

Quess Corp : Average Issue

IPO Note: Largest IT staff provider in India, High Debt, Negative Cash Flow :Ranking**



Issue details

Price band (Rs)	Rs. 310-317
IPO Opening Date	29-06-2016
IPO Closing Date	01/07/16
Issue Size	Rs.400 Cr.

Recommendation

Total revenues grew at a CAGR of 36.06% from Rs.1004.35 Crore for the financial year 2013 to Rs.3442.42 Crore for the financial year 2016. Net profit after tax grew from Rs.12.07 Cr. for the financial year 2013 to 88.52 crore for the financial year 2016. In the last four year net profit grew at a CAGR of 64.56% from FY 13 to FY16. Post IPO its current paid up equity capital will stand to around Rs. 125.94 crore. For last fiscal it has posted a diluted EPS of Rs.7.03. Thus the asking price is at a P/E of 45+ on the higher price band. This augurs well against listed peer, TeamLease Services Ltd that are quoting at a P/E of 56 plus. TeamLease has zero debt. vs Quess corp has Rs.389.44 crore debt as on March '16 **Looking to its overall performance, total debt and negative cash flow we suggest to avoid this IPO.**

Highlights

- Quess Corp, promoted by Thomas Cook is the largest IT staff augmentation provider in India based on number of employees
- the company 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
- The third largest general staffing company in India based on number of employees
- Among the leading industrial asset management services providers in india
- It has total debt of Rs.389.44 crore at the end of FY2016
- Net profit rose at a CAGR of 64.56%

Company Introduction Company Profile

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 26 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.

Avon is a leading Facility Management provider with more than 20,000 associates (including Aravon). Its services include soft services, electro mechanical maintenance, specialised services and pest control. Among the largest training and skill development partners for the Ministry of Rural Development. The third largest general players in India with about 84,000



www.uesscorp.com

Financial Summary (Rs. In Crore)

Particulars	FY2016	FY2015	FY2014	FY2013
Total Income	3442.42	2572.75	1008.14	1004.35
Net Profit	88.52	67.21	17.86	12.07
EPS (Rs) diluted for FY16	7.81	5.93	1.57	1.06

Source:RHP

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

associates across more than 5,000 locations.

Major Clients contribution

In Fiscal 2016 top 10 clients contributed 30.40% of total revenue while largest client, Samsung India Electronics Private Limited, contributed 7.40% of total revenues in such period. Diversified service offerings across various industries and geographies enable to ensure diversified revenue streams, stable cash flows and reduce vulnerability to economic cycles and geography-specific risks as well as reduce dependence on any set of significant clients. Integrated service offerings also provide with significant operating efficiencies as well as cross-selling opportunities.

Objects of the Issue:

- Repayment of debt availed by the Company;
- Funding capital expenditure requirements of the Company and their Subsidiary, MFX US;
- Funding incremental working capital requirement;
- Acquisitions and other strategic initiatives; and
- General corporate purposes.

Issue details

To explore the value for the stakeholders and listing benefits, the company is coming out with an Initial public offer of up to 12.61 lakh equity shares of face value of Rs. 10 each through an offer for sale via book building route within a price band of Rs. 310-317. Issue opens for subscription on 29.06.16 and will close on 01.07.16. Minimum application is to be made for 45 shares and in multiples thereon, thereafter. With this IPO the company is trying to mobilize Rs. 400 cr.

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