

B S R & Associates LLP

Chartered Accountants

Maruthi Info-Tech Centre
11-12/1 Inner Ring Road
Koramangala
Bangalore 560 071 India

Telephone +91 80 7134 7000
Fax +91 80 7134 7999

Limited Review Report on Quarterly Standalone and Year to Date Standalone Financial Results of the Qess Corp Limited Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To the Board of Directors of
Qess Corp Limited

We have reviewed the accompanying statement of unaudited standalone financial results ("Statement") of Qess Corp Limited ('the Company') for the quarter and six months ended 30 September 2017 attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors in their meeting held on 25 October 2017. Our responsibility is to issue a report on these financial results based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditors of the Entity' issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance about whether the financial results are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement results prepared in accordance with applicable accounting standards i.e. Ind AS prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including the manner in which it is to be disclosed, or that it contains any material misstatement.

for B S R & Associates LLP
Chartered Accountants

Firm registration number: 116231W/W-100024



Vipin Lodha

Partner

Membership No.: 076806

Place: Bengaluru.

Date: 25 October 2017

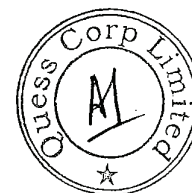
Quest Corp Limited
Registered Office: Quest House, 3/3/2, Bellandur Gate, Sarjapur Road, Bengaluru 560 103;
CIN No. L74140KA2007PLC043909

(Rupees in lakhs except per share data)

Part I Statement of unaudited standalone financial results for the quarter and six months ended 30 September 2017

Sl. No.	Particulars	Standalone					
		Quarter ended			Half year ended		Year ended
		30 September 2017	30 June 2017	30 September 2016	30 September 2017	30 September 2016	31 March 2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	
1	Income						
	a) Revenue from operations	97,041.73	89,685.94	83,130.86	1,86,727.67	1,64,172.66	3,36,072.21
	b) Other income	1,679.28	390.94	588.70	2,070.22	674.27	1,612.10
	Total income (a + b)	98,721.01	90,076.88	83,719.56	1,88,797.89	1,64,846.93	3,37,684.31
2	Expenses						
	a) Cost of material and stores and spare parts consumed	897.02	824.31	1,604.41	1,721.33	2,624.47	3,604.22
	b) Employee benefit expense	86,237.02	78,702.45	72,072.19	1,64,939.47	1,42,666.70	2,93,630.38
	c) Finance costs	1,088.10	1,220.45	804.71	2,308.55	1,573.45	3,890.30
	d) Depreciation and amortisation expense	466.05	445.77	430.70	911.82	824.80	1,702.15
	e) Other expenses	5,263.51	5,471.76	4,943.61	10,735.27	9,892.70	21,020.78
	Total expenses (a + b + c + d + e)	93,951.70	86,664.74	79,855.62	1,80,616.44	1,57,582.12	3,23,847.83
3	Profit before tax and exceptional items (1 - 2)	4,769.31	3,412.14	3,863.94	8,181.45	7,264.81	13,836.48
4	Exceptional items	-	-	-	-	-	-
5	Profit before tax (3 + 4)	4,769.31	3,412.14	3,863.94	8,181.45	7,264.81	13,836.48
6	Tax expense (refer note 13)						
	Current tax	217.82	750.18	922.73	968.00	2,118.25	3,327.42
	Deferred tax	(2,013.74)	131.43	419.99	(1,882.31)	492.61	1,488.05
	Income tax relating to previous year	(6,851.88)	-	-	(6,851.88)	-	-
	Total tax expense	(8,647.80)	881.61	1,342.72	(7,766.19)	2,610.86	4,815.47
7	Profit for the period (5 - 6)	13,417.11	2,530.53	2,521.22	15,947.64	4,653.95	9,021.01
8	Other comprehensive income						
	<i>Items that will not be reclassified subsequently to profit or loss</i>						
	Remeasurement of defined benefit plans	(285.37)	(78.86)	(199.27)	(364.23)	(319.12)	(309.29)
	Income tax relating to items that will not be reclassified to profit or loss	98.76	27.29	68.96	126.05	110.44	107.20
	Other comprehensive income for the period, net of taxes	(186.61)	(51.57)	(130.31)	(238.18)	(208.68)	(202.09)
9	Total comprehensive income for the period (7 + 8)	13,230.50	2,478.96	2,390.91	15,709.46	4,445.27	8,818.92
10	Paid-up equity share capital (Face value of Rs 10 per share)	13,833.49	12,679.10	12,595.34	13,833.49	12,595.34	12,679.10
11	Reserves i.e. Other equity						66,564.47
12	Earning Per Share (EPS)	(not annualised)	(not annualised)	(not annualised)	(not annualised)	(not annualised)	(annualised)
	(a) Basic (Rs)	10.16	2.00	2.03	12.32	3.91	7.34
	(b) Diluted (Rs)	10.05	1.97	1.98	12.18	3.83	7.23

See accompanying notes to the financial results



Quess Corp Limited

Registered Office: Quess House, 3/3/2, Bellandur Gate, Sarjapur Road, Bengaluru 560 103;
CIN No. L74140KA2007PLC043909

(Rupees in lakhs)

Statement of Assets and Liabilities as at 30 September 2017.

