Marine Electricals (India) Limited
B-1, Udyog Sadan-3, MIDC, Andheri (E), Mumbai-93, India, Tel.: 91-22-40334300 Fax: 91-22-28364045 E-mail: info@marineelectricals.com
Website : www.marineelectricals.com CIN : L31907MH2007PLC176443 (Formerly known as Marine Electricals (I) Pvt. Ltd.)

Ref: MEIL/SEC/2022-23/72

5th January, 2023

To,
The National Stock Exchange of India Limited.
Exchange Plaza, 5th Floor, Plot No. C/1
G Block, Bandra- Kurla Complex,
Bandra (East), Mumbai – 400051
Symbol: MARINE
ISIN: INE01JE01028

Dear Sirs/Madam,

Sub: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding credit ratings by ICRA Limited ("ICRA")

Pursuant to Regulation 30 read with Schedule III Part A of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, we would like to inform you that ICRA Limited ("ICRA") has re-affirmed the ratings as under:-

a) **For long term ratings** - "ICRA BBB" with "Stable" outlook; reaffirmed
b) **For the Short ratings** - "ICRA A3+"; reaffirmed

The press release of ICRA dated January, 05, 2023 is available on our website: https://www.marineelectricals.com/credit-rating.html

You are requested to take the same on record & oblige.

Thanking You.

Yours faithfully,

For Marine Electricals (India) Limited

Marine Electricals (India) Limited MUMBAI

Mitali Ambre
Company Secretary & Compliance Officer
ACS: 60296

January 05, 2023

Marine Electricals (I) Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term: Fund-based Cash Credit	36.00	41.00	[ICRA]BBB(Stable); reaffirmed
Short-term: Fund-based EPC/EBD/PCFC (Sublimit of Cash Credit)	(5.00)	(5.00)	[ICRA]A3+; reaffirmed
Short-term: Non-fund-based Bank Guarantee (Sublimit of Cash Credit)	(7.00)	-	-
Long-term: Fund-based Term Loans	18.37	10.12	[ICRA]BBB(Stable); reaffirmed
Short-term: Non-fund-based Bank Guarantee	111.38	118.88	[ICRA]A3+; reaffirmed
Short-term: Non-fund-based Letter of Credit (Sublimit of Bank Guarantee)	(50.00)	(60.00)	[ICRA]A3+; reaffirmed
Short-term Unallocated	4.25	-	-
Total	**170.00**	**170.00**	

**Instrument details are provided in Annexure-1*

Rationale

The ratings factor in Marine Electricals (I) Limited's (MEIL) healthy order book position of ~Rs. 500 crore as on December 27, 2022, which provides adequate revenue visibility in the near term. 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 sector reduces the counterparty risk to an extent. The ratings also consider MEIL's comfortable capital structure, given its strong net worth position and low debt levels due to reliance on non-fund-based facilities. In H1 FY2023, while the company reported flat revenues (YoY) of Rs. 173 crore, the same is expected to increase in H2 FY2023, given the healthy order book position. This will lend adequate support to debt coverage indicators, as revenues and profitability of the company are skewed towards second half of every fiscal due to higher execution as well as booking of annual maintenance revenues.

The ratings, however, remain constrained by MEIL's high working capital intensive operations as evident from the net working capital-to-operating income (NWC/OI) ratio of 40% in H1 FY2023 due to its elongated receivable cycle. While the order book position has improved, timely execution of the same remains critical as any major delays 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 is 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 winning of new projects based on T1 (technical evaluation) regime. MEIL's profit margins also remain vulnerable to currency fluctuations arising from exports, though a natural hedge via imports mitigates the risk to a large extent.

The Stable outlook on [ICRA]BBB rating reflects ICRA's opinion that the company will continue to benefit from its established position in the industry as well as its healthy order book position.

Key rating drivers and their description

Credit strengths

Healthy order book position – The company's order book position improved to ~Rs. 500 crore as on December 27, 2022 from ~Rs. 407 crore as on November 30, 2021, aided by higher order inflows from the marine and industry segments. While orders in the marine segment are primarily driven by the government's focus on indigenous procurement, modernisation of Navy and capacity expansion by shipyards, orders in the industry segment are driven by the company's increasing customer base as well as the increasing need to improve electrical infrastructure. The orders in the industry segment are completed within six months and those in the marine segment require longer execution time of two to three years. However, any delay in execution of projects from the customers' end could delay revenue booking for the company, thereby impacting its profitability, and hence remains a key monitorable.

Long experience of promoters; technical tie-ups with reputed companies – MEIL is promoted and managed by Mr. Venkatesh Uchil and Mr. Vinay Uchil, who have 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 improve the growth prospects as well as operational diversification of the company.

