

July 17, 2025

## Rashtriya Chemicals and Fertilizers Limited: Ratings reaffirmed; rating withdrawn for Rs. 300-crore non-convertible debentures

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund based – Term loan	3,500.00	3,500.00	[ICRA]AA(Stable); reaffirmed
Long term/Short term non-fund based	500.00	500.00	[ICRA]AA(Stable)/ [ICRA]A1+; reaffirmed
Long term – Fund based/Cash credit	1,100.00	1,100.00	[ICRA]AA(Stable); reaffirmed
Long term – Non-convertible debentures	1,700.00	1,700.00	[ICRA]AA(Stable); reaffirmed
Long term – Non-convertible debentures	3,00.00	-	[ICRA]AA(Stable); reaffirmed and withdrawn
Short term – Commercial paper	3,000.00	3,000.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>10,100.00</b>	<b>9,800.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating reaffirmation considers the established position of Rashtriya Chemicals and Fertilizers Limited (RCF or the company) as one of the largest urea manufacturers in India with vertically integrated operations in fertilisers and chemicals, coupled with the healthy operating efficiency of its urea operations, reflected in the high plant utilisation levels. The ratings also factor in the sustained comfortable receivable cycle owing to the timely release of subsidy by the Government of India (GoI) and expectation of the trend continuing. The ratings also take into account the low demand risk for urea and RCF's parentage with the GoI holding a 75% stake in the company and the exceptional financial flexibility arising out of its strategic importance to the GoI. Further, its large sovereign ownership and ability to access the debt markets at competitive rates supports its liquidity profile.

The ratings, however, are constrained by the vulnerability of the fertiliser business to regulatory and agro-climatic risks and the high working capital intensity of the operations. While the subsidy payments in recent years have been timely, inadequate increase in subsidies or delays in payments can have an adverse impact on the company's financial profile. The profitability of the chemical division is vulnerable to commodity price cycles, exchange rate fluctuations and a potential reduction in import duty.

RCF has large capex plans in the medium term for modernisation, energy-saving projects, capacity expansion and product diversification, which will be funded by debt and internal accruals, exposing the company to project execution risks and will put pressure on the credit metrics. RCF is also one of the joint venture (JV) partners for the revival of the Talcher unit of the Fertiliser Corporation of India (FCI), with the other stakeholders being Coal India Limited and GAIL Limited, apart from FCI.

The operating profitability improved in FY2025 after declining sharply in FY2024 with an improvement in the profit margins of fertilisers and industrial chemicals, though the extent of the recovery remains modest. The planned as well as unplanned shutdowns in FY2025 limited the energy efficiency, thereby restricting the recovery in the profitability of the manufacturing segment. The trading portfolio was also impacted by high import prices and inadequate NBS rates. RCF got an assurance from the Department of Fertilisers for the protection of losses in the imported fertiliser segment, which has shielded the profitability to some extent. However, there remains around Rs. 367 crore outstanding as of May 2025 under this assurance. The

profitability of the trading segment in FY2026 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 of the urea segment, going forward. The company has been able to generate healthy profits in industrial products and the performance of this segment is likely to continue to be robust. Also, the operating profitability is expected to improve on the back of several energy-saving projects undertaken by the company.

Apart from this, ICRA notes that the energy norms were slated to be revised from April 2025. While ICRA does not expect the norms for RCF to undergo a major change, any downward revision in the norms would exert further pressure on 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 the under-recovery of fixed costs.

ICRA has reaffirmed and withdrawn the rating of [ICRA]AA(Stable) on the Rs. 300-crore non-convertible debentures (ISIN - INE027A08010). The NCD (INE027A08010) was fully redeemed/there is no amount outstanding against the rated instrument. The rating was withdrawn in accordance with the policy on withdrawal of credit ratings.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company will continue to benefit from its market position in the fertiliser sector and its strategic importance to the GoI and will generate healthy cash flow from operations, driven by an improvement in energy consumption and a healthy share of industrial chemicals.

## Key rating drivers and their description

### Credit strengths

**Large sovereign ownership and established position as one of the largest urea manufacturers** - The GoI remains the largest stakeholder with a 75% share in RCF. The large sovereign ownership results in a high degree of financial flexibility for the company. The company has access to the debt markets at competitive rates to support its liquidity profile. Further, RCF remains one of the largest urea manufacturers in India and has an established position in about 10 states in the western, central and southern parts of India on the back of its strong market presence. Further, trading of products like diammonium phosphate (DAP) and muriate of potash (MOP) helps to provide a wider basket of products to farmers.

