

INDIAN CHEMICALS SECTOR: SPECIALITY CHEMICALS

**Muted recovery visible across
categories; although industry still
not out of the woods**

DECEMBER 2024



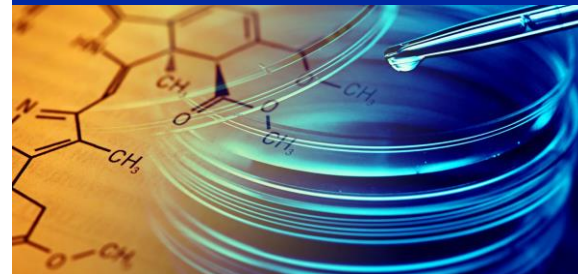
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Executive Summary



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Muted recovery is visible across segments after a stressed FY2024 supported by lower channel inventory levels, while the underlying demand remains stable.

While channel inventories have normalised, a slowing global economy is a developing headwind for the industry as the International Monetary Fund (IMF) has forecasted a 3.2% YoY growth in the real GDP for CY2024 and CY2025.



- 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 recent times. However, their performance was impacted in FY2024 by pricing pressures from China and weak demand owing to elevated channel inventories.
- The performance of the sector has witnessed improvement in YTD FY2025 from the lows of FY2024 as inventory levels have largely normalised. The volume recovery has been muted as the channel restocking levels have remained low amid elevated interest rates and soft prices.
- 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. Moreover, depending on the demand-supply dynamics in Chinese markets, the global market dynamics will continue to be impacted.
- The chemical sector's performance will remain closely tied with the overall economic outlook, level of Chinese supplies in the export markets and the volatility in freight rates. Raw material prices have largely remained stable, thereby providing comfort on this front.



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