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Services

14.08.2024

To:	To:
BSE Limited (BSE) **Corporate Relationship Department** **Phiroze Jeejeebhoy Towers,** **25th Floor, Dalal Street,** **Mumbai- 400001** **BSE Scrip Code: 543996**	**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** **NSE Code: UDS**

Dear Sir / Madam,

Subject: Transcripts of Updater Services Limited Q1 FY25 Earnings Conference Call – 07.08.2024

With reference to our letter dated 31.07.2024, please find enclosed the Transcripts of Updater Services Limited Q1 FY25 Earnings Conference Call held on 07.08.2024

Kindly take the above information on records.

Thanking You,

For Updater Services Limited

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Sandhya Saravanan
Company Secretary and Compliance Officer

"Updater Services Limited Q1 FY25 Earnings Conference Call"

August 07, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 7th August 2024 will prevail.

MANAGEMENT:

- MR. RAGHUNANDANA TANGIRALA – MD & CHAIRMAN, UPDATER SERVICES LIMITED
- MR. AMITABH JAIPURIA – NON-EXECUTIVE DIRECTOR, UPDATER SERVICES LIMITED
- MS. RADHA RAMANUJAN – CHIEF FINANCIAL OFFICER, UPDATER SERVICES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Updater Services Limited Q1 FY25 Earnings Conference Call.

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

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 the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Raghunandana Tangirala - MD and Chairman. Thank you and over to you, sir.

Raghunandana Tangirala: Thank you. Good afternoon all of you and a warm welcome to everyone present on this call.

Along with me, I have Radha, who is the Chief Financial Officer and Amitabh Jaipuria – Non-Executive Director and SGA, our Investor Relations Advisors. Hope you all have received the investor deck. For those of you who don't not have it, can view them on our Stock Exchange website or the company Website.

On the business front:

I will keep it brief, and I will quickly give you in a nutshell what has happened in the last one quarter. We have had some challenging times despite that the company has grown reasonably as per whatever we have guided across both the segments of the IFM segment and the BSS segment. Our commitment to exceptional services always allowed us to diversify and enhance our offering, meeting the evolving needs of our clients across various sectors. We have dedicated to surpassing our customers goals, driving excellence in every endeavor and solidify our goal as a trusted partner in their success.

We operate in the B2B services space, which can be classified as the two major segments which you all know is the IFM segment and the BSS segment which is the business support services. During Q1 FY25, our IFM segment contributed 64% to the overall revenue and the balance 36% has come from the BSS segment. We offer in the IFM segment, like engineering services, technical Services, housekeeping and cleaning services, pest control, production support and other support services, and in the industrial space we do the production support services, warehouse management and other support services.

Our key focus in IFM segment is further to improve operational efficiency. Like we guided over the last 3 quarters, we have exited almost all the not very viable business. And going forward, I think we have kind of a clean slate. I think with this quarter, all that is over. So, the growth would look definitely better going forward from this quarter. Due to this, we are starting to witness improvement in our operating margins. Last quarter is 5.7% which stood at 4.6 during 1st Quarter of last year.

The outsourced market from the IFM segment is currently about Rs. 40,000 crores and is expected to reach Rs. 80,000 crores by FY28. This is the CAGR of approximately 17%. As of FY24, 39% of our IFM segment is outsourced and 60% is in-house, which is expected to shift to 45% over the next two years. India's manufacturing PMI is highest in the world and has potential to reach 1 trillion by 2025, the industry shifting towards fully integrated facility management with a higher demand for solution based offerings. We have distinguished ourselves by providing a comprehensive range of services with specialized technical capabilities and our commitment to quality and quick turnaround solutions shown the growth.

We aim to gain more market share, focusing on hard services due it being margin accretive and specialized nature. Companies are increasingly outsourcing facilities management to leverage expertise, cost efficiencies and reduce attrition, allowing them to focus on their core functions and benefit from advanced technologies. This strategic shift offers a flexible and scalable solution for large operations. We are confident our growth will stabilize at three times in the nominal GDP.

Our flagship BSS segment witnessed a robust revenue growth of 34%. We are witnessing a strong shift of client preference towards outsourcing and solution based offerings. We are also witnessing strong traction in sales enablement and audit and assurance segments, which two of our group companies are delivering these services. The market Service Solutions segment witnessed substantial growth in Q1. We continue to witness growth in BSS segment despite the muted performance of EBGC business. EBGC is Employee Background Verification, which is one of the business lines. We are slowly reducing our reliance on IT and ITES companies in employment background verification business and slowly diversifying our revenue pool and revenue coming from other sectors such as BFSI and retail. With strong government push for boosting employment and large buildup of global capability centers, we are confident in sustaining a strong growth trajectory going forward.

