SIS

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	SECIS IN
Equity Shares (m)	144
M.Cap.(INRb)/(USDb)	48.7 / 0.6
52-Week Range (INR)	474 / 288
1, 6, 12 Rel. Per (%)	0/-16/-35
12M Avg Val (INR M)	43

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	131.9	143.4	159.3
EBITDA Margin	4.6	4.9	5.0
Adj. PAT	3.2	4.6	5.5
EPS (INR)	21.5	32.2	38.0
EPS Gr. (%)	65.6	49.7	18.0
BV/Sh. (INR)	352.2	420.1	500.1
Ratios			
RoE (%)	13.2	17.6	17.4
RoCE (%)	10.9	12.9	13.7
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	15.7	10.5	8.9
P/BV (x)	1.0	0.8	0.7
EV/EBITDA (x)	8.8	7.3	6.0
EV/Sales (x)	0.4	0.4	0.3

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	72.0	72.1	71.7
DII	5.3	5.3	2.9
FII	13.0	13.2	16.9
Others	9.7	9.5	8.5

FII includes depository receipts

CMP: INR338 TP: INR400 (+19%) Buy

Margin rebuild in motion

But labour constraints to weigh on international business

- SIS (SECIS)'s 4QFY25 revenue was up 9.3% YoY/1.9% QoQ at INR34.27b, largely in line with our estimate of INR34.6b. Revenue growth was aided by 12.9% YoY growth in Facility management, whereas India Security/International security posted 9.6%/7.7% growth YoY. EBITDA margin came in at 4.8%, flat YoY (vs. est. 4.9%). India Security margin was up 10bp QoQ at 5.6%, while International Business margin was up 20bp QoQ at 4%.
- Adjusted PAT stood at INR825m (down 19% QoQ/up 53% YoY). The net debt-to-EBITDA ratio stood at 0.71 (1.07x in 3Q). For FY25, revenue/EBITDA/adj. PAT grew by 8%/16%/67% YoY. We expect revenue/EBITDA/adj. PAT to grow 11%/19%/30% YoY in 1QFY26. **We reiterate our BUY rating on the stock** with a TP of INR400, implying a 19% upside potential.

Our view: Focus on high-yield accounts lifts domestic margin outlook

- SECIS delivered decent growth across its key segments in 4QFY25. The India Security business grew by 9.6% YoY, with momentum expected to continue as the company targets low-double-digit growth in the coming quarters. This growth was largely driven by new contracts in sectors like Mining, BFSI, Education, and Retail. Margins improved slightly to 5.6%, but the company aims to push these back to pre-Covid levels of around 6%. We expect the India business to achieve a revenue CAGR of 12% over FY25-27E.
- In international business, there were key wins in Defense and Railways, though the business is still facing some challenges, particularly in Australia, due to tight labor markets and rising costs. That said, margins did improve slightly to 4.0%. The business secured new contracts worth AUD180m in FY25, a substantial increase compared to previous years. We expect margins to stabilize at around 4.5% as labor availability and contract terms improve.
- FM segment posted revenue growth of 12.9% YoY, supported by new contracts across IT, Healthcare, Real Estate, and Manufacturing. We think FM business is currently undergoing a strategic shift, exiting low-margin contracts in favor of solution-led engagements with better pricing power.
- Around 30% of FM revenue is now outcome-based and technology-enabled, laying the foundation for structural margin improvements as scale increases. Management remains focused on pushing EBITDA margins closer to 5%+.
- **Margins:** The company's efforts in SG&A rationalization and securing better contracts helped deliver some improvement. Though international labor costs remain a drag, SIS is focused on restoring EBITDA margins to around 6%. International Security is facing labor shortages and high labor costs, which affected overall profitability. We believe that these trends are expected to continue in the short term. We're expecting gradual margin improvements, with projections of 4.9%/5.0% for FY26E/27E.

