May 23, 2025

To	To
Listing Department BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001	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: 539658	Scrip Code: TEAMLEASE

Dear Sir/Ma'am,

Sub: TeamLease Services Limited (TeamLease/Company) - Transcript of Q4'FY25 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 Q4'FY25 Earnings Call hosted on Wednesday, May 21, 2025 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
Date: 2025.05.23 14:28:29 +05'30'

Alaka Chanda
Company Secretary and Compliance Officer
Encl: As above

"TeamLease Services Limited
Q4 FY '25 Earnings Conference Call"
May 21, 2025

MANAGEMENT:	**MR. ASHOK REDDY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – TEAMLEASE SERVICES LIMITED** **MR. KARTIK NARAYAN – CHIEF EXECUTIVE OFFICER – STAFFING – TEAMLEASE SERVICES LIMITED** **MRS. RAMANI DATHI – CHIEF FINANCIAL OFFICER – TEAMLEASE SERVICES LIMITED** **MS. NEETI SHARMA – CHIEF EXECUTIVE OFFICER – SPECIALISED STAFFING – TEAMLEASE SERVICES LIMITED**
MODERATOR:	**MR. VINESH VALA – HDFC SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the TeamLease Q4 FY '25 Conference Call hosted by HDFC Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

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

Vinesh Vala: Yes. Thank you. Good evening, everyone. On behalf of HDFC Securities, we welcome you all to the TeamLease Q4 FY '25 Earnings Call. Today, we have with us the management of TeamLease represented by Mr. Ashok Reddy, MD and CEO; Mr. Karthik Narayan, CEO, Staffing; and Mrs. Ramni Dathi, CFO.

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

Ashok Reddy: Thank you, Vinesh. Good evening, and welcome all to the call. We also have Neeti from our Specialist Staffing business on the call. She would also be giving an update specific to the business. I think we had a mixed bag performance overall for the year. In staffing, we overall added about 25,000 headcount despite the headwinds in specific sectors in H2.

In DA also, we've added about 2,500 headcount for the year, factoring now for all of the NIM headcount reduction from the start of the year. In Specialized Staffing, we had a net headcount reduction for the year, but the composition mix of the revenue streams has ensured the EBITDA stability in that business.

We covered the seasonality shortfall in HR services that carried over from Q3 to Q4 -- and we continue our investments on the HR tech side. The two acquisition investments that we have made are also working with the business from a perspective of integration of product portfolio and go-to-market.

Overall, the revenues over the year grew 20% year-on-year. EBITDA grew 6% and PBT has been flat. Some of it is a play out as we've been calling out over the years of a transition from the higher-margin businesses or the higher-margin revenue streams that we had in DA from NIM to alternate revenue streams through NAPS, specialized staffing being flat, while the general staffing business has been contributing to the top line growth.

We believe we have positioned ourselves to growth, cost optimization and profit growth as we go into the new financial year. But before we dive into specific questions and details, I think my colleagues will give a little more detail on the specifics on the staffing, specialized staffing and the finance front, and then we'll take the questions.

Over to you, Karthik.

Kartik Narayan: Thank you, Ashok. FY '25 has truly been a story of 2 distinct halves. In the first half, we saw strong broad-based growth taking place, which -- while the second half was more tempered due to sectoral headwinds and persistent macro uncertainties, which impacted incremental headcount expansion.

That said, our general staffing business still delivered strong growth numbers, closing the year with a net headcount addition of 25,000 as called out by Ashok. So a little over 9% growth over last year. Notably, though, 37% of these net additions came from new client acquisitions. Top line momentum continued with revenue growing 21% on a full year-on-year basis, supported by strong execution and operational management.

EBITDA growth stood at 4% year-on-year. As called out in our Q3 results, for the quarter, we lost about 7,000 associates due to regulatory changes in the BFSI sector. However, on a year-on-year basis, there is a 17% revenue increase over Q4 last year.

A bit on different verticals and how it has panned out. As some of you might know, GDP contribution by sectors is around 55% is for services, about 70% to 80% is manufacturing and the balance is agriculture. Services as a sector, therefore, yields much more easily to contract staffing.

And here in our ability to kind of decipher what happened last year. Banking finance is a key part of the services sector, which has been a mixed bag for us this year. At the beginning of the financial year, we experienced some hiring. However, post caution expressed by RBI around November, especially around KYC and the earlier caution on NBFC Fintechs, giving out small ticket unsecured loans, we have seen hiring slowdown.

