

QCL/SEC/2025-26/22

May 23, 2025

To,
BSE Limited,
1st Floor, New Trading Ring,
Rotunda Building, PJ Towers,
Dalal Street, Mumbai – 400 001
Security Code – 539978

National Stock Exchange of India Limited
Exchange Plaza,
Bandra- Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE Symbol – QUESS

Dear Sir/ Madam,

Sub: Transcript of Earnings Call - Q4 FY25

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Earnings Call held on May 20, 2025.

The above information is also available on the website of the Company at <https://www.quesscorp.com/investors/>.

Kindly take the above information on record.

Yours sincerely,

For Quess Corp Limited

Kundan K Lal
Company Secretary & Compliance Officer
Membership No. F8393

Encl: as above

Quess Corp Limited

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Quess Corp Limited
Q4 FY 2025 Earnings Conference Call
May 20, 2025



ANALYST: **MR. SIDDHARTH ZABAK – IIFL CAPITAL SERVICES LIMITED**

MANAGEMENT: **MR. GURUPRASAD SRINIVASAN – CHIEF EXECUTIVE OFFICER – QUESS CORP LIMITED**
MR. SUSHANTH PAI – CHIEF FINANCIAL OFFICER – QUESS CORP LIMITED
MR. KAMAL PAL HODA – CHIEF EXECUTIVE OFFICER – BLUSPRING ENTERPRISES LIMITED
MR. LOHIT BHATIA – PRESIDENT, INDIA AND GLOBAL OPERATIONS – QUESS CORP LIMITED
MR. KAPIL JOSHI – CHIEF EXECUTIVE OFFICER, QUESS IT STAFFING, RECRUITMENT AND SEARCH — QUESS CORP LIMITED
MR. KUSHAL MAHESHWARI – HEAD, INVESTOR RELATIONS AND STRATEGIC FINANCE – QUESS CORP LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and full year FY 2025 Earnings Conference Call of Quess Corp hosted by IIFL Capital Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Siddharth Zabak from IIFL Capital Services Limited. Thank you, and over to you, sir.

Siddharth Zabak: Thank you. Ladies and gentlemen, good morning, and thank you for joining us on the post Q4 and FY25 Results Conference Call of Quess Corp Limited. It is my pleasure to introduce the senior management team of Quess Corp, who are here with us today to discuss the results. We have Mr. Guruprasad Srinivasan, CEO; Mr. Sushanth Pai, CFO; Mr. Kushal Maheshwari, Head, Investor Relations and Strategic Finance; Mr. Lohit Bhatia, President, India and Global Operations; Mr. Kapil Joshi, CEO, Quess IT Staffing, Recruitment and Search. We will begin the call with opening remarks by the management team, and thereafter, we will open the call for a Q&A session.

I would like to now hand over the call to Mr. Kushal Maheshwari to take the proceedings forward. Thank you, and over to you, Kushal.

Kushal Maheshwari: Thank you, Siddharth. Good morning, everyone, and thank you for joining Quess Corp's Q4 and FY25 Earnings Call. The information, data, and output shared by the management during the call is forward-looking and subject to prevailing business conditions and government policies. All forward-looking statements are subject to economic growth or other risk factors faced by the company. The results and presentations have been uploaded on our website. Please refer to Slide 2 of this investor presentation for the safe harbour clause.

With that safe harbour clause, I will now hand over the call to our CEO, Mr. Guruprasad Srinivasan, for his opening remarks. Over to you, Guru.

Guruprasad Srinivasan: Thank you, Kushal. Good morning, everyone. Thank you for joining us today. I'm pleased to welcome you all to Quess Corp's first earnings call as an independent entity. It is just right after following our successful completion of our 3-way demerger. This important milestone leads to a sharper focus and unlocking value, strategic transformation, and delivering sustained growth.

This financial year has been a milestone in many ways. We successfully completed 3-way demerger well ahead of stated timeline. We have ensured a seamless leadership transition, with all key leadership hiring successfully completed. Quess remains dedicated to building a great organization and has proudly earned "Great Place to Work" recognition for the sixth consecutive year.

Following our relentless pursuit of reducing our debt levels post demerger, we are now a company with net cash of INR255 crores as of 31st March 2025, with gross debt of INR12

crores. Additionally, our DSO days have improved by 7 days, standing at 37 currently. This is a testament to our industry-leading operational efficiency.

Our Board has recommended a final dividend of INR6 per share, subject to shareholders' approval, bringing the total dividend for the year at INR10 per share. As a separate entity now, the Board has adopted and approved a new dividend policy for Quess whereby starting this year, the company expects to return up to 75% of free cash flow to shareholders in the form of dividend or share buyback over the block of 3 years cumulatively, reflecting our continued confidence in financial strength and future growth prospects.

As part of the demerger transformation, we revisited some of our businesses through a comprehensive review, and we will be exiting certain non-core projects in line with the position taken by the management and the Board to discontinue such projects. Pursuant to scheme of demerger, this has impacted the reported PAT numbers. However, it does not involve any cash outflow and no impact on company's operational liquidity or working capital, or the cash resource. Importantly, this has no bearing on ongoing performance or asset base of our continuing business.

Moving forward as we streamline our business portfolios, it will enable a sharper focus on high-margin, high-growth core segments. This strategic shift is expected to improve our overall profitability profile, enhance capital efficiency, and better positioning of company for sustainable long-term value creation for all our shareholders.

