Fertilizer PSU sale may start with smaller firms

Earlier plan to divest stake in large agrochemical makers faced resistance

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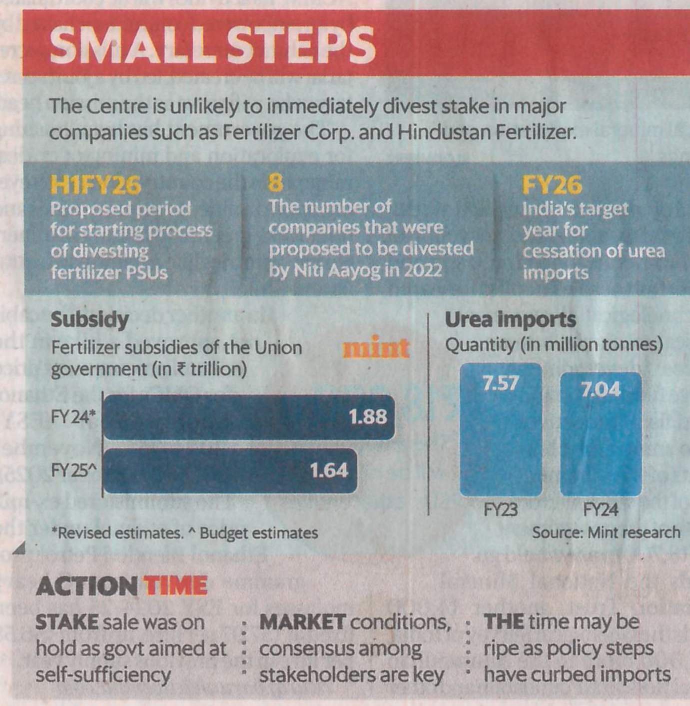
The central government is considering privatizing some small state-owned fertilizer companies, two people aware of the matter said, after an earlier plan to divest stake in larger public sector agrochemical makers faced resistance.

The stake sale process may begin in the first and second quarters of FY26, depending upon market conditions and the consensus among stakeholders, the people said on the condition of anonymity.

"With recent policy measures reducing the country's dependence on imports, it could be the right time for the Centre to offload its stake in some state-owned companies, particularly the smaller ones," the first of the two people said.



Niti Aayog had identified eight public sector fertilizer makers for a proposed strategic sale in 2022. However, the Centre put the plan on hold the following year as it prioritized increasing domestic production and self-sufficiency.

"The proposal faced resistance from various stakeholders who argued that it could hinder efforts to achieve self-sufficiency in fertilizer production," the first person said.

The eight fertilizer companies listed for privatization by the government think tank are Brahmaputra Valley Fertilizer Corp. Ltd; The Fertilizers and Chemicals Travancore Ltd; FCI Aravali Gypsum and Minerals India Ltd; Madras Fertilizers Ltd; National Fertilizers Ltd; Rashtriya Chemicals & Fertilizers Ltd; The Fertilizer Corp. of India Ltd; and Hindustan Fertilizer Corp. Ltd.

Spokespersons for the ministry of finance and the department of fertilizers did not respond to emailed queries seeking comment on the divestment plans.

Efforts to privatize the larger state-owned fertilizer companies have been resisted in the past. Plans to merge smaller state-owned fertilizer companies with the larger ones have also been put on the back-burner.

As a result, the Centre is unlikely to immediately divest its stake in major companies such as Fertilizer Corp. and Hindustan Fertilizer, and may instead focus on privatizing some smaller companies, the people said.

"Disinvestment of fertilizer PSUs should be approached cautiously, given their critical role in food security and self-reliance," said Chirag Jain, a partner at Grant Thornton Bharat. "Privatization may improve efficiency, but it risks price volatility and reduced accessibility for farmers. Instead, strategic reforms, technological upgrades, and better management can enhance performance without losing government control over this essential sector."

News agency *Reuters* reported on Monday that the Centre has put in "abeyance" the privatization of

TURN TO PAGE 6

Fertilizer PSUs' selloff plans may start with smaller cos

FROM PAGE 1

at least nine state-owned units after opposition from associated ministries. These companies include Madras Fertilizers, and Fertilizer Corp. of India.

However, a stake sale, if successfully carried out, will not affect fertilizer subsidy payments, the second person said.

"The divestment of some of the companies, especially smaller ones, may help them with more funds to address the country's food security challenges and reduce the import bill further," the second person said, requesting anonymity.

Federal fertilizer subsidies have been cut to ₹1.64 trillion (budget estimate) in FY25 from ₹1.88 trillion (revised estimate) in FY24. Fertilizer subsidies have long been crucial for India's policy framework, aimed at ensuring food security, supporting livelihoods, and boosting agricultural production and productivity.

Typically, the subsidies go to the fertilizer companies, with the ultimate beneficiaries being the farmers, who pay prices that are below market-determined rates.

India imports urea primarily from Oman, Qatar, Saudi Arabia, and the UAE and is targeting a complete cessation of urea imports by FY26.

The country has already made progress in reducing its fertilizer import bill. In FY24, urea imports stood at 7.04 million tonnes, valued at $2.61 billion, down from 7.57 million tonnes in FY23, according to data from the ministry of chemicals and fertilizers.

Last August, Anupriya Patel, minister of state of chemicals and fertilizers, informed the Rajya Sabha that to achieve self-sufficiency in urea production, the government mandated the revival of fertilizer units in Ramagundam (Telangana), Gorakhpur (Uttar Pradesh), Sindri (Jharkhand), Talcher (Odisha), and Barauni (Bihar).

These units, under the Fertilizer Corp. of India and Hindustan Fertilizer, are being revived through joint ventures with nominated PSUs to establish new ammonia-urea plants, each with a production capacity of 1.27 million metric tonnes per annum.