



## Press Release

**Marc Enterprises Private Limited**

**September 11, 2024**

### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	35.21	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	IVR BBB/ Stable (IVR triple B with Stable outlook)	Downgraded	Simple
Short Term Bank Facilities	12.00	IVR A3 (IVR A three)	IVR A3+ (IVR A three plus)	Downgraded	Simple
<b>Total</b>	<b>47.21</b> <b>(Rupees forty-seven crore and twenty-one lakh only)</b>				

**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

The ratings assigned to the bank facilities of Marc Enterprises Private Limited (MEPL) considers the common management team and operational & financial linkages between MEPL and its group concern JC International (JCI). Infomerics has taken a combined view of these two entities referred together as Marc group.

The downgrade in the ratings assigned to the bank facilities of MEPL is primarily on account of the consistent decline in the net profits and deterioration in the capital structure of the Group. The ratings are further constrained by moderate working capital management, susceptibility of profitability to volatility in raw material price and intense competition from both large and unorganised sector. However, the rating derives strength from long track record of operations, experienced management, steady business risk profile buoyed by reputed client base and strong distribution network and favourable industry outlook for the electrical appliances.

Infomerics has also withdrawn the outstanding long-term rating of 'IVR BBB-/ Stable' assigned to the term loan, long-term and short-term rating of 'IVR BBB-/ Stable/ IVR A3' assigned to the multiline working capital facilities and long-term and short-term rating of 'IVR BBB-/ Stable/



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IVR A3' assigned to the working capital facilities of MEPL with immediate effect. The withdrawal has been taken at the request of MEPL and 'No Due Certificate' received from both the banks, DBS bank and Citi Bank that had extended the facilities rated by Infomerics. The ratings are withdrawn in accordance with Infomerics' policy on withdrawal.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 and sustained growth in scale of operations with improvement in profitability and cash accruals.
- Improvement in the capital structure and debt protection metrics on a sustained basis.
- Managing working capital requirement efficiently leading to improvement in the operating cycle with improvement in liquidity.

#### **Downward Factors**

- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company.
- Moderation in the capital structure and/ or coverage indicators.
- Elongation in the operating cycle with moderation in liquidity.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Long track record of operations and experienced management**

Marc Enterprises Private Limited has a long operational track record in the electrical appliances business of more than four decades. In addition to this, the promoter and director of the company Mr. Pramod Jain has been in the electrical appliances industry for around four decades more than three decades. The promoters' background, experience and their strong understanding of the local market dynamics, and healthy relations with suppliers and customers will benefit the company going forward, resulting in steady growth in the scale of operations.



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- **Steady business risk profile buoyed by reputed client base and strong distribution network**

MEPL has been in the home appliance manufacturing industry for more than three decades and has a strong distribution network across India. The company is engaged in manufacturing electrical appliances ranging from fans, water heaters, room heaters, air coolers, and other small appliances under its brand name 'Marc'. MEPL has been majorly dealing with large and reputed OEM's such as Crompton Greaves, Orion Enterprises, USHA International, Panasonic Life Solutions, and Bajaj electricals limited amongst others.

The revenue of the group witnessed a decline of ~9.28% to Rs.437.59 Cr in FY2023 (refers to period April 1st, 2022, to Mar 31, 2023) as compared to Rs.482.34 Cr in FY2022 (refers to period April 1st, 2021, to Mar 31, 2022), on account of implication of mandatory Bureau of Energy Efficiency (BEE) star rating programme by the government of India, which stated that no ceiling fans without the said rating can be sold from Jan 2023 onwards, which led the company to focus on clearing its existing inventory of fans which did not have the said rating. Nevertheless, the revenue increased by 7.33% to Rs.469.68 Cr to FY2024 (Provisional) (refers to period April 1st, 2023, to Mar 31, 2024) due to an increase in the sales quantity of ceiling fans (from 26.91 lakh in 2022-23 to 29.99 lakh in 2023-24), coupled with an increase in the sales realizations (from Rs.880 per ceiling fan in 2022-23 to Rs.927 per ceiling fan). Going forward, the sustenance in the revenue growth of the group will be a key rating monitorable.

