

INDIAN FERTILISER INDUSTRY

**Higher NBS rates to keep
profitability stable for NPK fertiliser;
DAP imports to remain loss-making**

November 2025





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The revised nutrient-based subsidy (NBS) rates notified for rabi season of FY2026 is expected to bode well for NPK manufacturers owing to the increased subsidy for phosphorus and sulphur. Di-ammonium Phosphate (DAP) imports are expected to remain loss-making owing to high international prices and inadequate NBS rates.

With subsidy outlay expected to remain inadequate for the P&K fertilisers in FY2026, ICRA expects Gol to make additional allocations to meet the shortfall.



- **The Government of India (Gol) has revised the NBS rates for rabi FY2026.** There has been an increase in subsidy of phosphorus to Rs 47,960/MT from Rs 43,600/MT and for sulphur to Rs. 2,870/MT from Rs. 2,610/MT. ICRA foresees the profit margin for the NPK¹ manufacturers to sustain at healthy levels, with some players looking to marginally increase retail prices.



- The **systemic inventory for DAP has been low in the current fiscal** due to its high landed cost and inadequate NBS rates, translating into losses on DAP imports. Thus, many farmers switched to other grades of NPKs like NP20, triple superphosphate (TSP), etc. Availability of muriate of potash (MOP) has been improving steadily in India, while urea has witnessed some moderation.



- **Special package for DAP.** The Gol has continued the special additional package of Rs. 3,500/MT to support DAP margins in addition to higher NBS rates, for the rabi season. Despite this, ICRA projects DAP imports to remain loss-making. The Government has also decided to continue to compensate DAP importers for additional cost above \$559/MT under the advantage/disadvantage scheme.



- **For backward-integrated DAP manufacturers who are able to produce phosphoric acid in-house from rock phosphate, DAP contribution margins are expected to be ~Rs. 2000/MT.** However, manufacturers procuring phosphoric acid externally witness losses.



- **MOP imports see moderation in profitability.** Although MOP imports continue to remain marginally profit-making, higher international prices has led to the moderation in profitability from June 2025 onwards. This could result in higher retail price amid stable NBS rate for potassium.



- **The Phosphatic & Potassic (P&K) subsidy requirement for FY2026 is expected at Rs. 0.75 trillion (incl Rs. 0.38 trillion for the rabi season) against a budgetary allocation of Rs. 0.49 trillion, indicating a subsidy shortfall.** ICRA expects the Gol to make additional allocations to meet the shortfall, which in turn should keep the working capital cycle stable for the industry.

1: NPK: Nitrogen, Phosphate, Potash, MOP fertilizer also known as complex fertilisers

Phosphate and sulphur see subsidy hike

Exhibit: Trend in NBS rates

Rs./MT	H1 FY2023	Q3 FY2023	Q4 FY2023	H1 FY2024	H2 FY2024	H1 FY2025	H2 FY2025	H1 FY2026	H2 FY2026
N	91,960	98,020	99,270	76,490	47,020	47,020	43,020	43,020	43,020
P	72,740	66,930	49,940	41,030	20,820	28,720	30,800	43,600	47,960
K	25,310	23,650	25,700	15,910	2,380	2,380	2,380	2,380	2,380
S	6,940	6,120	2,840	2,800	1,890	1,890	1,760	2,610	2,870
Product Subsidy									
DAP (18:46:0)	50,103	48,431	40,841	32,641	22,541	21,675	21,911	27,800	29,805
NPK (20:20:0:13)	33,842	33,786	30,211	23,868	13,814	15,394	14,993	17,663	18,569
NPK (10:26:26)	34,690	33,353	29,593	22,453	10,734	12,788	12,928	16,257	17,390
NPK (12:32:16)	38,362	36,964	32,005	24,854	12,686	15,214	15,399	19,495	20,890
MOP	15,186	14,190	15,420	9,547	1,428	1,428	1,427	1,428	1,428
SSP	7,513	7,513	7,513	7,513	3,540	4,804	5,121	7,263	7,408*

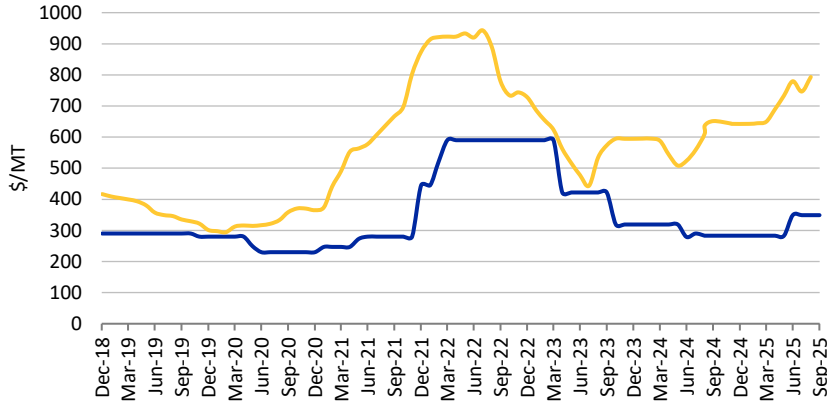
*Subsidy for SSP has been capped at Rs. 7,408/MT

