

Converting NPCI into for-profit may level playing field with fresh umbrella entities

Shayan Ghosh

shayan.g@livemint.com

MUMBAI

The National Payments Corp. of India (NPCI) being eligible to turn itself into a for-profit organization is likely to level the playing field with regard to new umbrella entities where such a structure has been permitted.

This will allow NPCI to take on global giants such as Amazon, Google and Facebook who are reportedly aiming to set up new umbrella entities for payments, said experts. The difference between a for-profit and not-for-profit entity is the ability to distribute a portion of its income as dividends to shareholders. At present, NPCI's 67 shareholders are not eligible for dividends as the company was set up under Section 25 of the Companies Act 1956 (now Section 8 of Companies Act 2013) in December 2008.

It reported a net profit of ₹387.6 crore in FY20 on the



The conversion of NPCI and its listing will, however, face legal implications, say experts. MINT

back of total revenues of ₹1,221.2 crore, according to company filings. In FY19, its net profit was ₹306.6 crore while revenues were ₹980.1 crore.

“Amid the changing dynamics, consumer behaviour and owing to covid-19 impact, many entities may launch alternatives to NPCI's payment avenues and this is where the distinct shift of NPCI from a not-for-profit to a for-profit entity may escalate its performance,”

said Sudish Sharma, executive partner, Lakshmikumaran & Sridharan Attorneys. The conversion of NPCI and its listing will require legal implications to be met with under the Indian laws, but this is worth considering as it may assist NPCI to tap growth opportunities, Sharma added. “The process inter-alia involves approval of such conversion by way of a special resolution,” noted Arka Majumdar, Partner, Argus Partners, a law firm.

Reserve Bank of India (RBI) governor Shaktikanta Das was quoted by the *Economic Times* in an interview on Monday saying that NPCI has the option of becoming a for-profit entity. It comes as a surprise as there have been no discussions so far on such a conversion, as per a person aware of the development.

“This seems to be a change in

stance by RBI. However, while there could be a level playing field, if an entity with deep pockets enters the market through predatory pricing, the equations will change,” said the person mentioned above.

An email sent to NPCI remained unanswered till press time.

NPCI would then be able to take on global giants who are aiming to set up new umbrella entities for payments

In August, RBI said that any new umbrella organization for retail payments on the lines of NPCI must have a minimum paid-up capital of ₹500 crore and strive

for inter-operability with NPCI systems. Such organizations are expected to challenge the monopoly of NPCI, which was floated by RBI and the Indian Banks' Association. In February, RBI first released draft guidelines for such organizations, with the aim of reducing concentration risks in the space dominated by NPCI.