Reputed and diversified client base limits counterparty risk – MEIL has reputed national and international clients in the marine industry including the Indian Navy, the Indian Cost Guard, Goa Shipyard Limited, Cochin Shipyard, Mazagon Dock Shipbuilders Limited, Garden Reach Shipbuilders and Engineers Limited, among others. Besides, MEIL has a strong customer base in the industrial sector, which includes reputed corporates across various sectors like data centers, banking, pharmaceutical companies, information technology, automobile, oil and gas, among others. Its reputed and diversified clientele reduces the counterparty risk to an extent.

Comfortable capital structure; satisfactory coverage indicators – The company's capital structure remains comfortable, as evident from a gearing of 0.3 times as on September 30, 2022, given its healthy net worth position as well as low debt levels due to reliance on non-fund based facilities. ICRA notes that the company's gross debt levels increased to Rs. 59.5 crore as on September 30, 2022 from Rs. 36.6 crore as on March 31, 2022. The incremental debt was utilised to provide cash collateral to the bank, invest in a subsidiary, and partly fund the capital expenditure (capex) requirement. Nevertheless, the net debt continues to be in line with FY2022 levels.

Given the healthy order inflows, MEIL's revenues increased by 50% to Rs. 377 crore in FY2022 (P.Y. – Rs. 252 crore). With higher profitability and improvement in the receivables position, the credit metrics strengthened as reflected in total debt-to-operating profit ratio of 1.1 time as on March 31, 2022 (P.Y. – 2.1 times), net cash accruals vis-à-vis total debt ratio of 53% (P.Y. – 40%) and interest cover of 4.4 times in FY2022 (P.Y. – 3.1 times). In H1 FY2023, while the company reported flat revenues (YoY) of Rs. 173 crore, the same is expected to increase in H2 FY2023 given the healthy order book position. While the increase in debt levels led to a moderation in the total debt-to-operating profit ratio and interest cover to 2.2 times and 3.0 times respectively in H1 FY2023, the same are expected to improve in H2 FY2023 as the revenues and profitability of the company are skewed towards second half of every fiscal due to higher execution as well as booking of annual maintenance revenues.

Credit challenges

High working capital intensity of operations – The company's operations are working capital intensive in nature as evident from NWC/OI ratio of 40% in H1 FY2023 due to its elongated receivables cycle. The working capital intensity of operations, although reduced to 38% in FY2022 and 40% in H1 FY2023 from 51% in FY2020 and 63% in FY2021 due to recovery of a portion of its pending receivables, continues to remain high. The receivables as on September 30, 2022 include pending receivables of the solar project worth Rs. 16.0 crore, which are expected to be recovered post completion of the performance testing phase in FY2024. Apart from these, the overdue receivables outstanding for more than 180 days stood at Rs. 12.8 crore (reflecting

11% of the receivables at the standalone level as on September 30, 2022). Going forward, the company's ability to manage its working capital efficiently and thereby liquidity will remain critical.

Susceptible to foreign currency and raw material price fluctuations – Exports contributed approximately 9% to MEIL's revenues in FY2022 and around 19-20% of its raw materials was imported. While 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 the industry orders are mainly executed within three to six months, marine orders involve a longer execution time of two to three years. Thus, any significant fluctuation in raw material prices can adversely impact the company's profit margin. Nevertheless, ICRA notes that the company enters into back-to-back arrangement with its suppliers, which largely mitigates the prick risk. Besides, competition from established players in the industry and weak bargaining power against its reputed clientele limit the company's ability to entirely pass on the impact of raw material price fluctuations and foreign currency fluctuations to the customer.

Bidding process in marine industry and stiff competition in industry segment limit pricing flexibility – The industry segment remains intensely competitive due to the presence of many players for electrification. Besides, the company faces stiff competition from companies like Larsen & Toubro (L & T), General Electric (GE) and Siemens for acquiring new contracts. The bidding process followed in the marine industry, coupled with competition from strong players as well as stiff competition in the industrial segments, limit MEIL's pricing flexibility. However, the company's status as a nominated vendor of its key customers in the marine segment and its sound technical capabilities, which facilitate winning new projects based on the T1 (technical evaluation) criteria in the industry segment, mitigate the risk to some extent.

Environmental and Social Risks

MEIL's exposure to environmental risks are mainly related to carbon emissions and waste management. MEIL mostly uses environment friendly raw materials in its manufacturing process to minimise the impact on the environment. The company has an effluent treatment plant in place to ensure that waste is not discharged in the environment and to recycle the water. The company has a policy for recycling products such that majority of the waste generated is reused.

