Coromandel International Limited
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Secunderabad - 500 003, Telangana, India.
Tel: 91-40-6699 7300 / 6699 7500 Fax: 91-40-2784 4117
E-mail: mail@coromandel.murugappa.com
CIN: L24120TG1961PLC000892
Website: www.coromandel.biz

Ref. No.: 2023-24/56

August 26, 2023

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051.
Scrip Code: COROMANDEL

Through: NSE NEAPS

BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001.
Scrip Code: 506395

Through: BSE Listing

Dear Sir/ Madam,

Subject : Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 – Credit Rating affirmation

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we write to inform that India Ratings and Research Private Limited vide its announcement dated August 25, 2023 has reviewed and affirmed the ratings, as detailed below:

Instrument Type	Maturity Date	Size of Issue (billion)	Rating	Rating Action
Commercial paper (CP)*	Up to 180 days	INR 10	IND A1+	Affirmed
Non-fund- based limits	-	INR 25	IND AAA/Stable/ IND A1+	Affirmed

* The CP proceeds will be used for meeting CIL's working capital requirements.

We request you to take this on record.

Thanking you,

Yours faithfully,
For **Coromandel International Limited**

Rajesh Mukhija
Digitally signed by Rajesh Mukhija
Date: 2023.08.26 18:42:41 +05'30'

Rajesh Mukhija
Sr. Vice President – Legal & Company Secretary

murugappa

India Ratings Affirms Coromandel International at 'IND AAA'/Stable and its CP at 'IND A1+'

Aug 25, 2023 | Fertilizers

India Ratings and Research (Ind-Ra) has affirmed Coromandel International Limited's (CIL) Long-Term Issuer Rating at 'IND AAA'. The Outlook is Stable. The instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating	Rating Action
Commercial paper (CP)*	-	-	Up to 180 days	INR10	IND A1+	Affirmed
Non-fund-based limits				INR25	IND AAA/Stable/IND A1+	Affirmed

*The CP proceeds will be used for meeting CIL's working capital requirements.

ANALYTICAL APPROACH: Ind-Ra continues to combine the business and financial risk profiles of CIL and its associate and subsidiary companies, considering the operational, managerial, financial linkages among them.

Key Rating Drivers

Resilient and Strong Business Profile: CIL, through its nutrients and allied business (NAB) and crop protection chemicals (CPC), provides farm solutions. The products comprise fertilisers, specialty nutrients, agricultural chemicals including bio-pesticides, and water-soluble fertilisers. CIL is India's second-largest player in the phosphatic fertiliser space with a consumption-based market share of 17.2% in FY23 (FY22: 17.8%; FY21: 15.3%), and the largest single super phosphate player with a market share of 14.9% (14%; 13.5%). The business is supported by a strong retail presence with over 750 outlets across India.

The company's consolidated EBITDA improved to INR29.3 billion in FY23 (FY22: INR21.5 billion) and INR7.1 billion in 1QFY24 (1QFY23: INR6.9 billion), despite a moderation in the subsidy rates. Additionally, while some of its peers faced margin pressures due to volatility in raw material prices, CIL managed to report healthy EBITDA margin of 9.9% in FY23 (FY22: 11.3%) at the consolidated level. This is because the company benefits from its presence in the manufacturing of non-urea fertilisers, where the share of subsidy in the total revenue increased to 49% in FY23 (FY22: 35%). Non-urea manufacturers are less dependent on subsidy receivables than urea players where the share of subsidy in the revenue is over 80%.

The company also benefits from the strategic importance of the industry to the government of India (GoI), considering fertiliser is an essential commodity. Additionally, the GoI is focusing on increasing the farm income by increasing the minimum support prices of crops; issuing soil health cards, and improving farm irrigation infrastructure in CIL's key marketing areas.

Improvement in EBITDA Likely to Sustain in Medium Term: CIL’s operating EBITDA improved in FY23, led by an expansion in the volumes in the NAB and CPC segments, as well as the ability of the company to absorb the raw material price volatility in the NAB segment, given their backward integration into phosphoric acid (PA) and sulphuric acid (SA).

