15th May, 2023

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Dalal Street,
Mumbai-400 001
Scrip Code: **532633**

Listing Department,
National Stock Exchange of India Limited,
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Symbol: **ALLSEC**

<u>Sub: Transcript of the Earnings Conference call</u>

Pursuant to Regulation 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform that the Transcript of the Earnings Conference call, conducted through digital means, has been uploaded on the website of the Company under the following link: www.allsectech.com/investor-information/ .

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Thank you,

For Allsec Technologies Limited

SRIPIRIYA DARSHINI
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Sripiriyadarshini
Company Secretary

"Allsec Technologies Q4 FY-23 Earnings Conference Call"

May 09, 2023

MANAGEMENT:	**MR. NAOZER DALAL – CEO, ALLSEC TECHNOLOGIES LIMITED** **MR. GAURAV MEHRA – CFO, ALLSEC TECHNOLOGIES LIMITED**
MODERATORS:	**MR. AASIM BHARDE – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Allsec Technologies Q4 FY23 Earnings Conference Call hosted by DAM Capital Advisors 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 and 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. Aasim Bharde from Dam Capital. Thank you and over to you Sir.

Aasim Bharde: Thank you Tanvi, on behalf of Dam Capital Advisors, it's my pleasure to have you all on the Allsec Technologies Q4 FY23 Earnings Call.

From the Management side, we have with us Mr. Naozer Dalal – CEO and Mr. Gaurav Mehra – CFO. I will now handover the call to Mr. Dalal for his initial comments. Thank you and over to you, Sir.

Naozer Dalal: Thank you Aasim. Good evening, everyone and thank you for joining our Earnings Call today.

Having been appointed as the CEO effective 16th of February this year. This my first interaction with all of you and to that effect would start by briefly introducing myself. I've been a part of the banking and process outsourcing industries with a commutative experience of excess of 33 years. Leading names like Standard Chartered Bank, the Prudential back office in India, the Tata Group with my immediate prior role being with our group Company Connect business Solutions as its deputy CEO. It is a privilege for me to now lead a respected name like Allsec and I'm excited about the journey ahead for the Company and also excited about interacting with all of you today.

The results and the presentation have already been updated on our website. Just by the standard disclaimers:

Anything we say which refers to our outlook for the future is a forward-looking statement and must be read in conjunction with the risks that the Company may face. I have with me Mr. Gaurav Mehra – Chief Financial Officer, who has joined the Company early January '23 and who will twin with me in interacting with yourselves.

We'll hand over to Gaurav for a brief minute to introduce himself. Gaurav please.

Gaurav Mehra: Thank you so much Naozer. Hi, good afternoon, everyone. So as Naozer said I joined the Company about a quarter before and very glad and happy to connect with all of you as my first Earning Call.

Just a bit of background about myself. I came from the Technology background and I remain associated with the companies like the Expleo, if you have heard that's a Thinksoft Global technology Company. It's a public listed Company with close to 800 crores turnover. I remain associated for larger part with the technology companies' names like the HCL, CSC and very glad to become the part of Allsec.

It's been a fantastic journey for the first quarter and look forward for more upcoming interaction and sharing more information with the group and the investors. Thank you.

Naozer Dalal: We will start with a brief business overview and updates covering both our lines of businesses. The digital business services what we call as DBS and the Human Resources outsourcing which we call HRO and then follow it up with details financial performance. Post that we are happy to take your questions.

So, to start with some banner headlines; we are pleased to share with you yet another set of robust results. For full year '23 revenue from operations is at 391 crores, up 23% year-on-year driven by growth in both verticals, DBS by 26% and HRO by 18%. Our PAT at INR 49 crores, is up 37% compared to financial year '22. Both our businesses as mentioned continue to perform exceedingly well with the HRO business clearly emerging as a market leader this year. Our pay slips processed reached a high of 1.2 million per month and this number being 20% to 30% higher than the competition. We have added new clients in three-digits across the business compared to March '22 with our total clientele service being now just under 600. We clocked 100% occupancy in our Manila Center this year with additional seats being taken in April '23. We were named among the 10 most promising HR technology service providers for 2022 and 10 best contact center companies to watch in 2023 by a leading industry publication. Our staff attrition at 8% was held at the same level as last year being best in class in the domestic outsourcing industry. Our cash position and collections continue to be strong. Our collections for March at 42 crores were the highest ever monthly collections ever achieved.

