



(Please scan this QR Code to view the Addendum to DRHP)



PRO FX TECH LIMITED
CIN: U51500KA2006PLC040879

Our Company was originally incorporated as a Private Limited Company under the name “Advanced Audio Solutions (Bangalore) Private Limited” on November 08, 2006 bearing CIN U51500KA2006PTC040879 under the provisions of the Companies Act, 1956 with the Registrar of Companies, Karnataka. Subsequently, the name of our Company was changed from “Advanced Audio Solutions (Bangalore) Private Limited” to “PRO FX Tech Private Limited” vide a fresh certificate of incorporation dated June 17, 2014, issued by the Registrar of Companies, Bangalore. Further, pursuant to Special Resolution passed by the shareholders at the Extra Ordinary General Meeting held on March 26, 2024 our company was converted into a Public Limited Company and consequently the name of our Company was changed from “PRO FX Tech Private Limited” to “PRO FX Tech Limited” vide a fresh Certificate of Incorporation dated June 13, 2024 issued by the Registrar of Companies, Central Processing Centre, bearing CIN U51500KA2006PLC040879.

Registered Office: PROFX Global Theatre, Ground Floor, 84, Barton Centre, M G Road, Bangalore, Karnataka, India, 560001.

Corporate Office: Dynamic House, 64, Church Street, Mahatma Gandhi Road, Bangalore North, Bangalore, Karnataka, India, 560001

Tel No: +91 8041122539; **E-mail:** info@profx.com; **Website:** www.profx.com;

Contact Person: Deepika N Bhandiwad, Company Secretary & Compliance Officer

Promoter of our Company: Manmohan Ganesh and Shreya Nambiar

PROMOTERS OF OUR COMPANY: MANMOHAN GANESH AND SHREYA NAMBIAR

ADDENDUM TO THE DRAFT RED HERRING PROSPECTUS DATED DECEMBER 24, 2024: NOTICE TO THE INVESTORS (“THE ADDENDUM”)

INITIAL PUBLIC OFFER OF UPTO 46,32,000 EQUITY SHARES OF FACE VALUE OF ₹ 10/- EACH (THE “EQUITY SHARES”) OF PRO FX TECH LIMITED (“OUR COMPANY” OR “THE ISSUER”) AT AN ISSUE PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING SHARE PREMIUM OF [●] PER EQUITY SHARE) FOR CASH, AGGREGATING UP TO ₹[●] LAKHS (“PUBLIC ISSUE”) OUT OF WHICH [●] EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH, AT AN ISSUE PRICE OF ₹ [●] PER EQUITY SHARE FOR CASH, AGGREGATING ₹ [●] LAKHS WILL BE RESERVED FOR SUBSCRIPTION BY THE MARKET MAKER TO THE ISSUE (THE “MARKET MAKER RESERVATION PORTION”). THE PUBLIC ISSUE LESS MARKET MAKER RESERVATION PORTION I.E. ISSUE OF [●] EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH, AT AN ISSUE PRICE OF ₹[●] PER EQUITY SHARE FOR CASH, AGGREGATING UPTO ₹[●] LAKHS IS HEREIN AFTER REFERRED TO AS THE “NET ISSUE”. THE PUBLIC ISSUE AND NET ISSUE WILL CONSTITUTE 26.46% AND [●] % RESPECTIVELY OF THE POST- ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.

Potential Bidders may note the following:

1. The Chapter titled “Risk Factors” beginning on page 24 of the Draft Red Herring Prospectus has been updated;
2. The Chapter titled “Objects of the Issue” beginning on page 75 of the Draft Red Herring Prospectus has been updated;
3. The Chapter titled “Management’s discussion and analysis of financial conditions and results of operations” beginning on page 204 of the Draft Red Herring Prospectus has been updated;
4. The Chapter titled “Outstanding Litigation and Material Developments” beginning on page 212 of the Draft Red Herring Prospectus has been updated;
5. The Chapter titled “Government and Other Approvals” beginning on page 215 of the Draft Red Herring Prospectus has been updated;
6. The Chapter titled “Declaration” beginning on page 287 of the Draft Red Herring Prospectus has been updated;
7. Please note that all other details in, and updates to the Red Herring Prospectus/ Prospectus with respect to issue price and/or other relevant details will be carried out in the Red Herring Prospectus, as and when filed with ROC, SEBI and the Stock Exchange.

The above is to be read in conjunction with the Draft Red Herring Prospectus and accordingly their references in the Draft Red Herring Prospectus stand amended pursuant to this Addendum. Please note that the changes pursuant to this Addendum will be appropriately included in the Red Herring Prospectus/ Prospectus, as and when filed with the RoC, the SEBI and the Stock Exchanges. All capitalized terms used in this Addendum shall, unless the context otherwise requires, have the meaning ascribed to them in the Draft Red Herring Prospectus.

On behalf of PRO FX Tech Limited

Sd/-

Deepika N Bhandiwad

Company Secretary & Compliance Officer

Place: Bangalore

Date: December 26, 2024

BOOK RUNNING LEAD MANAGER TO THE ISSUE

REGISTRAR TO THE ISSUE



HEM SECURITIES LIMITED

904, A Wing, Naman Midtown, Senapati Bapat Marg, Elphinstone Road, Lower Parel, Mumbai-400013, Maharashtra, India

Tel. No.: +91- 22- 49060000;

Email: ib@hemsecurities.com

Investor Grievance Email: redressal@hemsecurities.com

Website: www.hemsecurities.com

Contact Person: Ravi Kumar Gupta

SEBI Regn. No. INM000010981



Cameo Corporate Services Limited

Address: Subramanian Building", No.1, Club House Road, Chennai-600002, Tamil Nadu, India.

