

INDIAN CHEMICALS SECTOR: SPECIALTY CHEMICALS

Prospects remain favourable for
specialty chemical sector

JUNE 2022



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Specialty chemical sector continued to witness healthy demand during FY2022 and the trend is expected to continue. However, the profit margin has witnessed some pressure due to raw material price escalations.

Credit profile to remain stable supported by healthy revenue growth and profit margin



- The credit outlook for the specialty chemical industry remains Stable. The sector has witnessed healthy revenue growth across major sub segments during FY2022, although profit margins have witnessed some moderation due to high raw material costs. The revenue growth trend is expected to continue in FY2023.

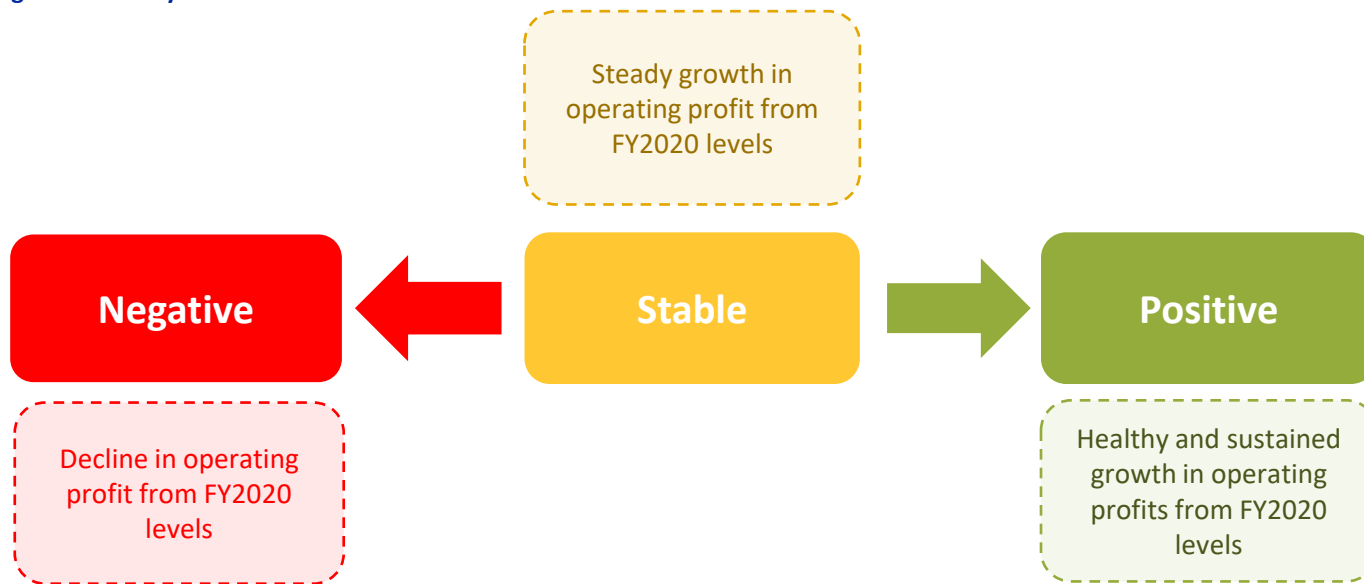


- In the medium term, the sector is expected to benefit from continued diversification in the global supply chain with global chemical majors looking at diversifying their dependence on China and the Indian companies are well placed to get a healthy share of the opportunity. The credit outlook is also supported by a relatively robust balance sheet of the players with moderate gearing and comfortable coverage indicators, despite some of the major players incurring debt-funded capex in the recent years.



