

INITIATING COVERAGE



MONARCH
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KRYSTAL INTEGRATED SERVICES LIMITED

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Empowering solutions

We initiate coverage on Krystal Integrated Services Ltd, a rising leader in the Integrated Facilities Management Services (IFMS) sector, with a TP of Rs. 1230, offering an upside of 62%. Krystal is the fastest-growing player in the IFMS industry, offering a diverse range of services, including IFMS, private security, staffing, and catering. With a revenue CAGR of 30% from FY21-24, Krystal surpasses its peers, driven by its ability to deliver bundled and customized solutions, supported by strong management. This impressive growth is further highlighted by a 50% EBITDA CAGR, reflecting the company's operational strength. Krystal's strategic focus on key sectors through government contracts, exceptional service portfolio and robust leadership, firmly positions it ahead of competitors, cementing its role as a dominant market player. Additionally, the company could explore opportunities in the B2C segment, leveraging its expertise and brand recognition for future growth.

- One-stop solution with diverse revenue streams:** Krystal Integrated Services Ltd is a one-stop solution provider, offering a wide range of services across sectors. Their offerings include IFMS with soft services like housekeeping, hard services like pest control and waste management, and specialized services such as production support and airport management. By integrating these services with advanced technology and specialized manpower, Krystal delivers tailored, bundled solutions, eliminating the need for clients to work with multiple vendors, by centralizing key functions to enhance efficiency, solidifying its position in the market.
- Client Base and Government Contracts increasing:** Krystal has strategically expanded its client base from 262 in FY21 to 369 in FY24 and has a 100% contract renewal/extension retention rate in FY24. Operating on a B2B model, Krystal focuses on high-quality government contracts, particularly in the health, education, waste management, and civil sectors, which contribute 77% of its revenue. The company excels in both public and private sectors, particularly in critical infrastructure projects like airports and railways. Krystal has positioned itself to capitalize on India's growing demand for facilities management and staffing services, ensuring sustained growth and a strong market presence.
- Outpacing peers and promising growth drivers:** Krystal stands out in the industry as the fastest-growing IFMS company, with a remarkable revenue CAGR of 30% from FY21 to FY24, far outpacing peers like SIS Ltd., UDS and Qness Corp whose growth rates range from 10% to 26%. Furthermore, Krystal's EBITDA CAGR of 50% during the same period underscores its operational efficiency and robust financial performance. Unlike its competitors, Krystal's diverse service offerings, including IFMS, private security, staffing, and catering, allow it to capture multiple revenue streams and maintain higher growth momentum, setting it up for continued market leadership.
- Valuation & Risks-** We expect a revenue CAGR of 23% over FY24-FY27E, driven by increase in both clients as well as an increase in government contracts. We expect EBITDA margins to expand by 110 basis points to 7.8% over the same period, driven by better operational efficiency, and EBITDA CAGR of 29.3% and a PAT CAGR of 34.7% over FY24-FY27E. At CMP, the stock is trading at 11.2x FY26E and 8.8x FY27E. We value the stock at 16x Q2FY27E EPS of Rs 76.8 and arrive at a target price of Rs1,230, an upside of 62%. We also dwell on the optionality of Krystal venturing into the B2C space, drawing a comparison with Urban Company.

Target Price (Rs)	1230	Key Data	
		Bloomberg Code	KRYSTAL:IN
CMP (Rs)	764	Curr Shares O/S (mn)	14.0
		Diluted Shares O/S(mn)	14.0
Upside	62%	Mkt Cap (Rsbn/USDmn)	10.7/127.2
Price Performance (%)		52 Wk H / L (Rs)	1024/628
		3M Average Vol.	1,82,323
		1M	6M
KRYSTAL	1.1	N/A	N/A
NIFTY	0.7	12.7	29.9

Source: Bloomberg, MNCL Research.

Shareholding pattern (%)

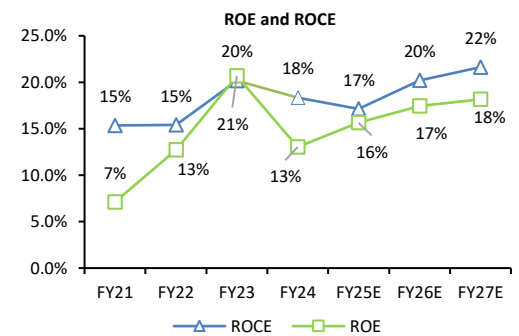
	June-24	Mar-24
Promoters	69.96	69.96
FIIIs	2.98	7.95
DIIIs	5.66	5.81
Others	21.38	16.28

Source: BSE

Why should you read this report?

- How Krystal can increase clients while retaining old clients
- How Krystal stands out in comparison to its peers

Return Profile



Source: MNCL Research

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY22	5,527	17.3%	380	6.9%	208	115.2%	36.2	12.7%	15.4%	19.7	12.1
FY23	7,076	28.0%	498	7.0%	384	84.5%	58.6	20.7%	20.2%	12.2	8.8
FY24	10,268	45.1%	687	6.7%	490	27.5%	35.1	13.0%	18.3%	21.6	14.0
FY25E	12,501	21.7%	907	7.3%	698	42.5%	50.0	15.7%	17.1%	15.2	10.3
FY26E	15,549	24.4%	1,196	7.7%	944	35.2%	67.6	17.5%	20.2%	11.2	7.4
FY27E	19,077	22.7%	1,486	7.8%	1,201	27.2%	85.9	18.2%	21.6%	8.8	5.6

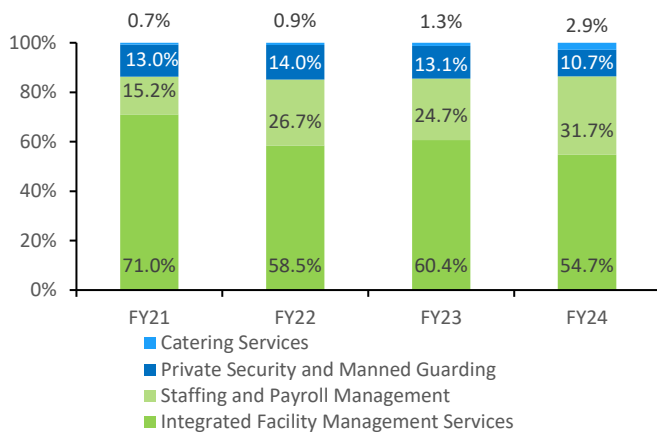
Source: Company, MNCL Research estimates

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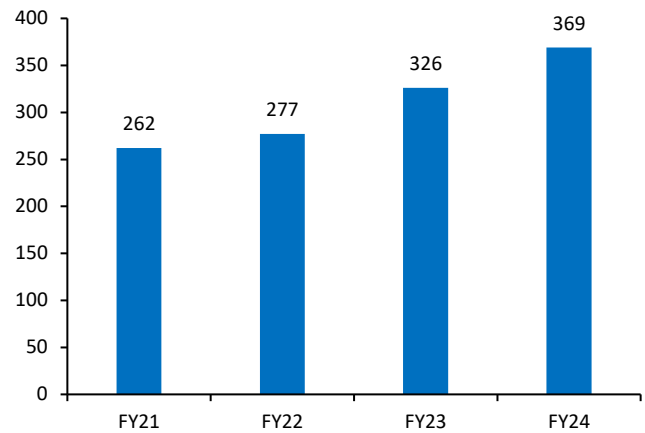
Investment Thesis in Charts

Exhibit 1: Diversified revenue mix



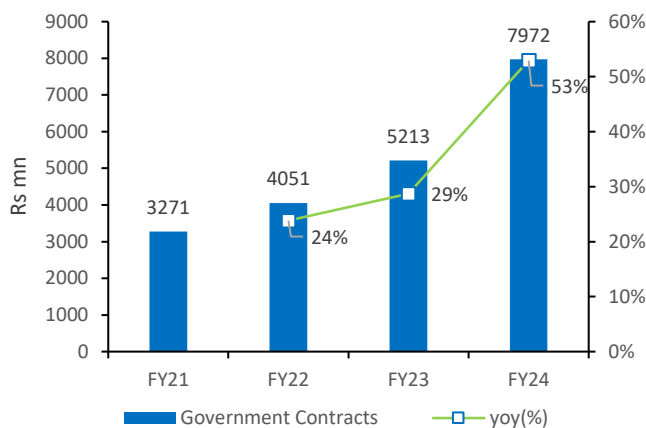
Source: Company, MNCL research

Exhibit 2: Expanded services have boosted client growth



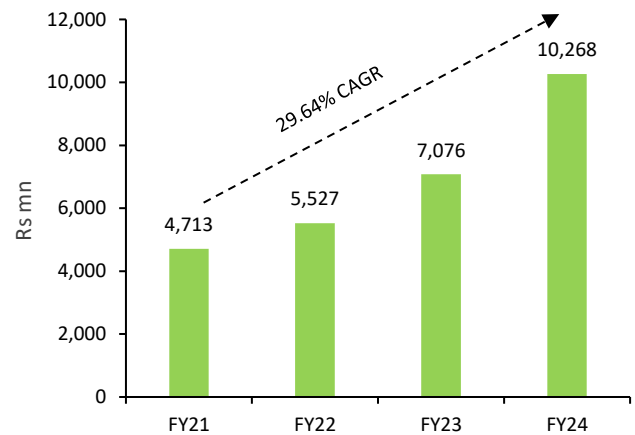
Source: Company, MNCL Research

Exhibit 3: The government remains the largest revenue contributor



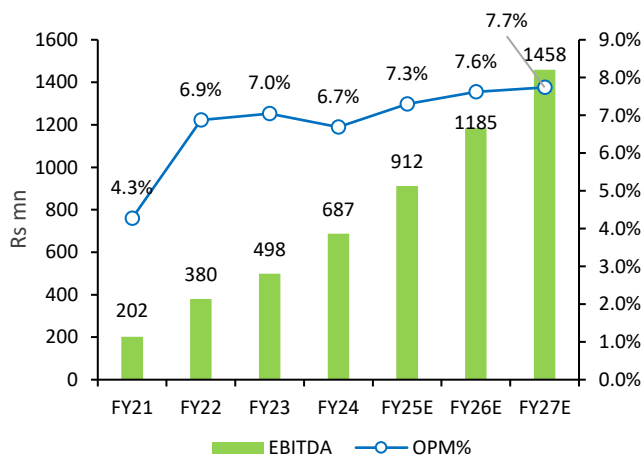
Source: Company, MNCL Research

Exhibit 4: Leading to impressive revenue growth



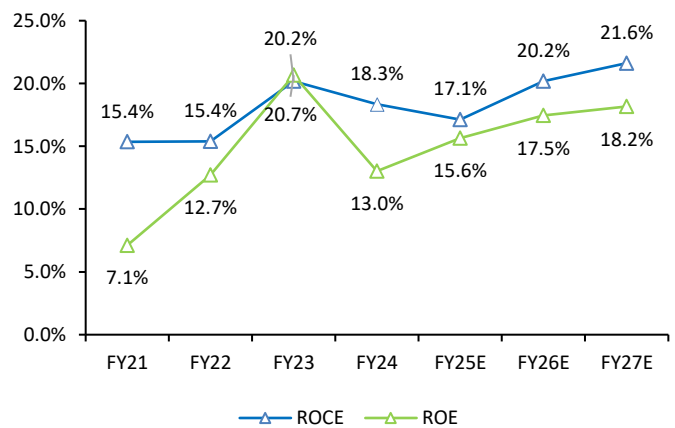
Source: Company, MNCL Research

Exhibit 5: EBITDA and OPM to surge ahead



Source: Company, MNCL research estimates

Exhibit 6: Leading to Robust Return Ratios



Source: Company, MNCL research estimates

One-stop solution: The Diversification play

All under one roof

Krystal Integrated Services Ltd is a leading provider of integrated service solutions, catering to a wide range of sectors including healthcare, education, public administration, airports, railways, metro infrastructure, retail and waste management. Known for their comprehensive and customized approach, Krystal delivers exceptional quality and reliability, making them a trusted partner for both public and private sector projects, including large-scale, multi-location engagements.

Krystal has a diverse set of business offerings, and this diversification has given Krystal the ability to capitalize on revenue from all these business segments and not just rely on one or two segments, unlike Krystal's Competitors which rely on limited segments, thus attenuating growth.

