

Modison Limited

December 30, 2024

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	90.00 (Enhanced from 60.00)	CARE A; Stable	Reaffirmed
Short-term bank facilities	17.50	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Modison Limited (Modison) continue to derive strength from its experienced promoters, strong market position in India in manufacturing electrical contacts and reputed customer and supplier base. Ratings further derive strength from moderate scale of operations, comfortable capital structure and adequate liquidity position.

However, rating strengths continue to remain constrained by elongated working capital cycle and profitability susceptible to fluctuations in raw material prices and foreign exchange rates.

CARE Ratings Limited (CARE Ratings) has withdrawn the rating assigned to one of Modison's working capital facilities with immediate effect, as Modison has surrendered it and there is no amount outstanding as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in profit before interest, lease rentals, depreciation and tax (PBILDT) margin to over 15% on a sustained basis and return on capital employed (ROCE) of 18%.
- Operating cycle of below 90 days on a sustained basis.

Negative factors

- Deterioration in PBILDT margin beyond 7% on a sustained basis.
- Higher-than-envisaged level of debt resulting in deterioration of capital structure to above 0.30x on a sustained basis.
- Deterioration in total debt to PBILDT above 1.50x.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings' expectation that the company will continue to benefit from its established and reputed customer base and will sustain its financial risk profile in the medium term.

Detailed description of key rating drivers:

Key strengths

Strong business profile

Modison is a leading manufacturer of silver/copper/tungsten based electrical contacts for high, medium and low voltage (HV, MV & LV) switchgears, serving domestic and international markets. Modison has an integrated presence, encompassing silver refining, production of electrical contact materials, and manufacturing of finished contacts. LV (including MV) and HV contribute nearly 75% and 25% respectively to the company's net sales.

Established customer and supplier base

Modison has an established customer base, catering to some of the top switchgear manufacturers in India. Top five customers accounted for ~40-45% of total operating income (TOI) in the last three years. Further, Modison procures its key raw materials such as silver, copper and tungsten from reputed suppliers. Top five suppliers accounted for ~65-70% of purchases in the last three years. The company's high dependence on customers and suppliers leads to concentration risk. However, long-term relationship with them helps mitigate risks to a large extent.

Growing-yet-moderate scale of operations

In FY24 (refers to period April 01 to March 31), the company's TOI increased by ~20% to ₹404.79 crore (PY: ₹335.78 crore), largely driven by higher demand from the LV segment. Furthermore, the company booked TOI of ₹240.91 crore in H1FY25 (refers to April 01 to September 30). Modison has an unexecuted orderbook of ~₹100 crore as on December 15, 2024, providing short-term revenue visibility.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Comfortable capital structure and debt coverage indicators

Modison's debt profile as on March 31, 2024, consisted of working capital borrowings and minimal term debt. The capital structure continues to remain comfortable with overall gearing of 0.16x as on March 31, 2024 (PY: 0.03x), despite higher utilisation of working capital limits as on balance sheet date. In the absence of debt-funded capex, the capital structure is expected to remain comfortable in the medium term.

Debt coverage indicators continued to remain comfortable with interest coverage and total debt to gross cash accruals (TD/GCA) of 11.04x and 1.12x respectively in FY24 (PY: 14.21x and 0.31x respectively).

Experienced promoters and long track record of operations

Modison was established by Girdharilal 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. In 1978, the promoter started manufacturing of electrical contacts. Girdharilal Modi has over four decades of experience in the electrical equipment industry and has been instrumental in establishing the company as one of the leading electrical contacts manufacturing companies in India. He is supported by Jay Kumar Modi (son), Rajkumar Modi (relative) and Murlil Nikam (CEO). Promoters are well-supported by a qualified team of professionals with significant experience in their respective fields.

Key weaknesses

Fluctuating profitability with volatility in raw material prices and forex rates

PBILDT margin exhibited a declining trend during FY21-23 from 13% to 7% primarily due to volatile input prices and competitive pressure in the global market. However, PBILDT margin improved marginally to 7.96% in FY24 (PY: 7.63%). Further, the company has reported PBILDT margin of 8.39% in H1FY25.

