TeamLease®
Putting India to Work

May 23, 2022

To Listing Department BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001 Scrip Code: 539658	To 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: TEAMLEASE

Dear Sir/Madam,

Sub: Transcript of Q4FY22 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 Q4FY22 Earnings Call hosted on Wednesday, May 18, 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 TeamLease Putting India to Work

Alaka Chanda
Company Secretary and Compliance Officer
Encl: As above

"TeamLease Services Limited
Q4 FY2022 Earnings Conference Call"

May 18, 2022

ANALYST:	**MR. ANIKET PANDE – LEAD ANALYST - ICICI SECURITIES LIMITED**
MANAGEMENT:	**MR. ASHOK REDDY - MANAGING DIRECTOR AND 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 TeamLease Services Limited Q4 FY2022 Earnings Conference Call hosted by 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. I now hand the conference over to Mr. Aniket Pandey - Lead Analyst from ICICI Securities. Thank you and over to you, sir!

Aniket Pandey: Thank you, Ranjit. Good evening ladies and gentlemen, thanks for joining us today for Q4 FY2022 Earnings Call of TeamLease Services. I would like start off with thanking the management of TeamLease for giving us the opportunity to host this call. 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 the Q&A session. Thank you once again for joining us today. Over to you Ashok sir!

Ashok Reddy: Thank you very much Aniket and good evening to you all. Just in continuation of the published results, we have had a strong quarter on growth and have overall continued growth trajectory that we had over the last prior two quarters. We have had a headcount addition of about nearly 12000 headcount, overall for the year we have added about 57000 associate trainees this year. This is across the portfolio of staffing, specialized staffing, net app and I think all businesses have been showing the recovery in the market, in the verticals and leveraging to the investments that we had made for growth. This is also followed by quarter-on-quarter improvements in EBIT and PBT in absolute terms and in percentage terms and I think this is also aided by the fact that our Edtech business has scaled and has also become profitable this year which is the callout that we had earlier. A large number of the other metrics on funding percentages, cash flow generation, cash position and all of those kind of stay consistent, we have maintained the discipline around invoicing, DSO, collections and all of those parameters. We have added some core headcount in Q4 across businesses in anticipation and in line with the business forecast expected and indicated by client demand and also to factor that we will have some element of attrition that will come in in Q1 so to be prepared on that front. We had provisioned and we were in the process of transitioning the PF trust closure that has been completed and we have migrated all of the PF trust money to the RPFC and are in the process of transitioning the records so that going forward all liabilities, all transaction processing on provident fund would happen with the authorities and Ramani would cover a little more detail on that front. Overall our continued focus for growth, for profit, bottomline margin improvement is something that continues to play out. We continue to make investments in headcount and in digitization that will aid the future element of the business and we at least as indications are from the clients that this point in time seem to have strong demand in the current year which we will work towards. Just one other update, we are also inducting Rituparna as an Executive Director going forward on to the Board and she will complement the element of the Board along with us as an Executive Director. That is it from my side. Ritu will give a commentary followed by Sunil and Ramani.

Rituparna Chakraborty: Thank you very much Ashok. Hope all of you are in good health and even better spirit as the time clearly seems to be changing. Under the looming shadow of our pandemic regime world general staffing delivered stellar performance of the year gone by registering a near 35000 additions to our associate base which is incidentally also a highest ever yearly net addition. For the quarter alone we added about 5000 associates, our revenues also went up by over 33% for the year and 3% on a quarter-on-quarter basis. In terms of absolute growth and associate base our top four segments would be financial services, e-commerce, telecom and tech and consumer durables. E-commerce has registered incidentally over 300% growth over last year. Our sales aggression continued with us closing the year with over 220 new logo sign ups and 45 being in Q4 alone with standalone usually the slow moving quarter if we go by historical results. The accomplishment of the six businesses that I am particularly proud of would be the brilliance we exhibited in ourselves hiring temp while for the quarter our hiring contribution to gross additions remain consistent as compared to the previous quarter at over 30% plus; however, for the whole year we have delivered about 52000 joinees who were hired by us, 53% of them hired through non-recruiter channels. On our FTE front of course our FTE did drop, which gave some reference our FTE ratio did drop in spite of the headcount growth on account of the preemptive hiring we have done, anticipating attrition during the first quarter as the economy as well as the opportunities have started opening up in general. We are also looking at shifting some of our central processing units to smaller locations to bring in greater efficiency and a faster servicing. So, some of the additional hiring for the quarter was also on account of getting the backend against anticipated attrition onboarded earlier and then moving down during the quarter to the smaller locations. Coupled with anticipated growth we shall be on track towards a significant improvement in FTE during Q1 on this financial year.

