"Quess Corp
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Moderator: Good morning, ladies and gentlemen, welcome to the Quess Corp Limited Q2 FY22 Earnings Conference Call, hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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. Abhijit Akella from IIFL Securities Limited. Thank you and over to you Sir!

Abhijit Akella: Thank you Lizaan. Ladies and gentlemen, good morning and thank you for joining us, on the Q2 FY2022 post results conference call of Quess Corp. It is my pleasure to introduce the senior management team of Quess who are here with us to discuss the results. We have with us Mr. Suraj Moraje – Managing Director and Group CEO; Mr. N Ravi Vishwanath – Chief Financial Officer; Mr. Sekhar Garisa – Chief of Emerging Businesses and Corporate Development; Mr. Guruprasad Srinivasan – Chief Operating Officer; Mr. Lohit Bhatia – President Workforce Management and Mr. Pinaki Kar – President Global Technology Solutions. We will begin the call with opening remarks by the management team and thereafter we will open up the call for Q&A session. I would now like to hand the call over to Mr. Girish Kumar Sharma – DGM Investor Relations to take proceedings forward. Thank you and over to you Girish!

Girish Kumar S: Thank you Abhijit. Good morning everyone and thank you for joining our earnings call today. Please note that results and presentations are already uploaded on our website. Anything we say which refers to our outlook for the future is a forward-looking statement and must be read in conjunction with the risks that the company faces. These uncertainties and risks are included but not limited to what we have already mentioned in the prospectus filed with SEBI**.** With that said, I will now handover the call to our Managing Director and Group CEO, Mr. Suraj Moraje. Over to you Sir!

Suraj Moraje: Thank you Girish. Good morning everyone and thank you for joining us today. We hope that you had a good weekend that you safely transition back to your offices. I hope you are taking your call from there, machine coffee and all.

Let me start by briefly giving you an overview of the business and then handover to Ravi, to talk through the financials including walking you through the extraordinary charges this quarter. We will then be happy to take questions.

Q2 saw an accelerated opening of the economy providing significant tailwinds to our business. With the economy projected to grow at north of 8% this year hiring in employment activity has been in full swing. Indeed our Allsec payroll data shows over 11%

increase in same-customer pay slips processed in September this year versus March 2020 pre-COVID, reflecting broad-based growth in employment amongst large enterprises across sectors.

While delays in return to office in segment such as IT and Education continue to exert pressure on parts of our OAM business we are hopeful that with the pandemic current trajectory, we should see smart recovery here too by Q4. Our focus for Q2 was really to take advantage of the economic surge riding on the significant investments we made over the past quarter and sales capabilities and verticalization and technology lead delivery.

Speaking of technology led delivery I am pleased to inform you that Quess Corp has been named amongst the top HR Tech Solutions Providers in India by the Enterprise World Magazine. With the exception of IFM as already mentioned our large business of all demonstrated exceptional growth driving our consolidated revenues up by 23% year-on-year and 8% quarter-on-quarter, so we are about a third larger than we were about a year ago in terms of revenues.

At this point of consolidated revenues have shown above 7% quarter-on-quarter growth for three out of the last four quarters. We are also delighted to report a highest ever headcount of 401,000 FTE with headcount growing 9% quarter-on-quarter in two out of the last four quarters.

Please note that this number 401,000 FTE does exclude an additional 14,698 FTE who were processed in September but not on our roles at the end of the month, we think that some folks in Industry do add this number into their FTE number, useful to show it side by side, so you haven comparisons.

On the back of this strong growth as Ravi will explain in more detail, our EBITDA from operations has grown by about 12% year-on-year. Our focus on cash generation continues to remain razor sharp, OCF to EBITDA for the half year with about 88%. We do continue to think we can target 70% OCF conversion on a sustained basis going forward, at a growth rate of let us say about 20% year-on-year topline.

Current performance aside, we are happy to report that we are continuing to build a formidable revenue pipeline for coming quarters, acquiring about 265 new customers in Q2 versus 195 a year ago. Our focus on gross sell continues to accelerate in H1 of 39 wins with an ACV of about 310 Crores in H1 itself versus about 270 Crores of ACV for all of last year. 16 of these customers are completely new to Quess where it was our frontline salesperson who passed a lead from one business to another again highlighting the benefits of our winning together philosophy as one platform. Interestingly our data also implies a significantly higher conversion of lead that come from cross sell activities rather than from other sources.

Let us move onto specific starting with the WFM platform which posted a revenue growth of 27% year-on-year and 7% quarter-on-quarter. Our general staffing business has achieved the highest ever associate headcount of 267,000 a year-on-year growth of 31% or quarter-on-quarter growth of 10%. This is the highest count ever achieved by an Indian staffing company and we congratulate the team for this.

