

Kuber Chauhan
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Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	6,400
Fresh Issue (No. of Shares in Lakhs)	133
Bid/Issue opens on	25-Sep-23
Bid/Issue closes on	27-Sep-23
Face Value	Rs. 10
Price Band	280-300
Minimum Lot	50

Objects of the Issue

- **Fresh issue: ₹ 4,000 million**
Repayment and /or prepayment of certain borrowings availed by the company.
Funding working capital requirements of the company.
Pursuing inorganic initiatives
General corporate purposes.
- **Offer for sale : ₹ 2,400 million**

Book Running Lead Managers	
IIFL Securities Limited	
Motilal Oswal Investment Advisors Limited	
SBI Capital Markets Limited	
Registrar to the Offer	
Link Intime India Private Limited	

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	750.0
Subscribed paid up capital (Pre-Offer)	533.7
Paid up capital (post-Offer)	667.0

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	80.57	58.47
Public - Selling shareholders	16.92	7.54
Public – Others	2.51	33.99
Total	100	100

Financials

Particulars (₹ In million)	FY23	FY22	FY21
Revenue from operations	20,989	14,836	12,100
Operating expenses	20,063	14,054	11,440
EBITDA	926	782	661
Other Income	132	143	63
Depreciation	370	165	150
EBIT	688	760	574
Interest	146	51	30
PBT	542	709	544
Tax	196	136	69
PAT	346	574	476
Ratios	FY23	FY22	FY21
EBITDAM	4.4%	5.3%	5.5%
PATM	1.6%	3.9%	3.9%
Sales growth	41.5%	22.6%	NM

Company Description

Updater Services Limited (“UDS”) was incorporated on November 13, 2003. UDS is a leading, focused, and integrated business services platform in India offering integrated facilities management (“IFM”) services and business support services (“BSS”) to their customers, with a pan-India presence.

They are the 2nd largest player in the IFM market in India and have the widest service offering in the industry, making them a unique and differentiated player in the market. Within their BSS segment, they offer Audit and Assurance services through their Subsidiary, Matrix, which is a leading Audit and Assurance company for dealer / distributor audits, and retail audits and its strong branch reach and field associate reach has driven the company to reach the top spot in India, with a market share of 19.2% in the Financial Year ended March 31, 2023.

UDS also offers employee background verification check services through Matrix and in this segment, Matrix is the 3rd largest company in India with a share of 5.4% in the FY ended March 31, 2023.

In addition, they provide sales enablement services through their subsidiaries Denave and Athena. Denave is the largest player in this segment with a market share of 20.1% in India in the FY ended March 31, 2023. In addition, they offer mailroom management services through their subsidiary, Avon which is a market leader in India with a share of 11.1% in the mailroom management services market in the Financial Year ended March 31, 2023.

As on June 30, 2023, they served 2,797 customers across various sectors, including marquee global and Indian customers.

As of June 30, 2023, UDS had a widespread network consisting of 4,667 locations (excluding staffing locations) managed from 125 points of presence with 112 offices situated in India and 13 offices situated overseas. These offices are spread across 25 states in India, comprising 22 offices in north India, 45 offices in south India, 14 offices in east India and 31 offices in west India, giving the company a nation-wide presence as well as 13 locations overseas.

The company received private equity investment from New Vernon Private Equity Ltd (“New Vernon”) in the FY2006 and thereafter, in the year 2008, New Vernon’s stake in the company was acquired by ICICI Venture Funds Management Co Ltd which remained invested in the company until 2016. Subsequent to this, in 2017, MO Alternate Investment Advisors (“MOAIA”) invested in the company.

Valuation & Outlook

The company offers facility management (FM) services and business support services (BSS). Operating in the Business-to-Business (“B2B”) segment, the company offers a wide spectrum of business services, which are broadly classified into the two following segments such as FM & Other Services Segment and 2. BSS Segment

At the upper price band company is valuing at P/E of 57x with a market cap of ₹20,010 million post issue of equity shares and return on net worth of 9.4%.

Through the marquee clients, past acquisitions and operational efficiency, the company has successfully created a niche place in services. Moreover, company has aimed for high margin through value-added services with the support of latest technology in its portfolio.

On the valuation front, we believe that the company is fairly priced. Thus, we recommend an “**Subscribe – Long Term**” rating to the IPO.

Company's Operations

Updater Services Limited (“UDS”) is a leading, focused, and integrated business services platform in India offering integrated facilities management (“IFM”) services and business support services (“BSS”) to their customers, with a pan-India presence. They are the 2nd largest player in the IFM market in India and have the widest service offering in the industry, making them a unique and differentiated player in the market. Within their BSS segment, they offer Audit and Assurance services through their Subsidiary, Matrix, which is a leading Audit and Assurance company for dealer / distributor audits, and retail audits and its strong branch reach and field associate reach has driven the company to reach the top spot in India, with a market share of 19.2% in the Financial Year ended March 31, 2023.

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The company was founded by Raghunandana Tangirala who has over 30 years of experience in the integrated business services industry. UDS commenced operations in 1990 as a housekeeping and catering services company situated at Chennai, Tamil Nadu. Over the years, they have evolved into an integrated business services platform with a pan India presence serving customers across industries and business service lines. They are led by a well-qualified and experienced management team, which has robust experience in the sectors in which they operate, and which has demonstrated its ability to manage and grow their operations across segments that they operate in.

