20 May 2025

4QFY25 Results Update | Sector: Staffing

Quess Corp

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	QUESS IN
Equity Shares (m)	149
M.Cap.(INRb)/(USDb)	50.4 / 0.6
52-Week Range (INR)	428 / 255
1, 6, 12 Rel. Per (%)	0/1/-1
12M Avg Val (INR M)	354

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	149.7	166.2	190.0
EBITDA Margin (%)	1.8	2.0	2.1
Adj. PAT	2.3	2.3	2.7
Adj. EPS (INR)	15.2	15.7	18.4
EPS Gr. (%)	63.3	3.5	17.3
BV/Sh. (INR)	95.7	82.9	70.9
Ratios			
RoE (%)	11.6	23.1	31.5
RoCE (%)	12.6	27.3	36.9
Payout (%)	260.6	101.9	86.9
Dividend Yield (%)	2.4	4.7	4.7
Valuations			
P/E (x)	22.3	21.6	18.4
P/BV (x)	3.5	4.1	4.8
EV/EBITDA (x)	18.4	15.0	12.8
EV/Sales (x)	0.3	0.3	0.3

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	57.0	56.6	56.6
DII	9.8	10.5	10.8
FII	14.8	15.2	15.3
Others	18.4	17.7	17.3

FII includes depository receipts

CMP: INR339 TP: INR360 (+6%) Neutral

Navigating through near-term headwinds

IT hiring and overseas business likely to remain soft in the near term

- Quess Corp's revenue was down 9% QoQ/up 2.8% YoY in 4QFY25, below our expectation of -3.4% QoQ/+12.5% YoY (WFM segment estimates, on a like-to-like basis). EBITDA margin stood at 1.8% (up 29bp QoQ) vs. our estimate of 2.4% (in WFM). Adj PAT rose 31% QoQ to INR630m, excluding a one-time exceptional item attributable to goodwill impairment, ECL, and demerger expenses (a full-year impact of ~INR1,640m). For FY25, Quess' revenue/EBITDA/adj. PAT grew 9.3%/12.0%/ 54.0% YoY. We expect its revenue/EBITDA to grow 5.3%/11.1% QoQ in 1QFY26. **We reiterate our Neutral rating** with a TP of INR360, implying 19x FY27E P/E.

Our view: GCC pie doing well

- **4QFY25 was a mixed bag for Quess, marked by NBFC-led headwinds in General Staffing (GS),** even as demand from manufacturing, retail, and logistics offered some cushion**.** The sharp ramp-down in a large NBFC client (~38K associates) weighed on volumes and margins, causing a temporary dip. That said, strong gross additions (~89K) and 80 new contract wins highlight good execution, and the company remains confident of regaining lost momentum in the upcoming quarters.
- **In Professional Staffing,** the pivot toward high-margin GCC-led business continues to yield results, with the segment now contributing 6% of total revenue and margins sustainably crossing 9%. The strategic reshaping of the portfolio – low-margin revenue now at 24% vs. 51% a year ago – should support margin in this segment.
- In our view, the early focus on GCCs and niche roles has helped insulate this segment from broader softness in IT hiring. **While the overall IT staffing environment remains muted,** we believe the company's positioning in high-value, specialized mandates and continued traction in GCCs (now 70% of segment revenue) should support steady growth and margin resilience in this vertical.
- **Overseas markets remain a mixed bag**, with persistent visa challenges in Singapore offset by a turnaround in Malaysia and early traction in the Philippines. Overall margin performance was soft at 1.8%, impacted by corporate costs post-demerger, higher provisioning (ECL of INR 1.2b), and goodwill impairment.
- **The company reiterated its aim to exit FY26 with a 2% margin**, which is in line with what we have built into our numbers. We believe the completion of the three-way demerger and continued focus on high-margin segments position Quess for gradual recovery, even as near-term pressures from IT hiring, BFSI, and international staffing may linger.

Valuation and change in estimates

- We expect the EBITDA margin to gradually improve to 2.0%/2.1% for FY26/ FY27. Accordingly, we expect an adj. PAT CAGR of 14% over FY25-27.

