November 10, 2026

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

Dear Sir/Ma'am,

Sub: TeamLease Services Limited (TeamLease/Company) - Transcript of Q2'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 Q2'FY27 Earnings Call hosted on Thursday, November 05, 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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Alaka Chanda
Company Secretary and Compliance Officer
Encl: As above

"TeamLease Services Limited

Q2 FY27 Earnings Conference Call"

November 05, 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, STAFFING – TEAMLEASE SERVICES LIMITED

MODERATOR: **MR. ARJUN SAVLA – HDFC SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the TeamLease Q2 FY 2027 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 and then zero on your touch-tone phone.

I now hand the conference over to Mr. Arjun Savla from HDFC Securities. Thank you, and over to you.

Arjun Savla: Thank you. Good evening, everyone. On behalf of HDFC Securities, we welcome you all to the TeamLease Quarter Two FY 2027 earnings call. Today, we have with us the management team of TeamLease, represented by Ms. Suparna Mitra, Managing Director and CEO, Ms. Ramani Dathi, CFO and COO, Ms. Neeti Sharma, CEO of Specialized Staffing, and Mr. Bala A, Senior VP Staffing.

I will now hand over the call to Ms. Suparna Mitra for the opening remarks, post which we can open the floor for Q&A session. Thank you, and over to you, Suparna.

Suparna Mitra: Thank you so much. Good evening, ladies and gentlemen, and thank you for being with us today. I will share my perspective on the quarter and the priorities, after which, of course, we will take your questions. The first half of FY 2027 has been a period of deliberate reset for TeamLease. We recognize that this quarter's results fell short of our own aspirations and of the expectations of our stakeholders. At the same time, the actions we are taking will position the business on a stronger and more profitable footing in the future.

The revenue for the quarter was INR3,086 crores, which is up 1% sequentially and year-on-year. For the half year, revenue grew 4% to INR6,142 crores. Operating EBITDA was INR44 crores, up 17% sequentially and 5% year-on-year. For the half year, it grew 11% to INR82 crores.

It is encouraging that our operating businesses are growing profit faster than revenue. Reported EBITDA was INR36 crores, a margin of 1.2%, and higher sequentially. Year-on-year, it reflects our investment in a brand and marketing revamp and buyback-related costs held in unallocated. Profit before tax was INR30 crores, up 2% year-on-year. For the half year, it was INR66 crores, up 19%. For clarity, this includes other income, such as interest on income tax refund received in quarter one.

Operating EBITDA remains a better indicator of underlying progress. Profit after tax was INR26 crores. Our headcount moderated to about 333,200. Sorry, 333,200. We added 114 new logos, including 32 in general staffing, of which more than three-quarters were onboarded under the variable engagement model. 30% of the associates we hired were first-time job seekers, which remains central to our purpose of putting India to work.

DSO held at six days. Specialized staffing continues to be a strong contributor. Revenue was INR190 crores, with EBITDA growing in double digits sequentially. The India business earned a 7.6% EBITDA margin and global 4.3%. GCCs contributed over 69% of the segment revenue,

and we now serve more than 135 plus GCC clients, up from over 110 at the end of last year. This is the profile of business we intend to grow.

In HR services, revenue rose sequentially on EdTech seasonality, with a segment EBITDA margin of 3%. We are focused on strengthening the commercial engine of HR tech solutions, where the opportunity is significant. Our priorities rest on three pillars. First, a sharper focus on higher-margin businesses. We will direct capital, talent, and leadership attention to businesses with the strongest returns, including international geographies, while pursuing growth in general staffing. Second, disciplined portfolio management.

Every business and investment will be assessed on returns, strategic fit. The divestment of our 30% stake in Crystal HR, completed this quarter with no loss on capital invested, is an early example. We may have to weed some of the non-aligned businesses, which allow bandwidth to seed new verticals. Third, to establish TeamLease as a holistic talent solutions partner.

We bring recruitment, staffing, apprenticeship, productivity, compliance, and HR technology under one relationship, and we believe this will deepen client accounts, improve cross-sells, and lift margins over time. To enable this, we are investing in sales productivity, hiring, AI and digital capability, our brand, and leadership depth. Our core team has grown to about 2,790 from about 2,500 in March. These investments weigh modestly on near-term margins and on productivity per core employee. We expect them to build a stronger platform for the years ahead.

Our balance sheet remains a source of strength. After completing the INR238 crores buyback in July, we hold INR350 crores worth of net free cash, with about INR160 crores of TDS receivable outstanding. Funding exposure in staffing was 16%. The long-term opportunity is compelling. The formalization of India's workforce is deepening. The central rules under Labour Codes have been notified, and GCCs continue to create demand for specialized talent. TeamLease is positioning itself to lead in that environment.

