



## Press Release

### Paul Merchants Limited (PML)

June 07, 2023

#### Ratings

| Instrument / Facility   | Amount (Rs. crore)             | Ratings   | Rating Action                       | <a href="#">Complexity Indicator</a> |
|---|--------------------------------|---|-------------------------------------|--------------------------------------|
| Fund Based Long Term Bank Facilities – Working capital Facilities | 19.75<br>(Increased from 8.00) | IVR A Negative<br>(IVR A with Negative Outlook)                               | Reaffirmed with revision in outlook | Simple                               |
| Non-Fund Based Short Term Bank Facilities – Bank Guarantee        | 2.00                           | IVR A1<br>(IVR A One)   | Reaffirmed                          | Simple                               |
| <b>Total</b>  |                                | <b>21.75</b><br><b>(Rupees Twenty One Crores and Seventy Five Lakhs Only)</b> |                                     |                                      |

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of ratings to the Bank loan facilities of Paul Merchants Limited (PML) continues to derive strength from the extensive experience of the promoters in the industry, comfortable capital structure and consistent growth 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.

The rating placed on “Credit watch with developing implications” in April 2022 was on account of the search and seizure operations conducted by the Enforcement Directorate. PML expected closure in its favour, as per the explanation and justification given by them. The revision in outlook to negative and removal from watch necessarily factors in the elongated timeframe on the resolution of the said outcome of the event and given that the event continues to be evolving, any adverse outcome can materially impact the company’s overall performance.

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



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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.

### **Key Rating Sensitivities:**

- **Upward Factor**

- Substantial scaling up its operations while improving its cash accruals on a sustained basis.

- **Downward Factor**

- Significant deterioration in scale of operations and/or profitability on account any internal and/or external factors.
- Unfavorable outcome of the ED search/seizure and its adversely impacting on the overall performance of the company.

### **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**

The Company's net worth stood comfortably at Rs 447.62 Crore in FY23 improved from Rs 422.19 Crore in FY22 as against its total debt of Rs 19.21 Crores in FY23 indicating



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comfortable capitalization. Given the less 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 and debt coverage indicators are envisaged to remain comfortable in the long run. The overall gearing ratio stood at 0.04x and TOL/TNW at 0.11x in FY23 further with nil Debt by Equity.

### **Healthy growth in the foreign exchange division**

PML has witnessed a healthy growth in its sales volume in FY22 and FY23 when compared to FY21 on the back of recovery of global economy post COVID, with the sales volume increasing to Rs 5280.73 Crore in FY22 and further to Rs 6899.76 Crores when compared to. This is largely due to the Company's established track record with its various stakeholders, strong network and tie-ups and competitive pricing policies. PML has a vast client base, with its operations diversified with 75 branches spread across Pan-India. Given the normalcy in the international travel sector post the impact of the COVID-19, Infomerics expects that the company will continue to grow in the near to medium term.

### **Key Rating Weaknesses**

#### **Low profit margins**

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

#### **Susceptibility of business volumes to external factors and volatility in foreign exchange markets**

PML's revenue generation capacity is exposed to seasonality in the travel and tourism industry, which is vulnerable to economic slowdown. The impact of Covid-19 which was felt from February 2020 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



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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 Service Sector Companies | Infomerics Ratings](#)

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

[Criteria for assigning rating outlook](#)

### **Liquidity: Adequate**

PML's liquidity is adequate marked by low debt amounting to Rs 19.51 Crore, Tangible Net worth of Rs 447.62 Crores and cash balances of INR 17.26 Crore as on March 31<sup>st</sup>, 2023. Further, with no major capex planned the liquidity shall remain adequate in the short-medium term. PML's strong liquidity is also seen from its liquid investments in the form of mutual funds, equity shares amounting to Rs 23.76 Crore as on March 31<sup>st</sup>, 2023.

### **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)\*:**

**Rs in Crores**

| For the year ended/As on* | 31-03-2022 | 31-03-2023 |
|---------------------------|------------|------------|
|                           |            |            |



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|                           | (Audited) | (Audited) |
|---------------------------|-----------|-----------|
| Total Income              | 5300.24   | 6921.69   |
| EBITDA                    | 10.80     | 15.78     |
| PAT                       | 20.39     | 25.98     |
| EBIDTA Margin             | 0.20      | 0.23      |
| PAT Margin                | 0.38      | 0.38      |
| Tangible Networkth        | 422.19    | 447.62    |
| Total Debt                | 9.51      | 19.51     |
| Overall Gearing (Times)   | 0.02      | 0.04      |
| Interest Coverage (Times) | 24.59     | 15.15     |
| Return on Networkth (%)   | 4.95      | 5.97      |

**\*Classification as per Infomerics' standards**

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: NA**

**Rating History for last three years:**

| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2023-24) |                                |                    | Rating History for the past 3 years     |   |   |
|---------|-------------------------------|--------------------------------|--------------------------------|--------------------|---|---|---|
|         |                               | Type                           | Amount outstanding (Rs. Crore) | Rating             | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2020-21 |
| 1.      | Working capital facilities    | Long Term                      | 19.75                          | IVR A/<br>Negative | April 25<br>2022                        | April 05<br>2022                        | January 07,<br>2021                     |
| 2.      | Bank Guarantee                | Short Term                     | 2.00                           | IVR A1             | IVR A1                                  | IVR A2+                                 | IVR A1                                  |

**Name and Contact Details of the Rating Analyst:**

|   |   |
|---|---|
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**About Infomerics:**



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Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities/Instrument:

| Name of Instrument | Date of Issuance | Coupon Rate/ IRR (%) | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|--------------------|------------------|----------------------|---------------|------------------------------|--------------------------|
| Cash Credit        | -                | -                    | Revolving     | 8.00                         | IVR A/<br>Negative       |
| Overdraft          | -                | -                    | Revolving     | 4.00                         | IVR A/<br>Negative       |
| WCDL               | -                | -                    | Revolving     | 7.75                         | IVR A/<br>Negative       |
| Bank Guarantee     | -                | -                    | Revolving     | 2.00                         | IVR A1                   |



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|       |  |  |  |       |  |
|-------|--|--|--|-------|--|
| Total |  |  |  | 21.75 |  |
|-------|--|--|--|-------|--|

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Paul-Merchants-jun23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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](http://www.infomerics.com).