

WEIZMANN FOREX LTD.

May 3, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities – Term Loan	16.63 (Reduced from 22.40)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
Long term Bank Facilities – Working Capital	205.50 (Enhanced from 195.50)	CARE BBB+; Stable (Triple B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities – Non-fund based	48.50 (Reduced from 61.58)	CARE A3+ (A Three Plus)	Reaffirmed
Total Facilities	270.63 (Rupees Two Hundred & Seventy crore Sixty Three lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings factor in WFL's strong presence in the money transfer segment with a strong domestic branch and sub agent network, margin pressure in money transfer and money changing business leading to average profitability, moderate credit and market risk profile and high dependence on money transfer business. Growth in business volumes, profitability and earnings diversification are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Strong presence in money transfer segment with a strong domestic franchise

Weizmann Forex Ltd. (WFL) is one of the largest principal agents of Western Union Money Transfer (WUMT) for its inward remittance business. Under the WUMT business, WFL ranks second in terms of business volumes in India and first in terms of branch network across the world. WFL's business volumes under both money changing and money transfer businesses are supported by its strong domestic franchise.

Average profitability

The volume in the money transfer business increased 1.7% along with slight increase in profit margin. Consequently, income from money transfer business grew 5.9% y-o-y and stood at Rs.113.38 crore during FY16. The total turnover (purchase + sales) in the money changing business increased by 7.2% in FY16, however, margins in money changing business declined slightly, resulting into stable income from money changing business which stood at Rs.51.71 crore during FY16 (P.Y.: Rs.50.74 crore). Net profit increased 17.4% in FY16 to Rs.21.87 crore. Return on Networth (RONW) for FY16 stood at 23.06% (P.Y.: 21.83%).

In 9MFY17, the company reported PAT of Rs.12.38 crore on total income of Rs.141.68 crore as against PAT of Rs.16.82 crore on total income of Rs.138.66 crore in 9MFY16.

Key Rating Weaknesses

Moderate credit risk

WFL 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 maximum 15 days in case of corporate clients. The share of corporate segment

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

stood at 14.5% in FY16 as compared to 14.6% and 11.6% in FY15 and FY14, respectively. The risk associated with corporate clients is also mitigated to some extent as WFL extends credit selectively and only to those entities with proven track record of payments. On the money transfer business, WFL carries counter party 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.

Moderate market risk

WFL 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 exposures. WFL 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. The company also faces foreign exchange risk on the money transfer business since the funds are received from Western Union on a T+1 basis. However, there is a natural hedge inherent in the business such that depreciation of rupee will benefit the money transfer business and rupee appreciation would benefit the money changing business.

Margin pressures in money transfer and money changing business

Due to competitive pressures, margin in the money transfer business remained low, albeit, there was some improvement in margins vis-à-vis previous year. Money transfer business margin stood at 0.82% during FY16 as compared to 0.79% in FY15. The gross margin in the money changing business reduced to 1.07% during FY16 from 1.11% during FY15.

High dependence on money transfer business

WFL has high dependence on money transfer business thereby resulting into earnings risk on account of concentration. Income from money transfer comprised 60% of total income (P.Y.: 60%) during FY16 and 56% of total income during 9MFY17.

Analytical approach: Standalone

Applicable Criteria

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

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

[Financial ratios - Financial Sector](#)

[Criteria for short-term instruments](#)

About the Company

Weizmann Forex Limited is a RBI Authorized Dealer (AD) Category-II Money Changer. WFL in its present form is a resultant company arising out of a scheme of arrangement involving amalgamation and demerger within Weizmann Group as sanctioned by High Court of Bombay in October 2010. WFL is a part of the Weizmann Group which is engaged in textile processing and exports, Money Changing and Money Transfer Activities, Power Generation from Renewable Energy etc. WFL currently offers services of 1) Money Changer 2) Principal Agents for Western Union Remittance Services 3) Distribution of third party financial products and 4) Mobile recharging and travel and ticketing. Income from money transfer contributed 60% (FY15: 60%) of total income while income from money changing contributed 27% (FY15: 28%) of total income in FY16. As on Dec 31, 2016, the company had 201 own outlets catering to money changing and money transfer businesses as the case may be. The company has closed some outlets in FY15 and FY16 since they were not economically viable. There are also 50,000 plus sub agents outlets. The company, through Western Union Business Solutions, also provides money transfer services to the importers/exporters in the medium and small business category. The company had invested in a joint venture, Horizon Remit Sdn. Bhd., in Malaysia in FY11 and as on March 31, 2016, the holding stood at 29.42%. The other stakeholders are Paul Merchants Ltd. and Western Union Processing Ltd. Horizon Remit is also an agent of Western Union Overseas in Malaysia.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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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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
Term Loan-Long Term	-	-	May 31, 2021	16.63	CARE BBB+; Stable
Fund-based-Long Term (Working Capital Facilities)	-	-	-	205.50	CARE BBB+; Stable
Non-fund-based-Short Term	-	-	-	48.50	CARE A3+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	LT	16.63	CARE BBB+; Stable	-	-	1)CARE BBB+ (09-Mar-16) 2)CARE BBB+ (15-Apr-15)	-
2.	Fund-based-Long Term (Working Capital Facilities)	LT	205.50	CARE BBB+; Stable	-	-	1)CARE BBB+ (09-Mar-16) 2)CARE BBB+ (15-Apr-15)	-
3.	Non-fund-based-Short Term	ST	48.50	CARE A3+	-	-	1)CARE A3+ (09-Mar-16) 2)CARE A3+ (15-Apr-15)	-

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