



Redefining Business
Services

August 12, 2025

To: BSE Limited (BSE) Corporate Relationship Department Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai - 400001	To: National Stock Exchange of India Limited (NSE) Listing Department Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051
BSE Scrip Code: 543996	NSE Code: UDS

Dear Sir/Madam,

Sub: Transcript of the Earnings Call for the Quarter Ended June 30, 2025.

This is further to our letter dated August 06, 2025, whereby the company submitted the link to the Audio Recording of the Earnings Call for the Quarter Ended June 30, 2025.

Pursuant to Regulation 30 (6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, the transcript of the said Earnings Call held on August 06, 2025, is enclosed as Annexure.

You are requested to kindly take the above on record.

Yours faithfully,

For Updater Services Limited

Sandhya Saravanan
Company Secretary and Compliance Officer
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“Updater Services Limited Q1 FY '26 Earnings Conference Call” August 06, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 6th August 2025 will prevail



MANAGEMENT:

- Mr. Raghunandana Tangirala – Managing Director – Updater Services Limited
- Mr. Amitabh Jaipuria – Non-Executive Director – Updater Services Limited
- Ms. Radha Ramanujan – Chief Financial Officer – Updater Services Limited
- Mr. Snehashish Bhattacharjee – Chief Executive Officer of BSS Segment

Moderator:

Ladies and gentlemen, good day, and welcome to the Q1 FY '26 Earnings Conference Call for Updater Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should

you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinion and expectation of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainty that are difficult to predict.

I now hand the conference over to Mr. Raghunandana Tangirala, respected MD. Thank you, and over to you. Sir, over to you.

Raghunandana Tangirala: Okay. Thank you. Good morning, everyone, and a warm welcome. Joining me today on this call is Radha Ramanujan, our CFO; Amitabh Jaipuria, our Non-Executive Director; and Snehashish Bhattacharjee, our CEO of BSS. And also, we have our Investor Relations team on this call.

I trust you've all received the investor deck, and it's also available on our website, if you don't have it and on the stock exchange portal. Let me begin with the Q1 FY26 high-level numbers. During Q1 '26 revenue stood at INR7,053 million and we witnessed a growth of about 7% year-on-year. EBITDA stood at INR444 million with EBITDA margins of 6.3%. PAT stood at INR290 million and witnessed a growth of 13% year-on-year.

So let me share first the industry update generally, then I will come to IFM segment and the BSS segment. Global uncertainties, including rising tariffs, geopolitical instability and macroeconomic volatility have impacted our business marginally in some and slightly a little more in some, where technically the businesses are dependent on there is kind of dependence on foreign trade and especially in IT.

This has resulted in a slowdown in the discretionary budgets across the sector. As a result, we are witnessing some impact on overall business momentum, especially in segment directly linked to global client engagement or global client spending. These global uncertainties have also weighed heavily on the IT sector, leading to budget rationalization and reduced headcount.

Moderator: Please continue.

Raghunandana Tangirala: Yes, leading to reduced headcount addition, further dampening IT hiring activity and impacting demand for associated services like employee background verification. Despite these headwinds, UDS remains focused on driving operational efficiency, deepening client engagement and expanding its value-added services. Our diversified business model across IFM staffing, background verification, sales enablement provides resilience against sector-specific slowdown.

In addition, our continued investment in the digital platform and automation is helping us unlock productivity gains, enhance service delivery and position ourselves as a strategic partner to our clients. We believe these trends will enable us to weather short-term challenges and sustain long-term growth.

Now I come to the IFM segment. During this quarter, we added 5 new logos, which are large and marquee. Our headcount stood at 73,000 employees, which we grew by about 9% year-on-

year. Our people are the heart of our operations, and we continue to invest in training, safety and upskilling them. We also have strengthened employee engagement programs and are focused on creating a supportive work environment across sites.

In Q1 FY '26, our IFM business recorded a 10% year-on-year revenue growth to INR4,679 million, while overall growth was as per our business plan in the IFM segment. It's slightly lower compared to last quarter due to seasonality in our catering business, which is primarily services schools and education institutions, which have been shut down due to the vacation period. And year-end incentive claims on customers, which will come back next year in the last quarter.

We also witnessed a modest slowdown in spending by some non-industrial clients. Despite these challenges, we maintained our growth momentum, underscoring the strength and resilience of our core operations.

On the margin front, we reported a largely flat performance this quarter, primarily due to one-off provisions made for aged receivables due to delay in payments. Excluding this one-off, our IFM margins would have been higher than the same period last year. We took some expense on account of mergers of certain entities within the UDS, it has benefited us from the tax angle.

EBITDA stood at INR258 million, reflecting a year-on-year growth of 8%. Our strategy in this segment remains focused on scaling profitability with an increased emphasis on high-value technically intensive and system critical contracts. Our leadership in the industrial space is driven by our proven ability to execute complex mandates while consistently meeting clients' expectations.

Looking ahead, we are targeting between 13% to 15% revenue growth in the IFM segment with profitability expected to grow at a faster pace supported by improvements in operating margins. This is further supported by several industrial tailwinds, including increased GCC investments and the demand for global standard IFM, manufacturing growth under Make in India, surge in e-com logistics and warehouses.

