September 30, 2024

Mosaic India Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term fund-based limits	0.0	901.0	[ICRA]A1+; reaffirmed
Short-term fund-based – Cash credit	901.0	0.0	-
Commercial paper programme	200.0	200.0	[ICRA]A1+; reaffirmed
Total	**1,101.0**	**1,101.0**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation continues to take into account the strong parentage of Mosaic India Private Limited (MIPL) 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 fertiliser. Mosaic is one of the largest P&K manufacturers in the world in terms of capacity and is a major exporter to India, some part of which is facilitated through MIPL. The company's dependence on debt has remained limited due to its ability to get extended credit periods from Mosaic. Moreover, with the timely clearance of subsidy and profitable operations, the debt levels have remained minimal and the company has sizeable cash balances on the books which support its overall liquidity position. 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 company's liquidity position remains strong because of its high financial flexibility, given the demonstrated support from the parent, the significant un-encumbered cash balances and the large unutilised bank limits backed by corporate guarantee/letter of comfort from the parent.

The traded sales volumes for DAP have remained low in FY2024 and are expected to stay muted in FY2025 as the profitability in DAP has been subdued. The profitability is adequate in MOP and, hence, its volumes are expected to increase in FY2025. The overall operating income is expected to further decline in FY2025 with a corresponding drop in profit generation; however given the timely clearing of subsidy, the liquidity and cash positions are likely to remain strong.

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.

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 a sizeable portion of its annual demand for DAP as domestic production is insufficient to meet the 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 for fertiliser industry and imports in particular - The profitability of the fertiliser sector remains vulnerable to the regulatory policies set by the GoI 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.

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. The profitability had moderated significantly in FY2023, driven by the inadequate contribution from the sale of DAP and MOP. The profitability continues to remain under pressure and, thus, the company has not imported DAP in the current fiscal so far and will do once DAP becomes remunerative.

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 forwards, mitigating the risk to an extent.

Liquidity position: Strong

MIPL's liquidity position remains healthy, characterised by the availability of unutilised limits and sizeable free cash balances of more than Rs. 400 crore as of August-end. This is likely to continue amid the timely clearing of subsidy. The liquidity is also supported by the extended credit period offered by the parent group companies.

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 if 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	Corporate Credit Rating Methodology
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 the 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)

Mosaic India Private Limited	FY2023	FY2024
Operating income	4365.1	2119.7
PAT	-192.6	75.5
OPBDIT/OI	-5.9%	6.1%
PAT/OI	-4.4%	3.6%
Total outside liabilities/Tangible net worth (times)	2.7	0.1
Total debt/OPBDIT (times)	-0.0	0.0
Interest coverage (times)	-43.6	3.5

Source: Company, ICRA Research; 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

	Current (FY2025)				Chronology of rating history for the past 3 years					
					FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	200.0	30-Sep-2024	[ICRA]A1+	28-Sep-2023	[ICRA]A1+	29-Sep-2022	[ICRA]A1+	24-Sep-2021	[ICRA]A1+
Short term - Fund-based limits	Short term	901.0	30-Sep-2024	[ICRA]A1+	-	-	-	-	-	-
Short term – Fund-based - Cash credit	Short term	-	-	-	28-Sep-2023	[ICRA]A1+	29-Sep-2022	[ICRA]A1+	24-Sep-2021	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short term - Fund-based limits	Simple
Commercial paper programme	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
Not Placed	Commercial paper	-	-	-	200.0	[ICRA]A1+
-	Fund-based limits	-	-	-	901.0	[ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

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

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