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Fertilizer subsidy budget may fall short by around ₹35,000 cr this FY: Report



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Prices of a majority of the key raw materials for the production of fertilizers remain elevated in H1FY23 on the back of the Russia-Ukraine war. (HT PHOTO)

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Ravi Dutta Mishra

If the fertilizer subsidy budget is not enhanced, then subsidy receivables of fertilizer companies could increase towards the end of FY23, which in turn would hurt the sector, CareEdge said

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₹35,000 crore mainly due to the sharp depreciation in the rupee, and rising input costs following the Russia-Ukraine war, according to a report by rating agency CareEdge.

To be sure, India is already battling record high food inflation and economists have expressed concern over the availability of wheat and rice. Production of rice and wheat is expected to decline by around 7 million tonne each compared to FY22. [OPEN APP](#)

“CareEdge believes the already enhanced fertilizer subsidy budget of ₹2,15,000 crore for FY23 is likely to fall short by around ₹35,000 crore. Prices of a majority of the key raw materials for the production of fertilizers remain elevated in H1FY23 on the back of the Russia-Ukraine war,” the report said.

Economists at CareEdge attributed the likely shortfall in the fertilizer budget to the sharp rise in the price of natural gas which was hiked by 40% on October 1. Besides, the domestic currency depreciated by 7% against the US dollar.

Historically, the subsidy budget used to be in the range of ₹70,000 crore to ₹80,000 crore per year from FY17 to FY20. The subsidy outlay was increased to 58% during FY21 to ~ ₹1,28,000 crore and further to ₹1,58,000 crore in FY22.

“The government has shown its intent to further enhance the subsidy budget f OPEN APP upcoming Rabi season in case input costs remain elevated. However, if the fertilizer subsidy budget is not enhanced, then subsidy receivables of fertilizer companies could increase towards the end of FY23, which in turn would hurt the sector,” said Hardik Shah, Associate Director– Corporate Ratings said.

CareEdge explained that out of India’s total consumption of fertilizers, urea constitutes 55% to 60% wherein ammonia is the key raw material and ammonia

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report added.

The Indian rupee on Friday hit a record low of 82.22 against the greenback as rising oil prices and a firm dollar index eroded sentiment. The rupee had ended at 81.88 in the previous session.

Brent crude futures were above \$94.31 a barrel and remained on course for strong weekly gains.

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