December 31, 2024

Indian Farmers Fertiliser Cooperative Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based – Term loans	950.00	600.00	[ICRA]AA+ (Stable); reaffirmed
Long term – Fund based – Cash credit	5,500.00	10,750.00	[ICRA]AA+ (Stable); reaffirmed
Short term – Non-fund based	5,965.00	5,815.00	[ICRA]A1+; reaffirmed
Short term – Fund-based	15,585.00	10,835.00	[ICRA]A1+; reaffirmed
Commercial paper programme	156.00	156.00	[ICRA]A1+; reaffirmed
Total	**28,156.00**	**28,156.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation factors in the leadership position of Indian Farmers Fertiliser Cooperative Limited (IFFCO or the society) in the Indian fertiliser sector in both the urea and the P&K fertiliser segments, along with its large marketing set-up and highly efficient operations in both the segments. Moreover, IFFCO's sizeable investment portfolio yielding large dividends and interest income that support the profitability and the investments made to ensure raw material security support the rating action.

The ratings also favourably factor in IFFCO's healthy financial flexibility with the ability to raise working capital borrowings at competitive rates. Over the years, the society has built a large investment portfolio with Oman-India Fertiliser Company (OMIFCO), Jordan India Fertiliser Company (JIFCO) and IFFCO-Tokio General Insurance Limited being the major investments. The society receives healthy dividends from its investments, particularly OMIFCO, where the payouts have remained strong over the last two years. While the dividends are likely to moderate in line with international urea prices, they are expected to remain healthy, going forward. The society also has a large portfolio of interest-bearing bonds, which provide healthy interest income. Some of the investments e.g. JIFCO and Industries Chimiques Du Senegal (ICS) provide raw material security as the society has entered into long-term offtake agreements with these entities to supply rock phosphate and phosphoric acid.

The ratings also factor in the large marketing network of the society with more than 35,600 farmer cooperatives being a part of IFFCO, providing pan-India access to the farmers. Steady and timely subsidy flow from the GoI over the last two years, which has lowered the receivable outstanding and interest costs, also support the ratings. ICRA expects the GoI to continue to support the sector through the timely allocation and distribution of subsidy.

The society is also expanding in the nano urea and nano DAP segment, along with other nano nutrients. While sales of nano urea have moderated in the last fiscal, they have been improving in the current year; sales of nano DAP have also expanded. IFFCO has expansion plans in this segment, and farmer acceptability remains the key for growth in this segment, going forward.

The ratings are tempered by the vulnerability of profitability to agro-climatic risks and regulatory policies governing the fertiliser sector, including the fixing of nutrient-based subsidy rates. ICRA notes that the operating profits of the society moderated in FY2024 because of lower subsidy in phosphatic fertilisers vis-à-vis the raw material and international finished fertiliser prices, along with inventory losses owing to the downward revision of NBS rates. The operating profitability is expected to improve in FY2025 in the absence of inventory losses. The profitability also remains vulnerable to the adverse movement in foreign exchange rates as the company imports a sizeable proportion of its raw materials.

The Stable outlook reflects ICRA's expectation of IFFCO's credit profile remaining stable in the near to medium term, driven by the timely release of subsidy by the GoI. The relatively steady performance of the urea segment and the non-operating income from dividends and investments are expected to ensure a steady cash flow, supporting a Stable outlook for the rating.

Key rating drivers and their description

Credit strengths

Market leader in fertilisers - IFFCO continues to be the largest producer of urea, with a production capacity of 4.24 MMTPA across three locations- Kalol, Phulpur and Aonla – and healthy capacity utilisation of all the units. The society also has P&K facilities of 4.33 MMTPA at its two plants in Kandla and Paradeep.

Healthy operational efficiency of urea and DAP/NPK plants - IFFCO's urea plants continue to maintain high operational efficiency with health capacity utilisation across all the three units. The energy consumption of all the urea plants remains below the pre-set norms, resulting in energy savings and adding to the operating profitability. Further, the energy-efficient plants remain largely competitive against the urea imports. For the P&K plant, the Kandla facility is dependent on the import of phosphoric acid, while the Paradeep unit is backward-integrated and able to produce phosphoric acid from rock phosphate.

Large portfolio of investments providing dividends and interest income - The society has a sizeable investment portfolio of ~Rs. 4,035 crore, providing it with interest income and dividend income. Notable investments include Oman India Fertilizer SAOC (25%), Jordan India Fertilizer Co. (27% ownership on a standalone basis and 25% through a wholly-owned subsidiary, taking it to 52% at a consolidated level), and IFFCO Tokio General Insurance Ltd (51%). Although the dividend income has come down in FY2024, it remains healthy, aiding the overall profitability. Further, the market value of the investments is expected to be significantly higher than their book value, adding to the financial flexibility of the society as they can be monetised if the need arises.

Comfortable financial profile - The society's financial position remains comfortable with stable cash flow generation and timely subsidy payouts, keeping the debt metrics under check. The limit utilisation has been low with minimal long-term debt. Further, the society is able to raise funds from banks at competitive rates, reflecting its financial flexibility.

