MOTILAL OSWAL

19 December 2017
Update | Sector: Others

TeamLease Services

BSE SENSEX	S&P CNX
33,837	10,463

Stock Info

Bloomberg	TEAM IN
Equity Shares (m)	17
52-Week Range (INR)	2336 / 850
1, 6, 12 Rel. Per (%)	9/44/97
M.Cap. (INR b)	34.4
M.Cap. (USD b)	0.5
Avg Val, INRm	30
Free float (%)	56.8

Financials Snapshot (INR b)

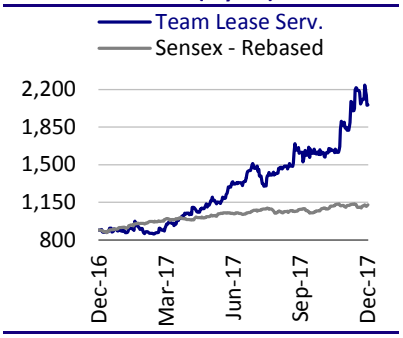
Y/E Mar	2017	2018E	2019E
Net Sales	30.4	37.5	45.9
EBITDA	0.4	0.6	0.8
PAT	0.7	0.7	1.1
EPS (INR)	38.8	43.2	64.2
Gr. (%)	167.6	11.4	48.4
BV/Sh (INR)	222.9	266.1	330.3
RoE (%)	19.2	17.7	21.5
RoCE (%)	19.0	17.9	21.5
P/E (x)	51.9	46.5	31.4
P/BV (x)	9.0	7.6	6.1

Shareholding pattern (%)

As On	Sep-17	Jun-17	Sep-16
Promoter	43.2	43.5	45.6
DII	14.8	17.1	13.8
FII	21.6	18.9	19.2
Others	20.4	20.5	21.4

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR2,014 TP: INR2,500(+24%) Buy

More ups than downs

Valuation support vectors surmount risks; reiterate Buy

- **In the backdrop of a limited listed history, lack of comparables to take cues from and the yet-developing understanding of underlying business dynamics, we add context and perspective to existing valuation metrics.**
- **The exercise leads us to believe that an extension of the time horizon coupled with a natural evolution of the business make a case for significant valuation triggers from current levels – in line with the benefits of a long-term growth story unfolding.**
- **Sustained superiority of financial performance because of industry trends, business model and operational excellence continue strengthening our positive long-term view on the stock.**

PEGging to growth: TEAM is currently trading at 31x FY19E and 23x FY20E earnings, which when observed contextually does not appear steep. At 40% earnings CAGR over FY18-20, a PEG of 0.7x is lower than that observed globally across cycles. A PEG of 1x may be deemed par-for-the-course given the multi-year-high-growth opportunity, and that translates to a 40% upside.

A short-lived discord: While the stock seems undervalued on P/E, the fact that it is trading at an EV of 37x FY19E and 27x FY20E EBITDA gives the impression of it being rightly-priced, adjusted for growth (33% CAGR). However, when the time horizon is extended longer, and we consider the possibility of cash deployment (through acquisitions or dividends) and a gradual increase of tax rates five years hence, this disconnect will disappear, as EBITDA growth will exceed PAT growth.

A different take on margins: Sub-2% EBITDA margin can deceive into belief of TEAM walking on thin ice. However, that remains a function of the high pass-through component in the business (salary for staffed associates). If TEAM's commissions are considered as revenue (that is, taking the pass-through component out of P&L), we land up with >85% gross margin and >45% EBITDA margin as of FY17. Valuation metrics remain unmoved, as absolute profitability remains unchanged from this angle; and this should allay any concerns around the business hitting the red on margins.

Add to that the cash flow characteristics…: Steady working capital needs and minimal capital expenditure makes staffing a high cash generation (and conversion) business. While 1.1/1.2% FCF margin on FY19/20E doesn't reflect this métier, ignore the pass-through and you're looking at margins of 24/25%.

…combined with capital allocation comfort: The options for the cash are acquisitions and dividends. Even if the payout ratio is increased gradually as the absolute amount of FCF moves higher (along with the cumulative cash balance), the business has the potential to throw back 30-80% of PAT back at investors. A dividend yield would act as additional support to valuations and also improve return ratios once the cash starts bloating the denominator.

Sagar Lele – Research Analyst (Sagar.Lele@MotilalOswal.com); +91 22 6129 1531
Ashish Chopra – Research Analyst (Ashish.Chopra@MotilalOswal.com); +91 22 6129 1530

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

What can go wrong? Apart from the risks of macroeconomic downturns, an additional factor has been the claw back of 80JJAA tax benefits, resulting in a 35% upgrade to earnings estimates. Zero tax till FY23 (based on incremental addition of resources paid below INR25,000 per month) followed by a gradual move to 30% by FY28 contributes INR225 to our fair value computation, thereby limiting the risk to 9% of CMP in case of policy reversals around the taxation benefits.

