

August, 12th 2023

To,
The Manager- Listing
The Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (East), Mumbai-400051.

NSE Symbol: SERVICE
ISIN: INE0P1Q01015

Sub: Submission of Transcripts of Earnings Conference call held on Wednesday 9th August at 1.30 P.M.

Dear Sir/Ma'am,

Pursuant to Regulation 30 of Securities Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Company is hereby submitting transcripts of Earnings Conference Call held on Wednesday 9th August at 1.30 P.M. to discuss FY 22- 23 earnings with Investors and Analysts.

Submitted for your kind information and necessary records.

Thanking you

Yours faithfully,
For Service Care Limited
(Formerly known as Service Care Private Limited)

SHARVARI SHAM KULKARNI
Digitally signed by SHARVARI
SHAM KULKARNI
Date: 2023.08.12 18:49:35 +05'30'

Sharvari Sham Kulkarni
Company Secretary
Membership Number: A55902

ENCL: Transcript



"Service Care Limited

FY '23 Earnings Conference Call"

August 09, 2023



MANAGEMENT: **MR. ANIL KUMAR – EXECUTIVE DIRECTOR – SERVICE CARE LIMITED**

MR. AMIT RAKHECHA – CHIEF FINANCIAL OFFICER – SERVICE CARE LIMITED

MODERATOR: **MS. KAJOL GOWDA – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Service Care Limited FY '23 Earnings Conference Call hosted by Kirin Advisors. 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Kajol Gowda from Kirin Advisors. Thank you and over to you, ma'am.

Kajol Gowda: Thank you. On behalf of Kirin Advisors, I welcome you all to Service Care Limited FY '23 earnings conference call. From the management side, we have Mr. Anil Kumar, Executive Director, and Mr. Amit Rakhecha, Chief Financial Officer.

Now I would like to hand over the call to Mr. Anil. Over to you, sir.

Anil Kumar: Hi, good morning, good afternoon, everyone. This is Anil from Service Care Limited. I'm the executive director. So I just wanted to welcome each one of you for this inaugural conference call of our company, Service Care Limited. After the IPO, I think the time where we probably examine and explore the performance, what we have done in 2023.

Your presence today is truly appreciated, and I'm thrilled to engage with all of you for this discussion. Before we deep dive into the objective of this particular meeting, I just want to give an overview about company. We have established in 2011 as a company as a private limited company. Today we are Service Care limited and we basically are a player who's into solutions around staffing and outsourcing and you know catering to multiple industries across the globe. I mean, across India right now.

So, we are backed up with close to about 23 years plus experience from a promoter standpoint of view. And the company has gained trust and credibility among our esteemed customers across the nation. Currently we are headquartered of Bangalore, and we have our registered office in Chennai and Hyderabad as of now.

Just getting into the services that we offer; we basically broadly have been operating in two different verticals. We manage the workspace administration, which basically serves around the facility management and the business services for the corporates and the domestics. We have the second vertical, which is Workforce Administration, which includes the diverse staffing solutions, outsourcing, recruitment, payroll management, again, for the multiple verticals that we serve across and domains that we serve across.

As a part of the growth, we today have a robust team of close to about 5,800 plus professionals serving with different clientele, hailing from manufacturing, in engineering, infrastructure, IT, government, banking, I mean, across the domain, including the F&Bs, educations, FMCGs, so and so forth. So we kind of touch upon all the verticals, which is currently in demand for this particular services.

Basically, our strategy commitment is evident to our initiatives, and we embrace the skill development, workflow optimization, to our digitization, and we also offer the social security benefits to our workforce which actually keeps us together and probably is one of the names where we are banked on today to our customer sales.

So as we slide forward, just to give a glimpse about a few of our customers and nature of customers that we have. We serve to multiple industries, as I was telling you earlier. Few of the names are like the L&T Group. L&T Group have multiple verticals, L&T Constructions, L&T Geostructures, L&T ECC, L&T IT, Ashok Leyland, ACC. We serve to Aditya Birla Group, we have IT industry like Zenith, National Instruments, the healthcare industries like Omega. We work with State Bank of India. These are a few big names that we currently are engaged and it's a long-time alliance that we have, which is taking us probably to the state what we have today.

Having said this, I just wanted to take everyone's attention to a small insight about our industry because this is pretty volatile industry and then, opex way of services is increasing globally across. So just to give an insight, this industry is basically experiencing heavy growth across and with an escalating demand for workspace and workforce solutions.

Our outsell system, facility management services, has become a trend. Many of the companies have been operating on the facility management and operation services, which is on an opex model. And many of the companies are adopting this to be professionally driven, wherein service providers like us comes into picture and then make it effective in terms of we are managing their facility and they are managing their business, which actually is helping us to be positioning pretty good.