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Valuations and change in estimates

- We keep our estimates largely unchanged. We value SECIS at INR400 (19% potential upside), assigning a 7x forward EV/EBITDA multiple to its international business and DCF to its Indian business. Reiterate BUY.

In-line revenue and margins; EBITDA cash conversion improves due to better WC management

- SECIS's revenue grew 9.3% YoY/1.9% QoQ at ~INR34.27b vs. our est. of INR34.6b. For FY25 revenues stood at INR 131.89b
- Revenue growth was aided by 12.9% YoY growth in Facilities management, whereas India Security/International security posted a growth of 9.6%/7.7% YoY.
- EBITDA margin came in at 4.8%, flat YoY (vs. est. 4.9%). Margin for India Security was 5.6% up 10bps QoQ, while the same for International Business was 4% up 20bps QoQ. FY25 EBITDA margins stand at 4.6%
- Adjusted PAT stood at INR825m (down 19% QoQ/up 53% YoY). Consolidated reported loss stood at INR2,234m due to impairment of the goodwill for Henderson, SLV, Uniq and ADIS for a sum of INR3,058m. On a standalone basis, SECIS's current tax rate continues to be close to NIL due to the benefits accruing under Section 80JJAA of the Income Tax Act, 1961.
- Net debt amounted to INR4.28b from INR6.3b in 3QFY25. Net debt/EBITDA stood at 0.71 vs. 1.07x in 3QFY25.
- OCF/EBITDA conversion was 174.8% owing to better working capital management.

Key highlights from the management commentary

- A non-cash goodwill impairment of INR3.06b was recognized for Henderson, SLV, Uniq, and ADIS, related to acquisitions made just before Covid, which led to a reported loss of INR2.23b in 4QFY25. Management confirmed that impairment assessments are now complete with no further impairment expected.
- SIS reported its highest-ever quarterly revenue at INR34.3b, up 9.3% YoY and 1.9% QoQ, broadly in line with estimates.
- Secured AUD180m in new contracts in FY25 (4x the five-year average), underlining the success of its long-term investments in business development.
- Labor code implementation (especially minimum wage hikes) remains a potential structural tailwind, but timelines are uncertain due to national focus on security matters.
- The merger of SLV and UNIQ under the new "SISCO" brand aims to unlock pan-India scale efficiencies, increase competitiveness in regional markets, and enhance delivery synergies.
- Management reiterated its goal of restoring ~6% EBITDA margins through revenue growth and operating leverage.

Valuation and view

- With the liberalization and formalization of labor markets and laws, SECIS should be among the biggest direct beneficiaries. It has managed to gain market share during the last few years, and the trend is expected to continue.
- We value SECIS using SOTP: 1) DCF for the India Security business (INR226), 2) an EV/EBITDA multiple of 7x (INR105) for the International Security business, and 3) DCF for the FM business (INR103) less net debt (INR30). **Consequently, we arrive at our TP of INR400. We reiterate our BUY rating on the stock.**

Consolidated - Quarterly Earning Model

(INR m)

