DFM Foods Limited

July 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	63.27 (Reduced from 78.36)	CARE BBB-; Stable	Downgraded from CARE BBB; Negative
Long-term / Short-term bank facilities	20.00	CARE BBB-; Stable / CARE A3	LT rating downgraded from CARE BBB; Outlook revised from Negative and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has downgraded the long-term rating assigned to bank facilities of DFM Foods Limited (DFM) from CARE BBB; Negative to CARE BBB-; Stable, while reaffirming the short-term rating at CARE A3. The downgrade factors in continued moderation in the company's credit profile, primarily considering lower-than-expected operating profitability and elevated leverage metrics in FY25 (refers to April 01 to March 31). While total debt levels have declined year-on-year (y-o-y), they remain higher than anticipated, resulting in moderation in credit metrics, with interest coverage moderating to 1.10x (PY: 1.15x) and total debt to profit before interest, lease rentals, depreciation and taxation (TD/PBILDT) deteriorating to 8.85x (PY: 6.78x). Pressure on profitability was driven by volatile raw material costs, particularly palm oil, which saw an ~18% y-o-y increase in procurement prices, following import duty hike in September 2024. This, and higher packaging costs, adversely impacted PBILDT margin, which contracted to 1.17% in FY25 from 2.26% in FY24, reflecting deterioration in overall margin profile.

The company's liquidity remains stretched, despite positive cash flows from operations aided by a negative working capital cycle. The company had liquid investments of ₹20.49 crore as on March 31, 2025, and expected to partially liquidate these in FY26 to meet debt obligations and capex commitments. Ratings remain constrained subdued return indicators, and continued susceptibility of margins to input cost volatility and intense competition in the fragmented snack foods segment. The business remains regionally concentrated with ~80% of revenues derived from northern India, although the company is gradually expanding its footprint in eastern markets.

Ratings continue to derive comfort from DFM's established brand equity under the 'Crax' umbrella, which enjoys strong visibility and recall, especially in northern India. The company's diversified product portfolio and continuous new product introductions, including Crax Choco Rings and expansion into the namkeen category, have supported volume growth. Total Operating Income (TOI) grew by ~27% y-o-y to ₹705.77 crore in FY25, and further reported a 31% y-o-y growth in Q1FY26. The company's growing presence in the e-commerce channel and ongoing distribution expansion are expected to support further growth. Revision in outlook to 'Stable' reflects Care Edge Ratings' expectation of steady revenue growth and gradual improvement in profitability, supported by easing input costs and operational leverage. Sustained improvement in margins, prudent liquidity management will remain key rating monitorable.

CareEdge also notes the presence of pending GST litigations, which remain a key monitorable. A qualified audit opinion for FY24, based on a fact-finding report by an external agency, pointed to inflated procurement expenses and potential vendor collusion involving former employees. While the management has initiated corrective actions, including terminating vendor relationships and reinforcing internal controls, sustained vigilance is critical.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in gross cash accruals (GCA) to over ₹40 crore considering rise in scale of operations and/or improvement in operating profitability on a sustained basis.
- Improvement in profitability, leading to strengthening of the debt coverage metrics with TD/PBILDT to remain below 3.5x on a sustained basis.
- Significant equity infusion covering the losses and strengthening overall gearing to below 0.25x on a sustained basis.

Negative factors

- Decline in profitability or/ and increase in debt, leading to TD/PBILDT above 4.5x.
- The company's inability to report growth in revenue and profitability

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Analytical approach: Standalone

Outlook: Stable

Stable outlook factors the company's long track record of operations with strong brand presence in the snacks segment and expectations of improving scale of operations and debt coverage metrics, going forward.

Detailed description of key rating drivers:

Key strengths

Strong brand equity with established market position in northern India and expanding distribution footprint

DFM Foods has built a strong brand presence in the Indian packaged snacks segment through its flagship brand 'CRAX', introduced in 1984. Backed by sustained branding and marketing efforts in the last three decades, the company enjoys high brand recall, particularly in northern India. Its portfolio comprises over 22 products across snacks and namkeen categories. While the company initially targeted the children's segment with products such as Crax Rings, it has strategically diversified its offerings to cater to a broader consumer base. Recent additions, including namkeen variants and the launch of Crax Choco Rings in FY26, underscore its focus on continuous innovation and portfolio expansion. With a wide and growing distribution network of over 1,700 distributors across India, DFM is also actively strengthening its presence in eastern markets as part of its geographic diversification strategy.

Significant growth in TOI supported by product diversification

DFM reported TOI of ₹705.77 crore in FY25, registering a robust y-o-y growth of ~27% over ₹553.70 crore in FY24. This growth was primarily led by strong traction in newly launched products, particularly Crax-Pipes, introduced under the namkeen category in FY24. The company has a well-diversified product portfolio comprising snacks such as Crax Rings, Curls, Fritts, Natkhat, and a range of namkeens and potato chips. Revenue contribution from Crax Corn Rings declined from over 40% in FY20 to ~20% in FY25, indicating successful de-risking the product mix and reduced reliance on a single offering. The company has scaled up its e-commerce presence, contributing to incremental sales. In Q1FY26, DFM reported TOI of ~₹194 crore, reflecting a ~31% growth over ₹148 crore in the corresponding period of the previous year.

