Redefining Business Services

Date: 03/02/2025

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: Transcripts of the Earnings Conference Call held on 28th January 2025

In continuation to our letter dated 21st January 2025, please find enclosed the transcripts of the Earnings Conference Call held on 28th January,2025.

We request you to take the same on record.

This is for your information and records.

Thanking you,
For Updater Services Limited

SANDHYA Digitally signed by SANDHYA Date: 2025.02.03 18:04:49 +05'30'

Sandhya Saravanan
Company Secretary and Compliance Officer

"Updater Services Limited

Q3 & 9M FY '25 Earnings Conference Call"

January 28, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recording uploaded on the stock exchange on 28th January 2025 will prevail.

MANAGEMENT:

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

Moderator: Ladies and gentlemen, good day, and welcome to the Updater Services Limited Q3 and 9 Months FY '25 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 and zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Raghunandana, Promoter and Managing Director. Thank you, and over to you, sir.

Raghunandana T.: Thank you. Good morning, all of you. And a warm welcome to everyone present on this call. I have with me Mr. Amitabh Jaipuria, Non-Executive Director; Radha Ramanujan, Chief Financial Officer; and SGA Partners, our Investor Relations advisors. I hope all of you have received the investment deck by now. But if not, you can still view them on the stock exchange and the company website.

I'm pleased to share that we continue to maintain our growth trajectory, which is accompanied by strong margin improvements on a consol basis. We continue to outperform our guidance in terms of margin improvement. Our range of capabilities, coupled with the ability to consistently meet high expectations of our clients has helped us maintain a strong market share position .

In today's rapidly evolving business environment, being flexible is critical. Our ability to quickly adapt to meet our customer's needs has been the key to our success. We operate in the B2B segment space, which can be classified into 2 major segments, the IFM segment, which is the Integrated Facilities Management and the BSS segment. The BSS is the Business Support Services.

Firstly, I'd like to share a brief update on the IFM segment. During Q3 '25, our IFM revenue grew roughly by about 9%, on a year-on-year basis stood at about –INR 455.4 crores. The IFM segment comprises a wide range of solutions such as soft services like housekeeping, cleaning services, pest control and support services, while the hard services comprise of production support, engineering and O&M services, including warehouse management.

Our strategy revolving around driving operational efficiency while actively optimizing our low margin contracts have started to pay positive results, evident in improvement in having witnessed the IFM segment EBITDA margins. During our active contract rationalization, our IFM revenue growth has been lower than what we had expected initially, but the profitability metrics are improving. I mean that was the whole idea of getting out of the lower-margin business and concentrating and focusing more on the high-value, high-margin business.

While revenue growth has been slightly slower against our internal targets, we are outperforming compared to the industry, not just in growth, but also in terms of profitability. Moving on to other updates within IFM segment, we have received an approval to merge 2 of our subsidiaries, which is Wynwy Technologies and ITSS during Q3. This decision was made to further simplify and streamline our company's operations. We have also made a strategic decision to merge Stanworth Private Limited and Tangy Private Limited into the parent UDS. This process is currently under consideration with the NCLT. Radha will provide you a detailed explanation on the rationale and the benefit behind this decision when she speaks.

Our industrial catering vertical outperformed our internal targets and have also improved their margins substantially. During 9 months FY '25, the IFM revenue grew by 8% and is at about INR1328.70 crores, while EBITDA witnessed a growth of 46% on a year-on-year basis. We have been lifting our operational margins gradually through a mix of high-quality contracts coupled with operational efficiency.

In the industry terms as per Mordor Intelligence, the outsourced IFM market is expected to grow at a CAGR of 10% and reach INR67,100 crores by 2029 from its current size of INR37,700 crores. We look to capitalize on the growth opportunities and outpace the industry level growth through our commercial excellence and aspire to grow IFM segment revenue at 3x of nominal GDP growth.

A few factors contributing to this growth would be the rapid expansion of India's IT ITES sector, coupled with the rise of co-working spaces. GCCs are increasing investments in India and require advanced facilities management solutions to meet global standards. Initiatives like Make in India, China Plus One would also help us in the industrial segment. Booming e-com and logistic sectors are also driving growth in warehouse requirements. And lastly, shift towards outsourced IFM, which helps companies and asset owners to focus on their core business.

Now moving to BSS. Our BSS segment saw a revenue growth of about 19% in the 9 months FY '25. I'd like to talk about each of the segments on BSS separately. Our largest vertical in the sales enablement front, which is Denave, witnessed a few headwinds in terms of margins due to the mix of business and the investment we are making in technology. We are constantly working on the implementation of AI-driven technologies into Denave, which would help us improve our efficiency, improve our margins and also improve our productivity.

