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February 03, 2026

To,

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
Security Code – 539978

National Stock Exchange of India Limited

Exchange Plaza,
Bandra- Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE Symbol – QUESS

Dear Sir/ Madam,

Sub: Transcript of the Earnings Call – Q3 FY26

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcript of the Earnings Call held on January 29, 2026.

The above information is also available on the website of the Company at www.quessccorp.com.

Kindly take the same on record and oblige.

Yours sincerely,

For Quess Corp Limited

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

Encl: as above

Quess Corp Limited

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“Quess Corp Limited
Q3 FY '26 Earnings Conference Call”
January 29, 2026



MANAGEMENT: **MR. GURUPRASAD SRINIVASAN – EXECUTIVE DIRECTOR**
MR. NEERAJ JAIN – CHIEF FINANCIAL OFFICER
MR. LOHIT BHATIA – CHIEF EXECUTIVE OFFICER
MR. KAPIL JOSHI – CHIEF EXECUTIVE OFFICER – QUESS IT STAFFING
MR. NITIN DAVE – CHIEF EXECUTIVE OFFICER – QUESS STAFFING SOLUTIONS
MR. KUSHAL MAHESHWARI – HEAD, INVESTOR RELATIONS AND TREASURY

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

Moderator: Ladies and gentlemen, good day, and welcome to Quess Corp Q3 FY'26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to sir Siddharth Zabak. Thank you, and over to you, sir.

Siddharth Zabak: Thank you. Ladies and gentlemen, good morning, and thank you for joining us on the post Q3 FY'26 and 9-month FY'26 Results Conference Call for Quess Corp Limited. It is my pleasure to introduce the senior management team of Quess Corp who are here with us today to discuss the results.

We have Mr. Guruprasad Srinivasan, Executive Director; Mr. Lohit Bhatia, CEO; Mr. Kushal Maheshwari, Head of Investor Relations and Treasury; Mr. Neeraj Jain, CFO; Mr. Kapil Joshi, CEO of Quess IT Staffing; and Mr. Nitin Dave, CEO of Quess Staffing Solutions.

We will begin the call with opening remarks by the management team, and thereafter, we will open the call for a Q&A session. I would like to now hand over the call to Mr. Kushal Maheshwari to take the proceedings forward. Thank you, and over to you, Kushal.

Kushal Maheshwari: Thank you, Siddharth. Good morning, everyone, and thank you for joining us for our Q3 FY'26 and 9-month FY'26 earnings call. The information, data and outlook shared by the management during the call are forward-looking and subject to prevailing business conditions and government policy. All forward-looking statements are subject to economic growth or other risks faced by the company.

Please refer to Slide number 2 of the investor presentation for the Safe Harbor clause. With that Safe Harbor clause, I will now hand over the call to our Executive Director, Mr. Guruprasad Srinivasan, for his opening remarks. Over to you, Guru.

Guruprasad Srinivasan: Thank you, Kushal. Good morning, everyone, and thank you for joining us today for Quess Corp's Q3 FY'26 Earnings Call. Before moving to quarterly performance, I'd like to briefly outline the strengthening of one leadership team at Quess.

The Board has elevated Lohit Bhatia to the role of Chief Executive Officer effective 1st of January 2026. Lohit has completed over 15 years at Quess and has been responsible for India and global operations for several years and been directly accountable for execution of General and Professional Staffing in India and international markets, including managed services.

In addition, Neeraj Jain has joined us as Chief Financial Officer on 3rd of December 2025. Neeraj brings in deep experience in global finance, business restructuring and transformation. Overall, this is a planned succession, reflecting leadership depth within the organization. It is designed to sharpen execution while maintaining consistency on strategy, margin, cash flows and governance.

With that, I'll hand it over to Lohit, who will take you through detailed quarterly business update, followed by Neeraj covering on finance update. We all will be available later in the call for question and answers. Over to you, Lohit.

Lohit Bhatia:

Thank you, Guru. Good morning, everyone. Thank you for joining Quess Corp's Q3 and 9-month FY'26 Earnings Call today. We are pleased to report a quarter of steady execution, margin expansion and disciplined financial performance despite a mixed demand environment across sectors due to Labour Code implementation. Q3 reflects the strength of our diversified portfolio, operating discipline and continued focus on profitability with cash flow.

During the quarter, we reported revenue of INR3,930 crores, representing a 3% quarter-on-quarter growth. The EBITDA stood at INR80 crores, a new quarterly milestone for our company, marking a 28% year-on-year increase and a 4% sequential growth with EBITDA margin expanding to 2.03% this quarter.

The adjusted PAT came in at INR62 crores, which excludes the onetime exceptional item of INR7 crores due to the impact of Labour Code as assessed by the company, up 29% year-on-year and up 19% quarter-on-quarter. This corresponds to an adjusted EPS of INR4.1 per share for the quarter. Our operating cash flow conversion remained strong at 92% of the EBITDA delivered, underlining the quality of earnings and working capital discipline.

Headcount stood at 4,83,503 associates, broadly flat sequentially as expected, reflecting a seasonal churn in select verticals and calibrated hiring aligned with demand visibility greatly impacted by the Labour Code implementation on 21st of November. Overall, Q3 FY'26 was a quarter of balanced growth, improving margins and consistent delivery against our operating plan.

