May 14, 2024

To,

BSE Limited
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001
Security Code- 539978

National Stock Exchange of India Limited
"Exchange Plaza", Bandra-Kurla Complex,
Bandra (East),
Mumbai-400051
NSE Symbol- QUESS

Dear Sir / Madam,

Sub: Analyst Call - Transcript

Pursuant to Regulation 46(2)(oa) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform that the Transcript of the analyst call, conducted through digital means, has been uploaded on the website of the Company under the following link: https://www.quesscorp.com/investors/

Kindly take the same on record.

Yours sincerely,
For Quess Corp Limited

Kundan K Lal
Company Secretary & Compliance Officer

Quess Corp Limited

Q4 FY 2024 Earnings Conference Call

May 10, 2024

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

MANAGEMENT: **MR. GURUPRASAD SRINIVASAN – EXECUTIVE DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER – QUESS CORP LIMITED**
MR. KAMAL PAL HODA – GROUP CHIEF FINANCIAL OFFICER – QUESS CORP LIMITED
MR. LOHIT BHATIA – PRESIDENT OF WORKFORCE MANAGEMENT – QUESS CORP LIMITED
MR. PINAKI KAR – PRESIDENT, GLOBAL TECHNOLOGY SOLUTIONS – QUESS CORP LIMITED
MR. SEKHAR GARISA – PRESIDENT, PRODUCT-LED BUSINESSES – QUESS CORP LIMITED
MR. ANAND SUNDAR RAJ – PRESIDENT, OAM – QUESS CORP LIMITED
MR. KUSHAL MAHESHWARI – HEAD, INVESTOR RELATIONS AND STRATEGIC FINANCE - QUESS CORP LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Quess Corp Limited Q4 FY 2024 Earnings Conference Call, 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 this conference call, please signal an operator by pressing star, then zero 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 Limited. Thank you and over to you, sir.

Balaji Subramanian: Ladies and gentlemen, good morning and thank you for joining us on the post-results conference call for Quess Corp. It's my pleasure to introduce the senior management team of Quess who are here with us today to discuss the results. We have Mr. Guruprasad Srinivasan, ED and Group CEO; Mr. Kamal Pal Hoda, Group CFO; Mr. Kushal Maheshwari, Head, Investor Relations and Strategic Finance; Mr. Lohit Bhatia, President, Workforce Management; Mr. Pinaki Kar, President, Global Technology Solutions; Mr. Anand Sundar Raj, President, OAM; and Mr. Sekhar Garisa, President, Product-led Businesses. We will begin the call with 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 Maheshwari to take proceedings forward. Thank you. And over to you, Kushal.

Kushal Maheshwari: Thank you, Balaji. Good morning everyone and thank you for joining our Q4 FY 2024 and Full Year FY 2024 Earnings Call. The information, data and outlook shared by the management during the call is forward-looking and subject to prevailing business conditions and government policies. All forward-looking statements are subject to economic growth or other risks faced by the company. Please refer to Slide #2 of investor presentation for the safe harbor clause.

With that safe harbor clause, I will now hand over the call to our Group CEO, Guruprasad Srinivasan, for his opening remarks. Over to you, Guru.

Guruprasad Srinivasan: Thank you, Kushal. Good morning, everyone, and thank you for joining us today. During FY 2024, we focused on profitable growth and our year-long initiatives have resulted in our best operating results, leading us to achieve the highest-ever quarterly and annual EBITDA. We had a number of projects throughout the year that have helped us to achieve our results. This is our seventh consecutive quarter of sequential increase in EBITDA, reflected in predictable and nonlinear growth of 46% in EBITDA versus revenue growth of 15% during the same time period. Also, EBITDA margins have expanded by 80 basis points since Q2 FY 2023, enabling us to close the quarter at an EBITDA margin of 4%.

Our initiatives in cost reduction and productivity improvements resulted in a reduction of FTE head count from 5,500 in Q1 to 5,300 in Q4. Our investment in technology and process automation have complemented the productivity improvement projects that we ran in association with BCG. We added 149 new contracts, with an ACV of INR 232 crores, during the quarter, bringing the total number of new contracts signed during FY 2024 to 737.

We declared a final dividend of INR 6 per share, aggregating to INR 10 per share for full year. Our prudent capital allocation policy has resulted in a cumulative debt repayment of INR 700+ crores and dividend payout of INR 488 crores in last 5 years. We added over 10,400 associates and closed the quarter with a total employee strength of 567,000 by head count.

Key financial highlights for the quarter are as follows. We recorded a revenue growth of INR 4,910 crores, a 11% year-on-year growth. We delivered highest-ever quarterly EBITDA at INR 195 crores, with 28% year-on-year growth. The improvement in margin is mainly driven by 3 following parameters: consistent margin improvement in GTS platform driven by focus on international geographies and high-margin segments, reduction in foundit burn, and operating leverage in OAM platform.

Coming to annual financials. FY 2024 stood at INR 19,100 crores, 11% up against FY 2023. Annual EBITDA increased by 18% year-on-year to INR 694 crores. PAT grew up by 26% year-on-year to INR 280 crores. OCF-to-operating EBITDA ratio stood at 67%. We achieved a gross debt reduction of INR 162 crores. And the net cash position improved by INR 150 crores during the year, along with a DSO day reduction by 4 days, down to 53 days.

