

January 29, 2026

Chambal Fertilisers & Chemicals Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper programme	4,500.00	2,500.00	[ICRA]A1+; reaffirmed
Total	4,500.00	2,500.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in the established position of Chambal Fertilisers & Chemicals Limited (CFCL) as a large urea manufacturer in the domestic market and a stable demand outlook for fertilisers, along with the company's energy-efficient urea operations. The rating factors in the healthy operational performance of CFCL's urea operations and the strong policy support for its Gadepan-3 (G-3) plant under the New Urea Investment Policy-2012 (NIP-2012), which contributes a major proportion to the overall profitability.

The company has significantly ramped up its trading portfolio in YTD FY2026 with healthy revenue growth visible in crop protection chemicals (CPC) as well as bulk fertilisers i.e. DAP and NPK fertilisers. It has been able to garner healthy profitability in the CPC segment, supported by its wide distribution network and the introduction of new products. In bulk fertilisers, DAP sales volumes have grown at a healthy pace but have remained largely profit neutral as it was imported under the advantage/disadvantage scheme of the Gol. There has been a healthy ramp-up in the sales and profitability of NPKs in the bulk fertiliser segment with the products gaining acceptance among farmers amid lower DAP availability.

The steady improvement in urea operations has been fuelled by the efficient energy consumption of the G-1 and G-2 plants post the energy savings capex incurred in recent years. However, in H1 FY2026, G-2 faced some operational issues and will be undergoing a shutdown in February 2026, resulting in lower production. Over the last few years, the subsidy payouts have been timely, which has resulted in a healthy liquidity build-up for the company. The company's credit profile has strengthened over the last couple of years, driven by timely subsidy payouts by the Gol, robust EBITDA generation from the urea operations and a ramp-up of the non-subsidised business. The company posted an OPBDITA/PAT of Rs. 2,551 crore/Rs. 1,656 crore in FY2025 and Rs. 1,603 crore/Rs. 1,239 crore in H1 FY2026.

The credit metrics remain strong with no bank debt outstanding as on March 31, 2025, and September 30, 2025 and TD/OPBDITA of 0.01x as on March 31.,2025 (debt includes lease liability) while the interest coverage ratio was robust. The liquidity position also remains strong with healthy free cash balances, no scheduled debt repayments and no large capex planned, apart from the TAN project which is also nearing completion. The company has also showcased exceptional financial flexibility while raising borrowings from the banking system as well as capital markets at highly competitive rates. While the promoters hold 60.85% shareholding out of which 23.68% is pledged as on September 2025 end, it has not resulted in any adverse impact on the company's financial flexibility.

The rating also factors in the vulnerability of CFCL's performance to agro-climatic conditions and regulatory risks. The credit profile remains vulnerable to fertiliser subsidy budgeting by the Gol. ICRA notes that the company is in advanced stages of completing the capex programme for the technical ammonium nitrate (TAN) plant at its Gadepan facility. The entire capex of Rs. 1,645 crore is being funded by internal accruals, and the plant is expected to start commercial operations in April 2026. ICRA also notes that the 8-year period for the applicability of NIP-2012 for G-3 will get over in December 2026. The policy

contours governing the G-3 unit post the expiry of the 8-year period and its impact on the credit profile will remain a key monitorable.

Key rating drivers and their description

Credit strengths

Established position in domestic fertiliser industry - CFCL is the largest private sector urea manufacturer with a ~3.00-MMTPA installed capacity and the third-largest urea player in the country. CFCL has cemented its position as one of the leading players in the fertiliser sector with total fertiliser volume sales of ~1.75 MMT (including urea and non-urea fertilisers in 6M FY2026). A strong marketing network comprising nearly 3,800 dealers enables CFCL to reach a wide farmer base and reduces the marketing risk for the trading segment.

