

## R.N. Foods

September 05, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	14.14 (Reduced from 14.24)	CARE B+; Stable	Upgraded from CARE B; Stable
Long Term / Short Term Bank Facilities	5.86 (Enhanced from 5.76)	CARE B+; Stable / CARE A4	LT rating upgraded from CARE B; Stable and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The upgrade in the long-term rating assigned to the bank facilities of R.N. Foods (RNF) factors in improvement in capital structure marked by lower overall gearing. The ratings continue to derive strength from the experience of the partners in the rice milling industry and favourable manufacturing location. However, these rating weaknesses are offset by modest scale of operations with low profitability margins, and weak debt coverage indicators. The ratings further remain constrained owing to working capital-intensive operations, seasonal nature of availability of paddy and margins susceptible to raw material price fluctuation and government regulations, highly fragmented and competitive nature of industry and constitution of the entity being a partnership firm.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in the scale of operations and profitability margins as marked by total operating income (TOI) above Rs.120 crore and PBILDT (profit before interest, lease rentals, depreciation, and taxation) margin above 2% on a sustained basis.
- Improvement in the capital structure as marked by overall gearing below 1.00x on a sustained basis.

#### Negative factors

- Decline in the TOI by more than 20% from existing level and/or PBILDT margin falling below 1.50% on a sustained basis.
- Elongation in the operating cycle beyond 90 days on a sustained basis

### Analytical approach: Standalone

#### Outlook: Stable

The 'Stable' outlook reflects CARE's opinion that the firm will continue to benefit from long-standing experience of the partners in the rice milling industry.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Modest scale of operations with low profitability margins

The firm achieved a TOI (total operating income) of Rs.103.04 crore in FY25 (refers to the period from April 01, 2024 to March 31, 2025) (PY: Rs.100.30 crore), largely backed by the healthy demand from the customers in the market. Nevertheless, the scale stood modest, and it limits the financial flexibility of the firm in times of stress and deprives it of scale benefit. Further, the firm's profitability margins remained in line with the previous year as marked by the PBILDT and PAT (profit after tax) margins of 1.66% (PY: 1.88%) and 0.14% (PY: 0.19%) in FY25 respectively. The profitability margins are low largely due to the limited value additive nature of business and highly fragmented and competitive nature of the industry. The commodity nature of the product i.e. rice makes the industry highly fragmented with numerous players operating in the unorganized sector with very less product differentiation. There are small scale operators which are engaged in small fraction of processing only and dispose-off semi-processed rice to other big rice millers for further processing. Further, the concentration of rice millers around the paddy growing regions makes the business intensely competitive.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

### **Moderate capital structure and weak debt coverage indicators**

The capital structure of the firm improved yet remain moderate as marked by overall gearing of 1.29x as on March 31, 2025, as against 3.45x as on March 31, 2024. The capital structure improved owing to improvement in tangible net-worth due to reclassification of Rs.11.11 crore unsecured loan as quasi equity in FY25. Further, owing to high debt levels and low profitability margins resulting in low gross cash accruals (GCA), the debt coverage indicators of the firm also remained weak in FY25, as marked by interest coverage and total debt to GCA metrics of 1.43x (PY: 1.49x) and 30.06x (PY: 38.59x) respectively.

### **Working capital-intensive operations**

Due to the inherent Agro climatic risk, the millers have to stock enough paddy by end of each season as the price and quality of paddy is better during the harvesting season. During this time, the working capital requirements of the rice millers are generally on the higher side. Further, the millers are also required to stock the finished product i.e., rice to meet immediate demand of its customers. The majority funds of the firm are thus blocked in inventory, reflected by high average inventory holding period of 85 days in FY25 (PY: 92 days). Moreover, RNF avails credit period of around two months from its suppliers, resulting in average creditors' period of 74 days in FY25 (PY: 51 days), while it extends credit period of up to 60 days to its customers, resulting in average collection period of 68 days in FY25 (PY: 39 days). Hence, the firm's operating cycle stood moderate at 79 days in FY25 while the gross current assets days stood at 164 days in FY25 moderated from 143 days in FY24

### **Seasonal nature of paddy availability with margins susceptible to raw material price fluctuation and regulations by government**

