SYMBOL: SPECTSTM **Dated: 31.05.2024**
ISIN: INE0OL001018

To,
The Manager-Listing Department,
The National Stock Exchange of India Limited,
Exchange Plaza, NSE Building,
Bandra Kurla Complex, Bandra East,
Mumbai-400051

Dear Sir(s)/ Madam,

Sub: Submission of Transcript of conference call with the Investors/ Analyst.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are hereby submitting Transcript of conference call held to discuss the Financial Year 2024, post results of the Company on Tuesday, 28th May, 2024 at 02:00 P.M. IST.

The conference call Transcript is attached herewith.

Kindly acknowledge and take on your records.

Thanking you,

Yours faithfully

For Spectrum Talent Management Limited

NITESH ANAND Digitally signed by NITESH ANAND Date: 2024.05.31 17:19:25 +05'30'

(Nitesh Anand)
Company Secretary
Membership No.
A28698

Encl. As above.

SPECTRUM TALENT MANAGEMENT LTD

H2 & FY24

POST RESULT CONFERENCE CALL

May 28, 2024 02:00 PM IST

Management Team

Vidur Gupta - Managing Director
Sidharth Agarwal - Whole Time Director

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the H2 and FY'24 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, Whole 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 quickly run us through the presentation, the business and performance highlights for the half year and the year that went by, the growth plans and vision for the coming year, post which we will open the floor for Q&A. Over to you, sir.

Vidur Gupta: Thank you, Vinay. Good afternoon, everyone. Thank you for joining in the call. For the performance overview, we closed the year at 18,875 deployed work force along with 8,279 people in the apprenticeship team. Our core team grew to 490 plus team members, plus our vendor network also grew, which helped us in delivering better for our customers.

At a headcount growth level in the financial year '24, we added 5,247 in managed headcount. And we had an increase of 3,707 people in the H2, which was a 15.81% increase compared to H1. At a company level, our revenue grew by 32.9%. Manpower supply and recruitment services grew by 20%. We doubled our headcount from 13,000 to 27,000 in FY'24. This was from two years ago, and we also touched a 1,000 crore milestone. Key sectors that contributed to the revenue growth were Renewable Energy, Retail and Manufacturing.

We added 70 new logos in the H2. The trainee headcount went up by 2,823 in FY'24. And in H2 alone, we added 1,051 people. We also managed growing our sales team for the RPO and the IT Staffing business. This conscious call came because the market has started to look up and the market and the Recruitment and the IT Staffing business is opening. We had Mr. Peush Saproo, who's joined us as the Head of Sales for this business. He came in with over 21 years of experience and was with competition heading sale [inaudible] [0:02:53] grew this team by about 10 members.

Overall, revenue for the year grew by 32.9%. Headcount grew by 24% year-on-year. We were successful in setting up the RPO and IT staffing sales team.

Over to Sidharth for the financial performance, first the standalone and then the consolidated.

Sidharth Agarwal: Good afternoon, everyone. I'll run you through the financial performance on a standalone basis first. So, for the second half of the year, the total revenue for the organisation was ₹578.46 crores, and the operating revenue was ₹577.13 crores. This was a 36% growth from the first half of the year where we managed the total revenue of ₹423 crores, and the operating revenue for the same half was ₹421 crores.

The EBITDA for the second half of the year was ₹4.65 crores as compared to ₹3.86 crores for the first half of the year. The PBT for the second half was ₹5.73 crores vis-a-vis PBT of ₹3.57 crores in the first half of the year. The profit after tax was ₹7.26 crores as compared to ₹3.75 crores for the H1 of the year.

So, on a year-on-year basis, the total revenue grew by almost 33%, which was up from ₹753 crores to ₹1,001 crores. There's a falling EBITDA from a ₹23.3 crores to a ₹8.5 crores for FY'24. The PBT for the FY'24, was ₹9.3 crores and the PAT was ₹11 crores as compared to ₹27 crores for the previous year.

I'll now run through the consolidated performance metrics. The revenue overall was ₹1,018 crores as compared to ₹768 crores in the previous year, where the EBITDA was ₹23.6 crores to ₹9.4 crores for FY'24. The PBT was ₹10 crores as compared to ₹22.2 crores, and a PAT was ₹11.6 crores as compared to ₹27.81 crores for the previous year.

We'll just run you through two segments, that we have. For the manpower supply, the revenue for the second half of the year was ₹310 crores as compared to ₹276 crores for the previous half. For the exports of electronic goods, we did around ₹266 crores of exports vis-a-vis ₹144 crores in the first half of the year. So total income from operations, happened to be ₹998 crores as compared to ₹752 crores for the previous year. The EBITDA for the second half of the year for the Manpower Supply business was 2.89%, and the electronics goods was 1.75% -- sorry ₹2.89 crores and ₹1.75 crores. Total EBITDA was ₹4.65 crores.

I'll come to the consolidated numbers now. The first half of the year, the Manpower Supply business was ₹285.14 crores as compared to ₹319 crores. And for the electronic goods as well, it was the same as the standalone numbers. So overall year-on-year growth, if we see in the Manpower business, it was a 20.1% growth, and in the export side, it was a 55% growth.

The EBITDA margin for the manpower supply was 1.1% in the second half of the year as compared to a 1% in the previous half. And the electronic goods, it was 0.7% as compared to 0.9% in the first half of the year.

This is just a snapshot of the headcount numbers like, Vidur just previously mentioned. We closed the year at 18,875 numbers, on the staffing front, which is the General Staffing and the Industrial Staffing business for the organisation. And on the NAPS and NATS, the apprenticeship front, we closed on a headcount of 8,279 numbers. This was in comparison in the first half of the year. We closed at a 16,219 to and the NAPS headcount was 7,228 numbers. Our core headcount was 490 at the end of March '24 as compared to September '23 where the internal headcount was 480 numbers.

So, our productivity as compared to, with respect to the manpower that we manage has been growing. We used, it was previously 280 for the second half of the financial year '23, which is now 348. The core employees only include the operation team members who are managing the off-roll resources, including the apprenticeship trainees that we have on our payrolls.

