

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	QUESS IN
Equity Shares (m)	149
M.Cap.(INRb)/(USDb)	87.1 / 1
52-Week Range (INR)	875 / 460
1, 6, 12 Rel. Per (%)	-10/-12/11
12M Avg Val (INR M)	382

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	210.3	236.6	266.8
EBITDA Margin (%)	3.7	4.0	4.1
Adj. PAT	3.9	4.9	5.8
Adj. EPS (INR)	26.2	32.7	38.8
EPS Gr. (%)	28.1	25.1	18.4
BV/Sh. (INR)	259.8	281.3	312.5

Ratios

RoE (%)	13.6	16.0	17.2
RoCE (%)	15.2	17.5	18.9
Payout (%)	61.8	48.9	41.3
Dividend Yield (%)	2.7	2.7	2.7

Valuations

P/E (x)	22.4	17.9	15.1
P/BV (x)	2.3	2.1	1.9
EV/EBITDA (x)	11.4	9.2	7.7
EV/Sales (x)	0.4	0.4	0.3

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	56.6	56.6	56.7
DII	10.5	11.0	10.7
FII	15.2	15.8	16.3
Others	17.7	16.6	16.4

FII includes depository receipts

CMP: INR586 **TP: INR670 (+14%)** **Neutral**

Navigating through headwinds

BFSI expected to remain soft in the near term

- Quess Corp (QUESS) delivered 7% QoQ/14% YoY growth in revenue in 3QFY25, in line with our estimate. The headcount addition was muted at ~7.5k net. EBITDA margin stood at 3.6% (down 20bp QoQ) vs our estimate of 3.8%. Adj. PAT increased 22% YoY to INR1,026m, in-line with our estimate of INR1,026m. For 9MFY25, revenue/EBITDA/PAT grew 10.6%/15.5%/50.7% YoY. We expect revenue/EBITDA/PAT to grow by 8.5%/3.4%/10.5% YoY in 4QFY25. **We reiterate our Neutral rating** with a TP of INR670, implying 18x Dec'26E P/E.

Our view: GCC pie doing well

- 3QFY25 saw steady growth, led by general staffing, while Manufacturing and Retail continued to experience healthy demand with 14,000 open mandates. Despite furloughs and delayed onboarding, IT staffing remained stable, with GCCs accounting for an increasing share of IT staffing revenue. We think that the ongoing shift toward GCCs and niche, high-margin roles has helped cushion the impact of a softer IT/ITeS market, and we expect IT hiring to show signs of recovery in 4QFY25, supported by a healthy pipeline of 1,600 open mandates.
- On the international business front, challenges persisted, particularly in Singapore, where macroeconomic uncertainty, wage inflation, and regulatory constraints affected hiring. Additionally, visa-related issues in the region further intensified the pressure, creating hurdles for near-term growth. However, demand in the Middle East remained strong, providing some relief to the overall international business, in our opinion.
- Margins were impacted by seasonal factors, investments in sales and leadership, and festive payouts, resulting in an EBITDA margin of 3.6%. While IT hiring remains sluggish, the company's strategic push toward high-margin GCCs and specialized roles is expected to drive gradual margin expansion, with EBITDA likely to rebound to 2.4%-2.5% in the coming quarters for the Workforce Management (WFM) business. The company continues to invest in its GTS platform, leadership, and digital capabilities, ensuring sustainable long-term growth post-demergers.
- We believe that near-term pressures in Singapore and softness in BFSI may weigh on margins, but ongoing efficiency improvements and a strong domestic pipeline should support steady margin recovery into 4QFY25 and FY26.

Valuation and change in estimates

- We have kept our estimates largely unchanged. We expect EBITDA margin to gradually improve to 3.7%/4.0%/4.1% for FY25/FY26/FY27. Accordingly, we expect a PAT CAGR of 28% over FY24-27E.
- Though QUESS should benefit from medium-term tailwinds of formalization and labor reforms, the growth has already been factored into the valuations. **We reiterate our Neutral rating** with a TP of INR670, implying 18x Dec'26E P/E.

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Beat on revenues and in-line margins; 87 new contracts secured in GS

- Revenue was up 7% QoQ/14% YoY in 3QFY25, above our expectation of flat QoQ/7.0% YoY.
- WFM grew 18% YoY; Operating Asset Management (OAM) grew 15% YoY; Global Technology Solutions (GTS) grew 10% YoY; while Product-led business (excluding Qdigi) dipped 29% YoY.
- EBITDA margin was stable at 3.6% vs est 3.8%. For WFM/OAM/GTS, EBITDA margin was stable at 2.3%/4.7%/17.1% in 3Q.
- Adj. PAT was up 22% YoY to INR1,026m, in-line with our estimate of INR1,026m. QUESS added a total of ~7.5k employees in 3Q (up ~1% QoQ) and 4.5k employees in WFM.
- Moreover, 124 new contracts were added in WFM, with an ACV of INR1.5b (87 contracts added in GS).