Thank you for your continued support. I now hand over to my colleagues for their comments, and happy to take your questions after that.

Bala A: Thank you, Suparna. Good evening, everyone. In Q2 FY 2027, we closed the quarter at approximately 2.85 lakh associates, which is a net reduction of about 5,500 associates. On our Q4 call, we had guided an exit of roughly 10,000 associates across low-margin mandates through Q1 and Q2. One client within that book, which was running at a negative margin, exited this quarter with over 7,000 associates.

Adjusting for that, the underlying business still added about 1,500 associates, and since that mandate was margin dilutive, the exit is accretive rather than being neutral. Gross hiring was at our highest in three quarters at about 62,500 associates. So, fulfillment was not so much the constraint. The underlying addition was nonetheless thin, and one of the reasons is BFSI. Sectorally, BFSI declined for us in aggregate, but not because we lost the ground commercially.

We gained wallet share in select private banks, small finance banks, and mid-sized NBFCs, and continued to shift into tier 2 and tier 3 markets. That progress was outweighed by reductions in

a few large accounts where clients ran their own productivity and cost optimization programs. This is visible across the industry, not just in our book, and our commercial position in BFSI is stronger than the headcount line may suggest. Consumer was the offset, and it was genuinely strong.

Durables ran well ahead of last year through the summer and into the festive build, and our retail and e-commerce volumes both grew, led by quick commerce. Those gains were large enough to absorb the BFSI decline and still leave the underlying book positive. Just one small call-out on the festive calendar, because it affects how the closing number may read.

Diwali fell almost three weeks later this year compared to last year, and the season arrived in distinct clusters rather than as one continuous buildup, with a quiet stretch at the end of September. Our September 30th headcount was therefore measured between clusters. Looking forward, the lower peak and the longer deployment window would lift the billable days per associate across Q3, and the demand now runs deeper into Q3 this year than it did last year.

From a commercial standpoint, we added about 32 new logos, with about 75% of them under variable markup or outcome-based pricing. The GST 2.0-driven exits that we flagged last quarter also played through as expected, with nothing incremental. We also continued to shift toward non-metros, where average salaries run 20%-30% below urban markets.

On sourcing, over 19,000 joinees, or about 31% of the overall gross joinees, came through our own hiring efforts, against 28% in Q1. We had said at the start of the year that rebuilding own sourcing was a priority for H1, and this is that work coming through. In telecom, the direction of travel seems to have changed. Until last year, operators had expected automation and autonomous networks to steadily reduce frontline headcount.

For a large set of field and customer-facing roles, human deployment in the India cost context remains both more effective and cheaper. Hiring has ramped up in multiple pockets as a result, and we gained wallet share in several of them. In industrial power transmission and distribution, rollouts are resuming where approvals had stalled, though unevenly, and the structural opportunity is unchanged, with a large awarded order book still to execute.

On the regulatory front, the EPF wage ceiling moved up in September, and state rules under the Labour Codes continue to be notified. Both raise statutory employer cost, which is contractually recoverable from our clients under existing agreements. We do not expect a P&L impact on the associate book. We had readied our systems ahead of this, and were able to implement the systems immediately.

Our attention is instead on associate take-home, which these changes reduce, and retention is the real exposure we are managing account to account. Operationally, technology remains the core of the thesis, and three investments are worth flagging. We are partway through a ground-up overhaul of our associate lifecycle system, with some elements already live, more going live in Q3, and a full rollout expected in Q4.

Alongside that, secondly, we are integrating our client and associate databases so that commercial and workforce intelligence would be available on demand rather than assembled on request. Last but not the least, we continue to apply AI and automation to simplify process-heavy workflows, which is where the operating leverage comes from. Our associate care offerings continue to expand and continue to build non-linear revenue.

Looking ahead over the next three to six months, we enter Q3 with the festive deployment in hand and a longer season behind it, over 16,000 open positions, and a healthy pipeline. Clients are planning in shorter cycles than they used to, so we expect them to stay deliberate. What we are confident about is the engine underneath.

The commercial discipline, cost-to-hire reduction, and the technology investment built over the last two years convert into earnings growth, whether or not volumes run ahead, and that is what FY 2027 rests on.