I will now provide a progress update on the two tech projects. SmartPay version 4 and the new HR management system which we are building. These being key strategic initiatives. We have used the time since the last earnings call over the last half year to enhance this score basis informal market feedback from our customers and therefore the timeline which my predecessor had mentioned in the last call has slipped marginally at best by a quarter. That said we are already running two customers in a parallel mode for SmartPay version 4 and the initial results have been encouraging. We will also commence the parallel run for one of our largest customers in June. The outcome of the same will determine the detailed migration plan for all our customers. The new HRMS Tool 2 is in the final stages of user acceptance testing with client migrations and parallel runs to follow from later in Quarter 2.

We will now move to our new sales achievements for the last financial year. We have signed sales with annual contract values of approximately INR 45 crores in FY23 which is about a third higher compared to FY22, this is across HRO and DBS. We have added marquee logos including targeted conversion of math competitor logos. With these acquisitions we have been able to enter hitherto untapped vertical segments. For example, pharma for the domestic HRO business and healthcare for the international DBS business. As part of our sales efforts for the current year, we will continue to look at new domestic geographies, western India particularly, cross sell between our payroll, compliance and domestic DBS customers and enhanced efforts on inside sales and digital marketing for international DBS.

We now move on and share two key trends which we saw in FY23 and I would like to share that; which has had a reasonable impact on the cost of running our HRO business and in turn led to margin compression which you will hear in the latter part of session two. The first being FY22 new sales saw significant lowering of the average one ACV which in turn led to some of the economies when they were transitioned into BAU in FY23. The second trend you would also recollect, my predecessor mentioned this in the last earnings call which had highlighted that while hiring was done in advance of the timing of revenue realization, the transition timeline themselves got elongated at times up to 3 to 6 months. We have reversed both these trends and have already seen higher ACV 's in the new sales completed in FY23.

We have also made some operational and systemic improvements to considerably shorten the transition timelines and having some good progress made in that starting March and including into April. I now move to our operations performance; our meeting of the operational KPI remains strong for both DBS and HRO, including improvements over what we did in FY22. In many cases we have been named best partner in many of our customers league tables in terms of the outsourcing which they do. We continue to provide value added and digital services to our customers including but not limited to point automations, bundling our PA in our solutions etc. We continue to receive high and increasing feedback on social media, Glassdoor, AmbitionBox etc. A direct outcome of our continued focus on employee engagement, this being a key asset for us. With this I hand you over to Gaurav, who will take us through the detailed financial performance. Thank you and I'll be back for the question-and-answer session. Over to you Gaurav.

Gaurav Mehra: Thank you so much Naozer.

I will read out the financial results first and then we will go for the query thereafter. So, I will be reading out the quarterly results first and then we will see the year-over-year result. As Naozer mentioned that our this year goes as the year of robust growth both in the terms of the headcount growth as well as into the terms of the revenue. We have a headcount growth of 17% year-over-year which is translating into the revenue growth of the 23%. Revenue for the quarter clocked at 108 crores versus 100 crores of the last quarter, a growth of 7.9%. On a year-over-year basis we have a growth of 23% for the full year. Our EBITDA margin stands at 23.7 crores at the EBITDA percentage of 22% against the last quarter of 21 crores and 21%. PBT for the quarter stands at 15.2 crores with the PBT margin of 14.1%. PAT for the quarter is at the 12 crores with the PAT margin of 11.2%.

