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E: sales@modison.com W: www.modison.com  
Cin No.: L51900MH1983PLC029783



(Formerly known as MODISON METALS LIMITED)

17<sup>th</sup> February, 2023

The Market Operations Department  
BSE Limited,  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai 400 001  
Scip Code:506261

The Assistant Manager – Listing  
National Stock Exchange of India Ltd.  
Exchange Plaza, 5th floor  
Plot No. C/1, G Block  
Bandra – Kurla Complex  
Bandra (East), Mumbai – 400 051  
NSE SCRIP CODE: MODISONLTD

Dear Sir/Madam,

**Sub: Intimation of Credit Rating for bank facilities rated by CARE Ratings Ltd.**

Dear Sir/Madam,

We wish to inform you that Credit Rating by CARE Ratings Ltd. dated February 17, 2023 for long term & Short term bank facilities as under:-

Particulars	Amount (in crore)	Rating	Rating Action
Long Term Bank Facilities	75.00	CARE A; Negative (Single A; Outlook: Negative)	Re-Affirmed; Outlook revised from Stable
Short Term Bank Facilities	17.00	CARE A1 (A One)	Reaffirmed
Total Facilities	92.00		

# Revision in outlook to 'Negative' is due to volatility in price of raw materials (silver and copper) and foreign exchange.

Please treat the above information as intimation under Regulation 30 of the Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Thanking You,

Yours faithfully,  
For Modison Limited  
(Formerly known as Modison Metals Limited)

MANIKA ARORA  
Digitally signed by MANIKA ARORA  
Date: 2023.02.17 17:51:59 +05'30'

Manika Arora  
Company Secretary



**No. CARE/HO/RL/2022-23/4033****Mr. Ramesh Kothari**  
**Chief Financial Officer**  
**Modison Limited**Plot No- 85-A, B, D & E  
Road I-Phase, GIDC, Valsad- Gujarat,  
Vapi  
Gujarat 396195

February 17, 2023

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your Company for FY22 (A) and 9MFY23 (Prov.), our Rating Committee has reviewed the following ratings:

<b>Facilities</b>	<b>Amount (Rs. crore)</b>	<b>Rating<sup>1</sup></b>	<b>Rating Action</b>
<b>Long Term Bank Facilities</b>	<b>75.00</b>	<b>CARE A; Negative (Single A; Outlook: Negative)</b>	<b>Reaffirmed; Outlook revised from Stable</b>
<b>Short Term Bank Facilities</b>	<b>17.00</b>	<b>CARE A1 (A One)</b>	<b>Reaffirmed</b>
<b>Total Facilities</b>	<b>92.00 (Rs. Ninety-Two Crore Only)</b>		

2. Refer **Annexure 1** for details of rated facilities.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE Ratings Ltd.'s publications.

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CIN-L67190MH1993PLC071691

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by February 17, 2023, we will proceed on the basis that you have no any comments to offer.

4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

8. Users of this rating may kindly refer our website [www.careedge.in](http://www.careedge.in) for latest update on the outstanding rating.

9. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

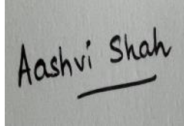
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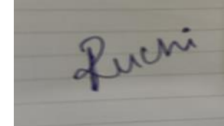
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**Aashvi Shah**  
Analyst  
[aashvi.shah@careedge.in](mailto:aashvi.shah@careedge.in)

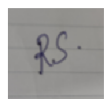


**Ruchi Sanghavi**  
Assistant Director  
[ruchi.shroff@careedge.in](mailto:ruchi.shroff@careedge.in)

Encl.: As above

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.



