



The company is a leading, focused and integrated business services platform in India offering integrated facilities management and business support services to customers pan India. The company is a 2nd largest player in integrated facilities management (IFM), which includes soft services, production support services, engineering services, washroom and feminine hygiene care has contributed around 72% of the total revenues backed by strong clientele across diverse sectors. The company is looking to increase its customer base with expansion of key segments and introduce new products and services catering to existing and new customer. The company is also looking to pursue inorganic growth through acquisition of high margin businesses with expansion of standalone margin. However, the company looks expensive vis a vis its peers in terms of valuation. Hence, we recommend to subscribe the issue for long term.



About Company

Updater Service Limited commenced operations in 1990 as a house-keeping 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.

Issue details	
Price Band (in ₹ per share)	280-300
Issue size (in ₹ Crore)	624-640
Fresh Issue (in ₹ Crore)	400
OFS (in ₹ Crore)	224-240
Issue open date	25-09-2023
Issue close date	27-09-2023
Tentative date of Allotment	04-10-2023
Tentative date of Listing	09-10-2023
Total number of shares (lakhs)	222.86-213.33
No. of shares for QIBs (75%) (lakhs)	167.14-160.00
No. of shares for NII (15%) (lakhs)	33.43-32.00
No. of shares for retail investors (10%) (lakhs)	22.29-21.33
Minimum order quantity	50
Face value (in ₹)	10.00
Amount for retail investors (1 lot)	14000-15000
Maximum number of shares for Retail investors at lower Band	700(14 lots)
Maximum number of shares for Retail investors at upper band	650(13 lots)
Maximum amount for retail investors at lower Band- upper band (in ₹)	1,96,000-1,95,000
Exchanges to be listed on	BSE, NSE

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Promoters

- Raghunandana Tangirala
- Shanthi Tangirala
- Tangi Facility Solutions Private Limited

Objective of the Offer

- Repayment and /or prepayment of certain borrowings availed by their Company
- Funding their working capital requirements;
- Pursuing inorganic initiatives
- General corporate purposes
- Sale of 80,00,000 shares by the promoter and investor group



Brief Financials			
Particulars (Rs. Cr)*	FY23	FY22	FY21
Share Capital	52.95	52.82	52.82
Net Worth	380.89	340.43	285.26
Revenue from contract with customers	2098.88	1483.55	1210.03
EBITDA	99.77	86.54	70.22
PAT	34.61	57.37	47.56
Basic EPS(Rs)	6.77	10.47	8.53
NAV	71.93	64.45	54.01
Total Borrowings	176.54	58.68	11.61
P/E#	44.31	NA	NA
P/B #	4.17	NA	NA

Source: RHP # Calculated at the upper price band, * Restated consolidated financials

Industry Review

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.

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

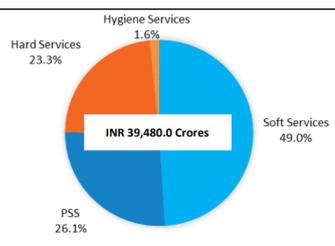
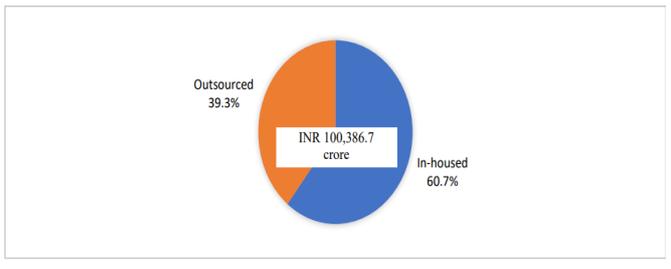


Exhibit: IFM Market: In-house versus Outsourcing, India, Financial Year ended March 31, 2023



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.

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

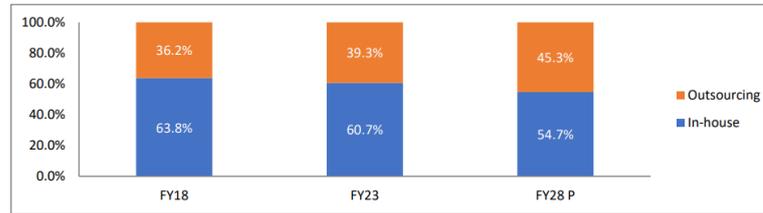




Industry Review

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.