Let me walk you through the performance of each of the business segments. General Staffing: stable scale, strong contract wins and execution discipline. General Staffing continued to demonstrate resilience and scale across the quarter.

The segment revenue stood at INR3,409 crores, with an operating profit margin for the segment at INR45 crores, reflecting a stable performance despite seasonal softness in BFSI and Consumer, Retail & Telecom, partially offset by growth in M&A-led headcount additions.

Headcount in the segment remained steady at approximately 4,70,774 associates, with over 4,000 additions coming primarily from the manufacturing and apprenticeship segment in the quarter. We added 71 new enterprise contracts in this quarter, taking the total YTD to 222 new contracts, reinforcing our leadership position across BFSI, manufacturing, retail and infrastructure.

Operational execution remains strong. Collect and pay coverage stood at 76%, and average DSO improved to 24 days, driven by a tighter credit control and focused collections. The open mandate remained healthy at over 37,000 as we began the fourth quarter, giving us confidence of a pickup in demand and headcount during this Q4, particularly from manufacturing and construction as well.

During the quarter, we conducted over 830 client consultations on the impact of Labour Code changes, an engagement that will continue through Q4. Over the medium to long term, we believe the Labour Code will drive greater formalization, consolidation and stronger governance, creating structural tailwinds for Quess given our scale and compliance capabilities.

Moving on to our Professional Staffing segment, which has sustained margin expansion and high-quality growth. The Professional Staffing delivered an excellent quarter, continuing its trajectory of profitable growth. The segment revenue stood at INR230 crores, while EBITDA increased to INR29 crores, representing a 42% year-on-year growth, with EBITDA margins further expanding to 12.5%, an all-time high for our segment here.

This performance was driven by a disciplined focus on high-margin contracts, rationalization of low-yield engagements and a strong demand for GCCs. GCCs now account for 72% of the total Professional Staffing headcount, reflecting our strategic positioning in higher-value digital, technology and consulting roles. Headcount during this quarter grew to 6,934 associates, adding 18 new logos in Q3 and overall 48 new logos during the financial year. Open mandates remained steady at over 1,300.

The CRT vertical within Professional Staffing has emerged as the largest vertical for the division, followed by IT services and Consulting. We remain confident that double-digit margins in Professional Staffing are structurally sustainable, supported by strong client demand, pricing discipline and deeper wallet share with existing customers.

Within IT Staffing, average revenue PAPM per associate is now approximately INR1.2 lakhs per month, reflecting the quality of deployment and seniority of roles we support across the client base. Moving on to Overseas business, margin improvement and regional diversification. Our overseas business delivered another quarter of margin expansion and improved execution.

Revenue stood at INR290 crores, while EBITDA crossed the INR20 crores mark, translating into a 26% year-on-year growth for this BU, with margins crossing 7% for the first time. The Middle East continued to be a standout performer for us, delivering double-digit margins supported by near 100% collection efficiency and growth in both IT and non-IT Staffing.

Malaysia saw strong traction with the addition of large new contracts, while the Philippines delivered robust collections and crossed 700 headcount with double-digit margins. Singapore revenues were softer during the quarter, EBITDA showed sequential improvement, aided by cost optimization as well as an increased focus towards the new business launched last year of General Staffing. Overall, our international portfolio now is more balanced than ever before, with a diversified share of profitability.

Moving on to the last, which is our digital platform, which is under the investment phase. We have a renewed strategy to take it forward. We are preparing to launch the AI-enabled Hamara Jobs marketplace aimed to further strengthen our leadership in blue-collar hiring. I'm particularly proud to share that Quess Corp has been certified as a "Great Place to Work" for the 7th consecutive year.

The collective voice of our people has proudly elevated Quess from a large organization category to the mega organization category this year. This prestigious award highlights our unwavering dedication to our colleagues. To summarize, the Q3 FY '26 reflects consistent execution, margin expansion and strong cash discipline. Even as we navigate near-term demand variability in select segments.

Our diversified business model, leadership in staffing and increased share of high-margin business positions us well for sustainable, profitable growth. With that, I will now hand over to our Chief Financial Officer, Neeraj Jain, to talk us through the financial performance of this quarter.

Neeraj Jain:

Thank you, Lohit. Good morning, everyone, and thank you for joining us for Quess Corp Q3 FY '26 Earnings Call. I will begin with our headline financial performance for the quarter, followed by a segment-wise financial review. And I'll conclude with key balance sheet, cash flow and profitability observations. I'll start with the financial highlights for Q3 FY '26.

Q3 FY '26 was a quarter of steady revenue growth, meaningful margin expansion and strong cash discipline, reflecting the benefits of our continued focus on profitability, mix improvement and execution rigour. Consolidated revenues for the quarter stood at INR3,930 crores, representing a 3% quarter-on-quarter increase while being marginally lower on a year-on-year basis due to calibrated headcount management.

EBITDA for the quarter came in at INR80 crores, which is a new quarterly milestone for the company. It is up 28% year-on-year and 4% sequentially. EBITDA margins expanded to 2.03%, improving by 47 basis points year-on-year, reflecting operating leverage, higher contribution from our higher margin businesses and tighter cost controls.

Reported PAT stood at INR55 crores, up 32% year-on-year and 6% sequentially. On an adjusted basis, excluding onetime exceptional costs relating to Labour Code provisioning, our adjusted PAT is at INR62 crores, up 29% year-on-year and 19% quarter-on-quarter with adjusted EPS of 4.1 per share.

