Sonodyne International Private Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Export Packing Credit	5.00	SMERA BB+/Stable (Reaffirmed)
Foreign Bill Discounting	2.50	SMERA BB+/Stable (Reaffirmed)
Term Loan	1.50	SMERA BB+/Stable (Reaffirmed)
Bank Guarantee	0.10	SMERA A4+ (Reaffirmed)
Letter of Credit	2.00	SMERA A4+ (Reaffirmed)
Proposed Export Packing Credit	6.95	SMERA BB+/Stable (Reaffirmed)

SMERA has reaffirmed the long term rating of **'SMERA BB+' (read as SMERA double B plus)** and **'SMERA A4+' (read as SMERA A four plus)** on the Rs.18.05 crore bank facilities of Sonodyne International Private Limited (SIPL). The outlook is **'Stable'**. The ratings continue to draw support from the experienced management and long track record of operations. The ratings are also strengthened by the established export market, above average financial risk profile and in house research and development centre. However, the ratings are constrained by the working capital intensive operations, small scale of business and exposure to forex fluctuation risk.

SMERA has consolidated the business and financial risk profiles of STPL, Sonodyne International Pvt Ltd (SIPL) and Sonodyne Electronics Private Limited (SEPL). This is because all the three companies are in the same line of business, have a common management and also have fungible cash flows.
The promoter, Mr Ashoke Kumar Mukherjee has more than four decades of experience in the manufacture and export of amplifiers and loudspeakers. Sonodyne International Pvt. Limited (SIPL) was established in 1970.

The company has been exporting its products to Australia, China, New Zealand among others over the past three decades. They have been dealing with some renowned clients like Ampetronics (U.K) and the Hills group (Australia).

Updates:

The revenue has remained consistent at Rs.19.47 crore in FY2016 compared to Rs.19.35 crore in FY2015 and Rs.17.66 crore in FY2014. The group registered moderate increase in revenue of Rs.37.12 crore in FY2015 and Rs.38.62 crore in FY2016.

The above average financial risk profile is marked by low gearing, healthy debt protection measures and a healthy networth base. The debt equity stands at 0.67 times and interest coverage at 3.44 times in FY2016. Moreover, the Net Cash accrual to Total Debt (NCA/TD) is at 0.16 times in FY2016. The group enjoys healthy net worth of Rs 24.76 crore as on 31 March, 2016.

The working capital intensive operations are marked by high average working capital days in the range of 150-180 days over the last four years. The gross current assets have been in the range of 250-290 days in the last few years due to the high inventory of raw materials that need to be maintained. The average inventory has been in the range of 155-200 days in the last few years.

Rating Sensitivity Factors

- Improvement in scale of operations and sustenance of profit margins
- Extent of debt funding capex mix

Outlook-Stable

SMERA believes that SIPL will continue to maintain a stable outlook and benefit over the medium term from the promoter's extensive experience and established position with customers and suppliers. The outlook may be revised to 'Positive' if SIPL achieves more than envisaged sales and profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and if the financial risk profile deteriorates.

Criteria applied to arrive at the ratings:

- Manufacturing entities

About the Company

SIPL, a Kolkata-based company established in 1970, by Mr Ashok Kumar Mukherjee manufactures professional audio systems, high grade electronic power supplies and low frequency amplifiers at its facility at SEEPZ, Andheri (East), Mumbai.

For FY2014–15, SIPL reported profit after tax (PAT) of Rs.0.18 crore on total operating income of Rs.19.35 crore as compared with PAT of Rs.0.39 crore on total operating income of Rs.17.66 crore in FY2013-14.

For FY2014–15, the Sonodyne group reported PAT of Rs.1.16 crore on total operating income of Rs.37.12 crore as compared with PAT of Rs.1.99 crore on total operating income of Rs.35.13 crore in FY2013-14.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating/ Outlook
			Long Term	Short Term	
6 Aug, 2015	Term Loan	1.50	SMERA BB+ (Assigned)	-	Stable
	Export Packing Credit	5.00	-	SMERA A4+ (Assigned)	-
	Foreign Bill Discounting	2.50	-	SMERA A4+ (Assigned)	-
	Letter of Credit	2.00	-	SMERA A4+ (Assigned)	-
	Bank Guarantee	0.10	-	SMERA A4+ (Assigned)	-
	Proposed Export Packing Credit	6.95	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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