

## Food Corporation of India

June 12, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Bonds – Series VII/VII A	8,000.00	CARE AAA (CE); Stable	Reaffirmed
Bonds – Series VIII	8,000.00	CARE AAA (CE); Stable	Reaffirmed
Bonds – Series IX	8,000.00	CARE AAA (CE); Stable	Reaffirmed
Bonds – Series X	8,000.00	CARE AAA (CE); Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

The rating is based on explicit credit enhancement in the form of unconditional and irrevocable guarantee from Government of India (GoI) for servicing interest and principal repayment obligations for the entire tenure of the bond issue supported by trustee administered structured payment mechanism.

<b>Unsupported rating</b>	<b>CARE AA+ [Reaffirmed]</b>
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Note: Unsupported rating does not factor in the explicit credit enhancement.

### Rationale and key rating drivers for credit enhanced debt

The rating reaffirmation of bonds of Food Corporation of India (FCI) continues to factor in explicit credit enhancement in the form of an unconditional and irrevocable guarantee provided by the Ministry of Consumer Affairs, Food and Public Distribution, Government of India (GoI). The guarantee is also supported by a trustee-administered structured payment mechanism. The guarantees are legally enforceable, irrevocable, unconditional, cover the entire amount and tenure of rated instruments and guarantees are operating through a trustee-administered structured payment mechanism, for the timely transfer of required funds for repayment of principal and interest to a designated account, ensuring timely debt servicing. This structured payment mechanism has been consistently adhered to and is working as devised.

### Key rating drivers of FCI for unsupported rating

FCI's credit profile continues to draw strength from 100% ownership of FCI by GoI, its strategic role in India's food distribution programme through established and diversified operations including its role as an agent for executing food policies of GoI. The rating further factors in support extended by GoI for reimbursement of all expenses and funding of FCI's financial requirements. Going forward, continued support from GoI and the corporation's ability to perform its role as a facilitator for food security, while managing its liquidity position would remain crucial. The unsupported rating of FCI considers its standalone business and financial risk profile and factors in its strategic importance to GoI. FCI is the nodal agency for maintaining food security in the nation; it only implements the GoI's Food Programme and is not involved in commercial ventures. The rating also factors in expected support from GoI and that it has been incorporated through the Food Corporation Act, 1964.

### Rating sensitivities: Factors likely to lead to rating actions

**Positive factors:** Not applicable

#### Negative factors

- Changes in ownership of FCI or a reduction in focus/support from GOI.
- Non-adherence to the structure as defined in the guaranteed agreement.
- Dilution in the strategic role of FCI as the nodal agency for the India's food programme.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

## Analytical approach:

**CE Ratings:** Credit enhancement in the form of unconditional and irrevocable guarantee from GoI for servicing interest and principal repayment obligations for the entire tenure of the bond issue.

**Unsupported ratings:** The unsupported rating of FCI considers its standalone business and financial risk profile of FCI. The unsupported rating of FCI further factors in its strategic importance to GoI. FCI is the nodal implementing agency for maintaining food security in the nation and is only implementing GoI Food Programme and not involved in commercial ventures.

## Outlook: Stable

The Stable outlook on FCI's bonds reflects CARE Ratings Limited's (CareEdge Ratings) expectation that FCI will continue to receive the support from GoI given its strategic importance as the nodal agency implementing GoI Food Programme and not involved in commercial activities.

## Detailed description of key rating drivers:

### Key strengths

#### Credit enhancement for bond issue as unconditional and irrevocable guarantee from GoI for entire bond issue supported by trustee-administered structured payment mechanism

All bond issues are backed by unconditional and irrevocable guarantee for servicing entire bond issue (principal amount and accrued interest) from GoI through the Ministry of Consumer Affairs, Food and Public Distribution. A trustee-monitored structured payment mechanism is in place to ensure the timely payment of interest and principal obligations on the bond issue through a tripartite agreement between FCI, Trustee (IDBI Trusteeship Services Limited for bond issues VII, VIII & IX and SBICAP Trustee Company Limited for the bond issue X) and GOI/President of India. The trustee will facilitate timely servicing of FCI's obligations by GOI in case FCI does not have sufficient funds to do so. The following payment structure (where "T1" is assumed to be the due date for interest payments, and "T2" is assumed to be due date for principal repayments of bonds) is envisaged for meeting obligations of rated bonds:

