

## Quess Corp Ltd.

27<sup>th</sup> June, 2016

### Rating:



### Issue Summary:

Price band (Rs)	310-317
Face Value (Rs)	10
Opens	29 <sup>th</sup> June, 2016
Closes	1 <sup>st</sup> July, 2016
Issue Size (Rs)	400 cr
Listing	BSE, NSE

### Issue Break Up:

QIB portion	75%
NIB portion	15%
Retail portion	10%

### Book Running Lead Managers:

➤ Axis Capital Limited
➤ ICICI Securities Limited
➤ IIFL Holdings Limited
➤ YES Securities Limited

### Registrar

➤ Link Intime India Pvt. Ltd.
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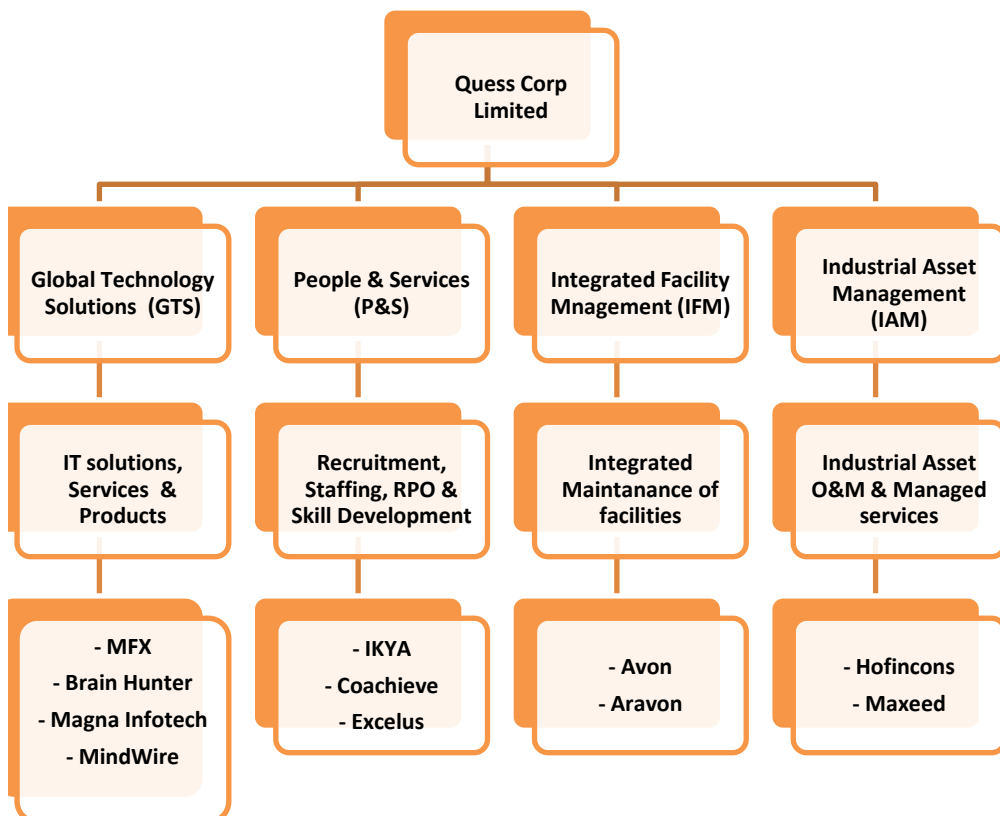
### Company & Business Profile

Quess Corp Ltd. is one of India's leading integrated business services providers focused on emerging as the preferred partner for handling end-to-end business for clients. Company offers comprehensive solutions including recruitment, temporary staffing, technology staffing, IT products and solutions, skill development, payroll, compliance management, integrated facility management and industrial asset management services.

Quess Corp Ltd. is among industry leader in each of its key business services.

- The largest IT staff augmentation provider in India based on number of employees.
- The third largest general staffing company in India based on number of employees.
- Among the leading industrial asset management service providers in India.
- Among the largest integrated facility management service providers in India.

### Company's Business Model:



**Objects of the Issue:**

The objects of the offer are to achieve the benefits of listing the equity shares on the stock exchanges and to carry out the Offer for Sale for Thomas Cook India Limited.

- The money from IPO will give the “**acquisition currency**”, to do more acquisitions in the future.
- It will also be use for incremental working capital, towards debt repayments and capital expenditure.

**Investment Positives:**

- **IT Staff Augmentation:** Magna is the market leader in IT staff augmentation in India with more than 10,000 associates. Manila operations with 150 associates are poised to emerge as a top 3 player in Philippines.
- **Industrial Asset Management:** Hofincons is India’s market leader in industrial asset management vertical.
- **Facility Management:** Avon is among the top 10 players in the facility management space. It has 16,000 associates and is now an integrated player with the recent addition of the hard services business.
- **Skill and development:** Second largest Public Private Partnership (PPP) training company in India.
- **General Staffing:** Among top 3 players in India with more 55,000 Associates.

**Concern:**

- Company has negative cash flow. Any negative cash flows in the future would adversely affect on cash flow requirements.
- Company engaged in highly competitive businesses and may be unable to compete successfully against existing or new competition.
- Revenues and profitability vary across our business segments, thereby making future financial results less predictable.
- Some of the subsidiaries are making loss like Brain Hunter (incurred losses of Rs 9.92 Crore) and MFX (incurred losses of Rs 38 Crore and negative net worth of Rs 57 Crore.)

**Future Prospects:**

- Company will expand service portfolio by making an acquisition.
- As per guidance, company will improve operating margin especially in IT and general staffing business.
- Verticalisation with focus on domain depth and operational excellence which creates growth.
- Company will start generating free cash flow in next 18 months and 50% of PAT will be converted in to cash, also improve day sales outstanding days.
- Facility management business will get benefit by “**Swach Bharat Abhiyaan**” project.
- Industrial asset management business will get benefit by “**Make in India**” Project.

**Valuation:**

The issue has been offered in a price band of Rs 310-317 per equity share. At the upper price band the stock is available at P/E of 41 (x) based on FY16 financials. Industry composite PE for the company stands at 56.28 (x). However, the RoE for the stock has increased from about 12% in FY12 to about 26% in FY 16. We have “3 star” rating for the issue.

**Financials (Rs. in Crores):**

Description	Mar-16	Mar-15	Dec-13	Mar-13	Mar-12
Total Income	3442	2573	1008	1004	639
PBIDT	172	136	42	46	29
PBIT	156	126	38	42	26
PBT	125	104	29	24	13
PAT	89	67	18	12	6
EPS	8	26	10	10	5
Share capital	113	26	19	12	12
Net Worth	346	252	185	68	53
Total Debt	339	220	61	88	56
Cash and Bank balance	109	82	29	23	29
RONW(%)	26%	27%	10%	18%	12%
PBIDTM(%)	5%	5%	4%	5%	5%
PATM(%)	3%	3%	2%	1%	1%
CPM(%)	3%	3%	2%	2%	2%



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