



Redefining Business
Services

Date: 25/05/2024

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

Sub: Transcripts of the Earnings Conference Call held on 21st May,2024

In continuation to our letter dated 13th May 2024, please find enclosed the transcripts of the Earnings Conference Call held on 21st May,2024.

We request you to take the same on record.

This is for your information and records.

Thanking you,
For Updater Services Limited

Sandhya Saravanan
Company Secretary and Compliance Officer

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Our Values: happy people | clear purpose | better everyday | do good | balance all



“Updater Services Limited
Q4 FY '24 Earnings Conference Call”
May 21, 2024

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MANAGEMENT:

- MR. RAGHUNANDANA TANGIRALA -- PROMOTER, MANAGING DIRECTOR AND CHAIRMAN -- 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 DENAVE, ELEVATED CHIEF EXECUTIVE OFFICER BSS GROUP (UDS) -- UPDATER SERVICES LIMITED

Moderator:

Ladies and gentlemen, good day and welcome to Updater Services Limited Q4 FY24 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the 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 participants' 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Raghunandana Tangirala: Yes, thank you Manjula. Good afternoon to all of you, warm welcome to everybody present on this call. I have with me; Amitabh Jaipuria, Non-Executive Director, Radha Ramanujan, CFO, Snehashish Bhattacharjee, CEO of Denave, who is now also elevated as the CEO of the entire BSS Group of UDS. He will start taking ownership from 1st of June. So congratulations, Snehashish. Happy to have you as the CEO of the BSS Group.

I hope all of you have got the investor deck by now and for those who have not got it, you could view them on the stock exchange or the company website. To give you a brief in a nutshell, UDS operates in the B2B space, offering a spectrum of business services which are broadly classified within our group as IFM segment and the BSS segment. When we say BSS, it is Business Support Services.

Over the years, UDS standalone entity has evolved into an integrated business services platform which has been present in pan-India, servicing customers across industries and business lines. Also, you would all know acquisition of strong companies in BSS segment has taken the group globally and also made us more profitable.

We are led by a well-qualified experienced management team, with a robust experience in all the sectors we operate and that's how we have demonstrated the ability to manage and grow our operations across segments.

First, let me give you a brief on the BSS segment. In the BSS segment, we have witnessed a strong revenue growth of 32% over last year. Revenue stood at about INR802 crores. This is primarily attributed to strong growth we are witnessing in the sales enablement business. We're also growing the digital and field marketing segments in the BSS segment.

This segment grew in spite of setbacks in employee background verification, one of the business services because of a freeze in IT hiring or slowdown in IT hiring. We are seeing improved traction this year in the IT hiring, though it won't be like what it was a couple of years back, but we are seeing traction. We have also moved from IT-focused companies.

I'm talking just about the employee background verification. We've also moved from IT-focused to other sectors like banking and manufacturing. Another business in our BSS segment, which

is the airport ground handling business, we have picked up traction. We would be operating in 22 airports from this quarter. So out of the 22, 16 are already operating about six will start getting operated anytime this month and next month.

Beyond ground handling, we're also picking up other related airport and aviation services. We've also started an aviation training school, though for captive and also for people outside. This should definitely start profitably contributing from the next two, three quarters. We've also got in these 22 airports, the marquee airport, which we expect actually the business to go much more than what we planned. These are airports like Ayodhya, Tirupati, and Pune which is already operational last one year. We see this segment to grow in the coming years.

During Q4 full year, the BSS segment contributed 34% and 33% to revenues respectively. Within BSS segment, we offer a diverse range of services tailored to meet the evolving needs of our customers across various industries. This also helps us to increase our wallet share within the existing clients, while improving our margins on a consolidated level as business in BSS segment are highly margin accretive.

As of 31st March 24, we have about 1,026 customers in BSS segment across key marquee clients, across segments like IT, BFSI, Manufacturing, ITES, Telecom and Aviation. Way forward for the BSS segment, we have plans to grow this more aggressive in terms of inorganic growth. That would mean acquisition in the BSS space. This is what our strategy when we did the prospectus or when we went for the listing.

So, this would happen this year and the next year or going forward in this space because BSS will see a better value addition and better margin. We also plan to grow the BSS segment organically at around 18%, 20% and also further improving our margins. Our ability to successfully acquire and seamlessly integrate margin accretive business what will be a stepping stone for us and what separates us from our peers.

