

TEAMLEASE SERVICES LTD

Result Update (CONSOLIDATED BASIS): Q3 FY19

CMP: 2734.50
FEB 7th, 2019
Overweight
**ISIN:
INE985S01024**
Index Details
Stock Data

Sector	Sp. Consumer Services
BSE Code	539658
Face Value	10.00
52wk. High / Low (Rs.)	3338.85/1990.10
Volume (2wk. Avg.)	1222
Market Cap (Rs. in mn.)	46751.20

Annual Estimated Results(A*: Actual / E*: Estimated)

Years(Rs. In mn)	FY18A	FY19E	FY20E
Net Sales	36241.15	45267.89	53416.11
EBITDA	844.16	1137.13	1426.60
Net Profit	734.56	989.73	1220.20
EPS	42.96	57.89	71.37
P/E	63.65	47.24	38.31

Shareholding Pattern (%)

	As on Dec 2018	As on Sep 2018
Promoter	40.78	40.78
Public	58.87	58.87
Others	0.35	0.35

1 Year Comparative Graph

TEAMLEASE SERVICES LTD
S&P BSE SENSEX
SYNOPSIS

- TeamLease Services established in 2002, is one of India's leading human resource service companies in the organized segment.
- Consolidated revenue for the 3rd quarter rose by 27.69% to Rs. 11722.33 mn from Rs. 9180.63 mn, in the corresponding period of the previous year.
- During Q3 FY19, consolidated EBIDTA was Rs. 281.43 mn as against Rs. 221.11 mn in the corresponding period of the previous year.
- Consolidated PBT of the company stood at Rs. 243.31 mn in Q3 FY19 as compared to Rs. 188.97 mn in Q3 FY18.
- Consolidated net profit rose by 37.30% at Rs. 252.60 mn in the current quarter as against Rs. 183.98 mn in the corresponding period of the previous year.
- EPS of the company for Q3 FY19 stood at Rs. 14.77 as compared to Rs. 10.76 per share in the corresponding previous year.
- Teamlease Services Ltd nine months revenue grew by 24.09% at Rs. 32842.22 mn as against Rs. 26466.38 mn in 9M FY18.
- Net Profit was Rs. 720.07 mn for 9M FY19 as against Rs. 522.40 mn reflecting YoY growth of 37.84% on nine months basis.
- The company's total employee/ trainee headcount is 211,000 as of December 31, 2018 reflecting an increase of 34,000 on YoY basis and 11,300 on QoQ basis.
- Company's current associate employee headcount is 152,600 and NETAP trainee headcount is 52,500.
- The company has completed acquisition of stake in Avantis RegTech effective November 1, 2018.
- Net Sales and PAT of the company are expected to grow at a CAGR of 21% and 28% over 2017 to 2020E, respectively.

PEER GROUPS	CMP	MARKET CAP	EPS(TTM)	P/E (X)(TTM)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. In mn.	(Rs.)	Ratio	Ratio	(%)
TeamLease Services Ltd	2734.50	46751.20	54.53	50.15	10.59	0.00
Info Edge (India) Ltd	1755.20	214338.30	16.51	106.31	10.17	55.00
SIS Ltd	759.35	55670.00	24.44	31.07	5.41	35.00

QUARTERLY HIGHLIGHTS (PARENT BASIS)