According to Motor Intelligence, India's outsourced market is set to grow at about 11% CAGR from crores INR41,470 crores to INR67,000 crores by 2029. Our focus will remain on ROCE accretive contracts that enhance margins and create value for us.

I would now like to share an update on Global, Avon and our other BSS subsidiaries. Global continues to maintain its double-digit growth while staying EBITDA positive. In FY '26, we expected much better turnaround in EBITDA and PAT, while in FY '25, we had broken even. This is driven by gradual increase in travel volumes across domestic markets. We have also, seen stable increase in demand for our global school of aviation and is expected to contribute meaningfully in the upcoming quarters.

With rise in demand and outsourced aviation training, we see high growth opportunity ahead, and we are well positioned to lead in this space. We have opened our second aviation school in Pune during this quarter, and this is seeing good traction. I'm also thrilled that Avon, our logistics solutions business has made strong strides in expanding into transport distribution logistics and

integrated service solutions. These additions enhance our value proposition and deepen client engagement.

Avon continues to witness margin improvement driven by better sales mix and higher-margin contracts. The company has commenced Partial Truckload Logistics operations, which should further support margin expansion. Avon is also actively exploring opportunities in corporate relocation space, which could be a meaningful growth avenue going forward.

Now I'd like to hand over this call to Snehashish Bhattacharjee, our CEO of BSS, to speak on the BSS segment of, Denave, Matrix and Athena. Over to you...

Snehashish Bhattacharjee: Thank you, Raghu. Good morning, everyone. Our BSS segment revenue stood at INR2,374 million. I would like to give you an update on each BSS segment separately to give a better understanding of what drove Q1 FY '26 performance.

Let me start with an update on our sales enablement business, starting with Denave. While Q1 FY '26 presented its share of challenges, we continue to see meaningful opportunities emerge amidst this evolving environment. Global uncertainties have led to more cautious corporate spending, particularly in demand generation services with large global companies scaling back their marketing investments. We've seen a moderation in international delivery driven by automation-led efficiency models and heightened ROI expectations from clients.

However, it's important to note that strategic high ROI investments continue indicating a shift towards selective spending rather than across the board cuts. I'm also happy to share that we are currently in the ramp-up phase of Intellibank for a large tech MNC customer and successful execution here will serve as a strong proof of value, opening doors to similar opportunities with other large corporates. We are quite confident of a successful execution on this front.

We have also started pitching Intellibank with several other marquee clients in the technology space, some of the world's largest software and hardware companies as well as a few new age AI platform companies.

We are also leveraging the sales intelligence methodology used by Intellibank to pilot the use of agentic AI and advanced outreach platforms such as Pay and Smart Links aimed at building a new automated campaign methodology for demand generation. By combining sales intelligence and AI-enabled digital outreach automation, the initiative is designed to enhance targeting, boost productivity and improve conversion accuracy. Early experience with select clients are underway, and we expect this to have a meaningful impact on revenue generation over the coming quarters.

A few clients we onboarded during the quarter include SAP for digital and demand generation, Palo Alto and Amazon e-com, which are large potential clients. We also renewed key clients such as Shell and Tata Com, which further strengthened our base.

Lastly, I'd like to highlight that despite the ongoing challenges in the business environment, we at Denave remain focused on what's within our control. We are continuously investing in

technology, seeing strong traction from our core offerings for key customers and staying ahead of the curve by driving innovation and execution excellence.

Now I'll move on to Athena. As indicated earlier, a few of our key customers in-sourced a portion of its activities, which impacted both revenue and margins for the quarter. Given that Athena contributes a significant share of our profits due to its high-margin nature, this impacted overall BSS profitability. On a positive note, we continued to build momentum with new client additions during the quarter, including marquee names such as Lodha and Bajaj Electricals.

We are also experimenting implementation of AI-powered chatbots for a key customer, which is expected to enhance overall efficiency and support our ability to maintain competitive pricing. The proof-of-concept rollout is planned for the upcoming months and a successful implementation could pave the way for broader client adoption going forward. Lastly, we are confident that Athena's revenue run rate will normalize over the coming quarters, driven by increased contribution from both new and existing clients.

Now moving on to the EBGC and the Audits & Assurance business of Matrix. First, I would like to give an update on our fast-growing Audits & Assurance business. The growth prospects of this business continue to remain very exciting. Despite the pricing environment being competitive, we are witnessing strong interest from multiple large corporates. We are currently above the curve as customers are now focusing on highly technology-enabled partners where we are at the forefront.

We are confident about the long-term potential of this business, especially as we shift from execution-based contracts to value-led engagements that help customers optimize inventory and improve ROI. Our focus going forward will be twofold. First, to build deep domain expertise across sectors like apparel, retail and FMCG, where inventory complexity is high and optimization is critical; and second, to improve margins in this business, a goal we are firmly on track to achieve.

Moving to the EBGC business. The environment remains challenging due to significant spending cuts by IT companies amid an uncertain demand outlook. Large-scale layoffs across major Indian and global IT firms have further impacted hiring activity. Additionally, a few large MNC customers have temporarily frozen hiring due to internal IT infrastructure constraints. We're also seeing a broader slowdown in recruitment across other formal sectors.

