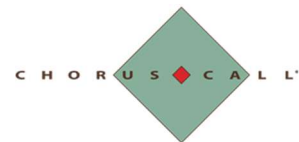




“SIS Limited  
Q4 FY26 Earnings Conference Call”

May 04, 2026



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

**Moderator:** Ladies and gentlemen, good day, and welcome to the SIS Limited Q4 FY26 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 touch-tone 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. Good afternoon to everyone, and I welcome all of you to the Q4 FY26 earnings call. I hope you all got a chance to have a look at the results, which were anyways declared before the long weekend started. So as you've seen by far, Q4 and FY26. I'm very happy to report that it's been a milestone quarter and one of the best growth years for SIS possibly in the last 5, 6 years post-COVID

It's marked by strong execution across all businesses. And there is a sustained momentum as you can see in growth and profitability with the highest ever revenue and highest ever EBITDA margins as well as PAT. So that shows that we are firing on all three fronts. We reported a quarterly revenue of INR4,489 crores. That's a huge jump of 31% year-on-year growth and 7.3% quarter-on-quarter growth. By far our best quarter.

EBITDA for the quarter has crossed the psychological INR200 crores mark for the first time and it's at a record INR207 crores, which is 25.6% up year-on-year basis. This shows the strong resilience and scalability of our operating model.

Last quarter, we reported a onetime exceptional charge of INR290 crores, which is basically the charge we have taken while implementing the new Labour Code guidelines on gratuity and leave liabilities. This quarter, we did a reassessment of our liability with our auditors. And as a result, after the assessment, we reversed INR38.8 crores of this liability during Q4, which is flowing through other comprehensive income.

So it's a reassessment of the liability, nothing materially has changed otherwise. So the liability stands reduced by INR38.8 crores. Now on a revenue basis, we are happy to report that on a consolidated basis, monthly revenue run rate is now INR1,574 crores, which shows promising momentum across all categories. On a consolidated basis, as I said, INR4,489 crores, 31% year-on-year jump. India Security has reported its highest ever revenue of INR1,925 crores in this quarter, which is a 34.2% growth year-on-year basis.

Of course, this has come with consolidation of our acquisition of APS. For FM, we have reported a quarter of INR635 crores, which is an 8.1% growth on a year-on-year basis. International Security reported its highest ever quarterly revenue of INR1,950 crores, which is a growth of 36.9% on a year-on-year basis.

Now coming to EBITDA. We have been working, as you know, for a long time in terms of improving our margin profile across all segments. And that's a constant endeavour, right? So on a consolidated level, EBITDA grew by 25.6% year-on-year to INR207 crores with an EBITDA

margin of 4.6% on a consol basis. India Security out of that has reported an EBITDA margin of 5.1%, which is INR98.4 crores, almost touching INR100 crores a quarter just for India Security alone in terms of EBITDA.

Facility Management reported an EBITDA margin of 5.5%. And for the international business, the EBITDA margin for Q4 was stable, 3.8%, but it was up by 28.7% on a year-on-year basis. Coming to PAT. The operating PAT was INR105.5 crores for the quarter, resulting in a margin of 2.4%. We have been constantly on an endeavour to improve our return on capital, return on equity profile. So now our ROCE stands at 16.5%, up from 14.3% a year ago.

And we have always been guiding that we are going to operate at 15%+ ROCE. We have crossed that mark now. DSO improvement and operational efficiency, has been a constant endeavour by us. So, this quarter, we are reporting one of the best DSO days, which is 63 days, down by 4 days from the previous quarter.

And if you were to look at it, from last few March quarters also because typically, the March quarter is the best in terms of DSO, this is one of the best quarters even since 2023. So that's 63 days of DSO.

So now with this, I close the opening point. On the call, we have Rituraj Sinha, Group Managing Director, Mr. Brajesh Kumar, our Chief Financial Officer of the India business; Mr. Vikram Kannothe, CFO of the International business, and I would open the floor for Q&A. Thank you very much.

**Moderator:** The first question is from the line of N Modi, an Individual Investor.

**N Modi:** Thank you very much for this excellent result. Sir, my question is regarding this exceptional item, this INR290 crores which you have provided in December quarter and then some amount you have reversed in the current quarter. So sir, that amount should not have been let off from here instead of passing it through that comprehensive income, something like that.

