

No. CARE/DRO/RL/2018-19/3414

Mr. Satish Jain

Director

Rama Vision limited

23, Najafgarh Road, Industrial Area,  
Shivaji Marg, New Delhi-110015

January 31, 2019

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

Please refer to your request for rating the bank facilities of your company.

2. The following ratings have been assigned by our Rating Committee:

Facility	Amount (Rs. crore)	Rating <sup>[1]</sup>	Rating Action
Long Term Bank Facilities	9.00	CARE BB-; Stable ( Double B Minus; Outlook: Stable)	Assigned
Total facilities	9.00 (Rs. Nine crore only)		

3. Refer **Annexure 1** for details of rated facilities.

4. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is December 14, 2018).

5. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by February 1, 2019; we will proceed on the basis that you have no any comments to offer.

6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

*Tamir Merga*

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**CARE Ratings Limited**

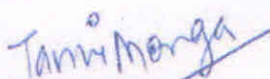
(Formerly known as Credit Analysis & Research Limited)

*Nikita*



7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
8. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
9. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
10. CARE ratings are not recommendations to sanction, renew, disburse or recall any bank facilities.
11. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,  
Yours faithfully,



**Tanvi Monga**  
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Encl.: As above

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the

concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.



**Annexure 1**  
**Details of Rated Facilities**

**1. Long-term facilities**

**1. A. Fund Based Facilities**

Sr. No.	Name of Bank	Total Fund-based Limits	
		Cash Credit	Total Fund-based Limits
1.	Syndicate Bank	9.00	9.00
	<b>TOTAL</b>	<b>9.00</b>	<b>9.00</b>

**Total bank facilities as at Rs. 9.00crore**

**Annexure - II**  
**Press Release**  
**Rama Vision Limited**

**Rating**

Facility	Amount (Rs. crore)	Rating <sup>[1]</sup>	Rating Action
Long Term Bank Facilities	9.00	CARE BB-; Stable ( Double B Minus; Outlook: Stable)	Assigned
Total facilities	9.00 (Rs. Nine crore only)		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale and key rating drivers**

The ratings assigned to the bank facilities of Rama Vision Limited (RVL) are 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 ratings, however, draw 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 Weakness**

***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 PBILD margin stood low at 1.64% in FY18 while it registered a net loss of Rs.0.07 crore in FY18. However,

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.



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.

***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.

(Rs. 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): attached as annexure**

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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

#### Analyst Contact

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

#### **About CARE Ratings:**

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.

#### Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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**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	-	-	-	-