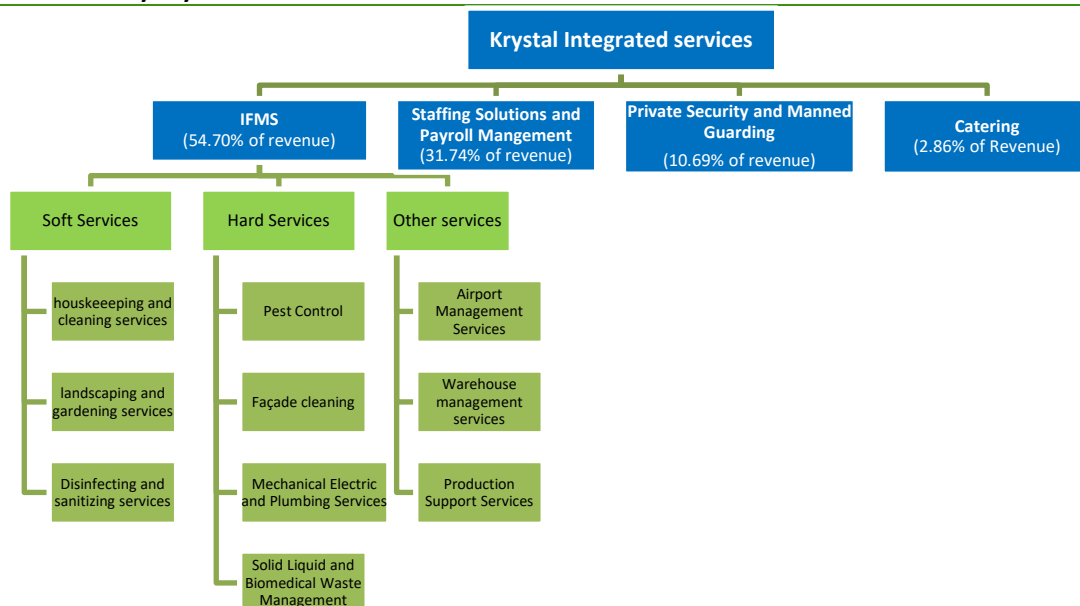
Krystal's revenue is derived from 4 segments namely IFMS, Security services, Staffing and Payroll solutions, and Catering services.

Service Offerings:

1. **Integrated Facilities Management (IFMS):**
 - **Soft Services:** Housekeeping, sanitation, landscaping, gardening, etc.
 - **Hard Services:** Mechanical, electrical, and plumbing (MEP) services, waste management (solid, liquid, biomedical), pest control, façade cleaning, effluent treatment, etc.
 - **Specialized Services:** Production support, warehouse management, and airport management (multi-level parking and airport traffic management).
2. **Staffing and Payroll Management:**
 - Recruitment, payroll, and human resource services across various sectors (banking, public administration, education, manufacturing, and retail).
 - Provision of skilled, semi-skilled and unskilled manpower.
3. **Security Services:**
 - Comprehensive security solutions including private security, manned guarding, access control, surveillance, emergency services, and patrols.
4. **Catering Services:**
 - Offered through Krystal Gourmet, a subsidiary, that provides customised food and beverage services to educational institutions and hospitals.

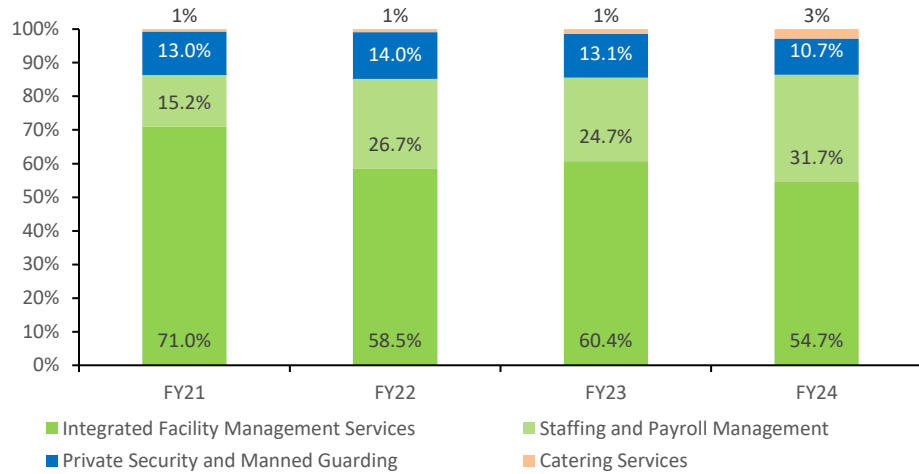
Krystal's wide array of service offerings allows them to deliver tailored, bundled solutions, ensuring each customer receives the specific services they need. This integrated approach highlights their versatility and commitment to excellence, positioning them as a leading provider of comprehensive service solutions.

Exhibit 7: Services offered by Krystal



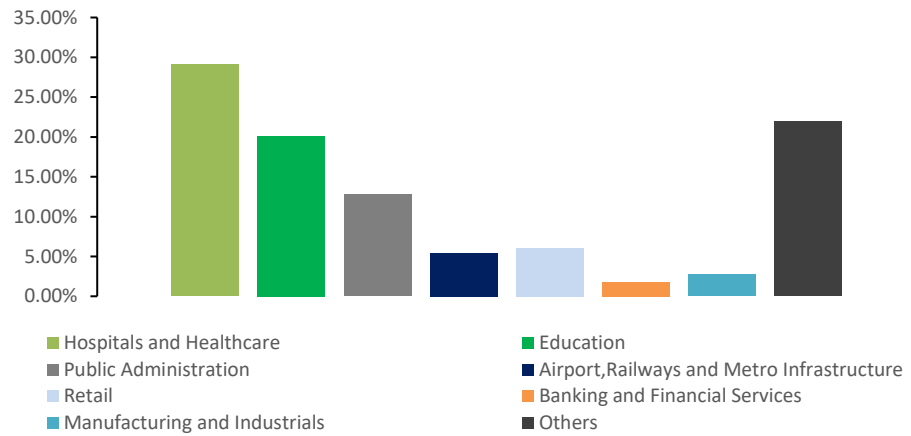
Source: Company, MNCL Research

Exhibit 8: Evolving Revenue mix: Staffing revenue increasing



Source: Company, MNCL Research

Exhibit 9: Krystal’s sector-wise Revenue mix (FY24)



Source: Company, MNCL Research

Exhibit 10: Some of Krystal’s customers who have been associated with Krystal for a long time



Source: Company, MNCL Research, *indicates for FY24

Exhibit 11: Krystal offers a diverse set of offerings allowing it to benefit from cross-selling and having more revenue

Particulars	Soft services	Hard services	City maintenance services	Production support services	Catering services	Warehouse management services	Event Management Services	Airport Management services	Hospital Management Services	Staffing Services	Manned Guarding Services
LISTED											
1. Krystal	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. SIS Ltd.	✓	✓		✓			✓			✓	✓
3. Qess Corp	✓	✓		✓	✓		✓	✓	✓	✓	✓
4. UDS	✓	✓		✓	✓	✓				✓	
5. VA Tech Wabag			✓								
6. Anthony waste			✓							✓	
7. Team lease											
UNLISTED											
8. BVG	✓	✓	✓				✓	✓			✓
9. Compass	✓	✓			✓						
10. ISS Facility services	✓	✓			✓			✓	✓	✓	✓
11. Impressions	✓	✓	✓	✓		✓	✓			✓	✓
12. OCS Group	✓	✓			✓	✓	✓	✓	✓		
13. Sodexo	✓	✓			✓			✓			
14. Rentokil Initial		✓									
15. SMPL Infra			✓								
16. Re sustainability (Ramky Enviro)			✓								
17. L&T water			✓								

Source: Company, MNCL Research

Krystal has established itself as an integrated one-stop solution provider offering a diverse range of services tailored to customer needs. In FY24, Krystal served 117 IFM customers, 140 staffing and payroll management clients, 107 security service clients, and catered to 77 clients through their central kitchen.

Their comprehensive offerings allow operational efficiencies by centralizing key functions like finance, sales, and administration, enhancing overall performance. With a diverse range of services compared to peers, Krystal offers all services under one roof with customized bundled packages that eliminate the need for multiple vendors.

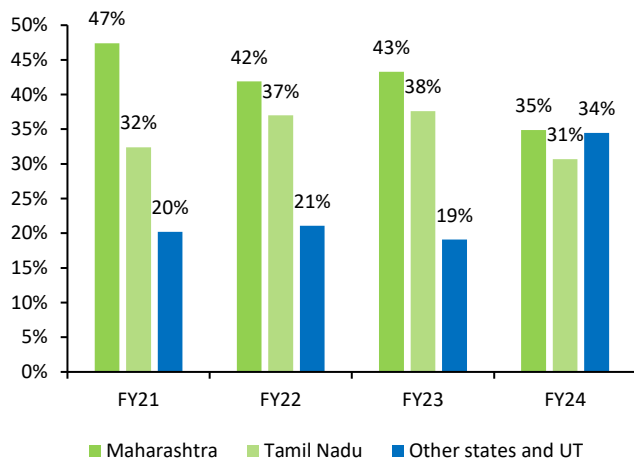
This strategy boosts customer satisfaction and retention, enabling Krystal to cross-sell services and increase revenue, supporting long-term business growth.

Diversified Geographical Revenue Stream

Over the past three to four years, Krystal has strategically diversified its revenue sources, reducing dependence on specific states and expanding its operational footprint across India. In FY24, Maharashtra emerged as the top revenue contributor, followed by Tamil Nadu, Madhya Pradesh, Delhi, Haryana, and other regions.

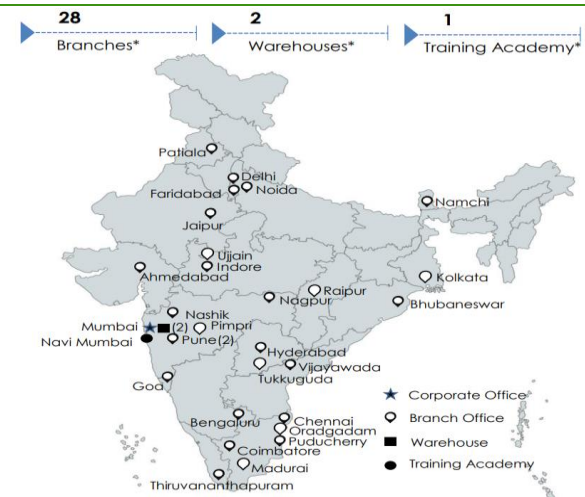
The company is actively pursuing expansion across states, focusing on Delhi, Madhya Pradesh, Chennai, Vizag, Hyderabad etc. to solidify its position as a pan-India company for significant revenue growth, primarily through government contracts. Krystal is also intensifying its engagement with various governments, anticipating favorable outcomes in the near to long term.

Exhibit 12: Krystal is reducing reliance on 2 states



Source: Company, MNCL Research

Exhibit 13: Krystal has 28 branches across India



Source: Company

Looking ahead, Krystal has outlined a strategic roadmap to broaden its reach and transform it into a comprehensive solution provider across all states in India. **Over the next 2-3 years, the company plans to implement initiatives to solidify its position as a pan-India service provider for both government and private entities.**

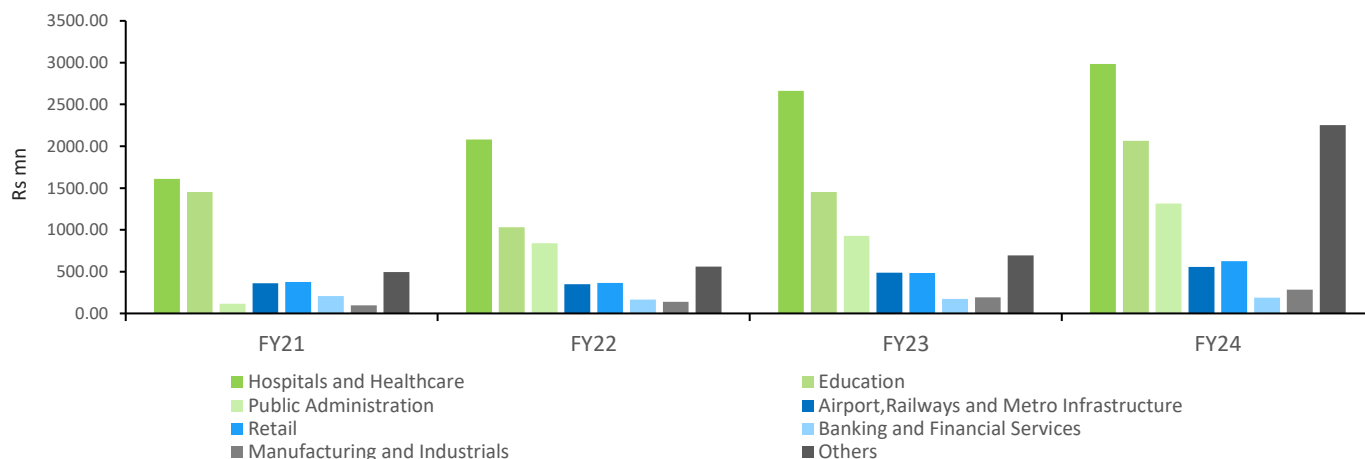
Key sector revenue contribution and Growth Drivers:

While Krystal is present across a wide variety of sectors, **their primary focus is on healthcare, education, infrastructure and waste management.** These sectors are usually the focus sectors of governments on which governments spend substantial part of their budgets irrespective of the ruling party.

