

AGS TRANSACT TECHNOLOGIES LTD

AGS Transact Technologies Ltd. (AGS) is one of the largest integrated omni-channel payment solutions providers in India in terms of providing digital and cash-based solutions to banks and corporate clients, as of Mar'21. It provides customized products and services comprising ATM and CRM outsourcing, cash management and digital payment solutions including merchant solutions, transaction processing services and mobile wallets. As of Mar'21, AGS was the 2nd largest company in India in terms of revenue from ATM managed services under the outsourcing model, and revenue from cash management and number of ATMs replenished. AGS operates in three segments namely, Payment Solutions, Banking Automation Solutions, and Other Automation Solutions.

Positives: (a) Omni-Channel Integrated Payment and Cash Solutions Provider. (b) Customer Driven Portfolio with Strong Capabilities to Develop Customized Solutions In-house. (c) Diversified Product Portfolio, Customer Base and Revenue Streams Leading to Cross-Selling Opportunities. (d) Long-Standing Relationships with Technology Providers and Customers.

Investment concerns: (a) AGS derives a significant portion of revenues from customers in the banking sector in India. (b) It derives a substantial portion of revenues from a limited number of customers (revenue from top 10 customers constitutes 61.4% of revenues from operations). (c) Delay in implementation of business strategies (d) Continuing impact of the COVID-19.

Outlook & Valuation: AGS Transact Technologies Ltd. derives majority of its revenues by providing various services to the banking sector. The company derived 60% & 15% of its revenues from the cash management & digital services in the first 5 months of FY2022. There is no comparable company in the listed space which is exclusively engaged in the portfolio of business similar to the company. However CMS Infosystems Ltd. is engaged in cash management services which accounted for 60% of AGS Transact's revenues. At the higher end of the price band AGS Transact would be trading at P/E multiple of 38.5x FY21 EPS which is at a premium to CMS Infosystems. Moreover AGS has high client concentration with top three customers accounting for 33.6% of revenues and has reported a loss for the first five months of FY2022. Given premium valuations, high client concentration and losses in 5MFY2022 we have a **NEUTRAL** recommendation on the IPO.

Key Financials

Y/E March (₹ cr)	FY2019	FY2020	FY2021	5MFY22
Net Sales	1,806	1,800	1,759	753
% chg	--	(0.3)	(2.3)	--
Reported Net Profit	66	83	55	(18)
% chg	--	25.4	(34.0)	--
EBITDA (%)	23.5	25.7	24.9	24.6
EPS (₹)	5.5	6.9	4.6	(1.5)
P/E (x)	31.8	25.4	38.5	--
P/BV (x)	5.0	4.2	3.8	--
ROE (%)	15.6	16.6	9.8	--
ROCE (%)	9.2	9.8	6.5	--
EV/EBITDA	7.5	6.9	6.9	--
EV/Sales	1.8	1.8	1.7	--

Source: Company, Angel Research; Note: Valuation ratios at upper price band; *Consolidated

Please refer to important disclosures at the end of this report

NEUTRAL

Issue Open: Jan 19, 2021

Issue Close: Jan 21, 2021

Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹120.39 cr

Offer for Sale: ₹680 cr

Fresh issue: --

Post Eq. Paid up Capital: ₹120.39 cr

Issue size (amount): ₹680 cr

Price Band: ₹166-175

Lot Size: 85 shares and in multiple thereafter

Post-issue mkt. cap: * ₹1,999 cr - ** ₹2,107 cr

Promoters holding Pre-Issue: 98.23%

Promoters holding Post-Issue: 66.07%

*Calculated on lower price band

**Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	66.1%
Others	33.9%

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Company background

AGS Transact Technologies is the largest integrated omni-channel payment solutions provider in India in terms of providing digital and cash-based solutions to banks and corporate clients, as of March 31, 2021. It provides customized products and services comprising ATM and CRM outsourcing, cash management and digital payment solutions including merchant solutions, transaction processing services and mobile wallets. As of March 31, 2021, AGS was the second largest company in India in terms of (i) revenue from ATM managed services under the outsourcing model, and (ii) revenue from cash management and number of ATMs replenished. As of August 31, 2021, AGS deployed 221,066 payment terminals and were one of the largest deployers of POS terminals at petroleum outlets in India, having rolled out IPS at more than 16,000 petroleum outlets with 28,986 terminals in India, as of March 31, 2021. The company derives ~96% of its revenues from operations from India and have expanded internationally to offer automation and payment solutions to banks and financial institutions in other Asian countries comprising Sri Lanka, Singapore, Cambodia, Philippines and Indonesia.

Issue details

The IPO is made up of offer for sale of ₹680 Cr by promoter & other selling shareholders.

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	11,82,64,656	98.23	7,95,45,799	66.07
Public	21,27,920	1.77	4,08,46,777	33.93
Total	12,03,92,576	100.00	12,03,92,576	100.00

Source: Company, Angel Research & RHP.

