



“TeamLease Services Limited
Q4 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the TeamLease Services Limited Q4 FY2021 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sudheer Guntupalli from ICICI Securities Limited. Thank you and over to you, Sir!

Sudheer Guntupalli: Thank you, Rutuja. Good evening everyone. I hope all of you and your loved ones are staying safe and doing well. On behalf of ICICI Securities, I would like to thank the management of TeamLease for giving us the opportunity to host this Q4 FY2021 earnings call. On the call, we have with us, Mr. Ashok Reddy, MD and CEO, Ms. Rituparna Chakraborty, Executive Vice President, General Staffing, Mr. Sunil Chemmankotil, Senior Vice President, Specialized Staffing, and Ms. Ramani Dathi, Deputy Chief Financial Officer of the company. We will start the call with opening remarks from Ashok and the team and then we will open up the floor for question and answer session. Thank you and over to you Ashok!

Ashok Reddy: Thank you, Sudheer and good evening to all and I hope all of you are keeping safe and well. Thank you for joining the call and I think we all know that we started the year with the COVID pandemic coming to play on the likes of people and on the businesses and I think we as a company had a big impact in Q1 with a lot of the clients adjusting and readjusting to the crisis, I think it was a first impact and first experience for many people and they were working on the aspect of coming to terms with it and there was a lot of cutting of fact reducing headcounts, reducing costs, huge impact finally that we saw on our business by virtue of the clients responding to the crisis.

However, I think after the Q1 we have had quite a robust growth across all of our businesses and we have bounced back to equal or surpass the pre-COVID levels of headcount and run rate. I think even in Q4, we added a neck headcount between associates and trainees of 16000 in the quarter and we did have a good positive January and February, from March; however, we also started seeing some element of the second wave of the COVID crisis where clients have been going a little slow thereafter. Nonetheless, I think we have come back to the numbers and run rate and actually our operating revenues for the quarter are now marginally higher than when we exited last year, though overall revenues for the year are lower by 6% on an account of the Q1 impact that we had.

The pandemic also has given us an opportunity to strengthen our digitalization strategy around technology, implementation for our clients, accelerate our client partnerships, kind of play around with the product mix that we have enough P&L and product offerings and work on the productivity enhancement from a more long-term perspective. This actually is reflected in our EBITDA and PBT improvements both in absolute and percentage terms over the year. This is also not restricted to a business, but across all businesses and this is in spite of a few of our

businesses being impacted for some revenue provision on account of delayed receipts from some clients and government.

So, I think especially on the government business while we have a sunset on the mandates just the aspect that we have had a round of elections and the COVID impact has kind of delayed the actioning around payment and we do expect that after the current round of opening, we will see some movement on that front. Strategically, we had indicated at the start of the year that we would exit the firm business and that has kind of been completed and we continue to work on some setting the government training business while in the current year nothing much has really happened on that front given the aspect of the COVID and the inability to have students physically present in classrooms for their learning.

I think overall we have been able to bounce back from the hit that we took in Q1 have been able to course correct on a number of areas effectively enabling the aspect of profitability to come back to the earlier levels and I think that is something that we will continue to work on and focus. Like I said I think the second wave of COVID is clearly a little bit of a dampener on the element of client aggression and focus for growth of many mandates that we had have kind of gone a little slow and have been put on hold. We are not seeing big impact at this time around letting go of resources and the kind of cost cutting, headcount cutting that happened last year, but I think just the element of growth has been put on a little standstill with many clients coming back that once the lockdown end, they will be able to revisit that and work back to their growth plan. So, we are in close touch with clients.

I think some of the businesses have not been impacted even with the second round lockdowns and continue to have healthy pipelines for growth, but staffing is really where clients are a little cautious at this point in time, but we expect a turnaround on that one the lockdown ends. I was just saying that a little more colour would also be provided on the specifics by my colleagues and I would ask Ramani to speak now and then we will have a Ritu and Sunil also get some context. Ramani up to you!

Ramani Dathi:

Thank you, Ashok. Good evening everyone. As we have indicated earlier we closed the year over pre-COVID levels of headcount in our general staffing business and overall including Netapp, we had a 4% year-on-year growth on headcount. Also in terms of revenue run rate we are back to pre-COVID levels in our staffing businesses and in HR Services we had grown 25% year-on-year excluding ILS because in ILS we plan to exit that line of business and there is a 40 Crores dip in revenue during that last year.