#### Interest Payments (T1 represents interest payment due date)

Trigger Date	Action Point
(T1-30)th day*	Trustees to inform FCI and GoI in writing regarding due date of the Instrument and corresponding interest amount so that necessary arrangements could be made for meeting interest payment obligations on the instrument.
(T1-8) th day*	The designated Trust and Retention account is to be funded by FCI to the tune of interest obligations on Bonds.
(T1-7) th day*	If the designated Trust and Retention account is not funded to the requisite extent by (T1-8)th day, the Trustees shall forthwith invoke the GOI Guarantee by sending a Notice of Invocation to GoI.
(T1-3) th day*	Last date by which GoI to deposit requisite funds in the designated Trust and Retention account per the Notice of Invocation.

\* If Coupon Payment Date falls on a day that is not a business day, payment shall be made by the Issuer on the following working day in line with SEBI circular No. CIR/IMD/DF-1/122/2016 dated November 11, 2016. Interest will include interest for such additional period and Interest for such additional period so paid, shall be deducted from interest payable on the next Coupon Payment Date.

### Principal Repayment (T2 represents principal payment due date)

Trigger Date	Action Point
(T2-30)th day*	Trustees to inform FCI and the GoI in writing regarding due date of the Instrument and corresponding principal amount so that necessary arrangements could be made for meeting principal repayment obligations on the instrument.
(T2-8)th day*	The designated Trust and Retention account is to be funded by FCI to the tune of principal obligations on bonds.
(T2-7)th day*	If the designated Trust and Retention account is not funded to the requisite extent by (T2-8)th day, Trustees shall forthwith invoke the GoI Guarantee by sending a Notice of Invocation to GoI.
(T2-3)th day*	Last date, by which GoI to deposit requisite funds in the designated Trust and Retention account per Notice of Invocation.

\* If the Redemption Date (also being the last Coupon Payment Date) of the Bonds falls on a day that is not a business day, redemption proceeds shall be paid by the Issuer on the immediately preceding business day with interest accrued on the Bonds until but excluding the date of such payment.

In case of accelerated payments (which shall be triggered when investor demands for pre-payment in case of non-fulfilment of documentary requirement by FCI pertaining to the bond issue), the trustee is required to inform FCI and GoI on T+1st (T being the trigger date) and the trust account has to be funded by T+8th day, failing which, the guarantee shall be invoked by T+9th day. Last day for deposit of funds per the invocation notice shall be T+15th day.

#### Adequacy of credit enhancement structure

The government has provided guarantee for the rated bonds to FCI, which is unconditional, irrevocable and continuous in nature and covers the repayment of the principal amount of the bonds, interest accrued and other amount payable to the bondholders, in an event if the borrower, FCI, defaults in servicing these amounts to bondholders. The rating considers structured payment mechanism designed to ensure timely payment of principal and interest amount of the rated instrument, even if the guarantee has to be invoked by the Trustee. The guarantee shall not be transferrable to agency without prior approval of the Budget division of the Department of Economic Affairs, Ministry of Finance. The guarantee also carries a well-defined invocation and payment mechanism where a trustee-monitored designated Trust and Retention account has also been opened for respective issuances. This ensures timely payment of interest and principal obligations.

#### Strategic role of FCI and its established and diversified operations including its role as an agent for executing food policies of GoI

As the nodal central agency of GoI, FCI plays a significant role in maintaining India's stable/surplus food security system by acting as a facilitator for food security by providing price and market assurance to the farmers, ensuring steady food grain supplies for public distribution system (PDS), National Food Security Act (NFSA) and other welfare schemes undertaken by GoI. FCI and other State Agencies are engaged in procurement of food grains at minimum support price declared by GoI, store food grains so procured, transport surplus food grains to deficit states and issue it to state governments under the PDS at a price decided by the GOI. FCI procures grains from the farmers at the minimum support price (MSP) as determined by the central government and sells food grains at the price, also determined by the central government. The cost incurred by FCI is much higher than that of the selling price. Difference between the cost of FCI's overall operations and sales realisation through the PDS is reimbursed by the government through food subsidies. In FY24 and FY25 (Prov), FCI received food subsidy of ₹1,32,376 crore and ₹1,43,213 crore respectively. As on March 31, 2025, FCI's total debt stood at ₹90,575 crore (includes short-term loans and advances of ₹52,740 crore). As on May 15, 2025, total debt is ~₹1,05,589 crore, which includes ₹36,700 crore are bonds outstanding, ₹3889 crore of CC utilisation and ₹15,000 crore of short-term loans and advances (reduced considering receipt of subsidy) and ₹50,000 crore of ways and means advances (WMA).

