

SIS Ltd.

5th May 2025

Impairment of goodwill impacted bottomline

In Q4 FY25, SIS Ltd. reported a revenue growth of ~9% and an operating profit growth of 10% on a YoY basis. During the quarter, the Security Services – India segment grew by ~10% to ~Rs. 14.4 Bn, with an increase of 8 bps in the EBITDA margin on a YoY basis, resulting in a margin of ~5.6%. The Security Solutions – International segment grew by a ~8% to ~Rs. 14.2 Bn, with a 28 bps reduction in the EBITDA margin to ~3.8% in Q4 FY25 on a YoY basis. The Facility Management segment's revenue grew by ~13% to ~Rs. 5.9 Bn, with a 74 bps improvement in the EBITDA margin on a YoY basis to ~4.7%.

Impairment of goodwill

SIS acquired Henderson, SLV, and Uniq in FY19 with earnouts linked to business projections, recording goodwill based on these targets. COVID-19 severely impacted actual performance, leading to reduced payouts and a mismatch between projected liabilities and realized outcomes. Management conducted annual impairment tests, resulting in a Rs.3,058 Mn goodwill write-down for these entities and ADIS in Q4FY25 to align carrying values with post-COVID performance and fair-value adjustments.

No change in margin aspirations

Target margin expectations are as follows: a) Security India: 6%+, b) Security International: 4.5%+, and c) Facility Management: 6%+. To achieve these targets, management plans to increase employees per branch to 1.3x and reduce SG&A expenses. Additionally, to further improve PAT margins, the Company aims to lower its debt and reduce financing costs.

View & Valuation

The management continues to maintain profitability in Security – India and increase it in FM – India. However, the Company is lacking delivery on topline growth. In addition to this, we are skeptical that there can be a possibility of further goodwill impairment. Considering all the above, we revise our estimates and maintain a BUY rating on SIS with a 15x PE on FY26E EPS, suggesting a target price of Rs. 361 and an upside of ~11%

BUY

CMP Rs. 326

TARGET Rs. 361 (+11%)

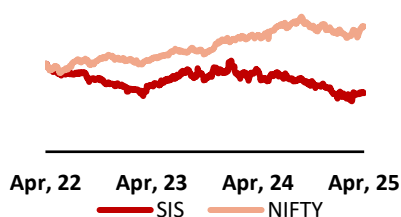
Company Data

Bloomberg Code	SECIS IN
MCAP (Rs. Mn)	46,871
O/S Shares (Mn)	144
52w High/Low	467 / 288
Face Value (in Rs.)	5
Liquidity (3M) (Rs. Mn)	~40

Shareholding Pattern %

	Mar-25	Dec-24	Sep-24
Promoters	71.99	72.09	71.85
FIIIs	13.01	13.17	13.56
DIIIs	5.26	5.25	5.25
Non-Institutional	9.75	9.49	9.34

SIS vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Bn)	FY24	FY25	FY26E
Revenue	123	132	141
EBITDA	6	6	7
Net Profit	2	0	4
Total Assets	58	58	62
ROCE (%)	12%	15%	13%
ROE (%)	8%	0%	14%

Source: Company, Keynote Capitals Ltd.

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Q4 FY25 Result Update

Result Highlights (Rs. Mn)

Particulars	Q4 FY25	Q4 FY24	Change % (Y-o-Y)	Q3 FY25	Change % (Q-o-Q)	FY25	FY24	Change % (Y-o-Y)
Revenue	34,279	31,376	9%	33,625	2%	1,31,890	1,22,614	8%
Employee benefit expense*	28,121	25,884	9%	28,071	0%	1,10,303	1,01,944	8%
Gross Profit	6,158	5,493	12%	5,554	11%	21,587	20,670	4%
Gross Profit %	18%	18%	46 bps	17%	145 bps	16%	17%	-49 bps
Operating expenses	4,510	3,997	13%	3,987	13%	15,550	14,826	5%
EBITDA	1,648	1,495	10%	1,568	5%	6,038	5,845	3%
EBITDA %	4.8%	4.8%	4 bps	4.7%	14 bps	4.6%	4.8%	-19 bps
Depreciation	386	485	-20%	407	-5%	1,638	1,663	-2%
EBIT	1,262	1,010	25%	1,161	9%	4,400	4,181	5%
Finance Cost	376	402	-6%	405	-7%	1,606	1,482	8%
Other Income	166	160	4%	321	-48%	680	427	59%
Exceptional items	-3,058	-651	370%	0	-	-3,058	-656	366%
PBT	-2,006	117	-1807%	1,077	-286%	416	2,470	-83%
Share of Associates	62	62	0%	67	-7%	258	248	4%
Tax	291	290	1%	122	139%	556	819	-32%
PAT	-2,235	-111	1917%	1,021	-319%	118	1,900	-94%
EPS	-15.5	-0.8	-	7.0	-	0.8	13.0	-

