

**SYMBOL: SPECTSTM**  
**ISIN: INE0OL001018**

**Dated: 29.11.2023**

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

Respected Sir / Madam,

**Subject – TRANSCRIPT OF POST RESULT CONFERENCE CALL**

Dear Sir / Madam,


Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached Transcript Of Post Result Conference Call held on Tuesday 21<sup>st</sup> November, 2023 at 11:00 A.M. IST

Kindly take the same on your records.

Thanking You,  
Yours Faithfully

**For Spectrum Talent Management Limited**

AJIT  
SINGH



Digitally signed by  
AJIT SINGH  
Date: 2023.11.29  
15:52:12 +05'30'

**Ajit Singh**  
**Company Secretary**  
**A 35436**



# **SPECTRUM TALENT MANAGEMENT LTD**

**H1'FY24**

## **POST RESULT CONFERENCE CALL**

November 21, 2023 11:00 AM IST

### **Management Team**

Vidur Gupta - Managing Director  
Sidharth Agarwal - Whole Time Director

**Call Coordinator**



Strategy & Investor Relations Consulting

## **Presentation**

### **Vinay Pandit:**

Ladies and gentlemen, I welcome you all to the H1FY24 Post Earnings Conference Call of Spectrum Talent Management Limited. Today on the call from the management we have with us. Mr. Vidur Gupta, Managing Director and Mr. Sidharth Agarwal, Full Time Director.

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

I would now request the management to detail us about the performance highlights for the quarter that went by, the growth plans and vision for the coming year, post which we will open the floor for Q&A. Over to the management team.

### **Vidur Gupta:**

Thank you, Vinay. Good morning, everyone. Thank you for joining the call.

I would first like to highlight how the H1 has gone. For our core business, our top line has grown by about 19.5% compared to H1 of the previous year. Overall, we did a top line of INR 431 crores. Total deployed manpower increased to 23,447. We added a lot of internal staff. We've added over 50 people. This is huge. Most of them are lateral hires, are mid or senior level hires. And also, we added 73 new logos in H1 of this year.

We grew our internal sales team from 11 people to 23. We opened two new offices, one is Chennai and second is Ludhiana, which is a delivery center, where we've had added a fair amount of space to add about 100 people. The H1 has not been good when it comes to profitability, which was affected by two factors.

One was, there was a slowdown in the high margin recruitment business and the IT staffing business. As an organization we have a fair amount of contribution that comes in from our recruitment and the high margin staffing businesses. Both of these had suffered a major slowdown. They're all over in the news as well, it is primarily due to the recessionary phase and increase in interest rates in the U.S. and the geopolitical situation in Europe, owing to which the hiring has been extremely muted.

We had a slowdown with most of our top customers from the year before. None of our customers are small enterprises. We only work with very large organizations, most of them are in the Fortune ranges. And they have had a slowdown in their hiring piece. Also there has been an increased focus from customers towards cost cutting and cutting down in discretionary spend, which has further impacted this piece.

The other reason that our profitability has been impacted is that we are aggressive and bullish on the overall market. Some things are cyclical here. We had an increased employee cost owing to the 50 people that we added, which includes a good number of mid-senior level hires. We added a Chief Business Officer as well. Overall, there was a high increase in the internal employee cost. And because of the fact that there is an overall slowdown in the business, they are taking a lot more time to become productive.

Now the reason for us being this aggressive is that the recruitment and the professional staffing or the IT staffing businesses are highly dependent on the internal manpower that we have. Most of these people are extremely stable owing to a large amount of incentives that they earn in their -- wherever they are working. And these incentives are paid over time, some over a quarter, some over six months. And owing to the slowdown a lot of these people are available in the market which we weren't able to hire in the past.

The IPO helped us a lot with our branding to attract the right kind of talent. And we feel that to get into the right leagues in terms of growth, in terms of performance, we will have to add a great internal rung of people who are high performance people. And owing to which we have been extremely, extremely aggressive in our internal hiring.

For the operating metrics, Sidharth will take over, please.

**Sidharth Agarwal:**

Good morning, everyone. So, our off roll headcount has increased from around 22,000-odd, which was the closing number for March '23 to 23,500 for September '23, which is overall an increase of 7.5%-odd. Like Vidur also mentioned, our internal headcount has gone up from March '23, which was 430, up to a 480 number for September '24. Also, if you will see that we have added around one 160 odd number from FY22 to FY24, the first half of FY24, 312 to 480 which is in itself a large number of people that we have added overall as an organization.

Our top five customer contribution has decreased from 39% which was in March '23 to 32%-odd for September '23, which is a good sign for us as an organization. The next-20 customers contribute 43% which is down from 56%-odd. So, with the sales guys that we have been able to add within the organization, we have added a lot of logos which came into the organization from the second half, from the second quarter of the year. So, the uptick will now start showing in the next six months to come.

The sector contribution is also mentioned on the screen. So, we are working in the BFSI domain, engineering domain, IT/ITES, logistics manufacturing, pharma, retail FMCG and FMCD sectors. The contribution is mentioned in the chart.

I'll highlight the financial performance for the organization. I'll be highlighting it on a year-on-year basis. Revenue, which was INR357 crores for half year of '23 has gone up by around 18.2%-odd to INR423-odd crores for H1FY24. The operating revenue for the same is INR357 crores vis-à-vis INR421 crores for half year FY24. The EBITDA has fallen. The EBITDA for the last half year was INR10.2 crores which has come down to INR5.12 crores and the margins have also decreased in the same ratio from 2.87% to 1.21%.

