Gujarat State Fertilizers and Chemicals Limited

October 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	300.00	CARE AA+; Stable	Reaffirmed
Short-term bank facilities	4,100.00	CARE A1+	Reaffirmed
Commercial paper	1,000.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings of Gujarat State Fertilizers and Chemicals Limited (GSFC) continue to derive strength from its established and integrated operations in fertilisers and industrial chemical products, with a diversified product profile and a dominant market position in most of its products and strategic investment towards backward integration for securing the supply of key raw materials. Ratings also derive comfort from its comfortable leverage and strong liquidity.

However, ratings continue to be constrained by the risks associated with the regulated nature of the fertiliser industry, the volatile raw material prices with high reliance on subsidy budget of the Govt. of India (GoI), which can potentially result in an elongation of the operating cycle, and in turn, increase the reliance on short-term borrowings, fluctuation in forex rates, and the cyclicality associated with other industrial products.

Ratings take cognisance of satisfactory operating performance in FY25 (refers to April 01 to March 31) supported by growth in sales volume of fertiliser segment (~4% y-o-y) and improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin to 7.02% (FY24: 5.72%). The margins have continued to improve at 8.83% in Q1FY26 (Q1FY25: 5.08%) driven by improved product mix in fertiliser segment and higher trading of ammonia and di-ammonium phosphate (DAP). CARE Ratings Limited (CareEdge Ratings) believes overall performance is likely to remain stable in FY26 supported by growth in sales volume especially in the fertiliser segment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant diversification of GSFC's operations to other fertiliser products and significant increase in its scale and earning return on capital employed (ROCE) above 25% on a sustained basis.
- Improved profitability margin in both fertilizer & industrial products division leading to overall PBILDT margin of over 12% on a sustained basis.
- Effective management of its working capital requirements with timely receipt of subsidy from GoI, resulting in contraction in its operating cycle to less than 90 days.

Negative factors

- Moderation in PBILDT margin to less than 7% on a sustained basis having an adverse impact on its debt coverage indicators.
- Moderation in its market position in fertiliser business.
- Significant build-up of subsidy receivables leading to elongation in operating cycle beyond 200 days on a sustained basis, which can adversely impact its liquidity.
- Major debt-funded capex or increase in working capital borrowings to fund large subsidy receivables, leading to a deterioration in its total debt/PBILDT to over 3x on a sustained basis.
- Adverse changes in the regulations governing the fertiliser industry and/or unforeseen material liability arising regarding long-pending disputed matters.

Analytical approach: Consolidated

CareEdge Ratings has adopted the 'Consolidated' analytical approach for GSFC, as there are strong operational and financial linkages among GSFC and its subsidiaries/associates. The list of companies consolidated has been placed in Annexure-6.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Outlook: Stable

CareEdge Ratings believes the company's established and dominant position in most of its products shall support the business risk profile while financial risk profile is expected to remain comfortable in the absence of debt funded capex and strong liquidity.

Detailed description of key rating drivers:

Key strengths

Well-established and integrated operations and a diversified product profile

GSFC's product range includes fertiliser products (manufacturing) such as DAP, ammonium sulphate (AS), ammonium phosphate sulphate (APS), urea, and industrial chemical products like caprolactam, nylon-6 (N-6), melamine, and MEK oxime, among others. The company trades in DAP, urea, ammonia and other fertilisers, and industrial products. The company is the sole domestic manufacturer of melamine and largest domestic manufacturer of Caprolactum and Nylon-6 in India. Operations are marked by high level of vertical integration across both fertilisers and industrial products divisions. The company meets part of its ammonia, phosphoric acid and sulphuric acid requirement for manufacturing of fertilisers and a few industrial products through captive production. The captive production of caprolactam is used for manufacturing Nylon-6.

Improvement in operating performance in FY25 and Q1FY26

After a substantial decline in total operating income (TOI) in FY24 led by correction in fertiliser prices and decline in subsidy rates leading to moderation in PBILDT margins, GSFC's operating performance witnessed recovery in FY25. TOI grew by 4% y-o-y to ₹9,549 crore primarily driven by growth in fertiliser sales volume (~4% y-o-y) and PBILDT margin improved by 130 bps to 7.02% in FY25 supported by lower fuel cost due to of decline in gas prices and by change in product mix in the fertiliser segment to APS from DAP. GSFC registered subsidy income of ₹3,733 crore in FY25 against ₹3,533 crore in FY24. PBILDT margin further improved to 8.83% in Q1FY26 driven by strong AS and APS sales, improved realisation in P&K fertilisers and higher trading of ammonia and DAP despite low caprolactam-benzene spread. PBILDT margin is expected to improve in FY26 y-o-y supported by volume growth in fertiliser segment and benefit from energy efficiency measures undertaken by the company. In Q1FY26, company has completed Urea-II revamping project to comply with norm announced by GoI in New Urea Policy (NUP) 2015, and with completion of this project, the company is expected to be compliant with the fixed norm.

