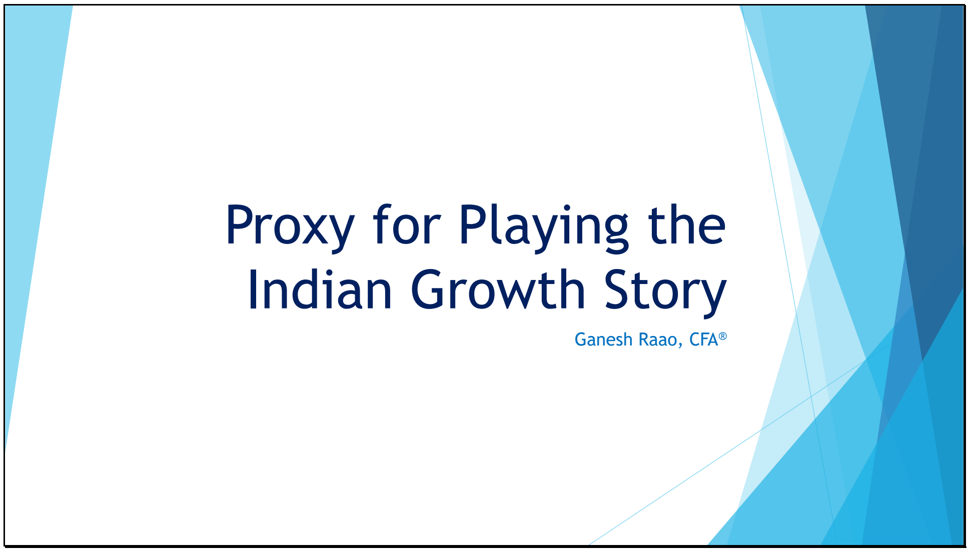
Slide 1



Disclaimer:

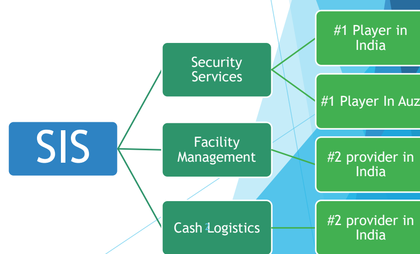
1. I am not a SEBI Registered Analyst.
2. This is for education purpose only, shared as an idea to learn and poke holes at the thesis.
3. **I have a 3% allocation in my portfolio to this company**. I might be biased in my presentation.
4. Please do your own due diligence before considering investing in this company.

Slide 2

Company

- Company: Security & Intelligence Services India Ltd
- Ticker: SIS
- Market Cap: 5600 Crores (Current Market Price: Rs.382)/52 week low – Rs.322
- Description: SIS provides security, facility management and cash logistics services, which are essential to the functioning of a vibrant and healthy economy.

- Only listed player in the Security services space.
- SISL is the flagship company of the SIS Group and is promoted by Mr. R.K. Sinha and Mr. Rituraj Sinha. The company was listed on the stock exchange during FY2018, raising Rs. 362.5 crore as fresh equity from the primary market during its IPO in August 2017.



