Rama Vision Limited

February 01, 2019

Rating

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating action**
Long-term Bank Facilities	9.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Total	**9.00 (Rs. Nine crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale and key rating drivers

The rating assigned to the bank facilities of Rama Vision Limited (RVL) continues to remain constrained by small and fluctuating scale of operations, low profitability margins, weak coverage indicators and elongated inventory holding period. The rating is further constrained due to foreign exchange fluctuation risk and highly fragmented and competitive nature of industry. The rating, however, draws comfort from experienced management and long track record of operations, comfortable capital structure and wide distributor network. Going forward, ability of the company to increase its scale of operations, improving its profitability margins and inventory management will be the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small and fluctuating scale of operations

The scale of operations of RVL stood small as marked by a total operating income and gross cash accruals of Rs. 29.49 crore and Rs. 0.29 crore respectively in FY18 (refers to period from April 01 to March 31). The small scale limits the company's financial flexibility in times of stress and deprives it of scale benefits. Further, the company has achieved TOI of Rs. 16.99 crore in 6MFY19 ended September 30, 2018.

Low profitability margins and weak coverage indicators

The profitability margins are low owing to limited value addition nature of business. The PBILDT margin stood low at 1.64% in FY18 while it registered a net loss of Rs.0.07 crore in FY18. However, in 6MFY19, the company has registered a net profit of Rs.0.13 crore. Further, owing to low profitability, the coverage indicators were also weak as marked by interest coverage and total debt to GCA of 1.45x and 24.16x respectively in FY18.

Elongated inventory holding period

The company has wide variety of product portfolio under different brands. Therefore, the company needs to maintain sufficient inventory to cater demand along with transit time involved for imports resulting into high average inventory period of around 5 months. This results in high working capital requirements which are met by the cash credit facility.

Foreign Exchange fluctuation risk

RVL imports majority of its raw material, while the sales are made in domestic market. With initial cash out flow 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 firm does not hedge its foreign exchange exposure. Hence, any adverse fluctuations in the currency markets may put pressure on the profitability of the company.

Highly fragmented and competitive industry

FMCG trading industry is characterized as fragmented in nature with large number of players at organized as well as unorganized level. This exposes the company to intense competition from other players operating in the industry which results in low bargaining for the company.

Key Rating Strengths

Experienced Management and long track record of operations

RVL was incorporated in 1989. The company is currently being managed by Mr. Satish Jain, Mr. Arhant Jain, Mr. Kamlesh Jain and Mr. Raj Kumar Sehgal. All of them have experience of almost two-three decades through their association with this company. The long standing presence in the industry has enabled the company to establish a healthy relationship with their customers and suppliers.

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[2]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Comfortable capital structure
The company has debt mainly in the form of working capital borrowings. The capital structure was comfortable as marked by the overall gearing stood of 0.38x as on March 31, 2018, on account of comfortable net worth base against external borrowings.

Wide distributor Network
The company maintains a wide distributor network across India and has its presence in Delhi, Maharashtra, West Bengal, and Uttar Pradesh. This shields the company from the risk of decline in sales due to low orders from any specific region or distributor network.

Analytical Approach: Standalone
Applicable Criteria:
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
CARE's methodology for Wholesale trading
Financial ratios – Non-Financial Sector

About the company
Delhi based RVL was incorporated in 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 imports products from countries like Thailand, Japan, USA, etc. and sells domestically.

(In crores)

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	32.97	29.49
PBILDT	0.39	0.48
PAT	-0.62	-0.07
Overall gearing (times)	0.34	0.40
Interest coverage (times)	0.43	0.65

A-Audited

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument*: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	9.00	CARE BB-; Stable	-	-	-	-

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