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February 09, 2026

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

Dear Sir/Ma'am,

Sub: TeamLease Services Limited (TeamLease/Company) - Transcript of Q3'FY26 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 Q3'FY26 Earnings Call hosted on Wednesday, February 04, 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
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Company Secretary and Compliance Officer
Encl: As above

"TeamLease Services Limited Q3FY26 Earnings Conference Call"

February 04, 2026

MANAGEMENT:	**MR. ASHOK REDDY – EXECUTIVE VICE CHAIRMAN, TEAMLEASE SERVICES LIMITED** **MS. RAMANI DATHI – CHIEF FINANCIAL OFFICER & CHIEF OPERATING OFFICER, TEAMLEASE SERVICES LIMITED** **MS. NEETI SHARMA – CHIEF EXECUTIVE OFFICER (SPECIALIZED STAFFING), TEAMLEASE SERVICES LIMITED** **MR. NIPUN SHARMA – CHIEF EXECUTIVE OFFICER (DEGREE APPRENTICESHIP), TEAMLEASE SERVICES LIMITED** **MR. BALASUBRAMANIAN A – STAFFING, TEAMLEASE SERVICES LIMITED**
MODERATOR:	**MR. AMIT CHANDRA – HDFC SECURITIES**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the TeamLease Q3 FY26 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 "*" then "0" on your touchtone phone.

I now hand the conference over to Mr. Amit Chandra from HDFC Securities. Thank you and over to you, sir.

Amit Chandra: Yes, thank you, operator. Good evening, everyone. On behalf of HDFC Securities, we welcome you all to the TeamLease Q3 FY26 Earnings Call.

Today, we have with us the Management Team of TeamLease, represented by Mr. Ashok Reddy – Executive Vice Chairman, Ramani Dathi – CFO, and Neeti Sharma – CEO, Specialized Staffing, and Nipun Sharma – CEO, Degree Apprenticeship.

I will now hand over the call to Mr. Ashok Reddy for the opening remarks, post which we can open the floor for the Question-Answer Session. Thank you and over to you, Ashok.

Ashok Reddy: Thank you, Amit. And also, just here in, we also have Suparna, who has joined us now as the CEO and M.D. of TeamLease. She will take charge on the conversation from the next quarter, but she has come on board and is effectively getting inducted.

Also, just to represent the staffing dialogue, we have Bala joining us from the team on that side.

With that, thank you all and good evening for joining the call.

We had a flat quarter in terms of revenue in Q3, but effectively on an EBITDA basis, we had about 11% growth quarter-on-quarter and 22% growth year-on-year.

PBT grew by 69% on a sequential basis, primarily driven by some element of an interest credit on tax refunds.

As we had indicated, that there was a regulatory headwind in the BFSI sector with a certain client. We lost about 27,000 headcount during the quarter across general staffing and the degree apprenticeship side. However, in line with that, we have started to reduce some of our core headcount to bring in optimization of costs.

Our initiatives on digitization and cost optimization have been consistently contributing to operating leverage, and we do see that continuing to play out as we go forward.

We did have a second consecutive quarter of net growth on the specialized staffing business, and both for staffing and DA, we do see a healthy pipeline of demand for the coming quarter. So, while we have had an element of negative for Q3 in both these businesses, we believe that will get corrected for growth in Q4 basis, the pipeline of demand that we have.

With that, I will also just get in the perspective from the businesses and finance before we kind of open up for questions. So, I will have Bala cover the specifics on staffing, moving to Neeti on the specialized staffing, Nipun on the DA side, and Ramani on the finance side.

Bala, over to you.

Balasubramanian A: Thank you, Ashok. Good evening, everyone. In Q3 FY26, we continue to see a gradual structural recovery in the staffing ecosystem overall, although the pace remains uneven across sectors and geographies.

Fiscal and monetary actions over the past few quarters have begun to support consumption and business sentiment. At the same time, customers remain selective with hiring decisions increasingly being linked to productivity, compliance, and near-term visibility rather than just to pure volume growth.

Against this backdrop, our general staffing business closed the quarter with a headcount of approximately 2.82 lakhs associates, representing a net change of minus 21,350 associates sequentially. This reflects a regulatory-driven transition with one large NBFC client wherein they absorbed over 20,000 associates onto their own payroll. This was a client-specific and role-specific transition executed in an orderly and compliant manner.

From growth standpoint, revenue momentum in general staffing is lower than the past trend, mainly because of higher hiring in non-metros where average salaries are 30%-40% lower than those in the urban areas.

During the quarter, we added about 22 new client logos, with 55% coming under variable markup or outcome-linked pricing structures.

On the hiring side, we delivered about 16,700 gross joinees during the quarter, reflecting that over 25% of hiring was fulfilled entirely through our own efforts. This reflects sourcing resilience despite off-season downtrends and tepid growth. 19% of these overall gross joiners were first-time employees, continuing our role in workforce formalization.

