

July 24, 2019

The General Manager

Department of Corporate Services,
BSE Limited,
1st Floor, New Trading Ring,
Rotunda Building, Phiroze Jeejeebhoy
Towers, Dalal Street,
Mumbai – 400 001
Security Code – 539978

The Manager

Department of Corporate Services,
**National Stock Exchange of India
Limited**
Exchange Plaza, Bandra- Kundra
Complex, Bandra (East),
Mumbai – 400 001
NSE Symbol – QUESS

Dear Sir/ Madam,

Sub: Earnings update for the quarter ended June 30, 2019

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Please find enclosed herewith a presentation on the financial performance of Quess Corp Limited during the quarter ended June 30, 2019.

Request you to please take the same on record.

Thanking you,

Yours faithfully

For Quess Corp Limited

Kundan K Lal
Company Secretary & Compliance Officer

Encl: a/a

Quess Corp Limited

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Earnings Update

Q1'FY20

24th July 2019

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1. [Q1'FY20 – Quarter Highlights](#)
2. [Key Updates](#)
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4. [Financial Updates](#)
5. [Platform Updates](#)



Strong Sales Wins

- The Company added a total of 106 clients in Q1'FY20 across Workforce Management (71), Operational Asset Management (13), Tech Services (22) aggregating to a TCV of over Rs. 2,500Cr



Steady Headcount Growth

- Headcount grew by 39,000 in Q1'FY20 from 318k to 357k driven by robust growth in the Staffing business and also due to the addition of Allsec.



Robust BPM Platform (ConneQt + Allsec)

- With the acquisition of Allsec, the combined business (Conneqt+Allsec) is now one of the largest domestic BPM platforms.
- Allsec will be a catalyst for our growth in the Human Resource Operations (HRO) and Customer Lifecycle Management (CLM) business (International).
- The combined BPM business reported revenues of Rs. 303Cr in Q1'FY20 (increased by 18% YoY) with an EBITDA of Rs. 48Cr (increased by 80% YoY). EBITDA margins stood at 16% during the quarter (increased by 6% YoY).



Amazon funding for DigiCare

- Investment of Rs. 51Cr from Amazon to be utilized for scaling DigiCare's business, upgrading the tech platform and training
- Vision to build DigiCare into one of the largest Brand agnostic after sales service players with a pan India presence
- DigiCare to expand from 250+ service centres in 150 towns to 450+ centres in 300 towns in the short term



Excelus Skilling Business

- Excelus received contracts worth Rs. 31Cr to train 31,000 students under PMKVY
- Excelus was also successful in diversifying its revenue lines to non-government contracts, which included projects from the retail and manufacturing sector



Corporate Restructuring

- The merger of four subsidiaries – Master Staffing Solutions, Coachieve, Aravon, CenterQ shall be completed by Q3'FY20, to rationalize the number of group entities.
- EGM for approving the shareholding restructuring has been scheduled for 20th Aug, 2019

Key Areas	Status	Management Response	Next Steps
Ahmedabad Smart City Project	<ul style="list-style-type: none"> The Project is ~ 85% complete and the Field Acceptance Testing (FAT) is ongoing. As per the escrow agreement, 99% of the amount received from SCADL would eventually be received by Quess 	<ul style="list-style-type: none"> An amount of Rs. 7.6Cr has been received into the Escrow Account as of July 2019. The Company is in discussion with the Resolution Professional to transfer the amount to Quess account. Petition has been filed in NCLT Mumbai asking the RP to release the dues. The case is being heard on a fast track basis and the next hearing is scheduled on Aug 20, 2019. 	<ul style="list-style-type: none"> Senior Management team formed to focus on Project completion and collection of dues.
Quess East Bengal Club	<ul style="list-style-type: none"> The investment in QEBFC was made with a 3 year investment horizon. Quarterly loss has been substantially reduced to Rs. 3.8Cr in Q1'FY20 from Rs. 11.8Cr in Q4'FY19 in its 2nd year of investment. 	<ul style="list-style-type: none"> The Company has already signed three sponsors and few other sponsors are in pipeline which will further reduce the operating losses for the year. 	<ul style="list-style-type: none"> Discussions with stakeholders to monetize this investment has commenced.

