

January 30, 2026

TeamLease Services Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based facilities	150.00	150.00	[ICRA]A (Stable); Rating reaffirmed
Long-term – Non-fund based facilities	38.00	38.00	[ICRA]A (Stable); Rating reaffirmed
Total	188.00	188.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation continues to factor in Teamlease Services Limited's (TSL) established brand equity and strong market position in the temporary staffing sector, the extensive experience of its promoters in the staffing industry and a reputed client base of large companies across industries like consumer durables, fast-moving consumer goods (FMCG), banking, financial services and insurance (BFSI), information technology (IT) services, e-commerce and telecom, etc. The rating also considers the company's diversified customer base, with around 45% of total revenues in FY2025 derived from its top 20 customers, which reduced to around 37% in H1 FY2026. TSL's financial profile remains healthy, characterised by low debt, comfortable capitalisation and coverage indicators, coupled with a strong liquidity position.

It witnessed a healthy year-over-year (YoY) revenue growth of 19.7% in FY2025, backed by a 9% rise in headcount in general staffing and a 5% headcount growth in the degree apprenticeship (DA) segment. In H1 FY2026, the company witnessed a YoY revenue growth of 10.2%, supported by a 3.8% and 6.5% and headcount increase in general staffing and specialised staffing, respectively. However, its headcount in the BFSI segment was impacted to a certain extent in H1 FY2026 on account of the Reserve Bank of India (RBI) directive limiting use of contract employees in certain roles for BFSI players. That said, the company is expected to continue its revenue growth, backed by increasing demand from segments such as Global Capability Centres (GCC) and formalisation of the general staffing market.

The operating profit margin (OPM) contracted to 1.3% in FY2025 from 1.4% in FY2024 on account of higher salaries for the core employees, flattish performance of the margin-accretive specialised staffing segment and loss from reduction in associates due to discontinuation of the NEEM¹ scheme. The OPM moderated further to 1.2% in H1 FY2026 due to seasonality in the EdTech business and annual salary hikes to core employees, accompanied by the tepid demand from the BFSI segment. Going forward, while the near-term margins are expected to remain in a range similar to that of H1 FY2026, the margins are expected to improve over the medium term, supported by the gradual transition of contracts to variable markup, especially with new clients, improving demand in the specialised staffing (from GCC business), improved efficiencies from digital investments and back-end process automation, which will continue to be key monitorables.

The ratings remain constrained by the inherently low profit margins and high attrition in the general staffing segment, which contributed to around 93% and 92% of the company's total revenues in FY2025 and H1 FY2026, respectively. ICRA continues to monitor the performance of TSL's acquired entities and considers the risks from its acquisitions (integration-related challenges) and funding support, if any, for its not-for-profit subsidiary, TeamLease Skills University (TLSU), held through TeamLease Education Foundation. The ratings also consider the intense competition in the fragmented manpower outsourcing industry and consequent limited financial flexibility of the company.

¹ National Employability Enhancement Scheme

The Stable outlook on TSL's rating reflects ICRA's expectation that its scale will continue to grow, supported by its strong market position in the temporary staffing business. It has a track record of acquiring smaller entities and diversifying through strategic acquisitions. Any significant debt-funded expansion or acquisition plans, impacting the company's credit metrics, will remain an event risk and would be evaluated on a case-to-case basis.

Key rating drivers and their description

Credit strengths

Established brand equity in temporary staffing segment – TSL is one of the largest players in the domestic temporary staffing industry, supported by a strong brand equity and established track record. It is also present in margin-accretive specialised staffing through a series of acquisitions following the initial public offering (IPO) in FY2016. Its large scale of operations, with an associate employee base of 3,62,000 as of September 30, 2025, has supported its consistent revenue growth. ICRA notes that there has been a demand slowdown in the IT sector in FY2025. Further, new regulations from the RBI have directly reduced the number of roles available for being outsourced from BFSI players to staffing companies across FY2025 and H1 FY2026. Going forward, healthy demand from the other consumer segments (supported by the GST 2.0 reforms) is expected to support the company's revenue growth in the near term. The growth in specialised staffing revenues, particularly with IT hiring, will remain a key monitorable. TSL's strong market share in the temporary staffing segment is expected to support revenue growth as the trend towards formalisation continues.