- For the recently announced NBS rates for the rabi season of FY2026, the subsidy rates have been increased for phosphate and sulphur. This should keep the profitability of various NPK grades stable, as sulphur prices have witnessed a sharp increase since last subsidy rates were announced.
- Phosphate and sulphur prices have risen over the course of YTD CY2025, and the industry had partly absorbed the impact of the increased costs during the kharif season. With the enhancement in the subsidy rates as well as some price hikes by manufacturers, their profitability is expected to remain healthy.

Source: DoF, ICRA Research

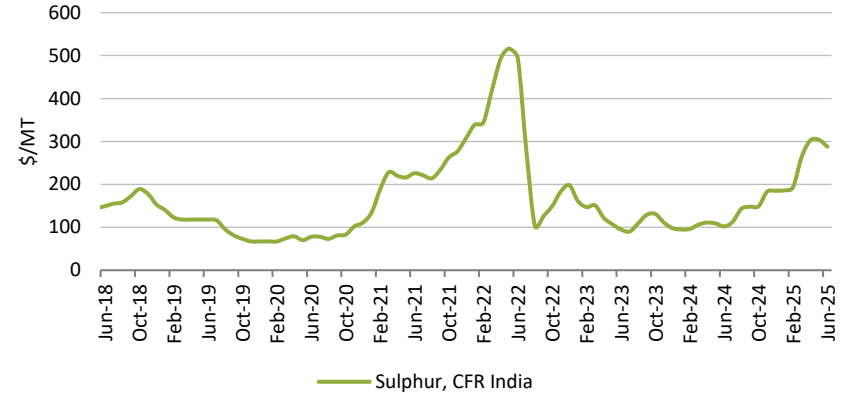
Revision in subsidy rates reflect global price trends for fertiliser

Exhibit: Trend in India CFR price for DAP and MOP



Source: DoF, Tradestat, ICRA Research

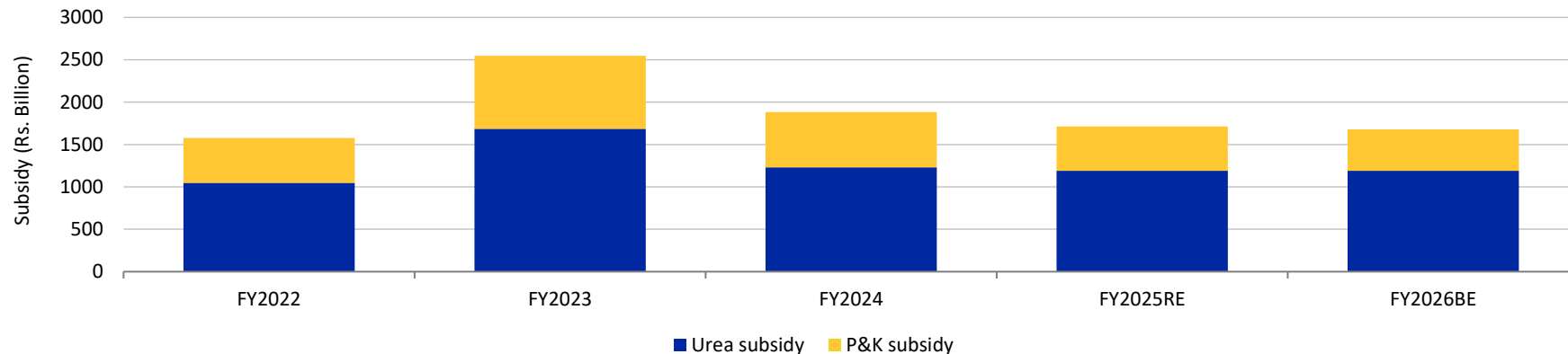
Exhibit: Trend in Sulphur India CFR prices India



Source: DoF, ICRA Research

- DAP prices have been on an uptrend amid supply restrictions by China and strong demand across major markets
- Sulphur prices have remained elevated driven by strong demand amongst chemical players along with supply disruptions in few Asian suppliers. The prices remain volatile with slight moderation visible recently.
- Contracted MOP prices have risen for H2 CY2025 procurement reflecting international price trends.