Now we will take you through the quarterly performance and outline our priorities. In Q4 FY 2025, we reported a revenue of INR3,656 crores with EBITDA at INR67 crores. EBITDA margins were flattish sequentially and stood at 1.8%. PAT for the quarter stood at negative INR95 crores. However, when adjusted to exceptional item, reported PAT adjusted for exceptional item was at INR63 crores, which Sushanth will talk about in detail.

On the consolidated financial highlights for the year, Cumulative for the year, our headcount reduced by 7,000 associates and currently stands at 459,000, a 2% degrowth from March '24 levels. Under the demerger implemented during the year, we had recalibrated our headcount due to the discontinued projects and ended with a slightly lower headcount.

We delivered a revenue of INR14,967 crores with a growth of 9% year-on-year. However, more than 90% of our business, which is General Staffing and Professional Staffing, delivered a double-digit growth, signalling encouraging demand trend and strong execution. We delivered an EBITDA of INR262 crores, a growth of 12% year-on-year, with margin of about 1.8%. Full-year PAT is at INR46 crores. However, adjusting for exceptional items, we closed the year at INR210 crores, a healthy 52% growth year-on-year.

Now I'll take you through the segment information, starting with General Staffing.

For full year, the segment revenue stood at INR12,995 crores with a growth of 11% year-on-year. General Staffing reported quarterly revenue of INR3,149 crores, up by 3% year-on-year and down 10% sequentially. For the quarter, we brought in about 89,000 new associates into the system. However, a ramp down by an NBFC client of about 38,000 affected the growth

sequentially. This is a client-specific move and does not reflect any structural challenge in our sourcing or delivery capabilities across the client ecosystem. Adjusted to this, we would have gained 40,000 net adds during the full year. Majority of new addition this quarter came from consumer, retail, and telecom, followed by manufacturing and industries. From a full-year perspective, there was marked divergence in two halves as of the total gross adds, almost 2/3rd came in H1. We have been instrumental in accelerating India's formalization wave, about 130,000 fresh UANs generated during the year. GS also added about 80 new contracts during the quarter with an ACV of INR153 crores. During full year, we added 323 contracts, which is our best performance for full year. As of year-end, we have encouraging open mandates of about 49,000, primarily from manufacturing, retail, and logistics. In summary, while Q4 saw a transitory volume impact, we will continue to demonstrate strong operational delivery and remain confident in regaining the momentum in coming quarters.

Moving to Professional Staffing business. For full year, segment's revenue stood at INR825 crores with a growth of 11% year-on-year. Professional Staffing reported quarterly revenue of INR219 crores, up by 26% year-on-year and nearly flat sequentially. The business delivered its best-ever EBITDA and operating margin this year. This performance was driven by strategic focus on partnering with GCCs and targeting high-margin niche technology roads. Over the past 5 years, this transformation was initiated. We have significantly improved our deployment mix with reducing low-margin entry-level roles from 51% to 24% and increasing niche and high-margin deployments from 19% to 39%. Our investment in niche skills, GCC, verticalization and quality of mandate have yielded a better margin profile, which is reflected in our improved realization per associate, which is now more than 25x of the realization compared to General Staffing. GCC contributed to 70% of revenue for the quarter and 45 new clients we added. We have been steadfast in continuous investments specifically across verticals to deliver and further grow in coming years. GCCs sees a lot of potential growth in India with favourable cost advantage in talent, real estate and talent availability. We are also building our GCC-as-a-service with our pilot getting commissioned recently. We'll be formally launching this service shortly. The open mandates are encouraging, 1,300 plus as we step into Q1 with majority of positions again coming in from GCC and specifically niche roles.

Moving on to our Overseas business. For full year, the segment revenue stood at INR1,142 crores with a decline of 5% year-on-year. Overseas business reported quarterly revenue of INR287 crores, down 5% year-on-year and 1% sequentially. Singapore, our largest geography continues to face visa-related headwinds. That said, our pivot towards General Staffing helped mitigate some impact with nearly 300 associates added during the quarter. Middle East has emerged as a standout performer with more than 2,000 active associates, delivering its highest ever quarterly revenue and EBITDA. In APAC, Malaysia has shown strong turnaround in IT staffing, supported by government demand. In Philippines, we are expanding into IT staffing, permanent hiring and gig platforms to build a diversified portfolio.

With respect to our digital platform segments, we are actively investing in digital ecosystem for India's blue-collar gig workforce. Our platform, HamaraHR and HamaraJobs, though in early stages, are showing encouraging adoption trends. We remain committed to scale them in the coming year.

I'm very pleased to share with you that Quess has joined World Employment Confederation as a regional corporate member, becoming the first Indian company to join the global HR industry body. The World Employment Confederation represents the gold standard in global employment practices, policies and framework and sustainable workforce development. Quess aims to contribute to advance ethical labour practices, skilling and formal employment, both in India and globally.

I want to reiterate that we have entered this new chapter with clarity, conviction and momentum. The successful demerger has given us sharper strategic identity, and we are now better positioned than ever to unlock value across each of our business segments. While the external environment continues to evolve, we are focused on growth, execution and operational efficiency. As a pioneer in staffing solution for India, we are spearheading a transformative initiative that leverage AI and automation to accelerate job fulfilment and boost sourcing productivity.

I would now hand over to Sushanth Pai, who has joined us as Chief Financial Officer. But before that, I want to take a moment to sincerely thank Kamal. As you all are aware, Kamal has taken new leadership role as CEO at Bluspring, which is one of the resulting companies, as part of the demerger. I want to take this opportunity to acknowledge his outstanding leadership and invite him to share a few words. At Quess, he has not only steered us through complex and timely demerger, but also fortified our financial health, enabling this smooth transition. Kamal, over to you.

