



Incorporated on January 2, 1985 Security and Intelligence Services (India) Limited ("SIS") is the Leading provider of Private Security and Facility Management Services in India. The Private Security Services comprise of Security Services, Cash Logistic Services, Electronic Security, Home Alarm Monitoring and Response Services. The Facility Management Services comprise Cleaning and Facility Operation and Management Services and Pest and Termite Control.

As of April 30, 2017, subsequent to acquisition of Dusters Total Solutions Services Pvt. Ltd, SIS has a widespread Branch Network consisting of 251 branches in 124 cities and towns in India, which cover 630 districts. SIS employed 148,678 personnel in India and rendered Security and Facility Management Services at 11,869 customer premises across India.

In Australia, SIS operates in each of the 8 states and employed 5,754 personnel servicing 245 customers. Freedomia ranks their wholly-owned Subsidiary, MSS, as the largest security services provider in Australia, jointly with a competitor, in terms of revenues, as of March 31, 2015. SIS entered this business in Australia by acquiring Chubb Security's security services business in August 2008. Between Fiscal Years 2013 and 2017, their revenue from operations from their security services business in Australia grew at a CAGR of 7.7% in Australian Dollar terms.

SIS is also the 2nd largest cash logistics service provider in India, as of March 31, 2015, in terms of market share by revenue, number of employees, ATMs served and cash vans utilized, according to Frost & Sullivan. For their cash logistics business, SIS has entered into a joint venture with an affiliate of Prosegur, a global player in cash management services. SIS also acquired the cash and valuables services division of ISS SDB Security Services Private Limited ("ISS"), in December 2014 and operate it under their 'SISCO' brand.

Leading position in facility management services in India - In March 2008, SIS entered into an exclusive license agreement with ServiceMaster for the 'ServiceMaster Clean' brand, and associated proprietary processes, operating materials and knowhow in order to develop their facility management business in India. Effective August 1, 2016, SIS acquired Dusters, the 4th largest facility management service provider in India, in terms of revenues, as of March 31, 2015, according to Frost & Sullivan. SIS has also entered into a joint venture with Terminix, a multinational provider of termite and pest control services.

#### Investment Rationale and Recommendation

At the upper end of the price band of Rs. 815, the IPO is valued at 65x at FY17 EPS on post issue basis. There are no immediate peers as such in the listed space. However, considering the Company offers services it can be compared to Quess Corp which is valued at 96x on FY17 EPS. With due consideration to factors like a) diverse portfolio of private security and facility management services, b) leader in providing security services in India and Australia, c) second largest cash logistics service provider in India, d) leading position in facility management services in India, e) we expect significant growth of 50 percent + CAGR in PAT over the next two years, f) intellectual property rights with significant geographic footprint, g) gigantic scale achieved in a fragmented market, h) DE Shaw and CX Partners invested in the Company for a long time instills confidence on corporate governance, we recommend investors to "SUBSCRIBE" the issue.

Issue date	31 <sup>st</sup> July – 2 <sup>nd</sup> Aug. 2017		
Listing date	10 <sup>th</sup> Aug. 2017		
Type of issue	Fresh Issue: Rs 3,623 mn Offer for sale: Rs. 4,173 mn		
Face Value	Rs. 10		
Price Band	Rs. 805 – Rs. 815 per share		
Lot size	18 equity Shares & multiple of 18 equity shares thereafter		
Equity shares post issue	73.14 mn equity shares at upper end of price band		
Issue structure	QIB: 75% Retail: 10% Non – Institutional: 15%		
Post issue market cap	Rs. 59.6 bn at upper price band		
Book Running Lead Managers	Axis Capital, ICICI Sec, IIFL Holdings, Kotak, SBI Cap, Yes Securities, IDBI Capital		
Registrar to the issue	Link Intime India Pvt. Ltd.		
Y/e 31 Mar (Rs. mn)	FY17	FY16	FY15
Revenue	45,671	38,362	35,506
EBITDA	2,334	1,849	1,747
OPM (%)	5.1	4.8	4.9
PAT	913	757	627
PAT (%)	1.99	1.97	1.77
Equity Capital	687.03	62.0	61.75
Post issue EPS (Rs.)*	12.5	10.4	8.6
Networth (Rs. mn)	5,431	4,494	3,915
Total debt	6,855	3,998	3,952
Debt/equity (x)	1.26	0.89	1.00
P/E (x) at Rs. 815	65	78	95
RoE (%)	16.8	16.8	16.0