Sectorally, BFSI remains in transition, but we are seeing early signs of stabilization, particularly in front-line sales, collections and service roles, with demand emerging more strongly in tier-2 and tier-3 markets as called out earlier. Greater regulatory clarity and improving rural liquidity are expected to support a more normalized recovery over the coming quarters.

In the consumer segment, demand remains mixed. Urban consumption continues to be subdued while semi-urban and rural markets showed relative resilience.

E-commerce and logistics saw seasonal staffing upticks linked to festive demand, though growth remains measured.

Clients continue to expect benefits from GST-led efficiencies to play out more meaningfully over time.

In telecom and industrial segments, hiring remains selective and productivity-driven. While operators are increasingly focused on technology-led leverage, we continue to see targeted manpower expansion in areas such as front-line sales and network operations, which aligns very well with our operating model.

Operationally, our focus on technology-led leverage and margin expansion remains central, enabling us to support a larger associate base without proportionate increases in overhead.

Continued investments across digital hiring, payrolling, compliance and associate engagement are driving lower costs to serve and improved client experience as well.

Alongside this, we are strengthening pricing and margins through disciplined commercial actions and the rollout of new direct-to-associate offerings, including earn wage access, loans, learning and assessment services, and curated rewards and benefits. These initiatives enhance associate retention and productivity, while creating non-linear revenue streams and we expect their contribution to increase progressively over the coming quarters.

Finally, looking ahead over the next three-to-nine months, we expect demand to broaden gradually, with BFSI as a sector stabilizing further, steady momentum in consumer-linked roles, and continued benefits from technology-led productivity initiatives.

We currently have over 16,000 open positions and our sales pipeline remains healthy.

While near-term sectoral volatility persists, our focus on execution, diversification, and margin-accretive growth gives us confidence in delivering sustainable performance through the remainder of FY26.

Thank you. And with that, I would like to hand it over to Neeti.

Neeti Sharma: Thank you, Bala. Good evening, everyone. For the specialized staffing business, we have continued to make steady progress in headcount, revenue, as well as margin growth.

The hiring demand continues to be measured, focusing on specific niche skills as against volume hiring. During the quarter, our associate base grew by 115 headcounts, reflecting calibrated hiring aligned to the industry's demand. We have had a quarter-on-quarter sequential headcount growth of 2% and a year-on-year 7% growth.

During the past quarter, we have added 28 new customers across GCCs, IT services, and non-tech companies.

New client additions were well-diversified across industries, segments, reinforcing the strength of our market positioning and execution capabilities.

Overall, our revenue performance during the quarter was influenced by seasonal operational factors.

Gross revenue growth was moderated due to a higher proportion of non-billable days during the festive period and year-end furloughs. The impact is temporary and seasonal in nature and does not reflect any reduction in demand, client engagement, or deployment pipeline, which have remained stable throughout the quarter.

The GCC segment continue to be a core growth engine in Q3 as well for us, contributing approximately 65% of our net revenue.

We today partner with over 100 GCCs across life sciences, BFSI, engineering, consulting, consumer, telecom, and technology sectors, supported by scalable engagement models such as BOT and staffing. At any point of time today, we have over 500 open positions from these GCC customers. Expansion within existing and new GCCs continues to support our revenue and margin growth.

While the broader IT hiring market continues to be flattish, we have seen demand increase in areas related to AI, data, cloud, and cyber security.

Conventional hiring in tech SAP, full-stack, automation testing, ServiceNow, etc., continue to grow in single digit. However, hiring for people managers, manual testers, Java, DOT.NET, software development kind of roles have substantially come down.

Technology hiring within the non-tech industries and specialized skills hiring is also picking up pace. About 30% of our hires are with specialized skill sets, such as F&A and engineering skills, and we will expand this going forward.

Our global business continues to show steady sequential progress. We are now over 100 headcount across sector and technology styles.

Our global growth continues to be margin-accretive, supported by close integration with India delivery teams and a consulting-led staffing approach, thereby stabilizing the business further.

Operational execution remains strong during the quarter.

Hiring and deployments were closely aligned to industry demand, while delivery efficiency and recruitment productivity continues to improve. This has been supported by better planning, utilization discipline, and automation-led enablement.

We managed the seasonal operational impacts effectively in the last quarter while adding new customers, strengthening GCC relationships, and improving productivity, resulting in consistent margin-led earning growth.

With festive-related non-billable impacts behind us and recent client additions, we are expected to scale better and provide a strong foundation for predictable performance, margin resilience, and sustained growth in the coming quarters.

Thank you, and with that, I would like to hand it over to Nipun.