And to add to it, not as an advantage, but during the pandemic and aftermath, if you look at specifically the outsource industry around services have gained its own, upscale. The surge in the corporate sourcing today also has been flourishing. India has been one of the markets which is going to be seeing a heavy growth when it comes to the facility management.

Just to give a glimpse, in 2022, I think the FMS market is valued close to about \$46 billion. And with a growth ratio of about, predicted growth ratio of about 15%, we should be about \$100 billion in the next five years. That's been the prediction which has been shared by the industry leaders and research organizations.

Getting into the staffing business, also has a very similar kind of a growth, the growth ratio of close to about around 6.5% ratio year-on-year. This industry also should be close to about around 650 billion US dollars in a couple of years' time, or more because the trend actually has been increasing going forward.

So in that sense, I just wanted to tell you this, the facility management sector and the, is actually outpacing the expectations. It's grow, it's heavily a growing industry and we basically are in the space where every customer, every business units are looking for services which has to be coming in from workspace and workforce administration. With a

small insight about us and industry and the services what we do, I thank you all for your attention and let me now proceed and give a little more insight about the financials of 2023. So our financial performance has been you know performing pretty good. We had a growth of top line revenue growth of about 38% and it amounts to close about on INR169 crores.

With an impressive top-line growth, we also have been able to manage an outstanding 83% increase in our EBITDA, reaching to about INR4.6 crores. The positive trajectory does not stop here. Our net profit has been surged by staggering 177%, tallying to about INR4.38 crores. This is commendable growth in the underscored by an EPS of 5.21%.

In the past, we've been actually having an exponential growth and we actually have revenue streamlines, which is basically have helped us to adapt and prevail more of the growth and the services which can be offered profitably. I mean, I just want to probably we are looking ahead and probably we are we are more looking at the growth opportunities in the industry which is going to be serving us more profitable areas and stuff like that.

So I just wanted to thank all of you who've been a part of the call right now. And with a brief introduction of us, myself and Amit would be more than happy to take any questions and stuff like that. Yes, that's all from me.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is on the line of Yashwanti Khedkar from Kojin Finvest. Please go ahead.

Yashwanti Khedkar: Congratulations for a good set of numbers.

Moderator: Sorry to interrupt ma'am, your audio is not clear.

Yashwanti Khedkar: Yes. Congratulations for a good set of numbers. I just wanted to understand your business model, like how you charge for your services and how you pay for the services?

Anil Kumar: From a business model perspective ma'am?

Yashwanti Khedkar: Yes.

Anil Kumar: Yes, so basically, I was referring about the two different business lines that we have. We categorize ourselves as workspace, which is integrated facility management services, and workforce, which is more of manpower and staffing solutions. So, the business model is that we basically have, our customer segmentation, which is primarily the B2B for the workforce ecosystem, and B2B, B2C for the workspace ecosystem.

So if I have to give you the detail about, how do we operate in each segment, so I'll take workspace first. So, workspace ecosystem basically what happens is we basically go and approach multiple verticals. I'll take a corporate segment as an example. We basically get into a contract with the customers and manage the complete facility from an up keeping till the administration.

There are multiple services within that, which basically the hard services, the soft services, the allied services like pest control, the security services, and so on and so forth, which basically allows the customer to maintain and upkeep the entire premises. This is from a B2B perspective.

I mean, this also includes the F&B services like your caterings, your office refreshments, reception management, your mailroom services, your space planning, and so on and so forth. So, the entire services around the hard services, around the soft services, around the soft services, and the business services is included in a B2B services.

And when it comes to the B2C, we do maintain and manage the domestic services around the one-time cleaning, which is for the residential, and also for the retails, also for large complex, property management, villas, apartment complex and so on and so forth, where we again engage with the agencies there and then we take over the complete services on a one-time basis, on a short time basis, on a call basis. So, this is where we actually have the workspace coming into picture.

Yashwanti Khedkar: Okay.

Anil Kumar: If I have to move ahead to the workforce, primarily the workforce happens in the B2B segment where any customer or any organization which is looking into short-time staffing, long-time staffing, temporary staffing, or a project staffing. So, we basically serve across all the different staffing solutions. When I say staffing solution, it actually goes to level of finding out manpower and to probably deploy them, train them, and handhold them to the projects.

So there are multiple things happens around there. So, we also create RPO services where we actually take the recruitment process from the customer. And we, our team runs the complete recruitment ecosystem for a customer based at customer site. That's one of the examples.

Another example is we do take up large project staffing. Just to give example is any of the road projects, any of the airport projects is offloaded to us. So, we manage the complete workforce, statutory and the salaries which is being paid and we are the ones who are supposed to be giving the compliance statement to the project holders.