Telephone: +91-44-40020700/28460390

Email: ipo@cameoindia.com;

Website: www.cameoindia.com;

Investor Grievance Email: investor@cameoindia.com

Contact Person: K. Sreepriya

Designation: Vice President & Company Secretary

SEBI Registration Number: INR000003753

CIN: U67120TN1998PLC041613

ANCHOR PORTION ISSUE OPENS/CLOSES ON*: [●]

BID/ISSUE OPENS ON: [●]**

BID/ISSUE CLOSES ON*: [●]*****

*Our Company, in consultation with the BRLM, may consider participation by Anchor Investors, in accordance with the SEBI ICDR Regulations. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/ Issue Opening Date.

**Our Company, in consultation with the BRLM, may decide to close the Bid/ Issue Period for QIBs one Working Day prior to the Bid/Issue Closing Date, in accordance with the SEBI (ICDR) Regulations.

***The UPI mandate end time and date shall be at 5:00 p.m. on Bid/ Issue Closing Day.

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SECTION III: RISK FACTORS

5. *Our Company is yet to execute lease/rent agreements for our proposed Three Showroom cum experience centres.*

We have not yet executed any lease or rent agreements for setting up our proposed three showroom-cum-experience Centres. However, we have identified the locations where these centres will be set up: Delhi (one showroom-cum-experience centre), Kochi (one showroom-cum-experience center), and Chennai (one showroom-cum-experience centre). As part of our process, we will submit deposits to the relevant property owners and enter into lease agreements in the form of either a lease deed or a leave and license agreement. These agreements must be executed within a specified time period, or they will terminate unless extended.

We may face delays or be unable to enter definitive lease agreements for various reasons, some of which are beyond our control. This may result in us not being able to recover deposits placed with the property owners. In the event of such delays, we may need to identify alternate locations, which could require significant time and resources. Additionally, disputes with landlords could adversely affect our operations.

We cannot assure that we will be able to execute lease agreements in a timely manner or at the same locations identified for our showrooms. Any delays in executing these agreements, or if landlords are unable to provide the premises in a timely manner or at all, may result in time and cost overruns in setting up these new locations. Furthermore, if we are unable to finalize lease agreements with the landlords who have shown interest, we cannot guarantee that we will be able to identify alternative landlords who meet our requirements at acceptable prices. Our inability to secure suitable locations at acceptable prices or within the desired timeframe may lead to increased capital expenditure, delays in the proposed implementation schedule, and variations in the deployment of the net proceeds. This could adversely affect our business, prospects, and results of operations.

10. *The restated financial statements have been provided by peer reviewed chartered accountants who is not statutory auditor of our Company.*

The restated financial statements of our Company for the financial year ended March 31, 2024, March 31, 2023 and 2022 has been provided by a peer reviewed chartered accountants who is not statutory auditor of our Company because of certain pre-occupation of our statutory auditor. Our statutory auditor also holds valid peer review certificate but we have appointed another peer reviewed firm for preparation of the restated financial of our company.

15. *We are subject to restrictive covenants under our credit facilities that limit our operational flexibility.*

The loan agreements entered into by us with banks contain specific covenants which require us to obtain the prior approval/ permission from the banks on the occurrence of certain events such as formulation of any scheme of amalgamation or reconstruction, undertaking of any new project or expansion, making any substantial change in our management set up, any change in our capital structure resulting in reduction of capital, etc. Further, there can be no assurance that such consents will be granted or that we will be able to comply with the financial covenants under our financing arrangements. In the event we breach any financial or other covenants contained in any of our financing arrangements, we may be required under the terms of such financing arrangements to immediately repay our borrowings either in whole or in part, together with any related costs. This may adversely impact our results of operations and cash flows. For further details on the Cash Credit Limits and other banking facilities, *please see “Statement of Financial Indebtedness”* on page 202 of this Draft Red Herring Prospectus.

24. *We face substantial and increasingly intense competition in the AV (Audio-Video) Industry & Automation Industry. If we are unable to compete effectively, our business, financial condition, results of operations and prospects would be materially and adversely affected.*

We face competition from organized and unorganized players in the AV (Audio-Video) industry & Automation Industry which have a presence across multiple regions in India. There are various companies offering products and services similar to us. The critical factors that determine the success of a product or service vary by geographical market and product and service segment. We believe the principal elements of competition in our industry are price, durability, product quality, user experience, operational efficiency, timely delivery and reliability and most importantly our pace in keeping up with the changing technology in the industry. Due to the intensity, complexity and diversity of the competition overall, the competitive landscape in our industry or in specific industry segments can change very rapidly.

Further, new competitors may emerge at any time. Our competitors may be able to respond more quickly to new or emerging technologies or customer requirements, and may bring with them customer loyalties that may limit our ability to compete, which could decline our sales. In addition, a variety of known and unknown events could have a material adverse impact on our ability to compete. The success of our products as well as our ability to maintain or increase our sales may also depend upon the effectiveness of our marketing initiatives which may adversely affect our ability to compete effectively. Our failure to compete effectively, including any delay in responding to changes in the industry and market, together with increased spending on advertising, may affect the competitiveness of our products, which may result in a decline in our revenues and profitability.

Furthermore, if one of our competitors or their customers acquires any of our customers or suppliers, we may lose business from the customer or lose a supplier, which may adversely affect our business, results of operations and financial condition.

25. *There are certain discrepancies/errors noticed in some of our corporate records relating to forms filed with the Registrar of Companies and other provisions of Companies Act, 2013. Any penalty or action taken by any regulatory authorities in future, for non-compliance with provisions of corporate and other law could impact the reputation and financial position of the Company to that extent.*

There are few discrepancies noticed in some of our corporate records relating to e-forms filed with the Registrar of Companies, which inter-alia includes non-filing of certain ROC Forms. The Company has not filed form CHG-1 for creation on charge on vehicle loan taken in the past which inter-alia includes noncompliance of Section 77 of the Companies Act, 2013 and is subject to penalty under section 86 and/or other relevant provision(s) of Companies Act, 2013, as maybe applicable, however such loan has been repaid as on date of the Draft Red Herring Prospectus.

