



**SMC Ranking**

★ ★ ☆ ☆ ☆ (1.5/5)

**Issue Highlights**

Industry	Services
Offer for sale (Shares)	1,750,000
Fresh Issue (Shares)	2,447,552
<b>Net Offer to the Public</b>	<b>4,197,552</b>
Issue Size (Rs. Cr.)	285-301
Price Band (Rs.)	680-715
Offer Date	14-Mar-24
Close Date	18-Mar-24
Face Value	10
Lot Size	20 Shares

**About the company**

Incorporated in December 2000, Krystal Integrated Services Limited is a company that provides facilities management services. The company offers a wide range of services such as housekeeping, sanitation, landscaping, gardening, mechanical, electrical and plumbing services, waste management, pest control, façade cleaning, and other services such as production support, warehouse management, and airport management. The company offers staffing, payroll management, private security, manned guarding, and catering services. As of March 31, 2023, the company served 134 hospitals, 224 schools, 2 airports, 4 railway stations, and 10 metro stations. The company also offered catering on some trains. The company served 262 customers in 2021, 277 in 2022, and 326 in 2023. As of March 31, 2023, the company served 2,427 customer locations across 14 states and one union territory in India. As of March 31, 2023, the company has set up 21 branches to expand its geographical reach.

**Issue Composition**

	In shares
Total Issue for Sale	4,197,552
QIB	2,098,776
NIB	629,633
Retail	1,469,143

**Strength**

**Comprehensive range of service offerings providing one-stop solution to customers:** Krystal Integrated Services stands out as a leading Indian facilities management company thanks to its diverse service range and extensive reach. The company caters to a wide variety of clients across different sectors, offering a one-stop shop for all their facility needs (as of March 31, 2023). Their strength lies in customization. By combining different services from its extensive portfolio, Krystal can tailor solutions to each client's specific requirements. This flexibility not only helps it win new clients but also fosters long-term relationships. As a client's needs evolve, Krystal can easily expand its services to keep pace. Krystal goes beyond offering a mere collection of services. Its expertise allows it to seamlessly integrate services across different sectors. This shared knowledge and resources, including technology, equipment, and trained personnel, lead to bundled solutions perfectly suited to each client's industry. By eliminating the need to deal with multiple vendors, Krystal acts as a single point of contact, simplifying the process for its clients. Finally, the broad service portfolio offers operational advantages. Krystal can centralize administrative and financial functions, leading to greater efficiency.

**Shareholding Pattern (%)**

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	69.96%
QIB	0.00%	15.02%
NIB	0.00%	4.51%
Retail	0.00%	10.51%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

**Focused business model which is well-positioned to capture favourable industry dynamics:**

Krystal Integrated Services is a leader in handling large government contracts. Its proven track record positions it among the few Indian companies qualified for these complex, multi-location projects. Government contracts are their bread and butter. For the past three fiscal years (ending March 2023) and the first half of the current fiscal year (ending September 2023), government contracts have consistently made up over 69% of its total revenue. The specific figures are Rs. 3,271.12 crore, Rs. 4,050.9 crore, Rs. 5,212.8 crore, and Rs. 344.43 crore, respectively. Beyond government expertise, Krystal has deep experience in specific sectors. The company caters to healthcare, education, airports, railways, and metro infrastructure. As of September 2023, its impressive portfolio includes 135 hospitals and medical colleges, 228 schools and colleges (excluding medical), one airport, five railway stations, and 30 metro stations. Additionally, Krystal provides catering services on some trains and routes.

**Objects of the Issue**

The company proposes to utilize the Net Proceeds from the Fresh Issue towards funding the following objects:

- Repayment/prepayment, in full or part, of certain borrowings availed of by the Company;
- Funding working capital requirements of the Company;
- Funding capital expenditure for the purchase of new machinery; and
- General corporate purposes

**Book Running Lead Manager**

- Inga Ventures Private Limited

**Name of the registrar**

- Link Intime India Private Limited

**Longstanding relationship with customers across diverse sectors, with recurring business:**

Krystal Integrated Services' customer base is steadily growing. The company has served an increasing number of clients in the past few years, with 262, 277, 326, and 309 customers in fiscal years 2021, 2022, 2023, and the first half of 2024 (ending September 2023), respectively. This growth is mirrored in the number of locations they serve, which has risen from 1,962 in 2021 to 2,427 in 2023, with a slight dip to 2,160 in September 2023. Krystal attributes this success to its ability to tailor solutions. By offering

customized facility management, staffing, and security services across various business segments, the company caters to each client's specific needs. This fosters deeper relationships and allows Krystal to become a one-stop shop for a larger share of a client's requirements. Krystal's strong brand, market position and commitment to quality service delivery are key factors in attracting and retaining clients across different sectors.