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**Annexure 1**

**Details of Rated Facilities**

**1. Long Term Facilities**

**1.A. Term Loans**

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	HDFC Bank Ltd.	15.00
	<b>Total</b>	<b>15.00</b>

**1.B. Fund Based Limits**

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	HDFC Bank Ltd.	40.00
2.	Kotak Mahindra Bank Ltd.	20.00
	<b>Total</b>	<b>60.00</b>

**Total Long Term Facilities : Rs.75.00 crore**

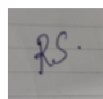
**2. Short Term Facilities**

**2.A. Non-Fund Based Limits**

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	HDFC Bank Ltd.	17.00
	<b>Total</b>	<b>17.00</b>

**Total Short Term Facilities : Rs.17.00 crore**

**Total Facilities (1.A+1.B+2.A) : Rs.92.00 crore**



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## Modison Limited

Facilities/Instruments	Amount (₹ crore)	Ratings <sup>2</sup>	Rating Action
Long Term Bank Facilities	75.00	CARE A; Negative	Reaffirmed; Outlook revised from Stable
Short Term Bank Facilities	17.00	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Modison Limited (ML) continues to derive strength from its experienced promoters, its strong market position in India in manufacturing electrical contacts and reputed customer as well as supplier base although it is concentrated. There is consistent increase in scale of operations, comfortable capital structure and debt coverage indicators.

The rating continues to be constrained by lower liquidity coupled with high working capital cycle, its exposure to fluctuation in prices of its major raw materials and foreign exchange leading to quarter on quarter weakening of profitability margins. ML is also having risk associated with implementation and stabilization of its capex plan.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in PBILDT margins above 15% on a sustained basis
- Timely recovery of the receivables with collection period of below 100 days on a sustained basis

#### Negative factors

- Deterioration of capital structure above 0.5x on a sustained basis
- Delays in the order book execution which may adversely affect the profitability margins

**Analytical approach:** Standalone

### Outlook: Negative

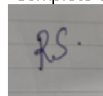
Revision in outlook to 'Negative' is on account of expected weakening in overall profitability for full year due to volatility in prices of its major raw materials (silver and copper) and foreign exchange. The outlook will be revised to 'Stable' if the company is able to improve its profitability while maintaining adequate liquidity position.

### Key strengths

#### Experienced promoters and long track record of operations

Modison Limited was established by Mr. G.L. Modi in 1965 as a trading unit. A decade later in 1975, the first manufacturing facility was set up in Mumbai for refining of Silver and exporting it. Further in 1978, the promoter started manufacturing of electrical contacts. Mr. G. L. Modi has more than four decades of experience in electrical equipment industry and has been instrumental in establishing the company as one of the leading electrical contacts manufacturing companies in India. Along with Shri G.L. Modi, his son Mr. Jay Kumar Modi, his relative Mr. Rajkumar Modi (both are

<sup>2</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications



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Whole-time Directors) and Mr. Manish Kumar Srivastava, Joint-Managing Director, who in the past has worked with various big companies take care of the business. The promoters are well supported with a professional team in place to take care of key aspects of business.

### **Strong business profile**

ML is a leading manufacturer of electrical contacts for high, low and medium voltage (HV, LV & MV) switchgears in India and abroad. It is one of the companies in India and one of the few in the world to have presence in all three segments i.e., HV, MV and LV. LV (including MV) & HV contributes nearly 65% and 35% respectively to the overall revenues of the company.

### **Strong customer and supplier base**

ML has a very strong and established customer base and caters to five out of top 10 switchgear manufacturers in India. Contribution to sales from top five customers was 44.05% in FY22. The major raw material required for manufacturing of contacts is silver and copper, which it procures from highly reputed suppliers. The top five suppliers accounted for more than 55.55% during FY22. ML's high dependence on customers and suppliers leads to concentration risk. However, long term relationship with these suppliers and customers as well as ML being the biggest domestic supplier to the switchgear manufacturers helps mitigate the risks to a large extent.

### **Consistent increase in moderate scale of operations**

ML's operations have been continuously increasing Y-o-Y. The total operating income has increased from Rs. 202.57 crore in FY18 to Rs. 342.42 crore in FY22 on account of increase in demand for switchgears and better realizations. Furthermore, ML has already booked sales of Rs. 247.28 crore during 9MFY23.

