Rama Vision Limited

February 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	5.20	CARE BB; Stable	Assigned
Long Term Bank Facilities	9.00	CARE BB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Rama Vision Limited (RVL) continues to be constrained by small though improving scale of operations, weak profitability margins, elongated inventory holding period. Further, the rating remains constrained on account of foreign exchange fluctuation risk, project execution risk and highly fragmented and competitive industry. However, the rating continues to draw comfort from experienced management with long track record of operations, wide distribution network and comfortable overall solvency.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Increase in the total operating income (TOI) of the company above Rs.90 crore on sustained basis
- Improvement in profitability margins as marked by PBILDT and PAT margins of above 6% and 4% respectively.

Negative factors

- Any incremental borrowing leading to deterioration in capital structure as marked by overall gearing of above 1.25x on a sustained basis.
- Any further deterioration in inventory days to 170 days on sustained basis

Analytical approach: Standalone

Key weaknesses

Small though improving scale of operations: RVL's scale of operations stood small as marked by total operating income of Rs 61.79 crores and gross cash accruals of Rs 2.18 crores during FY22 (FY refers to the period April 1 to March 31; based on audited results) as against total operating income of Rs 55.11 crores and gross cash accruals of Rs 1.94 crores during FY21. Small scale limits the company's financial flexibility in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the scale of operation is growing continuously with CAGR of 16.03% over the five fiscal years ending FY22 backed by increasing customer base. Further, the company has achieved total operating income of Rs 62.40 crore during 9MFY23 and is expected book revenue of Rs 75.01 crores in FY23.

Weak profitability margins: RVL's profitability margins have been historically weak owing to the trading nature of the business and intense market competition given the highly fragmented nature of the industry. PBILDT and PAT margins stood at 4.26% and 2.37% respectively in FY22 as against 3.78% and 0.56% respectively in FY21. The PBILDT margins has improved as company introduced two new products Real Thai, and Nongshim noodles in the product portfolio which fetch higher margins. Further, the PAT margin has improved due to decline in finance cost. In 9MFY23, company's profitability further improves and stood at 5.76% on PBILDT level and 3.26% on PAT level. The PBILDT margin is expected to range between 6.00%-7.00% in near term.

Foreign exchange fluctuation risk: The company has been procuring its traded product by way of imports from various countries like Thailand, Malaysia, South Korea, USA, etc. With initial cash outflow for procurement in foreign currency and the realization taking place in domestic currency, the company is exposed to the fluctuation in the exchange rates. Moreover, the company does not have any hedge policy for its foreign exchange exposure. Hence, any adverse fluctuations in the currency markets may put pressure on the profitability margins of the company. The risk is more evident now that the rupee has registered considerable volatility and could leave the company carrying costly inventory in case of sudden appreciation.

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

Elongated inventory holding period: The company has a wide variety of product portfolio under different brands. Therefore, the company has to maintain sufficient inventory to cater demand along with transit time involved for imports resulting into high average inventory of around 3-4 months resulting in an average inventory holding period of 75 days for FY22. The company usually purchases traded goods against cash and advance payment; however, the company made few purchases on credit from some of its suppliers in FY22, getting a credit period of around one week, resulting into average creditor period of 6 days for FY22. Further, it sells the product primarily on cash to retailers and provide a credit period of around 15-30 days to few of its institutional customers resulting into average collection period of 19 days for FY22.

Highly fragmented and competitive industry: FMCG trading industry is characterised as fragmented and competitive in nature as there are large number of players at organised as well as unorganised levels catering to same market. Presence of large number of players limits the bargaining power of the company and has cascading effect on its margins. RVL imports majority of its products and the risk arises from the fact that any change in the market affecting currency or international trade is likely to affect the company.

Project execution risk: The company has undertaken a project of setting up a new unit for manufacturing of cream filled & sprayed wafer sticks with capacity of 900MT per annum at Himalayan Mega Food Park, Mahvakheraganj, Kashipur, Uttarakhand under scheme of 'Creation of Food Processing & Preservation Capacity (CEFPPC) of Pradhan Mantri Kisan Sampada Yojna (PMKSY) of Ministry of Food Processing Industries (MoFPI), Government of India. Promoters have experience in trading of food items andwith this project the company is entering into manufacturing space. The financial closure is done. The total cost of project is Rs 15.49 crores which is to be funded through promoters' contribution to tune of Rs 5.54 crores, term loan of Rs 5.20 crores and grant-in-aid from MoFPI of Rs 4.75 crores. The project will be operational from April 01,2024.

