

January 03, 2023 ^(Revised)

Conneqt Business Solutions Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term – Fund-based Working Capital	55.00	55.00	[ICRA]A+ On Rating Watch with Developing Implications
Long-term/Short-term – Non-fund based Working Capital	77.00	77.00	[ICRA]A+ On Rating Watch with Developing Implications; [ICRA]A1+ On Rating Watch with Developing Implications
Commercial Paper**	50.00	50.00	[ICRA]A1+ On Rating Watch with Developing Implications
Total	132.00	132.00	

*Instrument details are provided in Annexure-I, ** Commercial paper carved out of existing working capital limits

Rationale

Material event:

On December 23, 2022, Qess Corp Limited (QCL), the parent company of Conneqt Business Solutions Limited (CBSL) announced that the scheme of amalgamation of Allsec Technologies Limited (ATL), a subsidiary of CBSL with QCL has been withdrawn due to change in the market scenario.

Impact of the material event:

Given the ongoing merger between CBSL and QCL, ATL will become a subsidiary of QCL with the scheme of amalgamation between ATL and QCL being withdrawn. However, this is not expected to have any adverse impact on CBSL. ICRA will continue to monitor the developments regarding CBSL's ongoing merger with QCL and take appropriate rating action as required.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, the liquidity position and rating sensitivities: [Click here](#).

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Approach –Consolidation Rating Methodology -IT - Software & Services Rating Approach – Implicit Parent or Group Support
Parent/Group support	Parent Company: Qess Corp Limited The ratings factor in the implicit support from the parent.
Consolidation/Standalone	The ratings are based on the consolidated financial statements of the rated entity.

About the company

Conneqt Business Solutions Limited (erstwhile Tata Business Support Services Limited) was incorporated in 2004 as a wholly-owned subsidiary of Tata Sons Private Limited (rated [ICRA]AAA (Stable)/[ICRA]A1+) to cater to the domestic ITeS-BPO industry. The company commenced operations from FY2005 as E2E Serwiz Solutions Private Limited and rechristened itself as Tata Business Support Services Limited in FY2008. It provides voice-based business process services including inbound and outbound interactions, email interactions, chats and collaborative web sessions; mainly catering to clients in sectors such as telecom, media, manufacturing, retail, e-commerce, and healthcare. With effect from April 1, 2014, the operations of E Nxt Financials Limited (a Tata Group enterprise in the business of fulfilment and business process management; earlier rated [ICRA]A1 but withdrawn in January 2016) were merged with CBSL as per a court order received in May 2015.

In November 2017, a 51% stake in CBSL was acquired by QCL, which offers end-to-end business functions like recruitment, temporary staffing, technology staffing, IT products and solutions, skill development, payroll, compliance management, integrated facility management and industrial asset management services to corporate companies across sectors. In FY2020, QCL increased its stake in CBSL to 70% to fund the acquisition of ATL, which operates in two business segments— namely human resource operations and customer lifecycle management. In April 2022, QCL acquired the remaining 30% stake in CBSL from Tata Sons Private Limited, making it a wholly-owned subsidiary of QCL.

Key financial indicators

CBSL Consolidated	FY2020	FY2021	FY2022
Operating income	1,270.4	1,167.4	1,457.4
PAT	-37.1	218.0	116.8
OPBDIT/OI	18.2%	21.1%	18.8%
PAT/OI	-2.9%	18.7%	8.0%
Total outside liabilities/Tangible net worth (times)	0.6	0.6	0.6
Total debt/OPBDIT (times)	0.8	1.0	0.8
Interest coverage (times)	6.9	13.2	15.8

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Total debt includes lease liability.

* ICRA has taken a consolidated view of the parent (CBSL), its subsidiaries and associates while assigning the ratings

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2023)					Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Amount Outstanding as of September 30, 2022 (Rs. crore)	Date & rating in FY2023			Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				January 03, 2023	June 28, 2022	May 24, 2022	May 31, 2021	-	Apr 6, 2020
1 Fund-based Working Capital Limits	Long Term	55.0	NA	[ICRA]A+&	[ICRA]A+&	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-	[ICRA]A+ (Stable)
2 Fund-based/ Non-fund based Working Capital Limits	Long Term/ Short Term	-	NA	-1	-1	[ICRA]A+ (Stable)/ [ICRA]A1+	[ICRA]A+ (Stable)/ [ICRA]A1+	-	[ICRA]A+ (Stable)/ [ICRA]A1+
3 Non-fund based Working Capital Limits	Long Term/ Short Term	77.0	NA	[ICRA]A+&/ [ICRA]A1+&	[ICRA]A+&/ [ICRA]A1+&	[ICRA]A+ (Stable)/ [ICRA]A1+	[ICRA]A+ (Stable)/ [ICRA]A1+	-	[ICRA]A+ (Stable)/ [ICRA]A1+
4 Commercial Paper*	Short Term	50.0	NA	[ICRA]A1+&	[ICRA]A1+&	[ICRA]A1+; withdrawn	[ICRA]A1+	-	[ICRA]A1+

*Commercial paper carved out of existing working capital limits &: Rating Watch with Developing Implications

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund-based Working Capital	Simple
Long Term/Short Term – Non-fund Based Working Capital	Very Simple
Commercial Paper	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 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: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based Working Capital Limits	NA	NA	NA	55.0	[ICRA]A+ On Rating Watch with Developing Implications
NA	Non-fund based Working Capital Limits	NA	NA	NA	77.0	[ICRA]A+ On Rating Watch with Developing Implications; [ICRA]A1+ On Rating Watch with Developing Implications
Not Placed	Commercial Paper*	NA	NA	NA	50.0	[ICRA]A1+ On Rating Watch with Developing Implications

Source: Company, *Commercial paper carved out of existing working capital limits

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Allsec Technologies Limited	73.39%	Full Consolidation
Allsec Inc., USA	73.39%	Full Consolidation
Allsectech Manila Inc., Philippines	73.39%	Full Consolidation

Source: Company

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

Corrigendum

Document dated January 03, 2023, has been corrected with revisions as detailed below:

“Rating Methodology -IT - Software & Services” and “Rating Approach – Implicit Parent or Group Support” in Applicable rating methodologies under Analytical approach table have been added.

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