This is what would happen going forward from now. We have been investing a little bit ahead of the curve. We successfully have begun utilizing GenAI sales intelligence, which is our proprietary technology called Intellibank . This would also start paying us back probably in the next few quarters coming. This technology will help us become more efficient in terms of helping our customers close deals faster and further improve our conversion rate.

We're also expanding our sales team, increasing leadership across all fronts, development and deployment of new proprietary technology, development technologies through platform integration, while also focusing on regional expansion of newer customers and in newer countries.

We have commenced business in South Korea through our office setup in August '24. At Denave, we have consistently fostered an entrepreneur-employee-friendly culture. In this spirit, I'm proud to share that Denave has been honoured the leader in Business Contribution Award at CC APAC. Our innovative people policies have also earned a Great Place to Work certification for the fourth time.

Coming to Athena. Athena witnessed a loss of a key client during the 9 months FY '25 as the client itself is reducing operations in India. This led to a flattish revenue for Athena during the last 9 months FY '25. We have been working continuously on reducing our customer concentration in Athena and diversifying into other sectors like retail, education, etc. The lead time for converting business is about 2 to 3 quarters. On the positive side, EBITDA margins have remained the same. We are confident that we will get newer business lines from a diverse range of segments going forward.

Secondly, in Athena, with the IT and ITES sector gaining momentum with the government's large focus on development of tech parts and GCC , coupled with the focus on increasing penetration and the last-mile delivery of BFSI services in India. We remain confident Athena will bounce back in the next few quarters.

Matrix revenues have also grown about 17% year-on-year and is on pace to grow at about 20% plus over the next course of FY '25. This growth stems from higher demand from employee background verification services across sectors in the country. Stringent regulations and high security concerns of employers would give us more kind of opening for the employee background verification.

We have implemented a technology, which we call as Matex 2.0, which is a digital platform for tracking and verification, which is also fully operational from this quarter. This would help us in terms of improving productivity and efficiency, profitability.

The A&A segment, which is the audit and assurance segment within Matrix, is also seeing a good growth in the country. As a direct result of more stringent regulations, the audit concerns of companies and the general rising in focus of corporate governance for these companies would give us much more opportunity to grow in this segment. The market is aiming to grow at about 5%-6% CAGR, and we are expecting nearly about 20-odd percent growth in this segment.

Avon, which is our supply chain and logistics company, which is set to achieve about INR100 crores of revenue this year, and it was of run rate revenue this year. Avon is extremely unique and a one-of-a-kind company in India due to unique mailroom management software being proprietary in nature.

With improved efficiency from warehouse management, transportation and logistics business, the company has managed to grow revenue by about 56% year-on-year, while also improving its operating margins. Our strategy around Avon will be centred around being a holistic supply chain management and warehousing player in India going forward.

And coming to Global, which is our ground handling business, has break even this year. If you look at the last couple of years, they have not been making profits. But this year, they have broken even, and we expect them to be very kind of profitable going forward from the next quarter. We have now started operational all the 22 airports, which Global has the concession. It has taken about a year, 1.5 years for us to get all these airports actually operational.

If the airports become popular and visibility increases, they will become more profitable. They've also got additional inflows of flights from Air India Express. And on back of increased traveling during this festival and holiday season, we see that the business adding good profits to the group.

During 9 months FY '25, the BSS segment contributed 35% to revenues and 46% to the total EBITDA. EBITDA for the BSS segment grew by 22% year-on-year basis. EBITDA margins for BSS segment stood at 9.5% as of 9 months FY '25, which was 9.3% during the same period 9 months FY '24.

Way forward, the overall Business Support Services aim to grow at about 9.5% CAGR. And India stands to gain especially from the current economic scenario with impact from GCC schemes, PLI schemes and employment generation incentives for companies.

Our BSS subsidiaries stands to gain from the organic economic growth. The key drivers for this growth would be sales enablement, audit and assurance, employee background verification and mailroom management. Mailroom management along with niche logistics and warehouse management. We expect to achieve a 3x GDP growth even in BSS segment, which will further improve the company margins.

To finally summarize, UDS is well positioned to grow, thanks to the strong industry dynamics and our own proven track record in managing large contracts. We continue to scout for strategic acquisitions that will enhance UDS' overall capabilities and contribute positively to our margins. We are focusing on increasing cross-sales between our IFM and BSS companies, which will create significant growth opportunities, unlock additional synergies.

