

# SIS LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.357.35 (As on 10<sup>th</sup> Feb 2023)

TARGET PRICE : Rs.429.00

FACE VALUE : Rs.5

BSE CODE : 540673

NSE CODE : SIS





SIS Ltd. is a market leader in security, facility management and cash logistics services and operates in India, Australia, New Zealand and Singapore.

The Company, through its subsidiaries, associates and joint ventures is engaged in providing security and related services consisting of manned guarding, training, physical security, paramedic and emergency response services; loss prevention, asset protection and mobile patrols; facility management services consisting of cleaning, house-keeping and pest control management services; cash logistics services consisting of cash-in- transit, door step banking, ATM cash replenishment activities, cash handling and processing, and secure transportation of precious items and bullion; and alarm monitoring and response services consisting of installation of electronic security devices and systems, their monitoring and response.

## ABOUT THE COMPANY



## Security Solutions - India

The India Security Solutions business comprises five entities – our flagship SIS security business, SLV, Uniq, Tech SIS, and Vprotect. We continue our leadership position as the largest security solutions company in India.

- The business currently operates across 182 branches and has 181,198 employees (an increase of 3,092 over Q2FY23).
- Revenue for the segment is INR 1,203.2 Cr. which was a 4.6% quarterly growth over Q2 FY23 and a 21.0% YoY increase over the same quarter in the previous year.
- EBITDA continued tracking back to pre-Covid levels with Q3 FY23 at INR 58.4 Cr. (4.9% of revenue) which was a 14.4% quarterly growth over Q2 FY23 (4.4% of revenue) and a 37.3% growth over the same quarter in the previous year.
- On a standalone basis SIS has crossed the INR 1,000 Cr quarterly revenue milestone during Q3 FY23.
- New order wins during the quarter were more than INR 21 Cr. of monthly revenue. Major wins during the quarter came from the Financial, Retail, Healthcare, and Education segments.
- Our technology and electronic security solutions businesses continue to grow, with 693 new installations during the quarter in VProtect, our Alarm monitoring and response business, which now services 13,146 customer connections. Additionally, the VProtect business has a strong pipeline with 3,600 sites of confirmed orders to implement in the coming quarters.
- DSO days for the segment remained flat at 78 days.





## Security Solutions - International

The International Security Solution business comprises four entities – MSS and SXP in Australia, Platform4Group (P4G) in New Zealand, and Henderson in Singapore. We continue to be the market leader in Australia and a top 3 player in New Zealand.

- The International Security Solutions business currently has 8,773 employees.
- Revenue for the segment in Q3 was INR 1,219.1 Cr. compared to INR 1,161.3 Cr. in Q2 FY23.
- EBITDA for the segment in Q3 was INR 48.3 Cr. compared to INR 37.9 Cr. in Q2 FY23, a 27.4% q-o-q increase.
- The increase in EBITDA is mainly due to the continued catch-up of the price revisions based on the wage revisions which took place in the previous quarter and additional revenue during the Christmas and New Year season which are at higher margins.
- We started implementing profit improvement initiatives which are expected to yield results in the coming quarters.
- Labour shortages across international geographies continued to have an impact on the costs.
- New order wins during the quarter were worth almost AUD 14 Mn monthly. Major wins during the quarter came from BFSI, Commercial Spaces, and Mining segments.
- DSO marginally inched up by 1 day to 47 days during the quarter.





## Facility Management Solutions

The Facility Management Solutions business comprises DTSS, SMC, RARE Hospitality, and TerminixSIS. The Group operates the second largest FM business in India.

- The FM business currently operates across 108 branches and has 81,288 employees, an increase of 4,530 over the previous quarter.
- Strong revenue growth momentum continued for the segment with Q3 FY23 revenues at INR 497.3 Cr. which was a 5.5% quarterly growth over Q2 FY23 and a 35.2% YoY increase over the same quarter in the previous year.
- EBITDA slightly declined with Q3 FY23 at INR 19.7 Cr. which was a 5.6% quarterly decline over Q2 FY23 but a 11.9% increase over the same quarter in the previous year. This decline in margin is majorly contributed by the time lag between wage and price increase in certain fixed price contracts, additional repair & maintenance cost in Q3 towards equipment deployed at mechanised cleaning sites and certain revenues in the nature of cost reimbursements.
- Our Pest control business Terminix SIS has been recognised as the most responsive vendor across all its vendors by JLL during this quarter.
- The role of technology in service delivery is increasing with increasing interest from customers for more mechanized and advanced facility management solutions.
- New order wins during the quarter were around INR 11 Cr. of monthly revenue. Major wins during the quarter came from Healthcare, Education, and retail segments.
- We see an increasing trend of large customers looking to consolidate their service providers to achieve cost savings and be more compliant which is a favourable factor for organized players like us and our integrated business service solutions offering One SIS.
- DSO days slightly inched up to 85 days during Q3 FY23.



