

**Quess Corp Ltd.**

₹ 668

*Right Person for Right Job!***Buy**

Jan 20, 2017

**Company Background**

Quess Corp Limited is engaged in the business of temporary staffing services, executive search, recruitment services, housekeeping and facility management services, including engineering services, food services and skill development. The Company's segments include People & Services (P&S), Global Technology Services (GTS), Integrated Facilities Management (IFM) and Industrial Asset Management (IAM). Its P & S segment provides specialized service offerings in search, recruitment and recruitment process outsourcing, general staffing, training and skill development, payroll and compliance and retail solutions. Its GTS segment focuses on three areas, including information technology (IT) staff augmentation, solution and products. Its IFM segment offers facility management services, including soft services, hard services, food and hospitality and pest control. Its IAM segment provides plant asset management and it offers solutions in industrial operations and maintenance and managed services.

**Key Highlights**

- ➔ Quess has entered into definitive agreements to acquire 74% stake in Inticore VJP Advance Systems Pvt. Ltd. Quess' investment is focused on helping ramp-up & market Inticore's engineering solutions to aerospace, engineering, defense and oil & gas sectors.
- ➔ Quess has entered into agreements to acquire the facility management and catering businesses of Manipal Integrated Services Pvt. Ltd. (MIS). MIS runs the facility, food services & hostels business of the Manipal Education Group.
- ➔ Shareholders of Quess approved the proposal to issue non-convertible debentures (NCDs) worth INR 150 crore. The proposal was granted through a postal ballot process on 17 January 2017. The company's board had approved the NCD issue in its meeting held on 28 November 2016.
- ➔ The achievement of Quess is tremendous. Its brand Magna is India's largest IT Staff Augmentation provider with over 8,800 Associates. Among the largest Public Private Partnership (PPP), training more than 15,000 Indian citizens every year. It is also the third largest general staffing player in India with about 98,000 associates across more than 5,000 locations.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	6,172.6	23,786.8	29,257.3
Rev. growth (%)	(0.35)	285.36	23.00
EBITDA (INR mn)	187.1	120.4	1,387.8
Net profit (INR mn)	40.5	626.3	844.0
Shares outstanding (mn)	96.2	25.8	113.3
EPS (INR)	2.8	19.4	7.5
EPS growth (%)	(30.73)	584.51	(61.68)
P/E (x)	23.93	7.01	67.52
RONW (%)	8.82	29.17	27.75
ROCE (%)	9.77	30.88	28.10

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**Info Codes**

Reuters	: QUEC.BO
Bloomberg	: QUSS:IN
NSE	: QUSS
BSE	: 539978

**Market Data**

52 Wk Range (₹)	: 452 / 702
Shares in Issue (mn)	: 113.3
Mkt. Cap (₹ bn)	: 84.17
BSE 2 Wk Avg Vol	: 8838

**Share Holding Pattern (%)**

Promoters Holding	: 89.54
Corporate Holding	: 00.00
Domestic Institution	: 02.23
Foreign Institution	: 03.39
Public & Others	: 04.84

**Investment Theme**

Quess, India's leading integrated business services provider was established in 2007. Headquartered in Bengaluru, the company has a pan-India presence with 47 offices across 27 cities, as well as operations in North America, the Middle East and South East Asia. It serves over 1300+ customers across 4 segments namely, Global Technology Solutions, People & Services, Integrated Facility Management and Industrial Asset Management. The company is a subsidiary of Thomas Cook India and has been on an acquisition spree since the past 9 months. The turnover and the profitability is also getting stronger. Looking at the current services it offers, the quality of clients it services and the high promoter holding, we feel the growth scope in the company is very high. We therefore recommend a Buy rating on Quess.

**Got a Job... They've got people!**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	6,164.3	23,732.8	285.0	29,181.8	23.0
Other Income	8.3	54.0	550.6	75.5	39.8
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	5,932.0	20,812.9	250.9	25,873.3	24.3
Indirect Taxes	0.0	0.0	-	0.0	-
Other Exp.	120.2	1,586.0	1,219.5	1,734.3	9.4
Operating Exp.	6,052.2	22,398.9	270.1	27,607.6	23.3
Operating Profit	120.4	1,387.9	1,052.7	1,649.7	18.9
Total Interest	53.1	217.4	309.4	274.5	26.3
Gross Profit	67.3	1,170.5	1,639.2	1,375.2	17.5
Net Dep.	8.1	170.2	2,001.2	164.5	(3.3)
Total Taxation	18.7	374.0	1,900.0	366.7	(2.0)
Net Profit/Loss	40.5	626.3	1,446.4	844.0	34.8

