

Ramya Foods LLP

September 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	45.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Ramya Foods LLP (Ramya) are be constrained due to the moderately leveraged capital structure and debt coverage ratios, intense competition in the industry, profitability susceptible to volatility in raw material prices, declining trend of profitability margins, low network base with any additional debt leading to deterioration in the overall gearing and constitution of the firm being a partnership entity. The ratings, however, derive strength from consistent growth in the scale of operations from FY22 to FY24, experienced promoters with an established operational track record and customer concentration albeit with reputable clients.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- TOI increasing to more than Rs.150 crore with a PBILDT margin of above 10% consistently.
- Notable improvement in ROCE and TD/GCA from existing levels.

Negative factors

- Deterioration in the overall gearing above unity, in future.
- PBILDT Margin falling below 5%, on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity will continue to benefit from the extensive experience of the partners in the industry.

Detailed description of key rating drivers:

Key weaknesses

Moderately leveraged capital structure and debt coverage ratios: The capital structure of the firm marked by the overall gearing stood moderately leveraged at 2.46x for FY24 as against 6.00x during FY23. The improvement in the gearing of the firm was due to the infusion of funds by the partners into the firm and also the profits being accredited to the net reserves. The debt profile of the firm comprises of term loans, cash credit, and the unsecured loans. On the debt coverage ratios, the firm's TOL/TNW stood at 2.58x (PY: 6.13x), the interest coverage ratio stood at 1.90x (PY: 2.18x) and the TD/GCA also stood higher at 9.92x as compared to 14.98x in FY2023.

Intense competition in the industry: Ramya Foods LLP faces competition from larger, well-established and numerous local and regional players that have emerged across the country, intensifying competition at the regional level. The primary challenge lies in retaining and expanding not only their regional presence but also strategically positioning themselves to become national players while maintaining quality and quantity standards.

Profitability susceptible to volatility in raw material prices: The primary raw materials for manufacturing Cocoa mass is cocoa beans which are bound by price fluctuations due to the inherent variability in the supply of this agricultural commodity. Factors such as climatic conditions in growing regions, availability of substitutes for crops, government regulations affecting sugar pricing, and other demand drivers influence the prices of these commodities.

Declining trend of profitability margins: In the initial years of the operations, the firm was able to retain high margins due to the demand and the pricing working in the firm's favour. However, due to the sudden rise in the raw material prices, rising employee costs, selling costs coupled with unequal rise in finished product prices, the firm had to sell the products with lower margins. Due to this, the PBILDT margin which stood at 23.44% in FY22 and 19.42% in FY23 has fallen to 5.31%. However, the PAT margins continued to remain in the range of 0.5% to 1.00%. During FY24, the PAT margin stood at 0.54%.

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

Low network base: Due to the nascent stage of operations, the entity's network base is small at Rs.7.72 crore as of March 31, 2024, which was Rs.3.58 crore as of March 31, 2023.

Constitution of the firm being a partnership entity: Ramya Foods LLP being a partnership firm has the inherent risk of withdrawing the partners' capital at the time of personal contingency and the firm being dissolved upon the retirement/insolvency/demise of the partners. Moreover, partnership firms have restricted access to external borrowings as the creditworthiness of the partners is the key factor affecting credit decisions for the lenders.

Key strengths

Consistent growth in the TOI during FY22 to FY24: The firm was established in the year 2018, however, due to the COVID pandemic, the firm had to delay its operations due to which the first full year of business with revenue was seen during FY22. During FY22, the firm reported TOI of Rs.6.79 crore with a net loss of Rs.0.08 crore. The scale of operations of the firm has seen a significant improvement in FY2024 to Rs.76.17 crore as against Rs.13.49 crore in FY23. This was on the back of a sudden increase in the raw material prices and finished product prices. Also, the timely capital expenditure and capacity expansion have helped the company in higher production of quantity. The firm has reported Rs.56.40 crore in sales during Q1FY25.

Experienced promoters with an established operational track record: The partners have over 5 years of experience in the manufacturing and agricultural industry. Over the years, the partners have established networks and relations with their customers and suppliers through which it has been able to get orders and execute the business efficiently.

Customer concentration albeit with reputable clients: The firm has a small customer base, and the sales are concentrated towards a few. Like in FY23, the sales were contributed from three customers, however, it has significantly moved towards high concentration with a single customer contributing 84% to TOI in FY24 and 97.50% in Q1FY25. Although this results in customer concentration risk, the company Lotus Chocolate Company Limited is a subsidiary of Reliance Consumer Products Limited which is wholly owned by Reliance Retail Ventures Limited. The other prominent name in the customer's list is Hatsun Agro Product Limited.

Liquidity: Stretched

The firm has tightly matched accruals of Rs.1.92 crore as against its repayment obligation of Rs.1.78 crore for FY2025. The liquidity is supported by the above unity current ratio at 1.16x and cash equivalents amounting to Rs.0.25 crore as of March 31, 2024. The average fund-based working capital utilization of the firm stood high at 86% for the last twelve months ended June 30, 2024. However, the firm is expecting enhancements in working capital limits which will augur well for the firm in its operations. The firm has reported positive cash flow from operations at Rs.2.18 crore in FY24.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non-financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Other Food Products

Ramya Foods LLP was set up in 2018 as a limited liability partnership entity by Mr Veera Raghava Reddy, Ms China Satyavathi, Ms O. Varalakshmi, Ms Satyaveni and others. The entity is engaged in the business of manufacturing and processing cocoa mass. The firm procures the cocoa beans from local distributors and processes them in the plant as per customer requirements. The firm has an installed capacity of 20 metric tonnes per day as of March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	13.49	76.17	56.40
PBILDT	2.62	4.05	NA
PAT	0.08	0.41	NA
Overall gearing (times)	6.00	2.46	NA
Interest coverage (times)	2.19	1.90	NA

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	31-03-2025	15.00	CARE BB-; Stable

Annexure-2: Rating history for 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-Term Loan	LT	15.00	CARE BB-; Stable	-	-	-	-
2	Fund-based - LT-Cash Credit	LT	30.00	CARE BB-; Stable	-	-	-	-

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

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