

"Quess Corp Limited Q3 FY22 Earnings Conference Call"

February 11, 2022







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CORP LIMITED

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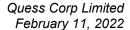
MANAGEMENT, QUESS CORP LIMITED

MR. GIRISH KUMAR SHARMA – DGM INVESTOR

RELATIONS, QUESS CORP LIMITED

MODERATOR: Mr. ALOK DESHPANDE – EDELWEISS SECURITIES

LIMITED





Moderator:

Good morning, ladies and gentlemen. Welcome to the Quess Corp Q3 FY22 Earnings Conference Call hosted by Edelweiss Securities Limited. As a reminder, all participants' 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 the 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. Alok Deshpande from Edelweiss Securities Limited. Thank you and over to you, sir.

Alok Deshpande:

Thank you Lizann. Good morning, ladies and gentlemen, and thank you for joining us on the Q3 FY22 post results conference call of Quess Corp. It is my pleasure to introduce the senior management team of Quess Corp who are here with us to discuss the results. We will begin the call with the opening remarks by the management team and thereafter we will open up the call for Q&A session. I would now like to hand over the call to Mr. Girish Kumar Sharma – DGM Investor Relations to take the proceedings forward. Thank you and over to you Girish.

Girish Kumar Sharma:

Thank you, Alok. Good morning, everyone and thank you for joining our earnings call today. Please note that results and presentations are already uploaded on our website. Anything we say, which refers to our outlook for the future is a forward-looking statement and must be read in conjunction with the risks that the company faces. These uncertainties and risks are included but not limited to what we have already mentioned in the prospectus filed with SEBI. With that said, I will now hand over the call to our Executive Chairman, Mr. Ajit Isaac. Over to you, sir.

Ajit Isaac:

Thank you, Girish. Good morning and a warm welcome to all of you to the third quarter's analyst call. As we begin the call, I'm delighted to introduce to you, Mr. Guruprasad Srinivasan, who has been appointed as our ED and CEO as of yesterday. Guru replaces Suraj Moraje who's also present on this call. Suraj the first external CEO hired in Quess since the inception, did a stellar job. He assumed responsibilities in November 2019, just before the pandemic began. For a period of time, for which you are never trained to do how to respond to in college or anywhere else and then for almost two and half years since then, he has been instrumental in shepherding the transformation journey at Quess. Our path to 20% ROE is now visible and realizable and as we are reaching the goals set for Quess, Suraj would like to pursue other opportunities. We are thankful to Suraj the time spent here, his leadership and the relationships that we developed. We wish him very well as he decides on what to do next, before he signs off, as he has previously done on analyst call, he will address you now, over to you Suraj.

Suraj Moraje:

Thank you Ajit, thank you very much. I'm sure everybody on the call has lots of questions as usual and Guru and Ravi have lots of interesting updates to share, so I'll keep it short. I was expecting this morning on the agenda we laid out with Ajit, my very first interaction with investors, I think that was March 5, 2020. As you said, just as COVID was starting to rise globally, the two years since I've seen unprecedented, the macro volatility with alternating headwinds and tailwinds, each had very high magnitude wave one, wave two, wave three. Yet as a team, we've made the real progress towards the goals we laid out in that conversation, as Nehru said, not wholly or in full measure, but very, very substantially. I feel proud if I may use that word to leave behind a company that's in great shape. This is evident in the Q3 numbers,



which Guru and Ravi will present. Also in the business portfolio, the organic top line growth, second and third growth horizon options that you see in the business, the technology intensity in our operations, our employee happiness, and of course, OCF generation. No one individual leader can drive change by himself or herself. I think each and every Quessian has made huge personal sacrifices to the three waves of COVID and achieved really steep professional targets and for this I will be eternally personally grateful. I'm especially grateful to our exceptional management committee team. Thank you for working so relentlessly and for accepting some of my so very unreasonable demands from time to time. Ajit a very, very special thanks to you and the rest of the board who've been a great source of guidance, coaching and inspiration. But most of all, today, I want to thank you, our investors and our analysts. Dialogues with you have always been a source of inspiration and learning. It's your toughest questions that have somehow provoked our deepest thinking. As I move on to pursue new opportunities in the business world, I'm sure our paths will continue to cross. And I look forward to it. I look forward to it. Finally, just want to wish Guru all the very best as you drive Quess to greater heights under Ajit's continued guidance. Guru nobody represents Quess' values, entrepreneurship, and bias to execution as much as you do. Nobody's as well positioned to drive the business forward. I will, of course be available to help in the transition as much as needed. I will wrap up again by expressing my deepest gratitude. Thank you, God bless and Ajit back to you.

