February 28, 2025(Revised)

Quess Corp Limited: Rating Continues on Rating Watch with Developing Implications

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based Limits	1,094.50	1,067.50	[ICRA]AA; Rating Watch with Developing implication; Rating continues on Rating watch with developing implications.
Short-term – Non-fund Based Limits	132.00	159.00	[ICRA]A1+; Rating Watch with Developing implication; Rating continues on Rating watch with developing implications.
Short-term – Interchangeable Limits	(135.00)	(222.00)	[ICRA]A1+; Rating Watch with Developing implication; Rating continues on Rating watch with developing implications.
Commercial Paper (CP)	400.00	400.00	[ICRA]A1+; Rating Watch with Developing implication; Rating continues on Rating watch with developing implications.
Total	**1,626.50**	**1,626.50**	

**Instrument details are provided in Annexure I*

Rationale

On February 16, 2024, Quess Corp Limited (QCL) announced that its board of directors approved a composite scheme of arrangement, providing for the demerger of QCL into three independent entities. The demerger will ultimately result in three separate listed companies, i.e. Quess Corp Ltd. (the remaining company), Digitide Solutions Ltd. (Digitide) and Bluspring Enterprises Ltd. (Bluspring). Following the announcement, ICRA had placed the company's outstanding long-term and short-term ratings on 'Rating Watch with Developing Implications' as the above-mentioned development was expected to impact the credit profile of QCL and also because of lack of complete information on the financial profile of the remaining company.

The ratings continue to consider the diversified business profile of QCL, supported by organic and inorganic growth over the years, its strong market position as one of the largest manpower outsourcing companies in the country, its established client base of large companies across industries, and the extensive experience of its promoters in the industry. QCL's comfortable capitalisation and coverage indicators further underpin the ratings. ICRA also notes that the company enjoys financial flexibility because of its strong promoter profile, wherein Fairfax Financial Holdings (Fairfax; rated Baa3 (Stable) by Moody's) holds a ~34.5% stake in QCL.

The company witnessed a healthy revenue growth of 11.3% in FY2024, supported by healthy growth across the segments both by virtue of organic growth and integration of acquisitions done by QCL over the last few years, and a gradual improvement in product led business (PLB) business revenues. While IT staffing and BFSI sectors witnessed some slowdown, sectors like retail, manufacturing, FMCG and e-commerce supported the company's growth. In line with the revenues, the operating profit margins (OPM) have improved to ~3.7% in FY2024 from 3.4% in FY2023, supported by its focus on international geographies and high-margin segments in global technology solutions (GTS) segment, benefit from operating leverage in the operating asset management (OAM) segment, and reduction in cash burn in PLB business. Further, in 9M FY2025, the revenues witnessed a 10.6% year-on-year increase, supported by growth in workforce management (WFM), OAM and GTS with a growth of ~14.5%, ~10.1% and 8.4%, respectively. The margins stood at ~3.7% in 9M FY2025, supported by optimised marketing spends, improvement in the OAM segment, and further reduction in cash burn of PLB and various productivity initiatives taken by the company. However, the company's margins faced some pressure due to increased investment in sales and marketing, development of new leadership team in light of the demerger, and festive season pass through for the associates.

Going forward, the margins are expected to remain range bound due to intense competition, but may increase to a certain extent with company actively focusing on rationalising low-margin contracts.

QCL has working capital requirements on account of the 30-45-day credit period offered to its customers against upfront payments to employees. Even while the company continues to have a healthy proportion of the 'collect-and-pay' model under its general staffing business (80% in 9M FY2025), all other segments generally entail a credit period, which results in utilisation of its working capital limits on a regular basis. The company's net cash position (excluding lease liabilities) as on March 31, 2024 stood at ~Rs. 206.5 crore against net cash of ~Rs. 23.3 crore as on March 31, 2023. Reduction in gross debt and improvement in OPBDITA led to an improvement of net debt/OPBDITA to 0.4 times as on March 31, 2024 and 0.2 times as on September 30, 2024. The company had free cash and liquid investments of ~Rs. 571 crore as on December 31, 2024. While the commercial paper programme rated by ICRA is not carved out of the company's drawing power, ICRA understands that the company will maintain considerable buffer in its drawing power, going forward.

