

July 01, 2021

## Golden Star Facilities and Services Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
LT Fund Based CC	24.00	24.00	[ICRA]AA (CE) (Stable); reaffirmed
LT Non-fund based	1.00	1.00	[ICRA]AA (CE) (Stable); reaffirmed
LT Fund based CC (Sublimit)	(5.00)	(5.00)	[ICRA]AA (CE) (Stable); reaffirmed
LT Non-Fund based (sublimit)	(1.00)	(1.00)	[ICRA]AA (CE) (Stable); reaffirmed
ST Fund Based	10.00	10.00	[ICRA]A1+ (CE); reaffirmed
ST fund based (sublimit)	(24.00)	(24.00)	[ICRA]A1+ (CE); reaffirmed
ST non-fund based (sublimit)	(5.30)	(5.30)	[ICRA]A1+ (CE); reaffirmed
ST Fund based (Sublimit)	(10.00)	(10.00)	[ICRA]A1+ (CE); reaffirmed
<b>Total</b>	<b>35.00</b>	<b>35.00</b>	

<b>Rating Without Explicit Credit Enhancement</b>	<b>[ICRA]BBB+ / [ICRA]A2</b>
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\*Instrument details are provided in Annexure-1

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

### Rationale

The rating for the bank facilities of Golden Star Facilities and Services Private Limited (Golden Star) is based on the credit profile of its parent, Qess Corp Limited (Qess; rated [ICRA]AA (Stable)/[ICRA]A1+). Further, ICRA's assessment of the strength of the linkages between Golden Star and Qess, including the corporate guarantee furnished by Qess to Golden Star for the rated facilities, is a key driver of the rating. The above ratings are based on the strength of the corporate guarantee provided by Qess Corp Limited (Qess; rated [ICRA]AA (Stable)/[ICRA]A1+), the parent of Golden Star, for the rated bank facilities.

The Stable outlook on the rating reflects ICRA's outlook on the rating of the guarantor as well as the expectation that Golden Star would continue to maintain its standalone credit profile over the medium term.

### Adequacy of credit enhancement

For assigning the rating, ICRA has assessed the attributes of the guarantee issued by Qess Corp Limited (QCL) in favour of the said instrument. The guarantee is legally enforceable, irrevocable and unconditional and covers the entire amount and tenor of the rated instrument, taking cognisance of the above, ICRA has assigned a rating of **[ICRA]AA (CE)/Stable/[ICRA]A1+(CE)** to the said instrument against the unsupported rating of [ICRA]BBB+/[ICRA]A2. If the rating of the guarantor, QCL, were to undergo a change in future, the same would have a bearing on the rating of the aforesaid instrument as well. The rating of this instrument may also undergo a change in a scenario whereby, in ICRA's assessment, there is a change in the strength of the business linkages between the guarantor and the rated entity or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity or there is a change in the strategic importance of the rated entity for the guarantor.

### Salient covenants of the rated facility

- The working capital facility/ies granted by the Bank and other banks (if any), both secured and unsecured, shall be within the overall working capital requirements of as assessed by the banks
- The borrower to obtain prior permission from the bank before raising any further loans/ availing any facility/ies against the assets offered as security for facility/ies of the Bank.
- Reduction/ change in promoter shareholding/ change in promoter directorship resulting in change in management control shall be undertaken with prior permission of the bank.

- Pledge of shares by promoters which may potentially change management control (if pledge is enforced) shall be undertaken with prior approval of the bank. For the above purpose, transfer of shares includes formation of a Trust which becomes the beneficiary of promoters' shareholding.
- Any reduction in management control to be with the prior permission of the bank Company to submit quarterly financials within 45 days of closure of the quarter
- The Guarantor irrevocably, absolutely and unconditionally guarantees, upon demand, forthwith pay to the Lenders without demur, all amounts due to the Lender under the Facility. Due amount includes principal of the loan, interest, additional interest, liquidated damages, costs, charges, fees and other monies due under the Facility.
- Guarantee shall not be affected by any variations, alterations, waiver of any terms of the loan or security
- Rights under the guarantee shall remain in full force and effect and would be binding on the Guarantor
- The Guarantee shall be a continuing one and remains valid and binding on the Guarantors for the period until all monies due to the Lenders are repaid in full

## Key rating drivers and their description

### Credit strengths

**Comfort drawn from corporate guarantee provided by Qness Corp Limited towards bank facilities of Golden Star** – The rating derives comfort from the irrevocable and unconditional corporate guarantee extended by Qness and undertaking provided by the guarantor that it would ensure that the related debt obligations are serviced on or prior to the due date.

**Operational support and management expertise from Qness Corp Limited and strong operational track record of Golden Star in facility management business** – Qness is one of the largest players in the facility management business in India. Golden Star's operations are guided by an experienced management team with over two decades of experience in the facility management business.

**Comfortable capital structure** – The gearing remained comfortable at 0.1 times as on March 31, 2021. The company has debt consisting of only short term working capital borrowings, as on March 31, 2021 Rs. 3.8 crore has been utilized as against sanctioned limits of Rs. 35.0 crore.