Through our group company Avon, we have forayed into our Niche Logistics and Transport Services, along with Mailroom Logistics. Avon is currently on a revenue run rate of get to on Rs. 100 crore very shortly. UDS has always been highly focused on technology driven innovations and integration of technology in our businesses. We have started to implement AI in our sales enablement business and we have also done technology in the Audit and Assurance and the Employee Background Verification business. Implementing of technology is helping us become more efficient, which in turn is increasing our BSS EBITDA margin, which stood at 9.9% as compared to 9% over last quarter.

I am also pleased to share that our Q1 FY25 Airport Ground Landing business has turnaround EBITDA positive and PAT positive, which is in line with our previous commentary. We are present in major emerging airport such as Pune, Tirupathi, Ayodhya etc, which are expected to receive large amounts of traffic and now operate in a total of 22 airports. Apart from Ground Handling Aviation, we globally have also started Aviation Training Academy to pick up pace and is expected to start positive contributions by next year. During Q1 FY25, the BSS segment contributed 36% to revenue and contributed 49% to EBITDA. EBITDA for BSS segment grew by 49% on a year-on-year basis, EBITDA margin for BSS segments stood at 9.9%. As of June 30, 2024, we have got 900 odd clients under BSS segment.

Key clients under BSS services include the customers like Microsoft, TCS, P&G, Hershey, Aditya Birla, Spicejet and Tata Communications. While revenue from top 10 customers keeps growing, we are also expanding with them in different geographies. 75% of our revenues came from top 50 customers. We continue to be the go-to partner for several clients, sales enabled, audit & assurance, and EBGC. We are planning strategic acquisition in the BSS space that will enhance the capabilities of UDS as a whole and be marginal accretive in nature. Additionally, we are also boosting cross sales between IFM and the BSS segments opening up significant growth opportunities and unlocking further synergies. We expect to achieve our 20% organic growth in the BSS segment, which will further improve our margins. Our ability to successfully acquire and seamlessly integrate a margin accretive business is a key differentiator for us.

On a profitable basis, which has come from acquisition, we have effectively integrated. The largest opportunity within the market will be in sales enablement, audit and assurance and employee background verification, all of which are asset light and with capital efficiency in nature.

To summarize:

UDS is well positioned to grow given the robust industry dynamics and our proven ability to manage large contracts. The Government's strong push towards employment generation offering incentives for both white collar and blue collar creates an attractive opportunity for us. We aim to leverage these favorable conditions to drive our growth. Our strategic focus remains on achieving a growth rate of three times the nominal GDP of the country while maintaining a higher emphasis on capital efficiency and profitability. Our expertise in handling complex and large scale contracts sets us apart and we are committed to expanding market share by delivering exceptional value and services to our customers.

Looking forward, we are excited about the potential to capitalize on these industry trends and the government incentives ensuring sustainable and profitable growth for UDS going forward.

With this, I would like to hand over to our CFO, Radha Ramanujan for your Q1 financials. Over to you, Radha.

Radha Ramanujan: Good afternoon, everyone. I will share the Q1 FY25 Financial Highlights:

Our revenue grew by 14% year-on-year to Rs. 6,587 million. The IFM segment revenue grew by 5% year-on-year to Rs. 4,246 million and BSS segment revenue grew by 34% year-on-year to Rs. 2,340 million.

The revenue split between IFM and BSS stood at Rs. 64%/36% compared to Rs. 70%/30%, same time last year. Quarter-on-quarter, we are growing the share of BSS segment.

EBITDA for Q1 FY25 grew by 33% to Rs. 474 million. EBITDA margins stood at 7.2%, solid 1% improvement over Q1 FY24, which was 6.1%.

Our PAT witnessed the growth of 107% and stood at Rs. 256 million. Our cash profit also grew by 22% year-on-year to Rs. 382 million. Our ROCE again went up by 4%, compared to last quarter and stood at 24.2%.

UDS is a net cash company and our net debt to equity is (-0.48) as on 30th June 24.

