



May 14, 2024

**Listing Department,**  
BSE Ltd.,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai-400 001  
Scrip Code: **532633**

**Listing Department,**  
**National Stock Exchange of India Limited,**  
“Exchange Plaza”,  
Bandra - Kurla Complex, Bandra (East),  
Mumbai-400 051  
Symbol: **ALLSEC**

**Sub: Transcript of the Earnings Conference call**

Pursuant to Regulation 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform that the Transcript of the Earnings Conference call, conducted through digital means on May 07, 2024; has been uploaded on the website of the Company under the following link: [www.allsectech.com/investor-information/](http://www.allsectech.com/investor-information/) (Financial Information/ Investor Call Tab).

Kindly take the same on record.

Thank you,

**For Allsec Technologies Limited**

**Neeraj Manchanda**  
Company Secretary and Compliance Officer

Encl.:A/a

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“Allsec Technologies Limited Q4 FY '24 Earnings Conference Call”

**May 07, 2024**



**MANAGEMENT:**        **MR. NAOZER DALAL – CHIEF EXECUTIVE OFFICER,  
ALLSEC TECHNOLOGIES LIMITED  
MR. GAURAV MEHRA – CHIEF FINANCIAL OFFICER,  
ALLSEC TECHNOLOGIES LIMITED  
MR. KUSHAL MAHESWARI – HEAD (INVESTOR RELATIONS),  
QUESS CORP LIMITED**

**MODERATOR:**        **MR. BALAJI SUBRAMANIAN – IIFL SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Q4 FY '24 Earnings Conference Call of Allsec Technologies Limited hosted by IIFL Securities Limited.

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 "\*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Balaji Subramanian from IIFL Securities. Thank you, and over to you, sir.

**Balaji Subramanian:** Ladies and gentlemen, good evening, and thank you for joining us on the post Q4 FY '24 Results Conference Call for Allsec Technologies Limited.

It's my pleasure to introduce the Senior Management Team of Allsec, who are here with us today to discuss the results. We have Mr. Naozer Dalal – CEO; Mr. Gaurav Mehra – CFO; and Mr. Kushal Maheswari – Head, Investor Relations.

We will begin the call with the opening remarks by the Management Team. And thereafter, we will open the call for a Q&A session.

I would like to now hand over the call to Mr. Kushal Maheswari to take proceedings forward. Thank you, and over to you, Kushal.

**Kushal Maheswari:** Thank you, Balaji. Good evening, everyone, and thank you for joining Allsec Q4 FY '24 and Full Year FY '24 Earnings Call.

The information, data and outlook shared by the management during the call is forward-looking, but subject to prevailing business conditions and government policies. All forward-looking statements are subject to economic growth or other risks faced by the company.

The Results and the Presentation have been uploaded on our website. Please refer to slide number two of Investor Presentation for the safe harbor clause.

With that safe harbor, I will now hand over the call to our CEO – Mr. Naozer Dalal, for his opening statement. Over to you, Naozer.

**Naozer Dalal:**

Thank you, Kushal. Good evening, everyone. Thank you for joining our Q4 FY '24 and Full Year FY '24 Earnings Call today. Look forward to interacting with all of you. I have with me, my colleague, Mr. Gaurav Mehra – Chief Financial Officer.

You will be pleased to know that the Full Year FY '24 has pretty much been a breakout year for Allsec in all respects. Significant uptick and stellar financial performance, revenue, profitability, cash generation, completion of the projects to upgrade our key Platforms – Smart Pay (Sp4) and the second version of HRMS, new customer acquisitions, mining of existing accounts and good improvement in the customer Net Promoter Scores, for which we do our survey year-on-year along with our parent. And finally, portfolio restructuring. We have completed the sales process of our local level compliances business, as we have done by 30th April.

The initiatives driven by the team have resulted in the highest ever revenue and profitability for the year FY '24. Further, the Board of Directors have recommended a final dividend of Rs. 22.9 crores at the rate of Rs. 15 per share, subject to shareholder approval at the ensuing AGM, which brings the total dividend payout for the full year at Rs. 68.6 crores, which would be Rs. 45 a share, 2.25 X (times) of the previous year.

I will now proceed with giving you a brief Business Overview covering our lines of businesses and follow it up with a detailed Financial Performance. Post that, we will be happy to take your questions.

