Quess Corp

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	QUESS IN
Equity Shares (m)	149
M.Cap.(INRb)/(USDb)	44.6 / 0.5
52-Week Range (INR)	428 / 272
1, 6, 12 Rel. Per (%)	1/-4/-14
12M Avg Val (INR M)	325

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	149.7	158.9	183.0
EBITDA Margin (%)	1.8	2.0	2.0
Adj. PAT	2.3	2.3	2.6
Adj. EPS (INR)	15.2	15.6	17.7
EPS Gr. (%)	63.3	2.9	13.4
BV/Sh. (INR)	95.7	83.4	70.9
Ratios			
RoE (%)	11.6	22.9	30.2
RoCE (%)	12.6	26.5	34.8
Payout (%)	52.8	102.5	90.4
Dividend Yield (%)	2.7	5.3	5.3
Valuations			
P/E (x)	19.7	19.2	16.9
P/BV (x)	3.1	3.6	4.2
EV/EBITDA (x)	16.1	13.5	11.9
EV/Sales (x)	0.3	0.3	0.2

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	57.0	57.0	56.6
DII	8.7	9.8	11.0
FII	14.6	14.8	15.9
Others	19.7	18.4	16.5

FII includes depository receipts

CMP: INR299 TP: INR340 (+14%) Neutral

In-line quarter

GCC pipeline remains strong

- Quess Corp's (QUESS) revenue was flat QoQ/up 2.0% YoY in 1QFY26, in-line with our expectation. EBITDA margin stood at 1.9% (up 7bp QoQ) vs. our estimate of 1.9%. Adj PAT rose 8% QoQ to INR530m, excluding a demerger-related expense of INR20m, primarily attributed to professional fees. For 1QFY26, the company's revenue/EBITDA/adj. PAT grew 2%/10%/ 8% YoY. We expect its revenue/EBITDA to grow 6.3%/13% QoQ in 2QFY26. However, near-term pressures across IT hiring and limited levers for margin expansion in the GS segment keep us on the sidelines. **We reiterate our Neutral rating** with a TP of INR340, implying a 14% upside.

Our view: GS likely to pick up in 2Q

- **GS remained soft amid muted headcount:** General Staffing (GS) witnessed subdued headcount addition, impacted by the early onset of the monsoon. This weighed on summer product sales, particularly affecting the Retail segment (~43% of GS revenues). However, the Manufacturing and BFSI segments registered growth. Looking ahead, GS is expected to benefit from seasonal demand in 2Q and 3Q, driven by festive hiring. Encouragingly, signs of recovery were visible in June, providing improved visibility for the coming quarters.
- **Professional segment remains the fastest growing:** Stronger GCC engagements continue to drive growth in the Professional segment, with GCCs now accounting for 73% of the segment's exposure. Notably, 68% of new mandates also originate from GCCs. A favorable deployment mix, coupled with ongoing investments in an AI-led delivery model, has supported this momentum. As a result, we believe margins should remain resilient, even in the absence of strong headcount growth.
- Further, the launch of the GCC-as-a-service platform, Origint, will enable the company to seamlessly plug into allied services, including infrastructure management alongside its IT hiring capabilities.
- **New normal in the overseas markets:** A strategic shift is underway in the overseas market as the company transitions from professional staffing to general staffing, with the former facing headwinds due to visa constraints in Singapore. In response, the company is pivoting toward a localized business model. Notably, its expansion into the Middle East, Philippines, and Malaysia is helping to offset the challenges faced in Singapore. This trend is expected to continue going forward.

Valuation and change in estimates

- We estimate revenue growth of 6.2%/15.2% in FY26/27, with stable EBITDA margins (~2%) over both years.
- While QUESS stands to benefit from medium-term tailwinds, such as labor formalization and ongoing reforms, near-term pressures across IT hiring and international staffing could weigh on growth and margin recovery.

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- Additionally, the qualified opinion from the auditor on certain tax matters continues in 1Q, too. **We reiterate our Neutral rating** with a TP of INR340, valuing the stock at 19x FY27E P/E, as we believe the current valuations broadly reflect the medium-term upside.