- **Healthcare:**
 - Constitutes 29.6% of Krystal's total revenue.
 - Services offered to 137 hospitals and medical colleges.
 - Key customers include P.D. Hinduja Hospital and the National Cancer Institute.
 - Growth driven by the outsourcing trend, need for specialized skills, compliance adherence, and emphasis on high-quality patient care environments.
- **Education:**
 - Accounts for 20.13% of Krystal's total revenue.
 - Services offered to 230 schools and colleges.
 - Notable customer: Education Department of the Brihanmumbai Municipal Corporation.
 - Anticipated growth due to infrastructure expansion, government initiatives (RISE, EQUIP, NEP 2020), and increasing sophistication of educational facilities.

- **Airport, Railway, and Metro Infrastructure:**
 - Contributes 5.4% to Krystal's total revenue.
 - Services provided to one airport, four railway stations and 30 Metro Stations.
 - Key customer: Maha Mumbai Metro Operation Corporation.
 - Growth driven by airport infrastructure expansion (UDAN program targeting 100 new airports by 2024 which may be extended), anticipated privatization of 20-25 airports (2022-2025), and ongoing metro development projects in 12 cities.

Exhibit 14: Krystal's revenue diversification across sectors with focus on Healthcare, Education, and Public Administration



Source: Company, MNCL Research

Krystal's strategic diversification, robust sector presence, and comprehensive service offerings position the company for sustained growth and expansion. With a clear focus on government and private sectors, Krystal is poised to capitalize on emerging opportunities, enhancing its reputation as a leading pan-India service provider.

Selective Case Studies to Understand how Krystal benefits from diversification (both in terms of revenue and geography)

(i) How Maharashtra Government's budget allocation has increased in the sectors on which Krystal has a major focus:-

- On comparing the Maharashtra Government's budget allocation on development expenditures with the total expenditure by Government on sectors in which Krystal is present, **we find that while the development expenditures have grown at a CAGR of 15% to Rs 3008 bn during FY22-FY24, the total expenditure by government on sectors in which Krystal is present has grown at CAGR of 18% to Rs 1456 bn during FY22-FY24.**
- Thus, indicating that Krystal's diverse geographical and sectoral presence allows it to benefit in those sectors where budget allocations have always increased historically and is likely to increase further.

Exhibit 15: Maharashtra Government's Budget Allocation Prioritizes Key Sectors for Krystal: Healthcare, Education, Waste Management, and Infrastructure

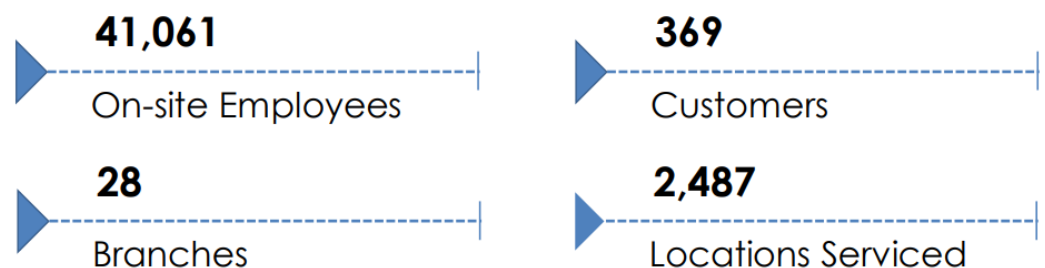
Particulars (Rs bn.)	FY22	FY23	FY24	CAGR
Development expenditure	2279	3090	3008	15%
1.Education, Sports, Art and Culture	686	829	891	14%
2.Health and Family Welfare	195	224	218	6%
3.Water Supply, Sanitation, Housing and Urban	167	295	347	44%
Total Expenditure by government on sectors in which Krystal is present (1+2+3)	1047	1348	1456	18%

Source: <https://beams.mahakosh.gov.in/> (Maharashtra Government), MNCL Research

(II) Served multiple locations and provided multiple services to a Solar Cell and Solar Module manufacturer company

- **Client/customer Overview:** The company is one the largest fully integrated Solar Cell and Solar Module manufacturer.
- **What was offered:** Krystal was offered to service one plant for this company by providing Integrated facilities management services like cleaning, production support services and mechanical, electrical and plumbing (MEP) services etc.
- **Outcome:** Krystal's efficient and well-managed services led to customer satisfaction and this in turn led to the customer extending Krystal's contract and also offered Krystal to service all the three plants. They took a bundled package with IFMS and security. Hence, with a satisfied customer and a diverse portfolio of services, there is an opportunity to cross-sell additional services.
- **This approach benefits both parties: Krystal increases its revenue by offering more services, and customers enjoy the convenience of obtaining all services from one provider.**

Exhibit 16: Krystal has serviced 2487 locations for customers with its diverse set of offerings



Source: Company, MNCL Research

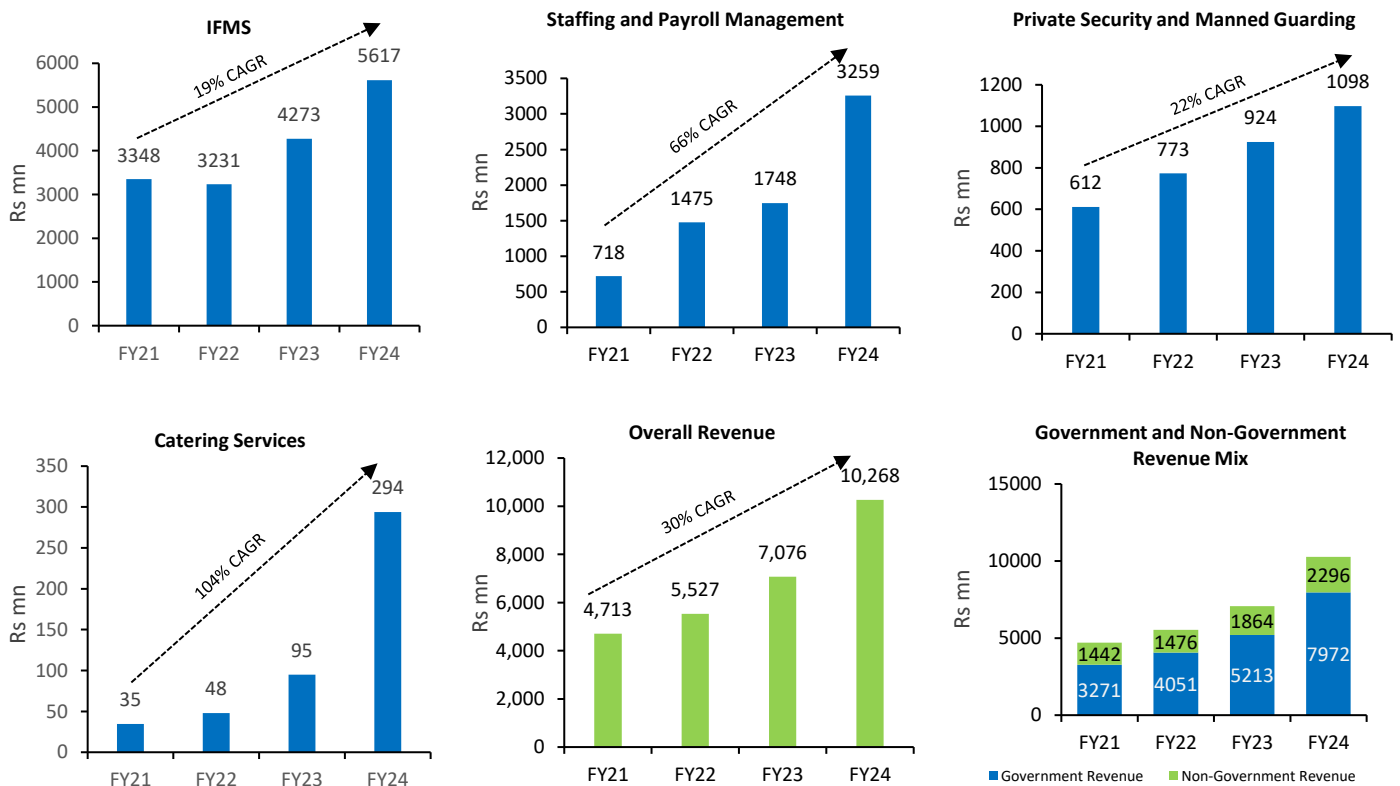
(III) Got a contract to service multiple locations for a piston and other equipment manufacturing company post-acquisition of that company.

- **Client/customer overview:** The client company has a wide range of products including pistons, piston rings, sintered parts, and cylinder liners. The company's components cater to diverse applications, such as two/three-wheelers, cars, SUVs, tractors, light commercial vehicles, heavy commercial vehicles, stationary engines, and high-output locomotive diesel engines. The client company got acquired by another company.
- **What was offered:** Krystal was offered to service one plant in Patiala for this company by providing Integrated facilities management services like cleaning, production support services and mechanical, electrical and plumbing services etc. before the client company got acquired.
- **Outcome:** When the client company got acquired, the acquiring company could have easily dropped Krystal. But since Krystal had a good performance track record and had serviced the client company very efficiently, Krystal's contract got renewed. Also, because of an impressive track record of providing good service to the client company and pan-India presence, the acquiring company extended Krystal's services to 6 other plants in Maharashtra, thus resulting in an increase of revenue.
- **Since Krystal is efficient and a pan-India service provider with a track record of providing good service, Krystal was not only retained by the client and acquiring company but also the preferred choice among its peers.**

(IV) Got a contract from a well-reputed bank to provide multiple services.

- **Client/customer Overview:** The client company is a reputed banking company which has a pan-India presence.
- **What was offered:** The client banking company was using Krystal’s payroll solutions for 7-8 years and was quite satisfied with Krystal’s services.
- **Outcome:** Being satisfied with Krystal’s services, it not only renewed Krystal’s payroll services contract but also gave them a contract for security services.
- **Thus, because Krystal is highly efficient when it comes to customer retention and due to its diverse set of offering and customer satisfaction in one service offering, it was able to bag a renewal from the client company**

Exhibit 17: Krystal’s revenue growth in various segments and government and non-government mix



Source: Company, MNCL Research

Steady Increase in number of clients

Mix of both private and public clients

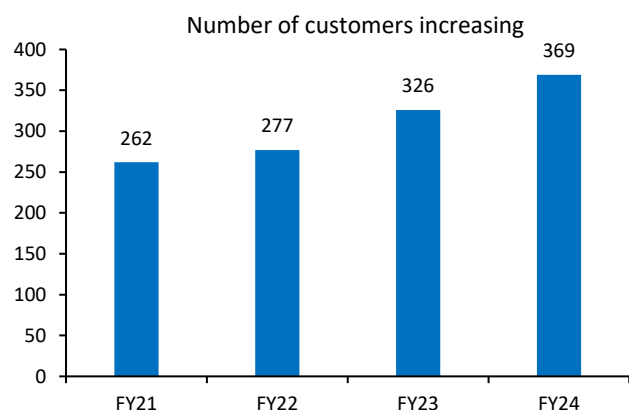
Krystal operates on a B2B model, offering customized solutions to enhance customer acquisition and retention. From FY21 to FY24, Krystal's customers increased from 262 to 369, respectively, with customer locations increasing from 1,962 to 2,931 in the same period.

They onboarded a couple of new customers during FY24 and have a strong track record of renewing and extending contracts, as all relevant customers, except government contracts awarded through competitive bidding, have renewed their contracts during the respective financial years. They maintain quality standards, resulting in *long-standing relationships with key customers, including four of the top ten who have been with Krystal for over 10 years.*

Krystal is constantly in the process of adding new clients and we expect their customer base to grow while retaining most of the major existing clients. Their customer attrition rate was nil for FY24, thus proving how efficient and well managed they are; they were able to retain all their existing customers and were able to onboard new clients. Their key customers include National Health and Education Society, HDFC Bank, and Phoenix Mills Limited, among others.

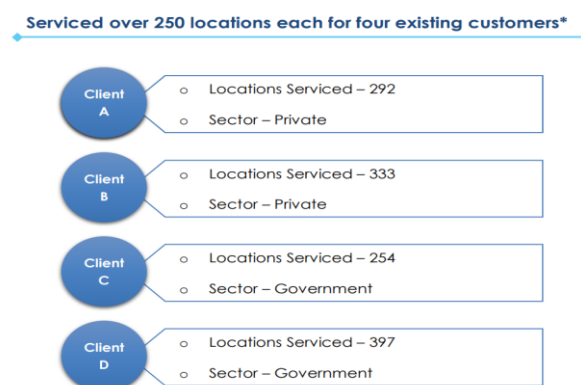
Historically, Krystal has been able to retain their clients well. Krystal's focused approach has led to a 100% contract renewal / extension rates for relevant non-government customers in FY24. We believe that Krystal will be able to leverage their wide range of offerings to provide bundled services and increase their market share.

