

April 25, 2025

## Marine Electricals (I) Limited: Ratings upgraded to [ICRA]BBB+(Stable)/[ICRA]A2; rated amount enhanced

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based Cash credit	50.00	62.50	[ICRA]BBB+(Stable); rating upgraded from [ICRA]BBB(Stable) and assigned for enhanced limits
Short-term – Interchangeable (sublimit of cash credit)	(5.00)	(27.00)	[ICRA]A2; rating upgraded from [ICRA]A3+ and assigned for enhanced limits
Short-term - Non-fund-based Bank guarantee	146.15	238.15	[ICRA]A2; rating upgraded from [ICRA]A3+ and assigned for enhanced limits
Short-term – Interchangeable (sublimit of bank guarantee)	(80.00)	(106.00)	[ICRA]A2; rating upgraded from [ICRA]A3+ and assigned for enhanced limits
Long-term/Short-term – Unallocated limits	3.85	21.35	[ICRA]BBB+ (Stable)/[ICRA]A2; ratings upgraded from [ICRA]BBB(Stable)/[ICRA]A3+ and assigned for enhanced limits
<b>Total</b>	<b>200.00</b>	<b>322.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The upgraded ratings factor in the sizeable equity infusion by Marine Electricals (I) Limited (MEIL) through preferential share/warrants issue in FY2025. Consequently, the proceeds have been partly used to reduce the company's reliance on external debt, thereby improving its overall capital structure and debt coverage metrics. The company has also registered a sharp increase in its scale of operations to Rs. 622.3 crore in FY2024 from Rs. 442.9 crore in FY2023, which is expected to grow further in FY2025. In 9M FY2025, the company reported a healthy YoY growth of 34% with revenues of ~Rs. 516.4 crore. This, coupled with a healthy order book position, is expected to translate into revenue growth of 25-30% in FY2025. Such factors, along with stable profit margins, lend adequate support to debt coverage indicators. Going forward, on the back of a healthy order book position of ~Rs. 612 crore as on February 28, 2025, the company is likely to register healthy growth in the current fiscal with stable profitability levels. Moreover, the low reliance on debt would translate into comfortable debt protection metrics for the entity. The ratings continue to draw comfort from MEIL's established position and track record of providing integrated electrical solutions to the marine and industry sectors. Besides, its reputed customer base in the Government and private sectors reduces the counterparty risk to an extent.

The ratings, however, remain constrained by MEIL's working capital intensive nature of operations, evident from the working capital-to-operating income (NWC/OI) ratio of 33% in FY2024. The ratio is expected to remain at range-bound levels in FY2025/FY2026 due to the company's elongated receivable cycle. While the order book position has improved, timely execution of the same remains critical as any major delay could impact the revenues and profitability, given the largely fixed price nature of the contracts in the marine segment. Besides, the competitive bidding process in the marine segment and stiff competition in the industry segment limit the company's pricing flexibility. However, the risks associated with the tender bidding business are partly offset by MEIL's status as a nominated vendor for its key customers in the marine sector and its sound technical capabilities, which facilitate the winning of new projects based on T1 (technical evaluation) criterion. MEIL's profit margins also remain sensitive to currency fluctuations arising from exports, although a natural hedge via imports and exchange earners' foreign currency (EEFC) account mitigates this risk to a large extent.

ICRA also notes that, as per an ongoing arbitration award, MEIL has been directed to pay an amount of Rs. 21.34 crore plus interest to GE Power Conversion Limited (GEPC). The company has appealed against this in the Bombay High Court, and the final outcome is awaited, which could be a long-drawn process. ICRA has taken cognisance of the matter and will continue to closely monitor any further developments. ICRA takes comfort in the fact that the entire principal amount is expected to be provided for by FY2025 (~Rs. 16.83 crore provided in 9M FY2025), and that the recent equity raise supports the company's liquidity profile.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will continue to benefit from its healthy order book position, resulting in an increasing scale of operations and a comfortable liquidity position, supported by the recent equity raise, which is likely to keep the debt under prudent levels.

