Seguridad, S.A, to ATMs across India and, as of April 30, 2017, operates more than 2,518 cash vans, either owned, leased and hired. Its cash logistics business contributed 3.61% and 7.45% to its total revenues for Fiscal Year 2017 and 2016. Its cash logistics business exposes it to certain risks, including the potential for cash-in-transit losses, employee theft, as well as claims for personal injury, wrongful death, worker's compensation, punitive damages, and general liability. The availability of adequate, quality and reliable insurance coverage is an important factor in its ability to successfully operate this aspect of its business. While SIS has instituted employee fidelity insurance policies, pursuant to certain of its ATM replenishment and allied service contracts, it is liable to make good losses of cash to its customers within a fixed period, regardless of whether such claims are settled by its insurance provider. SIS may be required to bear the loss of any delays by insurance providers in settling claims, face denial of the loss claim under the insurance coverage or face a loss which is in excess of its insurance coverage, which could have an adverse effect on the business, results of operations, cash flows and financial condition.

Cash logistics business derives a significant portion of its revenue from a few customers and Australia security services business relies on customers in certain industry sectors: Given the nature of the industry, SIS's cash logistics business in dependent on a limited number of customers for a significant portion of its revenues. Further, in Australia, public sector undertakings and governmental customers, including customers in the defense sector, contributed 30.90% and 31.59% of its revenues from the Australian security services business, for Fiscal Year 2017 and 2016. Any reduction in growth or a slow-down in the business of its customers in India and Australia, could result in a reduction of their requirement for its services, and result in a significant decrease in the revenues it derives from these customers. It cannot be assured that it will be able to maintain historic levels of business from such significant customers, or that it will be able to significantly reduce customer concentration in the future

Customer agreements include certain restrictive covenants which may limit the ability to carry out business operations: SIS enters into various agreements with its customers for rendering services, including master service agreements and corresponding service orders. Some of these agreements require it to comply with the code of conduct and rules and regulations prescribed by its customers. In the event that it is unable to meet such obligations, its customers may terminate the agreements and SIS may be required to pay compensation on terms set out in the agreements. Compliance with these requirements may restrict the ability to undertaken certain business operations and may increase compliance costs.

Investments in technology systems may not yield intended results: SIS operations depend in part upon the use and deployments of technology initiatives on a cost effective and timely basis with constant introduction of new and enhanced solutions. It has already deployed software tools such as its enterprise resource planning ("ERP") and reporting systems. SIS rely on such technology to connect its various branches, provide operational and performance related data, manage customer relations and marketing, reduce overheads and ensure integration between its various support functions. If it do not effectively manage its growth and appropriately expand and upgrade or downsize and scale back its systems and platforms, as appropriate, in a timely manner and at a reasonable cost, it may lose market opportunities, increase its costs and lead to being less competitive in terms of its prices or quality of services it renders. Any delays in completing or an inability to successfully complete these technology initiatives, or an inability to achieve the anticipated efficiencies, could affect its result of operations and financial condition.

SIS may not be able to implement business strategies or sustain and manage growth, which may adversely affect the business, results of operations, financial condition and cash flows*:* In recent years, SIS has experienced significant growth. As of April 30, 2017, it had 251 branches in India and 13 offices in Australia, and serviced 11,869 customer premises across India and 245 customers across Australia. Its growth strategy includes expanding existing businesses in the Asia Pacific region and in private and government customer segments in India and Australia. It cannot be assured that its growth strategies will be successful or that it will be able to continue to expand further or diversify its service offerings. SIS's ability to sustain and manage its growth depends significantly upon the ability to manage key issues such as selecting, recruiting, training and retaining personnel, locating and securing properties for its branches and offices, maintaining effective risk management policies, continuing to offer services which are relevant to its customers, maintaining and expanding customer base, developing and maintaining technical infrastructure and systems, ensuring a high standard of customer service and maintaining current level of profitability. Failure to do any of the preceding may result in slower growth, loss of business, erosion of customer service quality, diversion of management resources, significant costs and increase in employee attrition rates, any of which could adversely affect SIS's business, results of operations, financial condition and cash flows.

