

Business India

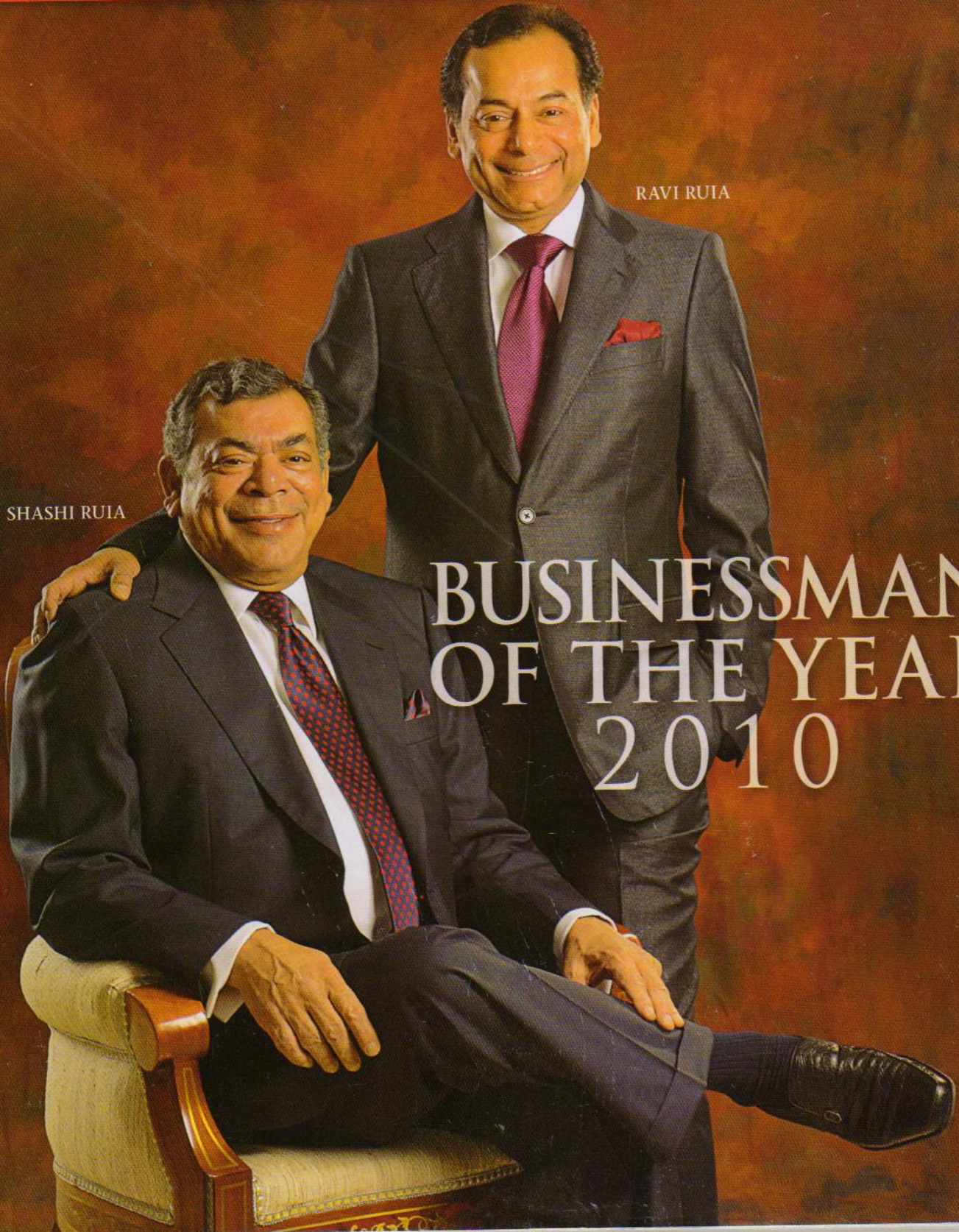
