

Highly Commended Winner

First Class Relationship Management

QuEST Global

Vikram Mehta, Associate Vice President, Finance and Treasurer



QuEST Global is a privately held product engineering company in the aero engines, aerospace and defence, hi-tech and industrial, medical devices, oil and gas, power and transportation verticals. The company's treasury team is in Bangalore, India, and is responsible for Global Treasury across 14+ countries (North America, Asia and Europe), 40+ legal entities and 11,000+ employees.

Value of relationships key during credit and Covid crisis



Lokesh Reddy, Senior Manager and Vikram Mehta, Associate Vice President, Finance and Treasurer

The challenge

During the recent COVID-19 pandemic the business hit a perfect storm. A debt refinancing and an initial public offering (IPO) was abruptly delayed.

With 76% of revenues exposed to the aerospace, transportation and oil and gas sectors, the company faced challenging times. Further, a handful of its customers drive the entire value chain in each of their industry verticals.

While QuEST has an excellent track record in acquisitions, these are inherently risky with two of its 14 acquisitions having burnt cash.

The company has significant foreign exchange exposure. During this difficult period, it saw a headcount cut of 2,000 announced immediately post COVID-19.

The solution

"We closed a long-term bullet US\$95m credit line with our existing lenders last November. This transaction closed in the most stressful time, when market liquidity for industries in aerospace and oil and gas was non-existent. Most of our lenders took write-offs (due to bankruptcies) and it was not easy for their credit committee to approve this loan. We convinced bankers to lend us US\$80m and then increased the amount

to US\$95m," explains Vikram Mehta, Associate Vice President, Finance and Treasurer.

The company priced the deal at favourable terms as they didn't pay extra interest for enhanced market risk and a higher cost of capital for banks, but at the same time benefitted from the reduction in LIBOR rates, which effectively meant its cost of borrowing today is lower compared to pre-COVID rates. The business will be down 18% this year with 70%+ of the business in affected sectors (which increased the credit risk of QuEST), yet the company was still able to raise finance on favourable terms.

The credit line was possible due to the excellent relationships with five key relationship banks, Citi, BNP Paribas, Standard Chartered, HSBC and ING, transparency on the business and its financials, and the excellent trust and relationships that QuEST has built with these banks over the years.

Best practice and innovation

"As treasurer, I like to think of myself as Chief Liquidity Officer. My number one job is to ensure that capital is not a constraint in any economic environment. If we are building a company that lasts 100 years; ups and downs will come and go. It's my responsibility to ensure there is enough cash for growth or crisis," says Mehta.

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As an example, over the past ten years QuEST has raised US\$600m in debt because there was a year when the company grew 37% through four acquisitions. While last year's US\$95m boosted its financial flexibility during Covid, Mehta ensured capital was not a constraint irrespective of inorganic growth or economic downturn.

Being Chief Liquidity Officer requires constant monitoring of markets and business and opportunistically moving to alternative paths before you need to. Mehta thinks ahead to ensure no disruption or distraction to engineering services due to internal or external liquidity crisis. Even though the company had sufficient cash, it immediately closed the US\$95m facility.

"QuEST is playing offence, not defence, today. We just closed an acquisition, and we are pursuing more acquisitions one of which may close any day now," says Mehta.

Key benefits

- Validated the strength of bank relationships.
- Centralised fund raising and bank relationships.
- Improving access to capital markets.
- Minimised cash in countries with capital controls.
- Boosted tax efficiency of external debt.



This transaction is testament to the emphasis QuEST puts on maintaining strong relationships with their strategic banks. Through our close collaboration with the QuEST team, Citi was able to upsize the loan amount despite the disruption of COVID-19 and its impact on the business. For this transaction, they had presented a solid business plan and have built trust and credibility with Citi over the past ten years through transparency and ongoing candid discussions.

Alexander Tan, Relationship Manager, Mid-Corporates, Citi Commercial Bank

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