TEAMLEASE SERVICES

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	1,835
12 month price target (INR)	3,050
52 Week High/Low	3,586/1,641
Market cap (INR bn/USD bn)	31/0.4
Free float (%)	67.6
Avg. daily value traded (INR mn)	110.2

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	31.6%	31.6%	31.6%
FII	7.7%	11.0%	21.9%
DII	50.3%	47.7%	37.1%
Pledge	0.5%	0.5%	0.5%

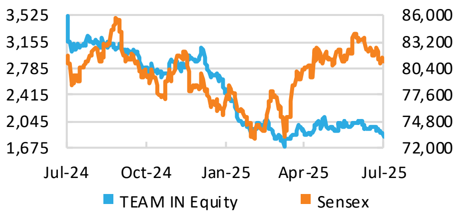
FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	111,559	125,341	144,302	167,025
EBITDA	1,381	1,668	1,975	2,348
Adjusted profit	1,087	1,380	1,718	2,260
Diluted EPS (INR)	64.8	82.3	102.4	134.8
EPS growth (%)	0.1	26.9	24.5	31.6
RoAE (%)	12.8	14.1	15.2	17.0
P/E (x)	28.3	22.3	17.9	13.6
EV/EBITDA (x)	20.9	16.2	12.6	9.5
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	125,341	144,302	(3.8)	(8.1)
EBITDA	1,668	1,975	2.2	1.1
Adjusted profit	1,380	1,718	2.4	1.1
Diluted EPS (INR)	82.3	102.4	2.4	1.1

PRICE PERFORMANCE



Margin recovery in focus

TeamLease (TEAM) reported headcount additions across segments. Overall performance was modest with revenue at INR28.9bn (+1.2% QoQ/+12.1% YoY) in line with our expectation of INR29.3bn. EBITDA margin at 1.1% (-60bp QoQ/+20bp YoY) missed our estimate of 1.5%. PAT at INR266mn undershot our estimate of INR371mn.

General Staffing demonstrated a gradual recovery from the headwind in BFSI segment. Specialised Staff growth accelerated while margin inched down due to a higher contribution from the lower-margin international business. We are increasing FY26E/27E EPS by <2.5% due to higher Specialised business contribution. This along with a target PE of 30x yields a TP of INR3,050 (earlier INR3,000).

General Staffing continues to be impacted

Revenue came in at INR28.9bn (+1.2% QoQ/+12.1% YoY). General staffing revenue stood at INR26.7bn (+1.8% QoQ/+10.6% YoY), modest growth as it recovers from regulatory changes in the BFSI sector. Teamlease headcount increased by 3.1k in Q1 in general staffing, taking the total billable headcount to ~295k. During the quarter, the BFSI vertical, particularly the credit card business, remained under pressure while the FMCG and telecom sectors witnessed softer demand. Specialised staffing revenue stood at INR1.8bn (+11.9% QoQ/+22.4% YoY) with 9% inorganic contribution. International specialised staffing shall contribute 8–10% to revenue in FY26E. Domestic IT hiring environment continues to be cautious while green shoots in demand witnessed in tier-2/3 IT companies. GCCs now contribute 64% to specialised staffing revenue and 46% in terms of headcount. HR Services' revenue stood at INR0.5bn (-41.3% QoQ/+110.9% YoY), led by seasonality.

Margin affected by acquisition and losses in HR Services

EBITDA margin came in at 1.1% (-60bp QoQ/+20bp YoY). EBITDA margin for general staffing decreased 10bp QoQ to 1%. Specialised Staffing margin slipped to 6.3% (-100bp QoQ). TeamLease expects margin to improve in Specialized Staffing by 100bp during the year supported by absorption of fixed cost. Other HR Services' margin came in at -15.3% against +20.6% in Q4FY25 due to seasonality in the EdTech business. Management expects revenue growth of 25–30% and margin of 6–8% in HR Services.

