

Press Release

Mechatronics Systems Private Limited (MSPL)

14 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.75.00 Cr.
Long Term Rating	SMERA BBB-/ Outlook:Stable
Short Term	SMERA A3

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-'** (read as **SMERA BBB minus**) and short term rating of '**SMERA A3'** (read as **SMERA A three**) on the above mentioned facility of Mechatronics Systems Private Limited. The outlook is '**Stable**'.

Mechatronics Systems Private Limited (MSPL) is a Pune based integrated water resource management company engaged in providing automation and real time data solutions in areas such as real time hydro meteorological information systems, flood forecasting and flood management systems with dam automation, smart city water supply management among others. MSPL provides solution for water resources, dams, canals, and water-supply projects and primarily deals with government agencies and urban local bodies. MSPL was formed in 1991 as a partnership concern with the name 'Mechatronics'. The firm was converted to private limited company in 1996 and its name was changed to Mechatronics Systems Private Limited (MSPL). MSPL is promoted by Mr. Ashok Karva.

Key rating drivers

Strengths

Experienced management and long track record in execution of projects: The promoter of the entity Mr. Ashok Karva has more than two decades of experience in the water resource management project execution space. Mr. Ashok Karva holds BE degree in Electronics and Tele Communication Engineering. The company benefits from team of 200 professionals comprising of software engineers, hydrologists, electronics and instrumentation engineers, business graduates, installation and commissioning engineers.

Healthy order book position: The company has outstanding order book of Rs.277.14 crore as on December 2017 executable over a period of 2 years providing revenue visibility over the medium term. Operating income increased to Rs.120.63 crore in FY2017 from Rs.72.50 crore in FY2015 supported by successful winning of orders from government agencies and urban local bodies.

Average financial risk profile: The average financial risk profile is marked by moderate net worth, moderate gearing and modest debt protection measures. The net worth levels of the entity stood at Rs.16.81 crore as on 31 March, 2017 as compared to Rs.14.79 crore in the previous year. The gearing levels remained moderate at 1.21 times in FY2017 as compared to 1.23 times in FY2016. The total debt majorly comprised short term debt of Rs.16.61 crore and unsecured loans from promoters of Rs.3.71 crore. The interest coverage levels decreased to 1.88 times in FY2017 from 1.97 times in FY2016 due to decrease in the profitability levels. The net cash accruals to total debt (NCA/TD) stood at 0.09 times in FY2017.

Weaknesses

Intense working capital operations: The company has intense working capital operations, as reflected in high gross current assets (GCA) of 122 days as on March 31, 2017 compared to 105 days as on March 31, 2016 due to high debtor levels. Receivable days in FY2017 stood at 74 compared to 92 in FY2016. The receivable levels remained stretched due to delay in payments from government agencies and urban local bodies.

Highly competitive and tender based nature of business: The project based industry is highly competitive with both domestic and international players bidding for contracts. The company faces competition from international players such as Rubicon (Australia), Nippon Koei (Japan) among others. The nature of business is tender based with pressure on profitability margins.

Analytical approach:

SMERA has considered standalone business and financial risk profiles of MSPL.

Outlook – Stable

SMERA believes MSPL will maintain a stable business risk profile over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' if the entity registers higher-than-expected growth in revenues and net cash accruals. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile and liquidity position.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	120.63	107.07	72.50
EBITDA	Rs. Cr.	5.35	6.11	6.19
PAT	Rs. Cr.	1.51	2.15	1.11
EBITDA Margin	(%)	4.44	5.71	8.54
PAT Margin	(%)	1.26	2.00	1.54
ROCE	(%)	15.27	21.57	45.28
Total Debt/Tangible Net Worth	Times	1.21	1.23	1.54
PBDIT/Interest	Times	1.88	1.97	1.44
Total Debt/PBDIT	Times	3.64	2.69	2.56

Gross Current Assets (Days)	Days	122	105	140
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Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Entities In Infrastructure Sector - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable): Care Ratings, vide release dated 06 February, 2018 has suspended the ratings of MSPL on account of lack of adequate information required for monitoring of ratings.

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	9.50	SMERA BBB-/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BBB-/ Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB-/ Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A3 (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A3 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	32.50	SMERA A3 (Assigned)

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ABOUT SMERA

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