Coming to our margins in case of staffing while we have grown 6% quarter-on-quarter in revenues in terms of margins we remained flattish mainly on an account of about 1.3 Crores of impact that we have taken into Q4, which is on an account of wage reversals, so we have taken few voluntary wage cuts in Q1 on an account of COVID impact last year. So those have been fully reversed in view of the performance posted by the business during the year and also on an account of few provisions on delayed collection.

Barring which the staffing has posted at 6% growth quarter-on-quarter despite slight pressure on NAV. Coming to HR Services again in ILS, we had few delays in collections specific to two states where the officers are down with COVID or on election duty and because of which we have to make a provision of 4 Crores in HR Services for Q4 excluding which HR Services would have broken even with about 1.5 Crores of that. During the year, we had received overall 200 Crores of tax refunds and we closed the year with the cash balance of over 350 Crores out of which free disposable cash is about 250 Crores without any working capital nor any other year markings.

So, overall our operating cash flow is upwards of 330% during the year, which is also on an account of tax refund, but excluding the tax component on pure operating basis we had a 187% operating cash flow concession during the year on EBITDA. So this is on an account of improved DSO, improved collections across all businesses except for the government training business.

As of March 31, 2021, we have a total TDS outstanding of about 100 Crores odd for year FY2020 and FY2021. We have maintained ROCE at 35% in fact there is a slight improvement in our ROCE from FY2020 to FY2021 despite the COVID impact and we have also improved on our overall return on equity levels. We have active M&A discussions in pipeline across all our businesses, but none of them are in a closure as of date. Ritu, can you please give your opening remarks on staffing business. Thank you.

Rituparna Chakraborty: Thank you. Good afternoon everyone. I hope all of you are safe and your extended family and everyone is doing well. Let me just summarize the performance of staffing in Q4 for the last financial year. Of course I am pleased to share that we closed the year covering up for a losses in H1 to our pre-COVID numbers. Most of the clause and associate growth have been driven by the following sectors; consumer, digital businesses like e-commerce, essential retails and telecom. BFSI and manufacturing initial momentum was sluggish; however, towards December, January I think it started to pick up.

We have noticed that the overall positive employment momentum have centered around these segments primarily while industries like hospitality, aviation, lifetime and retail and most others remain subdued had showed very little impact on employment sentiments.

Overall hiring movement has been polarized on just handful of maybe 5, 6 industry segments. In spite of the separate atmosphere we managed to add 100 new logos during the year and Q4 showed the maximum new client additions by almost 50% over Q3. The new finance contributed to about 43% of the associate growth of the quarter, the rest coming from existing customers, strong customer testimonials on our overall servicing and our ability to support our customers through the rough weather played an important role in ramp up of our client base. Incidentally, 33% of our customers showed net growth in associate additions over previous quarter.

Having played the most significant role in our growth during Q4 and the whole of H2, we sustained and built on the high momentum we delivered in Q3 and managed to hire about 23000 on our own out of the total gross additions during H2. Most of the hiring has been in e-commerce, manufacturing, telecom, and BFSI. Technology and channel mix continue to play a very critical role in delivering hiring for us with more than 80% of our closure as driven through non recruiter channels thereby helping us improve our costs higher and also there is an interesting trend we have noticed and there seems to be a spike in demand for women in various roles in manufacturing and in e-commerce, which were earlier predominantly in men dominated.

Also a constant focus on automation, optimization and operational efficiency have managed to shoot up per employee productivity from an ST ratio of 335 in Q3, 354 in Q4, I am quite confident of our ability to improve upon this further going ahead. I think through the year, we have encountered a permanent discount request from some of our customers, which we were able to entertain while it has pressurized per associate average realization we were able to sustain them on the back of the benefits of improvement in our employee productivity. Also more than 80% of our associates are either in essential services or in roles which can only be done, because our responsibility to ensure the health and safety as far as possible, so we continued to send out no specific advisories around do's and don'ts and how to keep them safe at frequent intervals through phone calls, messages, notification through app.

We also launched one of a kind end-to-end vaccination supervision, management, and slot finder, workflow in our app to keep track of the vaccination status of each of the associate as well as provided them with an ability to book their appointment directly through our app using a public API provided by the government and we have also started our vaccination drive for our associates in the same manner based on availability across location through tie ups with couple of the leading hospital chains in India. In addition, given the financial burden that many of the associate encountered for themselves as well as the family members we hosted sessions as well as created self help kits for them to create awareness of the benefits that they are entitled to which can ease their financial burden in a big way.

