MIRC Electronics Limited

April 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	129.67 (Reduced from 165.27)	CARE BB-; Stable	Reaffirmed
Short Term Bank Facilities	145.33 (Enhanced from 135.98)	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of the ratings assigned to the bank facilities of MIRC Electronics Limited (MIRC) factors in the steady operating and financial performances in 9MFY25 (refers to Apr 01 to Dec 31) marked by stable revenue and operating profitability. In 9MFY25, it reported total operating income (TOI) of Rs. 546 crore, down by ~19% YoY due to shift in focus towards higher-margin branded business. It, however, reported a profit before interest, lease rentals, depreciation and taxation (PBILDT) Rs. 8.58 crore as compared to operating loss in 9MFY24. While MIRC reported positive PBILDT in the first two quarters of the year, it reported an operating loss of ~Rs. 2 crore in the seasonally strong Q3 FY25. CARE Ratings notes that the promoters have infused fresh unsecured loans worth Rs. 11 crore in 9M FY25 to support the business and its board has approved a rights issue of Rs. 50 crore which is likely to be floated in H1FY26.

Ratings factor in the leveraged capital structure marked by total outside liabilities to tangible net worth (TOL/TNW) at 3.44x as on Mar 31, 2024, and PBILDT interest coverage below unity during 9MFY25. The ratings consider the inherent business risks including high competition in the industry, technology obsolescence risk, large working capital requirement, regulatory changes as well as operating profit margins being susceptible to volatility in foreign exchange rates and input costs. The ratings, however, derive strength from MIRC's long track record and vast experience of its promoters in the consumer durables industry coupled with a wide product portfolio.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Substantial improvement in revenues and profitability leading to better cash accruals
- Timely completion of right issue as envisaged translating into better liquidity position
- Improvement in PBILDT interest coverage above 1.50x indicator on a sustained basis

Negative Factors

- Significant decline in revenues and/or continued losses at PBILDT level
- Delay in completion of right issue as envisaged having an impact on liquidity

Analytical approach: Standalone

Outlook: Stable

The Stable outlook on the long-term rating reflects CARE Ratings' expectations that MIRC will report steady operations in the current fiscal.

Detailed description of key rating drivers:

Key weaknesses

Subdued operating performance

During 9MFY25, MIRC reported ~18% YoY decline in TOI to ~Rs. 546 crore as compared to ~Rs. 671 crore in 9MFY24, primarily owing to decline in contribution from OEM/B2G segments as the company is shifting its focus on higher-margin branded segment. During H1 FY25, the company achieved growth of ~31% YoY from the branded sales segment, translating into improvement in overall performance. Its PBILDT margin stood low at 1.57% in 9M FY25 driven by PBILDT loss of Rs. 2 crore in Q3FY25 as compared to 0.05% during 9MFY24. The profitability has remained lower in Q3FY25 on account of increase in raw material cost for AC and E-waste compliance charges to be paid on retrospective basis of Rs. 10 crore for the year. During 9MFY25, the company reported net loss of Rs. 3.48 crore as compared to net loss of Rs. 11.10 crore during 9MFY24. Going forward, consistent reporting of operational profits remains the key monitorable.

Leverage capital structure and weak debt protection metrics

The company's capital structure demonstrated high leverage marked by total outside liabilities to tangible net worth (TOL/TNW) increasing to 3.4 times as on March 31, 2024 as compared to 1.8 times as on March 31, 2023 partly due to deterioration in net worth base (Rs. 128.3 crore as on March 31, 2024 from Rs. 190.7 crore as on March 31, 2023) from PAT losses and sizeable

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

increase in creditors for goods supplied under tendering process. MIRC's debt protection metrics remained weak marked by PBILDT interest coverage below unity at 0.74x during 9MFY25. Its board has approved right issue of Rs. 50 crore, wherein it will be partly subscribed by promoters and balance by public, likely to be completed in H1 FY26. The promoters have infused funds via unsecured loan ~Rs. 11 crore in FY25 to support liquidity. CARE Rating expects financial risk profile to improve subject to timely completion of right issue as envisaged.

Working Capital intensive nature of operations and exposure to technology obsolescence risk
MIRC's nature of operations requires it to maintain a large basket of SKUs (stock keeping unit) at various warehouses present across the country, which is reflected in inventory days of ~100 days over the last three years. Besides, the company extends credit period of 1-2 months to its distributors reflected in the receivables cycle of ~45 days. Although the company receives credit of around 90 days, it still requires significant working capital requirements to fund its average working capital cycle which ranges at approximately 3 months. Working capital management will remain a key monitorable over the medium term. The large inventory holding requirements in an industry with rapidly changing technology exposes the company to the risk of inventory write-offs on slow moving inventory, as recorded in FY24, which could impact its financial risk profile.

