

Rating Advisory

September 25, 2020 | Mumbai

DCM Limited

Advisory as on September 25, 2020

This rating advisory is provided in relation to the rating of DCM Limited

The key rating sensitivity factors for the rating include:

- Timely servicing of debt

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from DCM Limited (DCM) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If DCM continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt. Nov 1, 2016, SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dt. June 30, 2017 and SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About The Company

Set up by the late Mr Lala Shriram in 1889, DCM (formerly, Delhi Cloth and General Mills Company Ltd) is currently headed by Dr Vinay Bharat Ram. It is listed on the Bombay Stock Exchange and the National Stock Exchange. It provides services such as system administration, storage management, backup recovery, disaster management, and databases in the IT infrastructure services segment. DCM also has presence in real estate.

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Rating Rationale

August 14, 2019 | Mumbai

DCM Limited

Ratings downgraded to 'CRISIL D/CRISIL D'

Rating Action

Total Bank Loan Facilities Rated	Rs.375.88 Crore
Long Term Rating	CRISIL D (Downgraded from 'CRISIL BB+/Watch Negative')
Short Term Rating	CRISIL D (Downgraded from 'CRISIL A4+/Watch Negative')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has downgraded its ratings on the bank facilities of DCM Limited (DCM) to '**CRISIL D/CRISIL D**' from '**CRISIL BB+/CRISIL A4+/Watch Negative**'. The downgrade reflects delays by DCM in repaying the interest and principal obligation on the term loan.

The ratings continue to reflect the moderate debt protection metrics, stretched working capital cycle, and susceptibility to volatile cotton yarn prices and continues off take from the automobile sector. These weaknesses are partially offset by extensive experience of the promoters and DCM's moderate financial risk profile.

Key Rating Drivers & Detailed Description

* **Delays in debt repayment**

Stretch in receivables have constrained cash flow, resulting in delays by DCM in servicing the interest and principal payment on the term loan.

Weaknesses

* **Moderate debt protection metrics:** Debt protection metrics are moderate, with interest coverage and net cash accrual to total debt ratios at 2.4 and 0.17 times, respectively, for fiscal 2019.

* **Working capital-intensive operations:** Gross current assets stood at 123 days as on March 31, 2019, due to large inventory of 74 days and receivables of 33 days. Working capital management was however, aided by payables of 48 days extended by suppliers.

* **Vulnerability to fluctuations in cotton yarn prices, and continuity in sales to the automobile sector :** Susceptibility to fluctuations in raw material prices and to continuity in sales to the automobile sector continue to constrain operations margin. The margin has fluctuated between 2.3 and 7.2% in the five fiscals through March 2019 (combining the business and financial risk profiles of DCM and DCM Engineering Ltd [DCME] for fiscals before 2016).

Strengths

* **Extensive experience of the promoters:** The present management comprises the fourth generation of the promoter family. Over the years, the group has diversified into real estate, engineering, and information technology segments, and forged healthy relationships with customers and suppliers.

* **Moderate financial risk profile:** The financial risk profile is marked by a healthy adjusted networth of Rs 194.2 crore and total outside liabilities to adjusted networth ratio of 2 times as on March 31, 2019. Financial risk profile is expected to remain moderate in FY 20.

Liquidity

Liquidity is stretched, marked by delay in debt repayment.

About the Company

Set up by the late Mr Lala Shriram in 1889, DCM (formerly, Delhi Cloth and General Mills Company Ltd) is currently headed by Dr Vinay Bharat Ram. It is listed on the Bombay Stock Exchange and the National Stock Exchange. It provides services such as system administration, storage management, backup recovery, disaster management, and databases in the IT infrastructure services segment. DCM also has presence in real estate.

The engineering products division was set up in 1974, in Ropar (Punjab), as a division of DCM. The division was hived off into DCME in 2004, following the restructuring of DCM's debt. DCME was merged with DCM in fiscal 2016. The engineering division is one of India's large independent manufacturers of grey iron castings, supplied to automotive players (cars, multi-utility vehicles, tractors, light commercial vehicles, heavy commercial vehicles, and earth-moving equipment). DCM also specialises in cylinder heads, cylinder blocks, and housing.