We have made Mr. Snehashish, our BSS Group CEO, and seeing synergies across Denave, Matrix and Athena. I mean he is given additional responsibilities as the BSS Group CEO, more across the group for the synergies within the BSS segment. We have recently onboarded Samriti Malhotra, our Group CHRO. And with her strategic guidance, we will further optimize people synergies across the group.

With this, I will hand over this to Radha Ramanujan: for giving the financials and numbers on the Q3 & 9 months ended FY '25. Over to you, Radha.

Radha Ramanujan: Thanks, Raghu, and good morning, everyone. First, I will start with the Q3 FY '25 highlights and then take you through the 9 months ended December '24.

Q3 FY '25, the revenues from operations grew by 9% on a year-on-year basis to INR7,006 million. IFM segment revenues grew by 9% to INR4,554 million and BSS segment revenues grew by 7% to INR2,451 million in Q3. Revenue split between IFM and BSS segments stood at 65% and 35%. EBITDA for Q3 FY '25 grew by 18% to INR519 million. EBITDA margin stood at 7.4% versus 6.8% in Q3 FY '24, an improvement of 60 basis points over last year same period.

Excluding our finance income, which most of you were asking me to populate, our EBITDA grew by 24% year-on-year to INR486 million. And EBITDA margin, excluding other income, stood at 7%, which was 6.1% same time last year. And IFM segment EBITDA stood at 6.7%, while BSS segment EBITDA stood at 8.7%. And PAT witnessed a growth of 52%, and it is at INR312 million. Our earnings per share grew by 48% year-on-year to INR4.61.

And coming to the 9-month FY '25 highlights. The total revenue from operations grew by 12% year-on-year, and we are now at INR2,046 crores. The IFM segment revenue grew 8% year-on-year to INR1,328 crores and BSS segment revenue grew by 19% year-on-year to INR717 crores. Revenue split between IFM and BSS continued at 65:35 ratio.

EBITDA for 9 months FY '25 grew by 34% to INR1,499 million, and the EBITDA margin for the 9-month period is 7.3% versus 6.1% in the 9-month period ending FY '24, a significant improvement of 120 basis points. Excluding finance income, our EBITDA grew by 30% year-on-year to INR1,362 million.

The EBITDA margin, excluding other income, stood at 6.7%, which was 5.7% same time last year, 100 bps improvement over last year. IFM segment EBITDA margin stood at 6.1%, while BSS segment stood at 9.5%, as both IFM as well as BSS margins improved consistently compared to the same time last year.

Our PAT witnessed a substantial growth of 101% and stood at INR848 million. Our earnings per share grew by 71% to INR12.60. ROCE is at 22.3% and return on equity is at 14.6%. UDS is a net cash company, and net debt to equity is negative 0.2 as on 31st December 2024. We have overall 69,000 people, and IFM stood at 54,053 employees and BSS segment stood at 14,762 employees.

During the 9 months FY '25, we added 60 logos in IFM segment and 35 new logos in BSS segment. And we call it out only the substantial and continuing logos, which are more than 5 lakhs. We keep adding a lot of clients, but what we call out is the substantial one.

With this, I will open the floor for question and answer. Thank you.

Moderator: Thank you very much. The first question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Congrats on a good quarter. My first question is for Snehashish, which is about Denave and Athena. So Athena will take some time to recover. So one on Athena, if you could give some sense on what's happening there; the headwind from the RBI mandate, has that come off; and should we start -- when should we really start assuming growth?

I think on Athena, in the first half, it declined 6% versus the first half -- in the first half. So does it -- so has it grown in -- I think from what you're saying, it looks like it's grown in the third quarter. So just wanted to reconfirm that. So -- and apart from that, I have a few questions on Denave also, so I'll follow up with this.

Radha Ramanujan: I can answer the growth of Athena, while I request Raghu to give a high-level view on the vertical. Athena's revenue has not grown in the third quarter compared to the previous quarter, but Athena has maintained the profitability. They have to take certain action with respect to giving off the seats and other things, which took a little bit of a time. So in Q3, they have taken all the measures and the profitability improved in Q3.

Yes, over to you, Raghu, if you want to.

Raghunandana T.: Yes, yes. Snehashish is not on this call, so I will answer that. Athena lost a large account in the beginning of this year. That's why you will find the growth being muted. When they lost this account, not because of anything else, this bank, BFSI, had closed business in India. And between first and second quarter, they've also lost another big account, which the company got sold to another entity. So the business got restructured. However, we had anticipated this.