Highly competitive industry and exposure to volatility in foreign exchange rates
MIRC operates in a very competitive and fragmented industry dominated by large MNCs with global presence. As compared to its global competitors, MIRC has limited financial flexibility. Besides, presence of large number of players and low product switching cost results in low brand loyalty from consumers in consumer durables segment. Efforts on product differentiation and product penetration is necessary to compete in the industry. The company also faces import threats especially from Chinese competitors. However, the government's push for make in India may positively affect the company. MIRC imports its major raw materials and components from countries such as China and Hong-Kong while majority of its sales are in the domestic market, exposing its profitability to fluctuations in foreign exchange rates. The risk is, however, partly mitigated by its hedging policy wherein it hedges part of the exposure through forward contracts.

Key Strengths
Experienced promoters and management team coupled with established brand equity
MIRC was established in 1981 and is promoted by Mr Gulu. L. Mirchandani (Chairman) and Mr Vijay. J. Mansukhani (MD). The company's promoters have a long track record of nearly four decades in the consumer durable industry. The operations are supported by a professional management team for heading different divisions of the company. MIRC has been present in Indian consumer durable industry with its brand name "Onida", which is well-recognized in the domestic market, with a wide distribution network of dealers/distributors supported by warehouses spread across the country.

Wide product portfolio
MIRC has a wide product portfolio spanning televisions (TV), air conditioners (AC) and washing machines (WM). The company continues to derive majority of its revenue from TV at ~14% (PY: 10%), AC at ~10% (PY: 19%) and WM at 13% (PY: 11%), which together accounted for ~51% of total revenues in FY24 (PY: 40%). During FY24, while the branded business contributed ~53% to sales (PY:41%), its contribution is expected to increase ~75% of sales over the medium term, led by management's efforts, translating into better operating margins.

Liquidity: Stretched
The company's liquidity remains stretched with likelihood of projected cash accruals being insufficient to meet the scheduled debt servicing obligations of ~Rs. 8 crore in FY25. The promoters infused unsecured loans of ~Rs. 11 crore during 9MFY25 to support the repayment obligations and meet working capital requirements. The company had free cash and bank balances of Rs. 5.11 crore as on Mar 31, 2024. The average working capital utilisation stood at around 55% for the 12-months till Dec-24, indicating some buffer. As on March 31, 2024, the current ratio stood at 1.08x (PY: 1.20x) and quick ratio stood at 0.48x (PY: 0.34x).

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Household Appliances

MIRC Electronics Limited (MIRC) is engaged in manufacturing/assembling and marketing of consumer durables in brown goods and white goods segments including consumer electronics and home appliances like Flat TVs, Washing Machines, Air-Conditioners.

The company markets its products across India primarily under the ONIDA Brand. Apart from this, the company has another brand IGO which was launched in 2002-03 for targeting the rural segments. The company has ventured into Electronic Manufacturing Services for OEMs. MIRC's manufacturing units are strategically located at Wada and Chiplun in Maharashtra while another one at Roorkee, Uttarakhand. The Wada factory is located close to Sea port being around 50Kms away from JNPT and its less than around 50 Kms away from warehousing hub at Bhiwandi.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	1,109.78	967.98	545.97
PBILDT	4.58	-45.72	8.58
PAT	-12.47	-62.21	-3.48
Overall gearing (times)	0.54	0.97	NA
Interest coverage (times)	0.42	-3.04	0.74

A: Audited UA: Unaudited NA: Not available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

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	-	-	-	-	104.00	CARE BB-; Stable
Fund-based - LT-Term Loan	-	-	-	21-03-2028	25.67	CARE BB-; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	145.33	CARE A4

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	104.00	CARE BB-; Stable	1)CARE BB-; Stable (23-May-24)	1)CARE BB; Stable (08-Jan-24)	1)CARE BB+; Stable (04-Jan-23)	1)CARE BBB-; Stable (04-Mar-22)
2	Non-fund-based - ST-BG/LC	ST	145.33	CARE A4	1)CARE A4 (23-May-24)	1)CARE A4 (08-Jan-24)	1)CARE A4+ (04-Jan-23)	1)CARE A3 (04-Mar-22)
3	Fund-based - LT-Term Loan	LT	25.67	CARE BB-; Stable	1)CARE BB-; Stable (23-May-24)	1)CARE BB; Stable (08-Jan-24)	1)CARE BB+; Stable (04-Jan-23)	1)CARE BBB-; Stable (04-Mar-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the 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	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.

Contact us

Media Contact	Analytical Contacts
Name: Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: ankur.sachdeva@careedge.in	Krunal Pankajkumar Modi Director **CARE Ratings Limited** Phone: +91-79-4026 5614 E-mail: krunal.modi@careedge.in Raunak Modi Assistant Director **CARE Ratings Limited** Phone: +91-22-675 43537 E-mail: raunak.modi@careedge.in Smith Jain Lead Analyst **CARE Ratings Limited** E-mail: smith.jain@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**