



SYMBOL: SPECTSTM
ISIN: INE00L001018

Dated: 26.07.2023

To,

The Manager-Listing Department,
The National Stock Exchange of India Limited,
Exchange Plaza, NSE Building,
Bandra Kurla Complex, Bandra East,
Mumbai-400 051

Respected Sir/Madam,

Sub: Submission of Transcript of conference call with the Investors/ Analyst

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are hereby submitting Transcript of conference call to discuss the Financial Year 2023 post results of the Company on Wednesday 19th July, 2023 at 16:00 P.M. IST.

The conference call Transcript is attached herewith.

Kindly acknowledge and take on your records. Thanking you,

For Spectrum Talent Management Limited

Vidur Gupta

Digitally signed by Vidur Gupta
Date: 2023.07.26 18:28:16
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Vidur Gupta
Managing Director
DIN: 05213073

PAN NO. AARCS4776M, CIN NO. U51100DL2012PLC235573

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SPECTRUM TALENT MANAGEMENT LTD

(CIN No: U51100DL2012PLC235573)

FY23

POST RESULT CONFERENCE CALL

Management Team

Vidur Gupta - Managing Director
Sidharth Agarwal - Whole-time Director

Call Coordinator



Strategy & Investor Relations | Consulting

Presentation

Vinay Pandit:

Ladies and gentlemen, I welcome you all to the FY23 Post Earnings Conference Call of Spectrum Talent Management Limited. The company listed on 22nd June 2023. Post which the FY23 results were declared. And subsequently we are holding the FY23 post earnings conference call. Today on the call management we have with us Mr. Vidur Gupta, Managing Director and Mr. Sidharth Agarwal, Whole-time Director.

As a disclaimer, I would like to inform all of you that this call may contain forward looking statements. These forward-looking statements may involve risk and uncertainties. Also, this is a reminder that this call is being recorded.

I would now request the management to detail us about the business. The performance highlights for the year that went by their growth plans and visions for the business post which we can open the floor for Q&A. Over to you Vidur.

Vidur Gupta:

Thank you, Vinay. Good evening, everyone. Thank you for joining the call, I would first want to thank all the investors for trusting in us. We've had a great last year. However, as this is our first conference call, I would like to tell everyone more about the business, about what we do.

So, our core business is HR services, which is broken down into three sub verticals. We first have the staffing vertical, which we call the general staffing. This is a high-volume business, which is further broken down into three sub verticals, which are Flexi staffing, IT staffing and Industrial staffing.

So, anything that is technology comes into IT staffing, anything shop floor related comes into Industrial staffing, and everything else comes into Flexi staffing. In this business, we basically provide manpower to our customers, which are hired on our payrolls and deployed for each customer.

This business has been growing well we've added a good number of people and it contributes significantly to our topline and is a very, very high growth business.

The second business line that we added in this vertical this year was the apprenticeship program. It's a great it's a great business, we were empaneled by the government as third-party aggregators for NATS, which is the government's flagship apprenticeship program. We've I'm happy to inform that we added over 6000 people under the NAPS and NATS program in our first year itself.

The second business line on as an organization that we have within HR services is the recruitment vertical, which we call Permanent Recruitment. In the industry jargon it is also referred to as RPO. In the Permanent Recruitment Business, this is all one-time placement services that we pick up from our customers in which we provide them mid-level to senior level talent for which we charge them a one-time placement fee.

This jargon has become RPO owing to the fact that recruitment industry is becoming project based with a lot of customers where we are now picking up larger projects. And owing to these larger projects, we are able to grow this business in a much better and a bigger manner.

The third service line we have is the Global HR Services Business. Under the Global HR Services Business, we first have the US staffing business which we started in the year 2020. We've been doing well the business has grown over 100% last year. And luckily, we've not been affected by the downturn in the US or any industry there. And we continue to add to that business.

The second business line is the Global HR Services where we are working with top notch Indian companies to help them hire talent overseas. So, there may be a Pharma customer which is hiring their country manager in Latin America we will find a locally available person with similar experience who can help them add on to their business or fulfill whatever requirement they have.

Similarly, we may be working with an Indian company which has a manufacturing setup somewhere in Europe and we may be able to get them say a plant head or any other role that they have. Another aspect of this businesses repatriation where if there's someone who's coming up with technologies that are not currently present in India we help bring foreigners or Indian talent to India to help them set up this business or to run this business for them.

Most cases it's returning Indians that [indiscernible] [00:05:18]. Along with this we've just added another business line which is for Remote HR Services. A lot of roles globally have become remote and are well accepted remote so we are picking into customers to add to that talent on our payroll in India working their hours, this is just a recent vertical where we've been investing.

On the overall front as an organization our top line last year grew from 483 crores to over 768 crores, which was a 58% year-on-year increase. Our

EBITDA margin our EBITDA grew from 16 crores to 24 crores plus, which was roughly 15% growth on EBITDA.

Margin-wise, it was 3.35% which came down to 3.17 which was almost a 20-basis point reduction, this was going to the fact that the high growth lower margin businesses grew better than the other service lines. Also, the fact that Q4 saw a slight softening on the recruitment front.

