



Press Release

Paul Merchants Limited (PML)

January 07th, 2021

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Bank Facility – Cash Credit	8.00	IVR A/Stable Outlook (IVR Single A with Stable Outlook)
2.	Short term Bank Facility – Bank Guarantee	2.00	IVR A1 (IVR Single A One)
3.	Proposed Short Term Bank Facilities	0.80	IVR A1 (IVR Single A One)
	Total	10.80	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from extensive industry experience of the management team, comfortable capital structure & coverage indicators and healthy growth in the foreign exchange division. However, the rating strengths are partially offset by low margins due to trading nature of foreign exchange business, adverse impact on business volumes due to the ongoing travel restrictions due to Covid-19 and its exposure to foreign exchange fluctuation in bulk sales.

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.



Press Release

Key Rating Drivers with detailed description

Key Rating Strengths

- ***Extensive industry experience of the management team:***

Acquired in the year 1990, PML is involved in Foreign exchange, Tours & Travel, International Money Transfer and Domestic Money Transfer services. The operations are over looked under the able management of Mr. Rajneesh Bansal (Managing Director) along with other department heads. Mr. Bansal has 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 international inward money transfer & 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 INR389.17 Crore as on March 31st, 2020 as against INR376.41 Crore as on March 31st, 2019. Its outstanding debt stood almost nil in the last two years ended FY20 indicating adequate 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.

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

PML has witnessed a significant growth in its sales volume in the last few years, with the sales volume increasing to INR5341.38 Crore in FY20 when compared to INR4846.18 Crore in FY19 (registering a 10% increase). 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 16 states. Due to the ongoing pandemic scenario, the volume sales are likely to decline in the current fiscal (FY21), but the Company is expected to rebound/sustain, once there is normalcy in international travel sector.

Key Rating Weaknesses

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



Press Release

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.

- ***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 and other factors such as Covid-19 pandemic. The impact of Covid-19 which was felt from February 2020 is broad-based and expected to stay for a longer period, 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 Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Strong

PML's liquidity is Strong marked by minimum external debt exposure as on March 31st, 2020 and cash & bank balances of INR4.38 Crore as on March 31st, 2020. Further, the type of business model the company is into the liquidity shall remain strong in the short-medium term. PML's strong liquidity is also seen from its liquid investments in the form of mutual funds, bonds & shares amounting to INR54.64 Crore as on March 31st, 2020. The average utilisation of fund based working capital limits remained at around 10% during the last twelve months ended November 2020.

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



Press Release

Company is a Publicly Listed Company with Bombay Stock Exchange Limited. 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:

For the year ended/ As On*	(INR Crore)	
	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Revenue	4911.41	5371.17
EBITDA	18.01	21.16
PAT	15.05	11.90
Total Debt	0.13	0.76
Tangible Net-worth	376.41	389.17
EBITDA Margin (%)	0.37	0.39
PAT Margin (%)	0.31	0.22
Overall Gearing Ratio (x)	0.00	0.00

* 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 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Bank Facility – Cash Credit	Long Term	8.00	IVR A/Stable	--	--	--
2.	Short term Bank Facility – Bank Guarantee	Short Term	2.00	IVR A1	--	--	--
3.	Proposed Short Term Bank Facilities	Short Term	0.80	IVR A1	--	--	--



Press Release

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.

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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.

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Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Bank Facility – Cash Credit	8.00	NA	NA	NA	IVR A/Stable
Short term Bank Facility – Bank Guarantee	2.00	NA	NA	NA	IVR A1
Proposed Short Term Bank Facilities	0.80	NA	NA	NA	IVR A1