TeamLease®
Putting India to Work

July 29, 2022

To	To
Listing Department BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001	Listing Department National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Plot no. C/1, G Block, Bandra Kurla Complex, Bandra(E), Mumbai - 400 051
Scrip Code: 539658	Scrip Code: TEAMLEASE

Dear Sir/Madam,

Sub: Transcript of Q1FY23 Earnings Call of TeamLease Services Limited (TeamLease/Company)

Ref: Regulation 30 of the SEBI Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015

With reference to the captioned subject and pursuant to Regulation 30 of the SEBI LODR Regulations, 2015, please find enclosed the Transcript of Q1FY23 Earnings Call hosted on Wednesday, July 27, 2022 at 04:00 P.M. IST. The same is also available on the website of the Company at https://group.teamlease.com/investor/earning-call-transcript/.

Kindly take the above said information on record as per the requirement of SEBI LODR Regulations, 2015.

Thanking You.
Yours faithfully,
For **TeamLease Services Limited**

Alaka Chanda

TeamLease Services Ltd. Bangalore-560 095

Alaka Chanda
Company Secretary and Compliance Officer
Encl.: As above

"TeamLease Services Limited Q1 FY2023 Earnings Conference Call"

July 27, 2022

ANALYST:	**MR. ANIKET PANDEY – LEAD TECHNOLOGY ANALYST – ICICI SECURITIES LIMITED**
MANAGEMENT:	**MR. ASHOK REDDY – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – TEAMLEASE SERVICES LIMITED** **MS. RITUPARNA CHAKRABORTY – EXECUTIVE VICE PRESIDENT – STAFFING – TEAMLEASE SERVICES LIMITED** **MR. SUNIL CHEMMANKOTIL – SENIOR VICE PRESIDENT – SPECIALIZED STAFFING – TEAMLEASE SERVICES LIMITED** **MS. RAMANI DATHI – CHIEF FINANCIAL OFFICER – TEAMLEASE SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the TeamLease Services Limited Q1 FY2023 Earnings Conference Call hosted by Mr. Aniket Pandey, Lead Technology Analyst from ICICI Securities. 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. On the call, we are pleased to have Mr. Ashok Reddy, Managing Director and CEO, Ms. Rituparna Chakraborty, Executive Vice President, Staffing, Mr. Sunil, Senior VP, Specialized Staffing, and Ms. Ramani Dathi, CFO. We will start off with the remarks from the management after which we will open the floor for Q&A session. Thank you once again for joining us today. I now hand the conference over to Mr. Ashok Reddy. Thank you and over to you, Sir!

Ashok Reddy: Thank you. Good evening and thank you for joining the call. I think on a broader base, we continue our growth journey. We have added about 9000 head count in the quarter. We had revenue and PBT growth year-on-year but obviously our margin has had a reduction and this is largely on account of the increased salary hikes that we have seen for the associates and trainees, an increased investment that we did in our own core teams with the salary hikes for the year and some seasonality that comes in from some of the business. While we did see some tightening in some sectors like manufacturing in Q1 and in some other sectors because of the funding freeze that has come about we did see some layoffs and deferred hiring. We do see that the open positions are increasing as we go forward and demand seems to be coming back for hiring in Q2. We have also added over 125 new logos during the quarter and I think on the back of the new logos and the existing clients we see the continued trajectory of growth happening as we go forward.

On the staffing front, it is the first quarter that we have crossed the 2-lakh associate count and I think we added over 13,000 associates in the quarter and maintain most of the metrics of PAPN DSO and productivity to be consistent with the previous quarter. Here also we have been adding new logos and doing better on hiring and we continue the focus on productivity. Obviously with the increasing wage levels and the consistency in PAPN there has been a margin pressure and we largely look to address to the bottom line by scale and productivity. Various technology products and modules that have been getting ready at our end which go live over the coming quarters will drive faster servicing and self service into the customer and associate base. The vertical strategy continues to play out and deliver to the aspect of demand, client logo acquisition and growth. However the Q1 slowdown in certain sectors did impact a few verticals. Some of the sectors being Fintec, Syntech, ecommerce and some new age companies but we believe this was a correction in the coming and the opening up of new demand and open positions that we see in Q2 should sustain the growth as we go forward for the staffing industry segment in our business. I will have Ritu cover on the degree of apprenticeship side and Sunil on the specialized staffing before Ramani gives a cover on the financial side before we get into questions. Thank you.