We are working towards adding different other accounts and probably not in the BFSI segment also. And that will start giving us results from the first quarter next year. So that is how -- if you look at headwinds when you said, this is how it happened. We did anticipate, but we didn't anticipate this happening so fast. So that is the reason the revenue was bitter. But however, profitability will still maintain because Athena is a high profit business and will continue to do that. Does that answer? Or is there anything specific you want?

Nitin Padmanabhan: Yes, yes, that's helpful. so obviously, Q4 also, there will be a revenue headwind here. so what is the current revenue for the 9 months for Athena? And for the year, you expect it to be flat or there will be a decline?

Raghunandana T.: Yes, I expect it to be flat. But, Radha, can you give me numbers for 9 months and what is the full-year number? We have it. We have the full visibility.

Radha Ramanujan: Yes. The current revenue for the 9-month period is INR107 crores, and they'll be closing the full-year period with about INR135 crores, which will be at par with last year what they did. They may not show any growth in terms of top line. Similarly, the profitability also will be similar to what they have reported last year.

Amitabh Jaipuria: So if I may just add, given the fact that we have lost about 2 large customers for reasons of the -- which are very specific to the customers. In the management's view, the fact that we will still be able to hold our numbers from last year in terms of both revenue and profitability is actually because of the actions that the local management, the Athena team, took to contain costs as well as to maximize revenue from other clients. So it's -- from that perspective, we see it as a positive because as the new logos kick in, the Athena growth platform remains intact. I just thought I will add that.

Raghunandana T.: Yes, that's right. We are actually confident on that. I would actually say we have -- the Athena team had really worked very hard and then maintained without any negative -- any dip either in revenues or in profit in spite of all this.

Nitin Padmanabhan: Yes. Got it. On the Denave side, the question was considering this shift to an AI-based agent selling, how should we think about growth? Because on one hand, as outsiders, there can be a compression on existing customers, or do you see that not happening? Whereas, it just accelerates the new customer additions. So how is adoption with existing customers? And if adoption rate is faster, does that mean that growth will be softer for a year or so and then sort of pick up post that? How should we think about this dynamic?

Amitabh Jaipuria: Raghu, should I...

Raghunandana T.: Yes, yes. You can take it, and then, I'll add later.

Amitabh Jaipuria: Yes. So basically, that's a valid question that you have because Denave is the one company that in some sense is at the forefront of the technology piece for the group. And at the same time, the area of sales enablement is itself going through a little bit of churn because of new technologies. So we are adapting to that. The customers are also adapting to that. The business models are changing to an extent. And, therefore, what is happening is that this space will remain slightly soft.

So in the coming year, we expect new logos to kick in. And we also expect our own efforts in AI and the remote agents, etc. Our own efforts there will start paying off. So -- but this year is right now looking like -- the next few months, maybe 2 quarters, are looking like quarters of transition. So that's -- that would be our commentary on Denave. Will margins soften further from here? The answer is a no. We don't believe margins will soften further. Will growth continue? Our answer is yes. We believe growth will continue.

Raghu, do you want to add anything?

Raghunandana T.: I'd add to what Amitabh said. We had already invested into the new technologies or agents or AI, whatever we call that, over the last 1, 1.5 years. This will start paying customer adaptability very good. I'm a little more bullish on that. We would actually show a better growth next year. And, of course, better the margin. There's no doubt it will go down.

This year, the margin is slightly muted or down compared to the last year or the previous year because of business mix. It's not because of technology disruption. Because technology disruption, we have already started working on that. As Amitabh said, we are on the forefront of it. We see customers adapting to it. We have invested heavily on technology. We are using all the agents what you said. And it would be a tech-driven business going forward.

Even earlier, it was largely tech-driven, though we were never calling it agents or AI, all that. So that I'm very confident on in terms of Denave. I would -- I don't want to give you -- call out numbers, but I'm definite it would do much better the next year or even from the next quarter. This will start to work.

Moderator: The next question is from the line of Deep Shah from B&K Securities.

Deep Shah: So the first question is basis your commentary. If I understood it correctly, the IFM business, you've done slightly lower than your expectation in terms of growth, but it's still better than the market. So any particular reason why the market is slowing down? And given that you've been doing this for some time, how do you see it working out? Because typically, why would a market which has such a structural tailwind slow down, so your comments on that would be useful.