For example, if you take the credit card business, and I'm taking this example specifically because we have a lot of salespeople doing those roles, grew by 11.2% in FY '25 against 31% in FY '24 and roughly about 29.2% in FY '23.

Some of the largest credit card issuers actually saw degrowth, which means fundamentally downstream, we had an impact on it. Of course, part of it has been the imposition of risk weights on credit card receivables from 100% to 125% on NBFCs, which, of course, got them to be slightly more circumspect than what they were the year before.

Large and midsized banks, the other category within the banking finance space have also registered a steep fall in the pace of retail loan growth in quarter 4 FY '25 financial quarter for business growth. This, again, is owing to what we understand lower demand and pricing issues for home and vehicle loans.

That said, I think the worst is hopefully behind us. RBI has restored risk weights on bank loans to NBFCs as of February 2025. It's too early to say how this will pan out, but we are positive about this, combined with the fact that the income tax relief will have kicked in starting April 2025. The other part of the services vertical is the consumer business, which is one of our largest verticals. It comprises FMCD, FMCG and retail part of the business.

Now some of you might be aware, a lot of headwinds like high input costs, subdued urban demand. We are now, of course, noticing companies reporting sequential improvement in volume in Q4 FY '25, which is a good sign for companies like us.

Of course, urban demand has been slower to recover, which is a much bigger force multiplier for contract staffing, but signs of improvement appear in the last quarter of FY '25, so that's been good. E-commerce as a vertical and especially quick commerce has been positive with the growth of dark stores and expansion in Tier 2 and Tier 3 cities. So that's been positive.

Finally, telecom as a vertical, which comprises equipment makers, ISPs, telecom operators have seen growth largely around service providers expanding their network and the volume growth this last year has been around 10%.

In summary, if I have to look at it FY '25, I think consumer business, which is largely consumer durables, consumer goods and retail has registered a year-on-year revenue growth of over 37%. And if you have heard my call out before, it's not been that, that particular industry has really been growing.

This is largely flesh formalization that has taken place and scale up rather than being a reflection of the underlying industry itself doing well, which has had its own challenges, but of course, changing. Followed by e-commerce, quick commerce, 29% followed by telecom and BFSI, which has been a more muted 8%.

On the sales side, our sales aggression continued with us closing this year with over 140 new logo sign-ups. The number for Q4 was 24. For Q4, the percentage on variable markup is up to 75% and 75% of our clients we acquired was on variable markup. And the full year, that percentage is 71%, reinforcing the shift towards acquiring new customers in variable markup that we set upon ourselves nearly 2 years ago.

On the hiring side, for the whole year, we have delivered about 80,000 new joinees who were hired by us. 20% of them were hired through non recruital channels and about 30% of the gross joinees are first-time employees with us.

Another key pillar of our strategy is driving optimization and leverage, essentially doing more with less, using technology as a key leverage. Our FTE at the end of the year is at 378. That's a marginal reduction largely due to the associate headcount tapering off in Q4. On an ongoing basis, we see this as a structural shift, not just a short-term gain.

As we move into FY '26, we expect this momentum to accelerate, translating into sharper client responsiveness, improved customer satisfaction and of course, improving upon our cost efficiency and putting up a stronger foundation for growth. We're pleased with the performance in our general staffing business this year.

I think despite broader sectoral challenges, we delivered growth. We have, as we enter the New Year, close to about 30,000 open positions. Continued focus will be on driving productivity, especially in sales and hiring, combined with the momentum we are seeing from our digital transformation, giving us strong leverage for the year ahead.

Thank you. And with that, I would like to hand it over to Neeti for update on specialized staffing. Neeti?

Neeti Sharma: Thank you, Karthik. The IT hiring landscape continues to face macro level challenges with the overall IT services market momentum slower than anticipated in Q4. While we did see pockets of growth, particularly in high-demand tech roles, the broader market remains cautious and cost focused.

However, through the year, we have stayed committed to expanding our focus on specialized skills hiring, newer delivery models and global expansion. While top line revenue remained flat, we delivered operational excellence across our core metrics. Recruitment productivity has improved by 11% year-on-year.

At the same time, PAPM realization grew by 16% year-on-year, reflecting our increasing focus on high-value skills and premium client segments. Most notably, our year-on-year PBT margin has improved from 6.2% in FY '24 to 6.7% in FY '25, driven largely by disciplined cost management, increased PAPM and optimized resource allocation.