Nipun Sharma: Thank you, Neeti. TeamLease degree apprenticeship remains focused on the fundamentals of skill development, making vocational education aspirational, accessible, and affordable through apprenticeship-embedded programs aligned with the national education policy.

Led by industry, supported by a clear qualification pathway, and delivered in collaboration with academy and employers, these programs leverage NAPS and NATS as the core framework, strengthened by our technical, functional, and productivity-led learning solutions to help industry build a future-ready workforce.

During Q3, TLDA recorded a net drop of approximately 5,600 apprentices across NAPS, NATS, and WIP. This was primarily driven by two regulatory-led transitions – one, at a large NBFC client and another, at a large agricultural client, where apprentices were absorbed onto the client's own payrolls. These exits are being addressed through new client acquisitions and incremental demand from the existing clients, with recovery expected in Q4.

Operationally, we have maintained the PAPM in spite of a drop in apprentices count.

During the quarter, we added 17 new client logos. 20% of our total client base and 30% of our apprentices have adopted our learning solutions. This reflects the impact of learning on productivity improvement, attrition reduction, and higher apprentice engagement.

We also observed strong momentum in the global capability center segment, with increasing traction from the clients seeking support in apprentices at compliance, as well as in building steady, long-term talent pipelines.

A key focus during the quarter was the monetization of apprenticeship-linked product lines, particularly managed training services.

Market response has been encouraging and is reflected in a strengthening of sales pipelines.

From a market development perspective, we remain focused on evangelizing apprenticeships across the GCC segment and key industry sectors, helping employers better leverage apprenticeship programs for structured talent development.

Going forward, the recent Union Budget provides strong policy tailwinds for the accelerated adoption of apprenticeships and education-integrated apprenticeships across industries.

There is an increase of 6% in budget allocation over '25-26 for subsidy under NETL, which now stands at Rs.1,250 crores.

With electronics and semiconductor industries identified as key growth engines, alongside focused support for biopharma, healthcare, hospitality, tourism, textiles and capital goods, coupled with tax incentives for GCCs and data center ecosystems, demand for a skilled, job-ready workforce is expected to rise meaningfully.

Additionally, the proposed establishment of five education hubs across industrial corridors is expected to deepen industry-academia collaboration, enabling scalable apprenticeship-led and work-integrated education models to support sustained economic growth and future talent creation.

Thank you and with that I would like to hand it over to Ramani.

Ramani Dathi: Thank you, Nipun. Good evening, everyone. Revenue growth in specialized staffing and HR service businesses has been upwards of 30% year-on-year on YTD basis. Because of lower gross billing rate in staffing, overall group revenue grew by 8% year-on-year.

Sequential revenue growth is muted because of insourcing of about 27,000 headcounts of a large NBFC client in staffing and DA businesses.

With digitization and cost optimization measures, EBITDA grew by 11% on a QoQ basis and 22% YoY.

EdTech catch-up billing also has contributed to sequential EBITDA improvement in this quarter.

Staffing EBITDA margins have improved by about six basis points sequentially. There is dilution of year-on-year margins in specialized staffing vertical which is in line with the planned MSP business.

Group EBITDA margins have been consistently improving on nine-months period YoY.

We have received about Rs.100 crores of income tax refunds during the quarter along with Rs.12 crores of interest credit, contributing to an increase in other income.

Excluding the interest income and EdTech seasonality, Q3 PBT growth is 10% QoQ and 16% YoY. Nine-month PBT growth without one-off interest income would be 22% YoY.

A major event during the quarter is notification of new labor codes. By virtue of our contracts with clients, any incremental liability or cost on account of regulatory changes will be passed on to the client and hence there is no P&L hit on the gratuity or leave and cashment liability of associate employees.

For core employees, Rs.5.7 crores of provision has been made towards labor code implication and has been disclosed as an exceptional item in P&L.

DSO in staffing business stands at seven days and the overall group at 15-days. Funding exposure in the staffing business is maintained at 14%.

Free cash balance stands at Rs.430 crores and outstanding income tax receivable is Rs.250 crores.

All balance sheet metrics are stable and steady. We can now move to the specific questions.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: Yes, thanks for the opportunity. My question is on the general staffing, obviously, we have seen a steep decline in terms of associate headcount because of insourcing in a specific line. So, have you seen the full impact of the insourcing or still we have the impact left which is going to come in the next quarter? That is the first question. And also, corresponding to that is the margin improvement that we have seen in the general staffing, a slight margin improvement. Is it because of the change in the mix wherein the NBFC client was at a lower PAPM and hence was at a lower margin? So, is it because of the change in mix or we are seeing some fundamental changes in the business model? And if you can also comment on the recent labor code implementation and how this is going to impact our business in terms of shift from unorganized to organized and the longer-term impact on the staffing business?

