

B S R & Associates LLP

Chartered Accountants

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Limited Review Report on Quarterly Standalone Financial Results and Year to date Standalone Financial Results of 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 nine months ended 31 December 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 24 January 2018. 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 Auditor 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.

The financial results of the merged business for the period from appointed date i.e. 1 December 2016 to 31 March 2017 included in the Statement were audited by the other auditor whose unmodified audit report dated 23 January 2018 has been furnished to us and has been relied upon by us for the purpose of review/audit of the Statement.

We draw attention to note 9 to the Statement regarding the Scheme of Arrangement (Scheme) which has been approved by National Company Law Tribunal (NCLT) vide its order dated 30 November 2017. The Company has given effect to the Scheme from the appointed date specified in the Scheme i.e. 1 December 2016. The accounting treatment is different from that prescribed under Ind AS 103 Business Combinations. Our conclusion is not modified in respect of this matter.



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Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement 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 and in the context of overriding effect of the accounting treatment for the merger scheme approved by the NCLT vis-à-vis the treatment that would have been applicable otherwise as described in note 9 to the Statement 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



Siddhartha Sharma

Partner

Membership No.: 118756

Place: Bengaluru

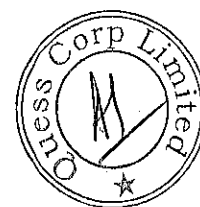
Date: 24 January 2018

(Rupees in lakhs except per share data)

Part I Statement of unaudited standalone financial results for the quarter and nine months ended 31 December 2017

Sl. No.	Particulars	Standalone					
		Quarter ended			Nine months ended		Year ended
		31 December 2017	30 September 2017	31 December 2016	31 December 2017	31 December 2016	31 March 2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Income						
	a) Revenue from operations	113,710.97	103,170.15	86,135.17	311,787.57	250,307.83	344,292.70
	b) Other income	1,336.94	1,689.42	571.15	3,425.37	1,245.42	1,620.75
	Total income (a + b)	115,047.91	104,859.57	86,706.32	315,212.94	251,553.25	345,913.45
2	Expenses						
	a) Cost of material and stores and spare parts consumed	3,500.87	2,777.82	781.57	8,705.16	3,406.04	5,833.56
	b) Employee benefit expense	94,259.47	86,710.58	74,589.39	260,075.91	217,256.09	294,596.88
	c) Finance costs	1,200.89	1,092.96	981.13	3,518.97	2,554.58	3,896.44
	d) Depreciation and amortisation expense	641.40	546.25	460.83	1,701.74	1,285.63	1,792.00
	e) Other expenses	10,345.40	8,101.13	6,025.89	26,265.15	15,918.59	25,061.42
	Total expenses (a + b + c + d + e)	109,948.03	99,228.74	82,838.81	300,266.93	240,420.93	331,180.30
3	Profit before tax and exceptional items (1 - 2)	5,099.88	5,630.83	3,867.51	14,946.01	11,132.32	14,733.15
4	Exceptional items	-	-	-	-	-	-
5	Profit before tax (3 + 4)	5,099.88	5,630.83	3,867.51	14,946.01	11,132.32	14,733.15
6	Tax expense (refer note 13)						
	Current tax	781.37	551.53	192.40	2,394.46	2,310.65	3,695.22
	Deferred tax	(1,047.90)	(2,050.47)	1,049.37	(3,001.20)	1,541.98	1,448.57
	Income tax relating to previous year	-	(6,851.88)	-	(6,851.88)	-	-
	Total tax expense	(266.53)	(8,350.82)	1,241.77	(7,458.62)	3,852.63	5,143.79
7	Profit for the period (5 - 6)	5,366.41	13,981.65	2,625.74	22,404.63	7,279.69	9,589.36
8	Other comprehensive income						
	<i>Items that will not be reclassified subsequently to profit or loss</i>						
	Remeasurement of defined benefit plans	3.93	(285.37)	55.69	(360.29)	(263.43)	(307.33)
	Income tax relating to items that will not be reclassified to profit or loss	(1.37)	98.76	(19.27)	124.68	91.17	106.52
	Other comprehensive income for the period, net of taxes	2.56	(186.61)	36.42	(235.61)	(172.26)	(200.81)
9	Total comprehensive income for the period (7 + 8)	5,368.97	13,795.04	2,662.16	22,169.02	7,107.43	9,388.55
10	Paid-up equity share capital (Face value of Rs 10 per share)	14,548.42	13,833.49	12,679.10	14,548.42	12,679.10	12,679.10
11	Reserves i.e. Other equity						113,164.61
12	Earning Per Share (EPS)						
	(a) Basic (Rs)	3.69	10.04	2.03	16.05	5.95	7.66
	(b) Diluted (Rs)	3.65	9.94	2.00	15.88	5.86	7.55

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

Unaudited financial results for the quarter and nine months ended 31 December 2017

Notes :