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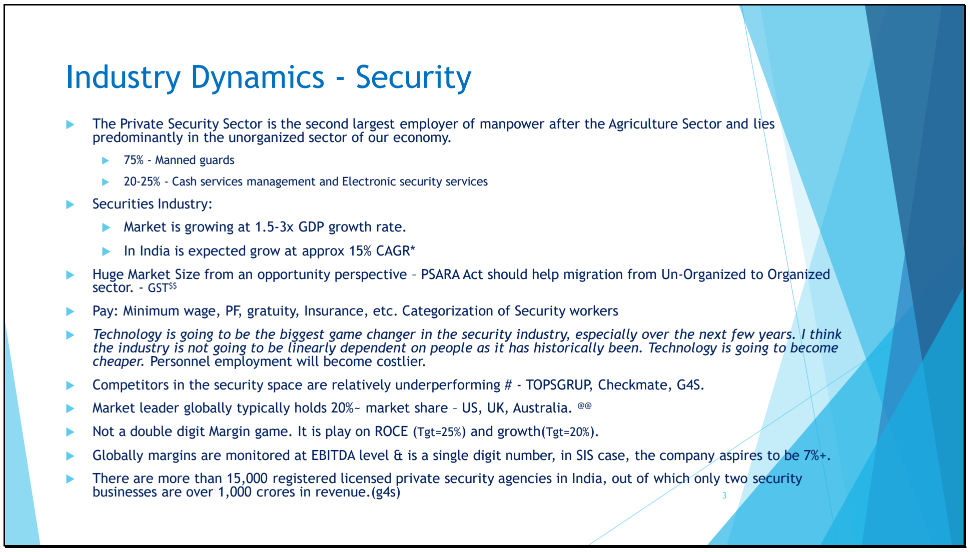


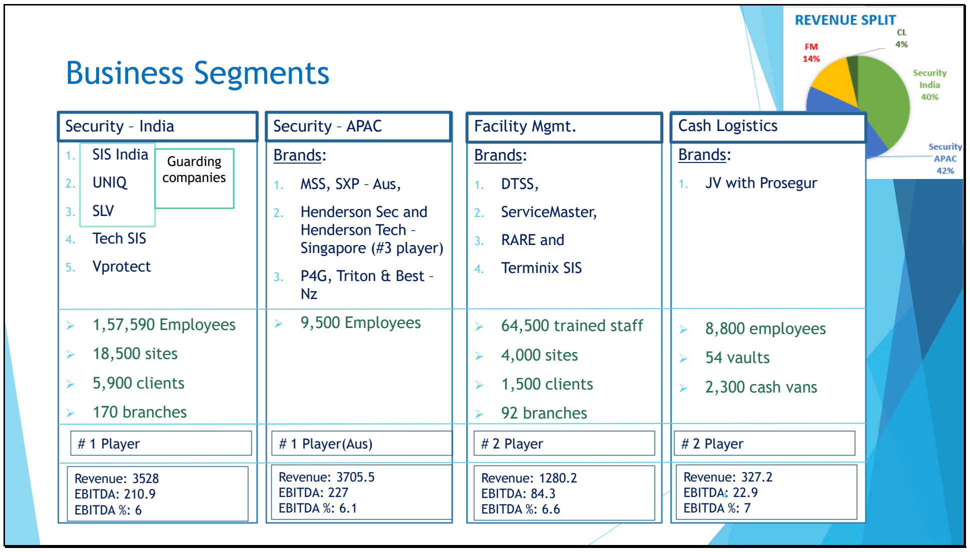
* INR 80,000 FY’19 -> INR 157,000 crore by FY '24 – guarding or Security Solutions Sector.
# FICCI report.

In Jan 2017, pay. Security guards without arms have been recategorisedas “skilled” and security guards with arms and security supervisors have been recategorisedas “highly skilled”.

$$ **Impact of GST**–The new tax regime has led to a shift from unorganised to organised sector supported with the move from manual to digital technologies. GST takes away current unfair advantage enjoyed by the unorganised sector by bringing them to folds of the organised sector. In effect GST has been a positive step and has given a level playing field to the industry players and brought the unorganised sector at par with the organised sector. Thus, unorganised entities have been forced to make efforts to transform their business models into legitimate and compliant entities competing for consumers with the organised entities.

