



Press Release

Megawin Switchgear Private Limited

January 10, 2025

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	60.99 (reduced from Rs 75.99 crore)	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	IVR BB+/ Negative ISSUER NOT COOPERATING* (IVR Double B Plus with Negative Outlook Issuer Not Cooperating)	Rating Upgraded and removed from Issuer Not Cooperating category; Outlook revised from Negative to Stable	Simple
Short Term Bank Facilities	-	-	IVR A4+ ISSUER NOT COOPERATING* (IVR A Four Plus Issuer Not Cooperating)	Withdrawn	Simple
Long/Short Term Bank Facilities	40.00	IVR BBB-/ Stable / IVR A3 (IVR Triple B minus with Stable Outlook and IVR A Three)	IVR BB+/ Negative/ IVR A4+ ISSUER NOT COOPERATING* (IVR Double B Plus with Negative Outlook and IVR A Four Plus Issuer Not Cooperating)	Rating Upgraded and removed from Issuer Not Cooperating category; Outlook revised from Negative to Stable	Simple
Total	100.99 (INR One Hundred crore and Ninety-Nine Lakhs Only)				

*Issuer did not cooperate; based on best available information

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale



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Earlier, Infomerics had moved the ratings of Megawin Switchgear Private Limited (MSPL) to Issuer Not Cooperating category vide its press release dated November 08, 2024, because of non-submission of required information. However, the entity has started cooperating and submitted the required information. Consequently, Infomerics has removed the ratings from 'ISSUER NOT COOPERATING' category and upgraded the ratings.

The upgradation of the ratings assigned to the bank facilities of Megawin Switchgear Private Limited (MSPL) continues to derive comfort from the experienced promoters & management team with long track record in the switchgear industry, completely integrated operations, long relationships with reputed clientele, improvement in revenue in FY24 (Refers to the period April 01,2023 to March 31,2024) and maintenance of decent operating margins despite challenges, and comfortable capital structure along with adequate debt protection metrics. The rating strengths are however offset by working capital intensive nature of operations marked by stretched operating cycle and high competition and cyclicity in the industry.

The long-term rating outlook of the company is expected to remain stable driven by sustained improvement in business and financial risk profile, coupled with experienced promoters and favourable demand outlook in the overall industry.

Infomerics has also withdrawn the outstanding long-term rating of 'IVR BB+/ Negative Issuer Not Cooperating' and short-term rating of 'IVR A4+ Issuer Not Cooperating' assigned to the cash credit and letter of credit facilities respectively availed from State Bank of India (SBI) with immediate effect. The withdrawal has been taken at the request of the company and no due certificate from the bank. The ratings are withdrawn in accordance with Infomerics' policy on withdrawal. Link to the withdrawal policy is provided below.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and debt protection metrics.
- Improvement in capital structure with improvement in overall gearing.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators.



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- Further deterioration in capital structure with increase in debt.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters & management team with long track record in the switchgear industry**

The company is a family-owned business which was founded by Mr. S Ganesan in 1987. The promoter has more than three decades of experience and is further assisted by his wife and experienced and qualified pool of top management team comprising of senior level employees which enables the company to have a long-term vision and cope up with challenges.

- **Completely integrated operations**

MSPL has completely integrated operations with two factories exclusively engaged in the production of finished goods and the balance three factories engaged in the production of various components necessary for the production of finished goods. CTs, VTs, Sheet metal fabrication, vacuum interrupters, electronic devices, bus bars, circuit breakers, etc., are all manufactured inhouse. There is a full-fledged machine shop with lathes, presses, and a variety of other machinery where all the machined parts of switchgears are manufactured. A tool room with vertical machining centres, milling machines etc. helps the company to produce all the tools, dies and moulds for castings and other components. Backward integration helps the company on two counts – maintenance of quality, and control on costs, ensuring the sustenance of the brand in the country.

- **Long relationships with reputed clientele**

MSPL has long relationships with reputed clientele across the country with the relationship period being more than 10 years for many of its clients. Established relationships with reputed clientele has ensured repeated orders due to timely execution of past orders. The client base of MSPL includes Larsen & Toubro Limited (L&T) and government bodies like Tamil Nadu Transmission Corporation Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, and Gujarat Energy Transmission Corporation Limited (GETCO).

- **Improvement in revenue in FY24 and maintenance of decent operating margins despite challenges**



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In FY24, the company achieved ~14% growth in revenue, reaching Rs. 167.08 crore, supported by higher sales volumes across all product lines and increased orders from infrastructure and electricity distribution companies. The company managed to maintain stable operating margins at 9.84% (PY:10.05%), aided by controlled raw material costs, while PAT margins improved by 36 basis points to 4.87% in FY24, driven by effective absorption of fixed interest and depreciation expenses. The EBITDA margins got slightly moderated driven by write-off of some of the delivery charges being written off of government clients which was under disputes and also additional testing charges being incurred on the request of the clientele.

