



# INDIAN CHEMICALS SECTOR: SPECIALTY CHEMICALS

**Underlying demand less impacted  
while channel inventory destocking  
continues; muted demand recovery  
expected in H2 CY2024**

**March 2024**



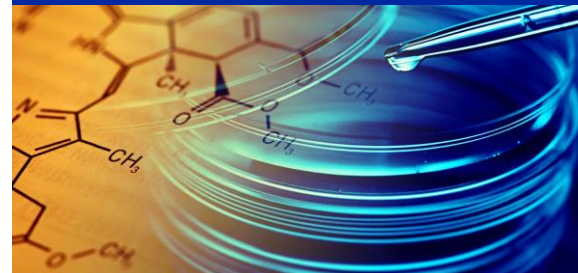
## 1 Executive Summary



## 2 Key Industry Trends and Outlook



## 3 Detailed Trend Analysis – Chemical-wise



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## 5 Comparison of Key Specialty Chemical Companies





# Executive Summary

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*Inventory destocking continues even as underlying demand remains less impacted in export markets. Muted demand recovery expected in H2 CY2024 as channel inventory levels are expected to stabilize by then.*

*Clear distinction between performance of companies with differentiated product portfolio and companies heavy on generic products. The former has been witnessing steady performance while the latter segment witnessed severe headwinds*



- The expertise in specific chemistries, a proven track record and in a few cases long-term supply contracts along with the China+1 strategy, are factors supporting the performance of Indian specialty chemical players in the recent past. However, with the impact of inventory destocking and surge in supplies from China, the margins have witnessed headwinds in YTD FY2024 and are expected to remain subdued in FY2024.
- In 9M FY2024, the operating profits moderated significantly amid pricing pressure from China's rising supplies and demand headwinds from the export markets. However, the overall credit profile is expected to remain stable amid low leverage levels. Performance is likely to improve in FY2025 over the lows of FY2024 although the recovery will be back-ended in FY2025.
- Over the long term, Indian players will benefit from the credibility developed and the investments made over many years, which should aid the sector's growth going forward. While the China+1 and EU+1 strategy of global players will continue to benefit the domestic companies, China will continue to have an overbearing impact on the global chemical markets, going ahead and depending on the dynamics of demand and supply within the Chinese markets, the global market dynamics will continue to be impacted.
- The chemicals sector remains significantly exposed to the export markets and is currently under pressure from the Chinese dumping in global markets, the rise in freight costs on account of the ongoing conflict in the Red Sea, which may increase cost pressures and also delay in destocking activity as shipments take longer to reach the end-users.



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