Krystal Integrated Services Limited
Q4 & FY24 Conference Call
May 28, 2024

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY24 Conference Call of Krystal Integrated Services Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. The statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on the touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjay Dighe - Chief Executive Officer and Whole-Time Director of Krystal Integrated Services Limited for opening remarks.

Thank you and over to you, sir.

Sanjay Dighe: Thank you so much. Good afternoon everyone. I am very happy to do this call, which is our first call post our full year results of 31st March 2024. So I would like to begin by expressing my gratitude to all for taking the time out to join us today. And we on the call also have with us Mr. Barun Dey – who is our Chief Financial Officer and the team of Adfactors who are our Investor Relations team. It gives me immense pleasure to address you all today for the first time after having become public listed company as we stand on the cusp of a spectacular growth journey. Since this is our maiden earnings conference call, I would like to share a brief overview of our company and some recent developments too before we get into the business and financial performance.

So just to give you a background, I am sure there are people who have read the documents, but I take this opportunity. Our journey began in the year 2000. In 2000, predominantly we started our services with a single security services as our single product offering in the Mumbai market. If you all remember, this is the time when real estate was up coming here and security services were on demand and the promoter started this. We started off services to real estate sites and so on and so forth. And then, we just kept on progressing. Then the airports came up, the real estate came up, the BKC came up and we from a single security services company, we became a full-fledged integrated facilities management company.

Over the subsequent years, we built a strong team of skilled workforce and a robust clientele and we were very happy to say that last year we had almost 100% customer retention. We over the period of time expanded into various domains, but predominantly these domains were integrated facility management, encompassing housekeeping, sanitization, gardening, MEP services, waste management, pest control, etc. We kept on moving ahead with our security services and private security and manned guarding, we have kept focus independently on that as well.

The third service that we are offering is our Staffing Solutions and Payroll Management. So these are payroll management and HR services that we are offering to some of our customers on a national level. Catering services is also one of our service offerings wherein we have a central kitchen and through which we manage corporate cafeterias and so on and so forth. So today through these range of services, we cater to almost all the major industries, whether it is pharma, manufacturing, manufacturing the entire range, airports, railway stations, metro infrastructure, metro Rail, Public administration, retail, BFSI and these are the segments. So name the industry and we are present with our services there. It could be either a standalone service or it could be a bundling of multiple service. It is very important for all of you to know the diverse nature of our customers, the diverse nature of our services. These two are exceptionally well thought out and also a great risk mitigation because the customer base is very diverse. So we get we are not subjected to only an IT or a mall or a retail. It is entirely spread out.

I can proudly say that Krystal's brand value is backed by the most valuable asset, which is our 41,000 plus onsite people. They are actually our brand ambassadors and over 369 customers we have today Pan India footprint in a true sense, with 30 branches and we service more than 2,487 locations all across the country. I would also want to bring to your notice, very unique competency that we have, we have been extremely good in rolling out large projects, whether they are standalone or multi-locational. So we have our customers which are spread out all across the single state and we manage, for example, district hospitals for Tamil Nadu, we manage all 98 districts, we manage more than 120 hospitals. So these are all large trade services, large trade geographies where we are now very competent to offer our services. Also going forward, the year gone by has been very eventful. We have crossed several key milestones and many initiatives have come to fruition.

One of the most important milestones is our IPO listing process. Actually, the milestone started from filing our DRHP then RHP and then going to listing and having a successful IPO which was subscribed to over 13 times. Krystal, through this listing, we raised Rs. 300 crores, about 125 was OFS and 175 was our fresh issue. Our objects are also very simple of the utilization of these 175 because our business also has a simplicity about it. There is nothing complex. So it is a business which is very easy to understand. And out of 175 also, we had the objects which were very clear, some small repayment of borrowings, funding towards working capital requirement, CAPEX and towards new machinery and general corporate purposes. So it is heartening to say that we have received overwhelming support from our investors also and of course, analysts which play a very important role in this entire process and we are proud to be on these prestigious stock exchanges of BSE and NSE. These platforms will give us more exposure to the financial markets and set the stage for future growth.

