

"Quess Corp Q2 FY2021 Earnings Conference Call"

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ANALYST: MR. SUDHEER GUNTUPALLI – LEAD ANALYST

(TECHNOLOGY AND BUSINESS SERVICES) – ICICI

SECURITIES

MANAGEMENT: Mr. AJIT ISAAC - MANAGING DIRECTOR AND

CHAIRMAN - QUESS CORP

MR. SURAJ MORAJE - EXECUTIVE DIRECTOR AND

CHIEF EXECUTIVE OFFICER – QUESS CORP Mr. Ramakrishnan Subramanian - Chief

FINANCIAL OFFICER - QUESS CORP

MR. LOHIT BHATIA- PRESIDENT OF WORKFORCE

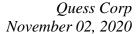
MANAGEMENT - QUESS CORP

MR. SRINIVASAN GURUPRASAD - CHIEF

OPERATING OFFICER INDIA REGION – OUESS CORP

MR. SEKHAR GARISA – HEAD OF EMERGING

BUSINESS – QUESS CORP





Moderator:

Ladies and gentlemen, good day and welcome to the Quess Corp Limited Q2 FY2021 earnings conference call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sudheer Guntupalli, Lead Analyst (Technology and Business Services) at ICICI Securities Limited. Thank you and over to you Sir!

Sudheer Guntupalli:

Thanks, Faizon. Good afternoon ladies and gentlemen. Thanks for joining us today on Q2 FY2021 earnings call of Quess Corp. On behalf of ICICI Securities, I would like to thank the management of Quess Corp for giving us the opportunity to host this earnings call.

Today we have with us, Mr. Ajit Isaac, Chairman and Managing Director; Mr. Suraj Moraje, our CEO; Mr. Subramanian Ramakrishnan, CFO; Mr. Guruprasad Srinivasan, India COO; Mr. Lohit Bhatia, President, Workforce Management and Mr. Sekhar Garisa, Head of Emerging Businesses on the call. We would start with brief opening remarks from the management which will be followed by Q&A session. I will hand it over to Ramki Sir for safe harbour statement and to take the proceedings forward. Thanks, and over to you Sir!

Ramakrishnan S:

Thank you Sudheer. Good afternoon everyone and thank you for joining our earnings call today. Please note that the results and the presentation have already been uploaded on our website. Anything we say, which refers to our outlook for the future, is a forward-looking statement and that 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 turn over the call to our Chairman and Managing Director, Mr. Ajit Isaac. Over to you, Ajit!

Ajit Abraham Isaac:

Thank you, Ramki and a warm welcome and good afternoon to all of you on Q2 results analyst call for Quess. As mentioned, I am joined by our Group CEO, Suraj; CFO Ramki; Guru, Head of India Operations; Lohit, from our Workforce Management and Sekhar from our Emerging Business.

Before I pass it on to Suraj, I want to give you the context of this quarter's results, some of the key issues that came out of it and how we are looking ahead for the second half of this year. If you go back and take a look at H1 of this year, effectively for 90 days out of 180 days, the economy was entirely closed and to that balance part of it was partially opened.



60 days out of the first 90 days in Q1 was entirely closed and then we are a partial opening. Consequently, our headcount was 384,000 at the beginning of this year reached about 334,000 in Q1 and about 324,000 in Q2 showing that there is some amount of stability coming into the workforce where we lost 3% in Q2.

Also, we have elements of our business, three, four parts of it which were entirely closed in this period, Excelus and our Food business were entirely closed, QDigi and Vedang which was partially closed. So, the combination of closed businesses, the fixed costs that we had to bear set off some of the gains that we made from reductions for the cost but that being said it should be reported that in H1 of this year against 310 Crores that we did, in the previous year, we did about 270 Crores which is about 13% down against a workforce reduction of about 16%.

I also want to touch on a very important aspect of costs. What is effectively 70 Crores of IDC per month in Q4 has now become about 53 Crores, which is a permanent saving in a sense of about almost 17 Crores a month unless we change our operating structure. This is a big win for Quess and coming out of the pandemic, we think that one of the biggest gains is that we have got stronger operations and we now have a leaner, fitter internal process mechanism to run our business.

Also, our digital improvements have been significant. QJobs today is approaching 200,000 downloads in the app 50,000 jobs on our site; Monster has seen an all-around improvement in metrics and in that business, we are digging in for the long haul. We know that we have a significant opportunity and the gains that we made, although it has been extended over a period of 12 months to 18 months, are substantial to give us a direction that is proving to be positive for us.

The biggest gain over the quarter has also been our debt reduction from what was effectively 1,147 Crores coming out of the last year our gross debt level is now 624 Crores. It has come down by 45% of 520 odd Crores. Similarly, our net debt is about 45 Crores today and possibly will approach zero towards the next quarter, interest cost has also consequently come down a lot.

All this has been aided by the fact that our OCF/EBITDA has been consistently higher than any numbers that we have had in the past. In fact, the last quarter it was about 212%. So, we are delivering on what we have promised. If we go back and check on what we have been saying in the last two quarters, our team with Suraj and our management committee, we have been consistently working on the objectives that we have been communicating to our board, our PBT conversion is going up steadily and this is first indication that our path to our target ROE of 20% is well within our sight.



So, with this, I would like to handover to Suraj to explain more details of how we have got to where we are today and in terms of what to look forward to going forward. Thank you and here, Suraj.

Suraj Moraje:

Thanks, Ajit. Good afternoon, everyone, and thanks for making time to be on this call again, your support really means a lot to us. I hope that your families are having an auspicious start to the festival season and I hope, more importantly, that you all are transitioning back to work safely but steadily.

The first half of FY2021 has seen our company and the world navigate a storm previously unseen. COVID-19 impact, I think will all say, has lasted longer and deeper than we had collectively expected at the beginning of the financial year.

I think at Quess, we have taken this opportunity to further strengthen our own leadership as an institution in the market, strengthen our capabilities, and step our technology intensity. It is really a privilege for me to share our Q2 results – to present you with a Quess that is almost net debt neutral.