Key Areas	Status	Management Response	Next Steps
Loans to Subsidiaries/ Associates	<ul style="list-style-type: none"> Loans to related parties stood at Rs. 396Cr as on March 2019 (including Rs. 100Cr of Trimax). A total repayment of Rs. 125Cr has been received including Rs. 103Cr from Quess Corp Holdings and other group entities. Loan of Rs. 84.5Cr to Heptagon shall be received post completion of NCLT approval for TCIL shareholding spin-off. The approval is expected to be received by Q3'FY20. 	<ul style="list-style-type: none"> We have appointed one of the Big 4 accounting firms to suggest a roadmap for streamlining all inter company loans. 	<ul style="list-style-type: none"> The Company is expected to complete this exercise by H1'FY20.
Goodwill Impairment Testing	<p>The Company has recognized Goodwill of Rs. 1176.9Cr as at FY19 end.</p>	<ul style="list-style-type: none"> 80% of goodwill pertains to entities which are profitable and who's future cash flows are positive. Out of the balance, the companies are new and too early to test for any impairment. However, future cash flows are expected to be positive. The growth rate assumed is in the range of 5% to 20%. Average growth rate for all the Companies is 11.5% and growth rate of some businesses like Simpliance is 25%. Company has taken a more conservative approach by using a higher discount rate for future cash flows. The terminal growth rate assumptions which are key have not been changed. Entire Goodwill impairment testing has been done by a reputed external valuer and has been vetted by our Statutory Auditors. 	<ul style="list-style-type: none"> Continue to monitor on a regular basis

