

August 14, 2024^(Revised)

Marine Electricals (I) Limited: Update on material event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term – Fund-based – Cash credit	50.00	50.00	[ICRA]BBB(Stable)
Short-term – Interchangeable (sublimit of cash credit)	(5.0)	(5.0)	[ICRA]A3+
Long-term / Short-term – Unallocated	3.85	3.85	[ICRA]BBB(Stable)/[ICRA]A3+
Short-term – Interchangeable (sublimit of bank guarantee)	(80.0)	(80.0)	[ICRA]A3+
Short-term – Non-fund based – Bank guarantee	146.15	146.15	[ICRA]A3+
Total	200.00	200.00	

*Instrument details are provided in Annexure-I

Rationale

Material Event

Marine Electricals (I) Limited (MEIL) disclosed the status of a pending litigation/dispute on August 05, 2024, which was under arbitration and an award has been rendered by the arbitrator. As per the award, MEIL has been directed to pay an amount of Rs. 21.34 crore plus interest to GE Power Conversion Limited (GEPC). The dispute is related to a 50-MW solar power project (awarded to MEIL by NLC India Ltd.), which was sub-contracted to GEPC.

Impact of Material Event

At present, ICRA has a rating of [ICRA]BBB(Stable)/[ICRA]A3+ outstanding for the bank facilities of MEIL. Based on discussions with the management, ICRA understands that the entity is in the process of appealing against the current award of the arbitrator in higher courts and the company is not liable to make any immediate payment. The overall impact of the event on MEIL's credit profile will be clear after the completion of legal process. The company's liquidity position remains adequate with free cash balances and cushion in the working capital limits. MEIL plans to raise funds of ~Rs. 200-250 crore via the preferential share issue, proposed to be completed in the near term, which will provide comfort to its liquidity position.

ICRA takes cognisance of the said matter and will continue to closely monitor any further development related to this event and take appropriate rating action, if necessary.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position and Rating sensitivities: [Click here](#).

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of MEIL. As on March 31, 2023, the company had six subsidiaries, one step-down subsidiary and two associate entities, which are enlisted in Annexure-II.

About the company

MEIL primarily provides customised electrical solutions to marine and non-marine sectors. Its head office is in Mumbai, with manufacturing facilities in Mumbai and Goa. The company has four subsidiaries, one step-down subsidiary, and one associate company as on March 31, 2023. These include MEIL Power Systems FZC (a 90% stake), Eltech Engineers Madras Private Limited (a 70% stake), Narhari Engineering Works (an 99% stake), Evigo Charging Consultants Private Limited (a 98.88% stake), STI Company SRL (a 67.5% stake; step-down subsidiary). In FY2023, the company acquired a 75% stake in Xanatos Marine Limited. Further, in FY2024, the company acquired 49% stake in Marks Marine Radio Private Limited. Mr. Venkatesh Uchil and Mr. Vinay Uchil are the promoters/key directors, who manage the overall business operations.

Key financial indicators (audited)