From a P&L perspective, we have seen improvements in our business successfully, successively over the months of July, August, and September. September recognized a headcount of 1% over the previous month and so the growth has started in earnest and therefore in Q2, we did see revenues grow 9% quarter-on-quarter, EBITDA grow 8% quarter-on-quarter. Unfortunately our training and skill development business and the food businesses continue to be impacted by lockdown and work from home and in quarter EBITDA reduction impact of about 24 Crores versus a year ago.

If you adjust for these, you will find that our EBITDA delivery has actually been higher than a year ago, at 164 Crores versus 162 Crores. We are also delighted, as Ajit said, to report a strong OCF performance this past quarter. This OCF to EBITDA conversion of 212, versus about 48 I think a year ago, was largely driven by good back-tax funds, much better management of cash and cash equivalents and strong collection performance.

This has allowed us to reduce our gross debt significantly and today we are almost net debt neutral as a group and for this we are grateful to our employees and to our customers who stuck with us through two very, very difficult quarters. We remain committed to our north-star of Winning Together with Customers, People and Investors and achieving a 20% year-on-year OCF growth and ROE of 20%.



I would like to talk about four focus areas during the quarter; a) our customer; b) our costs; c): our cash and d) our technology intensity. Let me go one by one and just give you a brief overview.

A) Our **customers** - none of our businesses, none of them has lost a major customer over H1. On the contrary, our customer acquisition remained strong with 195 new customers in Q2 and 391 overall in H1. While our headcount did end the quarter at a 15% decline versus the peak in March and a 3% decline versus Q1, September did see our headcount numbers grow versus August and we are optimistic that we will continue to see sustained growth from this point onwards as the COVID-19 epidemic continues to subside.

We remain focused on driving multi-stack deals and our unique solutioning capabilities that are unique to us and to technology enable our gray-collared processes. Our focus on cross-selling performance continues. I mentioned last quarter that we launched a 100 named accounts program where we were doing a very targeted cross-sell activity. Q2 saw this program generate about 11 views with over about 28% lead generation rate in these 100 accounts which is healthy by any measure. The full potential annual contract value of 11 deals landed have been about 120 Crores which is a size of about one of our smaller business if you will. So, we will double on this single accelerate in the coming quarters. Cross-sell will continue to be firmly in our sites. That was on our customers.

B) On **cost**, as Ajit said, our monthly indirect cost exit run rate in September was 53 Crores versus the 70 Crores average run rate of Q4 FY2020, 24% down. To put this in context, this amounts to the monthly EBITDA contribution of 2 of our mid to large sized businesses in the group. The additional reductions in Q2 were realized to further reduction in real estate. We have, to date, given of about 43% of the buildings that we have occupied. We have approved the organization design; we have driven improvement in our operating model including more shared services. We have driven automation including implementing Simpliances' SEAL engine for compliance and I want to emphasize as this reduction indirect cost was despite us largely seizing the salary cuts that we had in Q1 and budgeting additional employee incentive payouts in Q2.

Our employees hopefully will have a very Happy Diwali. We will further optimize our operating model going forward and it is well enough focus. We have actually on-boarded a new Chief of Corporate Services, Milind Kharosekar, who was previously an entrepreneur, a partner of Accenture, having set up their BPO operation in Bengaluru. We will keep improving our model and we do have higher aspirations on this front. That was on cost.



C) On **cash**, our OCF/EBITDA ratio for Q2 2021 was outstanding at 212% given by tax refunds, better cash management across the group and overall strong collections performance. Our DSO came down to 65 days versus 68 days in Q1 - a testament to the centrality of the role we play at our customers. Today, I am happy to say we are only 45 Crores of net debt across the group and we are working to reduce this further.

D) I would like to spend a little bit of time on technology and our **technology intensity**. Technology is revolutionizing work. I think this is the biggest cliché of the quarter. As India's largest employer, we want to spearhead this change. We have been alluding to several business model innovations in the last quarterly calls and I am privileged to talk today about three very specific developments that we are very excited about it.

First, let me talk about QJobs. We believe that the sourcing and matching of talents for job is increasingly automatable as India's largest employer with a country's largest body of recruiters, nobody is better positioned to understand the mind of the recruiter and to codify the recruitment algorithm. To this end, we have developed a dedicated and cutting-edge asset called QJobs, which seamlessly matches grey collar jobs which seekers. QJobs allows seekers to create profiles, manage their own learning path, even find verified jobs and seamlessly contact recruiters as per their roles and location preferences. It brings several cutting-edge innovations such as skill verification, auto hiring and seek a verification to reduce the friction for recruiters.

We have been gratified by the progress today. In our six-week Beta launch period, purely via word of mouth with not a rupee spent on marketing, we have seen about 155,000 downloads and over 200 cluster party recruiters on-boarded. To date, 12% of the candidates who have applied for a job on QJobs have actually been made an offer – an outstanding rate by any comparison. In addition to 20,000+ listings from Quess, several marquee third parties like Eureka Forbes, Delhivery, Swiggy, No Broker, Rapido, have placed their trust in QJobs, listing more than 50,000 jobs already and with the tight integration into our own recruitment system, and I cannot emphasize this, the recruiter designed auto hire engine with already sourcing 13% of our hirers through QJobs demonstrating the early promise of significant recruiter productivity improvement. For us, QJobs itself, overtime, will create new revenue stream potential but for the moment just the potential improvement in efficiency to our own operations justifies the investments in the service and we will offer it free for the period to come to ensure that as we develop this, we drive traffic and we develop QJobs into India's leading auto hiring market place for grey collared talent. We are absolutely committed to it. That was QJobs.

The second thing I want to discuss, and we have mentioned this previously, we believe our purpose is to drive the men's potential to improve worker productivity in the Indian



grey collared space be it in housekeeping, security, in field sales or merchandizing. The opportunity ranges from more seamless rostering and attendance capture, which today is often manual in many places, to automated geo management of frontline tasks. This quarter saw us launch our re-platformed workforce management solution, WorQ, previously called InEdge. WorQ has industry leading rostering, attendance, and task management capabilities in addition to a one stop HRIMS for all our employees, so all of us are associates today get their pay slips, applied for leave everything on WorQ. Each of our businesses are building their own workflows into WorQ as well, for example, automating night checks in security or digitizing housekeeping task checklist, to drive their own frontline productivity and manage the outcome of our clients. This month we set 200,000 monthly active users. WorQ, at this point, is already India's most widely deployed workforce management tool. It becomes detrimental to our customer offerings and we will continue to build this out. We believe this is our core comparable advantage for us.