So, that's one of the contract staffing ecosystems that we do. And we also have staffing solutions around multiple other industries like IT ITeS, which is looking at short time employment. They look at feet on street kind of services, those services are done. So, any kind of opex staffing, we place ourselves into that position. These are the broadly two different.

Yashwanti Khedkar: Is it like a gig workforce services which you did, right?

Anil Kumar: I couldn't hear you ma'am.

Yashwanti Khedkar: Is it in the sense classified as a gig workforce services?

Anil Kumar: Workforce I mean I still I am not too clear sorry about this.

Yashwanti Khedkar: Gig workforce services?

Anil Kumar: Yes, gig is one of those modern terms which has come up now. So, gig basically is not offered as a service right now in India overall plus the multiple contract the same time is slightly a challenge, but we have our contractors who are with us for a long time, and we give them give the service to customer for a specific project once at time not as a gig so Yes. So, gig is still legally authorized by people in India.

So, I mean, we are obviously working on those platforms where we have the bench which can do gig, but that may take about a couple of years for us to establish on a full-fledged mode.

Yashwanti Khedkar: And so how do you would be charging? Is it a lump sum amount or is it kind of AMC?

Anil Kumar: No, what happens is there are multiple pricing models depending on the contract and the nature of the contract. So, I'll just give an example again. So, we manage quite a few NOC centres for a few customers where it takes a long time. We have a five-year contract, so we serve the entire ecosystem and then it becomes a certain amount of pricing depending on a contract is five years, every year it will be renewed in terms of the commercial, depending on the escalations.

At the same time, we also have project contracts where we take up, for example, road project, which will have certain amount of staff for about three months, certain amount of staff for one-year, certain amount of staff. So, every contract is different in nature. So, the charges also are accordingly decided for a workforce ecosystem.

For a workspace ecosystem, it is a pretty fixed kind of a charge. You know, there's a window of certain amount of margins. Industry standard is anything between 6% to 12%. So, depending on the negotiations and stuff like that happens in the SMS industry. But workforce is a totally different because every industry operates in a different format. For example, recruitment has an 8.33% industry standard, but there are contracts which is coming at 12%, there are contracts which comes at 6% as well.

So, it's pretty volatile, so in terms of that operation and another one to say is about the statutory management which is payroll management basically has anything between 2% to 4% because that's more of only statutory management and stuff like that.

Yashwanti Khedkar: Okay. Yes, for the workspace. Suppose it's a workspace of a thousand square feet, is it the rate is as per the square feet or is it as per the services included in the workspace?

Anil Kumar: If I have to repeat your question, you're asking if the rate is on the square feet basis or if it included in the charges, is that what you're asking ma'am?

Yashwanti Khedkar: Yes, inclusive the number of services included in the contract?

Anil Kumar: Yes, it's an A La Carte based services as well. For example, many of the customers have bifurcated the services into multiple vendors because they may not be wanting to put everything into one basket, but so there are A La Carte and there are complete property management services also, both the ways we have contract with us ma'am.

Yashwanti Khedkar: And this is more or less something very different from the real world as far as the workspace is concerned?

Moderator: I'm sorry to interrupt ma'am your audio is not clear.

Anil Kumar: Yes, it is pretty feeble. Yes, it is jarring ma'am. Actually what is happening is it's sound is coming with a lot of disturbance.

Yashwanti Khedkar: Oh, am I clear now?

Anil Kumar: Yes, Yes, you can we can try to manage ma'am. Yes, go ahead.

Yashwanti Khedkar: Yes, so this is completely different from like what WeWork operate as a model, right?

Anil Kumar: Yes, so WeWork is more of giving a facility which is from an infrastructure point of view. So, in fact, what happens is, just to give a clue, WeWork makes the entire infrastructure, we maintain the infrastructure. It is that way. In fact, we have ourselves exploring into the models of WeWork and stuff like that, where we're creating co-workspace and stuff like that. I mean, that's our plan which is coming up because there are quite a few spaces we manage ourselves in this plan.

Yashwanti Khedkar: Okay, sir. Thank you so much for your kind explanation I will come back in queue.

Anil Kumar: Yes. Thank you, ma'am.

Moderator: Thank you. The next question is from the line of Alok Damani from Shree Capital. Please go ahead.

Alok Damani: Could you please elaborate on the services provided under workspace administration?

Anil Kumar: Under the?

Alok Damani: Workspace administration.

Anil Kumar: Yes. So see, workspace is a modernization for the services which used to be called as the integrated facility management services. Wherein, broadly I can just give you a brief about, there are three different segments which happens within the FMS ecosystem. There's something called as hard services, which basically is around the building maintenance which has your electrical, your mechanical, your plumbing, your fire safeties, your O&M's, and you know external internal building maintenance, lift maintenance and so and so forth.