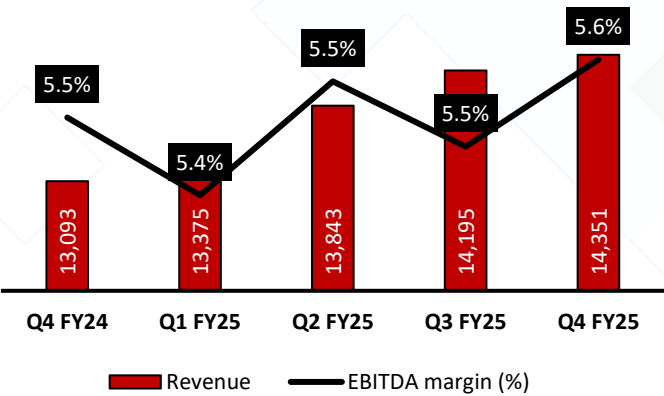
Segment Highlights (Rs. Mn)

Particulars	Q4 FY25	Q4 FY24	Change % (Y-o-Y)	Q3 FY25	Change % (Q-o-Q)	FY25	FY24	Change % (Y-o-Y)
Revenue								
Security Solutions - India	14,351	13,093	10%	14,195	1%	55,764	51,585	8%
Security Solutions - International	14,236	13,219	8%	13,829	3%	54,299	50,690	7%
Facility Management	5,870	5,201	13%	5,763	2%	22,470	20,921	7%
Operating Profit								
Security Solutions - India	800	719	11%	774	3%	3,061	2,918	5%
Security Solutions - International	576	572	1%	530	9%	1,982	2,062	-4%
Facility Management	274	204	34%	266	3%	999	865	15%
Operating Profit Margin %								
Security Solutions - India	5.6%	5.5%	8 bps	5.5%	12 bps	5.5%	5.7%	-17 bps
Security Solutions - International	4.0%	4.3%	-28 bps	3.8%	21 bps	3.7%	4.1%	-42 bps
Facility Management	4.7%	3.9%	74 bps	4.6%	6 bps	4.4%	4.1%	31 bps

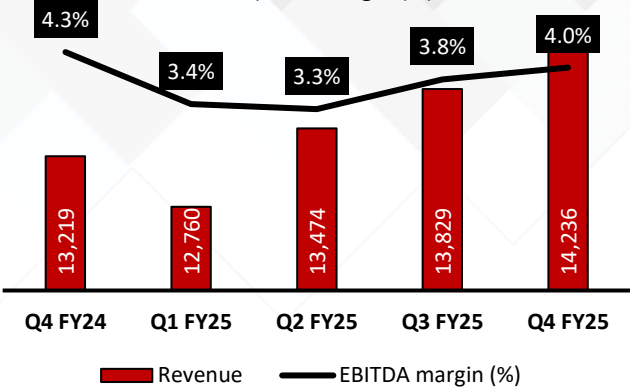
Source: Company, Keynote Capitals Ltd.

Quarterly Business Progression

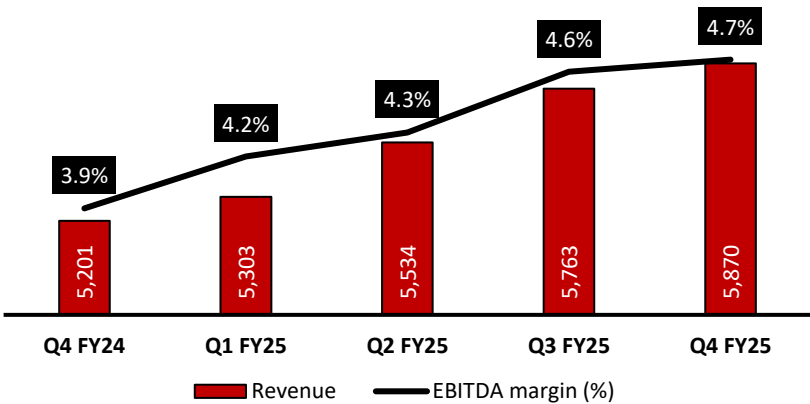
Security Solutions - India Revenue (in Rs. Mn) and Margin (%)



