# "TeamLease Services Limited
# Q4 FY2019 Earnings Conference Call"

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**Moderator:** Good day, ladies and gentlemen, and welcome to the Q4 FY2019 Earnings Conference Call of TeamLease Services Limited hosted by IDFC Securities. 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. Rohit Dokania from IDFC Securities. Thank you. And over to you, Sir!

**Rohit Dokania:** Thank you, Margreth. Good evening, everyone, and welcome to the Q4 FY2019 Results Conference Call of TeamLease Services Limited. I would like to thank the management for giving IDFC Securities the opportunity to host this call. The management team is represented by Mr. Ashok Reddy, MD and Co-founder; Mr. Ravi Vishwanath, CFO; and Ms. Ramani Dathi, Financial Controller; and other senior management personnel. We will start the call with the commentary from the management and then move into the Q&A. Thank you, everyone, and over to you, Sirs.

**Ashok Reddy:** Thank you, Rohit. So just as a catch-up on the overall performance of the company or the years, I think we have seen a 23% growth in revenue and a 33% growth in PBT over the year. And we have been able to take our PBT margins from 2% to 2.2%. I think this is largely driven on the back of the economies of scale and growth in the volume staffing business and the other P&Ls also starting to contribute.

So overall for the year, we have had about 34000 associate trainee growth. And for the quarter, about 4800 associate trainee growth. And we have also been able to reduce our funding exposure from 17% to 14% by the end of the year. And our productivity, which we measure by associates to our core employee, has further gone up to 270 from the previous quarter.

Also I think we had a downward trend in the PAPM over the earlier quarters. We have managed to stem that and been able to take it up marginally to Rs.714 as a PAPM. We have also, in the IT staffing space, completed effective end of the year and will come into the current year. The acquisition of eCentric solutions, it is an IT staffing company, which will align with the IT staffing business that we had, slightly lower margin than what IT staffing we were doing but it complements the overall IT staffing vertical well with clients and client base that we were earlier not working with.

So I think overall, we are on track with the element of growth and margin improvement. We have had all the P&L coming in positive overall and some of the element of the provisions that we had done for the training business had been reversed in Q4 as we had said the collections would come in. We do expect some more collections to come in, in the current year Q1 as a carryover of the fact of many people not being there during the election period and all of that.

But I think overall, the trajectory of the volume staffing business stays on track. The IT staffing business has been on track for last year. It will get complemented with the eCentric business this year. We have the telecom staffing business that effectively closed positive but at a lower margin than before, but I think we do look to having the various projects that we had initiated turning positive this year and believe that the margins should get back to the normative prices and levels.

And I think the training business and the other P&Ls are all on track in terms of their trajectory for growth.

That really from our perspective, also I think the top 10 net revenue contributors kind of stays the same at about FY2020%-odd. The elements of the proportion of fixed markup to a variable markup at 75 and 25 also kind of stay the same.

But I think the fact that we are able to play to productivity game effectively keep the associates growth and drive the elements of the other P&Ls to scale will play to our margin improvement in the future also.

Happy to take any questions there on.

**Moderator:** Thank you. We will now begin the question and answer session. The first question is from the line of Sudheer Guntupalli from Ambit Capital. Please go ahead.

**Sudheer Guntupalli:** Thanks for taking my question. While you are being seeing as strong growth in headcount, there seem to be a pressure on markups in the industry. I understand in this quarter the numbers are looking a little better. But in general, what is your sense on how the market pressure, especially in the large deals, will translate into margins going forward?

**Ashok Reddy:** So Sudheer, I think if you look at the client portfolio, the large accounts typically do give a lesser PAPM. The medium account gives a relatively higher PAPM and the smallest accounts have the highest PAPM. So I think distributed growth across the portfolio kind of balances out the overall PAPM realization. But there have been large ticket mandates that have come in this year and will probably be there for next year, which are relatively at lower markups. But I think as long as we are able to ensure that the cost of servicing those mandates is well within the aspect of the realization and also that it is playing to the overall economies of scale, we could and should play to margin improvement as we go forward.