In terms of business development, ours it is a cyclical business. Business development activity goes on every day, month-on-month, year-on-year. So whatever we are, we have been working on say, maybe last in the last 3 years, 4 years, 5 years continues with us or new things come up from new business development initiatives. Our revenue split is also very good with 70 and 30, 70 with government and 30 with corporate. Even this year, we have achieved 100% renewal. We have in the corporate side almost 17% of our customers in who give us 80% of our revenue, they are all with us since last 15 years, 18 years like HDFC Bank, Phoenix Mills, Mumbai Airport, Hinduja Hospital, DMart and they have renewed even this year. And all those renewals are there for you to view on the sites. Some of our recent contracts were Rainbow Schools, Indian Oil, SK Hospitals and the three to four very critical ones were the Jipmer Hospital that we acquired in Pondicherry. Also, in our foray into temple tourism, the Mahakal Temple that we have services that we got and we have already made our inroads into the Ayodhya through our First Orchid Hotel, we are providing security services there.

So our focus on business development is very clear. We are very aggressive in our business development. The idea this year and going forward also is to get good quality business where we can better our margin profile. We have excellent in-house team in terms of training, service delivery, recruitment, all this is going to be very useful to bring in efficiency in our services because we believe firmly in a services company, if we are going to be efficient in delivering services, we are going to add to our margins and our revenues. The ultimate aim is to give value, to build value to our valuable stakeholders and we are very vigilant in those terms and we are always very conscious. And in all the strategies that we make on business acquisition, the prime most thing on our mind is how we can do better and better in terms of whether it is our topline or EBITDA or our PAT margins and at the end of the day.

So I am just nearing to summarize this opening speech. Overall, our aim is to be a partner of choice in the integrated facility management or staffing and payroll management or security or catering in the domain. We want to be good partners, we want to be a partner, we want to forge partnerships with our customers where customers are confident that we will make life convenient for them, and now that we have gone to the market. The prime most thing, as I told you, is to ensure that our stakeholders are, their interest at all times are kept in focus and we will work towards adding value to them. With this now, I would like to hand over to Mr. Barun Dey - our CFO, and he will just quickly take you through our financials.

Barun Dey: Good afternoon, everyone. Now, first I will narrate our fourth quarter Q4 Financial Year 24 performance. We reported Rs. 292.2 Cr in revenue during quarter 4 financial year 24 with 52% year-on-year rise. The growth was primarily driven by several new client additions. Our EBITDA excluding the other income for the quarter stands at Rs. 18.8 Cr while EBITDA margin is 6.4% higher by 149 bps. A change in the mix of contracts undertaken this quarter helped to improve the margin. Our PAT during the quarter is Rs. 15.7 Cr as against Rs. 9.2 Cr in the fourth quarter financial year 23. PAT margin stood at 5.4%. EPS for the quarter is 13.58.

Coming to the full year financial year 24 numbers, our revenue for this fiscal year crossed Rs. 1,000 crores mark for the first time coming in Rs. 1,026.8 Cr in revenue during financial year 24 at 45.1% year-on-year rise.

The growth was driven by addition of new clients as well as more sites across India. Our EBITDA excluding other income for the year stands at Rs. 68.7 Cr, while EBITDA margin is 6.7%, a marginal decline of 35 bps. Higher raw material expenses incurred for two projects had a bearing on the margin. We are making strategic initiatives to improve operational efficiency such as investments in technology, robotics to curtail cost. Our PAT during this year is Rs. 49 Cr as against Rs. 33.8 Cr in financial year 23. PAT margin stood at 4.8%. EPS for this period is 42.3. The board has recommended dividend of Rs. 1.50 paisa per equity share that is 15% of the face value of Rs. 10 each for the financial year 24, subject to shareholder's approval. This is all from my side. We can now open the floor for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shriram, who is an investor. Please go ahead.

Shriram: I just have one question. What is the proportion of non-government revenue for your IFM and staffing segment?

Sanjay Dighe: Our revenue split, as I told is almost 70:30 and 70 has been government and 30 has been corporate. So if you say that our non-government will be 30% of 1,026 which is around Rs. 307.8 crores. And again, I think you had another question that what is the profile in staffing services, right and payroll services, in this almost 30% would come from staffing and payroll. With that profile, if you see earlier also while we went to the market, the profile of the configuration of staffing services, IFMS, security and catering has not changed more. Only in December while we disclosed that result, we added a little more business on our staffing side because one of our customers which is MP Electrical Board gave us more business. So it was organic growth. So you may say for in all purposes between 30% and 32% would be from the corporate side, specifically to the staffing and payroll.

Shriram: So for both staffing and IFM, the corporate would be 30% and the government would be 70, right?

Sanjay Dighe: Yes, overall.

Shriram: Overall, but if I were to break it up, what would be for each of those segments?

Sanjay Dighe: Yes. So broadly it will fall into that government category and corporate category.