### **Comfortable capital structure and debt coverage indicators**

ML has comfortable financial risk profile with no major term debt and only working capital borrowing which are also utilized minimally. Overall gearing as on March 31, 2022, stood very comfortable at 0.10 times vis-à-vis 0.07 times as on March 31, 2021. In 9MFY23, the overall gearing continued to remain comfortable at 0.09x.

Total debt to GCA also declined but stood comfortable at 0.83 times as on March 31, 2022 vis-à-vis 0.42 times as on March 31, 2021 owing to decline in gross cash accruals. Interest coverage declined to 14.41x in FY22 vis-à-vis 18.88x in FY21 on account of lower PBILDT during the year. In 9MFY23, the interest coverage was 12.89x.

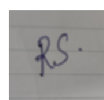
### **Key weaknesses**

#### **Fluctuating profitability margins**

The operating margins of ML remained fluctuating during the period of FY18-21 in the range of 9%-14% mainly due to high volatility in raw material prices. In FY22, the operating margins declined significantly to 9.07% (vis-à-vis 14.02% in FY21) due to high fluctuations in silver prices.

In Q3FY23, ML has booked net losses of Rs. 2.05 crores (vis-à-vis profits of Rs. 0.46 crores in Q2FY23 and Rs. 0.94 crores in Q3FY22). ML suffered losses due to hedging of silver stock on MCX as silver prices were highly volatile (which are likely to be recovered in the coming quarters) and also, it suffered losses on mark-to-market of forward contract due to volatility in forex. ML has booked PBILDT margin of 5.91% and PAT margin of 1.41% during 9MFY23.

Going forward, the likeliness of achievability of profitability will be monitorable in the coming quarters.



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## **Elongated working capital cycle**

ML, being in heavy electrical goods industries where realization of receivables usually takes higher time, ML has to extend around 90-100 days to its receivables. The collection days remained at 62 days in FY22 vis-à-vis 65 days in FY21. This leads to higher operating cycle. The average creditors remained low at 7 days in FY22 vis-à-vis 8 days in FY21. The inventory period remained improved but remained high at 73 days in FY22 vis-à-vis 87 in FY21. With higher inventory holding period & higher collection period and minimal creditors' period, the operating cycle is elongated which makes the operations working capital intensive. The same improved to 128 days in FY22 vis-à-vis 145 days in FY21. However, this is compensated through generation of strong cash flows which mitigate working capital requirement.

## **Risk associated with implementation and stabilization of its capex plan**

ML plans to incur capex for upgrading its existing facilities in all the three segments by procuring various automation products, robots which would lead to improve its efficiency and to accommodate increasing demand for electrical contacts. Also, it plans to build a new factory in the existing premises for increasing assembly line for HV segment. The project cost is of Rs.25.00 crore, out of which Rs. 10 crores has been incurred till January 31, 2023 through internal accruals and no external debt will be availed.

## **Exposure to fluctuation in prices of raw materials and foreign exchange fluctuations**

ML is exposed to inherent risk of price fluctuation of its major raw material i.e., Silver. The raw materials account for around 86.68% of the cost of sales in FY22. ML has arrangement to procure silver on monthly basis where-in prices are reset on weighted average basis and are linked to LME prices. ML is a net exporter i.e. its exports are higher than the imports. ML hedges its inventory i.e., as soon as it procures silver it hedges into MCX through forward contracts. 80% of its inventory is hedged. At the time of procuring an order from the customers, the company negotiates on the pricing of its products depending upon the prevailing input prices. This partly mitigates raw material volatility risk. Furthermore, ML follows order-based production policy, which further mitigates the risk. On an average it takes around 30 days for LV contacts and around 6 weeks for HV contacts to supply to customers.

## **Liquidity: Adequate**

ML's liquidity is adequate on account of nil repayment obligations in FY23 and cash and liquid investments of Rs. 0.08 crores as on December 31, 2022. The current ratio and quick ratio stood at 4.11 times and 2.11 times respectively as on March 31, 2022. Further, its fund-based working capital limits utilization stood low at around 40% for the past twelve months ending January 31, 2023 and non-fund based limits were minimally utilized. The unutilized bank lines are adequate to meet its incremental working capital needs over the medium term. Also, there is an on-going capex of Rs. 25 crore, for which no external debt has been availed. Its cash flow from operations stood positive at Rs. 19.96 crore in FY22.

