

Updater Services Ltd

Elevating business excellence in every service



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Updater Services Ltd (UDSL), founded in 1990, the company has evolved into a pan-India platform with experienced leadership. They operate in the B2B services space, with two main segments: IFM & Other Services and BSS. It's a leading business services platform in India, offering integrated facilities management (IFM) and business support services (BSS) with a nationwide presence. They are the second-largest player in the IFM market and have a wide range of services. In the BSS segment, they provide services like Audit and Assurance through their subsidiary, Matrix, which is a top player in dealer/distributor and retail audits. They also offer employee background verification through Matrix and sales enablement services through subsidiaries Denave and Athena. Additionally, their subsidiary Avon is a market leader in mailroom management services.

UDSL's IFM services segment encompasses soft services such as housekeeping, cleaning, pest control, and more. They excel in the highly fragmented Production Support Services (PSS) market, catering to manufacturing facilities with material handling, warehouse management, and other services. They also provide critical Engineering Services, managing mechanical, electrical, and plumbing maintenance, making them a prominent player in India's hard services market. Furthermore, their subsidiary, Washroom Hygiene Concept, specializes in Washroom and Feminine Hygiene Care Solutions and stands out as the second-largest player with a substantial 21.7% market share in this segment.

UDSL's BSS (Business Support Services) segment provides a wide array of specialized services. This includes sales enablement services, employee background verification checks, audit and assurance services for FMCG and consumer durables, airport ground handling through global flight handling, and mailroom management plus niche logistics solutions. Notably, Denave leads the B2B sales enablement market, while Matrix excels in audit and assurance. Avon is the leader in mailroom management. These services cater to diverse industries, ensuring comprehensive support to clients across various sectors.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY21	1210.0	66.1	47.6	5.5	3.9	7.1	42.8	16.7	22.3	42.1	1.6	29.4
FY22	1483.6	78.2	57.4	5.3	3.9	8.6	51.0	16.9	18.8	34.9	1.3	25.4
FY23	2098.9	92.6	34.6	4.4	1.6	5.2	57.1	9.1	14.3	57.8	1.0	21.7

Industry	Diversified
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Issue Details

Listing	BSE & NSE
Open Date	25 th Sept 2023
Close Date	27 th Sept 2023
Price Band	INR 280-300
Face Value	INR 10
Market Lot	50 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	37.55%
Fresh Issue	62.44%
Issue Size (Amt)	INR 640 cr
Issue Size (Shares)	2,13,33,333
QIB Share (%)	≥ 75%
Non-Inst Share (%)	≤ 15%
Retail Share (%)	≤ 10%
Pre issue sh (nos)	5,33,69,355
Post issue sh (nos)	6,67,02,688
Post issue M Cap	INR 2,001 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter & group	80.58	58.47
Public	19.43	41.53
TOTAL	100.00	100.00

Growth Strategies

Introduce new products and services catering to existing and new customer segments

The company is a leading business services platform in India, poised to capitalize on the country's robust economic growth and initiatives like "Make in India." They plan to introduce new services, expand organically, and explore strategic partnerships and acquisitions to fill market gaps. Their diverse portfolio already includes services such as employee background verification, audit and assurance, sales enablement, airport ground handling, washroom and feminine hygiene care, mailroom management, and catering services.

Pursue inorganic growth through strategic acquisitions of high margin businesses supplemental to its operations

They aim to further diversify and provide higher-value, higher-margin services as their capabilities evolve. While maintaining organic growth, they plan to explore inorganic expansion, leveraging their prior acquisition experience, especially in niche high-margin businesses. These acquisitions have enhanced their operations, growth, and margin profile.

Continue to improve operating margins

The margin improvement strategy rests on key elements like improving operating leverage, technology leverage, service mix within each business and business mix within the group.

Key Risks & Concerns

- The company has a substantial workforce deployed at various locations, including customer premises. Historically, they have provided indemnification to customers for losses or damage caused by their employees' negligence. This exposes them to potential service-related claims, losses, or disruptions in their workforce, which could negatively impact their reputation, business operations, cash flows, financial results, and overall financial condition.
- The company's operations heavily rely on a large workforce, and their ability to attract and retain skilled employees is crucial for their growth and overall business. However, they have experienced high attrition rates of 77.78%, 65.80%, and 77.60% in the financial years ending on FY21, FY22, and FY23, respectively.

- A substantial portion of the company's revenue is generated from services in southern India, contributing over 59% in recent financial years. Any decrease in revenue from this region due to factors like increased competition, supply issues, or disruptions from social, political, economic, or natural calamities could negatively impact the company's business and financial condition.

Issue Structure and Offer Details

The proposed fresh issue size of UDSL is INR 640 cr (INR 240 cr OFS and INR 400 cr fresh issue) and the price band for the issue is in the range of INR 280 – 300 and the bid lot is 50 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not less than 75% of the Offer
NIB	Not more than 15% of the Offer
Retail	Not more than 10% of the Offer

Number of shares based on a higher price band of INR 300

Source: Company Reports

Details of the selling shareholders		
Promoter Selling shares	Amount offered	No of shares
Tangi Facility Solutions (P) Ltd	Not more than INR 60 Cr	40,00,000
India Business Excellence Fund - II	Not more than INR 24 cr	8,00,000
India Business Excellence Fund - IIA	Not more than INR 96 cr	32,00,000

