



Rating Rationale

DMS Electronics Pvt Ltd

29 December 2017

Brickwork Ratings assigns BWR B+/A4 for the Bank Loan Facilities of Rs. 5.37 Crs of DMS Electronics Private Limited (“DMSE” or “The Company”)

Particulars

Facility Rated#	Amount (Rs. Crs)	Tenure	Rating [^]
<u>Fund Based</u>			
SODH	2.00	Long Term	BWR B+ (Pronounced BWR Single B Plus) Outlook : Stable Assigned
Term Loans	0.37		
<u>Non Fund Based</u>			
Import LC	3.00	Short Term	BWR A4 (Pronounced BWR A Four) Assigned
Total	5.37	(INR Five Crores and Thirty Seven Lakhs only)	

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure-I provides details of bank facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY17, publicly available information and information/clarifications provided by the management.

The ratings draws strength from the extensive experience of the promoters in the electronic components manufacturing industry. The ratings are, however constrained by the small scale of operations, limited operational track record, leveraged capital structure, susceptibility of raw material prices to foreign exchange fluctuations and working capital intensity of business

Going forward, the Company’s ability to increase its scale of operations, strengthen its credit profile and manage its working capital effectively would be the key rating sensitivities.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

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Key Rating drivers

- **Experienced Management**

Mr. H.R. Nagendra Rao, Director, has experience of around 3 decades in the Printed Circuit Board Industry.

- **Limited operational track record and small scale of operations**

DMSE has commenced its operations since December' 2014. Although the scale of operations has improved from Rs. 3.78 Crs in FY 16 to Rs. 12.48 Crs. in FY17, it continues to remain small when compared to its peers. The small scale limits the company's financial flexibility and economies of scale. Further, the highly competitive nature of the industry and limited value addition results in low margins

- **Leveraged capital structure**

DMSE's capital structure is leveraged on the higher side marked by an overall gearing ratio of 3.10 times as on March 31, 2017 as against 1.58 times as on March 31, 2016 due to increase in debt level. Interest coverage ratio was low at 0.53 times during FY 17, while total debt stood at Rs. 3.98 Crs as against Rs. 1.78 Crs in ~15M FY 16.

- **Foreign exchange fluctuation risk**

DMSE imports significant portion of its raw materials like Laminates, copper foils, drill bits etc. from countries like China, Malaysia, Germany etc. Due to high volume of imports, there is susceptibility to fluctuation in foreign exchange, which affect the profitability margins. Moreover, it does not have any export income to mitigate the risk.

Rating Outlook : Stable

BWR believes that the company's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Company

DMSE was incorporated on 24th December, 2014 at Bangalore, Karnataka, It is an ISO 9001:2008 certified company and is engaged in manufacturing of printed circuit boards (single sided, double sided and multi sided) catering to automobile, telecom, defense & aerospace industries. The manufacturing unit is located at Hebbal Industrial Area, Mysore with an installed capacity is 3000 sq. mt/ month of PCBs.

Mr. H.R. Nagendra Rao and Mr. M. Jagannath Sheno are the Directors.

Financial Performance

DMSE reported Net Revenue of Rs.11.10 Crs and net profit of Rs 0.16 Crs for FY 17 as against Net Revenue of Rs.3.36 Crs and Net Profit of Rs. 0.12 Crs for ~15M FY 16. Tangible Net Worth was Rs. 1.28 Crores and Total debt was Rs. 3.98 Crs as on March 31 2017. Current ratio was low at 1.02 times as on March 31 2017.

Rating History for the last three years:

Instrument/ Facility	Current Rating (November 2017)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2016	2015	2014
Fund Based			BWR B+ (Outlook: Stable) Assigned	Not Rated	Not Rated	Not Rated
SODH	Long Term	2.00				
Term Loans*		0.37				
Non Fund Based			BWR A4 Assigned			
Import LC	Short Term	3.00				
	Total :	5.37	INR Five Crores and Thirty Seven Lakhs only			

* Term loan outstanding as on 16.12.2017

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Manufacturing Companies](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

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Annexure I
Details of Rated Bank Facilities – Syndicate Bank, Mysore, Karnataka

Facilities	Rated Amount (Rs Crs)**
SODH	2.00
Term Loans*	0.37
Import LC	3.00
Total	5.37

*Term Loan outstanding

Annexure II
Key Financial Indicators

Particulars	FY 16 (15 M)	FY 17(A)
Net Revenue (Rs. Cr)	3.78	12.48
EBITDA (Rs. Cr)	0.22	0.17
PAT (Rs. Cr)	0.12	0.16
Tangible Net Worth (Rs Cr)	1.12	1.28
Total Debt: TNW (Times)	1.58	3.10
Current Ratio (Times)	1.34	1.02

For print and digital media

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Note on complexity levels of the rated instrument:



BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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