The PBT again has fallen from INR9.4 crores to INR3.5 crore and the PAT has decreased from INR9.4 crores to INR3.75 crores. On a consolidated level, the revenues which were INR364-odd crores for last half year has gone up by 18.38% to INR431.24 crores and the operating revenue for the similar period has increased from INR363 crores to INR430 crores. The EBITDA obviously has taken a hit, INR11.3 crores has come down to INR5.4 crores, which is on percentage basis a fall from 3.13% to 1.26%. The profit before tax has also fallen from INR10.4 crores to INR3.85 crores and the profit after tax has come down from INR10.46 crores to INR4.03 crores.

On the segment wise bifurcation, the manpower services, recruitment and related HR services, we have increased on the top line from INR238.95 crores to INR285.13 crores, which overall is a 19.32% increase year-on-year. The trading of electronic goods from INR125 crores we have done around INR145 crores which is a 16% increase. And overall, as an organization, it's INR363.94 crores has risen to INR430 crores.

The EBITDA has fallen in the manpower space from INR10.44 crores to INR4.10 crores. Electronic goods it has increased from INR90 lakhs to INR1.30 crores. The overall EBITDA from INR11.3 crores,

has come down to INR5.4 crores. The EBITDA margins for the core services have decreased from 4.37% to 1.44%, and on the electronic goods side it has increased from 0.75% to 0.90%.

**Vidur Gupta:**

Thank you, Sidharth. For the way forward, as you can see, there is an overall headcount growth. There is an increase in business that we are generating. As an organization we've only been hit by the cyclical nature of the recruitment and the IT staffing business. And at the same time, we are extremely, extremely aggressive and are confident on the business. And our business model is sound.

We are investing heavily and we are looking to grow back and significantly improve in the H2 of this year which will set the pace running for the next financial year. Vinay, we will open the floor for questions.

### Question-and-Answer Session

**Vinay Pandit:**

Sure, sure. I'll first call Mr. Chanish Thadani, who has put in a question on the chat. You can go ahead, please.

**Chanish Thadani:**

Yeah, dear sirs. Good morning. My name is Chanish Thadani. I'm from Bangalore. Thank you for this opportunity. Overall, what I find is things have gone particularly wrong during the last half year. Although sales have gone up, the expenses have gone up a lot more proportionately. There's a 20% top line growth, but the expenses percentage wise are so much that the bottom line has dwindled a lot.

Now I understand that this is due to the professional staff increase or the headcount growth. But the OPMs having come down from 3% to 1%, and the PAT dropping alarmingly from INR17 crores to INR 4 crores in September '24, that is lower by about 75%. I think whatever the reasons you, Mr. Vidur Gupta cited, I think a drop of 75% seems to be a lot on the higher side, don't you think?

**Vidur Gupta:**

Chanishji, I understand the concern. I would like to give you a brief on -- a little more on the business model that we have, especially in the recruitment and the professional staffing business. The recruitment business is a complete service charge-based business. So that means any and every revenue that we generate there, contributes directly to the gross profit. Now considering that we've added a lot of people, in the staffing business we've only added sales people.

In the recruitment business, we've added good delivery people and sales people because both of those go hand in hand and to pick up

large projects you need to have the right kind of delivery team in place and delivery capability. And owing to which, so in the recruitment business earlier, the selection would happen in probably two or three interviews. But because of the soft nature of the overall market, what is happening is that customers are now taking a lot more number of rounds of interviews, and also are not offering the same kind of percentage hikes that were being offered last year to candidates.

I'm sure you read everywhere that compensations were increasing at a very, very brisk pace. However, that has not been happening now, owing to which the back out ratios have gone up. And all of this accumulates into the reduction of margin. I can assure you that this is cyclical. It is temporary in nature, and it is also because of the fact that we are being extremely aggressive. Now for an organization like ours if we want to get the profitability up immediately - we can stop hiring. Also, if we don't give appraisals internally, staff will leave.

So, all of those factors are there which we have to take care of and we have to look forward. So, we've raised a certain amount of funds from the market and this fund is aimed towards expansion of the business. So, I can assure you that that this is all the money that is going into investments. And at the same time, it's a slowdown in the recruitment business. If you look at any presentations anywhere, you will hear from the market that the recruitment business has been extremely slow. Our top three customers from last year have reduced their hiring spend by over 80%. But this is only temporarily. We are seeing that the market has started opening up again, sir.

**Chanish Thadani:** Yeah, thank you. So, would you say that we can see a good revival during the second half of '24?

**Vidur Gupta:** So, you will see a significant improvement in terms of margins in the second half of '24. Obviously, we cannot cover what we've lost out in H1. But we will be able to cover significant ground setting the pace for the year '25. But I can assure you that the recruitment business has been and the specialized IT staffing business has been affected for everyone. It's not just us.

**Chanish Thadani:** Yeah, I understand that. So, for FY24, the estimates were projected at about the top line was estimated at about INR950 crore. Is this realizable?

**Vidur Gupta:** So, the top line growth is intact sir. If you see that -- we will be able to achieve our top line target. It is the bottom line that we want to focus on, which obviously when you're growing at a certain pace at our size

takes a certain amount of hit and we'll be able to normalize it. It's just a function of growth at the moment with the fact that the market is slow. But sir, the fact also remains here that whenever there is a slowdown in the recruitment or the staffing space, there is a massive boom that follows it.

Now when that will happen, only time will tell. But we are seeing that green shoots have already started coming. Customers have started opening roles. We are getting a lot more number of roles that compared to what we were getting about four or five months ago.

**Chanish Thadani:** So, in the last concall, sir, you had projected CAGR of 30% to 35%. For the next three to five years. Are you still on course to achieve this?

