

Quess Corp Limited^(REVISED)

Instrument	Amounts	Rating Action
	(Rs. Crore ¹)	July 2016
Long -Term Fund Based Limits	270.00	[ICRA]AA- (Stable) / Upgraded from [ICRA]A+; Outlook revised from Positive
Short -Term Fund Based Limits	8.00	[ICRA]A1+ / Reaffirmed
Short -Term Non - Fund Based Limits	22.00	[ICRA]A1+ / Reaffirmed
Commercial Paper	30.00	[ICRA]A1+ / Reaffirmed

ICRA has upgraded the long-term rating outstanding on the Rs.270.00 crore long-term fund based facilities of Quess Corp Limited (QCL / the company)² to [ICRA]AA- (pronounced ICRA double A minus) from [ICRA]A+ (pronounced ICRA A plus). The outlook on the long-term rating has been revised to Stable from Positive. ICRA has reaffirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the Rs.8.00 crore short-term fund based facilities, the Rs.22.00 crore short-term non-fund based facilities and the Rs.30.00 crore commercial paper programme of QCL.

The upgrade in long-term rating takes into account the improvement in QCL's financial flexibility and liquidity profile following the recent initial public offering (IPO) by the company. Part of the proceeds from the Rs.400.0 crore IPO will be utilized towards debt retirement (Rs.50crore) and funding incremental working capital requirements (Rs.157.9 crore) thereby de-leveraging its balance sheet to a certain extent. Further, the company also plans to utilize about Rs.71.7 crore of the IPO proceeds to fund its capital expenditure plans and Rs.80.0 crore for inorganic growth to support its overall business prospects.

The ratings also continue to factor QCL's financial profile which had improved during FY2016 with robust revenue growth aided by ramp up across segments. The inorganic growth strategy adopted by QCL over the years has also supported diversification into complementary business segments like Global Technology Solutions, Facility Management Services and Industrial Asset Management which enjoy relatively higher margins than the People & Services (P&S) segment where QCL has a strong presence in turn aiding in expansion of margins at a consolidated level.

The ratings also factor in QCL's strong parentage - subsidiary of Thomas Cook India Limited (TCIL, *rated [ICRA] AA (Stable)*), the company's established presence in the domestic Human Resource consulting industry, its strong sourcing abilities on back of a strong database of candidate profiles across various industries and sectors which continue to enhance QCL's business prospects. Further, the company has also achieved international presence in the recent past through acquisition of Randstad Lanka, Brainhunter Systems Limited and MFXchange Holdings Inc based out of Srilanka, US and Canada. The ratings, however, remain constrained by the high competitive intensity in the domestic human resource (HR) consulting industry which remains the largest revenue-generating segment for the company. ICRA also notes that though the company's revenues remain well diversified across segments, QCL derives about 30% of its total revenues from its top 10 customers indicating 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. In the past, the company has been active in the in-organic space targeting growth and diversification through acquisitions. While we expect the company to maintain its credit profile through in-organic investments, this remains an event risk and would be evaluated on a case by case basis for its impact on the ratings. Going forward, the Group's ability to improve its operating performance and ease the pressure on cash flows will remain key rating sensitivities.

Company Profile

Quess Corp Limited (QCL) is engaged in offering end-to-end business solutions like recruitment, temporary 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

¹ 100 lakhs = 1 crore = 10 millions

² For complete rating scale and definition, refer ICRA's website (www.icra.in) or other ICRA rating publications

sectors. By dealing with QCL, clients have the flexibility to maintain a large employee base all-round the year thereby allowing them to save on unwanted manpower costs during off-season and outsource their non-core activities. As of November 30, 2015, QCL's client included more than 35 companies ranked in the 2015 Fortune Global 500 list.

QCL was incorporated in October 2007 in Bangalore by Mr. Ajit Isaac. The company received initial round of private equity funding during February 2008 wherein India Equity Partners (IEP) acquired a stake in QCL for an investment of Rs.21.3 crore. During 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 during February 2013. IEP had also exited QCL by selling its shares to TCIL as a part of this deal.

Over the years, QCL had acquired other companies involved in a variety of businesses and consolidated its operations during FY2015. On a consolidated basis, the company currently has over 1,25,000 associated employees under payrolls with about 3,750 employees forming part of its core staff. QCL provides services to clients operating across domains such as information technology (IT), IT enabled services (ITeS), Consumer Durables, Telecom, Pharmaceuticals, Entertainment, FMCG etc. QCL, head quartered in Bangalore, operates in 52 cities in India and has presence across North America, Middle East and Southeast Asia.

About Thomas Cook (India) Limited (TCIL)

Thomas Cook (India) Limited (TCIL) is one of the largest integrated Travel and Travel related Financial Services providers in India. TCIL is India's largest non-banking foreign exchange dealer, with an Authorized Dealer Category II license from the RBI. It also provides a wide range of services including Foreign Exchange, Corporate Travel, Leisure Travel, Insurance, MICE (Meetings, Incentives, Conferences, Exhibitions) and Visa Processing. The Company is listed on both the Bombay Stock Exchange as well as the National Stock Exchange. In May 2012, Fairfax Financial Holdings Limited bought the 77% stake of Thomas Cook Group PLC (TCGP) in TCGP's India entity, TCIL, through its wholly owned subsidiary, Fairbridge Capital (Mauritius) Ltd (Fairbridge Capital). Following the acquisition, Fairbridge Capital acquired a further 10.41% stake in TCIL through an open offer. As on September 30, 2015, Fairbridge Capital's shareholding in TCIL is 67.86%.

In February 2014, TCIL acquired a 55% stake in Sterling Holiday Resorts (India) Limited (SHRIL, now a wholly-owned and independently managed subsidiary of TCIL, post a share swap done in 2015, under the entity Sterling Holiday Resorts Limited (SHRL)) for a cash consideration of Rs. 470 crore. SHRL is a pioneer in Vacation Ownership and a leading Leisure Hospitality company in India. As on September 30, 2015, SHRL has a total inventory of 1,767 rooms spread across a network of 24 resorts in 21 holiday destinations in India. The company also has 15 additional sites where it plans to add new resorts in coming years.

In August 2015, TCIL announced that it has signed definitive agreement with Kuoni Group to acquire travel related businesses of Kuoni in India and Hong Kong for a total consideration of Rs. 535 crore. The acquisition includes Kuoni's outbound, business travel, domestic, MICE and inbound businesses in India and outbound and business travel businesses in Hong Kong. The transaction remains subject to regulatory approvals as required. Also, on July 30, 2015, TCIL announced that it has acquired Luxe Asia, a Destination Management Company based in Sri Lanka, through its wholly owned subsidiary Thomas Cook Lanka (Pvt) Ltd, for a consideration of Rs. 3.5 crore.

Recent Results

The company reported an operating income of Rs.3435.0 crore with a profit after tax (PAT) of Rs.89.7 crore during FY2016 as against an operating income of Rs.2567.1 crore with a PAT of Rs.68.9 crore during the 15-month period ending March 2015.

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