



TRANSIQUE
YOUR TRANSACTION CATALYST

Industry Insights - Financial Performance & Valuation Trends

Services Industry
October 23

Background (Coverage & Approach)

Transique Corporate Advisors takes immense pleasure in presenting its twelfth Industry Insight report capturing the financial performance and valuation trends over 3 year period of “Services Industry” and its Sub Industries including Airline, BPO/KPO, Consulting Services, Diversified Commercial Services, Logistics Solution Provider, Port & Port services, Road Assets–Toll, Annuity, Hybrid-Annuity, Road Transport, Shipping and Trading & Distributors. These trends are based on the data of last two audited financial years (FY 2020-21 and FY 2021-22) and trailing twelve months (TTM) consolidated financials as on July 2023.

The purpose of this “Services Industry Insight Report” is to provide an executive summary of Services Industry including its emerging Industry trends and Investment opportunities, macro understanding of the financial performance and movement in the median valuation multiples of companies operating in Services Industry and its Sub-Industries.

For preparation of this Services Industry Insight report on we have analysed 522 companies listed on NSE/BSE. After applying our proprietary filtration criteria for eliminating the outliers and adjusting for Infrequently Traded Companies, we have done detailed analysis of 75 companies which has been summarised in this report.

We hope this Industry Report Series: Financial performance and Valuation trends would be of use to the Corporates, Investors and Professionals. If you require any guidance or support or have any feedback, you may write to us at info@transique.in

To read about more such Industry Insights and Valuations of 21 Industries and 193 Sub Industries, click here: <https://www.transiqueadvisors.com/transique-insight/>

Executive Summary : Services Industry

Background

The services sector of India remains the engine of growth for India's economy. The service sector has emerged as the highest employment generator with a 5-7% y-o-y growth in 2022. Services export are projected to set a new record of US\$ 322.72 billion with a compound annual growth rate of 26.79% during 2022- 23 as compared to 2021-22. The consulting services market size is expected to grow from USD 308.57 billion in 2023 to USD 411.48 billion by 2028, at a CAGR of 4.96% during the forecast period (2023-2028).

Contribution to GDP

Approximately 5% by Aviation Sector and 3.5% by Road Transport

Employment Generation

4 million people by Aviation Sector and 4 million people by BPO Sector

Key Achievements

The Indian services sector was the largest recipient of FDI inflows worth US \$ 100.70 billion between April 2000 -December 2022. India is the digital capabilities hub of the world with presence of 75% of global digital talent.

Present Scenario

India's service exports stood at US\$ 322.72 billion, whereas imports stood at US\$ 177.94 billion in April-March 2022-23. As on 31st March 2023, 473 routes and 74 airports have been operationalised under RCS-UDAN. Indian Maritime Sector contributes to 95% of India's trade by volume and 70% by value. India's key ports had a capacity of 646.10 million tonnes per annum (MTPA) during April-January 2023. Today there are over 47,000 Indian consulting firms that offer a wide range of services, including IT consulting, engineering consulting, manufacturing consulting, and healthcare consulting.

Growth Drivers

A rising proportion of middle-income households, healthy competition amongst Low-Cost Carriers, infrastructure buildup at leading airports and supportive policy framework has given a positive push to the aviation sector. This fast growth of consulting sector in India is largely attributable to improved investment activities because of the low-cost structure, entry of many big players into the Indian market, and relaxation of previous FDI restrictions. With its talented professionals, diverse expertise, and cost-effective solutions, India continues to attract businesses seeking consulting services.

Future Outlook

The India Aviation Market size is expected to grow from USD 10.89 billion in 2023 to USD 12.55 billion by 2028, at a CAGR of 2.87% during the forecast period (2023-2028). The business process outsourcing (BPO) services in India is expected to grow at a CAGR of 5.8% to reach US\$ 8.8 billion by 2025, driven by a rising demand for outsourcing knowledge-based and vertical-specific processes.