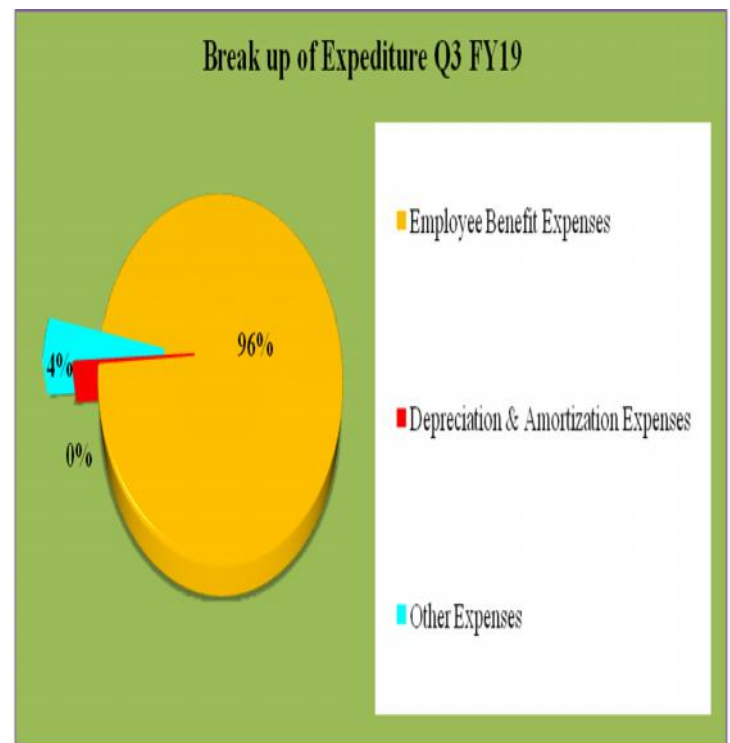
Results updates- Q3 FY19,

(Rs. In millions)	Dec-18	Dec-17	% Change
Revenue	11722.33	9180.63	27.69%
Net Profit	252.60	183.98	37.30%
EPS	14.77	10.76	37.30%
EBIDTA	281.43	221.11	27.28%

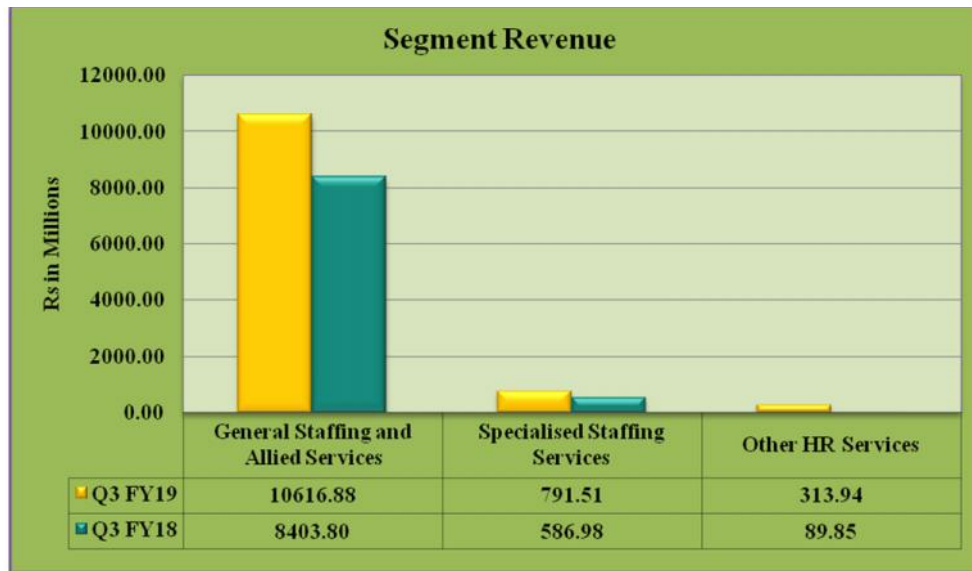
TeamLease Services Ltd's net profit increased by 37.30% to Rs. 252.60 million from Rs. 183.98 million in the corresponding quarter ending of previous year. Revenue for the quarter increased at Rs. 11722.33 million as against Rs. 9180.63 million in the prior year period, registered a growth of 27.69%. Reported earnings per share of the company stood at Rs. 14.77 a share during the quarter, as against Rs. 10.76 per share over previous year period. Profit before interest, depreciation and tax is Rs. 281.43 million as against Rs. 221.11 million in the corresponding period of the previous year, up by 27.28%.

Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q3 FY19	Q3 FY18	% Change
Employee Benefit Expenses	11083.19	8755.03	27%
Depreciation & Amortization Expenses	24.70	24.03	3%
Other Expenses	393.95	246.80	60%



Segment Revenue:



Share of Flexi Staffing:



Business Update

- ❖ The company’s total employee/ trainee headcount is 211,000 as of December 31, 2018 reflecting an increase of 34,000 on YoY basis and 11,300 on QoQ basis.
- ❖ Company’s current associate employee headcount is 152,600 and NETAP trainee headcount is 52,500.
- ❖ The company reduced its funding exposure to 15% in general staffing business from 22% in Q3 FY18 and maintained efficient working capital management.
- ❖ The ratio of general staffing associates/trainees to staffing core employees improved to 260 in Q3 FY19 from 241 in Q2 FY19.
- ❖ The company has completed acquisition of stake in Avantis RegTech effective November 1, 2018.

