



Redefining Business
Services

November 12, 2025

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
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Dear Sir/Madam,

Sub: Transcript of the Earnings Call for the Quarter and Half Year Ended September 30, 2025.

This is further to our letter dated November 06, 2025, whereby the company submitted the link to the Audio Recording of the Earnings Call for the Quarter and Half Year Ended September 30, 2025.

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

You are requested to kindly take the above on record.

Yours faithfully,

For Updater Services Limited

SANDHYA

Digitally signed
by SANDHYA

YA

Date: 2025.11.12
19:02:27 +05'30'

Sandhya Saravanan

Company Secretary and Compliance Officer
A66942

Updater Services Limited (earlier Updater Services Pvt Ltd)

1st Floor, No.42, Gandhi Mandapam Road, Kotturpuram, Chennai - 600085
+91 44 2446 3234 | 0333 | sales@uds.in | facility@uds.in | www.uds.in |
CIN L74140TN2003PLC051955



“Updater Services Limited
Q2 & H1 FY '26 Earnings Conference Call”
November 06, 2025

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



MANAGEMENT: MANAGEMENT:

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

Moderator:

Ladies and gentlemen, good day, and welcome to the Updater Services Limited Q2 and H1 FY '26 Earnings Conference Call. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Raghunandana Tangirala. Thank you, and over to you, sir.

Raghunandana Tangirala: Yes. Thank you. Good morning, everyone, and a warm welcome. Today on this call, joining me is Jigyasa Sharma, our Executive Director; Amitabh Jaipuria, our Non-Executive Director; Snehashish, CEO of BSS; Surinder, CFO of Denave; and our SGA team who are our Investor Relationship team. I trust you have received the investor deck. And if not, it's also available on our website and the stock exchange portals.

Now I'd like to share an update on the IFM segment. During the quarter, we added about 14 clients in the IFM segment and 11 new clients in the BSS segment. In H1 of FY '26, our Integrated Facilities Management, the IFM business recorded a 10% year-on-year revenue growth to INR9,608 million. EBITDA stood at about INR476 million. Margins and growth during the period were impacted by a few transitory factors.

The quarter saw the addition of several new contracts that are highly strategic in nature, strengthening our long-term position with key clients and expanding our presence across focused sectors. These contracts have resulted in upfronting the employee operational costs as many are still in the ramp-up phase and have not yet reached their full revenue potential.

We expect profitability and growth momentum to normalize as these contracts stabilize and reach full revenue potential. We continue to shift towards a more private sector-driven client mix and will take government contracts very selectively. This is a conscious and strategic move as private sector contracts generally offer better margins.

Our focus remains on pursuing high-quality opportunities that enhance profitability and strengthen our overall resilience of our revenue base. Our focus going forward will be driving profitable growth by improving client level profitability, optimizing manpower deployment through our technology-led interventions and enhancing cash flow discipline.

We are also pursuing margin accretive opportunities in specialized services and integrated contracts, which should support a steady recovery in our profitability in the coming quarters. Looking ahead, we are targeting 10%, 12% revenue growth in the IFM segment.

This is further supported by several industry tailwinds, including increasing GCC investment, manufacturing growth under Make in India, surge in e-com logistics and warehouse needs and accelerated outsourcing of noncore operations. I'd like to share an update on Global, Avon and other BSS subsidiaries.

During the quarter, global flight handling saw a temporary slowdown. This is due to multiple flight cancellations and reduction in flights due to bad monsoon, which also led to short-term

suspension of flights at a few airports such as Vizag, Ayodhya, Balanagar, Khajuraho. Operations normalized by September.

While Q2 performance was slightly below expectations, we achieved several important milestones, including obtaining ASTI license for BCAS and for MoCA, conducting multiple AVSEC training programs and 100% pass rate and securing IATA Authorized Training Centre accreditation. We also initiated security audits for leading airlines and expect further training approvals soon.

Looking ahead, we anticipate stronger performance in the second half of the year, supported by resumption of flight operations, growing training demand and new client wins. Now I would like to share an update on Avon, an amount of 280 million, which has come under review primarily due to lapses in thorough due diligence for a few customers.

While this has resulted in certain receivables coming under stress, the company has already initiated an independent investigation and taken conservative provisions of 30 million. We are actively working with our legal team to recover the maximum amount possible. Other internal controls and vendor verification processes have been significantly strengthened to prevent any such recurrence.

