

TeamLease

Estimate change



TP change



Rating change



CMP: INR1,992

TP: INR2,300 (+15%)

Buy

Soft quarter, selective strength

BFSI and IT drag offset by growth in EdTech, telecom, and GCCs

- TeamLease (TEAM)'s 4QFY25 revenue growth of 17% was in line with our estimate of +16% YoY. General Staffing declined by 4% QoQ, while specialized staffing/HR services grew 7%/44% QoQ. EBITDA margin of 1.7% was ahead of our expectation of 1.5%. EBITDA grew by 37% QoQ, backed by catch-up billing in Edtech and inorganic contribution. Adj. PAT at INR380m was up 38% YoY/34% QoQ. For FY25, adj. PAT stood at INR1,100m. The company's revenue/EBITDA/PAT grew 20%/6%/2% YoY in FY25. We expect revenue/EBITDA/PAT to grow 17%/54%/57% YoY (due to low base) in 1QFY26. **We reiterate our BUY rating with a TP of INR3,200.**

Our view: BFSI headwinds largely behind

- General staffing's 4QFY25 performance was subdued, with a 4% QoQ decline, impacted by scheduled BFSI ramp-down.** Growth in consumer durables, telecom, and e-commerce supported the addition of 25,000 associates during FY25, with 37% sourced from new clients. BFSI remained mixed through the year, but we believe the insourcing impact from the RBI circular is largely behind. While PAPM declined modestly by INR5 QoQ, we believe a diversified client portfolio and variable mark-up structure (71% of contracts) should help TEAM sustain realizations.
- Specialized staffing continues to face IT hiring challenges, with softer demand likely in early FY26; however, GCCs remain a strong growth driver.** With GCCs representing 60% of segment revenue, and supported by the Ikigai acquisition, we believe PAPM gains in this segment reflect improving value-chain positioning.
- HR services showed sharp profit recovery in 4Q,** driven by EdTech catch-up billing and integration of TSR Darashaw and Crystal HR, which we believe will support margin stability going forward. The company targets 20-25% revenue growth and 5-6% EBITDA margins in EdTech in FY26.
- Overall, while near-term pressures persist, the company's focus on high-margin clients and operational efficiencies should drive a gradual margin recovery. We estimate EBITDA margins to improve to 1.5%/1.6% in FY26/FY27E.

Valuation and revisions to our estimates

- We remain positive on the medium- to long-term opportunities owing to gains from the formalization of the labor market. We cut our FY26/FY27 estimates by ~4%/6%, reflecting a mixed 4Q performance and expected softness in General Staffing due to subdued BFSI hiring (~22% of revenue). **We reiterate our BUY rating with a TP of INR2,300 (19x FY27E EPS).**

Bloomberg	TEAM IN
Equity Shares (m)	17
M.Cap.(INRb)/(USDb)	33.4 / 0.4
52-Week Range (INR)	3700 / 1641
1, 6, 12 Rel. Per (%)	4/-33/-52
12M Avg Val (INR M)	140

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	111.6	130.3	150.2
EBIT Margin (%)	0.8	1.1	1.2
Adj. PAT	1.1	1.8	2.0
EPS (INR)	64.9	105.4	118.7
EPS Gr. (%)	0.1	62.4	12.6
BV/Sh. (INR)	539.8	643.8	760.9

Ratios

RoE (%)	12.7	17.6	16.7
RoCE (%)	11.4	14.9	14.5
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	30.7	18.9	16.8
P/BV (x)	3.7	3.1	2.6
EV/EBITDA (x)	25.2	17.5	14.6
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	31.6	31.6	31.6
DII	47.6	37.1	34.1
FII	11.1	21.9	27.1
Others	9.7	9.4	7.3

FII Includes depository receipts

In-line revenue and beat on margins; 107 new logos secured

- Revenue declined 2% QoQ but grew 17% YoY, broadly in line with our estimate of 16% YoY growth. For FY25, revenue stood at INR112b, up 20% YoY.
- General Staffing declined by 4% QoQ, while specialized staffing/HR services grew 7%/44% QoQ.
- General Staffing associates declined 2% QoQ to ~292k. Specialized Staffing's headcount was down by 80 (-1% QoQ). GCCs now account for 60% of the total Specialized Staffing revenue and 40% of the headcount. At the group level, there was a net impact of ~7k headcount on account of scheduled BFSI headcount attrition.
- EBITDA margin of 1.7% was ahead of our expectation of 1.5%. EBITDA grew by 37% QoQ, backed by catch-up billing in Edtech and inorganic contribution.
- 107 new logos were added during the quarter.
- Adj. PAT at INR380m was up 38% YoY/34% QoQ. For FY25, adj. PAT stood at INR1,100m.