A few business updates across platforms, starting from workforce management. The head count of the platform reached 452,000, including F&Fs of 32,000 processed during the period, adding 65,000 associates during the year, driving the revenue growth of 14% year-on-year. Despite competitive pricing pressure and a significant flat fee business model, our EBITDA margin has stabilized at 2.6%. The platform added 92 new contracts during the quarter, with overall ACV of INR 150 crores, and overall new contract addition for the year at 398 by count.

Moving on to specifics of General Staffing. The business added 10,000 associates in head count during the quarter, led by retail, manufacturing and telecom segment. The business added 60,000 associates in head count, excluding associates who are in full-and-final-process. During the year, we have crossed 400,000 headcount milestone. We are now among the top 5 global staffing companies by head count and aspire to become the largest staffing company globally. Business added 78 new logos in Q4, taking the financial year total to over 274. Among the clients added during the year, 30% have used outsourcing staffing for the first time, evidence that the long-term trend towards outsourcing and formalization is becoming the industry norm. Our vertical-focused strategy has continued to yield dividends. 4 of our verticals, that is BFSI, retail, telecom and manufacturing, have ended the year with 50,000 head count of associates, with BFSI crossing 120,000 associates. Our manufacturing vertical has been a key growth driver in FY 2024, adding 22,000 head count, up by 47% during the year. In FY 2024, we sourced 28% of our new hiring and 64% of all associates on boarded were deployed in Tier 2 and Tier 3 cities, reflecting our strength in extensive sourcing deployment across geographies.

Coming to IT staffing, the softness in overall IT industry is reflected in the fact that aggregate head count of top 5 IT companies declined by 11,200 in Q4 and 69,000 in FY 2024. Addition to the IT workforce in India has been mostly through GCCs, who now employ about 1.6 million. We expect this trend to continue along with stabilization in hiring in IT services companies. Open mandates have seen a very marginal increase to 1,100 positions, against 1,000 positions

in December '23. As we advance, our focus continues to be on capturing a larger market share in GCC.

Moving on to GTS platform. GTS continues its trajectory, delivering an EBITDA growth of 19% year-on-year and 5% quarter-on-quarter. Shift in business mix through increased share of higher-value services and favorable geographic mix have supported EBITDA margin expansion, increasing by 208 basis points year-on-year and 46 basis points quarter-on-quarter. The highlight of the platform are as follows.

Conneqt, our BPM business, continues to maintain its momentum, crossing a milestone of INR 400 crores revenue in Q4. The business closed the order book with an ACV of INR 64 crores during the quarter, adding 9 new logos in the process. The key drivers were BFSI, manufacturing and retail segment. Non-voice BPM process continues to grow significantly with a growth rate of 4% quarter-on-quarter and 22% year-on-year. This is largely driven by our collection business, which clocked 24% growth year-on-year. The growth momentum in CXM business of Allsec continues with a healthy growth rate of 29% year-on-year and 10% sequential growth. High margin international business outperformed with a growth rate of 39% year-on-year and 13% quarter-on-quarter. International business, now accounts for 74% of overall CXM revenue in Q4 against 69% in the same period last year. In platform based services, EXM vertical in Allsec added 11 new logos in Q4 with total ACV of INR 7 crores. International business accounted for 59% of total ACV added vis-a-vis 31% for the same period last year. This vertical processed 155 million payslips in Q4, a growth of 13%. Similar to CXM vertical, international business share increased to 23% in Q4 FY 2024 from 21% in the same period last year.

Moving on to Operating Asset Management, our focused initiative on margin expansion and productivity improvement led to an increase of 18% in EBITDA margins against a revenue increase of 7%. The platform has recorded a margin improvement of 106 basis points year-on-year. I would like to give you some highlights specific to OAM business. IFMS added 14 new customers with ACV of INR 30 crores during the quarter. Healthcare, Public Utility and BFSI are being the key drivers. Food and beverage business saw a gross margin improvement of 19% on an annualized basis. In security services, our sales pipeline remains robust with 26 new contracts with an ACV of INR 23 crores between Q4 and Q1. Industrial and IT services are being the key drivers for security business. Telecom active infra business closed the year with best ever revenue and FY 2024 revenue and EBITDA has shown a growth of 30% and 32% respectively.

Moving on to product led business, foundit has achieved its operational breakeven during the year in Q4 with a reduction in burn. The sales grew by 9% year-on-year and 13% quarter-on-quarter driven by enterprise sales and B2C sales. We successfully launched our disruptive AI product foundit 2.0 for SEA market and Asian market and migrated 100% of our single geography user customer to 2.0 enabling our customer to experience the new product. Our operational metrics on both candidate and recruiter aspect remain positive with consumption up by 18%, NRR above 100%, profile update up 31% quarter-on-quarter and highest ever indexed profile added in Q4. CSAT continues to remain healthy at 91%.

In other corporate updates, our associates in Quess are the most effective brand ambassadors to our customers. I am happy to announce that in a recent conducted survey between Q3 and Q4, our pulse survey covering 156,000 associates, 88% have rated themselves as 'very satisfied' or 'satisfied', up by 85% compared to the previous year. 78% of our associates are 'definitely likely' or 'very likely' to recommend Quess to their peers. This means a lot to us and we will continue to work towards further improving the associate experience.

During the quarter, we announced a three-way de-merger of Quess Corp into three different independent listed entities, with each one capable of executing its individual business strategies. We are confident that it will significantly augment the value creation journey going forward with each business getting enhanced management focus and pursuing an optimal capital allocation strategy. We have filed the scheme of de-merger with stock exchange in February '24 and are moving on track.