Rituparna Chakraborty: Thank Ashok. Good afternoon everyone. All is well at your end so our vision for degree of apprenticeship that is DA is to move beyond the regulatory terms of NATS, NAP, NEEM, and others the future of higher education with a strong bridge to dignify livelihood of our youth. Given we have seen success in staffing, we have chosen to reorganize the DA business as well primarily to build in hand with the industry and academy on one hand and trade pathways for the public policy to be in line with the emerging need of industry and our youth so there are four industry led business units from Q1 under DA auto and industrial, BSSI and technology, consumer, retail, and ecommerce. Going ahead there is opportunity for two or more business units based on anticipated demand and ever widening skill issue that India is grappling with. As evident from numbers in absolute terms there is degrowth from the previous quarter largely on account of one of our larger customers choosing to shift a last chance of our apprentices to employment status. Most of us come for the new apprentices are probably one way of looking at it. Second we made a choice to focus on higher margin and degree indicative programs and hence most of the efficient during this quarter at a marginally higher realization than the previous quarter and third slowdown in intake and specifically hiring of apprentices in three of the business segments between March and May. We do believe with the temporary phase I think most of the pent-up demand from employment and immediate expansion needs to be prioritized by some organization. Nonetheless we have added about 31 new logos during the quarter with an encouraging appetite for degree of apprenticeship. The focus ahead for DA our size fall one scale up on growth of degree of apprentices particularly. Two build a compelling product portfolio by curetting industry lead work integrated curriculum and regulatory legitimacy by creating alignment between the UGC and the Ministry of Education and MSCE. The third rapid innovation and digital learning for apprentices. Fourth enable a strong supply side network to onboard students nationwide and lastly strengthen grand advocacy around the future of education so that is the way forward. Thank you. Sunil over to you.

Sunil Chemmankotil: Thanks Ritu. Good evening everyone. We have been able to maintain a consistent year-on-year growth story for specialized staffing despite some amount of delay in hiring decisions in early part of the quarter. The revenue grew by 26% year-on-year while sequentially there was a drop by 1%. As most of the head count additions happened in the later part of the quarter. The impact of the additional head count can be seen in the subsequent quarters. The PBT grew by 25% year-on-year while sequentially again we saw a marginal drop of 30 basis points as there was an increase in the wage win post annual appraisal which impacted as well as we also made some investments in talent and technology. Overall the demand for tech talent across IT and non-IT companies continue to be robust due to the super cycle of digitization post pandemic across the industries so what we are witnessing is that despite the macroeconomic situation we believe we are in a multiyear super cycle of growth rather than a one-year spurt. This shall mean there would be tech talent requirements on an ongoing basis. While we have been the partner of choice between IT sectors over the past few years we have now started focusing on becoming the tech talent supplier expert across non-IT companies as well. What this will do is that it will us in a position where we will be tech talent supply expert across the sectors. We have been constantly revisiting the product portfolio in our telecom and engineering business by replacing the non tech mandates with tech mandates. Over the next few quarters this change of portfolio will get completed and we can surely expect some more improvement in our margins. As mentioned earlier the pandemic has accelerated digitization and technology spends. This is also evident from the 15 logos we bagged in this quarter. The logos were a mix of IT and non-IT companies keeping in line with our strategy. The requirement is for tech talent supply across sectors. Just to give a flavor of the logos we bagged we have clients from IT, engineering, healthcare, Pharma, and logistics where obviously we have to supply the tech talent. Our ability to supply quality tech talent across industries, strong sales, and account management team, ever improving operation efficiency and focused approach to gaining market share makes us believe that we will continue to deliver greater results in the subsequent quarters. Thank you.

Ramani Dathi: Thank you Sunil. We are back to 100% capacity in terms of core employee plan head count office infra, travel, printing, etc. We are not expecting any material increase in cost for rest of the year and the current run rate shall continue. Productivity business has remained flat between Q4 and Q1 and funding exposure DSO has been maintained at Q4 levels. Sequentially there is a drop in margins which is mainly on account of two to three variables. We had a 12% hike in core employees salary translating to about Rs.5 Crores to Rs.6 Crores on a quarterly basis. Historically this number used to be 7% to 8% the annual hike and this time in line with the market correction and inflation we have taken a 12% overall appraisal. There is also a seasonal impact in our business to the tune of Rs.5 Crores in revenue. This is in line with the student admission cycle. Also there is an Ind-As 116 impact of Rs.2 Crores. Regarding the 80JJAA matter, we are waiting for the hearing date on the writ petition filed with the High Court of Karnataka. During this quarter we have also received low reduction certificate from the income tax department on withholding taxes including our claim on 80JJAA. Clear trust data migration is currently under progress and is expected to get completed by the end of September. We continue to remain debt free barring Rs.10 Crores to Rs.15 Crores of working capital limits at subsidiary level and we currently have a free cash of Rs.260 Crores. We have an active pipeline mainly in specialized tapping and HR tech solutions for which some of the internal cash approvals may be deployed. That is it from my side. We can take questions now.