Now I would like to hand the call over to Snehashish, our CEO of BSS segment, to give a brief on the update of Denave, Athena and Matrix. Over to you, Snehashish.

Snehashish Bhattacharjee: Thank you, Raghu. Thank you, everyone, for joining the call. I would like to brief you on each BSS segment individually, starting with Denave. During the second quarter, Denave worked through a tough operating environment. The second quarter performance was largely driven by continued strength in our field operations services across both managed and non-managed segments.

We witnessed some sluggishness from one of our large customers in the demand generation segment, along with some temporary softness in site sales and digital marketing due to both client delivery schedules as well as some other factors. Despite these challenges, the team effectively mitigated part of the impact through focused cost optimization measures and margin discipline.

We also made encouraging progress on our AI-led initiatives, including the Intellibank platform and demand gen through agentic AI pilots, which are gaining traction across some of our global technology clients. With a sharper focus on operational efficiencies and high-quality pipeline conversion in the second half, Denave remains well positioned to deliver a resilient performance despite the prevailing cautious environment in the global tech sector.

Moving on to Athena. Athena continued to navigate the evolving technology landscape with resilience, while the increasing adoption of AI has impacted certain client segments, the business has maintained stable margins. More importantly, Athena is broadening its client base beyond BFSI into new sectors such as education, retail and real estate to diversify its revenue streams.

We are also leveraging technology as a key enabler for us. We have successfully completed a proof of concept for a dynamic outbound AI voice bot with one of our clients. The initiative marks an important step in our digital transformation journey, and we intend to progressively deploy such AI voice solutions across our client base to enhance efficiency and service delivery, helping us remain cost competitive in this ever-evolving market environment.

Now moving on to the EBGC and A&A business of Matrix. First, I would like to give an update on our growing Audit and Assurance business. A&A delivered a steady performance during the quarter. We have also forayed into fixed asset verification, a high-margin area that allows us to move up the value chain.

During the quarter, we also onboarded 13 new vendors to strengthen our last mile auditing capabilities, taking the total to 60. This will help us reduce transit costs going forward. A&A segment continues to expand its client base, having added 4 Sensex listed companies, which include Airtel, HUL, Reliance and Eternal during the quarter.

While there is some near-term impact on margins due to ongoing investments in technology and talent, we expect margins to improve as these initiatives begin to contribute meaningfully. Additionally, the upcoming GST reform is likely to drive increased audit activity from Q3 FY '26 onwards, which should support future growth momentum.

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

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

Now looking ahead for the BSS segment, while we recognize that certain challenges may persist in the near term, we remain confident in our ability to navigate them effectively and expect a soft landing as the situation begins to normalize. Our focus continues to be on building resilience and adaptability across our BSS portfolio.

We are making proactive investments in technology and digital capabilities, which, while impacting margins in the short term, are strategic in nature and expected to deliver meaningful benefits over the long horizon. These initiatives will not only strengthen our competitive positioning, but also enhance efficiency and client experience across our services.

Now I would like to hand the call back to Raghu to summarize the Q2 and H1 FY '26 performance and expectations going forward. Raghu, over to you.

Raghunandana Tangirala: Yes. Thank you, Snehashish. To summarize, as we look ahead, we remain confident in improving our second half of this year as collection cycles normalize and one-off impacts seen

in H1 will taper off. Several efficiency measures and client level initiatives are implemented over the last 2 quarters and are starting to show results. We expect a stronger and more stable performance going forward.

The issue at Avon is being managed carefully, and we are working with our legal team to recover most of the amount under review. For the full year, we are targeting a consolidated revenue growth of around 9%, 10%. And overall, facilities management and business service industry continue to see strong structural growth, driven by increasing outsourcing and formalization.

With our scale and diversified client base and continued focus on technology - and execution excellence, we believe UDS is well positioned to capitalize on these opportunities and deliver steady profitable growth in the years ahead.

Amitabh Jaipuria: So the core messages really being it's been a tough quarter. And especially for the BSS segment. Snehashish has already spoken about plans to recover. Raghu has also touched upon Avon, which has impacted results for this quarter.

