



Press Release

DMW CNC Solutions India Private Limited

December 26, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facilities	141.88	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	Simple
Short Term Non-Fund Based Facilities	60.70	IVR A3 (IVR A Three)	-	Assigned	Simple
Short Term Fund Based Facilities	1.10	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	203.68	(Rupees Two Hundred Three Crores and Sixty-Eight Lakhs Only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The rating assigned to the bank facilities of DMW CNC Solutions India Private Limited which derives strength from its resourceful promoters with long standing business experience in the manufacturing of high precision components using CNC machineries, reputed clientele and company's strategy of backward integration. However, these rating strengths are constrained by working capital intensive nature of business and susceptibility of profit margins to foreign exchange fluctuations.

The Stable Outlook reflects Infomerics expectations of steady revenue growth, along with stable profitability over FY25-FY27.

Key Rating Sensitivities

Upward Factors

- Improvement in the operating cycle with improvement in the receivable period
- Successful integration of Amex Alloys with DMW translating into synergy benefits and increased cash flows on consolidated basis



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Downward Factors

- Decline in operating income and profitability

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Healthy product diversity supports the scale and sustainability:

The company manufactures high-precision ferrous and non-ferrous components for industries such as farming, compressors, automobiles, railways, hydraulics, and general engineering. It focuses on meeting long-term customer needs with products that have a repeat demand for 10 to 15 years, ensuring sustained visibility for 4-5 years.

Experienced promoters and management team:

The promoters and senior management bring extensive experience in engineering and are actively involved in decision-making across divisions. Their expertise in marketing, production, procurement, and projects has helped the company stabilize operations and expand its industry presence. Over the years, the business grew from 1 to 7 units, strategically located near customer hubs to ensure timely responses and build long-term relationships. This growth, along with the development of proprietary products like engine blocks and steering housings, has led to increased order inflows and strong capacity utilization. Additionally, the promoters have infused Rs. 12.52 crores in the form of unsecured loans to support expansion and working capital needs, which are subordinated to bank loans and will remain until the bank loans are repaid.

Strong order book reflecting satisfactory medium term revenue stability from reputed clients:

The company has built long-term relationships with major clients such as Tractors and Farm Equipment, Same Deutz, Nalcast, Navistar, and Ashok Leyland, spanning over a decade. DMW also serves a wide range of industries, including machining, motors, agriculture, and aerospace, showcasing its diverse capabilities. These enduring partnerships drive repeat and larger orders, ensuring stable and steady revenue.

Strong growth in revenue and cash accruals on consolidated basis:



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The combined revenue for FY2024 (refers to period from April 01, 2023, to March 31, 2024) from both entities is approximately Rs. 432 crores, with an expected annual growth rate of 18%, driven by an expanding customer base and strong order books at DMW and Amex. Additionally, Amex will continue leveraging DMW's iron foundry division, generating Rs. 50-60 crores in confirmed revenue from DMW orders.

Backward integration with acquisition of Amex Alloys India Pvt Ltd (Amex Alloys) to provide cost savings over the long term:

In March 2024, DMW acquired 81% stake in Amex Alloys and the remaining 19% in July 2024, for a total equity valuation of Rs. 77.69 crores, funded through internal accruals, loans from Aditya Birla Finance and Bajaj Capital. The loan from Aditya Birla Finance was later refinanced with Rs. 41.47 crores in Compulsorily Convertible Debentures (CCDs).

Amex Alloys specializes in invest cast iron, and alloy steel castings, with a capacity of 5400 TPA, though it is still awaiting OEM approval. DMW plans to expand Amex's capacity and get it registered as an approved vendor with OEMs. This acquisition will allow DMW to offer high-quality machined castings at competitive rates, benefiting from cost savings through backward integration, and access to Amex's 25+ client base for machining services.

Key Rating Weaknesses-

Working capital intensive nature of operations:

As a capital goods company, DMW's operations are working capital intensive. For FY24, its net operating cycle increased to 98 days in FY24 (up from 72 days in the FY23), mainly due to higher raw material holding days of 81. Specifically, for Navistar, DMW exports goods in advance to their warehouse, recording sales, but Navistar only considers the purchase complete when the castings are used, resulting in extended credit terms and longer debtor days. For FY24, DMW's cash conversion cycle was long, with average inventory days of 89, debtor days of 97, and creditor days of 89.