Ajit Isaac:

Thank you Suraj, well said. As Suraj mentioned, we have together committed to ensure that this process of transition goes smoothly, and he'll be available to ensure that Guru has all the resources to get on with being the CEO of Quess. Guru is the founding member of the company and has handled two out of three platforms, his intimate knowledge and expertise around the business is unmatched at Quess. Therefore, we think it's appropriate for him to get started with this responsibility right away. Some of you may also have some thoughts in your mind about way forward at Quess. I thought it's good to expand on them before I hand it over to Guru.

First, a refresh of our business goals at Quess, they remain unchanged. 20% ROE from our operating business, 20% OCF growth, 70% EBITDA towards OCF conversion. The three of them together will remain our north star. Some of you have asked me about whether we plan to do any big-ticket M&A in the future. The answer for this clearly lies in our business goals, our 20% ROE supreme and unless any acquisitions are ROE accretive, we will not consider them. Having said that, the time for any big-ticket acquisitions for Quess is over. Since we built the three platforms from the capital that we raised, and we are happy to now extract cash from them and return to shareholders as per our stated dividend policy.

Lastly, we now have a rhythm in the company, and this is visible in this quarter results. As we go forward to Q4, we expect to continue this. Having achieved the transformation, we intend to strengthen and not make any changes unless it is required by customers. Our senior leadership team which constitutes our MC, our management committee, all of whom are on this call will strengthen our path to stated business goals and not change the way we manage the business at all.



At this point, I want to bring in Guru back into the conversation. He's a homegrown leader with an exceptional track record and he has delivered results in every business or project that he has led at Quess, I am personally delighted to see that our leadership batch has delivered a leader like Guru, a Stanford Ignite Graduate from the batch of '15, Guru has more than 25 years of experience out of which 14 of them have been at Quess. Before Guru addresses you, I'd like to also point out that coincidentally, this has been an eventful quarter for us. We raised capital into Monster at a valuation of near \$100 million up from approximately \$15 million that we invested at that time of investment. This is reflection of value creation for our shareholders for the capital allocation done since our IPO. On the operating front, it has been the best quarter for Quess since its inception with the highest revenue at Rs. 3,685 crores and an EBITDA of about Rs.179 crores. From an organization and sales standpoint Quess has become much stronger and to tell you more about it over to you, Guru.

Guruprasad Srinivasan:

Thank you so much Ajit and let me begin by saying how privileged I feel to have had opportunity to serve Quess since inception. I wish to thank Suraj for all the transformational work that he brought in over the last two years and the board members of Quess for giving the opportunity to serve in this position. Especially our Chairman, Ajit Isaac for his encouragement and his confidence in me. It is extremely important also to acknowledge all our customers and colleagues for all the trust that they have on Quess. I truly feel that last 14 years have been fulfilling and given an opportunity again, it's a very valuable experience across Quess that I had. I was fourth employee on-board clearly fascinated by prestigious sharp startup environment. I was fully empowered and started my involvement in building workforce management solution from scratch. I certainly had free hand to implement process and platform to strengthen the entire delivery structure and today where we are. We bring the best of the ability from hire to retire across Quess as a group and the platform is extremely robust. For past eight years, I got opportunity to work in detail in setting up shared services, led asset management business, being part of key decision making at corporate. So, I'm in view in this capacity. I will continue to play a very constructive role in customer focus, shareholder commitments and strengthening delivery platforms to optimize productivity, leveraging technology. I believe all of this will have to continue making a great institution for Quess.

Let's just start briefly giving you overview of business and then hand over to Ravi to talk through financials and thereafter we will be happy to take questions. First and foremost, Q3 was a terrific quarter, three lead indicators, highest ever revenue, highest ever EBITDA and highest ever PAT signifying our execution capability. We saw continued opening of economy, providing tailwinds in our business with economy projected to grow north of 8% this year. We continue to build upon growth achieved in previous quarters. The key indicator for us is our Allsec payroll data, which saw 15% increase of the same period last year, which is December versus December this year, reflecting broad-based growth in employment amongst the largest enterprise across sector. While the Omicron wave further delayed the return to office opening up education institutes, we are optimistic on the overall outlook for FY23. Our focus for Q3 was to take advantage of this economic surge, riding the significant investment we made over past quarters in sales capability, verticalization and technology led delivery. Our large business has all continued to demonstrate



exceptional growth, driving our consolidated revenue up by 31% year-on-year and 14% quarter-on-quarter. We are also delighted to report our highest ever headcount of 4,22,000 growing at 5% quarter-on-quarter basis. Please note this number excludes an additional 13,900 associates, FTEs who are pay rolled in December, but were not on rolls at the end of the month.

On back of this strong growth, as Ravi will explain more in detail, our EBITDA from operations has grown 14% quarter-on-quarter. Our focus on cash generation continues to remain razor sharp. With OCF, EBITDA at 80% for nine months FY22, our long-term OCF to EBIDTA conversion target continues to be at 70%.