Exhibit 18: Customers and locations serviced



Source: Company, MNCL Research

Exhibit 19: Krystal has serviced over 250 locations

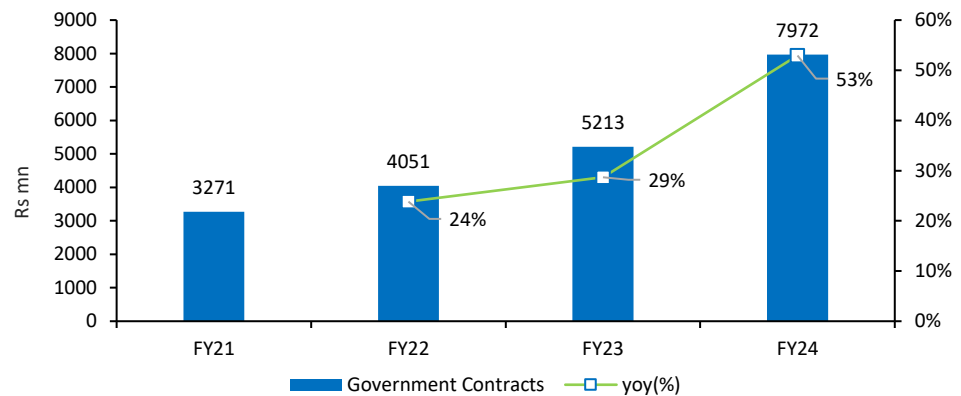


Source: Company, MNCL Research

Government one of the biggest drivers for IFMS

Krystal has a strong track record with government contracts, which are typically awarded through competitive bidding. **In FY23, Krystal renewed or extended 42.86% of its expiring contracts.** These contracts are generally for three years, with an option of a one-year renewal by mutual consent and can be terminated with written notice from either party. Krystal's ability to bid for these contracts depends on meeting specific pre-qualification criteria, which vary by contract size and nature. Despite bidding challenges, Krystal's investments in manpower and machinery enable them to place competitive bids, leading to successful bid ratios in every year from FY21 to FY24.

Exhibit 20: Revenue from government contracts increasing



Source: Company, MNCL Research

Krystal serves key government sectors such as healthcare, education, and infrastructure, with notable clients like Maha Mumbai Metro Operation Corporation Limited and Brihanmumbai Municipal Corporation's Education Department. The government sector, growing at a CAGR of 16.3% from FY23 to FY28, presents significant growth opportunities, particularly in industrial, public administration, airports, educational institutions, healthcare, and railways and metros.

In FY24, Krystal provided integrated facilities management, security, and staffing services to 116 municipal and government offices, electricity boards, and district consumer forums, with government contracts accounting for 77% of their revenue.

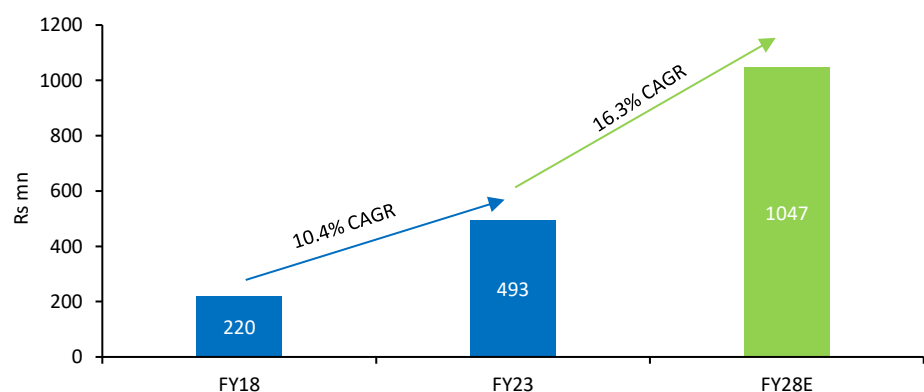
Exhibit 21: Some of Krystal's government clients



Source: Company, MNCL Research

Krystal's growth in the government sector is supported by extensive experience in critical infrastructure projects like airports and railways. They have managed Chennai railway station for over eight years and provided services to airports for nearly 12-13 years. These experiences position Krystal well for India's ongoing infrastructure developments. The government's initiatives to modernize railway stations and allocate budgets for such projects offer significant growth opportunities.

Exhibit 22: Accelerated Growth in Government IFMS Market Due to Increased Outsourcing



Source: Company, MNCL Research

The government sector offers high growth opportunities for facilities management, driven by segments such as industrial, public administration, airports, educational institutions, healthcare, and railways and metro.

Amid manpower shortages and increased awareness of staffing services, demand from the government sector should rise, particularly in sectors like healthcare, education, railways, and public administration. Krystal’s ability to meet qualifying criteria for government bids, combined with competitive pricing and quality service delivery, positions them well to capitalize on these opportunities and enhance their revenue from government contracts.

Krystal also maintains a robust presence in the private sector, offering comprehensive facility management, staffing solutions, and private security services. This balanced mix of public and private contracts allows Krystal to capitalize on diverse market opportunities, enhancing their revenue and ensuring sustained growth.

Krystal has serviced Chennai railway station for eight years, providing IFMS services like cleaning platforms, trains, offices, and restrooms. Their contract renewal highlights Krystal’s ability to retain customers and efficiently renew government contracts. With the development of more Vande Bharat trains and new railway stations, Krystal is well-positioned to benefit, meeting pre-qualification criteria and leveraging their extensive experience.

Exhibit 23: KEY GROWTH DRIVERS FOR INCREASING CLIENT SHARE:

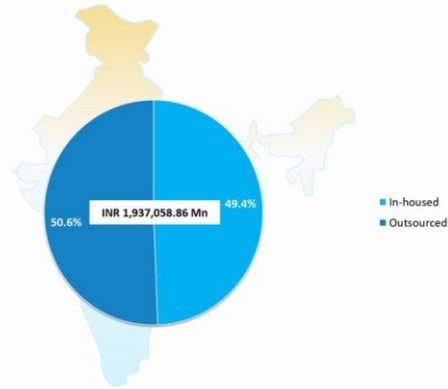
Particulars	Description
Operational Benefits	Outsourcing Integrated Facilities Management (IFM) services can significantly reduce operational and training costs compared to maintaining an in-house team. This approach enhances flexibility, allowing businesses to adjust services based on changing needs, leading to improved time management and efficiency.
Real Estate Sector Growth	The growth of the real estate sector, with continuous investments in office, residential, and retail segments, directly impacts the IFM market. The expansion across commercial, residential, retail, industrial, and warehousing sectors boosts demand for professional facility management services.
Health and Safety Focus	Post-COVID-19, businesses are prioritizing health and hygiene, leading to increased demand for professional facility management to maintain high standards of cleanliness and safety. This includes ensuring indoor air quality, conducting fire audits, and maintaining safety systems, driving the need for specialized IFM services.
Tourism and Hospitality	Government initiatives like Incredible India 2.0 are boosting the tourism and hospitality sectors. Cleanliness and hygiene in hotels are crucial, creating more opportunities for facility management companies to service this segment.
Increasing complexity of commercial buildings	The increasing complexity of commercial buildings necessitates professional maintenance to extend their lifespan. Compliance with advanced technology, engineering standards, and regulatory requirements drives the growth of outsourced IFM services in commercial spaces.
Government Initiatives like the Swachh Bharat Mission and Clean Cities	Programs like the Swachh Bharat Mission and Clean Cities are increasing public infrastructure maintenance spending. This creates opportunities for facility management companies in municipal parks, government schools, railways, metros, and hospitals, further driving growth in the sector.

Source: Company, MNCL Research

Hiring Strategies

Krystal has developed a robust hiring strategy by partnering with Industrial Training Institutes (ITIs) to source high-quality skilled employees, ensuring a mix of both skilled and semi-skilled workers. This approach allows the company to maintain a reliable and well-trained workforce. **The collaboration with ITIs underscores Krystal's commitment to delivering excellence through a highly capable employee base. They have the lowest attrition rate in the industry, which is at 19%, way below the industry average of 66%.**

Exhibit 24: Total IFMS Market: In-house v/s outsourcing (FY23)



Source: Frost & Sullivan Analysis

Source: Company

Unique Training Model

Krystal has one training academy at Vashi in Maharashtra, but a unique trading model. While the training academy provides basic training to Krystal’s employees, Krystal believes in giving on-site experience to employees, and for this, it has taken a contract with various schools and colleges in Navi Mumbai, and other parts of Maharashtra. This is a very impressive model because the employees get on-site experience of servicing clients and at the same time schools and colleges are satisfied because their service requirements are fulfilled. Krystal gets paid for providing services to the schools and colleges thus leading to training and cost saving. Moreover, training is done by an ex-army general Colonel Tushar, a decorated army officer ensuring the employees are trained well. Some clients, after entering a contract with Krystal, further train the employees to acclimatize them to their process and work structure.

Exhibit 25: Number of employees in different business segments of Krystal



Source: Company

Employee Welfare Initiatives and less chance of unionization

Krystal demonstrates a strong commitment to employee welfare through various initiatives. They offer fixed deposits via a registered credit cooperative society, ESIC schemes, and healthcare support, including assistance with cancer treatments. High-performing employees are recognized with letters of appreciation, and the company actively promotes internal mobility, ensuring career growth opportunities. This supportive environment results in a lower attrition rate of 19.17%, compared to the industry's rate of 66%, reducing the risk of unionization by fostering employee satisfaction and loyalty.

Peer Analysis

Krystal operates in a highly competitive and fragmented market across multiple business segments:

1. Integrated Facilities Management Services (IFMS):

- With over 400-500 companies, the IFMS market in India is highly fragmented.
- Leading players like Sodexo, BVG, Qness Corp, and SIS Limited collectively controlled just 6.8% of the market in FY23.
- Krystal stood as the eighth-largest player by revenue in FY23.

2. Catering Services:

- Valued at approximately Rs 288 billion. in FY23, this market is expanding due to rising investments and the increasing demand for on-site and packed meals driven by hybrid work models.

3. Private Security and Manned Guarding:

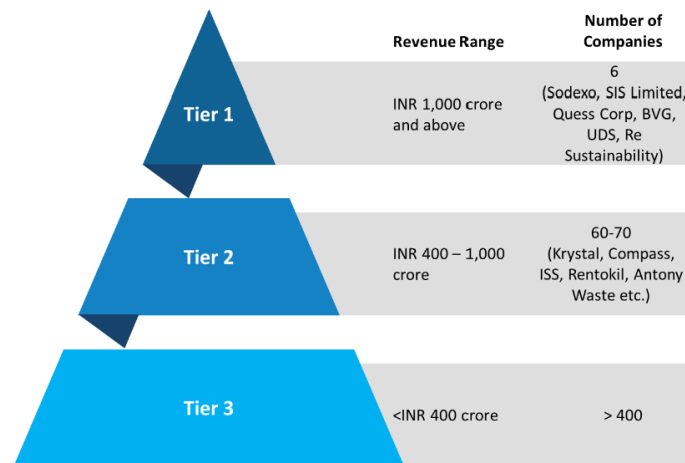
- This sector is fragmented with over 20,000 companies, of which approximately 40-45% are organized.
- Major competitors include SIS Limited.

4. Staffing and Payroll Management Services:

- Valued at Rs 729 billion in FY23, this market is growing due to the rising acceptance of temporary staffing and regulatory rationalization.

Given Krystal's positioning and diverse offerings, the company faces intense competition from both large and small players across its business segments.

Exhibit 26: Outsourced IFMS market competitive structure in India (FY23)



Source: Company

Krystal v/s Updater Services Ltd. (UDS)

Both Krystal and Updater Services are newly listed on the stock exchange and offer quite similar services and while UDS is a bigger player in comparison to Krystal, Krystal has higher offerings like solid, liquid and Biomedical waste management, airport management services like managing airport traffic etc., and private security and manned guarding which allows Krystal to grow faster in terms of revenue. Moreover, the majority of growth and services offered by UDS can be attributed to its acquisitions, while on the other hand Krystal's growth is organic.

Exhibit 27: Krystal v/s UDS Ltd.