Some elements of that margin PAPM reduction has also been offset by the discipline of reducing the funded exposures. So while funding exposures have a cost of funding, we have been conscious in saying that some of this margin reduction by virtue of being non-funding will still play to the profitability. So if you look at the overall funding exposure, we have managed to bring that down from a 17% to a 14% over the year. And part of that kind of accounts for the PAPM reduction. But I think overall, playing to the net margin improvement, even though there is a PAPM reduction in some of the large accounts is what we will focus on.

**Sudheer Guntupalli:** Sure, Ashok. And secondly, one of the weak links has been the sourcing capabilities of the company. In earlier interactions you highlighted some measures taken by TeamLease to address that area. So if you can help us understand what is the progress on that trend?

**Ashok Reddy:** So if you really look at it from our perspective, we have been working multiple projects on increasing the hiring aspects for customers. And in absolute terms, we are able to do about 1,500 to 2,000 incremental hires over and above the previous quarter. So I think we are doing in excess of about 7,000 hires last quarter. And that upward take on being able to close more open positions and do more hiring is clearly and continues to be a project for us. And I think we are seeing aspects of it playing out on absolute numbers that we are closing.

**Sudheer Guntupalli:** Thank you.

**Moderator:** Thank you. The next question is from the line of Aniket Pandey from Prabhudas Lilladher. Please go ahead.

**Aniket Pandey:** I have just 2 questions. Ashok, could you please comment a little bit on how your current pipeline is looking? And also on the current open position and which are the sectors which are seeing strong demand?

**Ashok Reddy:** So I think the aspects of continuous growth and the needs that we look at about a 20% year-on-year growth, we need to have about a 15% to 17% associate growth to support that. We are kind of on track from a visibility of clients and sectors at this point in time, having the required open positions. And a large element of those open positions at this point in time are coming in from the BFSI sector, are coming in from the digital companies, are coming in from the e-commerce place and some elements from the manufacturing. I mean none of them are the only driver as a industry vertical for us. But some of the larger open positions at this point in time are across these sectors. We still believe that this is dynamic and will vary month and on a quarter basis. But we do have in excess of about 10,000 open positions with us at this point in time. And we believe that the various clients and sectors that we are addressing will be able to keep that pipeline going on a recurring basis.

**Aniket Pandey:** Thank you.

**Moderator:** Thank you.

**Rohit Dokania:** Yes, this is Rohit. Just a couple of questions from my side. Can you talk about in terms of specialty margin that trajectory across the 3 segments from FY2020 perspective? And also in terms of growth, how should one look at across the 3 segments? So obviously, you did allude to all the general staffing side on the other 2 segments as well.

**Ashok Reddy:** Yes. So like I said, the general staffing business will continue to play to economies of scale and productivity kind of driving the margin improvement. PAPM improvement will be a bonus on top of that. In the IT staffing business, we are always said it will be between a 10% to 12% margin play, and we comment...

**Rohit Dokania:** So this is after eCentric as well? Because you said, I think you said...

**Ashok Reddy:** Yes, yes, I will come to that. So in the IT staffing, our earlier element of the business was at about 11% margin. eCentric is at about 7% margin. But our belief is that it has a good client base and adds about 850 associates to the current balance of associates that we have. So the plan there is that while they come in at a 7% margin, we will try to work the economies of scale and productivity to gradually take that margin up. Obviously, we will not get to 11% in the following year. But intent is that we will continue to maintain the margins in the earlier staffing business while we work economies of scale and productivity to improve the margins in the new element of the business that is coming in. So cumulatively, we will probably be somewhere at around 10% or between 9% and 10% in the IT staffing business.

The telecom staffing, as we had indicated, would normally be at a 5%, while the core of the business stays at 5%. Some of the new initiatives that we had taken on, upfront costs, learning and leadership costs and everything else, brought the telecom EBITDA down to just that shy of 3%. We believe that with those investments having been made in the last year, we should look to taking that back to 4% to 5% in this year.

