

Delphi World Money Limited (Erstwhile EbixCash World Money India Limited)

November 07, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long term bank facilities	115.50	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Revised from CARE A-; Stable (Single A Minus; Outlook: Stable)
Short term bank facilities	1.00	CARE A2 (A Two)	Reaffirmed
Total bank facilities	116.50 (₹ One Hundred Sixteen Creore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The revision of the rating for Delphi World Money Limited takes into account the moderation in the financial profile as reflected in decline in profitability and scale of operations for FY22. Further the company has exposure to group companies in the form of inter corporate deposits (ICDs) and equity investments pertaining to acquisitions in the recent past which are yet to stabilize; major acquisitions being in similar line of business, i.e., forex; which has exposure to credit and market risk; and the nature of business which continues to be highly competitive. Further, the rating also factors in susceptibility to refinance risk at the ultimate parent level i.e., Ebix Inc.

The ratings however continue to factor in strong parentage along with long standing track record in the foreign exchange (forex) dealer business and comfortable capital structure.

Rating sensitivities

Positive factors: Factors that could, individually or collectively, lead to positive rating action/downgrade

- i. Increase in scale of operation leading to significant improvement in profitability with RONW exceeding 40% on sustained basis.

Negative factors- Factors that could, individually or collectively, lead to negative rating action/downgrade:

- ii. Significant deterioration in Ebix Inc (ultimate parent) credit profile, leading to potential lack of capital support
- iii. Any regulatory policies or actions restricting the business activities
- iv. Continued weak profitability and deterioration in liquidity levels
- v. Increase in gearing levels beyond 1x

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

Detailed description of the key rating drivers

Key rating strengths

Leading foreign exchange dealer with a strong domestic franchise and long track record of operations

DWML is one of India's leading foreign exchange dealers with presence across retail and wholesale segments of the market having long track record of 20 years. Under the money changing business, the company is involved in purchase & sale of Foreign Currency Notes and Prepaid Foreign Currency Travel Debit Cards. Under the inward remittance business, the company is one of the largest principal agents of Western Union Money Transfer (WUMT) for its remittance business. Under the WUMT business, DWML ranks second in terms of business volumes in India and first in terms of branch network (incl. sub agent network) across the world. DWML's business volumes under both money changing and money transfer businesses are supported by its strong domestic franchise. Post the acquisition by Ebix Group, company closed down 59 branches on account of duplication in the number of branches within the same region as on March 31, 2019. As on March 31, 2022, the DWML has 16 branches. The company has a long track record of over 20 years as a foreign exchange dealer.

Strong Parentage

DWML was previously a part of Weizmann Group till it got acquired by Ebix Inc in Jan,2019. Ebix Inc is a USA based and NASDAQ listed company and is a leading international supplier of on-demand software and E-commerce services to insurance, financial and healthcare industries and is promoted by Mr. Robin Raina. Ebix has its headquarters in USA while having 50+ offices across the world in countries like Australia, Brazil, Canada, India, New Zealand, Singapore, US and UK employing 7800+ individuals across the globe having a market capitalization of \$612 million (approx. as on October 31, 2022). Ebix through the acquisitions has invested almost Rs. 4000 crore across various sectors. The company has its future strategy to become one of the leading companies in the forex and money exchange industry. EBIX Inc's revenue increased 59% to \$994.9 million in CY 2021 as compared to year 2020. The increase is primarily due to growth in the EbixCash technology business.

Further, there were multiple acquisitions concluded from 2017 to 2021 wherein the ultimate parent has raised external debt in U.S.A market for funding these acquisitions. However, due to COVID-19 and the stress on the industry, the acquisition led to a stress on the cashflow of these entities.

Comfortable Solvency Parameters

Overall gearing slightly increased, albeit remains comfortable, from 0.06 times as on March 31, 2021, to 0.17 times as on March 31, 2022. The company has maintained cash and bank balances of Rs.79.50 crore as on March 31, 2022 as against Rs. 43.39 crore as on March 31, 2021. DWML has unutilized bank limits of 105 crore as on June 30, 2022

Key rating weaknesses**Large acquisitions made which are yet to stabilise**

The group has made various acquisitions over past few years across different sectors primarily being forex, payment solutions and remittance services. This has helped in expanding its existing presence in the forex and remittance space and also given it opportunities to cross-sell various other products because of the inherent business synergies.

However, due to COVID-19 and the stress on the travel industry, the acquisition led to a stress on the cashflow of these entities. Overall, \$700 million (Rs. 4000 crore) were spent by Ebix Cash Ltd for the funding of these acquisitions out of which \$350 million was funded from Ebix Asia Holdings Inc, Mauritius in the form of CCDs, \$150 million was funded via equity from parent that is Ebix INC and remaining came from internal accrual at EbixCash Limited and Ebix Singapore PTE (parent) level. The ultimate parent has raised external debt in U.S.A market for funding the acquisitions done in India. The payment of this external debt of \$630 million taken by Ebix Inc is due in February 2023. The group is planning to launch the IPO for Ebixcash Ltd before February 2023, the proceeds of which will be used to repay the CCDs which would further be utilised to repay the external debt of Ebix Inc. This also exposes the group to refinance risk and hence, the developments in this regard will remain a key monitorable.

