

Updater Services

Estimate change	↓
TP change	↓
Rating change	↓

Bloomberg	UDS IN
Equity Shares (m)	67
M.Cap.(INRb)/(USD b)	13.6 / 0.2
52-Week Range (INR)	439 / 198
1, 6, 12 Rel. Per (%)	-21/-30/-57
12M Avg Val (INR M)	90

Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	30.2	34.5	39.2
EBIT	1.1	1.4	1.6
PAT	1.2	1.4	1.6
Adj PAT	1.2	1.4	1.6
EPS (INR)	17.8	21.0	23.2
EPS growth (%)	0%	18%	10%
BV/Sh (INR)	161.8	182.9	206.2

Ratios

RoE (%)	11.6	12.2	12.0
RoCE (%)	10.6	11.1	10.9

Valuations

P/E (x)	11.5	9.7	8.8
P/BV (x)	1.3	1.1	1.0

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	58.9	58.9	58.9
DII	13.1	12.8	15.3
FII	3.6	3.7	3.5
Others	24.4	24.7	22.3

CMP: INR203 TP: INR230 (+13%) Downgrade to Neutral
Soft patch ahead

Guidance cuts and near-term headwinds in BSS lead to a cautious stance

- Updater Services (UDS) reported a 2QFY26 revenue growth of 7% YoY to INR7.3b, below our estimate of ~INR7.7b. Core EBITDA margin came in at 4.3% (est. 5.9%), down 130bp QoQ. Consolidated adj. PAT stood at INR198m (down 30% YoY), below our estimate of INR321m.
- UDS's 1HFY26 revenue grew 7.3% YoY, whereas EBITDA declined 16.3% YoY. For 2HFY26, we expect its revenue/EBITDA to grow by 13%/1.0% YoY. We downgrade the stock to **Neutral** with a revised **TP of INR 230**, as weaker BSS trends (FY26 growth cut to 3–3.5%), lower overall guidance (9–10% vs. 13–15% earlier), margin pressures from client issues, and ramp-up costs limit near-term visibility.

Our view: Softness in BSS and margin recovery key monitorables

- We believe growth momentum has moderated meaningfully this quarter, with management revising FY26 revenue guidance to 9–10% (from 13–15% earlier). While the IFM segment continues to add strategic contracts, we believe the ramp-up of several large wins has temporarily weighed on revenue conversion and profitability. Some contracts were also taken at lower initial margins given their long-term potential, which may limit near-term margin recovery.
- The BSS segment remains the key drag, with FY26 growth guidance now pared down to just 3–3.5% YoY. We think global technology disruption and slower demand from IT and BFSI clients will keep the recovery gradual. Within the portfolio, performance remained uneven. Athena and Avon underperformed, the former impacted by increasing AI adoption and selective insourcing of operations by clients, while the latter faced stressed receivables that required provisioning of ~INR30m.
- Audit & Assurance business continued to perform steadily, expanding into high-value areas such as fixed asset verification and last-mile audits, which we see as important long-term margin levers. Meanwhile, the EBCG vertical remained weak, with hiring freezes by MNCs and spending cuts across Indian IT firms weighing on demand. Given these near-term challenges and the limited visibility for a sustained turnaround to prior levels, we expect BSS to remain soft through FY26, dragging on overall consolidated growth and margin performance.
- **Margins:** We expect profitability to stay under pressure due to client-specific issues in Denave, underperformance in Athena and Avon, and a less favorable sales mix. Upfront costs related to ramping up new IFM contracts and persistent BSS weakness (a higher-margin business) are likely to keep margins below last year's levels. Management has guided for ~4% PAT margins for FY26; we estimate margins at ~4.0%/4.4% for FY26E/27E.

Valuation and changes to our estimates

- We cut our earnings estimates by 12%/8% for FY26E/FY27E to reflect the slower growth trajectory and margin pressures across both IFM and BSS segments. Management's guidance downgrade to 9–10% growth for FY26 (from 13–15% earlier), coupled with persistent weakness in the BSS portfolio, suggests a more gradual recovery ahead.
- Key monitorables include margin normalization in IFM, receivable recoveries at Avon, and early signs of turnaround in BSS. Given limited near-term triggers, **we downgrade the stock to Neutral** with a revised TP of INR230, based on 11x Jun'27E EPS, implying an upside potential of 13%.

