ArihantCapital
Generating Wealth

Q1FY27 - Result Update
3rd August 2026

Updater Services Ltd.

Diversify, Formalize, Compound

CMP: INR 203

Rating: BUY

Target Price: INR 367

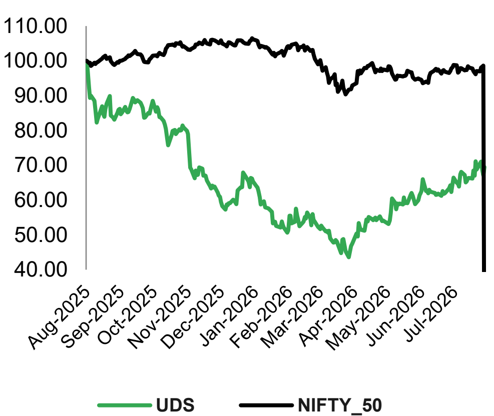
Stock Info	
BSE	543996
NSE	UDS
Bloomberg	UDS:IN
Reuters	UPDA.NS
Sector	Services
Face Value (INR)	10
Mkt Cap (INR Mn)	13,610
52w H/L (INR)	300/125
Avg yearly Vol (in 000')	283.65

Shareholding Pattern %
(As on June, 2026)

Promoters	59.09%
Public & Others	41.91%

Stock Performance (%)	1m	6m	12m
UDS	+11.0	+36.6	-28.6
Nifty 50	+1.6	-2.8	-0.7

UDS Vs Nifty 50



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UDS reported a steady performance in Q1FY27, with revenue rising 3% QoQ and 9% YoY to INR 7,643 Mn, although it was 1.2% below our estimates. EBITDA stood at INR 423 Mn, down 1% QoQ but up 8% YoY, missing our estimate by 3.6%. EBITDA margin came in at 5.5%, compared with 5.7% in Q4FY26 and 5.6% in Q1FY26, against our estimate of 5.67%. PAT increased 11% QoQ and 4% YoY to INR 302.9 Mn, and was 1.6% below our estimate. PAT margin stood at 3.96%, compared with 3.8% QoQ and 4.1% YoY, broadly in line with our estimate of 3.95%.

Strong Growth Driven by IFM Tailwinds: The IFM business continues to benefit from rising outsourcing, GCC expansion, commercial real estate demand and manufacturing investments. Addition of six new large clients and focus on specialized technical services provide healthy revenue visibility and support sustainable growth. The company is also leveraging AI-led workforce management and predictive maintenance to improve execution efficiency, which should support gradual margin expansion over the medium term.

Improving Profitability Across Business Portfolio: The company is witnessing margin improvement through organizational simplification, cost optimization and better business mix. Matrix has turned around sharply, while BSS margins have improved, indicating that restructuring initiatives are beginning to deliver tangible results. As operating leverage improves and underperforming businesses recover, profitability is expected to strengthen further across the portfolio.

AI-led Transformation to Drive Long-term Value: UDS is integrating AI across multiple businesses through IntelliBank, Agentic AI, predictive maintenance and workforce automation. These initiatives are expected to improve operational efficiency, enhance customer experience and create new revenue opportunities over the medium term. Management is already witnessing encouraging customer acceptance and a healthy pipeline for AI-led solutions, which could become an important growth driver over the next few years.

Outlook: UDS is well positioned to sustain healthy growth, supported by robust demand in IFM, improving profitability across BSS and increasing adoption of AI-enabled solutions. The strong cash position, disciplined execution and recovery in businesses like Matrix provide additional confidence in earnings growth. While labour availability and discretionary enterprise spending remain key monitorables, the company appears well positioned to deliver steady revenue growth with gradual margin expansion over the medium term. **We maintain our BUY rating and revise our target price to INR 367.**

Valuation Summary:

Year-end March (INR Mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Sales	24,444	27,361	29,395	32,634	36,707	41,591
EBITDA	1,355	1,797	1,661	1,925	2,239	2,662
PAT	666	1,190	828	1,221	1,529	1,923
EPS (INR)	10.12	17.73	12.34	17.93	22.44	28.23
EBITDA Margin (%)	5.54%	6.57%	5.65%	5.90%	6.10%	6.40%
EV/EBITDA	9.35	6.66	6.52	5.00	3.67	2.52
P/E (x)	20.06	11.45	16.45	11.32	9.05	7.19
ROE %	11.12%	13.24%	8.28%	10.93%	12.18%	13.56%
Debt/Equity (x)	0.13	0.11	0.04	0.04	0.03	0.03

Updater Services Ltd Q1FY27 Concall Highlights

Integrated Facility Management (IFM)

• Revenue increased 11% YoY supported by commercial real estate, manufacturing and outsourcing demand.
• Added six new large client logos during the quarter, strengthening growth visibility.
• EBITDA margin stood at 4.5%, with focus on improving client-level profitability and contract mix.
• Increasing contribution from specialized technical services is expected to support margin expansion over time.
• AI-enabled workforce management, predictive maintenance and automation are improving productivity and manpower utilization.
• Labour shortages persist in some states, but the pass-through pricing model limits margin impact.