Favourable demand-supply scenario for urea in India due to price differential with non-urea fertilisers - After the implementation of the Nutrient-Based Subsidy (NBS) scheme in 2010 for non-urea fertilisers, there has been a significant price differential between urea and P&K fertilisers, which has prompted farmers to prefer urea due to its lower price. Overall, fertiliser use is expected to grow by around 1-3% in India and with limited capacity additions in the near future, the demand prospects are expected to be comfortable for the company.

Healthy energy efficiency and capacity utilisation of urea units; stable cash generation from urea - CFCL's urea plants continue to be one of the most energy-efficient facilities in the country and are competitive against imported urea as well. The energy efficiency capex for the G1 and G2 plants has resulted in further savings. The plants have been able to maintain healthy capacity utilisation levels for the past several years, while the energy consumption has remained well below the normative norms defined by the fertiliser policy from time to time, aiding the profitability.

The cash generation from urea operations has increased significantly from FY2020 with the expanded capacity becoming operational in January 2019. Further, there is strong policy support from NIP-2012, assuring a floor of 12% and ceiling of 20% on post-tax return on equity (RoE). The cash generation from the urea operations is expected to remain comfortable, going forward. However, with the NIP 2012 policy coming to an end in December 2026, the revised policy applicable for the G-3 plant will remain a key monitorable.

Healthy financial risk profile and strong financial flexibility - CFCL has healthy financial flexibility in terms of its ability to raise funds at highly competitive rates in a short period of time. It has been using working limits sparingly due to timely subsidy inflow and the company has sizeable unutilised bank limits.

Credit challenges

Profitability exposed to policy changes and agro-climatic conditions - The profitability of the fertiliser sector is vulnerable to agro-climatic conditions as a major part of the country is still dependent on the monsoon. The profitability of the sector also remains vulnerable to the regulatory policies of the GoI, including the NBS rates, which have an impact on the traded products segment.

Credit profile vulnerable to GoI's subsidy budgeting - CFCL's credit profile will remain vulnerable to the adequacy of subsidy budgeting by the GoI. While the subsidy allocation remains adequate at present, any mismatch in the fertiliser subsidy allocation, going forward, may result in a subsidy backlog and, thus, higher working capital requirements.

Environmental and social risks

Global efforts towards decarbonisation and the 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, any such move would add to the cost burden of 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 the chemical fertilisers in farming and the growing clamour for organic produce can impact fertiliser offtake. The productivity in organic farming remains low and, thus, the near-term risk to fertiliser offtake remains low. Going forward, technological breakthroughs resulting in organic alternatives in farming for equal or better productivity will pose significant threat to fertiliser offtake, although the threat remains long term in nature.

Liquidity position: Strong

CFCL's liquidity position is expected to remain strong in the near to medium term, with adequate cash generation from business and no committed debt repayments in the near future. Moreover, the working capital utilisation remains nil, which along with the sizeable cash balances, provide a strong liquidity cushion. CFCL's ability to access the capital markets at a short notice and at highly competitive rates supports its liquidity position as well.

Rating sensitivities

Positive factors – NA.

Negative factors –The rating would be under pressure if the working capital cycle is stretched owing to delay in the subsidy receivables from the GoI or any large debt-funded capex impacting the company's debt metrics. Further, any material deterioration in the cash generation can result in a downward.

Analytical approach

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

About the company

Chambal Fertilisers & Chemicals Limited (CFCL) was promoted by Zuari Industries Limited, a K.K. Birla Group company, in 1985. The company has three urea manufacturing units at Gadepan (Kota, Rajasthan), based on natural gas feedstock. The total installed capacity of these units is around 3 million metric tonnes per annum (MMTPA). CFCL is India's largest private sector manufacturer of urea. The plants get natural gas through the Hazira-Vijaypur-Jagdishpur (HVJ) gas pipeline of GAIL.

The company is also involved in the trading of agri-inputs such as complex fertilisers (DAP, MOP, SSP), pesticides, seeds, etc. CFCL also has a 33.33% stake in Indo Maroc Phosphore SA (IMACID), Morocco, a major producer of phosphoric acid, apart from having subsidiaries in the software and power businesses.

