

R&B FOOD SUPPLY PLC

No. 2/2025
16 January 2025

CORPORATES

Company Rating: BBB+
Outlook: Stable

Last Review Date: 16/01/24

Company Rating History:		
Date	Rating	Outlook/Alert
29/01/21	BBB+	Stable

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RATIONALE

TRIS Rating affirms the company rating on R&B Food Supply PLC (RBF) at “BBB+” with a “stable” rating outlook. The rating reflects RBF’s proven track record in the food ingredients industry, supported by its technical expertise, research and development capabilities, ongoing growth from innovative products and expansion, and strong financial profile. These strengths are partially offset by the company’s small earnings base, exposure to customer concentration, and risks associated with overseas investments.

KEY RATING CONSIDERATIONS

Growth recovery expected with slightly reduced profitability

RBF’s total operating revenue in 2023 experienced satisfactory growth with sound profitability, driven by increased overseas revenue, particularly from China and India.

However, in 2024, the majority of flavor and fragrance (F&F) and coloring sales in China were canceled amid an economic slowdown in the client’s countries in the first half of the year, resulting in stagnant revenue growth. Due to the lower contribution of high-margin F&F and coloring products, EBITDA margin reduced from 23.8% to 19.9%, but still in historical trend. The company recorded EBITDA margin at 21.1%-24.1% in the past three consecutive years. We expect RBF to largely maintain its profitability with an EBITDA margin of 20% in the next couple of years.

Low financial leverage and high liquidity to continue

We expect RBF to remain debt-free for the next few years. Apart from one new plant in Thailand, no other major investments are planned. The company’s funds from operations (FFO) should be sufficient to cover operational needs and planned investments.

We expect RBF to have abundant liquidity over the next 12 months. EBITDA is forecast to range from THB0.9-THB1.0 billion. At the end of September 2024, the company had no priority debt, with cash on hand and short-term investments of THB660 million and undrawn credit facilities of THB1.1 billion.

Proven track record and R&D excellence

RBF’s competitive edge lies in its more than 30 years of experience in manufacturing and selling F&F, food colorings, and food coatings, which made up 81% of total revenues in the first nine months of 2024.

Research and development (R&D) is RBF’s core strength, allowing the company to stay ahead of trends, quickly respond to customer needs, and suggest new cost-saving products to customers. This capability also helps RBF reduce costs by creating its own ingredients instead of purchasing them from other sources.

Exposure to customer concentration

The top ten customers have accounted for 37%-39% of RBF’s total revenue in the past three years. However, no single customer accounted for more than 15% of sales revenue. Thanks to long-standing business relationships, some major customers have been placing orders for over 20 years. The company has been working to broaden its customer base to mitigate the risk of customer concentration, including increasing its overseas expansion.

Overseas investment risk

Although there are opportunities to expand the revenue base, overseas investments come with political, economic, and exchange-rate risks, as well as consumer behavior challenges. However, RBF has adopted a conservative approach in its overseas expansion. The company typically opens a sales office in a new target market before undertaking any major investments. Once RBF is reasonably confident and the new market is considered sizable and sustainable, the company may decide to establish a plant in the country. With this strategy, the cancellation of orders in China did not result in losses for the company, as it had not made significant investments in the country.

BASE-CASE ASSUMPTIONS

- Revenue growth of 0% in 2024 and 4%-5% per annum in 2025-2026.
- Gross profit margin of 35% and EBITDA margin of 20% during 2024-2026.
- Total capital spending of THB450-THB500 million per annum in 2024-2025 and THB200 million in 2026.

RATING OUTLOOK

The “stable” outlook reflects TRIS Rating’s expectation that RBF will maintain its competitive position in its main business, as well as sustain its cash generation and profitability in line with our projections. We expect the company’s overseas expansion will generate incremental income without causing a material deterioration in profitability.

RATING SENSITIVITIES

A rating upgrade could occur if RBF is able to significantly enlarge revenue while maintaining its profit margin and a prudent balance sheet. A rating downgrade, on the other hand, could arise from weaker-than-expected operating performance over a prolonged period or from overly aggressive, debt-funded investments.

