



**LONG TERM SUBSCRIBE**

**IPO Report**

12<sup>th</sup> Mar'24

**Snapshot**

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. Company 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.

**VALUATION**

Company is bringing the issue at price band of Rs 680-715 per share at p/e multiple of 30x on FY23 PAT basis.

Company has comprehensive range of service offerings providing one-stop solution to customers. Company's focused business model which is well-positioned to capture favourable industry dynamics has longstanding relationship with customers across diverse sectors, with recurring business. Also, company has wide geographic presence with large and efficient workforce, coupled with strong recruitment and training capabilities. Company with historical track-record of strong financial performance, along a scalable, agile business model is looking attractive destination to deploy the funds in.

Hence, looking after all above we recommend "Long Term Subscribe" on issue.

<b>Price Band (Rs./Share)</b>	<b>680-715</b>
<b>Opening date of the issue</b>	<b>14<sup>th</sup> Mar '2024</b>
<b>Closing Date of the issue</b>	<b>18<sup>th</sup> Mar '2024</b>
<b>No of shares pre issue</b>	11,524,400 Eq Shares
<b>Issue Size</b>	Rs 294-300 Cr
<b>Fresh issue</b>	Rs 175 Cr
<b>Offer For Sale</b>	1750,000 Eq Shares
<b>No of Shares</b>	4323529-4197552 Eq Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Bid Lot</b>	20
<b>Employee Discount</b>	Rs 28/share

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 21,61,763 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 6,48,530 Eq Shares)
<b>Retail</b>	35 % of the offer ( Approx 15,13,236 Eq Shares)
<b>Lead managers</b>	Inga Ventures Pvt Ltd
<b>Registrar to the issue</b>	KFin Technologies Ltd

**WHAT WE LIKE**

***Historical track-record of strong financial performance, with a scalable, agile and efficient business model***

Company's revenue from operations, total profit for the year (after tax), and EBITDA grew at a CAGR of 22.54%, 51.17%, 34.56%, respectively from Fiscal 2021 to Fiscal 2023. Company's ROE has improved from 13.18% in Fiscal 2021 to 23.18% in Fiscal 2023 and to 11.71% in the six months ended September 30, 2023, while its ROCE has improved from 19.01% in Fiscal 2021 to 28.82% in Fiscal 2023 and to 16.97% in the six months ended September 30, 2023.

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

Company have a track record of executing large contracts and are among select companies in India to qualify for and service large, multi-location government projects. For Fiscals 2021, 2022 and 2023 and six months ended September 30, 2023, company's revenue from government contracts amounted to ₹3,271.12 million, ₹4,050.85 million, ₹5,212.75 million and 3,444.33 million, respectively, aggregating to 69.41%, 73.30%, 73.66% and 76.27% of company's revenue from operations.

***Comprehensive range of service offerings providing one-stop solution to customers***

Company 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. Company's wide portfolio of services enables company to deliver a mix of its service offerings and design a range of customized solutions suited to the specific needs of company's customers, which bolsters customer acquisition and retention capabilities. Additionally, as company's customers' requirements grow or change, company is able to provide additional services to cater to their needs.



## COMPANY BACKGROUND

Company's 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). Company also provide staffing solutions and payroll management to its customers, as well as private security and manned guarding services and catering services. Company's strengths in the market include its ability to provide bespoke solutions for integrated facility management requirements, sourcing from OEMs at competitive prices due to excellent long-term relations, best-in-class products, and adoption of smart technology. Company is a key solutions provider to the government sector and have a track record of executing large contracts and are among select companies in India to qualify for and service large, multi-location government projects. For Fiscals 2021, 2022 and 2023 and six months ended September 30, 2023, company's revenue from government contracts amounted to ₹3,271.12 million, ₹4,050.85 million, ₹5,212.75 million and ₹3,444.33 million, respectively, aggregating to 69.41%, 73.30%, 73.66% and 76.27% of its revenue from operations.

Company provide services to key government customers in the healthcare, education, airport, railways and metro infrastructure sectors, including to Maha Mumbai Metro Operation Corporation Limited and Education Department, Brihanmumbai Municipal Corporation. Company have also built expertise in catering to the healthcare, education, airport, railways and metro infrastructure sectors, due to its extensive experience, understanding the unique requirements and challenges in such sectors. As of September 30, 2023, company provided services to 135 hospitals and medical colleges, 228 schools and colleges (other than medical colleges), one airport, four railway stations and 30 metro stations, along with catering services on certain trains/ train routes.