### Credit challenges

**Highly fragmented industry; modest operating margins, expected to remain at similar levels over the medium term** – The presence of large number of small players makes the facility management industry highly competitive and fragmented, thereby resulting in modest operating margins. Golden Star's businesses was impacted in 9M FY2021 by the pandemic-related lockdown, closure of IT parks, offices, educational institutions, hostels, the shift to work from home, etc.,. However, in Q4 FY2021, the businesses witnessed a healthy growth with a pickup in economic activity and the recommencement of offices and educational institutions. Operating margins improved to 5.4% in FY2021 as against 3.2% in FY2020 on the back of various cost control initiatives adapted by the management (such as reduction in employee cost, general and administration expenses etc.) Going forward, the operating margins are expected to remain in line with past trends.

**Geographical concentration with more than 90% of revenue derived from South India** – Golden Star derives about 90% of its revenue from Bangalore and Telangana and the remaining states like Tamil Nadu, Delhi, Andhra Pradesh, etc contributes the remaining 10%. Golden Star is focusing on expanding its presence across geographies by adding new client, while maintaining its strong position in Bangalore and Telangana region. The geographical concentration risks will continue to persist over the medium term.

## Liquidity position:

### For the rated entity (Golden Star): Adequate

Golden Star's liquidity position remains adequate characterised by the sufficient buffer of Rs. 21.0 crore as on March 31, 2021 available in its working capital facilities as against its drawing power. The average utilisation of working capital limits availed by the company stood at 28% of the drawing power during April 2020 to March 2021. The company has no major capex plans and is expected to incur maintenance capex of Rs. 0.5 crore per annum for the next three years, which will be entirely funded through internal accruals. Golden Star has no external term loans on its books as on date and the absence of major capex plans and no term debt repayments support liquidity.

### For the support provider (Quess Corp Limited): Strong

On average, the company utilised 52.7% of its sanctioned working capital limits as of the end of every month during the 12-month period ending January 31, 2021 with utilisation of 34.4% in January 2021. However, peak utilisation of working capital limits is expected to be ~60-65% of the sanctioned limits (down from ~85% in the previous year) as the salaries are paid out during various dates of the month.

In terms of debt repayment, QCL has no debt repayments at the standalone level. However, on a consolidated basis, it has a cumulative debt repayment of Rs. 188.5 crore during FY2022-FY2023. This is comfortable compared to the expected cash accruals. Further, ICRA notes that the company's liquidity profile remains strong on the back of cash balances of Rs. 546.7 crore as on December 31, 2020, healthy buffer available on working capital limits (sanctioned limits of Rs. 1,147 crore), expected income tax refunds of ~Rs. 130 crore and financial flexibility enjoyed by virtue of the strong promoter profile.

## Rating sensitivities

**Positive Factor:** The rating would remain sensitive to any movement in the rating or outlook of the guarantor, Quess Corp Limited.

**Negative Factors:** The rating would remain sensitive to any movement in the rating or outlook of the guarantor, Quess Corp Limited. Further negative pressure on the rating could arise in case of any significant deterioration in the operations of the company.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Approach for rating debt instruments backed by third-party explicit support</a>
Parent/Group Support	Quess Corp Limited (rated [ICRA]AA (Stable))/[ICRA]A1+ The assigned rating is based on an unconditional, irrevocable corporate guarantee extended by Quess.
Consolidation/Standalone	The ratings are based on the standalone financial statements of the rated entity.

## About the company

Golden Star Facilities and Services Private Limited (Golden Star/the company), incorporated in the year 2008 was started initially by Ms. Anita Verghese in the year 1998 as a proprietorship concern but at present is entirely owned by Quess, provides facility management services. Under facility management services, they provide housekeeping services, carpet shampooing, façade cleaning, pest control, plotted plants etc. However, 90% of their revenues is from housekeeping services. Their clients include large industry leading corporates across banking ITes, manufacturing, ecommerce and other sectors. Having their corporate and registered office at Hyderabad, their branch operations are managed with respective branch heads at 16 states.

## About the guarantor

Quess Corp Limited (QCL) offers end-to-end business solutions like general staffing, professional staffing, technology staffing, IT products and solutions, skill development, payroll, compliance management, integrated facility management and industrial asset management services to corporate clients operating across sectors. By dealing with QCL, clients have the flexibility to maintain a large employee base throughout the year, thereby allowing them to save on unwanted manpower costs during the off-season and outsource their non-core activities. In February 2018, QCL acquired a 100% stake in Monster Worldwide's entities in India, Singapore, Hong Kong and Malaysia. These entities have operations across India, Singapore, Malaysia, the Philippines, Hong Kong, Vietnam, Thailand, Indonesia, the UAE and the Kingdom of Saudi Arabia and currently operates the same under the internet business segment.