Global Flight Handling

• Achieved highest-ever EBITDA margin of ~9%, compared with 5% last year.
• Margin expansion was driven by higher-margin non-scheduled flights and seasonal traffic.
• All 23 airports are operational, providing a stable revenue base.
• Expanding beyond ground handling into aviation training and regulatory certification services.

A1 (Mailroom & Integrated Support Services)

• Revenue grew 10% YoY, despite complete exit from the transport business.
• Legacy mailroom operations continue to demonstrate stable growth and operational resilience.
• Increasing contribution from higher-margin enterprise logistics and value-added services should aid profitability.

Business Support Services (BSS)

Overall BSS

• Revenue increased 7% YoY to INR 2,530 Mn, with EBITDA margin improving to 7.5%.
• Structural simplification, centralized leadership and cost optimization are beginning to deliver results.
• Added four new large client logos during the quarter.

Denave

• Revenue grew 18% YoY to INR 1,610 Mn, led by demand generation and field marketing.
• IntelliBank AI platform is witnessing improving customer acceptance and driving productivity gains.
• Cost rationalization initiatives are expected to improve profitability over the coming quarters.

Athena

• Reported INR 280 Mn revenue with 18% EBITDA margin, maintaining healthy profitability.
• Successfully executed its first Agentic AI project, with another project scheduled to go live in August.
• Expanding beyond BFSI into real estate, retail and consumer sectors, reducing concentration risk.

Matrix

• Revenue remained broadly stable, while EBITDA increased ~76% due to strong cost optimization.
• EBGC business is showing early recovery with improving hiring by technology clients.
• Audit & Assurance softness was timing-related, with deferred audits expected to normalize in subsequent quarters.
• Management believes margin recovery is sustainable, supported by volume recovery and operational efficiencies.

Capital Allocation

• Cash deployment priorities remain M&A, organic technology investments and shareholder rewards.

• One acquisition opportunity has been put on hold due to valuation differences, while the acquisition pipeline remains active.

Outlook

UDS delivered another quarter of broad-based execution with double-digit growth in IFM, improving profitability across BSS, record performance in Flight Handling and a turnaround in Matrix. The company's technology-led transformation, AI adoption, healthy cash position and disciplined capital allocation provide confidence in sustained earnings growth. While labour availability, discretionary enterprise spending and acquisition execution remain key monitorables, the overall business momentum and improving margin trajectory support a positive medium-term outlook. **We maintain our Buy rating on the stock with target price of INR 367.**

Exhibit: Income Statement

Income statement (INR Mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E	FY30E
Revenue from operations	24,444	27,361	29,395	32,634	36,707	41,591	46,854
Net Sales	**24,444**	**27,361**	**29,395**	**32,634**	**36,707**	**41,591**	**46,854**
YoY (%)	16.46%	11.93%	7.43%	11.02%	12.48%	13.31%	12.65%
Adjusted COGS	**1,020**	**911**	**946**	**1,175**	**1,321**	**1,497**	**1,687**
YoY (%)	-70.61%	-10.69%	3.84%	24.19%	12.48%	13.31%	12.65%
Personnel/ Employee benefit expenses	18,080	20,403	22,948	25,063	27,970	31,484	35,375
YoY (%)	31.01%	12.85%	12.47%	9.22%	11.60%	12.56%	12.36%
Other Expenses	3,989	4,250	3,840	4,471	5,176	5,948	6,606
YoY (%)	43.03%	6.54%	-9.65%	16.43%	15.76%	14.91%	11.08%
Total Expenditure	**23,089**	**25,564**	**27,734**	**30,709**	**34,467**	**38,929**	**43,668**
YoY (%)	15.11%	10.72%	8.49%	10.73%	12.24%	12.94%	12.17%
EBITDA	**1,355**	**1,797**	**1,661**	**1,925**	**2,239**	**2,662**	**3,186**
YoY (%)	45.70%	32.62%	-7.57%	15.92%	16.29%	18.88%	19.70%
EBITDA Margin (%)	5.54%	6.57%	5.65%	5.90%	6.10%	6.40%	6.80%
Depreciation	540	471	467	462	438	419	406
EBIT	**815**	**1,326**	**1,194**	**1,463**	**1,802**	**2,243**	**2,780**
EBIT Margin (%)	3.33%	4.85%	4.06%	4.48%	4.91%	5.39%	5.93%
Interest Expenses	193	104	67	39	37	36	37
Non-operating/ Other income	230	357	207	183	247	323	407
Profit before impairment & exceptionals	**852**	**1,579**	**1,334**	**1,607**	**2,012**	**2,530**	**3,151**
Impairment, FV change & exceptional items	**0**	**132**	**373**	**0**	**0**	**0**	**0**
PBT	**852**	**1,447**	**961**	**1,607**	**2,012**	**2,530**	**3,151**
Tax-Total	186	257	133	386	483	607	756
Adj. Net Profit	**666**	**1,190**	**828**	**1,221**	**1,529**	**1,923**	**2,394**
Reported Profit	**666**	**1,190**	**828**	**1,221**	**1,529**	**1,923**	**2,394**
PAT Margin	2.78%	4.35%	2.82%	3.69%	4.10%	4.55%	5.03%
Shares o/s/ paid up equity sh capital							
Adj EPS	**10.12**	**17.73**	**12.34**	**17.93**	**22.44**	**28.23**	**35.15**