Abhishek Pathak - Research analyst (Abhishek.Pathak@MotilalOswal.com)

Keval Bhagat - Research analyst (Keval.Bhagat@MotilalOswal.com) | **Tushar Dhonde** (Tushar.Dhonde@MotilalOswal.com)

- While Quess stands to benefit from medium-term tailwinds such as labor formalization and ongoing reforms, near-term pressures across IT hiring, BFSI, and international staffing could weigh on growth and margin recovery.
- Additionally, the qualified opinion from the auditor on certain tax matters adds an element of uncertainty. **We reiterate our Neutral rating** with a TP of INR360, valuing the stock at 19x FY27E P/E, as we believe the current valuations broadly reflect the medium-term upside.

Miss on revenues and margins; three-way demerger completed ahead of schedule

- Quess Corp's revenue was down 9% QoQ/up 2.8% YoY in 4QFY25, below our expectation of -3.4% QoQ/+12.5% YoY (WFM segment estimates, on a like-to-like basis). For FY25, revenue stood at INR150b, up 9% YoY.
- Quess completed its three-way demerger ahead of schedule and retained Workforce Management, while carving out Digitide (Global Technology Solutions) and Bluspring (Operating Assets Management) to exit non-core segments aligned with its capital allocation priorities.
- GS grew 3% YoY, Professional Staffing grew 26% YoY, while the Overseas business was down 5% YoY.
- EBITDA margin was 1.8% vs. our estimate of 2.3% (for the WFM business).
- The auditor has expressed a qualified opinion on financial statements on account of certain tax deductions claimed by the company, which are disallowed by the authority. The auditor has been unable to comment on whether any adjustments are necessary. The company has assessed a contingent liability of ~INR2,960m towards these demands.
- Adj PAT rose 31% QoQ to INR630m, excluding a one-time exceptional item attributable to goodwill impairment, ECL, and demerger expenses (a full-year impact of ~INR1,640m).
- Gross addition in GS was ~89k employees in 4Q. Industrials, BFSI, and Retail were among the top recruiting sectors.
- In GS, 80 new contracts were added, while 45 new clients were onboarded in the Professional Staffing segment.

Key highlights from the management commentary

- In GS, weakness in revenue and EBITDA was led by macro headwinds and the NBFC ramp-down (reduction of ~38K count, a client-specific move and not a structural challenge). This had a 7% impact on revenue and a 4% impact on margins on the overall book. The lost growth is likely to be recouped during the year.
- 80 new contracts were added during the quarter (ACV ~INR 1,530m); 323 were added for the full year.
- The company remains fully focused on achieving double-digit (low teens) revenue growth and non-linear margin growth.
- There is a near-term headwind due to the NBFC client ramp-down.
- The company is focused on GCCs and high-margin niche businesses. The share of low-margin revenue dropped from 51% to 24%, while the high-margin segment grew from 19% to 39%. GCCs now contribute 70% of revenue, with 45 new clients onboarded in FY25.

- The company will continue to emphasize high-margin business, enabling non-linear growth in both margins and revenue.