Valuation and view: We value TEAM using DCF to reach a price target of INR2,500 (24% upside); our price target has increased by 9%, led by an upward adjustment to our profitability estimates. At 31/23x FY19/20E earnings, valuations are rich, living up to our growth expectations – 23% revenue CAGR, 33% EBITDA CAGR, and 41% PAT CAGR over FY18-20. Sustained superiority of financial performance because of industry trends, business model and operational excellence continue strengthening our positive long-term view on the stock. **Buy**.

Expensive? Not really

Five parameters that highlight headroom on valuations

#1 – Just how expensive are current valuations?

Led by strong revenue growth, multiple margin levers and the availing of tax benefits, we expect TEAM to report a 41% PAT CAGR over FY18-20. For the high earnings growth, the stock is trading at 31/23x FY19/20E earnings, making the PEG stand at 0.7x for both years.

Exhibit 1: PEG of 0.7x for FY19/20E

	FY16	FY17	FY18	FY19E	FY20E
EPS (INR)	15	39	43	64	86
EPS growth (%)	-19%	168%	11%	48%	35%
PE (x)	139	52	47	31	23
P/E//G (x)	-7.2	0.31	4.07	0.65	0.68

Source: MOSL

We have noted in our initiating coverage that global staffing companies have averaged a PEG ratio of 1 through various economic cycles. The difference being, for them, because of full penetration of flexi-staffing and a market that is entirely formalized, valuations are almost always directly correlated to economic cycles. However, we also note that PEG was well above 1x at instances of high growth – when the model was new, and when staffing companies started looking at newer geographies and service lines to expand their presence once their home markets were fully penetrated.

Relative to this, we have a scenario where Indian companies are poised with high growth opportunities, sustainable over the next decade. We note that a PEG of 1x translates to implied target P/E multiple of 35x on forward earnings. Compare that with current 24x, we see material upside from current levels on the basis of valuations, which are adjusted for the growth exhibited by the company.

Exhibit 2: Material headroom for the stock from current levels

PEG	0.8	0.9	1	1.1	1.2
PE (x) on FY20	28	31	35	38	41
TP on FY20	2,380	2,680	2,980	3,280	3,570
Upside	18%	33%	48%	63%	77%

Source: MOSL

#2 – The need to look at EV/EBITDA from a longer term perspective

On an EV/EBITDA basis, TEAM is currently trading at 44/33x FY19/20E earnings. Applying a PEG-like analysis for EV/EBITDA we figure that the stock is already trading at 1.3/1.0 EV/EBITDA/G on FY19/20E.

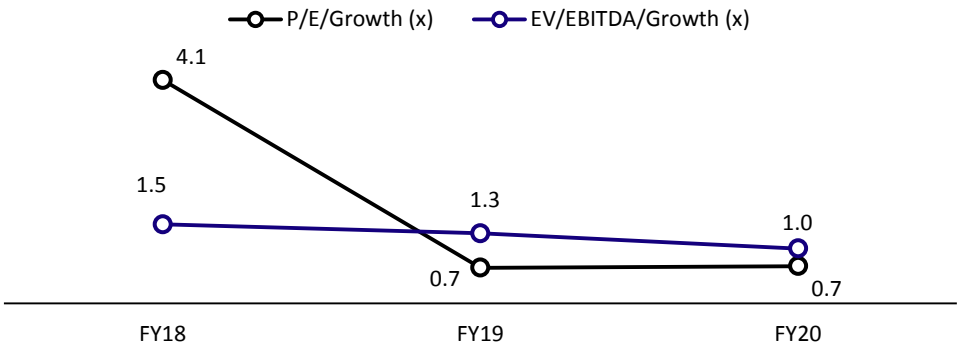
Exhibit 3: Stock already trading at 1.0x EV/EBITDA/Growth

	FY18	FY19	FY20
EV/EBITDA (x)	58	44	33
EBITDA growth (YoY, %)	40	34	33
EV/EBITDA/Growth (x)	1.5	1.3	1.0

Source: MOSL

However, we understand that this phenomenon is optically misguiding. In the near-term, adjusted for EBITDA growth, the stock looks rightly-priced on EV/EBITDA basis.

Exhibit 4: Underpriced on P/E and rightly priced on EV/EBITDA

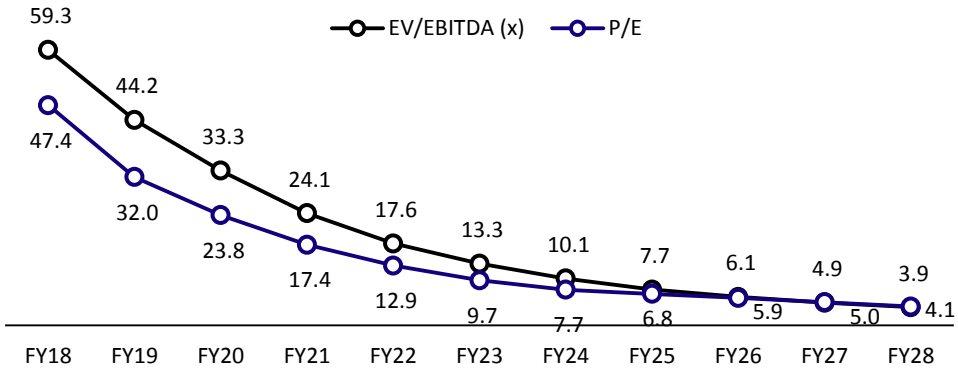


Source: MOSL

But, this gap converges as we look at the longer term because of two key reasons:

- The company starts getting taxed at a gradually increasing rate FY24 onwards (making earnings growth slower than EBITDA growth)
- Other income as a component reduces if we expect the company to start paying out dividends, thereby again reducing PAT growth relative to EBITDA growth

Exhibit 5: The gap between the two metrics reduces as we go further ahead in time



Source: MOSL

We believe the PAT-EBITDA valuation metric disassociation is a temporary phenomenon, and will start looking different based on dividend payouts and tax rate movements.

#3 – Looking at margins differently; it's a highly profitable business

There are several margin levers available for TEAM to see sustained profitability uptick over the coming years. The key drivers of profitability would be:

- Higher blended realization, driven by a mix change
- Scale-related benefits, assuming sustenance of the 20%+ growth CAGR demonstrated historically
- Higher composition of other businesses (IT staffing and allied HR services) in the overall pie

For TEAM, we expect the realization and scale-related benefits to keep accruing over the longer term; a change in business mix would only impact overall profitability in the near-term. Because TEAM acquired three companies in the IT staffing space over FY17-18 and they would see full integration over these years, margin addition of 20bp because of these factors is the highest in FY17 and FY18. As growth rates in the varied businesses converge, margin accretion would be limited to a mere 2bp.

Exhibit 6: Commission growth > Revenue growth

	Assumptions	Benefit per year on a base EBITDA margin of 1.5%
Realization uptick	5pp change in favour of percentage mark-up pricing	15bp
	8% wage inflation	
Operating leverage	15% growth in Associates	5bp
	10% growth in Core Employees	
Business mix change*	12pp higher CAGR in IT staffing and Other HR services combined over FY17-20E	2-4bp
	Similar growth in all businesses post FY20	

*Applicable only in the short-term; Source: MOSL

To gauge the true impact and potential of operating leverage, let us invert the way financials are currently reported. Instead of the current reporting of revenue (salaries payable to associates + commission earned), let us assume only the commission earned to be reported revenue.

And we do this from an analytical perspective plainly because upwards of 95% of the revenue is a pass-through! The true potential of margin levers could potentially be ignored given the small numbers.

Exhibit 7: >95% of the revenue is a pass-through*

	FY16	FY17	FY18E	FY19E	FY20E
Salary component (pass-through)	24,000	29,808	37,022	45,981	57,108
+ Commission earned	750	930	1,164	1,467	1,862
Revenue	**24,750**	**30,738**	**38,185**	**47,448**	**58,970**
- Salary paid to associates	24,000	29,808	37,022	45,981	57,108
- Costs	113	128	146	168	192
Gross profit	**638**	**802**	**1,017**	**1,300**	**1,670**
Gross profit margin (%)	2.60%	2.60%	2.70%	2.70%	2.80%
- SGA and operating expenses	338	384	439	503	577
EBITDA	**300**	**418**	**579**	**797**	**1,092**
EBITDA margin (%)	1.20%	1.40%	1.50%	1.70%	1.90%

*Numbers in this exhibit are for representational purposes, and will not exactly match that of TeamLease; Source: MOSL

How about we ignore the pass-through component?

Ignoring the pass-through component and assuming the absolute commission earned by staffing companies as revenue, we can get a true sense of how operating leverage will spill over to higher profitability. Note: this would be naturally adjusted for realization change, since any uptick there would be reflected in revenue growth in an inverted model.

Exhibit 8: Highlights the impact of operating leverage ex realization-related benefits*

	FY16	FY17	FY18E	FY19E	FY20E
Revenue (commission earned)	**750**	**930**	**1,164**	**1,467**	**1,862**
- Costs	113	128	146	168	192
Gross profit	**638**	**802**	**1,017**	**1,300**	**1,670**
Gross profit margin (%)	85.00%	86.20%	87.40%	88.60%	89.70%
- SGA and operating expenses	338	384	439	503	577
EBITDA	**300**	**418**	**579**	**797**	**1,092**
EBITDA margin (%)	40.00%	44.90%	49.70%	54.30%	58.70%

*Numbers in this exhibit are for representational purposes, and will not exactly match that of TeamLease; Source: MOSL

Over FY17-20, the 340bp gross margin expansion and 1,380bp EBITDA margin expansion surfaces from a disassociation of costs incurred by staffing companies from overall growth; this in its most basic form can be explained through the associate/core employee ratio.

From a visual perspective, this essentially erases the worries around 'wafer thin margins'. For most practical purposes, the business is one that is operationally leveraged to growth, generating >80% gross profits and >40% operating margins. Given the fact that for this analysis, we are only changing what is considered as revenue, on an absolute basis, gross profit, EBITDA and PAT remain the same – that should leave all valuation multiples unchanged. What changes is the way we look at the business. If 1.5% EBITDA margin seems difficult to ascribe a high multiple to, 49.7% definitely provides ample comfort.

