

Kribhco Fertilizers Limited

November 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Short-term bank facilities	200.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

To arrive at the rating of Kribhco Fertilizers Limited (KFL), CARE Ratings Limited (CareEdge Ratings) factored in strong operational, management, and financial linkages with the parent entity, Krishak Bharati Co-operative Limited (KRIBHCO). KFL is strategically important to KRIBHCO, as both companies operate in the same line of business. KFL accounts for 28.6% of KRIBHCO's consolidated urea manufacturing capacity and KRIBHCO holds 100% equity in KFL. The rating assigned to KFL's bank facilities factors in strong position of its parent, KRIBHCO, in domestic urea industry, well-established integrated company operations, and locational advantage. The rating also takes cognisance of optimum capacity utilisation and healthy operational efficiency, leading to improved profitability, comfortable leverage and debt coverage indicators, and strong liquidity available with the parent.

However, rating strengths are tempered by KFL's concentrated product profile, presence in a highly regulated fertiliser industry, high dependence on subsidy, exposure to changes in target energy norms, and vulnerability of sales to agro-climatic conditions. CareEdge Ratings also takes cognisance of the company's working capital borrowing being directly linked to timely receipt of subsidies. Quantum of subsidy receivables and delays in receipt inherently impact the credit profile and will remain a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely receipt of subsidy leading to lower working capital borrowing, improving the company's financial risk profile such as net debt to profit before interest, lease rentals, depreciation, and taxation (PBILDT) remains below 1.5x.
- Improving credit profile of its parent, KRIBHCO.

Negative factors

- Changing strategic importance of KFL to KRIBHCO or deteriorating credit profile of the parent entity, KRIBHCO.
- Delaying subsidy receivable or debt-funded capex leading to weakening financial risk profile with net debt to PBILDT above 4.5x on sustained basis.
- Regulatory changes adversely impacting the company and its credit profile.

Analytical approach: Standalone, factoring linkages with its parent, KRIBHCO, due to strong operational and financial linkages with common management.

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

Strong parentage, strategic importance to parent with operational, financial, and management linkages

KFL and its parent, KRIBHCO, is the third-largest player, with ~11-12% market share in the domestic urea industry. KRIBHCO has complete marketing rights over KFL's urea production, and KFL benefits from its parent's extensive distribution network. KFL accounts for 28.6% of KRIBHCO's consolidated urea manufacturing capacity. KRIBHCO utilises its own marketing network comprising 9,470 co-operative societies and institutional agencies across 16 states in India, 2,300 dealers and 4,000 retailers, and also leverages KFL's dealer network. The network of KFL's dealers comprises ~1,113 dealers across Uttar Pradesh, Uttarakhand, Haryana, Punjab, Rajasthan, Bihar, Orissa, Chhattisgarh, Jharkhand, Madhya Pradesh, and West Bengal. Being a 100% shareholder in KFL, KRIBHCO has also extended corporate guarantees for KFL's bank facilities. KRIBHCO and KFL have the same Chairperson with some common directors.

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

Well-established integrated operations, locational advantage, and optimum capacity utilisation

KFL's operations are marked by high level of integration across fertilizers industry. KFL meets majority of its ammonia requirement for manufacturing urea through captive production. Integrated manufacturing facilities attempt full utilisation of available resources leading to high-capacity utilisation of the company's plants over the years. The company's plant is strategically located in North India, in the middle of a high urea consumption belt and based on natural gas as feedstock supplied through the Hazira Vijaypur-Jagdishpur ("HVJ") gas pipeline. KFL is optimally utilising its capacities and achieving production over the reassessed capacity (RAC) from the past three years. The company's capacity utilisation stood at 134% in FY25 and 126% in FY24. Higher capacity utilisation and maintaining operational efficiency help the company improve its profitability.

Healthy operating efficiency leading to improvement in profitability

KFL's total revenue from operations improved by ~4% in FY25 (FY refers to April 01 to March 31) compared to FY24, considering higher volume of urea sold. Volume of urea sold also increased by ~8% in FY25 and stood at 1.14 million tonne per annum (MMTPA) against 1.06 MMTPA in FY24.

Gas costs remain a pass-through for urea players, and any reduction impacts absolute profitability of energy-efficient plants. KFL's energy consumption level is well below the stipulated energy consumption level under New Urea Policy-2015 (NUP 2015) and further improved in FY25 compared to FY24. KFL's actual energy consumption stood at 5.2180 Gcal/metric tonne and 5.1754 Gcal/metric tonne in FY24 and FY25, respectively, against the energy consumption norm of 5.50 Gcal/metric tonne. Energy consumption below the pre-set norm results in extra gain for the company. Considering this energy efficiency, energy gain per metric tonne stood at ₹1,330 in FY25 (PY: ₹1,123). However, the company incurred higher fixed cost than reimbursed, which resulted in net operational gain of ₹758 per metric tonne in FY25. The energy efficiency norms are slated for revision effective April 1, 2025, which is expected to exert pressure on profitability. The industry has also represented to the government for an upward revision in fixed cost reimbursement, the implementation of which could provide some relief and support margins. These regulatory developments will remain key monitorable. CareEdge Ratings expects operational efficiency and policy outcomes to play a critical role in determining the profitability trajectory going forward.

KRIBHCO's total revenue from operations declined by ~6% in FY25 compared to FY24, considering lower sales volume of phosphatic and potassic (P&K) fertilisers in FY25. The company's profitability margins have been improving over the last two years, after substantially declining to -2.32% in FY23 due to rise in natural gas prices and higher losses in non-urea trading business. Being an energy-efficient plant after capex and increase in Nutrient-based Subsidy (NBS) rates in FY25 by Government of India (GOI), KRIBHCO's profitability margins improved to 0.72% in FY25.

