

September 11, 2023

## NPCI Bharat Billpay Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term fund-based CC	500.00	500.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>500.00</b>	<b>500.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

While arriving at the rating for NPCI Bharat Billpay Limited (NBBL), ICRA has considered the consolidated business and financial risk profiles of NBBL and its parent – National Payments Corporation of India (NPCI), as these entities have significant operational and management linkages and operate under the common NPCI brand. The rating takes into consideration NPCI's position as a prominent financial market infrastructure provider in the country. The company is the key player for the clearing and settlement of retail transactions across various instruments/segments and it also operates its own card scheme under the name of 'RuPay'. The rating also factors in NPCI's shareholder profile, experienced board of directors, low business risk as it deals only with regulated entities, and its risk management systems and processes. The rating also considers the company's strong financial profile with healthy profitability and a diversified product profile, low leverage and good business growth prospects, given the increasing digital penetration.

Given NPCI's significance in the overall financial system, it was classified as a System Wide Important Payment System (SWIPS) by the Reserve Bank of India (RBI) in June 2020. As the company plays a critical role in fostering financial stability in the market, it must continuously enhance its risk management and technology systems. Going forward, its continued ability to maintain its position in the settlement of retail transactions remains a key monitorable.

### Key rating drivers and their description

#### Credit strengths

**Key institution for clearing and settlement of retail transactions** - NPCI was licensed by the RBI for operating retail payment and settlement systems in India, under the provisions of the Payment and Settlement Systems Act, 2007 for creating a payment and settlement infrastructure in India. In its early years of operations, the company built its expertise in the switching of interbank ATM transactions. Leveraging the same, it currently provides multiple products catering to the varying needs of retail customers, notably Cheque Truncation System (CTS), Unified Payments Interface (UPI), National Financial Switch (NFS), and National Automated Clearing House (NACH). As on May 31, 2023, NPCI's shareholding was diversified across 65 entities. Despite this, ICRA expects capital support from member banks in case of exigencies, given the company's strategic importance for the banking and financial system.

Bharat Bill Payment System (BBPS) is a Reserve Bank of India (RBI) conceptualised ecosystem, which offers integrated, accessible and interoperable bill payment services to consumers across geographies with certainty, reliability and safety of transactions. NBBL has significant operational and management linkages with NPCI and operates under the common NPCI brand.

**Good business growth prospects and diversified product profile; however, settlement volumes and revenues exposed to macro-economic factors** – With the increasing penetration of digital transactions and the launch of new products, NPCI's total volumes and revenue have been on a rising trend with 54% year-on-year (YoY) growth in transaction volumes in FY2023, driven

by growth across products. The total number of transactions across all products increased to 11,128 crore in FY2023 from 7,227 crore in FY2022. Further, the RBI's vision to empower every Indian with access to a bouquet of safe, secure, convenient, quick and affordable e-payment options and enhance cross-border payments is likely to result in favourable growth prospects for NPCI over the medium term. As on August 31, 2023, the company had a diversified range of services with low concentration of individual products for revenue. NPCI is in a fee-based business, dependent on settlement volumes across various products. Transaction volumes depend on a host of macro-economic factors and the resulting level of regulatory intervention. The fee for products is determined by a committee of independent directors.

NBBL was incorporated to operationalise the Bharat Bill Payment Central Unit (BBPCU) under BBPS to provide an integrated bill payment system that offers interoperable and accessible bill payment services or invoice-based payments or non-invoice based payments including recharges, etc, to billers and customers through a network of entities. In FY2023, the BBPS service executed 109.7 crore transactions compared to 66.8 crore transactions in FY2022.

**Low business/settlement risk on account of dealing only with regulated entities and risk management systems & processes**

– NPCI and NBBL's clientele primarily includes banks that operate in a regulated environment. Further, as trades are settled through the multilateral netting process and the settlement cycle is run multiple times a day for some of the products, the funding requirements for the members for each settlement cycle declines considerably, thus reducing the risk of fund shortfall with the members. The risk is also mitigated by the presence of a settlement guarantee mechanism (SGM) for the key products, wherein a part of the money is collected from the members in the form of a settlement guarantee fund (SGF), and loss-sharing arrangements among banks in case of default by a member. This results in small risk for NPCI. As on June 30, 2023, NPCI's total SGF was ~Rs. 9,951 crore {including SGF of Rs. 527 crore for Bharat Bill Payment System (BBPS)}.

