



Press Release

RS Foods

March 31, 2025

Ratings

Facilities	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	64.64	IVR BBB-; Stable and Withdrawn (IVR Triple B Minus with Stable outlook and withdrawn)	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed and withdrawn	Simple
Short Term Bank Facility	1.00	IVR A3 and Withdrawn (IVR A Three and Withdrawn)	IVR A3 (IVR A Three)	Reaffirmed and withdrawn	Simple
Total	65.64 (INR Sixty- five crore and sixty- four lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed and withdrawn the outstanding ratings of “IVR BBB-; Stable/A3 (IVR Triple B Minus; Stable, IVR A Three) assigned to the bank facilities of RS Foods with immediate effect. The above action has been taken at the request of RS Foods and the ‘No Objection Certificate’ received from the lender that have extended the facilities rated by Infomerics Ratings. The above withdrawal is in line with Infomerics policy on withdrawal and link to the policy is provided below.

The reaffirmation in the ratings to RS Foods continue to derive comfort from its experienced promoters, strong distribution network and established milk procurement network. Further, the ratings also consider the firm’s diversified revenue stream with growing focus in value added products segment leading to improvement in business performance in FY24 [FY refers to the period from April 1 to March 31] and subsequently in 8MFY24 coupled with moderate capital structure and satisfactory debt protection metrics.



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However, these rating strengths are constrained by its partnership nature of constitution, exposure to geographical concentration risk coupled with intense competition and its limited control over procurement costs.

The stable outlook reflects expected stable business performance of the company in the near to medium term with satisfactory capital structure.

Key Rating Sensitivities:

Upward factors

- Significant growth in the scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals.
- Improvement in capital structure with improvement in overall gearing to below 1.5x and with sustained interest coverage ratio above 5x.

Downward Factors

- Decline in operating income and profitability leading to deterioration in gross cash accruals
- Any unplanned capex and/or substantial increase in working capital borrowings leading to impairment in the capital structure with deterioration in overall gearing to more than 2x and/or moderation in interest coverage to below 2.5x
- Stretch in the working capital cycle driven by pile-up of inventory or stretch in receivables impacting liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Experienced promoters

The partners of RS Foods have nearly a decade of experience 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



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Jharkhand, Odisha, West Bengal, Bihar, UP at different times based on the prices and demand supply scenario. Some of the major suppliers are Indapur 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 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 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 15-20 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.

Improvement in business performance in FY24

The total operating income of the firm has witnessed a growing trend over the past three years. TOI of RS Foods has registered a y-o-y growth of ~37% and the topline stood at Rs.313.04 crore in FY24 against Rs.227.44 crore of FY23. The growth in revenue is mainly driven by higher demand for dairy products leading to a higher volume of sales with satisfactory average sales realization of all the products of the firm. With improved topline, absolute EBITDA has improved and stood at Rs.23.81 crore in FY24 compared to Rs.7.45 crore in FY23. Further, despite the increase in depreciation and finance cost for the recently concluded capex, PAT margin has slightly improved to 2.67% in FY24 as against 2.50% in FY23. Till November 2024, the firm has managed to churn our revenue of ~Rs.232 crore. Further, backed by recently executed expansion and modernization capex, the scale and profitability are expected to improve going forward.



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Moderate capital structure and satisfactory debt protection metrics

The capital structure of the firm has remained moderate over the past three account closing dates. Backed by steady accrual of profit to reserve, the tangible net worth has improved yet continues to remain moderate at Rs.29.47 crore as on March 31, 2024. However, backed by gradual payment of term loans and low year end working capital utilisation, both the long-term debt to equity and the overall gearing of the firm has improved to 1.40x and 1.53x respectively as on March 31, 2024 against 2.22x and 2.85x respectively as on March 31, 2023, Total indebtedness of the firm as reflected by TOL/TNW also improved to 1.97x as on March 31, 2024 against 3.72x as on March 31, 2023. Notwithstanding the increase in finance costs during the period, backed by improved absolute EBITDA, the debt protection parameters have witnessed improvement. The interest coverage ratio has improved to 5.91x in FY24 as against 3.08x in FY23. Total debt to EBITDA and Total debt to NCA both improved and remained satisfactory at 1.89x and 2.57 years respectively as on March 31, 2024.