The third aspect I will quickly touch upon is our employee benefit platform, MarQet. This is of the three platform we are mentioning, probably the one that is most early in development. It is offered to our own core employees and associates and potentially also to employee of our payroll customers in Allsec. MarQet offers benefit such as convenient loans, deals on two-wheelers, housing etc., and we have been piloting this with our own associates. Seeing a very enthusiastic response, about 30+ vendors on the platform to date about a million visits from about 1.4 lakh employees with about 1.5 Crores of loans already deployed to associates. As I mentioned, the optimizing for product-market fit, but we expect MarQet to evolve into an extremely important element of our associate proposition helping us manage attrition and help our associate take the money further, what we call winning with our people. So, that was the brief overview of our four focused areas in the last quarter, customers, cost, cash and technology intensity.

I will now give you a brief flavor of maybe the performance by platform starting with workforce management and general staffing within workforce management. General staffing revenues were up about 5.3% in the quarter versus Q1; the headcount was down by about 3.8% versus Q1. The headcount reduction in the quarter came mostly from retail down about 12%, BFSI down about 9%, offset by an increase in the logistics up about 35% and telecoms up about 9%. We are encouraged that September saw a 1% increase in headcount and for every customer who degrew headcount in the quarter, about two customers have actually shown a growth in headcount in the quarter. Q1 was the exact opposite, in Q1 for every customer who grew, two customers de-grew and we are hoping this is the sign of better growth to come. We anticipate Q3 will see the general staffing business grow further; although we may not see the typical festival season spurt, growth should start.



New customers acquisition in GS has continued to be promising with 23 new logos added in the quarter. We are working on accelerating it, especially in the industrial vertical where we have traditionally been underpenetrated. We are also ramping up our presence in task-based contracts to meet demand from new customers who have very short-term needs. With new labor loss recognizing Gig platform based employment, we believe that task-based work will be an integral part of the mix, general staffing monthly permanent will always be needed but there will be a need for flex and we want to see how we build our capabilities to match our customer needs in this area. GS will also, by the way, be the biggest beneficiary of our QJobs platform, with an ambition to drive recruiter productivity to multiples of the current level and several pilots underway. So that was general staffing.

The second part of workforce management is IT staffing where the domestic business is doing better than our pre-COVID-19 plan. Our EBITDA, I am happy to say, is up 52% versus Q4. We have seen a 240-basis point margin expansion from successful execution of our strategy to focus on higher margin positions with some very impressive new partner acquisitions. So, we are very excited about this improved trajectory in domestic IT staffing with our businesses in Singapore, APAC and Middle East remaining largely on pre-COVID-19 business plans to date.

The third part of work force management is our training and skill development business. This continues to be deeply impacted by lockdown through the quarter with most of our facilities not being able to open. Revenue was down about 84%, losses have, however, come down in Q2 versus Q1 with us managing down some of our costs, although the EBITDA reduction in the same quarter last year was about Rs.17 Crores. So, of the Rs.24 Crores I gave you earlier, about Rs.17 Crores come Excelus. The Government has committed to cover some of the fixed costs we incurred during the last six months, but we have not provisioned for this yet. This amount when it come, if it comes, would be an upside should it come. The business has started off operations now in B2G and we kicked off some exciting new B2B projects also, including one level established, 150 plus vocational training centres pan India and we should see by Q4, I think, TSD coming back to full operational speed, assuming that COVID-19 continues to subside and there is no major incidence in our centres. So, that was workforce management.

The second platform is operating asset management of which the first part is integrated facilities. The IFM business can be broken into housekeeping and food businesses. Our total IFM business revenues in Q2 fell by about 5% versus Q1 and this fall was completely attributable to the food business. So, on the housekeeping front if you look at the IFM business, performance has actually been flat year-on-year despite IT services;



the IT service sector which is about 25% of revenues in Q2 seeing a reduction of third versus last year owing to continued work from home.

The manufacturing, healthcare, BFSI, infrastructure are pretty much back on track and back to pre-COVID-19 level; so really housekeeping has been flat. It is the food business which used to be about 15% of IFM revenues in 1H about a year ago has fallen about 46% year-on-year and that is really what has driven the EBITDA reduction in this business.

Our team has shown strong resilience during this time using the quarter to further strengthen and go-to market approach with a very sharpened vertical focus on Healthcare, Industrial, Public Utilities, emphasizing innovations such as chemical-free sanitization and biophilic workplace. Our integrated sales teams have started a strong pipeline with focus efforts on 75 plus large and strategic accounts and have added 70 new logos in Q2 of which five were integrated offerings with security. We hope for an even stronger H2 in terms of customer acquisitions.

On Terrier, the second part of the OAM platform we have seen significant downsizing pressure especially in IT services which accounted for a third of its pre-COVID-19 revenues. Overall, revenues of Terrier were down about a quarter year-on-year. We have not lost customers per se; on the contrary we have added 20 logos in the quarter but we have fewer heads deployed per site, especially given the reduced use of office building and the reduced use of transportation in IT and ITES in this period. So, we do expect these numbers to recover as workers return to work and, in the meantime, we are doing whatever we can do to provide new sales activity especially mantech combined view by improving the operational performance and digitizing our workforce management to improve agility.

The team has also done a great job on collections. They had their best collections month ever in terms of absolute collections brought in and they have brought their DSOs down.

On the industrial side, which is the third part of OAM, revenue has been pretty much flat quarter-on-quarter as declined towards the end of Q1 was offset by growth over Q2 with the start up of industrial and manufacturing operations across the country. The team is focusing hard on digitizing our hiring and workforce management while expanding business development capability. The sales team is looking very strong and we expect really good momentum going forward in this business which is now fundamentally stronger than where it was a year ago. That was Operating Asset Management.