## Cash Logistics Solutions

The cash management business is a JV with Prosegur of Spain, a world leader in cash solutions. We have a 49% holding in the JV, the second largest cash logistics business in India.

- The Cash Logistics Solutions business currently operates over 2,700 cash vans and 60 vaults covering over 300 cities across India
- The business is showing consistent strong revenue growth with another quarter of the highest ever quarterly revenue at INR 142.9 Cr. for Q3 FY23, a growth of 51.7% YoY and 11.5% QoQ.
- Nine months YTD FY23 revenue exceeded the full year FY22 segmental revenue, driven by growth in business aided by ongoing increase of RBI / MHA implementation.
- EBITDA for Q3FY23 grew 85.6% y-o-y mainly driven by ATM and DSB segments.
- DSO remained stable during the quarter at 85 days.





## Q3 FY23 Earnings Highlights

Q3 &amp; 9M - FY23

**Q3 FY23 Revenues****INR 2,904.3 Cr.**▲ 4.9% QoQ  
▲ 11.7% YoY**Q3 FY23 EBITDA****INR 126.4 Cr.**▲ 15.1% QoQ  
▼ -2.6% YoY**Q3 FY23 PAT****INR 103.4 Cr.**▲ 53.4% QoQ  
▲ 2.7% YoY**ROE****16.7%****9M FY23 Revenues****INR 8,350.1 Cr.**

▲ 12.7% YoY

**9M FY23 EBITDA****INR 356.9 Cr.**

▼ -4.6% YoY

**9M FY23 PAT****INR 253.4 Cr.**

▲ 10.9% YoY

- Revenue for Q3 FY23 was INR 2,904.3 Cr., which was 4.9% growth q-o-q and 11.7% growth y-o-y.
- EBITDA for Q3 FY23 was INR 126.4 Cr., which was 15.1% growth q-o-q and -2.6% growth y-o-y.
- PAT for Q3 FY23 was INR 103.4 Cr., which was 53.4% growth q-o-q and 2.7% growth y-o-y.
- Return on Equity for the period ended 31<sup>st</sup> December 2022 was 16.7% on a TTM basis.
- Security Solutions – India business revenue posted a growth of 21.0% y-o-y and 4.6% q-o-q. Facility Management Solutions business revenue also continued its growth momentum at 35.2% y-o-y and 5.5% q-o-q. Security Solutions – International business revenue posted a growth of 5.0% q-o-q and -2.2% y-o-y. Cash Logistics Solutions revenue also continued its strong growth at 51.7% y-o-y and 11.5% q-o-q.

