

Ducon Infratechnologies Limited

March 13, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	57.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable)	Issuer not cooperating; Based on best available information
Short term Bank Facilities	55.00	CARE A4; ISSUER NOT COOPERATING* (A Four*)	Issuer not cooperating; Based on best available information
Total	112.00 (Rs. One Hundred Twelve Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Ducon Infratechnologies Limited to monitor the rating(s) vide e-mail communications dated February 15, 2019, February 19, 2019, February 25, 2019, February 27, 2019, March 01, 2019, March 04, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Ducon Infratechnologies Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Ducon Infratechnologies Limited's bank facilities will now be denoted as **CARE B+; Stable /CARE A4; ISSUER NOT COOPERATING***.

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

The ratings take into account low profit margins, working capital intensive nature of operations with stretched liquidity position and presence in competitive industry.

The ratings, however, derive strength from the experienced management in the industry, wide range of product & service offerings coupled with reputed clientele base, comfortable capital structure & moderate debt coverage indicators, and large scale of operations.

The ability of Ducon to improve profit margins amidst competitive industry, along with maintaining capital structure while improving the liquidity position with efficient working capital management is the key rating sensitivity.

Detailed description of the key rating drivers

At the time of last rating on April 06, 2018, the following were the rating strengths and weaknesses

Key Rating Weaknesses

Low & fluctuating profit margins: The profit margins of Ducon stood low in the range of 3.50-4.50% over FY16-FY17 (refers to the period April 1 to March 31), given the turnkey nature of operations of DTIPL and trading nature of operations of DIL. Moreover, the same deteriorated in FY17 over FY16 owing to competitive pricing adopted by DTIPL to bag the government orders, whereas the margins are fluctuating in nature due to the competitive pricing offered.

Working capital intensive nature of operations: The operations of Ducon are working capital intensive in nature with a major amount of funds blocked in debtors, given the high credit period required to be extended to them, which is reflected in high gross current assets days of over 167 days in FY17. Given this, the cash credit utilization in the last 12 months ended February 2018 stood at almost full levels resulting stretched liquidity position.

Presence in competitive industry: Ducon operates in a highly competitive industry, wherein DTIPL is required to enter into competitive bidding to bag the orders from the government & other reputed government bodies, whereas DIL is engaged into trading which involves a large number of unorganized players.

Key Rating Strengths

Experienced management in the industry: The overall operations of Ducon are looked after by the directors – Mr. Harish Shetty and Mr. G. Chandrashekhar. Mr. Harish Shetty has more than two decades of industry experience across

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

manufacturing and EPC sector and looks after financial control, reporting and planning. Moreover, Mr. G Chandrasekhar with more than 3 decades of experience, looks after business strategies, contract negotiations, and marketing presentations.

Wide range of product & service offerings: DIL caters to the need of reputed clients operating in the diverse end user industries, viz. IT & communications.

On the other hand, DTIPL caters to various reputed clients in oil & gas, petrochemicals, power, coal, steel, etc.

Comfortable capital structure & moderate debt coverage indicators: The capital structure of Ducon stood comfortable with the overall gearing ranging from 0.80-1.10 times over FY16-FY17, given moderate reliance on subordinated unsecured loans from promoters. Given this, coupled with low profitability, the debt coverage indicators stood moderate over the same period.

Large scale of operations coupled with healthy order book position: The scale of operations of Ducon stood large with the total operating income ranging from Rs.330-400 crore over FY16-FY17. Given this, the tangible net-worth base also stood healthy. Moreover, the pending order book position as on December 31, 2017 stood at 0.95 times of the total operating income of FY17.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Methodology for Short-term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financials Ratio-Non Financial Sector](#)

About the Company

Incorporated in 2009 from the demerger of the group entity Dynacons Systems & Solutions Limited (DSSL), Ducon Infrotechnologies Limited [DIL, erstwhile Dynacons Technologies Limited (DTL)] is engaged in trading of servers, storages, networking, security & surveillance and energy management systems. The company has tie-ups with major technology leaders namely IRIS Computers, Rashi Peripherals Private, Redington India Limited, Sony India Private Limited for procuring hardware and software.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	399.05	415.95
PBILDT	15.98	11.32
PAT	4.57	2.33
Overall gearing (times)	1.19	1.28
Interest coverage (times)	2.31	1.62

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Arunava Paul

Tel: 6754 3667

Email: arunava.paul@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also

recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	57.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	55.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	57.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE B+; Stable (06-Apr-18)	1)CARE A4+ (Under Credit watch with Developing Implications) (24-Apr-17)	1)CARE A4+ (19-May-16)	-
2.	Non-fund-based - ST-Bank Guarantees	ST	55.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE A4 (06-Apr-18)	-	-	-

*Issuer did not cooperate; Based on best available information

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD**

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careatings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 - 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careatings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91- 0172-490-4000/01
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careatings.com