August 16, 2022

Atyati Technologies Private Limited: [ICRA]BBB+ (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based limits	25.00	[ICRA]BBB+ (Stable); assigned
Total	**25.00**	

**Instrument details are provided in Annexure-1*

Rationale

The assigned rating factors in Atyati Technologies Private Limited's (Atyati) established track record in the financial inclusion space, the long-standing experience of its promoters, its asset-light business model and comfortable financial profile. Atyati has been in the business from 2006 and is currently empanelled as a corporate business correspondent (CBC) with several banks. Banks enter into contracts with CBCs, which further engage with several business correspondents (BCs), who provide banking services in rural locations for a commission. Since the maintenance of working capital for transactions are undertaken by the BC, the operations are asset-light in nature. Further, the commissions payable to the BC are generally paid only after the payment is received from the respective banks, leading to low working capital requirements. Coupled with minimal capital expenditure (capex) requirements, the company has pared down its debt levels such that it currently carries only working capital debt, while its capitalisation and coverage metrics remain comfortable. Additionally, its free cash and liquid investment reserve of Rs. 25.9 crore as on March 31, 2022 provides a liquidity cushion.

Nevertheless, the ratings remain constrained by Atyati's high dependence on the performance of BCs and the risk associated with the non-renewal of contracts/ downward revision of commercials by the banks. Its revenues are a derivative of the BCs' performances, who are independent agents working on a commission. While the company emphasises on recruiting suitable candidates and has a performance monitoring mechanism in place, the value and volumes of transactions also depend on macro-economic factors. Further, while banks generally renew their contracts with existing vendors, the risk of non-renewal or downward revision of commission exists, given that the contracts are typically for a three to five year tenure. CBCs have limited pricing flexibility as the terms of the contracts are fixed as per the bank's policies. Further, the financial inclusion industry is indirectly subject to regulations that govern banks and other financial institutions, and as such, any adverse policy change has the potential to impact Atyati's business and scale down its operations.

The Stable outlook on the long-term rating reflects ICRA's expectation that Atyati's operations are likely to remain stable, going forward. It is likely to maintain its comfortable financial risk profile over the medium term, given the absence of any planned large capex or investment plans.

Key rating drivers and their description

Credit strengths

Established track record of the company and promoter support – The company has been engaged in the business from 2006 and has significant experience in the financial inclusion space, working with both public and private sector entities. Its founder, Mr. Prakash Prabhu, continues to be involved in its day-to-day operations.

Comfortable financial risk profile with moderate debt levels and comfortable coverage indicators – The company's financial profile for FY2022 (as per provisional financials) is comfortable, with healthy coverage indicators, stable margins, minimal debt levels and a comfortable net worth position backed by strong accruals in the recent past. On the debt front, the company had working capital debt of Rs. 15.4 crore and long-term debt of Rs. 2.1 crore as on March 31, 2022, of which the latter was fully repaid in June 2022. The company also has a comfortable liquidity profile with free cash and liquid investments of Rs. 25.9

crore and unutilised working capital limits of Rs. 9.5 crore as on March 31, 2022. Further, the company does not have any major capex plans, which could lead to leveraging of its balance sheet.

Asset-light business model – The company's operations are asset-light in nature as the investment required by the BC in the working capital for day-to-day transactions are also undertaken by the BC. Further, the commissions and incentives to be paid to the BC are also made post receipt of payments from the bank, resulting in minimal working capital blockage for the company.

Credit challenges

Risk associated with non-renewal of contracts/ downward revision of commercials; any adverse developments on these fronts can result in scaling down of operations – With the CBC business being largely contract-based in nature, Atyati's revenues are subject to risk of non-renewal of such contracts by the banks. However, this risk is mitigated to a large extent since changing the CBC would also lead to business disruption for the bank; hence, these contracts are typically renewed. Nevertheless, in line with other players in the industry, Atyati has limited pricing flexibility with its customers since commercials are generally fixed as per the bank's policies. There have been earlier instances when the banks reduced the commissions, leading to a decline in revenues.

Exposed to regulatory risks as any change in regulation can indirectly affect the company – The financial inclusion industry is dependent on the regulatory policies framed by the Reserve Bank of India (RBI) and the Government of India (GoI). Hence, any adverse policy change by the RBI/ GoI pertaining to CBCs could impact the company's business.

Revenues dependent on performance of BCs – The company's revenues are dependent on the performance of the BCs, who are independent agents working on commission basis. Accordingly, the company emphasises on recruiting suitable candidates and has a performance monitoring mechanism. ICRA also notes that the volume and value of transactions also depends on macro-economic factors that have a bearing on Atyati's revenues.

Liquidity position: Adequate

Atyati's liquidity is adequate, with free cash and liquid investments of Rs. 25.9 crore as on March 31, 2022. It also has fund-based sanctioned working capital limits of Rs. 25 crore, of which only ~Rs. 10-12 crore was utilised as on July 31, 2022, providing a buffer of ~Rs. 13-15 crore as unutilised limits. Against this, the company does not have any long-term debt repayments or any major capex plan in the near term.

Rating sensitivities

Positive factors – A significant improvement in the company's scale along with diversification of its customer base, while maintaining its credit metrics and liquidity at current comfortable levels, would be critical for a rating upgrade.

Negative factors – Pressure on the company's ratings could arise in case of any decline in revenues or any unfavourable regulatory measures leading to weakening of the company's credit profile on a sustained basis; or in case of any unforeseen increase in working capital requirements that constrains its liquidity profile.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Atyati.

About the company

Atyati Technologies Private Limited was founded in 2006 by Mr. Prakash Prabhu along with other co-founders and venture capitalists. In 2012, Genpact India Private Limited, a US company, acquired the company. Further, in 2016, Geosansar Mauritius Limited (GML, 100% subsidiary of Medtist Ltd., UK[1]) (Metdist Group) acquired Atyati from Genpact.

Atyati is engaged in the financial inclusion business, and has been empaneled independently with banks, working as a CBC. It is currently on the panel of various public sector banks, regional rural banks and private sector banks. Atyati provides banking services to the rural population at locations other than bank branches/ATMs, with the help of BCs, through a mobility-based multi-application platform named, GANASEVA. GANASEVA is a banking software, which allows bank's customers to perform banking transactions using multiple devices such as mobile phones, netbooks, tablets, thermal printers, pin pad devices, cards and biometric scanners. Services offered include deposit/withdrawal from savings accounts, activation of debit cards, linking Aadhar cards to accounts, opening loan/fixed deposits, enrolling customers in various government schemes, etc. Atyati has also ventured into sourcing and servicing of loans for MSMEs and JLG as well as into doorstep banking.

Key financial indicators (audited)

Atyati – Standalone	FY2021 Audited	FY2022 Provisional
Operating income	246.7	276.7
PAT	17.9	18.5
OPBDIT/OI	7.7%	8.3%
PAT/OI	7.2%	6.7%
Total outside liabilities/Tangible net worth (times)	1.1	1.5
Total debt/OPBDIT (times)	1.5	0.8
Interest coverage (times)	7.6	10.1

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2022 (Rs. crore)	Date & Rating on 16-Aug-22	Date & Rating in FY2022 -	Date & Rating in FY2021 -	Date & Rating in FY2020 -
1	Fund-based Facilities	Long-term	25.0	15.4	**[ICRA]BBB+ (Stable)**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based Facilities	Simple

[1] *Medtist Ltd., UK, is held 100% by Minmetco Ltd., which in turn is 100% held by Mr. Apurv Bagri.*

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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No/Bank Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based Limits	-	-	-	25.00	[ICRA]BBB+ (Stable)

Source: *Company*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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