October 11, 2023

Ramdev Food Products Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term Fund-based cash credit	80.66	80.66	[ICRA]A- (Stable); reaffirmed
Long term Fund-based term loan	5.05	29.67	[ICRA]A- (Stable); reaffirmed/ assigned
Short term Non-fund-based limits	3.02	3.02	[ICRA]A2+; reaffirmed
Long term/Short term Interchangeable – Others #	(66.50)	(66.50)	[ICRA]A-(Stable)/[ICRA]A2+; reaffirmed
Unallocated	8.64	-	-
Total	**97.37**	**113.35**	

**Instrument details are provided in Annexure-I #sublimit to Cash credit limits*

Rationale

The reaffirmation of ratings considers a stable financial performance of Ramdev Food Products Pvt. Ltd. (Ramdev) in FY2023, which is likely to continue in FY2024 as well. In FY2023, the company's revenues grew by ~13%, aided by an increase in realisations, while the volumes were impacted due to a sharp hike in prices. In FY2023, the prices of raw materials increased sharply, as a result of which the operating margin moderated to ~6.6% from ~7.3% in FY2022. The raw material prices are likely to remain elevated in the current year as well, keeping the operating margins rangebound at 6.5-7.0%. The revenues are likely to increase by ~14% in FY2024, owing to a likely higher offtake from the snacks division and expectation of better revenues in H2 FY2024 from the spice division. The ratings are also supported by the company's comfortable capital structure, as indicated by a gearing of ~0.6 times in March 2023, which is likely to remain conservative in the near-to-medium term. A large portion of the debt on the company's books is in the form of unsecured loans from promoters, which reduces reliance on external debt and supports the financial flexibility. The liquidity position remains adequate with cushion available in its working capital limits and in the absence of major capex plans. The ratings reaffirmation continues to factor in the long experience of the promoters and the company's brand presence in the organised spice industry and its well-entrenched distribution network in western India.

The ratings, however, remain constrained by the geographical concentration of revenues in a single state at present and intense competition in the spice processing and packaged snacks industry, which limits the pricing flexibility. The ratings also factor in the susceptibility of the company's revenues and profitability to commodity price fluctuations, which are influenced by external factors such as agro-climatic conditions. As inherent in the the food industry, any quality related issue could dent its brand image and remains a key risk. However, ICRA notes that till date, there have been no quality related complaints against the company.

The Stable outlook on the long-term rating indicates that Ramdev will continue to benefit from its wide distribution network and strong brand name in the spices industry. Apart from Gujarat, which is a major revenue contributor, Ramdev has ~13 Consignment & Forwarding (C&F) agents and 1 Consignee Agent (CSA) outside Gujarat, resulting in diversification of revenues.

Key rating drivers and their description

Credit strengths

Extensive experience and track record of promoters in spices business; robust distribution network – Established in 1965, the promoters of Ramdev have over 58 years of experience in the spices industry. It has an established market position in the organised spice business and enjoys a long relationship with its suppliers. Moreover, its well-entrenched distribution network (1,600 distributors) and brand recognition give it competitive advantages in the spice industry.

Comfortable capital structure with low external debt – The capital structure of the company remains comfortable with a gearing of ~0.6 times in FY2023. Out of its total debt of Rs. 97.9 crore as on March 31, 2023, unsecured loans from promoters comprised ~Rs. 31.3 crore. These loans do not have any fixed repayment schedule, which lends financial flexibility and supports the liquidity position of the company. Going forward, with an improvement in profitability and cash flows, debt coverage indicators are expected to improve further.

Credit challenges

Exposed to geographical concentration risks – Ramdev remains exposed to geographical concentration risks, with 55-60% of its revenues coming from Gujarat in the past few years. However, ICRA notes that the company is working towards increasing its market share in Rajasthan, Maharashtra, Madhya Pradesh and southern parts of India through various sales and distribution initiatives.

Profitability remains vulnerable to commodity price fluctuations – Ramdev's operations remain vulnerable to availability of agro-commodities and volatility in their prices, which are influenced by external factors like climatic conditions, demand-supply mismatch etc.

Intense competition and quality related risks – The spice processing and the packaged snacks industries are very competitive and fragmented, given the low entry barriers and limited complexity of work involved. Since Ramdev is an established player in the spices industry, it has some pricing power which mitigates this risk to an extent. In the snacks division, Ramdev is a relatively newer player and has witnessed lower-than-expected offtake since commencement of its operations. Risks related to quality and reputation also remains for players in the food industry. However, ICRA notes that till date, there have been no quality related complaints against the company.

Liquidity position: Adequate

The liquidity position of the company remains adequate, supported by the undrawn working capital limits of ~50% against the sanctioned limits. Healthy accruals from business, absence of major capex plans in the near-to-medium term and no fixed repayment schedule on the unsecured loans from the promoters provide additional comfort to the liquidity.

Rating sensitivities

Positive factors – The ratings may be upgraded in case of a substantial increase in revenues and profitability, along with a healthy liquidity position and strong debt coverage metrics.

Negative factors –The ratings could be downgraded in case of lower-than-expected revenues and profit margins and/or if any large debt-funded capex leads to a deterioration in the debt metrics. An interest coverage below 4.0 times could also lead to ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone financials have been considered

About the company

Established in 1965, Ramdev Food Products Private Limited (Ramdev) manufactures spices, blended spices, instant mixes, snacks etc. at its facility at Changodar, Gujarat and packaged snacks at Chiyada, near Ahmedabad. It was promoted by Late Rambhai Patel and is now managed by Mr. Hasmukh Patel and his family members. The company has an established distribution network across India, with major presence in western India. It sells its products under its brand, "Ramdev".