While QCL has been active in the inorganic space, targeting growth and diversification through acquisitions in the past, ICRA expects that the company will not pursue any sizeable acquisitions in the near term.

ICRA notes that the company had received notices from the Income Tax department, disallowing QCL's deduction under Section 80JJAA, which incentivises new employment generation, and depreciation on goodwill. The Income Tax department had disallowed QCL's deduction under Section 80JJAA and depreciation on goodwill between FY2017 and FY2024 (both years combined). QCL has appealed against the same at various panels, and the development in this regard will be a key rating monitorable. Any large potential obligation arising from the same will be assessed when more information is available.

Key rating drivers and their description

Credit strengths

Diversified business profile – QCL is an integrated services company, offering a diverse portfolio of services including WFM, OAM, GTS and PLB. The company derived ~72% of its revenues from the WFM segment in 9M FY2025, followed by ~15% from the OAM segment, ~12% from the GTS segment and the balance ~1% from the PLB segment. Further, the company generates ~89% of its revenues from India and the balance ~11% from South East Asia, North America, West Asia and other geographies. The company has 96 offices, which leads to wide regional diversification within India as well. Going forward, the company is expected to continue benefitting from its diversified business and geographical presence.

Significant scale-up in business, driven by organic growth – The revenue growth was healthy at 11.3% in FY2024 and 10.6% in 9M FY2025 on a YoY basis, supported by robust growth across all segments. WFM, OAM and GTS segments grew by ~14.5%, ~10.1% and 8.4%, respectively in 9M FY2025. While IT staffing and BFSI sectors witnessed some slowdown, sectors like retail, manufacturing, FMCG and e-commerce supported the company's growth. In line with the revenues, the operating profit margins (OPM) improved to ~3.7% in FY2024 from 3.4% in FY2023, supported by focus on global markets and the high-margin GTS segment, benefit from the operating leverage in the OAM segment, and reduction in cash burn in the PLB segment. In 9M FY2025, the margins stood at ~3.7% for 9M FY2025, supported by optimised marketing spends, improvement in OAM segment, and further reduction in cash burn of PLB and various productivity initiatives taken by the company. The company's revenue growth is expected to remain healthy in the upcoming years, supported by recovery in IT staffing, more clients shifting from the unorganised to organised players and increasing need for support services. At the same time, time taken for turnaround of the current loss-making business segment (PLB) and the margin trajectory thereon will remain a key monitorable.

Strong market position across segments – QCL is one of the largest players in the domestic general staffing industry with an associate count of ~5,03,000 as on December 31, 2024 (a YoY growth of 13%). Given its large scale and robust backend operations, the company was able to improve its core-to-associate ratio in the general staffing segment to 371 in Q3 FY2025 from 405 in Q4 FY2024. It is also one of the largest IT staffing players in India and Singapore. Under its IT staffing and selection business, the revenues and margins were impacted during FY2024 and 9M FY2025 due to slowdown in IT hiring. QCL is also one of the largest players in the facility management and domestic business process outsourcing (BPO) and customer lifecycle management (CLM) businesses. Going forward, ICRA expects the general staffing, facility management and BPO/CLM (housed under subsidiaries, Conneqt and Allsec) segments to be the key contributors to QCL's revenue and margin growth, in line with the past trends.

Credit metrics supported by low net debt levels, and healthy debt metrics – The company's net cash position (excluding lease liabilities) as on December 31, 2024, stood at ~Rs. 347 crore against ~Rs. 206.5 crore as on March 31, 2024. While QCL's debt indicators remain comfortable with Net Debt (including lease liabilities)/OPBDITA at 0.4 times as on March 31, 2024 and 0.2 times as on September 30, 2024, the same improved from 0.8 times as on March 31, 2023. The company has reduced its debt consistently and going forward, the trend in margins and debt metrics will be a key rating monitorable for the company.