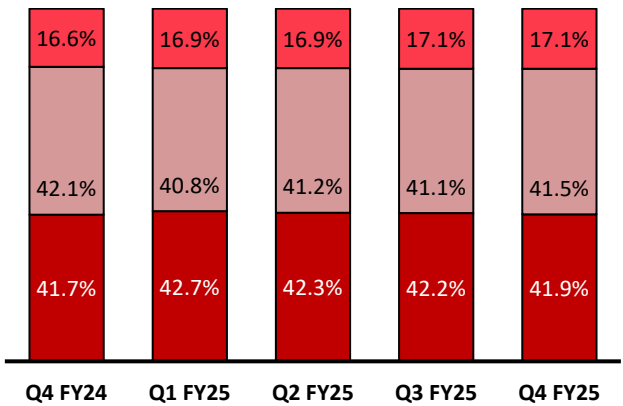
Security Solutions - International Revenue (in Rs. Mn) and Margin (%)



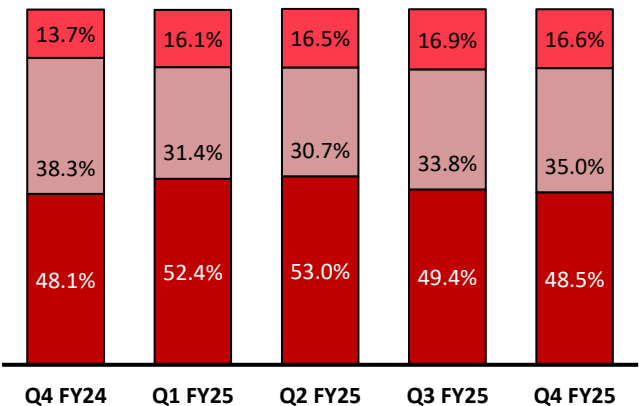
Facility Management - India Revenue (in Rs. Mn) and Margin (%)



Revenue Mix (%)



EBITDA Mix (%)



Facility Management
Security Solutions - International
Security Solutions - India

Security Solutions - India
Security Solutions - International
Facility Management

Q4 FY25 Conference Call Takeaways

General highlights

- A goodwill impairment of Rs. 3058 Mn was recognized in Q4FY25, primarily linked to acquisitions of Henderson (Singapore), SLV, Uniq, and ADIS, reflecting post-COVID performance realignment and revised earnout valuations
- Remaining goodwill on the balance sheet is largely attributable to historical acquisition costs of subsidiaries, including MSS, DTSS, and RHPL.
- The DSO for the group improved to 65 days at the end of Q4 FY25 from 69 days at the end of Q3 FY25 and 70 days at the end of Q4 FY24.
- SIS-Prosegur has filed its DRHP with SEBI for its IPO. The funds raised through the sale of shares will help SIS Limited reduce its debt further.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25	FY26E	FY27E
Net Sales	1,13,458	1,22,614	1,31,890	1,40,911	1,50,604
Growth %	13%	8%	8%	7%	7%
Raw Material Expenses	1,069	1,448	1,210	1,691	1,807
Employee Expenses	92,012	1,00,495	1,09,093	1,16,393	1,24,399
Other Expenses	15,461	15,491	15,550	16,205	17,319
EBITDA	4,915	5,835	6,037	6,623	7,078
Growth %	-1%	19%	3%	10%	7%
Margin%	4.3%	4.8%	4.6%	4.7%	4.7%
Depreciation	1,347	1,663	1,638	1,539	1,627
EBIT	3,568	4,172	4,399	5,083	5,451
Growth %	-7%	17%	5%	16%	7%
Margin%	3%	3%	3%	4%	4%
Interest Paid	1,149	1,482	1,606	1,500	1,500
Other Income & exceptional	327	-220	-2,378	600	600
PBT	2,747	2,470	415	4,183	4,551
Tax	-616	819	556	837	910
PAT	3,363	1,652	-141	3,347	3,641
Others (Minorities, Associates)	102	249	258	267	299
Net Profit	3,465	1,900	118	3,614	3,940
Growth %	6%	-45%	-94%	2969%	9%
Shares (Mn)	145.7	144.1	144.1	144.1	144.1
EPS	23.78	13.19	0.82	25.08	27.34