In terms of the revenue; the growth for the quarter-to-quarter, current quarter to the last quarter, the growth for the operational revenue stands at 7.9%. The growth for the EBITDA stands at

13.1% in terms of values. In terms of the EBITDA margin, the growth for the quarter stands at 102 bps. In terms of the PBT, the growth for quarter-to-quarter 8.3%. We have a growth in both the sector DBS as well as into the HRO as Naozer touched upon. We have a growth of 18.2% for the DBS business, digital business services and we have a growth of 23.6% for the HRO business for operations from the revenue. On year-on-year basis, revenue from the operation is stands at 390.5 crores against the 317.2 crores for last financial year '21-22, a growth of 23.1%. On financial year-over-year basis, the EBITDA for financial year '22-23 stands at 88.4 crores versus the last financial year EBITDA of 8.2 crores, a growth of 10.2%.

In terms of the EBITDA margin percentages; the EBITDA margins seeing some pressure on year-over-year as Naozer touched upon that when we compare year-over-year there is some cost increase happening into the C2R ratios into the employee cost which has led to the dip into the margin when we compare year-to-year basis. PBT for the financial year stands at 64.5 crores versus 61.2 crores for the last financial year, a growth of 5.5%. In terms of the PAT; PAT stands at 48.9 crores versus 35.6 crores for the last financial year, a growth of 37.1%. In terms of the PAT margin, the margin for the current financial year stands at 12.5% versus 11.2% for the last financial year, a growth of 128 bps.

That covers all the financial result for the period. Over to you guys.

Naozer Dalal: We are happy to now commence the question answer session.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Swechha from ANS Wealth.

Swechha: My first question was, our HRO business is a higher margin business as compared to DBS. So wanted to understand what is our strategy for this vertical for next 2 to 3 years because I think currently it accounts for 36% of our revenue. Do we expect this to increase going forward?

Naozer Dalal: Completely agree with you, so HRO business is the higher of the two businesses in terms of margins. We continue to make relevant investments in people and technology to ensure that we could maintain and improve the growth percentage which we have seen in the recent past and a key metric which I've already clearly mentioned is that, this year with a targeted approach of going up to the customer accounts and just the sort of sheer presence in our market, we are now clearly #1 in the HRO business in the managed services space and with being ahead of competition by 20% to 30%. The two tech upgrades which we have been working on finally seeing significant traction over the last 6 months. We are ready to go to the market with them over the next quarter or two. Our customers are excited that we are making those investments. Customers currently, as I said on parallel runs on user acceptance testing for the HRMS platform. So once that comes in what I can confirm is that that will definitely see for us our ability to sort of grow the revenues of the HRO business. As far as the margins of that business are concerned as the jury is still out because there are a number of moving parts. While we are trying to improve operational efficiencies, there are the costs which are coming for the new platforms and we will wait and evaluate how that comes about but yes I would also look at and definitely see some margin uptake over the medium term but difficult to quantify that number at this point in time.

Swechha: So, would this mean that today it is 36% of our revenue, so do we see it becoming close to 50% or something or a major portion of our revenue over next 2 or 3 years?

Naozer Dalal: Unfortunately, as I just mentioned we don't give forward looking statements and there are too many moving parts at this stage to even attempt that. Sorry for that.

Swechha: I also wanted to understand what type of service agreements we have with our clients, are these are annual contract and how is the billing done? Is it a fixed rate billing or an hourly basis and if you do them on an hourly basis if you could share us the billing rate for each vertical?

Naozer Dalal: I'll give you an overall view in terms of how it works. So typically, on an average or predominant number of contracts are anywhere between 2 to 3 years. So, to that extent we don't have to spend effort in sort of trying to renew those contracts every year and give us an annuity base. As far as the billing is concerned, the billing is again distinct in both our businesses. I'll take the HRO business first and within the HRO business again there are two segments, the BU processing and the HRMS business, it is per FP per month rate which we sort of charge our customers. For the second part of the HRO business which is the compliance business, we have largely a fixed fee per month, an outcome based in terms of linked to the number of locations we handle, so that takes care of the HRO business. On the BPO business largely these are FP based contracts where we have a fixed rate per FP per month. We have a small percentage of contracts which are outcome based in terms of either hourly billing or in terms of some outcome which we may drive for our customers. So, to answer your question, both businesses are very distinct kinds of billing and in terms of what we operate at.

