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November 13, 2023

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Mumbai-400001
Security Code- 539978

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

Dear Sir / Madam,

Sub: Analyst Call – Transcript

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

Kindly take the same on record.

Yours sincerely,
For Quess Corp Limited

KUNDAN KUMAR LAL
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Kundan K Lal
Company Secretary & Compliance Officer

"Quess Corp Limited
Q2 FY2024 Earnings Conference Call"

November 07, 2023

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

MANAGEMENT: **MR. GURUPRASAD SRINIVASAN – EXECUTIVE DIRECTOR & GROUP CEO**
MR. KAMAL PAL HODA – GROUP CFO
MR. KUSHAL MAHESHWARI - HEAD INVESTOR RELATIONS & STRATEGIC FINANCE
MR. LOHIT BHATIA – PRESIDENT WORKFORCE MANAGEMENT
MR. PINAKI KAR – PRESIDENT – GLOBAL TECHNOLOGY SOLUTIONS
MR. SEKHAR GARISA – PRESIDENT – PRODUCT LED BUSINESSES

Moderator: Ladies and gentlemen, good morning and welcome to the Quess Corp Limited Q2 FY2024 Earnings Conference Call, hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Balaji Subramanian from IIFL Securities. Thank you and over to you Mr. Shah!

Balaji Subramanian: Thank you. Ladies and gentlemen, good morning and thank you for joining us on the post results conference call for Quess Corp. I am Balaji Subramanian, and it is my pleasure to introduce the senior management team of Quess who are here with us today to discuss the results. We have Mr. Guruprasad Srinivasan - ED and Group CEO, Mr. Kamal Pal Hoda - Group CFO, Mr. Kushal Maheshwari - Head Investor Relations and Strategic Finance, Mr. Lohit Bhatia - President Workforce Management, Mr. Pinaki Kar, President - Global Technology Solutions, and Mr. Sekhar Garisa, President - Product Led Businesses. We will begin the call with opening remarks by the management team and thereafter we will open the call for Q&A session. I would like to now hand over the call to Mr. Kushal Maheshwari to take the proceedings forward. Thank you and over to you Kushal.

Kushal Maheshwari: Thank you Balaji. Good morning everyone and thank you for joining our Q2 and H1 FY2024 earnings call. The information, data and outlook shared by the management during the call is forward looking, but subject to prevailing business conditions and government policy. All forward looking statements are subject to economic growth or other risks faced by the company. Please refer to slide number two of investor presentation for the safe harbor clause. With that safe harbor clause, I will now hand over the call to our Group CEO Mr. Guru. Thank you.

Guruprasad Srinivasan: Thank you Kushal. Very good morning to each and every one on this call and thank you for joining us today. For Quess profitable growth has been the key theme for the year. Our effort towards consolidation of our operations and growing the high margin segments across the platform have shown positive result in this quarter also. In Q2 FY2024 we added over 21,000 associate headcount and closed the quarter with a total employee strength over 5,47,000.

During the same period EBITDA has grown by 21% year-on-year and 6% quarter-on-quarter respectively. Demonstrating the economies of scale inherent in our business model, which has helped us to deliver the nonlinear growth in this quarter. Every platform has delivered impressive growth on year-on-year and quarter-on-quarter basis.

Key financial highlights are as follows: We have recorded a revenue of INR 4,748 Crores a growth of 3% quarter-on-quarter and 11% year-on-year. EBITDA stands at INR 164 Crores growing by 6% quarter-on-quarter and 21% year-on-year. GTS continued its profitable growth trajectory with INR 104 Crores EBITDA in this quarter. OEM platform also achieved an EBITDA of INR 35 Crores which is a growth of 14% quarter-on-quarter and 26% year-on-year on the back of a solid operational streamlining. With this, PAT has improved by 79% year-on-year to INR 71 Crores. Corresponding EPS has shown an increase of 71% year-on-year at INR 4.85 per share.

Let me walk you through the business update and some areas of Q3 focus areas for us. The hiring environment was positive across sector with industrial, logistic and BFSI driving the hiring activity. One significant exception was IT sector where the hiring activity has plateaued due to global headwinds. Our sales engine continues to deliver sustainable revenue growth, we acquired 235 new customer contracts in Q2 setting us up well for growth in coming quarters.