We've seen a continued formalization of workforce strategies amongst our enterprise clients, especially in the BFSI, telecom, health, pharma and consumer tech segment, where demand for tech professionals remains strong and selective. While traditional IT services hiring continues to be sluggish, hiring by GCCs and product companies has shown positive traction.

Today, we've partnered with over 75 GCCs and our GCC business remains the cornerstone of stability and resilience in the last year as we continue in the next few years as well. As in quarter 3, GCCs contributed approximately to 40% of our associate headcount and continue to account for around 60% of our net revenue.

This segment continues to show structural strength, particularly in verticals such as BFSI, health care and high-tech engineering services. Despite the broader market softness, our GCC share held steady, underlining the strategic importance of this client base in driving predictable and recurring revenue.

A major strategic move this year to partner with GCCs has been a focus to scale the bot or the build operate transfer model. This has allowed us to move up the value chain, offering integrated workforce solutions. We currently have active bot engagements in areas like BFSI, ITITS, pharma and product engineering, helping clients accelerate time to productivity.

We have also partnered with various ecosystem players, including technology, legal, real estate and infra partners to deliver turnkey solutions for new GCCs that are setting up their base in India.

During FY '25, we've successfully onboarded over 35 new clients, contributing nearly INR19 crores in annualized revenue. Simultaneously, remaining revenue momentum was safeguarded by deeper penetration with our existing client base. Recruiter productivity continued to improve, reflecting the positive impact of our investments in training, process refinement and technology enablement.

Our average hires per recruiter has shown incremental gains, supporting our goal of achieving scalable operational efficiency. We did see a slight reduction in overall headcount this quarter and this year, driven primarily by the conclusion of a few large-scale projects in the IT services space and few bots transitions.

While this was anticipated, it also reflects our ongoing efforts to realign resources in response to changing client demand and to maintain a leaner and a more agile delivery model. In summary, Q4 has been a period of consolidation rather than acceleration. While the macro environment has tempered growth expectations in IT services, our strong GCC foundation, improving internal productivity and strategic focus positions us well for long-term resilience.

We've successfully completed the integration of Ikigai, our global acquisition in the last quarter. By leveraging our India delivery capabilities to serve clients in these new geographies, we're well positioned to drive growth with improved margins.

As we enter FY '26, we remain cautiously optimistic. While broad-based IT hiring may continue to remain slow in H1, we see signals of demand increase in Tier 2 IT services companies, GCCs and the non-tech enterprises undergoing digital transformation. Our focus on specialized skills and GCC hiring will continue and our investments in AI-powered candidate matching tools and automation first hiring systems will play a very crucial role in enhancing both speed and quality of delivery for our customers.

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

Ramani Dathi: Thank you, Neeti. Good evening, everyone. At group level, we have added 27,000 billable headcount in FY '25, net of 8,000 dip in Q4. The corresponding addition for FY '24 is 37,000. Staffing has maintained flattish EBITDA on a sequential basis post absorbing about INR1.5 crores of impact from BFSI attrition in Q4.

In Specialized Staffing, improved GCC mix and operational efficiency have contributed to margin expansion on a year-on-year basis. We fell short on our profit estimates in the EdTech business due to delays in billing and collections, which had been called out earlier. HR Tech is negative on EBITDA, mainly on account of investments made in sales and product enhancements during H2.

In terms of inorganic contribution, owing to our acquisition of 90% stake in TSR Darashaw HR, 80% stake in Ikigai and 30% stake in Crystal HR, EBITDA contribution by acquisitions is about INR1 crores in Q4. Legal entity, Ikigai is renamed as Team Lease Digital Singapore PTE.

We have invested close to INR40 crores for these acquisitions, including working capital requirements, post which the free cash balance stands at INR310 crores as of 31st March 2025. Income tax assessments have been completed till assessment year 2024, including refunds on ATJJW claims. All balance sheet metrics are stable and steady.

With this, we can now move to specific questions from the participants. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rupesh Kumar an Individual Investor.

Rupesh Kumar: Congratulations on the stable set of numbers. My question is on the business. What is the kind of attrition we see in this quick commerce sector? And what is the kind of exposure we have on headcount? You can throw some picture on this.

Ashok Reddy: Yes, Rupesh, so quick commerce, as you know, has 2 parts. One is there are workforces involved in the dark stores and the other aspect is on the gig workforce, which is really your drivers, delivery boys, etc., and all that. So that's the space we don't occupy because that's not really formal workforce.