Shriram: And sir, the initial opening remarks, you mentioned that you started out as a Security Service Operator and then migrated to IFM business. So what was the thought process behind this shift of business from security to IFM, just trying to understand like is it more lucrative than security or what was the trajectory?

Sanjay Dighe: Now, actually, Mr. Shriram, this is a very good question, which nobody has asked me now, because the thought process was the fundamental for us to reach here. And I will explain those thought process, what happened in the year 2000 also, in a flashback, if you go Security Service was just transitioning from a watchman era to a Security Service. There were watchmen earlier and then there were more uniform security, much more training happened, grooming happened, there was a little more structure which happened in the security services training. And while we were guarding and providing Security Service to predominantly infra site, when these infrastructures actually came in and became buildings and commercial complex and offices, there was a big requirement to maintain them. And how to maintain that facility in again a structured way with some kind of SOP, some kind of process, some kind of monitoring mechanism was a big question mark because our USP through the security services was that we were able to source people, we were able to groom them in a way, we were supposed to train them in a way. For us, it was only a different kind of training because sourcing we were already good at, so it was a different type of soft skills that we had to give them and it was a different kind of uniform, we had to get them through a different kind of training and we also evolved through this entire process. It is easy the way that I am explaining, but for us also it was an evolution, but the thought process that if you are able to source people right at the right time in the right quantity from the right sector, we are able to train them very fast properly and deploy them and maintain the absenteeism level. Then, it was just a soft skill that we had to train them in a different way and when all these infrastructure was coming up and developing Pan India, these services were going to be very essential because at the end of the day, these were very valuable assets of the developers or the owners. So in that way that was the main thought process that it gave us scalability, it added a service to our bouquet at that time which was a single service. And I think that decision at that time has brought us here to the listing and even this call. So I am happy that you asked me this question.

Shriram: But going further, do you think security services can become a large proportion of your business? I am not asking now maybe 5 years down the line, do you see that or IFM would continue to be the mainstay for the core service for your company?

Sanjay Dighe: We have independent focus on all our sectors, but even if you see the F&S study report and they have also said that security services has grown by about 7%-7.5% from FY21 to FY23. And it is supposed to grow by more than 12% to 13% from FY23 to FY28. So security services, the market is also huge and it is a growing market. I am very happy that as an organization we have an independent focus, we have an independent team handling the security services. So coming back to your question, in all these four services, our focus is going to remain constant. It is going to be independent and it has independent strategies. So that we continue to grow as the sector grows, the demand is going to just grow.

Moderator: Thank you. The next question is from the line of Milan Wadkar from Nuvama. Please go ahead.

Milan Wadkar: My question is pertaining to the existing projects and the existing relationship we have. So are these all the existing projects profitable, earning decent margin or there are some loss making projects where we need to exit them and try to add up the new high margin projects?

Sanjay Dighe: All the projects, whether it is government or corporate, we have a certain process where we go and acquire business and there are 3-4 departments which are involved in that. And I just want to touch upon the process of business acquisition, so that I am able to answer your question in a very nice way. And as I was saying it is a continuous process, so whether it is corporate or government business, there is a basic evaluation happens even before the proposal has been sent, even at the time of the survey and when we send this proposal, there is a lot of working that happens before. There is the service delivery team which comes into picture. Whether, what is the geography of the site where we have to deploy, what are the dynamics in that state that geography, the service delivery team has to be very sure in terms of their costing, then the Supply Chain Logistics Department comes into play. So whether there are machines, materials, then what are the dynamics, finance accounts, the taxation angles, so on and so forth and at the end of the day, the training and recruitment. So it is a consolidated effort. It is not a decision of one single person to go ahead and acquire a business in any pressure. So therefore, these are all thought out business and therefore fortunately, while I am doing this call, we have no business here, which is a loss making business which we have to do away with and we have to replace with another. So it is very clear that our acquisition is very thought out and strategic, so therefore, we avoid landing in a situation which you just explain.

Milan Wadkar: So I will just add a question to this on the same line that in case we are looking to improve our margins, so what is the strategy we would like to go ahead, which we have not done in the past?

