

June 12, 2017

## Krystal Integrated Services Private Limited

### Summary of Rated Instruments

Instrument*	Rated Amount (in crore)	Rating Action
Fund- based – Cash Credit	31.60	[ICRA]BBB(Stable); Upgraded from [ICRA]BBB-(Stable)
Fund-based – Term Loans	2.96	[ICRA]BBB(Stable); Upgraded from [ICRA]BBB-(Stable)
Non fund-based	41.00	[ICRA]A3+; Upgraded from [ICRA]A3
Fund-based – Working Capital Demand Loan (Sublimit of Cash Credit)	25.00	[ICRA]A3+; Upgraded from [ICRA]A3
Unallocated	4.44	[ICRA]BBB(Stable) / [ICRA]A3+; Upgraded from [ICRA]BBB-(Stable) / [ICRA]A3
<b>Total</b>	<b>80.00</b>	

\*Instrument Details are provided in Annexure-1

### Rating Action

ICRA has upgraded the long term rating to the Rs 2.96 crore term loans and Rs 31.60 crore cash credit limits of Krystal Integrated Services Private Limited (KISPL or the company) to [ICRA]BBB (pronounced ICRA triple B) from [ICRA]BBB- (pronounced ICRA triple B minus)<sup>1</sup>. ICRA has also upgraded the short term rating to the Rs 41.00<sup>2</sup> crore non fund based limits and Rs 25.00 crore working capital demand loans (sublimit of cash credit) limits of KISPL to [ICRA]A3+ (pronounced ICRA A three plus) from [ICRA]A3 (pronounced ICRA A three). ICRA has also upgraded the long term rating to [ICRA]BBB (pronounced ICRA triple B) from [ICRA]BBB- (pronounced ICRA triple B minus) and the short term rating to [ICRA]A3+ (pronounced ICRA A three plus) from [ICRA]A3 (pronounced ICRA A three) to the Rs 4.44 crore unallocated bank limits of KISPL. The outlook on long term rating is Stable.

### Rationale

The revision in ratings takes into account the notable improvement in the receivable position of the company on account of better focus on collection strategies; substantial reduction in statutory liabilities as of March 31, 2017 given the release of stuck receivables; and better cash accruals on the back of healthy revenue growth and profit levels. The financial profile continues to remain healthy as reflected by comfortable capital structure and sound debt coverage indicators. The ratings continue to draw comfort from the extensive experience of promoters and established track record of the company in the integrated facility management services segment; and its pan India presence with reputed and established clientele base spread across the public and private sectors.

<sup>1</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

<sup>2</sup> 100 lakh = 1 crore = 10 million

The ratings, however, continue to remain constrained by the high competitive intensity in the facilities management industry which keeps the margins under pressure; sizeable client concentration risk with top five clients accounting for more than 50% of revenues; and exposure to any changes in regulations & procedural delays associated with the nature of business. The ratings also remain constrained by the company's skewed working capital cycle due to elongated receivables which can be sticky during certain times, thereby impacting the liquidity position.

Going forward, the ability of the company to keep its receivable position in check along with manageable level of statutory liabilities, and maintain sound execution levels of contracts so as to grow overall in terms of revenue as well as profitability, will remain key from the credit perspective.

### **Key rating drivers**

#### **Credit Strengths**

- Long standing experience of the promoters and established track record of the company in integrated facilities management business; in-house capability of providing a wide range of services
- Reputed client base with established relationship and repeat business from several clients
- Financial profile characterised by healthy revenue growth, comfortable capital structure and satisfactory debt coverage indicators maintained over the last five fiscals
- Sizeable reduction in statutory liabilities as on March 31,2017 on the back of improved receivable position

#### **Credit Weakness**

- High working capital requirements arising out of elongated receivable cycle
- Ability to keep statutory liabilities under manageable levels
- Exposure to client concentration risk as reflected by over 50% contribution to total sales by top five clients
- High competitive intensity on account of fragmented nature of the facilities management industry with presence of numerous unorganized players which restricts pricing flexibility and pressurizes profit margins
- Risks associated with changes in regulatory policies and the procedural delays associated with the nature of business