In totality most of our business from the general staffing and the staffing business comes from retail and engineering and banking and financial services. Our dependence on IT and the IT staffing business has been slightly lower, we started focusing on the IT staffing piece only in the year 2020.

And as an organization, I think we are very, very well diversified into business segments. So that we can provide a stable and a large growth outlook to the organization. I will let Sidharth pick up the rest of the business and take it forward from there. Sidharth over to you.

Sidharth you are not audible.

Sidharth Agarwal:

I'll just break down the entire revenue into two parts. We are also into export of mobile phones, that business we started in September of 2021. So, I'll just break it up between the core business which is our HR Services and the export of mobile phone business.

So, FY22, we had clocked our core business of 379 crores, which we grew to 503 crores, for March ending '23, which was a almost a 33% increase year-on-year, the EBITDA percentage-wise, grew from a 3.91% to a 4.24% year-on-year.

The export of mobile phones, we did 104 crores in FY22, and FY23 the same number was in comparison was 264 crores. The EBITDA in terms of INR was 1.37 crores in the previous year FY22, as compared to 3.01 crores, on the 264 crores of top line that we did in the for the year ending March '23.

I'll also be happy to inform that our ROC is constantly above 40 or 40 what percent for the last three years in a row. Our debt equity ratio has reduced to 0.07, our receivable days overall as an organization has reduced from 31 to 28.5 days of receivables. Late also our profits before tax 15.24 crores FY22, has gone up by 45% to 22.0 [ph] [9:27:15] for March '23.

So, this is just a brief highlight about the financials. In terms of the manpower that we have been able to deploy with our clients, I would like to

inform that FY22, we had 13,000 people on our payrolls overall, which has increased to 22,000 people overall for March 23.

The breakup of 22,000 has-- is on the basis that we have around 15,800 people on the off-roll side and we have 6200 people on the NATS, and that we started only last year, our internal manpower strength increased from 312, which was much, which was 312 for the March '22 to 431 people for March '23.

So, we increase our internal headcount by approximately a 40 odd percent as an organization. Vidur, you'll have to just take it from here.

Question-And-Answer Session

Vinay Pandit: Sure, thanks. Thanks, Vidur, thanks Sidharth. We now open the floor for Q&A. Anybody who wishes to ask a question we use the option of raise hand and we invite you to ask the questions.

Manikant Ravichandran, please go ahead.

Manikant Ravichandran: Yeah, Vidurji, good afternoon.

Vidur Gupta: Good afternoon.

Manikant Ravichandran: Good evening. Yeah. So, the results were expected lines Vidurji, congratulations for the good results, we would like to see how going forward 2023-24? What is the growth expectation because I understand the IPO money will be used for various verticals and especially getting a big contract, which we could not able to do in the past. Could you please elaborate on this and how that is going to be used and how we can expect the company going forward.

Vidur Gupta: So, pre-IPO, we had a deficit of say, branding, as an organization that we were not a recognized player, while we were very large in the Indian market, but that recognition compared to multinationals was not there. And at that money obviously has come in and our object for the issue is primarily towards working capital.

Now, we are aiming to maintain a growth rate of over 35% CAGR year-on-year for the next three to five years. That is our aim, which in the current scenario and current scheme of things we feel we'll be able to achieve.

Also, I would like to inform that we've invested heavily or we are investing now in technology to build cutting edge platforms, we do have some technology that we are using, but to give us the right edge over our

competition, we are investing in that and all our business verticals have very, very good seasoned leaders who can help us take all of these fields forward.

So, that way, we are looking to grow at about a 30-35% CAGR year-on-year for the next three to five years. That is the plan.

Manikant Ravichandran: Okay. Thank you, Vidurji. Is there any possibility for announcing the quarterly results from the coming September onwards I mean, September and then December?

Vidur Gupta: We are looking into that and as an organization, we would want to move on to a quarterly result as soon as we can. We are putting in the right processes in place. So that we can get to that stage, though our regulatory requirement is half yearly. But surely, we'll be looking into that.

Manikant Ravichandran: But one final question Vidurji, margins are under pressure due to this cell phone extra business and how the margin is going to be looked like in 2023 and '24 with this renamed the bigger contracts which you are going to get on the under supply of workers or you know those kinds of things, how you expect the margin going to grow for the coming year.

Vidur Gupta: Sir, our focus is not very high on the mobile phone or the exports business as an organization, our focus is on our core business of HR services. The margins that we are currently maintaining are actually very, very, very, competitive. And we are hoping to be able to keep up the similar margin percentage.

However, there may be some softening owing to the fact that we are investing heavily so we've added quite a few people at our back end so that we can take on the larger contracts. Also, we've built sales teams which so in the General Staffing business we are looking to grow the Industrial Staffing piece which is a slightly higher margin business than our Regular Staffing businesses.

And for which we've built in sales teams at different industrial towns across the country. And at that investment -- someone is not on mute, there's a lot of disturbance, one minute.

Moderator: Continue, continue Vidur, have done it.

Vidur Gupta: Sorry. So, these industrial towns are going to be helping us as keep the margins in place. Our recruitment business has some dependency on technology, which is extremely, extremely slow in the last quarter and this quarter as well.