Kamal Pal Hoda:

Thank you for your kind words, Guru. It's been a privilege to be part of Quess and engage with our investor community. I'm truly grateful for your trust and support, especially through the pivotal phase of the demerger. I have full confidence in the leadership team, and I look forward to cheering for Quess in its next phase of growth and will continue to engage with all of you in my new role. Over to you, Sushanth, for the financial highlights.

Sushanth Pai:

Thank you, Guru and Kamal for the smooth transition and for your support. And a very good morning to all of you on the call. I'll first do the financial headline numbers before delving into segmental performance and other corporate updates.

We reported revenues of INR3,656 crores for the quarter, reflecting a 3% year-on-year growth, though down 9% sequentially. Reported EBITDA came in at INR67 crores, marking an 8% increase quarter-on-quarter and 13% growth year-on-year. Operating margins improved to 1.8% with a sequential expansion of 29 basis points and a 15-basis point improvement over last year. For the full year, we delivered revenues of INR14,967 crores, up 9% year-on-year. Full year EBITDA stood at INR262 crores, registering a healthy 12% growth over the previous year.

As part of the demerger transformation, we have revisited some of our businesses through a comprehensive review, and we will be exiting certain non-core projects, in line with the position taken by the management and the Board to discontinue such projects pursuant to the scheme of demerger. This has impacted the profit after tax in Q4 FY25 and the same is shown as exceptional items broadly characterized in 3 parts totalling to INR158 crores. Impact of discontinued projects is about INR119 crores, which is basically additional expected credit loss. These projects have long gestation periods and recovery cycles based on the nature of business.

Given the demerger, we evaluated such businesses, its future prospects and decided to exit such projects mainly in the areas of utilities and skilling. We have accelerated the flow rates for expected credit loss over and above the normal flow rates used for such businesses. However, we'll continue the collection efforts in the process of winding down. The second part is impairment of goodwill totalling to INR26 crores, which is INR7 crores in Stellarslog and INR19 crores in Quess International Services. The last part is demerger expenses of INR13 crores, mainly comprising stamp duty on demerger-related expenses. This has impacted reported PAT by INR158 crores in the quarter. Adjusted for this, PAT Q4 FY25 has grown by 49% year-on-year and the full year PAT has grown by 54% year-on-year. Similarly, adjusted EPS for the quarter and year is INR4.2 per share and INR14.1 per share, respectively.

We are confident of our business fundamentals, strategic direction and market positioning to enhance momentum in the coming years, and we will measure ourselves against the adjusted PAT while setting our profitability goals for the coming year. This does not involve any cash outflows as no impact on the company's operational liquidity. One of our core capital allocation priorities has been the reduction of gross debt, underscoring our commitment to maintaining a healthy balance sheet and exercising disciplined cash management, which has resulted in a net cash of INR255 crores as on 31 March 2025. We are pleased to announce that the Board has recommended a final dividend of INR6 per share, subject to shareholder approval, taking the total dividend for the year to INR10 per share. The Board has adopted and approved a new dividend policy for Quess, whereby the company expects to return up to 75% of free cash flow to shareholders in the form of dividends or share buybacks over a block of 3 years cumulatively. The decision to modify dividend policy this year onwards to further reward our shareholders reflects the strength of our cash position and our commitment to delivering consistent value to the shareholders while investing in growth.

Moving on to segment-wise updates. Starting with General Staffing, we delivered a top line of INR3,149 crores, down 10% sequentially. The quarter-on-quarter decline is primarily due to a ramp down by an NBFC client. Segmental EBITDA stood at INR43 crores, a decline of 5% quarter-on-quarter and 32% year-on-year. EBITDA margin for the segment came in at 1.4%, showing a 7-basis point sequential expansion, though it contracted by 137 basis points compared to the previous year. For the full year, revenue stood at INR12,995 crores with a growth of 11% year-on-year, while EBITDA came at INR194 crores, a 5% growth year-on-year.

Moving to Professional Staffing. We are pleased with the segment's performance despite a modest IT and ITS hiring. The segment delivered INR219 crores of revenue, flat sequentially, but up 26% on a year-on-year basis. The segment EBITDA came in at INR20 crores, delivering a healthy 34% growth on a year-on-year basis. Margins have expanded meaningfully, now crossing the 9% mark on a sustainable basis. For the full year, revenue stood at INR825 crores with a growth of 11% year-on-year, while EBITDA came at INR77 crores, our best ever numbers with a 42% year-on-year growth.

Coming to Overseas business, revenue stood at INR287 crores, which is broadly flat sequentially but down 5% year-on-year. Despite persistent visa restrictions for IT staffing in Singapore, the Overseas business was able to offset much of this impact by delivering growth in new business lines and other geographies. Segment EBITDA was INR17 crores, marking a robust 41% year-

on-year growth and 9% sequential increase. Margins for the segment remained healthy at 6%. For the year, Revenue stood at INR1,142 crores with a decline of 5% year-on-year, while EBITDA came at INR63 crores, near flattish decline sequentially.

From a profitability standpoint, approximately 59% of our contribution comes from general staffing, 23% from Professional Staffing and around 19% from Overseas business. Our digital platforms for blue-collar workforce and gig workers, currently in the incubation phase, are being scaled up steadily.

Moving on to corporate updates. We recorded INR11 crores in other income this quarter, a large part of this, which is attributable to the interest from income tax refunds of INR145 crores in the quarter.

