



IDEA2ACT : SIS Ltd

Reco Price	12-months Target Price
BUY @ ₹ 355-371	₹ 423

Security and Intelligence Services (SIS) is one of the leading providers of private security and facility management services in India. It offers security services in India and Internationally, cash logistics services, and facility management services including pest control, cleaning and repairing, maintenance, etc.

We raise FY21-23ii EPS by 7-15% after SIS's 2QFY21 earnings topped our estimates on the back of improved margins. The primary driver of the earnings beat was a sequential improvement in margins across the Security Services business segments – both India and International.

Strong cash generation over the quarter has helped reduce net debt before lease liabilities by ~Rs2.1bn to Rs3.5bn. Management target to operate at an OCF-to-Ebitda of >50%. While the Security Services (India) business is seen returning to pre-Covid levels by 3Q, the Facilities Management segment is expected to get back to these levels only by 4Q.

The relatively defensive nature of its businesses is an advantage, and the company's market leadership position and execution capabilities are added strengths. We also see chances of market share gains for industry leaders like SIS in the post-Covid world, especially after Parliament has passed the new labour codes. Near-term growth may also pick up as the festive season kicks in. Besides, at 18x FY22ii P/E, valuations are not demanding, while our estimates suggest that EPS could nearly double over FY21-23. We remain positive from a longterm perspective.

Technically, SIS is currently trading in a narrow trading band and is on a verge of giving a Channel pattern breakout on the weekly chart. The stock has given a short term falling trendline breakout on the daily chart with an uptick in volume, indicating a bottom formation. If the current rally accentuates the way it should, we expect SIS to trend higher and test our immediate target price of Rs423.

**Previous Recommendations:**

Date	Stock Name	Reco Price	Target Price	P & L %	Status
26-May-20	Emami Limited	205	241	18%	Target Achieved
2-Jul-20	ITC	201	235	-13%	Open (Dividend Rs10.15 exdate 6th Jul 2020)
2-Jul-20	NHPC	19.5	24	23%	Target Achieved
15-Jul-20	HCL Tech	610	695	14%	Target Achieved
30-Jul-20	INDIGO	920	1074	17%	Target Achieved
11-Aug-20	JB Chemicals & Pharmaceuticals	750	867	16%	Target Achieved
13-Aug-20	UPL	480	555	-6%	Open
18-Aug-20	Crompton Consumer	256	299	17%	Target Achieved
28-Aug-20	Sudarshan Chemical	474	557	-7%	Open
14-Sep-20	Apollo Tyres	114.5	138	21%	Target Achieved
1-Oct-20	Manappuram Finance Ltd	155.5	186	0%	Open
16-Oct-20	Cyient Ltd	370	440	19%	Target Achieved
28-Oct-20	Amara Raja Batteries	770	898	-1%	Open

Disclaimer:





Idea2Act



Investments in securities market are subject to market risks, read all the related documents carefully before investing. There is no assurance or guarantee that the investment objectives shall be achieved. IIFL does not guarantee any assured returns on the investments recommended herein. Past performance of securities/ instruments is not indicative of their future performance. IIFL makes no representation/s or warranty/ies, express or implied, as to the accuracy, completeness or reliability of any information compiled herein, and hereby disclaims any liability with regard to the same, including, without limitation, any direct, indirect, incidental or consequential loss. You shall verify the veracity of the information on your own before using the information provided in the document. Investors are requested to review the prospectus carefully and obtain expert professional advice. IIFL group, associate and subsidiary companies are engaged in providing various financial services and for the said services (including the service for acquiring and sourcing the units of the fund) may earn fees or remuneration.

IIFL Group | IIFL Securities Ltd., IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane - 400604. CIN: 99999MH1996PLC132983 Tel.: (91-22)2580 6650. Customer Service: 40071000. Stock Broker SEBI Regn: INZ000164132. NSE: 10975 BSE: 179 MCX: 55995 NCDEX: 01249 Depository: INDP1852016. MF Distributor ARN: 47791. PMS SEBI Regn.: INP000002213. Investment Adviser SEBI Regn. INA00000623. Research Analyst SEBI Regn: INH000000248. Loan products are offered by IIFL Finance Ltd. & IIFL Home Finance Ltd. Kindly refer to www.indiaonline.com for detailed disclaimer and risk factors.