Importantly, operating cash flow conversion remained strong at 92% of our EBITDA, underscoring the quality of earnings and disciplined working capital management. I'm pleased to announce that the Board has approved an interim dividend of INR5 per share, and this is in line with our dividend policy, reaffirming our strong performance, balance sheet strength and commitment to deliver sustained value to our shareholders.

I'll move to the 9-month FY '26 performance snapshot. For the 9 months ended December FY '26, our consolidated revenue stood at INR11,413 crores, up 1% year-on-year. EBITDA for 9 months FY '26 increased to INR226 crores, a growth of 16% year-on-year with margins expanding by 26 basis points to 1.98%. Adjusted PAT for 9 months period stood at INR166 crores, up 13% year-on-year with adjusted EPS at INR11.1 per share. Reflecting consistent profitability improvement.

I'll move to segment-wise financial performance now. Our General Staffing continues to provide scale, stability and strong cash flows even as margins remain sensitive to mix and seasonal

factors. Revenue for Q3 stood at INR3,409 crores, accounting for approximately 86% of consolidated revenues and segment EBITDA was INR45 crores with margins at 1.3%.

Headcount remained largely stable at 4,70,774 associates despite seasonal de-hiring in BFSI and CRT verticals. Collect and pay coverage remained healthy at 76%, and our average DSO improved to 24 days, reflecting strong collections and credit discipline. Moving on to Professional Staffing.

It delivered another strong quarter of margin-led growth, reinforcing its position as a key profitability driver for the company. Our revenues stood at INR230 crores and EBITDA increased to INR29 crores, up 42% year-on-year. EBITDA margin expanded to 12.5%, and this is the highest for the segment.

Headcount increased to 6,934 associates, while GCC-led engagement accounted for 72% of the total headcount in Professional Staffing, supporting our margin sustainability. The improvement in margins reflect portfolio rationalization, our exit from low-margin contracts and deeper penetration into higher-value digital and GCC roles. Professional Staffing now contributes approximately 30% of total operating EBITDA despite being a relatively small part of our revenues.

Moving on to Overseas business, continued its margin expansion trajectory, supported by improved collections and regional diversification. Our revenue stood at INR290 crores, while EBITDA increased to INR20 crores, up 26% year-on-year and EBITDA margins crossed 7%, which is a key milestone for this segment.

The Middle East delivered double-digit margins, while Malaysia and the Philippines showed strong improvement in both profitability and cash collections. Singapore revenues were softer, but EBITDA improved sequentially due to cost optimization. The overseas business now contributes around 20% of operating EBITDA, reinforcing the increasing role of high-margin businesses in the overall portfolio.

From a portfolio perspective, approximately 50% of our total operating profitability now comes from high-margin business, which is roughly 14% of our revenue. Professional Staffing and Overseas business. This continued shift in mix, combined with disciplined cost management is central to our margin expansion strategy. Our focus remains on capital efficiency, liquidity discipline and sustaining strong cash generation even as we invest in technology and growth initiatives.

I'll summarize for Q3 FY '26. It is a strong quarter from a financial standpoint, marked by a new high in our quarterly EBITDA, continued margin expansion, strong adjusted profitability growth and healthy cash conversions and balance sheet strength. With that, I'll hand it over to Kushal.

Kushal Maheshwari: Thank you, Neeraj. We are now open for the question and answers. Over to you, moderator.

Moderator: The first question is from the line of Deep Shah from B&K Securities. Please go ahead.

Deep Shah:

Sir, the first question is to get this clarification whether the pain in general staffing due to NBFC is all of that behind us? Or there are still clients who are in that grey zone where they might have business with us and then at a subsequent date, they might look to prune down. So that is one. Second, on the onetime benefits that are supposed to flow from the Pradhan Mantri Viksit Bharat Rozgar Yojana, those are supposed to start next June or July, right?

So by that time, we should have had a lower base as such so that on a month-on-month basis, we have higher headcount and therefore, the benefits flow to us. So is this understanding correct? I just wanted your thoughts on these two things. Thank you.

Kushal Maheshwari:

Thank you, Deep. I will ask Lohit to answer the questions on BFSI sector in general staffing as well as the Pradhan Mantri Viksit Yojana scheme impacting our general staffing business.

Lohit Bhatia:

Yeah. Good morning, Deep. So, this is an important question. I think last year, in the quarter 4, we had reported a onetime event where a BFSI customer had in-sourced a large set of volume on their own roles. As we looked at that particular event, one thing emerged very, very clearly to us as Ques Corp that we have to have a portfolio diversification.

The first thing we did was we doubled down on our professional staffing as well as on our international so that the value realization from these businesses and the margin-accretive businesses help us navigate any kind of a headwind that we may be faced with in a future event. Second, within the general staffing business itself, our business went and doubled down on multi-vertical strategy.

Today, on one side, we have a volume business, which is BFSI as well as CRT. On the other side, we have a value business, which is for our value-added services, our construction business, as well as our manufacturing business. This is a very planned strategy to ensure that a company of our size and scale is able to navigate with any form of headwinds that the market may give us.

I would also like to add that for our scale and size in the Indian economy, there will also be times of headwinds and tailwinds. As a management team, we will always be aligned to any of these eventualities, and we will build our business around both of these. I will quickly shift to Pradhan Mantri Viksit Bharat Yojana that you just spoke about. Yes, it went live on 1st August 2025.