We have lowered our growth estimates for the General Staffing business, leading to a reduction in overall revenue estimates. However, a higher contribution from the higher-margin Specialised Staffing business has resulted in improved profitability at the consolidated level; maintain '**BUY**'.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	28,914	25,799	12.1	28,579	1.2
EBITDA	307	223	37.8	475	(35.4)
Adjusted Profit	266	208	27.8	349	(23.9)
Diluted EPS (INR)	15.8	12.4	27.7	20.9	(24.1)

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	111,559	125,341	144,302	167,025
Cost of revenues	106,226	119,962	138,057	159,737
Gross profit	5,332	5,378	6,245	7,288
Other expenses	3,952	3,710	4,270	4,940
EBITDA	1,381	1,668	1,975	2,348
Depreciation	537	550	570	480
Less: Interest expense	148	120	60	60
Add: Other income	447	500	520	600
Profit before tax	1,143	1,498	1,865	2,408
Prov for tax	40	120	149	149
Less: Other adjustment	2	2	2	2
Reported profit	1,087	1,380	1,718	2,260
Less: Excp.item (net)	0	0	0	0
Group adjusted profit	1,087	1,380	1,718	2,260
Diluted shares o/s	17	17	17	17
Adjusted diluted EPS	65	82	102	135
DPS (INR)	0	0	0	0
Tax rate (%)	3.5	8.0	8.0	6.2

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	168	168	168	168
Reserves	8,901	10,280	11,996	14,254
Shareholders funds	9,069	10,447	12,164	14,422
Minority interest	161	161	161	161
Borrowings	450	450	450	450
Trade payables	695	781	900	1,041
Other liabs & prov	11,008	12,286	14,043	16,150
Total liabilities	21,383	24,125	27,717	32,223
Net block	774	374	(46)	(376)
Intangible assets	2,332	2,332	2,332	2,332
Capital WIP	337	337	337	337
Total fixed assets	3,442	3,042	2,622	2,292
Non current inv	133	133	133	133
Cash/cash equivalent	2,409	4,177	6,299	8,871
Sundry debtors	4,913	5,519	6,354	7,355
Loans & advances	0	0	0	0
Other assets	10,486	11,253	12,308	13,572
Total assets	21,383	24,125	27,717	32,223

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
EBITDA margin (%)	1.2	1.3	1.4	1.4
EBIT margin (%)	0.8	0.9	1.0	1.1
Net profit margin (%)	1.0	1.1	1.2	1.4
Revenue growth (% YoY)	19.7	12.4	15.1	15.7
EBITDA growth (% YoY)	5.6	20.8	18.4	18.9
PBT growth (% YoY)	0.1	31.1	24.5	29.1
Adj. profit growth (%)	0.1	26.9	24.5	31.6
Asset Turnover (X)	10.0	10.0	10.1	10.1

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	1,087	1,380	1,718	2,260
Add: Depreciation	537	550	570	480
Interest (net of tax)	99	80	40	40
Others	(468)	(462)	(502)	(582)
Changes in WC	(210)	(10)	(14)	(17)
Operating cash flow	1,046	1,538	1,812	2,181
Less: Capex	(310)	(150)	(150)	(150)
Free cash flow	736	1,388	1,662	2,031

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.0	6.0	6.0
Repo rate (%)	4.0	4.0	4.0	4.0
USD/INR (average)	72.0	72.0	72.0	72.0
Staff. headcount (%)	10.0	10.0	10.0	10.0
Staffing growth (%)	10.5	10.0	10.0	10.0
Staffing margin (%)	1.6	1.5	1.5	1.5
Capex (INR mn)	(310)	(150)	(150)	(150)
Net borrowings (INRmn)	(1,960)	(3,728)	(5,849)	(8,421)
Cash conversion days	13.1	12.9	12.8	12.8

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	12.8	14.1	15.2	17.0
RoCE (%)	14.3	15.6	16.2	17.7
Receivable days	15	15	15	15
Payable days	2	2	2	2
Cash conversion cycle	13	13	13	13
Working cap (% sales)	1.1	1.1	1.2	1.2
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.2)	(0.4)	(0.5)	(0.6)
Interest coverage (x)	5.7	9.3	23.4	31.1

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	28.3	22.3	17.9	13.6
Price/BV (x)	3.4	2.9	2.5	2.1
EV/EBITDA (x)	20.9	16.2	12.6	9.5
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	0.1	26.9	24.5	31.6
RoE (%)	12.8	14.1	15.2	17.0
EBITDA growth (%)	5.6	20.8	18.4	18.9
Payout ratio (%)	0	0	0	0