Second, on the global front, so I understand that you've broken even. And you also mentioned that 7 airports you are doing Air India Express. So how should we think about this? Is this -- I mean, would Air India eventually -- would we be doing for them or Air India Express would be separate? And then if it's separate, will we be doing all 22 airports? How should we think about this?

Raghunandana T.: Yes. Should I answer? See, I'll answer your last question. On Global, yes, it took us time to actually start operations in all 22 airports. Even now, when I say we have started operating 22, still 6 or 7 airports are not being 100% operational in terms of getting all the clearances and starting off in terms of equipment and all that. However, all these will be operational, definitely 100% operational, by first quarter of next year.

We see Global to grow at -- in terms of -- particularly on numbers, it looks like 100% to 200% growth because the last year or the last few quarters we were not operating all the airports. So that would give very good numbers. From a minus INR8 crores or INR9 crores last year, this would -- this year itself, we will show profit because this quarter, 9 months itself, we have broken even. So that would grow as per what we planned or even slightly do better than what we planned.

Coming to Air India Express, we have a contract with them. I mean this is a contract for all our airports, wherever they fly. Now I said 7 airports because these are the 7 airports where they are flying in now. So we have a contract with Air India Express for all -- any airport -- all these 22 airports. It's only the 7 which are operational now this quarter and the next quarter, but it could increase. So that is left to them, but that was how -- that's how we got that 7 airports of Air India Express. So that is on the Global.

And IFM, yes, whatever we called out, we will grow on that. The margin improvement is because of a small mix within the IFM business. Like for example, our industrial business could be warehouse, production support, some engineering services mix we have to increase. So if you look at, even the growth was only 8%-9%, but our margins improved because of our efficiencies and the business mix. This is a combination of both.

Deep Shah: Right, sir. But if you could like give us some color on why the industry as a whole is slowing down because that is what I understood from my opening remarks. Or is that not the right conclusion?

Raghunandana T.: I don't think -- sorry, sorry, go ahead. Go ahead.

Amitabh Jaipuria: Okay. So we're not saying that the industry is really slowing down because new construction keeps happening. So customers are trying to figure out what kind of model serve them the best in terms of service providers. And the vendor consolidation anyway continues to play in favor of companies like us, which is UDS, and the larger companies.

So it's not really slowing down. And 8%, 9%, 10% industry growth, because the industry report earlier, of course, did paint a slightly more bullish picture, but they had included other segments which we are not operating in.

So -- and if industry grows at 10%, Raghu has already talked about, the fact that we will grow ahead of industry, that's our objective. And that will be our attempt because we will continue to win new logos. And like we have already won 95 new logos this -- in the 9-month period, we already see that in our results, and these will start paying off as well.

So our commentary is not that the industry is slowing down significantly. Minor blips here or there keep happening because of various different kinds of things, which we understand, not all of which we control. But overall, if you look at the 3- to 5-year horizon and even a longer-term horizon, this industry is set to grow low-double digit, and we will grow ahead of that.

Radha Ramanujan: And if I may add one comment, growth, what is compared is also what the similar peers who in the last 2 quarters, what they have reported as a growth and our growth was much better. It's more on that comparison as well.

Deep Shah: Understood. This is useful. A couple of bookkeeping questions if I could. One, could you provide margins without other income? Second, what would be your cash balance?

Radha Ramanujan: See, I had clarified our margin with income and with interest income, both have been given to you. And our cash position at this point of time is INR176 crores.

Raghunandana T.: No, just -- can you just give that once more, Radha, with other income and without income?

Radha Ramanujan: Yes. The EBITDA margin for the Q3 is 7.4% versus 6.8% last year. And EBITDA margin, excluding other income, is 7%, which was 6.1% last year. So the other income is 0.4% this period, and the other income is 0.7% last year, because last year we had the full cash lying with us in the Q3.

And on a 9-month period, our EBITDA margin without income is 6.7% this year and 5.7% last year. And if I include the other income, it is 7.3% YTD 9 months this year versus 6.1% last year, which is 120 bps improvement. And excluding the finance income, it is 6.7%, which was 5.7% same time last year. Excluding finance income also, we have grown 1% compared to last year.

Raghunandana T.: Yes. YTD 9 months, 1% improvement without finance income is the number for the EBITDA margin.

Deep Shah: Okay. Understood. And sir, one request. We have multiple businesses with different viewers. So if you could provide this on a consistent basis, it would be useful because today, Athena, Denave, Matrix, we are all following different numbers and different guidances. So if you could make this as a part of the PBT, revenues, margins, that would be very useful.

Amitabh Jaipuria: Yes. So we've got that feedback from some other people as well. And next cycle onwards, we will do that.

