



October 28, 2016

1. The Secretary  
Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
MUMBAI 400 001.  
Fax No. 022 - 2272 3121 / 3719 / 2037 / 2039 / 2041 / 2061  
**Scrip Code: 505242**
  
2. The Secretary  
National Stock Exchange of India Limited  
"Exchange Plaza"  
Bandra-Kurla Complex  
Bandra East  
MUMBAI 400 051.  
Fax No.022 - 26598237 / 38 / 26598346  
**Scrip Code: DYNAMATECH**

Dear Sir / Madam,

**Sub: Up gradation in Credit Rating**

We are pleased to inform you that India Ratings & Research (a Fitch Group company) has accorded a long term issuer rating of "IND A-" with 'Stable' outlook.

We also bring to your notice that, ICRA Limited has reaffirmed long term rating for Line of Credit at (ICRA) BBB+. The outlook on the long term rating has been revised by ICRA to 'Positive'.

The reports by the above referred credit rating agencies are enclosed. The Exchanges are requested to take this on record.

Thank you.

Sincerely yours,

For **DYNAMATIC TECHNOLOGIES LIMITED**

  
Naveen Chandra P  
Head Legal, Compliance & Company Secretary



## Ind-Ra Assigns Dynamatic Technologies 'IND A-'; Outlook Stable

---

# 28

By Soumya Awasthi

OCT 2016

India Ratings and Research (Ind-Ra) has assigned Dynamatic Technologies Limited (DTL) a Long-Term Issuer Rating of 'IND A-'. The Outlook is Stable. A full list of rating actions is at the end of this commentary.

### COMPANY PROFILE

Incorporated in 1973 as Dynamatic Hydraulics Limited, DTL manufactures precision engineering products that find application in tractors, earth moving and material handling equipment, automobiles, and aerospace. It operates under three divisions- automotive, hydraulics and aerospace. In FY16, the company registered revenue of INR14.9bn (FY15: INR16.3bn) with EBITDA margin of 9.6% (9.5%).

### KEY RATING DRIVERS

**Order Execution leading to Improved Financial Performance:** With the successful execution of scheduled aerospace & defence orders, DTL registered improved financial performance in 1QFY17 and 4QFY16 with EBITDA margin improving to 12.1% and 13.6%, respectively. The aerospace segment is the highest-margin yielding segment (24%-32% over FY13-FY16) for the company and will be driving its incremental revenue growth. The company's ability to maintain high margins in this segment without any major delays in order deliveries are key to the sustenance of the given improvement.

**Significant Orders in Aerospace/Defence Segment:** The rating derives strength from the significant orders in the aerospace and defence segment. Also, the company is the sole supplier for few products. Revenue from the aerospace segment grew at a CAGR of 18% over FY12-FY16. The company has a strong customer profile for this segment which includes global aviation majors such as Bell Helicopter Textron Canada Limited, The Boeing Company (Fitch Ratings Ltd. Issuer Default Rating: 'A'/Stable/'F1') and Airbus Operations GmbH. High entry barriers due to strict quality control in the segment coupled with long-term nature of such contracts further support the ratings.

**Refinancing with Longer Tenor and Competitive Interest Rates:** During 2QFY17, the company refinanced its outstanding term loans with longer tenor loans having competitive interest rates. This has reduced the yearly term loan repayment obligation significantly and freed cash, improving the company's debt service capabilities and overall liquidity in the system. Better interest rates are likely to improve interest coverage further in the near term.

**Diversified Profile:** DTL has a diversified business profile with presence in three industries - automotive, hydraulics and aerospace & defence. The aerospace segment adds 18% to consolidated revenue but contributes around 50% to the overall EBITDA. The automotive segment contributes two-thirds to the total revenue, but operates at a low

margin of 4%-5%. It also contributes 25%-34% to the consolidated EBITDA. The hydraulic segment is a steady business, contributing 15%-20% to revenue and 20%-25% to EBITDA.

**Favourable Monsoons Improving Hydraulic Segment Performance:** The company's hydraulic segment has witnessed a revival due to a better monsoon this year, registering revenue of INR680.5m and EBITDA margin of 13.5% in 1QFY17 as against revenue of INR616m and EBITDA margin of 9.4% in 1QFY16.

