



“SIS Limited
Q3 FY '26 Earnings Call”
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Moderator:

Ladies and gentlemen, good day, and welcome to SIS Limited Q3 FY '26 Earnings Call. 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 this 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. Thank you, and over to you.

Vineet Toshniwal:

Thank you very much. Good afternoon, everyone. Welcome to our Q3 FY '26 earnings call. I hope all of you had a chance to look at our results uploaded on our website.

So let me start by saying that the entire tone for FY '26, has been – that this is a year of rebound. And we are happy to report that this has been a milestone quarter in every sense for SIS, which is marked by very strong execution across all business lines, and we are seeing sustained momentum in both growth and profitability.

For the first time, we've crossed INR 4,000 crores in quarterly revenues. We reported consolidated revenue of INR 4,185 crores. This represents a whopping 24.5% y-o-y growth. This also includes the impact of acquisition consolidation, and that's why the q-o-q growth is 11.4%.

The operating EBITDA for the quarter stood at a record INR 196 crores, a growth of 25.2% y-o-y. This shows the resilience and scalability of our operating model.

Now there has been a lot of noise around the Labor Codes, and you would be seeing results across the board from various IT companies and other companies, even in the security staffing industry as well, right? You would have seen that we have taken a provision in our results.

It's in line with ICAI guidance where we engaged our actuary, who reassessed based on the new definition of wage, leave and gratuity obligations. The company recognized a one-time exceptional charge of INR 290 crores, associated with prior-period gratuity and leave liabilities.

We would like to emphasize that this relates to a prior period. Management had the option to adopt either a more aggressive or a more conservative approach. We have erred on the side of being conservative and have taken a full provision. As we go forward, because this provision is for the past period, we will start educating our clients once the model codes are notified.

And we will try on a best-effort basis to recover the incremental employee-related payouts from our customers because, as you know, in our model, everything is pass-through. As the recoveries materialize, they will reflect positively in our financial results, with the full provision already accounted for. So that's it on the Labor Code and the gratuity provision.

We'll be happy to answer any other questions after this.

Now coming to the results, our consolidated monthly revenue run rate is now over INR 1,400 crores with all three segments firing. On a consolidated basis, we have the highest-ever quarterly revenue of INR 4,185 crores, which is, as I said, up 24.5% y-o-y. India Security reported its

highest-ever revenue of INR 1,898 crores, almost INR 1,900 crores, which is a growth of 33.7% y-o-y.

FM also recorded its highest-ever quarterly revenue at INR 636 crores, which is a growth of 10.3% y-o-y. International Security recorded a very robust growth, highest ever quarterly revenue of INR 1,670 crores, which is a growth of 20.8% y-o-y basis.

Now coming to EBITDA. We've been trying to improve our margin profile, as you know. Our focus on margin improvement initiatives, again, is showing results. We focused on margin, both in terms of customer contracts as well as rationalization of SG&A. On a consolidated basis, our EBITDA grew by 20.7% on a y-o-y basis from INR 168 crores. We are now at an EBITDA margin of 4.5%. I'm referring to Operating EBITDA, not the Reported EBITDA.

India Security reported an Operating EBITDA margin of 5.2%, after adjusting for one-time acquisition-related costs incurred during this quarter. Facility Management reported an expansion in EBITDA margins by 80 basis points to 5.4%.

Additionally, the segment reported its highest ever quarterly EBITDA of INR 34.3 crores, a 29.1% growth on a y-o-y basis. For International Security, again, there is margin expansion. The EBITDA margin went up to 3.8%, remaining flat on a y-o-y basis, but q-o-q basis, it saw a jump. EBITDA margin was up by 19.2% on a y-o-y basis.

Now coming to PAT. We have reported an operating PAT of INR 100.8 crores for the quarter, even though it's flat on a y-o-y basis, but it's quite a big jump over the last quarter. The operating PAT margin is now at 2.4%. Following our balance sheet clean-up actions undertaken last year, including goodwill-related charges, we are seeing a clear improvement in our return on capital profile, with ROCE rising from 12% a year ago, to above the 15% threshold. Now it's at 15.2%.