**Rohit Dokania:** Okay. That is great. Okay, okay. And on the HR services?

**Ashok Reddy:** So there we have taken it up from 5.9% the previous year to 6.5%. Our belief is that, that should be a similar increase in this year also.

**Rohit Dokania:** Okay. Great. That is helpful. The other question, I believe in this particular quarter, there has been some sort of moderation in terms of the core associate sort of count addition in this quarter. I believe it is closer to what, 1400. Any specific reason for that or...

**Ashok Reddy:** Probably Q4 has a moderate increase in associate count. So the larger element of the associate number increase happens in Q2 and Q3, and there is a moderate increase in Q4. So 1400 is kind of largely in line with the overall trend under this 1 large client migration kind of a situation. And in the NETAP trainees, we increased about 3600. So overall, it is about a 4,800 increase that kind of plays to the element of productivity at the back end.

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

**Abhijit R. Akella:** First, just on this other data services business, so it is been a little bit lumpy in the last couple of quarters. But how do you see the outlook here now in terms of growth, topline growth? Are you still in a sort of reasonably aggressive in terms of looking at growth here? And then margins, can they continue to improve from here?

**Ashok Reddy:** Yes, so I mean we have had a quite aggressive growth last year on the back of the training business. And while we would not have that element of a growth in this year, I think we will have a normal rate of growth in the other HR services business. But all the sub-elements of that composition have gotten to profitability. And our belief is that in this year, that should lead to a margin improvement, and we have been showing that on a consistent basis over the last 3 years. Belief is that this year also, we will be able to show a margin improvement in the other HR services EBITDA, supported with reasonable top line growth also. And if I see lumpiness in quarters but when you look at it on a year-on-year basis, it will kind of balance itself out. Because sometimes it is the function of lumpiness around delaying, recognition of revenues, collections and stuff of that sort, but it gets balanced out over the years.

**Abhijit R. Akella:** On the general staffing business itself, this 10,000 headcount open position we have now that is executable over the next 1 quarter itself, is it?

**Ashok Reddy:** So none of the open positions are really exclusive to vendors. So clients work with multiple players and give open positions and some of these open positions also drop off from the customer end. So it is not to say that 10000 will be the addition for the quarter. There will be an element of a dropout, delay, extension and closure, but this is based on which we work to driving the new joinings.

**Abhijit R. Akella:** Right. Sure. Would it be possible to just share what the open position number was last year at the same time?

**Ashok Reddy:** Last year it was about 5000 to 6000 open positions.

**Abhijit R. Akella:** So there is actually been a substantial increase...

**Ashok Reddy:** Yes. Driven by a few sectors and a few companies at this point in time, but like I said, this number is a little dynamic, and it is also a function of multiple industries and different companies.

**Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

**Pritesh Chheda:** Sir, how much more room in terms of staffing productivity?

**Ashok Reddy:** So there is no upper limit on that, Pritesh. I think the variables of automation, process improvement and people training are the 3 key levers that enable the productivity enhancement to happen. I think internally, we continue to have multiple projects being executed over a period of time that plays to this element of productivity enhancement. And we believe that this will continue to play out over the next many quarters and years. As of now, we believe there is no upper limit to that number.

**Pritesh Chheda:** Will the pace, what we have seen in the last 2 years, will that pace be clear unto itself (inaudible)

**Ashok Reddy:** We would like to believe it should.

**Pritesh Chheda:** And that pace is directly correlated with the margins that you are showing in the general staffing, right?

**Ashok Reddy:** Yes. Because that productivity enhancement effectively directly plays to the cost structure or the P&L and the margin improvement there.

**Pritesh Chheda:** And what is your growth outlook in general staffing for FY2020?

**Ashok Reddy:** Actually between 19% and 20% is what we have played out towards the many years except last year. And I mean last year the associate growth was lower, but we should be on track with that.

**Pritesh Chheda:** And just 1 clarification in the specialized staffing. You called out that blended margin, which looks like 6.5 this year because of eCentric, because of the acquisition. That should revert to about 9%, 10%.