Vidur Gupta: We'll open the floor for questions, please. Vinay

Question-and-Answer Session

Vinay Pandit: Sure. Anybody who wishes to ask a question, you use the option of raise hand. Vidur I'll request you to end the screen. So, anybody who wishes to ask a question, please use the option of raise hand. We'll take the first question from Rahil Dasani. Rahil, you can go ahead.

Rahil Dasani: Yeah. Hi. First of all, thank you for the opportunity, and congratulations on a great quarter. So, I wanted to understand what sort of PBIT margins did we used to do pre-2020?

Vidur Gupta: I'll take that. See our margins have usually remained in the range of about 4% to 5%. The drop in margin is because of the Recruitment and the IT Staffing business being slow. If you look at the performance of our competition as well, while we don't like to comment on competition, but in general, the industry, there has been a massive slowdown in the Recruitment and the IT Staffing business, which is starting to come up now. So, we are seeing work coming in. We are seeing more offers going out.

The joining ratios at the moment are again slightly poor, owing to the fact that customers are not offering the hike in percentage that they used to offer earlier. In the path, maybe about a year, year and a half ago, most of our customers would offer a 30%, 35%, 40% hike to candidates. At the moment, the industry is offering more in the range of about 20%, 22%, 25%, which is resulting in a fair amount of retention as well. And a lot of offer shopping, which is why it's not yet corresponding into performance from an organisational standpoint, it will come.

Rahil Dasani: Okay. So, what I'm trying to understand is, since during the COVID period, we saw a lot of firing of employees. So I was of the assumption that, post that period we would have seen a lot more RPO and IT staffing recruitment, and that would have enhanced the margins.

Vidur Gupta: It did. It did. So, there are some things that are slightly cyclical in nature. COVID was a one-off event hiring after that. So, there was the great resignation and the great rehire as the industry would call it in terms of names that they would call it by. There was a massive increase in hiring and that is when our margin was in the range of about 4.5%, 5% as an organisation. But in routine also, we've been able to usually keep a margin of about 4 odd percent.

Now when the uptick in hiring did happen also when we landed a few more RPOs and the demand was there, there was a massive back out ratio as well. People were picking up eight to ten offers and then looking at joining one. So, we did get a lot more work, Rahil, and performance improved. But in routine also we do manage a 4 odd percent. That is what the trend had been for the organisation in the past as well.

Rahil Dasani: Got it. That's very helpful. And if you can share the contribution from each segment, RPO, global HR and general staffing, if that's possible?

Vidur Gupta: Rahil, that's confidential at the moment. It is business critical. The second thing is that there are a lot of teams that are intermingled here.

To give you an example, for the Global Staffing business, we have teams that are working for international recruitment where we are hiring in the U.S. and the payroll is being done by the U.S. company, then the hiring fee is generated from India.

At the same time in India also, there are teams that do staffing and recruitment both. So, there are a lot of IT customers where we send profiles, and while taking the interview, they decide that do they want to hire this person on contract or on a full-time basis. If they hire on a full-time basis, then the revenue is counted for the Recruitment business. If they hire on contract, it's counted for the Staffing business. So, there is a lot of inter tingling at the moment, and into usage and shared resources for the teams, which is why this data is a little difficult to really give out.

But on a ballpark figure, I can tell you that there has been a substantial reduction in terms of the Recruitment business on a year-on-year basis. And that has also been coupled with the fact that we've grown our team size internally, which is now starting to show results. And the recruitment cycle in principle is fairly long. We get work from a customer. We start delivering, we send a few CVs, a short listing happens, offers go out.

The whole process takes about two to three months. And then in India, a lot of times the notice period is between one to three months. The candidate joins. We usually raise an invoice within a month after the candidate joining. So the process is slightly long, which is why results take slightly longer to show.

Rahil Dasani: Got it. And lastly, I can see the IPO funds are finally used. We said we would only use them if they get a good contract. So, if you can share what type of contract did we get, was it an RPO or was it a click credit based segments?

Vidur Gupta: IPO funds are primarily being used only for working capital for the -- as and when we get business. But we had a fair amount of spare fund lying at the end of March '23, which we are planning to deploy as and when we get the right kind of contracts. But everything is in routine IT. It's primarily for the Staffing business. We don't need funds for the Recruitment and the RPO business.

While the cycle there is long, but it doesn't require funds. IT staffing is where we need funds and engineering and specialised staffing. So, we've been landing a few contracts where we've been deploying these funds.

Rahil Dasani: So, but have we deployed the complete ₹72 CR odd?

Vidur Gupta: No. We have not.

Rahil Dasani: How much have we deployed, if you can share that?

Vidur Gupta: So, in between the working capital usage had gone up, but I think at the end of the year, Sidharth, how much did we have?

Sidharth Agarwal: So, Rahil we have around ₹55 odd crores of the IPO funds still lying with us.

Vidur Gupta: Rahil it had been deployed for working capital, but it came out of working capital also. And the other thing is that, the plan was to stop the exports business. A lot of that fund came out. So that fund is also lying with us now. But as we've decided to continue that business for this year as and when we keep getting contracts in the HR business, we will keep utilising the funds there.

Rahil Dasani: Very interesting. Okay. So, what am I doing to grow the global HR business, it being the most optimum in terms of both volume, demand, and margins? And how is the global services scaled up post 2020 when we launch it?

Vidur Gupta: So, Rahil, the last year, frankly, has not been a lot of focus on the global business owing to the fact that there was a massive interest rate increase in the U.S. And with the geopolitical situation, we realised that it doesn't make sense for us to be spending money there, which is why if you see the growth that has happened in the U.S. business is also about 15%, 18%, which is the normal course of work. We have not increased our expenses there. It is now that the U.S. market is starting to open up where people are accepting that that these interest rates are a reality, and companies are looking to start investing again.

We will now look at expanding on the global footprint, but last year, the focus on investing on the global footprint was not there. It'll be there this year.