Transition to a Platform Focused Approach

Change in Structure: Segment to Platform Focus

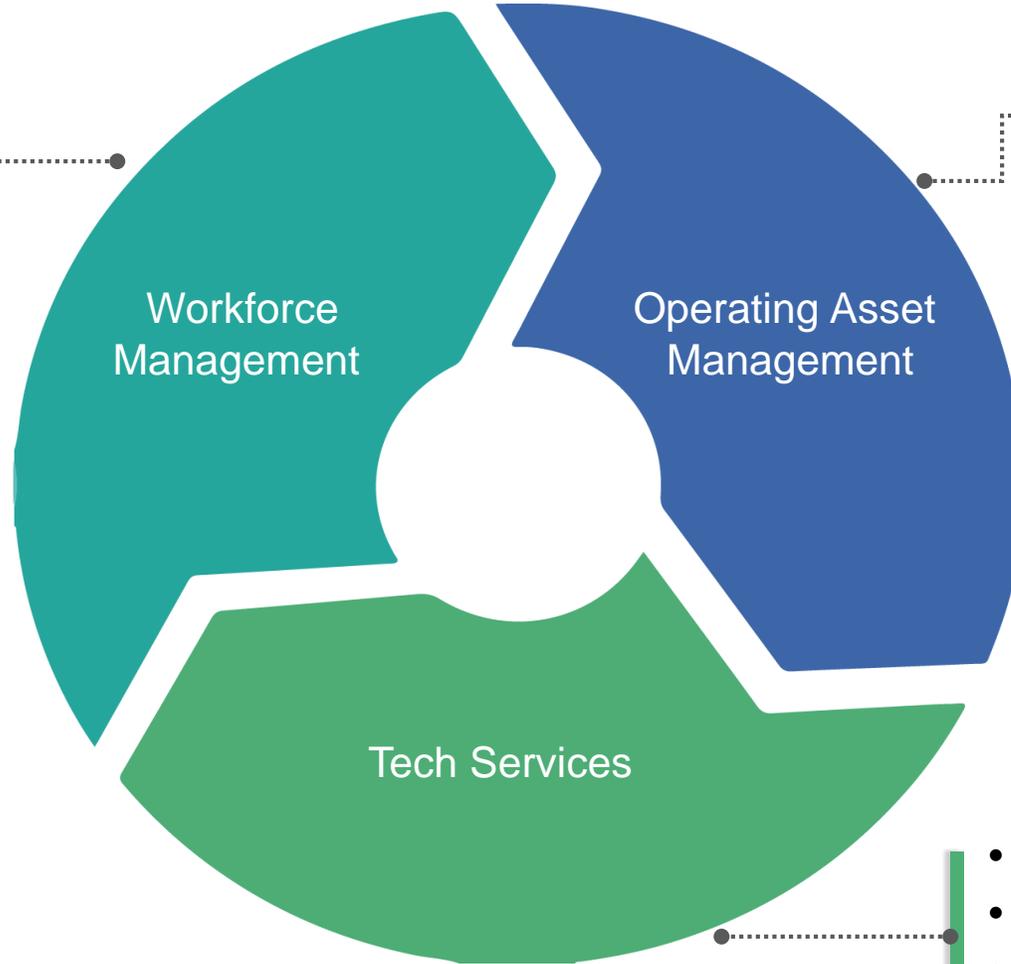
Old Structure: Segment Focus

People & Services	Technology Solutions	Industrials	Facilities Mgmt.	Internet
General Staffing	Professional Staffing	Industrials (O&M)	Facilities Mgmt.	Internet
Training & Skill Dev.	BPM Business	Telecom Asset Mgmt.	Security Services	
	Break-Fix Services			
	IT Services			

New Structure: Platform Focus



- General Staffing
- Professional Staffing
- Training & Skill Development



Workforce Management

Operating Asset Management

Tech Services



- Facilities Management
- Industrial Assets
- Telecom Assets
- Security Services



- BPM
- IT Services
- Break-Fix Services
- Internet

Financial Updates

Performance Summary (with IndAS 116 impact)*



Operational Performance Summary



Focus on consolidation has delivered robust growth with strong operating cash flows.

Key Statistics – Operational Performance (without IND AS 116) ⁽¹⁾

YoY Comparison	Q1'FY20	Q1'FY19
Headcount⁽²⁾ +31%	357K	272K
Revenue +22%	2,395	1,968
EBITDA +17%	120	102
EBITDA Margin -19 bps	5.02%	5.21%
PBT +12%	71	64
PAT +11%	60	54
EPS +5%	3.9	3.7
OCF +60%	52	33
OCF Conversion (OCF/EBITDA)	44%	32%

QoQ Comparison	Q1'FY20	Q4'FY19
Headcount⁽¹⁾ +12%	357K	318K
Revenue +4%	2,395	2,295
EBITDA -9%	120	132
EBITDA Margin -72 bps	5.02%	5.74%
PBT -19%	71	88
PAT -20%	60	76
EPS -24%	3.9	5.2
OCF -33%	52	78
OCF Conversion (OCF/EBITDA)	44%	59%

(1) All financial nos. are in INR Cr except EBITDA margin, EPS and OCF Conversion; EPS is in INR

(2) Headcount data includes Terrier.