**Ashok Reddy:** So the earlier IT staffing business had 11% margin. The acquired entity, which is about 50% size of the earlier business, has a 7% margin.

**Pritesh Chheda:** Is that margin between these numbers for FY2019?

**Ashok Reddy:** 2019 has no impact from eCentric at all because eCentric has come into play from 3rd to April.

**Pritesh Chheda:** So then what explains the drop between 2018 and 2019 in terms of margin for specialized staffing?

**Ashok Reddy:** 12% to 11.2%, so maybe in more or less at the intended rate on the IT staffing side. The telecom staffing which came in last year is really the driver down on the overall specialized staffing front. Our staffing has been on track.

**Pritesh Chheda:** And what proportion of the business is telecom staffing?

**Ashok Reddy:** 50% is telecom.

**Pritesh Chheda:** Okay. So basically whatever growth came largely from telecom and that dropped the margin.

**Ashok Reddy:** Telecom was an add-on last year because that was when we did the acquisition, and so it was not there the previous year.

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

**Alok Deshpande:** Alok here. Got 2 questions here. First one, concerning the industry structure with the top 4 or 5 players are very large and then is sort of falls off in terms of the associate headcount. I just wanted to understand what is the pricing intensity like between these top 4 or 5 players? Has that been going up in the last 2 years? Because when we look at the gross markups, certainly looks like somebody like a quest is growing a lot more aggressively in the last 2 years. Just wanted to get some color on that first.

**Ashok Reddy:** So I think from average rupee realization perspective, more or less all the large players are around the same price point for the volume general standalone vanilla stuff. And I think like I mentioned earlier, larger contracts do come at a lower price point on the back of volume discount demands and so on. And medium and smaller accounts kind of balance that element of PAPM realization. So if you look at it even for us, the way we have been able to balance that element of lower PAPM from the larger accounts is that our top 10 accounts account only for 20% of our overall volumes. And there is a long tail of medium and small accounts that come at higher PAPM that overall kind of leverage out that play. And also in India, I think what has happened historically is it is always worked on per employee per month rate. Whereas having the percentage model factors in wage inflation and year-on-year rupee realization. So over the years, we have been able to take 25% of the contracts to variable percentage model. But I think largely, if you look at the larger players in the volume staffing space, average realizations will more or less be the same.

**Alok Deshpande:** Just one more question, just wanted to understand your strategy going forward on funded part of the business. So it is good improvement coming down from 17% to 14%. Now once you started going forward in that part, is this something which we want to continue down 10% to 14% or the target is to sort of sub 10%? Just wanted to get some sense.

**Ashok Reddy:** I think as a standard offer, we do not give it to clients. So funding is not our preferred choice. And where we have a demand ask on funding, we normally look at a higher price or markup on the pricing in order to factor for the pricing. So I think while ideally we would like to reduce the element of funding per se, we are not averse to it, subject to the client paying more for the funding that is demanded of them. Also what we have realized is that this ask is not so much working capital ask as much as the process ask from the client side where the element of the accounts payable cycle, we are not able to clear within 2 days and hence there is a need for funding. So all our funding in the volume staffing side has an average DSO of about 20 days. So before the next payroll cycle, the payments come in. The specialized staffing has different trajectory on funding and that will continue to play out given the margins. But in the volume staffing, we are very clear that we would like to drive it only if there is a realization and a funding cost factored in for the same.

**Alok Deshpande:** Sure. And has that been going up in the industry as a trend, the funded part of the business in the last four five years?

**Ashok Reddy:** I think different companies have different percentages that are been playing out. So it is very company-specific rather than industry rule.

**Moderator:** Thank you. The next question is from the line of Piyush Sen from Samurai Capital. Please go ahead.

**Piyush Sen:** Just 2 quick questions. Firstly, the specialized staff headcount, it has become as a leg on a flat level as compared to last year. Is there any particular reason for that?