**Brajesh Kumar:** Yes, Mr. Modi, this is Brajesh responding to your question. So as by accounting norms, whenever there is any difference in the liability already reassessed. We have to pass it through OCI. We cannot simply reduce the liability or we cannot put it through PL. So as per accounting norms, we have an obligation to pass it through the OCI, and we have just followed the accounting standard.

**N Modi:** Okay. I got it, sir. Sir, other thing, this amount is sir, passed through. We are going to get this money from our client. This we have provided at the movement in lumpsum but ultimately, we're going to get this money from our clients?

**Brajesh Kumar:** So there are two aspects. One is the liability created for the past period and the extra amount which we will incur in the future. So as far as future additional expense is concerned, it is now factored in the rate breakup of all the existing customers, so that will be totally passed through. Regarding the liability of past periods, we are in discussion with our customers.

Most of them have said that whenever actually this amount will be paid to concerned employees who will retire at that time -- at that time they will reimburse. So we are not creating any accrued income against this. Whenever that will be paid to us, that will pass through the PL. So that is the status there as on date.

- N Modi:** So that means we are going to get it ultimately. This will come to the credit of our PL?
- Brajesh Kumar:** Yes, because that would have cash flow impact. Currently, we have just done the accounting adjustment. So whenever the cash flow impact will accrue, at that time, it will be passed through.
- Moderator:** The next question comes from the line of Abhinav from Acuitas Investment.
- Abhinav:** Firstly, congratulations for brilliant results this quarter. My first question is regarding our FM business. I see there are additional contracts which we have won and the monthly run rate has increased to INR31 crores, which was INR21 crores previous year-on-year quarter comparison. So is this sustainable with the current margin which we have?
- Rituraj Kishore Sinha:** Hi, this is Rituraj. The FM results are very much sustainable. And if you have been tracking the FM segment, you will see that they have gone from 4.5% or lower margin profile to almost 5.5% margin profile, plus the business has reported reasonable growth. I think it would be safe to say that both are sustainable.
- Riya:** Hi Rituraj, Riya this side. So, in our international business, we've seen a lot of orders in the quarter also coming from government and e-comms. What are likely tenure of these orders and how should we look at it? Because even if we look at the employee count, they have not increased as much as the revenue has. So could you help me with that?
- Vikram Kannothe:** So typically...
- Rituraj Kishore Sinha:** Yes, go ahead, Vikram.
- Vikram Kannothe:** Yes. Thanks, Rituraj. Typical contracts which we sign in Australia and New Zealand are in the range of 3 to 5 years. That is the first question. In terms of not increasing headcount. So typically, the quarter 4 is where we have events business pickup revenue. The Australian Open in Australia and the Grand Prix in Australia, both bringing in about, in Australian dollar terms, about AUD20 million of revenue, which adds to the revenue without increasing headcount correspondingly.
- Riya:** So is it fair to say that this will not come -- if it is a quarterly phenomenon Y-o-Y basis?
- Vikram Kannothe:** Yes. On a year-on-year basis, this is -- every quarter 4, if you go back and look, we'll have this upswing in revenue because these are long-term contracts signed, but it's tied to the events happening in the quarter. It will go back down to normalized levels in Q1 but it will again pick up in Q4 of '27.
- Riya:** So what will be the quantum of these orders?
- Vikram Kannothe:** 20 million in Australian dollars, roughly about INR120 crores.

