November 28, 2022

Marine Electricals (I) Limited: Update on entity

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term: Fund-based Cash Credit	36.00	36.00	[ICRA]BBB(Stable)
Short-term: Fund-based EPC/EBD/PCFC (Sublimit of Cash Credit)	(5.00)	(5.00)	[ICRA]A3+
Short-term: Non-fund-based Bank Guarantee (Sublimit of Cash Credit)	(7.00)	(7.00)	[ICRA]A3+
Long-term: Fund-based Term Loans	18.37	18.37	[ICRA]BBB(Stable)
Short-term: Non-fund-based Bank Guarantee	111.38	111.38	[ICRA]A3+
Short-term: Non-fund-based Letter of Credit (Sublimit of Bank Guarantee)	(50.00)	(50.00)	[ICRA]A3+
Short-term Unallocated	4.25	4.25	[ICRA]A3+
Total	**170.00**	**170.00**	

**Instrument details are provided in Annexure-1*

Rationale

ICRA has taken note of the auditor's comments in the audited financials of Marine Electricals (I) Limited (MEIL, or "the company") for FY2022, highlighting delays in debt servicing of principal and interest obligations of term loans/vehicle loans. Upon further analysis of bank statements (April 2021 - September 2022), ICRA came to know about additional instances of delayed payments during H1 FY2023. ICRA notes that these delays in repayments were due to technical reasons at banks' end. The company was carrying adequate liquidity buffer on its balance sheet on the stipulated due dates and had given payment instructions to the banks in time. ICRA also received confirmations from all the lenders of MEIL regarding the timely debt servicing by the company.

ICRA has a rating of [ICRA]BBB(Stable)/[ICRA]A3+ outstanding for the Rs. 170-crore bank facilities availed by the company. The rating remains unchanged at [ICRA]BBB(Stable)/[ICRA]A3+ as the company's liquidity position is adequate to service debt obligations and the delays were purely because of technical reasons. ICRA is of the view that, if the occurrence of a delay or a missed payment by an entity is solely because of technical reasons beyond the control of that entity, then such an occurrence is not treated as a default.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities: Click here

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Consolidation and Rating Approach
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of MEL. As on March 31, 2022, the company had 4 subsidiaries, 1 step-down subsidiary and 1 joint venture which are enlisted in Annexure-2.

About the company

MEL primarily provides customised electrical solutions to the 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 as on March 31, 2022. These include MEL Power Systems FZC (90% stake), Eltech Engineers Madras Private Limited (70% stake), Narhari Engineering Works (80% stake), STI Company SRL (67.5% stake; step-down subsidiary) and one associate, Automatic Electronic Controls Manufacturing Co. (50% stake; associate) which are in a similar line of business. In October 2020, MEL acquired a 74% stake in Evigo Charging Consultants Private Limited, which undertakes electric vehicle charging. In October 2021, the company announced the acquisition of 75% stake in Xanatos Marine Limited, which is expected to be completed in FY2023. Mr. Venkatesh Uchil and Mr. Vinay Uchil are the promoters/key directors who manage the overall business operations.

Key financial indicators

Consolidated financials	FY2021 (Audited)	FY2022 (Audited)	H1 FY2023 (Reported)
Operating Income (Rs. crore)	251.7	376.6	172.9
PAT (Rs. crore)	13.5	13.3	13.8
OPBDIT/OI (%)	11.1%	8.6%	8.0%
PAT/OI (%)	5.4%	3.5%	3.3%
Total Outside Liabilities/Tangible Net Worth (times)	1.3	1.1	1.1
Total Debt/OPBDIT (times)	2.1	1.1	2.2
Interest Coverage (times)	3.1	4.4	3.0

Source: Company; 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	Current Rating (FY2023)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. Cr.)	Amount Outstanding (Rs. Cr.)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020		
					28-Nov-2022	24-Jan-2022	07-Jan-2021	07-Jan-2020	20-Jun-2019	05-Apr-2019
1	Fund-based Cash Credit	Long-term	36.00	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB+ (Stable)
2	Fund-based EPC/EBD/PCFC	Short-term	(5.00)	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A2+
3	Non-fund based Bank Guarantee	Short-term	(7.00)	-	[ICRA]A3+	[ICRA]A3+	-	-	-	-
4	Fund-based Term Loans	Long-term	18.37	13.79*	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)	-	-	-
5	Non-fund based Bank Guarantee	Short-term	111.38	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A2+
6	Non-fund based Letter of Credit	Short- term	(50.00)	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A2+
7	Unallocated	Short-term	4.25	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A2+

*Amount in Rs. crore; *As on March 31, 2021*

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term: Fund-based Cash Credit	Simple
Short-term: Fund-based EPC/EBD/PCFC	Simple
Short-term: Non-fund based Bank Guarantee	Very Simple
Long-term: Fund-based Term Loans	Simple
Short-term: Non-fund based Bank Guarantee	Very Simple
Short-term: Non-fund based Letter of Credit	Very Simple
Short-term Unallocated	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 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-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Cr.)	Current Rating and Outlook
NA	Fund-based Cash Credit	-	-	-	36.00	[ICRA]BBB(Stable)
NA	Fund-based EPC/EBD/PCFC	-	-	-	(5.00)	[ICRA]A3+
NA	Non-fund based Bank Guarantee	-		-	(7.00)	[ICRA]A3+
NA	Fund-based Term Loans	FY2019	7-10%	FY2024	18.37	[ICRA]BBB(Stable)
NA	Non-fund based Bank Guarantee	-	-	-	111.38	[ICRA]A3+
NA	Non-fund based Letter of Credit	-	-	-	(50.00)	[ICRA]A3+
NA	Unallocated	-	-	-	4.25	[ICRA]A3+

Source: *Company*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis

Sr.	Entity Name	Consolidation Approach
1	Marine Electricals (I) Limited	Full consolidation
2	MEL Power Systems FZC	Full consolidation
3	STL SRL	Full consolidation
4	Eltech Engineers Madras Private Limited	Full consolidation
5	Narhari Engineering Works	Full consolidation
6	Evigo Charging Consultants Private Limited	Full consolidation
7	Automatic Electronic Controls Manufacturing Co.	Proportionate consolidation

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About ICRA Limited:

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.

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