Swechha: So, I wasn't clear DBS, how the billing is done?

Naozer Dalal: In DBS there are predominantly our billion is at per FP, sort of fixed rate per resource deployed per month. And for a small portion of that business, it could be on a hourly and time and motion basis.

Swechha: I'll just ask one last question and then I'll rejoin the queue. Wanted to understand have we lost any key accounts in FY23?

Naozer Dalal: No, not at all.

Moderator: The next question is from the line of Arjun Shah from KC Enterprises.

Arjun Shah: My question is being #1 in the HRO business what are the few digital initiatives that you're planning to take to stay ahead of all competition?

Naozer Dalal: I would answer it in in two ways. I mean I already mentioned about the significant tech upgrade which we are sort of have embarked couple of quarters ago and which will see the light of day in the near in the 6 months. These tech upgrades will ensure that these platforms are return on new edge technologies, gives us multi country, multi-currency capabilities, gives us the ability to integrate the HRMS with the payroll engine which we run. So that happen all of that and reduce costs over a period of time in terms of running those engines. Even while that is happening, we continue to sort of ensure that we collect our customer's feedback. We remain best in class, so the previous engineer which was HP3, I mean to give you an example, we were I think one of the early ones in the industry who made it mobile enabled. So, I think we had mobile enabled it as early as maybe FY18-FY19, to give you one example. We continue to look at automation and either point automations in terms of how we collect information from customers, how we process it, then how we distribute that information back to the customers including report reading and analytics. I would like to summarize to say that yes, the sales team, our operations teams remain very-very close to the customers, continue to get market feedback and we ensure that we remain ahead of the curve.

Arjun Shah: I had one more question. I just wanted to check how would the capital allocation policy for the next year look like if you can just give us some colors on that.

Naozer Dalal: Sorry can you repeat it, what do you mean by that?

Arjun Shah: I mean the capital allocation policy for the Company for the coming year if at all there are some colors on that.

Naozer Dalal: The Company is adequately capitalized. We continue to explore and see how do we sort of ensure that the sort of cash which we have in the balance sheet, we sort of continue to ensure we make the best of it. We continue to look at potential acquisition opportunities though none very significantly advanced at this point in time. And of course, we would look at acquisitions which provides strategic fit to our business, either give us access to new verticals, horizontal margin accretive and all the good stuff.

Moderator: The next question is from the line of Sugandhi Sud from Incred Asset Management.

Sugandhi Sud: I wanted to understand on margins a little bit. If I look at the headcount addition, it is largely in line with your headline growth, 1 or 2 percentage points give or take. However, the margins for both HRO and DBS compared to last year and even historical number are depressed. So, what are the one-off factors there? I'm sorry I could not hear you clearly when you were explaining this point earlier.

Gaurav Mehra: I will take up this question. So, this Gaurav. You see we have some pressure into the margin when we compare year-over-year which is primarily because of the reason that in this particular year we have some one-timers to be call out. As we mentioned in our investor presentation and those documents, so like we have some demand coming from the electricity department where…

Naozer Dalal: Linked to very old period.

Gaurav Mehra: Which is linked to very old period, not any recent one. So that's what it is impacting the margin on the year-over-year basis.

Naozer Dalal: And these are largely one-time and as I also mentioned in the earlier introduction, there were two trends in the HRO business which have clearly impacted margins.

Sugandhi Sud: Could you repeat what those trends were?

Naozer Dalal: The two trends were that that, in FY23 we seem to have hired people on the basis of the contracts which we had won. But some of the transition timelines to onboard them got elongated between 3 to 6 months and the second one was that in FY22 we had one new contract with a significantly lower average contract value, annual average contract value compared to earlier years. Therefore, when that happens when you actually start delivering the operation there are certain base economies of scale which come in you know and therefore we have to carry a slightly higher cost.

Sugandhi Sud: And you expect these factors to reverse going forward?

Naozer Dalal: We have already started doing that. Some of them have already started seeing those factors coming off, yes.