@@ Australia is 80% organized with us holding as a single operator a 20% market share. So, that is why I was saying earlier that we are wired for growth because we believe that in India the five-year opportunity is to benefit from this formalization and garner may be 10% - 15% of the Indian security market, 10% - 15% of the Indian facility management market over the next five years plus. So that is how we look at developing our business

Slide 4


Business Segments
REVENUE SPLIT
CL 4%
FM 14%
Security India 40%
Security APAC 42%
Security – India
1. SIS India
2. UNIQ
3. SLV
4. Tech SIS
5. Vprotect
Guarding companies
1,57,590 Employees
18,500 sites
5,900 clients
170 branches
1 Player
Revenue: 3528
EBITDA: 210.9
EBITDA %: 6
Security – APAC
Brands:
1. MSS, SXP – Aus,
2. Henderson Sec and Henderson Tech – Singapore (#3 player)
3. P4G, Triton & Best – Nz
9,500 Employees
1 Player(Aus)
Revenue: 3705.5
EBITDA: 227
EBITDA %: 6.1
Facility Mgmt.
Brands:
1. DTSS,
2. ServiceMaster,
3. RARE and
4. Terminix SIS
64,500 trained staff
4,000 sites
1,500 clients
92 branches
2 Player
Revenue: 1280.2
EBITDA: 84.3
EBITDA %: 6.6
Cash Logistics
Brands:
1. JV with Prosegur
8,800 employees
54 vaults
2,300 cash vans
2 Player
Revenue: 327.2
EBITDA: 22.9
EBITDA %: 7

Slide 5

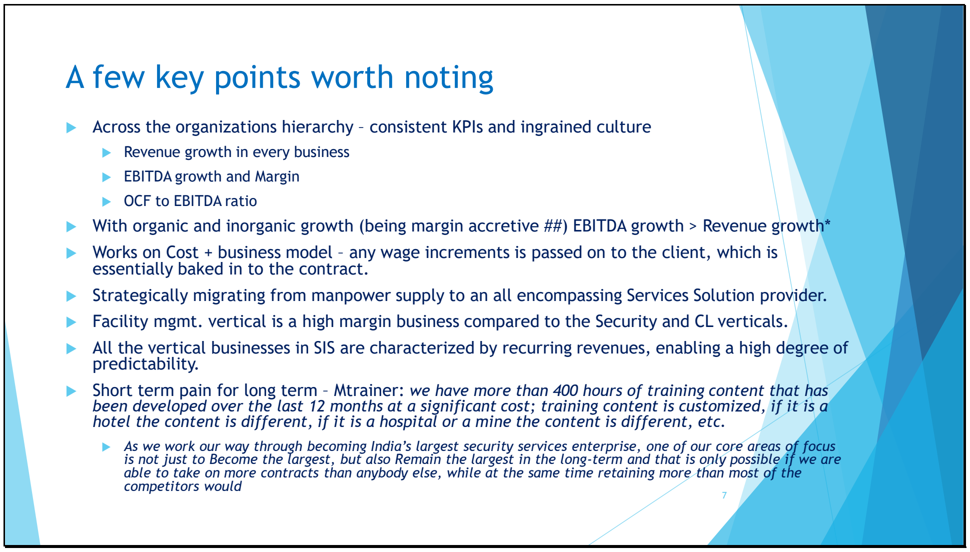
On acquisitions:
- We do innovative structures where we incentivize the promoters to stay on with us and build the business together and incentivize them through higher payouts linked to EBITDA growth, EBITDA margins.
- Our rationale for M&A is essentially consolidating our market share in key geographies and customer segments.

Slide 6

Competitive Strengths - Contd.

- ”Relative inelasticity to the economic cycles”
  - Both the Security services and the FM businesses, being largely recession and economy resilient, whether there's a downturn, upturn. We have continued seeing over the cycle of the last 10, 15 years, we've seen different cycles of economic progress and economic ups and downs.
- Post COVID19 (in a year or 2) – opportunity for M&A will be higher given the stress that is being observed by management & probability of being available at attractive valuations.
- Inflation hedge – Minimum wage growth, baked in to contracts.
- Scalability using standardized recruitment, training, deployment, operations and quality measurements and feedback aggregation.
  - Automated Recruitment Kiosk (ARK): ensures product quality and consistency, minimizes errors and human intervention by enabling recruitment through a kiosk-based recruitment processes. *Consider the number of people they employ – 2,40,450.*