Moderator: Thank you. We will now begin with the Q&A session. We take the first question from the line of Vidit from IIFL Securities. Please go ahead.

Vidit: Thanks so much for taking my question and good evening to everyone. My first question was on the NETAP program and the reorganization of it you stated that you will now focus on higher margins apprentices and customers so could you indicate what sort of margins that we were making earlier on these apprentices and what we can look at now and going forward?

Ashok Reddy: The earlier NETAP program roughly about Rs.555 to Rs.560 was our realization per month on a trainee and majority of the NETAP program had a training program attached to it which was around creating employability development, but I think the linkage that we are trying to do in conjunction with the regulatory authorities is a degree apprenticeship program which is to say that it is just not a certificate program but can align all the way up to a degree and this also we believe will help the retention of the trainees with the company during that three year period where the program is being paid for and hence I think what we are looking at is an over and above fee that we will charge the corporate for the degree linkage and learning for the trainee while they are deployed there for the three years earning their degree program so at this point in time, I think the pricing is still being worked out and will be in conjunction with the authorities but we believe another Rs.200, Rs.300 to Rs.400 is something that we would be able to move the needle as we go aggressively up on the numbers towards the degree apprenticeship program.

Vidit: And this Rs.200 and Rs.300 would be after factoring in the higher cost involved moving to the degree?

Ashok Reddy: Yes so Ritu why do not you.

Rituparna Chakraborty: So this was essentially after all the pass-through cost that one can factor in yes.

Ashok Reddy: So I think we will have to open our stretcher with universities to their aspect of providing the degree linkage so that charge to the corporate would be the comprehensive cost including what has to be passed through to the university and then there will be something left at our end.

Vidit: Okay understood also just in terms of the average salary per associate if I calculate so your general staffing head count has grown roughly 7% Q-o-Q but the increase the revenue is roughly 4% however you mentioned that there has been a hike in associate salary so it has not really been reflected in the numbers so is the salary happened in the far end of the quarter? Is this just a mathematical thing or are you hiring at a lower level or lower salary level?

Ramani Dathi: This is mainly on account of timing of the hiring so some of these additions happening at the end of the quarter so that would reflect in the 7% Q-o-Q growth whereas revenue is based on the billings of full quarter.

Vidit: Understood and just one last clarification I needed in terms of the disclosures in the presentation so if I deduct the consolidated EBITDA reported on slide four and I reduced the segmental EBITDA I get a massive increase in the unallocated EBITDA quarter-on-quarter so the unallocated stuff is increasing from Rs.6 Crores in 4Q to roughly Rs.14 Crores in 1Q so could you just explain what this increase is because of and like is this the number to work with going forward?

Ramani Dathi: In this quarter we have a higher other income almost to the tune of Rs.14 Crores out of which close to Rs.11 Crores is relating to the businesses so these are some of the provisions which have been created during the last two years during COVID times and now with the follow we got collection and post provisions have been reversed so that is what contributing to higher other income and overall in terms of unallocated expenses. Our run rates are more or less in line with Q4 and we are not expecting any material increase in the upcoming quarters as well.

Vidit: Well so our stuff of the other expenses only which is going up from Rs.6 Crores to Rs.14 Crores so if you look at the presentation slide four the EBITDA on a consol basis is Rs.25 Crores whereas the segments add up to roughly Rs.40 Crores?

Ramani Dathi: So we typically have anywhere between Rs.6 Crores to Rs.7 Crores of quarterly unallocated so this time it is slightly on a higher side because of Ind-As 116 adjustment and few other timing differences so wherein the items have been allocated between business and unallocated.

Vidit: Got it so this is the run rate that we would have? Is it a onetime Ind-As impact?

Ramani Dathi: Yes it is a onetime impact and going forward on a quarterly run rate basis we should be back to Rs.6 Crores to Rs.7 Crores a quarter.