- **Comfortable capital structure and adequate debt servicing indicators**

MSPL's total debt increased to Rs 48.30 crore as on March 31, 2024 from Rs 38.88 crore as on March 31, 2023, driven by higher working capital utilization due to increased scale. Tangible net worth increased to Rs 124.36 crore as on March 31, 2024 from Rs 116.31 crore as on March 31, 2024, on account of accretion in reserves due to profits earned by the company. The overall gearing ratio stood at 0.39x (PY: 0.33x), while the total indebtedness ratio (TOL/TNW) was 0.70x (PY:0.60x) as on March 31,2024. Interest coverage ratio although moderated on account of increase in interest costs but stood comfortable at 2.50x in FY24 in comparison to 3.36x in FY23 (Refers to the period April 01,2022 to March 31,2023). DSCR although moderated in FY24 but stood comfortable at 2.44x (PY:2.77x).

Key Rating Weaknesses

- **Working capital intensive nature of operations marked by stretched operating cycle**

The business operations of the company are working capital intensive in nature with high level of inventory and receivables. The operating cycle of the company remains high due to its complex production process, which involves extensive customization, rigorous testing, and long lead times. As a result, it faces prolonged inventory holding periods and extended payment cycles from customers. Furthermore, the company generally maintains high raw material inventory, which majorly comprises of metal sheets and copper wires. The high stock of these materials is maintained in order to ensure a smooth manufacturing process without any interruption. Also, since the prices of these materials are highly volatile in nature, the management maintains sufficient stock in anticipation of any major price fluctuation in future.



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The company's collection period is high as state utilities and electricity boards, which contribute 60-70% to the revenue, take a long time to pay due to procedural delays. Further, retention money from turnkey projects is release. The operating cycle of MSPL as on March 31,2024 stood at 325 days (PY: 331 days)

- **High competition and cyclicity in the industry**

The capital goods industry is marked by cyclicity and high competition and the case is no different for the switchgear manufacturers. MSPL faces stiff competition not only from the established players, but also from the unorganised sector players. The level of differentiation, to be fair, is not huge for MSPL or for that matter any player in the switchgear field. However, in terms of state utility supplies, the products need to be widely tested and approved by the relevant authorities such as Central Power Research Institute, etc. which acts as an entry barrier for new players. In the medium-voltage segment, the company has been developing products, simultaneously evolving with new technology developments and needs of the customers, which enable MSPL to bid along with large players.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Policy on Withdrawal of Ratings](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity –Adequate

The company had a very comfortable current ratio of 2.91x on March 31, 2024. The company is expected to generate adequate cash accruals of each of the years between FY25 and FY27 to cover the debt repayments due in the respective years. The average utilisation of fund based working capital limits was moderate at ~ 85% for 12 months ended October 2024.



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About the Company

Megawin Switchgear Private Limited (MSPL) is engaged in the engineering and manufacturing of Medium Voltage Switchgears. It was established in the year 1988, and operates from 3 sophisticated full-fledged units at Salem, Tamil Nadu catering to the sectors like power generation, transmission and distribution, and infrastructure. It also operates nine regional sales and service offices, along with a network of over twenty channel partners across the country.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	146.09	167.08
EBITDA	14.69	16.43
PAT	6.63	8.30
Total Debt	38.88	48.30
Tangible Net Worth	116.31	124.36
EBITDA Margin (%)	10.05	9.84
PAT Margin (%)	4.51	4.87
Overall Gearing Ratio (x)	0.33	0.39
Interest Coverage (x)	3.36	2.50

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:



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Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					November 08, 2024	October 10, 2023	August 25, 2022	-
1	Cash Credit	Long Term	40.00	IVR BBB-/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING*	IVR BBB-/ Stable	IVR BBB-/ Stable	-
2	Term Loan	Long Term	20.99	IVR BBB-/ Stable	IVR BB+/ Negative ISSUER NOT COOPERATING*	IVR BBB-/ Stable	IVR BBB-/ Stable	-
3	Letter of Credit	Short Term	-	Withdrawn	IVR A4+ ISSUER NOT COOPERATING*	IVR A3	IVR A3	-
4	Bank Guarantee	Long/Short Term	40.00	IVR BBB-/ Stable/ IVR A3	IVR BB+/ Negative/ IVR A4+ ISSUER NOT COOPERATING*	IVR BBB-/ Stable/ IVR A3	IVR BBB-/ Stable/IVR A3	-

*Issuer did not cooperate; based on best available information

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).



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Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit 1	-	-	-	-	20.00	IVR BBB-/ Stable
Cash Credit 2	-	-	-	-	20.00	IVR BBB-/ Stable
Cash Credit 3	-	-	-	-	-	Withdrawn
Term Loan 1	-	-	-	March, 2029	15.99	IVR BBB-/ Stable
Term Loan 2	-	-	-	October, 2025	5.00	IVR BBB-/ Stable



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Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Letter of Credit	-	-	-	-	-	Withdrawn
Bank Guarantee 1	-	-	-	-	20.00	IVR BBB-/ Stable/ IVR A3
Bank Guarantee 2	-	-	-	-	20.00	IVR BBB-/ Stable/ IVR A3

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Megawin-Switchgear-10jan25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Name of the Security		Detailed Explanation
	Financial Covenant	
	i.	
	ii.	
	Non-financial Covenant	
	i.	
	ii.	

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com