**We start with some Banner Headlines:**

- Q4 FY '24 revenue from operations at INR 130 crores is up 8.3% quarter-on-quarter and 20.1% year-on-year led by growth in both our businesses, CXM and EXM. While the CXM business grew at 10.4% quarter-on-quarter and 29.3% year-on-year, it was also ably supported by EXM business with a 4% growth across year-on-year and sequential basis. But important to note that the performance of EXM also includes our Stat business, which historically had lower profitability margins and lower growth margins. So, excluding that, even our payroll business has grown very, very close to what our CXM business has grown, which is 6% quarter-on-quarter and 13.1% year-on-year.
- For the full year, the revenue grew by 20% year-on-year with the underlying business of CXM growing by 24%, EXM growing by 13.5% and of which again, as I mentioned, payroll grew by 18%.
- We have added new employee records in excess of 4 lakhs in H2 and now process 1.32 million employee records at the end of March, remaining the clear market leader in the managed services space, being 20% to 30% higher than competitors' volume.
- Our staff attrition was maintained at 7.2% per month for Q4, which continues to be near best-in-class in the domestic outsourcing industry. Our cash position and collections continue to be robust. Our collections for Quarter 4 increased to 131.4 crores up by 7.1 crores quarter-on-quarter.

**I will now provide a progress update on the two Tech Projects:**

Smart Pay (Sp4) and new HRMS, we have been working on these as our strategic initiatives. We have on-boarded our first customer on SP4 in this quarter and now have a full transition plan in place to migrate all our customers by the end of this financial year.

We have commenced our go-to-market strategy for our upgraded HRMS, started with market reach-out. We have a marketing plan. We

have done a few demos and hope to get further traction on the same in the remainder of this quarter and in the Q2.

**We move to our sales achievements:**

We have signed EXM sales with ACV of 7 crores in Q4, up from INR 4 crores in Q3. For FY '24. We have achieved new sales of ACV INR 27 crores, 35% higher than the previous year. We have added marquee logos including targeted conversions of mapped competitor logos. We have increased the contribution of international sales to total sales by 12% in FY '24 over FY '23 and will further accelerate the focus on international EXM sales in FY '25.

In CXM we have added new LOBs in the healthcare account which we had won in the end of the previous financial year and also added two new logos aggregating to just under 100 crores ACV for the year.

We continue to progress on the journey of operational and cost efficiencies as we embarked upon earlier in this Financial Year and we continue to focus on payslips processed per employee as a key metric to track and which has improved by 10% year-on-year. A higher share of international and cost savings from operational efficiencies have enabled us to improve EBITDA margins by 200 basis points over FY '23 even after absorbing salary and other inflation.

**Now coming to our operational performance:**

Our meeting of operational KPIs remains strong for both CXM and EXM including being named as the best partner in some of our customers' league tables. We continue to provide value-added services to our customers, including but not limited to point automations, bundling RPA in our solutions etc.

We continue to receive high ratings and increasing feedback on social media, Glassdoor and AmbitionBox, a direct outcome of our continued focus on employee engagement. We also continue to encourage our

employees to participate in the corporate social responsibility activities of the company.

We now turn to the detailed Financial Performance, for which I will ask my colleague, Gaurav, to brief you on the same. Thank you and I will be back for questions.

**Gaurav Mehra:** Thank you, Naozer. Hi, good evening all. It's a pleasure to reconnect with you all for the earning updates.

I will read Allsec Q4 and Full-Year Financial Results. We continue to build upon our growth momentum and our number speaks more of that.

**First, I will read the Quarter Results:**

**On the Revenue front:**

Revenue for the Q4 quarter is INR 129.7 crores, an increase of 20.1% on a Y-o-Y basis at 8.3% quarter-over-quarter basis. On a Y-o-Y, CXM business grew by 29.3% and EXM business grew by 4%. On quarter-to-quarter, we had a growth of 10.4% for CXM and 4.1% for EXM business.

Growth is driven by both the addition of the new logos as well as mining the existing customers across both the verticals. For CXM-FTE grew by 9.5% on a year-on-year basis and 1.7% on a quarter-on-quarter basis. For EXM business, we won 11 new logos during the quarter for the ACV value of 7 crores.

Our International Business contribution increased by 39% for CXM during the quarter on a Y-o-Y basis and 13.3% on a quarter-on-quarter basis. Our EXM payroll grew by 13.1% during the quarter on a Y-o-Y basis and 6.1% on a quarter-on-quarter basis.