As a newly demerged stand-alone entity, Quess is now fully focused on delivering double-digit revenue growth and a non-linear EBITDA growth trajectory. While we anticipate near-term headwinds on top line growth due to ramp down in NBFC sector because of one client over the coming months, our underlying fundamentals remain strong to deliver double-digit revenue growth with non-linear growth in profitability. We are on track to becoming debt-free in the coming quarters. Our adjusted ROE for the year stands in high teens, and we are confident of crossing 20% mark from this year onwards, reflective of a stronger balance sheet and sharper capital efficiency. With a simplified structure and focused strategic execution, we are well positioned to build long-term value for all our stakeholders.

With that, I conclude the financial update. Thank you for your time and continued support. I now hand it back to the moderator to open the floor for questions.

Moderator: Thank you, sir. The first question comes from the line of Deep Shah from B&K Securities. Please go ahead.

Deep Shah: Congratulations on this demerger being done. Welcome, Sushanth. Good to have you. And thanks, Kamal, for all the help that you did all these years. So, first question was on this exceptional item itself. So, I think I heard multiple times that some projects were discontinued because they are long gestation periods. But it would be useful if you could give some detail into what these projects were and how did the receivables, there was a very significant number in our understanding, build up? Over how many years were these projects being tried? So, some clarity here, I think, would be useful. So that's my first question.

On the second question, we understand the NBFC circular had come out, which led to in-sourcing, and which is why we've seen sequential headcount decline. But if you could just help us understand how are the trends looking for this year? And I understand this is a one-time thing, but then do we feel confident that we can more than offset this loss and report double-digit headcount growth for FY26? Your initial thoughts on these fronts will be very useful.

Kushal Maheshwari: Thank you, Deep, for the question. For the operational part of the exceptional item, I'll ask Guru to give some insight. And on the financial impact, I will ask Sushanth to give you details on that. Guru, over to you.

- Guruprasad Srinivasan:** Sure. I'll take the first question. So specific to the ECL on discontinued projects. See, as we had also alluded to this a couple of quarters ago, there are 2 specific segments which are long-drawn contracts that we have been working on. The first is on the skill development and the second one specific to the utility segment where we do meter reading and build distribution kind of outcome-based program. One, we had clearly signalled to the market that we'll not get into any outcome-based projects, and we have been creating a flow rate for each of these, but considering the demerger, it is being more conservative and prudent in terms of getting it transitioning into the new 3.0 of Quess. The Board and everyone decided that it's the right time for us to accelerate our provision. So, the projects are specifically to utilities and the skill development area where we are working. So, it is not something that, while we are accelerating the provision, as Sushanth said in his speech, we'll still continue to drive whatever the collections that are pending there. And then as and when it comes in, of course, it's going to be upward as we move forward. Sushanth, do you want to add?
- Sushanth Pai:** No, I think Guru has covered. Just want to add, this was part of the receivables, and it was provided for as per our provisioning policy. Now since we looked at all the businesses together, we evaluated these businesses, and we felt based on the long gestation periods and long recovery cycles and to focus only on our core, we thought it's a good time to accelerate the ECL provision and then take this INR119 crores of loss. But having said that, like Guru said, we will continue our collection efforts as we wind down such projects.
- Guruprasad Srinivasan:** Other 2-line items as part of this was impairment of goodwill. So, we had an entity Golden Star, which we have now repurposed to do international staffing. We have just got our licenses in place and the carrying value there, we have actually impaired because all the contracts of Golden Star, it's a facility management business and it moves into Bluspring and this entity is repurposed as Quess International Services and the workforce. So that's the second part of it. And third is demerger-related expenses, specifically on stamp duty.
- Kushal Maheshwari:** And on the second question on the NBFC impact on the headcount and growth, can you give some insights on that? I would ask Guru and consequently, Lohit can give some more insights on General Staffing.
- Guruprasad Srinivasan:** So, I would a little roll back on this long answer to this. So people look at post-COVID, we exited the year, we were about 232,000. And since then, 3 years now, if you look at, we have almost doubled in terms of our headcount. We are about 4 lakhs, if I take overall 459,000 and specific to general staffing, we are about 425,000. So, in a long tenure, we are aggressive to grow. We add almost about 80,000 people in a quarter. Two areas that we'll have to work, and that's also, of course, there will be one-off cases like this will happen and that we would recover and we would come out of it as we move forward. These are natural. But in a long-term horizon, we continue to aggressively grow. We continue to double our headcount. At the same time, this one area that we'll have to focus is further on how we work on our attrition side as well.
- So, we are running a project on both, productivity, as I said, on fulfilment as well as on the attrition control. But otherwise, this is one odd case, and I'm sure as we step into FY26, we will recover out of it. I'll just ask Lohit to give more colour.

Lohit Bhatia:

Thank you, Guru. Deep, as Guru mentioned a little while back as well, this has been, in many ways, one of the best years from the sales team perspective, 323 new contracts worth an ACV value of almost INR720 crores have been signed by the General Staffing team. If you also see the first half of the year, the economy and both the business was trending at a very different run rate. 29,000 net adds were done in the Q1. Almost 11,000 net adds was done in Q2. So just in the first half of the year itself, we had almost as a company, added more than 40,000 headcount, and we were very bullish to end the year at one of our best ever.

