



Press Release
FINANCIAL SOFTWARE AND SYSTEMS PRIVATE LIMITED
January 24, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	405.00	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	405.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BBB**' (read as **ACUITE triple Bo**)n the bank facilities of Rs.405.00 Crore of Financial Software and Systems Private Limited. The outlook is '**Stable**'.

Rationale for Rating

The rating factors in the extensive experience of the management and established track record of operations. Further, consistent scale of operations following by the strong financial risk profile marked low gearing and comfortable debt protection metrics. However, the above mentioned strength are partly off-set by working capital intensive operations due to nature of operations and regulated nature of business and competition from digital modes of payment will remain a key sensitive factor.

About the Company

Financial Software and Systems Private Limited was incorporated in 1991. It is a Chennai based company. The Directors of the company are Nagaraj Venkata Mylandla, Rudhraapathy Jagannathan, Sharada Mylandla, Bala C Deshpande, Srinivas Chidambaram and Prakash Chellam. Company is engaged in the business of providing financial transaction processing and payment solutions.

About the Group

Financial Software and System Private Limited (FSS) had started expanding into overseas markets by setting up offices in various countries through overseas subsidiary companies. Those overseas subsidiaries (including FSS Technologies Private Limited, FSS Grameenpay Private Limited, FSS Cashtech Private Limited, FSS Technologies Canada Inc., FSS Technologies FZE, FSS Technologies (Australia) Pty. Ltd., FSS Technologies (Singapore) Pte. Ltd., FSS Technologies (UK) Limited, FSS Technologies (NL) B.V., FSS Technologies South Africa Proprietary Limited, FSS Technologies Inc.) to promote, solicits and obtain orders for the products and services for FSS and provide support services locally in the respective geographies.

Unsupported Rating

Not applicable.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profile of Financial Software and Systems Private Limited, FSS Technologies Private Limited, FSS Grameenpay Private Limited, FSS Cashtech Private Limited, FSS Technologies Canada Inc., FSS Technologies FZE, FSS Technologies (Australia) Pty. Ltd., FSS Technologies (Singapore) Pte. Ltd., FSS Technologies (UK) Limited, FSS Technologies (NL) B.V., FSS Technologies South Africa Proprietary Limited, FSS Technologies Inc., together referred as FSS Group. The consolidation is in the view of common management, strong operational linkages between the entities and similar line of business.

Key Rating Drivers

Strengths

Established track record of operations and experience management

FSS was founded by Mr. Nagaraj V Mylandla, who brings over thirty years of experience in the payment industry. He currently holds the positions of Chairman and Director. Further, Mr. J Rudhraapathy, the Whole-time Director at FSS, has more than thirty years of management and technical expertise in banking and payments. The company's board includes three promoter directors and three nominee directors who represent the three private equity firms. Over the years, FSS has developed a well-organized structure consisting of skilled & professional management teams at various levels, who take care of the day-to-day operations. Acuite believes the long track record of operations and experience of management has helped the company to develop a healthy relationship with its customers and suppliers and will continue to support the business risk profile over the medium term.

Reputed Clientele base

FSS has strong and long standing relationship with the leading banks in Indian economy. Further, the company is catering to PSU and Private players including SBI (State Bank of India), BOB (Bank of Baroda), BOM (Bank of Maharashtra), HDFC, ICICI, IDBI, IOB etc. The company is also able to secure repeated orders from domestic and Overseas Local Bank (Majorly from Middle East). Acuite notes that company has strong ability to secure strong clientele base following by the consistent order book.

Consistent Scale of Operations

The group has witnessed top-line of Rs.963.17 Crore in FY24 against Rs.1022.26 Crore in FY23. There is a marginal decline in the top-line of the group due to lower sales recorded in Cash tech business for FY24 as compared to previous years. Currently, the group is more focused upon the Paytech business model. As a result, the number of ATM has gone down on y-o-y basis (25,263 in FY23 as compared to 23,181 in FY24). Also, the operating margins of FSS stood at 17.94% in FY24 against 20.61% in FY23 and the PAT Margins of the company stood at 1.46% in FY24 against 1.29% in FY23. The group has already clocked a revenue of Rs.588.05 Crore in last eight months ending November 2024. Going forward, the group is expected to clock a revenue under the same range as compared to previous year followed by expected increase in the bottom-line of the group in near to medium term in the absence of any major obligations including interest outgoes etc.

