

May 26, 2025

## Patanjali Foods Limited: [ICRA]A+(Stable)/[ICRA]A1+ assigned

### Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term fund-based/ non-fund based limits	1,625.00	[ICRA]A+ (Stable); assigned
Short-term non-fund based limits	2,000.00	[ICRA]A1+; assigned
<b>Total</b>	<b>3,625.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings assigned to Patanjali Foods Limited (PFL) consider its large scale of operations, growing diversity of businesses, and a set of well-established brands, alongside a comfortable financial profile.

PFL, formerly known as Ruchi Soya Industries Limited (RSIL), involved in the manufacture and sale of edible oils, was acquired by the Patanjali Group in 2019 through the Corporate Insolvency Resolution Process (CIRP). Since the change of promoters and the management team, PFL's revenues have grown to over Rs. 33,000 crore in FY2025 from around Rs. 13,000 crore in FY2019. This growth has been driven by the transfer and sale of the biscuits, food and home and personal care (HPC) businesses of the promoter entity Patanjali Ayurved Limited (PAL) to PFL, over the past few years. The edible oil business, with low single-digit OPBITDA margin profile, accounts for around 70% of PFL's revenues at present, while the biscuits, foods and HPC businesses (hereinafter referred to as the FMCG business), with an OPBITDA margin profile of greater than 10%, accounts for most of the remainder. As new businesses have come to the fold of PFL, its business profile has become more diversified with the revenue share expected to tilt further in favour of the FMCG business over the medium term. The growing diversity in revenues and earnings is a key credit positive, counterbalancing the higher downside risks associated with the edible oil business.

The ratings also favourably factor in PFL's strong brands (in edible and non-edible oil businesses) and its differentiated positioning (in the FMCG business) depending on ayurveda and natural alternatives. This reflects in PFL enjoying a healthy market position across several product categories. It is the second-largest player in India's branded edible oil market, the market leader in the palm oil segment and second in position in the soybean oil segment. It is also the market leader in the soya protein segment, commanding a 35-40% market share. Further, PFL is the fourth-largest player in India in the biscuits segment and in the oral care market. It is also among the largest players in India in the product segments of cow ghee and honey.

The ratings also consider the strong financial profile of the company, supported by its minimal dependence on debt, with no outstanding term loans and working capital debt of Rs. 781 crore as on March 31, 2025. The acquisition debt of around Rs. 3,200 crore, which was taken on the balance sheet of PFL as part of the resolution plan at the time of the CIRP, was prepaid by PFL through the proceeds of the follow-on public offer of Rs. 4,300 crore in April 2022. This has supported PFL's capitalisation and coverage indicators with Total Debt/Net Worth of 0.1 times and interest coverage ratio of 23.0 times in FY2025. The company also had cash balances and liquid investments of Rs. 413 crore as on March 31, 2025. In the absence of any large capex plans, the company is expected to maintain a strong financial profile.

PFL's credit profile, however, remains exposed to various business challenges. The profitability in the edible oil business is exposed to the volatility in the prices of crude and refined edible oil, the risk of inventory losses, the risks arising from import duty changes, currency fluctuations, and potential supply disruptions (given the high import dependence), besides high competitive intensity. While the company mitigates some of these risks through commodity and currency hedging, the possibility of unexpected losses in this business cannot be ruled out. That said, in such a scenario, the company's strong balance

sheet, characterised by low financial leverage, will be a mitigating factor. As for the FMCG business, while it lends stability to the company's overall profitability, they are also subject to high competition, both from large multinational players as well as other domestic companies, which impacts pricing power. In addition, these business segments are exposed to the risk of growth slowdown in periods of challenging macroeconomic environment, such as high inflation.

ICRA also observes that there are close operating and management linkages among PFL and Patanjali Group entities. PFL sources several raw materials and packaging materials from Group entities. It also avails logistics and security services from Group entities. Some of the key manufacturing units of PFL and several of its Group entities are also located in the same food park. Further, Swami Ramdev and Acharya Balkrishna, the Non-Executive Directors on the board of PFL are also the founders and key functionaries of other Group entities. These linkages provide PFL high operating and financial flexibilities. However, several litigations are ongoing against the parent company and the key management personnel of the Patanjali Group at present, which could affect the overall Patanjali brand and PFL in unanticipated ways. Any change in the financial policy of the company, which includes dividend distribution or higher royalty payments, to the detriment of the overall credit profile, would be an additional risk factor.

The Stable outlook on the long-term rating reflects ICRA's opinion that PFL will continue to maintain its healthy credit profile, supported by healthy cash flow from operations, comfortable capital structure and credit metrics. This is expected to be aided by its well-established brand presence, diversifying product portfolio and a strong distribution network.