The EBIT of the nutrient business improved marginally to INR6.7 billion in 1QFY24 (1QFY23: INR6 billion; FY23: INR25.9 billion; FY22: INR17.7 billion), driven by an improvement in volumes to 0.86 million metric tonnes (MMT) (0.69MMT; 3.6MMT; 2.99MMT). However, the EBIT of the CPC segment declined to INR 0.5 billion in 1QFY24 (1QFY23: INR0.87 billion;FY23: INR3.7 billion; FY22: INR3.7 billion), led by a decline in the realisations from the products of the CPC segment, caused by an increase in the volumes of chemicals being exported by China.

Ind-Ra expects CIL’s EBITDA levels to sustain at current levels and face lower volatility than peers in the medium term, owing to i) a softening of key raw material prices (PA, sulphur, and ammonia); ii) continued prudent inventory management; iii) strategic raw material sourcing and increased operational efficiency, iv) higher distribution reach and pricing power through its over 750 Gromor-branded retail stores; v) entry into newer agrochemical products that could go off patent; and vi) an enhancement in the capacity of CPC segment by way of the three new multi-purpose plants.

Backward Integration Benefits to Increase: To further strengthen the availability of rock phosphate for its in-house production of PA, the company acquired a 45% equity stake in Senegal (Africa)-based rock phosphate mining company Baobab Mining and Chemicals Corporation (BMCC) in FY23 for a consideration of INR1.6 billion in equity and INR0.6 billion by way of related-party loans. The management expects BMCC to scale-up and see full production by 2024. The acquisition would help the company meet around 33% of its rock phosphate requirement. CIL is also expanding its SA production capacities, which would be completed by FYE24, with INR3.8 billion of capex completed as of June 2023.

The backward integration is likely to help CIL sustain its EBITDA at INR4,000-4,500/tonne in the NAB segment, despite price volatility of its key raw materials. The company is also planning to incur capex of INR10 billion in the next two to three years towards the setting up of three multi-purpose plants to enhance the existing CPC segment capacities and foraying into contract development and manufacturing and speciality chemicals businesses.

Strong Credit Metrics: In FY23, the consolidated net adjusted leverage (net debt/EBITDA adjusted for subsidy receivables) remained strong at negative 0.3x (FY22: negative 0.6x) and the interest cover (EBITDA/gross interest expense) remained healthy despite declining to 15x (28x; 19.1x). The net leverage (net debt/EBITDA) increased to 0.5x in FY23 (FY22: negative 0.5x), due to an increase in its gross debt levels to INR36.8 billion (INR22.2 billion). The debt included acceptances of INR32.9 billion in FY23 (FY22: INR18.2 billion) and working capital loans of INR46 million (INR0.4 million). Furthermore, CIL did not have any long-term debt other than lease payables of INR3.8 billion at FYE23 (FYE22: INR3.9 billion).

CIL incurred capex of INR6 billion in FY23 (FY22: INR2.8 billion), largely towards the capacity enhancement of its SA plant and de-bottlenecking and other maintenance activities. It plans to incur capex of INR7 billion-9billion in FYE24 and FYE25 each, towards the enhancement of its CPC capacities, completion of the expansion of the SA plant, and other regular maintenance and de-bottlenecking activities. The company is likely to fund the capex through internal accruals. Ind-Ra expects the credit metrics to remain strong in FY24 and FY25, on account of healthy EBITDA and cash flow generation. However, any larger-than-expected debt-funded capex would remain a key rating monitorable for the company.

Liquidity Indicator -Adequate: CIL’s consolidated unrestricted cash and cash equivalent decreased to INR21.1 billion at FYE23 (FYE22: INR32.7 billion), including liquid inter-corporate deposits of INR7.2 billion (INR15.4 billion) with various financial institutions. CIL’s cash flow from operations, after adjusting for net interest expense, declined to INR5.8 billion in FY23 (FY22: INR21.5 billion), despite the improvement in EBITDA, led by an increase in the subsidy receivable outstanding position. CIL’s average utilisation of its fund-based limits of INR24 billion and non-fund-based sanctioned working capital limits of INR98 billion was 12% and 67%, respectively, for the 12 months ended June 2023.

The company’s liquidity position remains dependent on its working capital structure, which stretched in FYE23 to 74 days (FYE22: 53 days; including subsidy receivables but excluding acceptances) due to an increase in the year-end subsidy receivables to INR23.8 billion (INR2.9 billion). Furthermore, the company's inventory increased to INR44 billion in FY23 (FY22: INR36.6 billion), regular receivables increased to INR5.9 billion (INR2.7 billion), while the payables declined marginally to INR20.3 billion (INR20.9 billion). The company has access to capital market instruments (CPs) for funding its working capital requirements. The working capital limits are prudently kept vacant to the extent of the CP utilised.