I am sure some of you are probably already aware about the different insights that keep coming out with. So just to share with you some of the insights from the employment market, I think based on our recent employment outlook IT education services, e-commerce, healthcare pharma, telecom are showing extremely positive signs around hiring. Tier-1 cities going to be having a much higher intent to hire, Bengaluru, Chennai, Mumbai are probably going to be the top cities with maximum demands coming in. Entry level hirings are expected to increase quarter-on-quarter by about 10%. Sales and IT are clearly leading the back in terms of the kinds of jobs that are likely to come in. Also, our Jobs and Salaries Primer which was released last week reveals an 8.13% EVM increment across 17 sectors, needless to say IT, Education services, healthcare pharma, power and energy and BFSI being the most generous with their increment.

Looking ahead business is well poised for a robust growth in H1 and there is a clear visibility of a healthy pipeline and emerging demand across most of our customers. Interest of our prospects also seems encouraging. A few forward-looking sectoral changes, which will drive the future of the business includes rapid interest in formalization of workforce in FMCG and FMCD sectors, a lot of staffs employed through dealers off-road I think employers are looking for a legitimate yet flexible solution. Massive capacity increase is expected in manufacturing especially in electronics which shall create a large number of employment opportunities including those of temp workforce. There is a growing shift towards higher diversity hiring be it in manufacturing or e-commerce. The innovation in our non-recruiters recruitment hiring mix shall help us be on top of the emerging demand from organization. Chip shortage could lead to some tepid hiring outlook in the emerging businesses; however, from H2 that should get corrected. E-commerce is looking at a two-fold increase in workforce and this is a unique opportunity; however, the strategy fight between the new age freshly funded delivery driven organizations and the more established organization has made talent acquisition challenging. However, the investment made in our ability to move labor from smaller towns to where the demand is shall continue to yield good results. Existing logos and financial services are expected to face aggressive expansion. Overall the business with its deep leadership bandwidth, complementing teamwork, established contractual mastery specifically in business around sales and hiring and the emerging benefits of digitalization and process improvements is well poised to witness an impactful year ahead. Thank you.

Sunil Chemmankotil: Thanks, Ritu. Good evening everyone. We are pleased to report highest ever growth in headcount, revenue and PBT in FY2022 for specialized staffing. We have made significant improvement in our market share in this ever expanding addressable market aided by super cycle of digitization. Our ability to deliver consistent business results despite external challenges validates our vision, strategy and capabilities. We have worked closely with our customers as a strategic partner to solve the talent supply challenge and have successfully offered multiple solutions which has helped us to increase wallet share with the customers. Our strong brand recall has helped us to successfully incubate new business lines which shall help us to continue the broad based growth of our business. Our revenue crossed Rs.500 Crores mark reaching Rs.531 Crores in FY2022. Year-on-year we grew 33% on revenue and headcount. We also grew PBT by 30% with a return on 8.4%. The slight dip in PBT percentage compared to last year is primarily driven by investment in talent and technology to aid our future growth plans. Our sales continue to fire on all cylinders bagging 95 new logos in FY2022. With focused client centricity we grew our strategic client count by 32% year-on-year. We shall continue to improve the product portfolio mix with a focus on expanding the overall margins as that the most efficient part to deliver ambitious growth while building a profitable and differentiated business.