However, in the longer run over the years, we are expecting that we should be able to make up for the margin that we are and we used to keep our keep the margin and it's similar ranges as it is today. There may be a little bit drop but everything will be in line with the industry. So.

Moderator: Thanks, Manikant. We'll take the next question from Pradeep Agarwal. Pradeep you can unmute and ask your questions.

Pradeep Agrawal: Good afternoon, Sir. My first question is basically what is deferred tax which is deferred tax basically what is it due to this is 7 or 7 crores? Basically, first time on paid appearing so much amount?

Vidur Gupta: All right. And what is the second question? So, if it is related, we'll add some both together.

Pradeep Agrawal: Second question is basically 30-35% CAGR growth, which you told is it on the absolute revenue numbers, which we are having or it is just for the HR Services revenue number, because the mobile services mobile export business, you're told that you will be shutting it off.

Vidur Gupta: So, Pradeepji first I'll answer your second question. The 30-35% CAGR growth is for the HR services. We do not we are slowly going to be looking or our concentration is actually on the HR services business. The electronics business has a good return on capital business. And as we conceptualized or we figured out this business when COVID had hit and we had surplus working capital available to be deployed.

So, the 30%, 35%, CAGR is for the HR services. The second question with regard to the deferred tax I'll let Sidharth can you go with that?

Sidharth Agarwal: Yeah, So, Pradeepji, what happens is that we availed a benefit in the income tax, which is by the name of 80JJAA [ph] [00:17:50]. We have a carryover benefit, which earlier due to not a lot of manpower on our on a payroll so, we it wasn't utilized 100%.

So, over the last two years, we have been able to now utilize 100% of that particular benefit, owing to which this deferred tax has come into play. And this has been shown in our balance sheet for the current year. I'm sorry, for the previous year.

Pradeep Agrawal: Okay, so will it be basically like the deferred tax was negative this year? Will it be positive in the next year?

- Sidharth Agarwal:** No. So, Pradeepji this is a benefit with respect to generation of employment, which the government allows all organizations across the board, owing to which if we continue growing in the same way, this deferred tax would always show in our balance sheet going in the coming years as well.
- Pradeep Agrawal:** Okay, and how will we take benefit of it any times?
- Sidharth Agarwal:** No, sir. I'm sorry.
- Vidur Gupta:** So, Sidharth go ahead, I'm sorry.
- Sidharth Agarwal:** So Pradeepji, what happens is we as an organization, we are able to claim additional 30% of expenditure on the salaries that we pay to people who are below a 25,000 rupee compensation. I am not slightly aware of the entire how the calculation happens, but on a broad level, it's 25,000 rupees.
- So, we as an organization are taking that particular benefit since the benefit is being availed 100%. So, the deferred taxation has come into play.
- Vidur Gupta:** So, Pradeepji, just to answer your question further, this is a recurring benefit. So, this benefit takes into account the expenses made for the current year expense will be available only for three years at 30% in the current year 30% next year 30% next the year after that, owing to that this benefit is available to us till the time the section is available.
- However, it has come into our books this time, because this is the first time, we've been able to exhaust that benefited fully claim it. So, we have visibility that this bunch of deferred tax will get utilized in the coming year.
- Pradeep Agrawal:** Okay. And one more question, Sir. In the nine-month balance sheet, there was around 20 Cr. Of EBITDA. And now basically we have around 23-24 Cr. of EBITDA. So why it is soften so much in the last quarter.
- And then secondly, it looks like the consolidated and standalone basically revenues, or EBITDA, EBITDA is almost equal. So did we basically not had good, basically business from overseas or global subsidy in the last quarter?
- Vidur Gupta:** So, for the US, it's actually a very, very small amount, if you look at it, so we added a couple of people there. And that in itself makes a difference to that their profitability on a quarter basis. If you look at it. However, when you look at the overall softening of profitability for Q4, that impact has come out of two reasons.

One is that the IT and the Permanent Recruitment Market has slowed down, it's not just slowed down for us, it's slowed down for everyone. And there have been a lot of layoffs, I'm sure you've been hearing of the layoffs from October and November.

And the recruitment business, what happens is that the work that we do in a particular quarter the results shown that work because of the notice period, and the interview process, and everything will happen over the over the coming quarter.

So that impact is basically largely, one, because of the overall investment that we've been doing as an organization preparing for our next level of growth, we've hired a lot of good talent that is available in the market. And second, there's been a softening on the recruitment business per se, if you look at the overall top line that top line has grown.

So that impact is because of these two reasons, one is preparing for the growth where we've had a lot of people. Second, is the softening and our business runs on internal manpower. And as an organization, we feel that this is a great time to be getting the right kind of people to help us grow. So that is the reason.

Pradeep Agrawal:

Okay and in this financial year we can basically so will we be seeing that so much softening or basically it will be normal.