Sugandhi Sud: In terms of that demand from the power department where have we classified; is this is in other expenses?

Gaurav Mehra: Yes, it's part of the other expenses.

Sugandhi Sud: And also could you give an a flavor of how much of the ACV booked in the last two quarters has been recognized and how much it's expected to be recognized over the coming two quarters?

Naozer Dalal: We don't have that data readily. But as I mentioned earlier, we have sort of taken, we have booked ACV's in excess of about 45 crores and most of it will start getting realized in the next two quarters.

Sugandhi Sud: And if I can just ask one more question. Traditionally the HRO business has had a significant contribution from the IT services vertical on the client side. You mentioned that you are diversifying into new verticals in both businesses and what are the trends that you're seeing because as we know that headcount addition has not been very strong last year for the IT industry at large. How is that impacting you and how much is your exposure then and what you're doing to diversify?

Naozer Dalal: I can give you a bit of sense of course being an industry leader and also basis some of the data which we see. So as far as the industry specialization is concerned, in the domestic space we could set up a very large customer, a leading name in the pharma space. The healthcare comment which I made was an international customer, US based customer which we got for our BPO business. As far as the other payroll trends which I see, we definitely saw a bit of pressure in the e-commerce industry, in the e-commerce and the tech industry whether it's whether its food-tech, whether it's any kind of other B2C retail tech, we definitely saw some pressure and then some headcount coming down.

Sugandhi Sud: How is it going with the Quess Corp. in terms of being able to cross sell our services to the insurance vertical or industries represented by the Quess?

Naozer Dalal: That's been our agenda item for the last couple of years. We constantly review that both internally and with the relevant individuals in Quess Corp. As I again mentioned briefly, the first thing we're trying to do is also we have very-very marquee names. As I mentioned we have just on the 600 names. The idea is also to see how we can cross sell within our existing customer base between DBO and HRO and some bit of a vice versa. And yes, definitely the intention of working with Quess can only be strengthened and we review that on a regular basis. So, some of the ECV which is coming is actually coming from there. I'll take that example, so as I mentioned the pharma name which we got was actually a cross cell reference from another Quess Corp. Company.

Moderator: The next question is from the line of Shrey Loonker from Quantum State.

Shrey Loonker: Just if you can maybe give us your outset in view as you came into this role? How do you see the HRO space? How do you see the competitive landscape changing given the winter that's going on in the PVC world? Are you seeing some competitive pressures receding on the ground? The other part was that how should one think about it from payslip growth perspective? How do you see the next year panning out? And maybe after that I'll follow up with a few questions.

Naozer Dalal: Likewise good to talk to you. I know that we are being exchanged mails when just after I joined. I will put it this way Shrey and my outset view is that the organized employment opportunity still remains significant headroom as far as India is concerned. So, I think if I remember some statistics right the total employment or people who are in some form of employment is about 50 crores in India but a significant number of that are in the unorganized sector. So, the organized sector employment is a fraction of that. Within that so in those within that in terms of within that organized employment sector there are three trends which happen. One is there are fair number of companies who keep their payroll processes in house so in source. Then there is almost 40% to 50% of the sort of outsource market is with very-very small players in terms of chartered accountants or other smaller HRO players. Then you have the third set of constituents are the large ERP companies who provide services on a platform basis, so if I look at the potential opportunity and the fact that a certain amount of heft come as being the largest player in the market, I see there is enough market opportunity for us to continue to capitalize over the next couple of years. About a move from insource to sort of outsource we have seen examples in are new sales where companies would run it in source, are happy for us to do it on a managed services basis and otherwise and of course moving accounts away from competition. That's another important piece. So, I don't believe or I don't see any severe concern in terms of what the market opportunity represents.

Shrey Loonker: And if you could just help us think forward what all this means from our perspective assuming the tech interventions that we are doing with Smartpay and the HRMS product excluding the impact from that; the base business growth how should one think about it because this year I believe the pay slips have grown at 11% but we understand this environment is not as conducive as it was in the prior years but if you could just give us some on the ground sense?