Ability to service contracts with public sector undertakings or governmental customers may be affected by political and administrative decisions: In Australia, public sector undertakings and governmental customers, including customers in the defense sector, contributed over 30.00% of its revenues from the Australian security services business. Further, contracts with the Indian public sector undertakings and Government organizations contributed 7.93% and 6.54% of its revenues from operations in security services business India, for Fiscal Year 2017 and 2016 respectively. The performance of SIS's services for public sector undertakings or governmental customers may be affected by political and administrative decisions concerning levels of public spending and public opinion on outsourcing in general. In certain cases, due to applicable regulations, certain terms of public sector contracts, such as pricing terms, contract period, use of subcontractors and ability to transfer receivables under the contract, are less flexible than comparable private sector contracts. Additionally, any decisions to decrease public spending in India or Australia as a result of an economic downturn, or otherwise, may result in the termination or downscaling of public sector contracts, which could have a material adverse effect on its business, results of operations or financial condition

Non-compliance with and changes in, security services related, safety, health and other applicable regulations, may adversely affect the business, reputation, results of operations and financial condition*:* SIS is subject to several laws and government rules and regulations, including in relation to rendering security services, safety and health. These regulations impose controls on the manner of carrying out its operations Itreceives notices from regulatory and statutory authorities in the ordinary course of its business. Any failure on SIS's part to comply with any existing or future regulations applicable to it may result in legal proceedings being commenced against it, third party claims or the cancellation its license to provide private security services, levy of regulatory fines, or contractual claims by its joint venture partners under the terms of its joint venture agreements, which may adversely affect the business, results of operations and financial condition.

SIS is required to obtain, maintain or renew statutory and regulatory licenses (including PSARA Approvals) in respect of its principal business lines*:* SIS is required to obtain and maintain a number of statutory and regulatory permits and approvals under central, state and local government rules in India and Australia, generally for carrying out its business. SIS and its Joint Ventures, SIS Cash and SIS Prosegur are required to avail PSARA Approvals to provide security and cash logistics services. A PSARA Approval is valid for a period of five years, unless cancelled. For providing security services in Australia, it requires permits and approvals under security services licensing laws, firearms licensing laws and laws relating to regulation, control and prohibition of the supply and use of certain drugs, substances and therapeutic goods, as implemented by each individual state in Australia. The Australian security industry is highly regulated by several legislations that prescribe the requirements for both companies and individuals involved in the provision of security services . If it fails to comply with applicable statutory or regulatory requirements, there could be a delay in the submission or grant of approval for carrying out its business. If SIS fails to obtain or renew such approvals, licenses, registrations and permissions, in a timely manner or at all, its business, results of operations and financial condition may be adversely affected.

Any decrease in the use of cash as a mode of payment could have an adverse effect on cash logistics business: SIS's cash logistics business is significantly dependent on the maintenance and growth of the ATM network in India, increase in the number of bank branches in India and on the use of cash as a mode of payment. The proliferation of payment options other than cash, increasing installation of card payment machines at point of sales and on-line purchase activity, could result in a reduced need for cash in the marketplace and a decline in the need for ATMs in the country. In the event of a decline in the use of cash as a mode of payment, its banking customers may decide not to expand their ATM network or may downsize their current ATM network. Any such decision by its banking customers could have an adverse effect on the business, results of operations, cash flows and financial condition

Customers may delay or default in making payments for services rendered by the company which could affect the profits, cash flows and liquidity: Cash collection trends and trade receivables have an impact on SIS's cash receipts and, consequently, on its cash flows. An increase in bad debts or defaulting customers may lead to greater usage of its operating working capital and increased interest costs. Successful control of the trade receivables process requires development of appropriate contracting, invoicing, credit, collection and financing policies. Its failure to maintain such policies could have an adverse effect on its business, financial condition and cash flows.

