

June 25, 2025

Updater Services Limited: Long-term rating upgraded to [ICRA]AA- (Stable) and short-term rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
LT – Fund-based	135.00	135.00	[ICRA]AA- (Stable); upgraded from [ICRA]A+ (Stable)
LT – Fund-based – (sublimit)	(35.00)	(30.00)	[ICRA]AA- (Stable); upgraded from [ICRA]A+ (Stable)
ST – Non-fund based	44.00	44.00	[ICRA]A1+; reaffirmed
ST – Fund-based	35.00	35.00	[ICRA]A1+; reaffirmed
Total	214.00	214.00	

*Instrument details are provided in Annexure-I

Rationale

The upgrade of the long-term rating factors in the healthy improvement in Updater Services Limited's (UDS) credit profile with a healthy revenue growth of 11.9% in FY2025 on the back of a strong uptick in the business support services (BSS) segment and a healthy demand for integrated facility management (IFM) services. Moreover, the share of revenues from the margin-accretive BSS segment improved to 34% in FY2025 from 28% in FY2023, supported by healthy scale-up of the recently acquired subsidiaries, which are involved in sales enablement and business process outsourcing (BPO) services. Increased scale, active low-margin contract rationalisation, and improved revenue mix helped the operating margin to rise to 6.6% in FY2025 from 6.2% in FY2024. The company is expected to post a high single-digit revenue growth in FY2026, driven by a stable business environment and an uptick in revenues from the subsidiaries. The operating margins are expected to expand in FY2026, aided by improved revenues from the margin lucrative BSS segment and cost-control measures.

The standalone operations accounted for 58.2% of revenues, 45.1% of OPBDITA, 66.7% of PAT and 58.2% of debt in FY2025. The share of subsidiaries' OPBDITA to the Group's OPBDITA has improved in the recent years, owing to an increase in the scale of operations of subsidiaries with higher margins like Matrix Business Services Private Limited (MBS; involved in providing background verification and business assurance services), Avon Solutions and Logistics Private Limited (mailroom management and logistics), Denave India Private Limited (Denave; sales enablement space) and Athena BPO Services Private Limited (Athena; BPO and card sales services).

The ratings consider UDS' established presence in the highly fragmented IFM and BSS space with a large customer base. The company derives its revenues from various sectors like IT/ITeS, manufacturing, retail and banking, which coupled with the addition of new customers and increased wallet share with its existing customers have supported the growth in revenues. It has a diversified clientele of more than 720 customers (standalone level), with the top 10 customers accounting for ~30% of its revenues in 9M FY2025.

The ratings remain constrained by the relatively moderate margins and intense competition. The IFM industry is highly fragmented, which limits pricing flexibility for the players. The industry has high employee attrition rates owing to the unskilled/low skill and temporary nature of the job. The risk is partially offset by UDS' extensive pan-India recruitment network and spend towards training and development to retain/re-hire talent. Further, ICRA notes that despite the diversified geographical presence, UDS derived ~60% of its revenues in 9M FY2025 from South India, indicating moderate geographical concentration risk. The acquisitions undertaken by the company in the recent fiscals have been with an initial payout for a

certain stake, and staggered payouts over forthcoming years for incremental stake, in line with the performance of the entity. ICRA expects an outlay of Rs. 30.0-35.0 crore over FY2026-FY2027 towards acquisition of incremental stake in the already acquired investee entities. Going forward, the company's ability to improve its profitability by successfully scaling up and integrating the newly acquired businesses, and its ability to maintain strong liquidity and comfortable debt levels, will be closely monitored.

The Stable outlook reflects ICRA's belief that UDS will continue to benefit from the effective scale-up of its revenues and margins, leading to improvement in its cash flows and debt metrics.

Key rating drivers and their description

Credit strengths

Prominent player in IFM and BSS industry owing to its proven track record; diversified customer base with high client retention rates – UDS is among the top players in the highly fragmented IFM and BSS industry with over 720 clients (standalone level) and a retention rate of over 95%. Over the years, it has acquired businesses in the BSS segment, which has aided in the improved performance of the company. Additionally, it has steadily added customers across several industries and geographies, mitigating the risk of sectoral or regional impact on its revenues. The revenue contribution from its top 10 customers stood at ~30% in 9M FY2025. The company derives revenues from diversified end-use industries, including manufacturing, healthcare, BFSI, IT/ITeS, logistics and retail industries, etc. Further, its reputed client profile and long relationships with them mitigate the client concentration risk to an extent.

