

QUESS CORP

Initiating Coverage

Value creation via formalisation and demerger

GENERAL
STAFFING

IT STAFFING

FACILITY
MANAGEMENT

BPO

Quess Corp

Value creation via formalisation and demerger

Quess Corp Ltd (Quess) is India's largest staffing/business services company with its business spread across staffing (WFM), facility management (OAM), BPO (GTS) and a platform (job portal Foundit). It is a leader in the flexi-staffing and facility management segment and is well placed to benefit from macro tailwinds like (1) formalisation of labour force, (2) proposed new labour laws, (3) push for creating a manufacturing hub through various PLI schemes, (4) creating internship opportunities, and (5) job generation in tier-2/3 cities. These initiatives will drive a sustainable mid-teen growth for the flexi-staffing sector. Quess has built multiple businesses through various acquisitions (FY17-22) but post-covid, the company has focussed on execution, driving organic growth, efficient capital allocation, debt reduction, and cash flow improvement.

The company achieved a strong revenue CAGR of 18% over FY19-24, but the margin has declined from 5.4% in FY19 to 3.6% in FY24 leading to a muted 4% PAT CAGR. We expect a 12% revenue CAGR over FY24-27E, led by volume growth in WFM, accelerating growth in facility management, and higher demand for AI-driven CLM services in the GTS segment. Margins will gradually improve with change in business mix, reduction in Foundit losses, and stable corporate costs, leading to an EBITDA CAGR of 16% over FY24-27E, in our view. The planned demerger into three independent entities will result in (1) value unlocking for each segment, (2) higher management focus, and (3) better capital allocation based on strategic priorities. We initiate coverage on Quess with a BUY rating and SoTP based target price of INR 930, assigning 15/10/12x EV/EBITDA to WFM/GTS/OAM segments and 4x EV/sales to Foundit, the implied P/E and EV/EBITDA multiple is 22/13x. The stock is trading at a P/E of 19/15x FY26/27E with RoE improving to 17% in FY27E.

- Workforce Management (WFM)—volume-led growth:** The WFM segment is the largest revenue contributor for Quess, comprising 70% of the total revenue and 51% of its EBITDA. This segment includes general staffing, IT staffing, and overseas staffing. General staffing accounts for 83% of WFM revenue followed by overseas staffing and IT staffing. Quess has a leading market share of 7% in general staffing with ~0.5mn associates in FY24. The IT staffing growth was led by an uptick in Global Capability Centres (GCCs) offset by muted hiring by IT companies. However, recovery of freshers hiring by IT services companies will aid IT staffing growth in FY26E. IT staffing have higher realisation than traditional staffing and better margins as well. The general staffing will deliver volume growth of ~14% driven by manufacturing, retail and FMCG verticals. There is limited scope for margin expansion and the WFM margin will remain flat at ~2.6% with general staffing's at 1.9% and IT staffing's at 7%. Overall, the WFM segment revenue/EBITDA is expected to grow at a 13/12% CAGRs over FY24-27E.
- Global Technology Services (GTS)—strong growth, margin expansion:** This is a high-margin segment and contributes 12/61% to Quess's revenue/EBITDA. GTS segment consists of CLM (domestic BPO- Allsec and Conneqt), IT services (MFX) and platform (Allsec payroll processing). IT services and payroll processing are high-margin businesses (>20%). Over the last five years, the GTS margins have expanded (~18% in FY24), resulting in 34% EBITDA CAGR over FY19-24. This impressive margin expansion was driven by the integration of AI and digital solutions to enhance productivity and efficiency. Further, the impact of Generative AI (GenAI) is being explored, with pilots and experiments underway to integrate AI solutions into various processes. We expect the GTS margins to remain in the similar range and focus will be on growth acceleration vs 5% revenue CAGR delivered over FY19-24. BFSI sector is the largest contributor to GTS segment accounting for 55% of the revenue. The GTS segment is expected to deliver revenue/EBITDA CAGR of 10/9% over FY24-27E, driven by +16/23% CAGR in CLM and platform segment, while IT services and non-voice BPO will be under pressure.

BUY

CMP (as on 15 Jan 2025)	INR 639
Target Price	INR 930
NIFTY	23,213

KEY STOCK DATA

Bloomberg code	QUESS IN
No. of Shares (mn)	149
MCap (INR bn) / (\$ mn)	95/1,099
6m avg traded value (INR mn)	490
52 Week high / low	INR 875/460

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(12.6)	2.9	23.0
Relative (%)	(6.4)	7.8	18.4

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	56.59	56.57
FIs & Local MFs	10.97	10.46
FPIs	15.82	15.23
Public & Others	16.62	17.74
Pledged Shares	0.00	0.00

Source : BSE

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- Operating Asset Management (OAM)—steady recovery:** The OAM segment includes facility management, security services, industrial and telecom segments which contributes ~15/20% of Quess's FY24 revenue/EBITDA. The OAM segment is composed of acquired businesses, including Terrier (security), Vedang (telecom), and Manipal and Avon (facility management). The facility management sub-segment growth was impacted in FY24 (~5% YoY) which we expect would recover and register ~14% CAGR over FY24-27E as well as contribute ~60% the OAM's revenue and EBITDA. The telecom segment, although limited to a few large network operators and OEMs, continues to expand by mining more geographies and circles. The industrial segment is also seeing growth due to increased outsourcing of maintenance activities. Quess is focused on enhancing the profitability of OAM by strategically dropping low-margin legacy contracts and focusing on higher-margin deals. The segment has ~5% EBITDA margins but the collections cycle is longer vs staffing business. We expect the OAM segment to register 13/12% revenue/EBITDA CAGR over FY24-27E.
- Foundit—breaking even, ready to scale:** Quess's product-led business (PLB) includes a job portal platform (Foundit) and other blue-collar talent platforms. Foundit is focused on using technology, personalisation, and AI to provide job seekers and employers a comprehensive platform for job matching and recruitment. The platform has experienced growth in traffic and is gaining popularity among job seekers. Foundit is continuously enhancing the user experience with AI-powered tools like "Magic Search" and "PrepAI 2.0". Strategic investments in product development and marketing are expected to drive growth and enhance the platform's competitive position. The Foundit platform with revenue of INR 1.60bn in FY25E is ~8% of Naukri revenue and making EBITDA loss of -16% vs 58% margins of Naukri. The long-term aim is to reach 20-25% of Naukri's revenue and break even in FY26E. We expect 17% revenue CAGR over FY24-27E and the break-even in FY27E.
- Demerger—value unlocking:** Quess Corp plans to demerge into three separate entities by Q1FY26E. The main entity Quess Corp will focus on the core workforce management business. The second entity, Digitide Solutions, will house the GTS business and platform-led businesses, excluding Foundit. The third entity, Bluspring Enterprises, will encompass the OAM and Foundit businesses. This demerger is aimed at enhancing the focus on core business segments and unlocking value by allowing each entity to operate more independently.
- Outlook and valuation:** On a consolidated basis, Quess will deliver 12% revenue CAGR, led by 13/13/10/17% CAGR in WFM/OAM/GTS/Foundit over FY24-27E. The consolidated EBITDA margin will expand from 3.6% in FY24E to 4.0% in FY27E, leading to 14% EBITDA CAGR over FY24-27E. The segmental EBITDA margin for WFM/OAM/GTS/Foundit will be at 2.6/5.0/17.9/5.1% in FY27E, leading to 12/12/9% EBITDA CAGRs, while the corporate cost will grow at 4% CAGR. We have assigned 15x EV/EBITDA to the WFM segment vs 22x assigned to Teamlease. Quess's WFM segment is larger in size and has better margins vs Teamlease but still gets a lower multiple; the demerger will lead to better RoE for the WFM segment and will result in re-rating. The GTS segment has been assigned 10x EV/EBITDA for a 10% growth and 18% margin which is at steep discount to peers like Firstsource. The OAM is assigned EV/EBITDA of 12x, which is higher vs players like SIS and Updater. The Foundit is assigned P/S of 4x which is at a steep discount to the leader Naukri (~16x). We have taken the full impact of the contingent liabilities and NPV of the 80JJAA benefit over the next five years.

Financial Summary (consolidated)

YE March (Rs bn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	136.92	171.58	191.00	209.60	237.73	268.99
EBITDA	6.23	5.86	6.94	8.03	9.36	10.82
APAT	2.34	1.71	3.05	3.89	4.97	6.21
Diluted EPS (Rs)	15.8	11.6	20.5	26.2	33.5	41.8
P/E (x)	40.3	55.2	31.1	24.4	19.1	15.3
EV / EBITDA (x)	15.3	16.1	13.4	11.3	9.3	7.7
RoE (%)	9.8	6.8	11.4	13.3	15.4	17.3

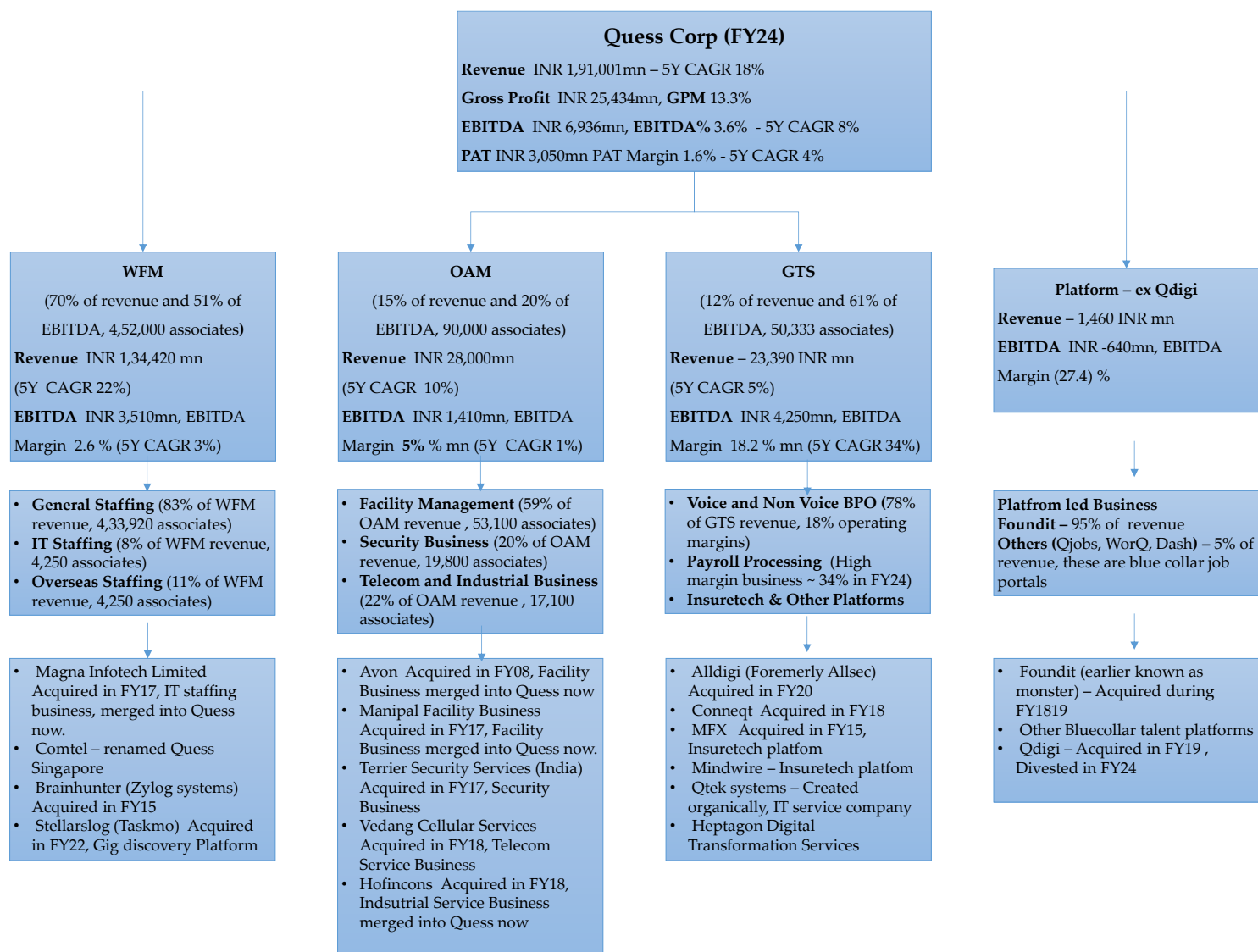
Source: Company, HSIE Research

Quess Corp - SoTP Valuations

Quess SoTP Business Segments	Sales FY27 (INR bn)	EBITDA FY27 (INR bn)	EV/EBITDA (x)	EV/SALES (x)	Value (INR bn)	Per sh (INR)	% share in SoTP
WFM	195.71	4.09	15		61.30	413	44%
GTS	30.93	4.98	10		49.84	336	36%
OAM	40.11	1.82	12		21.84	147	16%
PLB (foundit)	2.24	-0.07	NM	4.0	8.96	60	6%
Total	268.99	10.82	13		141.94	956	103%
+Net Cash					1.75	12	1%
-80JJAA Tax benefit					2.56	17	2%
-Contingent Tax Liability					3.00	20	2%
Target Mcap/TP					138.13	930	100%
Current Mcap/CMP					94.86	639	
Upside %						46%	

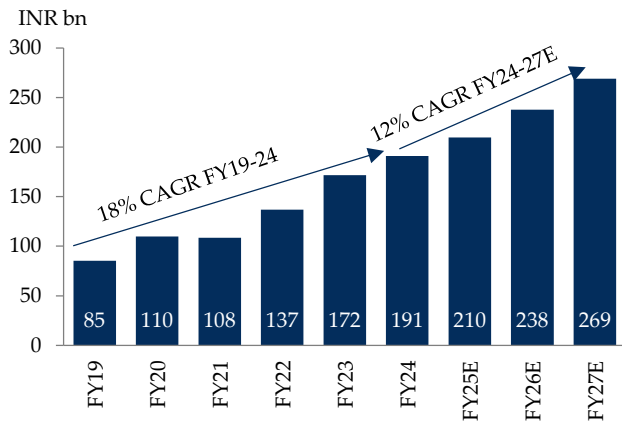
Source: HSIE Research

Quess Corp – Business Segments



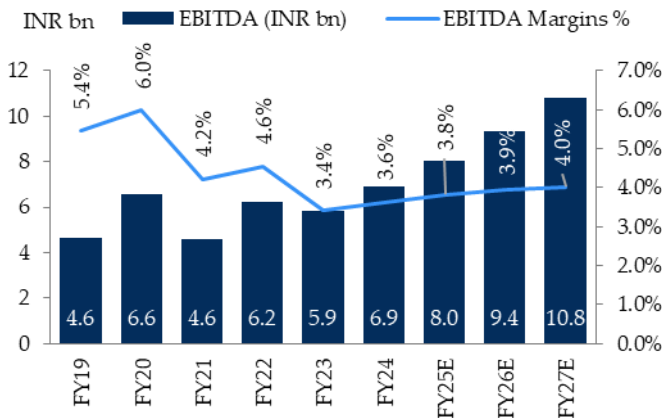
Story in Charts

Exhibit 1: 12% revenue CAGR expected over FY24-27E



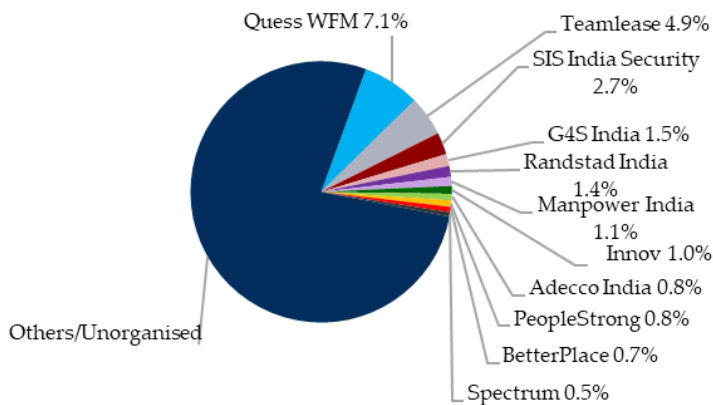
Source: Company, HSIE Research

Exhibit 3: EBITDA margin to recover gradually, led by mix change, lower platform losses and stable corporate costs



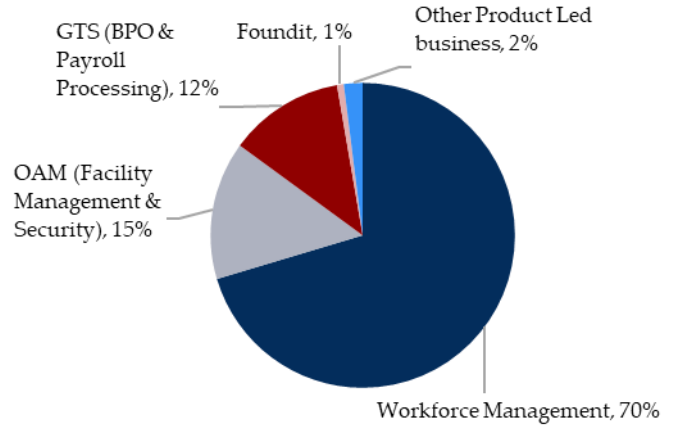
Source: Company, HSIE Research

Exhibit 5: Quess WFM segment's revenue market share at 7%, followed by Team Lease; unorganised segment big at 75%



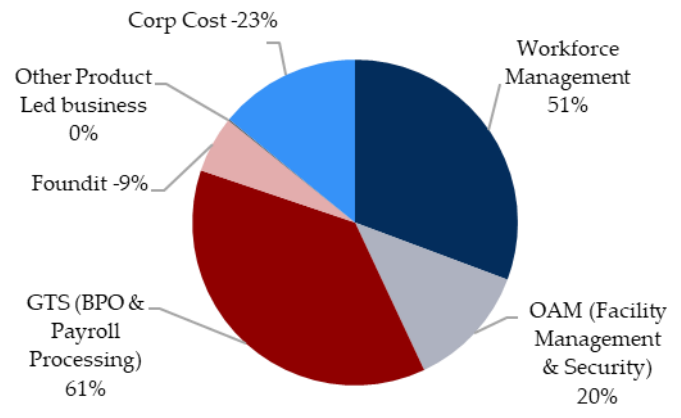
Source: Company, Tracxn, Pitchbook, Media reports, HSIE Research

Exhibit 2: WFM is the largest segment with ~70% revenue and 51% EBITDA contribution; OAM and GTS are higher margin segments- FY24



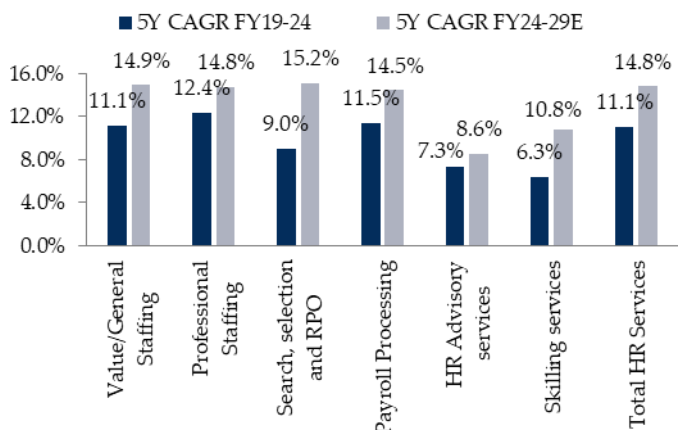
Source: Company, HSIE Research

Exhibit 4: Higher-margin GTS and OAM segments account for ~80% of EBITDA; corporate costs and foundit at -32% in FY24



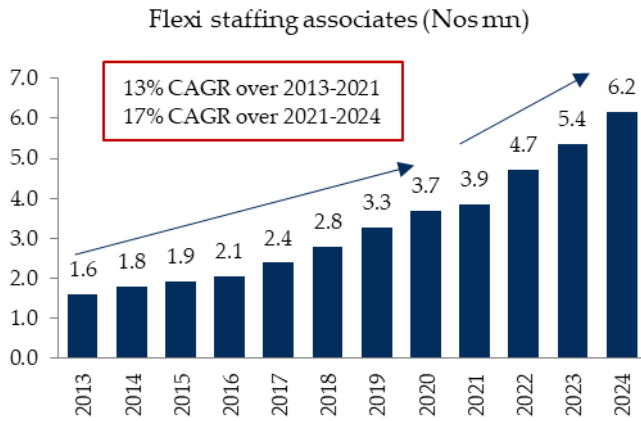
Source: Company, HSIE Research

Exhibit 6: HR Services expected to register 15% CAGR led by 14.9/14.8% CAGR of General/Professional Staffing



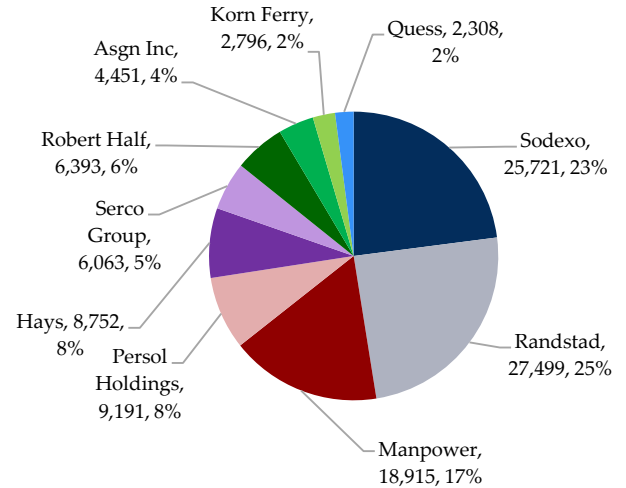
Source: Stakeholder interactions, Annual Report Analysis, Frost & Sullivan Analysis, HSIE Research

Exhibit 7: Aggregate flexi staffing associates registered strong 17% growth post-Covid; ~15% expected ahead



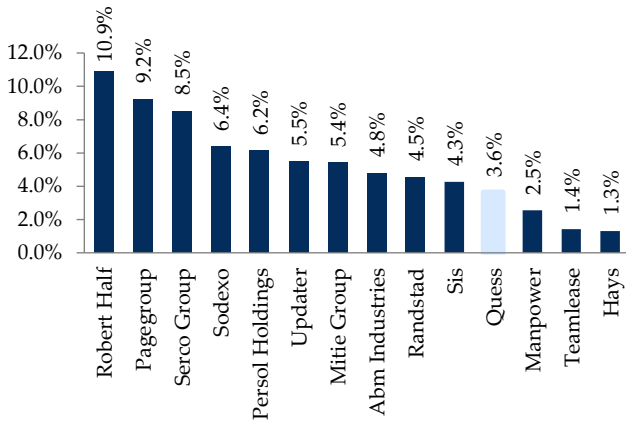
Source: ISF, HSIE Research, *estimated numbers