Now let me move on by platform. To begin with workforce platform. The headcount of the workforce platform has reached 4,30,000 adding 26,000 associates during the quarter accordingly revenue saw an increase of 14% year-on-year and 6% quarter-on-quarter. Sourcing contributed to 32% of new hiring, up from 27% last quarter signifying our mote in terms of having a strength in our hiring engine. Workforce management growth journey has been recognized in international forums. Quess has now become the world's 46th largest staffing company by revenue as per staffing industry analyst ranking. We were ranked 54 a year ago.

Now moving on to general staffing. We added 25,000 headcount during the quarter led by manufacturing, BFSI and FMCG sectors. New 83 client contracts were added during the quarter. Open mandates by end of September were at 38,000 driven by festive season hiring specifically in e-commerce and logistics during the festivities around. Our vertical focus strategy has continued to give us great yields with the headcount growth in manufacturing and BFSI stood at 13% and 5% quarter-on-quarter respectively. We have added about 24,000 headcount in these two sectors in H1 and we are confident of similar momentum in Q3.

The per associate per month gross margin profile also known as gross margin PAPM stayed stable around INR 700. We have invested in sourcing and support teams for the growth of this business in H2 and FY2024-25 given the large, distributed project in manufacturing and industrial driven by a marginal decline in terms of core to associate ratio.

IT staffing business: The Indian IT staffing and selection business continues to remain impacted by headwinds. Open mandates have remained flattish on quarter-on-quarter basis.

We were close to about 1.12k against 1.1k in terms of the open mandate. In such an environment we will continue to focus on the niche profiles and bring in more IDC controls to drive margins.

Moving on to GTS platform: GTS delivered sustainable revenue growth with 23% EBITDA growth year-on-year and 4% quarter-on-quarter. All three-constituent business in GTS clocked their highest ever EBITDA in this quarter. The platform has shown consistent margin improvement over last five quarters increasing by 183 basis points in the period, once again demonstrating the economies of scale in action. To start with Conneqt, Conneqt continues to maintain its momentum with order book over 100 Crores ACV closed during the quarter. This sets up well to sustain revenue momentum in coming quarters. BFSI segment accounted for almost 50% of new sales with strong recovery in manufacturing and service sector evident during the quarter.

The growth momentum in CLM business of Allsec continues with 18% year-on-year this was driven by an excellent 21% year-on-year growth in North American Market in Q2. Our non-voice BPM business grew by 34% year-on-year with collection business growing by 35% year-on-year and finance and accounting transaction process business growing at 66% year-on-year. This is on back of sustained investment over last 3 years to create a platform based digital solution, to create a differentiated solution in the market.

In our BPM business, the customer experience segment as part of the Allsec, EXM vertical in Allsec has strengthened its market leadership with 3.8 million pay slips processed during the quarter, with a quarter-on-quarter growth of 3.5%. The vertical has added 21 new logos in the quarter led by international sales setting up well for customers for coming quarters.

Going forward, the focus is as follows. Sustaining and accelerating the momentum of non-voice BPO in Conneqt and continued operational excellence for margin expansion as we drive volume growth. Leveraging on excellent growth momentum in North America market for Allsec in CLM business and growing a nascent healthcare practice around current anchor clients. Accelerate new HRO product and platform over the next few quarters to consolidate market leadership and market expansion, especially in international markets.

Coming to OEM platform: The platform registered topline growth of 8% year-on-year and 2% quarter-on-quarter and EBITDA grew by 26% year-on-year and 14% quarter-on-quarter. The platform has focused on delivering profitable growth. IFM saw a revenue growth of 3% quarter-on-quarter and EBITDA growth of 8.5% during the same period. Major sectors contributing to the growth are government and services and added to that is industrial. The business added 22 new customer contracts during the quarter.

Focus on execution saw IFMS getting recognized by two major clients for outstanding service delivery support. Going forward focus on housekeeping continues to be on healthcare, public infra, and industrial as we continue to see traction coming in Q3 in this space. FMB business saw a gross margin improvement of 10% quarter-on-quarter and 33% year-on-year in Q2. The improvement in gross margin has been bought in by improving operational efficiencies and mobilizing of contracts won during Q1. We expect the growth momentum to continue in Q3 on back of new contracts in education and healthcare.

