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KRYSTAL INTEGRATED SERVICES LIMITED

Our Company was incorporated as 'Sea King Enterprises Private Limited' at Mumbai as a private limited company under the Companies Act, 1956 pursuant to a certificate of incorporation dated December 1, 2000 issued by the Registrar of Companies, Maharashtra at Mumbai ("RoC"). The name of our Company was changed to 'Krystal Tradecom Private Limited' and a fresh certificate of incorporation dated February 6, 2001 was issued by the RoC. Subsequently, our Company diversified its activities and the name of our Company was changed from 'Krystal Tradecom Private Limited' to 'Krystal Integrated Services Private Limited', and a fresh certificate of incorporation dated May 19, 2009 was issued by the RoC. Pursuant to a resolution of our Board dated June 30, 2023 and a resolution of our shareholders dated July 4, 2023, our Company was converted into a public limited company under the Companies Act, and consequently, the name of our Company was changed to 'Krystal Integrated Services Limited' and a fresh certificate of incorporation dated August 4, 2023 was issued by the RoC. For further details, see "History and Certain Corporate Matters" on page 225 of the Red Herring Prospectus dated March 04, 2024 ("RHP" or "Red Herring Prospectus") filed with the RoC.

Registered Office: Krystal House 15A 17, Shivaji Fort CHS, Duncans Causeway Road, Mumbai – 400 022, Maharashtra, India; **Tel:** +9122 43531234; **Corporate Office:** 20th Floor, Kohinoor Square, Shivaji Park, Dadar, Mumbai – 400028, Maharashtra, India; **Tel:** +9122 47471234. **Contact Person:** Stuti Maru, Company Secretary and Compliance Officer; **Email:** company.secretary@krystal-group.com; **Website:** https://krystal-group.com/; **Corporate Identity Number:** U74920MH2000PLC129827



(Please scan this QR code to view the Red Herring Prospectus)

OUR PROMOTERS: PRASAD MINESH LAD, NEETA PRASAD LAD, SAILY PRASAD LAD, SHUBHAM PRASAD LAD AND KRYSTAL FAMILY HOLDINGS PRIVATE LIMITED

INITIAL PUBLIC OFFERING OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹10 EACH (THE "EQUITY SHARES") OF KRYSTAL INTEGRATED SERVICES LIMITED (OUR "COMPANY" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE) (THE "OFFER PRICE") AGGREGATING UP TO ₹ [●] MILLION COMPRISING OF A FRESH ISSUE OF UP TO SUCH NUMBER OF EQUITY SHARES AGGREGATING UP TO ₹ 1,750 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO 1,750,000 EQUITY SHARES AGGREGATING TO ₹ [●] MILLION (THE "OFFERED SHARES") BY KRYSTAL FAMILY HOLDINGS PRIVATE LIMITED (THE "PROMOTER SELLING SHAREHOLDER") (THE "OFFER FOR SALE") (THE "OFFER FOR SALE", TOGETHER WITH THE FRESH ISSUE, THE "OFFER").

DETAILS OF THE OFFER FOR SALE AND THE WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE

NAME OF SELLING SHAREHOLDER	TYPE	NO. OF EQUITY SHARES OFFERED	WACA PER EQUITY SHARE (IN ₹)#
Krystal Family Holdings Private Limited	Promoter Selling Shareholder	Up to 1,750,000 Equity Shares aggregating up to ₹ [●] million	₹ 30#

#As certified by T R Chadha & Co LLP, the Statutory Auditors, pursuant to their certificate dated March 04, 2024.

Krystal Integrated Services Limited is an integrated facilities management services which provides soft services such as housekeeping, sanitation, landscaping and gardening, hard services such as mechanical, electrical and plumbing services, solid, liquid and biomedical waste management, pest control, facade cleaning and other services such as production support, warehouse management and airport management services (including multi-level parking and airport traffic management). We also provide private security and manned guarding services to our customers, as well as staffing solutions and payroll management and catering services.