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

Neeti Sharma: Thank you, Bala. Good evening, everyone. Hiring across the IT services companies in the last quarter has still stayed cautious. Most of it has been replacement hiring rather than new roles. However, the roles that have been hired were more skilled and of higher value. While the net additions in this sector are still not showing up, each of the IT services companies are hiring AI talent at every level, whether it is at core AI work, AI adjacent roles, or support roles.

Demand during the quarter was led largely by AI/ML engineers, data engineering roles, cloud, DevOps, cybersecurity, and SAP skills, while hiring for legacy and generalist roles largely stayed moderate. We are also seeing rising demand for composite skill sets such as FDEs and graph engineers increase quarter-on-quarter. Against this backdrop as well, we have maintained a growth trajectory of previous quarters.

EBITDA grew 15% over last quarter, and operating margin went up by 90 basis points. Three things drove this: better pricing, a richer mix of skills, and improved productivity at our teams. We ended the quarter with 7,670 associates across IT and specialized skill sets, and our PAPM has gone up by about 10% over the last year. Customer acquisition remained healthy, with about 60 new logos added in the last two quarters.

About 16 GCCs are included in the 60 new logos that we have brought on board. We also grew our wallet share with existing customers through multi-product deployments and broader partnerships, which gives us better revenue visibility for the coming quarters. Earlier this year, we launched our AI Talent Learning Advisory and Services program called ATLIS, which brings together everything we offer to help companies with their AI transformation.

Under the ATLIS program, we have placed more than 800 AI professionals in H1 and worked with over 25 clients on their AI learning, advisory, and transformation programs. Outside of technology hiring, we have hired for domain specialists that continues to grow in demand in engineering, R&D, automotive, healthcare, life sciences, BFSI, and SME skills. GCCs are still the biggest driver of demand for us.

We now work with more than 130 GCCs across industries, up from 110 at the end of last financial year. Together, they make up for about 60% of our associate headcount and about 69% of our net revenues. Our full-stack GCC offering, TeamLease CapCube, supports GCCs at every stage.

When they are launching, we help them with their hiring strategy along with their compliance, legal, and infrastructure requirements. As they grow, we help them scale, keep their talent, and build new capabilities for expansion and transformation. This is helping us engage with GCCs in their nascent stages and grow alongside with them. Our global business is growing as well, with revenue up by about 51% over last year.

We stepped away from some low-margin mandates globally, and our global operating margin has gone up to 5%, up from 3% in the last quarter. We now have more than about 100 people outside of India, and we are continuing to strengthen our global delivery from India for our global requirements as well. For the second half of FY 2027, we will keep building depth in high-value areas such as AI, GCC, specialist domains, and global business.

At the same time, we will keep pushing profitable growth through better pricing, a better skills and product mix, and a higher employee productivity. Q3 usually has furloughs for us, and we have already planned that in our numbers for the year. As companies move from trying out AI to actually using it at scale, they will need more specialized AI-ready talent.

Our investments in building capabilities for hiring AI talent at scale, stronger GCC relationships, a growing global business, and steady execution, we believe we are well-placed to keep growing profitably and to create long-term value for our customers, associates, and stakeholders.

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

Ramani Dathi: Thank you, Neeti, and good evening, everyone. This is Ramani. Let me take you through the financials for the quarter and the half year, and then we will open up for questions. Starting with the headline, consolidated revenue for Q2 was INR3,086 crores, up 1% sequentially and 2% year-on-year. For the half year, revenue was INR6,142 crores, up 4% year-on-year. Operating EBITDA, which is the business profit before corporate and unallocated costs, was INR44 crores for the quarter. That is up 17% sequentially and 5% year-on-year.

And for H1, it is up 11% at INR82 crores. The operating line improved, mainly led by specialized staffing and EdTech seasonal pickup. PBT was INR30 crores, up 3% year-on-year and down 18% sequentially, largely because of tax difference in Q1. Adjusted PAT was INR26 crores before exceptional items.

For the half year, PBT grew 19% to INR66 crores, and PAT grew 14% to INR60 crores. Operating EBITDA margin improved sequentially. Specialized staffing EBITDA was up 15% quarter-on-quarter to INR13 crores. HR services moved from a INR2 crores loss in Q1 to a INR2 crores profit in the current quarter, mainly led by EdTech business. At the reported level, EBITDA was down 6% year-on-year, and this gap is mainly on account of unallocated cost.

Corporate EBITDA was a INR8 crores cost this quarter against INR4 crores a year ago. That reflects buyback-related expenses and some of our planned investments in brand, technology, and people. On PBT front, we had INR12 crores of non-recurring other income in Q1, because of which there is a dip in sequential PBT in Q2. The operating businesses added about INR5.8 crores.