Source: RHP, Ajcon Research, \* Annualised EPS



## Objects of the issue

- a) Offer for sale by selling shareholders: An offer for sale of up to 51,20,619 shares by the existing shareholders.
- b) Fresh issue proceeds to be used to prepay debt
- c) General corporate purposes

## Company and Promoters' background

Security and Intelligence Services (India) Limited ("SIS") was incorporated as 'Security and Intelligence Services (Eastern India) Private Limited' on January 2, 1985. The company was converted to a public limited company as 'Security and Intelligence Services (India) Limited' on July 29, 1993.

Ravindra Kishore Sinha is the Chairman-cum-Managing Director of the company. He has been associated with the company since incorporation. He has over 30 years of experience in the business of the company. At present, he is a Member of Parliament (Rajya Sabha) from Bihar. He has also served as an advisor to the Ministry of Human Resource Development, Government of India.

Rituraj Kishore Sinha is the Managing Director of the company. He has over 14 years of experience in the company.

Uday Singh is the Group CEO and Whole-time Director of the company. He has over 38 years of experience in management and has, in the past, held various positions with Metallurgical & Engineering Consultants (India) Limited as Engineering Manager, with Jindal Vijaynagar Steel Ltd as Deputy Manager (System Integration and Quality) and with Praxair Carbon Dioxide Private Limited as Director and Business Head.

## Business Overview

**Security Services:** SIS is the 2nd largest Security Services provider in India, in terms of revenue, as of March 31, 2016, and the fastest growing Security Services provider in India, based on revenues for Fiscal Years 2010 to 2014, according to Frost & Sullivan. In addition, Freedonia ranks company's wholly-owned Subsidiary, **MSS Security Pty Limited ("MSS") as the largest security services provider in Australia**, jointly with a competitor, in terms of revenues, as of March 31, 2015. SIS provide a comprehensive range of security services ranging from providing trained security personnel for general guarding to specialized security roles in India and Australia. In Australia, they also provide paramedic and allied health, mobile patrol and fire rescue services;

**Cash Logistics Services:** SIS is the 2nd largest Cash Logistics Service provider in India, in terms of market share by revenue, number of employees, ATMs served and cash vans utilized, as of March 31, 2015, according to Frost & Sullivan. The cash logistics business in India includes services such as cash in transit including transportation of bank notes and other valuables, doorstep banking as well as cash processing, ATM related services including ATM replenishment, first line maintenance and safekeeping, and vault related services for bullion and cash;

**Electronic Security Services and Home Alarm Monitoring and Response Services:** In India, SIS provide Electronic Security Services, including integrated and turnkey electronic security and surveillance solutions combining electronic security with trained manpower and have recently entered into a joint venture in order to provide home alarm monitoring and response services;

**Facility Management Services:** The Facility Management Services in India include cleaning, janitorial services, disaster restoration and clean-up of damage, as well as facility operation and management such as deployment of receptionists, lift operators, electricians and plumbers, and also pest and termite control. Effective August 1, 2016, SIS acquired 78.72% of the outstanding equity shares of Dusters Total Solutions Services Pvt. Ltd. ("Dusters"), with the agreement to increase their shareholding to 100% over the next 3 years. Dusters is the 4th largest Facility Management Services provider in India, in terms of revenues, as of March 31, 2016, according to Frost & Sullivan.