Valuation and view

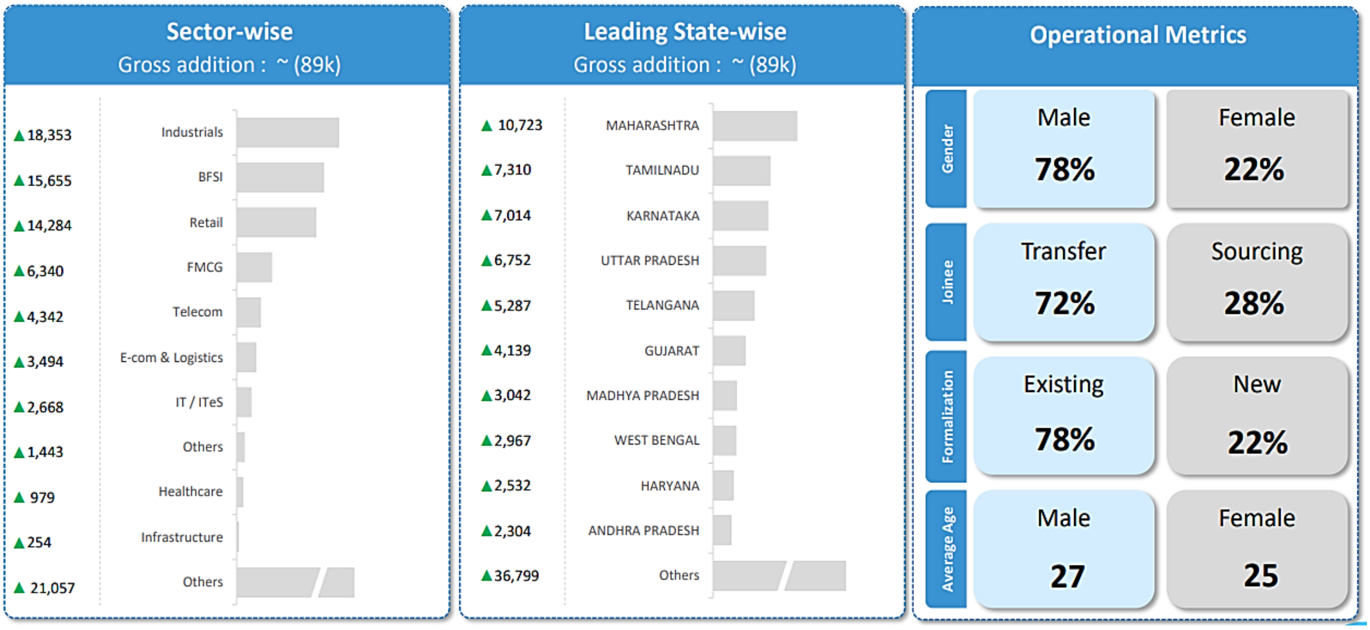
- We expect the EBITDA margin to gradually improve to 2.0%/2.1% for FY26/ FY27. Accordingly, we expect an adj. PAT CAGR of 14% over FY25-27.
- While Quess stands to benefit from medium-term tailwinds such as labor formalization and ongoing reforms, near-term pressures across IT hiring, BFSI, and international staffing could weigh on growth and margin recovery.
- Additionally, the qualified opinion from the auditor on certain tax matters adds an element of uncertainty. **We reiterate our Neutral rating** with a TP of INR360, valuing the stock at 19x FY27E P/E, as we believe the current valuations broadly reflect the medium-term upside.

Consolidated – Quarterly (INR m)

Y/E March	FY24				FY25				FY24*	FY25*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q*	4Q*		
Net Sales	**46,002**	**47,483**	**48,418**	**49,098**	**50,031**	**51,794**	**40,191**	**36,564**	**1,36,951**	**1,49,672**
YoY Change (%)	15.6	11.1	8.4	10.6	8.8	9.1	-17.0	-25.5	NA	9%
Total Expenditure	44,463	45,800	46,608	47,146	48,147	49,838	39,567	35,891	1,34,608	1,47,049
EBITDA	**1,539**	**1,683**	**1,810**	**1,952**	**1,884**	**1,956**	**625**	**674**	**2,343**	**2,623**
Margins (%)	3.3	3.5	3.7	4.0	3.8	3.8	1.6	1.8	1.7	1.8
Depreciation	686	697	718	731	690	697	99	102	581	412
EBIT	**853**	**987**	**1,092**	**1,221**	**1,194**	**1,259**	**525**	**572**	**1,763**	**2,211**
Margins (%)	1.9	2.1	2.3	2.5	2.4	2.4	1.3	1.6	1.3	1.5
Interest	272	330	354	266	282	284	92	91	572	386
Other Income	41	151	52	50	102	44	49	109	148	236
PBT before EO expense	**621**	**809**	**790**	**1,005**	**1,014**	**1,018**	**482**	**591**	**1,340**	**2,061**
Recurring Tax	140	83	-45	-31	69	85	4	-35	-25	-41
Rate (%)	22.6	10.3	-5.7	-3.1	6.8	8.4	0.8	-5.9	-1.9	-2.0
MI & P/L of Asso. Cos.	3.1	-9.8	-2	35	78.7	12.4	0	0	0	1
Adjusted PAT	**478**	**735**	**838**	**1,001**	**867**	**921**	**478**	**625**	**1,365**	**2,101**
Extraordinary items	0	16	199	57	-171	-3	61	1,580	10	1,643
Reported PAT	**478**	**719**	**639**	**944**	**1,038**	**924**	**417**	**-955**	**1,355**	**458**
YoY Change (%)	-22.0	71.0	-27.4	185.0	117.1	28.5	-34.8	-201.2	NA	-66%
Margins (%)	1.0	1.5	1.3	1.9	2.1	1.8	1.0	-2.6	1.0	0.3

*Note: 3Q/4QFY25, FY25 and FY24 figures are re-stated for Demerger.

