

Updater Services

Estimate change	
TP change	
Rating change	

Bloomberg	UDS IN
Equity Shares (m)	67
M.Cap.(INRb)/(USDb)	22.8 / 0.3
52-Week Range (INR)	439 / 243
1, 6, 12 Rel. Per (%)	13/-19/6
12M Avg Val (INR M)	138

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	27.4	32.4	37.5
EBIT	1.2	1.5	1.9
PAT	1.2	1.4	1.7
Adj PAT	1.2	1.4	1.7
EPS (INR)	17.7	20.4	25.9
EPS growth (%)	20%	15%	27%
BV/Sh (INR)	144.1	164.4	190.3
Ratios			
RoE (%)	13.1	13.2	14.6
RoCE (%)	11.9	11.3	12.0
Valuations			
P/E (x)	19.1	16.6	13.1
P/BV (x)	2.4	2.1	1.8

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	58.9	58.9	58.6
DII	15.4	15.0	14.0
FII	2.7	3.1	5.1
Others	23.0	23.0	22.3

CMP: INR341

TP: INR400 (+17%)

Buy

A balanced quarter

IFM segment recalibrates, reiterate BUY

- Updater Services (UDS) reported a revenue growth of 12% YoY/2% QoQ to INR7.1b, in line with our estimate of ~INR7.1b. Core EBITDA margin came in at 5.0%, down 140bp YoY (vs. est. 6.4%). Consolidated adj. PAT stood at INR342m (up 9% QoQ), above our estimates of INR280m.
- The company's revenue/EBITDA/PAT grew 11.9%/9.5%/34.5% in FY25. We expect its revenue/EBITDA/adj. PAT to grow organically by 17.5%/19.9%/21.4% YoY in 1QFY26. We reiterate our BUY rating and a TP of INR400 (premised on 15x Mar'27E EPS).

Our view: Steady progress in contract mix optimization

- The IFM segment has now moved beyond the contract rationalization phase and is currently focused on streamlining its operations. The company has successfully added a healthy pipeline of new clients, with 77 new logos added in FY25. In our view, this strong client addition will support the company in achieving its targeted growth trajectory, which is aimed at being three times the GDP growth rate. Additionally, the improved contract mix is expected to enhance the quality of revenues.
- The BSS segment encountered headwinds in FY25, primarily due to disruptions in certain verticals. In response, the company is now concentrating on securing high-value contracts and expanding its client base to reduce dependency on a few segments. We believe that Denave's newly launched platform-based service will serve as a key differentiator and act as an enabler of demand. Furthermore, the company is in the process of onboarding a significant client from the BFSI sector within its Athena business. In our opinion, this move will help offset the challenges faced in some existing client engagements.
- Margins:** The company has largely transitioned away from low-margin contracts and is continuously optimizing its contract portfolio by shifting focus to higher-margin engagements. Operating leverage, along with the changing sales mix between IFM and BSS (the latter being a higher margin segment than IFM), shall aid margins by 40-60bp over FY26/27E.

Valuation and changes to our estimates

- We broadly retain our estimates, given the solid foothold of UDS in the IFM business and the high-margin BSS business. We expect a CAGR of 17%/27% in revenue/EBITDA over FY25-27. Reiterate **BUY** with a TP of INR400 (premised on 15x Mar'27E EPS). Our TP implies an 17% upside potential.

In-line revenue but miss on margins; adds 112 logos in FY25

- Revenue was up 12% YoY and 2% QoQ to INR7.1b, in line with our estimate of ~INR7.1b.
- Revenue growth was aided by 14% YoY growth in the IFM as well as the BSS segments.

- Core EBITDA margin came in at 5%, down 140bp YoY (vs. est. 6.4%). IFM's PBT margin was up 500bp QoQ at 10.3%. BSS's PBT margin was up down 60bp QoQ to 5.6%.
- Consolidated adj. PAT stood at INR342m (up 9% QoQ), above our estimates of INR280m.
- Adj. RoCE stood at 22.1% on an annualized basis in Mar'25 vs. 22.3% in Dec'24. The company added 112 logos during FY25.
- Long-standing relationships with customers have 95%/95% retention over a five-year window in the IFM/BSS businesses.

Key highlights from the management commentary

- Management expects an overall revenue growth of 15% in FY26.
- The company is focusing on increasing cross-sales between the IFM and BSS segments to enhance synergies.
- **In IFM**, UDS completed contract rationalization and is now focused on streamlining operations. The aspiration is to grow at 3x the GDP growth rate, supported by expansion of co-working spaces and growth in automotive factories.
- **In BSS**, technology investments hurt margins in FY25; the company is now targeting high-value contracts to offset this.
- **Denave**: 85% of revenue comes from clients with 7+ years of relationship.
- **Athena** saw changes in client engagement due to technological disruptions in BFSI. While some customers are reevaluating engagement models, no clients have been lost. AI integration is a strategic priority and is expected to be a growth driver.
- The company is targeting 15% organic growth in FY26 for the BSS segment.
- Margins are expected to remain broadly stable, with a 20–30 bps YoY expansion from operating leverage.

