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May 19, 2023

To	To
Listing Department BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001 Scrip Code: 539658	Listing Department National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot no. C/1, G Block, Bandra Kurla Complex, Bandra(E), Mumbai - 400 051 Scrip Code: TEAMLEASE

Dear Sir/Madam,

Sub: Transcript of Q4FY23 Earnings Call of TeamLease Services Limited (TeamLease/Company)

Ref: Regulation 30 of the SEBI Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015

With reference to the captioned subject and pursuant to Regulation 30 of the SEBI LODR Regulations, 2015, please find enclosed the Transcript of Q4FY23 Earnings Call hosted on Wednesday, May 17, 2023 at 05:00 P.M. IST. The same is also available on the website of the Company at https://group.teamlease.com/investor/earning-call-transcript/.

Kindly take the above said information on record as per the requirement of SEBI LODR Regulations, 2015.

Thanking You.
Yours faithfully,
For **TeamLease Services Limited**

ALAKA CHANDA
Digitally signed by ALAKA CHANDA
Date: 2023.05.19 12:34:41 +05'30'

Alaka Chanda
Company Secretary and Compliance Officer
Encl: As above

“TeamLease Services Limited

Q4 FY '23 Earnings Conference Call”

May 17, 2023

MANAGEMENT: **MR. ASHOK REDDY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – TEAMLEASE SERVICES LIMITED**
MR. SUNIL CHEMMANKOTIL – CHIEF EXECUTIVE OFFICER –SPECIALIZED STAFFING – TEAMLEASE SERVICES LIMITED
MR. KARTIK – HEAD STAFFING – TEAMLEASE SERVICES LIMITED
MS. RAMANI DATHI – CHIEF FINANCIAL OFFICER – TEAMLEASE SERVICES LIMITED
MR. KUNAL THARAD – HEAD INVESTOR RELATIONS – TEAMLEASE SERVICES LIMITED

MODERATOR: **MS. ADITI PATIL – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the TeamLease Services Limited Q4 FY '23 Earnings Conference Call, hosted by ICICI 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, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Aditi Patil from ICICI Securities. Thank you and over to you, Aditi.

Aditi Patil: Thank you, Darwin. Good evening, everyone, and welcome to the TeamLease Q4 FY '23 Earnings Call. Thank you, TeamLease management for giving us the opportunity to host the Q4 Earnings Call. We have with us today, Mr. Ashok Reddy, Director, and CEO; Mr. Sunil Chemmankotil, CEO Specialised Staffing; Mr. Kartik, Head of Staffing; Ms. Ramani Dathi, CFO; and Mr. Kunal, Head of Investor Relations.

We will start off with the remarks from management, after which we will open the floor for Q&A. I now hand the conference over to Mr. Ashok Reddy. Thank you and over to you sir.

Ashok Reddy: Thank you, Aditi, and good evening to everyone. I think we had a flattish quarter on quarter on revenues, headcount, and EBITDA. For the year, we grew revenues by about 22% year-on-year. But clearly, the margins have been under pressure. General staffing has been adding headcount and continuing to add headcount in Q4 also, but it has been negative by the losses in headcount in the higher-margin businesses of the DA and Specialized Staffing and that has really been continuing to put pressure on the bottom lines.

Also, on the staffing side, the larger clients are growing larger across sectors and across different companies. But the reality is that larger clients pay a lower PAPM, has also been one of the drivers to the lower realizations and the PAPM in Q4 has dropped about INR15 on that count.

We continue to work on productivity and FTE improvement across the businesses to drive more efficiency through technology and processes, and I think that is kind of again played out with about improvement on the FTE ratio by about 6, 7 incrementally for the quarters.

I think we had on the DA front the element of the impact from the exit of the NEEM scheme continues to play-out with more trainees dropping out from there. We do expect a complete exit of the NEEM trainees by end of Q2. The headcount in the quarter from the NEEM perspective dropped by about 9,000 and cumulative impact of the drop of the headcount in Q3 and Q4 has an impact of about INR5 crores in the net revenue.

