

Press Release

Dynatech Tools And Devices (Bengaluru) Private Limited

December 12, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 12.00 crore bank facilities of Dynatech Tools And Devices (Bengaluru) Private Limited (DTDPL). The outlook is '**Stable**'.

The Bangalore based, DTDPL was incorporated in 2012 by Mr. Hemanth Vitall and Mr. Damodar Bellairu. The company is engaged in manufacturing of intricate high precision components for International machine tool and aerospace industry. DTDPL is geographically diversified, as more than 60 percent of its operating income is derived from international markets. The company has its plant based at Peenya industrial area in Bangalore.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of the DTDPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced promoter and reputed clientele**

The promoters have more than 2 decades of experience in the aforementioned industry. This experience has helped DTDPL in attracting reputed clientele such as STS Titeflex India Private Limited, Bajaj Auto Limited and Bosch Limited, among others.

- **Moderate financial risk profile**

DTDPL has moderate financial risk profile as backed by net worth of Rs.21.44 crore in FY2018 as compared to Rs.17.35 crore in the previous year. Out of the total debt of Rs.14.03 crore, long term debt comprises Rs.8.31 crore, short term debt of Rs.5.35 crore and balance is in the form of unsecured loan. The gearing of the company as marked by Debt to Equity is healthy at 0.65 times in FY2018 as compared to 0.68 times in the previous year. Interest Coverage Ratio (ICR) stood at 4.17 times in FY2018 as compared to 2.99 times in the previous year.

Weaknesses

- **Moderate working capital cycle**

DTDPL has moderate working capital cycle as marked by Gross Current Asset (GCA) of 174 days in FY2018 as against 178 days in the previous year. Primarily, it is because of increase in the inventory days from 18 in FY2017 to 33 in FY2018. Current ratio of the company is subdued at 1.07 times in FY2018 as compared to 1.34 times in the previous year.

- **Scale of operations**

Scale of operations as marked by the operating income is restrained at Rs.21.06 crore in FY2018 as compared to Rs.17.37 crore in the previous year. DTDPL has seen CAGR of 18 percent since 2015. Till November 2018, the company has registered turnover of Rs.18.00 crore with existing executable order book of Rs.3.50 crore.

- **Competitive and fragmented industry**

DTDPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins.

Outlook: Stable

Acuité believes that the outlook on DTDPL will remain 'Stable' over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company is able to maintain stable operating margins and comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates owing to higher-than-expected increase in debt funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	21.06	17.37	15.23
EBITDA	Rs. Cr.	4.54	3.12	3.00
PAT	Rs. Cr.	1.57	0.67	0.65
EBITDA Margin (%)		21.57	17.95	19.68
PAT Margin (%)		7.47	3.87	4.27
ROCE (%)		10.61	7.57	14.55
Total Debt/Tangible Net Worth	Times	0.54	0.68	0.55
PBDIT/Interest	Times	4.17	2.99	2.56
Total Debt/PBDIT	Times	2.50	3.70	2.97
Gross Current Assets (Days)	Days	174	178	96

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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	3.00	ACUITE BB+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+
Term loans	Not Applicable	Not Applicable	Not Applicable	0.73	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.45	ACUITE BB+ / Stable

Term loans	Not Applicable	Not Applicable	Not Applicable	1.34	ACUITE BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.38	ACUITE BB+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.10	ACUITE BB+ / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Kunal Khera Analyst - Rating Operations Tel: 02249294042 kunal.khera@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.