



## Rating Rationale

### Prem Mehandi Center

29 Nov 2018

Brickwork Ratings assigns the long term rating for the Bank Loan Facilities of Rs. 10.00 Crs of Prem Mehandi Center.

#### Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating*
<b>Fund Based</b>			
<b>Overdraft</b>	<b>10.00</b>	<b>Long Term</b>	<b>BWR BB (Pronounced as BWR Double B) (Outlook: Stable)</b>
<b>Total</b>	<b>10.00</b>	<b>INR Ten Crores Only</b>	

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

#### Rating: Long Term Rating Assigned

Brickwork Ratings assigned the long-term rating of 'BWR BB (Outlook:Stable)' for the bank loan facilities of Rs. 10.00 Crores of Prem Mehandi Center.

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating draws comfort from Promoters' extensive experience of nearly two decades in trading of henna, long existence of the firm for 16 years, year on year improvement in total operating income for the last three years and locational advantage of the firm being in a henna cultivation region. However, the rating is constrained by thin profit margins, proprietorship constitution and intense competition in the industry. Going forward, ability of the firm to scale up its operations, to improve its profit margins while managing its gearing will remain the key rating sensitivities.

#### Rating Outlook: Stable

BWR believes that the business risk profile of Prem Mehandi Center 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.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

### **Key Rating Drivers**

#### **Credit Strengths:**

- **Experienced Promoter:** The Proprietor of the firm is having nearly two decades of experience in henna trading business.
- **Long Existence of the Firm:** The firm is in existence for 16 years with satisfactory business history and has seen complete business cycles.
- **Revenue Growth in FY18:** Total operating income of the firm has increased from Rs. 149.46 crores in FY17 to Rs. 268.87 Crores in FY18.
- **Locational Advantage:** The firm is located in Sojat in Pali district of Rajasthan, which is one of the major henna production areas in India. Sojat is also called as 'Mehandi Nagri' (Henna City) in India.

#### **Credit Weaknesses:**

- **Thin Profit Margins :** The firm is generating very thin profit margins with operating profit margin of 0.35% and net profit margin of 0.35% in FY18.
- **High Degree of Competition:** Stiff competition from other organized and unorganized players in the industry.

### **About the Firm:**

Prem Mehendi Center is a sole-proprietorship concern, established in 2002 and based in Sojat in Pali district of Rajasthan. Shri Chutararam Gehlot is the proprietor of the firm. The firm is into trading of henna powder, henna paste and henna Leaves. The firm is purchasing henna from local traders and sell them to wholesalers belonging to states like Madhya Pradesh, Uttar Pradesh, Maharashtra, Rajasthan, etc. Shri Chutararam Gehlot is also director in a company namely "**Prem Henna Private Limited**", which is into manufacturing of cosmetic products using henna and one of the customers of the firm.

### Firm's Financial Performance:

Total operating income of the firm has increased from Rs. 149.46 Crores in FY17 to Rs. 268.87 Crores in FY18. The firm has registered operating profit margin of 0.35% and net profit margin of 0.84% in FY18 as against operating profit margin of 0.30% and net profit margin of 0.52% in FY17. Tangible net worth of the firm stood at Rs. 7.15 Cr as on March 31, 2018.

Parameters	Units	31-Mar-2016	31-Mar-2017	31-Mar-2018
		(A)	(A)	(A)
Total Operating Income	Rs. Crores	102.14	149.46	268.87
EBIDTA	Rs. Crores	1.04	0.45	0.95
Tangible Net Worth (TNW)	Rs. Crores	2.69	4.44	7.15
Operating Profit Margin	%	1.02	0.30	0.35
Net Profit Margin	%	0.65	0.52	0.84
Total Debt : TNW	Times	0.13	0.04	0.00
Current Ratio	Times	1.64	1.34	1.34

### Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2017	2016	2015
1	Overdraft	Long Term	10.00	<b>BWR BB (Pronounced as BWR Double B) Outlook: Stable</b>	Nil	Nil	Nil
<b>Total</b>			<b>10.00</b>	<b>INR Ten Crores Only</b>			

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Short Term Debt](#)
- [Approach to Financial Ratios](#)
- [Trading Companies](#)



For any other criteria obtain hyperlinks from website

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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