



Press Release

Paul Merchants Limited (PML)

August 23, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Fund based - long term Bank Facilities – Working capital facilities	18.00 (Reduced from Rs. 19.75)	IVR A/RWDI (IVR A, Rating watch with developing implications)	IVR A /Stable (IVR A with stable outlook)	Reaffirmed and the rating is placed under “Rating watch with developing implications”.	Simple
Non-Fund based – Short term bank facilities – Bank Guarantee	2.00	IVR A1/RWDI (IVR A1, rating watch with developing implications)	IVR A1 (IVR A1)	Reaffirmed and the rating is placed under “Rating watch with developing implications”.	Simple
Proposed Long term/short term loans	11.75 (Increased from 10.00)	IVR A/RWDI (IVR A, Rating watch with developing implications)/ IVR A1/RWDI (IVR A1, rating watch with developing implications)	IVR A/Stable/ IVR A1	Reaffirmed and the rating is placed under “Rating watch with developing implications”	Simple
Total			31.75		

(INR Thirty-One Crore and Seventy-Five lakhs only)

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics rating has placed the rating assigned to the Bank facilities of PML under “Rating watch with developing implications” owing to uncertainty over maintaining profitability and revenue growth during FY25 reflected by decline in sales volume and profitability in Q4FY24 and Q1FY25 due to lower migration of students/workers to Canada and United Kingdom due to ongoing geopolitical tensions and policy changes to resolve the unemployment issues in these two countries. These two countries have changed the rules for issuing fresh visas for students and work permit issues and are in process of amending the immigration policies. Infomerics will continuously assess/monitor the performance of PML amidst these conditions and analyse the impact of the same on the financial profile of PML and take appropriate rating action.



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Reaffirmation of rating assigned to the Bank facilities of PML continues to derive comfort from the extensive experience of the promoters in the industry, comfortable capital structure and Moderation in the foreign exchange division. The rating is however constrained by low profit margins and susceptibility of business volumes to external factors and volatility in foreign exchange markets.

ED conducted search and seizure operations at the official premises of four AMCs (Authorized Money Changer) graded license holders (issued by RESERVE BANK of INDIA under Foreign Exchange Management Act, 1999 - FEMA) including residential premises of their directors and associates; wherein the ED had initiated an investigation under the FEMA on the basis of intelligence inputs in the month of September, 2021 and the search had resulted in the seizure of documents and related attestations.

Moreover, the ED search and seizure was on the tour operator remittance business in FY2021-2022 pertaining to some overseas tour operator remittance transactions processed by PML in the year 2017-2018 and 2018-19.

As on date the contribution from the tour operator remittance is nil and the company has confirmed that they have discontinued the aforesaid business vertical. Hence, the impact on the business operations is nil. The company has also informed us that they are in process of closing the proceeding with ED and have sought help of RBI to resolve the issue.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in scale of operations coupled with improvement in profitability.

Downward Factors

- Substantial decline in scale of operations impacting revenues and profitability.
- Adverse outcome from the expected policy changes by Canada and United Kingdom.
- Adverse outcome of the ED search/seizure and its adversely impacting on the overall performance of the company



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive industry experience of the management team:

Incorporated in the year 1991, PML is involved in money changing and remittances business. The operations are overlooked under the able management of Mr. Sat Paul (Managing Director). Mr. Paul along with other heads have over two decades of experience in the financial services industry. The Company undertakes various remittance activities for business travel, overseas education, etc. Apart from the spread earned on the money changing business, it earns fees/commission on activities such as remittance, prepaid forex cards, referrals, etc. which provide diversified revenue services. The extensive experience of the promoters has enabled the Company to establish robust risk management policies with respect to its diversified foreign exchange business.

Comfortable capital structure:

PMLs net worth stood comfortably at Rs 473.79 crore for FY24 (refers to period April 1st, 2023, to Mar 31, 2024) (Rs 447.62 Crore in FY23) as against its total debt of Rs 13.42 Crores for FY24 (Rs 19.51 crore for FY23) resulting in a low gearing of 0.03x for FY24 (0.04x for FY23) indicating comfortable capitalization. Given the low capital-intensive nature of operations, the capital structure is expected to be comfortable in the short-medium future. On account of low debt exposure, its capital structure is expected to remain comfortable in the long run.