Key highlights from the management commentary

- 1HFY25 saw broad-based growth, while 2H was hampered by sectoral headwinds. TEAM is well-positioned for cost optimization and growth in FY26.
- 4QFY25 was more of a period of consolidation than expansion. At the group level, there was a net reduction of ~7K headcount, primarily due to scheduled BFSI attrition following regulatory changes. This impacted EBITDA by ~INR15m.
- **In General Staffing**, BFSI was a mixed bag in FY25; hiring slowed down. Credit card issuers saw some decline, resulting in a downstream impact.
- E-commerce and quick commerce sectors remained positive. Telecom (ISPs, equipment manufacturers) showed growth among service providers.
- E-commerce exposure is ~10% of headcount. In quick commerce, the company is involved with workforce in dark stores; attrition is 70% per month.
- Consumer durables and retail registered growth due to increasing formalization in the sector.
- **In Specialized Staffing**, the IT hiring landscape continues to face macro challenges. There are delays in closing open positions, though high-level tech roles are still in demand.
- Demand continues in BFSI and high-tech sectors. The BOT model has enabled value-chain progression.

Valuation and view

- As both the central and state governments look to liberalize and formalize the labor market, TEAM should be among the biggest direct beneficiaries in the medium term.
- We cut our FY26/FY27 estimates by ~4/6%, reflecting a mixed 4Q performance and expected softness in General Staffing due to subdued BFSI hiring (~22% of revenue). **We reiterate our BUY rating with a TP of INR2,300 (19x FY27E EPS).**

Consolidated Quarterly Performance

(INR M)

	FY24				FY25				FY24	FY25	Est.	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QFY25	(% / bp)
Revenue	21,716	22,726	24,454	24,320	25,799	27,968	29,213	28,579	93,215	1,11,559	28,226	1%
YoY Change (%)	16%	16%	22%	20%	19%	23%	19%	18%	18%	20%	16%	
Total Expenditure	21,453	22,409	24,093	23,953	25,576	27,634	28,864	28,104	91,907	1,10,178	27,794	1%
Reported EBITDA	263	318	361	367	223	335	349	475	1,308	1,381	432	10%
Margins (%)	1.2%	1.4%	1.5%	1.5%	0.9%	1.2%	1.2%	1.7%	1.4%	1.2%	1.5%	13bp
Reported EBIT	138	188	225	231	91	196	216	341	783	844	294	16%
Margins (%)	0.6%	0.8%	0.9%	0.9%	0.4%	0.7%	0.7%	1.2%	0.8%	0.8%	1.0%	15bp
Interest	21	25	31	26	30	44	32	42	102	148	32	30%
Other Income	140	130	100	90	141	107	102	97	461	447	100	-3%
PBT before EO expense	258	294	294	295	202	259	286	397	1,141	1,144	362	10%
Extra-Ord expense	0	0	-35	0	0	0	0	0	-35	0	0	
Reported PBT	258	294	329	295	202	259	286	397	1,176	1,144	362	10%
Tax	1	18	18	14	8	11	2	20	51	40	12	
Rate (%)	0%	6%	6%	5%	4%	4%	1%	5%	4%	4%	3%	150bp
Adjusted PAT	258	276	275	274	194	249	284	379	1,082	1,105	349	8%
YoY Change (%)	-3%	-13%	-5%	12%	-25%	-10%	3%	38%	-3%	2%	28%	1076bp
Margins (%)	1.2%	1.2%	1.1%	1.1%	0.8%	0.9%	1.0%	1.3%	1.2%	1.0%	1.2%	9bp
Reported PAT	258	276	310	274	194	249	284	379	1,118	1,105	349	8%
YoY Change (%)	-3%	-13%	7%	3%	-25%	-10%	-8%	38%	-2%	-1%	28%	1076bp
Margins (%)	1.2%	1.2%	1.3%	1.1%	0.8%	0.9%	1.0%	1.3%	1.2%	1.0%	1.2%	9bp