The good story, the silver lining is that in the IFM segment, revenues are growing and the broad idea of around 2x of economy broadly for the IFM segment is holding. So for the full year, we will have 12%, 13% growth in the IFM segment, which is twice the economic growth rate. The BSS will get back on track.

I think those are the key messages that we would like to leave our investors with, and we can open up for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nitin Padmanabhan from Investec.

Nitin Padmanabhan: I wanted your thoughts on what has actually driven the lower margins for the BSS business? Because you did mention that Athena margins have remained stable. So what within the portfolio is driving the lower margin here? And how should we think about margins in this segment going forward?

Amitabh Jaipuria: So Raghu, may I?

Raghunandana Tangirala: Yes, please.

Amitabh Jaipuria: Yes. Okay. So thanks for your question. So you're right, Athena margins have held largely what they were. There's a minor dip, but not material. The core area where margins have dropped, right, so because Denave was the largest part of the BSS area.

And in Denave, as Snehashish, my colleague mentioned, one large global customer, we were doing a lot of work for them. We continue to do a lot of work for them. There, the spending -- their spending on marketing and on lead generation and qualification has dropped, and they have tightened their expenditure across the world.

Our exposure to that very large customer is very beneficial for the company, but has also resulted in the margin squeeze that we have seen at Denave. The lower value-add businesses of Denave continue to see good growth. The newer technology businesses are also shaping up well. It's this middle part, which was a very large contributor to our margins. That is what is under some stress in the first half.

We expect it to steady and to recover in the second half to an extent. Full margins of last year will not come back this year. But -- so that is one core reason. So Denave slowdown in that middle segment, especially with this one very large customer.

The other areas are -- Avon, we have already talked about. So that has also hit margins to an extent. And the third reason is really the EBGC business that Snehashish talked about. We have been giving this consistent commentary on EBGC now for the last 3 quarters, where the IT hiring slowdown has impacted our numbers very strongly, the EBGC numbers.

And that slowdown we had expected, as we had spoken about in our last call and the previous call, that slowdown was expected to ease up. But as we all know, as is being seen in the IT results being declared by all the major companies, that slowdown is not bottoming out, and that continues to be an issue.

So what we are doing about it is that we are expanding the non-IT exposure and trying to expand to new customer bases and new segments in EBGC. Avon, we have talked about and stronger controls will see that business get back on track. And as far as Denave is concerned, we are not only in conversation with this large customer, but there as well. The attempt is to accelerate the technology side and the attempt is to also accelerate and recover in the mid-segment.

The good story in the BSS segment is the global flight handling business in the sense that the revenues have grown. Margins are still under pressure because we are still in the recovery phase of capital because of the gestation period that you have when you start new airports. But if you look at the first quarter, revenue has grown in global.

So I think that's really the story that we have. Denave revenues have grown. So in the first half, almost 10% revenue growth is there, but the margin is under pressure. So Denave middle business, Avon, we have talked about and EBGC business. These are the 3 large contributors to the margin squeeze that you're seeing in the BSS business.

Nitin Padmanabhan:

Got it. So 2 things here. So one is, how are you thinking about growth in -- for BSS in the second half? You did mention that Denave has grown 10%, but the overall -- so what's actually created the drag on revenue if Denave has grown 10%. So what's brought it down to 1% year-on-year growth? What's been the drag? So 2 parts to this. So one is Denave and second is how should we think of growth for this business in the second half and going forward? Yes.

Amitabh Jaipuria:

So what's created the drag to an extent is really the Athena numbers. So Athena has declined and Avon has declined. So those are the 2 pieces which have created the drag.

Nitin Padmanabhan:

Yes. And how should we think about it in the second half?

