

## Press Release

### PRO MEDIA TRADING PRIVATE LIMITED

27 December, 2017



#### Rating Downgraded

|                                     |                            |
|-------------------------------------|----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 20.00 Cr.              |
| <b>Long Term Rating</b>             | SMERA BB / Outlook: Stable |
| <b>Short Term Rating</b>            | SMERA A4+                  |

\* Refer Annexure for details

#### Rating Rationale

SMERA has downgraded the long-term rating of '**SMERA BB** (read as SMERA double B ) and reaffirmed the short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.12.50 crore bank facilities of Pro Media Trading Private Limited (erstwhile Pro Media). Further, SMERA has assigned the long term rating of **SMERA BB** (read as SMERA double B ) on the Rs. 7.50 crore bank facilities. The outlook is '**Stable**'.

Pro Media Trading Private Limited (PTPL), is a Chennai-based company established in 2007 by Mr. Masthan Noorul Ameen and converted to private limited in 2015. The company was a distributor of electronic products of Panasonic and Sony and traded in scrap and palm oil. Currently, the company trades in imported paper.

#### Key Rating Drivers

##### Strengths

- Experienced management**  
PTPL's Directors, Mr. Masthan Noorul Ameen and Mr. Mohanasundaram Adaikalam have experience of more than a decade in the said line of business.
- Significant increase in revenues**  
PTPL registered growth of 56 per cent during the period under study. The operating income increased to Rs. 401.14 crore in FY2017 from Rs. 246.42 crore in FY2016 and Rs. 157.84 crore in FY2015. The growth can be attributed to addition of new products to the product mix. In FY2018, the company discontinued trading of palm oil, scrap and electronic products and began trading in paper. The company registered revenue of Rs.392.53 crore from April to November 2017.

##### Weaknesses

- Decline in margins**  
The operating (EBIDTA) margin declined to 0.81 per cent in FY2017 from 1.90 per cent in FY2016. The profit after tax (PAT) margin stood at 0.47 per cent in FY2017 compared to 1.31 per cent in FY2016. The decline is attributed to increase in admin and selling expenses.
- Moderate financial riskprofile**  
The financial risk profile is moderate marked by net worth of Rs. 4.38 crore as on 31 March, 2017 as against Rs. 12.69 crore as on 31 March, 2016. The gearing (debt-to-equity ratio) stood at 2.72 times as on 31 March, 2017 compared to 3.21 times in the previous year. The total debt as on 31 March, 2017 of Rs. 11.91 crore consists of working capital borrowings. The Interest Coverage Ratio (ICR) improved to 10.28 times in FY2017 as against 2.57 times in FY2016 mainly due to reduced cost of borrowing and debt.
- Working capital intensiveoperations**  
PTPL's operations are working capital intensive. The Gross Current Assets (GCA) improved to 133 days in FY2017 from 168 days in FY2016. This is on account of reduction in debtor days to 132 in FY2017 as

against 156 in FY2016. The company does not stock inventory. It receives extended credit of 90 to 120 days from suppliers which moderates the working capital requirement. The average cash credit utilisation stood at 90 per cent for the six months ended 30 November, 2017.

### Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company.

### Outlook: Stable

SMERA believes that PTPL's outlook will remain stable over the medium term on account of its promoters' extensive experience in the paper trading industry. The outlook may be revised to 'Positive' in case of significant improvement in revenues and profitability leading to improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues or profitability resulting in deterioration in the financial risk profile or working capital management.

### About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 401.14        | 246.42        | 157.84        |
| EBITDA                        | Rs. Cr. | 3.26          | 4.68          | 2.63          |
| PAT                           | Rs. Cr. | 1.89          | 3.23          | 1.60          |
| EBITDA Margin                 | (%)     | 0.81          | 1.90          | 1.66          |
| PAT Margin                    | (%)     | 0.47          | 1.31          | 1.01          |
| ROCE                          | (%)     | 9.28          | 14.88         | 28.59         |
| Total Debt/Tangible Net Worth | Times   | 2.72          | 3.21          | 0.83          |
| PBDIT/Interest                | Times   | 10.28         | 2.57          | 2.54          |
| Total Debt/PBDIT              | Times   | 3.46          | 7.48          | 3.14          |
| Gross Current Assets (Days)   | Days    | 133           | 168           | 91            |

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

| Date        | Name of Instrument / Facilities | Term       | Amount (Rs. Crore) | Ratings/Outlook                 |
|-------------|---------------------------------|------------|--------------------|---------------------------------|
| 07-Dec-2017 | Cash Credit                     | Long Term  | INR 10             | SMERA BB+ (Indicative)          |
|             | Letter of Credit                | Short Term | INR 10             | SMERA A4+ (Indicative)          |
| 06-Sep-2016 | Cash Credit                     | Long Term  | INR 10             | SMERA BB+ / Stable (Reaffirmed) |
|             | Letter of Credit                | Short Term | INR 10             | SMERA A4+ (Assigned)            |

|              |                      |           |       |                               |
|--------------|----------------------|-----------|-------|-------------------------------|
| 01-Jul, 2015 | Cash Credit          | Long Term | INR 5 | SMERA BB+ / Stable (Assigned) |
|              | Proposed Cash Credit | Long Term | INR 5 | SMERA BB+ / Stable (Assigned) |

#### \*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate    | Maturity Date  | Size of the Issue (Rs. Crore) | Ratings/Outlook              |
|------------------------|------------------|----------------|----------------|-------------------------------|------------------------------|
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 10.00                         | SMERA BB/Stable (Downgraded) |
| Letter of credit       | Not Applicable   | Not Applicable | Not Applicable | 2.50                          | SMERA A4+ (Reaffirmed)       |
| Proposed               | Not Applicable   | Not Applicable | Not Applicable | 7.50                          | SMERA BB/Stable (Assigned)   |

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#### ABOUT SMERA

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