Y/E March	FY24				FY25				FY24	FY25	Est.	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QFY25	(%/bp)
Gross Sales	**29,767**	**30,736**	**30,734**	**31,376**	**31,299**	**32,688**	**33,625**	**34,279**	**1,22,614**	**1,31,891**	**34,641**	**-1.0**
YoY Change (%)	11.1	11.1	5.8	4.7	5.1	6.3	9.4	9.3	8.1	7.6	10.4	**-120bp**
Total Expenditure	28,377	29,292	29,221	30,537	29,925	31,241	32,057	32,631	1,17,426	1,25,853	32,961	-1.0
EBITDA	**1,390**	**1,445**	**1,514**	**839**	**1,374**	**1,447**	**1,568**	**1,648**	**5,188**	**6,037**	**1,680**	**-1.9**
Margins (%)	4.7	4.7	4.9	2.7	4.4	4.4	4.7	4.8	4.2	4.6	4.9	0bp
Depreciation	358	404	416	486	427	420	407	384	1,663	1,638	424	-9.5
Interest	327	347	404	403	422	404	405	376	1,482	1,606	217	73.7
Other Income	88	125	54	160	118	76	321	166	427	681	236	-29.4
PBT	**793**	**819**	**748**	**111**	**643**	**699**	**1,076**	**1,055**	**2,470**	**3,474**	**1,275**	**-17.3**
Tax	-50	132	447	289	70	72	122	291	819	556	102	185.7
Rate (%)	-6.2	16.1	59.8	261.6	10.9	10.3	11.3	27.6	33.1	16.0	8.0	1,960bp
MI & Profit/Loss of Asso. Cos.	52	66	69	62	69	61	67	62	249	258	65	-5
Adjusted PAT	**895**	**753**	**369**	**-117**	**642**	**688**	**1,021**	**825**	**1,900**	**3,176**	**1,239**	**-33.4**
YoY Change (%)	8.4	11.6	-64.3	-112.6	-28.3	-8.6	176.5	NA	-45.2	67.2	NA	
Margins (%)	3.0	2.4	1.2	-0.4	2.1	2.1	3.0	2.4	1.5	2.4	3.6	-120bp

Key Perfor. Indicators

Y/E March	FY24				FY25				FY24	FY25
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Segment Revenue (INR m)										
India Security business	12,291	13,020	13,180	13,093	13,375	13,843	14,195	14,351	51,585	55,764
International Security business	12,427	12,591	12,453	13,219	12,760	13,473	13,829	14,236	50,690	54,299
Facilities Management	5,190	5,279	5,251	5,201	5,303	5,534	5,763	5,870	20,921	22,470
EBITDA Margin (%)										
India Security business	5.4	5.7	6.1	5.5	5.4	5.5	5.5	5.6	5.7	5.5
International Security business	4.0	4.0	3.9	4.3	3.4	3.3	3.8	4.0	4.1	3.7
Facilities Management	4.4	4.0	4.3	3.9	4.2	4.3	4.6	4.7	4.1	4.4

Key highlights from the management commentary

Quarterly performance and outlook

- Delivered highest-ever quarterly revenue of INR14.35b, marking 9.6% YoY growth, supported by ~INR240m in new monthly contracts.
- Growth was broad-based, with strong client additions in Mining, BFSI, Education, Auto, and Retail—a clear sign of diversified sectoral traction.
- The merger of SLV and UNIQ under the new "SISCO" brand aims to unlock pan-India scale efficiencies, increase competitiveness in regional markets, and enhance delivery synergies.
- EBITDA grew 11.1% YoY to INR800m and margins inched up to 5.6%, reflecting the benefits of past contract rationalization and improved operating leverage
- Management attempts to at least have 15-16% growth in EBITDA and revenue in the coming quarters.

Security Solutions – International:

- Key wins included defense, Sydney Trains, Canberra Airport, and Google data centers.
- Secured AUD180m in new contracts in FY25 (4x the five-year average), underlining the success of its long-term investments in business development.
- EBITDA margin improved to 4.0%, up from 3.8% in 3Q, supported by seasonal tailwinds, pricing actions, and early signs of easing labor tightness in Australia.

- Management expects margins to stabilize near pre-Covid levels of ~4.5%, aided by improved labor availability and better contract economics.

Facility Management Solutions:

- Reported record revenue of INR5.87b, up 12.9% YoY, with ~INR 15+ crore in new monthly orders across IT, Healthcare, Real Estate, and Manufacturing.
- EBITDA jumped 34.1% YoY to INR274m and margin improved to 4.7%, signaling a turnaround from the margin pressures of the past.
- FM business continues its strategic exit from margin-dilutive contracts, focusing instead on solution-led engagements with better pricing power.
- ~30% of FM revenues are now outcome-based and technology-enabled, laying the foundation for structural margin improvement as scale builds.
- Management remains focused on pushing EBITDA margin closer to 5%+, aided by operating leverage.