Key strengths

Experienced management and long track of operations: RVL was incorporated in 1989 by Mr. Satish Jain. The promoters of the company have long track record of nearly three decades in trading of FMCG products. The operations of Rama Vision are currently managed by Mr. Satish Jain, Mr. Arhant Jain, Mr. Kamlesh Jain and Mr. Raj Kumar Sehgal who are all well qualified and have been associated with this entity since inception. Further, they are supported by independent directors Mr. G.P. Agrawal, Mr. S.S.L. Gupta and Ms. Neera Bhargava, who have considerable experience in this industry through their association with this entity and other associate concerns. The directors have extensive experience in the industry and have been able to establish long term relations with the customers and suppliers. Further, the directors is equally supported by tier-II management consisting of well qualified and experienced staff.

Wide distributor network: The company maintains a wide distributor network across India. The company has 235 distributors across India. RVL has a widespread sales network catering across India through its depots in Delhi, Maharashtra, West Bengal and Uttar Pradesh. The company taps a large customer base through its established team of salesmen eventually resulting in repeat sales through healthy relations.

Comfortable capital structure and debt service indicators: As on March 31, 2022, the debt profile of the company consists of term loan of Rs. 2.00 crore, working capital borrowings utilized at Rs.6.16 crore and unsecured loan from promoter's friends and family to the tune of Rs 0.18 crores against tangible net worth base of Rs.19.38 crore. The capital structure of the company stood comfortable marked by overall gearing 0.43 times March 31, 2022. The same has however moderated from previous year level of 0.24x as on March 31, 2021, on account of higher working capital utilization on balance sheet date. The overall gearing is expected to be moderate further to 0.69x in FY23 on account of additional term loan availed by company for setting up a plant of manufacturing wafers. The debt service indicators stood comfortable in FY22 as marked by interest coverage ratio and total debt to GCA ratio of 8.22x and 3.84x respectively against 3.25x and 2.25x respectively in FY21.The interest coverage ratio improved on account of improvement in PBILDT levels while total debt to GCA ratio moderated marginally due to increase in debt levels.

Liquidity: Adequate

The liquidity position of the company remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The company has reported gross cash accruals to the extent of Rs.2.18 crore during FY22 and is expected to generate envisage GCA of Rs.2.92 crore during FY23 against repayment obligations of Rs.0.64 crore in same year. Further, the company has comfortable cash & bank balances which stood at Rs. 4.51 crore as on March 31, 2022. However, the average utilization of its working capital limits is around 70% for the past 12 month's period ending December 2022.

Applicable criteria

[Policy on default recognition](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Manufacturing Companies](#)
[Wholesale Trading](#)

About the company

Delhi based, Rama Vision Limited (RVL) was incorporated in January 1989 as a public limited company listed on Bombay Stock Exchange. The company is engaged in trading of various baby care, mother care, skin care products and various food items. The company is currently being managed by Mr. Satish Jain (Managing Director) and Mr. Arihant Jain, who all look after the overall operations of the firm along with an employee base of around 100. The company deals in trading of various baby care, mother care, skin care products and various food items. The company procures its entire supply by importing from various countries like Thailand, Malaysia, South Korea, USA, etc. Rama Vision sells its products across India through its wide sales distribution network. Company is also setting up a cream filled & sprayed wafer sticks with capacity of 900MT per annum at Himalayan Mega Food Park, Mahvakheraganj, Kashipur, Uttarakhand

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23(UA)
Total operating income	55.11	61.79	62.40
PBILDT	2.08	2.63	3.60
PAT	0.31	1.46	2.04
Overall gearing (times)	0.24	0.43	NA
Interest coverage (times)	3.25	8.22	6.54

A: Audited; UA: Unaudited; NA: Not Available

Status of non-cooperation with previous CRA: RVL has not cooperated with Acuite (SMERA) vide PR dated December 2022

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	9.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	31/03/2031	5.20	CARE BB; Stable

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	9.00	CARE BB; Stable	-	1)CARE BB; Stable (24-Feb-22)	1)CARE BB-; Positive (23-Mar-21)	1)CARE BB-; Stable (28-Mar-20)
2	Fund-based - LT-Term Loan	LT	5.20	CARE BB; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	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.

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About us:

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