**Wide geographic presence with large and efficient workforce, coupled with strong recruitment and training capabilities:** Krystal Integrated Services boasts a nationwide presence. With operations across 16 states and 2 union territories in India (as of September 30, 2023), the company caters to clients seeking a single provider for their multi-location needs. This is evident in its service to several existing customers, managing over 200 locations each. Krystal prioritizes employee well-being. Its strong track record demonstrates high employee satisfaction and improving retention rates. The F&S Report shows a significant decrease in attrition rate, going from 35.88% in fiscal 2022 to 12.98% in the first half of fiscal 2024. Financially, Krystal has experienced impressive growth. From fiscal 2021 to 2023, its revenue, profit, and EBITDA (earnings before interest, taxes, depreciation, and amortization) have all seen a Compound Annual Growth Rate (CAGR) exceeding 22%. This highlights its strong financial performance.

**Track record of high quality and efficient service delivery:** Quality is paramount at Krystal Integrated Services. The company consistently focuses on delivering exceptional service through a process-driven approach. Standardized workflows and cleaning schedules ensure consistent quality across all its service lines and locations. This commitment extends to industry-recognized certifications. As of September 30, 2023, Krystal has received certifications in key areas like quality management (ISO 9001:2015), environmental management (ISO 14001:2015), occupational health & safety (ISO 45001:2018), and information security (ISO/IEC 27001:2013). These certifications demonstrate its dedication to excellence in all aspects of its operations.

## Strategy

**Retain, strengthen and grow customer base:** Krystal Integrated Services has seen impressive customer growth. Its client base has expanded from 262 in fiscal 2021 to 309 in the first half of fiscal 2024 (ending September 2023). This is mirrored by a location increase, rising from 1,962 in March 2021 to 2,160 in September 2023. Retention is equally important to Krystal. Beyond attracting new clients, the company prioritizes keeping existing ones. For non-government contracts expiring during the past three fiscal years and the first half of fiscal 2024, Krystal successfully renewed or extended agreements with all relevant customers. While government contracts typically require a new bidding process upon expiry, Krystal achieved a renewal or extension rate of 40% and 42.86% in fiscal years 2022 and 2023, respectively. This highlights its ability to maintain strong client relationships.

**Strengthen operations across sectors by capitalizing on growing industry opportunities and adopting a sector wise focus:** Krystal Integrated Services sees government, healthcare, education, transportation, and manufacturing as key growth areas. The company plans to leverage its experience in handling large government contracts and their established expertise in specific sectors like healthcare, education, airports, railways, and metro infrastructure. This focus allows it to capitalize on favorable industry trends. Krystal has a proven track record in these sectors. As of September 30, 2023, its impressive portfolio includes serving 135 hospitals and medical colleges, 228 schools and colleges, one airport, five railway stations, and 30 metro stations. The company even provides catering services on specific trains and routes. This strong presence positions it well to continue capturing opportunities in the growing markets.

**Capitalise and build upon human resource strength, including recruiting and training capabilities:** Krystal Integrated Services' growth is fueled by its workforce. Its services are labor-intensive, and the company has consistently increased its staff to keep pace with expansion. The number of on-site employees has grown significantly, from 26,999 in March 2021 to 40,100 in January 2024. Employee satisfaction is a priority. Despite a manpower-intensive business model, Krystal has achieved impressive strides in retention. The F&S Report shows a significant decrease in attrition rate, going from 35.88% in fiscal 2022 to 12.98% in the first half of fiscal 2024. Attracting and retaining talent remains a key focus. Krystal is dedicated to recruiting new employees to meet their business needs. As of January 2024, the company has a dedicated recruitment team of seven to support these efforts.

