

Date: June 22, 2024

To, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400001 BSE Scrip Code: 543451	To, National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400051 NSE Scrip Symbol: AGSTRA
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Ref: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sub: Revision of Credit Rating and Outlook on the long-term bank facilities

Dear Sir/Madam,

This is to inform that CRISIL Ratings Limited (“CRISIL Ratings”) has revised AGS Transact Technologies Limited’s (AGS Transact) Long-Term Rating to “CRISIL A” from “CRISIL A+” while revising the Outlook to “Stable” from “Negative”. The reason for the revision is on account of decline in revenue and delay in collection of receivables.

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, please find enclosed herewith, press release dated June 21, 2024 issued by CRISIL Ratings. You are requested to kindly take the same on record.

The said details shall also be available on the website of the Company i.e. www.agsindia.com.

This is for your information and records.

Thanking You,
Yours Sincerely,
For **AGS Transact Technologies Limited**

Sneha Kadam
Company Secretary & Compliance Officer
(Mem No: ACS31215)

Encl: a/a



AGS Transact Technologies Ltd.

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Rating Rationale

June 21, 2024 | Mumbai

AGS Transact Technologies Limited*Rating downgraded to 'CRISIL A/Stable'***Rating Action**

Total Bank Loan Facilities Rated	Rs.900 Crore
Long Term Rating	CRISIL A/Stable (Downgraded from 'CRISIL A+/Negative')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has downgraded its rating on the bank facilities of AGS Transact Technologies Limited to '**CRISIL A/Stable**' from '**CRISIL A+/Negative**'.

The rating action follows weaker-than-anticipated business performance during fiscal 2024 owing to delay in execution of some of the contracts. The company registered revenues of Rs.1491 crores in FY24, a degrowth of 12% over FY23, due to decline in other automation segment in accordance to lower the focus on that segment by the company and a degrowth of ~25% in banking automation business because of delay in order execution. As a result, operating margin also deteriorated in FY24 to ~24% from ~27% in FY23 due to decreased operating leverage and continuing residual costs from other automation business. Even the recovery from the debtors overdue for more than two years has been lower than expected. On contrary, the company did further provisioning of ~Rs. 71 crores in H2FY24, adding to ~Rs 45 crores taken in H1FY24. The provisioning done over the last two fiscals has significantly impacted the company's networth and thereby its financial risk profile. However, it will likely improve going ahead with the planned equity infusion of up to Rs 200 crores as per the latest BSE announcement. Timely infusion of equity, significant improvement in operating performance and no significant provisioning in the coming quarters will remain key rating monitorable.

The rating continues to reflect AGS's established market position in the ATM managed services industry, increasing presence in digital payment solutions and longstanding association with customer banks. The rating is also supported by adequate operating efficiency, which ensures steady cash generation. These strengths are partially offset by average financial risk profile, large working capital requirement and risk of proliferation of digital payments in the long term, leading to stagnancy in demand for ATMs in the domestic market.

Revenue has been flattish in the recent years and declined to Rs 1,491 crore in fiscal 2024 from Rs 1,691 crore in fiscal 2023. Revenue growth of the payment solutions business division (~87% of revenue) was impacted by the delay in implementation of cassette swaps at automated teller machine (ATMs) by customer banks. Banking automation witnessed decline due to delay in execution of large order from Large PSU order due to testing and approvals. Revenue growth also remains impacted by the strategy of the company to reduce focus on the highly working capital-intensive products business. With receipt of new orders and implementation of cassette swaps at ATMs, revenue is now projected at Rs 1,650-1,700 crore for fiscal 2025 driven by execution of orders in hand, stable payment solutions business with increasing focus on cash replenishment business (CMS and Cash recycler machines), digital transactions and mandatory implementation of cassette swaps. Overall, operating profitability moderated to 24.1% in fiscal 2024, due to revenue reduction in its other automation business. However, with expected revenue growth, operating margin will likely improve to 25-26% over the medium term further supported by higher rate contract renewals and cost saving measures implemented by the company. Cash accrual is expected at Rs 200-240 crore per annum over the medium term.

