

EbixCash World Money India Limited ^(Revised)
March 27, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities- Working Capital	249.13 (increased from 227.50)	CARE A-;Stable (Single A Minus; Outlook: Stable)	Removed from credit watch; Rating Reaffirmed
Short Term Bank Facilities- Non Fund Based	8.00 (reduced from 8.50)	CARE A2 (Single A Two)	Removed from credit watch; Rating Reaffirmed
Total	257.13 (Rupees Two Hundred Fifty Seven crores and Thirteen lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings were removed from credit watch post completion of open offer to the public by EbixCash World Money Limited (EWML). Post this acquisition, EWML holds approx. 90% in EWMIL and balance continues to remain with public shareholders. EWMIL is now a subsidiary of EWML. Company has plans to merge it with the balance sheet of EWML post the acquisition of balance stake and completion of the entire de-listing process.

The ratings continue to factor in EWMIL's position as one of the leading foreign exchange dealers in India with a strong domestic branch and sub-agent network and strong parentage post acquisition by Ebix Group which helps in business growth on account of synergies. The ratings further take in account decline in the exposure to non-core group companies and comfortable gearing parameters. The ratings, however, remain constrained by moderation in profitability, margin pressures in remittance and money changing business due to high competition, moderate exposure to credit and market risk and exposure to non-core group companies albeit decreased considerably. Growth in business volumes, profitability, solvency and earnings diversification are the key rating sensitivities.

Rating sensitivities*Positive Factors*

- Sustained growth while mitigating credit and market risks

Negative Factors

- Further deterioration in profitability
- Increase in gearing levels

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**

EWMIL 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

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

(WUMT) for its remittance business. Under the WUMT business, EWMIL ranks second in terms of business volumes in India and first in terms of branch network (incl. sub agent network) across the world. EWMIL's business volumes under both money changing and money transfer businesses are supported by its strong domestic franchise. As on March 31, 2019, the company had over 112 own outlets catering to money changing and money transfer businesses and about 61000 plus touch points for money transfer. 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. The company's sub-agents are present in all the 640 districts of India. The company has a long track record of over 20 years as a foreign exchange dealer.

Strong Parentage

EWMIL 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 (market cap of approx. Rs.5180 crores) 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, New Zealand, Singapore, Canada, U.K and India employing 7800+ individuals across the globe having a market cap of Rs.5180 crores (approx.). The Ebix group have done series of acquisitions in India in the financial and insurance exchange space that includes travel, insurance, foreign exchange, remittances and wealth management services. Ebix group through its acquisitions has invested almost Rs. 4000 crores across various sectors primarily being travel, money changing and remittance space. Ebix has through its step-down subsidiary ie Ebix Paytech Services Pvt Ltd invested in EWML. EWML is the Indian counter part of the group through which all the acquisitions in the forex space have been done. EWMIL was acquired through EWML in the same manner.

Comfortable solvency parameters

Overall gearing continued to remain at comfortable level of 0.68 times as on Mar. 31, 2019. As on December 31, 2019, gearing levels remained stable and stood at 0.32 times. The company also maintained cash and bank balances of Rs.88.01 crore as on March 31, 2019.

Decrease in exposure to non-core group companies

As on March 31, 2018, the company had equity investments, inter-corporate deposits and corporate guarantee of Rs.80.15 crore, Rs.4.83 crore and Rs.31.57 crore respectively in associates and promoter group companies. However, in January 2019, company was acquired by Ebix Inc through EWML. As a part of the buyout exercise, company sold off all its stake in its subsidiaries and associates forming part of the Weizmann Group and hence ICD's are expected to reduce to a larger extent going forward.

However, company has an ICD of Rs.60 crores given to Ebix Travels Pvt Ltd as on March 31, 2019. As per the management, company might have ICD's being given to the cos forming part of the Ebix group in order to meet short term liquidity crunches.

Key Rating Weaknesses

Moderation in profitability

During FY19, Company reported PAT negative of Rs.38.47 crores on a total income of Rs.221.21 crores. After considering other comprehensive income, income stood negative at Rs.49.90 crores. This was primarily on account of provision of Rs.28.12 crores made which formed a part of an agreement made between Western Union and Ria Money transfer to honour certain remittances. This became redundant post acquisition of Ria transfer by EWML and this provision is an internal entry made within subsidiaries. Besides, on account of the acquisition by EWML, EWMIL sold all its stake in subsidiaries and associates and booked a net profit of Rs.24.65 crores and reversed the notional profit of Rs.46.51 crores forming part of OCI. It booked loss of Rs.15.40 crores booked on stake sale of Wind Power Business. Also, as a part of buyout exercise, a provision of Rs.19.98 crores made towards Trade Receivables. All these factors put together has resulted a decline in ROTA and RONW from 10.31% and 21.94% in FY18 to -10.97% and -26.99% in FY19 respectively.