Objectives of the Offer

- To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

Key Management Personnel

Mr. Ravi B. Goyal is the Chairman and Managing Director of the company. He holds a Bachelor of Engineering degree from the Mumbai University. He has approximately 26 years of experience in the field of technology. He has previously worked with DCM Limited and Byte Systems Private Limited.

Anupama R Goyal is the Non-Independent, Non-Executive Director of the company. She is also a director on the board of their subsidiary, ITSL.

Mr. Saurabh Lal is the Chief Financial Officer of the company and its subsidiary, SVIL and has been associated with the Company since April 19, 2012. He is a Chartered Accountant certified by the ICAI and has over 15 years of experience in the financial service industry. Prior to joining the Company, he was associated with ICICI Bank Limited, Reliance Money Limited, and Green Invest Limited.

Exhibit 1: Profit & Loss Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021	5MFY22
Total operating income	1,806	1,800	1,759	753
% chg	--	(0.3)	(2.3)	--
Total Expenditure	1,381	1,338	1,320	568
Cost of Materials and Components	353	274	263	105
Employee benefits expense	275	280	277	109
Other expenses	753	784	780	354
EBITDA	425	462	439	185
% chg	--	8.8	(5.2)	--
(% of Net Sales)	23.5	25.7	24.9	24.6
Depreciation & Amortization	227	245	260	102
EBIT	198	218	179	84
% chg	--	10.1	(17.8)	--
(% of Net Sales)	10.9	12.1	10.2	11.1
Finance costs	137	130	133	97
Other income	18	33	38	9
(% of Sales)	1.0	1.8	2.2	1.2
Recurring PBT	61	87	46	(14)
% chg	--	43.1	(47.5)	--
Share in Profit/(Loss) of Associate and Joint Venture	-	(1)	(2)	(1)
Tax	13	37	28	13
PAT (reported)	66	83	55	(18)
% chg	--	25.4	(34.0)	--
(% of Net Sales)	3.7	4.6	3.1	(2.4)
Basic & Fully Diluted EPS (Rs)	5.5	6.9	4.6	(1.5)

Source: Company, Angel Research

Exhibit 2: Consolidated Balance Sheet

Y/E March (₹ cr)	FY2019	FY2020	FY2021	5MFY22
SOURCES OF FUNDS				
Equity Share Capital	119	119	119	119
Other equity	306	380	440	425
Shareholders' Funds	425	499	559	544
Total Loans	1,105	1,159	1,622	1,654
Other liabilities	(20)	(14)	(20)	(22)
Total Liabilities	1,511	1,644	2,161	2,176
APPLICATION OF FUNDS				
Property, Plant and Equipment	545	600	603	572
Right-of-use assets	425	405	321	345
Capital work-in-progress	50	89	58	62
Intangible assets	37	47	41	36
Non-Current Investments	-	2	1	0
Other Non-Current Asset	163	188	156	163
Current Assets	777	857	1,678	1,686
Inventories	92	64	72	66
Investments	-	-	10	660
Trade receivables	561	616	809	770
Cash and Cash equivalents	38	76	694	91
Other current assets	86	101	94	99
Current Liability	487	543	697	688
Net Current Assets	290	314	981	998
Total Assets	1,511	1,644	2,161	2,176

Source: Company, Angel Research

Exhibit 3: Consolidated Cash flows

Y/E March (₹cr)	FY2019	FY2020	FY2021	5MFY22
Operating profit	79	120	82	(6)
Net changes in working capital	62	(15)	(26)	34
Cash generated from operations	370	366	369	197
Direct taxes paid (net of refunds)	(25)	(24)	(7)	(16)
Net cash flow from operating activities	486	446	418	210
Purchase of Assets	(163)	(231)	(135)	(33)
Interest received	1	5	10	1
Others	(4)	(64)	(31)	(610)
Cash Flow from Investing	(165)	(291)	(156)	(642)
Repayment (long term borrowings)	143	140	180	131
Repayment (short term borrowings)	(241)	(70)	(175)	(129)
Share issue expenses	-	(10)	(13)	(16)
Interest paid	(73)	(68)	(71)	(56)
Interest on Lease liabilities	(138)	(150)	(150)	(62)
Dividend Paid	(6)	(14)	550	-
Cash Flow from Financing	(315)	(172)	320	(132)
Inc./ (Dec.) in Cash	6	(16)	582	(563)
Opening Cash balances	21	27	11	592
Closing Cash balances	27	11	592	29

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	31.8	25.4	38.5
P/CEPS	7.2	6.4	6.7
P/BV	5.0	4.2	3.8
EV/Sales	1.8	1.8	1.7
EV/EBITDA	7.5	6.9	6.9
Per Share Data (Rs)			
EPS (Basic)	5.5	6.9	4.6
EPS (fully diluted)	5.5	6.9	4.6
Cash EPS	24.4	27.2	26.1
Book Value	35.3	41.4	46.4
Returns (%)			
ROE	15.6	16.6	9.8
ROCE	9.2	9.8	6.5
Turnover ratios (x)			
Receivables (days)	113	125	168
Inventory (days)	24	17	20
Payables (days)	98	99	118
Working capital cycle (days)	40	44	70

Source: Company, Angel Research

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