## Recent acquisitions

### *Acquisition of Dusters Total Solutions Services Private Limited*

Effective August 1, 2016, the company acquired 78.72% of the outstanding equity shares of Dusters for an aggregate acquisition cost of Rs.116.90 crore with an agreement to increase its shareholding to 100% over the next 3 years, at a price to be calculated in accordance with an agreed valuation formula. **Dusters is the 4<sup>th</sup> largest facility management service provider in India as of March 31, 2016, in terms of revenues**, according to Frost & Sullivan.

### *Acquisition of Andwills Pty Limited*

Effective July 1, 2017, SIS, through its 100% subsidiary, SIS Australia Group Pty Ltd. ("SIS Australia Group"), acquired 51% equity for Rs.88.36 crore in Andwills Pty Limited ("Andwills"), the ultimate holding company of Southern Cross Protection Pty Ltd. ("SXP"), one of company's current Associates, in which 10% of the equity share capital and voting rights are directly held by SIS Australia Group. This acquisition resulted in the Company, indirectly and directly, controlling 51% of the equity share capital and voting rights in SXP, which is an increase from the existing 10% of the equity share capital and voting rights in SXP directly held by it, through its 100% subsidiary, SIS Australia Group. Further, the share purchase agreement provides a right to SIS to increase its shareholding in Andwills to 100% after three years, and, as a result, indirectly and directly control 100% of the equity share capital and voting rights in SXP, at a price to be calculated in accordance with an agreed valuation formula.

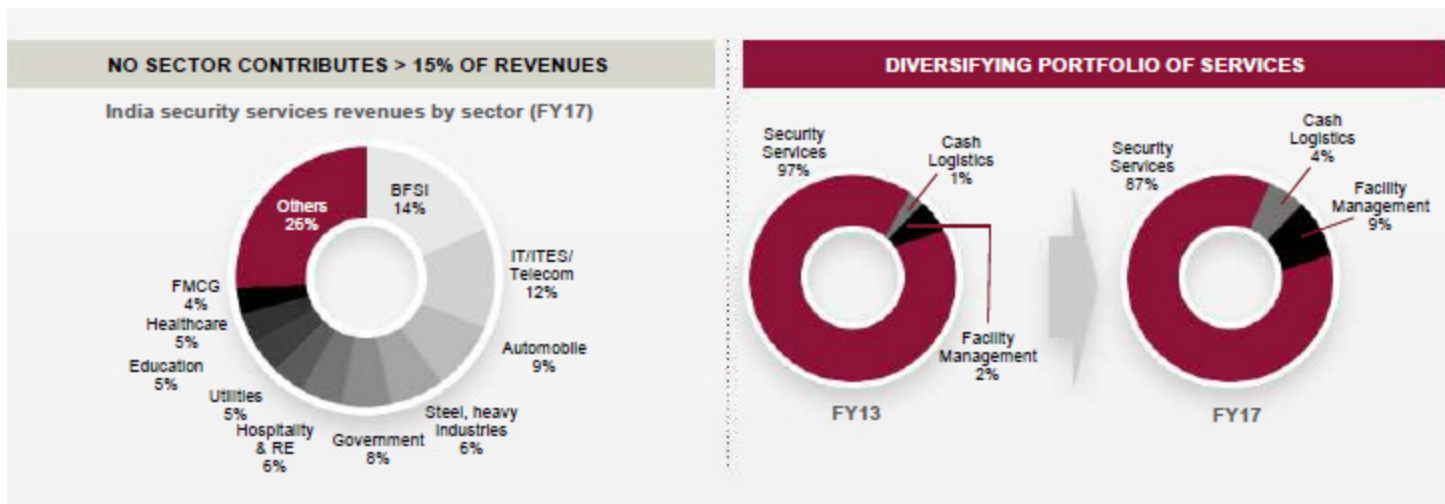
### *Acquisition of SX Protective Services Pty Ltd*

With effect from July 1, 2017, SIS, through their 100% Subsidiary, SIS Australia Group, acquired an additional 41.00% of the voting rights in SXP, formerly one of their associates ("**SXP Acquisition**"). As a result, SXP has become one of their Subsidiaries.