Key Weaknesses

Moderate capital structure and weak debt coverage indicators

DFM's capital structure continues to remain moderate, with a marginal improvement in overall gearing to 0.88x as on March 31, 2025, compared to 0.96x in the previous year, supported by scheduled debt repayments. However, despite reduction in debt, credit metrics have weakened, primarily due to lower-than-expected profitability. The company's interest coverage ratio declined to 1.10x in FY25 from 1.15x in FY24, and TD/PBILDT deteriorated to 8.85x from 6.78x, indicating reduced debt servicing ability. The TD to gross cash accruals (TD/GCA) remained high at 7.59x, reflecting pressure on internal accrual generation and constrained financial flexibility. While some repayments were met through internal accruals, CareEdge Ratings notes partial dependence on liquidation of investments to meet obligations, which also limits the company's financial headroom.

Vulnerable operating margins due to raw material volatility and rising input costs

The company's profitability profile remains susceptible to fluctuations in input costs, particularly palm oil, which forms a key raw material in snack production. In FY25, the company reported a decline in gross margin to ~40% (from 44% in FY24) and a contraction in PBILDT margin to 1.17%, down from 2.26% in the previous year. This deterioration was largely driven by an ~18% year-on-year increase in palm oil procurement cost following the import duty hike announced in September 2024. Rising packaging costs in H2FY25 further impacted margins. Although the company has initiated price rationalisation and cost optimisation measures, margin profile remains exposed to commodity price cycles. That said, some recovery was visible in Q1FY26, where the company reported a PBILDT margin of ~3.91% versus 2.97% in the same period of the previous year, supported by the recent reduction in edible oil import duties effective May-end 2025.

High competition in fragmented industry limits pricing power

DFM operates in a highly fragmented and competitive snacks industry, facing pricing and market share pressure from established national players and agile regional brands. The commoditised nature of several product segments restricts significant price pass-through, particularly in periods of elevated input costs, impacting profitability. In this context, product innovation and branding become critical to sustaining differentiation and volumes. While DFM has shown improvement in product diversification, inherent industry risk remains a credit constraint.

Regional concentration and slow ramp-up of new capacities

Revenue concentration remains high, with ~80% of TOI derived from northern India, exposing the company to region-specific demand and distribution risks. While DFM has initiated efforts to diversify geographically, including commissioning manufacturing capacity in eastern India in FY24 and FY25, the benefits from this expansion are expected to accrue gradually. Execution of this regional diversification and realisation of associated operating leverage will remain important for mitigating concentration risks in the medium term.

Liquidity: Stretched
DFM's liquidity position remains stretched, with estimated GCA of ₹19–20 crore in FY26 against repayment obligations of ₹18–19 crore, and planned capex of ₹9–10 crore. The company had cash and liquid investments of ₹20.49 crore as on March 31, 2025, which are expected to be partially utilised for debt servicing. Liquidity is supported to some extent by its efficient working capital cycle, reflected in a low collection period of three days and moderate working capital utilisation of ~52%. However, reliance on investment liquidation and limited free cash flow buffer constrain overall liquidity flexibility. Sustained improvement in operating margins and internal accruals remains key for easing liquidity stress.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Food products	Other food products

DFM was established in 1983 and is engaged in manufacturing, distributing, and marketing packaged foods under well-known brand 'CRAX'. As on March 31, 2025, the company's total installed capacity is 45,296 MTPA, including the capacity added at the Kolkata plant. DFM is currently promoted by Advent International – a global private equity (PE) firm.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (P)	Q1FY26(UA)
Total operating income	553.70	705.77	194.40
PBILDT	12.51	8.26	7.60
PAT	-6.07	-12.15	NA
Overall gearing (times)	0.96	0.88	NA
Interest coverage (times)	1.15	1.10	NA

A: Audited P; Provisional; UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: The rating was downgraded to B/A4 from BB+/A4+ by CRISIL Ratings, vide its PR dated January 22, 2025, due to non-receipt of information.

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
Fund-based - LT-Term Loan		-	-	30-09-2027	28.27	CARE BBB-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	35.00	CARE BBB-; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	20.00	CARE BBB-; Stable / CARE A3

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	Fund-based - LT-Term Loan	LT	28.27	CARE BBB-; Stable	-	1)CARE BBB; Negative (31-Oct-24)	1)CARE BBB; Negative (04-Dec-23) 2)CARE BBB+; Stable (12-Sep-23)	1)CARE BBB+; Stable (23-Dec-22) 2)CARE A; Negative (03-Jun-22)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	20.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB; Negative / CARE A3 (31-Oct-24)	1)CARE BBB; Negative / CARE A3+ (04-Dec-23) 2)CARE BBB+; Stable / CARE A2 (12-Sep-23)	1)CARE A2 (23-Dec-22) 2)CARE A1 (03-Jun-22)
3	Fund-based - LT-Working Capital Limits	LT	35.00	CARE BBB-; Stable	-	1)CARE BBB; Negative (31-Oct-24)	1)CARE BBB; Negative (04-Dec-23)	1)CARE BBB+; Stable (23-Dec-22)

							2)CARE BBB+; Stable (12-Sep-23)	2)CARE A; Negative (03-Jun-22)

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Fund-based/Non-fund-based-LT/ST	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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About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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