September 23, 2024

NPCI Bharat Billpay Limited: Rating reaffirmed; assigned for enhanced amounts

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term fund-based CC	500.00	2,000.00	[ICRA]A1+; reaffirmed/assigned
Total	**500.00**	**2,000.00**	

**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 Automated Teller Machin (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, 2024, 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.

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 45% year-on-year (YoY) growth in transaction volumes in FY2024, driven by growth across products. The total number of transactions across all products increased to 16,100 crore in FY2024 from 11,128 crore in FY2023. 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, 2024, 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.

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, 2024, NPCI's total SGF was ~Rs. 11,298 crore {including SGF of Rs. 747 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. 1,095 crore in FY2024 compared to Rs. 809 crore in FY2023), healthy profitability (surplus after tax/operating income) of ~40% in FY2024 (41% in FY2023). NPCI's leverage was Nil as on March 31, 2024. Moreover, it has a diversified product profile with its revenues spread across multiple products and new products are being added. Strong internal accruals led to the healthy net worth of Rs. 4,769 crore as on March 31, 2024.

NBBL is in the early stage of operations with a total asset size of Rs. 237 crore and a net worth of Rs. 143 crore as on March 31, 2024.

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 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 impacts 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 the only authorised 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, 2024, NBBL had cash and cash equivalents (unencumbered) of ~Rs. 92 crore while NBBL had nil borrowings and hence no repayment obligations as on March 31, 2024. Also, as on June 30, 2024, NPCI had lines of credit of Rs. 667 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	Corporate Credit Rating Methodology
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 early stage of operations with a total asset size of Rs. 237 crore and a net worth of Rs. 143 crore as on March 31, 2024.

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 six public sector banks (PSBs), two private banks and two 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, 2024, 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. 1,095 crore in FY2024 compared with Rs. 809 crore in FY2023. The net worth stood at Rs. 4,769 crore as on March 31, 2024.

Key financial indicators (audited)

National Payments Corporation of India (standalone)	FY2023	FY2024
Operating Income (OI)	1,987	2,749
Surplus After Tax	809	1,095
OSBDITA/OI	51.6%	47.9%
SAT /OI	40.7%	39.8%
Total outside liabilities/tangible net worth (times)	-	-
Total debt/ OSBDITA (times)	-	-
Interest coverage (times)	-	-

Source: Company, ICRA Research; All ratios as per ICRA calculations; OSBITDA – Operating surplus before depreciation, interest, taxes and amortisation; Amount in Rs. crore

NPCI Bharat Billpay Limited (standalone)	FY2023	FY2024
Operating Income (OI)	65.2	98.3
Surplus after tax (SAT)	14.7	27.3
OSBDITA/OI	45.7%	45.9%
SAT /OI	22.5%	27.7%
Total outside liabilities/tangible net worth (times)	-	-
Total debt/ OSBDITA (times)	-	-
Interest coverage (times)	-	-

Source: Company, ICRA Research; All ratios as per ICRA calculations; OSBITDA – Operating surplus before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	23-Sep-2024	Date	Rating	Date	Rating	Date	Rating
Short term-fund based-cash credit	Short Term	2000.00	[ICRA]A1+	11-SEP-2023	[ICRA]A1+	19-APR-2022	[ICRA]A1+	06-JUL-2021	[ICRA]A1+
				-	-	20-SEP-2022	[ICRA]A1+	25-JAN-2022	[ICRA]A1+
				-	-	02-JAN-2023	[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	657.0	[ICRA]A1+
NA	**Short-term fund-based CC**	FY2022-FY2025	NA	NA	1,343.0	[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

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

Manushree Saggar
+91 124 4545316
manushrees@icraindia.com

Sandeep Sharma
+91 22 6114 3419
sandeep.sharma@icraindia.com

Rajat Kher
+91 124 4545833
rajat.kher@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

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

ICRA Limited

Registered Office

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

Branches