Security business saw a flat headcount in Q2 as we continued to pursue profitable growth. The business backed a couple of major contracts in infra and manufacturing vertical towards the end of Q2. As a result, we expect to increase our head count by 8% to 10% in Q3. The active infra business in the telecom sector had a good quarter for its best ever H1 in terms of revenue and EBITDA. The business had revenue growth of 40% and EBITDA growth of 43% compared to H1 FY2023.

Moving on to Product Led Business: Foundit had another good quarter on the business and at the product front. Sales grew by 35% year-on-year and 20% quarter-on-quarter driven by Enterprise sales in India. The revenue in the quarter remains flattish on account of longer tenure deals and lower consumption in international market, which contributed 35% to our business continue to face some level of headwinds due to macro conditions.

We successfully launched our disruptive AI driven product Foundit 2.0 for private Beta customers with a very positive feedback. This will be open to all customers by end of Q3 FY2024 positively impacting the sales and price realization. Our operational metrics on both candidate and recruiter side remains positive with job posting and 6 months active users up by 10% quarter-on-quarter. CSAT continues to remain healthy at 92% with NPS force are at an all-time high, validating the work that we have been doing on product. EBITDA achieved is as per annual operating plan, Foundit remains on course to deliver breakeven by Q4 exit.

Moving on to General Updates: Quess continues to drive positive change in lives of our associates among on the associates who have joined us in Q2, 37% have entered into formal workforce for first time, 18% were female workforce, median age was 25 providing entry-level employment for youth. Before I hand over to Kamal, I along with my team would reassure you that we will continue to focus our operational discipline and aggressive sales and we will reap the fruits of all our efforts in quarters to come as we are nearing to festival of light, I also take this opportunity to wish you and your families a happy Deepavali and wish you all happy and prosperous New Year in advance.

I now head over to Kamal and we will come back to question-and-answers.

Kamal Pal Hoda: Thank you Guru. Good morning everybody and thank you for joining us today. I extend a very warm welcome to everyone who has logged into this call. I hope you had a chance to look at the investor presentation and financial results for Q2 uploaded on our website.

Let me now walk you through this quarter's financial performance: We saw a healthy growth across all our platforms during the quarter with revenue growing by 11% year-on-year and 3% quarter-on-quarter to clock INR 4,748 Crores of revenue in Q2. Our net head count increased by 21,000 in this quarter. EBITDA stands at INR 164 Crores a growth of 21% year-on-year and 6% quarter-on-quarter with an EBITDA margin at 3.4% a growth of 10 basis points quarter-on-quarter. Such increase in EBITDA margin is driven by customer margin drive across businesses including cost to serve reductions that we started a couple of quarters back, and also reduction of burn in product led business.

Profit after tax stood at 79% year-on-year and 47% quarter-on-quarter on account of healthy EBITDA growth across all businesses. Increase in other income by way of interest on tax refunds and deferred taxes in the quarter. Consequently, our EPS in Q2 has seen a 50% jump quarter-on-quarter to INR 4.85 per share. Our commitment to cash management and debt repayment continued in this quarter with gross debt reducing to INR 473 Crores, lowest in the last 10 quarters with a reduction of INR 45 Crores during the quarter. Our DSO further reduced by one day compared to March 2023 at 56 days and our OCF to EBITDA is at 62% for H1 FY2024.

Platform wise updates. Workforce management: The revenue stands at INR 3,315 Crores registering a growth of 13% year-on-year and 3% quarter-on-quarter. Growth is predominantly driven by our business with key sectors being manufacturing, BFSI and Retail. IT staffing and APAC professional staffing has remained muted over last few quarters due to global headwind. However, they have ensured to mitigate such downturns through cost actions. EBITDA has seen a good growth of 5% quarter-on-quarter and 10% year-on-year at INR 87 Crores. EBITDA margin percentage has seen a nominal 5 basis point increase quarter-on-quarter on account of cost initiatives coupled with VAS, value added services push.

