FERTILISER SUBSIDY PROJECTIONS MAY MODERATE

Urea import prices fall 60% since Apr

SANDIP DAS
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COST RELIEF

- Rashtriya Chemicals and Fertilizers secured 1.7 MT of urea at $390-$393/tonne
- India ordered 4.2 MT of urea between April and July; 3.5 MT delivered
- Cheaper imports may ease subsidies, but FY27 costs could still exceed ₹2.17 lakh crore

WITH EASING GLOBAL supplies and diversified imports, the landed cost of urea, India's most consumed soil nutrient variant, has declined by around 60% to $390/tonne now, down from a peak of close to $1,000/tonne in April.

In a major boost to supplies in the coming rabi season, the Rashtriya Chemicals and Fertilizers (RCF), one of the three agencies entrusted with fertilizer imports, has finalised bids for imports of 1.7 million tonne (MT) of urea at a price range of $390/tonne—$393/tonne this month against the price range of $ 935/tonne—$959/tonne in April, 2026.

The National Fertilizers (NF) tender in June drew bids around $ 449/tonne for urea. The three agencies entrusted with imports for fertilisers—NF, RCF and Indian Potash—have so far released import orders of 4.2 MT of urea during April-July, 2026, out of which 3.5 MT has been delivered so far.

In FY26, out of the total consumption of 40 MT of urea, about 10 MT was imported as finished product.

Officials said that with softening prices, the government will reassess the initial fertiliser subsidy budget projected at the beginning of the current fiscal year due to a price spike caused by the West Asia war. The government has spent over ₹70,000 crore in 2026-27 so far under fertiliser subsidies which is 40% of the budget estimate of ₹1.77 lakh crore due to the rise in global prices of soil nutrients since the West Asia war.

The actual subsidy is likely to be over ₹15,000-₹20,000 crore higher than the ₹2.17 lakh crore incurred in FY25. This is still much lower than the Department of Fertilizers' internal estimate in the middle of the serious supply disruptions in April-May, which suggested the subsidy bill could spike to even ₹3 lakh crore.

In FY26, expenditure on fertiliser subsidies was ₹2.17 lakh crore—₹1.42 lakh crore for urea and ₹74,999 crore for nutrient-based subsidy. This was a 17% increase over the revised estimate of ₹1.86 lakh crore. This, according to officials, is due to the rise in fertiliser prices from March 2026. Industry sources said that urea prices went up sharply since the beginning of the West Asia war as supplies of LNG were severely disrupted because of conflict.

As part of its diversification plan, the government has started importing urea from several countries including Oman, Malaysia, Vietnam, Georgia, Nigeria, Russia, Finland, Egypt, Algeria, Turkey, and the Netherlands. Import of other variants di-ammonium phosphate (DAP) and NPKs were procured from Russia, Morocco, Egypt, USA, Jordan, South Korea, Tunisia, and Saudi Arabia via the Red Sea.

According to the Department of Fertilizers, against the requirement of 11.88 MT of urea during April-July, 2026, the availability was 17.3 MT and sales of soil variants were over 10.7 MT. Similarly for DAP, against the requirement of 3.42 MT, 4.1 MT was available while sales were 2.54 MT.

Last time global conflict impacted the subsidy outgo was in FY23, when fertiliser subsidy was at a record Rs 2.54 lakh crore as shipping supplies through the red sea was impacted due to Ukraine-Russia conflict. India imports about 70% of its fertiliser and its raw material usage. Annual consumption of several variants of fertiliser in FY26 was over 70 MT.

Behind new agriculture DISCOMs: Debt, farm subsidy and privatisation concerns

PRATYUSH DEEP
New Delhi, August 16

AMID FALTERING EFFORTS to resolve the solvency of electricity distribution companies (DISCOMs), state governments are increasingly resorting to an easier fix: hiving off agricultural consumer load into separate entities and freeing up the rest of the utility from the burden of agri-supply losses. At least three states, Telangana, Maharashtra and Haryana, are pursuing plans to segregate agricultural consumers from existing DISCOMs and create separate entities for one of the power sector's most heavily subsidised categories.

While Telangana and Maharashtra have created separate agriculture DISCOMs, neither is fully operational. Haryana's proposal for a dedicated agricultural DISCOM was deferred after opposition from power sector employees.

Agriculture accounts for nearly one-fifth of electricity consumption and is the sector's most heavily subsidised consumer category. With tariffs often below the cost of supply, DISCOMs rely on state subsidies and cross-subsidies from commercial and industrial (C&I) consumers, making them vulnerable to delays in subsidy payments — which can strain working capital and constrain investment in network upgrades, affecting reliability and power supply quality.

According to the Comptroller and Auditor General of India, state governments spent nearly Rs 1.9 lakh crore on energy subsidies in 2024-25, mainly to support DISCOMs and provide subsidised electricity to farmers and households, making power the largest component of their subsidy bill. The 13 major agrarian states, accounting for 99% of India's agricultural electricity sales, incurred over ₹1.3 lakh crore in farm power subsidies in FY25, as per a report by the Council on Energy, Environment and Water.