Exhibit 1: GS – 4QFY25 hiring snapshot



Source: Company, MOFSL

Key highlights from the management commentary

4QFY25 and FY25 performance

- **In GS**, weakness in revenue and EBITDA was led by macro headwinds and the NBFC ramp-down (reduction of ~38K count, a client-specific move and not a structural challenge). This had a 7% impact on revenues and a 4% impact on margins on the overall book. The lost growth is expected to be recouped during the year. 4Q saw a transitory volume impact.
- The NBFC circular required clients to pursue insourcing. However, sectors like telecom, retail, logistics, and manufacturing are seeing demand and open mandates. The company expects to offset the impact of the ramp-down in the next couple of quarters.
- Approximately 89K new gross associates were added in 4QFY25. 80% of contracts are on a collect-and-pay basis.
- 80 new contracts were added during the quarter (ACV ~INR 1,530m); 323 were added for the full year.
- The company remains fully focused on achieving double-digit (low teens) revenue growth and non-linear margin growth.
- The government's ELI scheme (currently in draft rules) could reduce costs and lead to more hiring. While there is an initial mobilization cost with associates, the scheme is expected to help keep attrition low over time.
- The company is working on attrition control through productivity and fulfillment program.
- **Professional Staffing:** Performance was satisfactory despite modest IT hiring. The company is focused on GCCs and high-margin niche businesses. The share of low-margin revenue dropped from 51% to 24%, while the high-margin segment grew from 19% to 39%.
- The company will continue to emphasize high-margin business, enabling non-linear growth in both margins and revenue.
- Margins crossed the 9% mark on a sustainable basis. Realization per associate is 25x higher than in General Staffing.

- Early focus on GCCs helped navigate macro challenges in IT staffing. Operational efficiency remains a key focus area.
- The company is building "GCC-as-a-Service." Open mandates remain encouraging.
- **Overseas Business:** Headwinds continue in Singapore for IT staffing due to visa delays; focused investments in GS are helping offset some of the impact.
- A turnaround is visible in Malaysia's IT staffing segment, led by strong government-led demand. The company is also expanding into the Philippines for IT staffing.
- Margins remain at 6%. In recent years, visa regulations have impacted IT headcount, leading to margin compression.
- However, performance in other geographies like the Middle East and Malaysia is offsetting some of the pressure.
- There are no current plans to expand into new geographies.
- The company is investing in a digital ecosystem for blue-collar jobs. Platforms remain in the incubation phase.
- EBITDA margin stood at 1.8%. It is expected to remain in this range going forward. Corporate costs post-demerger has impacted margins. The company aims to exit FY26 with a 2% margin.
- The company accelerated ECL provisioning beyond standard floor rates for exited projects in utilities (bill distribution) and the skill development segment. These projects had long gestation periods and extended recovery cycles. The company will continue to drive collection efforts. Total ECL impact: INR 1,190m.
- The Board has declared a dividend of INR 6/share. As per the new dividend policy for the demerged company, the company expects to return up to 75% of free cash flow cumulatively over a three-year block.

Valuation and view

- We expect the EBITDA margin to gradually improve to 2.0%/2.1% for FY26/ FY27. Accordingly, we expect an adj. PAT CAGR of 14% over FY25-27.
- While Quess stands to benefit from medium-term tailwinds such as labor formalization and ongoing reforms, near-term pressures across IT hiring, BFSI, and international staffing could weigh on growth and margin recovery.
- Additionally, the qualified opinion from the auditor on certain tax matters adds an element of uncertainty. **We reiterate our Neutral rating** with a TP of INR360, valuing the stock at 19x FY27E P/E, as we believe the current valuations broadly reflect the medium-term upside.

