

# Teamlease Services

## Growth and margin recovery

Teamlease reported revenue growth of 8.4% QoQ, led by strong volume growth in general staffing and a sharp recovery in HR services, offset by continued weakness in specialised staffing. Margins improved by 33bps QoQ to 1.2% (in line with our estimate), led by (1) operational efficiency in general staffing, (2) positive contribution from HR services, (3) higher margin in specialised staffing led by GCCs, and (4) recovery in the higher-margin DA segment. The general staffing PAPM declined sequentially, while the volume growth was strong (+18.8% YoY), led by consumer, manufacturing, and BFSI verticals. The DA headcount registered strong growth for the second consecutive quarter and supported margin expansion. We continue to remain positive on the growth story, underpinned by (1) volume growth in general staffing and the DA segment, (2) new logo addition with variable markup, (3) growth in HR services, and (4) government focus on employment generation. The EBITDA margin will gradually improve to ~1.5%, led by a change in revenue mix to higher margin segments (HR and specialised staffing), lower wage inflation, stable core cost, and reduced sourcing cost from the implementation of the hire tech platform. We lower our EPS estimates for FY26/27E by ~8/3% due to slower margin expansion and an increase in the effective tax rate. We maintain our ADD rating with a TP of INR 3,500, based on 26x Dec-26E EPS. The stock is trading at a P/E of 36/27x FY25/26E EPS.

- Q2FY25 highlights:** Revenue stood at INR 27.97bn, up 8.4%/23.1 QoQ/ YoY, led by 8/110% QoQ growth in general/ other HR services, offset by 1.5% decline in Specialised Staffing. The PAPM declined to INR 670 (vs 679 in Q1) and the associate/core ratio improved to 383. EBITDA margin for core staffing/specialised staffing/HR services stood at 1.1/7.9/1.8%. The focus is on adding new clients (added 37/23 new logos in general staffing/DA) and delivering ~15-20% volume growth in general staffing. Net associate addition for DA was 2,920 and growth will be driven by NAPS and WILP. Specialised Staffing headcount declined by 230 associates led by weak IT hiring. Net cash stood at INR 5.55bn (~12% of market cap).
- Outlook:** We expect revenue growth of 22.2/22.1/21.9% and an EBITDA margin of 1.3/1.5/1.6% in FY25/26/27E respectively, leading to revenue and EPS CAGRs of 22% and 31% over FY24-27E.

### Quarterly financial summary (consolidated)

YE March (INR bn)	2Q FY25	2Q FY24	YoY (%)	1Q FY25	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	27.97	22.73	23.1	25.80	8.4	64.80	78.70	93.22	113.91	139.11	169.62
EBITDA	0.33	0.32	5.4	0.22	50.3	1.42	1.22	1.31	1.46	2.06	2.73
APAT	0.25	0.27	(9.9)	0.21	18.2	1.10	1.14	1.09	1.32	1.78	2.41
Diluted EPS (INR)	14.7	16.3	(9.9)	12.4	18.2	64.5	66.5	64.8	78.6	106.4	144.0
P/E (x)						44.2	42.8	43.9	36.2	26.8	19.8
EV / EBITDA (x)						32.0	36.5	33.7	29.2	19.9	14.1
RoE (%)						16.4	15.1	13.5	15.3	17.5	19.6

Source: Company, HSIE Research

### Change in estimate

Rs Bn	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY26E Revised	Change %
Revenue	113.36	113.91	0.5	139.59	139.11	(0.3)	169.39	169.62	0.1
EBITDA	1.52	1.46	(3.7)	2.13	2.06	(3.4)	2.70	2.73	0.9
EBITDA margin (%)	1.34	1.28	-6bps	1.53	1.48	-5bps	1.59	1.61	1bps
APAT	1.41	1.32	(6.5)	1.93	1.78	(7.6)	2.48	2.41	(2.6)
EPS (INR)	83.8	78.6	(6.2)	115.4	106.4	(7.8)	147.7	144.0	(2.5)

Source: Company, HSIE Research

## ADD

CMP (as on 6 Nov 2024)	INR 2,847
Target Price	INR 3,500
NIFTY	24,484

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 3,900	INR 3,500
EPS %	FY25E	FY26E
	-6.2	-7.8

### KEY STOCK DATA

Bloomberg code	TEAM IN
No. of Shares (mn)	17
MCap (INR bn) / (\$ mn)	48/566
6m avg traded value (INR mn)	152
52 Week high / low	INR 3,700/2,351

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(5.8)	(9.4)	20.1
Relative (%)	(8.1)	(18.1)	(3.7)

### SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	31.61	31.61
FIs & Local MFs	31.81	34.60
FPIs	28.71	24.72
Public & Others	7.87	9.07
Pledged Shares	1.59	1.59

Source : BSE

Pledged shares as % of total shares

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