Agro-based industry is characterized by its seasonality, owing to its dependence on raw materials whose availability is affected directly by the vagaries of nature. The price of rice moves in tandem with price of key raw material i.e., paddy. The availability and prices of Agro commodities are highly dependent on the climatic conditions. Any adverse climatic conditions can affect their availability and leads to volatility in raw materials prices. The peak paddy procurement season is during November to January, during which the firm builds up the raw material inventory to cater to the milling and processing of rice throughout the year. The monsoon has a huge bearing on crop availability which determines the prevailing paddy prices. Since there is a long-time lag between raw material procurement and liquidation of inventory, the firm is exposed to the risk of adverse price movement resulting in the lower realization than expected. Moreover, the Government of India (GOI), to safeguard the interest of farmers, every year decides a minimum support price (MSP) of paddy which limits the bargaining power of rice millers over the farmers. The sale of rice in the open market is also regulated by the government through levy quota and fixed prices. Due to the above said regulations along with intense competition, the bargaining power of the rice millers against the suppliers of paddy and the customers is limited.

### **Constitution of the entity being a partnership firm**

RNF's constitution being a partnership firm has the inherent risk of possibility of withdrawal of partner's capital at the time of personal contingency and the firm being dissolved upon the demise/retirement/insolvency of the partner. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be a key factor affecting the credit decision of lenders

## **Key strengths**

### **Experienced partners**

The partners have more than fifteen years of experience in the rice milling industry. The firm benefits from the partners' understanding of the dynamics of the industry and established relationships with customers. Yugal Singla and Ishwar Chand Garg are the Partners of the entity who holds experience in the rice milling industry for more than one and half decade. Along with the partners, the family members are well-equipped with business practices of the rice milling industry.

### **Favourable location**

The firm's processing facility is situated in Karnal, Haryana. Its presence in the region gives additional advantage in terms of easy availability of the raw material as well as favourable pricing terms. Moreover, owing to its location it is able to cut on the freight component of incoming raw materials from Northern belt of India

### **Liquidity: Stretched**

The firm's liquidity position is stretched as reflected by nearly full utilization of cash credit limit in the trailing 12-months ended July 31, 2025. However, the firm generated GCA (gross cash accruals) of Rs.0.52 crore in FY25 and is expected to generate GCA of around Rs.0.68 crore in FY26 against scheduled term loan repayments of around Rs.0.35 crore in the same year. Further, it has low free cash and bank balances of Rs.0.20 crore as on March 31, 2025. Moreover, the firm is not planning to incur any major capex in the near to medium term.

**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](#)

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### About the company and industry

#### Industry classification

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

Established in the year 2017, RNF is a partnership firm based out in Karnal (Haryana). Till August, 2024 Rakesh Garg was the proprietor who manages its business affairs. Now, Ishwar Chand Garg and Yugal Singla has joined in as partners and taken control of the firm. The firm is engaged in the processing, grading and sorting of basmati rice at its rice mill based in Karnal (Haryana). It sells the basmati rice domestically. It procures its key raw material i.e., paddy from traders located in Uttar Pradesh, Bihar, Punjab, Madhya Pradesh, Rajasthan, Haryana, etc. Similarly, in terms of clientele, RNF has diversified customer base comprising of exporters as well as domestic players.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)	5MFY26 (UA)
Total operating income	100.30	103.04	50.00
PBILDT	1.89	1.71	-
PAT	0.19	0.15	-
Overall gearing (times)	3.45	1.29	-
Interest coverage (times)	1.49	1.43	-

A: Audited UA: Unaudited; 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		-	-	-	13.00	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	31/03/2029	1.14	CARE B+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	5.86	CARE B+; Stable / CARE A4

**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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	1.14	CARE B+; Stable	-	1)CARE B; Stable (20-Aug-24) 2)CARE D (07-May-24)	1)CARE B+; Stable (05-Jul-23)	1)CARE B+; Stable (18-Jul-22)
2	Fund-based - LT-Cash Credit	LT	13.00	CARE B+; Stable	-	1)CARE B; Stable (20-Aug-24) 2)CARE D (07-May-24)	1)CARE B+; Stable (05-Jul-23)	1)CARE B+; Stable (18-Jul-22)
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	5.86	CARE B+; Stable / CARE A4	-	1)CARE B; Stable / CARE A4 (20-Aug-24) 2)CARE D / CARE D (07-May-24)	1)CARE B+; Stable / CARE A4 (05-Jul-23)	1)CARE B+; Stable / CARE A4 (18-Jul-22)

LT: Long term; LT/ST: Long term/Short 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
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

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

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

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