

A blue-tinted background image showing laboratory equipment, including test tubes, a graduated cylinder, and a microscope. A hand is visible on the left, holding a test tube.

CHEMICALS MONTHLY UPDATE

December 2023

Demand and price recovery unlikely to be strong

Due to weak global demand, most chemical companies witnessed soft demand and pricing in December. The chemical industry continues to navigate challenging times. However, inventory destocking is expected to normalize gradually, with chemical industry growth likely improve in H2FY24. In recent weeks, chemical companies have been buoyant on expectations of interest rate cuts and has benefitted more than other emerging economies in this regard. However, dealing with fresh inflationary pressures and potential inventory shortages may be challenging if the Red Sea crisis gets prolonged. The chemical demand worldwide remains weak due to ongoing economic slowdown in Europe, inflationary trends in the US and Europe along with overall weakness in China, thereby resulting in a decline in consumer demand and inventory rationalization by industries which remained lower than COVID levels. Selective strength was seen in some chemical prices due to restricted manufacturing, no visible sign of Chinese aggression in exports and selective demand recovery. However, we remain cautious about the near and medium-term outlook for the Indian chemical sector. We expect most chemical companies to have better H2FY24 than H1FY24, and the industry is likely to witness stable prices for crude oil, demand recovery from end-user industries and volume uptick, which keeps the sector outlook positive for the long term.

Pricing trends remain subdued across most chemicals, although a modest recovery is sometimes visible off depressed levels. Heavy Soda Ash and caustic soda prices have registered a sharp drop of 8% and 9% MoM, respectively. Benzene, Methanol and Aniline prices have advanced, while Phenol, Toulene, and Acetic prices contracted during the month. Prices of Isobutylene also remained under pressure. Prices of Acetone have recovered modestly in recent months after a correction. In the refrigerant category, prices of R-22 corrected in December 2023, whereas R-32 was stable. Overall, our sense is that most chemical prices have bottomed out, at least for now. Whether chemical prices grow depends on how Chinese demand pans out over the next couple of months.

Companies such as Aarti Industries, Archean Ltd., Alkyl Amines, Clean Sciences, Deepak Nitrite, Laxmi Organics and Galaxy Surfactants Ltd. are the key beneficiaries of this development. Companies higher up the specialty chemicals value chain such as SRF, Navin Fluorine and Gujarat Fluorochemicals, stand to benefit from a longer-term perspective.

The commodity chemicals segment could witness traction in pricing levels due to decent domestic demand. We prefer companies that are higher up the specialty chemicals value chain and stand to benefit immensely from a longer-term perspective. In our view, companies delivering value-added products and moving up the value chain will fare better than pure commodity plays in the long term.

Chemicals Monthly Price Update

Chemicals	Domestic Market Price Rs./kg				Chemical Companies
	Sept'23	Oct'23	Nov'23	Dec'23	
Acetone	98	96	94	81	Deepak Nitrite
Aniline	170	168	156	159	Nocil
Benzene	88	88	90	90	Aarti Industries
Caustic Soda	39	41	39	35	Gujarat Alkalies, DCW, Punjab Alkalies & Chemicals
Epoxy Resin	173	188	185	180	MFL, SRF
Ethyl Acetate	97	97	90	92	Jubilant Ingrevia, Laxmi Organics
Fatty Alcohols	153	158	147	145	Galaxy Surfactants
Heavy Soda Ash	44	38	39	36	GHCL, Tata Chemicals
Iso Propyl Alcohol (IPA)	128	105	120	118	Deepak Nitrite
Methanol	27	26	25	26	RCF, NFL, Deepak Fertilizers, GNFC
Phenol	118	108	118	102	Deepak Nitrite Ltd.
Potassium Bromide	450	451	458	455	Archean Chemical