Key highlights from the management commentary

- The company's growth was driven by Telecom and Retail, while Logistics, E-commerce, and Manufacturing & Infrastructure (M&I) remained subdued.
- Strong GCC contribution was observed in IT staffing. A focus on niche skills and higher realization roles has improved margins in domestic IT.
- IT staffing remains stable, despite furloughs and delayed onboarding, with a shift towards high-margin roles.
- GS headcount addition was 5,000 during the quarter, with YTD net HC addition at 46,000.
- GS headcount growth in BFSI remains flat due to softness in unsecured lending; a near-term slowdown is expected in BFSI.
- IT staffing benefited from GCC contributions, though overall IT hiring was modest; margins improved due to better mandate quality.
- Significant investments were made in sales, leadership, and product development within the GTS platform to drive post-demerger growth.
- EBITDA margin stood at 3.6%, impacted by investments in sales and leadership, festive payouts to associates, and one-time demerger-related costs.

Valuation and view

- Though QUESS should benefit from the medium-term tailwinds of formalization and labor reforms, the growth has already been factored into the valuations.
- We expect a gradual recovery in margins over FY25-27, which should support earnings. **We reiterate our Neutral** with a TP of INR670 implies 18x Dec'26E P/E.

Consolidated - Quarterly

(INR m)

Y/E March	FY24				FY25E				FY24	FY25E	Est. 3QFY25	Var. (% / bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	46,002	47,483	48,418	49,098	50,031	51,794	55,191	53,279	1,91,001	2,10,295	51,802	6.5
YoY Change (%)	15.6	11.1	8.4	10.6	8.8	9.1	14.0	8.5	11.3	10.1	7.0	700
Total Expenditure	44,463	45,800	46,608	47,146	48,147	49,838	53,218	51,261	1,84,017	2,02,464	49,818	6.8
EBITDA	1,539	1,683	1,810	1,952	1,884	1,956	1,973	2,018	6,984	7,830	1,983	-0.5
Margins (%)	3.3	3.5	3.7	4.0	3.8	3.8	3.6	3.8	3.7	3.7	3.8	-25.4
Depreciation	686	697	718	731	690	697	689	868	2,832	2,944	762	-9.7
EBIT	853	987	1,092	1,220	1,194	1,259	1,284	1,149	4,152	4,886	1,221	5.2
Margins (%)	1.9	2.1	2.3	2.5	2.4	2.4	2.3	2.2	2.2	2.3	2.4	-3
Interest	272	330	354	266	282	284	266	178	1,222	1,009	216	23.0
Other Income	41	151	52	50	102	44	89	186	295	421	135	
PBT before EO expense	621	809	790	1,005	1,014	1,018	1,107	1,158	3,225	4,297	1,140	-2.9
Recurring Tax	140	83	-45	-30	69	85	34	116	148	304	114	-69.8
Rate (%)	22.6	10.3	-5.7	-3.0	6.8	8.4	3.1	10.0	4.6	7.1	10.0	
MI & P/L of Asso. Cos.	3.1	-9.8	-2	35	78.7	12.4	47	0	25.5	137.5	0	
Adjusted PAT	478	735	838	1,000	867	921	1,026	1,042	3,052	3,856	1,026	0.0
Extraordinary items	0	16	199	57	-171	-3	221	0	272	47	0	
Reported PAT	478	719	639	943	1,038	924	805	1,042	2,780	3,809	1,026	-21.5
YoY Change (%)	-22.0	71.0	-27.4	184.8	117.1	28.5	25.9	10.5	23.8	37.0	60.5	-3,459
Margins (%)	1.0	1.5	1.3	1.9	2.1	1.8	1.5	2.0	1.5	1.8	2.0	-52