Further, our company had not complied with Ind AS-19 in the past, however the same have been duly complied by the company in the restated financial statements in Note-35 of Draft Red Herring Prospectus. Although, no show cause notice in respect of the above has been received by the Company till date, any penalty imposed for such non-compliance in future by any regulatory on authority could affect our financial conditions to that extent.

27. *There are outstanding legal proceedings involving our Company. Any adverse decisions could impact our cash flows and profit or loss to the extent of demand amount, interest and penalty, divert management time and attention, consume financial resources in their defence or prosecution, affect our reputation, standing and future business and have an adverse effect on our business, prospects, results of operations and financial condition.*

There are outstanding legal proceedings involving our Company. These proceedings are pending at different levels of adjudication before various courts (including Supreme Court and High Court), tribunals, enquiry officers and appellate tribunals. For details, see “**Outstanding Litigation and Material Developments**” beginning on page 212 of this Draft Red Herring Prospectus. A brief detail of such outstanding litigations as on the date of this Draft Red Herring Prospectus, with the amount involved, to the extent quantifiable are as follows:

Litigations against the Company

(Amount in ₹ Lakhs)

Nature of Cases	No. of Outstanding Cases	Amount in dispute/ demanded to the extent ascertainable
Indirect Tax	1	105.09
Direct Tax (TDS)	1	22.13
Actions by statutory and regulatory authorities against the Company	1	-
Total	3	127.22

Litigations filed by the Company

(Amount in ₹ Lakhs)

Nature of Cases	No. of Outstanding Cases	Amount in dispute/ demanded to the extent ascertainable
Criminal Cases	3	10.25
Total	3	10.25

For Further details, refer chapter “*Outstanding Litigations and Material Developments*” beginning on page 212 of this Draft Red Herring Prospectus.

Amount mentioned to the extent quantifiable. The amount may be subject to additional interest/other charges being levied by the concerned authorities which are unascertainable as on date of this Draft Red Herring Prospectus. For further details, please refer to the chapter titled “*Outstanding Litigations and Material Developments*” on page 212 of this Draft Red Herring Prospectus.

There can be no assurance that these litigations will be decided in favour of our Company and consequently it may divert the attention of our management and Promoters and waste our corporate resources and we may incur significant expenses in such proceedings and may have to make provisions in our financial statements, which could increase our expenses and liabilities. If such claims are determined against us, there could be a material adverse effect on our reputation, business, financial condition and results of operations, which could adversely affect the trading price of our Equity Shares.

29. We are required to obtain, renew or maintain statutory and regulatory permits, licenses and approvals to operate our business and any delay or inability in obtaining, renewing or maintaining such permits, licenses and approvals could result in an adverse effect on our results of operations.

We operate within a regulatory environment governed by various laws and regulations that impact our business and operations. We are required, and will continue to be required, to obtain and maintain relevant licenses, approvals, and permits at both the state and central government levels to conduct our business activities. The approvals, licenses, registrations, and permits obtained by us may contain conditions, some of which could be onerous and challenging to meet. Additionally, as we grow and evolve, we will need to apply for renewals of certain approvals, licenses, registrations, and permits, some of which may expire or require updates due to changes in regulations or company operations.

While we have secured a significant number of approvals, licenses, registrations, and permits from the relevant authorities, there is no guarantee that these authorities will continue to issue new approvals or renew expired ones within the applicable time frame, or at all. Any delay or failure in obtaining or renewing such approvals, licenses, registrations, and permits could result in cost and time overruns, potentially disrupting our related operations. Furthermore, under such circumstances, the relevant authorities may take penal action against us, including restraining our operations, imposing fines or penalties, or initiating legal proceedings due to our inability to renew or obtain necessary approvals in a timely manner, or at all.

Laws and regulations governing us are increasingly becoming stringent and may in the future create substantial compliance costs and/or liabilities. While we endeavor to comply with applicable regulatory requirements, it is possible that such compliance measures may restrict our business and operations, result in increased cost and onerous compliance measures, and further, an inability to comply with such regulatory requirements may attract penalty. For further information regarding the required approvals and licenses for our business, as well as details of approvals that have been applied for or are yet to be applied for, please refer to the section titled “Government and Other Statutory Approvals” on page 215 of the Red Herring Prospectus.

Furthermore, we cannot assure you that the approvals, licenses, registrations, and permits issued to us will not be suspended or revoked in the event of non-compliance or alleged non-compliance with any terms or conditions, or due to regulatory actions. Any suspension or revocation of these critical approvals, licenses, registrations, and permits could materially affect our business and results of operations.

SECTION IV: INTRODUCTION

OBJECTS OF THE ISSUE

Requirement of Funds and Utilization of Net Proceeds:

The Net Proceeds are proposed to be used in accordance with the details as set forth below:

(Amount in ₹ Lakhs)

S. No.	Particulars	Amount
1.	Repayment of a portion of certain borrowing availed by our Company	200.00
2.	Funding capital expenditure towards setting-up of 3 new Showroom cum experience centres ("Showroom")	717.88
3.	To meet Working Capital requirements	1900.00
4.	General Corporate Purpose	[●]
	Total	[●]

The issue proceeds to meet working capital requirements of the company is Rs. 1900.00 Lakhs, out of which Rs. 500.00 Lakhs are proposed to be utilised in the FY 2024-25 and the balance Rs. 1400.00 Lakhs are proposed to be utilised in the FY 2025-26.

Our fund requirements and deployment thereof are based on internal management estimates of our current business plans and have not been appraised by any bank or financial institution. These are based on current conditions and are subject to change in light of changes in external circumstances or costs or in other financial conditions, business strategy, as discussed further below.