Credit challenges

QCL's margins remain vulnerable to weak demand conditions of end-user industries – The company's operating margins improved to 3.7% in FY2024 from 3.4% in FY2023. This was mainly due to the GTS platform, driven by focus on international markets, and high-margin segments, reduction in burn in foundit and benefit from operating leverage in the OAM platform. The consolidated operating margins remained flat at 3.7% in 9M FY2025. The margins were supported by optimised marketing spends, improvement in the OAM margin with higher contributions through the food and beverages sector, telecom infrastructure, reduced cash burn in foundit business and various cost reduction and productivity improvement initiatives undertaken by the company. The OPM saw some setback in Q3 FY2025 due to increased investment in sales, development of the new leadership team and festive season pass through for the associates. The margins have also been hit by moderation in private consumption and investment, coupled with high inflationary and elevated interest rates, which have negatively impacted the consumer's business spending. Moreover, in line with the improvement in margins, QCL's return on capital employed (RoCE) improved to 14.7% in 9M FY2025 from 10.9% in FY2024. ICRA understands that the company will continue to invest in PLB in FY2025. However, this will mainly be funded through available funds raised in the last round of fund-raising in December 2021. That said, the company is expected to witness OPBDITA breakeven in its PLB and US staffing segments by the end of Q4 FY2025, which remains one of the key monitorables. Given the stated intent of the management to avoid sizeable acquisitions in the near-to-medium term, QCL's ability to improve the RoCE and margins remains a key monitorable.

Intense competition along with high attrition rates continue to impact margins – The general staffing industry in India is characterised by the presence of large domestic and international players, while the facility management and security services industry are highly fragmented with numerous unorganised players on account of low entry barriers. Consequently, competitive pressure continues to limit the pricing power and the scope for margin expansion for QCL in these segments.

Vulnerability of certain businesses to exogenous shocks – The margins under the company's WFM segment were impacted owing to slowdown in the IT staffing in FY2024 and 9M FY2025. The margins in 9M FY2025 have also been impacted by moderation in private consumption and investment, coupled with high inflationary and elevated interest rates, which have negatively impacted the consumer's business spending. In the past, QCL's various businesses were impacted in FY2021 and to a certain extent in FY2022 by the pandemic-related lockdown. While these businesses witnessed a growth in the subsequent period with a pick-up in economic activity as well as recommencement of offices and educational institutions, the company's operations continue to remain exposed to such exogenous shocks.

Environmental and social risks

Environmental considerations – The exposure to environmental risk is low for the company. It has a responsible procurement policy, with the usage of recycled paper as far as possible. It is also endeavouring to reduce, reuse and recycle paper and e-waste. Further the company has an aspiration to reduce its carbon emissions by ~20% within FY2025.

Social considerations – Exposure to social risk is moderate for the manpower outsourcing industry where QCL operates. These include changes in the regulatory environment and employee management, which are important for players like QCL. However, the organised sector's focus on compliance and streamlining of labour codes would support the company's operations. Any political/ economic situation could also impact the industry.

Liquidity position: Adequate

The company's liquidity profile remains adequate on the back of free cash and liquid investments of ~Rs. 571 crore as on December 31, 2024, and a buffer of ~Rs. 612 crore in its working capital limits (excluding CP limits). The company utilised 18% and 12% of its sanctioned working capital limits and drawing power, respectively, as of every month end during the 12-month period ending in December 2024. However, peak utilisation of working capital limits remained higher than the aforementioned numbers as the salaries and GST payments are paid out during various dates of the month. On a consolidated basis, debt repayments remain minimal compared to the company's accruals. While the commercial paper programme rated by ICRA is not carved out of the company's drawing power, ICRA understands that the company will maintain considerable buffer in its drawing power, going forward.

Rating sensitivities

Positive factors – The long-term rating could be upgraded if there is a material reduction in debtor/ receivable days in addition to an increase in its margins, leading to a significant improvement in its debt metrics and liquidity position on a sustained basis. Specific credit metric that could lead to a rating upgrade includes improvement in ROCE to 20% on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is a significant decline in the associate headcount, leading to a contraction in revenues and margins or any debt-funded acquisition that could result in a material increase in debt levels. Specific credit metrics that could lead to ratings downgrade include Total Debt/OPBDITA above 1.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Quess.