UDS operates in the Business-to-Business (“B2B”) services space offering a spectrum of business services, which are broadly classified into the 2 following segments:

- IFM & Other Services Segment; and
- BSS Segment

IFM & Other Services Segment:

Company's IFM services segment primarily comprise:

- **Soft Services:** These include services such as housekeeping and cleaning services, disinfecting, and sanitizing services, pest control, horticulture, and facade cleaning. UDS is the 2nd largest player in the highly fragmented soft services segment market in India with a share of 4.1% in the Financial Year ended March 31, 2023.
- **Production Support Services:** Production support services (“PSS”) are solutions offered to manufacturing facilities including material handling, material movement, on-site warehouse management, stores and inventory management, production support activities, and equipment maintenance. The major IFM companies providing PSS include Quess Corp, UDS, Krystal Integrated Services and OCS Group. Staffing companies that provide PSS are Team lease, Randstad, Manpower, Adecco etc. The market is fragmented and more than 200 companies competing in this segment. UDS is the market leader in India in this extremely fragmented segment with a market share of 2.0% in the Financial Year ended March 31, 2023. The company is one of the leading PSS providers to the automotive segment in India.
- **Engineering Services:** These mainly comprise services related to mechanical, electrical, and plumbing (“MEP”). These services, also referred to as hard services, include maintenance, repair, overhaul and performance management of heating, ventilation, and air conditioning (“HVAC”) systems; power equipment such as generators and UPS systems; pumps, sewage treatment plants, fire safety systems, waste management systems as well as the management of annual maintenance contracts for elevators and other building related systems and equipment. UDS is amongst the Top-5 players in India in the hard services market.
- **Washroom and Feminine Hygiene Care Solutions:** These include feminine hygiene care solutions and products and services such as air fresheners, sanitizers, and washroom solutions. Washroom and feminine hygiene care solutions are offered through the subsidiary, Washroom Hygiene Concept. Washroom Hygiene Concept is the 2nd largest player with revenues of ₹ 13 crore and a market share of 21.7% in the FY ended March 31, 2023.

The other services segment primarily comprise:

- **Warehouse Management:** These services comprise deployment of people, equipment, and processes to manage customer warehouses and operations within them, which could include material handling, stock keeping, grading, and sorting, breaking bulk, repacking, inward and outward dispatches, return logistics, among others.
- **General Staffing:** These are services where field staff are provided to customers for deployment in various roles and who operate under the customer's supervision. These services, offered through the company as well as through their subsidiary, Integrated Technical Staffing and Solutions, generally comprise recruitment, payroll, and human resource services.
- **Institutional Catering:** These services, provided through their subsidiary, Fusion Foods, comprise provision of catering and food services to corporates, educational institutions, and industrial facilities.
- **Others:** Other services comprise technology services offered through their subsidiary, Wynwy and procurement services offered through the subsidiary, Tangy.

BSS Segment

- **Sales Enablement Services:** These services are mainly provided through the subsidiaries, Denave and Athena. Denave is a sales enablement B2B company focused on serving global customers across multiple industries including information technology / information technology enabled services (“IT / ITeS”), telecom and other industries, through global delivery centres located in India, Malaysia, and UK, and through partners in other parts of the world. Denave is the largest player in this segment with a market share of 20.1% in India in the FY ended March 31, 2023, Athena is a B2C outbound tele-sales BPO, focused on the BFSI segment in India. Through these entities, the company offers services related to sales, channel management and marketing to IT / technology companies and companies in the consumer durable, fast moving consumer goods

("FMCG"), telecom and BFSI industries. Their services include demand generation, lead management, inside sales, data base management services, digital marketing, sales and retail analytics, customer outreach, field force management, field marketing services and outbound tele-sales.

• **Employee Background Verification Check Services:** These services comprise address verification, identity verification, educational qualifications verification, employment history verification, legal case history, among others. These services are offered through their subsidiary, Matrix, which is the 3rd largest company in India in the segment with a share of 5.4% in the FY ended March 31, 2023.

• **Audit and Assurance Services:** These services – offered through the subsidiary Matrix – are provided to FMCG and consumer durables companies to ensure the integrity and performance of their distribution, channel and retail management operations. The company provides services such as supply chain audit including warehouse depot audit, distributor audit, and retail point audit, among others. They also provide back-office services related to marketing programs and channel partner claim processing to global customers. Matrix is a leading Audit and Assurance company for dealer / distributor audits, and retail audits and its strong branch reach and field associate reach has driven the company to reach the top spot in India, with a market share of 19.2% in the FY ended March 31, 2023.

• **Airport Ground Handling Services:** These services include baggage and cargo handling, passenger movement, and aircraft turnaround, among others. Ground handling is a critical activity at an airport and includes baggage and cargo loading and unloading, passenger movement, aircraft clean-ups, in-flight meals loading and unloading, aircraft marshalling and ancillary support services to aircrafts (ground power units, ground air conditioning units), among others. They also provide meet and greet services at various airports around the country. These services are provided through their subsidiary, Global Flight Handling.

• **Mailroom Management and Niche Logistics Solutions:** These services are mainly provided through their subsidiary, Avon. Avon is a leading service provider in India and a pioneer in the mailroom and asset movement business. It is the market leader in India with a share of 11.1% in the mailroom management services market in the FY ended March 31, 2023. They leverage this presence to also offer services such as office supplies management, among others.