Particulars	As at	As at
	30 September 2017	31 March 2017
	(Unaudited)	(Audited)
A ASSETS		
1 Non-current assets		
Property, plant and equipment	1,931.32	1,810.59
Goodwill	45.20	45.20
Other intangible assets	7,786.79	8,053.74
Intangible assets under development	1,173.89	852.37
Financial assets		
(i) Investments	39,225.55	36,502.53
(ii) Loans	1,628.33	1,146.46
(iii) Others	-	85.72
Deferred tax assets (net)	10,912.78	1,561.34
Income tax assets (net)	9,553.06	11,155.58
Other non-current assets	4,435.38	436.63
Total non-current assets	76,692.30	61,650.16
2 Current assets		
Inventories	539.79	462.35
Financial assets		
(i) Investments	56,453.79	-
(ii) Trade receivables	38,767.32	28,553.05
(iii) Unbilled revenue	38,322.70	34,827.63
(iv) Cash and cash equivalents	16,024.72	22,379.68
(v) Bank balances other than cash and cash equivalents above	23,480.27	15,827.11
(vi) Loans	4,376.26	2,572.17
(vii) Others	424.44	294.74
Other current assets	2,325.68	1,516.37
Total current assets	1,80,714.97	1,06,433.10
Total Assets	2,57,407.27	1,68,083.26
B EQUITY AND LIABILITIES		
1 Equity		
Equity share capital	13,833.49	12,679.10
Other equity	1,66,072.45	66,564.47
Total equity	1,79,905.94	79,243.57
2 Liabilities		
Non-current liabilities		
Financial liabilities		
(i) Borrowings	14,868.25	14,872.39
Provisions	1,929.16	1,613.08
Total non-current liabilities	16,797.41	16,485.47
3 Current liabilities		
Financial liabilities		
(i) Borrowings	25,685.34	38,557.23
(ii) Trade payables	2,816.92	1,998.85
(iii) Others	14,749.84	19,836.96
Other current liabilities	14,951.40	9,917.11
Provisions	2,500.42	2,044.07
Total current liabilities	60,703.92	72,354.22
Total liabilities	77,501.33	88,839.69
Total Equity and Liabilities	2,57,407.27	1,68,083.26

See accompanying notes to the financial results



Quess Corp Limited

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CIN No. L74140KA2007PLC043909

Unaudited financial results for the quarter and six months ended 30 September 2017

Notes :

- The Statement of unaudited standalone financial results ('the Statement') of Quess Corp Limited ('the Company') for the quarter and six months ended 30 September 2017 has been reviewed by the Audit Committee and thereafter approved by the Board of Directors in the meeting held on 25 October 2017.
- The figures for the quarter and six months ended 30 September 2017 was subjected to 'Limited Review' by Statutory Auditors of the Company. The review report of the Statutory Auditors is being filed with Bombay Stock Exchange and National Stock Exchange and is also available on the Company's website www.quescorp.com.
- These financial results have been prepared in accordance with Indian Accounting Standard ('Ind AS') prescribed under Section 133 of the Companies Act, 2013 read with the relevant rules thereunder and in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- Pursuant to the provisions of Listing Agreement, the Management has decided to publish unaudited consolidated financial results in the newspaper. However, the unaudited standalone financial results of the Company will be made available on the Company's website www.quescorp.com and also on the website of BSE (www.bseindia.com) and NSE (www.nseindia.com).
- During the current quarter, the Company has completed the Institutional Placement Programme (IPP) and raised a total capital of Rs 87,392.23 lakhs by issuing 10,924,029 equity shares of Rs 10 each at a premium of Rs 790 per equity share. The proceeds from IPP is Rs.84,754.90 lakhs (net of estimated issue expenses).

Details of utilisation of IPP proceeds are as follows:

(Rupees in lakhs)

Particulars	Objects of the issue as per the prospectus	Utilised upto 30 September 2017	Unutilised amount as on 30 September 2017
Acquisitions and other strategic initiatives	62,500.00	-	62,500.00
Funding incremental working capital requirement of our Company	15,000.00	15,000.00	-
General corporate purpose	7,254.90	-	7,254.90
Total	84,754.90	15,000.00	69,754.90

Unutilised amounts of the issue have been temporarily deployed in fixed deposit with banks and invested in mutual funds which is in accordance with objects of the issue. The deployment of net proceeds is expected to be complete by 2020.