While the drop-in NEEM headcounts are expected over the coming 5 to 6 months, we have started to sign-on new accounts for the apprenticeship what we call the TPA and NAPS option and traction on finding of the accounts and getting apprentices onboard has initiated in a small way, but we believe we will start seeing more traction in growth on those numbers sometime in Q2, and I think the team is focused on that front.

While the element of details of the Specialized Staffing and staffing will be given by Sunil and Kartik, I think at a broader level we continue to focus on cost-control in areas of business that are stagnant from market outlook perspective and continue to focus on growth in verticals that are seeing traction of open positions.

I think the call out that we were going to realign the team sizes in-line with the market demand has been executed in Q4. Obviously, we will continue to stay focused on that aspect as we go forward in Q1 and Q2 and align resources in line with the market opening up and market opportunities.

I will call Sunil, on to give updates on the Specialized Staffing front, followed by Kartik, on the staffing front and Ramani from a finance perspective. And then we will take the questions.

Sunil Chemmankotil: Thanks Ashok. Good evening, everyone. Specialized Staffing business had a tough year. It started with an anticipation of huge tailwinds on the back of strong sentiment that was expected to drive a multi-year digitization cycle. However, as you all know, it turned out to be an unexpected and shocking headwind marked by uncertain economic conditions.

Our IT clients were impacted by the prolonged uncertainty and started reducing the hiring numbers significantly. In fact, the dip was drastic to the tune of 60 percentage. Based on the original anticipation of growth, we made huge investments in people and facilities, which had to be cut down. The rightsizing, in-line with the market conditions, took some time and impacted our overall profitability for the year.

As informed in our previous calls, we had embarked on building a client base in non-tech space to improve our product portfolio mix since second quarter of last fiscal year actually, wherein we provide tech workforce for non-tech companies. We were able to capture a decent market share of the tech in the non-tech market and substitute some portion of the current IT dip. Overall, a better product portfolio mix and substantial improvement in our fulfillment ratio of the available market opportunities helped us to grow the revenue over last fiscal by 7 percentage and retain broadly the revenue run-rate on a sequential basis.

The dip in headcount by 9 percentage is due to our earlier decision to opt-out of a large client with over 900 headcounts in telecom tech space due to payment issues. The combination of dip in high-value IT business, exit of large telecom mandate, investments made in the early part of the year, not paying-off and subsequent time it took to right size led to a dip of 7 percentage in-full year EBITDA and a subsequent dip of 120 basis-points on the EBITDA margins. On the sales front, we have some good news. We bagged 57 clients in FY '23, out of which 23 are large strategic mandate which shall feed into multi-year growth of our business.

Now coming back to Q4 FY '23 performance, our revenue decreased by 1 percentage on a sequential basis, whereas it decreased by 5 percentage on a year-on year basis. Our headcount decreased by 5 percentage sequentially and 9 percentage is on a year-on year basis for the reasons I have already covered earlier.

The EBITDA percentage is flat on a sequential basis and dropped by 230 basis-points on a year-on-year basis. The macroeconomic situation still seems to be not conducive enough for our clients to open up hiring in the IT segment, while we see some uptick in tech and non-tech sector hiring. Despite these challenges, we remain focused on our long-term vision and are taking steps to position the company for success in the years ahead. Based on the ongoing dialog with our customers, we understand that the uncertain outlook on hiring still continues and it will impact our business in the near term.

We pin our hopes on the IT sector reviving and looking forward to a better business outlook in the near-term. We have reduced 19 percentage headcount and brought in an overall cost-saving of 16 percentage. We will continue to focus on adding new strategic clients across the industry, fast-track our digitization efforts, continue to run the operations frugally and put in our best efforts to maintain healthy margins. Thank you.

Ashok Reddy: Kartik, on the staffing front.

Kartik: Yes. Thank you, Sunil, and good evening, all. General staffing registered a near 29,000 net additions to our associate base, which is the second highest number we have reported in any given year, next only to last year's performance. Given the year before was a bounce back from pandemic for all practical purposes, this is one of our better years in a long time in terms of headcount additions. Our larger challenge, as Ashok pointed out earlier, really has been in terms of PAPM, where some of our large customers getting larger and expecting pricing efficiency for volumes.

