Rama Vision Limited

March 21, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	17.20 (Enhanced from 14.20)	CARE BB+; Stable	Revised from CARE BB; Stable

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Rama Vision Limited (RVL) derive strength from its improving scale of operations due to addition of new products in the product portfolio, improvement in profitability margins due to addition of better margin products, comfortable capital structure and debt coverage indicators. The rating further derives comfort from experienced management coupled with long track of operations and wide distributors network. However, rating is constrained on account of small scale of operations, elongated inventory holding period, foreign exchange fluctuation risk and highly fragmented and competitive industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the scale of operations as marked by total operating income to above Rs.135.00 crores on a sustained basis.
- Improvement in the profitability margins as marked by PBILDT margin of above 7.15% on a sustained basis.

Negative factors

- Decline in the total operating income by more than 20% from existing level.
- Decline in the profitability margins as marked by PBILDT margins to below 5.00% on a sustained basis.
- Elongation in the average inventory holding period beyond 100 days on a sustained basis.
- Deterioration in the capital structure as marked by overall gearing ratio of above 1.25x on a sustained basis.

Analytical approach: Standalone.

Outlook: Stable

CARE Ratings Limited believes that the company will continue to benefit from its growth momentum coupled with favourable demand scenario that will enable it to maintain the envisaged operating and financial performance over the medium term.

Detailed description of the key rating drivers:

Key strengths

Experienced management coupled with long track of operations

RVL was incorporated in the year 1989 by Mr. Satish Jain. It is currently managed by Mr. Satish Jain (Chairman and Managing Director), Mr. Arhant Jain (Whole-time director) and Mr. Udit Jain (Whole-time director). The promoters of the company have an experience of around three and half decades in trading of FMCG products. They collectively look after the overall affairs of the company. They are supported by Mr. Kamlesh Jain (Chief Financial Officer) and Mr. Raj Kumar Sehgal (Company Secretary). Both of them have extensive experience in their respective domain. Besides, the company has four independent directors: Mr. Govind Prasad Agrawal, Mr. Shyam Sunder Lal Gupta, Ms. Neera Bhargava and Mr. Vimal Mehta. They all have a considerable experience in this industry through their association with the company. Further, the directors are equally supported by tier-II management consisting of well qualified and experienced staff.

Wide distributors network

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

Moderate profitability margins

The company's profitability margins improved though remain moderate, marked by PBILDT and PAT margins of 5.72% and 3.10% respectively in FY23 (Audited) as against 4.26% and 2.37% respectively in FY22 (Audited). The improvement in profitability margins is on account of introduction of two products viz. Real Thai and Nongshim under its food division, which has yielded higher margins. In 9MFY24, the company's profitability margins further improves and stood at 6.76% on PBILDT level and 3.75% on PAT level. The PBILDT margin is expected to range between 6.00%-8.00% over near to medium term backed by addition of

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

new products to product portfolio yielding better margins. Moreover, RVL has commenced the manufacturing of 'Wafer Sticks' under its own brand "Maddox' which will further improve its profitability margins in the near to medium term.

Comfortable capital structure and debt coverage indicators
As on March 31, 2023 (Audited), the debt profile of the company comprises of term loans of Rs. 3.06 crore and utilized balance of working capital limits amounting to Rs. 6.68 crore against tangible net worth base of Rs. 22.44 crore. The capital structure remains comfortable, marked by overall gearing ratio of 0.43x in FY23 (Audited). However, the capital structure has moderated to 0.58x in 9MFY24 due to additional term loan avail to fund the capex coupled with higher utilization of the working capital limits to support the business growth. Nevertheless, the company's capital structure is expected to remain comfortable at below unity over medium term due to limited debt levels against modest tangible net worth base.
Further, due to improvement in profitability, the company's debt coverage indicators stood comfortable, marked by total debt to gross cash accruals and interest coverage ratio of 3.31x and 5.64x respectively in FY23 (Audited) vis-à-vis 3.84x and 8.22x respectively in FY22 (Audited).

