

Krystal Integrated Services Ltd

Leading the Way in India's Integrated Facilities Management Sector

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Krystal Integrated Services Ltd. (KISL) stands out as a prominent player in India's integrated facilities management sector, with a primary focus on various industries including healthcare, education, public administration, airports, railways, metro infrastructure, and retail. Boasting a wide geographic reach and a diverse customer base across different sectors as of March 31, 2023, KISL offers a comprehensive suite of facility management services.

Their service portfolio encompasses a spectrum of offerings, including soft services like housekeeping, sanitation, landscaping, and gardening, as well as hard services such as mechanical, electrical, and plumbing solutions. Additionally, KISL excels in managing solid, liquid, and biomedical waste, pest control, façade cleaning, and provides other specialized services like production support, warehouse management, and airport operations management.

Furthermore, KISL provides staffing solutions, payroll management, private security, manned guarding services, and catering services to its clients. The company's strengths lie in its ability to tailor solutions to meet specific facility management needs, leverage long-standing relationships with original equipment manufacturers (OEMs) for competitive pricing, offer top-notch products, and integrate smart technology into its operations.

Renowned for its prowess in serving government entities, KISL has a proven track record in executing large contracts and is one of the few Indian companies qualified to handle extensive, multi-location government projects.

At the IPO price of INR 715 (upper price band), Krystal Integrated Services Ltd is valued at PE multiple of 29.6

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY21	471.3	20.6	9.7	4.4	2.1	6.9	97.4	7.1	9.0	103.2	2.2	50.4
FY22	552.7	39.3	20.8	7.1	3.8	14.9	117.3	12.7	16.4	47.9	1.9	26.7
FY23	707.6	58.1	33.8	8.2	4.8	24.2	117.0	20.7	27.8	29.6	1.5	17.7

Industry	Services
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Issue Details

Listing	BSE & NSE
Open Date	14 th Mar 2024
Close Date	18 th Mar 2024
Price Band	INR 680-715
Face Value	INR 10
Market Lot	20 shares
Minimum Lot	1 Lot

Issue Structure

Fresh Issue(%)	58.31
Offer for Sale(%)	41.69
Issue Size (INR cr)	INR 300.13
Issue Size (Shares)	41,97,552
QIB Share (%)	≥ 50%
Non-Inst Share (%)	≤ 15%
Retail Share (%)	≤ 35%
Pre issue sh (nos)	1,15,24,400
Post issue sh (nos)	1,39,71,952
Post issue MCap (INR cr)	998.99

Shareholding (%)	Pre (%)	Post (%)
Promoter	100.0	69.96
Public	0.0	30.04
TOTAL	100	100

Key Growth Strategies

Digital competitiveness

Mega public investment in infrastructure, a concerted effort to ensure development of a dominant manufacturing base, steps to reduce dependence on external energy supplies and political stability. Digital Competitiveness The Digital India initiative is a flagship program launched by the Indian government in 2015 to transform India into a digitally empowered society and knowledge economy. The initiative aims to provide digital infrastructure and services to all citizens, including those living in remote areas. Under this initiative, the government is promoting the adoption of digital technologies in various sectors, including the Facility Management industry.

The use of digital technologies, such as the Internet of Things (IoT), Artificial Intelligence (AI), and cloud computing, can improve the efficiency and effectiveness of Facility Management services. For example, the use of IoT sensors can enable facility managers to monitor the performance of equipment and systems in real time, allowing for proactive maintenance and reducing downtime. AI-powered systems can analyse data and provide insights to help facility managers make informed decisions and optimise operations. Cloud computing can enable facility managers to access and manage data from anywhere, improving collaboration and productivity.

