

Mudrakshi Hytech India Private Limited

March 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	33.52	CARE BB; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category; Outlook revised from Positive
Long Term / Short Term Bank Facilities	44.30	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category; Outlook revised from Positive

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings has been seeking information from Mudrakshi Hytech India Private Limited (MHIPL) to monitor the rating(s) vide e-mail communications dated February 24, 2025, January 29, 2025, January 22, 2025, etc., among others and numerous phone calls. However, despite our repeated requests, MHIPL has not provided requisite information for monitoring the ratings. Further, MHIPL has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Limited's rating on bank facilities of MHIPL will now be denoted as '**CARE BB; Stable/ CARE A4; ISSUER NOT COOPERATING**'.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been affirmed with the change in outlook on account of non-availability of requisite information due to non-cooperation by MHIPL with CARE Ratings Ltd.'s efforts to undertake a review of the ratings outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. The ratings remain constrained owing to small albeit growing scale of operations, moderate capital structure and debt coverage indicators, exposure to risk from increasing cashless and online transactions, business risk associated with tender-based orders coupled with competitive nature of industry and foreign exchange fluctuation risk. The ratings, however, derive strength from moderate profitability margins and comfortable operating cycle. The ratings, further, draw comfort from experienced promoters coupled with long track record of operations and association with reputed customers albeit concentrated.

Analytical approach: Standalone

Outlook: Stable

The revision in outlook from 'positive' to 'Stable' is primarily on account of non-availability of requisite information due to non-cooperation by MHIPL. The stable outlook reflects that the company will continue to grow the scale of operations while maintaining its healthy profitability.

Detailed description of key rating drivers: At the time of last rating on January 23, 2024, following were the rating weaknesses and strengths (updated for information available from registrar of companies)

Key weaknesses

Small, albeit growing scale of operations

The company's scale of operations remains small though improve, marked by total operating income of Rs. 44.57 crore in FY24 (Audited) as against Rs. 41.45 crore in FY23 (Audited). The scale remains small, and it limits the company's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the company's scale of

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

operations is growing continuously at compounded annual growth rate (CAGR) of 18.06% in past five fiscal years (i.e., FY20-FY24).

Moderate capital structure and debt coverage indicators

The company's capital structure remained moderate as marked by the overall gearing ratio of 1.36x in FY24 (Audited) vis-à-vis 1.91x in FY23 (Audited). The improvement in capital structure is on account of the decline in debt levels due to scheduled repayment of term loans and improved tangible net worth base due to accretion of profits to its reserves. The capital structure is expected to remain moderate over the medium term due to limited debt levels as envisaged. Further, the debt coverage indicators of the company improved and stood moderate, marked by the interest coverage ratio and total debt to gross cash accruals ratio of 3.08x and 3.40x respectively in FY24 (Audited) as against 2.96x and 4.81x respectively in FY23 (Audited). The improvement in debt coverage indicators is on account of the improvement in company's profitability in absolute terms leading to improved gross cash accruals in FY24.

Exposure to risk from increasing cashless and online transactions

The fake note detection machine or bank note processing machine industry has inherent risk of being replaced by increasing online and cashless transactions as most monetary transactions nowadays occur electronically through debit cards, credit cards, net banking and other digital transaction options and also has advantages such as preventing money laundering deterring the shadow economy, increasing the tax base, compliance and convenience for customers. However, cashless economy is also exposed to threat of frauds and online scams and thus cash-based transactions are not likely to become unsuitable.

Business risk associated with tender-based orders coupled with competitive nature of the industry

The major business of the company is procured through tender-based system. The company is thus exposed to risk associated with tender based business, which is characterized by the intense competition wherein the lowest bidder gets the work. Hence, going forward, due to increasing level of competition and aggressive bidding, the profitability margins of the company are likely to be under pressure over the medium term. Moreover, the bank note processing machine industry is exposed to competition from manufacturers of China and Russia providing high-speed machine at competitive prices, though have issues owing to low product quality. Therefore, the presence of numerous players globally may impact operations and profitability of the company. However, better quality machines and established relationship with reputed customers provides an edge to the company.

Foreign exchange fluctuation risk

MHIPL procures the machines primarily through imports from countries like Japan and Korea. However, these machines are sold or provided on rental basis within India, primarily to nationalised banks. With the initial cash outlay for procurement in foreign currency and inflows in domestic currency, MHIPL is exposed to the fluctuation in foreign exchange rates. However, in the absence of any formal hedging policy in place, the profitability margins of the company are exposed to volatility in foreign exchange rates. Moreover, any change in the government policies, either domestic or international is likely to affect the revenues of the company. The earnings are also susceptible to strict regulatory policies relating to the tariff barriers (custom duty), non-tariffs barriers (restriction on the quality of imports), anti-dumping duties, international freight rates and port charges.

