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February 09, 2024

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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 KUMAR LAL
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Kundan K Lal
Company Secretary & Compliance Officer

"Quess Corp Limited
Q3 FY2024 Conference"

February 05, 2024

ANALYST:	**MR. BALAJI SUBRAMANIAN – IIFL SECURITIES LIMITED**
MANAGEMENT:	**MR. GURUPRASAD SRINIVASAN – EXECUTIVE DIRECTOR & GROUP CHIEF EXECUTIVE OFFICE – QUESS CORP LIMITED** **MR. KAMAL PAL HODA – GROUP CHIEF FINANCIAL OFFICER - QUESS CORP LIMITED** **MR. KUSHAL MAHESHWARI – HEAD INVESTOR RELATIONS & STRATEGIC FINANCE – QUESS CORP LIMITED** **MR. LOHIT BHATIA – PRESIDENT - WORKFORCE MANAGEMENT – QUESS CORP LIMITED** **MR. PINAKI KAR – PRESIDENT – GLOBAL TECHNOLOGY SOLUTIONS – QUESS CORP LIMITED** **MR. ANAND SUNDAR RAJ – PRESIDENT – OAM – QUESS CORP LIMITED** **MR. SEKHAR GARISA – PRESIDENT – PRODUCT LEAD BUSINESSES – QUESS CORP LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Quess Corp Limited Q3 FY2024 Conference hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phones. Please note that this conference is being recorded. I now hand the conference to Mr. Balaji Subramanian from IIFL Securities Limited. Please go-ahead Sir!

Balaji Subramanian: Ladies and gentlemen, good morning and thank you for joining us on the post results conference call of Quess Corp. It is my pleasure to introduce the senior management team of Quess who are here with us today to discuss the result. 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 Lead 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 now like to 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 Q3 FY2024 earnings call. The information, data and outlook shared by the management during the call is forward-looking, but subject to prevailing business conditions and government policy. All forward-looking statements are subject to economic growth or other risks faced by the company. Please refer to slide number two of investor presentation for the safe harbor clause. With that safe harbor, I will now hand over the call to our Group CEO, Mr. Guruprasad Srinivasan, for his opening comments. Over to you Guru.

Guruprasad Srinivasan: Good morning, everyone. Thank you for joining us today and hope 2024 has been a great start for all. For Quess, profitable growth and consolidation of operations continue to be the key theme for the year. Our efforts in this direction have been showing results. During the last six quarters though the revenue has grown by 13%, EBITDA has grown by 34%, achieving a nonlinear EBITDA growth during the period. During the quarter, we added over 10,000 associates and closed the quarter with a total employee strength of 5,57,000. The hiring environment was positive in industrial, BFSI, retail, telecom and two specific sectors e-commerce and FMCG saw a net head count utilized as festival season concluded in Q3. It still continues to be impacted by global headwinds. Our sales engine continues to deliver adding 170 new contracts with annual contract value of INR 416 Crores setting up as well with growth in coming quarters. We also took a significant step towards streamlining our corporate structure. As part of our simplification of corporate structure Conneqt, Greenpiece and MFX India business is amalgamated into Quess post NCLT approval in Q3. In addition to this, Quess had invested in Hexagon Technologies. Hexagon bright solution to develop system and create sustainable impact on digital front for business enterprise such as product engineering, event service, intelligent automation and manage services. Conneqt has a digital practice for enterprise applications and combination of Hexagon and Conneqt digital practice will strengthen our market presence and join go to market in digital space under GTS platform.

Key financial highlights, we recorded a revenue of INR 4,842 Crores, a growth of 2% quarter-on-quarter and 8% year-on-year. EBITDA stands at INR 181 Crores growing up by 11% quarter-on-quarter and 24% year-on-year. EBITDA margins have improved by 29 basis points quarter-on-quarter and 48 basis points year-on-year. This was driven by consistent profitability growth in GTS platform. Our cash burn in terms of Foundit reduced by 50%. Focus on profitability growth in OAM platform as noted.

