

September 05, 2025

VVF (India) Limited: [ICRA]BBB-(Stable)/[ICRA]A3; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term/Short Term- Fund Based – Working Capital	110.0	[ICRA]BBB- (Stable)/ [ICRA]A3; assigned
Long Term – Fund Based – Cash Credit	50.0	[ICRA]BBB- (Stable); assigned
Long Term- Fund Based – Term Loan	99.0	[ICRA]BBB- (Stable); assigned
Long Term/Short Term - Non-Fund Based - Others	7.0	[ICRA]BBB- (Stable)/ [ICRA]A3; assigned
Long Term/Short Term – Unallocated	134.0	[ICRA]BBB- (Stable)/ [ICRA]A3; assigned
Total	400.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings assigned to VVF (India) Limited (VIL) factor in its established presence, and the extensive experience of its promoters in the oleochemical industry. VIL manufactures fatty acids, fatty alcohols, glycerine, and soap noodles, and is also involved in contract manufacturing business (CMB) for personal care products, catering to reputed clients such as Reckitt Benckiser, HUL, and Johnson & Johnson. In FY2025, the oleochemical segment contributed approximately 83% to the company's revenue, while the remainder was derived from the CMB segment and Softsens, a baby care brand.

The ratings also reflect the healthy improvement in VIL's financial profile over the past two to three fiscals, supported by improving product mix and strategic initiatives undertaken to strengthen its internal processes amid favourable industry prospects. Over the years, VIL has also diversified its product profile by adding oleochemicals with higher carbon chains (using indigenously sourced alternate raw materials) to its product portfolio. This has also helped VIL in reducing its dependence on imported raw materials like crude palm kernel oil (CPKO), Palm Fatty Acid Distillates (PFAD), etc. Historically, VIL's performance was adversely impacted on account of India's Free Trade Agreements (FTAs) with ASEAN countries (signed in 2010), which allowed duty-free imports of fatty alcohols while imposing a 100% import duty on CPKO, a key raw material for VIL. Additionally, export duties levied by the Indonesian Government and volatility in palm oil prices further affected the company's cost structure in the past. VIL diversified its raw materials sourcing to include domestic suppliers and introduced new products (higher carbon chain products like C16, C18, C22, etc.) to improve its margin profile and reduce dependence on imported CPKO. However, the accumulated losses and rising debt led to defaults in repayment, resulting in the company's admission to National Company Law Tribunal (NCLT) in September 2021. Subsequently, VIL entered into a one-time settlement with erstwhile consortium lenders initially through Pheonix-ARC and later on with Kotak Mahindra Bank, restructuring its outstanding debt from nine banks. However, the final restructuring with ICICI Bank happened in FY2024. ICRA notes that post the final restructuring, the company has been timely in servicing its debt obligations and has significantly reduced its total debt from Rs. 1,515 crore as of March 31, 2022, to Rs. 323 crore as of March 31, 2025, including the impact of the restructuring related haircut. ICRA also notes that VIL monetised certain core and non-core assets to support deleveraging efforts. In FY2024, the company sold its Consumer Personal Care division, which included brands like JO, Doycare and Bacter Shield, to Wipro Consumers Care and Lighting for Rs. 100 crore. Additionally, VIL sold some of its land parcel in Kutch, Gujarat for around Rs. 20 crore in FY2025, with proceeds used to repay borrowings. These steps have supported the company's financial recovery and improved its leverage metrics to an extent.

Despite these improvements, the ratings remain constrained by VIL's exposure to raw material price volatility and foreign exchange rate fluctuations, as 30-35% of its palm-based raw material is imported. While as a policy, the company hedges its open positions through forward contracts and derivatives, adverse movements in global palm oil prices or changes in

import/export duties could impact its competitiveness. In the domestic market, VIL holds a dominant position with limited competition. However, in global markets, VIL faces stiff competition from Indonesian and Malaysian oleochemical manufacturers, which benefit from backward integration through their own palm oil plantations and superior cost structures.

The ratings further remain constrained by VIL's obligation to service high interest rate borrowings (around 18-21%) tied up with Kotak Mahindra Bank. This results in a significant interest outflow, which continues to weigh on VIL's cash accruals. Since the completion of restructuring of borrowings in FY2024, VIL has been servicing its loans in a timely manner and the same is expected to continue going forward. ICRA notes that while the oleochemical business has positive operating margins, the CMB segment is currently incurring marginal operating losses due to sub-optimal capacity utilisation. Although the company has onboarded new clients and expects margin improvement in this segment, any delay in turnaround could impact the overall profitability for VIL. Further, VIL has sizeable contingent liabilities pertaining to excise duty, import duty, VAT, GST, etc. which are in various stages of appeal. As of March 31, 2025, the contingent liabilities amounted to Rs. 1,223 crore against Rs. 2,290 crore as on March 31, 2024. The reduction was led by favourable outcome for one of the cases. Nonetheless, any adverse development in the remaining disputes could materially impact the company's liquidity and remain a key monitorable.

