

Mr. Satish Jain
Director
Rama Vision limited
23, Najafgarh Road, Industrial Area,
Shivaji Marg, New Delhi-110015

CARE/DRO/RL/2019-20/3888

March 26, 2020

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY19 (audited) and 9MFY20 (provisional), our Rating Committee has reviewed the following ratings:

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

2. Refer **Annexure I** for details of rated facilities.
3. 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-II**. 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 **March 27, 2020**, we will proceed on the basis that you have no any comments to offer.
4. 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.
5. 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



¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

CARE Ratings Ltd.

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.

6. 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.
7. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,



Amit Jindal
Senior Manager
amit.jindal@careratings.com



Deepika Gulliya
Analyst
deepika.gulliya@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

CARE Ratings Ltd.

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
	TOTAL	9.00	9.00

Total bank facilities as at Rs. 9.00crore

Annexure - II
Press Release
Rama Vision Limited

Ratings

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

Details of facilities in Annexure-1

Detailed Rationale and key rating drivers

The ratings assigned to the bank facilities of Rama Vision Limited (RVL) continues to be constrained by small and fluctuating scale of operations, weak profit margins, elongated inventory holding period, foreign exchange fluctuation risk 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.

Detailed description of the key rating drivers

Positive Sensitivity

- Stabilisation in scale of operation above Rs. 50.00 crores
- Stabilisation of PBIDLT margin above 7% and PAT margin above 3% on sustainable basis

Negative Sensitivity

- Deterioration in capital structure with deterioration in debt equity and overall gearing above unity and 2x respectively.

Key rating weakness

Small and fluctuating scale of operations

The scale of operations of the company stood small as marked by total operating income and gross cash accruals of Rs. 35.39 crores and Rs.0.48 crores respectively during FY19 as against Rs. 29.49 crores and Rs.0.29 crore respectively during FY18. Further, the scale of operations stood fluctuating for the past three financial years mainly on account of volatile demand of its products. The small scale limits the company's financial flexibility in times of stress and deprives it from scale benefits. The company has achieved TOI of Rs.11.42 crore till December 2019.

Weak profit margins

As on March 31, 2019, Profit margins remained weak as marked by PBILD and PAT margins of 4.34% and 0.21% respectively as against 1.64% and -0.22% respectively for FY18. PBILD and PAT margins marked an improvement of 270 bps and 43 bps respectively on account of better absorption of fixed cost, underpinned by increase in volume sold.

Elongated inventory holding period

The firm has 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 results into high average inventory of around 5 months. The company purchases traded goods against cash and advance payment. Further, it sells the product mainly on cash and also credit period of around 15-30 days to few of its customers.

Foreign exchange fluctuation risk

The company has been procuring its traded product by way of imports. With initial cash out flow occurring in foreign currency and the realization taking place in domestic currency, the firm 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 firm. 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.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Highly fragmented and competitive industry

FMCG trading industry is characterised as fragmented and competitive in nature as there are large number of players at organised as well as unorganised levels. There are number of small and large players catering to the same market which has limited the bargaining power of the firm and has exerted pressure on its margins. Rama Vision 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 firm.

Key Rating Strengths

Experienced management and long track of operations

The company was incorporated in 1989. 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 operation 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

The company has debt mainly in form of working capital borrowings. The capital structure of the company stood comfortable marked by overall gearing below 0.50times as on the past three balance sheet dates ending March 31, '17-'19), on account of comfortable net worth base against external borrowings.

Wide distributor network

The company maintains a wide distributor network across India. Rama Vision 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.

Liquidity analysis: Stretched

As on March 31, 2019, gross cash accruals stood thin at Rs. 0.48 crores along with unencumbered cash balance of Rs. 0.87 crores. Working capital cycle elongates to 155 days and average working capital utilisation remained around 80% as on March 16, 2020. Further, cash flow from operations remained negative for past two financial years (FY18-FY19).

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Rating Methodology - 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.

Brief Financials (Rs. crore)	31-03-2017	31-03-2018	31-03-2019
	A	A	A
Total operating income	32.97	29.49	35.39
PBILDT	0.39	0.48	1.54
PAT	-0.62	-0.07	0.07
Overall gearing (times)	0.34	0.40	0.49
Interest coverage (times)	0.43	0.65	1.46

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years: Please refer Annexure-2

CARE Ratings Ltd.

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	9.00	CARE BB-; Stable	-	1)CARE BB-; Stable (01-Feb-19)	-	-

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.

CARE Ratings Ltd.

Contact us

Media Contact

Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Amit Jindal

Contact no.: +91- 11-4533 3228

Email ID: amit.jindal@careratings.com

Business Development Contact

Swati Agrawal

Contact no.: +91-11-4533 3200

Email ID: swati.agrawal@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 the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE Ratings Ltd.

13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.

Tel: +91-11-4533 3200 • Fax: +91-11-4533 3238