ICRA

August 24, 2017

Quess Corp Limited

Quess Corp Limited (QCL / the company) had notified the stock exchanges on August 18, 2017 that it has raised equity to the tune of Rs.874 crore through an institutional placement programme (IPP). The company intends to use the same for acquisitions (Rs 625 crore), meeting working capital requirement (Rs 150 crore), and for funding other strategic initiatives. While the overall financial profile of QCL is expected to be supported by proceeds from this equity infusion, the company has been active in the in-organic space targeting growth and diversification through acquisitions in the past. In line with past trends, ICRA expects the company to maintain its credit profile even as it makes these in-organic investments. This remains an event risk and would be evaluated on a case by case basis for its impact on the ratings.

ICRA currently has outstanding ratings of [ICRA]AA- (Stable) / A1+ on the bank facilities, [ICRA]AA- (Stable) on the NCD programme and [ICRA]A1+ on the commercial paper programme of QCL.

The ratings continue to factor QCL's strong financial profile characterized by healthy revenue growth and improvement in QCL's debt indicators and liquidity profile following the initial public offering (IPO) during July 2016. In addition to supporting diversification into complementary business segments like Global Technology Solutions, Integrated Facility Management Services and Industrials, the inorganic growth strategy adopted by the company over the years has also supported expansion of operating margins at the consolidated level. The ratings also continue to factor in QCL's parentage being a 57.2% subsidiary of Thomas Cook India Limited (TCIL, rated [ICRA] AA (Stable)), the company's established presence and strong market share in the domestic Human Resource industry which continue to enhance QCL's business prospects.

The ratings also take into account the high competitive intensity in the People & Services segment which continues to remain the largest revenue-generating segment for the company. Although the company's revenues remain well diversified across segments, QCL revenues from its top 10 customers indicating moderately high client concentration. Further, QCL's cash flows are impacted by high working capital requirements on account of the 30 to 45 day - credit period offered to its customers as against upfront payments made by the company to the employees.

The previous rating rationale is available on the following link:
https://www.icra.in/Rationale/ShowRationaleReport/?Id=33062

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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