Rashtriya Chemicals & Fertilizers Ltd — 16 Jun 2025 Credit Rating Summary

As an equity-focused credit analyst, here is the summary of the Rashtriya Chemicals and Fertilizers (RCF) rating report.

Credit Rating Analysis: Rashtriya Chemicals and Fertilizers (RCF)

Section	Details
Agency	CRISIL Ratings (June 16, 2025)
Rating Change	**Reaffirmed: CRISIL A1+** (Highest short-term safety; 0 notches moved)
Outlook	Not Applicable (Short-term rating)
Key Drivers of Change	1. **Deleveraging:** Net debt significantly reduced to **₹1,700 Cr** (Mar-25) from ₹2,930 Cr due to timely subsidy receipts. 2. **Improved Solvency:** Interest coverage improved to **3.3x** (FY25) from 2.6x (FY24). 3. **Stable Revenue:** Maintained top-line at **₹16,933 Cr** despite global price volatility. 4. **Sovereign Support:** 75% GoI ownership ensures high financial flexibility and strategic importance for food security.
Rated Instruments	**Total Bank Facilities: ₹21,000 Cr** • Working Capital Facility: ₹18,310 Cr (A1+) • Proposed Working Capital: ₹2,690 Cr (A1+)
Key Observations	**Positives:** • Healthy energy efficiency in Thal/Trombay plants (5.7–5.8 Gcal/tonne vs. norms of 6.2–6.5). • Diversified revenue from Industrial Chemicals and Fertiliser trading (DAP/MOP). • Low bank limit utilization (avg. 33%). **Risks:** • **Regulatory Risk:** Profitability highly sensitive to GoI's Nutrient Based Subsidy (NBS) rates. • **Input Costs:** Dependence on imported raw materials for complex fertilizers. • **Capex Overhang:** Significant upcoming investment cycle may strain cash flows.
Investor Impact	• **Growth:** Large capex of **₹3,400 Cr** (₹2,400 Cr NPK expansion + ₹1,000 Cr Talcher JV) to drive future volumes. • **Margins:** PAT margins remain thin (**1.43%**); energy efficiency capex is critical to protect margins against tightening govt norms. • **Leverage:** Debt/EBITDA is expected to "spike" in FY26-27 during the heavy capex phase. • **Dilution:** Low risk; capex is primarily debt-funded and supported by internal accruals.
Agency / Cross Analysis	**Same Agency (FY25 vs FY24):** Rating maintained. The primary shift is the **strengthened balance sheet** (Gearing improved to 0.58x from 0.71x). While FY24 was marred by DAP trading losses, the FY25 review notes stability due to upward NBS revisions. **Conclusion: Improvement.** Underlying credit metrics are stronger due to lower debt, providing a buffer for the upcoming capex cycle.
Final Inference	**Real Improvement.** The ₹1,230 Cr reduction in net debt provides the necessary balance sheet headroom for the ₹3,400 Cr capex. For equity investors, the story is shifting from "subsidy dependency" to "capacity growth," though margin expansion remains capped by regulation.

Financial Snapshot (FY25): * **Revenue:** ₹16,933 Cr * **Net Profit Margin:** 1.43% * **Adj. Debt/Networth:** 0.58x * **Interest Coverage:** 3.3x