We also collaborated with Colive, not for profit venture to provide free meals to our frontline workers who are struggling to manage their meals, given restrictions and lockdowns or led to closures with smaller food kiosks and hotel. So, looking ahead we were optimistic like Ashok shared of the new financial year; however, after a modest April our Q1 expectation is now muted largely because most of the new hiring have been put on hold or deferred, on boarding will be delayed because of COVID impact on employees of different organizations that is a visible lag in decision making a employers whether it is large or small. So like in the first wave we have not so far witnessed any knee jerk reactions like wage cuts or large scale layoff; however, we do anticipate to shine on account of extended leave of absence of associates or on an account of migrating away from work location, also limited or no backfield for association contracts have expired.

We are watchful of how corporate India chooses to react and hence on our part we continue to remain vigilant and how optimally we can continue to run an operation. For now there is a continual momentum in new sale sign, which gives us confidence that while opportunities might be delayed, but we can make a quick turnaround. This year around we have chosen to focus primarily across cohorts created around BFSI, industrial e-commerce, telecom, consumer and healthcare and emerging sectors, which we believe shall lead employment growth in the near to 5 year horizon. Our sales and hiring capability shall be geared around specific needs of these cohorts. The time we spent last year in reorganizing, rationalizing, and strengthening are some clumping and digital evolution shall help us and shifting all our attention towards our customers in rapid sales, acquisitions and we of course continue to flex our muscles in hiring.

Even as we slowly crawl back to our office towards restored normalcy we do believe the world of work has changed forever. It is expected to impact employment models, tenure, basic framework of work place, the need for digital adoption, learning and much more, so there would be more unknowns and known for many of our customers and it would be an opportunity for us through our cohorts to build intimacy with their challenges and become allies in solving for them through a core and adjutant business offering that is clearly a way forward. Thank you so much. Sunil, would you like to take on especially on staffing.

Sunil Chemmankotil:

Thanks Ritu. Good evening everyone. For the specialized staffing point of view, the year saw a subdued hiring activity, which led to a dip of 3% in revenue; however, we focused on replacement hiring that a higher profile leading to product mix improvement. We were very conscious to let go some of the low margin businesses because those were not helping us to improve our margins. As a result, we were able to maintain our revenues close to last year despite lesser headcount than last year. On the PBT front, we grew by 10% quarter-on-quarter with the 120 basis point improvement. FY2021 saw a substantial improvement in the PBT and margins grew to 8.6% from 5%.

The improvement of the martin is mainly because we focussed on higher value profile in our IT business as well as addition of high margin new non-IT staffing verticals like engineering, gaming, energy to complement our telecom business. We saw a huge uptake of distance skills AI/ML, cyber security and DevOps, which tested bill rate. The demand for higher in IT infra till along with our asset management, physical inventory verification and IT infra digital productivity and improvements solutions helped us to get new projects as well as increase our deal values in the IF infra business.

We acquired 102 new customers in FY2021 and we were able to change the product mix substantially along with improvement in our operational efficiencies due to better productivity and shared services set up. All these efforts helped us to improve our martin substantially and when we look at the overall change in the product mix and the business has moved to higher profit range, so we are very confident that the foundation will help us to take it forward in the coming year and we look forward for a great in FY2022. Thank you.

