

February 27, 2025

Orient Exchange And Financial Services (P) Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Unallocated	20.00	20.00	[ICRA]BBB- (Stable); reaffirmed
Short-term Unallocated	14.00	14.00	[ICRA]A3; reaffirmed
Total	34.00	34.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of ratings for Orient Exchange and Financial Services (P) Ltd. (OEFS/the company) factors in the healthy operating and financial performance in FY2024 and 7M FY2025 and the anticipated sustenance of the same, going forward, given the healthy demand outlook for the industry. The ratings continue to favourably factor in OEFS' established position as an Authorised Dealer Category-II (AD-II) player, the extensive industry experience of its promoters and the management team and the company's comfortable capitalisation and coverage metrics. Further, the company had adequate liquidity, primarily stemming from its foreign exchange (forex) inventory of Rs. 50.5 crore as of October 31, 2024. ICRA expects healthy growth in OEFS' business with favourable demographics, and the company's bank debt-free position (debt comprised only of lease liabilities to the tune of Rs. 0.7 crore as on October 31, 2024) and adequate liquidity buffer to continue going forward as well. The company's continued focus on the margin-accretive retail business is also likely to support margins.

The ratings, however, remain constrained by the company's modest scale of operations (operating income of Rs. 56.7 crore in FY2024 and Rs. 33.3 crore in 7M FY2025), despite healthy growth since FY2022. Further, the company witnesses intense competition from other established dealers including AD-I banks and unorganised players. While the main competition in the outward remittance segment is from commercial banks, forex services are not offered by all branches of the banks, which AD-II players like OEFS capitalise on. Further, OEFS' forex demand and revenues are vulnerable to exogenous shocks and consequent impact on travel. Also, the company's margins are susceptible to forex fluctuations. Nevertheless, hedging through forward and futures contracts minimises the impact of forex fluctuations to a large extent.

The 'Stable' outlook on the long-term rating reflects ICRA's expectation that the company's credit profile will remain healthy, supported by its comfortable debt metrics and adequate liquidity position, amid favourable outlook for the industry.

Key rating drivers and their description

Credit strengths

Extensive industry experience of the management – OEFS was started by the promoters of Orient Exchange Co. (L.L.C.), Dubai, in 2004 and is involved in money changing and remittance business. The operations in India are managed by Mr. Bhaskar Rao P, Managing Director. Mr. Rao and the management team have over two decades of experience in the money exchange industry. The same has enabled the company in establishing robust risk management practices with respect to forex fluctuations, among others.

Comfortable capital structure and coverage indicators – OEFS has been free of bank borrowings since FY2020 and currently has only lease liabilities (Rs. 0.7 crore as on October 31, 2024). This has resulted in comfortable capital structure and coverage

indicators. With no major debt-funded capex envisaged, OEFS' capital structure and coverage indicators are expected to remain comfortable in the near to medium term.

Credit challenges

Modest scale of operations – The company's operating income is relatively modest and stood at Rs. 56.7 crore in FY2024 and Rs. 33.3 crore in 7M FY2025. The modest scale limits the benefits arising from economies of scale. OEFS' net cash accruals also remain relatively low and stood at Rs. 5.1 crore in FY2024 and Rs. 2.0 crore in 7M FY2025. The healthy demand outlook for the industry is expected to support the company's volumes and operating income going forward.

Intense competition from other established and unorganised players – The company witnesses intense competition in the retail money changing business from other established players like Thomas Cook, Ebixcash World Money India Limited and Unimoni Financial Services Limited, among others. Further, it also witnesses competition from other established dealers including AD-I banks and unorganised players. The intense competition along with the trading nature of the business results in limited pricing flexibility. In the outward remittance segment, the main competition is from commercial banks, which are increasingly targeting the retail segment, which is the company's focus area as well. However, forex services are not offered by all branches of the banks, which AD-II players like OEFS capitalise on.

Susceptibility of the business to exogenous shocks – Akin to other players in the business, OEFS' forex demand and revenues are vulnerable to exogenous shocks and consequent impact on travel. Further, its margins are exposed to forex fluctuations, although the risk is limited to a large extent by hedging through forward and future contracts, healthy turnaround of stock and payables in USD to group companies.

Liquidity position: Adequate

OEFS' liquidity remains adequate, supported by its cash flow from operations, forex inventory of Rs. 50.5 crore and unencumbered cash and bank balances of ~Rs. 3.0 crore as on January 31, 2025. Owing to the absence of term loans in its books, the company has no repayment obligations. Further, the company does not have any significant capex plans going forward.

Rating sensitivities

Positive factors – ICRA can upgrade OEFS' ratings if the company demonstrates a significant improvement in its revenues and cash accruals on a sustained basis, while maintaining the external debt-free position.

Negative factors – Pressure on OEFS' ratings could arise if its revenue and profitability remain under pressure on a sustained basis, resulting in weakening of cash accruals and liquidity position. Debt-funded acquisition or increase in debt levels owing to a weakening liquidity position, working capital stretch or significant capex could lead to a downward revision in ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of OEFS.

About the company

OEFS is an Authorised Dealer Category-II licence holder with close to two decades of presence and 25 branches across India, covering all metros and major cities. It initially had a Full-Fledged Money Changers (FFMC) licence from the RBI, before

receiving the AD-II licence in 2017. Its core business is buying and selling of currencies, which cater to foreign exchange needs of retail customers, corporate and wholesale customers. It is also involved in the issuance of forex cards, traveller's cheques, outward remittance business and distribution of third-party financial products like travel insurance. OEFS is a group company of Orient Exchange Co. (L.L.C.), Dubai, whose principal business segments include forex and remittances.

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income	44.6	56.7
PAT	5.0	6.3
OPBDIT/OI	16.7%	15.1%
PAT/OI	11.3%	11.1%
Total outside liabilities/Tangible net worth (times)	1.5	1.4
Total debt/OPBDIT (times)	-	0.1
Interest coverage (times)	28.9	35.7

Amount in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2025)		Chronology of rating history for the past 3 years						
	Instrument	Type	Amount rated (Rs. crore)	FY2025	FY2024		FY2023		FY2022	
				February 27, 2025	Date	Rating	Date	Rating	Date	Rating
1	Unallocated	Long-term	20.00	[ICRA]BBB-(Stable)	15-Dec-2023	[ICRA]BBB-(Stable)	12-Dec-2022	[ICRA]BBB-(Stable)	06-Oct-21	[ICRA]BBB-(Stable)
2	Unallocated	Short-term	14.00	[ICRA]A3	15-Dec-2023	[ICRA]A3	12-Dec-2022	[ICRA]A3	06-Oct-21	[ICRA]A3

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-Term - Unallocated	Not applicable
Short-Term – Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Unallocated	NA	NA	NA	20.00	[ICRA]BBB- (Stable)
NA	Unallocated	NA	NA	NA	14.00	[ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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