

PUTTING INDIA **TO WORK**



TeamLease Services Limited

Annual Report **2018-19**

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You can also find this report online on:
www.teamleasegroup.com

Forward looking statement

We have exercised utmost care in the preparation of this report. It contains forecasts and/or information relating to forecasts. Forecasts are based on facts, expectations, and/or past figures. As with all forward-looking statements, forecasts are connected with known and unknown uncertainties, which may mean the actual result deviate significantly from the forecast. Forecasts prepared by the third parties, or data or evaluations used by third parties and mentioned in this communication, may be inappropriate, incomplete, or falsified. We cannot assess whether information in this report has been taken from third parties, or these provide the basis of our own evaluations, such use is made known in this report. As a result of the above-mentioned circumstances, we can provide no warranty regarding the correctness, completeness, and up-to-date nature of information taken, and declared as being taken, from third parties, as well as for forward-looking statements, irrespective of whether these derive from third parties or ourselves. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

With India establishing its credentials as the world's fastest expanding economy, it can be safely assumed that the nation's workforce has had a role to play in it.

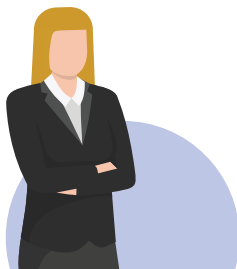
At TeamLease, we engage in inspiring & developing people who go on to script winning results for their employers and thereby benefit the country as a whole. With our competency in providing staffing solutions by attracting the best talents and placing them as per their capacities and skills, we have redefined the industry and made a difference to the workforce that propels India.

WITH A DEFINITE SHIFT NOTICED TOWARDS TECHNOLOGICAL ADVANCEMENTS, WE HAVE DEPLOYED SMART SOLUTIONS AND OTHER DIGITAL TRENDS TO SUCCESSFULLY PUT INDIA **TO WORK.**

ABOUT TEAMLEASE

TeamLease Services is one of India's leading human resource companies offering a range of solutions to 3500+ employers for their hiring, productivity and scale requirements.

A Fortune India 500 company listed on the NSE & BSE, TeamLease has hired 17 lakh people over the last 17 years and has 2 lakh+ open jobs every day. One of India's fastest growing employers, TeamLease also operates India's first Vocational University and fastest growing PPP National Apprenticeship Program. The company offers solutions to large, medium and small clients across the 3Es of Employment (1.5 lakh+ associates), Employability (2 lakh+ students/trainees) and Ease-of-doing Business (55,000+ compliances).



Employment

General Staffing

TeamLease Services Limited

Specialised Staffing

TeamLease Digital Private Limited

Evolve Technologies Private Limited

Hiring-Temporary/Permanent

Freshersworld

TeamLease Services Limited



Employability

On-the-job Learning

NETAP

Online Learning

Schoolguru

Onsite Learning

Enterprise Learning Services

On Campus Learning

TeamLease Skills University(TLSU)



