

Press Release

Sonodyne International Private Limited (SIPL)

06 February, 2018



Rating Upgraded

Total Bank Facility Rated *	Rs.18.05 Crore
Long Term Rating	SMERA BBB-/Stable (Upgraded)
Short Term Rating	SMERA A3 (Upgraded)

*Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term rating on the Rs.18.05 crore bank facilities of Sonodyne International Private Limited (SIPL) to '**SMERA BBB-**' (read as **SMERA triple B minus**) from '**SMERA BB+** (read as **SMERA double B plus**) and short term rating to '**SMERA A3**' (read as **SMERA A three**) from **SMERA A4+** (read as **SMERA A four plus**). The outlook is '**Stable**'.

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.

Analytical approach:

SMERA has consolidated the business and financial risk profiles of Sonodyne Technologies Private Limited (STPL), Sonodyne International Private Limited (SIPL) and Sonodyne Electronics Private Limited (SEPL) (referred to as the Sonodyne Group) owing to the similarities in the lines of business, significant operational and financial linkages and common management.

The upgrade is in view of the stable business and financial risk profile maintained by the company along with improvement in the topline. SMERA believes that the Sonodyne Group, will maintain profitability margins along with further improvement in its financial risk profile in the medium term.

List of key rating drivers and their detailed description

Strengths:

Experienced management and long track of operations

The Sonodyne Group incorporated in 1960 by Mr Ashoke Kumar Mukherjee has long track record of over five decades in the said line of business. The group is one of India's oldest manufacturers of speakers and other sound producing products. Currently, the business is managed by Mr Anindya Mukherjee.

Established relationship with customers

The group exports its products to Australia, China, New Zealand, Singapore, Japan, US and other European countries. The company has been dealing with its overseas clients over the past three decades. Some of the reputed clients are the Hills group and Ampetronics.

Above average financial risk profile

The above average financial risk profile is marked by comfortable gearing, healthy debt protection metrics and moderate net-worth. The gearing stood comfortable at 0.86 times in FY2017 compared to 0.83 times in FY2016. The healthy debt protection metrics is marked by comfortable ICR of 3.06 times in FY2017 as against 3.22 times in FY2016. The DSCR stood at 2.69 times in FY2017 compared to 3.24 times in FY2016. The net worth stood at a moderate Rs 21.56 crore in FY2017 and Rs 20.01 crore in FY2016.

Weaknesses:

Modest scale of operations

On consolidated basis, the group's revenue stood at a modest Rs. 42.34 crore in FY2017 as against Rs 37.98 crore in FY2016. During the current year, the group clocked revenue of Rs 26 crore till Nov' 2017 on consolidated basis.

Working capital intensive operations

The business is working capital intensive marked by Gross Current Assets days of 244 in FY2017 compared to 269 days in FY2016. This is due to the high inventory of raw materials that the group had to maintain. These were imported from Taiwan, China and Switzerland. The inventory days stood at 171 in FY2017 compared to 196 days in FY2016. The group on an average utilises ~ 90 per cent of its working capital limit.

Susceptibility of margins to fluctuations in foreign exchange rates

Around 90 per cent revenue of the group is generated from export to Europe, USA, Australia among others. The sales and profit margins remain susceptible to fluctuations in foreign exchange rates.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook - Stable

SMERA believes that the Sonodyne group will maintain a Stable outlook and continue to benefit over the medium term from its promoters extensive experience and established position with customers and suppliers. The outlook may be revised to 'Positive' if the group achieves more than envisaged sales and profitability, and improvement in its market position. Conversely, the outlook may be revised to 'Negative' if the company fails to register revenue growth and profitability or if the financial risk profile deteriorates owing to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	42.34	37.98	37.10
EBITDA	Rs. Cr.	3.48	3.58	3.04
PAT	Rs. Cr.	1.43	1.85	1.16
EBITDA Margin	(%)	8.22	9.42	8.20
PAT Margin	(%)	3.38	4.87	3.13
ROCE	(%)	7.83	9.46	8.00
Total Debt/Tangible Net Worth	Times	0.86	0.83	0.70
PBDIT/Interest	Times	3.06	3.22	2.41
Total Debt/PBDIT	Times	4.86	4.05	3.69
Gross Current Assets (Days)	Days	244	269	250

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
12 Dec, 2017	Packing Credit	Long Term	5.00	SMERA BB+ (Indicative)
	Foreign Bill Discounting	Long Term	2.50	SMERA BB+ (Indicative)
	Term Loan	Long Term	1.50	SMERA BB+ (Indicative)
	Bank Guarantee	Short Term	0.10	SMERA A4+ (Indicative)
	Letter of Credit	Short Term	2.00	SMERA A4+ (Indicative)
	Proposed Packing Credit	Long Term	6.95	SMERA BB+ (Indicative)
25 Oct, 2016	Export Packing Credit	Long Term	5.00	SMERA BB+/Stable (Reaffirmed)
	Foreign Bill Discounting	Long Term	2.50	SMERA BB+/Stable (Reaffirmed)
	Term Loan	Long Term	1.50	SMERA BB+/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.10	SMERA A4+ (Reaffirmed)
	Letter of Credit	Short Term	2.00	SMERA A4+ (Reaffirmed)
	Proposed Export Packing Credit	Long Term	6.95	SMERA BB+/Stable (Reaffirmed)
6 Aug, 2015	Term Loan	Long Term	1.50	SMERA BB+/Stable (Assigned)
	Export Packing Credit	Short Term	5.00	SMERA A4+ (Assigned)
	Foreign Bill Discounting	Short Term	2.50	SMERA A4+ (Assigned)
	Bank Guarantee	Short Term	0.10	SMERA A4+ (Assigned)
	Letter of Credit	Short Term	2.00	SMERA A4+ (Assigned)
	Proposed Export Packing Credit	Short Term	6.95	SMERA A4+ (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
Packing Credit	NA	NA	NA	5.00	SMERA BBB-/Stable (Upgraded)
Bill Discounting	NA	NA	NA	2.50	SMERA BBB-/Stable (Upgraded)
Term Loan	NA	NA	NA	1.50	SMERA BBB-/Stable (Upgraded)
Bank Guarantee	NA	NA	NA	0.10	SMERA A3 (Upgraded)
Letter of Credit	NA	NA	NA	2.00	SMERA A3 (Upgraded)
Proposed Packing Credit	NA	NA	NA	6.95	SMERA BBB-/Stable (Upgraded)

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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