Particulars	Krystal Integrated Services Ltd.	Updater Services Ltd.
Business segments	<ul style="list-style-type: none"> • IFMS (54.7% of their revenue in FY24) • Staffing and payroll solutions (31.7% of their revenue in FY24) • Private security and manned guarding (10.7% of their revenue in FY24) • Catering (2.8% of their revenue in FY24) 	<ul style="list-style-type: none"> • IFMS and other services (this includes catering, staffing and payroll solutions) (67.5% of revenue in FY24) • Business support services (BSS) (32.5% of revenue in FY24)
IFMS services offered *	<ul style="list-style-type: none"> • Soft Services - Housekeeping and cleaning services, Landscaping and gardening, Disinfecting and sanitizing services etc. • Hard Services - Pest control, Facade cleaning, Mechanical, electrical, and plumbing services, Solid, Liquid, and Biomedical Waste Management, city maintenance services • Other Services:- Production Support Services, Warehouse Management Services, Airport Management Services 	<ul style="list-style-type: none"> • Soft Services - Housekeeping and cleaning services, disinfecting, and sanitizing services, pest control, horticulture, and facade cleaning • Other Services:- Mechanical, electrical, and plumbing services, Washroom and Feminine Hygiene Care Solutions, Production Support Services, Warehouse Management Services
Employees	40,000+ employees	65,000+ employees
Branches	28 Branches across 17 states and 2 union territories	22 branches across 26 states in India but also provides services in 2 international countries
Market presence	24 years	35 years

Source: MNCL Research, Companies, *services distinguishing the companies are highlighted in Blue

Krystal v/s SIS Ltd

SIS, founded in 1985, is one of the oldest companies primarily providing security services, but also offering IFMS and cash logistics services. In contrast, Krystal doesn't currently provide security services internationally but has the potential to expand into global markets. Krystal also doesn't offer Cash Logistics, Mail Room, or Transportation services yet. However, Krystal's focused approach has led to a 100% contract renewal / extension rates for relevant non-government customers in FY24, and it is constantly adapting to emerging trends and adding profitable segments. While SIS lacks offerings in city maintenance, catering, and warehouse management services, Krystal provides these services, giving it an edge over SIS. Therefore, Krystal's adaptability and comprehensive service range position it favorably for future growth.

Exhibit 28: Krystal v/s SIS Ltd

Particulars	Krystal Integrated Services Ltd.	SIS Ltd.
Business segments	<ul style="list-style-type: none"> • IFMS (54.7% of their revenue in FY24) • Staffing and payroll solutions (31.7% of their revenue in FY24) • Private security and manned guarding (10.7% of their revenue in FY24) • Catering (2.8% of their revenue in FY24) 	<ul style="list-style-type: none"> • IFMS and other services (this includes Cash logistics) (17% of revenue in FY24) • Security solutions (India and International) (83% of revenue in FY24)
IFMS services offered *	<ul style="list-style-type: none"> • Soft Services - Housekeeping and cleaning services, Landscaping and gardening, Disinfecting and sanitizing services etc. • Hard Services - Pest control, Facade cleaning, Mechanical, electrical, and plumbing services, Solid, Liquid, and Biomedical Waste Management, city maintenance services • Other Services:- Production Support Services, Warehouse Management Services, Airport Management Services 	<ul style="list-style-type: none"> • Soft Services:-Gardening, event management, computerized maintenance management systems • Other Services:- Mechanical, electrical, and plumbing services, Solid, Production Support Services, Warehouse Management Services etc. • Cash logistics
Segments/services not ventured into	<ul style="list-style-type: none"> • Cash Logistics • Security services (International) • Mail room management 	<ul style="list-style-type: none"> • Solid, Liquid, and Biomedical Waste Management • Airport Management Service • Catering • Warehouse management • City maintenance services
Employees	40,000+ employees	2,84,700+ employees
Branches	28 Branches across 17 states and 2 union territories	293 branches across 36 states/Union territories
Market presence	24 years	39 years

Source: MNCL Research, Companies, *services distinguishing the companies are highlighted in Blue

Krystal v/s Qess Corp Ltd

Qess Corp is a bigger organization in comparison to Krystal. However, its major focus is staffing, which includes two of its business segments, namely workforce management and product-led business whereas Krystal's major focus is IFMS, which contributes to 54.7% of its revenue, which is higher due to this reason.

Exhibit 29: Krystal v/s Qess Corp

Particulars	Krystal Integrated Services Ltd.	Qess Corp Ltd.
Business segments	<ul style="list-style-type: none"> • IFMS (54.7% of their revenue in FY24) • Staffing and payroll solutions (31.7% of their revenue in FY24) • Private security and manned guarding (10.7% of their revenue in FY24) • Catering (2.8% of their revenue in FY24) 	<ul style="list-style-type: none"> • Workforce Management (22% of revenue in FY24) • Global Technology Solutions (17% of revenue in FY24) • Operating asset management (19% of revenue)(includes IFMS, catering and security services) • Product Led Business (24% of revenue)
IFMS services offered *	<ul style="list-style-type: none"> • Soft Services - Housekeeping and cleaning services, Landscaping and gardening, Disinfecting and sanitizing services etc. • Hard Services - Pest control, Facade cleaning, Mechanical, electrical, and plumbing services, Solid, Liquid, and Biomedical Waste Management, city maintenance services • Other Services:- Production Support Services, Warehouse Management Services , Airport Management Services 	<ul style="list-style-type: none"> • Soft Services:- Housekeeping and cleaning services, waste management, horticulture, event support, reception and concierge services, helpdesk services and store management. • Hard Services:- HT and LT installations, HVAC systems, UPS, Captive Power , Fire detection, lift and elevator, Plumbing and water management, STP and WTP, Minor civil and carpentry and pest control
Segments/services not ventured into	<ul style="list-style-type: none"> • Reprographic services • Helpdesk services • Mail room • BPO services • IT services (They provide staffing but not services.) 	<ul style="list-style-type: none"> • Airport Management Services • Warehouse Management services • City maintenance services
Employees	40,000+ employees	511000+ employees
Branches	28 Branches across 17 states and 2 union territories	30+ branches across 23 States and 8 International countries
Market presence	24 years	30+ years

Source: MNCL Research, Companies, *services distinguishing the companies are highlighted in Blue

Krystal v/s TeamLease Services Ltd

TeamLease is basically a staffing services and payroll systems providing company. Krystal has an advantage over TeamLease because it not only provides staffing and payroll services but also other services like IFMS, private security and manned guarding and catering services. Thus, Krystal provides an all-under-one-roof kind of offering, thus allowing customers to not have to choose between Krystal and other companies for different services. Apart from that, Krystal also provides bundled packages as per customer requirements thus catering to customer needs, providing customer satisfaction.

Exhibit 30: Krystal vs. TeamLease

Particulars	Krystal Integrated Services Ltd.	TeamLease Services Ltd.
Business segments	<ul style="list-style-type: none"> • IFMS (54.7% of their revenue in FY24) • Staffing and payroll solutions (31.7% of their revenue in FY24) • Private security and manned guarding (10.7% of their revenue in FY24) • Catering (2.8% of their revenue in FY24) 	<ul style="list-style-type: none"> • General staffing (92.2% of their revenue in FY24) • Specialised staffing solutions (6.3% of their revenue in FY24) • Other HR services (1.5% of their revenue in FY24)
IFMS services offered *	<ul style="list-style-type: none"> • Soft Services - Housekeeping and cleaning services, Landscaping and gardening, Disinfecting and sanitizing services etc. • Hard Services - Pest control, Facade cleaning, Mechanical, electrical, and plumbing services, Solid, Liquid, and Biomedical Waste Management, city maintenance services • Other Services:- Production Support Services, Warehouse Management Services , Airport Management Services 	N/A
Segments/services not ventured into	N/A	<ul style="list-style-type: none"> • IFMS • Private security and manned guarding • Catering
Employees	40,000+ employees	23,00,000+ employees
Branches	28 Branches across 17 states and 2 union territories	14+ branches across 28 states
Market presence	24 years	23 years

Source: MNCL Research, Companies, *services distinguishing the companies are highlighted in Blue

Krystal stands out in its peer group by offering a comprehensive "one-stop-solution" with a broad range of services, including facilities management, security, staffing, and catering. While some competitors, such as SIS Ltd. and Qess Corp, offer certain services that Krystal does not, Krystal's integrated approach gives it a distinct advantage. Though its peers are currently larger, Krystal's ability to bundle diverse services, cross-sell effectively, and retain clients positions it well for future growth. With its focus on operational efficiency and customer satisfaction, Krystal has the potential not only to reach the level of its larger competitors but also to potentially outperform them.

Fastest Growing IFMS

Krystal has a diverse set of business offerings, and this diversification has not only given Krystal the ability to capitalize on revenue from all of these business segments, it has also enabled Krystal to grow faster than its peers. Krystal is the fastest-growing IFMS company with their revenue growing at a CAGR of 30% from ₹4,713 mn in FY21 to ₹10,268 mn in FY24. and their EBITDA has increased from ₹202 mn to ₹687 mn during the same period, achieving a noteworthy CAGR of 50%, well above their peers in the listed and unlisted space.

Exhibit 31: Comparison with Krystal peers shows that it is the fastest-growing company both in terms of Revenue and EBITDA

Particulars (in Rs Mn)	Revenue				CAGR FY21-24	EBITDA				CAGR FY21-24	EBITDA Margin			
	FY21	FY22	FY23	FY24		FY21	FY22	FY23	FY24		FY21	FY22	FY23	FY24
LISTED														
1. Krystal	4713	5527	7076	10268	30%	201.5	380.0	498.4	686.8	50%	4%	7%	7%	7%
2. SIS Ltd.	91273	100591	113458	122614	10%	5207.8	4958.0	4915.3	5179.3	0%	6%	5%	4%	4%
3. Qess Corp	108369	136918	171584	191001	21%	4607.8	6260.0	5887.8	6935.1	15%	4%	5%	3%	4%
4. UDS	12100	14836	20989	24444	26%	660.6	782.0	925.9	1342.2	27%	5%	5%	4%	5%
UNLISTED														
5. BVG	16677	20402	23149	N/A	18%	2249	2889	2966	N/A	15%	13%	14%	13%	N/A
6. Compass	3348	3711	4751	N/A	19%	219	116	224	N/A	1%	7%	3%	5%	N/A
7. ISS Facility services	8681	8734	12663	N/A	21%	-170	336	334	N/A	N/A	-2%	4%	3%	N/A
8. Impressions	2874	3052	3881	N/A	16%	204	136	160	N/A	-12%	7%	4%	4%	N/A
9. OCS Group	2774	2717	3525	N/A	13%	-211	40	135	N/A	N/A	-8%	1%	4%	N/A
10. Sodexo	16700	20088	N/A	N/A	N/A	69	636	N/A	N/A	N/A	0%	3%	N/A	N/A

Source: Company, MNCL Research, *FY24 data not available for unlisted peers

Segmental Comparison

- While each company has a different set of offerings that distinguishes them from each other, Krystal, due to its higher set of offerings is a competitor to many companies. Krystal is a smaller player in comparison to its listed peers, but it is able to outperform in terms of segmental revenue (IFMS and Security) with its segmental revenue (IFMS and Security) growing at a CAGR of 19%.

Exhibit 32: Segmental Comparison

Segmental Comparison	Revenue				CAGR FY21-24
	FY21	FY22	FY23	FY24	
IFMS+Security (Rs. Mn)					
1. Krystal	3960	4004	5197	6715	19%
2. SIS Ltd.	91273	100591	113458	122614	10%
3. Qess Corp	16883	21095	26216	28007	18%
4. UDS	11183	12028	15219	16743	14%

Source: Company, MNCL Research * To compare segmentally security and IFMS revenue has been clubbed because almost all the companies listed on the stock exchange have these segments present except UDS which does not have security segment thus in case of UDS only IFMS revenue is considered thus it gives a clearer picture if you compare those segments.

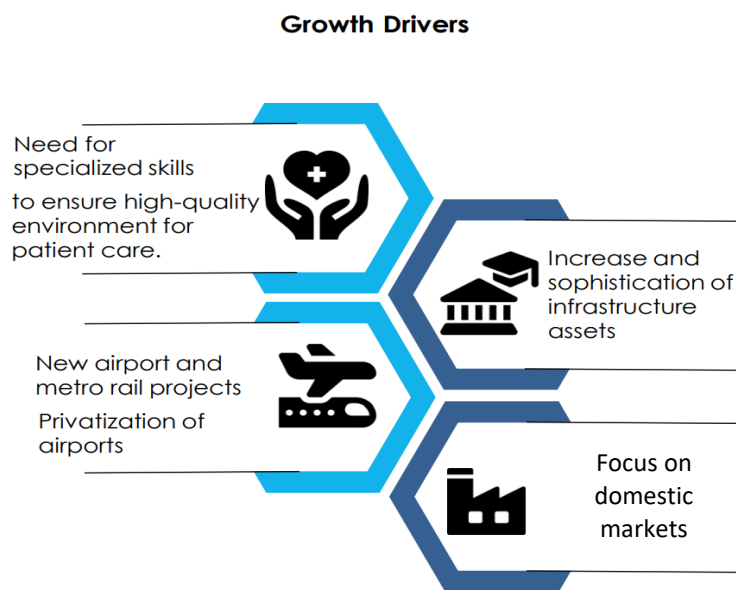
Future Growth Drivers and ability to adapt to emerging trends

Krystal began as a security services provider during a period of rapid infrastructure development, particularly in commercial areas like Bandra-Kurla Complex, where the demand for security was high. As these sites developed, the need for comprehensive services emerged, leading Krystal to expand into IFMS. Following this, Krystal further diversified into staffing and payroll solutions, and eventually, catering. This strategic ability to capitalize on emerging trends has allowed Krystal to offer a broad range of services, resulting in significant experience, growth opportunities, an expanding client base, and increased revenue.