While the external environment remains beyond our control, we are focused on strengthening our technology platforms to enhance data security and deliver faster, more reliable employee background checks. We continue to lead the EBGC industry in turnaround times, reinforcing our position as a trusted partner for our clients.

During Q1 FY '26, the BSS segment contributed 34% to revenues. EBITDA stood at INR186 million and EBITDA margins of the BSS segment stood at 7.8%. On the way forward for the BSS segment, the overall business support services is aimed to grow at 15% CAGR and India stands to gain, especially from the current economic scenario with impacts from GCC schemes, PLI schemes and employment generation incentives for companies.

Key drivers of this growth would be sales enablement, A&A, EBGC and mail room management. Now I would like to hand the call back to Raghu to summarize the Q1 performance and expectations going forward. Thank you. Raghu, over to you.

Ragunandana Tangirala: Yes. Thank you, Snehashish. Okay. To summarize, UDS has entered FY '26 with a strong momentum and a focused strategic direction. And in the IFM segment, we have completed the rationalization of our contracts and now are concentrating on streamlining operations, improving margins and capitalizing on the growing demand for technically intensive outsourced facilities management services.

In the BSS segment, we are seeing the benefits of tighter leadership alignment, a shift towards high-margin technology offerings and improved cross-selling opportunities across our platform. Our strategy going forward is anchored on profitability growth, capital efficiency and a disciplined focus on the return on capital employed. We remain confident in our ability to deliver sustained value to all our stakeholders in the years to come. Now I want to hand it over to Radha Ramanujan, our CFO, to give a brief on the financial numbers. Over to you, Radha.

Radha Ramanujan: Good morning, everyone. With the updates from Raghu and Snehashish, I would now like to touch upon the financial highlights for Q1 FY26.

Our total revenue from operations grew by 7% year-on-year to INR7,053 million. IFM segment revenues grew by 10% year-on-year to INR4,679 million, while BSS segment revenues remained broadly stable at INR2,374 million in Q1 FY '26. Revenue split between IFM and BSS segment stood at 66% and 34%.

EBITDA for Q1 FY '26 stood at INR444 million. EBITDA margin at 6.3%. IFM EBITDA margin was 5.5%, while BSS segment EBITDA margin was 7.8% EBITDA, excluding finance income stood at INR404 million, while IFM segment excluding finance income was 5.2%, BSS segment, excluding finance income was 7%.

Our consolidated EBITDA margin, excluding finance income stood at 5.8%. Profit after tax witnessed a growth of 13% and stood at INR290 million. Earnings per share grew by 13% year-on-year to INR4.4 and ROCE stood at 17.9%.

Quarter-on-quarter, we are cash positive and net debt to equity stood at negative 0.2x as on 30 June 2025. Our headcount in IFM stood at 56,900 employees and headcount at BSS segment stood at 16,200 employees, overall 9% growth. And during Q1 FY '26, we added 5 new logos in IFM segment and 9 new logos in BSS segment.

With this, I open the floor for question and answer session.

Moderator: Thank you very much. Thank you. The first question is from the line of Deep Shah from B&K Securities. Please go ahead.

Deep Shah: Sir, the first question would be on BSS, specifically Athena. So, in 4Q, if I remember correctly, we had said that, A few clients had chosen to move a few processes in-house, amongst other things for the weak numbers. And this quarter, again, we've said that certain clients transitioned

previously outsourced operations in-house. Do you refer, are you referring to different clients here is it the same client? And so, what is happening here? Some color would be very useful.

Radha Ramanujan: Can I take the question?

Amitabh Jaipuria: Yes, Okay.

Radha Ramanujan: Compared to last quarter, the same client moved their Bangalore business in-house. Of course, we are retaining their Mumbai business with us. They are doing certain cost rationalization, and hence that has moved out. So, no new clients coming out and it is existing clients.

Deep Shah: So right. So then would it be fair to say that sequentially, things have not become worse, right, sequentially numbers Also, if you could actually share segmental numbers because I think BSS is a set of companies which have very different levers. It's very difficult to understand how this business is doing with a single number. So would it be possible to share the company-wise numbers because that will make analysis much better.

Radha Ramanujan: Yes, we will share the individual company-wise analysis number. It has not dropped much sequentially.

Amitabh Jaipuria: Yes. , I was only adding to that, Radha, to say that there are 3 large companies within BSS, we'll share those numbers with you, which is really Denave, Matrix and Athena. And to what was said on Athena, the good aspects about Athena are also that there are 2, 3 customers who have grown substantially with us. So, one in the financial services space, one in the nonfinancial services space. So, there are also customers who are growing quite a lot.

In fact, very strong double-digit growth with certain customers, in fact, certain large customers. So therefore, it's a slightly uneven picture. As far as risk mitigation is concerned, we are aggressively looking at diversifying, which is what I had specifically mentioned in the last call also that we are diversifying away from our heavy concentration on BFSI customers into non-BFSI customers.

And that we are seeing quite good momentum on that, including good wins. So therefore, we do expect that with our own adoption of more and more technology and with diversification of the customer base, we should be seeing Athena revenues not only stabilize, but to start growing.

Deep Shah: Right. This is useful. Also, so would it then be fair to say that the reduction in operating profitability that we are seeing on the BSS side from INR23 crores to INR16.5 crores is to do with Athena, largely to do with Athena. Would that be a fair conclusion?

