January 08, 2025

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	100.50	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Long-term fund-based – Term loan	29.67	35.23	[ICRA]A- (Stable); reaffirmed and assigned for enhanced amount
Short-term – Non-fund based	3.02	3.02	[ICRA]A2+ reaffirmed
Long-term/ short-term – Fund based/Non-Fund based-Interchangeable^	(66.50)	(66.50)	[ICRA]A- (Stable)/[ICRA]A2+ reaffirmed
Total	**113.35**	**138.75**	

**Instrument details are provided in Annexure-I; ^Sublimit of Cash credit limits*

Rationale

The reaffirmation of ratings considers the stable financial performance of Ramdev Food Products Private Limited (Ramdev) in FY2024, and expectations of the same continuing in FY2025. The ratings are also supported by the company's comfortable capital structure, reflected in a gearing of 0.4 times and total outside liabilities vis-à-vis tangible net worth (TOL/ TNW) of 0.8 times as on March 31, 2024, which is likely to sustain in the near to medium terms, given the absence of debt-funded capital expenditure (capex). A large portion of the debt on the company's books is in the form of unsecured loans from promoters, which do not have any fixed repayment schedule. The ratings continue to factor in the long experience of the promoters and good recognition of company's brand (Ramdev) in the organised spice industry, especially in western India including Gujarat, its well-entrenched distribution network and diversified customer base. The liquidity position remains adequate with cushion available in its working capital limits and absence of major capex plans.

The ratings, however, remain constrained by the geographical concentration of revenues to a single state 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 climatic conditions. As inherent in the the food industry, any quality-related issue could dent its brand image and remains a key risk. As on March 31, 2024, Ramdev had advanced Rs. 38.4 crore of loans and advances to unrelated parties (accounting for 21% of the net worth), part of which are interest bearing. Timely recoverability of the same remains a key monitorable.

The Stable outlook on the long-term rating factors in ICRA's expectations of stable revenues and profit margins led by the company's focus on expanding its market reach. This, coupled with limited capex plans, would lend adequate support to debt coverage indicators.

Key rating drivers and their description

Credit strengths

Extensive experience and track record of promoters in spices business – Established in 1965, the promoters of Ramdev have over 59 years of experience in the spices industry. It has an established market position in the organised spice business and enjoys long relationships with its suppliers.

Robust distribution network, established and diversified customer base – Ramdev sells products under its own brand i.e., 'Ramdev' and enjoys good recognition in western India. Ramdev has seven company-owned stores located in Ahmedabad, Gujarat. Along with 13 C&F agents, Ramdev has more than 1,600 distributors catering to Gujarat, Maharashtra, Rajasthan, Delhi and Madhya Pradesh. The company's products are placed in more than 1.6 lakh retail shops across India. Ramdev's products have a wide reach in the western part of India, primarily Gujarat, because of the ease of availability of its products across the distribution channel and value chain. Ramdev's top 10 customers contributed ~14% to its total revenues in FY2024.

Comfortable capital structure with low external debt – The capital structure of the company remains comfortable with a gearing of 0.4 times as on March 31, 2024, against 0.6 times as on March 31, 2023. Of the total debt of Rs. 74.0 crore as on March 31, 2024, unsecured loans from promoters comprised Rs. 20.03 crore. These loans do not have any fixed repayment schedule, which supports the liquidity position of the company. The financial profile also remained satisfactory in FY2024, supported by moderate operating profit margins.

Credit challenges

Exposed to geographical concentration risks – Ramdev remains exposed to geographical concentration risks, with 60-66% 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. Ramdev is also focused on increasing share of export revenues.

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 mismatches, etc.

Intense competition and quality-related risks – The spice processing and packaged snacks industries are very competitive and fragmented, given the low entry barriers and limited complexity of work involved. 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 remain for players in the food industry.

Liquidity position: Adequate

The liquidity position of the company remains adequate, supported by the undrawn working capital limits of Rs. 68.5 crore as on November 30, 2024. The average utilisation of working capital limits stood at 27% of available drawing power over the last 12 months. Healthy cash flows from business and the absence of major capex plans in the near to medium term, provide additional comfort to the liquidity. The company has annual debt repayment obligations of Rs. 9.49 crore in FY2025 and Rs. 12.08 crore in FY2026.

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 on a sustained basis.