Those are classified under the physical space management called as hard services. This is one of those services under FMS. And then we have something called as soft services, where we have some traditional services which is available like your housekeeping, your waste management, your landscaping, your pest controlling, and so on and so forth, which is more to do with the soft services which is available for maintaining a building.

That also complements with the F&B services, the hospitality services where we manage, maintain the catering, the canteens, the pantry services, refreshment services for our office space. So that falls under the soft services ecosystem, where we keep the people and the upkeep of a place. And the third one is the business services, which is a part of the administration ecosystem, where if you see larger companies would have their meal rooms, they will have their logistics to be managed, which is more of inventory management.

They will have their conference room and meeting room management. They will have their printers and so on and so forth. So those kinds of services also are part of the administration services. These services are where it's getting outsourced to us, and we manage and maintain this for a B2B customer.

When it comes to B2C customer, it is more to do with cleaning services of whichever premises they have. It could be a residential, it could be an apartment, it could be a retail space, or it could be even a smaller, one specific zone area cleaning and stuff like that. Did I help you to understand that?

Alok Damani:

No, sir. Got it. Sir, one more question. It's a diverse range of services. How does company ensure that team is equipped to handle the specific need of various segments?

Management:

Yes, so basically both the functions, both the verticals are independent in terms of its workflow management. So there is a specific team which works on workspace. So workspace has more of field activity wherein we have a full-fledged operation ecosystem which functions, which has got a head of operations. Then we have zonal operation leads, who are operating in these places.

Under them, there is a full-fledged team, which operates out of the office, who are on the field, where they're called as the field executive, field supervisors. They go on to the, they have their rosters, and they go to their respective customers for their day today activities. We have deployed all these people in the customer location, for example, the housekeepers, for example, the electrician, the plumbers are deployed at the customer site.

They are being supervised and monitored by these field people. We also have the training ecosystem. We also have the compliance ecosystem, which functions parallelly to them. We also have the administration ecosystem, which actually works on the materials and stuff like that. So this is a full-fledged workflow, which is already functioning for workspace. And workforce is more of technology and compliance driven.

We have applications, we have software which is running in our organization which takes care of statutory and compliance, there's healthy computation, your payrolls, recruitment, on-boarding, off-boarding, all that is taken care by software. And having said this, we also have a full-fledged team in offices and in client base, who are working from a resource augmentation point of view. So there are two different ecosystems, the respective verticals have been functioning to manage these entire services across.

Alok Damani: Okay, and sir, how many associates does that company currently have on its team, including both permanent and contractual employees?

Management: Yes, so overall, our headcount as of today stands close to a little less than 6,000. We have about 5,800 odd people on our rolls across India put together as an overall stack.

Alok Damani: Okay. And, sir, one more last question. Does the company's major insurance client satisfaction across the diverse portfolio? What is any measure?

Management: If you can just help me to repeat the question again?

Alok Damani: Yes, so how does the company measure and ensure client satisfaction across the diversified portfolio?

Management: You're asking about the client satisfaction levels?

Alok Damani: Yes.

Management: Measuring? Okay, so I can give you that as well so basically, I will have to divide this again to workstation work so. Workspace which every time there is a QBR which is done with the customer and there is a customer CSS Customer Satisfaction Survey, which is done every month and then that reports has been consolidated. And we have actually been publishing to the customer as well.

So today, that's an engine and that's a responsibility of a field engineer who's managing certain amount of sites. So they go and take that. And everything is on a rotation basis. Today, it is user-based customer satisfaction and the administration-based customer satisfaction. So that report comes in and, on that basis, the review systems are done from a workspace point of view.

Workforce point of view, it is again automated. There is a grievance sale, there is a survey which is done for all the employees every quarter, which is coming to us as a detailed survey report. And on that basis is where we present this to the customers who have given the contract to us as a data survey report.

And on that basis is where we present this to the customers who have given the contract to us. So for workspace, it is more of field level customer satisfaction reports. For workforce, it is more of automated process, which happened over a software. And we are 90% and above in terms of satisfaction ratios as of today. And we are 90% and above in terms of satisfaction ratios as of today.

Alok Damani: Okay, sir, thank you. Thank you so much.

Management: Yes, thank you.

Moderator: Thank you. The next question is in the line of Himani Ubhan from Affle Enterprises. Please go ahead.

Himani Ubhan: Good afternoon, sir. So my question is, given that you provide workspace solutions, could you provide insights into how this particular segment operates?

Management: Yes, ma'am. So I think from a vertical point of view, it's clear. I just want to explain about how does the industry work on this. Is it what you're asking ma'am?

Himani Ubhan: Yes.

Management: Yes, so basically if you look at the contract staffing or recruitment or the payroll management actually have gained the momentum in the last four years, five years' timeline. And it's going to go further up and, to its trajectory is going higher. The reason number one is that there are quite a few large organizations, small organizations are not certain about the projects and the workforce, what they have to deploy. Plus the capitals are getting tougher. People don't have budgets for new headcounts.