- Riya:** About INR120 crores, got it. And my second question is in terms of India business for the newer acquisition, which you have done of APS, so what is the plan there? How is the -- what have we thought about it? What kind of company do we want to make it? And when will the margin converge to our India business of SIS?
- Rituraj Kishore Sinha:** AP Securitas is a strategic transaction. It is basically the number 1 security company in India, which is SIS acquiring number 6 or number 7 company. So it's a classic strategic acquisition. We've bought it at a reasonable valuation. As far as the margins are concerned, in Q4, if you see SIS Security has, excluding APS, delivered 5.5% margin. APS has delivered 5% margin. On a blended basis, these two businesses have delivered roughly 5.2-odd percent margin.
- I think it is going to be -- I mean, it would be fair to say that the 50 bps margin gap is the synergy opportunity. Our plan is that over the next 18 months odd, as we consolidate branches, share back-office services, integrate procurement and cross-sell on technology and other things, I think this should be close to converging.
- Brajesh Kumar:** Just one correction to the previous response. The APS Q4 EBITDA percentage is 4.2%.
- Riya:** 4.2%, right?
- Brajesh Kumar:** Yes, 4.2%.
- Riya:** So we have a room to go from 4.2 to 5.5, is it right to say that?
- Brajesh Kumar:** Yes.
- Riya:** Got it. And how much time or duration do you think this gap would be bridged in?
- Rituraj Kishore Sinha:** I think budget at least 1 year, 1.5 years.
- Moderator:** The next question comes from the line of Umang Shah from Banyan Tree Advisors PMS.
- Umang Shah:** Good set of numbers. Also I wanted to congratulate on capital allocation with both buyback and the dividend this year with taking the total payout to 70%. I had three queries. One was what was the reason for declining employees in the Facility Management segment, Employees have come down from 85,000 to 82,000 employees now.
- Second was any forays planned in any other international markets in FY27? That was the second question. And third question was you had called out that there were multiple one-times in international business this year. The next year onwards, it will normalize to 7%. If that is the context, then how do we plan to have double-digit revenue growth going forward? These are the three questions.
- Rituraj Kishore Sinha:** Okay. So let me try and address one by one. So the first thing, I think, let's -- you didn't ask this question, but so that I can underline this information. SIS has returned a total of INR250 crores to shareholders this financial year. And I think since IPO, over 8 years, if my memory serves me right, we would have returned close to -- Shweta, can you help me with the number? Including this INR250 crores, how much have we returned in total?

Okay. Let Shweta gather that number. Till that I'll answer your questions. Employee headcount in FM has not really reduced. They closed certain contracts, surge work towards the end of Q4. So I don't think you should read too much on FM revenue is not contracting. We haven't lost anything significant. There isn't some bad news that is not reported.

So FM is steady state, it's growing, margins are improving, business is on track. As far as new markets is concerned, I think SIS is very focused on India at the moment. Our priority is consolidating market share and accelerating the solutioning aspect. So currently, there is no new international market that we are looking at.

As regards to one-time on the international side, I don't think these are one-time, just as Vikram explained it. We have signed a 10-year contract with Australian Grand Prix, a multiple-year contract with Australian Open. Whenever these events will happen, we will step in to do the security duties.

It so happens that both these events take place in Jan to March period. So each year during Jan to March, you will see a bump up. So these are multiyear contracts. If you compare last year's Q4 also, you will see the same pattern and the year before. So again, on international there is no onetime contract, no onetime revenue, nothing unsustainable. It is steady state numbers. Shweta, do you have?

**Shweta Jain:** Yes. it's INR600 crores since the IPO. INR81 crores through dividend, INR270 crores through buyback from FY '22 to FY24 and then INR250 crores this year, so about INR600 crores total.

**Moderator:** The next question comes from the line of Karan from Guardian Capital Partners.

**Karan:** I just wanted to ask what kind of opportunities are you seeing with the implementation of the new Labour Codes? And are you seeing any signs of improvement in your business dynamics already with the conversations that you have with your clients?

**Rituraj Kishore Sinha:** Well, Labour Codes, as I have cited several occasions before is a reset for India, not just for this industry per se or for SIS. Let me walk you through it. There are roughly 55 crores to 60 crores working population in India, what you call the labour force of the country. Out of this, roughly 25 crores are working in farms where Labour Codes don't apply.

Remaining 30 crores plus people are directly impacted by Labour Codes, which includes you and it includes me because this is no longer about blue collar or gray collar, this is basically every kind of worker from peon to CEO, a contracted worker or a direct employee, a mining worker or semi-conductor factory worker. So this is a very big change.

Coming to our industry, our industry obviously is manpower-intensive. It is highly regulated. So these Labour Codes have a significant impact. However, the one clear retrospective impact that we had to take, which I was clearly calling out as a minus was the gratuity impact. And that also was basis the fact that the government has now changed the definition of wage.

So there was no noncompliance. It is just that, that clarification was issued and we complied, and we took a INR290 crores charge. As far as I am able to see, that is the only significant

downside of Labour Codes that I could envisage which is now fully absorbed as an exceptional item. Going forward, we have several opportunities at hand.

And I will cite them for you. Number one, with regard to existing contracts, we believe that our invoicing, compliance, collections and payment cycle would see substantial readjustments if the customers fully cooperate, but this has to be seen. This would result in interesting benefits on the working capital side.

Number two, with regard to competition, I think with a single LIN number, a single license, single labour license and a single LIN number, like you have a GST number for a business, and a single chalan online filing system like you have for GST, the noncompliance trend in this sector, which has kept this industry rather fragmented, which has allowed competitors to take advantage of the compliance arbitrage. I think that is also likely to be neutralized as this law gets enforced.

