No. CARE/DRO/RL/2020-21/4097
Shri Satish Jain
Director
Rama Vision Limited
Shivaji Marg, 23, Rama House, Najafgarh Road
Industrial Area, New Delhi , North Delhi ,Delhi
New Delhi, Delhi 110015

March 23, 2021

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your Company for FY20 (Audited), our Rating Committee has reviewed the following ratings:

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

2. Refer **Annexure 1** 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 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 March 23, 2021, we will proceed on the basis that you have no any comments to offer.

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

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 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. 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.
8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. 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,

Kriti Mullick
Junior Analyst
kriti.mullick@careratings.com

Shivam Tandon
Deputy Manager
shivam.tandon@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.

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Annexure 1

Details of Rated Facilities

1. Long Term Facilities

1.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Canara Bank	9.00	Cash Credit
	Total	**9.00**	

Total Long Term Facilities : Rs.9.00 crore

Total Facilities (1.A) : Rs.9.00 crore

Annexure - II
Press Release
Rama Vision Limited

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	9.00	CARE BB-; Positive (Double B Minus; Outlook: Positive)	Reaffirmed; Outlook revised from Stable
Total Bank 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 scale of operations, weak profitability margins, elongated inventory holding period. Further, the rating remains constrained on account of foreign exchange fluctuation risk and highly fragmented and competitive industry. However, the rating continues to draw comfort from experienced management and long track record of operations, comfortable capital structure and wide distribution network.*

Outlook: Positive

The Outlook has been revised from 'Stable' to 'Positive' on account of CARE's expectation of further improvement in operating performance of the company owing to ramp-up of sales along with profitability margins, and improvement in capital structure. The outlook may be revised to 'Stable' in case of any moderation in envisaged growth in sales as well as the profitability of the company.

Rating Sensitivities

Positive Factors

- Increase in the total operating income (TOI) of the company above Rs.60 crore on sustained basis.
- Improvement in profitability margins as marked by PBILDT and PAT margins of above 6% and 4% respectively

Negative Factors

- Any incremental borrowing leading to deterioration in capital structure as marked by overall gearing of above 1.20x on a sustained basis.
- Any further deterioration in inventory days to 170 days on sustained basis.

Detailed description of key rating drivers

Key Rating Weaknesses

Small scale of operations

The scale of operations of the company stood small as marked by total operating income and gross cash accruals of Rs.43.45 crore and Rs.0.41 crore respectively in FY20 as against Rs.35.39 crore and Rs.0.48 crore respectively in FY19. However, the scale of operations stood growing for the past three financial years as evident from CAGR of 21.38% during FY18-20. Further, during 11MFY21 (refers to period April 1 to February 28; based on provisional results), the company has achieved TOI of Rs.50.83 crore. The small scale limits the company's financial flexibility in times of stress and deprives it from scale benefits.

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. This apart, interest burden on working capital borrowing also dents the net profitability of the firm. RVL's profitability margins continue to remain weak

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as marked by PBILDT and PAT margins of 3.80% and 0.08% respectively in FY20 as against 4.34% and 0.21% respectively in FY19. However, the PBILDT has improved in absolute terms from Rs.1.45 crore in FY19 to Rs.1.65 crore in FY20. Further, the company has reported improved PAT margin of 1.24% during 11MFY21.

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 5 months. However, the same improved from 148 days for FY19 to 131 days for FY20 owing to reduction in stock outstanding as on March 31, 2020. 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 FY20, getting a credit period of 15-20 days, resulting into average creditor period of 6 days for FY20. Further, it sells the product mainly on cash and also credit period of around 15-30 days to few of its customers resulting into average collection period of 16 days for FY20. Further, the inventory levels have reduced from Rs.14.41 crore as on March 31, 2020 to Rs.11.68 crore as on February 28, 2021.

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.

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 company 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 company.

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, 2020, the debt profile of the company consists of vehicle loans of Rs.0.74 crore and working capital borrowings of Rs.6.99 crore as against tangible net worth base of Rs.17.64 crore. The capital structure of the company stood comfortable marked by overall gearing below 0.50 times as on the past three balance sheet dates ending March 31, 2020, on account of comfortable net worth base against external borrowings. The overall gearing improved on account of lower utilisation of working capital limits as on balance sheet date coupled with accretion of profits to reserves.

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

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taps a large customer base through its established team of salesmen eventually resulting in repeat sales through healthy and cordial relations.

Covid-19 Impact

The Covid-19 pandemic affected the company to a limited extent as the company operates under FMCG sector and deals in products of daily need like baby care and mother care products, various food products like biscuits, chips, instant noodles etc. The company had shut down its unit temporarily during the lockdown period, however, the employees were working from home till June, 2020, post which the office was operating with reduced staff. The company faced no major difficulties in import of goods or availability of required manpower. As the food products come under Essential goods, thus, there were no restrictions imposed on import of food products even during the lockdown period. Further, the company was able to generate higher sales during the same period as the demand for food products significantly rose during that period. Food items like Thai food, instant noodles, biscuits chips etc. were being highly demanded during the lockdown period. The company has achieved sales of Rs.50.83 crore during 11MFY21. Further, as on February 28, 2021, the debtors outstanding stood at Rs.3.55 crore and creditors outstanding stood at 0.20 crore.

Liquidity analysis: Stretched

Liquidity is stretched marked by tightly matched accruals to repayment obligations. The company is expected to have gross cash accruals of Rs.1.31 crore as on March 31, 2021 as against repayment obligations of ~Rs.0.25 crore in same year. Further, RVL has low unencumbered cash and bank balance of Rs. 0.01 crore as on March 31, 2020 Further, the bank limits were moderately utilised to the extent of almost 70-75% for the past twelve months ending February, 2021. Further, moratorium was given by the bank to RVL for interest servicing on the CC limit during March-August, 2020 as per RBI guidelines in wake of Covid-19 pandemic.

Analytical approach:

Standalone

Applicable Criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities
Rating Methodology - Wholesale Trading

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 thorough its wide sales distribution network majorly covering North and West India and also through E-commerce platforms like Nykaa E Retail Pvt. Ltd., Reliance Brands Limited, Snapdeal etc..

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	35.39	43.45
PBILDT	1.54	1.65
PAT	0.07	0.04
Overall gearing (times)	0.50	0.44
Interest coverage (times)	1.47	1.56

A: Audited

Status of non-cooperation with previous CRA: ACUITE (SMERA) had placed its rating under non-cooperation due to non submission of requisite information by the entity as per its press release dated June 26, 2020.

Any other information: Not Applicable

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

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-; Positive

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	9.00	CARE BB-; Positive	-	1)CARE BB-; Stable (28-Mar-20)	1)CARE BB-; Stable (01-Feb-19)	-

Annexure-3: Detailed explanation of covenants of the rated instrument: Not applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

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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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.

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

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