

Team lease Skills University
November 08, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.00	CARE A (CE); Stable [Single A (Credit Enhancement); Outlook: Stable]	Assigned
Long Term Bank Facilities	20.00	CARE A (CE); Stable [Single A (Credit Enhancement); Outlook: Stable]	Revised from CARE A- (CE); Stable [Single A Minus (Credit Enhancement); Outlook: Stable]
Total Bank Facilities	40.00 (Rs. Forty Crore Only)		

Details of instruments/facilities in Annexure-1

@ The above bank facilities are backed by unconditional irrevocable corporate guarantee extended by TeamLease Service Limited.

Unsupported Rating	CARE BBB-
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Note: Unsupported Rating does not factor in the explicit credit enhancement

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 (TLSL).

Detailed Rationale & Key Rating Drivers of Team Lease Services Limited

The credit profile of TeamLease Service Limited (TLSL) factors in experienced promoters in 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 FY21 (refers to the period April 01 to March 31). The credit profile of TLSL is, however, tempered by low 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

The rating assigned to the bank facilities of TeamLease Skills University (TLSU) derives strength from it being step-down subsidiary of TLSL, moderate total operating income, ability to generate continues stream of revenues on account of Public Private Partnership model with Government of Gujarat to facilitate willing individuals to acquire skills and capabilities, 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 Rating Sensitivities- Factors that could lead to positive rating action/upgrade**

- Improvement in PBILDT margin over 4% on a sustained basis.
- Increase in scale of operation by more than 30% on Y-O-Y basis.

Negative Rating Sensitivities-Factors that could lead to positive rating action/upgrade

- Overall gearing deteriorating beyond 1x
- Significant debt-funded investment or acquisition which may impact its liquidity.
- Deterioration in PBILDT margins to less than 2x.

Detailed description of the key rating drivers of Team lease services limited**Key Rating strengths****Robust capital structure and improving coverage indicators**

TLSL has a favourable capital structure marked by strong tangible net worth base of Rs. 430 crore at the back of prolonged operations and healthy profits, absence of term debt and no working capital utilisation as on March 31, 2021. The working capital requirement was supported by positive cash flows from operations, generated accruals and significant cash balance of about Rs 260 crore as on March 31, 2021. The credit risk profile of the company also remained strong represented by an

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

interest coverage ratio of 17.63x during FY21 having improved from 9.67 in FY20 with higher operating profits as against marginal interest expenses. Furthermore, total Debt/GCA also improved to 0.19x in FY21 from 1.10x during FY20.

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 utility current ratio of 1.47x and healthy cash flow from operations amounting to Rs. 308 crore as on March 31, 2021. Furthermore, company had no reliance on working capital bank borrowings and had cash and cash equivalents amounting to Rs. 263 crore as on March 31, 2021. TLSL has a comfortable and short operating cycle of about 20 days.

Experienced promoters, strong board and well qualified management team

TeamLease Service Limited was incorporated on 02 February 2000 in Bangalore by Mr. Manish Sabharwal, Mr. Ashok Kumar Nedurumalli and Mr. Mohitkaran Gupta. Mr. 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 Mr. 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 3500 clients as on March 31, 2021. 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.

Healthy total operating income albeit moderated during FY21

The scale of operations represented by total operating income (TOI) has witnessed a de-growth of 6% during FY21 from Rs. 5224 crore in FY20 to Rs. 4904 crore in FY21 because of about 14% decline in associate/trainee headcount requirement in Q1FY21 due to ongoing COVID-19 pandemic. Nevertheless, the TOI remains strong. Also, there revenue witnessed improvement in Q1FY22 with gradual opening of offices and easing up of other COVID related restrictions and the headcount has now surpassed the pre covid levels.

Key Rating Weaknesses

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 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.

Thin profitability margins

The PBILDT margin of TLSL remained thin at 2.48% in FY21 (2.28% in FY20) due to higher use of automation and streamlining of backend processes for various entities acquired in the specialized staffing segment. Although the revenue contribution from specialized staffing sector increased to 8.12% in FY21 from 7.48% in FY20 which will help the company to gradually improve its profitability margins.

Industry outlook

Online recruitment in India is likely to have witnessed degrowth in near term, even as signs of revival during the last quarter reversed in April 2021 due to the second wave of the pandemic. During the last quarter, the industries that registered positive year on year growth were Agro based, Media and Entertainment, Telecom/ISP and Logistics and transportation sector including

courier and freight. During the same period, sectors such as BPO/ ITES, Oil and Gas, Travel and Tourism, Education witnessed negative annual growth, with travel and tourism residing in the negative territory consistently since the covid outbreak.

Analytical approach:

Credit Enhancement (CE) Ratings: CARE in its analysis has considered financials of Team lease Service Limited (TSL) and TeamLease Skills University (TSLU) which is held under the Team Lease Education Foundation as they have operational and financial linkages. Further, TSL has extended unconditional & irrevocable corporate guarantee to the bank facilities of TSLU. List of subsidiaries is provided in Annexure 6.

Unsupported Ratings: Standalone assessment of TSLU

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios - Financial Sector](#)

[Rating Credit Enhanced Debt](#)

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

[Policy on Withdrawal of Ratings](#)

About the Company

About Team Lease Service Limited

Team Lease Service Limited was incorporated on 02 February 2000 in Bangalore by Mr. Manish Sabharwal, Mr. Ashok Kumar Nedurumalli and Mr. Mohitkaran Gupta. TSL is in human resource providers in the organized sector. TSL provides temporary staffing to companies and has more than 3500 clients and over 2 lakh associates and trainees. TSL 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 eCentric Solutions, and in fiscal 2020, acquired IMSI Staffing, which provides IT infrastructure staffing solutions.

About TeamLease Skills University

TeamLease Skills University, TSLU, 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 22nd April 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 is the main sponsor for the University. It is India's First Skills 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).

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

Team lease services limited

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)
Total operating income	5224.41	4904.56
PBILDT	118.86	121.62
PAT	34.98	78.47
Overall gearing (times)	0.35	0.05
Interest coverage (times)	9.67	17.63

A: Audited;

Team lease Skills university

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)
Total operating income	728.09	518.36
PBILDT	4.13	13.11
PAT	-1.62	8.05
Overall gearing (times)	-2.68	-1.69
Interest coverage (times)	0.76	2.37

A: Audited;

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

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	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE A (CE); Stable
Un Supported Rating-Un Supported Rating (Long Term)		-	-	-	0.00	CARE BBB-
Fund-based - LT-Term Loan		-	-	March, 2024	20.00	CARE A (CE); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	20.00	CARE A (CE); Stable	-	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- (30-Nov-20)	-	-
3	Fund-based - LT-Term Loan	LT	20.00	CARE A (CE); Stable				

* 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](#)

Annexure 6: List of subsidiaries of TLSL. (As on March 31, 2021)

Name of the Company	Relationship	(%) Holding as on March 31, 2021
IIJT Education Private Limited	Subsidiary	100
Teamlease Education Foundation	Subsidiary	100
Teamlease Digital Private Limited	Subsidiary	100
Keystone Business Solution private Limited	Subsidiary	100
Evolve Technologies & Services	Subsidiary	100
TeamLease E-Hire Private Limited	Subsidiary	100
IMSI Staffing Private Limited	Subsidiary	100
Team lease Edtech limited	Subsidiary	78.43%
Avantis Regtech Private limited	Subsidiary	58.43%

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

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About CARE Ratings:

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