TeamLease®
Putting India to Work

August 04, 2026

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

Dear Sir/Ma'am,

Sub: TeamLease Services Limited (TeamLease/Company) - Transcript of Q1'FY27 Earnings Call

Ref: Regulation 30 of Securities and Exchange Board of India (SEBI) Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015

With reference to the above-mentioned subject and pursuant to Regulation 30 of the SEBI LODR Regulations, 2015, please find enclosed the Transcript of Q1'FY27 Earnings Call hosted on Wednesday, July 29, 2026, at 05:00 P.M. IST. The same is 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

Digitally signed by ALAKA CHANDA
DN: c=IN, postalCode=560100, st=KARNATAKA, street=A2 606, GENESIS ECOSPHERE ,NEELADRI ROAD, ELECTRONIC CITY PHASE 1, ,BENGALURU,BANGALORE ,560100, l=BENGALURU, o=Personal, serialNumber=517305e83ff4a6366a89606c6671b801af456f965a8627d8bc6b76487aef98ca, pseudonym=14996fddf0494ab185c966cfd6e74505, 2.5.4.20=79e02505a07712afe1b327ae7d3cd50c1df1df7706d9b2b91a3134ca38ed1cbf, email=ALAKANDHAWAN@GMAIL.COM, cn=ALAKA CHANDA
Date: 2026.08.04 09:55:07 +05'30'

Alaka Chanda
Company Secretary and Compliance Officer
Encl: As above

"TeamLease Services Limited
Q1 FY27 Earnings Conference Call"
July 29, 2026

MANAGEMENT:	**MS. SUPARNA MITRA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – TEAMLEASE SERVICES LIMITED** **MS. RAMANI DATHI – CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER – TEAMLEASE SERVICES LIMITED** **MS. NEETI SHARMA – CHIEF EXECUTIVE OFFICER, SPECIALISED STAFFING – TEAMLEASE SERVICES LIMITED** **MR. BALASUBRAMANIAN A. – SENIOR VICE PRESIDENT, ENTERPRISE – TEAMLEASE SERVICES LIMITED**
MODERATOR:	**MR. ARJUN SAVLA – HDFC SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the TeamLease Q1 FY '27 Conference Call hosted by HDFC 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 star, then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arjun Savla from HDFC Securities. Thank you, and over to you, Mr. Savla.

Arjun Savla: Thank you. Good evening, everyone. On behalf of HDFC Securities, we welcome you all to the TeamLease Quarter 1 FY '27 Earnings Call. Today, we have with us the management team of TeamLease represented by Ms. Suparna Mitra, Managing Director and CEO; Mr. Ashok Reddy, Executive Vice Chairman; Ms. Ramani Dathi, CFO and COO; Ms. Neeti Sharma, CEO, Specialised Staffing; Mr. Balasubramanian A, Senior VP, Enterprise. I will now hand over the call to Ms. Suparna Mitra for the opening remarks, post which we can open the floor for the Q&A session. Thank you, and over to you, Suparna.

Suparna Mitra: Thank you. Good evening, everyone, and thank you for joining us. I'm joined by Ramani, our CFO and COO; Bala, who is the Senior VP in Enterprise Staffing; and Neeti, who's the CEO of Specialised Staffing. I will first take you through overall how the quarter looked like, after which my colleagues will cover general staffing, specialised staffing, DA and lastly, the financials. So the news is the consolidated revenue for the quarter was INR3,056 crores, which is up 6% year-on-year and 4% sequentially.

PBT and PAT both grew 38% year-on-year. The PBT was INR36 crores, PAT was INR34 crores. And the business EBITDA, the operating businesses before the corporate cost grew 18% year-on-year. We added 127 new client logos across the group, and we completed INR238 crores buyback. As I mentioned earlier, the EBITDA grew year-on-year. However, there is a sequential decline quarter-on-quarter of 31%. This is on account of EdTech seasonality and appraisals. So EdTech, which is one of our businesses has a very high Q4 weightage.

Our Q1 is structurally very weak for EdTech and that reverses through the year, and that has led to this 31% sequential decline. Two structural tailwinds have been strengthened. First, the 4 labor codes. These were announced earlier last year in November. The central rules were notified in May. The state rules continue to be notified.

And -- in the direction in which we are going, a single central license, uniform wage definitions, mandatory formal employment letter, all of these raise the compliance bar in a way that will structurally favor large organized players like us over unorganized contractors. So this is one big thing. And the other one, which we see a lot of traction is global capability centers.

GCCs are now the single largest driver of incremental staffing demand in India, and they account for about 45% of our specialized staffing associate base and 67% of the net revenue of specialized staffing. Both of these are multiyear and both play to where we are strong.

Coming to general staffing, over 65% of the new logos this quarter came in under variable markup or outcome-linked pricing, which is a structure that shares risk with the client and protects margin if demand softens. My colleagues will talk more about the specific business vertical update. If I look over to the next 3 to 9 months, there are a lot of forces. There are some headwinds, some tailwinds and there are multiple forces at flux.

