January 27, 2026 (Revised)

Paradeep Phosphates Limited: Ratings upgraded, removed from rating watch with developing implications and Stable outlook assigned for the long term rating; ratings assigned for enhanced amount

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Term loans	2,000.00	3,000.00	[ICRA]AA- (Stable); rating upgraded from [ICRA]A+/assigned for enhanced amount, removed from rating watch with developing implications and Stable outlook assigned
Fund based – Long-term facilities	2,700.00	3,000.00	[ICRA]AA- (Stable); rating upgraded from [ICRA]A+/assigned for enhanced amount, removed from rating watch with developing implications and Stable outlook assigned
Non-fund based short-term facilities	8,000.00	11,200.00	[ICRA]A1+; rating upgraded from [ICRA]A1/assigned for enhanced amount, removed from rating watch with developing implications
Commercial paper programme	300.00	300.00	[ICRA]A1+; rating upgraded from [ICRA]A1, removed from rating watch with developing implications
Total	**13,000.00**	**17,500.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating upgrade factors in the strong uptick in the scale of operations of Paradeep Phopshate Limited (PPL/the company) with the completion of Mangalore Chemicals & Fertilisers Limited's (MCFL) merger into the company. After the merger, PPL's total fertiliser manufacturing capacity has risen to 3.7 MMTPA (from 3 MMTPA), making the company the third-largest fertiliser player in the country in terms of manufacturing capacity.

The rating upgrade also factors in the strong operational profile of PPL, supported by its backward-integrated operations for manufacturing phosphatic fertilisers at the Paradeep plant which has the capacity to manufacture 0.5 MMTPA of phosphoric acid and 1.9 MMTPA of sulphuric acid. The backward-integrated operations help boost the profitability vis-à-vis the non-backward integrated operations and result in healthy cash generation. Going forward, the company plans to enhance the manufacturing capacity of phosphoric acid at its Paradeep and Mangalore plants and expects to meet its entire phosphoric acid requirement internally by FY2028-end. The capacity enhancement also involves expanding the sulphuric acid capacity which will support the in-house production of sulphuric acid and also meet the steam generation requirement for power production. Thus, going forward, the increased backward integration should help improve the company's profitability and cash generation, thereby supporting the overall credit profile.

The company's urea plants have also maintained healthy energy consumption vis-à-vis the energy norms. Going forward as well, while the energy savings are expected to moderate with the expected revision in the normative energy norms, the steps being taken to improve energy efficiencies will support efficient urea production.

The ratings also factor in a substantial gap between domestic production and consumption of fertilisers, leading to limited demand-related risks. The company also displays a healthy cost position due to its high operating efficiency and part backward integration into the manufacturing of phosphoric acid and sulphuric acid. The company has established relations with its overseas raw material supplier i.e. OCP Morocco, as the latter belongs to the promoter group, ensuring smooth availability of raw materials and some cost benefits.

PPL's profitability is expected to steadily improve owing to deepening backward integration and hopes of largely remunerative NBS rates. Any increase in the prices of key raw materials such as sulphur and phosphoric acid will remain a key monitorable. The liquidity of PPL is supported by a largely timely subsidy inflow, keeping the receivable levels and the working capital borrowings in check. Although there could be a shortfall in the NPK subsidy budget, the Government of India is expected to make additional allocations in a timely manner.

The ratings are constrained by the project execution risk pertaining to the capex programme being undertaken by the company over the course of FY2027 to FY2030. The current capex programme, apart from the regular maintenance capex, includes phase 2 of the energy saving programme at the Goa plant and the Rs. 3,600-crore capex to be undertaken for the expansion of the granulation capacity at Paradeep and the backward integration initiatives at Paradeep and Mangalore. The capex will be funded through a mix of 70% of debt and the remaining through internal accruals. While the credit profile is expected to moderate marginally from the current levels, ICRA expects the credit metrics to remain comfortably inline with the rating level. A timely completion of the projects within the planned capital outlay will remain a key monitorable, going forward. Additionally, as a major part of the capex pertains to backward-integration initiatives, the improvement in profitability from current operations will keep the credit profile stable.

The ratings are also constrained by the vulnerability of the company's profitability to agro-climatic and regulatory risks. The fertiliser demand remains closely tied with agricultural activity. Given the significant dependence on monsoons, any adverse agro-climatic events can impact the company's profitability. The regulatory risks include policy formulations by the GoI, given the highly regulated nature of the sector. The company's credit profile is also closely tied to the timeliness of the subsidy release by the GoI and any significant delay in the release of subsidy can increase the dependence on borrowings and impact the credit metrics. The ratings are also constrained by the volatility in raw material prices as these are linked with international prices. In scenarios where the industry is unable to undertake timely price revisions or the subsidy rates are not remunerative to reflect the changes in the raw material prices, the profitability can be significantly impacted.