Strong financial profile and liquidity position – UDS' financial profile is characterised by healthy revenue growth, comfortable scale of operations, strong gearing and coverage metrics. The company's consolidated revenues witnessed a healthy growth of 11.9% in FY2025, aided by improved business prospects and addition of new customers. Its operating margin improved to 6.6% in FY2025 from 6.2% in FY2024, aided by increased scale and active low-margin contract rationalisation. UDS is expected to post a high single-digit revenue growth in FY2026, driven by a stable business environment and uptick in revenues from subsidiaries. The operating margins are expected to increase, aided by improved revenues from the margin lucrative BSS segment and cost-control measures. The improved margins and low debt levels have resulted in improved capitalisation and coverage metrics in FY2025, marked by Interest coverage and DSCR of 17.4 times and 5.7 times, respectively, from 7.9 times and 3.0 times in FY2024, respectively. The TOL/TNW has improved to 0.6 times in FY2025 from 0.8 times in FY2024. Further, the same are expected to improve in the medium term on the back of increase in margins and steady accretion to net worth.

Large manpower base backed by strong in-house training capabilities – UDS has ~70,000 employees (as on March 31, 2025), supported by an extensive pan-India recruitment network and large in-house vocational training programme for skill building of its workers. The company provides in-house training and development to retain/re-hire talent.

Established presence of more than three decades; strong management – UDS, incorporated by Mr. Raghunanda Tangirala, has been operational for more than three decades in the IFM space. Among the Group's new businesses, especially in BSS segments like employee verification services, sales enablement and BPO services, the company has pursued the inorganic route to improve its product offering and gain market presence.

Credit challenges

Moderate geographical diversification of revenues – The company has operations across 24 states in India. However, it derives ~60% (in 9M FY2025) of its revenues from South India, indicating moderate geographical concentration risk. The same is mitigated to some extent on the back of new customer additions and healthy client retention rates, which have remained above 95% in the last five years ended in FY2025.

Revenues and margins vulnerable to fluctuations in general economic conditions – The company generates 40-45% of its revenues from manufacturing and engineering, banking and financial services, and automobiles and auto ancillary services industries over the last three years. Any slowdown witnessed in hiring in these industries may negatively impact the company's revenues and margins. In the past, UDS' various businesses were impacted by the pandemic-related lockdown. While these businesses witnessed a healthy growth in the subsequent period with a pick-up in economic activity as well as recommencement of offices, the company's operations continue to remain exposed to such exogenous shocks. Hence, going forward, any impact of the macro-economic slowdown on UDS' operations would remain a key monitorable.

Highly fragmented industry; intense competition leads to pricing pressure – IFM is a highly fragmented industry with intense competition from both organised and unorganised players. This limits the pricing flexibility of players across the industry, resulting in thin margins. However, the company's margins remain supported by its presence in higher margin segments such as background verification and business assurance services, mailroom management and logistics, BPO and card sales services. Despite the same, UDS has been reporting modest OPM in the range of 5-8% in the last five years ended in FY2025. ICRA expects the company's margins to improve in the near term on account of healthy demand in the IFM segment and ramp-up in the scale of operations of its margin accretive subsidiaries.

High employee attrition levels inherent in industry – The company, like its industry peers, witnesses high employee attrition owing to unskilled/low skill and temporary nature of the job. This risk is partially mitigated by continuous spend on training and development of employees. The number of employees increased by ~2% in FY2025, which also aided the improvement in revenues.

Environmental and social risk

Environmental considerations – The exposure to environmental risk is low for the company. The company continues to focus on reducing its environmental footprint by enhancing resource efficiency, installing solar power systems, and utilising ample sunlight to produce clean electricity. It has systems in place to manage and dispose of dry and wet waste efficiently.

Social considerations – Exposure to social risk is moderate for the manpower outsourcing industry. Risks include changes in the regulatory environment and employee management. However, the organised sector's focus on compliance and streamlining of labour codes would support the company's operations. Any political/ economic situation could also impact the industry.

