December 13, 2024

Atyati Technologies Private Limited: Ratings downgraded to [ICRA]BBB (Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based Limits	30.00	30.00	[ICRA]BBB (Stable); downgraded from [ICRA]BBB+ (Stable)
Total	**30.00**	**30.00**	

**Instrument details are provided in Annexure-I*

Rationale

The downgrade in ratings of Atyati Technologies Private Limited's (ATPL) considers the sustained deterioration in its operating margins due to higher-than-expected provisioning, materialisation of the First Liability Default Guarantee (FLDG)-related liabilities and relatively higher operational expenses in FY2024. Overall, the company provisioned around Rs. 28 crore on account of bad receivables, FLDG provisions, write-offs, etc., which impacted the earnings of the company in FY2024. The operating profit margins continued to remain lower than expected in H1 FY2025 on account of subdued macroeconomic environment, impacting both its business lines and downward revision in commercials from two of its customer banks in the business correspondent (BC) business. ATPL operates in the financial inclusion space and derives ~62% of its revenue from transaction commissions and ~33% from sourcing and servicing of loans. Although the loans are off-balance sheet and accordingly do not appear in the books of ATPL, its servicing income is dependent on the collection. ATPL's liability arises till a certain portion of the total loan is disbursed. ICRA also notes the risk associated with the rise in NPA within ATPL's loan portfolio, which may hamper ATPL's profitability, going forward.

The ratings also consider ATPL's high dependence on the performance of BCs and the risk associated with 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 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. 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 generally for a 3-5-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 any adverse policy change has the potential to impact ATPL's business and scale down its operations.

Additionally, ICRA notes that the company has been increasing its business from sourcing and servicing Joint Liability Group (JLG) loans. Addition of new branches for enhancing the prospects of this business has a direct bearing on the operating profitability of the company to a certain extent. Although these loans are off-balance sheet and accordingly do not appear on Atyati's books, the presence of First Liability Default Guarantee (FLDG) / Claw-back commitments by Atyati for a portion of these loans, subjects it to increased risks of liabilities in case of any irregularity in servicing the sourced loans. In this regard, the performance of this loan book and the credit implications on the company will be monitored.

The ratings continue to factor in ATPL's established track record in the financial inclusion space, extensive experience of its promoters, its asset-light business model and comfortable debt metrics. ATPL is currently empanelled as a corporate business correspondent (CBC) with several banks. Banks enter contracts with CBCs, which further engage with several business correspondents (BCs), who provide banking services in rural locations for a commission. As the working capital for facilitating transactions is maintained by BCs, 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, which reduces the company's working capital requirements. Besides minimal capital expenditure (capex), the company has pared down its debt levels so 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. 15.7 crore (as on March 31, 2024) and Rs. 15.3 crore, respectively as of September 30, 2024 provide a liquidity cushion.

The Stable outlook on the long-term rating reflects ICRA's expectation that ATPL's operations are likely to remain steady, going forward. It is likely to maintain its comfortable debt metrics 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 of financial inclusion from 2006 and has significant experience in the space, working with both public and private sector entities.

Comfortable debt metrics and liquidity profile – The company's leverage and coverage indicators remain healthy, backed by minimal debt levels. The company also has a comfortable liquidity profile with free cash and liquid investments of ~Rs. 15.3 crore and unutilised working capital limits of ~Rs. 20.3 crore, as on September 30, 2024. 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 for working capital for day-to-day transactions are maintained by the BC. Further, the commissions and incentives due to the BC are also paid after 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 and provision for JLG loans; any adverse development on these fronts can result in scaling down of operations – As the CBC business is largely contract-based in nature, ATPL's revenues are subject to the risk of non-renewal of such contracts by the banks. However, this risk is mitigated to a large extent as changing the CBC would also lead to business disruption for the banks. Hence, these contracts are generally renewed. Nevertheless, in line with other players in the industry, ATPL has limited pricing flexibility with its customers as commercials are generally fixed as per the banks' policies. There have been instances of the banks reducing their commissions, leading to a decline in revenues. While JLG loans do not appear on ATPL's books, the presence of First Liability Default Guarantee (FLDG) / Claw-back commitments by Atyati for a proportion of these loans, subjects it to increased risks of liabilities in case of any irregularity in servicing the sourced loans. In this regard, the performance of this loan book and the credit implications on the company will remain a key monitorable.

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 depend 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 further notes that volume and value of transactions also depend on macro-economic factors that have a bearing on ATPL's revenues.

Liquidity position: Adequate

ATPL's liquidity is adequate, with free cash and liquid investments of ~Rs. 15.3 crore as on September 30, 2024. It also has fund-based sanctioned working capital limits of Rs. 35 crore, of which Rs. 20.3 crore remains unutilised as on September 30, 2024. Against the same, the company does not have any long-term debt repayment 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 comfortable levels on a sustained basis, 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 margins leading to weakening of the company's credit profile on a sustained basis; or in case of any unforeseen increase in working capital requirements constraining the company's liquidity profile.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

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

ATPL is involved in the financial inclusion business, and has been empanelled 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. ATPL provides banking services to rural communities at locations other than bank branches/ATMs, with the help of BCs, through a mobility-based multi-application platform named, GANASEVA. The said platform is a banking software, which allows people 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 deposits/ withdrawals from savings accounts, debit card activation, Aadhaar Card linkages with bank accounts, availing loans, opening fixed deposit accounts, enrolling customers in various Government schemes, etc. ATPL has also ventured into sourcing and servicing of loans to self-help groups.

Key financial indicators (audited)

Atyati Standalone	FY2023	FY2024	H1 FY2025*
Operating income	312.3	390.0	186.0
PAT	12.3	11.8	4.5
OPBDIT/OI	4.9%	3.4%	3.2%
PAT/OI	3.9%	3.0%	2.4%
Total outside liabilities/Tangible net worth (times)	0.9	0.8	0.7
Total debt/OPBDIT (times)	1.0	0.9	0.4
Interest coverage (times)	10.8	12.0	15.0

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. Crore; 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 (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Dec 13, 2024	Date	Rating	Date	Rating	Date	Rating
Fund-based Limits	Long term	30.0	**[ICRA]BBB (Stable)**	22-Sep-23	[ICRA]BBB+ (Stable)	16-Aug-22	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based facilities	Simple

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 are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Fund-based Limits**	-	-	-	30.00	[ICRA]BBB (Stable)

Source: Company

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

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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