December 04, 2017

Quess Corp Limited

Quess Corp Limited (QCL / the company) had notified the stock exchanges on November 20, 2017 that its board had approved the acquisition of 51% stake in Tata Business Support Services Limited (TBSS, rated [ICRA]A+ (Stable)/[ICRA]A1+). Subsequently, the company had notified the stock exchanges on November 27, 2017 that the aforementioned acquisition has been completed.

TBSS was incorporated in FY2004 as a wholly-owned subsidiary of Tata Sons Limited (TSL, rated [ICRA]AAA(Stable)/[ICRA]A1+) to cater to the domestic ITES-BPO industry. The company provides voice-based and non-voice based business process services including inbound and outbound interactions, email interactions, chat and collaborative web sessions and caters mainly to clients in BFSI, Telecom, Media, Manufacturing, Retail, and Healthcare etc. Prior to the acquisition of stake by QCL, 95.5% stake in TBSS was held by TSL while the balance was held by Tata Capital. While QCL has acquired majority stake in TBSS, TSL will continue to hold the remaining 49%.

QCL has paid a total cash consideration of Rs.153.0 crore for the aforementioned acquisition and the EBITDA multiple (based on FY2017 financials) for the same is about 5.4x in line with its previous acquisitions. QCL intends to fill a strategic gap in its offerings in the Customer Life Cycle (CLM) and Business Process Management (BPM) by cross-selling TBSS' offerings to its customers in the People & Services (P&S) and Global Technology Solutions (GTS) segments. ICRA also notes that the transaction is margin-accretive and is likely to support the company's revenues and margins going forward.

QCL has used the proceeds from its recent institutional placement programme (IPP) wherein it had raised equity to the tune of Rs.874 crore to fund the acquisition. While the company has been active in the in-organic space targeting both geographical and business diversification through acquisitions in the past, ICRA expects QCL to maintain its credit profile even as it makes these in-organic investments. However, 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 previous rating rationale is available on the following link:

https://www.icra.in/Rationale/ShowRationaleReport/?Id=33062

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