

RAMSONS FOOD LIMITED

July 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	58.00 (Enhanced from 56.00)	CARE BB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	195.00 (Enhanced from 180.00)	CARE BB-; Stable / CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE has taken a view on the combined financials of Ramsons Group which includes, Ramsons Food Limited (hereinafter referred as RFL), Nagina Foods Private Limited (hereinafter referred as NFPL) and Ramsons & Co. on account of business linkages, cash flow fungibility, presence in similar line of business and common management team for the group entities.

The reaffirmation of the ratings assigned to the bank facilities of Ramsons Food Limited factor in weak operational performance in FY24 (refers to the period from April 01 to March 31) witnessing significant decline in scale of operations by ~37% and operating loss reported by the group owing to muted demand and reduced sales realization of the dairy products. The ratings also take into consideration low profitability margins inherent in trading operations, inventory risk, leveraged financial risk profile and moderation in debt coverage indicators. The recovery in sales realization along with steady volumes and subsequent improvement in liquidity in the current year shall remain a key monitorable. The rating, however, continues to derive strength from resourceful and experienced promoters in the dairy industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainable improvement in the total operating income and PBILDT margin of more than 3%.
- Sustained improvement in operational cash flows and liquidity.

Negative factors

- Substantial decline in scale of operation from current level thereby leading to moderation in profitability margins on a sustained basis.
- Sustainable increase in gross current assets thereby leading to stretched liquidity.
- Any substantial debt-funded project leading to further deterioration in leverage and debt coverage metrics

Analytical approach: Combined

CARE Ratings has taken a combined view of RFL, Nagina Foods Private Limited and Ramsons & Co. owing to common promoters, operational synergies, and presence in similar line of business

Outlook: Stable

The rating outlook "Stable" indicates the expected sustenance of RFL's scale of operations over the medium term on back established track record of its promoter.

Detailed description of the key rating drivers:

Key weaknesses

Weak operational performance in FY24: The decline in demand for dairy products in the export market has led to a surplus inventory in the domestic market, putting pressure on profit margins. Consequently, the group has witnessed the substantial degrowth in scale of operations by ~37% to Rs.1,085.66 crore (PY: Rs.1,690.51 crore) and reduction in PBILDT to Rs.7.68 crore in FY24 (from Rs. 37.92 crore the previous year) and a net loss of Rs. 13.43 crore, primarily due to finance costs amounting to Rs. 19.59 crore in FY24.

Inventory holding risk: The group avails warehouse funding to meet its working capital requirements and the inventory equivalent to the limit has to be maintained throughout in the third-party warehouses in arrangement with the banks. Additionally, the group builds up inventory during December to May every year and liquidates the same during June to November every year, thereby leading to higher level of inventories as at the end of financial year. Therefore, the working capital cycle of the group

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

stood at 90 days as on March 31, 2024 (PY: 64 days) primarily due to high year-end inventory holding period of 59 days (PY: 47 days) and the same is owing to higher contribution to sales from manufacturing business.

Leveraged capital structure along with moderate debt protection metrics: The financial risk profile of the group remains leveraged as marked by high overall gearing and moderate debt protection metrics. The overall gearing of the group though improved yet remains leveraged at 1.76x as on March 31, 2024 (PY: 2.31x as on March 31, 2023), owing to lower utilization of working capital limits as on balance sheet date. Further, owing to the operating loss the debt coverage indicators of the group are weak, however the realization has been timely. Besides, due to the partnership nature of one of the combined entities, Ramsons & Co., the group is susceptible to the risk of capital withdrawal or transfer by the partners, which could deteriorate the capital structure of the company. The company had planned to undertake capex as a part of backward integration, however, the same was shelved out and there is no such capex planned in the near to medium term.

Highly fragmented nature of industry leading to competition: The dairy industry is highly fragmented due to the presence of many unorganized players, restricting the bargaining power of modest players with customers and suppliers in terms of pricing as well as credit terms. However, the evolution of the dairy industry from an unorganized to a relatively organized sector along with increased consumption of different value-added products, such as cheese, probiotic drinks, yogurt, etc. is currently driving the dairy industry in India.