Coming to GTS: Revenue stands at INR 584 Crores with an EBITDA of INR 104 Crores, an annual growth of 11% and 23% respectively. This translates to a quarter-on-quarter growth of 4% each. You might recall that this platform crossed an EBITDA of INR 100 Crores in last quarter and it continues its profitable growth with an EBITDA of INR 104 Crores in Q2 with a sustained margin of 18%. Non voice services revenue at INR 188 Crores is a good growth of 34% year-on-year and 6% quarter-on-quarter. This can be seen in revenue specified growth year-on-year will now stands at 113k versus 104k a year ago. Our EXM vertical total new sales exceed 50% in international geography aiding to its profitability. Our subsidiary Allsec has surpassed a market cap of INR 1,000 plus Crores with a CAGR of 23% from our initial investment in 2019.

Moving on to operating Asset Management: Revenue stands at INR 705 Crores a growth of 8% year-on-year and 2% quarter-on-quarter. The growth is due to gain of traction in integrated service offerings for public for existing clients, and new contract signs, key sectors being industrial and public infra, healthcare and education. EBITDA stands at INR 35 Crores a growth of 26% year-on-year and 14% quarter-on-quarter. Margin increase is aided by a return of food business post academic holidays in Q1 for education sector clients plus consolidation of low margin clients in security and facility management businesses. Platforms EBITDA margins thereby has seen an increase of 40 basis points to 5% and is now at competitive sustainable levels. Our telecom business has shown a healthy growth backed by strong 5G roll outs across all operators in India and also deeper penetrations of 4G.

Moving on to product led business: Revenue stands at INR 143 Crores in product led business segment with a growth of 13% this quarter. EBITDA loses including non-cash ESOP cost reduced by INR 5 Crores and now stands at INR 16 Crores in Q2. In Foundit a new product launch will improve price realization and focused approach to enterprise business coupled with reorienting marketing to data science-based approach will get us to our commitment of break even by Q4 FY2024. Breakfix Services business saw a good growth in revenue and margins as Q2 generally is a season for such spare parts driven by revenue across partners.

Income tax updates: There are few developments in tax matters from the last quarter. For FY2017-18 our appeal is at ITAT and the next hearing is expected in the current month. For the year 2018-19 the DRP hearing has been completed and the final order was passed on 30th September 2023. The adjustments for this year are also in lines with the previous year. For the year 2019-20 tax office also had proposed special audit in line with the previous two years basis of the representation of this move was dropped and the draft assessment order was passed by the tax office on 29th September 2023. The company has filed objections before DRP against all the adjustments proposed by the tax office on 27th October 2023.

Moving on to some other corporate updates: Conneqt, MFX and Greenpiece merger update. As part of board's approval of the scheme of amalgamation dated 7th July 2021, Quess had filed for approval of the scheme with NCLT. Honorable NCLT has admitted the petition and hearing was completed on 31st October 2023. The final order is awaited from the Honorable NCLT in this quarter, and we expect transaction to complete within this financial year.

With this, now I open the floor for questions-and-answers.

Moderator: Thank you. Ladies and gentlemen, we will now begin for the question-and-answer session. The first question is from the line of Mohit from Guardian Capital. Please go ahead.

Mohit: Thank you for the opportunity. I wanted some more clarity on this INR 143 million write-off that we have done. So, what is it for?

Kamal Pal Hoda: Can you elaborate the question which write-off are you referring to.

Mohit: On this standalone income statement there is this exceptional loss of INR 143 million, which is a write-off for SLPL. What is that?

Kamal Pal Hoda: This is as part of the structure simplification there are multiple steps that we had taken in past and continue to do so. We had acquired 53.9% stake in one of our subsidiary Stellarslog Technovation Private Limited. We have acquired the balance full stake and revalued the company on the date of acquisition basis which the investment in that company has been mark-to-market as a fair value as on the date of the balancing acquisition and which is where you see the write-off in the standalone.

Mohit: So, what does the subsidiary do?

Guruprasad Srinivasan: See way back we invested in a platform-based business which is into the gig tasking program, we invested in this in way back in January 2021, and we held 53.9% in this company. So basically, what they do is there are taskers on one side, it is a gig platform where we match the task doers and the task givers any specific task to be executed like it could be onboarding of a merchant or onboarding completing a mystery audit at store. So, it is a gig platform and we integrated that business back into Quess as part of the workforce completely because post our acquisition we incubated the business and giving the full power of workforce to it makes much more meaningful for it as well as it can accelerate well. So, we integrated that back into Quess in this quarter and the business has annual revenue valuation of about INR 7 Crores and this was the right time for us to integrate into Quess.

