

June 30, 2025

## Parakh Foods and Oils Limited: Ratings upgraded to [ICRA]A(Stable)/[ICRA]A1

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based – Cash Credit	65.00	130.00	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable)
Long-term – Fund based – Term Loans	16.69	0.00	-
Short-term – Non-fund based – Others	175.00	110.00	[ICRA]A1; upgraded from [ICRA]A2+
Long-term/Short-term – Unallocated	27.31	0.00	-
<b>Total</b>	<b>284.00</b>	<b>240.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The ratings upgrade on the bank lines of Parakh Foods and Oils Limited (PFOL) considers a significant improvement in the company's credit profile, as reflected by a notable increase in its operating profit margin (OPM) and cash accruals, capitalisation and coverage indicators despite a 26% YoY fall in its top line to Rs. 1,588.0 crore in FY2025 (provisional). The edible oil business of the company was discontinued from August 2024 and sold off to Reliance Consumer Products Limited (RCPL). However, it is operated by PFOL, and it works as a contract manufacturer for RCPL. Although divestiture of the edible oil refining business led to a sharp drop in the company's top line, ICRA expects it would give stability to PFOL's profitability. Besides the revenue generated from the food products (gram flour, vatana flour, corn flour, pulses, etc.) business, PFOL derives rent and conversion charges from RCPL, which are expected to continue till March 2026 at least. Post March 2026, PFOL will either receive the sale proceeds from RCPL or the contract manufacturing would continue. The ratings also derive comfort from the favourable financial profile of the company, as reflected by a conservative capital structure, healthy debt coverage indicators and strong liquidity in the form of large cash and bank balances and low working capital intensity of operations. Significant cushion in its working capital limits would continue to support the company's cash flow position. The ratings further continue to factor in the extensive experience of the promoters and the company's established brand position in the food processing segment with a strong brand recall of its Samrat brand in Maharashtra, along with its established distribution network in the western region. Moreover, stable demand from staple food grain market and strong distribution network are likely to support its revenue growth, going forward. PFOL also benefits from the business synergies with its sister concern, Parakh Agro Industries Limited (PAIL), with which it shares the Samrat brand, a common distribution network and sales team (region specific).

The ratings, however, continue to remain constrained by PFOL's exposure to commodity price cycles associated with agro products, leading to volatility in margin. The ratings, also remain constrained by the highly competitive business segment, limiting margin expansion and high geographical concentration risk as a major portion of the sales is derived from Maharashtra. Further, intense competition in the food processing industry and limited value addition in the pulses milling business result in modest margin for PFOL. The company remains exposed to agro-climatic risks, which could affect raw material availability and prices along with regulatory risks associated with food-related items, which are essential commodities. Given its presence in the food industry, PFOL's quality and reputation-related risks are high, which could impact its pricing strength and business.

The Stable outlook on the long-term rating reflects ICRA's opinion that PFOL will continue to benefit from the established brand presence, particularly in Maharashtra, which are likely to support revenue growth while sustaining its favourable financial profile in the long run.

## Key rating drivers and their description

### Credit strengths

**Extensive experience of promoters in food processing industry** – The extensive experience of the promoters and the financial flexibility they offer have supported PFOL's liquidity profile, as witnessed in the past. PFOL also benefits from business synergies with PAIL, its sister concern in the erstwhile Parakh Group, sharing the Samrat brand, a common distribution network and sales team.

**Strong brand presence in Maharashtra** – The company primarily markets its products, including gram flour, dried peas (vatana) flour and pulses, to wholesalers and retailers in western India (primarily Maharashtra, Gujarat, Madhya Pradesh and Karnataka) under the Samrat brand, as well as in unbranded bulk packs. Most of the company's brands, especially Samrat, are well recognised and established in Maharashtra and they also enjoy premium over the market price because of their superior quality. The company offers a wide range of products such as besan (gram flour), vatana flour (yellow peas flour), various pulses, gram dal and vatana dal, corn flour and corn grits.

**Stable demand from staple food grain market; strong distribution network in the western region** – PFOL's market is extremely fragmented, however, the demand is stable as all its products are essential constituents of consumers' daily diet. It has built a strong marketing and distribution network in the western region, facilitating the company's sales. The company has a strong network of distributors and wholesalers, catering to more than 1 million retailers. This strong distribution network helps the company increase its branded sales through the same value chain.

**Financial profile characterised by a conservative capital structure, healthy debt coverage indicators and strong liquidity** – The capital structure of the company has remained conservative over the past few years owing to adequate net worth and low reliance on external debt. The gearing and TOL/TNW stood at nil and 0.2 times, respectively, as on March 31, 2025, and are expected to remain at similar levels, going forward. The debt protection metrics of the company have shown significant improvement with the interest coverage improving to 16.0 times in FY2025 from 2.7 times in FY2024. The financial risk profile of the company is expected to remain stable, given no long-term repayment and improving net worth position due to steady accretion to reserves.