Liquidity position: Strong

UDS' liquidity position is strong, given the expected retained cash flows of Rs. 120-140 crore, sizeable cash and bank balances of Rs. 268.2 crore, and buffer in the working capital limits of around Rs. 144 crore as of March 31, 2025. Against these sources of funds, it has capex plans of Rs. 40-50 crore. It does not have any repayment obligation. The company also has investment obligation of Rs. 30-35 crore over FY2026-FY2027 towards acquisition of incremental stake in companies acquired in the last two years.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is a substantial improvement in scale along with a sustained improvement in operating and net margins while maintaining a healthy working capital cycle and liquidity position on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is any significant contraction in revenues or margins or any debt-funded acquisition that could lead to a deterioration in its liquidity and debt protection metrics, on a sustained basis. Specific credit metrics that could lead to ratings downgrade include Total Outside Liabilities/Total Net worth of more than 1.2 times, on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of UDS as on March 31, 2025. The company's list of subsidiaries is listed in Annexure-II.

About the company

The Updater Group of Companies (the Group) was set up in Chennai in 1985 by Mr. Raghunandana Tangirala. The flagship company of the Group, Updater Services Limited (UDS), is one of India's leading integrated facility management services providers and staffing solutions companies. It is headquartered in Chennai and has over 800 permanent administrative staff and close to 70,000 employees spread over various locations, providing services across 200 million square feet of office space. UDS provides soft (housekeeping, gardening) and hard facility management (electrical and mechanical maintenance, server management) services to a diverse set of customers across industries on a pan-India basis. Its subsidiaries offer solutions in the space of audit and assurances, mail room management, catering services, employee background verification services, sales enablement services, and ground handling services at airports.

Key financial indicators (audited)

Consolidated	FY2024	FY2025*
Operating income	2,444.4	2,736.1
PAT	66.3	119.0
OPBDIT/OI	6.2%	6.6%
PAT/OI	2.7%	4.3%
Total outside liabilities/Tangible net worth (times)	0.8	0.6
Total debt/OPBDIT (times)	0.7	0.6
Interest coverage (times)	7.9	17.4

Source: Company, ICRA Research; *Result; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount Rated (Rs Crore)	Jun 25, 2025	Date	Rating	Date	Rating	Date	Rating
Long term-cash credit-fund based	Long Term	135.00	[ICRA]AA-(Stable)	-	-	21-Mar-24	[ICRA]A+(Stable)	30-Dec-22	[ICRA]A+(Stable)
Long term-others-interchangeable	Long Term	(30.00)	[ICRA]AA-(Stable)	-	-	21-Mar-24	[ICRA]A+(Stable)	30-Dec-22	[ICRA]A+(Stable)
Short term-others-non fund based	Short Term	44.00	[ICRA]A1+	-	-	21-Mar-24	[ICRA]A1+	30-Dec-22	[ICRA]A1+
Short term-working capital demand loan-fund based	Short Term	35.00	[ICRA]A1+	-	-	21-Mar-24	[ICRA]A1+	30-Dec-22	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term Fund based facilities - Cash Credit	Simple
Long Term Fund Based Sublimit	Simple
Short Term Non-Fund Based Limits – Working Capital Facilities	Very Simple
Short-Term Working Capital Demand Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	135.00	[ICRA]AA- (Stable)
NA	Sub-limits	NA	NA	NA	(30.00)	[ICRA]AA- (Stable)
NA	Bank Guarantee	NA	NA	NA	44.00	[ICRA]A1+
NA	WCDL	NA	NA	NA	35.00	[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Subsidiary Name	Ownership (%)	Consolidation Approach
Tangy Supplies and Solutions Private Limited	100.00%	Full Consolidation
Avon Solutions & Logistics Private Limited	76.00%	Full Consolidation
Wynwy Technologies Private Limited	100.00%	Full Consolidation
Athena BPO Services Private Limited	73.50%	Full Consolidation
Denave India Private Limited	100.00%	Full Consolidation
Global Flight Handling Services Private Limited	83.25%	Full Consolidation
Fusion Foods & Catering Services Private Limited	100.00%	Full Consolidation
Matrix Business Services Private Limited	100.00%	Full Consolidation
Washroom Hygiene Concepts Pvt Ltd	100.00%	Full Consolidation
Step-down Subsidiaries		
Company Name	UDS Ownership	Consolidation Approach
Global Flight Handling Services (Pune) Private Limited	74.00%	Full Consolidation
Global Flight Handling Services (Patna) Private Limited	74.00%	Full Consolidation
Global Flight Handling Services (Raipur) Private Limited	74.00%	Full Consolidation
Global Flight Handling Services (Vizag) Private Limited	74.00%	Full Consolidation
Global Flight Handling Services (Surat) Private Limited	74.00%	Full Consolidation
Denave Europe Limited, UK	100.00%	Full Consolidation
Denave (M) Sdn. Bhd. Malaysia	100.00%	Full Consolidation
Denave SG Pte Limited, Singapore	100.00%	Full Consolidation
Denave Korea Limited	100.00%	Full Consolidation
Denave Poland Sp, Z.o.o.	100.00%	Full Consolidation
Athena Call Centre Private Limited	100.00%	Full Consolidation

