December 17, 2025

Capital Foods Private Limited: [ICRA]AA+ (Stable)/ [ICRA]A1+; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term/ Short-term – Fund based/ Non-fund based – Working capital	35.00	[ICRA]AA+ (Stable)/ [ICRA]A1+; assigned
Long term/ Short-term – Unallocated limits	65.00	[ICRA]AA+ (Stable)/ [ICRA]A1+; assigned
Total	**100.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings assigned for Capital Foods Private Limited (CFPL) reflect the company's strong parentage, following Tata Consumer Products Limited's (TCPL, rated at [ICRA]AAA/Stable/[ICRA]A1+) acquisition of a 75% equity stake in February 2024, resulting in transfer of CFPL's management control to TCPL and operational, managerial, and financial synergies between the two entities brought about by the acquisition. The synergies arising from operational integration of CFPL with TCPL have enabled CFPL to expand its retail reach and improve its profitability significantly in FY2025, which is expected to sustain, going forward. Moreover, CFPL's strategic importance within TCPL's portfolio as a designated high-growth segment is expected to ensure continued support and resource allocation for its future expansion.

CFPL's brands, Ching's Secret and Smith & Jones, enjoy strong market recognition in the ready-to-cook food segment, particularly in non-Indian cuisine categories. The company's focus on product innovation and alignment with evolving consumer preferences are likely to help maintain its competitive edge and drive business growth. Its asset-light production model, with a mix of owned and third-party manufacturing units in strategic locations, lead to cost-efficient operations. The ratings also factor in CFPL's strong financial profile, marked by healthy earnings and low reliance on external borrowings, with no debt other than lease liabilities as on March 31, 2025, which are likely to keep its ROCE healthy (around 50% in FY2025). The company's low working capital intensity of operations supports the liquidity position. Besides, CFPL's financial flexibility is strengthened by its association with TCPL.

The ratings are, however, constrained by CFPL's exposure to volatility in the prices of its key raw materials such as flour, edible oil, spices, vegetables and packaging materials. While the company passes the cost increase to its consumers, there is a lag. Besides, prolonged inflationary pressure could impact profitability, especially given the competitive nature of the FMCG sector. The company also faces inherent quality-related risks associated with the packaged food industry, though the same is mitigated by its rigorous quality controls and compliance with relevant quality standards. CFPL generates around 80% of its revenues from the domestic market and out of the domestic sales, more than 40% is derived from western India, exposing the company to geographical concentration risk. It also generates a significant portion of export revenues from the US. While CFPL is absorbing a part of the increased tariff imposed by the US, the company has not faced any major revenue disruption due to the same. However, any further adverse development in the key export market could affect its performance and would remain monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that CFPL's strong business linkages with its parent TCPL will continue as CFPL has been identified as a strategically important business unit of TCPL from the future growth perspective. Moreover, CFPL's robust earnings and conservative capital structure are likely to sustain, supporting its credit profile.

Key rating drivers and their description

Credit strengths

Strong parentage, operational and managerial synergies and strategic importance of the company to the parent – The acquisition of a 75% stake of CFPL by TCPL in February 2024, with plans to acquire the remaining 25% stake going forward, is a significant credit positive for CFPL, owing to operational, managerial, and financial synergies between the two entities. TCPL is a leading company of the Tata Group, having a strong foothold in the consumer food and beverages business in India and overseas. Integration with TCPL's extensive distribution network has expanded CFPL's retail reach. CFPL has a healthy gross margin. The cost synergies arising from integration of distribution, rationalisation of trade margins and sourcing strategies are translating into margin augmentation. CFPL has been designated as a high-growth segment within TCPL, which was a key factor behind the acquisition. TCPL expects to further leverage its distribution capabilities and retail network to push the acquired brands deeper in domestic and international markets, translating into healthy revenue growth. CFPL's strategic importance to TCPL and expectations of continued operational and managerial synergies between the two entities ensure stability and access to the parent's resources for CFPL's future growth. Moreover, association with TCPL renders strong financial flexibility to the company.

Established brand and product strength in the addressable ready-to-cook food sub-segments – CFPL, through its flagship ready-to-cook brands, Ching's Secret and Smith & Jones, operates in the in-home consumption segment for non-Indian cuisines and maintains a healthy market position. Ching's Secret pioneered several products in the 'Desi Chinese' category, such as branded Hakka noodles and Schezwan Chutney, and enjoys high brand recall. Smith & Jones also has an established position in other non-Indian cuisines, including spices and other ingredients like ginger-garlic paste, pizza ketchup, pasta masala, etc. The company's strong brand and product innovation, aligned with evolving consumer trends, are expected to drive sustained business growth.