Particulars	Q1FY20	Q1FY19	Q4 FY19	Var %	
				YoY	QoQ
Revenue from operations	2,395	1,968	2,295	22%	4%
Less:					
Employee benefit expense	(1,934)	(1,549)	(1,821)	25%	6%
Cost of material	(65)	(65)	(43)	0%	50%
Other expenses	(249)	(252)	(299)	-1%	-17%
Total expenses	(2,247)	(1,866)	(2,163)	20%	4%
EBITDA	147	102	132	44%	12%
Other income	17	16	29	8%	-42%
Interest	(35)	(19)	(24)	77%	43%
Depreciation and amortisation	(49)	(21)	(23)	137%	113%
Operating EBT	81	78	113	3%	-29%
Intangible amortisation	(9)	(9)	(9)	-4%	-7%
NCI Put Option Liability	(5)	(7)	(8)	-23%	-37%
Associate Income (net of income tax)	0	2	(9)	-85%	-103%
Earnings before tax	67	64	88	5%	-24%
Tax	(11)	(9)	(12)	14%	-13%
Profit after tax	56	54	76	3%	-25%
EBITDA margin	6.15%	5.21%	5.74%	95bps	41bps
PAT margin	2.35%	2.76%	3.29%	-41bps	-94bps
Basic EPS	3.69	3.77	5.21	-2%	-29%
Diluted EPS	3.67	3.73	5.18	-2%	-29%

Rs in INR Cr unless otherwise specified

Key Highlights

• Gross Revenue:

- Up 22% YoY, of which 21% was organic.
- Up 4% sequential, of which 3% was organic.

• EBITDA:

- Up 44% YoY; EBITDA for Q1'FY20 increased to Rs. 147.3Cr
- Sequentially up 12%

• Other Expenses reduced by:

- Rs. 27.1Cr under lease rental for IndAS 116 impact.
- Rs. 23.6Cr includes reduction of Rs. 7cr from bad debts, Rs. 5Cr from subcontractor charges, Rs. 5.5Cr from Business promotion

• D&A and Interest Impact due to IND AS116:

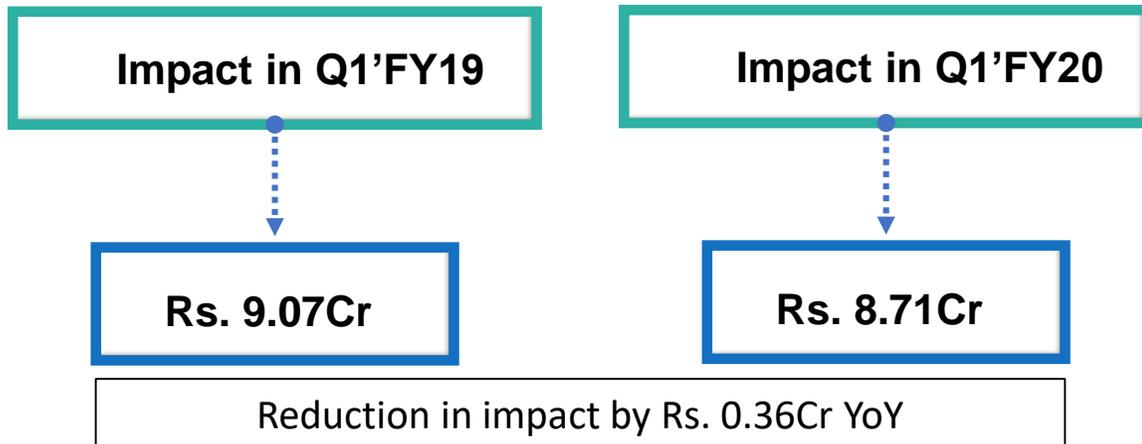
- Rs. 24.5Cr and Rs. 7Cr increase in D&A and Interest respectively.

• PAT:

- Reduced by Rs. 4.4Cr due to IND AS 116 impact
- Normalised PAT and Diluted EPS stood at Rs. 60Cr and Rs. 3.9Cr respectively (without IND AS 116).