Exhibit: Balance Sheet (Consol)

Balance sheet (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
NON-CURRENT ASSETS							
Property, plant & equipment (incl. CWIP)	1,104	657	622	590	565	547	535
Right-of-use assets	1,030	485	401	379	363	352	344
Goodwill & other intangible assets	1,546	2,442	2,400	2,272	2,175	2,106	2,060
Investments (non-current)	60	79	79	79	79	79	79
Other non-current assets (deferred tax, deposits)	1,340	2,051	2,392	2,392	2,392	2,392	2,392
Total non-current assets	**5,080**	**5,715**	**5,894**	**5,712**	**5,575**	**5,476**	**5,410**
CURRENT ASSETS							
Trade receivables	5,023	6,082	6,026	6,688	7,522	8,523	9,602
Unbilled revenue & other financial assets	2,010	1,021	859	953	1,072	1,214	1,368
Cash, bank balances & liquid investments	2,000	2,682	3,244	4,412	5,802	7,323	9,226
Other current assets	1,117	376	374	414	466	528	595
Total current assets	**10,150**	**10,161**	**10,504**	**12,467**	**14,863**	**17,589**	**20,792**
TOTAL ASSETS	**15,230**	**15,876**	**16,398**	**18,180**	**20,437**	**23,065**	**26,202**
EQUITY							
Equity share capital	670	670	670	670	670	670	670
Other equity (reserves & surplus)	7,730	8,910	9,740	10,943	12,449	14,154	16,276
Equity attributable to owners	8,400	9,580	10,410	11,613	13,119	14,824	16,946
Non-controlling interests	60	70	80	98	121	150	186
Total equity	**8,460**	**9,650**	**10,490**	**11,711**	**13,240**	**14,974**	**17,132**
NON-CURRENT LIABILITIES							
Borrowings & lease liabilities (non-current)	735	714	315	294	280	280	294
Provisions & other non-current liabilities	956	776	795	881	991	1,123	1,265
Total non-current liabilities	**1,691**	**1,490**	**1,110**	**1,175**	**1,271**	**1,403**	**1,559**
CURRENT LIABILITIES							
Trade payables	1,898	2,101	2,280	2,524	2,833	3,200	3,589
Borrowings & lease liabilities (current)	315	306	135	126	120	120	126
Other current liabilities & provisions	2,867	2,329	2,384	2,643	2,973	3,369	3,795
Total current liabilities	**5,079**	**4,736**	**4,798**	**5,293**	**5,926**	**6,689**	**7,510**
TOTAL EQUITY & LIABILITIES	**15,230**	**15,876**	**16,398**	**18,180**	**20,437**	**23,065**	**26,202**

Exhibit: Ratios (Consol)

Key Ratios	FY24	FY25	FY26	FY27E	FY28E	FY29E	FY30E
PROFITABILITY & RETURNS							
EBITDA margin %	5.5%	6.6%	5.7%	5.9%	6.1%	6.4%	6.8%
EBIT margin %	3.3%	4.8%	4.1%	4.5%	4.9%	5.4%	5.9%
PAT margin %	2.8%	4.3%	2.8%	3.7%	4.1%	4.6%	5.0%
Return on equity (ROE)	11.1%	13.2%	8.3%	10.9%	12.2%	13.6%	14.8%
Return on capital employed (ROCE)	10.5%	13.2%	11.1%	12.8%	14.1%	15.6%	17.1%
Return on invested capital (ROIC)	10.4%	13.1%	11.7%	14.6%	17.9%	21.8%	26.3%
EFFICIENCY							
Debtor days (DSO)	75	81	75	75	75	75	75
Payable days	30	30	30	30	30	30	30
Net working capital days	51	41	32	32	32	32	33
Total asset turnover (x)	1.8	1.8	1.8	1.9	1.9	1.9	1.9
Fixed asset turnover (x)	6.7	7.5	8.4	9.8	11.6	13.6	15.8
LEVERAGE & COVERAGE							
Debt / equity (x)	0.13	0.11	0.04	0.04	0.03	0.03	0.02
Net debt / EBITDA (x)	-0.70	-0.92	-1.68	-2.07	-2.41	-2.60	-2.76
Interest coverage (x)	4.22	12.75	17.82	37.52	48.69	62.30	75.15
PER SHARE & VALUATION							
EPS (₹)	10.12	17.73	12.34	17.93	22.44	28.23	35.15
Book value per share (₹)	125.19	142.77	155.14	173.07	195.51	220.92	252.56
P / E (x)	20.06	11.45	16.45	11.32	9.05	7.19	5.78
P / B (x)	1.62	1.42	1.31	1.17	1.04	0.92	0.80
EV / EBITDA (x)	9.35	6.66	6.52	5.00	3.67	2.52	1.51
EV / Sales (x)	0.52	0.44	0.37	0.30	0.22	0.16	0.10

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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