Third, I think as the cost of labour goes up in general, I see quite evidently that people are more open to considering solutions, adding more technology, and helping with better outcomes with lesser manpower. So when it comes to our existing customers, when it comes to our competitors and when it comes to solutioning, there could be material benefits.

But then again, let me call out that Labour Code implementation is not flip of a switch. It will take time to percolate down to the last contract. This is not a change that has happened, but it is definitely beginning of fundamental shift in the industry. If things go well, this could very well be inflection point for businesses like ours. I hope that helps.

**Moderator:** The next question comes from the line of Harshit Khadka from Robo Capital.

**Harshit Khadka:** Yes. Sir, I just wanted to understand what is your ROE aspiration for the next 2, 3 years?

**Rituraj Kishore Sinha:** I don't think we have an ROE aspiration as such I'll tell you SIS must be seen as a compounding story, at least that's the way I see it. And for us, the two metrics that are super important are to be able to get growth above 15% and maintain returns over 15% on a multi-year basis.

As long as we can compound on that 15 is to 15 formula, I think we are very happy. And if you look backwards also, since listing, since FY '18, SIS has maintained a 15% growth CAGR. That chart is available in our earnings note as we put it out each time. So we pretty much want to continue doing what we are doing with a 15% return profile. And with scale, that keeps us significant. I think that's very important to call out.

Obviously, this sector is seeing multiple companies being listed. I'm sure, in the coming years, there will be many, many more. However, in our space, we want to be the clear platform that distinguishes itself. Today, with INR16,000 crores odd of revenues, we are double the size of all security, facility management and cash companies put together. So amongst all listed companies, SIS is clearly twice their size.

But I think it's more important that we are also comparable to others in the market. And that's why our aspiration is to be amongst the top 100 listed companies in terms of profit after tax. We

are certain that in today's market environment as far as we see the numbers, if we get to a INR500 crores PAT mark, that would clearly put us at top 100 listed companies, excluding the BFSI majors. We want to be a significant company. We want to grow at 15%. We want to maintain 15% ROE. That's what we really want to pursue.

**Harshit Khadka:** Okay, sir, understood. And sir, is the plan for IPO of the cash business on track? Like what is the update over there?

**Rituraj Kishore Sinha:** So let me walk you through the whole situation. Firstly, the cash IPO is not delayed by us. It is deferred owing to circumstances, largely the geopolitical situation and the IPO markets over the last few months. We believe that the cash IPO is designed to unlock value for shareholders. We will act with the objective of delivering best value from that unlocking. We are not pushed for time. When conditions align, we will move. Hopefully, within FY27, and I think SEBI has facilitated that by extending the DRHP validity to September 30.

I cannot share too much detail, but the business has delivered very solid numbers. The cash business has delivered very solid numbers for FY26 and a good outlook for FY27. So net summary, we are well set. When the geopolitical environment is more predictable and the stock market is more welcoming for new IPOs, particularly in our space, we will press the button. But for now, we wait and watch.

**Moderator:** The next question is from the line of Nishita from Crown Capital.

**Nishita:** Congratulations on a good set of numbers. Sir, I just wanted to understand, so you mentioned that we aspire to grow at around 15% on a multi-year basis. And we've had a very good growth in all three different segments. So I just wanted to understand what is the growth trajectory we see segment-wise. So each segment, if you could give that growth like for FY27 and going forward?

**Rituraj Kishore Sinha:** We don't do guidance by segment even on a consol basis, I have basically articulated what SIS has been doing in the past. If you take SIS numbers since listing, we listed as a INR6,000 crores company 8 years back, with INR100 crores of profit after tax ballpark. Today, we are a INR16,000 crores company with roughly INR390 crores of profit after tax for FY26 on a normalized basis.

If you back-calculate the numbers, even for the return profile, you will basically see that we have been hovering around 15% growth and 15% return profile. That's what I said that we intend to continue to do that on a multi-year basis.

**Nishita:** Okay. Understood. And on the margin front, do we expect the current margins in each segment to be continued or can we expect some upswing in the margins as well?