Retail inflation has risen to 4.38%. Monsoon has not been that good this year. Trade terms and there are a lot of other uncertainties. However, we are at this point, carrying an open position of 17,500 and a healthy pipeline, and we expect clients to remain on the path through the first half. So overall, our confidence in FY '27 comes from an improved portfolio mix, commercial discipline, much greater emphasis on execution, cost control and therefore, operating leverage, which will kick in. With that, I will invite Bala to take us all through our general staffing business.

Balasubramanian A.: Thank you, Suparna. Good evening, everybody. In Q1 FY '27, the staffing ecosystem was shaped less by demand and more by cost. The conflict in West Asia kept crude, freight and insurance costs elevated through Q1 and the pass-through landed on our clients at the very start of the fiscal year, well before their annual operating plans had been tested. The response was consistent across sectors, protect margin first, defer manpower additions if need be and move from annual to quarterly manpower planning where possible.

Against this backdrop, our general staffing business closed the quarter at approximately 2.91 lakh associates, which is a sequential net addition of 4,000 associates. That number is the result of 2 opposing forces rather than just a single trend. We absorbed drag from 3 distinct sources: deferred manpower additions on cost pressure, structural client exits driven by GST 2.0 and the pause in power distribution rollouts in certain states. Against that, we expanded our share of wallet at existing BFSI, retail and e-commerce clients, and that expansion largely offset the drag. Gross hiring was consequently our highest in 3 quarters.

Let me elaborate a little bit on GST. We will at 18% and for clients now selling and exempt products in individual insurance or at 5% in several FMCG categories, that 18% is no longer predictable in their hands. It has become an annual loss. We tipped a few accounts towards in-house frontline models. These are structural rather than performance-based decisions. We added 28 new logos with 2/3 of them under variable markup or outcome-linked pricing.

Of the approximately 67,600 gross joinees in Q1, about 18,800, that is 28% was fulfilled through our own hiring efforts. 30% of the gross joinees were first-time employees, reflecting our continuing role in workforce formalization. While the demand pattern was harder to forecast, we read this as cyclical and rebuilding sourcing mix is a priority for H1. We are working on levers to enhance our agility to respond to a higher degree of variability in demand, which we could foresee will be the trend in the coming quarters.

Sectorally, BFSI remains a story of rotation rather than expansion. The unsecured retail credit correction is largely behind us, but the sectoral hiring pie has not really grown. Our growth came almost entirely from wallet share gains at select private banks, small finance banks and midsized NBFCs and the continued shift towards Tier 2 and 3 markets. In consumer, the market was uneven. Durables held up through the summer, while goods and retail felt higher input costs in urban discretionary spending.

Our own retail and e-commerce volumes nonetheless grew because of hiring-driven share of wallet expansion in areas of our strength.

In telecom and industrial, hiring stayed selective. Power, transmission and distribution paused in a few states where rollout met local resistance and approval delays, timing rather than a change in the structural opportunity. Only about 1/4 of the INR25 crores smart meter target is installed. The scheme now runs to March 2028 and a substantial awarded order book is yet to be executed. Telecom services expanded steadily on network rollouts.

On regulation, state rules under the 4 labor codes continue to be notified. The wage redefinition raises statutory employer costs, which our contracts pass through, and we do not expect a P&L impact on the associate book. We are watching associate take-home pay closely to protect retention. Operationally, technology-led leverage remains central. We are working on specific use cases for automation and are confident that we'll see tangible results by the end of this fiscal.

Our direct associate offerings, be it earned wage access, loans, learning, assessment and curated rewards continue to build nonlinear revenue. Looking ahead over the next 3 to 9 months, the picture is 2-sided. Crude has retraced to pre-war levels since late June, and the RBI has held the repo rate at 5.25%, which should progressively ease the input cost pressure that defined this quarter. Against that, like Suparna called out, retail inflation has risen to 4.38%.

The monsoon has been among the weakest in a decade so far and uncertainty in trade terms persist. Against that backdrop, we have 17,500 open positions and a healthy pipeline, though we expect clients to stay deliberate. Our confidence is less on volume recovery than on the commercial discipline and operating leverage built through the last financial year. Thank you. And with that, I would like to hand it over to Neeti.

Neeti Sharma: Thank you, Bala. Good evening, everyone. The IT hiring environment remained steady during quarter 1 of FY '27 with IT services companies continuing to invest in business-critical talent despite a measured pace of hiring. Demand remained majorly centered on digital transformation initiatives, driving requirements across both emerging technologies and core IT skills.

Considering these shifts, we've delivered a healthy quarter with demand remaining strong across our key sectors such as IT, BFSI, engineering, retail, healthcare and life sciences. While IT services clients were relatively cautious as they recalibrated hiring plans in response to AI-led productivity and evolving technology priorities, this was more than offset by robust demand across the other sectors, resulting in improved CAP for the quarter.