Skill India Initiative

The Skill India initiative is a government program launched in 2015 to provide training and skill development to the country's workforce. The initiative aims to improve the employability of the workforce and meet the demands of various sectors, including the Facility Management industry. Under this initiative, the government is providing funding and technical assistance to training institutions to develop courses and training programs that are relevant to the needs of the industry. The government is also offering incentives to companies that hire and train skilled workers. The Facility Management industry requires a skilled workforce to provide high-quality services to clients. The Skill India initiative is providing the industry with access to a skilled workforce, improving the quality of Facility Management services offered in the country. The initiative is also promoting the adoption of best practices and the use of new technologies, improving the efficiency and effectiveness of Facility Management services.

Smart Cities Mission

The Smart Cities Mission is another government initiative that is promoting the growth of the Facility Management industry in India. The initiative was launched in 2015 and aims to develop 100 smart cities across the country. Under this initiative, the government is providing funding and technical

assistance to cities to develop smart infrastructure and provide better public services. The focus is on developing integrated solutions that use technology to improve the efficiency and sustainability of urban infrastructure and services. Facility Management plays a crucial role in the development and management of smart cities. Facility Management services are essential for the maintenance and upkeep of public infrastructure, including roads, buildings, parks, and other facilities. With the development of smart cities, the demand for Facility Management services is expected to increase significantly.

Key Risks & Concerns

- The company relies on a limited number of customers with the top 1, top 5 & top 10 contributing to around 35%, 60% & 73% of the revenues. The loss of any key costumer may affect company's topline.
- The significant part of company's revenue is generated from government contracts obtained through a competitive bidding process, which contributed to 73.66% of the total revenue from operations for FY 2023. There can be no assurance that company will qualify for, or that it will successfully compete and win such tenders or maintain these customer relationships.
- Any slowdown in the company's target sectors of healthcare, education & government spending may not see anticipated growth which may adversely affect the business.

Issue Structure and Offer Details

The proposed issue of Krystal Integrated Services Ltd is a combination of fresh issue of 24,47,552 shares (aggregating to Rs 175.00 Cr) and an offer for sale of 17,50,000 shares (aggregating to Rs 125.13 Cr). The price band for the issue is in the range of INR 680-715 and the bid lot is 20 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50.00% of the Net Issue
NIB	Not less than 15.00% of the Net Issue
Retail	Not less than 35.00% of the Net Issue

Number of shares based on a higher price band of INR 715

Source: Company Reports

Details of the selling shareholders		
Promoter Selling shareholder	Amount offered	No of shares
Krystal Family Holdings Private Limited	Not more than INR 125.13 crores	17,50,000

