August 07, 2025

Talcher Fertilizers Limited: Rating reaffirmed; outlook revised to Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based – Term loan	9,560.00	9,560.00	[ICRA] BBB+ (stable); reaffirmed, outlook revised to Stable from Negative
Total	**9,560.00**	**9,560.00**	

**Instrument details are provided in Annexure I*

Rationale

The revision in outlook to Stable from Negative factors in the resolution of the stalemate between the lump sum turnkey (LSTK) contractor and Tacher Fertilizer Ltd (TFL). ICRA understands that the work has resumed at the project site after multiple rounds of meetings between the two parties as well as Government of India authorities. The LSTK contractor, Wuhuan Engineering Company Ltd (WECL), has increased the labour deployed on the site, and regular payments are being made to the sub-vendors as well in a timely manner and work on all major structures has been initiated. TFL's promoters have prepaid its entire external debt of ~Rs. 4,500 crore through equity infusion of ~Rs. 2,135 crore and ~Rs. 2,365 crore of intercorporate loans and as on June 30, 2025, the external debt was nil. TFL will draw down fresh debt to the tune of Rs. 12,250 crore with total project cost estimated to be around Rs. 19,000 crore. The 1.27-MMTPA urea plant with coal gasification technology is expected to achieve date of commencement of commercial operations (DCCO) by December 2027, indicating more than three years of delay from the original DCCO.

The rating continues to consider TFL's strong parentage - Coal India Limited, GAIL (India) Limited {GAIL, [ICRA]AAA(Stable)/[ICRA]A1+ and Rashtriya Chemical & Fertilisers Limited {RCF, [ICRA]AA (Stable)/[ICRA]A1+} - and a comfortable demand-supply outlook for urea in the country. The project holds strategic importance for the Government of India (GoI) as it would pave the way for utilising the coal gasification technology to produce fuels, chemicals and polymers using large reserves of indigenous coal that may face demand headwinds from other sectors over the long term due to climate change concerns. The project is also expected to reduce the country's dependence on imported natural gas to produce urea.

The rating favourably factors the Department of Fertiliser's policy for TFL assuring a 12% post-tax equity internal rate of return (IRR), which is likely to lead to healthy profitability and comfortable debt servicing ability. The detailed contours of the policy will be defined closer to the commissioning of the project. The higher upfront equity funding component of the increased cost translates into an elevated urea price to be commanded by the project, which is higher than the retention price for the gas-based urea plants. However, it also makes sure that the cash generation and DSCR remain comfortable throughout the policy period for the project.

The rating is, however, constrained by the significant delays in the construction plant due to operational bottlenecks caused by the Covid-19 pandemic as well as some changes in scope. Besides the delays in project execution, there have been significant cost overruns of ~Rs. 5,300 crore owing to increase in commodity prices, depreciation of the INR against the US Dollar and changes in the scope of the project. The rating is also tempered by the high technological risk of operating the plant successfully with domestic coal that has high ash content, though the company plans to mitigate the risk by adopting technology and blending the feedstock with petcoke along with some operational support from the LSTK contractor in the initial few months. The project also remains exposed to implementation risks owing to its large size and the relatively nascent technology as of now. ICRA notes that the LSTK contractor is a Chinese company, and the project execution could face further challenges due to geopolitical issues.

The rating also factors in the vulnerability of the fertiliser sector's profitability and cash flows to regulatory policies, timely payment of subsidy by the GoI and agro-climatic conditions. Given its strategic importance to the GoI, the project is likely to receive requisite support for its execution.

The outlook on the rating has been revised to Stable, given the resumption of the progress in project execution post the resolution of the stalemate with the LSTK contractor. Moreover, the cash flows are expected to remain comfortable vis-à-vis the debt servicing commitments, translating into a comfortable credit profile, once the project commissions.

Key rating drivers and their description

Credit strengths

Strategic importance of project to GoI - TFL's plant will implement the shell coal gasification process (SGP) using Indian coal with high ash content, which is a one-of-a-kind project at present. The project is of strategic importance for the Government of India (GoI) as its successful implementation would pave the way for utilising the coal gasification technology to produce fuels, chemicals and polymers using the large reserves of indigenous coal that may face demand headwinds from other sectors over the long term due to climate change concerns. This will help reduce the dependence on imported natural gas to produce urea.

Favourable demand-supply scenario for urea in India - The demand for urea has been growing at a steady pace over the years, with sales volume rising to 38.8 MMT in 2025 from 19.2 MMT in 2000.

After the announcement of the New Urea Investment Policy 2012 (NIP-2012), Chambal Fertilisers & Chemicals Limited (CFCL, rated [ICRA]A1+) commissioned a 1.27-MMTPA urea plant in January 2019. Two new plants - one by Ramagundam Fertilisers & Chemicals Limited (RFCL) and the other by Matix Fertilisers & Chemicals Limited (MFCL) - of 1.27-MMTPA capacity each were commissioned in FY2022. Hindustan Urvarak & Rasayan Limited (HURL) commissioned three other plants of 1.27-MMTPA capacity each in FY2022 and FY2023.

With TFL's plant slated to be commissioned by December 2027, the import dependence will be kept under check, which was around 15% of the total urea sold in FY2025. Thus, the demand-supply scenario remains favourable for urea in the country, also supported by the price differential between urea and phosphatic/potassic fertilisers. ICRA does not anticipate any issues in the offtake of urea from the project, given its strategic importance to the GoI and the locational advantage.