## Key rating drivers and their description

### Credit strengths

**Established track record along with a reputed and diversified client base:** MEIL is promoted and managed by Mr. Venkatesh Uchil and Mr. Vinay Uchil, with an experience of around two decades in this business. Besides, MEIL has technical tie-ups with various companies across the world for advanced systems required in the marine and industrial sectors, which enhances the company's growth prospects and operational diversity. MEIL serves reputed national and international clients in the marine industry, including the Indian Navy, the Indian Coast Guard, Goa Shipyard Limited, Cochin Shipyard, Mazagon Dock Shipbuilders Limited, Garden Reach Shipbuilders and Engineers Limited, among others. It also has a strong customer base in the industrial sector, including reputed corporates across sectors such as data centres, banking, pharmaceuticals, information technology, automobiles and oil and gas. This reputed and diversified clientele reduces the company's counterparty risk to an extent.

**Healthy order book position supports revenue visibility:** The company's order book position remains healthy at ~Rs. 612 crore as on February 28, 2025, aided by higher order inflows from both the marine and industry segments. While orders in the marine segment are primarily driven by the government's focus on indigenous procurement, modernisation of the Indian Navy, and capacity expansion by shipyards, orders in the industry segment are driven by the company's increasing customer base as well as the rising need to upgrade electrical infrastructure. Industry segment orders are typically completed within six months, whereas marine segment orders require a longer execution period of two to three years. However, delays in project execution from the customers' end could defer revenue recognition for the company, thereby impacting profitability, and this remains a key monitorable.

**Comfortable capital structure; healthy coverage indicators:** The company's capital structure remains comfortable, as evident from a gearing of 0.2 times as on September 30, 2024, given its healthy net worth position as well as low debt levels due to reliance mainly on non-fund-based facilities. Moreover, the company raised over Rs. 145 crore over FY2023-FY2025, with another ~Rs. 30 crore expected in FY2026, primarily to fund the capital expenditure (capex) and working capital requirements. Given the healthy order inflows, MEIL reported 40% YoY growth in FY2024. Credit metrics remained comfortable owing to healthy revenue and profitability, as reflected in a total debt-to-operating profit ratio of 1.3 times as on September 30, 2024 (March 31, 2024: 1.8 times), and an interest coverage ratio of 4.3 times in 9M FY2025 (FY2024: 4.3 times). In 9M FY2025, the company reported a healthy YoY growth of 34%, with revenues of Rs. 516.4 crore, which is expected to translate into total revenue of ~Rs. 770 crore in FY2025, supported by the healthy order book position. This, along with stable profit margins, lends adequate support to the debt coverage indicators.

### Credit challenges

**High working capital intensity of operations:** The company's operations are working capital-intensive in nature, as evident from the NWC/OI ratio of ~33% in FY2024 due to its elongated receivables cycle. As on December 31, 2024, receivables include ~Rs. 51.9 crore which are not yet due (relating to projects pending commissioning or in the performance testing phase). Additionally, overdue receivables outstanding for more than 180 days stood at Rs. 32.6 crore (reflecting 12% of the receivables).

at the standalone level as on December 31, 2024). Going forward, the company's ability to manage its working capital efficiently will remain critical from a credit perspective.

**Susceptible to foreign currency and raw material price fluctuations:** Exports contributed ~4% to MEIL's revenues in H1 FY2025, while 19–20% of its raw materials were imported. Although a natural hedge provides some comfort, the company's operations remain exposed to the currency risk to an extent. Besides, raw materials account for 70–80% of the company's total cost. While industry orders are mainly executed within three to six months, marine orders have a longer execution time of two to three years. Thus, significant fluctuations in raw material prices can adversely impact the company's profit margin. Nevertheless, ICRA notes that the company enters into back-to-back arrangements with its suppliers, which largely mitigates the price risk. Besides, competition from established players and weak bargaining power with its reputed clientele limit MEIL's ability to fully pass on the impact of raw material cost and currency fluctuations to customers.

**Stiff competition in industry segment limits pricing flexibility:** The industry segment remains intensely competitive due to the presence of many established players. The bidding process in the marine industry, combined with intense competition across both segments, limits MEIL's pricing flexibility. However, the company's status as a nominated vendor for key marine customers and its sound technical capabilities, which enable it to secure projects based on the T1 (technical evaluation) criteria in the industry segment, help mitigate this risk to some extent.