With their ability to adapt to emerging trends, Krystal might start a few new segments that may be an early entry than its peers but may reap benefits later both in terms of gaining market share and clients and also revenue. Krystal is already in talks with several clients like a big multiplex company which can give them a contract for IFMS and security. Moreover, with Mumbai Metro Line 2 already been serviced by them, it is expected that metro line 3 will also be serviced by them. Apart from this, they are also looking to tie up with several robotics startups, s to adapt and involve emerging technologies to provide better services.

Krystal's growth is driven by several key factors including the expansion of India's real estate sector and the increasing complexity of commercial buildings, which boosts demand for professional maintenance services. The company's focus on health and safety, particularly in response to COVID-19, has led to greater reliance on outsourcing IFMS. Additionally, government initiatives like the Swachh Bharat Mission and the emphasis on tourism and hospitality through programs like Incredible India 2.0 are creating new opportunities. Krystal's expertise in managing large, multi-location government projects positions it well to capitalize on these favorable industry dynamics.

Exhibit 33: Future Growth Drivers



Source: Company, MNCL Research

About Krystal's Contracts and Client acquisition strategy

Krystal's contract structure and management focus are designed to optimize their revenue and risk management across different types of clients and sectors. Here's a breakdown:

1. **Credit Control and Risk Management:** Krystal's CCRM team is crucial to the company's financial stability, conducting thorough risk assessments for all client engagements. They rigorously evaluate potential clients, focusing on financial stability, payment history, and industry reputation, with heightened scrutiny for smaller retail accounts. Their proactive monitoring and advanced use of technology have resulted in a 24-year track record with no legal disputes, safeguarding Krystal's cash flows and financial health.
2. **Senior Team Oversight on Government Contracts:** For government contracts, Krystal's process involves downloading and evaluating tenders, calculating costs, and discussing vendor pricing. The tender is then reviewed by the senior team, including the CEO, CFO, commercial head, president of service delivery, and president of operations. Only after thorough evaluation and questioning by the senior team does the tender receive final approval.
3. **Sales Structure:**
 - Krystal's sales are segmented into **three layers** based on the monthly contract value:
 - **Retail Accounts:** Contracts with less than ₹1mn per month.
 - **Key Accounts:** Contracts ranging from ₹1mn to ₹5mn per month.
 - **Major Accounts:** Contracts with values above ₹5mn per month.
 - Each segment offers a different customer experience and is managed according to the contract size and complexity.
3. **Risk of Customer Default:**
 - The risk of customer default is minimal, particularly in the higher contract value segments (Key and Major Accounts). The CCRM team closely monitors the retail segment (less than ₹1mn), but even here, defaults are rare. In the case of government contracts also there are low chances of default.
4. **Management Fees:**
 - Krystal focuses on management fees as a key revenue driver.
 - IFMS, where services are bundled, the management fee ranges from 3% to 12% of the contract value.
 - All their contracts are structured with management fees being a central component, especially in corporate contracts, where the fee is a percentage of the contract value.
5. **Staffing and Payroll:**
 - Contracts in staffing and payroll are also based on a percentage of the billing which ranges from 10-12%, so as billing increases, Krystal's margins increase proportionally.
6. **Government Contracts:**
 - For government contracts, a percentage-based fee is charged which is 3-6%, plus additional costs for machinery, materials, etc.
 - Government contracts typically have a longer duration (3+1 years), offering better margins and revenue stability. The renewal process occurs in the 4th year, and Krystal values these contracts for their stability and profitability. **For corporate contracts, the typical tenure is 2-3 years.**
7. **Competitive Advantage:**
 - Krystal's prequalification in government tenders and expertise in managing complex contracts give them a competitive edge. Government contracts require significant knowledge and expertise, which Krystal has, making it difficult for new entrants to compete effectively in this space.

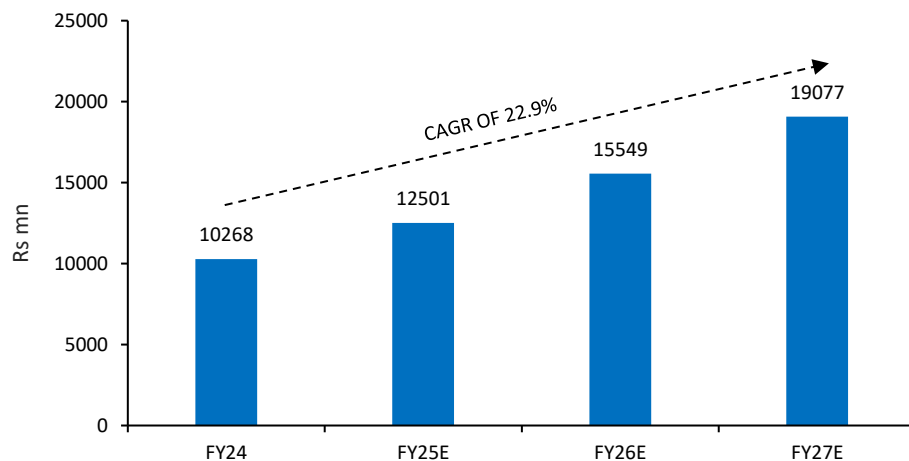
Robust financial Growth: Financial analysis

Krystal is poised for significant growth between FY24 and FY27E, with revenues expected to nearly double and profitability improving substantially. This growth is driven by a strong client base, new orders, and a strategic focus on operational efficiency.

Revenue to grow due to expanding client base and new contracts

Between FY24 and FY27E, we estimate Krystal's consolidated revenues to nearly double. This robust growth will be driven by an expanding client base, a pipeline of new orders, and an increasing share of government contracts. On a consolidated basis, this translates to an impressive **CAGR of 22.93%** over the period, underscoring Krystal's strong market position and growth potential.

Exhibit 34: Robust revenue growth estimated (Rs mn)

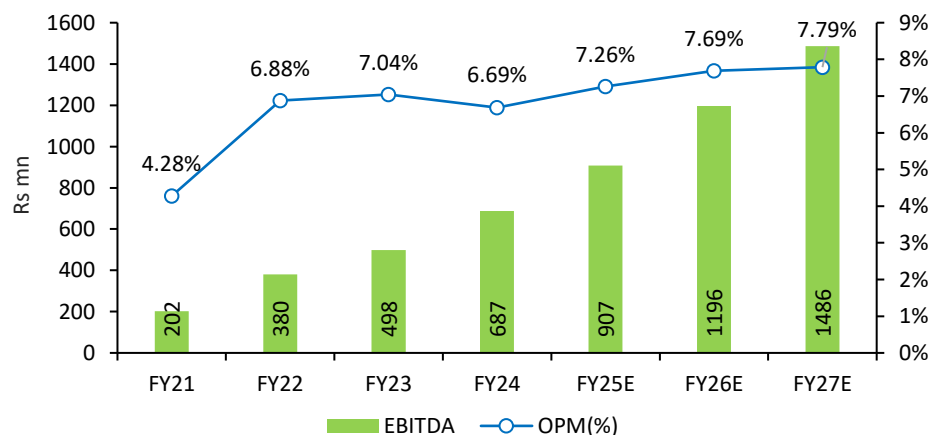


Source: MNCL Research Estimates, Company

EBITDA and OPM to grow due to higher revenue and lower costs

Between FY24 and FY27E, we estimate Krystal's EBITDA growth to outpace revenue growth due to scale benefits, with a projected CAGR of 29.33%. This will expand the OPM by approximately 110 basis points, from 6.7% to 7.8%. This growth is driven by management's focus on securing high-quality business and leveraging their excellent in-house team for training, service delivery, and recruitment, which enhances efficiency and boosts margins and revenues.

Exhibit 35: EBITDA AND OPM expected to grow

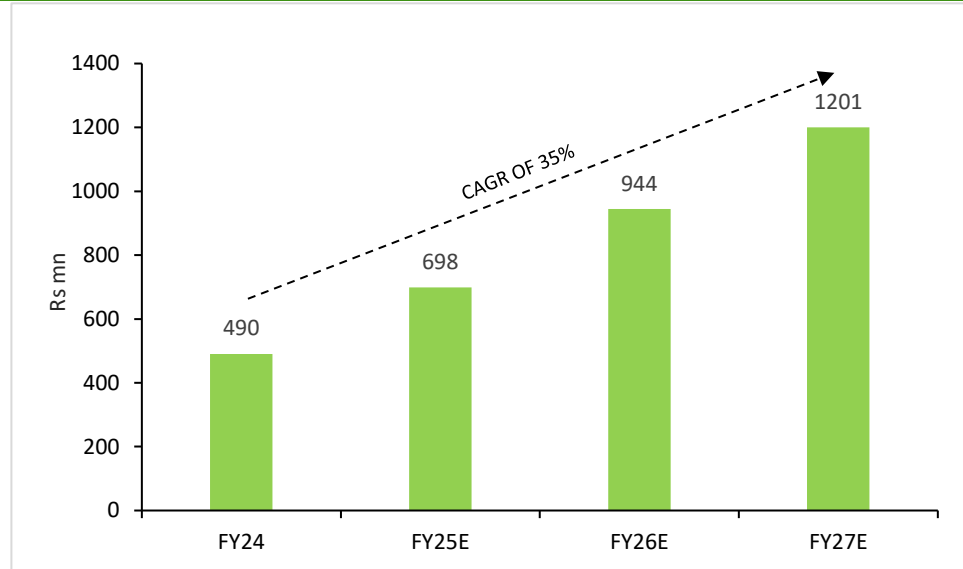


Source: MNCL Research Estimates

Profit after tax

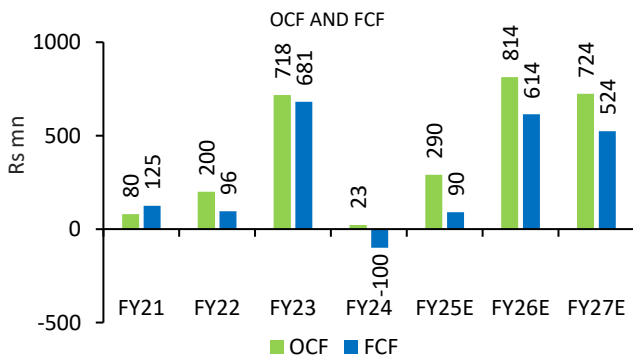
Krystal's bottom line has improved steadily over the years, and **we expect it to further improve and grow at a CAGR of 34.8% over FY24-27E, delivering a PAT of Rs.1201mn in FY27E from Rs.490mn in FY24, primarily driven by a significant improvement in EBITDA margins.**

Exhibit 36: Adj. Pat*(Rs mn)



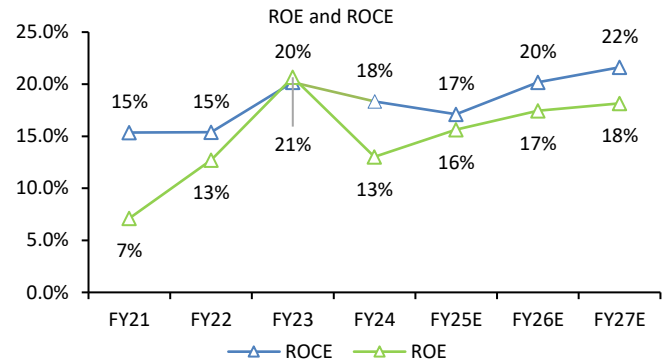
Source: Company, MNCL Research Estimates, *Adjusted for share of profits from discontinued operations

Exhibit 37: Cash Flow



Source: Company, MNCL Research Estimates

Exhibit 38: Return Profile improving



Source: Company, MNCL Research Estimates

Return ratios to remain healthy

- Historically, the return ratios of Krystal Integrated Service have remained robust, with ROE and ROCE showing a general trend of improvement. In FY23, both metrics peaked with ROE at 21% and ROCE at 20%, reflecting strong profitability.
- Looking ahead, we expect return ratios to strengthen further. By FY27E, ROE is projected to reach 18% and ROCE to 22%. This anticipated improvement is due to margin enhancements, the completion of the capex program, and revenue contributions from new services.