**Product diversity and vertically integrated operations** - The operations of RCF are characterised by a high level of vertical integration across fertilisers and chemicals, thereby allowing value addition and diversification. The strength of the company lies in its product diversity and ability to switch between product streams in line with the market conditions.

**Healthy operating efficiency of urea operations** - The company has maintained robust operating efficiency at the Thal and Trombay units with high capacity utilisation. Further, the operating profitability is expected to improve because of the several energy-saving projects undertaken by the company.

### Credit challenges

**Sensitivity of cash flows to delays in subsidy receipts and other regulatory risks** – Subsidy inflow from the GoI had remained outstanding for 5-6 months in the past few years till FY2021, which impacted the cash flow of fertiliser companies and increased their working capital debt requirements. However, in FY2021, as part of the Rs. 65,000-crore subsidy announced under the Aatmanirbhar Bharat Package 3.0 for the fertiliser sector, RCF received additional subsidy, which substantially reduced its subsidy arrears and short-term borrowings. Consequently, the company's debt coverage metrics strengthened. The subsidy receipts from the Government have remained timely in the last few years and the trend is expected to continue. Nevertheless, ICRA notes that the fertiliser sector, being highly regulated, remains vulnerable to changes in regulations by the GoI.

**Susceptible of profitability to fluctuations in natural gas prices** – Natural gas is the key raw material for the company for manufacturing urea and industrial chemicals. Energy savings from the urea segment are affected by decrease in natural gas prices. Further, the profitability from industrial chemicals remains susceptible to fluctuations in natural gas prices.

**Large debt-funded capex plans over the medium term** - RCF is one of the JV partners for a greenfield coal gasification-based urea plant at Talcher (Odisha), which would entail a sizeable equity infusion of about Rs. 2,169 crore as well as expose the company to project execution risks. The company has already contributed ~Rs. 1,100 crore, and the balance is to be infused over the next two years. The company has sizeable capex plans over the medium term, to be funded through a mix of debt and internal accruals. As the company's internal accruals are not adequate, most of these investments are likely to be debt funded and will yield returns only over the longer term, which will put pressure on its key credit metrics over the medium term.

### 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. The GoI is considering passing a mandate for refineries and fertiliser plants to procure green hydrogen, which may result in additional cost burden on 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. However, 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.

### Liquidity position: Adequate

The company enjoys high financial flexibility due to its sovereign ownership, resulting in easy access to the debt markets which lends comfort from a credit perspective. The company has comfortable cushion in the form of unutilised working capital limits, indicated by the low utilisation of 16% of the sanctioned fund-based limits and 32% of its drawing power for the 12-month period ended May 2025. The company has sizeable capex plans over the next few years, to be funded through a mix of debt and internal accruals. Further, the company has a balance equity investment commitment of ~Rs. 1,069 crore towards the Talcher unit in FY2026 and FY2027. The repayment obligations are ~Rs. 642 crore (including NCD redemption of Rs. 500 crore) in FY2026 and ~Rs. 201 crore in FY2027; however, the NCDs are likely to be refinanced. The liquidity profile of RCF is expected to remain adequate due to the availability of unutilised limits and high financial flexibility.

### Rating sensitivities

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

**Negative factors** – A sustained decline in revenues and margins, or any stretch in the company's working capital position owing to a receivable period of more than 150 days will be negative for credit rating. Further, any deterioration in the debt metrics owing to any large debt-funded capex/investments or weak profitability will put pressure on the rating. Additionally, a reduction in the GoI's stake below 51% could lead to a downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Fertilizers</a> <a href="#">Chemicals</a> <a href="#">Policy on withdrawal of credit rating</a>
Parent/Group support	<b>Parent: Government of India</b> The ratings factor in the parentage of the GoI and the strategic importance of RCF for the GoI, as the company is a major fertiliser supplier in the country
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Rashtriya Chemicals and Fertilizers Limited. As on March 31, 2025, the company has two JVs, which are enlisted in Annexure II

## About the company

Rashtriya Chemicals & Fertilizers Limited (RCF), established in 1978, has a diversified product portfolio of urea (~46% of overall sales in FY2025), complex fertilisers (~15%), traded fertilisers (~28%) and industrial chemicals (~10%). RCF has two plants in Maharashtra — one each at Trombay and Thal. The Thal unit is primarily engaged in the production of urea (capacity of 2 mmtpa), besides a few industrial chemicals. The Trombay unit manufactures a wide range of industrial products, complex fertilisers (capacity of 0.66 mmtpa) and urea (0.33-mmtpa capacity). The company's industrial chemicals portfolio comprises 15 products, such as ammonium nitrate, nitric acid and methylamines. The Government of India holds a 75% stake in the company.

