

September 28, 2023

## Mosaic India Private Limited: Rating reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short term – Fund based – Cash credit	570.0	901.0	[ICRA]A1+; reaffirmed/assigned for enhanced amount
Commercial paper programme	200.0	200.0	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>770.0</b>	<b>1,101.0</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The rating reaffirmation continues to take into account the strong parentage of Mosaic India Private Limited and the demonstrated business and financial support from the parent, The Mosaic Company, rated Baa2 (Stable) by Moody's Investors Service. The support is expected to continue in the future, given the strategic importance of India as a consumption centre for di-ammonium phosphate (DAP) and the high import dependence for the same. Mosaic is one of the largest P&K manufacturers in the world in terms of capacity and is a major exporter to India, a large part of which is facilitated through MIPL. Due to the ability of MIPL to get extended credit periods from Mosaic, the company's dependence on debt has remained limited. ICRA believes that the long-term domestic demand prospects for DAP and MOP remain favourable, given the deficiency of phosphatic and phosphorous nutrients in Indian soil.

The liquidity position of the company remains strong because of its high financial flexibility due to the demonstrated support from the parent, significant un-encumbered cash balances and large unutilised bank limits backed by corporate guarantee/letter of comfort from the parent.

The traded sales volumes, after declining in FY2022, improved in FY2023, though they remain lower than the FY2021 levels. This was owing to muted profitability in FY2023 as the international prices of DAP and MOP increased significantly and the rise was more than the increase in nutrient-based subsidy (NBS) rates by the Government. Moreover, there was a retrospective revision in NBS rates w.e.f. January 01, 2023, which was followed by another downward revision w.e.f. April 01, 2023, which translated into inventory losses for a lot of fertiliser companies, including MIPL. This resulted in a muted financial profile in FY2023. The operating profits are expected to be better in FY2024, although they are likely to remain lower than the FY2021 and FY2022 levels.

The rating considers the vulnerability of the fertiliser sector's profitability, particularly the P&K segment, to regulatory policies and agro-climatic conditions, and the sensitivity of fertiliser cash flows to timely subsidy receipts from the Government of India (GoI). The rating also factors in the vulnerability of profitability to foreign exchange fluctuations. The working capital intensity remains moderate due to support from the parent company in terms of extended credit period at market interest rates as well as expectations of timely receipt of subsidy.

### Key rating drivers and their description

#### Credit strengths

**Strong parentage of The Mosaic Company, US** – MIPL is a wholly-owned subsidiary of The Mosaic Company US {Mosaic; rated Baa2 (Stable) by Moody's} and receives significant support in the form of extended credit periods and assured supply of DAP and MOP for sale in India. Mosaic has also provided corporate guarantee and letter of comfort, backing the entire bank lines of the company.

**Strategic importance of MIPL to Mosaic as India is a leading market for DAP and MOP and has high import dependence** – Mosaic is one of the largest manufacturers of DAP and MOP globally and India is an important market. The demand prospects for DAP and MOP remain favourable in India, given the nutrient imbalance in Indian soil. India imports nearly 50% of its annual demand for DAP as domestic production is insufficient to meet the domestic demand. India is entirely reliant on imports to meet its demand for MOP, given the non-availability of domestic sources. Thus, MIPL is strategically important for Mosaic to retain its market share in India.

**Healthy liquidity position** – The liquidity remains healthy with the presence of sizeable cash balances as well as unutilised bank limits. The working capital intensity has reduced with the timely receipt of subsidy, ensuring a healthy liquidity position for the company.

### Credit challenges

**Vulnerability of profitability to agro-climatic and regulatory risks of the fertiliser industry and imports in particular** - The profitability of the fertiliser sector remains vulnerable to the regulatory policies set forth by the Govt i.e. the subsidy levels under the nutrient-based subsidy (NBS) scheme etc. Agro-climatic risks like a weak monsoon also impact the profitability of the fertiliser sector as the industry has to offer higher discounts to the stressed end users.

**High volatility in historical key credit metrics due to trading nature of business** - MIPL’s financial performance has remained volatile over the past few years as the profitability of P&K fertilisers in India has been volatile. The volatility has also been caused by the currency fluctuations, which have kept the profitability subdued in recent years due to foreign exchange losses. The profitability had moderated significantly in FY2023, driven by the inadequate contribution from the sale of DAP and MOP. However, the contribution of DAP is expected to improve in FY2024 owing to softened international prices and adequate subsidy portion.

**Vulnerability of profitability to foreign exchange fluctuation and commodity price risk** - MIPL relies on imports from its parent to procure DAP and MOP for sale in India. As a result, the company is exposed to foreign exchange risks. The company hedges majority of its foreign exchange exposure using plain-vanilla forwards, mitigating the risk to an extent. The company has recorded foreign exchange losses in recent years due to the volatility in currency.

### Liquidity position: Strong

MIPL’s liquidity position remains healthy, characterised by the availability of unutilised limits and sizeable free cash balances. The company’s liquidity position remains strong because of the support from the parent in the form of extended credit period at market-linked interest rates.

### Rating sensitivities

**Positive factors** – NA

**Negative factors** – Pressure on MIPL’s rating could arise if the credit profile of the parent, The Mosaic Company, weakens, or the linkage between the parent and MIPL weakens, or if there is a deterioration in MIPL’s credit profile.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Fertilizer Entities</a> <a href="#">Impact of Parent or Group Support on an Issuer’s Credit Rating</a>
Parent/Group support	Parent Company: The Mosaic Inc (USA) The rating factors in the support from the parent in the form of extended credit period offered to MIPL along with the corporate guarantees and comfort letters backing the bank lines
Consolidation/Standalone	The rating is based on the standalone financials of Mosaic India Private Limited (MIPL)

## About the company

Mosaic India Private Limited (MIPL) is a wholly-owned subsidiary of The Mosaic Company [Mosaic, rated Baa2 (Stable) by Moody's, updated from Baa3(Stable)]. MIPL is involved in the trading and marketing of fertilisers, primarily di-ammonium-phosphate (DAP) and muriate of potash (MOP), in India. Mosaic is the world's leading producer of concentrated phosphate and potash in terms of capacity. Mosaic was formed in October 2004 following merger of Cargill Crop Nutrition and IMC Global. In January 2011, Cargill Inc. divested its 64.3% stake in Mosaic through a demerger process, resulting in Mosaic becoming a widely held company.

## Key financial indicators (audited)

MIPL Standalone	FY2022	FY2023*
Operating income	2399.4	4362.4 <sup>#</sup>
PAT	225.5	-251.8 <sup>@</sup>
OPBDIT/OI	12.9%	-4.0%
PAT/OI	9.4%	-5.8%
Total outside liabilities/Tangible net worth (times)	0.3	3.1
Total debt/OPBDIT (times)	0.5	0.0
Interest coverage (times)	50.7	-9.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; \* Provisional Numbers

<sup>#</sup>Audited Operating income for FY2023 is Rs. 4365.1 crore, <sup>@</sup>Audited PAT for FY2023 is Rs. -192.6 crore

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

## Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Sept 28, 2023	Sept 29, 2022	Sept 24, 2021	Sept 28, 2020
1 Short term – Fund based – Cash credit	Short term	901.0	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2 Commercial paper	Short term	200.0	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Short term – Fund based – Cash credit	Simple
Commercial paper	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	Short term – Fund based – Cash credit	NA	NA	NA	901.00	[ICRA]A1+
Not Placed	Commercial paper	NA	NA	NA	200.00	[ICRA]A1+

Source: Company

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

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