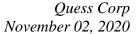
On Global Technology Solutions we saw revenues grow about 13% quarter-on-quarter, about 8% year-on-year with EBITDA following a similar trend. Our North American IT business continues to grow healthily with our go-to-market integration under one brand completed. North American EBITDA actually grew 20% quarter-on-quarter on the back of new customers and service lines. During COVID-19, we commenced a new service line on end user computing which has been the fastest growing business to cross a million-dollar annual revenue rate with very healthy margins.

We have seen new business come very fast in IT services, in private as well government sectors, with several new customers being added on the insurance platform. So, the IT story is a good story in North America. On the BPM side of GTS, Conneqt and Allsec both saw revenue growth in Q2 versus Q1 at 17% in Conneqt and about 6% in Allsec.

Talking about Conneqt, interestingly, although revenues are lower by 12% versus a year ago, EBIITDA was actually up versus a year ago on the back of strong efficiency measures taken in H1. With the lifting of loan moratorium we hope will be more or less back to pre-COVID levels in Q3 and return to healthy growth thereafter, especially as we see enthusiasm for our customer care-in-a-box digital solution and appetite that we think is higher than the fore for shared services outsourcing.

For Allsec, we saw revenues grow about 6% versus Q1 with EBITDA going up a little bit more than that at this point we expect Q3 also to be back to more or less pre-COVID-19 levels. This business has two parts, the HRO business and the CLM business. The HRO business especially continues to grow healthily. We had 30 new customer additions. As a matter of curiosity, by the way, and possibly a barometer for white collar employment in India, you will be interested to know that on the same customer basis our Indian enterprise customers saw the total number of pay slips processed per month fall very marginally in the quarter and overall down about 5% versus March FY2020, so Q4 FY2020. So, we have seen overall in the white-collar space may be a 5% drop in employment although Q2 saw continued drops especially in weakening in FMCG with increase in BFSI and e-commerce.

Moving to Monster, Monster has seen traffic up by about 60% in Q2 compared to Q1. Recruiter search volumes increased by 30% versus Q1 after a 50% decline in the previous quarter. Job postings have increased by 69% in the quarter and 29% higher than Q2 FY2020 as well with sales performance also up by 46% quarter-on-quarter. Renewals have shown significant improvement compared to last quarter and actually are close to all time high. The business has had another positive EBITDA quarter although we do expect Q3 to be slightly negative again given some planned investments. We continue to be





optimistic about this business trajectory, with its improved product performance, renewed recruiter enthusiasm and overall better operational tightness all around.

The final part of our emerging business is QDigi which has had a strong Q2. Operations are back to normal with many new customer acquisitions. We actually closed Q2 in QDigi with highest quarterly EBITDA ever and we expect to grow further in Q3 on the back of festival season volumes. We have also launched our Extended Warranty product towards the end of Q2 which we hope will develop nicely.

That is the overview of the platform. I would like to close here by thanking each of you for being here today. Your support does matter to us. We cannot choose the time that we live. We can choose how we respond to them. We are excited about the choices we have made at Quess during the last three quarters to strengthen our institution's operations and balance sheet. We are proud of our team for the resilient demonstration at this time. We assure you we remain focused on our north-star of 'Winning Together' with our customers, our people and with you, our investors. We are now happy to take any questions.

Moderator:

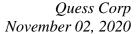
Thank you very much. We will now begin the question and answer session. The first question is from the line of Sudheer Guntupalli from ICICI Securities Limited. Please go ahead.

Sudheer Guntupalli:

Thanks for the presentation Suraj, as always, very insightful. Just wanted to know your thoughts on how this festive season is panning out; on one side we are seeing few data points that suggest there might be trends of revenge travel, revenge shopping etc., playing out. How real are these trends and how do we see these impacting different business segments of us especially in the December quarter?

Suraj Moraje:

I think the festive season has typically played out mostly for two businesses — our General staffing business and our DigiCare business. I think in our general staffing business, we are certainly seeing optimism come back, I think that it is clear that the economy is getting better day-on-day, week-on-week. I think what we are going to right now, the pre-Diwali period is also important to watch. Having said that, we may not see the spurt that we have seen in the past. Clearly, e-commerce is going up and we have grown nicely there in general staffing as well. But at the end of the day physical retail outlets today will still, by and large, use their existing stock of employees as far as possible to manage the festive season. I think beyond that, once they get comfort as people are coming back to the shops to shop again, and the last weekend seems to have been better than the previous weekend from all reports, I think we will start seeing further growth. Maybe from our side, the real implication is we need to and we will keep





focusing on areas where there is growth, largely around the e-commerce and industrial space.

On the DigiCare business, which typically has benefited from higher installation and servicing in the festive season, I think it is fair to see we have seen those volumes come in and we do think that the DigiCare business will have a better Q3 than Q2, I think there especially around the FMCG sectors, we are seeing a lot of uptake and sustained uptake still which gives us hope that a quarter ago when lockdown was over people said people are coming to buy, everyone is wondering is it for a week or two and then people go back. Now, hopefully, we are seeing optimism return. It is going to be key for us to manage these COVID-19 numbers, Part of what is giving me optimism at this point in time is that one week after Dussehra, we are still not seeing the spurt in COVID-19 when the numbers nationwide seem to be managed, which hopefully means that as a community we figure out how to go about our business and we still keep safe. But you will have to keep watching that balance, but they are optimistic at this point.

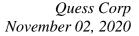
Sudheer Guntupalli:

Within general staffing, Suraj, you are actually talking about a new line of gig workers etc., which should see further traction under the new labor law regime. Can you kindly throw a further color on that?

Suraj Moraje:

Globally, it is very clear that people wanting to work part time and be paid part time is the phenomenon that is here to stay. That is one thing that is established. The second thing that is established is that Indian labor laws now acknowledge that gig platforms in the new laws is brought in within the ambit of social security and so we formally recognize, in some shape of form, that gig platforms are a real thing. Going forward, obviously in the short-term with uncertainty, a lot people are looking to say can we actually, in addition to having permanent staff who manage the base loads, have temp staff who manage the gradual peak. Can we also think about how we get the sort of task base staff who manage dramatic peaks for weekend, let us say like I want people only for a day every Saturday or let us say I need to go and enter a new city and I need a bunch of activities to be done in that city. These kinds of staffs lend themselves to people who will work on a per staff basis. We think that given that now this is in the mainstream, we have always have huge premium on being compliant as a company, the government has now recognized that this is something that is needed. We want to play a part in that space, we do have a couple of contracts where we are experimenting with this, it requires slightly different technology, slightly differently operating skills. So, we will see how we can augment our strengths and then experiment of this space. Guru you want to come in.