Key Performance Indicators

Y/E March	FY24				FY25			FY24
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Headcount (k)	525	547	557	567	597	609	617	567
Segment Revenue (INR m)								
Workforce Management	32,206	33,153	34,302	34,760	36,219	37,473	40,467	1,34,420
Operating Asset Management	6,899	7,055	6,950	7,100	7,325	7,680	8,003	28,004
Global Technology Solutions	5,633	5,843	5,880	6,040	6,101	6,247	6,463	23,395
Product Led Business	1,264	1,433	1,287	1,190	386	393	257	5,174
EBITDA Margin (%)								
Workforce Management	2.6	2.6	2.6	2.6	2.4	2.4	2.3	2.6
Operating Asset Management	4.5	5.0	5.2	5.4	4.8	4.8	4.7	5.0
Global Technology Solutions	17.8	17.8	18.3	18.8	17.5	17.5	17.1	18.2
Product Led Business	(20.3)	(14.1)	(7.8)	(5.9)	(21.8)	(19.2)	(33.6)	(12.1)



Key highlights from the management commentary

3QFY25 performance

- In WFM, the company secured 124 new contracts with an ACV of INR1500m, including 87 new contracts in GS with an ACV of INR1360m.
- The company's growth was driven by Telecom and Retail, while Logistics, E-commerce, and Manufacturing & Infrastructure (M&I) remained subdued.
- Strong GCC contribution was observed in IT staffing. A focus on niche skills and higher realization roles has improved margins in domestic IT. IT staffing remains stable, despite furloughs and delayed onboarding, with a shift towards high-margin roles.
- The Middle Eastern (ME) region sees strong topline growth due to demand tailwinds. GS headcount addition was 5,000 during the quarter, with YTD net HC addition at 46,000.
- EBITDA declined due to weakness in Singapore and festive payouts. GS headcount growth in BFSI remained flat due to softness in unsecured lending; a near-term slowdown is expected in BFSI.
- There are 14,000 open mandates across Manufacturing and Retail. IT staffing benefited from GCC contributions, though overall IT hiring was modest; margins improved due to better mandate quality.
- GCC traction is expected to increase, with IT hiring set to recover in 4Q. Currently, there are 1,600 open IT mandates. The IT segment saw a steady 9%

QoQ growth. Additionally, there was INR1600m in pass-through costs with no revenue recognition.

- EBITDA margins are expected to bounce back to 2.4%-2.5% moving forward. IT hiring has bottomed out, and any further increase will be reflected in numbers.
- Singapore remains the only market under pressure, while GCC headcount in niche roles has grown 4x YoY to 1,000 out of a total of 6,000.
- GCC hiring in India is expected to be driven by both new setups and expansion of existing centers. GCC-as-a-service is expected to be a significant business driver in India in the coming quarters.
- **In GTS**, 61 new contracts were signed, with sales bookings up 25% sequentially (ACV ~INR1470m). The platform business grew 11% QoQ, driving growth in Tech & Digital.
- Significant investments were made in sales, leadership, and product development within the GTS platform to drive post-demerger growth. High-value, niche hiring in IT has helped offset weakness in Singapore.
- **For OAM**, 52 new contracts were signed, with an ACV of INR1700m+. Margins declined due to revenue mix changes in the food business and increased investments in sales and leadership. Product mix changes continue to put downward pressure on margins.
- **In PLB**, revenue declined 28% QoQ due to a weak hiring season and headwinds in the IT/ITeS sector. Foundit achieved an 83%+ ORR, supported by large renewal deals.
- Foundit faced a weak quarter due to sluggish IT hiring and leadership transitions. It reported an EBITDA loss of ~INR90m in this quarter.
- The company launched new Foundit features, including AI 2.0 for recruiter outreach, conversational registration flow, and direct recruiter-seeker chat to improve engagement and platform adoption.
- EBITDA margin stood at 3.6%, impacted by investments in sales and leadership, festive payouts to associates, and one-time demerger-related costs.
- 3Q is subdued due to seasonality and bonus payouts.
- Gross debt reduced to INR2240m from INR3700m as of 31st 24.
- The Board has approved an interim dividend of INR4 per share.
- Some one-off merger-related costs will be incurred in 4Q. The demerger is on track, with all three entities expected to be listed by 1QFY26.

Valuation and view

- Though QUESS should benefit from the medium-term tailwinds of formalization and labor reforms, the growth has already been factored into the valuations.
- We expect a gradual recovery in margins over FY25-27, which should support earnings. **We reiterate our Neutral rating** with a TP of INR670, implying 18x Dec'26E P/E.