Mohit: Where is this recognized in the consolidated financials.

Guruprasad Srinivasan: As part of workforce.

Mohit: So, it is not in other unallocated expenses because then if you exclude this the workforce management margin could be actually higher than what you have posted. Is my understanding correct?

Kamal Pal Hoda: It is from a segment representation perspective part of the workforce management, but in the current quarter we have not had any losses to be consolidated. What happens any which ways the subsidiary for us where we were consolidating this company for all the prior years, the operating profit have been already consolidated just in the stand alone when we are further acquiring the same, the investment has been revalued at the present market value, in the present quarter there are no console, no losses which has materially impacted the WFM results.

Mohit: Second question was on your workforce management. So, I was just not able to reconcile these two-three things. So, one is your per associate, per month contribution is flattish while your ratio for core to associate that is weakened, but still the EBITDA spread is up a little bit. So how do I fit all three of these facts together?

Guruprasad Srinivasan: One, I will start explaining on the core to associate then I will look in Lohit also to come in. a) See what happens is, I mean, the core to associate is dependent on the number of core head count that we on board to serve the associates. So, during June to up to Diwali it is a season, and we will have more recruiters in the field force that we will be bringing into the system to manage or to fulfill the mandate, open mandates that we have. For example, as of 30th September I called out in my speech as well. Our open mandate size is about 38,000 even despite of bit of turbulence in the market we still have specific demand coming in from manufacturing retail and BFSI segment, we still stand at about 38,000 open mandates. Now, if you look at manufacturing as a segment is doing well and the kind of open mandates that we are getting generally postseason we used to downsize the number of recruiters because post e-commerce sale and season completes, we used to offload few head count. Now what we are doing this time we are not offloading the head count we will continue to actually recharge and continue to keep that team. So that the demand coming in from other sector because being the largest the country our demand size is also going up and we will continue to keep this team which is where the core to associate is not reducing which means it will have impact on revenues being added in Q3 and Q4, so which is why you are not seeing the season decline and offloading of those recruiters are not happening this time and we are continuing to keep them. So, which is where you are seeing core to associate slightly plating, which is a good thing to happen for Q3 and Q4. So now let me get Lohit to add.

Lohit Bhatia: Good morning and thanks for that question. While Guru has explained it well, let me just summarize what he said because your questions are three broad things. Why WFM in some ways flattish, Core to FT ratio has gone downwards, while the margin increased and the EBITDA has marginally gone upwards. So, you see it from the perspective the WFM broadly has three businesses there is the General Staffing India business, Core to FT ratio reflects only that business, it does not reflect the other businesses. In that Guru very well articulated and explained that the core to FT ratio has marginally gone down because this is the time of the year when you a) invest for season, and you have seen the rock-solid growth of 26,000 head count that we have already achieved in Q2 on the back of 17,000 head count in Q1. So, we already up about 43,000 people in the first half of the year. This year we will particularly continue to carry this because manufacturing and industrial investments is a little more gestational investments and it is long-term unlike the recruiters which work out of branches. In manufacturing they have to work from the field or closer to the customer which is the manufacturing plant location and similarly there has to be account management and implants which have to be given for manufacture. Coming back to your second point in spite of this head count going up, gross margin remaining flattish at 700, again that 700 let me remind you is only for the General Staffing India business, if you come to professional staffing business, professional staffing average gross margin has now crossed 14,000, I am talking about the India business it is at about 14,300, we are at 35% of our book size in professional staffing today comes from medium margin to high margin which could be anywhere between 10,000 to 15,000 head count PAPM going right up to 50,000 head count PAPM and more that also comes in, and the third element in spite of all of this we have been able to grow and inch upwards that is where i will bring the international context. In spite of the global headwinds our international business has remained very steady and on top of that we have been seeing an increase in revenue in our Quess North America and reduction in cost. The two elements have given us a reduction in the burn in this quarter as far as Quess North America is concerned. So that's of how you will have to see the entire business taking the three broad elements into consideration. Overall, I think WFM has done a very steady result for all the three categories which is India adding stellar headcount and customers India professional staffing which is grown and international which has remained steady. I hope that kind of explains the context.