Coming to Q4 FY2022 performance revenue grew by 50%, associate headcount grew by 33% and PBT grew by 29% when compared with Q4 FY2021. The growth is primarily driven by our IT business in line with hiring activity in IT sector. On a sequential basis which is comparing Q4 FY2022 to Q3 FY2022 we grew our revenue by 8% and the associate headcount by 4% and we improved our PBT by 50 basis points. Overall the demand environment continues to be robust, and we are confident to continue delivering similar or better results in FY2023. Thank you.

Ramani Dathi: Thank you Sunil. Good evening all hope you and your dear ones are doing well and safe. So, for the financial year FY2022 we had a revenue growth of 32% and EBITDA growth of 46%. We closed the year with an EBITDA margin of 2.19%, so our PBT for this year is reported at Rs.117 Crores with 1.81% net margin excluding an exceptional item, which I will cover later. HR services as a segment has turned positive and it will continue to contribute to the bottomline next year. A large part of HR services contribution is led by TeamLease's Edtech business. The overall DSO and cashflow conversion are at optimal levels. Funding exposure in staffing business is maintained at 14%. So the exceptional item in this quarter is towards the PF trust migration, we have created a 75 Crores provision in Q2 of this financial year planning towards the PF trust migration to EPFO. So our PF trust manages overall 9 lakh accountholders with a total portfolio size of Rs.1545 Crores. As of March 31, 2022 we have fully liquidated all the assets under the PF trust and transferred the proceeds to EPFO. Effective first statement TeamLease does not carry any liability on account of the administration or any portfolio management of the trust, so we have initially estimated that this process might take a little longer, but we have opted for the contract migration which has helped us to conclude this entire process within a short span of time. Those are the comments and we can get started with the Q&A now.

Moderator: Thank you very much. We will now begin the Q&A session. The first question is from the line of Aniket Pande from ICICI Securities. Please go ahead.

Aniket Pande: Thank you for the opportunity. I have two questions on margins and one on outlook. So, Ramani we saw very strong addition in core employees in this quarter and also very strong improvement in your margins, so just wanted to get a sense from where the margin improvement has come, second what is the outlook on specialized staffing given the higher attrition in IT sector and can margin improve further from here also?

Ramani Dathi: Sure, Aniket. Firstly in terms of overall margin expansion all of our businesses have operating leverage with huge economies of scale, so that has led to margin expansion at EBITDA level, this is also coupled with our investments in terms of digitization, technology, and process automation, so that also helps us to improve productivity. However, by last quarter we have increased our investments in expanding the team especially in hiring, sales and other departments which is in line with the business outlook that we have for the next year. In Q1 there can be a marginal impact on the overall EBITDA and PBT margins because of the hiring that we have done in Q4 the full impact of cost will reflect in Q1 of FY2023, but having said that from Q3 onwards we will have a consistent margin expansion quarter-on-quarter, so specifically the margin expansion over the last two quarters is also contributed by HR services which used to be marginally loss making in the past and has turned profitable and will continue to remain, also specialized staffing growing at 30-32% year-on-year that is also contributing to the overall margin expansion. To your second question on specialized staffing I will request Sunil to answer.

Sunil Chemmankotil: Regarding the question you asked about attrition, so the higher attrition actually in a way it helps us too from the contract staffing point of view it gives us an opportunity to put in more bodies into the system since it is the fastest way to fill the gap. On one side you have a high attrition which is in mid-20s and the other side you also have new requirements coming in because of the super cycle of digitization, so on both sides we will stand to benefit, we are fully prepared to meet the higher demand of requirements and that is where we have invested in our talent and technology. So we will be able to provide quick recruitment solutions, we already have multiple solutions apart from the plain vanilla contract staffing, and we also do contract to higher kind of solution we offer, so all these solutions will help to fill this gap. Thank you.