The space we occupy is the dark stores aspect of it. On the -- but I'll throw light on both of them. The gig workforce largely, the attrition is about 30%, 40% a month. On the dark stores part of it, it's anywhere between 7% to 10% a month.

Rupesh Kumar: And what is the kind of exposure on the overall headcount?

Ashok Reddy: Overall for the e-commerce sector, it's about 10% in terms of head count.

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

Dipesh: Just first question about the margin in general staffing. We are closer to a percentage for, I think, some time now and seeing tapering off compared to our earlier margin number. How one should look the margin numbers, considering 2, 3 things. First, about earlier, you said large account is where growth is coming.

This quarter, we have seen sizable decline in one of the large 7,000-odd decline, let's say, what you highlighted. Despite that, our margin performance is not seeing any kind of uptick. Second thing is variable component, even though very small. But directionally, are we seeing, let's say, signs of this margin can have upside from 1% where we are today? That is question one.

Second question is about, can you give some sense about the associate mix or headcount mix across verticals because there are some plus and some minuses happening in FY '25. So if you can give some sense about how this is playing out and where we are seeing, let's say, pocket of strength entering into FY '23?

Ramani Dathi: Sure. Firstly, on the margins, since we don't control the associate salaries, giving any kind of indication margins as a percentage on gross revenue is kind of difficult at our end. So we are focusing more on expanding the absolute profit. So specific to this year, like last year, we have added about 37,000 headcount in staffing.

This year, we have managed to add only 27,000 because almost 25% of our contribution comes from BFSI. And with the headwinds and in-sourcing in BFSI that has impacted both PAPM as well as profit contribution, especially in H2 of this year. Also in DA business because of NIM withdrawal, we have fully absorbed close to about INR6 crores of impact this year. So that also has contributed to margin dilution in staffing segment.

Overall, we are targeting a decent 20% to 25% annual growth in absolute profits of staffing segment going forward, again, contributed with volume as well as operational efficiency and other PAPM expansion value-added services.

On the second question, staff Karthik can...

Kartik Narayan: Yes, associate distribution is roughly -- if you take financial services, Ramani mentioned, roughly about 25%-odd. Consumer, which is largely the FMC SMG business, roughly about 35%-odd. E-commerce, I mentioned to the previous question was roughly about 10%-odd. The balance about 20% is manufacturing. So that's the distribution.

Dipesh: Understand. Just on the question about the PAPM. Can you give, let's say, what was the PAPM in quarter 4 and how one should expect it going forward?

Ramani Dathi: So for this quarter, we are at INR665 PAPM in staffing business, which has dropped by about INR5 compared to Q3. And on a year-on-year basis, there is almost a INR14 dilution in PAPM.

Going forward outlook, Karthik can add some.

Kartik Narayan: I mean we are looking to sustain the PAPMs. Obviously, as we had called out earlier, a combination of trying to get clients on the variable front and renegotiations and the element of creating alternate revenue streams with the customers. But clearly, the variable client sign-ups, while larger in percentage terms, today contribute very small associate numbers.

So they don't move the needle on the realization front. But we believe that taking those steps in a cumulative manner over a period of time starts to add up. So maintaining PAPM or marginally driving it up is what would be the focus.

Dipesh: Okay. And last question from my side. Let's say, this year, we -- our revenue grew 20 percentage because of certain headwind, our EBITDA growth was relatively lower considering all the factors which we know today, whether you expect revenue growth to now getting translated into EBITDA growth entering starting FY '26 and maybe have some upside compared to revenue growth?

Ashok Reddy: that is the clear objective with which we would be working, because I think the headwinds that we -- I mean, headwinds in a sense of the NIM hit and the headcount decline hit impact and all of that is kind of factored for in this year. The productivity play continues to be there. And combination of growth with productivity should sustain the element of profit growth in line with revenue growth.

Moderator: The next question is from the line of Mithun Aswath from Kivah Advisors.

Mithun Aswath: I just wanted to understand that EdTech revenue that you have booked this year -- this quarter, the catch-up billing, how much was that? And how did that impact the margins for this quarter? And on an annual basis, just wanted to get a sense on how margins are expected to fare in the next year?