Our total headcount in IFM segments stood at 51,738 employees and BSS segments stood at 14,360 employees. And during Q1 FY25, we have 29 new logos in the IFM segment and 15 new logos in the BSS segment.

With this, I will open the floor for question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Sanjay Shah from KSA Securities. Please go ahead.

Sanjay Shah: Sir, my question was regarding our BSS where all our three verticals like Athena, Denave, Matrix, all have really done good and improving. So, how do you see that vertical panning ahead from this level since our contribution from BSS is around 40 or slightly less than 40%? So, what is your target for next 1-2 years we can reach in this BSS? And what are the opportunities you see and can we add any new services to our offerings by way of some acquisitions and how the strategy work out?

Amitabh Jaipuria: See when we actually went to market and even subsequently in our quarterly calls, we have been talking about a clear strategic direction that BSS will continue to grow and BSS share of our total revenue will also grow, but not very fast because even IFM is growing. So, right now our projection could be that the revenue mix, for example, it is 64% and 36%. So, this 36% revenue split could actually go up to about 40%-42% in the next year, year and a half, 2 years. So, year-on-year, maybe it will probably improve by about 2% or there about 2%-3% is what we believe. Margins as you can see are also looking good. And there is a strong margin growth as well also in terms of the percentage margin growth. Your question about new service lines being added, see, we are always on the lookout to add new service lines, but we have a very clear idea that we will add synergistic line which we understand and where we know either the customer or the product or the service delivery mechanism and where the EBITDAs are clearly accretive. We may make some acquisitions within the BSS space on the technology side, but those will be more in terms of enablers to enable, to make our functions, our products more efficient and to improve internal productivity. So, customer facing service lines, we are evaluating. Right now, we do not have any identified target.

Sanjay Shah: Sir, in BSS, our sales enablement services contribute around 70%-71% of our revenue in BSS and all other are also very exciting, like audit and insurance employee, mailroom, airport ground handling. So, now how do you see that vertical growing panning ahead because we see lot of unorganized player in this segment, correct me if I am wrong and do we see any green shoots on that side where we can grow?

Amitabh Jaipuria: So, on the sales enablement side, we are very bullish and not only India, but we have global customers as you know. We also have a global delivery center in Malaysia and we have also been expanding to Korea and to some of the other markets, but that is a global place that we have and we are very excited about it. We are also trying to experiment with newer technologies in these areas to improve our productivity and efficiency. As far as the unorganized sector is concerned, in sales enablement, that is not a very large threat. The threat does come in employee background verification where there are some unorganized players, but even there are the top 5-6 players are quite large and we are amongst the top three players in any case. So, it is not really that much unorganized sector, the EBGC business has been under stress for the past few quarters. That is basically because as we had already commented earlier the EBGC business is very closely linked to hiring and IT hiring in particular, and we all know the IT hiring story in the last few quarters where it has not done well. There are some green shoots that we are seeing in IT hiring, but we don't see IT hiring coming back to the levels that we saw in 21 and 22, mainly 22. So, therefore we are diversifying our customer base. We are also now getting into BFSI and some of the other places where employee background verification is also required and expanding in those areas. That said overall matrix did expand at about 18% year-on-year which is quite substantial.

Raghunandana Tangirala: One more thing, just to add on Amitabh, what he said, you also mentioned on ground handling. Ground handling, we have an absolute kind of monopoly because we have a 10 year concession only along with us is another Air India AIGSL which is Air India company. Probably, we don't see it as a big competition. Otherwise these airport contracts are for 10 years on the 22 airports. It is a concession.

Amitabh Jaipuria: See, we had commented earlier in the previous quarterly call that we expect global to turnaround this year and we are actually quite pleased to report that it has done that and it is now onwards is going to contribute to profitability. And this business had a gestation period in some of our airports 2-1/2, 3-year gestation period is roughly over and now we will see this business contributing more meaningfully to our BSS numbers and therefore also to our overall numbers.

Sanjay Shah: Sir, in ground handling this gestation period is required for because we were a new entry or it is required each and every new airport we enter?

Raghunandana Tangirala: So, there are two things, you are right. Every new airport that we enter, we have to invest in equipment like a ground power unit, there is a ground, there is an air handling unit. There are what are called pushbacks, there are ladders, there are also the luggage handling units etc. So, these are all equipment buses for example, to move the passengers. So, all the equipment has to be deployed. So, that is one that is one aspect of gestation. Second is that traffic takes time to build up. So, the investment happens first, traffic takes time to build up. The third area of gestation is that once you get the concession and your clock starts, then the minimum guarantee that you have to pay to the airport that also starts, but what revenue may take a little time to build up. So, these are the three reasons why there is gestation.

