

M2M Cybernetics Private Limited

September 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	13.05	CARE BB-; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	6.50	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking the No Default Statement (NDS) from M2M Cybernetics Private Limited, to monitor the ratings vide e-mail communications dated August 30, 2024, August 20, 2024 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on bank facilities of M2M Cybernetics Private Limited will now be denoted as 'CARE BB-; Stable; ISSUER NOT COOPERATING*/ CARE A4; ISSUER NOT COOPERATING*'.
Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of the non-availability of requisite information due to non-cooperation by M2M Cybernetics Private Limited with CARE Ratings Ltd.'s efforts to undertake a review of the outstanding ratings. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. The ratings, further factors in low execution of order book resulting in subdued scale of operations as well as profitability margins of the company during FY23 (refers to the period April 01, 2022 to March 31, 2023) along with weakening of capital structure and debt coverage indicators. The ratings also factor in the elongated operating cycle of the company during FY23 owing to high debtor position resulting in sustained high utilisation in the working capital limits of the company. Further, the rating continues to remain constrained by the concentrated customer base and volatility in revenue and profitability over the past few years. The ratings, however, continue to derive strength from experienced promoters, healthy unexecuted order book of FY23, low risk of default by debtors as the major clientele consists of government agencies.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on August 21, 2023, the following were the rating strengths and weaknesses:

Key weaknesses

Subdued scale of operations and profitability margins during FY23

The scale of operations of MCPL continued to remain subdued as marked by its Total operating income (TOI) of Rs. 37.43 crore during FY23(Provisional) as compared to Rs. 38.32 crore during FY22, largely due to low order book execution owing to supply chain disruptions. The profitability margins of the company also moderated to 9.72% during FY23 (Provisional) from 11.80% during FY22. The total operating income and profitability had remained volatile over the past 5 years owing to dependency on the orders being executed in a particular year. Going forward, timely execution of order book shall remain monitorable.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Moderation in capital structure and debt coverage indicators

The capital structure of the company moderated with overall gearing of 1.12x as on March 31, 2023 (Provisional) moderated from 0.97x as on March 31, 2022 (A), owing to increase in GECL loan to support the execution of increasing order book position. Further, the company reported moderation in debt coverage indicators with interest coverage of 1.50x as on March 31, 2023, as against 2.92x as on March 31, 2022. The total debt to PBILDT also moderated to 5.89x as on March 31, 2023, as against 3.84x as on March 31, 2022.

Elongated working capital cycle of the company

The operations of the company are working capital intensive since the customers are mainly government agencies. Thus, due to procedural difficulties, there is usually a delay in recovery of debtors. During FY23, The MCPL's operating cycle deteriorated to 370 days as compared to 262 days during FY22, largely due to delay in receivables from the customers. These receivables are from government agencies and expected to be cleared over the next 3-4 months and the risk of default is minimal. The company relies on working capital borrowings to meet its incremental requirement resulting in average working capital utilization of ~92% over the past 12 months ended May 2023.

Key strengths

Moderate Order book position albeit customer concentration risk

The company has moderate unexecuted order book position of ~Rs.208 crore, translating into orderbook to TOI ratio of 5.55x as on June 30, 2023, to be executed over the next 1-2 years providing revenue visibility over the medium term. However, timely execution of this orderbook with low buffer in working capital limits shall remain a key monitorable. Further, the orderbook of the company is concentrated as all the unexecuted orders are with Railtel Corporations, but this risk is somewhat mitigated by the fact that Railtel is a reputed government agency with low counterparty credit risk.

Experienced promoters and management

MCPL was Incorporated in 2016 and is headed by Mr. Shivkumar Jagannath who is a postgraduate from NUS Business School, Singapore. He has over 25 years of industry experience with companies in the field of technology. The management team consists of experienced people such as Mr Manoj Jain who has more than 20 years of industry experience in Finance in the field of construction, real estate etc.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Service Sector Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information Technology	Information Technology	IT - Hardware	Computers Hardware & Equipment

The company is headed by Shivkumar Jagannath who is a postgraduate from NUS Business School, Singapore. He has over 25 years of experience in the field of technology. MCPL is engaged in providing IT, Telecom, Power, Metering related products and solutions. The company is mainly into implementation of internet services in rural areas by procuring orders from government agencies. The company is ISO 9001:2008 certified for its quality management systems. MCPL has a team of more than 700 technicians across different states.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	38.32	34.41
PBILDT	4.52	3.08
PAT	2.39	1.02
Overall gearing (times)	0.97	1.96
Interest coverage (times)	2.96	1.45

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	13.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2026	0.05	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	6.50	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	13.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (21-Aug-23)	1)CARE BB+; Stable (20-Jul-22)	1)CARE BB+; Stable (04-Aug-21)
2	Fund-based - LT-Term Loan	LT	0.05	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (21-Aug-23)	1)CARE BB+; Stable (20-Jul-22)	1)CARE BB+; Stable (04-Aug-21)
3	Non-fund-based - ST-BG/LC	ST	6.50	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4 (21-Aug-23)	1)CARE A4+ (20-Jul-22)	1)CARE A4+ (04-Aug-21)
4	Non-fund-based - ST-Forward Contract	ST	-	-	-	1)Withdrawn (21-Aug-23)	1)CARE A4+ (20-Jul-22)	1)CARE A4+ (04-Aug-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities : Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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