- ❖ Average realization per associate is Rs. 710 p.m., lower than prior quarters on account of volume mandates and reduced funding exposure.

COMPANY PROFILE

TeamLease Services is one of India's leading human resource companies offering a range of solutions to 3500+ employers for their hiring, productivity and scale challenges. A Fortune India 500 company listed on the NSE & BSE, TeamLease has hired 17 lakhs people over the last 17 years and has 2 lakhs+ open jobs every day. One of India's fastest growing employers, TeamLease also operates India's first Vocational University and India's fastest growing PPP National Employability through Apprenticeship Program. The Company offers solutions to large, medium and small clients across the 3Es of employment (1.5 lakhs+ employees), employability (2 lakhs+ students) and Ease-of-doing Business (1000+ employers).

FINANCIAL HIGHLIGHT (PARENT BASIS)

(A*- Actual, E* -Estimations & Rs. In Millions)

Balance Sheet as of March 31, 2017 -2018E

	FY17A	FY18A	FY19E	FY20E
ASSETS				
1) Non-Current Assets				
a) Property, Plant and Equipment	27.23	54.27	69.46	87.52
b) Goodwill on Consolidation	837.36	1127.51	1443.22	1818.45
c) Investment Property	0.00	193.73	203.42	211.55
d) Other Intangible Assets	204.64	2.19	1.64	1.31
e) Financial Assets				
i) Investments	0.00	269.78	283.27	294.60
ii) Loans	407.46	513.48	605.91	696.79
iii) Others	351.99	418.62	481.41	529.55
f) Deferred Tax Assets	248.43	399.22	550.92	688.65
g) Income Tax Assets	508.13	998.93	1398.51	1818.06
h) Other Non Current Assets	9.35	20.16	3.40	2.55
Sub - Total Non- Current Assets	2594.59	3997.89	5041.15	6149.04
2) Current Assets				
a) Financial Assets				
i) Investments	103.12	323.15	413.63	517.04
ii) Trade Receivables	1729.40	2234.86	2637.14	3059.08
iii) Cash and Cash Equivalents	255.65	729.30	933.50	1176.21
iv) Bank Balances other than Cash Equivalents	1345.86	695.04	556.03	472.63
v) Loans	25.66	13.95	11.44	9.72
vi) Others	607.68	714.31	821.46	920.03
b) Other Current Assets	92.57	129.90	175.37	219.21
c) Assets Classified as held for Sale	22.17	22.17	23.28	24.21
Sub - Total Current Assets	4182.11	4862.69	5571.86	6398.15
Total Assets (1+2)	6776.70	8860.58	10613.01	12547.19
EQUITY AND LIABILITIES				
1) EQUITY				
a) Equity Share Capital	170.97	170.97	170.97	170.97
b) Other Equity	3492.51	4245.70	5235.44	6455.63
Total Equity	3663.48	4416.67	5406.41	6626.60
2) Non Current Liabilities				
a) Financial Liabilities				
i) Borrowings	0.00	0.00	0.00	0.00
b) Provisions	375.09	437.21	502.79	553.07
c) Other Non-Current Liabilities	48.73	48.91	51.35	52.89
Sub - Total Non Current Liabilities	423.82	486.12	554.14	605.96
3) Current Liabilities				
a) Financial Liabilities				
i) Borrowings	10.99	72.87	93.27	116.59
ii) Trade Payables	98.11	176.08	264.12	356.57
iii) Other Financial Liabilities	1539.49	1625.81	1662.55	1712.43
b) Provisions	141.29	224.18	309.37	396.00
c) Income Tax Liabilities	11.22	0.00	0.00	0.00
d) Other Current Liabilities	886.20	1856.75	2320.93	2730.90
e) Assets Classified as held for Sale (Liabilities)	2.10	2.10	2.21	2.14
Sub - Total Current Liabilities	2689.40	3957.79	4652.46	5314.62
Total Equity and Liabilities (1+2+3)	6776.70	8860.58	10613.01	12547.19