Even in a downturn, the absolute commission earned by the company would have to fall below its variable costs in order for it to fall in the red. In this business (in our inverted model), 80% of the costs for the company would be fixed in nature – costs associated with own employees of the staffing agency and other overheads.

Exhibit 9: Business model offers ample buffer on achievement of scale

	FY16	FY17	FY18E	FY19E	FY20E
Revenue (commission earned)	750	930	1,164	1,467	1,862
Fixed costs	360	410	468	536	616
Variable costs	90	102	117	134	154
EBITDA	**300**	**418**	**579**	**797**	**1,092**
Buffer	390	520	696	931	1,246
Buffer (%)	52%	56%	60%	63%	67%

Source: MOSL

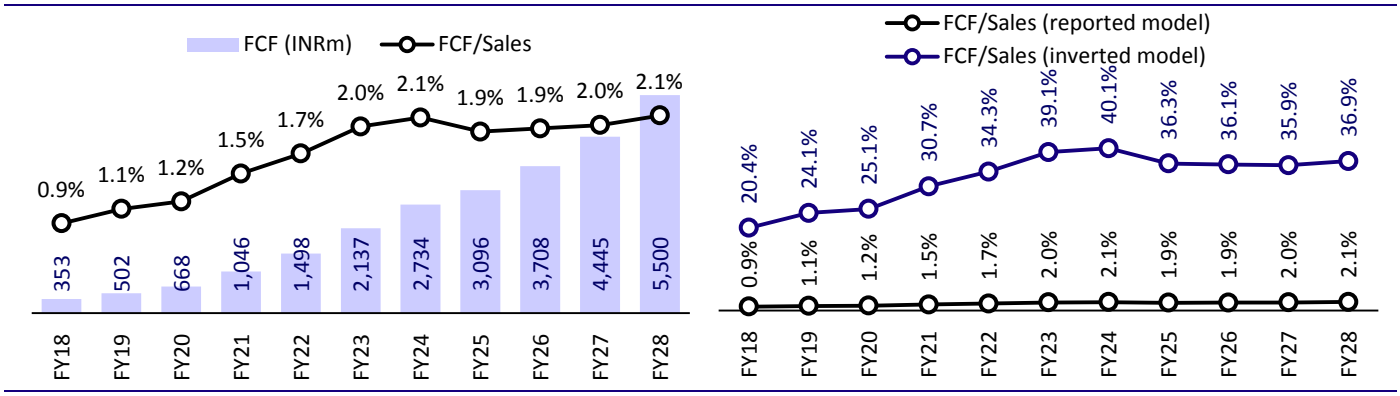
Revenue has the leeway to fall by 56% as of FY17 to reach 0% on operating margins. The buffer increases as revenue increases because we are factoring in a shift in proportion from fixed commission to variable. What in a reported model appears as a profitability booster, in an inverted model becomes a revenue additive. **That said, a buffer of >50%, in any case, is a large one to have, and is sufficient to cushion down cycles.**

#4 – FCF margin: the beauty of this business lies in the cash generation

The two distinguishing characteristics of any staffing business are the degree of operating leverage and the high cash generation (given minimal capital expenditure and fixed WC needs).

Whereas FCF/Sales would range between 0.9% and 2.1% over the next ten years, what helps here again is ignoring the pass-through, without which, FCF/Sales would be 20% in FY18 and would inch up all the way to 37% in FY28.

Exhibit 10: Healthy FCF margins



Source: MOSL, Company

#5 – Dividends: a likely scenario

Given the strong cash generation, and minimal incremental requirement of cash to expand operations, cash has been deployed in acquisitions and dividends by global staffing companies.

We are making certain assumptions to gauge the impact of a likely dividend scenario, primarily around how much of the FCF would be paid out once generation on an absolute basis exceeds certain milestones in a given year – 0% for FCF of below INR500m, 50% for INR500m to INR1b, 75% for INR1b to INR2.5b, and 90% for anything above INR2.5b.

Based on this, we see a case for a strong payout ratio and dividend yield, which would act as additional returns on the existing base.

Exhibit 11: Dividend payout ratio has the potential to reach 80%

FCF (INRm)	<INR0.5b	INR0.5b-INR1b	INR1-2.5b	>INR2.5b
Dividend (% of FCF)	0%	50%	75%	90%
Dividend payout ratio	0%	30-35%	55-60%	75-80%
Years	<FY18	FY18-20	FY21-23	FY24-28
Dividend yield	0%	0.5-1.0%	2.0-4.5%	7.0-14.0%

Source: MOSL

What's the downside?

Assessing the reversal of a factor that upped estimates by 35%

What if tax benefits are clawed back?

Our earnings estimates saw a 35% bump as soon as we factored in the near-zero tax rate for TEAM on it availing the benefits of Section 80JJAA of the Income Tax Act. Given the large number of incremental hires and the fact that most of the costs incurred by TEAM are related to people, the benefit of this provision has been significant.