Vidur Gupta:

So, Pradeepji, if you look at the past trends, whenever there are layoffs, the hiring is always more than that. And ever it opens up, it opens up in a big way and we are able to recover everything, so that way we are expecting that in the coming quarter things are starting to move up, things have already started to move up. As a matter of fact, you don't you I'm sure we are not heading off the layoffs anymore. We are, now in the US also, with the interest rate more or less stabilizing. People are accepting that this is how it is and this is the environment that we need to grow in. Also with Europe, there was a larger impact earlier, but now with Europe also is everything is moving to a slightly more stable positioning. So that is the situation.

Pradeep Agrawal:

Okay, thanks. Thank you, sir, for answering my questions. I will join the queue.

Moderator:

Thanks, Pradeep. We'll take the next question from Shikhar Mundra. Please go ahead.

Shikhar Mundra:

Hi, sir. Hello.

- Moderator:** Yeah, yeah, Shikhar go ahead.
- Shikhar Mundra:** Overall, what are the utilizations and I want to understand that you're like the unit economics like what's the charge we pay per employer? And how much do we charge our customers? And what would you say is our utilization levels?
- Vidur Gupta:** Shikharji, if you could please repeat the question. I didn't understand what utilization means?
- Shikhar Mundra:** So, so for business model is we have some employees on our payroll and then we deploy them to the customers and we charge our customers right. So, I mean, the employees are on a permanent payroll right. And
- Vidur Gupta:** All right. So now I understand. So, see, we hire employees only when only after the customer interviews them for deployment. So, there is no non utilization of employees, we don't maintain a bench of employees, our per unit mechanics are different according to various verticals.
- So, General Staffing is slightly low margin. IT Staffing is slightly high margin, Industrial staffing is mid margin. But then there are some of these areas which are business critical to be will be saying out the exact margin, which is why I can't entail for the competitiveness of...
- Shikhar Mundra:** All right, All right. So, the value we add is we, for the customer is we are finding an employer, our client base and I'm sorry, our employee base for the customer.
- Vidur Gupta:** So, Shikharji, all the three businesses, all of our businesses have a different value add, in the general staffing business, this is all a very high employee turnover business. So, when we have say a BPO resource or an engineering shop floor resource or a retail resource employee, these people quit or move jobs very, very frequently. And the need to be reemployed or new employment needs to be done again and again fulfillment of those roles needs to be done. So, that is our largest value, right? And we are very, very, very strong, we started as a recruitment agency. So, recruitment is in our DNA, finding people is the key skill that is required for anything. See today, compliance wise, we are 100%, we can't be 101.
- So, when I spoke about technology that we are investing in, we are investing in technology to give our employees and our customers a world class experience. So currently, also all our employees have an, mobile application where we can onboard employees, we can take their attendance through the application, we have geofencing we have geo tagging our

application we can sync it to a sales tool for our customer to understand how is the particular employee performing.

For the employee, he or she can access pay slips, ESIC details and other details right on the application. Now we are looking at taking this experience to the next level. So, these are the differentiators that will always remain but the largest differentiator will always be the recruitment capability of an agency, which is very, very, very strong.

Shikhar Mundra: Okay, got it. And what was the amount raised in the IPO and how do we plan to use it.

Vidur Gupta: So, the overall IPO was about 105 crores. And this included an OFS portion as well. However, for the fundraise for the organization, a little somewhere in the range of 90% is towards working capital.

So, this is only going to be whenever we get contracts we need to have or we need to pay upfront. And our focus going forward is Industrial Staffing, and Technology Staffing. Both of these are credit-based businesses.

Shikhar Mundra: All right, all right. So, what's the economics like? So, let's say if you get a contract for let's say 10 crores? How much do we pay upfront? And how does it work?

Vidur Gupta: So, if we get a contract for 10 crores, it's so it will be 10 crores a month, I'm guessing. So, then we pay the 10 crores upfront and we raise an invoice to the customer, we pay that 10 crores and we pay the GST we raise an invoice to the customer and next month the customer will pay us.

So, a certain percentage of our business currently we have a mix, I think so that we'll be able to

Sidharth Agarwal: So, we operate at almost 50-50 or percent where 50% of our accounts happen to be collected and paid. And the remaining 50% happened to be pay and collect. By pay and collect, we mean that we have to pay the employees first raise the invoice and as for the credit terms with our customers, the money is remitted to us, whereas on the collect and pay model, obviously, it will be slightly lower towards the margins. But the customers were suffering and the money is then is given to the employees. And that's how the match works.

Shikhar Mundra: Oh, got it, got it. And so, 22,000 employees last FY-- financial year. So, what's the plan for the next three years? Like what's the plan for this year? And what's our target for the next year's number of employees?

Sidharth Agarwal: So, like Vidur mentioned Shikhar, we are planning to grow on a yearly basis at least 30 odd percent. So that should take our employee headcount to approximately 40,000 over the next three years, three to four, three and half years.

Shikhar Mundra: All right, got it. And coming to the smartphone businesses so I mean, what do you do exactly we export to withdrawal countries and what our model over there?

Sidharth Agarwal: So, yeah Shikhar, we are only primarily exporting the mobile phones to the UAE market. It's a very well, it's a well-defined process and it's a very large industry now overall, as an as India is moving towards a lot of making India initiatives that the government has taken and with the P&L benefit that is being provided to the manufacturers, India has now become the hub for this activity.

