

Gujarat State Fertilizers and Chemicals Limited

October 01, 2026

Facilities/Instruments	Name of the Regulator ¹	Amount (₹ crore)	Rating ²	Rating Action
Long-term bank facilities	RBI	300.00	CARE AA+; Stable	Reaffirmed
Short-term bank facilities	RBI	4,100.00	CARE A1+	Reaffirmed
Commercial paper	RBI	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) continues to derive strength from its established and integrated operations in fertilizers 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 position.

However, ratings continue to be constrained by risks associated with regulated nature of the fertilizer industry, 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 increase reliance on short-term borrowings, fluctuation in forex rates, and cyclicity associated with other industrial products.

GSFC reported healthy revenue growth of 15% y-o-y to ₹10,957 crore in FY26, driven by healthy growth in fertilizer volumes sales. However, a sharp increase in raw material costs, particularly in H2FY26, and lower nutrient-based subsidy (NBS) rates, compressed fertilizer margins had led to segment losses in Q4FY26. The impact was largely mitigated by a strong recovery in the industrial products segment, supported by higher sales of Technical Grade Urea, HX Sulphate Crystal, traded ammonia and melamine exports, resulting in a marginal improvement in overall profitability margins. The company reported profit before interest, lease rentals, depreciation and tax (PBILDT) margins of 7.34% in FY26 against 7.02% in FY25. Fertilizer sales contributed 78% to the company's revenue in FY26 (FY25: 77%).

Amidst elevated raw material prices in Q1FY27, the company optimised its product mix and shifted towards urea and di-ammonium phosphate (DAP) sales, where profitability is protected through the subsidy framework, while scaling back complex fertilizer production. Urea and DAP sales increased to 1.6 lakh metric tonnes (MT) in Q1FY27 against 0.5 lakh MT in Q1FY26. While total fertilizer sales stood at 5.3 lakh MT in Q1FY27 against 4.5 lakh MT in Q1FY26. Revenue grew by 64% y-o-y to ₹3,583 crore in Q1FY27 aided by increase in realisation considering pass through of higher raw material cost under the GoI subsidy framework, while PBILDT margin stood at 6.5%. (Q1FY26: 8.8%; Q4FY26: 3.2%). While fertilizer margins remained subdued in Q1FY27, despite improving from Q4FY27, profitability from industrial products segment continued to remain healthy, aided by higher realisations and a sharp increase in the Capro-Benzene spread to US\$816/MT from USD 540/MT, supporting the overall profitability margin. Overall scale of operations is expected to remain healthy in FY27 supported by healthy fertilizer revenue and improvement in industrial products revenue. Profitability margin is likely to be supported by calibrated product mix in the fertilizer segment and better margin in the industrial product segment. Movement in global raw material prices, particularly ammonia, sulphur, phosphoric acid and natural gas and H2FY27 NBS subsidy rates shall remain key monitorable.

The company's financial profile remains strong marked by comfortable capital structure and healthy liquidity position. As on March 31, 2026, overall debt stood at ~₹27 crore comprising primarily of working capital borrowings (~₹25 crore). The company's working capital borrowings however increased to ~₹1,400 crore as on June 30, 2026, owing to increased working capital requirement led by increase in subsidy receivables from Government of India (GoI) amidst higher urea and DAP sales in Q1FY27. Subsidy receivables increased to ₹2,218 crore as on June 30, 2026, from ₹1,453 crore as on March 31, 2026 (₹1,087 crore as on March 31, 2025). The company's liquidity continues to remain strong with cash and equivalents of ₹916 crore as on June 30, 2026, providing comfort.

¹SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority.

²Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant diversification of GSFC's operations to other fertilizer 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 fertilizer 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 fertilizer 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. Companies consolidated are listed under Annexure-5.

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 product range includes fertilizer products manufactured by the company, such as DAP, ammonium sulphate (AS), ammonium phosphate sulphate (APS), urea, and industrial chemical products such as caprolactam, nylon-6 (N-6), melamine, MEK oxime, HX Sulphate Crystal. The company trades in DAP, urea, ammonia, and other fertilizers and industrial products. The company is the sole domestic manufacturer of melamine and the largest domestic manufacturer of caprolactam and Nylon-6 in India. Operations are marked by a high level of vertical integration across fertilizers and industrial products divisions. The company meets part of its ammonia, phosphoric acid, and sulphuric acid requirement for manufacturing fertilizers and industrial products through captive production. The captive production of caprolactam is used for manufacturing N-6.