**Vidur Gupta:** Absolutely, sir, we are on course to achieve a CAGR growth of 30% to 35% on the top line. Bottom line will take some time to normalize because the market conditions have changed quite a bit. The moment they are back on track, we'll be able to get back on in terms of our bottom-line percentage.

**Chanish Thadani:** Sir, one last critical question. The IPO was at INR173.

**Vidur Gupta:** Yes, sir.

**Chanish Thadani:** Whereas the current market price is barely half. GMP prior to listing was INR32. So, things have gone horribly wrong post listing. But what do you have to say to investors who are sitting at such humongous loss?

**Vidur Gupta:** Chanishji, as an organization, and as promoters, we both are working hard towards achieving size and scale for the organization. Now I really don't know what -- why the stock price has been like that. But I can assure you there's nothing wrong with the company. We are working hard and we are on track. And its market forces are absolutely beyond our control.

**Chanish Thadani:** The estimates, I read somewhere for FY24 were of the order of attaining PAT of INR36 crores plus. Obviously, you people will not be able to deliver even half I'm afraid. Something to say again, Mr. Vidur Gupta?

**Vidur Gupta:** I have given the reasons, sir. There are some things that are absolutely beyond our control, which is an extreme play in the market circumstances, the 'interest rate increase' in the US and the geopolitical situation in Europe. We've seen a few banks going down,



mergers happening and takeovers happening. All of that just impacts spends in a very, very big manner.

**Chanish Thadani:** Okay, so my last question again. This is the last actually. Now those investors who are sitting on such loss, would you say that they can still trust you to deliver ultimately, and that they do not exit at such losses?

**Vidur Gupta:** Chanishji, we are holding an earnings call, facing the music and giving you all the justifications. And none of our customer is a small enterprise, all our customers are large enterprise. Beyond that there is nothing that we can do as promoters, sir.

**Chanish Thadani:** Okay, thanks a lot, sir. I really appreciate your sincerity and I wish you all the best. Hope you will be able to give us some good news during the next concall. Thank you again.

**Vidur Gupta:** Hopefully, sir. Hoping sir. Thank you so much.

**Moderator:** Thank you, Mr. Thadani. We'll take the next question from Jatin Chawla. Jatin, you can unmute please? You'll have to speak up a bit louder.

**Jatin Chawla:** reason for the margin decline right [indiscernible] [00:21:01] If you could quantify the figure, internal employee cost [indiscernible] [00:21:14]

**Moderator:** Jatin, your voice isn't very clear. We're not able to hear you.

**Vidur Gupta:** Jatinji, we can't hear you, sir.

**Moderator:** Jatin, if you can -- yes, slightly better.

**Jatin Chawla:** Yeah, my question was that you give two reasons for the decline in margins. The first one was that your recruitment business is down and the second that the internal employee costs are higher. I was looking for some quantification of the same, your internal employee costs, what were they in the first half of last year? And what are they now? And similarly, your recruitment business revenues in first half of last year and what is it now in the first half of this year?

**Vidur Gupta:** In terms of segregation of revenue, that is something that is a business-critical information where we have some -- we have different manpower contributing to -- so there are there are staffing customers where we have recruitment revenue as well. We have recruitment

customers where we have staffing revenue as well. It's a figure that's going to be difficult for me to say out. However, on the employee cost, I think Sidharth can shed light.

**Sidharth Agarwal:** Jatinji, our internal employee cost for the half year, last year was around INR9.8-odd crores, which has gone up to INR13.2-odd crores for the corresponding half year, which is H1 of '24.

**Jatin Chawla:** Okay, understood. When I look at your cash flow statement for the first half, I can see that a lot of investment has happened on the working capital side as well. So, to me, looking at that -- those numbers, it seems that there is some business mix shift from collect and pay to pay and collect. Is that right?

**Sidharth Agarwal:** That's correct. That's correct, Jatinji.

**Jatin Chawla:** Hello?

**Sidharth Agarwal:** Yeah, Jatin, am I audible? That's correct. We have shifted -- so we have gained some contracts on the industrial staffing front, which happened to be pay and collect as per the industry norms. And these contracts...

**Jatin Chawla:** So normally, when that shift happens, that is also correspondingly it should boost your revenues, because you will have higher per associate, per month kind of realization, when you have moved from collect and pay to pay and collect. So why is that something that is not visible in the numbers?

**Sidharth Agarwal:** So, sir, the addition of these clients happened in the month of August and September. So, we have only been able to do two payrolls for the first half of the year, which will be six payrolls in the coming half year. The numbers would start reflecting in the second half of the year basically.

**Jatin Chawla:** Understood, understood. And this recruitment, business investment that you are doing, when do you expect to see benefit of the same in the second half, or should we expect more like FY25?

**Vidur Gupta:** Sir, we have already started seeing green shoots coming. We've landed a couple of good RPOs as well. And -- but typically any recruitment project that we get, takes three to six months for the revenue realization to start happening. We receive mandates today from a customer, we start delivering. They select a person, India notice periods are between one month to three months. Candidate joins, then

we raise an invoice. So, it is at least a three-month process or a four-month process in most cases.

So, there will be an impact in the H2 as well. But significant impact will be coming next year, that's the nature of the business.

**Jatin Chawla:** Yeah, get it, get it, completely get it. The other question I had was in your financial statements, the line items pertaining to purchase of stock and trade and change in inventory, those are related to the trading business, right?

**Vidur Gupta:** Yes, that's correct.

**Jatin Chawla:** So, when I look at that cost as a percentage of the trading business revenue, it seems your gross margins on the mobile business has gone down significantly from like 3.5%, 4% to more like 2.2%. So, is that understanding, right? And if that is the case, then what is driving that?