**Moderate Credit Profile:** The company has a moderate credit profile, with net leverage of 3x-4x and interest coverage of below 2x during FY12-FY16. Increased EBITDA due to order execution in the higher-margin aerospace segment from 4QFY16 has led to an improvement in the interest coverage to above 2x. Ind-Ra expects higher margin along with favourable banking terms will lead to an improvement in the credit profile in the near term. Ind-Ra expects the net leverage to improve to around 3x by FY17.

## RATING SENSITIVITIES

**Positive:** Margin expansion as a result of order execution in the aerospace & defence segment resulting in the leverage below 2x should lead to a positive rating action.

**Negative:** Inability to improve the EBITDA margins leading to net leverage above 3x would result in a negative rating action.

DTL's ratings:

- Long-Term Issuer Rating: assigned 'IND A-'; Outlook Stable
- INR1.45bn fund-based working capital limits: assigned 'IND A-/Stable/IND A2+'
- INR230m non-fund-based working capital limits: assigned 'IND A2+'
- INR3.69bn term loan: assigned 'IND A-/Stable'

## SOLICITATION DISCLOSURES

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

## DISCLAIMER

ALL CREDIT RATINGS ASSIGNED BY INDIA RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.INDIARATINGS.CO.IN/RATING-DEFINITIONS](https://www.indiaratings.co.in/rating-definitions). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE [WWW.INDIARATINGS.CO.IN](http://WWW.INDIARATINGS.CO.IN). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. INDIA RATINGS' CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE.

Rating Outstanding

(As on 28/Oct/2016)

Long Term Issuer Rating	IND A- / Stable	
Fund Based Working Capital Limit	IND A- / Stable	INR 1450 m
Fund Based Working Capital Limit	IND A2+	INR 1450 m
Non-Fund Based Working Capital Limit	IND A2+	INR 230 m
Term loan	IND A- / Stable	INR 3690 m

## Applicable Criteria

### Corporate Rating Methodology

## Analyst Names

### Primary Analyst

**Soumya Awasthi**

Analyst

India Ratings and Research Pvt Ltd 6-3-339, Ozone Complex, 1st Floor Punjagutta Main Road  
Hyderabad 500082  
+91 40 40100019

### Secondary Analyst

**Senthilkumar A.S**

Director

04040178613

### Committee Chairperson

**Sreenivasa Prasanna**

Senior Director

+91 44 43401711

### Media Relation

**Mihir Mukherjee**

Manager Corporate Communications and Investor Relations

+91 22 40356121



ICRA

ICRA Limited

Confidential

Ref: ICRA:BLR:2016-17/RT-BASEL/623

October 27, 2016

**Mr. Hanuman Sharma**  
Chief Financial Officer,  
M/s Dynamatic Technologies Limited  
Dynamatic Park, Peenya,  
Bangalore-560058

Dear Sir,

**Re: ICRA assigned Credit Rating for Rs. 537.01 Crore line of credit of Dynamatic Technologies Limited (instrument details in Annexure)**

As you are aware that in terms of the mandate letter received from its clients, ICRA is required to review all its ratings, on an annual basis, or as and when the circumstances so warrant. Please note that the Rating Committee of ICRA, after due consideration, has re-affirmed the long-term rating for the captioned Line of Credit (LOC) at [ICRA]BBB+ (pronounced ICRA triple B plus)<sup>†</sup>. The outlook on the long-term rating has been revised to Positive from Stable. The Rating Committee of ICRA has also reaffirmed the short-term rating for the captioned LOC at [ICRA]A2 (pronounced ICRA A two).

The aforesaid ratings are valid till February 28, 2017

This rating is specific to the terms and conditions of the LOC as was indicated to us by you and any change in the terms or size of the same would require the rating to be reviewed by us. If there is any change in the terms and conditions or size of the LOC rated, as above, the same must be brought to our notice before the utilisation of the same. If there is any such change after the rating is assigned by us and confirmed for use by you, it would be subject to our review and may result in change in the rating assigned.

