

INDIAN FERTILISER INDUSTRY

Inadequate subsidy provision amid
inflation of raw material prices and
currency headwinds to moderate
profitability of P&K players

APRIL 2026





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The revised NBS rates notified for the kharif season of FY2027 remain inadequate, considering the raw material price inflation.

ICRA expects the profitability to be impacted in the near-to-medium term unless the industry increases retail prices sharply and/or the subsidy rates are revised by the GoI.

Meanwhile, the subsidy requirement for FY2027 is likely to be materially higher than the current budgetary allocation. However, given the GoI's focus on ensuring fertiliser availability, additional allocations are expected during the year.



- The Government of India (GoI) has revised the nutrient-based subsidy (NBS) rates for kharif season of FY2027 with the subsidy rates for nitrogen, phosphorous and sulphur increasing by ~10% each over H2 FY2026 levels, while the subsidy rate for potash has been kept unchanged.



- Owing to the ongoing geopolitical conflict in West Asia, the prices of key raw materials such as ammonia and sulphur have witnessed an uptick. West Asian countries are the key suppliers of ammonia and sulphur fertilisers, accounting for around 82% and 78% of supplies to India, respectively. As a result, prices have surged, weighing on the profitability of NPK¹ manufacturers.



- GoI has continued the special additional package of Rs. 3,500/MT to support DAP² margins besides higher NBS rates for the kharif season. Despite this, ICRA projects DAP imports to remain loss making. The systemic inventory for DAP has improved in the recent months, supported by sizeable imports by the industry under the advantage/disadvantage scheme.



- The contribution margins for DAP manufacturers remained negative owing to the elevated prices for phosphoric acid and ammonia. Further, backward integrated manufacturers, producing phosphoric acid from rock phosphate, also incurred losses as ammonia prices also stood at a higher level.



- MOP³ import profitability remained steady at around Rs. 3,000/MT as many importers have increased the retail prices of fertilisers to protect their margins and offset the depreciation of the rupee.



- The GoI has estimated the kharif subsidy requirement for P&K⁴ fertilisers at Rs. 41,534 crore, which is around 77% of the subsidy budget for the segment for FY2027. Given the elevated commodity prices including natural gas, ICRA expects the current budgetary allocation to be materially short of the actual requirements and akin to the past, additional allocations are likely to be made during the year.

¹: **NPK**: Nitrogen, Phosphate, Potash fertiliser also known as complex fertilisers; ²**DAP**: Diammonium Phosphate; ³**MOP**: Muriate of Potash, ⁴**P&K**: Phosphate and Potassium



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