The amount is based on a higher price band of INR 715

Source: Company Reports

Financial summary

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	471.3	552.7	707.6	Adjusted EPS (INR)	6.9	14.9	24.2
<i>YoY Growth (%)</i>		<i>17.3</i>	<i>28.0</i>	Adjusted Cash EPS (INR)	10.3	18.0	27.5
Raw Material Cost	0.0	0.0	0.0	Adjusted BVPS (INR)	97.4	117.3	117.0
<i>RM Cost to Sales (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	Adjusted CFO per share (INR)	5.7	14.3	51.4
Employee Cost	399.9	471.3	591.9	CFO Yield (%)	0.8	2.0	7.2
<i>Employee Cost to Sales (%)</i>	<i>84.8</i>	<i>85.3</i>	<i>83.6</i>	Adjusted FCF per share (INR)	(1.2)	(7.3)	77.6
Other Expenses	50.8	42.1	57.6	FCF Yield (%)	(0.2)	(1.0)	10.9
<i>Other Exp to Sales (%)</i>	<i>10.8</i>	<i>7.6</i>	<i>8.1</i>				
EBITDA	20.6	39.3	58.1	Solvency Ratio (X)			
<i>Margin (%)</i>	<i>4.4</i>	<i>7.1</i>	<i>8.2</i>	Total Debt to Equity	0.5	0.4	0.3
<i>YoY Growth (%)</i>		<i>90.4</i>	<i>47.9</i>	Net Debt to Equity	0.3	0.3	0.2
Depreciation & Amortization	4.7	4.3	4.7	Net Debt to EBITDA	2.0	1.3	0.5
EBIT	15.9	35.0	53.5				
<i>Margin (%)</i>	<i>3.4</i>	<i>6.3</i>	<i>7.6</i>	Return Ratios (%)			
<i>YoY Growth (%)</i>		<i>119.5</i>	<i>52.7</i>	Return on Equity	7.1	12.7	20.7
Other Income	3.0	2.2	3.3	Return on Capital Employed	8.1	11.4	21.9
Finance Cost	9.5	10.1	17.8	Return on Invested Capital	9.0	16.4	27.8
Interest Coverage (X)	1.7	3.5	3.0				
Exceptional Item	0.0	0.0	0.0	Working Capital Ratios			
PBT	9.4	27.1	39.0	Payable Days (Nos)	29	34	8
<i>Margin (%)</i>	<i>2.0</i>	<i>4.9</i>	<i>5.5</i>	Inventory Days (Nos)	2	4	0
<i>YoY Growth (%)</i>		<i>187.7</i>	<i>43.9</i>	Receivable Days (Nos)	155	159	77
Tax Expense	(0.3)	6.3	5.2	Net Working Capital Days (Nos)	127	129	69
<i>Tax Rate (%)</i>	<i>(2.8)</i>	<i>23.1</i>	<i>13.4</i>	Net Working Capital to Sales (%)	34.9	35.4	19.0
PAT	9.7	20.8	33.8				
<i>Margin (%)</i>	<i>2.1</i>	<i>3.8</i>	<i>4.8</i>	Valuation (X)			
<i>YoY Growth (%)</i>		<i>115.2</i>	<i>62.1</i>	P/E	103.2	47.9	29.6
Min Int/Sh of Assoc	0.0	0.0	0.0	P/BV	7.3	6.1	6.1
Net Profit	9.7	20.8	33.8	EV/EBITDA	50.4	26.7	17.7
<i>Margin (%)</i>	<i>2.1</i>	<i>3.8</i>	<i>4.8</i>	EV/Sales	2.2	1.9	1.5
<i>YoY Growth (%)</i>		<i>115.2</i>	<i>62.1</i>				
Balance Sheet				Cash Flow Statement			
Share Capital	5.8	5.8	5.8	PBT	9.4	27.1	39.0
Total Reserves	130.3	158.1	157.7	Adjustments	25.6	30.1	(23.2)
Shareholders Fund	136.1	163.9	163.4	Change in Working Capital	(27.3)	(31.0)	61.2
Long Term Borrowings	26.9	28.8	19.8	Less: Tax Paid	0.3	(6.3)	(5.2)
Deferred Tax Assets / Liabilities	(8.0)	(5.6)	(7.5)	Cash Flow from Operations	8.0	20.0	71.8
Other Long Term Liabilities	1.5	0.4	1.6	Net Capital Expenditure	4.5	(10.4)	(3.6)
Long Term Trade Payables	0.0	0.0	0.0	Change in Investments	13.1	(7.5)	(28.4)
Long Term Provisions	0.2	0.2	0.3	Cash Flow from Investing	17.6	(17.9)	(32.0)
Total Liabilities	156.7	187.7	177.6	Change in Borrowings	(17.2)	7.0	(13.1)
Net Block	13.0	11.0	80.6	Less: Finance Cost	(9.5)	(10.1)	(17.8)
Capital Work in Progress	60.0	60.0	0.0	Proceeds from Equity	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Non Current Investments	1.5	1.9	2.9	Dividend Paid	0.0	0.0	0.0
Long Term Loans & Advances	6.7	25.0	15.7	Cash flow from Financing	(26.8)	(3.1)	(30.9)
Other Non Current Assets	4.4	12.1	31.2	Net Cash Flow	(1.2)	(1.0)	8.9
Net Current Assets	71.1	77.8	47.1	Forex Effect	0.0	0.0	0.0
Total Assets	156.7	187.7	177.6	Opening Balance of Cash	2.7	1.5	0.5
				Closing Balance of Cash	1.5	0.5	9.4

Source: Ventura Research

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