In-line revenue and margins; professional staffing clocks double-digit EBITDA margin

- Revenue was flat QoQ/up 2% YoY in 1QFY26, in-line with our expectation.
- GS grew 0.2% YoY; Professional Staffing grew 31% YoY; Overseas business rose 0.4% YoY.
- EBITDA margin grew 15bp YoY to 1.9%, in-line with our expectations.
- Adj PAT rose 8% YoY to INR530m. This excludes the demerge-related expense of INR20m, primarily attributed to professional fees.
- Gross additions were ~79k employees in 1Q. Industrials, BFSI, and Retail were among the top recruiting sectors.
- The company added 79 new contracts in the GS segment and 12 in the Professional Staffing segment.

Key highlights from the management commentary

- General Staffing remained flat YoY due to muted headcount growth; however, signs of recovery were visible in Jun'25. Margin expansion remained constrained, as flat-fee contracts do not support margin expansion.
- Manufacturing & Infrastructure (M&I) and BFSI registered growth, while CRT (consumer, retail, and telecom) recorded a marginal decline. Summer products experienced softer growth due to the early onset of monsoon, which impacted retail demand.
- Interest rates have reduced, increasing BFSI clients' openness to expand hiring.
- While the electronics manufacturing and auto sectors showed signs of a slowdown earlier, a gradual recovery is underway. The outlook remains positive for retail demand until October (Diwali).
- **Professional Segment**: Growth is largely driven by niche and strategic segments rather than pure headcount expansion. A favorable deployment mix and investments in an AI-driven delivery model have contributed to this growth.
- The ELI scheme will go live on 1st August. The scheme aims to formalize the labor market and address the challenge of retaining entry-level employees. It offers DBT-based benefits after a few months, which is expected to help reduce attrition. The company will provide better guidance after the next quarter.