Valuation and view

- We believe the company will benefit from the long-term trend of outsourcing non-core business operations for greater efficiency and service quality. With continued momentum in the IFM space and an inorganic growth engine in the high-margin BSS vertical, we expect UDS to deliver sustainable and profitable growth.
- We expect a CAGR of 17%/27% in revenue/EBITDA over FY25-27. Reiterate BUY with a TP of INR400 (premised on 15x Mar'27E EPS). Our TP implies an 17% upside potential.

Consolidated - Quarterly Earnings Model

(INR m)

Y/E March	FY24				FY25E				FY24	FY25	Est.	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QFY25	(%/bp)
Gross Sales	5,764	6,001	6,361	6,318	6,522	6,800	6,949	7,090	24,444	27,361	7,117	-0.4
YoY Change (%)	20.3	16.7	17.3	10.5	13.1	13.3	9.3	12.2	16.0	11.9	12.7	-40bp
Total Expenditure	5,404	5,616	5,959	5,944	6,112	6,363	6,487	6,733	22,923	25,695	6,662	1.1
Core EBITDA	360	385	401	374	409	437	462	357	1,520	1,665	456	-21.6
Margins (%)	6.3	6.4	6.3	5.9	6.3	6.4	6.7	5.0	6.2	6.1	6.4	-140bp
ESOP cost	0.0	31.7	21.7	18.9	0.0	0.0	0.0	0.0	72.3	0.0	0.0	NA
Fair value changes	31.8	57.2	31.8	-47.4	0.0	0.0	0.0	0.0	105.9	0.0	0.0	
EBITDA	329	296	348	403	409	437	462	357	1,342	1,665	456	-21.6
Margins (%)	5.7	4.9	5.5	6.4	6.3	6.4	6.7	5.0	5.5	6.1	6.4	-140bp
Depreciation	131	137	149	123	115	123	121	113	539.6	471.3	135	-16.5
Interest	56	63	42	31	34	29	20	20	192.8	103.5	21	-5.3
Other Income, net	27	27	93	56	65	69	57	166	236	357	43	288.4
PBT	169	123	250	305	326	354	378	390	846	1,447	342	14.1
Tax	45	31	44	63	69	74	67	48	183.2	257.5	61	-22.2
Rate (%)	26.7	25.2	17.7	20.7	21.3	20.8	17.7	12.3	21.7	17.8	18.0	-570bp
Minority Interest & Profit/Loss of Asso. Cos.	-5	-8	-3	-17	3	-1	3	-3	-17	2	0	
Adjusted PAT	202	197	275	194	256	280	312	342	885	1,190	280	22.0
YoY Change (%)	-22.6	-19.8	114.2	-10.3	27.2	41.8	13.5	76.1	137.9	34.5	44.3	
Margins (%)	3.5	3.3	4.3	3.1	3.9	4.1	4.5	4.8	3.6	4.3	3.9	90bp

Key Performance Indicators

Y/E March	FY24				FY25				FY24	FY25
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Segment Revenue (INR m)										
Integrated Facility Management Services	4,050	4,297	4,181	4,282	4,363	4,594	4,669	4,958	16,809	18,585
Business Support Services	1,744	1,993	2,283	2,091	2,343	2,387	2,441	2,365	8,112	9,535
PBT Margin (%)										
Integrated Facility Management Services	1.9	2.8	3.0	3.7	4.2	5.2	5.3	10.3	3.1	6.3
Business Support Services	6.0	5.1	6.2	6.9	6.6	5.8	6.2	5.6	6.0	6.0



Key highlights from the management commentary

Quarterly performance and outlook

- The company expects overall revenue growth of 15% in FY26.
- The company is focusing on increasing cross-sales between the IFM and BSS segments to enhance synergies.
- The revenue split stands at 66:34 between IFM and BSS.
- In IFM, the company completed contract rationalization and is now focused on streamlining operations. The aspiration is to grow at 3x the GDP growth rate, supported by expansion of co-working spaces, and growth in automotive factories.
- The key strategic focus is on securing ROCE- and margin-accretive contracts. The company added 77 logos during the FY25.
- In BSS, Technology investments impacted margins in FY25; the company is now targeting high-value contracts to offset this.
- FY25 was a challenging year as global clients rationalized their spending.
- This segment is now operating under tighter and more focused leadership.
- It added 35 new client logos in FY25.
- **Denave:** 85% of revenue comes from clients with 7+ years of relationship. Market disruptions from AI are seen as opportunities. Focus areas include: 1) Platform-based service – ‘Intellibank’, aimed at improving client conversion 2) outreach programs to stimulate demand.