The Offer is being made through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations
QIB Portion: Not more than 50% of the Offer | Non-Institutional Portion: Not less than 15% of the Offer | Retail Portion: Not less than 35% of the Offer

PRICE BAND: ₹ 680 TO ₹ 715 PER EQUITY SHARE OF FACE VALUE OF ₹10 EACH.

THE FLOOR PRICE IS 68.00 TIMES THE FACE VALUE OF THE EQUITY SHARES AND THE CAP PRICE IS 71.50 TIMES THE FACE VALUE OF THE EQUITY SHARES.
THE PRICE TO EARNINGS RATIO BASED ON DILUTED EPS FOR FINANCIAL YEAR 2023 FOR OUR COMPANY AT THE UPPER END OF THE PRICE BAND IS 21.45 TIMES.

BIDS CAN BE MADE FOR A MINIMUM OF 20 EQUITY SHARES AND IN MULTIPLES OF 20 EQUITY SHARES THEREAFTER.

In accordance with the recommendation of Independent Directors of our Company, pursuant to their resolution dated March 09, 2024, the above provided price band is justified based on quantitative factors/ KPIs disclosed in the 'Basis for the Offer Price' section of the RHP vis-a-vis the weighted average cost of acquisition ("WACA") of primary and secondary transaction(s), as applicable, disclosed in 'Basis for Offer Price' beginning on page 122 of the RHP and provided below in this advertisement.

In making an investment decision, potential investors must only rely on the information included in the RHP and the terms of the Offer, including the risks involved and not rely on any other external sources of information about the Offer available in any manner.

RISK TO INVESTORS

- Dependence on Government Contract:** In the six months ended September 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021 our percentage of revenue from operations from government customers are 76.27%, 73.66%, 73.30% and 69.41% respectively. Seven of our top 10 customers, including our largest customer, based on revenue generated for Fiscal 2023, are government entities. The performance of our services for public sector undertakings or governmental customers may be affected by political and administrative decisions concerning levels of public spending and public opinion on outsourcing in general. Any adverse change in the policies adopted by the government regarding award of its contracts or our existing relationship with the government may adversely affect our ability to win such contracts.
- Customer concentration risk:** In the six months ended September 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021 our percentage of revenue from operations from our top five customers were 54.07%, 59.19%, 57.84% and 68.36% respectively. In the event of our failure to retain one or more of our key customers, it will have an adverse effect on our financial performance and result of operations.
- Geographic concentration risk:** In the six months ended September 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021 our percentage of revenue from operations from our services offered in Maharashtra were 34.87%, 43.28%, 41.91% and 47.41% and in Tamil Nadu were 30.68%, 37.60%, 37.01% and 32.40% respectively. We cannot assure you that we will be able to address our reliance on these few geographical regions, in the future.
- Concentration on Integrated Facility Management Services:** For the six months ended September 30, 2023 and Fiscals 2023, 2022 and 2021, our revenue from integrated facility management services has contributed to 56.62%, 60.38%, 58.46% and 71.04% of our revenue from operations, respectively. Any decrease in revenue from any specific segment may have an adverse effect on our business, cash flows, results of operation and financial condition.
- Negative cash flows from operating, investing and financing activities:** We have experienced negative operating cash flow of ₹ (368.80) millions in six months ended September 30, 2023. The details of cash flow in six months period ended September 30, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021 are as setforth below: (₹ in millions)

Particulars	Financial Year ended			Six months ended September 30, 2023
	March 31, 2021	March 31, 2022	March 31, 2023	
Net cash flow from / (used in) operating activities	79.58	199.86	717.81	(368.80)
Net cash flow from / (used in) investing activities	176.06	(178.92)	(320.09)	(197.27)
Net cash flow from / (used in) financing activities	(267.72)	(30.59)	(308.92)	488.09

We may experience negative cash flows in the future as well. Negative cash flows over extended periods, or significant negative cash flows in the short term, could materially impact our ability to operate our business and implement our growth plans.