Valuation and view

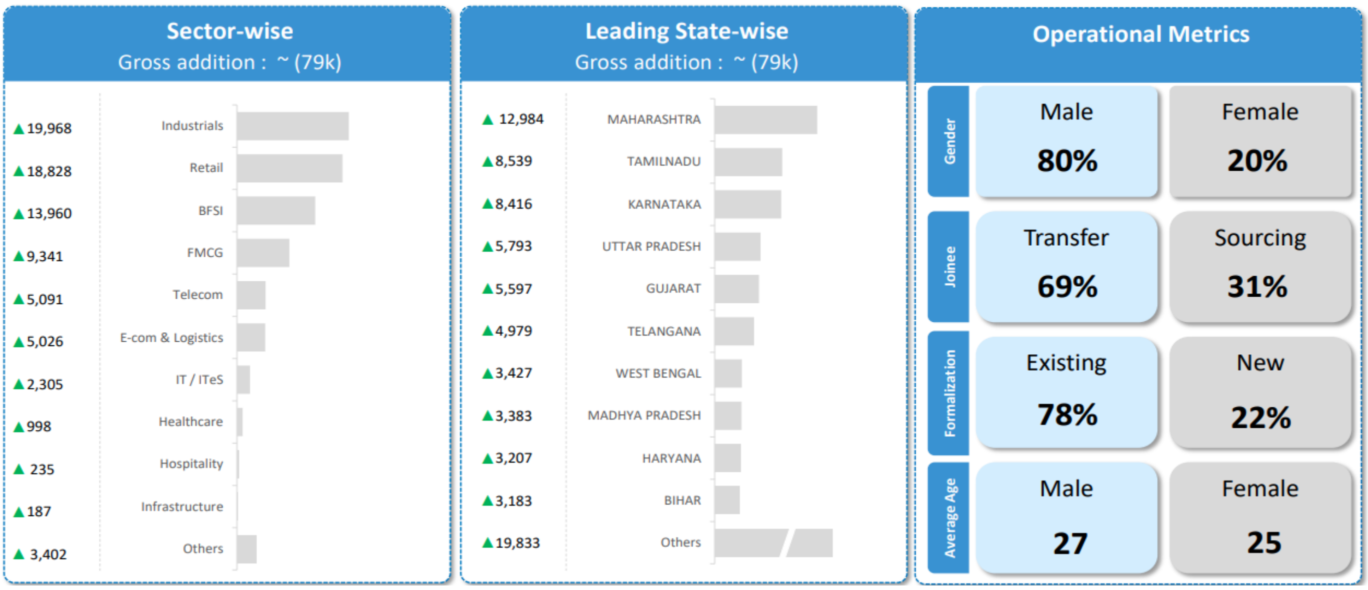
- We estimate revenue growth of 6.2%/15.2% in FY26/27, with stable EBITDA margins (~2%) for both years.
- While QUESS stands to benefit from medium-term tailwinds such as labor formalization and ongoing reforms, near-term pressures across IT hiring and international staffing could weigh on growth and margin recovery.
- Additionally, the qualified opinion from the auditor on certain tax matters continues in 1Q, too. **We reiterate our Neutral rating** with a TP of INR340, 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	FY25				FY26E				FY25	FY26E	Est.
	1Q*	2Q*	3Q*	4Q*	1Q*	2QE	3QE	4QE			1QFY26
Net Sales	**35,869**	**51,794**	**40,191**	**36,564**	**36,514**	**38,828**	**40,955**	**42,632**	**1,49,672**	**1,58,930**	**36,486**
YoY Change (%)	-22.0	9.1	-17.0	-25.5	1.8	-25.0	1.9	16.6	9%	6%	-27.1
Total Expenditure	35,236	49,838	39,567	35,891	35,817	38,043	40,111	41,709	1,47,049	1,55,680	35,795
EBITDA	**632**	**1,956**	**625**	**674**	**697**	**785**	**844**	**924**	**2,623**	**3,250**	**691**
Margins (%)	1.8	3.8	1.6	1.8	1.9	2.0	2.1	2.2	1.8	2.0	1.9
Depreciation	106	697	99	102	105	124	124	124	412	477	119
EBIT	**526**	**1,259**	**525**	**572**	**592**	**661**	**720**	**800**	**2,211**	**2,773**	**572**
Margins (%)	1.5	2.4	1.3	1.6	1.6	1.7	1.8	1.9	1.5	1.7	1.6
Interest	106	284	92	91	99	110	110	110	386	429	107
Other Income	64	44	49	109	47	43	43	43	236	175	60
PBT before EO expense	**483**	**1,018**	**482**	**591**	**541**	**594**	**653**	**732**	**2,061**	**2,519**	**525**
Recurring Tax	-6	85	4	-35	12	53	59	66	-41	191	42
Rate (%)	-1.3	8.4	0.8	-5.9	2.3	9.0	9.0	9.0	-2.0	7.6	8.0
MI & P/L of Asso. Cos.	-0.4	12.4	0	0	1	0	0	0	1	1	0
Adjusted PAT	**490**	**921**	**478**	**625**	**528**	**540**	**594**	**666**	**2,101**	**2,328**	**483**
Extraordinary items	-1	-3	61	1,580	19	0	0	0	1,643	19	0
Reported PAT	**491**	**924**	**417**	**-955**	**509**	**540**	**594**	**666**	**458**	**2,309**	**483**
YoY Change (%)	2.6	28.5	-34.8	-201.2	3.8	-41.5	42.5	-169.8	-66%	404%	-53.5
Margins (%)	1.4	1.8	1.0	-2.6	1.4	1.4	1.5	1.6	0.3	1.5	1.3

*Note: Figures for 1Q, 3Q, 4QFY25, and FY25 are re-stated for the demerger.