I will now hand over the call to Kamal to give you more insights on financial updates. Thank you.

Kamal Hoda: Thank you, Guru. Good morning everyone, and thank you for joining us today. I'm pleased to share with all of you that we are exiting the financial year on a high note backed by our strong financial performance with highest-ever quarterly and annual EBITDA. Our ability to maximize market opportunity is evident in our results, and we are seeing a solid momentum picking up in the last four sequential quarters. Our FY 2024 revenues stand at INR 19,100 crores, a growth of 11% year-on-year. Such increase came across all platforms, contributing sectors being BFSI, manufacturing and retail primarily. EBITDA grew by 18% in FY 2024 to INR 694 crores, a sequential year-on-year expansion in margin by 22 basis points. Such non-linear growth came from margin expansion and cost initiatives taken across platforms, including reductions in foundit losses year-on-year. PAT delivered for the year was INR 280 crores, a growth of 26%. EPS has grown by 24% year-on-year. This is backed by strong EBITDA growth across platforms, aided by lower effective tax rates from the merger of subsidiaries during the year. Our cash conversion continues to be strong with operating cash-to-EBITDA at a healthy 67%, aided by reduction of four days in DSO which now stands at 53 days. Our gross debt is at its lowest level in last five years, ending the year at INR 369 crores of gross debt, a reduction of INR 162 crores during this fiscal. With our Board-recommended final dividend of INR 6 per share during the quarter, our total dividend for the year clocked to INR 10 per share. With this, the return to shareholders in the last four years has been INR 488 crores in form of dividends. Let me now walk you through the quarter's financial performance by platforms, starting with workforce management.

Revenue stands at INR 3,476 crores, registering a growth of 14% year-on-year and 1% quarter-on-quarter. Growth is predominantly in General Staffing business, with key sectors being manufacturing, BFSI and retail. EBITDA has seen a growth of 2% quarter-on-quarter and 6% year-on-year at INR 91 crores. EBITDA margin percentage has been flat at 2.6% throughout the year. The cost pressure on account of wage inflation with flat margins in General Staffing businesses have been offset by increase in wallet share of value-added services in that platform.

Coming to GTS, INR 588 crores revenue clocked for the quarter, an increase of 6% year-on-year and 3% quarter-on-quarter. Allsec continues its growth momentum in CXM business with 10% growth quarter-on-quarter. Our domestic BPM business in Conneqt also showed revenue growth of 4% quarter-on-quarter. EBITDA stands at INR 113 crores, a growth of 19% year-on-year and 5% quarter-on-quarter. Such non-linear increase in profitability is a result of change in geographical mix, with bias towards international revenues, coupled with high-margin businesses.

Moving on to operating asset management, INR 695 crores revenues clocked for the quarter, a growth of 4% year-on-year and 2% quarter-on-quarter. Investment in sales in previous years, in this quarter, have resulted into good sales funnel and conversion for the quarter. Facility management, including food services and telecom, have seen good growth during the quarter. EBITDA stands at INR 39 crores for the quarter, a growth of 29% year-on-year and 6% quarter-on-quarter. Margin increase is aided by change in business mix led by food and telecom businesses, coupled with operating leverage.

Product-led business. Revenue clocked for the quarter is INR 119 crores, a de-growth of 8% quarter-on-quarter, while foundit sales has grown by 13% quarter-on-quarter and 9% year-on-year, achieving highest-ever quarterly sales of INR 50 crores. foundit breakeven during the quarter has led to EBITDA losses, excluding noncash ESOPs, reduce to negative INR 3 crores, helping us meet our commitment to investors.

Our Break-fix business has seen some degrowth in spare services revenue during this quarter. As part of our strategy to focus and nurture our core businesses, we completed our divestment of our break-fix business Qdigi, effective 31st March 2024, with an IRR of 15%.

Moving on to tax updates. There are no material updates from the last quarter, as the hearing for the respective assessment year in ITAT and DRP have not been commenced. For financial year 2017-18 and 2018-19, our appeal is in ITAT and the next hearing is expected in July 2024. For the year 2019-20 and 2020-21, the company has filed objections before DRP against the adjustments proposed by the tax office; and the hearing for 2019-20 is scheduled in the current month.

A few corporate updates for the year. In line with our leaner structure simplification strategy, implementations of amalgamation of our wholly owned subsidiaries Conneqt, MFX, Greenpiece post-NCLT approval was completed during the year. You are aware that our Board approved this proposal to demerge the business into three independent listed entities, each one capable of executing its individual business strategies.

We believe that this will enable value unlock for our shareholders in medium and long term, scale the businesses to new heights with enhanced management focus, follow-on optimal capital allocation strategy and attract separate investor base. We have filed a scheme of demerger with stock exchange in February 2024, and we are progressing well on our plan.

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

Moderator: The first question is from the line of Balaji Subramanian from IIFL Securities Limited.

Balaji Subramanian: Okay. So congrats on a great quarter. So I have a couple of questions. You did mention the drivers behind the margin expansion in OAM and GTS segments, so going forward, how should one look at the margin profiles and especially the balance which you intend to strike between revenue growth and margins? The second question would be on the 4-day reduction in DSO which you talked about, which nearly adds INR 200 crores to OCF. So what exactly drove this? And is this the new normal going forward, or do you see room for further improvement?