On the social front, MEIL's success depends on its competent workforce with talent being the company's primary source of competitive edge. Failure to hire, motivate and retain talent pool with necessary competencies may impact the organisation's ability to maintain and expand its business operations, and consequently its profitability. As per the disclosures, the top management of MEIL devotes considerable attention in ensuring that employees are given 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. The company's average utilistion of sanctioned fund-based limits (increased to Rs. 41 crore from Rs. 36 crore in September 2022) stood at around 50% during the last 12 months ended on October 31, 2022, reflecting average unutilised limits of ~Rs. 18.0 crore (with adequate drawing power). The cash generation in the business is likely to be sufficient to service the debt repayment obligations of Rs. 5.5 crore in FY2023, Rs. 6.5 crore in FY2024 and Rs. 2.9 crore in FY2025 and meet the equity funding for capex. In H1 FY2023, the company purchased office premises worth ~Rs. 13-14 crore which was partly debt-funded. In FY2024 and FY2025, the company is estimated to incur additional capex of Rs. 5-6 crore towards the said office property. Besides, the company is also evaluating setting up of a new manufacturing facility. The company decided to raise Rs. 29.25 crore through issue of warrants. Of this, the company received Rs. 7.3 crore in September 2022 and the balance amount will be received in FY2024, which will be largely utilised to meet the capex funding. The unencumbered cash and bank balances stood at Rs. 8.8 crore as on September 30, 2022 at the consolidated level.

Rating sensitivities

Positive factors – The ratings may be upgraded if there is a considerable ramp-up in the scale of operations and profitability, while sustaining the healthy credit and liquidity profile. Specific credit metric that could lead to ratings upgrade includes ROCE remaining above 15% on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is a decline in the company's revenues and/or profitability, resulting in a deterioration in the financial profile. An increase in the working capital intensity, leading to a deterioration in the liquidity profile, could also trigger ratings downgrade. Specific credit metric that could lead to ratings downgrade includes the interest cover remaining below 3.5 times on a sustained basis.

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 MEIL. As on March 31, 2022, the company had four subsidiaries, one step-down subsidiary and one joint venture, which are enlisted in Annexure-2.

About the company

MEIL 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 MEIL Power Systems FZC (a 90% stake), Eltech Engineers Madras Private Limited (a 70% stake), Narhari Engineering Works (a 80% stake), STI Company SRL (a 67.5% stake; step-down subsidiary) and Automatic Electronic Controls Manufacturing Co. (a 50% stake; associate), which are in the similar line of business. In October 2020, MEIL acquired a 74% stake in Evigo Charge Private Limited, which undertakes electric vehicle charging. In October 2021, the company announced the acquisition of a 75% stake in Xanatos Marine Limited, which is expected to be completed in Q4 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	5.8
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
**based on limited review of auditor; All ratios as per ICRA calculation*

Standalone financials	FY2021 (Audited)	FY2022 (Audited)	H1 FY2023 (Reported)*
Operating Income (Rs. crore)	200.3	323.2	145.2
PAT (Rs. crore)	7.4	11.4	3.7
OPBDIT/OI (%)	11.5%	8.5%	6.8%
PAT/OI (%)	3.7%	3.5%	2.6%
Total Outside Liabilities/Tangible Net Worth (times)	1.2	0.9	1.1
Total Debt/OPBDIT (times)	2.1	1.1	2.7
Interest Coverage (times)	3.0	4.2	2.4

Source: Company; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation
**based on limited review of auditor; All ratios as per ICRA calculation*

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 FY2023		Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020		
					05-Jan-2023	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	41.00	-	[ICRA]BBB (Stable)	[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]A3	[ICRA]A2+
3	**Non-fund-based Bank Guarantee**	Short-term	-	-	-	[ICRA]A3+	[ICRA]A3+	-	-	-	-
4	**Fund-based Term Loans**	Long-term	10.12	10.12*	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB- (Stable)	-	-	-
5	**Non-fund-based Bank Guarantee**	Short-term	118.88	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A2+
6	**Non-fund-based Letter of Credit**	Short- term	(60.00)	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A2+
7	**Unallocated**	Short-term	-	-	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A2+

*Amount in Rs. crore; *As on September 30, 2022*

Complexity level of the rated instrument

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

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**	-	-	-	41.00	[ICRA]BBB(Stable)
NA	**Fund-based EPC/EBD/PCFC**	-	-	-	(5.00)	[ICRA]A3+
NA	**Fund-based Term Loans**	FY2018	8-10%	FY2024	10.12	[ICRA]BBB(Stable)
NA	**Non-fund-based Bank Guarantee**	-	-	-	118.88	[ICRA]A3+
NA	**Non-fund-based Letter of Credit**	-	-	-	(60.00)	[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 Charge 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.

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.

For more information, visit www.icra.in

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