Key financial indicators (audited)

Ramdev	FY2022	FY2023
Operating income	561.2	634.0
PAT	11.8	18.6
OPBDIT/OI	7.3%	6.6%
PAT/OI	2.1%	2.9%
Total outside liabilities/Tangible net worth (times)	1.4	1.2
Total debt/OPBDIT (times)	3.0	2.3
Interest coverage (times)	3.7	3.4

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Oct 11, 2023	Aug 29, 2022	Jul 05, 2021	Sep 01, 2020
1	**Cash Credit**	Long term	80.66	32.9	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Negative)**
2	**Term Loan**	Long term	29.67	29.67	**[ICRA]A- (Stable)**	**[ICRA]A- (Stable)**	**[ICRA]BBB+ (Stable)**	**[ICRA]BBB+ (Negative)**
3	**Non-fund-based limits**	Short term	3.02	-	**[ICRA]A2+**	**[ICRA]A2+**	**[ICRA]A2**	**[ICRA]A2**
4	**Interchangeable – Others***	Long term/ Short term	(66.50)	-	**[ICRA]A- (Stable)/ [ICRA]A2+**	**[ICRA]A- (Stable)/ [ICRA]A2+**	**[ICRA]BBB+ (Stable)/ [ICRA]A2**	**[ICRA]BBB+ (Negative)/ [ICRA]A2**
5	**Unallocated Limits**	Long term/ Short term	-	-	-	**[ICRA]A- (Stable)/ [ICRA]A2+**	-	-

**Sublimit to cash credit limits*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash Credit	Simple
Term Loan	Simple
Non-fund-based limits	Very Simple
Interchangeable – Others	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here.

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	80.66	[ICRA]A-(Stable)
NA	Term Loan	FY2023	8.5%	FY2027	29.67	[ICRA]A-(Stable)
NA	Non fund-based limits	-	-	-	3.02	[ICRA]A2+
NA	Interchangeable – Others*	-	-	-	(66.50)	[ICRA]A-(Stable)/[ICRA]A2+

*Source: Company; *Sublimit to cash credit limits*

Please click here to view details of lender-wise facilities rated by ICRA.

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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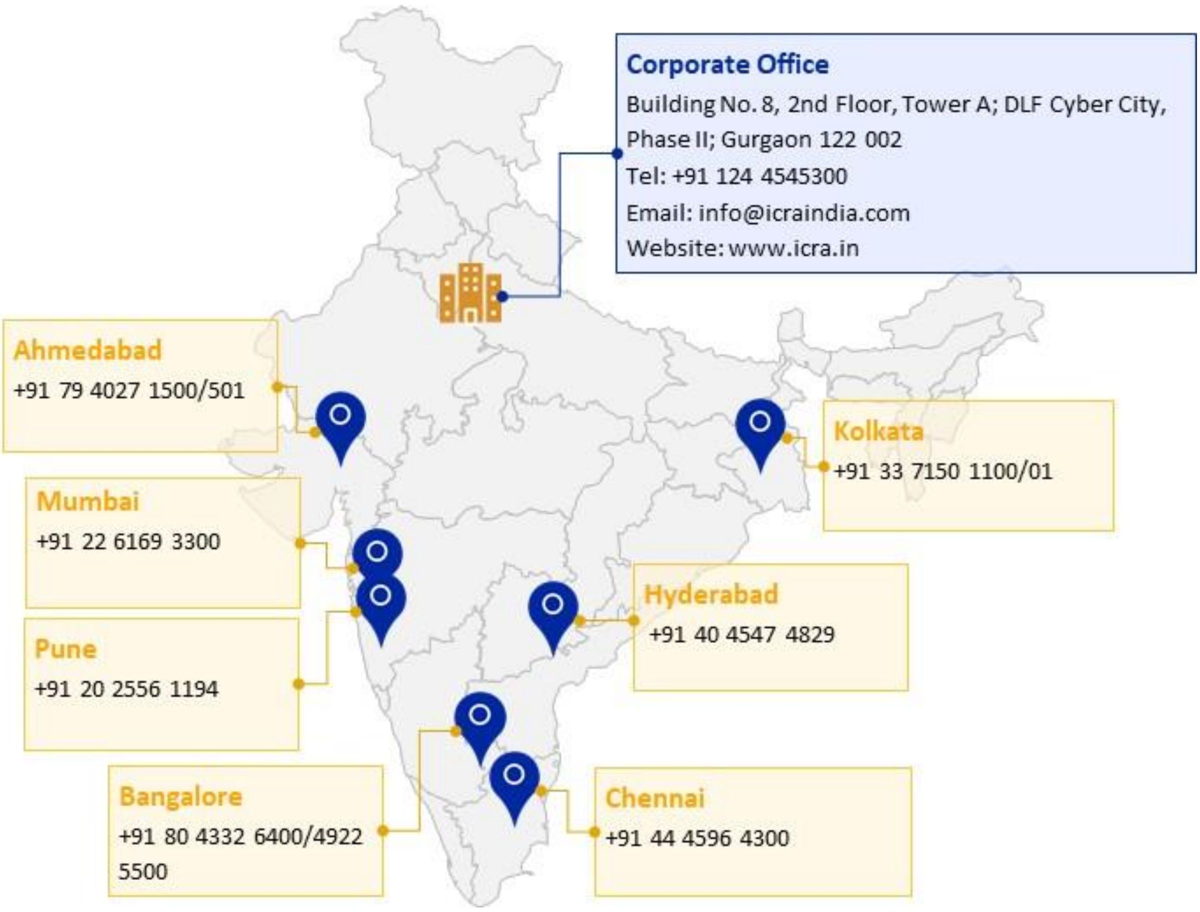

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