The first of the period would be considered as a base of the prior 12 months. And thereafter, the growth that you achieve in the next six months will be modelled for the payments of the benefit. The second thing is in terms of net addition that the organization does.

As we spoke at the start of today's conference call, we are expecting, in spite of a flattish headcount for Q3, for reasons of both destocking post the festive season as well as the pause which got created in the six weeks of November and December, regarding the Labour Code. We feel that with all the projects that we've signed both from a sales point of view as well as open mandate sourcing point of view, Q4 should give us steady headcount addition.

And thereafter, we should enter with steady headcount addition into the next financial year itself. At the moment, have we modelled how much that would be? No, we haven't. We will take it as

that benefit comes, and we'll report to the street as and when that adds to our current margin trajectory.

Kushal Maheshwari: Deep, I hope does this answer your question?

Moderator: The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: A couple of questions. First on General Staffing. Now I think broadly you indicated NBFC-related things are largely behind. Considering it was quarter 4, are we getting confidence about, let's say, returning to double-digit in the next couple of quarters from Y-o-Y perspective? That is question one.

And when that growth returns, whether the composition of revenue would be favourable to margin trajectory? Because in last couple of quarters because of business mix change, margin came under pressure for General Staffing. So I just want to get sense about two aspects. One is returning to double-digit. Second thing is when we return, what would be the mix which can drive margin changes? That is question one.

Second question is about the new Labour Code related implication. Obviously, we have taken the hit in terms of the past performance kind of. What would be the recurring impact we expect in the business? And whether the incremental cost, which can come because of the PF gratuity kind of thing, whether any of this we need to bear or we would be able to pass into to clients?

Kushal Maheshwari: Thank you, Dipesh. I would ask Lohit to cover the questions on headcount growth and margin trajectory for general staffing. And consequently, on the impact of new Labour Code implementation on our financials, I would ask Neeraj to chip in. Over to you, Lohit.

Lohit Bhatia: Dipesh, thank you. As regards your conversation on the headcount trajectory for our General Staffing business is concerned, as a management team, we continue to model our sales, sourcing and operational capability and our technology back end to deliver a steady state 15,000 net addition quarter-on-quarter.

Like I just mentioned in the previous question as well, there will be headwinds and tailwinds, which will come to a company of our size in an economy as diverse as India is concerned. Our business team in general staffing has built vertical BU heads in each of the verticals which are there. As we sit in front of you in Q4, we find that Q4 has started on a much more positive trajectory than where we saw the month of November and December in Q3.

We also see that both our legs in General Staffing, that is the volume growth from customers, from large customers, as well as the value growth in some of the new businesses will continue to remain. As far as the margin trajectory is concerned, today, our General Staffing business is delivering the best margin in the industry at 1.4%, is one of our lowest across our three businesses.

In this business, we are looking to correct it to 1.5% to 1.6% in the near term and 1.8% in the medium to long term. So that's the trajectory that we would like to take from a margin

perspective is concerned. On the Labour Code, I'll make one small short comment and then give it to Neeraj.

The INR7 crores that you see is for the eventuality of all the code on wages restructuring for existing employees as they work at Ques Corp. This also is the change for gratuity calculation based on the new code on wages. This factors for all such personnel that work with us today, and we have trued up the expectation for that. On an ongoing basis, our employees will see a slight shift in terms of the cost, and I'll give it to Neeraj.

As far as your question on customers are concerned, yes, in the speech also, we called it out, 830 meetings have been done with clients where we have explained the impact of the Labour Code and the provisions to them, which will have to be modelled and factored by them in the purchase orders in coming times. Neeraj, I'll hand over to you.

Neeraj Jain: Thank you, Lohit. So Dipesh, there are two aspects that you have asked. One is the impact of Labour Code in Q3. So as you know, basis the requirement of the law and as per the guidance note released by the institute, at Ques, we have computed the impact of gratuity leave encashment of the YTD and that is the onetime exception cost that you see in the financials. So whatever is as per our contracts billable to the customer, that has basically been covered as part of the unbilled revenue.

So the impact in our P&L is largely related to our core employees. That is part number one. On the ongoing impact, please understand the PF and ESI and ongoing impact is basically the recalculation of the wages as part of the salary model. And given our internal structure, we don't expect a material impact basis our EBITDA base.

I would say, a maximum of INR1.5 crores to INR2 crores we see as an ongoing impact because of our attrition rate, because of our existing structure of wages in the company. So on an overall basis, I see it as a very immaterial impact on our margins as we move forward. I hope, Dipesh, it answers your questions.

Moderator: Sorry to interrupt. Sir, we have lost the line of sir Dipesh. We'll move ahead. The next question is from the line of Siddharth Zabak from IIFL Capital Service. Please go ahead.

Siddharth Zabak: I have a couple of them. My first question is on Middle East EBITDA margin. In your 2Q press release, you have indicated an EBITDA margin of 12.8% for the region. And in 3Q also, you mentioned double-digit margins. However, if we look at staffing companies operating in Middle East, industry EBITDA margins are typically around 4%.

So could you please help us understand what are we doing differently that allows us to operate at materially higher margins in this region? And secondly, how sustainable are these margins over the medium to long-term?

My second question is on the expected credit loss allowance of INR120 crores that was provided on trade receivables in 4Q FY '25. Could you share whether any recovery has been made from this data so far? And how we think about the potential write-backs or further recoveries going ahead?

