

Rating Update

February 07, 2017 | Mumbai

MIRC Electronics Limited

Update as on February 07, 2017

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

- Efficiency in working capital management, and extent of debt undertaken to fund working capital requirement
- Capital expenditure (capex) plans and their funding mix
- Profitability may remain subdued over the medium term. Vulnerability to volatile raw material prices and forex rates constitute a key rating sensitivity factor

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL seeks regular updates from companies on the business and financial performance. CRISIL is, however, awaiting adequate information from MIRC Electronics Ltd (MIRC) which will enable us to carry out the rating review. CRISIL will continue provide updates on relevant developments from time to time on this credit.

CRISIL also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

MIRC, promoted by the Mirchandani family, manufactures and markets a range of consumer durables, including colour television sets (CTVs), air-conditioners (ACs), washing machines, DVD players, mobile phones, and microwave ovens. The company markets its products primarily under the Onida brand; its other brand, Igo, is targeted at rural markets. MIRC has manufacturing plants in Wada (Maharashtra), Noida (Uttar Pradesh), and Roorkee (Uttarakhand) for ACs and washing machines. It has an assembly plant at Roorkee, with capacity of 3.9 million CTVs per annum.

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December 16, 2015
Mumbai

MIRC Electronics Limited

Long-term rating downgraded to 'CRISIL BB/Negative'; short-term rating reaffirmed

Total Bank Loan Facilities Rated	Rs.10750 Million
Long Term Rating	CRISIL BB/Negative (Downgraded from 'CRISIL BB+/Stable')
Short Term Rating	CRISIL A4+ (Reaffirmed)

(Refer to Annexure 1 for Facility-wise details)

Rs.250 Million Commercial Paper Programme	CRISIL A4+ (Reaffirmed)
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CRISIL has downgraded its rating on the long-term bank facilities of MIRC Electronics Ltd (MIRC) to '**CRISIL BB/Negative**' from 'CRISIL BB+/Stable'. The rating on the company's short-term bank facilities and commercial paper has been reaffirmed at 'CRISIL A4+'. The rating action is based on publicly available information as MIRC has not cooperated with CRISIL in its surveillance process.

The downgrade reflects continued pressure on MIRC's profitability and revenue growth in the highly competitive consumer durable industry. For the six months ended September 30, 2015, MIRC, on a standalone basis, reported an EBIDTA loss of around Rs. 32.7 million against an EBITDA profit of around 267.7 million for the corresponding period of the previous year along with a 40 per cent decline in sales. Further, for 2014-15 (refers to financial year April 1 to March 31); MIRC reported a year-on-year decline of 18 per cent in its operating income. Given the subdued profitability, the debt protection metrics remain stressed with an interest cover of -0.2 times as on September 30, 2015, against 1.5 times as on March 31, 2015.

The ratings reflect MIRC's diversified revenue profile and the extensive experience of its promoters. These rating strengths are partially offset by a below-average financial risk profile, susceptibility to volatility in input prices, and exposure to intense competition across its product categories, restricting the company's market share.

Outlook: Negative

CRISIL believes that MIRC's debt protection metrics will continue to be constrained by its weak profitability and declining sales. The ratings may be downgraded in case of lower-than-anticipated revenue growth or profitability, larger-than-expected debt-funded capital expenditure, or a decline in working capital efficiencies, further weakening the financial risk profile. Conversely, the outlook may be revised to 'Stable' if there is a substantial improvement in the debt protection metrics, most likely due to improved profitability.

About the Company

MIRC, promoted by the Mirchandani family, manufactures and markets a range of consumer durables, including colour television sets (CTVs), air-conditioners (ACs), washing machines, DVD players, mobile phones, and microwave ovens. The company markets its products primarily under the Onida brand; its other brand, Igo, is targeted at rural markets. MIRC has manufacturing plants in Wada (Maharashtra), Noida (Uttar Pradesh), and Roorkee (Uttarakhand) for ACs and washing machines. It has an assembly plant at Roorkee, with capacity of 3.9 million CTVs per annum.

On a consolidated basis, the company incurred a net loss of Rs.102.63 million on net sales of Rs.10.70 billion in 2014-15, against a net loss of Rs.621.38 million on net sales of Rs.13.03 billion in 2013-14. For the six months ended September 30, 2015, on a standalone basis, it had a net loss of Rs.138.7 million on net sales of Rs.3.87 billion, against a net profit of Rs.2.79 million on net sales of Rs.6.15 billion for the corresponding period of the previous year.

Annexure 1 - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Million)	Rating	Facility	Amount (Rs.Million)	Rating
Cash Credit	1450	CRISIL BB/Negative	Cash Credit	1450	CRISIL BB+/Stable
Letter of credit & Bank Guarantee	3250	CRISIL A4+	Letter of credit & Bank Guarantee	3250	CRISIL A4+
Proposed Cash Credit Limit	50	CRISIL BB/Negative	Proposed Cash Credit Limit	50	CRISIL BB+/Stable
Proposed Letter of Credit & Bank Guarantee	2850	CRISIL A4+	Proposed Letter of Credit & Bank Guarantee	2850	CRISIL A4+
Proposed Short Term Bank Loan Facility	1400	CRISIL A4+	Proposed Short Term Bank Loan Facility	1400	CRISIL A4+
Proposed Term Loan	1750	CRISIL BB/Negative	Proposed Term Loan	1750	CRISIL BB+/Stable
Total	10750	--	Total	10750	--

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