- Ashok Reddy:** Thank you, Sunil. Sudheer, I think that is from our end and you can open to questions.
- Moderator:** Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sudheer Guntupalli from ICICI Securities Limited. Please go ahead.
- Sudheer Guntupalli:** Thank you. Since provisions seem to have become a recurring issue, Ramani, if you can call out both the expected provisions and provision reversals in general staffing and HR services going ahead? Also what would be the normalized EBITDA margin general staffing adjusted for the impact of both this wage cut reversal and the provisions you spoke about, I think you called out the wage cut reversal, but what would be the normalized overall general staffing EBITDA margin?
- Ramani Dathi:** Yes, Sudheer, as I said, there is a 1.3 Crores of one-time impact that we had in general staffing, so if you can add back that 1.3 that would be the normalized EBITDA in general staffing and out of this 1.3 about 70 lakhs is the planned impact to the P&L on an account of wage cut reversal and the balances is an unplanned impact and coming to ILS, we were very positive of collecting this money because all paperwork has been done, we received all clearances and specific to these two states with election duty for the officers and one of the officers was down with COVID because of this entire 4 Crores got delayed, but we are expecting the collection to come back in end of Q1 or early Q2.
- Ashok Reddy:** Just to add, is that most of these are provisions from a prudent perspective, but I do not think we have doubt on the ability to collect them, so I think it is just prudent that trend of ensuring that we provide for these in a timely manner and there is a cycle of this happening in certain cases and a reversal thereafter most of these do not really go back?
- Sudheer Guntupalli:** Got it. I was just trying to assess what would be the overall receivables where we see let us say probability of provisioning in the next couple of quarters and whatever may come back as reversal because you have been taking it abundant caution so of course 4 Crores is the one in HR services, which may get reversed in the future quarters, but if there is anything else which are likely to get provisioned or reversed, so I was just looking at that data points that you have handy?
- Ashok Reddy:** Nothing substantive that is due for provisioning. In learning services over the next 2 quarters we would have other 4 Crores to 5 Crores that is due, if not collected we would look to provision. We have a similar amount that should be available for reversing on collection. In staffing and in our other businesses, the amounts are more incremental in that sense. There is not normally a huge impact that comes as a one-time hit.
- Sudheer Guntupalli:** Understood, Ashok. Thanks and actually if you look at the headcount growth in general staffing segment in March, of course I understand towards the end of the quarter probably there would have been some sort of hold back due to COVID second wave related noise and all, but at least

the December, January, February months there was a good momentum build up, as you and yourself have alluded to, in that backdrop do you think the headcount growth in general staffing segment on a sequential basis could have been strong than where we were 4% to 5% sort of the growth?

Ashok Reddy:

Obviously, anything better than what we did will be very proud of I am happy about, no questions on that front. I think in Q3 we added 16000 associates, trainees, on a cumulative basis and I think we have done a similar amount in Q4 also even with the element of a March being a little more subdued than what we had expected it to be. I think larger element of that clearly came in between January and February and we would have ended probably higher had the second wave indications not started to kick in, but having said that I mean our continued focus unlike Ritu mentioned is on growth sectors where we have focused teams working to drive growth both by new client acquisition, and growing with our existing customers and we have seen clear traction on both fronts where we have added new logos and our existing clients had comeback to work. I think like we had said earlier obviously the second wave has put a little bit of a dampener on the plan that corporate had about replacement hiring, about hiring new folks, requirements and some transitions that were planned, we hopefully should get that back on track as we go into Q2 with hopefully the element of easing up of the lockdowns across the country.

Sudheer Guntupalli:

Got it, Ashok. If I were to, I know the predictability of growth is little tentative at this juncture because still it is the fluid issue progression of second wave is a fluid issue, but if you were to quantify and outlook in terms of revenue growth or margins for FY2022, how would that look like?

Ashok Reddy:

Actually I had answered the question from my end.

Sudheer Guntupalli:

Yes, my next question, I think that is where you got dropped off, is that if you were to ask for an outlook in terms of revenue growth and in terms of let us say headcount addition and even margins for FY2022, I understand that predictability maybe a little tented at this juncture, but what are your internal expectations for these three matrix for FY2022?

Ashok Reddy:

I am not going to have that front right now I mean it is becoming difficult to say whether we are the start, middle or end of the pandemic given the ways that we have seen, but I think corporate have learnt to deal with the crisis on hand and I think there was like I said a knee jerk immediate reaction that we saw last year. It is a much more muted, cognizant reaction that we have seen in the second round this year, very different from what we saw last year, so I think corporates are learning to deal with the element of the pandemic and also learning to plan to some extent about the ways that we have been talking about and so on. I think overall there seems to be a lot more optimism in the corporate sector about the future plans and the need to ramp up on hiring for that and I think the same dialogue around formalization, around utilizing service providers given the variabilization of cost, the formularization coupled with outsourcing should play out as we go forward into the future and I think that really would open up a lot of opportunities for us. Like I said while we are seeing an element on the general staffing front, specialized staffing, which

works to higher skill levels and cognitive capabilities is still seeing a healthy demand even in Q1. I think the sectors that the specialized staffing addresses has kind of better prepared themselves for continuity and for scale and we continue to see demand on that front, even in our employee ability learning front leaving aside the aspect of universities and students in classrooms, the acceptance of learning digitally online has become more accepted and I think we continue to see volume and requirements on that front, so I think overall I would say that while we would clearly look to having a muted Q1, we are more optimistic about the quarter thereon and like I said obviously cannot be predicted to the wave three or not and so on, but I think overall sentiment in industry ability for resilience and outlook for growth is that coupled with the element of formulization and variabilization, we stand a good opportunity for growth as we go forward.