## Key rating drivers and their description

### Credit strengths

**Strong market position supported by established brands and large, growing distribution network** – PFL has created a strong market position in the edible oil and FMCG businesses, leveraging on a portfolio of well-established brands like Ruchi Gold (palm oil), Mahakosh (soyabean oil), and Nutrela (oil and soya protein), Dant Kanti (toothpaste), Kesh Kanti (hair oil), and Doodh (biscuits). PFL, supported by these brands, has established a healthy market share across various product categories. It is the market leader in the palm oil segment and at second position in the overall edible oil market in addition to being among the market leaders in other segments including soya protein, biscuits, cow ghee, honey, oral care and several other products in the herbal care category. PFL's strong market position is also aided by its large distribution network having a large number of its own retail stores known as Patanjali Chikitsalayas and Arogya Kendras, in addition to around two million retail touchpoints across urban and rural markets in India. While the distribution reach is relatively smaller compared to some of PFL's key peers, it has witnessed a healthy growth to two million retail touchpoints in FY2025 from 0.5 million in FY2021. A gradual expansion in the distribution network is also expected to aid the growth of PFL's business.

**Growing diversity of business profile** – While the erstwhile RSIL was largely focused on the edible oil business, PFL has gradually diversified the business through the acquisition of various FMCG segments from PAL. In addition to being margin accretive, these segments have also aided the diversification of PFL's portfolio and mitigated the impact of the inherent risks associated with the edible oil segment to a certain extent. The contribution of the FMCG segment to PFL's overall revenues has increased to around 30% in FY2025 and is expected to grow further over the near to medium term, leading to further diversification of the business and stabilisation of earnings. This shall be aided by the broadening of PFL's product offerings across categories, including the launch of premium products in certain product categories.

**Healthy financial profile marked by low leverage, comfortable coverage metrics and strong liquidity** – PFL maintains a strong financial profile, marked by minimal dependence on external debt and no outstanding term loans. As on March 31, 2025, PFL had an outstanding debt (including lease liabilities) of Rs. 787.7 crore leading to healthy gearing of 0.1 times, total debt/OPBDITA of 0.4 times and interest cover of 23.0 times. In the absence of any major debt-funded capex, the debt protection metrics are expected to remain strong in long term as well. Its healthy financial profile is also aided by a strong liquidity position owing to healthy cash balances, liquid investments and unutilised working capital limits.

## Credit challenges

**Profitability remains susceptible to high competitive intensity** – Though PFL is among the leading players across many of its product categories, the industry continues to face intense competition from both large and organised players as well as from the fragmented, unorganised market. The intense competition and the price-sensitive nature of consumers might also restrict the pricing flexibility across several product categories. The company also intends to gain market share in the premium segments, which will support its revenues and margins. The company has also witnessed an increase in the competition in the herbal and natural product space. However, it continues to maintain a strong market share in the category.

**Susceptibility of the edible oil business to price, inventory and currency risks** – Similar to its peers, PFL's profitability also remains exposed to the volatility in the prices of crude and refined edible oil, the risk of inventory losses, the risks arising from import duty changes, currency fluctuations, and potential supply disruptions. In the past, the company witnessed volatility in the profitability of the edible oils segment, following disruptions in the global supply chains, including the export ban on palm oil and its derivatives by Indonesia and the Russia-Ukraine war. The company undertakes commodity and forex hedging to mitigate the risks to a certain extent. As around 50% of the revenue from the edible oils business is generated from palm oil, PFL is also working towards expanding its palm plantation business, to reduce its import dependence for crude palm oil. In addition, the company has diversified to the FMCG segment to provide further stability to its earnings.

**Litigation risks faced by parent and key management personnel of the Patanjali Group** - PFL is exposed to litigation risks stemming from ongoing legal proceedings involving its parent company and key management personnel of the Patanjali Group. Although these litigations have not had a material adverse impact on the company yet, they continue to pose a potential risk. Any negative developments could affect the Patanjali brand and, by extension, PFL, in unanticipated ways.

## Environmental and social risks

**Environmental considerations** – The industry remains indirectly exposed to physical climate risks, which could result in variations in availability of raw materials (such as fresh fruit bunches, edible oil, grains, sugar and fodder for livestock). The company also remains exposed to the impact of changes in environmental norms with respect to the treatment of manufacturing waste/residual discharge. Further, increasing awareness and restrictions on usage of different grades of plastics for packaging and the need to find eco-friendly solutions could impact PFL's cost structure. PFL's efforts to address some of the environmental considerations include generation of 1,25,708 MWh of wind power at various locations in the country and consumption of ~20% of all PFL's energy requirements at its plants in Madhya Pradesh, Tamil Nadu, Gujarat, Maharashtra, and Karnataka from renewable energy sources. It also uses biomass such as rice husk, mustard husk and palm fibre for meeting its energy requirements.

