



SIS Limited

Q2 FY26 Earnings Conference Call

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MANAGEMENT: **MR. RITURAJ SINHA – GROUP MANAGING DIRECTOR – SIS LIMITED**
MR. BRAJESH KUMAR – CHIEF FINANCIAL OFFICER – SIS LIMITED
MR. VIKRAM KANNOTH – CHIEF FINANCIAL OFFICER – SIS INTERNATIONAL
MR. VINEET TOSHNIWAL – PRESIDENT – M&A AND INVESTOR RELATIONS – SIS LIMITED

Moderator: Ladies and gentlemen, good day. Welcome to the Q2 earnings conference call hosted by SIS Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vineet Toshniwal, President, M&A and Investor Relations from SIS Limited. Thank you, and over to you, sir.

Vineet Toshniwal: Thank you, very much and good afternoon, to everyone. I hope all of you had a great Diwali break. I welcome you to this earning call for Q2 FY26. I hope all of you had a good look at the financials that were uploaded last evening.

Now to give you headlines, first, I am very happy to report that we have recorded a fantastic growth in our revenues this quarter. We are at a consolidated monthly revenue run rate of INR 1,300 crore, which is the highest ever. In fact, all three segments in the business are reflecting very promising momentum here. So, on a consolidated basis, this quarter is INR 3,759 crore, which is highest ever, and it's an increase of 15% on a year-on-year basis.

India Security has reported again its highest ever revenue at INR 1,544 crore, which is a 11.5% year-on-year growth. FM has reported its highest ever quarterly revenue of INR 629 crore, which is a 13.7% growth on a year-on-year basis. International security reported its highest ever quarterly revenue at INR 1,607 crore, which is a growth of 19.3% on a year-on-year basis.

And as you all know that we had done a transaction with AP Securitas which was signed in September 2025. I am happy to report that the transaction was successfully closed, and we will start consolidating APS financials from this quarter onwards. So, when we will report quarter 3, you will see the consolidated numbers and we are expecting APS to add ~17% to our India Security monthly run rate when we consolidate. So that's about the revenue.

Now let's come to the earnings. As you know, our focus has been quality of earnings and improving the margins across all the segments and all the efforts which have been done in the last couple of years are yielding gradual results. So, we have focused both on customer contracts as well as rationalization of SG&A.

So, on a console level, EBITDA grew by 16.2% y-o-y, which basically comes to INR 168 crore, and the margin stands at 4.5% on a consol basis, which is an improvement over the last year. India Security reported an EBITDA of 5.3%. It's a marginal dip of 20 basis points due to some branding costs from Q1 FY '25.

Happy to report that Facility Management, we have always been guiding is on a constant improvement path in terms of its EBITDA, has now clocked an EBITDA of 5.2%, which is 90 basis points higher y-o-y basis. So this segment has reported its highest ever quarterly EBITDA of INR 33 crore, a 36% y-o-y growth in FM only.

Now International Business, the EBITDA margins for Q2 FY '26 are flattish on a year-on-year basis, while the EBITDA is up by 20.4% on a year-on-year basis. That's a growth. Coming to

PAT, we are at an operating PAT of exactly INR 93 crore for the quarter. I again emphasize its operating PAT, not the reporting PAT and the PAT margin is at 2.5%, which is flattish on a quarter-on-quarter basis.

Our return on capital employed, as you know, we have done many initiatives to clean up the balance sheet, which also included basically cleanup of the goodwill by taking one-time charge. So, post that, our ROCE now stands at 14.3%, which was 11.7% just about a year ago.

In terms of operational efficiency, our net debt and DSO, our net debt is now INR 663 crore, which is down by INR 193 crore. This is a 23% reduction from September 2025, which was INR 857 crore, one year back exactly and the DSO stands at 69 days, which is a 1-day increase. This has happened because of a DSO increase due to a one-time situation in SIS International, which I hope will be corrected from the next quarter onwards.