Key Financial Indicators

As on/for the period ended March 31	Unit	2019	2018
Operating income	Rs crore	1100.04	960.20
Reported PAT	Rs crore	2.00	-35.54
PAT margin	%	0.18	-3.7
Adjusted debt/adjusted networkth	Times	1.09	1.51
Interest coverage	Times	2.40	1.03

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Allotment date	Coupon rate (%)	Maturity date	Amount (Rs.Cr)	Rating assigned with outlook
NA	Bill Discounting	NA	NA	NA	15	CRISIL D
NA	Cash Credit	NA	NA	NA	190	CRISIL D
NA	Letter of credit & Bank Guarantee	NA	NA	NA	13.25	CRISIL D
NA	Long Term Loan	NA	NA	Jan-2023	100.51	CRISIL D
NA	Overdraft	NA	NA	NA	9	CRISIL D
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	48.12	CRISIL D

Annexure - Rating History for last 3 Years

Ratings

Instrument	Current			2019 (History)		2018		2017		2016		Start of 2016		
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating		
Fund-based Bank Facilities	LT/ST	362.63	CRISIL D/ CRISIL D	13-08-19	CRISIL BB+/Watch Negative / CRISIL A4+/Watch Negative	21-11-18	CRISIL BB+/Watch Negative / CRISIL A4+/Watch Negative	08-12-17	CRISIL BB+/Watch Negative / CRISIL A4+/Watch Negative	28-10-16	CRISIL BBB-/Watch Negative / CRISIL A3/Watch Negative	CRISIL BBB/Starble/ CRISIL A3+		
				20-05-19	CRISIL BB+/Watch Negative / CRISIL A4+/Watch Negative	28-08-18	CRISIL BB+/Watch Negative / CRISIL A4+/Watch Negative	12-09-17	CRISIL BB+/Watch Negative / CRISIL A4+/Watch Negative	29-01-16	CRISIL BBB-/Negative/ CRISIL A3			
				20-02-19	CRISIL BB+/Watch Negative / CRISIL A4+/Watch Negative	29-05-18	CRISIL BB+/Watch Negative / CRISIL A4+/Watch Negative	09-06-17	CRISIL BBB-/Watch Negative / CRISIL A3/Watch Negative	19-01-16	CRISIL BBB-/Negative/ CRISIL A3			
				13-02-19	CRISIL BB+/Watch Negative / CRISIL A4+/Watch Negative	08-03-18	CRISIL BB+/Watch Negative / CRISIL A4+/Watch Negative	25-05-17	CRISIL BBB-/Watch Negative					
								17-05-17	CRISIL BBB-/Watch Negative					
										07-02-17	CRISIL BBB-/Watch Negative / CRISIL A3/Watch Negative			
Non Fund-based Bank Facilities	LT/ST	13.25	CRISIL D	13-08-19	CRISIL A4+/Watch Negative	21-11-18	CRISIL A4+/Watch Negative	08-12-17	CRISIL A4+/Watch Negative	28-10-16	CRISIL A3/Watch Negative	CRISIL A3+		
				20-05-19	CRISIL A4+/Watch Negative	28-08-18	CRISIL A4+/Watch Negative	12-09-17	CRISIL A4+/Watch Negative	29-01-16	CRISIL A3			
				20-02-19	CRISIL A4+/Watch Negative	29-05-18	CRISIL A4+/Watch Negative	09-06-17	CRISIL A3/Watch Negative	19-01-16	CRISIL A3			
				13-02-19	CRISIL A4+/Watch Negative	08-03-18	CRISIL A4+/Watch Negative	25-05-17	CRISIL A3/Watch Negative					
								17-05-17	CRISIL A3/Watch Negative					
										07-02-17	CRISIL A3/Watch Negative			

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bill Discounting	15	CRISIL D	Bill Discounting	15	CRISIL BB+/Watch Negative
Cash Credit	190	CRISIL D	Cash Credit	190	CRISIL BB+/Watch Negative
Letter of credit & Bank Guarantee	13.25	CRISIL D	Letter of credit & Bank Guarantee	13.25	CRISIL A4+/Watch Negative
Long Term Loan	100.51	CRISIL D	Long Term Loan	100.51	CRISIL BB+/Watch Negative
Overdraft	9	CRISIL D	Overdraft	9	CRISIL A4+/Watch Negative
Proposed Long Term Bank Loan Facility	48.12	CRISIL D	Proposed Long Term Bank Loan Facility	48.12	CRISIL BB+/Watch Negative
Total	375.88	--	Total	375.88	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Approach to Recognising Default](#)

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For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p> <p>Vinay Rajani Media Relations CRISIL Limited D: +91 22 3342 1835 M: +91 91 676 42913 B: +91 22 3342 3000 vinay.rajani@ext-crisil.com</p>	<p>Nitin Kansal Director - CRISIL Ratings CRISIL Limited D:+91 124 672 2154 nitin.kansal@crisil.com</p> <p>Himank Sharma Associate Director - CRISIL Ratings CRISIL Limited D:+91 124 672 2152 Himank.Sharma@crisil.com</p> <p>Kishan Gupta Rating Analyst - CRISIL Ratings CRISIL Limited B:+91 124 672 2000 Kishan.Gupta@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

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