Dairy Industry Headwinds: High fodder costs and death of cattle due to lumpy skin disease (LSD) continued to affect raw milk supplies in the first half of 2023-24, which affected and delayed project completion in dairy products. Moreover, widespread heatwaves also reduced availability of raw milk. However, in H2FY24, project completions picked up with resumption in raw milk supplies. On the other Milk Powders exports from India plummeted significantly from a promising share of 37% in FY22 to 8% in FY24, which may have led to excess supply in the Indian market exerting downward pressure on the realizations.

Key strengths

Resourceful and experienced promoters in dairy industry: Ramsons group is promoted by Mr. Ashok Gupta, Mr. Pardeep Gupta, and Mr. Bhushan Gupta, who have more than three decades of experience in the dairy industry. The top management is supported by an experienced second line of management. Besides long experience, the group also benefits from promoters' funding support in the form of equity share capital and securities premium leading to a tangible net worth of Rs.84.93 crore as on March 31, 2024 (PY: Rs.102.04 crore).

Liquidity: Stretched

The liquidity profile of the group continues to remain stretched as marked by net loss of Rs.13.43 crore in FY24, weak interest coverage ratio 0.39x in FY24 (PY: 3.32x). Further, free cash and bank balance of the group remains low and stood at Rs.0.47 crore as on March 31, 2024. The company does not have any major capex plan for mid-term.

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Retailing	Distributors

Ramsons Food Limited, established in May 2019, is engaged in the trading of dairy products such as skimmed milk powder, desi ghee, whey powder and butter etc. with its group entities Nagina Foods Private Limited and Ramsons & Co. The group runs on a Business to business (B2B) model and revenue is generated through two channels: institutional sales (50% of total sales), i.e., ice cream manufacturers, sweet manufacturers, ghee manufacturers, etc. and remaining 50% is through small dealers and

traders. Further, the group procures the raw materials from farmers, sends it for processing (outsourced) and sells it under its own brand name "Ramsons". The company is promoted by Mr. Ashok Gupta, Mr. Pardeep Gupta and Mr. Bhushan Gupta.

Combined financials:

Brief Financials (₹ crore)	March 31, 2022 (UA)	March 31, 2023 (UA)	March 31, 2024 (UA)
Total operating income	1,078.41	1,690.51	1,085.66
PBILDT	26.58	37.92	7.68
PAT	10.35	19.58	-13.43
Overall gearing (times)	3.01	2.31	1.76
Interest coverage (times)	2.15	3.32	0.39

UA: Unaudited; Note: 'the above results are latest financial results available'

Basis of combination: The numbers have been combined through row-by-row addition of all line items of the entities mentioned under Analytical approach after excluding intra-group investments and loans and advances.

Standalone financials: Ramsons Food Limited

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	918.36	1,378.21	958.38
PBILDT	22.43	34.35	4.46
PAT	8.71	17.56	-14.02
Overall gearing (times)	3.15	2.51	2.03
Interest coverage (times)	2.21	3.35	0.26

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	58.00	CARE BB-; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	195.00	CARE BB-; Stable / CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	58.00	CARE BB-; Stable	1)CARE BB-; Stable (11-Jun-24)	1)CARE BB; Stable (06-Sep-23)	1)CARE BB; Stable (17-Jan-23) 2)CARE BB; Stable (10-May-22)	-
2	Fund-based - LT/ST-Working Capital Limits	LT/ST	195.00	CARE BB-; Stable / CARE A4	1)CARE BB-; Stable / CARE A4 (11-Jun-24)	1)CARE BB; Stable / CARE A4 (06-Sep-23)	1)CARE BB; Stable / CARE A4 (17-Jan-23) 2)CARE BB; Stable / CARE A4 (10-May-22)	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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