**Rituraj Kishore Sinha:** So if you look at the margin profile of the business, let me take you back. We were roughly 4.3%, if my memory serves me right, in Q1 of this year. We are closing this year at 4.6%, 4.7%. This is with the impact of APS consolidation for the full quarter. The stand-alone segmental numbers without APS, India Security is at 5.5% EBITDA margin. FM is also at 5.5% EBITDA margin, both are in the vicinity of the 6% that we used to do pre-COVID.

I have said on multiple occasions before, and I repeat that I see no difficulty in us getting to pre-COVID levels and we have demonstrated that over the last 1 or 2 years, if you go back and trace our numbers. But that's what we should -- you should work with. This industry is not a 10% EBITDA margin industry. This is a growth and ROCE industry. Please understand that clearly.

Your EBITDA margins will hover around 5%, 6%, maybe 6.5%. That won't change much. If you look at the global peers, they are all in that ballpark. The key thing is on a base of INR16,000 crores, can you keep growing 15% year-on-year? And can you maintain over 15% return profile? That is what we are very focused on doing.

**Nishita:** Understood, understood. So can you reach the 6% mark in FY28? Or is that achievable in FY27?

**Rituraj Kishore Sinha:** I wouldn't be able to comment on that.

**Moderator:** The next question is from the line of Chirag Fialoke with MS Capital.

**Chirag Fialoke:** Congratulations on a strong quarter. I have three questions. One is just a clarification. I believe, Rituraj, on some -- on an interview outside with press, I'm not sure if it is correct, but you guys mentioned that you're targeting around INR20,000 crores in '27. Is that just misquoting you guys? Or is it something that you internally think is possible overall revenue? That's just first as a clarification?

**Rituraj Kishore Sinha:** Well, it is a misquote, but it is also possible.

**Chirag Fialoke:** Understood, understood. Interesting. And just to clarify again on the SIS India Securities business, ex of AP Securitas, that margin is 5.5%. Is that right?

**Rituraj Kishore Sinha:** Correct.

**Chirag Fialoke:** Understood. I'll maybe connect offline. I'm getting a different number, but I'll just connect offline and make sure. Two smaller questions. One on the depreciation side this quarter, quarter-on-quarter, our depreciation has increased by around INR15-odd crores. Which, I guess, the note says is relating to largely a new office lease in the international business. That annualizes to around INR60 crores kind of an office lease. Is that what it is? Or how large is that space? Could you just help me understand?

**Rituraj Kishore Sinha:** Let me walk you through that because I think I'll save everybody the trouble. So Q3 FY26, our depreciation number was INR55 crores. Q4 it shows up as INR70 crores. So there's a INR15 crores change. Out of this INR15 crores, INR10 crores is attributable to the MSS lease that we have signed up in Australia. So lease of a new office contributes INR10 crores out of the INR15 crores, and the rest INR4 crores are basically fixed asset addition in India.

Let me also give you a perspective on a full year basis. FY25, our depreciation was roughly INR163 crores. This year is INR215 crores. FY26 is INR215 crores. So net change is close to, let's say, INR50-odd crores. Of this INR50 crores, INR20 crores over is simply leases, and another INR10 crores is basically owing to APS consolidation because of PPA accounting and APS Group, whatever.

So if you do apples-to-apples comparison, there isn't anything material in terms of the depreciation line. Moreover, we have already put out and we do put out in earnings note every single quarter depreciation chart, which is there on -- I think if I -- it's -- I don't know the page number, it may be on Page 7, 8 or something.

Sorry, one second, it's Page 11. If you look at the earnings note, Page 11, there's a depreciation chart. Since FY '21, SIS is averaging 1.1 -- sorry, 1.2% average in depreciation. So there is nothing that you should be awfully worried about.

**Chiraj Fialoke:** Understood. Now very clear. Just -- so that's very helpful. So just to again double click on one part of it, the INR10 crores per quarter is like a INR40 crores annual lease for that office. Is that right? And that I'm getting is close to what the rent of that office build space is. Is that right?

**Rituraj Kishore Sinha:** Yes.

**Chiraj Fialoke:** Understood. Okay. Small last question. The expected credit loss that you guys report on the cash flow, which is as an allowance, I understand, and it's almost meaningless from an overall perspective, has gone up dramatically, though, if I look at it from a year-on-year basis. Anything to read in there? Or is it just too much of a double-click there? It's gone up from around INR20 crores to INR50-odd crores.

**Rituraj Kishore Sinha:** Well, it's just prudent provisioning. You also have to put these things in context to the revenue number, right? Put it in context to INR16,000 crores and then probably you will get more sense on it.