Key weaknesses

Growing, albeit small scale of operations
RVL's scale of operations is on growing trajectory as marked by total operating income of Rs. 81.86 crore in FY23 (Audited) vis-à-vis Rs. 61.79 crore in FY22 (Audited). Nevertheless, the scale remains small, it limits the financial flexibility of the company in times of stress and deprives it of scale benefits. Though, the risk is partially mitigated by the fact that the scale of operations is growing continuously at a compounded annual growth rate (CAGR) of 14.10% over past three fiscal years ended FY23, backed by increasing product portfolio and customer base. Further, the company achieved a total operating income of Rs.66.61 crore in 9MFY24 and is expected to achieve a total operating income of around Rs. 100.00 crore in FY24 backed by healthy demand for its products in the industry.

Elongated inventory holding period
RVL 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 holding period of around 2-3 months, resulting in average inventory holding period of 68 days in FY23. The company usually purchases its traded goods against cash and advance payment; however, the company made few credit purchases from some of its suppliers in FY23, getting a credit period of around one week, resulting into average creditors' period of 5 days in FY23. Further, it sells the product primarily on cash to retailers. However, RVL provides a credit period of around 15-30 days to few of its institutional customers resulting into average collection period of 19 days in FY23.

Foreign exchange fluctuation risk
The company has been procuring its traded products by way of imports from various countries such as Thailand, Japan, South Korea, France, USA, etc. With initial cash outflow for procurement in foreign currency and the sales realization take place in domestic currency, the company is exposed to the fluctuation in the exchange rates. Moreover, the company does not have any formal hedge policy for its foreign exchange exposure. Hence, any adverse fluctuations in the currency markets may put a 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.

Highly fragmented and competitive industry
FMCG trading industry is characterised as fragmented and competitive in nature since there are large number of players at organised as well as unorganised levels catering to same market due to low entry barriers. The presence of large number of players limits the bargaining power of the company and has a cascading effect on its profitability margins. RVL imports majority of its products and the risk arises from the fact that any change in the market affecting the taste, preference or international trade is likely to affect the operational performance of the company.

Liquidity: Adequate

RVL's liquidity position remains adequate as characterized by sufficient cushion in accruals vis-à-vis its repayment obligations. The company has generated net cash accruals (NCA) of Rs. 2.94 crores in FY23 (Audited) and is expected to generate NCA of around Rs.4.02 crore in FY24 against repayment obligations of around Rs.0.70 crore in same year. Moreover, the average utilisation of working capital limits stood moderate at around 80% in past 12 months period ended February 2024. Further, the company has comfortable free cash and bank balance of Rs. 6.04 crores on September 30, 2023.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Wholesale Trading

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Incorporated in the year 1989, RVL is a public limited company listed on BSE stock exchange. It is engaged in trading of mother and baby care products and food products. From Q1FY24, it has also started manufacturing of cream filled and sprayed 'Wafer Sticks' under its own brand name 'Maddox'. The manufacturing plant is located at Himalayan Mega Food Park, Uttarakhand with an installed capacity of 900MT p.a.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (Prov.) *
Total operating income	61.79	81.86	66.61
PBILDT	2.63	4.69	4.50
PAT	1.46	2.54	2.50
Overall gearing (times)	0.43	0.43	NA
Interest coverage (times)	8.22	5.64	5.42

A: Audited, UA: Unaudited, Prov.: Provisional; NA: Not Available. Note: 'the above results are latest financial results available'.
*Refers to the period from April 01, 2023, to December 31, 2023.

Status of non-cooperation with previous CRA: Acuite (SMERA) has retained the ratings assigned to the bank facilities of Rama Vision Limited under ISSUER NOT COOPERATING category vide its press release dated March 01, 2024 on account of its inability to carry out review in the absence of requisite information from the company.

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
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	September 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 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	Fund-based - LT-Cash Credit	LT	12.00	CARE BB+; Stable	-	1)CARE BB; Stable (06-Feb-23)	1)CARE BB; Stable (24-Feb-22)	1)CARE BB-; Positive (23-Mar-21)
2	Fund-based - LT-Term Loan	LT	5.20	CARE BB+; Stable	-	1)CARE BB; Stable (06-Feb-23)	-	-

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 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:

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.

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