

QUESS CORP LTD (QUESS) – BUY

Q2FY26 Result Update

Current Market Price (CMP)
Rs.246

Fair Value (FV)
Rs.291

Rationale:

- Professional staffing business continues to show case strong yoy growth in revenue, EBITDA, and operational EBITDA margin.
- The company expects tailwinds in Q3FY26 from the new GST reforms, which will support growth in H2FY26.
- Given strong OCF, improvement in operating margin, reduced debt levels, & focus on staffing business post demerger, we remain positive on the stock.
- The fair value of the stock is Rs.291, valued at a PE of 14x on FY28E earnings (we expect earnings CAGR of 14% during FY25-FY28E).

👍 Positives:

- Quess' revenue grew by 3.4% yoy and 4.9% qoq to Rs.3,832 crore (as against our estimate of Rs.3,770 crore) driven by General Staffing segment.
- Festive headcount net addition was 21k (strongest in last 6 quarters), taking the overall headcount to 4,83,115.
- Advance festive collections resulted in OCF to EBITDA conversion of 110%.

👎 Negatives:

- Reported a 2% yoy growth in PAT to Rs.52 cr (vs our estimate of Rs.53 cr).

PE: Price to Earnings. PAT: Profit After Tax. OCF: Operating Cash flow, EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization. GST: Goods and Service Tax. GCC: Global Capability Centre. CAGR: Compound Annual Growth Rate.



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Holding Period: 12 Months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	– We expect the stock to deliver more than 15% returns over the next 12 months
ADD	– We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	– We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	– We expect the stock to deliver < -5% returns over the next 12 months
NR	– Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	– Not Available or Not Applicable. The information is not available for display or is not applicable
NM	– Not Meaningful. The information is not meaningful and is therefore excluded.
NOTE	– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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