For the quarter alone, we added about 8,000 associates. A word here again on our Q4 performance, typically Q4 is not expected to be a better quarter and largely on the backdrop of businesses looking at tuning their opex spend and our experience over the last decade shows a relative slowdown. However, this Q4 has been different and relative to base has been one of our better Q4 in the past several years.

The reason for that has been robust growth in our banking finance vertical and in group sales and hiring rigor across industry verticals. Our revenues went up by about 22.7% for the year and there's been a 2% sequential quarter-on-quarter basis. In terms of absolute growth in associate base, our top 2 segments would be financial services and consumables, followed closely by telecom. Consumables and banking finance has registered a growth of over 20% and 18%, respectively, over the last year.

Our sales aggression continued with us closing this year with 459 new logo sign-ups, 31 of that being in Q4 alone. For the whole year, we have delivered about 63,000 new joiners who are hired by us, which is a 23% increase over last year. 52% of them, of course, hired through non-recruiter channels.

In Q4, our FTE improved 11% on the strength of a 4% increase in associate headcount. Our investments in digitization initiatives have been paying off in terms of efficiency gains, resulting in our RMD to service a larger client base with the existing core employee base. We see this trend continuing to playout in FY '24, resulting in both faster client servicing as well as higher operating leverage. Coupled with anticipated growth, we shall be on track towards the further improvement in FTE during Q1 of this financial year.

I'm sure some of you are probably already aware about the different insights that keep coming out. So just to share with you some of the insights on the employment market. I think based on our recent employment outlook, telecom and financial services in the services sector, healthcare, pharma and FMCG and FMCD in manufacturing sector are showing positive signs on hiring. Metro Tier-1 cities going to be having a much higher intent to hire Bangalore, Chennai, Mumbai, are probably going to be the top cities with maximum demand coming in. Entry level jobs in the services sector and junior level jobs in the manufacturing sector are exhibiting the higher intent to hire for different experience levels.

Looking ahead, our business is well poised for growth in H1, and there's a clear visibility of a healthy pipeline and emerging demand across most of our customers.

A few forward-looking sectoral changes, which will continue to drive the future of business includes interest in new formalization of workforce in FMCG and FMCD sectors, capacity increase expected in manufacturing, especially in electronics, which will create a large number of employment opportunities, including time of course.

There's a growing shift towards higher diversity hiring, be it in manufacturing or in services. The innovation, therefore, in our non-recruitment and recruitment hiring mix shall help us be on top of the emerging demand from organization.

Also, we all know there's a funding fee, which means a bit of challenge as far as the start-up space is concerned, including e-commerce space. However, we expect the investment made and our ability to move labour from smaller towns to where the demand is, shall continue to yield good results. Consumer and financial services verticals specifically are expected to go positive expansion.

Overall, our continued focus on contextual masteries, specifically in business around sales and hiring and the emerging benefits of digitalization and process improvements is well poised to witness an impact full year ahead. Thank you.

Ashok Reddy: Ramani?

Ramani Dathi: Thank you, Kartik. Good evening, all. We had an annual revenue growth of 22%, led by strong performance in general staffing business. However, headwinds in higher-margin verticals of Specialized Staffing and DA had impacted the profits and margins of H2 and overall. On a sequential basis, gross revenue growth is 1% due to drop in DA head count and also the impact of Q3 festive/onetime billing and staffing business.

PBT remained flat on both Y-o-Y and Q-o-Q basis. In case of EdTech business, which is reported under the Services segment, we have estimated a higher bidding in Q4. However, the university sales cycle is taking longer than expected. During Q4, we have 2 exceptional items. So one write-off of INR9.8 crores outstanding loan with TeamLease Skills University, referred in as TLSU. TLSU is the registered NEEM agent, contributing to 40% billing of DA business. For all NEEM trainees billed under TLSU, about INR100 is retained by TLSU to manage their operations and the balance is transferred to TeamLease. Given the uncertainty around NEEMs team and lack of future cashflow viability at TLSU, we have taken a call to write off the entire outstanding loan to TLSU.

