

December 17, 2021

Bharatiya Reserve Bank Note Mudran Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - Cash credit	145.00	145.00	[ICRA]AAA (Stable); Reaffirmed
Non-fund Based - Working Capital Facilities	455.00	455.00	[ICRA]A1+; Reaffirmed
Total	600.00	600.00	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation reflects Bharatiya Reserve Bank Note Mudran Private Limited's (BRBNMPL's) strategic position as a major supplier of printed currency notes to the Reserve Bank of India (RBI) as well as its 100% ownership by the RBI. BRBNMPL supplies over 60% (by volume) of the RBI's annual currency requirement, while the remaining is met through Security Printing and Minting Corporation of India Limited (SPMCIL, a public-sector undertaking, wholly-owned by the Government of India). The rating action also favourably factors in the company's strong financial risk profile marked by negligible debt, strong cash flows and superior liquidity profile. The rating also derives comfort from BRBNMPL's strong financial flexibility as it is a wholly-owned subsidiary of the RBI. ICRA expects that BRBNMPL will remain strategically important for the RBI to implement its sovereign function of managing currency note requirements of the country.

While reaffirming the rating, ICRA notes the funding commitments arising out of its capital expenditure programme towards modernization of machinery and backward integration. Nonetheless, the pricing arrangement with RBI which provides a fixed return on the capital employed is expected to generate adequate returns for the company despite large scale of projected capital expenditure.

The Stable outlook on the [ICRA]AAA rating reflects ICRA's opinion that BRBNMPL will continue to benefit from its strategic position as the major supplier of printed currency notes to the RBI, as well as the financial flexibility derived from being a wholly-owned subsidiary of the RBI.

Key rating drivers and their description

Credit strengths

- **Wholly-owned subsidiary of RBI** - BRBNMPL is a 100% subsidiary of the RBI. ICRA expects continued support from the RBI to BRBNMPL, if required, as the company undertakes the sovereign function of printing currency notes to bridge the gap between the demand and supply of currency notes in the country.
- **Strategic importance to RBI** - BRBNMPL supplies a major portion of the bank note requirement (currently supplying over 60% of the supply volume) to the RBI, making it a strategically important entity to the RBI.
- **Strong financial risk profile** - The company has a strong financial profile with superior liquidity position, robust cash accruals, negligible debt levels and high net worth base. Due to minimal debt levels and robust accruals, company has strong debt protection metrics. Net profit in FY2021 was Rs 439 crore, an increase of 9% over the previous year.

Credit Challenges

- **Significant capex plans:** The company has two manufacturing units - one in Mysore and one in Salboni. The company plans to incur capex of Rs. 200 crore every year to replace the ageing machinery. Nevertheless, the company has comfortable liquidity and internal accruals to support this investment.

Liquidity: Superior

The company had Rs. 3,365 crore of cash and liquid investments as on March 31, 2021 as well as interchangeable fund based and non-fund based working capital limits of Rs. 600 crore. The company's dependence on fund based working capital facility continues to be minimal. Given the high cash and bank balance, strong cash accruals, nil term debt repayments, as well as the cushion available in the form of large unutilized bank limits, the liquidity profile of the company is expected to remain superior, despite the ongoing capex program.

Rating sensitivities

- **Positive factors** – Not Applicable
- **Negative factors** – Negative pressure on the ratings could emerge if there is any dilution of the company's strategic role in the currency management function of the RBI, or any change in the ownership structure; however, ICRA believes that the likelihood of such a scenario is low. Further, significant weakening of liquidity position on a prolonged basis could exert pressure on the rating.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Approach- Consolidation
Parent/Group Support	The ratings consider the company's 100% ownership by the RBI and the strategic role it plays in fulfilling the latter's currency management role. The rating factors in expectation of support from the parent entity, if required.
Consolidation/Standalone	Consolidation

About the company

The RBI set up BRBNMPL as its wholly-owned subsidiary on February 3, 1995, to augment the production of currency notes in India. The company has its registered and corporate office at Bengaluru. It manages two printing presses, one in Mysore (Karnataka) and the other in Salboni (West Bengal). The company prints currency notes in all the existing denominations for the RBI. BRBNMPL and SPMCIL, on October 13, 2010, started a 50:50 JV company, BNPMIPL, in order to produce bank note paper and substitute bank note paper imports.