Exhibit 1: Revisions to our estimates

	Revised estimates			Earlier estimates			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (m)	2,10,295	2,36,597	2,66,799	2,07,974	2,34,300	2,63,982	1.1%	1.0%	1.1%
Rev. growth (%)	10.1	12.5	12.8	8.9	12.7	12.7	122bp	-15bp	10bp
EBITDA (m)	7,830	9,529	11,054	7,942	9,553	11,100	-1.4%	-0.2%	-0.4%
EBITDA Margin (%)	3.7	4.0	4.1	3.8	4.1	4.2	-10bp	-5bp	-6bp
EBIT Margin (%)	2.3	2.6	2.7	2.4	2.7	2.8	-10bp	-5bp	-6bp
EPS (INR)	26.2	32.7	38.8	26.7	33.1	39.4	-1.9%	-1.1%	-1.4%

Source: Company, MOFSL

Financials and valuation

Consolidated Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	1,09,896	1,08,370	1,36,918	1,71,584	1,91,001	2,10,295	2,36,597	2,66,799
Change (%)	28.9	-1.4	26.3	25.3	11.3	10.1	12.5	12.8
Cost of services	2,671	2,007	2,787	4,794	4,772	5,254	5,911	6,666
Employees Cost	90,632	92,968	1,16,870	1,46,595	1,65,374	1,82,079	2,04,853	2,31,002
Other Expenses	10,027	7,617	10,743	14,336	13,726	15,131	16,304	18,077
Total Expenditure	1,03,329	1,02,593	1,30,400	1,65,726	1,83,872	2,02,464	2,27,068	2,55,745
% of Sales	94.0	94.7	95.2	96.6	96.3	96.3	96.0	95.9
EBITDA	6,567	5,777	6,518	5,858	7,129	7,830	9,529	11,054
Margin (%)	6.0	5.3	4.8	3.4	3.7	3.7	4.0	4.1
Depreciation	2,486	2,285	2,120	2,746	2,832	2,944	3,312	3,735
EBIT	4,081	3,491	4,397	3,112	4,297	4,886	6,217	7,319
Int. and Finance Charges	1,668	1,113	792	1,066	1,367	1,009	1,254	1,414
Other Income	511	451	198	263	295	421	473	534
PBT bef. EO Exp.	2,924	2,829	3,803	2,309	3,226	4,297	5,436	6,438
EO Items	6,641	1,388	0	-535	272	47	0	0
PBT after EO Exp.	-3,717	1,442	3,803	2,844	2,954	4,251	5,436	6,438
Total Tax	483	590	1,066	615	148	304	544	644
Tax Rate (%)	-13.0	40.9	28.0	21.6	5.0	7.2	10.0	10.0
Minority Interest	138	114	98	-16	25	79	0	0
Reported PAT	-4,338	738	2,640	2,245	2,780	3,868	4,893	5,795
Adjusted PAT	2,609	2,125	2,640	1,710	3,052	3,911	4,893	5,795
Change (%)	1.7	-18.5	24.2	-35.2	78.5	28.1	25.1	18.4
Margin (%)	2.4	2.0	1.9	1.0	1.6	1.9	2.1	2.2

Consolidated- Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	1,475	1,477	1,480	1,482	1,485	1,485	1,485	1,485
Total Reserves	21,284	21,954	22,898	24,205	26,505	27,960	30,396	33,936
Net Worth	22,759	23,431	24,378	25,688	27,990	29,445	31,881	35,421
Minority Interest	769	939	1,310	1,621	1,656	1,735	1,735	1,735
Total Loans	9,976	4,514	5,877	5,311	3,695	3,694	3,692	3,691
Deferred Tax Liabilities	-6,166	-4,061	-3,983	-5,275	-6,426	-6,426	-6,426	-6,426
Capital Employed	27,339	24,823	27,582	27,343	26,915	28,447	30,881	34,420
Gross Block	9,295	10,857	13,806	16,160	18,521	21,721	24,921	28,121
Less: Accum. Deprn.	5,843	8,129	10,249	12,995	15,827	18,561	21,637	25,105
Net Fixed Assets	3,451	2,728	3,557	3,165	2,693	3,159	3,284	3,015
Goodwill on Consolidation	8,358	9,890	10,096	10,427	10,039	10,039	10,039	10,039
Capital WIP	46	309	153	181	326	320	340	360
Total Investments	725	41	17	17	367	367	367	367
Curr. Assets, Loans&Adv.	34,439	30,173	35,904	41,429	42,495	49,982	56,194	64,544
Inventory	284	290	275	282	71	71	71	71
Account Receivables	9,982	8,945	23,323	26,886	27,721	37,476	42,160	47,538
Cash and Bank Balance	7,587	5,646	4,105	4,376	5,201	2,317	3,283	5,610
Loans and Advances	16,586	15,292	8,201	9,886	9,501	10,117	10,679	11,325
Curr. Liability & Prov.	19,681	18,317	22,145	27,876	29,004	35,419	39,341	43,903
Account Payables	1,633	1,212	1,154	1,249	1,176	4,992	5,599	6,306
Other Current Liabilities	16,494	14,983	18,258	23,546	24,133	26,219	29,010	32,262
Provisions	1,554	2,122	2,733	3,080	3,696	4,207	4,732	5,336
Net Current Assets	14,759	11,856	13,759	13,554	13,491	14,563	16,853	20,640
Appl. of Funds	27,339	24,823	27,582	27,343	26,915	28,447	30,881	34,420