Ashok Reddy: Also just extension of that there is no huge scope for margin improvement per se in specialized staffing we are already at optimal margins with the current portfolio, but we are experimenting with additional verticals and additional opportunities that we could drive for growth, but sustaining the growth momentum for the specialized staffing is really what is going to be a key focus while we maintain the margins that are there currently.

Aniket Pande: Thank you for the detailed answer. Just wanted to get a sense of what was the PAPM in this quarter and how do you see the PAPM trending going forward and one last question Ashok Sir any qualitative guidance on revenue and margin segment wise for FY2023? Thank you.

Ashok Reddy: On a PAPM front we were at about 708 as broadly saying above the 700 level and that is something that we will continue to focus on and obviously there are market pressures on that depending on the mandate that we are pitching in for. No specific callout on the FY2023 numbers per se, but like as was called out earlier by the two and Sunil and if I were to stretch it to other businesses we are entering the year with a very positive outlook from the customers end around demand, around growth, around the need for manpower, so looking at that and hopefully last two, three years for us have been a Q1 impact of COVID we do not have that at least at this point in time corporate clients are still bullish about playing forward for demand and playing forward for growth, so with that in mind we should sustain a healthy growth trajectory on associate numbers, on revenues and also on the bottomline.

Aniket Pande: Thank you and best of luck.

Moderator: Thank you. Our next question is from Vidit Shah from IIFL. Please go ahead.

Vidit Shah: Thank you for taking my question. I have two questions, the first one was around the note fall to the P&L when you speak about the income tax authorities not allowing 80JJAA deduction in assessment year 2020 and also reassessment for assessment year 2019, so can you shed some light on what has really happened here and are they not allowing any of the deductions or is there a mismatch in the deductions allowed?

Ramani Dathi: Sure, Vidit. We received a reassessment notice from the income tax department specific to 80JJAA but there is no claim by the department in terms of interpretation that we have taken or the calculation or the day that we have availed the benefit. So the entire challenge is on whether there is an employer – employee relationship between TeamLease and its associate employees, which we are challenging at a writ petition level trying to understand the grounds because clearly for all practical purposes we are the employer, we are responsible for paying salaries on time making sure all compliances and statutory liabilities are being met and also there are previous court cases in similar interpretations which are in our favor, so we have obtained sufficient legal opinions kind of supporting our understanding on this element, so considering all of this we have not quantified this liability as a contingent liability and also with a view that the auditors have taken it is not yet been identified as a matter of emphasis.

Ashok Reddy: I think primarily the only interpretation aspect that the authorities are taking is that the employees are not located in your office and working for mandates of clients. There is no double count of these associates with clients also taking them into their count and seeking tax benefit or anything of that sort, so that is really where we are responsible for all salary payments, statutory reductions, statutory compliances, and everything else and that is the stand we are taking.

Vidit Shah: Given that you received refunds in the previous year and assessments up to assessment year 2017-2018 have been completed is not that a precedence or precursor to them agreeing to the factor 80JJAA benefits should be allowed to TeamLease?

Ashok Reddy: Agree with you and that is the other aspect that we are trying to reiterate that we have in the past got refunds, acknowledgment of the benefit being applicable, we statutorily technically are the employer on account of everything being driven by us that is nuanced element of pick of a choice that since they are deputed to work for other client requirements they cannot be treated as employees is very ad hoc and that is really where we are taking the fight back to themselves.

Ramani Dathi: There is a strong precedence on this element Vidit, the fact that refunds have been released for the earlier years and also there are other companies not exactly on 80JJAA model but in this kind of outsource employment model where there are cases in favor of the kind of claims that we are making.

Vidit Shah: Got it, understood. My second question was on the transfer to the EPFO, you mentioned that everything other than the IL&FS investment has been transferred, so what happens to the IL&FS investment if anything is settled, does that come as a benefit to TeamLease at a later date or is that big zero?