All businesses in BSS segment have been through acquisition, which has successfully turned into a profitable business. BSS market is expected to expand at a pace of about 15% per annum in the next three or four years, reaching a size of about INR15,000-odd crores. From this the biggest pie would be attributable to sales enablement, employee background verification and audit and assurance. All these BSS segment businesses are asset light and capital efficient in nature and in which we are already market leaders, we should grow faster than the industry.

Now, moving to IFM segment, during Q4-24, our IFM segment contributed a significant contribution to our revenues, comprising approximately 66% of our total revenues and 67% for full year ended FY24. Within the IFM segment, we offer a comprehensive range of services catering to diverse clients, which includes soft and hard services. When we say hard services, it is the backend engineering services. Soft services include like housekeeping, cleaning, horticulture, pest control, and support services. We also do a large portion of our IFM business in the manufacturing segment, so we also have a warehouse management piece within that segment.

At UDS, we continue to have a high focus on margins and capital efficiency. Given this backdrop, we have witnessed a growth of about 9% in IFM revenues, which stood about INR1,665 crores. This is due to us rationalizing our low-margin contract business. Wherever necessary, we have exited businesses that are not viable and concentrating now more on better-margin businesses or higher-margin businesses.

As of March 24, in the IFM segment, we have about 1,500 customers. Again, like I said, we have customer marquee names, so the Fortune 100, Fortune 500 names in manufacturing, in banking, in aviation, in healthcare, in hospitality, IT. Also, like earlier I said and this is what we've continued if you take a 5-year window we have a 95% customer retention rate.

Going forward, we see the industry front we continue to witness a shift of preference towards a fully integrated facilities management company with higher demand for solution-based offerings. We have always focused on offering a bouquet of services with higher technical capabilities which has separated us from our peers. Our quality and passion to provide quick turnaround solutions keeps us growing.

We expect to continue to gain market share while maintaining a high focus on hard services which are engineering services which are better-margin and margin-accretive and also they are specialized in nature. As you all would know companies are increasingly outsourcing and outsourcing fully managed services and also outsourcing a complete integrated solution. So we will continue to capitalize on this and we'll continue to grow.

The outsourced size of the IFM market is currently around INR40,000 crores. It includes both organized and the un-organized players and is expected to grow to about 80,000 crores by FY28 which is roughly about 17% CAGR. The outsourced split is also going to go to increase. Going forward we are quite confident that our growth in numbers will stabilize at 3x of GDP growth.

To summarize, there are particularly five levers of growth which we will clearly see, which are we want to retain, strengthen and grow our customer base, emphasizing our deepening relationship with customers through long-term renewable contracts, creating a stable revenue model. A strong brand and quality services enable customer retention and cross selling. Number two, we want to grow market share in the key segments expanding in key segments like commercial, real estate, industrial, manufacturing, and more like infrastructure projects like we already handle in the IFM about seven airports.

We would like to do this on the side of large infrastructure projects. We also would introduce new products basically more on our technology where we will have a more technology-enabled service offering. We will continue to improve our operating margin by two ways. One is our operational efficiencies and two is the scale and the blend and mix of businesses, businesses in the sense within IFM the businesses and also we'll continue to be cross-sell between IFM and BSS.

Like I said earlier we'll pursue the inorganic growth in the BSS space. We have raised money for inorganic growth and we will be doing it over the next two, three, four quarters. I'm happy to share that we've got a great place to work certification, highlighting our ability not just to hire,

but also to foster strong, dedication towards employee satisfaction. Apart from this, one of our group companies in the BSS space, Denave has been recognized as India's top 100 best workplaces for women.

I think, I think that I'm done and I would hand it over to Radha Ramanujan who is our CFO to give you details on the Q4 and full year 24. So over to you, Radha.

Radha Ramanujan:

Thanks, Raghu. Good afternoon, everyone. I'll first share the highlights of Q4 FY24 and then I will talk through the full year financials. I think all of you must have seen the deck which has been loaded as well. The total revenue from operations grew by 10% year-on-year to 6,326 million. IFM segment grew by 8% year-on-year to 4,272 million and BSS segment revenue grew by 24% year-on-year to 2,174 million in Q4 of FY24. The revenue split between IFM and BSS is at 66% for IFM and 34% for BSS compared to 69% and 31% same time last year.