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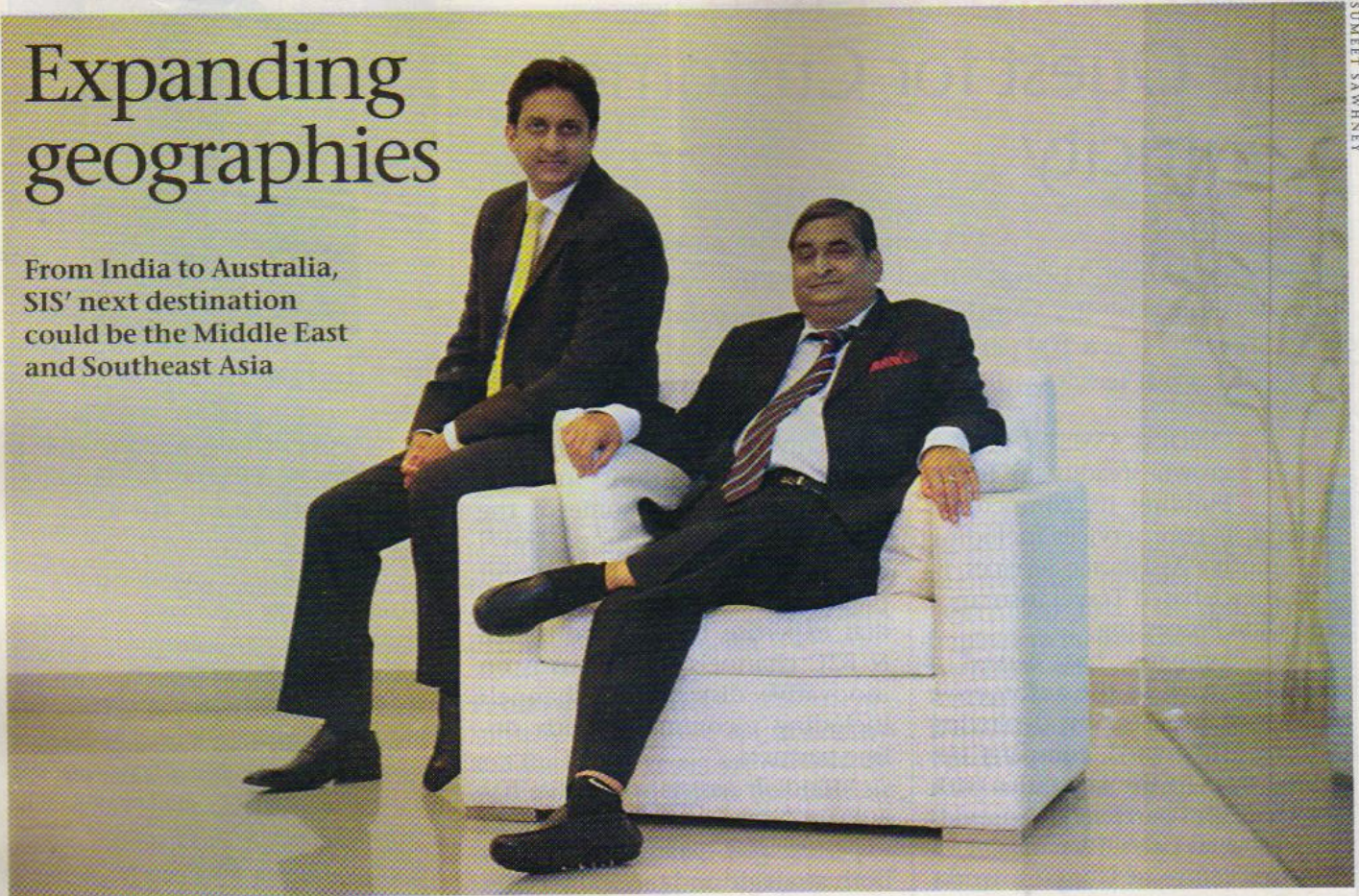
RAVI RUIA