Modison is exposed to the inherent risk of price fluctuations in its major raw materials, particularly silver, which accounts for ~75-80% of raw material purchases. To manage volatility risk, Modison hedges part of its inventory, depending on market dynamics. However, the company does not have a defined hedging policy. The company is also exposed to fluctuations in forex rates with ~15% of net sales from exports and ~10% of purchases from imports. Modison follows natural hedging and also enters forex-forward contracts to mitigate foreign currency risk.

The profit after tax (PAT) margin improved to 5.27% in FY24 (PY: 3.33%) owing to gain of ₹5.59 crore booked in hedging of silver and forex forward contracts. In H1FY25, Modison booked a loss of ₹1.52 crore (H1FY24: gain of ₹2.51 crore) on hedging of silver and a forex gain of ₹0.25 crore (H1FY24: gain of ₹2.19 crore). Profitability margins remain monitorable with fluctuations in silver prices and forex rates.

Elongated working capital cycle

The company's operations remain working capital intensive with gross current asset of 158 days and operating cycle of 128 days in FY24 (PY: 135 days). Most of the working capital is blocked in inventory, as Modison needs to maintain sufficient inventory for continuous manufacturing requirements.

Modison generally gives a credit period of ~60 to 90 days to its customers. Considering the reputed customer profile, credit risk remains low. With higher inventory holding period, higher collection period and minimal creditors' period, the operating cycle is elongated. Currently, working capital requirements are funded through a mix of internal accruals and working capital limits from banks.

Liquidity: Adequate

The company's liquidity position continues to remain adequate as marked by annual GCA of ₹30-35 crore against nil repayment obligations. Average maximum utilisation of fund-based limits and non-fund-based limits stood at ~86% and ~9% respectively for 12-months ended October 31, 2024. Unutilised credit lines provide additional comfort and are sufficient to meet incremental the company's working capital requirements.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Electrical equipment	Other electrical equipment

Established by Girdharilal Modi, Modison (CIN No: L51900MH1983PLC029783) is engaged in the manufacturing of electrical contacts for LV, MV and HV switchgears. Modison has an installed capacity of 250 thousand arcing contacts for HV and 33 tonnes per annum of LV contacts at its Vapi plant.

Its group company, Modison Copper Private Limited (MCPL; rated CARE BBB+; Stable/ CARE A3+) was established in 1995 and is engaged in the manufacturing of copper alloy products catering to industries such as switchgear (used in HV electrical contacts), automotive and railways among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (Prov.)
Total operating income	335.78	404.79	240.91
PBILDT	25.64	32.22	20.22
PAT	11.17	21.34	9.34
Overall gearing (times)	0.03	0.16	0.23
Interest coverage (times)	14.21	11.04	7.20

A: Audited; Prov.: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	90.00	CARE A; Stable
Non-fund-based - ST-BG/LC		-	-	-	17.50	CARE A1

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)CARE A; Stable (12-Oct-21) 2)Withdrawn (12-Oct-21) 3)CARE A; Positive (06-Apr-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
2	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)
3	Non-fund-based - ST-BG/LC	ST	-	-	-	-	-	1)CARE A1 (12-Oct-21) 2)Withdrawn (12-Oct-21) 3)CARE A1 (06-Apr-21)
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)
5	Non-fund-based - ST-BG/LC	ST	-	-	-	-	-	1)CARE A1 (12-Oct-21) 2)Withdrawn (12-Oct-21) 3)CARE A1 (06-Apr-21)
6	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (24-Mar-23) 2)CARE A; Negative (17-Feb-23) 3)CARE A; Stable (07-Apr-22)	-
7	Fund-based - LT-Cash Credit	LT	90.00	CARE A; Stable	-	1)CARE A; Stable (05-Jan-24)	1)CARE A; Negative (24-Mar-23)	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
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							2)CARE A; Negative (17-Feb-23)	
							3)CARE A; Stable (07-Apr-22)	
8	Non-fund-based - ST-BG/LC	ST	17.50	CARE A1	-	1)CARE A1 (05-Jan-24)	1)CARE A1 (24-Mar-23) 2)CARE A1 (17-Feb-23) 3)CARE A1 (07-Apr-22)	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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