

February 10, 2025

Yara Fertilisers India Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund-based - Cash credit	2,600.00	2,600.00	[ICRA]AA-(Stable); Reaffirmed
Long term/Short term – Non-fund based	1,200.00	1,200.00	[ICRA]AA-(Stable)/ [ICRA]A1+; Reaffirmed
Total	3,800.00	3,800.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation factors in the energy efficient urea operations of Yara India along with the strong parentage of the company and the demonstrated business and financial support from the parent, Yara International ASA (Yara), rated Baa2 (Stable) by Moody's Investors Service. Yara India owns and operates a urea unit at Babrala, Uttar Pradesh, which is one of the most energy-efficient plants in the country that enables the company to maintain healthy production levels and compete with imported urea.

The company has consistently improved its energy consumption, that averaged at around 5.12 Gcal/MT for FY2024 against the normative norm of 5.417 Gcal/MT. The energy consumption has further improved to around 4.99 Gcal/MT in YTDFY2025, resulting in substantial energy savings for the company. This is likely to support the profitability of Yara India. Typically, urea plants in India, including the Yara India unit, face under-recovery of fixed costs, and hence the profitability is largely driven by energy savings. Thus, further improvement in energy consumption will help improve the profitability at the current normative norms.

The ratings also factor in the steady and timely subsidy flow from the GoI over the past few years, which has lowered the net receivable outstanding and interest costs. Further, ICRA expects the GoI to continue to support the sector in terms of timely allocation and distribution of subsidy. Moreover, the company has repaid its long-term debt obligations and the debt on the books as of now is largely in the form of working capital borrowings, the utilisation of which remains comfortable with respect to the drawing power.

The ratings are, however, constrained by vulnerability of the fertiliser sector's profitability to regulatory policies and agro-climatic conditions, and the sensitivity of cash flows to timely subsidy receipts from the Government of India (GoI). The rating also factors in the vulnerability of profitability in the trading of premium products segment, as was witnessed in FY2024 when the company had to report segmental losses in this segment.

The Stable outlook on the rating reflects ICRA's expectation of Yara's credit profile to remain stable in the near to medium term, driven by the timely release of subsidy from the GoI and steady cash generation from the urea segment.

Key rating drivers and their description

Credit strengths

Strong parentage of Yara International – Yara Fertilisers India Private Limited is a wholly-owned subsidiary of Yara International ASA {rated Baa2 (Stable) by Moody's} and receives significant support in the form of extended credit periods. Yara International ASA has also provided a corporate guarantee, backing the entire working capital bank lines of the company.

While Yara India can get extended credit period on the premium products imported from Yara International, the parent can also extend ECBs/any other financial support, if the need arises, as demonstrated in the past.

Healthy operational efficiency in urea plant – Yara India’s plant is one of the most energy-efficient plants in the country which enables the company to maintain healthy production levels and compete with imported urea. The low energy consumption is expected to ensure that the production from the Yara plant remains competitive against imported urea even in a scenario of partial or total decontrol of urea from the subsidy mechanism. Yara completed the energy saving capex during March-May 2023, post which the energy efficiency improved to 5.12 Gcal/MT in FY2024 against the norm of 5.417 Gcal/MT. This has further gone down to 4.99 Gcal/MT in FY2025, aiding the profitability in urea operations.

Healthy capital structure – Yara’s capital structure has improved in the last couple of years owing to the timely receipt of subsidy by the GoI, which has kept the working capital borrowings under check. Further, with the repayment of the ECB, the debt metrics are expected to improve further, if the subsidy flow remains timely.

Comfortable liquidity position and exceptional financial flexibility – Yara’s capitalisation and coverage metrics have improved in last couple of years owing to timely receipt of subsidy by GoI, which has kept the working capital borrowings at lower levels. The Total Debt/OPBDITA improved in FY2024 as debt levels declined, with the repayment of the parent ECB. Further, in H1FY2025, the company has been able to generate robust operating profitability driven by energy savings in the urea segment and absence of losses in trading segment.

Credit challenges

Vulnerability of profitability to agro-climatic and regulatory risks of the fertiliser industry - The profitability of the sector remains vulnerable to the regulatory policies governing the sector, with adequate subsidy allocation being one of the key factors impacting the sector’s credit profile. The performance of the sector also depends on the monsoon as it directly impacts the agriculture sector, the end user of fertiliser. The profitability also remains vulnerable to foreign exchange fluctuations.

Sensitivity of cash flows to timely subsidy release by GoI - Fertiliser companies have witnessed significant cash flow mismatches in the past owing to the delay in the release of subsidy by the GoI due to inadequate subsidy budgeting. Currently, however, subsidy flow has been timely resulting in comfortable debt metrics and going forward, the timeliness of the subsidy receipt from the GoI will remain a key monitorable.

Modest scale of operations and volatile premium products segment – In FY2024, the profitability of Yara India was affected by adverse geopolitical events, resulting in losses in the premium products segment, even as the urea segmental profitability remained comfortable. Although the overall profitability is expected to improve in FY2025, backed by energy efficiency gains in urea segment and absence of losses in the premium products segment, the profitability in the premium products segment will be a key monitorable going forward.

Liquidity position: Adequate

Yara’s liquidity position remains adequate, characterised by the availability of cash balances of more than Rs. 600 crore as on September 30, 2024 and buffer in the fund-based limits amid limited capex plans. The company’s liquidity is also supported by the extended credit period offered by the parent.

Rating sensitivities

Positive factors – A sustained improvement in the profit margins amid a consistently healthy working capital intensity and an adequate liquidity profile on a sustained basis could result in an upgrade. A material diversification in revenue and profit generation into non-urea segments will also be a credit positive.