Sanjay Dighe: And over the period of time, we realize the importance of enhancing margin as a prudent business house and more so now that we have listed, margins are of paramount importance. There are two elements to increase service efficiency. The processes that we have here is to deliver a service, how to make it more and more efficient, so that our service delivery costs are rationalized or are lesser. But the very important thing is if we are able to deploy trained people from the day one at the site, 2-3 things happen here. One is the trained personnel is able to understand the training methodology and he is able to implement it very fast at the customer side wherein you get a result very fast. And second thing is the profiling when we are recruiting. When we are recruiting, say 100 people, if we are able to profile them very nicely in the services that they are going to be deployed, for example, if you are in your office today also sitting, somebody will get you tea, coffee, somebody will be guarding, somebody will be cleaning, now if those profiles don't match, then there is a lot of clash while delivering service and mostly it adds to your cost of service delivery. So we are taking these three precautions that we are sourcing the right people. We are ensuring that they are well trained and also we are trying to ensure efficiency in our processes so that in effect our service delivery margins are kept under a particular threshold level and they don't grow. The fourth and the most important thing is the attrition percentage. Our attrition percentage is the best in the industry, the industry percentage is about 60. When we went to market, we were about 30.36 and as of last week it is 17%. It says volumes that we our people who we trained, they don't leave us and go, so therefore our service just gets better and better and over the period of time, you will definitely see its reflection in reduced service delivery cost and enhanced margins.

Milan Wadkar: Sir, one last question, if I may add on to it. I see your business in two structures. One is the organized market, one is the unorganized market. So on the unorganized segment, I believe there will be a lot of bunch of people who would be trying to service this huge bouquet of opportunity available, so is there a possibility which is happening now that these unorganized bunch of people and there will be many, try to undercut your segment which is where there are limited players in the organized segment.

Sanjay Dighe: Again, all three questions make a lot of sense. If I was answering this question in maybe 2010, then yes, that would have been perceived as a threat. But today, as we have grown and now and this decision we have taken in 2010 to acquire business, most with corporates and not to do business with any customers who shy away from compliance and that decision has really made a lot of difference today even in government. So it doesn't matter because there is pre-communication and so many criteria. But even in corporate if you see our business acquisition is with our prospects or clients for whom paramount importance is compliance, whether it is all sort of compliance, they would like to deal with companies which are fully compliant and also if you are considering the overall governance in our country which has become very stringent, the corporate and the kind of sector that we are doing business with, they shy away with companies which are not organized because there are certain risks that come along with them. So it is actually very good scenario for us that the segment, the market that is our target audience need well governed and compliance partners or vendors. That is also one of the reasons that we went ahead and got ourselves listed because now with the activity that is coming up in the manufacturing, the Make in India and all that, there are so many foreign companies doing JVs, coming here, they would like to deal with the company which is listed which gives them a huge amount of comfort level in terms of compliance. And we are very bullish that our listing also will add tremendous value to the acquisition of business that we are doing on the corporate side, so not at all, we are not going to be worried on that particular thing.

Moderator: Thank you. The next question is from the line of Narendra from Robo Capital. Please go ahead.

Narendra: So my first question is that I heard your interview and you were mentioning that you are planning to grow 30% for the next 2-3 years, right? So what would be the levers to that growth and what would be the risk towards that of not achieving that 30% growth rate?

Sanjay Dighe: It is basically India growth story which is there. I firmly believe that we are in the right country, in the right sector and in the right time. All three are in favor of us because so many things are happening in our country which is going to fuel our growth. One is the Make in India where SEZs are coming, manufacturing units are getting set up. Now, to have the Make in India actually work wonderfully, there is a huge supply chain mechanism, which is your railways, airports, and roadways. You see kilometers and kilometers of roads which are built, there is an infrastructure which is going to come there, which is going to need companies like us to manage facilities. The fast trains like Vande Bharat, the other multiple, they are demanding additional railway stations, if existing railway stations, then additional platforms, we already are qualified, we are managing the Chennai railway station for now many years, now more than 8 years. So our qualification is there. The second thing is revamping and redevelopment of current railway station wherein the ministry wants to give a railway passenger the same experience as an economic airline passenger. So when that is their focus and it is there, there is a budget which is allocated by this. And thanks to our pre-qualification that is a sector where we are expecting our growth. Airports also, there are A category, B category. Airports, air terminals are getting developed, revamped, we have already qualified there. We have been working with the airports for almost last 12-13 years. Even currently, we are offering our services, so these three areas where the growth is going to come. The other couple of areas which are also important, the manufacturing units which are coming, our growth is we are expecting growth coming from there. The supply chain and logistics wherein warehousing, warehouse management and other supply chain requirements are going to need staffing, payroll management and hard and soft services both. After that, the healthcare and the education which we are there for many years, additional hospitals which are coming, the governments initiative to outsource services in schools and hospitals, private schools, private hospitals, your new malls coming in, new infrastructure happening, the metro railway networks, which is happening. Also, the solid waste, we have always been there in the solid waste management as well. So the waste is a very important issue that is nationally there. So we are also working with various municipal corporations to leverage our competency there and forging ahead in this waste management also. So multiple services, Narendra that we are going to lead and there are multiple avenues where we are going to acquire business. So as per the F&S study also while we went and filed our RHP we had the largest service booking offering. So if you say the number of services that we can push standalone or integrate and the number of sectors that we are present in with the experience that we have and the number of sectors that is going to offer opportunity. I am not being very aggressive, but there is a huge opportunity Narendra for companies like us, for a decade and more. The only risk to which would prevent getting into and taking all these opportunities, your timely recruitment of people and timely training of people and deployment because all our services are offered through people, man, machine and material. So machine and material is definitely you can get them at the right time at the right place, but what about the people? So we have two very brilliant people heading these two verticals, we have also having independent focus on training and recruitment. We have two decorated army veterans who head the training and recruitment. So we are very conscious, mindful how we recruit people, how we do the right profiling and with what speed, in what geography we recruit and also we have very good plan on our training. We have a Krystal Integrated Training Academy which is there one at Vashi. We are going to replicate that in the geographies where we are aspiring to have business. So recruiting in right time, training properly, grooming properly and deploying with a lot of speed, we are already taking care of that risk in these three things. So I think holistically I have answered your question.

