



Press Release
Sonodyne Technologies Private Limited
October 31, 2023

Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.55	ACUITE BB Reaffirmed & Withdrawn	-
Bank Loan Ratings	2.15	-	ACUITE A4+ Reaffirmed & Withdrawn
Bank Loan Ratings	0.30	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	24.00	-	-

Rating Rationale

Acuite has withdrawn the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 23.7 Cr of bank facilities of Sonodyne Technologies Private Limited (STPL). The withdrawal is as per Acuite's policy of withdrawal of ratings. The rating withdrawal is on account of the request received from the company and the NOC received from the banker.

Acuite has also withdrawn the rating on the Rs. 0.30 Cr bank facilities of Sonodyne Technologies Private Limited (STPL). The rating will be 'Not Applicable' for the withdrawn proposed limit.

Rationale for the reaffirmation

The rating factors the moderate scale of operations of the company coupled with improvement in the profitability margins. The rating also factors in the moderate financial risk profile of STPL. These strengths are, however, offset by the working capital intensive operations of the company and the exposure to foreign exchange risks.

About the Company

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

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has taken the standalone business and financial risk profile of Sonodyne Technologies Private Limited (STPL) to arrive at the rating.

Key Rating Drivers

Strengths
Experienced management

STPL has a long track record of operations spanning over two decades and is aided by Mr Ashok Kumar Mukherjee who has an experience of over four decades 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.

Improvement in the revenue levels and profitability margins

STPL scale of operations although moderate but improved to Rs. 41.89 Cr in FY2023 as compared to Rs. 32.08 Cr in FY2022. The increase in operating income is primarily driven by rise in the sale of speakers.

Acuité believes that the company's ability to further improve the scale of operations will remain a key sensitivity factor.

Moreover, the profitability margins of STPL witnessed improvement in FY2023 buoyed by increase in the operating income as against comparative decline in the operating costs. The operating margin improved to 10.47 per cent in FY2023 from 3.26 per cent in FY2022 and 8.60 per cent in FY2021. Furthermore, the company achieved net profitability in FY2023 as against losses incurred over the past two years.

Acuité believes that sustaining the improvement in profitability margins will be key monitorable.

Weaknesses

Moderate financial risk profile

The company's moderate financial risk profile is marked by modest networth along with moderate gearing & comfortable debt protection metrics. The tangible net worth of the company increased to Rs. 16.45 Cr as on March 31, 2023 from Rs. 15.10 Cr as on March 31, 2022 due to accretion to reserves. Gearing of the company stood moderate at 1.50 times as on March 31, 2023 as against 1.63 times as on March 31, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.99 times as on March 31, 2023 as against 2.21 times as on March 31, 2022. The comfortable debt protection metrics of the company is marked by Interest Coverage Ratio at 2.38 times as on March 31, 2023, however, the Debt Service Coverage Ratio remained moderate at 1.77 times as on March 31, 2023. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.10 times as on March 31, 2023. Acuité believes that going forward the financial risk profile of the company will remain moderate in the absence of major debt funded capex plans.

Susceptibility to fluctuations in foreign exchange rate

STPL generates around 45 to 50 per cent revenues from the export sales which exposes the company to the fluctuations in foreign exchange rate. Profitability also remains exposed to any unfavourable fluctuation in forex rates.

Working capital intensive nature of operations

The working capital intensive nature of operations of the company is marked by improving but high Gross Current Assets (GCA) of 275 days as on March 31, 2023 as against 354 days as on March 31, 2022 on account of improvement in the inventory period and comfortable debtor cycle. The inventory holding improved but remained high at 202 days as on 31st March, 2023 as compared to 252 days as on March 31, 2022 on account of marginal reduction in the inventory cycle of imported raw materials. Moreover, the debtor period stood comfortable at 44 days as on March 31, 2023 as compared to 50 days as on 31st March 2022.

Acuité believes that the working capital operations of the company will remain intensive owing to the high inventory requirement.

Rating Sensitivities

None

All Covenants

None

Liquidity Position**Adequate**

The company's liquidity is adequate marked by net cash accruals stood at Rs. 2.36 Cr as on March 31, 2023 as against long term debt repayment of only Rs. 0.50 Cr over the same period. The unencumbered cash and bank balances of the company stood at Rs. 1.03 Cr as on March 31, 2023. The current ratio stood at 1.33 times as on March 31, 2023. The working capital intensive nature of operations of the company is marked by high but improving Gross Current Assets (GCA) of 275 days as on March 31, 2023 as against 354 days as on March 31, 2022 on account of improvement in the inventory period and comfortable debtor cycle. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	41.89	32.08
PAT	Rs. Cr.	1.26	(0.02)
PAT Margin	(%)	3.00	(0.08)
Total Debt/Tangible Net Worth	Times	1.50	1.63
PBDIT/Interest	Times	2.38	1.78

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

Not Applicable

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, Acuite 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
17 Feb 2023	Term Loan	Long Term	2.65	ACUITE BB Stable (Downgraded from ACUITE BB+)
	Bank Guarantee	Short Term	0.35	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	1.55	ACUITE A4+ (Assigned)
	Covid Emergency Line	Long Term	3.60	ACUITE BB Stable (Downgraded from ACUITE BB+)
	Covid Emergency Line	Long Term	1.40	ACUITE BB Stable (Assigned)
	Letter of Credit	Short Term	0.25	ACUITE A4+ (Reaffirmed)
	PC/PCFC	Long Term	6.85	ACUITE BB Stable (Assigned)
	PC/PCFC	Long Term	3.50	ACUITE BB Stable (Downgraded from ACUITE BB+)
	Proposed Short Term Bank Facility	Short Term	0.30	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	3.55	ACUITE BB Stable (Downgraded from ACUITE BB+)
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*)
		Short		

	Bank Guarantee	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 & Withdrawn
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.55	ACUITE BB Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	3.60	ACUITE BB Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.40	ACUITE BB Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.55	ACUITE A4+ Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A4+ Reaffirmed & Withdrawn
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE BB Reaffirmed & Withdrawn
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	6.85	ACUITE BB Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.30	Not Applicable Withdrawn
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.65	ACUITE BB Reaffirmed & Withdrawn

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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.

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