Since these benefits are embedded in our estimates, and hence our fair value, assessment of the value addition attributed to this factor becomes critical. Over the next decade, if we assume average people addition of 13% YoY and average wage inflation of 7%, TEAM should be tax-free till FY23. Post this, as the incremental addition of resources earning less than INR25,000 per month reduces, and the residual impact from previous years' addition continues, ETR is likely to gradually increase to 30% by FY28, post which we assume this to extend into perpetuity.

Exhibit 12: Likely ETR for TEAM going forward

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Addition of people	13%	14%	16%	17%	17%	14%	14%	14%	10%	10%	10%
Wage inflation	7%	8%	7%	8%	8%	7%	7%	7%	6%	6%	6%
Average salary (pppm)	21,904	23,669	25,355	27,488	29,802	31,987	34,334	36,855	39,032	41,339	43,784
ETR	0%	0%	0%	0%	0%	0%	5%	17%	25%	29%	30%

Source: MOSL

The NPV of cumulative savings on tax because of these provisions over the next ten years comes to INR225 per share. If we remove this from our current price target of INR2,500, fair value would drop by 9%.

Valuation and view

- TEAM is the leader in the highly fragmented temporary staffing industry, with a 6% market share. Its extensive geographic reach, presence in multiple industries and functions, scale, ability to fill positions, and sourcing capabilities reflect in its operational prowess, which is a key determinant of success in this industry.
- Temporary staffing across the globe has gained prominence in the last few years, as companies seek flexibility and better cost management. This segment constitutes 2-4% of the total workforce for developed countries, and averages at 1.6% for the world v/s 0.5% in India. A convergence to the global average itself can triple the industry.
- A further impetus would be provided by formalization; which would be catalyzed by GST implementation, erasing the 15% pricing benefit that unorganized players could give customers by evading the tax net. However, for a full-fledged movement towards the organized segment, reforms in labor laws would be necessary, so the loopholes in statutory payment to employees are also plugged.
- Together, growth in the industry and formalization can ensure a sustained >20% growth in the sector (and for TEAM) over the next decade. For TEAM, performance would be further driven by profitability improvement, led by [1] operational leverage because of an improvement in the Associate/Core Employee ratio, and [2] higher proportion of revenue from IT staffing, training and other HR solutions, which command better margins. We expect a cumulative 40bp margin expansion for TEAM over FY18-20.
- Add to this the benefits of Section 80JJAA of the Income Tax Act, and a consequent near-zero tax rate, and a revenue CAGR of 23% and EBITDA CAGR of 33% translates into 41% PAT CAGR.
- TEAM will be a key beneficiary of industry trends, and we expect it to demonstrate a high-growth trajectory over the next three years. Consequently, prospective improvement in return ratios and cash generation, led by the business model, would be a key driver of value creation for TEAM.
- We value TEAM using DCF to reach a price target of INR2,500, implying an upside of 22%. Sustained financial performance expectations because of industry trends, business model and operational excellence continue strengthening our positive long-term view on the stock. **Buy**.

Key triggers

- GST-related pickup driving higher growth in the general staffing business
- Significant scaling up of the IT staffing business
- Continued profitability expansion

Key risks

- Economic downturn leading to a proportionate and direct impact on business
- Loss of business or issues with a top client (top-5 contribute 14% of revenue; top-10 contribute 20% of revenue)
- Inability to have a higher proportion of revenue from other HR services and professional staffing, leading to lower realizations and profitability

Exhibit 13: Fair value of INR2,500/share based on DCF

Discount rate	12.0%
Terminal growth rate	5.0%
PV FCF	12,216
PV of terminal value	28,091
NPV	40,306
Less: Debt	11
Add: Cash and cash equivalents	2,140
Total equity value	42,435
Per share	
PV FCF	714
PV of terminal value	1,643
NPV	2,357
Less: Debt	1
Add: Cash and cash equivalents	125
Total equity value	2,482
NOSH m	17
CMP	2,050
Target price	2,500
Upside (%)	**22%**

Source: MOSL

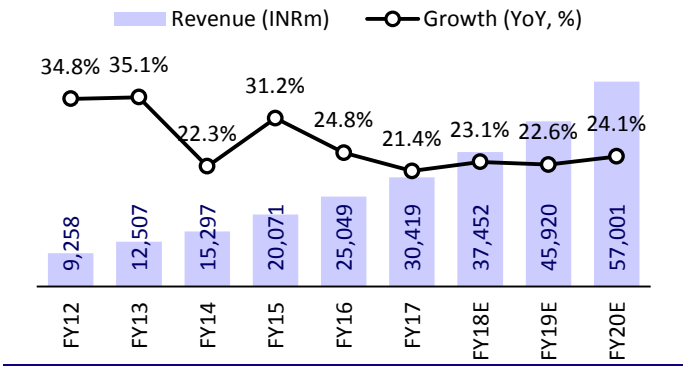
Exhibit 14: We assume 12% WACC and 5% terminal growth rate