Miss on revenue and margins; 28 new logos added

- Revenue grew 7% YoY and 4% QoQ at INR7.3b, below our estimate of ~INR7.7b.
- Revenue growth was aided by 10% YoY growth in IFM, whereas BSS reported a growth of 2% YoY.
- EBITDA margin came in at 4.3%, down 130bp QoQ (vs. est. 5.9%). IFM's PBT margin was flat QoQ at 4.5%. BSS's PBT margin was down 160bp QoQ to 3.2%.
- Consolidated adj. PAT stood at INR198m (down 30% YoY), below our estimates of INR321m.
- RoCE stood at 13% on an annualized basis in Sep'25 vs 17.9% in Jun'25. The company added 28 logos during 2QFY26.
- Long-standing relationships with customers have 95% retention over a five-year window in both businesses.

Key highlights from the management commentary

- During the quarter, several new contracts were secured that are highly strategic in nature, strengthening long-term positioning with key clients and enhancing the company's presence across focus sectors.
- These new contracts have led to upfront employee costs, as many remain in the ramp-up phase and have not yet reached their full revenue potential, impacting margins temporarily. Management expects the cost structure on these strategic contracts to normalize over the next few quarters.
For FY26, revenue growth is expected to be in the range of 9–10%.
- Focus continues to shift toward private sector-led contracts, given their superior margin profile compared to government projects.
- The BSS portfolio, including Denave and Athena, witnessed headwinds from global technology and industry disruptions. Investments are being made in digital tools and automation to strengthen long-term resilience.
- Athena continues to navigate the evolving technology landscape. While increasing AI adoption has impacted some clients, expansion beyond BFSI into healthcare and education has provided diversification. Margins have remained stable.
- The EBCG vertical continued to face muted demand amid significant spending cuts by Indian IT companies and temporary hiring freezes by MNC clients. The company is expanding non-IT exposure to mitigate sector dependency.

Valuation and view

- We cut our earnings estimates by 12%/8% for FY26E/FY27E to reflect the slower growth trajectory and margin pressures across both IFM and BSS segments. Management's guidance downgrade to 9–10% growth for FY26 (from 13–15% earlier), coupled with persistent weakness in the BSS portfolio, suggests a more gradual recovery ahead.
- Key monitorables include margin normalization in IFM, receivable recoveries at Avon, and early signs of turnaround in BSS. Given limited near-term triggers, **we downgrade the stock to Neutral** with a revised TP of INR230, based on 11x Jun'27E EPS, implying an upside potential of 13%.

Consolidated - Quarterly Earnings Model

Y/E March	FY25				FY26E				FY25	FY26E	Est.	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QFY26	(%/bp)
Gross Sales	6,522	6,800	6,949	7,090	7,002	7,293	7,792	8,109	27,361	30,196	7,695	-9.0
YoY Change (%)	13.1	13.3	9.3	12.2	7.4	7.3	12.1	14.4	11.9	10.4	13.2	-590bp
Total Expenditure	6,112	6,363	6,487	6,733	6,609	6,978	7,402	7,671	25,695	28,660	7,241	-3.6
Core EBITDA	409	437	462	357	393	316	390	438	1,665	1,536	454	-30.5
Margins (%)	6.3	6.4	6.7	5.0	5.6	4.3	5.0	5.4	6.1	5.1	5.9	-160bp
ESOP cost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA
Fair value changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
EBITDA	409	437	462	357	393	316	390	438	1,665	1,536	454	-30.5
Margins (%)	6.3	6.4	6.7	5.0	5.6	4.3	5.0	5.4	6.1	5.1	5.9	-160bp
Depreciation	115	123	121	113	112	119	117	122	471.3	469.7	139	-13.9
Interest	34	29	20	20	21	16	19	20	103.5	76.8	19	-17.5
Other Income, net	65	69	57	166	51	55	117	146	357	369	77	-28.2
PBT	326	354	378	390	311	236	370	442	1,447	1,358	373	-36.8
Tax	69	74	67	48	21	38	44	66	257.5	169.0	52	-27.8
Rate (%)	21.3	20.8	17.7	12.3	6.6	16.0	12.0	15.0	17.8	12.4	14.0	200bp
Minority Interest & Profit/Loss of Asso. Cos.	3	-1	3	-3	4	-1	0	0	2	3	0	
Adjusted PAT	256	280	312	342	290	198	326	376	1,190	1,189	321	-38.3
YoY Change (%)	27.2	41.8	13.5	76.1	13.1	-29.3	4.5	9.9	34.5	0.0	14.6	
Margins (%)	3.9	4.1	4.5	4.8	4.1	2.7	4.2	4.6	4.3	3.9	4.2	0bp