The share of BSS is continuously growing in the overall revenue. EBITDA grew by 6% to 411 million whereas if you see our presentation we have also given the adjusted EBITDA. The adjusted EBITDA degrew by 23% year-on-year to 383 million. The adjusted EBITDA is primarily excluding the one-off expenses like fair value changes and liabilities that are payable or paid to the promoters during the year on account of acquisitions. The amortization related expenses that also pertains to the acquisition and the ESOP cost.

The adjusted EBITDA margin stood at 6%. Adjusted PAT was flat and it was 217 million. Whereas reported PAT witnessed a growth of 150% year-on-year and stood at 242 million. The cash PAT is at 336 million. During Q4 FY24, we added 18 logos in the IFM segment and 17 in the BSS segment.

Now coming to the FY24 financials, the total revenue from operations grew by 16% year-on-year to 24,561 million. The EBITDA grew by 41% to 1,459 million. Whereas the adjusted EBITDA grew by 12% year-on-year to 1,666 million.

And the adjusted EBITDA margin stood at 6.8%. Just to give you the break-up between the reported and adjusted EBITDA, in FY24, the ESOP cost is 101 million. The fair value change in liability payable and paid to promoters of the acquired subsidiary is 106 million. Denave is in the final stage of becoming fully owned. We have already provided for the acquisition cost. It's just a regulatory activity now going on and then we will complete the promoter share acquisition.

And by FY27, Athena also would become 100% subsidiary of the company. During this year also there is a 16.5% buyback of promoter share for which provision has been made. Hence, the effect of fair value expenses going ahead will keep decreasing as we keep increasing our ownership in the subsidiary companies. As mentioned earlier if we take a hit on fair value it means the business is outperforming our expectation and that is the reason we have to pay out more.

But it's a good sign to have it because that money will come back as a future benefit for us. If the business continues to perform, it's a future benefit, and by FY27 Athena would also become 100% subsidiary and we will not have the adjustment on account of fair value or amortization

going forward. On the adjusted level, the EBITDA margin has come down by 0.2%. This also primarily due to the last quarter impact.

We have taken a few large-value project business in IFM and new business in BSS and once we stabilize the operation, this will start giving benefit in the subsequent quarters. Adjusted PAT grew by 9% year-on-year to 925 million whereas reported PAT grew by 91% year-on-year to 663 million. And the cash PAT grew by 21% year-on-year to 1,409 million. Our adjusted ROCE stands at 24%. We are a net cash company and the net debt-to-equity stood at negative 0.39x as of 31st March 2024.

During the financial year, we added 78 new logos in IFM segment. New logos, I mean the new customers. And 51 logos in the BSS segment. The total headcount at the year-end stood at 51,876 for IFM segment. And it was 13,356 for BSS segment. You may also observe a little bit of inconsistency in the reported revenue in our presentation versus the P&L which is published. That is primarily on account of removing the interest income from other income.

As you may be aware, for Ind-AS purpose, even the interest income gets reported as other income, as a part of operating income. Since we have been removing the interest income from the operating EBITDA earlier, to maintain consistency even in this quarter and this financial year for the investor deck, we have removed it. But going ahead, we will report or we will make a presentation in line with the published P&L i.e., audited P&L.

And we will only have the reported PAT and all other line items aligned with the published P&L. With this, I will open the floor for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Balaji from IIFL Securities. Please go ahead.

Balaji: Good afternoon. Thanks for taking my question. My first question would be, could you give the FY'24 revenue numbers for Athena and Denave? And also, it would be helpful if we can have the segmental EBITDA, which is the EBITDA for both the segments, which is IFM and BSS, for FY'24. That would be my first set of housekeeping questions.

Radha Ramanujan: Okay, I will just read out the FY'24 top line. You wanted Denave and Athena.

Balaji: That's right.

Radha Ramanujan: Okay, just one second. Denave has reported a turnover of INR 4,550 million and Athena's turnover is 1,488 million.

Balaji: You said 4,650 for Denave. If I got you right?

Radha Ramanujan: 4,550 million.

Balaji: 4,550 million.

Radha Ramanujan: 1,489 Athena.

