

## Dynacons Systems & Solutions Limited

August 11, 2020

### Rating

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	21.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable) ISSUER NOT COOPERATING*	Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING (Double B Plus; Outlook: Stable; ISSUER NOT COOPERATING) on the basis of best available information
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*	Issuer not cooperating; Revised from CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING (Double B Plus ; Outlook: Stable / A Four Plus; ISSUER NOT COOPERATING) on the basis of best available information
<b>Total</b>	<b>33.95</b> <b>(Rupees Thirty Three crore and Ninety Five lakh only)</b>		

Details of facilities in Annexure-1

### Detailed Rationale and Key Rating Drivers

CARE had, vide its press release dated June 11, 2019, 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 Aug 05, 2020. 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.

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

The revision in rating factors in the non-cooperation by DSSL and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

### Detailed description of the key rating drivers

At the time of last rating on June 11, 2019 the following were the rating strengths and weaknesses: (updated for the information available from Registrar of Companies):

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Moderately low profit margins:** The PBILDT margin of DSSL stood moderately low in the range of 3-5% over the last 3 years ended FY20 (refers to the period April 1 to March 31), given the majority of system integration nature of operations, coupled with high employee costs on the back of high skilled manpower requirement. Given this, coupled with high interest costs, the PAT margin stood low in the range of 0.78-1.85% over the same period.

**Moderate capital structure and moderately weak debt coverage indicators:** The capital structure of DSSL stood moderate given the moderate reliance on debt. Moreover, given the low profit margins, the debt coverage indicators stood moderately weak over FY18-FY20.

**Working capital intensive nature of operations:** The operations of DSSL are moderately working capital intensive in nature with a majority of funds for over 50-77 days blocked in debtors and a moderate level of funds for over 18-20 days blocked in inventory. On the other hand, a moderate credit period of over 10-20 days is extended by the suppliers to the company, thereby leading to a moderately elongated operating cycle of 50-60 days over FY18-FY20.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer did not cooperate; Based on best available information

**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

#### 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 been continuously growing at the compounded annual growth rate (CAGR) of 24.76% over FY18- FY20 with total operating income (TOI) stood in the range of Rs.211.53 crore to Rs.330.18 crore during said period. The tangible networth base stood relatively modest at Rs.36.19 crore as on March 31, 2020 (vis-à-vis Rs. 30.73 crore as on March 31, 2019).

**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](#)

[CARE's Methodology for Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

#### About the company

Incorporated in 1995, Dynacons Systems & Solutions Limited (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 A-; Negative, CARE A2+), Dell India Private Limited, Lenovo, IRIS Computers Limited, Rashi Peripherals Private Limited, Redington India Limited, and Savex Technologies Private Limited, for procuring hardware and software. 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 (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	304.90	330.18
PBILDT	12.19	16.67
PAT	4.19	6.12
Overall gearing (times)	1.14	0.97
Interest coverage (times)	2.36	2.20

A: Audited

**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:** Please refer Annexure-2

## 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	-	-	-	21.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	12.95	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* on the basis of 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (24-Apr-17)
2.	Fund-based - LT-Cash Credit	LT	21.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (13-Jun-19)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (04-Apr-18)	1)CARE BB+; Stable (24-Apr-17)
3.	Non-fund-based - LT/ST-Bank Guarantees	LT/ST	12.95	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (13-Jun-19)	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (04-Apr-18)	1)CARE BB+; Stable / CARE A4+ (24-Apr-17)

**Annexure 3: Complexity level of various instruments rated for this company**

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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**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.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**