Sudheer Guntupalli: Ashok, on margins I think may be this is likely better predictable variable and we have been expecting margins to improve on a year-on-year basis, so any guidance on the margin front for FY2022 at EBITDA margin level?

Ashok Reddy: We do not normally give guidance Sudheer, but I think the focus is that the initiatives that we have taken and have gained traction, thanks to the pandemic around technology, implementation and adoption at client associate level around our client partnerships, around productivity enhancement, product mix should enable the element of margin improvement to continue to play out as we go forward.

Sudheer Guntupalli: Thanks, Ashok. All the best for the rest of the year.

Moderator: Thank you. The next question is from the line of Susmit Patodia from Motilal Oswal. Please go ahead.

Susmit Patodia: Good evening everyone and thanks for the opportunity and congratulations on the headcount achievement. I have few questions, firstly just carrying on what Sunil was talking about provision, if you are to add up your right back as you have shown in the cash flow statement and with us the provisions, the number is broadly zero, so you do not seem to have any loss, but there is a lot of volatility because of provisioning and writing off, is that understanding correct? So if I look at a cash flow statement and together for 2020 and 2021, the write back of provisions that you have done and the provision/credit costs you or bad debts you have put there, they are all cancel out each other right? So as Ashok had said that our loss is really nearly zero right and that is what comes out and I am just wondering if there is a little bit of volatility in the P&L, but there is no real loss that happened?

Ramani Dathi: On a full year basis, yes, Susmit. The comment that we made earlier is specific to Q4, where we have taken 4 Crores provisioning and above sometimes in staffing so that is specific to this quarter, but as you rightly pointed out on a full year basis it offsets that is what even Ashok mention next quarter in ILS we have 4 Crores to 5 Crores coming up and this 4 Crores that we have provided now might get collected by then with the new provision.

- Susmit Patodia:** So, one request is could you also then give us a net provision number because this is causing one more level of detailing that may not be required looking at your annual statements, is what my request.
- Ramani Dathi:** Sure, no issue. It can be done.
- Susmit Patodia:** The second is on your increase in unbilled revenue that has come through in this year. Now this has happened because the pandemic that struck toward the end of the year is that the reason?
- Ramani Dathi:** So, this is set because of the pandemic, so subsequently the invoices have been billed and collected as of March 31, 2021, that is the status of unbilled, so there is no unusual delay in subsequent billing or collections.
- Susmit Patodia:** So, there is no distinct kind of an issue that this not here at all?
- Ashok Reddy:** There is no dispute at all. This is just timing aspect towards the end of the year and normally within the next ten days in April most of these invoices get paid. These are not disputed amount, it is just timing element.
- Susmit Patodia:** Got it and the third aspect is again if I look at 2020 and 2021 together, your PBT margin is 1.7%, but your OCF before tax margin is 2.7% right, so what will converse this, should we be looking at OCF margins as a more representative of the company?
- Ramani Dathi:** This year we have taken up the very aggressive collection drive Sushmit, because the first half of the year when we lost headcount so we made sure that invoicing being done on time and the followups with the clients for all collections have been flat, so that has really helped us to improve DSO across all the businesses and that is what has led to a higher cash conversion in terms of better working capital and reduction in receivables and stuffs.
- Susmit Patodia:** I know Ramani, what I am asking was as combined both the year, so last year your OCF was not so good right, just 10 Crores?
- Ramani Dathi:** Yes.
- Susmit Patodia:** So, I am combining the two and I am saying that the margin when you look at cash flow perspective it is closer to what you have aspired for a couple of years ago, which is reported PBT margin?
- Ramani Dathi:** Yes, whether it is a better mix with to.
- Susmit Patodia:** Yes, I am just trying to understand as an analyst what is the metric we should track?