Exhibit 8: Major Flexi-Staffing players' FY24 revenue (USD mn) and market share (%)



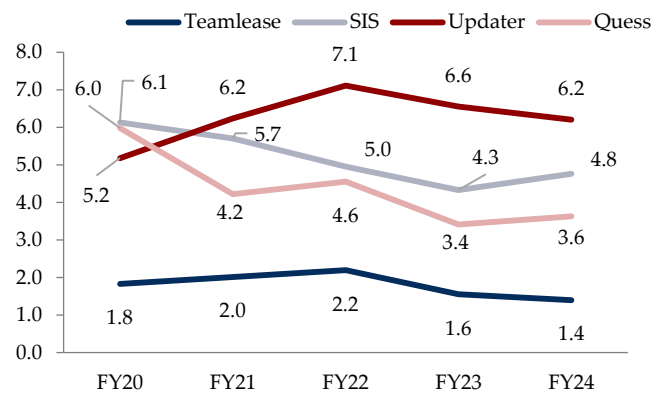
Source: Bloomberg, HSIE Research

Exhibit 9: Global Flexi-Staffing/Recruitment players' FY24 margin



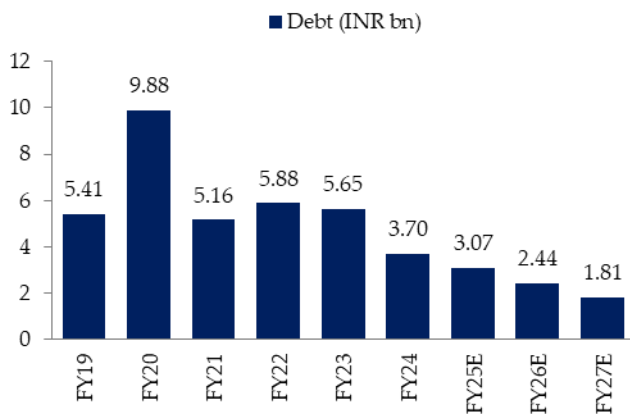
Source: Bloomberg, HSIE Research

Exhibit 10: Indian staffing players EBITDA margins over the last 5 years



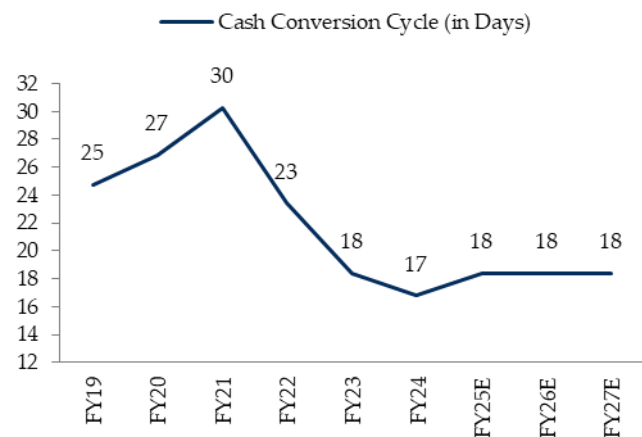
Source: Company, HSIE Research

Exhibit 11: Gross debt reduction in FY24; focus on organic growth, margin expansion, cash generation and debt reduction



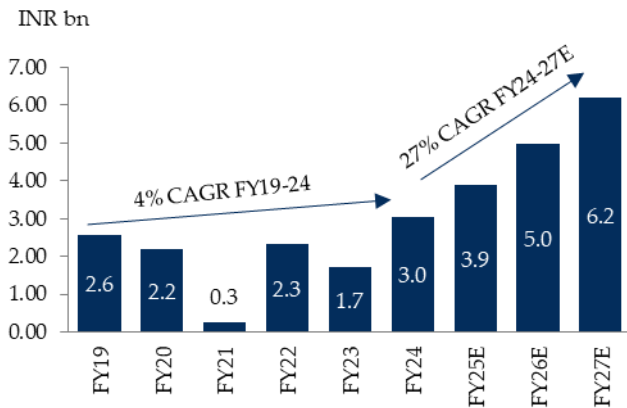
Source: Company, HSIE Research

Exhibit 12: Focus on core business and better client-mix results in improved cash conversion cycle



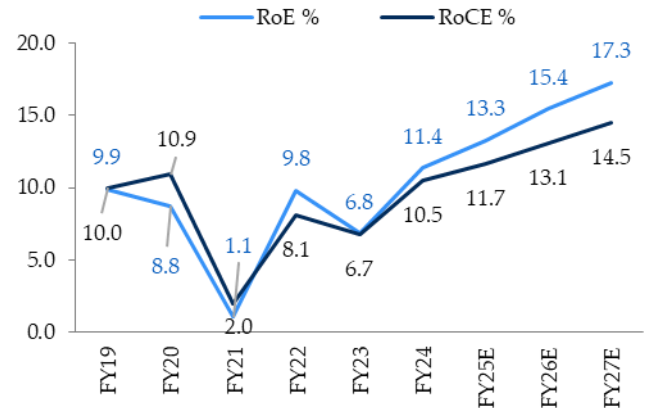
Source: Company, HSIE Research

Exhibit 13: PAT growth muted over FY19-24 due to margin compression; expect 27% CAGR over FY24-27E



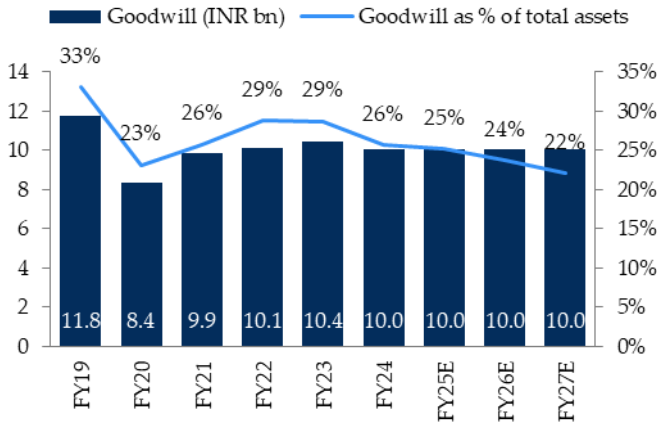
Source: Company, HSIE Research

Exhibit 14: Return ratios improve due to growth and profitability



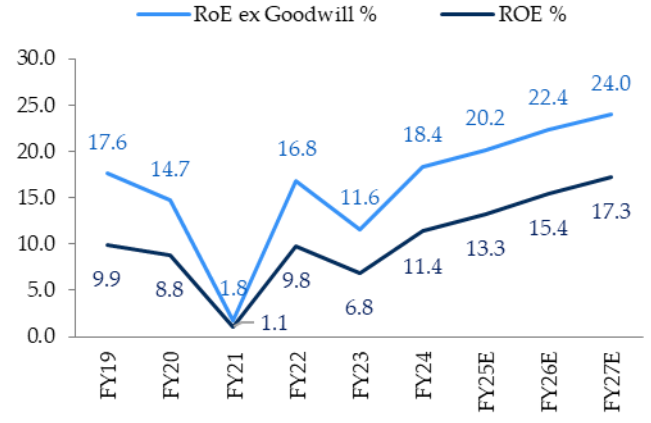
Source: Company, HSIE Research

Exhibit 15: Goodwill is ~26% of assets in FY24 – accumulated from multiple acquisitions in the past



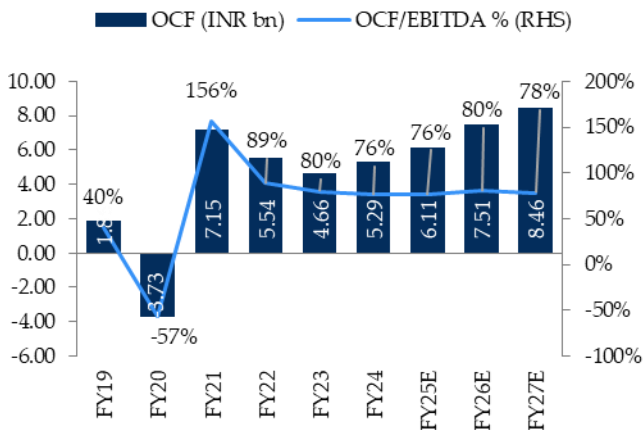
Source: Company, HSIE Research

Exhibit 16: Higher goodwill leading to lower ROE; ex of goodwill, RoE is healthy at ~18% in FY24



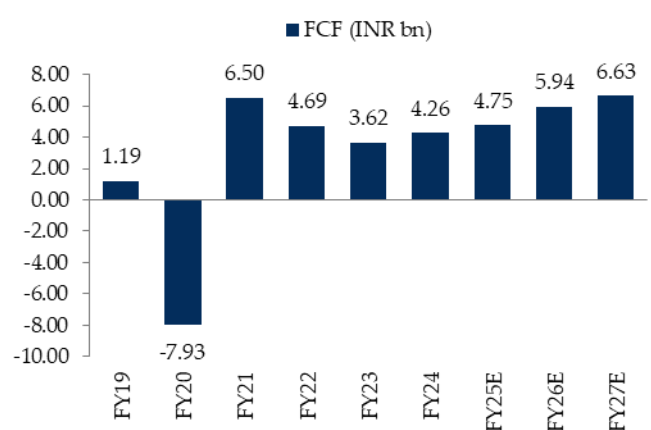
Source: Company, HSIE Research

Exhibit 17: OCF/EBITDA conversion at ~82% over the last three years is expected to remain at similar levels



Source: Company, HSIE Research

Exhibit 18: Positive FCF generation led by focus on core business metrics vs inorganic growth



Source: Company, HSIE Research

Exhibit 19: Quess Corp—segment revenue and projections

Revenue (INR bn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR 19-24	CAGR 24-27E
WFM (General, IT and Overseas Staffing)	50.35	71.54	71.58	94.76	118.31	134.42	151.53	172.70	195.71	22%	13%
OAM (Facility Management & Security)	17.02	17.34	16.88	21.10	26.21	28.00	30.94	35.07	40.11	10%	13%
GTS (BPO & Payroll Processing)	17.90	21.03	17.18	17.69	21.68	23.39	25.54	27.97	30.93	5%	10%
Other Product Led business (Foundit and qDigi)	0.00	0.00	2.73	3.37	5.38	5.19	1.59	1.99	2.24	NM	-24%
Total Revenue	85.27	109.91	108.37	136.92	171.58	191.00	209.61	237.73	268.99	17.5%	12.1%

Revenue Mix %	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
WFM (General, IT and Overseas Staffing)	59%	65%	66%	69%	69%	70%	72%	73%	73%
OAM (Facility Management & Security)	20%	16%	16%	15%	15%	15%	15%	15%	15%
GTS (BPO & Payroll Processing)	21%	19%	16%	13%	13%	12%	12%	12%	11%
Other Product Led business (Foundit and qDigi)	0%	0%	3%	2%	3%	3%	1%	1%	1%
Total Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%

Revenue Growth YoY %	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
WFM (General, IT and Overseas Staffing)		42.1%	0.1%	32.4%	24.9%	13.6%	12.7%	14.0%	13.3%
OAM (Facility Management & Security)		1.9%	-2.7%	25.0%	24.2%	6.8%	10.5%	13.4%	14.4%
GTS (BPO & Payroll Processing)		17.5%	-18.3%	3.0%	22.6%	7.9%	9.2%	9.5%	10.6%
Other Product Led business (Foundit and qDigi)		NM	NM	23.4%	59.9%	-3.6%	-69.3%	25.1%	12.5%
Total Revenue		28.9%	-1.4%	26.3%	25.3%	11.3%	9.7%	13.4%	13.1%

Segment EBITDA (INR bn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR 19-24	CAGR 24-27E
WFM (General, IT and Overseas Staffing)	3.09	3.88	2.65	3.24	3.45	3.51	3.78	4.40	4.99	3%	12%
OAM (Facility Management & Security)	1.34	1.22	1.16	1.33	1.19	1.41	1.49	1.70	2.00	1%	12%
GTS (BPO & Payroll Processing)	0.98	2.32	2.61	3.17	3.53	4.25	4.51	5.01	5.53	34%	9%
Other Product Led business (Foundit and qDigi)	0.00	0.01	(1.11)	(0.58)	(0.94)	(0.62)	(0.26)	(0.10)	0.11	NM	NM
EBITDA ex corporate cost	5.41	7.43	5.31	7.16	7.23	8.55	9.53	11.01	12.63	9.6%	13.9%
Corporate cost	0.77	0.85	0.73	0.93	1.37	1.61	1.50	1.65	1.81	16.0%	4.0%
EBITDA reported	4.65	6.58	4.58	6.23	5.86	6.94	8.03	9.36	10.82	8.3%	16.0%

EBITDA Mix %	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
WFM (General, IT and Overseas Staffing)	67%	59%	58%	52%	59%	51%	47%	47%	46%
OAM (Facility Management & Security)	29%	19%	25%	21%	20%	20%	19%	18%	18%
GTS (BPO & Payroll Processing)	21%	35%	57%	51%	60%	61%	56%	54%	51%
Other Product Led business (Foundit and qDigi)	0%	0%	-24%	-9%	-16%	-9%	-3%	-1%	1%
EBITDA ex corporate cost	117%	113%	116%	115%	123%	123%	119%	118%	117%
Corporate cost	17%	13%	16%	15%	23%	23%	19%	18%	17%
EBITDA reported	100%	100%	100%	100%	100%	100%	100%	100%	100%

EBITDA Margin %	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
WFM (General, IT and Overseas Staffing)	6.1%	5.4%	3.7%	3.4%	2.9%	2.6%	2.5%	2.5%	2.6%
OAM (Facility Management & Security)	7.9%	7.0%	6.9%	6.3%	4.5%	5.0%	4.8%	4.8%	5.0%
GTS (BPO & Payroll Processing)	5.5%	11.0%	15.2%	17.9%	16.3%	18.2%	17.7%	17.9%	17.9%
Other Product Led business (Foundit and qDigi)	NM	NM	-40.7%	-17.1%	-17.6%	-12.0%	-16.2%	-5.0%	5.1%
EBITDA ex corporate cost	6.3%	6.8%	4.9%	5.2%	4.2%	4.5%	4.5%	4.6%	4.7%
Corporate cost	0.9%	0.8%	0.7%	0.7%	0.8%	0.8%	0.7%	0.7%	0.7%
EBITDA reported	5.4%	6.0%	4.2%	4.6%	3.4%	3.6%	3.8%	3.9%	4.0%

Source: Company, HSIE Research

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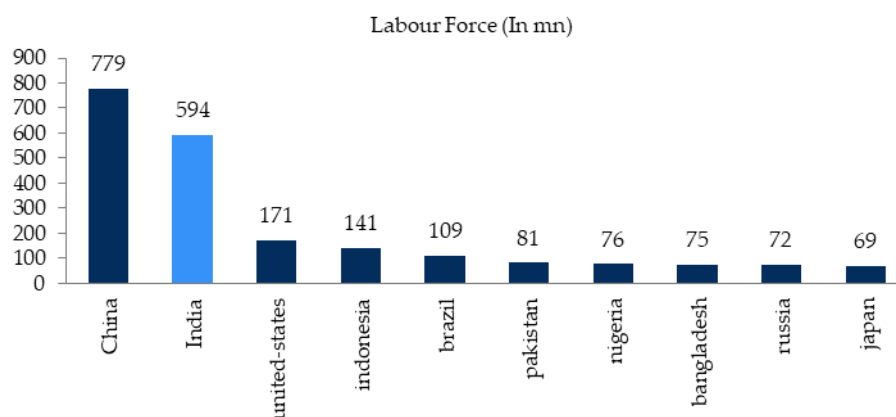
Industry Overview

India's Dynamic Workforce: Powering Sustainable Growth for Staffing

Formalisation of labour force driving demand for flexi staffing

- India has the second-largest labour force in the world, expanding from 515 mn in 2018 to 594 mn by 2023, at a 3% CAGR. The young working population (15-59 years) has steadily grown, significantly boosting the labour force. In 2011, this group comprised 744 mn people, or 61% of the total population. By 2023, the working population had reached 978 mn, approximately 68% of the total population. This increasing trend in India's working age population contrasts with the decline in working age populations in countries like China and Japan, positioning India favourably for economic growth, led by a robust and youthful workforce.

Exhibit 20: Labour Force (Top 10 countries)



Source: CIA Factbook, HSIE Research

India's working age population (15-59 years) grew from 702 mn in 2013 to 870 mn in 2018, with a 4% CAGR. Of this, ~57% or 494mn is the total labour force and ~6% of the labour force is unemployed. Out of the employed labour force of 463mn, ~16% is formal and 84% is informal workforce (primarily agriculture). The formal labour force has expanded from 50 mn in 2013 to 75 mn in 2018, registering a 9% CAGR and the share of formal labour has increased from 12% to 15%, indicating a shift from the informal to the formal ecosystem. Government schemes like the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) incentivized employers to create new jobs and formalize existing ones by providing subsidies for employee provident fund contributions. The push for digitalisation, including the implementation of the Goods and Services Tax (GST), encouraged businesses to formalise their operations to comply with new regulations. Steady economic growth created more opportunities for formal employment, particularly in sectors like IT, manufacturing, and services.

Additionally, the flexi staffing segment, particularly tripartite arrangements, saw substantial growth. The number of workers in this segment increased from 3.3 mn to 5.4 mn, representing a 10% CAGR. This growth was driven by the need for workforce flexibility and cost efficiency, allowing companies to adapt quickly to changing market demands and reduce long-term employment costs. These trends highlight the dynamic changes in India's labour market, with a growing emphasis on formal employment and flexible staffing solutions.

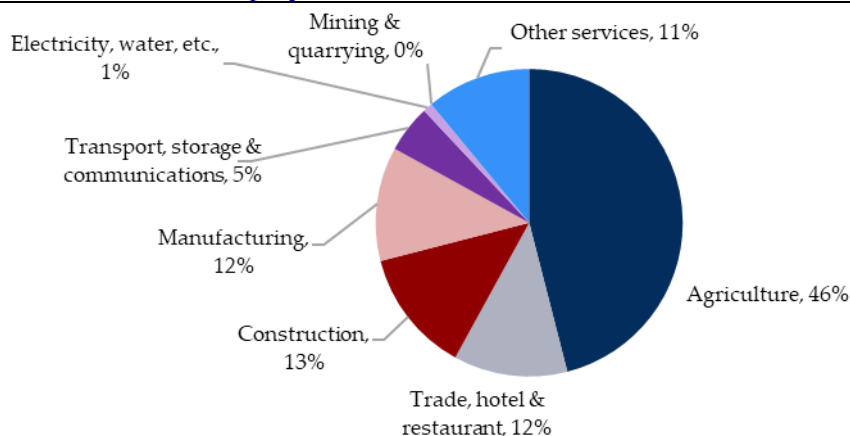
Exhibit 21: Shift from unorganised to organised - Flexi staffing has registered 10% CAGR

India Employment Stats (mn)	2011	2013	2015	2018	2023	CAGR 2013-18	CAGR 2018-23
India	1,210	1,255	1,291	1,392	1,438	2%	1%
Working Age (15-59)	744	702	722	870	978	4%	2%
Working age % of total Population	61%	56%	56%	63%	68%		
Labour Force (A+B)	418	408	427	494		4%	
A. Employed	405	397	406	463		3%	
B. Unemployed	14	11	21	30		23%	
Unemployed as % of Labour force	3%	3%	5%	6%			
Split of Employed labour force							
Formal (1)	43	50	51	75		9%	
Formal as % of Total Employed	11%	13%	13%	16%			
Informal (2)	362	348	356	389		2%	
Informal as % of Total Employed	89%	87%	88%	84%			
Total Employed Labour force (1+2)	405	398	407	463		3%	
Split of Formal labour force							
C. Permanent	19	22	22	37		11%	
D. Temporary	23	28	28	38		7%	
Total Formal labour force (C+D)	43	50	51	75		9%	
Casual	20	24	24	26		2%	
Fixed short term contract workers	3	4	5	12		25%	
Total Temporary Workforce	23	28	28	38		7%	
Fixed short term contract workers							
Bipartite	1.9	2.3	2.5	8.8		31%	
Tripartite/ Flexi staffing	1.3	1.7	2.1	3.3	5.4	14%	10%
Total Fixed short term contract workers	3.2	4.0	4.6	12.1		25%	

Source: ISF, HSIE Research

- India's employment landscape is dominated by agriculture (45.8%), followed by construction (13.0%) and trade/hospitality (12.1%). Manufacturing and other services each contribute 11.4%, with transport/communications contributing 5.4%. Specialized sectors like electricity/water and mining/quarrying hold smaller shares.

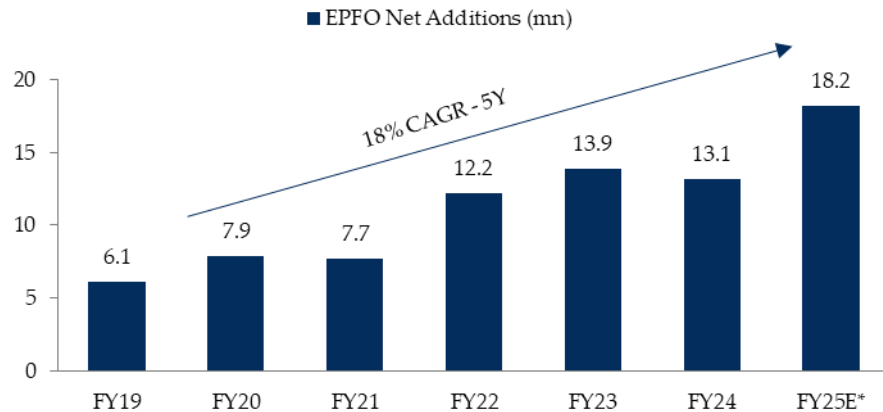
Exhibit 22: Sector wise employment in India



Source: Frost & Sullivan Analysis, HSIE Research, employment data relates to FY23

- EPFO net additions increased from 7 mn to 13 mn between FY19-21 and FY22-24, with a current run rate of 18 mn for FY25, implying a move towards a more formalised workforce.

Exhibit 23: Increase in EPFO additions imply rising formalisation



Source: Directorate General of Employment, HSIE Research, *1H annualised

New Labour laws—Game changing for the Staffing Industry, with push formalisation and competitive advantage for organised players

India has introduced four new labour codes to simplify and modernize labour regulations:

- Code on Wages, 2019:** Consolidates laws related to wages, ensuring fair wages and equal remuneration for similar work.
- Industrial Relations Code, 2020:** Simplifies laws related to trade unions and industrial disputes, providing clear guidelines for dispute resolution, strikes, and layoffs.
- Social Security Code, 2020:** Merges various laws related to social security benefits like provident funds, gratuity, and maternity benefits.
- Occupational Safety, Health, and Working Conditions Code, 2020:** Emphasizes employee safety and well-being, particularly in hazardous industries.

