

Team Lease Skill University

January 05, 2023

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term bank facilities	12.42 (Reduced from 40.00)	CARE A (CE); Stable [Single A (Credit Enhancement); Outlook: Stable]*	Reaffirmed
Total facilities	12.42 (₹ Twelve crore and forty-two lakh only)		

*The bank facilities of Team Lease Skill University (TLSU) are backed by unconditional and irrevocable corporate guarantee extended by TeamLease Services Limited.

Unsupported Rating

As stipulated vide SEBI circular dated June 13, 2019

CARE BBB- [Reaffirmed]

Details of instruments/facilities in Annexure-1

Detailed rationale & key rating drivers for the credit enhanced debt

The rating assigned to the bank facilities of TeamLease Skills University are based on the credit enhancement in the form of unconditional irrevocable corporate guarantee extended by TeamLease Service Limited (TSL) to the bank facilities of TLSU.

Detailed rationale & key rating drivers of Team Lease Services Limited (Guarantor)

The credit profile of TeamLease Service Limited (TSL) factors in the experienced promoters in the staffing industry, qualified management team with proven track record, established position in the industry, reputed and diversified clientele. The rating also factors in healthy financial risk profile, healthy cash accruals, adequate liquidity profile and satisfactory financial performance during FY22 (refers to the period April 01 to March 31). The credit profile of TSL is, however, tempered by thin profitability margins, funding support to be extended for TLSU which is held through its subsidiary Teamlease Education Foundation, intense competition from unorganised players in the industry.

Key rating drivers of TeamLease Skills University i.e. for unsupported rating

The rating assigned to the bank facilities of TeamLease Skills University (TLSU) derives strength from it being a part of TSL group, moderate total operating income, ability to generate continuous stream of revenues on account of partnership with Government of Gujarat (to facilitate willing individuals to acquire skills and capabilities and prepare them to get appropriate employment) and comfortable operating cycle. The rating is, however, tempered by weak financial profile, thin profitability margins and is governed under stringent regulatory framework.

Rating sensitivities of Team Lease Services Limited

Positive Factors- Factors that could lead to positive rating action/upgrade:

- Steady growth in revenue while improvement in PBILDT margin over 3% on a sustained basis.
- Notable improvement in return of capital employed (ROCE).

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Overall gearing deteriorating beyond 1x
- Significant debt-funded investment or acquisition adversary impacting liquidity.
- Deterioration in PBILDT margins to less than 2%.

Detailed description of the key rating drivers

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.

Key rating strengths**Robust capital structure and improving coverage indicators:**

TLSL has a favourable capital structure marked by strong tangible net worth base of ₹480 crore at the back of prolonged operations and healthy profits, absence of term debt and minimal working capital utilisation as on March 31, 2022. The working capital requirement was supported by positive cash flows from operations, generated accruals and significant cash balance of about ₹293 crore as on March 31, 2022. The credit risk profile of the company also remained strong represented by an interest coverage ratio of 35.91x during FY22 having improved from 14.28x in FY21 with higher operating profits as against marginal interest expenses.

Experienced promoters, strong board and well qualified management team:

TeamLease Services Limited (Erstwhile TeamLease Services Private Limited) was incorporated on February 2, 2000 in Bangalore by Manish Sabharwal and Ashok Kumar Nedurumalli. Manish Sabharwal, chairman of TLSL has over two-decade experience of creating and implementing strategies. The day-to-day operations of TLSL are managed by Ashok Kumar Nedurumalli (Managing Director and Chief Executing Officer) who has completed his diploma in Management from Indian Institute of Management, Bengaluru. He has co-founded India Life Pension Services Limited, a payroll and pension services company that was acquired by Hewitt associates in 2002.

Established presence in the industry:

TLSL has sectoral expertise in providing human resource services to corporates engaged in FMCG, logistic, infrastructure, telecom, retail ecommerce, banking and finance, agro and manufacturing sector. TLSL in order to expand its operations has acquired Indian Institute of Job Training in FY10, signed a memorandum of understanding with the government of Gujarat in 2011 for setting up TLSU. TLSL entered the specialised staffing segment in the year 2017 by acquiring three companies in IT staffing business namely Asap Infosystems Pvt Ltd, Nichepro Technologies Pvt Ltd and Keystone Business Solutions Pvt Ltd. In 2018, the company acquired Evolve Technologies and Services Pvt Ltd in telecommunication staffing segment and in FY20 company acquired additional stake in Team lease Edtech limited (78.43%) and Avantis Regtech Private limited (58.43%).

Reputed and diversified client base:

TLSL started its business with just 20 clients and expanded its client base to all over India with more than 3,500+ clients as on March 31, 2022. The client portfolio comprises of several fortune 500 companies as well as many medium size enterprises. The major source of revenue for the company is general staffing. However, the company is moving towards more sectorial expertise in FMCG, Logistic, Infrastructure, telecom, Retail Ecommerce, Banking and Finance which are likely to fetch higher profits margins.

Stable scale of operations:

The scale of operations represented by total operating income (TOI) has witnessed a growth of 32.52% in FY22 from Rs. 4904.56 cr. in FY21 to Rs. 6499.55 crore as the headcount of associates and trainees increased 25% in FY22.

