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INDIAN AGROCHEMICAL INDUSTRY

Outlook for margins in FY2026 remains subdued as higher US tariffs on China may increase pricing pressures in other markets

APRIL 2025

Highlights

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Despite some improvement in YTD FY2025, ICRA expects profitability of the Indian agrochemical industry to remain muted in FY2026 as 54% cumulative tariffs imposed by the US on Chinese agrochemical imports are expected to intensify competition in other markets, due to which prices are likely to remain subdued.

- The Indian agrochemical industry has been witnessing some improvement in profitability in YTD FY2025 after a stressed FY2024, which was marred by inventory destocking, supply pressures from China and depressed prices.
- Profitability improvement has been driven by stabilising agrochemical prices and improving offtake in the export markets as channel inventories have normalised globally.
- India's exports to the US and Brazilian markets witnessed healthy volume growth in H1 FY2025 driven by inventory destocking and stabilising prices. ICRA expects export volumes to grow by 5-6% in FY2025 supported by low channel inventories.
- The domestic market witnessed an extended monsoon during FY2025 along with lower pest infestation. There were instances of missed sprays resulting in muted volume growth in the domestic market during H1 FY2025 vis-à-vis H1 FY2024.
- With healthy growth anticipated in rabi output, ICRA expects a positive impact on farm incomes in the near term, which should support agrochemical offtake in FY2026.
- In the near term, the implementation of ~54% additional tariff on Chinese pesticides being imported in the US will intensify competition in other markets, due to which prices are expected to remain muted.
- ICRA expects margins of the Indian agrochemical industry to remain subdued in FY2026 as competition intensifies due to higher tariffs imposed by the US on Chinese products and mid-single digit volume growth.

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Thank You!