Debtors exceeding six months amounted to 35% of billed debtors in fiscal 2024 including retention money. A sizeable portion of the pending receivables (other than retention money) pertain to the pandemic period and are from the public sector units (PSU) and various esteemed customers including banks. AGS is in the process of recovering the same and using the proceeds for debt reduction. Delayed recovery of ageing receivables has necessitated a total provisioning of Rs 116 crore during fiscal 2024. Further, AGS has provided for a minimum one-time commitment fee of Rs 27.5 crore, leading to net loss of Rs 80 crore for fiscal 2024; this too impacted adjusted networth, which deteriorated to around Rs 413 crore as on March 31, 2024, from Rs 479 crores as on March 31, 2023. Gross debt (including lease liability & reverse factoring) at Rs 1,116 crores on March 31, 2024 (~Rs 1,227 crore on March 31, 2023) remains high, despite sizeable annual long-term debt repayment due to delay in recovery of ageing receivables and partly debt-funded capital expenditure (capex). Ergo, only limited improvement in debt protection metrics is witnessed; interest coverage ratio was adequate at ~2.4 times in fiscal 2024 (~3.1 times in fiscal 2023) and total outside liabilities to tangible networth (TOL/TNW) ratio at 3.69 times as on March 31, 2024 (3.54 times on March 31, 2023).

Analytical Approach

CRISIL Ratings has combined the financial and business risk profiles of AGS and its subsidiaries as they have common management and are in similar lines of business. AGS has two main subsidiaries - Securevalue India Ltd (SVIL) engaged in cash management services and India Transact Services Ltd (ITSL) engaged in creating and dealing with digital payment solutions.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description**Strengths:**

- **Strong market position in the ATM managed services industry with presence across the value chain**

AGS is one of the largest integrated omnichannel payment solutions providers, providing digital and cash-based solutions to both banks and corporate clients across India. The company also provides automated and technology products for banking, retail, paints and petroleum sectors. In 2004, it commenced the banking automation business, which includes supply and installation of ATMs, site development and provision of maintenance services. AGS began to offer ATM outsourcing and managed services in 2009. The company further ventured into transaction switching services and cash management services (through its subsidiary, SVIL) in 2011 and 2012, respectively. This led to the company transforming into an end-to-end payment solutions and technology partner for the banking sector across the entire ATM value chain, thereby consolidating its market position. As of March 2024, the company had a network of around 38,00 ATMs and cash recycler machines (CRMs) under its ATM outsourcing and managed services business with a market share of ~15% and services over 40,000 ATMs under the cash management business in SVIL. Further, the company is expanding its presence in installing CRMs for various banks; this should further strengthen its overall market position given the increasing preference by banks for CRMs to offer automatic deposit and withdrawal facilities to customers. This will also expand the portfolio of machines serviced by SVIL under its cash management business. Various contracts are renewed at higher pricing which will improve the bottom line as well. AGS had announced last year, the order win of INR 1,100 crore contract over 7 years for deploying 2,500+ ATMs/CRMs under Outsourced/Managed Services portfolio from the State Bank of India (SBI).

- **Increasing presence in digital payment solutions, providing diversity to revenue profile**

To capture the growing demand in the digital payments space and improve the mix between cash and digital payments, AGS has diversified into digital payments solutions (through its fully owned subsidiary, ITSL) providing services such as switching software, merchant solutions (point of sale machines) and other electronic payment solutions. The company has also developed integrated payment solutions, which in turn has helped to increase its presence in the digital payments space. The contribution from digital payment solutions has been increasing over the past three years (currently contributing around 20% of revenue), improving diversity in the revenue profile of AGS.

- **Revenue visibility owing to long-term contracts and longstanding association with customer banks; healthy operating efficiency**

The market position of AGS is underpinned by its established relationships with leading financial institutions and retail players as well as paint and petroleum majors. In the banking segment, the company has a diversified customer base of both private and public sector banks, viz; ICICI Bank Ltd, Axis Bank Ltd, HDFC Bank Ltd, State Bank of India, India Post Payment Bank, Union Bank of India, IDFC Bank and Punjab national Bank. AGS has been able to secure repeat orders from them, given its positioning, and has long-term contracts (of 7-10 years) with most customers in the banking segment. 70-80% of its turnover is derived from the recurring orders from banks; having stable revenue streams (with a mix of both fixed-fee and variable-fee contracts, wherein revenue is linked to number of transactions in the respective ATMs). Furthermore, a large portion of the ATM network of the company has a long vintage in the market where customer footfalls have stabilized, thereby providing strong revenue visibility for the next 2-3 years. Besides, for customers, where the revenue to AGS is linked to the number of transactions made in the respective ATMs, the company reserves the right to relocate the ATMs in case of shortfall in number of transactions.

Early mover advantage and scale of operations support operating profitability, which has been 23-27% since fiscal 2020. Operating profitability, while declining to 24.1% in fiscal 2024, from 26.8% in fiscal 2023, remains healthy due to recurring orders from banks, where it enjoys strong relationships. Operating profitability is expected at 25-26% in the near to medium term.

