

# INDIAN FERTILISER INDUSTRY

**Revised NBS rates expected to boost  
profitability of most NPK fertilisers,  
while DAP continues to face margin  
pressures**

**MARCH 2024**



## 1 Industry Outlook



## 2 Update on Agricultural Sector



## 3 Fertiliser Sector – Sales & Production



## 4 Fertiliser Price Trends



## 5 Raw Material Price Trends



## 6 Update on Regulatory Framework



## 7 Capex Plan for Fertiliser Sector



## 8 ESG Risks



## 9 Aggregate Industry Performance



## 10 Industry Peer Comparison



## 11 ICRA Ratings in Fertiliser Sector





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The Government of India (GoI) has approved the nutrient-based subsidy (NBS) rates for the forthcoming kharif season of FY2025, translating into subsidy allocation of Rs. 24,420 crore in H1 FY2025 for the P&K segment. There was an increase in the subsidy for Phosphate (P), while subsidies for nitrogen (N), potash (K) and sulphur (S) remained unchanged. The subsidy for Di-Ammonium Phosphate (DAP) has witnessed a reduction. Thus, DAP is likely to continue to witness profitability pressures, while some improvement in profitability of the NPK segment is expected. Overall, subsidy allocation is expected to remain adequate for FY2025 at current prices.



- **Retail sales for DAP, NPK and Muriate of Potash (MOP) increased by 5.9%, 1.9% and 10.9% YoY, respectively, in 10M FY2024; while urea witnessed moderation by 0.3%.** Fertiliser sales volumes are expected to increase by ~1-3% YoY in FY2025.



- **The systemic inventory for fertilisers remain at comfortable levels with improved availability and moderation in prices** after declining to multi-year lows in FY2022, with the steep rise in international prices and constrained availability in the global markets.



- **The GoI revised the NBS rates for the upcoming kharif season.** The subsidy for P has been increased to Rs. 28,720/MT for the kharif season of FY2025, up from Rs. 20,820/MT for the rabi season of FY2024. Meanwhile, the subsidies for N, K and S remain unchanged.



- **With recent increase in key input prices and moderation in subsidy, the profitability of DAP is likely to remain under pressure.** DAP subsidy has been reduced by 4% to Rs. 21,676/MT for H1 FY2025 primarily owing to removal of the Rs. 4,500/MT special package allowed in H2 FY2024.



- **The pooled gas prices remain largely steady.** Gas costs remain a pass-through for urea players, although lowering of the same impacts the profitability of energy-efficient plants. This also results in reduction in working capital requirements for urea players. Steady gas costs translate into steady profitability as well as subsidy requirements for the urea segment.



- **The GoI has made a budgetary allocation of Rs. 1.64 trillion towards fertiliser subsidy for FY2025,** including Rs. 1.19 trillion for urea and Rs. 0.45 trillion as NBS, which is likely to be adequate at current prices of raw material and finished fertilisers.



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