**Chiraj Fialoke:** Perfect. I understand. I just wanted to know, from last year, there is no major change either in policy or some expectation of a larger receivable loss. That's not the case.

**Rituraj Kishore Sinha:** No. It's simply our Audit Committee pressing for being more prudent.

**Moderator:** The next question is from the line of Vatsal Shah from Kingstone Capital Management LLP.

**Vatsal Shah:** Congrats on the quarter. I just had one question. What would be our year-on-year growth for Security India if we excluded APS?

**Brajesh Kumar:** 11%.

**Moderator:** The next question is from the line of Madhur Rathi from Counter Cyclical investments.

**Madhur Rathi:** I'm trying to understand that is there any advantage that we have in terms of sourcing of labour like since the -- I mean, we are based out of Bihar and Bihar has the lowest cost labour. So is there any advantage wherein we can source people from really interiors at low cost and then train them in-house and then maybe place them in Tier 1, Tier 2 cities? Is that the model?

**Rituraj Kishore Sinha:** No, that's absolutely not the model. So in India, what you get paid is dependent on where you work. And I think it's important to understand that carefully. More than your skill, where you work determines how much you get paid. So if somebody hailing from Bihar works in Bihar for the job of a security guard, let's say, he gets INR10,000.

That's the prevailing minimum wage. When the same individual goes to Mumbai, for example, for the same security duty because of Maharashtra jurisdiction, he might be able to get INR20,000 wage for exactly same duty, same hours, same everything. So we don't have an arbitrage. We can't take people from Bihar and pay them INR10,000 in Bombay.

What they get paid is regulated by where they work. Having said that, you are correct to the extent that in this line of work, where you're dealing with 343,000 people on your payroll, the supply chain is your biggest differentiator. Your sourcing is your biggest differentiator. And I think that is what has propelled SIS to current scale.

We have 25 residential training facilities spread across 14 different states in the country. Some states like Bihar have more than one training facility. But several eastern seaboard states, East India states and some Central India states are supply centers for us. That's where the labour mobility happens from.

We have the ability to recruit, to train, to certify and then mobilize workers, and that supply chain has helped us scale the way we have over the many decades. I think one fundamental thing that one needs to understand about this sector is that there is no barriers to entry in this sector. There is no moat like barrier to entry.

Anybody can set up a security company and hundreds of retired policemen and ex-army men setup security companies every month, every year. The barriers are not to entry, the barriers are to scale.

Anybody can run a INR50 crores security company when -- but then there are only two security companies in India currently, which have revenues more than INR2,500 crores. One is Group 4 and the second is SIS, which is now doing roughly INR6,000 crores, twice the size of Group 4. So sorry for the longish answer, but I hope I had explained it to you.

**Madhur Rathi:**

Yes, that was very helpful. So basically, what I understood is that the payments that one receives, I mean, whether it is our security guard or our competition security guard, the payment will be the same. The customer will pay the same salary. It is not as though we can command any kind of premium versus the competition. Everybody is going to get the same salary, whichever agency, it might be. So then where does our advantage come from?

**Rituraj Kishore Sinha:**

So you do command pricing power, but it's not like a monopoly or duopoly where you are the only provider. But you do command a pricing power. SIS price on average would be a few percentages higher than another competitor, a local company in Bombay or Gujarat for that matter or any other place in India.

And that's largely on account of the fact that SIS would be charging a higher service fee, SIS will be charging for the technology we provide, SIS will be charging a training fee, a kit fee and a lot of other things that generally would not be paid by customers who -- another local company. So people do pay a brand premium, but honestly speaking, it's not an earth-shattering brand premium. This is not a monopoly.

SIS is the largest. But even today, we have barely 5% market share in security. This will fundamentally change when Labour Codes gets fully implemented. In the U.S., the largest security company has more than 15% market share. In U.K., the largest security company has more than 15% market share. In any mature market, the largest security company generally has double-digit market share. So we believe that this is just the beginning.

We have a long runway and a huge scope as India grows to -- as India remains the fastest-growing security market in the world and the third largest security market in the world. And mind you, globally, security sector alone is a \$300 billion industry as per Freedonia. And India is the largest -- sorry, India is the fastest growing and the third largest. And we are the market leader in that segment. And Labour Codes are happening. So it's all up to execution.