Amitabh Jaipuria: . So what has happened this year is that there are, each of the 3 companies has faced a different set of challenges. And Snehashish, my colleague, he already gave some commentary around that. I'll just add a little and then Snehashish, please jump in and add more as you see fit. So, each, so Athena, we have already talked about it, right? So, there was a shift within some of our larger BFSI customers into moving things in-house.

And of course, in 2 of them, as we had guided last call as well, in terms of the business having dropped substantially, in fact, become close to 0 because of corporate action on their own side. So therefore, that is as far as Athena's contribution to the negative growth is concerned.

The other part of the business in terms of Matrix, as you all know, Matrix has 2 basic parts to it. One is the employee background verification and second is the Audits & Assurance business. The good part is that Audits & Assurance is growing very strongly. So, and that is something which we had been working on for quite a few quarters, past quarters, and that is beginning to show very good results.

The unfortunate part in the Matrix business, which all of you also know is the continued pain in the IT industry in this country, which we are clearly seeing. In fact, if somebody like TCS can lay off people, then that's really the bellwether, right? And therefore, that gives an indication of the pain that is happening in the IT industry. And that is impacting us very badly. So, the EBGC business is continuing to face headwinds.

In the last call, we had guided or we had mentioned that we believe that we have seen or we are close to seeing the end of that pain. But as is apparent now, that call was that we are not seeing the end of that pain. So that is as far as EBGC and Matrix is concerned.

Denave has a very different kind of challenge. There are some parts of the business that are growing very strongly. And the other parts of the business are basically facing headwinds, as Snehashish mentioned, because of geopolitical reasons and extreme caution in some businesses, we are seeing that spends are coming down. So, and there is this entire challenge around AI and uncertainty around technology and therefore, also caution, right?

So though in each of the 3 businesses, the challenges are different. Unfortunately, all 3 have come at the same time. And that is why you are seeing this slight downturn. But at the same time, what I want to emphasize for everybody on the call, is that UDS' business model actually has stood the test of time. You can clearly see the fact that because of the mix of businesses that we have within IFM and within BSS and between IFM and BSS put together, we are still able to report good revenue growth in spite of these headwinds in some of our businesses.

And we believe that as far as the year itself is concerned, even though the first quarter has been slightly, on the PAT side, we have still grown. I mean we are at INR29 crores versus almost INR24 crores, INR24.5 crores similar quarter last year. So, while we have grown on the PAT, we believe that the overall year still looks quite strong.

Deep Shah:

This is useful. Second, on the IFM front, so I remember last quarter, we had indicated that we had signed a couple of marquee clients, including Amazon. So, the revenues, I guess, would have started to flow. We've seen 9% top line growth this year. What should be the steady-state revenue growth that one should expect here? That is one. And subpart 2, because of this deal, I think last quarter, cash flows were poor. Have those cash flows come in, what would be your cash balance, say, on 30th June?

Amitabh Jaipuria:

Radha, can you talk on the cash, please?

Radha Ramanujan: The cash remain slightly less compared to last quarter. That was also reflected in our EBITDA. As we said, some long delayed collection in a couple of clients. We have provided a little more in the P&L. There are chances that we will reverse it or we may not reverse it. The cash is similar to as of 31st March with a marginal drop. We are at INR250 crores of cash.

Raghunandana Tangirala: Okay. I'll just add to that. We are at INR250 crores of cash similar to what we had the last quarter, so on the IFM growth. Shah, because you asked a specific question, we are confident we'll maintain whatever we guided. We're confident or we are definitely hopeful of doing a 13% to 15% growth on the IFM.

Again, to add to that, what Amitabh said, since we have a mix of different businesses, even though certain businesses are facing a little bit of challenges, I don't, I'm quite hopeful that we will deliver PAT on an overall combined consolidated basis, whatever numbers we guided. So that is the confidence because of the business mix.

Deep Shah: Right. Radha ma'am, if I could just follow up. So, what would be that provision amount? If you could help us understand that? Because I think last year, we saw like an INR87 crores, INR88 crores change in working capital, which impeded our CFO. And now that the cash balance is same, could you help us with the provision amount?

Radha Ramanujan: See the additional provision which we have created during the quarter combined all the entities is around INR6 crores. And again, , last quarter, when we said the working capital change is INR88 crores, please also appreciate we have grown the business by INR300 crores. Not entire INR88 crores are on account of delayed payments.

Compared to FY'24, FY'25 has a INR300 crores improvement in top line, even assuming the 2 months requirement, and the normal credit period is 60 days for us and our DSO at 70 days,; INR50 crores will have to be parked for the working capital. So, what we missed out is 28 to 30 crores on account of collections. So, it's not like INR88 crores has been missed out.

Deep Shah: No, absolutely.

Radha Ramanujan: The situation Remain the same. The collections couldn't come in the way we planned. Of course, we are hoping for it to come in now, but it did not hit the account before June. So that resulted in a little additional provision due to the ECL calculations.

Moderator: Our next question is from the line of Nitin Padmanabhan from Investec.

Nitin Padmanabhan: First, thank you for the incremental disclosures, excluding other income and all of that. That's pretty helpful. So from a, I just wanted your thoughts on a couple of things. So one is on Athena, if you could just give us the revenue and margin year-on-year, Q-on-Q. Maybe I'll take that offline as well. That's not a problem. But to understand between, have we seen a drop in margins year-on-year for both Denave and Athena? Or is it just Athena? And what would -- how sharp would that have been?

