

# INDIAN FERTILISER INDUSTRY

**Despite higher subsidy rates, DAP imports continue to be loss-making as international DAP prices inch up**

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*Despite the increased NBS rates for kharif of FY2026 and continuation of special package for DAP, DAP imports continue to remain loss-making, due to elevated import prices. The availability issues for DAP are expected to continue and this has resulted in many farmers moving to other grades of NPKs.*

*The increase in phosphorus and sulphur NBS rates have aided in offsetting the increase in phosphoric acid and sulphur prices, translating into healthy profitability of multiple grades of NPKs.*

*Profitability for urea players, on the other hand, is expected to remain steady.*



- **Retail sales for urea, MOP and NPK increased by 8.4%, 31.6% and 28.3%, respectively, while DAP sales moderated by 12.3% in FY2025.** Overall, fertiliser sales volumes grew by ~9% YoY in FY2025, while going forward volume growth is expected to be 1-3% in line with long-term trends.



- **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 such as MOP, NP20 etc.



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



- **DAP's profitability is likely to remain under pressure.** The additional package resulted in positive contribution margins retrospectively for H1 FY2025. However, with the rise in international DAP prices, contribution margins have again turned negative. For other NPKs, the upward revision in subsidy for some grades of NPK, 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 GoI has made a budgetary allocation of Rs. 1.68 trillion towards fertiliser subsidy for FY2026,** including Rs. 0.49 trillion as NBS, which is likely to face a shortfall. However, ICRA expects the Government to make additional allocations in a timely manner. **The overall subsidy pay-outs have remained timely,** keeping the working capital intensity of the industry under check.



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# Analytical Contact Details

Name	Designation	Email	Contact Number
Girishkumar Kadam	Senior Vice-President and Group Head	<a href="mailto:girishkumar@icraindia.com">girishkumar@icraindia.com</a>	022 – 6114 3441
Prashant Vasisht	Senior Vice-President and Co-Group Head	<a href="mailto:prashant.vasisht@icraindia.com">prashant.vasisht@icraindia.com</a>	0124 – 4545 322
Ankit Jain	Sector Head and Vice-President	<a href="mailto:ankit.jain@icraindia.com">ankit.jain@icraindia.com</a>	0124 – 4545 865
Sahaj Gugliani	Analyst	<a href="mailto:Sahaj.gugliani@icraindia.com">Sahaj.gugliani@icraindia.com</a>	0124 – 4545 814





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# Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	<a href="mailto:shivakumar@icraindia.com">shivakumar@icraindia.com</a>	022-61693304
Neha Agarwal	Head – Research Sales	<a href="mailto:neha.agarwal@icraindia.com">neha.agarwal@icraindia.com</a>	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	<a href="mailto:rohitg@icraindia.com">rohitg@icraindia.com</a>	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	<a href="mailto:vivek.bhalla@icraindia.com">vivek.bhalla@icraindia.com</a>	022-61693372
Vinita Baid	Head Business Development – East	<a href="mailto:vinita.baid@icraindia.com">vinita.baid@icraindia.com</a>	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	<a href="mailto:shivam.bhatia@icraindia.com">shivam.bhatia@icraindia.com</a>	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	<a href="mailto:sanket.kulkarni@icraindia.com">sanket.kulkarni@icraindia.com</a>	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	<a href="mailto:communications@icraindia.com">communications@icraindia.com</a>	0124-4545860





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