- **Athena** saw changes in client engagement due to technological disruptions in BFSI. While some customers are reevaluating engagement models, no clients have been lost. AI integration is a strategic priority and is expected to be a growth driver.
- One client moved operations in-house, and another underwent a merger. The company is in the process of onboarding a large BFSI client. It is working to diversify the client base.
- Audit and Assurance services: This represents a huge opportunity as the segment remains largely unorganized.
- Employee Background Verification Services: Expected to deliver better margins once hiring momentum returns. The company has seen subdued hiring in IT and BFSI.
- Other income saw a sharp increase in 4QFY25 due to the revaluation of investments in one of the subsidiaries.
- The employee attrition rate is between 4% and 5% per month, which is lower than the industry average.
- The company is targeting 15% organic growth in FY26 for the BSS segment.
- Margins are expected to remain broadly stable, with a 20–30 bps YoY expansion from operating leverage.
- Global (Aviation training center): Achieved breakeven in FY25, helped by travel season activity and events like the Kumbh Mela.
- AVON: Business performance improved due to a better contract mix, leading to higher gross margins. The vision is to become a leading and cost-effective logistics partner

Valuation and view

- We see the company benefitting from the long-term trend of outsourcing non-core business operations for greater efficiency and service quality. With continued momentum in the IFM space and an inorganic growth engine in the high-margin BSS vertical, we expect UDS to deliver sustainable and profitable growth.
- We expect a CAGR of 17%/27% in revenue/EBITDA over FY25-27. **Reiterate BUY with a TP of INR400 (premised on 15x Mar'27E EPS).** Our TP implies an 17% upside potential.

Exhibit 1: Summary of our revised estimates

	Revised		Earlier		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue (INR m)	32,411	37,493	32,198	37,094	0.7%	1.1%
Growth (%)	18.5	15.7	17.6	15.2	90bps	50bps
EBITDA (INR m)	2,139	2,684	2,175	2,655	-1.6%	1.1%
EBITDA Margin (%)	6.6	7.2	6.8	7.2	-20bps	0bps
PAT (INR m)	1,362	1,733	1,394	1,715	-2.3%	1.1%
EPS (INR)	20.3	25.9	20.7	25.5	-1.9%	1.5%

Source: Company, MOFSL

Financials and valuation

Consolidated - Income Statement								
	(INR m)							
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	13,149	12,100	14,836	21,061	24,444	27,361	32,411	37,493
Change (%)	21.1	-8.0	22.6	42.0	16.1	11.9	18.5	15.7
Cost of services	444	306	1,348	3,469	1,020	911	1,200	1,350
Employees Cost	10,543	9,817	10,682	13,802	18,084	20,403	24,350	28,137
Other Expenses	1,577	1,309	2,032	2,792	3,998	4,381	4,722	5,321
Total Expenditure	12,564	11,432	14,062	20,063	23,101	25,695	30,272	34,809
% of Sales	95.6	94.5	94.8	95.3	94.5	93.9	93.4	92.8
EBITDA	585	668	774	998	1,342	1,665	2,139	2,684
Margin (%)	4.4	5.5	5.2	4.7	5.5	6.1	6.6	7.2
Depreciation	162	150	165	370	540	471	648	769
EBIT	423	518	609	627	803	1,194	1,491	1,915
Int. and Finance Charges	76	30	51	146	193	103	81	75
Other Income	19	63	144	60	236	357	251	300
PBT bef. EO Exp.	366	552	702	542	846	1,447	1,661	2,140
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	366	552	702	542	846	1,447	1,661	2,140
Total Tax	36	69	136	196	183	258	299	407
Tax Rate (%)	9.8	12.5	19.4	36.1	21.7	17.8	18.0	19.0
Minority Interest	-1	25	21	-12	-17	2	0	0
Net Income - post NCI	331	458	545	358	679	1,188	1,362	1,733
Net Income (ESOP adj)	359	523	786	851	885	1,190	1,424	1,796
Change (%)	-6.4	38.2	19.0	-34.3	89.8	74.8	14.6	27.3
Margin (%)	2.5	3.8	3.7	1.7	2.8	4.3	4.2	4.6