Ease of Doing Business

Compliance Services

Payroll Outsourcing

Digital Workforce Solutions

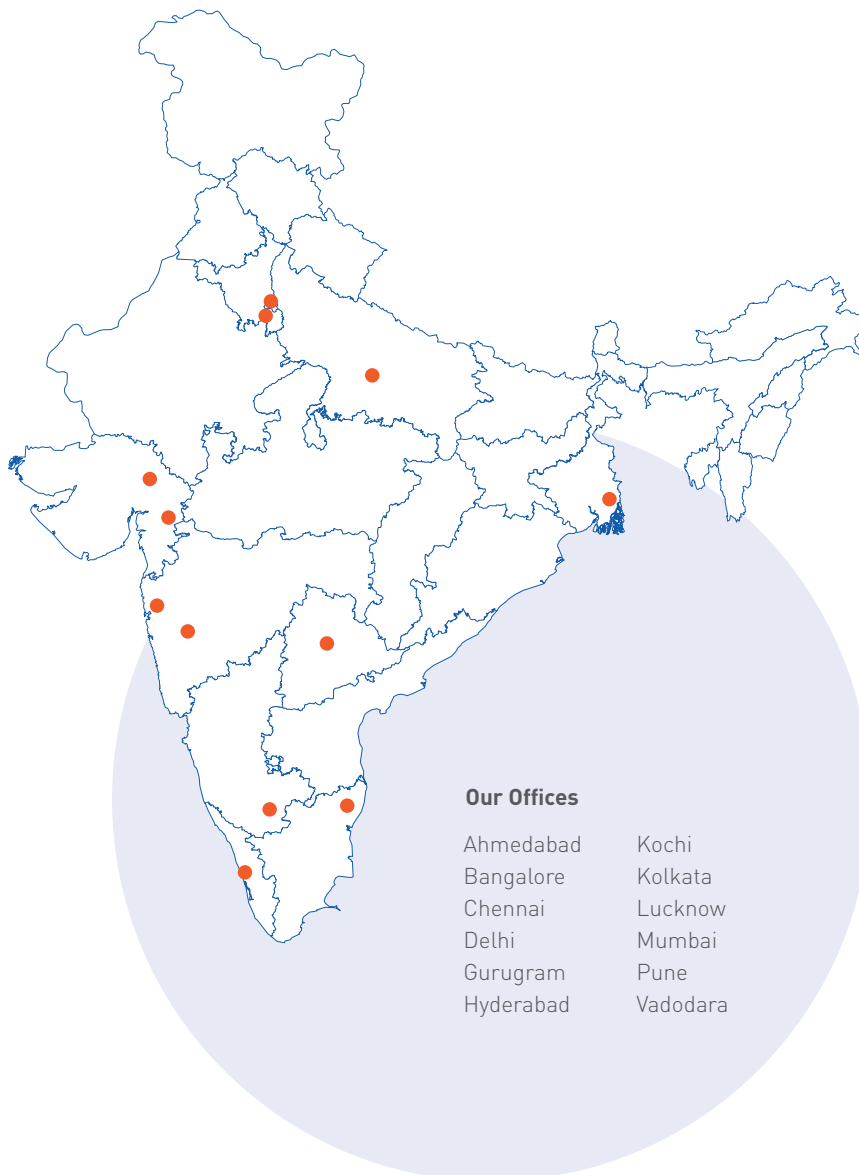
Avantis RegTech

Our business approach

Our focus is to create long-term value for our stakeholders - clients, candidates, employees and shareholders. Our transparent and efficient governing infrastructure provides the framework for a compliant and resilient growth strategy. Our knowledge driven expertise across sectors combined with our operational excellence puts us in a favorable position to enhance customer value.

Our presence

Present in all 29 states with a network of partnerships



~2,16,211

NUMBER OF ASSOCIATES / TRAINEES
AS ON 31ST MARCH 2019

17 LAKH+

NUMBER JOBS OFFERED TILL FY19

3,500+

LIVE CLIENTS

6%

OUR MARKET SHARE IN THE
STAFFING INDUSTRY

7000+

LOCATIONS IN INDIA

CHAIRMAN'S LETTER TO SHAREHOLDERS



“RAISING INDIA'S PRODUCTIVITY DEPENDS ON FORMALISATION, FINANCIALISATION, URBANISATION, INDUSTRIALISATION AND HUMAN CAPITAL AND CURRENT POLICY PRESCRIPTIONS MOVE US IN THE RIGHT DIRECTION.



Dear Shareholders,

2019 is an important year because it marks when broader policy discourse began to shift and acknowledge that wages are a bigger problem than jobs. This shift in focus to productivity - almost 75 years after Political Independence and 25 years of Economic Independence - puts the Indian economy firmly on the trajectory of a \$5 trillion economy and will

offer unique opportunities for TeamLease to continue its growth.

In 1965 Professor Milton Friedman warned India that the Mahalanobis economic model being adopted “threatens an inefficient use of capital by combining it with too little labour at one extreme and an inefficient use of labour by combining it with too little capital at the other extreme”. He was unfortunately right; India's poverty continues because too many Indians live in low-productivity geographies (Karnataka has the same GDP as UP with less than a third of the people), toil in low-productivity sectors (agriculture employs 50% of our labour force but only generates 15% of GDP; IT employs 0.7% and generates 7%), work in low-productivity firms (only 19,500 of our 6.3 crore enterprises have a paid-up capital of more than ₹ 10 crore), or have low quality skills (this year the bottom 10% engineers will get less starting salaries than the top 10% ITI graduates). Raising India's productivity depends on formalisation, financialisation, urbanisation, industrialisation and human capital and current policy prescriptions move us in the right direction.

“AS MENTIONED LAST YEAR, OUR LONG-TERM GOAL OF MARGIN EXPANSION IS CONTINUOUSLY MONITORED THROUGH THE LENS OF SCALE, ADJACENCIES, HIGHER UNIT REALISATION, PRODUCTIVITY, AND DIGITISATION.



Besides India's continued transformation, TeamLease is interestingly positioned to leverage ongoing reinventions to the World of Work, World of Organisations, and World of Learning that are hard to predict. But it is clear that employment is shifting from being a lifetime contract to a taxi-cab relationships, organisations think of their staffing in terms of multiple concentric circles with a small core, and unemployability seems to be a larger challenge than unemployment. The long-term and second-order consequences of all these changes are hard to model but the hard policy boundaries between the 3Es of education, employability and employment will continue to blur.