On operational efficiency, particularly DSOs, we have maintained very tight control. DSOs were 69 and are now down by 2 days from the previous quarter to 67.

So that's all about the financial performance and last but not the least, we are at an EPS of INR 7.2 for this quarter. That almost gives us a run rate of close to INR 30 on an annualized basis, which is quite a jump from the last year. So that's a complete snapshot of our financial results and commentary on the Labour Codes and gratuity.

Now on the call, we have Rituraj, Group Managing Director; Mr. Brajesh Kumar, he's the Chief Financial Officer; and Mr. Murali Krishna, he is the CEO, SIS International. Turning over the call for Q&A now.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Amit from ONE Capital.

Amit: On the onetime charge that you have taken of INR 290 crores, I understand it's on the conservative side. But how much we think we can recover out of it, do you think we can easily recover maybe 50%? What's your view on that?

Rituraj Sinha:

This is Rituraj. I'm glad you started off with this question. This is the elephant in the room that needs to be addressed. So, the first point I'd like to call out is that the gratuity charge that is showing up on our quarterly results of INR 290 crores is a one-off exceptional item from prior periods. Number two, how is gratuity liability computed? Why has this INR 290 crore come? It has predominantly come because the definition of wage has changed in the new Labour Codes. Number three, like Vineet explained, we had 2 choices.

We could have either raised invoices to our customers for prior period gratuity and claimed arrears or we could have done the more conservative or financially prudent approach of taking the charge first and then going back and claiming what our customers ought to pay for prior periods. Now, obviously, if we went for option 1 and we raised invoices for the arrear claims, the potential impact reflecting on our PL would have been significantly lower.

We have gone for the more conservative approach, as Vineet explained. We have fully charged gratuity liability for prior periods, assuming that no customer -- if no customer pays us for prior period gratuity liability, what is it that we would have to expense from our balance sheet. We have already taken that charge. It is INR 290 crores.

Now what we intend to do, and I'm coming to your question. As soon as the model rules are out, which is when the act becomes operational, we will go back and raise a claim towards gratuity and leave, which is the responsibility of the principal employer, which is our customer in this case.

Most of our customers, just as they comply with minimum wages, they comply with PF, they comply with ESI, and they comply with bonus. We believe that most of our customers should come through and comply with their obligation to pay up for gratuity and leave prior period cost. I can't predict whether 100% of our claim will be collectable, only 50% or only 30%. What I would rather say is we have provided for it fully, and whatever we claim, if we claim 99%, it will come back into our P&L over the course of the year.

If we are unable to collect it fully, it will still reflect positively in the financials. There is no additional bad news due to gratuity and leave. From here, we will only negate this INR 290 crore charge as and when we collect from clients. I hope that explains.

Amit:

Yes, thank you very much for the detailed explanation. I appreciate you have taken the charge on the first hand which is not the practice being followed by others presently. So, I appreciate the prudent accounting norms and thanks for that. Another question was on the dividend payout. So, in the past, the company has rewarded the shareholders majorly through buyback. But this time, there has been a dividend of INR 7 per share, which is on the higher side from the general norm -- the general dividend that the company gives?

So, will this -- will the reward for the shareholders in the form of dividend will continue going forward or is it -- I mean what should we track for going forward, like, whether it'd be buybacks or the dividends that have come now and will continue? Any views or clear guidelines or policy in that direction?

Rituraj Sinha:

Thank you for that question. SIS is a cash-positive company, and we generate a significant quantum of free cash each year, as you can see from our past performance. We have a practice of distributing this cash to our shareholders each year.