We are happy to report that we are continuing to build good revenue pipeline for coming quarters acquiring 249 new customers in Q3 versus 265 in Q2 and 126 a year ago. Our focus on cross sell continues to accelerate. Nine months saw a highest of 48 wins with an ACV of Rs.480 crores versus Rs.270 crores of ACV for last year. So, this is an area of focus for us, and we'll continue to, stay focused in on more cross selling.

Moving on to specifics, let me start with the workforce management platform, which posted a revenue growth of the 15% quarter-on-quarter, 34% year-on-year. EBITDA from operations grew from quarter-on-quarter 5% to 12% year-on-year. Our general staffing business has achieved the highest ever associate head count to 273,000 year-on-year with a growth of 29%. The growth largely led by BFSI, logistics and FMCG/FMCD almost 50% of our incremental headcount growth in Q3 came from 71 new customers. I'm also happy to report that our staffing business has ranked 48 in top 50 of SIAs prestigious largest global staffing firms for 2021 list.

The domestic IT staffing business continues to be in demand rich growing its revenue at 52% year-on-year with expanded margins during the period due to our focus on past quarters on high-scale profiles. As a result, EBITDA has grown by 21% and 53% year-on-year. Going forward our focus will remain on growth and attrition management while we pilot new approaches as we march into hire train and deploy, RPO and assessment-based staffing there.

The last part of workforce platform is our training and skill development business, saw limited opening, our focus continues to be fulfilling the existing commitments and exit B2G business as communicated earlier. Repeated start and stop of center operations have made it challenging on in terms of, keeping this business consistently steady state.

Moving on to the next platform, Global Technology Solutions which delivered 18% year-on-year top line with growth of 30% year-on-year EBITDA. GTS has four components in it, the first one is the customer life cycle management with rapid growth of Indian customer demand, especially a lot of investment going into new tech-based startup and post pandemic what we perceived is an increased cultural comfort with virtual interactions in India. Our CLM business has grown rapidly at 26% year-on-year, 11% quarter-on-quarter, both Conneqt and AllSec has a very impressive revenue uptick in Q3. Conneqt crossing the milestone of Rs.100 crores monthly revenue in December and AllSec nternational revenue growing at 16% quarter-on-quarter, we have made several business model innovation in CLM, including taking more solution selling



approach to our services and driving digitization with a result of non-voice CLM growing at 57% year on year. The second business at the GTS is non CLM BPO, the collection business saw a revenue growth of 13% year-on-year. The domestic F&A business had a growth of 17% year-on-year top line growth, on the back of impressive growth in Q2 as well. This growth is a result of Connect management, strong focus on productizing and digitizing the services. The third platform under GTS is platform-based services. There are two platforms through which we offer these services, HRO, which is our Indian subsidiary AllSec and InsurTech platform, which is MFX sub in US. The InsurTech business had excellent quarter with 10% quarter-on-quarter. More importantly, the nonlinear nature of business has led to margin accretion ahead of revenue growth in this platform. In the HRO platform of AllSec, the number of pay slips processed for quarter has grown by 27% year-on-year and in Q3 on the back of 31% in Q2. We will continue to invest both sales and technology capabilities in this platform area. We hope that this will expand our margin in GTS further over time. The fourth vertical and under GTS is IT services, our domestic IT services business saw a revenue growth of 70% year-on-year and 19% quarteron-quarter, largely driven by multi-year large deal wins in our Infrastructure Management Service Business. In Q3, we clocked six such deals, which is in our Infrastructure Management Service Business.

Next, we come to OAM platform where we have, which has kind of return back in terms of top line by 35% year on year. This quarter saw education sector coming back a bit to normal which led to kind of recover food segment, leading to margin expansion. We continue to reduce our dependency on IT segment. We have exceeded pre-COVID revenues during the Q3. Our headcount also has come back to pre-pandemic levels to 50,000 plus in this space. We observed the growth in industrial, healthcare, BFSI, logistics segment. New customer acquisition continues to be strong. 22 new customers added in Q3. We have been aggressive in increasing our customer wallet with over 38% of IFM customers now using greater than one FM services overall, with the business have seen the kind of revenue growth of 14% quarter- on-quarter and 30% year-on-year. The business has made strides on efficiencies, process digitization has taken our core to associate ratio up by 86 from 66 a year ago and our cost to serve is down to 4.3% from 5.4%.

Our security business has witnessed a recovery in Q3, and head count has grown by 13% quarter-on-quarter. The revenue grew up by 19% quarter-on-quarter, customer acquisition remains a strong for us with 38 customers added.

Our industrial business continues to see momentum on back of improved outlook and in metal and telecom sectors. Q3 revenue EBITDA were up by 15% and 36% quarter-on-quarter.