Ashok Reddy: It could be a benefit, it is a little uncertain in view of the RPFC interpretation of closing the trust as is when we transition the money and the records. To that extent as and when an IL&FS settlement happens and the money come in it could go two ways with it uncertain at this point in time. The RPFC might ask us to transfer that money to them in excess of what we have already transferred, which is in line with the liabilities or we could at TeamLease get that money back. So, at this point in time there is grayness and openness to how that would play out, so we will take it as we go forward and update accordingly.

Ramani Dathi: We have fully provided for the IL&FS investment with it. As Ashok mentioned since there is uncertainty around whether TeamLease can recover this IL&FS investment after full settlement of our PF trust there is a question around that. So, as of now full provision is made, so in case any recovery comes that will be considered as an exceptional write back.

Ashok Reddy: It will be a positive below the line item for TeamLease there would not be any additional liability for TeamLease.

Vidit Shah: It will be positive and also be hard cash coming into the company?

Ashok Reddy: Yes.

Vidit Shah: Got it. Just as a followup to the trust, is there any additional expense like is EPFO more expensive for the company than the TeamLease trust or can we expect other expenses or employee benefit to increase in FY2023 on account of?

Ashok Reddy: The administration charges by the provident fund department are higher than the inspection charges that are effectively charged and that is an additional expense, but we are hoping to cover that over the next one to two years in terms of the realization margins as we go forward, but at an immediate basis there is an added cost that comes in.

Vidit Shah: How much would that cost be for employers?

Ashok Reddy: We can get back to you with the exact working on that.

Vidit Shah: Alright, thanks. That is, it. Good luck.

Moderator: Thank you. Our next question comes from the line of Mr. Manish Gupta from Solidarity. Please go ahead.

Manish Gupta: Thank you for the opportunity. In the event the income tax case was to go against you would you be able to price this higher to keep your margins at a PAT level at the same level?

Ashok Reddy: We will not be able to Manish. I do not think the clients give us the leeway on pricing given the tax benefit that we have. If we were to have a rejection of the benefit of 80JJAA our PAT margin will be lower than PBT and we will not be able to price it into our markup with immediate effect.

Manish Gupta: Thank you.

Moderator: Thank you. Our next question is from the line of Sandesh Shetty with Phillip Capital. Please go ahead.

Sandesh Shetty: Good evening and thank you for the opportunity. My first question is since you are transitioning in your other HR services from government contracts to corporate clients, has this transition been complete and is there any further provision write back in this quarter and what is the outstanding provision that we can expect from additional payments?

Ramani Dathi: Sandesh, the government training business is on sunset mode; however, over the last two years because of COVID the process got delayed. We are still working with few state governments, and we are expecting a full exit by end of FY2023. In this quarter there are no reversals; however, between Q1 and Q2 we are expecting some collections and there can be some write backs on that account.

Ashok Reddy: As of now the government has still been quite keen that most of the training delivery happened in a physical manner and hence there have been delays in program implementation, but the government has extended accordingly the tenure of the mandate, but in a sales manner we have not taken any new mandates, we are delivering to the existing mandates and looking to exit them as the delivery closes. No new provisions have been made, earlier provision collections have not yet come in but as and when they do there will be some expectation of the reversal.

Sandesh Shetty: There has been no write back for the current quarter right?

Ashok Reddy: Yes, and also majority of the business growth for Edtech has actually been driven from the corporate student and university revenues in the current year and that is really where the focus is.

Sandesh Shetty: My second question was with respect to how the PATMs are trending because we are seeing an unprecedented cost inflation on your client side with respect to raw materials or the other kind of inflation that has been taking place, so are you seeing pressure on your margins or you are able to pass it through the wage inflation, etc., to your clients?

