Press Release

Manipal Payment and Identity Solutions Limited

December 02, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities-Cash Credit	40.00	IVR A-/Stable (IVR A Minus with Stable outlook)	IVR BBB/Negative (IVR Triple B with Negative Outlook); ISSUER NOT COOPERATING	Upgraded	Simple
Long Term Bank Facilities-Cash Credit	40.00	NA	IVR BBB/Negative (IVR Triple B with Negative Outlook); ISSUER NOT COOPERATING	Withdrawn	NA
Fund Based Bank Facilities – Term Loan	27.78	NA	IVR BBB/Negative(IVR Triple B with Negative Outlook); ISSUER NOT COOPERATING	Withdrawn	NA
Debt Facilities – NCD	35.00	NA	IVR BBB/Negative(IVR Triple B with Negative Outlook); ISSUER NOT COOPERATING	Withdrawn	NA
Non-Fund based bank facilities – LC	18.50	NA	IVR A3+; ISSUER NOT COOPERATING* (IVR A3 Plus; ISSUER NOT COOPERATING*)	Withdrawn	NA
Total	**161.28**	**(Rupees One Hundred Sixty One Crore and Twenty Eight lakh Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The upgrade of ratings on the long-term bank facility of Manipal Payment and Identity Solutions Limited (MPi, erstwhile MCT Cards and Technology Private Limited) factors in the significant improvement in revenues and profitability in FY2024, comfortable capital structure and healthy order book position providing medium term revenue visibility as well as support from and strong operational linkages with the parent company Manipal Technologies Limited. The ratings are, however, constrained by revenue concentration in the BFSI segment, and operating margins being susceptible to increase in the input prices.

The ‘Stable’ outlook reflects Infomerics’ view that the company will continue to maintain its EBITDA margins at close to FY24 levels, while continuing to maintain strong revenue growth. Additionally, the agency recognises that the increase in leverage as at end FY24 is temporary and is expected to correct sharply due to the strong accretions to networth and following the monetization/fund raising plans over the next few quarters.

Rating action of withdrawal for the above-mentioned facility has been done basis the following:

- Request from the client
- NOC/NDC from the lender/DT
- Withdrawal is in line with the Infomerics policy

Key Rating Sensitivities:

Upward Factors

- Steady revenue growth of more than 20% and stable profitability with EBIDTA margin above 30%
- Sustenance of working capital cycle with dip in operating cycle days maintained at around 40 days
- Strong financial leverage sustained with overall gearing below 0.5x.

Downward Factors

- Significant decline in revenues and/or profitability going forward.
- Significant delay in the monetization/fund-raising event due to which the gearing remains elevated for much longer than expected

- Sizeable, debt-funded capex, or further stretch in the working capital cycle (beyond 100 days) impacting the liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Support from Parent company and strong operational linkages:**

  MPi is 79.98% owned by Manipal Technologies Limited (MTL) . Both the parent and the subsidiary cater to similar clients such as public sector, private sector and cooperative banks. MTL has offered corporate guarantee to the NCD issue of the company, which amply demonstrates the parent's commitment to support the subsidiary. MPi contributed 44% to the group's revenue in FY24 and is therefore of strategic importance to the group (FY23: 40%).

- **Improvement in revenues and profitability in FY2024:**
  The TOI increased by 38.03% in FY24 (Audited-Refers to the period between April 1,2023 to March 31,2024) to Rs. 1029.17 crore on account of significant growth in sales of cards resulting in increased market share in debit card and credit card verticals in the Indian market. Sales had picked up with new launches of HDFC Diners Metal Cards, Kotak LED Cards, Airtel RPVC Cards. With transfer of Variable Data Printing (VDP) division from MTL to MPi in 2023-24, the revenue from cheque books, collaterals, secured logistics, and identity cards segments also marked a significant growth. The company also added new clientele, leading to growth in the revenues. The EBITDA margins improved to 25.79% in FY24 (Audited) on account of increased scale of operations resulting in better absorption of overhead costs.

  The management has been in a better position to fetch higher EBIDTA margins from the long-term contracts signed due to high quality products/ services provided and brand recognition in the market. Launch of new types of credit/debit cards such as metal cards, wood cards, LED cards as well as backward integration into the development of own software (applets) embedded in the cards is expected to support margins at favorable levels in future. The industry has high entry barriers given the time required to obtain certifications and build credentials. With the increase in operating profit, the company reported a PAT of Rs. 182.91 crore in FY24 (Audited) as against Rs. 66.92 crore in FY2023. The company's ability to sustain the growth in its top line without compromise in margins will be a key rating monitorable going forward.

- **Comfortable capital structure:**

  The capital structure marked by overall gearing had been maintained at comfortable levels of 0.41x and 0.63x as at end FY22 and end FY23 respectively. The same increased to 1.41x as on March 31,2024. on account of raising debt of Rs.450 cr in the form of OCDs (Rs.200cr) and NCDs (Rs.250cr).

Debt raised by MPi in FY24

Investor details	OCD in Rs. Crs	NCD in Rs. Crs
Touchstone Trust Scheme -IV- (SC Lowy)	200	150
Blackrock Asia Pacific Pvt Ltd		100
Total (INR crores)	**200**	**250**

Deployment of the debt funds raised

Source	Amount in Rs. Crs	Usage	Amount in Rs. Crs
Through OCD issue	200	Acquisition of the CCDs and equity shares in Primacy Industries(India Resurgent Fund) working capital and other general corporate purpose	450
Through NCD issue	250		

MTL is expected to raise funds through to raise funds through monetization/dilution of stake in MPi in the next few quarters. A portion of these funds is proposed to be utilized for buying out the investment of MPi in Primacy Industries Limited. MPi in turn would use these proceeds to reduce debt on its Balance Sheet by repaying investors in the NCDs and OCDs(Touchstone and Blackrock) issued by it.

