Ramasigns Industries Limited

June 06, 2022

Rating

Sr. No.	Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
1.	Non Convertible Debentures	7.20	CARE B; Stable (Single B; Outlook: Stable)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)
	Total Instruments	7.20 (Rs. Seven Crore and Twenty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Revision in the rating assigned to the instruments of Ramasigns Industries Limited (RSIL) factors in operating and cash losses reported by company in Q4FY22, decline in profitability in FY22, stressed liquidity position leading to high utilization of overdraft limit with repayment commencing from June 30,2022 and pending undisputed statutory dues.

The rating continued to be constrained by modest scale of operation, moderate operating margin and net profit margin, working capital intensive nature of operation, stretched liquidity position and pending undisputed statutory dues. The rating is further constrained by presence in highly competitive & fragmented industry.

The rating, however, derives strength from experienced promoters, comfortable capital structure and moderate debt coverage indicators.

Key Rating Sensitivities

Positive Factors

- Increase in the scale of operations with total operating income to exceeding Rs.100 crore on sustained basis.
- Improvement in operating cycle below 30 days on sustained basis
- Improvement in PBILDT margin above 6% and PAT margin above 1.5% on a sustained basis

Negative Factors

- Deterioration in capital structure with overall gearing above 1x on a sustained basis
- Non-arrangement of sufficient funds to timely repayment its debt obligation

Detailed description of the key rating drivers

Key Rating Weaknesses

Declining and modest scale of operations: RSIL's TOI has reflected declining trend for past five years ending FY21. However, total operating income of the company marginally increased to Rs. 34.88 crore in FY22 (A) vis-à-vis Rs. 32.51 crore in FY21 (A). Further company has achieved total operating income of Rs. 11.55 crore in Q4FY22 vis-à-vis Rs. 12.02 crore in Q4FY21.

Moderate operating margin and low net profit margin: PBILDT margin declined to 3.86% in FY22 (A) compared to 5.18% in FY21 (A) mainly on account of increase in cost of traded goods sales due to increase in prices of Polyvinyl chloride (PVC) which is raw material of traded goods by company and inability of company to pass on the entire price increase to clients. Further with decline in PBILDT margin, its PAT margin also declined to 0.25% in FY22 vis-à-vis 0.83% in FY21. Further due to the same, company has reported operational loss of Rs. 0.02 crore in Q4FY22 vis-à-vis operational profit of Rs. 1.55 crore in Q4FY21 and net loss of Rs. 0.48 crore in Q4FY22 vis-à-vis Rs. 0.77 crore in Q4FY21. Owing to the above it posted cash loss of Rs.0.10 crore in Q4FY22.

Working capital intensive operation: The operations of RSIL are working capital intensive in nature on account of funds being blocked in inventory and receivables. RSIL receives orders directly from printers and fabricators. In light of long- term relationship with customers as well as due to stiff competition it generally gives 5-6 months credit periods to its customers to make payment. However, collection period stretched to 376 days in FY21 vis-à-vis 162 days in FY20 due to delay in receipt of payment from client in Covid-19 pandemic situation. RSIL procures material from domestic market and it gets credit period of 5-6 months creditor period. Nevertheless, the operating cycle continues to remain elongated. On the other hand, RSIL also delayed the payment of suppliers due to which creditor's period stood stretched at 454 days in FY21 vis-à-vis 190 days in FY20.

Volatile material prices: The major material of RSIL includes PVC Free foam boards, Vinyl, Photo Paper, Display roll up standees LED modules & LED bars for backlit signages, aluminum composite panel and cast acrylic sheets whose prices are very volatile in nature. The cost of material to total sales stood at 80% for FY21. Fluctuation in material cost has an adverse impact on profit margins of the company.

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

Fragmented and competitive nature of industry: Printing Consumable industry is characterized as fragmented & competitive with very little differentiation in terms of service offering. RSIL faces direct competition from various organized and unorganized players in the market. The profits margins are likely to be under pressure in the medium term. Further the price flexibility is also remaining constrained due to low bargaining power with the customers.

Key Rating Strengths
Long track record of operations with experienced directors: RSIL is into existence for more three decades however it has changed the line of business since the year 2017. Mr. Pankaj Jobalia aged 57 years, is a managing director of the company and he holds more than 20 years of experience in manufacturing and marketing of signage consumables industries. Mrs. Bijal Jatin Jahveri was as a Chairperson of the Company. She is B.com. Graduate and she have vast experience in finance and accounting she have versatile experience in finance and accounts and she had worked different type of projects also.

Comfortable capital structure and debt coverage indicators: The capital structure of the company stood comfortable however overall gearing deteriorated and stood at 0.59x as on March 31,2022 (vis-à-vis 0.29x as on March 31, 2021) owing to issue of non-convertible debenture (NCD) in FY22. Debt coverage indicator of the company stood moderate marked by total debt to GCA of 11.76x and interest coverage of 2.66x in FY22 (vis-à-vis 4.89x and 3.04x respectively in FY21) on account of increase in debt and reduction in GCA and operating profitability.

Liquidity analysis: Stretched
Stretched liquidity is characterized by tightly matched accruals vis-à-vis repayment obligations of Rs. 1.55 crore in FY23 and low cash balance of Rs.0.66 crore as on March 31, 2022. Its average working capital limit utilization remained high at 98% during past 12 months ended April 2022 and maximum utilization remained full and one instance of overdrawing for one day in the month of October 2021. Further company is yet to pay pending undisputed statutory dues of Rs. 0.28 crore as on June 01, 2022. Furthermore, current ratio and quick ratio stood at 1.33x and 0.96x respectively as on March 31, 2021 (vis-à-vis 1.34x and 1.05x respectively as on March 31, 2020.

Analytical approach: Standalone

Applicable Criteria:
Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Wholesale Trading

About the Company
Incorporated in 1981, Ramasigns Industries Limited (RSIL) (Formerly Known as M/s Rammaica India Limited till FY17 & was engaged in the business of manufacturing decorative laminates) is engaged in the business of trading of signage and digital media consumables namely Frontlit Flex, Backilt Flex, Self Adhesive Vinyl, Color Vinyl, Lamination Films, Acrylic Sheets, Wall Painting Media, Printable Fabrics, Window Films, Roll UP Films, Inkjet & Eco Solvent Medias, UV Medias, One Way Vision Films, Mesh Banner, Digital Printable Wall Papers, PP Films, Sun Board & Celuka Sheets, Plastic sheets & Rolls, Acrylic sheets etc.
RSIL sources its traded goods from Maharashtra, Gujarat and New Delhi etc. and sells PAN India primarily in cities namely Mumbai, Pune, Aurangabad, Nasik, Rajkot and Surat. RSIL have more than 12 branches all over India and is presently working closely with a customer base of over 4000 printers and fabricators and provides door to door delivery services.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	Q4FY22 (A)
Total operating income	32.58	36.57	11.55
PBILDT	1.67	1.41	-0.02
PAT	0.27	0.09	-0.48
Overall gearing (times)	0.29	0.59	0.59
Interest coverage (times)	3.04	2.66	Negative

A: Audited, Unaudited, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History (Last three years): Please refer Annexure-2

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

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE650D08013	March 29, 2022	7% p.a.	May 31, 2026	7.20	CARE B; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Debentures-Non Convertible Debentures	LT	7.20	CARE B; Stable	-	1)CARE B+; Stable (14-Mar-22) 2)CARE B+; Stable (31-Dec-21) 3)CARE B+; Stable (06-Jul-21)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not available

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Debentures-Non Convertible Debentures	Simple

Annexure 5: Bank Lender Details for this Company
To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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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