Fueled by this growth revenue is up 27% year-on-year in general staffing. Interestingly 25% of the incremental headcount growth in Q2 came from 59 new customers of whom over half are either first time outsourcers or have switched from local informal vendor. This highlights the continued formalization of labor in our economy. Our focus on driving productivity via technology led processes is also starting to show up in our results. QJobs accounts for over 30% of our hiring in cities where it is present and QJobs recruiters are 30% to 50% more productive than traditional recruiters. Our investee company Taskmo which is a blue-collar gig platform achieved a 12 Crores annual run rate well ahead of target, 3.5x'ing its monthly run rate over the last three quarters we have been invested them. We are very excited about the business and its synergy to our core business.

Domestic IT staffing continues to be in a demand rich environment growing its revenue by 35% year-on-year with expanded margins during this period due to our focus over the past quarters on higher skill profile. Going forward our focus will remain on growth and efficient management while we pilot new approaches such as higher train deploy, RTO and assessment base staffing.

The last major part of workforce management platform our training and skill development business continues to operate in a challenging environment. You will recall that the bulk of this business a year ago was B2G and we have decided to discontinue those activities while we are in the process of winding them down repeated start and stop of operations have made it challenging for us to track down partially trained candidates and even therefore notice enhanced volatility in the business performance. So that was the WFM platform.

Let me move on to our Global Technology Solutions platform which delivered an 18% year-on-year topline growth and actually noticeably a 33% year-on-year EBITDA growth as our focus strategies adopted over the last few quarters start to bear fruit. Global Technology Solution has four service components within it. First, CLM with the rapid growth of Indian consumer demand especially a lot of investments going into new tech-based startups and post pandemic what we perceive is an increase cultural comfort with virtual interactions in India, our CLM business has grown rapidly at 29% year-on-year, 10% Q-o-Q. Both

Conneqt and Allsec has had record client wins with Allsec especially acquiring more logos in CLM in H1 than in the past two years combined. We have made several business model innovations in CLM including taking a more solutions selling approach to our services and driving digitization and we are starting to see the mix of voice versus non-voice shift towards non-voice.

The second service line is non-CLM BPO, the collections business saw a revenue growth of 24% year-on-year, 13% quarter-on-quarter as restrictions across the country continue to ease up. The domestic F&A business had a 23% year-on-year topline growth. This growth is a result of Conneqt management strong focus on productizing and digitizing these two service lines over the last quarter and we are positive about the outlook.

The third component platform base services have two components, the HRO platform in our Indian subsidiary Allsec and the Insurtech platform and our MFX subsidiary in the US. The HRO platform the number of pay slips processed for quarter has grown 31% year-on-year, so passing the significant milestone of a million pay slips process for a month this last September. The Insurtech business, I am happy to say after a fair amount of investment and doubling down into vertical expertise has resulted in topline growth of 10% quarter-on-quarter in Q2 and interestingly revenue per FTE of about 10% year-on-year reflecting the non-linear nature of the platform business. We will continue to invest in both sales and technology capabilities in this platform area and we hope this will help us expand our margins in GTS overall overtime.

Fourth IT Services we offer IT Services in both India and Canada. Our domestic IT Services business saw a revenue of 41% year-on-year, 20% quarter-on-quarter largely driven by wins in our Infrastructure Management Services business. With the Canada business also saw a 5% quarter-on-quarter topline growth with our high margin managed service business delivering 18% quarter-on-quarter growth. I hope you appreciate that this is a significant uptick in the growth of our US businesses, and we do hope and expect this to sustain.

Before moving on from GTS, we would like to share that two of our GTS service lines has made their debut amongst global contenders on the Everest PEAK Matrix(s). One being Multicountry Payroll Solutions and the other being Insurance Platform IT Services. We are pleased to show up formally on the Matrix and we look forward to improve ratings in the years to come as well as having more service lines qualify into these matrices overtime showing our enhanced capabilities in these areas.

Next, we come to our OAM platform where growth has been a bit more muted overall. Our base still at 15% topline year-on-year; the facilities and security services business continues to be challenged given the IT, ITES and education sectors did account for 49% of pre-COVID revenues and are yet to return to office completely.

This was partially offset by very rapid growth in BFSI, manufacturing and logistics segment. New customer acquisition in IFM continues to be very strong with the pipeline this year being 2.5 times of pipeline last year and we have been very aggressive in IFM increasing our customer wallet share with over 35% of IFM customers now using more than one service line.

Overall, the business achieved revenue growth of 3% quarter-on-quarter and 13% year-on-year. We are doubling down on sales to accelerate sales and we should see improved performance in the quarters to come.

