



Press Release

Paul Merchants Limited (PML)

April 5th, 2022

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned	Rating Action	Complexity indicators
1.	Long Term Bank Facility – Cash Credit	8.00	IVR A-; Under Credit watch with developing Implications (IVR A Minus Under Credit Watch with Developing Implications)	Revised & Placed Under Credit watch with developing Implications	Simple
2.	Short term Bank Facility – Bank Guarantee	2.00	IVR A2+; Under Credit watch with developing Implications (IVR A Two Plus Under Credit Watch with Developing Implications)	Revised & Placed Under Credit watch with developing Implications	Simple
3.	Proposed Short Term Bank Facilities	-- (Previous amount 0.80)	--	--	--
Total		10.00			

**Company has not proceeded with the facility as envisaged.*

Details of Facilities are in Annexure 1

Detailed Rationale

Revision in the ratings and Credit Watch with Developing Implications is on account of search operation conducted by the ED at the official premises of 4 AMCs (Authorised 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

The Infomerics rating kept the rating under continuous monitoring ever since then and expected the closure in favor of the company by now depending on the explanation & justification given the company since then. However, as the clarity on the event is still evolving, any adverse outcome can materially impact the company overall performance.



Press Release

Key Rating Sensitivities:

- **Upward Factor**
 - Substantial scaling up its operations while improving its cash accruals on a sustained basis.
 - ED search/seizure outcome in favour of the company
- **Downward Factor**
 - Significant deterioration in scale of operations and/or profitability on account any internal and/or external factors.
 - Any negative outcome of ED search/seizure impacting the company performance substantially.

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 over looked 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 in establishing robust risk management policies with respect to its diversified foreign exchange business.

- ***Comfortable capital structure and healthy coverage:***

The Company's net worth stood comfortable at INR401.83 Crore in FY21 improved from INR389.17 Crore in FY20 as against. Its outstanding debt stood almost nominal in FY21 indicating adequate capitalization. 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 0.01x and TOL/TNW at 0.06x in FY21 further with nil Debt by Equity.



Press Release

- ***Healthy growth in the foreign exchange division:***

PML has witnessed a growth in its sales volume in 9MFY22 as compared with FY21, with the sales volume increasing to INR3918 Crore in 9MFY22 when compared to FY21 at INR2961.50 Crore in FY20. This is largely due to the Company's established relationship with various stakeholders and competitive pricing policies. PML has a vast client base, with its operations diversified in 17 states across India. Due to the ongoing pandemic scenario, the volume sales declined in FY21 as compared with FY20 however revamped in FY22, with the ease in international travel restrictions.

Key Rating Weaknesses

- ***Low margins due to trading nature of foreign exchange business:***

While the Company 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 of trading in nature, the inherent profitability margins remain low. Hedging expenses further impacts the profitability margins.

- ***Business volumes impacted by travel restrictions due to Covid-19; exposure to foreign exchange fluctuations:***

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

Standalone Approach

[Rating Methodology for Service Sector Companies](#)

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



Press Release

Liquidity: Strong

PML's liquidity is adequate marked by minimum external debt exposure amounting to INR5.08 Crore as on March 31st, 2021 and cash balances of INR6.94 Crore as on March 31st, 2021. 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 INR37.42 Crore as on March 31st, 2021. Further, average working capital utilization for the last 12 months ended February, 2022 stands comfortable at ~23%.

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:

(INR. Crore)		
For the year ended/ As On*	31-3-2020 (Audited)	31-3-2021 (Audited)
Total Revenue	5371.17	2983.62
EBITDA	7.68	-0.63
PAT	11.90	12.68
Total Debt	0.76	5.08
Tangible Net-worth	389.17	401.83
Ratios (%)		
EBITDA Margin (%)	0.14	-0.02
PAT Margin (%)	0.22	0.42



Press Release

Overall Gearing Ratio (x)	0.00	0.01
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* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21 (January 7, 2021)	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Bank Facility – Cash Credit	Long Term	8.00	IVR A-; Under Credit watch with developing Implications	-	IVR A/Stable	-
2.	Short term Bank Facility – Bank Guarantee	Short Term	2.00	IVR A2+; Under Credit watch with developing Implications	-	IVR A1	-

Name and Contact Details of the Rating Team:

Name: Jayshree Purohit

Tel: (022) 62396023

Email: jpurohit@infomerics.com

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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



Press Release

recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend 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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR. Crore)	Rating Assigned/ Outlook
Cash Credit	--	--	--	8.00	IVR A-; Under Credit watch with developing Implications
Bank Guarantee	--	--	--	2.00	IVR A2+; Under Credit watch with developing Implications

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

Annexure 3: Facility wise lender details

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Note on complexity level of the rated Instruments: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.