

# INDIAN CHEMICALS SECTOR: BASIC CHEMICALS

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**Moderate profitability with  
persistent oversupply and demand  
headwinds**

**MAY 2025**

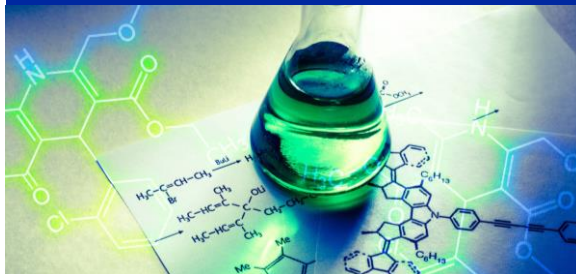


# Agenda

## 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





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*The profitability of basic chemical players remained moderate with persistent over-supply and global demand headwinds. Dumping of some of these chemicals by major overseas producers due to continued weak demand prospects in other markets, despite steady domestic demand, is likely to keep the margins under pressure in the near term.*



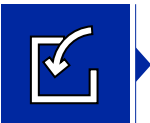
**Demand outlook for basic chemicals remains subdued.** Tepid growth of the global economy, increased competition and oversupply from China, geopolitical challenges, volatility in crude prices are exerting pressure on basic chemicals with a host of products witnessing low realisations and profitability.



**The caustic soda segment remains impacted with lower electro chemical unit (ECU) realisations.** Increase in global production, excess capacities in India, demand-side pressures and negative chlorine realisations are exerting pressure on ECUs.



**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 material into India.



**Phthalic anhydride (PAN)-Ortho-xylene (OX) spreads remain volatile, and malic anhydride (MAN) realisations are under pressure.** Domestic PAN manufacturers witnessed recovery in profitability in FY2025, supported by healthy domestic demand and trade protection measures.



**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 face 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.



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