Mohit: Makes sense. So, what is the loss in the North American, and I think it used to be INR 4-5 Crores it is lower than that can you give some number because you had guided for break even by the end of the year, right?

Kamal Pal Hoda: Yes, you are right. So, this was INR 4.5 Crores in Q1 this has been brought down to INR 2.5 Crores in Q2 and we are confident of bring it further within this financial year.

Mohit: Okay perfect and the monster cash one, are we still on track for ending that by the end of the year.

Kamal Pal Hoda: Yes, we explained that during both Guru's comments as well as my comments that we are confident of exiting this year with a breakeven in Foundit.

Moderator: The next question is from the line of Gunit Singh from CCIPL. Please go ahead.

Gunit Singh: Hi sir, congratulations on a great set of results and thank you for this opportunity. Looking at the results in Q2 can we expect this to be the base going forward. So that this would be say the benchmark or the minimum quarterly revenues that we can expect going forward from here on and my second question would be regarding the operating margins. So currently we are operating at about 3% margins, but in FY2022 and before that we were operating in the range of 5% to 6% operating margins. So, what is the reason for this drastic decline in operating margins over the years and can we expect to reach those margins back again and if so by when and what would be the margin guidance for the rest of the year and for FY2025.

Guruprasad Srinivasan: As I alluded in my speech, our effort on consolidation of our operation and the high margin segments doing well both GTS and OEM it is playing off well in terms of it is nonlinear growth to our EBITDA which we always emphasized and now we can see the real results coming on to by scale of economies coming into. So that has really accelerated if you look at 26% growth in OEM in terms of EBITDA 23% in GTS, in terms of coming back to sustaining of our margins is something that we are quite confident about and these are pure business, I mean, these are business contributions which are coming and there are no anyone times or seasonal spike in this. So that gives us the confidence to say that yes, we will be able to sustain. Adding to that our largest growth also comes from the low margin business which is also staffing and we are also leaders there we cannot stop that team and they will continue to deliver, the higher growth coming in from that will have a blended where we are currently is blended margin of about 3.4%. So as is where we are, we are able to sustain and as and when our investments that we have made in Foundit and North America will start turning positive which we are confident the way the trajectory looks like and we have delivered it in Q3 and Q4 we can definitely see slight improvement in margin coming in.

Kamal Pal Hoda: Just to add to what Guru said, your comparison point being FY2022 from a 5% to presently 3.5%, couple of reasons I think one we already captured that General Staffing which is a 2.2% margin business has been growing fantastic for us and it is a business which is negative working capital business and it is an annuity business so that has been growing very well for us. There are also contributions from high margin businesses which you see in the current quarter which is GTS and OEM which has gone up on a quarter-on-quarter recently when the GTS has gone up quarter on quarter more than 4% on an absolute basis in EBITDA and OEM has also gone up 14%. The other thing which is actually a very good investment for us is Foundit, while it is mathematically looking at a lower EBITDA margin on overall basis for us which we actually offset the investment we already at 4% plus margin on a consolidated basis and with the expected breakeven in Foundit by end of this year by expected breakeven in North America this year and some of the restructuring that we are doing seller stock acquisition we are bringing our losses continuously down and the margin uptick will obviously be there in the coming quarters.

Gunit Singh: All right sir, that is heartening to hear, and do we have any guidance for FY2024 at what levels of revenues would we want to end the year and what kind of growth are we looking at internally for FY2025?

Kamal Pal Hoda: Typically, we do not give any guidance, I think the management has given quite a lot of inputs for you to do your modelling, but I think the overall view of the management is positive from here, in terms of overall business performance and margins.

Gunit Singh: All right, so I mean in terms of optimizations that we are doing currently and we are breaking even in two of our businesses. So, I mean by the end of FY2024 can we expect to be in 4% plus operating margin range.

Kamal Pal Hoda: It is a little difficult to tell you right now, but I think the management intent and the guidance's that we would like to breakeven foundit by the end of Q4 quarter and add to that Guru has already told you that our biggest business driver is General Staffing. So how it contributes to the overall margin will shape up the overall consolidated margin, which is a little difficult to guide you right now sitting at the end of Q2 probably by next quarter they will be able to give you a better guidance.

