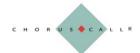


"Teamlease Services Q1FY17 Results Conference Call"

August 09, 2016







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SERVICES



Moderator:

Ladies and gentlemen, good day and welcome to the TeamLease Services Q1 FY2017 Results Conference Call hosted by IDFC Securities Limited. As a reminder, all participants' lines will be in 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Gupta from IDFC Securities Limited. Thank you and over to you Sir!

Abhishek Gupta:

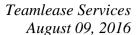
Good evening everyone and thank you for joining for the Q1 FY2017 conference call of TeamLease Services. Today we have with us Mr. Ashok Reddy, MD and Co-Founder of TeamLease Services along with Mr. Ravi Vishwanath, the CFO of the company. I would request Ashok to give a quick opening remark on the Q1 results and then we can open up the floor for Q&A. Over to you Ashok!

Ashok Reddy:

Thank you Abhishek. So just to give a statement I think effectively we have been consistent on the growth on operating revenues. Gross revenue billing has increased 24% quarter-on-quarter. Operating revenue has increased about 21% and effectively we also look at an EBITDA improvement. I am comparing Q1 2016 to Q1 2017 primarily from a perspective that there is seasonality in our business and normally Q4 if I the numbers of last year is nearly two times element from an EBITDA perspective of Q1. So there is a seasonality hence the comparison of the Q1 of last year to Q1 of this year gives the better picture and when we look at it from that perspective at EBITDA level we have improved 46% and PBT and net profit have improved 48%. I think lot of the investments that we had made in terms of technology and processes have started to contribute towards the element of margin improvement. Over the current quarter compared to the March end we have not added any headcount. The core TeamLease headcount stays flat while we have added about 4800 associates in terms of growth and we have also added about 2500 incremental trainees in the NetApp business.

Also just from a perspective of presenting the data and accounts we have just consolidated to staffing and allied as one vertical which is staffing the hiring related to staffing, the NetApp business and payroll combined into one. The second one is the HR Services business which we have factored which effectively includes recruitment, training and compliance services. On all three fronts of training, recruitment and compliance year-on-year we have actually shown a good growth rate and we are on track to showing comprehensive improvement in the topline and in the bottomline on that front.

I think effectively the element of focus continues to be on being capped to light being focused on element of productivity and margin improvement along with the growth. I think Q1 reflects that traction on that front even the average realization per associate has gone up to now Rs.712 earlier we were at Rs.685 and prior to that we were at Rs.657 as a quarter-on-quarter comparison. So I think overall we are on track and we would continue to build on that. We have done the first acquisition in the IT space but we are still awaiting closure on the deal probably another 7 to 10 days all the CP should be done and we should be able to get a closure to the acquisition. So that





ASAP consolidated impact to us in a comprehensive manner will kick in from Q3 and effectively will have a partial impact into Q2 as we go forward. That is from my side. Abhishek if you!

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer

session. We have a first question from the line of Abhishek Gupta from IDFC Securities. Please

go ahead.

Abhishek Gupta: My first question would be just some color on the margin trajectory going forward in FY2017

and any color on FY2018 as well given that ASAP would be integrated starting Q3 and on the

organic underlying business as well?

Ashok Reddy: So from an organic business Abhishek I think clearly the aspect of margin improvement will

incrementally continue to play out because clearly the cost is not linear to the growth in revenues

instead actually we put plan in place of saying this whole year we do not increase our co-team

headcount. So we look at a flat cost structure in terms of core employee cost and also in terms of

our office infrastructure and all of that given that we would not have to expand on those fronts. I

think margin improvement productivity play from the organic side will clearly play out. The acquisition aspect obviously the IT staffing vertical is a much higher margin business than what

the general staffing business is. So if I take their last year numbers on a 63 Crores turnover they

are nearly 11 Crores EBITDA and I think we would at least look at about a 20% improvement on

that as we go forward into this year. So there will be an improvement or addition the margin

coming in from the IT vertical into the second half of the year in a full-fledged manner.

Abhishek Gupta: Just a quick followup on this would ASAP reported separately as a separate segment of IT

stocking.

Ashok Reddy: We will show it separately. We have done the acquisition through 100% subsidiary of

TeamLease. So we will show it as a separate segment. I think also we want to show it separately to give the color of the margin improvement coming from organic general staffing business and

also the margin improvement coming from the IT vertical.

Abhishek Gupta: Any color on the profitability of HR services business now, which is non-staffing business?

Ashok Reddy: So all of them are at a breakeven now. They have started showing again traction on the topline

also as compared Q-on-Q or even if I compare it to Q4 to Q1. I think we will see and normally Q1 is the leanest period for them in terms of the recruitment or the training services. So we have got a good pipeline going forward into Q2, Q3 for these businesses and I think all of them will

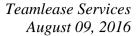
start contributing to the bottomline going forward like still last year we focused on getting them

to breakeven I think this year they will contribute to the bottomline.

Abhishek Gupta: Did we take any wage hike for the core employees in Q1?

Ashok Reddy: Yes, we have factored that into the cost increases if we look at in terms of the core employee cost

increase is largely driven by the wage increase.





Abhishek Gupta: Can we quantify that?

Ashok Reddy: It is 12% total but half that about 9% to 10% will be on account of wage hike. There is a 12%

quarter-on-quarter increase in wages core employee cost. 9% to 10% of that will be on account of

wage hike.

Abhishek Gupta: Thank you very much.

Moderator: Thank you Sir. We have a next question from the line of Garima Mishra from Kotak Securities.

Please go ahead.