The total number of customers catered to as part of the Primary Segments:

Particulars	2023	2022	2021
Number of customers under the IFM Segment	1,427	1,343	1,380
Number of customers under the BSS Segment	1,669	1,105	901

These services are primarily in the nature of annuity-based services whereby the customer, once acquired, generates revenue over an extended period of time. Their annuity-based model helps in spreading out the customer acquisition costs and offers the opportunity to cross-sell and up-sell other services. Also, it enables efficiency in business operations for their customers. These services are also mostly such that they are created and offered through a combination of people, processes, and technology. Further, most of their offerings do not involve any major deployment of fixed assets and are therefore asset light. Between their IFM & Other services segment and BSS segment, they have a wide range of solutions across physical facilities, business processes, people management, production support, Audit and Assurance services and revenue enhancement, to serve customer needs across segments.

Company's portfolio of services has also evolved over the years to cater to the needs of diverse customer segments across a range of sectors including FMCG, manufacturing and engineering, banking, financial services and insurance ("BFSI"), healthcare, information technology / information technology enabled services ("IT / ITeS"), automobiles, logistics and warehousing, airports, ports, infrastructure and retail, among others. As on June 30, 2023, they served 2,797 customers across various sectors, including certain marquee global and Indian customers.

Over the years, they have grown to become a pan India player, with a widespread network consisting of 4,331 locations (excluding staffing locations) managed from 129 points of presence with 116 offices situated in India and 13 offices situated overseas, as of June 30, 2023. Their widespread network enables them to service a large number of customers and render customized services across India where they are required to provide services as per the specific needs of the customer through a combination of manpower, materials, supervision, technology, and economic models.

In addition to growing organically, UDS has also undertaken acquisition of various businesses. Whilst they acquired an initial stake in Avon in the FY March 31, 2007, some of their recent acquisitions comprise the acquisition of Global Flight Handling in the FY March 31, 2019, Matrix in the FY ended March 31, 2020, Washroom Hygiene Concept in the FY ended March 31, 2020, Denave in the FY ended March 31, 2022 and Athena in the FY ended March 31, 2023.

Through these strategic investments, they have added higher value-added businesses which as a consequence are also higher margin businesses. These acquisitions have been undertaken with a view to not only diversify and broaden their service mix, but also to improve the overall margins and to enable them to move up the value chain in terms of more value-added services connected to the customers revenue and growth objectives versus only cost and efficiency objectives. Their acquisition of Denave has allowed them an entry into south-east Asia and certain selected European geographies.

Geographical presence

As of June 30, 2023, UDS had a widespread network consisting of 4,667 locations (excluding staffing locations) managed from 125 points of presence with 112 offices situated in India and 13 offices situated overseas. These offices are spread across 25 states in India, comprising 22 offices in north India, 45 offices in south India, 14 offices in east India and 31 offices in west India, giving the company a nation-wide presence as well as 13 locations overseas.



Strengths:

➤ **Leading integrated business services platform, operating across diverse segments**

UDS is a leading, focused, and integrated business services platform in India offering IFM services and BSS to their customers, with a pan-India presence. Within the IFM & Other services segment, the company operates across service lines. They have also organically expanded into procurement and supply of consumables, machines, and related items for the facilities management industry. They have also grown inorganically through multiple acquisitions and have expanded their services portfolio. Their suite of business services has enabled them to address a diverse set of customer needs and acquire new customers and has expanded their geographic presence in key markets in India.

➤ **Longstanding relationship with customers across diverse sectors leading to recurring business**

UDS is primarily provides IFM & Other services and BSS to customers across a diverse range of industries and sectors. Within the IFM & Other services segment, they offered their services to industries including such as healthcare, manufacturing, automobile, BFSI and consumer products. Within the BSS segment, they offered their services to industries including such as retail, IT / ITeS, consumer products, global technology, IT and electronics, airlines, and telecom and communications.

➤ **Pan India presence with large and efficient workforce coupled with strong recruitment capabilities**

A pan India presence enables the company to recruit, train and deploy resources at various customer locations within a short span of time and respond to changing customer requirements, efficiently and effectively. This presence also allows them to monitor the work of their employees at various customer locations and to administer to the needs of their employees quickly and in a manner relevant to them. The company offers their services and products in India and overseas markets such as south-east Asia, south Korea, and Europe, among others. Further, the acquisition of Denave allowed them the entry into south-east Asia and certain selected European geographies for sales enablement such as demand generation, lead management, inside sales, data base management services, and digital marketing, amongst others. In addition, Matrix also provides Audit and Assurance services to customers located outside India.

➤ **Technology at the forefront of the current and future business**

Company's approach and investments in technology are driven by the following core areas:

- **Enterprise technology:** Systems Applications and Products in Data Processing ("SAP") is critical to their operations and they use it for financial record keeping, reporting, analytics, and consolidation. Apart from SAP, they use various technology products to control every facet of their operations.
- **Service delivery technology:** This is the technology that enables UDS to improve the service delivery to their customers. This includes automation of processes to manage the field force of over 50,000 employees and spans activities such as on-boarding, attendance management, employee life cycle management, task assignment, task tracking, reporting and dashboarding, ticket management, among others.
- **Technology as a product and as revenue generator:** Company's Subsidiary Wynwy, recently completed the development and beta release of an indigenously developed software product – Inconn. This product is a combination of a computerised maintenance management system ("CMMS")

as well as an enterprise asset management (“EAM”). This product will be marketed as an independent product to customers seeking to automate their maintenance and building management systems and on board their service providers.

