October 30, 2024

ANSR Global Corporation Private Limited: Rating reaffirmed and removed from 'Issuer Non Cooperating' category

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	39.00	89.00	[ICRA]BBB (Stable); reaffirmed and removed from Issuer Not Cooperating category
Long-term – Proposed limits	61.60	-	-
Long-term – Unallocated limits	6.40	18.00	[ICRA]BBB (Stable); reaffirmed and removed from Issuer Not Cooperating category
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 its workspaces, presence of back-to-back leasing arrangements with majority of the clients, and healthy occupancy of ~91% as of June 2024, which is expected to sustain going forward. ANSR's workspaces are located in prominent micromarkets in Grade-A commercial buildings in Bangalore, thereby enhancing their marketability. The company is increasingly focusing on subscription services, which include talent acquisition, providing workspace, consulting services, majorly to Global Capability Centres (GCCs). As per the provisional financials of FY2024, ANSR witnessed healthy growth in operating income by ~10.8% to ~Rs. 749 crore (PY: Rs. 676 crore), which is projected to grow by around ~8-10% in FY2025 and ~6-8% in FY2026, supported primarily by increased revenues from subscription services. The leverage metrics is likely to remain comfortable with Total debt/OPIBDTA at ~1.1-1.2 times, while the coverage is anticipated to remain adequate with debt service coverage ratio (DSCR) at ~2.0-2.4 times in FY2025 and FY2026. The rating derives strength from the established track record of ANSR Inc. (ANSR's parent entity) in the workspace and consulting segments globally and the stable demand outlook for the GCC segment in India.

The rating, however, is constrained by a decline in the operating profitability margin to ~15.5% in FY2024 from 19.6% in FY2023, on account of higher asset maintenance expenses. While the operating margins are expected to improve in FY2025-FY2026, backed by increasing economies of scale, they are likely to remain lower than the historical levels. Further, the company has capex plans of Rs. 200 crore each in FY2025 and FY2026 towards proposed addition of leasable area, funded by 80% of debt and the remaining by internal accruals, exposing it to execution and funding risks. Despite the debt-funded capex, the debt protection metrics are likely to be comfortable. Nonetheless, the company's track record for completion of workspace mitigates its execution risks to an extent. Further, with the increase in the scale of operations in the workspace segment, the company is exposed to market risk. However, its policy of entering into back-to-back agreements with clients acts as a mitigant against the market risk. The rating is constrained by the moderate client concentration risk, as the top three clients occupy around ~35% of the total leasable area as of June 2024. Also, as of June 2024, around ~67% of its business is confined to Bangalore and ~32% to Hyderabad, exposing it to geographical concentration risk. 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).

The Stable outlook on the long-term rating reflects ICRA's opinion that ANSR will sustain its growth in scale of operations and profitability, while maintaining adequate liquidity position and comfortable debt protection metrics

Key rating drivers and their description

Credit strengths

Healthy occupancy and reputed clientele across – The occupancy as of June 2024 stood at ~91%, which is expected to sustain going forward. ICRA notes the presence of back-to-back leasing arrangements for workspaces taken up by the majority of its clients, which includes Fortune 500 and 1,000 companies, like Target Corporation, Lulu Lemon, National Australia Bank, thus 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. ANSR's workspaces are located in prominent micromarkets in Grade-A commercial buildings in Bangalore, thereby enhancing their marketability. The company is increasingly focusing on subscription services, which include talent acquisition, providing workspace, consulting services, majorly to GCCs.

Healthy revenue growth and debt coverage metrics – As per the provisional financials of FY2024, ANSR witnessed healthy growth in operating income by ~10.8% to ~Rs. 749 crore (PY: Rs. 676 crore), which is expected to grow by around ~8-10% in FY2025 and ~6-8% in FY2026, supported primarily by increased revenues from subscription services. The leverage metrics is estimated to remain comfortable with Total debt/OPIBDTA at ~1.1-1.2 times, while the coverage is likely to remain adequate with debt service coverage ratio (DSCR) at ~2.0-2.4 times in FY2025 and FY2026.

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. It has around 125+ global centres established, with 11 msf of workspace under management. 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

Decline in operating profitability – The operating profitability margin declined to ~15.5% in FY2024 from 19.6% in FY2023, on account of higher asset maintenance expenses. While the operating margins are expected to improve in FY2025-FY2026, backed by increasing economies of scale, they are likely to remain lower than the historical levels. Despite the moderation in margins, the leverage metrics is likely to remain comfortable.

