

Warburg-backed Quest buys Nest for ₹500 cr

Sujit John & Shilpa Phadnis | TNN

Bengaluru: Warburg Pincus backed Quest Global Engineering has acquired 84% stake in Nest Software, the engineering and embedded services business of Kochi-based Nest Group, for slightly over Rs 500 crore.

Bengaluru-based Quest provides engineering outsourcing services to clients that include Rolls Royce, GE, Pratt & Whitney and Airbus. The Nest deal will bolster Quest's revenue by about Rs 300 crore and also give the company a significant start in the healthcare domain. Investment bank o3 Capital advised on the transaction.

The acquisition will add 1,900 employees, taking Quest's total strength to 6,850. About 4,500 of these employees are in India, 1,350 in the US and 1,000 in Europe. Most of Quest's India employees are in Bengaluru and Belagavi, and that of Nest in Thiruvananthapuram.

Quest said its revenue in the year ended March 2014 was \$251 million (Rs 1,500 crore) and expects that to grow organically — excluding Nest — to \$290 million (Rs 1,740 crore) this year.

The sale will see NeST, a \$200 million enterprise founded by Silicon Valley entrepreneur Jawed Hasan, staying focused on hardware,



Ajit Prabhu,
CEO of Quest

manufacturing and R&D domains. Quest clinched the deal pipping private equity investor Kedaara Capital, who was seen as a front-runner in the dealmaking till three months

ago. Kedaara, founded by former Temasek honcho Manish Kejriwal and General Atlantic MD Suneesh Sharma, had done extensive diligence work on the transaction before dropping off.

"It was a hard-fought battle for us," said Ajit Prabhu, who founded Quest together with long-time friend and colleague Aravind Meligeri in 1997. "Healthcare is a hot and busy segment and lots of companies are looking at making investments. There are plenty of innovations emerging related to handheld diagnostic devices, mobility, healthcare apps and medical records on the cloud," he said.

About 40% of Nest's revenues come from healthcare, and 20% each from industrial, transport, and communication & semiconductor. Quest's revenues are dominated by aerospace, which prior to the Nest acquisition stood at 65%, but comes down to 50% following the acquisition. It's also strong in power and oil & gas.