This, like you rightly mentioned in your question itself, this is an NBFC circular, which required the customer to do what is called in-sourcing. And because of that in-sourcing, that 38,000 numbers have been there. But when you look at our open mandate book even today at 49,000, you look at our 323 new customers added, over 1,300 customers portfolio that we currently have, telecom, retail, logistics and manufacturing are the 4 segments where we are clearly seeing demand. And with both our ability to source across the country in more than 700 locations, hundreds of our recruiters and mobilizers and the customer demand, we are quite bullish that we should be able to, in the next 1 to 2 quarters, be able to offset from the kind of headcount loss that we've had in this one-time event.

Moderator:

The next question comes from the line of Chintan Sheth from Girik Capital.

Chintan Sheth:

Thank you for the opportunity and congrats for the demerger and the dividend policy. One set of question on the exceptional again. If you could highlight what kind of revenue loss we have seen for the quarter and the year by exiting these businesses. Even if you point out how much associate were employed on those projects, which led to this contraction. That is one.

And in terms of margin trajectory going forward, it's good thing to see the professional staffing business coming up strongly. If you can guide overall what you think about IT staffing growth going forward? You alluded to General Staffing a bit earlier, but if you can highlight this and I'll come back in queue.

Kushal Maheshwari:

Thank you Chintan, for your question, for the first part of the exceptional item, I'll ask Sushanth to give you more details. And for the IT staffing, and we have Kapil on the call. He'll give you some insights on the growth guidance.

Sushanth Pai:

Sure. So firstly, I want to clarify whatever we have taken as exceptional items has no bearing on our revenue growth for next year because this, like I told you, these are long gestational projects, and we have not taken anything new in these projects. So there's no revenue impact for next year. So that is one thing. Second, on the margin profile, broadly, if you see our margins, right, 87% of our revenue comes from GS with a 1.5% margin profile. 6% comes from professional staffing with a 9.4% margin profile, yielding 23% of our profits. So, which means that we want to concentrate on higher-margin business as we go forward.

And that is why we have said that while we are aiming at double-digit revenue growth, our profitability will accelerate higher than that. So that's the way we are seeing because higher-margin business that we do, we will get into much better margin trajectory growth profile for next year.

- Chintan Sheth:** Okay. So just a follow-up on the exceptional items. The utilities and the skill development, given you mentioned that you are not adding new business there, and scaling down over time once the projects are over. So, what is the current run rate and the associates getting employed in those segments so that we can kind of look at numbers of that and see the growth going forward? That is one. And on the margins prior to the demerger, our goalpost is to take the margins corporate overhead margins of around 3%. Now it will be some time because of the corporate overhead. What is the goalpost now on the reported basis, if you can guide like-to-like going forward?
- Sushanth Pai:** So broadly at the Quess level, yes, there are corporate overheads that has come in. And broadly, if you see our margins are at 1.8%. So, the way forward for that is it will be in that range. Our aim is to improve slightly from there because there are corporate overheads that are going to be there. So that's the way to look at it. It will be in this range bound sort of scenario for going forward as well.
- Guruprasad Srinivasan:** Chintan, again, in multiple events, we have been signalling this as well. So we were, I mean, if you look at the overall margin was hovering between 2.4% to 2.5% prior to demerger, specifically for the workforce as a division. And we had clearly called out because of the corporate cost that would come in post demerger. I mean, we are about 1.8%. By exit of this year, we should be somewhere over 2%. So there, I think, again, we have been consistent in terms of signalling, giving this messaging to the market. So that's where Stage 1, we want to get to from 1.8% to 2%, and then we will accelerate as we move forward.
- Chintan Sheth:** The exit will be for the next year, right? Exit of 2% is next year, correct?
- Guruprasad Srinivasan:** Correct. From a modelling perspective, we should definitely look at that way. See, I mean, as Sushanth clearly articulated. If you look at 87% of our contribution comes from general staffing, which is high cash generating business, low EBITDA margin business, right. The balance 23% comes from the other 2 international as well as professional staffing. And we'll continue to grow aggressively this year depending upon the demand outlook. Kapil will talk about it. We will continue to grow. However, the mix would marginally change, but high-margin businesses mix coming in will always help us to hold our bottom line better. So, I'm sure from that standpoint, we should -- by exit of this year, we should look at being somewhere about 2%. To your first question, again, these 2 projects specific to skilling and utilities, as Sushanth articulated, we have already exited these businesses in the sense we have no revenues that we are booking from this business. It is the handover and the closure of the project. So, it is not going to impact my revenue for FY26.
- Chintan Sheth:** What was the impact if we were to continue that business, what would have been the revenue? I'm trying to understand for the full year.
- Guruprasad Srinivasan:** Skilling always ran at a very high EBITDA margin, and almost about 20% of EBITDA margin business. If you were to plug in, then yes, it would have been at least about INR300 crores of revenue. But however, it does not really impact, since we have discontinued the business completely. So I mean, we can't model it around because we already discontinued it.

Kushal Maheshwari: So as part of our demerger entities, as Guru and Sushanth have highlighted, we did not have any operations as the Board as well as the management took a decision that we do not want to continue in discontinued projects. So going forward, you can see the current revenue for the quarter, you can model your growth basis the business segments identified by the management.

And for your second part of your question on IT staffing, I would ask Kapil to give you more insights on the hiring trends and the growth trajectory.