Diversified and established client base of large companies across industries – TSL has a diversified geographical footprint with a client base of top multinationals. At present, it serves over 4,000+ clients across industries in the domestic market. Under the general staffing segment, TSL adopts the 'collect-and-pay' model for the majority of its revenues, wherein the salaries of associate employees deployed to its customers are collected in advance and subsequently paid out. This reduces the risk of bad debts and lowers the company's working capital requirements. In FY2025, TSL's top 20 customers accounted for ~44.7% of its total revenues (~43% in FY2024). It added 139 new customers in FY2025 across various industries, including e-commerce, consumer durables and telecom. These new customers included both first-time adopters of temporary staffing and those transitioning from the unorganised staffing model. The increasing shift towards formalisation, supported by the adoption of new labour codes, is expected to drive diversification and revenue growth, going forward.

Healthy financial profile marked by low debt, strong cash balance, comfortable capitalisation and coverage indicators and low working capital intensity – TSL has witnessed consistent revenue growth, with an increase of 19.7% in FY2025, mainly aided by 21% growth in general staffing, 38% in other human resources (HR) services and 1% in specialised staffing. In H1 FY2026, the company witnessed a YoY revenue rise of 10%, primarily driven by a 9% YoY increase in general staffing and a 28% YoY increase in specialised staffing. The Other HR Services witnessed a YoY revenue growth of 54%. Its full-time equivalent (FTE) productivity (ratio of number of outsourced employees per core staff) has remained stable. The company is expected to witness a gradual improvement in margins primarily backed by headcount additions, diversifying its customer base, and sequential enhancement in EdTech services and specialised staffing segment, going forward. The healthy accruals and the low debt levels have supported the comfortable capitalisation and coverage indicators over the years (TD/OPBDITA of 0.8 times as on March 31, 2025 and 0.9 times as on September 30, 2025 and interest cover of 9.5 times in FY2025 and 8.9 times in H1 FY2026). The low debt levels are also attributable to low working capital intensity on account of the 'collect-and-pay' model in the general staffing segment. Going forward, ICRA expects the overall financial profile to remain comfortable with healthy revenue growth, comfortable accruals and a strong liquidity position. While any large debt-funded acquisitions could moderate the capitalisation and coverage indicators, the strong net worth and cash flow position of the company are expected to mitigate any major impact.

Credit challenges

Inherently thin operating margins in general staffing business; contraction in margins in FY2025 & H1 FY2026 – TSL's operating margins are inherently thin due to the high share of revenues (92-94% of the total revenues in FY2025 and H1 FY2026) from the general staffing segment wherein the company follows the 'collect-and-pay' model for the majority of its revenues. Further, intense competition and limited pricing flexibility in the general staffing business have restricted TSL's margin expansion over the years. The contraction in the operating margin to 1.2% in FY2025 from 1.3% in FY2024 was primarily due to annual salary hikes for core employees, a slight decline in per-associate-per-month (PAPM) and losses from discontinuation of the NEEM scheme. The OPM moderated further to 1.2% in H1 FY2026 on account of continued pressures in the BFSI sector. The margins for the general staffing segment are expected to remain moderate, inherent to the business. However, growth in the HR services vertical (mostly driven by EdTech) and demand pick-up in the margin accretive specialised services segment, supported by an increasing headcount and a shift towards formalisation, are expected to aid TSL's margin expansion, moving forward.

Revenues and margins vulnerable to fluctuations in general economic conditions – Following the marginal revenue decline due to Covid-19-induced lockdowns in FY2021, TSL experienced strong revenue growth and improved margins in FY2022. However, FY2023 and FY2024 saw deferred hiring in certain sectors, layoffs and delays in hiring decisions within the IT industry. Further, the company witnessed a reduction in headcount in its DA segment due to the Government's discontinuation of the NEEM scheme, which affected its margins in FY2025. It has also faced pressures in the BFSI segment on account of new regulations from the RBI reducing the number of roles which may be outsourced to TSL. Going forward, any impact of the ongoing macroeconomic slowdown on the company's operations would remain a key monitorable.

High attrition rates inherent to staffing industry increase operating cost for finding replacements – As inherent to the industry, TSL witnesses high employee attrition owing to the low skill/entry level and temporary nature of the work profile. This risk is partially mitigated by the continuous spend on the training and development of the employees.

Intense competition in fragmented manpower outsourcing industry – The recruitment industry is a fragmented market, comprising mainly the unorganised sector, which offers services at a lower price. Consequently, competitive pressure continues to limit the company's pricing power and the scope for margin expansion in these segments. However, with increasing focus on compliance and streamlining of labour codes, business from the organised sector is likely to improve, going forward. This should further support revenue growth for TSL, one of the largest organised players in the staffing industry.