- Amitabh Jaipuria:** So in the second half, we are expecting that...
- Nitin Padmanabhan:** Or at least overall growth for the year or the annual growth for the year, what is your assumption right now? Where do you think...
- Amitabh Jaipuria:** So the overall growth for the year as far as BSS is concerned, from the 1.5% or thereabouts right now, we will be looking at roughly about 3%, 3.5% for BSS, and it won't grow beyond that. And we will be looking at a strong growth on IFM of roughly about 15%. So overall, we will -- Raghu has already mentioned in his speech, we'll be looking at a growth number of between 9% and 10% for the year.
- Moderator:** The next question is from the line of Deep Shah from B&K Securities.
- Deep Shah:** Sir, one question is, so we appreciate the qualitative comments made on the different segments within the BSS space. But if you could provide numbers, I think that would be much easy for us to track, understand and even get into some more granular details. So I think that has been a request for some time. So that's one, if you could provide numbers.
- Second, we understand that you signed on some clients in IFM and which require upfront investments. I think even last half year, we had the sign-ups and probably even this time we have these. As a result, our cash conversion remains slightly poor. So by when do you think this will normalize, the cycle will kick in off normalization and our cash flows will track EBITDA better?
- And third question, if I may squeeze in, is what was the rationale for impairing or rather provisioning for INR3 crores for Avon. The balance we are fairly certain that will recover? And if yes, by what time? Or will we see sustained provisioning over the quarters as we realize more certainty or uncertainty of that issue? That's it from my side.
- Amitabh Jaipuria:** So we will be -- we are happy to provide more detail. We can give you a flavour right now in the sense that -- so we mentioned that Athena has declined almost 20% in the first half. So that's been a drag on the growth. Global has grown by about 30% revenue, so -- but it's a smaller contribution. Avon has dropped by about 14% revenue. So that's really the mix that you are seeing.
- Matrix has dropped by a marginal 2%, 2.5% in terms of revenue. So that's the flavour on -- and from the next time onwards, we will actually make it a part of our presentation itself. We'll give you more visibility and transparency so that you can track the various segments separately.
- As far as Avon is concerned, we have looked at the receivables position. We have looked at the contracts that we have signed. And right now, an investigation is underway, as Raghu had already mentioned, and as we have also mentioned in the statement that we have released.
- So at this point in time, we are working to recover the amounts. You may see some more provisioning. We are not sure at this point in time what the extent of that will be. But we do not want to guide you to say that we are 100% sure that we will recover the entire amount. There may be some more provisioning that you will see.

There is also a payable of INR5 crores, which you are seeing. So that, depending on the investigation, may well result in a decision that, that is not payable and therefore, gets netted off to some extent from the receivables value. So that entire set of contracts right now is under intense scrutiny and investigation. And we are in touch with our legal team, as mentioned in the opening remarks.

And depending on what the view is and what the conversation with those customers leads to, we'll be able to give you clarity later in this quarter in Q3. So we expect this to crystallize over the next few weeks.

Deep Shah: Sure, sir. This is useful. On the cash flow part, sir, when should we see cash flows tracking EBITDA?

Amitabh Jaipuria: Yes. So what you're seeing is that as we have expanded the business because the IFM part of the business has grown. So we right now have an additional commitment to working capital of roughly about between INR50 crores and INR60 crores. So that is something that we are right now cleaning up a lot of the AR pieces. So you will start seeing that show from this Q3 onwards.

The other piece is that you are seeing a dip in the cash because also of the fact that we have paid off some of our loans. So you will see that almost -- Surinder correct me if I'm wrong, but INR30 crores, INR4 crores worth of loans have been paid off. So...

Surinder Kumar: It's INR44 crores.

Amitabh Jaipuria: INR44 crores. So INR44 crores of debt has been taken off the balance sheet as a prudent measure and use of that cash. So that's the other piece that's contributing to the cash flow that you're seeing, the reduction in the cash flow. So as I said, the AR piece, you'll start seeing results in Q3. By the end of Q4, we would have cleaned up substantially.

Moderator: The next question is from the line of Rahul Kumar from Vaikarya Fund.

Rahul Kumar: Just wanted to confirm, so what is the upfront cost for the strategic contracts which have started this quarter?

Amitabh Jaipuria: You're asking about the annual contract values of these 25 customers that we have added. Is that what you're asking?

Rahul Kumar: No, I'm saying what are the upfront employee costs which you have booked in this quarter related to these contracts?

Amitabh Jaipuria: So I don't have an exact number, Rahul, but the -- see, the way these contracts get activated are basically in 2 parts, right? So one is that there is some amount of upfront people that you need to hire. And the second is that the full billing may or may not have happened during the same quarter. So because you start hiring people, right? And then the contract reaches its full maturity in about 2 to 3 months' time, especially the larger contracts. So that is where the issue is.

And there is also one very large customer in Delhi in the IFM space where manpower has been deployed. We are beginning to see revenues and collections coming in now, and we will have

further clarity on that during this quarter. But that contract has also seen a deployment of people ahead of the start of billing. So that's the mismatch that you're seeing, and that is what Raghu alluded to.