### **Moving to Q4 Margins:**

EBITDA for the quarter stands at INR 35.2 crores. There has been significant EBITDA margin expansion and EBITDA grew by 43.3% on a Y-o-Y basis and 15.9% on a Q-o-Q basis.

CXM quarterly segment margin is increased by 13.2% on a quarter-on-quarter basis and 77.2% on a year-on-year basis. EXM quarterly segment margin is increased by 18.1% Q-o-Q and 47.7% on a Y-o-Y basis. Margin growth is led by increase in international business and improvement in our productivity, which is Payslips per FTE, add of new logos and cost-saving measures.

PAT for the quarter stands INR 20.7 crores, an increase of 84.1% quarter-on-quarter and 71% year-on-year. The PAT percentage stand at 16% for the quarter. The PAT percentage is increased by 660 bps on a quarter-on-quarter basis and 480 bps on a Y-o-Y basis. EPS for the quarter stand at INR. 13.6, an increase of 84% quarter-on-quarter and 71% Y-o-Y.

### **Moving to Full-Year Financial Results:**

Revenue for the Financial Year FY '23-'24 is INR 469 crores, growth of 20.2% on a Y-o-Y basis. EBITDA for the Financial Year is INR 116 crores, a growth of 30.7% from last year. The EBITDA margin increased by 200 bps on a Y-o-Y and FY '24 EBITDA margin stands at 24.6%.

PAT for the Financial Year is INR 64 crores, increased by 31% on a year-on-year basis. The PAT percentage for the Financial Year is 13.6%, an increase by 110 bps on a year-on-year basis. OCF for the Financial Year is INR 91 crores, an increase of 28% compared to last year. EPS for the Financial Year stand at INR 42, a growth of 31% on a year-on-year basis.

With this, I conclude the updates on the financial results and pass it back to the moderator for taking your questions. Thank you.



**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Raghuram N S from Eurindia Ventures. Please go ahead.

**Raghuram N S:** Yes. Just wanted to first congratulate the entire team of Allsec for delivering an amazing set of numbers. It must be a very satisfying thing to get Allsec to deliver so consistently. From all of us many congratulations. Just wanted to ask a couple of questions on both EXM and CXM. Let me start with CXM, which has been the standout business at least over the last couple of quarters.

I remember both Naozer and Mr. Pinaki Kar during the Quess conference calls & investor calls mentioned that there were revenue contracts very much in place for the entire expansion that was being planned in Manila. So, that has obviously already concluded and there has been growth, which has been successful in all quarters coming through. How do you see the next three quarters in terms of the growth continuing?

Mr. Pinaki Kar, I remember mentioning that for the next three or four quarters, this was about a couple of quarters back, there were no issues from a growth perspective. It was just going to be how well we will be able to deliver. Is that scenario continuing, or do we see some kind of a plateauing of growth going forward? That was the first question that I had on CXM.

The second question was on the EBITDA margins, obviously because the entire growth on CXM has been led by Manila and international business, we have seen the EBITDA margins clearly being ramped up very significantly. Is that something that we can expect going forward to continue and maybe even expand slightly?

Now coming to the EXM business, I had a couple of questions. Obviously, there has been some, you can say, like you mentioned, Naozer, that on the payroll side, the business growth has not been very low, including the compliance, business growth has been maybe muted.

But now with compliance no longer in the business profile, how do you see this business really responding in terms of growth year-on-year?

And the second question, obviously on the EBITDA and margin side, there has been a significant increase in the EBITDA as Gaurav also mentioned. The segment margin has increased year-on-year nearly by 47% from 26.8% to 38%. Is this something that is sustainable? And what kind of a trajectory does it have going forward? So, total of four questions.

**Balaji Subramanian:** Thank you, Raghuram. Naozer, if you can please answer the question.

**Naozer Dalal:** Sure. Thanks, Raghuram, for your kind words. Always happy to interact with you and get your feedback and also your comments. Coming to the first question on CXM, yes you are right. We are pretty much now with near full capacity in Manila. So, for our growth, we will have to keep our options open in terms of whether there are more cost effective options in Manila or we continue to grow in Central Manila where we are currently located. So, that's the conversation we are doing. We will continue to explore new lines of business or growth in existing businesses. We have some idea in terms of how that growth can happen, but of course, in mining we cannot have a full-year view in advance. So, it's largely a quarter-on-quarter view in terms of how the mining effort will happen.