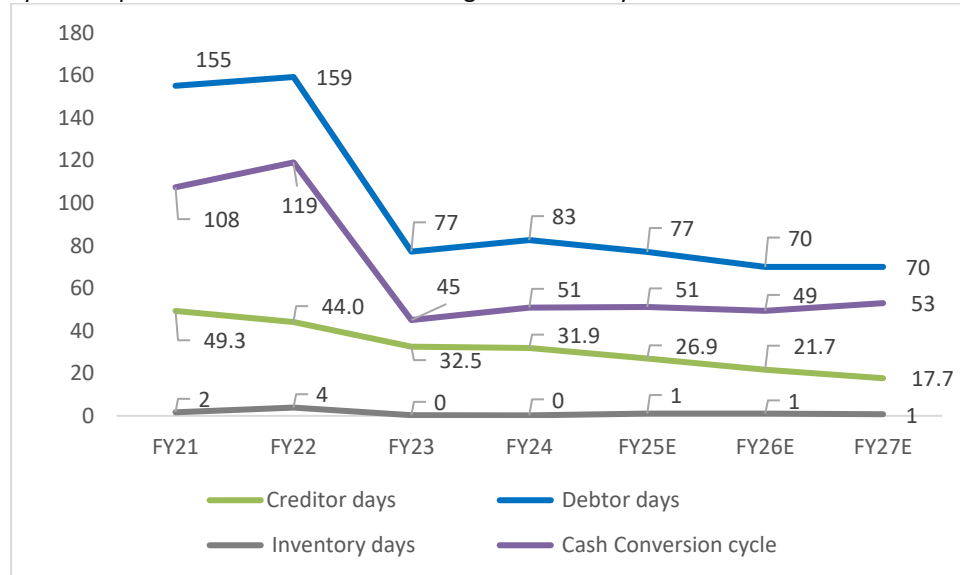
Exhibit 39: DuPont Analysis

Particulars	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit-to-sales	2.1%	3.8%	5.4%	4.8%	5.6%	6.1%	6.3%
Sales-to-assets	1.39	1.37	2.06	1.59	1.86	2.05	2.20
Assets-to-equity	2.5	2.5	2.1	1.7	1.5	1.4	1.3
ROE	7%	13%	24%	13%	16%	17%	18%

Source: MNCL Research Estimates.

Cash Cycle to remain in the range of 41-53 days

- The major clients of Krystal are government clients and even though company has an agreement with the government to receive the dues within 60-90 days, the cash cycle was affected due to covid because of delayed payments by government and due to delayed payments by government there was a delay in payment to suppliers. However this was a one time situation due to covid and going forward the cash cycle is expected to remain within the range of 41-53 days



Source: MNCL Research Estimates.

Optionality Driver: How Krystal can replicate Urban Company’s success in the B2C market

While Krystal has not yet ventured into the B2C market, there is always an option for it to venture into a B2C market and do something different from its competitors. Given Krystal’s 24-year-old legacy and goodwill, it would be easily trusted over the other new entrants and they could leverage this to grow in this untapped market. A comparison between Krystal and Urban Company shows the following:-

1. Business Model and Market Focus:

- **Krystal is a leading B2B provider of integrated service solutions**, catering to sectors such as healthcare, education, public administration, airports, railways, metro infrastructure, retail, and waste management. **Its diversified offerings across Integrated Facilities Management, Security Services, Staffing and Payroll Management, and Catering Services allow it to capitalize on multiple revenue streams and reduce dependency on any single sector.**
- **Urban Company, on the other hand, operates in the B2C space, providing on-demand home services like cleaning, plumbing, electrical work, beauty services, and more, directly to consumers.** Urban Company focuses on offering convenience and quality to individual customers through a tech-driven platform that matches service providers with consumer needs.

2. Diversification vs. Specialization:

- **Krystal has a broad and diversified portfolio, which insulates it from risks associated with any single industry. This diversification strategy has enabled Krystal to grow steadily, unlike some of its competitors who are dependent on limited segments.**
- Urban Company specializes in the B2C segment, offering a wide range of home services but limited to the consumer market. **This specialization has allowed Urban Company to scale rapidly by focusing on the growing demand for home services in urban areas.**

3. Potential Benefits of Krystal Entering the B2C Market:

Expansion of Market Reach: Foraying into the B2C space, like Urban Company, would allow Krystal to tap into the growing demand for personalized home and lifestyle services. This could open a new revenue stream and reduce reliance on traditional B2B contracts.

Leveraging Existing Expertise: Krystal’s expertise in managing large-scale, multi-location engagements could be leveraged to deliver high-quality, reliable services in the B2C market, providing a competitive edge over existing players.

Brand Visibility and Customer Engagement: Moving into B2C would increase Krystal’s brand visibility among individual consumers, enhancing customer engagement and brand loyalty. This could also provide opportunities for cross-selling and upselling of their services.

By diversifying into the B2C segment, Krystal could significantly broaden its market presence, reduce its reliance on B2B contracts, and capitalize on the growing consumer demand for home services, much like UrbanClap has successfully done.

Exhibit 40: Urban Company’s profile

Particulars (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	CAGR
Domestic Sales from trading	265	624	503	917	1404	1767	46%
<i>as a % of Total domestic sales</i>	25%	29%	20%	21%	22%	21%	
Domestic Sales from Services	812	1552	1963	3450	4953	6493	52%
<i>as a % of Total domestic sales</i>	75%	71%	80%	79%	78%	79%	
Total Domestic Sales	1077	2176	2466	4367	6357	8260	50%

Source: MNCL Research

Historically, Urban Company has grown at a CAGR of 50% to Rs.8260mn from FY19-24 out of which sales of services consist of 79% of its revenue which has grown at 52% CAGR to Rs.6493mn, thus highlighting the potential growth that Krystal could see should it ventures into a B2C route.

Valuation and view: Huge scope for Re-rating

TP at Rs.1230 representing an upside of 62%

Krystal is one of the leading companies in the facilities management industry, driven by its comprehensive service offerings and strong client relationships. The company has experienced significant growth due to favorable market dynamics and increased demand for integrated facility management solutions, especially in the wake of the COVID-19 pandemic. Krystal aims to further expand its operations by investing in technology and enhancing its service portfolio. The company is constantly looking to integrate new technological solutions to improve its offerings in facility management, security services, housekeeping, and maintenance, with the goal of increasing its market share in these areas.

We expect a revenue CAGR of 23% over FY24-FY27E, driven by increasing customers, increasing contracts from government as well as an increase in renewals from customers. EBITDA margins are likely to expand by 110 basis points to 7.8% over the same period, driven by better operational efficiency.

We expect the company to post an EBITDA CAGR of 29% and a PAT CAGR of 35% over FY24-FY27E. At the CMP, the stock is trading at 11.2x FY26E and 8.8x FY27E. We value the stock at 16x Q2FY27E EPS of Rs76.8 and arrive at a target price of Rs1230 an upside of 62%.

Exhibit 41: Krystal outperforms most peers in revenue and EBITDA but has a lower valuation

Particulars (in Rs mn)	P/E			EV/EBITDA			ROE			Revenue CAGR	EBITDA CAGR
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	(FY24-27E)	(FY24-27E)
1. Krystal	17	12	10	10	7	6	14%	16%	17%	22%	29%
2. SIS Ltd.	17	14	13	11	11	11	14%	14%	14%	8%	7%
3. Qess Corp	30	23	20	15	12	10	14%	16%	18%	14%	20%
4. UDS	19	15	10	12	10	8	12%	15%	18%	16%	30%
5. TeamLease	38	27	21	32	23	18	16%	19%	20%	19%	29%

Source: Bloomberg, MNCL Research Estimates.

Exhibit 42: Variety of services offered by Krystal and its peers

LISTED	Soft services	Hard services	City maintenance services	Production support services	Catering services	Warehouse management services	Event Management Services	Airport Management services	Hospital Management Services	Staffing Services	Security and Manned Guarding Sector
1. Krystal	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
2. SIS Ltd.	✓	✓		✓			✓	✓		✓	✓
3. Qess Corp	✓	✓		✓	✓	✓	✓	✓	✓	✓	
4. UDS	✓	✓		✓		✓	✓	*		✓	

Source: MNCL Research. * UDS is into Airport Handling services which differs from Airport Management Services

High Medium Low

Krystal stands out among its peers due to its remarkable revenue growth, increasing customers and retention of existing customers, a broader range of services, increasing government contracts and ability to adapt to market trends. With a revenue CAGR of 22.93% from FY24 to 24, Krystal outpaces major players like SIS, Qess Corp and UDS. Krystal's operating margins have reached 6.7% in 2024 which is higher than its listed peers. Krystal's robust financials bundled with increasing ROE and ROCE underscore its operational effectiveness and financial stability. Additionally, with new Government projects like metros, Vande Bharats, bullet trains etc. place them in a position where they are poised to grow and benefit from the tailwinds.

Purpose of IPO and Utilization of proceeds

Krystal Integrated services Ltd. got listed on 21st March, 2024 and it raised ₹ 3001.25 mn in which ₹1251.25 mn was raised by offer for sales by the promoter group entity called Krystal Family Holdings Private Ltd. and rest was a fresh issue of ₹ 1750 mn. The IPO issue price band was set at ₹680 to ₹715 per share. The minimum lot size for an application is 20 Shares. The shares got listed at a 795 which is a 11.2% premium over the Issue price of ₹715 having a valuation of 22.7x FY24 earnings. The proceeds were utilized for following purposes:-

- The company utilized ₹100 mn from the IPO proceeds to partially repay its outstanding loan of ₹118.75 mn, originally sanctioned for business purposes and expansion.
- The company plans to use ₹1000 mn from IPO proceeds (₹150 mn in FY24 and ₹850 mn in FY25) to fund its working capital needs for future business requirements.
- The company plans to utilize ₹100 mn from IPO proceeds to purchase new machinery aimed at improving quality, efficiency, and competitive advantage in the market.
- The company plans to use ₹433.69 mn from the IPO proceeds for general corporate purposes, including growth opportunities, marketing, brand building, IT infrastructure, interest payments, and other business-related expenses, with flexibility in fund allocation as approved by the Board.

Exhibit 43: Shareholding Pattern – Pre and Post IPO

Particulars	Pre-Issue	Post-Issue
Promoter and Promoter Group	99.99%	69.96%
Public	NM	30.04%
Total	100.0%	100.0%

Source: MNCL Research

The company is a professionally managed company with a CEO which is not related to the promoters. The table below captures the shareholding pattern as on 31st March and 31st June, 2024.

Exhibit 44: Shareholding Pattern as on 31st March and 30th June 2024

Particulars	June-24	Mar-24
Promoter and Promoter Group	69.96%	69.96%
FII's	2.98%	7.95%
DII's	5.66%	5.81%
Public	21.38%	16.28%
Total	100.0%	100.0%

Source: MNCL Research

The table below shows how the proceeds from the IPO have been used so far and how much amount is still unutilized. The remaining net IPO proceeds which were unutilized as of June 30, 2024 were temporarily invested in fixed deposits with banks.

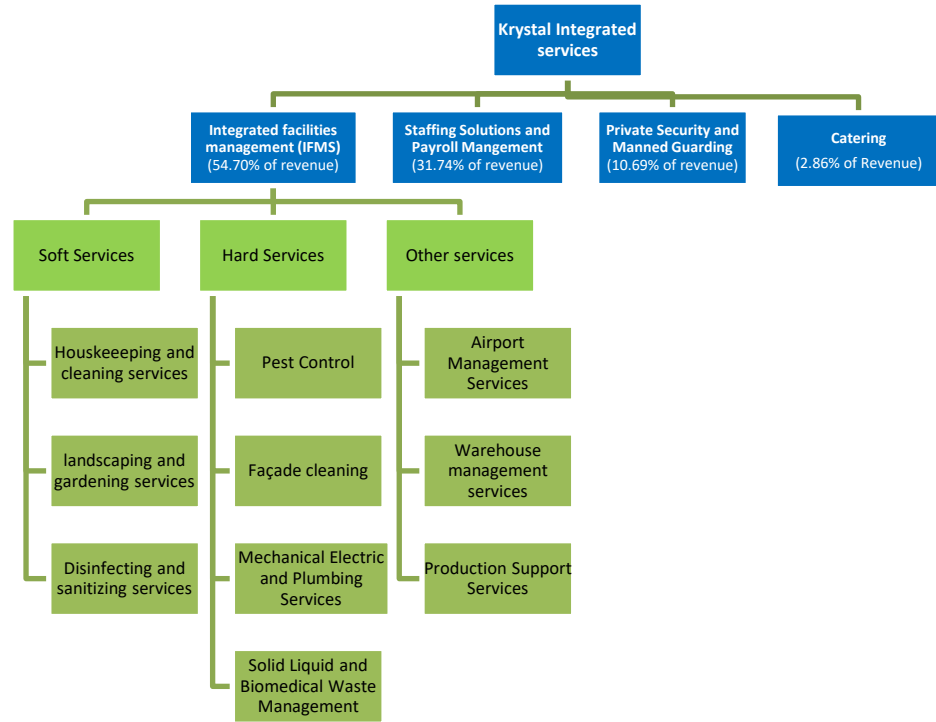
Exhibit 45: IPO cash utilization as on 30th June 2024.