Key Performance Indicators

Y/E March	FY24				FY25				FY24	FY25
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Headcount										
General staffing associates	2,36,900	2,51,150	2,58,500	2,67,000	2,82,450	2,98,300	2,99,600	2,92,150	2,67,000	2,92,150
Apprentices	42,600	42,100	43,150	44,800	42,350	45,270	47,200	47,300	44,800	47,300
Specialised staffing	8,320	8,375	7,600	7,230	6,900	6,670	6,700	6,620	7,230	6,620
Revenue										
General staffing	20,024	20,910	22,553	22,419	24,139	26,094	27,207	26,230	85,906	1,03,669
Specialised staffing	1,398	1,443	1,580	1,465	1,446	1,425	1,472	1,581	5,886	5,924
Other HR Services	294	373	320	436	214	450	533	768	1,423	1,965
Operating Margins										
General staffing	1.2	1.2	1.2	1.2	0.9	0.9	1.0	1.0	1.2	1.0
Specialised staffing	6.2	6.2	6.4	6.6	6.0	7.5	7.4	7.0	6.4	7.0
Other HR Services	(8.9)	3.8	3.8	6.0	(44.8)	(1.8)	(2.9)	19.0	1.9	1.3



Key highlights from the management commentary

Demand and growth outlook

- 1HFY25 saw broad-based growth, while 2H was tempered by sectoral headwinds. TEAM is well-positioned for cost optimization and growth in FY26.
- 4QFY25 was more of a period of consolidation than expansion. At the group level, there was a net reduction of ~7K headcount, primarily due to scheduled BFSI attrition following regulatory changes. This impacted EBITDA by ~INR15m.
- **In General Staffing**, BFSI was a mixed bag in FY25; hiring slowed down. Credit card issuers saw some decline, resulting in a downstream impact.
- Around 25k associates were added during the year, primarily led by Consumer and Telecom sectors. Of these, 37% were from new clients.
- The RBI's restoration of RWA weights could be favorable for demand. Impact cannot be ascertained as of now.
- E-commerce and quick commerce sectors remained positive. Telecom (ISPs, equipment manufacturers) showed growth among service providers.
- E-commerce exposure is ~10% of headcount. In quick commerce, the company is involved with workforce in dark stores; attrition is 70% per month.
- Consumer durables and retail registered growth due to increasing formalization in the sector.
- Sales momentum is stable; 102 new client logos were signed during the year.
- 71% of customers are on variable mark-up contracts for FY25. Associate mix: 25% in BFSI, 35% in Telecom, 10% in E-commerce, and the balance in Manufacturing.
- PAPM stood at INR665, down INR5 QoQ and INR14 YoY. A portfolio play between sectors and customers should help TEAM sustain PAPM.
- The insourcing impact in BFSI due to the RBI circular is largely behind. Some demand is returning.
- **In Specialized Staffing**, the IT hiring landscape continues to face macro challenges. There are delays in closing open positions, though high-level tech roles are still in demand.
- GCCs now account for 60% of Specialized Staffing revenue and 40% of headcount. The company has currently partnered with 75 GCCs.
- Completed 80% acquisition of Ikigai Enablers Pte. This will enhance IT staffing in Singapore and the Middle East, though growth is currently in low volume.
- The IT hiring landscape continues to face macro challenges. There are delays in closing open positions, though high-level tech roles are still in demand. Softer demand may persist in 1HFY26.
- Demand continues in BFSI and high-tech sectors. The BOT model has enabled value-chain progression.
- **In HR Services segment**, catch-up billing for the EdTech vertical was completed in 4QFY25, leading to a sharp recovery in profits.
- The integration of TSR Darashaw HR Services and Crystal HR is complete and contributed ~INR10m to EBITDA in 4QFY25.
- HRTech services are being leveraged for upselling to existing customers. This can help to sustain margins in case of PAPM pressure.
- The company expects 20-25% revenue growth and 5-6% EBITDA margins in this vertical in FY26.
- The withdrawal of the NEEM scheme has led to some margin dilution.

- There was a slowdown and backlog in Direct Benefit Transfer (DBT) from the government to corporates for apprenticeships. This issue was resolved in late Feb'25, triggering a recovery in demand.