The projects are increasing, the amount of infrastructure projects, which is happening for India is increasing, which actually has probably a life of one year to three years to five years. So none of the large corporates, none of the infrastructure players, none of the ITES players wanted to probably take those expenses onto their capex. That's why opex player come into picture. This is the background about why opex is required.

Now getting into the modality of how this happens, I'll probably take a couple of examples. One is from an infrastructure point of view, second is from the ITES point of view. So infrastructure, if I take an example, you know, there would be companies who would come up with a project of constructing a building which has to be completed in due course of three years. Our approach is that we basically sign up as a subcontractor with the construction company and take over the complete staffing on us and we do complete recruitment.

We also onboard, what they have recruited, and we maintain and manage all the risk, all the statutory's, all the salary outflow at our end and we charge them a service charge. This is pretty vanilla. So what happens is that depending on the nature of the project, the onboarding can go higher. Onboarding also can reduce depending on the nature and the scale of the project which is increasing.

Which means that there could be labors will be on our onboard and there could be project directors also, who will be on roles onboard on our own rolls as the project increases. This has a continuity process because if it all we have signed up with one customer and they have been handling multiple projects, the employment continues. Otherwise the

employment is defined for certain timelines, and it discontinues, and we move to the next project.

Now this is from a specifically a contract staffing or a payroll managing point of view. At the same time, I'll take an example of ITES, where it's a slightly different in nature because the domains are different, the category is different. So there are IT/ITeS recruitment which happens which is again, temporary recruitment which also happens permanent recruitment.

There is also a contract staffing which happens for different segment for example there are feet on street which have which are for IT/ITeS which is which is offload to us there are specific project which is required to be concluded in in a year's time they offload the entire technical staff on us and we maintain, manage, and also do manage services for that.

So we give, for example, Java stack, we give a Java stack to the customers, and then we also look at doing a staff augmentation and resource augmentation through the internal sources that we have. That becomes a managed services ecosystem. So there are varied options of giving services under the workforce ecosystem. I hope, did I bring clarity to you?

Himani Ubhan:

Yes, yes. And the other question, what would you consider as a sustainable margin for business model?

Management:

Okay, so that's actually a pretty volatile question. So what happens is, you know, this industry is operating with quite a few players, you know, unorganized, organized, international players in the market, which are currently operating. So there's a lot of things which is driven by certain factors, and the certain things are from the customer perspective. Customers are very alert, alarm about being state of the tree compliant is where we actually put our services into.

So there is an hygiene market which is available. So sustainable market for, a payroll management or a contract staffing varies anything between 3% to 5% is a segment depending on the customer's a la carte options what they're looking at. And for IT/ITeS services, it's anything between 8% to 11%. So that's the margin which is operating.

The volume lies in the payroll ecosystem wherein the staffing becomes high volume, and the profitability lies in your technical staffing and other resources, recoupments, and stuff like that.

Himani Ubhan:

Okay. Is it possible to provide a revenue split between our workspace and workforce divisions?

Management:

You're talking about the business share?

Himani Ubhan:

Yes.

Management:

Yes, so as of today, we basically have our workforce contribute close to about 75% of our top line, and about 25% is contributed by the workspace ecosystem. So, Workforce we

operate across India and Workspace we operate in three different geographies. This is Karnataka, Tamil Nadu, and Telangana state. So it's 75%, 25% now, yes.

Himani Ubhan: Okay, okay. Can you provide a breakdown of the market share between organized and unorganized players in the industry?

Management: Yes, so basically, we have to depend on a couple of market research guys. So, you know, as of while we were trying to be, you know, coming on board and stuff like that, we were trying to understand that. So the research, a couple of research institutes have given us some kind of an idea about this. So currently close to about more than 50% of the market in this segment, specifically from an FMS point of view, is managed by Unorganized.

That is a huge you know, problem for us to grow in that space. So, Unorganized sector still takes more than 50% share in this industry now. So the regulations and the state-of-the-art compliance are making it rigid, wherein that's where we see a lot of opportunity in terms of players like us contributing and getting more share of business.

Himani Ubhan: Okay. And so how are you promoting a diverse and inclusive work environment?

Management: See, this is from a percentage point of view, we still have more than 30% of our staffing which is, you know, on a diverse model. So we do have recruitment services, which basically has added advantage to the client when they are actually recruiting, a lady staff and stuff like that.

We've been actually able to balance that. And we've been a part of, I mean, our MD is also, somebody who has been, last 20, 25 years, has been only working to promote a diverse ecosystem of functioning. So in fact, in our administrative ecosystem also, we have a pretty biased, we have close to about around 45% of our staff who are diverse. So pretty balanced as of now. Yes, but then, yes, this has to scale up a little, yes.