WACC/g	Sensitivity analysis				
990	3.00%	4.00%	5.00%	6.00%	7.00%
10%	2,800	3,200	3,700	4,400	5,600
11%	2,400	2,700	3,000	3,400	4,100
12%	2,100	2,300	2,500	2,800	3,200
13%	1,800	2,000	2,100	2,300	2,600
14%	1,600	1,700	1,800	2,000	2,200

Source: MOSL

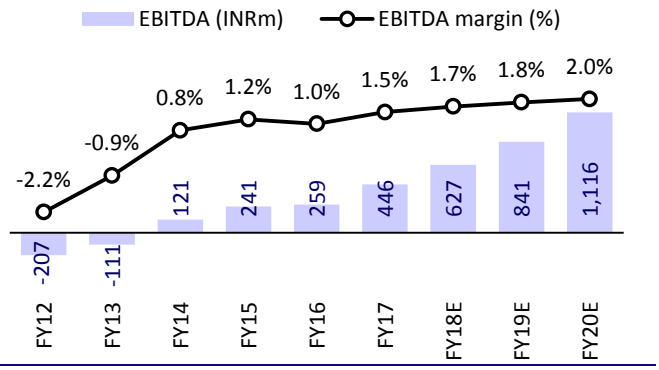
Story in charts

Exhibit 15: Revenue growth momentum to remain intact



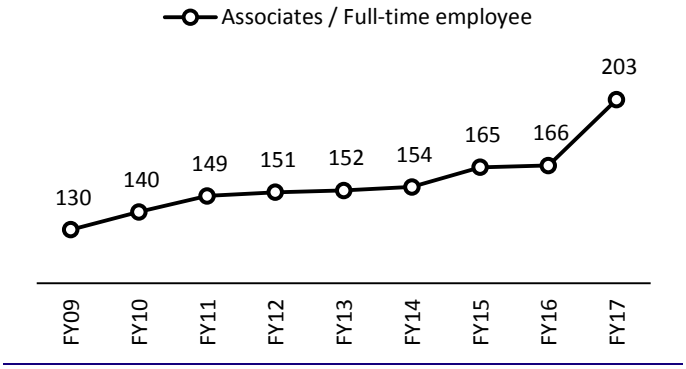
Source: Company, MOSL

Exhibit 16: Margin expansion to be aided by scale and business mix change



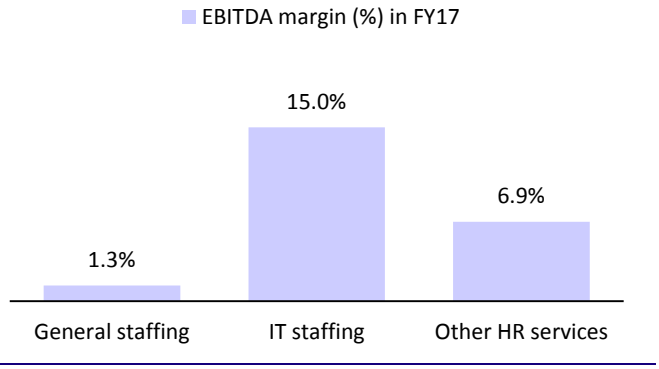
Source: Company, MOSL

Exhibit 17: Scale has resulted in higher efficiency



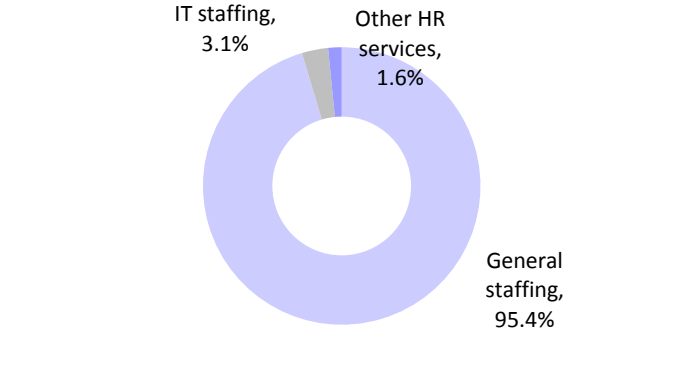
Source: Company, MOSL

Exhibit 18: Addition of higher margin businesses expected to further improve profitability



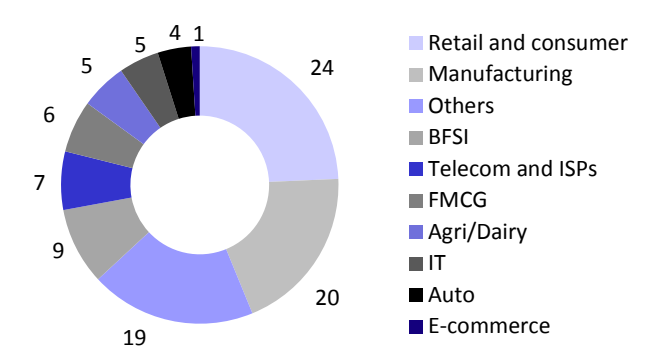
Source: Company, MOSL

Exhibit 19: Portfolio currently dominated by general staffing



Source: Company, MOSL

Exhibit 20: Well-diversified staffing portfolio (FY17)



