

December 27, 2023

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
Long-term – Fund-based – Cash credit	145.00	145.00	[ICRA]AAA (Stable); reaffirmed
Short-term – Non-fund-based – Working capital facilities	455.00	455.00	[ICRA]A1+; reaffirmed
Total	600.00	600.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of the ratings factors in the strong parentage of Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) being a wholly-owned subsidiary of the Reserve Bank of India (RBI) and its strategic position as a major supplier of printed currency notes to the RBI. BRBNMPL supplied around 60% (by volume) of the RBI's annual currency requirement in FY2023 and 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 favourably notes the company's ability to sustain a healthy scale of operations, along with strong financial risk profile, marked by negligible debt, strong cash flows and superior liquidity profile. ICRA expects BRBNMPL to remain strategically important for the RBI to implement its sovereign function of managing the currency note requirements of the country.

While reaffirming the ratings, ICRA notes the funding commitments arising out of the capital expenditure lined up for the modernisation of machinery and backward integration. Nonetheless, the pricing arrangement with the RBI, which provides a fixed return on the capital employed, is expected to generate adequate returns for the company despite the sizeable capital expenditure.

The Stable outlook on the 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 and 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 having strategic importance for printing currency notes – BRBNMPL is a 100% subsidiary of the RBI. ICRA expects continued operational and financial support from the RBI to BRBNMPL, as and when required, as the company undertakes the function of printing currency notes. 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. The remaining requirements are met through SPMCIL.

Strong financial risk profile – The company has a strong financial profile with a superior liquidity position, robust cash accruals, negligible debt levels and high net worth base. Due to the negligible debt levels and robust accruals, the company has strong debt protection metrics. It clocked an operating income (OI) of Rs. 2,573.8 crore and operating profit margin of 24.4% in FY2023 (against OI of Rs. 2,583.7 crore and operating margins of 24.4% in FY2022). It has a demonstrated track record of maintaining a healthy scale of operations. Further, BRBNMPL receives dividend income from its 50% joint venture (JV), which supports its liquidity position.

Credit challenges

Sizeable capex plans – The company has two manufacturing units - one in Mysore and one in Salboni. It plans to incur a capex of Rs. 300 crore in FY2024 and Rs. 200-300 crore in the subsequent years to replace the ageing machinery. Nevertheless, BRBNMPL has comfortable liquidity and internal accruals to support this investment. Further, the pricing arrangement with the RBI, which provides a fixed return on the capital employed, is expected to generate adequate returns

Liquidity position: Superior

The company had Rs. 3,984.4 crore of cash and liquid investments as on March 31, 2023 as well as interchangeable fund-based and non-fund based working capital limits of Rs. 600 crore. Its dependence on fund-based working capital facility is minimal and the utilisation of the sanctioned bank lines is negligible, which coupled with the large cash and equivalent, provides a robust liquidity buffer. Given the high cash and bank balance, strong cash accruals, nil term debt repayments, and the cushion from the large unutilised bank limits, BRBNMPL's liquidity profile is expected to remain superior, despite the ongoing capex programme.

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.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	The ratings consider the company's 100% ownership by the RBI and the strategic role it plays in printing the currency
Consolidation/Standalone	For arriving at the ratings of BRBNMPL, ICRA has considered the consolidated financials of BRBNMPL along with its 50% JV - Bank Note Paper Mill India Private Limited.

About the company

The RBI had 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 at Salboni (West Bengal). The company prints currency notes in all the existing denominations for the RBI. On October 13, 2010, BRBNMPL and SPMCIL started a 50:50 JV company - Bank Note Paper Mill India Private Limited (BNPMIPL) - to produce bank note paper and substitute bank note paper imports.

Key financial indicators

Consolidated	FY2022 Audited	FY2023 Audited
Operating income (Rs. crore)	2,583.7	2,573.8
PAT (Rs. crore)	476.3	481.6
OPBDIT/OI (%)	24.4%	24.4%
PAT/OI (%)	18.4%	18.7%
Total outside liabilities/Tangible net worth (times)	0.1	0.1
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	NM	NM

Source: Company, ICRA Research, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; Not meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2024)		Chronology of rating history for the past 3 years		
				Amount outstanding as of September 2023 (Rs. crore)	Date & rating on	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Dec 27, 2023	Nov 11, 2022	Dec 17, 2021	Nov 27, 2020
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+

Complexity level of the rated instrument

Instrument	Complexity Indicator
Cash credit	Simple
Letter of credit	Very Simple
Credit exposure limit	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 I: Instrument details

ISIN	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: Bharatiya Reserve Bank Note Mudran Private Limited

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

Annexure II: List of entities considered for consolidated analysis

Company	Ownership	Consolidation Approach
Bank Note Paper Mill Private Limited	50.00%	Equity Method

Source: Company

ANALYST CONTACTS

Rajeshwar Burla
+91 40 4547 4829
rajeshwar.burla@icraindia.com

Anupama Reddy
+91 40 4547 4829
anupama.reddy@icraindia.com

Neha Mittal
+91 124 454 5826
neha.mittal@icraindia.com

Devansh Jain
+91 124 454 5856
devansh.jain@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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