January 29, 2024(Revised)

Cargill India Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount	Current Rated Amount	Rating Action
Long term/short-term facilities – (part of regional umbrella facilities for Asia Pacific subsidiaries of Cargill Incorporated)^	USD 75.00 million	USD 75.00 million	[ICRA]AA-(Stable)/[ICRA]A1+; reaffirmed
Short term – Umbrella facilities (part of regional umbrella facilities for Asia Pacific subsidiaries of Cargill Incorporated)^	USD 355.13 million	USD 355.13 million	[ICRA]A1+; reaffirmed
Total	**USD 430.13 million**	**USD 430.13 million**	
Commercial paper	**Rs. 300 crore**	**Rs. 300 crore**	[ICRA]A1+; reaffirmed

**Instrument details are provided in Annexure I; ^ Part of the regional umbrella facilities for Asia Pacific subsidiaries of Cargill Incorporated*

Rationale

The reaffirmation of the ratings continues to factor in the strong parentage of Cargill India Private Limited (CIPL), being part of Cargill Inc. {the ultimate parent, rated A2 (Stable)/P-1 by Moody's Investor Services}. CIPL and Cargill Inc. have close business linkages and CIPL is of strategic importance to its parent. ICRA expects timely financial support from the Cargill Group to CIPL, evident from the consistent track record of financial support in the past. The parent has invested in setting up CIPL's manufacturing infrastructure in India. Besides, Cargill Inc. continues to invest in inorganic growth prospects in India. Further, CIPL benefits from the strong operational linkages with its parent as well as access to its relationships for sourcing raw materials and tradeable commodities. Its association with Cargill Inc. also gives it the benefit of extended credit period, global relationships in food and related industries, access to knowledge related to commodity flows and the alignment of risk management practices with the parent.

The ratings also factor in the large scale of operations. Going forward, the growth would be supported by the addition of the Nellore-based edible oil facility along with the commencement of enhanced capacities across segments.

The ratings, however, are constrained by the relatively low profitability of the entity because of the limited pricing power in the edible oil and agro commodity trading and processing businesses owing to stiff competition and the volatility in input prices and foreign exchanges rates. The operating profitability declined in FY2023 owing to inventory losses from the drop in edible oil prices. The exposure of CIPL's trading business to changes in Government policies for agricultural commodities also poses a risk. The ratings also factor in the modest debt protection at the standalone level, resulting from thin margins and relatively high borrowings to fund the working capital requirements.

Key rating drivers and their description

Credit strengths

Strategic importance in Cargill Inc's portfolio – As a subsidiary of Cargill Inc., the company benefits from the former's extensive global experience in sourcing and logistics network. Strong risk management practices, experience in trading in various commodities and access to financial support from Cargill Inc. help CIPL with timely debt servicing. Moreover, the parent's strategic and reputational significance, and the explicit commitment shown by way of issuing a corporate guarantee for CIPL's bank facilities are the other favourable factors. The operational synergies are evident from CIPL's high procurements from Group companies.

Regular financial support from parent company – Cargill Inc. and CIPL have close business linkages and CIPL is of strategic importance to its parent. ICRA expects Cargill Inc. to extend timely financial support to CIPL, as and when needed. The parent has shown a consistent track record of extending timely financial support to CIPL in the past in the form of equity infusion and unsecured loans. The promoter group invested around Rs. 1,605 crore in CIPL over the last decade (FY2013 to FY2023) by way of equity infusion, in addition to providing unsecured loans (~Rs. 962.5 crore outstanding as on March 31, 2023). The support from the parent is expected to continue as India is among the strategic and critical growth markets for the Cargill Group.

Large scale of operations with established position in edible oil segment and improving product diversification – CIPL has a large scale of operation with revenues of Rs. 13,478 crore as per the provisional financials of FY2023. Going forward, the growth would be supported by the addition of the Nellore-based edible oil facility along with the commencement of enhanced capacities across segments. At present, CIPL is engaged in the business of manufacturing, producing, processing, distributor, exporters, importers, stocking, crushing, refining, packaging, sale, purchase and trading of various products including, without limitation, edible oils and other by-products thereof, food grains, agricultural commodities such as corn, wheat, rice, pulses and cotton, metals, animal feed products such as aqua/fish feed, shrimp feed, cattle feed, various commodities like minerals, starches, sweeteners, maltodextrin, industrial metals, chemicals, chemical compounds, smart materials, industrial & performance chemicals, lubricants, rejuvenators in India. The company has an established position and is one of the leading players in the edible oil segment. Apart from trading in grains and refined oil, CIPL has ventured into corn and flour milling and has expanded its presence in specialty fats (used in ice-creams and baby food) and specialty ingredients (used in culinary and pharmaceutical industries). Moreover, the company has made inroads into chocolates under its brand, Nature Fresh Professional. The revenue from such value-added products would bring in stability to the earnings and cash flows, while improving the profitability over the long term.

Credit challenges

Low profitability and relatively modest debt servicing indicators – CIPL's operating profitability margins remain thin and have been range-bound in the last six years, primarily because of limited pricing power in the edible oil business (which accounted for majority of the company's revenues in FY2023) and the agro commodity trading business owing to stiff competition and the volatility in input prices and foreign exchanges rates. The OPM declined to ~0.1% in FY2023 from 1.4% in FY2022 owing to inventory holdings from the drop in edible oil prices. The cash accruals were, however, supported by a dividend income of Rs. 187 crore in FY2023. Nonetheless, the overall low profit margins, working capital requirements and the borrowings thereof will keep CIPL's coverage indicators under check over the medium term.