The Stable outlook on the rating reflects ICRA's expectation of the company's credit profile remaining stable, supported by healthy cash generation from the operations on the back of increased scale and backward-integrated operations.

Key rating drivers and their description

Credit strengths

Established position as one of the largest manufacturers of DAP and complex fertilisers in India – PPL is one of the largest manufacturers of DAP/NPK fertilisers in the country, with a production capacity of 2.9 MMTPA, post the merger with MCFL. The company's urea manufacturing capacity stands at 0.8 MMTPA now with the completion of the merger. Through its plants in Odisha, Goa and Mangalore, PPL reaches over 10 million farmers spread across 18 states. PPL continues to enjoy a leading market share in states such as Odisha, West Bengal, Bihar, Karnataka, Maharashtra, Madhya Pradesh and Uttar Pradesh. With the acquisition of ZACL's assets and the merger with MCFL, PPL has enhanced its market reach to the southern and western markets. Further, PPL has a wide network of more than 6,000 dealers and 75,000 retailers.

Strong operational profile, supported by part backward integration; intensity of backward integration to improve, going forward – PPL's operations are partially backward integrated into the production of phosphoric acid by using rock phosphate and sulphuric acid, which provides cost advantage to PPL as the phosphoric acid produced is cheaper than the imports. In FY2025, the increased capacity of 0.5 million tonnes of phosphoric acid came onstream, leading to higher profitability during the year and YTD FY2026. PPL is further working on expanding the phosphoric acid capacity to 1.2 million tonnes as well as the sulphuric acid capacity to 3.53 million tonnes from 1.93 million tonnes by FY2028. PPL aims to be completely backward integrated across all the three plants after the completion of this capex. It is also undertaking capex to improve the energy efficiency at its urea plant, which is expected to bring down the energy consumption of the Goa unit to 6.10 Gcal/MT by the end of FY2026 and further to 5.7-5.8 Gcal/MT by the end of FY2027 vis-a-vis the normative energy norm of 6.5 Gcal/MT. These initiatives are expected to improve the cost structure further and improve the contribution margins, thereby aiding the overall profit generation.

Smooth availability of key raw materials – One of the promoters of PPL is Office Cherifien des Phosphates (OCP), Morocco, which is one of the largest producers of phosphoric acid globally. PPL has a long-term contract with OCP for the supply of rock phosphate as well as phosphoric acid and gets discount on the inputs as well. As OCP is one of its promoters, PPL does not face any challenge in procuring its key raw material, in addition to getting financial benefits on the purchase. Further, OCP also gives an extended credit period to PPL.

Credit challenges

Project execution risk, given the sizeable capex plan under execution- PPL is undertaking a sizeable capex of around Rs. 3,600 crore to deepen its backward integration across the Paradeep and Mangalore plants while also increasing the granulation capacity at the Paradeep unit. Further, there is capex ongoing at the Goa plant to improve the energy efficiency of the urea operations. The capex is expected to be funded in a debt-to-equity ratio of 70:30 and the debt metrics may be elevated in the near term. However, going forward, the debt metrics should improve gradually with the phasing of capex over multiple years as well as the phosphoric acid and sulphuric acid capacities coming into play steadily.

Profitability vulnerable to regulatory policies in fertiliser sector and agro-climatic risks – The agriculture sector in India remains vulnerable to the vagaries of the monsoon as the area under irrigation remains low. The sector is highly regulated and remains vulnerable to the changes in regulations by the GoI.

Susceptible to volatility in raw material prices and cyclicality inherent in fertiliser business – Fertiliser production heavily relies on various raw materials, such as natural gas (for urea), rock phosphate, phosphoric acid, ammonia, and potash (for NPK fertilisers). These raw materials are subject to price fluctuations in the global commodity markets due to various factors, including supply and demand dynamics, geopolitical events, weather conditions and currency exchange rates. When raw material prices are stable or declining, fertiliser companies can maintain or improve their profit margins. However, sudden spikes in raw material costs can significantly impact the profitability, if the nutrient-based subsidy rates do not adjust commensurately.

Moreover, the demand for fertilisers is closely tied to the agricultural sector, which itself is subject to cyclical fluctuations based on factors such as weather conditions, planting seasons, crop prices, Government policies and global economic conditions.