On the new business, we are trying new initiatives to get new customers. We have hired a Sales leader in the US effective 1st of March. We had the vacancy for a couple of quarters till we found the right person. We have tied up with a local firm to do account-based marketing – for SME customers & our two target verticals – BFSI & Healthcare. We believe that some of the revenues for the new business should only start getting in from Q2 and not prior to that as per our Annual plan.

Coming to EBITDA margins, as you know, the EBITDA margins of CXM also have a large reasonable base of the domestic business which as

you are aware we are not growing. Therefore, whatever incremental margins come would largely come from growth in the international business delivered out of Manila & Chennai.

Coming to EXM, as I have said in the previous calls also, we continue to believe that we can definitely grow in excess of 20% year-on-year. So, I would say that I would put a range of between 20% and 25% in terms of where we would grow the standalone payroll business.

As far as EBITDA margins are concerned, I would just like to point out that the 38% margins have about 3.5% for the one time activities which we do in Q4 on the tax vouching. So, if we adjust this 3.5%, the quarter-on-quarter is about a percent more. The long-term target is around 35%-mark steady state.

**Raghuram N S:** Okay. So, obviously, one could hear the level of confidence on EXM. On CXM, the same kind of growth should be visible at least for the next four quarters. Obviously, there are people on training and there are people who will get deployed onto the production floor over a period of time. So, is that something that one can take into account that the revenue growth will continue in a very similar kind of trend, like how it happened in the previous year?

**Naozer Dalal:** For CXM, like I said, the new business will start kicking largely from Q2. But on YoY basis, I would expect to grow again in the high teens or early 20% range.

**Raghuram N S:** So, last year was maybe about a 30% kind of range. It's something that will moderate over the next three, four quarters.

**Naozer Dalal:** No, last year also was about 23.8% for the full year growth. So, yes, so this is pretty much in that ballpark.

**Raghuram N S:** Similar kind of growth rates.

**Naozer Dalal:** On a full year basis, yes. Difficult for me to comment quarter-to-quarter on CXM because, as I said, the new business will come in only by July.

**Raghuram N S:** So, this 100 crore that you mentioned about the ACV, is that something that is still flowing through or is that something that more or less is now built into the numbers.

**Naozer Dalal:** Large number of it is flowing through, but there is some bit of it to flow through. So, that's the way I am looking at it. So, the growth will come both from the existing customers and it will come from the new business which we will acquire.

**Raghuram N S:** Last question from my side. The ACV or 26 crores that you mentioned in new sales, that was only in Q4, right?

**Naozer Dalal:** That's right, yes.

**Moderator:** Thank you. The next question is from the line of Harsh Kundnani from Aionios Alpha Investment Management LLP. Please go ahead.

**Harsh Kundnani:** Thanks for the opportunity and congratulations to the Management for a great set of numbers. Just a couple of small questions from my end. In the EXM business, we have seen new logo additions, strong new logo additions in all the four quarters, but just that in this particular quarter, the employee records or the payroll process, that is down or rather flattish on a quarter-on-quarter basis. Any reason for that?

And the second question in the CXM business, I think you mentioned in the opening remarks, but just to clarify, has the healthcare client fully ramped up or there is more to come in the following quarters from that particular client?

**Naozer Dalal:** Just to quickly clarify, there are two reasons. The answer to the first question lies in two facts. One is the market dynamics, where customers who have signed with us, even say up to Q2 or Q3, in fact, do not like to transition the same in Q4. Just from the fact that the HR teams of the organizations themselves are busy in the year-end tax and compliance and the appraisal cycles.

We also, from our side, get busy with a lot of one-off activities for our customers including tax vouching which I mentioned, which gives uplift to Q4 revenues and profitability. We get into the preparations for Form 16 in terms of checking quarter-by-quarter and ensuring accuracy.

So, that's the market dynamic where in spite of that we added about 10,000 Payslips this quarter. What did happen in Q3 was that we had temporary head count of almost 20-25,000 from that E-com player and that head count went away. So, we had some growth, but there was a larger temporary headcount number in the Q3 results. So, that's why you will see the Q4 employee records was flat.

