



Press Release
Paul Merchants Finance Private Limited
April 05, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	200.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	500.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	700.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE A- (read as ACUITE A minus)**' on the Rs 200 Cr. bank loan facilities of Paul Merchant Finance Private Limited (PMFPL). The outlook is '**Stable**'.

Acuite has reaffirmed the long-term rating of '**ACUITE A- (read as ACUITE A minus)**' on the Rs 500 Cr. Bank loan facilities of Paul Merchant Finance Private Limited (PMFPL). The outlook is '**Stable**'.

Rationale for the rating

The rating continues to derive strength from PMFPL's strong parentage through Paul Merchant Limited, the NBFC (PMFPL) is a 100 percent subsidiary of the parent company, and expectations of continued support going forward. By virtue of majority ownership, PMFPL also enjoys managerial and financial synergies with Paul Merchant group. The rating further derives strength from PMFPL's strategic importance for the parent company given that the NBFC arm provides business & revenue diversification. Acuite also takes cognizance that the promoter will maintain majority ownership in PMFPL. The parent company Paul Merchant Limited (Listed) has a consolidated network of ~Rs. 511 Crore as on March 31, 2023.

The rating also takes into consideration the significant growth in PMFPL's assets under management (AUM) over the last year, and sustained profitability metrics despite the rise in overall opex. PMFPL reported an AUM of Rs. 707.40 Cr. as on March 31, 2023 vis-à-vis 477.52 Cr. as on March 31, 2022. The AUM further scaled to Rs. 928.65 Cr. as on Dec 31, 2023. The NBFC reported PAT of Rs. 18.94 Cr. as on March 31, 2023 as compared to Rs. 20.98 Cr. as on March 31, 2022 and has reported PAT of Rs. 21.76 Cr. as on Dec 31, 2023. The rating also factors in company's sound asset quality and robust risk management practices. PMFPL reported gross non-performing assets (GNPA) of 1.33 percent as on Dec 31, 2023.

The rating is however constrained by modest scale of operations & geographic concentration in the northern states of India. (Punjab & Haryana constitute ~71 percent of the total loan portfolio). Going forward, dilution in promoter support, movement in asset quality along with scale up in business operations are key rating sensitivities.

About the Company

Paul Merchants Finance Private Limited, a venture of Paul Group of Companies was founded in the year 2010. The flagship company of the group, Paul Merchants Ltd is a Public Limited Company, listed on BSE. Paul Merchants Finance Private Limited is 100% subsidiary of Paul Merchants Limited. The company has 117 branches spread across 10 states. PMFPL reported an AUM of Rs. 928.65 Cr as on Dec 31, 2023.

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 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.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has taken consolidated view on the business and financial risk profile of PAUL MERCHANTS LIMITED, and its subsidiaries (Paul merchants Finance Private Limited and PML Realtors Private Limited) along with its joint Ventures (Horizon Remit SDN. BHD Malaysia till 25.11.2022, Paul Innovations LLP till 07.09.2022 and Paul Tech Park LLP till 31.12.2021). This consolidation is in the view of the common promoters, shared brand name and strong financial and operation synergies.

Key Rating Drivers

Strength

Promoter support and synergies arising from association with Paul Merchant Group

Paul Merchant Limited holds 100 percent stake in Paul Merchant Finance Private Limited), PMFPL enjoys managerial and financial synergies with the group. Paul Group made a strategic investment in PMFPL, and the Group will continue to have a controlling stake in the business. The credit profile of PMFPL derives significant financial flexibility from being a part of the group. PMFPL has been receiving periodical support from its promoters over the years. PML has infused a total capital of ~Rs. 122.37 Cr. And Rs. 237.38 Cr. in the form of long-term unsecured loan as on March 31, 2023, allowing the company to function with lower external borrowings in the initial years, further the company received a capital infusion of Rs 50 Cr. in FY2024. PMFPL is expected to receive fundamental support from the group and promoters considerably. The Promoters of the Group are the directors of PMFPL which provides a certain visibility on operational and financial support from the Group. Mr. S. Paul, promoter of the Group, has around 3 decades of experience in foreign exchange & financial market. He along with support from professionals from various business verticals has played a vital role in building PMFPL's current scale of operations.

Acuité believes that the company's growth prospects will be supported by the promoters experience in the industry along with their demonstrated track record of resource raising ability.

Comfortable capital structure with adequate gearing levels

The Company has comfortable capitalization levels to support the near to medium term growth prospects. The capitalization levels of PMFPL comprises entirely of Tier I capital, where CRAR stood comfortable at 27.97 percent as on Dec 31, 2023. The company's capital structure is supported by a net worth of Rs. 199 Cr. with total debt of Rs. 531.41 Cr. resulting in a gearing of 2.67 times as on March 31, 2023 as against 1.74 times as on March 31, 2022, which provide headroom for near term growth.