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.

Limited control over procurement costs

The industry players have limited control over the procurement costs of liquid milk as these are impacted by intense competition from state-owned milk cooperatives and other private dairies, along with low switching costs for farmers. However, the firm's strong relationships with farmers ensure milk availability even during the lean season.

Exposure of milk production to external factors and perishable nature of products

Milk availability is influenced largely by agro-climatic conditions, which plays a major influence in the tropics. The industry is vulnerable to risks associated with the failure of milk production due to external factors like cattle diseases and extension of the lean season due to drought-like conditions, which ultimately affect milk availability and hence prices. The price of the dairy industry's raw material, milk, is sensitive to government policies, environmental conditions factors. Milk and some milk-based products have a perishable nature and cannot



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be stored for longer periods or transported over long distances. To maintain the quality & freshness of the products, milk-based products require specific storage conditions which may increase the cost of storage to an extent.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Criteria of assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

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

[Criteria on complexity](#)

[Policy on Withdrawal of Ratings](#)

Liquidity: Adequate

The liquidity profile of RS Foods is expected to remain adequate marked by its expected satisfactory cash accrual of in the range of ~Rs.23 crore to Rs.29 crore during FY25-FY27 vis a-vis its debt repayment obligations ranging ~Rs.8.00 crore each during the aforesaid period. Further, the entity also has comfortable gearing headroom on the back of its satisfactory capital structure. The free cash and bank balance of the firm (excluding utilised CC balance) stood at ~Rs.1.89 Crore as on 28th February 2025. Moreover, the average CC utilization of the firm for past 12 months stood at ~75%-80% indicating adequate liquidity cushion.

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. Ruchi 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.

Financials of RS Foods (Standalone):



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(Rs. crore)

For the year ended* / As On	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	227.44	313.04
EBITDA	7.45	23.81
PAT	5.80	8.36
Total Debt	59.39	45.10
Tangible Net worth	20.84	29.47
EBITDA Margin (%)	3.28	7.61
PAT Margin (%)	2.50	2.67
Overall Gearing Ratio (x)	2.85	1.53
Interest Coverage	3.08	5.91

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Brickwork ratings has continued the rating into issuer not cooperating category vide its press release dated May 27, 2024, due to non-submission of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Feb 08, 2024	Dec 26, 2022	Sep 01, 2022	
1.	Term Loan	Long Term	34.64	IVR BBB-/Stable and Withdrawn	IVR BBB-/Stable	-	-	-
2.	Cash Credit	Long Term	30.00	IVR BBB-/Stable and Withdrawn	IVR BBB-/Stable	IVR BBB-/Stable, Withdrawn	IVR BBB-/Stable	-
3	Bank Guarantee	Short Term	1.00	IVR A3 and Withdrawn	IVR A3,	-	-	-
4	OD	LT	-	-		IVR BBB-/Stable, Withdrawn	IVR BBB-/Stable	-
5	GECL	LT	-	-		IVR BBB-/Stable, Withdrawn	IVR BBB-/Stable	-



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		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
6	Proposed	LT	-	-		IVR BBB-/ Stable, Withdrawn	IVR BBB-/ Stable	-

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About Infomerics:

Infomerics Valuation and Rating Limited (Infomerics) [formerly Infomerics Valuation and Rating Private Limited] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI). Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by indepth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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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: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits –Term Loan	-	-	Aug 2030	34.64	IVR BBB-, Stable/Withdrawn
Long Term Fund Based Limits –Cash Credit	-	-	Revolving	30.00	IVR BBB-, Stable/Withdrawn
Long Term Fund Based Limits – Bank Guarantee	-	-	-	1.00	IVR A3/ Withdrawn

Annexure 2: Facility wise lender details: Not Applicable

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis:

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