The IFM business has also made big strive on efficiencies. Process digitization has taken a core to associate ratio up to 81 in Q2 from about 66 a year ago and our cost to service down to 4.6% from 6% of revenue over the same period; however, EBITDA had remained muted due to a decline in the high margin food business as certain education institutions closed in Q2.

Our security business has witnessed a recovery in Q2 with revenue growing by 12% year-on-year, 8% Q-o-Q, customer acquisitions remain strong with 26 customers added in Q2. We are working on driving our profits in both IFM and Terrier and we expect to see material progress in quarters to come.

Our industrial business continues to see momentum on the back of improved outlook in metals and telecoms sectors. Q2 revenue was up 10% quarter-on-quarter with a business winning 5 new clients during the quarter. This momentum you are seeing is a result of significant investments in capability and sales force over the last 18 months and we do hope this will continue.

Let us move to our emerging business where the last quarter has witnessed some significant milestones in progress. Monster's turnaround is now resolutely on a strong trajectory. Sales and revenue have been growing for four out of the last five quarters and continue to grow in Q2 by 65%. Key health indicators like recruiter searches and consumption have shown over 50% improvement over the last two quarters with a trajectory continuing.

Customer experience continues to improve due to product improvement. CSAT has actually topped 80% and customer retention rate crossed 70% both at a three-year high levels. In this context we do believe now is a right time to invest in growth. We have seen significant interest from external parties to invest into Monster and are pursuing alternative to supplement this with may be about $10 million of our own capital of over the next two years. We will come back to you with more details and disclosures when we have firmer plans.

Moving onto Qjobs, much has been said about the need for improved hiring practices in the Blue-Collar Space in India, on the one hand job seekers in the segment who do not have resume find it hard to stand out from others and discover the best possible opportunities. On the other hand, recruiters are just made as a large number of unqualified candidates turning up during online platform searches leading to very, very poor conversion rates. We believe we are at best positioned to solve this problem and have build Qjobs from scratch to be India's most efficient Blue Collar hiring platform.

While for a typical recruitment platform hiring efficiency maybe in the range of 2% to 3%, Qjobs optimisation driven by advance algorithms and deep inside into recruiter behaviour allows a hiring ratio of up to 25% to 30% for key profiles. Candidates who credentialize themselves using our unique skilling system are also 5x more likely to find a job, in fact I would encourage each of you to download QJobs today try and see the product for yourself, everyone we have demoed the product to, any of us have demoed the product to have actually been very impressed by the quality and I am happy to inform you the Qjobs has actually crossed a million downloads with more than 2,200 companies using the app to recruit offering over half a million jobs.

We are proud of the industry leading efficiencies, we are leveraging in the recruitment process and the same is also being validated by exceptional NPS scores of upwards of 50 from the users. We will continue to take a long-term view in investing in growing this asset in which we have also seen external interests to invest. QDigi recorded a great quarter with revenue growing by 90% Q-o-Q on the back of pent up demand in the economy while traditionally a B2B2C business, QDigi has definite opportunity to work directly with consumers on both on demand services and insurance product while B2B continues to perform more strongly than ever, we are happy to share that we have launched dedicated talent for our B2C business. We have launched about 40 extended warranty products already and we are on track to sell over 100000 extended warranty policies this year itself. So, that was an overview of the business.

Let me close by saying that we are in an exciting business environment. We are optimistic about the times to come as we continue to focus on our joint goals of fitting and sustaining a 20% ROE while growing OCF at 20% CAGR. I would like to offer my heartfelt thanks to the team and to every Quessians who I think has outdone themselves in the past quarters to build the capabilities to put us in the place where we have the momentum we have today, and we thank you, the analyst and investor community for your support to us and to our institution. Ravi, over to you!

N. Ravi Vishwanath: Thank you Suraj. Good morning, everybody. I hope all of you had fun, and joyous Diwali. Let me now walk you through the financial performance of the company, Overall performance: Our overall revenue in Q2 grew by 8% compared to the previous quarter and grew by 23% on a year-on-year basis. All the segments posted healthy growth numbers with Workforce Management, Global Technology Solutions and Operating Asset Management Platforms growing by 27%, 19% and 15% respectively on a year-on-year basis.

Our EBITDA growth has trailed that of revenue this is driven by three factors;

1. Change in business mix driven by faster growth in our low margin workforce management platform our higher margin OAM platform.

2. Higher incentive cost than a year ago, some indirect cost coming back etc.

3. Three, heightened investments into growth areas such as QJobs and focussed verticals such as construction and healthcare.

