



Rating Rationale

Medicon Leather Pvt Ltd

11Apr2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 9.61 Crores of Medicon Leather Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	5.81	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable
Non Fund Based	3.80	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	9.61	INR Nine Crores and Sixty One Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Note :Sanctioned term loan is Rs 0.80 Crs while disbursed amount is Rs 0.31 Crs

Ratings Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials up to FY17, and publicly available information and information/ clarifications provided by the management.

The rating is supported by the experience of promoters, Moderate Net worth and low gearing, growth in revenues, relationship with customers and suppliers and positive plan for expansion of business. However the rating is constrained by small scale of operations, reduced operating profit margin, net profit margin being negative, high conversion cycles and negative coverage ratios.

Going forward, ability of the firm to increase its scale of operations and profit margins, and servicing the debt obligations promptly will remain the key rating sensitivities.



Description of Key Rating Drivers

- **Credit Strength:** Two Promoters have 20 years and 10 years of experience respectively, Net worth is Rs. 13.96 Crs with gearing at 0.58 times, revenues has improved from Rs. 10.14 Crs in FY16 to Rs. 12.73 Crs in FY17 and reportedly reached Rs 16.47 Crs as up to 20.3.2018
- **Credit Risks:** Operating profit margin reduced from 4.56% in FY16 to 1.01% in FY17 and Net profit margin reduced from -2.98% to -6.63% in FY17. Interest coverage ratio is at 0.14 times are and DSCR at 0.41 times in FY17. conversion cycle is 407 days

Rating Outlook: Stable

BWR believes the **Medicon Leather Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Medicon Leather Private Limited was registered as a Private Limited Company in Bangalore on 13 July, 1987. The company is involved in manufacturing and trading of premium Leather products like belts, wallets and bags. The Managing director of the company is Mr. Sangieve Shyam Bulchandani has more than 20 years of experience and the company is having workforce of around 230.

Company's manufacturing unit is at Bangalore, Bommanahalli, having two brand in its portfolio i.e. BULCHEE and UFFICIO. Currently companies products are trading in 650 point of sales in pan India through various channel partners. Company is having the strategy to increase these point of sales to 1000 nos across pan india till 2020.

Company is also selling its product category through their Exclusive Brand outlet currently operating with 4 stores, 2 in Bangalore and other 2 in kerala and has taken steps to increase its Exclusive Brand outlets in different parts of the country and planning to increase its EBOs to 30 PAN India by 2022. Company has taken the new initiative to manufacturing for other brand to use its extra capacity available.

Company Financial Performance

Operating income of the firm has increased from ₹ 10.14 crs in FY16 to ₹ 12.73 crs in FY17, operating profit decreased from ₹ 0.47 crs in FY16 to ₹ 0.13 crs in FY17. Net profit decreased from ₹ -0.30 crs in FY16 to ₹ -0.85 crs in FY17. Net worth of the firm increased from ₹ 12.50 crs in FY16 to ₹ 13.96 crs in FY17. Current ratio increased with 1.59 times in FY17 compared to 1.53 times in FY16. ISCR of the company is decreased from 0.63 times in FY16 to 0.14 times in FY17 and DSCR is decreased from in 0.82 times in FY16 to 0.41 times in FY17



It is reported that the client has reached revenues of Rs 16.47 Crs as at 20th March 2017

Rating History for the last three years

Instrument /Facility	Current Rating (2018)			Rating History		
	Type	Amount (₹ Crs)	Rating	2017	2016	2015
Fund Based	Long Term	5.81	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable	Not Rated	Not Rated	Not Rated
Non Fund Based	Short Term	3.80	BWR A4 (Pronounced as BWR A Four)			
Total		9.61	₹ Nine Crores and Sixty One Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)- Not Applicable

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	12.73	10.14
EBITDA	₹ Cr	0.13	0.47
PAT	₹ Cr	-0.85	-0.30
Tangible Net worth	₹ Cr	13.96	12.50
Total Debt/Tangible Net worth	Times	0.58	0.65
Current Ratio	Times	1.59	1.53

Hyperlink/Reference to applicable Criteria



- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>Venkatesh</i> <i>CGM-Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER



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