Company operate on a B2B model. Its wide portfolio of services enables to design and deliver a range of customized solutions suited to the specific needs of company's customers, which bolsters company's customer acquisition and retention capabilities. In Fiscals 2021, 2022 and 2023 and six months ended September 30, 2023, company served 262, 277, 326 and 309 customers, respectively. In the same period, the number of customer locations serviced by 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. During Fiscals 2021, 2022 and 2023 and six months ended September 30, 2023, company onboarded 76, 70, 89 and 57 new customers, respectively. Company's ability to maintain quality standards while expanding its service offerings to meet evolving industry requirements has resulted in longstanding relationships with its key customers. Four of company's top 10 customers, based on revenue generated in Fiscal 2023, have been associated with company for longer than 10 years. For the six months ended September 30, 2023, three customers (who have been associated with company for longer than 10 years) contributed to 17.06% of company's revenue from operations.

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

Company is led by a well-qualified and experienced management team, which has robust experience in the sectors in which company operate, and which has demonstrated its ability to manage and grow company's business. Company's revenue from operations was ₹ 4,712.89 million, ₹ 5,526.76 million, ₹ 7,076.36 million and ₹ 4,516.08 million in Fiscals 2021, 2022 and 2023 and six months ended September 30, 2023, respectively. Company's total profit for the year (after tax) was ₹ 168.24 million, ₹ 262.74 million, ₹ 384.44 million and ₹ 205.85 million in Fiscals 2021, 2022 and 2023 and six months ended September 30, 2023, respectively. Company's EBITDA was ₹ 301.05 million, ₹ 454.57 million, ₹ 545.09 million and ₹ 309.96 million in Fiscals 2021, 2022 and 2023 and six months ended September 30, 2023, respectively, and EBITDA Margins (as a percentage of revenue from operations) were 6.39%, 8.22%, 7.70% and 6.86%, respectively. Company's ROE in Fiscal 2021, 2022 and 2023 and six months ended September 30, 2023 was 13.18%, 17.37%, 23.18% and 11.71%, respectively, and ROCE in the same periods was 19.01%, 25.03%, 28.82% and 16.97%, respectively. Company's revenue from operations, total profit for the year (after tax), and EBITDA grew at a CAGR of 22.54%, 51.17%, 34.56%, respectively, from Fiscal 2021 to Fiscal 2023. Company is also among the league of the fastest growing integrated facility management companies in India, registering a CAGR of 22.5% in terms of revenue growth during Fiscal 2021 – Fiscal 2023 .



**INVESTMENT RATIONALE**

<p><i>Wide geographic presence with large and efficient workforce, coupled with strong recruitment and training capabilities</i></p>	<p>As on September 30, 2023, company serviced 2,160 customer locations in 16 states and two union territories in India. Company’s wide presence enables it to offer services to customers who prefer a single service provider for their operations at multiple locations. For instance, as on September 30, 2023, company serviced over 200 locations each for four existing customers. Company is able to deliver these services through a network of 21 branch offices spread across key geographies, as on September 30, 2023. Locating company’s branch offices in proximity to its customer premises also results in greater focus on, and attention to company’s customers as well as higher quality and customized service delivery. Company’s operations are further supported by a large pool of 40,100 on-site employees, as on January 31, 2024. As on January 31, 2024, company’s dedicated recruitment and training teams comprised of seven and 16 employees, respectively. On May 1, 2023, company launched the ‘Krystal Integrated Training Academy’ in Vashi, Maharashtra to train security guards, house keepers and facility attendants employed by company, as well as area officers and supervisors. Company provide training in house, on sites and also as a part of refresher course and through other methods based on training needs.</p>
<p><i>Track record of high quality and efficient service delivery</i></p>	<p>Company have consistently focused on providing quality services and follow a process-oriented approach to achieve this. Company have adopted standardized processes to ensure consistent service levels across company’s verticals and geographies, including adopting standardized workflow checklists and cleaning schedules for effective cleaning and quality assurance. Company follow stringent quality standards and as of September 30, 2023, company have received several quality certifications for its management systems including ISO 9001:2015 (quality management system), ISO 14001:2015 (environmental management system), ISO 45001:2018 (occupational health and safety management system), and ISO/IEC 27001:2013 (information security management system). Company typically appoint supervisors at the locations, who are responsible for conducting quality checks including periodic maintenance work, and also identifying areas for improvement. Subject to project requirements, company also deploy an experienced team at new locations to establish work processes and train the local team to adhere to quality standards. Company’s focus on providing quality services has allowed it to strengthen relationships with its customer base. .</p>
<p><i>Longstanding relationship with customers across diverse sectors, with recurring business</i></p>	<p>In Fiscals 2021, 2022 and 2023 and six months ended September 30, 2023, company served 262, 277, 326 and 309 customers, respectively. In the same period, the number of customer locations serviced by 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. Company’s ability to maintain quality standards while consistently expanding its service offerings to meet evolving industry requirements has resulted in longstanding relationships with company’s key customers. Four of company’s top 10 customers, based on revenue generated in Fiscal 2023, have been associated with company for longer than 10 years. For the six months ended September 30, 2023, three customers (who have been associated with company for longer than 10 years) contributed to 17.06% of company’s revenue from operations.</p>



## OBJECTS OF OFFER

The Offer comprises a fresh issue of Equity Shares, aggregating up to ₹ 1,750 million by Company and an Offer for Sale of up to 17,50,000 Equity Shares, by the Promoter Selling Shareholder..