Key Strategies:

➤ **Grow market share in key segments**

The company seeks to grow their business through the acquisition of new customers across industry segments. Their customer acquisitions are usually undertaken through 2 mechanisms: Mining and Business Development. Mining is where their customer facing teams get additional business from existing customers. The role of their business development team is to procure new customers through their digital presence. As on June 30, 2023, they had 70 employees forming part of this business development team.

➤ **Pursue inorganic growth through strategic acquisitions of high margin businesses supplemental to the operations**

Over the years, UDS has focused on moving up the value chain of complexity and specialization by enhancing their product and service portfolio, including through acquisitions, in order to be able to provide diversified and more complex services to their customers. They intend to pursue similar opportunities to undertake acquisitions (i) that allow them to enhance their scale and market position; (ii) that allow them to achieve operating leverage in key markets by unlocking potential efficiency and synergy benefits; (iii) that provide them with a platform to extend their reach to new geographic markets within India and selected overseas markets, particularly for sales enablement, audit and assurance as well as employee background check services; and (iv) that add new services complementary to their service offerings or that allow them to enter strategic businesses to capture additional revenue opportunities from their existing customer base to better their margin profile.

➤ **Retain, strengthen and grow customer base with a focus on deepening relationships with existing customers**

Company’s business is on an annuity-based model where a customer once secured, generates revenue over a long period of time. They have over the years established long-term relationships with their customers leading to recurrent business engagements with them. The increasing demand for facilities management services, energy efficiency, stringent quality and compliance standards and the increased need for mechanized cleaning, are the key industry trends which will drive demand for organised facilities management and as a result, will consolidate the business amongst organised players. The company intends to further develop and implement technological and customer-oriented initiatives.

➤ **Continue to improve operating margins**

Operating margin improvement is one of the key metrics to measure their performance and is also reflected in the performance metrics for their employees as well as in their budgeting process. Their margin improvement strategy rests on 4 key pillars: Improving operating leverage; Technology leverage; Service mix within each business and Business mix within the group. Diversity of their customer base allows them to further increase the span of services offered to their existing customers through cross selling initiatives at the group level. They also intend to leverage their existing widespread network of offices to grow their service offerings to customers who have operations at multiple locations, across India.

Industry Snapshot

Integrated facilities management market analysis

IFM services can be broadly classified and defined as below:

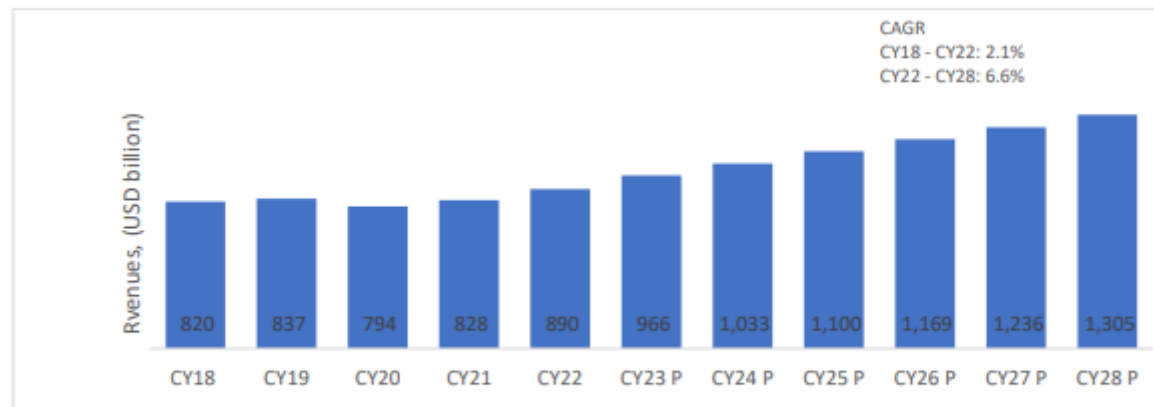
- **Soft Services:** This includes Housekeeping/ cleaning/ janitorial, Disinfection & Sanitation, Landscaping & Gardening and Pest control services. More than one or all the services are combined in a Soft Services contract.
- **Hard Services/ Engineering Services:** Heating Ventilation and Air Conditioning (HVAC) maintenance, fire safety systems, Mechanical, Electrical, Plumbing (MEP) maintenance and Green Building Services (energy management, waste management etc.) and other services such as lighting systems.
- **Production Support Services (PSS):** This is defined as supplying the workforce to the manufacturing companies for production support, material handling, maintenance, utilities etc.
- **Hygiene Services:** Hygiene Services refers to providing products and solutions such as air fresheners, sanitizers, washroom hygiene solutions including feminine hygiene units such as sanitary pad vending machines and sanitary pad disposal bins and bin liners, etc

Global Facility Management Market Overview

The global Facility Management (FM) market is witnessing a major transformation driven by technology innovation, new business models, emerging value propositions, competitive disruption, and new service offerings as value propositions are shifting to service outcomes, user experience, and business productivity.

Outsourcing is evolving rapidly across the world; in the past decade, the main objective of outsourcing was cost optimization but today organizations want to outsource FM services to free-up internal resources to deliver strategic value.