Key financial indicators – Consolidated

	FY2020	FY2021
	Audited	Audited
Operating Income (Rs. crore)	2646.78	2587.50
PAT (Rs. crore)	403.90	439.46
OPBDIT/OI (%)	15.03%	18.38%
PAT/OI (%)	15.3%	17%
Total Outside Liabilities/Tangible Net Worth (times)	0.07	0.10
Total Debt/OPBDIT (times)	0.01	0
Interest Coverage (times)	131.70	274.93

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

Status of non-cooperation with previous CRA: Not applicable

Rating history for past three years

Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding * (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
				December 17, 2021	November 27, 2020	December 09, 2019	December 03, 2018	
1 Cash Credit	Long Term	145.00	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	
2 Letter of Credit	Short Term	420.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	
3 Credit Exposure Limit	Short Term	35.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

* outstanding as 09 December, 2021

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund based-Cash Credit	Simple
Short Term – Non Fund based	Very 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	145.00	[ICRA]AAA (Stable)
NA	Letter of Credit	NA	NA	NA	420.00	[ICRA]A1+
NA	Credit Exposure Limit	NA	NA	NA	35.00	[ICRA]A1+

Source: Company

Annexure-2: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidation Approach
Bank Note Paper Mill Private Limited	50%	Equity Method

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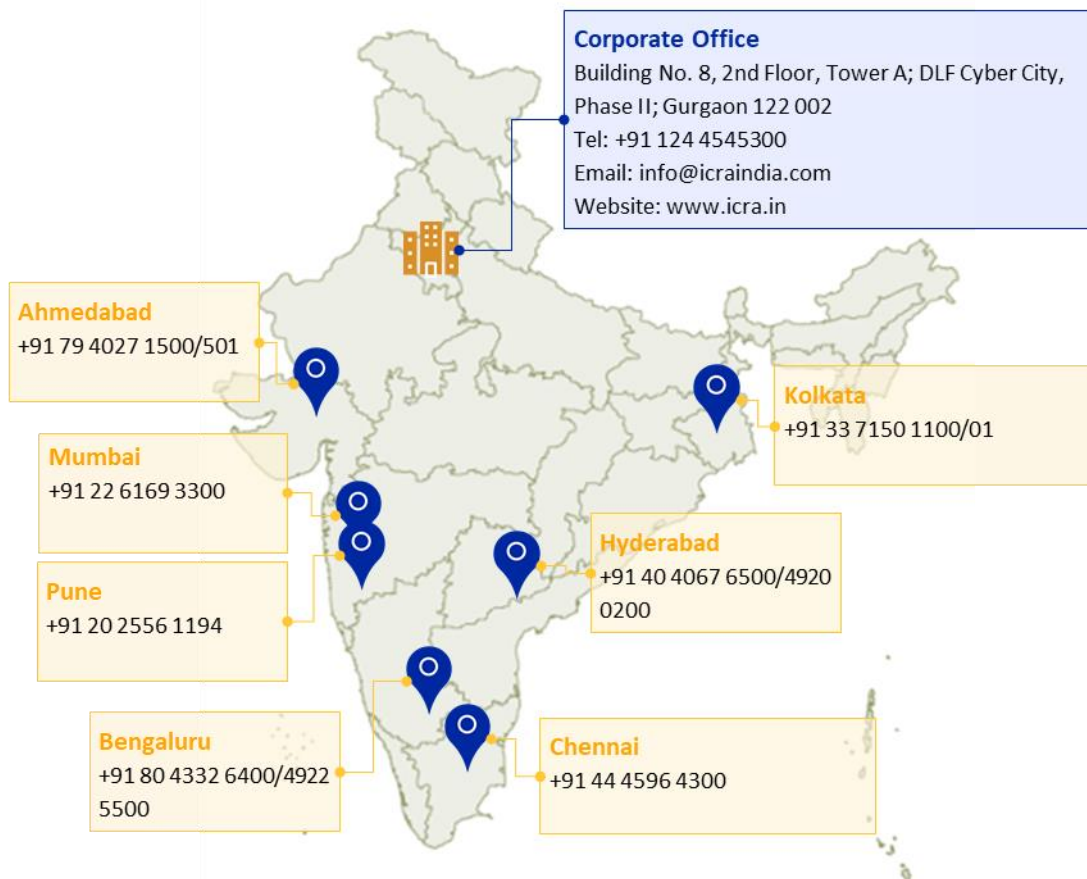
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