Ashok Reddy: Thanks, Amit. So, on the element of the transition of numbers, we have taken the full hit in Q3. So, we do not expect any more number loss on account of that. And just given the outlook on the demand side with other clients and some element of the delivery that is moving forward, we expect a positive growth in Q4 on the headcount side. I think, even on the margin improvement perspective, it is cost optimization and the productivity playing out for the businesses. As I called out earlier, I think a lot of the digitization initiatives and cost optimization aspects have played out in the staffing business and I think that will continue to take it forward. On the labor code side, I think it is an early call out on how it will impact formalization. I think corporates are first kind of factoring for the cost impact and the implications at their end in terms of restructuring salaries and all of that. I think the element of it playing out to administrative ease and so on into the future from a compliance perspective will really come to play on an element of formalization that could kick in. So, I think the labor code consolidation of the labor laws and rollout is in the broad trajectory of the right thing to do. But, I do not think in the immediate cycle, it will have an impact on driving up the demand or the numbers substantially.

Amit Chandra: Okay. And on the specialized staffing, obviously, we have strong demand from the GCC side. But, you mentioned that we have only 100 clients there, and the time there is pretty big. So, how we are targeting the GCC market and if you can give some color in terms of what kind of growth can we expect in the specialized staffing and from the GCC side and also from the IT services because of what is happening on the IT services in terms of hiring, how we see the demand there? And in terms of margins, we can see some margin expansion there or is it the range that we want to operate into?

Ramani Dathi: Amit, on the GCC growth front, we have signed up about 20 or 25 new GCCs in the past few quarters. So, this is primarily because of a focus on working with the existing GCCs that are coming into the country. So, the TAM, which is about 1,800-1,900 GCCs, many of them have set in processes, they have identified their resources and are not hiring in a big way. Wherever they are, they are obviously very aggressively reaching out and ensuring that we get them onboard as well. So, yes, we have a lot of work to do on that front and expand our presence across many more GCCs. In the five or six segments that I called out, so BFSI, Life Sciences, Healthcare, Technology, Retail, I think we have identified about five or six segments and we are actively going out and ensuring that we sign up many more GCCs as we go along. The BOT model that we operate with in the GCCs helps us get better margins and that is to your next point, saying how do we show improvement in margins. If we work on BOT models wherever possible, we will ensure that we have better growth on both revenues whereas margins through that model. On the IT services front, while I think we are still in the lower single-digit hiring is happening, but we are seeing demand increase massively in the newer tech space, which is related to the AI, ML coding, data security, data engineering, cloud, cyber security roles, while the volumes will not be as high as what it used to be on conventional tech, but the rate cards are obviously much higher because customers are paying better salaries for these niche roles. So, that is how we are able to balance the revenue and margin, but not the headcount growth from IT services yet, because the volume hiring is still not kicked in on the services side.

Amit Chandra: Okay. And on the HR services, obviously, we had a good recovery there, but bulk of the EBITDA comes in the fourth quarter. So, is it the change in terms of capturing of EBITDA wherein it is now split between Quarter 3 and Quarter 4 or still we will have quarter 4 as the EBITDA-heavy kind of a thing for HR services? And also, at the consol level, are we still maintaining the 20% YoY kind of a target for the full year?

Balasubramanian A: Yes, so I think the seasonality element in EdTech will continue to play out and Q4 will be higher than Q3. And while we have been trying to work the element of spread across quarters, I think just the admission cycles and the revenue cycles with the universities drives a majority of the revenue/bottom line into Q3 and Q4 with Q4 being higher than Q3. And I think on a broader trend with the open positions demand and growth that we are expecting for Q4 along with the optimization in cost, we do see the margin improvement rate being sustained.

Amit Chandra: Okay, sir. Thank you and all the best.

Balasubramanian A: Thank you.

Moderator: The next question is from the line of Bhargav from Ambit Asset Management. Please go ahead.

Bhargav: Yes, good evening and congratulations on a good performance. My first question is on the capital allocation. So, cash on the balance sheet is now closer to Rs.430 crores, which is roughly 15% of the balance sheet size and about 30% of the net worth. Now that the buyback has become more tax efficient in this year's budget, are we looking at returning the excess cash on the balance sheet? That is my first question. Second question is on the restoring of the headcount loss in general staffing in 3Q. So, if you look at the net head count, it is now about 2,82,000 versus 3,30,000 in 2Q. When do we expect to restore back to 3,30,000 -- is it by the fourth quarter or maybe by first quarter next year? And the last question is that the insourcing which happened with your BFSI client, can that be replicated with other clients or this seems to be more like transient and not structured? These are the three questions. Thank you.