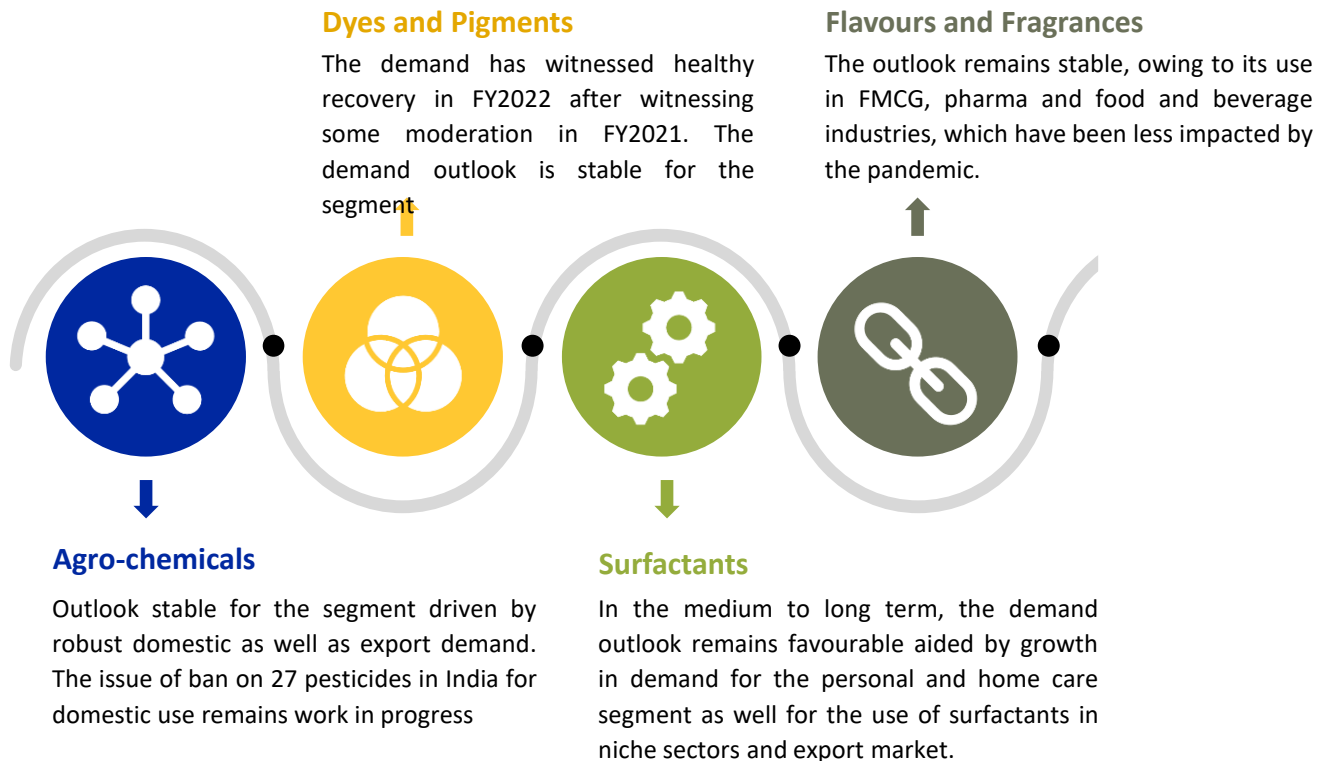
- The medium to long-term outlook remains favourable for the specialty chemical segment, aided by growth prospects in the domestic market as well as robust demand from the export segment. Further, the segment will also benefit from increased domestic feedstock availability in the medium term, supported by trade protection measures from the Government

What could change the industry outlook



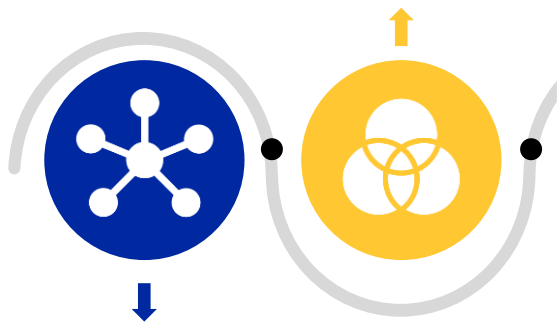
Outlook pertains to the expected aggregate performance of the sector. However, performance of sub-segments may vary.

Key sub sector-wise demand prospects



Fluoro-chemicals

In FY2022, there was strong demand recovery in domestic and export market. The demand growth trend is expected to continue in the near term



Construction Chemicals

The demand has witnessed recovery in FY2022. The medium to long-term outlook remains favourable, driven by expected infrastructure growth, increasing urbanisation, low consumption of construction chemicals in construction at present and increasing adoption of global standards.



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