Talcher Fertilizers Limited

April 01, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	12,250.06	CARE BBB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to Talcher Fertilizers Limited (TFL) factors in benefits of financially strong backing from Government of India–owned promoters— GAIL (India) Limited (GAIL; rated CARE AAA; Stable/CARE A1+), Coal India Limited (CIL; rated CARE AAA; Stable/CARE A1+) and Rashtriya Chemicals & Fertilisers Limited (RCFL; rated CARE A1+), which provide financial strength, operational expertise, and strategic integration across the coal, gas, and fertiliser value chain. The rating also benefits from a favourable demand–supply outlook for urea, which remains the most consumed fertiliser in India. The Talcher project holds high strategic importance as it is the first coal-based urea plant in India using the Shell Coal Gasification Process (SCGP) with high ash domestic coal. The project aligns with Government of India's objectives of energy security and coal diversification. The rating favourably factors in the policy support from the Department of Fertilizers for Talcher Fertilizers Limited, which envisages providing a framework enabling the project to achieve a post-tax equity IRR of around 12%. This policy support is expected to underpin the project's profitability profile and facilitate adequate cash flow generation, thereby supporting comfortable debt servicing and coverage indicators once the project is commissioned.

Further the promoters have demonstrated sustained commitment through a sponsor support undertaking (SSU) to meet cost overruns and maintain the targeted capital structure of ~1.8:1. Continued promoter support is demonstrated by equity infusion of ~₹5,441 crore as of December 2025, despite significant time and cost overruns.

The project achieved financial closure for revised scope, with sanction of ₹12,250 crore debt.

However, these strengths are tempered by significant delays and execution challenges. The project faced cumulative delays of ~51 months, with commissioning timeline slipping from June 2024 to December 2027. Execution issues, contractor underperformance, pandemic related disruptions, and contractual disputes led to slow progress and substantial cost escalation, with the project cost increasing from the originally approved ₹13,277 crore to ₹19,062 crore.

Delays beyond two years triggered stress under RBI norms, leading TFL to prepay its entire outstanding debt of ~₹4,501.61 crore by June 2025, which was funded through promoter equity infusion and inter corporate loans. These loans were subsequently repaid in December 2025. Timely achievement of the revised scheduled commercial operations date (SCOD) remains contingent on sustained improvement in execution, mobilisation of manpower and equipment, and completion of critical path activities.

The project also carries elevated technology risk, as it represents first implementation of the SCGP in India using high ash coal. Lack of operating track record in domestic conditions may pose stabilisation challenges during initial phase of operations, potentially impacting cash flows and hence remains a monitorable. The ratings also factor in the susceptibility of the project's execution timeline to geopolitical uncertainties. In addition, the profitability and cash flow profile of the fertilizer sector remains closely linked to the regulatory environment, including the timely disbursement of government subsidies as well as prevailing agro-climatic conditions.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant progress in project construction as per schedule with timely promoter support as and when needed for the project

Negative factors

- Significant increase in project cost and time overrun or slower than expected progress in project
- Weakening of the linkage with the sponsors or deterioration in the sponsors credit profile

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

Analytical approach: Standalone

CareEdge Ratings has taken a Standalone approach to assess the credit risk profile of TFL. Ratings also factor in the strong operational, financial, and managerial linkages of TFL with the promoters of the company, i.e. GAIL, CIL and RCFL.

Outlook: Stable

'Stable' outlook reflects CARE Ratings Limited's (CareEdge Ratings) expectation that TFL will continue to benefit from strong promoter support and its strategic importance to GoI.

Detailed description of key rating drivers:

Key strengths

Strong parentage and continued promoter support with undertaking for entire cost over runs

TFL derives significant strength from its strong parentage comprising GAIL CIL, RCFL. Promoters' strong credit profiles and integrated presence across the coal, gas and fertiliser value chain support project execution and reduce supply-side risks. This is further reinforced by their commitment to extend financial support through a SSU to meet entire cost overruns and maintain the target capital structure (debt: equity of ~1.8:1). The continued promoter backing is demonstrated by equity infusion of ~₹5,441 crore as of December 2025, which provides financial flexibility and underpins TFL's ability to progress the project despite delays and cost escalations. Several personnel from promoter companies have been placed in key managerial and operational roles at TFL, ensuring strong oversight and alignment with promoter interests. The current Managing Director is appointed by RCF, while the Director (Finance) by CIL, and the board consists of nominee representatives from the promoter entities, indicating active involvement in governance.

Coal and petcoke constitute the key raw materials required for operations. A long-term fuel supply agreement (FSA) with CIL provides comfort regarding feedstock availability for the project. Given that CIL is also a promoter in the project, the risk relating to coal availability remains limited. In addition, the company has executed a memorandum of understanding (MoU) with Indian Oil Corporation Limited to procure petcoke.

Strong strategic importance and policy support from GoI with assured 12% post tax equity internal rate of return from Department of Fertilizers

The project holds high strategic importance for the GoI, as it involves implementation of SCGP using high-ash Indian coal, making it a first-of-its-kind initiative in the country. Its successful execution would enable large-scale utilisation of domestic coal reserves for producing urea, fuels, chemicals, and polymers, reducing reliance on imported natural gas and strengthening energy security. This aligns with the government's long-term objective of diversifying feedstock amid climate-related demand shifts in traditional coal usage. Strong policy support underpins the project's viability, with the Department of Fertilisers assuring a 12% post-tax equity internal rate of return (IRR), given the high capital intensity and technology risks. This policy support is expected to underpin the project's profitability profile and facilitate adequate cash flow generation, thereby supporting comfortable debt servicing and coverage indicators once the project is commissioned.