**Madhur Rathi:**

Understood. So also wanted to understand, Mr. Sinha, like you were alluding to the fact that we have our in-house training center, residential training centers in multiple states. So firstly, is it - I mean, is there any minimum qualification for security guards? Like do they have to be 10th pass or anything like that? Or they can be like even below that education qualification? And then secondly, how much time do they need to spend in our residential training facility? What is the duration?

And post that, once we train them, is there any bond or anything with that particular person whom we have trained for months that for the next 5 years or at least some time, he will have to spend on our payroll? Otherwise, we can just train people on our own cost, and then after 1, 2 months, they can just -- I mean, join some other agency.

**Rituraj Kishore Sinha:**

So let me walk you through. That's a very good question, and I think for anybody who wants to understand the sector, I'll put this on record. So recruitment criteria -- recruitment qualifications are mandated under the Private Security Agency Regulation Act 2005. It specifies who can be a security guard. He must be an Indian national, he must be above certain age, he must have over 10th matriculation certificate.

He should have -- there's a certain set of minimum basic criteria set by the PSAR Act. So the minimum criteria comes from there. He must have a clean police verification and background check, etcetera, etcetera.

How much the training is -- what is the duration and what is the content of training? This, again, the bare minimum is mandated under the same PSAR Act, which prescribes 180 hours of training, and subsequent certification under the act itself.

SIS recruits above the bare minimum criteria. 60-odd percent of the total number of people we've recruited last year were graduates. So obviously, we are recruiting better quality over the bare minimum prescribed by the act. That's the first step towards building a better product.

Second, the act prescribes 180 hours of duty. It does not prescribe whether it should be residential or non-residential. SIS conducts across 25 training facilities, residential training for a period of 28 days. So again, it's the second input that differentiates and helps us build better quality of manpower.

Number three, the act prescribes certification. You can certify, train and certify yourself, but SIS goes for third-party certification. We do tie-ups for others to come and do the testing and calibrate and certify the manpower. Number four, and most important, training in SIS is not free. Training in SIS is subsidized.

For the 28 days training, people pay roughly INR7,500 to undergo training. It is not free of cost. It's not a cost center. We do not run recruitment and training at a cost center. Once they complete training and they are certified, they get a job guarantee in SIS. But there is no bond because under the laws of this country, signing up bonds with people for a minimum service is legally not permissible.

Moreover, there is no reason for us to do that because, A, we have already charged them for the training; and B, because we believe that you can't force or tie down somebody to do a job, you have to create circumstances that people choose you over other employers. So that's our approach to retention.

Industry-wide a survey conducted said that roughly 42% attrition happens in this sector. Our attrition is a good 10% lower than that despite the fact that we maintain the largest workforce in the country. So that is the long story about recruitment, training costs.

The good news or the last point that I must also register is that now government through its employment incentive scheme is committing to pay people a sum of INR15,000 should they do training and then continue to work in the organized labour force for 12-month period on a continuous basis.

Government is incentivizing them with a INR15,000 payment direct to the individual's bank account. It has nothing to do with the company. We believe this will further incentivize people to continue and serve at least 12 months. Hope that helps.

**Moderator:** The next question is from the line of Umang Shah from Banyan Tree Advisors PMS.

**Umang Shah:** We spoke of our margin reverting to pre-COVID numbers and also spoke of aspirations of growing more than 15%. What big changes happened after COVID is that minimum wages in many states have not been revised. So the numbers that we aspire for, will the increase in minimum wages be an important factor here? Or irrespective of this increase, we will still grow or aspire to grow at these levels?

**Rituraj Kishore Sinha:** Well, wage growth is a positive for us. It's not a negative. That's the first thing that you need to understand. Revenue in our industry is a function of price, which is driven by wages multiplied by volume. So if the wage goes up, the price per head per month goes up, the price of overall service goes up. Even at the same volume, you get higher revenues.

**Umang Shah:** Got it, sir. And this has not been happening, right?

**Rituraj Kishore Sinha:** Post COVID, the government artificially compressed the wage increase. So on an annualized basis, the wage increase in the country for the last 5 years has been 3% to 5% only, per annum. But obviously, that's not going very well with the workers. And that's why we saw some

incidents in Haryana and Greater Noida, etc, in the last month, which you might have picked up in the news.

And subsequently, in the last 30 days, Haryana has hiked minimum wages by 50%, Uttar Pradesh by close to 28%, Punjab and Uttarakhand above 15%. So that's what happened in the last -- UP again by 20-odd percent.