Deep Shah: That would be really useful. All the best.

Raghunandana T.: Yes. The next quarter, we'll definitely do that. We'll do that. But at least 80%, 85% of the businesses within both the segments.

Amitabh Jaipuria: Yes. Major companies. Yes, major subsidiaries, we will do.

Raghunandana T.: Yes, yes. This will cover 80% to 90% of our both revenue and PAT. Next quarter onwards, we will call out these names. There's only 3 companies in BSS and 3 in IFM, which I take 90% of the revenue.

Moderator: The next question is from the line of Pritesh from Rathi Securities.

Pritesh: Sir, on the revenue growth side, how should we incrementally look for next year in terms of your revenue growth, especially when I'm seeing that since last 3 quarters, we've been slowing down. And on the other hand, we have this larger revenue growth guidance given. So how should we look at the revenue growth next year?

Amitabh Jaipuria: See, we have always guided that we will grow at about 2.5 to 3x of the economy. But we are dependent on other economic agents. So if the overall economy slows down, like this year, for example, from the earlier projections, the economic growth rates are now being projected that we will be down by about 1%, right, compared to the projections earlier.

So if the overall economy slows, we will slow as well. Our growth rate will slow. We will continue to grow strongly, but our growth rate will slow. And we continue to maintain that we should be growing between 2.5 to 3x of the overall economy.

Pritesh: See, by whatever means that means between 15% and 20%, whatever be the number, is it 15%, 16%, 17%, 18%, 19%, 20%, right?

Amitabh Jaipuria: That's right. Between 15% to 20%, it should be our growth rate.

Pritesh: Yes, right, so when I look at the absolute number in that. But when I look at the last 4 quarters, your growth has never been above 13%.

Amitabh Jaipuria: Yes. So we've been growing at about 2x, you're absolutely right. And what we are seeing in the future is an acceleration of that growth to some extent because we do believe the economy will look up, number one. Number two, Global, as Raghu pointed out, that is poised for a bit of a breakout because the other -- all the other airports will come online. We expect the A&A business and the employee background verification business to continue to grow. But (WHC) will continue to contribute to margins.

IFM has continued to show growth, as well. And we are expecting the decline in the margins of Denave and the softness there to stabilize and improve as we have already said in our earlier commentary. So if you look at most of our business components, that is what is looking good.

Over the past 3 to 4 quarters, if you look at it, we have always given the commentary about some business or the other being slowing down. This quarter, for example, Athena had an issue, right, with 2 large customers dropping out because of reasons which are internal to them, and they shared our comment on. So -- and we have not lost that by the way. So we are not losing to competition.

Moderator: I'm sorry to interrupt. Sir, we are unable to hear you.

Amitabh Jaipuria: Am I audible? I'm sorry, the connection is actually bad. Am I audible now?

Moderator: Yes, please go ahead.

Amitabh Jaipuria: Yes. So, therefore, what we believe is that between 15% to 20% and, as you pointed out, 14%, that's pretty close to the range that we have talked about. So, between 15% to 20% is what we should be doing. So, can we give very, very precise number?, the answer is a no.

Pritesh: Sir, can you give some idea on what kind of deals are you discussing? Because for next year, if you have this aspiration, you should have some ongoing discussion or transaction or an order book to support it, so if you can tell any of those points.

Amitabh Jaipuria: Yes. So we have 3 active conversations that are going on right now and of varying -- one is a fairly large transaction, the other 2 are slightly smaller. And -- it will add significantly to our bottom line and, more importantly, to our capabilities and to our topline also, to an extent, if the deals actually happen. So there are 3 active conversations. That's what we can tell you.

Further detail, obviously, we cannot because right now the conversation is going on. When we say no guarantee that a transaction -- so we want you to remember that and note that because we don't want to misrepresent. So there is no guarantee that a transaction will materialize, but there are 3 very active and promising conversations that are on.

Raghunandana T.: Okay. Yes. And just to clarify, see, we are confident of doing that 15% to 20% growth without compromising on margins. As it what is today, we'll only want to improve it. This is what we are talking organic. We're not talking of any inorganic addition. So that will happen definitely. As Amitabh said, we are active, advanced stages in some -- 1 or 2 smaller ones. But we cannot kind of tell you with a complete certainty this is going to happen in the next 1 quarter or 2 quarters, but that is the whole idea that we would want to do it. But this growth, what we spoke is all organic.

Moderator: The next question is from the line of Nihal Shah from Prudent Corporate Advisory.

