

IPO REVIEW

SECURITY AND INTELLIGENCE SERVICES LTD (SIS)

Issue Details	
Issue Opens	31-July-17
Issue Closes	02-Aug-17
Issue Size (Rs. Crore)	780
Face value (per equity share)	10
Price Band (Rs.)	805- 815
Lot Size (No of Share)	18
No of Shares on Offer (crore)	0.51
QIB (%)	75%
Non-Institutional (%)	15%
Retail (%)	10%
Commencement of Trading	10-Aug-17

Issue Date: 31st July – 02nd Aug 2017

Price Band (Rs.) : 805 - 815

Lot Size (No. of Share) : 18

Company Background

Incorporated in 1985, Security and Intelligence Services (India) Limited provides private security and facility management services in India and Australia. They offers cash logistics; security services, including manned guarding, cash logistics, and electronic security; and facility management services, such as mechanized cleaning, and pest and termite control services.

Financials

Particulars	For the year/period ended (in Rs. Million)				
	FY-16	FY-15	FY-14	FY-13	FY-12
Total Assets	5,173	4,394	3,629	3,039	2,370
Total Revenue	12,873	10,563	8,245	5,827	4,649
Profit After Tax	339	246	332	299	110

Concerns

- Any decrease in demand for security services (~87% of revenues in FY17) may have adverse impact.
- Acquisitions may not yield intended benefits.
- Adverse ruling in outstanding litigation could have adverse impact.
- Any suspension or revocation of PASARA approvals could adversely impact its security business.

Strengths

- India security services market expected to grow at 20% CAGR.
- Leading position in operating verticals.
- Diverse portfolio of private security and facility management services.
- Established systems and processes leading to a scalable business model.
- Experienced management and operational team.

Our View

On the higher price band of Rs.815 and on consolidated FY17 EPS of Rs13.2, P/E ratio works out to 61x. Even based on last 3 years EPS of Rs11.9, P/E Ratio works out to be 68x. Means company is asking the upper band of issue price of Rs.815 for a P/E Ratio of 61x to 68x. Its listed peers like Qess Corp Ltd is trading at P/E ratio of 95. Hence SIS IPO is reasonably priced.

Company revenues grew at 15% CAGR in last 5 years. Being the first mover in three growing segments (of security services, cash logistics and facility management under one roof and registering 2.5 to 3% growth on month on month basis) issue is likely to generate fancy going forward. Investment may be considered for short to long term.

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	76.9	72.2
Public (incl institutions and employees)	23.1	27.8
Total	100.0	100.0

Objects of the Issue

The object of the issue are:

1. Repayment and pre-payment of a portion of certain outstanding indebtedness availed by the Company;
2. Funding working capital requirements of the Company; and
3. General corporate purposes.