Let me walk you through the business updates for Q4 focus areas. To begin with workforce management platform, the head count of the platform reached 4,44,000 which also includes about 34,000 headcount which was processed in the month of December adding a net of 14,000 associates during the quarter driving the increase in revenue by 3% and 12% year-on-year. Revenue growth from work force is driven by wage increase and sales growth with a mix of 70:30 as most of our contracts are flat fee. This also puts pressure on the margin. We remain confident in our sales engine to drive growth. The platform added 87 new contracts during the quarter. Sourcing contributed to 28% of new hiring. Our general staffing business placed 62% of associates hired in tier two and tier three cities once again signifying the depth and breadth of our sourcing capability and deployment capability.

Now moving on specific to the general staffing business, we added 13,000 head count during the quarter led by manufacturing, telecom and BFSI sectors. Of the new contracts added in Q3, 30% of our new clients are first time getting into the staffing outsourced model validating the long-term trend towards outsourcing, so we are seeing some level of consolidation and movement from informal to formal. Our vertical focus strategy has continued to yield dividends with headcount growth in manufacturing and BFSI stood at 8% each on a quarter-on-quarter basis. The momentum is expected to continue in Q4 and BSFI manufacturing accounts for almost 80,000 open mandates out of total open mandates of 28k as of December 31, 2023. In addition to this, business has built up scale in terms of the pipeline. Our pipeline stands at 39,000 for Q4 which will drive the head count over the next coming quarters. In order to take advantage of market opportunities, we continue to invest in our sourcing account management and new verticals. Specifically, retail and logistics will also operate as a separate vertical from Q4 onwards as a result we have seen a marginal decline in associate to core ratios based on the investment that we have made. However, our core to associate ratio still remains best in class. IT staffing business, the Indian IT staffing and collection business continues to remain impacted by global headwinds. Current open mandates stand approximately about 1,200 a drop of 16% quarter-on-quarter and 31% year-on-year. Focus continues to be a niche profile BFSI, digital and maximize our margin so those are specific focus areas. Moving on to global technology solution platform, GTS continued its growth trajectory delivering a nonlinear EBITDA growth of 3% quarter-on-quarter and 19% year-on-year. EBITDA margin continues to move on and increased by 220 basis points year-on-year and 48 basis points quarter-on-quarter demonstrating both economic of state and positive momentum towards higher value of service. The highlights specific to GTS platform are as follows. Starting with the Conneqt business services. Conneqt continues to maintain its momentum with 16 new client additions. The business closed an order book over an ACV of INR 110 Crores during the quarter implying sustained revenue growth in coming quarters. In GTS subvertical BFSI accounted for 35% of total annual contract value added. We also saw encouraging green shoots in auto, retail, and consumer goods sector. Consistent focus on execution has led business to be consistently ranked first or the second amongst the partners where client have onboarded multiple partners. Business achieved the highest ever NPS in our leading customers, achieving an NPS of about 65 from an earlier score of 33. Our non-voice BPM business grew significantly with collection business growing 25% year-on-year and transaction processing business growing 29% year-on-year. The nature of this business has been one of the key drivers for margin enhancement of GTS platform and we will continue to invest in our digital solutions to create market leading solutions and platforms. The growth momentum in our customer experience business in Allsec continues to bring about 21% year-on-year growth. This was driven by 30% year-on-year growth on international businesses. With significant growth in both number one and number two clients, in the CXM business by revenue. In platform-based services, the employee experience management vertical in outset continues to strengthen its market leader position with 4 million payslips processed during the quarter, a quarter-on-quarter growth of 4% and the vertical added about 80 new logos in Q3 driven by BFSI and ITES which demonstrates a robust pipeline of almost about INR.30 Crores for Q4. One key highlight of CXM business growth in the quarter was high order booking in international business compared to the domestic business. Going forward the focus remains on the following, AI and automation. Our BPM business is currently running 10 AI forward engagements with clients. We will focus on expanding the same. International sales CXM vertical in Allesec on back of encouraging international sales have tied up with solution partners global markets to further enhance the growth. In international CXM business growth momentum is slated to continue in Q4 as well leveraging the further revenue realization from leading North American customers. Growth in digital and IT services five new customers were signed up with an ACV of INR 21 Crores signing digital services in US, UI, core ERP and CRM systems. Moving on to Operating Asset Management, profitable growth revived the key theme for the quarter as a result even though the top line growth has been flat, platform EBITDA grew by 4% quarter-on-quarter and 16% year-on-year. IFMS added 15 new customers during the quarter, additionally 13 contracts with ACV of INR 75 Crores are expected to be mobilized in Q4. We are seeing green shoots in healthcare, manufacturing, infra and we will continue to focus on the same sector. Food and beverage saw a gross margin improvement of 18% quarter-on-quarter. The improvement in gross margin has brought in by improving operational efficiencies and mobilization of contracts won during H1. The focus areas for Q4 would be added new clients in order to set the base for the next upcoming financial year. Security services added over 13,000 head count in Q3 led by infra and manufacturing segments as a result the business saw a revenue growth of 4% and EBITDA growth of 9% quarter-on-quarter. Our sales pipeline remains strong, and business will continue to head at the present rate. Telecom and active infra business continued its good run with best ever YTD revenue and EBITDA. 9M FY2024 revenue and EBITDA have shown a growth of 33% and 41% respectively. The business was awarded a significant 4G rollout contract with an ACV of over INR 90 Crores for which the deployment will start from Q4.