Amitabh Jaipuria: Radha would you take that?

Radha Ramanujan: Athena, the margin as a percentage is slightly dropped compared to last year EBITDA we did 23%, we are at 21% now. But again, you should appreciate that top line has substantially come down there for Athena with INR37 crores of top line and then it comes down to INR28 crores. There are other fixed costs which needs to get absorbed with the drop in top line. That is the reason a slight drop to 2% drop in EBITDA as a percentage while we still maintain upwards of 20% in terms of EBITDA for this quarter. Denave, there is a marginal drop in the margin percentage.

Last year, we had 5.7% and this year we had 5.2%; and again, due to the mix of business and timing related to incentive collections and other things. The high margin EBGC business has not picked up in Q1. That has created a little bit of a shortfall in margin as a percentage for Matrix. And primarily, the drop in top line has resulted in, some over absorption of fixed costs with lesser turnover.

Nitin Padmanabhan: Got it. Got it. Now on the Athena side, has the revenue, is the revenue headwind over with from the transition for those, for the large client? Or should we expect continued weakness for another quarter? So that's the first one. And is this loss of margin that we have seen, this, how should we think about it? Is it a permanent loss? Or do you think this sort of gradually comes back or it can be a quick comeback? How should we think about it?

Amitabh Jaipuria: So, I think, let me just nuance that commentary a little bit. So, margins, as Radha mentioned, in Athena are now at around 20% or thereabouts. I think from what we are seeing and from the growth of business in the non-BFSI sector also, I think these margins now largely should remain stable. So, there might be a percentage point or a point here or there. But otherwise, we don't see a drastic drop.

Will it come back to the 25%, 26%, 27% that we had earlier? The answer is probably a cautious no. So, I don't think we are seeing margins come back to that level anytime soon. So, the way in which margins will come back is with our own adaptation of AI and technology platforms that can slash costs dramatically.

We are experimenting with those. But at this point in time, it's too early to say whether they will contribute to the fact that the margins come back to what they were. So, I think we should expect that this is probably the new normal as far as Athena margins are concerned. revenue should come back. Revenue should grow is our belief.

Nitin Padmanabhan: Okay. But you don't expect, it's fair to assume no incremental revenue headwind in the following quarters. It's largely done in terms of whatever had to shift out?

Amitabh Jaipuria: That is what we believe. But Snehashish , would you like to add any further on that?

Snehashish Bhattacharjee: Yes. So just to add to that, thanks, Amitabh. See, at this point of time, it looks like we've reached the bottom on that. However, like we said, it's a dynamic situation, and we can't hold on to that. But our present internal view is we don't see that headwind in the next 2 quarters at least, unless there is some drastic change that happens in the BFSI segment. At this point of time, we don't expect that to happen.

Nitin Padmanabhan: Yes. Got it. Got it. And the other thing was from a Denave perspective, how much of the deceleration that we are seeing is because of the macro? And how much of it do you believe is because people are maybe adopting AI in-sourcing or whatever, which is a bigger headwind to you at the moment? I understand it obviously will be macro, but how big is the AI headwind? And do you think that growth overall, we should assume at a lower clip going forward for this - for the sales enabled business overall?

Snehashish Bhattacharjee: Amitabh, I'll take that...

Amitabh Jaipuria: Yes... Yes.

Snehashish Bhattacharjee: So, the headwinds that we talked about, and that is essentially both geopolitical and AI disruption, I consider both of them to be macro because actually, if you look around and if you look at your probably other organizations that you interact with, this is a reality that is yet to be understood by everyone. Every company is trying to figure out how this will help them optimize or improve their productivity.

So, I expect that situation to continue at least for another 1, 1.5 years. Last year was more of experimentation. This year most companies are looking at implementation to see whether the experiment works. And if that works year after, probably it will settle down. However, with the AI technology also getting advanced on almost on a quarterly basis now, there will be changes that will keep on continuously coming up.

However, at Denave, we also look at this as an opportunity. We are in the business of enabling sales. And the AI disruption that is happening is also enhancing the ability to both target as well as improve conversion. So while we do see the next 2 quarters playing out in a similar manner because customers have to see use case working for them to implement.

But we, at the same time, also see some early signals of customers realigning with us on some of the new methodologies, and we've talked about them in the speech already, a couple of these customers who have renewed their contracts from a quarterly contract to a 3-year contract are people who are seeing that benefit. However, there is a much more play that is to come in that space.

Right now, we are probably seeing early conversion benefits, early productivity benefits that needs to move up to a much more exponential level with the changes that are happening. So, I am still being cautious. The margin is still going to be squeezed because the investments are going to be continuous at this point of time. We do see this turning around in the next 3 to 4 quarters as per me.

Nitin Padmanabhan: Okay. So, I think your top customer is the most tech-savvy customer that you have. Is that a bigger headwind for you at the moment and you're looking to sort of diversify from there? Is that what it is?

Snehashish Bhattacharjee: Okay. You are referring to our top customer, which is Microsoft in this case, I'm assuming, right?