And so, our procurement happens through the dealer network, and then these goods are shipped to via air cargo to UAE and the payments are remitted to us and it's a seven to a 10-day cycle that we run, hence, the return on capital employed is high.

Shikhar Mundra: Okay, got it, got it. Thank you.

Moderator: Thanks Shikhar. We take the next question from Vivek Jain. You can unmute and ask your questions.

Vivek Jain: Yeah. Yes, so, my first question is like, as you mentioned, that the working capital for which you raise the IPO will be utilized mostly in the salaries that you will be paying to your employees right, and then you will be billing those salary to the customer. So, is there any other working capital requirement comment apart from the advanced salaries that we are going to pay?

Vidur Gupta: Vivekji, it is primarily towards this, in our recruitment business, we see the working capital requirements are slightly different, we hire people who recruit us and they take about five to six months to become productive.

So, we'll be hiring a few people there, but of the capital being raised is going to be utilized towards salaries only, that is our largest working capital requirement.

Vivek Jain: Okay, so we're going to think that like there will be a less like ROC in this model, because first we'll be paying the salary and then you will be billing their customers. So, are all the resources or manpower companies operate like this, or they first build a customer and then pay the salaries.

Vidur Gupta:

So Vivekji, there are three models here, one is a model where the customer pays you upfront, and then you pay the salary which is extremely low margin. The second is where we pay upfront, we charge the customer and in IT staffing the customers usually pay us in about 45 days not even one month but it is higher.

But if you look at the ROC standpoint, it is a phenomenal ROC business, too because a lot of customers usually look for margin percentage or a lot of investors look at margin percentage on sales. Now, in our business sales are happening or the same capital is being deployed twelve times over in the year.

So, if there is a certain margin percentage that we have that and that capital is being deployed 12 times over. So, obviously the Return on Capital becomes very, very good. So, and there always be a ratio. So, while the industry has collect and pay also it has pay and collect also. Both the businesses are there, they are coexisting, but we are seeing a shift towards credit in the industry.

Second, with Make in India, with all the government investment in initiatives towards the manufacturing sector, we are seeing a lot of growth coming in manufacturing and Industrial Staffing is all on credit. Industrial staffing is 100%, every industry has its own way of working. So industrial staffing functions on credit. We need to have money to be able to do that.

Vivek Jain:

Okay, okay, so my second question is with regards to your phone important business. So, see the HR Services and the electronics import is completely two different segments, right? And there don't seem to be any synergy between them. So, like how and why did you decided to go in this venture?

And will this have any effect in case like if you are growing up and three or five years down the line, if you are attracting institutional investors, then does it make sense to segregate that business out of the HR Services business.

Vidur Gupta:

So Vivekji, we started this business or we conceptualize this business during COVID, when we were not getting new business. And we had funds available with us. And that is when the thought of this came about.

However, it does help us managing our cash flows better, we raise invoices to our customers wherever we are providing HR Services and as we raise the invoice on the 20th we have to pay the taxes to the government on these taxes along with the whenever we are purchasing the mobile phone, we need to pay the GST to our vendors.

So, it helps the HR business positively in terms of utilizing that same amount of money which I would have paid to the government and had I been doing or had we been doing only the electronics business then we would have first paid to the government and then taken a refund.

So, it's just pure play economics and on a longer-term focus. Our focus is not on the on the electronics business, our focus now is on the HR business. And we feel that there is a great amount of scope in the HR business in our core business.

So, we plan to concentrate on that. And then as and when the opportunities are there to keep investing more and more money in the HR business which we doing there, and there's no focus on the electronics business, the online business.

Vivek Jain: Okay, okay, thank you.

Moderator: Thank you, Mustafa. Sorry that is Vivek, right? We take the next question from Imran Khan.

Imran Khan: Hi, thanks for the opportunity and good evening to all. So, my question is on your revenue, guidance that you have just given that you're a very small player in the industry, and if you look at the other listed companies like TeamLease and the other one, they are very, very large in terms of revenues.

So, what is that one thing that you think is advanced will give advantage to you and then you will be able to grow so, high at a high growth rate, when there are such a big-players already available in the market.

Vidur Gupta: So, Imran the Indian, if you look at India, we are the most populous nation in the world. And we for some reason, on the main board, we only have two large Listed HR Services companies. If you look at the essence of competition in India, we are not really competing against each other.

Today, there is a lot of unorganized, smaller players in the market. So, if you look at the growth rate that has been achieved by our competition, and the larger players, they also have a decent growth rate. The reason they have been able to maintain this growth rate is that there is formalization happening, if you look at all government policies, they're all aimed towards formalization.

So, there is a lot of space for a new vendor for a new agency. And that's the biggest reason that we are confident that we'll be able to grow at a good

pace. Also, at the same time, we have a great team, our strength is recruitment, which can't be quantified, unfortunately, but that is our strength. And we've been doing very, very well owing to which we are we are getting good contracts.

So, we will be able to compete. Competition is not a problem. And another thing is technology. So, technology is available with the larger players, and with us, but there are a lot of players, the smaller ones don't have technology.