A total of twenty-nine labour-related laws were consolidated into four comprehensive codes. The new labour codes are set for roll out as 25 states have finalised the draft rules while the remaining three states, including West Bengal, which had previously raised concerns about the codes, have now agreed to draft the necessary subordinate legislation to enforce them. Although the government has not yet set a date for notifying the labour codes, it is expected to happen by next year.

New labour codes are expected to be implemented by FY26.

Exhibit 24: Proposed key changes

Common wage for the workers across India
Wage rate hike decisions will be made centrally and not at the state level, as it is currently
Date of wage payment will be made common across the country
Common payment date by the corporate to the staffing service provider
Labour Code will be a central law and will not have different state laws, like GST
Employers to provide free annual health-check up to workers
Definition of employees to include contractual, gig, platform, self-employed, and inter-state migrant workers this will bring them under Employees' State Insurance Corporation (ESIC).

Source: media articles, HSIE Research

The implementation of new labour laws in India will require staffing companies to enhance compliance and reporting, formalise more employment contracts, and provide better worker protections, including fair wages and social security benefits. While this may increase operational costs, it also offers greater flexibility in workforce management and a competitive advantage by attracting clients who prioritize legal compliance and worker welfare. Overall, these changes will promote a more stable and satisfied workforce, contributing to the formalization of India's labour market. The implementation of the new labour laws will boost the mark-up for staffing companies which has been stable for the last many years.

Budget 2024 - greater focus was on employment generation and internship

The government has rolled out a series of initiatives designed to boost job creation. Scheme A is for new entrants in the formal sector, offering a one-month wage in three instalments of up to INR 15,000, benefiting 210 lakh youth. Scheme B is for the manufacturing sector, providing incentives for both employees and employers for EPFO contributions over the first four years, targeting 30 lakh youth. Scheme C is for employers, reimbursing EPFO contributions up to INR 3,000 per month for two years for all new hires, aiming to generate 50 lakh jobs.

Internship opportunities

To bridge the gap between education and employment, the government has launched a scheme to provide internship opportunities in 500 top companies to 1 crore youth over five years. This initiative includes a monthly allowance of INR 5,000 and one-time assistance of INR 6,000, funded through CSR contributions. By offering practical work experience and financial support, this scheme aims to equip young people with the skills and experience needed to succeed in the job market, fostering a more skilled and employable workforce.

MSME boost

The government has rolled out measures to support and enhance MSME growth. The Credit Guarantee Scheme for MSMEs has been expanded, with mandatory onboarding in TReDS and a new assessment model for MSME credit. The limit of Mudra Loans has been increased to INR 20 lakh from INR 10 lakh under the 'Tarun' category, providing greater financial support. These measures aim to strengthen MSMEs, ensuring their resilience and capacity to contribute to economic growth.

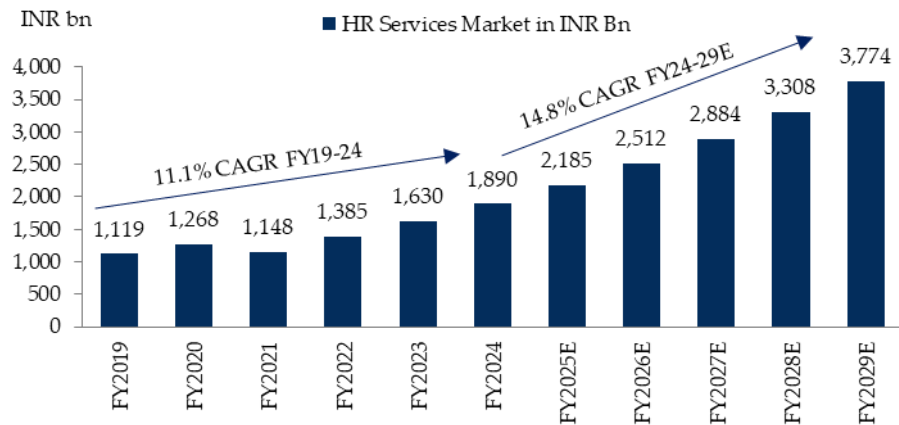
Indian staffing industry market size

India's HR services and HR platforms sectors have shown significant growth, with an industry average CAGR of 18.1% between FY21 to FY24.

- **HR Services** (11.1% CAGR, FY19-24) is driven by staffing solutions, regulatory compliance, and HR outsourcing. It's projected to grow at 14.8% CAGR (FY24-29).
- **HR Platforms** (11.9% CAGR, FY19-24) is fuelled by digitalisation, employee experience focus, and regulatory tech advancements. It's projected to grow at 15.9% CAGR (FY24-29).

The pandemic accelerated the shift to remote work and digital HR, sustaining growth in both sectors to meet evolving market and technological demands.

Exhibit 25: Indian HR Services Market Size



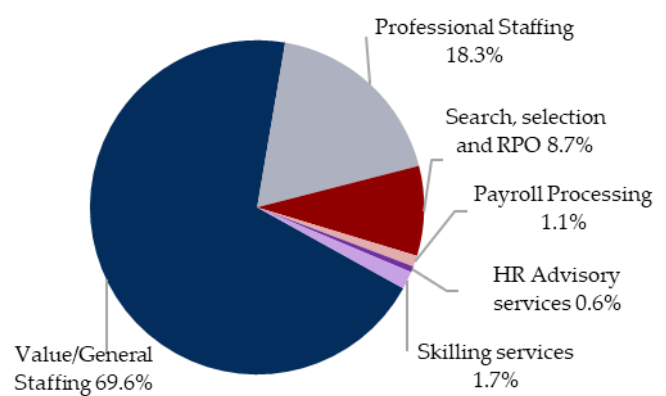
Source: Stakeholder interactions, Annual Report Analysis, Frost & Sullivan Analysis, HSIE Research

Exhibit 26: Mix of HR Services – 14.8% CAGR over next five years

HR Services Market (INR bn)	FY22	FY23	FY24	FY29E
Value/General Staffing	960	1,134	1,316	2,641
Professional Staffing	255	298	346	690
Search, selection and RPO	116	139	164	333
Payroll Processing	14.8	17.6	20	40
HR Advisory services	9.4	10.1	11	16
Skilling services	29.1	31	33	54
Total HR Services	1,384	1,630	1,890	3,774

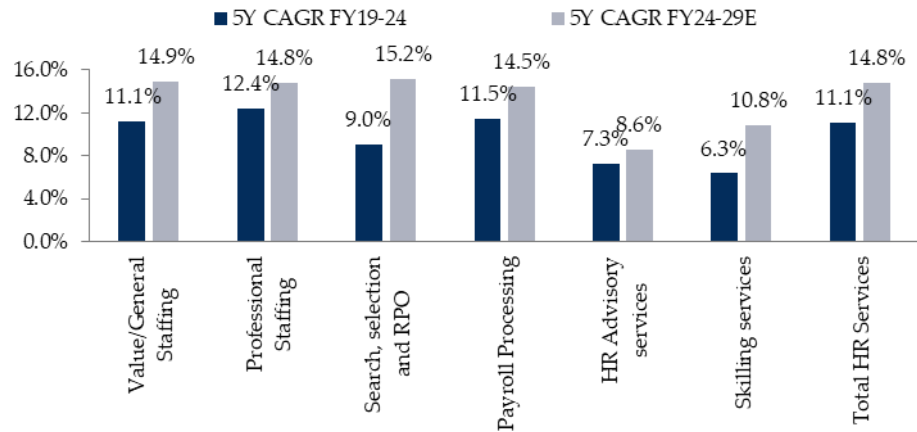
Source: Frost & Sullivan Analysis, HSIE Research

Exhibit 27: HR Services – Dominated by General/Value Staffing and Professional Staffing



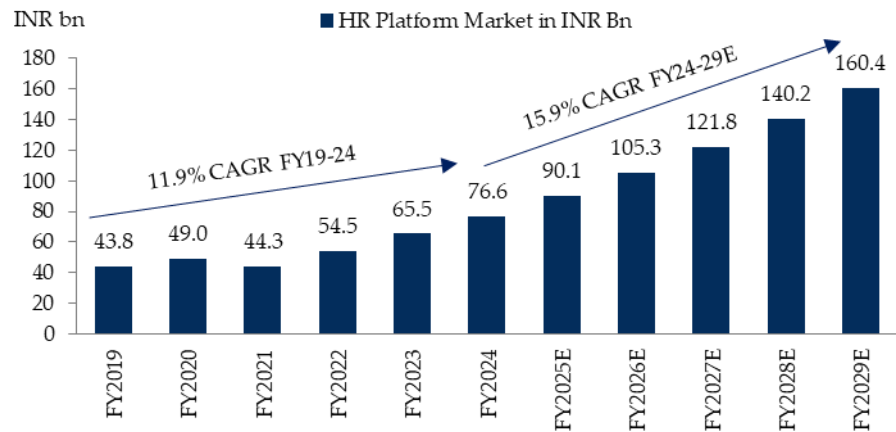
Source: Frost & Sullivan Analysis, HSIE Research

Exhibit 28: HR Services to post 15% CAGR, led by 14.9/14.8% in General/Professional Staffing



Source: Stakeholder interactions, Annual Report Analysis, Frost & Sullivan Analysis, HSIE Research

Exhibit 29: Indian HR Platform Market Size



Source: Stakeholder interactions, Annual Report Analysis, Frost & Sullivan Analysis, HSIE Research

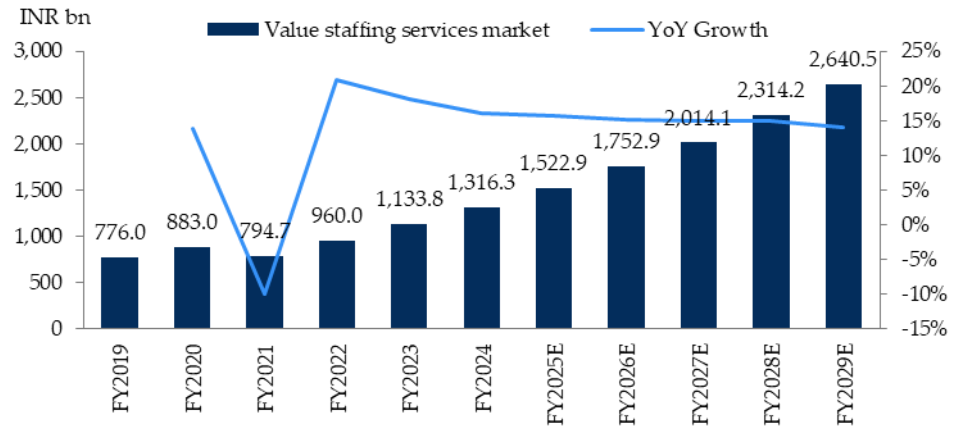
General staffing or value staffing

India's value staffing market has grown from INR 776 bn in FY2019 to INR 1,316.3 bn in FY2024 and is projected to reach INR 2,640.5 bn by FY2029. This growth is driven by post-COVID economic recovery, e-commerce and retail sector expansion and increased demand for blue-collar and grey-collar workers.

Key trends in India's value staffing market:

- **Digital transformation:** Increased use of technology for recruitment, onboarding, and workforce management.
- **Skill development:** Focus on upskilling and reskilling to meet industry needs.
- **Gig economy:** Expansion of the gig economy into blue-collar jobs.

Exhibit 30: General/Value HR Services Market Size



Source: Stakeholder interactions, Annual Report Analysis, Frost & Sullivan Analysis, HSIE Research

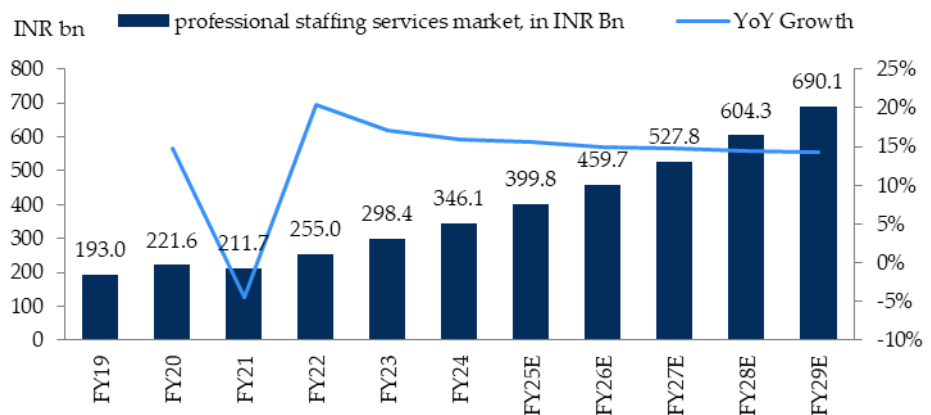
Professional Staffing

India's professional staffing market is growing rapidly. It was valued at INR 193 bn in FY19, reached INR 346.1 bn in FY24, and is projected to reach INR 690.1 bn by FY29. This growth is driven by increasing demand for flexible workforce solutions, technological advancements, the gig economy, and businesses focusing on core competencies.

Key growth drivers for professional staffing in India include:

- **Flexible Workforce Demand:** Companies seek flexible staffing solutions for varying workloads.
- **Core Competency Focus:** Outsourcing staffing allows companies to focus on core activities.
- **Tech-Driven Demand:** Digital transformation increases demand for specialized IT and engineering talent.
- **Regulatory Compliance:** Staffing firms help organizations navigate complex labour laws.
- **Gig Economy Growth:** The rise of the gig economy fuels demand for short-term work.
- **Sectoral Growth:** Booming sectors like IT, engineering, finance, and healthcare drive demand for specialized talent.

Exhibit 31: Professional HR Services Market Size



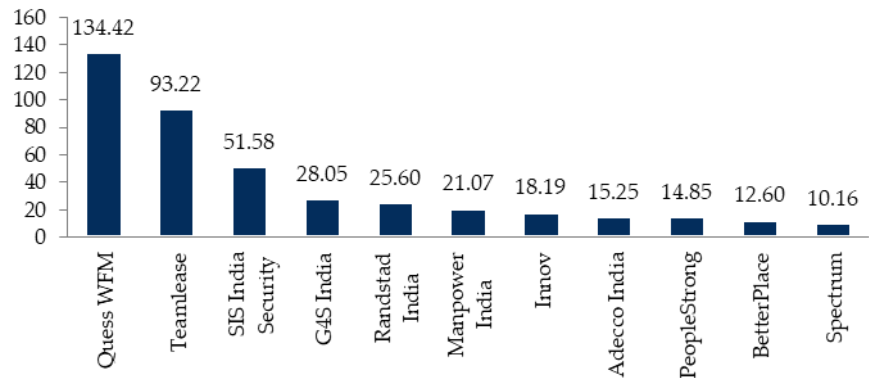
Source: Stakeholder interactions, Annual Report Analysis, Frost & Sullivan Analysis, HSIE Research

Peers Capabilities

Company	Search, Selection, and RPO Services	Professional Staffing Services	Payroll and Compliance Services	HR Advisory Services	Skilling Services	Value Staffing
TeamLease Services	1	1	1		1	1
PeopleStrong HR Services	1					
Quess Corp	1	1	1		1	1
Manpower Group India	1	1				1
Integrated Personnel	1	1				1
Spectrum Talent	1	1				1

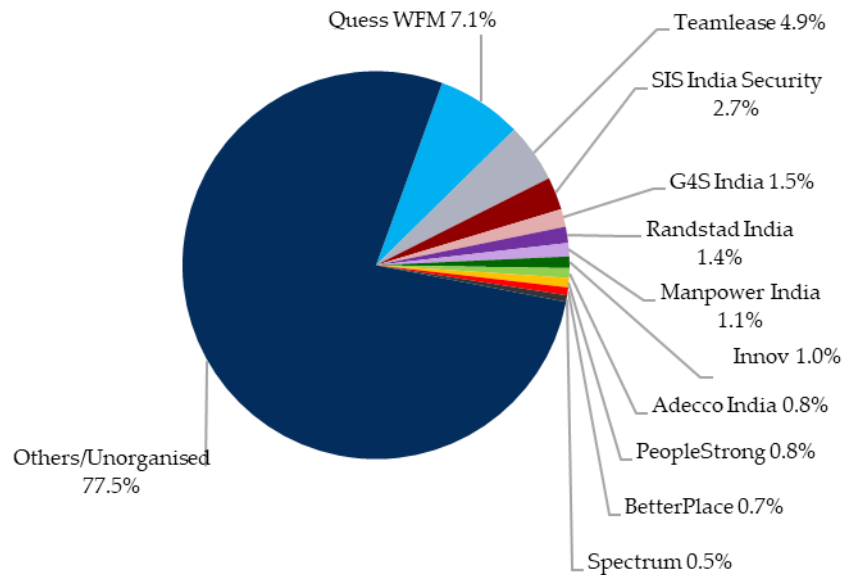
Source: Frost & Sullivan Analysis, HSIE Research

Exhibit 32: Quess is the largest staffing player in India



Source: Company, Tracxn, Pitchbook, Media reports, HSIE Research

Exhibit 33: Quess WFM segment has a 7% revenue market share, followed by Team Lease –unorganised segment big at 75%

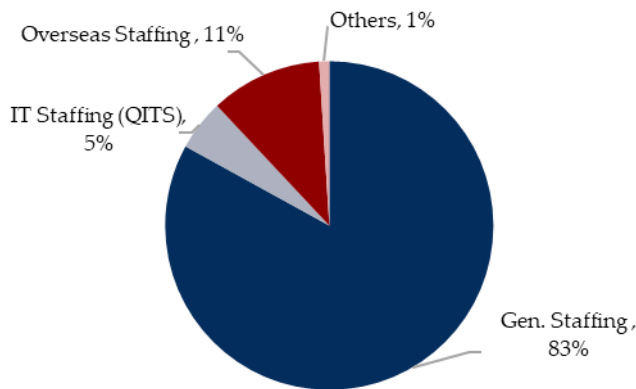


Source: Company, Tracxn, Pitchbook, Media reports, HSIE Research

Quess – Workforce Facility Management (WFM): Leader in flexi staffing

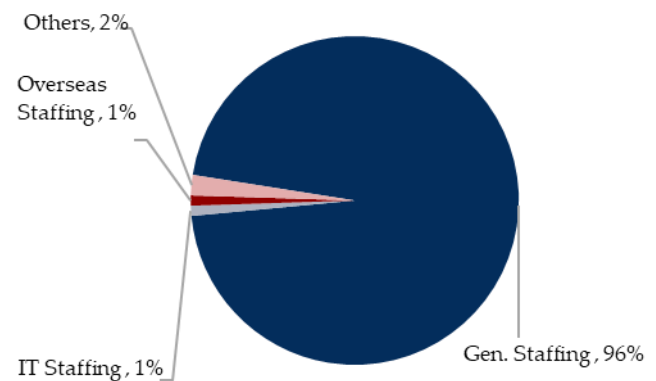
- Workforce Facility Management (WFM) is the core segment for Quess, accounting for ~70% of revenue and 50% of EBITDA. This segment consists of general staffing, IT staffing and overseas staffing. Quess is the largest staffing company in India with ~7% revenue share and ~0.5mn workforce and it has registered 17% CAGR over FY19-24.
- Within workforce management, Quess provides skilled workers/professionals to a wide range of industries, including banks, NBFCs, retailers and manufacturers. These placements range from IT professionals, sales and marketing executives in financial institutions to on-the-ground workers in automotive assembly plants. Services include
- This segment includes brands such as Quess IT staffing (earlier know as Magna infotech), Taskmo (a gig discovery platform).
- Their clients range from start-ups to Fortune 500; to name a few – Amazon, Flipkart, Jio, Tata Group, Paytm, PhonePe, BharatPe, and Zepto.

Exhibit 34: WFM – Revenue Break-Up FY24



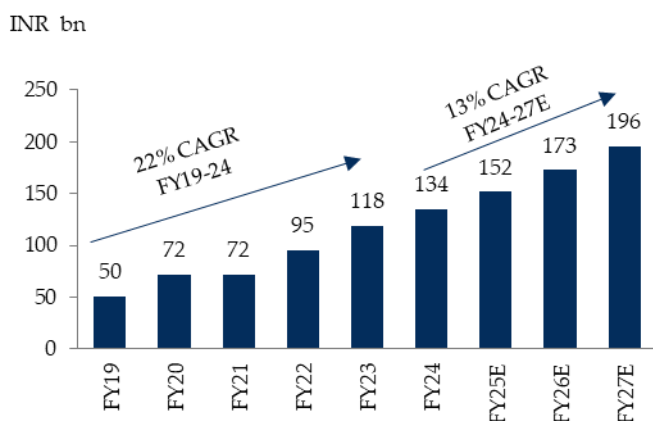
Source: Company, HSIE Research

Exhibit 35: WFM – Headcount Break-up (FY24)



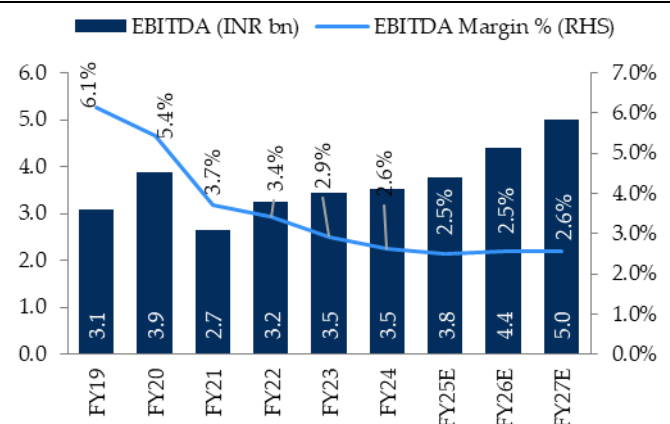
Source: Company, HSIE Research

Exhibit 36: WFM – Revenue grew 22% CAGR over FY19-24



Source: Company, HSIE Research

Exhibit 37: WFM – EBITDA Margin



Source: Company, HSIE Research

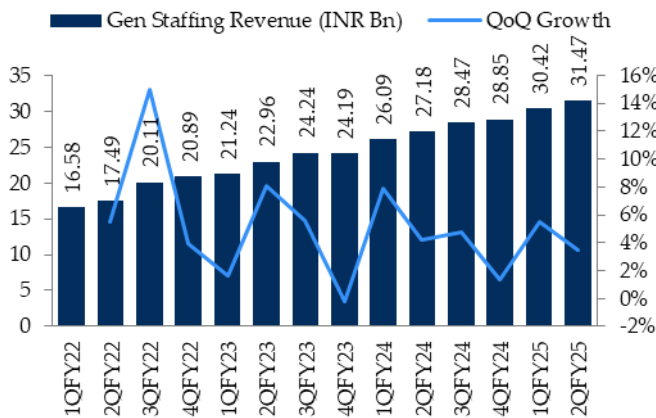
- Over the period from FY19 to FY24, the revenue grew at a CAGR of 22% led by ~17.5% headcount CAGR and ~4% realisation CAGR. However, this segment saw EBITDA margin decline from 6.1% to 2.6% during FY19 to FY24 due discontinuation of their skilling business which was higher margin. They

discontinued their skilling business despite it being higher margin because the contract was from government and the company had trouble recovering trade receivables which led to longer working capital cycles.