Kushal Maheshwari: Thank you, Balaji. For your first question, on margin expansion in GTS, I will request Pinaki to give us inputs, followed by Anand. And for the question on DSO as Kamal will give us inputs. Over to you, Pinaki.

Pinaki Kar: Thank you. I hope I'm audible.

Balaji Subramanian: Yes.

Pinaki Kar: So, as per the margin expansion, let me just step back a bit, if we go back 16 quarters back, March 2020, to be precise, we had given some drivers, because we were at 16% margin that time. And around that time, we told that we'd expand from 16% to 18% kind of a way, based on certain factors.

I think we were mostly at 18% range this quarter, on that sense. But to step back on that, the drivers for that are three and they are not seasonal, but are structural. One is the geography mix. Obviously, international business in GTS gives us better margins than the domestic business. And if you see structurally over quarter-on-quarter, for example, if you see in Allsec, we are at 74% in terms of international business in CXM against 69% at this point last year. So, there is a 500 basis point improvement there. And the growth in international business year-on-year has been 39% against an Allsec overall growth of 20%. So, the ratio is skewed more towards that business. Number two, from a business mix perspective, even in the EXM business, which was mostly domestic earlier, the new bookings, just to show you that it's a lead indicator for the future, 59% has been international in this quarter, against 37% at this stage last year. So, the new bookings is potent for the future, also shows that from a geography perspective, hopefully that trend will continue.

Next, we shall get into the service mix in terms of higher value services. So, you will find the transaction processing BPO or the collections BPO, in Conneqt, that growth is 24% in collections business, which is higher than the overall growth of the business on a weighted average level. Similarly, the digitally driven businesses, whether the digi-Conneqt platform or the virtual philosophic kind of interactive outbound businesses, the growth pace on that has been more than the plain vanilla kind of businesses.

So from a mix prospective also, it is getting more towards the software as a service platform kind of businesses. So these two are structural things. The third is, obviously, right sizing the cost structure which we do on a regular basis. There, it is the IDC and the SG&A have been at a stable rate over the last 4 quarters.

So, hopefully the combination of these three business growth at the right geographies; more disproportionate share from the higher-value services and rationalizing the cost base especially the SG&A at a stable level; all three should contribute what the margin should be in the kind of range that we are seeing today from a sustainability perspective.

Kushal Maheshwari: Thank you. I will pass on to Anand to give his inputs on the OAM platform.

Anand Sundar Raj C: Thank you, Kushal. Good morning Balaji, this is Anand here from the OAM. As Guru mentioned in the last few quarters, the leverage was focused on internal efficiency and we worked on few customer contracts. And consistently, the last three quarters you are seeing the result on our EBITDA margin.

Having said that, you also know some of our business within OAM have seasonality in place, but we are broadly confident on an annualized basis that we are on trend.

Kushal Maheshwari: Thank you, Anand. Kamal, if you can just give inputs about the operating cash flows and the improvements in DSO days.

Kamal Pal Hoda: Thanks. So Balaji, as you know, we have a mix of businesses. And the reason for reduction in DSO days and reporting the committed OCF is actually three. First and foremost, this is because of the disciplined working capital management policy that we've been running for last, now more than 18 months which Guru has alluded in his speech. Secondly, the mix. So we have the advantage of two of our business which is general staffing, where 70% of the business is collect-and-pay; and foundit where most of the collections are advance before delivering the services vis-à-vis other businesses like GTS and OAM where the working capital cycle is a bit higher. So, as and when this mix changes a bit more towards collect-and-pay and advance collection businesses we are in an advantageous position to bring down our DSO and improve our OCF. And third is the divestment that we did during the quarter of Qdigi which was a business with higher DSO. So it's the combination of all three that has led to this reduction in DSO.

And the second part of your question that whether this is a sustainable level. We do believe, if we'll continue with disciplined working capital management across the group we'll be able to even further improve from the present DSO range.

Moderator: Thank you. The next question comes from the line of Deep Shah from B&K Securities. Please go ahead.

Deep Shah: Good morning. Thanks sir for the opportunity. Sir there has been a lot of substantive improvement on the manufacturing front, on the industrial front, and we've seen a lot of reports coming out. You also alluded a bit to one of the reasons for your growth in WFM. So two questions here. First, is there any scope for better unit business economics here given that there is massive demand coming in? And second, just in your thought how do you see this segment today it is 14% for us. It was 12% last year. Could this be 20%? Could this drive growth for next 2 years, 3 years? So some color on that would be useful.

Guruprasad Srinivasan: Thanks for the question, Deep. So the way to look at this, I think, it's very clear that India is in investment phase. And I'm sure I think it will reinforce as we come out of the elections. If you

look at the segment where the investments are happening, pretty sharp in terms of the infrastructure, public utilities and the capex which is being invested into. And all these segments definitely have a very intensified labor or employment-related, manpower-related activity that is going to gain traction. And manufacturing is one among them where it is attracting a lot of investments. And there are a few hubs where we are already actively working in manufacturing clusters. So if you look at manufacturing by head count, we are almost close to about 70,000 in terms of deployment which also I called out very specifically in my speech. We anticipate these investments and the trajectory would continue at least 2x to 3x of GDP in terms of the way it is going on. So that's the kind of growth that we would definitely see. Let me get Lohit to add more to this.