Ramani Dathi: Yes. So in EdTech vertical this year, we have about INR115 crores of revenue. We have expected about 6% of EBITDA margin on this number. However, because of some collection delays, we have to make provisions on account of ECL policy. That has impacted our margins in EdTech vertical. And for next year, we are projecting close to 20% to 25% growth on top line with about 6% to 7% of EBITDA margin.

Moderator: The next question is from the line of Dhananjay Jain from HDFC Securities.

Dhananjay Jain: Congratulations on a good set of numbers. The question I wanted to ask is I want to understand that for the specialized staffing segment, the realizations have increased, but margin has dipped marginally. And also there is a slight decline in the headcount. So can I get a more color on that? And what is outlook for the next year? And how should I see the revenue now and a bit more explanation on the side, the BOT side of the business?

Ramani Dathi: On specialized staffing, full year basis FY '24, we are at an EBITDA margin of 6.8%. So that has improved to 7.3% in FY '25 on a full year basis. Between Q3 to Q4, there is a marginal difference of about 30 basis points. That's mainly because of some onetime adjustments. So otherwise, 7.3%, 7.4% EBITDA is something that is sustainable margin in Specialized Staffing.

Dhananjay Jain: Okay. And how should I see the headcount additions going onwards? That is one. And you have acquired the Ikigai entity. So how should I look at the overseas -- the outlook for the overseas staffing? You acquired it for the Middle East and Middle East is performing quite well, right?

And do you have any plans for Singapore as well because other competitors have said that Singapore is not performing very well due to visa restrictions. And apart from this, I just wanted to understand what is the impact of this NBFC in-sourcing? How much is the decline in headcount due to it, gross headcount decline due to it? And what was the revenue and EBITDA contribution impact?

Ashok Reddy: So we had about 7,500 in-sourcing on the BFSI front in general staffing and roughly about INR1.5 crores to INR2 crores EBITDA impact from that. On the specialized staffing front, on the IT services front, the demand is still quite a bit. It has not picked up aggressively. There is some demand in, but delayed cycles to closure on the open positions and so on.

The continued element of demand and closure is happening in the GCC segment, and that will continue to play out as of now. I think also the element of presence through Ikigai in Singapore and in the Middle East is driven on a very low volume at this point in time.

So I think our key focus is to leverage the clients that they had in these markets to kind of get the demand and deliver to that and also leverage our customers from India to kind of get their demands in these locations and deliver to that. So while the integration of the business and the team has been done, I think we are -- given that it's a very small base to start with, we should have exponential growth as we go forward.

But I think specifics on numbers, we'd be able to call out after about a quarter or 2 once a deeper understanding with the customers and everything else kicks in. But we are optimistic that there will be growth in these 2 areas given the low base that we are coming in at.

Moderator: The next question is from the line of Harsh Chaurasia from Vallum Capital.

Harsh Chaurasia: I had just one question. When you say that we are going to maintain the PAPM at a similar level at this year, but when we understand the BFSI is going through a trend where there is some level of in-sourcing because of the sector slowdown in some pockets.

And at the same time, when you say your headcount majority contribution is coming from BFSI. And you also mentioned that there would be -- to maintain the PAPM at the similar level, there would be a negotiation that you guys would do to maintain it?

So I wanted to understand how all of these things will work together hand in hand. And if there is still a pressure from the BFSI side, are there any -- are there operating leverage which you guys are generating internally, which can help you offset this pressure on the PAPM?

Ashok Reddy: So, I think on the BFSI front, basis the RBI guidelines so far, the exposure that we had that had to be in-sourced has been completed. So we don't have anything further in the existing headcount that should move out because of the specific guidelines that had come out. Having said that, I think net of the headwind challenges that BFSI had in the latter part of Q3 and in Q4, we are seeing demand slowly coming back.

And I think from that perspective, we are optimistic about driving growth in BFSI sector as things stand as we go forward into the year, coupled with other sectoral plays. I think on the pricing front, on the PAPM, it's an element of a portfolio play. So I think a larger element of logo sign-ups and like Karthik had called out, 60%, 70% of them coming on a variable composition and the element that if the large aren't going to grow larger, the mid and the long tail will give us the growth should enable us to sustain the PAPMs as we go forward.

If the demand comes in, in a large way from the large accounts, we would actually be pressurized on the weighted average for the PAPM. But our belief is that some modest element of growth there, coupled with the portfolio of the other clients and the variable mix should enable us to sustain.

Karthik, anything to add?