Nitin Padmanabhan: Correct. Correct. Correct. Correct.

Snehashish Bhattacharjee: Yes. So, the top customer, if you see almost about 60% of our revenues are coming in from the tech space. And each one of them have their own offering from an AI platform or AI tool perspective. Where we are coming in is leveraging of the same technology that they sell to help improve productivity and output. At this point of time, every one of them is continuing to invest in us.

What has changed in some of these cases is their own definition of the outcome that the expects are changing and which is where we are readjusting ourselves. Otherwise, at this point of time, the outlook doesn't look like them becoming a headwind for us, neither Microsoft nor any of the other guys.

In fact, Intellibank, we are working with one of the same largest software organizations where they have their own offerings, but we are still working with them in helping them improve their own sales reach, outreach as well as conversion. So no, I don't see that as a headwind yet.

Nitin Padmanabhan: Got it. So, (to the operator - I am done , just for this question I am done)In summary, the next, we should assume flattish revenues for the next 2 quarters on a sequential basis. That's a fair assumption to make is my understanding.

Amitabh Jaipuria: Flattish on ??no , not overall at all.

Nitin Padmanabhan: Yes, just what you call sales enablement?

Amitabh Jaipuria: Yes. But with upward bias, I would think, yes.

Moderator: Our next question is from the line of Rahul Kumar from Vaikarya

Rahul Kumar: Sir, just one question on this logistics business. Am I right that this business has declined sharply this quarter?

Radha Ramanujan: No, I would say the business has not declined sharply this quarter. Compared to the last quarter where we did INR24 crores. This quarter, they have done INR26 crores. So, it has increased.

Rahul Kumar: Okay. Because I'm getting numbers wrong from the presentation...

Radha Ramanujan: Where is that you're getting it. Compared to Q4, there is a marginal decline. Q4, we did INR28 crores, which has come to INR26 crores. But against last year Q1, the business has grown.

Rahul Kumar: No, I mean this quarter, you have shown that the logistics is 4% of the BSS business, which makes it INR10 crores, which is why I was asking..

Amitabh Jaipuria: Where are we seeing?

Radha Ramanujan: That's what I'm wondering we generally don't quantify.

Rahul Kumar: Sorry, in the segment-wise highlight of BSS, where it is written 4.2% is the warehouse management and logistics solutions.

Amitabh Jaipuria: You're talking about the pie chart.

Rahul Kumar: Okay. Okay. I'll take this offline. The second question which I have was if you just summarize, if you take this Q1 EBITDA as a base, what more headwinds are yet to be absorbed in the next 2 quarters, either in the BSS or IFM? And are there any growth avenues which can offset these headwinds?

Amitabh Jaipuria: So, I think the previous, the answers to the previous 2 or 3 questions I have actually dwelled a little bit on this already. So, I'll just very quickly summarize. The headwinds that we are clearly seeing are because of the geopolitical issues, we are seeing caution as far as customer spending is concerned. That's the reality.

India-specific IT headwinds continue. I think all of you are very well aware of those headwinds. And therefore, the EBGC business and to an extent, some of the others will continue to be impacted, which is also a headwind that we have talked about. There are business-specific headwinds such as in Athena that we have talked about because of our customers undergoing a little bit of change in their own strategy.

The mitigants of how are we going to take care of these is also, to some extent, indicated in our own results. So aggressively looking for new customers and new avenues of growth, in Athena, we mentioned about the fact that we are diversifying away from BFSI into non-BFSI customers.

And we also mentioned about the fact that 2 or 3 customers, large customers are actually growing very strong double digit, right? So, growing existing customers selectively and looking at the non-declining parts of the economy or of the industry segments where we can grow. That is really one big part of what we are trying to do in terms of mitigating it. And even though that might sound very non-glamorous, but the fact of the matter is that those are the strategies that work the best.

So aggressively looking for new customers, aggressively growing existing customers selectively wherever possible. The third area where, which we are working on very strongly apart from revenue, for the overall profitability growth is on the cost side. So, and we are already seeing actions around that across BSS and across IFM and that will, at the end of the day, also contribute to our profitability. So overall, profitability this year will be strong. There will be a strong growth over last year. And if you compare business to business because last year, we ended at INR119 crores. And out of that, we had already talked about the fact that INR10 crores were in a way non-business.

So, the business delivered INR109 crores of PAT. This year, we are already looking very strong growth on that number. So that continues because of these 3 aspects that we talked about.

Ragunandana Tangirala: I'm just adding to what you said, Amitabh. I think the question was how does it look for the next 2, 3 quarters for this year? Like what we guided, we said we'll grow at around 15%, both technically in the EBITDA and PAT level. We strongly believe we will do that. We were talking

in the last call what will end the year, we said the profit growth would be in the region about 15%. That will still remain because of the business mix.

Moderator: Our next question is from the line of Pritesh from Lucky.

Pritesh: Sir, just listening from your comments, so when you are calling out this geopolitical link to IT/ITES and let's say, BSS as our impacted area of business. So now I'm just trying to wonder that's like 30% of our total revenue is BSS and within that 30% contribution comes from IT/ITES; so we are like trying to do a conversation on 10% of the total revenue on the impact side?