Balasubramanian A: Thank you, Bhargav. On the capital allocation front, yes, the budget has made element of buyback more tax efficient relative to what was before, and we do have money in the bank on account of the tax refunds and cash flow conversion from profits. I think the view of keeping that money was primarily to look at opportunities on the inorganic side, some discussions happening on that front, we did small three earlier in the year and we will continue to look at opportunities. Having said that, I think in the Q4 board meeting, the board will discuss on the capital allocation front and take a decision. So, at that point, we will be able to communicate on that front. It is on the agenda for a board discussion on that front. On the headcount growth, as I called out, I think, we are optimistic of net headcount growth in all the three employment cluster businesses that we have as a function of the demand and the pipeline that is there with customers at this point in time. I think between Q4 and Q1, we will be able to bridge the gap and come back on the numbers that we have lost. Also, the specific regulatory element, it is an ad hoc directive from RBI to the NBFC. We have not seen the same kind of play out elsewhere. So, we would have to take it as it comes kind of a thing, because we do provide resources in the BFSI space, and any specific action from an RBI as a directive is really where this plays out. It did play out once last year in Q4, and then this is the second time a directive has been passed, which has impacted the numbers. But, there is no specific call out at this point in addition.

Bhargav: Sure. Sir, just to highlight a data point that if you are looking at a decision in your fourth quarter, I think Rs.200 crores cash return back to shareholders can boost your ROEs by 3-4% next year. So, I mean, do keep that in mind because it is hurting your ROEs. So, thank you for your answers. Thank you and all the best.

Balasubramanian A: We will factor that and put it as a consideration to the board. Thank you.

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

Deep Shah: Yes, hi. Thanks for the opportunity. The first question is for Ramani. So, Ramani, in this quarter, what would be the contribution on the profit side which has come from inorganic route, say, on a YoY basis? That is one. And second, on the two-year scheme that potentially allows us a PF reimbursement for first-time employees. Now, as I understand, this would start from July. So, next July, maybe one quarter, we may not be. But, would that be a fair assumption to make that from 3Q onwards, our net headcount will be higher on a YoY basis so that we can take benefit of that scheme? So, these are my two questions. Thank you.

Ramani Dathi: Hi, Deep. On the first part, inorganic contribution in the quarterly profit is roughly about Rs.1.5 crores. And this has been maintained at the same level. And on top of this, we have started billing, especially on TLD Global, we have added about 70 headcounts since acquisition, and that has been profitably contributing to the bottom line in specialized staffing segment. On the second question of ELI scheme and PF reimbursements, as you rightly mentioned, this is going to be effective July 2026, and we have to see how this is going to be implemented by the EPFO. As of now, we are not able to give any kind of indication on how this is going to contribute to our bottom line. Maybe only by end of Q1, we would have better visibility on this.

Deep Shah: Fair. Ramani, I understand that. If I can just follow up? So, I understand on the implementation in the 3Q part, there is not too much clarity. But I am saying on that first condition, which necessitates that our headcount needs to be higher every month. So, do we have that comfort that by the time the scheme starts, because it is just a two-year scheme, right, and four years of manufacturing, but two years for everything else, our headcount on a YoY basis will be higher, do we have that comfort?

Ramani Dathi: Yes, definitely. On a full-year basis, our headcount is going to be higher. And also, it is not month-on-month it has to be positive. It is from beginning of the year to the end of that period. So, on that front, we are quite positive that on overall basis, there will be a net increase in associate headcount.

Deep Shah: Okay. So, just to clarify, when you say on a year-on-year basis, it means the headcount needs to be higher on 30th June 2026 or 30th June 2027 over 30th June 2026. What would be that first period -- 30th June 2026 versus 30th June 2025 or how would it be?

Ramani Dathi: Yes. So, it would be from June 2025 to 1st July 2026.

Deep Shah: This is right here. Thank you so much.

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

Dipesh Mehta: Thanks for the opportunity. A couple of questions. First about general staffing. Even after adjusting for NBFC impact of roughly around 20,000, associate headcount addition seems to be muted. Can you help us understand the reason for those, even outside of the NBFC impact, it seems to be soft this quarter? Second question is about the headcount mix across vertical. Now, because of the sizable hit which we have taken in the last few quarters in NBFC account, can you help us understand what would be the mix across vertical of 282k what we have and whether any implication of it on the margin considering each vertical might have a different margin trajectory? So, that is first question on general staffing. And if I add one more, in PAPM, how it has changed quarter-on-quarter? Maybe if you can answer it, then I have two follow-up. Thank you.

Balasubramanian A: Sorry, Dipesh, if you could ask the last part once more… second question.

Dipesh Mehta: PAPM per month, what is the number?