# Yearly Results

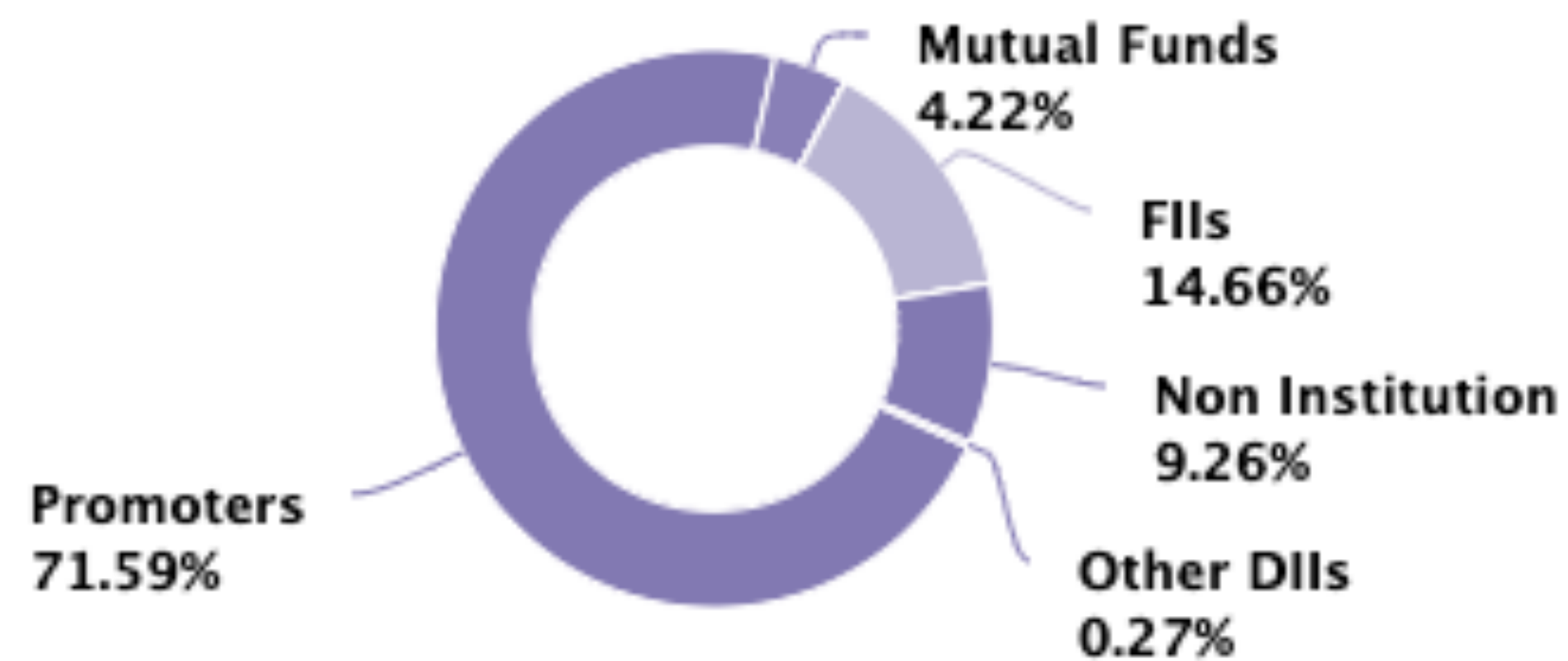
YEARLY RESULTS OF SIS (in Rs. Cr.)	MAR '22	MAR '21	MAR '20	MAR '19	MAR '18
Net Sales/Income from operations	10,059.08	9,127.30	8,485.17	7,093.27	5,833.37
Total Income From Operations	10,059.08	9,127.30	8,485.17	7,093.27	5,833.37
EXPENDITURE					
Consumption of Raw Materials	39.85	31.46	25.62	25.98	20.44
Purchase of Traded Goods	42.90	45.63	61.82	47.51	5.54
Increase/Decrease in Stocks	-3.13	2.97	-4.21	-10.84	10.30
Employees Cost	7,811.25	7,056.48	6,896.30	5,757.07	4,766.02
Depreciation	111.55	113.03	128.34	65.95	55.97
Other Expenses	1,669.71	1,469.99	985.24	908.40	719.12
P/L Before Other Inc., Int., Excpt. Items & Tax	386.95	407.75	392.05	299.21	255.99
Other Income	52.68	477.79	53.15	17.69	36.54
P/L Before Int., Excpt. Items & Tax	439.63	885.54	445.20	316.90	292.53
Interest	98.37	127.25	151.72	93.83	92.48
P/L Before Exceptional Items & Tax	341.26	758.29	293.47	223.06	200.05
Exceptional Items	--	-276.25	--	--	-0.83
P/L Before Tax	341.26	482.05	293.47	223.06	199.22
Tax	17.93	115.38	63.62	-5.15	24.40
P/L After Tax from Ordinary Activities	323.33	366.66	229.86	228.22	174.81
Net Profit/(Loss) For the Period	323.33	366.66	229.86	228.22	174.81
Share Of P/L Of Associates	2.60	0.55	-4.40	-13.54	-11.79
Net P/L After M.I & Associates	325.93	367.21	225.45	214.68	163.03
Equity Share Capital	73.52	74.15	73.32	73.31	73.18
Reserves Excluding Revaluation Reserves	1,975.19	1,748.76	1,289.88	1,155.00	955.12
EPS BEFORE EXTRA ORDINARY					
Basic EPS	22.09	24.85	15.38	29.48	22.77
Diluted EPS	21.87	24.73	15.13	29.01	22.36
EPS AFTER EXTRA ORDINARY					
Basic EPS.	22.09	24.85	15.38	29.48	22.77
Diluted EPS.	21.87	24.73	15.13	29.01	22.36