Kushal Maheshwari:

Thank you, Siddharth. For your question on Middle East and margins, I would ask Lohit to answer the question. On the expected credit loss, I will ask Neeraj to answer.

Lohit Bhatia:

Hi, Siddharth. Yes, you're absolutely right. We trade at double-digit margins in our Middle East book. We are between the 11.5% to 12.5% EBITDA margin that we've been delivering there. Middle East for us is a long-term success story. This is not something which has been created in one, two quarters or 1 or 2 years.

Middle East has been growing on its base at a steady state of 25% to 30% year-on-year. We, across Middle East also, work and provide talent in multiple different segments. We provide talent in the retail. We provide talent in e-commerce. We provide talent in manufacturing and engineering.

We also provide talent in banking sector. Last year, as part of our diversification strategy and our derisking strategy, we looked at every BU of ours and every geography of ours, and we decided that we will double down on areas which do not exist for us, but can be a blue ocean for that location.

So to give you an idea, in Middle East, where we were heavily reliant on the General Staffing across different segments, we added a layer of IT talent. Happy to report to you that as we speak, we've almost touched 100 associates in Middle East in high-margin IT business as well. Total Middle East has a little over 2,000 book size.

With that kind of a volume, our IDC cost also is well optimized and is kept on a fairly low side. So I think the comparison with the low-margin businesses would possibly be because they do not have the scale that Quess has in some of these geographies, Middle East being one of those.

Kushal Maheshwari:

Over to Neeraj to answer your question on the expected credit loss of INR120 crores that we have taken in Q4 FY '25. Neeraj?

Neeraj Jain:

Thank you, Lohit. So Siddharth, on the ECL provision that we took in Q4 FY '25, this is largely for the skilling project that we are doing with the government. And just to update you on the collection in Q3, while we are very closely working with the state governments on processing of these collections, just to update, there is a new process that is being instituted by RBI on the escrow account process.

So, because of that new process and both state government and RBI and all of us are trying to work it around, it has unfortunately delayed the collection from Q3 to Q4. So we expect some of those collections to flow back in Q4. And just also wanted to mention that while these have been already provisioned, so any collection that we do from here on is going to positively impact our numbers as we move forward.

Guruprasad Srinivasan:

Just to add a point there. If you recollect, in Q4, these were the discontinued businesses as part of the demerger that we had announced to the Street, and we had taken an exceptional credit loss on that. And as committed, the effort is on. And as and when the collection happens, we'll report back to the Street.

Moderator: The next question is from the line of Karan Gupta from ASML. Please go ahead.

Karan Gupta: So my question is regarding on the other expenses side. So, on a Y-o-Y basis, there is 24%, 25% of down in the other income side. And for quarter 3 FY '25, you already adjusted the numbers of Digitide Solutions, and Bluspring. But still there is a drop of 20%, 25%, which is majorly contributing to the profit side of around INR55 crores. So, can you put some light on this thing? And how much this other expenses part on a consolidated basis is contributed to each segment?

Kushal Maheshwari: Karan, hi. Okay. First and foremost, what I understood is on the total indirect cost you're referring to is what I presume. So, our average total cost per quarter is about INR102 crores across the group as part of the IDC. And there are a few costs in the earlier, if you are comparing year-on-year, there were demerger expenses, which wouldn't recur in this current year. So that's the entire sort of gap there. But otherwise, the run rate where we are today is about INR102 crores of cost per quarter. And that has been intact for the last three quarters.

Karan Gupta: Just saying about the other expenses part? My question was on the other expenses part in the consolidated statement?

Kushal Maheshwari: Which expense are you referring to, actually?

Karan Gupta: Just a second. In a consolidated statement, if you see the other expenses, INR137 crores on a Y-o-Y basis, it is around INR192 crores. So that's a drop of something around 20%-25%. So that's what I'm asking, which is basically majorly contributing to the profit side of around INR50 crores, INR55 crores. So can you put some light on what are these other expenses are?

Lohit Bhatia: Karan, your numbers, we are not able to figure it out. Can we take this question offline? You can drop me a mail and I'll answer these questions.

Moderator: The next question is from the line of Amit from H. G. Havas. Please go ahead.

Moderator: Amit, kindly unmute your line.

Amit: Hello.

Moderator: Sorry to interrupt. Sir Amit, I request you to kindly get closer to the mic. Amit, you are not audible.

Amit: My question is like what are the net additions of the headcount in the quarter?

Kushal Maheshwari: Headcount additions during the quarter or you want guidance during the quarter?

Amit: Both actually. Both.

Kushal Maheshwari: I'll give the question to Nitin Dave, our Head of Staffing Solutions.

Nitin Dave: Yeah, good afternoon. So while as Lohit had explained already that because of some seasonal dehiring and also multiple wage course discussions where customers started taking stock of what is the current situation, the headcount in fact. However, going forward, we have a very strong

pipeline, a very healthy open mandate of 35,000 plus, as Lohit mentioned, and also a strong pipeline.

So with that, we are expecting to end the year on a new high, and we are expecting to do a net add in the coming quarter and end the year on a high in terms of volumes. Also, the diversification strategy that Lohit mentioned and some of the investments that are being made, the results of the same would be expected in the coming quarter. So we are expecting, while the current quarter has been flat, the next quarter will be a growth quarter for us.