Exhibit: Outsourced FM Market Revenue Trend, Global, Calendar Year 2018 – Calendar Year 2028



P-Projections
 Source: Frost & Sullivan Analysis

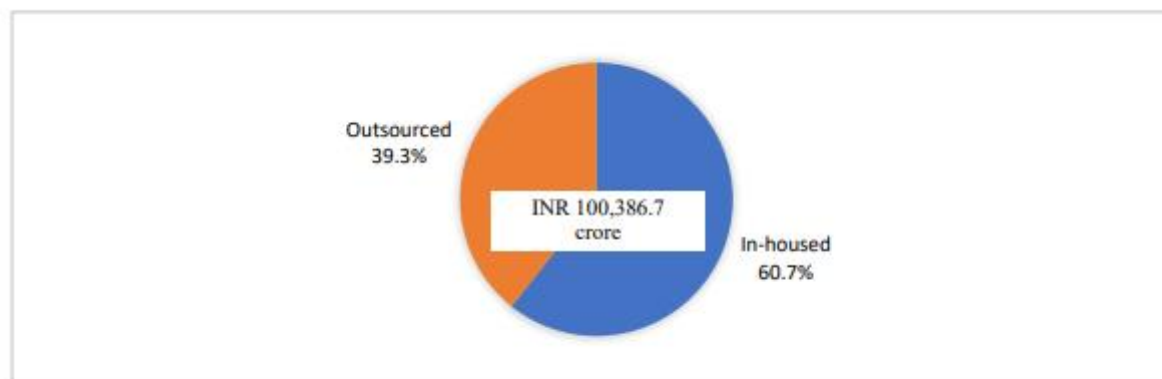
The global FM market recorded revenues of USD 890 billion in Calendar Year 2022, registering a growth of 7.5% from Calendar Year 2021. Asia is the largest FM market with a share of 32.6% of the total market followed by North America and Europe.

Asia is the largest FM market and is highly diverse. While Australia, the most developed market in the region for both FM and IFM, has reached some degree of maturity, other markets, including China and India, are still in a stage of infancy and will grow steadily and become more competitive. The low penetration of FM services markets in many of Asia’s fast-growing economies indicates that immense potential exists for market participants to grow and develop, as outsourcing becomes more commonplace in the next 10 years.

Indian IFM Market Analysis

IFM market in India has been growing steadily over the last decade and is set to witness significant growth momentum over the next 5 years. The total IFM market in India in the Financial Year ended March 31, 2023 is valued at ₹ 100,386.7 crore and around 39.3% of this is outsourced to 3rd party companies. Between the Financial Year ended March 31, 2018 and the Financial Year ended March 31, 2023, the outsourced Indian IFM market grew at a CAGR of 9.5%. In the Financial Year ended March 31, 2023 the outsourced IFM market was estimated to be worth ₹ 39,480.0 crores.

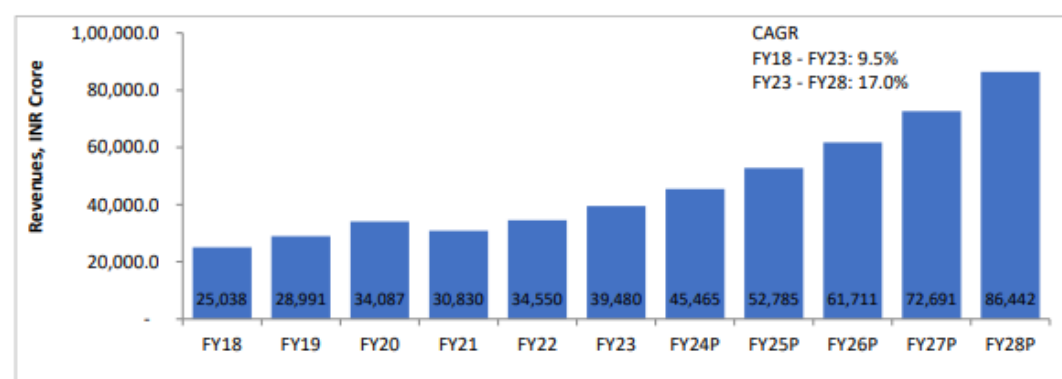
Exhibit: IFM Market: In-house versus Outsourcing, India, Financial Year ended March 31, 2023



Source: Frost & Sullivan Analysis

The market revenues declined in the Financial Year ended March 31, 2021 due to the global pandemic and then recovered bulk of it in the Financial Year ended March 31, 2022. The demand for IFM services has increased as people’s preferences for a safe, clean, and secure environment have grown. The government’s plan to develop 100 smart cities will result in a surge in infrastructure creation. The Union Budget for the Financial Year ended March 31, 2024 has proposed a total CAPEX outlay of ₹ 10 trillion, which is 33.0% increase year-on-year and 3.3% of the total GDP. Given the current expansion and increase in investments in IT, IteS and BFSI segments, the demand for professional IFM services are increasing, IT sector is shifting to more personalized/ customized services utilizing both Hard and Soft FM services. Investments in other segments such as healthcare and retail are also propelling the demand for IFM services.