Moving on to our Emerging Business where last quarter witnessed significant progress. As I'm sure most of you have known and have gone through the Monster, our online talent platform, raised INR 137 crores at a valuation of \$100 million. This represents 4x jumping valuation in four years. The participation from external investors is tremendous vote of confidence in Monster's ability to vision and building India's premier talent platform. We have received the first tranche of funds and business will start deploying the funds from Q4 FY22 onwards. Fund



raised will be utilized largely towards product development, user acquisition, and marketing. We would also like to reiterate that funds deployed for growth are raised externally with Quess having an option to supplement with USD 5 million of our own capital. Monster turnaround is now resolute on a strong trajectory. Sales and revenue have been growing linear for four out of five quarters and continued Q3 clocking at 60% year-on-year growth, with 20% quarter-on-quarter in this current year.

The new customer acquisition is healthy as ever with 2000 plus new customers added per quarter for three quarters consecutively and now running a 2,500 new customer contracts. Key health indicators like recruiters and consumptions have shown greater than 50% improvement over the last quarters, with trajectory continuing customer experience continues to improve due to product improvement with CSAT topping up to 80% mark and top customer value retention is close to over 100%.

We are super excited about the potential in talent acquisition business, and Monster right now, to win its exciting and fastest growing market. We continue to attract exceptional talent and have created right incentive through competitive ESOP program.

Moving on to Qjobs, we have built Qjobs from scratch and being most efficient blue-collar platform in India. Qjobs optimization driven by advanced algorithms for hiring ratios up to 20%-25% of our key profiles. The proof of our hard work is in the numbers. When a little over a year, such launch Qjobs had 2 million downloads with 5,000 plus companies recruiting from app offering a million jobs. We are most proud of industry leading efficiencies that we are delivering in recruitment process and to same is also being validated by exceptional NPS scores of upward of 50 from users. We will continue to take long-term view in investing in growing this asset in which we have also seen external interest from marquee investment partners.

Let's move on to Qdigi, Qdigi continues to deliver steady state on the core of B2B business while building the foundations for disruptive B2C journey. Q3 saw revenue growing by 14% year-on-year. Our B2C products business launched under the brand Quesscare continues to grow rapidly in back of innovative and competitive insurance products, sold both in online and offline channels. While the traditional B2B may likely to slow down due to ongoing omicron wave, we continue to aggressively expand our B2C business, which has already crossed 100K warranty policies in this year itself.

Being one of the largest domestic private employers we take pride in being employer of choice. I'm happy to report that in recent survey conducted, employee satisfaction survey conducted, among 110,000 associates participated, 83% of responded rated themselves to be very satisfied or satisfied with Quess. Quess has also been reaffirmed as great place to work which is better and above industry average for in a row of three now. So that was the overview of business.

Let me close by saying we are optimistic and the times to come, as we continue to grow our joint goal of hitting sustaining 20% ROE and by growing our OCF at 20% plus our OCF conversion



of 70% is going to be paramount for us. We thank you for analysts, investor community for support to our institution. And now I'm heading over to Ravi. Thank you.

N. Ravi Viswanath:

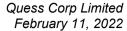
Thank you Guru, good morning, everybody. I hope all of you are keeping well and safe during the latest COVID wave and do pray that the pandemic is behind us.

Let me walk you through now, the financial performance of the company. Our overall revenue in Q3 grew 14% compared to the previous quarter and grew by 31% on year-on-year basis. All the segments posted healthy growth numbers with workforce management, global technology solutions and the operating asset management platforms growing by 24%, 18% and 35% respectively, on a year-on-year basis. Our EBITDA growth has kept pace with revenue growth on a quarter-on-quarter basis. However, on a year-on-year basis, there have been some lag, and this is driven by three factors. 1) a change in business mix driven by faster growth in a lower margin workforce management platform, than in higher margins GTS platform, 2) higher incentive costs than a year ago. Some indirect costs coming back and heightened investment into growth areas, Qjobs and focus verticals such as construction, healthcare and manufacturing and 3) lower margin year-on-year in our facilities management business, and Terrier business given the continued delay in pickup of IT and IT vertical due to successful pandemic waves. We are working hard to increase profits here; I hope to see improvement in the next couple of quarters.

Consequently, EBITDA from operations in Q3, FY22 improved by 19% on a year-on-year basis and 14% on a quarter-on-quarter basis to Rs. 179 crores driven by GTS, which posted a 27% EBITDA growth on a year-on-year basis. The operating asset management segment has also started to shake out COVID induced slow down and posted a 27% growth in EBITDA on a year-on-year basis.

I'd also like to spend a minute on operating cash flow. In FY20 for every Rs. 100 of revenue we earned, we generated Rs. 2.10 of operating cash flow. The equivalent number for the nine-month period is Rs.3.18. This is a testament to the management's focus in driving strong operating cash flows of high-quality earnings.

