

November 08, 2025

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
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Dear Sir/Ma'am,

Sub: TeamLease Services Limited (TeamLease/Company) - Transcript of Q2'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 Q2'FY26 Earnings Call hosted on Wednesday, November 05, 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

Company Secretary and Compliance Officer

Encl: As above



“TeamLease Services Limited Q2 FY '26 Earnings Conference Call”

November 05, 2025



**MANAGEMENT: MR. ASHOK REDDY – MANAGING DIRECTOR & CHIEF
EXECUTIVE DIRECTOR, 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**

MODERATOR: MR. AMIT CHANDRA – HDFC SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to the TeamLease Q2 FY '26 Earnings 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 touch-tone phone. Please note that this conference is being recorded.

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

Amit Chandra: Thank you, operator. Good evening, everyone. On behalf of HDFC Securities, we welcome you all to the TeamLease Quarter 2 FY '26 Earnings Call.

Today, we have with us the Management Team of TeamLease represented by Mr. Ashok Reddy – MD & CEO; Ramani Dathi – CFO & COO, Neeti Sharma – CEO (Specialized Staffing), Nipun Sharma – CEO (Degree Apprenticeship).

I will now hand over the call to Mr. Ashok Reddy for the opening remarks, post which we will open the floor for the question-answer session. Thank you and over to you, Ashok.

Ashok Reddy: Thank you, Amit. And good evening and thank you all for joining the call.

We had a consistent quarter for the company. We closed Q2 with a net addition of over 7,000 headcount, and had net headcount growth in all the three employment BUs. While the quarter-on growth in headcount was 3% at the company level, the total operating and total revenue growth was 5%, respectively, leading to a 24% growth in EBITDA and a 10% growth in PBT. We added over 140 new logos in the quarter.

Specific to staffing:

In Q2, we saw the recovery in employment coming to play out, though the pace remains uneven across sectors. The combined impact of the fiscal and monetary policy tailwinds and the GST 2.0 rollout led to some green shoots in the manpower buildup for the festive season. We closed the quarter with a net headcount addition of over 8,000, representing a 3% quarter-on-quarter growth. Notably, around 23% of these additions came from new client acquisitions, highlighting our ability to win new business and convert it into deployable headcount.

Revenue momentum remained robust, supported by solid execution and volume growth. Across verticals, BFSI remains in transition following the hiring slowdown through FY '25 due to regulatory curbs on unsecured lending. Q2 FY '26 showed early signs of stabilization. Several banks and NBFCs resumed controlled hiring, particularly in Tier 2 and 3 locations and in frontline roles across sales, collections, etc. While overall hiring volumes remain below prior

peaks, we expect a more broad-based recovery in the quarters ahead, subject to no new directives from the RBI for the NBFC sector.

In the consumer business, a combination of FMCG, durables, retail, and e-commerce, the semi-urban and rural markets provided resilience despite continued pressure from weak urban demand and unseasonal weather affecting the FMCG sales. E-commerce and logistics or short-term staffing increases linked to the festive season volumes, though growth continues to be more measured.

While the consumer firms have seen some immediate uptake, they expect the benefits of GST 2.0 rollout to play out in a bigger way in the medium-term to long-term. In telecom, while the focus is shifting to growth through technology-driven leverage and productivity, we continue to see targeted expansion of manpower in areas such as frontline sales and network management.

In summary, for staffing, in Q2 we saw a mixed bag of sectoral growth. Our sales continued with us closing the quarter with over 37 new logo sign-ups. 67% of these came on variable markup. On the hiring front, for the quarter we had delivered over 20,000 new joiners, which is 17% higher than last quarter, and 23% of them were hired through our non-recruiter channel. 23% of the overall 70,000-plus growth, joiners in the quarter are first-time employees.

Our commitment to operational excellence continues to yield positive results. Our business strategy of driving optimization and leverage led to the FTE productivity improvement to 382, enabling us to manage the headcount growth without additional overhead and team growth.