Vidit: Okay got it. Thank you so much for taking my questions and all the best.

Moderator: Thank you. We take the next question from the line of Aniket Pande from ICICI Securities. Please go ahead.

Aniket Pande: Thank you for the opportunity. Like we have seen moderation in hiring in tech companies in this quarter so just wanted to understand how the open position have moved in this quarter and outlook for the same and also any initial comments on hiring for the upcoming festive season?

Ashok Reddy: Sunil you want to take hiring IT and then I will cover the festive season.

Sunil Chemmankotil: Sure so regarding the hiring we saw some slow down in the first half of the quarter but as you could see that most of our additions are happening in the later part of the quarter and currently we are seeing a good number of total position and the decision making is very quick. We do not see a slowdown at our end. As of now we do not see that. Moreover even if there is any kind of hiring slowdown on the permanent positions it is a good opening for us because during these times it is a contract swapping which is the preferred mode because that is what organizations do so going by our discussions with the customers the talent strategy is clear from all our customers that they are going to continue ramping up contract staff hiring.

Ashok Reddy: So just to add to that in case I think Q1 did see some softening and internal stock taking by corporates on the hiring front so the exuberance that we had last year on the IT front did not carry through in Q1 but towards the end of the quarter and going forward into Q2 the open positions have started coming in and as like Sunil was calling out the customers have been faster in trying to drive the closure of those positions so I think going forward the outlook for hiring in the specialized staffing still seems to be healthy and as was called out earlier I think we continue to focus on letting go of some of the lower margin mandate in the specialized staffing side and focus on the higher margin mandate so while that strategy would also continue to play out. I think the aspect of the festive hiring we normally get to see towards the end of Q2 and start of Q3. As of now hopefully with the good monsoon the expectation of the SMCG and other companies is that the retail demand especially from the rural areas will come in to play and they have started planning for their head count growths for the festive season. We will hopefully start seeing more of that coming into play on the table open positions for hiring towards the second half of the quarter but we stay optimistic where given no surprise on anything else that the demand should play in which should play to the requirements on open positions leading to more hiring as we go forward.

Aniket Pande: Just one clarification from Ramani madam you said on the earlier question that the big difference which is there in some of segmental EBITDA and reported EBITDA it is almost like around Rs.14 Crores this time which earlier used to be at around Rs.4 Crores to Rs.5 Crores on a quarterly basis so going forward you said it will remain at around Rs.6 Crores to Rs.7 Crores?

Ramani Dathi: Yes so going forward the quarterly run rate will remain at around Rs.6 Crores to Rs.7 Crores.

Aniket Pande: Thank you.

Moderator: Thank you Sir. We take the next question from the line of Manish from Solidarity. Please go-ahead Sir.

Manish: Thank you for the opportunity. I have three questions. The first one Sir I wanted to understand that in this specialized staffing business what is the value proposition for an employee because would an employee not prefer to implement job with an IT company rather than be on the role of a company where the contract could expire and then they have to look for another job?

Ashok Reddy: So I think in all our campaign Manish I think the preferred choice for individuals would be to be on the roles of the company rather than through a staffing company. I think it is not a lifestyle choice yet in India to be a stem but I think the aspect of hiring and on boarding is more a corporate choice at this point in time and what it does for the candidate is give them an opportunity to work with some of the big brands which otherwise they might not have access to. Also what happens is a lot of the companies use the element of stumping as the way to take the employee on a test drive to see how performance is and as permanent open positions come in from their end, they do convert large lot of these people onto their roles because they have already worked with them, know how they are performing and are delivering and hence there is a higher comfort level on that front, so at this point in time, the element of staffing is driven more by employer choice then by employee choice. It is not a lifetime choice to be a temp for most candidates. The fact that we have marquee clients and good open positions effectively drives the candidate to opt them and kind of expose themselves to the customers, to the big name so that they can get on to their roles in the longer run.

Manish: And when an employer will convert a temp employee to a permanent position does Teamlease earn any revenue on that.

Ashok Reddy: So we have a sliding scale of an absorption cost depending on the tenure that the temp has been with us and if they get absorbed earlier we get a higher amount. If they get absorbed at a later period we get a lesser amount.

Manish: My next question is on 80JJAA in our general staffing business given that this section is only applicable for employees who earn less than 25,000 a month what percentage of our general staffing business would the employees be earning in this bracket which entitles us to this benefit and second is that as minimum wages go up by which year do you think that this tax benefit which actually become marginal and not relevant.

