

Company Overview

Providing a comprehensive range of service offerings across multiple sectors, Krystal Integrated Services Ltd. is India's leading integrated facilities management services company, with a focus on healthcare, education, public administration airports, railways and metro infrastructure, and retail sectors. The company is one of the select companies in India that has a wide geographic presence and customer base, catering to almost all end-user segments. The company offers soft services such as housekeeping, sanitation, landscaping, and gardening; hard services such as mechanical, electrical, and plumbing services, solid, liquid, and biomedical waste management, pest control and façade cleaning; and other services such as production support, warehouse management and airport management services. The company also provides staffing solutions and payroll management to its customers, as well as private security and manned guarding services and catering services. The company is also a key solutions provider to the government sector and has a track record of executing large contracts. It is among select companies in India to qualify for and service large, multi-location government projects in sectors such as healthcare, education, airport, railways, and metro infrastructure. Operating on a B2B model and having a wide portfolio of services enable the company to design and deliver a range of customized solutions suited to the specific needs of its customers, which bolsters customer acquisition and retention capabilities. Through such a business model and by understanding the unique requirements and challenges across sectors, the company has built expertise in catering to the healthcare, education, airport, railways, and metro infrastructure sectors. Steering the company over the years, the company has a well-qualified management team that possesses robust experience in various sectors.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ 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 purchase of new machinery; and
- ⇒ General corporate purposes

Investment Rationale

Focused business model is well-positioned to capture favorable industry dynamics

Comprising about 73% of the company's revenue, government projects form a major chunk of the company's revenue. Having a track record of executing large contracts, the company is among the select companies in India to qualify for and service large, multi-location government projects. With the government prioritizing quality and service delivery for their clients to achieve higher customer satisfaction and an increase in outsourcing of facility management from the government segment, the integrated facility management services market in India is set to benefit from such an industry change. Over the years, the company has built expertise in catering to the healthcare, education, airport, railways, and metro infrastructure sectors, with healthcare and education forming about 57% of the company's revenue. As a result, the company is set to benefit in the long term with its focused business model and increased government project execution.

One-stop solution provider with a comprehensive range of service offerings

The company under its integrated facilities management offerings provides soft services such as housekeeping, sanitation, landscaping, and gardening; hard services such as mechanical, electrical, and plumbing services, solid, liquid, and biomedical waste management, pest control, façade cleaning; and other services such as production support, warehouse management and airport management services. Having a comprehensive range of integrated facility management service offerings across multiple sectors, the company has a wide geographic presence and customer base, catering to almost all end-user segments. The company has been integrating its service offerings spanning across various sectors which requires shared expertise and investment in terms of technology, equipment, and special manpower training. This has enabled the company to provide a bundled solution of services to each customer that is tailored to their specific needs. The company caters to their requirements with relevant industry expertise and acts as a one-stop integrated solution for customers who consequently do not need to engage with multiple vendors or service providers.

Issue Details

Offer Period	14 th March 2024 - 18 th March 2024
Price Band	Rs. 680 to Rs. 715
Bid Lot	20
Listing	BSE & NSE
Issue Size (no. of shares in mn)	4.19
Issue Size (Rs. in bn)	3
Face Value (Rs.)	10

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM Inga Ventures Pvt. Ltd.

Registrar Link Intime India Pvt. Ltd.

Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	100.00	73.31
Public	0.00	26.69
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

Krystal Integrated Services Ltd.

Valuation

Having built expertise in catering to the healthcare, education, airport, railways, and metro infrastructure sectors, the company provides bespoke solutions for integrated facility management requirements. Being a key solutions provider to the government sector, the company is among the select companies in India to qualify for and service large, multi-location government projects. The company is one of India's leading integrated facilities management services companies, catering to various sectors. With the outsourced integrated facility management market in India expected to grow at a CAGR of 14.6% during FY2023-28 period, the potential market size is estimated to be Rs. 1,935.9 billion. Accounting for almost 88% of the total market size, the public administration, industrial, commercial offices, healthcare, educational institutions, railways, and metro, and airport sectors are expected to drive demand for the market over the longer period. Also, with the growth opportunities arising from the government sector and the staffing and payroll management market, the company is set to derive benefits from the same. By maintaining quality standards for its services and expanding its service offerings to meet evolving industry requirements, the company has built long-term relationships with its customers across sectors. The company also has a competitive advantage as management services require an immense level of expertise, trust, and quality in the provision of service. Filling the gap of such a growing demand, the company emerges as a one-stop solution to cater to the market in the coming years. **Considering the financial performance, the company's Revenue/EBITDA/PAT grew at a CAGR of 22.5%/57.3%/86.7% during the FY2021-23 period. On the upper price band, the issue is valued at a P/E of 21.5x based on FY2023 earnings which we feel is fairly valued. We, therefore, recommend a "Subscribe" rating for the issue.**