Comfortable leverage and debt coverage indicators

GSFC has strong capital structure with tangible net worth (TNW) of over ₹12,145 crore and negligible debt for past four years ended March 31, 2025, given the steady realisation of subsidy dues from GoI. The company has completed several projects in FY25 and Q1FY26, which include an HX crystal project (20 MTPD), a solar power project (15 MW), revamping of its urea plant at Vadodara to meet NUP 2015 energy consumption norms and enhance its production capacity and participation in GIPCL's 75-MW Solar Power Project for 37.50-MW power. Cost of these projects stood at ₹585 crore and was entirely funded through internal accruals. The company is also undertaking capex for sulphuric acid plant (400 MTPD) at Baroda, which is expected to be completed by Q3FY26. Going forward, the company has plans to establish phosphoric acid (600 MTPD) and sulphuric acid plant (1,800 MTPD) at Sikka over FY27-FY29, which is expected to be funded from available liquidity/internal accruals, while debt is expected to be availed on a need basis. Thus, credit profile is expected to remain comfortable in the medium term.

Strategic investments towards backward integration mainly to secure steady supplies of raw material and power

To secure the steady supply of phosphoric acid (PA; the availability of which remains volatile) and to increase the capacity utilisation of its complex fertiliser portfolio at its Sikka plant, GSFC had bought 15% stake in Tunisian Indian Fertilizers, S.A. (TIFERT). Through this investment, GSFC is entitled to receive 180,000 metric tonnes (MT) of PA per annum at the market price. However, the company has been receiving low supplies of PA over the years. As indicated by the company's management, TIFERT's capacity utilisation is low at ~30%-35% resulting in low supplies. In FY25, GSFC received 17,510 MT of PA (FY24: 32,158 MT) from TIFERT. To add potassium (K) to its fertilizer portfolio and to capture a larger market share in NPK fertilizers, the company has also invested in a Canada-based company – Karnalyte Resources Inc. (Karnalyte; engaged in exploration and development of high-quality agricultural and industrial potash and magnesium products), in which the company held 47.73% as on March 31, 2025. GSFC has signed an off-take agreement with Karnalyte for 20 years for the purchase of ~350,000 tonne of potash per year from the project. The company also benefits from its wind farm with a capacity of 152.80 MW, and 65.13 MW of solar power, following the successful commissioning of a 37.5 MW solar project in FY25 and captive gas-based power plant of 30 MW. The company also has investments in Gujarat Industries Power Co Limited (GIPCL; rated 'CARE AA-; Stable/CARE A1+'), whereas a promoter, GSFC has the availability of 38 megawatt (MW) of power out of GIPCL's gas-based power plant of 145 MW.

Liquidity: Strong

GSFC's liquidity is strong, marked by healthy expected cash accruals, negligible utilisation of its fund-based limit for 12 months ended July 2025 and free cash and fixed deposits of ₹1,900 crore as on March 31, 2025. The company has sanctioned fund-based working capital limits of ₹300 crore with a consortium of lenders, and it has ₹1,100 crore of working capital limits with a set of lenders outside the consortium. It has sanctioned non-fund-based working capital limits of ₹3,000 crore, which is utilised mainly for the import of its raw material requirements, trading goods and bank guarantee (BG) issuance. The company also has substantial quoted equity investments to the tune of ₹3,948 crore as on March 31, 2025. Subsidy receivables from GoI stood to ₹1,087 crore as on March 31, 2025 (₹1,076 crore as on March 31, 2024), which increased to ₹1,474 crore owing to high sales of 4.52 lakh MT of fertilisers in the quarter ended June 2025. Realisation of subsidy dues from GoI has been timely.

Key weaknesses

Regulated nature of fertiliser industry and inherent delays associated with release of subsidy from GoI

Profitability of fertiliser manufacturers is influenced by the regulations governing types of fertilisers, where, the government controls fertiliser prices and provides subsidies. Quantum of subsidy receivables and delays associated with its receipt inherently impacts liquidity of the fertiliser industry, though differs with the type of fertiliser. With release of large amount of subsidy payments in FY21, subsidy receivables declined significantly leading to significant decline in debt level of the fertilizer companies. Lower subsidy budget may result lead companies to resort to higher short-term borrowings to fund the extended subsidy receivables. Following the moderation in raw material prices from FY24 onwards, government has reduced the subsidy budget from ₹1.88 lakh crore in FY24 to ₹1.71 lakh crore for FY25 and further to ₹1.68 lakh crore for FY26.