The second exceptional item is regarding ILSS settlement, we received INR9.2 crores parts settlement on ILSS investments under the PF Trust. A proportionate provision has been written back as an exceptional item. During the year, we received total income tax refunds of INR72 crores and the outstanding TDS receivable as of March is INR230 crores. Our current free-cash balance is INR370 crores, out of which INR100 crores is earmarked for buyback.

In terms of core costs between Q2 and Q4 of this year, we have reduced the core employee headcount by 200, translating to about 8% reduction, again largely in specialized staffing and DA businesses. We continue to hold a tight control on costs and maintain the current run-rate to next year as well, except for the employee appraisal impact which is about INR4 crores per quarter. Thank you.

Ashok Reddy: Thank you Ramani. Aditi, we are good for the questions now.

Moderator: The first question is from the line of Deep Shah from B&K Securities. Please go ahead.

Deep Shah: Sir first on specialized staffing. You did mention that you added 22 new large clients. So in this segment, do we have pricing pressure compared to what we have in general staffing with large clients? An additional question there would be, given that we've made these changes now and the costs have come down, would it be fair to say that margins have now bottomed-out and this should only improve from here?

Ashok Reddy: Yes, just on the Specialized Staffing, Deep, we work on what we call the rate card model, and the margins are between the 15% to 22% broadly and there -- I mean, there's really not too much of a margin pressure per se in Specialized Staffing at a gross realization level. Clearly once we sign new customers scaling them up takes time, because it's 100% hiring activity.

Clients normally tend to give smaller number of open positions to start with and we build-on base in a trajectory. So I think signing on more customers is good for the long-haul because you start building the element of open positions and delivery across a larger base. But no new sign-up really starts off as a big customer, to start with. I think like I called out, at a gross margin level, we are not under much pressure in the specialized staffing at this point in time.

However, because we had chosen to make investments in team and structure for tailwinds was there last year, we had higher costs as an opening balance. A lot of that has been adjusted into the current year. And I think as we enter the coming year, we are we enter coming year we are optimized on the cost front. So I would be able to say that I think we have bottomed-out on the margin depletion possibility in the Specialized Staffing, subject to the numbers holding at this point.

The view from most customers that we are getting is hiring is kind of still on hold. They're not talking about reduction, but should reductions happen, then again there will be a lag between revenue dropped to costs and that could put some pressure, but other than that I think we are optimized.

Deep Shah: Sir, second question on this NEEM and TeamLease to be write-off, the revised or I think the Government of India did come up with some other alternatives to NEEM. So first, is that assessment, correct? Second, does that benefit us? And if it does then, is this TLSU write-off just as a measure of abundant caution order, if that money is very unlikely to come back and the TeamLease Skills University will not be helpful in, say, whatever revised or the new government program for trainees?

Ashok Reddy: So there is really no new alternative program that has been introduced in place of NEEM as of now. I think the government has made optionality under the Apprenticeship Act, where we can work for corporates, administering and managing their quota, which is what we call the TPA model. And there is an option for us to depute our quota of apprentices to corporate, which is the NAPS model. And both of those are what we are taking to market.

And what I called out earlier, we have started to sign up customers on that front, which should start seeing traction of apprentices coming on board from Q2 onwards. And I think however, the apprenticeship model translating to what we are looking at, the DA, which is degree apprenticeship model is really where the opportunity for the TLSU to contribute will really play out, which is why I think the optionality of TeamLease Skills University for the future, if the degree apprenticeship system gets embedded is clearly there.

But that's an optionality that we are keeping to evaluate and play out into the future. But the loss of NEEM and all NEEM trainee’s kind of being students of TeamLease Skills University and that drop which we have seen in the past 2 quarters, and we'll see in the coming two quarters is really where the impact for the INR10 crores write-off is there. But that, I think, is the right thing to do given the drop we have had there, but the call option around degree apprenticeship and the alignment of TeamLease Skills University into that over the next 1 to 2 years is what we would keep the call option for.