And over the last few years, since COVID, if my memory serves me right, we have returned INR 500 crores, approximately, to our shareholders, mostly through buybacks. Having said that, there was some feedback from the markets that because SIS is only bringing buybacks, we are not seen as a dividend-yielding company or a dividend-paying company.

Therefore, the Board has decided to return money by way of dividend as well as buyback each year. And we have taken the first step this year by announcing an INR 7 dividend. We believe that as the year comes to a close, also the benefits that we might accrue from ELI, which is the Employment-Linked Incentive and other such sources, we will have more than adequate cash in hand even after our acquisition funding and internal growth capital requirements to return another chunk to our shareholders, which may come in the form of a buyback potentially towards the second half of the year.

But we have done so based on the feedback from the market, and we have done so keeping in mind that dividends or buybacks are both taxable now in the hands of the receiver. So, the tax implications are neutral. Cash outflow from the company is the same. So, we are just trying to do this based on the feedback that we get from you guys. I hope you're not upset about it, though?

Amit:

I would say that of course from the company side it's the same approach. I mean the same amount of quantum that flows out to the shareholders. However, from the shareholders' point of view, the buybacks do create more value because we can at least offset the capital loss on the shares bought back by the company, which is not the case with dividend.

But, yes, for the shareholders who are in a low-tax bracket, probably dividends may feel better. So, yes, both approaches serve the shareholder depending on which tax bracket they come into. So, thanks a lot for your explanation. Much appreciated. Thank you.

Moderator:

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

Umang Shah:

First question was if we were to adjust for AP Securitas acquisition, what would be our revenue growth?

Vineet Toshniwal:

So, the India Security revenue growth: excluding APS is, on a y-o-y basis, 11.2%; Q-o-Q basis, 2.3%. FM -- obviously, FM and security, you can see it from the earnings note.

Umang Shah:

Yes, yes, absolutely.

Vineet Toshniwal:

On a consolidated basis, 15% excluding acquisitions.

Umang Shah:

Okay. 15% ex acquisition. Sir, second question was our security services India margins came in at 4.8%. You mentioned there were these onetime acquisition costs. If my memory serves me right, AP Securitas acquisition, the margins are much lower than the security services India

entity. In that context then what would be the aspiration for the margins for us to grow at, say, in FY '26 or FY '27?

Vineet Toshniwal: So let me revisit the numbers. India security margins, if you will see our earnings note, you see operating EBITDA (excl. APS),? Operating EBITDA (excl. APS) is intact, 5.5%, vs. 5.5%. So, no change over there, right? Margins are absolutely stable in India Security, if I were to say organic SIS.

Now obviously, APS is also part of SIS. At the time of acquisition, we had explained APS has a different margin profile, a different growth profile. So right now, they are at 4% EBITDA margin. And there is a clear-cut road map to integrating APS into the SIS Group, working through all the efficiencies that can come through SG&A rationalization, sales rationalization and everything, and over time, to uplift their margin from current 4% to almost as good as what SIS margins are.

Moderator: The next question comes from the line of Sucrit D Patil from Eyesight Fintrade Private Limited.

Sucrit D. Patil: My name is Sucrit Patil. My first question, Mr. Krishna is, as SIS continues to operate across multiple geographies and service lines, what are the main trade-offs you are managing right now in between expanding your coverage, meeting client SLAs and protecting margins? And if something shifts like, for example, wage inflation, regulatory changes or client churn, what internal signals would tell you that it's time to change the plan of action? That's my first question. I'll ask my second question after.

R. S. Krishna: Sucrit, I'm not too sure if I understand your question right, but I'll still go ahead and answer as much as I can. You spoke about inflation and the cost increasing and so on. As you might know, our business is largely a cost-plus business. And as and when the wage increases happen with a little bit of a time lag, we do indeed pass it on.

As per contractual obligations, we do indeed pass it on to the customers. There is no real risk in the business with respect to that. Again, I'm not too sure if I've answered you fully or if you want to kind of elaborate a little bit more on your question.