**Social considerations** – PFL, like most conglomerates, has a dependence on human capital, in terms of direct and indirect employees, contractual labour and a supplier ecosystem, which remains essential for disruption-free operations for the entity. The foods business could have health implications on consumers and any quality concerns could impact its brand name and result in additional costs for the company. For its palm oil plantation business, the company is working with ~57,000 farmers and it sources 100% of the palm fruits produced by them to process palm oil.

## Liquidity position: Strong

PFL's liquidity position is strong, supported by expectations of a healthy cashflow generation in addition to cash, cash equivalents and liquid investments of Rs. 413 crore as on March 31, 2025. Moreover, PFL has availed fund based working capital limits of Rs. 250 crore and is in the process of obtaining incremental fund based limits of ~Rs. 1,250 crore which shall also support its liquidity position. The company has no outstanding term loans and thus, no repayment obligations over the near to medium term. Moreover, ICRA expects its cashflows to be more than sufficient to fund the projected capex of around Rs. 100 crore per annum over the next two-three years

## Rating sensitivities

**Positive factors** – The ratings may be upgraded, in case of a material increase in the business diversity, while maintaining healthy profitability, low financial leverage, and comfortable liquidity.

**Negative factors** – Any sustained weakening of profitability or large debt-funded capex weakening the credit metrics, would pose a pressure on PFL’s ratings. Any change in the financial policy of the company, which includes excessive dividend distribution or higher royalty payouts, at the detriment of the overall credit profile, would be an additional risk factor.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Edible Oil</a> <a href="#">FMCG</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of PFL. As on March 31, 2025, the company had two step-down subsidiaries that are enlisted in Annexure-II

## About the company

PFL, formerly known as RSIL, is a prominent player in the Indian edible oils and FMCG (including foods and HPC) industries. RSIL was established in 1986 with a focus on the edible oil and oil seeds sector (including palm plantations). However, in 2019, PAL, along with its Group entities (Patanjali Gramudhyog Nayas, Patanjali Parivahan Private limited and Yogakshem Sansthan), acquired RSIL through the CIRP for around Rs. 4,350 crore. Subsequently, RSIL was renamed as PFL in June 2022.

Subsequently, PFL acquired various FMCG businesses from PAL on a slump sales basis with an agreement to pay an agreed royalty for the brand use for perpetuity. The biscuits vertical (includes biscuits, cookies, rusks, noodles and breakfast cereals) was acquired in May 2021 for a consideration of Rs. 60 crore, followed by the acquisition of the food business (ethnic and staple food products) in July 2021 for Rs. 690 crore. In November 2024, PFL acquired the HPC segment (oral, skin, hair and home care) from PAL for a consideration of Rs. 1,100 crore.

PFL has manufacturing facilities at 26 locations across India catering to various business segments and includes refineries, seed/palm crushing units, integrated units, and manufacturing units for biscuits, foods and other FMCG products.

## Key financial indicators (audited)

PFL (Consolidated)	FY2024	FY2025*
Operating income	31,724.1	34,157.0
PAT	765.2	1,300.7
OPBDIT/OI	4.1%	5.7%
PAT/OI	2.4%	3.8%
Total outside liabilities/Tangible net worth (times)	0.3	0.4
Total debt/OPBDIT (times)	0.8	0.4
Interest coverage (times)	6.6	23.0

Source: Company, ICRA Research; \*Abbreviated Numbers; All ratios as per ICRA’s calculations; Amounts 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 (FY2026)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	May 26, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based/ non-fund based limits	Long term	1,625.00	[ICRA]A+ (Stable)	-	-	-	-	-	-
Non-fund based limits	Short term	2,000.00	[ICRA]A1+	-	-	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based/ non-fund based limits	Simple
Short-term non-fund based limits	Very simple

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	Long term fund-based/ non-fund based limits	NA	NA	NA	1,625.00	[ICRA]A+(Stable)
NA	Short term non-fund based limits	NA	NA	NA	2,000.00	[ICRA]A1+

Source: Company

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**Annexure II: List of entities considered for consolidated analysis**

Company Name	PFL's Ownership	Consolidation Approach
Rishikrishi Farming Private Limited	100.0%	Full consolidation
Contemporary Agro Private Limited	100.0%	Full consolidation

Source: Q4 FY2025 results of PFL

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### Branches



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