The amount is based on a higher price band of INR 300

Source: Company Reports

UDSL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	1,210.0	1,483.6	2,098.9	Adjusted EPS (INR)	7.1	8.6	5.2
<i>YoY Growth (%)</i>	<i>(8.0)</i>	<i>22.6</i>	<i>41.5</i>	Adjusted Cash EPS (INR)	9.4	11.1	10.7
Raw Material Cost	31.6	39.3	80.2	Adjusted BVPS (INR)	42.8	51.0	57.1
<i>RM Cost to Sales (%)</i>	<i>2.6</i>	<i>2.7</i>	<i>3.8</i>	Adjusted CFO per share (INR)	19.3	4.7	17.2
Employee Cost	981.7	1,068.2	1,384.1	CFO Yield (%)	6.4	1.6	5.7
<i>Employee Cost to Sales (%)</i>	<i>81.1</i>	<i>72.0</i>	<i>65.9</i>	Adjusted FCF per share (INR)	17.7	(2.0)	(3.8)
Other Expenses	130.7	297.8	542.0	FCF Yield (%)	5.9	(0.7)	(1.3)
<i>Other Exp to Sales (%)</i>	<i>10.8</i>	<i>20.1</i>	<i>25.8</i>	Solvency Ratio (X)			
EBITDA	66.1	78.2	92.6	Total Debt to Equity	0.0	0.2	0.5
<i>Margin (%)</i>	<i>5.5</i>	<i>5.3</i>	<i>4.4</i>	Net Debt to Equity	(0.2)	(0.0)	0.0
<i>YoY Growth (%)</i>	<i>12.9</i>	<i>18.4</i>	<i>18.4</i>	Net Debt to EBITDA	(0.9)	(0.2)	0.1
Depreciation & Amortization	15.0	16.5	37.0	Return Ratios (%)			
EBIT	51.1	61.7	55.6	Return on Equity	16.7	16.9	9.1
<i>Margin (%)</i>	<i>4.2</i>	<i>4.2</i>	<i>2.6</i>	Return on Capital Employed	15.0	12.5	6.4
<i>YoY Growth (%)</i>	<i>20.6</i>	<i>20.7</i>	<i>(9.9)</i>	Return on Invested Capital	22.3	18.8	14.3
Other Income	6.3	14.3	13.2	Working Capital Ratios			
Finance Cost	3.0	5.1	14.6	Payable Days (Nos)	10	11	14
Interest Coverage (X)	17.2	12.2	3.8	Inventory Days (Nos)	2	2	1
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	81	85	74
PBT	54.4	70.9	54.2	Net Working Capital Days (Nos)	73	76	62
<i>Margin (%)</i>	<i>4.5</i>	<i>4.8</i>	<i>2.6</i>	Net Working Capital to Sales (%)	20.0	20.8	16.9
<i>YoY Growth (%)</i>	<i>48.5</i>	<i>30.3</i>	<i>(23.6)</i>	Valuation (X)			
Tax Expense	6.9	13.6	19.6	P/E	42.1	34.9	57.8
<i>Tax Rate (%)</i>	<i>12.6</i>	<i>19.1</i>	<i>36.1</i>	P/BV	7.0	5.9	5.3
PAT	47.6	57.4	34.6	EV/EBITDA	29.4	25.4	21.7
<i>Margin (%)</i>	<i>3.9</i>	<i>3.9</i>	<i>1.6</i>	EV/Sales	1.6	1.3	1.0
<i>YoY Growth (%)</i>	<i>43.8</i>	<i>20.6</i>	<i>(39.7)</i>	Cash Flow Statement			
Min Int/Sh of Assoc	0.0	0.0	0.0	PBT	54.4	70.9	54.2
Net Profit	47.6	57.4	34.6	Adjustments	19.1	39.7	127.4
<i>Margin (%)</i>	<i>3.9</i>	<i>3.9</i>	<i>1.6</i>	Change in Working Capital	61.8	(66.0)	(47.3)
<i>YoY Growth (%)</i>	<i>43.8</i>	<i>20.6</i>	<i>(39.7)</i>	Less: Tax Paid	(6.9)	(13.6)	(19.6)
Balance Sheet				Cash Flow from Operations	128.5	31.1	114.8
Share Capital	52.8	52.8	53.0	Net Capital Expenditure	(3.6)	(13.5)	(50.6)
Total Reserves	232.4	287.6	327.9	Change in Investments	(12.9)	(33.7)	(102.4)
Shareholders Fund	285.3	340.4	380.9	Cash Flow from Investing	(16.5)	(47.2)	(153.0)
Long Term Borrowings	0.0	0.0	17.9	Change in Borrowings	(81.7)	35.2	111.1
Deferred Tax Assets / Liabilities	(35.6)	(36.5)	(33.1)	Less: Finance Cost	(3.0)	(5.1)	(14.6)
Other Long Term Liabilities	10.8	88.3	142.3	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	(1.3)	0.0
Long Term Provisions	116.0	123.1	146.3	Dividend Paid	0.0	0.0	(1.0)
Total Liabilities	376.4	515.3	654.4	Cash flow from Financing	(84.7)	28.8	95.6
Net Block	75.0	204.4	359.5	Net Cash Flow	27.3	12.7	57.4
Capital Work in Progress	0.3	4.1	0.0	Forex Effect	0.0	0.0	0.0
Intangible assets under developmer	0.0	0.0	0.2	Opening Balance of Cash	17.3	44.6	57.3
Non Current Investments	0.0	0.0	0.0	Closing Balance of Cash	44.6	57.3	114.7
Long Term Loans & Advances	140.2	145.5	164.1				
Other Non Current Assets	16.3	42.1	35.0				
Net Current Assets	144.6	119.0	95.6				
Total Assets	376.4	515.3	654.4				

Source: Ventura Research

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