On the Healthcare bit, yes, we have largely seen the growth or the expected numbers what we were making in the existing lines of business, I think we pretty much get that by this quarter. But as I mentioned, we will continue to work with that customer also to see if there are incremental lines of business or fresh growth in the existing lines of business basis our continued superior operational delivery.

**Moderator:** Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

**Darshil Jhaveri:** Sir, Good Evening. Thank you so much for taking my questions. Hope I am audible. Some of my questions have been already answered. I just wanted to ask you in terms of the demand environment in like what we see at a macro level currently. How is it all flowing through? Do we see some resistance or how is the environment currently?

**Naozer Dalal:** We don't see either improvement or a diminution in the demand environment. What we continue to see is that corporates are pretty open to doing payroll or other parts of the HR value chain outsourcing. So, even corporates, we do see RFPs coming in where currently the payroll may be in-house, but they are happy to consider outsourcing. So, we continue to see that dynamic and no, no real change. As I said, I have not seen any other uptick or a downtick in that. So, demand

environment pretty much stable from what we saw through the first three quarters.

**Darshil Jhaveri:** Sir, I just wanted to just confirm one more thing. We are expecting around 20% growth in EXM and around high teens growth in CXM business, right, sir? And with similar margins as we have done in FY '24, right, sir?

**Naozer Dalal:** Yes, that's right.

**Moderator:** Thank you. The next question is from the line of Jyoti Singh from Arihant Capital Markets. Please go ahead.

**Jyoti Singh:** Sir, my question is on the growth side. So, overall, we are expecting similar 20% to 25% growth. And if you can guide us on the margin side, what our expectation for the FY '25 and what margin driver for this? And apart from this, in balance sheet, there is a 8 crore asset classified as a held for proceed (held for sale). So, if you can explain on that side?

And fourth question on the platform transition side that we are doing in this year. So, is there any cost involved or anything? So, you can explain on that please.

**Naozer Dalal:** Sorry, can you repeat your question on the platform?

**Jyoti Singh:** A platform transition that we are upgrading HRMS and remainder we are doing transition in this year. So, it will charge cost for the customer or for us?

**Naozer Dalal:** Let me go serially, Jyoti. Thanks for the questions. So, yes, I think growth and margins have already covered both in the opening remarks and in the answer to the earlier question that we believe that we should be able to grow the respective businesses anywhere between 18% and 22-25% depending, of course, largely in terms of how the new sales span out. The new US sales is a key determinant in terms of where the number lands, but even on the downside I don't expect EXM business to go lower than 18% roughly or thereabouts.

Margins, definitely, we will maintain. We will have to make some investments. So, again, the intention is that the higher international proportion which we are achieving year-on-year and the operational efficiencies which we largely do in the EXM business should enable us to make those investments, bear both the wage and non-wage inflation and still give a small uptick in the EBITDA at the end of next year.

And as far as the held for proceed (held for sale) number is concerned, that relates to our LLC transaction, which was the sale of our local level compliance business to Aparajitha Corporate Services. The formal financial closure of the transaction happened only on 30th April. So, therefore, as per Indian accounting standards, we have to classify the UBR and the debtors linked to that business as asset held for sale.

On your question on platforms, as mentioned in one of our earlier calls, the cost relating to those are already in the balance sheet and those will be amortized over an appropriate period of time, again, as per the market practice and accounting standards.

So, there are no incremental costs expected on those platforms, at least for this year other than small add-on investments if needed, but I don't see anything significant, at least for FY '25.

**Moderator:** Thank you. The next question is from the line of Swechha Jain from Whitestone Financial Advisors. Please go ahead.

**Swechha Jain:** A few questions. So, one is actually just to follow up to the earlier participant question, but I have a little, you know, the spectrum of my other questions is broader. So, not just in terms of FY '25, I just want to sense from you, what is your vision in terms of revenue for next two to three years for us, both for EXM and CXM, and what kind of margins do we look at from a broader perspective, like three to four years down the line? And if we were to monitor this progress for us, like if you have a vision for three years down the line, this is the number that we want to reach, what would be the key matrix that you would want to track so

that we can reach the revenue and the margin numbers for us? One was that sir.

Second, in terms of the new businesses that we have done in CXM, could you give some sense as to which sector, what kind of clients and what kind of logos have we added? Also, any logos, given that we have lost to competition, both for our EXM and CXM, and for both the businesses, would you be able to give a sector-wise breakup that this percentage of revenue is from healthcare or otherwise? And also, how important for us is the payroll piece for the overall vision that we may have for three years down the line? So, would that be the main growth driver for us? That's all, sir.