Nihal Shah: Congratulations on a great set of numbers. So, when we talk about BSS, so there, how much of it is because of the 2 client's reduction? And how much do we see the economic activities as well softening? Because as you said that the RBI itself has reduced the growth guidance for Indian economy, so how much of that could be attributed to the slowdown in economy as well?

Raghunandana T.: So, Radha, if you can just give the numbers of the Q3 reduction in revenue in Athena, that is really because of loss of customers, right, that's the number. Yes.

Radha Ramanujan: Exactly. The reduction what Athena has reported, in Q3 their top line went down by 12% to INR33 crores, and it is primarily on account of missing the 2 large clients who were with them. As on date, there is nothing that has hurt them in the existing business with the RBI regulation, but the new inflows are stagnated.

People are continuing with the current business. What may happen with the regulation, so we are not able to compensate the lost business with new business, because there is -- everybody is holding off to the current way of operating. We are not able to get new clients in the BFSI segment.

While saying so, they are now aggressively looking into non-BFSI segment, and it may take -- now they are doing the POC, they are now getting into the client relationship. This quarter and next quarter could be challenging, but the new avenues, non-BFSI, will help them to scale up in the subsequent quarter. So far, they didn't focus on this, on the non-BFSI because BFSI was a profitable client for them.

Nihal Shah: Okay. So when we talk about the others, so their airport handling services which we were expecting it to breakeven or give some amount of profit in this year, so how has that profitability phased out in the next -- in the 9 months?

Amitabh Jaipuria: So we have delivered on that. And we had said that we will break even, and we have done that already. So this year, Global will be a positive contributor. Last year, it was an INR9 crores loss because of Global, because we were investing ahead of the business as we were required to do. And now that has come through, and we have already broken even, and Global will be a positive contributor this year.

Raghunandana T.: It would be roughly about INR1-2 crores this year.

Amitabh Jaipuria: Yes. So it will be an INR10 crores swing from last year. Last year was minus INR9 crores. This year, it will be a positive INR1 crores or INR2 crores.

Nihal Shah: Okay. So in the next year in FY '26, so as we were saying that the operations are ramping up currently and will ramp up in the coming couple of quarters or so, so can we expect that to go up to a higher single-digit kind of a margin in FY '26?

Amitabh Jaipuria: Yes.

Raghunandana T.: It could be a little more than a single digit because you know that we have already made the investments, but it would definitely be a much bigger number going forward next year, FY '26.

Moderator: The next question is from the line of Sakshi Pratap from Pratap Securities.

Sakshi Pratap: What benefit are we expecting from the upcoming budget for employment? And how do we see this benefiting our IFM segment?

Amitabh Jaipuria: So we don't -- since we have a varied set of businesses, we don't see the budget as an event that can be very negative or very, very largely positive. The -- what we do see is that if there is action on the corporate tax front, obviously, that will be a positive, but we don't anticipate that.

We do anticipate that there will be encouragement for job creation and that there will be encouragement for relocating or setting up infrastructure here on both the services side by way of GCCs as well as on the industrial side by way of further PLI schemes and encouragement toward large-scale electronics outlets and those kinds of things, electronics and those kinds of things.

Moderator: Sorry to interrupt you, sir, we are losing you. We cannot hear you that clearly. Your voice is breaking.

Amitabh Jaipuria:

Raghunandana T.: Okay. I can take that. I can just tell what Amitabh said. Yes, there is no direct benefit or the advantages we're looking at the budget. But indirect, yes, like what Amitabh said, the more -- when the manufacturing gets more, yes, we get benefited. That's what is indirect. Because directly, we don't see budget impacting us either negative too much or positive -- it could be only positive, sorry. So that is what I'm thinking, but we have now not seen the budget directly impacting us, negative at least. So that -- does that answer the question? Otherwise, I can elaborate.

Sakshi Pratap: Yes, yes. Understood. Congrats on the good set of numbers.

Raghunandana T.: Thank you.

Moderator: The next question is from the line of Harsh Sharma from HS Securities. As there is no response, we'll move to the next question, which is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: What is the borrowing number for the quarter?

Radha Ramanujan: This quarter, we have closed all the borrowing. Initially, we had deposited the IPO proceeds in fixed deposits, and we continued the borrowing. And in October, since all the fixed deposits got matured, our -- we are a net cash company, there's no borrowing. There could be minor on a day-to-day fluctuation, INR1 crores, INR2 crores cash credit received in it. But otherwise, there's no borrowing.