Well-entrenched network of cooperatives aids farmer reach and marketing - 35,617 cooperatives hold ownership in IFFCO, helping them market their products through the society. The society also enjoys a good brand recall among farmers as they conduct various promotional and farmer outreach activities such as crop seminars, field programmes etc. With this well-entrenched network and strong brand recall, IFFCO has been able to garner a healthy market share across the country and continues to be the leading fertiliser producer.

Credit challenges

Vulnerability of profitability to regulatory policies of fertiliser sector and agro-climatic risks - The profitability of the sector remains vulnerable to the regulatory policies governing the sector. Factors such as adequate NBS rates will determine the profitability of fertiliser players. Also, the performance of the sector depends on the monsoon as it directly impacts agriculture. The profitability is also exposed to foreign exchange rate fluctuations to some extent.

Exposed to elevated input costs in phosphatic segment – The prices of key inputs – ammonia and phosphoric acid - have remained elevated and imported DAP prices have also risen recently. Thus, the profitability of non-urea fertilisers, especially DAP, is under pressure as the costs have remained higher than the retail price and the NBS rates. The profitability of the NPK segment is likely to continue to be under pressure, especially in H2 FY2025, as the retail prices and the subsidy remain inadequate to cover the costs for DAP.

Liquidity position: Strong

IFFCO's strong liquidity is supported by nearly Rs. 3,124 crore of unencumbered cash and bank balances as of FY2024-end. The bank limit utilisation has remained low owing to the timely receipt of subsidy from the Government. Further, with a bond investment portfolio of ~Rs. 1,039 crore (including investments in state development loans), the cash generation is supported by interest income as well, along with dividends received from the joint venture companies.

Rating sensitivities

Positive factors – A substantial improvement in the debt metrics or monetisation of stake in the JVs/subsidiaries could be a positive for the ratings. Additionally, a drop in the receivable days, leading to a sustained reduction in the working capital cycle, may support an upgrade.

Negative factors – A material cash outflow due to a large acquisition/capex will deteriorate the credit metrics and trigger a downgrade. Any material deterioration in the working capital cycle caused by subsidy receivables remaining above 120 days on a sustained basis may also warrant a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology – Fertilisers
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financials of the society.

About the company

Indian Farmers Fertiliser Cooperative Limited (IFFCO) was set up in November 1967 and is now one of the largest cooperative bodies, completely owned by 35,617 cooperative societies across India. The society is engaged in the manufacturing, import and marketing of fertilisers, primarily urea, DAP and complex fertilisers. The society also sells other products like water-soluble fertilisers, bentonite sulphur, bio-fertilisers, plant growth promoters etc. However, the contribution of these products to the revenue and profitability remains small compared to urea and P&K fertilisers.

The society has three urea manufacturing facilities at Kalol, Phulphur and Aonla with a cumulative production capacity of 4.24 MTPA, making it the largest urea manufacturer of the country. The company is also engaged in the manufacturing of DAP and complex fertilisers and has two plants at Kandla and Paradeep with a cumulative capacity of 4.33 MTPA. The company derived nearly 41% of its revenue from manufactured urea, ~47% from manufactured phosphatic fertilisers and the remaining from the trading of urea, phosphatic fertilisers and indigenous seeds and chemicals etc.

The society has a sizeable investment portfolio with investments in India and abroad. Notable investments include ownership in IFFCO-Tokio General Insurance, Oman India Fertilizer Company SAOC (OMIFCO) and Triumph Offshore Private Ltd. The company also had a sizeable portfolio of tax-free bonds/NCDs worth ~1,039 crore (including investments in state development loans) and unencumbered cash and bank balances worth ~Rs. 3,124 crore as of FY2024-end.

IFFCO has been ranked again as the No. 1 cooperative among the top 300 cooperatives in the world according to the 2023 edition of the 12th Annual World Cooperative Monitor (WCM) report published by International Cooperative Alliance (ICA).

Key financial indicators (audited)

IFFCO Standalone	FY2023	FY2024
Operating income (Rs. crore)	60,324.0	39,330.0
PAT (Rs. crore)	3,052.7	2,442.6
OPBDIT/OI (%)	5.0%	3.1%
PAT/OI (%)	5.1%	6.2%
Total outside liabilities/Tangible net worth (times)	0.9	0.6
Total debt/OPBDIT (times)	3.3	5.9
Interest coverage (times)	4.1	2.6