**Naozer Dalal:**

Let me try to answer in serial. Swechha, unfortunately, we don't give significantly forward-looking statements. So, I will not be able to give you a revenue or an EBITDA number, which I can achieve maybe four years later. But what I will say is that, yes, we will continue to see above market growth in both our businesses, CXM and EXM. And the growth we have achieved this year, we will try to replicate that, because of course, after having set a benchmark, we wouldn't like to sort of dilute from that. So, that gives you a broad sense in terms of where we are likely to be in the future.

As far as the new business acquisition in CXM, I think it's a mix of both. So, as I mentioned, BFSI and Healthcare are two of our key verticals in CXM of which BFSI is almost about 60%-65% as of now, but with the growth in healthcare which has happened this year, that number will come down. And what we have seen this year is a mix of both - new logos and mining of existing logos in healthcare, mining of existing accounts in BFSI. So, that's been the composition of the new CXM businesses. No significant logos lost to competition. Allsec continues to have a superior retention rate of customers, which has been a track record over the years.

And as far as payroll business is concerned, yes, I think it's an extremely important business for us for two reasons. One is that we are a clear



market leader. As you will be aware, we are the number one payroll services provider in the country. It has a direct linkage to the growth story of India and the formalization of employment, which we have seen over the past couple of years.

Thirdly, it is definitely a business which gives us high margin potential. So, we would continue to look at this business very closely, make appropriate investments as required, and continue to grow this business.

In CXM currently whilst a larger business, we remain a very niche player catering to SME customers. But EXM, we definitely are a market leader, and we would like to continue to participate in a business and grow a business where we have leadership position.

**Swechha Jain:** So, just a follow-up. So, am I right to assume that even from a five-year vision perspective, it's the payroll business which is going to drive the revenue and margin for us? Or do you think CXM at any point in time can become as big as payroll, which is today?

**Naozer Dalal:** CXM is anyway bigger than payroll at the moment. I think there is some confusion. So, our current CXM business is roughly about two-thirds. Maybe next year it may come down to maybe 60%. But this year, our CXM business is two-thirds and EXM is one-third. So, I think the more relevant question is that at what point in time can both businesses become of equal size? But unfortunately, I have not done the math, and I don't want to hazard a guess. So, the right question will be as to when EXM could be as big as CXM.

**Swechha Jain:** Sorry, I just got confused between that. Yes. So, what I meant was could EXM start contributing?

**Naozer Dalal:** No, as I said, I don't want to hazard a number at this point. But definitely, we will continue to grow both businesses to the best extent that we can. Yes, as I said, to give you an indication, in one year, the needle between EXM and CXM may move by about 3% to 4% kind of thing.

**Moderator:** Thank you. The next question is from the line of Raghuram from Eurindia Ventures. Please go ahead.

**Raghuram N S:** Just a follow up, Naozer, on the discussions that we have been having over the last couple of quarters also. Obviously, there is still even after the dividend payout, after the final dividend also, there is a significant amount of cash which is still sitting on the books of the company, and there has been talk of expanding the healthcare services that, service offerings that we offer to our healthcare clients and maybe through organic or inorganic means. Is that something that is still on the table? That was something that missed my mind to ask in the first go that I had.

**Naozer Dalal:** No, unfortunately, my response would be the same as what I have been saying that we continue to look at it, I mean, we will continue to balance the niche capability acquisition, the referenceability, the market endorsement which an acquisition can get vis-a-vis what we have to pay for that acquisition. So, we were looking at some assets which have got concluded with other players at a much higher number, then what we were talking about. So I will suffice to leave it at that. But we continue to explore opportunities in the market. So, what I can say is that the management is working on it. We continue to explore and evaluate as we get opportunities, but nothing significantly concrete at this point in time.

**Raghuram N S:** But we have not really put together an organic way of, for example, entering the RCM business or something like that. Is that something that we have not really seen on the ground from a team, you can say, getting a team on board kind of a perspective?

**Naozer Dalal:** That remains on the table. It's just about whether we go down that route or whether we go down the acquisition route, you know. Our focus last year was to see whether we can get that right acquisition. We will spend a couple more months to explore. If we believe that, I mean, for some reason we are not able to go down that route, definitely what you say is there in our mind to see whether we can build this business organically,

but it may take a lot more time and it may require also upfront Investments, which will start paying off only later. But yes, it's definitely in our mind to consider.