Financials and valuation

Consolidated Income Statement							(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Total Income from Operations	**1,08,370**	**1,36,918**	**1,71,584**	**1,36,951**	**1,49,672**	**1,66,200**	**1,89,977**
Change (%)	-1.4	26.3	25.3	-20.2	9.3	11.0	14.3
Cost of services	2,007	2,787	4,794	2,864	3	3	3
Employees Cost	92,968	1,16,870	1,46,595	1,25,184	1,40,513	1,56,030	1,78,352
Other Expenses	7,617	10,743	14,336	6,560	6,533	6,859	7,723
Total Expenditure	**1,02,593**	**1,30,400**	**1,65,726**	**1,34,608**	**1,47,049**	**1,62,892**	**1,86,078**
% of Sales	94.7	95.2	96.6	98.3	98.2	98.0	97.9
EBITDA	**5,777**	**6,518**	**5,858**	**2,343**	**2,623**	**3,308**	**3,899**
Margin (%)	5.3	4.8	3.4	1.7	1.8	2.0	2.1
Depreciation	2,285	2,120	2,746	581	412	582	665
EBIT	**3,491**	**4,397**	**3,112**	**1,763**	**2,211**	**2,726**	**3,234**
Int. and Finance Charges	1,113	792	1,066	572	386	499	570
Other Income	451	198	263	148	236	332	380
PBT bef. EO Exp.	**2,829**	**3,803**	**2,309**	**1,340**	**2,061**	**2,560**	**3,044**
EO Items	1,388	0	-535	10	1,643	0	0
PBT after EO Exp.	**1,442**	**3,803**	**2,844**	**1,330**	**418**	**2,560**	**3,044**
Total Tax	590	1,066	615	-25	-41	219	297
Tax Rate (%)	40.9	28.0	21.6	-1.9	-9.8	8.5	9.8
Minority Interest	114	98	-16	0	1	0	0
Reported PAT	**738**	**2,640**	**2,245**	**1,355**	**458**	**2,342**	**2,747**
Adjusted PAT	**2,125**	**2,640**	**1,710**	**1,365**	**2,262**	**2,342**	**2,747**
Change (%)	-18.5	24.2	-35.2	-20.2	65.8	3.5	17.3
Margin (%)	2.0	1.9	1.0	1.0	1.5	1.4	1.4

Consolidated- Balance Sheet							(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Equity Share Capital	1,477	1,480	1,482	1,485	1,489	1,489	1,489
Total Reserves	21,954	22,898	24,205	26,505	9,359	7,902	6,545
Net Worth	**23,431**	**24,378**	**25,688**	**27,990**	**10,848**	**9,391**	**8,034**
Minority Interest	939	1,310	1,621	1,656	11	11	11
Total Loans	4,514	5,877	5,311	3,695	121	121	121
Deferred Tax Liabilities	-4,061	-3,983	-5,275	-6,426	-4,480	-4,480	-4,480
Capital Employed	**24,823**	**27,582**	**27,343**	**26,915**	**6,501**	**5,043**	**3,686**
Gross Block	10,857	13,806	16,160	18,521	16,378	19,578	22,778
Less: Accum. Deprn.	8,129	10,249	12,995	15,827	16,239	18,400	20,870
Net Fixed Assets	**2,728**	**3,557**	**3,165**	**2,693**	**139**	**1,178**	**1,908**
Goodwill on Consolidation	9,890	10,096	10,427	10,039	2,362	2,362	2,362
Capital WIP	309	153	181	326	0	20	40
Total Investments	**41**	**17**	**17**	**367**	**0**	**0**	**0**
Curr. Assets, Loans&Adv.	**30,173**	**35,904**	**41,429**	**42,495**	**20,980**	**22,861**	**25,212**
Inventory	290	275	282	71	0	0	0
Account Receivables	8,945	23,323	26,886	27,721	15,295	17,303	19,778
Cash and Bank Balance	5,646	4,105	4,376	5,201	2,491	1,119	577
Loans and Advances	15,292	8,201	9,886	9,501	3,194	4,439	4,856
Curr. Liability & Prov.	**18,317**	**22,145**	**27,876**	**29,004**	**16,979**	**21,377**	**25,836**
Account Payables	1,212	1,154	1,249	1,176	586	2,231	2,549
Other Current Liabilities	14,983	18,258	23,546	24,133	13,990	16,431	20,184
Provisions	2,122	2,733	3,080	3,696	2,403	2,714	3,102
Net Current Assets	**11,856**	**13,759**	**13,554**	**13,491**	**4,000**	**1,484**	**-623**
Appl. of Funds	**24,823**	**27,582**	**27,343**	**26,915**	**6,501**	**5,044**	**3,687**