As we move into Q3, we expect some of the more muted sectors to accelerate. In conclusion, we have delivered year-on-year on our growth in our general staffing business. This quarter, despite some sectors being muted, we have over 20,000-plus open positions. Our continued focus on driving productivity, especially in sales and hiring, combined with the momentum we are seeing from our digital transformation, gives us strong conviction about the year ahead.

Thank you. And with that, I'd like to hand over to Neeti.

Neeti Sharma:

Thanks, Ashok. Good evening, everyone.

On the frontline staffing front, while the IT hiring environment continues to remain selective and cautious, we have seen positive momentum in hiring from Tier 2 IT services companies, GCCs, and few product companies. With a net headcount addition of about 300 hires, we have had a quarter-on-quarter sequential growth of 18% and a 17% year-on-year growth.

We have onboarded 21 new logos in the last quarter, a combination of GCCs, IT services companies, and many new industries focusing on digital transformation. Our delivery efficiency and cost management has helped us sustain gross margins.

Our GCC segment continues to be a core growth engine, contributing to about 62% of overall net revenue. We currently engage with over 90 GCCs across life sciences, pharma, telecom, consulting, engineering, BFSI, consumer, and IT sectors through various models such as bot, staffing, and FTE hiring. We are expanding actively within Tier 2 GCCs and regional hubs as well, leveraging our transition models and our data-led account management framework.

Recruiter productivity continues to improve sequentially, powered by automation-led hiring systems, analytic dashboards, and focused recruiter enablement programs. We also enhance sourcing efficiency and fulfillment turnaround times across key verticals, driving higher hiring velocity.

Our global business contributed a net revenue of about 4% in the last quarter and has become EBITDA positive. Synergies between India delivery and global operations have created an integrated consulting-led starting approach, opening new revenue streams and offshore delivery opportunities for us.

While the broader IT hiring market remains uneven, our focus strategy on Tier 2 IT companies, expanding GCCs and non-tech digital transformation along with global scale is actually helping us grow and keep our sustained growth. We expect continued momentum in new client acquisitions, improved margin trajectory, and deeper penetration in global markets as we enter the second half of FY '26.

Thank you. And with this, I would like to hand it over to Nipun.

Nipun Sharma:

Thank you, Neeti.

The government's renewed focus on skilling and vocational education continues to be encouraging. Apprenticeships are getting momentum with NSDC data showing an 18% annual growth in apprentice adoption over the past three years. At TeamLease degree apprenticeship, we believe the answer to India's skill gap lies in formal, work-relevant education funded by industry and delivered through structured apprenticeships.

Our programs span NAPS, NATS and Work Integrated Learning Programs and we partner with 22 universities to offer degrees, diplomas and short-term certifications across both white and blue-collar roles. In Quarter 2, TeamLease degree apprenticeship added about 2,600 apprentices across NAPS, NATS and WILP and there was an increase in operational PAPM by Rs. 11.

19 new logos were added during the quarter and 22% of the total client base has fully adopted learning solutions. This adoption reflects the tangible impact learning has on improving productivity, reducing attrition and enhancing apprentice engagement.

On product innovation and pipeline, our key focus this quarter has been monetizing our apprenticeship linked product lines, including Managed Training Services or MTS for companies building entry-level talent pipelines. The market response has been encouraging. We

continue our outreach with events and roadshows to advocate for degree apprenticeships as a sustainable talent strategy. These efforts led to active engagement from 71 clients and prospects in Q2.

I also want to briefly touch upon the policy statements. The amendments introduced to the Apprenticeship Act in September represent a significant policy advancement for the promotion of degree apprenticeships. These divisions formally recognize degree apprenticeships within the framework of the act and include provision of a tripartite agreement among the employer, apprentice and the academic institution, thereby addressing the earlier omission of the academic body as a key stakeholder. This development also ensures closer alignment with the Apprenticeship Embedded Degree Program, or AEDP, guidelines issued by the University Grants Commission.