Annual Profit & Loss Statement for the period of 2017 to 2020E

Value(Rs.in.mn)	FY17A	FY18A	FY19E	FY20E
Description	12m	12m	12m	12m
Net Sales	30412.94	36241.15	45267.89	53416.11
Other Income	216.69	156.34	170.32	187.35
Total Income	30629.63	36397.49	45438.21	53603.46
Expenditure	-30042.55	-35553.33	-44301.08	-52176.86
Operating Profit	587.08	844.16	1137.13	1426.60
Interest	-10.97	-24.67	-53.32	-63.98
Gross profit	576.11	819.50	1083.81	1362.62
Depreciation	-61.05	-91.58	-107.52	-124.72
Profit Before Tax	515.06	727.91	976.29	1237.90
Tax	60.65	9.22	14.57	-16.46
Profit After Tax	575.70	737.13	990.86	1221.44
Share of Profit/Loss Assoc.	0.00	-2.57	-1.13	-1.24
Net Profit	575.70	734.56	989.73	1220.20
Equity capital	170.97	170.97	170.97	170.97
Reserves	3492.51	4245.70	5235.44	6455.63
Face value	10.00	10.00	10.00	10.00
EPS	33.67	42.96	57.89	71.37

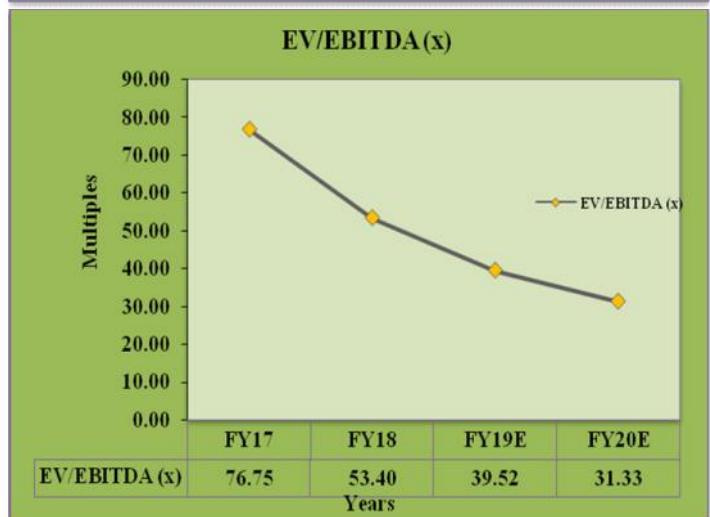
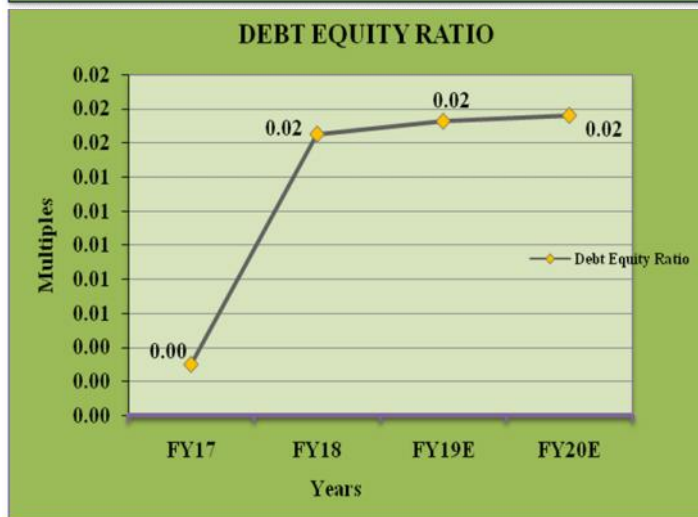
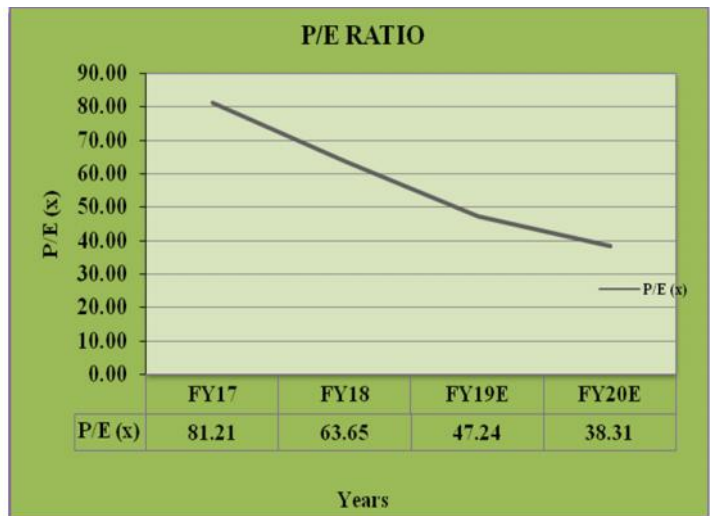
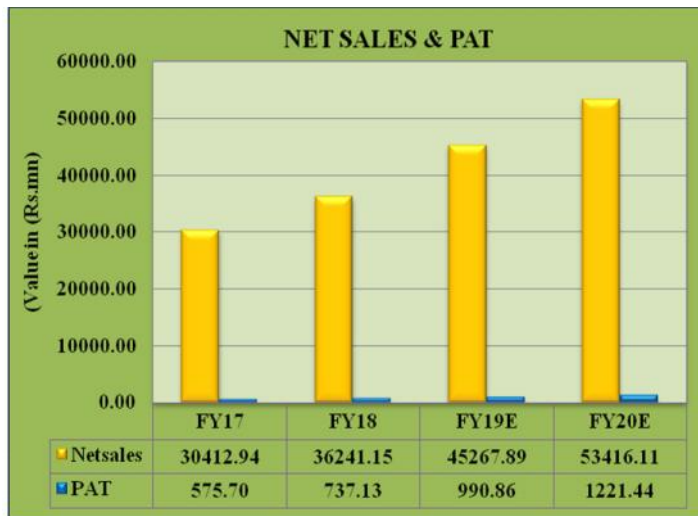
Quarterly Profit & Loss Statement for the period of 30th June, 2018 to 31st Mar, 2019E