**Healthy financial risk profile** – NPCI has a strong financial profile characterised by a strong surplus (surplus after tax of Rs. 809 crore in FY2023 compared to Rs. 769 crore in FY2022), healthy profitability (surplus after tax/operating income) of ~41% in FY2023 (49% in FY2022) and a net worth of Rs. 3,710 crore as on March 31, 2023. NPCI's leverage was Nil as on March 31, 2023. Moreover, it has a diversified product profile with its revenues spread across products. Strong internal accruals led to the healthy net worth of Rs. 3,710 crore as on March 31, 2023.

NBBL is in the early stage of operations with a total asset size of Rs. 179 crore and a net worth of Rs. 118 crore as on March 31, 2023.

## Credit challenges

**Need to continuously upgrade risk management and IT systems** – As retail payment organisations, NPCI as well as NBBL facilitate payments and settlements, thus strengthening the markets they serve. As NPCI plays a critical role in fostering financial stability in the market, its information technology (IT) infrastructure and risk management systems must be top-notch and upgraded regularly based on developments in technology and the financial services sector. Evolving regulatory requirements also drive the upgradation of the systems. NPCI and NBBL currently have appropriate backup policies, including off-site backup for each settlement cycle and permanent backup of critical data and applications.

**Competition from new players, though unlikely in the short to medium term** – While NPCI currently benefits from being the key player for the clearing and settlement of transactions in multiple retail service segments in India, there is no regulatory restriction on the entry of a new player. New entrants in any of the segments in which NPCI operates could impact its market share and/or profitability. However, given its demonstrated track record and established position in the key segments, it would take time for any new entrant to establish itself in the industry with the same level of acceptance. Regulatory approvals for operating in each segment, the proprietary nature of the dealing systems and the well-established IT and risk management systems provide NPCI with additional competitive advantage.

NBBL is currently the only BBPCU under BBPS, which provides an integrated bill payment system that offers interoperable and accessible bill payment services or invoice-based payments or non-invoice based payments. The proprietary nature of

the dealing systems and the well-established IT and risk management systems provide NBBL with additional competitive advantage.

### Liquidity position: Strong

As on March 31, 2023, NBBL had cash and cash equivalents of ~Rs. 58 crore. With nil borrowings, it had no repayment obligations as on March 31, 2023. As on June 30, 2023, NBBL had lines of credit of Rs. 477 crore from various banks to meet any shortfall in the members' accounts during the settlement of transactions across the product segments.

### Rating sensitivities

**Positive factors** – Not applicable

**Negative factors** – Pressure on ratings could emerge if there is any adverse change in NPCI's consolidated position as key Institution for settlement of retail payments in India due to change in regulatory stance of RBI for allowing other players as clearing and settlement agency for retail transactions. Further, any adverse change in the operating environment which could negatively impact the settlement volumes of instruments or significant deterioration in financial health of NPCI's clients (banks and other financial institutions) could warrant a rating revision for the company.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Approach – Consolidation</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Consolidated (refer to Annexure II)

### About the company

NBBL is a wholly-owned subsidiary of National Payments Corporation of India. It was incorporated on December 10, 2020 under the provisions of the Companies Act, 2013. NBBL was incorporated, inter alia, to operationalise the Bharat Bill Payment Central Unit (BBPCU) under the Bharat Bill Payment System (BBPS) or any activity similar for operationalising such a unit. The purpose is to provide an integrated bill payment system to participants, which offers interoperable and accessible bill payment services or invoice-based payments or non-invoice based payments, including recharges, etc, to billers and customers through a network of entities.

NBBL is in the nascent stage of operations with a total asset size of Rs. 179 crore and a net worth of Rs. 118 crore as on March 31, 2023.