Exhibit: Trend in subsidy budget (in Rs billion)

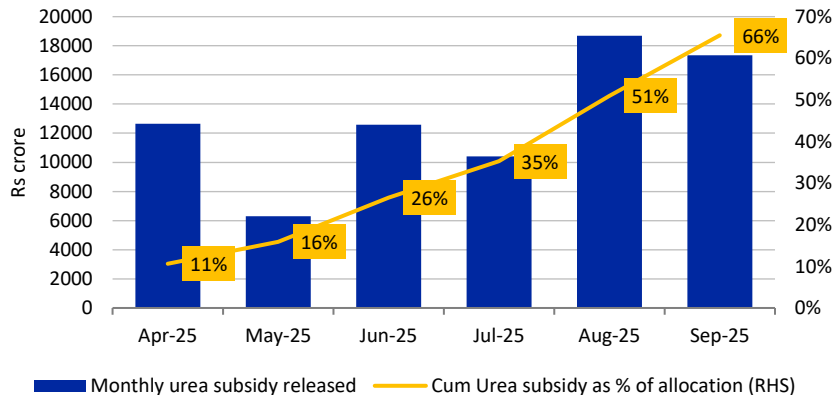


Source: DoF, ICRA Research

- Approximately Rs 1.07 trillion has been paid out in urea and NPK subsidies in H1 FY2026 (as per Department of Expenditure) vis-à-vis the budgetary allocation of Rs. 1.68 trillion, which is approximately ~64% of the allocation. The subsidy requirement for the kharif season stood at Rs. 0.37 trillion, while that for the rabi season was at Rs. 0.38 trillion against a budgetary allocation of Rs. 0.49 trillion for FY2026. ICRA expects the GoI to allocate additional funds to meet the subsidy shortfall and the working capital cycle should remain comfortable.
- The Government has assured compensating DAP importers for additional cost above \$559/MT at 83.23 INR/US\$ under the advantage/disadvantage scheme to ensure adequate DAP supply. As a result, few large players have imported DAP supporting the availability of the fertiliser in India. However, the subsidy release on the additional reimbursement remains slower than expected.

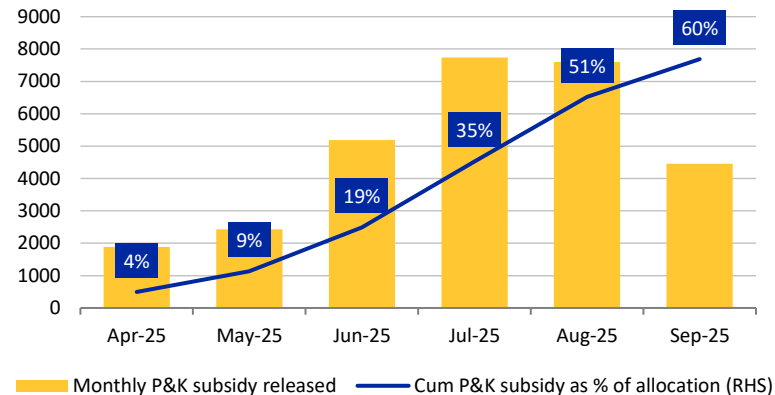
Subsidy release has been timely; additional funds will be required for P&K segment

Exhibit: Trend in subsidy release for Urea



Source: Department of Expenditure (GoI), ICRA Research

Exhibit: Trend in subsidy release for P&K fertiliser

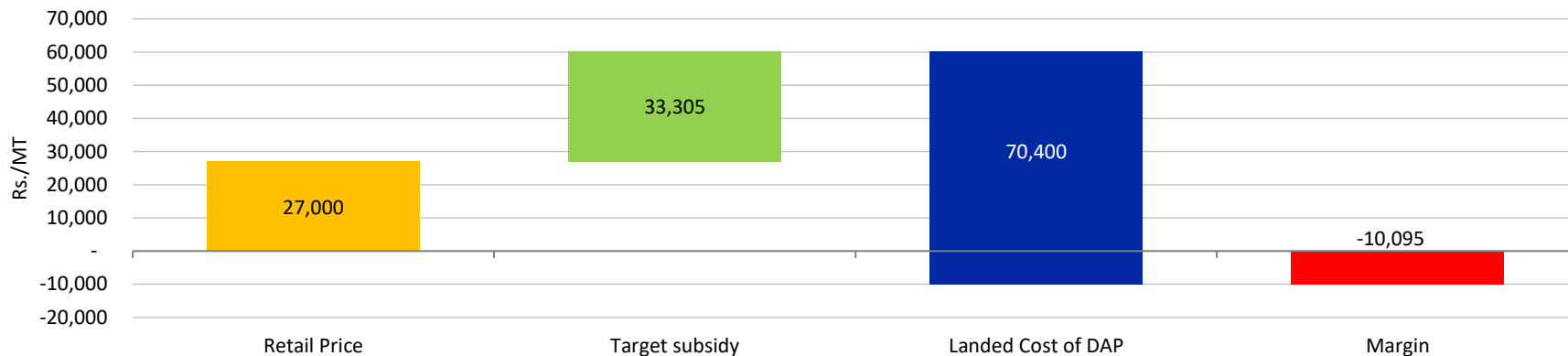


Source: Department of Expenditure (GoI), ICRA Research

- Nearly 64% of the budgetary allocation for FY2026 has been paid out towards fertiliser subsidy by end-September 2025.
- Within this, urea subsidy budget has been exhausted to the extent of 66% by end-September 2025.
- For P&K fertilisers, ~60% of the fertiliser subsidy budget has been paid out. Additional allocation towards P&K fertiliser subsidy will be required as per ICRA's estimates.