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

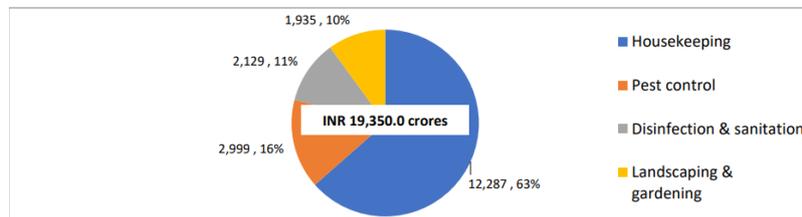


Soft Services Segment Analysis

Exhibit: Soft Services Segment Market: Historic and Forecast Revenue Trend, India, FY 2018 – FY2028



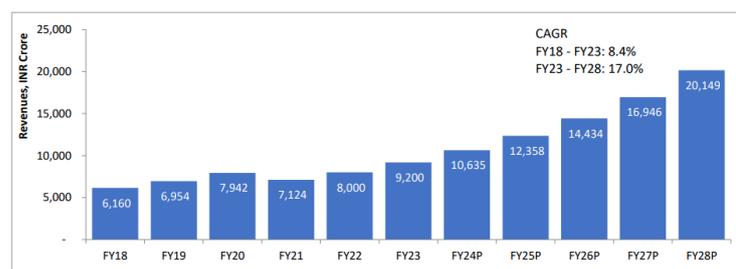
Exhibit: Soft Services Segment Market: Breakdown by Service Types, India, Fiscal 2023 (₹ Crore)



Soft Services segment was estimated at ₹ 19,350.0 crore in the Financial Year ended March 31, 2023 and has recorded a CAGR of 7.0% from the Financial Year ended March 31, 2018 – the Financial Year ended March 31, 2023. COVID19 impact on the Soft Services segment is estimated to be de-growth of 14.7% in the Financial Year ended March 31, 2021.

Hard Services / Engineering Services Segment Analysis

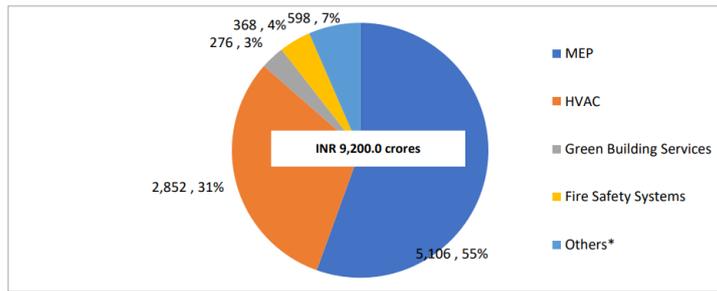
Exhibit: Hard Services Segment Market: Historic and Forecast Revenue Trend, India, FY 2018 – FY 2028





Industry Review

Exhibit: Hard Services Segment Market: Breakdown by Service Types, India, Fiscal 2023, ₹ Crore



Increase in real estate investments would drive the demand for various Hard Services and the market is expected to grow at a CAGR of 17.0% from the Financial Year ended March 31, 2023 to the Financial Year ended March 31, 2028 and reach ₹ 20,148.6 crore.

Production Support Services (PSS) Segment Analysis

Exhibit: PSS Segment Market: Historic and Forecast Revenue Trend, India, FY2018 – FY2028

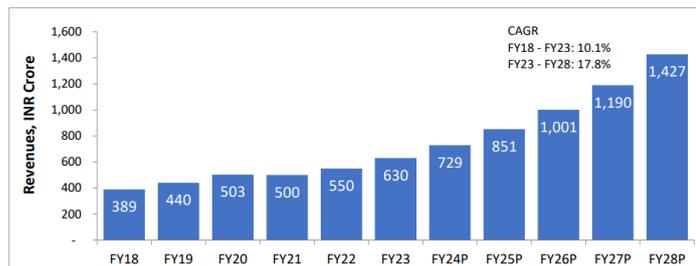


Automotive industry is a key demand driver for PSS in India and accounts for 15.0% of the total market in FY 2023.

Hygiene Services Segment Analysis

Hygiene Services are gaining prominence in India because of the increasing awareness on personal hygiene, generational shift in India and availability of products on e-commerce platforms. Historically the market was offering soaps, hair care and face wash related products, and air fresheners, but now has undergone a transformation in terms of products being sold for personal hygiene, particularly for feminine hygiene.