Environmental and social risks

Environmental considerations – The exposure to environmental risk is low for the company. It is reducing its resource consumption by ensuring better energy efficiency standards while procuring electronic equipment and lighting devices, among others. It has systems in place to manage and dispose off dry and wet waste efficiently.

Social considerations – Exposure to social risk is moderate for the manpower outsourcing industry in which the company operates. These include changes in the regulatory environment and employee management. However, the organised sector's focus on compliance and streamlining of labour codes would support the company's operations. Any political/economic situation could also impact the industry.

Liquidity position: Strong

TSL's liquidity is strong, with healthy cash flow from operations, nil repayment obligations in the absence of any long-term debt and low working capital intensity. The company's free cash stood at Rs. 362.1 crore as on March 31, 2025, and Rs. 207.6 crore as on September 30, 2025. It had unused working capital limits of Rs. 73.2 crore as of August 2025 and average utilisation of around 54% for the trailing 12 months. The company is expected to maintain its net cash position over the near term. Overall, ICRA expects that TSL's liquidity position is likely to remain strong, supported by healthy cash generation and comfortable working capital position. The company has a history of acquiring relatively smaller entities with considerations paid over multiple time periods. Any significant debt-funded expansion plans, thereby impacting its credit metrics, shall remain an event risk and would be evaluated on a case-by-case basis.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is a sustained increase in the scale of operations and earnings of the company, supported by improved segmental diversification.

Negative factors – Pressure on the ratings could arise with a significant contraction in revenues and margins on a sustained basis. Any large debt-funded capex or acquisitions, materially impacting the debt protection metrics on a sustained basis, could be a key negative rating trigger.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated

About the company

TSL, which commenced its operations in 2002, was promoted by Mr. Manish Sabharwal, Mr. Ashok Kumar Nedurumalli and Mr. Mohitkaran Gupta. The company provides temporary staffing, recruitment, regulatory compliance, payroll processing and learning services. It operates out of multiple regional offices, with over 3.6 lakh associate employees serving over 4,000 clients spread across various sectors in India, including BFSI, consumer durables, IT, telecom, FMCG, etc.

TSL raised Rs. 150 crore of equity through an IPO in February 2016. The proceeds were mainly utilised for funding various acquisitions and strategic initiatives, in addition to existing working capital requirements and technology upgradation.

Key financial indicators (audited)

TSL (consolidated)	FY2024	FY2025	H1FY2026*
Operating income (OI)	9,321.5	11,155.9	5,923.5
PAT	112.7	110.3	52.4
OPBDIT/OI	1.4%	1.3%	1.2%
PAT/OI	1.2%	1.0%	0.9%
Total outside liabilities/Tangible net worth (times)	1.4	1.3	1.4
Total debt/OPBDIT (times)	0.8	0.8	0.9
Interest coverage (times)	13.0	9.5	8.9

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
	Type	Amount Rated (Rs Crore)	Jan 30, 2026	Date	Rating	Date	Rating	Date	Rating
Fund-based Facilities	Long term	150.00	[ICRA]A (Stable)	Nov 19, 2024	[ICRA]A (Stable)	07-Sep-23	[ICRA]A (Stable)	25-Aug-22	[ICRA]A (Stable)
Non-fund based facilities	Long term	38.00	[ICRA]A (Stable)	Nov 19, 2024	[ICRA]A (Stable)	07-Sep-23	[ICRA]A (Stable)	25-Aug-22	[ICRA]A (Stable)
Fund-based working capital	Short term	-	-	-	-	07-Sep-23	-	25-Aug-22	[ICRA]A1
Unallocated limits	Short term	-	-	-	-	07-Sep-23	[ICRA]A1	25-Aug-22	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based	Simple
Long-term – Non-fund based	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

Isin	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term – Fund-based	NA	NA	NA	150.00	[ICRA]A (Stable)
NA	Long-term – Non-fund based	NA	NA	NA	38.00	[ICRA]A (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	TSL ownership	Consolidation approach
TeamLease Digital Private Limited	100.00%	Full Consolidation
TeamLease Foundation	100.00%	Full Consolidation
TeamLease HRTech Private Limited	100.00%	Full Consolidation
TeamLease Edtech Limited	77.67%	Full Consolidation
Teamlease Regtech Private Limited	61.50%	Full Consolidation
TSR Darashaw HR Services Private Limited	90.00%	Full Consolidation
Crystal HR and Security Solutions Private Limited	30.00%	Equity Method

Source: Company's Auditor report FY2025; ownership as on March 31, 2025 (fully diluted)

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