### **Description of key rating drivers:**

KISPL is an integrated facility management services company and derives its revenues from four services namely security agency, Business Process Outsourcing (BPO), manpower recruitment and housekeeping. Housekeeping and security agency services are the key revenue generating segments, consistently accounting for approximately 90% total sales of the company in the past few years. The operating income of KISPL has grown at a healthy compounded annual growth rate (CAGR) of 27% during the period FY2010 to FY2016 on the back of diverse range of services and gradual increase in company's nationwide reach which enabled it to secure new clients and several repeat orders from existing clients. KISPL has a wide customer base comprising several reputed private corporate, multinational companies etc. as well as government departments of various states. Although the company's clientele base is quite large, its revenues have remained moderately diversified as reflected by ~60% and 57% contribution of top five customers to the total sales in FY 2016 and 6MFY2017 respectively, with the single largest contribution to total sales being 24% in FY2016 and 20% in 6MFY2017 by the Social Welfare Department of Maharashtra. Around 60% of its revenues are derived from government clients while rest 40% is through private entities. KISPL operates in an intensely competitive and fragmented facilities



management industry dominated by a few organized and numerous unorganized players, which restricts the pricing flexibility and keeps profit margins under pressure. The long receivable turnaround time, especially in case of government contracts, and short payable period, keeps the working cycle at an elongated level. The same has a bearing on its liquidity position, consequently resulting in high proportion of outstanding current liabilities (statutory dues and employee related payables) during the year and high utilization of working capital limits.

**Analytical approach:**

For arriving at the ratings, ICRA has applied its rating methodology as indicated below.

**Links to applicable Criteria:**

[Corporate Credit Rating Methodology](#)

**About the Company:**

Krystal Integrated Services Private Limited (KISPL or the company) was originally established in the year 2000 as a security service provider under the name Krystal Trade Com Private Limited by Mr. Prasad Lad and Mrs. Neeta Lad. It started providing housekeeping services from 2005 onwards and has transformed itself into an 'Integrated Facilities Management Services Company' over the years by providing all services under one roof. KISPL is based out of Mumbai and has a pan India presence with offices in all major cities in the country. Currently, it employs a non unionized workforce of over 15,000 trained operating personnel who are deployed at clients' sites and also has roughly 225 back office employees located in different offices across the country who handle the support operations. KISPL is a part of Mumbai based Krystal Group of Companies. The group employs over 18,000 employees across three companies – Krystal Aviation Services Private Limited (KASPL), Krystal Gourmet Private Limited (KGPL) and KISPL. KASPL provides ground handling services to top Indian airline companies across various domestic airports while KGPL is in the business of providing corporate catering services.

During FY 2016, KISPL reported an operating income of Rs. 267.54 crore and profit after tax of Rs. 11.18 crore as against an operating income of Rs. 245.86 crore and profit after tax of Rs. 9.25 crore during FY 2015. Further, as per unaudited provisional financials for FY2017, KISPL reported an operating income of Rs 281.72 crore and profit after tax of Rs 12.27 crore.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:**
**Table:**

S. No	Name of Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years	
		Type	Amount Rated (Rs crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2015
				June 2017	May 2016	December 2014
1	Term Loans	Long Term	2.96	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
2	Cash Credit	Long Term	31.60	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
3	Working Capital Demand Loan (Sublimit of Cash Credit)	Short Term	(25.00)	[ICRA]A3+	[ICRA]A3	[ICRA]A3
4	Bank Guarantee	Short Term	41.00	[ICRA]A3+	[ICRA]A3	[ICRA]A3
5	Unallocated	Long Term /Short Term	4.44	[ICRA]BBB (Stable) / [ICRA]A3+	[ICRA]BBB- (Stable) / [ICRA]A3	[ICRA]BBB- (Stable) / [ICRA]A3

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Instrument Details**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs crore)</b>	<b>Current Rating and Outlook</b>
Term Loans	-	-	*	2.96	[ICRA]BBB (Stable)
Cash Credit	-	-	-	31.60	[ICRA]BBB (Stable)
Working Capital Demand Loan (Sublimit of Cash Credit)	-	-	-	(25.00)	[ICRA]A3+
Bank Guarantee	-	-	-	41.00	[ICRA]A3+
Unallocated	-	-	-	4.44	[ICRA]BBB (Stable) /[ICRA]A3+

\* not yet availed

Source: Krystal Integrated Services Private Limited

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### About ICRA Limited:

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