**Ashok Reddy:** So in the IT staffing, actually we have grown. But the telecom staffing headcount has come down. So like I mentioned, we got into new projects in the telecom staffing space on a trial-and-error basis to figure out what will work and what will not work. And some of those projects have been there on prune down basis, our experience in realization and staff. So that more or less is kind of balancing itself out. So IT staffing actually grew 18% on headcount basis by 330 resources and the telecom came down by 330 resources. This is why you are finding a net flat on that front.

**Piyush Sen:** Okay. So any outlook in this segment in terms of headcount...

**Ashok Reddy:** I think we continue in the IT staffing, we will clearly grow. And like I said, we have had inorganic inclusion of about 800-odd associates from eCentric and independent of that, both the companies will look at growing in the current year also. In telecom, we might keep it flat, but the margin improvement is what we will focus on.

**Piyush Sen:** Okay. One more question, so your general associate count was around 16% this quarter but it was 17% in the last quarter where you had a revenue growth of around 26% from the general staffing business. But is it that some large client started giving revenues in this quarter, which led to a lower revenue growth in staffing?

**Ashok Reddy:** I did not understand that question, Piyush.

**Piyush Sen:** Yes. So it is in your general staffing business growth was around 26% last quarter on a volume growth of 17% in Q3. But if it is a Q4 number, it is around 20% business growth at a volume growth of 16%. So any drop in realizations or any big clients coming on board?

**Ramani Dathi:** Piyush, there is no drop in realization. In fact, in Q4, the PAPM has slightly gone up from INR 710 to Rs.714. Specific to your question, the net increase in headcount is by end of the quarter, like between December 31 to March 31, whereas the revenues for the full period, for the 3-month period. So it may not be linear comparing the revenue growth and headcount growth.

**Moderator:** Thank you. The next question is from the line of Ashish Chopra from Motilal Oswal Securities. Please go ahead.

**Ashish Chopra:** Ashok, I just wanted to understand. So the variable pay model, would it be fair to assume that this 25% is largely dictated by your smaller volume accounts?

**Ashok Reddy:** Yes. Medium and small accounts.

**Ashish Chopra:** Okay, okay. So then should we assume that the potential for this number to maybe go up over a period of time would largely rest on the mix of accounts in terms of large, medium and small? Or do you think that you can still maybe keep inching it up further?

**Ashok Reddy:** We will work on inching it up, but it would not see a quantum percentage change, given the volume of the other clients so all our proposals as a default, the preliminary cut release is a percentage markup and a non-funding model. Only on a pushback in dialogue with customers do we go back for a fixed markup and the funding.

**Ravi Vishwanath:** Q1 of FY2018, we were actually at about 68% on fixed and 32% was on variable. So it is possible, so we had gone up to that level but have come down over the year, over the last 2 years. So it is possible that we can get back to those levels, although we have indicated at all times that one should not factor for them to go beyond, say 35% to 40% over the next 4 to 5 years actually.

**Ashish Chopra:** Understood. That is helpful. And secondly, on the telecom staffing bit so while this year did see some drop in head count, I just wanted to understand how are you thinking about the opportunity and to play over there? Because I think you are guiding also for maybe more or less a flattish head count over there next year. So I think with the restructuring process and the investment process nearly complete. Just wondering as to how do you think about the growth? And what would be the reason for guidance of a flattish head count next year?

**Ashok Reddy:** No. I think it is not so much a flattish head count. We will realign the head count from some of the nonprofitable projects to profitable projects. So I think a larger focus is getting back the profit margins, but we will have growth per se. So it is not 0 growth, but it is just that I think even with the element of the realignment of the associate head count, we should be able to improve our profits.

**Ashish Chopra:** And the decline that we saw in the core employees in staffing of around 26-odd people in the last 2 quarters, would that also be attributed to telecom?

**Ashok Reddy:** No. The core employee head count is largely a reduction. While we had some element of reduction in core employees, in the telecom staffing side, a larger element of it is actually on the TeamLease side, the general staffing side.