Negative factors – Deterioration in the working capital cycle, leading to receivable days of more than 150 days on a sustained basis, may lead to a downgrade. Any deterioration in debt metrics owing to any large debt-funded capex/investments or weak profitability will also put pressure on the ratings. Weakening of the linkages with the parent and moderation in the credit profile of the parent can also exert pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Fertilizers
Parent/Group support	Parent Company: Yara International ASA The ratings factor in the support from the parent in the form of extended credit period offered to Yara Fertilisers India Private Limited along with the corporate guarantees and comfort letters backing the bank lines
Consolidation/Standalone	The ratings are based on the standalone financials of Yara Fertilisers India Private Limited

About the company

Yara Fertilisers India Private Limited (Yara India) is a wholly-owned subsidiary of Yara International ASA. Yara India was incorporated in 2011, in Maharashtra, for trading in speciality farm solutions, which were imported from the parent company. In January 2018, Yara India acquired the urea plant from Tata Chemicals for Rs. 2,670 crore. The manufacturing facility is located at Babrala, Uttar Pradesh, having a total capacity of around 1.27 MMTPA and is one of the most efficient manufacturing plants in the sector.

Key financial indicators (audited)

	FY2023	FY2024
Operating income*	6142.2	4925.6
PAT	81.6	2.0
OPBDIT/OI*	4.7%	3.4%
PAT/OI*	1.3%	0.0%
Total outside liabilities/Tangible net worth (times)	1.2	1.2
Total debt/OPBDIT (times)	3.0	1.3
Interest coverage (times)	3.8	3.0

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

*This is gross income (without deducting discounts). The operating income (after deducting discounts) would be Rs. 4842.2 crore for FY2024 (Rs. 6108.8 crore for FY2023). Consequently, OPBDITA/OI would become 3.4% for FY2024 (4.8% for FY2023) and PAT/OI would become 0.0% for FY2024 (1.3% for FY2023).

Other above-mentioned ratios will remain unchanged.

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					
FY2025				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Feb 10, 2025	Date	Rating	Date	Rating	Date	Rating
Long term-cash credit-fund based	Long Term	2600.00	[ICRA]AA-(Stable)	04-JAN-2024	[ICRA]AA-(Stable)	-	-	-	-
Long term / short term-others-non fund based	Long Term/Short Term	1200.00	[ICRA]AA-(Stable)/[ICRA]A1+	04-JAN-2024	[ICRA]AA-(Stable)/[ICRA]A1+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based- Cash credit	Simple
Long term/Short term – Non-fund based	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	Cash credit	NA	NA	NA	2600.00	[ICRA]AA-(Stable)
NA	Non-fund based	NA	NA	NA	1200.00	[ICRA]AA-(Stable)/[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

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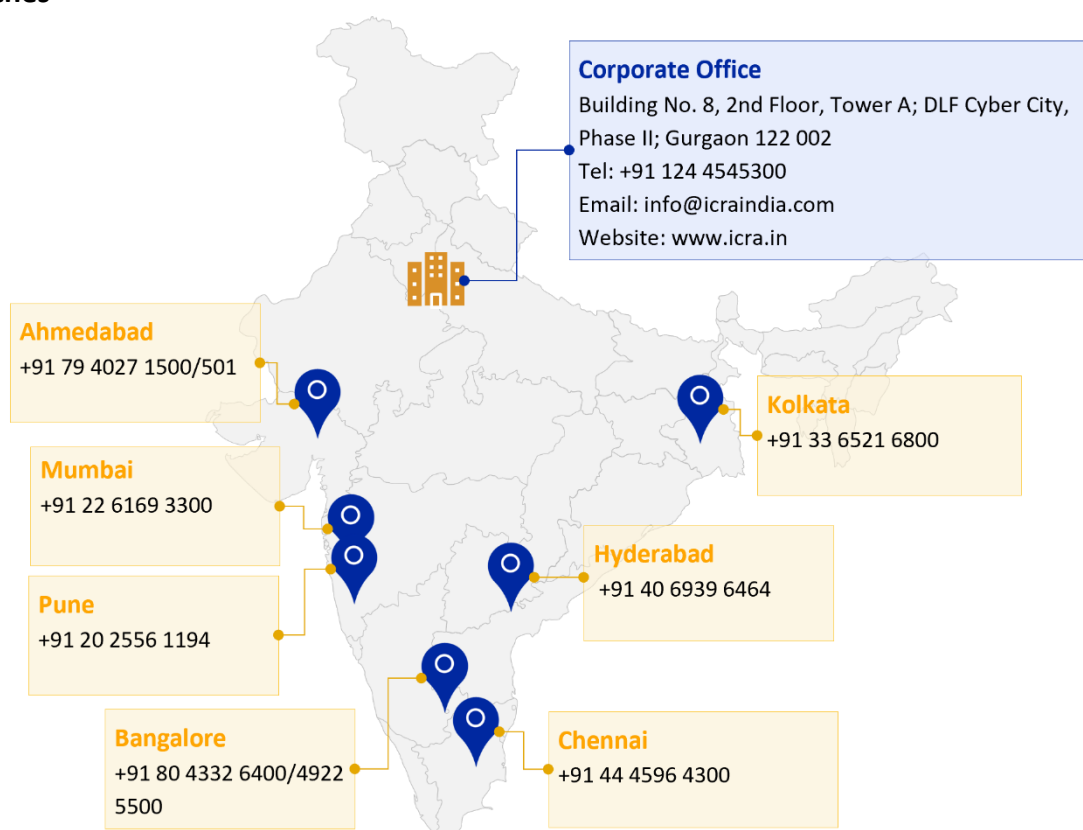
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