Ramani Dathi: So, overall, there has been a general slowness during this year. We have seen headwinds in BFSI starting Q4 of last year. So, most of the hiring in BFSI has been much lower than the trend that has been historical in the last two, three years. And also, there is a seasonality impact specifically in this quarter, because all the festive hiring that has been onboarded during Q2 and early Q3, so that headcount typically gets rolled out by end of December. So, that impact also has taken into the Q3 closing number. However, with the pipeline of new onboarding that we have for Q4, we are confident that we would be closing the year with a net positive or just about a positive number on general staffing trend. Overall, in terms of composition, BFSI currently would be at about 19% to 20% after considering the Bajaj headcount loss, and consumer verticals, both FMCG, FMCD put together would be about 25%, retail, e-commerce, quick commerce, that segment would be contributing to about 10%, and manufacturing, engineering, allied services would be about 12%, and all other segments would be about 4% to 5% contribution.

Ashok Reddy: And just from a PAPM perspective, we are at about 680 up from about 669 last quarter.

Dipesh Mehta: And whether the mix change in terms of vertical, whether it could have some bearing on margin trajectory considering BFSI is reduced now as a percentage?

Ashok Reddy: Marginally they will be, because typically, as we have always called out, the large clients do tend to pay us a little less than other customers. However, some element of the cost associated with the clients is direct and will get adjusted in terms of headcount and direct cost adjustment in the organization. But, some element of the allocated costs will still continue to play out across the broader spectrum. But, as we have always called out, the large client PAPM is normally lower than other clients.

Ramani Dathi: Also, one of the reasons for steady improvement in PAPM is also the contribution of hiring revenue, has been improving. So, compared to last quarter, we are now standing at 49% of hiring on overall offer letters rolled out. Last quarter, this number like-to-like was 36%.

Dipesh Mehta: Okay. Second question is on the other HR services. Last year EBITDA for the year was around Rs.8.5 crores. Are we confident to grow on that number for the current year, because last year Q4 was very strong, just to get a sense on that strength from a full year perspective, I understand there would be quarterly ups and downs, but when you look from a full year perspective, how confident we are to grow on that base? And the last question is on the DA. You indicated some regulatory action, even for every client. Can you give some more detail around it and how do you expect it to play out? Thank you.

Ramani Dathi: Yes. in HR services, there will be a marginal improvement in EBITDA, because as we called out in the beginning of the year, in HRtech segment, we still continue to make investments both on sales as well as on the product front. And while there will be an overall net improvement, it would still be in low single digit on year-on-year EBITDA at HR services level. And on the second question regarding the DA client where there is a regulatory impact, this is specific to a client which is in the business of agri. And earlier, they have taken GST exemption on some of the associate profiles which are involved in agri activities. But subsequently, the GST department has come back and said that these particular profiles cannot come under exemption category. So, because of that, they have in-sourced these profiles.

Dipesh Mehta: Understood. Thank you.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, I wanted to understand that last we did share buyback in 2023 and in the recent budget, the buyback taxation has been made very favorable and whereas our stock price is lower than what it was even in the COVID crash. So, are there any plans to do a share buyback so as to increase shareholder value?

Balasubramanian A: Madhur, as I called out, there is a dialogue with the board in the Q4 aspect on the capital allocation. So, a decision on any action on that front, we will have an idea in the Q4.

Madhur Rathi: Right. And sir, how do we see our payroll processing business in terms of adoption as well as scaling this up with the new labor law changes?

Balasubramanian A: Sorry, could you come again on that, Madhur?

Madhur Rathi: Sir, if you could help us understand, how do we see the payroll processing business going forward with the new labor law changes, and how do we see in terms of adoption of third-party or outsourced payroll processing versus in-house or either doing through the banking channels?

Balasubramanian A: Yes. So, I do not think the labor code element has a direct impact on the payroll outsourcing business. Obviously, there is an element of consulting aspects involved at the early stage for corporates to identify what the impact is, what they need to do, how they need to restructure, what elements are applicable under basic, non-basic and stuff of that sort. While that is a one-time activity, I think the continued element of corporates who decide or want to outsource on the payroll front, will continue to play out as it was before. So, I think the aspect of us continuing to drive corporate acquisition both in the SME segment as a SaaS solution and the medium-to-large corporates on the service front are focus areas that we are continuing to have on the payroll outsourcing business.

Madhur Rathi: Got it. And sir, we acquired two subsidiaries, TSR and Crystal HR. So, what kind of margin profiles do these businesses currently have? And sir, if I would consider these businesses to our competitors like Alldigi or ADP or Workday, so, sir, how do we plan to differentiate ourselves or how do we plan to -?

Balasubramanian A: So, TSR is primarily more of an enterprise service provider on payroll outsourcing. So, this is a payroll service provider where we maintain the records, we process for the corporate and address the output for them. On an average, it is at about a 15% margin play. Wallet HR is more of a SaaS platform for the SME segment on the aspect of payroll outsourcing where companies do self-service using the technology platform and there the margin is roughly about 30%.