Narendra: And regarding the margins, I understand in the long run that it is only going to improve, but as you said that you are trying to enter into new segments like waste management and all that, so would there be some kind of short-term pressure on the margins or are we comfortable at the 7.5%-8% of margins?

Sanjay Dighe: So we will continue to grow our margins also in a similar zone. I don't see any particular domain or business adding pressures on our margin because all the sides that I explained on the call, we are trying to very methodically ramp up our service delivery capabilities. So in fact, it will be a blessing itself like we are expecting to acquire business which have a good margin profile and on this side, we are having our methodology and strategy to develop a better, more efficient, effective service delivery model. So net-net, if you see, I am very optimistic while talking to you right now that we will continue to maintain our margin profile similarly as we grow.

Narendra: Just one last question, accounting side. So why the tax rate so fluctuating, is there something going on or I just want to understand what is happening there?

Barun Dey: The tax rate what you are referring is due to our 80JJAA benefits. So that is the reason why you see our tax components are fluctuating year-on-year.

Narendra: So that benefit will continue ahead also, right?

Barun Dey: Yes, absolutely.

Moderator: Thank you. The next question is from the line of Chirag Jain from Yogya Capital. Please go ahead.

Chirag Jain: Sir, I have one question on the training center that we have. So we have only one training center, Pan India. So don't you think is on the lower side given the presence you have Pan India side, so how do you think on that?

Sanjay Dighe: So I was expecting someone to ask me this question because this training is very close to my heart and I will just take this opportunity to tell you what we did and we have like industrial corridor, new industrial corridor focus especially in the Telangana and the Tamil Nadu region, in Tukkuguda also, we have our Industrial office which is there. And we knew that if we want to have a good training mechanism nationally, then we need to have, like I just explained on a previous call, good training facilities in the geographies that we are aspiring. So very happy to tell you that last month, we signed up an agreement with ITI at Tukkuguda MIDC Industrial Technical Institute and it is a brilliant partnership that we have done there wherein we will train the ITI students in batches at our Tukkuguda office in improving soft skills, interview skills and so on and so forth, CPR, firefighting and all that. So we are getting people students to train also and we are getting facilities to train also. So it solves our national issue of training. We are going to replicate this model wherein we get students to train also, we make them employable, we give them choice to work with us or anywhere else. And at the same time, with the colleges, schools and all those things which have grounds and classrooms, we also have their tie up wherein we train their students and we get their facilities to use as a training facility so that solves this training. That doesn't solve. That is our strategy of training on the national basis. Because yes, only one Academy actually will never ever suffice the way that we are going and therefore this is our national plan. So whether it is up north, whether down South, now we already have this tie-ups done, up north is going to be similar, on the West also we are doing it and on the east side also, but the model is very similar, Chirag bhai.

Chirag Jain: Sir, I was trying to get a crux of it, so why ITI student would be joining us for IFS segment or the staffing segment, would we be earning lower wages compared to what he would potentially earn after completing the ITI course that we are providing with?