### Objects of the Fresh Issue

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

1. Repayment/prepayment, in full or part, of certain borrowings availed of by company;
2. Funding working capital requirements of company;
3. Funding capital expenditure for purchase of new machinery; and
4. General corporate purposes

## RISKS

Company's revenue from operations is highly dependent upon a limited number of customers, with company's largest, top five, top 10 and top 20 customers contributing to 34.91%, 59.19%, 72.58% and 85.86% respectively, of company's revenue from operations for Fiscal 2023.

Source:RHP

## INDUSTRY OVERVIEW

### OVERVIEW OF THE INDIAN INTEGRATED FACILITY MANAGEMENT MARKET

#### Market Overview

Strong macroeconomic growth fundamentals are contributing to a steady growth in the Integrated Facility Management Market in India. In the past decade the market has witnessed solid growth except for the COVID-19 pandemic; increasing investments in Services and Manufacturing sector is expected to drive the growth momentum over the next five years. Higher FDI over the past decade, driven by liberal economic policies in India has created opportunities for private sector. Since then, the business prospects have bourgeoned in industries ranging from banking and aviation to pharmaceuticals and IT, and India has attracted large multinational companies with its business-friendly climate. The IT and ITeS sector have experienced a boom in business opportunities, which has prompted the sector to invest in construction activities to grow the stock of buildings. Additionally, the rise of organised retail developments in India have also contributed to the built environment, thereby driving the demand for Facility Management services.

Real estate in India is one of the fastest growing industries with a record 68.0% year-on-year growth in CY2022 after the COVID-19 impacted market growth in CY2020 and CY2021. Renewed investment interest among Nonresident Indian (NRIs) and millennials in Indian real estate is a driving factor for the future growth. Private equity investments in real estate sector from January to July 2022 stood at USD3.3 billion. Demand for office and commercial space in Tier 1 and Tier 2 cities are the future growth hot spots and this is expected to drive the demand for Facility Management services in Tier 2 cities in the long-term.

Furthermore, several initiatives by the government to provide housing to all citizens – such as the ambitious Pradhan Mantri Awas Yojana (PMAY) scheme of the Union Ministry of Housing and Urban Affairs and the development of Smart Cities in India are projected to have a beneficial impact on the Indian Integrated Facility Management industry in the long-term. Asset owners are more inclined to professional Integrated Facility Management since it not only increases the building's lifespan but also makes sure the asset complies with global health and safety requirements.



**Consolidated Financials**

(Rs in Mn)

Financials	FY21	FY22	FY23	6months ended FY24
Total Revenue (A)	4712.89	5526.76	7076.36	4516.08
Total Expenditure (B)	4511.37	5146.78	6578	4206.41
EBIDTA	201.52	379.98	498.36	309.67
EBIDTA Margin	4.28	6.88	7.04	6.86
Other Income	30.20	21.81	33.29	40.64
Depreciation	46.90	42.95	46.57	35.33
EBIT	184.82	358.84	485.08	314.98
Interest	90.60	87.78	94.92	59.83
PBT	94.22	271.06	390.16	255.15
Exceptional	0.00	0.00	0.00	16.05
PBT	94.22	271.06	390.16	271.20
Tax	-2.61	62.71	52.45	49.59
PAT	96.83	208.35	337.71	221.61
NPM	2.05	3.77	4.77	4.91
ROE%	12.36	16.04	23.53	11.21
EPS	14.45	22.69	33.33	17.84
Eq Cap	57.62	57.62	57.62	115.24
Net Worth	1,360.75	1,638.55	1,634.12	1,836.84

(Source: RHP)

**Peer Comparison**

Company Name	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>Krystal Integrated Services Limited</i>		<i>7109.65</i>	33.33	<i>141.80</i>	<i>23.53</i>
<b>Peers</b>					
Quess Corp Limited	33.40	171583.87	15.16	173.43	8.74
SIS Limited	18.97	113457.80	23.43	159.23	14.85
Updater Services Limited	64.65	20988.87	6.77	71.93	9.4

(Source: RHP)



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