Kapil Joshi: IT staffing is definitely going through a very interesting phase. One side in the market, we have geopolitical and macroeconomic issues. But at Quess, we have seen very different result of our early focus on the GCC. If you remember FY20, we were roughly around INR22 crores EBITDA operating on less than 4% EBITDA margin. In last 5 years, this business has seen almost 27% CAGR and EBITDA margin is close to double digit now. Why it has happened is definitely you would have seen the GCC has moved from transaction to transformation. And this is the journey which we have travelled through the GCC. We have been associated and closely working with GCCs for a decade now. And as GCC do high-end work in innovation, product development, so we are. And this resulted in better revenue per associate, better margin per associate, and operationally also, we got the efficiency. We have focused on operational efficiency. Our gross margin versus EBITDA is far better now what it was 5 years back, and our sales engine is running very well. As you have seen in our investor deck, we have acquired 45 new contracts last year. And headcount buildup is expected over the next 1 year in this account. So we are hopeful that we will continue this journey.

Guruprasad Srinivasan: I would just like to add one thing here, Chintan. It is not just like this, but we have been planning for this for the last 8-plus quarters to reach where we have reached in this segment, specifically for IT staffing. So, because it also means a lot of change inside the house in terms of the order, right? So, we'll have to get a better recruiter productivity. We'll have to get the better structure also needs the change in terms of the recruit ability and capability in terms of hiring for them. The sales engine is extremely different than what we used to regularly have. And plus, in addition to that, the vertical approach, which we build every tower starting from products to enterprise. So, the tower heads under Kapil who are managing each of this vertical in itself. So from that standpoint, I think there's a lot of preparation that has gone behind where we have reached to this stage today. Lohit, do you want to add anything?

Lohit Bhatia: No. I think Guru it's well covered.

Moderator: The next question comes from the line of Deep Modi from Equirus Securities.

Deep Modi: So, my question will continue on margin side. So as per my understanding, sir, we have the 1.8% EBITDA margin, and we have the aspiration of 2% for FY'26. So, what will be the medium- to longer-term margin aspiration? Because in the past, we have seen that when we are chasing the growth, the margin has declined. So, in the demerged entity, what we are doing in a strategic way? And second question is on the government's job creation because in the last year, union budget government has announced a certain benefit related to job creation and a clarification was awaited regarding to the fine prints. So is there any update in this regard as well?

Sushanth Pai:

So, I'll just give you a sense on how we are going to look at margins. So, one, if you see, like we said, one, we want to look at high-margin accounts as we go along. So there will be some improvement because of that. The second part is we are closely looking at the costs in terms of the IDCs and all of that and see how productively we can bring in operational efficiency in the IDC related. Third, Guru also alluded to saying that how do we bring productivity through AI in terms of sourcing, in terms of giving jobs, et cetera. So, I think a combination of all these 3 will help us in getting there. And how all this will translate into medium and long term, we need to see how all this progresses. So, we have given something for the coming year. But as and when all these initiatives take shape, we can further update you on where these margins will go. But clearly, the trajectory is to look upwards from here.

Lohit Bhatia:

Deep, on the other question that you have asked about the government's employment-linked benefits as they are called ELI, you're aware that the government launched it in the budget prior to the recent budget. In the current financial year 25-26 also, if you see the expenditure statement and the budgeting for all the allocations, you will notice an allocation of upwards of about INR20,000 crores for the ELI scheme. As industry, all of us, including other larger federations as well, have given their recommendations to the government already. We are told that it's at the final stages of rule round. Having said that, as Quess, we continue to be the biggest enablers in the market of informality moving to formalization. Guru, in his opening statement, said that 131,000 people have been added to first-time job creation, which remains important for us. ELI, as it gets impacted, will have 3 benefits. One, it will reduce cost for us as well as for our employer customers. So, there is a potential that more hiring would kick in and will happen. The second is that there is, as you're aware, one of the schemes is tailor-made towards associates itself. There is an initial mobilization cost, which associates go through when they move from rural India to urban or from informal to formal. That will aid many more people coming into the formal industry. And third most important, these schemes can eventually help something which Guru again alluded towards, which is very high attrition in this industry. If stickiness and retention increase, it's again a natural benefit for large staffing companies like us. So we keenly keep looking forward for the rules.

Deep Modi:

If I can give one follow-up question is on exceptional items. So whether we expect this kind of exceptional item or a small exceptional item in the coming quarter as well due to the demerger or one-time expenditure, et cetera?

Sushanth Pai:

Yes. So, as I said, these are one-time, and these are based on specific projects that the Board and management has taken a call. And therefore, there are no such items in the coming quarters.

Moderator:

The next question comes from the line of Siddharth Zabak from IIFL Capital.

Siddharth Zabak:

The margins in overseas staffing have improved significantly year-on-year. So how are the margins expected to move going ahead? Also, are there any new geographies which you are looking to enter?

Kushal Maheshwari:

So, can you repeat the last, new geographies?

Lohit Bhatia:

New geographies, am I right?

