

Pro Media (Reaffirmed)

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	10.00	SMERA BB+/Stable (Reaffirmed)
Letter of Credit/Buyers Credit	10.00	SMERA A4+ (Assigned)

SMERA has reaffirmed the long term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and also assigned a short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the abovementioned bank facilities of Pro Media (PM). The outlook is '**Stable**'.

The ratings continue to derive comfort from the experienced management and healthy revenue growth. However, the ratings are constrained by the firm's low profitability on account of the trading nature of business and working capital intensive operations. The ratings also factor in the decline in operating margin and intense market competition.

Update

In FY2016 (provisional), PM earned revenue of Rs.246.35 crore a 56 per cent increase over the previous year's revenue of Rs.157.84 crore. Further the firm achieved revenue of Rs.112.62 crore in the first quarter of FY2017. PM began trading in palm oil and steel scrap from April 2015. The operating margins declined to 1.24 per cent in FY2016 from 1.66 per cent in FY2015. The margins have fallen due to intense market competition and in a bid to retain market share. The ROCE stands at 19.64 per cent as on 31 March 2016 (Provisional).

The financial risk profile continues to be moderate marked by gearing of 1.68 times as on March 31, 2015. However, the total debt of the firm stands at Rs.19.88 crore, which includes Rs.15.16 crore of short term facilities. The coverage indicators of PM have improved to 5.87 times for FY2016 from 2.54 times in FY2015. PM's operations are working capital intensive reflected in its gross current assets of around 138 days for FY2016. This is majorly due to the high debtor days of 128 days in FY2016. The firm however, has been able to manage its working capital cycle with comfortable bank limit utilisation of 75 per cent. The cash and bank balance stood at Rs.3.64 crore as on March 31, 2016.

Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Efficient working capital management

Outlook-Stable

SMERA believes that PM will continue to maintain a stable outlook and benefit from the promoters extensive experience over the medium term. The outlook may be revised to 'Positive' if the firm registers healthy growth in revenues while improving operating profitability leading to improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in the cash accruals or deterioration in the working capital management and financial risk profile.

Criteria applied to arrive at the rating:

- Trading Entities

About the Firm

The Chennai-based PM, established in 2007 was promoted by Mr. Ameen. The firm generates revenue from a range of activities including distribution of Panasonic and Sony products, trading in imported paper, palm oil and steel scrap.

For FY2015-16, the firm reported (profit after tax) PAT of Rs.1.58 crore (provisional) on operating income of Rs.246.35 crore (provisional) as compared with PAT of Rs.1.60 crore on operating income of Rs.157.84 crore for FY2014-15.

Rating History

Date	Name of the Instruments	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
01 July, 2015	Cash Credit	5.00	SMERA BB+ (Assigned)	-	Stable
	Cash Credit (Proposed)	5.00	SMERA BB+ (Assigned)	-	Stable

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ABOUT SMERA

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