### Key financial indicators (audited)

RCF Consolidated	FY2024	FY2025
Operating income	16,981.3	16,933.6
PAT	227.7	241.6
OPBDIT/OI	3.1%	4.0%
PAT/OI	1.3%	1.4%
Total outside liabilities/Tangible net worth (times)	1.5	1.4
Total debt/OPBDIT (times)	6.3	4.1
Interest coverage (times)	2.7	2.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDITA: 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)	July 17, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	1,100.00	[ICRA]AA (Stable)	28-JUN-2024	[ICRA]AA (Stable)	30-JUN-2023	[ICRA]AA (Stable)	20-OCT-2022	[ICRA]AA (Stable)
				26-NOV-2024	[ICRA]AA (Stable)	-	-	27-MAR-2023	[ICRA]AA (Stable)
Term loan	Long term	3,500.00	[ICRA]AA (Stable)	28-JUN-2024	[ICRA]AA (Stable)	30-JUN-2023	[ICRA]AA (Stable)	20-OCT-2022	[ICRA]AA (Stable)
				26-NOV-2024	[ICRA]AA (Stable)	-	-	27-MAR-2023	[ICRA]AA (Stable)
Non-fund based	Long term /Short term	500.00	[ICRA]AA (Stable)/ [ICRA]A1+	26-NOV-2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	-	-
Commercial paper	Short term	3,000.00	[ICRA]A1+	28-JUN-2024	[ICRA]A1+	30-JUN-2023	[ICRA]A1+	20-OCT-2022	[ICRA]A1+
				26-NOV-2024	[ICRA]A1+	-	-	27-MAR-2023	[ICRA]A1+
Non-convertible debentures	Long term	300.00	[ICRA]AA (Stable); withdrawn	28-JUN-2024	[ICRA]AA (Stable)	30-JUN-2023	[ICRA]AA (Stable)	20-OCT-2022	[ICRA]AA (Stable)
				26-NOV-2024	[ICRA]AA (Stable)	-	-	27-MAR-2023	[ICRA]AA (Stable)
Non-convertible debentures	Long term	500.00	[ICRA]AA (Stable)	28-JUN-2024	[ICRA]AA (Stable)	30-JUN-2023	[ICRA]AA (Stable)	20-OCT-2022	[ICRA]AA (Stable)
				26-NOV-2024	[ICRA]AA (Stable)	-	-	27-MAR-2023	[ICRA]AA (Stable)
Non-convertible debentures	Long term	300.00	[ICRA]AA (Stable)	28-JUN-2024	[ICRA]AA (Stable)	30-JUN-2023	[ICRA]AA (Stable)	20-OCT-2022	[ICRA]AA (Stable)
				26-NOV-2024	[ICRA]AA (Stable)	-	-	27-MAR-2023	[ICRA]AA (Stable)
Non-convertible debentures	Long term	300.00	[ICRA]AA (Stable)	28-JUN-2024	[ICRA]AA (Stable)	30-JUN-2023	[ICRA]AA (Stable)	20-OCT-2022	[ICRA]AA (Stable)
				26-NOV-2024	[ICRA]AA (Stable)	-	-	27-MAR-2023	[ICRA]AA (Stable)
Non-convertible debentures	Long term	600.00*	[ICRA]AA (Stable)	28-JUN-2024	[ICRA]AA (Stable)	30-JUN-2023	[ICRA]AA (Stable)	20-OCT-2022	[ICRA]AA (Stable)
				26-NOV-2024	[ICRA]AA (Stable)	-	-	27-MAR-2023	[ICRA]AA (Stable)

