

January 07, 2025

## Buywel Agencies Private Limited: Ratings upgraded to [ICRA]BB+ (Stable)/[ICRA]A4+

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based - Cash credit	63.00	60.00	[ICRA]BB+ (Stable); upgraded from [ICRA]BB (Stable)
Short term – Non-fund based - Bank guarantee	8.00	8.00	[ICRA]A4+; upgraded from [ICRA]A4
Long term - Fund based - Term loan	4.81	0.00	-
<b>Total</b>	<b>75.81</b>	<b>68.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings upgrade of Buywel Agencies Private Limited (BAPL) factors in its strengthened coverage metrics and improved liquidity position. The debt service coverage ratio (DSCR) was 1.0 times in FY2024 and is expected to improve to 1.2-1.8 times over FY2025-FY2027 following the completion of the long-term loan repayment during 9M FY2025. The ratings also factor in the revenue growth in FY2024 with the rise in commission income in the del credere agent (DCA) business on the back of increased sales volumes. The ratings continue to favourably factor in BAPL's established association with Reliance Industries Limited (RIL) as the latter's DCA in Andhra Pradesh and Telangana for two decades along with the long track record of its promoters in the polymer distribution business. Further, the ratings factor in a diversified revenue profile with fixed rental income from the commercial property.

The ratings are, however, constrained by the company's low net worth in comparison to its credit exposure and the vulnerability of its profit margins to any defaults by customers and interest rate movements. BAPL's ability to improve the sales volume and optimise its receivable cycle while maintaining an adequate buffer in the working capital facilities against the drawing power remain crucial.

The Stable outlook on the long-term rating reflects ICRA's opinion that BAPL will continue to benefit from its established market position as a DCA for RIL in Andhra Pradesh and Telangana and from its diversified revenue profile.

### Key rating drivers and their description

#### Credit strengths

**Established position as RIL's DCA in Andhra Pradesh and Telangana** - BAPL was appointed RIL's DCA in 2002 and is involved in the distribution of polymer products, namely polypropylene (PP), polyethylene (PE) and poly vinyl chloride (PVC), in Telangana and Andhra Pradesh.

**Long track record of promoters in polymer distribution industry** – The promoters have extensive experience in the polymer distribution industry, helping BAPL to forge established relationships with its key supplier, RIL, and its customers.

**Diversified revenue** – The company derives its revenues from three segments, namely DCA, healthcare material and rental income. The DCA business is under BAPL, the healthcare material business under Buywel Healthcare Private Limited (BAPL owns an 86% stake) and the rental income is under Mayer Builders Private Limited (100% subsidiary of BAPL).

## Credit challenges

**Moderate financial risk profile** - The company's financial risk profile is moderate with high reliance on working capital debt. The interest coverage improved to 1.6 times in FY2024 from 1.3 times in FY2023 and the total debt/OPBIDTA remained high at 7.8 times in FY2024.

**Exposed to counterparty credit risk in DCA business and high dependence on top 10 customers** - BAPL bears credit risk while supplying RIL's products to customers and any default on payments by the customers could adversely impact its profitability and net worth. Further, the customer concentration remains high with a significant proportion of the revenue derived from the top 10 customers in FY2024.

**Exposure of profitability to interest rate fluctuations** - Interest income forms a significant proportion of BAPL's operating income (OI). BAPL's net interest income, therefore, needs to be sustained to maintain its profitability level. The company's interest income has been declining in the last few years due to falling interest rates as well as a greater proportion of cash sales. BAPL's interest income/interest expense was around 0.7 times in FY2023 compared with 0.8 times in the previous year. The company's ability to pass on any increase in interest rates remains important.

## Liquidity position: Adequate

BAPL's liquidity is adequate owing to nil repayment obligations in Q4 FY2025 and FY2026. The company has fully repaid the GECL loan in the current fiscal. The DSCR is expected to remain around 1.2 times in FY2025 and is expected to further improve in FY2026. The average working capital utilisation was around 65% in FY2024, thereby providing sufficient buffer to meet the working capital needs.

## Rating sensitivities

**Positive factors** – ICRA could upgrade BAPL's ratings if the company demonstrates a significant increase in its volumes and profit margins, resulting in an improved financial risk profile and liquidity position.

**Negative factors** – Pressure on BAPL's ratings could arise if the cash accruals decline significantly or if there is any material delay in debtor realisation, thereby weakening its liquidity position.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of BAPL. As on March 31, 2024, the company had two subsidiaries which are enlisted in Annexure II

## About the company

Buywel Agencies Private Limited (BAPL) was incorporated in 1980 to operate as an authorised stockist for polymer products of Indian Petrochemicals Corporation Limited (IPCL). In 2002, BAPL was appointed as a del credere agent (DCA) of Reliance Industries Limited (RIL) for distributing polymer products (PE, PP and PVC) in erstwhile Andhra Pradesh.