Now coming to other highlights. This quarter, we've also made a small secondary investment of INR 4.5 crore in a company called Wifi. This is a B2B2C home improvement and maintenance company providing tech-enabled installations and aftersales services to the leading home furnishing and consumer brands. As you know, we've always been looking out for fast-growing start-ups, which are adjacent to our business that add value.

So with this, now I would like to invite questions and I'm also pleased to tell you that the other participants on the call are Rituraj Sinha, Group Managing Director; Mr. Brajesh Kumar, Chief Financial Officer and Mr. Vikram Kannothe, Chief Financial Officer for SIS International. Today, unfortunately, Murali, he's our CEO of SIS International, won't be able to join. So, with this, the floor is open for Q&A and let's begin. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Deepak Poddar from Sapphire Capital.

Deepak Poddar: Sir, just wanted to understand on this acquisition, the transaction, the AP Securitas. So, it will add ballpark INR 1,000 crore annual revenue. Would that be a right understanding?

Vineet Toshniwal: Slightly more than that. Currently, the asset is running at INR 110 crore monthly. But as I said, we are not giving any financials now. We'll wait for the consolidation to happen in this quarter.

Deepak Poddar: Okay. But rough margin range, I mean, would you be able to indicate what sort of margins that would be earning?

Vineet Toshniwal: Look, I think what we have is from the previous DD, which was done, which is slightly dated information. So, I would request that let's wait for this quarter. When we consolidate, there might be a bit of changes. So, it won't be appropriate for us to give the margins at this stage.

Deepak Poddar: Okay, understood. And I am just going through your press release, so we are talking about a strong rebound in FY '26? Can you elaborate more on that front? I mean what do we mean here and what we intend to do?

Vineet Toshniwal: So, what is the question? There is a strong rebound. What do you want us to elaborate?

Deepak Poddar: So here, what exactly we mean in terms of growth and all. I mean when we are talking about strong rebound, are we talking about in terms of margins? Are we talking about in terms of growth? So how should one look at it?

Vineet Toshniwal: I mean, you can see that there is a very strong revenue momentum for sure and at the same time, you can see that FM has shown excellent improvement in the EBITDA margin at 5.3%. There was, as you know, in the previous quarter, we had to take a charge in SIS international because of which we took a beating on our margin in the last quarter. That has been repaired, and the international margins are now coming back to what they used to be, getting normalized now. So that's again showing an improvement.

And India Security has always been stable, except a few basis points movement that keeps happening quarter-on-quarter. Otherwise, it's stable. So basically, there is a strong momentum on the earnings at the EBITDA level. And then, of course, there is PAT, which we have reported to you that operating PAT is the same. Reported PAT, there is a one-time tax because of capital gain. That's why the reported PAT is looking low.

Rituraj Sinha: Vineet, let me just supplement that a little bit. The term rebound is effectively, as Vineet was explaining, if you look at our revenue performance over the last few years, in absolute terms, I think what you will see in FY '26 basis first half results is probably the highest revenue change year-on-year that has happened in the last 5 years. That's number one point.

I'm not assigning percentages because that is yet to become apparent. But as Vineet said, this is going to be a strong revenue growth year, higher than the last 5. That's why I see it as a revenue rebound. And number two, in terms of EBITDA margins and absolute value, as you can see, we have reported the highest ever EBITDA at close to INR 168 crore.

And in terms of margin profile as well, we have been constantly advising that we still believe that it is very likely that the security business in India and the FM business in India will come to the 6% EBITDA margin range. And I think there is a strong rebound on margins as well, which is very clear.

Number three, like Vineet was saying, if you look at it from a profit after tax profile as well, I think we are close to INR 200 crore of profit after tax ballpark in the first half of the year. We are guiding towards or moving towards a INR 400 crore ballpark profit after tax, which again will be the highest jump both in PAT and EPS. That is why the term rebound year FY '26 because now with the first half results, it's rather apparent in an annuity business, you can foresee or predict to a reasonable extent that this will look like a rebound year when you compare it to the last 5 years.