**Ashish Chopra:** Okay. And how many would we be adding on by the virtue of the eCentric integration?

**Ashok Reddy:** Core employees or associates?

**Ashish Chopra:** The core employees.

**Ashok Reddy:** That is about 100 people.

**Ashish Chopra:** Okay. But would you typically see that every time you acquire an asset there be some scope for bringing that number down as a natural process of slowing?

**Ashok Reddy:** So after bringing down, we are inheriting. There used to be 120 people running the business earlier. Some have been left behind, integrated with the parent organization and staff. With the transfer of the business, we are inheriting 100 people. So there are economies of scale around operations, around common support teams and stuff of that sort. The technology platforms become common for both the units, but a larger element of the team was in hiring and prime management, which will continue to be there.

**Moderator:** Thank you. I would request Mr. Chopra to come back in queue for follow-up question. The next question is from the line of Garima Mishra from Kotak Securities. Please go ahead.

**Garima Mishra:** Thank you for the opportunity. Ashok, from whatever your comments have been, what I understand is that future margin improvement in the general staffing business is going to be predominantly on account of cost saving, so mostly productivity-led economies of scale, et cetera. Is there any strategy in bringing up the PAPM itself, in terms of adding additional services or whatever that is possible? Or is it that clients actually do not want all that? They are just looking for plain-vanilla stuff, which is what you supply? And hence, conversely, all margin improvement would have to be productivity led?

**Ashok Reddy:** It will be both, Garima. And I think what we are seeing is clearly the aspect of productivity enhancement is in our hands. And we work on that and drive it around the 3 vectors of automation, process improvement and people training at the back end. While parallelly, the margin improvement focus will continue to be there. And if you look at it, leading this one year, the prior years for us always had about a 5% margin PAPM improvement year-on-year. This is the first year where we have had a reduction in the PAPM front.

So clearly the focus I am not making the statement that we are not focusing on PAPM improvement. I think most large accounts come at the lower PAPM and that is kind of depressed overall PAPM this year. Parallelly, we are working on the various what we call the digital workforce solutions of the online technology apps that we can complement the service offering to customers with that can enhance the PAPM. So we effectively have now got about 20000 associates working on the online app platform that we have, while as an average realization, it is about Rs.49 per associates per month. But when we average it out on the overall associate base, it becomes negligible. But I think clear focus is to increase the number of associates working on the digital platforms, increase the element of the markup of price realization that we can charge the customer. And we have about 5, 6 new modules that we can take to market that will go live this year. So I think there is a clear focus to grow the associate numbers, add on additional services that we can be and will be able to charge the customers for. So PAPM improvement is one of the levers that we will continue to focus on for margin improvement.

**Garima Mishra:** So and just another question. See, essentially on your specialized staffing vertical, a question was asked that even the headcount has remained largely static. So could you just comment a little bit more about IT staffing, the condition and the demand that you are seeing from your customer base currently? And exactly what target segment does eCentric cater to?

**Ashok Reddy:** Yes. So on the IT staffing front, we have actually had an 18% associate growth over the year. So from roughly 1,800, we have grown to in excess of 2,100 at this point, so about a 330 absolute increase in head count in the IT staffing front. We have largely been focused on the services segment. Some element of product companies and very limited in the captive side. I think what eCentric brings to the table is about 800 associates, largely catering to the product and capital segment. And these, other than about 3 overlapping clients, most of their other clients which kind of give them volume were clients that we were not working with in the past. So I think as we view it today, the competency capability that the 100-member eCentric team had was delivering to captives and product companies a client base that we were not working with. Their team is largely concentrated in Hyderabad, which complements our concentration in Bangalore and the earlier concentration to the service segment of the industry. Both the segments currently do have open positions and the feedback by virtue of dialogue with the customers is quite healthy for next year, for growth. So look, the fact that we are now present in service, captive and product segments with a larger element of our client base, most of them having open positions that will play out for this year, should put that business in a healthy growth trajectory.

**Garima Mishra:** Understood. And one last question. Could you comment a little bit on minimum wage trends? I understand minimum wages rose pretty sharply in FY2018. What has been the trend in general in FY2019?

