Rashtriya Chemicals & Fertilizers Ltd — 07 Oct 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**CARE A1+ (Reaffirmed)**
Outlook (Current vs Previous)	Short-term Rating (Reaffirmed; no specific outlook assigned to CP, but drivers remain stable).
Key Drivers of Change	1. **Strategic Sovereign Support:** 75% GoI ownership and Navratna status ensure high financial flexibility. 2. **Operational Recovery:** PBILDT margins rose to 3.16% (FY25) vs 2.01% (FY24) due to lower fuel costs. 3. **Improved Leverage:** Debt reduced to ₹2,762 Cr (FY25) from ₹3,297 Cr (FY24) due to timely subsidy receipts. 4. **Efficiency Gains:** Capacity utilization >90%; energy norms met at 5.90 G. Cal/MT (Thal) and 6.50 G. Cal/MT (Trombay).
Rated Instruments	**Commercial Paper:** ₹3,000 Cr
Key Observations	**Strengths:** • 4th largest domestic Urea producer (~5% market share). • Strong liquidity with ₹2,154 Cr cash/equivalents (Aug 2025). • Improving interest coverage at 2.84x (Q1FY26). **Risks:** • **Capex Burden:** Planned ₹3,000 Cr capex (FY26-27) to be ~73% debt-funded (₹2,200 Cr). • **Leverage Spike:** Debt/PBILDT projected to exceed 5x during the capex phase. • **Subsidy Risk:** GoI reduced FY26 subsidy budget to ₹1.68 Lakh Cr; risk of elongated working capital cycle. • **JV Exposure:** Equity/loan exposure to Talcher Fertilizers (₹19,000 Cr project) limits capital availability.
Investor Impact	• **Growth:** New NPK plant (1200 TPD) expected to drive volume growth from FY28. • **Margins:** Near-term pressure from maintenance shutdowns; long-term gains from ammonia plant revamp. • **Leverage:** Significant temporary increase in debt anticipated; no immediate dilution risk as GoI holds 75%.
Agency / Cross Analysis	**Same Agency (CARE):** Consistent "A1+" rating since 2022. • **Financial Shift:** Shift from "Inventory Liquidation" focus in FY24 to "Energy Efficiency & Expansion" in FY25. • **Conclusion:** Credit profile is stable, anchored by GoI support, despite the upcoming heavy investment cycle.
Final Inference	**Real improvement in operational efficiency and debt reduction (gearing 0.58x) is currently being balanced against a massive ₹3,000 Cr debt-funded capex cycle. Equity upside is tied to NPK plant execution and energy efficiency gains by FY28.**