Deepak Poddar: Understood. Great. I mean that's a great explanation. So just a follow-up on that. When we say 6% EBITDA margin on Security Solutions India as well as the Facility Management, what's the timeline we are looking at by when?

Rituraj Sinha: Well, I have said this many times before. We are moving in that direction. It's not possible for me to draw a line in sand and call it out today. But if you see our security business had gone to an EBITDA margin of below 4%. It is back at 5.5% plus. Therefore, we are quite certain that

6% is not out of reach. Similarly, our Facility Management business had gone down to 4% EBITDA margin. It is now run rating at 5.3%.

Therefore, I'm saying that 6%, which used to be the pre-COVID margin profile, is quite likely. So, in both Security and FM, you will see that we have covered more than half the distance in terms of margin, 4% to 6%. We are around about 5.5% now. So maybe 3/4 of the job is done. I think the remaining will fall through in due course, hopefully, within the next few quarters.

Deepak Poddar:

Understood. And just one final thing on Security Solution International business, is there an aspiration on margin, which is right now 3.3%?

Rituraj Sinha:

So, I think this year is going to be, if you look at the international business, you should see that this year is going to be the highest ever organic growth for the International business in the last 10 years. They are going to report high double-digit growth because of the contracts they started in the first half of the year.

As regards to margins, they were down to 3%. They are back at 3.5%. But historically, if you see the last 10, 15 years data, you will see that the threshold or the benchmark for the international business is roughly 4% odd 4%, 4.5% margin profile. So, I believe in the coming quarters, we are trying to get the business back in that 4% range. It will take a little bit longer than the Indian businesses to get to 6%. But we are well on course, rightsizing of businesses, SG&A restructuring, abandoning some bad contracts, checking the overtime and bad OT rates. There's a lot of actions underway. But obviously, it will take a little bit of time, but be mindful, this is a 4% business, 4.5% business international.

What I think all of you who are modelling our business should take note of the fact is that the ratio of revenue and profits is changing rapidly. By the end of the year, last quarter, I believe that roughly 75% of our EBITDA will be coming out of India and 65% of our revenues will be coming out of India. So, the share of international is going down in the consolidated numbers. Therefore, the overall margin profile will also reflect that because the lower-margin international business, despite its scale, is going to become a smaller share. I mean, in pure numbers, INR 1,300 crore, INR 750 crore is coming from India, INR 550 crore is coming from international now. India will move closer to INR 850 crore, INR 900 crore in the next quarter. International will remain where it is. So, when that starts to happen, I think the math will skew towards a higher margin profile.

Moderator:

The next question comes from the line of Umang Shah from Banyan Tree Advisors PMS.

Umang Shah:

Sir, congrats on the AP Securitas acquisition. Looking at the broad numbers, this looks like a very good acquisition, considering INR 1,000 crore plus sales and INR 22 crore profits. So, what led to the circumstance of us acquiring this business? And this business has more than 100 branches. So how would you consolidate the branches and the employees that you currently have? And in terms of the revenues of AP Securitas, a lot of it is coming from banks. So, what is it so special about AP Securitas that banks prefer to work with them?

Rituraj Sinha:

I think SIS is, as we've called out before, for us, M&A is not a tool to bring in growth. M&A is basically for strategic reasons. I see AP Securitas as a transaction that will consolidate our market

share and give us edge into some key segments like banking, like logistics and warehousing, which will further consolidate our market position in these key high-growth segments.