However, as on December 31, 2019, the profitability has improved and PAT stood at Rs.26.14 crores on a total income of Rs.152.41 crores. ROTA and RONW stood stable at 8.43% and 25.03% respectively.

Exposure to group companies in the form of ICDs and equity investments

As on March 31, 2019, Company has an outstanding ICDs of Rs. 14.81 crores. Post of the acquisition of Centrum Direct by Ebix, the ICD's amounting to Rs. 54 crores were written off as a part of the buyout exercise. The ICD's of Rs.14.81 crores as on March 31, 2019 belonged to the related companies of Ebix group. As per the management, the ICD's shall continue in order to meet short term liquidity requirements in any of the subsidiaries.

Moderate credit risk

EWMIL 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 75.61% of total turnover in FY19 as compared to 29.28%, 40.01% and 45.7% of total turnover during FY18, FY17 and FY16 respectively. The share of corporate segment stood at 7.30% in FY19 as compared to 11.64%, 11.37% and 14.5% in FY18, FY17 and FY16 respectively. The risk associated with corporate clients is also mitigated to some extent as EWMIL 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.

Moderate market risk

EWMIL 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. EWMIL 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. During FY19, the company clocked inward remittance volume of Rs.5767.61 crore while money changing and outward remittance volume stood at Rs.9061.14 crore. On net basis, the company faced currency risk on inward remittance of Rs.3293.53 crore. 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.

Low margins under money changing and remittance business

Due to competitive pressures, margin in the money transfer/inward remittance business remained low, albeit, there was improvement in margins vis-à-vis previous year. Money transfer business margin improved to 1.15% during FY19 as compared to 1.01% in FY18. However, the volume of remittances reduced by ~35% in FY19 (remittance volume stood at Rs.5767.81 crore during FY19 as against Rs.8901.62 crore during FY18. During FY18, income earned from money transfer/inward remittance business declined to Rs. 76.28 crore in FY19 as against Rs.102.15 crore during FY18. Improvement of margins in money transfer/inward remittance business was more or less offset by reduction in volume. Margins under money changing/outward remittance business stood stable during FY19 at 1.01% vis-à-vis 1.23% during FY18. However, on account of improvement in volumes, net income from money changing/outward remittance business improved to Rs.102.24 crore during FY19 as against Rs.91.91 crore during FY18.

Analytical approach: Standalone credit profile of EWMIL along with EWMIL's linkages with various entities of Ebix group.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

[Financial ratios – Financial Sector](#)

About the Company

EbixCash World Money India Limited

EWMIL incorporated in August 1997, is a RBI-licensed Authorized Dealer (AD) Category II - Money Changer. EWMIL 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. EWMIL 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, 74.84% stake got acquired by Ebix Cash World Money Limited alongwith Ebix Asia Holdings Inc and Ebix Inc from its existing promoter and promoter group entities. This triggered an open offer to acquire 27,99,350 shares representing 25.16% of stake at a price of Rs.528 is made by EBIXCash World Money Limited (EWML) along with Ebix Asia Holdings Inc and Ebix Inc. Post the closure of this open offer, Ebix Group through its subsidiary and Indian counterpart namely EWML hold 90% stake. The company has plans to acquire the balance stake through compulsory acquisition in August, 2020. EWMIL financials shall be merged with the financials of EWML from FY21 onwards, till then it shall remain the subsidiary of EWML.

Standalone Financial Performance

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total Income	213.91	221.21
PAT	34.14	-38.47
Total Assets	408.13	293.13
Networth	202.34	82.69
ROTA (%)	10.31	-10.97

A- Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Working Capital Facility	-	-	-	249.13	CARE A- ;Stable
Non-fund-based – ST	-	-	-	8.00	CARE A2

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Working Capital Facility	LT	249.63	CARE A- ;Stable	-	1)CARE A- ;Stable (08-Oct-18)	1)CARE BBB+; Stable (03-May-17)	-

						2)CARE A-; credit watch with developing implications (10-Jan-19)	2)CARE A;Stable (09-Oct-17)	
2.	Non-fund-based - ST	ST	8.00	CARE A2	-	1)CARE A2 (08-Oct-18) 2)CARE A2; credit watch with developing implications (10-Jan-19)	1)CARE A3+; (03-May-17) 2)CARE A2 (09-Oct-17)	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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