Sucrit D. Patil: I'll ask a second question to Mr. Kumar. From a financial point of view, before anything shows up on the quarterly numbers, what early signs do you track that help you spot the margin pressures or cash flow swing? For example, if there's some change in the manpower deployment or billing cycle or client payment behaviour, what is the plan of action on this? I just want to understand how you manage risk. just want to understand your view on that.

Rituraj Sinha: Brajesh ji, I think it's your question.

Brajesh Kumar: It's Brajesh here. Thanks for the question. The process we follow is as follows -- there is a system of monthly closing, we publish a Seven Finger Model, which covers each aspect of business, how the business is doing on margin, how we are doing on sales, how the business is doing on collections and DSO.

This has been reviewed at the corporate level also, and there is a system of having a BRM, branch review meeting, in which every regional head and zonal head reviews this performance of the previous month on the basis of the 7 items. And based on that, taking whatever corrective action is required, we plan those things, and we execute those plans.

At the time of next month's BRM, we first see the actions against the plan, what is the actual result. And whatever further corrective action is required, we take the action. I hope that satisfies your query or if anything else you are looking for.

Moderator: The next question comes from the line of Rama Krishna from ZEN Wealth Management Services Limited.

Rama Krishna: This question not particularly related to the quarter performance or something like that. So, at a general level, just wanted to understand your thoughts. So, you have indicated that higher compliance thresholds due to the implementation of labour reforms are an opportunity for players like you with respect to the addressable market opportunity?

So just I wanted to understand against this background, I mean, if you can spend some time in terms of your thoughts on industry positioning like SIS being market leader in many of these segments, what is the kind of addressable opportunity furthermore, that you will have in terms of ensuring sustainable growth and competitive scenario, pricing metrics and all those things? I think that will be a bit helpful.

Rituraj Sinha: So that's a little broad-based question but let me try and address that for you. See, talking about security per se, if you go by the GSTIN code on which security services GST is paid and you back calculate the annualized size of market, security services alone constitute more than INR 1 lakh crores worth of market opportunity.

So it's a fairly large market. The problem with this market has been that companies like SIS, which are by far the largest in the segment, barely control 5%, 6% market share. If I add up the top 10, it will not even comprise of 15% market share.

Probably top 50 security companies or security companies with over, let's say, INR 500 crores in annualized revenue will not even add up to a quarter of the market size. What I'm trying to drive at is that the sector is extremely fragmented because of a fundamental gap -- and that gap has been the enforceability of labour laws, which leads to a compliance arbitrage opportunity for smaller companies.

I mean, if I put it in very plain language for everybody to understand, when the rule of law with regard to labour acts is not very enforceable or very clear, what happens is that a security company with 1,000 guards, let's say, is not paying minimum wage to 100 people, but there is no way for the government to enforce that.

And then the same security company is depositing the provident fund only for 800 people. And ESIC Challan is only for 600 people, and they are paying a bonus to 500 people. Now there was no mechanism for the government to cross-check compliance across 29 different acts and different challans that went up to 937 different forms to be filled and deposited.

What this labour reform has done for us is that, number one, it has addressed the fundamental ambiguities, for example, the interpretation of the wage definition. You cannot have a different definition of wage for provident fund bonus and gratuity. It is the same definition that you must comply with, and everybody must comply with.

Similarly, the government has come up with consolidated -- at least they are proposing to come up with a GST type IT platform where every single employer in the country, whether it is a multinational corporation or an MSME, a contractor like us or an end customer, all of us would have a single labour license, and a single challan or a single statutory deposit for all our employees would need to be uploaded to the portals of the government.

What that will do is it will, hopefully, over time when this is fully implemented, eliminate a large part of compliance arbitrage that is used against us as a result of which the addressable market for companies like us is limited. What we see these labour reforms as -- is that when everybody complies with the same rule of law, the customer has a choice to pay the same full compliance and maybe 5%, 10% more markup to a national leader or a multinational market leader or pay 5% lesser service charges and go with a local mom-and-pop shop. When the arbitrage reduces, the market naturally shifts to larger organized, and more compliant operators. And this is not a theory. This is exactly what happens in evolved labour markets like Australia, for example.