Investment Opportunities

- To augment the airport infrastructure the government aims to develop 100 airports by 2024 (under the UDAN Scheme) and expects to invest \$1.83 bn in the development of airport infrastructure by 2026. Till date 74 airports have been developed. More than 2.15 lakh UDAN flights have operated and over 1.1 crore passengers have availed the benefits in UDAN flights so far.
- Cargo Volume at Indian Ports is projected to grow to 1650 MTPA by 2020 and 2500 MTPA by 2025. This will call for major expansion and modernisation of existing ports as well as development of 6-8 new ports.
- This opens tremendous opportunities for port operators to invest in enhancing capacity of existing ports as also taking up development of new ports.
- It is proposed to build new ports at Sagar in West Bengal, Paradip Outer Harbour in Odisha, Enayam in Tamil Nadu, Vadhavan in Maharashtra, central Andhra Pradesh, south-eastern Tamil Nadu and northern Karnataka.
- The fast growth of consulting sector in India is largely attributable to improved investment activities because of the low-cost structure, entry of many big players into the Indian market, and relaxation of previous FDI restrictions. With its talented professionals, diverse expertise, and cost-effective solutions, India continues to attract businesses seeking consulting services. As the industry evolves, Indian consulting firms are well-positioned to drive innovation, deliver value, and shape the future of businesses across sectors.
- Despite the expansion of consulting organizations, the size of individual firms is growing in response to another industry trend. Consulting firms that are unable to compete on size are trying to fulfil the client's requirements by outsourcing their projects to another firm while maintaining responsibility for the overall project.

Financial Performance & Valuation Multiples Trends Analysis- Services Industry

Sub-Industries	Financial Performance			Valuation Multiples
	Revenue Growth	EBITDA Margin	Debt to Market Cap	EV/EBITDA Multiple
Port & Port services	From FY 21 to 2023 at CAGR 28%	Decreased to 52% in 2023 from 67% in FY 21	Increased to 0.17 in 2023 from 0.13 in FY 21	Increased to 14x in 2023 from 12x in FY 21
Diversified Commercial Services	From FY 21 to 2023 at CAGR 17%	Increased to 20% in 2023 from 18% in FY 21	Decreased to 0.03 in 2023 from 0.08 in FY 21	Increased to 13x in 2023 from 10x in FY 21
Logistics Solution Provider	From FY 21 to 2023 at CAGR 24%	Increased to 14% in 2023 from 12% in FY 21	Decreased to 0.09 in 2023 from 0.29 in FY 21	Increased to 13x in 2023 from 9x in FY 21
Trading & Distributors	From FY 21 to 2023 at CAGR 18%	Constant at 7% in 2023 in comparison to FY 21	Decreased to 0.08 in 2023 from 0.14 in FY 21	Increased to 12x in 2023 from 6x in FY 21
Airline	From FY 21 to 2023 at CAGR 23%	Decreased to 31% in 2023 from 33% in FY 21	Increased to 0.01 in 2023 from 0 in FY 21	Increased to 11x in 2023 from 2x in FY 21

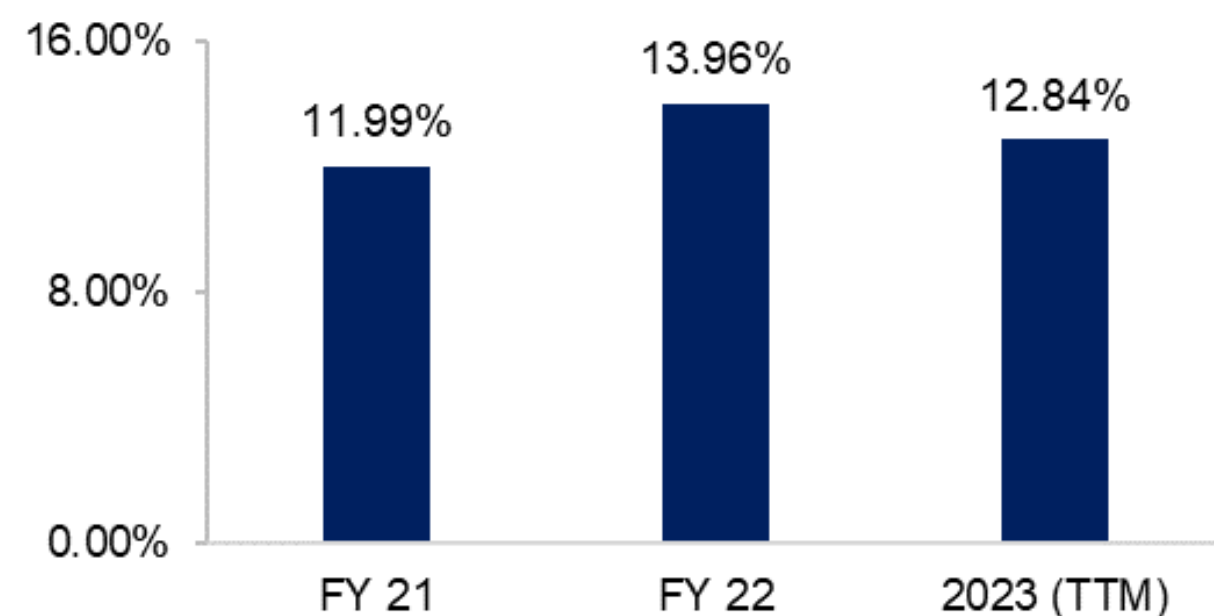
Financial Performance & Valuation Multiples Trends Analysis- Services Industry