Key Performance Indicators

Y/E March	FY25				FY26		FY25
	1Q	2Q	3Q	4Q	1Q	2Q	
Segment Revenue (INR m)							
Integrated Facility Management Services	4,363	4,594	4,669	4,958	4,768	5,120	18,585
Business Support Services	2,343	2,387	2,441	2,365	2,376	2,424	9,535
PBT Margin (%)							
Integrated Facility Management Services	4.2	5.2	5.3	10.3	4.5	4.5	6.3
Business Support Services	6.6	5.8	6.2	5.6	4.8	3.2	6.0



Key highlights from the management commentary

Quarterly performance and outlook

- During the quarter, several new contracts were secured that are highly strategic in nature, strengthening long-term positioning with key clients and enhancing the company's presence across focus sectors.
- These new contracts have led to upfront employee costs as many remain in the ramp-up phase and have not yet reached their full revenue potential, impacting margins temporarily.

- Management expects the cost structure on these strategic contracts to normalize over the next few quarters. For FY26, revenue growth is expected to be in the range of 9–10%.
- **IFM:** Added 14 new clients during the quarter.
- Growth and margins were impacted by transitory factors related to the ramp-up of newly added large contracts.
- Focus continues to shift toward private sector-led contracts, given their superior margin profile compared to government projects.
- The company is pursuing margin-accretive opportunities in healthcare, logistics, manufacturing, and e-commerce sectors, supported by structural tailwinds such as increased GCC investments, the Make-in-India initiative, and accelerated outsourcing of non-core activities. These drivers are expected to help the segment grow at nearly twice the pace of overall economic growth (10-12%).
- A large IFM customer in Delhi is currently in the deployment phase ahead of billing, temporarily affecting margin realization.
- Some large contracts were taken at lower initial margins due to strategic importance and long-term potential.
- About 80% of new business originates from existing clients, while new wins tend to come at slightly lower margins.
- Average contract tenure remains two to three years, although certain long-standing relationships now span over two decades.
- **BSS:** The BSS portfolio, including Denave and Athena, witnessed headwinds from global technology and industry disruptions. Investments are being made in digital tools and automation to strengthen long-term resilience.
- Athena and Avon underperformed, creating drag on the overall BSS performance. For FY26, growth in the BSS segment is expected to be limited to ~3.0–3.5%.
- The BSS segment remains more exposed to technology-driven disruptions than IFM.
- Athena continues to navigate the evolving technology landscape. While increasing AI adoption has impacted some clients, expansion beyond BFSI into healthcare and education has provided diversification. Margins have remained stable.
- The Audit and Assurance business delivered steady performance, foraying into fixed asset verification and last-mile audit services—high-margin areas that will help move up the value chain. **Investments made to scale these offerings have had a short-term margin impact.** Audit activity is expected to rise in 3Q due to the GST 2.0 rollout.
- The EBCG vertical continued to face muted demand amid significant spending cuts by Indian IT companies and temporary hiring freezes by MNC clients. The company is expanding non-IT exposure to mitigate sector dependency.
- At Avon, an internal review identified lapses in due diligence for a few customers, leading to stressed receivables. A provision of INR 30m has been recorded, with possible additional provisioning ahead. Management is working with the legal team to recover dues. Last year, Avon's revenue was approximately INR1b.
- Global Aviation operations were muted in 2Q due to slower activity, though operations normalized in September. Margin realization is expected to improve as new airport contracts progress beyond the gestation period.

