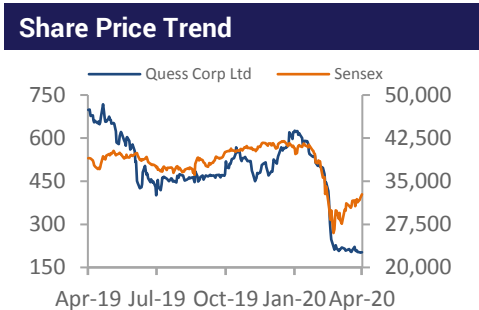


Sector	Staffing
Recommendation	BUY
Upside	58%

Stock Data	
Sensex	32,720
52 Week h/l (₹)	722/200
Market cap (₹Cr)	2,987
BSE code	539978
NSE code	QUESS
FV (₹)	10
Div. yield (%)	-

Shareholding Pattern			
	Mar-20	Dec19	Sep-19
Promoters	54.9	54.7	71.6
DII+FII	31.2	29.8	20.4
Individuals	13.9	15.5	8.0

Source: www.bseindia.com



Pics as on 29/04/2020

IIFL Research
 research@iifl.com

April 30, 2019

Quess Corp, one of India's leading integrated providers of business services, is available at steep discount (~70%) to TeamLease and SIS post the recent correction. We believe that after considering the impact of Covid-19 in current price, the market's reaction to past concerns is grossly overdone and does not factor in key elements like focus on improving ROE / OCF and multifold scalability of general staffing business. Moreover, it's strong balance sheet and backing of Fairfax provides comfort in addition to the fact that the valuation of general staffing (high ROCE business) alone can be more than current overall market cap.

Vast opportunities available across business lines

The organized flexi staffing industry benefits from increasing formalization of economy, compliance requirements and labour laws. Sans the impact of current event, markets for temporary staffing, outsourcing and facilities management in India are all projected to grow in double-digits over the medium term, driven by growing needs for flexible and efficient cost structures.

Ability to withstand near term pressures

Quess Corp is well placed to withstand near term pressure vis-à-vis small peers on account of its strong balance sheet. As at December 2020, its gross debt to Ebitda stood at 1.3x and its cash balance is sufficient to cover ~15 quarters of interest.

Outlook & Valuation

The recent correction offers an opportunity to invest in India's leading staffing company at low valuations. The stock currently trades at ~7x FY21E EV/Ebitda, which is at a significant discount to TeamLease (trading ~26x). Hence, we recommend to BUY the stock from a longer term perspective with SOTP based target of ₹319.

Financial Summary

Consolidated ₹ cr	FY18	FY19	FY20E	FY21E	FY22E
Revenue	6,167	8,527	10,892	9,493	9,476
EBITDA %	5.7	5.4	6.0	5.6	6.4
EPS growth (%)	127.5	(19.8)	(5.1)	(57.6)	81.7
P/E (x)	9.3	11.6	12.2	28.5	15.8
EV/EBITDA (x)	8.7	6.9	5.7	6.7	5.6
ROE (%)	18.9	9.9	8.9	3.7	6.4

Source: Company, IIFL Research

Recommendation Parameters for Fundamental/Technical Reports:

Buy – Absolute return of over +10%

Accumulate – Absolute return between 0% to +10%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

IIFL Group | IIFL Securities Ltd (CIN No.: L99999MH1996PLC132983) Office No 1, Gr Floor, Hubtown Solaris, NS Phadke Marg, Andheri, Vijay Nagar, Mumbai - 400069. Tel.: (91-22) 2580 6650 *Customer Service: 40071000 *Stock Broker SEBI Regn: INZ000164132 *NSE: 10975 *BSE: 0179 *MCX:55995 *NCDEX:378 *Depository: INDP185 2016 *MF Distributor ARN: 47791, *PMS SEBI Regn.: INP000002213, *Investment Adviser SEBI Regn. : INA000000623, *Research Analyst SEBI Regn:- INH000000248 | Kindly refer to www.indiainfoline.com for detailed disclaimer and risk factors.

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