



August 16, 2019

✓ BSE Limited  
Flor 25, Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai-400001

National Stock Exchange of India Limited  
Exchange Plaza,  
Plot no. C/1, G-Block,  
Bandra -Kurla Complex, Bandra (E),  
Mumbai-400051

Scrip Code: 502820/DCM

**Sub: Intimation of Revised Credit Rating**

**Re : Disclosure under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements), Regulations, 2015, as amended from time to time**

Dear Sir,

We hereby inform you that credit rating assigned to the Company has been downgraded by Credit Rating Agency i.e. CRISIL w.e.f. August 14, 2019. The copy of same is enclosed herewith for your reference.

This is to clarify that a term loan installment payment aggregating to Rs. 7.49 crores has been deferred due to temporary cash flow mismatch on account of the ongoing auto downturn which has resulted in substantial reduction in order flow. It is not a material amount in context of the company and Company is working with banks to address the fallout of the auto meltdown which Company hope is temporary.

This is for your information and records.

Yours truly,

For DCM Limited

Yadvinder Goyal  
Company Secretary

Encl. - As stated above

## Rating Rationale

August 14, 2019 | Mumbai

### DCM Limited

Ratings downgraded to 'CRISIL D/CRISIL D'

#### Rating Action

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

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 network of Rs 194.2 crore and total outside liabilities to adjusted network 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



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
<b>Total</b>	<b>375.88</b>	<b>--</b>	<b>Total</b>	<b>375.88</b>	<b>--</b>

#### 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](#)

[CRISILs Criteria for rating short term debt](#)

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