DAP imports remain loss-making amid high international prices

Exhibit: Profitability on DAP imports as per revised NBS rates for H2FY2026

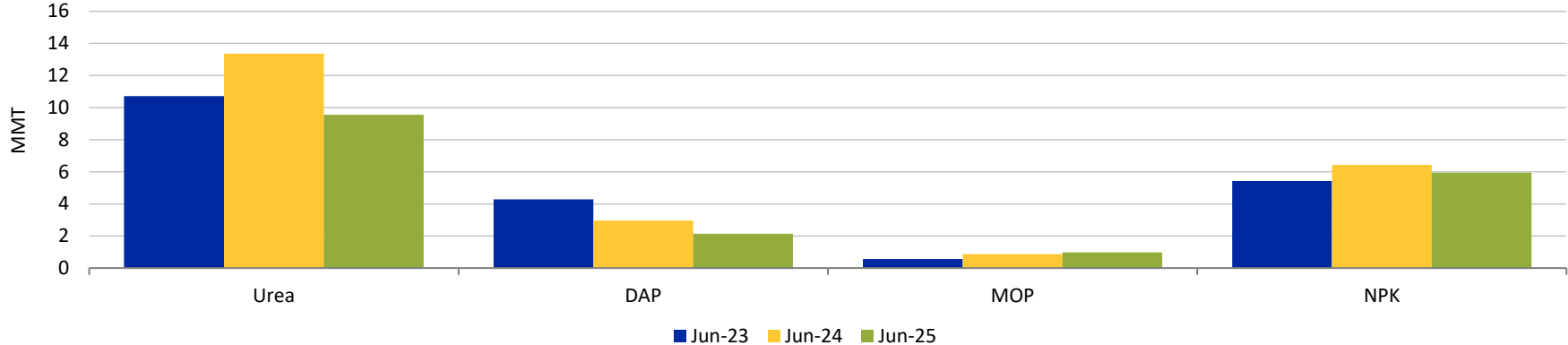


Source: DoF, ICRA Research; DAP = \$780 plus handling charges; subsidy includes the special package of Rs. 3500 per MT

- The subsidy on DAP imports increased to Rs 33,305/MT from Rs 31,300/MT and this should help reduce import losses. However, any increase in international DAP prices or further INR depreciation will increase the extent of losses, thus remaining a key monitorable.
- The contracted procurement price for MOP rose to \$349/MT (CFR) for H2 FY2026; with no change in the subsidy, the profitability has moderated sharply and the industry may resort to an increase in the retail price.
- For other NPKs, there has been an increase in subsidy and, thus, certain grades of NPK are likely to witness improved profits.

DAP availability expected to remain a challenge; urea stocks have moderated

Exhibit: Trend in fertiliser stock availability in India

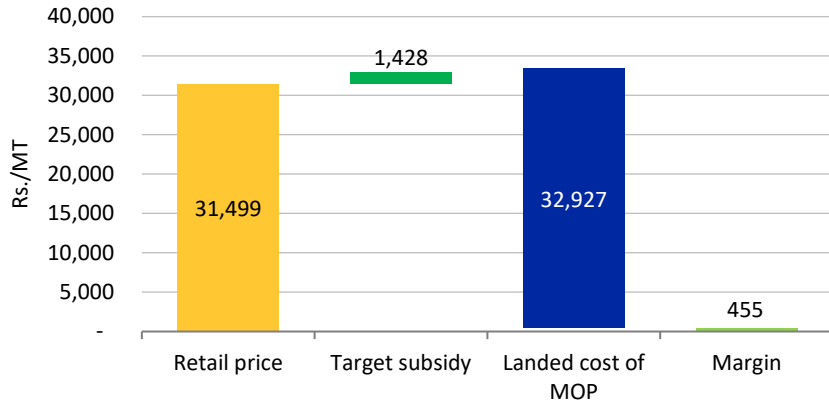


Source: DoF, ICRA Research

- For DAP, availability remains an issue as the profitability has been constrained for imports due to inadequate NBS rates. Recently, an agreement was signed with Maaden, Saudi Arabia by KRIBHCO, CIL and IPL for import of 3.1-MMTPA DAP for five years, starting from FY2026, aiming to alleviate some of the availability challenges.
- Urea availability has moderated in the country year-on-year (YoY) due to shutdowns at some of the urea plants in India in H1 FY2026. Going forward, urea sourcing is expected to inch up due to partial easing of export restrictions by China, along with steady restoration of manufacturing volumes from the above-mentioned facilities. Also, the GoI tied up a three-year urea import deal with OMIFCO for 1 MMTPA.
- Further, India has renewed its supply contract for MOP from Russia, Belarus while other tie-ups with Canada are already in place.