Adequate capital structure and Financial Closure achieved

The project is structured with a debt–equity ratio of 1.8:1, with a term loan of ₹12,250 crore forming the debt component. Of the total equity requirement of ₹6,812 crore, promoters already infused ₹5,441 crore, FCIL's contribution is in the form of land and usable assets of ~₹303 crore. Debt repayment will commence from March 2029, following a one-year moratorium after the COD of December 2027, with a total loan tenure of nine years and three months. Average debt service coverage ratio (DSCR) for the loan duration is 1.43x, assuming comfort of guaranteed 12% post tax equity IRR by the Department of Fertilizers.

TFL received sanction of Rs12,250 crore from a consortium of banks led by SBI with revised commercial operation date of December 31, 2027, and updated project cost of Rs19,062 crores. Promoters also infused ~80% of the required equity of ₹6,812.16 crore as of March 2026. They may infuse more in case of cost overruns.

Favourable demand and supply outlook for urea

Fertiliser usage increased significantly to support food security, with urea emerging as the most dominant fertiliser due to its high nitrogen content and widespread applicability across crops. Urea constitutes the largest share of total fertilizer consumption in India, while phosphatic and potassic (P&K) fertilizers account for comparatively lower consumption volumes. The dominance of urea is primarily attributable to its lower effective price to farmers, driven by government control over farm-gate prices and higher subsidy support, which makes it more affordable relative to other nutrients.

From a supply perspective, India achieved a relatively higher degree of self-sufficiency in urea compared to other fertilisers, supported by significant capacity additions over the years and revival of closed units. However, despite this, the country continues to rely on imports to bridge the residual demand-supply gap. While the government has taken steps to enhance domestic urea production, including commissioning new plants and revival of existing units, structural constraints such as limited availability of domestic natural gas and rising demand imply that import dependence, though lower than other fertilisers, is likely to persist.

Key weaknesses

Exposure to Execution Risk amid Significant delays in timeline with cost overruns

The project is exposed to significant execution risk due to its large scale, high capital intensity, and complex scope. Cumulative delays of ~51 months, ongoing lags in engineering, procurement, and construction, and pending critical activities, such as long-lead items, major piping, and crane mobilisation, pose challenges to achieving the revised December 2027 SCOD. Timely commissioning will depend on accelerating contractor performance through additional manpower, machinery, and resources, making project execution a key rating sensitivity.

Technology Risk

TFL's project carries elevated technology risk as it is the first plant in India to adopt the SCGP using high-ash domestic coal. The absence of prior operational experience in the Indian context increases the likelihood of stabilisation challenges and operational inefficiencies during initial phases. Delay in achieving optimal plant performance could impact cash flows, profitability, and overall project economics, making technology risk a critical factor for credit assessment.

Agroclimatic and regulatory risk

The profitability profile of the fertiliser industry remains closely linked to the regulatory framework of the Government of India, particularly with respect to subsidy allocation and policy formulation. The Department of Fertilizers has introduced a policy framework for Talcher Fertilizers Limited that envisages a post-tax equity IRR of about 12%, which is expected to support adequate returns for the project and enable timely servicing of debt obligations. Nevertheless, the sector's earnings remain sensitive to agro-climatic factors as well.

Liquidity: Adequate

TFL's liquidity position is adequate, with debt tie-up completed and timely promoter equity infusion of ₹5,441 crore of the ₹6,812 crore. Despite cost and time overruns, promoters provided a SSU to infuse additional equity if required, ensuring the project's capital structure is maintained and financial obligations are met. Debt repayment will begin in March 2029, after a one-year moratorium following the expected COD in December 2027. The total loan tenure is nine years and three months, and the company is required to maintain a Debt Service Reserve Account (DSRA) equivalent to one quarter of principal and interest obligations.

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
Project stage companies
Factoring Linkages

About the company and industry

Industry classification

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

TFL was conceived in December 2014 and incorporated on October 27, 2015, as a joint venture of GAIL, CIL, RCFL and Fertiliser Corporation of India Limited (FCIL) to revive FCIL's Talcher Fertilizer plant in Angul, Odisha, where a coal-based urea plant existed till 2002. TFL is implementing a coal gasification-based fertilizer plant, marking the first-ever implementation of SCGP in India with planned capacity of 2,200 MTPD ammonia and 3,850 MTPD (1.27 MMTPA) urea.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total operating income	0.37	0.05	0.00
PBILDT*	-6.85	-8.98	-7.34
Profit after tax (PAT)	-7.34	2.47	-2.20
Overall gearing (x)	1.14	1.58	NA
Interest coverage (x)	NM	NM	NM

A: Audited UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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
Term Loan-Long Term		-	-	31-03-2038	12250.06	CARE BBB+; Stable

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	Term Loan-Long Term	LT	12250.06	CARE BBB+; Stable				

LT: Long 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	Term Loan-Long Term	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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