Objects of the issue	Amount As proposed in the Offer Document (Rs. In Million)	Utilization as at the beginning of the Quarter (Rs. In Million)	Utilization during the Quarter (Rs. In Million)	Utilization as at the End of the Quarter (Rs. In Million)	Total Unutilized up to June 30, 2024 (Rs. In Million)
Repayment and/ or prepayment of certain borrowings availed by the Company	100	100	0	100	0
Funding working capital requirements	1000	200	534	734	266
Funding capital expenditure for purchase of new machinery	100	0	0	0	100
General corporate purposes	434	0	0	0	434
Total	1,634	300	534	834	800

Source: MNCL Research

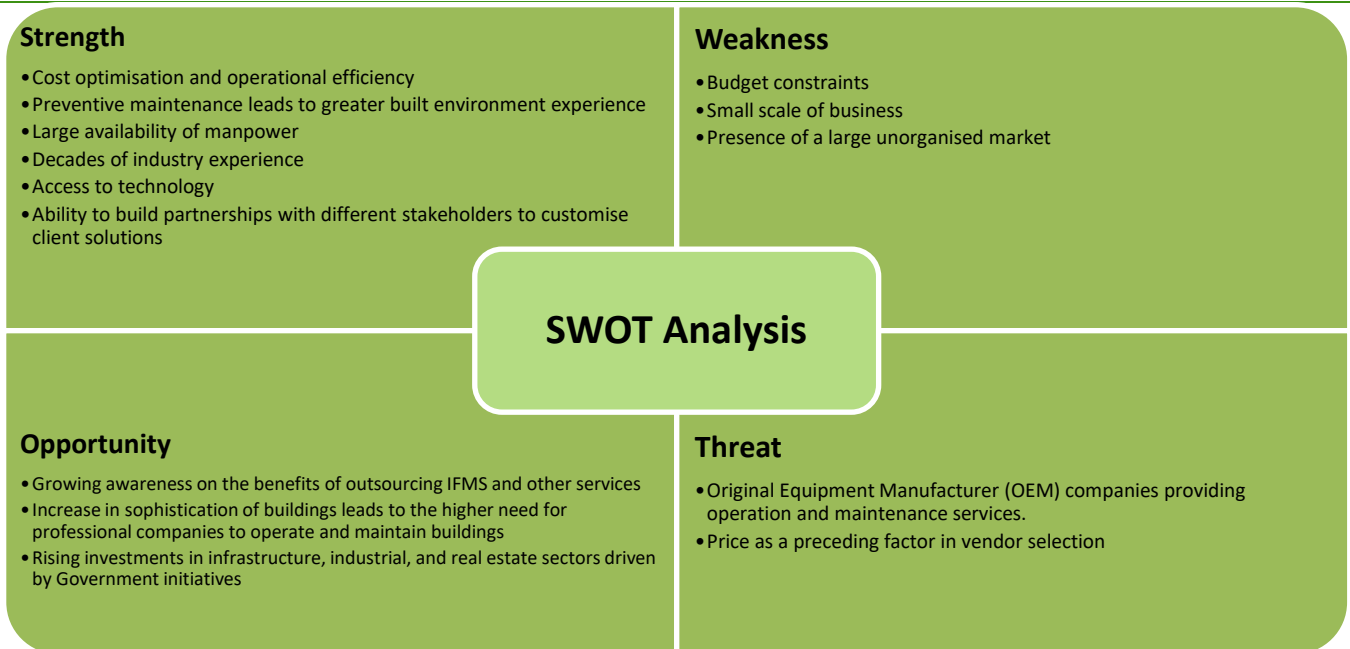
About The Company

Krystal Integrated services Ltd. has been operating for 24 years and is present across 17 states and 2 union territories. The company has a diverse portfolio of services which include Integrated Facilities management services (IFMS), Private security and manned Guarding, staffing and payroll solutions and Catering.



Source: MNCL Research

Exhibit 46: SWOT Analysis



Source: Company, MNCL Research

Key risks to our thesis

1. **Operational Risks:** Failure to maintain high-quality and consistent services across sectors and regions, impacting client satisfaction and contracts.
2. **Technological Risks:** Inadequate investment in new technologies, cybersecurity breaches, and system failures, impacting efficiency and competitiveness.
3. **Client-Specific Risks:** Over-reliance on a few major clients, dependence on specific sectors, and potential loss of significant contracts.
4. **Legal and Compliance Risks:** Legal disputes with clients, employees, or suppliers, and non-compliance with local and international laws and regulations.

Financials (Consolidated)

Quarterly Statement

Y/E March (Rs mn)	3QFY23	4QFY23	1QFY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Particulars							
Net sales	1,912	1,922	2,171	2,345	2,831	2,922	2,572
Cost of Raw materials consumed	88	97	234	260	548	582	209
Staff cost	1,589	1,601	1,758	1,861	2,028	2,032	2,091
Other operational expenses	87	130	36	59	66	119	109
Operating Profit (EBITDA)	148	95	143	166	189	188	163
Depreciation	11	16	17	18	17	19	18
EBIT	137	79	126	148	172	169	144
Interest	22	26	28	32	30	30	28
Other Revenue/Income	3	21	11	30	15	24	48
Profit Before Tax	118	74	109	146	157	164	165
Tax	23	(19)	22	28	29	6	13
Profit After Tax	94	92	87	118	127	157	152
Growth (%)							
Revenue	N/A	N/A	N/A	N/A	48.1%	52.0%	18.5%
EBITDA	N/A	N/A	N/A	N/A	28.2%	97.7%	13.3%
PAT	N/A	N/A	N/A	N/A	34.8%	70.3%	74.6%
Margin (%)							
EBITDA	7.7%	4.9%	6.6%	7.1%	6.7%	6.4%	6.3%
EBIT	7.2%	4.1%	5.8%	6.3%	6.1%	5.8%	5.6%
PAT	4.9%	4.8%	4.0%	5.1%	4.5%	5.4%	5.9%

Source: MNCL Research

Income Statement

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	4,713	5,527	7,076	10,268	12,501	15,549	19,077
Materials cost	202	242	323	1,623	1,069	1,244	1,526
<i>% of revenues</i>	4%	4%	5%	16%	9%	8%	8%
Employee cost	3,999	4,713	5,919	7,679	9,976	12,440	15,261
<i>% of revenues</i>	85%	85%	84%	75%	80%	80%	80%
Others	311	191	336	280	549	670	804
<i>% of revenues</i>	7%	3%	5%	3%	4%	4%	4%
EBITDA	201.5	380.0	498.4	686.8	907.4	1,196.3	1,485.6
EBITDA margin (%)	4.28%	6.88%	7.04%	6.69%	7.26%	7.69%	7.79%
Depreciation & Amortization	46.9	43.0	46.6	71.5	78.3	90.3	102.3
EBIT	155	337	452	615	829	1,106	1,383
Interest expenses	90.6	87.8	94.9	119.8	79.9	60.4	40.9
PBT	64	249	357	496	749	1,046	1,342
Other income	30.2	21.8	33.3	80.0	92.0	105.8	121.7
Exceptional items	-	-	-	-	-	-	-
PBT	94	271	390	576	841	1,151	1,464
Taxes	(3)	63	52	85	143	207	264
<i>Effective tax rate (%)</i>	-3%	23%	13%	15%	17%	18%	18%
Reported PAT	97	208	338	490	698	944	1,201
Adjusted PAT	97	208	384	490	698	944	1,201

Source: MNCL Research

Balance Sheet

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS							
Equity Share Capital	58	58	58	140	140	140	140
Reserves & surplus	1,303	1,581	1,577	3,623	4,321	5,265	6,466
Shareholders' fund	1,361	1,639	1,634	3,762	4,461	5,405	6,605
Minority Interest	-	-	-	-	-	-	-
Total Debt	653	726	480	833	614	464	314
lease liability	29	14	25	44	44	44	44
Long term Provisions	2	2	3	5	5	5	5
Trade Payables	379	515	158	562	590	620	651
Other Financial Liabilities	568	598	555	813	813	813	813
Other current liabilities	294	437	450	324	324	324	324
Short-term provisions	99	113	129	127	127	127	127
Total Liabilities	3,385	4,044	3,435	6,470	6,978	7,802	8,884
Gross Block	304	326	1048	1104	1304	1504	1704
Less: Acc. Depreciation	206	231	266	315	393	484	586
Net Block	98	95	782	789	911	1020	1118
Capital WIP	600	600	0	0	0	0	0
Right to use asset	30	14	23	40	40	40	40
Intangible assets	1	1	1	1	1	1	1
Investments	15	19	29	31	31	31	31
Other Financial assets	59	219	400	173	173	173	173
Deferred Tax assets	80	56	75	44	44	44	44
Income Tax Assets	52	71	70	128	128	128	128
Other non-current assets	0	81	0	293	293	293	293
Inventories	22	59	6	6	34	43	37
Sundry debtors	2,002	2,412	1,496	2,324	2,637	2,982	3,659
Cash	15	5	94	885	930	1291	1604
Bank	218	229	98	915	915	915	915
Loans & Advances	17	18	252	727	727	727	727
Income Tax Assets	36	64	16	6	6	6	6
Other Financial assets	53	24	41	49	49	49	49
other current assets	85	78	53	61	61	61	61
Total Current Assets	2,448	2,888	2,055	4,973	5,360	6,074	7,057
Total Assets	3,385	4,044	3,435	6,470	6,978	7,802	8,884

Source: MNCL Research

Cash Flow

Y/E March (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Operating profit bef working capital changes	429	461	547	689	999	1302	1607
Trade and other receivables	-296	-416	369	-785	-314	-345	-676
Inventories	-1	-36	-12	0	-28	-8	6
Trade payables	-36	315	-122	547	28	30	31
Changes in working capital	59	-33	-45	-330	0	0	0
Direct taxes	-76	-90	-19	-99	-143	-207	-264
Cash flow from operations	80	200	718	23	543	771	704
Net Capex	45	-104	-36	-123	-200	-200	-200
Others	131	-75	-284	-1023	0	0	0
Cash flow from investments	176	-179	-320	-1146	-200	-200	-200
FCF	125	96	681	-100	343	571	504
Issue of share capital	0	0	0	-202	0	0	0
Cash flow from financing	-268	-31	-309	1915	-298	-210	-191
Net change in cash	-12	-10	89	792	45	361	313

Source: MNCL Research

Key Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratio (%)							
Revenue	N/A	17.3%	28.0%	45.1%	21.7%	24.4%	22.7%
EBITDA	N/A	88.6%	31.2%	37.8%	32.1%	31.8%	24.2%
Adjusted PAT	N/A	115.2%	62.1%	45.2%	42.5%	35.2%	27.2%
Margin Ratios (%)							
EBITDA	4.3%	6.9%	7.0%	6.7%	7.3%	7.7%	7.8%
PBT from operations	2.0%	4.9%	5.5%	5.6%	6.7%	7.4%	7.7%
Adjusted PAT	2.1%	3.8%	5.4%	4.8%	5.6%	6.1%	6.3%
Return Ratios (%)							
ROE	7.1%	12.7%	20.7%	13.0%	15.7%	17.5%	18.2%
ROCE	15.4%	15.4%	20.2%	18.3%	17.1%	20.2%	21.6%
Turnover Ratios (days)							
Gross block turnover ratio (x)	15.5	17.0	6.8	9.3	9.6	10.3	11.2
Debtors	155	159	77	83	77	70	70
Inventory	2	4	0	0	1	1	1
Creditors*	49	44	32	32	27	22	18
Cash conversion cycle	108	119	45	51	51	49	53
Solvency Ratio (x)							
Net debt-equity	0.5	0.4	0.4	0.2	0.1	0.1	0.0
Interest coverage ratio	2.0	4.1	5.1	5.8	11.5	20.1	36.8
Current Ratio	1.4	1.4	1.3	1.9	2.2	2.6	3.1
Per share Ratios (Rs)							
Adjusted EPS	16.8	36.2	58.6	35.1	50.0	67.6	85.9
BVPS	236.2	284.4	283.6	269.3	319.3	386.8	472.8
CEPS	24.9	43.6	66.7	40.2	55.6	74.0	93.2
Valuation (x)*							
P/E (adjusted)	42.4	19.7	12.2	21.6	15.2	11.2	8.8
P/BV	3.0	2.5	2.5	2.8	2.4	2.0	1.6
EV/EBITDA	22.5	12.1	8.8	14.0	10.3	7.4	5.6

Source: MNCL Research, *for creditor days the formula used is trade payable/(revenue+ employee benefit expense)

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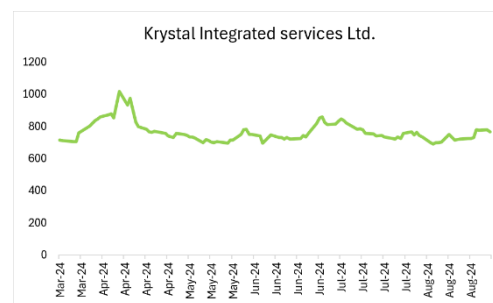
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