Robust financial Risk Profile

The group has strong net-worth, low gearing and comfortable debt protection metrics. The net-worth of the group stood at Rs.354.48 Crore as on 31st March 2024 against Rs.331.22 Crore as on 31st March 2023. The increase in the net-worth is due to accumulation of profits into reserves. Further, the total debt of the company stood at Rs.201.06 Crore as on 31st March 2024 against Rs.343.11 Crore as on 31st March 2023. The gearing of the group is below unity which stood at 0.57 times as on 31st March 2024 against 1.04 times as on 31st March 2023. Further, the coverage indicators of group are quite comfortable reflected by interest coverage ratio and debt service coverage ratio which stood at 3.34 times and 1.17 times respectively as on 31st March 2024 against 3.23 times and 1.47 times respectively as on 31st March 2023. Acuite believes that financial risk profile of the group is expected to strong in near to medium term in the absence of any large debt funded capex plan so far.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the group is intensive marked by GCA days which stood at 185 days in FY24 against 174 days in FY23. Further, the debtor days of the company stood at 98 days in FY24 against 101 days in FY23. The debtors are high due to the contracts with customers, which specify the rate per transaction and grant them an unconditional right to raise invoices. Typically, invoices would be raised based on the number of transactions in an ATM/hosted model within a given month, with revenue recognized in the same period. However, as a prudent practice, invoices are raised only after receiving transaction confirmations from banks, which usually take around 15-45 days after the month ends. Once invoices are raised for the unbilled revenue, customers typically take around 30-60 days to make payments, resulting in higher debtor days. Additionally, the company typically provides a credit period of approximately 45 to 90 days to its clients, who are primarily banks including PSU's and Private players. Acuite believes that working capital operations of the group is expected to remain in the same range due to the extended credit period given to the customers.

Regulated nature of business and competition from digital modes of payment

The growing market for ATM outsourcing has attracted numerous players, resulting in intense competition within the sector. This industry is regulated, with the RBI intervening in areas such as ATM hardware and software upgrades, cash management services, and more, which increases compliance costs for ATM service providers. Following demonetization, Indian banks have strengthened their efforts to promote digital transactions, leading to continued growth in alternative payment methods. The availability of affordable data services and the increasing penetration of smartphones are key factors driving the expansion of digital transactions. With a decrease in the number of ATMs and the rise of digital transaction methods, FSS's ability to swiftly adapt to evolving consumer preferences and requirements will remain crucial.

Rating Sensitivities

- Movement in the scale of operations.

- Moderation in financial risk profile.
- Elongation the working capital requirements.
- Debt funded capex in near to medium term.

Liquidity Position

Adequate

The liquidity profile of the group is adequate. The group has generated sufficient net cash accruals of Rs.138.53 Crore in FY24 against the debt repayment obligations of Rs.109.47 Crore in the same period. Going forward, the group is expected to generate sufficient net cash accruals against the debt repayment obligation of minimal amount due to the absence of any debt funded capex plan in near to medium term. The bank limit utilization of the group stood at 82.31% and 68% of fund based and non-fund based limits in last twelve months ended November 2024. Acuite believes that liquidity profile of the group is expected to improve in near to medium term in the absence of any long term debt take.

Outlook: Stable

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	963.17	1022.26
PAT	Rs. Cr.	13.98	13.07
PAT Margin	(%)	1.45	1.28
Total Debt/Tangible Net Worth	Times	0.57	1.04
PBDIT/Interest	Times	3.34	3.23

Status of non-cooperation with previous CRA (if applicable)

Care, vide its press release dated February 09th, 2024 had denoted the rating of Financial Software and System Private Limited as Care BB/ Negative 'Downgraded and Issuer not co-operating'.

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History :

Not applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	55.00	Simple	ACUITE BBB Stable Assigned
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB Stable Assigned
IDBI Bank Ltd.	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE BBB Stable Assigned
IDFC First Bank Limited	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	ACUITE BBB Stable Assigned
RBL Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB Stable Assigned
CSB Bank Limited	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB Stable Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE BBB Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BBB Stable Assigned
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.00	Simple	ACUITE BBB Stable Assigned
CSB Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB Stable Assigned
RBL Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.00	Simple	ACUITE BBB Stable Assigned
IDBI Bank Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB Stable Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.48	Simple	ACUITE BBB Stable Assigned
CSB Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2025	2.75	Simple	ACUITE BBB Stable Assigned
RBL Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jun 2025	4.50	Simple	ACUITE BBB Stable Assigned
IDFC First Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2025	13.27	Simple	ACUITE BBB Stable Assigned

- Axis Bank Fund based limit can be interchange to Non-Fund based limit.
- IDFC Bank Fund based & Non-Fund based are fungible in nature.
- State Bank of India Fund based & Non-Fund based are fungible in nature.
- RBL Bank Fund based & Non-Fund based are fungible in nature.

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company name
1	FSS Technologies Private Limited
2	FSS Grameenpay Private Limited
3	FSS Cashtech Private Limited
4	FSS Technologies Canada Inc.
5	FSS Technologies FZE
6	FSS Technologies (Australia) Pty. Ltd.
7	FSS Technologies (Singapore) Pte. Ltd.
8	FSS Technologies (UK) Limited
9	FSS Technologies (NL) B.V.,
10	FSS Technologies South Africa Proprietary Limited
11	FSS Technologies Inc.
12	Financial Software and Systems Private Limited

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Depanshi Mittal Lead Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.