Negative factors – The ratings could be downgraded in case of sharp decline in revenues and profit margins and/or if any large debt-funded capex leads to sustained deterioration in the debt metrics. Weakening of interest coverage to below 4.0 times on sustained basis 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

About the company

Ramdev Food Products Private Limited (Ramdev), established in 1965, manufactures spices, blended spices, instant mixes, snacks, etc., at its facility in Changodar, Gujarat and packaged snacks at Chiyada, near Ahmedabad. It was promoted by the 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	FY2023	FY2024
Operating income	634.0	524.8
PAT	18.6	26.0
OPBDIT/OI	6.6%	9.8%
PAT/OI	2.9%	5.0%
Total outside liabilities/Tangible net worth (times)	1.2	0.8
Total debt/OPBDIT (times)	2.3	1.4
Interest coverage (times)	3.4	8.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts 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

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Jan 08, 2025	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term	100.50	[ICRA]A- (Stable)	11-Oct-23	[ICRA]A- (Stable)	29-Aug-22	[ICRA]A- (Stable)	05-Jul-21	[ICRA]BBB+ (Stable)
Term Loan	Long Term	35.23	[ICRA]A- (Stable)	11-Oct-23	[ICRA]A- (Stable)	29-Aug-22	[ICRA]A- (Stable)	05-Jul-21	[ICRA]BBB+ (Stable)
Non-fund-based limits	Short Term	3.02	[ICRA]A2+	11-Oct-23	[ICRA]A2+	29-Aug-22	[ICRA]A2+	05-Jul-21	[ICRA]A2
Interchangeable – Others*	Long Term/ Short Term	(66.50)	[ICRA]A- (Stable)/ [ICRA]A2+	11-Oct-23	[ICRA]A- (Stable)/ [ICRA]A2+	29-Aug-22	[ICRA]A- (Stable)/ [ICRA]A2+	05-Jul-21	[ICRA]BBB+ (Stable)/ [ICRA]A2
Unallocated Limits	Long Term/ Short Term	-	-	-	-	29-Aug-22	[ICRA]A- (Stable)/ [ICRA]A2+	-	-

**Sublimit to cash credit limits*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Cash Credit	Simple
Long-term fund-based – 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**	NA	NA	NA	100.50	[ICRA]A- (Stable)
NA	**Term Loan**	FY2023	8.5%	FY2027	35.23	[ICRA]A- (Stable)
NA	**Non fund-based limits**	NA	NA	NA	3.02	[ICRA]A2+
NA	**Interchangeable – Others***	NA	NA	NA	(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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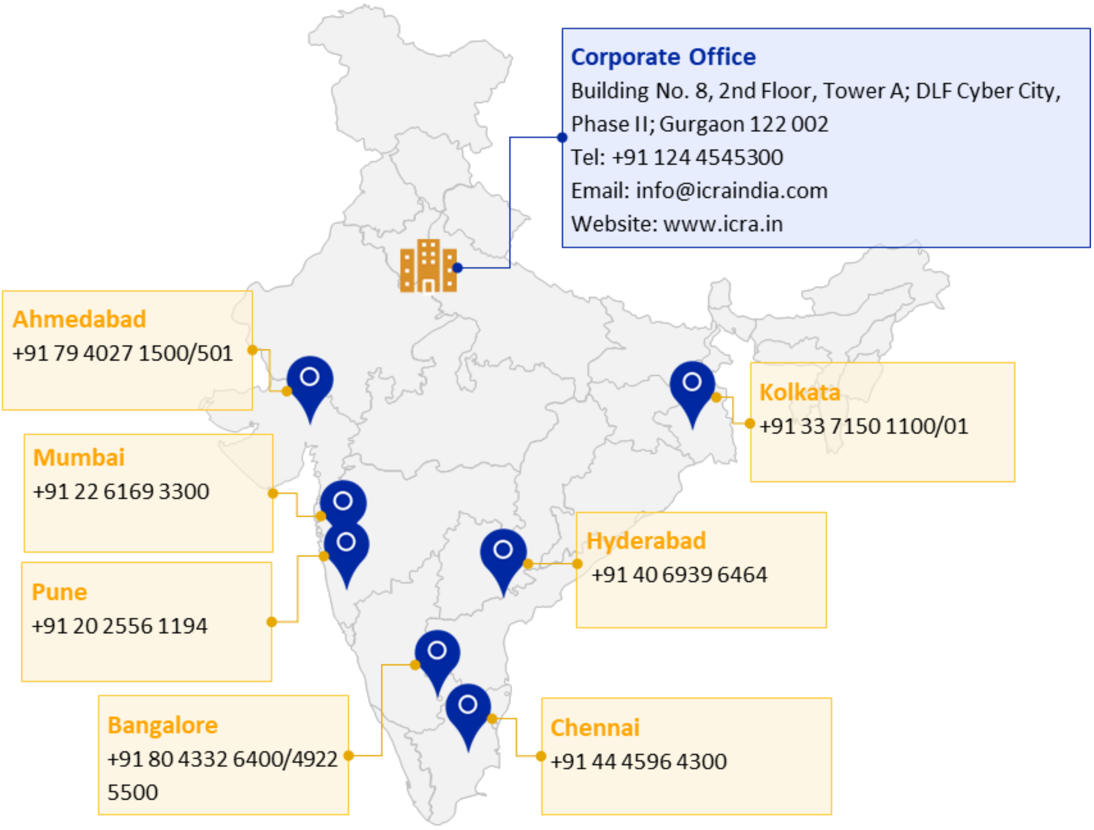

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