The Stable outlook on VIL's long-term rating reflects ICRA's opinion that the company will sustain its operating metrics even as its revenue growth momentum may moderate to a certain extent, given the large base of FY2025. Further, the outlook underlines ICRA's expectation that the company will maintain its leverage and coverage metrics commensurate with the current rating level.

Key rating drivers and their description

Credit strengths

Established market position and long track record of operation in the oleochemicals industry – Originally, the promoters began oleochemical manufacturing in 1971 under VVF Limited. VIL was incorporated in November 2010 while the company's oleochemical, CMB and CPD segments were demerged from Vegetable Vitamin Foods Limited (VVF) in 2012. Thus, VIL has a long presence in the oleochemical industry, supported by decades of operational experience and manufacturing capabilities. The company's diverse product portfolio comprising fatty acids, fatty alcohols, glycerine, etc. caters to a wide range of applications across personal care, home care, FMCG, industrial applications and pharmaceuticals. Additionally, VIL enjoys dominant position in the domestic oleochemical industry.

Underlying demand for both oleochemicals and CMB division largely dependent on FMCG business, which is expected to support revenue growth, going forward – VIL's products such as fatty acids, fatty alcohol, soap noodles, etc. are used as intermediate goods by oleochemical/specialty chemical manufacturers or FMCG companies, which process it further to manufacture the end products. Consequently, the demand outlook for both oleochemicals and contract manufacturing remains favourable, driven by the healthy underlying demand for FMCG, pharmaceutical and personal care segments, which form the major part of the company's end-user industries. Further, VIL's CMB segment serves marquee clients such as Reckitt Benckiser, HUL, and Johnson & Johnson, and has recently onboarded new customers like Henkel, Himalaya and few others for end-to-end personal care products. The non-cyclical nature of the end-user industries and strong client relationships provide visibility and support for expected sustained revenue growth, going forward.

Healthy improvement in financial risk profile over last three fiscals; debt metrics expected to remain healthy, going forward – VIL has witnessed significant improvement in its financial risk profile over the past few years. Following a one-time settlement and restructuring of its outstanding debt from nine erstwhile consortium lenders with Kotak Mahindra Bank, and the final restructuring with ICICI Bank in FY2024, the company reduced its total debt to Rs. 323 crore in FY2025 from Rs. 1,515 crore in FY2022. Further, VIL's asset monetisation efforts, including the sale of its consumer division for Rs. 100 crore in FY2024 and sale of land in Kutch for Rs. 20 crore in FY2025, have supported the overall reduction in debt. These steps, along with improved operating performance, led to an improvement in debt indicators with total debt/OPBITDA improving to 1.5 times as on March

31, 2025 from 6.7 times as of March 31, 2022. VIL's interest coverage ratio also improved to 3.2 times as on March 31, 2025 from 1.2 times as on March 31, 2022. The leverage and coverage metrics are expected to remain healthy, going forward.

Credit challenges

Exposure to raw material price volatility and foreign exchange fluctuations – VIL currently imports 30-35% of its entire raw material requirement. The imported raw material includes certain palm-based oils like crude palm kernel oil (CPKO), PFAD, etc. The company maintains an inventory of 60-65 days and any adverse movement in raw materials prices and foreign exchange rate fluctuations can lead to inventory and forex losses for VIL. In the past, VIL has faced inventory losses due to significant price volatility in palm oil prices. However, over the years the company has reduced its dependence on imported raw materials and diversified its sourcing by incorporating domestic alternate raw materials. The company also maintains a policy of hedging its open forex exposure through forward contracts. ICRA notes that VIL remains exposed to any sharp movement in global palm oil prices. Besides, changes in trade policies could adversely impact its cost structure and margins.

Competition from both domestic and global players – While VIL holds a dominant position in the Indian oleochemical market, it faces stiff competition globally from large, backward integrated manufacturers in Indonesia and Malaysia. These players benefit from access to captive palm oil plantations and large scale of operations, that enable them to offer products at more competitive prices. This structural disadvantage limits VIL's pricing flexibility and market share in export markets to a certain extent.

High interest cost on borrowings – The company continues to bear a high interest burden due to restructured debt, with interest rates on its borrowings ranging from 18-21%. Despite timely servicing of these debt obligations post restructuring, the elevated interest cost exerts pressure on VIL's cash flows and limit its financial flexibility.

Sizeable contingent liabilities – VIL has significant contingent liabilities amounting to Rs. 1,223 crore as of March 31, 2025, related to excise duty, customs duty, VAT, and GST disputes. Although the company received a favourable outcome in one of the cases, the remaining litigations are under various stages of appeal. Any adverse ruling could result in substantial cash outflows and further affect the company's liquidity position, making this a key monitorable.

