January 13, 2023

# ANSR Global Corporation Private Limited: Rating reaffirmed

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| **Long-term Fund-based – Term loan** | 92.00 | 39.00 | [ICRA]BBB(Stable); reaffirmed |
| **Long-term – Proposed limits** | - | 61.60 | [ICRA]BBB(Stable); reaffirmed |
| **Long-term – Unallocated limits** | 15.00 | 6.40 | [ICRA]BBB(Stable); reaffirmed |
| **Total** | **107.00** | **107.00** | |

**Instrument details are provided in Annexure-I*

## Rationale

The rating reaffirmation factors in ANSR Global Corporation Private Limited's (ANSR) reputed tenant profile, favourable location for majority of its workspaces, presence of back-to-back leasing arrangements with majority of the clients, and improvement in the occupancy to 78.8% in 7M FY2023 from 64.9% in FY2021 in the leasing segment. ANSR witnessed healthy YoY growth in its turnover by 63.0% to Rs. 343.6 crore in FY2022, which is further expected to grow by around 75% to ~Rs. 605 crore in FY2023, supported by increased revenues from subscription services, managed services and consulting segment, along with an improvement in occupancy in leasing segment. The rating continues to derive strength from the established track record of ANSR Inc. (ANSR's parent entity) in the workspace and consulting segments globally and stable demand outlook for the Global Capability Centres (GCCs) segment in India.

The rating, however, is constrained by the steep decline in the operating profitability margin to 16.7% in H1 FY2023 from 20.9% in FY2022 and 28.4% in FY2021 on account of significant vacancy in one of ANSR's properties (which the company is proposing to surrender in FY2023), higher travelling and asset maintenance expenses and lower margins in new business segments such as subscription and build-operate-transfer (BOT), which are currently in the ramp-up phase resulting in higher subcontracting costs. However, the margins are expected to improve in the medium term, backed by savings from surrender of some of the vacant space in Hyderabad, along with increasing economies of scale on the back of business from the existing and new clients. Despite moderation in margins, the leverage and coverage metrics are likely to remain adequate with TD/OPIBDTA at 1.1 times and DSCR around 1.7 times in FY2023. Further, the company is embarking on a large capex programme, which will significantly increase its exposure to the funding, marketing and execution risks. The total outlay of the proposed capex programme is over Rs. 400 crore (40% of the capex is likely to be funded through debt and remaining through internal accruals) during FY2024-FY2025, which is more than double the current gross block of Rs. 344 crore, with an additional leasable area of 1.3mn sft. Nevertheless, the final funding mix would depend on the extent of internal accruals generated during the investment period as well as the quantum of debt sanction received. Further, its policy of entering into back-to-back agreements with clients acts as a mitigant against the market risk.

The rating continues to be constrained by the high client concentration risk, as the top three clients occupy around 45% of the total leasable area. While the outlook for GCCs in India remains steady, ANSR's growth and utilisation of the proposed capex will be closely linked to the expansion plans for multi-national corporations (MNCs). Further, the company is exposed to cyclicality in the commercial real estate sector and vulnerability to external factors such as the Covid-19 pandemic.

The Stable outlook on the long-term rating reflects ICRA's opinion that ANSR will continue to benefit from the extensive experience of its promoters in the workspace, consulting and GCC industry, its established relationship with key customers and its adequate debt protection metrics.

## Key rating drivers and their description

### Credit strengths

**Reputed clientele and superior quality of the managed workspaces –** Majority of the company's clients are Fortune 500 and 1,000 companies, including Target Corporation, Pepsico, Silicon Valley Bank, Lulu Lemon, National Australia Bank leading to limited counterparty credit risk. Its customers are largely sourced through its parent, i.e., ANSR Inc., based in the USA, which helps the clients to set up the GCCs by providing consultancy services, hiring support and workspace management. ICRA notes the presence of back-to-back leasing arrangements for workspaces taken up by majority its clients. Additionally, majority of its assets are located in prominent micro-markets in Grade-A commercial buildings in Bangalore, thereby enhancing their marketability.

**Healthy revenue growth –** The company's operating income (OI) witnessed a compound annual growth rate (CAGR) of 72% during FY2018-FY2022. ANSR has witnessed healthy YoY growth in its turnover by 63.0% to Rs. 343.6 crore in FY2022, which is further expected to grow by around 75% to ~Rs. 605 crore in FY2023, supported by increased revenues from subscription services, managed services and consulting segment, along with improvement in occupancy in the leasing segment.

**Established track record of parent –** ANSR is a subsidiary of ANSR Inc, USA, which is among the global majors in the workspace and consulting industry. The company benefits from its parent's strong brand name as well as financial support and business support (as it helps in client acquisition and business acquisition) from its parent.

### Credit challenges

**Steep decline in profitability –** ANSR's operating profitability declined to 16.7% in H1 FY2023 from 20.9% in FY2022 and 28.4% in FY2021 on account of significant vacancy in one of its properties (which the company is proposing to surrender in FY2023), higher travelling and asset maintenance expenses and lower margins in new business segments such as subscription and BOT, which are currently in the ramp-up phase resulting in higher subcontracting costs. However, the margins are expected to improve in the medium term, backed by savings from surrender of some of the vacant space in Hyderabad, along with increasing economies of scale on the back of business from the existing and new clients. Despite moderation in margins, the leverage and coverage metrics are likely to remain adequate with TD/OPIBDTA at 1.1 times and DSCR around 1.7 times in FY2023.

