

May 26, 2026

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
Total	18,600.0	18,600.0	

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

Rationale

The ratings reaffirmation for the credit facilities of National Fertilizers Limited (NFL) factors in the expectation of steady demand for urea in the country and its sizeable market presence in the urea segment. The rating action also accounts for the company'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 (JV) – 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 Government of India (GoI) and expectation of the trend continuing in the future. The ratings also consider the low demand risk for urea along with the parentage of the 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 the absence of any major capital expenditure (capex) 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. Further, the shutdowns at Vijaiapur plant have pressured profitability for the urea segment. The profitability of phosphatic fertiliser sellers depends on the NBS rates announced by the GoI, and although DAP imports have increased in 9MFY2026, continued government support will remain a key monitorable. The performance of the fertiliser sector also stays vulnerable to the vagaries of the monsoon as a sizeable portion of the arable land depends on the rainy season 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.

Although there were some disruptions in natural gas availability during March 2026, NFL was able to navigate the same by preponing shutdown and diverting gas to other plants. Subsequently, natural gas availability improved and the operating rates for the urea plants of the company have currently risen to around 100%. The company has also been able to generate healthy profits in industrial products and domestically traded products (agrochemicals, etc.) in FY2026. The profits of the fertiliser trading segment are expected to dip in the current fiscal amid elevated international prices and constrained availability, which are expected to result in lower sales volume. For the industrial products segment, the contribution margins have improved significantly since the West Asia crisis, although with expectation of constrained ammonia availability, the overall volumes are anticipated to be lower and thus the upside in margins may not meaningfully support NFL's profits in FY2027.

NFL is a JV partner in RFCL, which 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 as 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 company's credit profile once the details are finalised.

The GoI is also in the process of revising the energy norms of the urea units along with the fixed cost component of the retention price. Currently, the announcement of the same is pending and ICRA will evaluate the impact of the announcement, which remains a key monitorable for the company's credit profile.

The Stable outlook on the ratings for NFL factors in ICRA's expectation that the overall credit profile will remain steady, supported by timely release of the subsidy by the GoI along with rising share of profits from the industrial products and the trading segment which should lend strength to the company's credit profile.

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. It has a vast marketing network, comprising dealers, cooperative societies and institutional agencies spread over 20 states in India. The company sells its urea and Nitrogen, Phosphorus and Potassium (NPK) 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 FY2027, the Government has made a budgetary allocation of Rs. 1.71 trillion, including Rs. 1.17 trillion for urea and Rs. 0.54 trillion for NPK. ICRA expects the subsidy allocation to witness some shortfall if the elevated energy and input prices sustain; however, the Government is expected to make additional allocations in a timely manner to cover any shortfalls. ICRA also expects the GoI to support NFL going forward, owing to its strategic importance in ensuring domestic food security.

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 stays 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% over the near-to-medium term and domestic urea offtake remains protected, given the significant import dependence as prices for NPK witness a retail price hike.

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 continues to focus 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 continue to be exposed to the volatility in weather conditions. The sector, being highly regulated, also remains vulnerable to changes in regulations by the GoI. Currently, the Vijapur plant's profitability is still weak owing to its relatively lower fixed cost. Also, for keeping DAP imports profitable, GoI support would need to be continued as the increase in NBS rates for Kharif season did not fully offset the elevated international price.

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. As pooled gas prices have witnessed a significant increase, the subsidy receivable for urea players is also expected to rise. 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 over 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 result in an 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 demand 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, albeit long term, threat to fertiliser offtake.

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

Liquidity position: Adequate

The company's liquidity position remains Adequate, supported by cash and liquid investments of Rs. 60 crore (provisional) as on March 31, 2026 and cushion in the working capital limits wherein fund-based limit utilisation has continued to be in the range of 45% (average for 12 months ending in April 2026) vis-à-vis the sanctioned limits. Given the absence of long-term debt repayments and modest capex, the liquidity position is expected to remain adequate to meet the near-term cash flow requirements.

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	Corporate Credit Rating Methodology Fertilisers
Parent/Group support	Parent: Government of India; The ratings factor in the parentage of the Gol and the strategic importance of NFL for the Gol 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). It 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 Gol currently holds a 74.71% stake in the company. In 2022, the Gol 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 update regarding the same.

Key financial indicators (audited)

NFL (standalone)	FY2024	FY2025	9MFY2026*
Operating income (OI)	23,560.3	19,794.5	17,167.0
PAT	64.7	76.3	51.5
OPBDIT/OI	2.6%	3.1%	3.0%
PAT/OI	0.3%	0.4%	0.3%
Total outside liabilities/Tangible net worth (times)	3.2	2.4	-
Total debt/OPBDIT (times)	6.6	3.3	-
Interest coverage (times)	2.2	2.6	3.0

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 (FY2027)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2027		FY2026		FY2025		FY2024	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term – Fund-based cash credit	Long term	9000.00	May 26, 2026	[ICRA]AA (Stable)	May 02, 2025	[ICRA]AA (Stable)	May 17, 2024	[ICRA]AA (Stable)	Apr 10, 2023	[ICRA]AA (Stable)
			-	-	Mar 26, 2026	[ICRA]AA (Stable)	-	-	May 23, 2023	[ICRA]AA (Stable)
Short term – Non-fund based	Short term	9600.00	May 26, 2026	[ICRA]A1+	May 02, 2025	[ICRA]A1+	May 17, 2024	[ICRA]A1+	Apr 10, 2023	[ICRA]A1+
			-	-	Mar 26, 2026	[ICRA]A1+	-	-	May 23, 2023	[ICRA]A1+
Unallocated limits			-	-	-	-	-	-	May 23, 2023	[ICRA]AA (Stable)
Term loans			-	-	-	-	-	-	Apr 10, 2023	[ICRA]AA (Stable)
Commercial paper[^]	Short term	4000.00	May 26, 2026	[ICRA]A1+	May 02, 2025	[ICRA]A1+	May 17, 2024	[ICRA]A1+	Apr 10, 2023	[ICRA]A1+
			-	-	Mar 26, 2026	[ICRA]A1+	-	-	May 23, 2023	[ICRA]A1+

[^] The commercial paper programme is carved out of the fund-based limits of the company

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA-rated instruments fall under the regulatory purview of various Financial Sector Regulators (FSRs), as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other activities offered by ICRA fall under the regulatory purview of various FSRs, as under:

Sr. No.	Activity name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of FSRs other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based cash credit	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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term – Fund-based cash credit	NA	NA		9000.0	[ICRA]AA (Stable)
NA	Short term - Non-fund based	NA	NA		9600.0	[ICRA]A1+
Unplaced	Commercial paper [^]	NA	NA		4000.0	[ICRA]A1+

Source: Company; [^] The commercial paper programme is carved out of the fund-based limits of the company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

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