

April 06, 2022

## IGT Solutions Pvt. Ltd.: Rating upgraded to [ICRA]A- (Stable)

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based limits – Unallocated	20.00	20.00	[ICRA]A-(Stable); upgraded from [ICRA]BBB+(Stable)
Non-fund Based limits – Unallocated	10.00	10.00	[ICRA]A-(Stable); upgraded from [ICRA]BBB+(Stable)
<b>Total</b>	<b>30.0</b>	<b>30.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The rating upgrade factors in the strengthening of IGT Solutions Pvt. Ltd.'s (IGTS) credit profile, supported by widening of its global delivery footprint and scaling up of its business process outsourcing (BPO) services, with support from its IT and digitisation services. These factors have supported the company's strong financial risk profile, marked by healthy revenue growth, improvement in profit margins and strong debt protection metrics in FY2022. Moreover, the revenue growth momentum is likely to be sustained over the near to medium term, supported by considerable uptick in airline passenger traffic and the tourism sector. IGTS's healthy internal accrual generation and external debt-free status have continued to result in strong liquidity position for the company, marked by sizeable cash and equivalents along with undrawn working capital bank lines. The rating continues to derive comfort from IGTS's established operational track record in the BPO and IT services business and its reputed client base, with decade-long established relationships with some of the key clients.

ICRA has also taken note of the expected change in IGTS's shareholding as Baring PE Asia (BPEA) is acquiring full stake in IGT from AION Capital Partners. The consideration value for the acquisition is estimated at USD800 million (~Rs. 6,000 crore) and is likely to be completed over the next few months. While ICRA does not expect any material impact of the same on IGTS's operations, any adverse changes in the company's financial policies and higher-than-anticipated upstreaming of funds in the future or any debt-funded inorganic acquisitions will remain key monitorables.

The rating is, however, constrained by the high exposure to sectoral-concentration risks, as most of the revenue is generated from the travel and tourism industry. However, ICRA has taken note of the company's initiatives to diversify its sectoral concentration through new clients in the retail and e-commerce sectors in FY2022. Further, the BPO industry is characterised by continual wage increase and high attrition rates, which affects profitability of the players in the industry. The company remains exposed to the foreign exchange (forex) risk as revenues are dollar denominated; however, the risk is mitigated to an extent given the presence of a selective hedging policy.

The Stable outlook on the rating reflects ICRA's opinion that IGTS will continue to benefit from its established business profile, strong client base and the favourable demand outlook of the industry.

### Key rating drivers and their description

#### Credit strengths

**Long and established track record** – IGTS, incorporated in 1998, provides BPO and IT services across the world, primarily in the travel and hospitality domain. The company has recently added clients in the e-commerce and retail space post-pandemic to diversify its revenue. At present, the revenue from these clients remains moderate.

**Strong financial risk profile and healthy liquidity position** – IGTS has a strong financial risk profile, characterised by nil external debt, healthy cash and equivalents (Rs. 128 crore as of December 31, 2021), along with strong debt protection indicators. IGTS' total debt/OPBDITA was at 1.4 times and interest coverage ratio at 20.9 times in FY2021, which are expected to improve in the medium term, supported by improvement in accrual generation. The company has generated healthy revenue growth in FY2020, and the momentum is likely to be sustained over the near to medium term, supported by considerable uptick in airline passenger traffic and the tourism sector. As per IATA the passenger traffic in CY2021 was 47% of CY2019 (pre-pandemic), and is expected to improve to 83% in CY2022 and 94% in CY2023.

**Reputed client base** – The company has a reputed clientele comprising United Airlines, Expedia, SITA, KLM, Emirates, etc., with decade-long relationships with some of the key clients. The established relationships have helped the company gain a market share during the pandemic due to vendor consolidation from the client side.

**Global delivery footprint** – IGTS has more than 18,000 employees across 17 centres in nine countries. It also benefits from the low cost of operations in India and the Philippines. Further, the company services a global client base, with maximum exposure towards the US, which contributed ~56% of the revenues in H1 FY2022. The company is widening its global footprint and scaling up its BPO services, with support from its IT and digitisation services.

## Credit challenges

**Upstreaming of significant funds to shareholders** – IGTS has upstreamed Rs 89.1 crore in FY2019, Rs 75.7 crore in FY2020a and Rs 75.1 crore in FY2021, post the acquisition by AION. The company has upstreamed USD22 million (Rs 150-160 crore) in FY2022. The future upstreaming will depend on the policy of its new shareholder BPEA, which is expected to acquire complete stake from AION. The transaction is expected to be completed over the next few months. While ICRA does not expect any material impact of the same on IGTS's operations, any adverse changes in the company's financial policies and higher-than-anticipated upstreaming of funds in the future or any debt-funded inorganic acquisitions will remain key monitorables.