- Balaji:** Okay. So if I follow up on that, I can see that despite the revenue growth being quite healthy at around 25% for Denave, the absolute EBITDA has come up from 336 million to 294 million. So that is a reasonable, almost 270 basis points EBITDA margin contraction. So could you please throw some light on what exactly happened and going forward, how should be the EBITDA margin for Denave?
- Radha Ramanujan:** Okay. With respect to EBITDA margin, you're only specifically asking Denave or Denave and Athena together?
- Balaji:** So more specifically on Denave, because Athena, I can see it is almost steady, as in based on the numbers you just mentioned.
- Radha Ramanujan:** Yes. Denave, we had a little bit of a dip in the margin in the last quarter. Since Snehashish is on the call, if he can brief the business situation, I will also help on the financial numbers...
- Snehashish Bhattacharjee:** Sure, Radha. Thank you for pulling me in. So a quick update on the Q4 drop that we see there. There are primarily two factors here. One, over the last two quarters, we had an increase in our overall revenue from some of our telecom customers, where the margins are lower. And therefore, we have a significant jump in top line, but we've had a not equivalent increase in the bottom line, number one.
- But these projects, when we execute them, they also come with their related costs, which in the first one quarter, two quarters, sit on the payroll at a higher percentage versus going forward they stabilize. That is the first primary reason. The second primary reason also is during this particular period, because a good chunk of our customers are also from the technology industry.
- And at that point of time, there were certain inconsistencies in their plans, basis the cost optimization drives that were happening. There were temporary impacts that we also faced in the Q4 quarter four, which in Q1, we should be able to take care of, as it should be better in Q1. I hope that answers your question.
- Balaji:** Got it. So, is it fair to say that, you know, in FY'25, we will go back somewhere closer to the margin levels we had in FY'23?
- Snehashish Bhattacharjee:** That is the plan, yes.
- Balaji:** Got it. And, you know, my second question again to Radha was on the segmental breakup for EBITDA between IFM and BSS.
- Radha Ramanujan:** Okay. We haven't shared it in the deck, the segmental breakup BSS is about close to 100 million. You want for the Q4 or for the year?
- Balaji:** Full year will be more useful.
- Radha Ramanujan:** Okay. The BSS segment has about 365 million and the IFM segment is around 440 million. And we have an elimination of around 130 million, which effectively goes into the IFM segment. So, INR36 crores on BSS and INR30 crores on IFM.

- Balaji:** INR36 crores on BSS and?
- Radha Ramanujan:** INR30 crores on IFM.
- Balaji:** Now, this is for which period because I can, this is adjusted EBITDA or reported EBITDA?
- Radha Ramanujan:** This is reported PAT.
- Balaji:** Okay. And how were these numbers last year? Because I do have a number from INR77 crores for BSS for FY23. So, is that INR77 crores apples-to-apples with this INR36 crores for BSS?
- Radha Ramanujan:** BSS last year was around INR53 crores. The apple-to-apple comparison is INR53 crores versus INR36 crores. Like we mentioned in the previous three quarterly calls, we also had some setback in the background verification business in Q1, Q2. That has resulted in some amount of margin erosion in the business, which has been picking up now.
- Balaji:** Okay. Got it. And my next set of questions would be on this BSS segment, if I may. So, you have classified, something which used to be under sales enabled and services revenue under other BSS revenue. So, what is the rationale behind that? And I can also see that your 3Q PPT mentions 1,700 plus customers for BSS, while this time around you called out 1,026. So, any reclassification there? That will be helpful.
- Radha Ramanujan:** Yes, what we mentioned is any customer who is contributing to less than INR5 lakhs as a revenue, we have eliminated. And we also eliminated customers who have been there like one-off projects and then exiting. So, that's why we have made it only continuing customers and customers who are making significant impact.
- Balaji:** Got it. And what about the other BSS revenue, which you called out? As in earlier, sales enablement services used to be some 23%-24% of your revenue. Now, there's a little around 10.5%-11%.
- Radha Ramanujan:** See, the sales enablement in Denave, we are also tracking the revenue in multiple segments like marketing services -- digital marketing services, business analytical services, pure sales enablement services like that. So the rest also will be part of -- if you put it in the overall context, the 19% which is missing in the chart is actually end of the game is driving towards sales enablement.
- Balaji:** Okay, got it. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Dhvani from Investec. Please go ahead.
- Dhvani:** I just wanted to understand one thing. In the stand-alone business that you report, the margins have come off from 2.4% to 1.7%. I believe this pertains to the IFM segment mainly. If you can explain a little bit about the margins in IFM and how we should look at them going forward.
- Radha Ramanujan:** See, in IFM also, earlier like Raghu mentioned, during the year, we had margin eroding contracts and we have taken a conscious call to come out of those business. We had the people first

continued for some time while we exited the business. While saying so, we also got into the high-value projects.