Outsourced IFM Market: Historic and Forecast Revenue Trend, FY 2018 – FY 2028, India



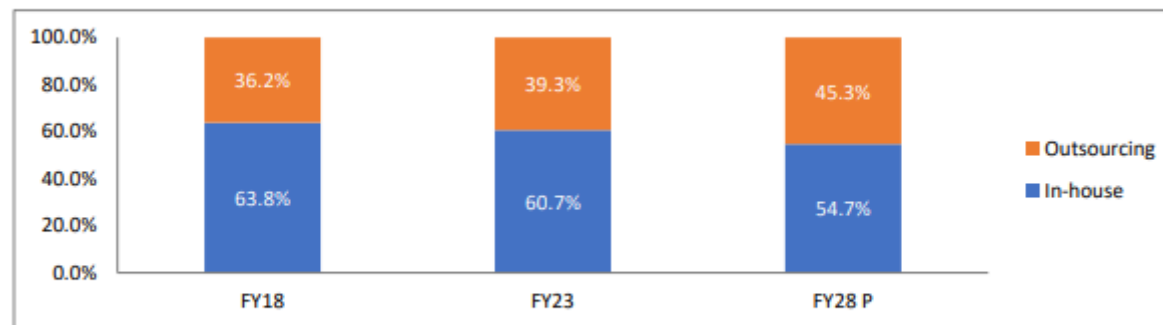
P-Projections
 Source: Frost & Sullivan Analysis

The market is now shifting from single service contract model to integrated services model which is a method of consolidating many or all the office/ building's services under one contract and management team. The intent is to streamline communication and make day-to-day operations easier to manage while improving the building performance.

Outsourced versus In-house IFM Services

The outsourced IFM market accounts for 39.3% of the total market and is expected to increase over the forecast period.

Exhibit: IFM Market: Outsourcing Trends, India, Financial Year ended March 31, 2018, Financial Year ended March 31, 2023 and Financial Year ended March 31, 2028



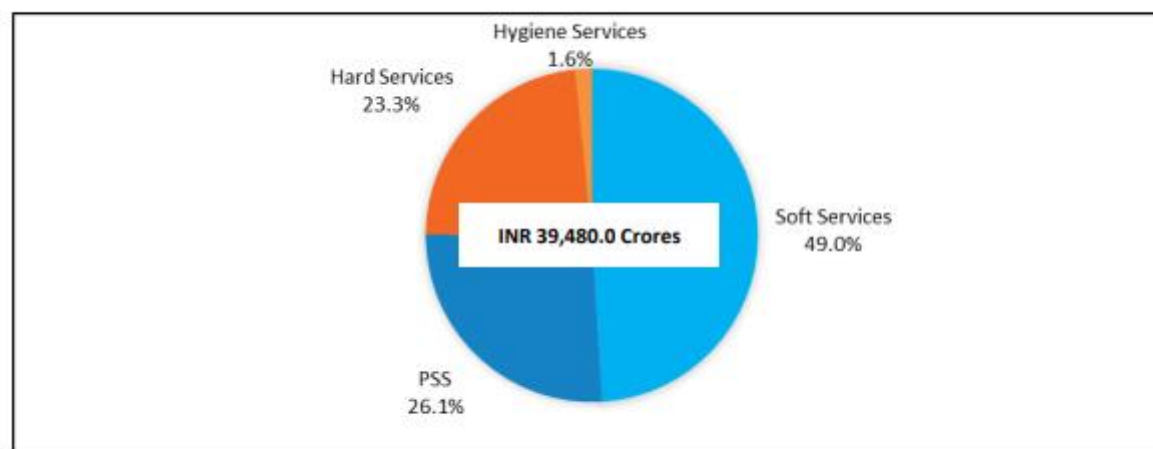
P-Projections
 Source: Frost & Sullivan Analysis

Market Segmentations

a) Segmentation by Service Types

The IFM market is dominated by Soft Services that include Housekeeping/ cleaning/ janitorial, Pest Control, and Landscaping and Gardening etc. With commercial offices segment choosing hybrid work models, this segment is expected to continue its leadership position in the IFM market during the forecast period. PSS Segment is the second largest in Soft Services segment and is driven by the increasing investments in manufacturing segment and growing demand for qualified manpower. Hard services is another significant contributor to the IFM market and is driven by the need for preventive maintenance and energy efficiency.

Exhibit: IFM Market: Breakdown by Service Types, India, Financial Year ended March 31, 2023

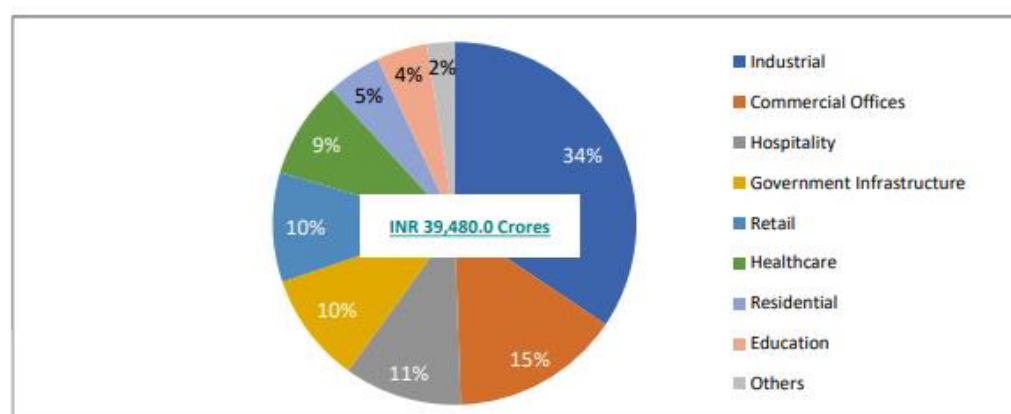


Source: Frost & Sullivan Analysis

b) End User Segmentation

IFM services have recorded higher growth banking on increasing awareness levels, growth in outsourcing of non-core business activities and spiking demand for the manufacturing and realty sector. Industrial Segment is the largest contributor driven by Soft Services and PSS Segments. The Commercial Offices Segment would remain key contributors to market growth in Soft Services, Hard Services and Hygiene Services, witnessing higher demand from IT/IteS and BFSI segments.

