Red Cow Dairy Private Limited

November 06, 2025

Facilities	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term bank facilities	95.03 (Reduced from 100.56)	CARE A-; Stable	Upgraded from CARE BBB+; Positive
Short-term bank facilities	0.50	CARE A2+	Upgraded from CARE A2

Details of facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Red Cow Dairy Private Limited (RCDPL) considers the increase in revenue and improvement in profitability margin in FY25 (FY refers to April 01 to March 31).
While increased share of value-added products (VAPs; fetching higher margins) in the overall product basket and higher sale of milk led to overall increase in the FY25 revenue, reduction in raw material prices and increase in sales realisation of milk contributed towards the improvement in operating margin.

Ratings continue to derive strength from the promoter's experience, long-standing track record of operations in the dairy industry, established milk procurement network, and infrastructure facilities. Ratings also take comfort from the company's comfortable capital structure and debt protection metrics, adequate liquidity profile, and efficient management of the working capital cycle.

However, ratings are constrained by RCDPL's geographically concentrated operations, intense competition from other large private players, cooperatives, and the unorganised sector, and biological, natural, and operational risks associated with a wide milk procurement network.

Ratings also consider the ongoing project to set up a multi-facility building at an estimated cost of ₹23 crore, which is expected to be completed in FY28. The entire funding will be done out of internal accruals.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Healthy growth in total operating income (TOI) and significant increase in proportion of VAPs with improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 10% on a sustained basis.
- Geographical diversification with presence in various states leading to increased revenue.

Negative factors

- Major debt-funded capex undertaken by the company leading to deterioration in capital structure with overall gearing above 0.60x on a sustained basis.
- Significant moderation in PBILDT margin and decline in cash and liquid investments below ₹40 crore on a sustained basis.
- Deterioration in total debt/PBILDT beyond 2x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects the company's ability to sustain its performance considering healthy demand for milk and milk-based products. The entity is expected to sustain its comfortable financial risk profile amidst healthy cash flow generation from operations, absence of large debt-funded capex, and large cash balances will support its robust liquidity profile.

Detailed description of key rating drivers:

Key strengths

Experienced promoter and long-standing track record of operations in the dairy industry

Although incorporated in 2003, RCDPL has been in the milk processing business since 1997 as a proprietorship firm in the name of 'Red Cow Dairy', which was subsequently reconstituted into a partnership firm in 2000. The business was established by Narayan Majumdar, a professional dairy technologist with over three decades of experience in the dairy industry. He has worked in organisations such as Kwality, Himalayan Milk Producers Union, Mother Dairy Calcutta, and Thacker Dairy Products Private Limited. Narayan Majumdar is supported by his son and whole-time director, Nandan Majumdar. The promoter's extensive

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

experience in the dairy industry and support from a team of experienced professionals and technologists has enabled RCDPL to establish the brand 'Red Cow'.

Improvement in financial performance in FY25 and healthy performance in H1FY26
The company reported an increase in TOI by ~13% to ₹1,085 crore in FY25 compared to ~₹963 crore in FY24 due to increase in realisations of poly-pouch milk and higher sales of other VAPs. The proportion of sales of VAP (curd, ghee, paneer and others) in the overall sales increased from 29.36% in FY24 to 31.87% in FY25 and further to 36.38% in H1FY26. The company also has a food division selling pasta, bread, sauces, and similar products.

Operating margins improved and stood at 8.61% in FY25 compared to 3.67% in FY24 due to higher absorption of fixed costs from incremental sales, reduction in raw material prices, and higher proportion of sales from VAP. With low capital costs, profit after taxation (PAT) margin also improved from 1.96% in FY24 to 5.59% in FY25.

In H1FY26, the company earned PBILDT of ₹41.39 crore on a TOI of ₹613.50 crore. CARE Ratings Limited (CareEdge Ratings) expects the growth to continue in the coming periods considering higher demand for milk and milk products.

Established milk procurement network and infrastructure facilities
RCDPL procures milk through ~300,000 farmers spread across 20,000-22,000 villages in West Bengal. Each village-level collection centre (VLCC) comprises a village service provider (VSP) responsible for collecting milk from producers. Although RCDPL does not have long-term contracts with producers, timely payment and supply of good quality cattle feed at subsidised rates from RCDPL has helped ensure continuous milk supply. From VLCC, milk is transported to 43 chilling centres spread across 12 districts of West Bengal. RCDPL has a strong distribution network of ~900 distributors who sell to retail outlets. The presence of the Red Cow brand has been increasing in the eastern region, particularly in West Bengal, supported by the distributor base, which increased from ~100 distributors in FY14 to ~900 distributors (including ~850 distributors for milk) as of October 2025.

Apart from retail sales constituting bulk of the revenue, RCDPL also sells to institutions such as Reliance Retail Limited, K.C. Das Private Limited, Haldiram Bhujiawala Limited, and Agarwal Associates. The company also supplies to Army Canteen Stores Department and has started supplying to state police departments and Public Works Departments.

Comfortable capital structure and debt protection metrics
The company's capital structure improved over the fiscal year. As on March 31, 2025, overall gearing ratio improved to 0.38x from 0.69x as on March 31, 2024, primarily due to reduction in term debt and improved accretion of profits to reserves.

