

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

KRYSTAL INTEGRATED SERVICES LIMITED

March 14, 2024





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Details of the Issue

Price Band	₹ 680 to ₹ 715
Issue Size	₹ 300.13 Cr
Face Value	₹ 10
Bid Lot	20
Listing on	BSE, NSE
Post Issue Mcap	₹ 998.99 Cr
Investment Range	₹ 13,600 - ₹ 14,300

Important Indicative Dates (2024)

Opening	14 - Mar
Closing	18 - Mar
Basis of Allotment	19 - Mar
Refund Initiation	20 - Mar
Credit to Demat	20 - Mar
Listing Date	21 - Mar

Lead Manager

Inga Venture Pvt Ltd

Offer Details

Offer Size	₹ 300.13 Cr
Fresh Issue	₹ 175 Cr
OFS	₹ 125.13 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	150	2.09	2.2	50
NIB	45	0.62	0.66	15
Retail	105	1.4	1.5	35
Em- ploy.	-	-	-	-
Total	300	4.19	4.4	100

Invest Now**Company Profile**

Krystal Integrated Services Limited, established in December 2000, specializes in comprehensive facilities management solutions including housekeeping, landscaping, waste management, and more. With 21 branches across India, they serve 2,427 customer locations spanning 14 states and one union territory. By March 31, 2023, the company boasted 31,881 on-site employees and had extended services to 134 hospitals, 224 schools, 2 airports, 4 railway stations, and 10 metro stations, along with catering on select trains. Customer base growth saw an increase from 262 in 2021 to 326 in 2023.

Business Highlights & Services

Company is one of India's leading integrated facilities management services companies, with a focus on healthcare, education, public administration (state government entities, municipal bodies and other government offices), airports, railways and metro infrastructure, and retail sectors. It provide a comprehensive range of integrated facility management service offerings across multiple sectors, and consequently are among select companies in India that have a wide geographic presence and customer base, catering to almost all end-user segments, as on March 31, 2023. They have range of service offerings include 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 (including multi-level parking and airport traffic management). It also provide staffing solutions and payroll management to their customers, as well as private security and manned guarding services and catering services.

The company's strengths lie in delivering tailored solutions for integrated facility management, leveraging competitive pricing from strong OEM relationships, offering top-tier products, and embracing smart technology. It's a leading provider to the government sector, excelling in executing large contracts across multiple locations. Government revenue for FY2021-2023 and the 6 months ended September 30, 2023, totaled ₹3,271.12Mn, ₹4,050.85Mn, ₹5,212.75Mn, and ₹3,444.33Mn respectively, constituting 69.41%, 73.30%, 73.66%, and 76.27% of total revenue. They serve key government clients in healthcare, education, airport, railways, and metro infrastructure sectors, including Maha Mumbai Metro Operation Corporation Limited and Education Department, Brihanmumbai Municipal Corporation.

It operating solely on a B2B model, it leverage their diverse service portfolio to tailor bespoke solutions, enhancing customer acquisition and retention. Servicing 262, 277, 326, and 309 clients in Fiscals 2021-2023 and the six months ended September 30, 2023, it has growth in locations served from 1,962 to 2,427. Despite expansion, it have onboarded 76, 70, 89, and 57 new clients during the same periods. Their commitment to quality sustains enduring relationships, with four of top 10 clients for Fiscal 2023 partnering with them for over a decade. Notably, three long-term clients contributed 17.06% of revenue for the six months ended September 30, 2023.

As on Sep 30, 2023, it serviced customer locations in 16 states and two union territories in India. It have also set up 21 branch offices across India, as on Sep 30, 2023, to expand their geographical reach. It wide geographic presence enables to offer services to customers who prefer a single service provider for their operations at multiple locations. It branches located in proximity to the customer premises also results in greater focus on, and attention to, customers as well as higher quality and customized service delivery.



