

July 27, 2023

IGT Solutions Pvt. Ltd.: Long-term rating upgraded; short-term rating assigned; rated amount enhanced

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	[ICRA]A (Stable)/ [ICRA]A1; long-term upgraded from [ICRA]A- (Stable) and assigned to enhanced amount; short-term rating assigned
Long-term – Fund-based/ Non-fund Based Limits – Unallocated	30.0	2.0	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable)
Total	30.0	70.0	

*Instrument details are provided in Annexure-I

Rationale

The rating action for IGT Solutions Pvt. Ltd. (IGTS) factors in the expected sustenance of the strong scale up in business witnessed in FY2023. IGTS reported 56% YoY growth in its revenue in FY2023, supported by strong demand momentum in the travel and hospitality industry, healthy share of business with key clients and expansion of the global delivery centre base. Consequent increase in accrual generation, comfortable capital structure and debt protection metrics have continued to result in a strong financial risk profile and liquidity position for the company. The ratings also continue to factor in the long operational track record of the company in the business process outsourcing (BPO) and IT services industry and financial flexibility from its strong parentage, with Baring Private Equity Asia Group-EQT AB (BPEA EQT) holding 85% stake. Moreover, the company continued to benefit from its reputed clientele of leading players of the travel and hospitality industry, while diversifying its segmental presence in the e-commerce segment over the past fiscal. Any adverse changes in the company's financial policies and/or higher-than-anticipated upstreaming of funds or any debt-funded inorganic acquisitions in future will remain a key monitorable.

The ratings are, however, constrained by the sizeable upstreaming of funds to shareholders in the past, 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 ~50% of its revenue in the past two years. However, the revenue contribution from other segments such as e-commerce has increased to some extent in recent years and the company is focused on diversifying into other sectors such as e-gaming and content moderation. Moreover, its profitability remains exposed to continual wage increase and high attrition rates prevalent in the 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 significant debt-funded acquisition can impact IGTS's financial risk profile and will be evaluated on a case-to-case basis.

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, strong client base and the industry's favourable demand outlook.

Key rating drivers and their description

Credit strengths

Long and established track record – Incorporated in 1998, IGTS provides BPO and IT services across the world, primarily in the travel and hospitality domain. Its customer base includes over 85 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 repeat revenues over the years. BPO services accounted for most of its revenues, at ~90% in recent years, supported by a slight improvement in share of business in FY2023, while revenue share from software development services remained modest at ~10%.

Reputed client base and diversification in sectors – The company enjoys a client base of reputed players in the travel and aviation industry, including United Airlines, Emirates, Lufthansa, Expedia, Agoda, Marriott, and Radisson, among others. Its relationship with some of its key clients goes back over the decades supported by a long operational track record, leading to recurring revenues and increasing market share over the years. While the customer profile has remained dominated by companies in the travel industry, in recent years, IGTS has diversified into e-commerce and retail segments as well. Moreover, it plans to venture into e-gaming and content moderation in the current fiscal, which is expected to improve the revenue division to some extent.

Global delivery footprint with addition of new delivery centres in recent years – IGTS has a global delivery footprint across 30 centres in 13 countries, serviced by ~24,000 employees. Over the past two fiscals, it has set up new delivery centres in various markets such as South Africa, Egypt, Colombia, Romania, and the Philippines, supporting its revenue growth. Consequently, while the US market continues to account for ~50% of its revenues, the share from other geographies has increased in the last two fiscals.

Strong financial risk profile and healthy liquidity position – IGTS maintains its strong financial risk profile, marked healthy revenue growth, comfortable capital structure and strong debt coverage indicators. Its Total debt/OPBDITA and interest coverage ratio stood at 1.1 times and 21.5 times, respectively, in FY2023. Also, its liquidity position has remained healthy as marked by sizeable cash and cash equivalents (~Rs. 400 crore as of June 30, 2023) and cushion in the form of undrawn bank lines. IGTS reported strong revenue growth of 56% YoY in FY2023, and the momentum is likely to be sustained in the near to medium term supported by high share of business with its top clients and expansion of its delivery centres across the globe.