Ashok Reddy: For us wage inflation is effectively not directly linked to the aspect of our margin because our margin is fixed in a large percentage of cases, we have a PATM kind of a model and in few cases we have the percentage model, so it is all very case specific and industry specific and volume specific Sandesh, that we have to negotiate the realization and factor that as sustainable going forward. In the case of specialized staffing where we work on a rate card model, there have been revisions in the rate cards to factor for the inflation in wages that has been happening and sustaining the margin levels thereafter. It is very case specific, industry specific and volume specific that we are negotiating and broadly sustaining our realization.

Sandesh Shetty: One related question with respect to that, since there is wage inflation and the rise in salaries, etc., so is there a case that you have to give away on the 80JJAA?

Ashok Reddy: We still have a large number of associates who still fall below the 25000 level. I do not think we are reaching that level where we run out of that runway in headroom but Ramani can cover more detail.

Ramani Dathi: Sandesh, while the average salary is currently at 22000 – 23000, the medium salary is still at 18000, so we still have a lot of headroom for us to hit the 25000 eligibility criteria for 80JJAA.

Sandesh Shetty: Thank you so much. That is all from my side. Thank you.

Moderator: Thank you. Our next question is from Ashish Chopra with Goldman Sachs. Please go ahead.

Ashish Chopra: Thanks for the opportunity. Just one question, if this 80JJAA interpretation holds and like you mentioned it will not be possible for you to probably pass it on because that is not how the client price their contract but considering that were the clients to hire these associates on a temp basis on their own payrolls directly there is obviously no such difference of opinion in which case it is a pretty clean benefit of 80JJAA the clients can have, so does that not create an arbitrage in terms of motivation for the clients to maybe go about it?

Ashok Reddy: Actually, Ashish even today the clients have that opportunity to onboard resources at their end and kind of take the 80JJAA benefit at their side. Leave aside the interpretational aspect even if we do this they do not get it in the current scheme of things. The quantum of outsourcing that corporates do is still a small percentage of the overall workforce and it is for other benefits that they do that element of outsourcing and independent of the 80JJAA benefits and the like that could play out for them. Subject to that going against us or for us it would drive the behavior of the customers to effectively look at employment purely on their rolls because that opportunity exists even today.

Ashish Chopra: Fair enough. Any idea on the timelines by when we could have a resolution or some clarity on the final opinion that maybe the authorities take on this matter or that remains very open ended?

Ashok Reddy: I mean it is kind of little open ended since we are dealing with the authorities and we are going to fight it at all levels, so do not have an answer to that Ashish.

Ashish Chopra: That is it from my end. Thank you.

Moderator: Thank you. Our next question is from Manjeet Buaria with Solidarity investment Managers. Please go ahead.

Manjeet Buaria: Thanks for giving the opportunity. I have one question on this 80JJAA aspect; it seems it is kind of moving in favor of the income tax department, what is the cumulative cash outflow FY2018 to FY2022?

Ramani Dathi: Yes, Manjeet. Assuming the refunds that have been released for the prior years also have to be taken into this. The total impact could be to the tune of Rs.150 Crores so far till FY2022.

Manjeet Buaria: Ramani is there any penalties and interest if they compound a delay as far as the page grants in the top of this Rs.150 Crores?

Ashok Reddy: Ideally not Manjeet because we do not know how they will behave or act it is not like we have broken any, they are reverting to disallow provision on which they have released refunds, so ideally you cannot first of all make it retrospective and to retrospective with penalty.

Manjeet Buaria: That answers my question. Thank you.

Moderator: Thank you. Our next question is from Aasim Bharde with DAM Capital Advisors Limited. Please go ahead.

Aasim Bharde: Thanks for the opportunity. Firstly, I had a question on the PAPM level that we talked about, so the 708 level is a drop sequentially and there was also a drop in the productivity ratio that you have reported, but the EBITDA margins appears stable quarter-on-quarter, so basically I wanted to know that firstly what has driven the PAPM drop in Q4 and if the margins have actually improved are the leadership hiring investment that you were talking about in the past are those all behind now?