In Australia, we estimate that 75% to 80% of the industry is organized and compliant. Maybe 20% could be non-compliant in some shape or form. In India, we estimate that the organized compliant market is just about 40%. So, we believe that it is -- labour reforms or labour codes are a trigger for the Indian security addressable market or the Indian FM addressable market for companies like us to move up from the 40% range to the 60%, 70% range as and when this compliance fully takes shape in the next 3 to 5 years.

And that completely changes the landscape, the opportunity size and the advantage that lies with larger compliant players like us. I've given you a very long explanation. But I hope that all on the call would be able to appreciate exactly in a very basic manner what is going to happen to this industry because of labour codes.

Rama Krishna:

This is helpful. Just a follow-up, like do you mean like this will lead to more and more consolidation and from your point of view, like what you did with AP Securitas early, you'll be doing if any such opportunities comes up for your -- for the medium-term to near-term, you will be now looking at aligning with -- APS with SIS. I mean, earlier you were mentioning about the buyback and dividend. So, I'm just trying to understand you'll be putting cash for acquisitions also along with both of them?

Rituraj Sinha:

So what I explained to you does not in any meaningful way change our thesis on acquisitions. SIS is predominantly an organic growth-driven entity. We don't acquire every year. We don't acquire in every segment. We don't acquire for aggregation. We acquire for strategic reasons as and when such an opportunity presents itself.

So, I don't see this to be directly co-relatable with our acquisition philosophy. I think this is a trigger for organic consolidation in the industry by creating a level playing field. And as you all know, organic growth is the best for return on equity. So, our priority is clearly organic.

Rama Krishna: I ask one more or you want me to join back in the queue.

Vineet Toshniwal: Join back in the queue, please.

Moderator: The next question comes from the line of Shrinjana Mittal from MS Capital.

Shrinjana Mittal: I have a couple of bookkeeping questions. One is on the depreciation side. The depreciation number is higher by INR 8-odd crores. In your earnings release, it's mentioned that it's due to some capex at the customer side. So, I just wanted to know what kind of capex is this? And would this additional charge be a recurring charge?

Brajesh Kumar: Brajesh here. So, the reason for the increase in depreciation is because of 2 reasons. One is, of course, the additional capex deployed at the customer side. So, every time we provide a solution to a customer, it also involves some capex, which we deploy at our customer locations. But in this quarter, there is one more aspect that, because of the PPA accounting of the APS acquisition, we have created some intangible assets, which have been amortised this quarter. So, I think INR 2-3 crores is coming from there. Additionally, with APS being consolidated for the first time, an incremental depreciation of INR 3 crore was recognized. I hope that is fine for you.

Shrinjana Mittal: Understood. That's clear. So, this is -- this would be a recurring number, right, then the depreciation number? There is no one-off in the depreciation number for this quarter.

Brajesh Kumar: There is no one-off. It's a recurring number.

Vineet Toshniwal: Only to add to that, even in the finance cost also, you will see something similar. You will notice there is an increase and it's predominantly due to the same accounting principle that we are following in case of the APS acquisition Tranche 2. So that has contributed plus some debt that we have assumed on account of APS acquisition consolidation. So similar explanation on the finance side also, if anyone was about to ask.

Shrinjana Mittal: Understood. No, that covers the second question I had. Just one last question then. The AP Securitas consolidation was done for the full 3 months of this quarter?

Brajesh Kumar: Yes. This has been done for the full 3 months. From 1st October onwards we have done the consolidation.

Shrinjana Mittal: Understood. Thank you. Thanks for taking my question and all the best.

Moderator: Thank you. The next question comes from the line of Vishal Chandiramani an Individual Investor. Please go ahead.