Sub-Industries	Financial Performance			Valuation Multiples
	Revenue Growth	EBITDA Margin	Debt to Market Cap	EV/EBITDA Multiple
BPO/KPO	From FY 21 to 2023 at CAGR 23%	Constant at 20% in 2023 in comparison to FY 21	Decreased to 0.05 in 2023 from 0.06 in FY 21	Increased to 10x in 2023 from 8x in FY 21
Road Transport	Negative Growth From FY 21 to 2023 at CAGR -7%	Increased to 5% in 2023 from 4% in FY 21	Decreased to 0.35 in 2023 from 0.54 in FY 21	Increased to 9x in 2023 from 7x in FY 21
Consulting Services	Negative Growth From FY 21 to 2023 at CAGR -9%	Decreased to 14% in 2023 from 33% in FY 21	Decreased to 0.35 in 2023 from 0.95 in FY 21	Increased to 9x in 2023 from 5x in FY 21
Road Assets- Toll, Annuity, Hybrid-Annuity	From FY 21 to 2023 at CAGR 13%	Decreased to 57% in 2023 from 81% in FY 21	Increased to 0.74 in 2023 from 0.61 in FY 21	Increased to 9x in 2023 from 5x in FY 21
Shipping	From FY 21 to 2023 at CAGR 26%	Increased to 42% in 2023 from 41% in FY 21	Decreased to 0.31 in 2023 from 0.91 in FY 21	Decreased to 4x in 2023 from 5x in FY 21