Key strengths

Experienced promoters coupled with long track record of operations

Incorporated in the year 1985, MHIPL is being run and managed by Mr. Jyotirmoy Chakraborty and Ms. Neelam Chakraborty, as its directors. Both of them are postgraduates and have an accumulated experience of around four decades in the industry through their association with this company. They collectively look after overall operations of the company. They are also supported by a team of qualified and experienced professionals having relevant experience in the industry. MHIPL has a considerable track record in this business which has resulted in the long term relationships with both suppliers and customers.

Association with reputed customers albeit concentrated

The company's business risk profile continues to be supported by healthy association developed with various reputed banks like State Bank of India (SBI), Bank of Baroda, Jammu and Kashmir Bank, Indian Bank, Union Bank of India, etc. However, top five customers account for around 90% share of the company's total operating income. This exposes the company towards client concentration risk. Any change in procurement policy of these clients may adversely impact the business of the company. This also exposes the revenue and profitability growth of the company to future growth plans of its clients along with its ability to successfully obtain the tender at quoted prices. However, the company has been successful in getting the repetitive tenders for last 2-3 decades from its clients. This long-term and close relationship with its clients is reflective of the demonstrated ability of the company to provide quality products and services. Further, MHIPL has service level agreement (SLA) with SBI for providing services for processing of currency notes (sorting, packaging, bundling and shrink wrapping) on notes sorting and other related machines at 315 currency chests for a period of 5 years. The SLA is renewable and can be extended for a further period of 5 years. This further adds to the market value and goodwill of the company.

Moderate profitability margins

The profitability margins of the company remain moderate though declined marginally, marked by the PBILDT and PAT margins of 31.43% and 4.42% respectively in FY24 (Audited) as against 33.00% and 3.35% respectively in FY23 (Audited). The decline in the profitability margins is on account of the write-off of old outstanding debtors primarily related to maintenance and service of machines installed in public sector banks.

Comfortable operating cycle

The company's operating cycle stood to 77 days in FY24 (Audited) against 72 days in FY23 (Audited). The average inventory holding period stood at 66 days in FY24 (Audited) against 55 days in FY23 (Audited). Further, the company primarily deals with nationalized banks wherein due to lengthy clearance process the payment gets realized within 2-3 months and the same varies with bank to bank resulting into average collection period of 34 days in FY24 (Audited)(PY: 41 days).

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Other Consumer Services

Incorporated in the year 1985, MHIPL is engaged in providing services for the processing of currency notes (sorting, packaging, bundling and shrink wrapping) on notes sorting and other related machines for nationalized banks on job work basis. It is also engaged in trading and installation of notes sorting and other related machines to the nationalized banks. Further, the company provides commissioning and maintenance service for the machines supplied on annual maintenance contract (AMC) basis.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	41.45	44.57
PBILDT	13.68	14.01
PAT	1.39	1.97
Overall gearing (times)	1.91	1.36
Interest coverage (times)	2.96	3.08

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork has downgraded the ratings assigned to the bank facilities of Mudrakshi Hytech India Private Limited under ISSUER NOT COOPERATING category vide press release dated October 01, 2024 on account of its inability to carry out review in the absence of requisite information from the company. ICRA has retained the ratings assigned to bank facilities of Mudrakshi Hytech India Private Limited under ISSUER NOT COOPERATING category vide press release dated February 24, 2025 on account of its inability to carry out review in the absence of requisite information from the company.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	8.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	November 2026	25.52	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	44.30	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	8.00	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Positive (23-Jan-24)	1)CARE BB; Stable (26-Oct-22) 2)CARE BB; Stable (03-Oct-22)	1)CARE BB; Stable; ISSUER NOT COOPERATING * (29-Dec-21) 2)CARE BB; Stable (15-Sep-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	44.30	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE BB; Positive / CARE A4 (23-Jan-24)	1)CARE BB; Stable / CARE A4 (26-Oct-22) 2)CARE BB; Stable / CARE A4 (03-Oct-22)	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING * (29-Dec-21) 2)CARE BB; Stable / CARE A4 (15-Sep-21)
3	Fund-based - LT-Term Loan	LT	25.52	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Positive (23-Jan-24)	1)CARE BB; Stable (26-Oct-22) 2)CARE BB; Stable (03-Oct-22)	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities- Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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