**Ownership and support of GoI**

FCI is a 100% GoI-owned undertaking and nodal central agency of GoI, operates a unique business model, which runs zero-profit and zero-loss basis and accrues significant portion of its cash flow through subsidy receipt from the GoI and therefore depends on release of this subsidy to manage its funding requirements. FCI is only implementing GoI programme and is not involved in commercial ventures. Since issue prices declared by the GoI under different schemes are much lower than the cost of food grains procured, differential amount is reimbursed to FCI as food subsidy by the GoI. FCI also maintains buffer stocks of food grains as mandated by the GoI and intervene in the domestic market to control rising prices of food grains. FCI has a track record of receiving regular support from the government in the form of equity infusion and guarantee for borrowings of the Corporation. GoI supports the funding for delayed receivables, to maintain sufficient inventory and to manage its working capital requirements by equity infusion/guarantees to obtain funds from market. There has been equity conversion of WMA of ₹10,700 crore in FY25 to support working capital requirement. Repayment of these loans, including interest cost, is also carried out by GoI by providing additional subsidy/new loans. FCI has been operating for over five decades. FCI's management is vested in the Board of Directors appointed by the central government.

**Liquidity: Strong**

The rating is supported by unconditional and irrevocable Guarantee from GoI. The payment T-structure has been designed accordingly, and the trustee-administration ensures that it is followed. Servicing FCI's debt is expected through budgetary provision and trustee-controlled payment mechanism, so that adequate funds are made available by the GOI to service debt in a timely manner and liquidity position of the guarantor (GoI) is strong.

FCI's liquidity profile, without factoring in explicit credit enhancement, is adequate. Since FCI needs to maintain buffer stock of close to six months to ensure National Food Security, and high level of receivables from GoI, majorly food subsidy receivables, it has high reliance on external borrowing, including working capital limits to support its operations. FCI also avails multiple short-term loans with different banks for supporting its working capital requirement. However, support from GoI and its ability to raise funds provide comfort to its liquidity position. FCI has access to sources of finances such as Cash Credit limits, working capital loans, ways and means advance and unsecured short-term loans to support its operations. It is to be noted that FCI's reliance on the external debt has reduced in the last few years considering increased budgetary allocation by GoI to reduce its (GoI's) off-balance exposure.

**Environment, social, and governance (ESG) risks: Not applicable****Applicable criteria**

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Credit Enhanced Debt](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

**Adequacy of credit enhancement structure:** Adequate, as facilities rated by CareEdge Ratings are fully backed by unconditional, and irrevocable corporate guarantee given by GoI till the tenor of the instrument. The guarantee will not be transferrable to any agency without prior approval of the Budget division of the Department of Economic Affairs, Ministry of Finance. A trustee monitored designated trust and retention account has been opened for the issuances and a well-defined T-structure, ensures timely payment of interest and principal obligations.

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial services & supplies	Trading & distributors

FCI is a public sector undertaking under the Department of Food & Public Distribution, Ministry of Consumer Affairs, Food & Public Distribution, Government of India (GoI), wholly owned by GoI, and is the main agency responsible for execution of food policies of the GoI. FCI was constituted on January 14, 1965, under The Food Corporations Act, 1964, to fulfil objectives of the Food policy of GoI through effective price support operations for safeguarding interests of farmers, distribution of food grains throughout the country for PDS and maintaining satisfactory level of operational and buffer stocks of food grains to ensure National Food Security. FCI operates through a country-wide network with its corporate office in New Delhi, five zonal offices in major metros, 24 regional offices in major state capitals and over 165 divisional offices.

