



Press Release

Paul Merchants Limited (PML)

July 24, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Fund Based Long Term Bank Facilities – Working capital Facilities	19.75	IVR A Stable (IVR A with Stable Outlook)	Reaffirmed with revision in outlook	Simple
Non-Fund Based Short Term Bank Facilities – Bank Guarantee	2.00	IVR A1 (IVR A One)	Reaffirmed	Simple
Proposed Long Term/short Term loans	10.00	IVR A Stable (IVR A with Stable Outlook)/ IVR A1 (IVR A One)	Assigned	Simple
Total		31.75 (Rupees Thirty-One Crores and Seventy Five Lakhs Only)		

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 revision in outlook to “Stable” from “Negative” is on account of no immediate impact on the business or financial profile of the company in the near to medium term given the delay in the outcome of the ongoing ED proceedings. ED search and seizure was conducted in the year 2021 and there is no development in the proceedings since then. In the meanwhile, RBI has renewed the AD-II license of the company twice and there are no restrictions on the business operations.

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



Press Release

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 will not continue with the said business vertical. Hence, the impact on the business operations is nil.

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



Press Release

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 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 with nil Debt to 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 in FY23 when compared to Rs 2961.50 Crores in FY21. 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.



Press Release

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 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 and bank balances of INR 17.26 Crore as on March 31st, 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 31st, 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



Press Release

(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
	(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 2023-24	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/ Stable	June 07, 2023	April 25 2022	April 05 2022	January 07, 2021
2.	Bank Guarantee	Short Term	2.00	IVR A1	IVR A1	IVR A1	IVR A2+	IVR A1
3.	Proposed Loans	Long Term/Short Term	10.00	IVR A/Stable/ IVR A1	-	-	-	-



Press Release

Name and Contact Details of the Rating Analyst:

Name: Mr. Sree Harsha Tel: (022) 62396023 Email: sree.harsha@infomerics.com	Name: Mr. Prakash Kabra Tel: (022) 62396023 Email: Prakash.kabra@infomerics.com
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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 visit www.infomerics.com.

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Press Release

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/ Stable
Overdraft	-	-	Revolving	4.00	IVR A/ Stable
WCDL	-	-	Revolving	7.75	IVR A/ Stable
Bank Guarantee	-	-	Revolving	2.00	IVR A1
Proposed Loans	-	-	-	10.00	IVR A/Stable/IVR A1
Total				31.75	

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-jul23.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.