Weaknesses:

- **Slowdown in number of ATMs and risk of proliferation of digital payments**

The Indian ATM industry had witnessed tremendous growth in the past decade; number of ATMs increased to 2,22,318 in fiscal 2017 from 59,613 in fiscal 2010. However, having grown at a very healthy pace till then, ATM deployment slowed down considerably post demonetization. Further, increasing internet penetration and rising availability of smartphones led many consumers to gradually shift to digital payment modes (such as mobile banking and consumer mobile wallets). However, despite the slowdown in the number of new ATMs installed, replacement demand for existing ATMs is expected to be stable, given the 5-7 years useful life for the ATM machines and the need to upgrade ATMs based on evolving technology and regulatory requirements.

Besides, the number of transactions done at ATMs and the overall transaction value is still on the rise, since cash transactions continue to form the backbone of the economy. Further, with still a large proportion of Indian population remaining unbanked or under-banked; compared to some of the major economies in the world, and with banks focus on improving financial inclusion, the number of transactions should continue its growing trajectory. Furthermore, cash transactions remain a core part of the overall transactions in the economy, especially in the semi-urban and rural parts of the country. Cash in circulation has increased to an all-time high of ~Rs 35 lakh crore in March 2024 from the pre-demonetization level of ~Rs 17.4 lakh crore in September 2016. Hence, the structural shift to digital payments will evolve gradually in the long term and is not expected to pose an immediate threat to the number of ATM-based transactions.

This apart, with deployment of more CRMs, which can accept cash deposits, the number of transactions may increase. Moreover, the revision in the interchange fee can support revenue and boost profitability.

- **Average financial risk profile**

Total debt including reverse factoring and without lease liabilities reduced to Rs 816 crores as on 31st March 2024 (Rs. 875 crores last fiscal) however, financial risk profile moderated due to reduction in adjusted networth to around Rs 413 crores as on 31st March 2024 from Rs 479 crores as on March 31, 2023, due to continuing provision on debtors of more than 6 months leading to PAT losses. Thus, TOL/TNW increased to 3.69 times and adjusted interest cover moderated to 2.44 times in FY24. With the expected equity infusion, debt protection metrics are expected to improve resulting in TOL/TNW to be below 3 times and adjusted interest cover to remain above 3 times in the medium term. The company has an annual long-term repayment obligation of ~Rs 210 crore in fiscal 2025, while annual capex is projected at Rs 80-100 crore. Recovery in pending receivables (debtors over six months, including retention money, amounted to 35% of overall debtors in fiscal 2024) will be critical to ensure sustained improvement in debt protection metrics and in the financial risk profile over the medium term.

- **Large working capital requirement**

Operations have been working capital-intensive, marked by debtors of around 90-100 days till fiscal 2021. However, it increased to 137 days as on March 31, 2024, owing to pending realization with few large customers and retention money. The same is also because of the longer collection cycle in the automation business and milestone-based billing in the payments business. The company is taking various measures to recover the pending dues, which continue to be delayed, despite the strong credit risk profiles of various banks.

Liquidity: Adequate

The liquidity position is expected to remain adequate on the back of cash surplus of over Rs.130 crores as on March 31, 2024. Debtor days continued to remain high in FY24 (136 days). Average utilization of the fund-based working capital limit was moderate at around 36% over the six months ended April 2024. The unutilized limits will provide cushion during times of exigencies. Equity infusion of Rs 200 crores, cash surplus coupled with net cash accruals and expected recovery in debtors will be sufficient to pay large debt repayment obligations (~210cr in FY25) in the absence of any large debt funded capex plans. Realization of ageing debtors and reduction in the working capital cycle will be critical for improvement in liquidity and financial risk profile.

Outlook: Stable

Despite healthy operating profitability, the business performance of AGS will remain constrained by subdued revenue growth and large working capital requirement.

Rating Sensitivity factors

Upward factors

- Substantial improvement in scale of operations leading to significantly higher-than-expected cash generation with operating profitability being sustained at ~24-25%.
- Prudent capex management and significant and sustained improvement in working capital cycle leading to better debt metrics; for instance, TOL/TNW around 2.0 times on a sustained basis.