The other reason that you are seeing -- the other piece that you're seeing here is also a change in the mix. So that is what has also led to some extent on the contraction in the margins and the increase in our people cost. Because what you're seeing there is growth, as I mentioned, even in Denave on the slightly more people-heavy businesses, you are seeing growth. In UDS, of course, in IFM, we are all people heavy, but you are seeing a deployment a little bit in advance.

The third reason why you're seeing a little bit of that contraction also -- I mean, I'm just expanding on the answer so that for the benefit of all. The third reason also is that we have entered into a few strategic contracts at slightly lower margins. But it's important because those customers are giant customers.

And once you enter into those customers, the idea is that the business then expands and margins stabilize. But to gain entry as you can even think of it almost like marketing cost, we have taken some contracts at lower margins than we would have done otherwise. So those are the 3 pieces that have contributed to this.

Rahul Kumar: Okay. Okay. No I was referring to what you have mentioned in the presentation about the strategic contract wins. Those relate to the IFM business, correct?

Amitabh Jaipuria: Largely, yes.

Rahul Kumar: Yes. So I just wanted to -- I mean, ballpark figure for whatever the extra staff cost you would have incurred for these? I just wanted to figure?

Amitabh Jaipuria: Rahul, I don't have that number readily available. I will send -- we will send it to you. Surinder will be in touch. But a good question. I don't have that number with me right now.

Rahul Kumar: Sure, sure. And for BSS segment, you reported the INR15 crores EBITDA, right? And if you adjust for these incremental provision related to Avon. So INR18 crores is the normalized EBITDA for this quarter or are there any more one-offs in this segment?

Amitabh Jaipuria: So Surinder, do you want to take that? But yes, that INR3 crores is certainly sitting there. And see, when you say normalize, you have to -- I mean, the normalization also will happen as far as the other business headwinds that we have talked about, whether we have talked about Matrix or whether we have talked about Denave.

So if you normalize for all of that, then I mean, last year, same H1, we had reported INR22.8 crores, INR23 crores of PAT for BSS, right? And so there is absolutely no reason why we would not come back to that and start growing again. Once these 2 headwinds that we talked about, IT hiring in India and this one large global customer, which is IT headwinds because that customer is also in the IT space, IT headwinds globally.

Once those 2 headwinds settle down, Matrix and Denave performance, right, will pick up. And we know that, that will happen. And Athena is basically a customer diversification story, where we have to diversify our customer base and the team has started doing a good job of that, and that's why margins are stable, as you will see.

And what we need to do there is to basically now pick up growth within the fintech space, I mean, within the banks and the financial space, financial services space and outside. So that's really what will help us get back on track. So -- but if you add that INR3 crores back, then yes, then the dip would be about 15%. That would be attributed to the headwinds -- the global headwinds in Denave and the India IT hiring headwinds in Matrix. You are right.

Rahul Kumar: Okay. Okay. Sorry, again, are there any additional one-off or kind of provision or etc., those kind of figures, which have dampened the margin in Q2 or Q1, which are not related to, let's say, business, but more of a one-off kind of...

Amitabh Jaipuria: Surinder, do you want to talk about that because the Avon number is definitely there. But apart from that, Surinder, any other one-offs that we have taken?

Surinder Kumar: No, not in BSS division. BSS segment, there is no one-offs which we can call out.

Rahul Kumar: And second question would be on the IFM business. I think in 1H, if you see the overall margins are 5% taking into account the strategic wins which you have done this quarter, what is the kind of margins do we expect in, let's say, over the next 3 to 4 quarters?

Amitabh Jaipuria: See, last year H1 PAT, right? If you look at it, we had roughly about 4% PAT in FY '25 H1. And if you look at the full year picture, we had a 4.3% PAT in the last year, right? So right now, we are tracking lower than that. This year will be lower, but because we have these issues to run through. But we expect this to start tracking our earlier planned number of between 5% and 6%. So that's the clear idea.

Rahul Kumar: No, I get that. I was asking more with respect to the IFM business margins, which is 5% EBITDA margin. I was asking what is the margin which you expect, taking into account the new wins, etc.?