Exhibit: Hygiene Services Segment Market: Revenue Forecasts, India, FY2018 – FY2028



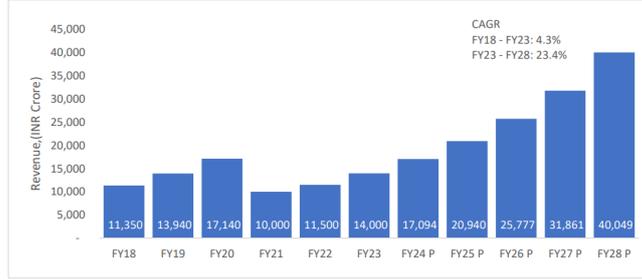
With the anticipated increase in menstrual hygiene awareness the demand for sanitary napkins is expected to increase and this will create the demand for safe and proper disposal of it. The existing system for sanitary waste disposal is poor and causes severe environmental issues and therefore Feminine Hygiene Units are well poised to witness high growth opportunities in the coming years.



Industry Review

Food and Catering Services Market Analysis

Exhibit: Food and Catering Services Market: Historic and Forecast Revenue Trend, India, FY2018 – FY2028

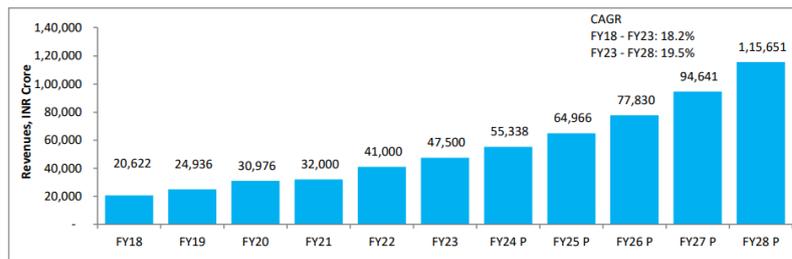


Growth in the economy and rising investments in services, industry, education and tourism sectors have played a crucial role in the growth of Food Services and Catering market. India’s high growth trajectory has resulted in industries and offices moving to semi-urban area of cities and this has fueled the demand for on-site kitchens to serve employees who must travel long distances to reach office locations.

Staffing Services Market Analysis

Staffing Services is defined as the temporary staffing focused on the needs of IT/iTeS and general staffing requirements of organizations encompassing all its functional requirements. This would include contract-based staffing only and the requirement is limited to specific projects and is short-term i.e., 1 -2 years.

Exhibit: Staffing Services Market: Historic and Forecast Revenue Trend, India, FY2018 – FY2028

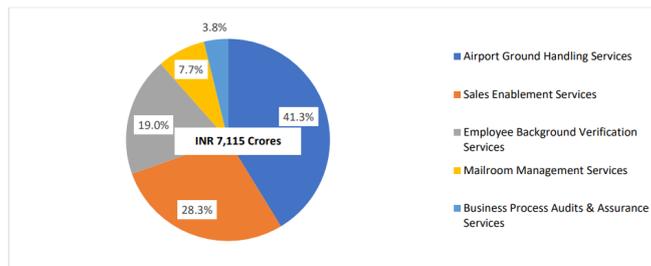


BUSINESS SUPPORT SERVICES (“BSS”) MARKET ANALYSIS

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, Employee Background Verification Services, Retail/Channel/ Trade Audits & Assurance Services, Sales Enablement Services, Airport Ground Handling Services.

Business support services, when conducted internally can be expensive and time-consuming if not handled efficiently, as the organizations may lack the expertise and resources to handle these services effectively.

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





Competitive Strengths

Leading integrated business services platform, operating across diverse segments

They are a leading, focused, and integrated business services platform in India offering IFM services and BSS to their customers, with a pan-India presence. The various acquisitions undertaken by them over a period have, in addition to resulting in the expansion of their services portfolio, allowed them to achieve leading positions in a number of their business segments. They believe 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. From the Financial Year ended March 31, 2021 to the Financial Year ended March 31, 2023, their growth in total income has primarily been driven by a growth in their BSS segment, which grew at a CAGR of 96.87%. This is on account of their keen focus on expanding the relatively higher margin BSS segment. Their long-standing presence in India has helped them gain an understanding of the market, which they believe has largely contributed towards the growth in their operations and profitability. They also believe that factors such as their diverse range of services, customer base across sectors, ranging from manufacturing to retail sector and healthcare to metro rail and airports, and the strength of their brand, have enabled them to strengthen their leading position.