That was more than offset by the INR12 crores lower other income. On balance sheet front, we closed the half year with net free cash of INR350 crores after completing INR238 crores of buyback in July. Cash and investments on the balance sheet were about INR526 crores against INR772 crores at March, and the reduction is almost entirely on account of the buyback. TDS receivable stands at about INR160 crores.

We continue to pursue refunds for later assessment years, and we received INR38 crores in Q1 of this year. Coming to capital allocation, two portfolio actions were completed in the quarter. First, the buyback, leading to 8.87% of pre-buyback paid-up capital was completed on the approved terms and funded entirely from the internal accruals.

Second, we divested our 30% stake in Crystal HR under the put option. We recovered our full original investment with no loss on capital invested. With INR350 crores of net free cash, our capital priorities are in order, investment in technology, people, leadership in the core, then disciplined margin-accretive acquisitions in adjacencies. We are evaluating opportunities for M&A and have nothing at advanced level to disclose today. Anything material will be disclosed to the exchanges as and when required.

Thank you. We can now open for questions.

Moderator: Thank you. We will now begin the question-answer session. We have the first question from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: Yes, thanks for the opportunity. Ma'am, my first question is on the general staffing segment. Obviously, we have seen some margin expansion at the overall company level, but if I see the overall addition in terms of net associates, it has been pretty soft. Obviously, we are shifting towards more higher-margin mandates, and we are doing some restructuring in some of the accounts which you had mentioned last time.

So, in the existing base we have for general staffing, do you think that we have hit the bottom in terms of the headcounts, and maybe we can head towards 5%-6% kind of a volume growth on a steady state from here on? Or there is still some kind of restructuring or some kind of exits that is still pending in some of the accounts, especially in the BFSI and the other verticals?

And obviously, it is very good to see that you have included a lot of new data points in the PPT regarding the segments. So, in that, I see the industrial segment is still high single-digit kind of a number. Maybe if you can indicate that how these segments, maybe in the next one or two years, the focus segments where the incremental growth can come in.

Because if I see the peer performance, they have been growing pretty well, and they have been adding a lot of associates. Is it more like increased competition, or is it more like restructuring at the company level? Thank you.

Suparna Mitra: Yes, thanks for that question. I will start off, and then I will request my colleagues to join. I think as far as general staffing is concerned, we are very much focused on headcount addition, profitable ones. The focus and the strive towards adding new clients and mandates and getting the headcount numbers up is very much part of our H2 plan.

Yes, there is greater analysis on the kind of mandate, on the kind of industry, and we are more careful about what we are pursuing. But it is not only a profitability direction. It is a profitable growth. Growth is very much on our agenda, and the growth will come from headcount, and we are totally focused on it. Yes, I will request Bala to add some more points, and then you are referring to a particular slide on the investor deck. We can also take you through a little bit on that since you have mentioned that.

Bala A: Yes. Hi, Amit. The softness on numbers really is on a couple of quarters, we had some one-off situations because of which the underlying growth in the overall business got completely obscured. But if you were to just look at those numbers aside and look at the underlying growth instead, on a standalone basis, then clearly it shows two things. One, that the business is resilient, and two, that the growth is also coming from a diversified portfolio that we have been able to build over the last few years.

While we started showing these numbers for the last three years, if you were to step back and look at this five years ago, you would find that we were largely indexed on pretty much just BFSI, consumer, and telecom. The other three portions pretty much didn't exist at that point in time.

Now, a healthy 30% comes from the non-BFSI and consumer and telecom portfolio, clearly. So, that's one call-out. Secondly, yes, the other softness from a CAGR standpoint that we are witnessing in the last 18 months compared to the previous, I would say, three or four years is also because of some tentativeness on part of our clients, stemming largely from the fact that there is a lot of uncertainty driven by external macro environment, and there was also a lot of possibility with respect to what AI can do for their business, and can it really substitute some of the manpower that we have, if not, I mean, just some of them, not all.

But clearly, it is now seen as a productivity enhancer and not really a substitute for at least the kind of people that we manage in general staffing. Like I called out in my earlier briefing about Q2 as well, specifically in the telecom industry, it's a very clear 180-degree turn that we are seeing, and we are seeing a similar narrative across various other industries as well.

So we are confident on us being able to deliver consistent net adds going forward. With respect to what the percentage is going to be, I think it's very difficult to quantify that presently.