Rahil Dasani: Okay. So, but, if I'm not wrong in the last quarter, you said we had grown 100% in the global HR business?

Vidur Gupta: So that was for the last year. Yes. Year-on-year.

Rahil Dasani: And this year it's 15%, 20%.

Vidur Gupta: This year, it's 15%, 20%.

Rahil Dasani: Got it.

Vidur Gupta: Last financial year, we had grown 100% FY'23.

Rahil Dasani: Got it. And like you said, you have hired the RPO and IT staffing team. Is there a contract that we are in looks for, or is it that we got some good hiring opportunity?

Vidur Gupta: So, Rahil, we did see that the industry was not doing well. So, over the last eight, nine months, one year, we did not increase our sales team. We had a very, very limited number. We only had three salespeople in our recruitment and IT Staffing business. All the sales hiring that we had done was for the general staffing and the apprenticeship business.

Now that the market has started opening up is why we needed to take this step to be able to conquer the right assignment. And our RPOs typically take six to eight months to land, because it's a project where the company has to or our clients put a lot of trust in us making us exclusive for a particular piece or for the whole organisation. So, these things take time to materialise, but the sales team, which is an expert at selling this is required.

At the same time, IT staffing because of the layoffs that had happened, we are seeing that there will be a massive demand or and the demand has started coming in. So, IT staffing, everyone in the industry has lost numbers and we were utilising our existing teams, which were selling the General Staffing business to sell IT staffing as well. However, the approach is very, very different selling IT staffing compared to general staffing, which is why we had to hire these people. And this was coupled, obviously, with a hiring opportunity because a lot of people did not make a lot of variable this year owing to the fact that that the market was low. So, we were getting good talent to hire and we went ahead and we've hired them.

Rahil Dasani: Okay. So just two things on this. First of all, you said it takes six months to land. Do you mean the client or the revenue? And second of all, you said ....no, please continue.

Vidur Gupta: Yeah. So, in an RPO, the discussion will be concluded within a span of three months, but a customer will usually give us about two months to implement an RPO, because we would be looking at 15, 20 maybe depending on the size of the RPO, recruiters being deputed for the customer, understanding the customer's process. However, revenues are slightly quicker to realise, because the moment that RPO starts, there are people who are immediate joiners as well, and revenue starts flowing in in more or less immediately.

And there is a management fee also, which is a fixed monthly that we charge our customers in case of RPOs. That too starts slowing. So, which is where revenue realisation will start maybe about maybe at the fourth or the fifth month from starting to engage a customer.

Agreement takes about three months to close. Post the agreement about two odd months to usually set up and place the team in place. And at the end of those two months, revenue starts to come.

Rahil Dasani: Got it. That's very helpful. And the last thing that you said, so just to clear this off, we are hiring because we are getting good opportunity in terms of employees rather than we having a good visibility of contracts.

Vidur Gupta: So, it is both, Rahil. We were getting good opportunity to hire these employees for the last one year. But consciously, we were not hiring people in the sales piece for the recruitment and IT staffing owing to the fact that the market was slow. Even if we have a great sales team in place, they wouldn't have been able to bring us a lot of good contracts. So, it is now that the market is opening up, which is why the decision has been taken.

Rahil Dasani: That's very helpful. I have a few more questions, but I'll get back in the queue. Thank you very much.

Moderator: Thanks. We'll take the next question from Jatin Chawla. Jatin, you can go ahead, please.

Jatin Chawla: Thanks for the opportunity. So, a couple of questions. One, when I look at your P&L, I see other operating expenses up sharply from ₹6.5 crores to ₹14 crores from FY'23 to FY'24. Can you please tell us what are the key elements, which have led to this increase?

Vidur Gupta: I'll let Sidharth take that question.

Sidharth Agarwal: Just give me a minute, for this, please.

Jatin Chawla: Sure. In the meanwhile, I will ask my second question in the time Sidharth pulls the numbers out. So, what signs are you seeing which are suggesting to you that there is a pickup in IT recruitment? Because when I look at all the larger IT companies, none of them is really talking about demand environment for them improving?

Vidur Gupta: So, Jatin, there have been two things that have happened. One is that all the IT companies that we've been hearing reports about primarily are coming in where they are shutting off verticals that have been non-performing verticals. In the economic times, there was an article companies cutting slab tech companies. This was about a week, 10 days ago. I'm sure, a lot of people would have read that. So, there is a layoff happening for particular IT teams within those organisations. It doesn't mean that the other pieces are not hiring.

Demand has started to grow up, and companies have also started to realise again that they need to innovate. If they stop innovating, if they stop investing on technology, they can't grow. So, there was a time when everyone was only looking to enhance profitability and optimise their operations. But a lot of them have reached a stage where they've optimised their operations and now are looking to hire again.

So, we started getting demand, Jatin. The science for us is the number of open mandates that we are receiving from our customers. And this usually starts with IT services company. So, when we start getting demand from IT services companies, that is where we get to know that the overall tech market is now picking up back again. So those demands are coming.

At the same time, in the U.S. also, we started receiving demands in the right way. Over the last one year, it was very muted. Most of our customers, we did not have demand. Second, a lot of customers where we were not working potential customers, we were not being able to get entry because they were not adding any new agencies. When your demand reduces and you don't have enough work, you don't need more vendors.

We've started getting RFPs from our customers or potential customers. Renewal ports for the year. So that is how we are seeing the demand coming in.

Jatin Chawla: And the impacts of this on revenues will come in the first half of this financial year itself or will there be second half?

Vidur Gupta: Some of it, Jatin, may come in the first half. Some of it may come a little later. See, Jatin, honestly, we cannot predict how the future will be. I can only tell you that as an organisation, we are receiving a lot more amount of work.

Jatin Chawla: What I'm trying to understand is that do you have enough visibility to say that you are seeing revenue traction in the first half? Or is it kind of, there are early signs but not enough revenue visibility, so maybe in the second half?