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25	FY26E	FY27E
Cash, Cash equivalents & Bank	7,509	7,404	11,726	12,592	14,929
Current Investments	103	56	81	81	81
Debtors	16,777	18,858	18,640	21,137	22,591
Inventory	314	309	284	423	452
Short Term Loans & Advances	7,284	8,211	7,776	7,776	7,776
Other Current Assets	873	1,000	1,541	1,541	1,541
Total Current Assets	32,860	35,838	40,048	43,550	47,370
Net Block & CWIP	16,465	16,073	12,992	12,862	12,741
Long Term Investments	880	1,108	1,394	1,661	1,961
Other Non-current Assets	4,446	4,691	3,542	3,542	3,542
Total Assets	54,652	57,710	57,976	61,615	65,612
Creditors	639	847	821	845	904
Provision	4,278	4,290	4,187	4,187	4,187
Short Term Borrowings	6,654	7,037	6,447	6,447	6,447
Other Current Liabilities	11,354	17,886	13,516	13,516	13,516
Total Current Liabilities	22,925	30,060	24,970	24,994	25,052
Long Term Debt	8,032	2,301	8,570	8,570	8,570
Deferred Tax Liabilities	-3,476	-2,918	-2,838	-2,838	-2,838
Other Long Term Liabilities	3,839	4,132	3,196	3,196	3,196
Total Non Current Liabilities	8,394	3,515	8,928	8,928	8,928
Paid-up Capital	729	721	722	722	722
Reserves & Surplus	22,604	23,415	23,357	26,971	30,911
Shareholders' Equity	23,333	24,135	24,079	27,693	31,633
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	54,652	57,710	57,976	61,615	65,612

Cash Flow

Y/E Mar, Rs. Mn	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	2,747	2,470	415	4,183	4,551
Adjustments	2,406	3,411	5,612	2,439	2,527
Change in Working Capital	-2,608	-1,749	1,325	-2,611	-1,425
Total Tax Paid	-938	-437	248	-837	-910
Cash flow from operating Activities	1,607	3,695	7,600	3,175	4,743
Net Capital Expenditure	-1,187	-1,559	-1,402	-1,409	-1,506
Change in investments	-577	161	-3,890	0	0
Other investing activities	285	354	549	600	600
Cash flow from investing activities	-1,480	-1,044	-4,743	-809	-906
Equity raised / (repaid)	-997	-1121	1	0	0
Debt raised / (repaid)	191	-381	1,941	0	0
Dividend (incl. tax)	0	0	0	0	0
Other financing activities	-1,480	-1,900	-2,087	-1,500	-1,500
Cash flow from financing activities	-2,285	-3,402	-145	-1,500	-1,500
Net Change in cash	-2,158	-751	2,713	866	2,337

Valuation Ratios

	FY23	FY24	FY25	FY26E	FY27E
Per Share Data					
EPS	24	13	1	25	27
Growth %	7%	-45%	-94%	2969%	9%
Book Value Per Share	160	167	167	192	220
Return Ratios					
Return on Assets (%)	7%	3%	0%	6%	6%
Return on Equity (%)	16%	8%	0%	14%	13%
Return on Capital Employed (%)	8%	12%	15%	13%	12%
Turnover Ratios					
Asset Turnover (x)	2.2	2.2	2.3	2.4	2.4
Sales / Gross Block (x)	4.7	4.8	5.1	5.5	5.6
Working Capital / Sales (x)	7%	6%	8%	12%	14%
Receivable Days	49	53	52	52	53
Inventory Days	112	79	89	76	88
Payable Days	2	2	2	2	2
Working Capital Days	159	129	139	126	139
Liquidity Ratios					
Current Ratio (x)	1.4	1.2	1.6	1.7	1.9
Interest Coverage Ratio (x)	3.4	3.1	3.2	3.8	4.0
Total Debt to Equity	0.6	0.4	0.6	0.5	0.5
Net Debt to Equity	0.3	0.1	0.1	0.1	0.0
Valuation					
PE (x)	13.5	33.2	397.7	13.0	11.9
Earnings Yield (%)	7%	3%	0%	8%	8%
Price to Sales (x)	0.4	0.5	0.4	0.3	0.3
Price to Book (x)	2.0	2.6	1.9	1.7	1.5
EV/EBITDA (x)	11.1	12.1	8.8	8.0	7.5
EV/Sales (x)	0.5	0.6	0.4	0.4	0.4

Source: Company, Keynote Capitals Ltd. estimates

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
21 st September 2023	BUY	432	+94%
1 st November 2023	BUY	432	+84%
1 st February 2024	BUY	489	+52%
6 th May 2024	BUY	441	+52%
29 th July 2024	BUY	420	+39%
31 st October 2024	BUY	400	+21%
30 th January 2025	BUY	332	+25%
5 th May 2025	BUY	326	+11%

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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