Strong promoter profile and their sponsor support offers comfort – The promoters include CIL, GAIL, and RCF, which have strong credit profiles and operational experience in handling coal mining, gas processing and fertiliser manufacturing & marketing. The promoters will also be providing a sponsor support undertaking (SSU) to the lenders to fund any cost overruns through equity, and the equity infusion has been timely till now. The promoters have also repaid their external debt by infusing equity and intercorporate loans. Several personnel from the promoter companies have been appointed in managerial and operational positions. The current managing director has been appointed by RCF, while the director finance is from CIL. The board comprises senior managers from the promoter companies.

FSA with CIL provides feedstock security - Coal and petcoke are the main raw materials to be used in the project. The company has entered into a long-term FSA with Coal India Limited for the supply of 3 MMTPA of coal, meeting the entire coal requirement of TFL from one of the coalfields of CIL. As Coal India Limited is one of the promoters, coal availability is not expected to be an issue. The company has also signed a memorandum of understanding (MoU) with Indian Oil Corporation Limited {IOCL, [ICRA]AAA(Stable)/[ICRA]A1+} to source petcoke and the final agreement will be signed closer to the commissioning date.

Policy support - Given the high capex and new technology being implemented for urea production, the DoF has formulated a policy assuring a 12% post-tax equity IRR for eight years from the date of production, which should ensure healthy profitability and comfortable debt servicing. While the policy has been announced by the DoF, the details will be finalised closer to the project commissioning as several engineering and financial parameters would have crystallised by then.

Credit challenges

Project implementation challenges and technology risks – The revised project cost is expected at Rs. 18,500 crore. Given the large size of the project, it remains vulnerable to execution risks. The project is also exposed to technological risks as it is the first unit to implement the SCGP technology in India and could face stabilisation/operational issues. The project progress has remained slow in the past, which resulted in substantial time overruns.

Cost overruns may impact project IRR; policy support to ensure healthy cash flows - The project has faced cost overruns primarily due to some change in scope, which, along with the delays caused by the pandemic and geopolitical issues, delayed the SCOD by around three years from the original date. Although the promoters have repaid the entirety of external debt, new term loans will have to be tied up and the same remains a key monitorable.

Vulnerability of profitability to agro-climatic risk and regulatory policies - The profitability of the fertiliser sector remains vulnerable to the regulatory policies of the GoI, including subsidy budgeting and policy formulation. The DoF has formulated a policy for TFL, assuring a 12% post-tax equity IRR, which will ensure timely debt servicing and adequate returns for the project.

Agro-climatic risks such as weak monsoons will also impact the profitability of the fertiliser sector as the industry has to offer higher discounts at such times, given the stressed condition of the end-users.

Liquidity position: Adequate

TFL's liquidity will remain adequate to meet the funding requirements. The promoters have already infused a large portion of the requisite equity contribution upfront with additional support through ICDs to prepay the entire external debt at present and the new term loan is expected to be tied up shortly. TFL might also draw down bridge financing facility from NSSF worth Rs. 1,000 crore till the term loan is tied up, so that the work continues. ICRA expects the promoters to extend support in case there are delays in tying up the additional debt.

Rating sensitivities

Positive factors – The rating may be upgraded, if there is significant progress in project construction with timely debt tie up and equity infusion.

Negative factors – The rating may be under pressure, if the project progress is slow or if there are further cost and time overruns. Weakening of the linkages with the sponsors or deterioration in the credit profile of the sponsors will also weigh adversely on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Fertilizers
Parent/Group support	Parent: GAIL (India) Limited (GAIL), Coal India Limited (CIL) and Rashtriya Chemicals & Fertilisers Limited (RCF) The rating takes into account the strength of the promoters and the sponsor support undertaking (SSU) signed with the lenders to fund cost overruns through the infusion of equity
Consolidation/Standalone	The rating is based on the projected standalone financials of the company

About the company

Talcher Fertiliser Limited (TFL) is a joint venture (JV) among GAIL (India) Limited (GAIL, rated [ICRA]AAA (Stable)), Coal India Limited (CIL), Rashtriya Chemicals & Fertilisers Limited (RCF, rated [ICRA]AA (Stable)/[ICRA]A1+) with each having a 33.33% stake and Fertiliser Corporation of India Limited (FCIL) with a 0.01% stake. The JV was formed to set up a new coal gasification-based urea manufacturing plant at FCIL's Talcher site where a coal-based urea plant existed till 2002. The urea plant being set up at Talcher has a production capacity of 2,200-MTPD ammonia and 3,850 MTPD of urea and is based on coal gasification technology sourced from Shell Eastern Pte Limited (with the technology now acquired by M/S Air Products Limited, USA).

Coal for the gasification will be sourced from Mahanadi Coalfields. The total capital outlay for the project had been revised upwards to ~Rs. 17,081 crore in September 2024 from ~Rs. 13,277 crore due to changes in scope. This has further been revised upwards to Rs 19,000 crore. The zero date of the project was October 1, 2019, and the project was originally expected to be commissioned in 57 months from the zero date i.e., end of June 2024. The date has now been delayed, and the project is expected to be commissioned in 2027.

Key financial indicators (audited)- As TFL is a project company, the key financial indicators have not been included

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Aug 07, 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long-term	9560.00	[ICRA]BBB+ (Stable)	Feb 05, 2025	[ICRA]BBB+ (Negative)	Jan 19, 2024	[ICRA]A- (Stable)	Mar 21, 2023	[ICRA]A- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	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	**Term loan**	FY2022	-	FY2035	9560.00	[ICRA]BBB+ (Stable)

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

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

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

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

Branches