Moderator: Thank you. We have our next question from the line of Balaji from IIFL. Please go ahead.

Balaji: I have a couple of questions. The first one is on, while you disclose the segmental PBT margins, could you please disclose the segmental EBITDA margins for 1Q FY25, 4Q FY24 and 1Q FY24? The reason I am asking is it gives us a better picture of the underlying momentum of the business. So, in case you have it, it would be great if you could share it?

Radha Ramanujan: Balaji, the IFM EBITDA in Q4 FY24 was 5.3% whereas in Q1 FY24 it was 4.9% and now it is 5.7%. The BSS EBITDA for the last quarter was 8.8%, the last year same quarter was 9% and now it is 9.9%.

Amitabh Jaipuria: So, in IFM, there is a clear trend that you are seeing. In BSS also margins are steady, but they are also improving, so now it is 9.9%.

Radha Ramanujan: Both of them have grown, 1% over last year same quarter.

Balaji: And I think it will be great if you could share this in the quarterly PPT itself going forward, so that it becomes absolutely clear and you don't have to ask it over a call. So, that is quite helpful. Secondly, on the IFM segment you mentioned most of the low margin contracts have already been exited and growth should improve from here on. But in general, when I look at your other listed peers also, one can see that the revenue growth has substantially tapered off at least based on the F&S Report, it is supposed to grow in teens, but at least whatever we can see from the listed companies reporting is that it has been in single digits. So, going forward, how long do you think will it take for you to get back to the big double-digit kind of number?

Raghunandana Tangirala: So, Balaji, this year, in spite of it, because most of the unviable contract we have exited was last year or maybe a little bit this 1st Quarter. So, this year we will guide you about 14% growth, between 13% and 14% growth for this year in the IFM.

Balaji: The second question was industry and why everybody?

Raghunandana Tangirala: I also read that report. They have also said they are exiting unviable contracts, and they have said that is why their topline did not grow much because single digit I think it was 6%, but we will do much better and Q1 will do between 13% and 14% if I look at 1st Quarter numbers as you would have seen. And normally what these IFM businesses start picking up in the second and third quarter for some reason.

Amitabh Jaipuria: Two other things, I will just add, Balaji, so when Raghu use the word I will guide, please don't take this in the term formal guidance, this is not formal guidance, but this is informal thing. Now, that said, the other piece is that the construction is happening all around us. So, overall, A grade office space is getting added, we do expect that the market will grow and that there will be margin improvement as well go slow. Margin improvement will be slower, but volume should come back much faster is the belief at this point. And we are seeing some of that momentum building up now.

Balaji: And just to understand these low margin contracts where the ones you got into during the pandemic, is that the fair understanding now those contracts are expiring and going forward, the pricing pressure which we saw should be a lot less, is that a fair understanding?

Raghunandana Tangirala: Some will be like that, but not all.

Amitabh Jaipuria: Because some of these are shorter-term contracts. So, they may not be 3-4 year contracts because of the pandemic period was 2021, but some of these could also be even earlier, for example, or some may have been shorter term contracts that we may have got into slightly later. The company strategy is very clear, strategy is to not spread ourselves too thin, focus on larger customers, focus on value added services and therefore improve margins and get steady business improvements. That is the strategy because as you know that we have almost 1500 customers. So, there is a long tail and some of these customers become difficult to serve profitably. So, also the reason is that if they are not strategic, then we will exit them over time.

Moderator: Thank you. The next question is from the line of Prathamesh Dhiwar from Tiger Assets. Please go ahead.

Prathamesh Dhiwar: Sir, my first question was on airport side. So, in Q4, I think we told we were handling around 16 airports and more 6 we were going to add. So, as of now, how much is that number?

Radha Ramanujan: We are operational in 22 airports as of now and then of which, where fully started the billing in the last quarter.

Prathamesh Dhiwar: And in coming time, let us say for FY25, how many more are we planning to add on?

Radha Ramanujan: At this point of time, there is only one more airport because these were a contract based sort of consortium which we won earlier. And with that we will be done in that. New airports, new airlines will keep coming in. Even now, the same airport, a new airline, one of the largest airline is talking to us to run it. It is in initial stage of negotiation. We can get new avenues of business and new carriers who can come into.