Vishal Chandiramani: Yes. Thanks. My question was just on the margins. You mentioned that you have a roadmap for integrating the acquisition to align with your steady-state margins in security. And also in your presentation spoke about some tightness in the labour markets for the international segment. So,

given that there would be a certain time that you can get the acquired margins up as well as the labour market tightness, what is your expectation for your outlook for margins, say, in FY '27 and beyond?

Rituraj Sinha:

So let me jog your memory. I think if you've been following SIS, a few years back, pre-COVID we were a 6% margin business in Security, a 6% margin business in Facility management and roughly a 4%, 4.5% EBITDA margin business in International. We slid all the way back to 4% in Security, sub-4% in FM and 3% in International.

As we had committed, it has taken us a bit of time, but we are back at 5.5% in security, roughly 5.5% in Facility management and close to 4% in International. Looking ahead, I think our direction is upward and our goal is to get to pre-COVID levels. As regards a timeline, I think I won't venture a guess, but we are on track, and I don't see labour reforms as something that will throw us off. It is not a headwind.

It is a structural tailwind. There will be margin volatility as we renegotiate these contracts, just to clarify. By renegotiation, I mean the contract is in place, but I need to raise a fresh invoice as per the new Labour Codes, and the customer has to process that inSAP, Oracle, whatever else, acknowledge it and then pay us money. This takes a bit of time.

Once this volatility is through, I think we should be back on our agenda of getting back to pre-COVID levels of margin. But I think what is extremely important to understand is, as you look at the margin profile of the business, please also consider that on a blended basis, SIS is now a 5% -- close to 5% EBITDA margin business. This shift is also happening because the Indian businesses are higher margin compared to the International business and the share of International is dropping every year because India is growing faster.

So structurally, on a consol basis also we are moving towards better margins. And then as my friend, Vineet pointed out earlier, ultimately, margin is a key driver for the principal metric, which is return ratios. I think our return ratios are already at 15% plus up from 12%. And we think that basis what we are seeing right now in trends, we are going to again see an upward movement from 15%. So overall, that's the longish answer to your question.

Vishal Chandiramani:

That's helpful. Thank you.

Moderator:

Thank you. The next question comes from the line of Umang Shah from Banyan Tree Advisors PMS. Please go ahead.

Umang Shah:

Hi, Sir. Thank you for taking the follow up. Sir, first question was in International business, we see based on your finance -- based on your disclosures that almost 36% of the revenue comes from defence and government. Is this one of the reasons why we have a lower margin and an inability to pass on minimum wage increases?

R. S. Krishna:

This is Murali here. Okay, it's a bit of a yes and no in the sense that we pass on the wage increases to both our government as well as defence clients. There are no issues with respect to that. It is black and white out there in all the geographies that we operate internationally. So, the price rise is not an issue. So that is a contractual obligation. The customers will pay us.

However, some of these sites require more clearances when we deploy people on the site, and those clearances do take time. And to identify people with those clearance requirements, getting those clearances does take time. And in effect, what happens is that for us to service these sites, we incur, let's say, overtime in those sites and that pulls our margin down. And as and when the unemployment rate eases, we will find more people and that would obviously push back our margins. So yes, it does impact our margin. However, it's not due to the wage increase.

Umang Shah: Got it. Very useful. And with the India-Europe FTA negotiation recently concluded, it also talks about movement of service professionals and have a category of contractual services suppliers. Considering our expertise in security outsourcing and having an international presence, can SIS benefit from this export of manpower to Europe?

Rituraj Sinha: How do I say? I think -- firstly, my compliments for watching this sector so closely. I'm not sure whether others have picked it up. I think this is a very interesting development. It's rather premature to comment on it. It has just happened. We haven't yet had an opportunity to frame our thoughts and put together the strategy. But we are watching it. We are watching it very closely. We believe there is certainly an opportunity here. And as and when we have something material, we will come back to you.