Key Financial Ratios

KEY FINANCIAL RATIOS OF SIS (in Rs. Cr.)	MAR 22	MAR 21	MAR 20	MAR 19	MAR 18
PER SHARE RATIOS					
Basic EPS (Rs.)	22.09	24.85	15.38	29.48	22.77
Diluted EPS (Rs.)	21.87	24.73	15.13	29.01	22.36
Cash EPS (Rs.)	29.58	32.35	24.43	40.13	31.54
Book Value [ExclRevalReserve]/Share (Rs.)	141.08	123.59	94.70	170.53	140.70
Book Value [InclRevalReserve]/Share (Rs.)	141.08	123.59	94.70	170.53	140.70
Revenue from Operations/Share (Rs.)	684.14	615.45	578.65	967.53	797.08
PBDIT/Share (Rs.)	37.49	67.33	39.11	52.22	47.62
PBIT/Share (Rs.)	29.90	59.71	30.36	43.23	39.97
PBT/Share (Rs.)	23.21	32.50	20.01	30.43	27.22
Net Profit/Share (Rs.)	21.99	24.72	15.68	31.13	23.89
NP After MI And SOA / Share (Rs.)	22.11	24.64	15.38	29.44	22.15
PROFITABILITY RATIOS					
PBDIT Margin (%)	5.47	10.94	6.75	5.39	5.97
PBIT Margin (%)	4.37	9.70	5.24	4.46	5.01
PBT Margin (%)	3.39	5.28	3.45	3.14	3.41
Net Profit Margin (%)	3.21	4.01	2.70	3.21	2.99
NP After MI And SOA Margin (%)	3.23	4.00	2.65	3.04	2.77
Return on Networth/Equity (%)	15.69	19.95	16.23	17.26	15.76
Return on Capital Employed (%)	14.76	31.01	16.25	11.33	9.05
Return on Assets (%)	6.37	7.25	4.84	5.10	5.80
Total Debt/Equity (X)	0.64	0.64	0.84	0.76	0.52
Asset Turnover Ratio (%)	0.94	181.10	182.39	167.91	208.77
LIQUIDITY RATIOS					
Current Ratio (X)	1.31	1.33	1.25	1.48	1.69
Quick Ratio (X)	1.29	1.32	1.23	1.46	1.67
Inventory Turnover Ratio (X)	0.00	295.45	250.60	279.69	412.19
Dividend Payout Ratio (NP) (%)	0.00	0.00	24.38	5.08	9.03
Dividend Payout Ratio (CP) (%)	0.00	0.00	15.54	3.89	6.71
Earnings Retention Ratio (%)	0.00	0.00	75.62	94.92	90.97
Cash Earnings Retention Ratio (%)	0.00	0.00	84.46	96.11	93.29
COVERAGE RATIOS					
Interest Coverage Ratios (%)	5.60	6.96	2.93	3.38	3.16
Interest Coverage Ratios (Post Tax) (%)	5.60	6.96	2.93	3.38	3.16
VALUATION RATIOS					
Enterprise Value (Cr.)	7,732.12	5,866.82	6,886.16	6,608.41	8,229.35
EV/Net Operating Revenue (X)	0.77	0.64	0.81	0.93	1.41
EV/EBITDA (X)	14.03	5.88	12.01	17.26	23.61
MarketCap/Net Operating Revenue (X)	0.71	0.63	0.75	0.87	1.41
Retention Ratios (%)	0.00	0.00	75.61	94.91	90.96
Price/BV (X)	3.45	3.16	4.56	4.96	8.01
Price/Net Operating Revenue	0.71	0.63	0.75	0.87	1.41
Earnings Yield	0.05	0.06	0.04	0.03	0.02

## Shareholding Pattern an on Dec'22





# Summary

- ❖ With deliverance of steady performance in Q3 of FY'23, the Company's Net Sales grew up by 11.66% i.e. Rs.2904.28 crs in Dec'22 as compared to Rs.2600.85 crs in Dec'21. However, the Net Profits increased by 2.74% i.e. Rs.103.42 crs in Dec'22 versus Rs.100.66 crs in Dec'21. In addition to this, the Statement of Changes in Equity witnessed a decrease in the Equity Capital i.e. Rs.72.86 crs in Dec'22 juxtapose to Rs.73.45 crs in Dec'21.
- ❖ Considering healthy performance and fine financials, the Company is available at a fair price of Rs.357.35 with its 52 week low at Rs.337.00 and 52 week high at Rs.560.00.
- ❖ Since the Promoters are holding majority stake around 71.59% as well as its healthy valuations, anticipates that the Management is growth oriented.
- ❖ The Shareholding Pattern as on Dec'22, shows the FIIs and the Other DIIs altogether held 14.93% stake. Whilst, the Mutual Fund Houses own 4.22% holdings in the Company.
- ❖ As a reaffirming fact, SIS Ltd. is held by NIPPON INDIA MF, ABSL MF, SUNDARAM MF, QUANT MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 15.69% & 14.76% respectively as on Mar'22.

# Disclosure

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