Himani Ubhan: Okay. And so my last question is, with increasing global competition, what measures are we taking to maintain market position?

Management: Yes, I think as of now, the global players have not been able to do much of impact in India. Obviously, yes, there is a segment of global customers in nature and global solution providers, like service providers in nature, they obviously fall back into them. But then we, as in India, we still have a lot of growing segments and lot of, Indian-based MNCs, which is contributing, which still looks at a lot of flexibility in terms of services, a lot of what we say, history of the compliances to be enabled and stuff like that.

In fact, one of the best examples to give you is, I mean, I'm obviously reserving to name, but we obviously have been partnering with quite a few larger global players who are coming to India and looking at outsourcing the service to us and we have been partnering with them as well.

So as of now we're able to, that's from a market point of view, from a customer's point of view, I mean there are instances where global players have taken up the contract and the customer has to come back to us because they offer it at really, really high margins, which basically is one of those ROI factors for many customers.

So as of now, if you ask me, although in few pockets we have faced the global competition, but we are still able to be managing to pick up our share of business from many of them.

Moderator:

Thank you. The next question is from Vaibhav Shah from Kojin Finvest.

Vaibhav Shah:

So, I have a few questions regarding, related to bookkeeping and on the business model. So, first of all, I wanted to understand of your staff. So, you have, you just said your workforce of around 6,000. So how we are maintaining the need if arises for scaling up. So how easy is it for you to scale up? And also, I wanted to understand the breakup between this 5,800, how much on contractual basis and how many is your payroll?

Management:

Okay, so I think there are two questions in this. The first question was to understand that how do we manage the scale-up options, isn't it? In case we get more contract, how do we manage that? And the second question is in terms of understanding what is our breakup of 6,000 in terms of contracts versus in our period, right?

Yes. Okay, so let me take the first one. I think, see the scaling up option is pretty viable today because, I mean, there are challenges in certain industries. If you look at IT/ITeS, there is iterations of more than 40%. So that becomes a challenging industry for us to look at how to cater more and more relevant ecosystem people to the companies that become relevant.

But there is, if I bifurcate, if I bifurcate the domains further, let's take a domain of FMS, which is more to do with the blue-collar jobs and the yellow collars and the white collars. So yellow collar is the one which basically has the volumes and blue collars is something which is the entrance side. So what we create for having a standby or scalability option in the blue collar is by creating the bench strength.

So there is a bench strength we manage internally within the regions for catering the immediate needs. And we also have, it's something called as the operation recruiters, which are the manpower hunting team, which basically pulls in people from multiple domains, and we manage their accommodations, we give them facility, we train them and then deploy them into the site. So obviously that industry also has more than 45% of iterations, but it's the rotation because every ecosystem is functioning.

It's a pretty, in this ecosystem it's easier to source people to put in there with a marginal increment of the cost. That's from a blue-collar perspective. So a yellow collar perspective, it's a widespread and there's a lot of profiles, a lot of people available for picking up the jobs and fulfilling that. Specifically look at infrastructures, especially look at the sales, especially look at the allied services. There are tons of resumes, which are available for us to fulfil and then do it.

At the same time, we also use a rotation policy. For example, the project completion happens, we immediately deploy those similar resources to the next project. So that way, there is, the augmentations are taking care. There are shortfalls because it's not easy to hold the labours together for some time, but we obviously have, I've been creating this for the last 20 odd years. So there is an ecosystem which is able to help us to get this entire thing rolling pretty fast.

We do have our challenges when it comes to IT, ITES. Yes, we do have challenges because there was a time in 2020, during the pandemic, there were quite a few shopping happening. So we do recruitment, we do place them to the client side, and then for your surprise, they keep moving in. So that was a trend which is there. But having said this, we've been actually in a sweet spot now, because industry is getting into normalization and there is a conversion, which is happening, sustainable conversion which is happening in IT, ITES.

So that way it is pretty, looking pretty positive right now for IT, ITES segment. So if you ask me, we are right now even are capable to take more than 10,000 odd resources onto our roles, we are prepared for that in terms of our backups. So that has been planned out, yes.

Coming to the second question, specifically when I'm talking about your, you're asking me about the Payrolls and...

Vaibhav Shah: On contract?

Management: Yes. So basically when I say for us the entire 6,000 people are on our payroll, which completely on our payroll we manage and maintain them in total. In total completely is managed. In that we also have our administrative staffs of close to about 150 of them which operates out of the offices. Rest is all deployed at the customer sites. So we basically have everything everybody on our payroll.