Moderator: The next question is from the line of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan: So you mentioned that the PAPM has been impacted as customers expect pricing efficiency in exchange for volume. In that context, would it be possible to share some colour on the granularity of the 220k head count that we have in general staffing. So say, what percentage of our clients would be with more than 500 employees?

Ashok Reddy: We could circle back with the specifics on that, Amit. So the way today we have is about 80% of our customers are on a fixed PAPM and 20% are on a percentage markup. We broadly look at customers as large, medium, and small. And realization between the 3 buckets, as we have called out in the past, does vary to an extent of it being x for large, about 1.5x for medium and 2x for the small clients.

In the current environment, over the last 2 quarters, we have been the large clients growing larger. The demands are really coming in from them. And the fact of the lower realization there has put the pressure on the overall PAPM number. But specifics of how many clients get distributed between the lot we can circle back on that.

Amit Khetan: But how do you classify someone as large, like, is it like what 100 employees, 500 employees?

Ashok Reddy: So large for us is about 1,000 employees, 100 to 1,000 is considered medium and less than 100 is small.

Amit Khetan: Okay. But you wouldn't have a sense right now of what is 1,000-plus or this bucket between small, medium, and large consists of right now?

Ashok Reddy: So about 25 odds will be in the large. There would be about 200, 300 in the medium and the balance would be in the small.

Amit Khetan: I meant the percentage of the 220k.

Ashok Reddy: On the associate split, let's circle back. I do want to take a guesstimate on that. We will circle back on it.

Moderator: The next question is from the line of from Aditi Patil from ICICI Securities. Please go ahead.

Aditi Patil: I just have one question. Sir, can you provide outlook on general staffing in terms of like vertical-wise demand and general staffing?

Ashok Reddy: Yes. So I think on a broader spectrum, Aditi, as was called out by Kartik, we have seen continued quarter-on-quarter growth in the associate count. And largely, it has been driven by BFSI telecom and consumer. I think as we enter the year, we do have continued demand in those 3 sectors that we are delivering to and working with customers on.

As Kartik had called out, I think emerging is still quite muted just given the funding freeze. E-commerce is also a little muted on the demand front. Manufacturing, we believe, could see some element of opening up as more investments happen, but there's a lag between the investment to the demand on the employment front in manufacturing.

Aditi Patil: Okay. And sir, how should we look at the like number of headcount addition should it be -- like this year, it was 28,000. So like should it be north of 25,000, like better than this year or lower than this year?

Ashok Reddy: Aditi, I'd love to have it higher than this year clearly. But I think it's early to make that call. It would depend on sustained demand from the sector playing out over the coming quarters. Like it was called out I think for last year, 3 verticals did drive the growth, and we continue to see positive demand from those 3 sectors playing out into this year also. So ideally, yes, I would like to have a higher growth than last year.

Okay. And just if I might add in Amit in response to your earlier question, while I don't have the exact associate split, and we will circle back with the details, our soften clients gave us about 38% of our associate volume last quarter, that has gone up to 42% this quarter. So there's been like a near 4% increase with the top 10 customers. Part answer, but we'll get back with you.

Moderator: We have the next question from the line of Vidit from IIFL Securities. Please go ahead.

Vidit: My first question was on the Specialized Staffing margins. These margins you alluded to earlier and even maybe last call was because of dropping off a big customer and 900 associates. So are we to assume that these margins will not recover until there is any sort of recovery in the IT staffing? Or are there plans for the margins to recover? And how much of cost -- how much of cost can be cut to add to EBITDA of specialized assets?

Ashok Reddy: So I don't say -- on this front Vidit, the margin drop was not on account of the drop of telecom customer. The headcount drop was on account of the telecom customer that we let go of. The drop in margins, if I look at it at an EBIT margin between FY '22 to '23 has been about a 1% drop from 8.8% to about 7.8% is largely driven on the aspect of the head count being flattish to actually negative, coupled with the element of what Sunil had called out earlier, we had created a larger cost structure for the element of the tailwinds we were seeing in the industry. Between Q1, Q2, those tailwinds actually turned out to be headwinds with hiring freeze across IT companies. And that kind of led to us realigning the structure of the teams and costs.