4. Lower margin year-on-year in our facilities management and Terrier businesses given the continued delay in pickup of IT and ITES verticals and the food business.

We are working hard to increase profit share. I hope to see improvements in the next couple of quarter.

Consequently, EBITDA from operations in Q2 FY2022 had improved by 12% on a year-on-year basis and 7% on a quarter-on-quarter basis to 157 Crores. This excludes an extraordinary ECL/Expected Credit Loss of 44 Crores which arose on account of the pandemic's continued impact of certain business where we have taken an additional provision of 44 Crores relating to credit loss based on expected time to recover. These relate largely to government training business. We do not expect any further credit loss in our businesses.

I would also like to spend a minute on operating cash flow. In FY2020 for every 100 Rs of revenue, we earn we generated a Rs. 2.1 of operating cash flow. The equivalent number for H1 is Rs. 3.5. This is a testament to the management's focus on driving strong operating cash flows of high-quality earnings. In this context, we are pleased to have announced our interim dividend.

I will now move onto segment wise updates, starting with Workforce Management. Our general staffing business continued to grow over 27% on a year-on-year basis, crossing a 250,000 headcount. Professional staffing business has performed in line with our plans of increasing focus on a higher margin mandates and growing EBITDA by 43% on a year-on-year basis and 8% on a quarter-on-quarter basis. Training and skilled development business continues to operate in a difficult environment while our focus is to wind these down by completing our contractual obligations, driving collections and further optimizing productivity.

Coming to Global Technology Solutions; GTS continue to perform well in Q2 with Conneqt growing by 10% quarter-on-quarter and 27% year-on-year on the back of growing CLM business. The collection business too saw a revenue growth of 24% year-on-year and 13% quarter-on-quarter as restrictions were eased across the country. Monster saw a revenue growth of 19% on a quarter-on-quarter basis on the back of strong hiring activity across the country.

Moving onto Operating Asset Management; our Facility Management business grew 13% year-on-year although margin shrank 1.6% quarter-on-quarter due to slow down in the food business. Terrier revenue grew 8% quarter-on-quarter as we saw some offices opening up during the quarter. Our SG&A cost as a percentage of revenue saw a marginal decline due to increased revenue growth mostly our monthly SG&A costs run rate for Q2 for FY2022 was 59 Crores as against 56 Crores in Q1 FY2022. The reported profit after tax in Q1 2022 is at Rs.41 Crores, a decrease 17% year-on-year basis arising on account of extraordinary charges to the profit loss account. The expected tax rate will even out for the year by Q4 since H1 has been impacted by charges like dividend tax in Philippines and the fact that we have not considered at creation for deferred tax asset on a GST write down etc.

I would also like to spend a couple of minutes talking about the exceptional charges and credit as part of the balance sheet review undertaken below the EBITDA line. Given that we are registered for GST across 20 states and multiple businesses we concluded a reconciliation of the filings as on September 30 from July 1, 2017. While our payouts have been accurate and there have been no default on this account we have made certain claims with respect to the input clip. We have now taken the call to write these off. The charge of this account is 48 Crores, and I would like to inform you that there will be no impact of this to our cash flows.

Similarly, we also undertook a review of the other financial assets and we have taken a charge of Rs.20 Crores. As part of the exercise, we also looked at our intangible balances. You are all aware that as at the beginning of the pandemic and extreme uncertainty, we had taken a prudent view and impaired goodwill and intangibles. In the light of actual business performance since then we have reviewed our position and believe that some of the intangibles deserve to be brought back so as to reflect the true position. We have therefore written back 77 Crores across Allsec and Facility Management. The fact is we are able to write back intangible customer relationship is a testimony to the fact that our business growth and performance are in a much better place now compared to March 2020 when we took the write off due to COVID. I would also like to inform you all that our exposure to SCADL at the end of the quarter stands at less than Rs. 10 Crores.

Coming to 80JJAA, we are continuously in touch with the IT Department and there has been no significant update as of now.
Balance sheet updates: Focusing on the balance sheet as communicated during the previous analyst call, we have improved our net debt position to 68 Crores in Q2 against 151 Crores in Q1 FY2022 on the back of 100% OCF to EBITDA from an operation for Q2. EBITDA from operations for the first half remained at a healthy 88% with the growth that we are witnessing in our business.

Some of the corporate updates; we have declared an interim dividend of Rs.4 per share which once again reflects our confidence in the business performance and underlying our cash generation capabilities. We have also increased our stake in Taskmo to 36.58% with third investment of 80 lakhs during October 2021.

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

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Sidhant Mattha from B&K Securities. Please go ahead.

