No. CARE/HO/RL/2022-23/1824

Shri Pankaj Jobalia
Managing Director
Ramasigns Industries Limited
Unit No.3, Ground Floor, Vimala Bhavan,
Sharma Industrial Estate, Walbhat Road,
Goregaon (East), Mumbai,
Maharashtra 400063

July 20, 2022

Confidential

Dear Sir,

Credit rating for Non-Convertible Debenture issue

On the basis of recent developments including operational and financial performance of your Company for FY22 (Audited) and Q1FY23 (Audited), our Rating Committee has reviewed the following ratings:

Sr. No.	Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
1.	Non Convertible Debentures	7.11 (Reduced from 7.20)	CARE B; Stable (Single B; Outlook: Stable)	Reaffirmed
	Total Instruments	7.11 (Rs. Seven Crore and Eleven Lakhs Only)		

2. The NCDs are repayable by May 31, 2026 in unequal monthly instalments.

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 July 22, 2022, we will proceed on the basis that you have no any comments to offer.

4. CARE Ratings Ltd. 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 Ratings Ltd. 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 Ratings Ltd. 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 Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. 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 Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

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

6. 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.

7. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.

8. CARE Ratings Ltd. ratings are not recommendations to buy, sell, or hold any securities.

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

Thanking you,

Yours faithfully,

Aditya Bhujbal

Ruchi

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Analyst
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Ruchi Sanghavi
Assistant Director
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Encl.: As above

Disclaimer

The ratings issued by CARE Ratings Limited 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. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a 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 Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited'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 2
Press Release
Ramasigns Industries Limited

Rating

Sr. No.	Instrument	Amount (Rs. crore)	Rating[2]	Rating Action
1.	Non Convertible Debentures	7.11 (Reduced from 7.20)	CARE B; Stable (Single B; Outlook: Stable)	Reaffirmed
	Total Instruments	7.11 (Rs. Seven Crore and Eleven Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers
The rating assigned to the bank facilities of Ramasigns Industries Limited (RSIL) continued to be constrained by modest scale of operation, moderate operating and net profit margin, working capital intensive nature of operation, stretched liquidity position and pending undisputed statutory dues. The rating further continues to be constrained by presence in highly competitive & fragmented industry.
The rating, however, continues to derives strength from experienced promoters, 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
- Improvement in PBILDT margin above 6% and PAT margin above 1.5% on a sustained basis
- Timely repayment of undisputed statutory dues

Negative Factors
- Deterioration in capital structure with overall gearing above 1x on a sustained basis
- Non-arrangement of sufficient funds to timely repayment its debt obligation

Detailed description of the key rating drivers
Key Rating Weaknesses
Modest scale of operations: RSIL's scale of operation continued to remain moderate and grew marginally (by 12.25%) with total operating income of Rs. 36.57 crore in FY22 vis-à-vis Rs. 32.58 crore in FY21 on account of increase in orders executed due to gradual recovery from covid-19 pandemic in FY22. Further total operating income grew by 76.51% to Rs. 7.89 crore in Q1FY23 vis-à-vis Rs. 4.47 crore in Q1FY22. Despite the growth in the total income, it continues to remain moderate, which limits its financial flexibility and its capability to scale up the operations in future would be sensitive from credit point of view.

Moderate operating and net profit margin: RSIL's PBILDT margin are fluctuating in nature as the same is affected by material cost (i.e. PVC and granules) and it declined to 3.88% in FY22 vis-à-vis 5.12% in FY21 on account of increase in cost of traded goods sale (82% in FY22 vis-à-vis 80% in FY21) along with increase in employee cost in FY22. Further with decline in PBILDT margin, PAT margin also declined to 0.26% in FY22 vis-à-vis 0.81% in FY21. Further company has earned operating profit and net profit of Rs. 0.42 crore and Rs. 0.12 crore respectively in Q1FY23 vis-à-vis operating loss and net loss of Rs. 0.23 crore and Rs. 0.51 crore respectively in Q1FY22.

Working capital intensive operation: The operation of RSIL are working capital intensive in nature on account of funds being blocked in inventory and receivables. RSIL received orders directly from printers and fabricators. In light of long-term relationship with customers as well as due to stiff competition it generally gives 60-90 days credit to its customers. However, the collection period stretched to 323 days in FY22 vis-à-vis 376 days in FY21 on account of delay in receipt of payment from client due to covid-19 pandemic. Further total debtors outstanding of Rs. 37.01 crore and company has recovered debtors of Rs. 2.05 crore till date. Further significant inventory remained outstanding which led to average inventory period of 149 days in FY22 vis-à-vis 168 days in FY21) as company has to maintain inventory to execute the orders in timely manner. Further, elongated working capital cycle is partially offset by stretched creditor's period led to average creditors period remained at 318

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days in FY22 vis-à-vis 454 days in FY21. Given all of the above, the operating cycle continued to remain working capital intensive and stood at 153 days in FY22 vis-à-vis 91 days in FY21. Furthermore, working capital requirement is met through working capital bank borrowing and internal accruals.

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, aluminium composite panel and cast acrylic sheets whose prices are very volatile in nature. The cost of material to total sales stood at 82% in FY22 vis-à-vis 80% in FY21. Fluctuation in material cost has an adverse impact on profit margins of the firm.

Fragmented and competitive nature of 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 remaining constrained due to low bargaining power with the customers.

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 continued to remain comfortable however overall gearing deteriorated marginally and stood at 0.66x as on March 31,2022 (vis-à-vis 0.29x as on March 31, 2021) owing to issue of non-convertible debenture of Rs. 7.20 crore in FY22. Debt coverage indicator of the company continued to moderate and deteriorated marked by total debt to GCA of 13.22x & interest coverage of 2.65x in FY22 (vis-à-vis 4.89x and 3.04x respectively in FY21) on account of increase in debt and reduction in gross cash accruals in FY22.

Liquidity analysis: Stretched

Stretched liquidity is characterized by tightly matched accruals vis-à-vis repayment obligations of Rs. 1.02 crore in FY23 and low cash balance of Rs.0.66 crore as on March 31, 2022 and Rs. 0.61 crore as on June 30, 2022. Its average working capital limit utilization remained high at 98% during past 12 months ended April 2022 and maximum utilization remained full. Further company is yet to pay pending undisputed statutory dues of Rs. 0.28 crore as on June 01, 2022. Furthermore, current ratio and quick ratio stood at 1.66x and 1.23x respectively as on March 31, 2022 (vis-à-vis 1.33x and 0.96x respectively as on March 31, 2021.

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.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	Q1FY23 (UA)
Total operating income	32.58	36.57	7.89
PBILDT	1.67	1.42	0.42
PAT	0.27	0.09	0.12
Overall gearing (times)	0.29	0.66	NA
Interest coverage (times)	3.04	2.65	3.23

A: Audited, UA: Unaudited, NA: Not Available

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CIN-L67190MH1993PLC071691

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE650D08013	March 29, 2022	7% p.a.	May 31, 2026	7.11	CARE B; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Debentures-Non Convertible Debentures	LT	7.11	CARE B; Stable	1)CARE B; Stable (06-Jun-22)	1)CARE B+; Stable (14-Mar-22) 2)CARE B+; Stable (31-Dec-21) 3)CARE B+; Stable (06-Jul-21)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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
To view the lender wise details of bank facilities please click here

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Note on complexity levels of the rated instruments: CARE Ratings 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:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**

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