Garima Mishra: Thanks for the opportunity. As far as the temporary staffing business is concerned could you give

us some color on your clients from an industry segmentation perspective and has been changed materially between say 1Q 2016 and 1Q 2017 because e-commerce as a segment you are seeing

some sort of a pressure. So if you could throw some light on that?

Ashok Reddy: Actually Garima we have not had change in profile of clients or industries much if I look at it

from Q4 or Q1 to Q1. Primarily from the perspective that today while some of the sectors are not $\frac{1}{2}$

necessarily growing there is an element of consolidation that is happening. So even if we look at the e-commerce sector overall which is kind of contracting what has happened is historically

because of the volume growth that they had they had started to work with multiple vendors.

Many small time vendors who came and knocked on their doors, in this round of kind of pulling

it together they have started consolidating the play to some of the larger player. So to that extent we have not lost numbers in the e-commerce space or any other sector and I think the element of

the distributed play across industries continues to be something that kind of works out for us.

Garima Mishra: Going forward from a growth perspective are there any two or three sectors that you can sort of

highlight or pinpoint which would contribute to growth or would it again be broad based?

Ashok Reddy: It is again broad based because primarily if we look at it from a macro perspective today there is

not any one sector that is exuberant about hiring at this point in time. So what we are looking at is twofold and also as a company we are present in more or less every industry space possible. So I think continued growth in terms of new client acquisition and larger share of wallet with

existing customers would be a focus area for us but I do not think it will be driven by any one or

two industries. It will be widespread across our client base.

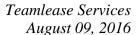
Garima Mishra: ASAP you mentioned the acquisition should close shortly. So once this is sort of done and dusted

are we looking to make more acquisitions or what is the thought process there?

Ashok Reddy: We continue to look for opportunities. I think as we had mentioned earlier also the vertical and

overall the staffing industry is highly fragmented space where there are many small players and I think there is an opportunity to leverage and rollout some of the smaller players into an integrated

large play. So while we will look at growing ASAP post acquisition in terms of organic growth with their existing customers and new customers if a good opportunity we continue to dialogue





and if a good opportunity comes at a good price we will look at further acquisitions to grow the business.

Garima Mishra:

Thanks a lot.

Moderator:

Thank you madam. We have the next question from the line of Yatin Matta from Reliance Mutual Fund. Please go ahead Sir.

Yatin Matta:

Good evening. Thank you for the opportunity and congratulation on a strong quarter. Sir just wanted to understand slight more on EBITDA that despite a price increase this time around which is close to 8% and no incremental hiring over the last no major hiring over the last six months. The margins seem to be kind of plateauing. Do you think that this 8% growth will now follow through from Q2 onwards?

Ashok Reddy:

If you really look at it year-on-year over the last six, seven years we had between 5% and 6% increase in average realization per associate and I think if we look at it for this year also we should probably be able to achieve that if I look at it from Q4 to Q1 we have achieved about 3.5% growth and there is an element of seasonality even to that average realization because some of the contracts coming up for renewal, new contracts coming in and also the seasonal nature of payments in Q3, Q4 also accounts for higher realization. So I think the average realization going up year-on-year we should be able to sustain.

Yatin Matta:

How does this flow into margins?

Ashok Reddy:

One is obviously the element of average realization plays out to becoming our effective gross realization on a comprehensive basis thereon effectively the productivity is what plays to margin. How do I service my existing and growing base to have a higher productivity for my existing employees and not have a linear cost structure is how my margin improvement comes in so last year we had mentioned that we had made investments in technology around ALCS 10.0 around apps and all of that which have started to gain traction in terms of been able to improve the productivity of our people. So what we use to have as productivity improvement over a year in the previous year they have been able to achieve in the quarter in this year.

Yatin Matta:

Sir on the cost line Sir your other expenses have short up during the quarter. Will this be related to trading business or any other expenses?

Ashok Reddy:

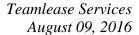
Hardly towards the training business where the costs are aligned with revenues?

Yatin Matta:

This is the seasonality part.

Ashok Reddy:

It is not seasonality. It is the element of the training business has done more revenue and there are direct delivery cost related to that which we book upfront. So it is linear to the element of the training business growth.





Yatin Matta: On the growth front during so there were when during the IPO time you had indicated that GST

could be a big positive for the company and now that in a way that has now passed through. So do you think that do you still feel that over the course of next two to three years? Once this finalized we can start seeing slightly more push towards organized retail and has this now also

started showing up in some of the conversation, which you have been having with your clients?

Ashok Reddy: We still strong believe that GST could be a large driver towards formalization of the staffing

space and we are effectively looking forward to the implementation and go live at the earliest. I think it is too early for companies to start having discussions around that at this point in time. So we continue to we are preparing at our end in terms of whatever is required towards the GST front. Our belief is that it will be a key driver to formalization and larger market opportunity.

Hopefully into the next year we will have a better fix on that.

Yatin Matta: Finally one small bookkeeping question. What would be the cash on books at the end of the

quarter?

Ashok Reddy: We have about 200 Crores right now.

Yatin Matta: Thank you very much Sir.

Moderator: Thank you Sir. As there are no further questions I would now like to hand the conference back to

Mr. Abhishek Gupta for closing comments. Over to you Sir!

Abhishek Gupta: Thanks a lot Ashok and Ravi for the time.

Ashok Reddy: Thank you Abhishek. Thank you for coordinating. Thank you all of you for participating.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of IDFC Securities that concludes this

conference. Thanks for joining us. You may now disconnect your lines.