BUSINESSMAN
OF THE YEAR
2010

Expanding geographies

From India to Australia, SIS' next destination could be the Middle East and Southeast Asia



SUMEET SAWHNEY

I am a businessman by accident," says the 59-year-old Ravindra Kishore Sinha, CMD, Security and Intelligence Services (SIS), a company that has grown from manned guarding security to cash management and mechanised cleaning services, and cross-selling services to clients. From being a journalist to a businessman, Ravindra has had a long journey.

In 1971, in his early twenties, Ravindra worked as a journalist with *Search Light*, a newspaper in Patna; he went to Bangladesh to cover the war, lived with the Bihar regiment of the Indian army and had a first brush with security personnel.

The war got over, but Ravindra stayed in touch with the jawans and other army personnel. Then in 1974, *Search Light* closed down and Ravindra was jobless. "Although I started working as a freelance journalist, I got time to look for alternatives. The same year, I met a businessman who had a foundry, which was facing some labour issues and needed security. This was the beginning of a security

agency. I called some of my army veterans (many of them had retired) and set up SIS," recalls Ravindra, who has never looked back since then.

"The past five years have been very exciting," says Rituraj Sinha, the 30-year-old CEO of SIS, who, together with his father (Ravindra) and the management team in 2005 – when SIS was a less than ₹100 crore company – sat to draw up 'Vision 2010'. The plan was to follow a two-pronged strategy: diversification into non-guarding services and expansion of the geographic footprint.

Five years down the line, the results are here to see. The company's FY10 turnover touched ₹1,460 crore, of which, manned guarding constitutes 79 per cent, down from 93 per cent in FY06. The cash-in-transit (CIT) business, which SIS started in 2004 with a fleet of four vehicles, has grown to 522, covering 268 cities across 28 states. In the past six years, this business has recorded a compound annual growth rate (CAGR) of 135 per cent to ₹39 crore; while it contributed a mere

2 per cent to SIS' topline in FY06, its share increased to 14 per cent in FY10. The balance 7 per cent (of FY10 turnover) comes from recruitment and training, consulting and investigation, besides mechanised cleaning.

"In 2005, we drew up a strategic plan and decided to focus on the Asia Pacific region for future growth, since the region was entering into a strong growth phase," says Ravindra, who increased the range of SIS' service offering in 2005, when it commenced CIT to cater to the banking sector. This business division has expanded its service portfolio to full-scale cash management services from CIT – cash pick-up and delivery, vaulting and processing of cash and precious cargo, inventory management to ATM replenishment and maintenance.

In March 2008, SIS, through a collaboration with the \$3.2 billion Service Master Clean of the US, entered the mechanised cleaning business. Service Master operates across the world through franchisee arrangements and SIS is the Indian partner.

Five months after getting Service Master into India, in August 2008, the Sinhas, for the first time, took their business beyond Indian shores and entered Australia, with the acquisition of the \$300 million MSS Security.

"sis is a unique company at the cusp of exponential growth and has gone relatively unnoticed in spite of being the largest manned guarding company in the Asia Pacific region. The security services sector is characterised by high growth, stable cash flows and margins, low capital expenditure and high returns," says Amitabh Malhotra, MD, Rothschild, which is mandated to raise money to recapitalise the company's balance sheet and fund future growth (organic and inorganic).

At the time of the Australia acquisition, MSS Security's operating (EBIT) margin was 1.5 per cent and the business had declining revenue growth. sis, with a new management team, rebranded the business, arrested revenue attrition and built sales capability. The EBIT margin is now close to 6 per cent. This demonstrates the management's capabilities to successfully acquire and turn around businesses outside its home market. "I see sis as an Asian security services platform and not just an Indian player," adds Malhotra, who sees sis' growth through the acquisition route as a logical step. "Top global players have grown historically by acquiring smaller platforms, particularly in emerging markets."

