

May 02, 2025

## National Fertilizers 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	9000.0	9000.0	[ICRA]AA (Stable); reaffirmed
Short term - Non-fund based facilities	9600.0	9600.0	[ICRA]A1+; reaffirmed
Commercial paper^	4000.0	4000.0	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>18,600.0</b>	<b>18,600.0</b>	

\*Instrument details are provided in Annexure-I; ^the commercial paper programme is carved out of the fund-based limits of the company

### Rationale

The rating reaffirmation for the credit facilities of National Fertilizers Limited (NFL) factors in the expectation of a steady demand for urea in the country and its sizeable market presence in the urea segment. The rating action also factors in NFL's presence in imported non-urea fertilisers which improves its portfolio, along with its diversification into industrial chemicals, which provides some degree of insulation from subsidised products. ICRA also factors in the stabilisation of the fertiliser plant under NFL's joint venture – Ramagundam Fertilisers and Chemicals Limited (RFCL) – which was facing operational issues earlier.

The ratings continue to factor in NFL's leadership position in the fertiliser industry, along with a sustained comfortable receivable cycle owing to the timely release of subsidy by the GoI and expectation of the trend continuing in the future, which has resulted in lower borrowing levels and, thus, lower interest costs. The ratings also factor in the low demand risk for urea along with the parentage of the Government of India (GoI) which holds more than 74% stake in the company and the exceptional financial flexibility arising out of NFL's strategic importance to the GoI. ICRA also takes note of the sufficient cushion in working capital limits, along with no major capital expenditure requirements in the near future, as the plans for a nano urea plant in Nangal have been scrapped.

The ratings are constrained by the vulnerability of the sector's profitability to the regulatory policies formulated by the GoI. The tightening of energy norms and the removal of the floor price of Rs. 2,300/MT on the fixed costs have lowered the profitability of urea operations for the entire industry, including NFL. The profitability of phosphatic fertiliser sellers depends on the NBS rates announced by the GoI, and DAP imports remain a loss-making proposition despite the revised Nutrient Based Subsidy (NBS) rates for Kharif season 2025; however, other grades of NPKs will remain profitable. The performance of the fertiliser sector also remains vulnerable to the vagaries of the monsoon as a sizeable portion of the arable land depends on the monsoons for irrigation. The performance of the fertiliser sector also remains vulnerable to the timely release of subsidy by the GoI as significant delays would increase the working capital borrowings and the associated interest costs. However, the receipts have been timely so far, resulting in limited build-up of urea-related subsidy receivables.

NFL's profitability has been weak in FY2025 due to the multiple shutdowns taken during the year that have increased the energy cost. The trading portfolio was also impacted by high import prices and inadequate NBS rates. NFL got an assurance from the Department of Fertilisers for the protection of losses in the imported fertilisers segment, which has shielded the profitability to some extent. However, there remains around Rs. 530-crore outstanding under this assurance. The profitability of the trading segment in FY2025 hinges on the import price of the traded products and the adequacy of NBS rates. The stabilisation of urea operations across plants is likely to improve the profitability in the urea segment, going forward. The company has been able to generate healthy profits in industrial products and domestically traded products (agrochemicals, etc) and the performance of this segment is likely to continue to be robust.

NFL is a joint venture (JV) partner in RFCL, which has set up a 1.27-MMTPA urea plant at Ramagundam, Telangana. The plant had faced stabilisation issues post its commissioning in March 2021, but the performance has been improving since FY2024. The plant is expected to achieve healthy capacity utilisation and energy consumption.

NFL has also been nominated a JV partner for setting up a 1.27-MMTPA urea unit in Namrup, Assam, at the facility of Brahmaputra Valley Fertiliser Corporation Limited (BVFCL) with an equity contribution of 18%. The funding details for the same have not been finalised and ICRA will assess the impact of this investment on the credit profile of the company as and when the details are finalised.

Apart from this, ICRA also notes that the energy norms are slated to be revised from April 2025. While ICRA does not expect the norms for NFL to undergo a major change, any downward revision in the norms would exert further pressure on the urea profitability. At the same time, it is also anticipated that the fixed cost may be revised, which would provide a boost to the profitability as the urea segment has been reporting poor profitability owing to under-recovery of fixed costs.

## Key rating drivers and their description

### Credit strengths

**Second-largest urea manufacturer; leading market position in northern and central India**—NFL is the second-largest manufacturer of urea in India, after IFFCO, with a production capacity of nearly 3.57 MMT. NFL has a vast marketing network, comprising dealers, cooperative societies and institutional agencies spread over 20 states in India. The company sells its urea and NPKs through a network of more than 4,000 dealers across the country.

