

VRS Foods Limited

March 26, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	101.00	CARE BBB; Stable	Assigned
Long Term / Short Term Bank Facilities	499.00	CARE BBB; Stable / CARE A3+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of VRS Foods Limited (VFL) derives strength from its experienced promoters with long track record of operations in processing of milk and manufacturing of various milk derivatives and value added products with healthy scale of operations. The products sold under the brand name of "Paras" have significant presence in Northern India which are marketed through a wide network of reputed dealers and distributors, supported by a robust network of milk procurement centres, and diverse product portfolio with focus on VAP (Value-Added Products). However, the ratings are constrained by modest profitability margins towing to higher contribution from B2B (Business to Business) segment which is inherently price-sensitive, limiting the company's ability to command premium pricing and intensifying competitive pressure. The company has moved from a promoter-driven setup to a professionally managed structure, thereby temporarily increasing overheads but strengthening governance and operational efficiency. The ratings are further constrained by moderate financial risk profile of the company owing to leveraged capital structure and modest debt coverage indicators and working capital intensive nature of operations considering seasonal nature of the business.

Going forward, the company's ability to scale up its value-added products, particularly the newly commissioned cheese plant, which achieved COD in April 2025, remains crucial, as the segment is expected to support improved operating profitability. The sustained improvement in margins, capital structure and working-capital cycle will remain key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the profitability of the company thereby leading to improvement in the PBILDT/Interest (Interest Coverage ratio) beyond 2.80x on a sustained basis.
- Improvement in the capital structure, thereby leading to overall gearing ratio of below 1.5x on a sustained basis.

Negative factors

- A weaker than expected performance thereby leading to deterioration in the PBILDT/Interest ratio below 1.75x.
- Any large debt-funded capex, thereby leading to further leveraged capital structure and overall gearing going beyond 2.50x on a sustained basis.

3.1 Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that VRS Foods Limited will benefit from its network of robust milk procurement centres, and diverse product portfolio with increasing focus on value-added products.

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

Detailed description of key rating drivers:

Key strengths

Experienced promoters with established track record of operations

VRS Foods Limited benefits from the long-standing experience of its promoters and a well-established operational track record spanning over six decades. The business was originally founded by Shri Ved Ram, who laid the foundation of the Paras dairy brand in 1960 and later transitioned the operations into the corporate entity VRS Foods Limited in 1987. The current leadership continues to draw from this legacy. Mr. Rajendra Singh, Managing Director, possesses nearly three decades of industry experience and oversees the company's export operations along with the overall management of the business. Mr. Narendra Singh Nagar, who also has close to three decades of experience in the dairy sector, is responsible for leading the company's extensive milk procurement network. The promoters are supported by a team of seasoned professionals across production, procurement, quality assurance, and marketing, which has enabled the company to sustain consistent operations and maintain a strong regional presence in Northern India.

Reputed dealer/distributor network

VRS has a well-established position in the dairy industry, with strong milk procurement and distribution networks and a strong clientele comprising several large FMCG companies and modern retail chains. The client concentration risk is low, with the largest customer accounting for only ~8% of FY25 revenue. The top 10 customers contributed ~27% of net sales during FY25 (PY: ~21%). VRS is supplying to leading FMCG brands such as Nestle India Limited and Hindustan Unilever Limited and Mondelez India Foods Limited etc. The company has been dealing with these customers for more than 5 years which has resulted in an established relationship, leading to repeat orders.

Robust Milk Procurement Network

VRS Foods Limited has built a strong and geographically diversified milk-procurement ecosystem to address the seasonal nature of milk availability. The company operates a total installed milk-processing capacity of 43 LLPD across its plants in Uttar Pradesh, Madhya Pradesh and Maharashtra (including Sahibabad, Gulaothi, Sandila, Malanpur and Newasa), enabling large-scale handling of raw milk. Its procurement network sources milk directly from farmers through hundreds of Village Level Collection Centres (VLCCs) covering approximately 5,400 villages across Western Uttar Pradesh, Haryana, Rajasthan, Maharashtra and Gujarat, ensuring consistent quality and timeliness in procurement. Each VLCC is equipped for field-testing, chilling and rapid transportation, thereby minimising intermediary involvement and supporting an efficient cold-chain. This integrated procurement and chilling infrastructure forms the backbone of the company's operations, ensuring reliable, cost-effective and year-round raw milk availability.

Diverse product portfolio with focus on VAP

VRS manufactures various dairy products, which include ghee, butter, skimmed/whole milk powder, milk in pouches, fresh milk products (curd, paneer, lassi, chaach, etc). Liquid milk contributed 29% of the net sales in FY25 (PY: 33%) and the remaining milk products contributed 71% (PY: 67%). Over the past two fiscals ending FY25 (refers to the period from April 01 to March 31), the company has ventured into VAP by adding cheese and casein plant in of its existing facilities at Newasa, Maharashtra, which achieved COD in April 2025. As of now, the company has started sales through HORECA channel initially to pick up volumes so that fixed overheads can be covered as continuous cold chain has to be maintained. This segment has significant upside potential as the peak capacity is 500 tonnes per month that translates to Rs.15 crore per month.

Healthy scale of operations

VRS Foods Limited continues to maintain a healthy scale of operations under the well-established 'Paras' brand, which enjoys strong recognition in North India. Despite operating in a highly competitive dairy market, the company has sustained its revenue base with a modest ~2% CAGR over the past five fiscals ending FY25. Revenue remained broadly stable in FY25 at ₹2,778.48 crore after a ~17% decline in FY24, which was primarily attributable to a sharp drop in export demand and the company's sizable exposure to the price-sensitive B2B segment—factors that have also contributed to operating margin volatility. The company has transitioned towards a more professionally managed structure through the induction of senior leadership roles such as a CFO and other CXO-level executives, resulting in higher near-term overheads. Going forward, improvement in performance is expected from the scale-up of value-added products, particularly cheese, where sales commenced in April 2025 and have reached 60–70 tonnes per month through the HORECA channel. However, as is typical with new product introductions, market acceptance and meaningful contribution to profitability will take time, even though the long-term potential remains significant given the 500-tonne-per-month installed capacity.

