

Press Release

Dynacons Systems And Solutions Limited

June 01, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 55.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 55.00 crore bank facilities of Dynacons Systems And Solutions Limited. The outlook is '**Stable**'.

Dynacons Systems & Solutions Limited (DSSL) is an IT infrastructure company providing hardware services including systems integration, networking solutions, facility management services, security solutions, and software services based on Microsoft, Linux, UNIX and SUN Solaris. It partners with various hardware OEMs including Intel, Microsoft, Compaq, HP, Cisco, IBM and Red Hat. DSSL is headquartered in Mumbai, has six branch offices and presence in more than 250 location across India. The company also has a wholly owned subsidiary company in Singapore, handling Asia Pacific operations. The company is promoted by Mr. Shirish Anjaria, Mr. Dharmesh Anjaria and Mr. Parag Dalal and is listed on BSE and NSE.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations:**

DSSL was incorporated in 1995. The company is promoters possess over 25 years of experience in the IT industry. Mr. Shirish Anjaria is also the Founder of the Millennium PC, a initiative which was recognized by Intel (USA). Mr. Parag has a rich experience in the field of Business, Information Technology, Software Development and Services.

- **Comfortable financial risk profile:**

The financial risk profile is comfortable marked by tangible network of Rs.20.42 crore as on 31 March, 2017 as against Rs.16.87 crore in the previous year. The gearing stood at 0.98 times on 31 March, 2017 as against 1.24 times in the previous year. The total debt of Rs.20.10 crore includes term loan from bank of Rs.0.87 crore and working capital funds of Rs.19.23 crore. The Interest Coverage Ratio (ICR) stood at 1.78 times for FY2017 as against 1.70 times in FY2016. The total outside liabilities to tangible network (TOL/TNW) stood at 1.64 times as on 31 March, 2017 as against 1.95 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.09 times in FY2017 compared to 0.07 times in FY2016. Going forward, Acuite expects the company to maintain its financial risk profile in the absence of major debt funded capex plan.

- **Steady growth in revenue:**

DSSL recorded revenues of Rs.158.29 crore in FY2017 as against Rs.124.18 crore in FY2016 and Rs.104.92 crore in FY2015. Further during the period April 2017 to December 2017, the company has recorded revenues of Rs.155.38 crore. The revenues of the firm have grown at a CAGR of 18.35 percent from FY2015 to FY2018 (9M).

- **Reputed clientele:**

Owing to promoters experience in the industry, DSSL has developed healthy relations with many reputed clientele in the industry. The firm caters to companies such as LIC, Godrej, Vodafone, Mumbai Municipal Corporation, Central Bank of India, Reserve Bank of India, to name a few.

Weaknesses

- **Working capital intensive operations:**

The operations of DSSL are working capital intensive marked by high Gross Current Assets (GCA) of 108 days in FY2017 compared to 123 days in FY2016. The GCA days are mainly dominated by debtor days of 68 in FY2017 compared to 89 in FY2016. Acuite believes that efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

- **Weak profitability:**

The operating margins of the company stood at 3.01 times in FY2017 as against 3.36 times in FY2016. While the PAT margins stood at 0.79 times in FY2017 as against 0.73 times in FY2016.

- **Competitive and fragmented industry:**

DSSL is exposed to intense competition from several other small scale and large scale IT enabled solution providers.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Dynacons Systems & Solutions Limited to arrive at the rating.

Outlook: Stable

Acuite believes that DSSL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues 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 revenues or profit margins, or in case of deterioration in financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	158.29	124.18	104.92
EBITDA	Rs. Cr.	4.76	4.17	4.00
PAT	Rs. Cr.	1.25	0.91	0.69
EBITDA Margin	(%)	3.01	3.36	3.81
PAT Margin	(%)	0.79	0.73	0.66
ROCE	(%)	11.55	12.03	21.90
Total Debt/Tangible Net Worth	Times	0.98	1.24	0.81
PBDIT/Interest	Times	1.78	1.70	2.03
Total Debt/PBDIT	Times	3.88	4.45	2.92
Gross Current Assets (Days)	Days	108	123	101

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

CARE, vide its press release dated April 4, 2018 had denoted the rating of DSSL Limited as 'CARE BB+/Stable/CARE A4+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3

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About Acuité Ratings & Research:

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