



INDIAN CHEMICALS SECTOR: BASIC CHEMICALS

**Sustained demand slump and
oversupply continue to impact
margins**

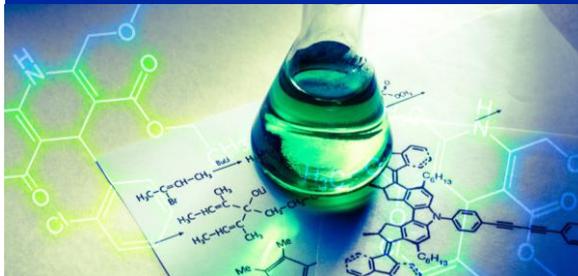
NOVEMBER 2025



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





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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.



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



The caustic soda (CS) realisations remained moderate in H1 FY2026; though improved over FY2025 levels. However, increase in global production, excess capacities in India, and negative chlorine realisations are exerting pressure on Electro Chemical Units (ECU) realisation for CS manufacturers.



Soda ash prices remain under pressure globally due to oversupply, high inventories, and weak demand in China and western markets. While Indian demand is healthy, cheap imports continue to weigh on domestic realisations; anti-dumping duty (ADD) is under consideration and could improve margins if implemented. Long-term solar PV growth offer medium-term optimism.



Phthalic anhydride (PAN) ortho-xylene (OX) spreads remain volatile, and malic anhydride (MAN) realisations are under pressure. PAN manufacturers are facing moderation in profitability, due to weak downstream demand in major markets amid trade disruptions and global chemical oversupply. MAN realisations continue to moderate in Asia Pacific due to Chinese dumping.



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, 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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