Sidhant Mattha: Ravi, I just wanted to know about the statement you were giving on the taxation for the year. Can you repeat that because I just missed the point?

N. Ravi Vishwanath: Thanks, Sidhant. What we meant was the first half of the year has had some one-time taxes that we incurred in Philippines when we declare a dividend from the Philippine entity to the India entity. This tax that is paid in Philippines can be offset when we file the tax returns in India and claim double taxation credit for the same that will get evened out over the year which is why like I said we will probably have a clearer position on the expected tax rate between Q3 and Q4 and once the overall year's performance is understood.

Sidhant Mattha: Okay, and can you give me a colour on the Taskmo business what is that exactly and how are you shaping up to improve, like what is Taskmo business exactly?

Suraj Moraje: May I ask Lohit to take this one.

Lohit Bhatia: Good morning Sidhant. Taskmo was an investment which was made by us at the start of this calendar year if you would remember. It is a platform which basically brings together Taskers as we call them to render services to companies on a gig manner which is on per assignment per activity and on the other end would be large corporates and large consumers who would use these workers to essentially deliver certain outcomes. Let us imagine you are a new grocery major you would require many groceries stores to be empanelled. Let us imagine your one of the large Rides Hailing Company you would go into new cities, and you want to onboard new drivers for three wheelers, two wheelers and four wheelers. A lot of this work in the past used to be done in the informal way and the best way to do them is through a digital platform. So, Taskmo was started as 'feed my pockets' about three years ago, the two founders both Naveen and Prashant have done a stellar job and when they brought the product to Quess we clearly saw that there is a huge additive benefit that we can see in this. As you know India has about 390 million informal workers who are always constantly looking for assignments and activities to come into the formalized workforce. We are doing a very, very healthy run rate in the last three quarters that they have been with us like Suraj mentioned in his opening comment itself, we are expanding ourselves not just in cities, in downloads, in Taskers as well as customers brands that we work with. I think as Quess one thing is very clear we feel employers will use every form of employment, be it permanent recruitment, temporary staffing, and gig workforce and apprenticeship program. As Quess we wanted to be in all the four quadrants, and this completes that fourth quadrant for us. So, we look very passionately and extremely bullish on this asset of ours in times to come.

Suraj Moraje: Maybe just to add to what Lohit says Sidhant. You think about outsourcing which is basically we are an outsourcing company. There are three models by which you can price outsourcing, model one is time and material based which is really traditionally what our staffing business has been doing. Model two is a managed solution where you guarantee an outcome, and you deliver against it, and you figure out how to make it more productive and how to make more profitable. Our Global Technology Solutions business is probably the most evolved on that front there is some of that is happening in facilities for example where we have 20% of our revenues coming from contracts where we are paid per square foot and it is for us become more efficient, that is the second model which is our managed solution. The third is what is let us say the gig end of it, right where you tell the customer look you tell me how much you are going to pay for a job and I will actually find a way to fulfill this where my cost structure is also per job and what we are seeing is even large enterprises in India are getting used to the notion of saying there are some marginal tasks in my workforce for example if I want to enter a new city in India and blips it with posters or if I want to acquire merchant partner I can actually pay on per task basis and that is where Taskmo fits front and centre. So, we really are to my knowledge the only outsourcing player in this space who operates in all three models.

Sidhant Mattha: My last question is regarding the margins. We have seen 5% plus margins till FY2020 and then because of the training skill development business slowing down and the revenue mix changing of general staffing doing better, the margins fell to 3%, 3.5% and if consistently if you see the normalized EBITDA excluding the credit loss is around 3.5% what expectations are for the workforce management margins. What do you expect the margins to be in the next two three years for achieving the 20% ROE and other things?

N. Ravi Vishwanath: The current trajectory will be maintained with plus or minus small variation, and we believe with the current trajectory we should be able to hit the 20% ROE targets that we have set ourselves.

Sidhant Mattha: So, basically till FY2020 what has currently changed because you used to maintain a 5% margin, is this skill development which is or why is there is a margin shrinkage compared to last two years, because you do not expect it to back?

N. Ravi Vishwanath: The drop in margins with Workforce Management is largely on account of the training and skill development business, Sidhant. As you are aware, we took a call, not to sign any further contracts and to exit and to wind down our existing contracts with completing our obligations, which we are currently in the process of, it is just that the pandemic has delayed the process by a couple of years. So, while we are in the process of completing our obligations, collecting our dues, and completing it effectively we do not expect it to contribute significantly to the margins as it did in the early years which is why prudently we said that we will probably take the margin with workforce management as they currently are, and we have used the same in our projections for the future ROE calculations as well.