Exposure to foreign exchange fluctuation:

DMW CNC generates approximately 40% of its revenue through exports. Its imports comprise of purchase of CNC machines as well as cutting tools. However, it has a net receivables position in terms of its FX exposure. The company does not have a hedging mechanism in



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place at present considering this position, which exposes it to the risk of losses in the event of INR appreciation vis-a-vis foreign currencies. But the same is mitigated as the company raises supplementary invoices towards any unfavourable currency movements beyond 3%.

Spike in leverage as at end FY24 due to acquisition:

The solvency ratios are high as at FY24 because Amex Alloys was acquired in March 2024 by taking loans from Aditya Birla Finance Limited, Bajaj Limited worth Rs. 60.00 crores and the loan from Aditya Birla is already repaid by refinancing the amount by issue of CCDs worth Rs. 41.47 crores. Due to which the ratios will be improving in the subsequent years.

Analytical Approach: Consolidated

The relationship between the parent entity and the group company is evaluated mainly on the basis of the extent and likelihood of support from the parent to the group companies. Here Amex Alloys India Private Limited is considered to arrive at rating on consolidated basis.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post Default curing period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Criteria for Consolidation of Companies](#)

Liquidity: Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY25-FY27. The average fund-based utilisation for the past twelve months ended November 2024 remained moderate at ~78% indicating some amount of liquidity cushion.

About the Company

The company manufactures high-precision ferrous and non-ferrous components for industries such as farming, compressors, automobiles, railway hydraulics, and general engineering. Its business model focuses on meeting customer needs for products with a 4–5-year demand visibility, with many products having repeat demand for 10 to 15 years.



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Financials (Standalone):

	(Rs. crore)	
For the year ended/ As On*	31-3-2023 (Audited)	31-3-2024 (Audited)
Total Operating Income	283.19	284.25
EBITDA	59.63	64.59
PAT	13.23	22.25
Adjusted Tangible Net-worth	67.92	90.50
Ratios		
EBITDA Margin (%)	21.06	22.72
PAT Margin (%)	4.62	7.75
Overall Gearing ratio (x)	2.81	2.92
Interest Coverage (x)	2.91	2.64

* Classification as per Infomerics' standards.

Financials (Consolidated):

	(Rs. crore)	
For the year ended/ As On*	31-3-2023 (Audited)	31-3-2024 (Audited)
Total Operating Income	283.19	432.29
EBITDA	59.63	82.88
PAT	13.23	28.34
Adjusted Tangible Net-worth	67.92	65.41
Ratios		
EBITDA Margin (%)	21.06	19.17
PAT Margin (%)	4.62	6.51
Overall Gearing ratio (x)	2.81	4.60
Interest Coverage (x)	2.91	2.97

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: CRISIL Ratings in its press release dated December 11, 2024, has migrated the rating of DMW CNC Solutions India Private Limited to "Issuer Not Cooperating" category due to unavailability of adequate information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	49.50	IVR BBB-/ Stable	--	--	--
2.	Term Loan	Long Term	87.38	IVR BBB-/ Stable	--	--	--



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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
3.	CEL	Long Term	5.00	IVR BBB-/ Stable	--	--	--
3.	Bank Guarantee	Short Term	1.10	IVR A3	--	--	--
4.	Pre/Post Shipment Credit	Short Term	60.70	IVR A3	--	--	--

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Cash Credit	-	-	-	-	49.50	IVR BBB-/ Stable
Long Term Fund Based Bank Facility – Term Loan	-	-	-	September 2030	17.97	IVR BBB-/ Stable
Long Term Fund Based Bank Facility – Term Loan	-	-	-	January 2028	4.72	IVR BBB-/ Stable
Long Term Fund Based Bank Facility – Term Loan	-	-	-	January 2026	6.25	IVR BBB-/ Stable
Long Term Fund Based Bank Facility – Term Loan	-	-	-	January 2027	1.42	IVR BBB-/ Stable
Long Term Fund Based Bank Facility – Term Loan	-	-	-	January 2027	0.12	IVR BBB-/ Stable
Long Term Fund Based Bank Facility – CEL	-	-	-	January 2029	5.00	IVR BBB-/ Stable
Long Term Fund Based Bank Facility – Term Loan	-	-	-	July 2025	55.13	IVR BBB-/ Stable
Long Term Fund Based Bank Facility – Term Loan	-	-	-	2026	1.77	IVR BBB-/ Stable
Short Term Non-Fund Based Bank Facility – Bank Guarantee	-	-	-	-	1.10	IVR A3
Short Term Non-Fund Based Bank Facility – Pre/Post Shipment Credit	-	-	-	-	60.70	IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-DMW-CNC-dec24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis:

Sl. No.	Name of the Company	Consolidation Approach
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1	Amex Alloys India Private Limited	Full
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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