Vidur Gupta: Jatin, so revenue is improving. Our margin, if you see H1 is to H2 also, the margin percentage has improved even by a few points, but it has. This will continue to happen. And there is work that is flowing in, but billing also takes a little bit of time over here. We get the mandate. We deliver. So H1 may not have as much of an impact, but H2 definitely will have a much larger impact.

Jatin Chawla: And on the recruitment side, so for the full-year your margins are down from recruitment staffing from 4% to 1%. So, I think you spoke about one factor clearly that the recruitment business is down. Any other factors which have led to this sharp margin decline?

Vidur Gupta: There are three factors actually, Jatin. One factor is the recruitment business is down. The second factor is that we have grown our internal team substantially, which is the senior level hires in the internal team. And all our hiring has been from good reputed large organisations. Jatin, before we went public, we had a challenge in terms of attracting the right talent from a brand perspective.

If you did notice, we achieved the great place to work certification also. This came in May this year. We've added it in the presentation. And, all of these are towards attracting the right talent. It's the talent that runs the business for us. And owing to that, the cost has gone up. The third has been the IT Staffing business also, where numbers have gone down a little, and now the numbers are climbing back up.

S, in IT staffing, the whole industry saw a reduction in numbers. But, reduction in numbers in a field like IT staffing and in recruitment only says that there's going to be a bigger amount of hiring that's going to come in the future. And that's happened in 2008. That's happened post-COVID, and it's going to happen again. That is the cyclical nature of this industry.

Jatin Chawla: Yep. And, so I know you guys are not sharing absolute numbers on the recruitment on the IT staffing side, but the decline in FY'24 is the magnitude like 40%, 50%? Is it like 70%, 80%? What sort of decline have we seen?

Vidur Gupta: So, it's been about a 40%, 42% sort of a decline, Jatin. In terms of absolute numbers in the recruitment and the IT Staffing business.

Jatin Chawla: Got it. Sidharth, do you have the number for that?

Sidharth Agarwal: Yeah. Jatin, for the operating expenses, which has gone up from a ₹4.4 crores to ₹11.48 crores, is this what you were referring to?

Jatin Chawla: Yeah.

Sidharth Agarwal: So, Jatin, what has happened is we have been able to bag a contract, which is not a contract staffing assignment, but it is a professional staffing assignment. So, the fee to those professionals has been put in the other operating expenses.

Jatin Chawla: Got it.

Sidharth Agarwal: Thus, the increase is there. Also, the job boards that we have taken in the last year owing to the increase in headcount, the cost of the same has gone up by around the ₹35 odd lakhs. So, these are two large year-on-year comparison.

Jatin Chawla: I didn't quite catch the second point. You said the ₹35 lakhs is for what?

Sidharth Agarwal: It is for the job boards that we use Naukri, LinkedIn, and other job boards. Yeah.

Jatin Chawla: Right. Got it. One last question. So, you said there have been funds deployed on the IT and the Engineering and Specialised Staffing business. Now typically, that those lines of business are also higher margin than the General Staffing business. So given that you have deployed funds, I'm assuming we would have seen good growth. So why is it that we are not seeing a resultant improvement on the margin side?

Vidur Gupta: There are two things. One is that when we in the General Staffing business, if we land a large customer, the pricing is on the fixed side, and the margins are very, very low. On the Engineering Staffing, we've bagged contracts. We've deployed funds. A lot of that has happened in Jan, Feb, and March of this year. And these contracts that we've bagged are primarily with renewable energy as a sector. So, the results will come. It'll take some time to show. The quantum is it much lower.

Jatin Chawla: Got it. Yeah. I think that's it from my side. Just a request, I think if we could, we should start moving to quarterly results. That kind of helps understand faster, how the business is changing.

Vidur Gupta: All right.

Jatin Chawla: Thanks.

Moderator: Thank you. We take the next question from Harshad Bhagwan. Harshad, you can go ahead.

Harshad Bhagwan: Hello. Am I audible?

Harshad Bhagwan: Yes. So my first question is regarding the operating and PAT margins. Like, we have guided for 30% to 35% CAGR for the next three to five years, right?

Vidur Gupta: Right. For the top line, yes.

Harshad Bhagwan: Yes. For the top line growth. And, like, I just wanted to ask that what will be the sustainable margins, like PAT margins or operating margins for that kind of growth?

Vidur Gupta: Harshad, we've typically been working with a 4% sort of a PAT margin in the past. It's not just been the past, it's not just been FY'23, but before that also, if you look at it, we were always in the 4 odd percent sort of a range as an organisation. So, this current investment have led to the margins going down. However, this margin will come back. It will climb up slowly, and we are hoping that in the next maybe a year, year and a half, we should be able to reach a much better number compared to where we are at.

Harshad Bhagwan: So, the historic margin of 4%, that will be sustainable in the next five to like upcoming years?

Vidur Gupta: Yes, it is. Otherwise, Harshad, that margin is sustainable because it is a mix of general staffing, IT, professional, and recruitment.

Harshad Bhagwan: Okay. Got it. And my next question is regarding the Electronics segment that we have. So, what kind of segment is that? Like, can you show some light on that?

Vidur Gupta: So that's where we are trading. It's a pure play trading business. In the last six months, what happened is that the turnaround went up a little, where we were able to utilise the funds maybe about, maybe twice or thrice over in the month. And that's why the numbers had increased in terms of absolute top line in the electronics trading. But, that's not a long-term vision for the organisation. It’s a simple electronics trading business.

Harshad Bhagwan: Okay. So, like in the last concall, as you said, you will be setting down, I guess from the March 2024, right?

Vidur Gupta: We had a plan, and then we took an approval from the board and gave out an exchange notification that we will continue this business till the time be. The other businesses in the HR space don't pick up. So, we want to shut it by the end of within this year, not by the end of the year. I'm hoping that we are able to get the other businesses up, and hopefully we'll be able to shut it as soon as possible.

Harshad Bhagwan: Okay. So, we have extended the time frame that we…

Vidur Gupta: Yes, we have extended the time frame.

