

Press Release

Sonodyne Technologies Private Limited

February 17, 2023



Rating Assigned, Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.25	ACUITE BB Stable Assigned	-
Bank Loan Ratings	13.30	ACUITE BB Stable Downgraded	-
Bank Loan Ratings	1.85	-	ACUITE A4+ Assigned
Bank Loan Ratings	0.60	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	24.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to **'ACUITE BB' (read as ACUITE double B)** from **'ACUITE BB+' (read as ACUITE double B plus)** and reaffirmed the short-term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.13.90 Cr bank facilities, and has assigned the long-term rating of **'ACUITE BB' (read as ACUITE double B)** and the short-term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs.10.10 Cr bank facilities of Sonodyne Technologies Private Limited (STPL). The outlook remains **'Stable'**.

Rating Rationale

The rating downgrade is on account of the modest scale of operations of the company and the continuous losses incurred over the past three years. The rating is further constrained by the working capital intensive nature of operations of the company. However, these weaknesses are, offset by the experienced management, the long standing operations and the moderate financial risk profile of the company.

About the Company

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.

Analytical Approach

Previously, Acuite had taken the consolidated business and financial risk profiles of Sonodyne Technologies Private Limited (STPL) and Sonodyne International Private Limited (SIPL) (referred to as the Sonodyne Group). Now, Acuite has modified the approach to 'standalone' to arrive at the rating as the operations of SIPL has been merged with STPL.

Key Rating Drivers

Strengths

- **Experienced management**

STPL has been operating for over two decades and is aided by Mr Ashoke Kumar Mukherjee who has an experience of over four decades in the industry, assisted by his son Mr Anindya Mukherjee. The company has established comfortable relationships with the key suppliers and reputed customers over the years, thereby, ensuring the smooth flow of operations. Acuité derives comfort from the experienced management and the long-running operations of the company.

- **Moderate financial risk profile**

The company's moderate financial risk profile is marked by modest networth along with moderate gearing & debt protection metrics. The tangible net worth of the company marginally reduced to Rs.15.10 Cr as on March 31, 2022 from Rs.15.16 Cr as on March 31, 2021 due to accumulated losses. Gearing of the company stood moderate at 1.63 times as on March 31, 2022 as against 1.57 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 2.21 times as on March 31, 2022 as against 1.94 times as on March 31, 2021. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 1.78 times as on March 31, 2022 and Debt Service Coverage Ratio at 1.40 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.03 times as on March 31, 2022. Acuité believes that going forward the financial risk profile of the company will remain moderate in the absence of major debt funded capex plans.

Weaknesses

- **Modest scale of operations**

The company's modest scale of operations is reflected by the revenues achieved in FY2022 of around Rs.32.08 Cr as compared to Rs.24.12 Cr in FY2021. The rise in revenues are on account of increase in the total sales along with surge in the export sales due to ramp up in the company's operations after the pandemic. Further, till September, 2022, it achieved revenues of Rs.20.22 Cr (provisional). Acuité believes that the company's ability to further improve the scale of operations will be key monitorable.

- **Fluctuating profitability margins**

The profitability margins of STPL witnessed fluctuations as the operating margin declined to 3.26 per cent in FY2022 as compared to 8.60 per cent in FY2021 due to increase in the raw material costs. However, the losses incurred in FY2022 considerably recovered due to dip in the interest costs. Acuité believes that the company's capability to improve the profitability margins will be a key sensitivity factor.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high but improving Gross Current Assets (GCA) of 354 days as on March 31, 2022 as against 452 days as on March 31, 2021 on account of high inventory period. The inventory holding stood high at 252 days as on 31st March, 2022 as compared to 323 days as on March 31, 2021 on account of maintaining high raw material stock due to high lead time of the imported materials from Taiwan, China, Switzerland. In addition to this, the product has to go through research and development stages to modify the specifications according to customer needs. However, the debtor period stood comfortable at 50 days as on March 31, 2022 as compared to 72 days as on 31st March 2021. Going forward, Acuité believes that the working capital operations of the company will remain intensive owing to high inventory requirement.

Rating Sensitivities

- Increase in the scale of operations along with improvement in the profitability margins
- Improvement in the financial risk profile

- Elongation in the working capital cycle

Material covenants

None

Liquidity position: Adequate

The company's liquidity is adequate marked by net cash accruals stood at Rs. 0.76 Cr as on March 31, 2022 as against long term debt repayment of only Rs.0.13 Cr over the same period. The unencumbered cash and bank balances of the company stood at Rs.1.26 Cr as on March 31, 2022. The current ratio stood at 1.54 times as on March 31, 2022. However, the working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 354 days as on March 31, 2022 as against 452 days as on March 31, 2021. The fund based limit remained utilised at 96 per cent over the seven months ended November, 2022. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook of the company will remain 'Stable' over the medium term on account of the long track record of operations and experienced management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile or further elongation in its working capital cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	32.08	24.12
PAT	Rs. Cr.	(0.02)	(0.25)
PAT Margin	(%)	(0.08)	(1.05)
Total Debt/Tangible Net Worth	Times	1.63	1.57
PBDIT/Interest	Times	1.78	1.41

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 May 2022	Packing Credit	Long Term	3.50	ACUITE BB+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.90	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	3.55	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	4.89	ACUITE BB+ (Issuer not co-operating*)
	Letter of Credit	Short Term	0.25	ACUITE A4+ (Issuer not co-operating*)
	Proposed Bank Facility	Short Term	0.81	ACUITE A4+ (Issuer not co-operating*)
16 Feb 2021	Term Loan	Long Term	4.89	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	0.90	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	0.25	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Packing Credit	Long Term	3.50	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Short Term	0.81	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	3.55	ACUITE BB+ (Downgraded and Issuer not co-operating*)
09 Dec 2020	Cash Credit	Long Term	3.55	ACUITE BBB- (Issuer not co-operating*)
	Letter of Credit	Short Term	0.25	ACUITE A3 (Issuer not co-operating*)
	Proposed Bank Facility	Short Term	0.81	ACUITE A3 (Issuer not co-operating*)
	Packing Credit	Long Term	3.50	ACUITE BBB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.90	ACUITE A3 (Issuer not co-operating*)
	Term Loan	Long Term	4.89	ACUITE BBB- (Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.35	ACUITE A4+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.55	ACUITE BB Stable Downgraded (from ACUITE BB+)
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	3.60	ACUITE BB Stable Downgraded (from ACUITE BB+)
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.40	ACUITE BB Stable Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A4+ Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.55	ACUITE A4+ Assigned
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE BB Stable Downgraded (from ACUITE BB+)
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	6.85	ACUITE BB Stable Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.30	ACUITE A4+ Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.65	ACUITE BB Stable Downgraded (from ACUITE BB+)

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Geeta Karira Analyst-Rating Operations Tel: 022-49294065 geeta.karira@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.