Nitin Padmanabhan: Right. So the finance cost will be -- that we see now is -- or at least the next quarter will be more or less just the lease cost, there won't be any financing?

Radha Ramanujan: Yes, there will be this lease cost, and maybe the timing difference, the collection uses a payment that a couple of days cash credit and other things. Predominantly, it will be the lease finance cost, unless we go for an acquisition and get into borrowing.

Moderator: The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Yes. Sir, just one question on the margins, if you can guide something overall for the company? What do you expect to end this year with and the next year, FY '26? EBITDA margin statistics?

Amitabh Jaipuria: So if I may -- so am I audible? Can I -- yes?

Raghunandana T.: Yes, yes.

Moderator: Yes, you are. Please go ahead.

Amitabh Jaipuria: Yes. So on the margin, see, we don't give formal guidance, and we will stay with that. We are not giving formal management guidance. What we have said is that because of operational leverage, we will grow margins of 20 to 25 basis points year-on-year, and we expect that to continue.

We expect a little bit of contribution also because of the fact that our higher-margin businesses such as EBGC, (WHC), Denave, etcetera, should start contributing more as well. So there may be a little bit of an improvement on that front as well. So that is what we can tell you on margin improvement for next year. Does that answer your question?

Moderator: The next question is from the line of Sunil Kothari from Unique PMS.

Sunil Kothari: Congratulations. Sir, what is the scope of removing some less profitable business, reducing costs, like in IFM we have substantially improved our profitability? So as a whole organization, where do you see the scope of reducing costs or maybe removing less-profitable businesses? A little more -- from a year or 2 point of view, not a quarterly point of view.

Amitabh Jaipuria: See, we continuously review our portfolio of businesses to understand where we can optimize, either on the growth side or on the profitability side. And cost is a major contributor on the profitability side. So that's a continuous process. At this particular point in time, we don't see us divesting any business, at least in the next 2 to 3 years. That's not on the horizon.

And cost will -- we are very conscious of our cost base. And you will see and we are working on cost side actions in this year's planning cycle now. So you -- so that's what, idea is clearly to improve our cost position, but there is no divestment of any existing business being planned.

Sunil Kothari: So if I understood right, sir, this IFM, we restructured some businesses. We have allowed to go away some less-profitable businesses. Now any scope there or that process has been done?

Amitabh Jaipuria: There is some scope. But by and large, a lot of the low-margin businesses we have got rid of already as we have been saying over the past 2 quarters. There is still some scope. Because you see it's like this, right? If you remove the bottom 10%, then the next 10% becomes the bottom 10%, right? So there is a continuous culling of less-profitable contracts or contracts where we find that our cost doesn't allow us to make a decent return.

Sunil Kothari: Right. Sir, next question is to Mr. Raghu. Sir, basically, we are acquiring so many different companies, different business segments, business mindset and culturally different organizations. How difficult or easy this style rather than, say, growing organically?

Raghunandana T.: Yes, that's a good question. However, we've not done many. It may look like we have done many, it's only largely 3 companies. It is -- I mean, we need to put in focus and work on it to get it kind of integrated with the overall philosophy or the business, how we do with the parent company. So that's happened very successfully so far. So going forward, yes, what you're saying is right, it's not an easy thing, we will have to do it.

However, we'll do that, like I think Amitabh mentioned this earlier, only if it is going to add value to our existing business or if we can add value to a business which we're going to acquire. So that would be the basic underlying kind of philosophy or policy for our acquisition strategy.

So that would make our business actually better because it will add kind of synergies, add capabilities, add value or we could do that with the acquired business. So that is the whole idea. That's what has happened so far. If you look at all our acquisitions, they have been very successful. When we say all, it's basically 3 or 4, the other things happen much earlier.

So today, I would even say if you -- if after acquisition and the businesses are kind of integrated, more than 2 years, I wouldn't even call them as inorganic. It's part of the overall thing. I think 2 years is a pretty decent time. By that time, I wouldn't even call them as a kind of an acquired business or a business which is new to us.

So all our businesses are now more than 3, 4, 5, 6 years after our acquisition. So our last acquisition was Athena, which is now 2 years into it. And next year, I think we will be 100% owning that or 90% something, we have some structure with the promoter.

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

Raghunandana T.: Okay. Great. Thank you all of you. Thank you for joining us. I hope we've been able to answer all your queries. Look forward to such interaction in the future. In case you have any further details or queries or any further clarification you require, you can contact the company. You can contact Deven of SGA, our Investor Relations advisor. So feel free. You can mail to us, you can write to us. So thank you again for joining.

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