



Press Release

Paul Merchants Limited (PML)

February 25, 2025

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	IVR A-/Negative (IVR single A minus with negative outlook)	IVR A/RWDI (IVR A, Rating watch with developing implications)	Rating removed from watch and downgraded	Simple
Non-Fund based – Short term bank facilities – Bank Guarantee	2.00	IVR A2+ (IVR A two plus)	IVR A1/RWDI (IVR A1, rating watch with developing implications)	Rating removed from watch and downgraded	Simple
Proposed Long term/short term loans	11.75	IVR A-/Negative (IVR single A minus with negative outlook)/IVR A2+ (IVR A two plus)	IVR A/RWDI (IVR A, Rating watch with developing implications)/ IVR A1/RWDI (IVR A1, rating watch with developing implications)	Rating removed from watch and downgraded	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 ratings resolves the “Rating watch with developing implications” and simultaneously downgraded the ratings owing to the consistent deterioration in the earnings profile of PML during last three quarters due to decline in forex income on the back of lower migration of students/workers to Canada and Europe, due to ongoing geopolitical tensions and policy changes to resolve the unemployment issues in these two regions resulting Uncertainty over improvement in operating profile in the near term.



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However, the rating continues to derive comfort from the extensive experience of the promoters in the industry, and comfortable capital structure.

Negative outlook reflects uncertainty over improvement in operating profile due to ongoing geopolitical tensions which has impacted migration of students to Europe, Canada and USA.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in scale of operations coupled with improvement in profitability by diversifying its revenues stream.

Downward Factors

- Inability to improve operating profile in the medium term.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and 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 Bansal (chairman) and Mr. Rajneesh Bansal (Managing Director) along with other heads who 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.



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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. On account of low debt exposure, its capital structure is expected to remain comfortable in the long run.

Key Rating Weaknesses

Earnings profile under pressure given the decline in forex revenues:

PML revenue has declined on sustained basis with revenue declined to Rs.6,501 crore in FY24 (FY23:6,899.76 crore), revenue has further declined to Rs.2750.49 crore during 9MFY25. Revenue has declined due to ongoing visas/work permit policy issues in Canada from where PML generates majority of its revenue.

Canada has changed the rules for issuing fresh visas for students and work permits. To cater these challenges, PML has forayed into new business areas, hoping to boost its revenue. However, the income from these new ventures is yet to make meaningful contribution towards the revenues. However, the management remains optimistic, believing that the change of government in Canada, with elections scheduled in October 2025, could lead to policy shifts that may benefit PML and other businesses facing similar challenges. Going forward, the ability of PML to sustain and improve their scale of operations amidst external challenges will be key monitorable.

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.



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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 \(Financial Sector\)](#)
- [Policy for placing ratings on ratings watch](#)
- [Criteria for assigning rating outlook](#)

Liquidity – Adequate

PML's liquidity is adequate marked by low debt amounting to Rs 13.42 Crore, Tangible Net worth of Rs 473.79 Crores further increased to Rs. 481.34 crore as on 30 Sept 2024 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



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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:

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 2024-25	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2023-24
					Nov 28, 2024	Aug 23, 2024	July 24, 2023	June 07, 2023
1.	Working Capital facilities	Long Term	18.00	IVR A-/Negative	IVR A/RWDI	IVR A/RWDI	IVR A/Stable	IVR A/Negative
2.	Bank Guarantee	Short Term	2.00	IVR A2+	IVR A1/RWDI	IVR A1/RWDI	IVR A1	IVR A1
3.	Proposed Loans	Long Term/Short Term	11.75	IVR A-/Negative /A2+	IVR A/IVR A1/RWDI	IVR A/IVR A1/RWDI	IVR A/Stable/IVR A1	-



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About Infomerics:

Infomerics Valuation and Rating 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-/Negative
Overdraft	-	-	-	Revolving	4.00	IVR A-/Negative
WC DL	-	-	-	Revolving	6.00	IVR A-/Negative
Bank Guarantee	-	-	-	Revolving	2.00	IVR A2+
Proposed loans	-	-	-	-	11.75	IVR A- /Negative/A2+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-paulmerchants-feb25.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.