Buywel Healthcare Private Limited (BHPL; a subsidiary of BAPL) supplies healthcare products (majorly IV tubes used in saline) to hospitals and medical shops. BAPL had acquired Mayer Builders Private Limited (MBPL) in December 2021. MBPL is a wholly-owned subsidiary of BAPL owns a commercial property for which it currently receives fixed rental income.

### Key financial indicators (audited)

BAPL Consolidated	FY2023	FY2024
Operating income	12.1	12.2
PAT	0.8	1.4
OPBDIT/OI	48.4%	48.1%
PAT/OI	7.0%	11.9%
Total outside liabilities/Tangible net worth (times)	2.2	1.9
Total debt/OPBDIT (times)	8.7	7.8
Interest coverage (times)	1.3	1.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

Instrument	Type	Current (FY2025)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Jan 07,2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Long term - Fund based - Cash credit	Long term	60.00	[ICRA]BB+ (Stable)	10-OCT-2023	[ICRA]BB (Stable)	23-DEC-2022	[ICRA]BB+ (Negative)	11-FEB-2022	[ICRA]BB+ (Negative)
Long term - Fund based - Term loan	Long term	0.00	-	10-OCT-2023	[ICRA]BB (Stable)	23-DEC-2022	[ICRA]BB+ (Negative)	11-FEB-2022	[ICRA]BB+ (Negative)
Short term - Non-fund based - Bank guarantee	Short term	8.00	[ICRA]A4+	10-OCT-2023	[ICRA]A4	23-DEC-2022	[ICRA]A4+	11-FEB-2022	[ICRA]A4+
Short term - Unallocated	Short term	0.00	-	-	-	23-DEC-2022	[ICRA]A4+	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Cash credit	Simple
Short term - Bank guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit	NA	NA	NA	60.00	[ICRA]BB+ (Stable)
NA	Bank guarantee	NA	NA	NA	8.00	[ICRA]A4+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
Buywel Healthcare Private Limited (BHPL)	86.00%	Full Consolidation
Mayer Builders Private Limited (MBPL)	100.00%	Full Consolidation

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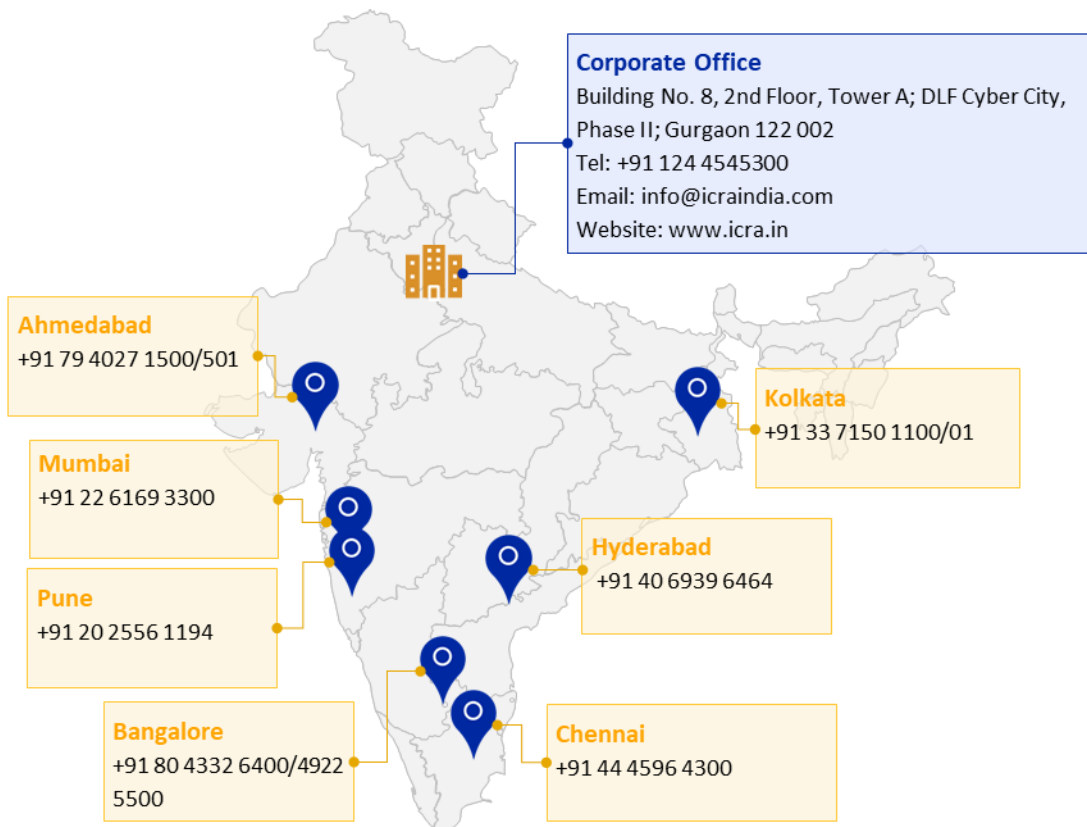


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