"In fact, the low capital intensive and high return nature of this industry has attracted private equity players. The model is easily scalable," explains Ramesh Iyer, MD, Topstrup, one of the first to get money from private equity players like ICICI Ventures

and Rakesh Jhunjunwala. The New York-based hedge fund DE Shaw invested in sis in early 2008 to facilitate its acquisition in Australia. The deal made sis one of the leading players in its business in the Asia Pacific region, but stretched its balance sheet due to the debt for part-financing the transaction. It is now in the process of raising \$100 million to recapitalise the balance sheet.

On the acquisition front, sis has been successful in crystallising not just operational excellence, but also business synergies from the MSS acquisition. Management capabilities for integration (both ways) have resulted in exporting micro-level operational, IT and rostering knowhow from India to Australia, while importing segment-specific expertise such as large event management (Melbourne Cup, Grand Prix), aviation and maritime security practices from Australia to India. In fact, post acquisition of MSS from United Technology Corporation (UTC), the Sinhas are exploring an alliance with UTC in the electronics security systems segment in Australia and are also considering acquisition of UTC's other Asia Pacific manned guarding businesses.

"Realising that a reliable and quality supply chain is a critical factor for the security business, we set up training infrastructure that can supply 25,000 trained guards per year, as well as officers," says Rituraj, who runs the training for 14 locations all over India and operates it as a profit centre for the group, undertaking government-funded training programmes as well as providing customised training as per clients' requirements.

"Recruiting and training are the key challenges in this industry that is growing between 15 per cent and 20 per cent," says Iyer, who is addressing this issue by setting up training centres to impart knowledge to the guards.

In fact, the spate of terrorist attacks over the past few years has boosted the demand for private security services,

with corporate offices, five-star hotels and even residential societies waking up to the issue. "Even though we are not the principal employers of security guards, we see that whichever agency we hire, the guards fit within certain parameters. For choosing sis,

we did an audit like we do for all our outsourced services. In this case, we check whether the guards get provident fund, Employees' State Insurance Corporation benefits, bonus and other emoluments. We check the agency profile, balance sheet, references, etc.," says Rajeev Devnath, security head at Tata

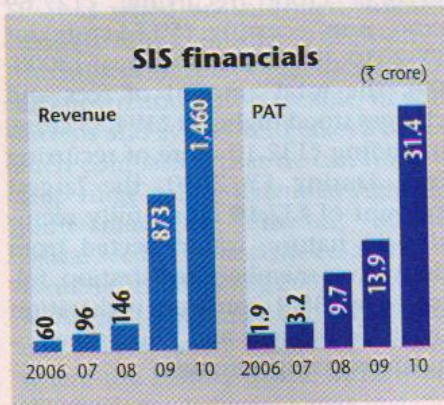
Motors, which uses sis at various locations in India, including Singur. Apart from Tata Motors, sis' client list includes IBM, Dell, Hindustan Aeronautics Ltd, Toyota, Hyundai, etc.

According to Freedonia, an international business research company, the security services sector of the Asia Pacific region (ex Japan) aggregated \$16 billion in 2007, accounting for 11 per cent of the world market. Low average per capita utilisation of private security measures, especially in emerging markets like India and China, reflects the region's relatively untapped potential.

Lastly, the drivers for security services in the Asia Pacific region and players like sis that are looking at geographic expansion in the region, are the strong economic growth in the region, rapid industrialisation, rising crime and socio-economic tensions as traditional societies industrialise and income gaps widen, and finally, continuing threat of terror attacks.

For the Sinhas, it is 'Vision 2015' – in the next five years, sis will look at demergers and creation of service specialist listed entities, besides a foray into the Middle East and South-east Asia. In terms of numbers, while revenues are expected to touch ₹3,000 crore (involving a mix of organic and inorganic growth), the operating margins and return on equity are targeted at above 10 per cent and 30 per cent, respectively.

COMPANY
SIS
PROMOTER
Ravindra Kishore Sinha
TURNOVER
₹1,460 crore (FY10)
BUSINESS
Guarding, cash management, mechanised cleaning



• LANCELOT JOSEPH