Liquidity position: Stretched

VIL's liquidity position remains stretched. The company has sizeable repayment obligations of Rs. 41.2 crore in FY2026 and Rs. 27.9 crore in FY2027. It maintains cash and bank balances of around Rs. 41 crore as of March 31, 2025, at a consolidated level, along with Rs. 10.6 crore of DSRA with Kotak ARC. Over the past 12 months, the company had an average buffer of Rs. 30 crore in the form of undrawn working capital limits. However, its liquidity could be further impacted if the sizeable contingent liabilities on its books were to crystallise, as any adverse development may result in significant cash outflows.

Rating sensitivities

Positive factors – ICRA could upgrade VIL's ratings if there is a substantial growth in revenues and profitability (including from contract manufacturing business), while improving its liquidity.

Negative factors – Negative pressure on VIL's ratings could arise if there is a decline in revenues and operating margins, resulting in lower cash flows on a sustained basis. Further, higher-than-envisaged debt-funded capex or any adverse development on contingent liabilities, resulting in a deterioration of coverage indicators along with worsening liquidity may also trigger ratings downgrade. Specific credit metrics that could lead to a downgrade of VIL's ratings include TD/OPBIDTA over 2.3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of VIL. Refer to the Annexure II for the list of entities considered for consolidation.

About the company

VVF (India) Limited (VIL) was incorporated in November 2010. VIL was demerged from VVF Limited (VVF) in 2012. VVF was established originally in 1939 as Vegetable Vitamin Foods Company Private Limited (VVFCL) by Mr. Godrej Pallonji Joshi for manufacturing vegetable ghee from vegetable oils. Later, VVF diversified into oleochemicals business in 1971 and into contract manufacturing business (CMB) involving production of personal care products such as soaps and soaps noodles in 1987. In 1997, VVF launched personal care products under its own brand, JO, Doycare and Bacter Shield (consumer product division [CPD]). Further, in 2012, the Oleochemicals, CMB and CPD divisions were demerged into VIL. In 2024, the company sold its CPD to Wipro Consumer Care and Lighting for consideration of Rs. 100 crore. At present, the key operating businesses of VIL are oleochemicals and CMB.

VIL also has a wholly owned subsidiary in Singapore namely VVF Singapore Pte. Ltd. engaged in trading activities. VIL, with an objective of supporting its oleochemical business, incorporated a step-down subsidiary, PT VVF Indonesia in the year 2008 in Indonesia. PT VVF Indonesia procures CPKO from Indonesian plantations, post splitting the same is transferred to VIL. This helps VIL mitigate raw material price volatility to an extent.

Key financial indicators (audited)

VIL (Consolidated)	FY2024	FY2025
Operating income	2188.2	2734.6
PAT	66.4	97.6
OPBDIT/OI	3.9%	7.7%
PAT/OI	3.0%	3.6%
Total outside liabilities/Tangible net worth (times)	1.9	1.6
Total debt/OPBDIT (times)	5.2	1.5
Interest coverage (times)	1.0	3.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA – Not Applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current ratings (FY2026)		Chronology of rating history for the past 3 years						
		Amount Rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based – Working Capital	Long/ Short term	110.0	Sept 05, 2025	[ICRA]BBB-(Stable)/[ICRA]A3	-	-	-	-	-	-
Fund Based – Cash Credit	Long term	50.0	Sept 05, 2025	[ICRA]BBB-(Stable)	-	-	-	-	-	-
Fund Based – Term Loan	Long term	99.0	Sept 05, 2025	[ICRA]BBB-(Stable)	-	-	-	-	-	-
Non-Fund Based – Others	Long/ Short term	7.0	Sept 05, 2025	[ICRA]BBB-(Stable)/[ICRA]A3	-	-	-	-	-	-
Unallocated	Long/ Short term	134.0	Sept 05, 2025	[ICRA]BBB-(Stable)/[ICRA]A3	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term/Short Term- Fund Base – Working Capital	Simple
Long Term – Fund Based – Cash Credit	Simple
Long Term- Fund Based – Term Loan	Simple
Long Term/Short Term - Non-Fund Based - Others	Very Simple
Long Term/Short Term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based – Working Capital	March 24, 2025	17.65%	NA	110.0	[ICRA]BBB- (Stable)/ [ICRA]A3
NA	Fund Based – Cash Credit	March 24, 2025	17.65%	NA	50.0	[ICRA]BBB- (Stable)
NA	Fund Based – Term Loan	March 24, 2025	19.1-21%	FY2026-31	99.0	[ICRA]BBB- (Stable)
NA	Non-Fund Based – Others	NA	NA	NA	7.0	[ICRA]BBB- (Stable)/ [ICRA]A3
NA	Unallocated	NA	NA	NA	134.0	[ICRA]BBB- (Stable)/ [ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation approach
VVF Singapore Pte. Ltd.	100.00%	Full Consolidation
PT VVF Indonesia (wholly owned step-down subsidiary)	12.32%	Full Consolidation

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