Gunit Singh: All right. Thank you for answering all my questions. Wish you all the best.

Moderator: Thank you. The next question is from the line of Rishikesh from Robo Capital. Please go ahead.

Rishikesh: Hi, thank you for the opportunity. Sir, my question is with respect to the product led business. How are we looking to grow here quarter-on-quarter and at what revenue level will we achieve the breakeven by this year end?

Kamal Pal Hoda: If you see the historical front as well as what your reported numbers for Q1 and Q2 on a Y-o-Y basis we have grown consistently at 35% despite a challenging external environment. On a sequential basis we grew 20% from Q1 to Q2. Historically our H2 this Q3 and Q4 has been significantly higher than H1 as you know we are in a **advance** subscription business which means the base effect of last year's H2 will help us grow faster than this year's H2. So, we expect the growth to continue in H2 robustly as we did in the last year's H2 as the base effect kicks in as well as the new product launch happens. Our new product, as Guru mentioned Foundit 2.0 is now in public preview with several customers using it and all of the customers will be on the new platform towards the end of the quarter that delivers two things for us. Improves our competitiveness in the enterprise segment which we called out and secondly our ability to price up on whatever offerings we are giving to the customers. So, all of this a combination of the base effect in H2, new product that is being launched and the uplift that we will see in terms of ability to price better all of it will ensure that we will continue our growth journey in H2 and combination of growth and slight optimization on cost will lead us to break even by end of this year.

Rishikesh: Sir, could you also touch upon the workforce management EBITDA margins, I think there was the US business burn which you had said that it is at peak now and I think in couple of quarters we have some visibility that there should be some visibility on 3% margins for workforce management. So, could you also touch upon that?

Kamal Pal Hoda: So North America have already clarified that the burn has come down from an INR 4.5 Crores in Q1 to INR 2.5 Crores and we are confident that by the end of this financial year we will have no more losses to consolidate on North America. On the overall WFM margin, Lohit you want to comment.

Lohit Bhatia: Yes, so like Kamal rightly said one of the drivers for margins in WFM at the moment is North America as that turns positive obviously that is a clear direct uptick for us and that INR 2.5 odd Crores as we did now closer to INR 4.5 plus Crores last quarter is sequentially coming down and that will definitely aid WFM. I must repeat this is an investment for the future, WFM for its size, for its volume, for its margin profile, needs a market which is steady state for the next couple of years, decades which is both large as well as not just volumetric, but it is also a high margin market and that is why the investment in North America. Having said that I think the other two elements of India business is professional staffing on one side which is primarily IT versus non-IT business which is General Staffing. General Staffing works at a 2% EBITDA margin range, Professional Staffing works upwards of 7% or 8%. We have been seeing about four to six quarters of tough headwinds from the IT business with some green shoots which has come in September for sure. One our permanent recruitment business has again turned back into the black and has started giving us positive EBITDA with the growth of permanent and lateral hiring. The second green shoot continues to be the margin improvement there. The third green shoot is the GCCs where we are very actively pursuing and bagging more contracts from there. So, these are the play, mix makes a huge, huge difference for us, you can see 2% versus 7% plus the mix itself aids many of these things.

Rishikesh: Also, we have an aspirational EBITDA margins we talk about 6% which we also used to do before. So, once we achieve break even in North America and our product led businesses fair to say from next year onwards we should see likely around 1.5% EBITDA margin improvement per year.

Kushal: See what I would guide you is that our absolute EBITDA will improve over the coming quarters, but when you focus on EBITDA margins it is a little difficult for the management to guide you because as Guru has already told you that our biggest growth driver is General Staffing and Lohit has already told you that it is a 2% EBITDA margin business. So, when you focus on margins you lose out on the absolute EBITDA growth that the business has been delivering and overall, on a year-on-year basis our absolute EBITDA has increased by 21% even though our EBITDA margins have not improved.

Rishikesh: Got it, thank you.

Moderator: The next question is from the line of Vidit Shah from Spark Private Wealth Management. Please go ahead.

