Madras Fertilizers Limited

December 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	350.00	CARE BB+; Stable	Reaffirmed
Short-term bank facilities	397.80	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings of Madras Fertilizers Limited (MFL) continue to be constrained by long-standing delays in servicing of Government of India (GoI) loan, along with uncertainty associated with its restructuring, weak capital structure on the back of past losses, and regulated nature of fertiliser industry with high reliance on subsidy from GoI.

However, ratings continue to derive strength from its established position as a urea manufacturer in South India with locational advantage, improving energy efficiency and satisfactory operating performance. Ratings also take cognisance of reduction in MFL's subsidy receivable levels, which has ensured lower reliance on external borrowings.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Completion of restructuring of GoI loan with waiver of accumulated interest on the same.
- Sustained improvement in operating performance supporting improvement in credit profile.

Negative factors

- Adverse outcome of restructuring GoI loan with no/lower waiver of accumulated interest on the loan.
- Sustained pressure on its profitability margin resulting in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin remaining less than 5%.
- Significant increase in subsidy receivables, adversely impacting its liquidity.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that MFL will continue to benefit from its established position in South India coupled with energy efficiency improvement processes implemented by the company.

Detailed description of key rating drivers:

Key weaknesses

Weak financial risk profile; long-standing delays w.r.to repayment of GoI loan

On the back of past cash losses, MFL's net worth had eroded leading to negative net worth as on March 31, 2025. However, following migration of feedstock from Naphtha to Regasified Liquefied Natural Gas (RLNG) in July 2019, operating performance has witnessed an improvement, which coupled with fair valuation gains on its investment in Indian Potash Limited, enabled the company to restore its net worth. As on September 30, 2025, networth turned stood positive at ~₹19 crore.

From 2003-2012, MFL availed loans from GoI revamp of its plant, other major capex, and working capital requirements. However, due to cash losses, the company defaulted on loan repayments. As on September 30, 2025, the company has outstanding principal of ~₹554 crore, and accrued interest of ~₹957 crore. The company has submitted a financial restructuring proposal to GoI, seeking waiver of accrued interest and conversion of the outstanding principal into a zero-interest loan, repayable over 15 years. Any unfavourable outcome of financial restructuring shall remain a key monitorable.

MFL plans to set up a greenfield ammonia/ urea complex with a capacity of 1.30 MTPA on its existing land. The proposal is at a preliminary evaluation stage, and nothing has been finalised currently. Execution of the same would also hinge on successful restructuring of GoI loan.

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

Regulated nature of the fertiliser industry and inherent delays associated with release of subsidy from GoI
Profitability of fertiliser manufacturers is influenced by regulations governing different types of fertilisers, where the government controls fertiliser prices and provides subsidies. Quantum of subsidy receivables and delays associated with the receipt of this inherently impacts liquidity of fertiliser industry, albeit differing with 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 fertiliser companies. Lower subsidy budget may lead to companies resorting to higher short-term borrowings to fund extended subsidy receivables. Following moderation in raw material prices from FY24 onwards, GoI reduced 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. Nonetheless, regular intervention by government to increase the subsidy budget, recalibrate NPK nutrient rates, and minimum selling prices (MSP) help the sector to work in a regulated manner.

Liquidity: Stretched

MFL's liquidity position is stretched in view of uncertainty regarding restructuring of sizeable GoI loan, of ~₹1,542 crore as on September 30, 2025, coupled with weak credit profile, which limits the ability to raise funds. The proposal for restructuring has been submitted to GoI. Apart from GoI loan, the company does not have other long-term debt repayment obligations. Cash accruals improved to ~₹81 crore in FY25 (FY24: ~₹17 crore) and stood at ~₹60 crore in H1FY26. The company had ~₹923 crore as cash and bank balances as on September 30, 2025. Average utilisation of fund-based working capital limits stood low at 15% over the past 12 months ended October 2025, considering timely disbursement of subsidy dues by GoI.

Key strengths

Well-established operations, locational advantage and significant presence in South India fertilizer industry
MFL is one of the largest urea manufacturers in South India, having a wide reach of marketing network throughout southern states. The company has an established market presence and rich experience of over five decades in manufacturing ammonia, urea and complex fertilizers. The company is also engaged in manufacturing bio-fertilizers, and marketing eco-friendly organic fertilizers and neem pesticides under its brand name. The company has a significant market share of ~21% for urea sales in Tamil Nadu and over 8% in entire South India and enjoys a leadership position with ~50% market share in sales of organic manure in Tamil Nadu. The company has a strategic location, as it is in the close vicinity of the Ennore port in Tamil Nadu from, where RLNG is being imported and supplied to MFL.

