

Rating Update

July 10, 2024 | Mumbai

Sonam Limited**Update as on July 10, 2024**

This update is provided in continuation of the rating rationale below.

The key rating sensitivity factors for the rating include:

Upward factors:

- Significant growth in revenue with sustained operating margin leading to PAT of Rs 5 crore on sustained basis
- Improvement in working capital cycle

Downward factors:

- Decline in scale leading to net cash accrual to repayment ratio lower than 1 time
- Increase in dependence on external debt and/or withdrawal of unsecured loans weakening liquidity

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Sonam Limited (SCL) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

Incorporated in 2001 by Mr Jayesh Shah and family, SCL manufactures wall clocks, table/alarm clocks, digital clocks and clock movements at its facility in Morbi, Gujarat.

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Rating Rationale

May 03, 2023 | Mumbai

Sonam Clock Limited

Rating reaffirmed at 'CRISIL BBB-/Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.27 Crore (Reduced from Rs.32 Crore)
Long Term Rating	CRISIL BBB-/Stable (Reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its rating on the bank facilities of Sonam Clock Limited (SCL) at 'CRISIL BBB-/Stable' and **withdrawn** ratings for Proposed Fund-Based Bank Limits at the company's request. The withdrawal is in line with CRISIL Ratings' policy on withdrawal of bank loan ratings.

The rating continues to reflect the extensive experience of its promoters and comfortable financial risk profile. These strengths are partially offset by moderate scale of operations and working capital intensive operation.

Key Rating Drivers & Detailed Description

Strengths:

- **Promoter's extensive experience:** SCL has been operating in the clock manufacturing industry for more than three decades. It supplies different types of clocks to reputed and diversified clients in India and abroad (UAE, Iran, Nepal, Sri Lanka, Algeria, etc). The extensive experience of promoters has given them an understanding of the dynamics of the market and enabled them to establish relationships with suppliers and customers.
- **Comfortable financial risk profile:** Networth was around Rs 34.6 crore with gearing and total outside liability to adj networth of 0.86 times and 1.24 times, respectively as on March 31, 2022. Debt protection metrics were comfortable with interest coverage was around 3.8 times and net cash accrual to adj debt of 19% in fiscal 2022 and are likely to remain moderate over the medium term backed by steady accretion to reserves and no large debt funded capex.

Weaknesses:

- **Moderate scale of operations:** Revenue is estimated to be around Rs 87.43 crore for fiscal 2022 against Rs 79.7 crore in fiscal 2021. Though 3-year revenue CAGR is estimated to be at 16% for fiscal 2022, it continues to remain moderate. Operating margin was in range of 9-12% during 3 fiscals through March 31, 2022. During 9MFY23, company estimated revenue of Rs 65.21 crore with op margin of 10.80%. With stable order inflow and susceptibility of profitability to key raw material price, plastic granule, scale is expected to remain on moderate level over medium term.
- **Working capital intensive operations:** Operations are working capital-intensive, as indicated by gross current assets (GCAs) of 154-203 days in three fiscals through March 31, 2022, drive by high inventory levels of 93-123 days. Improvement in working capital cycle remain a key monitorable.

Liquidity: Adequate

Cash accruals are expected to be sufficient in range of Rs 5-6.5 crore against term debt obligation of Rs 3.7-4.7 crore over the medium term. Bank limits were moderately utilized at around 85-90% during the twelve months through March 2023. Current ratio was around 1.30 times as on March 31, 2022.

Outlook: Stable

CRISIL Ratings believes SCL will continue to benefit from the extensive experience of its promoters.

Rating Sensitivity factors

Upward factors:

- Significant growth in revenue with sustained operating margin leading to PAT of Rs 5 crore on sustained basis
- Improvement in working capital cycle

Downward factors:

- Decline in scale leading to net cash accrual to repayment ratio lower than 1 time
- Increase in dependence on external debt and/or withdrawal of unsecured loans weakening liquidity

About the Company

Incorporated in 2001 by Mr Jayesh Shah and family, SCL manufactures wall clocks, table/alarm clocks, digital clocks and clock movements at its facility in Morbi, Gujarat.

Key Financial Indicators

Particulars	Unit	2022	2021
Revenue	Rs crore	87.43	79.67
Profit after tax (PAT)	Rs crore	3.40	3.32
PAT margin	%	3.89	4.17
Adjusted debt/adjusted networkth	Times	0.86	0.94
Interest coverage	Times	3.83	3.96

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	Cash Credit&	NA	NA	NA	17	NA	CRISIL BBB-/Stable
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	5	NA	Withdrawn
NA	Term Loan	NA	NA	Jan-26	10	NA	CRISIL BBB-/Stable

& - Fully interchangeable with EPC

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	32.0	CRISIL BBB-/Stable	--	--	25-05-22	CRISIL BBB-/Stable	18-03-21	CRISIL BBB-/Stable	30-06-20	CRISIL BB+ /Stable(Issuer Not Cooperating)*	CRISIL BB+ /Stable(Issuer Not Cooperating)*
			--	--	--		--	05-02-21	Withdrawn (Issuer Not Cooperating)*		--	--

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit&	17	Bank of India	CRISIL BBB-/Stable
Proposed Fund-Based Bank Limits	5	Not Applicable	Withdrawn
Term Loan	10	Bank of India	CRISIL BBB-/Stable

This Annexure has been updated on 03-May-23 in line with the lender-wise facility details as on 02-Feb-23 received from the rated entity.

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Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Consumer Durable Industry
Understanding CRISILs Ratings and Rating Scales

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