Ramani Dathi: Q3 on an average salary of Rs.24000 our PAPM was 726 translating to about 2.98%, so this quarter even in absolute terms it may appear its lower but in percentage terms it has slightly improved on an average salary of Rs.23500 for Q4, PAPM as a percentage is 3.01% it has marginally improved. It also depends on the mix of associates, in which locations we are hiring, which industry we are hiring, so that kind of contributes to that and the overall EBITDA margin expansion as I mentioned is also contributed by HR Services which is largely Edtech business or higher margin business and also specialized staffing having higher revenue growth and contribution to the overall profits of TeamLease Services.

Aasim Bharde: No, actually I was talking about general staffing EBITDA margin there also I see a sequential improvement although it is marginal but there is an improvement?

Ashok Reddy: As some of their account has actually come into us at the end of Q4 and will get fully costed into Q4 of the coming year like Ritu had called out the hiring has been made in advance of some expected demand growth and also to factor for attrition. There will be some element of an impact from these costs in Q1 but thereafter it should get fully absorbed and also we will have a wage revision increment that happens in Q1 for the core employees, so that absorption will take between Q1 and Q2 and then we should be again a margin improvement place playing out.

Aasim Bharde: On the gross margin front at the general staffing level there things are broadly stable or things are improved over there?

Ramani Dathi: Gross margin level is broadly stable as of now, so we have not seen any substantial improvement on account of inflation, but having said that we are aggressively pushing for a slightly better inflation in the gross margins as well.

Aasim Bharde: Second and last question, just wanted a clarification on the IL&FS commentary they had with an earlier participant I presume the entire thing has been settled with PF trust, so theoretically they should not have any claim on the amount in case it comes in your favor why is that?

Ashok Reddy: That investment is owned by the PF trust and when it happens will happen to the credit of the PF trust and though today we have made transfer of money from TeamLease into the trust to make good the asset equal to liability transition to the RPFC a graded view that the authority's take is that any money that is there in the trust or comes into the trust thereafter belongs to us. So, like I said there is no precedence to this because there has not been a transition of a trust while it has some credit that could happen into the future which is why we are not speaking any credit in TeamLease at this point keeping it open ended, will argue to get that credit back into TeamLease as a refund of the advance given and so on, but we do not know what we do not know at this point.

Aasim Bharde: It sounds like they have already covered their basis by having that condition in the agreement I suppose so it looks like you may not have a legal recourse in case things though in your favor?

Ashok Reddy: No, I would not really call that out, there is no explicit call out nor is there any explicit application of their ownership, so it is a little grey.

Aasim Bharde: Sure. Thanks a lot.

Moderator: Thank you. Our next question is from Mr. Hiten Jain with Invesco. Please go ahead.

Hiten Jain: Hi! I just have one question, is not the sequential growth of 3% for the general staffing headcount and similar sequential growth for your staffing business, is not that low especially given the momentum that we have been seeing for the last couple of quarters and the environment in which we are in today?

Ramani Dathi: Q4 even historically the headcount growth used to be either flattish or negative Hiten because the attrition level typically by end of March would be higher both voluntary and involuntary. Despite the historical trends we have managed to grow 3% overall at the headcount level and the outlook for the next two quarters is very strong.

Hiten Jain: Great. Thank you.

Moderator: Thank you. Next question is from Soumitra with Spark Capital. Please go ahead.

Soumitra: Thanks for the opportunity. I have two questions, if I understand clearly on the income tax writ petition thing, the IT department is not contesting the way you are calculating the 80JJAA benefit, but they are contesting that the associate employees are not employees of TeamLease is that a right conclusion, Ramani?

Ramani Dathi: Exactly Soumitra. So, they are not contesting the computation that we have taken it is all about whether staffing company should avail the benefit or not.

Soumitra: Just a followup on that at the end of the financial year for these associates who is issuing the form number 16, is it TeamLease or the client which is issuing?