Exhibit: IFM Market: Breakdown by End User Segments, India, Financial Year ended March 31, 2023



Source: Frost & Sullivan Analysis

Business support services (“bss”) market analysis

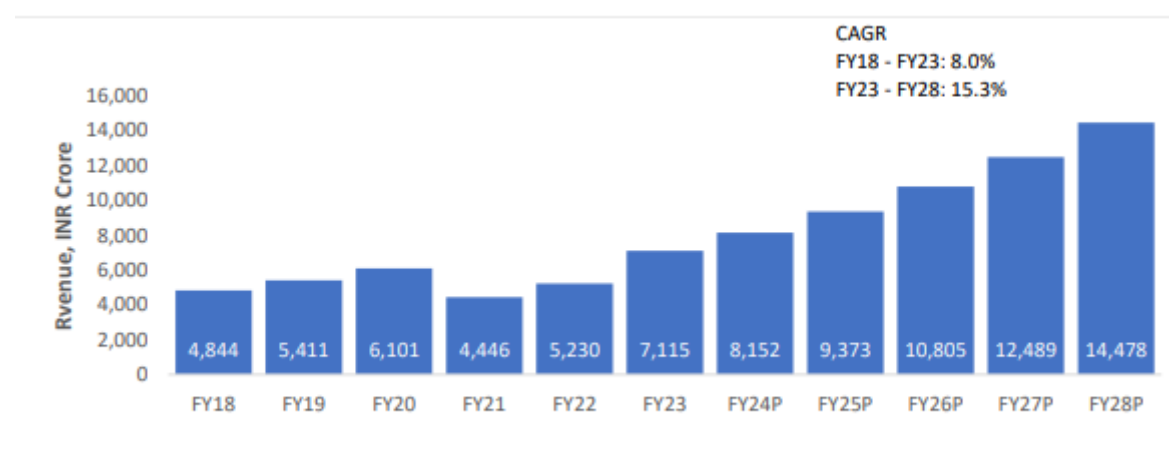
Business Support Services is defined as a set of ancillary services that are provided to companies for the smooth conduct of business operations. There are several service segmentations within BSS and for this report it includes the following services only:

- **Mailroom Management Services:** These services include processing and sorting the company’s incoming and outgoing mail. This service is customizable based on client processes and provides complete visibility of mail movement with a track and trace facility. It also includes asset movement services, such as asset pick-up, packaging, and delivery including reverse logistics. The market only consists of the services and does not consider the revenues from sales of mailroom management systems and software.
- **Employee Background Verification Services:** These services are used to vet an individual’s employment history, commercial records, financial records, and other activities to confirm their authenticity. Address verification, education verification, criminal record verification, previous employment verification, reference checks, drug test, and credit checks are used for background verification. In recent years, social media checks are also being used to confirm the identity and records of an individual.
- **Retail/Channel/ Trade Audits & Assurance Services:** These services include end-to-end supply chain audits including warehouse depot audits, distributor audits, retail point audits, market hygiene audits, and channel/ trade claims processing and schemes administrations/ trade programs among others.
- **Sales Enablement Services:** These services include the iterative process of giving a company’s sales force the resources they need to close more deals and increase sales. They include services, such as tele-calling, demand generation, sales plan execution by providing field staff, marketing services, intelligent database management systems, and training, among others.
- **Airport Ground Handling Services:** These refer to a range of services provided to facilitate an aircraft ground repositioning. The major categories of ground handling services are passenger handling, cargo handling, ramp handling, and catering, among others, which help in the preparation and conclusion of a flight. Passenger and ramp handling services are provided for passenger flights, whereas cargo handling services are for freighter flights.

Market Size and Forecast

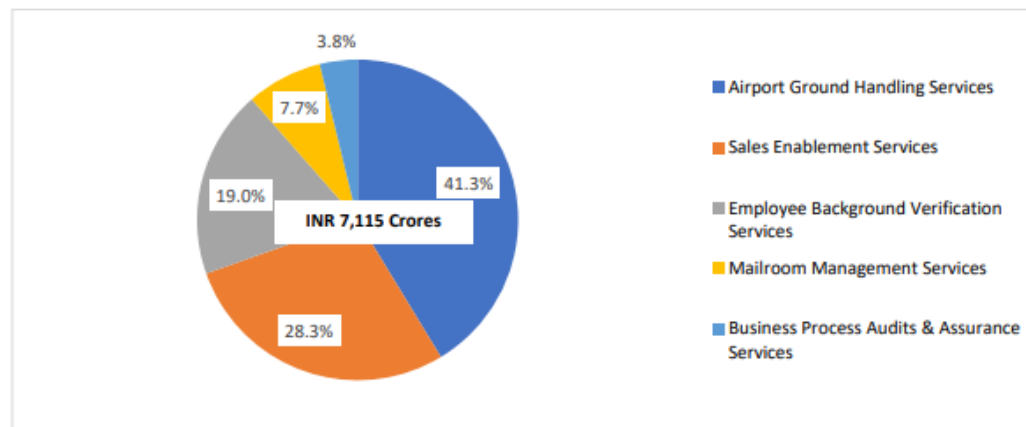
The market for BSS is valued at ₹ 7,115.0 crore in the Financial Year ended March 31, 2023. The market recorded a CAGR of 8.0% from the Financial Year ended March 31, 2018 to the Financial Year ended March 31, 2023. The market witnessed a decline of 27.1% in the Financial Year ended March 31, 2021 due to restrictions imposed during the COVID-19 pandemic. During the pre-COVID-19 period the market grew at a CAGR of 12.2% from the Financial Year ended March 31, 2018 to the Financial Year ended March 31, 2020, driven by the growing demand for outsourcing from the growing industrial and commercial sectors. It is expected to grow at a CAGR of 15.3% from the Financial Year ended March 31, 2022 to the Financial Year ended March 31, 2028 and reach ₹ 14,477.6 crore in the Financial Year ended March 31, 2028.