Slide 7



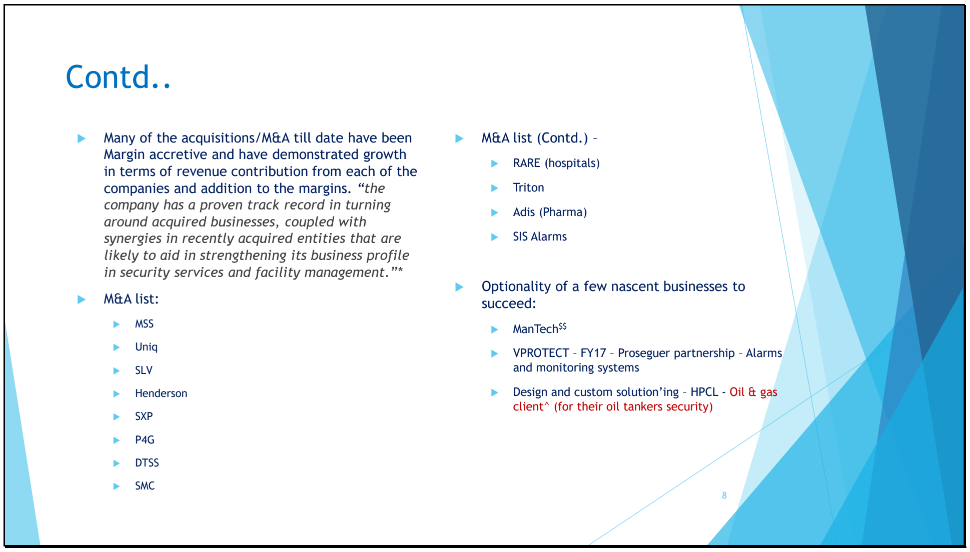
*Conf call notes.

- Q4FY20 - for entire Security Solution, like previous year, we had INR 2,712 crore and the current year, which has ended in March 31, 2020, we finished at INR 3,528 crore, thus making a 30%-plus growth in terms of revenue. And in terms of EBITDA, it's about 40% growth in terms of EBITDA. Last year was INR 151 crore vis-à-vis the current year, it is about INR 211 crores.
- Q1Fy20 -SIS Group has started FY '20 with a solid quarter. We crossed the INR 2,000 crore quarterly run rate mark in this quarter. With this, we have now achieved a quarterly CAGR of 6.2% over the last 9 quarters as far as revenue is concerned. The EBITDA has grown even faster during the same period. The quarterly CAGR of EBITDA growth is 8.1% over the same period.
    - All our business units have continued to deliver strong revenue and profit metrics. Our consolidated revenues came in at INR 2,008 crores for the first quarter of FY '20, which is an increase of 2.7% over the previous quarter and almost 25% increase over the same quarter in the last year. Similarly, our EBITDA was INR 125 crores in the current quarter, which was a quarter-on-quarter increase of 8.8% and 67% increase over the same quarter in the previous year.
    - The increase in EBITDA has been the result of operating leverage across segms along with various profit improvement and cost management measures implemented across the larger group entities.

Oct 2018, Q2FY19

If you look at Dusters, prior acquisition they were growing at about 12%-13% year after for the past three - four years prior to that and since the acquisition for the past three years on an average they have grown at about 26%-27%. So obviously we do a few things that help in the growth, right from the way we setup our SBU branch structure, the way we setup our target and review mechanism, performance mechanism incentives that we bring it into all the companies that we acquired and partner with.