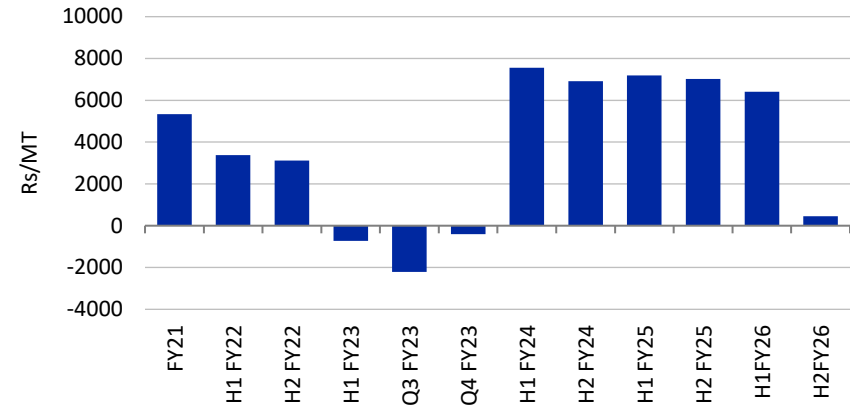
MOP profitability witnesses moderation in the current rabi season

Exhibit: Expected margins on MOP import



Source: DoF, ICRA Research

Exhibit: Trend in MOP contribution margins



Source: DoF, ICRA Research

- The revised NBS rates have resulted in additional subsidy of Rs. ~2,000/MT on DAP.
- For the MOP, the contribution margins for importers have witnessed moderation in the current rabi season due to lack of increase in the subsidy levels despite a rise in the contracted procurement price since June 2025. This may lead to some increase in retail prices of MOP as well.
- For other NPKs, the upward revision in subsidy is likely to result in stability in the margins in the current rabi season.

Integrated DAP manufacturers may see some profitability

Exhibit: Profitability of DAP Importer

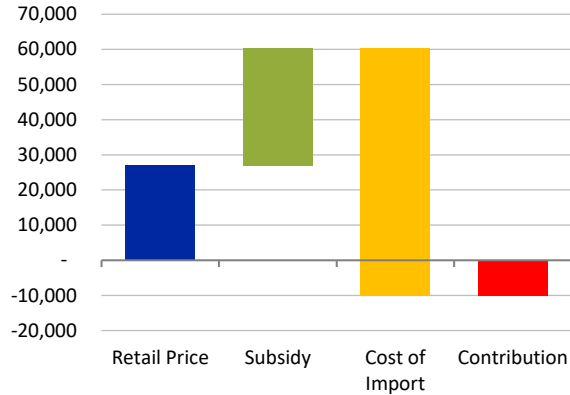


Exhibit: Profitability of DAP Manufacturer

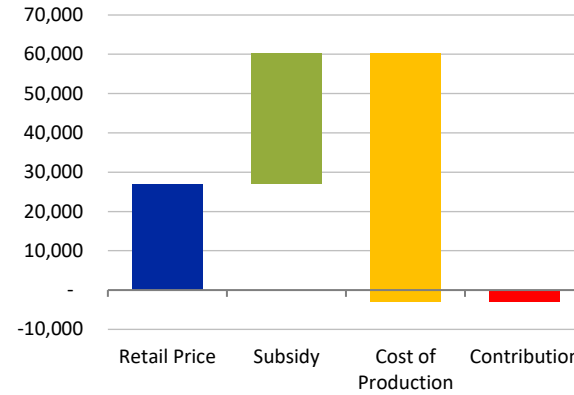
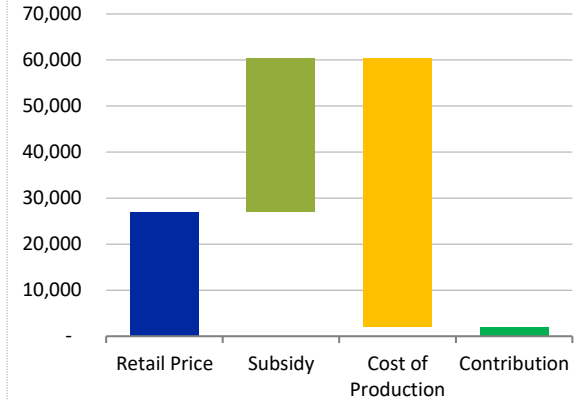