Most state-owned utilities continue to incur losses and rely on borrowings to fund operating shortfalls and accumulated liabilities. Public sector DISCOMs have accumulated losses of ₹6.77 lakh crore and borrowings of ₹7.11 lakh crore. Telangana, Maharashtra and Haryana's DISCOMs are also loss-making, with thousands of crores in debt.

In its December order last year, the Telangana government attributed the creation of this third DISCOM — Telangana Rythu Power Distribution Company — to the deteriorating financial position of the state's two existing distribution companies: the Southern Power Distribution Company of Telangana (TGSPDCL) and Northern Power Distribution Company of Telangana (TGNPDCL), whose combined accumulated losses stand at ₹69,741 crore against a borrowing of ₹59,230 crore.

In March, the new entity was created to supply electricity to agriculture, lift irrigation schemes, the Composite Protected Water Supply Scheme/Mission Bhagiratha, the Hyderabad Metropolitan Water Supply and Sewerage Board, and municipal water connections with separate distribution transformer connections. Subsequently, over 2.9 million agricultural consumers, along with several hundred others, were transferred to the new utility.

Liability, too, moved with load. The new entity would be liable for ₹26,950 crore in payables to state-owned power-generating companies and a working capital loan of ₹9,032 crore. Against this, the state government infused ₹5 crore in equity, along with assets — agriculture distribution transformers worth ₹2,792 crore and agriculture low-tension lines valued at ₹2,137 crore.

However, without commercial and industrial consumers, the financial viability of agriculture-focused DISCOMs remains uncertain, with fears they could become heavily dependent on government subsidies.

"These DISCOMs will become exclusive government subsidy-based agencies. If you mop out all profitable areas, where is the financial estate of these DISCOMs? The purpose of these DISCOMs is to segregate losses and enable privatisation of profits," said K Ashok Rao, patron at All India Power Engineers Federation.

In Maharashtra, MSEB Solar Agro Power was carved out of state-owned Maharashtra State Electricity Distribution Company (MSEDCL) as a subsidiary of its parent, Maharashtra State Electricity Board (MSEB) Holding Company, to function as a deemed distribution licensee and retail supplier for agricultural consumers, including billing.

Under the restructuring scheme notified in May, ₹32,679 crore of MSEDCL's ₹59,527 crore in pending agricultural dues will be written down, with the Maharashtra government assuming an equivalent liability through government securities. MSEDCL will create a corresponding reserve to write down the agricultural receivables.

This is despite MSEDCL's own financial stress, with the DISCOM currently carrying ₹90,659 crore in borrowings and an accumulated loss of ₹35,671 crore.

Notably, 78% of MSEDCL's net receivables, including accrued interest, were owed by agricultural consumers, underscoring the substantial financial burden that the agricultural consumer base adds on the state-owned DISCOM.

The remaining ₹26,848 crore in agricultural dues will be transferred to the new agriculture entity, along with subsidy receivables and security deposits from agricultural consumers. The government will also provide a minimum guarantee of ₹2,500 crore to meet the entity's working-capital needs.

According to Shrinivas Bobade, President of Maharashtra-based Subordinate Engineers Association, the entire exercise is nothing but paperwork to clean up the balance sheet of MSEDCL, as it seeks to go for an initial public offering (IPO). "If MSEDCL's balance sheet shows such huge receivables from the agricultural consumers, who would like to invest? So, they created this agriculture DISCOM to make their books better," he told The Indian Express.

Beyond financial implications, there are concerns about ring-fencing agricultural consumers, alongside the push for parallel licensing that could accelerate privatisation by separating loss-making agriculture from commercially viable consumers.

Queries sent to the state governments, MSEDCL and MSEB Holding Company, and Telangana Rythu Power Distribution Company remained unanswered till the time of filing this report.

PM's FTA push to help MSMEs tap global markets: Exporters

PRIME MINISTER NARENDRA Modi's call to MSMEs to fully leverage India's growing network of free trade agreements (FTAs) is timely, as these pacts offer small businesses an opportunity to access larger global markets, integrate with global value chains and improve their competitiveness, exporters say.

They also said that with preferential market access now available across several major economies, the real opportunity lies in converting these agreements into export orders.

The PM on Saturday, said India has finalised FTAs with about 40 countries, presenting a massive opportunity for the country's MSMEs, and urged small enterprises to tap these opportunities.

Welcoming the government's move on FTAs, former chairman of the Council for Leather Exports (CLE) Aqeel Panaruna said that with progressive trade pacts and foreign trade policy opening new opportunities, India is firmly positioned for sustained growth and prosperity.

"We remain committed to to strengthening Indian manufacturing and contributing to the vision of Viksit Bharat by 2047," Panaruna said.

He said that the prime minister's emphasis on self-reliance, innovation, youth empowerment, employment generation and global competitiveness has further strengthened the collective resolve of the industry.

Sharing similar views, Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai said the prime minister's call to MSMEs to fully leverage India's growing network of FTAs is both timely and significant."FTAs are not merely about tariff concessions; they provide MSMEs a gateway to integrate with global value chains, access larger markets and enhance their competitiveness. With preferential market access now available across several major economies, the real opportunity lies in converting these agreements into export orders,"Sahai said.

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