

INDIAN FERTILISER INDUSTRY

**Outlook for the sector negative as
West Asia conflict to impact
profitability**

MARCH 2026



1 Industry Outlook



2 Update on Agricultural Sector



3 Fertiliser Sector – Sales & Production



4 Fertiliser Price Trends



5 Raw Material Price Trends



6 Update on Regulatory Framework



7 Capex Plan for Fertiliser Sector



8 ESG Risks



9 Aggregate Industry Performance



10 Industry Peer Comparison



11 ICRA Ratings in Fertiliser Sector





[Click to see full report](#)

ICRA's outlook on the sector is Negative as the ongoing conflict in West Asia has resulted in sharp depreciation of the Indian rupee against the dollar, compounding the pricing pressure amid constrained natural gas availability for urea players while non-urea players face challenges in sourcing ammonia and sulphur.

In the near term, normalisation of the supply chain from West Asia along with the upcoming subsidy revision by the GoI for non-urea fertilisers will remain a key driver of profitability for the sector.



- **Fertiliser sales volumes grew largely in line with long-term trends of about 2%** during 11M FY2026 amid healthy monsoons. Urea sales also grew by a steady 2% with YoY growth of the rabi sowing area. This demand was partly met by imports as some domestic urea plants were shut down due to maintenance.



- The **systemic inventory for DAP¹ has improved in recent months** supported by sizeable DAP imports by the industry under the advantage/disadvantage scheme. **Urea availability** has also improved supported by sizeable imports in recent months. Moreover, imports are expected to remain elevated as gas supplies for urea players has been restricted to 80%.



- **Nutrient Based Subsidy (NBS) rate revision remains critical** to support the domestic phosphatic fertiliser production amid rising input costs. Current retail price and NBS rates are inadequate to keep phosphatic fertiliser production profitable. Some players have started raising retail price to partly pass on the raw material price inflation to farmers.



- **With the recent currency depreciation and raw material price inflation ICRA expects the profitability on sale of NPKs² and MOP to moderate** from October 2025 levels sharply. The upcoming NBS rates will remain a key monitorable to determine the impact of the increase in prices on NPK manufacturers. ICRA's **outlook on the sector is Negative** in light of expect moderation in the profitability in FY2027.



- **The FY2027 phosphatic and potassic (P&K) budgetary allocation of Rs. 0.54 trillion is lower vis-à-vis the FY2026 Revised Estimate (RE) of Rs 0.6 trillion.** In light of elevated raw material pricing, there is expected to be a shortfall. However, additional allocations are expected to be made in a timely manner, which in turn should keep the working capital cycle stable for the industry.



- The subsidy allocation for the fertilizer sector for FY2026 has been raised to Rs. 2.1 trillion which as per ICRA's expectations remains adequate. For FY2027, against the allocation of Rs. 1.7 trillion, ICRA expects GoI to make additional allocations during the year to meet subsidy requirements.

¹ **DAP**: Diammonium Phosphate, ²**NPK**: Nitrogen, Phosphate, Potash, Muriate of Potash (MOP) fertiliser also known as complex fertilisers



ICRA

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
Varun Gogia	Sector Head and Assistant Vice-President	varun.gogia1@icraindia.com	0124 – 4545 319
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





© Copyright, 2026 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

#35YearsofUnwaveringCredibility



ICRA

35
Years of
Unwavering
Credibility

Thank You!

#35YearsofUnwaveringCredibility

Sensitivity Label : Public