Sector	Six Months Ended September 30, 2023		Fiscal 2021		Fiscal 2022		Fiscal 2023		CAGR (Fiscal 2021 to Fiscal 2023)
	Amount (₹ million)	Percentage of Revenue from Operations (%)	Amount (₹ million)	Percentage of Revenue from Operations (%)	Amount (₹ million)	Percentage of Revenue from Operations (%)	Amount (₹ million)	Percentage of Revenue from Operations (%)	
Healthcare	1,384.03	30.65	1,609.12	34.14	2,079.43	37.62	2,664.59	37.65	28.68
Education	913.25	20.22	1,451.09	30.79	1,030.96	18.65	1,454.30	20.55	0.11
Airport, railways and metro infrastructure	279.59	6.19	362.09	7.68	347.84	6.29	489.21	6.91	16.24

Customer Base

In Fiscals 2021, 2022 and 2023 and six months ended September 30, 2023, it served 262, 277, 326 and 309 customers, respectively. In the same period, the number of customer locations serviced by the company has grown from 1,962 as on March 31, 2021, to 2,240 as on March 31, 2022, to 2,427 as on March 31, 2023 and 2,160 as on September 30, 2023. Their ability to maintain quality standards while consistently expanding their service offerings to meet evolving industry requirements has resulted in longstanding relationships with their key customers. Four of their top 10 customers, based on revenue generated in Fiscal 2023, have been associated with us for longer than 10 years. For the six months ended September 30, 2023, three customers (who have been associated with us for longer than 10 years) contributed to 17.06% of revenue from operations.

Name**	Revenue generated (₹ million)				Period of association (Number of years)
	Six months ended September 30, 2023	Fiscal 2021	Fiscal 2022	Fiscal 2023	
Customer 1 (Government sector)	1,280.74	1,429.01	1,894.48	2,470.15	3
Customer 2 (Government sector)	370.61	629.33	423.60	672.73	9
Customer 3 (Private sector)	218.78	295.85	292.42	381.21	16
Customer 4 (Government sector)	188.97	639.49	338.84	342.64	7
Customer 5 (Government sector)	181.04	154.62	150.69	321.70	14
Customer 6 (Government sector)	Nil	-	247.07	259.10*	1*
Customer 7 (Government sector)	226.82	-	-	201.43	1
Customer 8 (Private sector)	78.67	159.18	162.22	165.12	16
Customer 9 (Private sector)	80.55	227.82	177.65	161.49	16
Customer 10 (Government sector)	90.30	-	133.93	160.20	2

Utilization of IPO Proceeds

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

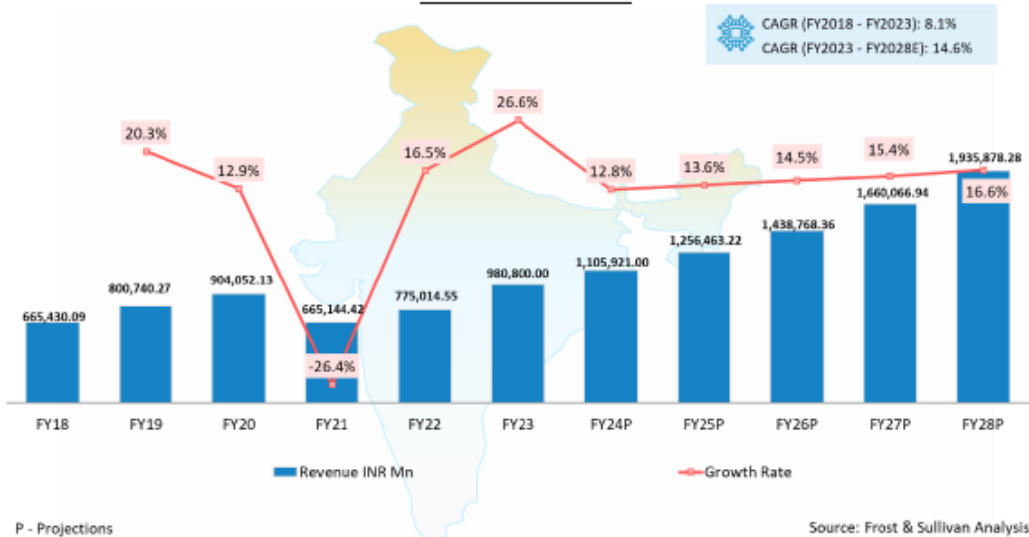
- Repayment/prepayment, in full or part, of certain borrowings availed of by the Company of INR 10 Cr.
- Funding working capital requirements of the Company of INR 10 Cr.
- Funding capital expenditure for purchase of new machinery of INR 10 Cr.
- General corporate purposes.