Amitabh Jaipuria: Yes. So the full year margins will probably track where we are. Slight improvement will be there in H2 over where we are in H1. So in H2, we are looking at close to 4% PAT percentage. This year, right now in H1, we have given you a 3.4%, 3.5%. So from there, we do expect almost a 15% to 20% improvement in H2.

Going forward, the emphasis is to grow the higher-margin businesses within IFM and right now, we are tracking well on that. So we have a small business called WHC, where we are seeing margins of 25% plus, very stable and growing as well. So even though it's a very small business for us, but it contributes meaningfully to the overall number in terms of profitability.

So the idea is to focus on that. The idea is to also now look at how we can grow existing customers who are slightly higher margin. So let me explain that. We have communicated in the past that almost 80% of our new revenue in IFM comes from existing customers. And the newer

wins are at lower margins, but the existing customers are at better margins. So the idea is to grow them, right? So for the full year, you will expect a PAT number of around 4% on IFM.

Rahul Kumar: Okay. I think you mentioned about PAT margins. Actually, I was asking more on the EBITDA margin, which is 5% for the IFM business in 1H?

Amitabh Jaipuria: It's the same translation will work. So it will go to about...

Moderator: The next question is from the line of Yajash Mehta from Ionic.

Yajash Mehta: Sir, just wanted to confirm when we said that we are looking to track about 9% to 10% of growth for the financial year and IFM growth being higher and BSS, we're looking at 3% to 4%. So when we come to the 3% to 4% number, are we seeing overall for the year, BSS vis-a-vis last year would be 3% to 4% or just H2?

Secondly, I would also want to understand that, obviously, we are sitting on a lot of cash. And given the fact that we've been very vocal about the fact that BSS is one segment which we will grow by acquiring good players, right, and not loss-making companies and the leaders of the various spaces. So I wanted to understand is acquisition something that we are contemplating in the medium term? Or this is something that we will kind of give it a skip, say, for the next couple of quarters?

Amitabh Jaipuria: So as far as cash is concerned, we are going to use it prudently. And like you are seeing in terms of paying back whatever debt we had, we have used cash for that. The additional cash deployment and working capital is something that, again, I mentioned that we are going to look at very, very seriously in terms of how less capital gets deployed in terms of customer receivables because that's really the big part of capital deployment in an operating business like ours.

The balance cash, when we had raised money from the markets in '23, we had talked about an acquisition, and we continue to scout the market. We are in fairly advanced conversation with one particular target. And if that goes through, then you might hear something in the latter half of this quarter or maybe in Q4, so -- depending on how the deal progresses.

So -- and that is in a value-added services space, and that is going to be a margin accretive to the overall group. And also, that's a fairly substantial revenue number. If those conversations move forward, this is not a forward-looking statement in the sense that we are not guaranteeing that the deal will get done.

The other piece is that we have also been looking at the strategic organization of how we are organized within the company. And we do realize that clubbing these kinds of businesses such as ground handling and Avon along with Denave and Athena and Matrix is actually causing some confusion in the minds of our investors. And therefore, we are looking at how to classify these differently so that there is better quality information available to all of you.

And you will see some action around that in the latter half of this quarter. So that we are clearer and something along the lines of platform-oriented reporting so that you understand what

headwinds impact which particular business and not the others. Because right now, BSS is a combination of 5 different businesses.

Yajash Mehta:

Got it. And as I had also asked when we say 3% to 4% growth in BSS, are we just talking about H2 of this financial year versus the H2 of last financial year? Or we are saying at the end of this financial year, when we look back, we'll be able to say that for the financial year, BSS has grown by 3% to 4%?

Amitabh Jaipuria:

So yes, closer to 5% maybe, but yes, so H2 will be around 4%, 5%. But given the weak H1, the overall number will be around 4% for this year. But as I said, we'll start giving you more clarity and more visibility into individual platforms. For example, sales enablement is a platform, which includes Denave and Athena, right? And there are others in there. So we'll start giving that transparency so that you can -- so that then you understand exactly what's growing and what's not.

And next year, however, we are right now in the planning process. We do believe that a big chunk of this growth will come back and BSS will again become a driver for us, but it does have headwinds because it is impacted by technology to a greater extent than IFM is because the IFM side of the business is less prone to technological disruption.