## Environmental and Social Risk

**Environmental considerations:** MEIL's exposure to environmental risks are mainly related to carbon emissions and waste management. The company mostly uses environment-friendly raw materials in its manufacturing process to minimise the environmental impact. It has an effluent treatment plant to recycle water and ensures that waste is not discharged into the environment. The company has a policy of recycling, as per which, the waste generated is reused as per requirement.

**Social considerations:** MEIL's success depends on its competent workforce, with talent being the primary source of competitive edge. Failure to hire, motivate and retain the talent pool with the necessary competencies may impact the organisation's ability to maintain and expand its business operations, and consequently impact its profitability. As per the disclosures, MEIL's top management devotes considerable attention to ensure that employees are extended opportunities for professional development.

## Liquidity position: Adequate

The company's liquidity position is adequate, supported by the cushion available in the form of unutilised fund-based working capital limits. Its average utilisation of the sanctioned fund-based limits stood at ~69% during the last 12 months ended on December 31, 2024, reflecting the average unutilised limits of ~Rs. 10-20 crore (with adequate drawing power). ICRA notes that the company has enhanced its WC limits by Rs. 10 crore, which further supports its liquidity. The cash generation in the business is likely to be sufficient to service the debt repayment obligations of Rs. 2-2.5 crore in FY2026 and FY2027. Further, MEIL has raised ~Rs. 149 crore in FY2025/FY2026 through the issue of preference shares and warrants to meet the capex funding requirements of Rs. 15-20 crore p.a. in FY2026 and FY2027 to meet the higher working capital requirement on account of growing business. The unencumbered cash and bank balances stood at ~Rs. 100 crore as on December 31, 2024 at the consolidated level.

## Rating sensitivities

**Positive factors** – The ratings may be upgraded if there is a sustained increase in the company's scale and profitability, while maintaining comfortable debt protection metrics on a sustained basis. Material improvement in the working capital cycle leading to sustained liquidity improvement will also be a positive factor.

**Negative factors** – Pressure on the ratings could arise from a decline in revenues and profitability, resulting in a deterioration of debt protection metrics on a sustained basis. An increase in the working capital intensity, leading to a weakening of the liquidity profile, could also trigger ratings downgrade. Specific credit metric that could lead to ratings downgrade includes the interest cover remaining below 4 times on a sustained basis.

## 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, 2024, the company had six subsidiaries, one step-down subsidiary and one associate entities, which are enlisted in Annexure-II.

## About the company

MEIL was initially engaged in providing tailor-made electrical solutions for the shipping industry. Since 2005, MEIL has extended its range of customised electrical solutions to various companies within non-marine segments. MEIL designs, manufactures and installs a complete range of electrical equipment, including motor starters, motor control panels, power control centres, power distribution boards, generator control panels, and main switchboards for onshore vessels as well as offshore platforms. MEIL is a preferred vendor for switchboards, starters, control panels, automated power management systems (APMS), integrated platform management systems (IPMS), and integrated bridge management systems (IBMS) for the Indian Navy, among 3-5 vendors across India. In the industry segment, the company undertakes projects for customers across major sectors, including data centres, automobiles, semiconductors, metros, pharmaceuticals, tyres, paints, and electronics. MEIL is primarily focused on power distribution systems and automation under such projects. Mr. Venkatesh Uchil and Mr. Vinay Uchil, the key promoters and directors, have over two decades of experience in the business.

## Key financial indicators (audited)

MEIL	Consolidated			Standalone		
	FY2023	FY2024	9M FY2025*	FY2023	FY2024	9M FY2025*
Operating income	442.9	622.3	516.4	391.4	533.7	475.6
PAT	16.8	25.6	24.5	17.5	26.4	28.2
OPBDIT/OI	8.7%	8.5%	9.0%	9.0%	9.0%	9.2%
PAT/OI	3.8%	4.1%	4.8%	4.5%	5.0%	5.9%
Total outside liabilities/Tangible net worth (times)	1.2	1.4		1.1	1.3	
Total debt/OPBDIT (times)	1.7	1.8		1.6	1.6	
Interest coverage (times)	3.9	4.3	4.3	4.1	4.6	5.0