Lohit Bhatia: I think that's a good question and an important question for India like Guru rightly said. Obviously, manufacturing is being attracted from all over the world and there are different segments of modern manufacturing that we are seeing every day which is coming to India. One large change which is happening is that manufacturing, which traditionally remained in the MSME segment, barring a few large core investments in core sector, today, mega plants are coming up with 1,000, 5,000, 10,000 and even more people beyond that. In the last 2 years itself we've doubled the business from 33,000 headcounts to almost 70,000 headcounts now. This is a business which is growing at almost 47% to 49% CAGRs. You are right. It's the third largest segment for us. And do we see this becoming even bigger? Yes, absolutely. One aspect in Guru's commentary also you would have heard is something called job spots. We've come out clearly by saying that we have to get closer to the hubs away from the cities where traditionally the staffing office is operated to industrial hubs and industrial areas where the industries exist where the new investment is coming. And that's exactly where we can do a matching between the job seeker from the hinterland of India or from the agricultural part of India to the industrial part of the movement. We've coupled this with a lot of technology investments in these centers. And we are obviously aiding and growing our sourcing capabilities and growth as well. So this is a segment which we'll continue to very closely watch. And yes to your point that can it become even bigger than what it is with a considerable market share for us, yes, absolutely.

Deep Shah: Sure, sir. Thanks so much for that comment. Sir, anything on unit economics here? Is it very different or could it be better than say the otherwise price-taking mechanism that we are currently in?

Lohit Bhatia: So, in traditional manufacturing unlike the services segment you have to grow on the basis of not just your sales capability, but your sourcing capability. The customer expects 100% of the new talents to be brought in by the company. So first and foremost it's not everybody's game. It can only be done by firms which have very solid sourcing capabilities and technology which can aid such sourcing along with the human capital that we've deployed. We have almost 500 people in general staffing who are field recruiters and that's a massive number that we carry besides the technology that we've been creating for the last 7 years and we continue to invest in. In services, you're right. There's a lot of transition business also which comes along or a lot of migration business which comes along. Manufacturing doesn't come along with transition or migration business. Over the life of manufacturing the unit metric is slightly better, though initially, it starts a little on the lower side because you don't get migrations and you have to do it with your own

sourcing capability, for which you have to put investments. So early days when you start, it would slightly tread lower, but as it catches up and at each of the plant you'll start to get heft in terms of numbers, the unit metric starts to improve and become better. Over time, it can definitely beat the services economies as well.

Deep Shah: Understood, sir. Thank you so much for the detailed explanation. Very useful. Sir, the second question would be on foundit. So congrats on the near breakeven that you stated on your presentation. How should we look ahead, since your recruitment is going through a difficult time. What should we think about say foundit for next 2 years, 3 years? Would we run at breakeven? Are you okay to make some losses in marketing if required? Whatever your thoughts are just to better understand given there are massive headwinds in this space?

Guruprasad Srinivasan: Sure. There are some headwinds in the space, like you said, with hiring coming down in some sectors, but as the conversation in the last 5 minutes was there are also sectors where hiring is happening at a very healthy pace. So at foundit, our objective is to make sure that we have enough business and customers coming in from across the sectors. And therefore, there's a concerted push to ensure that our volumes from non-IT also compensate for whatever limited reduction we will see in IT.

That said, our starting point which is, we're just on our journey of growth. So given our size and new products coming into the market and our ability to gain market share with customers that we are already present in while there are headwinds in the market, we are very confident that we are at a size and position in the market where it shouldn't impact us too much.

For the last 3 years despite the headwinds in the market, we improved at a CAGR of upwards of 40% and we don't see any reason why we shouldn't aspire to grow at a similar pace. With respect to your question on profitability, yes, we moved from about INR 95 crores that we lost in FY 2023 to about INR 55 crores this year. And the objective clearly is to ensure that this number goes down to INR 0 in FY 2025 and which is going to primarily come from growth. And most of the costs have stabilized in the system. As you know in a subscription-led business driven by product a lot of costs in terms of product development etc are front loaded. We've gone through that phase. And from this point onwards we don't expect our cost structure to vary significantly, apart from cost of sales and therefore whatever growth comes in the business is going to be sufficient for us to be able to maintain an operational breakeven for the year.

Deep Shah: Understood sir. This was very useful. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Chintan Sheth with Girik Capital. Please go ahead.

Chintan Sheth: Congratulations team for a great set of numbers. First, on the WFM side, if you look at last four quarters we have been able to maintain our margins at 2.6%. We understand that the IT side of the business is not picking well. There are losses in North America which were likely to turn around by the end of this year, in the fourth quarter.

How should one look at margins now going forward given -- any color on the IT side and the North American operations? If you would like to give us some color on that part?

Kushal Maheshwari: Thank you, Chintan, for your question. I request Lohit to give his inputs on this question, please.

Lohit Bhatia: Thanks for that question. First and foremost, I'll just take a minute to say that there have been key milestones already achieved this year by our WFM business. And we are proud of the platform that we have created today. We've crossed the 400,000 mark in active headcount base. Overall, WFM has crossed the 450,000 mark. We are poised for a long-term growth in WFM which we've already stated as part of our demerger plan to become the world's number one staffing company by volume, by headcount and eventually also to grow our profitability along with it. In this year, there were challenges that we were facing. There are global headwinds and geopolitical scenarios which have obviously shrunk the business and margins coming out of the IT industry. Particularly within the IT industry also it was the IT services. How that impacts our business and portfolio in WFM is we did two large businesses in Indian IT. One is the contract staffing business, as you know. And the second is the IT permanent recruitment business. IT permanent recruitment business itself on a year-on-year basis has lost around INR 17 crores from where we were one year ago in FY 2023, what we delivered as EBITDA to what we eventually delivered in FY 2024. In spite of that, the core businesses, the staffing businesses, with its focus towards niche digital and predominantly in GCCs as a segment in India has been able to offset some of those losses. To your point on margin pressures, yes, WFM, especially with general staffing continues to remain a tight margin play. We've been very proud that, in spite of the fact that we've consistently grown our headcount and revenue we've been able to now maintain the margin at about 2.6% as we speak. With no further burn anticipated in U.S. operations for WFM, we feel this would inch upwards by another 20 basis points coming closer to about 2.8% going forward. Medium term to long term we would like to take this to 3% or so.