Sensitivity of cash flows to timely release of subsidy by GoI – In the past, fertiliser companies have witnessed significant cash-flow mismatches owing to the delay in the release of subsidy by the GoI due to inadequate subsidy budgeting. However, the subsidy receipt from the GoI has remained timely over the last couple of years, keeping the working capital borrowings under check. Going forward, the timeliness of the subsidy receipt 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. However, the productivity in organic farming remains low at present and thus the near-term risk to fertiliser offtake is low. Also, the adoption of nano fertilisers remains in its nascent stages. Going forward, technological breakthroughs resulting in organic or nano alternatives with equal or better productivity can pose a significant threat to fertiliser offtake, although the threat remains long term in nature. Further, the company sells nano-fertiliser products as well, which have a smaller carbon footprint. PPL also achieved an S&P CSA score of 75 in FY2025, ranking it among the top 2% of corporates globally in the chemicals sector.

Liquidity position: Adequate

The company's liquidity position is expected to remain adequate, supported by ~Rs. 1,238 crore of cash and liquid investments as on September 30, 2025, and a cushion of ~Rs. 2,500 crore in fund based limits as on September 30, 2025. Expectation of net cash accruals of Rs. 1,000-1,200 crore per annum over FY2026 to FY2028 should enable the company to meet its debt repayments and equity funding requirement for the capex programme underway. The current capex programme is expected to be funded in a debt equity ratio of 70:30.

Rating sensitivities

Positive factors – The ratings can be upgraded if the company witnesses a significant growth in its earnings, leading to a sustained improvement in its debt metrics.

Negative factors – A decline in profitability, resulting in a deterioration of the debt metrics, could lead to a downgrade. Moreover, a stretch in the receivable days on a sustained basis, resulting in increased reliance on working capital borrowings, will put pressure on the ratings. Any material time/cost overruns in the ongoing capex programme and/or a further large debt-funded capex programme resulting in a moderation of the leverage and coverage metrics may warrant a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Fertilizers
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financials of the company

About the company

Paradeep Phosphates Limited (PPL) is one of India's largest private sector phosphatic players, producing a wide range of phosphatic grades, including DAP, N-10, N-12, N-14, N-19, N-20 and N28. The company was incorporated in 1981 as a joint venture between the Government of India (GoI) and the Republic of Nauru (RN) to set up a phosphatic fertiliser manufacturing unit at Paradeep, Odisha. Later in 1993, with the divestment of RN's stake, PPL became a public sector enterprise (PSU). Subsequently, in 2002, the GoI decided to divest around 80% stake to Zuari Maroc Phosphates Pvt Ltd (ZMPPL), a joint venture of Zuari Agro Chemicals Limited (ZACL) and the OCP Group S.A. Zuari Agro Chemicals was a fertiliser company with a fertiliser manufacturing unit at Goa. Morocco-based OCP Group is one of the world's largest phosphatic players, with a sizeable control over the world's known phosphate reserves.

In May 2022, PPL successfully completed a Rs. 1,500-crore initial public offering (IPO), during which the GoI divested its remaining 20% stake. The company also used part of the proceeds to complete the acquisition of the 1.2-million-MT fertiliser plant at Goa. At present, PPL has a total capacity of around 3.7 million MT, of which 0.8 million MT is urea and the balance 2.9 million MT is phosphates, post the completion of merger of Mangalore Chemicals & Fertilisers Limited (MCFL) with PPL in October 2025. The company has three large manufacturing facilities - one at Paradeep in Odisha, one at Mangalore in Karnataka and the third at Zuarinagar, Goa. The raw materials used by PPL come from various countries such as Morocco, Jordan, Qatar and Saudi Arabia. For several raw materials, such as phosphate rock, phosphoric acid, ammonia and sulphur, the company has long-term supply agreements.

Key financial indicators (audited)

PPL Standalone	FY2024	FY2025#	H1 FY2026#*
Operating income	11,575.1	16,958.7	11,375.7
PAT	99.2	662.9	659.2
OPBDIT/OI	6.0%	9.1%	10.9%
PAT/OI	0.9%	3.9%	5.8%
Total outside liabilities/Tangible net worth (times)	1.7	1.4	1.8
Total debt/OPBDIT (times)	5.8	3.3	2.3
Interest coverage (times)	1.9	3.5	5.1