The BSS side, especially in sales enablement is more prone to that and the EBGC business, which is the employee background verification business. These are 2 businesses that are prone to technology disruption. We have not been disrupted as yet in very large parts of Denave's business, but this one particular customer has been evaluating their spends, as I had mentioned earlier. So yes, that's the growth forecast, I mean, right now and the visibility that we have.

Moderator:

The next question is from the line of Amit Agicha from HG Hawa & CO.

Amit Agicha:

Sir, my question was -- many of the questions have already been asked, like the question which I have is, what is the current churn rate like typical contract tenure?

Amitabh Jaipuria:

Raghu, do you want to take that in terms of typical contract tenure?

Raghunandana Tangirala:

Yes. The tenure you were asking on the IFM side or on the BSS side.

Amit Agicha:

Both the sides?

Raghunandana Tangirala:

Both. Okay. As an average because they are different contracts in the different businesses would be about between 2 to 3 years.

Amit Agicha:

2 to 3 years.

Raghunandana Tangirala:

Between 2 to 3 years would be the tenure of these contracts which we signed.

Amitabh Jaipuria:

Yes. At the same time, Amit, I would just like to qualify that a little bit by saying that as you -- as we have spoken about in our previous calls as well, we have had some very, very long-standing relationships also. So we -- obviously, in such calls, we don't really take too many names of customers and logos because that's inappropriate. But we have had relationships with

some very large customers, which are now over 2 decades old, and we continue to supply services to them.

Most customers would reevaluate contracts every 2, 3 years, as Raghu mentioned, and because the quality of services and our familiarity with their businesses is so high in many of these cases, we rewin these contracts. Also, the other fact here is the new business win rate from existing customers, which as we have spoken in the past, is 70%, 80%.

So that, again, reinforces the longevity of these customers and these customer contracts, even though on paper, these contracts will have a tenure. So the longest tenure contract that we have, I think, is 7 years. But many of these contracts will have on paper tenure of just 1 year. Some will have 2, some will have 3. And so it varies.

Amit Agicha: Understood, sir. Sir, second question was can you give the attrition rate. What is the company's total employee headcount and what is the attrition level versus the industry benchmark?

Amitabh Jaipuria: So we have talked about -- our current headcount of roughly about 75,000, 74,500 is the number that we have given you in the investor deck. And that number is growing, and that is what you will also see to some extent reflected elsewhere. The churn rates remain high, and these churn rates are really what the industry broadly is. See it is such a varied industry that finding out exact churn rates is very, very hard. But our churn rates, Raghu, would be in the region of about 4% to 5% per month -- per month.

Raghunandana Tangirala: About 50% in the IFM segment and BSS is about 15% because BSS is more white collar. So the attrition is that about 50% in the IFM segment. And if you -- I don't know exactly with authority, I can't tell you the industry churn. My guess is at about 75% to 100% is the industry churn in the IFM segment.

Amitabh Jaipuria: So, we will be in line or slightly better than the industry, Amit, but exact numbers in this space are slightly hard. About 4% per month, which is the 50% that Raghu talked about in IFM and in BSS lower because they are more white collar.

Amit Agicha: Sir, in the presentation like for Matrix and for -- the employees is 1,500 plus and Denave I think the employees is not mentioned in the presentation?

Amitabh Jaipuria: Sorry, your voice cracked very badly, Amit. I didn't understand that question.

Amit Agicha: I'm saying, sir, the number of employees is already mentioned in the presentation. For Matrix, it is 1,500 plus. For H&I, it is 3,000 plus. But for Denave, the number of employees is missing?

Raghunandana Tangirala: Sneha, you want to take this?

Snehashish Bhattacharjee: See, Denave our overall on-roll total count of employees would be between 7,000 to 7,500 at this point of time, out of which a significant chunk is from the FMS business, which would be about 5,500 to 6,000. So about 1,500 to 1,800 would be approximately the non-FMS business, which is the demand gen and the marketing activation businesses that we have.

Amitabh Jaipuria: So Amit, 7,000, 7,500 is the number, yes.

