

Good housekeeper

Come rain or storm, Chennai-based Updater Services keeps the wheels turning in offices across the country

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Sparkling floors, clean carpets, shiny toilets and uninterrupted power supply are things that corporate India takes for granted today. The people responsible for keeping everything spic and span are barely noticed. These unsung heroes are the housekeepers, a silent army that quietly goes about its job, ensuring that employees have a hassle-free environment, at least where furniture and fixtures are concerned. They are part of the facilities management sector, an industry that is now well-established in India.

The Rs 180-crore Chennai-based Updater Services (UDS) is one of the larger facilities management companies in the country. Although it was an early mover, getting into the business as far back as 1985, UDS took a while to get going. "We began by offering maintenance services for electricity, air-conditioning and water, apart from soft services such as landscaping and housekeeping," says T Raghunandana, the company's Founder.

When the company started out, facilities management was unheard of. Back then, even a corporate head office would be no bigger than 10,000 sq ft, and most companies had their own internal staff to maintain facilities. "Selling the concept was a huge challenge. People were averse to outsourcing, and some worried about confidentiality and also about our competency."

Great leap forward

It was only in the late-1990s, when MNC numbers and operations swelled, and office spaces started increasing to lakhs of square feet, that the business found traction. Suddenly, corporates realised that it was quite cumbersome to manage different sets of maintenance staff and equipment. "And that's when they turned to us," says Raghunandana. The rest, as they say, is history. UDS began to expand exponentially, growing 30-35% annually. Today, its annual revenues are about Rs 180 crore. Along the way, it bagged the prestigious ISO 9001 certification.

UDS began by focusing on the IT sector. "Our biggest clients back then were Tidel Park in Chennai and Infosys," recalls Raghunandana. Since then, UDS has begun catering to manufacturers, hospitals, schools, airports, and so on. It also provides services in tier-II and tier-III cities. "There are banks that have branches in small places. They can't afford to have an admin manager everywhere. We step in and take charge of all their branches nationwide."

Today, the company has 350 clients and more than 18,000 employees. Its client roster includes big-ticket names in every vertical: Saint Gobain and Hyundai in manufacturing; Wockhardt and Apollo in hospitals; Bombay, Hyderabad and Bangalore in airports; Infosys, Accenture and Wipro in IT; DLF, Bloomberg and SBI, in other sectors.

At each client's office, UDS staff are organised in a four-tiered hierarchy. At the bottom are the housekeeping staff; above them is a supervisor; next comes a facility manager; and above them all is an operations manager. "This is the only way we can manage a large team," says Raghunandana.

P Padmakumar, HR Head, Saint Gobain is all praise for the company: "UDS has been associated with us for five years. Earlier, we had hired a small agency, but they had a problem with compliance. So we called UDS in. UDS has a high degree of customer orientation and were able to scale up quickly."

UDS's services are governed by service level agreements (SLAs) with clients. The SLAs are stringent and bind the UDS to a minimum standard of service at all times. For instance, an SLA can clearly specify that in the event of a power cut, the genset will be operational within 30 seconds. "I can't tell a client that water is not available because the water pump failed or power is not available because the genset failed. It's our duty to maintain them," says Raghunandana.

PE backing

UDS is the only Indian facilities management company to have got private equity funding. In 2006, New Vernon Bharat bought a 40% stake in UDS for \$10 million. Early last year, ICICI picked up New Vernon's stake. Raghunandana was happy to get ICICI on board as the latter has a real estate fund of about a billion dollars. "There was business for us too," he adds, noting that ICICI is one of UDS's biggest clients. The bank has a nationwide presence and has huge investments in real estate. As a group it spends approximately Rs 40 crore per annum on facilities management.



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Raghunandana insists that the stake sale had nothing to do with needing funds. "We are not capital intensive," he claims. C Venkat Subramanyam, Founder, Veda Corporate, who was instrumental in arranging the stake sale to New Vernon and later to ICICI, concurs with him: "They offloaded the stake to get a big name behind us," Subramanyam says. "Global companies look at your backers, your financial stability, and that's why ICICI was important for UDS." Subramanyam says he is impressed by the company's rapid progress. "UDS was able to scale up across verticals—that is quite an achievement. Expectations from each industry are different, and they have been able to meet them successfully and grow." He believes Raghunandana's calm and measured handling of 18,000 blue-collared workers has played a big part in the company's success.

Manual training

The company's strong HR focus has gone a long way in easing Raghunandana's job. Unlike many other facilities management companies, UDS provides its staff with benefits such as PF and medical reimbursements, even covering their families. He has thus been able to instil a sense of loyalty among the workers.

The workers are the company's backbone—facilities management runs on manpower. Sourcing that power and training it is the most critical—and difficult—part of the business. Sourcing has always been a challenge, says Raghunandana. "We have a team constantly scouting for good people." When resources are not available locally, UDS head-hunters go as far as 50-60 km away to find people. If they join, they are picked up and dropped home everyday. Every new recruit has to go through a two to four week training programme. The company has 50 in-house instructors, who train them in different specialities.

Training is essential. Though most new hires have industrial training institute (ITI) certificates, their knowledge is more theoretical than practical, says Raghunandana. To give them more hands-on experience, UDS has tied up with Pan-IIT to set up a skills training gurukul in Chengelpet, near Chennai. Currently, students are trained in welding, electrical and mechanical work. About 50 of them passed out in December and have been absorbed by the firm. The trainees are also given Pan IIT-UDS certificates, which is useful in securing a job.

Slowdown blues

The company's revenues are mostly contractual in nature, and so are normally spared of the ups and downs of economic cycles. However, since the economic slowdown, many of its customers have begun re-negotiating contracts in an effort to cut costs. Most of UDS's clients are from the IT and manufacturing sectors, which have been hit hard by the downturn. Many have begun cutting allocations for housekeeping expenditure. This is forced the company to begin mass retrenchments for the first time—UDS will lay off about 15% of its workforce in the coming months.

In 2008, growth fell to 20-25%, because of a decline in the IT and manufacturing segment. "We expect the next three quarters to be bad," says Raghunandana. In an effort to beat the economic downturn, the company has begun to focus more on other services in its portfolio, including cafeteria services and vending machines.

About 80% of UDS's business comes from the South, where it commands 30% of the market. "Once things get better, we intend to have a pan-India presence by expanding to markets in the North and West, replicating what we did here. That's our plan for the next two years," says Raghunandana. Get ready, Gurgaon.

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