**Vidur Gupta:** I'll let Sidharth -- please take over Sidharth.

**Sidharth Agarwal:** Sir, in this, what has happened is that the margins in the first half of the year in the industry are usually lower and when the festive season kicks in is when the margins start improving, because there are more schemes that are available on offer for us to -- we can stock up at. And also, the second reason is that we aren't focusing a lot towards the trading business, as we have already informed that we will be completely shutting down the mobile operations by March of the -- March '24.

So, focus areas not towards investing a lot of time and effort towards improving the margins over there. We have also reduced our team size on the mobile front as well. So, all these things correspond to the reduction in margin there. So, if you see the half -- if you see the yearly margin, it will be similar to what it was in the last year.

**Jatin Chawla:** Understood. And in the first half, the growth from FY23 In terms of the staffing business is slightly lower than what I would have thought. Is there some seasonality there as well that the second half is stronger and hence for the full year, we will see better growth?

**Sidharth Agarwal:** So slight seasonality, but in the first half of the year, there was some attrition also in the clients that we had where the backfilling did not happen. So, which has now happened owing to the festive season and numbers are again back on track.

- Jatin Chawla:** And this attrition was because of the slowdown, or what was driving this?
- Sidharth Agarwal:** So various clients have various things. There were some -- on the industrial side, there was hiring. On the retail side, there was slightly slowdown in terms of the backfilling that the clients did not do.
- Jatin Chawla:** Got it. Understood. Thanks a lot for answering the questions and best of luck going forward.
- Sidharth Agarwal:** Thank you.
- Moderator:** We take the next question from Arun Malhotra. Arun, you can unmute please.
- Arun Malhotra:** Yeah, good morning. Thanks. I saw that the performance has deteriorated across all parameters. There was a sharp stock fall few days back, 18% in one single day. Would the management like to comment on what the reason was?
- Vidur Gupta:** Sir, it was probably a reaction. So that sharp drop was the day after we published our results. And but that's all that we are aware of.
- Arun Malhotra:** Okay. So -- and do you think next FY25 would be better than the current economic environment which you just mentioned?
- Vidur Gupta:** Definitely, sir. So, what is happening is that in economies like the U.S. as well, people are starting to realize that interest rates are here to stay, and investments are opening up and spends towards technology and other fields are increasing. At the same time there is an expected increase in the offshoring work that is going to be happening creating a lot more employment in India.
- So, all of those factors will obviously help. Regarding the stock price, the drop that you said that sir, our significant wealth is in this organization only for both of us, and we are we are collectively holding over 70%. So, trust me, it bothers me a lot more compared to what it would bother you. But then we are confident on the business. And we are here --we are in it for the long run.
- Arun Malhotra:** I understand. When did the results got published? What was the date?
- Sidharth Agarwal:** I'll just tell you. It was the ninth of November, if I'm not wrong.
- Arun Malhotra:** Okay, thank you.

**Moderator:** There's a question on chat. Let me first take that. There's a question on from Sujata Raman. One of the objects of the IPO was new acquisition. Can you share details of new business acquired, if any?

**Vidur Gupta:** We have not acquired any new business. So, there was a company that we were in talks with for acquiring for that technology platform in terms of employee self service and customer facing platform. However, those talks did not materialize. So, we haven't yet acquired anything or spent any money towards that.

**Moderator:** There is one more question in the chat from Amrish Patel. Do you see IT recruitment problem to continue or to last due to AI, Artificial Intelligence?

**Vidur Gupta:** Sir whenever there has been a change in technology, or new technologies have come up, there has been usually a lot more creation of jobs. So, we don't think that AI is the one that's going to be affecting. At the same time, there is no company today that can function without continuously improving their technology. They may put a pause towards it, but they ultimately have to spend on technology to stay in the race or to stay relevant.

Anyone who stops spending on technology or spend -- stops spending on improvement, aided by technology will have a shorter future. So, the spend is not going to stop. It's going to increase, it's going to come back in. It's just that the market circumstances and the overall macro scenario have changed at such a rapid pace that people are taking a little bit of time to adjust to it. Also, what has happened is that if you look at the post-COVID period, the post-COVID slowdown period, when companies suddenly opened up hiring, they were offering a lot of work from home to most of their resources and this -- and the work from home enabled candidates sitting in a particular city to land a job in five different cities and that resulted in a massive, massive dropout ratio and an increase in compensation as well.

So there was maybe a Bombay-based company or a Bangalore-based company, which would offer very high compensation and there was someone who was applying from a Noida or a Bangalore or any other -- or a Chennai or any other place. And that increased manpower costs drastically for everyone. So, over the last few months, what has happened is that customers are optimizing this cost. They are getting everything to the right levels or wherever they can, they're looking at optimizing this.

So, it is the stop gap where companies when they grow very quickly in terms of manpower size, they take a pause, they look at what's happening, they optimize it and then they start hiring again. So that is also another function here.

**Moderator:** We'll take the next question from Manish. Manish you can go ahead, please.

**Manish:** Yeah, is it that my voice is audible?

**Vidur Gupta:** Absolutely.

**Manish:** Yeah, Mr. Vidur, do you reply regarding the drop in the profitability, it is because of the aggressive -- your aggressive approach and the market condition and geopolitical condition also. So, my question is why you are still aggressive, when the market is not in the better position presently? And we cannot predict the market long run also. Because the thing is that, that your spending and revenue, maybe top line is there, but bottom line is not coming up. So same thing can happen in HY2 also. That is my question.