Key rating weaknesses**Thin profitability margin albeit improved:**

The PBILDT margin of TLSL is thin although improved in FY22 from 2.02% in FY21 to 2.20% in FY22 due to higher use of automation and streamlining of various backend processes for various entities acquired in the specialized staffing segment. Improved operating margin is supported by higher revenue contribution from specialized staffing sector (8.17% in FY22 as against 8.12% in FY21).

Competitive nature of industry:

TLSL operates in highly competitive and fragmented industry which mostly comprises unorganized players who offer services at lower prices. However, TLSL with a strong foothold in the market, has been strategically diversifying into different segments like specialised staffing, compliances etc and has been acquiring companies, has integrated structure which provides it a fine competitive edge in the market.

Liquidity analysis – Strong

The liquidity position of the company is strong marked by steady cash accruals vis-à-vis no repayment obligation. Liquidity is further supported by an above unity current ratio of 1.39x and healthy cash flow from operations as on March 31, 2022. Furthermore, the company's working capital utilisation levels were low at 10% during the 12 months ended November 30, 2022 and had cash and cash equivalents amounting to ₹293 crore as on March 31, 2022. TLSL has a comfortable and short operating cycle of about 16 days.

Analytical approach:

Credit Enhanced (CE) Ratings: Assessment of the consolidated financials of the Guarantor (i.e. TLSL). CARE Ratings Limited (CARE Ratings) has based its rating for the term loan and cash credit bank facility to the extent of ₹12.42 crore on the assessment of the guarantor, TLSL which has provided an unconditional and irrevocable corporate guarantee for the facilities mentioned above.

Unsupported Ratings: Standalone assessment of TLSU along with factoring its linkage with parent i.e. TLSL which has extended need-based financial support to it.

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Factoring Linkages Parent Sub JV Group](#)

[Rating Credit Enhanced Debt](#)

[Rating Outlook and Credit Watch](#)

[Education](#)

[Service Sector Companies](#)

About the guarantor- TeamLease Services Limited:

TeamLease Services Limited (TLSL) was incorporated on February 2, 2000 in Bangalore by Manish Sabharwal, Ashok Kumar Nedurumalli and Mohitkaran Gupta. TLSL is in human resource providers in the organized sector. TLSL provides temporary staffing to companies and has more than 3,500 clients and over 2 lakh associates and trainees. TLSL entered the specialised staffing segment in fiscal year 2017 by acquiring three companies in IT staffing business namely Asap Infosystems Pvt Ltd, Nichepro Technologies Pvt Ltd and Keystone Business Solutions Pvt Ltd. In fiscal 2018, the company acquired Evolve Technologies and Services Pvt Ltd in telecommunication staffing segment. In fiscal 2019, it acquired the IT staffing vertical of Centric Solutions, and in fiscal 2020, acquired IMSI Staffing, which provides IT infrastructure staffing solutions.

About Team Lease Skills University

Team Lease Skills University, TLSU, has been established as a private university by the Government of Gujarat through its Gazette Notification (Gujarat Act No. 18 of 2013) under Gujarat Private University (Amendment) Act, 2013 with effect from April 22, 2013. The University is conceived as a Public-Private-Partnership model with the Government, with a mission to facilitate willing individuals to acquire skills and capabilities, prepare them to get appropriate employment and ensure their competitiveness in national and international work environment. Team Lease Education Foundation (Team lease Service Limited 100% Subsidiary) is the main sponsor for the University. The society provides vertical mobility to apprentice's candidates across India and was granted approval from the AICTE to launch the NETAP (National Employability through Apprenticeship program).

TeamLease Services Limited

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	H1FY23 (UA)
Total operating income	4881.46	6479.82	3858.53
PBILDT	98.51	142.42	39.04
PAT	78.47	39.45	58.14
Overall gearing (times)	0.05	0.12	NA
Interest coverage (times)	14.28	35.91	20.44

A: Audited, UA -Un Audited, NA- Not Available

Team Lease Skill University

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	H1FY23 (UA)
Total operating income	512.56	385.09	NA
PBILDT	7.32	-2.27	NA
PAT	8.05	0.73	NA
Overall gearing (times)	-1.69	-0.72	NA
Interest coverage (times)	1.32	-1.51	NA

A: Audited, UA -Un Audited, NA- Not Available

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	4.50	CARE A (CE); Stable
Fund-based - LT-Term Loan		-	-	31/03/2024	7.92	CARE A (CE); Stable
Un Supported Rating-Un Supported Rating (Long Term)		-	-	-	0.00	CARE BBB-

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	4.50	CARE A (CE); Stable	-	1)CARE A (CE); Stable (08-Nov-21)	1)CARE A- (CE); Stable (30-Nov-20)	-
2	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE BBB-	-	1)CARE BBB- (08-Nov-21)	1)CARE BBB- (30-Nov-20)	-
3	Fund-based - LT-Term Loan	LT	7.92	CARE A (CE); Stable	-	1)CARE A (CE); Stable (08-Nov-21)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Un Supported Rating-Un Supported Rating (Long Term)	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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