In that close to put on, I would say close to put on, 80% of the staff are on the on the contract basis. That is the customer has given us a contract, we have onboard them and they are on our payroll, and we are managing their statutory and salaries. So if you look at, yes, everybody actually is on our payroll and 85% of them are at the client side.

Vaibhav Shah: Okay. So you just talked about the bench. So currently, as you say, 80%, 85% are on client side. That means they are active.

Management: Yes, they're active. They're active and functioning.

Vaibhav Shah: Yes, so for the bench part, for how many months there will be one resource will be on the bench prior to you. Tell them to...

Management: I mean, if you honestly if you ask me, all the benches right now, it is getting consumed every month. So we have very less. So we have just given the forecast of actually increasing the bench to another 10% for every segment so, I mean if you look at, IT, ITES is, we have a

segment and we have the FMS segment. We actually have asked for, the increment of headcount as well there for bench itself. So there is a shortage of bench.

Vaibhav Shah: Okay, so just to get the more idea about the segments, which are you getting the revenue, so which will be the industry will be the highest contributor? So it will be IT or any other segment?

Management: No, okay, so let me again bifurcate that into two different segments. So I have to always give a reference of both on a different platform. So for the FMS, which is our workspace, we have decent share coming in from the banking is the BFSI, we manage and maintain quite a few banks. IT, ITES contributes a decent and infrastructure contributes, Infrastructure education contributes in my FMS space.

When I say IT, ITES, is a further segmentation of BBOs, healthcare, IT, and sometimes I'm just combining them as a single umbrella called IT, ITES. They contribute more than 25% of my revenue from an FMS point of view. Banking also has close to about 40% of my contribution happening. In education segment, Manufacturing is further contributors for our FMS business.

And these are segment also which is growing, IT, ITES is the only one which probably are not investing on much of real estate, they're getting into the smaller offices, but having said this, growth for these industries is very constant for us and that is where we do for workspace. From our staffing point of view, from our payroll workforce point of view, our majority of services revenues are from the infrastructure, engineering, and manufacturing side, where we have quite a few staff fulfilled in this particular ecosystem.

Technology is something which is after that. So we have close to about around 18% odd on technology front right now. And the rest is all from infrastructure, engineering, manufacturing, and IT, ITES.

Vaibhav Shah: Okay, got it. Thank you for the brief explanation. Another question is related to the similar lines. So, out of our total customers, top 10 customers will be contributing how much to the revenues?

Management: Corporate revenue is B2C or B2B?

Vaibhav Shah: Overall, as in service care, as in total service care?

Management: No, yes, it's more than 90% is from a corporate enterprise ecosystem because we have started the B2B, B2C services during the pandemic, where the entire focus shifted from B2B to B2C. So if you ask me, currently 90% of the billing customers, who are there right now are from the B2B segment.

Vaibhav Shah: Okay, corporates.

Management: Yes.

Vaibhav Shah: So, out of this 90%, your top 10 customers will be contributing how much?

Anil Kumar: Close to about 80% to 83%. Top 10 customers when I refer. Yes.

Vaibhav Shah: Okay. So in FY '23, you've done around INR160 crores. So out of which almost, let's say, INR130 crores, INR140 crores....

Anil Kumar: INR121 crores, yes. From the top 10 customers across. Yes.

Vaibhav Shah: Okay. Got it. got it. And on the business development front, so what is the procedure of getting a new contract and how much time did it take to get the client on board?

Anil Kumar: Yes, I mean, obviously there is the field sales team which operates in the zone and then we also operate with quite a few consultants. We operate with a lot of onboarding agencies where they help us to get customer onboard and our sales team does it. So basically, the entire ecosystem is set. So again, I'll bifurcate these two industries. So when it comes to janitorial, one of the property when we sign a contract with them for us to get on board is just about two to three weeks' time, which is we call this the onboarding implementation timeframe, where we basically set the entire place, we recruit the people, we get the uniforms going, we get the machine and machinery deployed, we get the log books ready.

We automate the software for attendance and stuff. So that takes about three to four weeks to onboard a new customer who's coming on with us. We basically, take a one month on putting time from the customer to do this.

And from a manpower and the recruitment and the contract staffing point of view, it is in couple of hours because we have our software study the moment, we have the data in hand in few minutes we are up and running for ready for the data running.

Vaibhav Shah: Okay. So continue on this line, so how -- what's the average billing cycle to your customers? So you must be paying your staff on monthly basis, so how much it takes to get it realized from the customers?

Anil Kumar: Yes, so there again see the average if you look at is about 45 days to 60 days' time but there are I mean, I'm just talking about the average, but there are customers who we have got terms on advanced terms and there are customers who have got terms on 30 days 15 days. So different-different projects different-different structures have been followed. But if you have to give me an average anything between 45 days to 60 days. We get our payment from the customer.

Vaibhav Shah: Okay, so effectively your working capital cycle will be around that only because it's majorly a manpower driven business.