**Vidur Gupta:** I understand Manishji. Manishji, our business or any recruitment and staffing business is a manpower-driven business. It's like in a manufacturing setup you have a machine that you that you buy. In our case. It's the manpower, those are our assets. And manpower at mid-senior levels in this industry is extremely stable. All the attrition that that most companies will have internally will be at junior levels. In the current scheme of things, because the overall market scenario is not good, a lot of people have not made the kind of variable compensations that they would make in the past. And a lot of great talent is available to hire, which we normally would not be able to hire. And it gives us an opportunity to hire these people.

Second, whenever there has been a slowdown, in the past, it may be 2008, that's when we started. It may be COVID, it may be other years. All of that contributes to a sudden increase in hiring after that. Now we are -- all of these people that we've hired, it's not that they're not generating any business, it's not that they are not even meeting their cost. They will be able to generate revenue, they will be able -- they are obviously coming in, they are bringing in a couple of customers. And we have to be aggressive, when the market opens up, and then we go out and start hiring people we will not get talent.

**Manish:** Yeah. My second question is, you're planning to close down the mobile business from the March '24. So full year of the '25 would be of only your main core business will be there.

**Vidur Gupta:** Yes.

**Manish:** So then how would you beat? Because presently, you have a revenue, little bit, whatever is there also coming from the mobile business. That will not come from the year forward? So how would you see the compensation from your main field towards the overall bottom line?

**Vidur Gupta:** Sir, if you look at it, we are anyways publishing segment wise results where we have the HR segment our core business and the electronics trading business. Electronics trading businesses is something that is scalable, but the feedback that we've got from investors is that that it is better for us to be concentrating on our core, which we absolutely agree with. That's where we are extremely, extremely strong. So, there will be a hit in top line. But that's okay. That's a part of the process. And it's a conscious decision that we are taking as an organization.

**Manish:** Okay, thank you very much.

**Moderator:** We'll take the next question from Jag Sinha. Jag, you can unmute please.

**Jag Sinha:** Yeah. Hi, Vidur and Sidharth. Can you hear me?

**Vidur Gupta:** Absolutely.

**Jag Sinha:** So, the question here is see if you could -- you're externalizing this performance beyond management, that market based geopolitical is this. Looking at it strategically, I remember in the last phone call, you were quite gung-ho about two things. One, the market is huge, which means the market size is huge. And second, that there is a space for everyone. It means there is -- yeah.

So now given this situation and we are in an economy, despite whatever is happening globally, is still expanding at the highest rate globally. And within our economy as your own pie chart shows, there are many, many sectors. So why was it -- I'm trying to say -- I am driving towards is there an internal management strategic issue over here that why was it not possible, because given that you have 14 years of experience in this business, coming out of MBA schools, to identify those sectors of the economy, which have the size and also

offer opportunity to differentiate and offer profit margins, classic segmentation targeting positioning approach in the strategy?

So where did -- why is the management being reactive and falling out of the sync of all these issues put together? I would give you 10 seconds, some time to just reflect on it because this is the strategy. What is happening inside is what is my question to you. Second one is very quickly just so that is you have offices, overseas offices, U.S. and U.K. Sir, we have been global. We have seen the world. U.S. and the U.K. have high fixed costs.

And sometimes, I don't want to say, there are people who are sitting there, and they generate cost and I don't know revenue. So, their second question to that is, what is the cost and revenue happening from these offices? And I don't want to say more on that, because sometimes in some not so great companies, the friends are moved, families are moved, and they do their thing. And then L1 visa and then they become citizens over a period of time. We have seen all that.

So that is where I'm coming from, are they generating value and profits? The third one, very related is, is when do you plan to start sharing the quarterly results? That is the third one. And the fourth, last one is that you still have about INR50-odd crores unused from IPO. So, I know that in the last call, you explained the business model, where you talked about that this is funds, the working capital, that's how this model works. But it's still the good part of the IPO is still with you.

How do you intend to put this money in a strategic way, whereby you can lift the performance strategically in the second half? I know there is a phase lag. But how do you plan to use it? And also, you didn't answer, you did talk about that, we will let go the mobile business, but mobile business is still contributing about 50% of the profitability, approximately rough numbers.

So -- and I could be a bit wrong, but it's about in that range. So not only you got to give the total growth number, but also need to compensate for this loss of margin. So, I'll let you have this. And you could kindly respond. If I have any follow up, I'll come otherwise, I will let go. Thank you.

**Vidur Gupta:**

Absolutely. So, I've written down the four questions.

**Jag Sinha:**

Thank you.



**Vidur Gupta:**

The first question is regarding the industry, so what happens is that why we focus a lot towards say the big four management consulting, IT, all of these fields have much higher compensation levels compared to a manufacturing setup. Now another field that has high compensation levels is banking and financial services, which is an industry we've not been experts at for the recruitment business. We have limited exposure to the banking and financial services piece.

In the manufacturing segment, what happens is that the number of people that are employed in the corporate office or at mid senior levels, or at compensations that are above 10 lakhs per annum, is very, very few. So, while there are manufacturing sectors that are doing well, we are only picking customers where we feel we can make enough money. Otherwise, if a company today has say, a role of a head quality.

I'm putting in some context, and you'll understand why I'm saying this. Say a manufacturing company that manufactures automotive, has a position for a manager quality, not even a head quality. And the compensation ranges are say about INR15 lakh. They work with three or four agencies, we all send a few CVs to them. They select one person, but the rest of those CVs are of no use, because they only have one role.