Our diversified skills portfolio continues to be a key strength for us. Demand was led by AI/ML, cloud and DevOps, cybersecurity and SAP requirements, while core technology skills such as application development and QA remained stable. Outside of technology skills, domain-led hiring across engineering, healthcare, life science and BFSI continue to generate high-value opportunities for us.

We closed the quarter with 7,630 associates a net addition of 130 over the previous quarter, including 30 from our global operations, representing 13% year-on-year growth. Alongside headcount growth, we remain focused on improving profitability through stronger realization, higher productivity and a greater mix of specialized and high-value skills.

Customer acquisition remained healthy with 40 new logo additions during the quarter, including 15 GCCs. We also expanded our engagement with existing strategic customers through higher wallet share, multi-skill deployment and broader partnerships providing better revenue visibility for the coming quarters.

AI continues to be one of the fastest-growing talent segments in our portfolio. During the quarter, we deployed over 300 AI professionals across board, such as AI developers, ML operations, Gen AI engineers, AI architects and AI integrators at significantly higher PAPM and a broader base. We are also partnering with enterprises beyond hiring, helping them build workforce readiness and accelerate their journey from AI awareness to AI adoption.

Our GCC business continues to scale as well. We now partner with over 120 GCCs across BFSI, healthcare, life sciences, retail, engineering, manufacturing and technology. GCCs account for 45% of our associate base while contributing 67% of our net revenue. During quarter 1, we've hired over 700 associates for GCC customers.

We continue to invest in AI-enabled hiring, building recruiter capability development and digital hiring platforms to improve delivery speed, quality and scalability, strengthening our execution capabilities as we continue to grow. Looking ahead, we remain confident about the long-term demand outlook. As enterprises continue to invest in technology, AI and capability transformation, hiring is becoming increasingly skill led rather than volume-led.

With a diversified customer base, deep GCC penetration, strong AI capabilities and disciplined execution, we believe we are well positioned to deliver sustainable, profitable growth while creating long-term value for our customers and all stakeholders. Thank you. And with that, I would like to hand it over to Ramani.

Ramani Dathi: Thank you, Neeti. Good evening, everyone. This is Ramani. Nipun couldn't joined today. Let me walk you through the degree apprenticeship business updates. DA continues to focus on building a future-ready workforce by making vocational and work-based education aspirational, accessible and affordable through learning embedded programs aligned with the national education policy, leveraging teams like NAPS, NATS,PMIS and work integrated learning model.

During the quarter, excluding the planned exit of 5,500 headcount, which we called out in Q4 commentary, we had a net addition of approximately 2,100 apprentices and added 18 new client logos in DA. Our strategic growth in DA will continue to be driven by global capability centers, healthcare, textile and semiconductor industry, where employers are increasingly adopting apprenticeships and work-based learning to build scalable job-ready talent pipeline.

We also strengthened our technology platforms and sourcing capabilities, improving scalability and reducing cost per hiring. During the quarter, we continued to expand apprenticeship-linked workforce solutions, including managed training services, campus apprenticeships, degree apprenticeships and education integrated work-based learning, while increasing market outreach across manufacturing, BFSI, EV and automotive, semiconductor and textile industry.

Long-term growth is expected to be supported by favorable policy and industry development, including PMIS 3.0, the Prime Minister Internship scheme, including new pilots for GCC, SEZ, MSME is expected to expand structured workplace learning and strengthen employee participation in apprenticeship-led talent development.

Continued government support for textiles through PM Mitra Park and the PLI scheme for textiles, along with investments under India Semiconductor Mission 2.0 is expected to drive sustained demand for skilled job-ready talent, reinforcing apprenticeships and work integrated learning as key workforce development models.

Now let me take you through the financial performance for the quarter and capital allocation updates. Consolidated revenue for the quarter grew 4% sequentially and 6% year-on-year. EBITDA for the quarter was up 3% year-on-year, including corporate costs and down 31% sequentially. PBT was INR36 crores and PAT INR34 crores for the quarter, both up 38% year-on-year.

Of the INR16.2 crores sequential dip in PBT, INR11.6 crores is EdTech seasonality related. The only structural recurring item in the work is the annual appraisal cycle impact to the tune of INR4.2 crores on quarterly cost.

The key fallout is that the business EBITDA without corporate or unallocated costs grew 18% year-on-year, mainly led by specialized staffing and HR services. On a capital allocation front, we have completed the whole buyback process. The Board approved it in May 2026, aggregating INR238 crores, representing 8.8% of pre-buyback paid up capital.

The record date was 3rd July 2026 and the post offer public announcement was made on 23rd July 2026. Execution was clean and fully on the terms approved. We funded the buyback entirely from internal accruals and still closed the quarter with about net free cash of INR350 crores, which is also aided by a tax refund of INR38 crores during the quarter.