Moving on to the product led business. Foundit had a great quarter on the business and the product side. The sales grew by 9% year-on-year by the enterprise sales in India despite continued slowdown in IT which is a major contributor to our business. We successfully launched the disruptive AI product Foundit 2.0 for 550 plus customers. Initial feedback has been very positive, and it has been acknowledged as the best in class. We expect to roll out the same to every customer by the end of Q4. Despite market headwinds our operational metrics on both candidate and recruiter side remains positive with job posting up by 7% year-on-year and six-month active user by 22% year-on-year. CSAT continues to remain healthy at 91% while NPS force is at all time high reflecting the improved product. EBITDA achieved is as per plan in Foundit remains on course to deliver break even by Q4.

Moving on to general updates. As we have communicated often all public forums including our quarterly call our employees are our greatest assets. Their wellbeing is always on top of our mind. It gives me immense pleasure to inform you that Quess has been certified as “Great Place to Work” for fifth consecutive year. Our score in the survey has improved from 73 to 87 in past five years. GPTW survey has also recognized Quess as a leadership factory acknowledging companies that have successfully established a culture centered around fostering exceptional leadership abilities on a large scale. This recognition signifies the entrepreneurial spirit with the organization, strong HR process and a modern inclusive culture so this was the update. I will now hand over the call to Kamal. Over to you Kamal.

Kamal Pal Hoda: Thank you Guru. Good morning, everybody and thank you for joining us today. I extend a very warm welcome to everyone who has logged into this call. I hope you had a chance to look at the investor presentation and financial results for Q3 uploaded on our website. Let me now walk you through this quarter's financial performance. Revenue for the quarter stands at INR 4,842 Crores a growth of 8% year-on-year and 2% quarter-on-quarter. Our head count stands at 5,57,000 as of December end a net addition of 10,000 quarter-on-quarter with key contributing sectors being BFSI, MNI, retail, telecom and Healthcare. Our EBITDA stands at INR 181 Crores for the quarter a growth of 24% year-on-year and 11% quarter-on-quarter. EBITDA margin stands at 3.7%, a growth of 29 basis points quarter-on-quarter. This increase was driven by the following three points, reduction of marketing product development spends as per plan in foundit, nonlinear growth in profitability in our GTS vertical and improved margins due to business risks in OEM vertical and volume growth and control cost to serve. Profit after tax decreased by 10% quarter-on-quarter to INR 64 Crores due to exceptional non-cash write off of goodwill of approximately INR 20 Crores in one of our technology businesses. Excluding above one off our adjusted PAT stands at a healthy growth of 15% quarter-on-quarter at INR 84 Crores. Our commitment to cash management and debt repayment continued in the quarter with gross debt reducing to INR 419 Crores lowest in last 10 quarters with a reduction of INR 53 Crores during the quarter. Our DSOs reduced by one day compared to September 2023 and now stands at 55 days.