We are getting more and more project business now. We are in the initial stage of setting up the project business. And once we stabilize, even that will come back as a higher throughput with a stable margin. So, we have a bit of a setback in margin in Q3 and little extending into Q4. But we will even out by Q2 of FY'25.

Dhvani: So, this would be the last quarter for exiting these businesses. Now, going forward for the next two quarters, it will just be due to ramp up of these new projects. Is that understanding correct?

Radha Ramanujan: It takes a couple of quarters to settle down. And then, hopefully, by the second quarter, it will start...

Dhvani: Understood. And in terms of the BSS business, quarter-on-quarter, there have been some declines. While you all mentioned that Denave does well in the quarter, given that the revenues are sitting because you all have some new telecom customers. So what is leading to the decline quarter-on-quarter? We believe Matrix had bottomed out in the last quarter. So if you can give some comment?

Radha Ramanujan: Matrix profitability compared to the Q1 and Q2. The Q3, Q4 profitability has improved better.

Dhvani: I am referring to the revenues, not the profitability.

Radha Ramanujan: The revenue is dropping. Probably, Snehashish, if you can throw some highlight on BSS revenue dropping.

Snehashish Bhattacharjee: Yes. Like I said, along with our increase in the low margin business in the Q4, we had some market impacts from the technology sector because of the cost cuts that were happening there, which is why our Q4, there was a muted growth in terms of revenue. I hope that answers your query.

Dhvani: Yes.

Radha Ramanujan: It is not substantially dropped also. There is a minor drop. If you see Q1, Q2, Q3, the revenues have been going up. Only in Q4, there is a drop in one particular company in the BSS segment. The rest of the companies have held on to their revenues.

Dhvani: Understood. Also, could you explain the reason for the change in accounting policy for depreciation? Why exactly has there been a change from written down value to SLM?

Radha Ramanujan: As a company, all our subsidiaries, all of us are using a straight-line method. We started investing in airport ground handling assets last year. So, immediately when the assets came in, in UDS went with the WDV method.

But considering the assets have got a longer useful life and also the revenues, the asset also earns fixed revenues further by way of lease rental. So in line with the useful life of the asset and also

the principle which all our subsidiaries followed, UDS has also moved into straight-line method of depreciation.

Dhvani: Understood. And just one last question. If you can just give the quantification of ground handling for this quarter. Did we break even in the quarter?

Radha Ramanujan: In the last quarter, we didn't break even because we had to do certain annual adjustments of rectification entries and other things. But however, basis the traction in Q1 '25, we should break even.

Dhvani: Thank you so much.

Moderator: Thank you. The next question is from the line of Aniket Kulkarni from BMSPL Capital. Please go ahead.

Aniket Kulkarni: Good afternoon and thank you for the opportunity. So a couple of questions on both the verticals. So starting with BSS, could you explain what the company's vision is with this vertical and what was the thought process behind making acquisitions to grow this vertical? And how the vertical is any different from any other BPO business and what type of ROCEs can we generate from this vertical?

Radha Ramanujan: Raghu, shall I continue or would you want to take it up?

Raghunandana Tangirala: I will add if required. Just give the rationale why BSS and why the space and the value and margin that we see in the BSS.

Radha Ramanujan: Okay. So, BSS primarily consists of Matrix, Avon, Global, Denave and Athena. These are the five subsidiaries which we call it as a business support services. What we do in business support service is the sales enablement services which primarily comes from Denave and Athena. Audit assurance, employee background verification services which comes from our Matrix Group company.

The mail room management, niche logistic solution and now they are attending to the warehouse management as well, this comes from Avon. And airport ground handling system which is through our subsidiary Global. We do the baggage, cargo handling, passenger movement and everything. And the reason why we focus on BSS as a strategy to acquire is because, they add offerings that are definitely complementary and supplementary to the current existing portfolio.