Chintan Sheth: Sure, and just on the bookkeeping side, the tax rate. Tax outflow, because of the deferred item, was negative this quarter and last quarter. How should we look at tax rate for FY 2025 as a whole?

Kamal Pal Hoda: Yes. So Kamal this side. Tax rate, rightly pointed out. The effective tax rate for FY 2024 is close to around 5%, as compared to FY 2023 where it was 22% primarily because of the mergers that we did during the current year and some of the benefits that flew along with it. Guidance for next year will be in a range of 10% to 11% effective tax rate because of the business mix that we see at present.

Moderator: Thank you. The next question is from the line of Miraj Shah from Arihant Capital. Please go ahead.

Miraj Shah: Thank you for taking my question and congratulations on a great set of results, sir. I had a couple of questions but starting off with a clarification to the previous question that you just answered. You mentioned the tax rate will be 5% or 10%?

Kamal Pal Hoda: So 5% is what FY 2024 was. The next year's guidance will be 10% to 11%, I said.

Miraj Shah: Okay, understood. Sir, there's one point I wanted to understand, that we have a vision to reach a 5% consolidated EBITDA margin. To achieve this, I wanted to understand. What are the legs that we need in our business? So one will be the workforce management business reaching 3%

EBITDA margins. And foundit is where already our cash burn has stopped. So are these the only 2 factors that will help us achieve the 5%? Or is there anything else also that needs to be kept in mind?

Kamal Pal Hoda: So Miraj, I think, 2 big levers, we already pointed out. foundit obviously is the biggest one, which from a year-on-year perspective, as we have clarified on the call, that we will move from minus 56 to net 0 in FY 2025. And then with the volume growth going into FY 2026, foundit should contribute with good margins to the overall margins. And the other two platforms which we did not discuss is where actually we've been seeing good margin trajectory. So the GTS business has almost reached an upwards of 18.5% EBITDA margin and which Pinaki explained the continuity of the same and the favourable geographic mix that we have gone into. As far as the operating asset management business, two businesses to point out there which have been doing very well for us and helping us in our margin trajectory upwards is the food business, which has grown year-on-year; and the telecom business which is in Vedang. With the 5G implementation across the country, that business is also contributing to the overall margin trajectory. So these are some of the business-specific levers. There are a lot of operational levers, productivity and the tech investments that we have done over last 12 to 18 months, which we'll continue to do and monitor the operational performance, to move towards our trend of expansion of margins.

Miraj Shah: Understood. If I'm not wrong, the international business in global tech solutions would attract close to 30% margins. And currently we are doing 18.5%, so what kind of mix are we looking at over here? And what kind of elevated margins would we see in that mix?

Kushal Maheshwari: Thanks, Miraj, for your question. I think, Pinaki would be able to give you a better color and better sense on the margins for this business. Pinaki, if you can give some inputs.

Pinaki Kar: Yes, okay. So on an overall level, what you expressed is correct. But the 30% again, margin from the international mix can get back. At the same time, that mix and if I take even the EXM business, basically the payroll business, the HR outsourcing business also, one can get that kind of margins, so it's more of a business mix issue. Obviously, geographic mix is a percentage of that, but even in a core domestic business like Conneqt which is almost 100% or 95% domestic, here also, we are inching closer to this overall margin, that 18.5% we are actually reporting at an overall level. So those are the drivers that if you see overall from an investor perspective, the margin profile of the bigger companies currently are between 13% to 20%, that kind of a range. So that's the range of possibility, what more mature companies or bigger companies have delivered over a period of time. We try to drive on all parameters, but without committing a particular number, the range of possibilities are there.

Guruprasad Srinivasan: And just to add to that, Miraj, that if you look at, international business mix is, it has moved from 45% to 57%, compared to last year, specifically in Allsec. So what happens is, while we have pushed on sales focus on international business, there is also a domestic business which is aggressively being sold and pursued and good order books and ACV, so we have to balance between both. So I think, where we are today, we'll be able to probably, I think, sustain anywhere between 17% to 18% EBITDA margins to continue with both the mix coming in too.

Miraj Shah: 17% to 18% would be sustainable going ahead. And just to reiterate this or put it in a different manner, somewhere close to 5% would be achievable in FY 2026?

Guruprasad Srinivasan: We don't give a guidance on that specifically. But if you look at from 3.42% when we started earlier, we ended up on 3.9% and on an average. So I think, on a forward basis, the 32, 35 basis points is where we would anticipate considering all the mix, but it will be tough to put a number here.

Miraj Shah; Okay, understood. And just one final...

Kushal Maheshwari: So Miraj, what we can say is that there will be absolute growth in EBITDA, but as you know, it's a combination of consolidated businesses with various different margin profiles for different businesses and different growth profiles, so it's very difficult for the management to give you a guidance on EBITDA margins per se for the next 2 years. But obviously, as stated, we will be definitely growing the absolute EBITDA on a year-on-year basis.