Exhibit: Profitability of backward-integrated manufacturer

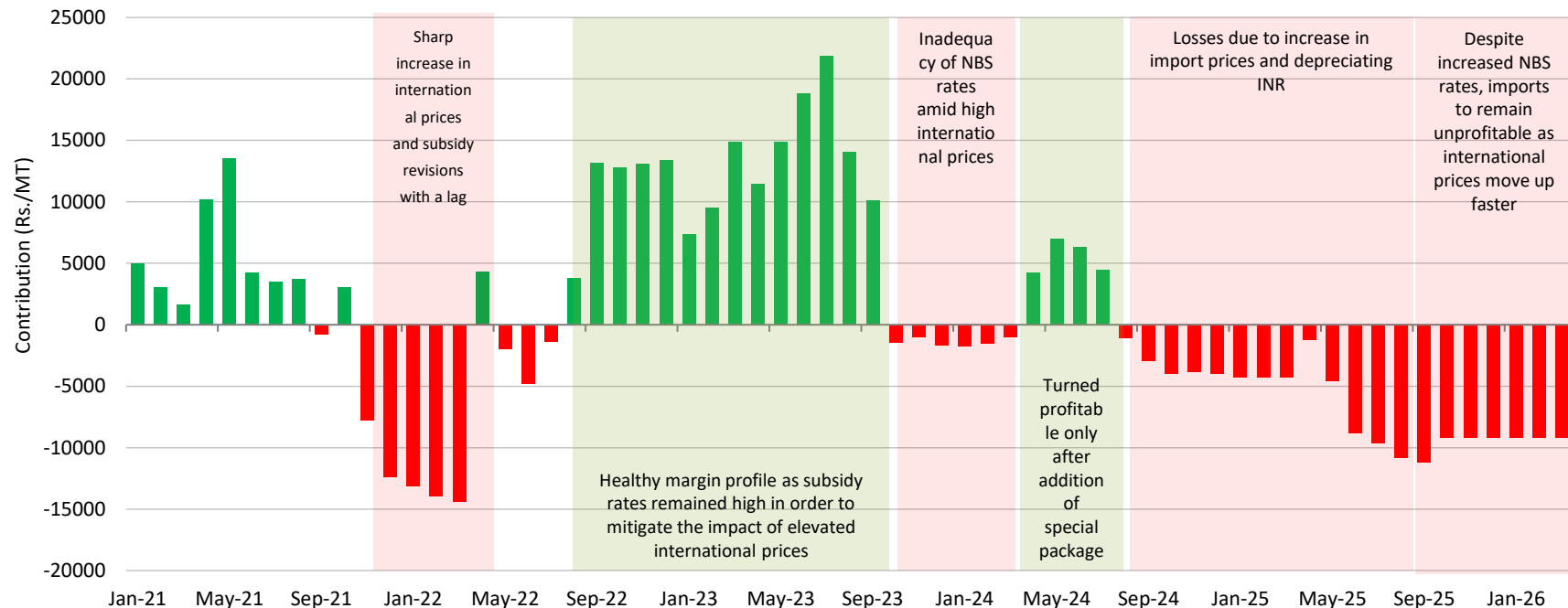


Source: ICRA Research; Figures above are in Rs/MT

- Imported DAP remains loss-making owing to elevated international prices. DAP manufactured from externally purchased phosphoric acid also remains largely loss-making because of the high cost for the commodity. However, for backward-integrated producers i.e. producers manufacturing phosphoric acid from rock phosphate, they might be able to earn some profits around Rs 2,000/MT. With muted profitability for DAP manufacturing, many producers are primarily producing NPKs, wherein the contributions are healthier.

International DAP prices rise faster than the subsidy rates for the product

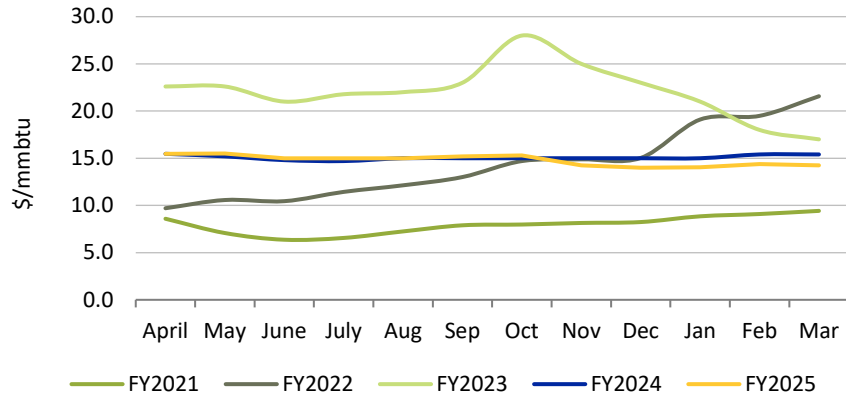
Exhibit: Trend in DAP contribution margins