So like we have engineering service, staffing service and the integrated facility management and mail room management also combined together. We have engineering service, production support service, staffing service and we add the to them complemenatry service like employee background, field management. So the business support service primarily is aimed at complementing our existing IFM services.

Raghunandana Tangirala: If I can add here, our strategy of this inorganic growth and acquisition in the BSS space is to be margin accretive. IFM happens to be single digit margins and BSS is a double digit margin. That was the strategy of this inorganic growth in the BSS space.

And to add to that in the BSS space, what we do is we have been market leaders in both Athena and in Denave. That is also what I would contribute like that strategy to why to get into that space. They do very specialized BPO services if you want to call that.

That's the reason we wanted to get into this space. And also in the future, we would add our acquisitions or any new acquisition within this space which would complement our existing businesses.

Radha Ramanujan: And it's also a strategy to capture higher revenue.

Aniket Kulkarni: And on the ROCE part, if you can just tell me what kind of ROCE does the vertical generate for the company? I mean only for that vertical.

Radha Ramanujan: Okay, I have the overall company ROCE reported is 18.3%, I can work for individual companies return on capital. Except for global, every other company is very light on capital expenditure. In fact, almost nil except for few technological developments which they do. I will share that ROCE by segment separately.

Raghunandana Tangirala: If you want me to give you a very approximate number, it will not be very different between BSS and IFM. Barring global alone which comes under BSS, so we think overall company ROCE was 25% or 24%, I don't remember. It should be around that range.

Radha Ramanujan: The reported number is 18.3%. And if I exclude global assets from this, the ROCE will move to 24%. So yes, BSS and IFM has to be in the similar range.

Aniket Kulkarni: Understood. And secondly on the IFM business, does the IFM business have any residential real estate exposure? Is the company offering its IFM services in the growing real estate market in India right now? Because we can stand to benefit a lot if that is the case.

Raghunandana Tangirala: Yes, I see that. That's a good question. We have not been majorly into the residential segment. We have always focused on B2B. I mean residential also you could call it B2B now because they are into large housing and all. We would definitely endeavour to do that. We will work towards it where the project size is bigger. But we don't want to go into the low end or mid end residential sector IFM. So this is something which we have on our cards.

Aniket Kulkarni: Okay, understood. Okay, thank you for answering my questions and best of luck for the coming quarters.

Moderator: Thank you. The next question is from the line of Roshni Galani from ICICI Prudential. Please go ahead.

Roshni Galani: Hi, thanks for taking my questions. So with respect to the fair value changes number in this quarter has been negative. There has been a reversal in the fair value changes liability. So what would be the key reasons for the same?

Radha Ramanujan: Yes, during the quarter there was an adjustment which we made to initial projection. We thought the businesses will exceed. So we kept providing in the first three quarters and the business did what was expected. There was no surprise on overachieving the numbers. Like we said in the

last quarter even in Denave, there was a little bit of drop in the profitability. So we have reversed the provisioning for that.

Roshni Galani: The provisioning reversal is because of Denave or Athena?

Radha Ramanujan: It's primarily for Denave.

Roshni Galani: Okay. And going forward, how are we expecting Denave's performance to be?

Radha Ramanujan: Yes, you had a reassurance from Snehashish. So yes, Q1 will settle down and Q2 onwards the BSS segment will normalize.

Raghunandana Tangirala: Roshni, in the BSS segment including Denave, we expect to grow between 15% to 18% the current year. However, the first quarter in Denave alone could be flattened like the last quarter or a little improvement. Because of the investment done, they will start kicking in from second quarter. So overall, we will expect between 15% to 18% in all the BSS segment companies together.

Roshni Galani: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Naitik Mohata from Sequent Investment. Please go ahead.

Naitik Mohata: Good afternoon, sir and thank you for the opportunity. My first question would be what would be our ESOP guidance for FY'25?

Radha Ramanujan: Currently We have ESOP pool which can be allocated to the employees. The board is discussing on that. Probably by the next quarter board meeting we will decide on how and what is the quantum and then we will share it with you.

Naitik Mohata: Just for clarity, would it be somewhere around this year's number or it would be significantly different from this one?

Raghunandana Tangirala: Radha, I think what he is asking is the provisions you made for ESOP last year, this year and next year.