Now I think the key thing that you would like to note is that with this acquisition, our monthly revenue in security or our annual revenue in security business in India will be double, 2x the size of our nearest competitor. As regards to the 100 branches, obviously there is a synergy and savings play that will come through. But it will take time. In our operationally intensive business, you cannot rationalize branches and people in a knee-jerk reaction. It's ultimately the people who have client relationships. It is branches that maintain customer satisfaction and customer support. So, over the course of the next 2 years, you will see synergy and savings coming through bit by bit, quarter by quarter. I believe that as of right now, it will look like a revenue kicker.

But over a 2-year period, there is a significant margin traction as well that will be yielded through this massive consolidation. Let me further underline that AP Securitas was amongst the top 10 security businesses in the country. And we have probably made the largest single acquisition in the security sector in India thus far.

Umang Shah: Second question was, if I look at the attrition for the permanent employees that we have, it was around 15.5% in FY '22 and it has now gone to almost 40%. Just wanted to understand whether this is a characteristic of the industry and how do we plan to reduce it?

Brajesh Kumar: May I know from where you are referring to the attrition number?

Umang Shah: Annual report, sir.

Brajesh Kumar: So last year also and this year also, there is no significant change in the attrition number. I think we are the same ratio people are leaving, and this is quite natural in this industry.

Umang Shah: Right, sir. I was saying FY '22 sir.

Brajesh Kumar: Okay. Let me refer that annual report and I will get back to you separately.

Moderator: The next question is from the line of Gautam Trivedi from Nepean Capital LLP.

Gautam Trivedi: I had a question regarding your domestic India business. A couple of things on that. First, how big is the headcount? Secondly, how easy is it to get people within the labor market? And third, what has been the wage inflation in specific to the Indian employees?

Vineet Toshniwal: How big? Sorry, you first asked headcount for India?

Gautam Trivedi: Yes. How many people do you have in India?

Vineet Toshniwal: We reported in the earnings note, you can see 200,000-plus people in India in Security India, right, 170 branches and then there are 85,000 in FM, 90 branches, which would mostly be overlapping same cities. So that's the size in terms of people and branches. What else you wanted to know?

Gautam Trivedi: Yes. And how easy has it been to recruit fresh people? What's the attrition rate and what's as a result, your ability to recruit more? And not your specifically, I mean on an industry-wise basis.

Brajesh Kumar: The attrition rate for this industry is approx. 40% to 45%. And about the question that how difficult or easy it is to recruit them, yes, there are some challenges. But one good thing what has happened recently is that the Government has announced the ELI scheme under which there is some incentive for the person who is getting recruited, who has a first time PF registration. So, on the basis of that, we have seen some increase in the intake percentage. Otherwise, for security, we have 23 residential training centres through which we are running a recruitment drive. For FM, we have a different mode through which we try to recruit the people from their local locations. While there are challenges, they are not so critical as to impact our business. In fact, with the announcement of the ELI scheme, we are finding that that it is helping us in getting more people in recent months.

Gautam Trivedi: I mean the reason I asked that question is because you've seen...

Rituraj Sinha: Let me supplement that, maybe I can help you with some data points. Brajesh very importantly called out that the ELI scheme will benefit. But going back to the brass tacks, SIS is a market leader predominantly because of three reasons: Number one is the fact that we have the largest network in the country. We operate in India with over 300 branches. Number two is that we are diversified across industrial segments. We don't concentrate on just multinationals or just industry or just banking. We are very diversified, 280 of the top 500 listed companies are SIS's clients today. So, we are extremely diversified.

But I think the mother of all reasons why SIS is twice the size of its nearest competitor is the investment that SIS has made in its supply side. We set up our first training academy in 1982, which is the Central Training Academy in Jharkhand. Since then, we have added over the last 30 years multiple other training academies. The total count stands at 21. There are 21 residential training academies that SIS manages that, on an average, have more than 3,000 people under training at any point in time through the year. Average output from these training centers alone last year was 3,000 people. That's number one. Number two, across 300 branches, we have technology called ARK, Automated Recruitment Kiosk, which does the recruitment tasking or what you call in the e-commerce industry, onboarding. That is ongoing on a live basis through digital platforms at 300 locations in India, where height, weight, education, credit verification, background checks, etc, is all digitized and automated. We have capacity to recruit in 23 to 25 minutes, which gives us extremely high bandwidth.

