September 10, 2025

Krishana Phoschem Limited: [ICRA]A+ (Stable)/[ICRA]A1; ratings assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long term – Fund based	514.65	[ICRA]A+ (Stable); assigned
Short term – Non-fund based	270.35	[ICRA]A1; assigned
Total	785.00	

**Instrument details are provided in Annexure I*

Rationale

ICRA's assigned rating action factors in the favourable demand prospects for nitrogen, phosphorus and potassium (NPK) fertilisers in the country, the backward integrated operations of Krishana Phoschem Limited (KPL) and the strong parentage of Ostwal Phoschem India Ltd (OPIL). KPL is a backward integrated phosphatic fertiliser manufacturer with capabilities to manufacture diammonium phosphate (DAP) and NPKs with a combined capacity of 330,000 MTPA as well as single super phosphate (SSP) with a capacity of 120,000 MTPA. KPL's operations are supported by backward integration into the manufacturing of 99,000 MTPA of phosphoric acid and 264000 MTPA of sulphuric acid facilities, which help in maintaining a healthy profitability profile. The company also has beneficiated rock phosphate capacities wherein it processes low-grade rock phosphate to produce BRP (Beneficiated Rock Phosphate). ICRA also favourably factors in the long-term arrangement of KPL for the supply of rock phosphate.

In FY2025, the revenues grew 47% YoY owing to higher NPK/DAP sales volumes. The NPK/DAP capacities were bought in FY2024 from a distressed fertiliser unit in Spain and the production has been steadily ramping up year-on-year. The operating margins remained healthy in FY2025, supported by the backward integrated nature of operations and focus on the more profitable varieties of NPK like NP20. The margins continued to be strong in FY2026 with the increase in nutrient-based subsidy (NBS) rates, which further improved the realisations for some grades of NPKs. The debt-protection metrics improved in FY2025 owing to lower debt levels along with heathy cash accruals. The debt-protection metrics could moderate slightly in FY2026 owing to the debt-funded capex planned to increase NPK/DAP and sulphuric acid capacities. However, as the facilities ramp up, the metrics are likely to improve steadily thereafter.

ICRA also factors in the parentage of Ostwal Group, which has an established presence in the Phosphatic fertiliser space since 2002. The parent, OPIL, has given corporate guarantees for the facilities of group subsidiaries, including KPL. Also, there exists a common procurement platform for the Group's raw material needs, in addition to other need-based financial support which can flow from one entity to another.

The ratings are, however, constrained by the vulnerability of the fertiliser sector's profitability to regulatory policies, fixing of NBS rates and agro-climactic conditions. The profitability also remains vulnerable to the movement in raw material prices, majority of which are typically imported. The cash flows also remain sensitive to timely subsidy inflow from the Government. ICRA notes that the Group is undertaking a sizeable debt-funded capex programme in KPL and Madhya Bharat Agro Phosphates Limited (MBAPL), which will moderate the credit metrics for the Group in the medium term; however, these will yield benefits in the form of improved scale and healthy profitability going forward.

The Stable outlook reflects ICRA's expectations of a steady cash flow generation, backed by stable demand for NPK fertilisers as well as heathy profitability owing to the backward integrated operations of KPL, which will keep the credit profile comfortable.

Key rating drivers and their description

Credit strengths

Established presence in NPK/SSP fertiliser segment – KPL has 120,000 MT of SSP and 330,000 MT of NPK and DAP capacities at its production unit in Madhya Pradesh. KPL has a healthy presence in Madhya Pradesh and Chhattisgarh with a market share of 6% and 16%, respectively. The company also has a network of 2,500+ wholesalers and 30,000+ retailers across nine states.

The company also plans to expand its NPK/DAP production capacity by 165,000 MTPA as well as sulphuric acid capacities of 99000 MTPA. The expansion in capacities would require an outlay of ~Rs. 142 crore, which is expected to be funded by a term loan of Rs. 75 crore and the rest through internal accruals.

Backward integration into phosphoric acid and sulphuric acid, which translates into healthy profitability – The company has capacities to produce phosphoric acid and sulphuric acid from rock phosphate and sulphur, respectively. Further, KPL has a beneficiated rock phosphate (BRP) plant, which can crush up to 200,000 MTPA of low grade rock phosphate and convert to Beneficiated Rock Phosphate. The backward integration of these raw materials helps in maintaining healthy operating profitability for the company.

Strong parentage of Ostwal Group – The Ostwal Group has an established presence in the fertiliser sector since 2002. Since then, the Group expanded its capacities in SSP and NPK/DAP and has become India's second-largest SSP manufacturer (on a consolidated basis) with a market share of 8% at a national level. KPL derives benefits from a common procurement platform for rock phosphate for the Ostwal Group. The Group also has long-term supply arrangements with suppliers from Jordan and Egypt. Further, the parent company, OPIL, has extended corporate guarantees, and the promoters have extended personal guarantees for the debt of KPL. Hence, need-based support is expected to be available to help KPL tide over any liquidity mismatches.

Credit challenges

Vulnerability of profitability to agro-climatic conditions and regulatory risks of fertiliser industry – The agriculture sector of India remains vulnerable to the vagaries of the monsoon, even though the rainfall has been timely and has helped keep the reservoir levels healthy this year. The sector remains highly regulated, and the profitability is exposed to the nutrient-based subsidy rates (NBS) set by the Government of India (GoI). This could result in inventory losses, in case the company is holding substantial inventory at the time of any downward NBS rate revision. Further, the company is currently not producing much DAP due to inadequate NBS rates.

Sensitivity of cash flows to timely subsidy receipt from 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. The subsidy debtors have decreased to Rs. 133 crore as of July 2025-end from Rs. 189 crore as of FY2025-end. 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 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 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. Also, the adoption of nano fertilisers remains at a nascent stage. 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.