Radha Ramanujan: It may not as much as this year. We expect it to be half of the current year provision. However, we cannot call it out in case if it is required because we do have ESOP pools available. So if I have to share the numbers, it was INR5 crores in the prior to previous year. However, it could be around INR5 crores-INR6 crores next year. It was INR10 crores last year. We may get into INR5 crores-INR6 crores but again it is all subject to the board discussion.

Naitik Mohata: My second question would be regarding the employee cost. For the current quarter our employee cost is almost 80% of our top line. Which is slightly higher from our average of around 66%-67%. So what would be the reason for that?

Radha Ramanujan: See the way we explained earlier also, we are investing, we are starting the project based business. And also in Denave we have reclassified expenses, started a new business where the

employees are slightly more. As we stabilize the business and as we get on to that, this employee cost will remain the same but productivity will improve.

If you see overall also as a company we have not increased the employee count between the year beginning to year end. But the productivity per employee has substantially gone up. The overall employee cost as a percentage to top line also come down by 0.2%. It was 8.28 and it has come to 8.01. So we have reduced the cost by 0.2%. While last quarter because of slight dent in the top line, the absolute percentage looks higher. But if you see the productivity per employee in the last quarter, it is above the annual average.

Naitik Mohata: Okay ma'am. So can it be expected for these new businesses, the one in Denave as well to start contributing meaningfully to the top line from Q1?

Radha Ramanujan: We mentioned it will start from Q2.

Naitik Mohata: Okay. Alright. Thank you, ma'am.

Moderator: Thank you. The next question is from the line of Manoj Jethwa from KSA Shares and Securities Private limited. Please go ahead.

Manoj Jethwa: Good afternoon and thank you for the good set of numbers which you have put. My couple of questions are there. First is related to the segmental revenue in the audit report. In the BSS segment on FY'24 revenues and FY'23 revenues, there is a significant dip in the profit before tax. Could you please add some color on that ma'am?

Radha Ramanujan: You are talking about BSS segment?

Manoj Jethwa: Yes. BSS segment ma'am. Segmental revenue.

Radha Ramanujan: Okay. Once the segmental revenue has slightly come down, there is no significant dip in the segmental revenue per se. There is a dip in the segmental profitability. For example, the segmental revenue has grown by 18%. So where do you find the significant dip in segmental revenue?

Manoj Jethwa: No. I am not talking about the segmental revenue in segment results. There is a profit before tax. As compared to March 2023, it was 659 million which has been reduced to 488 million.

Radha Ramanujan: Yes. In the profit, we had two issues. One, in our matrix business, the profitable business, there was a setback. The employee background verification business which used to be a high margin business, there was a low volume in that business. So we had drop in profitability in that business. And in Denave, we had drop in profitability in the last quarter.

These two contributed to the overall drop in the BSA segment profit. And there is a slight increase in the loss of Global because we have been setting up all new airports. During last year, we have commissioned close to 16 airports operational. The initial set up cost, it also added slightly to the operating loss of that company compared to last year.

- Manoj Jethwa:** Okay. Fair enough. And my second question would be about the fair value changes in liability payable to promoters of acquired subsidiaries. Is there the target of the subsidiary company has not been achieved? So that's why there is a dip in the payment which we have to make it?
- Radha Ramanujan:** The voice is breaking in between.
- Manoj Jethwa:** Madam, my query is regarding the fair value changes in liabilities payable to promoters of acquired subsidiaries. You see the negative figure of 47 million. So just need to understand whether the subsidiary companies have missed the milestones for that. Any milestones for the payment relating to the payment which was supposed to be made?
- Radha Ramanujan:** See, like I explained earlier to Roshni, that is we have provided in the books for a higher achievement. Last year we had to pay substantially. If you see, we w have paid INR9 crores more on account of overachievement of the number compared to what was set in the FVC.
- So this year also anticipating that the verticals will overachieve, we had done provision. But Athena's numbers have been almost flat. And we had a small dip in Denave compared to what we estimated. So that has resulted in reversal of the FVC provision.
- Raghunandana Tangirala:** To answer that question, sir, I'll tell you, we had expected them to over perform, but they've done exactly what was the as per the planned. So what we have provided, that INR4.5 crores or INR5 crores, we have reversed it.
- Manoj Jethwa:** Okay. That's fair enough. Thank you. That's all from my side, sir.
- Moderator:** Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead. Mr. Rahil?
- Rahil Shah:** Hi. Can you hear me?
- Moderator:** Yes, sir.
- Rahil Shah:** Yes, hi. Just one question for, as a whole, on a consolidated level. If you have any guidance or outlook in terms of supply and demand for this year, it would be really helpful?
- Raghunandana Tangirala:** Radha, can I take it?
- Radha Ramanujan:** Yes. Please, sir, go ahead.
- Raghunandana Tangirala:** See, I would be constrained to give you exact real guidance, but I could tell you our business plan is, this years. That is the current year FY'25, we plan to do between 15% to 18% both top line and bottom line growth. I'm talking of reported PAT. Does that answer?
- Moderator:** Mr. Rahil?
- Rahil Shah:** Yes, thank you.