Operating cash flow in terms of OCF to EBITDA conversion was 100% for the quarter. On the working capital side, DSO and staffing is held at 6 days and funding exposure at 16%. Both are flat sequentially. TDS receivable outstanding is approximately INR145 crores, and we continue to pursue this actively. INR38 crores refund received during this quarter is also evident that the process is working.

Moving to the next point on capital decisions. The Board has directed us to exercise our put option in Crystal HR. Accordingly, we are divesting our 30% stake in Crystal HR with a full recovery of our original investment cost. It is a deliberate decision to rationalize the portfolio offerings in view of the management bandwidth and capital allocation priorities.

On HR services, our RegTech business has started making meaningful contribution to the bottom line on both digital and services front. EdTech has improved on operational efficiency year-on-year. Thank you so much. I'll hand back to the moderator to open questions to the floor.

Moderator: Thank you very much. The first question is from the line of Shivam Gupta from Trinetra Asset Managers. Please go ahead.

Shivan Gupta: TeamLease has built a strong presence in staffing over the years. Beyond staffing, which adjacent HR service do you believe the largest opportunity to become meaningful revenue contributor over the next 3 to 5 years?

Suparna Mitra: Yes. Shivam, so you're right that we are a very prominent staffing player. And actually, if you think about it, staffing is one of the solutions of workforce, which is required by companies. And therefore, at -- if you go up one level, we are in the business of providing workforce or talent solutions to companies.

Specialized staffing is applicable to any company that requires specialized talent could be IT or tech related, could be anything else also any other kind of specialized skills. Basically, companies need to fulfil their talent requirements through multiple sources. Of course, they have their core employees and temp staffing is a very, I would say, strategic way of them building their capability and capacity.

So the allied -- if you think about it, therefore, the allied products and services that go also in the direction of providing workforce or talent solutions to companies are totally in that direction. Strategically, they all make sense. And therefore, we are moving gradually to beyond staffing to look at other solutions and services that will help companies in determining their talent, both at the grassroot level as well as in the specialized talent level.

Shivan Gupta: And second is as AI adoption escalates across recruitment and HR processes, do you see it primarily as a cost saving tool or as an opportunity to launch new value-added service for clients?

Neeti Sharma: I'll take this question. So it's not just on cost saving front. So firstly, our clients are looking for a comprehensive solution, as Suparna has explained. It's not just staffing in terms of at the entry level. So now they are looking for assessment, upskilling of the talent and some kind of staffing plus the value-added services along with staffing. And in specialized staffing build, operate, transfer is one product that we introduced this year.

Now we are also taking up transaction-based services within IT. So like that, there are many solutions that clients are looking for. And with these adjacencies, we can build a higher-margin portfolio along with staffing acting as the core base. So it gives us new revenue streams at higher margin and these businesses since the base is small, ideally should grow at a much faster rate than our base staffing business.

Moderator: The next question is from the line of Amit Chandra from HDFC Securities.

Amit Chandra: My first question is on the general staffing segment. So ma'am, the general staffing, the volume growth used to be there in the range of 10-15% and the rest would come from the salary hike. So, the total growth would be in the range of 15-20% which has seen in the last 2-3 years and the volume growth has come down significantly to mid single - it's like even lower. You know there has been client specific issues as we have been seeing every quarter. And in BFSI, which is largest vertical in general staffing has been stressed and you mentioned in your commentary as well that we are not seeing that reviving in the near term?

Moderator: Mr. Amit, we are not able to hear you well. Could you use a microphone? Well, after asking a question.

Amit Chandra: Hello, Is it better now?

Suparna Mitra: Much better.

Amit Chandra: Ma'am I was just asking on the general staffing segment. So earlier, the general staffing segment used to be mostly volume driven plus the salary hikes used to supplement that. Now there has been issue in terms of the volume growth wherein we have seen issues in the -- some of the BFSI clients. And your commentary also, we are not seeing that reviving in the near term. So how do we see the overall growth for the general staffing? And obviously, the newer engagements that we are getting there is mostly variable markup and we are seeing expansion in Tier 2, Tier 3 cities and non-BFSI verticals?

So is it from here on, we can see more of subdued volume growth, but better like markups because the markups in Tier 2 cities would be better versus the BFSI like engagements. And also, if you can throw some more light in terms of what would be the guidance in terms of EBITDA growth for the full year? Because last year, we had provided some the EBITDA guidance of 20%, but we did below that. So any guidance if you can give on the EBITDA side?

Balasubramanian A.: With respect to volume growth for numerous reasons that we called out earlier during our commentary, yes, it's become harder to forecast, but that's more of a demand side situation because like I had called out, there was a point in time where you could get guidance from clients with respect to the demand at their end for a few quarters at a time.