- **Favorable industry outlook for the electrical appliances**

The electrical appliance segment demands are expected to grow steadily driven by rural penetration with increased electrification, shorter replacement cycle in the urban markets due to premiumization. Moreover, the demand for premium fans with better aesthetics has been on the rise over the past three-five years with increasing consumer preferences towards enhanced and appealing interiors.

### Key Rating Weaknesses

- **Susceptibility of profitability to volatility in raw material price**

Raw material costs account for a major portion of the total operational expenses. The major



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raw material required for manufacturing of geysers and fans are metals such as copper, aluminum, hot and cold rolled coils, etc., the prices of which are highly volatile on account of which the profitability is highly susceptible to variations in the prices of key raw materials.

The EBITDA margin of the group decreased to 4.86% in FY2023 from 5.56% in FY2022 due to the group's focus in scale up of operations of JCI. Nevertheless, the EBITDA margin of the group improved to 5.56% in FY2024 (Prov.), on the back of savings in the raw material costs coupled with continuously increasing sales realizations of ceiling fans. However, the EBITDA margin is expected to remain range bound between 5.5-5.6 per cent going forward. Furthermore, the PAT Margin of the group decreased to 1.25% in FY2023 from 1.29% in FY2022. Again, the PAT margin declined to 0.94% in FY2024 (Prov.) on account of increase in interest expense and fire incident at manufacturing facility of MEPL. The PAT margin is also expected to be moderated, and range bound going forward. In the medium term, the growth in the profitability margins will be a key rating sensitivity.

- **Average financial risk profile buoyed by moderately leveraged capital structure**

The capital structure of the group is moderately leveraged. The tangible net worth of the group stood at Rs.66.48 Cr as on 31st March 2023 compared to Rs.62.58 Cr as on 31st March 2022. Further, the TNW improved to Rs.65.73 Cr as on 31st March 2024 (Provisional). The increase in tangible net worth is due to accretion of reserves. The overall gearing ratio of the group stood moderated at 1.16x as on 31st March 2023 as compared to 0.94x as on 31st March 2022. The TOL/ TNW of the company stood high at 2.65x as on 31st March 2023 as against 3.82x as on 31st March 2022. Further, the gearing ratio moderated to 1.69x as on 31st March 2024 (Provisional) and TOL/TNW increased to 3.37x as on 31st March 2024 (Provisional). Again, the debt protection metrics stood moderate marked by interest coverage ratio at 1.73x as on 31st March 2023 and debt service coverage ratio at 1.53x as on 31st March 2023. Further, ICR and DSCR stood at 1.78x and 1.45x respectively as on 31st March 2024 (Provisional). Going forward, the financial risk profile of the group will improve with no major debt funded capex plans.

- **Moderate working capital management**

The working capital management of the group is moderate marked by operating cycle stood moderated 70 days as on 31st March 2023 as against 47 days as on 31st March 2022. The operating cycle is predominantly driven by high inventory holding days. The debtor's period



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stood moderate at 67 days as on 31st March 2023 as compared to 68 days as on 31st March 2022. The inventory period stood at 119 days as on 31st March 2023. Further, the operating cycle stood moderate at 90 days as on 31st March 2024 (Provisional) and the debtors and inventory holding period stood at 49 days and 124 days respectively as on 31st March 2024 (Provisional). Going forward, the working capital management of the group will remain at similar levels as evident from the high inventory level and moderate debtor level.

- **Intense competition from both large and unorganised sector**

The business environment remains competitive, given the fragmented and unorganised industry structure for the home appliances. Despite having a well-established position, MEPL remains exposed to stiff competition from other recognised players in the home appliances manufacturing industry.

**Analytical Approach:** Combined

For arriving at the ratings, Infomerics has combined the financial risk profiles of Marc Enterprises Private Limited (MEPL), and JC International referred as Marc Group. The combination is on account of common management, shareholding pattern along with operational and financial linkages and cash flow fungibility among the companies.

List of companies considered for consolidation analysis is given at Annexure 4.