- The Statement of unaudited standalone financial results ('the Statement') of Quess Corp Limited ('the Company') for the quarter and nine months ended 31 December 2017 has been reviewed by the Audit Committee and thereafter approved by the Board of Directors in the meeting held on 24 January 2018.
- The figures for the quarter and nine months ended 31 December 2017 was subjected to 'Limited Review' by the 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 Standards ('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 the Listing Agreement, the Management has decided to publish unaudited consolidated financial results in the newspapers. 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 six months period ended 30 September 2017, 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:

Particulars	Objects of the issue as per the prospectus	<i>(Rupees in lakhs)</i>	
		Utilised upto 31 December 2017	Unutilised amount as on 31 December 2017
Acquisitions and other strategic initiatives	62,500.00	18,763.33	43,736.67
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	33,763.33	50,991.57

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 40,000.00 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:

Particulars	Objects of the issue as per the prospectus	<i>(Rupees in lakhs)</i>	
		Utilised upto 31 December 2017	Unutilised amount as on 31 December 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	7,171.70	-
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	37,038.47	-

During the nine months period ended 31 December 2017, the Company has completed the utilisation of IPO funds. 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.

- During the nine months period ended 31 December 2017, the Company has entered into a Share Subscription Agreement (SSA) dated 21 June 2017 with Heptagon Technologies Private Limited ("Heptagon") and has acquired 46% of shares for a consideration of Rs 977.00 lakhs. Accordingly, Heptagon has become the associate of the Company.
- During the quarter ended 30 September 2017, 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 420.31 lakhs for the nine months period ended 31 December 2017 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") at a consideration of Rs 67,909.00 lakhs. 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.

During the current quarter, the Company has obtained approval from the NCLT dated 30 November 2017, to merge Identified Business of MIS. The Scheme has been filed with Registrar of Companies ("ROC") on 13 December 2017. The appointed date of the Scheme is 1 December 2016 which is the effective date of merger approved by NCLT. The NCLT order override the requirements under Ind AS 103, Business Combinations, and hence the company has considered the date of acquisition as 1 December 2016. The Company has considered the said merger as a business acquisition from the appointed date and accordingly have restated its results for the comparative quarters/ periods including Earnings Per Share ('EPS').

The impact of merger on the Statement are as follows:

(Rupees in lakhs except per share data)

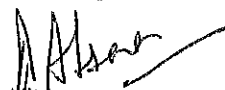
Particulars	for the quarter ended 31 December 2017	for the quarter ended 30 September 2017	for the quarter ended 31 December 2016	for the nine months ended 31 December 2017	for the nine months ended 31 December 2016	for the year ended 31 March 2017
Revenue (including other income)	8,186.50	6,138.56	2,055.27	19,554.20	2,055.27	8,229.14
Total expenditure	7,622.66	5,569.62	1,906.30	17,890.53	1,906.30	7,655.27
Profit after tax	563.84	568.94	148.97	1,663.67	148.97	573.87
Basic Earning Per Share	0.39	0.41	0.12	1.19	0.12	0.46
Diluted Earnings Per Share	0.38	0.40	0.11	1.18	0.12	0.45

The identified business includes two subsidiaries namely Master Staffing Solutions Private Limited (100% owned) and Golden Star Facilities & Services Private Limited (60% owned). The Company has a contractual commitment to acquire the non-controlling interest in Golden Star Facilities & Services Private Limited.

- 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 7,200.00 lakhs ('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 Purchase Agreement (SPA) and Share Holders Agreement (SHA) dated 20 November 2017 with Tata Business Support Services Limited ("TBSS") and its shareholders to acquire 100% equity stake in TBSS. In accordance with the SPA and SHA, during the quarter the Company has acquired 51% stake for an estimated consideration of Rs 15,272.82 lakhs and thus TBSS has become the subsidiary of the Company. The Company has a contractual commitment to acquire the non-controlling interest. The name of Tata Business Support Services Limited has been changed to Conneqt Business Solutions Limited w.e.f. 9 January 2018.
- 12 The Company has entered into Share Purchase Agreement (SPA) and Share Holders Agreement (SHA) dated 25 October 2017 with Vedang Cellular Services Private Limited ("Vedang") and its shareholders to acquire 100% equity stake in Vedang. In accordance with the SPA and SHA, during the quarter the Company has acquired 70% stake for a consideration of Rs 3,990.00 lakhs and thus Vedang has become the subsidiary of the Company. The Company has a contractual commitment to acquire the non-controlling interest.
- 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 clarifications and interpretations, the Company had obtained an opinion from an external advisor establishing its eligibility and method to compute deduction under Section 80JJAA in the previous quarter. Resultantly, the Company had accounted for 80JJAA deduction and the related deduction for the year ended 31 March 2017 in the previous 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 Board of Directors of

Qness Corp Limited



Amit Isaac

Chairman & Managing Director

Place: Bengaluru

Date: 24 January 2018