- Siddharth Zabak:** Yes.
- Kushal Maheshwari:** Thank you for the question. I'll ask Lohit to give you a sense on the margins on general staffing as well as new geographies of course on this topic.
- Lohit Bhatia:** So, on the overseas, you're right the margin has trended downwards. In the last 2+ years, as Singapore has had challenges on the visa regulation, which their government came out with putting a cap on every nationality, that automatically meant that there were less number of Asians or particularly in this case, Indians who could be moved to these geographies for IT jobs. Our IT headcount has come down, which has been supplemented in some parts or in some measure by the general staffing headcount, which is the new business that we've started, almost close to 300 headcount, Guru alluded in his opening sentences as well. However, you will always notice that IT yields much higher per person gross margin PAPM in comparison to General Staffing yielding lower gross margin PAPM. However, this is essential for us to make that change for the business itself and for the kind of headwind that we are seeing there. We feel that we've reached a point where the biggest business, which is Singapore or used to be the biggest business, which is Singapore, has now been beaten by other geographies like Middle East, which is a higher yielding, higher margin business and doing well for us. Philippines and Malaysia, which are slightly higher yielding in terms of EBITDA margin and gross margin are smaller businesses. Hence, their growth currently is not able to fully offset the decline of the IT in Singapore. But we've reached a trough, if I can say. From here onwards, depending on how the business scales and how the international mix changes for us, we should be able to see some upward trajectory, but we first like to continue ourselves holding forth here and then building on top of that.
- Siddharth Zabak:** My other question was on any new geographies which you are looking to...
- Lohit Bhatia:** Not at the moment. We've just gone through a demerger process. There is a focus given to each one of us for deepening the kind of results and returns from every geography that we are already invested in, and that's what our business leaders are focused on.
- Guruprasad Srinivasan:** See, as part of this demerger, Siddharth, our focus is going to be on the core businesses and how much more we can do and bring in more efficiency and stay profitable. That's the immediate goal that we have.
- Moderator:** The next question comes from the line of Dipesh Mehta from Emkay Global Financial Services. Please go ahead.
- Dipeshkumar Mehta:** Just want to get sense about the NBFC ramp down, which we have seen in quarter four, whether full impact was visible in quarter four and we should not expect any incremental impact to be there in quarter one as well? And related question about growth rate, how one should look your growth trajectory in FY26? We are exiting at 3% YoY growth rate. How do you expect that growth to play out in FY26. Second question on margin, now because of the, let's say, there is an industry mix changing, which is partly reflecting your collect and pay mix also changing. And I presume even on margin level. So, whether any implication you expect because of changing industry mix for us in FY26 the ramification on cash conversion as well as margin?

Kushal Maheshwari: So, your first part of the question on the NBFC shutdown impact, I will ask Lohit to answer the question. On the second part, I'll ask Sushanth to answer the question on margins, collect and pay and so on for FY '26. Lohit over to you.

Lohit Bhatia: So, the NBFC, like we said it in the initial few questions as well, this is one-time for one of the NBFCs who were tasked to do this in-sourcing. This in-sourcing led to a decline of close to about 7% or about 38,000 headcount. The revenue of that has already impacted us in Q4 in terms of our numbers and trajectory. So headcount and revenue impact was roughly 7%. The margin impact of that on the entire book was roughly about 4%. This NBFC, in itself, used to be a customer on collect and pay. So like-for-like, when you are reading the numbers that sudden dip is reflective in that, not in a change of mix of new businesses that we are signing. 323 new businesses that we've signed this year come with upwards of 85% as collect and pay. And for the last many quarters, we've been saying that average 85% or more of the business comes from Collect and Pay. So we continue to remain focused on that trajectory. This one-time shift has happened because of this 7% of revenue going away.

Kushal Maheshwari: Thank you, Lohit. Sushanth, if you can cover the second part of the question.

Sushanth Pai: See, on the margin front, what we have said is for the full year, our margins will accelerate in terms of growth far ahead of the revenue growth. However, like we explained because of the onetime impact of the NBFC client, it will take some time to recoup those revenues, and it will come during the year. So, the margin profile as we go along, slowly will come from 1.8%. And like Guru alluded to, it will be close to 2% as we go along. So that's the way to look at margin profile. On cash flow, as you have seen this year, we had a very robust cash flow conversion. And if you exclude the income tax refund, we are at 70% or 75% plus levels already. So that sort of operating cash flow will continue for the coming year as well. 76% of our business is in the collect and pay model, and that will continue as well. So we have a very strong mechanism to generate cash flows for the coming year at 70% plus levels.

Dipeshkumar Mehta: Just on the first part of the question, I also expect your view on the outlook, let's say, growth-wise, we exited at 3% Y-o-Y growth, obviously, because of the client-specific impact. But whether that client-specific effect, how much time it will take for us to return back to double-digit growth?

Lohit Bhatia: So from a like-to-like basis, we would always look at double digits, lower teens in terms of growth, whether that's a headcount growth on our kind of size of the market as well as revenue growth.

The other thing is also you have to see the larger Indian market potential. We continue to remain one of the youngest countries in the world at 28-29 years and need to move 350 million people from informal to formalization. Our staffing industry continues to remain way below the world averages at over 2.5% staffing penetration. We are at about 1.1% to 1.2%. The industry grows at about 13% to 14%. I'm at least talking about the formal industry for which we have statistics. While there is a long tail of more than 10,000 staffing companies in the country, but may not have data on those, but the ones which we have data on. So, I think we'll continue to be in double-digit growth rate as we navigate this one challenge of Q4, a one-time decision.