Source: Company, MOSL

Financials and Valuations

Income Statement (INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018E	2019E	2020E
Net Sales	**12,507**	**15,297**	**20,071**	**25,049**	**30,419**	**37,452**	**45,920**	**57,001**
Change (%)	35.1	22.3	31.2	24.8	21.4	23.1	22.6	24.1
EBITDA	**-111**	**121**	**241**	**259**	**446**	**627**	**841**	**1,116**
EBITDA Margin (%)	-0.9	0.8	1.2	1.0	1.5	1.7	1.8	2.0
Depreciation	36	19	27	30	43	82	89	97
EBIT	**-147**	**102**	**214**	**229**	**403**	**545**	**752**	**1,019**
Interest	5	2	2	5	14	11	2	2
Other Income	115	79	114	154	224	205	347	458
Extraordinary items	0	0	0	0	0	0	0	0
PBT	**-37**	**178**	**326**	**378**	**613**	**739**	**1,097**	**1,476**
Tax	0	0	18	130	-50	0	0	0
Tax Rate (%)	0.0	0.0	5.5	34.4	-8.2	-0.1	0.0	0.0
Min. Int. & Assoc. Share	0	0	0	0	0	0	0	0
Reported PAT	**-37**	**178**	**308**	**248**	**664**	**739**	**1,097**	**1,476**
Adjusted PAT	**-37**	**178**	**308**	**248**	**664**	**739**	**1,097**	**1,476**
Change (%)	-77.6	-581.9	72.6	-19.4	167.6	11.4	48.4	34.5

Balance Sheet (INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018E	2019E	2020E
Share Capital	5	5	5	171	171	171	171	171
Reserves	1,005	1,183	1,483	2,945	3,640	4,380	5,477	6,953
Net Worth	**1,010**	**1,188**	**1,488**	**3,116**	**3,811**	**4,551**	**5,648**	**7,124**
Debt	121	9	0	194	11	11	11	11
Deferred Tax	0	0	-57	-45	-149	-149	-149	-149
Total Capital Employed	**1,131**	**1,197**	**1,431**	**3,264**	**3,673**	**4,412**	**5,510**	**6,985**
Gross Fixed Assets	282	276	221	309	349	373	403	440
Less: Acc Depreciation	205	199	222	252	302	384	473	570
Net Fixed Assets	**77**	**77**	**-1**	**57**	**47**	**-11**	**-70**	**-130**
Capital WIP	0	0	42	0	0	0	0	0
Investments	0	0	0	0	103	103	103	103
Current Assets	**2,135**	**2,326**	**2,974**	**5,629**	**5,641**	**7,155**	**9,174**	**11,839**
Inventory	5	3	2	2	2	2	2	3
Debtors	618	595	813	1,205	1,872	2,336	2,902	3,649
Cash & Bank	780	847	1,147	2,590	1,593	2,140	2,988	4,112
Loans & Adv, Others	732	881	1,012	1,832	2,174	2,677	3,282	4,075
Curr Liabs & Provns	**1,111**	**1,236**	**1,638**	**2,476**	**3,101**	**3,818**	**4,680**	**5,810**
Curr. Liabilities	981	1,048	1,372	2,101	2,573	3,168	3,884	4,821
Provisions	130	188	266	375	528	650	796	989
Net Current Assets	**1,023**	**1,090**	**1,336**	**3,153**	**2,540**	**3,338**	**4,494**	**6,029**
Total Assets	**1,131**	**1,197**	**1,431**	**3,264**	**3,673**	**4,413**	**5,510**	**6,985**

Financials and Valuations

Ratios

Y/E Mar	2013	2014	2015	2016	2017	2018E	2019E	2020E
Basic (INR)								
EPS	**-2.2**	**10.4**	**18.0**	**14.5**	**38.8**	**43.2**	**64.2**	**86.3**
Cash EPS	0.0	11.5	19.6	16.3	41.3	48.0	69.4	92.0
Book Value	59.1	69.5	87.0	182.2	222.9	266.1	330.3	416.6
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (incl. Div. Tax.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation(x)								
P/E			111.9	138.8	51.9	46.5	31.4	23.3
Price / Book Value			23.1	11.0	9.0	7.6	6.1	4.8
EV/Sales			1.7	1.3	1.1	0.9	0.7	0.5
EV/EBITDA			137.8	123.5	73.6	51.5	37.4	27.2
Dividend Yield (%)			0.0	0.0	0.0	0.0	0.0	0.0
Profitability Ratios (%)								
RoE	-3.6	16.2	23.0	10.8	19.2	17.7	21.5	23.1
RoCE	-2.8	15.5	23.1	10.5	19.0	17.9	21.5	23.1
RoIC	-44.8	29.1	68.5	32.8	32.9	26.3	32.8	39.3
Turnover Ratios (%)								
Asset Turnover (x)	11.1	12.8	14.0	7.7	8.3	8.5	8.3	8.2
Debtors (No. of Days)	18	14	15	18	22	23	23	23
Inventory (No. of Days)	0	0	0	0	0	0	0	0
Creditors (No. of Days)	0	2	1	1	1	1	1	1
Leverage Ratios (%)								
Net Debt/Equity (x)	-0.7	-0.7	-0.8	-0.8	-0.4	-0.5	-0.5	-0.6

