

JUNE 04, 2015

CARE REAFFIRMS RATING ASSIGNED TO THE BANK FACILITIES OF FINANCIAL SOFTWARE AND SYSTEMS PRIVATE LIMITED

Ratings

| Facilities | Amount (Rs. crore) | Ratings ¹ | Remarks |
|---------------------------|----------------------------------|------------------------------|-------------------|
| Long-term Bank Facilities | 811.39 (Enhanced from 599.65) | CARE A (Single A) | Reaffirmed |
| Total facilities | 811.39 | | |

Rating Rationale

The rating continues to take into account the infusion of fresh equity funds during FY15 (FY refers to period April 1 to March 31) & consequent improvement in networth and continuous growth in income of Financial Software and Systems Private Limited (FSS) during the past three year period ended March 2014 supported by demonstrated ability of FSS to secure long-term contracts with leading domestic banks in the ATM management/deployment segment. The rating further continues to draw strength from its long operational track record, early entrant in the payment solutions domain with an integrated presence across payment value chain, established relationship with most of the leading public and private banks in India and favourable outlook for ATM outsourcing and e-payments segment in India which is likely to drive the growth for the company in the medium term. The rating, however, continues to be constrained by significant upfront investment and relatively long gestation period of the end-to-end (E2E) ATM management model, resultant moderate return indicators notwithstanding improvement in profitability seen in FY14 as a result of improvement in transaction volumes, debt funded expansion plans in the medium term and policy regulations related to ATM & payment systems business.

Ability of the company to improve upon its profitability margins and cash accruals from present levels considering continuous ATM deployments planned by the company in the medium term, increase its presence in the Non-ATM segment as envisaged, manage the growing scale of operations and successfully execute the capital expenditure plans in the medium term while still maintaining a comfortable capital structure would be the key rating sensitivities.

Background

Financial Software and Systems Private Limited (FSS) was incorporated on February 20, 1991. The company was founded by Mr.Nagaraj V. Mylandla, who is currently the Managing Director. FSS is a leading 'Payment Systems Company' with domain expertise in the areas of payment solutions and financial transaction processing. FSS has an integrated presence across the complete value chain of payment systems i.e. from front end payment system software design to back end switching and routing, Payments Systems Infrastructure, Reconciliation and Settlement, Mobile Banking and Payments, ATM deployment and managed Services. As on Dec 31, 2014, FSS managed nearly 22,956 ATMs in India.

As per the audited results for FY14, FSS generated profit after tax (PAT) of Rs.12 crore on total income of Rs.583 crore. As per provisional 9MFY15 results, FSS reported PBT of Rs.4 crore on total income of Rs.481 crore.

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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