Moving on to platform wise update starting with Workforce Management, revenue stands at INR 3,430 Crores registering a growth of 12% year-on-year and 3% quarter-on-quarter. Growth is predominant in the general staffing business with key sectors being manufacturing BFSI and retail. IT staffing and APAC professional staffing have remained muted over the last few quarters due to global headwinds, however we have ensured to mitigate such downturns through cost action. EBITDA has seen a sequential growth of 3% quarter-on-quarter and 4% year-on-year at INR 90 Crores. EBITDA margins percentage has seen a nominal two basis points decrease quarter-on-quarter due to cost pressure on account of wage inflation with flat margin in general staffing businesses. The business continues to focus on increasing wallet shares of value-added services in platform to offset the inflationary pressures.

Moving on to GTS. GTS platform clocked a revenue of INR 588 Crores for the quarter an increase of 5% year-on-year and 1% quarter-on-quarter. Growth in revenue in this vertical has been challenging in this quarter due to muted investments in technology companies. EBITDA stands at INR 108 Crores a growth of 19% year-on-year and 3% quarter-on-quarter. Non-voice services and improved international mix in new sales of EXM vertical along with cost efficiencies from merger of Conneqt business have helped an increase in overall profitability. Good order pipelining is Q3 across infrastructure and digital IT services including view from Middle East gives us confidence on growth and margin profile moving into Q4.

Moving on to Operating Asset Management, revenue clocked INR 695 Crores for the quarter a growth of 1% year-on-year and a degrowth of 1% quarter-on-quarter. Revenue growth saw some challenges due to rationalization of a few large accounts with low margins. Pipeline for Q4 is promising and we are confident to bounce back as a focus investments made into key sectors will yield results as we move forward. EBITDA for this platform stands at INR 36 Crores a growth of 16% year-on-year and 4% quarter-on-quarter. Margin increase is aided by business mix, sales led by food and telecom businesses including few customer margin initiatives taken across the platform.

Moving on to Product Lead Business, revenue clocked for the quarter is INR 129 Crores, a degrowth of 13% quarter-on-quarter. While Foundit sales has grown 9% year-on-year our basic business has seen some degrowth as Q2 revenues were higher in spare servicing revenues booking due to seasonality. EBITDA losses excluding ESOP reduced by INR10 Crores quarter-on-quarter and now stands at a negative INR 6 Crores. This is largely driven due to reduction in marketing spend in Foundit, a step closer towards break-even by end of financial year as per our earlier guidance.

Moving on to some tax updates, there are few developments in the tax matter from the last quarter. For FY2017-18, our appeal is ITAT, and the next hearing is expected in April 2024. For FY2018-19, against the final order of assessing officer post DRP. The company has filed an appeal in ITAT, and a next hearing is scheduled in the current month February 2024. For the year, 2019-20 and 2020-21 the tax office had proposed a special audit in lines with the previous two years. However, based on factual representation the same has been dropped and the draft assessment order has been passed. The company has filed objections before DRP against all these adjustments proposed by the tax office. With this, now I open the floor for any Q&A.

Kushal Maheshwari: Thank you Kamal. We will wait for a minute for the questions to pile up before we start the Q&A.

Moderator: Thank you. We will now begin the question-and-answer session. Our first question is from the line of Balaji Subramanian from IIFL Securities. Please go ahead Sir.

Balaji Subramanian: Congrats on a good set of numbers. I have a couple of questions. Firstly, there has been a 30-basis points year-on-year EBITDA margin improvement driven by OAM and GTS platform while the PLB segment losses have come down which is again in line with your guidance.

Could you give some more color on what drove this and how we should think about it going forward? The second question is on the focus on manufacturing and construction verticals which you have highlighted in the past could you share some update on how your headcount has trended just in these two verticals in the last couple of years and how do you see this panning out in future?

