

# INDIAN AGROCHEMICAL INDUSTRY

**Chinese supplies continue to impact realisations; US tariff easing to remain a near-term positive for Indian agrochemical companies**

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*ICRA expects the profitability of the Indian agrochemical industry to remain stable in FY2027 amid modest volume gains, driven by the domestic market and the easing of US tariff pressures.*

*The removal of value-added tax (VAT) export rebate by China on technicals/intermediates will be a positive for technical manufacturers in India but negative for non-integrated formulators as it will increase the cost pressure.*



- The Indian agrochemical industry has witnessed a gradual uptick in profitability in YTD FY2026 amid stable agrochemical prices and modest volume gains.
- After the US-India trade deal, Indian agrochemical imports now face a tariff of 18% in the US against 35% levied on Chinese agrochemical products. This has improved the competitive position of Indian agrochemical players in the US markets and should support volume gains.
- India's exports to the US witnessed a healthy growth in 9M FY2026 but there was a sharp decline in Brazil. Going forward, China's pressure in the Brazilian market is expected to continue as adverse tariff structure for the Chinese players in the US will shift their supplies to the Brazilian market.
- The domestic market witnessed an extended monsoon during the 2025 kharif season, which led to crop losses and missed sprays. However, in the rabi season, the acreages are healthy and hence there may be a modest growth in volumes.
- Healthy rabi acreages and higher MSPs announced for the rabi season is expected to augment farm incomes, which will bode well for agrochemical offtake for the upcoming kharif season as well.
- In the near term, the cost pressures are expected to increase amid the removal of VAT export rebate by China on technicals and intermediates. The ability of the industry to pass on the price increase to the end customers will be a key monitorable for industry performance.
- ICRA expects the margins of the Indian agrochemical industry to improve by ~80 bps in FY2026 with the operating margin expected at 17.6% for ICRA's peer set. For FY2027, the improvement is expected to be modest, given the developing cost pressures on account of dependence on China for inputs.



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