Credit challenges

Upstreaming of significant funds to shareholders – In the past, there have been sizeable dividend payouts by the company to its shareholders. During FY2023, IGTS received a loan of ~\$23 million from its parent for meeting one-time payouts related to its acquisitions by BPEA from AION. Part of the loan was already repaid in FY2023 and the balance (~\$5 million) is expected to be repaid in the current fiscal. In addition, IGTS is likely to upstream ~\$8-10 million on a quarterly basis to its parent. However, despite the same, IGTS's 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 adverse changes in the company's financial policies and/or higher-than anticipated upstreaming of funds or any debt-funded inorganic acquisitions in future will remain a key monitorable.

Exposure to high attrition, continual wage increases, and forex risks inherent in IT services and BPO industry – Given that 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' is widely spread 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 are leading players in the travel and hospitality domain, accounting for ~50% of its revenues in FY2023. However, its established presence in the industry, coupled with its established relationships with its key clients mitigates the risk to an extent. Moreover, the diversification of segmental revenue by adding new customers in the e-commerce space over the recent years and focussing on gaming and content moderation in the current fiscal 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. 400 crore as on June 30, 2023 (on a consolidated basis), and a cushion available in the form of unutilised fund-based

working capital limits of Rs. 48.0 crore as on June 30, 2023. IGTS is likely to incur capex of Rs. 120-130 crore towards setting up new delivery centres in FY2024, which is expected to be funded by internal accruals. Moreover, the company has up-streamed sizeable dividends in the past and the same is likely to continue, going forward. However, despite the same, its liquidity profile is expected to remain strong, supported by strong accrual generation.

Rating sensitivities

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

Negative factors – Pressure on the rating could arise if there is a decline in IGTS’ accruals and/or a stretch in the working capital intensity, leading to a deterioration in its liquidity position. Further, a higher-than-expected upstreaming or any debt-funded inorganic acquisition, which results in material deterioration in the credit metrics will also be a key rating sensitivity.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Information Technology (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 Business Process Management (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 ~24,000 experts. Given its long-established track record in the BPO and software solutions space, it enjoys established relationships with ~85 reputed customers in the travel, e-commerce, and hospitality industries.

Interglobe Group (Bhatia family) had been the shareholder until December 2018, following which their 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 BPEA-EQT became IGTS’ ultimate holding company.

Key financial indicators (audited)

IGTS – Consolidated	FY2022	FY2023
Operating income	1657.6	2589.5
PAT	178.7	223.1
OPBDIT/OI	19.0%	17.6%
PAT/OI	10.8%	8.6%
Total outside liabilities/Tangible net worth (times)	0.9	1.0
Total debt/OPBDIT (times)	1.0	1.1
Interest coverage (times)	29.1	21.5

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

Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years			
	Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				Jul 27, 2023	Apr 14, 2022	Apr 06, 2022	Mar 10, 2022	Jan 04, 2021
1 Fund-based/ Non-fund Based Limits	Long-term/ Short-term	68.0	-	[ICRA]A (Stable)/ [ICRA]A1	-	-	-	-
2 Fund-based/ Non-fund Based Limits – Unallocated	Long-term	2.0	-	[ICRA]A (Stable)	[ICRA]A- (Stable)	-	-	-
3 Fund-based – Unallocated	Long-term	-	-	-	-	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)
4 Non-fund Based – Unallocated	Long-term	-	-	-	-	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term, Fund-based/ Non-fund Based Limits	Simple
Long-term, Fund-based/Non-fund based – 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	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based/ Non-fund Based Limits	-	-	-	68.0	[ICRA]A (Stable)/ [ICRA]A1
NA	Fund-based/ Non-fund Based Limits – Unallocated	-	-	-	2.0	[ICRA]A (Stable)

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

Source: IGT annual report FY2023

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

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