Transaction Solutions International India Private Limited

February 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	314.63 (Reduced from 341.93)	CARE BBB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	45.93 (Enhanced from 30.01)	CARE BBB+; Stable / CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Detailed Rationale and key rating drivers

The reaffirmation in the ratings assigned to the bank facilities of Transaction Solutions International India Private Limited (TSIPL) continue to derive strength from its experienced management with long track record of operations, reputed client base and revenue visibility through new contract from State Bank of India (SBI) and ongoing contracts for setting up and manging ATMs (Automated Teller Machine). The ratings also factor in the growing scale of operations & improved profitability during FY23 (refers to period April 01 to March 31) and H1FY24 (refers to the period April 01 to September 30). The ratings take cognizance of infusion of conditional compulsory convertible debentures (CCDs) by Piramal Alternatives in December 2023 and renewal of SBI contract for further 10 years providing the revenue visibility in the long term. The ratings, continue to remain constrained by the regulated nature of ATMs business, risk of potential loss arising from cash in transit, theft or other events and competition from increasing digital payments. The rating is also constrained by the limited track record of profitability at net level and significant debt funded CAPEX plans related to SBI contract for setting up 3,375 ATMs and other growth plans.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in scale of operations above Rs. 400 crores while maintaining PBILDT margins above 30%.
- Ability to generate GCA above Rs. 100 crores on a sustained basis.
- Improvement in overall gearing below 1.00 times on a sustained basis.

Negative factors

- Decline in scale of operations below Rs. 225 crores with PBILDT margin below 15% on a sustained basis.
- Deterioration in overall gearing above 3.50 times and interest coverage below 2 times on a sustained basis.
- Any significant or unaccounted liability arising which may impact operations of the company.
- Any delay in renewal of the contracts adversely impacting operational performance of the company.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE's opinion that TSIPL would continue to derive benefits from its experienced promoters with long track record of operations and its reputed client base.

Detailed description of the key rating drivers:

Key strengths

Experienced management with long track of operations in the ATM Management business

TSIPL is a part of 'Transaction Solutions Group' having presence at multiple locations like Australia, Mauritius and India through different group entities under the ambit of parent entity Findi Limited (earlier known as Vortiv Limited). TSIPL is run and managed by a team of professionals including Mr. Mohnish Kumar (Managing Director and Chief Executive Officer) since 2016 with over 30 years of experience and Mr. Deepak Verma (Director and Chief Financial Officer) having over 20 years of experience in field of finance & operations. The board of the company also comprises representative directors namely Mr. Nicholas John Smedley, Mr. Jason Mark Titman and Mr. Simon Michael Joseph Vertullo on behalf of parent entity Findi Limited for smooth functioning of the company. Presently, the company has a network of over 19,000 ATMs under its ATM outsourcing and managed services business though the market share remains low due to intense competition from market leaders.

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

Long-standing association with reputed customers albeit exposed to customer concentration
TSIPL has long term association with reputed banking customers, however exposed to concentration risk as top 10 customers contributed ~98.43% of total income generated during FY23 compared to 98.76% in FY22 out of which close to 70-75% comes only from State Bank of India. Loss of any major customer or change in ATM deployment strategy by any one of the banks by awarding new ATM contract to peers at new sites could impact the operations of the company. However, the concentration risk is partially mitigated with the customers good credit risk profile and company's long-term association with the banks. Timely renewal of the lease contracts will be critical from credit perspective.

Completion of project related to Central Bank of India (CBI) and renewal of SBI contract for 10 years
TSIPL has successfully completed the project for setting up and installation of 2550 ATM's and surveillance machines for Central Bank of India in FY23, all the 2,550 ATMs are already live. Further during FY24, the SBI contract for setting up 3,375 ATMs and surveillance machines PAN India has renewed for further 10 years, providing the revenue visibility to the company in the longer term.

Moderate financial risk profile
The financial risk profile of the company is moderate marked with overall gearing of 2.92 times as on March 31, 2023 moderated from 2.21 times as on March 31, 2022 while adjusted overall gearing (net of FDR margin on debt) stood at 2.12 times as on March 31, 2023 compared to 0.27 times as on March 31, 2022 and interest coverage stands moderate at 3.31 times for FY23 as against 2.92 times in year FY22. Presently the FDR margins stands more than Rs. 150 crores as on December 31, 2023. Further, TD/GCA also stands moderate at 4.38 times as on March 31, 2023 moderated from 3.92 times as on March 31, 2022. Further during December 2023, Piramal Alternatives has infused Rs. 200 Crores in the form of Compulsory Convertible Debentures (CCDs), which shall be utilised to meet the capex requirement for SBI contract and other acquisition plans to achieve higher scale of operations going forward. However, given the conditional nature of conversion as per exit terms CARE has considering it as debt and the overall gearing is expected to moderate going forward and shall remain monitorable.