## Competitive Strengths

### *Diverse portfolio of private security and facility management services*

The diverse portfolio of services comprises of Security Services, Cash Logistics Services and Electronic Security and Home Alarm Monitoring and Response, as well as facility management services. The extensive portfolio of services enable SIS to grow their customer relationships and scope of engagements and serve as a single point of contact for multiple services, driving high customer retention. The multiple service offerings allow SIS to derive operational efficiencies, by centralizing certain key functions such as finance and sales and also certain other administrative functions. Given their operational experience, SIS has developed in-house expertise to handle all stages of deployment and management of private security and facility management services and cater to the varying requirements of their customers, which has enabled SIS to grow their market share and instill their customers with confidence in their ability to address their diverse and dynamic business needs.





### Leader position in providing security services in India and Australia

SIS is the 2<sup>nd</sup> largest security services provider in India, in terms of revenue as of March 31, 2016 and the fastest growing security services provider in India, based on revenues for Fiscal Years 2010 to 2014. Between Fiscal Years 2013 and 2017, their revenue from operations from the security services business in India grew at a CAGR of 29.67%.

Frederonia ranks their wholly-owned Subsidiary, MSS, as the largest security services provider in Australia, jointly with a competitor, in terms of revenues, as of March 31, 2015. **SIS entered this business in Australia by acquiring Chubb Security's security services business in August 2008.** Between Fiscal Years 2013 and 2017, their revenue from operations from their security services business in Australia grew at a CAGR of 7.7% in Australian Dollar terms.

### 2<sup>nd</sup> largest cash logistics service provider in India

SIS is the 2<sup>nd</sup> largest cash logistics service provider in India, as of March 31, 2015, in terms of market share by revenue, number of employees, ATMs served and cash vans utilized, according to Frost & Sullivan. For their cash logistics business, **SIS has entered into a joint venture with an affiliate of Prosegur, a global player in cash management services. SIS also acquired the cash and valuables services division of ISS SDB Security Services Private Limited ("ISS"), in December 2014 and operate it under their 'SISCO' brand.**

SIS has established a nation-wide network in India, comprising of 80 branches, including shared branches, 2,748 cash routes, served by 2,518 cash vans as well as two wheeler vehicles and 59 vaults and strong rooms, as of April 30, 2017, and have set up a secure cash processing unit at New Delhi, to service their customers' needs.

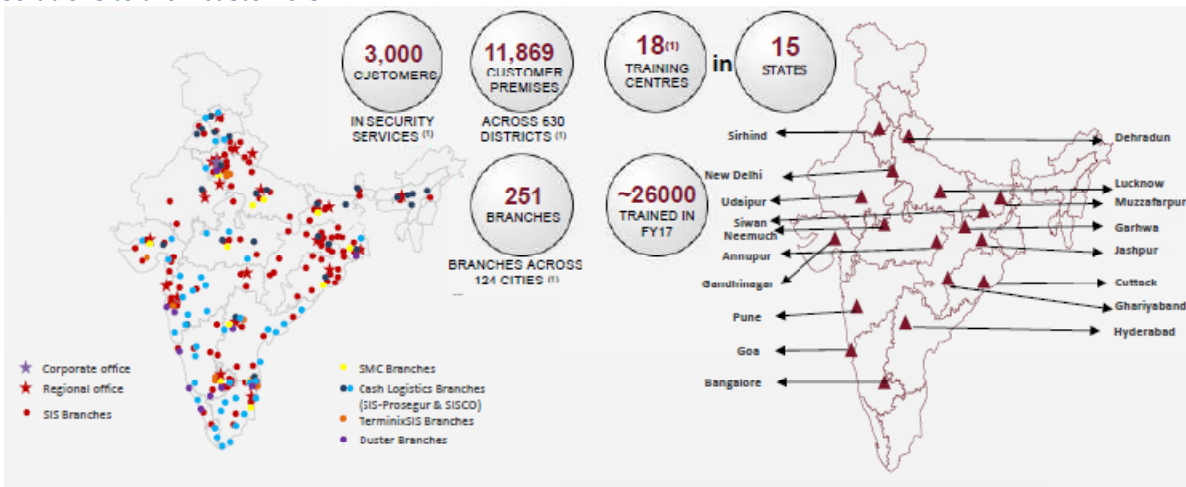
### Leading position in facility management services in India

