

# INDIAN FERTILISER INDUSTRY

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**Shift from DAP to other grades of  
NPKs protects margins of phosphatic  
fertiliser players, as DAP remains  
loss making**

**MARCH 2025**



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*The nutrient-based subsidy rates notified for FY2025 continue to cause pressures on profitability of DAP. This has led to availability issues and resulted in many farmers switching to other grades of NPKs. Govt offered a special package of Rs. 3,500/MT to ensure DAP availability. However, due to increase in import prices, DAP is likely to remain a loss-making proposition. Profitability for urea players, on the other hand, is expected to remain steady. Overall subsidy payout remains timely, keeping borrowings and interest cost under check.*



- **Retail sales for urea, MOP and NPK increased by 8.9%, 31.7% and 28.1%, respectively, while DAP sales moderated by 12.3% in 10M FY2025.** Overall, fertiliser sales volumes are expected to increase by ~9-10% YoY in FY2025, followed by increase of 1-3% in FY2026.



- **The systemic inventory for fertilisers remain at comfortable levels, except for DAP.** All other fertilisers, except DAP, have witnessed steady improvement in inventory levels from their lows. Many farmers have been switching to different grades of NPKs to reduce dependence on DAP.



- **Special package offered for DAP.** To improve DAP's availability, the Govt offered additional Rs. 3,500/MT to cover costs from port/factory gate. This package has been extended beyond December 31, 2024. However, DAP imports remain loss making even after this package.



- **DAP's profitability is likely to remain under pressure.** The additional package resulted in positive contribution margins retrospectively for H1 FY2025. However, with the recent rise in DAP prices, contribution margins have again turned negative. For other NPKs, the upward revision in subsidy for some grades of NPK, coupled with steady import prices, is likely to result in improved margins.



- **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. Since pooled gas prices have remained stable, the profitability of urea players is also likely to remain steady.



- **The Govt has made a budgetary allocation of Rs. 1.68 trillion towards fertiliser subsidy for FY2026,** including Rs. 1.19 trillion for urea and Rs. 0.49 trillion as NBS, which is likely to be adequate. The overall subsidy pay-outs have remained timely, keeping the working capital intensity of the industry under check.



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