Naozer Dalal: Yes. Shrey as I said regret my inability to give a specific forward-looking number. But I would like to say that if we would continue to be amongst the top quadrant in terms of companies in the HRO space and in terms of the growth numbers experience. That I reasonably confident about that we would continue to be in the top quadrant of organizations in the space and the growth rates emanating there from.

Gaurav Mehra: If I can add just one point in there, so as Naozer touched upon so in the year we have about 121 new logos added for us into the HRO domain and we added ACV value of close to 27 crores which is about 25% of the total revenue for the HRO segment. So, we are getting good growth, adding of the new logo apart from the existing customer which grow on their regular increase of their own employees. So that's what we see the interaction coming in there and the growth opportunity for us in that particular domain.

Shrey Loonker: That’s true Gaurav but Gaurav this ACV of 25 crores one should reasonably think this is itself a revenue growth outlook for next year, is that the way one should understand this number?

Naozer Dalal: To a large extent yes Shrey because definitely I would like to break this up into two parts. So, on the HRO business the actual revenue realization for a year comes pretty reasonably close. I would say maybe 75% to 80% of what ACV is in the report. There is of course a timing difference so when I reported ACV for FY23 depending on when I can take the customer live so there will be some impact there. But once the customer goes live of course because it's linked to the number of employees, we signed up with in the ACV so I think that comes close. But on the DBS side sometime we see the ACV not necessarily translating into revenue for the year and some of the factors which come in there could be for example if we sign up a sales process where we help our customers at that cross sell-up sale. Now that there could be an intent of the customer while signing the ACV but there are many factors which change in a year. For example, in terms of the marketing budget, the sales budget, the number of cross sells leads they themselves may have. So therefore, the conversion rates for in terms of revenue versus ACV are lower in the DBU business but higher than the HRO business.

Shrey Loonker: But apart from that just to think about it further that on the competitive landscape if there's any comments for you to offer? What are you sensing on the competitive pressure, pricing pressure that you were, what do you see on the ground?

Naozer Dalal: No, nothing unusual or unreasonable that in fact I think what we have survived and thrived over the last 20 years. So, I have no significant risk to call out on that but that's said definitely so I think it's a balance Shrey so when we go down the value chain in terms of the customers who have smaller number of headcount and therefore a smaller ACV which comes in. The ability to charge is like premium there is higher then when you go after big names who may have 30,000 FTEs, 40,000 FTEs to outsource. So, I think as per the management team continue to sort of balance this out depending on the marquee-ness of the logo, the industry which we may want to actually put ourselves in because as I said earlier the smaller the logo, the operational intensity of delivering that service continues to remain high. So, if that balance, we need to strive between getting that extra revenue by getting 10 smaller logos versus keeping our overall margins in perspective, in terms of how that smaller logos will impact us so we will continue to take a call. That’s more tactical cum strategic call which will continue to take as we have been doing for the last so many years. But I don't see any significant concern in terms of which is very different from what we have seen in the past.

Shrey Loonker: And Gaurav one question to you. YOY we've seen a 10% drop in HRO margins. One, I could understand that it could be adverse revenue mix towards given that compliance outgrew, pure HRO but the other argument that you've called out on the presentation is advanced hiring and travel cost. I would appreciate if you can give us some break up as to how to kind of how much is the real one off-one off as we should understand it because I believe travel cost is going to be par for the course. So, if you can just help us comprehend the breakup of the margin fall and as a result how much of the margin can actually claw back just by virtue of one off that exist this year?

Gaurav Mehra: Certainly, maybe just to give you the flavor so like that the one-off we call so that represent about 20% to 30% of the gap reflected in there and more than that particularly for that the travel and the conveyance it's more of the sort where we are expanding our Manila facility so there been some kind of it might not be the regularly to that much level. But with the expansion of the facility there happens to be some kind of the travel where the people were travelling from here to there and with the new expansion happening into that which has led to some kind of the incremental travel for the quarter particularly. Otherwise, we expect the travel to be normally to be remain into the range of as a percentage of the revenue within the range in our regular trend; we don't foresee anything going beyond that.