Miraj Shah: Right, Absolutely. I understood that part now. So okay. And one more thing, sir: When is the tentative NCLT filing? Or is it already done?

Kamal Pal Hoda: So Miraj, we did announce the scheme on February 16, 2024 and since then, we have applied for SEBI's approval. That's the first step, and we are on course. Once we receive the SEBI approval, then we can file the first motion to NCLT, so we expect the overall process from start to end to be a 12- to 15-month process. And we just started. We are probably just 2.5 months into the process, but as of now we are on course.

Miraj Shah: Understood. Okay. All the best sir and congratulations. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Yash Gandhi from Stallion. Please go ahead.

Yash Gandhi: Yes. Sorry. I've joined the call late, so I don't know if this has already been talked about. So I just wanted to get a sense of the revenue guidance for the GTS and the OAM business going forward, like 2 years?

Kushal Maheshwari: So for the revenue guidance on GTS, I would ask Pinaki to give you some color on the business and how it's going forward. And for the OAM business, I would ask Anand to give his inputs. We can start with Anand, for OAM business. Anand?

Anand Sundar Raj C: Yes, okay. So this is Anand here. So in the current financial year, in FY 2024, we grew at 7%. This is on back of certain operational levers we worked on, on profitability, as we discussed in the past quarters. I think we look for growth beyond these numbers. There are a few more activities we are doing in terms of bringing the profitability. As of now, the order book looks strong for this financial year, which was already, in Guru's commentary has been explained.

Kushal Maheshwari: Thank you, Anand. Pinaki, if you can give us some inputs on the GTS, on plans for the next year.

Pinaki Kar: Yes. Firstly, I'll be careful not to use the term revenue guidance because I don't think we give revenue guidance for two years. If you just go by what happened in the past and go to the last

three to four years, consistently, we have tried to, internally, we have tried to grow at 20% plus growth. Some years, we have been successful. Some years, we have just fallen short, but you'll find, I think, CAGR would be around 18% over the last three, four years. And there are macro issues currently. But as we try to grow into more profitable segments, more business, more international business and that kind of services, we always expect to actually shoot around that kind of a mark. But I will not call that guidance, but that is what we have tried and mostly we have been successful over the last three, four years.

Moderator: The next question is from the line of Chintan Sheth with Girik Capital.

Chintan Sheth: One question on the product-led business. Now that the Qdigi business is excluded this quarter, but we still see INR 120-odd crores revenue reported. So my question is basically whether the Qdigi revenue is part of revenue this quarter?

Kamal Pal Hoda: Yes. Qdigi revenue is part of this quarter, because 31st March is when we completed the transaction. On annualized basis, revenue from Qdigi, for your information, was close to around INR 370-odd crores on a full year basis.

Chintan Sheth: Okay. That will get knocked off and the INR 50 crores run rate in foundit will be largely the revenue for the segment going forward, plus the growth, whatever you deliver?

Kamal Pal Hoda: Yes, absolutely right.

Chintan Sheth: Right, okay. And on the working capital side, anything you want to highlight? The DSO, you already mentioned. We also see similar contraction on the payable side as well for the year. Anything you want to call out how the business is shaping given the mix, whether it will be favorable going forward or not, or whether there is a scope for further improvements in DSO side?

Kamal Pal Hoda: So Chintan, I explained all the three reasons as to why we were able to reduce the DSOs and bring it to the present levels. But I'll repeat myself if you did not get it. So basically, it's a combination of business mix; effective working capital management that we did throughout the year and also divestment of Qdigi, which was a higher DSO business for us as compared to the other businesses. We believe that these are sustainable levels. And obviously, with such a large mix of businesses we have, there's always an opportunity to improve certain percentage points from the present closing number.

Moderator: The next question is from the line of Miraj Shah from Arihant Capital.

Miraj Shah: I just wanted to understand something on the foundit business model side. I believe in the commentary we just mentioned that the hiring through foundit has kind of slowed down in some sectors, but we have a subscription-based model. So how exactly do we anticipate growth coming in over here because already we have a subscription-based model, an annual or a monthly model, that would automatically result in more revenues. But how does hiring factor in over here?

Guruprasad Srinivasan: Thanks, Miraj, for the question. So when we say we are a subscription model, the way it works is, on the recruiter side, we charge them for the number of profiles views that they buy from us. When hiring goes down and the activity of hiring goes down, so typically people would not want to view as many candidates for their hiring cycles, and so they might buy lesser inventories. That's how usually the slowdown in hiring activity impacts subscription. They might buy less inventory from us when they come up for renewal. However, the point I said earlier in my commentary was that, at this point in time, we are still small enough to say, even if the overall hiring activity goes down, driven by our superior product at this point in time once we launch 2.0, we still expect to grow our share of wallet with the customers that we are serving as well as being able to acquire new customers. So overall, what the companies might be spending on hiring might go down, but given our size, scale and the new product, we still expect us to grow healthily over the next one, two years. The second side to the coin is we also get revenues from candidates. And based on the demand-supply metrics, when the jobs are higher, you get more revenue from recruiters. When the jobs are lower, you get more revenues from candidates. Accordingly, this year, as the jobs went down, our revenues coming in from candidates have grown significantly. So there are two ways to make money as a platform, from recruiters as well as from candidates. And that's how the competitive dynamics play as the job market either goes up or goes down.