Details of Utilization of Net Proceeds

The details of utilization of the Net Proceeds are set forth herein below:

1. Repayment of a portion of certain borrowing availed by our Company

Our Company proposes to utilise an estimated amount of ₹ 200.00 lakhs towards repayment of unsecured loan of Rs. 200.00 Lakhs availed from various Banks and NBFCs. Our Company has entered into various financial arrangements from time to time, with banks and financial institutions. The loan facilities availed by our Company include borrowing in the form of term loans from various lenders. For further details, see "Statement of Financial Indebtedness" on page 202 of this Draft Red Herring Prospectus.

We believe that such repayment will help reduce our outstanding indebtedness, debt servicing costs, assist us in maintaining a favourable debt to equity ratio and enable utilisation of our internal accruals for further investment in our business growth and expansion. Additionally, we believe that the leverage capacity of our Company will improve our ability to raise further resources in the future to fund our potential business development opportunities and plans to grow and expand our business.

The details of the Unsecured loans availed by our Company, which are proposed to be fully or partially repaid or pre-paid from the Net Proceeds is mentioned below:

(Amount in Lakhs)

Name of the lender	Date of Sanction	Sanctioned amount	Rate of interest	Repayment terms (in months)	Outstanding amount as per books as on 30-Nov-24
Working capital loan from banks					
IndusInd Bank Limited	02-09-2023	50.00	16.00%	36	33.33
Yes Bank Limited	31-08-2023	75.00	16.50%	36	50.11
Total (A)		125.00			83.44
Working capital loan from financial institutions					
Bajaj Finance Limited	31-08-2023	46.34	17.50%	36	30.31
Kisetsu Saison Finance (India) Private Limited	31-08-2023	50.00	17.00%	36	33.05
Fedbank Financial Services Limited	30-08-2023	50.35	16.50%	24	22.26
SMFG India Credit Co. Limited	31-08-2023	75.00	16.50%	36	48.87
Total (B)		221.69			134.49
Total (A+B)					217.93

**Our Peer Reviewed Auditors by way of their certificate dated December 23, 2024 have confirmed that the borrowings specified above has been utilized for the purposes availed, as per the sanction letters/loan agreements issued by the respective banks.*

The prepayment charges (if any) will be funded from the internal accruals of our Company.

2. Funding capital expenditure towards setting-up of 3 new Showroom cum experience centres (“Showroom”):

Methodology for Computation of Cost Estimates

The details of the capital expenditure towards establishment of 3 new Showroom cum experience center of an average area of 3175 sq. ft. have been set forth in the table below. These cost estimates have been made on the basis of the quotations received from VAIS Interio Acoustic Private Limited dated July 18, 2024 and the management’s past experience of setting up similar-sized showrooms. The quotation is valid till March 31, 2025.

3. To Meet Working Capital Requirements

Our business is working capital intensive as the majorly for investment in trade receivables, inventories and payment to trade payables and funding day to day operations. The Company will meet the requirement to the extent of ₹ 1900.00 Lakhs from the Net Proceeds of the Issue and balance from internal accruals and borrowings at an appropriate time as per the requirement.

Details of Estimation of Working Capital requirement are as follows:

(Amount in ₹ Lakhs)

S. No.	Particulars	Audited			Projected	
		FY 22	FY 23	FY 24	FY 25	FY 26
1	Current Assets					
	Inventories	773.93	1,574.03	1,491.14	2,527.97	3,312.20
	Trade Receivables	997.14	1,171.34	1,894.99	1,968.39	3,295.88
	Loan	8.25	12.90	13.77	10.42	8.16
	Cash & Cash Equivalents	627.99	278.24	571.36	200.00	250.00
	Bank balance other than above	140.99	146.42	157.25	157.25	157.25
	Other Current Assets	115.22	69.87	138.37	195.68	267.38
	Total - Current Assets (A)	2,663.52	3,252.80	4,266.87	5,059.71	7,290.86
2	Current Liabilities					
	Lease Liabilities	43.58	38.45	36.71	123.22	259.45
	Trade Payables	1,087.35	1,085.87	705.17	678.50	580.16
	Other Financial Liabilities	3.45	0.78	4.28	1.00	0.50
	Other Current Liabilities	598.75	424.32	502.31	250.00	180.00
	Short term Provisions	142.16	179.25	202.98	227.84	275.48
	Income tax liabilities (net)	99.15	185.57	130.39	65.31	57.06
	Total - Current Liabilities (B)	1,974.44	1,914.24	1,581.84	1,345.87	1,352.65
3	Net Working Capital Requirement (C=A-B)	689.08	1,338.56	2,685.03	3,713.84	5,938.21
4	Funding Pattern					
	Borrowings and Internal Accruals	689.08	1,338.56	2,685.03	3213.84	4538.21
	IPO Proceeds				500.00	1400.00

**Our Peer Reviewed Auditors by way of their certificate dated September 03, 2024 have confirmed the above working capital requirement.*

Assumptions for working capital requirements:

Provided below are details of the holding levels (days) considered and is derived from the restated audited financial information for the Financial Years 2022, 2023 and 2024. Further, we have also provided estimates holding levels (days) for Financial Years 2025 and 2026:

Particulars	31-03-2022	31-03-2023	31-03-2024	31-03-2025	31-03-2026
Inventory (in days)	49	57	73	73	90
Debtors (in days)	36	41	51	55	60
Creditors (in days)	53	53	42	25	20

Justification:

Particulars	Justification
Inventory	We have assumed Inventories turnover days to be around 73 days for F.Y. 2024-25 and around 90 days for F.Y. 2025-26 as compared to 73 days in F.Y. 2023-24 and 57 days in F.Y. 2022-23.
Debtors	The historical holding days of trade receivables has been ranging from 36 days to 51 days during Fiscal 2022 to Fiscal 2024. As per the current credit terms, the holding level for debtors is anticipated at 55 Days of total revenue from operations during Fiscal 25 and 60 days during Fiscal 26.
Creditors	Past trend of Trade payables holding days has been in the range of 42 days to 53 days approximately during Fiscal 2022 to Fiscal 2024. However with additional working capital funding, our Company intends to reduce trade payables to 25 days during Fiscal 2025 and to 20 days during Fiscal 2026 to avail competitive purchase price to increase overall profitability of our Company. By reducing the time, it takes to settle our payables we aim to negotiate more favorable terms and conditions with our suppliers, enabling us to access competitive pricing for the products we purchase.