Source: DoF, ICRA Research

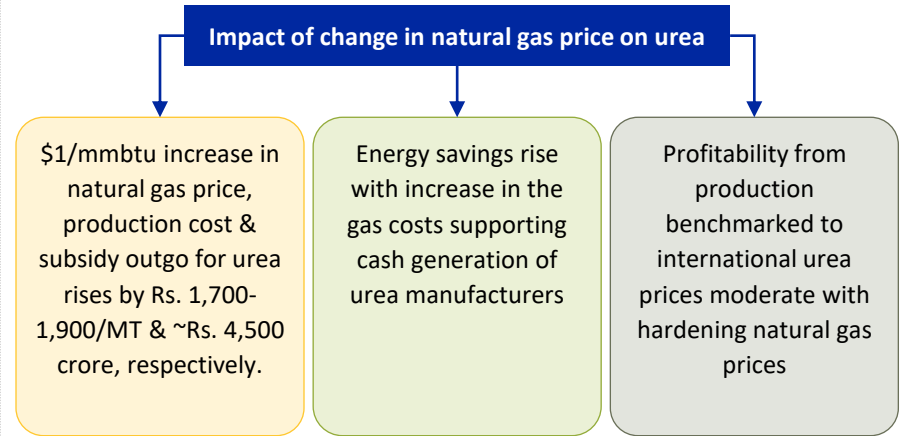
Pooled gas prices for urea remain steady

Exhibit: Trend in pooled price for urea manufacturers



Source: Refinitiv, Department of Fertilisers, ICRA Research






Exhibit: Impact of natural gas price change



- Pooled gas prices have remained steady in the past year at \$14-15/mmbtu, after reaching a peak of \$27-28/mmbtu in September-October 2022.
- Gas cost is a pass-through for urea players, and higher costs lead to higher energy savings for energy-efficient plants and, hence, better profitability, albeit at higher working capital and subsidy requirements from the GoI.
- However, elevated pooled gas prices, along with moderation in international urea prices, can constrain the profitability for IPP-benchmarked production.



FY2026 Outlook – Stable

Fertiliser Sales Volumes	International Prices	Operating Margins	Debtor Days	Interest Coverage
				
<p>~1-3% YoY growth in FY2026</p> <p>Sales volumes are expected to grow by 1-3% YoY in FY2026, in line with long-term trends.</p>	<p>Prices to remain elevated</p> <p>Finished fertiliser prices as well as associated raw materials, have witnessed an uptick of late, owing to strong demand and tariff-related trade imbalances. These are likely to remain elevated, going forward</p>	<p>~6-8%</p> <p>The profitability for ICRA's sample set improved in FY2025, largely driven by healthy contributions for some grades of NPKs. For FY2026, the profitability is expected to remain steady with some hike in NBS rates to compensate for increase in international prices. For the urea segment, profitability is likely to remain steady amid stable gas prices</p>	<p>50-60 days</p> <p>ICRA anticipates the subsidy budget for FY2026 to trail the requirements and expects the GoI to release funds in a timely manner, thereby not allowing these levels to escalate materially for a sustained period. ICRA also believes the GoI will make timely additional allocations to meet the shortfall</p>	<p>6.0-8.0x</p> <p>Interest coverage is likely to remain comfortable</p>