Umang Shah: Sure, sir. And just last one. Thank you for the book. The SIS Story was a very good read. The insights that the book gave helped us a lot in understanding the history and where -- how SIS is -- where it is today and how it is so. In that, we read a lot about One SIS and VProtect. These were some of the initiatives that you had spoken about three, four years back. Today, are we still working on those initiatives or they have been subsumed into the overall business?

Rituraj Sinha: Well, firstly, thank you for reading SIS Story, and thank you for marketing the book even as I'm not going to get any royalties from it. But coming to your question, I think One SIS has broken even; it is doing fairly well. It is roughly at a run rate of INR 10 crores a month. So that's INR 120 crores per annum. It's not a very big business, but it's broken even; it's taken shape. It's going as per plan.

And VProtect, the alarm monitoring business that gets divided into two parts. One is the B2B side where we are solving problems of banks and retail organizations, etc. And the other one is B2C side where we are basically addressing homes and shops and restaurants and small businesses like that.

We are very happy to share with you that we are almost at 30,000 connections. That brings us to close to, again, INR 10 crores monthly revenue. And if my memory serves me right, it is adding close to 15% EBITDA margin.

Umang Shah: Got it. Thank you so much.

Moderator: Thank you. The next question comes from the line of Anant Mundra from Mytemple Capital. Please go ahead.

Anant Mundra: Thank you for the opportunity. Sir, what has been the contribution of APS to our operating PAT this quarter?

Brajesh Kumar: Brajesh this side. So, the difference between operating PAT and reported PAT, is on account of tax -- deferred tax, created on the one-time exceptional item of gratuity and leave provisions. Additionally, we have accounted for one-time acquisition cost of approximately INR 7 crores. So, mainly due to these two components, there is a difference between operating PAT and reported PAT.

Anant Mundra: And how much has APS contributed?

Rituraj Sinha: Your question is more about how much PAT APS is adding.

Anant Mundra: Yes.

Rituraj Sinha: We'll tell you the exact number. I think at EBITDA, it is adding roughly INR 12.5 crores every quarter.

Anant Mundra: Actually, my question was more because I can see -- I mean, we can see that there's a jump in EBITDA of about 25%. But if I check at the operating PAT level from last year, it's about INR 102 crores and this year, it's about INR 100 crores. The growth in EBITDA is not really translating into a growth in PAT.

Rituraj Sinha: No, that's a very good observation. Let me clarify. Last year, same quarter, we had a bump up in the profit after tax owing to 80JJAA and income tax refund interest. There was an abnormal INR 100 and some crores of PAT. And that's why when compared to that Y-o-Y, the number looks disappointing.

But if you compare it to the preceding quarter, which was roughly at INR 90 crores, INR 93 crores, that will probably explain the APS add-up better.

Anant Mundra: Alright. Got it. Got it. Maybe I'll connect separately for the operating PAT contribution from APS.

Vineet Toshniwal: Anant, we can connect offline and get back on this one here.

Anant Mundra: Sure, sir. And, just a follow-up on this as well. What intangibles have been created due to the APS acquisition?

Rituraj Sinha: The goodwill charge?

Anant Mundra: There's goodwill, and I think there's something that we're also amortizing, right? I think there's some INR 2 crores, INR 3 crores of contribution from that.

Brajesh Kumar: Intangible assets have been created as per PPA accounting. The actual goodwill amount, which has been created is approx. INR130 crores.

Anant Mundra: Okay. INR130 crores of goodwill. Alright. And just one more question. So, I mean there's an ELI scheme, which is -- I think, which has now been applicable from 1st August. So, have we kind of worked around what kind of numbers or what kind of benefit we can get from this ELI scheme?

Rituraj Sinha: I think you will have to wait till next quarter to get an answer to that. But let me add to that, that ELI, whatever comes, obviously, given the fact that the employment-linked incentive program is created for employers like us who are targeting blue collar, who are large scale, who recruit in thousands every month.