Highly competitive refined oil segment – CIPL derives a major part its revenues from the refined edible oil segment. Although most of the company's edible oil business is generated through retail channels (73% in FY2023) and marketed through various brands with a healthy market share, the profitability of the business has been low and volatile owing to the stiff competition and fluctuation in input costs. The risk is partially mitigated by CIPL's focus on the premium segment with higher entry barriers. The trading business is exposed to the risk of changes in Government policies, especially for agricultural commodities such as cotton, edible oil and sugar. However, ICRA notes that the trading of these commodities is opportunistic in nature. This risk is also mitigated by CIPL's plans of enhancing its presence in other product categories, such as starch, sweeteners, chocolates and animal feed.

Liquidity position: Adequate

CIPL's liquidity is adequate, supported by the availability of regular and need-based financial support from the parent (in the form of equity infusion and short-term/long term debt funding) as well as undrawn working capital limits from banks worth ~USD 275.6 million under an umbrella facility as on November 30, 2023. Also, the liquidity is supported by dividend income from the subsidiary company (expected to be ~USD 10-15 million p.a.).

Rating sensitivities

Positive factors – ICRA could upgrade the long-term rating if the company demonstrates a sustained improvement in the profitability and debt protection metrics, while maintaining a sustained volume growth. Further, the rating could be upgraded if the credit profile of CIPL's parent, Cargill Inc, strengthens.

Negative factors – Pressure on the ratings could arise if there is a considerable decline in the sales volumes, or reduction in profit and cash flow generation. Weakening of the liquidity profile, led by a sustained deterioration of the working capital cycle, will weigh on the ratings. Further, any deterioration in the credit profile of the parent or weakening of linkages with the parent may cause a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Edible Oil
Parent/Group support	Parent/Group Company: Cargill Inc. The ratings assigned to CIPL factors in the high likelihood of its ultimate parent, Cargill Inc. [rated Moody's A2/P-1], extending financial support to it because of the close business linkages between them. ICRA also expects Cargill Inc. to be willing to extend financial support to CIPL out of its need to protect its reputation from the consequences of a Group entity's distress. There also exists a track record of Cargill Inc having extended corporate guarantees to CIPL's lenders for its facilities.
Consolidation/Standalone	Standalone

About the company

CIPL, incorporated in 1987, is a subsidiary of Cargill Mauritius Limited (CML) and a step-down subsidiary of Cargill Inc. It is engaged in handling, shipping, and processing various products, including refined oil, grain and oilseeds, sugar, cotton and animal feed. The company also has a trade and structured finance division, which provides trade support to customers. The company's operations are handled under four broad divisions – (i) food ingredient including edible oil (ii) trading in agriculture commodities such as foodgrains, feed grains and oilseeds (iii) animal nutrition and (iv) trade and structured finance. The edible oil division is its largest revenue driver and is primarily engaged in refining crude edible oil into branded refined oil. Majority of the company's edible oil business is marketed through retail channels under six different brands—Sunflower, Sweekar, Leonardo, Rath, Gemini and NatureFresh — across various oil types.

At present, the company has three refineries, one each at Kandla (Gujarat), Kurkumbh (Maharashtra) and Nellore (Andhra Pradesh), and a corn milling plant near Davangere in Karnataka. It also has animal feed plants across Sonepat (Haryana), Rajahmundry (Andhra Pradesh) and Bhatinda (Punjab). Apart from this, the company has ventured into cocoa trading and chocolate manufacturing (on tolling basis).

Key financial indicators (audited)

CIPL	FY2022	FY2023*
Operating income	14,538.45	13,478.31
PAT	99.10	-120.96
OPBDIT/OI	1.4%	0.1%
PAT/OI	0.7%	-0.9%
Total outside liabilities/Tangible net worth (times)	2.66	2.83
Total debt/OPBDIT (times)	11.59	266.52
Interest coverage (times)	1.67	0.05

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated	Amount outstanding as of Sep 2023	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Jan 29, 2024	Jan 06, 2023	Mar 31, 2022	Mar 09, 2021
1	**Fund based/Non-fund based facilities***	Long term/ Short term	75.00 million USD	-	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA+(CE) (Stable)/ [ICRA]A1+(CE)	[ICRA]AA+(CE) (Stable)/ [ICRA]A1+(CE)
2	**Fund based/ Non-fund based facilities***	Short term	355.13 million USD	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+(CE)	[ICRA]A1+(CE)
3	**Commercial paper**	Short term	Rs. 300.00 crore	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

** Part of the regional umbrella facilities for Asia Pacific subsidiaries of Cargill Incorporated*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term – Fund-based/Non-fund based facilities	Simple
Short-term – Fund-based/Non-fund based facilities	Simple
Short-term – Commercial paper	Very 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	Current Rating and Outlook
NA	Fund based/non-fund based facilities	-	-	-	75.00 million USD	[ICRA]AA- (Stable) / [ICRA]A1+
NA	Fund based/non-fund based facilities	-	-	-	355.13 million USD	[ICRA]A1+
NA	Commercial paper*	-	-	-	Rs. 300.0 crore	[ICRA]A1+

*Source: Company; *unplaced*

Annexure II: List of entities considered for consolidated analysis - NA

Corrigendum

Document dated January 29, 2024 had been corrected with the revisions as detailed below:

- Summary of rating action table in page 1 had incorrect unit of Rs. crore in the heading, which has now been removed
- Rating history table for the past three years in page 6 had incorrect unit of Rs. crore in the heading, which has now been removed

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