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 13	Mar 14	Mar 15	Mar 16
<b>SOURCES OF FUNDS</b>	<b>1,139.1</b>	<b>1,927.4</b>	<b>4,380.9</b>	<b>6,190.0</b>
Equity Share capital	299.9	961.8	257.7	1,133.4
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	275.1	638.3	2,349.1	2,343.0
Secured Loans	552.1	305.4	1,650.8	2,627.5
Unsecured Loans	12.0	21.9	123.3	86.1
<b>USES OF FUNDS</b>	<b>1,139.1</b>	<b>1,927.4</b>	<b>4,380.9</b>	<b>6,190.0</b>
Gross Block	39.9	58.7	1,477.2	1,602.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	26.1	34.2	407.7	569.9
Net Block	13.8	24.5	1,069.5	1,032.1
Capital Work in Progress	0.0	0.0	0.0	8.6
Investments	379.4	1,056.0	46.0	156.0
Current Assets	1,585.7	1,293.8	4,609.2	7,358.2
Less : Current Liabilities	1,074.2	945.7	1,911.6	3,383.4
Total Net Current Assets	511.5	348.1	2,697.6	3,974.8
Misc. Expenses not writtenoff	234.4	498.8	567.8	1,018.5
<b>NOTE</b>				
Book Value of Unquoted Investments	379.4	1,056.0	46.0	156.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	332.6	460.1	32.2	1,008.9
Dividend (%)	0	0	0	0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 16	Jun 16	Sep 16	Dec 16
Net Sales	No Data	No Data	8,104.2	8,313.1
Cost Of Sales	No Data	No Data	7,656.4	7,862.1
Operating Profit	No Data	No Data	447.8	451.0
Other Income	No Data	No Data	8.6	58.9
Adjusted PBDIT	No Data	No Data	456.4	509.9
Financial Expenses	No Data	No Data	76.9	80.5
Depreciation	No Data	No Data	39.4	43.0
Other Write Offs	No Data	No Data	0.0	0.0
Adjusted PBT	No Data	No Data	340.1	386.4
Tax Charges	No Data	No Data	126.8	134.3
Reported Profit	No Data	No Data	213.3	252.1
Extra Ordinary Items	No Data	No Data	0.0	0.0
Other Non Cash Adjust	No Data	No Data	0.0	0.0
Adjusted Net Profit	No Data	No Data	213.3	252.1

52 Week Index Relative Percentage Appreciation



Quess vs SENSEX

Quesstory

Quess is a leading business services provider in India having 47 offices across 27 cities and operates in 8 countries: USA, Canada, Sri Lanka, UAE, India, Malaysia, Philippines and Singapore. It has around 1,39,000 employees servicing 1300+ clients. It has done 47 offices across 27 cities. It has done 9 successful acquisitions in the last 8 years. Quess is the third largest general staffing player in India with about 98,000 associates across more than 5,000 locations. Quess Corp is a step-down subsidiary of USD 44+ Billion (as of 30th Sept 2016), multinational, Fairfax Financial Holdings; held through its Indian listed subsidiary, Thomas Cook India Limited. It has 4 segments of operation.

The Global Tech Solutions segment provides IT staffing and technology solutions and products under the Magna Infotech, Brainhunter, Mindwire and MFX brands in India, South East Asia and North America with key clients including four Fortune 500 clients large international banks as well as large Indian IT consulting and systems integrator companies. The People & Services segment provides comprehensive staffing services plus executive search, recruitment process outsourcing, as well as payroll, compliance and background verification services under the IKYA and CoAchieve brands. In addition, Quess provides training and skill development services through 66 centers spread across 12 states in India. The Integrated Facility Management segment provides the entire range of facility management services including janitorial services, electro-mechanical services, pest control as well as food and hospitality services to corporates, airports and other organizations under the Avon and Aravon brands.

The Industrial Asset Management segment provides industrial operations and maintenance services and related asset record maintenance services under the Hofincons brand across various industries, including power, energy, oil & gas, chemicals and ferrous and non-ferrous metal industries across India and the Middle East



**In a Nutshell**

Quess Corp Limited operates as an integrated business service provider in India. It operates through four segments: Global Technology Solutions, People and Services, Integrated Facilities Management, and Industrial Asset Management. The Global Technology Solutions segment provides information technology (IT) staffing, and IT product solutions and services in North America and South East Asia under the Magna Infotech, Brainhunter, Mindwire, and MFX brands. The People and Services segment offers comprehensive staffing services and solutions, including general staffing, recruitment and executive search, and recruitment process outsourcing services, as well as payroll, compliance, and background verification services under the IKYA and CoAchieve brands. The Integrated Facility Management segment provides facility management services under the Avon and Aravon brands, which comprise janitorial, electro-mechanical, and pest control services, as well as food and hospitality services to corporates, hospitals, and schools. The Industrial Asset Management segment offers industrial operations and maintenance services and related asset record maintenance services under the Hofincons brand across various industries, such as power, energy, oil and gas, chemicals, and ferrous and non-ferrous metal industries in the Middle East. This segment also provides technology and consultation services focusing on the oil and gas industry; and managed services for utilities and telecom companies under the Maxeed brand. The company was founded in 2007 and is headquartered in Bengaluru, India. Quess Corp Limited operates as a subsidiary of Thomas Cook (India) Limited. We feel looking at the acquisitions the company has achieved in past year the growth can be tremendous.

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**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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