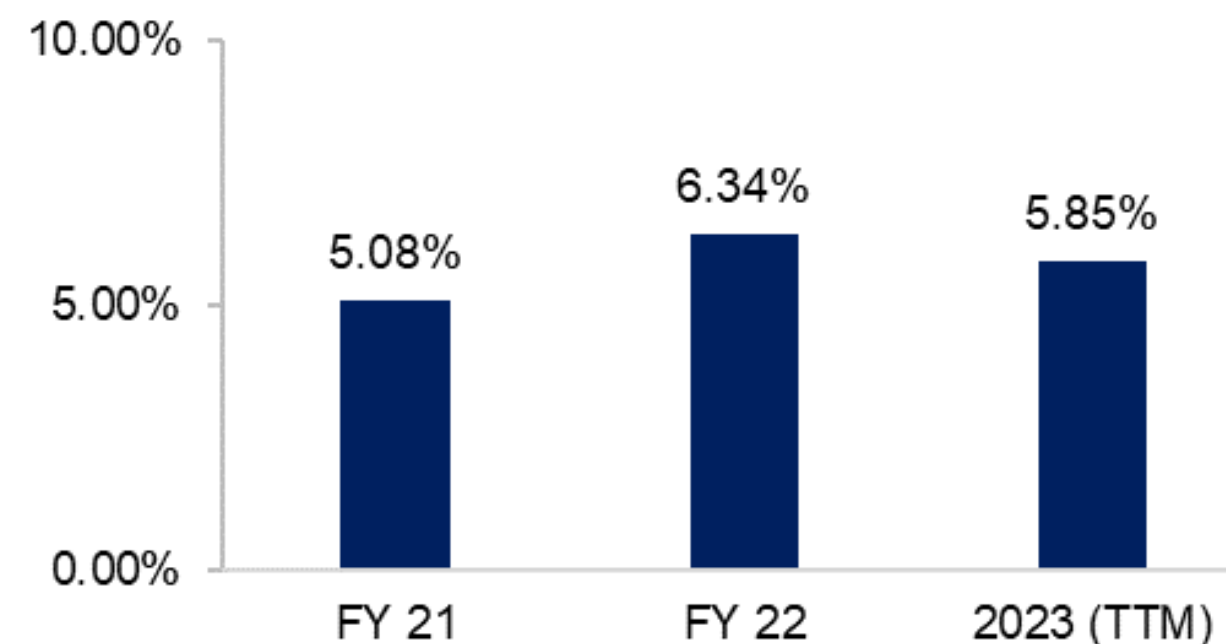


Financial Performance Charts for 3 Years of Services Industry