Expenses estimated by the Company amounting to Rs 2,637.33 lakhs, in connection with IPP have been adjusted towards the securities premium in accordance with Section 52 of the Companies Act, 2013.

- During the previous year ended 31 March 2017, the Company has completed the Initial Public Offering (IPO) and raised a total capital of Rs 40,000 lakhs by issuing 12,618,297 equity shares of Rs 10 each at a premium of Rs 307 per equity share. The equity shares of the Company got listed on NSE and BSE effective from 12 July 2016. The proceeds from IPO is Rs 37,038.47 lakhs (net of issue expenses).

Details of utilisation of IPO proceeds are as follows:

(Rupees in lakhs)

Particulars	Objects of the issue as per the prospectus	Utilised upto 30 September 2017	Unutilised amount as on 30 September 2017
Repayment of debt availed by the Company	5,000.00	5,000.00	-
Meeting capital expenditure requirement of the Company and Subsidiary MFX US	7,171.70	5,631.36	1,540.34
Funding incremental working capital requirement of our Company	15,790.10	15,790.10	-
Acquisitions and strategic initiatives	8,000.00	8,000.00	-
General corporate purpose	1,076.67	1,076.67	-
Total	37,038.47	35,498.13	1,540.34

Unutilised amounts of the issue as at 30 September 2017 have been temporarily deployed in fixed deposit with banks which is in accordance with objects of the issue. The same needs to be utilised by 2018.

Expenses incurred by the Company amounting to Rs 2,961.53 lakhs, in connection with IPO have been adjusted towards the securities premium in accordance with Section 52 of the Companies Act, 2013.

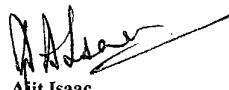
- The Company has entered into a Share Subscription Agreement (SSA) dated 21 June 2017 with Heptagon Technologies Private Limited ("Heptagon") to subscribe 46% of shares for a consideration of Rs 977 lakhs. In accordance with SSA, the Company has acquired 44.94% stake for a consideration of Rs 936.02 lakhs till 30 September 2017 and accordingly Heptagon has become the associate of the Company.

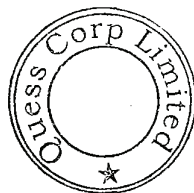
- During the current quarter, the Company has granted options to employees under the ESOP Scheme 2015. The Company has granted 230,680 stock options to employees at the exercise price of Rs 10 each which has graded vesting over a period of 3 years. Accordingly, the Company has accounted for ESOP cost aggregating to Rs 135.98 lakhs using fair value method.