Cash Flow Statement

(INR Million)

Y/E Mar	2013	2014	2015	2016	2017	2018E	2019E	2020E
Adjusted EBITDA	-111	121	241	259	446	627	841	1,116
Non cash opr. exp (inc)	45	8	15	54	53	0	0	0
(Inc)/Dec in Wkg. Cap.	-17	58	38	-150	-19	-250	-309	-411
Tax Paid	-86	-78	17	-265	-191	0	0	0
Other operating activities	75	55	32	-3	43	0	0	0
CF from Op. Activity	**-93**	**164**	**343**	**-105**	**332**	**377**	**532**	**705**
(Inc)/Dec in FA & CWIP	-11	-26	-37	-47	-18	-24	-30	-37
Free cash flows	**-104**	**137**	**306**	**-152**	**314**	**353**	**502**	**668**
(Pur)/Sale of Invt	1	2	3	2	-85	0	0	0
Others	26	43	0	23	-814	205	347	458
CF from Inv. Activity	**16**	**19**	**-34**	**-22**	**-917**	**181**	**317**	**421**
Inc/(Dec) in Net Worth	0	0	0	1,500	0	0	0	0
Inc / (Dec) in Debt	40	-113	-8	0	0	0	0	0
Interest Paid	-5	-2	-1	-4	-11	-11	-2	-2
Divd Paid (incl Tax) & Others	0	0	0	73	-401	0	0	0
CF from Fin. Activity	**35**	**-115**	**-10**	**1,569**	**-412**	**-11**	**-2**	**-2**
Inc/(Dec) in Cash	**-42**	**67**	**300**	**1,443**	**-997**	**547**	**848**	**1,125**
Add: Opening Balance	822	780	847	1,147	2,590	1,593	2,140	2,988
Closing Balance	**780**	**847**	**1,147**	**2,590**	**1,593**	**2,140**	**2,988**	**4,112**

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Securities Ltd. (MOSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOSL is a subsidiary company of Motilal Oswal Financial Service Ltd. (MOFSL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Metropolitan Stock Exchange Of India Ltd. (MSE) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) & National Securities Depository Limited (NSDL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Details of associate entities of Motilal Oswal Securities Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf

Pending Regulatory Enquiries against Motilal Oswal Securities Limited by SEBI:

SEBI pursuant to a complaint from client Shri C.R. Mohanraj alleging unauthorized trading, issued a letter dated 29th April 2014 to MOSL notifying appointment of an Adjudicating Officer as per SEBI regulations to hold inquiry and adjudge violation of SEBI Regulations; MOSL requested SEBI to provide all documents, records, investigation report relied upon by SEBI which were referred in Show Cause Notice. The matter is currently pending.

MOSL, it's associates, Research Analyst or their relative may have any financial interest in the subject company. MOSL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. MOSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. MOSL and/or its associates may have received any compensation from the subject company in the past 12 months.

In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, MOSL or any of its associates may have:

a) managed or co-managed public offering of securities from subject company of this research report,
b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
d) Subject Company may have been a client of MOSL or its associates during twelve months preceding the date of distribution of the research report.

MOSL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. To enhance transparency, MOSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Terms & Conditions:

This report has been prepared by MOSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement	TeamLease Services
Analyst ownership of the stock	No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

Motilal Oswal Capital Markets Singapore Pte Limited is acting as an exempt financial advisor under section 23(1)(f) of the Financial Advisers Act(FAA) read with regulation 17(1)(d) of the Financial Advisors Regulations and is a subsidiary of Motilal Oswal Securities Limited in India. This research is distributed in Singapore by Motilal Oswal Capital Markets Singapore Pte Limited and it is only directed in Singapore to accredited investors, as defined in the Financial Advisers Regulations and the Securities and Futures Act (Chapter 289), as amended from time to time. In respect of any matter arising from or in connection with the research you could contact the following representatives of Motilal Oswal Capital Markets Singapore Pte Limited:

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 3080 1000. Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-30801085.

Registration details of group entities.: MOSL: SEBI Registration: INZ000158836 (BSE/NSE/MSE); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN 17397. Investment Adviser: INA000007100. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670) offers PMS and Mutual Funds products. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) offers wealth management solutions. *Motilal Oswal Securities Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance and IPO products. * Motilal Oswal Commodities Broker Pvt. Ltd. offers Commodities Products. * Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. offers Real Estate products. * Motilal Oswal Private Equity Investment Advisors Pvt. Ltd. offers Private Equity products