

## Delphi World Money Limited (Revised)

April 6, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	115.50 (Reduced from 249.13)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	1.00 (Reduced from 8.00)	CARE A2 (A Two)	Reaffirmed
<b>Total Bank Facilities</b>	<b>116.50</b> <b>(Rs. One Hundred Sixteen Crore and Fifty Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Delphi World Money Limited (DWML) continue to factor in DWML'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 the Ebix group, which helps in business growth on account of synergies. The ratings further take into account the exposure to the group companies in the form of inter corporate deposits (ICDs) and guarantees and comfortable solvency 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. The growth in business volumes, profitability, solvency, and diversification in earnings are the key rating sensitivities.

### Rating Sensitivities

#### Positive Factors - Factors that could lead to positive rating action/upgrade:

- Improvement in the scale of operations, with sustainable increase in profitability.

#### Negative Factors- Factors that could lead to negative rating action/downgrade:

- Substantial deterioration in profitability.
- Increase in gearing levels beyond 3x.
- Deterioration in liquidity.

### 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 a presence across the retail and wholesale segments of the market having a long track record of 20 years. Under the money-changing business, the company is involved in the purchase and 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 (including 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. After the acquisition by the Ebix group, the company closed down 59 branches on account of duplication in the number of branches within the same region. As on March 31, 2021, the company has 18 branches including 14 locations at airports, catering to the money changing and money transfer businesses. The company has a long track record of over 20 years as a foreign exchange dealer.

#### ***Strong Parentage***

DWML was previously part of the Weizmann group until it got acquired by Ebix Inc in January 2019. Ebix Inc is a US-based and NASDAQ-listed company (market cap of approximately over US\$850 million) and is a leading international supplier of on-demand software and e-commerce services to the insurance, financial, and healthcare industries, and is promoted by Mr Robin Raina. Ebix has its headquarters in the US and more than 50 offices across the world in countries like Australia, Brazil, Canada, India, New Zealand, Singapore, the US and the UK. Ebix Inc. and its subsidiaries have reported a PAT and total revenue of US\$68.2 million and US\$994.9 million, respectively, during FY2021. EbixCash is also one of Southeast Asia's leading travel exchanges, with over 10,513 employees, more than 6,50,000 physical agents' network, 191 branches, and over 5,500 corporate clients, across the globe.

Recently, Ebixcash has filed its draft red herring prospectus (DRHP) with the Securities and Exchange Board of India (SEBI) to raise Rs.6,000 crore through an initial public offering (IPO) by fresh issue of shares. Of the total Rs.6,000 crore, Rs.1,305 crore

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

will be utilised for working capital requirements of its two subsidiaries – Ebix Travels Private Limited and EbixCash World Money Limited, and Rs.2,748 crore for the purchase of compulsorily convertible debentures (CCDs) from Ebix Asia Holdings Inc, Mauritius, which were issued by certain subsidiaries, and for the payment of interest on such outstanding CCDs.

The Ebix group, through its acquisitions, has invested almost Rs.4,000 crore across various sectors, primarily being travel, money-changing, and the remittance space. The company has its future strategy to become one of the leading companies in the payment industry.

### ***Comfortable solvency parameters***

The overall gearing improved to 0.06x as on March 31, 2021, as against 0.19x as on March 31, 2020. As on March 31, 2021, the tangible net worth of DWML stood at Rs.178.46 crore. The company also maintained cash and bank balances of Rs.43.39 crore, as on March 31, 2021. As on December 31, 2021, the company had cash and bank balances of Rs.39.26 crore.

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

DWML has an ICD of Rs.76.35 crore given to Ebix Travels Private Limited and Ebix Corporate Services Private Limited, as on March 31, 2021, against a net worth of Rs.178.46 crore. Also, the company had corporate guarantees issued on its behalf to the airports, to the tune of Rs.14.62 crore, as on March 31, 2021.

### **Key Rating Weaknesses**

#### ***Moderation in profitability***

During FY21, the company reported a PAT of Rs.40.78 crore on a total income of Rs.118.49 crore, as compared to a PAT of Rs.39.19 crore on a total income of Rs.181.36 crore in FY20. The ROTA of the company stood at 15.29% in FY21, as compared to 14.10% in FY20. Also, during 9MFY22, the company reported a PAT of Rs.7.05 crore on a total income of Rs.55.94 crore, against a PAT of Rs.38.57 crore on a total income Rs.95.08 crore in 9MFY21.