9. During the previous year, the Company had entered into definitive agreement with Manipal Integrated Services Private Limited ("MIS") dated 28 November 2016 to demerge the Facility Management Business and Catering Business (together means "Identified Business") of MIS through the Scheme of Arrangement ("the Scheme") into the Company. The Board vide its meeting dated 28 November 2016 had approved the draft Scheme of arrangement and filed the Scheme with BSE and NSE. The Company in the previous year had received the approval from BSE and NSE dated 23 March 2017 and 27 March 2017 respectively and has filed the Scheme with National Company Law Tribunal (NCLT) dated 26 April 2017 and awaiting the approval. In pursuance of the Scheme, the Company has invested Rs 22,000 lakhs by subscribing to Compulsory Convertible Preference Share of MIS as part of the purchase consideration. The Scheme requires the Company to account for the acquisition, on and from 1 December 2016, i.e. appointed date. In accordance with Indian Accounting Standard 103, Business Combinations, (Ind AS 103), the accounting for the acquisition has to be done on and from the "Acquisition date". As per paragraph 9 of Ind AS 103, the acquisition date is the date on which the acquirer obtains control of the acquiree and is generally the date on which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquiree - the closing date. The appointed date (1 December 2016) as per the Scheme is not the same as the acquisition date, as defined under Ind AS 103. The accounting from the appointed date as mentioned in the Scheme is subject to regulatory approval.
10. The Company had entered into Share Purchase Agreement (SPA) with Terrier Security Services (India) Private Limited ("Terrier") and its shareholders dated 19 October 2016, to acquire 74% stake subject to the approval of Ministry of Home Affairs ("MHA") for consideration as per the terms mentioned in the SPA. The Company in the previous year had acquired 49% stake for a consideration of Rs 720 million ('First Tranche'). Balance 25% stake will be acquired after receiving approval from MHA ('Second Tranche'). As MHA approval is not yet received, Terrier continues to be an associate of the Company.
11. The Company has entered into Share Subscription Agreement (SSA) dated 19 October 2016 with Simpliance Technologies Private Limited ("Simpliance") and its shareholders to acquire equity stake of 45% in Simpliance for a consideration of Rs 250 lakhs. In accordance with SSA, the Company has currently acquired 42.73% equity stake for a consideration of Rs 228 lakhs till 30 September 2017 and accordingly Simpliance has become the associate of the Company.
12. During the year ended 31 March 2015, the Company acquired 100% interest in Brainhunter Systems (Canada) Limited ("BSL") from ICICI Bank, India. Prior to acquisition of BSL by the Company, equity shares of BSL were originally owned by Zylog Systems Limited ("ZSL") and were pledged in favour of ICICI Bank as security for loans availed by ZSL from ICICI Bank. ZSL defaulted on loan repayments and ICICI Bank invoked the pledge and sold the shares to the Company. During the year ended 31 March 2015, the Company had received a notice from the official liquidator of ZSL, alleging that the acquisition of the equity shares of BSL by the Company was not in accordance with law and therefore void-ab-initio, as such sale and transfer of the equity shares of BSL had taken place subsequent to an order passed by the Honorable Madras High Court appointing the official liquidator for ZSL liquidation. Further, the Company had also received letter from the RBI stating its inability to take on record the transfer of the equity shares of BSL until the winding up proceedings of ZSL have been completed and resolved. The Company is of the view that they have a strong case and had taken a legal opinion. The legal opinion reiterates that the case does not have merit and the sale is bonafide on the basis of the following:
- There is adequate precedent that upholds the principle that a secured creditor can independently exercise his rights outside winding up proceedings.
 - ICICI Bank has enforced its security to realise its rights as a secured creditor and the sale is in compliance with Canadian law.
 - That the sale of equity shares of BSL is not prejudicial to the parties and that the same has been undertaken in accordance with the provisions of the law.
- The Company in the earlier years had also obtained legal opinion from Canadian law firm which has confirmed that the acquisition is appropriate from a Canadian jurisdiction perspective. Based on the legal opinions taken by the Company in the earlier years, the Management believes that the acquisition of BSL is appropriate.
13. As per the amendment in the Finance Act 2016, deduction under Section 80JJAA of Income Tax Act, 1961 was extended across all sectors subject to fulfilment of conditions as stipulated in the said Section. The amendment was first applicable for the financial year ended 31 March 2017. Since the provision was subject to a number of clarification and interpretation, the Company has obtained an opinion from an external advisor establishing its eligibility and method to compute deduction under Section 80JJAA in the current quarter. Resultantly, the Company has accounted for 80JJAA deduction and the related impact for the year ended 31 March 2017 in the current quarter.
14. In accordance with Ind AS 108, Operating segments, segment information has been provided in the unaudited consolidated financial results of the Company and therefore no separate disclosure on segment information is given in these standalone unaudited financial results.

for and on behalf of the Board of Directors of
Qess Corp Limited


Ajit Isaac
 Chairman & Managing Director & CEO
 Place: Bengaluru
 Date: 25 October 2017



Disclosures in compliance with regulation 52(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, for the period ended 30 September 2017.

(a) Details of outstanding Non-convertible Debentures:

Sl.No	Name of Series	No of debentures	Amount of Issue
1	8.25% NCD's (issued on 21 January 2017)	1500	150,00,00,000

(b) Credit Rating :

The Credit rating in respect of the above mentioned NCD series is "AA-" by ICRA. We confirm that there is no change in the credit rating as of date.

(c) Asset coverage : 5.26 times*

(d) Debt-Equity ratio: 0.23 times**

(e) Previous due date for payment of Interest: Nil

Next due date for payment of principal and interest

Particulars	Principal due date	Amount	Interest due date	Amount
8.25% NCD's (issued on 21 January 2017)	NIL	NIL	20-Jan-18	12,37,50,000
8.25% NCD's (issued on 21 January 2017)	NIL	NIL	20-Jan-19	12,37,50,000
8.25% NCD's (issued on 21 January 2017)	NIL	NIL	20-Jan-20	12,37,50,000
8.25% NCD's (issued on 21 January 2017)	NIL	NIL	20-Jan-21	12,37,50,000
8.25% NCD's (issued on 21 January 2017)	20-Jan-22	150,00,00,000	20-Jan-22	12,37,50,000

(f) Debt service coverage ratio: 4.51 times***

(g) Interest service coverage ratio: 4.54 times****

(h) Debenture redemption reserve: Rs 562.50 lakhs as at 30 September 2017

(i) Net worth: Rs 1,79,905.94 lakhs as at 30 September 2017

(j) Net profit after tax: Rs 15,947.64 lakhs for six months ended 30 September 2017

(k) Earnings per share: Included in the results

* Asset coverage ratio = [(Total assets-Intangible assets)-(Current liabilities-short term debt)] divided by total debt.

** Debt-equity ratio = Total debt divided by Equity

*** DSCR = [Profit before interest and exceptional items divided by (Interest expense together with principal repayments of long-term debt during the year)]

**** ISCR = [Profit before interest and exceptional items divided by interest expense]