About the company

QCL was incorporated in October 2007 in Bengaluru and is promoted by Mr. Ajit Isaac. The company received an initial round of private equity funding in February 2008, with India Equity Partners (IEP) acquiring a stake in QCL for an investment of Rs. 21.3 crore. In May 2013, Thomas Cook (India) Limited (TCIL), India's largest integrated travel company, acquired a 74.85% stake in QCL for a consideration of Rs. 256 crore. IEP had also exited QCL by selling its shares to TCIL as a part of this deal. In FY2020, QCL was demerged from TCIL, resulting in Fairfax currently holding a 34.5% stake in QCL (as of June 2023).

The company offers end-to-end business solutions such as general staffing, professional staffing, technology staffing, IT products and solutions, skill development, payroll, compliance management, integrated facility management and industrial asset management services to corporate clients operating across sectors. By engaging with QCL, clients have the flexibility to maintain a large employee base throughout the year, enabling them to save on unnecessary manpower costs during the off-season and outsource their non-core activities. At present, QCL operates under four major segments — workforce management, global technology solutions, operating asset management and product-led business. QCL has acquired companies involved in various businesses over the last few years and currently manages various joint ventures and subsidiaries.

Key financial indicators (audited)

Quess Corp Ltd. (consolidated)	FY2023	FY2024	9MFY2025*
Operating income	17,158.4	19,100.1	15,701.5
PAT	222.8	280.5	290.4
OPBDIT/OI	3.5%	3.7%	3.7%
PAT/OI	1.3%	1.5%	1.8%
Total outside liabilities/Tangible net worth (times)	1.2	1.1	-
Total debt/OPBDIT (times)	1.7	1.2	-
Interest coverage (times)	5.4	6.2	-

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Feb 28, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based	Long-term	1,067.50	**[ICRA]AA; Rating Watch with Developing implication;**	Aug-28-23	[ICRA]AA (Stable)	Aug-30-22	[ICRA]AA (Stable)	Apr-29-21	[ICRA]AA (Stable)
		-	-	Feb-27-24	[ICRA]AA; Rating Watch with Developing Implications	Dec-22-22	[ICRA]AA (Stable)	Aug-30-21	[ICRA]AA (Stable)
Non-Fund based	Short Term	159.00	**[ICRA]A1+; Rating Watch with Developing Implications**	Aug-28-23	[ICRA]A1+	Aug-30-22	[ICRA]A1+	Apr-29-21	[ICRA]A1+
		-		Feb-27-24	[ICRA]A1+; Rating Watch with Developing Implications	Dec-22-22	[ICRA]A1+	Aug-30-21	[ICRA]A1+
Interchangeable	Short Term	(222.00)	**[ICRA]A1+; Rating Watch with Developing Implications**	Aug-28-23	[ICRA]A1+	Aug-30-22	[ICRA]A1+	Apr-29-21	[ICRA]A1+
		-	-	Feb-27-24	[ICRA]A1+; Rating Watch with Developing Implications	Dec-22-22	[ICRA]A1+	Aug-30-21	[ICRA]A1+

Commercial paper	Short Term	400.00	**[ICRA]A1+; Rating Watch with Developing Implications**	Aug-28-23	[ICRA]A1+	Aug-30-22	[ICRA]A1+	Apr-29-21	[ICRA]A1+
		-	**-**	Feb-27-24	[ICRA]A1+; Rating Watch with Developing Implications	Dec-22-22	[ICRA]A1+	Aug-30-21	[ICRA]A1+
Non-convertible debentures	Long Term	-	**-**	-	-	-	-	Apr-29-21	[ICRA]AA (Stable); withdrawn