Sanjay Dighe: Again, good questions are coming. I am happy because we are IFMS company, the Integrated Facility Management Services. So janitorial or guard or pantry services is just a part of it, but as we acquire large quantum of customers for take a example, manufacturing unit, suppose we acquire a manufacturing unit, the requirement there from IFMS company is very different. It is DG segment and it is HVAC maintenance, it is mechanical, electrical, plumbing. These are exactly the traits that are brought in ITI and this is exactly where the services that we are offering. Now again, that is a manufacturing unit, but suppose, wherever you and me are sitting in the office today, there could be a centralized AC, there could be electrical maintenance happening, there could be digital, any which way you require trained people, whether it is an electrician or a plumber or any other technician. So because we are IFMS, we get benefit from the kind of services that we offer which is really not restricted only to a housekeeping or somebody who shampoos a carpet or a pest control. Our range of service is so large that we can leverage it when we go and acquire large quantum of business. And there we are going to need people who have passed and got certified from ITI only.

Chirag Jain: So we are trying to be advanced urban city type of business model where we provide similar type of service to corporate?

Sanjay Dighe: No, we are not at all like urban clap or urban city. Our contracts are, we are integrated facility management services wherein these are a part of our overall service. For example, let me explain you, see you have 5000 square feet office, you will need machine, you will need material, you will need somebody to clean it, you will need somebody to report. So it is a consolidated service. That is the beauty of IFMS. So it is integrated facility management service.

Chirag Jain: Sir, I was trying to point out that ITI center student passes out, join us as my engineer, so he would be fixing machines or plumbing something or that?

Sanjay Dighe: Yes, he would be deployed with us for a complete year of the contract with the customer.

Chirag Jain: So that is what urban company does on an individual contract basis. So you are signing up on it yearly basis. So that is what I was trying to point out on. So second question was on the segmental EBITDA margins, so could you give a break up of that, which segment earns how much margins?

Sanjay Dighe: At this moment, we will not be able to share that kind of data.

Chirag Jain: So the next question was on the deposit. Do we need to keep some bank guarantee with the government customer that we tie up with?

Sanjay Dighe: Yes. The government tender conditions has again bank guarantee for your deposits.

Chirag Jain: So how much that amount would be?

Sanjay Dighe: It depends between the tender to tender, anywhere between 2% and 5% of the tender value.

Moderator: Thank you, sir. The next question is from the line of Rajat Vohra from Nuvama. Please go ahead.

Rajat Vohra: Sir, I basically had a couple of questions. One is, I have seen your presentation and I could understand that your mix towards staffing has increased over the last 4-5 financial years and your IFMS overall revenues contribution is coming down, but the thing is it is not reflecting on the operating margins for the last three financial years, your operating margin has been in the range of around 6.7 to 6.9. So can you explain if you are venturing more or your revenues are increasing from the staffing in a significant way, shouldn't the operating margins be increasing somewhere we are, either we are cutting down on the margins to get more contracts, is it what I should derive it from this?

Sanjay Dighe: No, but I understand your point. So yes, payroll and staffing business has increased and our integrated facility management, it has increased because we have got organic growth happening there. Our margin profile as I see it will continue to grow in the similar zone. At times, you will see our margin taking a slight dip like maybe some basis points because when we are, we also have 70% government fees that we have. Our revenue come 70% government, 30% corporates. There are times to have to build our pre-qualification criteria. We may need to acquire a certain business which actually gives us a huge leverage in the next financial year or year after that. And there, it is a very conscious management and strategic decision that we may go ahead and acquire it at a bid lesser margin. But over the period of time, our pre-qualifications build extremely well. So in these situations only it could take a little bit dip, but otherwise our zone and the range of margin profile is going to continue in the same way.

Rajat Vohra: Another question is on the receivable days with regards to your government projects, what are the receivable days over there as well as receivables for corporates?

Sanjay Dighe: Again, receivable days, generally also if you have both government and corporate they are about 70 to 75 days.

Rajat Vohra: And when it comes to your peers, even though it is not pure Apple to Apple comparison, the receivable days on the listed, other names are quite less and has come down to around 30 to 40 days. Do you see your receivable days coming down to that level over the next 2-3 years?

Sanjay Dighe: Our receivable days will definitely improve over the period of time and because that is going to be the entire endeavor, we have our credit control, which is very stringent. So we will only better the receivable days over the period of time.

Moderator: Thank you. The next question is from the line of Anant Mundra from Mytemple Capital. Please go ahead.

Anant Mundra: Sir, just wanted to understand that given that majority of our business is coming from government contracts, which is generally an L1 kind of a business, so just wanted to understand like what over here gives us an edge over the others because what I understand is tomorrow anyone can come and bid lower than us and win the contract. So just wanted to understand what gives us an edge over the others in the government contract segment?

