

Heritage Foods Ltd — 05 Mar 2026 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	A+ → AA- (1 Notch Upgrade)
Outlook	Stable (Current) vs Positive (Previous)
Key Drivers of Change	Scale & Market Dominance: Revenue grew to ₹4,134.60 Cr (FY25); double-digit growth expected, led by 15-18% growth in high-margin Value-Added Products (VAP). Profitability Surge: PAT increased ~77% YoY to ₹187 Cr in FY25 (up from ₹105 Cr in FY24) despite milk price volatility. Low Leverage: Adjusted Debt/Networth remains superior at 0.14x (FY25), providing massive headroom for expansion. Strong Accruals: Net cash accruals projected at ₹210–275 Cr per annum, sufficient to fund future growth.
Rated Instruments	Long Term Loans: ₹496 Cr
Key Observations	• (+) Market Position: Top-tier private dairy player in South India with robust brand equity. • (+) Working Capital Efficiency: Managed prudently with inventory at ~35 days and low debtor levels. • (+) Interest Coverage: Exceptionally strong at 19.4x (9M FY26), indicating negligible default risk. • (+) Capital Structure: Networth is strong at ~₹970 Cr (March 2025). • (-) Geographic Risk: Revenue heavily concentrated in South India (AP and Telangana). • (-) Procurement Volatility: Susceptible to fluctuations in raw milk prices and limited ability to pass on costs immediately due to competition. • (-) Regulatory Risks: Vulnerable to government policy changes and biological risks (epidemics).
Investor Impact	• Margins: Shift toward VAP (15-18% growth) is a structural positive for long-term EBITDA expansion. • Leverage: Gearing expected to stay <0.5x despite ₹150–200 Cr annual capex, reducing financial risk. • Dilution Risk: Nil; strong internal accruals and low debt mean no immediate need for equity infusion. • Growth: Sizeable debt-funded capex planned to support double-digit revenue trajectory.
Agency / Cross Analysis	Same Agency: CRISIL moved the rating from A+/Positive to AA-/Stable. The transition confirms that the "Positive" triggers (sustained revenue growth and margin stability) have been met. Financial indicators like interest coverage (19.4x) and gearing (0.14x) have improved or stabilized at high levels compared to the previous review. Conclusion: Structural improvement in the balance sheet and scale.
Final Inference	Real Improvement: The upgrade reflects a transition to a "High Investment Grade" category, driven by a shift in product mix (VAP) and disciplined capex management. This lowers the cost of capital and signals a de-risked business model to equity markets.