Q1FY26 earnings call highlights

- On a YoY basis, added ~19k associates despite headwinds in BFSI and IT Services.
- All the three verticals witnessed growth in terms of headcount addition.
- Increase in wallet share from existing clients is driving overall revenue growth.
- Inorganic initiatives contributed 1% to revenue growth and 3% to EBITDA.
- 44 new logos added in general staffing with ~60% coming in variable model.
- Major banks hired half the workforce in FY25 as compared to FY24. Credit card business continues to be subdued.
- Demand recovery is expected to gain momentum supported by anticipated interest rate cuts.
- BFSI vertical grew 6.4% while FMCG declined 4.4%. Telecom remained flat in terms of headcount.
- Expect the BFSI, telecom and FMCG sectors to bounce back with demand traction.
- IT hiring environment continues to remain cautious. Green shoots witnessed in Tier-2/3 IT companies.
- Specialized Staffing headcount addition stood at 115 employees during the quarter. On boarded 11 new clients, of which fivewere GCCs.
- Expansion of GCCs into Tier 2/3 cities is driving demand, particularly for niche roles in AI and machine learning.
- Deal pipeline remains healthy with few large deals in final stage of conversion.
- Overall impact from variable model will take some time to pick up as the volumes over there are less.
- PAPM remained flat QoQ. With fixed cost absorbed completely, the incremental volume growth should directly flow into profitability.
- ~8% of contribution comes from specialized international staffing. This contribution is expected to remain 8–10% in FY26E.
- HR Services margin got impacted due to seasonality in the Edtech business.
- In Specialised Staffing, capturing certain opportunities, which are accretive to top line, dilutive on the margins front and accretive on bottom line. These opportunities come with no associated fixed cost.

Guidance

- Witnessing green shoots in demand recovery particularly in the BFSI and consumer verticals, giving confidence to deliver a strong Q2FY26E.
- HR Services revenue expected to grow ~25% with margins expected to remain in a range of 6–8%.
- Specialised Staffing's margin to gradually improve 100bp by the end of FY26E. Leavers for margin improvement are a change in product mix, higher--value mandates and economies of scale.

Exhibit 1: Financial snapshot (INR mn)

Year to March	Q1FY26	Q1FY25	YoY %	Q4FY25	QoQ %	FY25	FY26E	FY27E
Revenues	28,914	25,799	12.1	28,579	1.2	1,11,559	1,25,341	1,44,302
Employee Exp + other COGS	27,543	24,717	11.4	26,960	2.2	1,06,226	1,19,962	1,38,057
Others	1,065	859	23.9	1,145	(7.0)	3,952	3,710	4,270
EBITDA	307	223	37.8	475	(35.4)	1,381	1,668	1,975
Depreciation	136	131	3.6	134	1.6	537	550	570
EBIT	171	91	86.8	341	(50.0)	844	1,118	1,405
Interest	37	30	23.4	42	(10.3)	148	120	60
Other income	126	141	(10.3)	97	29.8	447	500	520
Add: Exceptional items	0	0		0		0	0	0
Profit Before Tax	260	202	28.6	397	(34.6)	1,143	1,498	1,865
Less: Provision for Tax	13	8	52.4	20	(36.2)	40	120	149
Less: Minority Interest	-16	-14		30		17	0	0
Add: Share of profit from associates	3	0		2		2	2	2
Reported Profit	266	208	27.8	349	(23.9)	1,087	1,380	1,718
Adjusted Profit	266	208	27.8	349	(23.9)	1,087	1,380	1,718
No. of Diluted shares outstanding (mn)	17	17		17		17	17	17
Adjusted Diluted EPS	15.8	12.2	30.3	20.4	(22.4)	64.8	82.3	102.4
As % of net revenues								
Employee Exp + other COGS	95.3	95.8		94.3		95.2	95.7	95.7
Other expenses	3.7	3.3		4.0		3.5	3.0	3.0
EBITDA Margin	1.1	0.9		1.7		1.2	1.3	1.4
Net profit	0.9	0.8		1.2		1.0	1.1	1.2

Source: Company, Nuvama Research

Company Description

TeamLease, established in 2002, is one of India's leading human resources service companies in the organised segment. A Fortune India 500 company listed on NSE and BSE markets, TeamLease is present in 7500 + locations across 28 states, with 3,500 plus clients. It is a one-stop-provider of human resources services to various industries and diverse functional roles, offering staffing, payroll processing, recruitment, compliance and training services. The company set in motion its larger mission of 'Putting India to Work' by focusing on its vision of 3 Es—Employment, Employability and Education. The company, in partnership with the Government of Gujarat, has set up TeamLease Skills University (TLSU), India's first vocational university, at Vadodara. In FY15, it rolled out National Employability Through Apprenticeship Program to provide on-the job training to apprentices.

