



Press Release
Food Corporation of India
August 04, 2023

Rating Reaffirmed & Withdrawn and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6000.00	ACUITE AAA Reaffirmed & Withdrawn	-
Bank Loan Ratings	3495.00	Not Applicable Withdrawn	-
Bank Loan Ratings	50000.00	-	ACUITE A1+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	59495.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long term rating of '**ACUITE AAA**' (read as **ACUITE triple A**) on the Rs. 6000.00 Cr. bank facilities and the short-term rating of '**ACUITE A1+**' (read as **ACUITE one plus**) on the Rs. 50,000.00 Cr. bank facilities of Food Corporation of India (FCI).

Further, Acuite has withdrawn the long term rating on the Rs 3495.00 Cr bank facilities of Food Corporation Of India.

The rating is being withdrawn on account of request received from the company and NOC/NDC received from the banker as per Acuite's policy of withdrawal of ratings.

Rationale for Reaffirmed Rating

The rating reaffirmed considers the 100 percent ownership of Government of India (GoI) in FCI, its strategically important role in domestic food security through a well-established chain of operations from procurement, storage, transport to distribution of food grains and other food items across the country. Further, the rating also takes into cognizance of FCI's liquidity position that is strong and well supported by its access to funds at competitive rates, like short-term loans, food credits, CC limits and GOI guaranteed bonds.

About the Company

FCI is an organization created and run by the Government of India. It is a statutory body under the Ministry of Consumer Affairs, Food and Public Distribution of Government Of India which was set up under the Food Corporation's Act 1964 in order to fulfill following objectives of the food policy:

- Effective price support operations for safeguarding the interests of the farmers
- Distribution of food grains throughout the country for public distribution system
- Maintaining satisfactory level of operational and buffer stocks of food grains to ensure national food security
- Regulate market price to provide food grains to consumers at a reliable price

FCI was established in 1964 for the purpose of procurement, storage and distribution of food grains. It has been playing a major role in the food security of India.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of FCI for arriving

at the rating while also taking account of the inherent backing of GOI given its 100 percent ownership in the former and strategic importance of the corporation for the country.

Key Rating Drivers

Strengths

Critical importance of the Corporation for food security and complete GoI ownership

FCI is a 100 percent GoI owned undertaking that has been operational more than five decades now. It was established in 1964 for the purpose of procurement, storage and distribution of food grains. It has been playing a major role in the food security of India. FCI was incorporated with the intent to safeguard the interest of the farmers, distribution of food grains throughout the country by way of public distribution system and maintaining satisfactory levels of buffer stock to ensure national food security.

FCI's credit profile is strengthened by a strong expectation of support from the Government of India whereby GoI has provided an undertaking to reimburse the losses arising out of the MSP operations in the form of food subsidy. Additionally, GoI has also issued a Letter of Comfort in favour of FCI's lenders, which shows Government's commitment to support the operations of FCI. The strong parentage in the form of the sovereign ownership and the pronouncements in the form of Letter of Comfort as well as the loss reimbursement undertaking has enabled FCI to raise funds at competitive pricing from the financial institutions.

Acuité believes that FCI will continue to play a pivotal role in government's support to the farmers and will benefit from the ownership of Government of India.

Extensive infrastructure for storage and distribution

FCI is the nodal agency for procurement, storage and distribution of essential food items in our country. FCI along with other State Agencies undertakes procurement of wheat and paddy under price support scheme. Coarse grains are procured by State Government Agencies for Central Pool as per the direction issued by GOI on time to time. The procurement under Price Support is taken up mainly to ensure remunerative prices to the farmers for their produce which works as an incentive for achieving better production. As a nodal agency of procurement, FCI is also required to store the huge inventory of food grains over a significant period of time to ensure national food security. Besides having own storage capacity, FCI has hired storage capacities from Central Warehousing Corporation, State Warehousing Corporations, State Agencies and Private Parties for short term as well as for guaranteed period under Private Entrepreneurs Guarantee Scheme.

These stocks are transported throughout India and issued to the State Government nominees at the rates declared by the GOI for further distribution under the Public Distribution System (PDS) for the consumption of the ration card holders. FCI by itself is not a decision-making authority, it does not decide anything about the MSP, imports or exports. It just implements the decisions made by the Ministry of Food and Ministry of Agriculture.

