

Team Lease Skills University (Revised)

December 14, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	-	-	Revised to CARE BBB+; Stable from CARE A (CE) [^] ; Stable and Withdrawn

Details of instruments/facilities in Annexure-1.

Unsupported Rating: Withdrawn

[^]The rating was earlier considering credit enhancement in the form of unconditional irrevocable corporate guarantee extended by TeamLease Services Limited (TSL).

Pursuant to Reserve Bank of India's (RBI's) guidance note to the credit rating agencies on assigning CE ratings, the CE suffix assigned to rating of Team Lease Skills University (TSLU) has been removed, as the guaranteed deed entered by TeamLease Services Limited (TSL) to secure bank facilities of TSLU did not meet the criteria mentioned in the said note. Accordingly, the unsupported rating has also been withdrawn.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has revised the ratings of the bank facilities of Teamlease Skills University (TSLU) to 'CARE BBB+; Stable' revised from CARE A (CE); Stable and simultaneously withdrawn the ratings with immediate effect. The above action has been taken at the request of TSLU and a 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE Ratings.

The revision in the rating factors in change in Analytical approach from Guarantor's assessment to Standalone assessment of TSLU alongwith factoring linkages to TSL. TSLU's revenue are on declining trend due to discontinuation of National Employment Enhancement Mission (NEEM) which has impacted the business profile of University. Nevertheless, the rating factors in TSLU being part of the Teamlease group and the outstanding debt in TSLU is minimal in comparison with liquidity available with TSL.

Analytical approach:

The analytical approach has been changed from Guarantor's assessment to Standalone along with factoring in the parentage of TSL from which it derives managerial, operational and financial support. The change in the approach was necessitated out of the guidance note issued by the RBI to credit rating agencies on CE ratings.

Outlook: Stable

The Stable Outlook reflects the TSLU's will receive continuous support from the TeamLease group as and when required.

Detailed description of the key rating drivers:

Key strengths

Part of the Teamlease group, a reputed player in the staffing business:

Team Lease Education Foundation (which is a 100% Subsidiary of TSL) is the main sponsor for the TSLU. TSL is one of the large companies in HR providers in the organized sector and provides temporary staffing to companies and has more than 3,600 clients and nearly 3 lakh associates and trainees. TSL is also present in margin-accretive specialised staffing segments like information technology (IT) and telecom staffing through a series of acquisitions post the initial public offer (IPO) in FY2016. TSL has a diversified geographical footprint with its client base consisting of top multinationals. TSL has sectoral expertise in FMCG, logistic, infrastructure, telecom, retail ecommerce, banking and finance, agro and chemicals manufacturing. Supported by its brand equity and the increasing formalisation of the industry, CARE Ratings opines that TSL would continue to maintain its strong market share in an otherwise highly fragmented industry.

Satisfactory financial profile of TSL:

At consolidated level, TSL demonstrated significant growth in income which increased by 22% Y-o-Y to ₹7,873 crore in FY23. Nearly 91% of revenues of TSL, are derived from general staffing business and DA, while 8-9% of revenues were derived from

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

specialized staffing which has better margins as compared to general staffing, and balance 1% of revenues were reported from education entities and other HR services. The improvement in accruals and the low debt levels have supported the comfortable capitalisation and coverage indicators over the years.

Under the general staffing segment, TLSL adopts the Collect and Pay model (90% of general staffing and allied services revenues in FY23), wherein the salaries of the associate employees deployed to TLSL's customers are collected in advance and only then paid to the associate employees, thus lowering the company's working capital requirements. During Q1FY24, the company purchased and extinguished 327,869 equity shares at a buyback price of ₹3,050 per equity share comprising 1.92% of the pre buyback paid-up equity share capital which resulted in a cash outflow of ₹100 crore (excluding transaction costs and tax on buyback). Nevertheless, the company continues to maintain healthy liquidity with cash and cash equivalent of ₹320 crore as on September 30, 2023. With constant addition of new clients and formalization of staffing solutions industry, CARE Rating expects the company's revenue to grow at CAGR of 15% in the medium term while maintaining strong debt coverage indicators.

Support being extended by TLSL to TLSU

TLSU is continuously receiving support from the TLSL. During FY23, TLSL has impaired the loan given to TLSU of ₹9.70 crore due to the discontinuation of the NEEM scheme. CARE Ratings believes that the continuous support would be extended to the TLSU as and when required by TLSL.

Key weaknesses

Discontinuation of the NEEM program led to decline in revenues:

On December 23, 2022, the Department of Higher Education discontinued the NEEM. For FY22 and FY23, TLSU generated 92% and 78% of revenues from the said course. With discontinuation of the scheme, TLSU will not be eligible to take fresh enrolments of apprentices. The existing students would continue the program till the completion of their course.

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Nonfinancial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Education](#)

[Service Sector Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer discretionary	Consumer services	Other consumer services	Education

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 National Employability through Apprenticeship program (NETAP).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	September 30, 2023 (UA)
Total operating income	389.70	169.62	49.84
PBILDT	2.37	6.74	NA
PAT	0.73	5.55	NA
Overall gearing (times)	-0.72	-0.50	NA
Interest coverage (times)	1.57	5.07	NA

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit	-	-	-	-	0.00	Withdrawn
Fund-based - LT-Term loan	-	-	-	31/03/2024	0.00	Withdrawn
Un Supported Rating-Un Supported Rating (Long Term)	-	-	-	-	0.00	Withdrawn

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 2023-2024	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
1	Fund-based - LT-Cash credit	LT*	-	-	-	1)CARE A (CE); Stable (05-Jan-23)	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*	-	-	-	1)CARE BBB- (05-Jan-23)	1)CARE BBB- (08-Nov-21)	1)CARE BBB- (30-Nov-20)
3	Fund-based - LT-Term loan	LT*	-	-	-	1)CARE A (CE); Stable (05-Jan-23)	1)CARE A (CE); Stable (08-Nov-21)	-

*Long Term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the 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: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings 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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