Kartik Narayan: Yes. I think Ashok you covered pretty much. But Harsh, just to add, I think the absorption which has taken place is a one-off event which took place in between Q3 and Q4 if you heard my opening remarks, I think part of what has also happened is a degree of slowdown on credit card, retail sales loans, etc., and all that. Some of them, again, with the shifting stance of what RBI has spoken in terms of reducing risk credits for bank loaning to NBFCs, etc., and all that, we are expecting growth to return back on BFSI per se.

Harsh Chaurasia: So my question is mainly because, let's say, the sector is coming from a slowdown we've already done some sourcing. So are the clients ready for negotiation where you would be lifting up the PAPM. And if, let's say, not BFSI is not agreeing with the PAPM price hike, so are there any different other verticals which you are expecting that can give you the PAPM uptick?

And second question is on the technology spend, which we were doing to increase the operating leverage and help us on the margins. When are we going to see the positive impact coming from that investment? And will it be going to be linear or are we going to be seeing in the back end of the year, like in the H2?

Ashok Reddy: So specific to the staffing side, I don't think the PAPM and sustainability will largely come from renegotiation of existing rate cards. There will be some renegotiations. There will be a flip of customers also renegotiating downwards and so on. But like I called out, I think it will be because of a portfolio mix.

Between sectors, between customers, between old customers, new customers, large, medium and small customers. So I think it's primarily driven from multiple fronts rather than one element of being able to renegotiate with customers upwards.

The second element is also leveraging the HR Tech for our existing customers, both as an upsell to generating revenue to offset any PAPM drop from the core staffing side, coupled with the technology playing to productivity and economies for us for sustaining the profit margins. The HR Tech platform is in the process.

One is getting built plus the 2 investments that we have made start going out to market through the sales team and the sales collaterals and everything else. We do think that between -- the impact of that from a revenue element will start to kick in from the late Q2 to Q3 onwards.

Harsh Chaurasia: Got it. Just last question, I can squeeze in. So looking at all this commentary, which you have mentioned, so will it be right to assume that we would be adding close to 37,000 headcount from a general staffing perspective, which we did in FY '24 where everything was positive?

Ashok Reddy: So I mean, as of now, like Karthik called out, we have about 30,000-plus open positions with us, and we are working on those. Sustained element of demand and market conditions should enable us to add headcounts to that number, subject to no surprises coming as we go forward from the macro factors.

Moderator: The next question is from the line of Vinesh Vala from HDFC Securities.

Vinesh Vala: Sir, my question was related, could you provide me the overall guidance on the growth trajectory you anticipate on the IT staffing going forward? And was there any specific project related or client contraction that led to a decline in IT services headcount in this area? And second question was related to the GCC part. What specific growth outlook would be for GCC in FY '26? And what would be the contribution that you see from GCC versus the traditional IT services sector?

Ashok Reddy: So difficult to give an element of growth number at this point. As we've called out, I think IT services is still not in the market with open positions and growth. There is still an element of absorption or a decrease in headcount that's happening from the IT services side. I think what we had called out was GCC substituting for that to some extent.

And this year, we would also have the Global Play kind of complementing the element of numbers. So overall, difficult to give a specific call out on headcount growth, but we believe that some element of growth should happen.

And with the continued element of rationalization of cost, productivity and technology involvement, we should improve the profits per se. I think the other variable is the element of trying to also look at skill sets within the specialized staffing business.

If not in the IT skill sets, there's what we call specialized skill sets where there still could be demand with the customer base, and we would work to deliver to that. So not calling out a specific number for growth, but I think what we would work for is enhanced profitability and profit -- absolute profits as we go forward.

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

Sankaranarayanan S.: So my question is regarding the GCC vertical. So if you see the overall staffing industry, this industry is dominated by both organized players and unorganized players. And within organized, we have these foreign MNCs as well. So these foreign staffing companies, they have a better edge or a better relationship with the foreign companies. So how do we differentiate ourselves with regards to getting contracts from the GCC companies?

Ashok Reddy: So I think primarily for us, differentiation and play to the Indian market comes from our understanding of the Indian market, the talent access in the Indian markets and delivery to the customer requirements and obviously, thereafter, the ability to administer the operational aspects through technology and compliance.

I think a few of the contracts that come globally do come with an element of international partnership to continue in the Indian context. But otherwise, a larger number of GCCs or MNCs in the Indian context do work with multiple vendors, do work with vendors who believe would be able to deliver to their requirements in context on the skill sets.

