**Quess Corp Limited – Response to Queries**

All capitalized terms used herein shall, unless specifically defined herein, have the meanings as assigned to them in the draft red herring prospectus dated February 1, 2016 filed with the Securities and Exchange Board of India on February 2, 2016 (“**DRHP**”).

1. Operating Cash flow for the Quess group (called Quess henceforth) has been *negative* over the past 5 and half years until Sept. 2015, at ₹ - 68 million despite net profits of ₹ 1,392 million

**Response:** Details of negative operating cash flows of Quess Corp Limited (the “**Company**”) and its Subsidiaries (collectively, the “**Quess Group**”) have been disclosed in the DRHP in the section “*Risk Factors*” as risk factor 61 on page 42.

Further, details relating to the cash flows of the Quess Group have also been disclosed in the section “*Management's Discussion and Analysis of Financial Condition and Results of Operations*” under the heading “Cash Flows” on page 376 of the DRHP.

1. The scale effects of the business are not seen in the biggest cost component of its economics, i.e. direct costs. Direct costs, which includes costs of services and employee expenses constituted 90.3% of revenues in FY 11 and increased to 90.9% in HY 16, despite scaling up revenues by more than 10 times.

**Response:** Based on the discussions with the Company and the disclosures made in the DRHP, the variation in cost of services and employee benefit expenses over the last five fiscals and the half year ended September 30, 2015 has only been [approximately 0.6%] and therefore, is not material to be disclosed specifically in the DRHP.

1. The various business segments as classified by Quess show that its mainstay business of people staffing is getting less profitable, while newer segment carry higher margins. In the traditional and the largest segment “People and services”, i.e. general staffing, Profits After Tax or PAT as % of sales has dropped from 5.3% in FY 11 to 3.3% in HY 16 and contributed 38% of PAT, down from 80% in FY 11. The “Global technology solutions” segment providing “IT staffing, IT product solution and services”, saw a rise from 3.2% in FY 11 to 8.4% in FY 15 and dropping to 5.9% in H1 FY 16. Similarly “Integrated facility management” saw its margins rise from 2.1% to 11.4% before falling to 5%.

**Response:** Disclosures on the margins of various business segments have been made in the DRHP in the section “*Risk Factors*”. Specific attention is drawn to risk factor 7 on page 22, wherein it is mentioned that the GTS, IFM and IAM businesses are relatively high margin businesses compared to the P&S business. Separately, risk factor 15 on page 26 also mentions that the Quess Group’s results of operations may fluctuate in the future depending on a number of factors, including but not limited to its ability to increase and/or maintain the proportion of high-margin business segments, such as the GTS, the IFM and the IAM businesses, compared to the proportion of the relatively thin margin business, i.e., the P&S business. Further, as mentioned in risk factor 24 on page 29, owing to intense price competition in the general staffing business, gross margins in the P&S business are lower.

1. Part of the IPO proceeds will be used to fund capital expenditure of a subsidiary MFX US, which, along with various subsidiaries and related entities was acquired from the parent shareholder of TCIL, Fairfax Financial Holdings Ltd (FFHL). However Quess is required to pay 40% of net income from MFX group for a period of 5 years until Dec 2019 to the parent Fairfax Financial Holdings Ltd. In short IPO funds will be partly used to enhance earnings for FFHL, not Quess owners, even as Quess buys it from FFHL with no equity and only debt worth ₹ 314.1 million. The negative equity despite, “*MFX has a track record of around 15 years in developing IT solutions, particularly focused on the P&C insurance industry*”

**Response:** not required

1. While TCIL said that the shares will be towards securing AI’s full commitment by helping him keep control with a 25% holding, the shares have not been renounced to him. The shares have been renounced to a firm owned by him and Ms Sarah Isaac called Net Resources Investments Pvt Ltd (NRIPL). TCIL had said it will “renounce them in favour of Mr. Ajit Isaac and/or his nominees.” but no share has been renounced to Mr Ajit Isaac. Further AI himself renounced his rights in favour of NRIPL.

**Response:** As disclosed on page 195 of the DRHP, Mr. Ajit Isaac holds 1,259,900 equity shares of NRIPL constituting 99.99% of the issued and paid up equity share capital of NRIPL. Further, based on the clarifications provided by the Company, for the purposes of rights issue, Net Resources Investments Private Limited (“**NRIPL**”) was the nominee of Mr. Ajit Isaac.

1. NRIPL has two directors, AI and Subrata Nag (SN). However SN is also the CFO, Executive and Wholetime Director of Quess Corp. In other words SN serves shareholders of Quess (and indirectly of TCIL) and also serves AI in a separate and potentially conflicting capacity. SN has been serving NRIPL possibly since 2006. Further NRIPL and Quess share the same registered address indicating that they possibly share some resources and attention of management / directors at the same time~~18~~.

**Response:** As confirmed by Mr. Subrata Kumar Nag, he is merely a non-executive director of NRIPL and there is no potentially conflicting capacity pursuant to the said directorship. Further, he has neither received any benefit or remuneration from NRIPL nor has he entered into any arrangement or agreement which provides for such benefit in the event of termination of his directorship from NRIPL. Furthermore, please note that the Company has taken the registered office on lease from NRIPL until July 31, 2023, which has already been disclosed in risk factor 62 on page 43 and pages 182 and 195 of the DRHP.