Guruprasad Srinivasan: Sure, so let me take the first question on margin so yes, we have been able to scale the margin level up. The couple of contributors to it starting from first, the reduction in terms of the Foundit burn have really pushed the margin percentage up for Q3 specifically. We were about 3.4% from there we have come to almost about 3.7%. There are a couple of more things that we are doing in organization in terms of the tight control on cost to serve which means the productivity or the efficiency is being measured and we are ensuring that the cost to serve is kept tight. If you look at it, it is also reflecting on our OAM platform so from around 4.8% at a platform level where we used to deliver, we have just delivered about 5.2% EBITDA and of course there is definitely scope specifically OAM for a little more room to work on the margin there. The other contributor to this is the nonlinear growth coming in from GTS so GTS has an efficiency to release higher margins compared to the revenue growth rate so that is really playing in now and if you look at the kind of addition of growth that is happening in non voice business which is also a high margin business which has grown by 25% year-on-year so three to four aspects just to summarize. One is reduction in Foundit, second is tight control on our cost to serve, nonlinear growth coming in from our technology business and the mixed change in OAM which is contributing to betterment of our increase in our margins.

Kushal Maheshwari: I request Lohit if you can give some color on the two verticals that Balaji has inquired about manufacturing and construction.

Lohit Bhatia: To your specific point on MNI, the manufacturing segment and the construction segment, we are closer to the 70,000 mark today. This is a growth of about 34% to 38% year-on-year in the last year and 46% in the prior year. In fact, since December 2021 this entire segment has grown by almost 130%. This has become the third largest segment for Quess workforce management today after BFSI and retail. In the times to come the way we are looking at manufacturing there are couple of things that I just wanted to add here. Number one is the transition of India from only a services economy to services cum product and manufacturing economy. Second is aided by informal segment transitioning quickly to formal. The transition of rural India to urban India and to formal jobs. This along with the PLI scheme and the kind of benefits and aid that the government is pushing as far as infrastructure development is concerned. For us this is a segment to watch not just for this quarter, next quarter or one or two years. This a segment to continuously keep watching for at least a decade as far as India is concerned. So we feel that this an area where we need to deeply invest. We have invested in sourcing and technology and that is something that we will continue to do.

Moderator: Our next question is from line of Kavish Parekh from B&K Securities. Please go ahead Sir.

Kavish Parekh: Good morning, all. Thanks for the opportunity. I have a few questions. Sir we have reported and continue to improve our strong margins on the GTS space so can you elaborate on whether we have reached peak levels here or we can still grow so what is a two - three year thought process here?

Pinaki Kar: Thanks for the question. This result regular scheme that is part of well calculated strategy and execution so if go back 14 to 15 quarters just to show we are sustainable we always remained from 16% to 18% that is 200 basis points, so growth in three years' time will give 15% what we did was that we have optimized the cost structure from the sales coming in and the operating efficiency that helped in increase in value, but what is valuing the incremental another 200 basis points have been mainly the changes of business mix towards higher value added services. There are only three aspects right. The largest factor is if you see the movement from domestic to international so these are the three components which is mostly domestic which at that point of time was 50% domestic, 50% international and the benefit will be 100% returns so what has happened over the last few quarters both Conneqt digital as well as Allsec increased CXM business the growth has been disproportionately high on the international segment which has higher realization as well as higher margin profile than domestic and the EXM like if we get into that like it used to be 100% domestic. Last quarter from booking for the first that was 55% international and 45% domestic which is going to increase in the quarters ahead and another mix in the platform is in the P&L both voice and non voice if you see Conneqt, Conneqt would have around 40% to 43% voice business, 57% to 58% non voice where collections obviously has been good as well as the internet BPM part and both connections and BPM had 25% and 29% growth rate respectively which is higher than the voice business for us so it the business mix and also the market has become more towards international. I hope I have been able to answer your question.

Kavish Parekh: Thanks for the explanation. Secondly, we have also reduced our losses in the product lead business especially Foundit so we do remain on track to achieve break even by the end of the year or say early next year right and the last question could you please elaborate on the impairment taken this quarter thank you?

Kushal Maheshwari: I will ask Sekhar to speak on Foundit and give his color on the performance.

Sekhar Garisa: On Foundit we have stayed on track on our plan that we shared with all of you about three quarters back that as we go through the quarter we will continue the investments in product and marketing which will taper down to the second half of the year once the product launch happens which happened in the last quarter and the revenue will continue to grow irrespective of what the external environment is which is what is playing out so from Q2 to Q3 the operational burn in the business has come down by more than half and we are well on track to meet our projections or outlooks that we have shared which is close to break even for Q4, thank you.