Suraj Moraje: I just want to make a couple of additions points and other things. One the margins of the GS business have actually stayed remarkably stable over the last couple of years and while it is a lowest margin business it also at this point amongst the highest ROE businesses. So, I think as somebody tracking our businesses what is important is not to, the margin coming out of each platform and then the margin of the group is whatever sum-product of what each business delivers. As Ravi said WFM the real delta has been is in TSD, but the underlying business performance continues to be strong. The one place where we think we can do better on margin is actually in operating asset management there is an improvement potential there and we are working on it as I said.

Sidhant Mattha: That would be around 7% in operating asset management?

Suraj Moraje: I think we should be able to do 50 to 100 basis points better as the business comes back is my sense and if everything you should know it by the way is the GTS business has already expanded its margins in the last eighteen to twenty-four months.

Sidhant Mattha: Okay, just wanted about the workforce like the basic question was for the workforce management but thank you for the update. Thanks.

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

Abhijit Akella: Thank you. Couple of questions from my end, first one is little bit broad in scope. Now that the economy has started to come out of the COVID scenario could you please talk a little bit about where your key businesses stand relative their respective pre-COVID levels and what kind of trajectory do you see for them over the next few quarters shaping up?

Suraj Moraje: Let me take this at an Uber level and then we can dive into specific cases. So, if you talk about general staffing it has added all time high, Abhijeet and I think that is true from a headcount perspective, from a margin perspective, from the result perspective, it is also true from a core to associate ratio perspective. So, at this point our assumption, our hope is that there is wave three is going to have limited impact on the economy we think at this point is full steam ahead and that is how we are thinking about it we are also hiring in that mindset in terms of hiring our own core people. The Conneqt business is also larger than it has ever been in terms of size, in terms of revenue, in terms profit. It has actually performed tremendously since our acquisition. I think the team there right has done an admirable job on the sales side where our pipeline is much better this year than ever before. But also, on the delivery side where we see a lot of digitization happening in two things, one is the product offering and two on the delivery side. Within GTS also if you look at Allsec which is our public listed entity, and they make separate disclosures, but my sense is that the management team there is also over the last eighteen months their efforts are beginning to show in terms of faster growth, HRO has grown 30% plus year-on-year, the DBS business there has acquired more new customers in last 6 months than last two years before that. So, it seems real momentum on the GTS side and North America as well again it is early days, but I feel a sense of momentum and promise there, and you are seeing the results in quarter-on-quarter revenue growth. I think where we are feeling in OAM as well the industrial business the formalization continues, the fresh investments in telecom where it is entering the 5G cycle are all beginning to show on the industrial business momentum, I think, the team there is doing a great job of keeping its head down building the right expertise and moving on. Where we are seeing the industry not getting back and this is, frankly, we had hope that the industry would bounce back by Q2, Q3 I think wave 2.0 has pushed it out. Fears of wave 3.0 have pushed it out, but we are sensing that by Q4 it should come back is actually the Facilities Management where I think that there has been two large impacts, one is obviously the food business which has been a very profitable business for us in the past but that depends on people being in their colleges, in their universities and in their offices and that has not happened yet. It has been bit suspended abeyance and we hope that by Q4 it will back. The second around the whole IT and IT enabled solutions, industry has come a long way first of all from wave 1.0 last year where a lot of industry voices were saying where all going to be virtual forever to now realizing that actually virtualization does not work in all situations, attrition has gone up, loyalty has come down, cultures have dissipated. But the move back to office will, some people talk about the great attrition liking is going to be a great re-expectation setting in that people are going to realize that you cannot work from home for ever you have got to come to the cities, you got be in the office. But that setting will take a few months, people are bit scared of losing people in that process, but we do see that is starting to happen, we do see that net-net facilities have not been given up and we hope that when it comes back that segment is usually quite profitable because the required SLAs are higher, the quality of delivery is higher. So, we do hope that we will see the margins recover there and they are working very hard towards it. On the emerging businesses I must say Monster and DigiCare are both in a great environment Monster has been growing quarter-on-quarter on sales for the last three quarters. The sales productivity is that it is highest ever and I can see real momentum there the hiring activity is a across, and it is not just a lot of people talk about hiring in IT sector it is not just there it is across the board people are struggling to hire field sales executives today. The construction industry is struggling to get workers back and to reduce worker attrition because people are just jumping from site to site whoever pays more. So, across the board what we are seeing is a little bit of temporary maybe but shift in balance of power between capital and labour, I think labour is able to demand a little bit more right now and that is showing up we had one customer automotive customer as us that we can actually formalize not just their own operations but their entire sales dealership chain because they want to bring down attrition there and so that is an interesting project where we are going dealer by dealer formalizing and outsourcing their staff. So, by seeing a huge momentum in terms of formalization, huge momentum in terms of hiring, in terms of upskilling the team we have been working on are starting to payoff and the push right now and the team is longer around pricing it is along how do we up our delivery skills, how do we grow more and faster.