Amit: Actually, in the previous con call, I think you have guided like 10,000 to 15,000 headcounts addition in this quarter.

Nitin Dave: Yes. So in the, as it was mentioned by the Lohit in the opening speech itself, on 21st November, the government actually introduced the wage codes with immediate implementation. So at that point of time, with customers before adding new capacities, they actually started taking stock of what they already have and what will be the impact on their overall expenses before adding further headcounts. We have had more than 800 discussions with our customers on the wage code.

And this guidance of 10,000 to 15,000 headcounts quarter-on-quarter will apply because we have a sourcing engine in place. We have a source pipeline in the place. So these discussions and these headcount additions have simply been deferred because of the wage code discussions in the coming quarter. That is the only comment that I would like to make on the quarter 3 number being flat. But going forward, this growth will be there.

Amit: Sir, my second question was like is the 2% EBITDA margin the new normal?

Lohit Bhatia: So basically, we had guided that we want to sustain at around 2%, but basis margin expansion in different verticals, we would guide you between 1.95% to 2.05% in the coming quarters. Guru, if you can?

Guruprasad Srinivasan: Just to add, Amit, as Lohit alluded in his speech, when we started the year, the EBITDA contribution from General Staffing was about 57% and 43% was coming in from the other high-margin businesses. That product mix has changed. As we end December quarter, we are now contributing 50% from General Staffing and 50% coming from International and Professional Staffing.

So that has helped us to keep our margin consistently to be around 2%, and we are able to do that for the last two quarters. Are we going to focus on product mix and continue to work on the product mix better? Yes, that's definitely on our strategy and plan.

We would, while General Staffing would continue to grow, the mix is something which is important, and we will continue to work on it, and we should be able to sustain. However, we had guided the market exit of this year, we should be around 2%. We are happy to see that we have been at least a quarter early reached there. So, we should be able to.

Moderator: The next question is from the line of Ankit from RNM Capital Trust. Please go ahead.

Ankit: My question is on the Labour Code implementation. I heard that we have been going million we see that as a catalyst for us, right? I just also wanted to understand if we foresee any challenges, like any sector or industries, if you have more employees and their partners on payroll rather than outsourcing it because of this Labour Code implementation?

Lohit Bhatia: So if I can understand your question, you are asking whether Quess will face any challenges in any vertical as part of Labour Code implementation. Is that your question?

Ankit: Yes, yes. Yes, any vertical like BFSI where employees are on their own payroll, right? In this Labour Code implementation, do we see that can happen with other industries or verticals?

Kushal Maheshwari: So you are saying whether Quess will be impacted by any in-sourcing of any vertical due to Labour Code implementation. Is that your question?

Ankit: Yes, yes, right.

Kushal Maheshwari: Okay. I'll ask Lohit to answer on this.

Lohit Bhatia: Okay. Ankit, thanks for the question. I think the interim impact in Q3 has been because for all the customers, this is, for entire India, by the way, this is a reset after 78 years. You know under the Labour Code, there are laws which were made in 1924, 1947, 1948, 1950, 1974 have been reset and have been revised.

The second thing is that many of the industries did not exist when some of these laws were made. So obviously, it required a complete reset. What has happened in Q3 is that the clients have looked at that reset, and they are budgeting for it in terms of what would be the impact and what would be the changes.

To be very honest, under the laws today, whether you have them on your roles or whether you have them on a third-party role, the cost, if any, whether on code of wages, whether on restructuring of wage, whether on gratuity payments and other implications remains the same. Both ways, it has to be paid as per the new legislation.

You would also remember that Quess being a listed company for almost 10 years now, follows every law in the book in the last 18 years of our existence and will continue to follow every law as and when the government comes out with it.

Interim impact is for customers to know what will be the new cost for human capital. Doesn't matter whether the human capital is on a third-party roles or whether it is on their direct roles. The medium- to long-term impact after this reset is over will be towards formalization and towards consolidation.

We feel that with the kind of understanding that Quess has on governance, on compliance and being able to keep our customers always indemnified for the laws in India, there will be more and more clients who would be interested in working with Quess for our abilities, and we will be able to see more tailwinds over a period of time.

I think I would also like to add one more point, which probably with the Q3 results are already evident to everybody in India. The speed with which Indian industry is taking Labour Codes and the seriousness with which Indian industry is taking Labour Code is phenomenal. In all of these hundreds of conversations, we have not had even one pushback asking us to help somebody restructure by saving cost.

Every conversation has been about what would be the cost, what are the changes, and how to ensure that it can be implemented at the earliest. I think that is the maturity of Indian industry, and it is the right time to call it out, and that should be beneficial long-term.

Moderator: The next question is from the line of Akshay Chawla, an Individual Investor. Please go ahead.

Akshay Chawla: Yes. I had a question regarding the Professional Staffing. So right now, it is around single-digit as a percentage of revenue. So, going forward, what percentage can we expect from this segment because the margins are in double digits over there? So just wanted to know about that.

Lohit Bhatia: Thank you for the question, Akshay. Before I hand over to my leader for Professional Staffing, Kapil Joshi, I would just like to make one highlight and a point here. This entire strategy of margin expansion and value-accretive verticalization started for us nearly 5 years ago in this business. We were doubling down from an EBITDA margin percentage of 4.5% to 5%, and we were clearly looking out to a market where we work on high skills, niche skills and digital technology skills.