There is another 90% of the piece in which IFM is like 75% of your revenue or 65% of your revenue, where you're hinting initially, we're talking about growing faster than the industry growth, at least 2x the industry growth. Can you share some comments on the 90% of the piece of the business in terms of the trajectory of growth? And why is it that we've been listening to you for the past 4 quarters. You have a stated growth of 2x in IFM. But what we see is half that number, so we are seeing 10% growth? So maybe you want to give some thoughts there and guidance?

Amitabh Jaipuria: So this 2x of industry is not, I think there is some miscommunication. I don't think we have ever said 2x of industry.

Pritesh: So that was around the number of 3x GDP. So that's 20% growth right?

Amitabh Jaipuria: And... Yes, that is absolutely correct. We had talked about 3x of GDP. And over the last 2 calls, if you remember, because of the headwinds that we were seeing, we had talked about the fact that we'll probably end up between 2x to 3x of GDP. And if you look at the GDP number today, most people are talking about 6.2% or thereabouts. And if you look at 2.5x, that is 15%. And Raghu just mentioned, as you will recall, that we will probably end up growing somewhere in that region in terms of both revenue and even more strongly in terms of PAT.

Raghuandana Tangirala: I don't think we've gone very wrongly there. I was maintaining always a 15% growth, which is what I said just now because in spite of all the macro and the headwinds and all that, because of the business mix of having IFM and the BSS, we still maintain that. I don't think we have gone very much away there.

Pritesh: So, if we split the 2 pieces, you are calling out that IFM will grow at whatever your stated objective is. And within BSS, what portion of the BSS business is impacted, if you could just quantify that?

Raghuandana Tangirala: Radha, you want to take that? What portion of the BSS is impacted if we can combine all the BSS numbers last year first quarter of last year to this year and fourth quarter to this quarter.

Radha Ramanujan: When we take out the little manpower-oriented business of Denave and Global and Avon out of the BSS, so the BSS top line, 40% of it is impacted due to this global changes.

Pritesh: Madam, were not clearly audible. You may want to reset.

- Radha Ramanujan:** Okay out of my BSS business of INR238 crores, if we remove Avon and Global to be having a different challenges, the rest of the business, if I still remove the manpower-oriented business of Denave, close to INR100 crores of business is impacted by the global change in headwinds.
- Pritesh:** So basically, I calculated 10%, you calculated INR100 crores divided by INR700 crores, that's 15% of the business is impacted and 85% of the business is still, you guys believe that you will grow, right? That's how we should interpret?
- Amitabh Jaipuria:** Yes.
- Radha Ramanujan:** Yes.
- Pritesh:** Now in this 15% of the business, do you see a downside? Do you see the business shaving off by some percentage or you see the business continuing the way it is?
- Amitabh Jaipuria:** We have already answered that question when we looked at that overall Athena business. Snehashish, my colleague talked about the fact that we believe that we are now at a stage where further downsides will be limited.
- Moderator:** Our next question is from the line of Prince Choudhary from Pinc Wealth.
- Prince Choudhary:** Sir, my question is that in the IFM segment, basically, we have seen that whatever the new contracts have been signed in the recent, like last 6 months or 1 year, we have been seeing a good uptick in pricing. And those contracts are basically for 2 to 3 years?
- So, my question is that in the long run, if we see after 3 years, if I have to see that industry, outsourced industry, do you see any structural changes that the shift from unorganized to organized will happen? And still the pricing which benefits have got this 3-year contracts, whatever we have signed recently, it will be continue or there will be more, there will be still cyclicity due to intense competition?
- Amitabh Jaipuria:** See, if you really look at the overall secular movement of formalization should continue. Outsourcing should continue and overall, more and more compliance should continue. However, what we saw over the last 3, 4 quarters on a business like Athena, in some cases, customers have reversed the outsourcing trend and have taken operations back in-house. Now they may have done that for different reasons, but we did see that.
- So therefore, while earlier 1.5 years, 2 years ago, there was absolutely no stopping the movement towards outsourcing. Now it is a slightly more nuanced picture in certain industry segments, especially BFSI. So that is the only caution that we would like to talk about in our commentary to answer your question.
- Ragunandana Tangirala:** So, just to add to that, Amitabh I think he was asking on the IFM segment. To answer that, I don't see the, there is any in-sourcing happening here. And what you asked was 3 years contract, yes, we signed between 2 years, 3 years, 5 years, depending on the type of contract. So I don't see any changes there or any kind of something which is negative for us.

Prince Choudhary: Sir, my question was that during the COVID phase, we faced an immense competition. That is why the contracts were being signed at a lower price. Then after that, the pricing environment improved and the competition intensity came down. So -- but if we -- let's say, today, 3 years, we are secured, but I just wanted to understand that is there any cyclical in terms of pricing when we renewed the contract... Due to competition.

Amitabh Jaipuria: No, we don't have that. There is no cyclical in terms of pricing.

Prince Choudhary: Okay. And do we see any structural changes where we can say this IFM business will continue to grow at a reasonable pricing contract? Because from shift from unorganized to organized and a lot of outsourced?

Amitabh Jaipuria: No. We have always talked about the fact that pricing power in this business is limited and that it's a game for big boys in terms of economies of scale. And that is where our advantages lie as UDS because we are amongst the largest players out there. So therefore, we have never said that we will pull price in IFM because it's a competitive industry. And every day with every contract, we have to win our right to succeed, which we do.