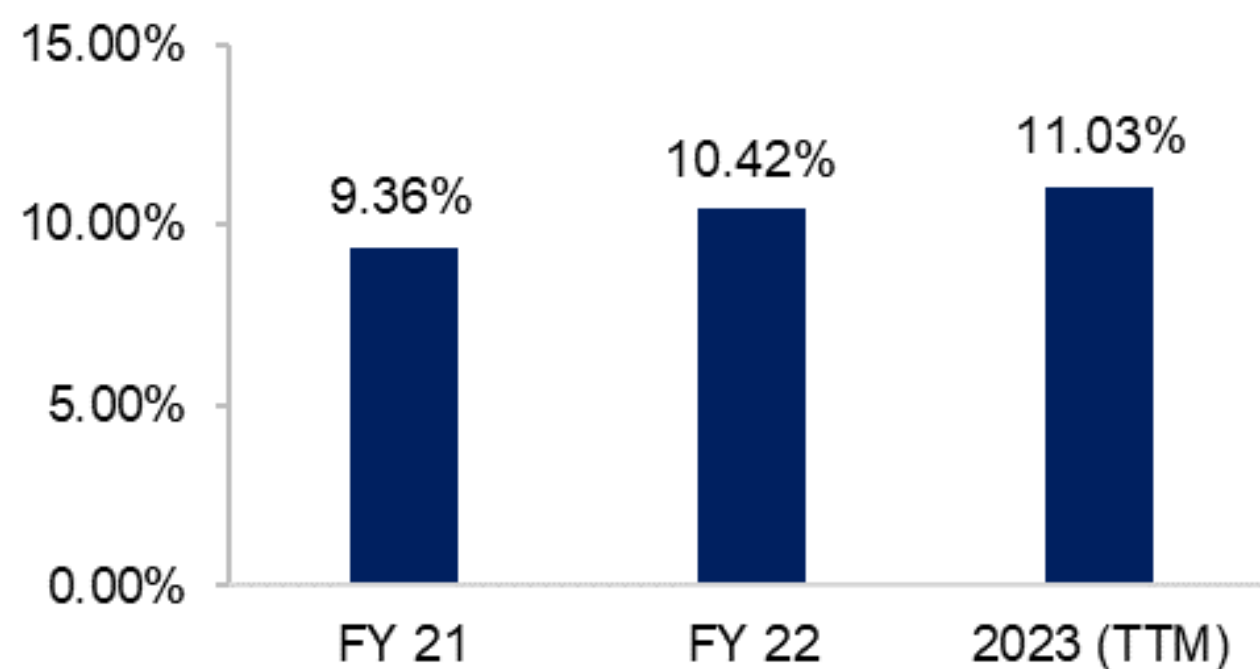
EBITDA Margin (%)



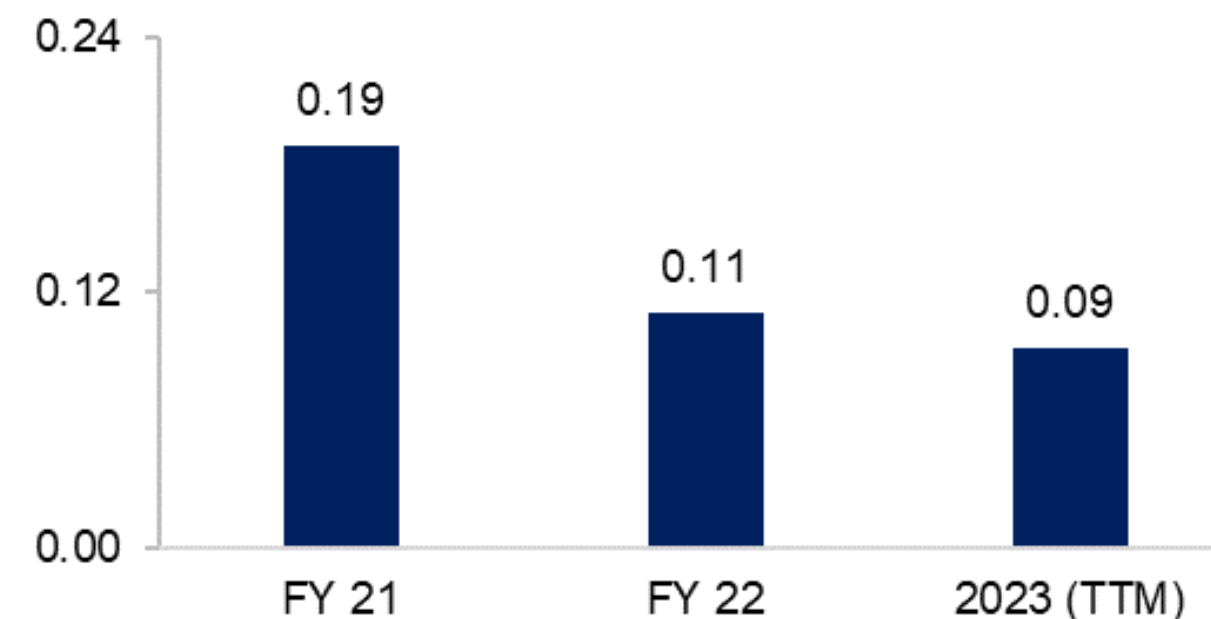
PAT Margin (%)



