

Nishi Forex & Leisure Pvt. Ltd.

March 26, 2019

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based	13.25	17.00	[ICRA]BB+ (Stable); upgraded from [ICRA]BB(Stable)
Non-Fund based	4.65	3.00	[ICRA]A4+; reaffirmed
Unallocated	22.10	20.00	[ICRA]BB+(Stable); upgraded from [ICRA]BB(Stable)/A4+; reaffirmed
Total	40.00	40.00	

*Instrument details provided in Annexure 1

Rationale

The rating action considers the healthy growth in revenues achieved by the company since inception and the expected revenue growth and improvement in profitability going forward aided by the sanction of the Authorised Dealer (AD) Category-II license. This license has increased the scope of business and has also eliminated the need for intermediaries for remittances. The ratings continue to positively factor in the extensive business experience of the management in the travel and tourism industry, having been associated with reputed companies such as Weizmann Forex Limited in the past.

The ratings, however, continue to be constrained by the primarily trading nature of the foreign exchange business resulting in thin profitability and moderate debt coverage indicators. The business also remains susceptible to the cyclicity present in the travel and tourism industry, and fluctuations in foreign exchange rates to the extent of the company's currency holding. The fragmented nature of the industry with many players leads to high competitive intensity, keeping the margins of the company under check.

Outlook: Stable

The Stable outlook reflects ICRA's expectation that the company will continue to benefit from the vast experience of the promoters in the forex business. The outlook may be revised to Positive if there is a substantial improvement in profitability levels of the company, leading to improvement in its coverage indicators. The outlook may be revised to Negative if cash accruals are lower than expected or if any increase in working capital requirements, weakens the liquidity position of the company.

Key rating drivers

Credit strengths

Extensive industry experience of the management team - Mr. Rama Chandra, the Director of the company, was a former Vice President at Weizmann Forex Limited and has been in the travel and forex business for more than 20 years. The management team of Nishi Forex also consists of vastly experienced members such as Mr V.R Subramanian who is the Managing Director, and Mr. Shiva Kumar who is the CEO, both of whom have almost three decades of experience in tourism and foreign exchange business.

Healthy revenue growth since inception – Nishi has witnessed significant growth in revenues since its inception, with the top line increasing from around Rs. 117 crore in FY2016 to around Rs. 463 crore in FY2018. This is primarily due to the established relationship of the company’s management with various reputed corporate clients and the aggressive marketing and pricing policies followed by the company given the initial stages of its operations. The company associates itself with various corporate events through sponsorships to increase its market visibility. The company has achieved revenue of Rs. 530 crore till December 2018.

Sanction of AD-II Licence - The sanction of the AD-II licence in May 2018 has also provided a fillip to the company’s business prospects. The licence allows the company to undertake various remittance activities such as business travel, film shooting, overseas education, remittance by tour operators, registration/subscription fees to international organizations etc. without the need to go through intermediaries. Given the increase in scope of operations, the company has already ventured into four regions – Coimbatore, Guntur, Delhi and Gurgaon - post the sanction of the licence and plans to expand further, especially in the northern region.

Credit challenges

Financial profile characterized by thin profitability and moderate coverage indicators – While Nishi is involved in various businesses such as foreign exchange, money transfer and tourism, the major portion of revenue is derived from foreign exchange business which is primarily of trading nature. This, coupled with high employee expenses, has resulted in thin profitability levels over the years. Due to low profitability coupled with high debt levels and interest expenses, the coverage indicators continued to remain moderate.

Vulnerability to cyclicity in travel and tourism industry; exposure to fluctuations in foreign exchange– The Company’s revenue and profitability are exposed to the cyclicity in travel and tourism industry and could be impacted during economic downturns. This is because corporate/individuals tend to reduce work/leisure travel during such times resulting in lower business opportunities for the players in the business. While Nishi is exposed to foreign exchange fluctuations, it is limited to the currency inventory levels. The company has an experienced team that continuously monitors the foreign exchange movements and makes business decisions accordingly, trying to reduce the losses.

Liquidity Position:

The liquidity position of the company remains stretched as reflected by negative cash flow from operations over the years, primarily on account of thin profit margins coupled with increasing working capital requirements. The utilization of the working capital limits with bank stood high at around 95% over a twelve-month period ending December 2018. However, no major capital expenditure plans and expected growth in profitability levels going forward, are likely to support the liquidity to an extent..

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation / Standalone	The analysis has been done on a standalone basis

About the company:

Incorporated in August 2014, Nishi Forex & Leisure Private Limited is an Authorised Dealer II (AD II) license holder based in Bangalore. Nishi primarily caters to foreign exchange needs of corporate clients, retail customers and wholesale customer. It had initially received the FFMC license from RBI in December 2014 before receiving the AD II licence in May 2018 which has enabled it to undertake remittance related activities directly. While it started its operations in Bangalore, it currently has branch offices in Andhra Pradesh, Telangana, Tamil Nadu, Kerala and Delhi. The company also provides air ticketing, tours and other travel related services.

Key Financial Indicators (Audited)

	FY 2017	FY 2018
Operating Income (Rs. crore)	374.9	463.2
PAT (Rs. crore)	0.5	0.6
OPBDIT/ OI (%)	0.6%	0.6%
RoCE (%)	15.4%	11.1%
Total Debt/ TNW (times)	1.8	1.0
Total Debt/ OPBDIT (times)	4.6	4.6
Interest coverage (times)	2.0	2.0

Status of non-cooperation with previous CRA

CRISIL B+/Stable suspended in December 2016. The suspension of the ratings was because of non-cooperation by the company with CRISIL's efforts to undertake a review of the ratings outstanding.

Any other information: None

Rating history for the last three years:

		Current Rating (FY2019)		Chronology of Rating History for the past 3 years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2018 (Rs. Crore)	Date & Rating March 2019	Date & Rating in FY2018 April 2018	Date & Rating in FY2017 September 2016	Date & Rating in FY2016 -
1	Fund based	Long Term	17.00	1.13	[ICRA]BB+ (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)
2	Non-fund based	Short Term	3.00	-	[ICRA]A4+	[ICRA]A4+	[ICRA]A4
3	Unallocated	Long/Short Term	20.00	-	ICRA]BB+ (Stable) / [ICRA]A4+	ICRA]BB (Stable) / [ICRA]A4+	[ICRA]BB (Stable) / [ICRA]A4

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	2016	-	2021	1.00	[ICRA]BB+ (Stable)
NA	Cash Credit	-	-	-	16.00	[ICRA]BB+ (Stable)
NA	Bank Guarantee	-	-	-	3.00	[ICRA]A4+ (Stable)
NA	Packing Credit	-	-	-	20.00	[ICRA]BB+ (Stable) / A4+

Source: Nishi Private & Leisure Pvt. Ltd.

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