Amortization of Customer Related Intangible Assets

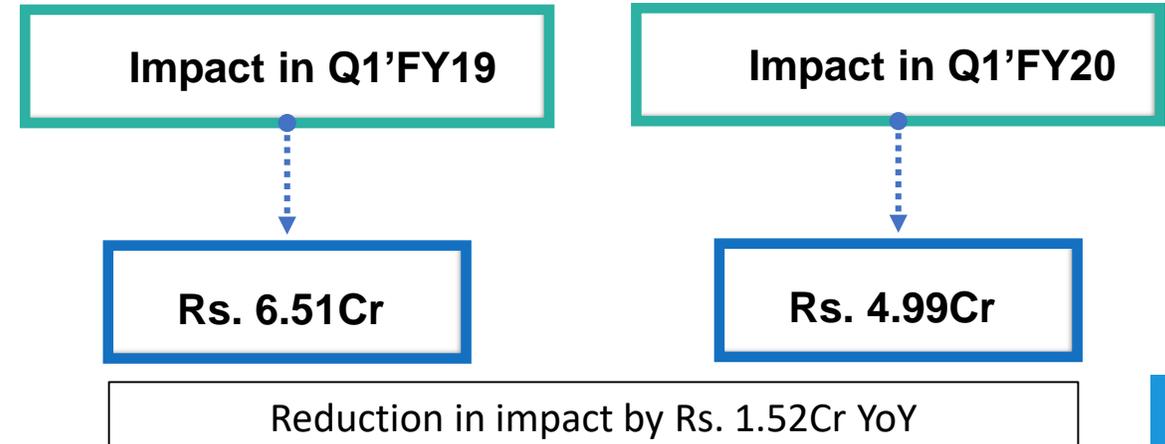
- All our acquired businesses are :
 - Asset light with low NAV.
 - But have higher fair market value due to strong market positioning.
- Goodwill = Purchase Consideration – Net worth – Intangibles
- Intangibles recognized on Purchase Price Allocation (PPA) majorly includes.
 - Customer Relationships.
 - Brand etc.
- Intangibles recognized under PPA should be amortized over the life of assets.



Impact of Non controlling Interest option

- Quess has an obligation to acquire balance equity shares in subsidiaries such as Conneqt, Vedang and Goldenstar for an exercise price specified in the option agreement.
- As per Ind AS, NCI obligation is to be recognized as a financial liability.
- The fair value is recomputed every year and the differential amount is charged to the P&L till the actual year of the payout.

Entity	Timeline for acquisition of balance stake		
Goldenstar	2019		
Vedang		2020	2021
Conneqt	2019		2023



Platform Updates

YoY (in Rs. Cr)	Revenue	EBITDA
Q1' 20	1,487	89
Q1' 19	1,148	68
Change (%)	30%	32%

QoQ (in Rs. Cr)	Revenue	EBITDA
Q1' 20	1,487	89
Q4' 19	1,394	95
Change (%)	7%	-6%



Excelus has received a contract of Rs. 31Cr for training 31,000 students under PMKVY* which will be executed over the next 2-3 quarters



General Staffing Q1 headcount growth of 32,000 has outpaced the FY19 full year growth of 35,000. Core to Associate FTE Ratio remains industry best at 1:330



71 new logos added across marquee clientele in BFSI, Telecom, Transportation and Food Beverages. A major client's operations ramped up to 28,000 associates in 15 days, increasing our footprint in the BFSI sector



Collect & Pay % has increased to 70% in Q1'FY20 from 59% in Q1'FY19

EBITDA reduction of 6% when compared to Q4'FY19 is due to a cyclical reduction in the number of students trained by Excelus

YoY (in Rs. Cr)	Revenue	EBITDA
Q1' 20	427	32
Q1' 19	398	30
Change (%)	7%	8%

QoQ (in Rs. Cr)	Revenue	EBITDA
Q1' 20	427	32
Q4' 19	438	36
Change (%)	-3%	-12%



13+ logo additions during the quarter with clientele in Ecommerce, Insurance, Financial Services, Heavy Equipment and Healthcare space



Facilities Management added large Integrated contracts with Ecommerce and Insurance companies offering multiple services thereby ensuring higher contract value and customer stickiness



Terrier: With 19,000 guards and presence across 200 cities in India, our security services business has added PAN India sourcing and recruitment capabilities during the quarter.



