

VFS Global Services Private Limited

January 07, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------|-------------------------------|---------------------|---------------|
| Long-term bank facilities | 150.00 | CARE A; Stable | Assigned |
| Long-term bank facilities | 36.00 (Reduced from 50.00) | CARE A; Stable | Reaffirmed |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the rating assigned to bank facilities of VFS Global Services Private Limited (VGSPL) continues to factor in established market position of the VFS Global Group and VGSPL in visa and passport outsourcing services, exclusivity of contracts and strong ties with client governments. Increasing travels from India, and hence, the company's sustained performance improvement in terms of total operating income (TOI) and healthy profitability further supports the rating. Strong liquidity continues to benefit VGSPL.

The company's rating strengths continue to remain offset by tender-based nature of contracts, susceptibility to changes in regulations and pricing by client governments, and lower-than-envisaged total income and profitability in FY24, although improved significantly on a y-o-y basis. Ratings also factor in regular distribution of dividend resulting in low net worth base.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial improvement in revenue while maintaining current profitability and cashflow with accretion of profits to net worth.
- Overall gearing below 1.0x (on a gross debt basis) on a sustained basis.

Negative factors

- Loss of business from significant client resulting in substantial decline in revenue and decline in operating margin below 25%.
- Deterioration in the overall gearing above 2.5x.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects the increase in outbound tourism and VGSPL's leading market position in the visa processing industry.

Detailed description of key rating drivers:

Key strengths

Established market position and stable prospects of industry to sustain growth

VFS group continues to be the largest player in visa facilitation market globally and in India. VGSPL continues to be the leader in domestic market and grew substantially from the past few years with current performance better than pre-covid levels. Industry growth in upcoming years is expected to be driven by increasing disposable income and consumer spending, higher social media influence and improving travel experiences, among others, ensuring the company's growth on a sustained basis. The company's leading position and its value-added services are further expected to aid the company in its growth. As on September 30, 2024, the VFS group, on a global level has tie-up with 69 government clients across 153 countries and VGSPL has tie up with over 50 government clients.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Outbound travel increased in FY24 and was higher than pre-covid level, which benefitted the company in terms of its scale. The company has achieved TOI of ₹1097.63 crore in FY24 (FY23: ₹712.38 crore), driven by volume and price. As on November 30, 2024, VGSPL has booked TOI of ₹844.41 crore. The company's operating margin remained at 34.37% in 8MFY25 (FY24: 32.36%; FY23: 32.66%).

Exclusivity of contracts and strong ties with client governments

The group serves to 69 client governments in geographies and VGSPL serves to 52 client governments. The group has been able to renew all old contracts, and hence, contract retention is present in domestic market. The company has long term contracts with major countries, including the US, the UK, Australia. The group is assured of renewed footfalls due to exclusivity of contracts.

Strategic importance and operational linkages of VGSPL with the group

VGSPL continues to benefit from its strong parentage, VF Worldwide Holdings Ltd. (VFS Global), which owns 99.99% stake in VGSPL. VFS Global is headquartered in Zurich, Switzerland, and Dubai, UAE, and majority its stake is owned by funds managed by Blackstone Inc. Blackstone holds almost 72.30% of stake in the group as on September 30, 2024. VF Worldwide Holdings Ltd., a UAE-based company, represents the group on major global visa outsourcing business contracts. It outsources these global contracts to the local entity in the respective countries of operation for execution. All the visa operations of VF Worldwide Holdings Ltd. in India are executed by VGSPL. all support functions of the entire VFS Global group including IT and Finance are centralised in India as the group's global support office. VF Worldwide Holdings Ltd. has also provided unconditional and irrevocable corporate guarantee for the bank loan availed by the company.

Strong profitability and cash flow from operations

Operating profitability continues to remain healthy at ~32% owing to its increasing top line and continuance of value-added services provided by the company. Overall profitability reflects the company's strong market position. The operating margin stood at ~36% in 8MFY25 (H1FY24: 33%). Although, total income, operating profitability and net profits grew healthy at ~50% each in FY24 on a y-o-y basis, they remained lower by almost 15%-30% compared to envisaged level. Though total income and profitability is healthy, growth rate will remain lower-than-earlier envisaged level in FY25. Except the COVID-19 impacted FY21, the company has been generating strong operating cash flow. in FY20-FY24, the cumulative cash flow operation remained at over ₹1,000 crore.

Key weaknesses

Restricted net worth base due to regular distribution of dividends:

Despite strong profitability, the scale of operation marked net worth base remained moderate due to regular pay-out of dividends, although the company pays dividends from surplus cash only. The external bank debt continues to low with debt comprising only lease liability. As on date there is no term loan. However, with growing business, the company is expected to incur ~₹200.00 crore of annual budget on its application centres and technology. For this, the company is planning to avail term loan of ₹150.00 crore. Presently, of this cost, ₹80.00 crore has been incurred till November 2024 via internal accruals. Term loan and lease liability are expected to increase in the medium term with expected growth in operation. Amidst increasing debt, growth in net worth is expected to remain restricted considering upstreaming cash in the form of dividend to its shareholder. The company's net worth stood at ₹95.04 crore in FY24 (FY23: ₹87.31 crore). Due to low net worth and increase in lease liability, the company's overall gearing deteriorated at 3.41x as on March 31, 2024 (As on March 31, 2023: 2.23x). Interest coverage stood healthy at 15.32x in FY24 (FY23: 15.64) due to low bank borrowings and healthy operating margin. Per 8MFY25, interest coverage stood at 14.12x and overall gearing at 2.99x.