Comfortable financial risk

KFL's capital structure marked by overall gearing remains comfortable and improved from 1.19x in FY24 to 0.95x in FY25 considering reduction in total debt due to repayment in term debt and accretion of profit into the net worth of the company. The company's leverage and coverage indicators also improved in FY25. KFL's total debt to gross cash accruals (TD/GCA) and net debt/PBILDT stood at 4.81x and 3.02x as on March 31, 2025, respectively, improved from 5.05x and 4.04x as on March 31, 2024. Sufficient cash accrual and absence of significant debt-funded capex is expected to support the company's financial risk profile. The company's working capital borrowing is directly linked to the release of timely subsidy by GOI. Delays in release of subsidy or inadequacy of fund allocated to subsidy by GOI can adversely impact the company's financial risk profile and will remain a key monitorable.

KFL's parent, KRIBHCO's total debt also reduced substantially in FY24 compared to FY23 due to moderation of natural gas prices which further reduced in FY25 due to improving cash flows. Overall gearing (including corporate guarantee extended to group companies) improved and stood at 0.40x as on March 31, 2025 (PY: 0.56x). Despite debt-funded capex of ~₹800-900 crore in its subsidiary (KRIBHCO Green Energy Private Limited), healthy operating cash accruals, and regular dividend from Oman India fertilizer company (OMIFCO) is expected to support the company's financial risk profile going forward.

Key weaknesses

Exposure to regulatory risks and timely subsidy disbursements

Urea price (MRP) has been fixed by GOI, which remained largely stable with marginal increase in the last 10 years. The cost of production is substantially high. Hence, subsidy is paid by GOI based on difference between the MRP and cost of production derived on basis of a fixed criteria. The quantum of subsidy receivables and delays associated with its receipt inherently impacts the fertiliser industry's liquidity, which differs with the type of fertilizer. In the past, fertiliser companies witnessed significant cash-flow mismatches owing to delays in release of subsidy by GOI, due to inadequate subsidy budgeting. Subsidy receipt from GOI has been timely from FY22, post clearance of subsidy backlog in FY21. Since, timely receipts of subsidies is directly linked to

the working capital borrowings of the company, the company's ability to effectively manage its operations in case of declining prices and reduced subsidy and timely disbursement of the subsidy by GoI would remain a key rating monitorable.

Concentrated product profile, diversifying into related products

KFL derived majority revenue (~95%) from sales of urea and receipt of urea-based subsidy from the government. The company has a capacity to produce 501,600 MTPA of ammonia as well. However, most ammonia production is consumed captively to produce urea. Accordingly, revenue from ammonia contributes only 5% in overall revenue. Thus, the company's product profile seems to be concentrated and event affecting the demand of urea or gas prices will severely impact TOI and profitability. However, the company has plans to diversify in other related products as well. Accordingly, it has commissioned the plant of Ammonia-bi carbonate (ABC) with a capex outlay of ₹60 crore funded through internal accruals and currently will contribute marginally to KFL's scale.

Agro-climatic risks

Large portion of the farming land in India depends on vagaries of monsoon in the absence of adequate irrigation facilities. Rainfall deficiency or drought can adversely impact sowing level of crops and in turn the sale of fertilizers.

Liquidity: Adequate

The company's liquidity is adequate supported by reduction of working capital cycle days since FY22 considering timely receipt of subsidies. Working capital cycle days reduced to 30 days as on March 31, 2025, compared to 159 days as on March 31, 2020, which reduces the company's reliance on working capital borrowings. Average utilisation of working capital limits against sanctioned limits, includes secured and unsecured facilities stood low at 40%, which provides sufficient cushion to the company's liquidity profile. The company also has free cash and cash equivalent of ₹124 crore as on March 31, 2025. KFL's cash flow from operations, unutilised working capital limits, and available liquidity in the form of cash and liquid investments are sufficient to support maintenance capex and incremental working capital requirements. KFL's parent, KRIBHCO also has free cash and liquid investments of ₹2,584 crore as on March 31, 2025, which also provides cushion to the company's liquidity profile.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Fertilizer](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

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

KFL was incorporated in December 2005, as a special-purpose vehicle under a joint venture agreement between KRIBHCO and Shyam Basic Infrastructure Projects Private Limited, to acquire the Shahjahanpur fertiliser complex of Oswal Chemicals and Fertilisers Limited. The plant in Shahjahanpur has capacity to produce 0.86 metric tonnes per annum (MTPA) of urea and 0.5MTPA of ammonia. On April 21, 2016, KRIBHCO acquired the remaining 7.5% stake in KFL and became a 100% shareholder. The company was then renamed from KRIBHCO Shyam Fertilizers Limited to KFL in June 2017. KFL contributes close to 28.25% of KRIBHCO's urea capacity at a consolidated level.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)	Q1FY26 (UA)
Total operating income	3,882.73	4,042.24	753.16
PBILDT	211.97	221.12	19.54
PAT	79.45	76.61	-8.16
Overall gearing (times)	1.19	0.95	1.13
Interest coverage (times)	4.29	3.36	1.29

A: Audited UA: Unaudited; Note: these are latest available financial results

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Non-fund-based - ST-BG/LC		-	-	-	200.00	CARE A1+

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	Non-fund-based - ST-BG/LC	ST	200.00	CARE A1+	-	1)CARE A1+ (08-Oct-24)	-	-

ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

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

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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