Source: Company, ICRA Research; \*as per Results; 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 (FY2026)			Chronology of rating history for the past 3 years					
		FY2026	FY2025		FY2024		FY2023			
		Amount Rated (Rs. crore)	Apr 25, 2025	Date	Rating	Date	Rating	Date	Rating	
Term loan	Long-term	-	-	-	-	-	-	Nov 28, 2022	[ICRA]BBB (Stable)	
								Jan 05, 2023	[ICRA]BBB (Stable)	
Cash credit	Long-term	62.50	[ICRA]BBB+(Stable)	14-Aug-2024	[ICRA]BBB (Stable)	Mar 28, 2024	[ICRA]BBB (Stable)	Nov 28, 2022	[ICRA]BBB (Stable)	
								Jan 05, 2023	[ICRA]BBB (Stable)	
Interchangeable (sublimit of cash credit)	Short-term	(27.00)	[ICRA]A2	14-Aug-2024	[ICRA]A3+	Mar 28, 2024	[ICRA]A3+	Nov 28, 2022	[ICRA]A3+	
								Jan 05, 2023	[ICRA]A3+	
Non-fund based – Bank guarantee	Short-term	238.15	[ICRA]A2	14-Aug-2024	[ICRA]A3+	Mar 28, 2024	[ICRA]A3+	Nov 28, 2022	[ICRA]A3+	
								Jan 05, 2023	[ICRA]A3+	
Interchangeable (sublimit of bank guarantee)	Short-term	(106.00)	[ICRA]A2	14-Aug-2024	[ICRA]A3+	Mar 28, 2024	[ICRA]A3+	Nov 28, 2022	[ICRA]A3+	
								Jan 05, 2023	[ICRA]A3+	
Non-fund based – Bank guarantee	Short-term	-		14-Aug-2024	-	Mar 28, 2024	-	Nov 28, 2022	[ICRA]A3+	
								Jan 05, 2023	-	
Unallocated limits	Short-term	-		14-Aug-2024	-	Mar 28, 2024	-	Nov 28, 2022	[ICRA]A3+	
								Jan 05, 2023	-	
Unallocated limits	Long-Term/Short-Term	21.35	[ICRA]BBB+(Stable)/[ICRA]A2	14-Aug-2024	[ICRA]BBB (Stable)/[ICRA]A3+	Mar 28, 2024	[ICRA]BBB (Stable)/[ICRA]A3+	Nov 28, 2022	-	
								Jan 05, 2023	-	

## Complexity level of the rated instruments

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	Not applicable

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 analysing 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 are available on ICRA's website: [Click here](#)

**Annexure I: Instrument details**

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term – Fund-based – Cash credit	-	-	-	62.50	[ICRA]BBB+ (Stable)
NA	Short-term – Interchangeable (Sublimit of CC)	-	-	-	(27.00)	[ICRA]A2
NA	Short-term – Non-fund-based – Bank guarantee	-	-	-	238.15	[ICRA]A2
NA	Short-term – Interchangeable (Sublimit of BG)	-	-	-	(106.00)	[ICRA]A2
NA	Long-term/Short-term – Unallocated limits	-	-	-	21.35	[ICRA]BBB+ (Stable)/[ICRA]A2

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	MEIL ownership	Consolidation approach
Marine Electricals (I) Limited	Parent company	Full Consolidation
MEL Power Systems FZC	93.71%	Full Consolidation
STL SRL	70.28%	Full Consolidation
Eltech Engineers Madras Private Limited	94.00%	Full Consolidation
Narhari Engineering Works	99.00%	Full Consolidation
Evigo Charge Private Limited	99.44%	Full Consolidation
Xanatos Marine Limited	75.00%	Full Consolidation
Xanatech Synergies Private Limited	93.50%	Full Consolidation
Marks Marine Radio Private Limited	49.20%	Equity Method

Source: MEIL annual report FY2024

## ANALYST CONTACTS

**Ashish Modani**

+91 22 6169 3300

[ashish.modani@icraindia.com](mailto:ashish.modani@icraindia.com)

**Suprio Banerjee**

+91 22 6114 3400

[supriob@icraindia.com](mailto:supriob@icraindia.com)

**Manish Pathak**

+91 124 4545 397

[manishp@icraindia.com](mailto:manishp@icraindia.com)

**Maitri Vira**

+91 79 6923 3012

[maitri.vira@icraindia.com](mailto:maitri.vira@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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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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## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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