Looking ahead, we are witnessing growing interest in education-integrated apprenticeships and work integrated learning programs across industries. Electronics and automotive sectors continue to demonstrate strong growth potential. Among emerging opportunities, the adoption of apprenticeships within the Global Capability Center, or GCC, and the renewable energy sector is gaining traction to strengthen future current pipelines. Additionally, sustained momentum in apprenticeship intake across hospitality, retail, logistics, healthcare, BFSI and capital goods sectors is expected to continue, driven by consistent sectoral expansion and workforce demand.

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

Ramani Dathi:

Thank you, Nipun. Good evening, everyone.

Our group revenue increased 5% Q-o-Q with a corresponding EBITDA growth of 24%. We have added net 11,000 billable headcount in the quarter, including 320 net additions in specialized staffing business. EBITDA on year-on-year basis grew 25%, backed by strong contributions from GCC, as well as cost optimization measures at group level. Inorganic contribution to Y-o-Y EBITDA is about 5%.

On a half-yearly basis, both PBT and PAT grew by 20% Y-o-Y. DSO in Staffing business stands at 7 days and the overall grew at 15 days. Funding exposure in the Staffing business is maintained at 14% and free cash balance stands at Rs. 320 crores. All balance sheet metrics are stable and steady, and we can now move to specific questions. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Deep Shah from B&K Securities. Please go ahead.

Deep Shah:

Good evening. Thanks for the opportunity. The first question is on the comment made in the opening remarks that 23% of the gross hires that we did this quarter were from fresh clients. So, would it be fair to assume that most of these would be on a percentage-fee model and not a fixed-fee model? In that lens, could you also help us understand what the PAPM was and how it has moved from the past quarter? So, that's first.

Second, the EBITDA growth that we see at the company level is, of course, welcome. But what I probably what I am able to see is the general staffing business still continues to perform in a benign fashion and a lot of this EBITDA improvement is coming from overhead. So, any broad qualitative guidance would be useful as to when do we see general staffing also reach a double-digit bandwidth growth in actual EBITDA terms.

And third, on the other HR piece, so it's kind of a similar question that revenue growth, we have been able to deliver, but then the required op level has still not coming in. So, where do you think, it is all because of ed-tech or do you think there are some other areas where we are still investing and that op lev will take some more time to be seen in profits? Thank you.

Ramani Dathi: Deep, let me start with the second question first on the EBITDA front. Yes, you are right, for this quarter, as far as staffing is concerned, there is only a linear improvement in EBITDA in line with the revenue growth. And overall contribution has come from cost optimization that has been driven at group level across as well as improvement in billing for ed-tech business. Having said that, with all the costs in our staffing business also, like all fixed costs have been fully absorbed, incrementally there will be an improvement. And on a full year basis, we will get to a double-digit growth on EBITDA in staffing.

Ashok Reddy: Also on the earlier question, the new logo sign-ups and two-thirds of them coming on variable mark-up. Most of the variable mark-up clients are relatively the smaller clients. So that doesn't, per se, move the PAPM. The 23% of the growth coming from new clients is driven by a few clients mostly on a fixed mark-up, who kind of give us the volumes at that end. So, on a broader basis, I think we have held the PAPM, it hasn't reduced or gone up substantially.

Moderator: Mr. Deep, you are not audible.

Deep Shah: Yes, sure. On the other HR piece, so do we see continued investment there or the op level is only around the corner before which it also starts to contribute to profitability?

Ashok Reddy: There is no increased expenditure at this point. So, I think we are optimally costed and invested for the businesses. Now, the element of the product go-lives and sales improvement will start reducing the aspect of investment.

Deep Shah: Understood. So tepid performance on the profit front is only because of seasonality and second half would see that turn around, that would be a fair assessment?

Ramani Dathi: Yes, so it would take two more quarters for the HR-tech business to get into a sizable number both in terms of revenue as well as bottom line contribution, because right now the investment that is going in is mainly in terms of sales. The CapEx investments are already done, it's only sales and marketing that would continue for another two quarters for us to see an improvement in the revenue for HR-tech.

Deep Shah: Fair, understood. Thank you, thank you so much. All the best.

