

Quess Corp Limited ("Quess Corp") was incorporated as IRIS Human Capital Solutions Private Limited on September 19, 2007 at Bengaluru, Karnataka as a private limited company. On May 14, 2013, the company was converted into a public limited company and the name of the company changed to IKYA Human Capital Solutions Limited. Thereafter, on December 4, 2014, the Company's name changed to Quess Corp Limited. Quess Corp is one of India's leading integrated business services providers (Source: F&S Report 2016) focused on emerging as the preferred partner for handling end-to-end business functions of its clients. Offering 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. Service and product offerings include four broad operational segments: Global Technology Solutions ("GTS"), People and Services ("P&S"), Integrated Facility Management ("IFM") and Industrial Asset Management ("IAM").

The Chairman and Managing Director and CEO, Ajit Isaac, has extensive experience in this industry and has contributed to the organic and inorganic growth as well as international expansion. Senior management has a cumulative experience of more than 150 years. Thomas Cook India Ltd., company's majority shareholder and corporate Promoter, is a listed company in India with a history of more than 130 years of operations. Fairbridge Capital (Mauritius) Limited is the promoter of TCIL, which is a part of the Fairfax group. Fairfax Financial Holdings Limited is the ultimate holding company of our corporate Promoter, TCIL. The natural person who is the ultimate beneficial owner of TCIL is Mr. V. Prem Watsa.

As of February 29, 2016, it employed more than 120,000 employees and as of March 31, 2016, it served 1300+ clients. Its key clients include some of the world's largest, reputable organizations, including 20 Companies ranked in the 2015 Fortune Global 500 list. Quess Corp includes clients whose revenue meets one of the following criteria a) the client is a top 10 client in terms of revenue in a business segment, or b) the client contributes a minimum of 1.5% of the respective business segment revenue.

Quess has a pan-India presence with 47 offices across 26 cities, as well as operations in North America, the Middle East and South East Asia. In FY16, 85.7% of revenue was derived from India and 12.6% from North America. Over the period FY12-16, Quess Corp's revenue has witnessed a buoyant surge of more than 5x and net profit by more than 10x driven by entry into new businesses, expansion of service lines, increasing penetration of offerings and regional expansion.

Quess Corp is among the industry leaders in each of their key business services:

- The Largest IT Staff Augmentation Provider and The Third Largest General Staffing Company in India based on number of employees.
- The Leading Industrial Asset Management Service Providers in India.
- The Largest Integrated Facility Management Service Providers in India and the Largest Training and Skill Development Partner for the Ministry of Rural Development based on approved project cost.

#### Investment Rationale and Recommendation

At the upper end of the price band of Rs. 317, the IPO is valued at 45x at FY16 Post issue P/E which is at a premium owing to robust growth track record. With due consideration to factors like a) track record of successful inorganic growth with improved financial performance, b) improved

Issue date	June 29 - July 01, 2016
Issue size	Rs. 4,000 mn. at upper end of the price band
Type of issue	Fresh Issue: Rs. 4 bn (12.6 -12.9 mn equity shares) – Bookbuilding
Face Value	Rs. 10
Price Band	Rs. 310 – Rs. 317 per share
Lot size	45 equity Shares & multiple of 45 equity shares thereafter
No. of shares at cut off	630
Max amount to be paid	Rs. 199,710
Issue structure	QIB: 75%, Retail: 10% Non – Institutional: 15%
Post issue market cap	Rs. 40 bn at upper price band
Book Running Lead Managers	Axis Capital, ICICI Sec., IIFL Holdings, Yes Securities
Registrar to the issue	Link Intime India Pvt. Ltd.
Major Shareholders	TCIL – 78,823,496 shares – 69.55% holding Ajit Isaac – 18,585,960 shares – 16.40% holding

Y/e 31 Mar (Rs. mn)	FY16	15MFY15	9mFY14	FY13
Total Income	34,424	25,728	10,081	10,044
EBITDA	1,641	1,305	398	431
OPM (%)	4.8	5.1	4.0	4.3
PAT	885	672	179	121
PAT (%)	2.57	2.61	1.78	1.20
Equity Capital	1133.35	257.74	961.76	299.89
Post issue EPS (Rs.)	7.02	5.33	1.42	0.96
Networth (Rs. mn)	3455.75	2519.20	1845.33	682.44
Book Value (Rs.)	30.5	27.3	28.4	12.9
Debtor days	45	48	33	57
P/E (x)	45	59	223	330
P/BV(x)	10	12	11	25
RoE (%)	25.6	26.7	9.7	17.7

Source: RHP, Ajcon Research

operating efficiencies and margins through business cycles, c) robust recruitment capability; d) lean balance sheet with favorable Debt/Equity, strong ROEs, f) debtors Cycle at 45 days, we recommend investors to "SUBSCRIBE" the issue.