So I think today, the costs have gotten realigned. And between Q3 and Q4, they've had a flattish margin play out. Subject to no further drop in headcount on the Specialized Staffing, I think we can say that we have hit the bottom on the margin front and should support that going forward.

Vidit: Okay. So when I look at revenue from, let's say, 2Q FY '23 to today, it's been around flat for the last 3 quarters. But EBITDA has fallen from INR13 crores to INR9 crores. And despite flat revenues and the alignment of cost was already done by 2Q, like margins have fallen even since then despite revenue not collapsing. So I was just trying to wonder whether it's a change in mix. Or are we seeing pricing pressure out there?

Ashok Reddy: No. So the headcount adjustments initiated in Q2 completed to end of Q3 and Q4. So it didn't get all done in Q2. Like we had called out, we held the element of team between Q1 and Q2. And as has been called out, there has been a reduction in headcount, which is also impacting the realizations. And I think a combination of that is really where the drop in EBIT comes in from.

Vidit: Okay, fine. And in terms of the working capital front, we've seen like a decent improvement in the debtor days unbilled revenue versus FY '22. Now is this just a function of general staffing, which is a lower working capital business growing faster than Specialized Staffing? Or are we doing -- are we constantly taking calls to improve our cash generation.

Ashok Reddy: It's both. Obviously, general staffing, which has had better, or lower DSOs is the business that has been growing and 22% of the revenue growth largely comes from the staffing business with much lower DSOs. The Specialized Staffing business has been maintaining its discipline around invoicing and collections with, I would say, flattish DSOs over the years. So I think the mix of businesses is overall adding to that. Ramani, you want to add something to that?

Ramani Dathi: Same thing, Ashok, because it's a combination of both, even in Specialized Staffing business earlier, our DSO used to be close to the 90 days around FY '22 times, so that we have managed to bring down to about 75 days now. Also the unbilled revenue outstanding balance, we have substantially brought down. So it's not just because of increase in general staffing contribution. So it's also with other initiatives that we have taken around control of credit period also.

Vidit: Okay. If I just could squeeze in one more. If you could just provide an outlook on the PAPM, like when you said it's dropped by INR15, which makes it INR680. What's the outlook here? Is this likely to be the new normal, are we likely to see it go back to INR700 where we were post-COVID? Or can you even see INR750 where we were pre-COVID?

Ashok Reddy: So I think clients are obviously very margin-conscious and negotiating hard on the price front. But Kartik is looking at multiple options on how we could try and hold and grow the PAPM, don't have a comprehensive solution on the table at this point in time, but multiple variables that are being explored with upselling, cross-selling and other avenues, which over the next 1, 2 quarters, we'll go to market with and see how that kind of responds. But I believe we'd like to hold and grow the PAPM.

Moderator: The next question is from the line of Mukul Garg from Motilal Oswal Financial Services. Ladies and gentlemen, the line for the current participant seems to have disconnected. As there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Ashok Reddy: Thank you. I think as has been called out, we are conscious about the fact of driving growth, while some of our -- 2 of our businesses have clearly had a headwind on from a perspective of the market in Specialized Staffing and one from the aspect of the gazetted notification being cancelled in the DA NEEM business.

I think the continued element of growth with cost administration at the back end is going to be key. However, the reality that general staffing is our low-margin business and a key focus for Kartik is going to be on driving associate growth, revenue growth working on the PAPM sustenance and growth and clearly the FTE productivity angle playing out as we go forward. On the Specialized Staffing front, like has been called out, the demand at this point is flat.

It is about sustaining the current numbers by replacing the attrition and absorption that we are seeing. And I think from a cost perspective, optimization has happened. But we look to sustaining those numbers and hopefully on the back of a turnaround of demand growing in the segment. While IT has been very flattish to negative, IT and non-IT is something that has contributed to complementing the decline there. And I think that's an area that Sunil and team will continue to focus on.