Madhur Rathi: Sir, pardon my ignorance, I am new to the company, sir, when I am comparing our margins with our peers like QuestCorp or even a very tiny player like Aarvi Encon, so, they are enjoying margins of like almost double of our margins and even QuestCorp is doing over 2% margin, and Aarvi Encon is doing 3.5% operating margin. So, basically what has to happen for our margins to increase to our peers level or even reach the earlier margins that we used to do a few years back?

Ramani Dathi: Yes. So, one major difference between Quest and TeamLease margins is they have a much larger share coming from their international business on the specialized staffing. We have entered very recently and right now that volume contribution is hardly about 100 headcount. But other than that, in terms of general staffing, our margins are not that different; plus/minus we are at the same level. So, the main variance is coming from specialized staffing segment.

Ashok Reddy: Just as a like-to-like, Madhur, I think certain businesses are common and we should compare the element of the margin profile in those businesses. Certain businesses we are not doing or certain areas or regional play like the global that Ramani just called out is relatively small for us and that is a higher margin business in the long run. And that is really what accounts for the difference.

Madhur Rathi: And sir, the second part of the question is that what needs to happen to the macros for our margins to go back to the previous levels that we were doing a few years back?

Ashok Reddy: So, I think that is largely the element of the portfolio play for us, which is effectively specialized staffing and DA had either stagnated or declined as a function of the element of how the market was. The two of them coming back to the table from a growth perspective, will start contributing to the margin improvement. The continued growth on the staffing side coupled with the productivity enhancement leading to cost optimization will also contribute to the margin improvement to bring it back to the old levels.

Madhur Rathi: And sir, what percent of our total revenue is coming from the IT sector, because now we are hearing a lot of disruption in IT sector due to AI and so on, so, what kind of impact can it have on our business?

Ramani Dathi: 6% is the revenue contribution coming from IT. This is including GCC. However, on bottom line, the contribution is almost 30%.

Madhur Rathi: 30%? Okay. So, madam, is there a risk of, I mean, now IT companies are not increasing their payroll, so, in fact, there is a decline in the payroll in absolute numbers, so, madam, can our profitability get hit due to some AI-related disruption in IT sector?

Ramani Dathi: So, Madhur, in fact, within IT services, we have kind of corrected the headcount over the last two years and almost 50% headcount has come down. And since last two quarters, the headcount has been steady and GCCs have been consistently adding numbers. Maybe Neeti can also add here.

Neeti Sharma: So, Madhur, to add to what Ramani is saying, we are also seeing hiring actually happening in newer skill sets like for AI, data, security, cloud. So, while conventional skills are not being hired and that is where we are seeing a volume drop, but there is a high-value hiring that is continuing to happen and I don't think that is going to go down in the near future. So, it will balance out in terms of revenue growth and margin growth. It will not give us the volume growth that IT services gave us till about three years ago.

Madhur Rathi: Okay. And, madam, lastly, I can see that our absolute headcount has decreased from 3.6 lakhs to 3.35 lakhs. So, just directionally, madam, again, pardon my ignorance, madam, until our total headcount increases, does that not indicate the growth, I mean, if until the headcount increases, then how else will the growth materialize?

Ashok Reddy: So, as we called out, this has been a specific instance driven largely by a regulatory directive leading to about a 28,000 headcount moving away from a specific customer. Net of that and the seasonality element in Q3, we broadly see continued growth and that reduction in headcount has been largely across general staffing and degree apprenticeship, specialized staffing and a net headcount growth.

Madhur Rathi: Thank you so much and all the best.

Moderator: The next question is from the line of Akshay Mehta from DT Partners India. Please go ahead.

Mahesh: Hi, this is Mahesh, Akshay's colleague. Thanks for the opportunity. My question is on the transition, which is going to play out. So, first of all, kudos to Ashok you and the founding team who has really built this commendable business. The question really for us as an investor to understand is, as you thought this transition through and went through the process of identifying professionals who have to come and run it, what sort of person or ideal candidate you were looking in terms of coming and taking this forward from you to the extent what you can share, of course, not really trying to get into very specific, but just trying to get a sense of as you sort of bring someone from outside running in, what is sort of brief and mandate and what should we be signing up for?