- Substantial Working Capital Requirements:** Our working capital requirements, on a consolidated basis, as on September 30, 2023 and March 31, 2023, 2022 and 2021 amounted to ₹1228.49 million, ₹385.37 million, ₹1,174.08 million and ₹1,057.72 million, respectively. Consequently, there could be situations where the total funds available to us may not be sufficient to fulfil our commitments, and hence we may need to incur additional indebtedness in the future, or utilize internal accruals to satisfy our working capital needs.
- Operational risks:** Certain operational risks are inherent in our business as we render

various business services at customer premises in a number of challenging environments. Our business operations are subject to hazards inherent in providing such services, including risk of equipment failure, production loss to customers, work accidents etc, Such risks and other unanticipated operational hazards could also lead to additional regulatory scrutiny and potential liability to third party claims, which could have a material adverse effect on our business growth prospects, cash flows, results of operations and financial condition.

- Growth of our Focus Sectors:** The following table sets forth certain information relating to the revenue from operations from focus sectors in the last three Fiscals and six months ended September 30, 2023

Customers	Six months ended September 30, 2023		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Amount (₹ million)	Percentage of Revenue from Operations (%)	Amount (₹ million)	Percentage of Revenue from Operations (%)	Amount (₹ million)	Percentage of Revenue from Operations (%)	Amount (₹ million)	Percentage of Revenue from Operations (%)
Healthcare	1,384.03	30.65	2,664.59	37.65	2,079.43	37.62	1,609.12	34.14
Education	913.25	20.22	1,454.30	20.55	1,030.96	18.65	1,451.09	30.79

Further, the deterioration in the business prospects of these sectors could reduce their requirement of our services and result in a significant decrease in the revenues we derive from these sectors.

- Employee Related risk:** We hire a considerable number of personnel every year to sustain our growth. As on March 31, 2021, March 31, 2022, March 31, 2023 and September 30, 2023, the number of our on-site employees was 26,999, 29,103, 31,881 and 39,900, respectively. Our attrition rate for Fiscals 2021, 2022 and 2023 and six months ended September 30, 2023 was 22.00%, 35.88%, 31.38% and 12.98%, respectively. Further, higher attrition rates lead to an increase in our training and recruitment costs, which may have an adverse impact on our profitability and financial conditions. There can be no assurance that skilled manpower will continue to be available in sufficient numbers and at wages suitable to our requirements.
- Risk related to acquisition of new customer or Renewal of Contracts:** We typically enter into short-term work orders/ contracts for one-year periods, and our longer-term contracts do not exceed a period of three years. Within the duration of these contracts, the scope of services can vary depending upon the requirements of our customers. Therefore, we need to seek new requirements or cross-sell our service offerings when our current services are completed or terminated with existing customers, and secure new customers in order to expand our business.
- Observations under the Companies (Auditors Report) Order, 2020 :** Our Statutory Auditors have included the observations for Fiscals 2021, 2022 and 2023 in their reporting under the Companies (Auditors' Report) Order, 2020 for our Company and our Subsidiaries. For further details, refer Risk Factor No. 13 on page 46 of the RHP.
- Delay or defaults to collect our receivables:** Our trade receivables outstanding for over six months were ₹253.80 million, ₹ 295.65 million, ₹ 314.05 million, and ₹ 310.59 million, representing 11.67%, 19.76%, 13.02% and 15.51% of our total trade receivables as on September 30, 2023, March 31, 2023, 2022 and 2021, respectively. Our balance write -offs from trade receivables were Nil, ₹ 0.04 million, ₹ 0.03 million and ₹ 0.76 million as on September 30, 2023, March 31, 2023, 2022 and 2021 respectively. Our business depends on our ability to successfully obtain payment from our customers for services provided in a timely manner.

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