BSS Market: Historic and Forecast Revenue Trend, Fiscal 2018 – Fiscal 2028, India



Ground Handling Services is the largest segment within BSS in the Financial Year ended March 31, 2023. The need for ground handling services will rise due to high traffic growth from both passenger and freight transportation. The development and renovation of airport terminals as well as the growth of airline fleets would have a significant impact on the demand for ground handling services in India. The market for ground handling services in India will grow as more beneficial government programs are implemented. The second largest segment in BSS is the Sales Enablement Services market. Improvisation of internal business processes and the need for technology adoption are the major drivers for Sales Enablement Services market in India. One of the customer needs is to improve the targeting and the efficiency of their business developing teams by providing them qualified leads. Another major growth enabler is the offshoring of work from the USA, Europe, and other global countries. Relatively lower labour costs, ability to handle complex tasks etc. make India an attractive destination for outsourcing these services. This is a global trend with multinational customers outsourcing activities to delivery partners and centres across the world much like has been seen in the IT industry, and the market is expected to witness high growth in the long-term. Other BSS segments benefiting from offshoring are Audits and Assurances and remote audit work.

Exhibit: BSS Market: Breakdown by Service Types, India, Fiscal 2023



Source: Frost & Sullivan Analysis

- Accounting ratios**

(in mn)

Particulars	FY 2023	FY 2022	FY 2021
Revenue from Operations	2,098	1,483	1,210
Growth in revenue from operations (%)	41.4%	22.6%	-
EBITDA	145.02	108.7	72.3
EBITDA Margin (%)	6.9	7.2	5.9
PBT	54.1	70.9	54.4
PAT	34.6	57.3	47.5
PAT Margin (%)	1.6	3.8	3.9
ROE (%)	9.4	16.2	15.8
ROCE (%)	14.1	20.2	22.6

- Comparison with listed entity**

Name of the company	Latest FY	Face value	P/E	EPS (Basic) (₹)	EPS (Diluted) (₹)	RONW (%)	NAV per equity share (₹)
Updater Services Ltd	Consolidated	10	57.8*	5.1	5.1	9.4	71.9
Listed peers							
Quess Corp Ltd	Consolidated	10	28.3	15.1	15.0	8.7	173.3
SIS Limited Ltd	Consolidated	5	19.7	23.6	23.4	14.8	160.1
TeamLease Services Ltd	Consolidated	10	40.9	65.1	65.1	13.8	472.3

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on Sept 22, 2023.

2) * P/E of company is calculated on EPS of FY23 and post issue no. of equity shares issued.

Key Risks

- The Company has a large workforce deployed across workplaces and customer premises. Consequently, the Company may be exposed to service-related claims and losses or employee disruptions that could have an adverse effect on the reputation, business, cash flows, results of operations and financial condition.
- A significant portion of the revenues are derived from a few geographical regions and any decrease in revenues from south India, including due to increased competition or supply, or reduction in demand, in markets in which the Company operates, may have an adverse effect on the business, cash flows, results of operation and financial condition.
- The Company faces significant employee-related regulatory risks and any significant disputes with its employees and/or concerned regulators may adversely affect the business prospects, cash flows, results of operations and financial condition.
- Operational risks are inherent in the business as it includes rendering services in contrasting environments. A failure to manage such risks including any errors, defects or disruption in the service or inability to meet expected or agreed service standards, could have an adverse impact on the business, cash flows, results of operations and financial condition.
- The businesses of the Company is manpower intensive and its inability to attract and retain skilled manpower could have an adverse impact on the growth, business and financial condition.

Valuation

The company offers facility management (FM) services and business support services (BSS). Operating in the Business-to-Business ("B2B") segment, the company offers a wide spectrum of business services, which are broadly classified into the two following segments such as FM & Other Services Segment and 2. BSS Segment

At the upper price band company is valuing at P/E of 57x with a market cap of ₹20,010 million post issue of equity shares and return on net worth of 9.4%. Through the marque clients, past acquisitions and operational efficiency, the company has successfully created a niche place in services. Moreover, the company has aimed for high margin through value-added services with the support of latest technology in its portfolio.

On the valuation front, we believe that the company is fairly priced. Thus, we recommend an "**Subscribe – Long Term**" rating to the IPO.

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	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0%-15%	Below 0%
Mid-Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small Caps (251st company onwards)	>25%	0%-25%	Below 0%

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