Moderator: Thank you. The next question comes from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: Yes, sir, thanks for the opportunity. Sir, just in continuation in terms of the margins for the general staffing business. Obviously, we are seeing some revival in terms of the gross additions there, both in the general staffing and the apprenticeship business. But if I see in terms of the absolute EBITDA also, it has been more or less constant over the last like many quarters now.

And in terms of the margins also, it has been trending downwards from 1.2% to now 1%. And we have been doing all the right things in terms of focusing on more, like, increasing the mark-ups, focusing on more contracts where it's more like variable markup, but it's not showing up in the margins. And also, I think in terms of the mix, how it's changing versus Tier 1 and Tier 2 and how the PAPMs are different there.

And also, if you can give some comment on the vertical mix, how the vertical mix has been changing? You mentioned that the BFSI has been recovering. So if you can comment whether we have seen the full impact of the recovery in the quarter or maybe the full impact will be visible in the next quarter. And also, how do you see the manufacturing, the vertical panning out and the contribution from manufacturing on the general staffing?

Ramani Dathi: Hi Amit. Before Ashok comments on the vertical front, firstly on the margins. Yes, general staffing plus DA put together, right now our absolute margins are also flat. But again, as I mentioned earlier, now that the fixed costs are absorbed, incrementally there will be an improvement in absolute profits in general staffing business as well. With the combination of operating leverage, new products and also DA being a higher margin business compared to staffing, so that contribution is also now steadily improving.

And next year, we will see the impact of the variable markup sign-ups that we are doing. Like right now, almost 60% to 65% of all new sign-ups that we are doing are on variable markup. In year one, whether it's fixed markup or variable markup, the translation of PAPM will be the same in year one. And the kicker comes in the following year with salary escalation.

Also, we will be focusing more on building the long tail with growth accounts, means the smaller accounts where the PAPM is relatively much higher, it's almost 2x, 3x of what a large client typically would get the PAPM. So now we are building a specialized focused approach on building this long tail and also self-service to smaller accounts. So that will also contribute to our margin expansion in general staffing.

Ashok Reddy: Also, Amit, I think as we called out, I mean, there's a diverse element of sectoral play on demand and hiring that has been playing out. I mean, we have looked at saying we address all sectors, all companies, and all requirements. So, irrespective of a headwind or a tailwind, we kind of work with the corporates.

I think the expectation, like I called out, we have over 20,000 plus open positions across sectors at this point in time. Some of the sectors that had slowed down in hiring on the banking side are back at the table, some of the FMCG, FMCD that had gone slow on account of the extended monsoon and stuff are slowly coming back into the market. Some of the festival hiring will drop off as we go forward. I mean, obviously, any RBI guidelines towards the NBFC sector could be headwinds that come in as we kind of experience that.

But I think, overall, there is the element of demand across sectors that is at the table that is moving, including manufacturing. And we believe our delivery to the open positions has also improved considerably. I think the whole element of a partnership, which is what we call non-recruiter channel, as a variable lever to deliver to open positions and stuff has also been playing out.

So I think, overall, we are more optimistic that the demand position in the next two quarters will be more positive than it was in the first two quarters.

Amit Chandra: Okay. And in terms of the specialized staffing, obviously, we are seeing some recovery there. And it's being led by GCCs. But ex of GCCs, are you also seeing some recovery in the IT services hiring there in terms of the global expansion?

Neeti Sharma: Hi, Amit. Neeti here. So yes, apart from GCCs, some hiring is happening on the Tier 2 IT services companies, and that's where we are seeing addition. Tier 1 services companies, we haven't seen much change over the last few quarters, but Tier 2 services companies and GCCs are actually taking our growth to where it is right now.

Amit Chandra: Okay. And like one question on the tax issue and the clearance that we got from the High Court of Madras on the PF issue. If you can elaborate like what exactly is the status and have we done any like provisioning there? And is there any like chances of reversals in the coming quarters?