Industry Outlook

In Fiscal 2023, the outsourced integrated facility management market in India reached a value of ₹980.8 billion, projected to expand at a CAGR of 14.6% to reach ₹1,935.88 billion by FY28, according to the F&S Report. Key sectors driving this growth include public administration, industrial, commercial offices, healthcare, educational institutions, railways, metro, and airports, collectively comprising 88.1% of the market in Fiscal 2023. The surge in urbanization, tourism, and service industries is fueling demand for commercial spaces, with trends such as high-rise buildings and shared spaces boosting the need for facility management services, especially in the commercial office segment. Meanwhile, the government sector's outsourced integrated facility management market, valued at ₹492.95 billion in Fiscal 2023, is anticipated to grow at a CAGR of 16.3% to reach ₹1,047.31 billion by Fiscal 2028. The staffing and payroll management services market, estimated at ₹729 billion in Fiscal 2023, grew at a CAGR of 12.0% between FY18 and FY23. However, with increased investments in various industries and a rise in outsourcing from the government sector, the staffing and payroll management services market is expected to surge at a CAGR of 20.1% to ₹1,823.05 billion by FY28. Additionally, the private security and manned guarding services market in India, valued at ₹1,500 billion in Fiscal 2023, recorded a CAGR of 12.1% from Fiscal 2018 to Fiscal 2023, despite a 2.0% decline in FY21 due to the COVID-19 impact. With escalating security requirements and investments across different sectors, this market is forecasted to grow at a CAGR of 20.0% from Fiscal 2023 to Fiscal 2028, reaching ₹3,740.26 billion.

Exhibit: Outsourced Integrated Facility Management Market: Historic and Forecast Revenue Trend, India, FY2018 – FY2028



Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Krystal Integrated services Ltd	10	711	33.33	141	NA	23.53%
Peers Group						
Qess Corp Ltd	10	17,158	15.04	173	33.4	8.74%
SIS Ltd	5	11,346	23.64	159	18.97	14.85%
Updater Services Ltd	10	2,099	6.77	71.93	64.65	9.40%



Companies Competitive Strength :

- Comprehensive range of service offerings providing one-stop solution to customers.
- Focused business model which is well-positioned to capture favourable industry dynamics
- Longstanding relationship with customers across diverse sectors, with recurring business
- Historical track-record of strong financial performance, with a scalable, agile and efficient business model.
- Wide geographic presence with large and efficient workforce, coupled with strong recruitment and training capabilities.
- Track record of high quality and efficient service delivery.

Key Strategies Implemented by Company

- Retain, strengthen and grow customer base.
- Strengthen operations across sectors by capitalizing on growing industry opportunities and adopting a sector wise focus.
- Capitalise and build upon human resource strength, including recruiting and training capabilities.
- Focus on operational efficiency.
- Invest in technology and increase their digital presence

Particulars (INR Cr)	6MFY24	FY23	FY22	FY21
Equity Share Capital	11.5	5.8	5.8	5.8
Reserves	172.2	157.7	158.1	130.3
Net Worth as Stated	183.7	163.4	163.9	136.1
Revenue From Operations	451.6	707.6	552.7	471.3
Revenue Growth%		28%	17%	
EBITDA	30.1	52.6	39.3	30.6
EBITDA Margins%	7%	7%	7%	6%
Net Profit/Loss for the Period	20.6	38.4	26.3	16.8
Net Profit/Loss %	5%	5%	5%	4%
EPS (Rs)	1.78	7.03	4.33	0.69
ROCE%	15%	54%	46%	14%
ROE%	11%	24%	16%	12%

Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/E of 24.3x times earnings. Thus the issue appears fairly priced compared to peers.
- The company provides a comprehensive suite of integrated facility management services across various sectors, boasting a successful track record in handling sizable government contracts across multiple locations. With a diverse portfolio of services, it can tailor solutions to meet the specific requirements of its clients, enhancing its ability to attract and retain customers. Its widespread geographic coverage allows for seamless service delivery to clients seeking a single provider for operations across multiple sites. The company has demonstrated robust financial performance, with revenue growing at a CAGR of 15% and PAT at 32% from FY21 to FY23. Moreover, the staffing and payroll management services market is anticipated to witness significant growth, projected to reach ₹1,823.05 billion by FY28 at a CAGR of 20.1%. Given these favorable industry dynamics, the company is well-positioned to capitalize on emerging opportunities across multiple sectors. Hence, We recommend “Subscribe” rating to the issue.



Notes

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