**Moderator:** Thank you. The next question is from the line of Swechha Jain from Whitestone Financial Advisors. Please go ahead.

**Swechha Jain:** Just one follow up. Would you be able to give the sector-wise break-up for the EXM business, like who are the key industry for whom we do the payroll, like the revenue break-up in terms of percentage?

**Naozer Dalal:** I don't have it readily, Swechha, unfortunately, but IT/ITES is one of our large contributors, as is manufacturing. So, I mean, those will be our top two, but I don't have the specific numbers.

**Swechha Jain:** So, top two is manufacturing, basically?

**Naozer Dalal:** IT/ITES and manufacturing, yes.

**Moderator:** Thank you. The next question is from the line of Purab Gujar from Cameo Investments. Please go ahead.

**Purab Gujar:** Naozer, first of all, heartiest congratulations to you and the entire team on, I think, it's been some journey that we have seen in terms of the work gone in and I think it's really showing up in the numbers. So, it's heartening to see that. One of my questions is on the CXM front, I wanted to get a sense of what is the capacity utilization that we are looking at, especially in Manila. Can you give a sense of that?

**Naozer Dalal:** As I said, we are nearly full, Purab. So, we will have to look at, I mean, it was one of the earlier question that I answered. We will have to look at expanding as we get clearer sight of the new business getting signed up.

**Purab Gujar:** Understood. And how is the team on the domestic front?

**Naozer Dalal:** On the domestic front, yes, we run a couple of sales processes for leading BFSI names. So, we continue to see a bit of up and down depending on their ability to pump the sales leads. But again, there is no significant concern in terms of their capacity. Again, we run fairly tight ship here.

**Purab Gujar:** On the EXM front, I believe you gave an understanding in terms of adjusting the current revenue growth number due to a particular event. If I have missed that, can you help elaborate?

On the EXM front, the revenue is relatively not that buoyant in terms of the growth. And I was wondering if it's a reflection of what the market is right now. And can you help understand what the market currently looks like? Because we are the market leaders, clearly our revenues might reflect more of what's happening on the market front. So, can you give a sense on what the market is looking like?

**Naozer Dalal:** No, as I said, the EXM, the number this year has an element of the business which we have now exited, the statutory compliances business. So, when I add payroll & statutory compliances, the growth seems muted because that business has actually degrown between the two years. So, other than that, as I mentioned, the payroll business has grown by about 18% year-on-year. That pretty much is consistent with the market growth. So, as I mentioned in other question, don't see any significant challenges in the demand environment also.

**Purab Gujar:** My last question is, I see in the presentation that we have like a 138 crore with cash and cash equivalents on the balance sheet. I believe that is before dividends. After dividends, this comes to around 80 crores as mentioned at the end of the presentation.

**Gaurav Mehra:** It will be close to 110 crore kind of the range, Purab.

**Purab Gujar:** After dividends?

**Gaurav Mehra:** Yes.

**Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

**Pritesh Chheda:** How much of the growth in the last two years is new logo driven?

**Naozer Dalal:** I don't have a number readily available but typically on the EXM side, I mean bulk of our numbers, I would say that maybe 90% of our growth on the EXM side would come from new logos. Because the only way old logos can give us, on EXM is when the underlying headcount increases of our customers. So, we don't see more than a 5% up and down on that. So, 95% of all our sales on the EXM side come from new logos.

On the CXM side, the number varies from year-to-year. So, in some years, we may have a great number on the new sales. In other years, we may have existing customers giving us new lines of business, which is equally challenging to manage or get. So, that number changes year-to-year. We wouldn't want to average it out. But what we do try to do is we try to maximize whatever opportunity we get, whether it's from an existing customer or of course, we have a sales engine for the new customers.

**Pritesh Chheda:** And from the unit economics, or let's say in the last few years, what will be your headcount change from FY '22 to FY '24?

**Naozer Dalal:** So, I think, well, then, that's a good question. So, the average headcount between FY '23 and FY '24 has grown by about 12%.

**Pritesh Chheda:** 12%. This is in the year gone by, right? (FY24)? And between 22 and 23?

**Naozer Dalal:** Yes

**Naozer Dalal:** I don't have that number readily, unfortunately.

**Pritesh Chheda:** And when you are guiding for a 20% growth even next year, we have to consider a similar headcount increase?

