

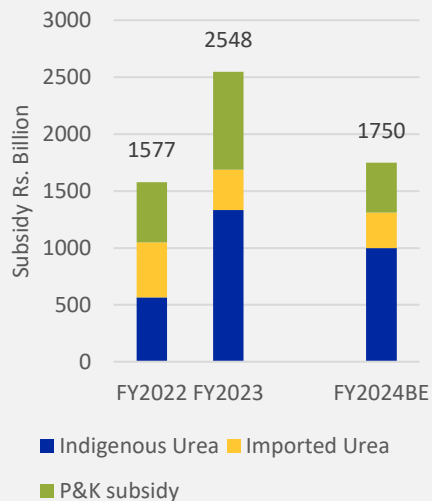
# INDIAN FERTILISER INDUSTRY

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**Despite NBS rate moderation,  
profitability of phosphatic fertiliser  
companies to remain healthy in H1  
FY2024**

**MAY 2023**





There has been a consistent decline in the international fertiliser and key feedstock prices due to improved availability and pressure on demand, reversing the earlier scenario when these prices touched all time highs, amid the geopolitical issues and elevated crop prices. Following this, the GoI has revised the NBS rates downwards for the kharif season. Despite this reduction, the profitability of the phosphatic fertiliser companies is likely to remain healthy for H1FY2024. However, there has been a retrospective revision of NBS rates for the last rabi season, which would result in inventory losses for the fertiliser companies. Overall, with the easing in the international fertiliser and feedstock prices, ICRA expects that the budgetary allocation of Rs. 1.75 lakh crore towards fertiliser subsidy for FY2024 to remain adequate.



- The GoI has revised downwards the nutrient-based subsidy (NBS) rates for the kharif season for the key nutrients N, P, K and S, in line with the fall in international fertiliser and key raw material prices.



- The GoI has also revised the subsidy for the last rabi season (January to March) retrospectively as the prices started falling in H2 FY2023. This would result in fertiliser companies reporting losses on the inventory held at the end of Q3 FY2023.



- The elevated raw material/imported finished fertiliser prices kept the profitability under check during FY2023. Despite the moderation in NBS rates, the phosphatic fertiliser players are expected to report healthy profitability for H1 FY2024 at prevailing input prices.



- The GoI recently approved Rs. 38,000 crore towards P&K fertilisers subsidy for the kharif season. The GoI had earlier provided a budgetary allocation of Rs. 1.75 lakh crore for fertilizer subsidy for FY2024, which is likely to remain adequate as per ICRA's expectations.



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