**Moderator:** The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

**Madhur Rathi:** Sir, does this flex space operator giving end-to-end service to the landlords as well as the customers affect our Facility Management division because a lot of these guys are coming up with providing everything from design fitouts your facility management and security services as well?

**Rituraj Kishore Sinha:** Corporate offices or office spaces put together would not even constitute 10% of our customer base in Facility Management. That is the beauty about this sector. This is completely diversified. Because you are from Counter Cyclical, let me tell you that if there is one sector which is nonseasonal, it is essential services like security and FM. It's definitely not cyclical. And it's almost recession-resistant.

If you go back and see the numbers of SIS during COVID, in the first year of COVID when the economy shrunk by 7%, SIS grew by 7%. That is because even if one sector like people used to ask us the question during COVID, oh my God, people have gone to work from home, what will happen to FM business. The fact is that people have gone to work from home, offices are requiring lesser manpower, hospitals are needing more manpower. Manufacturing establishments are needing more Facility Management staff.

So, this service is omnipresent. Just count today morning, wherever, whichever part of the country you woke up in, whichever building, there would be cleaning staff and security staff and CCTV camera in that building. If you went to drop your kids to school or the bus that came to pick them up would be driven by facility management staff with a security guard upfront most likely. If you went to drop them to school, there would be guards, cameras and cleaners in the school.

Your office has guards, cameras and cleaners. You go to friends' office or you go to a mall in the evening or you go to the airport, you will see this everywhere, irrespective of city, irrespective of state. This is why this sector is so resilient. And I think nothing can test you more than COVID, and you should see the results of SIS during COVID.

**Madhur Rathi:** Got it. Sir, just one question, sir, does pay commission have any impact on wages for the overall market and that should help us or that is not a big -- because during like previous pay commission between FY26 and FY '29, our revenue has grown at a very nice level. So is that a possibility or no?

**Rituraj Kishore Sinha:** My dear friend, pay commission is for government staff, not for private. We are driven by the minimum wage notifications, which are now under the wage code of the country. So, as and

when minimum wages are increased by the central government or state governments, we have a direct benefit and we pass it on to customers. Our contracts are built for automatic passthrough.

**Madhur Rathi:** Mr. Sinha, taking from your earlier you mentioned that 60% of our guards are basically graduates. So -- but what's the rationale of hiring overqualified people, I mean, for a security guard, even a 10th pass, if that's a statutory requirement, then what can a 10th pass not do what a graduate can do? After all, a guard is not expected to do a lot. So then -- and the graduate will insist on higher wages. So then what's the rationale for recruiting graduates?

**Rituraj Kishore Sinha:** Guards, graduates or post graduates, they are all going to be paid as per the minimum wage declared for security guards by the state government. It doesn't matter whether he is a graduate or a 10th pass. So we pay the same wages, number one. Number two, for the same wages, if we get better qualified people, better educated people, today, a lot of our guards job posts are doing own duty.

They are running apps. They are doing their attendance on apps. They are maintaining visitor registers on apps. They are filing their reports, career reports, which is situation reports, all using digital platforms. So more educated is better. We have to pay what the government mandates us to pay for the job role.

**Madhur Rathi:** Understood. Now also, Mr. Sinha, since we have foreign operations, so is there a possibility wherein we can send Indian labour on work permit in Australia and so on so that we can make higher margins?

**Rituraj Kishore Sinha:** No, sir, there is no provision to take security guards to international markets. Immigration laws mostly allow for immigration to only high skilled manpower and that too where they are not locally available. Security guards so far do not fall under that category.

**Moderator:** Ladies and gentlemen, due to time constraint, that was the last question. I would now like to hand the conference over to Mr. Rituraj Sinha for closing comments.

**Rituraj Kishore Sinha:** Thank you very much to all of you for joining this call and taking so much time and patience to ask your questions. As I close this call for FY26 and for Q4 of FY26, I would like to say that there has been a recurring critique of SIS. People have often said too many segments, too many moving parts, something or the other is always limping.

That's also been true for several quarters in the past. FY26 presents a counterpoint. It demonstrates what happens when a multi-engine platform, which is the market leader in security, market leader in FM, delivers. So FY26 is a good story. And like I said, FY26 has been a rebound year.

And with Labour Codes, I think we have strong tailwinds for the coming years to very well be the inflection point for SIS and this industry. I once again wish all of you the very best, and thank you for continuing to take a deep interest in SIS. I hope to see you soon.

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