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund Based – Working capital	Simple
Short-term Non-fund Based – Working capital	Very simple
Short-term interchangeable limits – Working capital	Simple
Commercial Paper	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based	NA	NA	NA	1,067.50	[ICRA]AA; Rating Watch with Developing implication
NA	Non-fund based	NA	NA	NA	159.00	[ICRA]A1+; Rating Watch with Developing implication
NA	Interchangeable	NA	NA	NA	(222.00)	[ICRA]A1+; Rating Watch with Developing implication
Not placed	Commercial paper	NA	NA	NA	400.00	[ICRA]A1+; Rating Watch with Developing implication

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	QCL ownership	Consolidation approach
Excelus Learning Solutions Private Limited	100%	Full consolidation
Monster.com (India) Private Limited	83.12%	Full consolidation
Monster.com.SG PTE Limited	100%	Full consolidation
Monster.com HK Limited	100%	Full consolidation
Agensi Pekerjaan Monster Malaysia Sdn. Bhd	49% Monster.com (India) Private Limited	Full consolidation
Qdigi Services Limited	-	Full consolidation
Vedang Cellular Services Private Limited	97.00%	Full consolidation
Trimax Smart Infraprojects Private Limited	100%	Full consolidation
Quess International Services Private Limited (formerly Golden Star Facilities and Solutions Private Limited)	100%	Full consolidation
Terrier Security Services (India) Private Limited	48.05%	Full consolidation
Allsec Technologies Limited	73.38%	Full consolidation
Allsec Inc., USA	100% by Allsec Technologies Limited	Full consolidation
Allsectech Manila Inc., Philippines	100% by Allsec Technologies Limited	Full consolidation
Billion Careers Private Limited	100%	Full consolidation
Heptagon Technologies Private Limited	100%	Full consolidation
Stellarslog Technovation Private Limited	100%	Full consolidation
Quess (Philippines) Corp.	100%	Full consolidation
Quess Corp Vietnam LLC	100%	Full consolidation
Quess Services Limited	-	Full consolidation
Quesscorp Holdings Pte Limited	100%	Full consolidation
Quess Corp Lanka (Private) Limited	100% by Quesscorp Holdings Pte Limited	Full consolidation
Quesscorp Singapore Pte Limited (formerly known as "Comtel Solutions Pte. Limited")	100% by Quesscorp Holdings Pte Limited	Full consolidation
Quessglobal (Malaysia) SDN.BHD.	100% by Quesscorp Holdings Pte Limited	Full consolidation

Company name	QCL ownership	Consolidation approach
Quess Corp NA LLC	100%	Full consolidation
Quess Selection & Services Pte Limited (formerly known as "Comtelpro Pte. Ltd.")	100% by Quesscorp Holdings Pte Limited	Full consolidation
Quesscorp Management Consultancies	100% by Quesscorp Holdings Pte Limited	Full consolidation
Quesscorp Manpower Supply Services LLC	100% by Quesscorp Holdings Pte Limited	Full consolidation
Comtelink Sdn.Bhd	100%	Full consolidation
Quess Corp. (USA) Inc.	100%	Full consolidation
MFXchange Holdings Inc.	100%	Full consolidation
MFXchange US, Inc.	100% by MFXchange Holdings Inc.	Full consolidation
Brainhunter Systems Limited	100%	Full consolidation
Mindwire Systems Limited	100% by Brainhunter Systems Limited	Full consolidation
Quess Recruit Inc.	25% by Quess (Philippines) Corp.	Full consolidation
Agency Pekerjaan Quess Recruit SDN. BHD.	49% by Quessglobal (Malaysia) SDN.BHD.	Full consolidation
Quess East Bengal FC Private Limited	100%	Full consolidation
Digitide Solutions Limited	100%	Full consolidation
Bluspring Enterprises Limited	100%	Full consolidation
Quess GTS Canada Holding Inc.	100%	Full consolidation
Himmer Industrial Services (M) SDN.BHD.	-	Equity method

Source: Company, FY24 Audited Financial

Corrigendum

Rationale dated February 28, 2025, has been corrected with revisions as detailed below:

'Rating continues on Rating watch with developing implications' has been added to 'Rating Watch with Developing implication' in the rating action of the summary table as per ICRA policy.

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