So, the differentiating factors that were already in place. So the market is very large, the formal contract staffing penetration in India is around 1%.

Imran Khan: Right, right.

Vidur Gupta: So that means it's a huge market. Very, very, very large.

Imran Khan: Right. And when you grow, let's say in the next two, three years, you double your revenues. Do you also expect your working capital days to increase because I was just wondering to grow fast, maybe you're not compromising on working capital days, right?

Vidur Gupta: So, Imran all of our customers are large enterprises. So, and if you look at our books there's a negligible amount of bad debts. So, we are very, very careful on choosing our customers. And at the same time, all of our customers will have two or three vendors working on a similar term.

So, the working capital will increase overall not in terms of number of days, but in terms of staff. Now also our we don't have a strong or we don't have a large IT staffing practice as of now, that is where we are doing a lot of focus in which the working capital is 45 days.

So that way it may increase a little over there, but that's a very high fairly high margin business. In the industrial staffing front, it is 30 days. So, that way we don't see a strain on capital owing to the fact that our sales outstanding days.

Imran Khan: Right, right. And then the subsequent question to this is going back to your DRHP, you have given projections for your working capital as well, which is going from 60 Crore or to I think 135 crores in the next two years. So, if the days are not increasing, and then you're growing your working capital by 2.5x, shouldn't your revenue also go grow in that fashion?

- Vidur Gupta:** So, Imran there are two things one the collect and pay business from the market is reducing the whole market is transitioning slowly to move towards more than more pay and collect even the larger customers.
- Second, a lot of our revenue at the moment is coming from collect and pay businesses. Our focus is on Industrial staffing and IT staffing, IT staffing some places the credit also goes to three months. So, when we say that DSOs will be in similar ranges, we are accounted for some business that will come to us as a pay and collect, otherwise, the DSO will go up.
- Imran Khan:** Right, right. And does it impact your margin when you move from the one, business to another.
- Vidur Gupta:** So, so the regular general staffing business is a low margin business, Industrial staffing is slightly higher and IT staffing is a fairly high margin business. But every all of these businesses have their own nuances. In IT staffing, we get PO per person. So, every person that we have will get a fresh PO. In the Industrial staffing, and then in General staffing, we usually talking to customers in multiples of 50. So...
- Imran Khan:** My question was a little different. What I was trying to understand is when you move from collect and pay to all of a sudden pay and collect, would it have any impact on your margins? So that was my question
- Vidur Gupta:** So, whenever we are moving to a pay and collect from a collect and pay, we obviously account for the amount of credit that is being given to the customer.
- Imran Khan:** So, then your margin should
- Vidur Gupta:** The margin goes up. But then at the same time, if we want to be rightly competitive in the market, Imran, we'll have to invest a fair amount of money on technology and organizing ourselves to be in the big leagues.
- We cannot be handling 50,000 or 100,000 people with the same technology that we are handling this number with today. It won't take the load.
- Unidentified Analyst:** Right, right. And just one last question, if I may your business from the non-core part, which is trading of the electronics, it's about 260 odd crore rupees. How much absolute money have you had put in the working capital here?
- Vidur Gupta:** I don't have that number.
- Sidharth Agarwal:** It's roughly a 20-21%, Return on Capital Imran.

Imran Khan: All right, All right. And just one suggestion before I give chance to others, see your very small company right now, I have been looking at the exchange filings. And I just got to know that you have made two firms in the last maybe eight or 10 days, which is after the closing of a way beyond March quarter, and then closely near the first quarter.

So, I would suggest to not that thing in the future because it gives a bad impression, because we don't know because you're not doing a public call and you're talking to a close group of people. So, sometimes it gives an impression that you might share some sensitive information. So, I would just...

Vinay Pandit: Imran, I'll take that query. So as per the SEBI regulation, we do not discuss any data that is not in the public domain, including what we have done in terms of numbers, we only discuss in terms of explaining business to people.

Imran Khan: No, I get it, I get it, but I'm not only talking about the timing of the discussion, it should not be after the closing of the quarter. It should be before that. I am sure about this thing where you have a silent period, right. So please read about it you I think

Vidur Gupta: Point well taken, we'll try to make the best use of that in the coming quarters.

Imran Khan: Thank you.

Vinay Pandit: Before we go to the next participant, we'll take the next question from -- there's a question in the chat box from Mr. Abhay Dangale. In many states of India, in government sector, there is newly introduced policy for placement of employees on a contractual basis. It's actually a big opportunity as there is big requirement of employees and this requirement is going to increase day by day.

My question is, as a company, are you going to look into the sector in future to check the opportunity?

Vidur Gupta: So, we are already working closely with the government on NAPS and NATS. I think the overall from government, we are seeing a very, very large push towards employment, which is which are likely to help us greatly.

And whatever policies are there from the government, and whatever new opportunities, we look at them closely. If it makes sense to us business wise, then we will definitely will be jumping into.

Moderator: Sure. We'll take the next question from Akshada Deo.

Akshada Deo: Hello, hi. Am I audible?

Moderator: Yes, Akshada.

Akshada Deo: Okay. I just wanted to know, how many number of clients do you have at the moment?

