



Press Release

R S Foods

September 01, 2022

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	23.38	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Long-Term Bank Facilities (Proposed)	1.62	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	25.00 (INR Twenty five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of RS Foods derives comfort from its experienced promoters, strong distribution network, established milk procurement network with satisfactory infrastructure facilities and diversified revenue stream with growing focus in value added products segment which may lead to improve in profit margin going forward. Further the ratings also considered stable financial performance of the firm along with its satisfactory capital structure with comfortable debt protection metrics. These rating strengths are partially offset by its partnership nature of constitution, exposure to geographical concentration risk coupled with intense competition in the industry.

Key Rating Sensitivities:

Upward factors

- Growth in scale of operations on a sustained basis and consequent improvement in profitability leading to rise in gross cash accruals
- Steady improvement in capacity utilization
- Sustenance of the capital structure with further improvement in debt protection metrics

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile on a sustained basis



Press Release

- Any moderation in the capital structure with moderation in the overall gearing to over 1.50x.
- Moderation in the liquidity profile

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The partners of RS Foods are having nearly a decade of experienced with their longstanding presence in the dairy industry. The partners used to run a Dairy firm in the name of 'Shri Shyam Dairy' before incorporation of RS Foods. Later, after being incorporated as a partnership firm in 2015, RS Foods started its commercial operation in 2017 and engaged in processing and selling of milk and other dairy based products.

- **Established milk procurement network and infrastructure facilities**

The firm has a strong milk procurement network which comprises direct procurement from farmers, milk collection centres including a few certain centres who procure milk primarily for the firm and Bulk Milk Coolers. Further, it procures milk from different states such as Jharkhand, Odisha, West Bengal, Bihar, UP at different times based on the prices and demand supply scenario. Some of the major suppliers are Indrapur Dairy & Milk Products, Nature Delight Dairy, Kashi Viswanath, Real Dairy Industries Pvt Ltd etc. In addition, RS Foods have 15 owned tankers with a capacity of 27KL each and 8 insulators tankers for transportation of milk.

- **Diversified revenue stream with growing focus in value added products segment**

RS Foods has a wide portfolio of customers. The firm offers a wide range of milk and milk based products like ghee, paneer, curd, buttermilk, lassi, milk powder, etc. and has its presence in the product for daily use which enable it to cater to a broader customer base and diversify its revenue. Further, RS Foods is also focusing on increasing sale of value-added products like Ghee and power milk to reduce its dependence on raw milk sales.

- **Strong distribution network**

The firm sells milk through B2B as well as B2C routes. Hence the client profile is very diverse as approximately 50% of the milk is sold through B2B route and rest 50% is sold as



Press Release

B2C. In B2B the firm directly sells processed milk to organized and many reputed players. In addition, the firm also sells pouched milk through B2C vertical through distributors in the state of Jharkhand. At present, the firm has 15 distributors for the entire Jharkhand state, each distributor has 30-35 sub distributors. The pouched milk is sold under the brand “Daily Plus”. In addition, ghee and milk powder are also sold under the brand “Daily Plus” in retail packages.

- **Stable financial performance**

Total operating income of the firm has witnessed a growing trend over the past three years. As per the FY22 provisional numbers, the operating income has registered a y-o-y growth of ~14% and the topline stood at Rs.121.58 crore against Rs.106.35 crore in FY21. The growth in revenue is mainly driven by higher demand of dairy products leading to higher volume of sales resulted by improved capacity utilization coupled with increased average sales realization of all the products of the firm’s portfolio. With rise in total operating income and gradual improvement in capacity utilisation, profitability has also improved as the absolute EBITDA stood at Rs.10.23 crore in FY22 (Prov.) against Rs.8.88 crore in FY21. The EBITDA margin has improved marginally from 8.35% in FY21 to 8.41% in FY22. Backed by improved EBITDA and reduced finance cost, PAT margin has improved and remained satisfactory in FY22 (Prov) at 4.32% against 3.15% of FY21. Consequently, the firm has witnessed an increase in its cash accrual from Rs.6.60 crore in FY21 to Rs.8.41 crore in FY22 (Prov.).

