

Urban Company Ltd- IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
10 September 2025	12 September 2025	₹98-103	SUBSCRIBE

Company Overview

Urban Company Ltd., incorporated in 2014, headquartered in Gurgaon is India's leading technology-driven, full-stack marketplace for on-demand home and beauty services. The platform operates across India, UAE, Singapore and Saudi Arabia. It connects consumers with vetted service professionals for categories such as cleaning, pest control, plumbing, carpentry, appliance servicing and repairs, beauty and grooming, painting, massage therapy, and wellness. In recent years, the company has expanded into home solutions through its in-house brand 'Native', which markets water purifiers and electronic door locks, and it is scaling a new InstaHelp offering for quick, on-demand domestic assistance (cleaning, cooking preparation, and mopping) in select micro-markets. The business operates on a hyperlocal micro-market model, dividing cities into more than 12,000 zones of 3–5 km radius to reduce travel time, improve service fulfilment, and create strong network effects. This structure enhances efficiency for both consumers and professionals, leading to higher repeat usage and deeper category penetration.

In 2021, Urban Company became a unicorn after raising \$188 million in a funding round led by Prosus. In December 2022, Urban Company signed an agreement with the National Skill Development Corporation to train and certify unskilled workers across various service categories. Its robust supply ecosystem of 55,000+ trained professionals, backed by tech, insurance, credit, and investments on professionals, creates high entry barriers and strengthens retention.

Business Model

Urban Company follows a tech-driven, two-sided marketplace model that connects consumers with trained service professionals across categories like home maintenance, beauty, and wellness. Unlike simple listing platforms, it uses a full-stack approach, meaning it manages the entire service journey—right from booking and pricing to delivery, training, and feedback—ensuring quality and consistency. The company operates on a hyperlocal model, dividing cities into 3–5 km micro-markets to reduce travel time and improve service speed, which in turn creates network effects: more customers attract more professionals, and more professionals improve service availability and reliability. Revenue comes primarily from commissions on transactions (generally 20–35%), while professionals retain the bulk (~70%) of the earnings. To build supply-side strength, Urban Company invests in training, financing, tools, and insurance for service partners, which improves their skills, earnings, and loyalty. On the demand side, its app uses data analytics and AI recommendations to personalize services and improve customer experience. This integrated model makes the platform asset-light yet scalable, balancing customer convenience with professional empowerment, while its expansion into branded products (e.g., water purifiers under "Native") and innovations like Insta Help extend its monetization avenues and stickiness.

Investment Rationale

1. Market Leadership in an Underpenetrated Industry

Urban Company is the clear leader in India's highly fragmented and largely unorganized home services market, which is valued at ~\$50–60 billion with online penetration of less than 1%. Its early-mover advantage, strong brand recall, and trusted consumer perception position it to capture disproportionate market share as digitization accelerates. The company's focus on quality, standardization, and convenience directly addresses pain points like inconsistent service quality and opaque pricing. With only ~2% of Indian households using online home services today versus >20% in China and >50% in the U.S., the growth runway is massive. As adoption rises in Tier-1 cities and gradually expands into Tier-2 and Tier-3 markets, Urban Company stands to be the principal beneficiary. This positions the firm as a scalable proxy to India's evolving gig economy and rising urban lifestyles.

2. Hyperlocal Full-Stack Business Model with Network Effects

The company's hyperlocal model—dividing cities into 12,000+ micro-markets—drives operational efficiency by reducing travel time and enabling faster service fulfilment. This creates self-reinforcing network effects, where higher demand attracts more professionals, leading to improved service reliability and further customer adoption. Unlike listing platforms, Urban Company is a full-stack operator, controlling pricing, training, and delivery standards end-to-end. Such integration boosts customer trust while ensuring partners earn more consistently, creating a win-win ecosystem. Repeat customers expand their service adoption over time, increasing frequency and lifetime value. This model builds defensibility and differentiation against both offline players and pure-marketplace competitors.

3. Strong Consumer Engagement and Brand Trust

Urban Company has built its reputation around trust, reliability, and convenience, becoming India's most searched home services platform. As of June 2025, it had served 14.6 million unique consumers, with nearly half acquired in just the last three years—demonstrating rapid scaling. Its customer cohorts show deepening engagement, with the 2018 cohort expanding usage from 1.25 categories to 5.6 categories by FY25. High ratings (~4.8/5) underline the consistency of its service quality, reinforcing its consumer value proposition. This trust-driven model reduces churn and strengthens brand loyalty in a market where word-of-mouth is critical. A strong consumer franchise is a long-term moat in a sector prone to fragmented supply and informal competition.

4. Financial Turnaround and Improving Unit Economics

Urban Company has demonstrated a remarkable financial turnaround, moving from years of heavy losses to reporting a net profit of ₹240 crore in FY25. Revenues grew at a 34% CAGR between FY23–25, reaching ₹1,144 crore, while contribution margins expanded from 16.5% to 19.5% of NTV. Adjusted EBITDA turned positive, reflecting operating leverage from scale and efficiency gains. The shift to profitability, alongside positive operating cash flow, signals strong unit economics and business sustainability. Its India consumer services segment is especially profitable, contributing ~60% contribution margin, giving confidence in core operations. This trajectory shows it can balance growth with profitability, a key re-rating driver for investors.

