

## Fertilizers Update for Q3-FY18

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### Fertilizer Production and Import levels during Q3-FY18

**Table 1: Q3 Production numbers of fertilizers (in terms LMT)**

	Q3-FY17	Q3-FY18	% Change
Overall Fertilizer	107.8	110.1	2.1%
Urea	63.6	62.6	-1.6%
Non- Urea*	44.9	48.0	6.8%
DAP	11.0	12.0	9.5%
SSP	11.3	10.6	-6.6%

Source: Office of the economic advisor, CMIE (figures do not add up due to different sources)

Note: Non-Urea\* Fertilizers include NPK fertilizers, Ammonium nitrate, ammonium sulphate, DAP and SSP

**Table 2: Q3 Import numbers of fertilizers (in terms LMT)**

	Q3-FY17	Q3-FY18	% Change
Overall Fertilizers	40.8	45.1	10.4%
Urea	13.9	17.8	27.6%
DAP	5.5	9.2	66.4%
MOP	12.6	12.4	-1.6%

Source: Department of Fertilizer, CMIE

- Overall the production of fertilizers compared with the corresponding quarter in the previous year has increased. Since the start of the year fertilizer production was subdued due to the clearing of the stockpile of inventory, in anticipation of introduction of GST. The production has increased in Q3-FY18 due to a certain degree of restocking and preparation for Rabi sowing.

- Urea production (which constitutes about 60% of the overall fertilizer production) is down by -1.6% while imports increased by 27.6% indicating thereby that the decline in domestic production has been compensated by the increase in imports. Production was also down due to the effectiveness of the practise of neem coating of urea.

- India meets its potash requirements completely through imports from Russia, Jordan, Israel, Canada, CIS + Belarus, Germany and Lithuania. MOP imports have fallen marginally during Q3-FY18 relative to last year. On a cumulative basis, the 9M-FY18 imports of MOP have increased by 20.3%.

- DAP production has risen on account of expansion of domestic capacity, easy availability of acid etc. Imports however have also increased on account of increased demand.

- SSP production has fallen by 6.6% during Q3-FY18 as well as on a cumulative basis in 9M-FY18 by 6.5%.

### Developments along the Policy Front during Q3-FY18

**Direct Benefit Transfer (DBT):** The Government plans to cover more states under DBT by January, 2018. The states and UTs where the DBT facility has been rolled out are: Maharashtra, Rajasthan, Uttarkhand, Goa, Nagaland, Manipur, Tripura, Assam, Mizoram, Daman and Diu, Dadra Nagar Haveli, Andaman and Nicobar, Delhi and Puducherry. For the remaining 12 states, DBT scheme will be rolled out in January 2018.

**Revival of 5 urea plants:** The Government declared it would be reviving 5 closed fertilizer plants - 4 of Fertilizer Corporation of India Limited (FCIL) in Talcher, Ramagundam, Gorakhpur and Sindri and 1 of Hindustan Fertilizer Corporation Ltd. (HFCL) in Barauni. This is being done by setting up new ammonia-urea plants with a capacity of 12.7 LMT (Lakh Metric Tonne) per annum. The Government expects that with the commissioning/ start of the above plants, the indigenous urea production can increase significantly leading to substantial reduction in imports.

**Supplementary Demand for Grants:** The Government decided to write off loans and waive interest payable by 3 PSU fertilizer companies for an amount of ₹20,532 crore. The companies benefiting are those involved in the revival of sick fertilizer units and the commissioning of new fertilizer units. The proposed write-off was to be reflected in the second batch of Supplementary Demand for Grants for 2017-18.

- Fertilizer Corporation of India Limited (FCIL): ₹10,643 crore
- Hindustan Fertilizer Corporation Ltd. (HFCL): ₹9,079 crore
- Brahmaputra Valley Fertilizer Corporation Limited (BVFCL): ₹ 809 crore

### Financials during Q3-FY18

The financials of 21 fertilizer companies reveals that there has been an increase in the overall Sales Growth and Net Profits of the fertilizer sector.

- Sales have increased by 14.9% on account of higher realisations and an increase in production of fertilizers.
- Net profit has increased by 54.8% due to timely disbursement of the subsidies. More states have been added in the Direct Benefit Transfer (DBT) purview. DBT has been rolled on a pilot basis and has helped bring down the working capital pressure faced by the players.

### Concluding Remarks: Care Ratings Views and Opinions

- *Fertilizer production is estimated to be 427 LMT by the end of FY18. The production during FY17 was 410.6 LMT.*
- *Imports of decontrolled fertilizers, MOP and DAP to rise as the rabi sowing season approaches.*

## Annexures

**Table 3: Trend in the Production-Import levels for 9 months (in LMT)**

	9M-FY17	9M-FY18	% Change
Overall Fertilizer Production	315.1	313.2	-0.6%
Overall Fertilizer Imports	141.9	139.7	-1.5%
Urea Production	183.0	177.8	-2.8%
Urea Imports	49.9	49.8	-0.2%
Non- Urea Production	132.1	135.3	2.4%
DAP Production	31.8	36.9	16.0%
DAP Imports	41.9	38.0	-9.3%
SSP Production	32.1	30.0	-6.5%
MOP Imports	29.2	35.1	20.3%

Source: Department of Fertilizer, CMIE

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