Guruprasad Srinivasan: Gig has seen in a way featuring here and there though it is getting formalized now, activities are there, they have weekend promoter's activity which are buffering. So, this is





a value add for us in Quess as part of the staffing to formalize and get into the sector so, this will only help us to build more on the segment. These are the activities which we are not probably catering perhaps to run a weekend promotion or specific task-based projects, so it will help us to play in that space going forward.

Sudheer Guntupalli:

Thanks Guru and Suraj. We have done a very good job on cost rationalization and cash conversion over the first half. So, from the current levels how should we think about overall margins, segmental margins and cash conversion going ahead?

Suraj Moraje:

Moderator:

In our own internal projections, first of all, we have assumed that, over time what is going to happen is, some of these IDC reductions we will reinvest into other areas for example, technology and so on and so forth. So, I think what you should assume is that the EBITDA margins we had let us say last year, you should project them in your model and not use this year's EBITDA margins and then any upside to that, we will communicate overtime but for now just stick with last year's EBITDA and project those on an ongoing basis. I think overall the way we have thought about is this year Rs.70 Crores to Rs.80 Crores permanent saving in IDC is what we have built in, Sudheer.

Sudheer Guntupalli: Thanks, Suraj that is very helpful. All the best.

Thank you. The next question is from the line of Divya Jain from ICICI Mutual Fund.

Please go ahead.

Divya Jain: Thank you for the opportunity. My question is more regarding the sector exposure in

terms of general staffing, what are the traction sectors in the short-term and in our view which is the sectors which are most likely to witness peak growth in future. Just wanted

to understand in terms of the sector exposure how do we stand?

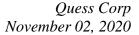
Suraj Moraje: Lohit you want to take that for GS specifically?

Lohit Bhatia: Good afternoon. I think Suraj did allude to this I will just elaborate a bit more in line to

at Quess in the last two years we had taken a strategic front and grown our BFSI segment and that today for us is a largest followed by Retail, Telecom, Industrials, FMCG, FMCD, IT/ ITES and Logistics. Coming back to your specific question on where are we today and what do we see, and again taking a lead from what Suraj was initially mentioning, if you notice e-commerce logistics has definitely shown stupendous growth, IT/ ITES as he mentioned, not just in India but we are seeing growth across Middle East, APAC and COMTEL, our asset in Singapore, as well. Industrial is something that we are

growing as a complete segment. To give you an idea, industrial used to rank the fourth

your question, if you really look at it from a GS or a workforce management perspective,





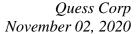
largest segment for us and was only 11%. In the last six months, we have seen much more traction coming in industrials and all of us are reading it as to why that is happening across the country. It also feeds to the rural demand and the semi-urban demand, while retail is the one big segment which is number 2 in our segments list at the moment remains either flattish or degrowing. Retail also, predominantly, if you notice our customers are finding better traction in rural and semi-urban, but if the urban market where they are still concerned, they still care and people are a little concerned about COVID-19 numbers rising and hence not frequenting stores and malls the way we would have liked to see by Q3. So, how we are looking at this is we are growing where we see India is growing in terms of employability, which are Industrials, Telecom, Logistics and BFSI. We are also noticing that till September, which is the turnaround that Suraj mentioned, the BFSI segment has opened up lot more than they did in the first five months. It also coincides with the end of the second moratorium and that is one of the reasons why BFSI traction in Q3 and Q4 will start to stabilize and start to grow for us. Adding to that, we are definitely looking at newer markets for ourselves, we are definitely looking at newer customers and as our disclosures given for this quarter, 80 new customers have been added in WFM, 23 of those have been added in General Staffing, all of whom if you notice would either have come from the stable of industrial BFSI or e-commerce.

Divya Jain:

Just a follow up to this only, if you see e-commerce, would you extrapolate this trend for years to come because of COVID-19 this has happened, eventually this might reverse back. Then, what would the growth pool for Quess in terms of General Staffing?

Lohit Bhatia:

The interesting thing about Quess and the General Staffing portfolio is that they are equally large as a market leader in retail as well as in online presence, which is ecommerce and logistics, and in a manner of speaking great kudos to our teams which have had that diversification strategy over the years and it is paying for us today. So, there are segments which are growing like you rightly said because of COVID-19 and people are moving away from offline to online but as Sudheer also mentioned in the previous question, and so are you alluding towards, there is a degree of revenge shopping, revenge buying which has been noticed and it has when things like pandemics do come to stability. With more and more people now getting, let us say, more stable in their jobs, getting incomes which were deducted by their organizations reinstated back to them, period in front of us would possibly be for bonus and incentives and thereafter, at some stage, next financial year, may be even appraisal that brings back the consumer confidence which is missing today. So, from a Quess perspective, the way you have to look at it is, even if Q3 we are not seeing the kind of retail traction we have seen in the prior years, we are very well placed between the two legs. E-commerce growth also lends to growth at Quess WFM level and General Staffing. The retail growth also lends to, in a





manner of speaking, because the customer base in both categories is equally large for us and if both grow then it is overall absolutely wonderful circumstance.

Suraj Moraje: Thanks, Lohit.

Moderator: Thank you. The next question is from the line of Aditya Bagul from Axis Capital. Please

go ahead.

Aditya Bagul: Good afternoon gentlemen and congratulations on wonderful numbers amidst really

challenging time. I have two questions: one is more near-term; we have talked about some fixed cost reimbursements from the government in the Excelus business. Is there a chance you can quantify that number for us and assuming that Excelus wise Q4 or Q1, do we expect workforce management to go back to the 5.1% - 5.2% margin trajectory? That is the question number one. If I may I will ask the second question as well. A lot has changed since, close of 5th of March, when we had our annual conference, in terms of where we are both in terms of our assumptions and where we want to go. Though our target of 20% ROE remains very, very clear, just wanted to understand the two or three blocks which are key to delivering that number and how are we placed given the last six

months on those peak outs?