Amit Chandra: Okay. And ma'am, you mentioned about that we are seeing healthy PAPM growth, like you mentioned about 10% kind of a PAPM increase. So, that is coming mostly from the variable

contracts that we have signed, or is it more coming from the existing clients as well? And in the PPT, we mentioned the number of INR600 PAPM as of the quarter two. So if I'm not wrong, the PAPM earlier used to be around INR650, INR670. So the INR600, how it adds up for a 10% growth? Can you please explain?

Neeti Sharma: Amit, hi, Neeti here. I had mentioned about a PAPM growth for specialized staffing going up by 10%.

Amit Chandra: Okay.

Neeti Sharma: That is largely subject to the hiring and the profile that we are hiring. We are doing a lot of AI hiring, data engineering hiring, so they come at a higher value and a higher rate card, which is where our PAPM has gone up by 10%.

Amit Chandra: Okay. For the general staffing business, the PAPM has been declining because it used to be in the INR650, INR660 range. Now it has come down to INR600. How do you see the PAPM panning out, and where the growth will come from, headcount, PAPM, and if you can give some margin guidance or the EBITDA guidance that you earlier provided in terms of the overall EBITDA growth for the next year?

Ramani Dathi: Hi, Amit, this is Ramani. Staffing PAPMs have in fact marginally increased. Staffing, we are currently at INR700 PAPM. Maybe that INR600 number you're referring to is for apprenticeship business. In DA, it is about 600 average PAPM. Staffing is 700.

Amit Chandra: Okay. My last question is on the divestment that we did, like Crystal HR. Obviously, we mentioned that you have not had any capital loss, and we had also had the exceptional item, some amount of exceptional item in this. The whole rationale, because it is been a transaction which is not even two years old, and initially we spent INR30 crores, or sorry, INR25 crores for the 30% stake, and we are now selling it for INR10 crores. How there is no capital loss, if you can explain?

Ramani Dathi: Amit, we have invested about INR10 crores to acquire the 30% stake, and we recovered that INR10 crores. There is no principal loss on this investment. The reason for divestment is also the fact that the SaaS businesses, at this stage, especially with AI and other digital interventions that are happening, many of the SaaS businesses are undergoing very difficult situation.

We thought it is better we take the call right away while we still have the call option, because we are a minority shareholder in the company. Otherwise, if we extend it for a few more quarters or months, we may have to acquire a balance stake. That is why it is a call that we have taken to exit while being on minority front and come out of the SaaS side of the HR tech business.

Amit Chandra: Okay. Any plans for the existing HR business, because that is also being loss-making for a very long period of time. Any plans for either restructuring or exiting that business?

Ramani Dathi: Definitely, Amit. As Suparna mentioned in her opening remarks, we are doing a lot of realignment to our portfolio. We may have to bring in some of the new offerings that we

currently not having, as well as may have to weed some verticals or some verticals where we don't see any major uptick in the demand.

Amit Chandra: Okay. Okay, ma'am. Thank you and all the best.

Ramani Dathi: Thank you, Amit.

Moderator: Thank you. We have the next question on the line of Bhargav Buddhadev from Ambit Asset Management. Please go ahead.

Bhargav Buddhadev: Yes, good evening, team, and thank you for the opportunity. So ma'am, in your opening remarks, you did mention about pursuing some M&A opportunities. Is it possible to elaborate a bit on them in terms of which areas are you looking at, what could be the size, minimum ticket size which you could be looking at? Also, in terms of timelines, what could be the timelines that you can work with?

Ramani Dathi: It's still in very initial stages, and it's really we are working on a framework on what kind of opportunities in M&A we will pursue. I think at the very top level, we are looking for opportunities that are either scale opportunities, assuming we are already in that business and we can scale up through an M&A. Or we are also looking at some opportunity which will allow us to enter a new business vertical in the larger solutions business that we are in, talent solutions, staffing, etcetera.

Anything which is adjacent and which can give us entry to new businesses. Obviously, the ticket size and all is still very early to talk about it, but I think one guiding principle that we are using is it needs to be a high-margin business compared to our current overall weighted margin of the organization.

Bhargav Buddhadev: Understood. In terms of, if you look at your competition, your competition is reporting much better volumes in terms of headcount. Is it that you are deliberately leaving those businesses to them because of lower margins, or how should we read into that?

Suparna Mitra: In an earlier question, I answered this. We are very much focused on growth, and growth comes from headcount. I think this was a particularly weak quarter, but that's not the intent. The intent is to grow headcount, and I think we will be back with more robust headcount growth in the quarters to come.

Bhargav Buddhadev: Lastly, in terms of the benefits from the Labour Code implementation, I guess we had spoken that there could be some consolidation in the industry. When do we see that? Any color on that which you can provide?