But now it's maybe just a quarter at a time because that's the degree of variability that we are dealing with, which is more downstream from what's happening around us from a macro standpoint. So that doesn't necessarily mean that the market overall is tepid or in the medium to long term, the market overall doesn't present a larger growth opportunity. So that is one. And yes, there have been some setbacks because of structural changes recently, specifically in BFSI, but that's more of an episodic thing as we have called out.

Secondly, we are also improving our capabilities in hiring. Even when the pie seems to have paused in terms of expansion, we are able to deliver meaningful growth by being able to grow our share of wallet. And our momentum in terms of new sales acquisitions has also been -- has also continued delivering meaningful contribution to our growth.

Thirdly, we are also expanding into certain adjacent industries where our presence right now isn't as high as it could be as a function of the market opportunity that is there. So I'm confident that we should be able to maintain our growth momentum overall to the same degree that it has been in the past. With respect to margins or EBITDA, it's really hard to tell, but then we don't really feel that there is any pressure on that in the near term.

Neeti Sharma: Yes. So just adding to that, the general staffing, the open positions, like I said, they are very much there. The scenario is that there will be some softness in hiring from some sectors. And the way to compensate for that is to open up both our capability on sales as well as on the hiring front to newer sectors, which are the sunrise sectors. As there are sectors which are -- where there is a lot more push.

There are government incentives like manufacturing and logistics. There are sectors like quick commerce, e-commerce. So we are also doing a more sharper play on the sectors where there is going to be an overall lift in the numbers and then trying to give very clear cut and the value proposition, which is, I would say, more strategic. So that's really what we are trying to do. That's really on that. On the EBITDA guidance, I will hand over to Ramani.

Ramani Dathi: Amit, on EBITDA front, staffing is currently at 1% EBITDA. And for 1 or 2 quarters, it would sustain at the same level, mainly because of the fact that we are going to increase some investments in our sales and hiring engines because over the last 3 years, we have remained almost stable in terms of overall cost run rate as well as headcount with some marginal increase in recruiters. Barring that, we haven't made any significant investments in building up our capabilities.

So our priority this year is that between Q1 and Q2, we make some investments, which will help us to accelerate our growth rates as well as make our entry into some of these adjacencies productization of high-margin verticals. So that by Q3, Q4, we should demonstrate expansion in EBITDA. But at this stage, I can't quantify that into exact basis point improvement. But as I mentioned, Q2 will also be flat, more or less at the same EBITDA percentage. Q3, Q4, we will demonstrate the margin expansion.

Amit Chandra: Okay. And also the markups have been pretty constant over the last many quarters or rather many years now. So now with the kind of changing model in terms of entry into more Tier 2 cities, non-BFSI accounts, non-productization of the portfolio, can we see -- and also like most of the incremental contracts are coming in terms of variable markup. I know they are a very small part of the portfolio right now. But structurally, how we see the markups moving from here, like whether it's going to be stable or gradual increase or we can see some improvement in terms of like markups and that eventually flows into EBITDA?

Suparna Mitra: I think it's in the doing of it. I mean I can say many things, but it's in the doing. And as Ramani just pointed out, in the near term, there's going to be no big change. But a lot of investments and a lot of thought is going into higher margin opportunities within our businesses, which will play out over a period of time and for which sufficient investments also need to be made in order to deliver on those new or I would say, more high value-added kind of opportunities. So it is in the doing, and we are all in for doing it, but only time will tell how it pans out in the next few quarters.

Amit Chandra: Okay. Okay. And one last question on the specialized staffing, obviously, we are seeing some strong traction there, which is largely GCC led. But the margins there has been down less sequentially and also it's in the range of 6%, 7%. So there, what is the scope for margin expansion? And in terms of the split of hiring between GCC and IT as well? Because incrementally, are we seeing any signs of improvement in terms of the IT engine that can also contribute to growth? And any signs of slowdown in the GCC hiring?

Neeti Sharma: Amit Neeti here. So let me take your question in the reverse order and tell me if I'm able to cover everything. So GCC, we haven't seen any slowdown in hiring for 2 reasons. One, the current ones have come in and are establishing will continue to hire for some time. The ones that have been around for 10 years, 15 years, for them, obviously, there is a staggered growth, but that has been part of everyone's plan. Plus every month or every quarter, there are multiple new GCCs coming in. So in terms of opportunity and scale, GCCs will continue to grow month-on-month and year-on-year. Don't see that becoming a larger challenge.

The shift, however, is that across all these GCCs, the talent demand is a combination of domain as well as technical skills. So how do we find the talent, what -- where do you get it at what price do you get it? I think those are things companies like us will have to start thinking and working on. As far as IT services is concerned, yes, conventional tech, regular skill sets are not being hired in very high volumes.

The hiring is happening, but it's mostly concentrated on AI and AI adjacent skills. which is why the numbers are lower. So I'm very confident that while the volumes in IT services will not be where it was even 2 years ago or last year, but the value in the IT services companies will actually start showing up even in our numbers over a period of time because the skill sets are very different than what they have hired in the past through us.