Key Risks

- ⇒ The company's revenue is highly dependent upon a limited number of customers, with the largest, top five, top 10, and top 20 customers contributing to 34.9%, 59.2%, 72.6% and 85.9%, respectively, of the company's revenue from operations for FY2023. Any degradation in the relations with such customers in the future shall affect the effective functioning of the company.
- ⇒ A significant part of the company's revenue is generated from government contracts obtained through a competitive bidding process, which contributes to around 73.7% of the total revenue from operations. However, there can be no assurance that the company qualifies for, or that the company will successfully compete and win such government tenders, or maintain these customer relationships. Hence, if the company is unable to fetch such orders from the government, the company may face significant revenue loss.
- ⇒ The operational risks are inherent in the company's business as it includes rendering services in diverse environments depending on customer requirements. A failure to manage such risks including any errors, defects, or disruption in the service or inability to meet expected or agreed service standards, could have an adverse impact on the business, cash flows, results of operations, and financial condition of the company.



Krystal Integrated Services Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Revenue				
Revenue from Operations	4,713	5,527	7,076	4,516
Total Revenue	4,713	5,527	7,076	4,516
Expenses				
Cost of material and store and spare consumed	202	242	323	494
Employee benefit expenses	3,999	4,713	5,919	3,619
Other expenses	311	191	336	94
Total Operating Expenses	4,511	5,147	6,578	4,206
EBITDA	202	380	498	310
Depreciation and Amortization expenses	47	43	47	35
Other income	30	22	33	41
EBIT	185	359	485	315
Finance costs	91	88	95	60
PBT	94	271	390	255
Current tax	22	45	72	46
Deferred Tax charge/ (credit)	(25)	18	(20)	4
Total tax	(3)	63	52	50
PAT	97	208	338	206
Diluted EPS	14.5	22.7	33.3	17.8

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Cash Flow from operating activities	80	200	718	(369)
Cash flow from investing activities	176	(179)	(320)	(197)
Cash flow from financing activities	(268)	(31)	(309)	488
Net increase/(decrease) in cash and cash equivalents	(12)	(10)	89	(78)
Cash and cash equivalents at the beginning of the period	27	15	5	16
Cash and cash equivalents at the end of the period	15	5	94	16

Source: RHP, BP Equities Research



Krystal Integrated Services Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Equity and Liabilities				
Equity Share Capital	58	58	58	115
Other Equity	1,303	1,581	1,577	1,722
Total Equity	1,361	1,639	1,634	1,837
Non-Current Liabilities				
Financial Liabilities				
(i) Long term Borrowings	269	288	198	105
(ii) Lease liabilities	15	4	16	30
Provisions	2	2	3	4
Current Liabilities				
Financial Liabilities				
(i) Short Term Borrowings	384	437	282	928
(ii) Lease liabilities	13	10	9	10
(iii) Trade Payable				
Due to micro and small enterprise	7	5	1	3
Due to other than micro and small enterprise	373	510	158	477
(iv) Other financial liabilities	568	598	555	609
Provisions	99	113	129	97
Other current liabilities	294	437	450	398
Total Current Liabilities	1,737	2,110	1,584	2,522
Total liabilities	2,024	2,405	1,801	2,661
Total Equity and Liabilities	3,385	4,044	3,435	4,498
Assets				
Non-Current Assets				
Property, plant and equipment	98	95	782	779
Capital work in Progress	600	600	-	-
Right of Use assets	30	14	23	38
Intangible assets	1	1	1	1
Deferred tax assets(net)	80	56	75	72
Financial Assets				
(i) Investments	15	19	29	30
(ii) Other financial assets	59	219	400	181
Income tax assets(net)	52	71	70	32
Other non current assets	-	81	-	104
Total Non current assets	936	1,156	1,379	1,238
Current Assets				
Inventories	22	59	6	6
Financial Assets				
(i) Trade Receivables	2,002	2,412	1,496	2,175
(ii) Cash and cash equivalents	15	5	94	16
(iii) Loans and Advances	17	18	252	392
(iv) Balances other than cash and cash equivalents	218	229	98	248
(v) Other financial assets	53	24	41	257
Other current assets	85	78	53	82
Income tax assets(net)	36	64	16	84
Total Current Assets	2,448	2,888	2,055	3,261
Total Assets	3,385	4,044	3,435	4,498

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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