- Ramani Dathi:** So, definitely cash conversion can be a key metric of that business, which also gives the comfort that we are maintaining the ROCEs and maintaining the working capital levels and overall margins.
- Susmit Patodia:** Just a last question is on there are a few news articles saying that there is a manufacturing facility is coming up and they are hiring large numbers, so are we also asking you to include facility management services or pantry services and any thoughts on that while you still not stayed away from it?
- Rituparna Chakraborty:** Ramani, I will take that. First and foremost, yes, there are a lot of news articles about the anticipated hiring surge in manufacturing sector and especially driven by the PLI scheme; however, we have noticed that after the initial enthusiasm the hiring definitely has slowed down even in those segments and of course some of the incidents which have happened, which got lot of prime time coverage, a lot of organizations have gone on their back foot. Having said that when outsourcing discussions is happening. They cut across different kinds of profile; however, most of the outsourcing is happening in profiles, which are at the shop floor level. Yes, there will be some requirements, which are happening in allied services and support function, but I think that share of that number is much lesser in comparison to the demand that comes in from the added headcount they need at the shop floor level. Pantry housekeeping is of course something that there are some demands, but a lot of these organization choose to have a separate services contract for such arrangements having said that I think wherever there is an opportunity where the customer feels that they would like to combining with the normal staffing arrangement it gets combined. I do not know whether that answers your question.
- Susmit Patodia:** You have made it clear in the past that they would not get into a FMS or pantry so if there is a requirement how do you handle these subcontract it further down or are you thinking of starting that line of business?
- Rituparna Chakraborty:** Actually TNDs is not avoids to taking up profiles which are in pantry or housekeeping. I think the only kind of mandates we have stayed away are the ones where the organization wants to structure it completely as a job contract or as a managed services, so we have seen organizations who just actually request us to take them on as staffing headcount and wherever that is the case we do it, wherever there is a specific ask for the customers that they would want to have a services arrangement at the moment we are not getting into subcontracting arrangements; however, that today it is something that depend upon demand if there is a surge in demand we will look at exploring options at that point of time.
- Ashok Reddy:** Just to add on that we do not do the managed services activities, we do the profiles in all functional area front and I think it is for the foreseeable future we do not intend to get into managed services, so some mandates if asked for purely from a managed service perspective will be outside of our domain and we are not in the fray for those mandate, but clearly I think we are looking to go just beyond the aspect of general staffing in terms of just providing the bodies

through our digital workforce solutions that can compliment for add on administrative capabilities at the client end and through the platforms that we are able to bring to the table.

Susmit Patodia: Perfect, got it. Thank you very much. I will go back in the queue.

Moderator: Thank you. The next question is from the line of Madhu Babu from Canara HSBC. Please go ahead.

Madhu Babu: Sir, congrats on a good quarter. So, are there any large lift and shift mandate in this quarter, which has led to the strong hiring and especially with this kind of continues COVID waves, do you see employees moving more to flexi staff model and whether that can drive a pent up demand in the next one-and-a-half to two years, so these are the two questions? Thanks.

Ashok Reddy: I do not think we have had any large lift and shift mandates that have come in and nor we have seen any large ones in the immediate future. Like I said we have been able to acquire new logos and normally new logos start small and scale up on numbers over a period. We have also been seeing growth with our existing customers who in the initial round of the pandemic had currently the headcounts and on stabilization and opening up of the economy had started to effectively rehire the resources and build the bandwidth in terms of headcount. I think clearly as I mentioned earlier the aspect of and as mentioned this earlier in the quarters also that one enduring image from the first wave of the pandemic was the migration of migrant workers without any statutory benefits and I think our realization clearly is that while the government cannot provide all of that from a fiscal perspective, formulization and industrial as incorporate employment could be a safety net for such instances and I think most corporates have played honorably towards their employees in these times to the extent that they could and as long as survival permitted and I think to that extent the element of formulization and also a focus on the government and to enable that into the future should be a focus and I think we will see more corporates willing to come on the table for that and I think also the element of variabilization of cost given the uncertainty like you mentioned wave three, four like I had earlier said that after the second wave, we are now not sure whether we are at the start, middle or end of the pandemic, most of us thought in Q3 that the pandemic was behind us and I think the second wave was clearly more virulent and impact full than the first, but corporates have kind of reacted much more maturely to this, so I think the aspect of formulization, the aspect of variabilization and the fact that the government should work to enable formal employment will be a wings in our back as we go forward, not immediate, but we will play out to the last.