QCL currently operates under three major segments – Workforce Management, Global Technology Solutions and Operating Asset Management. QCL was incorporated in October 2007 in Bengaluru and is promoted by Mr. Ajit Isaac. The company received an initial round of private equity funding in February 2008 wherein India Equity Partners (IEP) acquired a stake in QCL for an investment of Rs. 21.3 crore. In May 2013, Thomas Cook (India) Limited (TCIL), India's largest integrated travel company, acquired a 74.85% stake in QCL for a consideration of Rs. 256 crore. IEP had also exited QCL by selling its shares to TCIL as a part of this deal. In FY2020, QCL was demerged from TCIL resulting in Fairfax currently holding a 32.29% stake in QCL.

QCL has acquired companies engaged in a variety of businesses over the last few years and currently operates various joint ventures and subsidiaries. On a consolidated basis, the company currently has ~3,30,000+ associate employees under payrolls providing services to ~3,000+ clients across 10 countries. QCL provides services to clients operating in domains such as retail, information technology (IT), IT enabled services (ITeS), consumer durables, telecom, pharmaceuticals, entertainment, FMCG, etc. Headquartered in Bengaluru, QCL operates through 65 offices located in various parts of the world.

## Key financial indicators (audited)

Golden Star - Standalone	FY2020	FY2021
Operating Income (Rs. crore)	242.6	200.6
PAT (Rs. crore)	3.3	6.2
OPBDIT/OI (%)	3.2%	5.4%
PAT/OI (%)	1.3%	3.1%
Total Outside Liabilities/Tangible Net Worth (times)	1.8	0.9
Total Debt/OPBDIT (times)	3.2	0.4
Interest Coverage (times)	2.5	7.9

**Source:** Company, ICRA research; All calculations are as per ICRA research; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

	Instrument	Current Rating (FY2022)				for the past 3 years Chronology of Rating History		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2021	Date & Rating in FY2019
					Jul 1, 2021	Apr 06, 2020	Apr 04, 2019	Mar 01, 2019
1	Cash Credit	Long term	24.00	3.8	[ICRA]AA(CE) (Stable)	[ICRA]AA(CE) (Stable)	[ICRA]AA(CE) (Stable)	[ICRA]AA(CE) (Stable)
2	WCDL	Short term	(24.00)	NA	[ICRA]A1+ (CE)	[ICRA]A1+ (CE)	[ICRA]A1+ (CE)	[ICRA]A1+ (CE)
3	Bank Guarantee	Short term	(5.30)	NA	[ICRA]A1+ (CE)	[ICRA]A1+ (CE)	[ICRA]A1+ (CE)	[ICRA]A1+ (CE)
4	WCDL	Short term	10.00	NA	[ICRA]A1+ (CE)	[ICRA]A1+ (CE)	[ICRA]A1+ (CE)	
5	Cash Credit (Sublimit)	Long term	(5.00)	NA	[ICRA]AA (CE) (Stable)	[ICRA]AA (CE) (Stable)	[ICRA]AA (CE) (Stable)	
6	WCDL (Sublimit)	Short term	(10.00)	NA	[ICRA]A1+ (CE)	[ICRA]A1+ (CE)	[ICRA]A1+ (CE)	
7	Bank Guarantee	Long Term	1.00	NA	[ICRA]AA(CE) (Stable)	[ICRA]AA(CE) (Stable)	[ICRA]AA(CE) (Stable)	
8	BG(Sublimit)	Long term	(1.00)	NA	[ICRA]AA(CE) (Stable)	[ICRA]AA(CE) (Stable)	[ICRA]AA(CE) (Stable)	

### Complexity level of the rated instrument

Instrument	Complexity Indicator
LT Fund Based CC	Simple
LT Non-fund based	Very Simple
LT Fund based CC (Sublimit)	Simple
LT Non-Fund based (sublimit)	Very Simple
ST Fund Based	Simple
ST fund based (sublimit)	Simple
ST non-fund based (sublimit)	Very Simple
ST Fund based (Sublimit)	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [www.icra.in](http://www.icra.in)

#### Annexure-1: Instrument details

Cal	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	10	Feb 2020	8.15%	NA	24.00	[ICRA]AA(CE) (Stable)
NA	Non-fund based	Feb 2020	NA	NA	1.00	[ICRA]AA(CE)
NA	Fund based CC (Sublimit)	Feb 2020	NA	NA	(5.00)	[ICRA]AA(CE) (Stable)
NA	Non-Fund based (sublimit)	Feb 2020	NA	NA	(1.00)	[ICRA]AA(CE) (Stable)
NA	Fund Based	Feb 2020	NA	NA	10.00	[ICRA]A1+ (CE)
NA	fund based (sublimit)	Feb 2020	NA	NA	(24.00)	[ICRA]A1+ (CE)
NA	Non-fund based (sublimit)	Feb 2020	NA	NA	(5.30)	[ICRA]A1+ (CE)
NA	Fund based (Sublimit)	Feb 2020	NA	NA	(10.00)	[ICRA]A1+ (CE)

Source: Company

#### Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
NA	NA	NA

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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### Branches



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