Sanjay Dighe: See, we are very focused on what contracts that, what tenders we bid. So if you see on a daily basis, there are thousands of tenders which are there available online. And so it doesn't mean that you go ahead and bid as many tenders. We have a dedicated tender division which analyzes every tender. There is a research which happens. There are very focused segments that we will bid for tender which are predominantly healthcare, education and maybe sanitization. And now, if you zoom into a certain domain then there is a research in terms of budgetary allocations by the central or state Government etc., it is not as simple as it seems. It is a very complex process and once there is a tender bidding committee which is there, so nobody can just go ahead and submit a bid and also it is very important what is the pre-qualifications which are required whether it is a CRISIL rating which is mandatory, certain amount of turnover, certain years of existence, certain type of contracts. So the conditions are also very stringent. Once the tender committee, bidding committee has already analyzed and researched that, only then we would take the step ahead and go and submit that bid. So it is a very complex process and therefore we are very mindful and conscious as to what tenders that we are bidding. And yes, this is all online now and we have to submit, upload all documents, the evaluation happens online and the results are disclosed online. And yes, it is L1 criteria and over the period of time we are into this business for the last 24 years. So it is also your competency, experience and so on and so forth, which in this scenario also enables you to participate and become general.

Anant Mundra: So just a follow up, generally, how long are these contracts for and how does the renewal happen, like is there a rebidding that is done or the existing contractor gets the right to renew it? How does it work?

Sanjay Dighe: Very logical question, Anant. This is typically 3+1 year contract, 3-year plus 1 year renewable and after the renewal period then there is a rebidding for that.

Anant Mundra: So absolutely fresh rebidding?

Sanjay Dighe: Yes.

Anant Mundra: So even if you match the lowest offer, there is no, like, right of refusal or something that?

Sanjay Dighe: No, it has to go through the entire process of rebidding.

Anant Mundra: And typically sir, what is the renewal rate in the government segment?

Sanjay Dighe: Almost 65% to 70% because we have already been there. We already worked there. We already know the entire set of activities. We have studied the entire thing. So the chance is that we will bid it again in a rebate is very superior.

Moderator: Thank you. The next question is from the line of Nikhil Shetty from Nuvama Wealth. Please go ahead.

Nikhil Shetty: So my question is how much of our contract is up for renewal this year in terms of revenue and what kind of a new contract visibility you have for FY25 and if any for FY26?

Sanjay Dighe: Yes, as I said we are going to continue our growth by 25% to 30% year after year. So in that context, if you see the 70% contribution, so that government side will keep on having that contribution. In terms of which are exactly because this is a cyclical process which exactly are contracts which are getting over because they will not get over exactly at the financial year end, they are going to be throughout the year. There are going to be some getting over some rebidding and that process is going to go on. But overall, let me give you the confidence that even the corporate and the government side. Totally, we will continue our growth at about 25% to 30%.

Nikhil Shetty: And what kind of profitability you are seeing during these 2-3 years?

Sanjay Dighe: Nikhil, we will continue to maintain the same zone. The endeavor is to better it definitely and next year we are making all our strategies, our plan to increase our service efficiency, our SEZ plant, the manufacturing units, our foray into acquiring new good businesses. I am sure it will lead to enhancing the marginal increase. But to keep it simple, we will continue all the growth points in the similar zone and the endeavor is to make it better and better only.

Nikhil Shetty: And then secondly, like we have witnessed the sharp increase in the staffing revenue compared to the 23. So can you give us a sense what are the factors behind this growth and what kind of a revenue growth you foresee from this particular segment because we have seen almost 30 odd client addition also took place during the last one year in this segment, so if you can give us some sense?

Sanjay Dighe: Nikhil, good question. We had acquired a good staffing business of our MP Electricity Board and over the period of time they added more units which they wanted staffing and payroll. So under that contract only our business grew organically and that quantum is the reflection in the kind of numbers of our staffing payroll increase. So it is the organic growth of an existing customer which has increased our staffing and payroll management proportion in the overall business.

Nikhil Shetty: And just to get a sense, we generate roughly 70% of our revenue from two states, Maharashtra and Tamil Nadu and in Tamil Nadu, I think DME is the largest, if I am not wrong. So what are our plans to reduce the dependence on these two states going forward?