And number three, we also have what we call the G2G referral program, which is a patent program that runs on the MySIS attendance platform where any SIS employee, and we have 300,000 of them, any SIS employee through his MySIS app can add a friend, refer a friend, suggest a friend to join SIS for which he gets an incentive. So, there is effectively 300,000 people who are helping find other people who are willing to join SIS. So net summary, SIS has not and does not lose contracts for its inability to recruit, train and supply.

Gautam Trivedi: I tell you where I'm coming from. The thing is when I talk to some of the construction companies, including as big as L&T, they're having a hard time finding people. And the reason they say that

is because a carpenter's son does not want to be a carpenter. Mason's son does not want to be a mason. So sometimes when you think of, let's say, a security guard, is that an attractive industry or an occupation for them? And that's really the question.

Rituraj Sinha:

Well, I think it's a very fair point and if you look at data, SIS for the last 100 months post-COVID, even during COVID, has maintained a month-on-month growth rate of 1% to 2%. Worst years, we have grown 1% month-on-month. That means that each month, we are finding more people to come and join us to staff these contracts. So, I think I can only give you data perception. I can't help further.

Gautam Trivedi:

Yes. Just one last question for me with respect to wage inflation. Are you seeing much of that?

Rituraj Sinha: Well, wage inflation in India, our 10-year average was about 11%. Post-COVID, in the last 5 years, the average has declined to ~5%, which is half across all major states. I think wage inflation is a very critical element towards attracting staff. It is an important element to drive our revenues up, because for us, wage inflation is a simple pass-through. It is not a contract renegotiation or a rate renegotiation. Our contracts are linked to the minimum wage. So, I would agree with you that the Government needs to consider a higher minimum wage, and there has been discussion around this for several years now about labour reforms and a wage code and a social security code. The acts were passed in 2020 and 2021. They have yet to be implemented in the last 5 years. But I can't speak for the Government, but I believe that sooner than later, the Government will have to shift focus from simply the Agri sector and MSP and the whole kisan agenda to the blue-collar worker agenda because ultimately, India needs a shift from farm to nonfarm organised jobs.

So intuitively, it will happen. And when that happens, it will boost the industry. I mean I joined this industry in 2002, my friend. Then, in Delhi, the minimum wage was less than INR 10,000. Today, the minimum wage in Delhi is INR 25,000. I think it will take the distribution of wealth or income distribution disparity, what we call the income distance, then India will have to support blue-collar jobs with a better rate of pay.

Moderator:

The next question is from the line of Vatsal Parag Shah from Knightstone Capital Management.

Vatsal Parag Shah:

So firstly, on the AP Securitas acquisition, so in the acquisition call, you had mentioned that roughly the EBITDA multiple comes out to be 8.3. So, is that correct?

Rituraj Sinha:

Yes.

Vineet Toshniwal:

The diligence was done, yes. I mean, that's correct. Yes, the diligence was done for FY '24. And as I said, we are yet waiting to consolidate the numbers. So, we can't comment on the current margin profile right now.

Vatsal Parag Shah:

So that is the trailing number. Okay. And what is the full consideration amount? So, can you just say that?

Vineet Toshniwal: I mean consideration we've reported, as you can see, INR 71.2 crore precisely after the adjustment of net debt and everything, for 51%. And as has always been the

case with all our M&A deals, we have a clear-cut policy that we don't do outright acquisitions. We believe in partnering with, and I should not even call it an acquisition. It's more of a partnership because we onboard the management team, in this case, AP Securitas team, and we prefer to work with them over a longer term. So, it's a 3- to 4-year sort of a partnership, with a ratchet clause and depending on the growth they achieve, there are some incentive kickers which are built in. Basically, incentivising the target to continue the growth momentum and deliver better earnings, focused on both the improvement of margin and topline.