Ramani Dathi: So, there is no reversal that has to be made in this regard, Amit, because we have received all refunds. So even for those years that the department has gone for a litigation, so they have already cleared all the refunds. And the question as we stated earlier is mainly on account of whether the benefit should go to the legal employer or principal employer. So those kind of questions. Otherwise, the rest of like how we have computed the 80JJAA benefit on what associate, what number we have taken on all those calculations, so we got, I mean, fully cleared by the department. And this is the first year, assessment year 2017-'18 where we got a favorable quashing from the High Court. So, this also sets the tone for the following years as well. So, as far as accounting is concerned, there is no reversal or any incremental provision to be made in the books.

Amit Chandra: Okay, thank you and all the best.

Ramani Dathi: Thank you.

Moderator: Thank you. The next question comes from the line of Sujit Jain from Bajaj Life Insurance. Please go ahead.

Sujit Jain: Hi, a few questions. A, PAPM broadly constant for last four or five years, could there be finally a scope of that going up? B, your medium-term operating profit growth guidance was, you can correct me, but was a good healthy number of 25%-30%, does it stand? And do you give an explicit FY '26 overall group level OP growth guidance? The productivity which is mentioned at 382 is it peaking out or with agentic AI tools, etc., you can take it higher further?

And finally, one of the competitors has clocked almost double the margins that we clocked in specialized staffing this quarter. Obviously, their GCC mix is 10% higher. Directionally, can we also head higher further in specialized staffing operating profit margin? Thank you.

Ashok Reddy: Yes. So just on the PAPM front, I think it's a weighted average coming from our large, medium, and small customers. Like we had always called out, the large customers have been growing larger and they are the ones who typically are at the lowest PAPM. But I think our focus of trying to get variable markup model in place and some element of a higher traction of customers in the medium and small who pay a higher PAPM has what has been kind of holding the PAPMs, per se.

I think to some extent, while we work the models to get more customers in the medium and small, the variable and the higher paying customers, the growth of the large customers is really what kind of leads the PAPM to kind of be stable. So I think to some extent, holding it stable is an important variable for us. We will work to improving it, but growth here is really what stymies that.

On the productivity front of the FTE ratio, I think we continuously see progress and movement for improving it further as a function of implementing technology, AI tools, various other optionalities that come in as we work with customers. So I think there's a continuous project internally of trying to deliver to more volume and more growth with the same headcount that we have.

On the recruiter front, we have not been increasing headcounts internally in the last two years. On the margin front of the specialized staffing business, we do not do firm hiring, we only do the staffing side in our specialized staffing business. While there is an element of margin improvement that comes to play as GCC share goes up, I think doubling it is unlikely, but we will work to improving it.

Sujit Jain: Sure. And one question is on, could there be a light at the end of the tunnel, as in, for the Social Security Bill 2020, post Bihar election there is no election calendar for one year. What's your sense? Could India finally see that happening or it's very difficult?

Ashok Reddy: I think just with the element of the tariff play and how the impact of that, there's been some urgency in government quarters to work on various aspects of the laws, whether we call it

decrim, dereg, simplification, and other areas. So, I think there is a sense of urgency at the government that they need to work on ease of doing business front by simplifying, rationalizing, digitizing various laws and compliances. But while there is an urgency, difficult to put a time frame around when it would happen.

Sujit Jain: Sure. And a an answer to this question that 30% aspirational opening profit growth over medium term, does that goal remain?

Ashok Reddy: I do not have guidance really, Sujit. But I think broadly what we are seeing is we would like our profit growth to be higher than our revenue growth, primarily because there is the economies of scale and a portfolio play coming to the table.

Sujit Jain: So directionally, this company would be like a healthy, double-digit, high-teen kind of EBITDA or CAGR company? That's my last question. Thank you.

Ashok Reddy: It should be. Aspirationally, that's what it is.

Sujit Jain: Thank you.

Moderator: Thank you. The next question comes from the line of Arnav Sakhuja from Ambit Capital. Please go ahead.