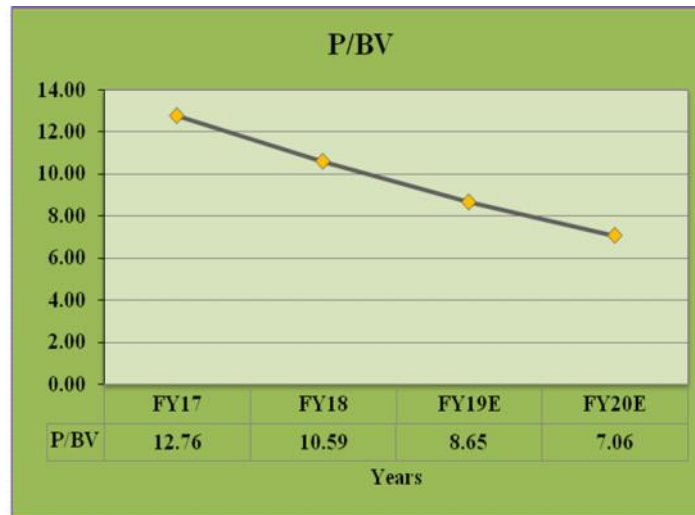
Value(Rs.in.mn)	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19E
Description	3m	3m	3m	3m
Net Sales	10213.32	10906.58	11722.33	12425.67
Other Income	52.40	39.97	36.26	41.69
Total Income	10265.72	10946.55	11758.58	12467.36
Expenditure	-10011.55	-10666.30	-11477.15	-12146.09
Operating Profit	254.17	280.25	281.43	321.27
Interest	-10.73	-13.74	-13.42	-15.43
Gross profit	243.44	266.51	268.02	305.84
Depreciation	-26.70	-28.95	-24.70	-27.17
Profit Before Tax	216.75	237.56	243.31	278.67
Tax	2.67	12.43	8.89	-9.42
Profit after Tax	219.42	249.99	252.20	269.25
Share of Profit & Loss Assoc.	-1.27	-0.67	0.40	0.42
Net Profit	218.15	249.32	252.60	269.67
Equity capital	170.97	170.97	170.97	170.97
Face value	10.00	10.00	10.00	10.00
EPS	12.76	14.58	14.77	15.77