On the degree apprenticeship front, like I called out, we do see a sunset of all the NEEM numbers by end of Q2. The green shoots of signing up customers in the other service areas will start to kick in numbers from Q2 onwards. And I think it's important for us to stay on course in a controlled manner for growth and driving the aspect of profitability. I think all other aspects of financial discipline and everything else will be key for us, and we continue to stay focused on those fronts. And I think the current aspect of the share buyback that was in process, we look to completing that next month and taking it on from there.

Thank you all for being on the call, and we will connect and provide more information as we progress.

Moderator: Excuse me, sir. The participant who had dropped from the line has re-joined the queue. Would you like to take the question, sir?

Ashok Reddy: Yes, I can take the question.

Moderator: I will hand over to Mr. Mukul Garg from Motilal Oswal Financial Services to proceed with his question.

Mukul Garg: Sorry for getting dropped off. A couple of questions from my end. First one, on this impact of new loan margins, how should the -- what was the impact this quarter on the overall profitability from the new kind of decline? And how should we see the impact over the next few quarters while bottoms out at Q2? How should we see impact on the overall profitability?

Ashok Reddy: Yes. So I think we've had about 9,000 drops in NEEM head count in Q4. And on account of the Q4 and Q3 headcount drop in NEEM, the impact at the net revenue level was about INR5 crores. So I think that will clearly continue to play out. We do expect another 8,000 to 9,000 probably dropping out across the quarter on the NEEM front.

Obviously, we're trying to offset this to some extent with getting trainees/apprentices in the other schemes. And also some element of the contribution to growth that staffing would have, given that they are still seeing healthy demand in some of their verticals is really what we believe could offset the downsides.

Mukul Garg: Yes. I was looking more for the impact on margin, because NEEM business historically on the staffing side has been more of a positive tailwind. So can you just break out what would have been the impact on EBITDA margin for the staffing business?

Ashok Reddy: Ramani, you want to...

Ramani Dathi: Yes. So Mukul, for the current quarter, as Ashok mentioned, given the headcount drop of Q3 and Q4, the impact on profit is almost INR2.5 crores, close to INR2.5 crores. And with the additional estimated loss of another 8,000, 9,000 in the next 1, 2 quarters, so that can go up to almost INR3 crores plus something. So that's the estimated quarterly loss on the NEEM headcount loss.

Ashok Reddy: And it's about, I would say, around 20 basis points, broadly would be the drop in margin on account of the NEEM trainee drop. But exact number, Ramani and Kunal will come back after. But at a ballpark, I would say it's about 20 basis points.

Mukul Garg: All right. And just coming back to the PAPM question. How should one think about, I understand you guys are trying to figure it out? But in terms of our efforts on the --

Ashok Reddy: Mukul, your voice is kind of echoing a little bit. Can't hear. If you can just pick up the phone?

Moderator: Mr. Garg, the line for you is sounding muffled. If you could use your handset, please, it would be great.

Mukul Garg: Is this better?

Ashok Reddy: I mean if you speak clearly. Not really but carry-on Mukul.

Moderator: Sir, the participant has dropped from the queue.

Ashok Reddy: So what we can do is Kunal will get in touch with him post the call and address the queries.

Moderator: Sure. And we do have 2 more participants who have joined the queue. Sir, would you like to take their questions?

Ashok Reddy: Yes, I'll take it.

Moderator: We have the question from the line of Ruchi Mukhija from Elara Capital. Please go ahead.

Ruchi Mukhija: Could you help dissecting or breaking out your comments on outlook on IT sector between, let's say, product, captives, and IT services, do you see same trend across these subsegments? Or there are some variations that you, see?

Sunil Chemmankotil: I'll take that question. So we see across IT sector, there is a hiring freeze and uncertainty. And when I say hiring freeze, it's not completely frozen. We tend to get some requirements which we are able to fulfil our attrition. And we see some intake coming in from GCCs that captives.

But however, the volumes are not in -- to the tune of what it can compensate for the dip in the IT services. So I would summarize saying that there is a drastic drop in IT services, but captives still has some requirements going in. And tech and non-tech also there are some requirements going in, but the volumes are not comparable.

Moderator: Ladies and gentlemen, that was the last question. On behalf of ICICI Securities, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.