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

[Policy on default recognition](#)

[Policy on Withdrawal of ratings](#)

[Complexity level of rated Instruments/Facilities](#)

[Consolidation of Companies](#)

**Liquidity– Adequate**





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The Group has adequate liquidity marked by adequate net cash accrual which stood at Rs.11.80 Cr as on 31st March 2023, as against long term debt repayment of Rs.3.42 Cr over the same period. Again, the current ratio stood at 1.19x as on 31st March 2023 and Quick ratio stood low at 0.36x as on 31st March 2023. The cash and bank balance stood at Rs.2.37 Cr as on 31st March 2023. Further, liquidity improved marginally with net cash accrual of Rs.10.77 Cr as on 31st March 2024 (Provisional) as against long-term debt repayment of Rs.2.92 Cr over the same period. Also, the current ratio and quick ratio stood at 1.13x and 0.38x respectively as on 31st March 2024 (Provisional). Going forward, the group is likely to maintain adequate liquidity position supported by steady accruals.

### **About the Company**

Marc Enterprises Private Limited (MEPL) was established in July 1981 under the leadership of Mr. J.C. Jain. The company was initially started as a trading company for electrical appliances and setup its first manufacturing unit in the year 1992 in order to produce variety of electrical appliances ranging from fans, water heaters, room heaters, air coolers, and other small appliances under its brand name 'Marc'. The company has been manufacturing electrical appliances for more than three decades and has been able to reach more than 10 million customers with its extensive product range. The company also provide OEM services to various well known electrical appliance brands such as USHA, Crompton, Panasonic etc. MEPL has three manufacturing facilities at Badli (Delhi), Baddi (H.P) and Kundli (Harayana). Furthermore, MEPL has shifted its major portion of its geyser manufacturing unit from FY2021 and onwards to its group entity 'JC International'.

### **Financials (Standalone):**

**(Rs. crore)**

<b>For the year ended/ As on*</b>	<b>31-03-2023</b>	<b>31-03-2024</b>
	<b>Audited</b>	<b>Provisional</b>
Total Operating Income	373.51	394.37
EBITDA	16.93	21.29
PAT	2.89	1.84
Total Debt	76.60	94.24
Tangible Net Worth	61.69	63.53
EBITDA Margin (%)	4.53	5.40
PAT Margin (%)	0.77	0.47
Overall Gearing Ratio (x)	1.24	1.48
Interest Coverage (x)	1.48	1.61



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\* Classification as per Infomerics' standards.

### Status of non-cooperation with previous CRA:

CRISIL continues to maintain the rating of Marc Enterprises Private Limited in the Issuer Non-Cooperating category as the issuer remained non-cooperative as per the Press Release dated May 17, 2024.

Brickwork continues to maintain the ratings of Marc Enterprises Private Limited in the Issuer Non-Cooperating category as the issuer remained non-cooperative as per the Press Release dated August 20, 2024.

### Any other information: Not Applicable

### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 July 24, 2023	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	-	Withdrawn	IVR BBB/ Stable	-	-
2.	GECL	Long Term	7.21	IVR BBB-/ Stable	IVR BBB/ Stable	-	-
3.	Cash Credit	Long Term	28.00	IVR BBB-/ Stable	IVR BBB/ Stable	-	-
4.	Bank Guarantee	Short Term	12.00*	IVR A3	IVR A3+	-	-
5.	Multiline Working capital Facility (Fund based/ Non fund based)	Long Term/ Short Term	-	Withdrawn	IVR BBB/ Stable/ IVR A3+	-	-
6.	Working Capital Facility (Fund based/ Non fund based)	Long Term/ Short Term	-	Withdrawn	IVR BBB/ Stable/ IVR A3+	-	-

\*Non fund based working capital to Fund based working capital facility of Rs. 6.00 crore (one way interchangeability)

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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).

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](http://www.infomerics.com).

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### Annexure 1: Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupo n Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL – 1	-	-	-	November, 2026	2.81	IVR BBB-/ Stable
GECL – 2	-	-	-	September, 2025	4.40	IVR BBB-/ Stable
Cash Credit	-	-	-	-	28.00	IVR BBB-/ Stable





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Bank Guarantee	-	-	-	-	12.00*	IVR A3
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*\*Non fund based working capital to Fund based working capital facility of Rs. 6.00 crore (one way interchangeability)*

**Annexure 2: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Marc-Enterprises-sep24.pdf>

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

**Annexure 4: List of companies considered for consolidated/Combined analysis:**

Name of the company	Combined Approach
Marc Enterprises Private Limited (MEPL)	Full Combined
JC International	Full Combined

**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](http://www.infomerics.com).