**Ashok Reddy:** It is very state-specific and industry-specific, Garima. So, there has been a proposal about setting up a national minimum wage, which we think is a bad idea. And we have been kind of saying so to the various authorities. But even at some state level, there has been a revision in minimum wages and an uptick as a popular scheme to push that up. So there is no general rule to that but as and when the revisions happen, we factor for that to go back to customers and reflect that in the wages of individuals.

**Garima Mishra:** So what would be the average wage earned by your general staffing employee? Very blended?

**Ashok Reddy:** It is roughly about Rs.22900 is the average salary at this point in time which has kind of been the same over the years.

**Ravi Vishwanath:** Over the last 2 years, actually.

**Moderator:** Thank you. The next question is from the line of Aasim Bharde from IDFC. Please go ahead.

**Aasim Bharde:** Team, I have a few bookkeeping questions. Firstly, can you quantify the amount of provision write-backs that you did in Q4? And how much would be coming in Q1?

**Ashok Reddy:** What write-backs, Aasim?

**Aasim Bharde:** Some provision write-back that you had done on the NETAP government account side that you mentioned, that you are taking provisions in Q3, which you rolled back in Q4.

**Ramani Dathi:** Yes, Aasim. So it is not NETAP related. It is the government training business under other reserved services. So we need certain provisions in Q3 for delayed collections and those collections have come in Q4. So the write-backs to the tune of about INR 2.2 crores happened in Q4, and we are expecting another Rs.1 Crores, Rs.1.5 Crores collections to come in Q1 or early Q2.

**Ashok Reddy:** We have had depressed Q3 numbers of that business. And we had indicated that these are delayed collections, not just write-off collections. And those have started coming in, which translated to that reversal.

**Aasim Bharde:** Okay. Sure. Sir, secondly, could you just share what was the telecom staffing revenue and EBITDA in Q4?

**Ramani Dathi:** Telecom staffing Q4 revenue was INR 43 crores with an EBITDA of Rs.1.3 Crores.

**Aasim Bharde:** Rs.1.3 Crores. And what is your total associate count and core employee number in this particular vertical?

**Ramani Dathi:** In telecom, our core employee count is 82 and associate count is 3,800.

**Aasim Bharde:** 3,800. Okay. So can you just provide the same core employee number for your IT staffing business, excluding telecom?

**Ramani Dathi:** Sure. So IT staffing core employee is 195 plus 100 from eCentric. So total would be about some 300.

**Ashok Reddy:** And the associates will be 2,100 plus 800.

**Ravi Vishwanath:** Over 3,000 totally, yes.

**Aasim Bharde:** 2,100 plus 800. Okay. Then finally, I just see a noticeable increase in other financial liabilities in your balance sheet this year. What would this be regarding?

**Ramani Dathi:** So that is in line with the increase in business, Aasim. Like our top line has grown by 23% and even the liabilities all are gone...

**Ashok Reddy:** So these are normally just year-end recognition of salaries to be paid, which get paid in April, the early April. These are in line with the business growth, which gets kind of knocked off as the month progresses.

**Aasim Bharde:** So and finally, on the other HR services front, you mentioned that you would be targeting a 50 to 60 bps margin expansion this year. So what initiatives or drivers would drive this margin expansion?

**Ashok Reddy:** So I the think this is a higher-margin business, per se. And we were loss-making 4 years back. And we have been incrementally working the scale of revenue and productivity in terms of the overall process and the mix of revenue and stuff of that sort. And I think that mix of revenue, driven from corporate, from the government; from various institutions and stuff coupled with improved productivity from a perspective of we have shifted a lot of fixed cost to variable cost. We do it on an outsourced model. So, all of those will start to contribute to the margin improvement. And I think we have been consistent on that front, and we believe that it can play out into this year also.

**Moderator:** Thank you. The next question is from the line of Prashant Tiwari from SBI Capital Markets. Please go ahead.