Acuité expects the capital structure to remain healthy with the comfortable gearing levels considering the additional borrowings.

Adequate Earnings Profile

At group level, the businesses can be categorized into fund based (comprising revenues from

lending services carried out by the NBFC arm (PMFPL) which contributes nearly 50 percent towards the bottom-line in 9MFY2024 and fee based (which includes the forex business carried out by the parent company Paul Merchant Limited) contributes the other half, with marginal contributions from its other subsidiaries & joint ventures. On a consolidated level, the group reported a profit of Rs. 45.29 Cr. as on Dec 31, 2023 improving from Rs. 44 Cr. as on March 31, 2023. The improved profitability is on account of resumption of international trade & travel which had disrupted during the pandemic, thus increasing transactional volumes in the forex business.

On a standalone basis, PMFPL's profitability indicators were healthy marked by Net Interest Margin (NIM) which stood at 11.40 percent as on March 31, 2023. The NBFC reported a marginal decline in the bottom line, the decline was on account of increase in the scale of operations at the NBFC front, the branch count stood at 101 branches as on March 31, 2023 as compared to 63 branches as on March 31, 2022. The PAT stood at Rs 18.94 Cr. as on March 31, 2023 vis-à-vis Rs 20.98 Cr. as on March 31, 2022. Further, the PAT stood at Rs 21.75 Cr. as on Dec 31, 2023. PMFPL's loan portfolio has grown steadily owing to healthy disbursement levels. The company's overall disbursement grew to Rs 1194.86 Cr. during FY23 from Rs 754.73 Cr. during FY2022. Further, the disbursement stood at Rs. 1282.22 Cr. as on 9MFY2024.

Acuité believes the earning profile of Paul Merchant Group from the non-fund based business operations would remain susceptible to inherent risks in foreign exchange market and overall economic environment, while its fund based business operations would continue to drive the group's future growth trajectory.

Weakness

Geographically concentrated operations

The activities of NBFCs, like PMFPL are exposed to geographical concentration risks. PMFPL has presence in seven states, however the top 2 states (i.e Punjab and Haryana constitute nearly 71 percent of the total loan portfolio). PMFPL has a total of 117 branches as on Dec 31, 2023 majorly spread across these two states. This exposes the company to high geographical concentration risk. Thus, the company's performance is expected to remain exposed to competitive landscape in these regions and occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. Besides geography, the company will be exposed to competition and any changes in the regulatory framework. Acuité believes, that moderate scale of operations coupled with geographic concentration in its portfolio will continue to weigh on the company's credit profile over the near to medium term.

ESG Factors Relevant for Rating

Paul Merchant Limited (PML), has a diversified revenue stream with a majority portion accruing from the financial services sector. Adoption and upkeep of strong business ethics is a sensitive material issue for the financial services business linked to foreign exchange market and lending activities. Other important governance issues relevant for the industry include management and board compensation, board independence as well as diversity, shareholder rights and role of audit committee. As regards the social factors, product or service quality has high materiality so as to minimise misinformation about the products to the customers and reduce reputational risks. For the industry, retention, and development of skilled manpower along with equal opportunity for employees is crucial. While data security is highly relevant due to company's access to confidential client information, social initiatives such as enhancing financial literacy and improving financial inclusion are fairly important for the financial services sector. The material of environmental factors is low for this industry. The company's board comprises of a total of six directors. PML maintains adequate disclosures with respect to the various board level committees mainly audit committee, nomination and remuneration committee along with stakeholder management committee. PML also maintains adequate level of transparency with regards to business ethics issues like related party transactions, investors grievances, litigations, and regulatory penalties for the group, if relevant. In terms of its social impact, PML is actively engaged in community development programmes through its CSR committee.

Rating Sensitivity

- Movement in asset quality

- Movement in liquidity buffers
- Continued funding support from promoters as well as capital raising ability
- Changes in regulatory environment

Liquidity Position

Adequate

PMFPL has well matched profile as on Dec 31, 2023 with no negative cumulative mismatches reported in all of its maturity buckets. The company has cash and bank balance of ~Rs 11 crore as on March 31, 2023. Acuité takes note that the company's ability to raise fresh funds in a timely manner will be important from a liquidity perspective.