Improving energy efficiency levels
As mandated by Department of Fertilizers, GoI, the company successfully shifted its feedstock requirement to R-LNG from Naphtha in FY20. This shift was delayed due to non-availability of gas primarily owing to lack of pipeline infrastructure in the region. Following commissioning of Ennore port's RLNG terminal by Indian Oil Corporation Limited (IOCL) in March 2019, MFL successfully switched to RLNG as its primary feedstock. The plant can now operate on dual feed of RLNG and Naphtha. The requirement for R-LNG has been tied-up with IOCL for a tenure of 10 years, till December 2028.

MFL has been operating at a satisfactory energy level with energy consumption below the set energy norms. In FY25, energy consumption levels stood at 6.875 G.Cal/ MT against set energy norm of 7.503 G.Cal/MT, which further improved to 6.769 G.Cal/MT in H1FY26. CareEdge Ratings expects improving energy efficiency levels to support cost efficiency in the near term.

Satisfactory operating performance in FY25 and H1FY26
After a substantial decline in total operating income (TOI) in FY24, due to lower subsidy rates, following moderation in gas prices, coupled with decline in sales volumes, MFL's operating performance improved in FY25. TOI grew by ~14% year-on-year (y-o-y) to ₹2,542 crore, led by strong sales volumes growth. PBILDT margin improved marginally to 4.99% from 4.68% in FY24, supported by lower operating expenses. However, operating performance was partially impacted owing to reversal of excess subsidy of ~₹102 crore in Q4FY25. Capacity utilisation for urea improved to 109% in FY25, compared to 89% in FY24, while the complex fertilizers plant continued to remain non-operational.

In H1FY26, the company reported a revenue of ~₹1,182 crore, with PBILDT margin of 6.51%. Capacity utilisation of urea stood lower at 103%, primarily due to shut down of urea plants for 27 days in Q2FY26, for annual maintenance.

Environment, social, and governance (ESG) risks

Risk Factors	Compliance and action by the company
Environmental	MFL has invested heavily in the last years for installations of pollution prevention and abatement facilities such as tertiary sewage system and reverse osmosis system and modernisation of plants. The company promotes balance fertilization to facilitate sustainable agricultural growth, but investments in newer technologies such as low carbon urea, blue/green ammonia, and nano urea remain to be seen.
Social	MFL gives priority to social responsibility measures for the benefit of weaker section of the society and to improve the standard of living of the inhabitant near the factory area. MFL continues conducting informative and educational programs for the farmers and dealers as part of social responsibility in upliftment of farming community for educating farmers with respect to fertilizers usage, soil health techniques, weather, and updated farming technologies, among others.
Governance	The company's board of directors comprises of nine members including three independent director and four nominee directors.

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

About the company and industry

Industry classification

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

MFL is held by GoI (59.50%), Naftiran Intertrade Co Limited; an affiliate of National Iranian Oil Company (25.77%) while balance is with the public (14.73%). The company is engaged in manufacturing ammonia (3,46,500 MT), urea (4,86,750 MT) and complex fertilizers (2,80,000 MT). However, the complex fertiliser plant remains non-operational. The company is also engaged in manufacturing bio-fertilizers and trading eco-friendly agro chemicals, organic manure and city compost under the brand name 'Vijay'. The company's plant is on 329 acres of freehold land at Manali, Chennai.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)	H1FY26 (UA)
Total operating income	2,228.41	2,541.85	1,182.45
PBILDT	104.39	126.95	76.93
Profit after tax (PAT)	5.53	64.24	57.01
Overall gearing (x)	NM	NM	82.53
Interest coverage (x)	1.38	1.88	2.58

A: Audited UA: Unaudited; NM: Not meaningful since net-worth stood negative. 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
Fund-based - LT-Cash Credit	-	-	-	-	350.00	CARE BB+; Stable
Non-fund-based - ST-Credit Exposure Limit	-	-	-	-	2.80	CARE A4+
Non-fund-based - ST-Letter of credit	-	-	-	-	395.00	CARE A4+

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	350.00	CARE BB+; Stable	-	1)CARE BB+; Stable (30-Dec-24)	1)CARE BB+; Stable (13-Dec-23)	1)CARE BB+; Stable (23-Feb-23)
2	Non-fund-based - ST-Letter of credit	ST	395.00	CARE A4+	-	1)CARE A4+ (30-Dec-24)	1)CARE A4+ (13-Dec-23)	1)CARE A4+ (23-Feb-23)
3	Non-fund-based - ST-Credit Exposure Limit	ST	2.80	CARE A4+	-	1)CARE A4+ (30-Dec-24)	1)CARE A4+ (13-Dec-23)	-

LT: Long term; 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	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Credit Exposure Limit	Simple
3	Non-fund-based - ST-Letter of credit	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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