As an organization in the last 5 years, we've ensured that we walk that path and the resultant is visible in front of all of you, which is today above 12%. But now I'll hand over to Kapil on how does he see the market opportunity hereafter to grow and expand even further.

Kapil Joshi: Yes. Akshay, thank you for the question. And yes, we are cognizant about top line growth, revenue growth, which is currently in single digit. But going forward, we expect it to be much better. If you see our sales pipeline, we are actually focusing on acquiring the good logo. So far this year, we have acquired 48 new logos. In the last quarter, October, November, December alone when hiring are actually subdued, we acquired 18 new logos.

I think in next 12 months, this 48 logos, what we have acquired will have a headcount buildup. And that's true in the super niche segment where margins are better, okay? So we expect H1 is anyway is good for our industry, IT industry. So at least for next two quarters, we expect the growth will be a top line-led growth, driven by the headcount addition.

Moderator: The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Two questions. Just want to get sense about how one should look payout. Any ratio we have in mind in terms of the payout ratio? And second question is about the client concentration. I think this time, presentation doesn't include general staffing client concentration. Can you provide some sense how that is shaping up?

Kushal Maheshwari: Dipesh, just a clarification. When you refer to payout ratio, is it.

Dipesh Mehta: Dividend payout.

Kushal Maheshwari: Dividend payout, okay.

Neeraj Jain: Yes. Dipesh, we have a dividend payout policy. And as per the policy, our payout ratio is 75%, up to 75%.

Kushal Maheshwari: 75% of our free cash flow over a block of 3 years. Dipesh, does that answer your question on dividend? Dividend payout.

Dipesh Mehta: Yes.

Kushal Maheshwari: And on your question on sector-wise concentration on general staffing, I would ask Lohit to answer the question.

Lohit Bhatia: So yes, in General Staffing, our larger businesses continue to be CRT followed by BFSI, followed by manufacturing, telecom, FMCG, FMCD, e-commerce logistics, healthcare, supply chain and government. This is a clearly verticalized strategy, which was started about 18 months ago. While we started this strategy, we created a strategy number 2, which was on the value accretiveness of the business.

That is where VAS, manufacturing as well as currently construction stands for us. If you look at one of the principles that our business has been following is steady state between 280 to 300 new customer logos just in the General Staffing business year-on-year for the last couple of years. We've already done about 222 logos this year as well from enterprise customers just in General Staffing. These logos take about three to six months to ramp up and become large scale for us.

Our concentration of revenues or concentration of business in terms of headcount for the top 10 customers is close to about 40%. However, no customer of ours is in double digits contribution today for a general staffing business. If we were to take it at a Quess Corp level, it would even be lower because 15% to 16% of Quess Corp's overall revenue. So if that gives you a glimpse, there is no one major item which creates the book for us.

Moderator: The next question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: First of all, can you please help me understand why our margins are currently around 2%, whereas they used to be around 4% to 5% historically? Has there been a subsequent change in the industry?

Kushal Maheshwari: When you're looking at margins, then they were looking at consolidated Quess before demerger. Now the margins which we are reflecting over year in the range of 2% are post demerger for Quess Corp itself. So, if you look at it, if you look at the history of our company, we underwent a demerger, which was since 1st April 2024. And if you look at our financials, Bluspring and Digitide are not part of the company. So, prior to that, when you're looking at margins, they were a consolidated Quess.

Gunit Singh: The standalone margins they were higher, I think. And if you can help me, I mean, correct me, were the staffing margins around 2% sales around, say, 5 years back or pre-COVID? Or has there been a general trend of margins declining?

Neeraj Jain: Okay. Just to add, so as Kushal said, it's a demerged balance sheet now, and its only workforce business that we have, of which we, General Staffing delivers about 1.4% to 1.5% EBITDA margin. Professional Staffing delivers about 12% and international is just about 7%.

So way back with the question that you're asking is if I were to really go back to the previous business mix, which we have been calling repeatedly is that the skill development when business was part of workforce, and we had another entity, which was Brainhunter, which was part of workforce, which was outside India where we were operating in U.S. and Canada.

With all of those business with high EBITDA margins, we were averaging around 4%, 4.5%, but that businesses have been discontinued and Brainhunter as part of demerger has moved into Digitide. So, it's noncomparable. We would be happy to take this question if you have anything specifically and you can reach out to Kushal, we can share.

But the product mix in itself has changed, and there are a set of businesses that has been discontinued, which are no more part of workforce. And hence, steady state, if you look at, we have been, when we started the year about 1.8% EBITDA to about 2% EBITDA is where we were guiding to the market, and we are in line to that.

Kushal Maheshwari: Also to add to that, in the last five quarters, our EBITDA margin has expanded from 1.6% to currently at 2.03%. So, if you look at it, there's been a 47 basis point improvement in the EBITDA margin in the last five quarters of our operation of Ques Corp.

Gunit Singh: Got it, sir. So, my second question would be around our current trade receivables over 6 months. And given that we took an ECL of about INR100 crores to INR150 crores in last year. Have we taken any steps to strengthen our processes or collections?

Kushal Maheshwari: I would ask Neeraj to answer this question on strength our financial control process.

Neeraj Jain: So Gunit, first thing, I think we already answered this question previously. This onetime ECL that we took in Q4 of last year was relating to our skilling business. While we have taken the provision, we are still working very closely with the customers and the government.