The company's money-changing business is dependent on the travel and tourism industry, which has been impacted by the economic slowdown on account of the COVID-19 pandemic and the industry has not opened up completely. This has impacted the money-changing business, however, it is expected to pick up once the travel and tourism industry resumes normal functions. However, the rate of normalcy will be dependent on the easing of travel restrictions and the rate of inoculations in the country. That said, during FY21, the remittances continued due to the transfer from students living abroad, fees transferred for admissions to foreign universities for study, people winding up jobs abroad and transferring money to India to settle during COVID-19 times, medical remittances, etc. All these activities helped the money transfer business to continue revenue generation.

#### ***Moderate credit risk***

DWML carries counterparty risk in the money-changing business, in the case of corporate clients and other money changers. In the bulk segment – banks, FFMCS and franchisees, the company has a payment cycle of a maximum of 15-30 days, in the case of corporate clients. Around 19% of the currency turnover for FY20 (11% in FY20) was from walk-in clients, while the bulk segment constituted 75% of the total currency sales in FY20 (79% for FY20). Corporate clients in the money-changing business are given a maximum credit period of up to 25-30 days. As on December 31, 2021, Rs.39.37 crore was in the buckets of 90+ dpd days. Many of these debtors are from the Weizmann period (earlier management) and are mostly already provided for. Most of the debtors in the 31-60 dpd and 61-90 dpd are mainly customers who were located in far-off regions and the payment collation would require some time lag from their end. This risk is mitigated to some extent, as DWML extends credit selectively and only to those entities with a proven track record of payments.

#### ***Moderate market risk***

DWML is exposed to currency risk, considering that the business nature mandates the company to carry physical stock of foreign currency on a 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 the Hedging Mechanism in the form of taking a forward-cover on the exposure. DWML has an 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 the rupee will benefit the inward remittance business and rupee appreciation would benefit the money-changing and outward remittance businesses.

During FY21, the company clocked an inward remittance volume of Rs.834 crore while the money-changing and outward remittance volume stood at Rs.848 crore. As intimated by the management, the company hedges for 80% of the average net exposure for two days (T+1) and has a 100% Hedging Mechanism on stock of currency.

#### ***Improved margins under the money-changing and remittance businesses, however, volume declined***

The money transfer business margin improved to 3.31% in FY21, as compared to 0.99% in FY20. However, the volume of remittances reduced to Rs.834 crore during FY21, as compared to Rs.8,054 crore during FY20. During FY21, the income earned from the money transfer and inward remittance businesses decreased to Rs.27.58 crore in FY21, as against Rs.79.71 crore during FY20. The improvement of margins in the money-transfer and inward remittance businesses was more than offset by the reduction in volume. Margins under the money-changing and outward remittance businesses increased during FY21, to 9.92% vis-à-vis 4.25% during FY20. However, on account of the decrease in volumes, the net income from the money-changing and outward remittance businesses decreased to Rs.20.89 crore during FY21, as against Rs.84.16 crore during FY20.

### 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 2021 to December 2021, largely on account of the short holding period of currencies. As on December 31, 2021, 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. As on December 31, 2021, the Ebix group, through its subsidiary and Indian counterpart – EWML, holds 89.94% stake.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total income	181.36	118.49	55.94
PAT	39.19	40.78	7.05
Interest coverage (times)	6.08	11.65	NA
Total Assets	262.94	270.34	NA
Tangible Net Worth*	138.94	178.46	NA
ROTA (%)	14.10	15.29	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 last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** 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 (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	-	115.50	CARE A-; Stable
Non-fund-based-Short Term	-	-	-	-	1.00	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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based-Long Term	LT	115.50	CARE A-; Stable	-	-	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 (12-Mar-21)	1)CARE A2 (27-Mar-20)

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities**

Name of the Instrument	Detailed explanation
A. Financial covenants	NA
B. Non-financial covenants	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 instrument:** CARE Ratings Ltd. 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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