- **Satisfactory capital structure with comfortable debt protection matrices**

The capital structure of the firm has remained comfortable as on March 31, 2022, marked by its satisfactory leverage ratios with relatively low reliance on external debt supported by its moderate net worth base of Rs. 27.90 crore. Both the long-term debt to equity and the overall gearing of the firm has improved and stood below unity at 0.17x and 0.87x respectively as on March 31, 2022, against 0.29x and 1.10x respectively as on March 31, 2021. Total indebtedness of the firm as reflected by TOL/TNW also remained satisfactory at 1.03x as on March 31, 2022. Backed by improved absolute EBITDA and reduced finance cost during the period, the debt protection matrices as reflected by the interest coverage ratio has improved in FY22 and remained comfortable at 5.46x against 3.78x in FY21. Total



Press Release

debt to EBITDA and Total debt to GCA both improved and remained moderate at 2.38x and 2.90 years respectively in FY22.

Key Rating Weaknesses:

- **Partnership nature of constitution**

Given RS Food's constitution as a partnership firm, it is exposed to the discrete risks including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon death, retirement, or insolvency of the partners. Moreover, the partnership nature limits its flexibility to tap external channels of financing.

- **Intense competition**

Indian dairy industry is characterized by intense competition due to presence of many small to medium unorganized players, co-operatives along with large established players. India is the largest producer of milk in the world. The sector is largely dominated by the unorganised sector. Even with milk being a regional play, the firm faces tough competition with the presence of large cooperatives and private players with Pan India network.

- **Exposure to geographical concentration risk**

RS Food has its presence in Ranchi, Jharkhand for all of its products. However, the firm is trying to establish its base in West Bengal, and Bihar by investing in a diverse value-added products portfolio and brand building.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity: Adequate

The liquidity profile of RS Foods is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs.11 crore to Rs.17 crore vis a-vis its debt repayment obligations ranging between Rs.1.29 crore to Rs.1.18 crore during FY23-FY25. Further, with its comfortable capital structure, the firm has sufficient gearing headroom. Moreover, the average CC utilization of the firm for past 12 months ending in June 2022 at ~74% indicating an adequate liquidity cushion to the firm.



Press Release

About the Firm

Incorporated in August 2015, Ranchi based RS Foods was promoted by four partners, namely Mr. Amit Agarwal, Mr. Ajay Kumar Agarwal, Mrs. Amita Agarwal, and Mrs. Amita Agarwal with equal profit-sharing percentage of 25% each. The firm is engaged in processing and selling of milk and other dairy based products such as ghee, paneer, curd, buttermilk, lassi, milk powder, etc. Before incorporation of RS Foods, the partners used to run a Dairy firm in the name of 'Shri Shyam Dairy', which helped them to gain more than a decade of experience in this line of business. RS Foods is a FSSAI central licensed dairy firm and it started its commercial production from April, 2017. The processing unit of the firm is located at Village-Baheya in Angra block, Ranchi with milk processing capacity of 1,50,000 liters per day. The firm sells ghee and milk powder in bulk whereas the firm sells other products in retail packages with the brand name of 'Daily Plus' within the state of Jharkhand.

Financials of RS Foods (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	106.35	121.58
EBITDA	8.88	10.23
PAT	3.36	5.26
Total Debt	26.85	24.39
Tangible Net worth	24.33	27.90
EBITDA Margin (%)	8.35	8.41
PAT Margin (%)	3.15	4.32
Overall Gearing Ratio (x)	0.29	0.17
Interest Coverage Ratio (x)	3.78	5.46

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

Brickwork Ratings has moved the rating into issuer not cooperating category vide its press release dated May 18, 2022 due to non-submission of information by the firm.

CARE Edge ratings vide its press release dated July 07, 2022 maintained the rating in issuer not cooperating category due to non-submission of information by the firm.



Press Release

CRISIL vide its press release dated December 28, 2021, has maintained the rating in issuer not cooperating category due to non-submission of information by the firm.

Any other information: Nil

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	15.00	IVR BBB-; Stable	-	-	-
2.	OD Facility	Long Term	5.00	IVR BBB-; Stable	-	-	-
3.	GECL	Long Term	3.38	IVR BBB-; Stable	-	-	-
4.	Proposed	Long Term	1.62	IVR BBB-; Stable	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Indranil Mukherjee

Tel: (033) 46022266

Email: indranil.mukherjee@infomerics.com

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com

About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com



Press Release

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	-	-	-	15.00	IVR BBB-; Stable
Long Term Fund Based Limits - OD	-	-	-	5.00	IVR BBB-; Stable
Long Term Fund Based Limits - GECL	-	-	April 2025	3.38	IVR BBB-; Stable
Long Term Fund Based Limits - Proposed	-	-	-	1.62	IVR BBB-; Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-RS-Foods-sept22.pdf> .

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.