

# Quess drops Allsec merger plans on investor dissent

The development marks a rare episode of minority investors prevailing over promoters

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**O**pposition from minority investors of Allsec Technologies Ltd and a 34% plunge in Quess Corp.'s share price has prompted the board of India's largest staffing firm to withdraw its merger plans with Allsec in December, six months after it proposed to do so, three executives familiar with the development said.

The development marks a rare episode of minority investors prevailing over promoters. The company's public investors believe the fair price of Allsec shares should be ₹707 apiece, far more than the ₹463 valued by Quess.

According to the announcement on 22 June, Allsec's minority shareholders were to get 74 shares of Quess for every 100 shares in Allsec in an all-stock deal. The Quess shares ended on 20 June at ₹625.80 apiece, implying the company had valued Allsec at ₹463 per share.

The development irked the public investors of Bengaluru-based Quess. Though *Mint* could not independently ascertain the names of many investors, at least one shareholder, Uday Gujar, a Pune-based chartered accountant, sought the help of a valuation expert—a partner of a Mumbai-based consulting firm to independently carry out the valuation of Allsec Tech.

Ten days before Quess withdrew its offer, Estratgo Advisors concluded that Allsec should be valued at ₹707 a share as on 20 June.

"Uday Gujar (and a few shareholders represented by him) have certain reservations regarding the proposed merger of Allsec Technologies with Quess Corp.," Mansi Patel, partner at Estratgo Advisors LLP, a Mumbai-based consulting firm, wrote in a note dated



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12 December.

"We have been informed that Uday Gujar, along with a few other shareholders (represented by Purab Gujar) is not convinced about the valuation of

confidentiality obligations.

"The share price erosion in Quess was surely one reason, but many minority investors expressed their unhappiness to the (Quess) manage-

## WHAT WENT WRONG?

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**ALLSEC'S** minority shareholders were to get 74 shares of Quess for every 100 shares in Allsec

**THE** Quess shares ended on 20 June at ₹625.80 apiece, valuing Allsec at ₹463 per share

**MANY** minority investors expressed their unhappiness to Quess about the low value of Allsec

Allsec proposed under the scheme and have voiced their reservations to the company and the Securities and Exchange Board of India," Patel said in the report.

When contacted, Uday Gujar and Purab Gujar, a fund manager, declined to comment. Patel of Estratgo also refused to comment, citing client con-

ment about the low value of Allsec Technologies," said an investor, seeking anonymity.

"For such a kind of transaction to go through, a majority of minority shareholder vote was needed, and it appears that is when Quess realized it could not have closed the transaction without the support of public investors," he added.

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However, two investors are confident that the staffing firm will come back with a better offer.

Quess bought a majority stake in Allsec Technologies in 2019 and owns 73.39% of the Chennai-based company, with the remaining 26.61% shares held by public shareholders.

"Our purpose to merge with Allsec Technologies was to bring synergies and build integrated strength in our Global Technology Solutions (GTS) on customer life-cycle management and platform business. The merger was agreed upon on 22 June last year. Since then, the overall market scenario has been subject to constant change. In the interest of shareholders of both parties, the board has taken a decision to reconsider the matter at an appropriate time," said Quess's chief executive officer Guruprasad Srinivasan.

Srinivasan did not answer the questions pertaining to public shareholders' opposition or elaborate on the market scenario.

However, a fall in Quess's share price is underscored by the waning demand for temp staffing firms, including TeamLease Services and Naukri.com (part of InfoEdge), all of whom have warned of a slowdown in the IT services sector.

Quess Corp, founded in 2007 by Ajit Issac, has emerged as the country's largest temporary staffing firm, with a workforce of 504,000, on the back of 24 acquisitions.

Quess offers recruitment services to platform-based firms such as Swiggy and Uber and also to IT services firms, including Infosys Ltd.

Quess reported ₹4,273 crore in revenue and a 3.16% Ebitda (earnings before interest, taxes, depreciation and amortization) margin in the July-September period.