Ramani Dathi: TeamLease is issuing.

Ashok Reddy: Everything relating to their compliances, their statutory payments, their TDS, everything is taken care of by us Soumitra, the client only has them working in his site for the required activity.

Soumitra: Then Ashok it is well settled in the court of law that the entity which is issuing form number 16 the employee belongs to that entity.

Ashok Reddy: I could not agree more with you Soumitra.

Soumitra: Just one more thing if I have to take a more practical approach or substance over form approach, while on form basis you are issuing the form number 16, but who is doing the appraisal for these associate employees is it the client who does the appraisal or is it the TeamLease also has a say in the process or if the client is not happy with the employee they just ask TeamLease to replace that employee or TeamLease also says that we ourselves are not happy with particular employee so we will replace it for you?

Ashok Reddy: On paper and on record it is all done by TeamLease. All revisions, termination letters or involuntary attrition everything is handled by us. Obviously because the associate is working at a client location for a customer requirement all inputs about their behavior, soft, hard, outcomes and everything else comes to us from the clients, but documentation, paper flow everything is directed and driven by us.

Soumitra: This is helpful. This answers my question. Thank you so much, Ashok.

Moderator: Thank you. The next question is from the line of Ashish Chopra with Goldman Sachs. Please go ahead.

Ashish Chopra: Thanks for the followup. Just one quick one pertaining to my earlier question, so while understand you may in principle have a fairly strong case in 80JJAA scenario, but in the event that we are awaiting final verdict over here how should we think about the provision for tax is or the tax rate that we should anticipate going forward?

Ramani Dathi: Ashish, we have taken sufficient legal opinion, consultations with multiple big force and other experts on this matter and we are fairly confident that we would be fully eligible to claim this 80JJAA benefit. Till the time there is a conclusive claim and settlement on this matter as of now the view is that we should continue to claim these benefits.

Ashish Chopra: So nothing changes on the financial reporting standpoint over there as well. Got it, that was all from my side. Thank you.

Moderator: Thank you. The next question is from Manjeet Buaria with Solidarity Investment Managers. Please go ahead.

Manjeet Buaria: Ramani, one followup here, when do we deposit this Rs.150 Crores amount under Income Tax Act?

Ashok Reddy: No, they have not asked us.

Ramani Dathi: In their claim they have not quantified any number Manjeet, so this Rs.150 Crores number that I have given is for the last five years the total value of PAT benefit that we have availed under this 80JJAA section. This also includes the refunds that we have received in the past, in case if they revoke the refunds as well the total exposure is potentially Rs.150 Crores.

Ashok Reddy: We still have a lot of TDS money with the authorities that have not been refunded.

Manjeet Buaria: Thanks.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Ashok Reddy, Managing Director and CEO for closing comments.

Ashok Reddy: Thank you. As has been called out we have had strong year in growth of associates of the topline and improvement in the bottomline. We have made conscious choices to invest in our team, in our leadership bench and in our businesses and I think that will play out into the coming year with the positive outlook that we are hearing from our clients about their business outlook and that is something that we will continue to focus on to drive our growth across verticals, across businesses and continue to try and play for productivity and digitization for the margin improvement at a portfolio level. The element of the play out that we have had this year given the investments that we made give us more confidence to make further investments and that is really where part of that headcount increase in Q4 is coming from as a proactive approach to address the market demand and that is continued area of focus. Obviously, in the last year and two we have not been able to do any element of an inorganic growth for various reasons M&A has fallen off. The continued focus on exploring inorganic opportunities to compliment us for client acquisitions, for growth, for product will continue to be a focus area given our strong balance sheet and cashflow position. We still stay debt free, cashflow positive and net cash in the bank and we will have the continued focus for organic growth complimented by the right inorganic opportunities that come up. Look forward to your continued support and growth as we go forward. Thank you.

Moderator: Thank you. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.