So that's really the last 2 questions that you had asked. In terms of PAPM growth, I think over the next few quarters, you will see a change because like I'm calling out the AI and AI adjacent skills, the niche skills, GCC skills, which is domain plus tech are coming at much higher PAPM for us. So at an -- at probably a net add level, it is much higher. But at a base level, it's not showing up as much as it should. So in the next few quarters, you will start seeing that shift as well.

Moderator: The next question is from the line of Bhargav Buddhadev from Ambit Asset Management.

Bhargav Buddhadev: So in the HR business, we have seen a meaningful reduction in terms of losses on a Y-o-Y basis. For the full year, is it fair to assume that this particular business can report a meaningful improvement in terms of profitability for FY '27?

Suparna Mitra: Absolutely, Bhargav. So as we called out earlier, RegTech business has now turned a meaningful contribution on the bottom line, both on the digital vertical as well as services vertical. And EdTech, which is the largest business under HR Services segment, has now scaled with operational efficiency. In fact, the largest shift in year-on-year numbers is led by -- and even on a full year basis, there should be a good improvement on the overall EBITDA numbers in HR Services segment.

Bhargav Buddhadev: So if you look at the RegTech business, the overall I think EBITDA was about INR5-odd crores in FY '26. And in your press release, it mentioned that it can be a meaningful contributor to profitability maybe over the next 2 years. So if you can just highlight what could be the in terms of range, that would be very helpful.

Suparna Mitra: Yes. So EdTech business can go to a steady EBITDA margin of anywhere between 8% to 10%. So that's the potential. And since most of our fixed costs in our EdTech business are already absorbed and also the fact that the universities typically have 5- to 7-year lock-in, our opening run rate itself is very strong. So that's why this year, we have indicated that in our HR services, especially under EdTech, the EBITDA margin expansion will be much stronger going up to 10%, 8% to 10% of margin overall for the full year. Sorry, were you asking about RegTech or EdTech?

Bhargav Buddhadev: RegTech?

Suparna Mitra: Okay. Sorry, I heard it as EdTech. Sorry about that. Yes. So, RegTech also in the similar range, about 8% of EBITDA margin is what we are expecting on a full year basis.

Bhargav Buddhadev: Obviously that our total headcount, obviously, there is a decline on a Y-o-Y basis of about 3% because of what happened in Q3 this year. But in terms of when do we expect this to end on the growth side? And if you can -- I know it's very difficult, but is it fair to assume that on the FY '27 March ending, we may sort of end up on a high single-digit Y-o-Y growth, total headcount?

Balasubramanian A.: Yes. I think at this point in time, given that we still have 3 quarters to go and the demand forecast for the festive season looks positive, we are -- we have a bullish outlook towards the rest of the year. And yes, we are looking at being able to deliver a reasonably decent positive net addition for this year. And like I said, whatever degrowth we have had is more because of episodic one-off events, and we don't really see a consistent dial tone with respect to the demand slowing down.

Moderator: The next question is from the line of Sankaranarayanan S from ithought PMS.

Sankaranarayanan S: Yes. My first question is on our Specialized Staffing segment, where we have witnessed 13% revenue growth and good 13% headcount growth and good revenue growth. But our margins have contracted year-on-year. So is it because of more MSP-led contract, which is driving the top line and not the bottom line? And to add on it, our listed peer is doing close to double-digit EBITDA margin in the same segment itself having a similar set of GCC share in their revenue and headcount. So directionally, how do you think this specialized staffing EBITDA margin can go in the next 3 years?

Ramani Dathi: Yes. Sankar, this is Ramani. Let me give you a high-level overview, and Neeti will add more on that. So margin this quarter, there is a dip from both sequential as well as on a year-on-year basis, which is mainly on account of global contribution. So about a year back, we have acquired a small operations in Singapore and Middle East, which is like a very small opening balance that we got.

So over the last few months, we have started building our team because the pipeline buildup is also very strong. And this is an upfront investment, a front-loaded investment that we have made in view of the pipeline that we are expecting from these 2 geographies. But by Q2, Q3, you will see a sharp recovery in our margins at overall specialized staffing level.

Sankaranarayanan S: Ma'am, directionally, how -- what do you think the EBITDA margin of this segment will look like? Because...

Ramani Dathi: Directionally, we think about 8% to 9% is the stable EBITDA margin in our specialized staffing business, which would take us another maybe 4 to 5 quarters to get there.

Sankaranarayanan S: Got it... And secondly, post the new CEO came to TeamLease. So what things have changed internally in TeamLease? Maybe you can give a few points of what we have missed earlier and what have we corrected post the appointment of new CEO?

