

October 17, 2024

IGT Solutions Pvt. Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term/ Short Term - Fund Based/ Non-Fund Based Limits	68.0	40.0	[ICRA]A (Stable)/ [ICRA]A1; reaffirmed
Long Term - Unallocated	2.0	0.0	-
Total	70.0	40.0	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of ratings for IGT Solutions Pvt. Ltd. (IGTS) factors in its steady cash accrual generation, comfortable capital structure and healthy liquidity position in FY2024 and expected sustenance of the same over the near-to-medium term. IGTS reported a modest revenue growth, which rose to Rs. 2,632.2 crore (2% YoY) in FY2024, led by some reduction in demand from key customers. However, it continues to expand its delivery centre across the globe and invest in digital capabilities, which is expected to support the revenue growth in the coming fiscals. The company continues to benefit from its reputed clientele of leading players of the travel and hospitality industry and healthy share of business with them. Moreover, the ratings continue to factor in the company's established operational track record in the business process management (BPM) and IT services industry. Besides, the company enjoys financial flexibility from its strong parentage, with EQT Private Capital Asia (EQT) fully owning IGTS.

The ratings are, however, constrained by the sizeable upstreaming of funds to shareholders in the current fiscal, which is expected to continue in the future. Further, IGTS is exposed to moderate client and sectoral concentration risks, as its top five customers are concentrated in the travel and hospitality industry and accounted for 45-50% of its revenue in the past two years. However, the company is actively focusing on diversifying into other sectors such as e-gaming, AI-based digital services and content moderation, which provides some comfort. Moreover, its profitability remains exposed to continual wage increase and high attrition rates prevalent in the business process outsourcing (BPO) and IT services industry. Also, given its vast geographical presence with sales in foreign currency to global customers, its revenues are also exposed to fluctuations in foreign exchange (forex) prices, however, the risk is mitigated to an extent owing to a selective hedging policy. ICRA also notes the company's plans to grow inorganically through acquisitions in the short-to-medium term. Any debt-funded acquisition plan or higher-than-anticipated upstreaming of funds in the future will remain a key monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that IGTS will maintain a healthy credit profile, supported by its established business profile, long relationship with its key clients and growing delivery footprint.

Key rating drivers and their description

Credit strengths

Long and established track record in the BPM industry – Incorporated in 1998, IGTS provides BPM and IT services across the world, primarily in the travel and hospitality domain. The major portion of its revenue is derived from BPM services, with a share of ~91% in the past two fiscals. Its customer base includes various leading players in the travel, e-commerce, internet, consumer and hospitality domains. Its relationships with some of its clients go back over 15 years, leading to healthy repeat revenues over the years.

Reputed client base – IGTS has a reputed client base that includes top entities from the travel and aviation industry like United Airlines, Emirates, Lufthansa, Expedia, Agoda, Marriott, and Radisson, among others. Its relationships with some of its key clients date back over decades, supported by a long operational track record, leading to recurring revenues and increasing market share over the years. While its client base is mainly dominated by reputed players from the travel industry, IGTS has diversified into e-commerce and retail segments in the recent years. Moreover, it has increased its focus on e-gaming and content moderation in the current fiscal, which is expected to add new clients in its portfolio.

Global delivery footprint with addition of new delivery centres in recent years – IGTS has a global delivery footprint with over 30 delivery centres, spread across 13 countries, and serviced by ~22,000 employees. Over the past two fiscals, it has set up new delivery centres in various markets such as South Africa, Egypt, Vietnam, Romania, among others, supporting its revenue growth. The US market continues to account for ~50% of its revenues, however, the share from other geographies continues to grow gradually for the company.

Strong financial risk profile and healthy liquidity position – IGTS continues to maintain its strong financial risk profile, marked by healthy cash accrual, comfortable capital structure and strong debt coverage indicators. Its capital structure remains strong with no external debt on the balance sheet, which coupled with steady operating profits led to comfortable coverage metrics of total debt/OPBDITA and interest coverage ratio at 1.2 times and 17.1 times, respectively, in FY2024. Also, its liquidity position has remained healthy, as marked by sizeable cash and cash equivalents (~Rs. 330 crore as of June 30, 2024) and cushion in the form of undrawn bank lines. Going forward, the company is expected to generate healthy accruals, which coupled with no material increase in its debt levels, is likely to support its credit profile.

Credit challenges

Significant upstreaming of funds to shareholders – During the current fiscal, IGTS has upstreamed \$10-11 million to its parent and is likely to upstream ~\$10 million on a quarterly basis to its parent, going forward as well. Despite the same, IGTS' liquidity profile is expected to remain comfortable, aided by strong internal accrual generation. ICRA also understands that this payout will be contingent on the company's future financial performance and not a contractual obligation. However, any higher-than-anticipated upstreaming of funds or any debt-funded inorganic acquisitions in the future will remain a key monitorable.