Also, some of the MNCs are entering with a BOT model, which is the build operate transfer model, which is that we are small, we are new. We don't understand the element of the landscape in India. Can a partner who is local bring us that element of expertise and drive the initiation and inception of the play in the Indian context.

So we've been working a few mandates on that front. And we believe that being an Indian player, being in India, understanding the element of the landscape gives us strength over the MNC's.

Moderator: The next question is from the line of Dhananjay Jain from HDFC Securities.

Dhananjay Jain: I just wanted to understand one thing that this quarter witnessed a slowdown in additions. So what led to that? And along with it, so there were announcements made by government in the past 2 budgets related to the staffing industry. So -- how do we see it now? Do we have more clarity around it? That is the question one.

We were waiting for the right? And the second question is for the IT services industry, how is AI affecting the staffing is basically because there is a threat to the entry-level jobs and we generally hire for those jobs? So that is one thing I wanted to understand.

Kartik Narayan: So, a couple of things. The first part more of your question with respect to Q3 and Q4 slowdown. So as we called out earlier, there has been a degree of slowdown on the BFSI side, coupled with the fact of the absorption that took place, obviously, had a negative impact as far as Q4 is concerned.

And along with that, on the consumer side, while we have seen growth having taken place because of the underlying business, which is largely FMCG business having muted volume growth, also affected largely in terms of the degree of headcount additions that, that particular industry had.

So we had growth. We had growth largely in the e-commerce part of the vertical, some portion of quick commerce. But overall, I would say we are downstream from what India and corporate experiences. And therefore, from a Q3, Q4 perspective, given the degree of slowdown which took place, I think it affected on our headcount addition as well. So that's one part of the question…

Dhananjay Jain: No, no. So what -- sorry to interrupt. What I specifically wanted to understand was apparent ship additions was slow this quarter trainees degree FY '26…

Ashok Reddy: Actually Dhananjay, last quarter saying that there has been an element of a slowdown, backlog in the direct benefit transfer from the government to corporates on the apprentice front, and that has put many clients to go slow on the element of the rollout. That issue got resolved towards February, where the government started releasing the DBT benefits to corporates.

Thereon, we have started seeing the demand coming back and being able to have net adds. But we had called this out in Q3 that there has been a specific issue of DBT transfers from the government end, and that is putting an element of a dampener on the customers replacing attrition and adding additional headcount. But with the February addressal of DBT, we are seeing the demand coming back.

Kartik Narayan: Yes. So Dhananjay, on your other question on the ELI scheme, I think there are 3 aspects to it, as you know. One is that first-time employment scheme, which is direct benefit transfer of INR15,000 for first time, then the job creation in the manufacturing scheme in the third one. What we understand now is that there was a EPFO deadline given to everybody extended to 15th March.

So I think that's done through. There is some IT implementation, which is taking place on the government side. We are aware that the budget allocation, which was first spoken about in July 2024 is roughly about INR1 lakh crores. What we are awaiting is a cabinet approval, which is understood to be imminent. Post that, the ELI scheme will hopefully get launched.

Ramani Dathi: Dhananjay, on your question on the impact of AI on the specialized staffing business. While we are not seeing a direct impact right now, we believe that in the next few quarters, there would be obviously a reduction of overall headcount of about 20-odd percentage in the IT services companies.

Having said that, certain skill sets, especially in the space of AI, ML, prompt engineering, data engineering, AI governance, human AI collaboration, there's also product engineering. I think those are roles that are only increasing. So while in the short term, there might be some impact, specifically because of implementation of agentic AI, L1 support testing roles, I think we will start slowing down.

Demand for AI skill professionals is increasing and will continue to grow. The skill sets will only keep evolving as we speak. And the combination of domain and technical expertise candidates will be very high in demand.

So from our end, we are actually -- we've kept a pool of about 200-odd AI skilled candidates when the customers are asking for -- so we believe that AI skills will replace some of the traditional skill sets. In the short run, there might be some impact, but in the long run, this demand will only go up.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Ashok Reddy for closing comments.

Ashok Reddy: Thank you very much. And I think just in follow-up, in closing, we are positioned to leverage on the market and macro opportunities to drive growth through service delivery, the regional capabilities, productivity and profit growth. We do look forward to deliver to expectations and appreciate your support through the cycles.

Thank you once again, and we look forward to another year of growth and profit improvement this year as we look forward. Thank you very much.

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