**Exposure to high attrition, continual wage increases and forex risks inherent in IT services and BPO industry** – The BPO industry is characterised by continual wage increase and high attrition rates, which affects profitability of the players. Further, the exposure to forex risk remains as revenues are dollar denominated; the company has forward contracts for ~75% of its receivables in India.

**Client and sectoral concentration risks** – IGTS has been focused solely in the travel and hospitality domain, with high dependence on the top-three clients for more than one-third of the revenues. This exposes the company to sectoral and client-concentration risks. However, ICRA has taken note of the company's initiatives to diversify its sectoral concentration through new clients in the retail and e-commerce sectors in FY2022.

## Liquidity Position: Strong

The company has a strong liquidity position, aided by healthy internal accrual generation, unencumbered cash and cash equivalents of Rs. 128 crore as of December 31, 2021 (on a consolidated basis), and a cushion available in the form of unutilised fund-based working capital limits of Rs. 15.0 crore as on December 31, 2021. Moreover, the company's external debt-free structure continues to support its financial flexibility and liquidity profile. The company has upstreamed sizeable dividends in the past and the same is likely to continue, going forward.

## Rating sensitivities

**Positive factors** – ICRA could upgrade IGTS' rating if it demonstrates significant growth in its revenues and margins in addition to maintaining strong debt coverage metrics on a sustainable basis.

**Negative factors** – Pressure on the rating could arise if there is a decline in IGTS’ margins or a stretch in the working capital intensity, which leads to a deterioration in its liquidity position. Further, a higher-than-expected upstreaming or any debt-funded inorganic acquisition, which results in material deterioration in the credit metrics will be a key rating sensitivity.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology Information Technology (Services)</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of IGTS. The consolidated entities are all enlisted in Annexure-2.

## About the company

IGT Solutions Pvt. Ltd. (IGTS), established in 1998, is a business process management (BPM), technology and digital services and solutions company in the travel, transportation and hospitality domain. IGTS has a global delivery network of 17 centres across nine countries. The company has a client base comprising reputed hotels, airlines, online travel agencies (OTAs), and travel management companies (TMCs), etc.

The company is owned by PE fund AION Capital Partners, the joint venture between global PE fund Apollo Global Management (Apollo) and domestic fund ICICI Venture, which acquired it in January 2019 from Bhatia family of the Interglobe Group. Baring PE Asia (BPEA) will be acquiring IGT Solutions Pvt. Ltd. (IGT) from AION capital partners, which is expected to be complete by April – May 2022.

## Key financial indicators (audited)

IGT Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	1348.3	1087.5
PAT (Rs. crore)	142.9	80.9
OPBDIT/OI (%)	18.6%	15.4%
PAT/OI (%)	10.6%	7.4%
Total Outside Liabilities/Tangible Net Worth (times)	0.7	0.6
Total Debt/OPBDIT (times)	1.0	1.4
Interest Coverage (times)	31.5	20.9

*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 (FY2023)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in	Date & Rating in	Date & Rating in	
				April 06, 2022	March 10, 2022	Jan 4, 2021	July 9, 2019	
1 Fund-based limits Unallocated	Long-term	20.0	-	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	
2 Non-fund-based limits- Unallocated	Long-term	10.0	--	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based limits Unallocated	Not Applicable
Non-fund-based limits- Unallocated	Not Applicable

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 analysing 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, are available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Fund-based limits Unallocated	-	-	-	20.0	[ICRA]A-(Stable)
NA	Non-fund-based limits- Unallocated	-	-	-	10.0	[ICRA]A-(Stable)

Source: Company

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

Company Name	IGT Ownership	Consolidation Approach
IGT Technologies Inc.	100%	Full Consolidation
IGT Technologies Philippines Inc	51.03%	Full Consolidation
IGT Services and Technologies FZ LLC	100%	Full Consolidation
IGT Information Technologies (Dalian) Co. Limited	100%	Full Consolidation
IGT Services and Technologies Colombia SAS	100%	Full Consolidation
IGT Services and Technologies S.R.L.	51.03%	Full Consolidation
IGT Services & Technologies KL SDN. BHD.	51.03%	Full Consolidation
Techno IGT Solutions Spain SL.	100%	Full Consolidation

Source: IGT annual report FY2021

Note: ICRA has taken a consolidated view of the parent (IGT), its subsidiaries and associates while assigning the ratings.

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