Key financial indicators

CFCL Standalone	FY2024	FY2025	H1 FY2026*
Operating income	18,025.6	16,691.6	12,110.4
PAT	1,331.4	1,656.8	1,239.7
OPBDITA/OI	11.7%	15.3%	13.2%
PAT/OI	7.4%	9.9%	10.2%
Total outside liabilities/Tangible net worth (times)	0.6	0.3	0.4
Total debt/OPBDITA (times)	0.8	0.0	0.0
Interest coverage (times)	12.2	52.7	482.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation *result

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	FY2026		FY2025		FY2024		FY2023	
		Amount rated (Rs. crore)	Jan 29, 2026	Date	Rating	Date	Rating	Date	Rating
Commercial paper	Short term	2,500.00	[ICRA]A1+	Jan 29, 2025	[ICRA]A1+	Jan 30, 2024	[ICRA]A1+	Jan 31, 2023	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper programme	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
Unplaced	Commercial paper programme*	NA	NA	NA	2,500.0	[ICRA]A1+

Source: Company; * - Unplaced

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

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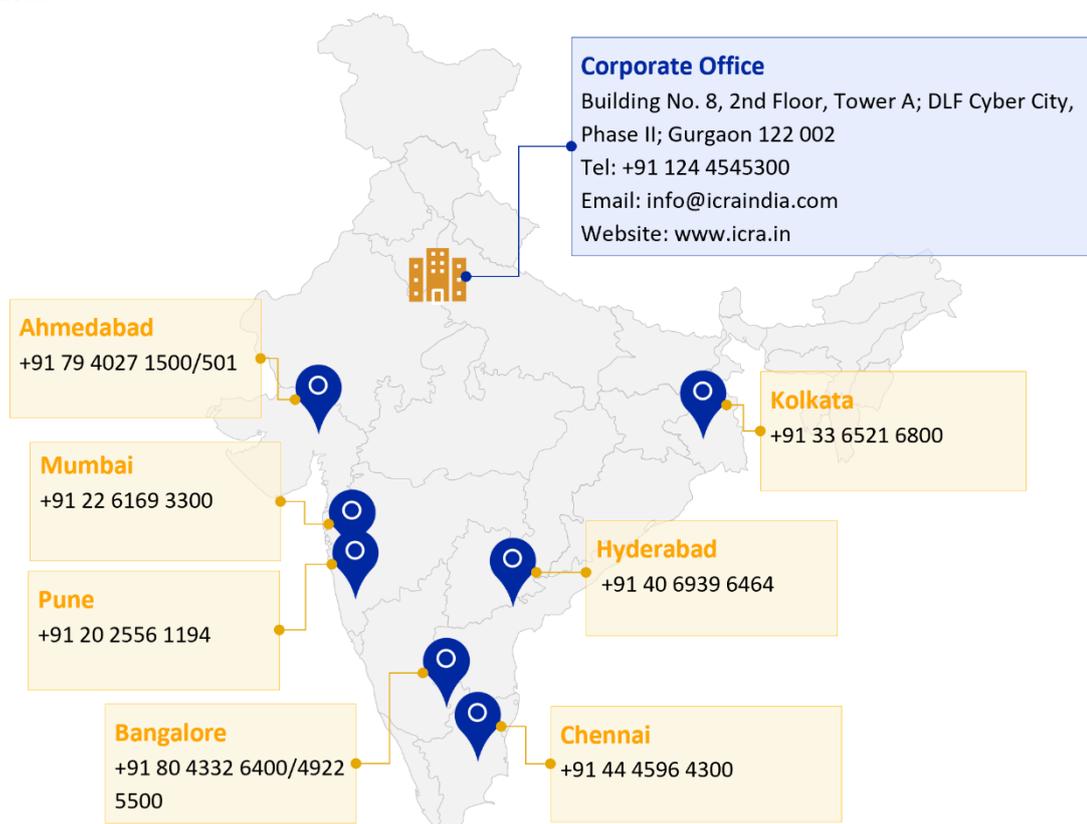
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