

# INDIAN CHEMICALS SECTOR: SPECIALITY CHEMICALS

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**Recovery expected in FY2025 as  
channel inventory normalises**

**JUNE 2024**



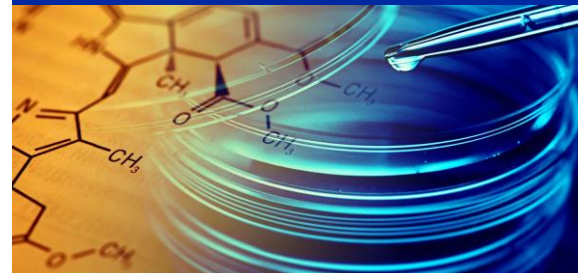
## 1 Executive Summary



## 2 Key Industry Trends and Outlook



## 3 Detailed Trend Analysis – Chemical-wise



## 4 ICRA Ratings on Indian Speciality Chemicals Industry



## 5 Comparison of Key Speciality Chemical Companies





## Executive Summary

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*Inventory destocking largely over as global chemical companies witness uptick in volumetric growth. Sustainability of demand recovery remains to be seen.*

*Clear distinction between performance of companies with differentiated product portfolio and companies heavy on generic products. The former has been performing steadily while the latter has 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 Plus One (China+1) strategy are factors supporting the Indian speciality chemical players in the recent past. However, their performance was impacted in FY2024 by pricing pressures from China and weak demand owing to elevated channel inventories. Green shoots of recovery are visible as the channel inventory level seems to have normalised.



- In FY2024, the operating profits moderated significantly amid pricing pressure from China's rising supplies and demand headwinds from 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 C+1 and EU+1 strategies of global players will continue to benefit the domestic companies, China will continue to have an overbearing impact on global chemical markets, going ahead, and depending on the demand-supply dynamics in the Chinese markets, the global market dynamics will continue to be impacted.



- The chemical sector remains significantly exposed to export markets and is currently under pressure from the Chinese dumping in global markets, the rise in freight costs on account of the disruption in the shipping sector, which may increase cost pressures.



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