Outlook: Stable

Acuité believes that Paul Merchant group will maintain 'Stable' credit risk profile over the medium term supported by the group's well-established market position in the domestic capital markets and experienced management. The outlook may be revised to 'Positive' in case of a significant and sustained growth in the scale of operations while improving its profitability and gearing metrics. Conversely, the outlook may be revised to 'Negative' in case the company faces challenges in raising fresh equity or long term debt funding commensurate with its near-term business requirements and higher than expected deterioration in asset quality and profitability.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	745.95	511.06
Total Income*	Rs. Cr.	72.54	58.97
PAT	Rs. Cr.	18.94	20.98
Net Worth	Rs. Cr.	199.38	181.79
Return on Average Assets (RoAA)	(%)	3.01	4.63
Return on Average Net Worth (RoNW)	(%)	9.94	12.20
Debt/Equity	Times	2.67	1.74
Gross NPA	(%)	0.82	0.86
Net NPA	(%)	0.55	0.58

*Total income equals to Net Interest Income plus other income.

Key Financials (Consolidated)

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	887.35	647.01
Total Income*	Rs. Cr.	230.00	177.26
PAT	Rs. Cr.	44.00	40.18
Net Worth	Rs. Cr.	510.77	466.89
Return on Average Assets (RoAA)	(%)	5.73	6.81
Return on Average Net Worth (RoNW)	(%)	9.00	8.99
Debt/Equity	Times	0.60	0.28
Gross NPA	(%)	-	-
Net NPA	(%)	-	-

*Total income equals to Net Interest Income plus other income.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any Other Information

None

Applicable Criteria

- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Sep 2023	Proposed Long Term Bank Facility	Long Term	5.90	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	55.00	ACUITE A- Stable (Assigned)
	Secured Overdraft	Long Term	30.00	ACUITE A- Stable (Assigned)
	Secured Overdraft	Long Term	100.00	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	25.90	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	35.00	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	24.66	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	18.95	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	2.50	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	6.43	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	18.66	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	15.55	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	57.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	22.45	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan (WC DL)	Long Term	15.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan (WC DL)	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	15.00	ACUITE A- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	32.08	ACUITE A- Stable (Assigned)
	Secured Overdraft	Long Term	100.00	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	25.90	ACUITE A- Stable (Assigned)
	Secured Overdraft	Long Term	20.00	ACUITE A- Stable (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	16.67	ACUITE A- Stable (Assigned)
		Long		ACUITE A- Stable

17 Mar 2023	Term Loan	Term	13.55	(Assigned)
	Term Loan	Long Term	7.49	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	7.29	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	60.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	10.02	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	15.00	ACUITE A- Stable (Assigned)
19 Jan 2023	Working Capital Term Loan	Long Term	100.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.49	ACUITE A- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	160.00	ACUITE A- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	ACUITE A- Stable Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.90	ACUITE A- Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A- Stable Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A- Stable Reaffirmed
TATA Capital Financial Service Ltd.	Not avl. / Not appl.	Term Loan	26 Jul 2022	Not avl. / Not appl.	26 Jan 2026	Simple	17.60	ACUITE A- Stable Reaffirmed
Capital Small Finance Bank	Not avl. / Not appl.	Term Loan	17 Sep 2022	Not avl. / Not appl.	17 Mar 2026	Simple	14.64	ACUITE A- Stable Reaffirmed
Cholamandalam Investment Finance Company Ltd.	Not avl. / Not appl.	Term Loan	12 Dec 2022	Not avl. / Not appl.	12 Dec 2025	Simple	5.13	ACUITE A- Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	08 Feb 2023	Not avl. / Not appl.	08 Feb 2028	Simple	16.33	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	28 Dec 2022	Not avl. / Not appl.	28 Dec 2027	Simple	91.98	ACUITE A- Stable Reaffirmed
	Not avl. /	Term	28 Mar	Not avl.	28 Mar			ACUITE A-

IDBI Bank Ltd.	Not appl.	Loan	2023	/ Not appl.	2027	Simple	18.38	Stable Reaffirmed
A U Small Finance Bank	Not avl. / Not appl.	Term Loan	06 Feb 2023	Not avl. / Not appl.	05 May 2024	Simple	7.78	ACUITE A- Stable Reaffirmed
Bajaj Finance Ltd.	Not avl. / Not appl.	Term Loan	26 Aug 2023	Not avl. / Not appl.	26 Aug 2024	Simple	5.83	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	27 Jun 2023	Not avl. / Not appl.	27 Jun 2025	Simple	77.94	ACUITE A- Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	12 May 2025	Simple	20.00	ACUITE A- Stable Assigned
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	20 Mar 2029	Simple	20.00	ACUITE A- Stable Assigned
RBL Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A- Stable Reaffirmed
Bajaj Finance Ltd.	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A- Stable Reaffirmed
Catholic Syrian Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A- Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr No Company

- 1 PAUL MERCHANTS LIMITED
- 2 Paul merchants Finance Private Limited
- 3 PML Realtors Private Limited

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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