



**Press Release**  
**DYNACONS SYSTEMS AND SOLUTIONS LIMITED**  
**December 12, 2024**  
**Rating Upgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.00	ACUITE A-   Stable   Upgraded	-
Bank Loan Ratings	30.00	-	ACUITE A2+   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	65.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

**Rating Rationale**

Acuite has upgraded the long-term rating to '**ACUITE A-**' (read as **ACUITE A minus**) from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) from '**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 upgrade:**

The rating upgrade takes into account the significant improvement in the scale of operations in FY2024, and in H1 of FY2025, the same is expected to continue for the entire year FY2025. The company's earning profile operating income, absolute EBITDA, and PAT has witnessed a strong growth of 27%, 43% and 62% respectively in FY2024 in comparison to previous year, backed by improvement in the order book, coupled with a track record of repeat orders from key customers. It also considers an improved financial risk profile and adequate liquidity. It also factors in a healthy order book position, which, coupled with a track record of repeat orders from key customers, DSSL caters to reputed clientele such as Facebook India, LIC, the Municipal Corporation of Greater Mumbai (MCGM), the Central Bank of India, the Reserve Bank of India (RBI), the National Payments Corporation of India (NPCI), BSNL, Punjab National Bank, the Bank of Baroda, the Brihanmumbai Municipal Corporation, and Google India, to name a few. Further, rating continues to derive strength from the promoters' extensive experience in industry.

The rating is, however, constrained by its 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 and 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 a 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 the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuité 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 improvement in scale of operations and healthy order book

The company has reported significant growth with YOY growth in operating income of 27.39 percent in FY2024 as compared to FY2023. Revenues stood at Rs.1024.43 Cr. in FY2024 as against Rs.804.15 Cr. in FY2023. 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, the Municipal Corporation of Greater Mumbai (MCGM), the Central Bank of India, the Reserve Bank of India (RBI), the National Payments Corporation of India (NPCI), and Google India, to name a few. The company has reported operating income of Rs.627.29 Cr. in H1 of FY2025. Profitability margin, i.e., EBITDA margin, improved and stood at 7.63 percent in FY2024 as against 6.79 percent in FY2023. The reason for improvement in the EBITDA margin is because DSSL can high margins to their customers based upon the complexity of the order. The company has an unexecuted order book position of Rs. 1937 Cr. as on October 31, 2024, which, coupled with a track record of repeat orders from key customers, provides adequate revenue visibility. Acuité believes that the revenues are expected to improve further on account of a healthy order book position.

### ▪ Healthy financial risk profile metrics

The company's financial risk profile is healthy, marked by a healthy capital structure, low gearing, and healthy debt protection metrics. The net worth of the company stood at Rs.157.57 Cr. and Rs.104.56 Cr. as on March 31, 2024, and 2023, respectively. The improvement in net worth is due to the accretion of reserves. Gearing of the company stood at 0.21 times as on March 31, 2024, against 0.63 times as on March 31, 2023. Debt protection metrics interest coverage ratio and debt service coverage ratio stood healthy at 9.32 times and 5.10 times as on March 31, 2024, respectively, as against 5.21 times and 3.23 times as on March 31, 2023, respectively. The improvement in debt protection metrics is on account of moderation in interest cost and repayment in FY2024. TOL/TNW (Total outside liabilities/Total net worth) stood at 2.72 times and 2.84 times as on March 31, 2024 and 2023 respectively. The debt to EBITDA of the company stood at 0.40 times as on March 31, 2024 as against 1.15 times as on March 31, 2023. 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 marked by high debtors' days

DSSL's working capital operations are intensive, marked by a high gross current asset (GCA) at 173 days in FY2024 as against 136 days in FY2023. The GCA days are impacted mainly on account of debtor days where extended credit periods are offered to customers on a milestone basis. Inventory days stood at 28 days in FY2024 as against 18 days in FY2023. Debtor days stood at 143 days in FY2024 as against 136 days in FY2023. Debtors' days increased on account of the long tenure of orders and the nature of payments. The collection period has been high, as the billing of revenue is done upfront, whereas debtors are realized on milestone as per the completion of the project. Around 95 percent of debtors were realized within a 6-month period. Further, the average bank limit utilization for the fund-based limits stood at 13 percent, and for non-fund-based limits, fund-based stood at 81 percent for the last seven months ending in October 2024. Subsequently, the payable period stood at 156 days on March 31, 2024, as against 113 days as on March 31, 2023, 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.

## 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. 55.48 Cr. in FY2024, while its maturing debt obligations were Rs. 3.74 Cr. during the same period. Going forward, the company is expected to generate net cash accruals of Rs. 66-79 Cr. in FY 2025-26 against Rs. 5.11-5.56 Cr. debt obligations. The current ratio stood at 1.38 times as on March 31, 2024. Further, the average bank limit utilization for the fund-based limits stood at 13 percent, and for non-fund-based limits, stood at 81 percent for the last seven months ending in October 2024. The company maintains unencumbered cash and bank balances of Rs. 2.66 Cr. as on March 31, 2024. Acuité believes that the liquidity of the company is likely to improve over the medium term.

## Outlook: Stable

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1024.43	804.15
PAT	Rs. Cr.	53.96	33.37
PAT Margin	(%)	5.27	4.15
Total Debt/Tangible Net Worth	Times	0.21	0.63
PBDIT/Interest	Times	9.32	5.21

### 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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Nov 2023	Bank Guarantee/Letter of Guarantee	Short Term	30.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE BBB+   Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB+   Stable (Reaffirmed)
30 Aug 2022	Bank Guarantee/Letter of Guarantee	Short Term	30.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	20.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Positive)
	Cash Credit	Long Term	15.00	ACUITE BBB+   Stable (Upgraded from ACUITE BBB   Positive)
02 Jun 2021	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB   Positive (Reaffirmed)
08 Jan 2021	Bank Guarantee (BLR)	Short Term	20.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	10.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB   Stable (Reaffirmed)

## Annexure - Details of instruments rated

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

## Contacts

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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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