Anil Kumar: Absolutely.

Vaibhav Shah: Okay. And last two questions. One of our earlier participants asked about the sustainable margins. So we are, I think on EBITDA level, we were somewhere around 2.9% or 3%-odd. So is there any scope of improving this?

Anil Kumar: Yes, so basically, revenue streams have been coming in from a certain segment, which is, if you look at my volumes are majorly from the infrastructure ecosystem, and our volumes have been slightly lesser from a high margin business. So the entire business plan that we have been sourcing across and we have been separating is talking about how to go to segments and how to capitalize business which is profitable. We obviously had our own challenges on capital where we were trying to invest and stuff like that.

So now if you look at our growth plan, is to increase business around IT, ITeS, where it's profitable. We are looking at property management services, allied services, which operates anything between 10% to 12%. We are trying to onboard, or we are already in the process to onboard a few services in the janitorial, which is around the BVG, the Background Verification Services, the recruitment services, on to certain segments specifically, which actually operates at 8% to 12%.

So our go-to-market strategy is all around that. So we are trying to balance this out and then get into the spaces where the margins are higher. At the same time, economy of scale also becomes very important because that actually keeps your number higher. So our contribution on headcount, on domain-based approach is where we are trying to do the immediate save to probably compromise or look at going on a better profit line.

Vaibhav Shah: Okay. So we can assume you will be diversifying in new geographies for the workspace related to related services or you will be operating still at your free markets that you are present in?

Anil Kumar: Yes, so precisely to give the insight about that, the drawing boards are right now active in terms of we are expanding our workspace ecosystem to West and North, which is going to be happening in the next couple of quarters. And we probably may limit that to West and North for this financial year and look at the micro ecosystem. So if you look at, just to give an insight since you asked this question, because after COVID, the entire work ecosystem has been redefined. Many of the companies have been looking at starting offices in the T3, T4 cities. In fact, we already have started satellite offices in the cities where there is employment being offered, there has been workspace being coming up and stuff like that. So that becomes another growth.

So within this state itself, we are looking at satellite offices coming up, which is additional revenue stream. Yes.

Vaibhav Shah: So that can be handled from your offices, or you will be setting up a new setup at the -- in some of the areas?

Anil Kumar: I mean, these are satellite office, which basically means that the HQ or the regional offices can cater the scale of services which is required. But we would have resources and storage

or warehouses available in these locations where we are setting up the workspace ecosystem. So the operating expense perspective, satellite office does not cost much. It's only cost the onboarding of resources.

Vaibhav Shah: Got it. So, currently your average monthly payout to your employees will be how much?

Anil Kumar: Monthly payout -- if you can help me understand?

Vaibhav Shah: I will just simplify. So for the FY '23 you had a direct cost of benefit -- employee benefit was around somewhere around INR80 crores, correct?

Anil Kumar: Okay. Yes.

Vaibhav Shah: Somewhere around INR150 crores, INR152 crores. So this was your -- for the 12 months. Correct. So I was just wanted to know average billing per month and average salary of a resource?

Anil Kumar: See, if I don't segment anything, if I basically have to go by...

Vaibhav Shah: As an only as I said, organization level.

Anil Kumar: Yes, so I think if you look at, I think it should be anything about INR30,000 per month per resources, I mean because there is different segment with different salaries and stuff like that so I'm just Yes so, I'm just averaging irrespective of all that just for giving an overview to you.

Vaibhav Shah: Okay, fair enough. This is all on this side. And just wanted to understand on the IPO front. So you have raised how much -- how much money?

Anil Kumar: I'll get Amit to -- Amit you there?

Amit Rakhecha: Yes, hi. We raised about INR20.86 crores.

Vaibhav Shah: Okay. And major deployments will be you for usage of proceeds will be?

Amit Rakhecha: Towards working capital because like, what Anil just said capital intensive industry it is the more working capital we get the faster and more clients can be onboarded. I think you also understood our business better because you just said that we have 45 days to 60-day cycle. So, tentatively that's what happens but certain times there are corporates when there are pain points of cash flows, these 45 days, 60-day cycle change to 60 days, 75 days. And that's when this capital is going to be very helpful for us. I'm serious to this, I think you just asked another question of our average pay cycle, which is about INR26,000.

Vaibhav Shah: Okay, thank you. Thank you so much, that's it from my side. Thanks.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Ms. Kajol Gowda for a closing comment.

Kajol Gowda: Thank you everyone for joining the conference of Service Care Limited. If you have any queries, you can write us to at research@kirinadvisors.com. Once again, thank you. Thank you, sir.

Anil Kumar: Thank you very much. Yes, thank you very much once again to everyone. Thank you.

Amit Rakhecha: Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Kirin Advisors Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.