Guruprasad Srinivasan: Aditya your first question was regarding the grants. We have been having series of

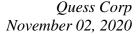
discussions at appropriate level with the government for last almost about 60 days. We cannot put a value to this at the moment; these are the cost reimbursement basically that we are asking for all the centers which have been shut for almost six months now. So, while till date we do not have a denial on this, but we have not counted in our projections, so if at all it comes, it is going to be an upside, so whatever comes is going to be an upside that is where I would leave this bit. The second question that you asked was will our margins be back at level of where it was pre-COVID-19 in total WFM? One thing that we have got a clearance rather in many places that by mid of November the centers are going to open so, that is a clear indicator for us. There might be lockdown that may continue in few states but majority places we should continue. So, by Q4 we will be

fairly back on to track with this business.

Suraj Moraje: Let me take the question on ROE and how we are going get there. There are four buckets

of work to get the 20% ROE from where we are today. Two buckets fit into EBITDA, one bucket fits into PAT and one bucket fits into the denominator of equity. Let me talk over each of these. So, there are four pieces of work, one is to make sure we are growing our good businesses at, let us say, 20% topline year-on-year and getting some operating leverage out of them in the process and that is something which I think is quite easy to

understand. The second part on the EBITDA side is just harvesting some of the streams





that we do not believe we will get to profitability or reducing some of the unprofitable businesses that we have. So, if you take look, Monster was at -24% last year, this year, we are at +6% so far let us see where we end the year. But some of those drains or Dependo which we sold we are just getting some of those orders, the picture already kind of adds on to the starting point of EBITDA if you will. So, those are two on the EBITDA side. The third is then improving our PAT to EBITDA conversion rate and that is really around managing interest costs, managing our intangibles and managing our depreciation. We have interest costs paying down our debt as quickly as we can, and you are seeing from the execution there. On depreciation, it is really around how can we manage capex better, are there ways to optimize it and as we speak, we are looking at elements of that. On the intangibles, the Tatas do have a put option on Conneqt as and when we do that, the MCI put cost will come down so, that should progressively come down also. So, that is the third part which is managing the PAT to EBITDA conversion. The fourth part is just ensuring that we keep control on the denominator which really means thinking through; I think one of the things that we will think through once COVID-19 is behind us and once we have visibility is for example, we are thinking about our dividend policy, we will be very careful in any capital that we raise to make sure that whatever we raise is clearly going to go into equity and ROE accretive ways so, that is the fourth thing managing the asset base. At this point, internally we are still targeting FY2023 to get there, and we are doing our damn best to run behind it, and we will give you updates as and when we have them.

Aditya Bagul: That is very insightful Suraj. Kudos on exiting Dependo and Quess East Bengal Football

Club; just wanted your thoughts on any other businesses that we had wherein we are

looking to have a strategy exit now?

Suraj Moraje: There is nothing that proactively looking at right now Aditya as and when we do, we will

come back to the updates at this point, I think, no update to give.

Aditya Bagul: Perfect Suraj. Congratulations once again to the entire team and best of luck.

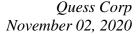
Moderator: Thank you. The next question is from the line of Nitin Padmanabhan from Investec.

Please go ahead.

Nitin Padmanabhan: Good afternoon everyone. I had two questions. One is, on as the General Staffing

business, we have seen revenue growth despite a drop in headcount. Is this because of the

incentives coming back or how should one think about this?





Suraj Moraje: Absolutely. What has happened between Q1 and Q2 is some of our salespeople have

gone back to work and many of these contracts are fixed price contracts and therefore as

we get incentives it is pretty much parked there.

Nitin Padmanabhan: The second one was: in the first half I think we have had Rs.50 Crores impact on

EBITDA from Excelus and the food business. Do you think the second half you will see recovery there, with some at least Rs.30 Crores-Rs.40 Crores of additional EBITDA, is

that a fair way to think about it or it could be at longer?

Suraj Moraje: I do not want to give a forward-looking thing but I will tell you, I do not think we will

reverse all of it. Excelus, for example, the startup has started but we started up now with new SOP's, much more social distancing, so the profitability per site may not hold. On the food business, we really dependent on two things, education institutions starting up ad we are seeing some startup progressively from November 15, right. Question is, how many parents will allow their kid to come back of kids who come back how many will actually from the dormitory versus being told by their parents to hold themselves up in the room and make their own food. All these behaviors have to play out and for the part of food which is linked to IT services those folks have to come back to work so, it will be progressive within. It will be progressive we are hoping that work to office at this point will go faster than everybody expects because once people come back to work, we feel

people like it, but we have to see.

Nitin Padmanabhan: Suraj I will probably get in for a follow up. Thank you. Thanks a ton.

Moderator: We take the next question from the line of Shariq Merchant from Duro Capital. Please go

ahead.

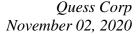
Shariq Merchant: Good afternoon everyone. I had a very basic question on the DigiCare business. Could

you help understand the economics of the business and the opportunity that you see in the next two years to three years, how should we thinking about the business scaling up, the

challenges that you face in the business, and the margin trajectory as well?

Suraj Moraje: Look, I think this is a business which has traditionally been very brick-and-mortar

business. It was driven by mobile handsets servicing in brick-and-mortar service facilities. I think the breakout that the team has made in the last few months is that, at this point, the amount of activity coming from field services has actually equalized the amount in physical retail. What we are trying to do is to variablize our cost structure so that we are not tried down to physical facilities. So, that is one way of movement. I think the other we are moving the business is to move beyond mobiles into all kinds of consumer appliances. So, at this point, for example we had a very large installation





partner for Amazon for anything that they sell off their websites and many other consumer durable companies, if customers call for warranty or outer warranty, it is actually our people who go and service. So, the way we are thinking about this business is to kind of make it, overtime, much more B2C rather than B2B, directly linkages with the customers whose homes we go to, providing high quality service; so I think we should therefore see EBITDA margin expand gradually over the time and we should see continued growth. What we do not want to do is put in too many additional brick-and-mortar stores that are customer facing because one of the realities of this business is that it is highly seasonal. So, air-conditioning kind of spikes 3x, 4x around February-March, installation spike in Diwali; we want to make sure we keep our fixed cost low and have access to our variable cost of well-trained labour.