Vatsal Parag Shah: So from Q3, you are going to consolidate numbers. So that will be 100% consolidation, right?

Vineet Toshniwal: Yes. We are 51% owners, so consolidations and minority interest...

Vatsal Parag Shah: And the 6% target which you are having in the India business, so AP Securitas will be consolidated there, right? So, the 6% target is after the AP Securitas acquisition. So is that also included in that target?

Rituraj Sinha: Let me answer that. So, the organic business, SIS Security business, that is, for that, we have clearly guided that from a 4% margin profile, we are moving towards 6%. And that is what I was commenting on earlier. AP Securitas when it gets consolidated first, obviously in the first quarter, there will be no synergy and there will be no savings. It will gradually trickle through. But if your question is, are we going to change the 6% goal for India Security business in terms of margins, the answer is a clear no. With AP Securitas as well, our objective will be to deliver a 6% EBITDA margin from the security services business in India.

Vatsal Parag Shah: Yes, that was the question and one more thing on the international part. So, in H1, the growth was very high due to the contracts which we received in that period. So, is this sustainable or will the growth be moderated in coming few quarters?

Rituraj Sinha: Absolutely not sustainable. This is one-off. Australian GDP grows at 2%, 3% per annum. Our growth rate over the last 10 years on average has been more than 7%, close to 8% maybe. So, we are growing twice as fast as the Australian GDP, 2x Australian GDP is our growth. This year is an exception. We will be growing in the mid-teens. This is not likely to happen year after year. And I think if you're looking to model things out, please stick with 7% to 8% annual growth for the international business.

Vatsal Parag Shah: And last question on the India part. So how much of the growth which you are seeing in the current quarter is coming through wage inflation and how much through new contracts assets?

Rituraj Sinha: Two-third more or less is coming from (Inaudible 0:38:43), that is why I'm very excited and I see it as a rebound here because when you have price-led growth (Inaudible 0:38:54) of a rebound on the ground. But when you have (Inaudible 0:39:03).

Vatsal Parag Shah: I'm sorry, your voice is not clear audible.

Moderator: Sir, could you please repeat the last 30 seconds?

Rituraj Sinha: (Inaudible 0:39:18) revenue growth of volume and price when there is (Inaudible 0:39:25] that is never sustainable and is not (Inaudible 0:39:30] but when you have two-third of your growth coming from volumes, that is a very good sign both in terms of demand execution and that's the reason why I was calling this hopefully a rebound year, FY26.

Vatsal Parag Shah: Okay. Got it, two-third. That's it. Thank you.

Moderator: As there are no further questions, I now hand the conference over to Mr. Rituraj Sinha for closing comments.

Rituraj Sinha: Thank you everyone for taking the time to join this briefing. We appreciate your time. As you can see, the second quarter of FY26, rather the first half of FY26 has been a solid performance period for SIS Group. Our International revenues are booming. India Security revenues and margins and collections are in line. FM is clearly showing revenue growth and margin improvement back to 5.5%.

So overall, it's all engines firing and we believe FY26 is going to be a good year. I just wanted to supplement that please note that our cash logistics business IPO is also on track. We haven't discussed this much today because obviously there was no reason to it, but we hopefully soon will be taking a final view and call on when to push that through. As and when that IPO happens, that will unlock value for shareholders and the Company. It is largely a secondary linked transaction. Significant proceeds will come back to SIS parent Company, which I hope will help us pay down debt and lower our interest costs. So, I think overall, that should augur well for the profit after tax line and the EPS of the business.

So overall, I think we are well on track. Q3 is looking promising. And hopefully, when we meet to discuss that, we will have some interesting news for you, but till then, thank you very much for taking the time to continue to follow SIS. Wish you all the best.

Moderator: Thank you all. On behalf of SIS Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