Prathamesh Dhiwar: And ma'am, if I just missed it earlier, can you give me revenue split in the BSS segment from Matrix and other subsidiaries?

Radha Ramanujan: You want the breakup of for BSS segment by legal entity?

Prathamesh Dhiwar: Yes, ma'am, from BSS segment?

Radha Ramanujan: From BSS segment, we had Avon which is our logistic transport company which had Rs. 241 million in Q1 which was almost 100% growth over the last quarter, Matrix is Rs. 315 million which again is 18% over the last year same quarter. Global did Rs. 119 million, 129% over last quarter, last year same quarter. Denave is Rs. 1,290 million, which is 36% over the last year same quarters. Athena Rs. 377, which is 4% over the last year same quarter.

Moderator: Thank you. We have our next question from the line of Dhvani Shah from Investec. Please go ahead.

Dhvani Shah: I had a couple of questions. Just to begin with, within the IFM business, if you check the standalone itself which you report, while the revenue has come up, the EBITDA margins excluding the other income is at 3.7%, so just wanted to understand what is the outlook going forward on this number? And as you mentioned IFM EBITDA margin at 5.7, which I think Radha mentioned earlier versus with other income and if you could give the same numbers without other income would be very helpful?

Radha Ramanujan: We will populate going ahead without other income. And we have also given the balance sheet and P&L published, can even understand just one minute, I will tell you the other income.

Dhvani Shah: So, the thing is that historically you were reporting segmented with only other operating income. Now it is with other income. It is actually getting very difficult for us to understand the trend and the bookkeeping itself is causing us to not get the finer details right. So, if you could please do that would be really helpful. And now if you could just explain the outlook on the EBITDA margins would look for the standalone business?

Radha Ramanujan: The other income we had around Rs. 58 million in this Q1 FY25 and if you are clearly wanting to understand the finance income which is about Rs. 45 million to Rs. 45 million on our topline. It is about 0.1%.

Dhvani Shah: How much is it without the other income EBITDA margin?

Radha Ramanujan: Rs. 45 million will go down. My EBITDA margin which is 474 will become 420, so I said 0.5% on the EBITDA margin.

Amitabh Jaipuria: So, going forward, we will clearly separate it out, your idea is right, including also the segmental, another caller had asked for the segmental numbers. We will include both of them in our quarterly deck itself, so that you don't have to try to separate it out as you rightly pointed out that otherwise then it could become slightly difficult. For this year, for this quarter Radha has explained that it is about Rs. 4.5 crores, Rs. 45 million.

Dhvani Shah: And just if you could share some light on how exactly is the IFM standalone business panning out, the margin improvement from 1.7 to 3.7 on quarter to quarter basis looks great. So, just on the outlook of that, I believe is a function of how your low margin contracts are now exited. So, just going forward, what would it look like?

Amitabh Jaipuria: So, going forward, we believe that this margin of around 4%-4.5% easily should be there. And in fact we believe that overall it can be better. This is on a standalone without other income, without finance income, without anything, just pure operating income. So, we do believe that about 4.5% to even 5% is what we would be looking at, but in the near term you can easily think of about 4.5%.

Dhvani Shah: And now coming to just the BSS segment. So, even in the BSS segment, while the revenues are sharp growth is segmental excluding all the adjustments that you have mentioned, the PBT margin was flat Q-o-Q, so if you could just explain the growth drivers going forward and if Global flight continues to improve this 6.7% as you all have reported, could it continue increasing?

Amitabh Jaipuria: Yes, Global will definitely keep on increasing because the costs are already taken into account and a post gestation period every airport is profitable or will be profitable. So, Global will keep on improving and that is the trend that we are seeing in almost every business that we have right now. And in any case, Q2 and Q3 are the better quarters because there is festive demand and also festive jobs that happen. So, there are a lot of shorter-term projects that come in and also some other payments that come in at that time. So, Q2 and Q3 will anyway be stronger.

Dhvani Shah: And just another last question, in the IFM business, a lot of your peers have been stating the fact that the larger customers are seeing lower margins and would that mean that your incremental customers are coming at a better gross margin for you?