General Staffing

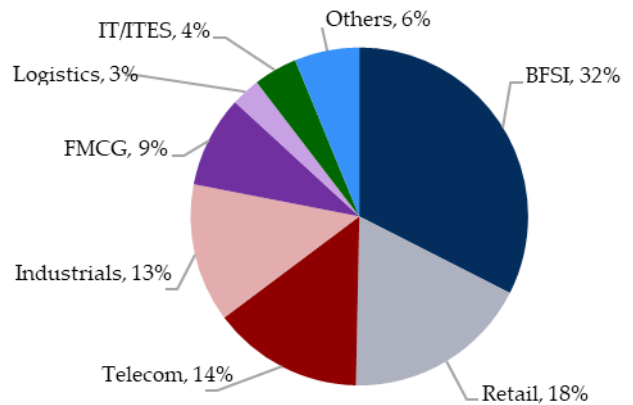
- Workforce management has associate headcount of 4,52,000 in FY24 and General staffing makes up 96% of total headcount. For general staffing average realisation per associate per month was ~ Rs 21,239 in FY24. BFSI companies contribute ~32-33% to WFM segment’s revenue.
- The other major contributors to the company’s revenue are retail (18%) and telecom (14%); however, from FY25E onwards, the manufacturing segment will drive the next phase of growth. To capitalise on the manufacturing opportunity, Quess has launched job spots in key manufacturing clusters. With four operational job spots, these localised offices enable rapid job placements within 30 minutes, which is beneficial for both candidates and employers.
- Currently, General staffing is seeing a shift where revenue contribution from top 10 and next 40 clients is decreasing and client contribution from rest of clients is increasing. This is better as average PAPM is higher for smaller clients.
- Quess added 14,550 associates in Q2FY25 in general staffing and their total headcount reached 4,83,060. However, this business faces a challenge of increasing the PAPM, which has stayed at ~ Rs. 680 for the last 5-6 years.

Exhibit 38: General Staffing Revenue Trend – 8 Quarters CQGR of 4%



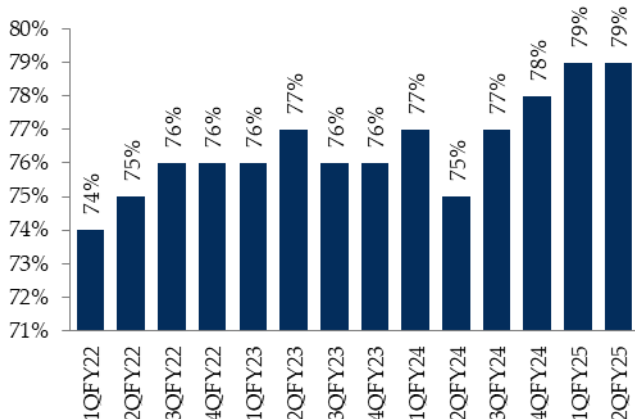
Source: Company, HSIE Research

Exhibit 39: General Staffing Revenue by Industry – FY24



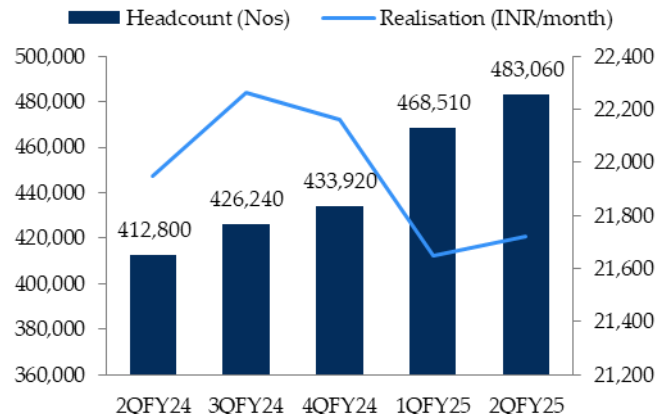
Source: Company, HSIE Research

Exhibit 40: Collect and Pay ratio improves from 74% to 79% in 14 Quarters



Source: Company, HSIE Research

Exhibit 41: General Staffing headcount—highest in the industry



Source: Company, HSIE Research

Exhibit 42: Quess vs Teamlease: Quess is better vs Teamlease on core metrics

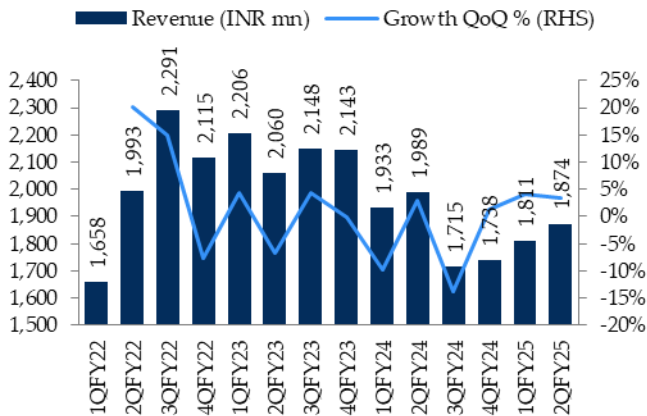
Parameters (FY24)	Quess General Staffing	Teamlease General Staffing
Revenue (INR mn)	1,10,593	85,906
Core Employee Cost (INR mn)	857	671
Other operating exp. (INR mn)	805	816
Associates (Nos)	4,33,920	3,11,800
Associate to Core Ratio	405	372
Total Core Employees (Nos)	1,071	839
Realisation Per Associate Per Month (INR)	21,239	24,447
PAPM (INR)	650	683
Core Cost per associate (INR)	165	179
Operating Cost per associate (INR)	155	218
EBITDA per associate (INR)	331	285
EBITDA Margin %	1.6%	1.2%
Core Cost per associate (INR)	0.8%	0.7%
Operating Cost per associate (INR)	0.7%	0.9%

Source: Company, HSIE Research

IT staffing – GCC opportunity

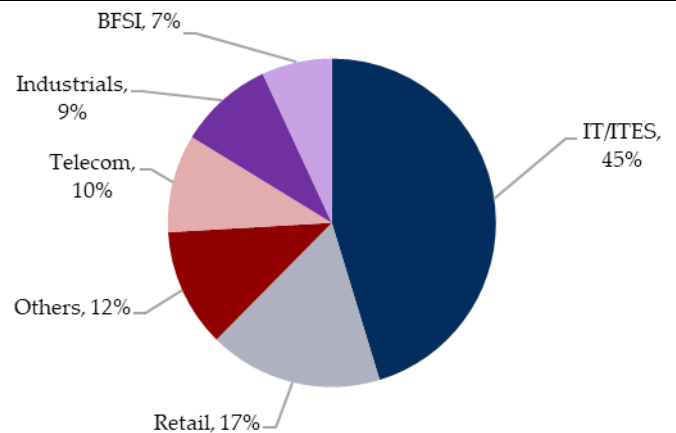
- Quess derives ~11% of its revenue from IT staffing; however it contributes ~20% to the EBITDA of its WFM segment. Clients from IT/ITeS industry account for 45% of revenue, followed by the Retail, Telecom, Industrial and BFSI sectors.

Exhibit 43: IT Staffing revenue – 8 Quarters CQGR of -1.2%



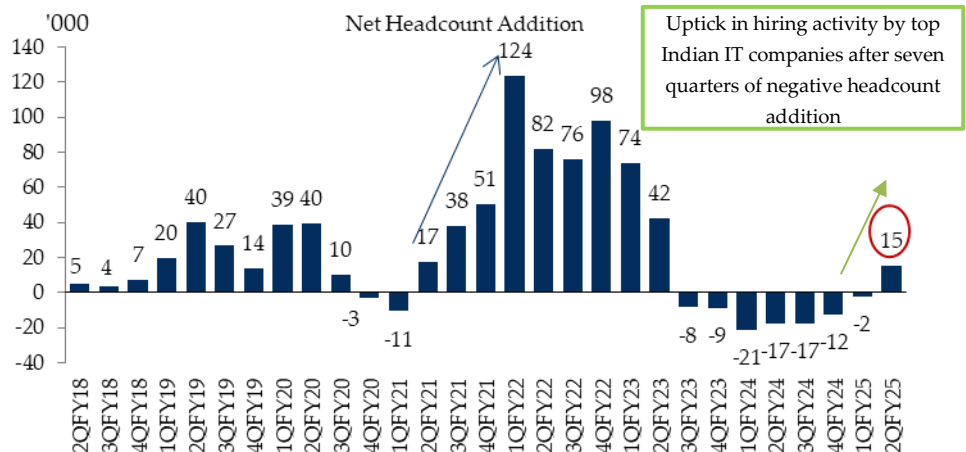
Source: Company, HSIE Research

Exhibit 44: IT Staffing industry-wise revenue break-up – FY24



Source: Company, HSIE Research

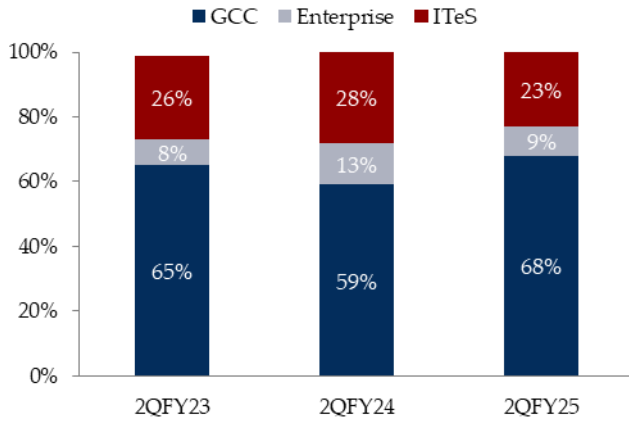
Exhibit 45: Net Headcount addition in Top Indian IT companies



Source: Company, HSIE Research, Net additions for top 16 listed IT services companies

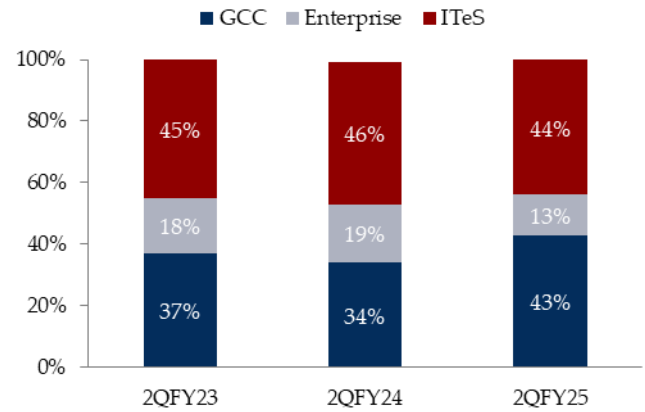
- Global Capability Centers (GCCs) make up 70% of total IT staffing revenue. Currently, there are 1,600+ GCCs in India and only ~20% of the Forbes Global 2,000 companies are present in India. So there is ample opportunity to grow. Going forward, 300+ new GCCs will be added by 2025 and the GCC market size is expected to grow to \$110bn by 2030 (~2.5x current size). GCC cost/head is 30-40% higher than ISPs (on average), including salary cost and overheads.

Exhibit 46: IT Staffing Revenue Break-Up for FY24



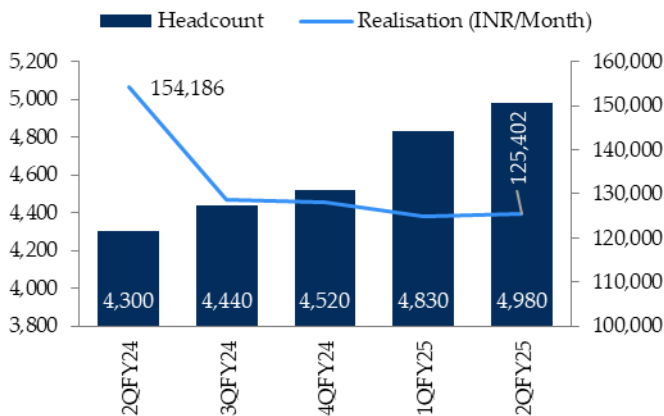
Source: Company, HSIE Research

Exhibit 47: IT Staffing Headcount Break-Up for FY24



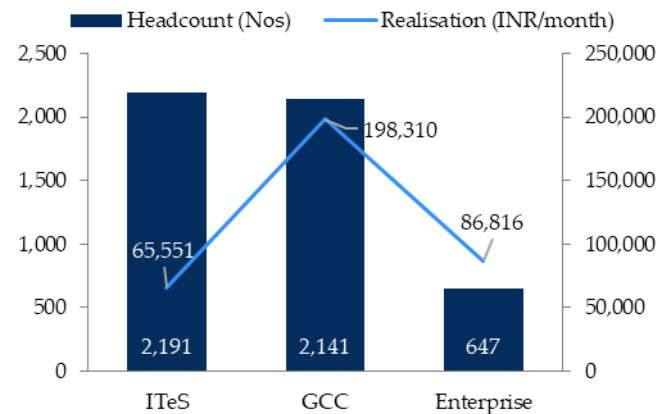
Source: Company, HSIE Research

Exhibit 48: IT Staffing headcount and realisation



Source: Company, HSIE Research

Exhibit 49: GCCs realisation is almost 3x of traditional IT staffing

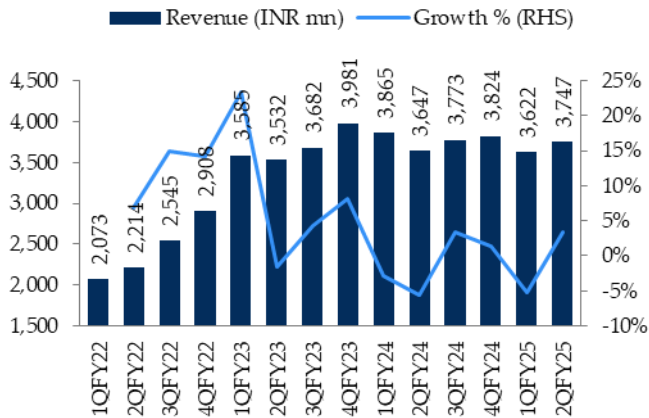


Source: Company, HSIE Research, headcount and realisation numbers for Q2FY25

Overseas staffing

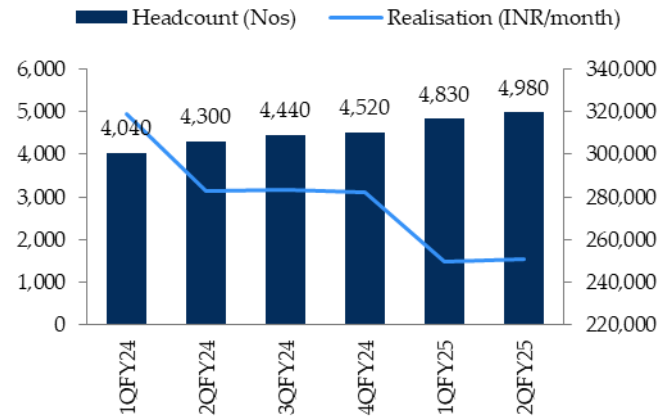
- Quess provides staffing solutions to overseas companies, but realisations are ~10x vs India. This leads to better margins; Quess overseas staffing makes margins of ~7-8% vs 1.5-2% for general staffing business in India. However, higher realisations are offset by lower rate of growth in these mature countries.
- Singapore accounts for 50% of the revenue and the rest comes from the Middle East; in 2014, the company expanded to APAC (starting in the Philippines and expanding to Malaysia, Singapore, Vietnam, and Sri Lanka) and north America.

Exhibit 50: Overseas revenue growth has been muted; Singapore is a major contributor to overseas staffing



Source: Company, HSIE Research

Exhibit 51: Overseas headcount-led growth, offset by drop in realisation



Source: Company, HSIE Research

WFM – Outlook

- The Workforce Management segment revenue is expected to grow at a 13% CAGR over FY24-27E. This growth will be led by 13% CAGR in net associate additions while growth in realisation per associate will remain flat.
- **General Staffing:** Revenue in this segment is expected to grow by 15%, driven by robust demand from the manufacturing, retail, and FMCG sectors. Despite promising revenue growth, margin expansion in general staffing is expected to be relatively flat.
- **IT Staffing:** Revenue in this segment is expected to grow at a 13% CAGR. This growth is attributed to the increase in presence of GCCs in India. The resurgence of fresher hiring by IT services companies further contributes the positive outlook for IT staffing.
- **Overseas Staffing:** This segment offers higher realisations and margins (~7-8%) in contrast to general staffing in India. However, growth in these mature markets is expected to be more subdued. Revenue from overseas staffing segment is expected to grow at a slightly moderated pace of 5% compared to the overall segment. Despite the slower growth, overseas staffing remains an important part of the WFM portfolio due to its higher profitability
- Overall, EBITDA is expected to grow at a 12% CAGR over FY24-27E, primarily led by volume growth. However, EBITDA margins are anticipated to remain stable at 2.6% over FY24-27E due to a flat PAPM. This poses an industry-wide obstacle, underscoring the necessity of transitioning towards a variable mark-up model to enhance profitability.

Exhibit 52: WFM Projections – Volume-led growth, margin stable for WFM segment

WFM (General, IT and Overseas Staffing)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR 19-24	CAGR 24-27E
Revenue	50.35	71.54	71.58	94.76	118.31	134.42	151.53	172.70	195.71	22%	13%
Associate Headcount ('000)	202	262	253	316	387	452	517	586	660	17%	13%
Net Addition ('000)		60	-9	63	71	65	65	69	75		
Realisation Per Associate (INR /month)	20,771	22,754	23,577	24,989	25,476	24,782	24,418	24,572	24,701	4%	0%
EBITDA (INR bn)	3.09	3.88	2.65	3.24	3.45	3.51	3.78	4.40	4.99	3%	12%
EBITDA Margin %	6.1%	5.4%	3.7%	3.4%	2.9%	2.6%	2.5%	2.5%	2.6%	-353	-6
Revenue Break Up				FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR 22-24	CAGR 24-27E
Gen. Staffing				75.07	92.62	110.59	127.36	145.89	166.08	21%	15%
IT Staffing				8.06	8.56	7.37	7.62	9.06	10.68	-4%	13%
Overseas Staffing				9.74	14.78	15.11	15.09	16.39	17.71	25%	5%
Others				1.90	2.35	1.34	1.46	1.36	1.24	-16%	-3%
Total WFM revenue				94.76	118.31	134.42	151.53	172.70	195.71	19%	13%
WFM Segment Headcount (nos)						FY24	FY25E	FY26E	FY27E		CAGR 24-27E
Gen. Staffing						4,33,920	5,02,060	5,70,060	6,44,060		14%
IT Staffing						4,520	5,230	5,980	6,730		14%
Overseas Staffing						4,520	5,080	5,280	5,480		7%
Others						9,040	4,780	4,380	3,980		-24%
WFM Segment Realisation (INR/Month)						FY24	FY25E	FY26E	FY27E		CAGR 24-27E
Gen. Staffing						21,239	21,139	21,327	21,489		0%
IT Staffing						1,35,962	1,21,444	1,26,259	1,32,202		-1%
Overseas Staffing						2,78,545	2,47,548	2,58,610	2,69,251		-1%
Others						12,391	25,518	25,939	26,026		28%

Source: Company, HSIE Research

Exhibit 53: WFM Metrics - Quarterly

WFM Segment Metrics	FY22	1Q	2Q	3Q	4Q	FY23	1Q	2Q	3Q	4Q	FY24	1Q	2Q
Revenue (INR mn)	94,760	27,580	29,430	30,680	30,620	1,18,310	32,210	33,150	34,300	34,760	1,34,420	36,220	37,470
Associate Headcount (nos)	3,16,000	3,50,000	3,76,000	3,79,000	3,87,000	3,87,000	4,04,000	4,30,000	4,44,000	4,52,000	4,52,000	4,83,000	4,98,000
Realisation Per	24,989	26,267	26,090	26,983	26,374	25,476	26,576	25,698	25,751	25,634	24,782	24,997	25,080
EBITDA (in ₹ mn)	3,240	940	790	860	860	3,450	830	870	900	910	3,510	890	920
EBITDA Margin %	3.4%	3.4%	2.7%	2.8%	2.8%	2.9%	2.6%	2.6%	2.6%	2.6%	2.6%	2.5%	2.5%
EBITDA per	854	895	700	756	741	743	685	674	676	671	647	614	616
Core to Associate Ratio (x)	428	431	430	459	512	512	469	435	427	405	405	398	357
Total Core Employees	738	812	874	826	756	756	861	949	998	1,071	1,071	1,177	1,353
Collect & Pay (%)	75%	76%	77%	76%	76%	76%	77%	75%	77%	78%	77%	79%	79%
WFM Segment	FY22	1Q	2Q	3Q	4Q	FY23	1Q	2Q	3Q	4Q	FY24	1Q	2Q
Gen. Staffing	79%	77%	78%	79%	79%	79%	81%	82%	83%	83%	83%	84%	84%
IT Staffing (QITS)	8%	8%	7%	7%	7%	7%	6%	6%	5%	5%	5%	5%	5%
Overseas Staffing	11%	13%	12%	12%	13%	13%	12%	11%	11%	11%	11%	10%	10%
Others	2%	2%	3%	2%	1%	1%	1%	1%	1%	1%	1%	1%	1%
WFM Segment	FY22	1Q	2Q	3Q	4Q	FY23	1Q	2Q	3Q	4Q	FY24	1Q	2Q
Gen. Staffing	95%	95%	95%	95%	95%	95%	95%	96%	96%	96%	96%	97%	97%
IT Staffing	3%	2%	2%	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%
Overseas Staffing	2%	2%	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%	1%
Others	1%	1%	1%	1%	1%	1%	2%	2%	2%	2%	2%	1%	1%
WFM realisations (INR)	FY22	1Q	2Q	3Q	4Q	FY23	1Q	2Q	3Q	4Q	FY24	1Q	2Q
Gen. Staffing	21,290	21,422	22,439	21,932	20,993	22,659	21,950	22,264	22,163	21,239	21,646	21,719	
IT Staffing	84,053	91,316	94,442	92,308	86,715	79,728	1,54,186	1,28,754	1,28,171	1,35,962	1,24,983	1,25,402	
Overseas Staffing	2,27,644	1,56,543	1,61,900	1,71,430	1,69,730	3,18,911	2,82,674	2,83,258	2,81,976	2,78,545	2,49,965	2,50,803	
Others	52,533	78,271	53,967	26,374	50,696	13,288	12,849	12,875	12,817	12,391	24,997	25,080	
Blended	26,267	26,090	26,983	26,374	25,476	26,576	25,698	25,751	25,634	24,782	24,997	25,080	