Naozer Dalal: No Shrey I think the biggest lever as I mentioned is that we are trying to say in terms of how do we crunch the onboarding timelines and while I cannot estimate in terms of how much that would contribute? But I think out of all the factors which are depressed margin this year that is something which is highest priority for us to address.

Moderator: The next question is from the line of Harsh Kandanani from Aionios Alpha Investment Management LLP.

Harsh Kandanani: I have just couple of small accounting related questions. The first thing is that you have mentioned in your PPT that there is a one, one off revenue related to tax vouching and SME licenses; could you just quantify how much that would be and the second question is that there's a sharp increase in depreciation on a QOQ basis. Any kind of reason that you would like to call out?

Gaurav Mehra: So, to take up your first question like the one off that we have. So, I don't have that number fully handy like to call out that the exact percentage. But as we mentioned in our presentation so particularly the one off, we have and that's particularly from the in the tax vouching and the one of kind of the active one like one of the activities relating to that the license renewal. So that's for one of the customers which is kind of once in a 5-year activity. It's not a kind of say a regular activity which was falling into this particular quarter and there the relatively the margin for that particular transactions are relatively thinner than the regular business. So that the one part of the one off which is impacting the margin when we compare year-over-year basis and apart from that the regular, the other one we call out that which is from the department. So, I think that we have factored fully into the P&L, we don't foresee more impact coming off from that in the year-over-year in the future. And particularly when we say that the depreciation and amortizations which has increased so we do have investment which has gone into the non-current assets where there are regular purchases happen which is more of the machines when we increase the headcount so which is increasing kind of the depreciation in there.

Naozer Dalal: We also have an annual refresh in terms of the older assets so there is some bit of the annual refresh also sitting there.

Gaurav Mehra: Yes, exactly.

Harsh Kandanani: So just on the first point you said that, that has the tax vouching bit has thin margins that I understand but any impact on the top line that you would like to call out which would help us understand what's the adjusted revenue growth?

Naozer Dalal: So, the tax vouching is it's an annual feature and just to sort of put a sense of what we mean by that. So, there is additional effort in terms of completing the tax computation for the year leading up to issue a Form 16 at the end of the year so that it comes in every Q4 of every year. So that explains the difference between Q3 of this year and again that is pretty much par for the course and nothing out of the ordinary in that sense. The other one off as we said is a demand which has been made by the Tamil Nadu Electricity Board relating to a certain electricity dispute in the 2005-2008 range so significantly older dispute where we are basis legal opinion exploring all options while we have paid over some principles under protest.

Gaurav Mehra: And maybe to add one more point as Naozer mentioned so by the renewal is that the shop and establishment renewal which is part of our compliance business. Tax vouching is a regular activity which falls into the fourth quarter of the financial year. So, what I mean the one off was more of the license renewal which happens kind of depending upon the license renewal period which is for one of our largest customers which was falling into this particular quarter.

Moderator: The next question is from Swechha from ANS Wealth.

Swechha: I wanted to understand if you could give a sense of the industry size for both our DBS and the HRO vertical and some sense around who are our key competitors and how big is our competition in terms of revenue and margins as compared to us?

Naozer Dalal: Many of the data is not publicly available and I can only give you a sense being in the industry for many-many years. So, if you look at a NASSCOM website they would quantify the IT-ITeS space at a three-digit billion dollars. Besides that, which Allsec is I don't think that we can come to any meaningful conclusions in terms of when we're seeing the overall industry size. As far as our competition in the international businesses concerned, there are names like Firstsource, Teleperformance, the typical usual suspects of the outsourcing industry. There are smaller names or midsize names like Fusion BPO for example who does work in the US so that's the part of the competition landscape as far as some of the US customers are concerned. As far as HRO is concerned I will go back again to sort of what I mentioned that the size, the ability to grow that business I think is inherent in the way the employment is structured within the country. So, you continue to shift movement from the informal sector to the formal sector. Within the formal sector which we address hopefully we'll see movement from the smaller time players to the more organized players. So, I think it's a mix it will be difficult for me to put a number in terms of what that market size is but what I can definitely say is that at this stage of growth which we are and Allsec I think there is tremendous market opportunity and I don't think we should worry about whether will be constrained by the availability of the market to deal with for both our businesses.