Over the last year we continue to tighten the product and organisational focus on our three clusters. Our strategy in employment is scale, making clients happy, adding specialised capabilities, and improving our hiring abilities. Our strategy in employability is offering multi-modal delivery (on-campus, on-site, on-line, and on-the-job) with qualification modularity (certificate, diploma, advanced diploma, and degree) with high employment connectivity to our corporate

and university customers. Our strategy in EODB is to offer DIY (Do-it-yourself) and DFM (Do-it-for-me) solutions for Payroll, HR, Field Force and Compliance. All our businesses continue to confront regulatory constraints on full potential but we continue to make the case for change as providers of "Infrastructure of Opportunity".

As mentioned last year, our long-term goal of margin expansion is continuously monitored through the lens of scale, adjacencies, higher unit realisation, productivity, and digitisation. We expect continued progress in these areas with our pipeline of projects. We continue to review acquisition opportunities for clients, products or adjacencies but our preference is always for capital frugal organic growth.

While we expect these acquisitions to contribute to our financials in the coming year, our revenue for the year recorded a healthy growth of 23% and our profits before tax grew by 33% from ₹ 72.5 crores in 2017-18 to ₹ 96.4 crores in current year. We also saw an improvement in our PAT margin to 2.2% in current year as compared to 2.0%

in 2017-18. Our EPS improved from ₹ 43 in 2017-18 to ₹ 57.3 in the current fiscal.

Historian Ramachandra Guha reminds us that India has created the world's largest democracy on the infertile soil of the world's most hierarchical society. But we did not create the world's largest economy because of policies that made India a hostile habitat for formal job creation. The tide is now turning and TeamLease is well positioned to offer formal employers the solutions they need and seek in hiring, productivity and scale.

Wish us Luck.

Manish Mahendra Sabharwal
Chairman

MANAGING DIRECTOR'S MESSAGE



Dear Shareholders,

I am glad to present to you the annual report of TeamLease Services for the Financial Year 2018-19.

During the year, India emerged as the fastest growing economy of the world with the GDP reaching a rate of 6.8%. We witnessed a favorable employment environment with a number of opportunities paving the way for staffing industry to put up a commendable performance across all sectors. With the economy growing and the demand for talent optimisation soaring high, the industry clocked positive growth.

The reason Organised Staffing is becoming an important enabler for a business is multifold:

- **Scalability** - This is critical for organisations when it comes to expanding and launching new products, solutions or services
- **Compliance** - Given the spread of operations, client feel at ease knowing that the organised Staffing agencies would keep them compliant at all times

- **Reach** - TeamLease alone has associates deployed in over 7000 locations. The ability to have access to this kind of reach, whether it is for seamless operations or for hiring becomes invaluable for organisations

- **Productivity** - This is becoming a critical aspect of what is drawing many organisations towards a staffing company. The way digital solutions are being leveraged to make their current employee supplementation process more productive is a critical draw.

By the law of the land all companies who engage with staffing companies continues to be the Principal Employer and hence ultimately liable for all compliance towards the temporary workers. This responsibility is what drives them to work with credible and reliable staffing organisations who shall keep them protected.

With our vision of the 3E's i.e. Employment, Employability and EODB, we have been able to capitalise on opportunities and chart our growth trajectory. This year, we

delivered a robust performance through our revenue from operations which grew by 23% YoY to ₹ 4,447.60 cr and PAT of ₹ 98.03 cr reflecting YoY growth of 34%.

IT, manufacturing, retail, banking, financial services and insurance (BFSI), logistics, ecommerce and fast-moving consumer goods (FMCG) will continue to be the key growth drivers for TeamLease and industry in general.

We had crossed the milestones of 150,000 associates in Employment cluster, 200,000 students / trainees in Employability cluster and overall ₹ 4,447.60 crore in revenue for the year. Through optimising, digitising, automating processes and deploying new technologies, we aim to improve the productivity and experience for both client and candidate. Our core employee to associate ratio improved from 220 to 270 during the year and continues to scale up.

Our offerings portfolio has been further strengthened through the acquisition of Avantix during the year. Avantix is a regulatory technology company that offers high tech multi-user SAAS solutions and enables transparency and efficiency in the compliance procedure. Its legal and compliance database comprises of over 1,200 Acts while nearly 55,000 Compliances are updated on a real time basis every year.

I would hereby like to sincerely thank all our stakeholders for their trust and continued support for the Company.

Regards,

Ashok Reddy

Managing Director

Q&A WITH CFO



How has the balance sheet grown for the year under review?