Source: Company, HSIE Research

Exhibit 54: General Staffing key metrics

Gen Staffing Industry Wise Revenue Mix %	FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	FY24	1Q FY25	2Q FY25
BFSI	34%	31%	30%	29%	31%	30%	33%	33%	32%	32%	32%	32%	29%
Retail	20%	22%	25%	25%	14%	21%	22%	3%	23%	23%	18%	28%	27%
Telecom	11%	14%	13%	14%	22%	16%	12%	23%	11%	12%	14%	7%	8%
Industrials	10%	11%	12%	11%	12%	12%	12%	13%	14%	14%	13%	15%	16%
FMCG	7%	8%	7%	8%	8%	8%	8%	9%	9%	9%	9%	10%	12%
Logistics	8%	4%	4%	4%	3%	4%	2%	2%	4%	3%	3%	2%	3%
IT/ITES	2%	2%	2%	2%	3%	2%	3%	11%	2%	1%	4%	3%	3%
Others	6%	7%	6%	7%	7%	7%	8%	5%	6%	6%	6%	4%	4%
Gen Staffing Customer Wise	FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	FY24	1Q FY25	2Q FY25
Top 10	55%	56%	52%	51%	51%	52%	53%	56%	52%	52%	53%	49%	48%
Next 40	28%	31%	29%	29%	27%	29%	25%	24%	25%	24%	24%	25%	26%
Others	17%	18%	19%	20%	22%	20%	23%	24%	23%	24%	24%	26%	26%

Source: Company, HSIE Research

Exhibit 55: IT Staffing key metrics

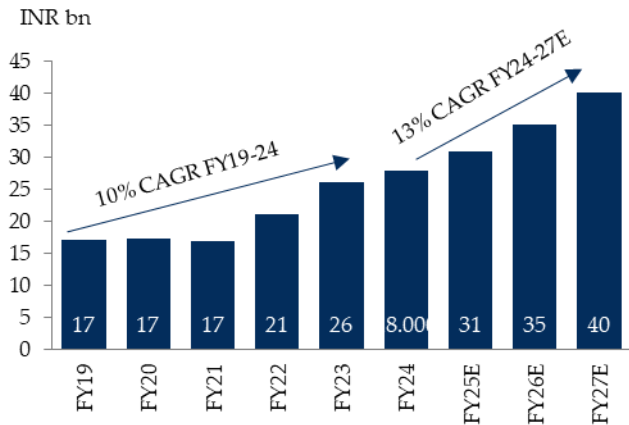
IT Staffing Customer Wise Revenue Mix %	FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	FY24	1Q FY25	2Q FY25
Top 10	50%	50%	58%	57%	57%	56%	52%	49%	45%	47%	48%	43%	44%
Next 40	38%	34%	31%	31%	31%	32%	32%	31%	33%	34%	33%	38%	37%
Others	12%	10%	11%	12%	12%	11%	16%	20%	22%	19%	19%	19%	19%
IT Staffing Verticals revenue Mix %	FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	FY24	1Q FY25	2Q FY25
IT/ITES	35%	29%	31%	38%	37%	34%	40%	7%	57%	83%	45%	82%	81%
Telecom	25%	25%	24%	23%	18%	23%	16%	8%	6%	8%	10%	7%	7%
BFSI	9%	9%	8%	6%	6%	7%	6%	12%	8%	1%	7%	2%	2%
Retail	12%	12%	13%	8%	9%	10%	7%	47%	8%	3%	17%	2%	2%
Industrials	9%	9%	9%	10%	10%	10%	10%	11%	13%	3%	9%	4%	2%
Others	10%	15%	14%	17%	20%	17%	22%	14%	7%	2%	12%	3%	4%

Source: Company, HSIE Research

Quess—Operating Asset Management (OAM)

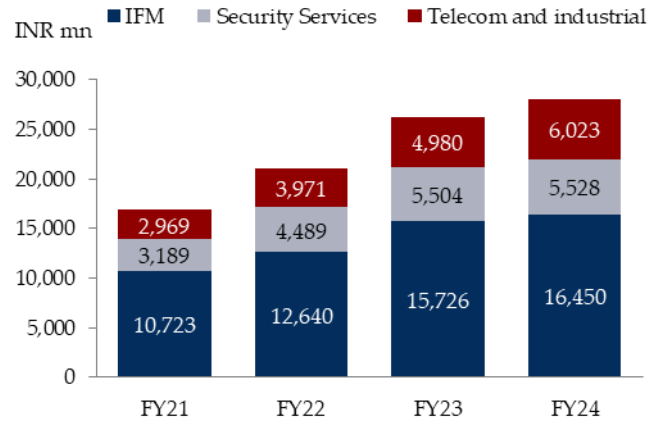
- OAM business includes integrated facility management, security services, and industrial operations. It is primarily composed of acquired entities, namely Terrier (security services), Vedang (telecom), and Manipal and Avon (facility management).
- The OAM segment generated INR 28,000 mn in revenue during FY24, with a 5% EBITDA margin. It employed 90,000 associates. Facility management contributed over 50% to EBITDA, with ~ 5% EBITDA margin. Security business, on the other hand, has a relatively lower margin of around 2-3%. Telecom and Industrial service segments are also higher-margin businesses.

Exhibit 56: OAM revenue



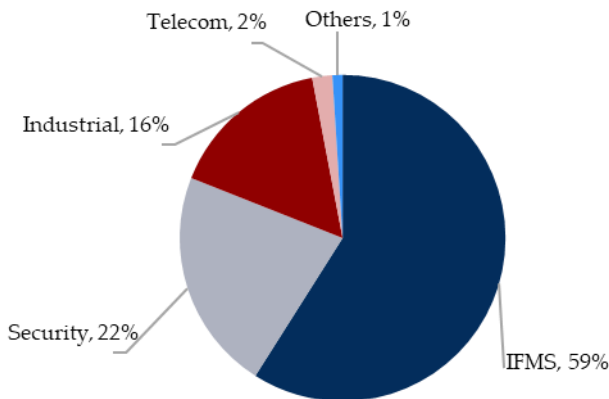
Source: Company, HSIE Research

Exhibit 57: OAM revenue break-up



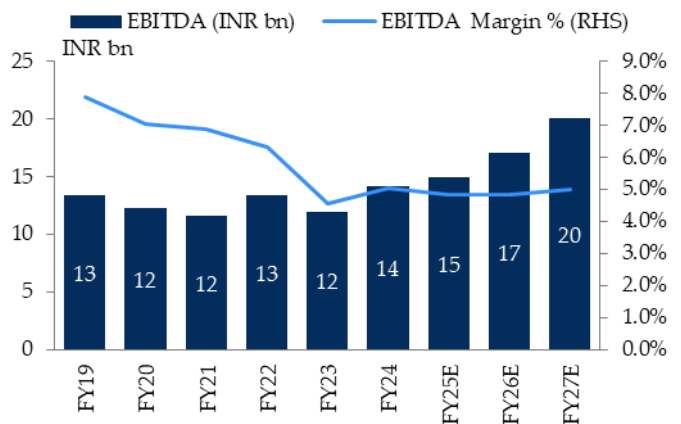
Source: Company, HSIE Research

Exhibit 58: OAM headcount FY24—IFM makes majority of headcount



Source: Company, HSIE Research

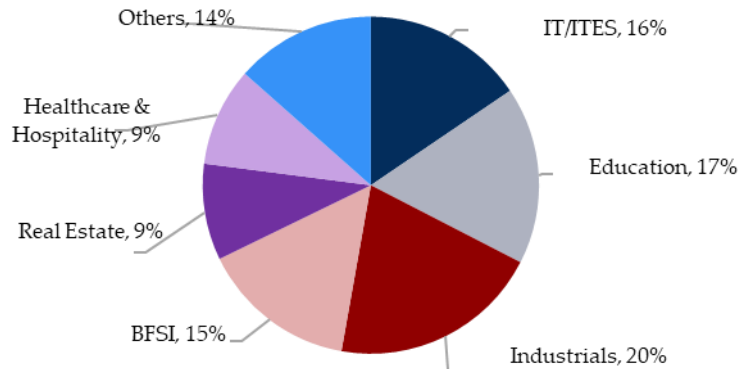
Exhibit 59: OAM EBITDA to turnaround as focus shifts to high-margin contracts



Source: Company, HSIE Research

- The IFM business comprises Avon, which was acquired in 2008, and Manipal, which was acquired in 2018. It employed 53,100 associates in FY24, generating an average realisation of ~INR 25,800 per associate.

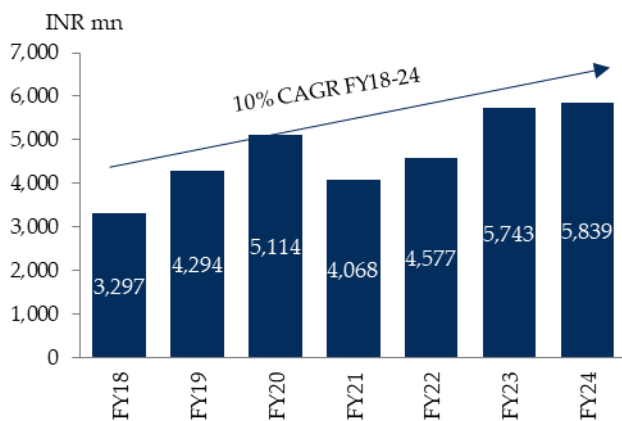
Exhibit 60: IFM + Security industry-wise contribution FY24



Source: Company, HSIE Research

- Security segment, comprising Terrier, employed 19,800 personnel in FY24, generating an average realisation of ~INR 23,260 per person. Currently, Terrier lags behind SIS's Indian security business in terms of margins, posting a 2.4% margin compared to SIS's 5.7% in FY24. This margin gap can be attributed to Terrier's relatively less mature operations and the low-margin legacy contracts in place when it was acquired by Quess. However, Quess is actively addressing this issue by cutting unprofitable contracts and focusing on higher margin deals. While immediate growth may be limited, we anticipate a steady increase in margins as the company prioritizes profitable contracts and renegotiates or cancels less favourable ones.

Exhibit 61: Terrier revenue growth lower as focus is on margin



Source: VCC edge, HSIE Research

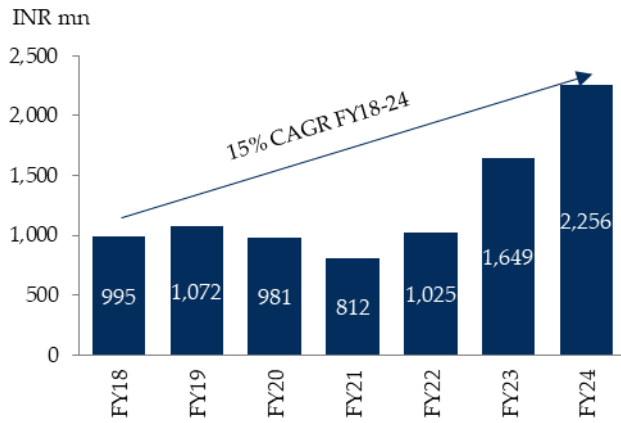
Exhibit 62: Terrier margin rises as focus shifts to profitability



Source: VCC edge, HSIE Research

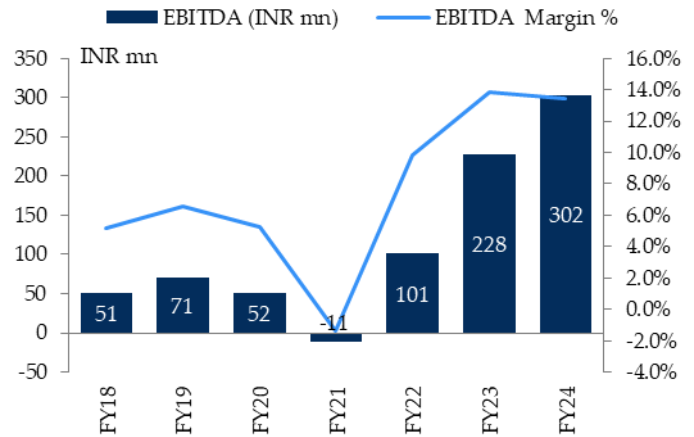
- Telecom business is a high-margin sub-segment in the OAM vertical, employing 1,800 personnel. In FY24, Vedang’s revenue came to INR 2,256 mn while the EBITDA was INR 302 mn.

Exhibit 63: Vedang (Telecom Business) revenue grew at 15% CAGR



Source: VCC edge, HSIE Research

Exhibit 64: Vedang (Telecom Business) EBITDA margin has relatively higher margin than other segments



Source: VCC edge, HSIE Research

Operating Asset Management (OAM) outlook

- The OAM segment revenue is expected to grow at a 13% CAGR from FY24-27E, compared to the 10% CAGR achieved during FY19-24. This growth will be driven by a 10% increase in headcount and a 2% rise in realisation. This revenue growth will translate to a 12% CAGR in EBITDA.
- Integrated Facility Management (IFM):** Revenue is expected to grow at a 14% from FY24-27E.
- Security Services:** Expected to see 9% CAGR over FY24-27E following a business restructuring phase that involved dropping lower-margin contracts.
- Others (including Telecom and Industrial segment):** Expected to grow at 12% CAGR over FY24-27E, led by geographic expansion and increased outsourcing of maintenance activities.
- Historically, the OAM segment, largely made up of acquired entities, has encountered challenges with legacy contracts that have lower margins compared to industry peers. EBITDA growth in this segment was only 1% CAGR from FY19-24. However, Quess is taking steps to address this by strategically replacing low-margin contracts with more profitable ones. This move is expected to improve margins in the future.

Exhibit 65: OAM Projections – Volume led growth, driven by recovery in IFM

OAM (Facility Management & Security)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR 19-24	CAGR 24-27E
Revenue	17.02	17.34	16.88	21.10	26.21	28.00	30.94	35.07	40.11	10%	13%
<i>Growth YoY %</i>		1.9%	-2.7%	25.0%	24.2%	6.8%	10.5%	13.4%	14.4%		
Associate Headcount ('000)	76	80	69	85	92	90	98	109	121	3%	10%
<i>Growth YoY %</i>		5.3%	-13.8%	23.2%	8.2%	-2.2%	8.7%	11.2%	11.4%		
Realisation Per Associate (INR/month)	18,662	18,063	20,386	20,686	23,741	25,926	26,363	26,863	27,578	7%	2%
<i>Growth YoY %</i>		-3.2%	12.9%	1.5%	14.8%	9.2%	1.7%	1.9%	2.7%		
EBITDA	1.34	1.22	1.16	1.33	1.19	1.41	1.49	1.70	2.00	1%	12%
<i>Growth YoY %</i>		-9.0%	-4.9%	14.7%	-10.5%	18.5%	5.7%	13.8%	17.9%		
EBITDA Margin %	7.9%	7.0%	6.9%	6.3%	4.5%	5.0%	4.8%	4.8%	5.0%	-284	-5
Revenue Break Up			FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR 21-24	CAGR 24-27E
IFM			10.72	12.64	15.73	16.45	18.25	21.06	24.51	15%	14%
Security Services			3.19	4.49	5.50	5.53	5.67	6.30	7.08	20%	9%
Others (inc. telecom and industrial)			2.97	3.97	4.98	6.02	7.02	7.71	8.51	27%	12%
Total revenue			16.88	21.10	26.21	28.00	30.94	35.07	40.11	18%	13%
Revenue Mix %			FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E		
IFM			64%	60%	60%	59%	59%	60%	61%		
Security Services			19%	21%	21%	20%	18%	18%	18%		
Others (including telecom and industrial)			18%	19%	19%	22%	23%	22%	21%		
OAM Segment Headcount						FY24	FY25E	FY26E	FY27E		CAGR 24-27E
IFMS						53,100	58,600	66,600	75,600		12%
Security						19,800	20,750	22,750	25,150		8%
Others (including telecom and industrial)						17,100	18,450	19,450	20,450		6%
Total headcount						90,000	97,800	1,08,800	1,21,200		10%
Realisation INR/Month						FY24	FY25E	FY26E	FY27E		CAGR 24-27E
IFMS						25,816	25,951	26,351	27,020		2%
Security						23,264	22,755	23,075	23,471		0%
Others ((including telecom and industrial)						29,349	31,728	33,047	34,691		6%

Source: Company, HSIE Research

Exhibit 66: OAM Quarterly key metrics

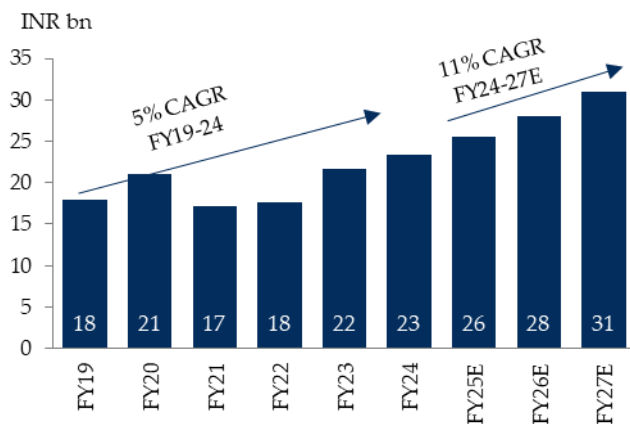
Operating Asset Management	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY25
Revenue (INR bn)	21.10	5.97	6.51	6.89	6.84	26.21	6.90	7.05	6.95	7.10	28.00	7.33	7.68
Growth %	25.0%	3.5%	9.0%	5.8%	-0.7%	24.2%	0.9%	2.2%	-1.4%	2.2%	6.8%	3.2%	4.8%
Associate Headcount (Nos)	85000	87,000	90,000	92,000	92,000	92000	91,000	91,000	91,000	90,000	90000	94,000	95,000
Growth %	23.2%	2.4%	3.4%	2.2%	0.0%	8.2%	-1.1%	0.0%	0.0%	-1.1%	-2.2%	4.4%	1.1%
Realisation Per Associate/month (INR)	20,686	22,874	24,111	24,964	24,783	23,741	25,275	25,824	25,458	26,296	25,926	25,993	26,947
Growth %	1.5%	1.1%	5.4%	3.5%	-0.7%	14.8%	2.0%	2.2%	-1.4%	3.3%	9.2%	-1.2%	3.7%
EBITDA (INR bn)	1.33	0.30	0.28	0.31	0.30	1.19	0.31	0.35	0.36	0.39	1.41	0.35	0.37
Growth %	14.7%	15.4%	-6.7%	10.7%	-3.2%	-10.5%	3.3%	12.9%	2.9%	8.3%	18.5%	-10.3%	5.7%
EBITDA Margin %	6.3%	5.0%	4.3%	4.5%	4.4%	4.5%	4.5%	5.0%	5.2%	5.5%	5.0%	4.8%	4.8%
EBITDA Per Associate (INR/month)	1,304	1,149	1,037	1,123	1,087	1,078	1,136	1,282	1,319	1,444	1,306	1,241	1,298
Associate to Core ratio	0.00%	89	92	100	110	98	107	104	105	100	104	98	103
Total Core Employees	988	978	978	920	836	836	850	875	867	900	900	959	922
New Contracts (Logos)							43	22	32	25	122	27	48
OAM Segment Revenue Mix %	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY25
IFM	60%	60%	60%	60%	60%	60%	59%	60%	58%	58%	59%	59%	59%
Security Services	21%	21%	21%	21%	21%	21%	21%	19%	20%	19%	20%	19%	18%
Others (Industrial and Telecom)	19%	19%	19%	19%	19%	19%	20%	21%	22%	23%	22%	22%	23%
Industrial (part of others)								6%	7%	14%		7%	8%
telecom (part of others)								9%	9%	9%		9%	10%
OAM Segment Headcount Mix %							2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY25	
IFMS							60%	57%	59%	59%	60%	60%	
Security							21%	22%	22%	22%	21%	21%	
Industrial							5%	5%	16%	16%	6%	6%	
Telecom							2%	2%	2%	2%	2%	2%	
Others							12%	14%	1%	1%	11%	11%	
OAM Segment Headcount (Nos)							2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY25	
IFMS							54,600	51,870	53,100	53,100	56,400	57,000	
Security							19,110	20,020	19,800	19,800	19,740	19,950	
Industrial							4,550	4,550	14,400	14,400	5,640	5,700	
Telecom							1,820	1,820	1,800	1,800	1,880	1,900	
Others							10,920	12,740	900	900	10,340	10,450	
Total Headcount							91,000	91,000	90,000	90,000	94,000	95,000	
OAM Segment Realisation (INR/month)							2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY25	
IFMS							25,824	25,905	25,851	25,816	25,560	26,498	
Security							23,365	23,144	22,710	23,264	23,517	23,098	
Others (including telecom and industrial)							28,543	26,670	31,832	29,349	30,097	32,620	
IFM+Security Industry Wise Revenue Mix %	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY25
IT/ITES	20%	17%	18%	18%	19%	18%	19%	19%	12%	12%	16%	12%	12%
Education	15%	18%	18%	18%	18%	18%	19%	19%	15%	15%	17%	13%	13%
Industrials	24%	25%	24%	23%	23%	24%	21%	21%	21%	18%	20%	22%	23%
BFSI	19%	20%	21%	18%	17%	19%	15%	15%	15%	15%	15%	15%	14%
Real Estate	4%	3%	3%	4%	4%	4%	9%	9%	10%	9%	9%	9%	9%
Telecom	0	0%	0%	0%	0%	0	0%	0%	0%	0%	0	1%	1%
Healthcare & Hospitality	12%	7%	7%	7%	7%	7%	6%	6%	13%	13%	9%	11%	12%
Others	7%	10%	9%	12%	12%	11%	11%	11%	14%	18%	13%	17%	16%
IMF+Security Customer Wise Revenue Mix %	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY25
Top 10	30%	28%	29%	29%	29%	29%	27%	27%	24%	26%	26%	27%	26%
Next 40	31%	34%	32%	34%	33%	33%	35%	35%	39%	39%	37%	38%	37%
Others	39%	38%	39%	37%	38%	38%	38%	38%	37%	35%	37%	35%	37%

Source: Company, HSIE Research

Quess—Global Technology Services (GTS): BPO and Platforms

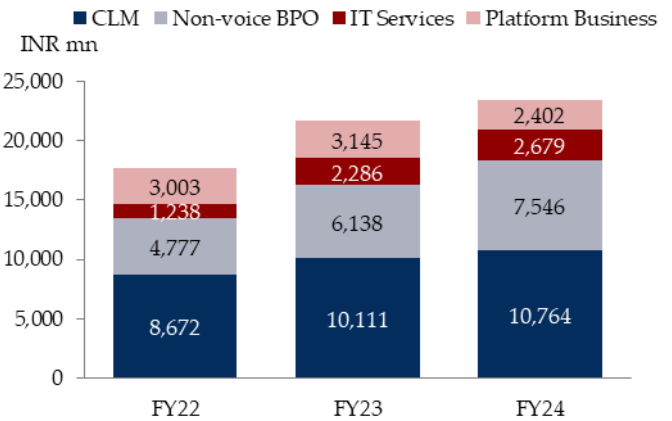
- The GTS segment comprises BPO services such as voice and non-voice customer support, payroll processing, and insure-tech services i.e. services designed to support businesses in managing their technology and operational needs.
- The GTS segment generated INR 23,390 mn in revenue during FY24, with a 18.2% EBITDA margin, accounting for 12% and 61% to Quess’s FY24 revenues and EBITDA. It employed 50,333 associates. Voice and non-voice BPO services are the primary revenue drivers, accounting for approximately 78% of the segment’s revenue in FY24.
- Conneqt is Quess Corp's domestic BPO arm, which employs around 45,000 people. It provides voice and non-voice services, including outbound sales, sales support, and transactional support. Whereas Allsec focuses on payroll management in addition to Voice and Non-Voice BPO. Allsec leverages AI and digital tools to enhance efficiency and accuracy in payroll processing. Lastly MFX provides platform services, including IT infrastructure management and support.