And that is why we have been around for 35 years plus, right? And that is why we continue to win new customers and continue to get our contracts renewed. So, we'll continue to do that. But will price change upwards in any significant manner over the next year or 2? We don't see that.

Prince Choudhary: And sir, downward, like do we see again, like if we see any shift competition in from unorganized. Basically, this IFM is a business is itself difficult to scale. So just wanted to have your thoughts regarding that. Even if we don't improve the pricing, but those pricing contracts will be stable or like then we're going to see the cyclical like what happened in the last 3 to 4 years past?

Amitabh Jaipuria: No. So the IFM margins industry-wide are around, depending on which company you're looking at, is between 4.5% to 6%, right? It's not more than that. So therefore, our current view is that it will remain in this range.

Moderator: Our next follow-up question is from the line of Nitin Padmanabhan from Investec.

Nitin Padmanabhan: Sir, you were suggesting 15% growth. Was that on an overall basis or you were referring to IFM specifically? Just a clarification.

Raghunandana Tangirala: No, no, it's an overall basis.

Nitin Padmanabhan: Yes. So, see, here's, if you could just help me with this math. So, when I look at, when we got into, for this year, when I just annualize the first quarter revenue, I get an implied 2% growth over last year's revenue, right? Last year, when we entered, we had a, when we annualize the first quarter, we had a 7% growth for the full year, right? Now considering that last year growth was around 12.5% overall, how can this year be better if our first quarter annualized itself is so meaningfully lower?

Are we expecting a full pickup in IFM because at least it looks like BSS is going to be sort of flattish over the next 2 quarters, more or less? Then how will that 15% growth be achieved? Shouldn't it be lower growth than last year on an overall basis is at least what the math is suggesting? So just wanted your thoughts on what we are missing?

Raghunandana Tangirala: Okay. I mean I didn't look at that math, I think. We have looked at what we projected in the next 3 quarters or for the full year. So, you are right, IFM growth will be much more significant than the BSS growth because BSS growth will still grow, but it will grow like what we had actually planned. I think overall, we'll still make up at the bottom line at 15% growth at the PAT level, EBITDA level. Even at the revenue level, I think we may not do 15%, we'll do 13%.

But as Amitabh was saying, this is all, especially in IFM, it's how I manage efficiency. So overall, we are confident that is what we will do. I'm not very clear on that 2% growth last quarter to this quarter. So, I don't understand why that could be some aberration here there. But I'm clear on the plan what we have got or the business pipeline and what contracts we have signed for the next quarter because we don't have visibility for 4 quarters.

We have at least 1 quarter visibility. So we know what will be the second quarter or at least almost the third quarter. So that we are quite confident. In terms of the percentage growth, what you said, we guided around 15%, there's not much difference there. Even what was the top line growth was we had actually guided, but we may not be committed to that number. I remember it was INR3,200...

Amitabh Jaipuria: Yes. So, Raghu, if I can just add without sort of really getting into the weeds. So, this, so your math that you have done in terms of, you're basically asking what is the asking rate for the next 3 quarters in terms of where you're going to land up, right? And I think that's a valid question. We have done a lot of our own projections in terms of where, what we need to do in terms of quarter 2, 3 and 4 to be close to what we are talking about.

On the earnings side, we are absolutely confident that the number that we have talked about will happen, right? As far as revenue is concerned, IFM revenue growth, we know where we are going, and it will be double digit. We are quite confident. BSS, yes, you are right. It is slightly flattish.

There is a certain view that some of these businesses, especially in part of Denave's business, the A&A business of Matrix and some parts of Avon's business and some part of Global's business, right, that these, and with the bottom having been reached as far as Athena is concerned.

With these factors, the Q2, Q3 and Q4 numbers should be looking better. So is the current math. So, whether it will be 15%, whether it will be 14%, whether it will be 13.5%, whether it will be 15.5%, slightly difficult to say at this stage on the revenue side. On the net income side, which is on the PAT side, we are absolutely confident that the number that we have guided, very brief broad numbers.

This is not guidance as a formal guidance in terms of how companies issue. We don't issue that. But whatever we have spoken about in terms of 15% plus growth as far as bottom line is concerned, we are confident.

Moderator: Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for closing comments. Thank you, and over to you, sir.

Raghunandana Tangirala: Yes. Thank you. Thank you, everyone, for joining on this call.

Amitabh Jaipuria: Thank you very much Yes, go ahead, Raghu. -- sorry.

Raghunandana Tangirala: Yes. Thank you. I hope we've been able to answer all the questions. We look forward to such interactions in the future. In case you require any further details, you may contact Deven of SGA, our Investor Relations Advisor.

Amitabh Jaipuria: And just before we log off, Raghu, I do want to tell everybody very strongly that the company's fundamentals remain absolutely rock solid. And there's a management team that knows what it's doing, strong emphasis on governance and compliance and very strong financial position of the company. So therefore, the platform remains intact. The issue of some macros impacting short-term quarterly numbers might be there and is there, but the long-term prospects of the company remain absolutely solid. So that's, I just wanted to end by saying that.

Raghunandana Tangirala: Okay. So, thank you all of you. Thank you.

Moderator: Thank you. On behalf of Updater Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.