Slide 8

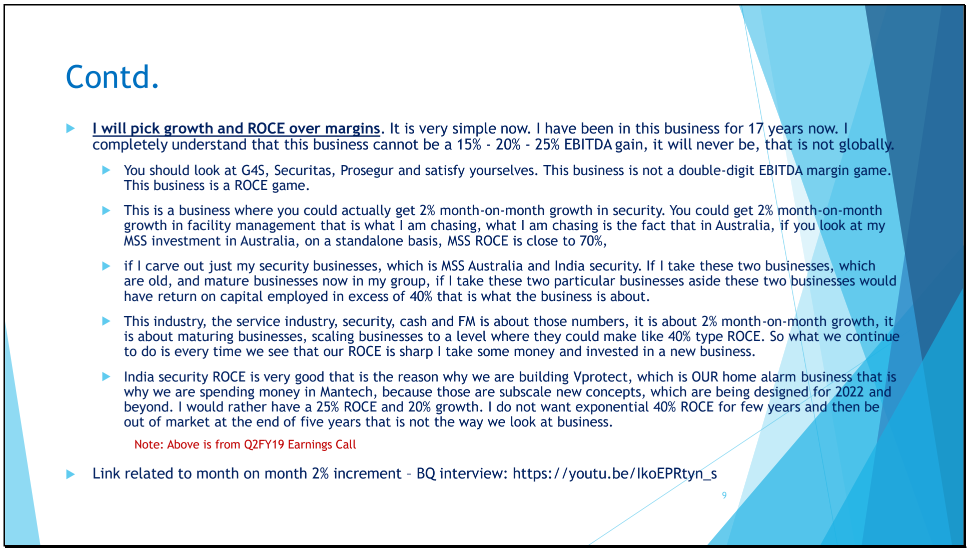


*ICRA 2019 notes & AR :
SISL acquired multiple entities during FY2019 at a cumulative investment of Rs. 369.2 crore. Apart from the acquisition of Henderson, the company had acquired four more companies earlier in FY2019 – SLV Security Services Private Limited (SLV), Rare Hospitality and Services Private Limited (Rare), Uniq Detective and Security Services Private Limited (Uniq) and Platinum 4 Group Limited (P4G) for a cash consideration of Rs. 50.5 crore, Rs. 37 crore, Rs. 51 crore and Rs. 6.4 crore respectively. The acquisition of SLV, Rare and Uniq were funded through the proceeds of the NCD (Rs. 150 crore) raised earlier in the early part of FY2019, while the P4G acquisition was funded via lines of credit available with SIS's Australian subsidiary.
Effective May 1, 2019, the Company acquired an additional 50% of the voting rights and shares (in addition to the 50% already held, directly and indirectly, in SIS Alarm Monitoring and Response Services Private Limited ("SIS Alarms") for an aggregate consideration of ` 200 Million. SIS Alarms was formerly a joint venture between the Company and Singpai Alarms Private Limited, and as a result of this acquisition, it has become a wholly owned subsidiary of the Company.
Effective July 1, 2019, Platform 4 Group Limited, a subsidiary of the Company, acquired 100% of the outstanding equity shares of Triton Security Services Limited (Triton), New Zealand for an aggregate consideration of NZD 5.58 Million. Triton provides alarm monitoring services in New Zealand. The acquisition has helped Platform 4 Group Limited and SIS Group to add alarm monitoring offerings to its service portfolio in the New Zealand market.
Effective February 1, 2020, the Company, through DTSS, its wholly owned subsidiary, acquired 51% of the outstanding equity shares of Adis Enterprises Private Limited ("AEPL"), for an aggregate consideration of Rs. 8.61 Million. – gateway in to Hard Facility Mgmt. & top pharma players

$$Mantech Market Opportunity: Increasing terror threats, growing public and private infrastructures and the increase in crime rates have resulted in the demand of the surveillance market in India. Video surveillance systems have been the largest product category in India electronics security segment. The Indian video surveillance market was reported to be around US$1.58 billion in 2014 and is expected to reach to US$8.24 billion by 2022, while growing at a CAGR of 22.96%. Market verticals that hold a significant share in the surveillance industry are transport, banking and financial verticals and other commercial offices.