Ramani Dathi: This is a little awkward for me to answer, answer Suparna here. But let me just put it because I'm not from the staffing industry, I am looking at everything with fresh eyes and almost like a child asking questions or why is this like that. I am convinced that the opportunity.

Sankaranarayanan S: Sorry to interrupt, like directionally, I was asking because in any business, a new CEO would incorporate various strategies and initiatives to improve the business performance. So I was asking in that time later.

Ramani Dathi: Directionally I'm replying. Yes. So what I'm saying is that I think that my observation is threefold. One is our sales and account management teams and the sales drive that to be very, very focused on opportunities of new sales, new logos, et cetera, looking at the sectors differently, looking at, like I said, which are the sectors with a lot of tailwinds. So that is something that is, I think, giving some new way of looking at the general staffing business and VA business.

On specialized staffing also, I think there are opportunities as -- and they are there. They're already there in the environment on like we talked about GCC, AI and being able to actually execute that is very important. I think the second thing which I realized is that hiring. Actually, one of the key strategic advantages or benefits that we give to our clients is a hiring capability. And I think because I'm looking at it fresh, I think that is a very big advantage, a very big capability, capacity.

So really taking hiring to the next level, making it more tech-enabled, making it more efficient, I think that is also going to open up a lot of advantages to the company as a whole. I think operationally, these 2 are very important. And the third thing is on a longer range, looking at new value-added or higher-margin adjacent business verticals and revenue streams, which will not be evident in this year, but maybe in the next 12 to 18 months, we may be able to add some meaningful revenue streams, which may be small now, which will become more accelerated, which can definitely take the talent solutions.

TeamLease as a talent solution partner more than just a staffing company. I think these are the things that I'm working on.

Sankaranarayanan S: Lastly, on our EBITDA growth guidance of 20% in FY '27. So are we still confident in achieving that number?

Ramani Dathi: Well, the effort is there. We may or may not be able to do it. And I think the part of it is business, but part of it is also investments that we need to make for the future. And for example, we are just investing -- and these were not budgeted earlier on data lake. And this is important because we have very large amounts of data, and we can actually use and really leverage based on all of the new AI and other capabilities that have come up.

As I mentioned, hiring to take that to the next level, we will be investing more. So it's really about how much do we earn, how much do we invest, not just for this year, but for the next 3 years, 4 years, we need to keep all our engines in top form and to add to the muscle that we've already built.

So how much we generate how much we put back into the business, that will -- we'll have to see how that goes. But I'm very clear that this is a going concern, right? It's been there for 20, 25 years. It will be there for another 50 more. So we need to take some calls, which are more long term, of course, maintaining a certain discipline in delivering quarter results.

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

Dipesh Mehta: A few questions. First on the general staffing PAPM for the quarter?

Ramani Dathi: For the quarter it's INR680 in general staffing.

Dipesh Mehta: Okay. Second question is on the, let's say, Karnataka, Telangana state minimum wages. Do we, let's say, have any implication because of those minimum wage increase during the quarter?

Ramani Dathi: Not yet. Yes, the Karnataka minimum wage is currently in the High Court, the matter is and I mean whatever may be the outcome since it's a pass-through, there won't be any direct impact on our margins. In fact, to the extent where we have variable markups there can be a slight increase in our overall PAPM because the wages going up, are significant to the extent can also go up.

Dipesh Mehta: Okay. And I think in your prepared remarks, you indicated comment like commercial discipline. How one can reconcile that with the associate or volume growth kind of thing? Can you give some more detail, let's say, what you mean by commercial discipline and whether it could have some implication on revenue and margin on a more structural basis on the staffing business?

Ramani Dathi: The commercial discipline comment that we mentioned is mainly in terms of the points which Suparna mentioned that we need to up our investments to build capabilities for future and also in preparation of the new adjacencies that we are planning to build, that would typically come at a higher margin. And while making these investments, we have to make sure that we are making -- we are entering those investments with a calculated risk and capital prudence. So that's what we meant by the commercial discipline comment. Bala can also add.

Balasubramanian A.: It's importantly about making those internal investments, which don't really break the bank because in a situation where there is uncertainty with respect to the growth of the pie and with respect to demand variability being very high relative to how things have been in the last few quarters, it's important that we are able to invest in making ourselves more agile and being more responsive. That's number one.

Secondly, internally, it's important, like I called out earlier, that we identify internal use cases, both within operations, payroll compliances and also with respect to our hiring for automation so that we are able to ensure that there is a certain standardization of our processes across the board, which hence continue giving us operating leverage in an environment where there is uncertainty with respect to volume being an operational leverage driver.

So we are not just looking at volume as the leverage for driving our margins or maintaining our margins forward, but looking inward as well. And importantly, like Suparna called out, we are looking at hiring at the tip of the spear and being able to penetrate into adjacencies. But again, it has to be done in a manner that we are able to sustain or if possible, improve our margins as well.