Higher input costs weighed on fertilizer profitability in FY26, while improved industrial product margins supported earnings

GSFC delivered healthy revenue growth of 15% y-o-y to ₹10,957 crore in FY26, driven by strong fertilizer volumes, particularly APS and AS. However, the sharp increase in raw material and input costs, especially in H2FY26, was not adequately offset by NBS subsidy rates, resulting in significant margin pressure in the fertilizer segment and segment losses in Q4FY26. However, profitability improved in the industrial product segment considering higher sales of Technical Grade Urea, HX Crystal, traded ammonia and strategic focus on melamine exports. Strong performance of industrial products segments largely compensated for weakness in fertilizer, enabling the company to make marginal improvement in overall operating profitability. The company reported PBILDT margin of 7.34% in FY26 against 7.02% in FY25. Fertilizer sales contributed 78% to the company's revenue in FY26 (FY25: 77%).

Amidst elevated raw material prices in Q1FY27, the company optimised its product mix and shifted towards urea and DAP sales, where profitability is protected through the subsidy framework, while scaling back complex fertilizer production. Urea and DAP sales increased to 1.6 lakh metric tonnes (MT) in Q1FY27 against 0.5 lakh MT in Q1FY26. While total fertilizer sales stood at 5.3 lakh MT in Q1FY27 against 4.5 lakh MT in Q1FY26. Revenue grew by 64% y-o-y to ₹3,583 crore in Q1FY27 aided by increase in realisation considering pass through of higher raw material cost under the GoI subsidy framework, while PBILDT margin stood at

6.5%. (Q1FY26: 8.8%; Q4FY26: 3.2%). While fertilizer margins remained subdued in Q1FY27, despite improved from Q4FY27, profitability from industrial products segment continued to remain healthy, aided by higher realisations and a sharp increase in the Capro-Benzene spread to US\$816/MT from US\$540/MT, supporting overall profitability margin.

Overall scale of operations is expected to remain healthy in FY27 supported by healthy fertilizer revenue and improvement in industrial products revenue. Profitability margin is likely to be supported by calibrated product mix in the fertilizer segment and better margin in the industrial product segment. Movement in global raw material prices, particularly ammonia, sulphur, phosphoric acid and natural gas and H2FY27 NBS subsidy rates shall remain key monitorable.

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

To secure steady supplies of phosphoric acid (PA; the availability of which remains volatile) and to increase capacity utilisation of its complex fertilizer portfolio at its Sikka plant, GSFC acquired a 15% stake in Tunisian Indian Fertilizers, S.A. (TIFERT). Through this investment, GSFC is entitled to receive 180,000 MT of PA per annum at market prices. However, the company has been receiving low supplies of PA over the years. In FY25, GSFC received 17,510 MT of PA (FY24: 32,158 MT) from TIFERT, while no PA supplies were received in FY26 due to the shutdown of the TIFERT plant. To add potassium (K) to its fertilizer portfolio and to capture a larger market share in NPK fertilizers, the company also invested in Canada-based 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, 2026. GSFC signed an off-take agreement with Karnalyte for 20 years for the purchase of ~350,000 tonnes of potash per year from the project. The company also benefits from its captive renewable energy capacity comprising of wind farm with a capacity of 152.80 megawatt (MW) and 65.13 MW of solar power, which meets ~50% of the company's total power requirements. The company also has investments in Gujarat Industries Power Co Limited (GIPCL; rated 'CARE AA-; Stable/CARE A1+'), where, as a promoter, GSFC has access to 37.5 MW of solar power under group based captive power plant.

Key weakness

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

Profitability of fertilizer manufacturers is influenced by the regulations governing types of fertilizers, where the government controls fertilizer prices and provides subsidies. Quantum of subsidy receivables and delays associated with their receipt inherently impact the liquidity of the fertilizer industry, though the impact differs across fertilizer types. With the release of a large amount of subsidy payments in FY21, subsidy receivables declined significantly, leading to a significant decline in debt levels of fertilizer companies. Lower subsidy budget allocations may lead companies to resort to higher short-term borrowings to fund extended subsidy receivables. FY27 fertilizer subsidy allocation stands at ₹1.71 lakh crore; however, rising global input and fertilizer prices may necessitate additional budgetary support in the year.