Asset-light production model – The company operates an asset-light production model, with majority of the manufacturing units being third-party plants. This approach allows for flexible capacity expansion, lower capital expenditure, and efficient scaling up of operations. The asset-light operation is expected to keep the company's business returns healthy. Strategic plant locations near raw material sources or key markets further optimise logistics and costs.

Healthy earnings, low working capital intensity and strong financial flexibility, aided by association with TCPL – The company's operating margin improved significantly in FY2025, owing to cost optimisation arising from integration of its distribution channel with TCPL. A sizeable one-time bonus payout in FY2024 prior to acquisition by TCPL had impacted the reported operating margin by around 660 basis points. Nevertheless, synergies arising from the change of ownership uplifted the company's operating margin to 23.1% in FY2025 vis-à-vis 8.6% in FY2024 and 15.8% in FY2023, and its net cash accruals surged to Rs. 154.7 crore in FY2025 from Rs. 49.6 crore in FY2024 and Rs. 88.8 crore in FY2023. Healthy earnings coupled with low working capital intensity, as reflected by negligible net working capital position in the recent years with limited receivables, moderate inventory days and credit available from vendors would continue to keep the company's ROCE healthy (around 50% in FY2025). The company does not have any debt (except lease liabilities) at present, and its reliance on external borrowings will remain low, given the healthy cash accruals, limited capex and low working capital intensity. In addition, CFPL enjoys strong financial flexibility due to its association with TCPL.

Credit challenges

Exposure to raw material price volatility and competitive nature of the industry limit pricing flexibility – The company maintains high gross margins and passes cost increases to the consumers, albeit with a lag. However, it remains exposed to fluctuations in prices of key raw materials such as flour, edible oil, spices, and vegetables as well as packaging materials. Prolonged inflationary pressure due to any significant rise in raw material prices and packaging costs could affect CFPL's pricing flexibility and profitability, given the competitive nature of the FMCG industry.

Quality-related risks – CFPL, which operates in the packaged ready-to-cook food segment, is exposed to inherent quality-related risks, as any lapse could affect consumer confidence and trigger regulatory action, potentially disrupting business. However, the company ensures its products are certified by relevant authorities for both domestic and international markets and enforces rigorous quality controls across its own and third-party manufacturing facilities to mitigate quality related risks.

Limited geographical diversification – CFPL derives around 80% of its revenues from the domestic market and the balance 20% from exports. Western India contributes more than 40% to its domestic sales, implying limited geographical diversification. However, the company's brands have a strong market presence in the region. The US has a sizeable share of CFPL's export revenues. CFPL has not experienced any significant sales disruption in the US market due to the imposition of a high reciprocal tariff by the US Government on Indian goods, though the company is sharing a part of the increased tariff along with its channel partners and consumers in the US, forgoing margins partially. Nevertheless, any further adverse development in this key market could affect the company's export performance. While the company is diversifying, its exposure to concentration risk remains.

Liquidity position: Strong

CFPL's liquidity profile is likely to remain strong. Its cash flow from operations remained healthy above Rs. 140 crore in FY2025 and is expected to remain at a similar or higher level in the medium term. The company does not have any debt repayment obligation at present, except small amounts of lease liabilities. Its fund-based working capital limit (Rs. 22 crore) is currently unutilised. The company's annual capital expenditure is likely to remain low due to an asset-light production model and absence of any major expansion plan. The company had free cash and liquid investment of around Rs. 53 crore as on March 31, 2025, supporting the liquidity position. CFPL has provided sizeable unsecured loans to related parties (Rs. 100 crore to its parent TCPL and Rs. 70 crore to Organic India Private Limited, a fellow subsidiary as on March 31, 2025) given its healthy surplus. However, the same is unlikely to have any material impact on CFPL's financial profile, given the company's strong liquidity and healthy financial flexibility of the Group.

Rating sensitivities

Positive factors – The long-term rating could be upgraded in case of a significant improvement in CFPL's scale of operations along with maintenance of healthy profitability and a conservative capital structure. Strengthening of linkages with the parent (TCPL), resulting in higher synergies, may also lead to ratings upgrade.