But when we are working with a technology company and they come up and say that we have a position for a dot net developer, or for a Java developer, or for say, a full stack developer. They have multiple roles in most cases. So any good profiles that we send ended up being put to use. Second, the number of people in the corporate office, so manufacturing setups would usually have much more limited number of people in the corporate setup. Whereas technology or management consulting, businesses like these have a lot more of professional staff, which are being paid a lot more and we make money basis the amount of compensation that is being given to the candidates that we recruit.

So consciously, we are fully aware about the industry. And we understand that, there are a couple of fields that we could have entered, but it takes time to build up a field. Recruitment is not one of those businesses where we can just decide and run from the word go. It will take some time. It takes time to build -- for customers to build trust on us, to give us the right kind of mandate because they all have an existing ecosystem as well. So, to enter a customer, you need to get into the existing ecosystem, make space for yourself. So over there, when it comes to industry, we are absolutely clear, sir there's not even

an iota of doubt that that we are not headed in the right direction or our focus is not -- focus is absolutely clear.

Now coming to the U.S. and U.K., U.K., as we said last time, we are in the process of wrapping up. There is no employee there. And there is a bare minimum expense that we've incurred. It was, I think, INR6 lakhs or INR7 lakhs for the year. So, in the U.S., we have one employee right now, who's doing sales there. And that cost we have to incur as an organization. We don't have an option. We have to have someone on the ground. We did have another person, but we've let go of that person who wasn't performing. We're hiring someone else there as well.

But at the same time, we hired people on our payroll in IT and we deployed. We don't have any of our family members in the business, not even a distant relative or no friends in the business. It's all professional nature. And we are absolutely clear with our thought process that we never mix the two. So, you needn't worry.

Regarding quarterly results, sir, at the moment, we don't have a plan to get to a quarterly result. However, we will deliberate more on this and will tell you. Regarding the INR50 crores unused from the IPO, sir, the fund that we've raised is for the right kind of contracts. It takes time to get these contracts. As we keep getting these contracts, it will be deployed. But we are extremely prudent when it comes to deployment of this capital. We don't want to put it in the wrong place. So as and when the business comes wherever we are getting we'll be deploying the capital.

- Jag Sinha:** Okay, Vidur. Thanks.
- Moderator:** Thanks, Jag. We'll take the next question from Kishan Pujara. Kishan, you can go ahead, please.
- Kishan Pujara:** Sure. Thanks for giving this opportunity. I hope I'm audible.
- Vidur Gupta:** Absolutely, Kishanji.
- Kishan Pujara:** Yeah. Okay. We have recently got one notification from that CB documentation where there was a change in the IPO issue price -- issue expenses. So just wanted to know some -- if there's any highlight on why there is a change in the IPO expense, it was almost approx 15%.
- Vidur Gupta:** Okay, I'm not aware of that. Sidharth, would you want to answer that?

- Sidharth Agarwal:** Kishanji, what had happened was the issue expenses that were taken by -- at the time of filing of the RHP, and the actual expense that was incurred, there was a gap. So, we had to intimate the exchange that there has been an increase in those expenses, which has -- which we notified in end September also. And this is a follow up of the same, where we have to -- we have ICRA as the agency, which is monitoring the usage of the IPO funds. So, it's a report that was published by them as well in the month of September. And now a follow-up report has also come on the 15th of November.
- Vidur Gupta:** Kishanji, we were very clear that we don't want to -- instead of reporting it, we voluntarily chose a monitoring agency. So that we can put in better corporate governance and build the right amount of trust.
- Kishan Pujara:** Okay.
- Vidur Gupta:** It wasn't required, we were not mandated by the law.
- Kishan Pujara:** Okay.
- Vidur Gupta:** Or by the ICDR guidelines, we were not supposed to be having a monitoring agency.
- Kishan Pujara:** Okay. And one more thing I wanted to understand is like I understand -- I am also from IT background and we see that there is a quite slow down in the IT business like very rare opportunities are coming up in the market. And I see that you pointed out that due to IT slowdown and probably in the next half of the year, once the opportunity will revive there will be a growth in the IT business and subsequent to our recruitment and staffing business. So, I understand that you will have entered into IT business in last one or two year or if you can share your expertise in this IT recruitment.
- Vidur Gupta:** We entered IT recruitment just in the mid or end of COVID because IT was offering jobs that are work from home.
- Kishan Pujara:** Yes.
- Vidur Gupta:** Before that we were not focused towards the technology piece. But nonetheless, we were always working with management consulting organizations we were working with global offshore centers, which have a lot of non-tech roles as well. We were also working with automotive technology centers, which are not always technology

roles. If you really look at it, it's not pure play IT roles. So, all of these fields have taken a hit.

**Kishan Pujara:** Okay, so you must have received a good number of growth after COVID in that...

**Vidur Gupta:** Absolutely. So, post COVID, so like I said, whenever there is a slowdown, there's a massive growth. So, post COVID it was a time where we could enter the right kind of customers build a certain amount of growth there and traction there. But then the way, compensation increased, Kishanji, you're from the IT field. So, you would know that a INR10 lakh resource was being offered, INR20 lakhs or INR25 lakhs. And that kind of an increase in compensation is not sustainable. That increase was being offered so that so that the IT companies don't lose their customers because of non delivery. It had reached that sort of a stage.

So, it had to normalize, which is happening and but then unfortunately, interest rates went up significantly in the US and with the war and the geopolitical situation in Europe, everything has been impacted. The banking and financial services industry globally has been impacted in a very, very big manner. You've seen a few takeovers happening. So, it's all temporary. It's happened in the past as well. It's nothing, nothing that's not happened in the past.

**Kishan Pujara:** Okay. In that case, could we say that looking what are the current challenge? So, it will at least take next one year to come up with the original predictions of the CAGR growth on the top line. And the bottom line.

