

INDIAN FERTILISER INDUSTRY

Losses on DAP imports widen, as
international prices rise

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DAP imports remain loss-making, despite increased NBS rates for FY2026 kharif and continuation of special package for DAP, with international prices touching \$800/MT levels. The availability issues for DAP are expected to continue, resulting in many farmers moving to other grades of NPKs. Further, outages in key urea production facilities have also led to moderation in inventory levels of the fertiliser.

The increase in phosphorus and sulphur NBS rates have aided the profitability of NPK players for some grades of NPKs.

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



- **NPK sales volumes grew by 34% in Q1 FY2026, with healthy reservoir levels and a timely monsoon.** Urea witnessed healthy growth, while DAP witnessed decline owing to availability challenges. Going forward, volume growth is expected to be 1-3%, in line with long-term trends.



- **Urea inventory levels moderated** recently because of production outages at key manufacturing facilities. DAP availability continues to be a challenge. 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.** With the rise in international DAP prices, margins on DAP imports have been negative. MOP profitability has also compressed due to increase in international prices. For some grades of NPKs, the upward revision in subsidy is likely to improve margins and bodes well especially for backward-integrated manufacturers.



- **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. As 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 could 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	girishkumar@icraindia.com	022 – 6114 3441
Prashant Vasisht	Senior Vice-President and Co-Group Head	prashant.vasisht@icraindia.com	0124 – 4545 322
Ankit Jain	Sector Head and Vice-President	ankit.jain@icraindia.com	0124 – 4545 865
Sahaj Gugliani	Analyst	sahaj.gugliani@icraindia.com	0124 – 4545 814





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





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