CIL has scheduled lease repayments worth INR249 million for FY24 and FY25 each, and the agency believes its debt-service coverage ratio is likely to be over 10x in the short- to medium-term. The company made dividend payments of INR3.5 billion in FY23 (FY22:INR3.5 billion; FY21:INR5.3 billion; FY20: INR1.2 billion) and the trend is likely to continue in FY24. Furthermore, CIL has access to low-cost banking finance, the capital markets and inter-corporate deposits, and has strong financial flexibility by being part of the Murugappa Group.

Subsidy Burden to Remain Dependent on Key Raw Material Pricing: In FY23, the GoI budgeted INR1.05 trillion for the fertiliser sector, with INR632 billion towards urea and INR420 billion for NPK. This was later revised to INR2.5 trillion, due to the increase in raw material prices. This led to the year-end subsidy increasing substantially to INR23.8 billion in FY23 (FY22: INR2.9 billion, FY21: INR5.9 billion, FY20: INR23.2 billion). However, in number of days, the same has moderated to 29 days in FY23 (FY22: 6 days ; FY21: 15 days; FY20: 64 days).

For FY24, the GoI has budgeted INR1.75 trillion, with a downward revision in the nutrient-based subsidy rates, given the softening of key raw material prices. Ind-Ra expects a further downward revision in the rates, which should aid in lowering the working capital of the company.

Proposed Ban on Few Pesticides/Molecules; Marginal Impact on CPC Segment: The Ministry of Agriculture and Farmers' Welfare had issued a draft order in May 2020 proposing to ban the manufacture and sale of 27 pesticides, including three molecules manufactured by CIL. These three molecules form a sizeable share of the CPC segment’s revenue and profitability. The industry, through its technical task force formed by the Crop Care Federation of India, has been in discussion with the GoI regarding the draft notification. While CIL’s profitability might be affected, if the ban is imposed, the agency believes there will be minimal impact on the operating profit and credit metrics, given NAB is the major contributor to the revenue and profits, and the company continues to work on introducing new products/molecules in the CPC segment.

Rating Sensitivities

Negative: Deterioration in the operating profitability, or any adverse regulatory policy movement and/or the consolidated net leverage exceeding 1x on a sustained basis could lead to a negative rating action.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on CIL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra’s ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

Company Profile

CIL, a flagship company of the Murugappa Group, operates in two segments: CPC and NAB. The NAB segment comprises i) phosphatic fertilisers (di-ammonium phosphate, complexes, single super phosphate, muriate of potash), ii) specialty nutrients and organic fertilisers (G sulphur, water soluble fertilisers, organic manure) and iii) the retail stores business that provides agri inputs and agri services. The CPC segment comprises technical materials, formulations and biopesticides. Its facilities are spread across India, but are largely concentrated in south India.

The company has a capacity to manufacture over 3.5 million tonnes per annum of fertilisers and pesticides and 1 million tonnes per annum of single super phosphate. The subsidised products are phosphatic fertilisers, while all the other businesses form non-subsidised products.

FINANCIAL SUMMARY - CONSOLIDATED

Particulars	1QFY24	FY23	FY22
Net revenue (INR billion)	57	296	191.1
EBITDA (INR billion)	7.1	29.3	21.5
EBITDA margin (%)	12.5	9.9	11.25
Interest (INR billion)	0.4	1.9	0.75
Profit before tax (INR billion)	6.6	27	20.5
Source: Ind-Ra, CIL			

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Ratings	Historical Rating/Outlook		
				26 August 2022	27 August 2021	28 August 2020
Issuer Rating	Long-term	-	IND AAA/Stable	IND AAA/Stable	IND AA+/Positive	IND AA+/Stable
CP	Short-term	INR10	IND A1+	IND A1+	IND A1+	IND A1+
Non-fund-based limits	Long-Term/Short Term	INR25	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	-	-

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
CP	Low
Non-fund-based limits	Low

For details on the complexity level of the instrument, please visit https://www.indiaratings.co.in/complexity-indicators.

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APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

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