**Vidur Gupta:** Sir, the top line CAGR growth was primarily or is primarily going to be aided by the by the staffing, the general staffing business, which is intact. So, the top line is not an issue, when it comes to the bottom line that gets impacted by high margin businesses not being able to grow that quickly. But at the same time, like I mentioned, we've seen that work has started opening up. And we are getting projects from customers where they're looking to hire in the right numbers again. And there has been a been an overall stir in the ecosystem, where existing agencies and new agencies are now being added on and which is why we are seeing a revival happening as we speak as well.

**Kishan Pujara:** So, it will take six to eight months of cycle right to encash the profit in the balance sheet?

- Vidur Gupta:** Yes. Some of it is coming, and some will come. So, I mean, I can't quantify exactly when or what we'll be able to materialize. But all I can say is that we've started getting work there.
- Kishan Pujara:** Okay, but at least from the increasing headcount of employee, like that affect will get subsidized in the second half of the year, right?
- Vidur Gupta:** It will start to show, the new headcount they're starting to bring in customers, they're starting to deliver better.
- Kishan Pujara:** Okay, okay. Thank you, Vidurji.
- Vidur Gupta:** Vinay? I can't hear you Vinay.
- Vinay Pandit:** Am I audible now?
- Vidur Gupta:** Yes, you are.
- Vinay Pandit:** Yeah. We will take the next question from Darshit Vora. Darshit, you can go ahead, please.
- Darshit Vora:** Yeah, hi. Am I audible?
- Vidur Gupta:** Absolutely, Darshitji.
- Darshit Vora:** Okay. Yeah. So, thanks for taking my question. I've already posted in the chat box, but I'll just repeat it. So, like what do you think the revenue growth is going to be, going forward in the next two to three years? And what level -- at what levels do you think the margins will sustain for the same period? Like this time, we've done some OPMs of 1%. So, do we see them going back to 3% sustainably?
- Vidur Gupta:** Sir, absolutely, the margins can go back to 3% sustainably. It's sustainably provided the market opens up in the right manner. Our recruitment and the high margin staffing businesses are currently affected and they will open up. It is cyclical in nature to an extent, this happens. And whenever this happens after that it is always a slightly large boom.
- Darshit Vora:** Okay, okay. And revenue growth using that the 30%, 35% CAGR from FY25?
- Vidur Gupta:** We can maintain the revenue growth, revenue growth we don't see declining.

**Darshit Vora:** And do you think the margins can go beyond 3%. Is it possible?

**Vidur Gupta:** It's absolutely possible.

**Darshit Vora:** Okay, great. Great. Okay. All the best. Thank you.

**Vidur Gupta:** Thank you.

**Vinay Pandit:** Thank you, Darshit. We will take the last question since we're running out of time, we take the last question from Vinodchandra Agarwal. Vinodchandra, you can unmute, please.

**Vinodchandra Agarwal:** Thank you for the opportunity, sir. I have a few questions. I'm an individual investor. So just allow me a few more minutes. The first question I would like to know about the opportunity size in this business, in the staffing business. Okay. And the second question is about -- if you can explain me like what is this NAPS and NATS means in our deployment headcount.

And the third question I have is that when we say that during the downtime, we hire the people, so that whenever the recruitment comes, we are ready for the staff, right. But during that staff, do we pay to the people? I mean, and what is the quantum of that staff that we pre-hire that one? So, if you can help me to understand this that will be good. Thank you.

**Vidur Gupta:** All right. So, I will leave the staffing business size and NAPS and NATS to Sidharth. However, Vinodji, the staff that we are hiring, this is not bench staff that we will deploy to customers. The staff that we've hired is primarily for the recruitment and the IT staffing business, where we have sales people and we have recruiters and delivery people who can manage customers in the right manner, understand requirements from the customers and find the standard. So, it's not that we don't have. We have work and the new people that are coming in are also generating some new business, but it is taking the time.

So, all of this result will start to show in the H2. And NAPS and NATS, Sidharth, please take over, NAPS, NATS and the staffing business.

**Sidharth Agarwal:** So Vinodji, for NAPS and NATS, NAPS and NATS are schemes by the government which any organization has to have some apprentice -- apprenticeship employees or trainees on their payrolls. So, NAPS is a program which is for graduates and below. And NATS is a program

which is for graduates and above. So, any organization can have 15% of the total manpower as trainees. So, we are TPAs to the government here and we are authorized partners where we can deploy manpower for the organizations on NAPS and NATS depending on their requirement.

With respect to the size of the staffing industry, the size, I'm sure you will be aware that Quess & Teamlease are at least they have manpower, to the tune of 4,00,000 people on their payrolls. We are currently at 22,500-odd. So, the size of the market is huge. And there are only, I believe currently four listed organizations in this space. So, there is scope for everyone within the space.

**Vinodchandra Agarwal:** Okay, and one more just question is that about our recurring revenue, so what is the quantum of our recurring revenue because on a staffing business, if we -- on a one-time revenue like after a boom period or economic cycle get upside, the staffing will get stopped, hiring will get very slow, but what is the recurring revenue which will continue to run our business? I mean, that is what I would like to understand, the quantum of the recurring revenue?

**Sidharth Agarwal:** So, staffing is a recurring business. Recruitment is a one-time selection fee that we get from our clients. So, which of the two are you referring to here?

**Vinodchandra Agarwal:** I mean recurring revenue. My previous question was about the hiring and there is a one-time fee which we receive.

**Sidharth Agarwal:** That's correct.

**Vinodchandra Agarwal:** Okay and the second was about the recurring, because recurring revenue is something which gives us a longevity of the business, right. So that I would like to understand that what is the quantum of that, what is the growth there in the recurring revenue and what could be the size of the business?