Goodwill Impairment and profitability:

- A non-cash goodwill impairment of INR3.06b was recognized for Henderson, SLV, Uniq, and ADIS, related to acquisitions made just before COVID.
- This led to a reported loss of INR2.23b in 4QFY25.
- However, operating PAT stood at INR825m, up 52.9% YoY, reflecting core business strength.
- Management confirmed that impairment assessments are now complete with no further impairment expected.

Margins:

- DSOs reduced by 10 days to 68 days at the end of Mar'25 vs. Dec'24.
- SG&A rationalization and favorable contract mix supported margin expansion.
- Management reiterated its goal of restoring ~6% EBITDA margins through revenue growth and operating leverage.
- Favorable contract mix supported margin expansion.

Other Comments:

- The company reiterates its focus on organic growth, though open to acquisitions at the right price and fit.
- Labor code implementation (especially minimum wage hikes) remains a potential structural tailwind, but timelines are uncertain due to national focus on security matters.
- The company believes it is not planning any equity dilution and its net debt-to-EBITDA is just 0.71x, giving them space to acquire debt if necessary.
- The current debt is at a cost of about 7%-7.5% and the company is in talks with the bank to reduce the interest rate.
- Focus is on improving the market share and currently no plans to expand in a different business line.
- SIS-Prosegur, the company's Cash JV operating in the Cash Logistics Solutions segment, has filed its draft red herring prospectus (DRHP) with SEBI for its IPO. The proceeds will help SIS further reduce its debt.

Valuation and view

- With the liberalization and formalization of labor markets and laws, SECIS should be among the biggest direct beneficiaries. It has managed to gain market share during the last few years, and the trend is expected to continue.
- We value SECIS using SOTP: 1) DCF for the India Security business (INR226), 2) an EV/EBITDA multiple of 7x (INR105) for the International Security business, and 3) DCF for the FM business (INR103) less net debt (INR30). **Consequently, we arrive at our TP of INR400. We reiterate our BUY rating on the stock**.

Exhibit 1: Summary of our revised estimates

	Revised		Earlier		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue (INR m)	1,43,382	1,59,275	1,46,022	1,61,910	-1.8%	-1.6%
Growth (%)	8.7	11.1	10.4	10.9	-170bp	20bp
EBITDA (INR m)	7,016	7,900	7,060	8,246	-0.6%	-4.2%
EBITDA Margin (%)	4.9	5.0	4.8	5.1	6bp	-13bp
PAT (INR m)	4,636	5,471	4,497	5,425	3.1%	1.2%
EPS (INR)	32.2	38.0	31.0	37.3	3.9%	1.6%

Source: Company, MOFSL

Financials and valuation

Consolidated - Income Statement								(INR m)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Total Income from Operations	**84,852**	**91,273**	**1,00,590**	**1,13,458**	**1,22,614**	**1,31,891**	**1,43,382**	**1,59,275**
Change (%)	19.6	7.6	10.2	12.8	8.1	7.6	8.7	11.1
Total Expenditure	**79,648**	**86,065**	**95,606**	**1,08,543**	**1,17,426**	**1,25,853**	**1,36,366**	**1,51,375**
% of Sales	93.9	94.3	95.0	95.7	95.8	95.4	95.1	95.0
EBITDA	**5,204**	**5,208**	**4,985**	**4,915**	**5,188**	**6,037**	**7,016**	**7,900**
Margin (%)	6.1	5.7	5.0	4.3	4.2	4.6	4.9	5.0
Depreciation	1,283	1,130	1,116	1,347	1,663	1,638	1,652	2,010
EBIT	**3,921**	**4,078**	**3,869**	**3,568**	**3,525**	**4,399**	**5,365**	**5,890**
Int. and Finance Charges	1,517	1,273	984	1,149	1,482	1,606	973	901
Other Income	531	279	150	327	427	681	420	500
PBT	**2,935**	**3,085**	**3,035**	**2,747**	**2,470**	**3,474**	**4,812**	**5,489**
Total Tax	-477	1,154	179	-616	819	556	433	274
Tax Rate (%)	-16.2	37.4	5.9	-22.4	33.1	16.0	9.0	5.0
Minority Interest	-44	5	26	102	249	258	257	257
Adjusted PAT	**3,368**	**1,936**	**2,882**	**3,465**	**1,900**	**3,176**	**4,636**	**5,471**
Change (%)	56.8	-42.5	48.8	20.2	-45.2	67.2	46.0	18.0
Margin (%)	4.0	2.1	2.9	3.1	1.5	2.4	3.2	3.4