Consolidated	Consolidated			Standalone		
	FY2023	FY2024	Q1 FY2025	FY2023	FY2024	Q1 FY2025
Operating income	442.9	622.1	138.5	391.4	533.7	125.2
PAT	16.8	25.6	7.0	17.5	28.3	8.3
OPBDIT/OI	8.7%	8.3%	9.6%	9.0%	8.9%	10.4%
PAT/OI	3.8%	4.1%	5.1%	4.5%	5.3%	6.6%
Total outside liabilities/Tangible net worth (times)	1.2	1.4		1.1	1.3	
Total debt/OPBDIT (times)	1.7	1.9		1.6	1.6	
Interest coverage (times)	3.9	4.2	4.0	4.1	4.5	4.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025)			Chronology of rating history for the past 3 years					
		Amount Rated (Rs Crore)	Date	Rating	FY2024		FY2023		FY2022	
					Date	Rating	Date	Rating	Date	Rating
Term loan	Long-term	-	-	-	-	-	Nov 28, 2022	[ICRA]BBB (Stable)	Jan 24, 2022	[ICRA]BBB (Stable)
							Jan 05, 2023	[ICRA]BBB (Stable)		
Cash credit	Long-term	50.00	14-Aug-2024	[ICRA]BBB (Stable)	Mar 28, 2024	[ICRA]BBB (Stable)	Nov 28, 2022	[ICRA]BBB (Stable)	Jan 24, 2022	[ICRA]BBB (Stable)
							Jan 05, 2023	[ICRA]BBB (Stable)		
Interchangeable (sublimit of cash credit)	Short-term	(5.00)	14-Aug-2024	[ICRA]A3+	Mar 28, 2024	[ICRA]A3+	Nov 28, 2022	[ICRA]A3+	Jan 24, 2022	[ICRA]A3+
							Jan 05, 2023	[ICRA]A3+		
Non-fund based – Bank guarantee	Short-term	146.15	14-Aug-2024	[ICRA]A3+	Mar 28, 2024	[ICRA]A3+	Nov 28, 2022	[ICRA]A3+	Jan 24, 2022	[ICRA]A3+
							Jan 05, 2023	[ICRA]A3+		
Interchangeable (sublimit of bank guarantee)	Short-term	(80.00)	14-Aug-2024	[ICRA]A3+	Mar 28, 2024	[ICRA]A3+	Nov 28, 2022	[ICRA]A3+	Jan 24, 2022	[ICRA]A3+
							Jan 05, 2023	[ICRA]A3+		
Non-fund based – Bank guarantee	Short-term	-	-	-	Mar 28, 2024	-	Nov 28, 2022	[ICRA]A3+	Jan 24, 2022	[ICRA]A3+
							Jan 05, 2023	-		
Unallocated limits	Short-term	-	-	-	Mar 28, 2024	-	Nov 28, 2022	[ICRA]A3+	Jan 24, 2022	[ICRA]A3+
							Jan 05, 2023	-		
Unallocated limits	Long-Term/Short-Term	3.85	14-Aug-2024	[ICRA]BBB (Stable)/[ICRA]A3+	Mar 28, 2024	[ICRA]BBB (Stable)/[ICRA]A3+	Nov 28, 2022	-	Jan 24, 2022	-
							Jan 05, 2023	-		

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Short-term – Interchangeable (Sublimit of CC)	Very Simple
Short-term – Non-fund based – Bank guarantee	Very Simple
Short-term – Interchangeable (Sublimit of BG)	Very Simple
Long-term/Short-term – Unallocated limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund-based – Cash credit	-	-	-	50.00	[ICRA]BBB (Stable)
NA	Short-term – Interchangeable (Sublimit of CC)	-	-	-	(5.00)	[ICRA]A3+
NA	Short-term – Non-fund-based – Bank guarantee	-	-	-	146.15	[ICRA]A3+
NA	Short-term – Interchangeable (Sublimit of BG)	-	-	-	(80.00)	[ICRA]A3+
NA	Long-term/Short-term – Unallocated Limits	-	-	-	3.85	[ICRA]BBB(Stable)/ [ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis

Company Name	Consolidation Approach
Marine Electricals (I) Limited	Full Consolidation
MEL Power Systems FZC	Full Consolidation
STL SRL	Full Consolidation
Eltech Engineers Madras Private Limited	Full Consolidation
Narhari Engineering Works	Full Consolidation
Evigo Charge Private Limited	Full Consolidation
Xanatos Marine Limited	Full Consolidation
Xanztech Synergies Private Limited	Full Consolidation
Marks Marine Radio Private Limited	Equity Method
Athmar India Private Limited	Equity Method

Source: Annual Report FY2023

Corrigendum

In the Rating History table in Page 3, the date of current rating has been revised to 14-Aug-2024 from 13-Aug-2024.

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Branches



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