ROCE (%)



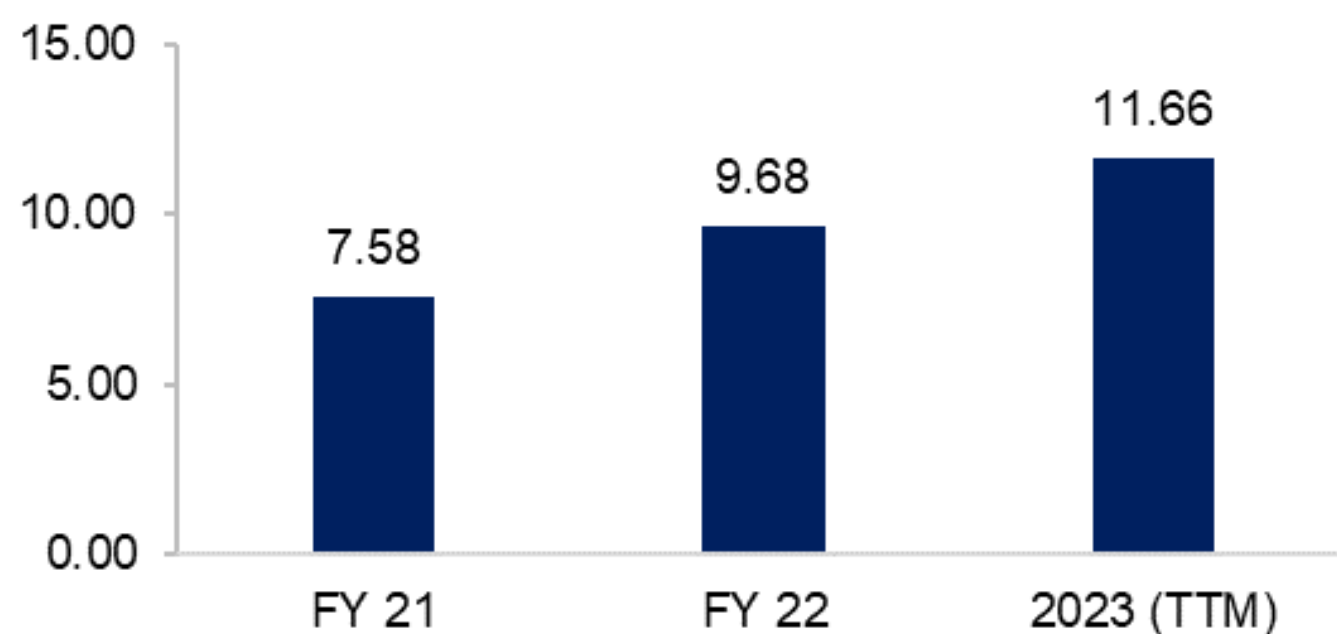
Debt to Market Cap Ratio



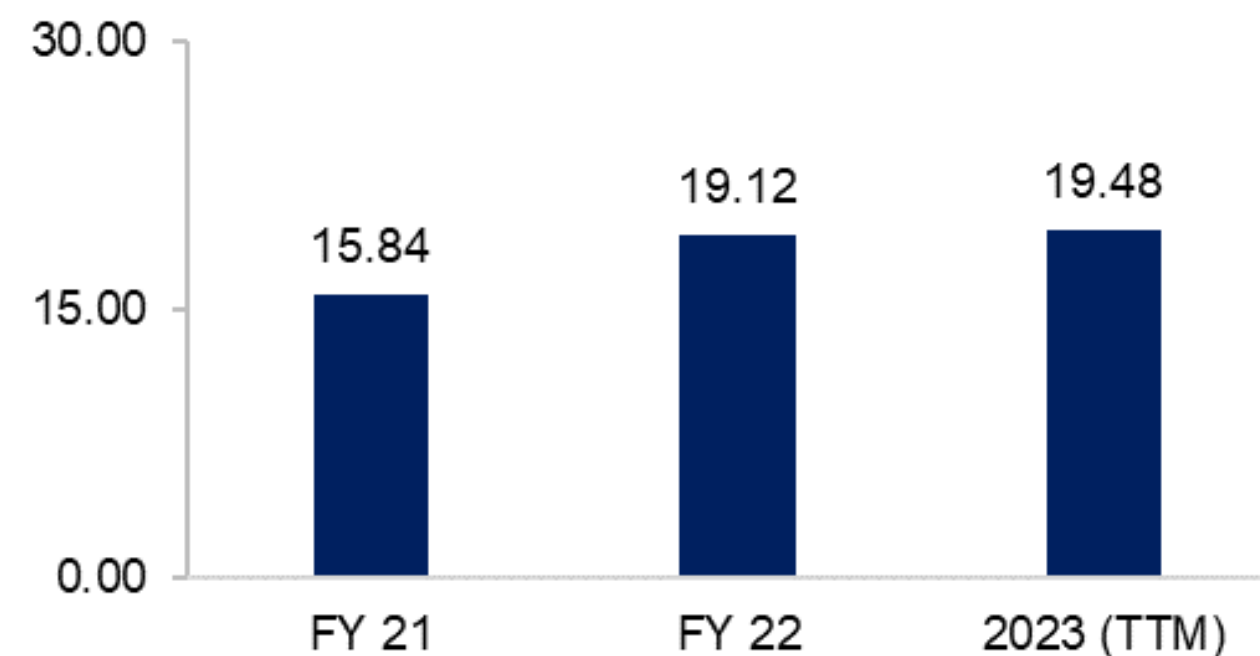


Valuation Multiples Trend analysis