

Press Release

Sonodyne International Private Limited

September 16, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 18.05 Cr.
Long Term Rating	ACUITE BBB- /Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 18.05 crore bank facilities of Sonodyne International Private Limited (SIPL). The outlook is '**Stable**'.

Incorporated in 1960, Sonodyne International Private Limited (SIPL) is a Kolkata-based company, which is a part of Sonodyne Group promoted by Mr. Ashok Kumar Mukherjee. SIPL is engaged in the business of manufacturing and export of amplifiers, power amplifiers, audio distribution amplifiers, high power amplifiers, QSC amplifiers and professional amplifiers, among others for high quality audio system.

Incorporated in 2006, Sonodyne Technologies Private Limited (STPL) is a Kolkata-based company promoted by Mr. Ashok Kumar Mukherjee. STPL is engaged in the business of speakers and sound producing apparatus.

Sonodyne Electronics Company Private Limited has been merged with Sonodyne Technologies Private Limited with effect from April 1, 2017.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Long track record of operations and experienced promoters**

The promoter, Mr. Ashok Kumar Mukherjee, has an experience of more than four decades in the business of manufacturing and export of amplifiers. The day-to-day operations are managed by Mr. Ashoke Kumar Mukherjee, who is an electronic engineer from IIT (Roorkee) and his son, Mr. Anindya Mukherjee. Sonodyne International Private Limited (SIPL), the group's flagship company established in 1960, is one of the oldest company in India to introduce high quality amplifiers, inverters and assembled kits for making quality speakers and music system for overseas and domestic markets.

- **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 Hills group and Ampetronics.

- **Comfortable financial risk profile**

The company's financial risk profile is healthy marked by modest net worth, low gearing and comfortable debt protection measures. The net worth of the company stood modest at Rs.24.43 crore as on 31 March, 2019 (Provisional) as against Rs.23.13 crore in the previous year. The gearing stood comfortable at 0.81 times as on 31 March, 2019 (Provisional) as against 0.83 times in the previous year. Total debt of Rs.19.86 crore as on 31 March, 2019(Provisional) consist of Rs.5.46 crore of long term borrowings, unsecured loan of Rs.0.49 crore and short term borrowings of Rs 13.91 crore. However,

the debt protection metrics is comfortable marked by interest coverage ratio (ICR) of 2.41 times in FY2019 (Provisional) and debt service coverage ratio (DSCR) of 2.12 times as on March 31, 2019(Provisional). Acuite believes that the financial risk profile of the company is likely to remain comfortable over the medium term.

Weaknesses

• Debt funded capex plan

The group is currently undertaking a project to set up a new manufacturing unit in Kolkata for Residential and Professional Audio Segments in STPL. The project was expected to be complete by April, 2019. However, the project got delayed due to time overrun in meeting sound standards and adaptation of latest technology.

The total cost of the project stood at ~Rs. 16.24 crore, which will be financed by bank loan of Rs.4.93 crore, Rs.6.31 crore of promoters' contribution and Rs.5.00 crore from TDB (Technology Development Board). Till now, the company has only purchased building worth Rs.5.14 crore. The project is expected to be completed by September, 2020.

Acuite believes that the group's ability to complete the project on time without any significant delay and cost overruns would remain key rating sensitivity.

• Modest scale of operations

Though the group has a long track record of operations, its revenue stood modest at Rs 38.75 crore in FY2019 (Provisional) as compared to Rs 31.87 crore in FY2018. The improvement in sales of the group is on account of rise in exports to Australia and volume growth domestically.

• Working capital intensive operations

The group's operations are working capital intensive in nature marked by gross current assets days of 267 days in FY19(Provisional). This is due to the high inventory of raw materials that the group had to maintain for its high lead time, which are mainly imported from Taiwan, China and Switzerland. In addition to this, the product has to go through research and development stages, thereby leading to moderate processing cycle period due to different specifications according to customer needs, especially for music systems used in studios by professionals. The group on an average utilizes ~ 90 per cent of its working capital limit.