**Naozer Dalal:** We have definitely broken the linearity of Revenue & Headcount growth - that's where your cost efficiency and your margin improvements come in. So for Headcount growth I would assume a number pretty much in the same ballpark even for the current year.

**Pritesh Chheda:** And your incremental gross margins will also be similar, right?

**Naozer Dalal:** Yes, the incremental gross margins, of course, will again grow by same percentage or so. But more importantly, because of the cost savings, the sort of higher increase would be in the EBITDA line. Because your gross margin actually comes down because you would have to pay your salary increment, which then gets compensated by your other costs and your operational efficiencies in the line below the gross margin.

**Pritesh Chheda:** And my last question is, sir, what specifically are the changes? Because your growth acceleration, I can see, is from FY23. Otherwise, you are in a certain size of business. So, what are the key changes that have been brought in for the growth? And incrementally also you are talking about a high growth. So, if you could just share your perspective on the changes.

**Naozer Dalal:** Yes, I would put two or three key items. One is, of course, a laser sharp focus on new sales. As I said, new sales also include growth from existing customers. You know, the rigor around it, ensuring that we have a playbook by which we can make that replicable quarter-on-quarter, year-on-year.

The second one, of course, is ensuring laser sharp focus on costs and productivity/efficiency, because as I mentioned, some of that helps us mitigate the year-on-year salary inflation which comes in.

The third area we have looked at is the whole customer satisfaction level. So, we have reintroduced a very, very different governance model comprising of monthly business reviews, quarterly business reviews, getting customer feedback regularly, which we have seen some results in the good increase in the Net Promoter scores which we have seen.

So, primarily, I think, if you are out there selling more, if you are keeping your costs under control and if you are having happy customers, that's when you can get the referenceability in the market, that's when you can get incremental business on the CXM side.

And lastly an internal thing of course, last year we have, I mean that's not directly seen in the numbers yet. So, therefore I am putting the point. We have completed what was needed to be done on our tech platform upgrade. And of course, we will see some bit of revenues coming in from that in the future. There are some bit of cost savings on the payroll platform side.

**Pritesh Chheda:** How much of the 469-crore business comes from Indian clients?

**Naozer Dalal:** For FY '24, our overall split between domestic and international was in the region of about 57-43 so 57% from international customers and 43% from domestic customers.

**Pritesh Chheda:** And do you mind to share the headcount that you have at the end of FY '24?

**Naozer Dalal:** For what? Split between international and domestic?

**Pritesh Chheda:** No, the total headcount.

**Naozer Dalal:** The average headcount which we had, the March end headcount was just under 6,000, but the headcount through the year was about 5,500.

**Moderator:** Thank you. The next question is from the line of Harsh Kundnani from Aionios Alpha Investment. Please go ahead.

**Harsh Kundnani:** Just one small question from my end. Given that our key clients in the EXM business are from the IT space and that space has been facing headwinds, has that impacted our Payslip addition or Payslip growth? And if these headwinds do recede in the following year, can that be a growth driver? Just wanted to understand that.

**Naozer Dalal:** We have not seen any significant reduction in headcount of the current IT/ITES customers itself. Our larger customers are in ITES - a consulting kind of a profile & therefore I am loosely putting as IT/ITES. So we have not seen any headwinds there, it's pretty much BAU.

And as far as new sales are concerned, we have an overall view in terms of which businesses we want to sell to. But, again, not received any feedback from the sales team that they see any challenges.

**Moderator:** Thank you. As there are no questions, I now hand the conference over to Mr. Kushal Maheswari for closing comments.

**Kushal Maheswari:** Thank you very much to all of you for your active participation. I would like to hand over the call to Naozer for the closing statement.

**Naozer Dalal:** Thank you, Kushal. Thank you, gentlemen and ladies, for spending almost close to an hour here, anyway coming close to our scheduled completion time. But thank you. Thank you for the time that you gave us today.

Hugely satisfying that we have announced our best ever results in FY '24 across all parameters supported by the investments we have made and the key business drivers of the past couple of years. We believe that we are well poised to capitalize on the market opportunities as they emerge in FY '25 and beyond and continue to deliver above market, financial and operational performance.

With this, we would like to close the call and look forward to interact with you again sometime in the near future. Thank you so much.

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