Exhibit 1: 1QFY26 hiring snapshot



Source: Company, MOFSL

CONFERENCE CALL

Key highlights from the management commentary

1QFY26 performance

- General staffing remained flat year-on-year due to muted headcount growth; however, signs of recovery were visible in Jun'25. Margin expansion remained constrained as flat-fee contracts do not support margin expansion.
- M&I and BFSI registered growth, while the CRT segment recorded a marginal decline. Summer products experienced softer growth due to the early onset of monsoon, which impacted retail demand.
- The associate-to-core employee ratio declined to 23% YoY, with 79,000 new additions in 1Q. Recruitment will be ramped up for the July-October period. Open mandates are increasing, and the ratio is expected to reverse as seasonal demand fades.
- Interest rates have come down, increasing BFSI clients' openness to expanding hiring.
- While the electronics manufacturing and auto sectors showed signs of a slowdown earlier, a gradual recovery is underway. The outlook remains positive for retail demand until October (Diwali).
- In the construction segment, the company operates on a bill-rate model. Gross margins here can be 3 to 4 times that of other segments, though this remains a long-term opportunity. The company is currently working with three customers in this segment.
- **Professional Segment**: Growth is largely driven by niche and strategic segments rather than pure headcount expansion. A favorable deployment mix and investments in an AI-driven delivery model have contributed to this growth.
- The EBITDA contribution of professional staffing increased from 23% in FY25 to 29% in 1QFY26. This was led by deeper engagement with capability centers (GCCs). The company expects to sustain double-digit margins for this segment.
- Average wages have increased, aiding margins, as the company operates on a percentage-commission model.
- GCC exposure currently stands at 73%, primarily driven by digital, hi-tech, media, and telecom sectors. The company works with 157 GCCs. Of the 12 new logos added, 10 are for GCCs. Around 68% of open mandates are from GCCs.
- The ELI scheme will go live on 1st August. The scheme aims to formalize the labor market and address the challenge of retaining entry-level employees. It offers DBT-based benefits after a few months, which is expected to help reduce attrition. The company will provide better guidance after the next quarter.
- The company launched Origint, a GCC-as-a-service platform, to tap into India's growing GCC opportunity. Having built IT staffing capabilities over the years, the company is well-positioned to support hiring, infrastructure services, and plug-and-play models. The platform follows a cost-plus markup model and is not capex-heavy.
- **Overseas Business:** Singapore continues to face challenges due to visa issues, resulting in a 7% QoQ decline in headcount. A strategic shift to general staffing is helping offset the decline in professional staffing. The company is now focusing on a localized business model.

- EBITDA margin for overseas operations was 5.9%. Despite headwinds in Singapore, margins expanded due to contributions from other geographies. This trend is expected to continue.
- Singapore is no longer the largest contributor; the Middle East has taken the lead.
- IT remains the dominant sector, followed by BFSI and Retail.
- The Middle East, Philippines, and Malaysia recorded both headcount and EBITDA growth, especially in the IT and ITES sectors.
- 32 new contracts were added during the quarter.

Valuation and view

- We estimate revenue growth of 6.2%/15.2% in FY26/27, with stable EBITDA margins (~2%) over both years.
- While QUESS stands to benefit from medium-term tailwinds such as labor formalization and ongoing reforms, near-term pressures across IT hiring and international staffing could weigh on growth and margin recovery.
- Additionally, the qualified opinion from the auditor on certain tax matters continues in 1Q, too. **We reiterate our Neutral rating** with a TP of INR340, 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**	**1,58,930**	**1,82,955**
Change (%)	-1.4	26.3	25.3	-20.2	9.3	6.2	15.1
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	1,49,205	1,71,760
Other Expenses	7,617	10,743	14,336	6,560	6,533	6,472	7,460
Total Expenditure	**1,02,593**	**1,30,400**	**1,65,726**	**1,34,608**	**1,47,049**	**1,55,680**	**1,79,223**
% of Sales	94.7	95.2	96.6	98.3	98.2	98.0	98.0
EBITDA	**5,777**	**6,518**	**5,858**	**2,343**	**2,623**	**3,250**	**3,732**
Margin (%)	5.3	4.8	3.4	1.7	1.8	2.0	2.0
Depreciation	2,285	2,120	2,746	581	412	477	567
EBIT	**3,491**	**4,397**	**3,112**	**1,763**	**2,211**	**2,773**	**3,165**
Int. and Finance Charges	1,113	792	1,066	572	386	429	494
Other Income	451	198	263	148	236	175	256
PBT bef. EO Exp.	**2,829**	**3,803**	**2,309**	**1,340**	**2,061**	**2,519**	**2,927**
EO Items	1,388	0	-535	10	1,643	0	0
PBT after EO Exp.	**1,442**	**3,803**	**2,844**	**1,330**	**418**	**2,519**	**2,927**
Total Tax	590	1,066	615	-25	-41	191	286
Tax Rate (%)	40.9	28.0	21.6	-1.9	-9.8	7.6	9.8
Minority Interest	114	98	-16	0	1	0	0
Reported PAT	**738**	**2,640**	**2,245**	**1,355**	**458**	**2,329**	**2,641**
Adjusted PAT	**2,125**	**2,640**	**1,710**	**1,365**	**2,262**	**2,329**	**2,641**
Change (%)	-18.5	24.2	-35.2	-20.2	65.8	2.9	13.4
Margin (%)	2.0	1.9	1.0	1.0	1.5	1.5	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	7,967	6,541
Net Worth	**23,431**	**24,378**	**25,688**	**27,990**	**10,848**	**9,456**	**8,030**
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**	**5,108**	**3,683**
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	18,305	20,684
Net Fixed Assets	**2,728**	**3,557**	**3,165**	**2,693**	**139**	**1,273**	**2,094**
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**	**21,922**	**24,101**
Inventory	290	275	282	71	0	0	0
Account Receivables	8,945	23,323	26,886	27,721	15,295	16,546	19,047
Cash and Bank Balance	5,646	4,105	4,376	5,201	2,491	1,064	320
Loans and Advances	15,292	8,201	9,886	9,501	3,194	4,312	4,733
Curr. Liability & Prov.	**18,317**	**22,145**	**27,876**	**29,004**	**16,979**	**20,468**	**24,913**
Account Payables	1,212	1,154	1,249	1,176	586	2,133	2,455
Other Current Liabilities	14,983	18,258	23,546	24,133	13,990	15,740	19,471
Provisions	2,122	2,733	3,080	3,696	2,403	2,595	2,988
Net Current Assets	**11,856**	**13,759**	**13,554**	**13,491**	**4,000**	**1,454**	**-812**
Appl. of Funds	**24,823**	**27,582**	**27,343**	**26,915**	**6,501**	**5,109**	**3,684**