**Focus on operational efficiency:** Krystal Integrated Services' profitability has been on an upward trajectory. Return on equity (ROE) has steadily grown over the past fiscal years, reaching 23.18% in fiscal 2023. A similar trend is seen with return on capital employed (ROCE), which reached 28.82% in fiscal 2023. While the first half of fiscal 2024 shows a slight decrease in both ROE and ROCE (11.71% and 16.97% respectively), the overall performance remains positive. To further enhance returns, Krystal is prioritizing operational efficiency. A key strategy is increased technology integration. Its KAS application exemplifies this approach. KAS offers several benefits:

Streamlined workflows and real-time tracking

- Task automation through digital updates by team members
- Improved quality control through features like image verification and GPS-linked attendance
- An online ticketing system

**Continue to improve its profits and operating margins:** Krystal Integrated Services boasts impressive financial growth. Its profit after tax has risen steadily, reaching Rs. 38.44 crore in fiscal 2023. This translates to a Compound Annual Growth Rate (CAGR) of over 51% from fiscal 2021 to 2023. Similarly, its EBITDA has grown at a healthy CAGR of over 34% during the same period. To further improve profitability and operating margins, Krystal is pursuing a two-pronged approach:

- **Expanding value-added services:** By offering more premium services, Krystal can capture higher revenue while keeping fixed costs relatively flat, leading to improved profit margins.
- **Tech-driven service delivery:** Leveraging technology in their operations can streamline processes and reduce fixed costs, ultimately enhancing overall efficiency.

## Risk factor

- **Concise revenue dependence:** The Company relies heavily on a small number of clients, with the top 20 generating nearly 86% of its fiscal 2023 revenue.
- **Simplified concentration:** The Company's revenue is concentrated in a few business segments.
- **Streamlined operational risk:** The nature of its services, delivered in various client environments, exposes the company to inherent operational risks.
- **Direct workforce impact:** The Company has a large, geographically dispersed workforce.
- **Manpower dependence and risk:** Its manpower-intensive business model depends on attracting and retaining skilled workers, crucial for its growth and financial health.
- **Vendor dependence for service delivery:** The Company relies on vendors to supply equipment and products essential for its service and solution offerings.

## Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
SIS	12119.46	294.83	20.23	22.46	2.67	169.87	5	454.35	6621.55
Updater Services	2384.28	53.95	8.06	41.84	2.85	118.32	10	337.25	2257.83
Qness Corp	18630.59	216.57	15.98	30.55	2.68	182.08	10	488.20	7248.71
Krystal Integrated Services Limited	903.22	41.11	29.42	24.30	2.63	271.43	10	715.00	998.99

\*Peer companies financials are TTM based

\*\*Krystal Integrated Services Financials are based on Estimated Annualised FY24

## Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.715, the stock is priced at pre issue P/E of 20.04x on Estimated Annualised FY24 EPS of Rs.35.67. Post issue, the stock is priced at a P/E of 24.30x on its EPS of Rs.29.42. Looking at the P/B ratio at Rs.715, pre issue, book value of Rs. 159.39 of P/Bvx 4.49x. Post issue, book value of Rs. 271.43 of P/Bvx 2.63x.

Considering the P/E valuation, on the Lower end of the price band of Rs.680, the stock is priced at pre issue P/E of 19.06x on Estimated Annualised FY24 EPS of Rs.35.67. Post issue, the stock is priced at a P/E of 23.11x on its EPS of Rs.29.42. Looking at the P/B ratio at Rs.680, pre issue, book value of Rs. 159.39 of P/Bvx 4.27x. Post issue, book value of Rs. 271.43 of P/Bvx 2.51x.

## Industry Outlook

In Fiscal 2023, the Indian outsourced integrated facility management market was estimated to be ₹980.8 billion. The outsourced integrated facility management market in India is expected to grow at a CAGR of 14.6% between Fiscals 2023-2028, with a potential market size of ₹1,935.88 billion. Staffing and payroll management services market size in Fiscal 2023 is estimated at ₹729 billion, with expected growth at CAGR of 20.1% from Fiscals 2023-2028. Private security and manned guarding services market in India is valued at ₹1,500 billion in Fiscal 2023, expected to grow at CAGR of 20.0% from Fiscal 2023-2028.