Some updates on segments, starting with the workforce management. Our general staffing business continued to grow over 34% on a year-on-year basis crossing the 270,000 mark. Professional staffing businesses has performed in line with our plans of increasing focus on higher margin mandate and growing EBITDA by 53% on a year-on-year basis and 21% on a quarter-on-quarter basis. Training and skill development business continues to operate in a difficult environment, as reiterated earlier, our focus is to wind these down by completing a contractual obligation and driving collections. Coming to global technology solutions, GTS continues to perform well in Q3 with the CLM business growing by 11% quarter-on-quarter and 26% on a year-on-year basis. The platform business, which is a higher margin vertical, grew by 8% quarter-on-quarter. Monster too saw revenue growth of 9% on quarter-on-quarter and 30% on a year-on-year basis on the back of strong hiring activity across the country. Moving on to operating asset management, our facility management business grew 30% year-on-year with margins improving by 80 bps as food business saw some recovery in Q3. Terrier revenues too





grew 19% quarter-on-quarter, as we saw some offices opening up during the quarter. SG&A cost, as a percentage of revenue declined to 5.2% of revenue in Q3 versus 5.5% during the same quarter last year. The report on PAT in Q3 is Rs. 89 crores, an increase 94% on a year-on-year basis

Coming to the current tax investigations relating to Section 80JJAA, we continue to be in touch with the Income Tax department and furnish all the information that they ask for, we expect to hear from them over the next couple of months and will keep the investors and analyst updated as this unfolds.

On the balance sheet, as communicated during the previous call, our net debt position has increased slightly to 108 crores in Q3 as against 68 crores in Q2 2022. The increase is due to increased working capital to fuel growth. EBITDA from operations for nine months remained at a healthy 80% with the growth that we are witnessing in our business.

Corporate updates – We have also increased our stake in task mode to 49%, the investment of 4 crores during January 2022. On the corporate structure front, we continue to focus on our organizational structure. The process of simplification that began earlier continues to be in operation. We kick-started a process to amalgamate three wholly owned subsidiaries, namely MFX, Greenpiece and Conneqt during July of 2022 and is currently ongoing. We expect this to be completed in the next few quarters. Upon completion of this, we also plan to look at simplifying some of our overseas corporate structures to bring them in line with our current focus to simplify the structure across the group.

We thank you all for your continued support and I would like to now open the floor for questions.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Mukul Garg from Motilal Oswal.

Mukul Garg:

My first question is to Ajit. Clearly the business is back on high growth trajectory, and it was nice to see no exceptions coming out this quarter. But at the same time if we see the transition in the leadership, it was a little bit abrupt in the way, at least it was visible to us. So, if you can just help us understand a bit more in detail the factors which played out behind this transition. And a follow up to that for both Ajit as well as Guru, what are the key areas where you need to accelerate changes or transitions within Quess going forward to reach your goals, at least over the next one year, if you can elaborate on that a bit.

Ajit Isaac:

Let me take the first part of the question. As you said, we have had progressive growth quarter-on-quarter in terms of our numbers, in terms of our reporting and in terms of how we are getting more and more market share. I must reiterate that we have been very happy with the way things were shaping, our MC was coming together very well, and we have a big camaraderie and teamsmenship at the senior level. I have no comments to make about the opportunities that Suraj will pursue in the future, because that's a matter of an individual choice and we respect those choices that he is making. We would like to support him through the process of transition and

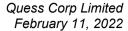


internally too he had been very supportive of getting Guru on the saddle. Guru, since he has been here for the last many-many years, knows the innards of the company better than anyone else here. Unlike a new candidate coming in to take the CEO's job, he needs no run-up time to it because of his familiarity with the issues, people, the resources that we have, external entities that we connect with, and most importantly customers that we deal with. So, we thought it's appropriate that he can get on with the job rather than having an extended period of overlap. But that does not indicate that this is kind of a sudden shift. We have thought about how to go about it smoothly and we are both from Suraj side and my side committed to ensuring that this goes through smoothly. On going forward from here, we are extending the story of transformation. We increased the visibility to the ROE 20% target that we have set. We have consistently delivered on our OCF to EBITDA conversion. On a nine-month basis we are standing at an (+) 80 number right now. So, on an annual basis we should be able to get to an annual target of 70%. We have also paid dividends this year. So, from an overall standpoint of corporate actions, we are committed to continuing all of what we are doing right now. We believe there is an expansion possibility in our ROE over the next three years or so. So, we want to spend some time to think about how that can be done. And when we are ready with the details, we will come back to you with that. But clearly nothing's going to change in the way we are approaching business. In fact, we will accelerate some of the initiatives that we are doing, particularly on the technology side.