Kamal Pal Hoda: On impairment represents the non-cash charge on goodwill which was part of the original investment done by Quess in Hexagon. Guru did cover in his speech about the internal restructuring and the business contract and employees of Hexagon which is a subsidiary of Quess being innovated and transferred into Quess and the synergies of Conneqt merger and then combining these contracts which has led to this non-cash impairment which is a onetime noncash charge.

Moderator: Thank you. Our next question is from line of Raghuram N S from Eurindia Ventures. Please go-ahead Sir.

Raghuram N S: This was regarding the CXM and the EXM business that you guys have really now focused a lot of your management attention on, the CXM business obviously I do allude to what Mr. Pinaki Kar also mentioned that there is a huge amount of growth and focus on growing the international business. So is there any ACV kind of data that can be shared on what has been the total ACV booked in the last two-three quarters and very similar I think I heard about INR 30 Crores of ACV pre booked in the Q3 quarter and what would be the kind of growth that can be expected in the EXM business also?

Pinaki Kar: So, like INR 30 Crores that you have seen on the EXM business and as I told you that 55% of that was international compared to domestic. If you see similar numbers from the EXM business what has been moved without giving like forward looking and it is mostly international growth so from that perspective and just correlating to that we accomplished in the last three-four quarters of 30% growth in the international business and also in terms of revenue and in the current bookkeeping ratio that we have so I think with this strategy we could be able to maintain that.

Guruprasad Srinivasan: Also just to add specifically for EXM the same cycle is generally between Q2 and Q3, so I mean financial year and calendar year beginning just in the large transitions happen in that space in terms of the environment so generally Q1 and Q2 has been good. Generally, Q4 and Q1 are slightly low.

Raghuram N S: Okay no I thought in India at least Q4 is a pretty large in terms?

Guruprasad Srinivasan: Q4 those cycles would have got closed in Q3 so I mean we would be getting into the migrations in Q4.

Raghuram N S: Okay so how does this compare with data last year if you can please share that kind of thing with INR 30 Crores is it comparable and is there a growth as compared to last year same quarter?

Pinaki Kar: It is around 45% more than last year.

Raghuram N S: Okay mainly driven by as you mentioned international business?

Pinaki Kar: Mainly driven by international as well as the average ticket price as well as the number of clients that have got opened up in the last three quarters on the EXM side that is on the CXM side it is mainly driven by two or three large accounts where there have been opportunities which is about 15% increase.

Moderator: Thank you. Our next question is from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead Sir.

Mukul Garg: Sir, to start with I think great work on the PLB business. It looks like you guys are on track to break you next quarter so great execution there. Just two questions from my side, First on the workforce management business how should we think about avenues for margin improvement there especially on the cost side while you guys have been trying to take action and I understand there are limitations because of fixed price contracts but the core to associate ratio has been trending downward so do you see any low hanging fruits there which can be kind of plugged over next few quarters to improve the profitability and on the client side are you kind of trying to increase the average pricing which can help you improve the profitability there?

Guruprasad Srinivasan: I will ask Lohit to answer your question.