Ramani Dathi: I just add to what Ashok said, to answer your specific question what spurs the growth in associate whether it was lift and shift? Actually a significant amount of the growth has come from hiring mandates in the quarter, which is for us the key takeaway, so it is largely we are not also looking at too many opportunities out there where they will be a very large scale transitions, but there is obviously going to be increased opportunities of growing through hiring and as we scale up hiring we will see this growth continuing. Besides the point that Ashok mentioned, we are seeing that there is increasing appetite in corporates and especially those organizations who are

traditionally not very open to the idea of manpower outsourcing that they are willing to now experiment with different models of outsourcing just to make sure that the organization is lean and agile and responsive to any eventuality that happens, so we are seeing organizations moving to early billing with demand, we are seeing on demand staffing for specific roles, we are seeing very, very niche part time requirements coming up, so I think these are some of drifts into the future, which we think we are in a position to optimize and go on.

- Madhu Babu:** Just one more on the tax rate obviously that depends on the net addition, so is it right to model lower tax rate for next year or should we take a bit higher because clearly net addition is not a clear sign now at least because of this COVID, so how should we model the tax rate? Thanks.
- Ramani Dathi:** This year FY2022, we had positive that we will have a net addition in associate headcount, so we will be having sufficient to get into provision to offset the taxes, and we do not think there will be any substantial increase in the taxation in FY2022.
- Ashok Reddy:** That is clearly subject to growth, which that has given the current indication we are quite confident about and the rate should be there.
- Madhu Babu:** Thanks.
- Moderator:** Thank you. The next question is from the line of Garima Mishra from Kotak. Please go ahead.
- Garima Mishra:** Thank you so much for the opportunity. I had one question, on the general staffing business. Ritu you mentioned that some PAMP cuts was entertained through the year, which is understandable, but does that set a low base for future with the same customer?
- Rituparna Chakraborty:** Like I eluded to Garima, that there have been some permanent vision downwards as well, yes, it started with request which were temporary in nature, but it has led to permanent downward division and yes, that has reset the base and that is why we do believe that there will be pressure on the upper associate realization; however, I think given that we are looking to address a lot more of the customer challenges and offer digital tools, learning tools, we would be able to manage that pressure and of course the optimization and efficiencies we have gained from improvement of employee productivity we should be able to offset some of those discount, which have become permanent in nature right now.
- Garima Mishra:** Thanks and one question on the IT business, IT services companies in general I have seen the demand, decent revenue growth trajectory, etc., what kind of pipeline are you looking for your various IT staffing company?
- Sunil Chemmankotil:** We have seen a lot of demands coming in from across IT services companies particularly since we work with all the major IT services companies and we are seeing a change in the kind of requirements we are seeing lot of requirements coming in, which will definitely help us to get the better margin per placement.

- Ashok Reddy:** Also Garima on that front I think like I had mentioned earlier though we are seeing an element of general slowdown in other sectors on an account of the second wave, IT services product in captive side is still seeing healthy demand coming in and healthy on boarding happening, so as of now we stand quite positive around productivity of our team, the new onboard and growth in IT services sector.
- Garima Mishra:** Due you think the demand is good for you to target a 20% plus kind of revenue growth for your IT staffing business somewhere in that ballpark given the kind of demand that you are saying, I mean my point is that the IT services companies themselves are talking of a decent double-digit kind of revenue growth and some of them have been even increasing their revenue guidance through the past three, four quarters, so that should have some kind of positive demand that is what I am wanting to see that it, is it basically much ahead than what it shown in FY2021?
- Ashok Reddy:** Agree with you.
- Garima Mishra:** That is what I wanted to check upon, thank you so much.
- Moderator:** Thank you. The next question is from the line of Abhijit Akella from IIFL Securities. Please go ahead.
- Abhijit Akella:** Thank you so much. Good afternoon. Possible to just share the PAPM numbers of Q4 and FY2021, I mean we ended with, are you covering that?
- Ramani Dathi:** Yes, for the quarter four we had a PAPM of about 693 and on a full year basis it is about 700.
- Abhijit Akella:** Thank you, got it and so when we look at the adjusted margin for general staffing it seems to workout about 1.9% after adding back the 1.3 Crores of one off that you mentioned, so you know there is a little bit of pressure through the year I guess compared to what we were in Q1 and Q2 it seems 20 to 30 BPS down from there, so is this largely driven by the PAPM factor or are there any other factors that clears as well?
- Ramani Dathi:** No, it is largely driven by PAPM, Abhijit, because all other internal expensive has been rationalized, be it facilities or core employee cost or other service delivery very cost has been rationalized cost per hire has come back during the year, it is mainly on an account of PAPM pressure.
- Abhijit Akella:** Got it, thank you. Just one last thing, just on the PF issue, so any update on sort of your thought process in that regard and any thoughts about possibly having to take some provision or you still believe that there would not be any need to do anything of that?
- Ashok Reddy:** Right now we still be in the old position on that front, one is the recovery to whatever percentage around the aspect of the investments and the second element is active to inactive account, so the view is that we hold the same stands going forward.