And last but not the least, we are also taking decisive actions with respect to picking and choosing what kind of accounts we want to invest in, what kind of locations we really want to invest in and what kind of profiles we want to really capitalize on. And just because volume is a little soft or demand is a little soft right now, not try and chase any and every opportunity that comes our way. That is exactly what we mean by commercial discipline.

Dipesh Mehta: Understand. And another question is about -- I think you indicated about the labor code and associate take-home trend which we are observing. Can you give some sense, let's say, what are your initial observations about the associate take home and whether it could have some implication on our growth trajectory?

Balasubramanian A.: Bala again. The vast majority of our customers have already taken decisions with respect to the direction they want to pursue with respect to implementing labor codes. And the vast majority within those who have made decisions have already gone live with it as well as we stand today in Q1. And they have overwhelmingly chosen to preserve the net take-home salaries of the associates and have effectively absorbed the statutory cost increase onto their books.

And in fact, we saw leading indicators of this as early as Q3 of last year itself where several large conglomerate led the way by taking massive provisions in their books against statutory cost increases, be it gratuity or be it just the absolute statutory remittance increases and so on and so forth. And that is continuing to play out. What is also happening is that they are tying this with their annual salary increments in such a way that a portion of the cost increase is being absorbed by the increment budget.

So there could be relative softness with respect to the actual percentage increment that people get in their net take. But in terms of the increase in their CTC, they are getting whatever they have been getting last year over the last 2 years, 3 years. I hope that answers your question.

Dipesh Mehta: Understood. And last question from my side. We have faced in last, let's say, a few quarters, some specific challenges. Whether you find, let's say, entering into quarter 2 and the second half of fiscal, any known specific challenges which one should be aware of?

Ramani Dathi: I don't think there's anything more over and above the kind of overall softness that we have talked about. I think there are challenges which are -- which we are already aware of. And there's nothing new or specific that we need to tell you or, in fact, work in our plans.

Moderator: The next question is from the line of Harshil Parekh from BTH Capital.

Harshil Parekh: Ma'am, I was looking at the presentation, Page number 10, the consolidated segment results. If I look at the operating EBITDA, it has increased by 18% on a Y-o-Y basis, but the group EBITDA has only increased by 3%. So there is a substantial increase in the unallocated portion. So what exactly is this unallocated portion? And why has this increased so drastically?

Ramani Dathi: Yes. So the unallocated is mainly the increase in leadership cost at corporate level. So one is we got the new leadership in our technology team as well as the new Managing Director. So that's the only linearly increased cost in unallocated. Excluding that at business EBITDA level, the year-on-year growth is 18%.

Harshil Parekh: So the unallocated cost. Should we assume that it will continue to stay at current levels?

Ramani Dathi: This is the current run rate. So this run rate will continue for future quarters as well.

Moderator: The next question is from the line of Rohit from ithought PMS.

Rohit: Just a slightly longer-term question. So I mean, if you look at our history over the last maybe 10, 11 years, we've been around that 1.2%, 1.3% margins on an average because we stuck to 2% right around that COVID and prior to COVID. But last 2 years, 3 years have been extremely challenging on the margins front. So I mean just if you were to kind of take it from here, I mean what things do you think are in our hands?

I mean whatever headwinds are there, competitive stuff, et cetera, are there. But from your perspective, as a team, how are you thinking about maybe growing these margins wherever they are about 1.3%, 1.2% to let's say, beyond 1.5%. I mean this is a very broad-based question because I don't want to get into any specifics this quarter, that quarter. But just to understand or do you think that structurally these margins are where they are and there are very little levers from what the business is today to get these margins to a higher level?

Ramani Dathi: Yes. This is a very good question, and I will answer also at a very high level. So our core business, yes, that is the range of margin. That is not going to magically become 4% or 5%. It is going to be that. However, it is kind of connected to the new businesses, some that we've already seeded some time back like the whole HR services and other adjacent, including, I would say, the specialized staffing business, which is at a much higher EBIT steady state.

So finally, it is about the portfolio mix of different businesses growing at differential rates, which will then give over a period of time, the weighted average margin for the company will improve. There is no magic answer. There's no silver bullet. It is simply that with better execution, we will do better in the core business, which can through better execution, which can -- the margin can improve some bit.

And also newer opportunities within the core business of the general staffing and -- but the other businesses which are fundamentally intrinsically relatively higher margin, how do we grow those disproportionately so that over a period of time, the company average margin goes up. That's the basic logic.

Moderator: As there are no further questions from the participants, I now hand the conference over to Ms. Suparna Mitra for closing comments.

Suparna Mitra: Thank you all. I think the questions were very incisive, researched. And thank you for the questions and the conversation because it will help us sharpen our thought process and our execution. We get to understand what you're looking for. I think the expectations are becoming -- are always clear, becoming clearer. And I hope we were able to also make -- articulate some of our efforts and new initiatives. So thank you all and till next time. Good evening. Bye.

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