Arnav Sakhuja: Hi, thank you for taking my question. So in your introduction statement, you were mentioning something about a policy statement within the degree apprenticeship space. So could you just give a bit more detail into this?

Nipun Sharma: See, the government has introduced amendments in the month of September on the Apprenticeship Act. So the first basic thing they have done is that they have revised the stipend levels. They were as low as Rs. 5,000, which has gone to Rs. 6,800, and at a higher level from Rs. 9,000 to Rs. 12,300.

One very important thing which has happened from our perspective is the formal recognition of degree apprenticeships, finally, and the inclusion of the academic institution in the tripartite agreement. I think from the inclusivity perspective, also people with disability, they have also been included. And only once a company does not find the people, then they can go for normal apprenticeships.

Another thing which the government has introduced is the concept of multiple apprenticeships. So now a young person can do two apprenticeships, provided there is a minimum gap of one year. So these are some of the things which have been done. Also, one interesting development which was long demanded was on remote and virtual apprenticeships through training, virtual training, so that has also been included. And all these changes come into effect from 11th of September, 2025.

So this should give us boost, and some of these demands that are long pending from the industry. And overall, the apprenticeship ecosystem should get a big boost from these interventions by the government.

Arnav Sakhuja: Okay, thank you for answering that.

Moderator: Thank you. The next question comes from the line of Nitin from Investec. Please go ahead.

Nitin Padmanabhan: Yes, hi, good evening. Thank you for the opportunity. Ashok, based on what you said, is it fair to assume that from a revenue headwind perspective or deceleration perspective, that has sort of bottomed out and directionally things look broadly better across the three businesses?

Ashok Reddy: Yes. So I think specific to DA, we had already called out that with the exit of the NEEM numbers and the overall scheme payouts, we were on a net positive growth that would kind of continue to play out. So, I think the historical impact of NEEM is fully factored. The sales team has been working to get new accounts and the account mining going, and we have been net positive consistently.

On the specialized staffing front also, I think while there was an impact from the service Tier-1 companies decelerating and to some extent the aspect of it being substituted by GCCs, we have had a quarter, two quarters now of consistent headcount growth, net headcount growth, and we see that continuing to play out as we go forward.

The general staffing business has been positive on a broader sense. Like I called out earlier also, we do have the demand on new hires and new signups continuing to play out. Subject to all things being status quo, we do think all three businesses have hit the bottom and will kind of continue to grow. The only variable that we see is any new guideline or government notifications that come to play depending on sectors or specific to time.

Nitin Padmanabhan: Do you see anything specific on the annual that worries you from that perspective on the notifications or anything?

Ashok Reddy: I mean, nothing specific, I mean, like last --

Nitin Padmanabhan: It's more like a black swan event.

Ashok Reddy: Sorry, come again?

Nitin Padmanabhan: More like a black swan event, so unless there is something --

Ashok Reddy: I wouldn't call it black swan event. I do think that government has been giving incremental notifications on a continuous basis, some way or the other. So anything of that sort coming to play is really where I would be watchful about.

