



Press Release
Dynacons Systems And Solutions Limited
November 28, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	30.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	65.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B 'Plus'**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.65.00 crore bank facilities of Dynacons Systems and Solutions Limited (DSSL). The outlook is '**Stable**'.

Rationale for reaffirmation considers the consistent increase in the scale of operations since last two years ended FY2023 and profitability along with healthy financial risk profile and adequate liquidity. The Company's revenue stood at Rs.804.15 Cr in FY2023 with YOY growth of 22.96 percent as against Rs. 653.98 Cr in FY2022. The operating margins stood at 6.79 percent in FY2023 as against 4.66 percent in FY2022. The financial risk profile of the company continues to be healthy with comfortable debt protection metrics and low gearing. The overall gearing of the Company stood at 0.63 times as on March 31, 2023 as against 0.91 times as on March 31, 2022. The interest coverage ratio stood at 5.21 times in FY2023 as against 3.62 times in FY2022.

The rating is however constrained by presence in a highly competitive and fragmented industry along with intensive working capital operations, and timely realization of its receivables will remain a key rating sensitivity.

About the Company

Dynacons Systems & Solutions Limited (DSSL) Incorporated in 1995, is an IT infrastructure company providing systems integration, networking solutions, facility management services, security solutions, and software services. It has also partnered with various IT companies including Lenovo, Dell, HPE, HP, Cisco, IBM, Apple, Microsoft, Juniper and Red Hat. DSSL is headquartered in Mumbai and has 11 branch offices and warehouses with presence in more than 250 locations 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 Bombay Stock Exchange (BSE) and National Stock Exchange (NSE)

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profile of DSSL to arrive at the rating

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

DSSL, incorporated in 1995, has an operational track record of over two decades in IT industry. Mr. Shirish Anjaria (Managing Director) is also the Founder of the Millennium PC, an initiative, which was recognized by Intel (USA). Mr. Parag Dalal (Director) has an experience in the field of Business, Information Technology, Software Development and Services. The directors of the company have an experience of over two decades in the aforementioned line of business. The long track record of operations and experience of the management have helped the company develop healthy relationships with its customers and suppliers. Acuité believes that DSSL will sustain its existing business profile on the back of an established track record of operations and experienced management.

- **Significant growth in scale of operations and operating margins with healthy order book**

DSSL reported significant growth with YOY growth of 22.96 percent in FY2023 as compared to FY2022. Revenues stood at Rs.804.15 Cr in FY2023 as against Rs.653.98 Cr in FY2022. This is mainly on account of consistent orders from existing as well as new customers. DSSL caters to reputed clientele such as Facebook India, LIC, Municipal Corporation of Greater Mumbai (MCGM), Central Bank of India, Reserve Bank of India (RBI), National Payments Corporation of India (NPCI) and Google India to name a few. Further, the operating margins stood at 6.79 percent in FY2023 as against 4.66 percent in FY2022. DSSL has an unexecuted order book position of Rs.1530.56 Cr as on October 31, 2023. Acuité believes that the revenues are expected to improve further on account of healthy order book position

- **Healthy financial risk profile**

The company's financial risk profile is healthy, marked by a moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood at Rs.104.56 Cr and Rs.67.86 Cr as on March 31, 2023 and 2022 respectively. The improvement in net worth is due to accretion of reserves. Gearing of the company stood at 0.63 times as on March 31, 2023 against 0.91 times as on March 31, 2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 5.21 times and 3.23 times as on March 31, 2023 respectively as against 3.62 times and 2.33 times as on March 31, 2022 respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 2.84 times and 2.40 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 1.15 times as on March 31, 2023 as against 1.91 times as on March 31, 2022. Acuité believe, that the financial risk profile is expected to be at similar levels over the medium term considering no debt funded expansion planned in near future.

Weaknesses

- **Working capital intensive operations**

DSSL's working capital operations is intensive marked by high gross current Asset (GCA) at 163 days as on March 31, 2023 as against 146 days as on March 31, 2022. The GCA days are impacted mainly on account of debtor days. Inventory days stood at 18 days as on March 31, 2023 as against 42 days as on March 31, 2022. Debtor day stood at 136 days as on March 31, 2023 as against 98 days as on March 31, 2022. Debtors days increased on account of long tenure of orders and nature of payments. Subsequently, the payable period stood at 113 days on March 31, 2023 as against 100 days as on March 31, 2022 respectively.

- **Competitive and fragmented industry**

DSSL operates in a fragmented and competitive industry, where it faces high competition from small as well as well established players with high resources. However, DSSL has been providing multiple service offerings, along with maintaining diversified industry clientele to be able to retain its market position. Acuité believes that the addition of new customers will be critical in order to scale up its operations over the medium term.

Rating Sensitivities

- Significant improvement in scale of operations along with profitability.
- Stretch in working capital cycle and deterioration in liquidity position

All Covenants

None

Liquidity Position: Adequate

DSSL liquidity is adequate marked by adequate net cash accruals to its maturing debt obligation. The company has generated cash accruals in the range of Rs.34.74 Cr in FY2023, while its maturing debt obligations were Rs. 3.22 Cr during the same period. Going forward the company is expected to generate net cash accruals of Rs. 48- 58 Cr in FY 2024-25 against Rs.3.74-3.97 Cr debt obligations. The current ratio stood at 1.41 times as on March 31, 2023, and the limits remains utilized at 63 percent for fund based and 98 percent for non-fund based over the 7 months ended October 31, 2023 for fund based. The company maintains unencumbered cash and bank balances of Rs.16.22 Cr as on March 31, 2023. Acuité believes that the liquidity of the company is likely to improve over the medium term

Outlook: Stable

Acuité believes that DSSL will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations, experienced management and reputed clientele. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	804.15	653.98
PAT	Rs. Cr.	33.37	16.43
PAT Margin	(%)	4.15	2.51
Total Debt/Tangible Net Worth	Times	0.63	0.91
PBDIT/Interest	Times	5.21	3.62

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
30 Aug 2022	Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Positive)
	Bank Guarantee	Short Term	30.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	15.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Positive)
02 Jun 2021	Bank Guarantee	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB Positive (Reaffirmed)
08 Jan 2021	Cash Credit	Long Term	35.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A2 Reaffirmed
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BBB+ Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB+ Stable Reaffirmed

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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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