Key weaknesses

Modest Profitability margins

The company's operating margins have remained modest at 3–4% and have trended downward since FY21, primarily due to its high dependence on the B2B segment, which contributes over 60% of total revenue. This segment is inherently highly price-sensitive, limiting the company's ability to command premium pricing and intensifying competitive pressures. Margin compression was further accentuated over the last two fiscals ending FY25, as the company was in an investment phase, particularly expanding its value-added products portfolio through the cheese project at the Newasa plant. The company has also transitioned from a promoter-driven structure to a more professionally managed organisation by appointing senior leadership roles such as a CFO and other CXO-level executives, which has elevated overhead costs in the near term but is expected to strengthen governance and operational efficiency over the long run. Going forward, the company expects the operating margins to improve as VAP like cheese have better gross margins.

Moderate financial risk profile

The overall gearing ratio of the company stood leveraged at more than 2x over the past 3 fiscals. The same stood at 2.33x as on March 31, 2025 (PY: 2.71x) owing to higher reliance on debt in the form of term loan and working capital borrowings. The same slightly improved as on March 31, 2025, owing to accretion of profits to net worth. Further, the interest coverage (PBILDT/Interest) and total debt to GCA (Gross Cash Accruals) also stood modest owing to lower profitability and stood at 1.66x and 16.65x respectively as on March 31, 2025 (March 31, 2024: 1.47x and 22.71x respectively).

Working Capital intensive nature of operations

The working capital cycle of the company stood at 72 days in FY25 (PY: 77 days) on account of higher inventory holding period. The dairy industry is characterized by the short supply of milk during summers. The company procures the milk during the winter season when the milk is available in abundance and at low price which leads to build up of inventory/finished goods. This ensures continuous supply of milk products round the year. Correspondingly, there is high requirement of funds during peak season. The finished goods inventory at the year-end majorly comprises of VAP having a shelf life of 9-12 months; due to higher procurement of the milk during the winter season. The working capital requirements of the company are largely met through bank borrowings the average utilisation of which stood at ~80% for last twelve months ending January, 2026.

Liquidity: Adequate

The company has adequate liquidity as characterised by expected gross cash accruals in the range of Rs.50-60 crore from FY27-FY28 with repayment obligations of Rs.28.19 crore in FY27 and Rs.21.36 crore in FY28. Out of the term of loan of Rs.41.69 crore due for FY26, the company has already repaid loan of Rs.34.59 crore up to Feb, 2026 and for the repayment of the balance term loan of Rs.7.10 crore due for March, 2026, the company has sufficient liquidity in the form of cash and bank balance of Rs.36.36 crore as on March 31, 2025 and Rs.44.02 crore as on December 31, 2025 which are unencumbered to the large extent. The average utilization of the fund-based limits stood at ~80% for the immediately preceding 12-months ending January, 2026. The company has planned capex of Rs.27 crore in FY27 for the installation of Bio-CNG plant, which is expected to funded partly by debt and internal accruals in the ratio of 5:2.

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

VRS Foods Limited, popularly known under the Paras brand, is a leading dairy company in North India with a legacy dating back to 1960, when founder Shri Ved Ram began milk procurement on a small scale. Over time, the business transitioned into a corporate entity in 1987 and has grown into a large integrated dairy processor with multiple manufacturing facilities and a strong

presence across liquid milk, ghee, butter, milk powders, whey products and fresh dairy items. The company operates an extensive procurement network spanning approximately 5,400 villages through hundreds of Village Level Collection Centres (VLCCs), ensuring consistent raw milk availability and deep linkages with farmers. Its strong brand equity, particularly in the Northern region, combined with a wide distribution footprint and long-standing relationships with institutional customers, positions Paras as a prominent player in India's organised dairy sector.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total operating income	2,752.90	2,778.48	2080.06
PBILDT*	87.32	83.62	68.11
Profit after tax (PAT)	2.27	5.10	10.14
Overall gearing (x)	2.71	2.33	1.98
Interest coverage (x)	1.47	1.66	1.95

A: Audited UA: Unaudited; Note: these are latest available financial results

*PBILDT: Profit before interest, lease rentals, depreciation and tax

Status of non-cooperation with previous CRA: NA

Any other information: NA

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Working capital Term Loan		-	-	June 2027	40.42	CARE BBB; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	499.00	CARE BBB; Stable / CARE A3+
Term Loan-Long Term		-	-	March 2028	60.58	CARE BBB; 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 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/ST-Working Capital Limits	LT/ST	499.00	CARE BBB; Stable / CARE A3+				
2	Term Loan-Long Term	LT	60.58	CARE BBB; Stable				
3	Fund-based - LT-Working capital Term Loan	LT	40.42	CARE BBB; Stable				

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA
Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working capital Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Term Loan-Long Term	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

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in</p>	<p>Analytical Contacts</p> <p>Puneet Kansal Director CARE Ratings Limited Phone: 120-4452018 E-mail: puneet.kansal@careedge.in</p> <p>Sachin Mathur Associate Director CARE Ratings Limited Phone: 91-120-4452054 E-mail: sachin.mathur@careedge.in</p> <p>Akanksha Dutta Lead Analyst CARE Ratings Limited E-mail: Akanksha.dutta@careedge.in</p>
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