Moderation in the foreign exchange revenues:

PML has witnessed a degrowth in its total operating income (TOI) in FY24 when compared to FY23 with the TOI decreasing to Rs 6501.84 Crore in FY24 from Rs. 6899.76 crore in FY23. This is due to ongoing visas/work permit policy issues in Canada and UK from where PML generates majority of its revenues. Both the countries have changed the rules for issuing fresh visas for students and work permits. The management has informed that both these countries are in process of amending their policies to counter current ongoing job crunch and is expected resolution of the same at the earliest. PML has diversified into new markets like, Europe and United States of America and have also introduced new products which are expected to contribute towards scaling up in the short-medium term. However, they are in nascent stages



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and are yet to make major contribution. Going forward, the ability of PML to sustain and improve their scale of operations amidst external challenges will be key monitorable.

Key Rating Weaknesses

Low profit margins due to trading nature of foreign exchange business:

PML is involved in various businesses such as foreign exchange, money transfer, tourism, etc. However, major contribution towards TOI is generated from the foreign exchange vertical. By virtue of being heavily involved in the foreign exchange business, which is trading in nature, the profitability margins remain low. Hedging expenses further impacts the profitability margins.

Business volumes are exposed to external factors and foreign exchange fluctuations:

PML's revenue generation capacity is exposed to seasonality in the travel and tourism industry, which is vulnerable to economic slowdown. The current ongoing challenges faced by PML in countries like Canada and UK is an example of such external factors resulting in restrictions in travel and tourism and the same leading to reduced demand for foreign exchange. While PML is exposed to foreign exchange fluctuations, it is limited to the currency inventory levels. An experienced team monitors the forex movements and makes business decisions, accordingly, trying to mitigate the risk.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing, Services and Others](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Policy on Complexity level of rated instruments / facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

Liquidity – Adequate



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PML's liquidity is adequate marked by low debt amounting to Rs 13.42 Crore, Tangible Net worth of Rs 473.79 Crores and cash and bank balances of INR 21.32 Crore as on March 31st, 2024. Further, with no major capex planned the liquidity shall remain adequate in the short-medium term. Infomerics also derives liquidity comfort from its liquid investments in the form of mutual funds, equity shares amounting to Rs 21.67 Crore as on March 31st, 2024.

About the Company

Paul Merchants Limited (PML) is the flagship Company of renowned 'PAUL Group of Companies', a conglomerate having interests in varied fields including Foreign Exchange, Tours & Travels, International Money Transfer, Domestic Money Transfer, etc. The Company is Listed under Bombay Stock Exchange. It holds license issued by Reserve Bank of India to act as Authorized Dealer Category II and is a Sub-Agent of EBIX Money Express (P) Ltd for providing inbound International Money Transfer services. Further PML is an IATA accredited Travel Agency.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	6899.76	6501.84
EBITDA	15.78	11.37
PAT	25.98	26.12
Total Debt	19.51	13.42
Tangible Net Worth	447.62	473.79
Ratios		
EBITDA Margin (%)	0.23	0.17
PAT Margin (%)	0.38	0.40
Overall Gearing Ratio (x)	0.04	0.03
Interest Coverage (x)	15.15	6.63

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:



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Sr. No	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					July 24, 2023	June 07, 2023	April 22, 2022
1.	Working Capital facilities	Long Term	18.00	IVR A/RWDI	IVR A/Stable	IVR A/Negative	IVR A/RWDI
2.	Bank Guarantee	Short Term	2.00	IVR A1/RWDI	IVR A1	IVR A1	IVR A1/RWDI
3.	Proposed Loans	Long Term/Short Term	11.75	IVR A/IVR A1/RWDI	IVR A/Stable/IVR A1	-	IVR A/IVR A1/RWDI

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.



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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash credit	-	-	-	Revolving	8.00	IVR A/RWDI
Overdraft	-	-	-	Revolving	4.00	IVR A/RWDI
WC DL	-	-	-	Revolving	6.00	IVR A/RWDI
Bank Guarantee	-	-	-	Revolving	2.00	IVR A1/RWDI
Proposed loans	-	-	-	-	11.75	IVR A/IVR A1/RWDI

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-PaulMerchants-aug24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not applicable.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.