Ratio Analysis

Particulars	FY17A	FY18A	FY19E	FY20E
EPS (Rs.)	33.67	42.96	57.89	71.37
EBITDA Margin (%)	1.93%	2.33%	2.51%	2.67%
PBT Margin (%)	1.69%	2.01%	2.16%	2.32%
PAT Margin (%)	1.89%	2.03%	2.19%	2.29%
P/E Ratio (x)	81.21	63.65	47.24	38.31
ROE (%)	15.71%	16.69%	18.33%	18.43%
ROCE (%)	14.32%	16.76%	18.72%	19.31%
Debt Equity Ratio	0.00	0.02	0.02	0.02
EV/EBITDA (x)	76.75	53.40	39.52	31.33
Book Value (Rs.)	214.28	258.33	316.22	387.59
P/BV	12.76	10.59	8.65	7.06

Charts





OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 2734.50**, the stock P/E ratio is at 47.24 x FY19E and 38.31 x FY20E respectively.
- Earnings per share (EPS) of the company for the earnings for FY19E and FY20E are seen at Rs. 57.89 and Rs. 71.37 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 21% and 28% over 2017 to 2020E, respectively.
- On the basis of EV/EBITDA, the stock trades at 39.52 x for FY19E and 31.33 x for FY20E.
- Price to Book Value of the stock is expected to be at 8.65 x and 7.06 x for FY19E and FY20E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Medium to Long term investment.

INDUSTRY OVERVIEW

As per the CRISIL flexi-staffing industry report, India is the world's second largest labor market. Only around 10% of India's labour force works in formal employment. Redefining the nature of employment and having a greater amount of workers in formal employment will be critical if India's economic development is to become more broad-based, not only in terms of regions, but also in terms of social inclusion.

Globally, the staffing industry has grown considerably over the past few years. According to the CIETT Economic Report 2014, the industry size had reached 11.5 million workers by the end of 2012. Thus, despite the slump in the aftermath of the financial crisis, and the resultant economic slowdown, the industry still had a 7% growth rate over the last decade. A gradual movement towards a more formal set up to employment is anticipated to occur due to various factors such as the increasing number of enterprises turning formal, skills development and regulatory amends in favour of formal and flexi-staffing industries.

Overall current industry growth:

The overall workforce is expected to grow at a CAGR of 2-3% during 2011-2012 to 2018-2019. Sectors such as manufacturing, financial, real estate, business services and retail will continue to have a relatively higher proportion of the workforce. Sectors such as IT enabled services and banking, financial services and insurance are expected to have relatively higher growth in overall employment as compared to other sectors.

The formal workplace is expected to grow at a CAGR of 9-10% during 2011-12 to 2018-2019. This increase will be across sectors as newer labour laws come into force, and the general overall workforce grows. Apart from manufacturing, which is expected to constitute a large amount of the overall formal employee base, sectors such as fast moving consumer goods and logistics are expected to account for a significant proportion of the formal workforce.

Finally, flexi-staffing is expected to grow at a CAGR of around 20-25% between 2013-2014 and 2018-2019. Although there are new upcoming sectors such as e-commerce that will create fresh demand for flexi-staffing in India, the dominance of manufacturing (which has large proportion of un-organized players) in the industry will increase. Amendments to labour laws will increase the occurrence of flexi-staffing being used.

Disclosure Section

The information and opinions in Firstcall Research was prepared by our analysts and it does not constitute an offer or solicitation for the purchase or sale of any financial instrument including any companies scrips or this is not an official confirmation of any transaction. The information contained herein is from publicly available secondary sources and data or other secondary sources believed to be reliable but we do not represent that it is accurate or complete and it should not be relied on as such. Firstcall Research or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Firstcall Research and/or its affiliates and/or employees will not be liable for the recipients' investment decision based on this document.

