

May 06, 2015

Facilities	Amount (Rs. crore)	Ratings
Cash Credit	6.95*	SMERA B+/Stable (Assigned)
FLC	9.00*	SMERA A4 (Assigned)

**Interchangeability permitted subject to maximum cash credit limit of Rs.6.95 crore and maximum FLC limit of Rs.9.00 crore; the total maximum limit at any point of time should not exceed Rs.12.00 crore*

SMERA has assigned ratings of '**SMERA B+**' (**read as SMERA single B plus**) to the Rs.6.95 crore fund based bank facility and '**SMERA A4**' (**read as SMERA A four**) to the Rs.9.00 crore non-fund based bank facility of Pro Visual Audio Private Limited (PVAPL). The outlook is '**Stable**'. The ratings are constrained by the company's short track record of operations, working capital-intensive business and low profit margin. However, the ratings are supported by the company's moderate operating efficiency. The ratings also draw comfort from the company's exclusive distribution rights (for products manufactured by QSC Audio Products, LLC).

PVAPL, incorporated in 2010, is a Chennai-based company engaged in distribution of loudspeakers, amplifiers, microphones, sound mixers, headphones and cables. PVAPL's operations are working capital-intensive. The company's cash conversion cycle is stretched at 105 days in FY2013-14 on account of high inventory level of 116 days. PVAPL's net profit margin is low at 1.20 per cent in FY2013-14.

PVAPL's moderate operating efficiency is reflected in return on capital employed (RoCE) of 15 per cent in FY2013-14. The company is the sole distributor of QSC Audio Products in India.

Outlook: Stable

SMERA believes PVAPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company achieves substantial scalability on the back of diversification of business operations. The outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability and profitability, or in case of deterioration in the company's financial risk profile.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the company

PVAPL, incorporated in 2010, is a Chennai-based distributor of QSC Audio, Audio Technica, TOA, Auro 3D, Link & Eurocable, Luis WaSSmann and Klipsch. PVAPL is promoted by Mr. Natarajan Purushothaman and Mrs. Maheshwari Natarajan. The company has pan-India presence.

For FY2013-14, PVAPL reported net profit of Rs.0.41 crore on net sales of Rs.34.19 crore, as compared with net profit of Rs.0.40 crore on net sales of Rs.33.44 crore in FY2012-13. The company registered net sales of Rs.34.20 crore (provisional) during April 2014 to February 2015. PVAPL's net worth stood at Rs.4.76 crore as on March 31, 2014, as compared with Rs.4.34 crore a year earlier.

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