

INDIAN FERTILISER INDUSTRY

Downward revision of NBS rates for rabi 2023 to impact profitability of phosphatic fertiliser players

DECEMBER 2023



Agenda















Agenda (contd....)















Highlights



The subsidy announced by the Gol under the Nutrient Based Subsidy (NBS) scheme for the ongoing rabi season has been revised downwards following the softening in input prices and finished fertiliser prices during H1 FY2024. As the prices of key inputs and finished fertilisers in the international markets have started to rise again, the revised subsidy rates are likely to exert pressure on the contribution margins of phosphatic fertilisers at current prices. On the subsidy front, with the additional supplementary grant, ICRA expects the total requirement to be largely in line with the allocation.

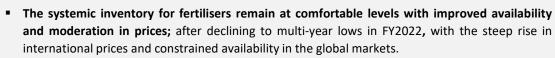




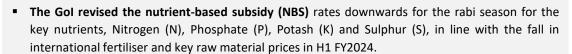














With the recent spike in key input prices and moderation in NBS rates, the profitability of DAP are to remain under pressure at prevailing prices. DAP subsidy has been reduced by 31% for the 2023-2024 rabi season amid reduction in international prices during the 2023 kharif season.



The pooled gas prices also moderated considerably from H2 FY2023. Gas costs remain a passthrough for urea players, although lowering of the same impacts the profitability of energyefficient plants. This also results in reduction in working capital requirements for urea players.



The total subsidy requirement is expected to remain largely in line with the total allocation of Rs. 1.88 trillion (including the supplementary grant of Rs. 133 billion). ICRA estimates the total subsidy requirements at Rs. 1.9-2.0 trillion for FY2024 and anticipates that the GoI will make additional allocation to ensure timely subsidy payments.



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