Longstanding relationship with customers across diverse sectors leading to recurring business

They primarily provide IFM & Other services and BSS to customers across a diverse range of industries and sectors. Such a diverse base of customers has allowed them to not only reduce their vulnerabilities to economic cycles but also their dependence on any particular set of customers. Their top five customers accounted for 26.57%, 29.17%, and 27.47% of their total income amounting to ₹ 3,221.74 million, ₹ 4,746.59 million and ₹ 5 785.26 million, respectively, in the Financial Years ended March 31, 2021, 2022 and 2023, respectively.

Set forth hereunder are certain details of their existing and new customers as well as the revenue generated by these customers, during the last three Financial Years ended March 31, 2021, 2022 and 2023:

Type of Customers	For the Financial Year ended		
	March 31, 2021*	March 31, 2022*	March 31, 2023*
Existing customers	143	153	185
Revenue generated by existing customers (₹ in million)	6,201.94	9,424.18	13,867.62
Newly acquired customers	20	45	32
Revenue generated by acquired customers (₹ in million)	269.84	330.91	289.20

They believe their ability to offer customized services to fit the needs of their customers across various business verticals allows them to deepen their relationships with their customers and enables them to target a greater share of their requirements thereby leading to recurring business.

Track record of successful acquisition and integration of high margin business segments

They have established a track record of successful inorganic growth through strategic acquisitions to supplement their business segments, diversify their revenue streams, and integrate such acquired businesses to further strengthen their services portfolio. They have pursued selective strategic acquisitions as a means to expand their operations, enhance their global competitive position and capitalise on potential operational synergies. Their focus has been to acquire companies and businesses whose offerings are complementary and supplementary to theirs. All their acquisitions have added either a new customer segment, new service line, or a new geography to them. They believe that they have been able to selectively identify strategic acquisition and investment targets in the past, and make successful acquisitions and integrate them as well as to grow them. These acquisitions have also enabled them to leverage the existing businesses and brand equity and to diversify their revenue streams, obtain employee talent and thus expand their presence across the value chain. Each of their acquisitions has been such that they have added a new service line, given them access to a new set of customers, and have added to their margin profile.



Risk Factors

Employee Risk-

They face significant employee related regulatory risks and any significant disputes with their employees and/or concerned regulators may adversely affect their business prospects, cash flows, results of operations and financial condition.

Operational risk-

Operational risks are present in their business as it includes providing services in different business environments. A failure to manage such risks including any errors, defects or disruption in their service or inability to meet expected or agreed service standards, could have an adverse impact on their business, cash flows, results of operations and financial condition.

Working capital risk-

Their business requires significant amounts of working capital. They may not be able to obtain future financing on favourable terms or at all or furnish bank guarantees in the future. If they experience insufficient cash flows from their operations or are unable to borrow funds to meet their working capital requirements, it may materially and adversely affect their business and results of operations.



Peer Comparison

Name of the Company	Total Income (Crores)	FV	Basic EPS	NAV	P/E *	P/B*	ROE	ROCE
Updater Services Limited	2098.89	10.00	6.77	71.93	44.31	4.17	9.40%	14.17%
Qess Corp Limited	17158.39	10.00	15.16	173.30	27.90	2.44	8.74%	9.39%
SIS Limited	11345.78	5.00	23.64	160.11	18.23	2.69	14.85%	10.60%
Team Lease Services Limited	7869.99	10.00	65.12	472.38	38.96	5.37	13.79%	13.90%

**P/E & P/B ratio based on closing market price as on September 21, 2023, At the upper price band of IPO, financial details consolidated audited results as on FY23.*



Our View

The company is a leading, focused and integrated business services platform in India offering integrated facilities management and business support services to customers pan India. The company is a 2nd largest player in integrated facilities management (IFM), which includes soft services, production support services, engineering services, washroom and feminine hygiene care has contributed around 72% of the total revenues backed by strong clientele across diverse sectors. The company is looking to increase its customer base with expansion of key segments and introduce new products and services catering to existing and new customer. The company is also looking to pursue inorganic growth through acquisition of high margin businesses with expansion of standalone margin. However, the company looks expensive vis a vis its peers in terms of valuation. Hence, we recommend to subscribe the issue for long term.

Source– Company Website and red herring prospectus



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