### Credit challenges

**Exposed to commodity price cycle risk associated with agro products, leading to volatility in margin** – PFOL's margins remain vulnerable to the risks inherent in the agro products industry, such as raw material availability and crop harvest. Gram and yellow peas are the key raw materials for the company. Thus, it remains exposed to the agro-climatic conditions in the country and regulations related to procurement or pricing of agro commodities. In case of high prices, the Government restrictions limit the company's ability to pass on the entire raw material price hike to the customers.

**Limited value addition and intense competition result in thin operating margins** – The company operates in a competitive and fragmented industry. Even though it benefits somewhat from its established relationships with its customers and strong brand, its vulnerability to raw material price volatility and limited value addition in its operations led to low profitability. The company reported losses in FY2023 due to a sharp decline in realisations of edible oil, leading to inventory losses for the company. A similar situation continued in FY2024, and accordingly the management decided to spin off the edible oil business in August 2024. However, the profit margins have shown some improvement in FY2025, which can be mainly attributed to improved realisations from the edible oil division and conversion charges received from RPCL. After the company hived off the volatile edible oil business, its profitability is expected to remain stable, going forward.

**Exposed to agro-climatic, regulatory and quality related risks** – As PFOL operates in an agro-based industry, it remains exposed to agro-climatic risks such as raw material availability, quality and pricing. Moreover, any change in Government regulations pertaining to the industry can also have a bearing on the performance of all players in the industry, including PFOL.

**Regional presence gives rise to geographical concentration risk** – PFOL’s Samrat brand has a strong regional presence with a healthy market share in Maharashtra and moderate market share in Madhya Pradesh and Karnataka. Almost 80% of the company’s sales is derived from Maharashtra and the rest from Madhya Pradesh, Gujarat and Karnataka, supported by its strong brand recall. Thus, the company’s geographical concentration in Maharashtra will continue to remain in the medium term.

### Liquidity position: Strong

PFOL’s liquidity remains strong, with a positive fund flow from operations of more than Rs. 75.0 crore in FY2025 (provisional), along with sizeable cash and equivalents of more than Rs. 76.5 crore as on March 31, 2025. The company’s utilisation of its bank limits stood at nil in FY2025, leaving a significant cushion for any immediate needs. Further, the company does not have any debt-funded capex plans in the near term. Following the recent prepayment of a term loan, the company has nil repayments in FY2026. ICRA expects the company’s cash flow from operations to continue to remain healthy in the medium term with strong liquidity.

### Rating sensitivities

**Positive factors** – ICRA could upgrade PFOL’s ratings if the company’s earnings show meaningful increase on a sustained basis.

**Negative factors** – Pressure on PFOL’s ratings could arise if earnings of the company are materially impacted or if major capex, dividends, or related party transactions significantly affect its liquidity.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company’s standalone financial profile.

### About the company

PFOL manufactures and sells agro-based products such as gram flour, yellow pea flour, pulses and packaged refined oil in the domestic market. The company markets its pulses and flour products under Samrat, Bigul and Nimraja brands, while its refined oil is sold under the Vilina brand. The company shares the Samrat brand and common distribution network with PAIL, a sister concern in the erstwhile Parakh Group. PAIL is owned and managed by Mr. Suresh Parakh and family, including his brother, Mr. Prakash Parakh, the Managing Director of the company.

### Key financial indicators (audited)

PFOL Standalone	FY2023	FY2024	FY2025*
Operating income	2304.8	2156.9	1588.1
PAT	-23.5	17.7	67.4
OPBDIT/OI	0.4%	2.1%	6.7%
PAT/OI	-1.0%	0.8%	4.2%
Total outside liabilities/Tangible net worth (times)	1.0	0.8	0.2
Total debt/OPBDIT (times)	7.8	3.8	0.1
Interest coverage (times)	0.7	2.7	16.0