Miraj Shah: Understood. And could you also just give a small idea about which sectors are currently the largest contributors in foundit for hiring?

Guruprasad Srinivasan: So IT remains a very large sector for us from a revenue perspective, because historically we have been known for our strength in IT. However, we have a very stated and intentional plan to grow our business in non-IT, specifically the focus sectors that we've picked up in terms of BFSI, retail and manufacturing.

And we have intentional activities and go-to-market plans around these industries. And everyone from the Board is watching revenues in terms of what is the contribution coming in from non-IT. But if you take revenues at this time now, IT is the biggest contributor to the revenues.

Miraj Shah: Understood. So would that be a differential in the charge that we levy to different sectors? Is that different, or would that be equal for everyone?

Guruprasad Srinivasan: So there are multiple pricing plans available. These are by industries, by geographies, etc. And I can get into the details of the pricing plans, but they're transparently available. But essentially you can assume that the price that the companies or recruiters pay is dependent on whether it's IT or non-IT or, in other cases, it's geography. So, people can buy plans for a particular state or particular country, because we also operate in Southeast Asia, etc.

Moderator: The next question is from the line of Balaji Subramanian with IIFL Securities.

Balaji Subramanian: Yes. So this is just on your healthy FCF generation and gross debt also coming off. So how should we see payouts going forward? Is there an intent to step up dividend payments or consider doing a buyback or something? That would be it.

Kamal Pal Hoda: Sure. So Balaji, we have our stated capital allocation policy and the dividend policy out there. The first and foremost priority is to reduce the debt level, which we have done. See, in last five years, cumulatively, we've reduced INR 700 crores of debt. In the last financial year, we've reduced INR 150 crores of debt. And the gross debt right now is at around INR 370 crores, which for our scale and size of our business is at a comfortable level. On dividend, since last two years, we've paid INR 8 per share as dividend. And this year, with the proposed final dividend, it's up to INR 10. So we'll continue to do three things; optimize our operating cash flows, retire as much debt as possible and return the balance money to the shareholders in line with our stated dividend policy.

Kushal Maheshwari: Moderator, if you can check if there are any further questions?

Moderator: The next question is from the line of Raghuram N S with Eurindia Ventures.

Raghuram N S: Yes, thanks for having my question. I just wanted to check on the GTS side only. One was about like how you guys have mentioned about the ACV. In the EXM vertical of Allsec, that's a significant sales pipeline of INR 37 crores of ACV that's been mentioned. And CXM also, the ACV that seems to be in the pipeline is about INR 40 crores. Is that something that's sustainable going forward? Or is it just a one-time kind of thing that seems to be happening in that business?

Kushal Maheshwari: Thanks, Raghu, for your question. I'll ask Pinaki if he can give his inputs.

Pinaki Kar: Thanks, Raghu, for the question. And, consistently in Allsec, what we have done over the last few years that most of the sales pipeline that has been there were not one-timers. Those were generally long term kind of programs. So, I'll take both the segments, the CXM and EXM separately here. On CXM, the customer experience, most of the pipeline are North America centric, multi-year kind of cases. So, we have mentioned only the ACV figure. So, as and when we contractually start that, hopefully it will play out the length of the contract in terms of the number of years that the ACV will be there for. Because, the nature of that business in CXM, especially in North America, is generally long term. On the EXM side, again, most of the business pipeline that has been there, or the contracted revenue that is there, the ACV figure that we have given is for enterprises, mostly those are enterprises where the payroll transition we are doing, right. So, apart from any completely unforeseen circumstances, those also are supposed to be long term contracts. And from a structural growth perspective, this is how we are actually driving the sales and you are seeing the mix getting more into international, even in EXM. So, obviously, with that dollar revenue coming in, when you translate that to INR, so that effect also we are getting. So, that is the reason for that kind of a pipeline.

Raghuram N.S: Thank you for that, Pinaki. But my question was more for the last three or four quarters that if you go back in Allsec, it was ACVs of normally about INR 7 crores to INR 10 crores in EXM on a quarterly kind of basis. When I see INR 37 crores, it's a very encouraging number just keeping in mind what has happened in the last four quarters or something. So, that was the main reason why I asked?

Pinaki Kar: You know that industry actually, what happens is that we pursue deals for two, three quarters, especially on CXM, you will find that they are a bit longer, right? So, sometimes the fruition

comes after two or three kind of quarters. So, but if you want to translate, that's what I'm saying. I can assure you more about the sustainability of that revenue going forward. But some quarterly pluses and minuses of ACV booking would be there because that's also a function of when a customer concludes their contract in terms of a booking, right? So, obviously, I'll not say that you extrapolate INR 37 crores every quarter. At the same time, we need not be INR 5 crores to INR 7 crores also, right? So, but the revenue would be more in the range that you are seeing now in terms of growth.

Moderator: Thank you. That was the last question for the question and answer session. I now hand the conference over to Mr. Kushal Maheshwari for closing comments.

Kushal Maheshwari: Thank you for the engaging discussion over the call. I would like to hand over to Mr. Guruprasad for his closing remarks.

Guruprasad Srinivasan: Thanks again for joining us for Q4 earnings call. I would like to once again highlight that our consistent effort towards new logo audition, SG&A rationalization, and sharp operational execution will continue to be robust, and we will continue to scale new heights in coming quarters. Thanks for joining.

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.

(This document has been slightly edited to improve readability)