Vidur Gupta: We have over 275 clients Akshada.

Akshada Deo: Okay, and how many of them have been repeat for you, and how many have been new business this year. And if you can get the previous years number?

Vidur Gupta: I don't have that data handy with me on repeat. And so, we haven't lost out on customer Akshada that is what you mean.

Akshada Deo: I just put it in a repeat, but that's okay. But you mean that there has been no attrition of clients.

Vidur Gupta: So, in the staffing, business attrition of clients hasn't happened, even if a customer is getting an option from another agency with a better pricing, we are able to match it. So, I don't think we lost out on any major customer in the last one year. Have we Sidharth?

Sidharth Agarwal: Akshada, I just add one more thing to what Vidur have said over the last three and a half or four years, we haven't lost our Top 10 top 10 customers. So, they continue to remain with us we have been growing on in terms of the association that we have with them over the last four years now.

Akshada Deo: Okay, do you have your growth rate for the number of customers for the last two to three years?

Vidur Gupta: I don't have that handy with us Akshada.

Akshada Deo: Okay, okay.

Vidur Gupta: So actually, I'll tell you why we don't have that we can have a customer, which gives us a very, very large amount of business and at the same time, a very large multinational giving us a very small amount of business.

So, for us internally, the larger tracking is the overall revenue that we are being able to generate vertical wise or business wise internally.

Akshada Deo: Right.

Vidur Gupta: So that's why

Akshada Deo: Okay. And so there are a lot of companies which are specialty niche HR hires as well, like during America, we've also raised quite large series, ABCE rounds. And similar companies are also available here, especially for the remote and IT services.

Would you say they are your direct competitors as well?

Vidur Gupta: In a sense of things they are they are competitors as well, they are customers as well. See, technology is a very evolved ecosystem. Now everyone understands there is a time that's taken to get people on board.

So, when I said that we've not been maintaining a bench or we don't usually maintain a bench, what I mean is that because our recruitment keeps happening, where we can provide talent that can join immediately is a very big differentiating factor.

So, but it depends on the skill, but there are skills that were where we are able to get people to join within eight to 10 days. We have teams that focus on finding immediate joiners. So, to which we are able to get that talent as well. But to answer your questions that are we competing with the IT services US companies and the IT firms, single answer would be in a way, yes, we are competing, but they are customers as well.

Akshada Deo: Okay, so I know that you have already explained, but can you still explain the tax outflow the deferred tax that you've had. And also, on the free cash flows or sorry, cash flow, I can see that there was a tax outflow of 13 lakhs that you pay.

Vidur Gupta: So, if you're referring to the Consolidated Financial, so there is one tax flow that's happened in the US. And then there is a tax flow that's happened in India as well, because we ran out of our entitlement.

So, 80JJAA as the Section says, the crux of the section is that the government wants you to hire new talent. And they take into account the number of people on your payroll as of 31st of March, year-on-year.

So, I am allowed to claim an additional 30%, of salary that's paid to employees who have hired in the current year over the previous year. So,

say I say my headcount was 100 people last year, and this year, it's become 110. Out of those 10 people, whichever people have completed over 240 days, and are below 25,000 rupees of salary, and end up being paid in the bank account every month with all statutory contributions, I am allowed to claim 30% of the gross emoluments paid to them as additional expense for the current year 30% for the coming year and 30% for the year after.

So that is how this deduction gets me. At the same time, whichever employees haven't completed 240 days in the current year, if they complete 240 days in the next year, then I get that entitlement for the next year, the year after and the year after that.

So, it's a three-three year rolling clause, and in the section and we hadn't taken this earlier, because we were never able to claim the 100% entitlement. And this year, we've been able to claim the 100% entitlement on 80JJAA.

And that's why there is a certain amount of tax that is, and this is also largely I'm sorry, so just to complete this is also largely because of the COVID year, we had a slight drop in the headcount. And we were because those numbers weren't added in that year, which is why the entitlement was slightly reduced.

- Akshada Deo:** Okay. So, until the government has kept this provisioning open, you will be able to claim the 30% reduction rolling.
- Vidur Gupta:** Yes, and this clause is a fairly old clause, so it was earlier only applicable to leather and textile. And I think in 2017 or 2018, one of these years the government opened it up to all sectors.
- Akshada Deo:** Okay, and just wanted to know, you've given a bifurcation of your 22,000 payroll? Can you just tell me what was the bifurcation again?
- Vidur Gupta:** Yes
- Sidharth Agarwal:** Akshada, its around 16,000 people have grown that we have, and 6000 people on our apprenticeship program, which is an NAPS and NATS scheme. So, in total, it's 22,000.
- Akshada Deo:** Okay, so 16,000 is General Staffing and other
- Sidharth Agarwal:** Absolutely
- Akshada Deo:** Okay, thank you. Yeah, that's all.

