



10th May, 2018

1. The Secretary
Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001.

2. The Secretary
National Stock Exchange of India Limited
"Exchange Plaza"
Bandra-Kurla Complex
Bandra East
Mumbai - 400 051.

Sub: Corporate Announcement

Ref: Scrip Code: 505242 / DYNAMATECH

Dear Sir / Madam,

We wish to inform you that India Ratings & Research (a Fitch Group company) has accorded a long term issuer rating to "IND BBB+" 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 to 'Stable'.

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

India Ratings Downgrades Dynamatic Technologies to 'IND BBB+' / Stable; Limits Enhanced

09

By Kanika Goyal

MAY 2018

India Ratings and Research (Ind-Ra) has downgraded Dynamatic Technologies Limited's (DTL) Long-Term Issuer Rating to 'IND BBB+' from 'IND A-'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Fund-based working capital limits	-	-	-	INR1,700 (increased from INR1,450)	IND BBB+/Stable/IND A2+	Long-term rating downgraded; Short-term rating affirmed
Non-fund-based working capital limits	-	-	-	INR230	IND A2+	Affirmed
Term loan	-	-	July 2026	INR3,690	IND BBB+/Stable	Downgraded

Ind-Ra continues to take a consolidated view of DTL and its subsidiaries, because of the strong operational and strategic linkages among them.

The downgrade reflects DTL's net leverage (net adjusted debt/EBITDAR) being above the Ind-Ra's negative rating sensitivity of 3x in FY17 and the agency's expectation of it remaining so in FY18 as well. The company's operating performance is also likely to have remained below Ind-Ra's expectation in FY18.

KEY RATING DRIVERS

Weak Credit Metrics in FY17, Likely to have Continued in FY18: DTL's net leverage (net adjusted debt/EBITDAR) remained high at 4.1x in FY17 (FY16: 4.2x). This was primarily due to an 11.2% yoy increase in debt to fund a capex of INR1,044 million, incurred to 1) set up Aerospace facilities in Bangalore, 2) expand facility for the aerospace & defence segment in Swindon, England and 3) to expand machining facility at Erla foundry, Germany. Ind-Ra expects the net leverage to have remained above 4.0x in FY18 as well, in the view of lower profitability.

Subdued Operating Performance in 9MFY18: In 9MFY18, revenue declined around 10% yoy (on annualised basis), driven by 1) lower plant utilisations due to a change in product mix and deferral of orders in the aerospace & defence segment and 2) shifting away from lower-margin casting products in the automotive segment, leading to lower volume

offtake but partially offset by positive contribution of the hydraulic segment. EBITDA margins dropped to 9.0% in 9MFY18 (FY17: 11.1%), because the lower volume off-take resulted in lower absorption of fixed cost and one-time impact of long-term union wage revision (happens once in three years). However, the company's operating performance picked up in 4QFY18, due to 1) ramp of orders in the aerospace & defence segment, 2) sales improvement at JKM Ferrotech Limited, India, 3) continued strong performance of the hydraulic segment backed by a favourable monsoon. Ind-Ra however expects EBITDA margins to have remained below 10% in FY18, and improve in FY19 on account of higher volume-off take and operational efficiencies coming in from the ramp up of orders obtained after the expansion of the facilities.

Strained Liquidity Position: The company's average utilisation of the sanctioned fund-based limits over the 12 months ended February 2018 was high at 98%. Its working capital cycle rose to 46 days in FY17 from 40 days in FY16, driven by a surge in debtor days due to increasing revenue contribution from the hydraulics and aerospace & defence divisions which command a longer credit period than the automotive segment. As the company is focused on increasing its aerospace & defence business, Ind-Ra expects debtor days to remain high in FY19.

Sale of Part of Automotive Business and Wind Farm: Management expects to sell off 1) its loss-making JKM automotive division (a part of Indian auto segment), 2) aluminium foundry division, and 3) wind farm, all located in Tamil Nadu, in 2HFY19 and use the sales proceeds towards debt repayments. This would be positive for the credit metrics; however the timeline remains to be uncertain.

Cyclical Hydraulic Business: The hydraulic business accounts for around 18% and 23% of total revenue and EBITDA, respectively, and depends highly on monsoons. The segment benefited in FY17 and 9MFY18 due to favourable monsoons and thus higher agricultural production, translating into increased demand for tractors. To reduce dependence on monsoons, DTL is also focusing on the construction equipment sector and is trying to gain market share in these products.

Diversified Business Profile: The company operates in three segments namely Hydraulics, automotive, aerospace and defence. Although automotive dominates the business with 59% contribution to the overall revenue, EBITDA contribution is low at 17%. The high-margin aerospace and defence accounts for 23% of revenue and contributes around 60% to overall EBITDA. Contribution of hydraulic is to 18% revenue and 23% to EBITDA. The company is building capabilities in large aero-structural assemblies, composites and high-precision aero-structure design to further increase revenue contribution from the high-margin aerospace and defence segment.

Strong Order Book in Aerospace & Defence: DTL has large orders from global players namely Airbus SE, Boeing Company, Bell Helicopter Textron Inc. It is also the single source supplier for Airbus's single-aisle aircraft and Bell's 407 Helicopter. It is also a Teir-1 supplier for Boeing Defence for the manufacture of cabinets used to keep critical power and mission equipment.

Margins are likely to improve, backed by a higher volume off-take, supported by the segment's strong order book and better efficiencies with the ramp-up of orders.