Debt coverage indicators also strengthened, with total debt to gross cash accruals (TDGCA) improving from 2.34x as on March 31, 2024, to 0.78x as on March 31, 2025, due to improvement in GCA. Additionally, interest coverage ratio improved significantly from 5.92x in FY24 to 19.07x in FY25. Going forward, with no major planned capex and expected improvement in financial performance, the capital structure and debt protection metrics are expected to remain comfortable.

Efficient management of the working capital cycle
Average inventory period remained low at ~16 days in FY25 due to lower shelf life of raw material and finished goods. Majority sales are from milk, which has a lower shelf life, resulting in lower inventory levels. Collection period remained comfortable at ~3 days due to negligible credit extended to distributors. The company also takes two-day order advance (interest-free) from distributors to manage cash flows effectively, and payment to farmers is done within 7-10 days from procurement. As a result, operating cycle remained comfortable in the range of 9-14 days over FY21-FY25.

Key weaknesses

Geographical concentration risk
RCDPL's revenue is highly concentrated geographically, with ~92.85% of its sales coming from West Bengal. The remaining revenue is generated from the northeastern region of India. This concentration poses risks, as economic or operational challenges in West Bengal could significantly impact the company's overall performance. However, the company is slowly tapping into other markets, such as through expansion into three ice-cream parlours in Goa. Scalability in other regions without disruption to sales in West Bengal will remain a key factor.

Intense competition from large private players, cooperatives, and the unorganised sector
The dairy product industry has relatively low product differentiation. The industry is unorganised with several small players. RCDPL faces intense competition from large cooperatives and private players with Pan India network, limiting pricing flexibility.

Biological, natural, and operational risks associated with a wide milk procurement network
There are risks associated with a wide milk procurement chain. The quantity and quality of milk depend on natural factors such as weather conditions—a temperate climate is more conducive to higher milk production—and feed availability—a drought or rainfall deficit results in reduced availability of cattle fodder, constraining milk supply. The quality and quantity of milk also depend on biological factors such as the genetic quality of the milking animal. In addition to these risks, operational risk related to handling and transportation also exists, as milk is a perishable product, which requires timely handling and dispatch. RCDPL undertakes quality control measures regulated by professionals, including continuous supply of good-quality fodder and microbe testing at stages from collection to packaging and dispatch, which helps mitigate these risks.

Liquidity: Strong
The company's liquidity position is strong, supported by substantial free cash and liquid investment balance of ₹94.65 crore as on March 31, 2025. In FY25, the company had a debt repayment obligation of ₹8.22 crore and generated cash accruals of ₹73.42 crore. In FY26, the company has a debt repayment obligation of ₹10.58 crore and is expected to generate sufficient cash accruals. The company's average monthly utilisation of fund-based working capital limits has been modest at ~39% in the last 12-month period ending September 2025.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Food products	Dairy products

Established in 2003, RCDPL procures milk from rural milk producers, processes it, and manufactures poly pouch milk and milk products such as curd, ghee, canned paneer, among others. All its products, including milk, are marketed under the brand name 'Red Cow'. RCDPL operates through 43 chilling plants in West Bengal with a combined capacity of 8.12 lakh litres per day (LPD). It also operates three milk processing units in Udaynarayanpur, Jaugram, and Panchghara in West Bengal, with a combined milk processing capacity of 9.01 lakh LPD. RCDPL is certified by the Food Safety and Standards Authority of India (FSSAI) and holds ISO 9001:2008 certification.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (UA)
Total operating income	962.78	1,085.64	613.50
PBILDT	35.31	93.46	41.39
PAT	18.89	60.68	26.53
Overall gearing (times)	0.69	0.38	0.38
Interest coverage (times)	5.92	19.07	22.99

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		-	-	-	80.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	January 2030	15.03	CARE A-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	0.50	CARE A2+

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)Withdrawn (05-Sep-22)
2	Fund-based - LT-Cash Credit	LT	80.00	CARE A-; Stable	-	1)CARE BBB+; Positive (30-Sep-24)	1)CARE BBB+; Stable (07-Aug-23)	1)CARE BBB+; Stable (05-Sep-22)
3	Non-fund-based - ST-Bank Guarantee	ST	0.50	CARE A2+	-	1)CARE A2 (30-Sep-24)	1)CARE A2 (07-Aug-23)	1)CARE A2 (05-Sep-22)
4	Fund-based - LT-Term Loan	LT	15.03	CARE A-; Stable	-	1)CARE BBB+; Positive (30-Sep-24)	1)CARE BBB+; Stable (07-Aug-23)	1)CARE BBB+; Stable (05-Sep-22)

LT: Long term; ST: Short 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	Non-fund-based - ST-Bank Guarantee	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 for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Arindam Saha Director **CARE Ratings Limited** Phone: +91-33-4018 1631 E-mail: arindam.saha@careedge.in
Relationship Contact Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in	Kamal Mahipal Assistant Director **CARE Ratings Limited** Phone: +91-33-4018 1628 E-mail: kamal.mahipal@careedge.in Rajat Tiwari Analyst **CARE Ratings Limited** E-mail: rajat.tiwari@careedge.in

About us:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

For detailed Rating Report and subscription information, please visit www.careratings.com