Moderator: Thank you. The next question is from the line of Nitin Padmanabhan from Investec. Please, go ahead.

Nitin Padmanabhan: Yes, hi. Good afternoon. Just wanted your thoughts on the project-based business in IFM. If you could just give this color, some color on what this business is about, what's the nature of the business. And you also mentioned some new business in Denave. So, if you could give some color on both, it will be helpful?

Raghunandana Tangirala: Should I take that, Radha?

Radha Ramanujan: Yes, you can.

Raghunandana Tangirala: Yes. Sir, IFM business, I don't know, I think what Radha would have earlier mentioned is some project businesses in Denave, or in the BSS space, they would have exited or something. But in the IFM business, there is no project-based business we do. They're all either long-term contract or a medium-term contract business. That's what we do in the IFM space.

Radha Ramanujan: Raghu, what I meant is the recent one where we have spent more money like, I don't know whether I can quote the name, the two, three companies. There, it is a reimbursement model. We have spent money ahead and also the one which we inaugurated today, the IICS.

Raghunandana Tangirala: Right.

Radha Ramanujan: It just got advanced in the last quarter, so we need to settle down and then ensure it gets reimbursed appropriately.

Raghunandana Tangirala: Right. So, they're basically upfront spending on the overall project. So, that is what could be called as project-based because that is something which is an annual recurring in nature. But the expense of some project could have been big in the last quarter.

Snehashish Bhattacharjee: If I may add to that, Raghu.

Raghunandana Tangirala: Yes.

Snehashish Bhattacharjee: From the BSS perspective, the project-based businesses that Radha is talking about is primarily at the Denave level where apart from the annuity contracts that we have for sales services, we also have marketing activation programs, we also have intelligent database services which are all project-based.

So, there we acquire customers. There is more of a strategy to get a foot in the door with customers and then over a period of time, create stickiness through our other recurring businesses. So, Radha was referring to those project businesses.

Nitin Padmanabhan: Okay. Are the margins in this business lower than the average or higher than the average?

Snehashish Bhattacharjee: Are you referring to the project ones?

Nitin Padmanabhan: Yes.

Snehashish Bhattacharjee: So, most of the project businesses are higher than average.

Nitin Padmanabhan: Okay.

Snehashish Bhattacharjee: Some of them significantly higher and some of them are averagely higher.

Nitin Padmanabhan: So, this reimbursement model which Radha mentioned was in the IFM business, is it? And not in the BSS?

Snehashish Bhattacharjee: So, in the BSS, we do have a staffing portion which is the telecom business. It's not really staffing. It's what we call field sales and marketing where we are focusing on activating the retail store sales. There, yes, the volume of the revenue is higher and the margin is lower.

Nitin Padmanabhan: And on the IFM side?

Radha Ramanujan: IFM side, it will be slightly higher. There could be a timing difference between booking expenses and claiming the reimbursement.

Nitin Padmanabhan: So, in which kind of an industry does this kind of a contract come up typically?

Radha Ramanujan: Currently, we are running one convention centre end-to-end. Similarly, there is one customer we also manage their guest house and everything. So, it's not just the facility management. We also supply items for them and then recover it subsequently.

Nitin Padmanabhan: Got it. Understood. Fair enough. Thank you so much and all the best.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Raghunandana Tangirala: Yes, thank you all of you present there and thank you for all your support. We will definitely try to do better than what we have done last year. Like, I can't give a guidance, but this is what we would plan to do is between a 15% to 18% growth both bottom and top line. So, thank you all of you.

Radha Ramanujan: Thanks. Thanks, everyone.

Snehashish Bhattacharjee: Thank you, everyone.

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.