Ramasigns Industries Limited

July 11, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Non Convertible Debentures	5.96 (Reduced from 7.11)	CARE B; Stable	Reaffirmed

Details of instruments in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Ramasigns Industries Limited (RSIL) continued to be constrained by modest scale of operation, moderate operating and net profit margin, working capital intensive nature of operation, stretched li quidity position. The rating further continues to be constrained by presence in highly competitive & fragmented industry. The rating, however, continues to derives strength from experienced promoters, comfortable capital structure and moderate debt coverag e indicators

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operations with total operating income to exceeding Rs.100 crore on sustained basis
- Improvement in collection period below 90 days on sustained basis
- Improvement in PBILDT margin above 8% and PAT margin above 3% 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

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that Ramasigns Industries Limited will continue to benefit from its experience of the promoters along with long term relationship with reputed customers.

Detailed description of the key rating drivers:

Key weaknesses

Modest scale of operations: RSIL's scale of operation continued to remain moderate and further deteriorated by 25.84% to Rs. 27.12 crore in FY23 vis-à-vis 36.57 crore in FY22 on account of decrease in orders executed due to slow down in industry. The networth base of RSIL remained low at 17.76 crore as on March 31, 2023 vis-à-vis 17.29 crore as on March 31, 2022. The moderate scale and networth limits its financial flexibility and its capability to scale up the operations in future would be sensitive from credit point of view.

Moderate operating and net profit margin: RSIL's PBILDT margin is fluctuating in nature as its profit margins are affected by material cost (i.e. PVC and granules) however in FY23 it grew to 7.32% vis-à-vis 3.88% in FY22 on account of savings in cost of traded goods sale (72% of total sales in FY23 vis-à-vis 82% in FY22). Further with increase in PBILDT margin, PAT margin also increased to 1.68% in FY23 vis-à-vis 0.26% in FY22.

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 60-90 days credit periods to its customers. However, the collection period is significantly stretched to 486 days in FY23 vis-à-vis 385 days in FY22 on account of delay in payment from clients. Further out of the total debtors outstanding of Rs. 30.48 crore as on March 31,2023, debtors amounting to Rs. 6.14 crore has been recovered till June 30,2023. RSIL has to maintain inventory to execute the orders in timely manner and protect itself from price fluctuation.

The above is partially offset by stretched creditor's period led to average creditors period owing to established relations with them over the years. Given all of the above, the operating cycle continued to remain working capital intensive and working capital cycle stood at 352 days in FY23 vis-à-vis 216 days in FY22. Furthermore, working capital requirement is met through working capital bank borrowing and internal accruals.

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, aluminium composite panel and cast acrylic sheets whose prices are very volatile in nature. The cost of material to total sales stood at 72% in FY23 vis-à-vis 82% in FY22. Fluctuation in material cost has an adverse impact on profit margins of the firm.

[1]Complete definition of the ratings assigned are available at www.careedge.in and 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 remaining constrained due to low bargaining power with the customers.

Key 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 58 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 are the chairperson of the company, she is B.com. graduate and she have versatile experience in finance and accounting.

Comfortable capital structure and moderate debt coverage indicators: The capital structure of the company continued to remain comfortable with overall gearing improved marginally and stood at 0.60x as on March 31,2023 (vis-à-vis 0.66x as on March 31,2022) owing to scheduled repayment of non-convertible debenture of Rs. 0.90 crore during FY23. Debt coverage indicator of the company continued to moderate marked by total debt to GCA of 10.20x & interest coverage of 2.42x in FY23 (vis-à-vis 13.22x and 2.65x respectively in FY22).

Liquidity: Stretched

Stretched liquidity is characterized by tightly matched accruals vis-à-vis repayment obligations of Rs. 1.80 crore in FY24 and low cash balance of Rs.0.65 crore as on March 31, 2023. Its average working capital limit utilization remained high at 99% during past 12 months ended June 2023 and maximum utilization remained full. Furthermore, current ratio and quick ratio stood at 1.78x and 1.21x respectively as on March 31, 2022 (vis-à-vis 1.66x and 1.23x respectively as on March 31, 2022).

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 and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Media, Entertainment & Publication	Printing & Publication	Printing & Publication

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.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24
Total operating income	36.57	27.12	NA
PBILDT	1.42	1.99	
PAT	0.09	0.46	
Overall gearing (times)	0.66	0.60	
Interest coverage (times)	2.65	2.42	

A: Audited, 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: 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: 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
Non Convertible Debenture	INE650D08013	29-Mar-2022	7.00	31-May-2026	7.20	CARE B; 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 2023-2024	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
1	Debentures-Non Convertible Debentures	LT	5.96	CARE B; Stable	-	1)CARE B; Stable (22-Jul-22) 2)CARE B; Stable (06-Jun-22)	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 instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

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