ICRA reserves the right to suspend, withdraw or revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

<sup>†</sup> For complete rating definition please refer to ICRA Website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications

'The Millenia', Tower B, Unit No. 1004  
10<sup>th</sup> Floor, 1 & 2 Murphy Road, Ulsoor  
Bengaluru - 560008

Tel. : +91.80.4332 6400  
Fax : +91.80.4332 6409  
CIN : L74999DL1991PLC042749

Website: [www.icra.in](http://www.icra.in)  
Email : [info@icraindia.com](mailto:info@icraindia.com)

Registered Office : 1105, Kailash Building, 11<sup>th</sup> Floor, 26 Kasturba Gandhi Marg, New Delhi - 110001. Tel. : +91.11.23357940-45 Fax : +91.11.23357945  
Corporate Office : Building No. 8, Tower-A, 2<sup>nd</sup> Floor, DLF Cyber City, Phase II, Gurgaon - 122002. Tel. : +91.124.4545300 Fax : +91.124.4050424

**R A T I N G • R E S E A R C H • I N F O R M A T I O N**



ICRA

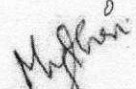
You are required to furnish a periodic statement (in the format enclosed) confirming the timeliness of payment of all obligations against the rated debt programme [interest and principal obligations for fund based as well as obligations under LOC/BG for non-fund based facility].

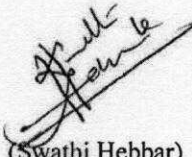
You are also required to inform us forthwith of any default or delay in the payment of interest and/or principal against the rated debt programme, or any other debt instruments and/or borrowings of your company. Further, you are requested to keep us informed of any other developments that could have a direct or indirect impact on the debt servicing capability of your company, with such developments including, but not limited to, any proposal for re-schedulement or postponement of repayment against any dues and/or debts of your company with any lender(s) and/or investor(s).

We thank you for your kind cooperation extended during the course of the rating exercise. Please let us know if you need any clarification.

With regards,

Yours sincerely,  
for ICRA Limited

  
(Mythri Macherla)  
Senior Analyst

  
(Swathi Hebbar)  
Assistant Vice President



ICRA

Format for periodic undertaking

[To be sent periodically to ICRA Limited by email and fax]

*The company has been regular in servicing all its principal and interest obligations in a timely manner and there has not been any delay or default (a missed or delayed payment in breach of the agreed terms of the issue) during the specified period. We also confirm that there has been no re-schedulement in regard to any of company's debt obligations. We also confirm that there has been no overdrawal of the drawing power sanctioned by the bank for a period of more than 30 consecutive days in case of bank facilities which do not have scheduled maturity/repayment dates.*

*Mythri*

*[Handwritten signature]*



ICRA

**Annexure**

**Details of the bank limits rated by ICRA (Rated on long term scale)**

<b>Term Loans</b>	<b>Rs. Crore</b>	<b>Rating</b>
Axis Bank	122.00	[ICRA]BBB+ (Positive)
ICICI Bank	147.00	
IndusInd Bank	100.00	
<b>Total</b>	<b>369.00</b>	

<b>Fund Based Limits</b>	<b>Rs. Crore</b>	<b>Rating</b>
Kotak Mahindra Bank – Cash credit	45.00	[ICRA]BBB+ (Positive)
DBS Bank- Cash credit	50.00	
Axis Bank- Cash credit	25.00	
IndusInd Bank- Cash credit	25.00	
<b>Total</b>	<b>145.00</b>	

<b>Proposed Limits</b>	<b>Rs. Crore</b>	<b>Rating</b>
Long term	0.01	[ICRA]BBB+ (Positive)

**Details of the bank limits rated by ICRA (Rated on short term scale)**

<b>Fund based limits</b>	<b>Rs. Crore</b>	<b>Rating</b>
Axis Bank- Buyer's Credit - (sublimit of Cash credit)	(25.00)	[ICRA]A2
Axis Bank- EPC/PCFC/FBD- (sublimit of Cash credit)	(25.00)	

<b>Non-fund based limits</b>	<b>Rs. Crore</b>	<b>Rating</b>
Axis Bank- BG- (sublimit of Cash credit)	(25.00)	[ICRA]A2
Axis Bank- LC – (sublimit of Cash credit)	(25.00)	
Kotak Mahindra Bank	23.00	
<b>Total</b>	<b>23.00</b>	

*Mythra*

*[Signature]*