Harshad Bhagwan: Okay. Because we are majorly seeing a large amount of growth from this segment as compared to the, our core business. So, I just wanted to ask a question about that?

Vidur Gupta: Harshad, the reason for that large growth in absolute numbers is that there was a lot of turnaround and quick turnaround that happened in the shipments in this H2, where usually, we used to be able to rotate capital twice in the month. However, a number of times, we were able to do it thrice in the last H2.

Harshad Bhagwan: And we are only in mobile segment or any other electronic devices?

Vidur Gupta: Only mobiles.

Harshad Bhagwan: Okay. So that's it from my side. I just wanted to congratulate you on having such good numbers, and all the best for the future. And hope you do what you have guided.

Vidur Gupta: Thank you, Harshad.

Harshad Bhagwan: Thank you.

Moderator: Thank you. We'll take the next question from Rahil Dasani. Rahil, you can go ahead, please.

Rahil Dasani: Yeah. Hi. So just continuing on the trading business again, it has been a cash cow for us with most significant investments. And once the supply chain is set up, it just keeps on growing. So, whenever we plan to shut it down, we're planning to sell this business or just pushing it into a related party entity or just a plain and simple shutdown?

Vidur Gupta: So, Rahil, the plan is to plain and simple shutdown. See, the intrinsic value in the trading business is really not there. Intrinsic value is only how quickly are you able to procure and how quickly are you able to ship and turn your money around. So that is the intrinsic value. And margins have been reducing in this business as well. A lot more number of companies and people are entering this business. So, the plan at the moment is to just shut it down. If something does change, we will inform everyone.

Rahil Dasani: Got it. And on a side note, we were guiding for 35% growth in the staffing segment, but we did approx 20%. So, do we expect a similar downward guidance for the next year, and what do we expect the next year based on the demand we are receiving?

Vidur Gupta: So, Rahil, if you see the numbers in the staffing business now, we add some customers say in April, May, June, and there are some customers that get added only towards the end of the year. So, results for those customers come in the future. So, I'll let Sidharth give more guidance on the staffing numbers. He has more visibility there nonetheless.

Sidharth Agarwal: I'm sorry. I had lost Rahil in between, if you could just repeat the question, Rahil.

Rahil Dasani: Sure. So, we have been guiding for 35% growth in the staffing segment, but in this half, we did approximate 20 odd percent. So, do we expect a similar downward guidance for next year on what do we expect next year based on the demand we are receiving?

Sidharth Agarwal: No, Rahil. So, what we anticipated that we'll be able to get a 30% growth on the top line for the organisation on the recruitment and the manpower front. We have already have had a few contracts that have come our way at the beginning of the year. And that in itself will add to the top line of the organisation. So, I don't see that a 30% upside should be a problem, over the next 12 months.

Vidur Gupta: So, we did 24% in terms of year-on-year growth compared to a 30% is what we were targeting.

Rahil Dasani: Got it. Okay. It must be a mistake from my side. So, in terms of timelines, I understand it takes time for different contracts. But if you could provide some quantum in terms of amount of these contracts?

Sidharth Agarwal: I'm not too sure if we can disclose that, Rahil. I'm not too sure about that.

Vidur Gupta: So, Rahil we will not have its calculation. On a monthly basis, we are adding numbers in a few customers and numbers are reducing in a few customers. But at the moment, giving clarity on that is going to be a little difficult. We don't have that data available with us.

Rahil Dasani: Okay. And so, coming from another way, are those contracts enough for 30% or they will surpass 30% or they are lower than 30% at this stage?

Sidharth Agarwal: No. So, the contracts that we have bagged will not help us reach a 30% mark, but they will contribute around a 12% to 13% odd growth in the top line of the organisation.

Rahil Dasani: Got it. That's very helpful. And the next question is on retail engineering, manufacturing, and BFSI segments. The realisations for these have dropped from 2022 to 2023. What caused this especially when these sectors are doing really well?

Vidur Gupta: See by realisation, are you talking about headcount number? Are you talking about…?

Rahil Dasani: In terms of total employees deployed versus the revenue generated.

Vidur Gupta: So, the revenue generated can change, Rahil, because different segments have a different pricing proposition. In retail, most of the agreements are at a fixed fee agreements, and they're larger agreements. And at the same time, there are times that in retail, there is some hiring that is seasonal. So, if you look at H1 numbers, the numbers will be higher, and H2 those numbers will be lower. But exact details, I don't have for '22 to '23 at the moment are not available with me.

Rahil Dasani: I'm not comparing half on half. I'm telling year-on-year.

Vidur Gupta: So '23 to '24, that data we've not given anywhere over here.

Rahil Dasani: No. '22 to '23 if you have that.

Vidur Gupta: I don't have that handy, Rahil with me.

Rahil Dasani: But just on the top of your head, what can be the reason for this? Is it like hard bargaining from customers, lower demand or like increased population? How is that?

Vidur Gupta: I don't have that data available with me, Rahil, at the moment.

Sidharth Agarwal: Vidur, I can maybe help out. Can you just repeat the question, I'm facing some network issues? I'm so sorry about it. But could you please…

Vidur Gupta: So, Sid, what Rahil is saying is that '22 to '23, there was a drop in deployed manpower for retail and other customers. Retail engineering and another couple of fields. What was the reason in terms of this drop in revenue from these customers '22 to '23?

Sidharth Agarwal: '22 to '23. So, Rahil, I believe we had lost out on one particular account which had around 500 odd people on our payrolls.

Rahil Dasani: But this is over four segments. The retail segment, engineering segment, manufacturing, and BFSI. The revenues has dropped way too much.

Sidharth Agarwal: Where are you getting this drop from Rahil? If you could please confirm?

Rahil Dasani: So, we have provided in the DRHP and annual reports, we have provided the revenue for each segment and the employees deployed in each segment. When I compare that year-on-year, we need a lot more employees to generate a lot less revenue compared to '22. So, in a simple way, 100 employees in 2022 are generating ₹10 CR, but 200 employees in '23 are generating the same ₹10 CR. So, there is no increase in the revenue even after the increase in the employees.