Note: figures for FY21 to FY23 are not adjusted for demerger

Financials and valuation

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	**14.9**	**17.7**	**11.5**	**9.3**	**15.2**	**15.7**	**18.4**
Cash EPS	30.8	31.9	29.9	13.2	17.9	19.6	22.9
BV/Share	206.7	215.1	226.7	247.0	95.7	82.9	70.9
DPS	7.0	8.0	8.0	8.0	8.0	16.0	16.0
Payout (%)	135.7	45.2	53.2	86.8	260.6	101.9	86.9
Valuation (x)							
P/E	22.8	19.1	29.6	36.5	22.3	21.6	18.4
Cash P/E	11.0	10.6	11.3	25.6	18.9	17.3	14.8
P/BV	1.6	1.6	1.5	1.4	3.5	4.1	4.8
EV/Sales	0.4	0.4	0.3	0.4	0.3	0.3	0.3
EV/EBITDA	8.2	8.0	8.8	20.6	18.4	15.0	12.8
Dividend Yield (%)	2.1	2.4	2.4	2.4	2.4	4.7	4.7
FCF per share	45.7	31.6	24.6	29.3	25.4	5.8	12.1
Return Ratios (%)							
RoE	9.2	11.0	6.8	5.1	11.6	23.1	31.5
RoCE	7.7	11.4	8.6	6.2	12.6	27.3	36.9
RoIC	10.9	15.0	10.6	8.2	19.4	63.0	83.7
Working Capital Ratios							
Asset Turnover (x)	4.4	5.0	6.3	5.1	23.0	32.9	51.5
Debtor (Days)	30	62	57	74	37	38	38
Creditor (Days)	4	3	3	3	1	5	5
Leverage Ratio (x)							
Net Debt/Equity	-0.1	0.1	0.0	-0.1	-0.2	-0.1	-0.1

Consolidated - Cash Flow Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	737	2,510	2,229	2,804	459	1,298	1,477
Depreciation	2,285	2,120	2,746	2,832	412	2,161	2,470
Interest & Finance Charges	1,113	550	1,066	1,173	386	36	36
Direct Taxes Paid	1,648	-869	-1,994	-1,441	1,292	-219	-297
(Inc)/Dec in WC	-464	-307	-231	-1,449	-728	1,144	1,566
CF from Operations	**5,319**	**4,004**	**3,816**	**3,920**	**1,821**	**4,421**	**5,252**
Others	1,835	1,538	846	1,373	1,984	-337	-234
CF from Operating incl EO	**7,154**	**5,542**	**4,663**	**5,293**	**3,805**	**4,084**	**5,018**
(Inc)/Dec in FA	-613	-833	-987	-987	-15	-3,220	-3,220
Free Cash Flow	**6,540**	**4,709**	**3,676**	**4,305**	**3,790**	**864**	**1,798**
(Pur)/Sale of Investments	-144	-390	485	280	0	0	0
Others	-295	-653	543	1,202	37	0	0
CF from Investments	**-1,052**	**-1,876**	**41**	**495**	**22**	**-3,220**	**-3,220**
Issue of Shares	2	628	352	3	4	0	0
Inc/(Dec) in Debt	-6,312	720	-567	-1,519	-1,567	0	0
Interest Paid	-737	-553	-640	-621	-134	-36	-36
Dividend Paid	0	-1,868	-1,855	-714	-1,485	-2,387	-2,387
Others	-997	-3,842	-2,530	-2,919	-807	-620	-723
CF from Fin. Activity	-8,045	-4,916	-5,239	-5,770	-3,988	-3,043	-3,146
Inc/Dec of Cash	**-1,943**	**-1,250**	**-536**	**18**	**-3,517**	**-2,179**	**-1,348**
Closing Balance	7,589	5,355	4,912	5,183	6,008	3,298	1,925

Note: figures for FY21 to FY23 are not adjusted for demerger

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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