^ Our efforts on Mantech Solutions are bearing fruit -we were able to design and deliver our complex security solutions for HPCLfor their oil tankers security. This is Rs.14 Crores order on opex model, which includes equipment solution designs, software design, AMC, provision of technical manpower and control room ops. This is pretty much how we see the future of the service business moving from commodity service and moving from that service onwards to solution so HPCL is perfect example of Mantech Solutions where we are trying to address the issue of pilferage and tampering with oil tankers for the oil marketing companies. Now mind you the solution I am talking about is only for some 2,000 old trucks or oil tankers as they are called and India has more than 1.5 lakh such tankers

Slide 9



Link related to month on month 2% increment – BQ interview: https://youtu.be/IkoEPRtyn_s

Slide 10

- FICCI EY Report
- ## - Workforce size of PSI is more than the combined strength of the Army, Navy, Air force and Police put together. With 8.9 million security guards and 1.9 million police officers, India has 05 times as many private security guards than police officers. While the sanctioned strength of police personnel (civil and armed) in 2016 was just 2,464,484 the employment in the PSI far exceeds the number of police personnel in the country.
    - Ratio of personnel in Private Security to Police Force India 83:17, China 65:35, US: 58:42, UK 61:39 Germany 50:50

Slide 11

Demand Opportunity – India (contd.)

- India has the *lowest* per capita spend globally – huge headroom to grow
- Customers would want integrated solutions – one vendor for all risk mgmt.
- All the top tier companies prefer dealing with established vendors, who are being compliant and have a one stop shop kind of solution. –
- Customer's preferences have shifted to the organized service providers due to benefits of value added services, better trained personnel, use of advanced technologies and streamlined solutions. Most clients look for technology enabled security solutions which organised players in the industry already offer, owing to high capital and highly skilled manpower availability.

Slide 12

Freedonia Report, AR

@India’s security solutions market has been seeing strong and steady growth aided by increasing urbanisation and infrastructure spends, growing concerns about crime, terrorism and inadequate public safety measures. The industry is forecast to grow from Rs. 806 Billion in FY19 to Rs. 1,574 Billion in FY24E, at a CAGR of 14% (Source: Freedonia Report on India Security Solutions and Facility Management, March 2020).

^ The industry is forecast to grow from Rs. 1055 Billion in FY19 to Rs. 2328 Billion in FY24E, at 17% CAGR (Source: Freedonia Report on India Security Solutions and Facility Management, March 2020). The above market size includes housekeeping solutions, technical/hard facility management, landscaping, catering and even solutions provided by OEM vendors under their service contracts.

Slide 13

Management

- Promoters have experience of close to 4 decades in the securities market.
- Rituraj Sinha - diversified a Rs 25 crore business into a Rs 5000 crore security firm through a series of acquisitions, and made sure systems were put in place for smooth functioning of the expanding business. – “The Consolidators”.
- Have walked the talk as far as vision, medium term goals and metrics...

Slide 14

Risks

- Regulated by Govt. and/or Governing body – inability to pass on impact can impact biz (ATM/CL aspect)
- Failure to live up to operational expectations, non-effective risk mitigation policies can lead to reputation damage & customer loss(es).
- Low barriers to entry & Low pricing power
- Attrition and inability to hire and keep employees – growth
- Working Capital Intesive – mgmt. critical
  - B2G – Cash collection delays or Economy slowdown might impact this vertical.
- Inorganic growth – Synergies not working out
- Tech investments – not panning out as expected – burning through cash
- 80% revenue from Security services – any black swan event might disrupt earnings.
- Covid19 – Impact – Collection and scaling back from customers
  - TCS – 90% of the workforce is going to be remote, similarly if all other eligible companies follow suit, the scope of growth for securities and FM services might be impacted.