Margin outlook

- EBITDA margin stood at 1.7%. EBITDA grew 37% QoQ, supported by catch-up billing in EdTech and inorganic contributions.
- EBITDA in Staffing & Allied Services was flat due to NEEM headcount attrition impact in 1H and flat headcount addition in 2H.
- Improved GCC mix has strengthened EBITDA in Specialized Staffing. Margins of 7.3-7.4% are seen as sustainable in this segment.
- The company focuses on expanding absolute profits rather than margins, as it does not control staff salaries. It targets 20-25% growth in the General Staffing business.

Valuation and view:

- As both the central and state governments look to liberalize and formalize the labor market, TEAM should be among the biggest direct beneficiaries in the medium term.
- We cut our FY26/FY27 estimates by ~4/6%, reflecting a mixed 4Q performance and expected softness in General Staffing due to subdued BFSI hiring (~22% of revenue). **We reiterate our BUY rating with a TP of INR2,300 (19x FY27E EPS).**

Exhibit 1: Summary of our revised estimates

	Revised		Earlier		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue (INR m)	1,30,343	1,50,228	1,29,724	1,49,579	0.5%	0.4%
Rev. growth (%)	16.8%	15.3%	16.7%	15.3%	20bps	0bps
EBITDA (INR mn)	1,952	2,246	2,014	2,309	-3.1%	-2.7%
EBITDA margin (%)	1.50%	1.49%	1.55%	1.54%	-6bps	-5bps
EBIT (INR mn)	1,452	1,766	1,514	1,829	-4.1%	-3.5%
EBIT margin (%)	1.1%	1.2%	1.2%	1.2%	-10bps	0bps
EPS (INR)	105.4	118.7	109.1	126.5	-3.5%	-6.2%

Source: MOFSL

Financials and valuations

Income Statement							(INR m)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	52,007	48,815	64,798	78,700	93,215	1,11,559	1,30,343	1,50,228
Change (%)	16.9	-6.1	32.7	21.5	18.4	19.7	16.8	15.3
Employee Benefit Expense	49,365	46,870	61,807	75,698	89,799	1,06,172	1,23,160	1,41,954
Other Expense	1,691	960	1,567	1,779	2,108	4,005	5,230	6,028
Total Expenditure	51,056	47,830	63,375	77,477	91,907	1,10,178	1,28,391	1,47,982
As a percentage of Sales	98.2	98.0	97.8	98.4	98.6	98.8	98.5	98.5
EBITDA	951	985	1,424	1,223	1,308	1,381	1,952	2,246
Margin (%)	1.8	2.0	2.2	1.6	1.4	1.2	1.5	1.5
Depreciation	286	337	408	432	525	537	500	480
EBIT	665	648	1,016	791	783	844	1,452	1,766
Int. and Finance Charges	123	69	40	57	102	148	80	80
Other Income	288	336	197	439	461	449	480	400
PBT bef. EO Exp.	830	915	1,173	1,174	1,141	1,145	1,852	2,086
EO Items	0	-30	-750	-23	35	0	0	0
PBT	830	885	423	1,150	1,176	1,145	1,852	2,086
Total Tax	480	101	61	35	51	40	74	83
Tax Rate (%)	57.8	11.4	14.4	3.0	4.3	3.5	4.0	4.0
Minority Interest	0	0	0	0	-8	0	0	0
Reported PAT	350	785	362	1,115	1,118	1,105	1,778	2,002
Adjusted PAT	836	887	1,112	1,139	1,082	1,105	1,778	2,002
Change (%)	-14.7	6.1	25.4	2.4	-4.9	2.1	60.9	12.6
Margin (%)	1.6	1.8	1.7	1.4	1.2	1.0	1.4	1.3