Analyst Certification

The following analysts hereby state that their views about the companies and sectors are on best effort basis to the best of their knowledge. Unless otherwise stated, the individuals listed on the cover page of this report are research analysts. The analyst qualifications, sectors covered and their exposure if any are tabulated hereunder:

Name of the Analyst	Qualifications	Sectors Covered	Exposure/Interest to company/sector Under Coverage in the Current Report
Dr.C.V.S.L. Kameswari	M.Sc, PGDCA, M.B.A, Ph.D (Finance)	Pharma & Diversified	No Interest/ Exposure
U. Janaki Rao	M.B.A	Capital Goods	No Interest/ Exposure
B. Anil Kumar	M.B.A	Auto, IT & FMCG	No Interest/ Exposure
V. Harini Priya	M.B.A	Diversified	No Interest/ Exposure

Important Disclosures on Subject Companies

In the next 3 months, neither Firstcall Research nor the Entity expects to receive or intends to seek compensation for any services from the company under the current analytical research coverage. Within the last 12 months, Firstcall Research has not received any compensation for its products and services from the company under the current coverage. Within the last 12 months, Firstcall Research has not provided or is providing any services to, or has any client relationship with, the company under current research coverage.

Within the last 12 months, Firstcall Research has neither provided or is providing any services to and/or in the past has not entered into an agreement to provide services or does not have a client relationship with the company under the research coverage.

Certain disclosures listed above are also for compliance with applicable regulations in various jurisdictions. Firstcall Research does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, No-Weight and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all weights used in Firstcall Research. In addition, since Firstcall Research contains more complete information concerning the analyst's views, investors should carefully read Firstcall Research, in its entirety, and not infer the contents from the weightages assigned alone. In any case, weightages (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell should depend on individual circumstances (such as the investor's own discretion, his ability of understanding the dynamics, existing holdings) and other considerations.

Analyst Stock Weights

Overweight (O): The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E): The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

No-weight (NR): Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U): The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the weights included in Firstcall Research does not indicate any price targets. The statistical summaries of Firstcall Research will only indicate the direction of the industry perception of the analyst and the interpretations of analysts should be seen as statistical summaries of financial data of the companies with perceived industry direction in terms of weights.

Firstcall Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Firstcall Research. The reports of Firstcall Research are for Information purposes only and is not to be construed as a recommendation or a solicitation to trade in any securities/instruments. Firstcall Research is not a brokerage and does not execute transactions for clients in the securities/instruments.

Firstcall Research - Overall Statement		
S. No	Particulars	Remarks
1	Comments on general trends in the securities market	Full Compliance in Place
2	Discussion is broad based and also broad based indices	Full Compliance in Place
3	Commentaries on economic, political or market conditions	Full Compliance in Place
4	Periodic reports or other communications not for public appearance	Full Compliance in Place
5	The reports are statistical summaries of financial data of the companies as and where applicable	Full Compliance in Place
6	Analysis relating to the sector concerned	Full Compliance in Place
7	No material is for public appearance	Full Compliance in Place
8	We are no intermediaries for anyone and neither our entity nor our analysts have any interests in the reports	Full Compliance in Place
9	Our reports are password protected and contain all the required applicable disclosures	Full Compliance in Place
10	Analysts as per the policy of the company are not entitled to take positions either for trading or long term in the analytical view that they form as a part of their work	Full Compliance in Place
11	No conflict of interest and analysts are expected to maintain strict adherence to the company rules and regulations.	Full Compliance in Place
12	As a matter of policy no analyst will be allowed to do personal trading or deal and even if they do so they have to disclose the same to the company and take prior approval of the company	Full Compliance in Place
13	Our entity or any analyst shall not provide any promise or assurance of any favorable outcome based on their reports on industry, company or sector or group	Full Compliance in Place



14	Researchers maintain arms length/ Chinese wall distance from other employees of the entity	Full Compliance in Place
15	No analyst will be allowed to cover or do any research where he has financial interest	Full Compliance in Place
16	Our entity does not do any reports upon receiving any compensation from any company	Full Compliance in Place

Firstcall Research Provides

Industry Research on all the Sectors and Equity Research on Major Companies forming part of Listed and Unlisted Segments

*For Further Details Contact:
Mobile No: 09959010555*

*E-mail: info@firstobjectindia.com
info@firstcallresearch.com
www.firstcallresearch.com*