Balance Sheet:

Rs in million

Particulars	FY17	FY16	FY15	FY14
Equity & Liabilities				
Shareholders Funds	**5430.9**	**4493.5**	**3968.8**	**3917.6**
Share Capital	687.0	62.0	61.8	61.8
Reserves and surplus	4743.9	4431.5	3853.0	3855.9
Minority Interest	145.9	25.8	764.7	363.8
Non-Current Liabilities	**4824.1**	**2459.3**	**2555.0**	**1345.5**
Long-term borrowings	4059.5	1789.7	2003.6	595.8
Long-term provisions	764.5	669.5	551.4	749.7
Current Liabilities	**10084.1**	**7619.7**	**7228.6**	**5835.7**
Short-term borrowings	2795.2	2208.7	1948.7	1402.5
Total outstanding dues of creditors other than micro and small enterprises	465.5	332.7	425.8	287.3
Other current liabilities	4597.1	3070.4	3210.7	2583.6
Short term provisions	2226.2	2007.9	1643.4	1562.3
Total Equity & Liabilities	**20485.0**	**14598.3**	**14517.1**	**11462.6**
Assets				
Non-Current Assets	**5495.8**	**3832.9**	**3991.1**	**3205.6**
Tangible assets	1602.5	1325.1	1233.6	1231.7
Intangible assets	2778.2	1754.7	2051.6	1281.7
Capital work in progress	4.1	0.4	68.6	71.4
Intangible assets under development	35.6	1.0	0.0	12.9
Non-current investments	195.3	120.3	104.2	114.3
Deferred tax assets	629.0	474.8	404.5	379.2
Long-term loans and advances	245.1	153.2	126.2	112.4
Other non-current assets	6.1	3.3	2.4	2.0
Current Assets	**14989.1**	**10765.4**	**10526.0**	**8257.0**
Inventories	39.7	10.6	65.5	53.1
Trade receivables	4617.4	2876.9	3119.0	2531.3
Cash and bank balances	4508.0	3492.8	3744.9	2969.4
Short-term loans and advances	673.0	522.6	434.2	201.2
Other current assets	5151.0	3862.5	3162.6	2502.0
Total Assets	**20485.0**	**14598.3**	**14517.1**	**11462.6**

Profit &Loss:

Rs in million

Particulars	FY17	FY16	FY15	FY14
Revenue from Operations	45670.9	38362.2	35506.3	30976.6
Other Income	100.4	139.0	145.2	100.3
Total Income	45771.2	38501.2	35651.5	31076.8
Total Expenditure	43454.2	36668.0	33913.4	29498.9
Cost of materials consumed	134.6	35.9	23.8	20.1
Purchase of stock-in-trade	51.1	71.2	103.6	13.2

Changes in Inventories	-21.5	-1.0	-3.9	0.8
Employee benefits expense	37886.6	31162.4	28920.2	25383.5
Other expenses	5403.4	5399.5	4869.7	4081.4
PBIDT	2317.1	1833.2	1738.1	1578.0
Interest	748.8	475.2	477.4	256.1
PBDT	1568.3	1358.0	1260.7	1321.9
Depreciation	456.5	431.6	454.4	305.2
PBT	1111.8	926.4	806.4	1016.7
Tax (incl. DT & FBT)	223.5	296.3	330.9	369.7
Tax	344.8	396.4	376.7	458.8
Deferred Tax	-121.3	-100.1	-45.9	-89.1
PAT Before Restatement Adjustments	888.3	630.1	475.5	647.0
Conversion to JV from Subsidiary	0.0	92.8	0.0	0.0
Share of profit in associate	17.1	15.6	9.3	7.4
Add/(Less) :Minority Interest in Loss/(Income)	-7.4	-18.8	-142.0	-32.3
Adj. Profit	912.8	757.3	626.8	686.6
EPS (Rs.)	13.3	122.1	101.5	111.2
Equity	687.0	62.0	61.8	61.8
Face Value	10.0	10.0	10.0	10.0
OPM (%)	4.9	4.4	4.5	4.8
PATM (%)	2.0	2.0	1.8	2.2

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