Detailed Justification for the Working Capital Requirement:**Rationale for increase in Working Capital requirement of the company for FY 2022-23**

The Revenue from Operations of the company has increased from Rs. 8584.09 Lakhs in FY 2021-22 to Rs. 9578.39 Lakhs in FY 2022-23. The net working capital requirement of the company has increased from Rs. 689.08 Lakhs in FY 2021-22 to Rs. 1338.56 Lakhs in FY 2022-23. The major part of net working capital comprises of inventory, trade receivables and trade payables.

It has been seen that the inventory levels of the company had increased from Rs. 773.93 Lakhs in FY 2021-22 to Rs. 1574.03 Lakhs in FY 2022-23. This increase in inventory is due to the increase in dealer distribution of the company. The dealers of the company have increased from 537 dealers in FY 2021-22 to 597 dealers in FY 2022-23. Also, the company has kept sufficient stock to fulfill the demand of dealers in real time basis to boost the sales of the company.

This increase in revenue has led to increase in Trade Receivables of the company from Rs. 997.14 Lakhs in F.Y. 2021-22 to Rs. 1171.34 Lakhs in F.Y. 2022-23, involving more funds getting blocked in Trade Receivables and thereby resulting in increase in working capital requirement.

The trade payables decreased from Rs. 1087.35 Lakhs in FY 2021-22 to Rs. 1085.87 Lakhs in FY 2022-23. The trade payables holding period has remained unchanged to 53 days, having marginal impact in trade payables and working capital.

Rationale for increase in Working Capital requirement of the company for FY 2023-24

The revenue from operations of the company has increased from Rs. 9578.39 Lakhs in FY 2022-23 to Rs. 11047.73 Lakhs in FY 2023-24. The net working capital requirement of the company has increased from Rs. 1338.56 Lakhs in FY 2022-23 to Rs. 2685.03 Lakhs in FY 2023-24. The major part of net working capital comprises of inventory, trade receivables and trade payables.

This increase in revenue has led to increase in Trade Receivables of the company from Rs. 1171.34 Lakhs in F.Y. 2022-23 to Rs. 1894.99 Lakhs in F.Y. 2023-24, involving more funds getting blocked in Trade Receivables. Also, with addition of new dealers of the company from 597 dealers in F.Y. 2022-23 to 751 dealers in F.Y. 2023-24, company has also liberalized its credit policy so as to be in par with dealers working capital cycle. This has led to increase in trade receivables of the company in F.Y. 2023-24 thereby resulting in increase in working capital requirement.

Additionally, trade payables decreased from ₹1,085.87 Lakhs in FY 2022-23 to ₹705.17 Lakhs in FY 2023-24. The trade payables holding period was reduced from 53 days to 42 days, reflecting the company's efforts to pay suppliers more quickly which is aligned with long term objective. While this approach may secure better terms or discounts from suppliers, it also places additional strain on working capital resources. Overall, these factors combined have led to a significant increase in the company's working capital needs.

Rationale for increase in Working Capital requirement of the company for FY 2024-25

The revenue from operations of the company has increased from Rs. 11047.73 lakhs in F.Y. 2023-24 to Rs. 12704.89 lakhs in F.Y. 2024-25. The net working capital requirement of the company has increased from Rs. 2685.03 Lakhs in FY 2023-24 to Rs. 3713.84 Lakhs in FY 2024-25. The major part of net working capital comprises of inventory, trade receivables and trade payables.

The inventory levels are estimated at Rs. 2527.97 Lakhs in FY 2024-25 as compared to the inventory levels at Rs. 1491.14 Lakhs in FY 2023-24, the company has estimated inventory at the holding days of 73 days in FY 2024-25 which is consistent with the holding days of 73 days in FY 2023-24. The company is expecting to open 3 new showrooms cum experience centers from the IPO proceeds, which is expected to become operational in March, 2025. With opening of new showrooms cum experience centers in March, 2025, the company need to maintain stock at all the new showrooms, thereby increasing the inventory levels at the year end. This has resulted in increase in inventory levels for F.Y. 2024-25.

The company with conservative approach has projected revenue from operations of Rs. 12704.89 lakhs in F.Y. 2024-25 with growth rate of 15%. This rise in revenue has led to increase in trade receivable of the company from Rs. 1894.99 in F.Y. 2023-24 to Rs.1968.29 in F.Y. 2024-25. The estimated trade receivables holding period are estimated at 55 days for the FY 2024-25, which is commensurate with the business operations of the company and are in line with the existing trade receivables holding period of 51 days in FY 2023-24.

The company's trade payables holding period in FY 2023-24 stood at 42 days. However, with the infusion of additional capital, there is a strategic plan to reduce the trade payables duration to 25 days in FY 2024-25. By shortening the payment cycle, the company will be positioned to negotiate more favorable terms with suppliers in future, potentially leading to reduced procurement costs. This strategy is expected to enhance overall profitability, as suppliers often offer competitive prices for prompt payments. With newly onboarded brands like Harman, BenQ, Panasonic, Theory, etc. the company is required to make advance/ immediate payment as per the payment terms. This has resulted in the reduction of trade payables holding period.

Rationale for increase in Working Capital requirement of the company for FY 2025-26

The revenue from operations of the company has increased from Rs. 12704.89 Lakhs in FY 2024-25 to Rs. 15881.11 Lakhs in FY 2025-26. The net working capital requirement of the company has increased from Rs. 3713.84 Lakhs in FY 2024-25 to Rs. 5938.21 Lakhs in FY 2025-26. The major part of net working capital comprises of inventory, trade receivables and trade payables.