Exposure to execution and funding risks due to proposed capex programme – The company has capex plans of Rs. 200 crore each in FY2025 and FY2026 towards proposed addition of leasable area, funded by 80% of debt and the remaining by internal accruals, exposing it to execution and funding risks. Despite the debt-funded capex, the debt protection metrics are likely to be comfortable. Nonetheless, the company's track record for completion of workspace mitigates its execution risks to an extent. Further, with the increase in the scale of operations in the workspace segment, the company is exposed to market risk. Timely ramp-up of occupancy in the upcoming space remains a key monitorable.

Exposure to moderate client concentration risks, geographical risks and expansion plans for MNCs – In the workspace segment, the top three clients occupy around ~35% of the total leasable area, exposing the company to moderate client concentration risks. Also, as of June 2024, around ~67% of its business is confined to Bangalore and ~32% to Hyderabad, exposing it to geographical concentration risk. 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.

Liquidity position: Adequate

The company's liquidity position is adequate. ANSR has cash and equivalents of ~Rs. 49.0 crore, including DSRA of ~Rs. 25 crore as on March 31, 2024. It is expected to generate adequate cash flow from operations to meet its debt obligations. Further, the company is embarking on a capex programme with a total outlay of over Rs. 200 crore (~80% of the capex is being proposed to be funded through debt and the remaining through internal accruals) each during FY2025 and FY2026. 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 Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

ANSR Global Corporation Private Limited (ANSR) (formerly known as Network International Global Services India Private Limited), incorporated on August 22, 2014, is the subsidiary of ANSR Inc. (formerly known as ANSR Consulting Inc.), USA. The shareholders are ANSR Inc. 99.6% and ANSR Consulting Holdings Inc. 0.4%.

ANSR provides Global Capability Centres (GCC) consulting services, talent acquisition services, staff augmentation and workspace leasing and ancillary services. ANSR's GCC framework simplifies the process of setting up and operating global teams supporting strategic technology, business, and innovation work for enterprises. Over 60 leading global organisations have successfully leveraged ANSR's comprehensive end-to-end suite of services allow businesses to build, manage and scale fully-owned GCCs or Captives in talent-rich hubs effortlessly with comprehensive, enterprise-ready solutions for talent, workspace, HR, operations, and payroll.

Key financial indicators (audited)

Standalone	FY2022	FY2023	FY2024*
Operating income	343.8	676.1	748.8
PAT	20.7	67.0	46.6
OPBDIT/OI	20.8%	19.6%	15.5%
PAT/OI	6.0%	9.9%	6.2%
Total outside liabilities/Tangible net worth (times)	3.9	2.3	1.7
Total debt/OPBDIT (times)	2.0	0.8	0.7
Interest coverage (times)	6.2	12.8	12.8

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)					Chronology of rating history for the past 3 years					
	FY2025					FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Oct 30, 2024	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long term	89.00	[ICRA]BBB (Stable)	26-Apr-24	[ICRA]BBB(Stable); ISSUER NOT COOPERATING	-	-	13-Jan-23	[ICRA]BBB (Stable)	17-Dec-21 14-Apr-21	[ICRA]BBB (Stable) [ICRA]BBB (Stable)
Proposed limits	Long term	-	-	26-Apr-24	[ICRA]BBB(Stable); ISSUER NOT COOPERATING	-	-	13-Jan-23	[ICRA]BBB (Stable)	17-Dec-21 14-Apr-21	- -
Unallocated	Long term	18.00	[ICRA]BBB (Stable)	26-Apr-24	[ICRA]BBB(Stable); ISSUER NOT COOPERATING	-	-	13-Jan-23	[ICRA]BBB (Stable)	17-Dec-21 14-Apr-21	[ICRA]BBB (Stable) -

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
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	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Long-term fund-based – Term loan**	August 2023	-	August 2028	57.00	[ICRA]BBB(Stable)
NA	**Long-term fund-based – Term loan**	May 2021	-	Dec. 2025	32.00	[ICRA]BBB(Stable)
NA	**Long-term – Unallocated**	NA	NA	NA	18.00	[ICRA]BBB(Stable)

Source: Company

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.

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