- Dipeshkumar Mehta:** Sir, that was the question because it is a one-time impact and how much time it will take us to recover it fully? I understand medium term, we can grow double-digit, mid-teen kind of growth. But because of specific headwinds, whether it takes 2 quarters for us to recover it takes 4 quarters, if you can provide some sense.
- Sushanth Pai:** That's right. It will take about 2 quarters to recover, Dipesh.
- Moderator:** The next question comes from the line of Chintan Sheth from Girik Capital.
- Chintan Sheth:** One question I had was on the dividend policy. You mentioned the 3-year block, 75% payout of the free cash. If you can elaborate, will it be a linear annually 75% payout or depending on the yearly requirement, how should one look at that?
- Second is, given that we have already decent cash on books, are we planning any acquisitions to fuel the growth? And what is our investment policy going forward? That's the 2 set of questions.
- Kushal Maheshwari:** Sushanth do you want to give a brief view on the new dividend policy?
- Sushanth Pai:** So firstly, let me talk about the rationale because the demerger process is over, and we are an independent company. And like I said, we are generating strong cash flows in the coming year. The Board has decided to look at a better dividend policy in terms of number, which is up to 75% of the free cash flows over a block of 3 years. So that's the policy. Now year-to-year, what will happen, it depends on how the progress of the business is, what are the cash flows we generate. But broadly, the thing is over a period of 3 years. Year-to-year, we will figure out as we go along, and we will update you when the dividend proposal comes. But this is the broad policy that has been decided.
- Chintan Sheth:** And on the investment policy, are we looking for more acquisition-led growth? Or how are you placed given we are generating sizable cash flows?
- Guruprasad Srinivasan:** Earlier, I mean, in India, as I said, the headcount that we add and the growth that we have, definitely, it does not really make sense to do any acquisition in the local geography. So we are not exploring any. And as I said, we will be investing more time and effort on technology investments. And in fact, I did allude to the kind of AI project that we are working to see how we get the productivity. I think constantly, one area where we want to invest is to better our hiring engine from where we are and how do we create the recruiter productivity from where we are through AI interventions and the data analytics intervention, which we have already started a project internally. We want to reap the benefits of this to support our acceleration on the productivity. So that is where we would actually put more time and effort as we move forward more than acquisition.
- Chintan Sheth:** And the last question was on the receivable days. Given that a large part of our business comes from the general staffing and within that also 75%, 80% of the business is collect and pay, which I believe is more cash and carry. Still, our receivable days are 37 days currently.
- So I mean to say that the residual business ideally will carry a very high receivable days. I believe that 30 to 60 days is the range where we are recovering our money in the IT staffing business or

the overseas staffing business. But you see the other residual business ex of collect and pay will be much higher than that. I'm just trying to reconcile the number.

Guruprasad Srinivasan: So, if you look at all the 3 profiles, general staffing at an average of 17 to 18 days, as you rightly said, 80% of our contracts are collect and paid. And IT staffing clocks around roughly 70 to 75 days in terms of collections. And almost similar will be for overseas, because high margin, and it must go through its own process, right. So we are working with all large GCCs and MNCs on the other side. So, the commercials also commensurate in terms of working in that model. So blended average, if you look at this FY25 itself, we have brought our overall consolidated DSO from 44 days to 37 days. And this, I would say, is the best where we have got our DSO levels where we are today. And we would definitely want to aim at getting it better, but would it further drastically come down from here? It may not be, but we can still better by 1 or 2 days as we move forward. So, I think we are at the highest efficient collection system that we have put in place where we are. Sushant, do you want to add?

Sushanth Pai: I just want to add that the receivables, the number of days, also includes unbilled revenues as well. So, all put together, it is about 21 days. 17 days of unbilled, 21 days of billed received here.

Moderator: The next question comes from the line of Riya Mehta from Aequitas Investments.

Riya Mehta: My first question is in respect to the goodwill impairment, which we have done. So, what amount of goodwill is still left on the balance sheet and what are the basis of impairment?

Sushanth Pai: Yes. So, the goodwill we have impaired is in 2 companies. One is Stellarslog, which is INR7 crores, and Quess International Services, which is INR19 crores. What is remaining as goodwill is about INR236 crores. They are more for our Magna and Comtel businesses, which are doing well, and there is no impairment on those businesses.

Riya Mehta: Okay. So, the 2 entities where we have already write down the goodwill, that's completed, right?

Sushanth Pai: Yes.

Riya Mehta: And in terms of the NBFC, which we let go, was that because they're now adopting AI or something on that line?

Lohit Bhatia: Yes. So, I'd like to clarify, we did not lose the account. The client had to in-source a certain set of people because of a certain advisory which the NBFC received. We are still service providers to the customer. We carry another few thousand people, but much smaller than what we've lost.

For the current financial year and the financial year going by, we are also in active conversation with the NBFC on a new project that we'd be working with them to ramp up some of the numbers again. So, there is no loss on account of services, technology, commercials or any other thing.

Riya Mehta: Got it. And are we expecting any other NBFCs reducing from our clientele list because of the regulation?

Lohit Bhatia: Not at the moment, we don't see the signs of that. See, a staffing company plays a very critical role in most organizations, which is why we've grown, and the industry has grown. One is

mobilization and sourcing, which is extremely important. Today, the majority of our workforce, nearly 39%, works in Tier 2 and below towns. So, for companies to come to a staffing company, payroll and compliance used to be what was essential 10 years ago. But today, payroll and compliance has become table stakes. Importantly, it has become what technology and productivity you can help them with how you can help them with sourcing across the country in all of these thousands of towns and cities. And more importantly, how can you do compliance management at the end of the life of the workforce. Quess has also created a technology called HamaraHR, on which resides our benefits platform. And today, we give benefits to lakhs of our employees, which is available to every customer's associate employees. So there are many other things for which a staffing company plays a very integral role. And we continue to see that we'll keep playing that role for thousands of other companies as well in times to come.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing remarks.

Guruprasad Srinivasan: Okay. I again take this opportunity to thank each one of you on this call for joining us for the Q4 and full year earnings call. Your questions and feedback have always been valuable. We appreciate your continued interest and support as we move forward with renewed purpose and strategic clarity. I sincerely look forward to catching up with you again. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of IIFL Capital Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

(The document has been slightly edited to improve readability)