COMPANY OVERVIEW

RBF was established in 1991 by the Rattanapoompinyo family. The company was listed on the Stock Exchange of Thailand (SET) in October 2019. As of September 2024, RBF’s registered capital was THB2 billion and the Rattanapoompinyo family held approximately 62% of the company’s total shares. (Note: The Rattanapoompinyo family owned a 72% stake in the company prior to selling 10% of the company’s shares to Thai Union Group PLC (TU) in September 2021.) RBF has 12 production plants: eight in Thailand, one in Vietnam, two in Indonesia, and one in India (under construction). Of the plants in Thailand, one is in Bangkok, six in Ayutthaya, and one in Chiang Mai.

The main business of RBF and its subsidiaries is the manufacture and sale of food ingredients which can be categorized into six segments: F&F and food colorings (32% of total revenue for the first nine months of 2024), food coatings (50%), dried products (6%), frozen products (2%), plastic packaging (1%), and trading products such as milk powder and sausage casings (9%). The hotel business was divested in May-June 2021.

In January 2022, RBF established a new joint venture (JV) company, RBS-TU Food Ingredients Private Ltd., distributing high-quality food ingredients in the Indian market. The JV company is 51% held by RBF, 30% by Srinivasa Cystine Private Ltd. (Avanti Group), and 19% by TU. The construction of the Indian plant under the JV started in 2023 and is expected to be completed in 2025.

At the end of 2023, RBF completed construction of its second plant in Indonesia and started commercial operations.

KEY OPERATING PERFORMANCE

Table 1: Revenue Breakdown by Product

Unit: %

Product	2020	2021	2022	2023	Jan-Sep 2023	Jan-Sep 2024
F&F, food coloring	37	35	33	34	34	32
Food coating	36	40	45	48	48	50
Dried products	6	6	7	6	6	6
Frozen products	3	2	1	2	2	2
Plastic packaging	1	1	1	0	1	1
Trading products	15	16	13	10	9	9
Total food ingredients	98	100	100	100	100	100
Hotel	2	-	-	-	-	-
Total sales	100	100	100	100	100	100
Total sales (Mil. THB)	3,172	3,384	3,961	4,421	3,271	3,273

Source: RBF

Table 2: Food Ingredient Revenue Breakdown by Customer Type and Market

Customer Type (%)	2020	2021	2022	2023	Jan-Sep 2023	Jan-Sep 2024
Manufacturers	85	86	85	82	82	79
Wholesalers	8	7	8	8	8	10
Retailers	7	7	7	10	10	11
Total sales	100	100	100	100	100	100
Market (%)	2020	2021	2022	2023	Jan-Sep 2023	Jan-Sep 2024
Domestic	86	83	79	73	72	78
Overseas	14	17	21	27	28	22
Total sales	100	100	100	100	100	100
Total food ingredients sales (Mil. THB)	3,116	3,384	3,961	4,421	3,271	3,273

Source: RBF

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*
Unit: Mil. THB

	Jan-Sep 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total operating revenues	3,283	4,426	3,967	3,388	3,117
Earnings before interest and taxes (EBIT)	477	819	614	607	703
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	671	1,054	837	817	869
Funds from operations (FFO)	577	885	712	690	731
Adjusted interest expense	10	12	10	10	9
Capital expenditures	380	401	397	344	424
Total assets	5,650	5,750	5,204	5,006	4,883
Adjusted debt	0	0	0	0	0
Adjusted equity	4,843	4,836	4,397	4,237	4,089
Adjusted Ratios					
EBITDA margin (%)	20.4	23.8	21.1	24.1	27.9
Pretax return on permanent capital (%)**	13.0	16.8	13.5	13.6	16.2
EBITDA interest coverage (times)	70.0	86.0	84.0	84.5	97.8
Debt to EBITDA (times)**	0.0	0.0	0.0	0.0	0.0
FFO to debt (%)**	n.m.	n.m.	n.m.	n.m.	n.m.
Debt to capitalization (%)	0.0	0.0	0.0	0.0	0.0

n.m. = Not meaningful
** Consolidated financial statements*
*** Annualized with trailing 12 months*
RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

R&B Food Supply PLC (RBF)

Company Rating:	BBB+
Rating Outlook:	Stable

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