Key weaknesses
Regulated market for ATM & payment solutions
The banking industry is highly regulated by policies set by the Reserve Bank of India (RBI). Any restrictive change by the RBI in the regulatory regime relating to deployment or use of ATMs will likely have an adverse impact on the company and other players in the industry.

Risk of potential loss arising from cash in transit, theft or other events
The cash in ATM or cash in transit is the responsibility of TSIPL and presently the company handles annual cash of Rs. 6,000 to 7,000 crores. To ensure secured business practice and to safeguard itself, the company engages third party for cash logistics and cash management services - CMS Info Systems Ltd (CMS) which maintains adequate insurance coverage for cash losses that could possibly occur on account of theft, misconduct/negligence through human intervention. Presently the cash insurance coverage is from New India Assurance, however, the company would be liable to compensate the concerned customer bank for any such losses irrespective of whether recovered or not.

Limited track record of profitable operations
The company has limited track record of profitable operations at net level with company reporting growth in TOI to Rs. 294.17 crores in FY23, from Rs. 243.91 crores in FY22, reporting growth of 20.60% y-o-y in line with the expectations. Further the PBILDT in absolute terms also increased to the level of Rs. 90.13 crore in FY23 (30.64%) from Rs. 47.84 crores in FY22 (19.61%). Further, the company has reported TOI of Rs. 165.58 crores with 35.40% PBILDT margins in H1FY24. The growth was largely on account of successfully setting up and installations of CBI 2,550 ATM's. Earlier till FY22, TSIPL has been showing muted growth over the past 3-4 years and reported TOI of Rs. 243.91 crores during FY22 registering a CAGR of 0.56% over FY19 as the scale of operations were stagnant mainly due to currency demonetisation, RBI guidelines and covid induced lockdowns leading to reduced cash availability and cash handling. The significant improvement in operating margins over the past years was mainly on account better rates negotiated from customers, deploying profitable ATMs and reduced ATM site expenses including rentals, admin fees etc. However, given the limited track record of profitable operations, sustained growth in scale of operations while maintaining PBILDT margins above 30% shall remain monitorable.

Significant debt funded capex and acquisition plans
During FY24, the SBI contract for setting up 3,375 ATMs and surveillance machines PAN India has renewed for further 10 years. The Company in line with the terms of SBI Contract would have to undergo a Capex of ~Rs. 300 Crores in FY25. The Capex would start from April 2024 and would take close to 9 months for the completion of the execution. The company plans to undertake Rs.

200 Crores term loans for a period of 7 years which is under various stages of approval, and the balance Rs. 100 crores would be funded partially through funds infused by Piramal Alternatives & partially through internal accruals. Further, the company has plans to expand its operations into white label ATM's through acquisition where the company has no exposure. Given the significant debt funded, capex and acquisition plans, the company remains exposed to execution risk related to the growth plans and shall remain key monitorable going forward.

Liquidity: Adequate

Liquidity is marked adequate with expected accruals of approx. Rs. 102.03 crores against repayment obligations of close to Rs. 38.61 crore in FY24, out of which Rs. 32.40 crores are repaid till December 2023, which is further aided by free cash and cash equivalent of Rs 208.26 crores as on December 2023 (including Rs.200 crores received in the form of CCDs). The company raises bills on a monthly basis by the 15th day of next month and receives payment within 60 to 90 days from all the customers/banks, further there is no counterparty default risk as all the customers have strong financial & credit risk profile. On the other side, the creditors outstanding are not significant and pertains only to expenses, electricity, rentals etc. The company has to provide bank guarantee in every contract for the tenure of contracts which generally ranges from 5 years to 7 years and remains further extendable.

Environment, social, and governance (ESG) risks: NA

Applicable criteria

Policy on default recognition
Financial Ratios – Non-financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Service Sector Companies

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Commercial Services & Supplies	Diversified Commercial Services

TSIPL incorporated in April 2005 as a wholly owned subsidiary of Findi Limited (earlier known as Vortiv Limited) with an intent of deploying white label ATMs in India, online bill payment etc. TSIPL is presently engaged in setting up and managing ATMs, bill payment kiosk etc and presently manages a network of over 19,000 ATMs under its ATMs in India.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (A)
Total operating income	243.91	286.65	165.58
PBILDT	47.84	82.62	58.62
PAT	-22.57	25.17	12.66
Overall gearing (times)	1.95	2.92	3.22
Interest coverage (times)	2.92	3.03	3.64

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various 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 along with Rating Outlook
Fund-based - LT-Term Loan		-	-	December 2027	241.63	CARE BBB+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	73.00	CARE BBB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	45.93	CARE BBB+; Stable / CARE A3+

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Working Capital Limits	LT	73.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Dec-22)	-	-
2	Fund-based - LT-Term Loan	LT	241.63	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Dec-22)	-	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	45.93	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB+; Stable / CARE A3+ (05-Dec-22)	-	-

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

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About us:

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