Vidur Gupta: Rahil exact reason, we'll have to check. And in the Engineering Services business, usually the salaries are much, much higher. The retail usually works, a number of times at minimum compensation, especially when it is, say delivery people and e-com contracts. So, but we don't have that data handy with us, Rahil, at the moment. Please, if you could drop your email ID, we can check that up and we can send you a mail on it something.

Rahil Dasani: Not a problem. I can share the exact details later. My next question is one of our peers is doing better margins with 78% collect and pay revenue and 83% revenue from general staffing. They are doing 3% PBIT. And whereas we are at 50:50 pay and collect, and we are also having a lot higher value segments. So, if you can explain that?

Sidharth Agarwal: So, Rahil, I'm assuming you're talking about, I can't name the organisation. So why they have a larger collect and pay number is because of the fact that some large customers of theirs where they have the maximum amount of employees deployed as they're collect and pay accounts. So, if the volume is on a larger side so if you see the -- if on mostly the BFSI sector and the retail sector are collect and pay accounts. So, the concentration on those sites for that particular organisation is slightly higher. So, the numbers are also higher and the collect and pay is slightly skewed towards that site.

Vidur Gupta: Yeah, Rahil. Plus, there are business segments where there are other business segments when it comes to managed services. So, there are some peers of us who are into managed services as a business segment, technology solutions as a business segment. Those may be contributing to a much higher amount of margin.

Rahil Dasani: No, I'm speaking standalone on the same business as ours. On standalone entity, they are making 3% PBIT.

Vidur Gupta: Within the same business, they may be having a 3% PBIT. They may be working with say a lot more in terms of technology staffing. They may be doing a lot more in terms of specialised staffing. That's where maybe the margin is coming from, but I really can't see.

Rahil Dasani: Yes, so that's what I'm trying to understand. They have a higher BFSI where we have also said it's a higher value, but we lack some capabilities. So, what are we doing to improve in the BFSI segment?

Vidur Gupta: So, Rahil, we are working towards improvement on most segment. It's not just BFSI. While we are also looking to add technology or improving technology that we have. We've been spending some money there building better applications, building business analytics into our tech product that we offer to our customers bundled with our services.

But at the moment, there are companies that are doing a lower margin, similar margin, and there are some that are doing a higher margin. It purely depends on the business mix that they may have.

Rahil Dasani: Sure. Got it. Just a few bookkeeping questions. The short-term loans and advances have increased to ₹24 crores this year. This was ₹6 crores last year.

Sidharth Agarwal: And the reason behind it is that we have procured some piece of office premises in order to shift our corporate office. That's the reason for this.

Rahil Dasani: Sorry. I didn't get you.

Vidur Gupta: So, we've bought an office premises, which hasn't yet been delivered to us under construction, and that is going into a short-term loan in advance. It is…

Rahil Dasani: How much have you spent there exactly, if you can share that?

Sidharth Agarwal: So around ₹15 odd crores, Rahil.

Rahil Dasani: Makes sense. That's helpful. And regarding the other operating expenses, I missed the first part. I got a ₹35 lakhs part, but I missed the first part.

Sidharth Agarwal: So, we have bagged the contract, which is on the professional arrangement with the associates. So those professional expenses have been accounted for in the other operating expenses.

Rahil Dasani: I'm really sorry -- excuse me. But if you can please explain this agreement, I can't get it.

Sidharth Agarwal: Yeah. So, what professional staffing is basically about is that, they don't come under the PF and ESIC. The TDS is deducted at a flat 10%, and they raise an invoice to us. So, they're assignment-based individuals who we have hired on behalf of our client.

Vidur Gupta: We hire contractors, Rahil, at times on behalf of our customers. That comes in operating expenses.

Rahil Dasani: Got it. My last question just regarding the hiring, I would really like to appreciate the extremely strong addition that we have made to the team. That's really commendable. If you can explain me what were the internal core employee team cost this year, March '24, and what was it for '23 and '22?

Sidharth Agarwal: '23 and '22. So '23, Rahil, we were at around ₹1.5 odd crores, roughly, which has now gone up to around ₹2.4 odd crores on a month-on-month basis. March '23 to March '24.

Rahil Dasani: No. If you can please share the annual number.

Sidharth Agarwal: Annual number, just a second. So, our salary cost has gone up from a ₹14 odd crores to a ₹22.2 odd crores.

Rahil Dasani: Okay. That's helpful. And, so what sort of operating leverage can we expect now that these additions have been done as and when the market revives, of course?

Vidur Gupta: See, Rahil, each business segment has their own pluses, minuses, and ways of working. A significant number of our manpower addition has been done in the Staffing business in the sales. At the same time in the recruitment and the IT Staffing business, it's a two-pronged edition. One is the sales people. Second is the heads for delivery. So, one part is getting the business. Second is delivering a certain amount of business as well to be able to bag that contract and to be able to deliver. Once, all of these start performing, we'll be able to reach a 4.5%, 5% sort of a margin profile.

Rahil Dasani: But just to add to this, we are also expecting to increase our pay and collect ratio. We are focusing more on IT and industrial staffing. So, shouldn't the PBIT increase more than what you have just shared, or are we being conservative?

Sidharth Agarwal: So, Rahil, you will also have to account that these larger turnover accounts, would be more as compared to the recruitment and the IT staffing piece. The GS&IS, the revenues are much higher, which are slightly lower margin fields as compared to the recruitment and the IT staffing piece.

Vidur Gupta: Rahil, the scalability in the General Staffing and the Industrial Staffing business is much higher compared to IT Staffing and Specialised Staffing and Recruitment. It takes a lot more time to grow. So, a basic example in recruitment, we sign a PO for each candidate that is selected with the customer. Whereas in General Staffing, a deal comes in where a customer is talking about say a 200 or a 500 odd people that they want to hire. So that's why the numbers of the General Staffing business are also going up at a brisk pace. So, this is at a blended level.

