

# Supreme Facility Management Limited IPO

## About Company —

Supreme Facility Management Limited is a company incorporated in India that operates in the facility management sector. The company provides services including:

- ✦ **Integrated Facility Management (IFM):** Comprehensive management of facilities and infrastructure, combining various services like housekeeping, maintenance, and security under one umbrella.
- ✦ **Employee Transportation Services (ET):** Managing transportation solutions for employees, ensuring efficient and safe transit. Company owned 430 buses (having capacity of 13 Seats to 55 seats) and 98 hired vehicles for shuttle service.
- ✦ **Supply Chain Management (SCM):** Overseeing logistics and related services.
- ✦ **Production Support Services (PSS):** Offering support to production units in terms of operations and management.
- ✦ **Corporate Food Solutions (CFS):** Catering and food management services for corporate entities.
- ✦ **Third-Party Logistics Management (3PL):** Providing outsourced logistics services that encompass inventory management, warehousing, and transportation.

- ✦ Company operates in the Business-to-Business (“B2B”) services space offering a spectrum of business services, which are broadly classified into the following two segments:

**Integrated Facilities Management**  
**Support Services**

## Positive and Negative Points —

### Positive Points

- ✦ The company offsets low-margin IFM operations with high-margin services like Production Support and Employee Transportation, driving profitability and sustainable growth.
- ✦ The entire IPO is a fresh issue, so the funds will go to the company.
- ✦ Positive cash flows from operation but Cash Conversion Ratio is not stable.
- ✦ Operating in sectors like logistics, supply chain, and corporate food services positions the company in industries with rising demand and long-term growth prospects.
- ✦ Most services are on an annuity-based model, providing steady and recurring revenue streams.

### Negative Points

- ✦ High D/E Ratio.
- ✦ IFM service is a low margin business.
- ✦ Intense competition in the facility management sector could pressure pricing and profit margins.
- ✦ Dependence on a few large contracts may expose the company to risks if those contracts are not renewed. Client concentration - 68.74% revenue from top 10 customers.

## Objects of the issue —

- ✦ Propose to utilise Rs. 30 Crore from the Net Proceeds to fund the working capital requirements.
- ✦ Company intends to use ₹ 7.50 Crore of the Net Proceeds to pursue inorganic initiatives focused towards expansion of operations by 30th September 2025. One of the core strategies is to pursue inorganic growth through strategic acquisitions of high margin businesses supplemental to company’s operations.

## Financials —

(Fig in Cr)

Particulars	June 30 2024	FY'24	FY'23	FY'22
Revenue	99.07	355.38	329.58	236.01
EBITDA	8.78	28.71	24.28	17.46
EBITDA Margins	8.87%	8.08%	7.37%	7.40
PAT	2.40	7.41	5.54	3.88
PAT Margins	2.43%	2.09%	1.68%	1.64%
CFOA(OCF)	(2.19)	24.42	5.07	4.21
Cash Conversion Ratio (OCF/EBITDA)	Negative	85.05%	20.88%	24.11%
D/E Ratio	3.04	2.49	2.89	2.33

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## Segment wise Revenue bifurcation

Particulars	30 June 2024	FY'24	FY'23	FY'22
IFM Services	61.80%	65.04%	55.98%	52.30%
Support Services	4.60%	4.07%	3.47%	6.07%
Production Support Services	21.79%	21.61%	29.34%	33.30%
Employee Transportation Services	4.01%	3.23%	2.63%	1.86%
Corporate Food Solution Services	7.79%	6.04%	8.58%	6.47%

## Comparison with peers

As per RHP no listed peers of the company but Company IFM segment can be compared with listed peers like:

- + Krystal Integrated Services Ltd
- + Updater Services Ltd

## Segment wise Profitability

FY'24 (In Cr.)

Particulars	IFM	ET	PSS
Segment Revenue	264.13	76.77	14.47
Segment Expenses	241.53	64.45	12.80
Segment Results	22.60 (8.56%)	12.32 (16.05%)	1.66 (11.47%)

## Valuation of the Company

- + M/cap : Rs. 188 Cr.
- + PAT (FY 24) : Rs. 7.41 Cr.
- + P/E Ratio : Rs. 25.37\*

\* Forward PE will be 19.59 on the basis of FY 25 PAT.

## Conclusion

In conclusion, Supreme Facility Management Limited demonstrates strong growth potential with its diversified service offerings and high-margin business segments like Production Support Services and Employee Transportation Services, which effectively balance the lower-margin Integrated Facility Management operations. The annuity-based revenue model ensures recurring income, while the planned IPO listing on NSE Emerge is expected to bolster visibility and credibility.

However, challenges such as reliance on key clients, low margins in certain segments, and exposure to market competition highlight the need for strategic risk mitigation. Overall, the company's diversified business model, coupled with its industry positioning, presents a compelling investment opportunity, provided potential risks are carefully evaluated. Valuations are also reasonable.



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