In March 2008, SIS entered into an exclusive license agreement with ServiceMaster for the 'ServiceMaster Clean' brand, and associated proprietary processes, operating materials and knowhow in order to develop their facility management business in India. Effective August 1, 2016, SIS acquired Dusters, the 4<sup>th</sup> largest facility management service provider in India, in terms of revenues, as of March 31, 2015, according to Frost & Sullivan. SIS has also entered into a joint venture with Terminix, a multinational provider of termite and pest control services.

Company's diverse range of services, customer base comprising business entities, Government organizations and households and ranging from malls and retail centers, hotels and hospitals to government offices and airports, and strength of the established brands they use, enable them to strengthen their leading position.

### Widespread and integrated branch network in India

As of April 30, 2017, subsequent to their acquisition of Dusters, SIS had 251 branches in 124 cities and towns in India, which cover 630 districts, and rendered security and facility management services at 11,869 customer premises, giving them a nation-wide presence and reducing their dependence on any one particular region. The investments in information technology to improve connectivity across the branches and operations and the extensive branch infrastructure allow the company to provide efficient and cost-effective solutions to their customers.







### Diverse customer base

SIS provide their private security and facility management services to several customer segments such as business entities, Government organizations and households. These customer segments range across a variety of industries and sectors, which include Banking and Financial Services, IT/ITeS and Telecom, Automobiles, Steel and Heavy Industries, Governmental Undertakings, Hospitality and Real Estate, Utilities, Educational Institutions, Healthcare, Consumer Goods, Engineering and Construction, which reduces the vulnerabilities to economic cycles and dependence on any particular set of customers.

### Established systems and processes leading to a scalable business model

SIS has implemented standardized recruitment, training, deployment, operations and services related quality measurement and business analysis systems and processes that enable them to develop a scalable business model, with quality service delivery. The company has also instituted a 'seven finger model' management tool which focuses on identified drivers to achieve business and operational targets.