Note: Figures for FY21-23 are not adjusted for the 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**	**15.6**	**17.7**
Cash EPS	30.8	31.9	29.9	13.2	17.9	18.8	21.5
BV/Share	206.7	215.1	226.7	247.0	95.7	83.4	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	52.8	102.5	90.4
Valuation (x)							
P/E	20.1	16.9	26.1	32.2	19.7	19.2	16.9
Cash P/E	9.7	9.4	10.0	22.6	16.7	15.9	13.9
P/BV	1.4	1.4	1.3	1.2	3.1	3.6	4.2
EV/Sales	0.4	0.3	0.3	0.3	0.3	0.3	0.2
EV/EBITDA	7.2	7.1	7.8	18.1	16.1	13.5	11.9
Dividend Yield (%)	2.3	2.7	2.7	2.7	2.7	5.3	5.3
FCF per share	45.7	31.6	24.6	29.3	25.4	5.4	10.7
Return Ratios (%)							
RoE	9.2	11.0	6.8	5.1	11.6	22.9	30.2
RoCE	7.7	11.4	8.6	6.2	12.6	26.5	34.8
RoIC	10.9	15.0	10.6	8.2	19.4	63.8	77.8
Working Capital Ratios							
Asset Turnover (x)	4.4	5.0	6.3	5.1	23.0	31.1	49.7
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	0.0

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	1,335	1,397
Depreciation	2,285	2,120	2,746	2,832	412	2,066	2,378
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	-191	-286
(Inc)/Dec in WC	-464	-307	-231	-1,449	-728	1,120	1,523
CF from Operations	**5,319**	**4,004**	**3,816**	**3,920**	**1,821**	**4,366**	**5,049**
Others	1,835	1,538	846	1,373	1,984	-337	-230
CF from Operating incl EO	**7,154**	**5,542**	**4,663**	**5,293**	**3,805**	**4,029**	**4,819**
(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**	**809**	**1,599**
(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	-727
CF from Fin. Activity	-8,045	-4,916	-5,239	-5,770	-3,988	-3,043	-3,150
Inc/Dec of Cash	**-1,943**	**-1,250**	**-536**	**18**	**-3,517**	**-2,234**	**-1,551**
Closing Balance	7,589	5,355	4,912	5,183	6,008	3,298	1,871

Note: Figures for FY21-23 are not adjusted for the 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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