Investment Theme

In a sector where scale begets scale, we expect TeamLease's high market share to continue to be a huge success driver. Its strong brand, large pool of employees, high level of compliance and financial muscle are envisaged to lead to profitable growth over the next five years. TeamLease's story will play out in a high growth-conducive backdrop—flexi staffing sector estimated to catapult 3x to by FY30. Moreover, the sector's penetration in India at mere 0.5% is one of the lowest globally and entails huge upside potential given the large and growing employable workforce. We are confident of the Indian General Staffing growth story and TeamLease's competitive advantages. Given the positive momentum in operational performance and recent cool-off in valuations led by price correction, we continue to maintain our 'BUY' rating on TeamLease.

Key Risks

We expect the flexi-staffing sector's headcount to grow at least 11-12% p.a. TeamLease, as a dominant player, should be able to post at least this level of growth and this is our base case headcount assumption. Any shortfall in this will be downside a risk to our estimates and target price. Inability of the company to consistently improve margin will be a downside risk to our investment thesis. Higher than-expected competitive pressure leading to lower headcount growth or loss of market share is a downside risk. Any unreasonable acquisition or a failure to efficiently manage any acquired business can lead to downside risks.

Additional Data

Management

CEO & MD	Ashok Kumar Nedurumalli
CFO	Ramani Dathi
Non-Exe/Non-Independent Director	Rituparna Chakraborty
Executive Director	Manish Sabharwal
Auditor	S.R. BATLIBOI & ASSOCIATES LLP

Holdings – Top 10*

	% Holding		% Holding
HR Offshoring V	23.80	Mirae Asset Fin	5.20
NED CON LLP	7.02	SBI Funds Manag	4.69
Franklin Resour	7.02	UTI AMC	4.09
ICICI Pru AMC	6.97	Tata AMC	3.23
Nippon Life Ind	6.30	HDFC AMC	2.75

**Latest public data*

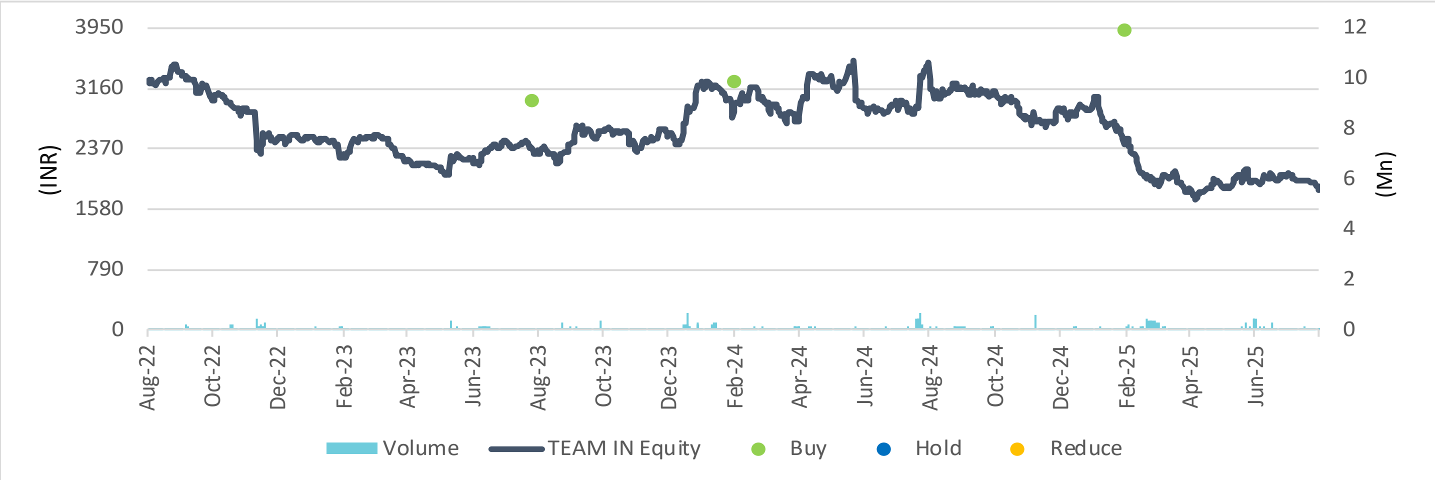
Recent Company Research

Date	Title	Price	Reco
21-May-25	Regulatory headwind constrains growth; *Result Update*	1,987	Buy
29-Jan-25	Quarter broadly in-line; BFSI headwind; *Result Update*	2,681	Buy
06-Nov-24	TeamLease Services (TEAM IN, INR 2,847, ; *Result Update*	2,846	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
31-Jul-25	SIS India	Steady performance across segment; *Result Update*
29-Jul-25	Quess Corp	Growth to rebound; margins surprise; *Result Update*
20-May-25	Quess Corp	Growth hurt by NBFC headwind; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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