I will just take a minute to expand a bit on what we are doing on the technology front. In every business of our or every platform of ours, we will have separate digital plans, separate automation initiatives that we have planned specifically for workforce management, for our asset maintenance business and for our GTS business. In technology, our guiding lights are three points. One is that it should be pervasive. We should be able to compute wherever we want to, particularly because of the work from home imposition on our side now. Second is, we should have data on a real-time basis, which means we should be able to connect through APIs into customer systems where required and pull out data both ways seamlessly to have data on a real-time basis. Third is we want all data to be device agnostic so that people can work on a computer, on a desktop, on a laptop or on a mobile wherever they are. Based on these three, we are making our business. This will also lead to the creation of more dashboards, both for us and for our clients. So, these are some of the initiatives that Guru would be particularly driving at an operating level. Thanks.

Guruprasad Srinivasan:

Just to add. Two years ago, we had brought in clearly on winning together as a theme and nothing changes from there. So, our focus is going to be on investor, customer and people. As part of investors, all the commitments or all the strategies that we have will continue. ROE 20%, OCF and OCF conversion, so that's a carry forward for us. Absolutely no deviation on focus, no change on that. When it comes to customer, our focus is going to be on continue to stay a market leader in all the businesses that we are. So, we will continue to be there, we will continue to stay focused. So, cross selling, taking aggressive position there, plus strengthening our own sales team across all of that is going to continue. Our delivery structure is going to get stronger backed up by technology platform, so that's going to be our primary focus on the customer. When it comes to people again, focus on people, building leadership constantly because we have been





consistent in getting our Great Place to Work. So, our focus will not change. These three elements are going to continue and anything that we are going to do will revolve around this. And our 3.0 version we are now in making. So, as and when we are prepared, as Ajit said, we will come out with more information on that.

Mukul Garg:

Guru, just one clarification, given that the growth is picking up so rapidly, are you seeing any signs of supply stress, ex of the GTS business, GTS we are all aware of what is happening. But in other businesses is there some supply constraint or a price increase coming up?

Guruprasad Srinivasan:

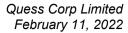
The straight answer would be, we are not seeing much of a turbulence at the moment. We are witnessing things to be steady state. If you look at the number of logos that we have signed, almost 104 logos in Q3 for workforce management, 61 logos for the entire OAM platform and about 84 logos for the GTS platform. These are kind of reassurance because all of this will start getting converted into Q4 and Q1 for next financial year. And from that trajectory, we are really positioned well. The second area that we thought is the Omnicom wave we anticipated that it's going to be a little more longer, but I think shortening of that is also to our advantage. These are few indicators that we can see why Q4 and FY23 has to be great or better for us.

Ajit Isaac:

Maybe at this point, we will also get Lohit to talk to us a bit about what his comments are about the supply constraints, if any, the staffing side. Lohit, would you want to just come in on that?

Lohit Bhatia:

Good morning, everyone. I hope I' am audible. Just to give you a sense of what's happening in the market, this is the time when you will see Quess winning more. Like Guru added, and I will just add to that, we have just in this quarter alone added more than 70 customers. In this financial year of nine months gone by in workforce management and GS, particularly we have added about 177 clients. This was 2x, the number of new customers added in the last financial year. So, 2x customers already added in nine months, what they were added as new customers in the last financial year. However, one caveat here to note, and we have been consistently saying this, that the order size and the mandate size from each new customer because of the various waves of Omicron and before that Delta and the first wave, are slightly lower than what it used to be. Traditionally, Quess' general staffing has on an average 300 associates deployed with each client. Whereas with the new customers, we are still at 101 associates deployed to each client. The point I am trying to make is we are already 11% over our pre-COVID numbers in the workforce management business. So, we have recovered from that point of view. But it is coming with lesser number of headcounts. Now to antidote that point on the supply side that you have mentioned is where Q jobs is a great investment. While Quess had 122 training centers which were attracting and mobilizing talent, we had 65 offices which used to attract and mobilize talent, but we realized that the size of the physical infrastructure also came to a standstill because of the lockdowns. And that's when Q jobs was born. The first year of Q jobs did 1 million, the next 80 days did another 1 million and now we are run rating of close to adding a million every 45 to 60 days. And that's where our supply side will also get taken care of. I must end by saying Q jobs is not just what Quess has created, government including state and central government is partnering with us. Google has partnered with us and has given us a real time API to feed talent into Q job ecosystem and at the same time customers have also started taking talent from there.





So, many of these things are strengthening what Q jobs can offer. And many of these things will eventually take us to a point where we will not have a supply side issue. I hope that answers the question that you asked.

Moderator: The next question is from the line of Jasdeep Walia from New Mark capital.

Jasdeep Walia: What's been the negative impact of training and skill development business on your margins on an absolute basis for this quarter and for nine months this year. Also, if you could talk about the

negative impacts of food services business on your margin for this quarter and the nine months?

Management: The TSD business kind of just about broke even in Q3 and for the year, again it's kind of been

a breakeven to a slight negative for the year so far. We have just about been able to keep our head above the water as far as the TSD businesses can start. And as far as the food business is concerned, the first two quarters were a complete wash out for us. The food business just came

back very-very marginally, the total billing in the food business is about 4 crores, say it about

Q3.