Consolidated - Balance Sheet								(INR m)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Equity Share Capital	733	742	735	729	721	722	722	722
Total Reserves	13,151	17,566	19,977	22,604	23,415	23,357	27,993	33,464
Net Worth	**13,884**	**18,308**	**20,713**	**23,333**	**24,135**	**24,079**	**28,715**	**34,186**
Minority Interest	3	21	31	0	0	0	0	0
Total Loans	11,722	11,646	13,283	15,223	15,086	15,016	13,516	12,016
Deferred Tax Liabilities	-4,374	-3,993	-5,306	-6,405	-5,921	-5,403	-5,403	-5,403
Capital Employed	**21,235**	**25,980**	**28,720**	**32,151**	**33,300**	**33,692**	**36,827**	**40,799**
Gross Block	7,362	8,394	9,737	11,398	13,690	15,339	17,139	18,939
Less: Accum. Deprn.	4,699	5,830	6,945	8,292	9,955	11,593	13,245	15,255
Net Fixed Assets	**2,662**	**2,564**	**2,792**	**3,106**	**3,735**	**3,746**	**3,894**	**3,684**
Goodwill on Consolidation	12,323	11,413	11,647	11,395	10,679	7,516	7,516	7,516
Capital WIP	17	50	23	195	22	56	66	76
Others	1,737	1,750	1,820	2,004	2,008	2,176	1,969	2,019
Total Investments	**1,490**	**1,494**	**1,673**	**1,579**	**1,720**	**2,170**	**2,170**	**2,170**
Curr. Assets, Loans&Adv.	**23,919**	**29,133**	**27,702**	**32,443**	**35,645**	**40,048**	**43,187**	**49,146**
Inventory	339	309	340	314	309	284	304	324
Account Receivables	11,750	12,430	13,913	16,777	18,858	18,640	21,871	24,047
Cash and Bank Balance	6,137	10,880	7,384	7,510	7,405	11,726	10,674	13,404
Loans and Advances	0	0	0	0	17	0	0	0
Others	5,693	5,513	6,065	7,842	9,056	9,398	10,338	11,372
Curr. Liability & Prov.	**13,715**	**17,621**	**13,967**	**15,417**	**17,082**	**18,523**	**18,477**	**20,315**
Account Payables	538	661	583	639	847	821	1,131	1,244
Other Current Liabilities	10,599	13,270	9,526	10,820	12,144	13,516	12,444	13,682
Provisions	2,578	3,689	3,858	3,958	4,091	4,187	4,902	5,390
Net Current Assets	**10,204**	**11,512**	**13,735**	**17,026**	**18,564**	**21,524**	**24,710**	**28,831**
Other Non-Current Liabilities	-7,198	-2,803	-2,970	-3,154	-3,428	-3,497	-3,497	-3,497
Appl. of Funds	**21,234**	**25,980**	**28,720**	**32,151**	**33,300**	**33,692**	**36,827**	**40,799**