## Objects of the issue

### Fresh Issue - Rs. 4000 mn

Repayment of Debt availed by the Company	Rs. 500 mn
Funding capital expenditure requirements of the Company and its subsidiary, MFX US;	Rs. 717 mn
Funding incremental working capital requirements of the Company	Rs. 1,579 mn
Acquisitions and other strategic initiatives	Rs. 800 mn
General Corporate Purposes	-

Source: RHP

## Promoter's background

Thomas Cook (India) Limited ("TCIL") is the majority shareholder and corporate Promoter of the company. TCIL is in turn majority owned by Fairbridge Capital (Mauritius) Limited which is a part of Fairfax, a private equity and investment firm with a track record of successful investments in the service industry. The relationship with the Fairfax group has enabled Quess to streamline their business operations to global best practices of corporate governance, internal controls and evaluation of inorganic growth opportunities, as well as enhanced the access to international business opportunities and global capital. Today, Quess Corp is one of India's leading integrated business services provider, emerging as the preferred partner for handling end-to-end business functions of the clients. They offer 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.

Ajit Isaac (Chairman Managing Director and CEO) – Holds a masters degree in Arts in Social Work from the University of Madras and has completed the Managers for Leadership Course from the University of Leeds, United Kingdom. He is responsible for the daily operations and takes strategic decisions for our Company. – He was nominated for the Forbes India Leadership Awards, 2011 under the category of "Outstanding Startup" and for the CII Regional Emerging Entrepreneur Awards, 2011. – He has 25 years of experience in the field of human resources and corporate management. Prior to joining the Company, he was the country manager for India and Middle East of Adecco Peopleone India Limited.

## Business Strategy

### ***Expand the service portfolio and operations globally through strategic acquisitions***

The company intends to continue the strategic expansion plans through inorganic growth opportunities in underserved markets and geographies that complement the existing operations. The company intends to pursue strategic opportunities in complementary service offerings, among others, in payroll and compliance management services, IT staffing, facility management, asset management, safety and quality audit, financial analysis and planning, and background verification services, to offer a comprehensive range of business and managed service offerings to their clients.

### ***Continue to improve operating margins***

Quess Corp continue to improve their operating margins through a gradual shift of their service portfolio towards higher margin businesses and actively investing in developing such businesses. Also, they continue to focus on further growing their higher margin businesses such as IT staffing, IT product solutions and services, facility management and industrial asset management. The comprehensive range of business service offerings will enable Quess Corp to successfully cross sell their various managed business solutions, thereby increasing operating efficiencies and further improve operating margins. The GTS business has significant growth opportunities in India given their market leader position and the low level of IT staffing penetration in India compared to mature IT industry markets. In the GTS business, the company has acquired Brainhunter, focused on IT staffing in North America, as well as MFX, focused on IT products and solutions for property & casualty ("P&C") insurance industry. These acquired businesses provide strong business synergies with the existing operations.

### ***Capitalize on the rapid growth of e-commerce in India and pursue other B2C opportunities***

The company intends to capitalize on the rapid growth of the e-commerce ecosystem in India. The company provides managed services to a number of leading e-commerce players in India including Amazon and Urban Ladder, and as of February 29, 2016, about 12,500 Associate Employees were deployed with e-commerce clients. The company continue to move away from "personnel and material" contracts to SLA



based contracts, in particular providing last mile delivery services under the *Dependo* brand. As of March 31, 2016 they operated last mile delivery services across seven cities.

***Focus on domain depth and operational excellence***

In recent years, the company has streamlined their sales and client delivery teams according to specific business verticals and industry segments. This will result in increased domain knowledge, higher client focus, and industry specific skillsets for their Associate Employees, client account managers and recruitment personnel.



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