FCI being the nodal central agency of GoI, plays a significant role in maintaining India's surplus food security system by acting as a facilitator for food security by providing price & market assurance to the farmers, ensuring steady food grain supplies for Public Distribution System (PDS), Targeted PDS (TPDS) National Food Security Act, 2013 (NFSA) and other welfare schemes undertaken by GoI.

Weaknesses

Volatility in PDS requirement

Production of food grains are largely dependent upon the factors like monsoon, Minimum Support Price amongst others. The wide variation in production puts a challenge on handling the high level of procurement, storage, movement and distribution of food grains. Similarly, at the time of low production, the Corporation has to import food grains to meet PDS

requirement. The depleting man power at the Corporation makes the wide variation in the operations a challenge to manage.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Changes in ownership of FCI or diversion of support from Gol

Material covenants

None

Liquidity Position Strong

FCI's has large availability of funds in the form of short-term loans, food credits, CC limits and GOI guaranteed bonds to support the operations. Further, its large working capital limits are owing to the heavy procurement and storage of food grains for over a period of 6 months as a matter of national food security. The working capital borrowings stood at Rs. 4003.55 Cr. as on 31 March 2023 (Provisional) on account of decrease in the inventory levels. The ownership and the company's strategic importance to the government strongly supports its ability to raise additional debt at a competitive rate from its lenders, thereby mitigating any liquidity risks.

Outlook :

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	226511.52	236527.59
PAT	Rs. Cr.	0.00	0.00
PAT Margin	(%)	0.00	0.00
Total Debt/Tangible Net Worth	Times	4.09	6.31
PBDIT/Interest	Times	1.03	1.03

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 May 2022	Short Term Loan	Short Term	1500.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	22500.00	ACUITE A1+ (Reaffirmed)
	Proposed Bank Facility	Long Term	3495.00	ACUITE AAA Stable (Reaffirmed)
	Short Term Loan	Short Term	10750.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	1000.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	14250.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	6000.00	ACUITE AAA Stable (Reaffirmed)
20 Jan 2022	Short Term Loan	Short Term	14250.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	22500.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	1000.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	9495.00	ACUITE AAA Stable (Reaffirmed)
	Short Term Loan	Short Term	12250.00	ACUITE A1+ (Reaffirmed)
01 Dec 2021	Cash Credit	Long Term	9495.00	ACUITE AAA Stable (Assigned)
	Short Term Loan	Short Term	13500.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	21250.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	14250.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	1000.00	ACUITE A1+ (Reaffirmed)
14 Oct 2021	Short Term Loan	Short Term	14250.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	13500.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	1000.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	21250.00	ACUITE A1+ (Reaffirmed)
14 Jul 2021	Short Term Loan	Short Term	13800.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	11350.00	ACUITE A1+ (Reaffirmed)
	Proposed Bank Facility	Short Term	24850.00	ACUITE A1+ (Reaffirmed)
	Short Term Loan	Short Term	14000.00	ACUITE A1+ (Assigned)
	Short Term Loan	Short Term	1000.00	ACUITE A1+ (Assigned)
		Short		

04 Feb 2021	Short Term Loan	Term	11350.00	ACUITE A1+ (Assigned)
	Short Term Loan	Short Term	14650.00	ACUITE A1+ (Assigned)
	Short Term Loan	Short Term	2500.00	ACUITE A1+ (Assigned)
	Short Term Loan	Short Term	12000.00	ACUITE A1+ (Assigned)
	Short Term Loan	Short Term	7500.00	ACUITE A1+ (Assigned)
	Short Term Loan	Short Term	12000.00	ACUITE A1+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6000.00	ACUITE AAA Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3495.00	Not Applicable Withdrawn
Indusind Bank Ltd	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	1500.00	ACUITE A1+ Reaffirmed & Withdrawn
Union Bank of India	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	10750.00	ACUITE A1+ Reaffirmed & Withdrawn
South Indian Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	1000.00	ACUITE A1+ Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	22500.00	ACUITE A1+ Reaffirmed & Withdrawn
Punjab National Bank	Not Applicable	Short-term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	14250.00	ACUITE A1+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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