Moderation in scale of operations and profitability

During FY22, Company reported PAT of Rs. 7.92 crore on a total income of Rs.73.39 crore as compared to PAT of Rs. 40.78 crore on a total income of Rs. 118.49 crore in FY21. This 80% decline in PAT was due to a sharp decline in income from commission and incentive which stood at Rs. 0.41 crore as on FY22 as against Rs. 58.7 crore as on FY21 which was due to one-off upfront commission received from new partners. Income from Money changing and income from money transfer both showed marginal increase in revenue.

Overall profitability declined in FY22 as the total income reduced and the expenses remained stagnant at Rs. 59.45 crore in FY22 as against Rs. 60.53 crore in FY21. During Q1FY23 the company reported a PAT of Rs. 3.71 crore.

Exposure to group companies in the form of ICDs and corporate guarantees

DWML has an ICD of Rs.107.044 crore given to Ebix Travels Pvt Ltd and Ebix Smartclass Educational Services Pvt Ltd as on June 30, 2022. As informed by the management ICDs are expected to continue as company earns interest on these ICDs by giving excess cash to the group companies and to meet short term liquidity crunches of group companies.

Moderate credit risk

DWML carries counterparty risk in its money changing business in case of corporate clients and other money changers. Exposure to bulk segment mitigates credit risk to some extent considering that the payment cycle in case of bulk clients is T+2 days vis-à-vis a payment cycle of 15-30 days in case of corporate clients. The share of bulk segment stood at 56.7% of total turnover in FY22 as compared to 75% of total turnover in FY21. The share of corporate segment stood at 9.51% in FY22 as compared to 3.3% in FY21. The risk associated with corporate clients is also mitigated to some extent as DWML extends credit selectively and only to those entities with proven track record of payments. The risk management department assigns internal rating to the corporate clients before taking an exposure. The ultimate responsibility for collection of overdue rests with respective business heads to instill accountability. DWML carries counterparty risk on Western Union for a payment cycle of T+2 and maximum three days (in case of a holiday/ weekend). However, letters of credit issued by Western Union help mitigate such risk.

These letters of credit, taken in the form of security, are based on three days average payments and the amounts are reviewed every three months for better risk management.

Moderate market risk

DWML is exposed to the currency risk; considering that the business nature mandates the company to carry stock of foreign currency on daily basis and an adverse movement in exchange rate can result in loss for the company. However, the market risk is mitigated to a great extent through hedging mechanism in the form of taking forward cover on the exposure. DWML has online branch wise monitoring and reporting systems which enable the branches to report their stock positions on a daily basis, based on which, the company takes a forward cover on its exposures. There is a natural hedge inherent in the business such that depreciation of rupee will benefit the inward remittance business and rupee appreciation would benefit the money changing and outward remittance business.

As intimated by the management, the company hedges for 80% of the average net exposure for 2 days (T+1) and has 100% hedging mechanism on stock of currency.

Liquidity: Adequate

DWML's liquidity remained adequate, marked by low average utilisation of working capital limits in the range of 10-40% for the months from January 2022 to June 2022, largely on account of the short holding period of currencies. As on June 30, 2022, DWML's borrowing only consisted of cash credit/WCDL and it did not have any term loan borrowings.

Analytical approach

Standalone credit profile of DWML along with DWML's linkages with various entities of the Ebix group.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios - Financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Rating Methodology – Service Sector Companies](#)

[Factoring Linkages Parent Sub JV Group](#)

About the company

DWML, incorporated in August 1997, is a RBI-licensed Authorised Dealer (AD) Category II-Money Changer. DWML was earlier a part of the Weizmann group, which is engaged in textile processing and exports, money changing and money transfer activities, import/export payment solutions, power generation from renewable energy, etc. It commenced its business activities in April 2000, following the demerger of money-changing and money-transfer activities carried on by Weizmann Ltd. DWML currently offers services of 1) money changer; 2) principal agents for leading remittance services companies; 3) distribution of third-party financial products and other travel and tourism-related services. In January 2019, Ebix Cash World Money Limited, along with Ebix Asia Holdings Inc and Ebix Inc, acquired 74.84% stake from its existing promoter and promoter group entities.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	Q1FY23(UA)
Total income	118.49	73.39	23.64
PAT	40.78	7.92	3.71
Interest coverage (times)	11.65	5.15	NA
Total Assets	270.34	297.04	NA
Tangible Net Worth*	178.46	185.20	NA
ROTA (%)	15.29	2.79	NA

A: Audited, UA- Unaudited

*Net of intangible assets and deferred tax assets (DTA);

All ratios are as per CARE Ratings Limited's calculations.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-Long term bank facilities	-	-	-	-	115.50	CARE BBB+; Stable
Non-fund-based-Short term bank facilities	-	-	-	-	1.00	CARE A2

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based-Long Term	LT	115.50	CARE BBB+; Stable	1)CARE A-; Stable (06-Apr-22)	-	1)CARE A-; Stable (12-Mar-21)	1)CARE A-; Stable (27-Mar-20)
2	Term Loan-Long Term	-	-	-	-	-	-	1)CARE A-; Stable (27-Mar-20)
3	Non-fund-based-Short Term	ST	1.00	CARE A2	1)CARE A2 (06-Apr-22)	-	1)CARE A2 (12-Mar-21)	1)CARE A2 (27-Mar-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based-Long Term	Simple
2	Non-fund-based-Short Term	Simple

Annexure-5: Bank lender details for this company

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

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

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About us:

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