Lohit Bhatia: Good morning, Mukul, as far as WFM margins are concerned Mukul we are currently at about 2.6%. About a year back we were closer to the 2.8% mark but that was about 12 months to 15 months ago. WFM primarily has three large components today. There is WFM India general staffing business as you know it has 70% of the book is a flat service and every time the revenue goes up or the wage inflation goes up unfortunately, in a percentage term the margin comes down though rupee terms the margin accretive is better than before. The second element of WFM is the professional staffing or what we call the IT business in India and the third element is the overseas business. The last 12 months to 15 months has also seen a decline as far as the trend in professional staff and the IT business is concerned as is known to you what is happening in the broader market Guru and Kamal also spoke about the international challenges and the headwinds that we are facing so from a lot of perspective if you really look at it this probably the bottom of where WFM today is, and with the advent of aid professional staffing as a mix both international and domestic playing more than the speed of rate of growth from general stuffing is one. Secondly, now come back to the specifics of general staffing itself. You alluded to core to FD ratio and that is a right point. Our investments in manufacturing is tailored to take care of every site and every factory where the customer wants us to work. See in MNI segment one interesting thing is also we are not taking business from any international or large domestic company. We are rather taking the business away from local erstwhile contractors who probably have been in this business for 10, 20 or 30 years and that transition to a large company like us is an area where we have to make that investment. You have to be closer to the customer, you have to be in the factory and you have to disproportionately add recruiter, sourcing and technology which is where also the margin remains a little soft when you start playing this industry a bit. To the last point that you said about the trending margins with customers. We are in the band of 680 to about 700 gross margin as far as the general staffing business is concerned in spite of all the challenges that we are hit with given the competition in the general staffing space, we continue to hold ourselves there with a lot of work which has been happening in the vast space and value added as well as the growth which over a period of time beyond the investment starts to give us results we be able to see this inch forward. I think at some stage Mukul, and I have said this for a couple of years now, at some stage both the client as well as competition will move away from a pricing only strategy and we will start playing service and a price strategy. Quess has been retaining itself there for many years now. We hope to see sometime into the future that also starts playing. I hope that gives you an overall color with what we are dealing with.

Mukul Garg: Thank you, Lohit. Guru second question was on the operating asset management side can you just help us with a bit of color on the sub segments where you guys were able to take efficiency gain or cut a lower kind of margin clients and how do you see it progress over next one to two years both from growth as well as profitability perspective?

Guruprasad Srinivasan: Sure, so as you know under operating asset maintenance, we have three sets of sub businesses. The first one is into integrated facility management, then followed by security services and the industrial and telecom business. I mean if you look at the largest piece among these three are integrated facility management, of which we had I mean in past as we have been interacting on this. Our exposure to IT and IT services was pretty high pre COVID and we did change the strategy and now if you look at in the order of segment, manufacturing tops across all segments within the facility and we continue to grow in that segment. We have invested in terms of sales and acquisition platform separately in terms of the go to market there followed by healthcare continues to grow for us and BFSI, so these are the three segments which are driving specific growth so also what we did is specifically for both security and facility we did take a deeper step in terms of the business KPIs and the profitability by customers. We did go through the rationalization of low margin contracts. I mean wherever we had to go and look and get a price hike we have done that and wherever we had to seize the account, we have gone through and taken those hard decisions to get where we are today and which is actually yielding well in our result in terms of the percentage getting better. The business mix in terms of food business which is high margin business slowly the mix is changing and we were almost about close to about 20% of our contribution comes from food business now which is also a healthy bottom line so we have done all necessary correction in terms of KPI, productivity, and efficiency. Our core to associate stands at 105 per FD in terms of the overall facility so we have done everything right. One area which still we are continuing to do is put more effort on sales and go to market, so I think we have already done that in between Q3 and Q4 which we have invested so we are all kind of prepared to get into the next financial year in a good positioning in this and added to that telecom business is doing really well. I mean as I said in my initial speech they are ahead of their AOP targets on the back of 5G roll out, we doing extremely well in that space which is also contributing almost about 11% EBITDA margin that they deliver uplifting the overall segment so overall I think the house is in order now to get into the next financial year right from the launch. Anand, you want to add anything.

Anand Sundar Raj: Thank you, Guru. So, if you see the last two quarters our EBITDA margin is in the range of 5 to 5.2 so this what we called out the previous year that our focus is going to be profitable growth so we had levers in food and telecom and other profitable business we did so I think between short and medium term we are in the right trajectory in terms of margin. When it comes to top line growth the focus is on sales. We are adding new clients but in the last three quarters we focused on swapping some of the existing clients who are not profitable that has given us results, so we are confident with the new ACVs and pipeline starting from Q1 we will see better results coming from the top line. Thank you.

Moderator: Thank you. Our next question is from the line of Pratik Tak from Quess Corp. Please go ahead Sir.

Pratik Tak: Just wanted to understand like what percent of your revenue comes outside India considering all four business verticals?