KPL focuses on reducing the water, power and raw material usage in its operations. Further efforts are being taken to minimise waste generation.

Liquidity position: Adequate

KPL's liquidity position is adequate owing to healthy internal accruals as well as a buffer in fund-based working capital limits of around 50%, and available cash balances of around Rs. 12 crore as on March 31 2025 . While the debt-funded capex could moderate the debt metrics in the near term, they are expected to remain healthy vis-à-vis annual repayments of Rs. 35-45 crore.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of a significant scale-up in the company's revenues and profitability. An improvement in the working capital cycle, leading to an overall improvement in the credit metrics could also lead to an upgrade.

Negative factors – The ratings could be revised downwards in case of a sustained decline in profitability, and/or a large debt-funded capex, or an elongation in the working capital cycle that would deteriorate the credit metrics and liquidity. Moreover, a moderation in the credit profile or weakening of linkages with OPIL could also result in a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Fertilizers
Parent/Group support	Parent/Group – Ostwal Phoschem Group; The ratings are based on implicit support from the parent group and ICRA's expectation of need-based financial support to KPL
Consolidation/Standalone	The ratings are based on the standalone financials of KPL

About the company

Krishana Phoschem Limited (KPL) was incorporated as a public company in 2004. Its headquarters is at Bhilwara, Rajasthan. In 2007, the company was taken over by the Ostwal Group and over the years with various expansions, KPL has emerged as a backward-integrated NPK manufacturer. The company is now engaged in the manufacturing of di-ammonium phosphate (DAP), nitrogen, phosphorus and potassium (NPK), beneficiated rock phosphate (BRP), single super phosphate (SSP), and chemical products such as sulphuric acid (SA) and phosphoric acid (PA). The company's shares are listed on the NSE, having a market capitalisation of around Rs. 3,500 crore.

Key financial indicators (audited)

Consolidated	FY2024	FY2025
Operating income	923.9	1358.2
PAT	40.4	86.5
OPBDIT/OI	13.9%	13.5%
PAT/OI	4.4%	6.4%
Total outside liabilities/Tangible net worth (times)	1.8	1.7
Total debt/OPBDIT (times)	3.4	2.0
Interest coverage (times)	3.5	4.7

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

Status of non-cooperation with previous CRA: NA

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Sep 10, 2025	FY2026		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based	Long term	514.65	[ICRA]A+ (Stable)			-	-	-	-
Non-fund based	Short term	270.35	[ICRA]A1			-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based	Simple
Short term – Non-fund based	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
NA	**Fund based**	NA	NA	NA	514.65	[ICRA]A+ (Stable)
NA	**Non-fund based**	NA	NA	NA	270.35	[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

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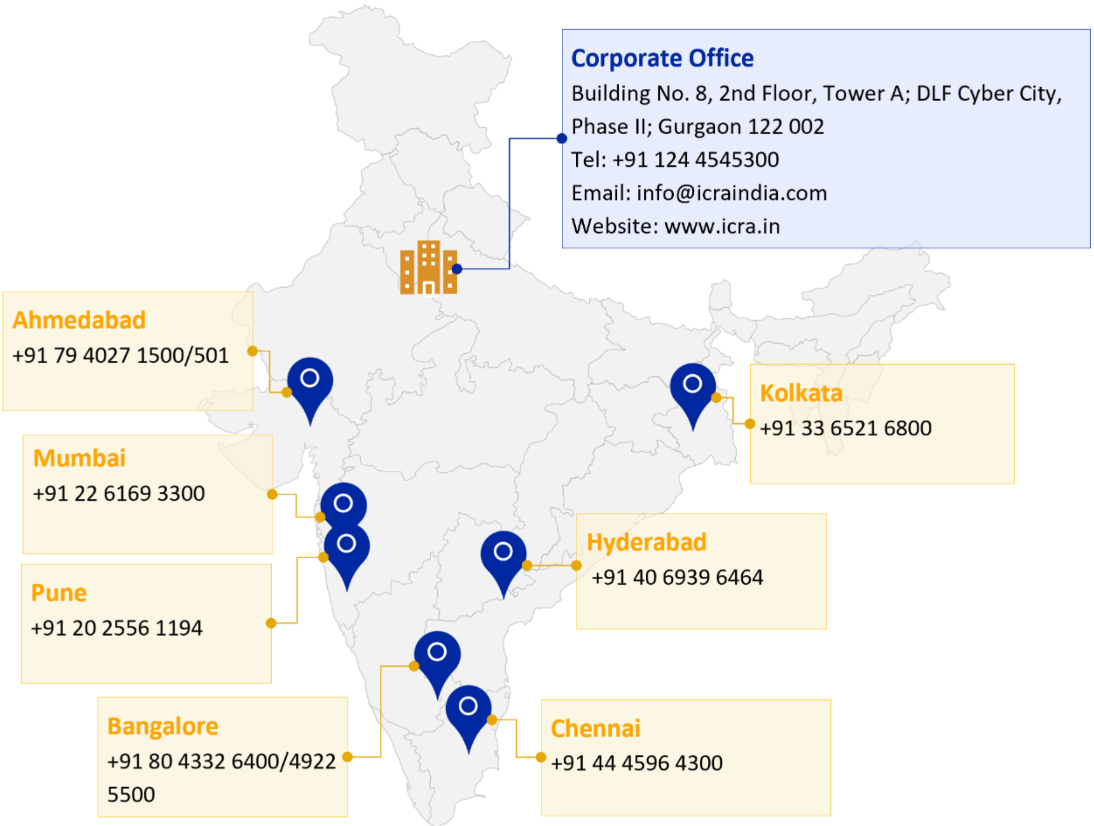

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