

INDIAN FERTILISER INDUSTRY

Fertiliser industry to benefit from moderation in raw material prices, which along with decline in pooled gas prices is likely to reduce the subsidy burden

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The profitability of the phosphatic fertiliser players improved with the softening of raw material prices. The pooled gas prices have come down to \$17-18/mmbtu amid declining natural gas prices, after reaching a peak of \$27-28/mmbtu, resulting in lower subsidy burden on the Government. The Government budgeted Rs. 1.31 lakh crore for urea subsidy and Rs. 44,000 crore for nutrient based subsidy, taking the total budgetary allocation to Rs. 1.75 lakh crore for FY2024, which is likely to be adequate at the prevailing prices.



- **Retail sales for urea and DAP increased by 7% and 16% YoY respectively in 10M FY2023;** whereas retail sales of DAP and other NPK witnessed moderation in the same period.



- **The systemic inventory for fertilisers declined to multi-year lows in FY2022,** with the steep rise in international prices and constrained availability in the global markets. However, the availability has now improved, and the overall inventory levels are comfortable at present.



- **The P&K segment remains almost entirely import-dependent** as key inputs for manufacturing phosphatic fertilisers i.e. rock phosphate, ammonia, phosphoric acid are largely imported. The MOP demand is being met through imports as India lacks potash deposits.



- **Imported raw material prices, along with finished fertiliser prices witnessed a moderation** in the recent past. This is expected to be beneficial for the fertiliser companies, in terms of improvement in profitability as well as reduction in working capital requirements.



- The pooled gas prices also moderated considerably. While this will impact the profitability of energy-efficient plants, the production beyond reassessed capacity will now become more favourable. This will also result in reduced working capital requirements for the urea players.



- The GoI has budgeted Rs. 1.31 lakh crore for urea subsidy and Rs. 44,000 crore for nutrient-based subsidy, taking the total budgetary allocation to Rs. 1.75 lakh crore for FY2024, which is expected to be adequate at the prevailing prices.



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