- Margins during the quarter were influenced by changes in the sales mix within and between the IFM and BSS segments.
- Within BSS, one large global IT client significantly reduced lead generation activities and tightened marketing spend, impacting Denave's margins. Margins are expected to stabilize in 2H, although full-year levels may remain below last year.
- Lower value-added business at Denave has grown.
- PAT margins stood at ~4.3% in FY25 and are tracking slightly lower for FY26. However, 2H is expected to see 15–20% improvement over 1H, leading to full-year PAT margins around 4%.
- The company continues to evaluate acquisition opportunities and is in advanced discussions for a potential target in the value-added services space. The prospective acquisition is expected to be margin-accretive and significantly enhance revenue scale.
- Total headcount stood at ~75,000. Attrition rates remain elevated and in line with industry trends — ~50% in IFM and 15% in BSS (averaging ~4% monthly).

Valuation and view

- We cut our earnings estimates by 12%/8% for FY26E/FY27E to reflect the slower growth trajectory and margin pressures across both IFM and BSS segments. Management's guidance downgrade to 9–10% growth for FY26 (from 13–15% earlier), coupled with persistent weakness in the BSS portfolio, suggests a more gradual recovery ahead.
- Key monitorables include margin normalization in IFM, receivable recoveries at Avon, and early signs of turnaround in BSS. Given limited near-term triggers, **we downgrade the stock to Neutral** with a revised TP of INR230, based on 11x Jun'27E EPS, implying an upside potential of 13%.

Exhibit 1: Summary of our revised estimates

	Revised			Earlier			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue (INR m)	30,196	34,486	39,190	31,030	35,343	40,380	-2.7%	-2.4%	-2.9%
Growth (%)	10.4	14.2	13.6	13.4	13.9	14.3	-300bps	30bps	-60bps
EBITDA (INR m)	1,536	2,001	2,462	1,876	2,298	2,643	-18.1%	-12.9%	-6.9%
EBITDA Margin (%)	5.1	5.8	6.3	6.0	6.5	6.5	-100bps	-70bps	-30bps
PAT (INR m)	1,189	1,412	1,560	1,341	1,514	1,618	-11.3%	-6.7%	-3.6%
EPS (INR)	17.8	21.0	23.2	20.3	22.9	24.5	-12.5%	-8.3%	-5.3%

Source: Company, MOFSL

Financials and valuation

Consolidated - Income Statement

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	14,836	21,061	24,444	27,361	30,196	34,486	39,190
Change (%)	22.6	42.0	16.1	11.9	10.4	14.2	13.6
Cost of services	1,348	3,469	1,020	911	1,083	1,241	1,411
Employees Cost	10,682	13,802	18,084	20,403	23,211	26,209	29,635
Other Expenses	2,032	2,792	3,998	4,381	4,366	5,034	5,683
Total Expenditure	14,062	20,063	23,101	25,695	28,660	32,485	36,728
% of Sales	94.8	95.3	94.5	93.9	94.9	94.2	93.7
EBITDA	774	998	1,342	1,665	1,536	2,001	2,462
Margin (%)	5.2	4.7	5.5	6.1	5.1	5.8	6.3
Depreciation	165	370	540	471	470	621	862
EBIT	609	627	803	1,194	1,067	1,380	1,600
Int. and Finance Charges	51	146	193	103	77	69	78
Other Income	144	60	236	357	369	345	314
PBT bef. EO Exp.	702	542	846	1,447	1,358	1,656	1,835
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	702	542	846	1,447	1,358	1,656	1,835
Total Tax	136	196	183	258	169	244	275
Tax Rate (%)	19.4	36.1	21.7	17.8	12.4	14.8	15.0
Minority Interest	21	-12	-17	2	3	0	0
Net Income – post-NCI	545	358	679	1,188	1,186	1,412	1,560
Net Income (ESOP adjusted)	786	851	885	1,190	1,189	1,412	1,560
Change (%)	19.0	-34.3	89.8	74.8	-0.2	19.0	10.5
Margin (%)	3.7	1.7	2.8	4.3	3.9	4.1	4.0

