Ramasigns Industries Limited

July 22, 2022

Rating

Sr. No.	Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
1.	Non Convertible Debentures	7.11 (Reduced from 7.20)	CARE B; Stable (Single B; Outlook: Stable)	Reaffirmed
	Total Instruments	7.11 (Rs. Seven Crore and Eleven Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & 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 liquidity position and pending undisputed statutory dues. 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 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
- Timely repayment of undisputed statutory dues

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

Modest scale of operations: RSIL's scale of operation continued to remain moderate and grew marginally (by 12.25%) with total operating income of Rs. 36.57 crore in FY22 vis-à-vis Rs. 32.58 crore in FY21 on account of increase in orders executed due to gradual recovery from covid-19 pandemic in FY22. Further total operating income grew by 76.51% to Rs. 7.89 crore in Q1FY23 vis-à-vis Rs. 4.47 crore in Q1FY22. Despite the growth in the total income, it continues to remain moderate, which 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 are fluctuating in nature as the same is affected by material cost (i.e. PVC and granules) and it declined to 3.88% in FY22 vis-à-vis 5.12% in FY21 on account of increase in cost of traded goods sale (82% in FY22 vis-à-vis 80% in FY21) along with increase in employee cost in FY22. Further with decline in PBILDT margin, PAT margin also declined to 0.26% in FY22 vis-à-vis 0.81% in FY21. Further company has earned operating profit and net profit of Rs. 0.42 crore and Rs. 0.12 crore respectively in Q1FY23 vis-à-vis operating loss and net loss of Rs. 0.23 crore and Rs. 0.51 crore respectively in Q1FY22.

Working capital intensive operation: The operation of RSIL are working capital intensive in nature on account of funds 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 to its customers. However, the collection period stretched to 323 days in FY22 vis-à-vis 376 days in FY21 on account of delay in receipt of payment from client due to covid-19 pandemic. Further total debtors outstanding of Rs. 37.01 crore and company has recovered debtors of Rs. 2.05 crore till date. Further significant inventory remained outstanding which led to average inventory period of 149 days in FY22 vis-à-vis 168 days in FY21) as company has to maintain inventory to execute the orders in timely manner. Further, elongated working capital cycle is partially offset by stretched creditor's period led to average creditors period remained at 318 days in FY22 vis-à-vis 454 days in FY21. Given all of the above, the operating cycle continued to remain working capital intensive and stood at 153 days in FY22 vis-à-vis 91 days in FY21. 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 82% in FY22 vis-à-vis 80% in FY21. Fluctuation in material cost has an adverse impact on profit margins of the firm.

[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 continued to remain comfortable however overall gearing deteriorated marginally and stood at 0.66x as on March 31,2022 (vis-à-vis 0.29x as on March 31, 2021) owing to issue of non-convertible debenture of Rs. 7.20 crore in FY22. Debt coverage indicator of the company continued to moderate and deteriorated marked by total debt to GCA of 13.22x & interest coverage of 2.65x in FY22 (vis-à-vis 4.89x and 3.04x respectively in FY21) on account of increase in debt and reduction in gross cash accruals in FY22.

Liquidity analysis: Stretched
Stretched liquidity is characterized by tightly matched accruals vis-à-vis repayment obligations of Rs. 1.02 crore in FY23 and low cash balance of Rs.0.66 crore as on March 31, 2022 and Rs. 0.61 crore as on June 30, 2022. Its average working capital limit utilization remained high at 98% during past 12 months ended April 2022 and maximum utilization remained full. 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 1.66x and 1.23x respectively as on March 31, 2022 (vis-à-vis 1.33x and 0.96x respectively as on March 31, 2021.

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.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	Q1FY23 (UA)
Total operating income	32.58	36.57	7.89
PBILDT	1.67	1.42	0.42
PAT	0.27	0.09	0.12
Overall gearing (times)	0.29	0.66	NA
Interest coverage (times)	3.04	2.65	3.23

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

Status of non-cooperation with previous CRA: Not Applicable

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 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 (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE650D08013	March 29, 2022	7% p.a.	May 31, 2026	7.11	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 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	Debentures-Non Convertible Debentures	LT	7.11	CARE B; Stable	1)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 the covenants of the rated instruments/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 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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