### Marquee investors invested earlier

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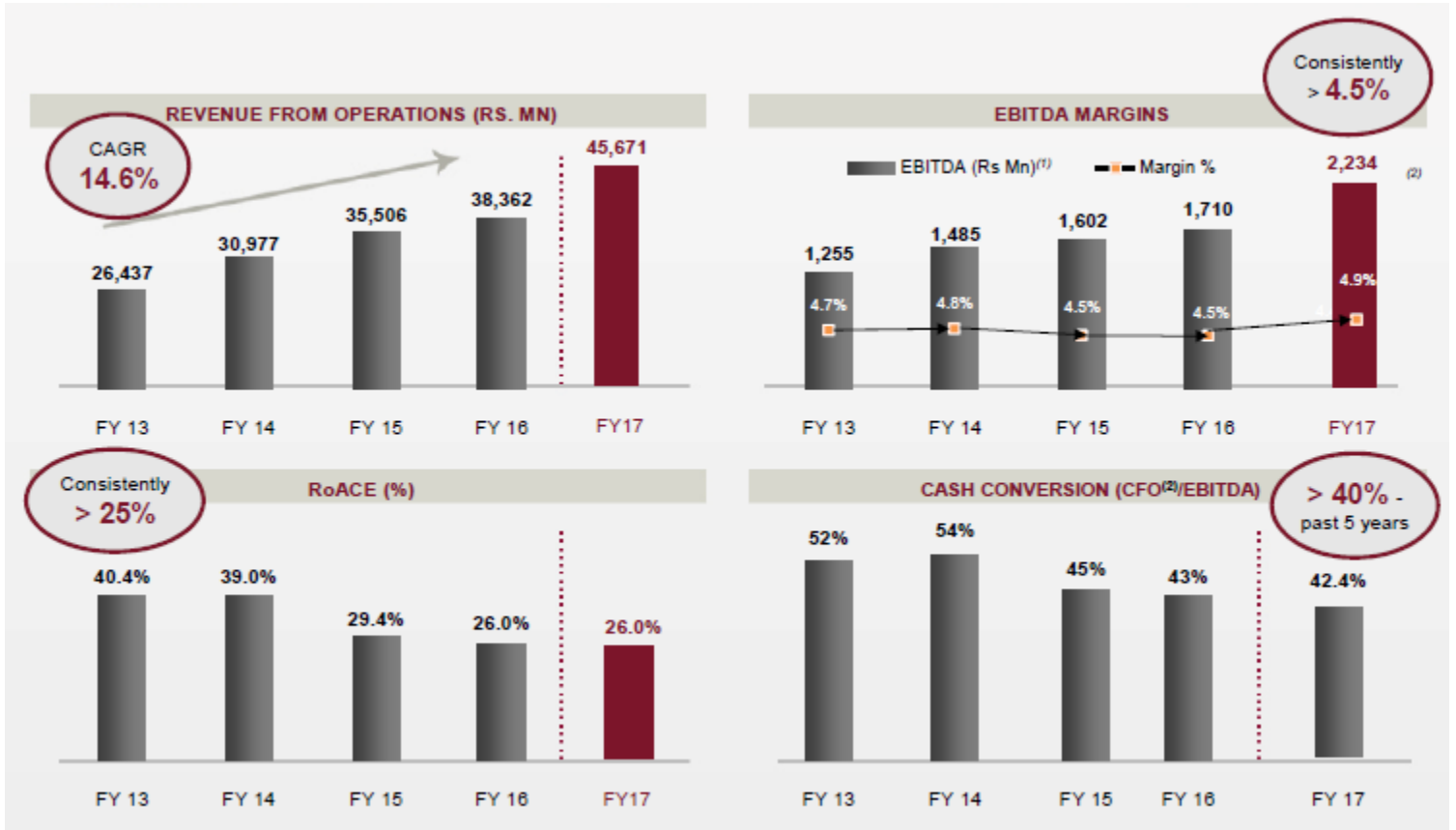
### Intellectual Property Rights

SECURITY SERVICE - INDIA	SECURITY SERVICES - AUSTRALIA	FACILITY MANAGEMENT	CASH LOGISTICS	ELECTRONIC SECURITY
 <p>Started in 1985</p> <p>Business is completely organically grown</p>	 <p>Acquired manned guarding business of Chubb Security in Australia (Aug 2008) for AUD 45 Mn</p> <p>Increased stake in Southern Cross Protection (SXP) from 10% to 51% in July 2017</p>	 <p>Exclusive license agreement with ServiceMaster, a commercial and residential cleaning service provider</p> <p>JV with Terminix US, a multi-national provider of termite and pest control services</p> <p>Acquired 78.72% in Dusters (Aug 2016)</p>	 <p>JV with affiliates of Prosegur Spain, a global player in cash management</p> <p>Acquired the cash and valuables services division of ISS SDB (Dec 2014)</p>	 <p>Commenced Electronic Security Services business (2010-11)</p> <p>JV with affiliates of Prosegur Spain, a global player in alarm monitoring</p>



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## Financial performance





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