

# INDIAN CHEMICALS SECTOR: BASIC CHEMICALS

---

**Demand headwinds and over-supply  
persists**

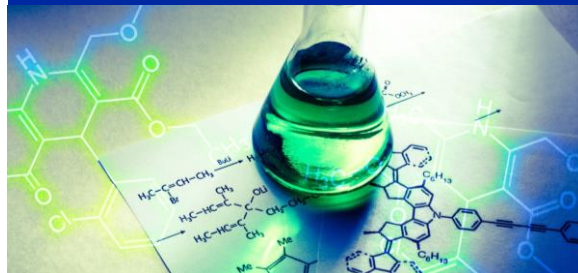
**June 2024**



## 1 Key Trends and Outlook



## 2 Key Sub-Segment wise Prospects



## 3 Industry Performance/Financial Forecasts



## 4 Peer Comparison



## 5 ICRA Ratings in the Sector/Company Section





[Click to see full report](#)

*Global demand headwinds and over-supply are exerting pressure on the operating rates and profitability of the basic chemical players. Despite expected steady domestic demand, dumping of some of these chemicals into India by major overseas producers, due to the lacklustre demand prospects in other markets, is likely to keep the margins under pressure in the near term.*



**The demand outlook for basic chemicals remains subdued.** Tepid growth of the global economy and inflationary pressures faced by some of the major chemical-consuming nations is exerting pressure on the global demand for basic chemicals with a host of products continued to witness low realisations and profitability.



**The caustic soda segment is among the most severely impacted** owing to a steep fall in realisations. Earlier, some of the capacities in Europe went offline owing to elevated energy costs, however, with decline in gas prices, these capacities are back on track. Further, there have been a spate of capacity expansions by domestic players leading to an oversupply situation.



**Soda ash prices under pressure due to softening demand** amid supply overhang following capacity additions across China and the US. Further, due to subdued demand in Europe, suppliers from Turkey have been diverting materials into India.



**In the case of phthalic anhydride (PAN) and malic anhydride (MAN), the realisations are under pressure** impacting profitability of the manufacturers. However, domestic demand remains healthy for PAN and the trade protection measures on imports may support the domestic manufacturers.



**Players with a diverse range of end-user industries will be better equipped** to soften the impact of the severe slowdown in any one industry on consumption.



**ICRA expects the profit generation of its sample set of basic chemical companies to witness challenges** in the near to medium term, resulting in weak return metrics. Credit profiles of most large players are likely to be supported by diversification and manageable leverage



ICRA

# Analytical Contact Details

Name	Designation	Email	Contact Number
Girishkumar Kadam	Senior Vice-President	<a href="mailto:girishkumar@icraindia.com">girishkumar@icraindia.com</a>	022- 6114 3441
Prashant Vasisht	Senior Vice-President	<a href="mailto:prashant.vasisht@icraindia.com">prashant.vasisht@icraindia.com</a>	0124 – 4545 322
Kushal Kumar B	Asst. Vice-President	<a href="mailto:Kushal.kumar@icraindia.com">Kushal.kumar@icraindia.com</a>	040-4547 4829
Sankalpa Mohapatra	Senior Analyst	<a href="mailto:Sankalpa.mohapatra@icraindia.com">Sankalpa.mohapatra@icraindia.com</a>	040-4547 4829





ICRA

# Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	<a href="mailto:shivakumar@icraindia.com">shivakumar@icraindia.com</a>	022-61693304
Neha Agarwal	Head – Research Sales	<a href="mailto:neha.agarwal@icraindia.com">neha.agarwal@icraindia.com</a>	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	<a href="mailto:rohitg@icraindia.com">rohitg@icraindia.com</a>	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	<a href="mailto:vivek.bhalla@icraindia.com">vivek.bhalla@icraindia.com</a>	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	<a href="mailto:vinita.baid@icraindia.com">vinita.baid@icraindia.com</a>	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	<a href="mailto:shivam.bhatia@icraindia.com">shivam.bhatia@icraindia.com</a>	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	<a href="mailto:communications@icraindia.com">communications@icraindia.com</a>	0124-4545860





***© Copyright, 2024 ICRA Limited. All Rights Reserved.***

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

**Thank You!**