



Press Release
PAUL MERCHANTS FINANCE PRIVATE LIMITED
February 07, 2025
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	700.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	900.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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 Merchants 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 700 Cr. Bank loan facilities of Paul Merchants 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 Merchants 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 Merchants Limited (Listed) has a consolidated network of ~Rs. 565.20 Crore as on March 31, 2024. 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. 956.01 Cr. as on March 31, 2024 vis-à-vis Rs.707.40 Cr. as on March 31, 2023. The AUM further scaled to Rs. 1025.69 Cr. as on Sept 30, 2024. The NBFC reported PAT of Rs. 30.53 Cr. as on March 31, 2024 as compared to Rs. 18.94 Cr. as on March 31, 2023 and has reported PAT of Rs. 23.98 Cr. as on Sept 30, 2024. The rating also factors in company’s sound asset quality and robust risk management practices. PMFPL reported gross nonperforming assets (GNPA) of 0.89 percent as on Sept 30, 2024. The rating is however constrained by modest scale of operations & geographic concentration in the northern states of India. (Punjab & Haryana constitute ~67 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

Chandigarh based, 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 130 branches spread across 11 states. PMFPL reported an AUM of Rs. 1025.69 Cr. as on Sept 30, 2024.

About the Group

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 Merchants Limited holds 100 percent stake in Paul Merchants 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 28.11 percent as on Dec 31, 2024. The company's capital structure is supported by a net worth of Rs. 277.24 Cr. with total debt of Rs. 675.46 Cr. resulting in a gearing of 2.44 times as on March 31, 2024 as against 2.67 times as on March 31, 2023, 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.

On a consolidated level, the group reported a profit of Rs. 54.63 Cr. as on Mar 31, 2024 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 11.80 percent as on March 31, 2024. The branch count stood at 130 branches as on March 31, 2024 as compared to 121 branches as on March 31, 2023. The PAT for standalone stood at Rs 30.53 Cr. as on March 31, 2024 vis-à-vis Rs 18.94 Cr. as on March 31, 2023. Further, the PAT stood at Rs 23.98 Cr. as on Sept 30, 2024. PMFPL's loan portfolio has grown steadily owing to healthy disbursement levels. The company's overall disbursement grew to Rs 1635.52 Cr. during FY24 from Rs 1194.85 Cr. during FY2023. Further, the disbursement stood at Rs. 1074.39 Cr. as on Sept 2024.

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 eleven states, however the top 2 states (i.e Punjab and Haryana constitute nearly 67 percent of the total loan portfolio). PMFPL has a total of 130 branches as on Mar 31, 2024 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 Merchants 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, 2024 with no negative cumulative mismatches reported in all of its maturity buckets. The company has cash and bank balance of ~Rs 41.03 crore as on March 31, 2024. 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.

Other Factors affecting Rating

None.

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23(Actual)
Total Assets	Rs. Cr.	996.93	745.95
Total Income*	Rs. Cr.	103.96	72.54
PAT	Rs. Cr.	30.53	18.94
Net Worth	Rs. Cr.	277.24	199.38
Return on Average Assets (RoAA)	(%)	3.50	3.01
Return on Average Net Worth (RoNW)	(%)	12.81	9.94
Debt/Equity	Times	2.44	2.67
Gross NPA	(%)	0.75	0.82
Net NPA	(%)	0.66	0.55

*Total income equals to Net Interest Income plus other income

Key Financials (Consolidated)

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Particulars	Unit	FY24 (Actual)	FY23(Actual)
Total Assets	Rs. Cr.	1153.44	887.35
Total Income*	Rs. Cr.	274.97	230.00
PAT	Rs. Cr.	54.63	44.00
Net Worth	Rs. Cr.	565.20	510.77
Return on Average Assets (RoAA)	(%)	5.35	5.73
Return on Average Net Worth (RoNW)	(%)	10.15	9.00
Debt/Equity	Times	0.87	0.60
Gross NPA	(%)	0.75	0.82
Net NPA	(%)	0.66	0.55

*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, Acuité 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
05 Apr 2024	Secured Overdraft	Long Term	30.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	7.78	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE A- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	160.00	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)
	Term Loan	Long Term	91.98	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	18.38	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	17.60	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	14.64	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	5.13	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	16.33	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	77.94	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	6.49	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	5.83	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	20.00	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)
	Term Loan	Long Term	57.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	22.45	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)

06 Sep 2023	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)
	Proposed Long Term Bank Facility	Long Term	5.90	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	15.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE A- Stable (Assigned)
	Working Capital Demand Loan (WCDL)	Long Term	15.00	ACUITE A- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	55.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE A- Stable (Assigned)
	Secured Overdraft	Long Term	30.00	ACUITE A- Stable (Assigned)
17 Mar 2023	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)
	Term Loan	Long Term	60.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	10.02	ACUITE A- Stable (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	16.67	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	13.55	ACUITE A- Stable (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)
	Proposed Long Term Bank Facility	Long Term	32.08	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	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.49	Simple	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.	173.61	Simple	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.	140.00	Simple	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.	30.00	Simple	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.	100.00	Simple	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.	25.90	Simple	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.	35.00	Simple	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.	2.00	Simple	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	17.60	Simple	ACUITE A- Stable Reaffirmed
Capital Small Finance Bank	Not avl. / Not appl.	Term Loan	17 Sep 2022	Not avl. / Not appl.	17 Mar 2026	14.64	Simple	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	5.13	Simple	ACUITE A- Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	08 Feb 2023	Not avl. / Not appl.	08 Feb 2028	16.33	Simple	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	28 Dec 2022	Not avl. / Not appl.	28 Dec 2027	91.98	Simple	ACUITE A- Stable Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Term Loan	28 Mar 2023	Not avl. / Not appl.	28 Mar 2027	18.38	Simple	ACUITE A- Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	12 May 2025	20.00	Simple	ACUITE A- Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	20 Mar 2029	20.00	Simple	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	27 Jun 2023	Not avl. / Not appl.	27 Jun 2025	77.94	Simple	ACUITE A- Stable Reaffirmed
A U Small Finance Bank	Not avl. / Not appl.	Term Loan	27 Nov 2024	Not avl. / Not appl.	26 Feb 2026	20.00	Simple	ACUITE A- Stable Assigned
Karur Vysya Bank	Not avl. / Not appl.	Term Loan	22 Nov 2024	Not avl. / Not appl.	21 Nov 2027	20.00	Simple	ACUITE A- Stable Assigned

IDFC First Bank Limited	Not avl. / Not appl.	Term Loan	12 Nov 2024	Not avl. / Not appl.	11 May 2027	20.00	Simple	ACUITE A- Stable Assigned
Bajaj Finance Ltd.	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	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.	15.00	Simple	ACUITE A- Stable Reaffirmed
RBL Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A- Stable Reaffirmed

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

Particular	Company
1)	Paul Merchants Limited
2)	Paul Merchants Finance Private Limited
3)	PML Realtors Private Limited

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About Acuité Ratings & Research

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