

INDIAN CHEMICALS SECTOR: BASIC CHEMICALS

**Oversupply puts pressure on
margins; prices surge due to
geopolitical uncertainties**

MAY 2026





[Click to see full report](#)

The profitability of basic chemical players remains moderate with continued oversupply and global demand headwinds. Despite a steady domestic demand, dumping of some of these chemicals by major overseas producers due to continued weak demand prospects in the other markets is likely to keep the margins under pressure in the near term.



The sector outlook is negative, as price volatility continues to erode profitability despite steady domestic demand. Geopolitical disruptions, particularly in West Asia, are creating short-term supply tightness and cost volatility, leading to intermittent spikes in prices, while crude-linked input fluctuations continue to pressure margins. However, structurally, persistent global oversupply, driven largely by China, along with cheaper imports amid weak macro conditions, is exerting sustained downward pressure on realisations and profitability



Caustic soda prices moderated about 2-4% in FY2026, partly offset by a West Asia-driven spike in March 2026. ECU (Electrochemical Unit) realisations improved 2% YoY in FY2026; imports fell around 52% while exports rose 27% in 11M FY2026. Near-term price upside is expected; though higher energy costs and negative chlorine realisations weigh on margins.



Soda ash prices are under pressure globally with Chinese prices down nearly 54% between Q3 FY2023 and Q3 FY2026. Domestic demand is healthy at about 5-6% growth supported by Solar PV (Photovoltaic) and EV (Electric Vehicle) applications, but imports (around 23% of consumption) weigh on realisations. ADD (Anti-Dumping Duty) recommended by the DGTR (Directorate General of Trade Remedies) awaits approval from the Ministry of Finance.



PAN-OX (Phthalic Anhydride – ortho xylene) spreads remain volatile; PAN prices declined about 5% YoY with consumption down nearly 20% in 11M FY2026. BIS (Bureau of Indian Standards) certification and extended ADD on imports from China and South Korea should support domestic players. MAN (Maleic Anhydride) remains highly import dependent at more than 93%, with Chinese dumping making butane-based production unprofitable.



Diversified end usage provide support to margins. Players with a diverse range of end-user industries will be better equipped to soften the impact of a severe slowdown in any one industry.



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

1 Key trends and outlook



2 Key sub-segment wise demand prospects



3 Aggregate industry financials



4 Comparison of key basic chemical companies



5 ICRA ratings on Indian basic chemicals industry





ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Girishkumar Kadam	Senior Vice-President and Group Head	girishkumar@icraindia.com	022- 6114 3441
Prashant Vasisht	Senior Vice-President and Co-Group Head	prashant.vasisht@icraindia.com	0124 – 4545 322
Kushal Kumar B	Vice-President and Sector Head	kushal.kumar@icraindia.com	040-6939 6408
Apoorva	Analyst	apoorva@icraindia.com	0124 – 4545 323





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head – Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	rohigt@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2026 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.

#35YearsofUnwaveringCredibility



ICRA

35
Years of
Unwavering
Credibility

Thank You!

#35YearsofUnwaveringCredibility

Sensitivity Label : Public