Jasdeep Walia: What's the impact on EBITDA of food substance business for this quarter and nine months?

Management: The food business, like I said, is about 4 crores. It was almost a non-existent full business from

the opening for the nine-month period and you could just say that the impact would be about 4 crores. The impact would have probably been much more because even the previous year the

food business never came back. I can't really compare it to a previous year's number here.

Jasdeep Walia: What are the losses in this business for nine months?

Management: The losses would not have been there because overall this is part of the OAM platform. So, I

can't tell you what the loss is there, but the gains can be computed and actually told.

Jasdeep Walia: At what level do you expect margins to stabilize in your workforce management business once

the training and skills development business comes back?

Management: At the end of the previous quarter, we said the previous quarters margins are indicative of what

the long-term margins in the business would be like, which is at about 3.3% is what we had said. So, I think we will continue to hold that. We will continue to maintain a 3.3% to 3.5% kind of

margin in the workforce management business steadily inching up to about 4% over time.

Jasdeep Walia: If the training and skills development business comes back and you are able to change the mix

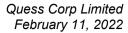
to cater more towards the private enterprise rather than the government, don't you think margins

can come back to the earlier levels of around 5% odd?

Management: While we are making efforts to compensate for the loss of government business with corporate

business, I don't think we will be able to have a one-on-one replacement there. And we don't

want to really put a number. While we are making all efforts to include the corporate training





business, our margins will improve. And as they improve, you will see the benefits of those increased margins in our workforce management overall profitability.

Jasdeep Walia: On a pre-COVID basis what was the top line and EBITDA of training and skills development

business on an annual basis?

Management: Pre-COVID the total EBITDA was about 60 crores for FY20.

Jasdeep Walia: And topline?

Management: Topline would have been about 160-170 crores.

Moderator: The next question is from the line of Nitin Padmanabham from Investec.

Nitin Padmanabham: Broadly, on the workforce management just wanted your thoughts on the margin aspect here.

It's been trending down. Specifically for this quarter was there any specific passthrough or how should we really think about margins in this business overall? You did suggest 3.2 to 3.5, but more specifically to the quarter, just wanted to understand what the moving parts are and what's

driving the relative softness?

Guruprasad Srinivasan: There are three parts to it. One is, TSD obviously overshadowing a bit there which we are

here and that's impacting to EBIT. Beyond that we are also investing a lot on future revenue stream. One is as part of workforce management into construction, and we have added more sales fleet to vast business value added services which is our work and the outcome-based project, the field force project, plus M&I, manufacturing and industry. We are setting up the sales team and the operations team to carry on operations and slowly start carving it out as a

cautiously downsizing. So, that's one which we have already taken as part of the margin mix

vertical under workforce. So, these are a few investments that we have made which is the cost coming into Q3 onwards. Beyond that there's some very slight catch-up of cost that has come into Q3, but otherwise largely it comes from the investments that we are making where the cost

are slightly going up.

Ravi Vishwanath: The Q3 numbers for workforce management included some catch-up of costs of Q1 and Q2,

which is why I said the Q2 numbers that we have put out, the 3.3% is a number that we would be able to sustain going forward. We are absolutely clear that 3.3 is a base at which we would

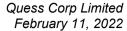
like to be, building the margins up from. I hope that explains your question.

Guruprasad Srinivasan: From a modeling perspective you should estimate this as the base and then work accordingly.

That would be the right approach as of now.

Nitin Padmanabham: One follow-up. You mentioned value added services and investment in sales. Just wanted your

thought process there. At least in the past I remember we had Dependo wherein I think for Amazon we were doing end-to-end on the delivery side, we moved out of that. So, is this initiative something similar for other industries in terms of what we are trying to do? Is there





any risk, I just wanted your thought process because after the earlier experience in terms of risk in the approach just wanted your thoughts?

Guruprasad Srinivasan:

Let me give more clarity on this. There are three segments that we are looking as part of adjacencies in business under workforce. First one is into manufacturing and industries. Again, these are pure play staffing kind of engagement. With the PLI schemes coming in and manufacturing activities getting intensified, you need a very unique proposition from hiring to deploying people there. We are working out on end-to-end labor force management starting from sourcing them and ensuring they stay in a place and the dormitories are taken care and that also gives adjacent business to Quess within facility management and food. And then deploying these people on pure play staffing model. If you look at it overall, it's a staffing model, but it takes a little more concentration because these units are in specific clusters and zones and the entire sourcing capability has to be built accordingly. So, that's the kind of activity what we would be doing in manufacturing. The second area is when I talk about value-added services a) we deploy people and for our customers along with people, we also deploy a platform to monitor them, starting from capturing the attendance, capturing the kind of tasks that they do, on a check-in to check-out timelines. This goes as a value-added service to customer where we charge a premium on our services. So, that we start measuring separately by revenue that we generate through digital assets over a period of time. So, that's the intent there. So, VAS will bundle along with our services and start getting deployed in the market. When it comes to construction again, it's clearly workforce management. Again, it's a very different terrain altogether. We have just started our first pilot project and through which we are now ramping up slowly. All these projects would be taking some time. It will take at least 3-4 quarters for us to bring it to a kind of separate P&L and all of that. Till such time it will be part of workforce and we will be building this as a future vertical. But all these are pure play manpower business if you look at it. It's staffing.