Bala A: Yes. Hi, Bhargav. Bala here. Yes.

Bhargav Buddhadev: Yes.

Bala A: In fact, even now, not 100% of the clients in the staffing ecosystem have gone live with the Labour Codes. In fact, implementation started in earnest only in the beginning of this financial

year, while they were actually notified in November of 2025 itself. Like I said, even at this point in time, there is still some ambiguity with respect to how exactly clients want to do it. In fact, many clients chose to do it along with their annual appraisal cycle.

Some have it in April, some have it in July, some even have it in October, in sync with the festive season, which is why now we are at the tail end of Labour Codes getting implemented. Then, like I had called out as well, in September, we had this announcement of the PF ceiling going up, that too with immediate effect.

So, that's just thrown sort of one more complication into the way in which clients are going about factoring in their budgets for this financial year. So, we need to really wait for these things to settle down and for clients to really see how things are panning out post the implementation of both these aspects.

Only then we will be able to start seeing the true benefits of large-scale formalization, acceleration of the pace of formalization, hence room for consolidation. So, in the immediate upcoming quarters, we do not really see that happening in terms of the market consolidation that you just foresaw.

Bhargav Buddhadev: Okay, sir. Thank you very much. All the very best, and wish the entire team a Happy Diwali.

Suparna Mitra: Happy Diwali to you too.

Moderator: Thank you. We have the next question on the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Thanks for the opportunity. Couple of questions. First question on the general staffing, headcount addition, so associate addition. If I look, let's say, since FY 2024, H1 number, if you look at it, CAGR perspective is only less than 2% kind of CAGR. Now, it is 2.5 year kind of journey I am looking to move on to quarter. How to look this trajectory from medium-term perspective, and how you expect H2 to play out from headcount addition perspective?

Because in one of the question answer, you said headcount addition is the priority. So, if you can give some sense about how to expect this to change. Second question is, what is the open mandate at the end of Q2 we have? Considering that open mandate and festival period and all those things, from mix change perspective, how one should expect some of the composition?

This time you disclosed some of the vertical mix as well. How you expect it to evolve from medium-term perspective, considering two factors? One is your margin aspiration, and second thing is market opportunity available. Considering both the things, how you expect it to evolve in our medium term? Related question is the progress on direct sourcing, particularly, let's say, when you want to address manufacturing, construction kind of vertical, which are relatively high margin, less penetrated so far. So, if you can give some sense how you are trying to, let's say, develop capability to tackle that part. Thank you.

Bala A: Great. Thanks for that question. I was able to break down what you asked into five distinct aspects.

Dipesh Mehta: Sorry, Bala, your voice is muffled. I cannot hear it clearly. Even your prepared remarks, I could not understand very clearly. If you can sit closer to mic.

Bala A: Sure. Is it better now? Are you able to hear me?

Dipesh Mehta: Yes, we can.

Bala A: Okay, good. From what you asked, I was able to break your question down into five distinct aspects, and I will try and quickly answer them one by one. With respect to the numbers, as you all know, these numbers are reported. We were able to double our headcount in general staffing over a period of four years, from March 2021 to March 2025. In the last 12 months specifically, like I said, there were a couple of large opportunities.

I think one was an absorption, which was initiated by one of our large clients, the largest NBFC client at that point in time, because of an RBI regulation, where the total impact was about 28,000 associates. Then there was one more call-out of a low-margin or a negative-margin account, which went off with about 7,000 associates or so.

That is about 35K which happened in the last five quarters, to be precise. In the last 12 months, specifically in the last four quarters, I guess it was just over 27,000. It was not really easy in the present softness that we see in the macro environment for the reasons that I called out earlier with respect to

Dipesh Mehta: Bala, sorry to interrupt. Your voice is getting muffled. Difficult for us to understand.

Bala A: Okay. Hi. Is this better now? Can you hear me?

Dipesh Mehta: Yes, please.

Bala A: Yes. As you were saying, this impact of 35K over the last five quarters, and 27 specifically in the last 12 months, has not really been easy for us to tide over and deliver net positives which are substantial, especially given the current softness that we are seeing in the market with respect to the changing external market environment. Largely, capital markets not really performing well over the last two years plus particularly, and hence customers thinking twice before ramping up the way they did between FY 2022 and FY 2025. So that is one aspect which has sort of held us back.

And like I had mentioned in the previous question's response too, we don't really see the same sort of situation continuing, and we should be in a position to add headcounts along the lines of what we used to do until about a year or so back going forward. And I had also called out to your second question earlier that the present open positions we have is about 16,000.