**Vidur Gupta:** The manpower that we have deployed, these 23,000 plus people this is all recurring revenue. And we are -- where we are saying that we'll be able to meet our growth targets is all the recurring revenue, which is a lot more predictable. So, a significant portion of our revenue is the recurring revenue.

**Vinodchandra Agarwal:** Okay, understood. Okay, thank you. Thanks for clarifying. That's all from my side. Good luck for the future.

**Vinay Pandit:** We take one more last question from Jag Sinha. Jag, you can go ahead, please.

**Jag Sinha:** Yeah, hi, Vidur.

**Vidur Gupta:** Hello. Hi, again.

**Jag Sinha:** Three sub questions, and if you could kindly reply. One is, would you keep hiring or now put internal hiring on freeze, given -- and hold on to the employee benefit expense line item? That's one. Second is, are you not facing competitive pressure, where competent quotes are going with where you have to reduce margin? I know you have used the word being aggressive. Is that word, aggressive a reflection of you facing competitive pressure? Second, last one is if you have to go out on a limb, and all Safe Harbor disclaimer supply, what margin would you project for second half of this year?

**Vidur Gupta:** First two questions, I can answer. The third question, I would again refrain from answering in terms of absolute numbers. But for the first question, would we keep hiring? Yes, if we get the right talent, we would keep hiring provided they're able to bring something on board that adds value to us immediately as well. Sir, the hiring that we are doing, we are not doing blind hiring. We are hiring people who truly will add value to the organization. They have to have a clear value add, where they may have a few strong relationships from the past. They may have delivery capabilities on a particular field that are very, very strong.

And they actually add to our existing people. They may have managed large team sizes in which way they will help us to optimize our teams in terms of performance, it may be an increase in performance. So, for the right people, doors are always open. We are looking to hire. Competitive pressure, sir, competitive pressure has always been there in this field. It's nothing new. When you look at the staffing business, I think the pricing has already hit its bottom. It's not going anywhere lower. So, we are in line with what the market offers. In the recruitment business, there are contracts that have been available to us when which will not make money.

If we don't think we will make money we will not pick up those contracts. We are clear in our operating metrics as to how much of an expense we will have to spend towards a particular customer whenever we are picking up the contract. If we don't think we can make that kind of money, we will not pick up the contract thought process is very, very clear.



**Jag Sinha:**

So, if I can just follow up on this one, see ability to make money also depends on what kind of offering you're bringing to the customer, which is in sync with the strategic or tactical needs of that customer in a particular segment. So, there are other competitors, which are, I think, I do not know too much in that, but they're off bringing to the table a broader set of offerings. I don't know one company called Updater Services or some others, they are offering lot more. So, my question is how are you intending to differentiate yourself where you have possibly competitors who are bringing lot more into the portfolio of offerings?

Are you thinking about this -- my question's a lot more about the strategy. Operational, of course, there was one question is very relevant. I asked what is going to be your projected S2 number if you can share a ballpark range is also okay. Because long term is as important as perhaps given the sharp drop in profits, short term is as important and you can see the shared concern on that account. So yeah, go ahead please.

**Vidur Gupta:**

Sir, when you look at the offerings, to give you an example, we offer recruitment services and we offer staffing services as well. These are two separate offerings. Now when it comes to recruitment, within the recruitment space, there can be a few offerings. So, there can be a solution around campus hiring, there can be a solution around qualifying profiles, which means that you are taking a first level of screening or interview. There can be a solution around background verification, there can be a solution around candidate joining.

So, we don't offer background verification, but we do have solutions around qualifying people. We do have solutions around follow up from people towards their joining. So, we are in line but a lot of times, our customers would be looking for one particular solution. To give you an example, if you have someone who does assessments, now a customer will not take assessments from one agency and then take assessments from another agency because they need to rate people at the same ground.

So, if they're recruiting 10, Java developers, they need to have the same test for the 10. So, they'll only take it from one person. So, there'll be someone who's an expert with assessment. That will not be combined with the recruitment solution. The customer may have taken a recruitment solution and a selection solution from someone, but that selection solution is a whole different solution. And the recruitment solution is a different project or a package.

So, under the recruitment, process outsourcing, we do have different solutions that we offer. We offer interview coordination, we offer reimbursement management, candidate management, so all of that we have, but a customer may choose to take one of those solutions or all or none. Okay.

**Jag Sinha:** Okay. All right. And yeah--

**Vidur Gupta:** Sidharth, you want to take the second question?

**Sidharth Agarwal:** The margin one, are we supposed to be?

**Vidur Gupta:** Yes. So, we want to give a forward-looking statement, sir, but one thing we can assure you is that it will be significantly better than the H1.

**Jag Sinha:** All right, all right. Thanks very much. There's a lot of trust and confidence on two young people who have been in this business for 14 odd years. And I think a lot of people are betting on you to lead the company. Thanks very much for your time.

**Vidur Gupta:** Appreciate, sir, appreciate.

**Vinay Pandit:** Mr. Sinha. Since that was the last question for the day, Vidur, would you like to give some closing comments before we end this call?

**Vidur Gupta:** Yes, yes. So, all our investors we thank you for putting trust in us. We can assure you that the business is sound, the business model is sound. There are some things that are cyclical in nature, which are beyond our control. But please be assured we are doing our best and our team is doing their best to come up and to be amongst the top names in the market over the years. Thank you.

**Vinay Pandit:** Thank you, sir. And thanks to all the participants for joining on this call. And thank you to the management for giving us their valuable time. We end the call now and you may all log off now. Thank you so much.