Exposure to high attrition, continuous wage increases, and forex risks inherent in IT services and BPO industry – As the company is operating in the BPO and IT services industry, which is characterised by continual wage increases and high attrition rates, its profitability remains exposed to fluctuations in hiring/ training costs for its employees. Further, IGTS has presence across geographies with revenues denominated in dollar terms, exposing it to forex risks. However, it hedges 75% of its receivables in India using forward contracts.

Client and sectoral concentration risks – IGTS' revenues are exposed to moderate sectoral and client concentration risks as its top five customers accounted for 45-50% of its revenues in the recent fiscals. However, its established presence in the industry, coupled with its long relationships with its key clients mitigate the risk to an extent. Moreover, the diversification of segmental revenue by adding new customers in the e-commerce, AI, gaming and content moderation space over the recent fiscals further provides comfort.

Liquidity position: Strong

IGTS' liquidity position is **strong**, supported by strong cash flow generation, healthy unencumbered cash and cash equivalents of ~Rs. 335 crore as on June 30, 2024 (on a consolidated basis), and cushion available in the form of unutilised fund-based working capital limits of Rs. 48.0 crore as on June 30, 2024. IGTS is likely to incur capex of Rs. 100-115 crore towards addition of digital capacities and new delivery centres in FY2024, which is expected to be funded by internal accruals. Moreover, the company has upstreamed sizeable dividends in the past and the same is likely to continue, going forward. Despite the same, its liquidity profile is expected to remain strong, supported by strong accrual generation.

Rating sensitivities

Positive factors – ICRA could upgrade IGTS’ ratings if it demonstrates a healthy growth in its revenues and accruals, in addition to maintaining strong debt coverage metrics, while maintaining adequate liquidity on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is a decline in IGTS’ accruals and/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, resulting in material deterioration in the credit metrics may also result in ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology IT - Software & Services
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of IGTS. The consolidated entities are enlisted in Annexure-II.

About the company

Established in 1998, IGTS is a BPM, digital and technology service provider with major presence in the travel and hospitality domain. Its services include sales and customer service, order and logistics management, live chats, content management, robotic process automation, e-commerce support, IT consulting and DevOps, among others. The company has a large global delivery footprint through 30+ delivery centres across 13 countries, serviced through an employee base of ~22,000 experts. Given its long track record in the BPO and software solutions space, it enjoys established relationships with various reputed customers in the travel, e-commerce, and hospitality industries.

The Interglobe Group (Bhatia family) had been the shareholder till December 2018, following which its stake was sold to AION Capital Partners in FY2019. In May 2022, BPEA acquired the majority stake of 85% in IGTS through a Dutch subsidiary. Subsequently, BPEA merged with EQT AB, a European investment firm, after which EQT Private Capital Asia (rebranded in January 2024) became IGTS’ ultimate holding company.

Key financial indicators (audited)

IGTS – Consolidated	FY2023	FY2024
Operating income	2589.5	2632.2
PAT	223.1	77.7
OPBDIT/OI	17.6%	12.2%
PAT/OI	8.6%	3.0%
Total outside liabilities/Tangible net worth (times)	1.0	0.8
Total debt/OPBDIT (times)	1.1	1.2
Interest coverage (times)	21.5	17.1

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. Crore 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	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022
			Oct 17, 2024	Jul 27, 2023	Apr 14, 2022	Apr 06, 2022	Mar 10, 2022
1 Fund-based/ Non-fund Based Limits	Long-term/ Short-term	40.0	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	-	-	-
2 Unallocated	Long-term		-	[ICRA]A (Stable)	[ICRA]A- (Stable)	-	-
3 Fund-based – Unallocated	Long-term		-		-	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)
4 Non-fund Based – Unallocated	Long-term		-		-	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term, Fund-based/ Non-fund Based Limits	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/ Non-fund Based Limits	-	-	-	40.00	[ICRA]A (Stable)/ [ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	IGTS Ownership	Consolidation Approach
IGT Technologies Inc.	100.00%	Full Consolidation
IGT Technologies Philippines Inc	51.03%	Full Consolidation
IGT Services and Technologies FZ LLC	100.00%	Full Consolidation
IGT Information Technologies (Dalian) Co. Limited	100.00%	Full Consolidation
IGT Services and Technologies Colombia SAS	100.00%	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.	100.00%	Full Consolidation
IGT Solutions South Africa (PTY) Ltd.	100.00%	Full Consolidation
PT IGT Solutions Indonesia	100.00%	Full Consolidation
IGT Solutions Egypt	100.00%	Full Consolidation

Source: IGT annual report FY2024

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