This is also connected to the third aspect that you asked, which is regarding the festive season. Unlike last year, where Diwali was in the middle of October, now it's in the second week of

November. So your festive season is not really one big spike or one big buildup. It could be broken up into clusters.

You had a bit of a flat end of the second cluster towards the end of September, and then there was a buildup happen. There is a smaller buildup, of course, which will happen in the first week of November, and then it'll completely taper off. So that's how this season is, and it's been much more of a start-stop and much more dynamic sort of a hiring pattern that we've seen this year compared to the last few years.

Customers are far more deliberate with respect to their ramp-up plans and also selective with respect to where they want to do it, not just the timing of it. So that's the change that we see this year. Then moving on to the next one that you called out with respect to the large or the higher margin opportunities.

See, manufacturing and logistics, yes, has been an area of focus for the last two years, and I think we've gotten significant traction in the logistics space, not so much in the manufacturing space. While manufacturing has been a strong area for us with respect to the white-collar profiles, really, and not so much in the mass market, entry-level blue-collar people, though that's something we are working on maximizing.

But then I would really rectify that statement, though. I don't really think manufacturing and logistics as a whole presents high-margin opportunities throughout. It doesn't work like that exactly, because there is also a lot of informality that we see in that segment. So we have to be really selective with respect to the kind and quality of clients that we want to work with over there.

Yes, so last but not the least, like I said, the mix of industries has already been called out now for the first time, and we've shown that for the last three years, and we've given indications as to which industries we see will probably move the needle going forward. Yes.

Dipesh Mehta: No, so one question was about the hiring sourcing capability. Can you give me some number, let's say, whatever addition in last 12 months we might have, what would be the direct sourcing fee in that?

Bala A: Yes. So like I called out earlier, about 19,000 of the gross additions of Q2 were delivered through our own sourcing, which is 31%, up from the 28% that we saw in Q1. And very clearly, the kind of mandates that are coming up, where there is a significant growth opportunity, require us to be able to hire through our own means.

And here is where we have to do a balancing act of not just ramping up in terms of our scale and capacity, but also being very mindful of the cost per hire, which I had also called out earlier that is something which has really been helping us in the last one and a half, two years. Using technology and using multiple different sourcing channels has come to our aid with respect to being able to do this balancing act.

Ramani Dathi: Also, just to add on that hiring aspect, Dipesh, while this quarter our own sourcing is about 30%, it ranges between 30%-50%, because particularly in this quarter, we got some rebadging opportunity with few clients, because of which direct sourcing by clients is higher in this quarter. So, across last few quarters, if I have to take the average, we've been maintaining upwards of 40% of own sourcing by TeamLease.

Dipesh Mehta: How does cost of sourcing, let's say, I am referring to direct side, with the use of technology, can you help us understand how it is evolving for us in, let's say, last 12 months, 24 months, whichever you can give some sense, and how you expect it to evolve going forward?

Bala A: Taken, all right? You want to talk about that or?

Ramani Dathi: Yes. So cost of hiring, or cost per hire, it varies from industry to industry depending on the profile. Typically for manufacturing profiles, currently the cost of hiring is the highest, almost about INR3,000 per hire. Whereas in FMCG, FMCD, it is as low as INR1,000 per hire. So it depends on the profile and the location, client, many aspects come into it. But if I have to take it an average level over the last 18 months, through our investments in hire tech, we have brought down the cost per hire by almost 30% within general staffing business, and in specialized staffing by almost 40%.

Dipesh Mehta: Okay. Okay, so broadly, let's say because of reduction in cost of hire, one should expect your margin should have some benefit on sustainable basis now in GS?

Ramani Dathi: That's right, Dipesh. We are expecting operating leverage coming in from staffing business with the volume coming back on track. At group level, the margin expansion would be led by other higher-margin verticals, like far more higher growth coming from specialized staffing and HR services.

Dipesh Mehta: Understand. The other question which I have is about, I think partly you touched upon, PF ceiling changes. How do you expect it to implication on our business in next, let's say, two to four quarter perspective? The last is about the FTE productivity. I think this time you indicated about 289. Can you give me comparable year-over-year quarter-over-quarter number? Thank you.

Bala A: Yes. Hi. Regarding the PF ceiling going up again, in fact, surprisingly and thankfully, most of the clients have understood and aligned with the fact that this is something that has to be complied with on an immediate basis. Unlike the Labour Codes, which was something that got stretched out over a year, ever since it got notified, this is something clients understood that they have to implement immediately.