**Large sovereign ownership provides strong financial flexibility; proven ability to raise funds at competitive rates due to parentage** – NFL benefits from the large GoI ownership of 74.71% as it is able to raise funds at very competitive rates, aiding its profitability as the interest charges remain low. Further, in the past few years, the urea subsidy inflow has been timely and adequate, keeping the overall borrowing levels under check. For FY2026, the Government has made a budgetary allocation of Rs. 1.68 trillion, including Rs. 1.19 trillion for urea and Rs. 0.49 trillion for NPK. While there could be a shortfall in the NPK subsidy budget, ICRA expects the Government to make additional allocations as required. ICRA expects the GoI to support NFL going forward as well, as and when needed. Also, the GoI had identified NFL for a 20% stake sale but no timelines have been specified and there has been no update on the same.

**Favourable demand-supply scenario of urea in India** - The import dependence for urea remains in the range of 20-25%, given the inadequate domestic capacity. The demand for urea remains intact because of a significant price differential between urea and non-urea fertilisers. The demand is expected to grow at a stable rate of 1-3% in the near to medium term, backed by a healthy monsoon and strong farmer demand.

**Diversification in product profile with increasing contribution from industrial products and agrochemicals** - NFL sells ammonium nitrate and nitric acid, among others, under its industrial products segment. Although the realisations in this segment had been adversely affected by Russian dumping in the past, the margins have witnessed an uptick in the recent quarters. Further, NFL is also focusing on expanding its agrochemical portfolio, with Punjab and Haryana as its key markets.

### Credit challenges

**Vulnerability of fertiliser sector's profitability to regulatory policies and agro-climatic conditions** – The agricultural sector in India remains vulnerable to the vagaries of the monsoon, as the fertiliser sector's sales and profitability remain exposed to the volatility in weather conditions. The sector, being highly regulated, also remains vulnerable to changes in regulations by the GoI. Moreover, the NBS rates fixed by the GoI for NPK fertilisers have impacted the profitability of the companies in this segment as the rates along with the retail prices have remained inadequate. This has resulted in weak profitability in the traded products segment and has also caused the volumes to decrease in FY2025.

**Sensitivity of cash flows to timely subsidy release by GoI** - In the past, fertiliser companies have witnessed significant cash-flow mismatches owing to the delays in the release of subsidy by the GoI due to inadequate subsidy budgeting. The subsidy receipt from the GoI has been timely FY2022 onwards, post the clearance of the subsidy backlog in FY2021. ICRA notes there has been some subsidy build-up under the “no profit no loss” import assurance on DAP. Going forward, a timely receipt of the subsidy from the GoI will remain a key monitorable.

## Environmental and social risks

Global efforts towards decarbonisation and focus on the impact of fertiliser use on soil health may lead to the development of new types of fertilisers and lower the demand for conventional fertilisers. However, in India, ICRA does not expect any material impact on conventional fertiliser offtake in the near to medium term, given the country’s import dependence as well as the time taken by the end consumers to accept new products. Fertiliser manufacturing, particularly urea, has a significant carbon footprint as natural gas is the key raw material for the synthesis of hydrogen which goes into the production of ammonia and thereafter urea. With the GoI exploring the passing of a mandate for the procurement of green hydrogen by refineries and fertiliser plants, it will lead to additional cost burden for urea manufacturers. ICRA expects the GoI to provide adequate policy support to the sector if it decides to mandate the sector to meet a part of its hydrogen requirement through the green route.

Rising awareness about the use of chemical fertilisers in farming and the growing clamour for organic produce can impact fertiliser offtake. The productivity in organic farming remains low at present and, thus, the near-term risk to fertiliser offtake is low. Going forward, technological breakthroughs resulting in organic alternatives with equal or better productivity can pose a significant threat to fertiliser offtake, although the threat remains long term in nature.

The company monitors all the ESG parameters closely and has implemented a zero liquid discharge mechanism for all its plants.

## Liquidity position: Adequate

The liquidity position of the company remains adequate, given the availability of large working capital borrowing limits and the sovereign ownership which yields significant financial flexibility. The timely inflow of subsidy from the GoI over the past few years and expectations of the trend continuing will support the company’s liquidity position.

## Rating sensitivities

**Positive factors** – A sustained improvement in the profit margins amid a healthy working capital intensity and an adequate liquidity profile on a sustained basis could improve the ratings.