Exhibit 67: GTS revenue



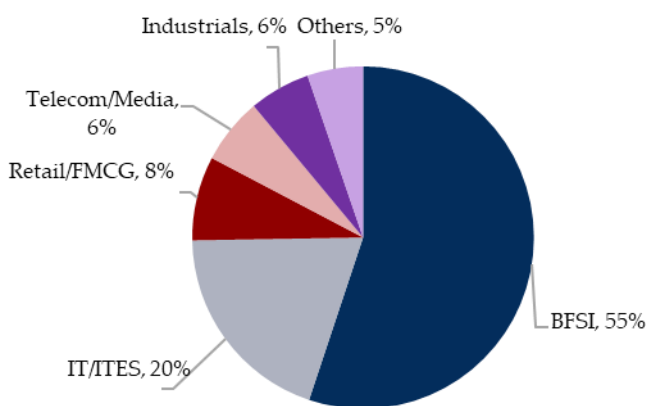
Source: Company, HSIE Research

Exhibit 68: GTS revenue break up



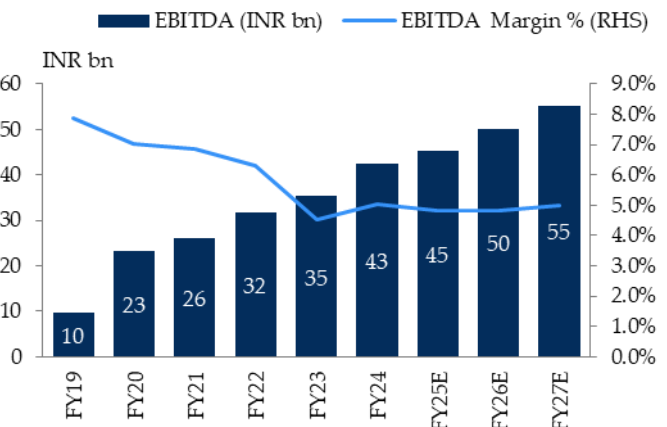
Source: Company, HSIE Research

Exhibit 69: GTS industry-wise revenue break up FY24



Source: Company, HSIE Research

Exhibit 70: GTS EBITDA margins

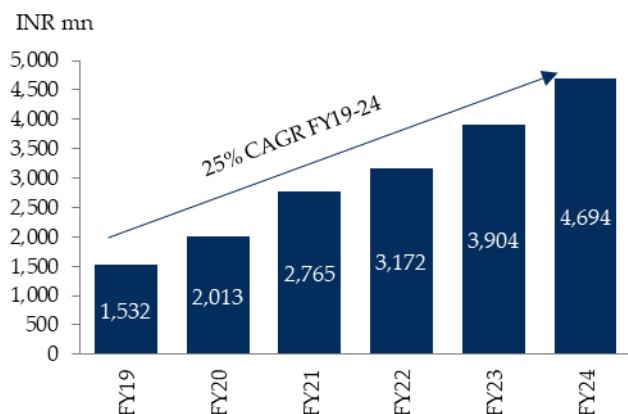


Source: Company, HSIE Research

- Revenue from voice and non-voice BPO services is primarily driven by Conneqt and Allsec. While Conneqt specializes in voice and non-voice BPO services, Allsec offers a broader service portfolio encompassing voice, non-voice, and payroll processing. Allsec operates in both India and the Philippines, employing a total workforce of 6,200 employees as of H1FY24, with 4,700 in India and 1,500 in the Philippines. Of these, 500 are core employees, while the remaining constitute voice calling agents.

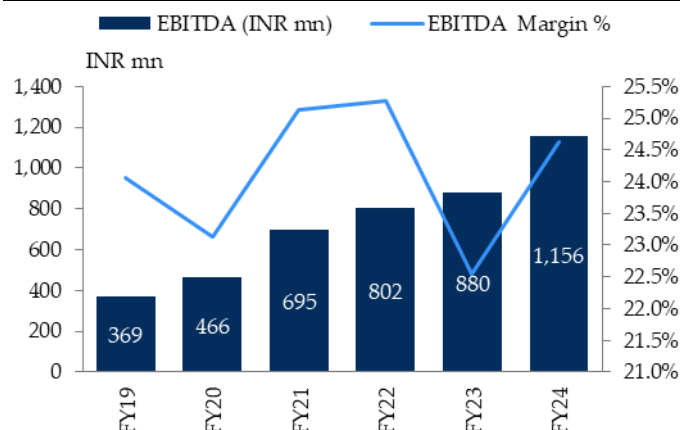
- Furthermore, Allsec Technologies leverages AI to streamline payroll processing for large employee bases, minimizing manual intervention. Allsec played a significant role in the GTS segment's performance in FY24, accounting for 20% of its revenue and a substantial 31% of its EBITDA.

Exhibit 71: Allsec – Revenue trend



Source: Company, HSIE Research

Exhibit 72: Allsec - EBITDA trend



Source: Company, HSIE Research

- Conneqt specializes in managing customer interactions across diverse channels, including voice calls and digital platforms. Their service offerings encompass sales, customer support, and transaction processing. In FY23, Conneqt generated INR 14,261 mn in revenue and an EBITDA of INR 2,258 mn, translating into an EBITDA margin of 16%. Contributing 66% to GTS segment's FY23 revenue and 64% to EBITDA, it was merged into Qess in FY24.
- MFX offers comprehensive IT support, ensuring that clients' technology infrastructure runs smoothly and efficiently. In FY23, MFX generated INR 999 mn in revenue and an EBITDA of INR 75 mn, translating into an EBITDA margin of 7.5%. Contributing 5% to GTS segment's FY23 revenue and 2% to EBITDA.

Strategic Initiatives

- Qess is actively experimenting with AI and digital tools to improve productivity and service delivery. For example, in the Connect Business Services, AI is used to enhance the efficiency of telecallers by identifying potential customers more accurately.
- To reduce reliance on voice calls, Qess integrates chatbots into customer websites, handling interactions and providing support through automated chat systems.
- Allsec Technologies is piloting new payroll tools that leverage AI to manage large-scale payroll operations with minimal human intervention.

GTS Outlook

- The overall GTS segment revenue is expected to grow at a 10% CAGR from FY24-27E. This growth will be driven by a 16% CAGR in the CLM segment and 23% CAGR in payroll processing. IT services and non-voice BPO will be under pressure.
- CLM (domestic BPO - Allsec and Conneqt):** This segment comprises voice and non-voice BPO services and is expected to grow at 16% CAGR over FY24-27E. Conneqt specializes in voice and non-voice BPO services while Allsec offers a broader service portfolio including payroll processing.

- **Platform (Allsec payroll processing):** Allsec leverages AI to streamline payroll processing for large employee bases, minimizing manual intervention. This segment is expected to grow at 23% CAGR over FY24-27E.
- **IT Services (MFX):** This segment provides platform services, including IT infrastructure management and support. It is expected to be under pressure in the coming years.
- The GTS segment's EBITDA margin is expected to remain at the current level. In FY24, the EBITDA margin was 18.2%. The integration of AI and automation tools will enhance service delivery, improve efficiency, and reduce costs, making Quess's offerings more attractive to clients.

Exhibit 73: GTS Projections – Growth led by CLM and Platforms

Global Tech Services Platform (GTS)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR 19-24	CAGR 24-27E
Revenue (INR bn)	21.03	17.90	17.18	17.69	21.68	23.39	25.54	27.97	30.93	2%	10%
Growth YoY %			-4.0%	3.0%	22.6%	7.9%	9.2%	9.5%	10.6%		
Associate Headcount ('000)				43	52	50	57	62	67		10%
Growth YoY %					20.8%	-3.9%	12.3%	8.8%	8.1%		
Realisation Per Associate				33,995	34,488	38,725	37,656	37,887	38,748		0%
Growth YoY %					1.4%	12.3%	-2.8%	0.6%	2.3%		
EBITDA	0.98	2.32	2.61	3.17	3.53	4.25	4.51	5.01	5.53	34%	9%
Growth YoY %			12.5%	21.5%	11.4%	20.4%	6.2%	10.9%	10.4%		
EBITDA Margin %	4.7%	13.0%	15.2%	17.9%	16.3%	18.2%	17.7%	17.9%	17.9%	1,351	-30
GTS Segment Revenue				FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR 22-24	CAGR 24-27E
CLM				8.67	10.11	10.76	12.81	14.47	16.60	11%	16%
Non-voice BPO				4.78	6.14	7.55	7.74	8.02	7.78	26%	1%
IT Services				1.24	2.29	2.68	1.89	1.91	2.07	47%	-8%
Platform Business				3.00	3.15	2.40	3.11	3.57	4.48	-11%	23%
Total GTS Revenue				17.69	21.68	23.39	25.54	27.97	30.93	15%	10%
GTS Segment Revenue Mix %				FY22	FY23	FY24	FY25E	FY26E	FY27E		
CLM				49%	47%	46%	50%	52%	54%		
Non-voice BPO				27%	28%	32%	30%	29%	25%		
IT Services				7%	11%	11%	7%	7%	7%		
Platform Business				17%	15%	10%	12%	13%	14%		

Source: Company, HSIE Research

Exhibit 74: GTS Quarterly key metrics

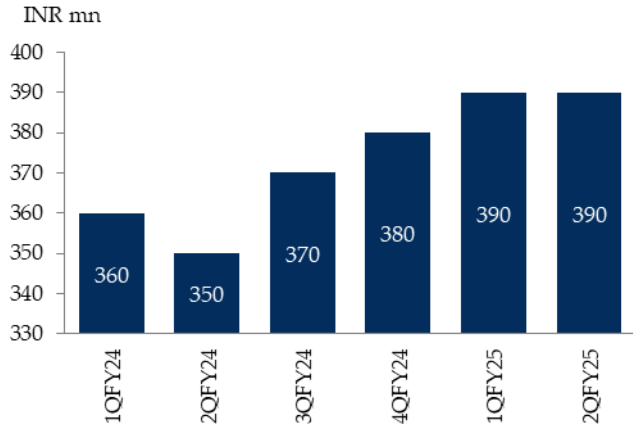
Global Tech Services Platform (GTS)	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY24
Revenue (in INR bn)	17.69	5.07	5.29	5.61	5.71	21.68	5.63	5.84	5.88	6.04	23.39	6.10	6.25
Growth %			4.3%	6.0%	1.8%	22.6%	-1.4%	3.7%	0.7%	2.7%	7.9%	1.0%	2.5%
EBITDA (INR bn)	3.17	0.83	0.85	0.90	0.95	3.53	1.00	1.04	1.08	1.13	4.25	1.07	1.09
Growth %			2.4%	5.9%	5.6%	11.4%	5.3%	4.0%	3.8%	4.6%	20.4%	-5.3%	1.9%
EBITDA %	17.9%	16.4%	16.1%	16.0%	16.6%	16.3%	17.8%	17.8%	18.4%	18.7%	18.2%	17.5%	17.4%
Revenue / Employee per month (INR/month)	33,995	37,000	34,667	36,000	36,333	34,488	36,667	37,667	39,000	40,000	38,725	38,667	39,667
Number of Associates (Nos)	43,364	45,676	50,865	51,944	52,385	52,385	51,182	51,681	50,256	50,333	50,333	52,586	52,521
HRO Records Processed mn (Allsec)		3.30	3.40	3.50	3.60	13.80	3.71	3.84	3.98	3.97	15.50	4.07	4.33
GTS Segment Revenue Mix %	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY24
CLM	49%	50%	48%	45%	44%	47%	45%	46%	46%	47%	46%	50%	51%
Non-voice BPO	27%	27%	27%	28%	31%	28%	32%	31%	33%	33%	32%	28%	30%
IT Services	7%	8%	12%	11%	11%	11%	14%	12%	11%	9%	11%	9%	7%
Platform Business	17%	15%	13%	16%	14%	15%	9%	11%	10%	11%	10%	13%	12%
GTS Vertical Revenue Mix %	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY24
BFSI	44%	47%	46%	47%	51%	48%	51%	51%	52%	66%	55%	50%	52%
IT/ITES	20%	19%	24%	26%	25%	24%	26%	21%	23%	9%	20%	20%	17%
Retail/FMCG	8%	12%	7%	9%	9%	9%	9%	10%	10%	3%	8%	15%	8%
Telecom/Media	6%	7%	6%	7%	6%	6%	6%	6%	6%	7%	6%	6%	6%
Industrials	5%	5%	4%	4%	4%	4%	4%	5%	6%	8%	6%	7%	13%
Others	16%	10%	13%	7%	5%	9%	4%	7%	3%	7%	5%	2%	4%
CLM and Non-Voice - Customer Revenue Mix %	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY24
Top 10	48%	48%	46%	48%	50%	48%	50%	51%	50%	50%	50%	50%	50%
Next 40	39%	44%	43%	40%	39%	41%	38%	37%	38%	36%	37%	38%	37%
Others	12%	13%	11%	12%	11%	12%	12%	12%	12%	14%	13%	12%	13%
CLM and Non-Voice - Industry Revenue Mix %	FY22	1QFY23	2QFY23	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY24
BFSI	59%	59%	61%	63%	66%	62%	64%	66%	65%	66%	65%	64%	60%
Ecommerce	9%	11%	9%	9%	7%	9%	7%	7%	7%	6%	7%	6%	7%
Telecom/Media	9%	8%	9%	9%	8%	8%	8%	8%	8%	7%	8%	8%	11%
Industrials	7%	6%	6%	6%	6%	6%	6%	7%	7%	8%	7%	9%	11%
IT/ITES	4%	4%	7%	4%	4%	5%	4%	4%	5%	3%	4%	5%	4%
Retail/FMCG	3%	3%	4%	3%	4%	4%	4%	4%	4%	3%	4%	3%	2%
Others	8%	9%	4%	6%	5%	6%	7%	4%	4%	7%	6%	5%	5%

Source: Company, HSIE Research

Product-led Business (PLB)

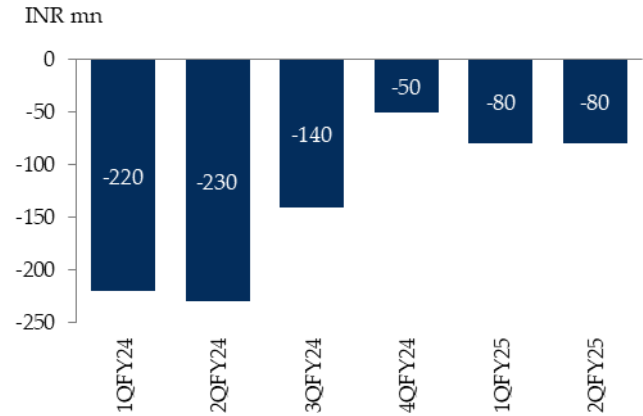
- The Product-Led Business segment includes foundit and other blue-collar talent platforms. In FY24, this segment generated revenue of INR 5,170 mn while incurring an EBITDA loss of INR 2,823 mn. Foundit is 95% of the PLB business.

Exhibit 75: PLB– Revenue



Source: Company, HSIE Research

Exhibit 76: PLB EBITDA



Source: Company, HSIE Research

Foundit—ready to scale

Foundit, Quess Corp's rebranded job portal, has rapidly grown to become a significant player in the online recruitment space. The portal offers a comprehensive platform for job seekers and employers, facilitating efficient job matching and recruitment processes. Foundit leverages advanced technology to provide personalized job recommendations, resume building tools, and career advice, enhancing the overall user experience. The portal has seen substantial growth in traffic and revenue, reflecting its increasing popularity and effectiveness in connecting talent with opportunities. As per similarweb, foundit has average traffic share of 4.5% when compared to naukri in India, the USA, Canada, the UAE, and the UK.

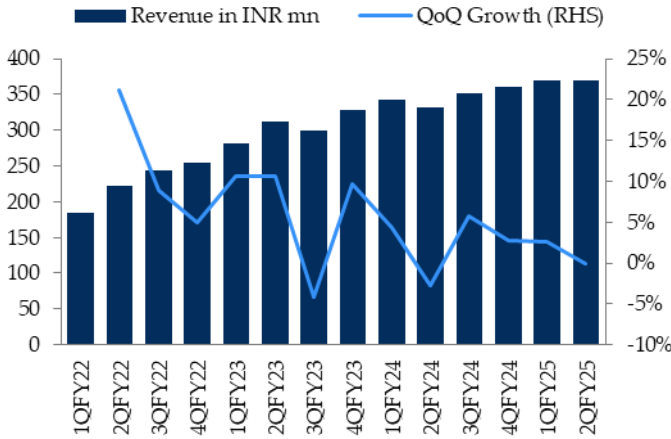
Foundit's business strategy focuses on achieving growth through continuous investment in product development and marketing. The portal aims to break even this year, with a target revenue growth of >30%. To achieve this, Foundit operates on a negative working capital model, collecting subscription fees upfront, which helps in managing cash flow efficiently. The platform's competitive strength lies in its advanced technology, user-friendly interface, and comprehensive service offerings, which differentiate it from competitors. Foundit aspires to capture 25% of the largest competitor's revenue in the next four years, aiming for a revenue range of INR 8-9bn. Strategic initiatives include enhancing AI-driven job matching algorithms, expanding market reach, and continuously improving user engagement to drive growth and achieve these ambitious targets. We have assumed foundit to reach revenue of INR 2.2bn in FY27E, registering a CAGR of 17% over the FY24-27E. The platform will achieve breakeven in FY27E and is expected to generate EBITDA (excluding corporate cost) of INR 0.11bn in FY27E, which is 5.1% EBITDA margins.

Exhibit 77: Foundit 2.0 - Simplifying white collar recruitment process for recruiters

Feature	Description
Smart Insights	Enables streamlined candidate sourcing, offering comprehensive profiles
Magic Search (Powered by AI)	Delivers personalized results tailored to each organization's unique needs, while AI-generated emails and personalized outreach ensure meaningful engagement.
Advanced folder management	Simplifies candidate organization and sharing, leading to significant boosts in productivity and cost reductions for early adopters.
PrepAI 2.0 (Powered by AI)	Personalized interview preparation

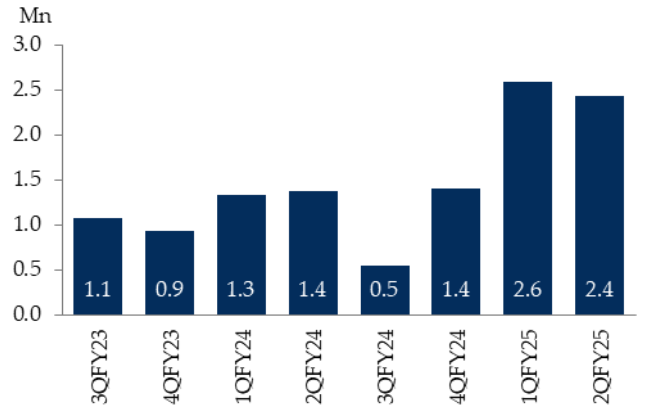
Source: Quess Annual Report FY24, HSIE research

Exhibit 78: Found it revenue



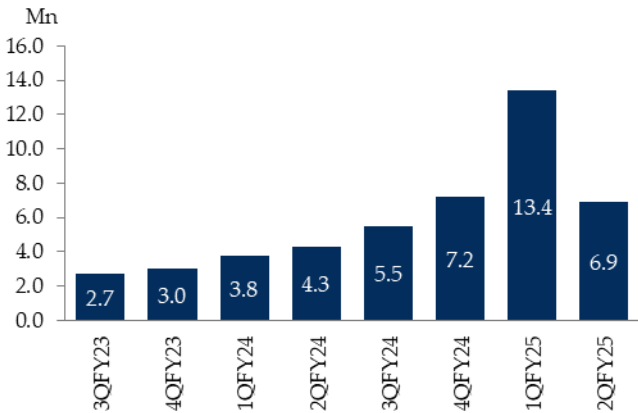
Source: Company, HSIE Research

Exhibit 79: New Search Profiles (In mn)



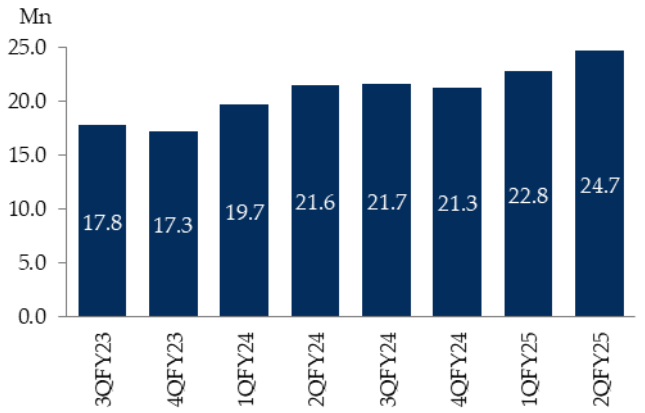
Source: Company, HSIE Research

Exhibit 80: Profile Updates (Mn)



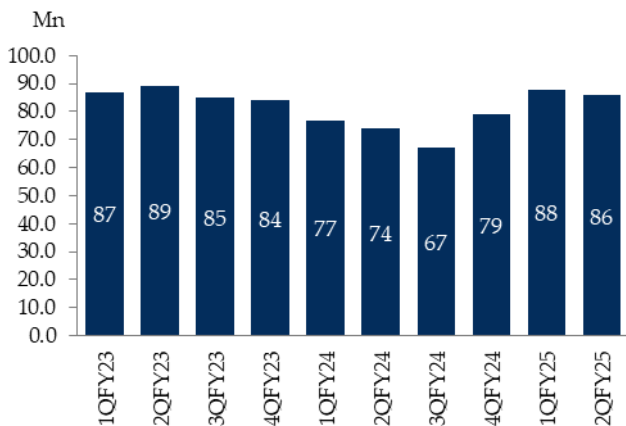
Source: Company, HSIE Research

Exhibit 81: 6 Month Active Users (Mn)



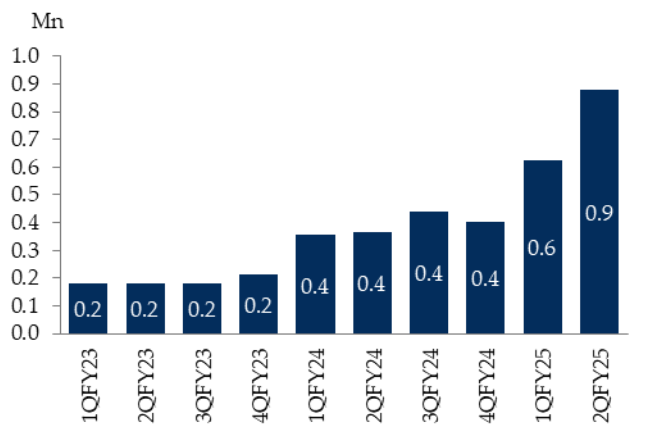
Source: Company, HSIE Research

Exhibit 82: Consumption (mn)



Source: Company, HSIE Research

Exhibit 83: New Search Profiles (In mn)



Source: Company, HSIE Research

Exhibit 84: Foundit vs Naukri

Quarterly particulars (Q2FY25)	Foundit	Naukri
Revenue INR (mn)	390	4,949
EBITDA INR (mn)	(80)	2,858
EBITDA Margin %	-21%	58%
#Basic Plan Pricing (INR '000)	200	600
*Profile Updates/No of Resumes (mn)	8.3	103
Six months active users (mn)	24.7	112^

Source: Company, HSIE Research, * last four quarter average, #based on HSIE estimates, ^ resumes modified in six months (almost all the resumes are modified in six months on the Naukri platform making it the market leader)

Other Platform Business

Blue Collar Talent Platform

- This consists of digital assets organized under a common platform to create an end-to-end solution. With its three products, Qjobs, WorQ, and Dash, the company offers a comprehensive tech platform for large and mid-sized companies to accelerate their hiring, workforce engagement, and benefits needs.

