

# Imported LNG, fertilisers may turn costlier & strain the fisc

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AS HOSTILITIES INTENSIFY and shipping activity through the Strait of Hormuz faces disruption risks, India's fertiliser, LNG and LPG supply chains are emerging as critical pressure points, with potential implications for the farm economy, cooking fuel supply and macro stability.

The Strait of Hormuz remains a critical global energy choke point, with nearly 20% of global liquefied natural gas (LNG) shipments transiting through the route. "In FY25, about 54% of India's LNG imports were routed through the Strait of Hormuz," said Prashant Vasisht, senior vice president and co-group head, corporate ratings, Icria. As per Vortexa data, around 20% of global LNG transits the Strait of Hormuz, and over 90% of Qatar's LNG exports must pass through this route.

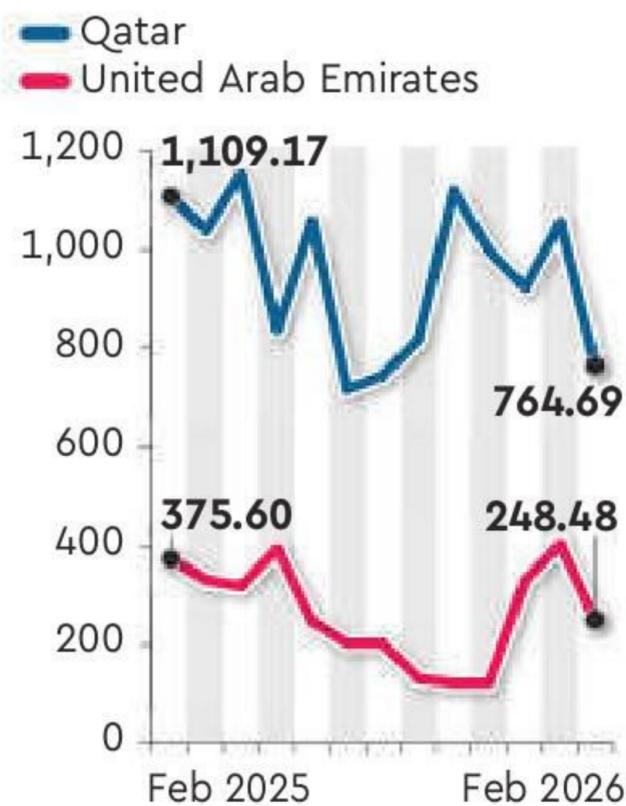
Fertiliser industry sources said that if the conflict prolongs, it could impact LNG supplies — a key feedstock for urea manufacturing in India. Currently, 60% of LNG used in urea manufacturing is imported from Qatar, with India having a long-term agreement in place. About 87% of the country's annual urea demand — 38.79 million tonne (MT) in FY25 — was met locally. However, India imports a significant volume of natural gas to produce that urea. At present, 30 out of 32 urea units use natural gas as feedstock.

"While we hold sufficient stocks of LNG for urea manufacturing, if the Iran conflict persists, it would pose a challenge for feedstock supplies," an official with a leading fertiliser company told *FE*. Any sus-

## CHOKES POINT



India's LNG imports via Strait of Hormuz



Note: Values in thousand tonne  
Source: Kpler

tained supply bottleneck could tighten feedstock availability and potentially impact production costs, even if physical shortages do not materialise immediately.

Beyond urea, the risk extends to imported finished fertilisers and raw materials. Industry sources indicated that imports of diammonium phosphate (DAP) and its key inputs — rock phosphate and phosphoric acid — could also be affected if the conflict continues, as India sources significant volumes of soil nutrients from Saudi Arabia and North African countries.

Last year, three Indian fertiliser

firms — IPL, KRIBHCO, and Coromandel — signed a five-year agreement with Saudi Arabia's Ma'aden to import 3.1 MT of DAP annually starting this financial year. Two-thirds of India's DAP consumption is met via imports from Saudi Arabia, Jordan and Morocco, increasing the sector's exposure to regional shipping and pricing volatility.

## Structural vulnerability appears sharper in LPG

"The more structural vulnerability lies on the LPG side," said Nikhil Dubey, senior refining analyst at Kpler. "India is heavily dependent on Persian Gulf LPG imports routed through Hormuz and does not have any strategic LPG reserves. Unlike crude, LPG sourcing flexibility and storage buffers are limited, making the supply chain significantly more sensitive to regional instability." The absence of strategic LPG reserves, unlike crude oil, makes the cooking gas supply chain more exposed to shipping disruptions or price spikes.

## Macro risks in focus

"The situation in West Asia is unfolding and the extent that it prolongs and widens would have a bearing on India's macros, including the impact of fuel prices on inflation and the twin deficits, as well as remittances," said Aditi Nayar, chief economist, Icria. Brent has already moved to a seven-month high of around \$72.8/barrel, and scenario analysis suggests that Hormuz disruption could push prices above \$90/bbl, while a broader regional conflict could take crude beyond \$100/bbl," JM Financial Institutional Securities noted.