Liquidity Profile

The group's liquidity profile is adequate marked by moderate net cash accruals of Rs. 2.08 crore in FY2019 (Provisional) as against its maturing debt obligations of Rs.0.65 crore over the same period. The operations are working capital intensive marked by gross current asset (GCA) days of 267 in FY2019 (Provisional). The current ratio of the group stood modest at 1.18 times as on March 31, 2019 (Provisional). The group maintains unencumbered cash and bank balances of Rs. 0.32 crore as on March 31, 2019 (Provisional). However, the bank limit remains 90 per cent utilised on an average in the last twelve months.

Outlook: Stable

Acuite believes that Sonodyne will continue to benefit over the medium term from the promoter's experience and its established relationship with its customers and suppliers. The outlook may be revised to 'Positive' if Sonodyne achieves more than envisaged sales and profitability, and improve its working capital intensity. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue or deterioration in financial risk profile in case of further working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	38.75	31.87	42.34
EBITDA	Rs. Cr.	3.44	2.65	3.48
PAT	Rs. Cr.	1.23	1.17	1.43
EBITDA Margin	(%)	8.89	8.33	8.22
PAT Margin	(%)	3.16	3.67	3.38
ROCE	(%)	6.95	5.52	7.83
Total Debt/Tangible Net Worth	Times	0.81	0.83	0.86
PBDIT/Interest	Times	2.41	2.69	3.06
Total Debt/PBDIT	Times	5.11	6.37	4.86
Gross Current Assets (Days)	Days	267	310	244

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Mar-2019	Term Loan	Long Term	1.50	ACUITE BBB- / Stable (Issuer not cooperating)
	Packing Credit	Long Term	5.00	ACUITE BBB- / Stable (Issuer not cooperating)
	Foreign Bill Discounting	Long Term	2.50	ACUITE BBB- / Stable (Issuer not cooperating)
	Proposed Packing Credit	Long Term	6.95	ACUITE BBB- / Stable (Issuer not cooperating)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Issuer not cooperating)
	Bank Guarantee	Short Term	0.10	ACUITE A3 (Issuer not cooperating)
06-Feb-2018	Term Loan	Long Term	1.50	ACUITE BBB- / Stable (Upgraded)
	Packing Credit	Long Term	5.00	ACUITE BBB- / Stable (Upgraded)
	Foreign Bill Discounting	Long Term	2.50	ACUITE BBB- / Stable (Upgraded)
	Proposed Packing Credit	Long Term	6.95	ACUITE BBB- / Stable (Upgraded)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Upgraded)
	Bank Guarantee	Short Term	0.10	ACUITE A3 (Upgraded)

12-Dec-2017	Term Loan	Long Term	1.50	ACUITE BB+ (Indicative)
	Packing Credit	Long Term	5.00	ACUITE BB+ (Indicative)
	Foreign Bill Discounting	Long Term	2.50	ACUITE BB+ (Indicative)
	Proposed Packing Credit	Long Term	6.95	ACUITE BB+ (Indicative)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Indicative)
	Bank Guarantee	Short Term	0.10	ACUITE A4+ (Indicative)
25-Oct-2016	Term Loan	Long Term	1.50	ACUITE BB+/ Stable (Reaffirmed)
	Packing Credit	Long Term	5.00	ACUITE BB+/ Stable (Reaffirmed)
	Foreign Bill Discounting	Long Term	2.50	ACUITE BB+/ Stable (Reaffirmed)
	Proposed Packing Credit	Long Term	6.95	ACUITE BB+/ Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.10	ACUITE A4+ (Reaffirmed)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB- (Withdrawn)
Export Packing Credit/ Foreign Bill Discounting	Not Applicable	Not Applicable	Not Applicable	7.25	ACUITE BBB-/Stable (Reaffirmed)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	9.70 (Enhanced from 6.95)	ACUITE BBB-/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A3 (Reaffirmed)

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About Acuite Ratings & Research:

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