The GoI fixes the MSP of food grains, at which procurement is made from farmers. The central issue price (CIP) of food grains and allocations of quantity of food grains under National Food Security Act (NFSA) and Welfare schemes of GoI, for different states/union territories (UTs) are fixed by the GoI. Difference between the Economic Cost (MSP, Procurement Incidentals and Distribution Cost) and the CIP is the operational loss of the Corporation, which is reimbursed by the GoI as food subsidy. GoI also reimburses the cost of carrying buffer stock of food grains to FCI as part of food subsidy. Arrears of food subsidy stood Nil as on March 31, 2025 (PY: Nil).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (Prov.)
Total operating income	2,25,650.66	1,61,159.66	1,69,093.84
PBILDT	2,054.35	3,426.75	1,937.63
PAT	0.00	0.00	0.00
Overall gearing (times)	4.10	5.10	4.36
Interest coverage (times)	0.56	1.04	0.51

A: Audited Prov.: Provisional; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Bonds	INE861G08043	01-Mar-2019	8.95	01-Mar-2029	2737.70	CARE AAA (CE); Stable
Bonds	INE861G08068	09-Jan-2020	7.60	09-Jan-2030	5262.30	CARE AAA (CE); Stable
Bonds	INE861G08050	12-Dec-2019	7.64	12-Dec-2029	8000.00	CARE AAA (CE); Stable
Bonds	INE861G08076	23-Oct-2020	6.65	23-Oct-2030	8000.00	CARE AAA (CE); Stable
Bonds	INE861G08084	13-Aug-2021	7.09	13-Aug-2031	8000.00	CARE AAA (CE); Stable
Un Supported Rating		-	-	-	0.00	CARE AA+

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Bonds	LT	8000.00	CARE AAA (CE); Stable	-	1)CARE AAA (CE); Stable (14-Jun-24)	1)CARE AAA (CE); Stable (21-Jul-23)	1)CARE AAA (CE); Stable (25-Jul-22)
2	Bonds	LT	8000.00	CARE AAA (CE); Stable	-	1)CARE AAA (CE); Stable (14-Jun-24)	1)CARE AAA (CE); Stable (21-Jul-23)	1)CARE AAA (CE); Stable (25-Jul-22)
3	Un Supported Rating	LT	0.00	CARE AA+	-	1)CARE AA+ (14-Jun-24)	1)CARE AA+ (21-Jul-23)	1)CARE AA+ (25-Jul-22)
4	Bonds	LT	8000.00	CARE AAA (CE); Stable	-	1)CARE AAA (CE); Stable (14-Jun-24)	1)CARE AAA (CE); Stable (21-Jul-23)	1)CARE AAA (CE); Stable (25-Jul-22)
5	Bonds	LT	8000.00	CARE AAA (CE); Stable	-	1)CARE AAA (CE); Stable (14-Jun-24)	1)CARE AAA (CE); Stable (21-Jul-23)	1)CARE AAA (CE); Stable (25-Jul-22)

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities**

Name of the Instrument	Detailed Explanation
<b>Bonds</b>	
<b>A. Financial covenants</b>	<b>NA</b>
<b>B. Non-financial covenants</b>	
<b>I</b>	GoI guarantee would only cover principal amount and normal interest.
<b>II</b>	The guarantee shall not be transferrable to any agency without prior approval of the Budget division of the Department of Economic Affairs, Ministry of Finance.
<b>III</b>	Annual review of guarantees and proper utilisation of funds so guarantees shall be undertaken to curtail risk of default.
<b>IV</b>	In case of default, trustee shall invoke GoI guarantee forth so that GoI can transfer the fund to the designated trust and retention account before due date, but the invocation should be within 60 days from commencement of default. In case,

	the guarantee is not invoked within the stipulated period of 60 days, GoI shall not be liable to pay interest beyond commencement of default. In case, the guarantee is not invoked within the stipulated period of 60 days, the guarantee shall cease to exist only for that portion of demand, for which, the GoI guarantee has not been invoked.
<b>V</b>	Prior written concurrence or consent of GoI shall be obtained for modification, amendments, alteration and/or variation in the terms of the bonds, which may result in enhancement of liability or guarantee obligations of GoI.

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds	Simple
2	Un Supported Rating	Simple

#### Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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