Ramani Dathi: Hi Manish. So while the average salaries in our general staffing is upwards of Rs.22,000 per associate per month. The medium is still around 18,500, 18,600 kind of number so majority of our associates almost 70 to 72% of our staffing associate are under Rs.20,000 of monthly salary and in terms of increase in minimum wages and when we can give that number at this point in time we do not have a concrete visibility on that. For a long time under 80JJAA section when we first extended for manufacturing entities the limit was kept at Rs.10,000 per month for almost 10 to 20 years and now increased to Rs.25,000 five years back so as and when the minimum wages go up we except the particular limit of Rs.25,000 can also be increased by the government.

Manish: Okay and my third and last question. In HR tech are we doing anything today which is revenue generating and what investments are we specifically making in HR tech which can add revenue beyond the core staffing function.

Ashok Reddy: Our HR tech business currently is about 35 Crores in revenue primarily on the back of what we call compliance and payroll outsourcing so these are outsourcing services that we provide to corporates work with about 500 corporates on the compliance outsourcing. We administer their entire compliant level of compliances and help them out on that front and we also do payroll processing for corporate and we have DWS services that we offer both to our internal employment clusters and operate as a service to outside client so a combination of that is about a 30 plus Crores revenue top line. We believe that a larger focus on that front to drive sales and client acquisition. The upward opportunity in that is quite high and that is something that we are looking at, also I think while we will focus on organic growth by adding on more salespeople and delivery capabilities. There is opportunity for inorganic growth in HR tech primarily from the effects of technology platform that can complement so today while we are largely driven on service delivery I think what we are looking at is also platform that can move towards self service and fair solutions for the longer tail of the customer bay and I think that is really where we believe in organic can complement the element of the organic business growth that we have.

Manish: And is this more of a software business or would this be more of a service business supported by software.

Ashok Reddy: It will be a combination of the two. As of now what we have internally other than DWS is all a service business. The DWS is a product business as we go forward we want to have combination of product and services.

Moderator: Thank you. We take the next question from the line of Mr. Hiten Jain from Invesco. Please go-ahead Sir.

Hiten Jain: Hi Sir I have got question on margins so this unallocated part I have not been able to clearly understand what is this one time 10 Crores of impact it is a large number given the quarterly EBITDA of around 25 Crores and at the same time when you are guiding at a steady state basis it will go from 4 to 5 Crores to 6 to 7 ideally there should be some operating leverage and this number should ideally keep going down so why are you on a steady state basis what is leading to that increase and at the same time I would also like to understand the drop in margins in staffing so while year on year your revenue growth is 37% in staffing but on EBITDA basis it is mere 12% growth so there has been some investments here also this quarter which look really high and at the same time other HR services. There was hardly any profits compared to last quarter.

Ramani Dathi: Hi Hiten first let me address your question on staffing margin so there are two three variables which have impacted the margins in staffing business so one is inflation in associate salaries, it is higher than what we have planned for while the PAPM has remained flat. It is around Rs.700 for the last two three quarters so the gross salaries of the associates have been consistently going up quarter on quarter, also between Q4 to Q1 we have our own core employee presence. In the past we used to have about 7 to 8% of annual hikes to our core employees. This time it went to almost 12% this is in line with the market corrections that are happening and also as we had called out earlier we made investment in expanding the team especially in hiring and account management and now all the teams are up to full capacity we are not expecting any further increase in our current capacity be it in office infra or other cost. Coming to the other question on unallocated EBITDA so this quarter there is an IND AS 166 adjustment. We are moving to a new office nearby so we have to terminate our current lease contracts and enter new ones on account of that there are some one time impact and also when we create a provision and write back a provision upon collection depending on the timing whether we write back in the same financial year or in the subsequent financial year it can get unallocated of the business may be connect separately and walk you through the details on that part. Otherwise as I have indicated going forward the quarterly unallocated EBITDA would be in the range of 6 to 7 Crores.

Hiten Jain: And on other HR services.

Ramani Dathi: Other HR services we have mainly two businesses ed-tech and HR tech business. Ed tech there is a seasonality impact streamlined with the student admission cycle so this is again in line with our internal plant. Q2 onwards there will be a higher revenue and we are excepting a much higher year on year growth in other HR services compared to the other two verticals.