Qjobs (Blue collar hiring)	WorQ (Workforce management platform)	Dash (Employee benefit platform)
Serviced Offered		
<ul style="list-style-type: none"> - Digital hiring for Blue and Grey collar workforce - Connects verified employers with pre-screened job seekers. - Job seekers are upskilling through certifications and micro learning. - AI-assisted recruiter hiring for on boarding ready candidates. 	<ul style="list-style-type: none"> - Mobile-first, vernacular workforce management and productivity platform - Manage, engage, upskill & boost the productivity of employees on one app. - Dashboards and analytics for CXOs and Managers to drive productivity. - Reduce compliance risk and attrition by building an engaged workforce 	<ul style="list-style-type: none"> - India’s largest Benefits and Engagement platform for Blue and Grey Collar workforce - 200+ benefits from 70+ partners across 12+ categories - Daily micro engagement with 80% monthly repeat rate - Reduces employee attrition by 19%.
FY24 Highlights		
<ul style="list-style-type: none"> - Job Seekers: 6.5 mn - Job Vacancies: 2.0 mn - Candidate-recruiter interactions: 4.5 mn - Upskilling engagement: 1.1 mn - Recruiters: 9.5K 	<ul style="list-style-type: none"> - Activated Users: 273K - Average Monthly Attendance Users: 123K - Average Monthly Productivity Users: 9K 	<ul style="list-style-type: none"> - Monthly Active Users: 172K - Visits Per User Per Month: 8 times - Annual Gross Transaction Value (GTV) Run Rate: INR 763 mn.

Source: Quess Annual Report FY24, HSIE research

The Income Tax dispute - 80JJAA & Deduction on Goodwill Amortization

- Section 80JJAA of the Income Tax Act offers a tax deduction of 30% on additional employee costs for three years. This deduction is applicable to businesses that meet specific conditions, including making payments electronically. This provision boosts the PAT of staffing companies by 20-40%. It was introduced in 1998 to encourage employment generation. The provision has been modified multiple times and the Finance Act of 2016 introduced substantial changes to the deduction criteria under this section.

Exhibit 85: List of Key Provisions

Key Provision	Description
Employee Salary Cap	Monthly salary of employee should not exceed INR 25,000.
Employment Duration	Employed for more than 240 days in the previous year.
Payment Mode	Salary to be paid by cheque, draft, or electronic transfer
Rate of deduction	30% of the additional employee cost.
Benefit Duration	Claimable for three consecutive assessment years.
Computation of additional Employee Cost	Calculated as the difference between the total employee cost of the current year and the previous year.

Source: HSIE research

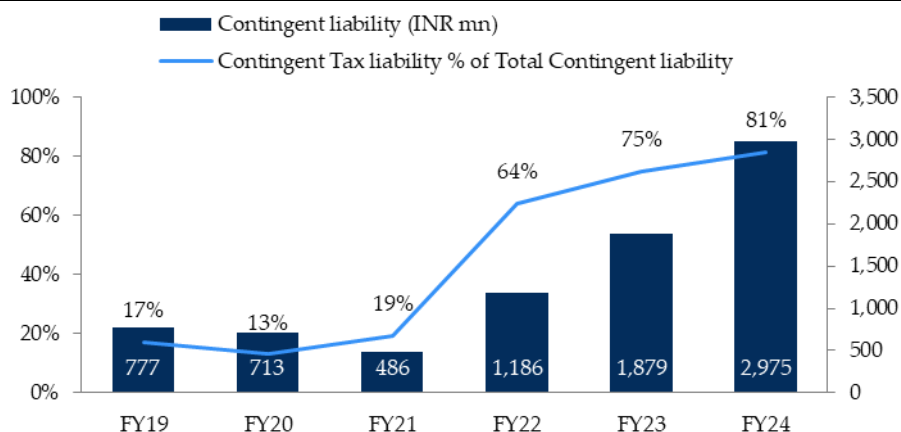
Reason of tax dispute

- Salary Exceeding the Limit:** Salaries paid to employees must not exceed INR 25,000 per month, but the income tax authorities have included one-time bonus payments in the salary calculation, making employees ineligible for tax deductions.
- Remote Work and Employer Responsibility:** Tax authorities contend that employees for whom deductions are claimed neither work at Quess's premises nor are directly supervised by the staffing companies, leading to a lack of responsibility on their part. Conversely, staffing companies argue that they are responsible for all statutory compliances related to the employees for whom deductions are claimed.
- Disputed Goodwill Amortization:** Apart from the 80JJAA issue, the tax authorities have challenged the amortization of goodwill on acquisitions as a deductible expense. This amount constitutes a significant portion of the company's contingent liabilities.

Contingent liability

- In FY24, Quess reported a contingent liability of INR 2,975 mn, of which INR 2,417 mn was related to tax matters.

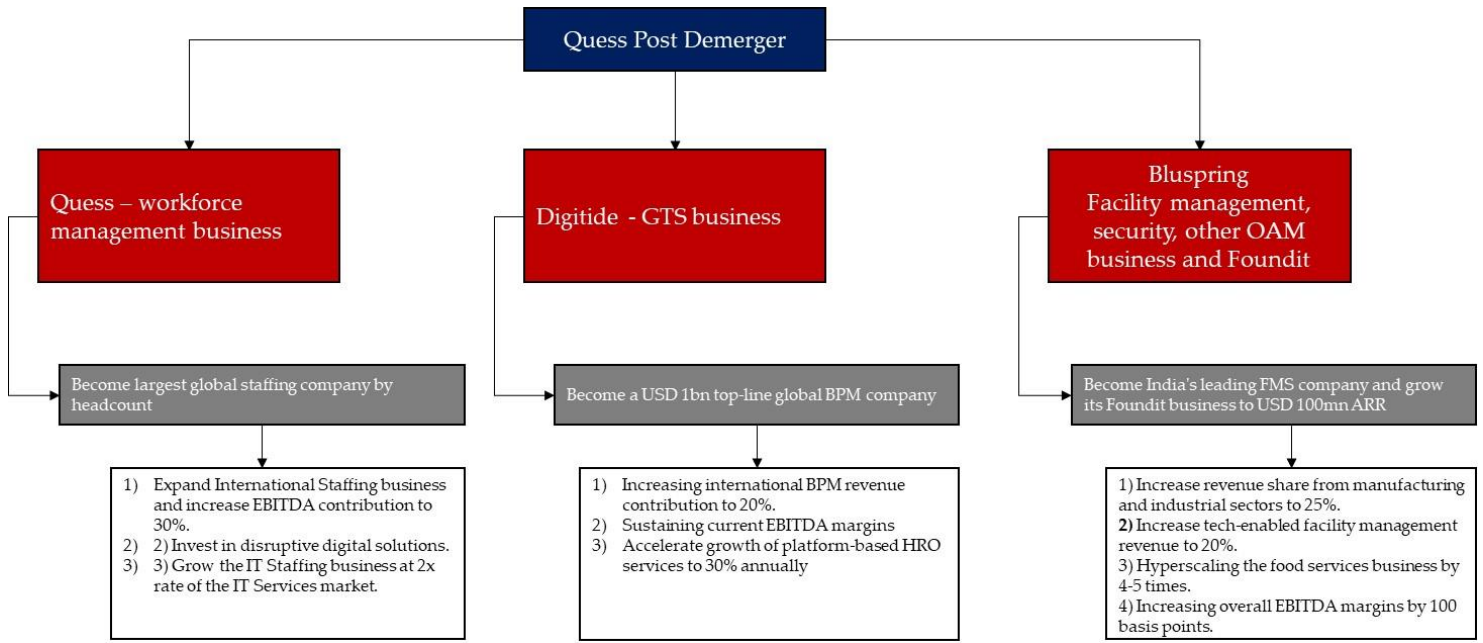
Exhibit 86: Tax related contingent liability as % of total contingent liability



Source: Company, HSIE Research

Demerger

- Quess Corp will demerge into three separate entities: Quess Corp, which will retain its core workforce management business, Digitide Solutions, which will house the GTS business and platform-led businesses excluding Foundit, and Bluspring Enterprises, which will incorporate the OAM and Foundit businesses.
- Demerger is expected to conclude by Q1FY26, upon demerger all the three entities will have a mirror shareholding i.e. Quess shareholders shall get a share each of Digitide and Bluspring.



Source: Company, HSIE Research

Risks

- Slower-than-expected shift from unorganised to the organised sector, leading to a slowdown in flexi staffing net additions.
- Contingent liability—Quess has contingent tax liability of INR 2,417 mn. If the matter goes against Quess, it will wipe out ~9% of its net worth.
- Withdrawal of 80JJAA tax benefits will lead to normalised tax rate and will impact reported PAT. We have taken the NPV of the cumulative tax benefits emerging from 80JJAA till FY30E, which is INR 3bn (INR 20/share).
- The margins were under pressure due to lower PAPM and pressure in international business, we expect the margins to bottom out and minor recovery over the next three years. If the margin pressure continues, it will lead to muted profitability.

Valuations and SoTP

On a consolidated basis, Quess will deliver 12% revenue CAGR, led by 13/13/10/17% CAGR in WFM/OAM/GTS/Foundit over FY24-27E. The consolidated EBITDA margin will expand from 3.6% in FY24E to 4.0% in FY27E, leading to 14% EBITDA CAGR over FY24-27E. The segmental EBITDA margin for WFM/OAM/GTS/Foundit will be at 2.6/5.0/17.9/5.1% in FY27E, leading to 12/12/9% EBITDA CAGRs, while the corporate cost will grow at 4% CAGR. We have assigned 15x EV/EBITDA to the WFM segment vs 22x assigned to Teamlease. Quess's WFM segment is larger in size and has better margins vs Teamlease but still gets a lower multiple; the demerger will lead to better RoE for the segment and will result in re-rating. The GTS segment has been assigned 10x EV/EBITDA for a 10% growth and 18% margin which is at steep discount to peers like Firstsource. The OAM is assigned EV/EBITDA of 12x, which is higher vs players like SIS and Updater based on size and margins. The Foundit is assigned P/S of 4x which is at a steep discount to the leader Naukri (~16x). We have taken the full impact of the contingent liabilities and NPV of the 80JJAA benefit over the next five years.

Exhibit 87: Quess SoTP Valuations

Quess SoTP Business Segments	Sales FY27 (INR bn)	EBITDA FY27 (INR bn)	EV/EBITDA (x)	EV/SALES (x)	Value (INR bn)	Per sh (INR)	% share in SoTP
WFM	195.71	4.09	15		61.30	413	44%
GTS	30.93	4.98	10		49.84	336	36%
OAM	40.11	1.82	12		21.84	147	16%
PLB (foundit)	2.24	-0.07	NM	4.0	8.96	60	6%
Total	268.99	10.82	13		141.94	956	103%
+Net Cash					1.75	12	1%
-80JJAA Tax benefit					2.56	17	2%
-Contingent Tax Liability					3.00	20	2%
Target Mcap/TP					138.13	930	100%
Current Mcap/CMP					94.86	639	
Upside %						46%	

Source: HSIE Research

Exhibit 88: Peer Comparisons

Company	MCap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)				P/E (x)				ROE (%)				Rev CAGR% FY24-27E	EPS CAGR% FY24-27E
					FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E		
Quess	95	639	930	BUY	20.5	26.2	33.5	41.8	31.1	24.4	19.1	15.3	11.4	13.3	15.4	17.3	12.1%	26.7%
Teamlease	45	2,681	3,360	ADD	64.8	75.1	103.0	138.2	41.4	35.7	26.0	19.4	13.5	14.6	17.1	19.1	20.9%	28.7%
Updater	23	346	NR	NR	11.4	17.1	22.2	28.2	30.5	20.2	15.6	12.3	11.1	12.5	14.1	15.8	14.8%	35.3%
SIS	48	333	NR	NR	13.1	20.9	26.2	31.3	25.4	15.9	12.7	10.6	8.0	12.1	13.2	13.9	8.8%	33.8%

Source: Company, Bloomberg, HSIE Research

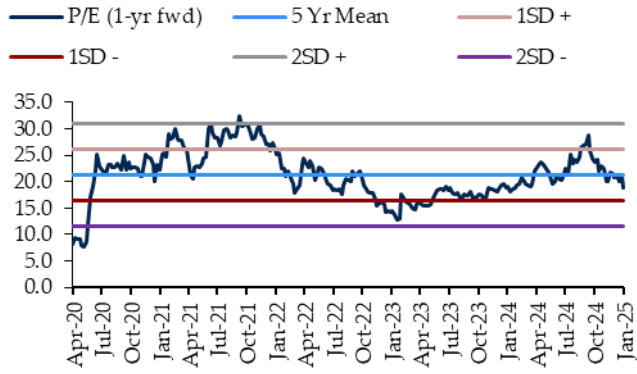
Global Peers comparison

Company	Mcap (USD bn)	Revenue	Revenue	EBITDA	EBITDA	PAT	PAT	P/E FY25E	P/E FY26E	EV/ EBITDA	EV/ EBITDA	RoE% FY24	RoE% FY26E	EBITDA	EBITDA	
		CAGR 3Y (FY21- 24E)	CAGR 3Y (FY24- 27E)	CAGR 3Y (FY21- 24)	CAGR 3Y (FY24- 27E)	CAGR 3Y (FY21- 24)	CAGR 3Y (FY24- 27E)			FY25E	FY26E			% FY24	% FY26E	
Teamlease*	516	20%	19%	6%	24%	9%	26%	35.7	25.8	28	20	14.0	17.3	1.4	1.6	
Updater	254	22%	14%	22%	26%	11%	39%	18.6	14.4	11	9	11.1	14.2	5.5	7.4	
SIS	559	6%	8%	-4%	12%	-22%	32%	15.9	12.7	10	9	8.0	13.3	4.3	4.8	
Quess*	1,060	16%	11%	11%	17%	63%	31%	23.0	17.9	12	10	10.4	16.4	3.6	4.2	
BPO**																
Eclerx	1,756	19%	12%	17%	10%	18%	12%	28.1	23.8	17	15	25.8	25.0	27.3	25.5	
Firstsource	2,911	4%	16%	2%	19%	8%	24%	40.2	30.7	22	18	14.6	19.5	15.1	16.4	
Global General Staffing																
Randstad	7,126	5%	-1%	12%	1%	25%	1%	14.2	12.3	8	7	12.8	13.0	4.5	5.0	
Manpower	2,559	2%	-1%	6%	6%	55%	51%	11.5	10.9	5	5	3.8	10.4	2.5	3.1	
Hays	1,363	5%	-1%	-19%	35%	NM	NM	23.0	14.0	9	7	-0.8	13.9	1.3	3.3	
Persol Holdings	3,316	1%	4%	12%	6%	13%	13%	14.1	12.9	6	5	16.6	18.8	6.2	6.6	
Pagegroup	1,196	14%	-5%	32%	-2%	NM	-1%	27.2	20.8	8	8	23.4	15.3	9.2	9.9	
Global Professional Staffing																
Robert Half	6,762	8%	0%	7%	-4%	10%	-1%	26.6	22.8	16	14	26.0	20.0	10.9	9.5	
Asgn Inc	3,802	8%	0%	7%	1%	3%	8%	16.1	15.4	11	10	11.6	13.4	11.0	11.3	
Korn Ferry	3,375	15%	3%	7%	17%	14%	21%	13.4	12.1	6	6	10.0	14.3	11.9	17.5	
Meitec Group	1,449	-1%	1%	7%	1%	9%	3%	18.4	16.8	9	9	26.1	26.9	14.2	14.2	
Amadeus Fire	432	14%	3%	15%	-2%	29%	1%	11.0	10.2	6	6	25.7	24.8	21.3	18.6	
Serco Group	1,843	7%	0%	10%	-3%	14%	-6%	8.5	9.3	6	6	19.6	15.1	8.5	7.9	
Global IFM																
Compass Group	55,057	20%	7%	30%	12%	42%	24%	25.1	22.6	13	12	19.4	29.7	8.8	10.1	
Sodexo	10,953	7%	4%	14%	7%	3%	77%	13.1	11.8	8	8	4.0	20.9	6.4	7.1	
Abm Industries	3,136	10%	2%	11%	11%	-14%	50%	13.7	12.4	9	9	4.5	13.1	4.8	6.2	
Mitie Group	1,649	20%	7%	63%	12%	NM	11%	9.1	8.2	5	4	28.9	26.3	5.4	6.1	
Comfort Systems	15,663	22%	16%	28%	19%	29%	28%	30.8	25.8	19	17	28.4	31.3	11.3	12.2	
Ferrovial	29,413	7%	3%	32%	15%	NM	15%	47.3	43.0	27	24	11.7	15.8	12.1	16.8	

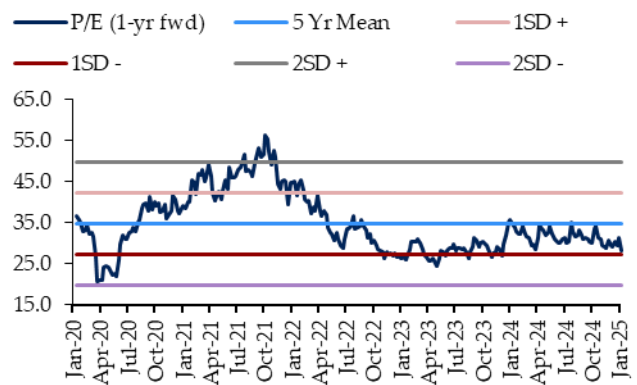
Source: Bloomberg,*Bloomberg Estimates, ** Indian Peers for BPO segment

Exhibit 89: Valuation charts

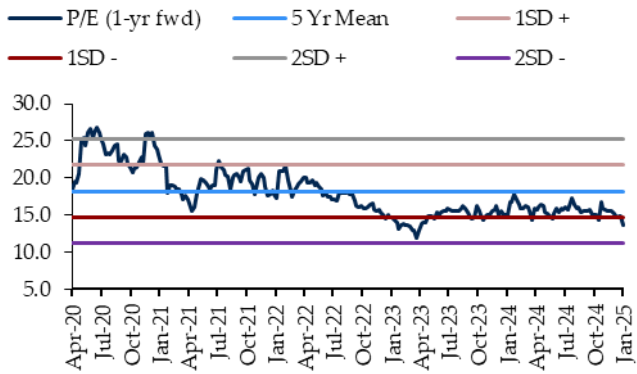
Quess P/E (1-yr fwd) trend



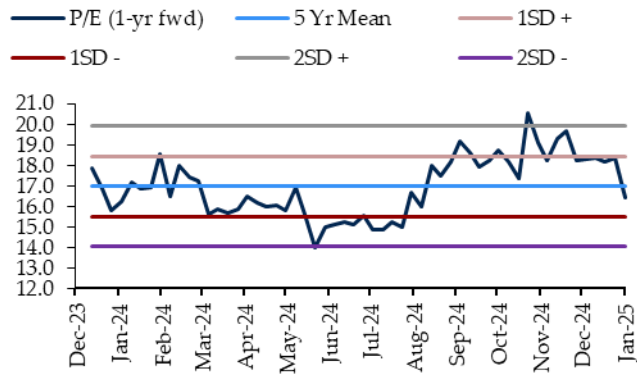
Teamlease P/E (1-yr fwd) trend



SIS P/E (1-yr fwd) trend



Updater P/E (1-yr fwd) trend



Source: Bloomberg, HSIE research

Leadership Team

Management	Designation	Brief Profile
Guruprasad Srinivasan	Executive Director and Group CEO	Guru is a founding member who joined as the fourth employee. With over 25 years of industry experience, including leadership roles at GE Health and Hewitt Associates, he has driven key initiatives like developing an industry-leading Work Force Management Platform and integrating the Asset Management Business.
Kamal Pal Hoda	Chief Financial Officer	Kamal is a finance professional with 18 years of experience across diverse sectors like Metals and Mining, Retail, and EPC Construction. As a CA, he has held strategic roles in leading conglomerates, successfully consolidated financials for over 200 entities, and implemented various finance ERPs and digital initiatives. Prior to joining Quess, he served as the CFO for Hindustan Zinc's Mining Business.
Lohit Bhatia	President - Workforce Management	Lohit is the President of Quess' Workforce Management business, bringing over 25 years of experience across Textiles, Auto Components, and Services. He has been instrumental in driving manpower outsourcing programs with a focus on managed services and is currently serving his second term as the President of the Indian Staffing Federation (ISF). A prominent industry influencer, Lohit has spoken at various forums, including the ASU GSV conference and the Yuwaah launch conference.
Anand Sundar Raj C	President – Operating Asset Management	Anand is the President of OAM at Quess, leading the strategic direction and execution for platform expansion. With over 28 years of experience in Staffing, Recruitment, and Facility Management Services, he brings a wealth of industry knowledge. Prior to Quess, he held leadership roles at First Meridian and Adecco India.
Gurmeet Chahal	Chief Executive Officer Quess GTS	Gurmeet Chahal is the CEO of Quess Global Technology Solutions, with over 25 years of experience in digital transformation across various industries, Gurmeet has held significant roles at Genpact, HCL Technologies, and DXC. He holds an MBA from XLRI, Jamshedpur, and a Bachelor's in Chemical Engineering from Panjab University. He has also completed certifications in AI strategies from Northwestern University and MIT. Gurmeet is based in New Jersey.
Sekhar Garisa	Chief Executive Officer foundit	Sekhar is the CEO of foundit, bringing over two decades of experience in business strategy and development. Prior to this, he led people services and new technology-based business efforts at Quess. His career spans across leading organizations like Microsoft, P&G, McKinsey, and United Telecom, where he held key roles in strategy, business development, and partner management. He is an alumnus of NIT Warangal and IIM Lucknow.
Ruchi Ahluwalia	Group Chief People Officer	Ruchi Ahluwalia is a seasoned HR leader with 21 years of experience across diverse industries. She excels at aligning HR strategies with business goals, driving operational excellence, and fostering organizational growth. Recognized among the '101 Top HR Minds,' Ruchi has held leadership roles at Eaton, Scania, and Carl Zeiss, demonstrating a proven track record of success.