Amitabh Jaipuria: So, that is our attempt that we always want to take customers at margins that are accretive, which means higher than our current overall margin. For some strategic reasons, for one particular product line, we may offer margins that are lower or pricing that is lower to establish a relationship with some of these customers. But otherwise the general expectation that you are talking about is correct, which is that new customers should come in at a margin which is at where we are or better.

Moderator: Thank you. We have our next question from the line of Naman Shah from Monarch Networth Capital. Please go ahead.

Naman Shah: I just had one question in the IFM segment, how much of your revenue is from government and how much is from non-government?

Amitabh Jaipuria: Government is almost 0 now, 1%-2% and we are almost 100% private sector.

Naman Shah: So, if you have a government contract, that means you are in the bidding process and if you bid and win, you have 3-4 years of stable income, correct?

Amitabh Jaipuria: That is correct, but government business comes with its own set of complications in terms of penalties, in terms of the payment cycle, sometimes the DSOs can be above 6 months and there are other issues. So, therefore our attempt has been, it is not that we are saying you will never do government business, but extremely selective and right now very low exposure to those kinds of contracts and it is unlikely that this will become very large for us.

Moderator: Thank you. The next question is from the line of Akshat Bharti from RSPN Ventures. Please go ahead.

Akshat Bharti: Sir, I am new to this company and want to understand a bit about the IFM business. So, we have a lot of segments in the IFM business. So, can you share what is the major segment like from where does most of the revenue comes from the IFM segment?

Amitabh Jaipuria: So, IFM basically comprises soft services which are cleaning services by and large, it comprises engineering services, which is a fairly large part of our business. The third major one where we are very strong is production support services, PSS. This is where we support the industries on their industrial plants, on their manufacturing lines, etc., doing O&M and other such services. So, that is the third large one. And then you have institutional catering, which is also growing very well and you are very strong in the South. So, that is the big one. And then what we have is warehouse management, which is not very large for us, but we see growth over there later and also there is a very specialized company that we have called washroom hygiene where we provide services for safe and environment friendly disposal of used sanitary napkin. So, that is a high margin business for us. Those are the 6 segments that we have in this space.

Akshat Bharti: Sir, can you quantify what percentage of revenue comes from these segments?

Amitabh Jaipuria: So, we don't quite break it up like that, but I can give you some very broad numbers. So, you will have staffing at about 10% or less. You will have institutional catering at about 10% or maybe slightly less than that. Engineering services and soft services would be about 30% each. Soft would be about 40. Engineering would be about 25 say, so that would be about 65 and production support services will also be about 15 or 20. Washroom hygiene is a very small revenue business, but strong EBITDA, 40% EBITDA.

Akshat Bharti: Sir, my second question will be, you stated that we are number 2 or number 3 in the market share in most of our segments. So, sir what is something that we do different from your peers to have that kind of market share?

Amitabh Jaipuria: So, I think we are over the years, one of the strongest pieces really is our customer relationship and our customer management because we deliver services which are reliable and we deliver services which are as per the customer's expectation. That is why the relationship exists. Most of our new business also comes from existing customers. So, that is a measure of the satisfaction that they derive from what we have done for them. So, if you are already doing business with them, saying in plant A or in factory 1, then they will take us to factory 2, 3, 4 and 5. So, that is the kind of thing that we have seen, so one is the quality of services delivered, quality of relationship that we have with them. We are also bringing in technology in various parts of what we do, so that is helping very clearly. So, that I would say would be the third and the last to an extent is really the bouquet of services that we have, so we have a full range of services which is helpful because most customers are now consolidating the vendors that they have and they want to deal with larger vendors who are more compliant and UDS being listed has very strong credentials in that, so that helps. The reputation that UDS has because of the fact now also that it is listed, and we have been in the market for 30 years that has been very helpful as well. So, those would be the 3 or 4 core trends, the fact that we have been there, reputation, the fact that we understand the business and have delivered services for them, the fact that we have a full bouquet of services and the fact that we have people who have been with the company for a long time, churn is low at our site management level and therefore we have strong relationships.

Akshat Bharti: And, sir my last question is any guidance for FY25 on a consolidated level?

Amitabh Jaipuria: No, we don't yet give formal guidance so that we are not giving out or putting out a formal guidance.

Akshat Bharti: And sir, just one last bookkeeping question. Sir, what will be the tax rate going for FY25?

Amitabh Jaipuria: So, our tax rate roughly is about 15% and we look at about 15%-16%. And the thing to note over there is that we are not dependent on 80JJAA. So, that is something for you to keep in mind. So, we are not really dependent on that.