Balance Sheet							(INR m)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	171	171	171	171	168	168	168	168
Total Reserves	5,550	6,389	6,887	8,034	7,945	9,062	10,840	12,842
Net Worth	5,721	6,560	7,058	8,205	8,113	9,230	11,007	13,009
Total Loans	1,854	1,070	1,702	2,100	2,221	2,320	2,320	2,320
Capital Employed	7,575	7,630	8,760	10,305	10,334	11,549	13,327	15,329
Net Fixed Assets	2,360	2,499	2,512	2,432	2,350	2,771	2,387	1,966
Total Investments	253	700	533	1,939	30	756	756	756
Curr. Assets, Loans, and Adv.	9,795	9,860	12,332	13,239	16,909	17,856	20,018	22,440
Account Receivables	2,959	2,777	3,697	3,803	4,496	4,913	6,418	7,499
Cash and Bank Balance	126	2,593	1,765	1,495	1,679	949	1,605	2,947
Loans and Advances	6,710	4,490	6,870	7,942	10,734	11,994	11,994	11,994
Curr. Liability and Prov.	4,977	5,478	6,644	7,373	9,035	9,897	9,897	9,897
Other Current Liabilities	4,490	4,962	6,010	6,632	8,206	8,756	8,756	8,756
Provisions	487	516	634	741	829	1,141	1,141	1,141
Net Current Assets	4,818	4,382	5,688	5,867	7,874	7,959	10,121	12,543
Deferred Tax assets	144	50	26	68	80	63	63	63
Appl. of Funds	7,575	7,630	8,760	10,305	10,334	11,549	13,327	15,329

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	20.5	47.1	22.5	65.1	64.8	64.9	105.4	118.7
Cash EPS	65.6	71.6	88.9	91.9	94.0	96.0	133.2	145.2
BV/Share	334.6	383.7	412.8	479.9	474.5	539.8	643.8	760.9
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)								
P/E ratio	97.3	42.3	88.7	30.6	30.7	30.7	18.9	16.8
Cash P/E ratio	30.4	27.8	22.4	21.7	21.2	20.7	15.0	13.7
P/BV ratio	6.0	5.2	4.8	4.2	4.2	3.7	3.1	2.6
EV/Sales ratio	0.7	0.7	0.5	0.4	0.4	0.3	0.3	0.2
EV/EBITDA ratio	37.6	33.0	23.9	28.4	26.0	25.2	17.5	14.6
FCF per share	-3.5	171.4	-11.4	62.4	58.0	43.8	15.3	60.9
Return Ratios (%)								
RoE	15.0	14.4	16.3	14.9	13.3	12.7	17.6	16.7
RoCE	5.8	11.5	12.7	12.5	11.5	11.4	14.9	14.5
RoIC	4.5	10.0	16.1	11.5	9.7	8.8	13.4	15.0
Working Capital Ratios								
Asset Turnover (x)	6.9	6.4	7.4	7.6	9.0	9.7	9.8	9.8
Debtor (Days)	21	21	21	18	18	16	18	18
Leverage Ratio (x)								
Current Ratio	2.0	1.8	1.9	1.8	1.9	1.8	2.0	2.3
Interest Coverage Ratio	5.4	9.4	25.6	13.9	7.6	5.7	18.1	22.1
Net Debt/Equity ratio	0.3	-0.3	-0.1	-0.2	0.1	0.1	0.0	-0.1

Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	851	885	456	1,150	1,177	1,145	1,852	2,086
Depreciation	286	337	408	432	525	537	500	480
Interest and Finance Charges	122	-93	608	-246	-287	-149	-400	-320
Direct Taxes Paid	-855	1,378	-593	-761	-488	-280	-74	-83
(Inc.)/Dec. in WC	-307	525	-939	687	251	-210	-1,506	-1,081
CF from Operations	97	3,033	-61	1,262	1,178	1,044	372	1,081
Others	0	0	0	0	0	0	0	0
CF from Operations incl. EO	97	3,033	-61	1,262	1,178	1,044	372	1,081
(Inc.)/Dec. in FA	-157	-103	-134	-196	-205	-310	-116	-60
Free Cash Flow	-61	2,930	-195	1,067	973	734	256	1,022
(Pur.)/Sale of Investments	-431	-743	-807	-1,134	391	-1,439	0	0
Others	115	723	305	99	335	273	400	320
CF from Investments	-473	-123	-636	-1,232	520	-1,475	284	260
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	117	-378	-100	-177	-213	-202	0	0
Interest Paid	-118	-66	-31	125	-1,301	-148	0	0
CF from Fin. Activity	-1	-444	-131	-53	-1,514	-350	0	0
Inc./Dec. in Cash	-377	2,467	-828	-22	185	-782	656	1,342
Opening Balance	504	127	2,593	1,516	1,495	1,679	898	1,605
Closing Balance	127	2,593	1,765	1,495	1,679	898	1,554	2,947

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

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