Negative factors – The ratings may be downgraded if there is any significant deterioration in CFPL's revenues and earnings on a sustained basis. The ratings may also be downgraded if there is any weakening of CFPL's linkages with its parent, TCPL, or upon any material deterioration in the credit profile of the parent entity.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology FMCG
Parent/Group support	**Parent: Tata Consumer Products Limited (TCPL; rated [ICRA]AAA (Stable)/[ICRA]A1+)** The ratings assigned to CFPL factor in the implicit support from its parent, TCPL, given CFPL's strategic importance to TCPL, operational and managerial synergies between them and TCPL's reputation sensitivity to CFPL, in which TCPL holds a 75% equity stake at present and plans to acquire the remaining stake, going forward
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of the company

About the company

CFPL manufactures and sells ready-to-cook branded packaged foods in India and overseas markets. The company's flagship brands, Ching's Secret and Smith & Jones, operate in the in-home consumption segment for non-Indian cuisines. The company has an established presence in western India, which accounts for more than 40% of its sales in the domestic market. CFPL derives around 20% of its sales from exports. The company became a subsidiary of TCPL in February 2024 after TCPL acquired a 75% stake of the company. As per the share transfer agreement, TCPL will acquire the remaining 25% stake, held by the erstwhile promoter group (5%) and Artal Asia (20%), a private equity firm, after around 3 years from the initial acquisition.

Key financial indicators (audited)

CFPL (Standalone)	FY2024	FY2025
Operating income	677.4	744.4
PAT	40.4	119.0
OPBDITA/OI	8.6%	23.1%
PAT/OI	6.0%	16.0%
Total outside liabilities/Tangible net worth (times)	0.5	0.3
Total debt/OPBDITA (times)	0.3	0.0
Interest coverage (times)	71.3	936.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: 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	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Dec 17, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based/ Non-fund based – Working capital	Long term/ Short term	35.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-	-	-	-	-
Unallocated limits	Long term/ Short term	65.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/ Short-term – Fund based/ Non-fund based – Working capital	Simple
Long term/ Short-term - Unallocated limits	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

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based/ Non-fund based – Working capital*	NA	NA	NA	35.00	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	Unallocated limits	NA	NA	NA	65.00	[ICRA]AA+ (Stable)/ [ICRA]A1+

*Source: Company; *Includes sub-limits of Rs. 22 crore for fund-based facilities (Cash Credit, EPC, PCFC, Bill Discounting, WCDL) and Rs. 32 crore for non-fund based facilities (Letter of Credit and Bank Guarantee)*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not applicable

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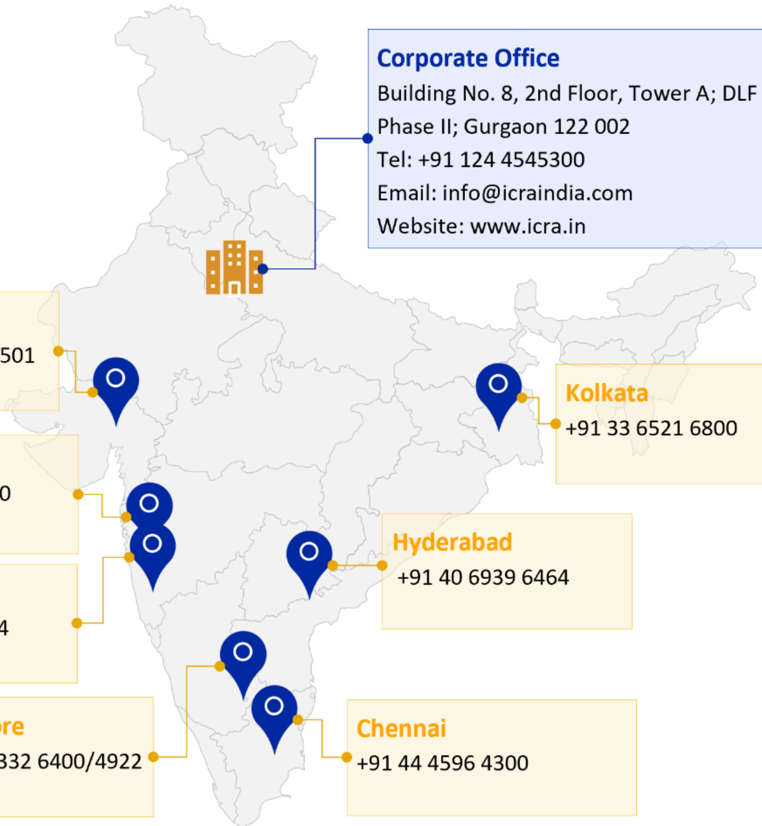

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