Source: Quess Website, HSIE research

Board of Directors

Board of Directors	Designation	Part of Board	Qualification	Previous Experience
Ajit Isaac	Non-Executive Chairman	April 6, 2009	- PG in HR (Gold medallist), Leeds University - M.A. in Personal Management, University of Madras	20 years of entrepreneurial experience including experience as board member of Allsec Technologies and Children’s Heartlink India Foundation, among others. Before becoming an entrepreneur, he had 10 years of experience in leadership roles in the Adecco, IDFC, Godrej and Boyce.
Guruprasad Srinivasan	Executive Director and Group CEO	Feb 10, 2022	- Ignite Program Graduate, Stanford School of Business - MBA (Finance), Karnataka State Open University	He has more than 26 years of industry experience, including leadership roles at GE Health, Hewitt Associates and People One Consulting.
Chandran Ratnaswami	Non-Executive Director	Jan 18, 2016	- MBA, University of Toronto - B.E. (Civil Engineering), IIT Madras	Currently, he is CEO of Fairfax India Holdings and M.D. of Hamblin Watsa Investment Counsel. His previous roles include being an owner/president of an industrial distribution company and a senior executive at a large multinational consumer packaged food company.
Gopalakrishnan Soundarajan	Non-Executive Director	April 1, 2020	- CA, ICAI - CFA, CFA Institute, US - B.Com, University of Madras	Currently, he is M.D. at Hamblin Watsa Investment Counsel. Prior to this role he CIO at ICICI Lombard and he had held that position for 18 years. He has expertise in financial management, risk assessment, corporate strategy, and capital allocation.
Gaurav Mathur	Non-Executive, Independent Director	Aug 31, 2020,	- PGDIM, IIM Ahmedabad - BA (Hons.) in Economics, Delhi University	Gaurav Mathur is a seasoned investor with over 20 years of experience in private equity, venture capital, and corporate development. He is the founder of InVent Capital and Digital Gold India and has served on the boards of numerous companies. He has a strong track record of creating value for shareholders and has been instrumental in the growth of several successful businesses.
Kalpathi Ratna Girish	Non-Executive, Independent Director	Aug 31, 2020	- CA, ICAI - Associate member, Australian Taxation Institute	Girish is a seasoned tax professional with over 36 years of experience in financial analysis, international taxation, and business strategy. He has worked with leading corporates and advisory firms and is recognized as a leading expert in his field. He is currently the Chairman of the finance Committee of the Bangalore Chamber of Industry and Commerce.
Revathy Ashok	Non-Executive, Independent Director	July 24, 2015	- Post Graduate Diploma in Management, IIM Bangalore - B.Sc, Bangalore University	Revathy is a seasoned business leader with over 30 years of experience in capital raising, business development, finance, and risk management. She is a co-founder of Strategy Garage and an active mentor at the Indian Angel Network. She is also a passionate advocate for women's economic empowerment. She has served on the boards of several leading companies and held senior management positions in global corporations such as Syntel, Microland and Tyco Electronics.
Sanjay Anandaram	Non-Executive, Independent Director	Dec 22, 2015	- PGDIM, IIM Bengaluru - B.E. Electrical Engineering, Jadavpur University, Kolkata	Sanjay has spent over 30 years as a corporate executive, investor, early-stage venture capitalist, teacher and advisor to funds and entrepreneurs. He has significant experience in M&As and funding start-ups.

Source: Quess Annual Report FY24, HSIE research

Quess - Key Acquisitions across segments

Workforce Management (WFM) Acquisitions	Date of Acq	Stake %	Paid (INR Mn)	Current Status	Business Description
Coachieve Solutions Limited	30-Oct-09	NA	NA	Sold in FY25	Recruitment and staffing services to information technology industry. Provides statutory compliance management, payroll management and employee background verification services.
Magna Infotech Limited	23-Dec-10	51%	326	Merged	IT staffing company
Magna Infotech Limited follow-on investment	13-May-13	49%	440		
Zylog Systems (Canada) Limited (now known as BSL) - Brainhunter	23-Oct-14	100%	NA		Provider of engineering staffing and human capital resource management services based in Toronto, Canada. The company specializes in applicant tracking, vendor management, back-office systems, consulting, and managed information technology services
Styracorp Management Services & IME Consultancy (Quesscorp Management Consultancies)	05-Dec-15	100%	20		Based out of Dubai (UAE), Styracorp provides Human Resources Staffing Solutions Companies in the Middle East.
Randstad Lanka (Private) Limited	26-Apr-16	100%	NA		Headquartered in Colombo, the company provides recruitment and staffing services in Sri Lanka.
Comtel Solutions Pte	20-Oct-16	64%	1,266	Renamed as Quess Singapore	Comtel is one of Singapore's largest independent staffing companies with services offered across staffing solutions, managed services solutions, and recruitment and search services with operations across Malaysia and Indonesia.
Comtel Solutions Pte follow on investment	FY18	36%	1,370		
Comtel Pro Pte	22-Jun-17	51%	5		
Comtel Pro Pte follow on investment	FY18	49%	NA		
Quess East Bengal Football club	05-Jul-18	70%	100	Sold in FY22-23	Indian professional football club
Stellarslog Technovation Private Limited (Taskmo)	27-Jan-21	49%	100		Stellarslog provides student engagement platform for recruitment marketplace that appoints college students for small, hourly-based, temporary, and seasonal jobs

Source: Company, HSIE research

Global Technology Solutions (GTS) Acquisitions	Date of Acq	Stake %	Price paid (INR Mn)	Current Status	Business Description
MFXchange Holdings Inc	03-Nov-14	49%	322		Provider of hosted information technology applications and outsourcing solutions.
MFXchange Holdings Inc follow on investment	01-Jan-16	51%	NA		
Heptagon Technologies	23-Jan-17	26%	55		Provides Digital Consulting and Product Engineering services, providing end-to-end technology solutions enabling companies to leapfrog their digital transformation journey. They design and build customized enterprise software and also provide ready-to-deploy solutions.
Heptagon Technologies follow on investment	16-May-17	23%	43		
Heptagon Technologies follow on investment	01-Mar-22	12%	130		

Tata Business Support Services (Conneqt)	20-Nov-17	51%	1,530		
Tata Business Support Services (Conneqt) follow on investment	FY20	19%	1,931	Merged	Conneqt, a leading Indian Digital IT & BPM provider, helps businesses across industries grow revenue, enhance customer experience, and improve efficiency through its comprehensive service offerings, including customer lifecycle management, digital engineering, and automation solutions.
Tata Business Support Services (Conneqt) follow on investment	16-Apr-21	30%	2,080		
Allsec Technologies	03-Jun-19	73%	3,300		

Source: Company, HSIE research

Operational Asset Management (OAM) Acquisitions	Date of Acq	Stake %	Price paid (INR Mn)	Current Status	Business Description
Avon Facility Management	Jul-08	74%	47		
Avon Facility Management follow on investment	14-May-13	26%	66	Merged	Facility Management Services
Hofincons Infotech & Industrial Services	27-Jun-14	100%		Merged	Plant maintenance
Manipal Integrated Services	29-Nov-16	Acquired FM business	Stock deal*	Merged	Integrated Facility management services
Terrier Security Services India	20-Oct-16	49%	720		Security products, services, and solutions, presence at 2000+ customer facilities in 19 States and union territories across India.
Terrier Security Services (India) follow on investment	27-May-20	25%	645		
Simpliance Technologies	20-Oct-16	45%	25	Sold in FY24	Risk and Compliance services
Simpliance Technologies follow on investment	04-Jun-18	8%	20		
Trimax Smart Infraprojects	25-Oct-17	51%	130		Trimax provides information, communication and technology infrastructure for smart city project in Ahmedabad, India.
Trimax Smart Infraprojects follow on investment	FY20	49%	130		
Vedang Cellular Services	25-Oct-17	70%	400		Vedang provides telecom network planning and optimization services to major telecom OEMs and operators.
Vedang Cellular Services follow on investment	FY20	19%	84		
Golden Star Facilities	30-Nov-17	60%	NA	Merged	Facility management services include cleaning, dusting and vacuuming, polishing, as well as electromechanical, pest control and production services
Golden Star Facilities follow on investment	08-Feb-18	10%	50		
Golden Star Facilities follow on investment	05-Nov-19	30%	400		
Greenpiece Landscapes	24-Jan-18	90%	244	Sold in FY24	Landscaping design and contracting projects. Services like landscape architecture, hard landscaping, soft landscaping, irrigation, lighting and other allied activities.
Greenpiece Landscapes follow on investment	07-May-19	10%	28		

*Subscription to Rs2.2bn of preference shares and issued of 7.15m shares of Quess

PLB Acquisitions	Date of Acq	Stake %	Price paid (INR Mn)	Current Status	Business Description
Monster entities	08-Feb-18	100%	1,448	Renamed Foundit	Job search platform like Naukri
HCL Computing Products (Qdigi)	11-Apr-18	100%	300	Sold in FY24	

Source: Company, HSIE research

Financials Statements

Consolidated Income Statement

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	85,270	1,09,915	1,08,369	1,36,918	1,71,584	1,91,001	2,09,600	2,37,733	2,68,987
<i>Growth (%)</i>	38.3	28.9	-1.4	26.3	25.3	11.3	9.7	13.4	13.1
Cost of services	2,624	2,671	2,007	2,787	4,794	4,772	2,047	2,345	2,250
Employee benefits	67,132	90,634	92,968	1,16,870	1,46,596	1,65,568	1,86,149	2,12,253	2,38,866
Other expenses	10,868	10,032	8,812	11,026	14,337	13,725	13,376	13,777	17,048
EBITDA	4,646	6,578	4,581	6,235	5,857	6,936	8,028	9,359	10,823
<i>EBITDA Margin (%)</i>	5.4	6.0	4.2	4.6	3.4	3.6	3.8	3.9	4.0
<i>EBITDA Growth (%)</i>	31.1	41.6	-30.4	36.1	-6.1	18.4	15.7	16.6	15.6
Depreciation	1,232	2,486	2,285	2,120	2,746	2,832	2,804	2,707	2,599
EBIT	3,414	4,092	2,296	4,114	3,111	4,104	5,224	6,652	8,224
Other Income (Including EO Items)	712	-6,130	778	271	798	23	430	254	254
Interest	1,144	1,668	1,113	792	1,066	1,173	1,008	926	844
PBT	2,983	-3,706	1,961	3,593	2,843	2,954	4,646	5,980	7,634
Tax (Incl Deferred)	329	475	1,110	1,066	615	150	462	957	1,374
Minority Interest	2	-128	-158	-98	16	-25	-116	-49	-49
Share of profits in associate	-88	-138	-114	-17	1	-1	0	0	0
EO (Loss) / Profit (Net Of Tax)	0	-6,641	327	72	535	-272	174	0	0
RPAT	2,567	-4,447	579	2,413	2,245	2,778	4,068	4,974	6,210
APAT	2,567	2,194	252	2,340	1,710	3,050	3,894	4,974	6,210
<i>APAT Growth (%)</i>	-17.4	-14.6	-88.5	829.2	-26.9	78.4	27.7	27.7	24.9
Adjusted EPS (Rs)	17.6	14.9	1.7	15.8	11.6	20.5	26.2	33.5	41.8
<i>EPS Growth (%)</i>	-17.4	-15.4	-88.5	826.4	-26.9	77.4	27.7	27.7	24.9

Source: Company, HSIE Research

Consolidated Balance Sheet

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS									
Share Capital - Equity	1,461	1,475	1,477	1,480	1,482	1,485	1,485	1,485	1,485
Reserves	25,795	21,284	21,954	22,898	24,205	26,505	29,148	32,340	36,561
Total Shareholders Funds	27,256	22,759	23,431	24,378	25,688	27,990	30,633	33,825	38,046
Minority Interest	31	769	939	1,310	1,621	1,656	1,772	1,821	1,871
Lease liabilities	2,090	3,344	2,752	3,269	4,468	4,682	4,682	4,682	4,682
Long Term Debt	0	-	543	237	95	18	18	18	18
Short Term Debt	5,411	9,876	4,614	5,641	5,551	3,682	3,052	2,421	1,791
Total Debt	5,411	9,876	5,157	5,877	5,646	3,699	3,069	2,439	1,809
Net Deferred Taxes	-1,926	(1,832)	(1,290)	(916)	(1,064)	(1,504)	(1,504)	(1,504)	(1,504)
Long Term Provisions & Others	3,213	3,469	4,079	2,414	2,743	3,362	3,675	4,168	4,716
TOTAL SOURCES OF FUNDS	36,075	38,385	35,068	36,332	39,101	39,885	42,327	45,431	49,619
APPLICATION OF FUNDS									
Net Block	4,795	6,512	5,158	6,473	7,530	6,914	5,471	4,333	3,557
CWIP	147	46	309	153	181	326	326	326	326
Goodwill	11,769	8,358	9,890	10,096	10,427	10,039	10,039	10,039	10,039
Investments	1,285	1,059	538	1,021	495	929	929	929	929
LT Loans & Advances	6,445	6,727	4,535	4,680	6,166	7,392	7,368	7,337	7,303
Total Non-current Assets	24,440	22,701	20,430	22,424	24,800	25,600	24,133	22,964	22,154
Inventories	221	284	290	275	282	71	281	319	361
Debtors	16,164	18,795	17,995	23,323	26,886	27,721	30,909	35,058	39,666
Other Current Assets	1,425	1,915	1,463	1,567	1,802	1,916	2,234	2,534	2,868
Cash & Equivalents	5,855	7,587	5,646	5,119	5,661	5,453	7,571	10,426	13,848
Total Current Assets	23,665	28,580	25,394	30,284	34,630	35,161	40,995	48,336	56,742
Creditors	1,729	1,633	1,212	1,154	1,249	1,176	1,263	1,433	1,621
Other Current Liabilities & Provns	10,301	11,264	9,543	15,223	19,080	19,755	21,592	24,490	27,709
Total Current Liabilities	12,030	12,897	10,756	16,377	20,330	20,931	22,855	25,923	29,331
Net Current Assets	11,635	15,683	14,639	13,908	14,301	14,231	18,140	22,414	27,412
Asset/Liabilities held for sale net	0	-	-	-	-	54	54	54	54
TOTAL APPLICATION OF FUNDS	36,075	38,385	35,068	36,332	39,101	39,885	42,327	45,431	49,619

Source: Company, HSIE Research

Consolidated Cash Flow

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	2,983	(3,706)	1,961	3,576	2,844	2,952	4,646	5,980	7,634
Non-operating & EO Items	-1,144	(511)	611	230	232	1,225	(430)	(254)	(254)
Interest Expenses	1,144	1,668	1,113	792	1,066	1,173	1,008	926	844
Depreciation	1,232	2,486	2,285	2,120	2,746	2,832	2,804	2,707	2,599
Working Capital Change	-2,029	(3,194)	(464)	(312)	(231)	(1,449)	(1,453)	(895)	(994)
Tax Paid	-329	(475)	1,648	(868)	(1,994)	(1,441)	(462)	(957)	(1,374)
OPERATING CASH FLOW (a)	1,856	(3,731)	7,154	5,538	4,663	5,293	6,113	7,508	8,455
Capex	-669	(4,203)	(650)	(847)	(1,040)	(1,033)	(1,361)	(1,569)	(1,823)
Free Cash Flow (FCF)	1,187	(7,934)	6,503	4,692	3,622	4,260	4,751	5,939	6,632
Investments	0	-	(1,144)	(1,968)	365	278	-	-	-
Non-operating Income	712	511	43	71	66	1,250	430	254	254
INVESTING CASH FLOW (b)	43	(3,692)	(1,750)	(2,744)	(608)	495	(931)	(1,315)	(1,570)
Debt Issuance/(Repaid)	-1,565	4,464	(7,554)	(546)	(2,289)	(3,431)	(630)	(630)	(630)
Interest Expenses	-1,144	(1,668)	(737)	(553)	(640)	(621)	(1,008)	(926)	(844)
FCFE	-1,522	(5,138)	(1,788)	3,592	693	207	3,113	4,383	5,158
NCI acquisition	0	-	(46)	(1,452)	350	(77)	-	-	-
Share Capital Issuance	0	-	2	3	2	3	-	-	-
Dividend	0	-	-	(1,864)	(1,855)	(714)	(1,425)	(1,782)	(1,990)
Others (other financing exp)	0	(0)	0	-	-	(125)	-	-	-
FINANCING CASH FLOW (c)	-2,709	2,796	(8,336)	(4,413)	(4,432)	(4,965)	(3,063)	(3,338)	(3,464)
NET CASH FLOW (a+b+c)	-810	(4,627)	(2,932)	(1,618)	(378)	823	2,118	2,855	3,422
EO Items, Others	-1,701	6,360	991	1,092	920	(1,031)	-	-	-
Closing Cash & Equivalents	5,855	7,587	5,646	5,119	5,661	5,453	7,571	10,426	13,848

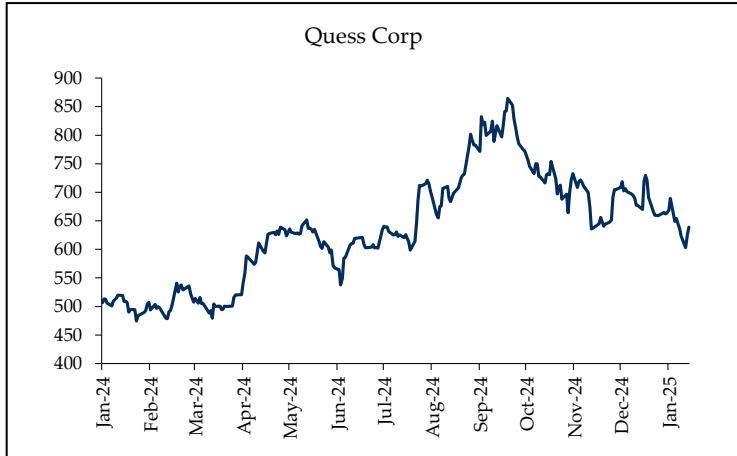
Source: Company, HSIE Research

Key Ratios

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY (%)									
GPM	21.3	17.5	14.2	14.6	14.6	13.3	11.2	10.7	11.2
EBITDA Margin	5.4	6.0	4.2	4.6	3.4	3.6	3.8	3.9	4.0
APAT Margin	3.0	2.0	0.2	1.7	1.0	1.6	1.9	2.1	2.3
RoE	9.9	8.8	1.1	9.8	6.8	11.4	13.3	15.4	17.3
RoIC (or Core RoCE)	10.6	15.1	3.3	9.5	7.5	11.5	13.6	16.0	19.1
RoCE	10.0	10.9	2.0	8.1	6.7	10.5	11.7	13.1	14.5
EFFICIENCY									
Tax Rate (%)	11.0	-12.8	56.6	29.7	21.6	5.1	10.0	16.0	18.0
Fixed Asset Turnover (x)									
Inventory (days)	0.9	0.9	1.0	0.7	0.6	0.1	0.5	0.5	0.5
Debtors (days)	69.2	62.4	60.6	62.2	57.2	53.0	53.8	53.8	53.8
Other Current Assets (days)	6.1	6.4	4.9	4.2	3.8	3.7	3.9	3.9	3.9
Payables (days)	7.4	5.4	4.1	3.1	2.7	2.2	2.2	2.2	2.2
Other Current Liab & Provsns (days)	44.1	37.4	32.1	40.6	40.6	37.8	37.6	37.6	37.6
Cash Conversion Cycle (days)	24.7	26.9	30.3	23.4	18.4	16.8	18.4	18.4	18.4
Debt/EBITDA (x)	1.2	1.5	1.1	0.9	1.0	0.5	0.4	0.3	0.2
Net D/E (x)	0.0	0.1	0.0	0.0	0.0	-0.1	-0.1	-0.2	-0.3
Interest Coverage (x)	3.0	2.5	2.1	5.2	2.9	3.5	5.2	7.2	9.7
PER SHARE DATA (Rs)									
EPS	17.6	14.9	1.7	15.8	11.6	20.5	26.2	33.5	41.8
CEPS	26.1	31.9	17.2	30.2	30.2	39.6	45.1	51.7	59.3
Dividend	0.0	0.0	0.0	12.6	12.6	4.8	9.6	12.0	13.4
Book Value	187.3	155.0	159.1	165.1	173.9	188.5	206.3	227.8	256.2
VALUATION									
P/E (x)	36.2	42.8	373.4	40.3	55.2	31.1	24.4	19.1	15.3
P/BV (x)	3.4	4.1	4.0	3.9	3.7	3.4	3.1	2.8	2.5
EV/EBITDA (x)	19.9	14.6	20.4	15.3	16.1	13.4	11.3	9.3	7.7
EV/Revenues (x)	1.1	0.9	0.9	0.7	0.5	0.5	0.4	0.4	0.3
OCF/EV (%)	2.0	-3.9	7.6	5.8	4.9	5.7	6.8	8.6	10.2
FCF/EV (%)	1.3	-8.3	7.0	4.9	3.8	4.6	5.3	6.8	8.0
FCFE/Mkt Cap (%)	-1.6	-5.5	-1.9	3.8	0.7	0.2	3.3	4.6	5.4
Dividend Yield (%)	0.0	0.0	0.0	2.0	2.0	0.8	1.5	1.9	2.1

Source: Company, HSIE Research

Price movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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