Swechha: And another thing is if I look at our quarterly run rate, we've been continuously growing quarter-on-quarter our revenue from June 2020 we were somewhere around 60-64 crores of revenue and to that we have paid up to 100-108 crores kind of a revenue in this quarter. So just wanted to understand what is the base that we can assume? Would 108 crores per quarter is the base run rate quarterly that we should assume or do you think it's going to go up every quarter sequentially? You want to understand how should we look at it because we've been growing every quarter sequentially?

Naozer Dalal: So again, as I said giving any number would be a forward-looking statement. But what I would like to highlight is that in this another range as Gaurav mentioned and I don't have that number readily available but there is a set of one off there. But yes, I think I can make an overall statement that the management team will definitely endeavor to ensure that the growth momentum continues. We have made investments in people, technology in the recent past and we'll try to capitalize in terms of how do we ensure that those investments start paying off in the near to medium term. So difficult for me to put a number but yes, I think definitely the intent is to continue to ensure that we do revenues and we don't disappoint our stakeholders in terms of the revenues we generate.

Swechha: So, I wanted to also understand if you could help us know what kind of industry vertical do we cater to in DBS and HRO both and this industry actually takes the biggest pie for us in each of these verticals?

Naozer Dalal: Yes so, I think in DBS, BFSI that is Banking Financial Services Insurance and adjunct industries like Fintech is our largest industry vertical. As far as the HRO business is concerned it's a mix so we have a good mix of IT-ITeS which is one of our largest vertical. We do a lot of work for retail, we do some work for manufacturing, as I said we have entered pharma. So, the industry verticalization is a lot more wider spread and balanced in the HRO business.

Moderator: The next question is from the line of Sugandhi Sud from Incred Asset Management.

Sugandhi Sud: So just referring to your historic margins in the payroll business that was before the division of Coachive it used to range in the 40% to 43% range. And I just do an inflated number for the compliance business and if I just try to the reconcile the kind of margins we're reporting, have we seen a significant like 2% to 4% dip in our HRO margins or it's just a quarterly blip, both in terms of the quality of nature of business in compliance itself and the percentage of compliance within the HRO?

Naozer Dalal: I will again go back to what I have been saying almost through the call that yes in FY23 we have seen a blip in the HRO business margins. We are looking at it, we are seized a bit and we'll see in terms of how we can get some of that back. As far as the split between HRO and compliance margins are concerned I don't have that readily available.

Sugandhi Sud: But what was the apart from the logic about the size of deals and operating leverage, is that something that you've experienced this year and is it a significant difference from how the size of our customer base was in the past? Was it more fragmented this year and not so fragmented in the past?

Naozer Dalal: Definitely what we acquire in FY22 is not fragmented there in the past, I don't have the past data readily available. As I also mentioned that we have seen some of that again consolidating and FY23 so the FY23 average ACV are more than what we booked in FY22 and we will continue to explore in terms of how quickly we can onboard these customers over a period of time this year.

Moderator: Thank you. That was the last question for today. I now hand the conference over to management for closing comments.

Naozer Dalal: Sure. Thank you once again for the opportunity and for the time given to us and very stimulating questions that were given to us. What I want to reassure everybody on this call is that these are obviously very-very exciting times for Allsec and your Company is well poised to capitalize on the market opportunities which I briefly described as also some of the investments which you have made in people, process and technology over the past few years. We'll continue to make the right investments we'll continue to assess; we'll continue to ensure that we don't lose out on any emerging market opportunity whether domestically or internationally for the BPO business. We will continue to make the right investments to ensure that we further accelerate our growth strategy in the near future. With this we would like to close the call and look forward to interacting with all of you again in H2. Have a nice remainder of the day and week. Thank you so much. Thank you.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.