Hiten Jain: Got that thanks. I will get back to you in offline model for this unallocated part. Thank you.

Ramani Dathi: Sure I will connect with you.

Moderator: Thank you. We take the question from the line of Ashish Chopra. Please go-ahead Sir.

Ashish Chopra: Thanks for the opportunity. Before my question just a clarification. This provision under IND AS 116 that you are explaining. This explains the entire 7 Crores of delta that we saw this quarter being unallocated or was there anything else also to it.

Ramani Dathi: No this is about half of that impact. The other half is in terms of increase in other allocation to corporate this time and the timing difference as I mentioned in creating the provisions and write back.

Ashish Chopra: Okay maybe that is something that we probably understand from you in detail separately. Secondly out of the total 1806 Crores of employee expenses that you have would it be possible to just give a ballpark sense on how much of that would be cost towards your core employees versus the staff associates.

Ramani Dathi: For the current quarter, our core employee cost is roughly about 48.5 Crores and the balance is for the associate employees.

Ashish Chopra: And this you mentioned would have gone up by 5 to 6 Crores this quarter.

Ramani Dathi: Between Q4, Q1 yes.

Ashish Chopra: And this number going forward should not move materially than 48.5 Crores.

Ramani Dathi: So we are at almost close to 100% capacity and this number should continue for the other three quarters of the year.

Ashish Chopra: And lastly from my side could you just explain, you mentioned I think in the opening remarks the reduction in net app due to one particular large customer just in detail in terms of what transpired them.

Ramani Dathi: Actually the customer wanted to convert them and take them as employees that is pretty much what happened. Essentially in any case it has a large progression. Usually it is not 100% but in this case the customer made a choice to kind of move them to regular form of employment or the apprentices.

Ashish Chopra: And would that have been very large number I mean X of that would we have grown in this quarter because overall negative number and the segment was growing quite handsomely in the past few quarters.

Ramani Dathi: Even if this conversion would not have happened I think the quarter would have remained muted for us and that is the reason I kind of explained a little bit on account of the fact that we are choosing to kind of not pursue. I mean essentially we are looking at higher margins and looking at degree also hiring in the three of the verticals but then I think it is something which is not likely to be.

Ashok Reddy: Just to add on that even if the client had decided to stay on we would have been kind of flattish on the numbers on the net app front, some of the muted demand and slowdown in some sectors and the concentration that we did put a demand pressure for growth but I think the current approach that the business is taken to verticalize and drive a focused element of sales industry wise should get the momentum of open positions back on track and I think again in Q2 we do look at net growth coming about.

Ashish Chopra: Sure got it. Thanks for answering my question.

Moderator: Thank you Sir. We take the next question from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

Mukul Garg: Thank you. Ramani is just wanted to follow-up on the margin aspect itself. The drop in the margin on quarterly basis has been quite sharp even if you adjust for IND AS 166 and other corporate level impact may be it probably makes sense to look at the vague inflation both on core and associate side on Y-o-Y basis instead of versus what the last figure was. If you can just help us understand what is leading cause for the margin drop here, is it more to do with your core employees or the associate level inflation is also kind of continuing and kind of creating a head win on your profitability and Ashok how should we see this going forward do you think there is scope for taking up our markup given that the cost of associates is going up and our mark is up not increasing by the same quarter.

Ashok Reddy: I think both elements that you called out earlier account for the element of the percentage margin drop one is that the wage hike has been higher on the associate front hence our billing goes up while our PAPM does not go up in the same proportion and hence at percentage basis it does end up being lower and we have also had our own core employee revisions factored into the cost which lead to a depression in the margin front. I think the element of our core employee cost getting factored happens in Q1 will stay for the next three quarters so we will not have that impact carrying over and from that perspective I think going forward we should see a margin improvement as scale happens. On the PAPM front and realization from customers as we have always called out, the starting business has been under pressure while we do get some hikes from certain customers. We do get discount request and price reduction request from others so there has been a tough fight to stay at a PAPM realization while we are looking to cross sell additional services, up sell to realize more and all of that. It is a fight against the element of a falling and competitive play on that front having said that I think in absolute profits we will continue to grow and the portfolio makes that plays up over the quarter will also adjust for the margin improvement so I think the other business like ed tech which has seasonality starts to contribute from Q2 onwards and the specialized staffing business has maintained its margin and again with the demand coming in will continue to work so I think in absolute profit staffing can also grow.

At a margin level it will be the portfolio that will contribute to the element of the margin improvement.