#### National Payments Corporation of India

National Payments Corporation of India (NPCI), an umbrella organisation for operating retail payment and settlement systems in India, is an initiative of the Reserve Bank of India (RBI) and the Indian Banks' Association (IBA), under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust payment and settlement infrastructure in India. NPCI was incorporated in December 2008 and started its operations in October 2009. Considering the utility nature of its objectives, NPCI was incorporated as a not-for-profit company under Section 25 of the Companies Act, 1956 (now Section 8 of Companies Act, 2013) to provide infrastructure to the entire banking system in India for physical as well as electronic payment and settlement systems. The company is focused on facilitating and developing retail payment systems through the use of technology for achieving greater efficiency in operations and widening the reach of payment systems.

NPCI is promoted by 10 banks (including 6 public sector banks (PSBs), 2 private banks and 2 foreign banks). The 10 core promoter banks are State Bank of India, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, HDFC Bank, Citibank NA and HSBC. In 2016, NPCI's shareholding was broad-based to 56-member banks to

include more banks representing all sectors. In November 2020, additional capital raising of Rs. 82 crore resulted in the broad-basing of the shareholding among 67 entities. As on May 31, 2023, the company's 65 shareholders include PSBs, private banks, foreign banks, multi-state co-op banks, payments banks and regional rural banks.

NPCI reported a surplus after tax of Rs. 809 crore in FY2023 compared to Rs. 769 crore in FY2022. The net worth stood at Rs. 3,710 crore as on March 31, 2023.

#### Key financial indicators (audited)

National Payments Corporation of India (standalone)	FY2021	FY2022	FY2023
Revenue from operations	1,121	1,583	1,987
Other income	143	227	239
Total income	1,265	1,810	2,225
Total operating expenses (including depreciation)	675	825	1,124
Surplus before tax	590	986	1,101
Surplus after tax	423	769	809
Total assets	3,677	4,653	5,571
Net worth	2,161	2,922	3,710
Net surplus/Average total assets	13.4%	18.5%	15.8%
Return on net worth	22.1%	30.3%	24.4%
Surplus after tax /OI	37.7%	48.6%	40.7%

Source: Company, ICRA Research; All ratios as per ICRA's calculations  
Amount in Rs. crore

NPCI Bharat Billpay Limited	FY2021	FY2022	FY2023
Revenue from operations	0.0	35.2	58.0
Other income	0.0	3.5	7.2
Total income	0.0	38.7	65.2
Total operating expenses (including depreciation)	0.3	32.1	44.0
Profit before tax	-0.3	6.5	21.1
Profit after tax	-0.2	4.1	14.7
Total assets	85.9	152.7	178.5
Net worth	84.8	103.9	117.5
Net profit/Average total assets	NA	3.5%	8.8%
Return on net worth	NA	4.4%	13.2%
Profit after tax/OI	NM	10.7%	22.5%

Source: Company, ICRA Research; All ratios as per ICRA's calculations; NM – Not material  
Amount in Rs. crore

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

	Instrument	Current Rating (FY2024)			Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date and rating in FY2024	Date and rating in FY2023	Date and rating in FY2022	Date and rating in FY2021
					Sep-11-23	Jan-2-23 Sep-20-22 Apr-19-22	Jan-25-22 Jul-6-21	-
1	Short-term fund-based CC	Short term	500.0	0.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-

Source: Company, ICRA Research

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Short-term fund-based CC	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 are available on ICRA's website: [Click Here](#)

**Annexure-1: Instrument details**

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date**	Amount Rated (Rs. crore)	Current Rating and Outlook
NA^	Short-term fund-based CC	NA	NA	NA	23.0	[ICRA]A1+
NA	Short-term fund-based CC	FY2022-FY2024	NA	NA	477.0	[ICRA]A1+

Source: Company; \*\*Repayment within 7 days from first day of disbursement; ^Unutilised/yet to be placed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
National Payments Corporation of India	Parent	Full consolidation
NPCI Bharat Billpay Limited	Company	Full consolidation

## ANALYST CONTACTS

**Karthik Srinivasan**

+91 22 6114 3444

[karthiks@icraindia.com](mailto:karthiks@icraindia.com)

**Manushree Saggur**

+91 124 4545 316

[manushrees@icraindia.com](mailto:manushrees@icraindia.com)

**Sandeep Sharma**

+91 22 6114 3419

[sandeep.sharma@icraindia.com](mailto:sandeep.sharma@icraindia.com)

**Rajat Kher**

+91 124 4545 833

[rajat.kher@icraindia.com](mailto:rajat.kher@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## 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.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2023 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.