Moderator: Thank you. The next question is from the line of Pranav Shrimal from PINC Wealth Advisory. Please go ahead.

Pranav Shrimal: I had a few questions. I don't understand in our Sales Enablement business, what exactly is the service that we offer and going forward, how do you see the market growing for it?

Raghunandana Tangirala: You are talking of BSS?

Pranav Shrimal: In the sales enablement sector, that is our Denave and Athena software, I want to understand how does it function exactly?

Amitabh Jaipuria: Denave is basically sales enablement, Athena is also sales enablement. Sales enablement basically means that we help our customers sell more. So, we have a digital business where we help them sell more digitally. We also help them generate leads and close sales also or pass on the leads to them and we get paid for that. So, this is done through a lot of digital work. It is also done through other campaigns that are run and they also do a lot of market activation activity which is on the ground. So, they are the 3 or 4 areas where they work. So, there is market activation, there is Tele sales, which is the lead part of it and there is digital, primarily these three.

Pranav Shrimal: And so all these businesses right now, are they profitable for us and the revenue contribution from these sections?

Amitabh Jaipuria: We don't break it up like that. So, I will not be able to give you a revenue and EBITDA break up at that level, but at the legal entity level for Denave and for the others, we have actually already given that in the previous thing.

Raghunandana Tangirala: But we will just, together it is about 36% is the BSS segment, Denave, Athena Global and Avon and the margin was what.

Radha Ramanujan: Denave is about 7.5% and Athena is close to 10%.

Raghunandana Tangirala: Totally we read out.

Radha Ramanujan: We have given 9.9% for BSS overall.

Pranav Shrimal: Could you please repeat what the last line?

Amitabh Jaipuria: For BSS, the margin number is 9.9%, but below the below that line we don't give product wise breakups, but the overall segment of BSS is delivering 9.9% EBITDA.

Pranav Shrimal: And do we going forward do we see any spike or is going to be around this level for a while?

Amitabh Jaipuria: No, we do expect margins to improve, as revenue grows there is cost arbitrage as well that kicks in. So, margins will definitely improve, but we have already guided in the past that or we have mentioned in the past that margin improvement in this business is on a cost arbitrage basis, not on price. So, we will grow at about 0.2%-0.3% year-on-year as far as the margin is concerned.

Moderator: Thank you. We have our next question from the line of Pritesh from Lucky Investment. Please go ahead.

Pritesh: Sir, could you give any indication on the EBITDA growth that you are looking at for next couple of years? And second in terms of your new business pipeline, any comments that you want to share?

Amitabh Jaipuria: New business pipeline because since you are in different kinds of businesses, the pipelines look different for the different businesses, but as far as revenue is concerned.

Raghunandana Tangirala: Overall, I think what we have actually earlier also commented was we are looking at a 15%-16% console all businesses put together. That is the growth we are looking at.

Pritesh: Earlier you were calling out plus 20%, so any change why with respect to that?

Amitabh Jaipuria: So, we may well be closer to that as well, but we don't believe in over promising and then under delivering because there have been headwinds and we had mentioned that in the last quarterly call also, there are headwinds in the EBGC business for example where clearly we are seeing uncertainty around IT hiring and therefore a slowdown in that business. And we had talked about the fact that to counter that to some extent Global will improve, which it has and our AA business, Audit and Assurance business is growing strongly. But since we do see weakness in EBGC and we do see some weakness in some of our other businesses, therefore we are mentioning 15%-16%.

Moderator: Thank you. We have our next question from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: In the previous call about the IFM business, you had mentioned that more and more projects that like you are receiving already and once you stabilize, you will see higher throughput. So, is this happening now? What is the situation?

Raghunandana Tangirala: So, it is just happening in the sense that is what we are working on that. I think if you look at this quarter numbers also, you would see a slight improvement over last quarter. So, that is what is happening, throughput will increase.

Rahil Shah: And what was your ESOP cost for the quarter and what will it be for the year?

Radha Ramanujan: The ESOP cost for this particular period is Rs. 11 million for this quarter, the full year we are expecting it to be around Rs. 5 crores.

Raghunandana Tangirala: Yes, Rs. 5 crores full year and this quarter is about Rs. 1.1 crores.

Rahil Shah: Rs. 1.1 crores for quarter 1 and Rs. 5 crores full year?