Consolidated - Balance Sheet								
	(INR m)							
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	528	528	528	530	669	670	670	670
Total Reserves	1,910	2,393	2,929	3,349	7,791	8,977	10,339	12,072
Net Worth	2,438	2,921	3,457	3,878	8,461	9,646	11,008	12,742
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	1,399	563	1,958	3,727	1,663	1,703	2,843	3,249
Deferred Tax Liabilities	31	26	108	158	117	96	96	96
Capital Employed	3,868	3,510	5,523	7,763	10,241	11,445	13,947	16,087
Net Fixed Assets	372	283	678	1,232	933	959	1,612	1,756
Goodwill on Consolidation	601	577	1,591	2,384	2,503	2,437	2,387	2,337
Other Assets	902	1,019	1,423	1,536	2,049	2,324	1,341	1,468
Total Investments	15	40	0	38	16	351	351	351
Curr. Assets, Loans&Adv.	4,156	3,875	5,053	6,980	9,846	9,804	14,025	16,734
Inventory	66	50	63	70	70	79	87	95
Account Receivables	3,342	2,689	3,475	4,277	5,039	6,082	7,015	8,115
Cash and Bank Balance	173	446	573	1,147	836	1,185	4,299	5,667
Bank Balance	74	192	137	504	671	1,146	1,146	1,146
Loans and Advances	501	498	805	982	3,230	1,313	1,479	1,711
Curr. Liability & Prov.	2,177	2,284	3,222	4,406	5,107	4,431	5,770	6,560
Account Payables	369	319	457	793	793	895	1,154	1,233
Other Current Liabilities	1,808	1,965	2,765	3,613	4,315	3,536	4,616	5,327
Provisions	0	0	0	0	0	0	0	0
Net Current Assets	1,979	1,591	1,831	2,574	4,739	5,374	8,255	10,174
Appl. of Funds	3,869	3,510	5,523	7,764	10,241	11,445	13,947	16,087

Financials and valuation

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	6.3	8.5	10.5	6.8	11.4	17.7	20.4	25.9
Cash EPS	9.4	11.3	13.7	13.8	20.4	24.8	30.1	37.4
BV/Share	46.2	55.3	65.5	73.2	126.4	144.1	164.4	190.3
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	53.5	39.6	32.1	49.8	29.7	19.1	16.6	13.1
Cash P/E	35.9	29.9	24.6	24.5	16.5	13.7	11.3	9.1
P/BV	7.3	6.1	5.1	4.6	2.7	2.4	2.1	1.8
EV/Sales	1.4	1.5	1.3	1.0	0.9	0.8	0.7	0.5
EV/EBITDA	32.4	27.3	24.4	20.4	15.6	13.9	9.9	7.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-12.0	22.6	-5.2	-3.2	-2.5	-13.4	50.1	20.5
Return Ratios (%)								
RoE	13.6	17.1	17.1	9.8	11.0	13.1	13.2	14.6
RoCE	20.8	13.9	13.6	6.7	9.2	11.9	11.3	12.0
RoIC	27.5	19.0	17.8	9.4	10.2	13.2	15.7	18.7
Working Capital Ratios								
Asset Turnover (x)	3.4	3.4	2.7	2.7	2.4	2.4	2.3	2.3
Debtor (Days)	93	81	85	74	75	81	79	79
Creditor (Days)	10	10	11	14	12	12	13	12
Leverage Ratio (x)								
Net Debt/Equity	0.5	0.0	0.4	0.7	0.1	0.0	-0.2	-0.2

Consolidated - Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	(INR m) FY27E
OP/(Loss) before Tax	367	544	709	542	846	1,447	1,661	2,140
Depreciation	162	150	165	370	540	540	648	769
Interest & Finance Charges	217	86	220	538	274	-131	0	0
Direct Taxes Paid	-245	-125	-214	-204	-415	-468	-299	-407
(Inc)/Dec in WC	-446	630	-571	-98	-218	-879	2,567	-322
CF from Operations	55	1,285	309	1,148	1,026	508	4,577	2,181
Others	0	0	0	0	0	0	0	0
CF from Operating incl EO	55	1,285	309	1,148	1,026	508	4,577	2,181
(Inc)/Dec in FA	-685	-68	-578	-1,315	-1,175	-1,404	-1,229	-812
Free Cash Flow	-630	1,217	-269	-168	-149	-895	3,348	1,368
(Pur)/Sale of Investments	73	-115	59	-251	-2,315	1,446	0	0
Others	10	18	47	37	-74	144	0	0
CF from Investments	-602	-165	-472	-1,530	-3,564	186	-1,229	-812
Issue of Shares	0	0	0	0	3,851	2	0	0
Inc/(Dec) in Debt	612	-783	429	428	-1,228	-45	-234	0
Interest Paid	-36	-38	-95	652	-246	-257	0	0
Dividend Paid	0	0	0	0	0	0	0	0
Others	-14	-25	-45	-125	-150	-46	0	0
CF from Fin. Activity	562	-846	289	956	2,227	-345	-234	0
Inc/Dec of Cash	15	274	126	574	-311	349	3,114	1,368
Opening Balance	160	173	446	572	1,146	836	1,185	4,299
Closing Balance	175	447	572	1,146	835	1,185	4,299	5,667

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