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

Liquidity: Strong

GSFC's liquidity is strong, marked by healthy cash accruals and free cash and fixed deposits of ₹916 crore as on June 30, 2026. The company has sanctioned fund-based working capital limits of ₹2,235 crore. Average utilisation of fund-based limits stood at ~12% for 12 months ended July 2026. It has sanctioned non-fund-based working capital limits of ₹3,000 crore, which are utilised mainly for the import of raw material requirements, trading goods, and bank guarantee (BG) issuance. The company also has substantial quoted equity investments to the tune of ₹2,930 crore as on March 31, 2026. Healthy capital structure provides headroom to the company to raise need-based funds.

Environment, social, and governance (ESG) risks

Risk factors	Compliance and action by the company
Environmental	In FY26, GSFC expanded its renewable energy footprint to 217.94 MW, comprising 152.8 MW wind and 65.14 MW solar capacity, meeting ~50% of its total power requirement through renewable sources. The company reduced freshwater consumption by 11.2% y-o-y, captured 7.07 million litres of rainwater through harvesting systems and committed 32 MLD of tertiary-treated wastewater for reuse. The company also commissioned the 600 MTPD Sulphuric Acid-V plant with a zero-liquid-discharge mechanism and strengthened circular waste management initiatives.

Risk factors	Compliance and action by the company
Social	In FY26, GSFC conducted 282 training programmes covering over 20,000 learning man-hours and continued leadership development through its listen, learn, lead (L3) initiative. The company reached 1.44 lakh farmers through 4,405 farmer engagement initiatives and implemented CSR projects benefiting over 6,600 students, 9,000 farmers and 1.35 lakh people through healthcare and nutrition initiatives. Employee safety continued to remain a key focus, with multiple safety awareness and emergency preparedness programmes conducted in the year.
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 and agrochemicals	Fertilizers

Incorporated in 1962, GSFC is a public sector company promoted by the Government of Gujarat (GoG). GoG, through its undertaking Gujarat State Investment Limited (GSIL), holds 37.84% equity stake in GSFC as on June 30, 2026. The chairman and managing director of the company are appointed by GoG.

GSFC operates in two segments fertilizers and industrial products, with integrated manufacturing facilities enabling it to benefit from synergies with manufacturing of host of fertilizers and industrial products. Fertilizers contributed ~78% to the total operating income in FY26 whereas industrial products contribute the balance. The company manufactures fertilizers such as DAP, AS, APS, urea, among others and industrial products such as caprolactam, melamine, MEK oxime, nylon 6 (N-6), HX Sulphate Crystal, among others.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	9,549	10,957	3,583
PBILDT*	670	804	233
Profit after tax (PAT)	591	673	159
Overall gearing (x)	0.00	0.00	NA
Interest coverage (x)	66.47	55.58	22.83

A: Audited; UA: Unaudited; Not Available; Note: these are latest available financial results

*PBILDT: Profit before interest, lease rentals, depreciation and tax

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of regulators:

A list of facilities / instruments falling under the purview of financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)	RBI	Simple	Proposed	-	Not placed	7-364	1000.00	CARE A1+
Fund-based - LT-Cash Credit	RBI	Simple	-	-	-	-	300.00	CARE AA+; Stable
Fund-based - ST-Others	RBI	Simple	-	-	-	-	1100.00	CARE A1+
Non-fund-based - ST-BG/LC	RBI	Simple	-	-	-	-	3000.00	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 2026-2027	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
1	Fund-based - LT-Cash Credit	LT	300.00	CARE AA+; Stable	-	1)CARE AA+; Stable (03-Oct-25)	1)CARE AA+; Stable (07-Oct-24)	1)CARE AA+; Stable (09-Oct-23)
2	Non-fund-based - ST-BG/LC	ST	3000.00	CARE A1+	-	1)CARE A1+ (03-Oct-25)	1)CARE A1+ (07-Oct-24)	1)CARE A1+ (09-Oct-23)
3	Commercial Paper-Commercial Paper (Standalone)	ST	1000.00	CARE A1+	-	1)CARE A1+ (03-Oct-25)	1)CARE A1+ (07-Oct-24)	1)CARE A1+ (09-Oct-23)
4	Fund-based - ST-Others	ST	1100.00	CARE A1+	-	1)CARE A1+ (03-Oct-25)	1)CARE A1+ (07-Oct-24)	1)CARE A1+ (09-Oct-23)

LT: Long-term; ST: Short-term

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

Annexure-4: Lender details

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

Annexure-5: List of entities consolidated

Sr. No.	Name of the entity	Extent of Consolidation	Rationale of Consolidation
1	GSFC Agrotech Limited	Full	Subsidiary
2	Gujarat Port & Logistics Company Limited	Full	Subsidiary
3	Vadodara Jal Sanchay Private Limited	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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