## Outlook

Krystal stands out as a preferred partner for government projects in facility management, with over 73% of its revenue coming from government contracts. As of September 30, 2023, its impressive portfolio included 135 hospitals and medical colleges, 228 educational institutions, an airport, railway stations, metro stations, and even catering services on specific trains. Krystal operates across 16 states and 2 union territories, strategically positioned to serve clients nationwide. However, there are some challenges to consider. The company's focus on diverse client environments exposes them to operational risks. Additionally, its success relies on a manpower-intensive model, requiring them to attract and retain skilled workers for continued growth and financial stability. A long term investor may opt the issue.

## An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	14-March-24
BID/ISSUE CLOSES ON	15-March-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	19-March-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	20-March-24
Credit of Equity Shares to Demat Accounts of Allottees	20-March-24
Commencement of trading of the Equity Shares on the Stock Exchanges	21-March-24

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-23 (6 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	451.61	707.64	552.68
Total expenditure	420.64	657.80	514.68
<b>Operating Profit</b>	<b>30.97</b>	<b>49.84</b>	<b>38.00</b>
OPM%	6.86	7.04	6.88
Other Income	4.06	3.33	2.18
<b>Total Net Income</b>	<b>35.03</b>	<b>53.17</b>	<b>40.18</b>
Interest	5.98	9.49	8.78
<b>PBDT</b>	<b>29.05</b>	<b>43.67</b>	<b>31.40</b>
Depreciation	3.53	4.66	4.30
<b>Profit Before Tax</b>	<b>25.52</b>	<b>39.02</b>	<b>27.11</b>
Tax	4.96	5.25	6.27
<b>PAT</b>	<b>20.56</b>	<b>33.77</b>	<b>20.83</b>

Balance sheet is on next page

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-23	As on 31-Mar-23	As on 31-Mar-22
<b>Non-current assets</b>			
Property, plant and equipment	77.94	78.22	9.47
Capital work-in-progress	0.00	0.00	60.01
Right of use assets	3.81	2.33	1.44
Intangible assets	0.07	0.09	0.13
<b>Financial assets</b>			
Investment	2.99	2.89	1.85
Other financial assets	18.09	39.97	21.90
Deferred tax assets (net)	7.20	7.45	5.60
Income tax assets (net)	3.23	6.99	7.11
Other non-current assets	10.42	0.00	8.06
<b>Total non-current assets</b>	<b>123.76</b>	<b>137.94</b>	<b>115.57</b>
<b>Current asset</b>			
Inventories	0.64	0.61	5.88
<b>Financial Assets</b>			
Trade receivables	217.51	149.61	241.16
Cash and cash equivalents	1.57	9.37	0.49
Bank balance other than cash and cash equivalents	24.80	9.79	22.88
Loans	39.23	25.15	1.80
Other financial assets	25.70	4.10	2.45
Income tax assets (net)	8.38	1.56	6.36
Other current assets	8.23	5.33	7.81
<b>Total current assets</b>	<b>326.07</b>	<b>205.53</b>	<b>288.82</b>
<b>Total Assets</b>	<b>449.83</b>	<b>343.47</b>	<b>404.39</b>
<b>Non-current liabilities</b>			
Borrowings	10.54	19.75	28.82
Lease Liability	3.02	1.65	0.44
Provisions	0.35	0.27	0.23
<b>Total non-current liabilities</b>	<b>13.91</b>	<b>21.67</b>	<b>29.48</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	92.82	28.24	43.73
Lease Liability	1.03	0.90	0.97
Trades Payable - MSME	0.31	0.06	0.49
Trades Payable - MESE	47.72	15.79	51.01
Other financial liabilities	60.88	55.51	59.79
Other current liabilities	39.77	45.03	43.73
Provisions	9.71	12.87	11.32
<b>Total current liabilities</b>	<b>252.23</b>	<b>158.39</b>	<b>211.05</b>
<b>Total</b>	<b>266.14</b>	<b>180.06</b>	<b>240.53</b>
Net worth represented by:			
Equity Share Capital	11.52	5.76	5.76
Other equity	172.16	157.65	158.09
<b>Net Worth</b>	<b>183.68</b>	<b>163.41</b>	<b>163.86</b>

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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