- Nitin Padmanabhan:** Got it. And I think we have been talking about variable markups for smaller clients, sort of a reasonable portion of the new client additions. Now, has that sort of changed our overall variable markup percentage on the overall business?
- Ashok Reddy:** It would not really. Like I called out earlier, Nitin, it would not move the needle that much, primarily like the variable markup and the smaller clients give us nearly 3x, 3.5x of the PAPM that the large clients give. The volume growth really comes from the large clients. From that perspective, it bridges the gap to some extent, but it will not tilt the scale.
- Nitin Padmanabhan:** It will not tilt the scale. Perfect. And see, considering the industry has gone through this dynamic of high-volume clients having flattish PAPMs, I mean, flattish or fixed markups. Do you think at some point the industry moves to some kind of a hybrid markup model or annual escalation on markups? Or you think considering it's just so fragmented, it's very difficult to really even for that to happen over a period of time? Because we see organization increasing over time.
- Ashok Reddy:** Yes. No, no, I mean, I think with the fragmentation, it is difficult. But I mean, it's our constant endeavor to work with corporates to ensure that we are negotiating the price or looking at alternate offerings that we can take to the table that they buy into, so that it compensates on the element of realization and stuff of that sort. But I think the pure fragmentation of the market is really what puts the pressure on an annual high kind of transition to variable.
- Nitin Padmanabhan:** Got it. And one last question for Ramani. Ramani, on the ed-tech business, or rather HR Services business, you mentioned that there will be investment for another two quarters. So, you think the usual fourth quarter seasonal bump that we see on the margin side may not happen this time? Or how should we think about it?
- Ramani Dathi:** No, Nitin. So the investment is only in one segment of HR Services which is HCMR, HR Tech business vertical and they are also largely into sales, it's part of our operating expense only, it's nothing incremental as such. And ed-tech business will continue to have the seasonality like higher billing and higher profit contribution in Q3 and Q4, so that would continue into this year as well, there is no change on that front.
- Nitin Padmanabhan:** Perfect, very helpful, thank you so much and all the best.
- Ashok Reddy:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Dipesh Mehta from Emkay Global, please go ahead.
- Dipesh Mehta:** Yes, thanks for the opportunity, a couple of questions. First on the general staffing business, headcount growth seems to be picking up but it is still lower than what we used to see in the past few years. So if you can provide some sense, do you expect now it to see acceleration into H2. Partly, you answered, but I just want to get more clarity about vertical-wise, if you can provide some color, whether composition of associate across vertical could be PAPM driver kind of

thing, expansion in PAPM, because across vertical, PAPM varies. So whether we are making any specific effort to drive that mixing-led PAPM uptake going forward.

Last question is on EBITDA growth, I think last quarter, you indicated about full year 30% growth to sustain across quarters. H1, we are at around 24%-25% growth, are we confident to deliver 30% EBITDA growth for the year? Thanks.

Ashok Reddy:

Okay. So I think on the headcount growth and open positions, Dipesh, we are primarily driven by as we call out the play-out of the sectors in terms of their employment and their demand. And as I had called out, there has been a tepid but a more positive element of demand play out that has happened.

I mean, Q4 last year saw comprehensive reduction in demand. From Q1 onwards, we have seen some of it come back in the banking sector, the FMCG, FMCD was muted. The GST reform is expected to create more demand in the consumer side. So I think from that perspective, how the global the macro factors play out to industries is really the driver on the employment demand and what gets outsourced.

We do believe that the demand is slowly picking up. It's not as aggressive as it was last year or the year before, but it is definitely more positive and we believe that that will continue to play out subject to no externality.

The second element, the element of the PAPM is not so much a sectoral play as much as the size of the corporate. So I think across sectors, if there are small companies or small volume deployments, the realizations are higher. As the volume deployment increases, the PAPMs tend to reduce. So while the growing clients, the high-volume clients do tend to grow faster, we have been complementing that with some of the medium and smaller clients with higher PAPMs. That kind of factors the stabilization of the PAPM, per se.

Ramani Dathi:

On EBITDA, this year at the current growth, we should be maintaining a 25% year-on-year growth by end of the year. Until and unless there is any other, as Ashok called out earlier, any policy change impact or anything else that happens, so we should be able to meet that.

Dipesh Mehta:

Understood, thank you.

Moderator:

Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Ashok Reddy for closing comments.

Ashok Reddy:

Thank you very much. Like I said earlier, I think we have had a consistent quarter. All three employment businesses have had net growth. We do have a healthy demand pipeline and customer acquisition that we are seeing, which should enable us to continue the consistent delivery on revenue growth and EBITDA growth over the coming quarters.

I think also, the various initiatives on technology and productivity gain improvements should continue to play out for us to be able to handle the growth that comes in future with the same headcounts that we have. On the HR Services side also, as Ramani had called out earlier, capital investments are lastly done. We have the operational investments going on, which should start to show results in the coming quarters.

Thank you for your support and we look forward to delivering continued performance in the coming quarters. Thank you.

Moderator:

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