Raghunandana Tangirala: Yes, that is. But last year it was Rs. 8 crores, so that keeps reducing because the next team before that next year it gets over, I think.

Radha Ramanujan: One more year.

Raghunandana Tangirala: One more year, very small it will be, so this year will be five. That is your answer for that question.

Rahil Shah: And just to reconfirm, I believe you said for the BSS segment, you expect margins to grow 0.2% every year?

Raghunandana Tangirala: Yes, roughly around overall margin, console margin.

Rahil Shah: Console margins, not just BSS?

Raghunandana Tangirala: No, console margins will grow between 0.2% and 0.3%.

Moderator: Thank you. The next question is from the line of Heet Vora from Guardian Capital Partners. Please go ahead.

Heet Vora: I just had one question. I just want some clarification with respect to the investment that we have made in Wynwy Technology. So, we have done a rights issue of Rs. 7.9 crores. I just want to understand, given this is a loss making business, why has this happened and we have given a further loan? And secondly, could you just give some information around why we have done this scheme of merger also with ITSS?

Radha Ramanujan: See, it is a scheme of amalgamation between ITSS and Wynwy. Wynwy at this point of time is having a networth which is negative and we want to go under section 233, Fast Track merger. UDS had given the loan already to Wynwy which was provided and impaired in UDS books. So, we now have given them a little more money to increase the net worth to be positive and of course, that money has come back. The loan has got repaid to us back, so cash terms, there is no impact for UDS. The money went us a rights issue and the money came back as a loan repayment. And this merger is necessary for us because ITSS is also invested in a technology company and wynwy is a technology company. Strategically, if we merge these two companies, we will have a lot of synergies.

Amitabh Jaipuria: Especially on the go-to-market, because ITSS has a go-to-market already in place. Wynwy, there is no point in investing new money to get them to create another go-to-market, ITSS already has that.

Moderator: Thank you. We have our next question from the line of Manoj Jethwa from KSA Shares and Securities. Please go ahead.

Manoj Jethwa: My question is there on the BSS side, this is regarding the field marketing services, which you are doing for one special year's mobile manufacturer in India. So, maybe have some any sort of numbers, how much revenue we could have it in couple of quarters or for the FY25?

Radha Ramanujan: The last quarter we reported close to Rs. 40 crores of revenue in Denave, which has come out of this new initiative which they are running the retail stores. It is not just running, it is enabling the sales, converting it except comprehensive solution which we are providing for the largest mobile manufacturer.

Manoj Jethwa: Maybe you have the name of that particular manufacturer and how big is the contract?

Radha Ramanujan: We cannot share that unless we get the approval from the manufacturer at this point of time.

Amitabh Jaipuria: Also, that is competitive information, so we will not be able to share the exact name, but there aren't that many who are that large.

Radha Ramanujan: You can understand.

Raghunandana Tangirala: You can draw your own conclusions.

Manoj Jethwa: And my another question is, the company is harping more on the technological and digital use of providing all the services. Are we moving away from the mass scale of people, labor deployment to smart solutions for technology enablement providing services in the BSS or the IFM segment and how it could be EBITDA and margin accretive to the businesses at large?

Amitabh Jaipuria: So, there are two parts to that question. One is that are we moving away from people intensive and more into technology, yes.

Amitabh Jaipuria: We are certainly examining all types of technology, but these are mostly inward looking in the sense that they will help transform internal productivity and efficiency. And it will help improve customer interactions. In some businesses like Denave and Matrix, Denave in particular, it could also result in some new services getting created, but will we reduce our dependence on people, at this point in time hard to comment, but we certainly expect that it will add to productivity, but that might mean a few jobs getting relocated or people being redeployed to some other area.

Manoj Jethwa: So, my another one question with your kind permission would be the opportunity with the BSS has in the Korean market and how much revenue we would be doing right now under that segment?

Raghunandana Tangirala: Not much. It is not a reportable number. It is not that large, but the idea is that it complements our Asia offering because there are global customers who want services in various countries. So, it will not be a material number in the near future, but Korea is a large market and in the future 2-3 years down the line, it could be a significant revenue and EBITDA generator.

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

Raghunandana Tangirala: Thank you, everyone, for joining us. I hope we have been able to answer all your queries. We look forward to such interactions in the future. In case you require any further details, you may contact us or Mr. Deven of SGA, Investor Relations Advisors. Thank you once again.

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.