The company expects revenue growth in FY 2025-26 due to the launch of three new experience centers at different locations. To effectively enter these new markets and attract a strong customer base, the company plans to maintain a wider variety of products. This strategic move will increase inventory levels from Rs. 2527.97 Lakhs in FY 2024-25 to Rs. 3312.20 Lakhs in FY 2025-26. Inventories projected for F.Y. 2024-25 and F.Y. 2025-26 are in line with the business requirements. The company has expected to increase the inventory holding period from 73 days to 90 days owing to the easy availability and real time delivery of inventory to dealers. This increase in inventory is due to the fact that the showrooms opened in FY 2024-25 will require sufficient levels of inventory at their showcase. Also, the company is looking forward to increase in sales through its dealers. The increase in inventory levels is justified owing to the business model of the company. High inventory levels provide ability to the company to deliver goods as and when required, as majority of the goods supplied by the company are imported material. Moreover, most international brands expect their international distributors to maintain around 3 months of inventory to meet sudden business opportunities or compensate for occasional supply chain challenges.

With the objective to boost revenue, the company is proposing opening of new experience centers cum showrooms. The new experience centers cum showrooms are expected to become operational in March, 2025, therefore the company foresees a rise in working capital needs in FY 2025-26 on account of increase in the revenue from business operations of the company from Rs. 12704.89 Lakhs in FY

2024-25 to Rs. 15881.11 Lakhs in FY 2025-26. This increase in revenue will lead to the increase in trade receivables of the company and the same are projected at Rs. 3295.88 Lakhs in FY 2025-26, involving more funds getting blocked in Trade Receivables. The trade receivables holding period are estimated at 60 days for the FY 2025-26 as compared to 55 days for the FY 2024-25, which is commensurate with the business operations of the company. The average trade receivables period of the company has kept at 60 days which is well within the credit policy of the company.

Trade Payables of the company has reduced from Rs. 678.50 Lakhs in FY 2024-25 to Rs. 580.16 Lakhs in FY 2025-26. In line with the company's objective to improve its creditability in the market, the company is expecting to reduce its trade payable holding period to 20 days in FY 2025-26. This has further added to the rise in working capital requirement of the company in F.Y. 2026.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITIONS AND RESULTS OF OPERATIONS**

Detailed rationale for increase in PAT and PAT margin from F.Y. 2023 to F.Y. 2024

PAT Margin for F.Y. 2022-23 is 6.60% and for F.Y. 2023-24 it is 8.51%. This rise in PAT margin is due to the following reasons:

Comparison of Expenses with Total Revenue:

Nature of Expenditure	F.Y. 2023-24		F.Y. 2022-23		Difference
	Amount in Lakhs	% to total revenue	Amount in Lakhs	% to total revenue	
Total Revenue	11094.27	100.00%	9625.94	100.00%	-
Cost of Goods Sold	7775.47	70.09%	6748.68	70.11%	(0.02%)
Employee Benefits Expenses	833.36	7.51%	802.94	8.34%	(0.83%)
Finance Costs	69.67	0.63%	48.18	0.50%	0.13%
Depreciation & Amortization	164.30	1.48%	171.50	1.78%	(0.30%)
Other Expenses	980.60	8.84%	998.10	10.37%	(1.53%)

Based on the comparison table, we can conclude that the primary reason for the increase in PAT and PAT margin is the decrease in employee benefits expenses and other expenses relative to the total revenue of the company in FY 2023-24. Notably, employee costs have only marginally increased compared to the rise in revenue, contributing to improved profitability.

The total revenue of the company has increased from Rs. 9625.94 Lakhs in FY 2022-23 to Rs. 11094.27 Lakhs in FY 2023-24 representing an increase of 15.25% during the year while the employee benefits expenses have increased from Rs. 802.94 Lakhs in FY 2022-23 to Rs. 833.36 Lakhs in FY 2023-24, representing decrease of 0.83% in relation to total revenue during the year. This relative decrease in percentage is due to economies of operations during the year.

The other expenses of the company decreased from Rs. 998.10 lakhs in FY 2022-23 to Rs. 980.60 lakhs in FY 2023-24, reflecting a decrease of 1.53% for the year. This decline is primarily attributed to reductions in repair and maintenance costs, selling expenses, travel and conveyance expenses, legal and professional fees, and provisions for expected credit loss. Importantly, other expenses decreased in relation to total revenue, further enhancing the company's profitability.

Detailed rationale for increase in PAT and PAT margin from F.Y. 2022 to F.Y. 2023

PAT Margin for F.Y. 2021-22 is 4.96% and for F.Y. 2022-23, it is 6.60%. This rise in PAT margin is due to the following reasons:

Comparison of Expenses with Total Revenue:

Nature of Expenditure	F.Y. 2022-23		F.Y. 2021-22		Difference
	Amount in Lakhs	% to total revenue	Amount in Lakhs	% to total revenue	
Total Revenue	9625.94	100.00%	8624.52	100.00%	-
Cost of Goods Sold	6748.68	70.11%	6276.41	72.77%	(2.66%)
Employee Benefits Expenses	802.94	8.34%	711.64	8.25%	0.09%
Finance Costs	48.18	0.50%	65.56	0.76%	(0.26%)
Depreciation & Amortization	171.50	1.78%	131.57	1.53%	0.27%
Other Expenses	998.10	10.37%	849.89	9.85%	0.51%

With respect to the comparison table mentioned above, we can conclude that the major reason for increase in PAT and PAT margin is due to percentage decrease in Cost of Goods Sold and marginal percentage decrease in finance costs in comparison to the total revenue of the company in FY 2022-23.

The total revenue of the company has increased from Rs. 8624.52 Lakhs in FY 2021-22 to Rs. 9625.94 Lakhs in FY 2022-23 representing an increase of 11.61% during the year while the Cost of Goods Sold have increased from Rs. 6276.41 Lakhs in FY 2021-22 to Rs. 6748.68 Lakhs in FY 2022-23, representing decrease of 2.66% in relation to total revenue during the year. The finance cost has also been reduced marginally from Rs. 65.56 Lakhs in FY 2021-22 to Rs. 48.18 Lakhs in FY 2022-23, representing decrease of 0.26% in relation to total revenue during the year.