Ashok Reddy: Yes, so primarily, Mahesh, I think it was a logical transition that we have been working on in saying that bring in the external CEO play that enables us to effectively continue to work with the person in the long-haul through the board and kind of direct the company to be a board-run company that outlives the promoters. By having said that, I think the key skills or the capabilities that we were looking at was, obviously, TeamLease is a large organization, it is large in volume and in a sense, the portfolio. So continuing to maintain the element of traction and keeping the retrain running on the tracks was an important variable. But also, I think what we have always been calling out is the drive for some element of a transition from B2B to a B2C revenue stream, improving our margins from the low margin to a portfolio that enables margin improvement to come in, and also kind of complement the service offering that we have with a stream of a product portfolio into the future. And I think from those perspectives is really where we were looking at the probable person and I think Suparna fit well into what we saw on that front. She is clearly from outside the industry and we will handhold the element of learning the industry. There is a lot of leadership and bandwidth within the organization that has kind of steeped in the industry and the businesses that we do. But, I think she brings a fresh set of eyes and perspective to what we have been doing for a very long time. And I think also her capabilities from her past experiences are primarily from the B2C side, from a high margin side, and from a product portfolio side. And I think those are great complementary skills into the leadership of TeamLease that we believe will play out to strength in the coming quarters. So it has two days since Suparna has been on board. So, she will be inducted into the team, into the structures, into the business, into the customers, and we believe that just given again past experience and seniority, the onboarding process will be quick. We are here to work with her and handhold the element of the way forward. No one is kind of leaving per se in that sense of the word, but she will have the ownership as we go forward on the executive element of the business.

Mahesh: Thanks, Ashok. Very helpful and wishing all the best to Suparna as she takes charge and look forward to interacting with her. I have a second question for maybe Ramani, just to confirm the understanding on other HR services. Is the understanding still holds in terms of the fact that a lot of CAPEX investments are behind us and as HRtech, Regtech scales up, there is going to be operating leverage on those revenues because bulk of OPEX is already sort of invested in, is that understanding fair, Ramani?

Ramani Dathi: That is right. So in Regtech, in fact, we do not have much of incremental CAPEX as such. So now most of the sales investments or product investments are fully charged to the P&L. HRtech is one business where we still need to do more investments in product. And also now in light of the new labor codes, we may also come up with other solutions, especially once the Shram Suvidha portal gets launched, we may have another line of business, wherein we can have APIs for seamless filings on those front. So, we will continue to have more CAPEX investments on HRtech and the rest of the team-related investments have been fully operationalized and being charged to the P&L.

Mahesh: Got it. Thank you so much.

Moderator: The next question is from the line of Priyam Shrivastava from KC Capital. Please go ahead.

Priyam Shrivastava: Yes. Hi! Thank you so much for the opportunity. Can you please discuss the contingent liabilities from the tax cases, like what is the quantum in the current legal status?

Ramani Dathi: So with respect to tax liabilities under 80JJAA, there have been open items specific to whether outsourced associates can fall under the 80JJAA claim or not. However, we do not have any open demand as such. So, all the refunds have been released, but the completed assessments have been reopened. So, there are no new items on tax contingencies as of date.

Priyam Shrivastava: Okay. Got it. And my second question was, what is the impact of labor codes on the transfer business?

Ramani Dathi: Which transfer business? Sorry, can you -?

Priyam Shrivastava: Correct me if I am wrong. There is a certain business which the employees are already there with the client and then they are transferred to the company's payroll.

Ramani Dathi: Here, we have two categories of employees -- One is associate employees who are deployed at client location, and then core employees. For core employees, there is a net impact of about Rs.5.7 crores, mainly towards gratuity and leave and cashment liabilities pertaining to past period. So, that provision has been made and it has been disclosed as an exceptional item in the P&L statement. Coming to associate employees who are working at client location, so we have back-to-back arrangements with the client saying that for any new liability or any incremental cost arising out of any regulatory changes with respect to statutory remittances and others, so it will be passed on to the client. So, as of now, if you can see our balance sheet and the disclosures that are being made, we have back-to-back recognition and disclosure of these gratuity and leave and cashment liabilities as well as receivables from clients. So, there is no net impact to the P&L on associate employees.

Priyam Shrivastava: Okay. Got it. Thank you so much. That was helpful.

Moderator: Ladies and gentlemen, we will take this as the last question for today. I now hand the conference over to "Mr. Ashok Reddy for the Closing Comments." Over to you, sir.

Ashok Reddy: Thank you very much. As we look back and then look forward, I think, yes, we had headcount decrease in Q3 on account of a specific regulatory impact, but, we do see a positive outlook across the degree apprenticeship staffing and specialized staffing for Q4 in terms of demand and a net positive outlook on headcount growth. We do also believe, as was called out, that we will be able to work on and improve the margin aspect in Q4 on account of cost optimizations and digitization initiatives that we have been driving, and also, there would be some element of seasonality impact coming in from the EdTech in Q4. We do believe that a lot of the leadership and structural elements are in play at the TeamLease and for the various businesses and will continue to give benefits as we go forward. We will work the transition on the executive roles front with Suparna for her to come up to speed on the business, on TeamLease, on the team and on the customers, and we do believe that the skills that she brings to the table will hugely complement the aspect of the requirement for TeamLease as we go forward. With that, we do look forward to giving you a strong Q4 and take leave from here. Thank you very much.

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