for 3 Years of Services Industry

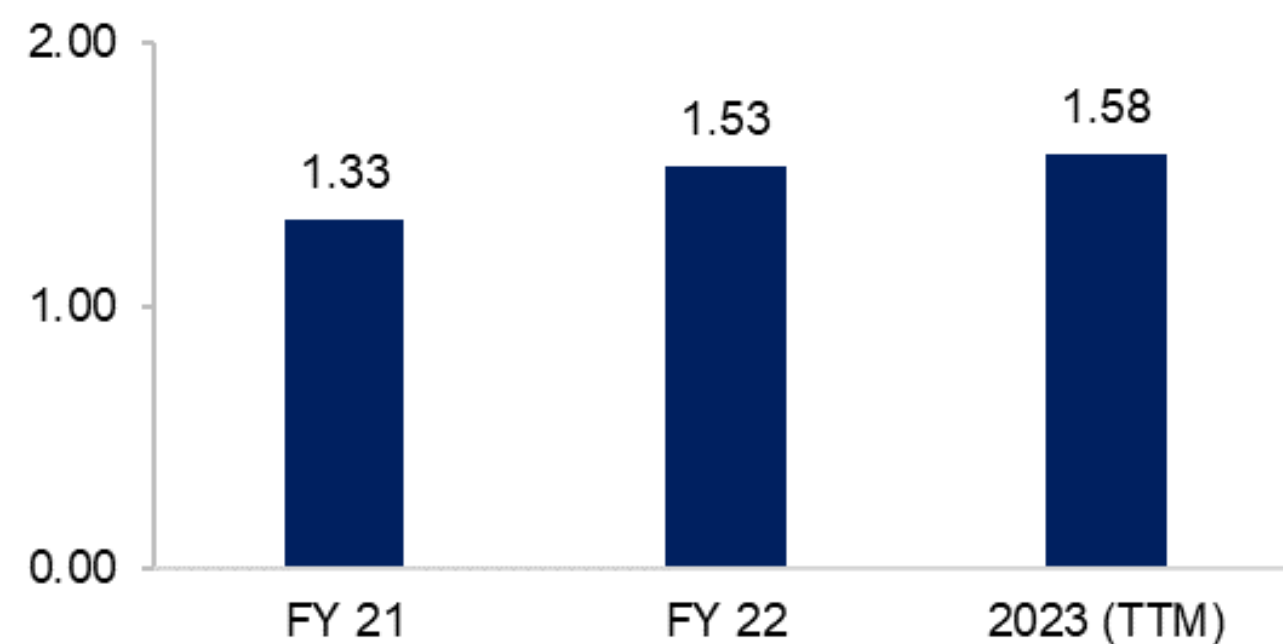
EV/EBITDA



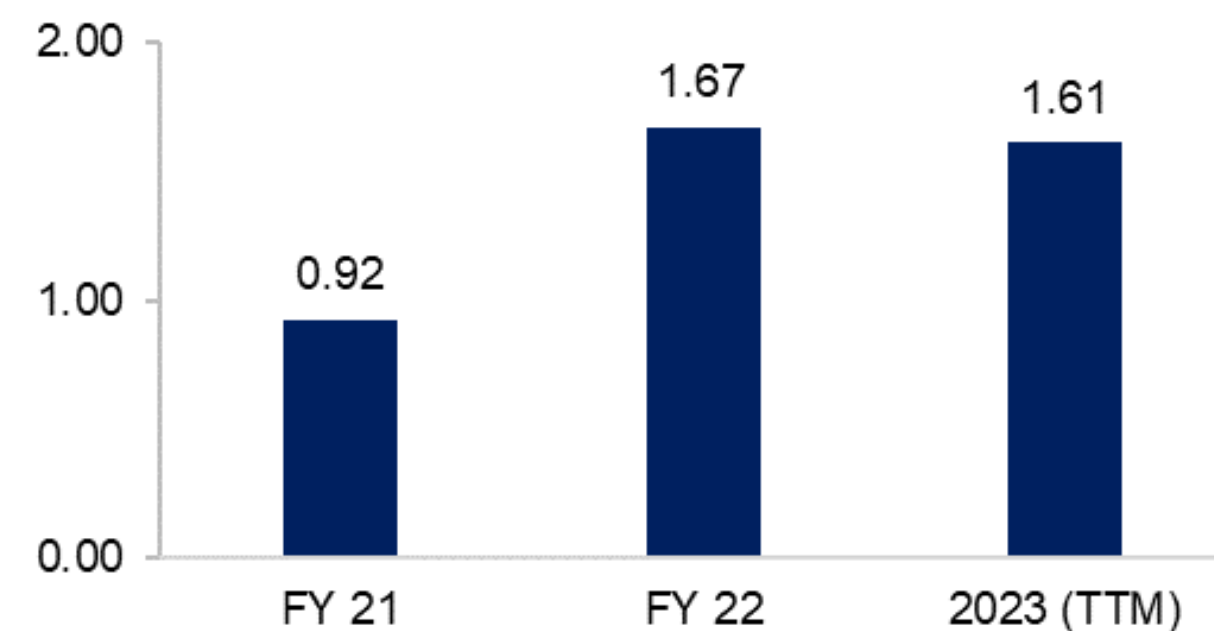
Price to Earnings (PE)



