August 13, 2024

RPSPL Private Limited: [ICRA]A(Stable)/[ICRA]A2+; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Cash credit	5.00	[ICRA]A (Stable); assigned
Long-term Fund-based – Term loan	60.00	[ICRA]A (Stable); assigned
Short-term Fund-based – Working capital Demand loan	15.00	[ICRA]A2+; assigned
Total	**80.00**	

**Instrument details are provided in Annexure-I*

Rationale

For arriving at the ratings, ICRA has taken a consolidated view of RPSPL Private Limited (RPSPL) along with its parent, Rich Products and Solutions Private Limited (RPS) as RPSPL is an exclusive contract manufacturer for whipped toppings and cooking creams for RPS and the strong business and financial linkages between them, including ownership.

The assigned ratings for the bank lines of RPSPL factor in its strong credit profile and expectation that it will remain favourable on the back of its healthy operational profile with an established network of distributors and a strong pan-India presence of the company with reputed client profile, and extensive global experience of the Rich Group of over 70 years in non-dairy whipped toppings with strong brand presence across key geographies in the world. The consolidated financial profile is characterised by improving scale of operations, healthy profitability with an operating margin of ~17% in FY2024, low debt level and strong capitalisation and debt protection indicators, and adequate liquidity profile. The financial profile is expected to remain strong in the near-to-medium term, driven by expected improvement in the top line amid favourable demand for its products, ongoing capacity expansion plans, minimal debt levels and steady cash accruals.

The assigned ratings, however, are constrained by the vulnerability of margins to the volatility in raw material prices (especially palm oil), as witnessed in the past. The ratings also consider the inherent reputational and quality related risks, given the company's presence in the food industry, wherein maintenance of consistent quality remains one of the key attributes. ICRA also notes that RPS has recently commercialised a large capex programme in RPSPL to support its growth plans. The ability of RPSPL to successfully ramp up its capacity and generate commensurate returns from the recently commercialised capex remains key from the credit perspective and would be monitored. However, comfort can be drawn from the funding pattern, which entails minimal external debt and is largely funded by equity and compulsory convertible debentures (CCDs) from RPS.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company's credit profile will remain favourable, supported by its established position in the non-dairy whip topping segment, its strong financial profile and expected benefits from the recently commercialised capex.

Key rating drivers and their description

Credit strengths

Established and dominant presence in whipped topping industry – RPS is a part of the US-based Rich Group, which has a strong presence in the non-dairy whipped topping sector for more than 70 years. The Group is a key player in the whipped toppings segment in the world and has presence in more than 100 countries. Given its large experience and diversity in operations, it is expected that the Indian entity will continue to benefit from its established position in the market and the strong brand equity of the Group.

Diversified geographical presence in domestic market with established distributor network – RPS is a B2B player and has a network of more than 400 distributors across 500 Indian cities, which cater to around 25,000 customers. RPS has a well-diversified geographical presence across India with a dominant presence in South and West India.

Strong financial risk profile characterised by low gearing, strong debt coverage and comfortable liquidity – The financial profile of the RPS is strong, as improving scale of operations (with revenues of ~Rs. 770 crore in FY2024), an operating margin of ~17%, a low gearing, and strong debt coverage metrics amid limited exposure to external debt. The liquidity is adequate as the requirements for the business are largely met by its internal accrual and limited requirement of working capital limits, given its moderate working capital intensity. With commercialisation of the recent capex, the margin may be impacted in the near term due to stabilisation related expenses, however, the same is expected to improve over the medium term, once capacity utilisation in the new unit matures.

Credit challenges

Ability to scale up and generate commensurate returns from the recently commercialised large capital expenditure in RPSPL – RPSPL has recently commercialised a large capex programme to support its growth plan in India. The total project cost was ~Rs. 279 crore and was funded largely by equity and CCDs from RPS, with minimal external debt. Given the relatively moderate scale of operations of RPS at present, the ability to successfully ramp up sales at the new capacity and generate commensurate returns remains key from the credit perspective.