Shariq Merchant: Thank you, so much.

Moderator: Thank you. The next question is from the line of Rajesh Kothari from AlphaAccurate

Advisors. Please go ahead.

Rajesh Kothari: Congratulations for good cash flow focus and more gross debt repayment and I hope

more net debt repayments also happens over a period of time. Sir, my question is very basic question, if I look at your first business, the workforce management and if I add back 17 Crores to EBITDA to 63 Crores EBITDA reported by you but it is still 20% decline compared to last year, 15% decline compared to last year 91 Crores. That means

we have lost margins somewhere, so can you tell us why is that reflecting like that?

Ramakrishnan S: I think one of the things, Rajesh, you should consider is that couple of businesses on the

workforce management where the business was down, especially in Excelus, the training and skill development, our margins are considerably higher as compared to compared to

our General Staffing. So, like Suraj mentioned once we have training and skill

development business launching back, that should help us to kind of get these margins

back in shape; that is number one. Number two, I think we discussed this in the past also,

that we are signing up some large deals; since the size of the deals could be large, there

could be the possibility where we start off with relatively a lower margin and over the

period of time catch up as we increase the scope; so that is the second thing. The third thing is, I think, during the festive season generally there is a lot of pass through. So,

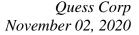
which means that now the revenues would get pushed up but not necessarily the margins.

As the pass through comes down over the period of time because the festive season is not

there, or we get past the festive season, then I can settle that will also contribute to get

back to these original margins. So, those are the broadly I will say three probably tickers

which contribute to the margin.





Suraj Moraje:

The other way to think of it Rajesh is, when you take the Rs.91 Crores from the same period last year and you subtract Rs.17 Crores you get to about Rs.74 Crores, your point that is about 14.8% lower, but you also talk 18% lower headcount overall. If you look at the revenue EBITDA per headcount or so if gone up a little bit is my sense because of cost cutting. That is how I think about its Rajesh.

Rajesh Kothari:

So, Rs.17 Crores is it your cost or is it an EBITDA lost when you are putting Rs. 17 Crores is the number?

Suraj Moraje:

Differential; if you take the EBITDA in the quarter last year plus the losses this year, the differential EBITDA.

Moderator:

Thank you. We will take the next question from the line of Jonas Bhutta from Phillip Capital. Please go ahead.

Jonas Bhutta:

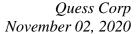
Good afternoon and thank you for taking my question and congratulations on the phenomenal cash flow performance. I had two questions. First, on the comment where you have seen growth in September-over-September last year, A) whether that sort of pulled through even in October and digging deeper within that, just trying to understand, whether this growth is coming back from existing clients returning to work on their existing site or a bulk of this has come from new site getting deployed from new clients. Just trying to get a handle on whether this is a new business coming in or existing clients just going back to the old mandate that is the first question?

Suraj Moraje:

I think it is too early to comment on October, the numbers typically come towards literally the first week of the following month. See, I think if you look at the headcount increase, in Q2 it comes from existing customers so if you look at I think, two or three customers have grown headcount and that is where really the pluses have come from. Lohit if you want to give any more granularity where into new sales, what role new sales has clearing headcount you want to just launch.

Lohit Bhatia:

Happy to Suraj. If you look at it from what we have been speaking about since the last hour, primarily what happens is whenever you sign new relationships and new customers, it takes a few weeks and few months for the oil to get smoothened into the engine and things to start reflecting in headcount, in revenue and then fall through into EBITDA. Most of the customers specially sign during this financial year having large upside in future; however, they have been cautious themselves also and they are giving smaller mandates, what we spoke about was that possibly the worst for the WFM platform is somewhere in the mid of August, from August 3 onwards we have been seeing week-after-week performance improvement in the last few weeks of August as well as four





weeks of September and coming into October. This is encouragingly happening from two out of three customers which are giving us a growth, existing, as well as the new markets and as well as the focus on industrials and logistics that we are putting it because we feel that growth will continue to happen for the next couple of quarters, till the time retail and the other consumption pack comes back with the bang and comes back with the degree of revenge shopping. How you have to really look at it is the corner has been turned in spite of the fact that the second largest segment, which is retail, is still degrowing; in spite of the fact that against the traditional year when Q3 would have seen huge offtake by retail, FMCG, FMCD customers in malls and shopping outlets still being very subdued this year, in spite of that the recovery has begun. As the recovery spreads to other segments, as we sign more customers, and as we go deeper with the customers, the customers that we have signed, you will start to see more profound impact in terms of numbers.

Jonas Bhutta:

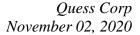
My second question was more from sourcing point of view. While historically, and I appreciate the initial comments that you made on QJobs and that is more the derived from that, where the earlier understanding was that sourcing, company did not really get remunerated by clients for the entire cost of sourcing and associate, with QJobs coming in, do you expect that the cost per associate, sourcing for associates comes down dramatically and whether you can recover that cost now from the client, if you can elaborate on that? That will be great.

Suraj Moraje:

Lohit, why do not you go for that one too?

Lohit Bhatia:

If you really look at it the reason and purpose for putting technology together is one, there is a disruption in doing things physically. In the past if you walked across to any of the Quess branches, 65 branches, 122 training centres, I am talking about workforce management and general staffing is always find those queues outside every branch where hundreds and thousands of people would line up to get jobs. We know for a matter of fact that customers are not going to walk in to our branches as frequently as they used to do in the past, candidates cannot come to our branches and stand in queues of hundreds so a) we will have to provide for a digital way of increasing that. But what Quess did not want to do was just convert an offline process into a digital process. What we wanted to do was morph that into the productivity enhancement. So, some of the leadership which have come in very recently let us say Sekhar for that matter and team under Sekhar and what Suraj driving in terms of transformation of technology and processes is primarily for what we have just spoke about. The initial data points will reveal that if we will be able to garner greater market share for what is available when the customer throws an open mandate to anyone. The second data point will show us the productivity per recruiter per month which eventually will translate into lower cost to serve and thereafter, it is up to Quess or the business to either monetize that and start converting that from a





revenue perspective also, add an additional line of revenue and margin or to continue keep to keep it as a productivity enhancement tool, take business away from others in the market place and disrupt using a lot of technology be the fastest finger first and give five times more than what anybody else would do. I hope that kind of articulates the vision. I will not be able to go into the specific matrices and numbers if you understand but we can always give you, directionally, if you want to have a chat offline.

