

March 28, 2017

Ayushman Merchants Private Limited

Instrument*	Rated Amount (in Rs crore)	Rating Action
Cash Credit Limits	19.00 (revised from 14.00)	[ICRA]B+(Stable) / Reaffirmed
Bank Guarantee Limits	1.00	[ICRA]A4/ Reaffirmed

*Instrument Details are provided in Annexure-1

Rating Action

ICRA has reaffirmed the long term rating of [ICRA]B+(pronounced ICRA B plus) assigned to the Rs 19.00 crore¹ (revised from Rs 14.00 crore) cash credit limits of Ayushman Merchants Private Limited (AMPL)². ICRA has also reaffirmed the short term rating of [ICRA]A4 (pronounced ICRA A four) assigned to Rs 1.00 crore bank guarantee limits of AMPL. The outlook on long term rating is 'Stable'.

Rationale

The reaffirmation of ratings is constrained by the modest scale of operations in the DCA/CS (Del Credere Agent / Consignment Stockiest) business and dependence on a single supplier and product for its revenue with Chemplast Sanmar Limited (CSL) being the DCA/CS. The ratings are also constrained by leveraged capital structure as reflected by gearing of 1.70 times as on 31st March 2016 due to high working capital intensive nature of business coupled with low net worth; and exposure to counter-party credit risks, with default on payments borne by AMPL. The ratings, however, positively factor in the long track record of the management in the DCA/CS business; established relationships with key customers in the polymer industry and relationship enjoyed with CSL as the sole distributor of PVC resin in Andhra Pradesh and Telangana.

Going forward, the company's ability to maintain profitability and manage its working capital requirements will remain the key rating sensitivities from a credit perspective.

Key rating drivers

Credit Strengths

- Long track record of the promoters in the polymer consignment sales business
- Sole DCA and CS of CSL in Andhra Pradesh and Telangana for the sale of Polyvinyl chloride(PVC) resins
- Long and established relationships with key customers in the plastic industry

Credit Weakness

- Moderate scale of operations in polymer trading business
- Single supplier and product concentration risk with company trading in PVC resin of CSL
- Leveraged capital structure as reflected in gearing of 1.70 times as on 31st March 2016, given the working capital intensive nature of operations
- Exposed to default risk on payments from customers, since credit risk is transferred by CSL to AMPL as part of DCA/CS business

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Description of key rating drivers highlighted above:

AMPL currently operates as DCA and CS of CSL for Andhra Pradesh and Telangana states and the company is also involved in trading of products such as calcium and mineral powder, chlorinated paraffin wax. The company has a wide customer base in DCA/CS operations. The promoters have experience of more than 15 years in polymers industry and the clientele features many repeat customers, which indicates the healthy relationship enjoyed by AMPL with its customers.

The sales made by AMPL on behalf of CSL are not accounted in the company books, as the ownership of the goods is not transferred to AMPL. The company only books the commission income received from CSL. The majority of the company's income is from commission and interest received on receivable which form very less portion of the actual sales value. Being in DCA/CS business the collection of receivables is borne by the AMPL and it is exposed to credit risk of default of payments. The receivables of the company are high over the years which have resulted into high working capital intensity. The debt profile of the company majorly consists of high working capital facilities from banks and has leveraged capital structure with gearing of 1.70 times as on March 31, 2016.

Analytical approach:**Links to applicable Criteria****Corporate Credit Rating –A Note on Methodology**

<http://www.icra.in/Files/Articles/2009-October-Rating-Corp-Rating-Methodology.pdf>

About the Company:

Incorporated in 2006, Ayushman Merchants Private Limited (AMPL) is involved in the trading of polymer products. The company is the sole Del Credere Agent (DCA) cum Consignment Stockiest (CS) of Chemplast Sanmar Limited (CSL) in Andhra Pradesh and Telangana. AMPL is also involved in trading of products such as calcium and mineral powder, chlorinated paraffin, and wax. The company is part of the Dugar group which is also involved manufacturing of Cast Polypropylene (CPP) / Ethyl Vinyl Acetate (EVA) films under Welset Polypack Private Limited; and manufacturing of Polypropylene(PP) sheets/rods in Dugar Polymers Limited [rated [ICRA]BB-(Stable)/[ICRA]A4].

In FY2016, AMPL reported a net profit of Rs. 0.70 crore on operating income of Rs. 6.53 crore as against net profit of Rs. 0.54 crore on operating income of Rs. 6.21 crore during FY2015.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:
Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. Crore)	Month-year & Rating	Month- year & Rating	Month-year & Rating in FY2015	Month-year & Rating in FY2014	
				March 2017	May 2016	September 2014	August 2013	
1	Cash Credit Limits	Long Term	19.00	[ICRA]B+(Stable)	[ICRA]B+	[ICRA]B+	[ICRA]B+ Suspended	
2	Bank Guarantee	Short Term	1.00	[ICRA]A4	[ICRA]A4	[ICRA]A4	[ICRA]A4 Suspended	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Cash Credit	-	-	-	19.00	[ICRA]B+ (Stable)
Bank Guarantee	-	-	-	1.00	[ICRA]A4

Source: Ayushman Merchants Private Limited.

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