- Amit Agicha:** Okay. Sir, actually, I have a lot of questions, but I have sent you the e-mail so I would like to get back to you later offline.
- Amitabh Jaipuria:** Sure. Those are clean. We will revert to you.
- Moderator:** The next question is from the line of Anant Mundra from Mytemple Capital.
- Anant Mundra:** Sir, my question was on the warehouse management and niche logistics business. Just want to understand, has this business also seen a very heavy contraction year-on-year? Like it was doing about INR25 crores, INR26 crores a quarter, which I think from whatever has been disclosed, it's about INR10 crores, INR11 crores. And would that be attributable to the fact that we are reviewing the processes in Avon? So that was my question.
- Amitabh Jaipuria:** So that is absolutely correct because there is a niche logistics and a mailroom part for that business, which continues to be very solid and continues to do well. The other area in terms of transportation is really where -- which is a new line of business. It was there. It was always there, but it was not focused upon. So that is where we are reevaluating because that's a very different kind of business, and that's what we are reevaluating. So you're absolutely right.
- Anant Mundra:** Got it. Got it. So that was -- I mean, contributing about INR15 crores a quarter to the top line?
- Amitabh Jaipuria:** So it's not INR15 crores, slightly less, but yes, you're right.
- Raghunandana Tangirala:** No, it would be around that. It would be around INR15 crores per quarter.
- Amitabh Jaipuria:** Yes. So last year, Avon revenue, if you really look at it, was INR102 crores, right? So yes, so that's the INR7 crores, INR8 crores, INR8 crores per month kind of revenue number last year. And this year is slightly lower, yes.
- Moderator:** The next question is from the line of Avnish Tiwari from Vaikarya.
- Avnish Tiwari:** Did I hear correctly your PAT margin in H1 is 3.4% and for full year, you were talking about the number. So can you talk about like overall basis, what kind of profit either in terms of rupees crores range you are expecting or a margin level, what are you expecting on a profit -- overall profit of the company?
- Raghunandana Tangirala:** So this is for Denave, right?
- Amitabh Jaipuria:** No, he is talking of overall.
- Avnish Tiwari:** Overall company.
- Raghunandana Tangirala:** Overall.
- Amitabh Jaipuria:** So for the overall, as we had mentioned, right, it will be between -- it will be around 4% to 5%, so up from the 3.4% that we have shown right now for H1.
- Avnish Tiwari:** So this 4% to 5% would be for second half of '26 or the full year '26?

- Amitabh Jaipuria:** For the full year, it will be around 4%, yes, in that ballpark. But this is excluding exceptional items, if there are any.
- Avnish Tiwari:** Okay. And so in H1, which exceptional item we should exclude from this assessment of 4% for the full year?
- Amitabh Jaipuria:** So the INR3 crores that we have already talked about for Avon.
- Avnish Tiwari:** Right. That's the only item we should keep aside, right?
- Amitabh Jaipuria:** Surinder, that's what we are talking about, right? There's no other exceptionals.
- Surinder Kumar:** Yes. In BSS segment, there's not a material exceptional item.
- Amitabh Jaipuria:** And in IFM as well, right? Yes. So that's the answer. We will -- again, if there is anything worth reporting, just send us an e-mail, we'll also send you some detail.
- Avnish Tiwari:** Okay. Just to confirm that in IFM also, there's no exceptional or more than normal run rate kind of item, which we should adjust to target about 4% for the full year in terms of PAT margin?
- Amitabh Jaipuria:** I am -- yes, Raghu, that would be right, right?
- Raghunandana Tangirala:** Yes, I don't think -- I mean there would not be anything exceptional.
- Amitabh Jaipuria:** Yes.
- Moderator:** Ladies and gentlemen, that was the last question. I would now like to hand the conference over to management for closing comments.
- Amitabh Jaipuria:** Yes, Raghu.
- Raghunandana Tangirala:** Thank you, everyone, for joining us. I hope we could answer your queries. We look forward to such interactions in the future. In case we have any further details you would require, you may contact Varun Shivram of SGA, our Investor Relations Advisors.
- Amitabh Jaipuria:** Yes. I'd just also like to add one small statement here, which is that we acknowledge the fact that we have had a tough quarter. But we would like to assure all our investing community and friends that we remain a well-governed company strong -- with a strong focus on doing the right thing.
- And whatever lapses we are learning from in terms of this episode at Avon, we are going to take the right lessons from it and quickly recover and ensure that everybody in the company understands this so that we don't have a recurrence.
- And our portfolio of businesses remains very strong, and we believe that the original investment thesis that all of you would have had is very well justified. So thank you very much for your support.
- Raghunandana Tangirala:** Thank you all of you.



Moderator:

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