

August 14, 2024<sup>(Revised)</sup>

## Marine Electricals (I) Limited: Update on material event

### Summary of rating(s) outstanding

| Instrument*   | Previous Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(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+                   |
| <b>Total</b>  | <b>200.00</b>                        | <b>200.00</b>                       |                             |

\*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 | <a href="#">Corporate Credit Rating Methodology</a>   |
| 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

| Current (FY2025)                             |                      |                         |             |                              | Chronology of rating history for the past 3 years |                              |              |                    |              |                    |
|--|----------------------|-------------------------|-------------|------------------------------|---|------------------------------|--------------|--------------------|--------------|--------------------|
| FY2025                                       |                      |                         |             |                              | FY2024  |                              | FY2023       |                    | FY2022       |                    |
| Instrument                                   | Type                 | Amount Rated (Rs Crore) | Date        | Rating                       | 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 /<br>Sanction | Coupon<br>Rate | Maturity<br>Date | Amount Rated<br>(Rs. crore) | Current Rating and<br>Outlook   |
|------|---|--------------------------------|----------------|------------------|-----------------------------|---------------------------------|
| NA   | Long-term – Fund-based<br>– Cash credit             | -                              | -              | -                | 50.00                       | [ICRA]BBB (Stable)              |
| NA   | Short-term –<br>Interchangeable<br>(Sublimit of CC) | -                              | -              | -                | (5.00)                      | [ICRA]A3+                       |
| NA   | Short-term – Non-fund-<br>based – Bank guarantee    | -                              | -              | -                | 146.15                      | [ICRA]A3+                       |
| NA   | Short-term –<br>Interchangeable<br>(Sublimit of BG) | -                              | -              | -                | (80.00)                     | [ICRA]A3+                       |
| NA   | Long-term/Short-term –<br>Unallocated Limits        | -                              | -              | -                | 3.85                        | [ICRA]BBB(Stable)/<br>[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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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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