Marc Enterprises Private Limited

July 24, 2023

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	35.41	IVR BBB/ Stable (IVR triple B with Stable outlook)	Assigned	Simple
Short Term Bank Facility	12.00	IVR A3+ (IVR A three plus)	Assigned	Simple
Long Term/ Short Term Bank Facilities	25.00	IVR BBB/Stable/ IVR A3+ (IVR triple B with Stable outlook and IVR A three plus)	Assigned	Simple
Total	**72.41 (INR Seventy-two crore and forty-one lakh only)**			

Details of Facilities are in Annexure 1

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 ratings derives strength from its experienced promoters with long track record of operations, moderate capital structure and debt protection metrics, reputed client base and strong distribution network, and steady demand outlook for the electrical appliances**.** However, the ratings are constrained on account of its moderation in revenue and profits in FY23 (Provisional), susceptibility of profitability to volatility in raw material price, customer concentration risk, high working capital requirement, and intense competition from both large and unorganised sector.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity

- Improvement in the capital structure with improvement in the debt protection metrics

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis.
- Moderation in the capital structure with moderation in the overall gearing and debt protection metrics.
- Increase in working capital intensity of operations

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long track record of operations

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 provides OEM services to various well known electrical appliance brands such as USHA, Crompton, Panasonics etc. Mr. Pramod Jain is the Managing Director and key promoter of MEPL with over five decades of experience in the electrical appliances industry. He looks after the overall day-to-day operations of the company along with other directors and key management.

Moderate capital structure and debt protection metrics

The capital structure of the group had remained moderate. The group tangible net worth stood Rs.51.63 crore as on March 31, 2021, Rs. 62.58 crore as on March 31, 2022, and Rs. 66.49 crore as on March 31, 2023 (Provisional), witnessing steady growth on the back of increasing profit and healthy accretion of reserves. Total debt of the group has increased from Rs.49.88 crore as on March 31, 2021, to Rs 58.93 crore as on March 31, 2022, and Rs.72.04 crore driven by increase in the fund based working capital limit. The debt profile of the company primarily consists of fund based working capital facility. Consequently, the overall gearing has moderated from 0.93 times as on March 31, 2022, to 1.08 times as on March 31, 2023 (Provisional). However, the overall indebtedness of the company marked by TOL/TNW has improved from 3.82 times as on March 31, 2022, to 2.78 times as on March 31, 2023 (Provisional) on account of decline in the sundry creditor. The debt protection metrics remained moderate as depicted by interest coverage ratio of 2.03 times in FY23 (Provisional) and DSCR of 1.53 times in FY23 (Provisional) respectively.

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 sold the finished through its own brand 'MARC' and also to various reputed OEMs. 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.

Steady demand 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

Moderation in revenue and profits in FY23 (Provisional)

The revenue of the group has witnessed a moderation of ~8% from Rs. 482.34 crore in FY22 to Rs. 442.11 crore in FY23 (P). The moderation in the revenue in FY23 (Provisional) was on account of implication of mandatory BEE star rating programme for ceiling fans by the Bureau of Energy Efficiency Government of India, as per the guidelines no fans can be sold by any manufacturer/brand without BEE star rating certifications from January 2023 and onwards due to which the group focused have been primarily to clear its existing inventory of fans which does not had the BEE certification. However, the absolute EBITDA of the group has improved from Rs. 24.66 crore in FY22 to Rs. 24.71 crore in FY23 (P) due to higher average realisation. Furthermore, the PAT declined from Rs. 6.06 crore in FY22 to Rs. 5.12 crore in FY23 (P) due to increase in the interest cost. It has generated a GCA of Rs. 12.55 crore in FY 22 (PY Rs. 10.38 crore) and Rs.11.68 crore in FY23 (P). However, the group has generated a revenue of ~Rs.135.00 crore in Q1FY23 as compared to Rs. 127.00 crore in FY22, witnessing a year-on-year growth of 6.29% in Q1FY23.

Susceptibility of profitability to volatility in raw material price

Raw material costs account for a major portion of the total operational expenses. The major raw material required for manufacturing of geysers and fans are metals such as copper, aluminium, hot and cold rolled coils, etc., the prices of which are highly volatile on account of which the profitability are highly susceptible to variations in the prices of key raw materials.