RATING SENSITIVITIES

Positive: Sustained margin expansion as a result of strong revenue growth in the aerospace & defence segment combined with a successful turnaround in or sale of the auto business and wind farm resulting in the leverage reducing below 3x on a sustained basis and an improvement in liquidity would lead to a positive rating action.

Negative: Inability to improve the EBITDA margins and/or a large debt-led capex leading to net leverage sustaining above 5x would result in a negative rating action.

COMPANY PROFILE

Incorporated in 1973, DTL manufactures precision engineering products that find application in tractors, earth moving and material handling equipment, automobiles, and aerospace and defence. Apart from automotive, hydraulics and aerospace and defence divisions, DTL has foundries (aluminium and iron) located in Chennai and Germany which produce castings

for in-house consumption by the other divisions and outside customers. The company also owns a wind farm in Tamil Nadu.

FINANCIAL SUMMARY

Particulars	FY16	FY17
Revenue (INR million)	14,938	15,078
EBITDA (INR million)	1,434	1,668
EBITDA margin (%)	9.6	11.1
Interest coverage (x)	1.7	1.9
Net leverage (x)	4.2	4.1
Source: DTL (consolidated)		

RATING HISTORY

Instrument Type	Current Rating/Outlook			History Rating/Outlook
	Rating Type	Rated Limits (million)	Rating	28 October 2016
Issuer rating	Long-term	-	IND BBB+/Stable	IND A-/Stable
Fund-based working capital limits	Long-/short-term	INR1,700	IND BBB+/Stable/IND A2+	IND A-/Stable/IND A2+
Non-fund-based working capital limits	Short-term	INR230	IND A2+	IND A2+
Term loan	Long-term	INR3,690	IND BBB+/Stable	IND A-/Stable

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at 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.

ABOUT INDIA RATINGS AND RESEARCH

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies, structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

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Applicable Criteria

Corporate Rating Methodology

Analyst Names

Primary Analyst

Kanika Goyal

Analyst

India Ratings and Research Pvt Ltd 601-9 Prakashdeep Building 7 Tolstoy Marg New Delhi 110001
011 43567288

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ICRA

Confidential

ICRA Limited

Ref: ICRA:BLR:2017-2018/RT-BASEL/777

March 01, 2018

Mr. Chalapathi P
Chief Financial Officer,
M/s Dynamatic Technologies Limited
Dynamatic Park, Peenya,
Bangalore-560058

Dear Sir,

Re: ICRA 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 Rating Agreement 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 reaffirmed the long-term rating for the captioned Line of Credit (LOC) at **[ICRA]BBB+** (pronounced ICRA triple B plus)[†]. The Outlook on the long-term rating has been revised to **Stable** from Positive. The Rating Committee of ICRA has also reaffirmed the short-term rating for the captioned LOC at **[ICRA]A2** (pronounced ICRA A two).

The ratings as stated above are specific to the terms and conditions of the LOC as indicated to us by you. In case there is any change in the terms and conditions, or the size of the rated LOC, the same must be brought to our notice immediately. Any such change would warrant a rating review, following which there could be a change in the ratings assigned. Notwithstanding the foregoing, any change in the over-all limit of the LOC from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

ICRA reserves the right to review and/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.

You are requested to furnish a monthly 'No Default Statement (NDS)' (in the format enclosed) on the first working day of every month, 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]. This is in accordance with requirements prescribed in circular dated June 30, 2017 on 'Monitoring and Review of Ratings by Credit Rating Agencies(CRAs)' issued by the Securities and Exchange Board of India.

Handwritten signature

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RATING • RESEARCH • INFORMATION



ICRA

You are also requested 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 co-operation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,

for ICRA Limited

[Mathew Kurian Eranat]
Assistant Vice President

[Mythri Macherla]
Senior Analyst

Encl:



ICRA

'No Default Statement on the Company Letter Head'

To ,
<CRA Name and Address>

Dear Sir/ Madam,

1. We hereby Confirm that as on date there are no Over dues or default on our debt obligations
2. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of our debt obligations.
3. We also confirm that there has not been any instance of devolvement of Letter of Credit in the month ended <Month and Year name>.
4. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of debt obligations guaranteed by us.
5. We also confirm that there has been no overdraw 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.
6. Details of delay/ default/ rescheduling of interest or principal as on date/ in the month ended<Month and Year name> , in any of the above case (if any):

Name of the Instrument	ISIN	Amount to be paid	Due Date of Payment	Actual Date of Payment	Remarks

Thanking You,

Yours faithfully,

<Authorized Signatory of Issuer>

Matt

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Annexure

Details of the bank limits rated by ICRA (Rated on Long Term Scale)

Term Loans	Rs. Crore	Rating	Assigned on
Axis Bank	102.00	[ICRA]BBB+ (Stable)	February 23, 2018
ICICI Bank	87.00		
IndusInd Bank	100.00		
Export Import Bank of India	80.00		
Total	369.00		

Fund Based Limits	Rs. Crore	Rating	Assigned on
Kotak Mahindra Bank – Cash credit	45.00	[ICRA]BBB+ (Stable)	February 23, 2018
DBS Bank – Cash credit	50.00		
Axis Bank – Cash credit	25.00		
IndusInd Bank – Cash credit	25.00		
Total	145.00		

Proposed Limits	Rs. Crore	Rating	Assigned on
Long term	0.01	[ICRA]BBB+ (Stable)	February 23, 2018

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

Non-fund based limits	Rs. Crore	Rating	Assigned on
IndusInd Bank	(25.00)	[ICRA]A2	February 23, 2018
Axis Bank	(25.00)		
Kotak Mahindra Bank	23.00		
Total	23.00		

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