Vidit Shah: Hi, good morning and thanks for taking my question. Just a couple of questions from my side, one is on the North America business you have alluded to improvement in EBITDA losses, but could you shed some light on how the revenue trajectory out there is how we are growing that is one of the key growth drivers going forward, right, that we are planning on tapping.

Lohit Bhatia: So, on an extremely small base the revenue has gone up by about 92% this quarter, the cost has gone down by about 30% as we had already kind of explained last call itself and both these things have overall reduced the investment or the burn by about INR 2 Crores quarter-on-quarter for this quarter. At this stage we are at the juncture of coming closer to a steady state revenue run rate and a staffing headcount addition, which should give us the break even at a country level or a business level by the end of the year as already explained by Guru and Kamal. I must also add that this is a market which operates between $1,500 gross margin PAPM to as high is about $4,500, if you work in the niche profiles and I think that is how we are building up ourselves with good customers.

Vidit Shah: Sure, what was the exit figure in Q2 in terms of revenue that we can look at and I remember we had got a couple of S&P sort of customers, have we added to that list or our time staff in IT Staffing in US?

Guruprasad Srinivasan: At the moment it is very insignificant in terms of the revenue and the losses, I mean, burn that we are doing there, we have less than 10 head count that we have deployed. So, as it becomes substantial, we will start probably declaring it, but we also getting our feet right there in terms of how do we ramp up and how do we set the delivery structures. So, we are going in the right direction, but I am sure I think we will have more to share as we come into Q3 and Q4.

Vidit Shah: Thanks, and maybe one for Kamal in terms of the income tax matters. Just some clarity on the latest verdict that came in at the end of September I sort of missed your opening remarks. So could you just explain where we stand right now?

Kamal Pal Hoda: So, I did cover it in my commentary also. See this tax matter that is going on for us is for multiple years. So, for 2017-18 we came out of DRP, and we are in tribunal and the next hearing for ITAT is within this month. So that will be the first set of hearing. For 2018-2019 that DRP hearing was completed, and the final order was passed on 30th September this order was again in line with the previous order where principally the EAA and the depreciation on goodwill was disallowed to Quess and we have taken very similar grounds and we are now going into tribunal so this will follow the course of what 2017-18 would be. For 2019-2020 there was a proposal for doing special audit for Quess which was again proposed by department in line with the previous two years, but we are successfully represented with all the facts and department has dropped the special audit, so this is the first year that there is no special audit for Quess and the draft order has been passed by the tax office themselves. Again, the order is in line with the previous two years when they have principally detail out both the matters. We have taken the course of going through the DRP because we want to be consistent with our stand and the legal recourse that we have taken.

Vidit Shah: So, all three orders are consistent in summary is the understanding correct.

Kamal Pal Hoda: That is correct.

Vidit Shah: Okay, thanks so much for the clarifications and all the best.

Moderator: The next question is from the line of Mohit from Guardian Capital. Please go ahead.

Mohit: Sir, I know that this is a small amount, but I just wanted to understand how was the Vedang stake that we have valued, is it like much higher margin than the normal operating asset management business?

Kamal Pal Hoda: Vedang is a subsidiary which we continue to hold prior to this acquisition also 92.5% is this us, and the balance stake is with Mr. Ashish who is running this company as a CEO and the terms of share purchase agreement which was there since 2017-18, had laid out how the rest of the acquisition would be done basis the put option, which is there. So, there is no fresh valuation that has been done for this it is just this is the earlier share purchase agreement that we have followed the course. Ashish continues to hold 3% in this company post the acquisition and he continues to run this company and this company is going through a fantastic phase of 5G transition and he is leading this company in a very robust manner.

Mohit: So can you give some clarity about the EBITDA margin that is posted by this business because I think it would be higher than our OAM business.

Guruprasad Srinivasan: Yes, this business on an average delivers us anywhere between 9% to 10% of EBITDA margins.

Mohit: Then it makes sense. Okay.

Moderator: As there are no further questions, I now hand the conference over to the management for the closing comments.

Guruprasad Srinivasan: I would like to once again highlight that we are very well placed across platforms to maintain our growth trajectory and with this note wishing you all again the festivities around happy Deepavali and prosperous New Year and look forward to interacting with you soon. Thank you so much for joining us today.

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