We delivered a robust financial performance and witnessed an increase of ₹ 203.49 cr in our assets and liabilities during the year. This increase was largely backed by profit of ₹ 98 cr earned during the year. Further, unbilled revenue/salary payable and increase in employee benefit liabilities / assets by ₹ 55 cr and ₹ 28 cr respectively resulted in increase in assets and liabilities during the year. In addition to this, recognition of asset and liabilities amounting to ₹ 10 cr on account of PF revision also contributed to the growth. Further, 100% Consolidation of Cassius Technologies Private Limited (Fresher's World) during the year contributed to the growth of assets and liabilities to the extent of ₹ 10 cr.

What was the core employee cost for FY19 and how has it been trending over the years?

Our core employee cost for FY19 stands at ₹ 107 cr which typically increases 12%-15% year-on-year, contributed by both annual increments and headcount

growth. In FY19, they have slightly increased on account of full consolidation of Evolve (₹ 3.1 cr) and Freshersworld (₹ 3.1 cr). However, in staffing business which contributes to 90% of revenues, the core employee headcount has remained flat over past couple of years leading to an improvement in our productivity ratio from 220 to 270 in FY19.

What constitutes "Other Expenses" in the Statement of Profit and Loss during the year?

The other expenses largely represent direct expenses pertaining to skills business and telecom staffing business. The major factor that contributed to increase in the other expenses were direct cost of skills business and full year accounting of telecom staffing business.

The company's cash conversion ratio for the year was negative. Please explain the reason for the same.

During the year, we moved our Registered office from Mumbai (Maharashtra) to Bangalore (Karnataka) for operational convenience on account of which we experienced delay in procuring lower withholding tax certificates. As a result, we paid higher advance tax (in form of TDS) resulting in negative operating Cash Flow in FY19. However, our net cash flow conversion before tax continues to stands at ~75%.

The financials of the Company reflects the loan provided to subsidiaries and TLSU during FY19. What was the reason and purpose behind granting of loans?

At TeamLease, we use internal accruals to fund for working capital requirements of subsidiaries. All such loans are extended at arms-length pricing, repayable on demand at an interest of 9% per annum. As of 31st March 2019, total outstanding loan amounted to ~₹ 22 Cr (excluding TLEF which acts as a sponsoring body of TLSU).

TLSU was set up as a public-private-partnership with the government of Gujarat. One of the activities of TLSU is NETAP, the apprenticeship program that was launched a few years ago. From the time NETAP was launched, there has been a requirement of working capital since clients deduct a certain amount / % towards withholding taxes. TeamLease therefore, has funded the taxes that have been withheld from the university payouts and therefore, has a first right on all future IT refunds of TLSU, covering more than 80% of total loan outstanding. It is only recently that the university obtained a lower tax deduction certificate and we believe that no further funding for the university would be required.

How important is it for the company to develop its IT assets? What steps are taken for the same?

Continuous investment in our IT platform allows us to increase our efficiency and effectiveness and provide the necessary infrastructure for a comprehensive and coordinated response to the emergence of new technologies. At TeamLease, we have a dedicated innovation team that works on exploring how we can harness technology in new and better ways to deliver our services to our clients, associates, and candidates. For this purpose, we undertook development of various IT projects that are intended for internal use as well as commercialisation. This has brought about improvement in productivity and costs.

Ravi Vishwanath
Chief Financial Officer

EMPLOYMENT

At TeamLease, we realise the importance of securing a job of dignity in people's lives, striving to actively help our candidates in finding formal jobs and develop their skills. Our business model is creating a shift from the informal employment sector to the organised sector, whereby we ensure 100% compliance coupled with complete backend HR support for our outsourced employees.

Temporary Staffing

We assist our clients in meeting their regular or seasonal staffing requirements by providing contractual or temporary staffing services. In over a decade of our experience, we have emerged as one of India's largest temporary staffing Company with over 1000 temporary staffing clients.

1,50,000+

ASSOCIATE HEADCOUNT

IT Staffing

IT staffing is currently our largest specialised vertical and with our rich experience in the staffing industry, we are committed to growing this further by enhancing our skills and recruitment capabilities.

2,000+

ASSOCIATE HEADCOUNT

Telecom Staffing

Evolve, now a TeamLease digital subsidiary, is a market leader for more than two decades in offering telecom staffing solutions across India. Post our acquisition in 2017, Evolve continues to facilitate staffing requirements across the telecom sector value-chain. Our recruitment services for the sector includes:

- Man power augmentation
- Telecom Integration
- Services Level Agreement (SLA) based services

3,800+

ASSOCIATE HEADCOUNT