Ramani Dathi: Just same point I wanted to say, there has been no change here in our approach Abhijit because we believe that at the trust level there is no liquidity crunch, there are sufficient reserves and cash balances to offset this investment and once we get some visibility on the likely recovery on these investments we will take a call.

Abhijit Akella: Understood. Thank you so much. Wish you all the best.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from PhillipCapital. Please go ahead.

Jonas Bhutta: Thank you for the opportunity. My question again is around the staffing margins. So through the year progressively now at the year end to year end basically we have seen that our productivity levels have gone up by almost 35% based on the ST productivity, but margins are still as is where is, so while Ritu mention it because of the PAPM pressures, but going forward do you believe that given the current condition and kind of feedback you are getting back from the client you believe that this pressure on PAPM sustains in FY2022 and hence whatever measures that we have taken on cost containment are largely offsetting in nature and will not actually be accretive to margin even in 2022, and basically will only end up seeing any benefit then volumes pickup in 2023?

Ashok Reddy: Just before Ritu explains, I think as Ritu mentioned earlier we believe leeway for their productivity improvement. I think the larger impacts of initially clients ask for discounts, some of them have renegotiated on the price front, given the challenges that they are facing and I think it is just right for us to be accommodating off the ground reality that the customers are facing at this point in time. We believe that the way and the continuance of a pandemic will dictate to some extent the pricing power or the pricing acceptability that the customers would have as we go forward, but having said that I think the add on services that the business could potentially partner with the customers could also get some price leverage and I think that is really what the team is focusing on in saying add on technology, solutions that can be bundled to the customer providing realization that kind of compliments the staffing realization, so I think some element of the pressure on pricing, PAPM is on an account of the realities that corporates are facing in the markets and looking to reduce costs on that we are trying to complement that with alternate revenues coming in from the rollout of the technology platforms and solutions that corporates could use and we would continue to work on furthering productivity improvement at our end also.

Rituparna Chakraborty: Actually nothing further to add Ashok. That is pretty much, that is exactly what we intend to do.

Moderator: Thank you. The next question is from the line of Susmit Patodia from Motilal Oswal Asset Management. Please go ahead.

Susmit Patodia: Thanks for the opportunity again. My question was on the 80JJ. One is more critical question, which is we may be getting some tax breaks in overall profit, and your last part of the profit is

actually coming from employees greater than 25000 which a month salary, so do you worry that government may come back and say that you need to differentiate?

Ramani Dathi: There is any regulatory change will definitely impacted, be it the change in the Rs.25000 cutoff or any other changes to the 80JJ applicability will definitely impact our effective tax rate.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question for today. I would now like to hand the conference over to Mr. Ashok Reddy for closing comments.

Ashok Reddy: Thank you very much. I know really as we have discussed, we have ridden out the first wave of COVID pandemic and have been able to rebuild on all the businesses to healthier opening balance into the current year, but you know the wave two has happened and it has muted the quarter, but in a more long-term perspective as I had mentioned on multiple parameters we stay confident of the market opportunity and we will continue to work for growth profitability, productivity and to delivering to expectations on a recurring basis given the market opportunity that we have. We do believe that the pandemic is an event and not climate change and we all have learned to handle the reality that has been throwing at us, I mean just from Teamlease perspective 100% of our employees have been working from home for nearly two months now, but the continuity in business, continuity in engagement, continuity in our working the customer requirements have been priority and they have been delivered quite successfully. I think going forward, we clearly believe the opportunity will play out once the lockdown end, clients are optimistic about growth and about having to invest in people and about formulization get an element of variabilization of cost and I think that is really where our opportunity lies and we will continue to work on that front. With that thank you all for joining the call. Stay safe. Thank you.

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