SECTION VII: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

(b) Criminal proceedings filed by the Company:

As on the date of this Draft Red Herring Prospectus, there are no outstanding criminal proceedings initiated by the Company, except the following:

- i. A case bearing no. CC/0000499/2023 was filed by our Company against M/s. Trance Infosolutions & Ors. (“**Defendants**”) before the Chief Judge, Court of Small Cases, Mayohall, Bangalore (“**Ld. Court**”) under section 138 of Negotiable Instrument Act, 1881. Our Company pursuant to defendant’s approach agreed to supply our products to the defendants for further sale to the customers, and for the same two cheque’s amounting of Rs. 3.00 Lakhs was issued by the defendants but when presented by our Company in the bank, both cheque’s got dishonored due to “*insufficient funds*”. The last date of hearing was November 11, 2024 and no material development has been taken place in the hearing and the subject matter is pending adjudication before Ld. Court and the next date of hearing is March 03, 2025.
- ii. A case CC/0014071/2022 was filed by our Company against M/s. Trance Infosolutions & Ors. (“**Defendants**”) before the Chief Judge, Court of Small Cases, Mayohall, Bangalore (“**Ld. Court**”) under section 138 of Negotiable Instrument Act, 1881. Our Company pursuant to defendant’s approach agreed to supply our products to the defendants for further sale to the customers, and for the same two cheque’s amounting of Rs. 4.00 Lakhs was issued by the defendants but when presented by our Company in the bank, both cheque’s got dishonored due to “*insufficient funds*”. The last date of hearing was December 12, 2024 and no material development has been taken place and the subject matter is pending adjudication before Ld. Court and the next date of hearing is March 17, 2025.
- iii. A case bearing no. CC/3609/2023 was filed by our Company against M/s. Music N Movie Experience and Ajay Nande, Proprietor (“**Defendants**”) before the Chief Judge, Court Of Small Causes, Bengaluru (“**Ld. Court**”) under section 138 of Negotiable Instrument Act, 1881. Our Company pursuant to defendant’s approach agreed to supply our products to the defendants for further sale to the customers, and for the same cheque amounting of Rs. 3.25 Lakhs was issued by the defendants but when presented by our Company in the bank, the cheque got dishonored due to “*insufficient funds*”. The last date of hearing was October 04, 2024, and nothing material change has taken and the subject matter is pending adjudication before Ld. Court and the next date of hearing is December 30, 2024.

(c) Actions by statutory and regulatory authorities against the Company

As on the date of this Draft Red Herring Prospectus, there are no outstanding actions by statutory or regulatory authorities initiated against the Company, except for the following:

A notice dated August 05, 2018 was issued by the Regional Office, Employee’s State Insurance Corporation stating that our Company has not complied and not given the contributions for the wage period April, 2011 to April 2014 and may be liable to be prosecuted under section 85(a)/85(e) of the Employee State Insurance Act, 1948 for the default. our Company has replied two times to the aforementioned notice dated August 11, 2014 and June 11, 2024 stating that there was no employees who were coming under the purview of ESI and hence there has been no contribution remitted for the said period, and requested the department to excuse our Company for not filing the NIL returns towards the mentioned time period. As our Company has not received any response from the ESI department, our Company has re submitted the aforementioned letter on August 07, 2024.

(d) Tax Proceedings

(Amount in ₹ Lakhs)

Nature of Proceedings	Number of cases	Amount involved*
TDS	1	22.13
Total	1	22.13

*To the extent quantifiable

The details pertaining to **Indirect Tax** matters are as below:

A show cause notice dated March 22, 2013 was issued by the Directorate of Revenue Intelligence (“DRI”) for miss-classification of Sound Amplifiers and audio-video receivers (“AVR’s”) under different customs tariff headings i.e., 8518 and 8543, claiming the AVR’s as audio frequency amplifiers, reception apparatus for radio broadcasting and electrical machine & apparatus and thereby not discharged appropriate custom duties on the AVR’s which are correctly classifiable under heading 8527 and the alleged differential duty needed to be paid in the aforementioned matter reference is Rs. 105.09 Lakhs. Our Company has filed a reply to such show-cause notice dated August 23, 2013 stating that the aforementioned show cause notice has not been issued by the proper officer competent to issue show cause notices under Section 28 for part of the period under scrutiny, and also mention that as per the standard practice the goods are classified based on their principal function and amplifiers are used for amplification of electric signals and hence classified under the correct headings and the show cause notice does not mention why the amplifiers to be classified under CTH 8527 heading and the demand is not sustainable because the assessment in bill of entry is nowhere challenged by the department in the show cause notice.

An order dated August 26, 2015 was issued by the Office of the Commissioner of Customs, Chennai, stating that the AVR’s imported by our Company was not just an amplifier but also having other functional features, that are not technically related to amplifying functionality and hence it should be classified under the CTH 8527 head only and not 8518 or any other heading and as it is purposely misclassified the goods are also liable for confiscation and the also the penalty is needed to be paid.

An appeal bearing no. CUSTOMS/0042414/2015 dated December 14, 2015 has been filed against the aforementioned order before the Ld. Customs, Excise and Service Tax Appellate Tribunal, Chennai (“Ld. Tribunal”) stating that the show cause notice dated March 22, 2013 issued by the DRI is issued without jurisdiction and hence the impugned order confirming the demand mentioned in the show cause notice is liable to be set aside and the differential duty mentioned in the show cause notice to be removed. The last hearing date of the case was December 16, 2024 and no material development has taken place and the appeal is currently pending for adjudication and the next date of hearing is February 14, 2025.

SECTION VII: GOVERNMENT AND OTHER STATUTORY APPROVALS

3. For Showroom and Service Centre of the company located at Ground Floor, 1714, E & F Block, Sarvodaya Road, Ramakrishna Nagar, Mysuru, Karnataka, 570023, India.