Infomerics therefore believes that the spike in gearing is temporary and that the same will correct to under 0.3x levels over the next few quarters. Thereafter the agency expects the overall gearing to be maintained at similar levels.

- **Healthy order book position providing medium term revenue visibility:**
  MPi has current outstanding order book position of more than Rs. 2100 crore from various PSU and Private sector banks, Govt. entities and exports. The orders shall be executed over the next 3 years. Though the current order book position provides revenue visibility in the near term, the same is subject to the company's ability to timely complete and execute the same.

Key Rating Weaknesses

- **Revenue concentration in the BFSI segment:**
  Although the company is focusing on diversifying its clientele into telecom, retail and IT, more than 80% of its revenue comes from BFSI, including private and public banks, and insurance companies, leaving the company's performance highly dependent on the overall growth of this sector.

- **Operating margins are susceptible to increase in the input prices:**
  The EBITDA margins declined over the past years on account of shortages of semi-conductor chips which is one of the key inputs for manufacturing cards. The shortage of various raw materials increased their prices and hence impacted the margin of MPi in the past. Although the margins are expected to be maintained at slightly higher level in the medium terms due to factors such as launch of metal cards , greater share of wallet from clients due to complementary offerings to BFSI clients – packaging of brochures and cards to clients, and price increases availed, the margins continue to remain susceptible to sudden spikes in input prices, as witnessed in the sharp increase in chip prices during the Covid period.

Analytical Approach: Standalone

Applicable Criteria:

Criteria for Manufacturing Companies

Criteria on assigning rating outlook

Policy on Default Recognition and Post-Default Curing Period

Complexity Level of Rated Instruments/Facilities

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Strong

The liquidity profile of the company is strong marked by sufficient cash vis-a visits debt repayment obligation. Strong liquidity profile is reflected in the current ratio of 4.59x and Quick ratio of 4.07x as on March 31, 2024.

The average utilization of its cash credit limits (currently Rs.40cr) is almost zero, however this facility is fully interchangeable with non-fund-based facilities such as Letter of Credit and Bank Guarantee, for which the utilization is around 50% providing additional headroom for liquidity . Further, by virtue of being a subsidiary of MTL, MPi will receive need-based funding support from its parent company as and when required.

About the Company

Manipal Payment and Identity Solutions Limited (MPi) was set up in 2008. The company into the business of manufacturing of debit and credit cards ,cheque leaves and brochures. Company's comprehensive card services cover the entire spectrum i.e creation, design, manufacturing, and delivery to the end customer. The company has a huge production unit, certified by Visa, Mastercard and EMV. MPi Cards is ~80% owned by Manipal Technologies. MPi is the first indian Entity to launch Indian made Rupay Metal Card in India. Paytm, J&K Bank, SIB work with MPi for its Card requirements. Besides banking cards, the company is also printing driving license and registration card (DLRC) for state governments.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	745.59	1029.17
EBITDA	102.43	265.40
PAT	66.92	182.91
Total Debt	115.04	509.22
Tangible Net Worth	181.45	361.13
Overall Gearing Ratio (x)	0.63	1.41
Overall Gearing Ratio (x)**	0.63	2.93
Interest Coverage (x)	8.58	12.03

** As per Infomerics Standard*
***Including corporate guarantee*

Status of non-cooperation with previous CRA: Not Applicable

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (June 13, 2024)	**Date** (Month XX, 20XX)	**Date** (Month XX, 20XX)
1.	Fund Based Bank Facilities – Cash Credit	Long Term	40.00	IVR A-/Stable (IVR A Minus with Stable outlook)	IVR BBB+/Positive	Rating	Rating
2	Fund Based Bank Facilities – Cash Credit	Long Term	40.00	Withdrawn	IVR BBB+/Positive		
3	Fund Based Bank Facilities – Term Loan	Long Term	27.78	Withdrawn	IVR BBB+/Positive		

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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
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					Date (June 13, 2024)	**Date** (Month XX, 20XX)	**Date** (Month XX, 20XX)
4	Debt Facilities – NCD	Long Term	35.00	Withdrawn	IVR BBB+/Positive		
5	Non-Fund based bank facilities – LC	Short Term	18.50	Withdrawn	IVR A2		

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities-Cash Credit	-	-	-	-	40.00	IVR A-/Stable (IVR A Minus with Stable outlook)
Long Term Bank Facilities-Cash Credit					40.00	Withdrawn
Fund Based Bank Facilities – Term Loan	-	-	-	June 20, 2027	4.15	Withdrawn
Fund Based Bank Facilities – Term Loan	-	-	-	September 20, 2027	4.11	Withdrawn
Fund Based Bank Facilities – Term Loan	-	-	-	June 16, 2027	19.52	Withdrawn
Debt Facilities – NCD	INE241U07017	November 14, 2022	16.50%	November 16, 2025	35.00	Withdrawn
Non-Fund based bank facilities – LC	-	-	-	-	18.50	Withdrawn

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-manipalpay-2dec24.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com