Mukul Garg: Sure and a two-part follow-up. If you look at the 38% increase in the employment benefit expenses Y-o-Y, was the core employee cost a meaningfully large portion of this or was this mostly drive by the associate cost because that continues to go up and second also we think about the margin improvement going forward. You are obviously quite far from the previous quarter number of 2.3% do you think you can sharply kind of recover the cost which has increased this quarter over the next two to three quarters or will it take longer than that.

Ramani Dathi: Our core employee cost on year-on-year basis has increased by close to 33% so this is in line what we have indicated over the last few quarters that we are making investment across our teams in improving our hiring capabilities and sales capability and now we are up to 100% capacity so between Q4 and Q1 also the core employee head count has remained flat while there is a salary appraisal impact of 30% however on a year on year basis both in terms of core head count and core employee cost there is a 33% growth. In terms of margin improvement from Q2 onwards we have a clear road map to improve the margins by few basis points quarter on quarter and we should be able to close the year with what we have done last year.

Mukul Garg: Sure thanks a lot for taking my questions.

Moderator: Thank you Mr. Mukul. The next question is from the line of Mr. Sumeet Jain from Goldman Sachs. Please go ahead.

Sumeet Jain: Hi thanks for the opportunity. Just to provide on the margin question was there any one-off expenses in this quarter which you can actually recoup in the next quarter.

Ramani Dathi: See expect for the Ind AS 11 adjustment Sumeet we do not have any other one-off cost in this quarter and as I mentioned earlier the current run rate of cost, all cost put together should continue for the remaining quarters in the year.

Sumeet Jain: But regarding the unallocated expenses you mentioned it will go down back to 6, 7 Crores and based on 14 Crores unallocated expenses it boils down to around 80 basis point of margin impact so should we assume that this 80-basis point of margin impact will come down to 40 basis point in the coming quarter.

Ramani Dathi: Over the next two quarters it would happen.

Sumeet Jain: Okay and lastly if I heard correctly you mentioned FY2023 margins should be similar to FY2022.

Ramani Dathi: Yes we do not give an exact guidance but we should come closer to that.

Sumeet Jain: Got it and that is all from my end.

Moderator: Thank you Sir. We take the next question from the line of Mr. Abhay from Bajaj Allianz Life insurance. Please go ahead.

Abhay: Hi. Thanks for the opportunity. Sorry bother your margin again, but you called out three thing wage hike, revenue seasonality in ed tech and the Ind AS impact so what is the Ind As impact can you explain that. I think that is around 2 Crores that is impacting right.

Ramani Dathi: Ind AS will not have an impact on PBT it is only on the EBITDA so this quarter we have terminated our existing lease contract and we are moving to a new office so this Bangalore building alone has 2 Crores impact and overall Ind AS adjustment is little upwards of 3 Crores.

Abhay: So around 5 to 6 Crores impact each of wage hike and the revenue seasonality around 2 to 3 Crores here so that comes to around 13, 14 Crores total impact right of all the three things. Now if I see quarter on quarter the EBITDA actually should have increased by around 3% because that is your associate increase but instead of 42 Crores you have done around 25 Crores so that is close to 17 Crores so still a 4, 5 Crores gap stays so can you explain why, what is the gap.

Ramani Dathi: So the associate head count growth has happened relatively in the later part of the quarter and the head count drop in DA business has impacted the net revenue the gross margin for this quarter so that is the main reason why the overall net revenue has remained flat between Q4 and Q1.

Abhay: Okay thanks. That is it from my side.

Moderator: Thank you Sir. That was the last question for today. I would now like to hand the conference over to Mr. Ashok Reddy for closing comments. Over to you Sir.

Ashok Reddy: Thank you very much. I think as we go forward we have continued to look for growth in volumes and work back up on margins front as I had called out earlier the staffing business does have pricing limitation but at a portfolio level we will rebound back on the margin front. The industry verticals have started to give open positions and we now have a much higher capability to deliver to them which should feed our growth as we go forward and also hopefully some of the sectors and companies where we say lay off in Q1 are behind us. We should not see any more of that. We believe the investments that we have been making in the team, capabilities, in technology are also paying off and will prepare us for the future of the opportunity that we have as growth comes back into the market and as more campaign comes to play for corporate in the organized sector so we look to continue growth and working back on the margins front and thank you all for joining the call.

Moderator: On behalf of Team Lease Services Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you very much everyone.