## **Applicable criteria**

[Policy on default recognition](#)

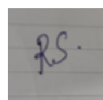
[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Criteria for short Instruments](#)



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**About the company and industry**
**Industry Classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Electrical Equipment	Other Electrical Equipment

Modison Limited (CIN No: L51900MH1983PLC029783) was founded as a trading unit in 1965, by Mr. G.L. Modi, to deal in tool steels and general merchandise. A decade later in 1975, Mr. G.L. Modi established the first manufacturing facility in Mumbai for refining of Silver and exporting it to bankers and dealers in Europe and USA. Within two years, the promoters started manufacturing electrical contacts after realizing vast potential in this segment. From 1983 to 1996, Modison had technical collaboration with DODUCO and with its support Modison developed many hi-tech products, which were hitherto, imported by India Switchgear industry. These electrical contacts are specially made tipping points that make and break electrical current. ML is the leading manufacturer for low voltage (LV) and sole manufacturer of high voltage (HV) switchgears in India. ML has an installed capacity of 250 thousand arcing contacts for HV and 33 tonnes per annum of LV contacts at its Vapi plant.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (Prov.)
Total operating income	293.09	342.42	247.28
PBILDT	41.09	31.07	14.69
PAT	22.43	14.62	83.51
Overall gearing (times)	0.07	0.10	0.09
Interest coverage (times)	18.88	14.41	12.89

A: Audited; Prov.: Provisional

**Status of non-cooperation with previous CRA:** Nil

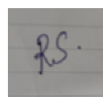
**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-5



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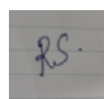
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**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	60.00	CARE A; Negative
Fund-based - LT-Term Loan		-	-	NA	15.00	CARE A; Negative
Non-fund-based - ST-BG/LC		-	-	-	17.00	CARE A1

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (12-Oct-21) 2)CARE A; Stable (12-Oct-21) 3)CARE A; Positive (06-Apr-21)	-	1)CARE A; Positive (27-Mar-20)
2	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (12-Oct-21) 2)CARE A; Stable (12-Oct-21) 3)CARE A; Positive	-	1)CARE A; Positive (27-Mar-20)

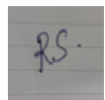


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						(06-Apr-21)		
3	Non-fund-based - ST-BG/LC	ST	-	-	-	1)Withdrawn (12-Oct-21) 2)CARE A1 (12-Oct-21) 3)CARE A1 (06-Apr-21)	-	1)CARE A1 (27-Mar-20)
4	Non-fund-based - ST-BG/LC	ST	-	-	-	1)Withdrawn (12-Oct-21) 2)CARE A1 (12-Oct-21) 3)CARE A1 (06-Apr-21)	-	1)CARE A1 (27-Mar-20)
5	Non-fund-based - ST-BG/LC	ST	-	-	-	1)Withdrawn (12-Oct-21) 2)CARE A1 (12-Oct-21) 3)CARE A1 (06-Apr-21)	-	1)CARE A1 (27-Mar-20)
6	Fund-based - LT-Term Loan	LT	15.00	CARE A; Negative	1)CARE A; Stable (07-Apr-22)	-	-	-
7	Fund-based - LT-Cash Credit	LT	60.00	CARE A; Negative	1)CARE A; Stable (07-Apr-22)	-	-	-
8	Non-fund-based - ST-BG/LC	ST	17.00	CARE A1	1)CARE A1 (07-Apr-22)	-	-	-

\*Long term/Short term.



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**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities**

Name of the Instrument	Detailed Explanation
<b>A. Non-financial covenants</b>	
I. Stock Statements	Stock statements to be submitted every month

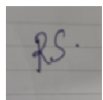
**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.



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## Contact us

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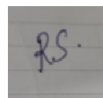
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