Abhijit Akella: Got it. That is really helpful. Thank you for that and I also just wanted to drill a little bit further down into the GS outlook that you just alluded to, but I believe about 25,000 headcount additions this quarter which seems a very strong number sequentially. Just wondering if Lohit could talk a little bit about how he sees the trajectory going forward and what kind of roadmap you see for the industry overall, the general staffing industry overall and where do you see Quess ending up in terms of market shares over the next whatever your foreseeable future?

Lohit Bhatia: Good morning Abhijeet. I will give you quick data point on what we have been talking about in the last couple of quarters and that will cement your thought on general staffing itself. Same time last year this quarter for our advance to decline customers for everyone customer that used to grow we had 1.5 times customers declining. Last quarter we said this rolled over and switched the other way round and the declines were one and the advances were 2.6 times, 2.5 times, little over 2.5 times. This time I am happy to report that the advanced customers are 3.7 times for any one customer decline that is point number one. Point number two you would remember from last time's call we said sequentially if you look at every sector had done well and recovered over pre-COVID barring the one sector which till Q1 when you given to you from a general staffing perspective, we said that it was a little subdued on retail, we were still about 85 to 90%. Again, I am happy to report in Q2 retail has also joined back to the party and is at least back at pre-COVID numbers so what Suraj said that this is a historical high for general staffing is definitely built on the back of BFSI, Telecom, Manufacturing, FMCG, FMCD and now with Retail and Logistics also growing. So that is the second point I wanted to raise. The third point what we are noticing is the entire thing about formalization is genuinely happening, this point which Suraj rose about very important new project that our team is working on which is formalizing dealerships for automobile majors that is just one aspect of it. We have interest of customers which are very large, but they are not the likes of our Global Fortune 500 or the large FMCG listed companies in India. But no matter they would have five digits in Crores of revenues at a location in UP or at a location in Rajasthan if companies like this which are now joining the formalization pack and they want to come to formalized companies, listed companies like Quess they want the complete magnitude of technology, mobilization, governance, compliance, reach, geographical reach that we can offer to a customer. So, what are teams are today noticing and some of the work that we have done is we have further deepened our verticalization strategy across different segments. We have made a few which are verticals and made a few which are horizontal. In Q2 while our outlook was cautious as we had spoken in the Q1 period what we also did was we kept investing in sales and we are very confident that this is the investment which will give us additional customers, new customers, expanding customers. Last point I want to leave with you on general staffing, a year ago same quarter the number of new customers added same quarter last year was 24, last quarter this year was 48 and now it is 59. If you could remember we also said that the new customer additions are growing quarter-on-quarter though the PO value from every customer is small because customers are also being cautious on how much they want to add. When all of these customers no longer have that caution with them you can assume what the kind of growths could be. So, we are pretty encouraged by the fact that this by all records in the last twelve months or 64000 additions in general staffing is already our best ever twelve months period, this quarter is one of our best at 25000 people that we have added. We are confident that our team and our customers will grow further as well.

Abhijit Akella: Thanks, Lohit that is helpful and great to hear. Thank you so much and wish the team all the best for the future.

Moderator: Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan BNP Paribas. Please go ahead.

Kaustubh Pawaskar: Thanks for giving me the opportunity and thanks for the elaborated presentation on all your business verticals. Couple of questions from my end first what will be your tax rate going ahead maybe for 2023 and 2024?

N. Ravi Vishwanath: Like I said earlier Kaustubh, we will a lot more clarity on the expected tax rate by the end of Q3 given that we had one-time charges but having said that we do believe which would probably be in the 18% to 22% range for the current year.

Kaustubh Pawaskar: In the initial comments you mentioned about healthcare being one of your verticals where you are focusing, can you give us some more thought process on that front?

Suraj Moraje: Sure, Guru you want to take that?

Guruprasad Srinivasan: Thanks. Specific to healthcare during pandemic we started getting lot of requirements from health sector typically the profile such as GDS/General Duty Administrators and doctors, nurses across India so one area that we had not really focused which we now set up as a separate vertical and then put in more focus is to get hire train and deploy such resources across. So, we signed MoU with AHPI that is Associated Healthcare Providers of India where all hospitals are part of it. So, jointly we are setting up training centres and mobilizing people, deploying them to various hospitals across the country. This is just the second quarter that we have set up and we have incubated this internally.