**Negative factors** – A deterioration in the working capital cycle, resulting in more than 150 receivable days on a sustained basis, may trigger a downgrade. Any deterioration in the debt metrics owing to any large debt-funded capex/investments or weak profitability will also put pressure on the ratings. Additionally, a reduction in the GoI stake below 50%, or weakening of the linkages with the GoI, and/or change in the support philosophy of the GoI could result in a downgrade.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Fertilisers</a>
Parent/Group support	Parent: Government of India; The ratings factor in the parentage of the GoI and the strategic importance of NFL for the GoI as the company is a major fertiliser supplier in the country and ensures lower reliance on imported urea
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of NFL

## About the company

National Fertilizers Limited (NFL), incorporated in 1974, is a public sector Navratna undertaking, primarily engaged in the manufacturing of urea. The company's operations are spread across five units, one each at Nangal and Bhatinda (Punjab) and Panipat (Haryana), and two units at Vijaipur (MP). NFL commenced operations by setting up two FO/LSHS-based urea units at Bathinda (Punjab) and Panipat (Haryana) in 1979. Subsequently, as part of the reorganisation of public sector fertiliser companies, the Nangal (Punjab) unit of Fertilizer Corporation of India (FCI) came under NFL's fold. These three plants subsequently shifted to natural gas-based ammonia production. The company set up another urea plant at Vijaipur (Vijaipur-I), Madhya Pradesh, in 1988 when the Hazira-Vijaipur-Jagdishpur (HVJ) gas transmission pipeline was set up. NFL undertook brownfield expansion of the Vijaipur plant (Vijaipur-II) in 1997.

NFL has a combined urea production capacity of 3.57 MMTPA as on date, making it the second-largest producer of urea in the country. The GoI currently holds a 74.71% stake in the company. In 2022, the GoI identified NFL for a stake sale through the Department of Investment and Public Asset Management (DIPAM) and invited proposals from legal advisers, merchant bankers and brokers. However, there has been no new update regarding the same.

## Key financial indicators (audited)

NFL Standalone	FY2023	FY2024	9MFY2025*
Operating income	29,584.3	23,560.3	15,338.0
PAT	456.1	64.7	-21.1
OPBDIT/OI	3.5%	2.7%	2.5%
PAT/OI	1.5%	0.3%	-0.1%
Total outside liabilities/Tangible net worth (times)	3.6	3.2	-
Total debt/OPBDIT (times)	3.8	6.5	-
Interest coverage (times)	3.4	2.3	-

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 (FY2026)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term - Cash credit - Fund based	Long term	9000.00	2-MAY-2025	[ICRA]AA (Stable)	17-MAY-2024	[ICRA]AA (Stable)	10-APR-2023	[ICRA]AA (Stable)	14-APR-2022	[ICRA]AA (Stable)
			-	-	-	-	23-MAY-2023	[ICRA]AA (Stable)	-	-
Short term - Others - Non-fund based	Short term	9600.00	2-MAY-2025	[ICRA]A1+	17-MAY-2024	[ICRA]A1+	10-APR-2023	[ICRA]A1+	14-APR-2022	[ICRA]A1+
			-	-	-	-	23-MAY-2023	[ICRA]A1+	-	-
Unallocated limits			-	-	-	-	23-MAY-2023	[ICRA]AA (Stable)	-	-

<b>Term loans</b>			-	-	-	-	10-APR-2023	[ICRA]AA (Stable)	14-APR-2022	[ICRA]AA (Stable)
<b>Commercial paper<sup>^</sup></b>	Short term	4000.00	2-MAY-2025	[ICRA]A1+	17-MAY-2024	[ICRA]A1 +	10-APR-2023	[ICRA]A1 +	14-APR-2022	[ICRA]A1+
			-	-	-	-	23-MAY-2023	[ICRA]A1 +	-	-

<sup>^</sup> The commercial paper programme is carved out of the fund-based limits of the company

## Complexity level of the rated instruments

Instrument	Complexity Indicator
<b>Long term – Fund-based</b>	Simple
<b>Short term - Non-fund based</b>	Very simple
<b>Commercial paper</b>	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	NA	NA		9000.0	[ICRA]AA (Stable)
NA	Short term - Non-fund based	NA	NA		9600.0	[ICRA]A1+
Unplaced	Commercial paper <sup>^</sup> -	NA	NA		4000.0	[ICRA]A1+

Source: Company; <sup>^</sup> The commercial paper programme is carved out of the fund-based limits of the company

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**Annexure II: List of entities considered for consolidated analysis- Not applicable**

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