

April 14, 2021 Revised

ANSR Global Corporation Private Limited: Ratings upgraded to [ICRA]BBB(Stable); Rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	7.0	107.0	[ICRA]BBB (Stable); upgraded from [ICRA]BBB-(Stable)/assigned
Total	7.0	107.0	

*Instrument details are provided in Annexure-1

Rationale

The rating upgrade takes into account the healthy growth in ANSR Global Corporation Private Limited's (ANSR's) revenues, mainly driven by the rentals business where it has expanded its leased space. The growing occupancy along with lengthy tenors of contracts and available lock-ins support ANSR's revenue visibility. The rating factors in the good asset quality of the company's workspaces and its healthy relationship with developers. ICRA also notes the presence of back-to-back leasing arrangements with the key clients. The company's clientele comprises reputed brands like Pepsico, Target Corporation, etc., which lends comfort. ANSR's financial profile is healthy, characterised by robust operating margins and coverage metrics, even as it relied on debt in FY2020 to set up an additional workspace. Moreover, the rating draws comfort from the liquidity cushion due to the presence of a substantial debt service reserve account (DSRA) and free cash reserves of the company. ICRA also takes comfort from the additional avenues of cash flows from other sources the company operates in talent acquisition and consulting.

However, the rating is constrained by the high client-concentration risk in the leasing segment as the top three tenants occupy ~43% of the total leasable area. Since the company's clients are largely common across the business verticals, the client-concentration risk applies to other business verticals as well. The rating also takes into account ANSR's dependence on its parent for client acquisition. The sourcing of new business by the parent, which in turn dictates the growth in the consultancy and managed services business as well as the rentals business, critically hinges on the overall growth economy amid the ongoing pandemic, which could affect leasing and hiring demand as witnessed in slower-than-expected pick up in Hyderabad. The Bangalore commercial space, however, has shown resilience. Any large vacancy may lead to cash flow mismatches, given the security deposit liabilities of the company to its lessees. The ability of ANSR to successfully deploy its leasable assets that are currently lying vacant is also a key rating sensitivity.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that ANSR will continue to benefit from its experienced promoters and its healthy pipeline resulting in incremental occupancy levels, which shall result in increased scale and profitability.

Key rating drivers and their description

Credit strengths

Good asset quality coupled with low counterparty risk – The company's asset quality remains good as its properties are relatively new. Set up of the Hyderabad property, though with some delays, has mitigated execution risk and provides diversity to the rental income base. Most of the company's clients are Fortune 500 and 1000 companies and led to limited counterparty

risk. The company's customers are largely sourced through its parent, i.e. ANSR Consulting Inc., based in the US. ANSR then helps to set up the global captive centres (GCCs) for its parent's clients. Some of reputed clients of ANSR are Pepsico, Advanced Auto Parts (AAP), Silicon Valley Bank (SVB), Target Corporation, etc.

Strong financial risk profile with healthy revenue growth – The company's OI witnessed a CAGR of ~94% from FY2017 till FY2020. The revenues grew at ~73% to Rs. 163.4 crore in FY2020 from Rs. 94.2 crore in FY2019. The robust growth is expected to continue in FY2021 despite subdued revenues from the talent acquisition and consulting division, as the revenues were largely driven by the rentals business. ANSR's area under leasing rose by 23% in FY2021 and currently it has an occupancy of 71%. The tenors are lengthy in nature and the cash flows are further supported by the substantial deposits received from tenants.

ANSR's coverage indicators are comfortable, given its improved operating margins, though the indicators moderated after the company availed debt to fund the setup of its Hyderabad property. The company reported a ROCE of 40.5% with a debt/OPBDIT of 1.4 times and DSCR of 2.77 times in FY2020. ANSR is expected to maintain healthy coverage and cash flow covers over FY2022, led by rising rental revenues and profits.

Diversified revenue streams – The company derives its revenues from three different business verticals, i.e. consulting and managed services, leasing services and talent acquisition. The income generated out of the other verticals have been low such as talent acquisition (~8% in FY2021) and consulting and managed services (~11% in FY2021) compared to revenues from leasing (~80% in FY2021).