Regular intervention by the government to increase the subsidy budget, recalibrate NPK nutrient rates, and minimum selling prices (MSP) help the sector to work in a regulated manner. The government is also planning to implement the second phase of DBT and is planning to explore the option of directly transferring the subsidy to the farmers' accounts, which can be beneficial for the fertilizer companies. However, it will have a substantial burden on the government finances, and accordingly, the rollout of the second phase of DBT may take some time.

Environment, social, and governance (ESG) risks

Risk factors	Compliance and action by the company
Environmental	In FY25, ~40% of electricity consumption was met through captive wind and solar power, and the company is further expanding its renewable energy capacities. As part of Extended Producer Responsibility, 100% of total plastic waste generated was collected by GSFC in FY24 and FY25 (FY23: 70%). In FY25, the company achieved 17% reduction in total waste generation on a y-o-y basis.
Social	GSFC has launched E Vehicle subsidy scheme, where at nominal interest rate of just 2%, loan is granted for purchase of E- vehicle with subsidies for e-scooters and e-bicycles to the employees. As of March 2025, ~375 employees took benefit of this scheme. Employees have 24*7 access to township medical centre where non-occupational medical health services are provided. Lost time injury frequency rate for employees was nil / one million hours worked and for workers it was 0.10/ one million hours worked. 93.21% of the company's permanent workers are represented through associations/trade unions. There were no complaints pending for resolution as at end-FY25.
Governance	As on date, 50% of GSFC's board comprised independent directors. The company has a dedicated investors' grievance redressal mechanism and healthy disclosure.

Applicable criteria

- Definition of Default
- Liquidity Analysis of Non-financial sector entities
- Rating Outlook and Rating Watch
- Fertilizer
- Manufacturing Companies
- Financial Ratios – Non financial Sector
- Short Term Instruments
- Consolidation

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Fertilizers & agrochemicals	Fertilizers

Incorporated in 1962, GSFC is a public sector undertaking promoted by the Government of Gujarat (GoG). GoG, through its undertaking, Gujarat State Investment Limited (GSIL), owns 37.84% of the company's paid-up capital. The company's chairman and managing director are appointed by GoG.

GSFC operates in two segments: (i) fertilisers and (ii) industrial products, with integrated manufacturing facilities enabling it to benefit from synergies by manufacturing a host of fertilisers and industrial products. Fertilisers contributed ~77% to the TOI and 93% to its profitability in FY25, whereas industrial products contributed the balance. GSFC manufactures fertilizers including DAP, AS, APS and urea, and industrial products like caprolactam, nylon-6, melamine, MEK oxime, and polymers, among others.

Brief Financials (₹ crore)-Consolidated	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total operating income	9,162	9,549	2,184
PBILDT	524	670	193
PAT	564	591	139
Overall gearing (times)	0.00	0.00	NA
Interest coverage (times)	46.83	66.47	25.58

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results
Financials are reclassified per CareEdge Ratings' standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)*		-	Not placed	7-364 days	1000.00	CARE A1+
Fund-based - LT-Cash Credit		-	-	-	300.00	CARE AA+; Stable
Fund-based - ST-Others		-	-	-	1100.00	CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	3000.00	CARE A1+

**There is no CP outstanding as September 25, 2025*

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	300.00	CARE AA+; Stable	-	1)CARE AA+; Stable (07-Oct-24)	1)CARE AA+; Stable (09-Oct-23)	1)CARE AA+; Stable (20-Dec-22) 2)CARE AA+; Stable (27-Sep-22)
2	Non-fund-based - ST-BG/LC	ST	3000.00	CARE A1+	-	1)CARE A1+ (07-Oct-24)	1)CARE A1+ (09-Oct-23)	1)CARE A1+ (20-Dec-22) 2)CARE A1+ (27-Sep-22)
3	Commercial Paper-Commercial Paper (Standalone)	ST	1000.00	CARE A1+	-	1)CARE A1+ (07-Oct-24)	1)CARE A1+ (09-Oct-23)	1)CARE A1+ (20-Dec-22) 2)CARE A1+ (27-Sep-22)
4	Fund-based - ST-Others	ST	1100.00	CARE A1+	-	1)CARE A1+ (07-Oct-24)	1)CARE A1+ (09-Oct-23)	1)CARE A1+ (20-Dec-22) 2)CARE A1+ (27-Sep-22)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - ST-Others	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here]

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	GSFC Agrotech Ltd	Full	Subsidiary
2	Gujarat Port & Logistics Company Ltd.	Full	Subsidiary
3	Vadodara Jalsanchay Pvt Ltd	Full	Subsidiary
4	Vadodara Enviro Channel Limited	Moderate	Associate
5	Gujarat Green Revolution Company Limited	Moderate	Associate
6	Karnalyte Resources Inc (Canada)	Moderate	Associate

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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