

Teamlease Digital Private Limited (Formerly Teamlease Staffing Services Private Limited)

February 13, 2019

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based / CC	12.00	[ICRA]A(SO)(Stable); Assigned
Total	12.00	

*Instrument details are provided in Annexure-1

Rationale

The rating is principally based on a corporate guarantee from Teamlease Services Limited (TSL/the guarantor, rated [ICRA]A (Stable)/[ICRA]A1) and an undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date.

Outlook: Stable

Teamlease Digital Private Limited's (TDPL / the company) rating outlook will be driven by the rating outlook of the guarantor.

Key rating drivers

Credit strengths

Corporate guarantee and undertaking provided by TSL towards the rated bank facilities of the company: The rating derives comfort from the irrevocable and unconditional corporate guarantee extended by TSL and undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date.

Extensive experience of promoters – TDPL's promoter/guarantor has over 18 years of experience in the human resource services industry. Their extensive experience supports business prospects of the company.

Credit challenges

Small scale of operations – TDPL's modest scale of operations restricts its operational and financial flexibility to an extent. During H1 FY2019, revenues of the company stood at Rs. 54.2 crore with operating margins of 10.4% and net margins of -7.3%.

Intense competition – TDPL faces intense competition from several industry majors, thereby impacting its pricing flexibility as well as its ability to acquire new customers.

Liquidity Position:

TDPL does not have any repayment obligations. Moreover, being a human resource-intensive business, it does not have any major capex plans in the medium term. TDPL has a sanctioned working capital facility of Rs. 12 crore from HDFC Bank at interest rate of 8.8% p.a. As on September 30, 2018 TDPL had utilized Rs. 1.1 crore of the sanctioned working capital facility. The company also enjoys financial flexibility from TSL, in the form of unsecured loans and compulsory

convertible debentures. As on September 30, 2018; the company had cash and bank balance of Rs.2.2 crore and Rs. 54.1 crore investment in its group companies. Liquidity position is expected remain comfortable (NWC/OI at 23-25%) at the existing level in the absence of repayment obligations and capex plans over the near to medium term.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third party explicit support
Parent/Group Support	Parent/Group Company: [Teamlease Services limited] The assigned rating is based on an unconditional, irrevocable corporate guarantee extended by TDPL's parent – Teamlease Services Limited
Consolidation / Standalone	The rating is based on corporate guarantee and undertaking provided by the guarantor, that it would ensure that the related debt obligations are serviced on or prior to the due date.

About the company:

Teamlease Digital Private Limited (Formerly Teamlease Staffing Services Private Limited) (TDPL/ the company) was incorporated as a HR services company on July 04, 2016. TDPL is primarily engaged in the business of information technology (IT) staffing, recruitment, regulatory compliance, payroll processing, consulting and other allied activities. The company changed its name from TeamLease Staffing Services Private Limited to TeamLease Digital Private limited and obtained a fresh certificate incorporation dated March 08, 2018. TDPL is 100% subsidiary of TeamLease Services Limited.

ASAP Info Systems Private Limited and Nichepro Technologies Private Limited, two subsidiaries of TDPL got merged into the TDPL by the order of NCLT Chennai and Mumbai with appointed date of merger as January 01, 2017. As on date, the company has two more subsidiaries – Evolve Technologies & Solutions Private Limited and Keystone Business Solutions Private Limited

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	22.0	98.7
PAT (Rs. crore)	7.8	(10.9)
OPBDIT/OI (%)	12.0%	11.9%
RoCE (%)	0.7%	0.9%
Total Debt/TNW (times)	3.7	6.9
Total Debt/OPBDIT (times)	35.7	12.5
Interest coverage (times)	1.1	1.2

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument		Current Rating (FY2019)				Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Sep-30, 2018 (Rs. crore)	Date & Rating Feb 2019	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
1	Cash Credit	Long Term	12.00	1.1	[ICRA]A (SO) (Stable)	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	Aug 02, 2018	8.8%	NA	12.00	[ICRA]A (SO) (Stable)

Source: Company

ANALYST CONTACTS

Subrata Ray

+91 22 6114 3408

subrata@icraindia.com

Pavethra Ponniah

+91 44 4596 4314

pavethrap@icraindia.com

Faizan Ahmed

+91 80 4332 6414

faizan.ahmed@icraindia.com

Mythri Macherla

+91 80 43326 6407

mythri.macherla@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
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Pune + (91 20) 2556 0194/ 6606 9999

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