Sr. No.	Nature of Registration/ License	Registration/ License No.	Applicable Laws	Issuing Authority	Date of Issue	Date of Expiry
1	Trade License	29891	Karnataka Municipal Corporation Act	Mysuru Mahanagar Palike	January 19, 2024	March 31, 2025
2.	Registration Certificate of Establishment	159/4/S/0104/2021	Karnataka Shops and Commercial Establishments Act, 1961	Government of Karnataka, Department of Labour	October 08, 2021	December 31, 2025

5. For Showroom of the company located at Unit No. 10, Basement, Poonam Chambers, A Wing, Dr Annie Besant Road, Worli, Mumbai, Maharashtra, 400018, India.

Sr. No.	Nature of Registration/ License	Registration/ License No.	Applicable Laws	Issuing Authority	Date of Issue	Date of Expiry
1	Professional Tax Certificate of Registration	27750603215P	Maharashtra State Tax on Professions, Trades, Callings and Employments act 1975	Maharashtra Sales Tax Department	March 15, 2013	Valid till Cancelled
2.	Professional Tax Certificate of Enrolment	99752020555P	Maharashtra State Tax on Professions, Trades, Callings and Employments act 1975	Maharashtra Sales Tax Department	July 12, 2016	Valid till Cancelled

VIII. Licenses/ Approvals which are applied by Company and are pending for approval: Nil

IX. Licenses/ Approvals are yet to be applied by Company: Nil

DECLARATION

I certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India or the regulations or guidelines issued by SEBI, established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Addendum is contrary to the provisions of the Companies Act, the Securities Contracts (Regulation) Act, 1956, as amended, the Securities and Exchange Board of India Act, 1992, as amended or the rules, regulations or guidelines issued thereunder, as the case may be. I further certify that all the statements in this Addendum are true and correct.

SIGNED BY THE BOARD OF DIRECTORS OF OUR COMPANY:

Name and Designation	Signature
Manmohan Ganesh Managing Director DIN: 00886018	Sd/-

Date: December 26, 2024**Place:** Bangalore

DECLARATION

I certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India or the regulations or guidelines issued by SEBI, established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Addendum is contrary to the provisions of the Companies Act, the Securities Contracts (Regulation) Act, 1956, as amended, the Securities and Exchange Board of India Act, 1992, as amended or the rules, regulations or guidelines issued thereunder, as the case may be. I further certify that all the statements in this Addendum are true and correct.

SIGNED BY THE BOARD OF DIRECTORS OF OUR COMPANY:

Name and Designation	Signature
Appadurai Manuel Santhana Joekumar Whole-time Director DIN: 10538347	Sd/-

Date: December 26, 2024

Place: Bangalore

DECLARATION

I certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India or the regulations or guidelines issued by SEBI, established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Addendum is contrary to the provisions of the Companies Act, the Securities Contracts (Regulation) Act, 1956, as amended, the Securities and Exchange Board of India Act, 1992, as amended or the rules, regulations or guidelines issued thereunder, as the case may be. I further certify that all the statements in this Addendum are true and correct.

SIGNED BY THE BOARD OF DIRECTORS OF OUR COMPANY:

Name and Designation	Signature
Shreya Nambiar Non-Executive Director DIN: 08724583	Sd/-

Date: December 26, 2024

Place: London, United Kingdom

DECLARATION

I certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India or the regulations or guidelines issued by SEBI, established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Addendum is contrary to the provisions of the Companies Act, the Securities Contracts (Regulation) Act, 1956, as amended, the Securities and Exchange Board of India Act, 1992, as amended or the rules, regulations or guidelines issued thereunder, as the case may be. I further certify that all the statements in this Addendum are true and correct.

SIGNED BY THE BOARD OF DIRECTORS OF OUR COMPANY:

Name and Designation	Signature
Vishal Jhanwar Independent Director DIN: 10668185	Sd/-

Date: December 26, 2024**Place:** Bangalore

DECLARATION

I certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India or the regulations or guidelines issued by SEBI, established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Addendum is contrary to the provisions of the Companies Act, the Securities Contracts (Regulation) Act, 1956, as amended, the Securities and Exchange Board of India Act, 1992, as amended or the rules, regulations or guidelines issued thereunder, as the case may be. I further certify that all the statements in this Addendum are true and correct.

SIGNED BY THE BOARD OF DIRECTORS OF OUR COMPANY:

Name and Designation	Signature
Alokeshwar Sen Independent Director DIN: 02159181	Sd/-

Date: December 26, 2024

Place: Bangalore

DECLARATION

I certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India or the regulations or guidelines issued by SEBI, established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Addendum is contrary to the provisions of the Companies Act, the Securities Contracts (Regulation) Act, 1956, as amended, the Securities and Exchange Board of India Act, 1992, as amended or the rules, regulations or guidelines issued thereunder, as the case may be. I further certify that all the statements in this Addendum are true and correct.

SIGNED BY THE CHIEF FINANCIAL OFFICER OF OUR COMPANY:

Name and Designation	Signature
Appadurai Manuel Santhana Joekumar Chief Financial Officer PAN: AEHPJ5968F	Sd/-

Date: December 26, 2024**Place:** Bangalore

DECLARATION

I certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India or the regulations or guidelines issued by SEBI, established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Addendum is contrary to the provisions of the Companies Act, the Securities Contracts (Regulation) Act, 1956, as amended, the Securities and Exchange Board of India Act, 1992, as amended or the rules, regulations or guidelines issued thereunder, as the case may be. I further certify that all the statements in this Addendum are true and correct.

SIGNED BY THE COMPANY SECRETARY OF OUR COMPANY:

Name and Designation	Signature
Deepika N Bhandiwad Company Secretary M. No. A46156	Sd/-

Date: December 26, 2024**Place:** Bangalore