Rating distribution for ICRA-rated entities in the fertiliser sector

Exhibit: Distribution of long-term ratings

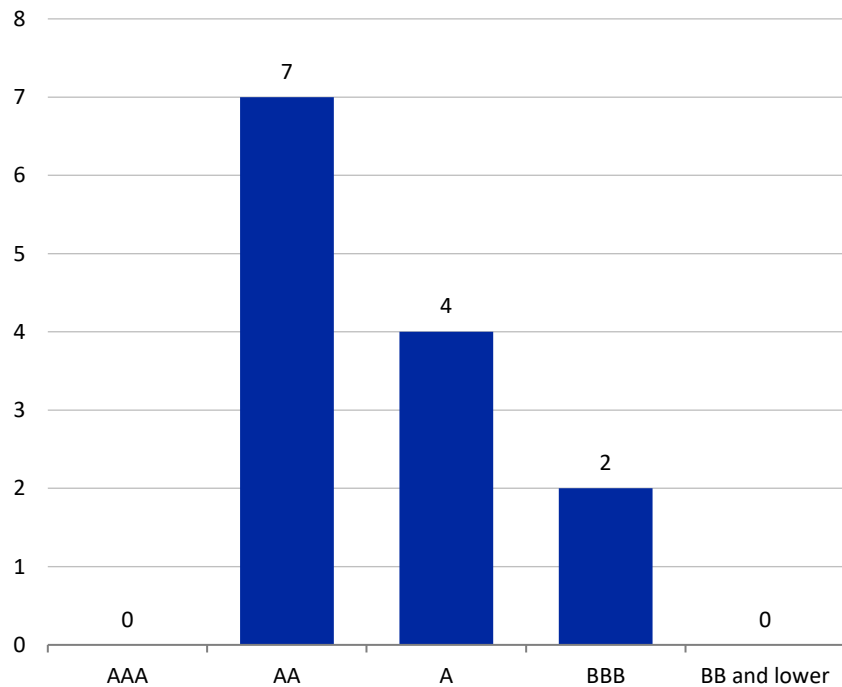
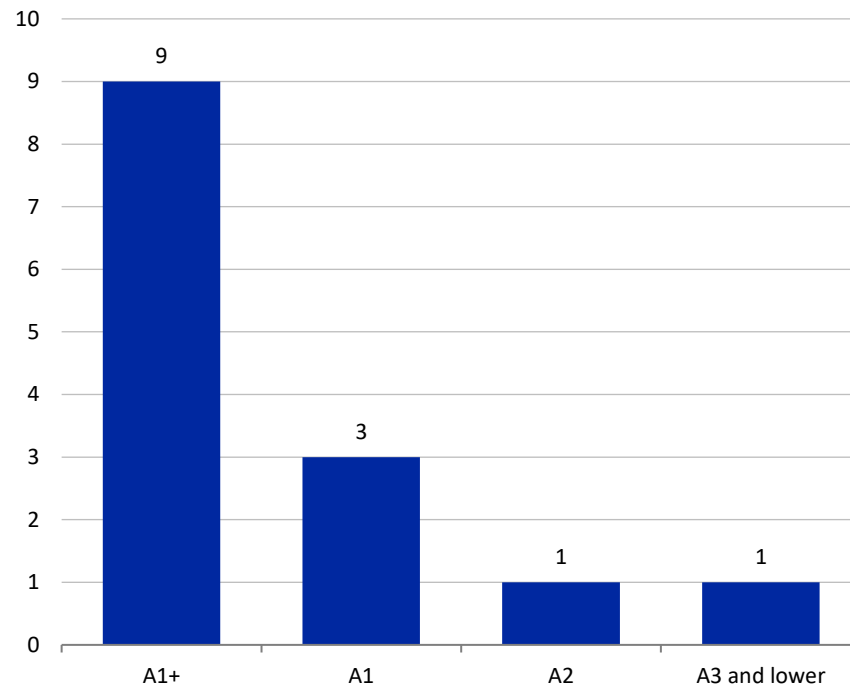


Exhibit: Distribution of short-term ratings



Note: ICRA rates 15 entities in the fertiliser industry with two entities having a rating only on short-term scale and one entity having a rating only on long-term scale

List of ICRA-rated entities in the fertiliser sector

Company Name	LT rating	ST Rating	Outlook	Last rating action
Basant Agro-Tech (India) Limited	[ICRA]BBB	[ICRA]A3+	Stable	Rating reaffirmed in March 2025
Chambal Fertilisers & Chemicals Limited		[ICRA]A1+		Rating reaffirmed in Jan 2025
Deepak Fertilisers & Petrochemicals Corporation Limited	[ICRA]AA-	[ICRA]A1+	Positive	Rating reaffirmed and outlook revised to positive in Feb 2025
Indian Farmers Fertiliser Cooperative Limited	[ICRA]AA+	[ICRA]A1+	Stable	Rating reaffirmed in Dec 2024
Indorama India Private Limited	[ICRA]AA-(CE)	[ICRA]A1+ (CE)	Stable	Rating reaffirmed in Sep 2024
Madhya Bharat Phosphate Private Limited	[ICRA]A+	[ICRA]A1	Positive	Rating reaffirmed in July 2025
Mahadhan Agritech Limited	[ICRA]AA-	[ICRA]A1+	Positive	Ratings reaffirmed and outlook revised to positive in Feb 2025
Mosaic India Private Limited		[ICRA]A1+		Rating reaffirmed in Sep 2024
National Fertilizers Limited	[ICRA]AA	[ICRA]A1+	Stable	Ratings reaffirmed in May 2025
Paradeep Phosphates Limited	[ICRA]A+	[ICRA]A1	On watch with developing implication	Long term rating upgraded in Feb 2025; continues on rating watch with developing implications
Rama Phosphates Limited	[ICRA]A-	[ICRA]A2+	Negative	Rating reaffirmed in Mar 2025
Rashtriya Chemicals and Fertilizers Limited	[ICRA]AA	[ICRA]A1+	Stable	Ratings reaffirmed in Jul 2025
Talcher Fertilizers Limited	[ICRA]BBB+		Stable	Ratings reaffirmed; outlook revised to Stable from negative in Aug 2025
Yara fertilisers India Private Limited	[ICRA]AA-	[ICRA]A1+	Stable	Rating reaffirmed in Feb 2025
Krishana Phoschem Limited	[ICRA] A+	[ICRA]A1	Stable	Ratings assigned in Sep 2025



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