

Dynacons Systems and Solutions Limited

November 16, 2022

Ratings

| Facilities/Instruments | Amount (₹ crore) | Ratings ¹ | Rating Action |
|--|--|--|--|
| Long Term Bank Facilities | 21.00 | CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Long Term / Short Term Bank Facilities | 12.95 | CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*) | Rating continues to remain under ISSUER NOT COOPERATING category |
| Total Bank Facilities | 33.95 (₹ Thirty-Three Crore and Ninety-Five Lakhs Only) | | |

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated August 11, 2020, placed the rating(s) of Dynacons Systems & Solutions Limited (DSSL) under the 'issuer non-cooperating' category as DSSL had failed to provide information for monitoring of the rating. DSSL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated July 30, 2022, August 10, 2022, and August 14, 2022. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd. opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on September 13, 2021 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies, stock exchange)

Key rating weaknesses

Moderately low profit margins:

PBILD margin of DSSL improved marginally from 4.66% in FY21 to 4.68% in FY22. Although, the PAT margin improved marginally from 2.11% in FY21 to 2.52% in FY22 owing lower interest cost. Nevertheless, the profit margins continue to remain moderately low.

Moderate capital structure and moderately weak debt coverage indicators:

The capital structure of DSSL deteriorated in FY22 with the overall gearing reaching 0.95 times as on March 31, 2022 from 0.83 times as on March 31, 2021 owing to higher utilization of working capital bank borrowings and additional term loans availed. Nevertheless, the capital structure continues to remain moderate, whereas the debt coverage indicators continue to remain moderately weak.

Working capital intensive nature of operations:

The inventory holding of DSSL has deteriorated marginally to 33 days in FY22 (vis-à-vis 22 days in FY21). The collection period has remained on same level at 76 days in FY22 and 76 days in FY20. Furthermore, the creditors' days elongated to 69 days in FY22 from 53 days in FY21. The operating cycle stood stable at 40 days in FY22 (vis-à-vis 46 days in FY21). Nevertheless, the operations continue to remain working capital intensive in nature.

Presence in highly fragmented & competitive IT industry:

The IT services market is highly competitive with the presence of domestic, global as well as small and mid-sized IT service providers. Moreover, the IT solutions market has seen significant capacity expansion over the past few years to tap the potential of the growing IT solutions market. The presence of large & small industry players has resulted in an increased competition within the IT solutions market. Further, the IT service industry also remains to be highly cyclical in nature and is vulnerable during the economic slowdown

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key rating strengths

Experienced promoters in the IT industry: The overall operations of DSSL are looked after by the promoters Mr Shirish Anjaria, Mr Parag Dalal and Mr Dharmesh Anjaria, all of whom possess an average experience of over 25 years in the IT industry, majority of which has been gained through DSSL.

Diversified services offered: DSSL offers a wide range of services viz. IT System Integration (SI), IT infrastructure management, software solutions, security & surveillance systems, networking solutions, etc., which enables the company to broaden its business by way of various revenue streams.

Continuously growing scale of operations: The scale of operations of DSSL has grown at 49.37%% from Rs. 437.81 crore in FY21 to Rs.653.98 crore during FY22. Further company has achieved total sales of Rs. 406.69 crore in H1FY23 vis-à-vis Rs. 286.34 crore in H1FY22.

Analytical approach: Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Policy on Withdrawal of Ratings](#)

About the company

Incorporated in 1995, DSSL is an ISO 9001:2008, ISO 20000-1: 2011, ISO 27001: 2013 and ISO 14001:2015 certified company, engaged in providing IT services including system integration, IT infrastructure management, and networking & software solutions. The company has tie-up with Compuage Infocom Limited (rated CARE BBB-; Stable, CARE A3), Dell India Private Limited, Lenovo, Rashi Peripherals Private Limited, Redington India Limited, and Savex Technologies Private Limited, for procuring hardware and software. The company employs ~1,017 employees, of which ~900 belong to the technical department. Its registered office is located in Mumbai, whereas it also operates 8 branch offices (located in Ahmedabad, Bangalore, Bhopal, Chennai, Delhi, Goa, Kolkata, and Nasik) and ~80 service centers located on pan-India basis.

| Brief Financials (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | H1FY23(UA) |
|----------------------------|--------------------|--------------------|------------|
| Total operating income | 435.94 | 653.98 | 406.69 |
| PBILDT | 18.54 | 30.59 | 24.55 |
| PAT | 9.22 | 16.46 | 13.65 |
| Overall gearing (times) | 0.83 | 0.95 | 0.81 |
| Interest coverage (times) | 2.63 | 3.39 | 4.37 |

A: Audited, UA: Unaudited

Status of non-cooperation with previous CRA: ICRA, vide its press release dated June 3, 2014, has suspended the ratings assigned to the bank facilities of Dynacons Systems & Solutions Limited.

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---------------------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|--|
| Fund-based - LT-Cash Credit | | - | - | - | 21.00 | CARE BB; Stable; ISSUER NOT COOPERATING* |
| Non-fund-based - LT/ST-Bank Guarantee | | - | - | - | 12.95 | CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* |

Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|--|---|--|--|--|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based - LT-Cash Credit | LT | 21.00 | CARE BB; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (13-Sep-21) | 1)CARE BB; Stable; ISSUER NOT COOPERATING* (11-Aug-20) | 1)CARE BB+; Stable; ISSUER NOT COOPERATING* (13-Jun-19) |
| 2 | Non-fund-based - LT/ST-Bank Guarantee | LT/ST* | 12.95 | CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (13-Sep-21) | 1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (11-Aug-20) | 1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (13-Jun-19) |

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not available**Annexure-4: Complexity level of various instruments rated for this company**

| Sr. No. | Name of Instrument | Complexity Level |
|---------|---------------------------------------|------------------|
| 1 | Fund-based - LT-Cash Credit | Simple |
| 2 | Non-fund-based - LT/ST-Bank Guarantee | Simple |

Annexure-5: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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