What a lot of them seem to have done is to take a middle path rather than passing the entire impact to the associates, especially this happening right ahead of the festive season. Many of them have opted to absorb the employer contribution impact onto their books, which is by way of increasing the CTC, the impact on the own contribution has been passed on to the employee.

Essentially, the CTC has gone up, but the net take-home may have marginally come down. This is what we have actually seen. As far as our P&L is concerned, while the gross revenue would

definitely go up because CTCs are going up, the actual PAPM, and hence our margins in real terms, do not really get impacted by this at all.

Ramani Dathi: And I think your other question is on FTE, Dipesh. This quarter, because of the festive demand, we have added temporary headcount, especially in staffing and apprenticeship business. By end of this year, the headcount would again come back to normalcy, and we get back to earlier close to 350 of FTE.

Dipesh Mehta: Understand. Thank you.

Moderator: Thank you. We have the next question on the line of Love Gupta from Counter Cyclical Investments. Please go ahead.

Love Gupta: Hi. Thank you for the opportunity. Firstly, I want to ask about the receivables that have increased about 16% from around INR540 crores to around INR630 crores. So what was the reason for that, and how do we see this receivable days moving going forward?

Ramani Dathi: Yes. Hi. This is just for one-day increase in receivables because there is one particular client who asked for ad hoc funding. As of that cutoff date of September 30, there is that increase in receivables. The next day, we collected that money from the client. It is not an actual increase in overall receivables.

Love Gupta: All right. We have seen the top line and the margins stay muted for over four, five quarters now. When can we expect this to improve, and how do we see this going forward?

Ramani Dathi: Yes. As I mentioned earlier, staffing will focus margin expansion mainly through operating leverage. We have good pipeline and good number of open positions in general staffing business. While I cannot put down an exact number in terms of how many basis points of margin expansion can happen, on a year-on-year basis, we are confident of maintaining a double-digit growth in the absolute profits of general staffing vertical.

Specialized staffing, we are much stronger both in terms of top-line growth as well as margin expansion this year. We believe that by Q4 of this year, we should be able to improve at least another 20 basis points in EBITDA margins of specialized staffing business.

Love Gupta: On the specialized staffing side, when can we see around 8%, 9% EBITDA margin as reaching that level?

Ramani Dathi: We can't give that kind of exact guidance at this stage. I mean, not just about specialized staffing overall, because there is a gradual improvement in specialized staffing in terms of margins. So with focus on ATLIS, GCCs, and higher margin profiles, we believe this gradual improvement will contribute to overall margin expansion.

Love Gupta: All right. Thank you.

Moderator: Thank you. We have the next question from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Yes. Thank you. Just a related question. Your operating cash flow, if I look in H1, it has turned negative now compared to, let's say, INR45 crores, which we have on YoY basis. Can you help us understand? I got one-day increase, but I think still there is a sizable gap. Second question is about, just want to get some sense about the growth outlook in some of the segments.

Let's say, in other HR tech, earlier we used to maintain about, let's say, 30% growth and earning profitable and then growing from there. If you can provide some outlook in that business, because in one of the question answer, you said we may evaluate even the business decision on whether to continue or divest. So just want to get broad sense around it. Thank you.

Ramani Dathi: Yes. Dipesh, specific to September month, on 17th of September, with respect to EPFO increase in wage ceiling, many clients have taken extra one day to validate the invoices and release the salaries. On account of that, as of 30th September, we have done incremental funding of about INR120 crores.

As I mentioned earlier, that is only for a one-day ad hoc funding that we have done, which has been recovered on the next day itself. That has led to the fluctuation in the overall trade receivables as reflecting in the cash flow statement. Sorry, I missed out the second part of the question.

Dipesh Mehta: Other HR tech.

Neeti Sharma: Other HR services.

Ramani Dathi: Yes, other HR services, since we are doing a portfolio realignment, maybe for next one, two quarters, we may maintain about 15%-20% growth. We may not be able to get to 30% because we are doing some tough calls on which verticals to retain and which ones to focus more or add new offerings. Maybe 15% to 20% could be the outlook for HR services for next few quarters.

Dipesh Mehta: What about the profitability?

Ramani Dathi: Profitability should be in the same range, like 5%-6% EBITDA margin for HR services segment.

Dipesh Mehta: Thank you.

Ramani Dathi: Thank you.

Moderator: Thank you. 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 for your insights and deep questions. They do help us in reflecting on our business and how we look at it. Wishing all of you and your families a very Happy Diwali and a great festive season ahead. Hope to see all of you on the other side of, actually, it will become the next year, next calendar year, 2027. All the best to all of you. Thank you.

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