And because of some RBI process, the collection on that part is a bit delayed. But just to give an idea of the improvement that we have done on our DSO part in General Staffing business, which is our larger business, we have brought down the DSO to 24 days.

That is a significant improvement that we have made. So, I think we are making significant improvement on our collections. Our EBITDA to OCF is at a healthy 92%. So we are on the right path, and we'll keep the momentum as we move into Q4.

Gunit Singh: And sir, what are trade receivables over 6 months currently?

Kushal Maheshwari: Sorry?

Gunit Singh: Trade receivables over 6 months?

Kushal Maheshwari: If you look at our average DSOs, this not being a balance sheet quarter, we're not reporting it. But on the General Staffing, the average DSO is around 24 days with AR at 10 days and, AR at 14 days and UBR at 10 days.

Gunit Singh: All right, sir. Got it. Thank you very much.

Kushal Maheshwari: General staffing contributes to 86% of our revenue. I hope this answers your question.

Moderator: The last question is from the line of Samay from Helios Capital. Please go ahead.

Samay: I wanted to ask you about your Professional Staffing segment. So, the margins are steadily improving from 10% in Q1 then to 12% in Q2 and now 12.5%. So just wanted to understand, what are the sustainable margins? Like would it be in the range of 11% to 12%? Or should we see it about 12%? And similarly for your Overseas business as well, the margin has shot up to 7%. So how should we see going forward?

Kushal Maheshwari: Thank you, Samay, for your question. I would ask Kapil to answer your question on the margins for our Professional Staffing business and Overseas business, I would ask Lohit to chip in. But overall, if you look at Overseas business, which has crossed 7%, it has been a staggered and implemented strategy and trying to improve the profitability diversification across our regions, which has reflected in this quarter's performance for Overseas business. Over to you, Kapil, for Professional Staffing.

Kapil Joshi: Professional Staffing, like Lohit mentioned in the initial call, it was conscious efforts from us for the last 3 to 5 years to change our portfolio and product mix, client mix. We have moved from entry-level L1, L2 support role to our super niche area where we support our clients.

And simultaneously in the last 3 years, revenue from the GCC has also improved significantly where our margins are better. I think margin going forward should be in this range. And like I mentioned in my last comment, we expect, we should see the top line growth going forward.

Samay: So basically, so about 12%, is that my understanding right? Or would it be between 11% to 12%?

Kapil Joshi: Yes, you can assume that it will be range bound between 11% to 12%.

Samay: And for the Overseas business?

Lohit Bhatia: Overseas, we've been steady state between 6.5% to 7%. So, we would continue to keep guiding for the same as well. However, nothing will stop us from looking at, like I mentioned, opportunities out there and enhancing our margin wherever to the extent possible. I also wanted to add one point. As far as a workforce management or a staffing company is concerned, there are a few ways to model an organization.

What is the EBITDA to OCF conversion? What is the free cash that is generated? What is the gross earning to net earnings ratio, which for Quess is above 50% already. What is the margin

earned per person? What is the ROE, which will in the case of Ques this year should be at 20% as we end.

And how much is the free cash that the company generates on a year-on-year basis. So, I think these are the principles at which a workforce management in a staffing company should be calculated towards.

Samay: Right. And another question regarding your contingent liability. For the direct tax, it remains same as what it was in FY '25 at INR296 crores. Could you just share an update on your indirect tax contingent liability regarding the GST contingent liability? So, it was INR372 crores in FY '25. Could you share some color like give an update? Is it still the same? Or has it been any change in that?

Kushal Maheshwari: No, there is no material movement on the GST front.

Samay: Okay. And regarding your tax expense, I see you got a tax benefit of INR4 crores in this quarter versus a tax expense of INR6 crores last quarter. So how should we see the tax rate, effective tax rate going forward?

Kushal Maheshwari: Yes. So, you're right, this was because of the Labour Code impact and the deferred tax asset that we have booked in the books. Going forward, we will continue to guide on the 10% ETR range given the model of our business.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question. I would now like to hand the conference over to sir Lohit for closing comments. Over to you, sir.

Lohit Bhatia: So thank you very much for joining us today. As we look ahead, our ambition is to scale responsibly while continuing to improve the quality and sustainability of our earnings. In Q4, we are focused on delivering a net headcount addition exceeding 15,000 building on our market leadership and execution strength.

In Professional Staffing, we are working towards exiting the quarter with a INR30 crores EBITDA run rate on a quarterly basis, reflecting the steady shift towards higher value, higher-margin work. We see a meaningful opportunity to further increase the contribution of our Professional and Overseas business to overall profitability while maintaining strong cash generation and balance sheet discipline.

Underpinning all of this is our continued investment in AI-led transformation across hiring, collections, back-end operations, which we believe will be the key drivers of productivity, resilience and long-term value creation. At a broader level, our focus is on consistent growth with strong fiscal discipline. We have a clear ambition to scale to 1 million associates over the next 4 to 5 years. worldwide with high cash flow generation and a sustainable dividend policy as guardrails that must be met.

We will continue to invest in higher-margin businesses across India and overseas, anchored on our three core pillars: employees, customers and shareholders. Thanks again for joining us for the Q3 earnings call. Your question and feedback has always been valuable. We appreciate your

continued interest and support, and I sincerely look forward to catching up with you again. Thank you.

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