Price to BV



Market Cap/Sales



Top Performing Companies in Services Industry

Port & Port
services



Diversified
Commercial
Services



Logistics Solution
Provider



Trading &
Distributors



Airline



Top Performing Companies in Services Industry



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BPO/KPO



eClerx



Road Transport



Consulting Services



Road Assets-Toll, Annuity, Hybrid-Annuity

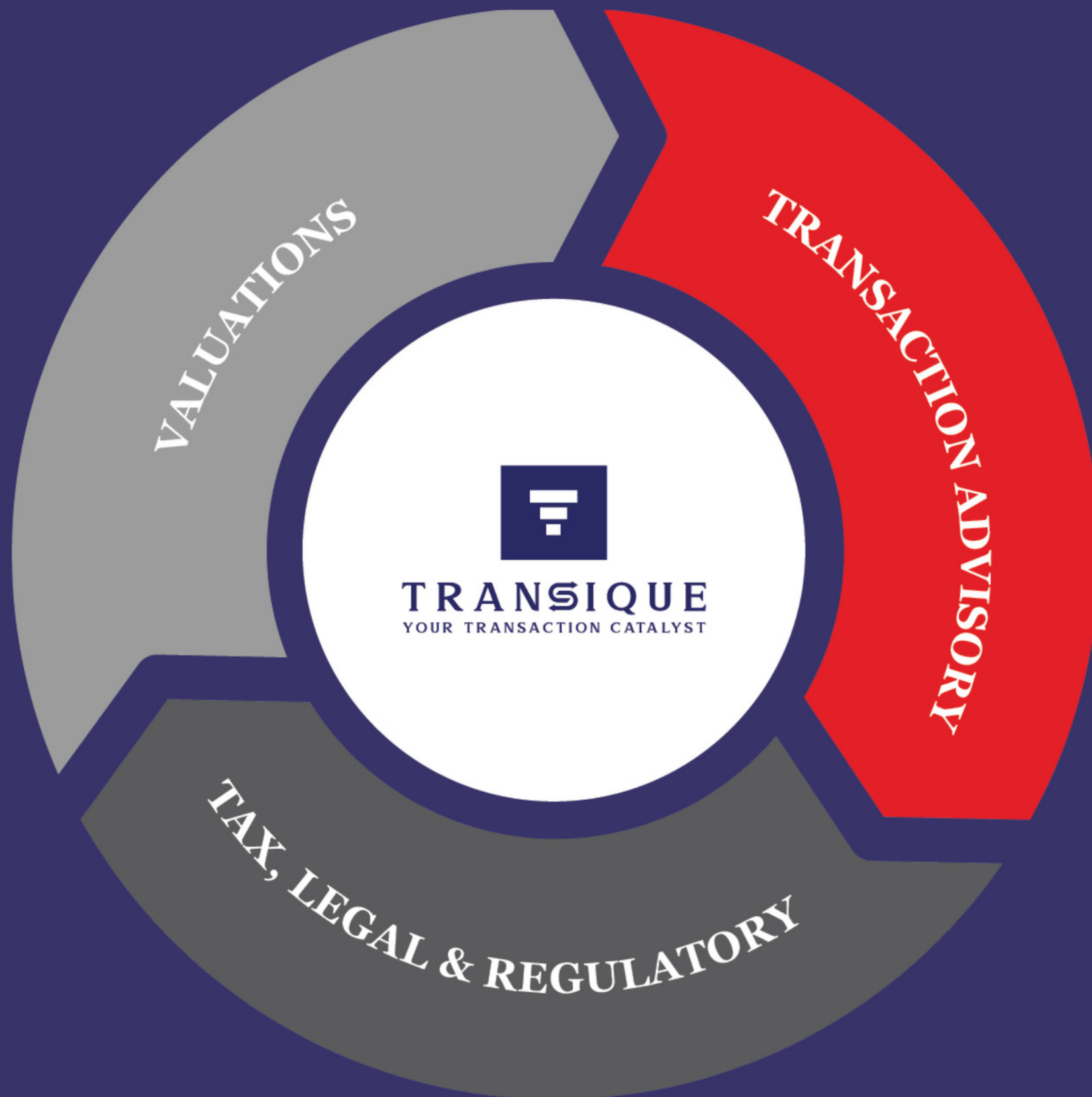


Shipping



Industry, Sub Industry & Sub Group Classification

Industry	Sub Industry	Sub Group	No. of Companies
Services	Airline	Transport - Airlines	1
	BPO/KPO	IT Enabled Services / Business Process Outsourcing	3
		Computers - Software - Medium / Small	1
		Diversified - Large	1
	Consulting Services	Construction - Housing - Medium / Small	1
		Engineering - Turnkey Services	1
	Diversified Commercial Services	Finance - Housing - Medium / Small	1
		Finance - Investment / Others	2
		Finance - Small	1
		Miscellaneous - Large	2
		Miscellaneous - Medium / Small	3
		NBFC-Others	1
		Trading - Medium / Small	3
	Logistics Solution Provider	Couriers	1
		Finance - Small	1
		Miscellaneous - Medium / Small	1
		Transport - Road	13
	Port & Port services	Miscellaneous - Large	1
		Miscellaneous - Medium / Small	1
	Road Assets–Toll, Annuity, Hybrid-Annuity	Infra/ Real Estate Investment Trust	1
	Road Transport	Transport - Road	1
	Shipping	Shipping - Large	3
		Shipping - medium / small	1
	Trading & Distributors	Construction - Factories / Offices / Commercial	2
		Electric Equipment - General - Medium / Small	1
		Paper - Medium / Small	1
		Securities/Commodities Trading Services	1
Trading - Large		1	
Trading - Medium / Small		24	
	Total	75	



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