Source: UDS Audited financials FY2025

Note: ICRA has taken a consolidated view of the parent (UDS) and its subsidiaries while assigning the ratings.

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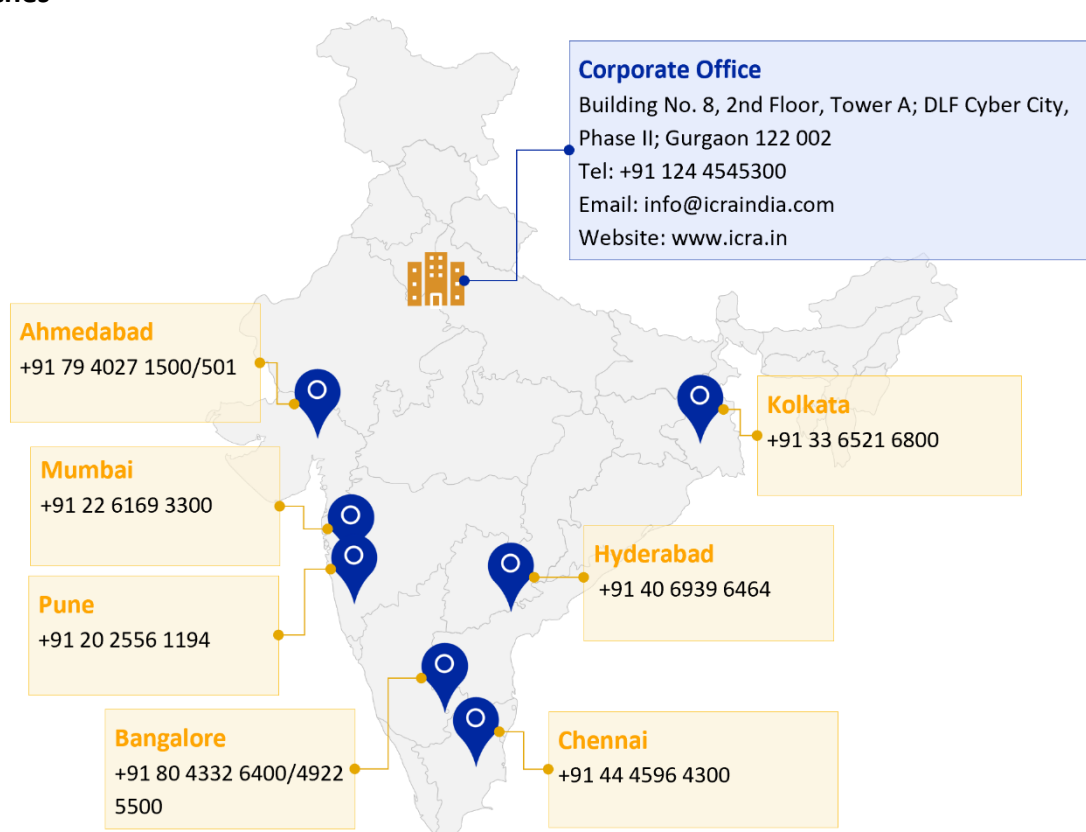
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