



Press Release
Mechatronics Systems Private Limited
April 10, 2024

Rating Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	27.20	ACUITE C Upgraded	-
Bank Loan Ratings	19.80	ACUITE D Reaffirmed	-
Bank Loan Ratings	13.00	-	ACUITE A4 Upgraded
Bank Loan Ratings	15.00	-	ACUITE D Reaffirmed
Total Outstanding Quantum (Rs. Cr)	75.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to **'ACUITE C' (read as ACUITE C)** from **'ACUITE D' (read as ACUITE D)** on the Rs.27.20 crore bank facilities of MECHATRONICS SYSTEMS PRIVATE LIMITED (MSPL).

Acuite has reaffirmed the long-term rating **'ACUITE D' (read as ACUITE D)** on the Rs.19.80 crore bank facilities of MECHATRONICS SYSTEMS PRIVATE LIMITED (MSPL).

Also reaffirmed the short-term rating of **'ACUITE D' (read as ACUITE D)** on the Rs.15.00 crore bank facilities of MECHATRONICS SYSTEMS PRIVATE LIMITED (MSPL) and also upgraded the short-term rating to **'ACUITE A4' (read as ACUITE A four)** from **'ACUITE D' (read as ACUITE D)** on the Rs.13.00 crore bank facilities of MECHATRONICS SYSTEMS PRIVATE LIMITED (MSPL).

Rationale for the rating

The rating upgraded is on account of one lender of the company has given a satisfactory feedback. Further, severe liquidity constraints in the operations of the Company leading to delays in servicing debt repayments in a timely manner by MSPL, and according to CRIF High mark report the account is mentioned SMA-2.

The rating also factors the stretched liquidity profile of the company marked by the working capital-intensive nature of operations and the high utilisation of the fund-based bank limits. However, Acuite considers the long-standing operations of the company marked by the experienced management and the established relationship with customers.

About the Company

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 incorporated 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of MSPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and 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.

Weaknesses

Delays in servicing term debt obligations

Due to the severe liquidity constraints leading to mis-matches in the cash flows of the Company, there has been delays in servicing debt repayments in a timely manner by MSPL .

Below average financial risk profile

The financial risk profile of the company remained below average marked by low net worth, high gearing and moderate debt protection metrics. The net worth of the company stood at Rs.28.29 Cr. as on 31 March, 2023 and Rs. 27.68 Cr. as on FY2022. The gearing stood high at 1.60 times as on 31 March, 2023 as against 1.52 times as on 31 March, 2022. The total debt of Rs.32.94 Cr as on 31 March, 2023 consists of short term bank borrowings of Rs.31.35 Cr. and long term bank borrowings of Rs.1.60 Cr. over the same period. The interest coverage ratio and DSCR stood moderate at 1.28 times and 1.15 times respectively for FY2023 as against 1.43 times and 1.32 times respectively for FY2022. Acuité believes that the financial risk profile of MSPL is however expected to remain moderate over the medium term.

Continuous losses coupled with decline in the operating margin.

The company has consistently incurred losses since the past three years due to disruptions in the operations. The primary reason for losses in FY2023 due to unfulfilled projects and losses incurred at the same time, was the main cause of the revenue decline & due to delay in the completion of project. Moreover, the rise in expenditure deteriorated the operating margin to 10.66 per cent in FY2023 as compared to 14.34 per cent in FY2022. Acuité believes that, going forward, the ability of the company to break the cycle of losses and achieve profits will be a key sensitivity factor.

Rating Sensitivities

Timely servicing of term debt obligations.

Liquidity Position

Stretched

The liquidity position of the company is stretched marked by full utilisation of its working capital limits owing to working capital intensive nature of operations. The average working capital utilisation of its limits remained at ~99.18 % in last six months ended Dec 2023. The company reported net cash accruals of Rs. 0.79 Cr. in FY2023 as against nil debt obligation over the same period. The current ratio stood at 1.49 times in FY23. The cash and bank balances stood at 2.23 Cr. in FY23.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	57.12	53.74
PAT	Rs. Cr.	0.62	1.61
PAT Margin	(%)	1.08	2.99
Total Debt/Tangible Net Worth	Times	1.16	1.52
PBDIT/Interest	Times	1.28	1.43

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Feb 2024	Secured Overdraft	Long Term	13.00	ACUITE D Not Applicable (Reaffirmed & Issuer not co-operating*)
	Secured Overdraft	Long Term	9.50	ACUITE D Not Applicable (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	7.00	ACUITE D Not Applicable (Reaffirmed & Issuer not co-operating*)
	Letter of Credit	Short Term	15.00	ACUITE D (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee/Letter of Guarantee	Short Term	1.00	ACUITE D (Reaffirmed & Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	29.50	ACUITE D (Reaffirmed & Issuer not co-operating*)
23 Nov 2022	Proposed Bank Guarantee	Short Term	29.50	ACUITE D (Downgraded & Issuer not co-operating*)
	Secured Overdraft	Long Term	9.50	ACUITE D Not Applicable (Downgraded & Issuer not co-operating*)
	Cash Credit	Long Term	7.00	ACUITE D Not Applicable (Downgraded & Issuer not co-operating*)
	Secured Overdraft	Long Term	13.00	ACUITE D Not Applicable (Downgraded & Issuer not co-operating*)
	Letter of Credit	Short Term	15.00	ACUITE D (Downgraded & Issuer not co-operating*)
	Bank Guarantee/Letter of Guarantee	Short Term	1.00	ACUITE D (Downgraded & Issuer not co-operating*)
09 Feb 2022	Proposed Bank Guarantee	Short Term	29.50	ACUITE A4+ (Downgraded & Issuer not co-operating*)
	Bank Guarantee/Letter of Guarantee	Short Term	1.00	ACUITE A4+ (Downgraded & Issuer not co-operating*)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Downgraded & Issuer not co-operating*)
	Secured Overdraft	Long Term	13.00	ACUITE BB+ Not Applicable (Downgraded & Issuer not co-operating*)
	Cash Credit	Long Term	7.00	ACUITE BB+ Not Applicable (Downgraded & Issuer not co-operating*)
	Secured Overdraft	Long Term	9.50	ACUITE BB+ Not Applicable (Downgraded & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE D Reaffirmed
The Akola Urban Co Operative Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE D Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE A4 Upgraded (from ACUITE D)
Not Applicable	Not avl. / Not appl.	Proposed Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A4 Upgraded (from ACUITE D)
Not Applicable	Not avl. / Not appl.	Proposed Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.70	ACUITE C Upgraded (from ACUITE D)
Punjab National Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.80	ACUITE D Reaffirmed
The Akola Urban Co Operative Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE D Reaffirmed
The Yavatmal Urban Co-operative Bank Ltd.	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.50	ACUITE C Upgraded (from ACUITE D)

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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