\*Yet to be placed

## Complexity level of the rated instruments

Instrument	Complexity indicator
Cash credit	Simple
Term loan	Simple
Non-fund based limits	Very Simple
Non-convertible debentures	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
INE027A07012	NCD	Aug 5, 2020	6.59%	Aug 5, 2025	500.0	[ICRA]AA(Stable)
INE027A08010	NCD	Jan 31, 2022	6.59%	Jan 31, 2025	300.00	[ICRA]AA(Stable); withdrawn
INE027A08028	NCD	Aug 7, 2024	7.99%	Aug 7, 2027	300.0	[ICRA]AA(Stable)
INE027A08036	NCD	June 30, 2025	7.49%	June 30, 2028	300.0	[ICRA]AA(Stable)
Yet to be placed	NCD	NA	NA	NA	600.0	[ICRA]AA(Stable)
NA	Cash credit	NA	NA	NA	1,100.0	[ICRA]AA(Stable)
NA	Term loan 1	Dec 2020	NA	June 2028	121.0	[ICRA]AA(Stable)
NA	Term loan 2	June 2023	NA	June 2029	168.0	[ICRA]AA(Stable)
NA	Term loan 3	March 2025	NA	March 2031	300.0	[ICRA]AA(Stable)
NA	Term loan 4	May 2025	NA	Apr 2027	144.0	[ICRA]AA(Stable)
NA	Proposed term loans	NA	NA	NA	2,767.0	[ICRA]AA(Stable)
NA	Non-fund based limits	NA	NA	NA	500.0	[ICRA]AA(Stable)/ [ICRA]A1+
Not placed	Commercial paper	NA	NA	1-365 days	3,000.0	[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**

Company name	RCF ownership	Consolidation approach
Urvarak Videsh Limited (UVL)	33.33%	Equity method
Talcher Fertilizers Limited (TFL)	33.33%	Equity method

Source: Company

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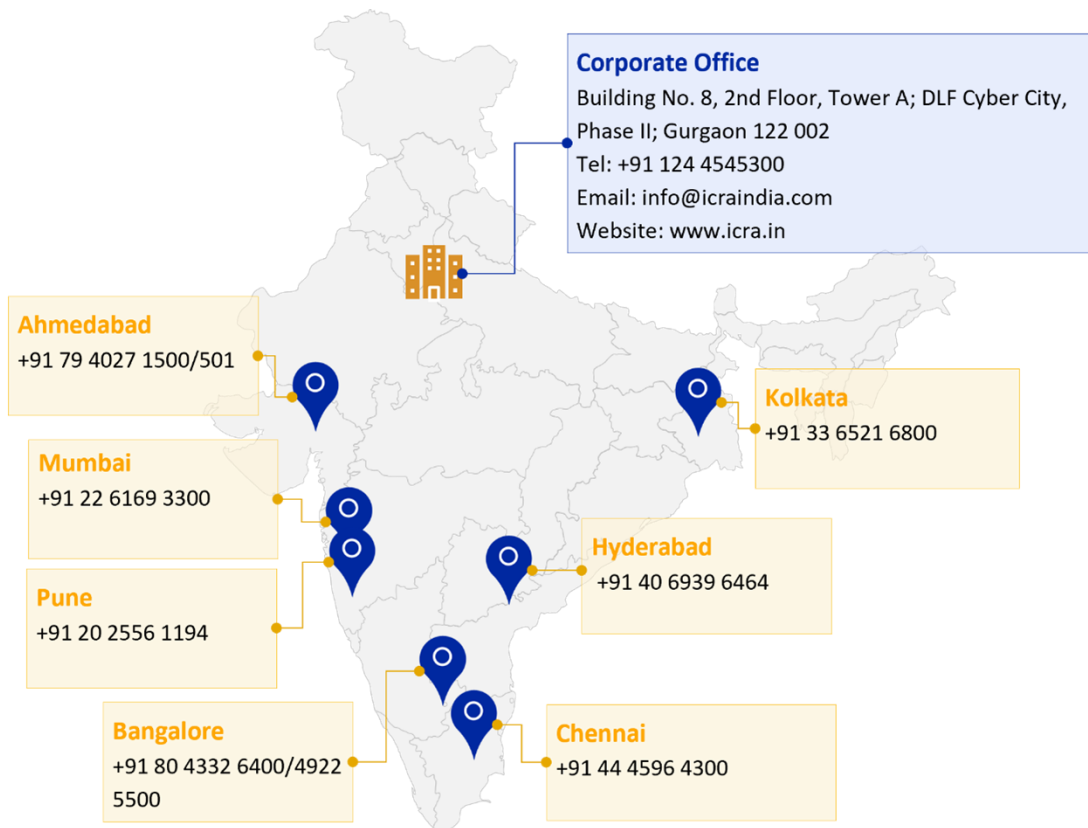
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