

Pick of the week



SIS (SECIS)

Recommendation

BUY

Time Period

12 Months

Current Price

₹ 361

Target Price

₹ 430

Potential Upside

19.1%

Investment Argument

- India security and FM businesses should see ramp-up through FY22. Further, lower demand for services currently may impact smaller players more, thus driving consolidation in the space.
- In FY21, revenue increased by 8% yoy, operating profit was flat but net profit increased significantly by 185% yoy. SIS' net debt declined to ~Rs320 cr as of Mar'21 from ~Rs590 cr as of Mar'20. International business outshined other verticals in FY21 with revenues (up 22.3% yoy).
- Expect earnings to grow by 19.6% in FY23E. Expect business to remain resilient. With strong cash flow generation in FY21 in its kitty, SIS had launched a buyback program of ~Rs100 cr and the process is likely to be completed by May-end/early- June 2021.
- We value SIS on sum-of-the-parts (SOTP) and arrive at a fair value of Rs.430.
- Risk: Demand for SIS' services might be slightly impacted in Q1FY22 due to the second wave of Covid in India.