

Rating Rationale

Transcorp International Ltd

12 Oct 2018

Brickwork Ratings reaffirms rating for the Bank Loan Facilities aggregating Rs. 19 Crs and FD Issue amounting to Rs. 15 Crs of Transcorp International Ltd (TIL or the Company).

Particulars:

Instrument	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
FD Issue	15	15	Long Term	BWR FBBB (Pronounced as BWR F Triple B) Outlook: Stable	BWR FBBB (Pronounced as BWR F Triple B) Outlook: Stable <i>(Reaffirmation)</i>
Total	15	15	INR Fifteen Crores Only		

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based	43	19	Long Term	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable <i>(Reaffirmation)</i>
Non-Fund Based	1	0			
Total	44	19	INR Nineteen Crores Only		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the company up to FY18, quarterly results for Q1 FY19, projected financial statements, publicly available information and information/clarifications provided by the company.

The rating continues to draw comfort from the experienced promoters and management team, established track record of the company in the money changing and transfer segments, strong branch and franchisee network, low debt, adequate liquidity position and strong risk management practices in place. BWR has also taken note that the company is venturing into the digital payments space by launching its own Pre-paid Instruments (PPI). The ratings, however, continue to remain constrained on account of average debt protection metrics, impact on the profitability post sale of MTSS business (profits in FY18 were

driven by only capital gain on account of sale of MTSS business), and sizable amount of exposure to group companies by way of investments and advances.

Going forward the ability of the company to improve its profitability indicators, strengthen capital structure by recovering advances extended to group companies and manage its working capital requirements efficiently shall remain key rating sensitivities.

Key Rating Drivers:

Experienced & Qualified Management: The company is run by a professional management team with all the directors having significant experience in the financial services sector. The Managing Director of the company has expertise in money changing and remittances business. The directors have also hired qualified professionals to manage different aspects of their operations. The board also include adequate number of independent directors to manage corporate governance.

Strong Risk Management Practices: Since, the company deals in foreign exchange, hedging of the currency fluctuation risk becomes important. The company has outsourced the risk management activity to specialists and has a detailed policy on the forex risk management. It has not reported any major forex losses over the past three years. Also, in order to mitigate the credit risk (counterparty risk in case of corporate clients), the company had defined a credit policy to set the credit limits and ensure timely recovery.

Adequate Liquidity Position: The liquidity position of the company is adequate with a current ratio of 1.66x as on March 31, 2018. The average receivables cycle during FY18 was of 5 days and cash conversion cycle of 3 days. Further, the company reported cash & cash equivalents of Rs. 10.53 Crs as on March 31, 2018 as against annual repayment obligations in the range of Rs. 3.50-4.50 Crs.

Capital Structure: Transcorp reported a Net worth of Rs. 69.54 Crs as on March 31, 2018 with a Total Debt of Rs. 30.44 Crs and an Overall Gearing of 0.44x. However, the company has invested an amount of Rs. 32.51 Crs in wholly owned subsidiaries and extended advances amounting to Rs. 35.34 Crs to related parties leaving practically no money in the business. While, the advances are said to be short term and recoverable in nature, their timely recovery is critical to the rating and is a key sensitivity.

Impact on Profitability: While, the company has reported healthy EBITDA and Net Profit of Rs. 39.34 Crs and Rs. 25.68 Crs respectively during FY18, the same are driven by the gain on sale of their MTSS business. TIL received a net consideration of Rs. 42.60 Crs by selling its money transfer business to Ebix Money Services Pvt Ltd. It will take some time for the company to align its costs with the revenue and the management expects to report some profit for FY19. Any deterioration in the profitability will be considered negative.

Analytical Approach: BWR has assessed the company on standalone basis. Please refer to the applicable criteria at the end.

Rating Outlook: Stable

BWR believes that Transcorp International Ltd’s business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company is able to improve the profitability margins and capital structure. The rating outlook may be revised to 'Negative' if the advances extended to group companies are not recovered and in case there is any deterioration in the profitability margins coupled with fall in income

About the Company:

Transcorp International Ltd (TIL) was incorporated in December 20, 1994 at Jaipur (Rajasthan) and is listed at Bombay Stock Exchange. The company was set up as an FFMC (Full-Fledged Money Changer) and received Authorised Dealer II (AD-II) license from RBI in March 2015 which enables the company to facilitate outward remittances as well. TIL was one of the principal agents of Western Union for more than 20 years, however, as a strategic decision, it sold its Money Transfer business to Ebix Money Services Pvt Ltd during January 2018 and now undertakes inward remittances services as its sub-agent. Transcorp has 25 own branches and network of 10000 sub-dealers. In 2016, the Company received license from RBI for launching prepaid instruments (PPI) in India and will launch its wallet soon. Meanwhile, the Company has already launched its open loop prepaid cards in association with Yes Bank.

The company has also diversified into other segments such as - general insurance business by getting a corporate agency of Bajaj Allianz General Insurance Company Ltd. It became a Business Correspondent of SBI in July 2015 and commenced a travel & tour business segment via its wholly owned subsidiary Ritco Travels & Tours Pvt Ltd. Transcorp also provides domestic money transfer solutions in association with Banks. Transcorp Estates Pvt Ltd, another wholly owned subsidiary, owns few properties and has leased out some area from which it is generating rental income.

Company’s Financial Performance:

The company’s revenue is adjusted for the value of currency notes, traveler cheques/cards and other payment documents to calculate the actual income for the company. Key financial indicators are given in the table below:

Key Financial Indicators			
Particulars	Unit	FY17 (A)	FY18 (A)
Adjusted Operating Income	Rs. Crores	44.98	78.60
EBITDA	Rs. Crores	6.48	39.34
PAT	Rs. Crores	1.85	25.68
Tangible Net worth	Rs. Crores	44.25	69.54
Total Debt	Rs. Crores	24.99	30.44
Total Debt : Equity	Times	0.56	0.44
Current Ratio	Times	1.14	1.66

Rating History* for the last three years:

Sl. No.	Facility	Current Rating (Oct 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
Fund Based							
1.	Cash Credit	Long Term	18	BWR BBB	BWR BBB	BWR BBB	NA
2.	Term Loan	Long Term	1	BWR BBB	BWR BBB	BWR BBB	NA
Total			19	INR Nineteen Crores Only			
Fixed Deposit Issue							
1.	FD Issue	Long Term	15	BWR FBBB	BWR FBBB	BWR FBBB	NA
Total			15	INR Fifteen Crores Only			

* Rating was moved to Not Reviewed Advisory on Oct 4, 2018

Status of Non-Cooperation with Other CRAs: NA

Any Other Information: NA

Hyperlink/Reference to Applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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