Kaustubh Pawaskar: Will managing the assets under the healthcare space would be focus going ahead like we have also attended lot of hospital company's call and they are now focusing on penetrating this into tier-2 and tier-3 markets and through virtual or digital way so that is something which most of the hospital or healthcare companies are focusing on. So, will that be another kind of a focus for the company going ahead which will help the vertical to grow?

Guruprasad Srinivasan: If you look at our entire offering or solution in the space we are taking all Quess' services specific to healthcare starting from people's services which is as I said hiring doctors, nurses and in the entry level support people at hospital. Second is to get access to the entire hard services and soft services which Quess is quite strong with, so that is second area that we can naturally take into hospitals. Third area is anything related to technology intervention in terms of helping them to implement platforms and systems and technical assistance for operating medical equipment. So, training that set of people. So, Quess as an offering we can take each and every vertical of Quess into healthcare that is where we have formed a separate vertical and got domain specialist as part of this process who is working together with us to get access to various healthcare hospitals and healthcare sectors across country. The way to visualize this is literally we can take every service of Quess specific to health care and currently we do cater to about 15,000 beds as part of our facility but again now making a larger agenda to see how we can take all services across healthcare.

Kaustubh Pawaskar: Last one on your OAM business we have already seen the recovery in the business should we anticipate sustainable kind of growth now in this business since now the recovery is on cards?

Suraj Moraje: Kaustubh, I think our aspirations that each of our businesses should grow at 20% CAGR minimum, and in the OAM side of industry are already there the security and facilities business should also be able to do that. I think it is just a question of finding the right market momentum and positioning ourselves correctly. The answer is yes it should be sustainable, and we should target that.

Kaustubh Pawaskar: Thank you. Thanks for the understanding and all the best for your future quarters.

Moderator: Thank you. The next question is from the line of Jasdeep Walia from New Mark Capital. Please go ahead.

Jasdeep Walia: Thanks for taking my question. In IT staffing the headcount has been flat and I understand the mix has been improving but now the mix improvement is already there in the business. Going forward do we expanding head count in this business?

Lohit Bhatia: Yes, absolutely and I think you got the numbers very, very brilliantly I do not want to take a moment to explain to everyone what Suraj had also briefly alluded to if you look at our PO values they are above 30% year-on-year from where we were a year ago. If you look at our gross margin it is about 35% to 36% and our EBITDA is about 43% up. This has happened because we have obviously exited POs and contracts which were very low in margin in that business, and it is a highly productive recruiter intensive business. So, when you have for each recruiter an X amount of productivity that you can deliver in current markets it just makes better economics to go after higher margins and digital revenue. We have a separate stream of digital that we started a few quarters ago. Our higher margin and super higher margin businesses have completely taken over our steady state businesses and that is what is baked into the results. To your question on will we further see our volume growth along with EBITDA and value absolutely yes, that is what the team is working on, that is what our plans are for each of the verticals within the Quess IT staffing. I just wanted to leave one point with you, we have had multiple geographies which have done extremely well in the last one to two years. Our business in Middle East has been doubling in the last two years. Our business in Philippines has recovered in Asean much faster than Singapore has. So, these are the markets where again we are getting a benefit of both e-commerce wave as well as the IT/ ITES wave which is happening at this moment the only market which has from WFM overseas perspective which has not joined the party yet is Comtel which is Singapore and we have recently re-branded that to Quess–Singapore as well. We feel with coming times of the government of Singapore will also be easing a few restrictions that they have imposed on visas and people coming into the country, that should also be very beneficial for us the entire IT pack within WSL.

Jagdeep Walia: Got it and here also the aspiration is to grow the topline by 20%?

Lohit Bhatia: Absolutely.

Jagdeep Walia: Got it. On the government receivables side what are the overdue receivables as of now after you have taken the write off in the current quarter?

N. Ravi Vishwanath: The total receivables on the trainee and skill development business, is about Rs.150 Crores after factoring for the provisions that we have made.

Jagdeep Walia: Got it. Thank you. That is all from my side.

Moderator: Thank you. As there are no further questions I now had the conference over to Mr. Suraj Moraje for his closing comments.

Suraj Moraje: Thank you very much. I just want to thank everybody again for being here today. Your support means a lot to us. We are very enthused by the business momentum right now the fact that the business has grown about a third bigger today then we were a year ago. We have continued to focus very much on operating cash flows, on improving our ROEs and our efforts in that direction will continue. I wish all the very best for the quarter to come and I look forward to seeing you again. Thank you so much and we can now end this call.

Moderator: Thank you. Ladies and gentlemen, on behalf of IIFL Securities Limited that concludes this conference call. We thank you for joining us. You may now disconnect your lines. Thank you.