Downward factors

- Continued sluggishness in revenues, and moderation in operating profitability to less than 20%, impacting cash generation.
- Continuing high debt levels due to increased capex, stretched working capital cycle, lower than anticipated equity infusion, leading to TOL/TNW remaining over 3.0 times on a sustained basis.
- Moderation in liquidity position, due to continued delay in recovery of receivables impacting working capital cycle/ and reduced drawing power leading to near full utilization of working capital bank limits

About the Company

AGS is one of India's leading providers of end-to-end cash and digital payment solutions including customized solutions serving the banking, retail, petroleum and transit sectors. Operations covered approximately 2,200 cities and towns, servicing about 4,90,000 machines or customer touch points across India, as of March 31, 2024. AGS has two main subsidiaries – SVIL (engaged in cash management services) and ITSL (engaged in creating and dealing with electronic payment systems). The company has also expanded its operations to Southeast Asia and other countries by forming overseas stepdown subsidiaries in Sri Lanka, Philippines and Cambodia through a subsidiary in Singapore.

Key Financial Indicators (consolidated)

As on / for the period ended March 31	Unit	2024	2023
Operating income	Rs crore	1,491	1,691
Adjusted profit after tax (PAT)	Rs crore	-80	37
Adjusted PAT margin	%	(5.4)	2.2
Adjusted debt/adjusted networth	Times	2.70	2.56
Adjusted Interest coverage	Times	2.44	3.15

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crs.)	Complexity Level	Rating Assigned with Outlook
NA	Term Loan	NA	NA	Mar-2028	38	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	Mar-2026	70.79	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	Mar-2028	160.44	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	Mar-2027	72.33	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	Mar-2028	43.5	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	Mar-2029	110.96	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	Aug-2026	24.75	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	July-2027	31.67	NA	CRISIL A/Stable
NA	Working Capital Facility	NA	NA	NA	193.80	NA	CRISIL A/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	153.76	NA	CRISIL A/Stable

Annexure – List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Securevalue India Ltd	Full	Subsidiary; business linkages
India Transact Services Ltd	Full	Subsidiary; business linkages
Global Transact Services Pte Ltd	Full	Subsidiary; business linkages
Novus Technologies Pte Ltd	Full	Subsidiary; business linkages
Novus Technologies (Cambodia) Company Ltd	Full	Subsidiary; business linkages
Novus Transact Philippines Corporation	Full	Subsidiary; business linkages
Novustech Transact Lanka (Pvt) Ltd	Full	Subsidiary; business linkages

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	900.0	CRISIL A/Stable		--	24-11-23	CRISIL A+/Negative	18-02-22	CRISIL A+/Stable	13-01-21	CRISIL A+/Stable	CRISIL A+/Stable
					--	26-04-23	CRISIL A+/Stable	14-01-22	CRISIL A+/Stable	08-01-21	CRISIL A+/Stable	--
					--	--	--	--	--	07-01-21	CRISIL A+/Stable	--
Non Convertible Debentures	LT		--		--		--	18-02-22	Withdrawn	13-01-21	CRISIL A+/Stable	--
					--		--	14-01-22	CRISIL A+/Stable	08-01-21	CRISIL A+/Stable	--
					--		--		--	07-01-21	CRISIL A+/Stable	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Long Term Bank Loan Facility	153.76	Not Applicable	CRISIL A/Stable
Term Loan	31.67	Aditya Birla Finance Limited	CRISIL A/Stable
Term Loan	72.33	IDFC FIRST Bank Limited	CRISIL A/Stable
Term Loan	43.5	SBM Bank (India) Limited	CRISIL A/Stable
Term Loan	110.96	State Bank of India	CRISIL A/Stable
Term Loan	38	IndusInd Bank Limited	CRISIL A/Stable
Term Loan	24.75	Bandhan Bank Limited	CRISIL A/Stable
Term Loan	70.79	Investec Bank Plc	CRISIL A/Stable
Term Loan	160.44	Investec Bank Plc	CRISIL A/Stable
Working Capital Facility	30	Dhanlaxmi Bank Limited	CRISIL A/Stable
Working Capital Facility	35	SBI Global Factors Limited	CRISIL A/Stable
Working Capital Facility	25	Bajaj Finance Limited	CRISIL A/Stable
Working Capital Facility	19.8	The Federal Bank Limited	CRISIL A/Stable
Working Capital Facility	50	IndusInd Bank Limited	CRISIL A/Stable
Working Capital Facility	18	Bandhan Bank Limited	CRISIL A/Stable
Working Capital Facility	15	HDFC Bank Limited	CRISIL A/Stable
Working Capital Facility	1	IDFC FIRST Bank Limited	CRISIL A/Stable

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Criteria for Consolidation](#)

[Understanding CRISILs Ratings and Rating Scales](#)

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