Ramasigns Industries Limited

December 31, 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)	Reaffirmed
	Total Instruments	7.20 (Rs. Seven Crore and Twenty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the instruments of Ramasigns Industries Limited (RSIL) are constrained by modest scale of operations, moderate operating margin and net profit margin, working capital intensive nature of operation, stretched liquidity position and pending undisputed statutory dues. The rating is further constrained by presence in highly competitive & fragmented industry.
The rating, however, derives strength from experienced director, 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

Negative Factors

- Deterioration in capital structure with overall gearing above 1x on a sustained basis
- Decline in PBILDT margin below 3% on 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 five years ending as on March 31, 2021. Total operating income of the company declined to Rs. 32.58 crore in FY21 (A) vis-à-vis Rs. 86.22 crore in FY20 (A) owing to lower demand due to outbreak of COVID-19. Further company has achieved total operating income of Rs. 14.59 crore in H1FY22 vis-à-vis vis-à-vis Rs. 9.09 crore in H1FY21.

Moderate operating margin and low net profit margin: PBILDT margin improved to 5.12% in FY21 (A) compared to 1.70% in FY20 (A) mainly on account of decline in cost of traded goods sales (80% of TOI in FY21 vis-à-vis 86% of TOI in FY20). Further with improvement in PBILDT margin, its PAT margin also improved to 0.81% in FY21 vis-à-vis 0.52% in FY20.

Working capital intensive operation: The operations of RSIL are working capital intensive in nature on account of funds being blocked in inventory and receivables. RSIL receives 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. However, collection period stretched to 376 days in FY21 vis-à-vis 162 days in FY20 due to delay in receipt of payment from client in Covid-19 pandemic situation. 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. On the other hand, RSIL also delayed the payment of suppliers due to which creditor's period also stretched to 454 days in FY21 vis-à-vis 190 days in FY20.

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 stood at 80% for FY21. Fluctuation in material cost has an adverse impact on profit margins of the company.

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.

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

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 stood comfortable however overall gearing deteriorated marginally and stood at 0.29x as on March 31,2021 (vis-à-vis 0.22x as on March 31, 2019) owing to availment of overdraft facility in FY21. Debt coverage indicator of the company stood moderate in FY21 marked by total debt to GCA of 4.89x and interest coverage of 3.09x (vis-à-vis 3.09x and 3.23x respectively in FY20) on account of increase in debt and reduction in GCA and operating profitability.

Liquidity analysis: Stretched

Stretched liquidity is characterized by tightly matched accruals vis-à-vis repayment obligations of Rs. 1.05 crore in FY22 and low cash balance of Rs.0.65 crore as on September 30, 2021. Further company has not paid undisputed statutory dues of Rs. 0.65 crore as per audit report FY21. Further, current ratio and quick ratio stood at 1.33x and 0.96x respectively as on March 31, 2021 (vis-à-vis 1.34x and 1.05x respectively as on March 31, 2020.

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.
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)	31-03-2020 (A)	31-03-2021 (A)	30-09-2021 (UA)
Total operating income	86.22	32.58	14.59
PBILDT	1.47	1.67	0.60
PAT	0.45	0.27	0.06
Overall gearing (times)	0.22	0.29	0.25
Interest coverage (times)	3.23	3.04	2.31

A: Audited, Unaudited, NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History (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
Debentures-Non Convertible Debentures		January 07, 2022	Yet to placed	Proposed NCD	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	1)CARE B+; Stable (06-Jul-21)	-	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / 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: NA

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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