Credit challenges

High client-concentration risk – The company has a limited number of clients that are common across the business verticals. In the leasing business, the top three clients occupy ~43% of the total leasable area. However, to mitigate the risk, for its key clients the company has entered into agreement with its tenants with lengthy lock-in periods and has back-to-back arrangements with developers as well. With the same clients making up the majority of ANSR's clientele across different revenue verticals, the client concentration remains high for the consulting and hiring business as well. Any large vacancy can lead to cash flow mismatches in case back-to-back arrangements are not available.

Dependence on parent for client acquisition – Given that revenue visibility is constrained by the limited set of clients for businesses other than leasing, there is increased dependence on the parent for fresh client acquisition and business expansion. The sourcing of new business by the parent, which in turn dictates the growth in the consultancy and managed services business as well as the rentals business, critically hinges on the overall growth scenario for the Indian economy.

Demand remains vulnerable amid average occupancy levels – The company is exposed to competitive risks and demand slowdowns, as evident in commercial real estate segment. The demand risk persists as employees continue to work from home amid the ongoing Covid-19 pandemic. The demand remains subdued in Hyderabad commercial space and ANSR is also expected to surrender some area in this property in FY2022, but overall Bangalore commercial market has shown signs of recovery. However, ICRA notes that the company has not entered into any major renegotiations with its tenants and has not faced any large vacancies over the last few quarters.

Liquidity position: Strong

The liquidity is strong owing to expected healthy cash accruals, going forward, against the cash outflows for the debt repayment. The liquidity is further aided by the existing cash levels and DSRA. The liquidity level of ~Rs. 48 crore, as on date, including DSRA reserves offer comfort. The company has total repayment of Rs. 20.8 crore, including the interest component. The bank also has escrow arrangement with the company, wherein the rentals from the key clients are escrowed and utilised against the repayments. The company also has adequate time lag between rent received from its tenants, rent paid out to the developers and the debt repayment due date.

Rating sensitivities

Positive factors – The rating might be upgraded in case of sustained increase in scale over a diverse client base and profitability driven by growing area under lease and improving occupancy. The rating might also witness an upgrade in case of greater diversification of the client base. A DSCR of 1.8 times on a sustained basis might also trigger an upgrade.

Negative factors – The rating might be downgraded in case of lower-than-expected scale and profitability. Also, in case of any adverse impact on the liquidity profile due to higher-than-expected debt-funded capex. Decline in occupancy levels with any key client exiting the workspace might also result in downward pressure on the ratings. The DSCR less than 1.5 times on a sustained basis might warrant a downgrade as well.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

ANSR Global Corporation Private Limited (formerly Network International Global Services India Private Limited), is a private limited company and was incorporated on August 22, 2014. The company is a subsidiary of ANSR Consulting Inc, USA, which holds a 99.9% stake in it. The balance is held by ANSR Consulting Holdings Inc.

The company provides GCC consulting services, talent acquisition services, staff augmentation, and workspace leasing and ancillary services. In the leasing segment, the company rents an office space (bare shells) and sub-lets the lease hold improvements to its clients.

Key financial indicators (audited)

IRLStandalone	FY2018	FY2019	FY2020
Operating Income (Rs. crore)	39.12	94.23	163.37
PAT (Rs. crore)	5.69	4.76	19.22
OPBDIT/OI (%)	17.7%	15.5%	22.2%
RoCE (%)	2.9%	26.13%	40.5%
Total Outside Liabilities/Tangible Net Worth (times)	1.13	3.31	3.51
Total Debt/OPBDIT (times)	-	1.38	1.40
Interest Coverage (times)	52.37	17.52	9.30
DSCR (times)	1.89	15.46	2.77

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					April 14, 2021	-	Feb 20, 2020	-
1	Term loan	Long-term	107.0	90.98	[ICRA]BBB (Stable)	-	[ICRA]BBB- (Stable)	-

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

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	Term loan	April, 2019	NA	June, 2025	107.0	[ICRA]BBB(Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis- Not Applicable

Annexure-3: Corrigendum

The DSCR has been revised from 2.42 times to 2.77 times in FY2020.

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