Susceptibility of profitability to raw material prices coupled with high supplier concentration risk – The profitability remains susceptible to volatility in raw material prices (viz. palm oil, sugar and skimmed milk). Palm oil prices witnessed sharp volatility in the past fiscals, which impacted the operating margins. The operating margins dipped to 13.2% in FY2023 from 18.5% in FY2022. Margins fell on account of high palm oil prices, driven by geo-political concerns, coupled with elevated logistics costs. As the company locks in the prices for a certain tenure with its key vendors to ensure availability, any sharp fluctuation in raw material prices impacts the margins. The entity also depends on few key suppliers, which exposes it to the supplier concentration risk.

Quality and reputation risks – As the company operates in the food industry, inherent risks related to quality and reputation remain high. RPS is also exposed to the changing food habits of the end consumer, related to taste, nutrient content and movement towards healthier substitutes.

Liquidity position: Adequate

The liquidity position is adequate with healthy cash flow from operations against limited repayment obligations. At the consolidated level, the entity has an external long-term loan of Rs.10 crore, which has a repayment tenure of 5 years with 1 year of moratorium. However, given the healthy cash accruals and liquidity on the books of RPS, it may prepay the loan in the near term. At the consolidated level, the company has cash and liquid investments worth Rs. 66.18 crore as of March 31, 2024 along with cushion in working capital facilities, which remained unutilised for the last 12 months. The near-term capex requirements are also minimal, given the recent commercialisation of the new unit.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of significant scale up in the revenues with healthy profitability levels and liquidity, while maintaining its strong debt protection metrics on a sustained basis.

Negative factors – The rating could be downgraded if there is any material decline in revenues or profitability of the company leading to sustained weakening in liquidity position and debt protection metrics. Specific metrics that may result in ratings downgrade include Total debt/OPBITDA more than 2.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken a consolidated view of RPSPL along with its parent, RPS (details enlisted in Annexure-II), given that RPSPL is an exclusive contract manufacturer for RPS, with the latter having a 100% ownership.

About the company

The Rich Group commenced its operations in India by incorporation of a joint venture with the Graviss Group in 1994, called Rich Graviss Products Private Limited. Initially, 49% of the company was owned by the Rich Group and 51% by the Graviss Group. However, in May 2020, the Rich Group completely took over the company, by buying out the stake from the Graviss Group and thus Rich Products and Solutions Private Limited came to existence. At present, RPS is one of the leading B2B players in non-dairy whipped toppings, which are primarily used as icing or filling for cakes and other baked goods. It also has presence in gels, ganache, syrups and cooking creams that have wide applications in the food processing sector. RPS, at the consolidated level, has three plants in India in Pune, Kala Amb and the recently commercialised one at Ujjain, with an aggregate capacity of ~1,17,570 MTPA.

Key financial indicators

RPS - Consolidated	FY2023	FY2024*
Operating income	701.8	770.2
PAT	68.5	89.2
OPBDIT/OI	13.1%	17.1%
PAT/OI	9.8%	11.6%
Total outside liabilities/Tangible net worth (times)	0.4	0.3
Total debt/OPBDIT (times)	0.1	0.2
Interest coverage (times)	129.5	77.2

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Aug 13, 2024	-	-	-
1	**Cash credit**	Long term	5.00	**[ICRA]A (Stable)**	-	-	-
2	**Term loans**	Long term	60.00	**[ICRA]A (Stable)**	-	-	-
3	**Working capital Demand loan**	Short term	15.00	**[ICRA]A2+**	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Cash credit	Simple
Long-term Fund-based – Term loan	Simple
Short-term Fund-based – Working capital Demand loan	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**	NA	NA	NA	5.00	**[ICRA]A (Stable)**
NA	**Term loans**	NA	NA	NA	60.00	**[ICRA]A (Stable)**
NA	**Working capital Demand loan**	NA	NA	NA	15.00	**[ICRA]A2+**

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Rich Products and Solutions Private Limited	Parent entity	Full Consolidation
RPSPL Private Limited	100%	Full Consolidation

Source: Company

Note: ICRA has taken a consolidated view of the parent company (RPS) and its subsidiary, RPSPL Private Limited

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