So, SIS probably would be in the top tier of ELI beneficiaries in the country. The exact math will be clear once the first payment is made by the government. That is what I'm waiting for. But there would be significant flow-through to the PAT line because there are no costs associated here.

Anant Mundra: Got it. Thank you.

Moderator: Thank you. The next question comes from the line of Rahil from Sapphire Capital. Please go ahead.

Rahil: Just one question in regard to each of the businesses and then overall for SIS. Any sort of growth outlook guidance you'd like to give at this point in time for quarter 4 and then for the upcoming year, FY '27?

Rituraj Sinha: I think SIS does not really give guidance. But from a very long-term modelling perspective, this question has been asked before. And Vineet continues to repeatedly articulate that, so I'll give him the opportunity.

Vineet Toshniwal: So, look, I think there is no number guidance. But if you want to look at -- do the crystal ball gazing, I mean, it's like we have consistently said -- in security, we will be about 1.5x the GDP. So, you can model about 11%, 12% type of growth in security. FM has a smaller base, bigger target addressable market, much more -- much bigger growth profile. So again, you could budget for between 12.5% to 15% type of growth rate.

International market, roughly about 7.5% is what you can say, is a sustainable growth rate. I mean this year has been exceptional, but not all years are so good like this. So that's how you can model it. Overall consol basis, we should be looking at about 12% type of growth.

Rituraj Sinha: Just to supplement what Vineet is saying, if you look up to Page 11 of our earnings note, that's another way to look at it. Charts are present on Slide 11 and Page 5. So, if you look at the revenue growth trends for the last 8 years, it's roughly 14.8%, looking backwards. Our EBITDA CAGR for the last 8 years since listing is 13.4%.

Now, coming to Page 11, if you look at our net-debt-to-EBITDA profile, we have always been around 1.2x on average over the last 5 years. OCF to EBITDA for the last 5 years on average has been 83%. Finance cost has been 1.1%.

Moderator: Sir, sorry to interrupt. There is a background noise, which was coming while you were speaking.

Rituraj Sinha: No, sorry for that. I think what I'm trying to say is that we put out these revenue charts and all the trend lines in the earnings note every quarter. So, if anybody wants future outlook, a good way to see it is to trace back our journey in the last 8 years through DEMON, GST, COVID,



labour reforms and all that has happened in between. So that should give you a fair bit of confidence in what we are doing with the business.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Rituraj Sinha for closing remarks.

Rituraj Sinha: Thank you very much, all of you, for taking the time to join this call. As I had said in the last Investor / Analyst call, FY'26 seems to be a rebound year for SIS Group. We are sitting on one of the highest revenue growths that SIS has seen in the last 5 years, close to 20%. Even if you back out our acquisition, it'd still be close to 15% growth, 15% plus growth.

Our profit after tax run rate is about INR100 crores now, so on an annualized basis, roughly INR400 crores. Our EPS is INR 7 for the quarter, but on an annualized basis, our EPS would translate to close to INR 30, which is a big bounce back after the last few years that have been a little wobbly.

Our return ratios, which were 12% ballpark range, are moving back into the 15%, 16%, 17% zone. Our net-debt-to-EBITDA, even this particular quarter where you see a bump up, if you back out the lease charges, which are INR 140 crores, our net debt continues to remain around 1.1, 1.2, which is well within control. And overall, I think SIS is very well set to take on labour reforms. We see labour reforms as a fantastic tailwind.

It is to be seen whether this tailwind is coming at 10 kilometres per hour or 100 kilometres per hour. That one we will get to know as we progress through the year. But I can say with confidence, based on 9-month results, that FY'26 seems to be the year of rebound for SIS. And I would like to thank my investors and the analysts for patiently allowing us the time and opportunity to get this organized and continuing to stay interested. Look forward to seeing you guys soon. Thank you once again for joining. All the best.

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