Consolidated - Balance Sheet

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	528	530	669	670	670	670	670
Total Reserves	2,929	3,349	7,791	8,977	10,166	11,578	13,138
Net Worth	3,457	3,878	8,461	9,646	10,835	12,247	13,807
Minority Interest	0	0	0	0	0	0	0
Total Loans	1,958	3,727	1,663	1,703	1,609	1,802	2,014
Deferred Tax Liabilities	108	158	117	96	96	96	96
Capital Employed	5,523	7,763	10,241	11,445	12,540	14,145	15,917
Net Fixed Assets	678	1,232	933	959	1,717	1,933	2,019
Goodwill on Consolidation	1,591	2,384	2,503	2,437	2,387	2,287	2,187
Other Assets	1,423	1,536	2,049	2,324	2,343	2,600	2,883
Total Investments	0	38	16	351	351	351	351
Curr. Assets, Loans & Adv.	5,053	6,980	9,846	9,804	10,650	12,474	14,609
Inventory	63	70	70	79	87	95	105
Account Receivables	3,475	4,277	5,039	6,082	6,712	7,666	8,711
Cash and Bank Balance	573	1,147	836	1,185	1,257	1,913	2,767
Bank Balance	137	504	671	1,146	1,146	1,146	1,146
Loans and Advances	805	982	3,230	1,313	1,449	1,655	1,880
Curr. Liability & Prov.	3,222	4,406	5,107	4,431	4,909	5,501	6,133
Account Payables	457	793	793	895	905	939	960
Other Current Liabilities	2,765	3,613	4,315	3,536	4,004	4,562	5,173
Provisions	0	0	0	0	0	0	0
Net Current Assets	1,831	2,574	4,739	5,374	5,741	6,973	8,476
Appl. of Funds	5,523	7,764	10,241	11,445	12,540	14,145	15,917

Financials and valuation

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)							
EPS	10.5	6.8	11.4	17.7	17.7	21.0	23.2
Cash EPS	13.7	13.8	20.4	24.8	24.7	30.2	36.0
BV/Share	65.5	73.2	126.4	144.1	161.8	182.9	206.2
DPS	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
Valuation (x)							
P/E	19.4	30.1	18.0	11.5	11.5	9.7	8.8
Cash P/E	14.9	14.8	10.0	8.2	8.2	6.7	5.7
P/BV	3.1	2.8	1.6	1.4	1.3	1.1	1.0
EV/Sales	0.8	0.6	0.5	0.5	0.5	0.4	0.3
EV/EBITDA	15.5	13.4	9.7	8.5	9.1	6.8	5.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-5.2	-3.2	-2.5	-13.4	4.6	9.8	12.7
Return Ratios (%)							
RoE	17.1	9.8	11.0	13.1	11.6	12.2	12.0
RoCE	13.6	6.7	9.2	11.9	10.6	11.1	10.9
RoIC	17.8	9.4	10.2	13.2	11.5	13.2	14.2
Working Capital Ratios							
Asset Turnover (x)	2.7	2.7	2.4	2.4	2.4	2.4	2.5
Debtor (Days)	85	74	75	81	81	81	81
Creditor (Days)	11	14	12	12	11	10	9
Leverage Ratio (x)							
Net Debt/Equity	0.4	0.7	0.1	0.0	0.0	0.0	-0.1

Consolidated - Cash Flow

Statement

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	709	542	846	1,447	1,358	1,656	1,835
Depreciation	165	370	540	540	470	621	862
Interest & Finance Charges	220	538	274	-131	0	0	0
Direct Taxes Paid	-214	-204	-415	-468	-169	-244	-275
(Inc)/Dec in WC	-571	-98	-218	-879	-175	-683	-766
CF from Operations	309	1,148	1,026	508	1,484	1,349	1,656
Others	0	0	0	0	0	0	0
CF from Operating incl EO	309	1,148	1,026	508	1,484	1,349	1,656
(Inc)/Dec in FA	-578	-1,315	-1,175	-1,404	-1,178	-693	-801
Free Cash Flow	-269	-168	-149	-895	306	656	854
(Pur)/Sale of Investments	59	-251	-2,315	1,446	0	0	0
Others	47	37	-74	144	0	0	0
CF from Investments	-472	-1,530	-3,564	186	-1,178	-693	-801
Issue of Shares	0	0	3,851	2	0	0	0
Inc/(Dec) in Debt	429	428	-1,228	-45	-234	0	0
Interest Paid	-95	652	-246	-257	0	0	0
Dividend Paid	0	0	0	0	0	0	0
Others	-45	-125	-150	-46	0	0	0
CF from Fin. Activity	289	956	2,227	-345	-234	0	0
Inc/Dec of Cash	126	574	-311	349	72	656	854
Opening Balance	446	572	1,146	836	1,185	1,257	1,913
Closing Balance	572	1,146	835	1,185	1,257	1,913	2,767

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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