Customer concentration risk

The company is exposed to customer concentration risks as the top two customers contributed around 60% of total sales in FY23(P). However, the customer concentration risk is offset to some extent due to the long-standing relationship of more than two decades with these customers.

High working capital requirement

The overall working capital requirements of the company are high due to high inventory holding period to support orders by OEMs at very short notice and also has to provide a higher credit period in order to retain the clients and support business growth. However, the higher working capital requirements are partially offset by higher credit periods from suppliers.

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. The list of companies is given in Annexure 2.

Applicable Criteria

- Rating Methodology for Manufacturing Companies
- Financial Ratios & Interpretation (Non- Financial Sector)
- Criteria for assigning rating outlook
- Criteria on Consolidation of companies

Liquidity – Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with expected sufficient accruals to meet the term debt repayment obligation in the period FY24-FY26. However, the average working capital utilisation remained low at 98% during last 12 months ending in May 2023, providing low liquidity buffer. The average non-fund-based utilisation remain comfortable at 58% during the last twelve months ended May 31, 2023.

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 (Combined):

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Provisional
Total Income	482.98	442.26
EBIDTA	24.66	24.71
PAT	6.06	5.12
Total Debt	58.93	72.04
Tangible Net Worth	62.58	66.49
EBDITA Margin (%)	5.11	5.59
PAT Margin (%)	1.25	1.16
Overall Gearing Ratio (x)	0.94	1.08
Interest Coverage Ratio	5.08	2.03

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2022	31.03.2023
	Audited	Provisional
Total Income	456.03	378.12
EBIDTA	22.23	21.09

PAT	4.45	3.08
Total Debt	115.63	78.76
Tangible Net Worth	58.94	62.01
EBDITA Margin (%)	4.88	5.58
PAT Margin (%)	0.98	0.81
Overall Gearing Ratio (x)	1.96	1.27
Interest Coverage Ratio	4.58	1.85

**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 March 14, 2023.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	0.20	IVR BBB/ Stable	-	-	-
2.	GECL	Long Term	7.21	IVR BBB/ Stable	-	-	-
3.	Cash Credit	Long Term	28.00	IVR BBB/ Stable	-	-	-
4.	Bank Guarantee	Short Term	12.00#	IVR A3+	-	-	-
5.	Multiline Working Capital Facility (Fund based/ Non fund based)	Long Term/ Short Term	15.00*	IVR BBB/ Stable/ IVR A3+	-	-	-
6.	Working Capital Facility (Fund based/ Non fund based)	Long Term/ Short Term	10.00^	IVR BBB/ Stable/ IVR A3+	-	-	-

 # Non fund based working capital to Fund based working capital facility of Rs. 6.00 crore (one way interchangeability)
** Sublimits of the multiline working capital facility of Rs. 15.00 crore:*

Overdraft/Cash credit	Rs. 5.00
Working Capital Demand Loan	Rs. 10.00
PCFC/PSFC	Rs. 10.00
Purchase Invoice Financing Domestic/Foreign	Rs. 10.00
Letter of Credit	Rs. 15.00
Stand by Letter of Credit	Rs. 10.00

^ *Sublimits of the working capital facility of Rs. 10.00 crore:*

Sight Letter of Credit	Rs. 3.00
Usance Letter of Credit	Rs. 5.00
Cash Credit	Rs. 10.00
Working Capital Demand Loan	Rs. 8.00
Buyer's Credit	Rs. 5.00
Bill Discounting	Rs. 10.00

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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 visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon 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
Term Loan	-	-	July 2024	0.20	IVR BBB-/ Stable
Cash Credit	-	-	-	28.00	IVR BBB-/ Stable
Bank Guarantee	-	-	-	12.00#	IVR A3+
Multiline Working Capital Facility	-	-	-	15.00*	IVR BBB/ Stable/ IVR A3+
Working Capital Facility	-	-	-	10.00^	IVR BBB/ Stable/ IVR A3+

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Cash Credit	Rs. 10.00
Working Capital Demand Loan	Rs. 8.00
Buyer's Credit	Rs. 5.00
Bill Discounting	Rs. 10.00

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Consolidation Approach
Marc Enterprises Private Limited	Full Consolidation
JC International	Full Consolidation

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/len-marc-jul23.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.