*Source: Company, ICRA Research; #Financials include the merged entity formed after merger of MCFL into PPL, *unaudited; 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)	Jan 27, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	3,000.00	[ICRA]AA- (Stable)	Feb-25-25	[ICRA]A+; rating watch with developing implications	Feb-15-24	[ICRA]A; rating watch with developing implications	Jul-29-22	[ICRA]A (Stable)
	-	-	-		-	Jul-31-23	[ICRA]A (Stable)	-	-
Fund based long-term facilities	Long term	3,000.00	[ICRA]AA- (Stable)	Feb-25-25	[ICRA]A+; rating watch with developing implications	Feb-15-24	[ICRA]A; rating watch with developing implications	Jul-29-22	[ICRA]A (Stable)
	-	-	-		-	Jul-31-23	[ICRA]A (Stable)	-	-
Non-fund based facilities	Short term	11,200.00	[ICRA]A1+	Feb-25-25	[ICRA]A1; rating watch with developing implications	Feb-15-24	[ICRA]A1; rating watch with developing implications	Jul-29-22	[ICRA]A1
	-	-	-		-	Jul-31-23	[ICRA]A1	-	-
Commercial paper	Short term	300.00	[ICRA]A1+	Feb-25-25	[ICRA]A1; rating watch with developing implications	Feb-15-24	[ICRA]A1; rating watch with developing implications	Jul-29-22	[ICRA]A1
	-	-	-		-	Jul-31-23	[ICRA]A1	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Term loan	Simple
Long term fund based limit	Simple
Short term non-fund based	Simple
Commercial paper	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-I	FY2017- FY2022	7.12%-9.0%	FY2025-FY2029	3,000.00	[ICRA]AA-(Stable)
NA	Fund based limits	-	-	-	3,000.00	[ICRA]AA-(Stable)
	Short term - Non-fund based limits	-	-	-	11,200.00	[ICRA]A1+
	Commercial paper (Unplaced)	-	-	-	300.00	[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

Corrigendum

Document dated Jan 27 2026 has been corrected with revision as follows:

Current year was corrected in rating history table

Positive factor was revised

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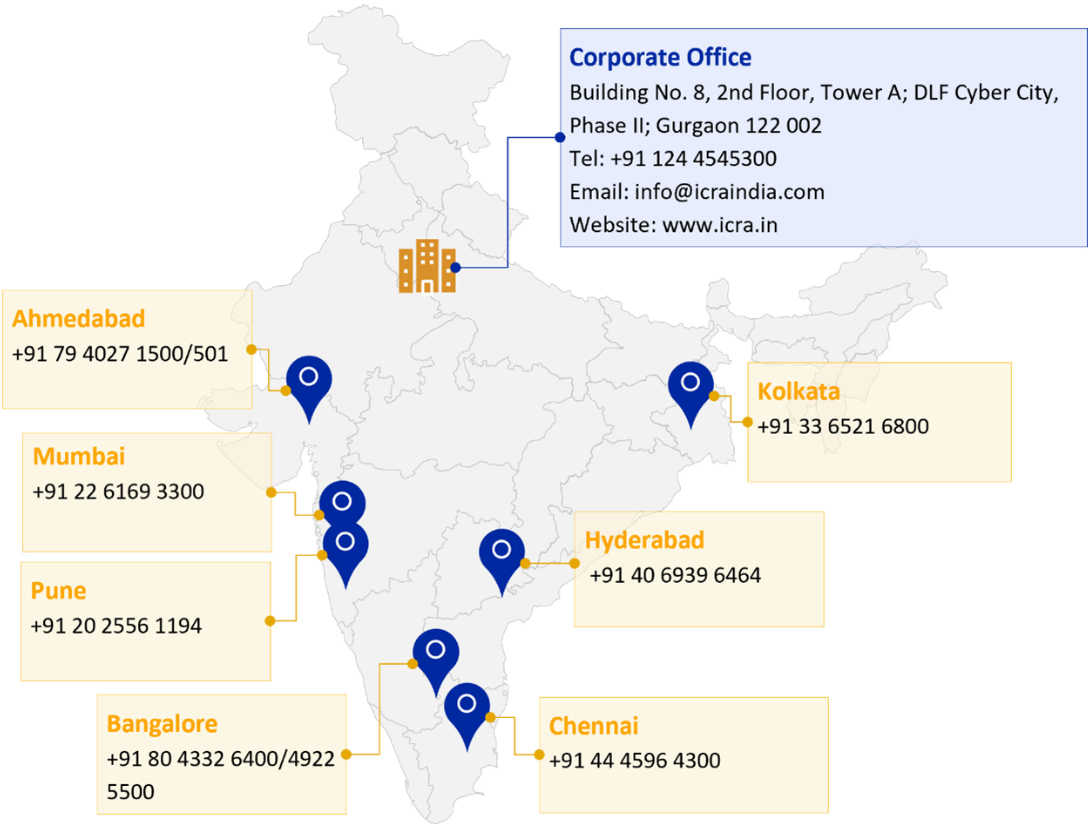

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