**Prashant Tiwari:** This 714 PAPM, that is on associates, right? Only associates?

**Ashok Reddy:** Yes.

**Prashant Tiwari:** And so what would be the similar number for trainees?

**Ashok Reddy:** 575. 573, to be exact.

**Prashant Tiwari:** Okay. And what would be the same markup and both markup for the full year number, for trainees and associates?

**Ashok Reddy:** What is the full year markup meaning?

**Ramani Dathi:** The average for the year?

**Prashant Tiwari:** The average for the full year.

**Ramani Dathi:** For general staffing, it would be about 725 because Q1, we had it almost 735, 740 PAPM. And in case of NETAP, the average annual markup would be 580.

**Ravi Vishwanath:** 580.

**Prashant Tiwari:** 590?

**Ravi Vishwanath:** 580.

**Ashok Reddy:** 580. The average wage, while it is near to 23,000 in staffing, it is about 10,600 in NETAP Stryker.

**Moderator:** Thank you. The next question is from the line of Vaikam Kumar from JM Financial. Please go ahead.

**Vaikam Kumar:** Can you help me with the EBITDA number for staffing and IT services?

**Ashok Reddy:** The EBIT for staffing is about 2%, 1.8% last year and that is just about 2%. And IT staffing is 11.2%.

**Vaikam Kumar:** 11.2%, okay. And Ashok, on the strategy side, so we have been alluding to both hunting and farming for increasing the staffing associate count. But if you look at the client base, it is been fairly stable at about 2,250. So are we taking measures to increase the client base? Or are we focusing more on increasing the share of business? The reason I am asking that is because, what is the potential to grow with this existing client base?

**Ashok Reddy:** Yes. So I think we have a kind of focus on both, Vaikam. So I think clearly, adding new accounts is a focus area for us. The cumulative number does not look like it is gone up largely from a perspective that some of the smaller accounts and some of the medium accounts also drop off during the year by virtue of the fact business requirements and overall internalization and stuff of that sort. So there is a larger element of a churn in the smaller accounts on a recurring basis. So in most accounts, the way that are on board, the way we look at it is trying to max the share of wallet. And saying how do we increase that share of wallet with these customers, while some of the smaller accounts might not have multiple vendors. And hence, we might be owning the share of wallet that is there with them. In the medium and large, there are clearly opportunities to increase the share of wallet. And that is what we kind of continuously focus on. So every year, if you look at our growth, it is a combination of new sales and share of wallet with existing customers that gives us the headline growth. But in absolute numbers, our client flattishness is largely driven around the fact that some clients go away and are replaced by other clients.

**Vaikam Kumar:** And I know we have been making a lot of investments in the telecom staffing space. Well, when do we expect the top line and the margins to start improving? Will it take 2 or 3 quarters from now?

**Ashok Kumar Reddy:** So I think the top line improvement happened last year itself. And I think what we are now seeing is that while we have been able to drive the top line improvement, we would like to now focus on margin improvement. I think if you look at even Q4, margin has been better than Q3 and Q2 and so on. So we are seeing a quarter-on-quarter improvement on the margins front. We believe that into this year, we should have a clear improvement and back to normative situation as we go forward.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Rohit Dokania for closing comments.

**Rohit Dokania:** Ashok, Ravi, Ramani, do you want to make any closing comments?

**Ashok Reddy:** I think overall from the business perspective, we have been on track to the growth. This year has had a little depressed PAPM. But I think we have been able to balance that with reduced funding exposure and a productivity enhancement to sustain the margin improvement. We will continue to focus on growth, both in associate numbers and working towards PAPM improvement. That will continue to play towards productivity enhancement and margin improvement in the business. I think the integration of the acquisitions and working with some of the companies that we have invested in continues to play out. And we believe that these other P&Ls will continue to contribute to growth and margin improvement as we go forward. I think overall, we are in a healthy space from a fiscal discipline perspective of funding, free cash flow generation and staying true to the course of the business. And I think that is the trajectory that we would like to play to going forward in this year also. Thank you.

**Moderator:** Thank you. On behalf of IDFC Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.