

Ramasigns Industries Limited

July 06, 2021

Ratings

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

Details of instruments/facilities in Annexure I

Detailed Rationale & Key Rating Drivers

The rating assigned to the instruments of Ramasigns Industries Limited (RSIL) are constrained declining and modest scale of operations, moderate operating margin and low net profit margin, working capital intensive nature of operation. The rating is further constrained by presence in highly competitive & fragmented industry.

The rating, however, derives strength from experienced director, moderately 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.
- Increase in operating margin to above 7% and net profit margin above 3% on sustained basis
- Improvement in operating cycle to 40- 50 days on sustained basis

Negative Factors

- Deterioration in capital structure with overall gearing remained above 3x on a sustained basis

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 four years ending as on March 31, 2020. The sales of the company remained stable during FY17 to FY19 with marginal decline in sales however the sales have declined significantly by 28.53% in FY20 over FY19 and stood at Rs. 86.22 crore vis-à-vis Rs.120.65 crore during FY19. The decline in sales was due to non-receipt of orders from North India due to intense competition prevalent and low realization. Further during FY21(Prov.) the sales the further declined to Rs. 32.79 crore owing to lower demand due to outbreak of COVID-19. The relatively modest scale limits its financial flexibility and its capability to scale up the operations in future would be sensitive from credit point of view.

Moderate operating margin and low net profit margin: RSIL's PBILDT margin remained fluctuating in nature as its profit margins are affected by material cost (i.e. PVC and granules) and it remained in the range of 1.63% to 2.37% in past four years ended as on March 31, 2020. However the cost of traded goods has reduced in FY20. PAT margin stood low and remained in the range of 0.52% - 1.53% during FY17-FY20 on account of high interest & depreciation expenses.

Working capital intensive operation: The operations of RSIL are working capital intensive in nature on account of funds are being blocked in inventory and receivables. RSIL received 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. The collection period stood at 115 days, 162 days in FY19, FY20 respectively. Collection period stretched due to averaging effect however in absolute term it stood at Rs.48.82 crore, Rs. 43.79 crore respectively FY19 and FY20 respectively. 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. However, cash flow from operations stood negative at 0.83 crore as on March 31, 2020 (vis-à-vis negative Rs.0.86 crore as on March 31, 2019).

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 for past three years stood at 86%, 87% and 88% for FY21, FY20 and FY19 respectively. Fluctuation in material cost has an adverse impact on profit margins of the company.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Fragmented and competitive nature of Industry as well as COVID-19 impact on 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 remains constrained due to low bargaining power with the customers. Further in the COVID pandemic, many hoarding sites are empty as there are no consumers to view these. Many organizations have slashed their ad campaign budgets, which has impacted the Out Of Home(OOH) agencies. OOH has been acutely affected in this scenario.

Key Rating Strengths

Long track record of operations with experienced directors: Ramasigns Industries Limited (RSIL) (Formerly Known as M/s Rammaica India Limited) was incorporated in 1981, RSIL is a contract manufacturing and trading firm in the field of Digital Signage Media. 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.

All the directors are having immense experience into similar line business which have helped RSIL to generate sizable revenue for the company. In addition to the above the RSIL has strong support in form of experienced second line of management to support business operations.

Moderately comfortable capital structure and debt coverage indicators: The capital structure of the company stood moderately comfortable with its low dependence on external borrowings to fund its operations. The overall gearing deteriorated marginally and stood at 0.22x as on March 31, 2020 (vis-à-vis 0.17x as on March 31, 2019) owing to increase in unsecured loan from financial institution. Debt coverage indicator of the company stood moderate in FY20 marked by total debt to GCA of 3.09 times & interest coverage of 3.23x (vis-à-vis 1.29x and 6.74x respectively in FY19) on account of increase in debt and reduction in GCA and operating profitability.

Liquidity analysis: Adequate liquidity is characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs.0.50 crore as on March 31, 2020. Further liquidity position of the company stood moderate with current ratio and quick ratio stood at 1.34x and 1.05x respectively as on March 31, 2020 (vis-à-vis 1.27x and 0.98x respectively as on March 31, 2019)

Analytical approach: Standalone

Applicable Criteria:

[CARE's Policy on Default Recognition](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Rating Methodology - Wholesale Trading](#)

[Financial Ratios \(Non-Financial Sector\)](#)

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, Backlit 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) | FY19(A) | FY20(A) |
|------------------------------|---------|---------|
| Total operating income | 120.65 | 86.22 |
| PBILDT | 2.86 | 1.47 |
| PAT | 1.85 | 0.45 |
| Overall gearing (times) | 0.17 | 0.22 |
| Interest coverage (times) | 6.74 | 3.23 |

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

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

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---------------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Debentures-Non Convertible Debentures | Yet to placed | | | 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 2021-2022 | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 |
| 1. | Debentures-Non Convertible Debentures | LT | 7.20 | CARE B+; Stable | - | - | - | - |

Annexure 3: Complexity level of various instruments rated for this Company

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|---------------------------------------|------------------|
| 1. | Debentures-Non Convertible Debentures | Simple |

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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