Rahil Dasani: Got it. And can we expect these employee additions to shift some clients to us, or is there some sort of non-compete on them?

Vidur Gupta: So, this is fresh business development that people will be doing after coming in.

Rahil Dasani: No, I'm actually asking, if since I can see they have been working at Quess Crop, Team Lease, Adecco. So, will they be shifting some clients towards us, or do they have a non-compete on them whereby they cannot talk to their clients?

Vidur Gupta: Non-competes are a standard process. We also have non-competes with our employees. However, all the employees that we hire for are the fact that they will be able to bring us new book business. So, there may be some business that they may get along because of their relationship, but that is not our focus. Our focus is for us to have the intrinsic capability towards developing the right new customers.

Rahil Dasani: Got it. And according to the last call and even this call, we have seen some attrition in clients. Please expand on this.

Vidur Gupta: We've been adding customers also. It's routine, Rahil. There is a routine attrition in clients. There's a routine addition in clients also.

Rahil Dasani: Okay. So, nothing significant, right?

Vidur Gupta: Nothing significant. So, if we are getting, see there are two ways to look at this, Rahil. One, if you look at it, all the firms are growing in terms of size. If you look at the numbers for all our competitors in the General Staffing and the Industrial Staffing business, everyone's number is growing. That only goes to show that the market is going through a consolidation phase, because India is not adding headcount at that pace as an economy. It's formalisation of the economy that is happening. But at the same time, this will be a mix of a few customers moving from one to the other, to the other. That is routine cost of business.

Rahil Dasani: Sure. And on NAPS and NATS, what is the realisation here in comparison to IT and industrial staffing?

Vidur Gupta: So, NAPS and NATS, the realisation is usually similar to a general staffing realisation on a monthly basis, with the exception that working capital is not involved, because in NAPS and NATS, we manage the people. So, we make money through recruitment and we make money through managing the payroll of the people who are being recruited under NAPS and NATS. So, it's a pure service charge based field, so margins are higher.

Rahil Dasani: So, if I blended out the working capital, while the segment is lower margin, but there is no working capital, so if we try to blend it out, where does it play out in between IT and industrial staffing? In term of benefit to us.

Vidur Gupta: It is not comparable. It's an entirely different service offering, right? But it's an important service offering, and what happens is that we go to a customer for apprenticeship. If the person gets selected as an apprentice, we just manage the payroll and we are utilising primarily the backend team that does the staffing payroll work. So that is how we are able to leverage the back-end team.

However, when you look at say an IT Staffing business, in the IT Staffing business, the recruiter cost is very heavy because getting candidates to join on a tech role on contract is a lot more difficult. The margins are also very high, over there the play is very, very different. So, which is why NAPS and NATS, it's a little difficult to compare to IT staffing or industrial or general staffing for that matter. It's an entirely different offering.

Rahil Dasani: Got it. But if you can explain me this in terms of lumpiness, because if I'm not wrong, this programme is only for one year. So, several employees must be leaving after the first year, and also some may add to a 16,000 to 18,000 manpower. So how does it work exactly?

Vidur Gupta: So, Rahil, the government mandate is that every organisation needs to have 5% to 15% apprentices. So, while a few people leave…

Rahil Dasani: [Indiscernible] [0:54:02] for us.

Vidur Gupta: So, companies also absorb. See there is someone who's working as an apprentice, after one year in most cases, the customers will absorb those people on their payrolls. So, we lose out on that revenue. But at the same time, there are new people who are being enrolled.

Sidharth Agarwal: So, Rahil, not always does an individual who has completed NAPS and NATS come on to our payrolls in GS or IS.

Rahil Dasani: Got it. That helps a lot. Is there anyone waiting in line? Or can I take more questions?

Moderator: Yes, we have one more participant. We'll take his question first.

Rahil Dasani: Sure. Not a problem.

Moderator: Yeah. Madhur Rathi, you can go ahead, please.

Madhur Rathi: I wanted to understand, when we say that before our margin and staffing and manpower, so we said we were around 4% to 5%, but if I look at FY'20 and FY'21, wherein we were doing pure play manpower business, there are operating margins like around 2% to 3%. So how are we seeing that we'll reach 3% to 4% going forward? So, if you could help me understand that.

Vidur Gupta: The focus on the Professional Staffing business was not there, Madhur before that. We did not have a lot of focus on the Specialised Staffing business. It is owing to the Specialised Staffing business that we'll reach those margins. We were always in the range of about 3%. So, there were times that we were higher. There were times that we may have been a little lower. But if you look at the 2020 and '21, those are COVID years as well.

Madhur Rathi: Yes.

Vidur Gupta: So that is why there was a reduction in margin that time.

Madhur Rathi: So, going forward, what is the conservative estimate that this is the minimum operating margin will take before adding any new customer or any new kind of service that we are going to provide?

Vidur Gupta: Madhurji, we don't pick up an agreement in a loss in any way. As long as we are making money, we'll pick up the agreement. Because the industry is still in a consolidation phase. This is a phase where everyone is adding numbers. So, while we do our best to make sure that we can get the best margin possible, internally, we have our metrics which says that below a certain kind of margin, we will not pick up the customer. And that that margin will vary. It depends on the amount of effort that we have to put on the customer.

There are times that the customers may ask for recruitment as a service along with the staffing business. So, where we are to recruit all those people and deploy, and we get a certain amount of commercial in the recruitment piece. There are times we sell technology along with it, where we get a certain amount of money for the technology that we are selling to the customer. So, there's no way we can define an absolute base that this is the minimum that we will be charging. But, yes, the focus is usually to be able to get about a 2.5%, 3% in the General Staffing business.

Madhur Rathi: Also, for FY'25 and FY'26, when we are talking about operating margins, so can we expect a 3% to 3.5% margin considering the revival in the IT Staffing and the Recruitment business?