Jonas Bhutta: That is helpful. I will catch up with you offline. Thank you and best of luck.

Moderator: Thank you. The next question is from the line of Alok Deshpande from Edelweiss. Please

go ahead.

Alok Deshpande: Good afternoon and congratulations on a great set of numbers in a challenging time. My

first question is on the fixed cost, so in the first half, as you had mentioned, there is a fair bit of cost cutting which you guys have done, just wanted to understand how much of those costs are likely to come back once things start to recover back and start going back to normal, may be in a year and next year or do you think that this cost cutting is more

sort of structural now?

Suraj Moraje: There were two non-sustainable elements of our Q1 cost cut, one was there was some

salary cuts being passed on and the second is I think on the time of COVID-19 travel cost come down and all such major cost come down, the employee cost cuts we have now completely reversed and we have got rental waivers in Q1 as well, which was just for the Q1 period. I think of those three elements, two elements have completely reversed in Q2

which is salary cuts and rental waivers so at this point the only benefit we are getting because of the lockdown is really in our travel cost and, let us say, cost of business promotion if you will. That should be about Rs. 2 Crores to Rs. 3 Crores a month when it

does come back. I think in that sense what we have gone about doing is very sustainable. I think the question is how much of this do we choose to reinvest in the business as we

shift cost from let us say non-productive to investments around technology and other

areas to reinvent our business module and that is the call we will make progressively as

we get into the next year.

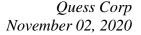
Alok Deshpande: My second question was, compared to last year especially the first half of last year which

was FY2020, in the General Staffing business has there been sort of uptick in the realizations because even if you were to look at the General Staffing revenues year-on-

year or quarter-on-quarter, we have seen the revenue go up despite a fall in headcounts. Specially after H1 of last year has there been an uptick in realizations in Staffing?

. .

Ramakrishnan S: No, there has not.





Alok Deshpande: That is, it from my side.

Moderator: Thank you. The next question is from the line of Abhijit Akella from IIFL. Please go

ahead.

Abhijit Akella: Thank you so much. I just wanted to get your thoughts on one point. This is regarding the

IT staffing business wherein you have talked about a very encouraging improvement in margins and maybe somewhat similarly in the North American ITES Services business you have seen strong EBITDA growth along with new service line, if you could please just talk about what initiatives you have taken exactly and what is driving these

improvements and what we should expect going forward? Thank you.

Suraj Moraje: Look, I think IT staffing, around Q4 last year, we decided that we really wanted to focus

our sales efforts on acquiring more customers who had need for the higher end profiles. Over the previous year or two, we thought of really growing headcount at the cost of the

EBITDA margin, by going after BPO and telecom sort of verticals. I think we had made a call in Q4 to say we actually want to double down on the other verticals. Customer

acquisition has been very healthy. I think the team has been completely internalized what

we want to go after, and no doubt they have been helped in this time by the fact that there

is much more demand for specialised skills. So that acquisition has been encouraging, Abhijeet. I think the second in IT Staffing has been cost. I think the new CEO there,

Vijay Shivaram, has moved very quickly to optimise our operating structure to just

improve the tightness in how we work, so we let go on some facilities there, we have

kind of being much more technology intensive and how we conduct the business and that

is bringing down our cost as well and that should sustain. That is on the IT staffing. On

North America ITES also, I think we have had a few things, integrating our go to market

under one brand, outside of the government business has certainly helped to bring the

heft of Quess to the market in North America. We are going as a one and half billion

dollar company with a presence in North America rather than many small subsidiaries.

The customer acquisition has been positive. I think the management team there moved very quickly to introduce end user computing support product service in the middle of

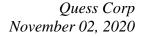
COVID-19 at a beginning of COVID-19 in Canada and that has taken off very well also

with a very attractive gross margin. The collective investment over the last year in

customer pipeline, developing the business, driving specific service lines is starting to

pay off. I think that is the way I would say it, Abhijit.

Abhijit Akella: Thank you so much.





Moderator:

Thank you. Ladies and gentlemen, due to time constraint we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Ajit Abraham Isaac:

Thank you. As many of you would have seen we have a number of irons in the fire. We have got QJobs and the project WorQ. We have got the market, we have got the turnaround of Monster, we have got the improvements at DigiCare, we have got increase in pay slips at the HRO business, the increased sales funnel in the Industrials business, we have got the return to offices progressively that will happen in the workforce management business and the same issue impacting our IFMS business and additionally the improvements that we have already seen on the balance sheet and in our professional staffing business. Our management team is working consistently to ensure that from each of these things, we derive as much value as we can. Secondly, the external environment is changing and is improving we think so and as much as we can do internally, the public health situation is key to a lot of our business. This, we think, will improve and as it improves it will have a quantum impact on Quess. Our internal focus on goals is very sharp. Issues like sales, technology, people and projects that are leading to a greater ROE and we believe that we get out of this year, we will exit this year in much stronger position than we were coming into it. Lastly, labour laws and the changes in it will present many opportunities to an employment-heavy company like Quess and Quess is well placed to take as much leverage the opportunity that comes from the liberalization of labour laws in India. On this note, I would like to thank you for joining on this call. We look forward speaking with you again at the end of Q3. We hope to continue the momentum that we have got in the business and the forward movement that the management has been able to put it into the team. We will share more of this as we meet in the next quarter. Thank you for your time and look forward to seeing you all again.

Moderator:

Thank you. Ladies and gentlemen, on behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purpose)



Investor / Analyst contact:

Subramanian Ramakrishnan Chief Financial Officer ramki@quesscorp.com +91 80 61056208

Corporate Office:

Quess Corp Limited Quess House, 3/3/2 Bellandur Gate, Sarjapur Road, Bengaluru 560103, Karnataka, India

Tel: +91 80 6105 6001 connect@quesscorp.com CIN No.L74140KA2007PLC043909

https://www.quesscorp.com/