5. Innovation and Adjacency Expansion

Beyond core services, Urban Company is actively innovating to broaden its revenue streams and enhance customer stickiness. Its 'Native' brand of smart water purifiers and electronic locks brings product adjacency, tapping into household appliances with strong cross-sell potential. The launch of Insta Help (formerly Insta Maids), an instant domestic help service, showcases its agility in spotting high-frequency, daily-use categories. The company also experiments with diagnostic tools like "Co-Pilot" to improve repair accuracy and customer transparency. These innovations not only diversify revenue but also deepen integration into consumer households. Such continuous product and service expansion reduces dependency on existing categories and ensures long-term relevance in evolving urban lifestyles.

6. Robust Technology Platform Driving Scalability and Quality

Urban Company's technology backbone is a core differentiator that underpins both consumer and professional experiences. The unified tech stack allows seamless rollout of hyperlocal services across 12,000+ micro-markets, ensuring operational scalability without compromising quality. For consumers, the app provides personalized, data-driven recommendations and GenAI-powered support, improving engagement and retention. For service professionals, the dedicated app manages the end-to-end workflow—onboarding, scheduling, training, and feedback—while embedded tools such as diagnostic flows, image and barcode scans, and GenAI workflows enhance accuracy and standardization of service delivery. This deep integration of technology not only streamlines operations but also raises entry barriers for competitors who rely on less structured models. In effect, the platform delivers higher consistency, efficiency, and trust across the ecosystem, reinforcing Urban Company's long-term scalability and competitive moat.

Key Risks

1. Intense Competition in a Fragmented Market

The home services industry in India is highly fragmented, with competition from unorganized offline players, organized salon chains, OEM service centres, and emerging online platforms. As online penetration is still under 1%, the competitive intensity for consumer mindshare and professional retention is significant. Price wars and aggressive discounting from newer entrants could pressure margins. Moreover, switching costs for consumers are low, making loyalty hard to sustain purely on convenience. To maintain leadership, Urban Company must continuously invest in brand building, service quality, and professional incentives. Failure to differentiate could erode its growth trajectory.

2. Dependence on Service Professionals for Quality Delivery

Urban Company's business model relies heavily on the availability and retention of skilled professionals to ensure consistent service quality. While it has built strong training and retention programs, there is always the risk of supply shortages in high-demand categories or cities. If professionals circumvent the platform by directly engaging with consumers, it can weaken transaction stickiness and revenue capture. Additionally, rising expectations for fair compensation and gig worker rights could increase costs or spark disputes. Any decline in professional satisfaction directly impacts consumer trust and service delivery. Sustained supply-side investment is critical to mitigate this risk.

3. Execution Risks in International Expansion

While Urban Company has expanded into the UAE, Singapore, and Saudi Arabia, some earlier attempts in markets like the U.S. and Australia have been discontinued. This highlights execution challenges in scaling internationally, where consumer behaviour, local regulations, and competition differ significantly. International operations have historically been loss-making, and continued underperformance could drag consolidated financials. Cultural adaptation and localized marketing are critical but add to expenses. Missteps abroad could divert management bandwidth from the more profitable India market. Hence, global expansion must be carefully balanced against domestic focus.

4. Loss-Making Track Record Until FY24

Urban Company operated as a loss-making entity from inception through FY24, posting consolidated net losses of ₹312 crore in FY23 and ₹93 crore in FY24. These losses were driven by heavy upfront investments in customer acquisition, professional training, and international expansion, which pressured margins and cash flows. Although the company reported a net profit of ₹240 crore in FY25, this turnaround is recent and partly supported by a one-time deferred tax credit. Sustaining profitability will require disciplined cost control, consistent consumer demand, and continued improvement in contribution margins. Any slowdown in growth or surge in operating expenses could push the company back into losses. Investors must therefore weigh the limited track record of profitability against the ambitious valuation multiples.

Financial Snapshot

Metric	In (Cr)		
	FY23	FY24	FY25
Revenue (₹ Cr)	637	828	1,144
EBITDA (₹ Cr)	(364)	(146)	(40)
Net Profit (₹ Cr)	(312)	(93)	240
EBITDA Margin (%)	-57%	-18%	-3%
PAT Margin (%)	-49%	-11%	21%
EPS (Basic) (₹)	(2.25)	(0.66)	1.66

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Urban Company Ltd.
IPO Structure	Fresh Issue (₹472 Cr) + Offer for Sale (₹1,428 Cr)
Issue Size	₹1,900 Cr (18.44 Cr shares)
Price Band	₹98 – ₹103 per share
Face Value	₹1 per share
Post-Issue Market Cap	₹14,789 Cr (Upper Band)
IPO Opening Date	September 10, 2025
IPO Closing Date	September 12, 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	21.1% /20.4%
Book Running Lead Manager(s)	Kotak Mahindra Capital Co. Ltd
Use of Proceeds	Expense for new tech development & cloud infra - ₹190 Cr Lease payments for offices – ₹75 Cr Marketing activities – ₹90 Cr General corporate purposes

Valuation and Recommendation

At the upper end of the price band of ₹103 per share, Urban Company Ltd. is seeking a post-issue market capitalization of ~₹14,790 crore. This implies a Market Cap-to-Sales multiple of ~10x based on FY2025 revenue of ₹1,144 crore, which is rich compared to India's listed internet peers that typically trade at lower revenue multiples. While the premium is partly justified by Urban Company's early leadership in a large, underpenetrated \$60 billion home services market, its asset-light model, and improving unit economics, the fact remains that FY2025 marks its first year of profitability (₹240 crore net profit, aided by deferred tax credit). For valuations to sustain, investors must have confidence in continued high topline growth and further margin expansion. We believe the company may continue to command investor interest given its defensible ecosystem, strong brand, and technology integration. Accordingly, we recommend **'SUBSCRIBE' for listing gains.**

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