- Moderator:** Thanks Akshada. We will take the next question from Pradeep Agarwal, you can unmute.
- Pradeep Agrawal:** Thank you, Sir.
- Vidur Gupta:** Thank you Pradeepji for moving back in the queue after your questions.
- Pradeep Agrawal:** Yes. Thank you, Sir. So, my first question was 10% of amount IPO amount was for IT staffing acquisition company acquisition. So, what is the timeline we are looking for it?
- Vidur Gupta:** Sir. So, in our RHP we reduced the amount of acquisition to 1.5 crores okay. So, this is only because we want to acquire technology. And we have been talking to various companies and we've been looking at new products to acquire, so for we are looking at the right piece to be acquiring, which we should be able to do in the next year or so. Within the next one year is when we are targeting, but it's only 1.5. Rest of it will be from our internal accruals.
- Pradeep Agrawal:** Yes. And next question is that TeamLease or the QuestCore established players they basically having margin of around 2% and you are having margin of 4%. So why is such difference coming?
- Vidur Gupta:** Sir, Quess has a larger margin TeamLease I think TeamLease has a lower margin. So, so Quess has a larger margin because we are, we are in similar lines as Quess. So, we have a US business, we have the recruitment business, we have the contract staff. Whereas TeamLease is largely concentrate more on the contract staff.
- Pradeep Agrawal:** Okay. And there was some one-time loss basically to TeamLease, TeamLease due to this ATF issue or something like that. So, do we also basically can face...
- Vidur Gupta:** No, we can't.
- Pradeep Agrawal:** Okay, okay sure. Thank you. Thank you, sir.
- Vidur Gupta:** But, but largely, I think we are competitive with everyone.
- Pradeep Agrawal:** Okay. Sure. Thank you Sir.
- Moderator:** We take the last set of questions from the participants who have raised their hands, from Manish. Manish, you can unmute and ask your question.

- Manish:** Good evening, Vidur. I think in the India CapEx cycle is now picking up and I'm not sure whether you're staffing IT must be in the white-collar job. But in the industrial you must be supplying on the blue-collar job. And lot of because of the China plus one policy, a lot of manufacturing units are coming up in India.
- So, are you in the blue-collar job also? And what's your plan to go into the blue-collar jobs supplying the manpower in the blue-collar jobs because it will be in mass basically, the number of unemployed will be required in more in the blue-collar job. And you can have the better revenues there and better margins.
- Vidur Gupta:** So great you brought up this question Manish, when I'm referring to when we are referring to industrial staffing, it is all it is all blue and gray color. So, this is what we were referring to this is where volumes will come. And this is where the India story is for the next eight to 10 years.
- Manish:** And think that do you have the right tools in terms of digitalization or may be looking at future in the Artificial Intelligence to compete with your bigger players in the market? Or do you need to upgrade it? Or do you have the any reason for that? What is your reason to be on par with your competitors in terms of the digitalized and tools technology?
- Vidur Gupta:** So, we are investing in tools and technology. As I mentioned earlier that we already started on our journey on technology. And we plan to build in the right amount of Artificial Intelligence and Business intelligence to help us grow. These will be the factors that will set the organized players apart from normal.
- Manish:** Okay, thanks. Yeah, thanks for that.
- Vinay Pandit:** We have certain questions in the chat. I'll quickly ask you those. The first question is from Gaurav Sachdev. Could you please tell again the bifurcation of mobile revenue and staffing business in FY23.
- Sidharth Agarwal:** Staffing revenues, so HR core services of was 503 crores and the mobile export business was 264. Crores, totaling to 768 crores, overall.
- Vinay Pandit:** Okay. There is a question from MK, is the deferred tax never payable by the company? Is it deferred in the sense that it's payable later or that it's never payable by the company?
- Sidharth Agarwal:** It'll be adjusted in the future.

- Vidur Gupta:** So, it is adjusted from future taxability, whenever so whichever deferred tax we've taken here, whenever we have tax next year, this much deferred tax will get reduced from the tax so we would actually have to pay tax.
- Vinay Pandit:** Here's another question, though. I'm not clear about it is you claim 30% per year, what if staffing count drops in a financial year compared to previous financial year? Can you still claim the balance 30% that are eligible for the next two years?
- Sidharth Agarwal:** Yes, we can. The entitlement remains for the following three years. So, in case of headcount drop the last year that entitlement which will be the current year for that particular year will not be possible. For the remaining two years we'll be able to claim the amount.
- Vinay Pandit:** There is a question from Manjula Maruti, is there any plan for trading of mobile phones into new geographies?
- Sidharth Agarwal:** Not at this moment of time we will not be concentrating on this business overall, we wish to have the volumes to at the same level that they are at currently.
- Vinay Pandit:** In follow up to this Mustafa has a question one more question would be the future of electronic business. If the margin is good there and you see you will not be interested would learn that impact your profit growth or your profit.
- Vidur Gupta:** The mobile businesses has contributed only three crores out of the profit last year. So, it's not a large submit contribution.
- Vinay Pandit:** Sure. I think that's the end of the questions in the chat. Vidur, I would request or Sidharth, both of you, any of you if you could give any closing comments for participants.
- Vidur Gupta:** So, thank you, everyone for being here. I think it was a good session. We are hoping to have a great year ahead of us. Thank you.
- Vinay Pandit:** Thanks a lot. Thanks a lot to the management and thank you to all the participants for joining on this call and thank you so much.
- Vidur Gupta:** Thank you.