Source: Company, ICRA Research; \* Provisional numbers; 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 rating (FY2026)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024			Date & rating in FY2023
					Jun 30, 2025	-	Mar 28, 2024	
1 Fund based – Cash Credit	Long-term	130.00	[ICRA]A (Stable)	-	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable) ISSUER NOT COOPERATING	[ICRA]A (Negative)	[ICRA]A+ (Negative)
2 Fund based – Term Loans	Long-term	-	-	-	[ICRA]A- (Stable)	[ICRA]BBB+ (Stable) ISSUER NOT COOPERATING	[ICRA]A (Negative)	[ICRA]A+ (Negative)
3 Non-fund based – Others	Short-term	110.00	[ICRA]A1	-	[ICRA]A2+	[ICRA]A2 ISSUER NOT COOPERATING	[ICRA]A2+	[ICRA]A1
4 Interchangeable – Others	Long-term/ Short-term	-	-	-	-	[ICRA]BBB+ (Stable) ISSUER NOT COOPERATING/ [ICRA]A2 ISSUER NOT COOPERATING	[ICRA]A (Negative)/ [ICRA]A2+	[ICRA]A+ (Negative)/ [ICRA]A1
5 Unallocated Limits	Long-term/ Short-term	-	-	-	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]BBB+ (Stable) ISSUER NOT COOPERATING/ [ICRA]A2 ISSUER NOT COOPERATING	[ICRA]A (Negative)/ [ICRA]A2+	[ICRA]A+ (Negative)/ [ICRA]A1

### Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund based – Cash Credit	Simple
Short-term – Non-fund based – Others	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	Fund based – Cash Credit	NA	8.00%	NA	130.00	[ICRA]A (Stable)
NA	Non-fund based – Others	NA	8.75%	NA	110.00	[ICRA]A1

Source: Company

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

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

## ANALYST CONTACTS

**Jitin Makkar**

+91 124 4545 368

[jitinm@icraindia.com](mailto:jitinm@icraindia.com)

**Kinjal Shah**

+91 22 6114 3442

[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Sujoy Saha**

+91 33 6521 6805

[sujoy.saha@icraindia.com](mailto:sujoy.saha@icraindia.com)

**Aditya Lade**

+91 22 6114 3451

[aditya.lade@icraindia.com](mailto:aditya.lade@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Naznin Prodhani**

+91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



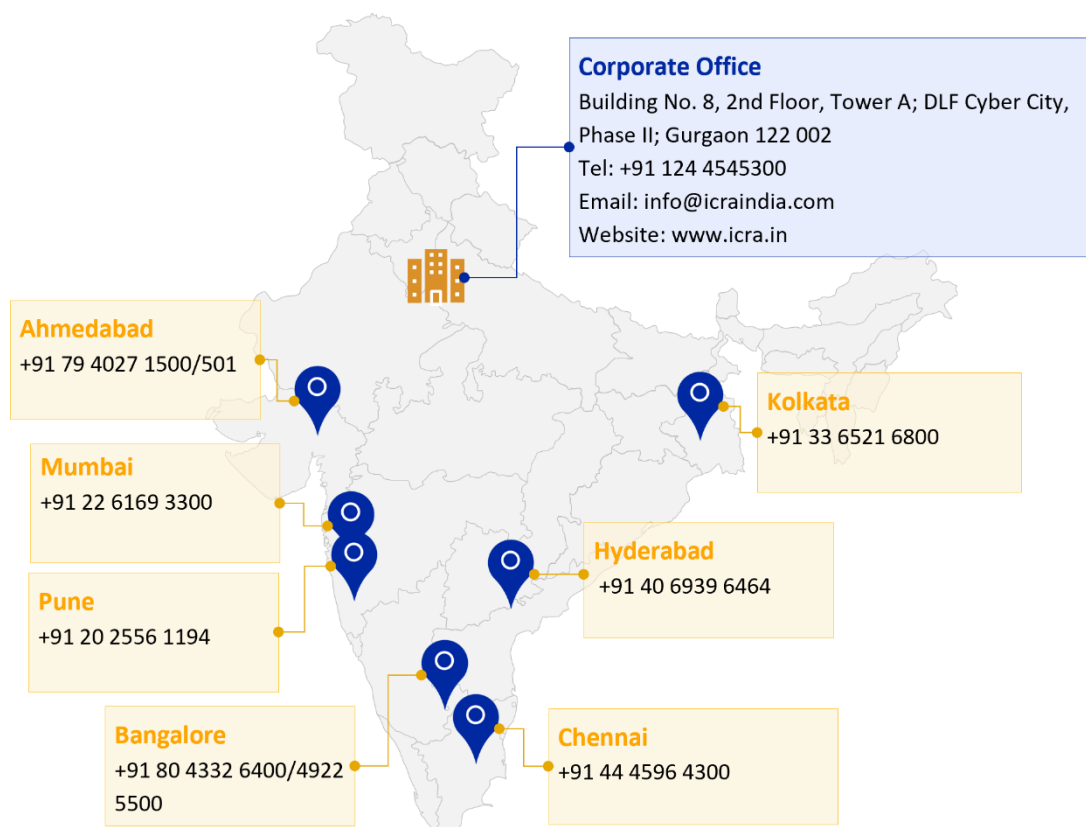
### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.