**Exposure to funding, marketing and execution risks due to large proposed capex –** The company is exposed to funding, marketing and execution risks due to large expansion plans, with a total outlay of over Rs. 400 crore with proposed addition of ~1.5 mn sft of area in FY2024 and FY2025, which is more than double the current gross block of Rs. 344 crore and leasable area of 1.3 mn sft. The capex is likely to be funded through a mix of debt and internal accruals, for which the debt is yet to be tied up. Nevertheless, ANSR's policy of entering into back-to-back agreements with clients acts as a mitigant against market and utilisation risk.

**Exposure to high client concentration risks and expansion plans for MNCs –** In the workspace segment, the top three clients occupy around 45% of the total leasable area, exposing the company to high client concentration risks. Further, the sourcing of new business by the company hinges on the overall expansion plans for MNCs, as well as the trend in outsourcing to India by multiple industries. ANSR is exposed to the cyclicality in the commercial real estate sector and vulnerability to external factors such as the Covid-19 pandemic.

## Liquidity position: Adequate

The company's liquidity position is adequate. ANSR has cash and equivalents worth Rs. 58.0 crore, including sizeable DSRA of Rs. 51.3 crore as on September 30, 2022. It is expected to generate adequate cash flow from operations to meet its current debt obligations. Further, the company is embarking on a large capex programme with a total outlay of over Rs. 400 crore

(40% of the capex is being proposed to be funded through debt and the remaining through internal accruals) during FY2024-FY2025. Nevertheless, the final funding mix would depend on the extent of internal accruals generated during the investment period as well as the quantum of debt sanction received.

## Rating sensitivities

**Positive factors –** The rating could be upgraded if there is a significant increase in scale of operations and profitability, along with improvement in debt coverage metrics and liquidity position on a sustained basis.

**Negative factors –** The rating may be downgraded in case of a significant decline in scale or profitability, or in case of a higher-than-anticipated capex resulting in weakening of coverage metrics or liquidity position on a sustained basis. Specific credit metric for a rating downgrade would be DSCR below 1.4 times on a consistent basis.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology<br>Rating Methodology for Lease Rental Discounting (LRD) |
| **Parent/Group support** | Not Applicable |
| **Consolidation/Standalone** | Standalone |

## About the company

Incorporated on August 22, 2014, ANSR Global Corporation Private Limited (formerly Network International Global Services India Private Limited), is a subsidiary of ANSR Inc, USA, which holds 99.9% stake. The balance is held by ANSR Holdings Inc. (the ultimate parent company).

ANSR provides GCC consulting services, talent acquisition services, staff augmentation, workspace leasing and ancillary services. In the leasing segment, the company rents office space (bare shells) and sub-lets the leasehold improvements to its clients. In FY2022, it started offering services under the subscription-based business model (which encapsulates all the segregated services offered to clients) instead of catering to individual service lines.

### Key financial indicators

| | FY2021 Audited | FY2022 Audited | H1 FY2023 Provisional |
|---|---|---|---|
| **Operating income (Rs. crore)** | 210.8 | 343.6 | 292.1 |
| **PAT (Rs. crore)** | 27.4 | 20.7 | 18.3 |
| **OPBDIT/OI (%)** | 28.4% | 20.9% | 16.7% |
| **PAT/OI (%)** | 13.0% | 6.0% | 6.3% |
| **Total outside liabilities/Tangible net worth (times)** | 4.4 | 3.9 | 3.3 |
| **Total debt/OPBDIT (times)** | 1.6 | 2.0 | 1.3 |
| **Interest coverage (times)** | 8.2 | 6.3 | 8.9 |

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; ROCE: PBIT/Avg (Total debt + Tangible net worth + Deferred tax liability - Capital work in progress); DSCR: (PBIT + Mat credit entitlements - Fair value gains through P&L - Non-cash extraordinary gain/loss)/(Interest + Repayments made during the year)*

*Source: Company data; ICRA Research*

**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 as on Sep 30, 2022, 2022 (Rs. crore) | Date & rating on | Date & rating in FY2022 | | Date & rating in FY2021 | Date & rating in FY2020 |
| | | | | | Jan 13, 2023 | Dec 17, 2021 | Apr 14, 2021 | Feb 20, 2020 | - |
| 1 | Long-term Fund-based – Term loan | Long term | 39.00 | 87.3 | [ICRA]BBB(Stable) | [ICRA]BBB (Stable) | [ICRA]BBB (Stable) | [ICRA]BBB- (Stable) | - |
| 2 | Long-term – Proposed limits | Long term | 61.60 | - | [ICRA]BBB(Stable) | - | - | - | - |
| 3 | Long-term – Unallocated | Long term | 6.40 | - | [ICRA]BBB(Stable) | [ICRA]BBB (Stable) | - | - | - |

## Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|---|---|
| Long-term Fund-based – Term loan | Simple |
| Long-term – Proposed limits | NA |
| Long-term – Unallocated | NA |

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 / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| **NA** | **Long-term Fund-based – Term loan** | Apr 2019 | - | Jun, 2025 | 7.00 | [ICRA]BBB(Stable) |
| **NA** | **Long-term Fund-based – Term loan** | May 2021 | - | Dec, 2025 | 32.00 | [ICRA]BBB(Stable) |
| **NA** | **Long-term – Proposed limits** | NA | NA | NA | 61.60 | [ICRA]BBB(Stable) |
| **NA** | **Long-term – Unallocated** | NA | NA | NA | 6.40 | [ICRA]BBB(Stable) |

*Source: Company data; ICRA Research*

## Annexure-II: List of entities considered for consolidated analysis: Not Applicable

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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

# ICRA Limited

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