Tender-based contracts and susceptibility to changes in regulations and pricing

Contracts with diplomatic missions are generally tender-based with a 3-5-year tenure with an extension option for 1-3 years with the client governments. The group usually has to provide a performance guarantee/ bank guarantee, which may be invoked in case of non-performance per the contract. These contracts are awarded based on certain parameters such as the company's credit history, experience in visa outsourcing, robust software systems, operational expertise, strong background check and data protection function. This makes revenue susceptible to the risk of non-renewal of contract or not been able to receive new contracts. The management and service fee of visa application and commission of the outsourcing company are regulated by the government, restricting the group's bargaining power. Thus, changes in regulations or pricing policy can affect the group's revenue.

Foreign exchange risk

VG SPL has earned total revenue of ₹176.88 crore from outside India in FY24 (FY23: ₹107.37 crore), exposing to foreign exchange fluctuation risk. However, this revenue earned from outside India is only 16% of TOI, mitigating risk to some extent. In FY24, the company had booked a marginal foreign exchange gain of ₹0.22 crore (FY22: ₹0.48 crore). per the management, VG SPL claims its share of income from VF Worldwide Holdings Limited as the revenue in foreign currency are collected centrally at VF Worldwide Holdings Limited. This revenue earned in foreign currency is partially offset against the embassy payment in foreign currency. The inter-company transactions are settled before making the payment to VG SPL, hence the group is able to manage currency fluctuations at transactional level.

Liquidity: Strong

The company's liquidity is strong with healthy gross cash accruals (GCA) at ₹289.71 crore in FY24 (FY23: ₹201.11 crore). With the expected growth, the gross cash accrual is further expected to improve in coming years. The fund-based limits continue to remain unutilised as on date. The average utilisation of non-fund-based limit is 39% for last twelve months ended October 30, 2024. The net cash flow from operations stood comfortable at ₹276.77 crore in FY24 (FY23: ₹369.68 crore). The company has no term loan as on date. The GCA will be sufficient to service both the lease liabilities and repayment of term loan, which the company plans to avail in near to medium term. The total cash and bank balance of the company stood at ₹50.34 crore as on November 30, 2024 (As on March 31, 2024: ₹125.59 crores; As on March 31, 2023: ₹223.49 crore).

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|-------------------------|-------------------|------------------|-------------------------------|
| Consumer discretionary | Consumer services | Leisure services | Tour, travel related services |

VG SPL was incorporated as a private limited company on January 10, 2006, under the Companies Act, 1956, for providing travel documentation, passport and visa processing facilitation and related services to travellers, tour operators, travel agencies and corporates among others, in India. VF Worldwide Holdings Limited owns 99.99% stake in VG SPL, while the balance is held by VFS Global Edu Support Services Private Limited. It is a part of the VFS Global group. VG SPL also provides Identity and Citizen Services ("I&CS"), offering a wide range of biometrics-based solutions for largescale public-facing programmes. These services include assisted applications, registration, biometric solutions to assure and manage identity, document management, video conferencing facilities, authentication and reporting services.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | 8MFY25 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income | 712.38 | 1,097.63 | 844.41 |
| PBILDT | 232.63 | 355.24 | 303.15 |
| PAT | 104.18 | 154.64 | 119.52 |
| Overall gearing (times) | 2.23 | 3.41 | 2.99 |
| Interest coverage (times) | 15.64 | 15.32 | 14.12 |

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|------------------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Fund-based - LT-Bank Overdraft | | - | - | - | 22.00 | CARE A; Stable |
| Fund-based - LT-Term Loan | | - | - | Proposed | 150.00 | CARE A; Stable |
| Non-fund-based - LT-Bank Guarantee | | - | - | - | 14.00 | CARE A; Stable |

Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|---|-----------------|------------------------------|----------------|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT-Working capital Term Loan | LT | - | - | - | - | 1)Withdrawn (10-Oct-22) | 1)CARE BBB+ (CW with Developing Implications) (29-Dec-21) |
| 2 | Fund-based - LT-Bank Overdraft | LT | 22.00 | CARE A; Stable | - | 1)CARE A; Stable (05-Jan-24) | 1)CARE A-; Positive (10-Oct-22) | 1)CARE BBB+ (CW with Developing Implications) (29-Dec-21) |
| 3 | Non-fund-based - LT-Bank Guarantee | LT | 14.00 | CARE A; Stable | - | 1)CARE A; Stable (05-Jan-24) | 1)CARE A-; Positive (10-Oct-22) | 1)CARE BBB+ (CW with Developing Implications) (29-Dec-21) |
| 4 | Fund-based - LT-Term Loan | LT | 150.00 | CARE A; Stable | | | | |

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|------------------------------------|------------------|
| 1 | Fund-based - LT-Bank Overdraft | Simple |
| 2 | Fund-based - LT-Term Loan | Simple |
| 3 | Non-fund-based - LT-Bank Guarantee | Simple |

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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