Sanjay Dighe: In fact DME also because it comes in the healthcare sector, you see a consolidation, but actually DME is, similar to DME also there are contracts which are coming in the other states. So generally what type of the governments also explicitly successful contracts being serviced in one state they tried to replicate, so anyway we started that activity 3-4 years back and if you say we have fairly spread our presence and footprint. So there is our first is Tamil Nadu, second is Maharashtra, third is MP, fourth is Delhi and then Haryana, so we have already present here. Now, we are also very actively moving in the northern state. So Delhi, we will see good progress coming in on the northern side in the Delhi government. Also MP, we will make progress. In Gujarat government, in Gujarat, we are very hopeful that we will expand our government businesses in Gujarat. So to answer your questions, we are already since last 5 years having our business plan to geographically spread and not being concentrated only in two states. I think going forward in the next 2-3 years, you will witness that this strategy has actually transformed into us being even government wise Pan India footprint company.

Nikhil Shetty: Lastly, if you can help us to understand the project selection criteria because I believe it is very critical for your business?

Sanjay Dighe: What selection?

Nikhil Shetty: Project selection criteria.

Sanjay Dighe: So this is I think the third question, but all questions are good. Projects like, we don't go ahead and acquire business randomly whether it is corporate or government. We have a business acquisition process. In the government business, because the ticket size is larger, the process is robust there, we have a independent tender division led by independent people who are specialized in this. There is research on budgetary allocations during various budgets in terms of what sectors, in what cities, what states. We also are very mindful of operating in government tender into three to four domains which is education, healthcare, sanitization and public infra which impact directly the citizens and have fully funded. They are fully budgeted fully funded projects and also we ensure that we go ahead and meet with projects where the criteria are pretty stringent and these are projects which are not very easy for anybody to track because we have mastered this, working in this project. They also land up giving us a better margin profile. Also come to the corporate, there is a committee on, even before sending a proposal to a corporate, every proposal, let me take a step back and say our corporate business acquisition is divided into three parts. One is retail, one is key accounts and one is mega accounts. Anything which is 10 lakh and less billing for months is retail. Every day, some business comes. 10 lakh to 50 lakh three account per month billing I am talking about and 50 lakhs and above is major accounts per month billing. So we have 3 distinct teams which cater to this market segments. We ensure that we don't lose, we are focused on even corporate sales acquisition of all time because the customer, a prospective client who give you Rs. 1 crore of business per month will need a different kind of approach, different treatment than a prospective customer is going to give you Rs. 10 lakh per month. So we are mindful about this process and then therefore you see going forward in the next 3-5 years, all this strategy and meticulous planning is going to result in giving more numbers in terms of revenue, in terms of our margins and margin profile will be better. So at the end of the day, our stakeholders are tremendously going to draw value from what planning is happening today in our office in terms of business acquisition.

Moderator: Thank you. The next question is from the line of Sanika from Sapphire Capital. Please go ahead.

Sanika: Just one question. So like we have been seeing a consistent growth in your topline on a sequential basis, so can we expect this momentum to continue in quarter 1 as well?

Sanjay Dighe: Yes, absolutely. Our business, our company, we endeavor to keep the momentum and we will keep on going the way that we have and there is so much to do there in the market. So we are absolutely optimistic that we will continue to grow in similar way.

Sanika: So what kind of number are we looking at in quarter 1 on a sequential basis?

Sanjay Dighe: We cannot specifically share the number, but we are saying that we will grow by 25% to 30% every year. So we are into a cyclical business. So how that business translate into Q1, Q2, Q3, Q4 will be quarter results will tell us.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Sanjay Dighe - Chief Executive Officer and Whole-Time Director of Krystal Integrated Services Limited for closing comments.

Sanjay Dighe: Thank you so much for moderating this conference. I thank everybody who was on this call and who made all the efforts to answer the questions and very good quality questions have come in from most of it, but Nuvama also had questions which are very logical and I am grateful to the Nuvama team for coming to the floor and asking me these questions. So I thank the entire, all the people, analysts, all the team here who asked me question. At the same time, my entire team at Krystal for their untiring efforts, hard work and dedication which drives the company forward through our various market conditions, I also take this opportunity to thank my 41,000 people who are deployed at all my customer sites. It is because of them that we are able to reach here and in fact do this call. So they may not be listening, but I take it as my duty and responsibility to thank each and every 40,000 people and their families who have trusted and opted to work for Krystal, hats off to them on a Pan India basis. I also thank all of you in participating on this call and Adfactors for being here and guiding us. Thank you so much everybody.

Moderator: Thank you. On behalf of Krystal Integrated Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.