Financials and valuation

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	18.3	14.9	17.7	11.5	20.4	26.2	32.7	38.8
Cash EPS	35.7	30.8	31.9	29.9	39.4	45.9	54.9	63.8
BV/Share	200.8	206.7	215.1	226.7	247.0	259.8	281.3	312.5
DPS	0.0	7.0	8.0	8.0	8.0	16.0	16.0	16.0
Payout (%)	0.0	135.7	45.2	53.2	43.0	61.8	48.9	41.3
Valuation (x)								
P/E	32.1	39.4	33.1	51.1	28.7	22.4	17.9	15.1
Cash P/E	16.4	19.0	18.3	19.6	14.9	12.8	10.7	9.2
P/BV	2.9	2.8	2.7	2.6	2.4	2.3	2.1	1.9
EV/Sales	0.8	0.8	0.7	0.5	0.5	0.4	0.4	0.3
EV/EBITDA	13.1	14.3	13.7	15.1	12.1	11.4	9.2	7.7
Dividend Yield (%)	0.0	1.2	1.4	1.4	1.4	2.7	2.7	2.7
FCF per share	21.3	45.7	31.6	24.6	28.8	1.0	28.7	37.3
Return Ratios (%)								
RoE	10.4	9.2	11.0	6.8	11.4	13.6	16.0	17.2
RoCE	15.4	7.7	11.4	8.6	13.9	15.2	17.5	18.9
RoIC	22.0	10.9	15.0	10.6	18.6	19.5	21.4	24.0
Working Capital Ratios								
Asset Turnover (x)	4.0	4.4	5.0	6.3	7.1	7.4	7.7	7.8
Debtor (Days)	33	30	62	57	53	65	65	65
Creditor (Days)	5	4	3	3	2	9	9	9
Leverage Ratio (x)								
Net Debt/Equity	0.1	-0.1	0.1	0.0	-0.1	0.0	0.0	-0.1

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	-4,319	737	2,510	2,229	2,804	4,379	5,520	6,725
Depreciation	2,486	2,285	2,120	2,746	2,832	2,734	3,076	3,468
Interest & Finance Charges	1,668	1,113	550	1,066	1,173	1,108	1,108	1,107
Direct Taxes Paid	-1,449	1,648	-869	-1,994	-1,441	-304	-544	-644
(Inc)/Dec in WC	-1,933	-464	-307	-231	-1,449	-3,929	-1,324	-1,461
CF from Operations	-3,547	5,319	4,004	3,816	3,920	3,988	7,835	9,196
Others	7,157	1,835	1,538	846	1,373	-620	-324	-396
CF from Operating incl EO	3,611	7,154	5,542	4,663	5,293	3,367	7,512	8,799
(Inc)/Dec in FA	-570	-613	-833	-987	-987	-3,220	-3,220	-3,220
Free Cash Flow	3,041	6,540	4,709	3,676	4,305	147	4,292	5,579
(Pur)/Sale of Investments	732	-144	-390	485	280	0	0	0
Others	-1,865	-295	-653	543	1,202	0	0	0
CF from Investments	-1,703	-1,052	-1,876	41	495	-3,220	-3,220	-3,220
Issue of Shares	478	2	628	352	3	79	0	0
Inc/(Dec) in Debt	2,197	-6,312	720	-567	-1,519	-2	-2	-1
Interest Paid	-1,158	-737	-553	-640	-621	-1,108	-1,108	-1,107
Dividend Paid	-144	0	-1,868	-1,855	-714	-2,390	-2,390	-2,390
Others	-1,244	-997	-3,842	-2,530	-2,919	-417	-633	-561
CF from Fin. Activity	129	-8,045	-4,916	-5,239	-5,770	-3,838	-4,133	-4,060
Inc/Dec of Cash	2,037	-1,943	-1,250	-536	18	-3,691	159	1,520
Closing Balance	7,589	5,646	4,105	4,376	5,201	2,317	3,283	5,610

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BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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