Digitization strategy being rolled out with new initiatives like the Digital Attendance tool, Terrier App for associate lifecycle management, Customer feedback collection & online report generation

The reduction in sequential EBITDA is due to seasonality in the food business on account of summer vacations in educational institutions.

YoY (in Rs. Cr)	Revenue	EBITDA
Q1' 20	480	46
Q1' 19	422	22
<i>Change (%)</i>	<i>14%</i>	<i>112%</i>

QoQ (in Rs. Cr)	Revenue	EBITDA
Q1' 20	480	46
Q4' 19	462	20
<i>Change (%)</i>	<i>4%</i>	<i>133%</i>



Allsec reported revenues of Rs. 67.4Cr and EBITDA of Rs 18.8Cr for Q1'FY20 with an improved margin of 27.9%. The Allsec business was consolidated effective June 3, 2019



Conneqt secured business of Rs. 80Cr ACV from 5 new logos from leading companies in Hospitality, BFSI, Industrials and Healthcare services.



Conneqt received 11 awards across industry forums and clients for our services and internal processes like 'Dream companies to work for', 'Best service provider', 'Digital excellence in banking sector' etc.



Monster.com (India) witnessed the highest ever physical resume addition of 471K resumes in June 2019. Active Resume base crossed 60 Million in June 2019



Mr. Krishnan Seshadri has been appointed as the CEO of Monster (APAC & Gulf). Krish is a seasoned executive with over 23 years of rich experience in leading companies such as Facebook, AOL-Verizon, Zynga and other Startups.

Previous Reporting: Based on Segment Structure

Particulars (in INR Cr)	Quarter	Quarter	Quarter	Quarter	Quarter	Full Year
	Q1 FY20	Q4 FY19	Q3 FY19	Q2 FY19	Q1 FY19	FY2019
People Services						
Revenue	1,193	1,107	991	913	869	3,880
EBITDA	74	61	52	47	44	204
<i>EBITDA Margin</i>	6.2%	5.5%	5.2%	5.1%	5.1%	5.2%
Technology Solutions						
Revenue	739	711	714	707	664	2,796
EBITDA	70	66	56	53	48	222
<i>EBITDA Margin</i>	9.5%	9.2%	7.8%	7.5%	7.2%	7.9%
Facilities Management						
Revenue	322	328	312	311	279	1,230
EBITDA	33	31	27	26	22	106
<i>EBITDA Margin</i>	10.1%	9.4%	8.5%	8.5%	7.8%	8.6%
Industrials						
Revenue	105	110	119	123	120	472
EBITDA	-1	5	7	8	8	28
<i>EBITDA Margin</i>	-0.8%	4.8%	6.1%	6.6%	6.5%	6.0%
Internet Business						
Revenue	36	39	36	37	37	149
EBITDA	-9	-12	-2	-3	-2	-19
<i>EBITDA Margin</i>	-24.3%	-30.5%	-5.1%	-8.1%	-5.3%	-12.5%

New Reporting: Based on Platform Structure

	Quarter	Quarter	Quarter	Quarter	Quarter	Full Year
Particulars (in INR Cr)	Q1 FY20	Q4 FY19	Q3 FY19	Q2 FY19	Q1 FY19	FY2019
Workforce Management Platform						
Revenue	1,487	1,394	1,285	1,208	1,148	5,035
EBITDA	89	95	77	69	68	309
<i>EBITDA Margin</i>	6.0%	6.8%	6.0%	5.7%	5.9%	6.1%
Operating Asset Management Platform						
Revenue	427	438	431	434	398	1,702
EBITDA	32	36	34	34	30	134
<i>EBITDA Margin</i>	7.5%	8.3%	7.8%	7.9%	7.4%	7.9%
Tech Services Platform						
Revenue	480	462	456	449	422	1,790
EBITDA	46	20	28	28	22	98
<i>EBITDA Margin</i>	9.6%	4.3%	6.2%	6.1%	5.2%	5.5%

THANK YOU