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: Not applicable

Rating history for past three years

	Current (FY2025)				Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loans	Long term	600.00	Dec 31, 2024	[ICRA]AA+ (Stable)	Dec 14, 2023	[ICRA]AA+ (Stable)	Dec 27, 2022	[ICRA]AA+ (Stable)	Sep 22, 2021	[ICRA]AA (Positive)
									Dec 21, 2021	[ICRA]AA+ (Stable)
Fund-based – Cash credit	Long term	10,750.00	Dec 31, 2024	[ICRA]AA+ (Stable)	Dec 14, 2023	[ICRA]AA+ (Stable)	Dec 27, 2022	[ICRA]AA+ (Stable)	Sep 22, 2021	[ICRA]AA (Positive)
									Dec 21, 2021	[ICRA]AA+ (Stable)
Non-fund based facilities	Short term	5,815.00	Dec 31, 2024	[ICRA]A1+	Dec 14, 2023	[ICRA]A1+	Dec 27, 2022	[ICRA]A1+	Sep 22, 2021	[ICRA]A1+
									Dec 21, 2021	[ICRA]A1+
Fund-based facilities	Short term	10,835.00	Dec 31, 2024	[ICRA]A1+	Dec 14, 2023	[ICRA]A1+	Dec 27, 2022	[ICRA]A1+	Sep 22, 2021	[ICRA]A1+
									Dec 21, 2021	[ICRA]A1+
Commercial paper programme	Short term	156.00	Dec 31, 2024	[ICRA]A1+	Dec 14, 2023	[ICRA]A1+	Dec 27, 2022	[ICRA]A1+	Sep 22, 2021	[ICRA]A1+

									Dec 21, 2021	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based – Term loans	Simple
Long term – Fund-based – Cash credit	Simple
Short term – Non-fund based	Very Simple
Short term – Fund-based	Simple
Commercial paper programme	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 (Rs. crore)	Current Rating and Outlook
NA	Long term – Fund-based – Term loans	FY2017-FY2022	-	FY2023-FY2027	600.00	[ICRA]AA+ (Stable)
NA	Long term – Fund-based – Cash credit	-	-	-	10,750.00	[ICRA]AA+ (Stable)
NA	Short term – Non-fund based	-	-	-	5,815.00	[ICRA]A1+
NA	Short term – Fund-based	-	-	-	10,835.00	[ICRA]A1+
Not yet placed	Commercial paper programme	-	-	-	156.00	[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 – Not Applicable

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 124 4545 322
prashant.vasisht@icraindia.com

Ankit Jain
+91 124 4545 865
ankit.jain@icraindia.com

Sahaj Gugliani
+91 124 4545 814
sahaj.gugliani@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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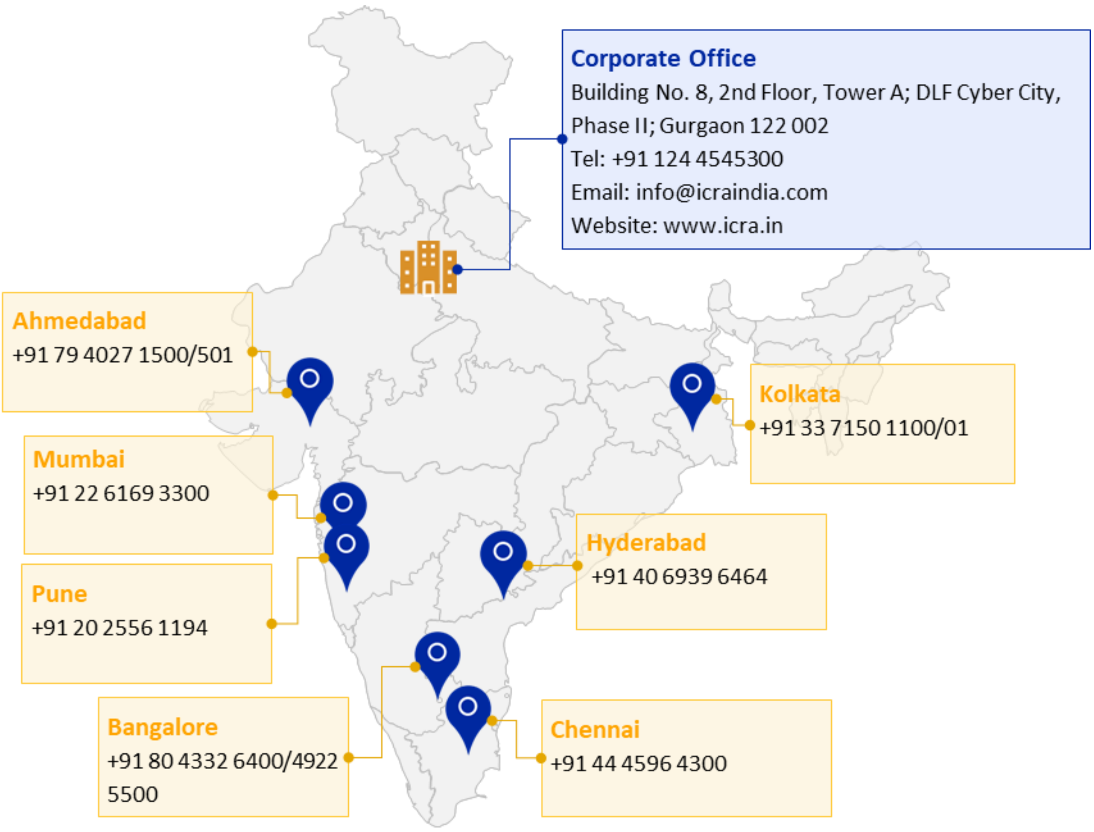
ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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