Guruprasad Srinivasan: I mean head count if I were to go it is pretty, I mean about 7,000 people we have across all our international geographies put together.

Kamal Pal Hoda: Pratik why don't I take this question offline and I will get the relevant data and I will mail it to you. You can send me the question over the mail okay.

Pratik Tak: Yes, which email ID do I need to send?

Kamal Pal Hoda: You can send us on the investor relations email ID.

Moderator: Thank you. Our next question is from the line of Balaji Subramanian from IIFL Securities Limited. Please go ahead Sir.

Balaji Subramanian: I had a couple of follow-up questions. The first is on Foundit so once you achieve EBITDA break even maybe by this quarter what are your future plans for growth and profitability and the second would be on the qualified audit opinion in this quarter so while the 80JJAA dispute has been on for a few years what triggers this qualified opinion this quarter and we have also called out about INR 159 Crores of contingent liability so what is the exact demand from IT authorities and what is the potential risk that you see. Thank you.

Guruprasad Srinivasan: I will ask Sekhar Garisa first to answer the question on Foundit and then Kamal will take over on your questions related to IT.

Sekhar Garisa: Yes thanks for the question on Foundit as you know Foundit follows the financial structure of a star subscription business so for us achieving a break-even is a very important milestone in the journey of the company because most of our cost structure remains more or less flat from this point onwards except for cost of sales so once we achieve break even subsequent to that thanks to the successful launch of our new product we expect to continue our high sales growth and as the sales growth comes through it will have significant positive impact on profitability as you can expect from any subscription chart companies once they achieve the threshold scale so subsequent to the achievement of breakeven, we continue to expect that the business will grow fast and most of the top line that gets added from that point onwards adds disproportionately to our gross margins from there on and therefore we expect the business to have significantly positive gross margins from the next year onwards.

Kamal Pal Hoda: Thanks Balaji for this question, so I think there are two parts to your question. One is the present tax litigation and the claims of taking 80JJAA and second, I think is on the qualified opinion so on the first one we actually for both if you refer to the sites that we given as part of the notes to our quarterly results. For four years that the assessment has been done and for the two years which was FY2018 and FY2019 the assessment has been completed by the department and then Quess as an organization represented to DRP and from there we are right now in tribunal and as explained in my speech as well the hearings are in the month of February which is the current month as well as in April lined up and for the subsequent two years we have got a draft assessment orders and we are filing our points and legal grounds with the Dispute Resolution Panel. Now the cumulative potential impact on the company for all these four years for which the assessment has been done by the department is to the magnitude of INR 158 Crores which is what has been disclosed also as a contingent liability. Now what happened during the current quarter is National Financial Reporting Authority NFRA in an order relating to certificates for these years issued by a certain chartered accountant pertaining to our claims of JJAA has made certain observations of applicability of certain conditions of the IPF which have also been very elaborately explained in note five to the financial statement. For that matter this order was subsequently stayed by The Honorable Delhi High Court on jurisdictional grounds of NFRA on these chartered accountant so as we speak those things have been stayed on jurisdiction however we continue to believe that our claim is valid and we intend to vigorously contest our position on the interpretative stance of these sections on merit including judicial precedence and we believe we can strongly defend our position to legal process as defined under the Income Tax Act. The pure reason for qualification and if you read the qualification also is on account of uncertainty which is there in respect of outcome and the timing that it will take for these matters, so the impact has been already mentioned in the financial statements as contingent liability and the uncertainty in terms of the outcome and the timing has led to this qualification.

Moderator: Thank you. Ladies and gentlemen that was the last question of the day. I now hand the conference over to Mr. Kushal Maheshwari for closing comments.

Kushal Maheshwari: Thank you very much. Thank you for the interactive session. I would now ask our Group CEO, Mr. Guruprasad, to close the call.

Guruprasad Srinivasan: Thanks again for joining us for this Q3 earning call. I would like to once again highlight that our consistent effort towards new logo addition, ACNA rationalization and operational execution has shown a consecutive six quarter increase in EBITDA. Our effort is unraveling, and we will continue to scale new heights in coming quarters. Thank you so much for all your support. Thank you.

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.