Vidur Gupta: We can expect a range of about 3 odd percent in FY'25. That's what we are targeting. But if not '25, '26, definitely.

Madhur Rathi: Okay. The second question was, we'll be winding up our Electronics Trading business. So, in a short period of time, we have got a good sense of this business. So why don't we just move to a different like rather than mobile phones, some different products where the margins are better, and we can use our expertise in just the trading segment of this. So, have we given a thought of that?

Vidur Gupta: Madhurji, we have. But see the reason that we are doing mobile phones is because, one, it's a very standardised commodity. Second, there is a quick turnaround time. So, if you look at say larger electronic products, which are shipped through shipped by sea, there the risk profile, the credit periods, everything is very, very different. But a product like a mobile phone is shipped by air. It's a quick turnaround business, and that's the only reason we've been doing it.

And we feel that the HR Services business actually has a lot more scope in terms of growth. It's just cyclical in nature. Some things over here. And, which is why the end result is not currently showing.

Madhur Rathi: Okay. Just the next question. We say that our margins in the manpower services have dipped from 4% to 1% in FY'24. This was because of the Recruitment and IT business going through a slowdown and increase in the employee expenses. But when I consider the employee expenses for the whole year, they've gone up by around 20 odd percent. That is a similar range, where our revenue has gone down. I'm talking about the whole employee expenses for the whole organisation. So, is this business slowdown mainly from the Recruitment business? Because the margins are…

Vidur Gupta: There is no slowdown in the General Staffing business. The slowdown is only in the Recruitment and the IT Staffing business. Madhurji, what happens in this is, in the Recruitment business, you have a fixed expense that you are incurring every month on your back-end teams, your infrastructure, your job boards, and everything else. And anything on top of that is pure play profit. And it's not one of those businesses where we come with a certain amount of money and we say that I have to create a recruitment team. You can't build a team like that. It's a consulting business where these specialised teams take time to set up and time to train, time to grow.

Now we've lost out on a significant amount of profitability there. As a matter of fact, we've been in a certain amount of a losses as well, because of the new addition and new hiring that we have done. We have also invested on technology over the last one year. So those expenses have gone up. That's the reason why the profitability has dropped. So, employee expenses, if you look at it, will always go up in the proportion of the turnover because 95% or 90% of our expense will be employee expense as an organisation.

Madhur Rathi: Okay. Can you just give me a breakup of what would be the revenue from this segment, the Recruitment and IT Staffing in FY'23 and FY'24?

Vidur Gupta: We don't disclose that stuff as an organisation.

Madhur Rathi: Okay. Fine. That's it from my side. Thank you and all the best.

Vidur Gupta: Thank you. Vinay?

Moderator: Thanks. We'll go back to Rahil Dasani, or do we take a last question from him?

Vidur Gupta: Let's take the last question, I think.

Moderator: Yeah. Rahil, one question you can take to end the conversation.

Rahil Dasani: Sure. So, we have a lot of related parties in the same industry. So how do we think on this?

Vidur Gupta: Related parties? I didn't understand, Rahil.

Rahil Dasani: So, there are several entities that you both are the Directors in, which are in the same business, and there are like three to four entities. So, what are your thoughts on that? Why not consolidate everything into the same business and focus energies in one place?

Vidur Gupta: No. We are not doing any business, the same business in any related entity.

Rahil Dasani: Adjectus is another entity.

Vidur Gupta: Adjectus is in to credit card sales.

Rahil Dasani: Okay. But…

Sidharth Agarwal: So, we don't own 100% of that particular organisation, Rahil.

Rahil Dasani: Yeah. It's been the third partner.

Sidharth Agarwal: Yeah.

Vidur Gupta: And that's a completely different service line. It's got nothing to do with what we do.

Rahil Dasani: Okay. So, I may be mistaken.

Vidur Gupta: That's a BPO, basically. STM Enterprises LLP was something that we had registered for, but there's no revenue there.

Rahil Dasani: Got it. And just last thing out of this ₹78.5 crores of receivables this year, was it all in the manpower business or was some related to trading too?

Sidharth Agarwal: So, trading has some bit of it, Rahil. I believe it is to the tune of ₹10 odd crores roughly.

Rahil Dasani: And if you can share the same number for last year?

Sidharth Agarwal: In the export business, I think it was a similar amount, because this time slightly it would have been lower because of Ramzan. March was a slow period for the export business. Should be around the same number. I would not have it handy right now.

Rahil Dasani: Got it. That's all.

Vidur Gupta: You see, Rahil, what happens is that, if we export, it is a quick turnaround. So, you may see that maybe on the 31st, there may be a slightly larger amount or a slightly smaller amount, because it is quick. It's a very order-based work. We get a requirement, we source, and we ship within two to three days. That's how quick it is.

Rahil Dasani: Okay. And just one last thing again. I'm sorry. But do we see any slight margin improvement next year?

Vidur Gupta: Yes, we do.

Rahil Dasani: I'm not asking for a number, but any significant improvement?

Vidur Gupta: We do. We are expecting margins to improve for the whole financial year, definitely.

Rahil Dasani: H1?

Vidur Gupta: H1, I don't know how much of an impact, but H2, definitely, currently, the way things are looking, there should be a larger impact.

Rahil Dasani: Got it. That's all for me. Thank you. If the moderator can please reach out to me for the realisation question.

Moderator: Yeah. We'll help you connect with the management for a detailed discussion.

Rahil Dasani: Great. Thank you very much to both of you.

Vinay Pandit: Thanks a lot. Thanks to all the investors for joining on the call, and thanks to the management for patiently answering all the questions. Do you want to give any closing comments, Vidur or Sidharth?

Vidur Gupta: Thank you everyone for taking the time out. We are hoping that that we are able to bring back the margins to the right level. One thing I can assure you is that not just the management, but the entire team at Spectrum, we are a hardworking bunch, and we are looking to make sure that we are able to deliver on the right numbers. Thank you, once again.

Vinay Pandit: Thank you. And that brings us to the end of today's conference call. You may all disconnect now. Thank you so much.