Financials and valuation

Ratios								
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Basic (INR)								
EPS	**24.1**	**13.0**	**19.4**	**23.2**	**13.0**	**21.5**	**32.2**	**38.0**
Cash EPS	68.0	44.9	58.5	70.4	52.1	70.4	92.0	109.4
BV/Share	203.1	267.8	303.0	341.3	353.1	352.2	420.1	500.1
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	14.0	25.9	17.4	14.5	26.0	15.7	10.5	8.9
Cash P/E	5.0	7.5	5.8	4.8	6.5	4.8	3.7	3.1
P/BV	1.7	1.3	1.1	1.0	1.0	1.0	0.8	0.7
EV/Sales	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.3
EV/EBITDA	10.1	9.8	11.2	11.8	11.0	8.8	7.3	6.0
FCF per share	8.9	39.9	8.9	3.5	16.3	39.8	9.9	35.6
Return Ratios (%)								
RoE	25.5	12.0	14.8	15.7	8.0	13.2	17.6	17.4
RoCE	21.7	9.8	11.8	13.1	6.8	10.9	12.9	13.7
RoIC	36.5	18.8	21.9	20.6	10.0	16.8	22.4	22.8
Working Capital Ratios								
Fixed Asset Turnover (x)	11.5	10.9	10.3	10.0	9.0	8.6	8.4	8.4
Asset Turnover (x)	4.0	3.5	3.5	3.5	3.7	3.9	3.9	3.9
Debtor (Days)	51	50	50	54	56	52	56	55
Creditor (Days)	2	3	2	2	3	2	3	3
Leverage Ratio (x)								
Interest Cover Ratio	2.6	3.2	3.9	3.1	2.4	2.7	5.5	6.5
Net Debt/Equity	0.3	0.0	0.2	0.3	0.2	0.0	0.0	-0.1

Consolidated - Cash Flow Statement								(INR m)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
OP/(Loss) before Tax	2,891	4,826	3,439	2,849	2,719	673	5,069	5,746
Depreciation	1,283	1,130	1,116	1,347	1,663	1,638	1,652	2,010
Interest & Finance Charges	791	-3,061	444	884	1,082	994	973	901
Direct Taxes Paid	-1,276	-604	-2,059	-938	-437	248	-433	-274
(Inc)/Dec in WC	-2,100	1,537	-899	-2,608	-1,749	890	-4,236	-1,391
CF from Operations	**1,590**	**3,828**	**2,040**	**1,535**	**3,278**	**4,444**	**3,024**	**6,991**
Others	424	2,568	295	174	666	2,979	0	0
CF from Operating incl EO	**2,014**	**6,396**	**2,335**	**1,709**	**3,944**	**7,423**	**3,024**	**6,991**
(Inc)/Dec in FA	-775	-464	-1,021	-1,187	-1,559	-1,530	-1,602	-1,860
Free Cash Flow	**1,239**	**5,931**	**1,314**	**522**	**2,386**	**5,892**	**1,422**	**5,131**
(Pur)/Sale of Investments	-2,110	-2,296	-485	-632	95	-3,890	0	0
Others	127	1,125	281	340	816	678	0	0
CF from Investments	**-2,758**	**-1,635**	**-1,224**	**-1,480**	**-647**	**-4,743**	**-1,602**	**-1,860**
Issue of Shares	0	8	2	1	0	0	0	0
Inc/(Dec) in Debt	204	1,342	-1,333	-219	-872	1,327	-1,500	-1,500
Interest Paid	-986	-909	-933	-1,066	-1,405	-1,469	-973	-901
Dividend Paid	-631	0	0	0	0	0	0	0
Others	2,866	-458	-2,345	1,180	-1,125	1,782	0	0
CF from Fin. Activity	**1,453**	**-18**	**-4,608**	**-103**	**-3,402**	**1,640**	**-2,473**	**-2,401**
Inc/Dec of Cash	**708**	**4,743**	**-3,497**	**126**	**-105**	**4,320**	**-1,051**	**2,730**
Opening Balance	5,430	6,138	10,881	7,384	7,510	7,405	11,725	10,674
Closing Balance	**6,138**	**10,881**	**7,384**	**7,510**	**7,405**	**11,725**	**10,674**	**13,404**

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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