Rama Vision Limited

February 22, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	9.00	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BB-; Positive (Double B Minus; Outlook: Positive)
Total Bank Facilities	**9.00 (Rs. Nine Crore Only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the rating of Rama Vision Limited (RVL) factors in the improvement in financial risk profile marked by growth in scale of operations and improvement in debt coverage indicators. The rating continues to derive strength from experienced management and long track record of operations, comfortable capital structure and wide distribution network. The rating, however, continue to remain constrained by weak profitability margins and elongated inventory holding period. Further, the rating remains constrained on account of foreign exchange fluctuation risk and highly fragmented and competitive industry.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Increase in the total operating income (TOI) of the company above Rs.70 crore on sustained basis.
- Improvement in profitability margins as marked by PBILDT and PAT margins of above 6% and 4% respectively

Negative Factors- Factors that could lead to negative rating action/downgrade

- Any incremental borrowing leading to deterioration in capital structure as marked by overall gearing of above 1.25x on a sustained basis.
- Any further deterioration in inventory days to 170 days on sustained basis

Detailed description of the key rating drivers

Key Rating Strengths

Experienced management and long track of operations: RVL was incorporated in 1989 by Mr. Satish Jain. The promoters of the company have long track record of nearly three decades in trading of FMCG products. The directors have extensive experience in the industry and have been able to establish long term relations with the customers and suppliers. The operations of Rama Vision are currently managed by Mr. Satish Jain, Mr. Arhant Jain, Mr. Kamlesh Jain and Mr. Raj Kumar Sehgal who are all well qualified and have been associated with this entity since inception. Further, they are supported by independent directors Mr. G.P. Agrawal, Mr. S.S.L. Gupta and Ms. Neera Bhargava, who have considerable experience in this industry through their association with this entity and other associate concerns. The company is equally supported by tier-II management consisting of well qualified and experienced engineers, along with supervisory staff.

Comfortable capital structure: As on March 31, 2021, the debt profile of the company consists of term loan of Rs.1.97 crore which includes GECL of 1.57 Cr and Vehicle Loan of 0.40 Crores, Working capital borrowings of Rs.2.39 crore as against tangible net worth base of Rs.17.95 crore. The capital structure of the company stood comfortable marked by overall gearing below 0.24 times March 31, 2021. The overall gearing stood below unity for the past three balance sheet dates ending March 31, 2021, on account of comfortable net worth base against limited external borrowings. The overall gearing improved in FY21 on account of lower utilisation of working capital limits as on balance sheet date coupled with accretion of profits to reserves. In 9MFY22 the company reported a gearing of 0.54x.

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

Key Rating Weaknesses

Elongated inventory holding period: The company 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 of around 3-4 months. However, the same improved to 91 days for FY21 from 131 days for FY20. The company usually purchases traded goods against cash and advance payment; however, the company made few purchases on credit from some of its suppliers in FY21, getting a credit period of 10-15 days, resulting into average creditor period of 5 days for FY21. Further, it sells the product mainly on cash and credit period of around 15-30 days to few of its

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

customers resulting into average collection period of 17 days for FY21. Further inventory level has reduced from Rs. 11.24 crore in FY21 to Rs. 10.61 crore in 9MFY22.

Foreign exchange fluctuation risk: The company has been procuring its traded product by way of imports from various countries like Thailand, Malaysia, South Korea, USA, etc. With initial cash outflow occurring in foreign currency and the realization taking place in domestic currency, the company is exposed to the fluctuation in the exchange rates. Moreover, the company does not hedge its foreign exchange exposure. Hence, any adverse fluctuations in the currency markets may put pressure on the profitability 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.

Weak profitability margins: RVL's profitability margins have been historically weak owing to the trading nature of the business and intense market competition given the highly fragmented nature of the industry. RVL's profitability margins continue to remain weak as marked by PBILDT and PAT margins of 3.78% and 0.56% respectively in FY20 as against 3.80% and 0.08% respectively in FY20. However, the PAT margins have improved due to decrease in interest expenses of the company. In 9MFY22 the company has reported PBILDT margin of 3.81% and PAT margin of 2.06%.

Highly fragmented and competitive industry: FMCG trading industry is characterized as fragmented and competitive in nature as there are large number of players at organized as well as unorganized levels. There are number of small and large players catering to the same market which has limited the bargaining power of the company and has exerted pressure on its margins. RVL imports majority of its products and the risk arises from the fact that any change in the market affecting currency or international trade is likely to affect the company.

Liquidity: Adequate
The liquidity position of the company remained adequate characterized by sufficient cushion in accruals vis-à-vis minimal repayment obligations and moderate operating cycle. The company has reported gross cash accruals to the extent of Rs.1.94 crore during FY21 and in 9MFY22 it reported GCA of Rs.1.36 crore. The company is expected to generate envisage GCA of Rs.1.95 crore for FY22 against repayment obligations of Rs.0.87 crore in same year. Further, the company has modest cash & bank balances which stood at Rs.2.01 crore as on March 31, 2021. However, the average utilization of its working capital limits is around 70% for the past 12 month's period ending January, 2022.

Analytical approach: Standalone

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

About the Company
Delhi based, Rama Vision Limited (RVL) was incorporated in January 1989 as a public limited company listed on Bombay Stock Exchange. The company is engaged in trading of various baby care, mother care, skin care products and various food items. The company is currently being managed by Mr. Satish Jain (Managing Director) and Mr. Arihant Jain, who all look after the overall operations of the firm along with an employee base of around 100. The company deals in trading of various baby care, mother care, skin care products and various food items. The company procures its entire supply by importing from various countries like Thailand, Malaysia, South Korea, USA, etc.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22
Total operating income	43.45	55.11	44.47
PBILDT	1.65	2.08	1.70
PAT	0.04	0.31	0.92
Overall gearing (times)	0.44	0.24	0.54
Interest coverage (times)	1.56	3.25	9.44

A: Audited; NA: Not 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 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
Fund-based - LT-Cash Credit		-	-	-	9.00	CARE BB; 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	Fund-based - LT-Cash Credit	LT	9.00	CARE BB; Stable	-	1)CARE BB-; Positive (23-Mar-21)	1)CARE BB-; Stable (28-Mar-20)	1)CARE BB-; Stable (01-Feb-19)

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

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	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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About CARE Ratings Limited:
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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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