Moderator:

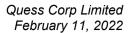
We will move on to the next question that is from the line of Ratish Varier from Sundaram Mutual Fund.

Ratish Varier:

First of all, congrats to Suraj on a good performance for the last two years and all the best for your future. We are a little disappointed. We thought that you are there for much more longer term. And congrats to Guru for the elevation. Ajit and team, I just had a couple of quick questions. The first question you alluded a lot about strategy being continued. So, you can you talk about capital allocation over next 2-3 years, the cash flows what will be generated. What all investments are still left in digital initiatives or various subsidiaries? And any kind of capital allocation policies you are looking at? That's one. And second more from the team top management side. Last two years, we have actually streamlined our organization having various heads, etc., how do you make sure that whatever our strategy in place, how that gets executed over a much longer period, because this is more of people facing organization. At the top how we make sure that the attrition is low?

Ajit Isaac:

First is about our capital allocation policy. We have a published capital allocation policy where one-third of the free cash that we generate will go to funding internal growth, one-third for dividends, and the third that's left, for acquisitions. Over a period of three years. So, in case we





don't do any acquisitions, the money will come back into the pool and then we give it back to shareholders. So, our focus is clearly not using all the cash that we generate to any more acquisitions for the future, but to return to shareholders as and when we get the opportunity. When we do an acquisition, we will only look at adjacencies to current businesses that we are present in. We don't intend to get into any new lines of business. We build three platforms with the capital that we raise from the IPO. We are happy with the assets that we have got. Our focus is on building them organically. If there are any tuck and set that's required for either specific technology, geography, or a service line that is very small in nature, we may look at something of that type, but we don't have anything in the pipeline right now. So that's what we look at. On the technology side, we will come back to you with a more studied proposal on how we intend to bucket the digital assets we have got. We are looking ourselves as an investor in that. We will grow value in them with separate teams. Teams are incentivized to run them on the basis of ESOPs. There will be startups within our company. They will be creating value hopefully in time to come and that value we will return back to shareholders. So, we have three or four of them right now which are maturing well. Monster, as you have seen we have demonstrated that we can create some value there. Q jobs we have got 2 million downloads and it's on the cusp of building out an organization that will help it to go to market. We have another company where we have an investment in excess of about 50% called Taskmo, which has now grown substantially since our time of investment. And you will hear about this in the next, let's say a few months as we get ready with some fundraising. So, our capital allocation policy will stay within what we have communicated to the markets. It will not go outside the 20% ROE standard that we set for ourselves.

On the second question about management team and execution. As you have seen now, Guru has been here for 14 years. Most of the other members of the MC, Lohit has been here for about 10-12 years. Pinaku is the first-time appointee to that position as the President of the GTS. Our health emerging business grow again the first-time appointee to that. So, we have not seen attrition at those levels, and we think that these are individuals, professionals with a lot of skin in the game in terms of the independence that they have in running it, they are confident that they take for their performance and also the way they come together in the MC to plan and to deliver for the company. So, this has been the positive outcome over the last two years of working with Suraj. And we think this will continue. We also have separate stock option policies have enabled all of the individuals to attain grants that we believe will be substantial in the future. So, at the top level we are foreseeing a level of consistency ahead and we are hopeful that our execution will continue as planned.

Ratish Varier:

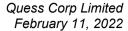
Just one quick follow-up on this Monster and other Q jobs. We will not require any kind of further investments there in Monster.

Ajit Isaac:

We have got Mr. Sekhar to head the business and Sekhar will now address you all.

Sekhar:

On Monster, in the current round we have an option for Quess to participate. At this point in time in the first tranche of funds that we have received, these are all 100% coming in from external investors. What we are noticing is significant interest from the rest of the investors with





whom we had active conversations to come into the round. So, at this point in time we believe Monster is adequately capitalized for the path of growth that we set ourselves on. And we have more external investor interest than the capital that we can take into the firm.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to

Mr. Guruprasad for his closing comments.

Guruprasad Srinivasan: Thank you so much. On behalf of the entire management team, we are quite optimistic about the

future and the times to come. We thank the analysts and investor community for all your support to our institution. Thank you so much and look forward to interacting with you all more. Thank

you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Edelweiss Securities, that includes this

conference call. We thank you for joining us and you may now disconnect your lines. Thank

you.