Source Indiapetrochem

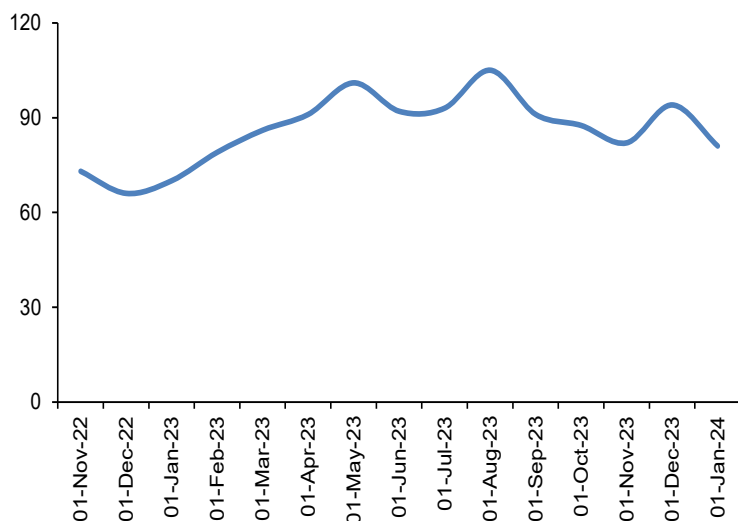
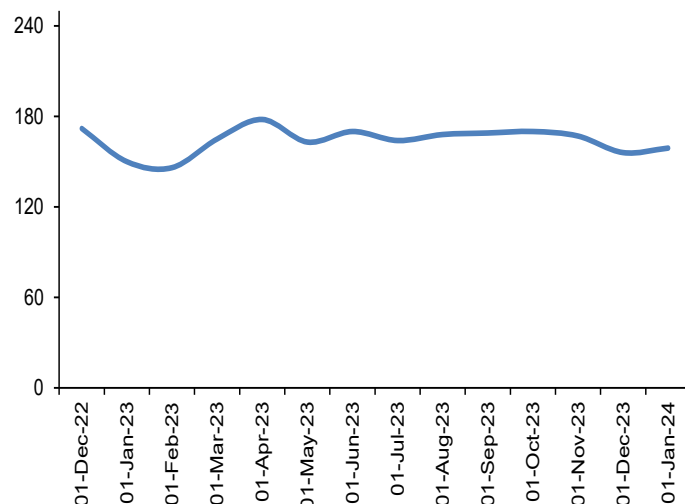
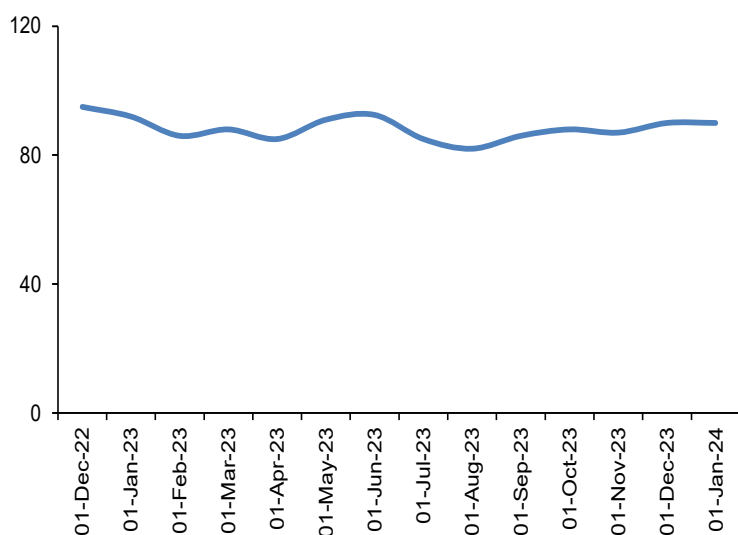
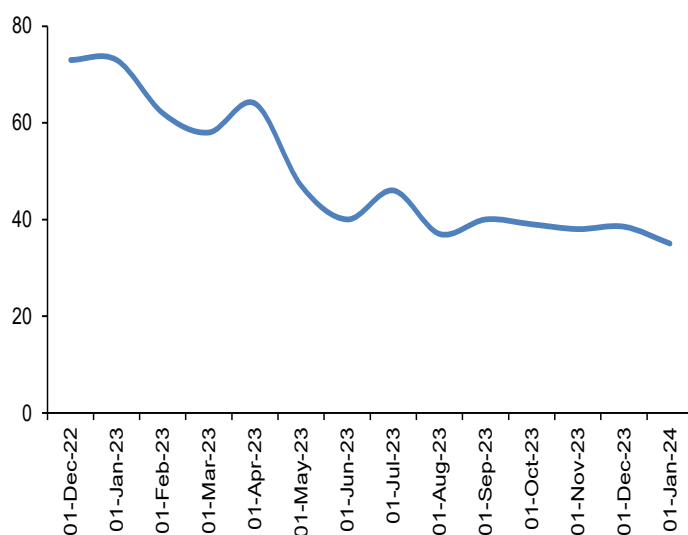
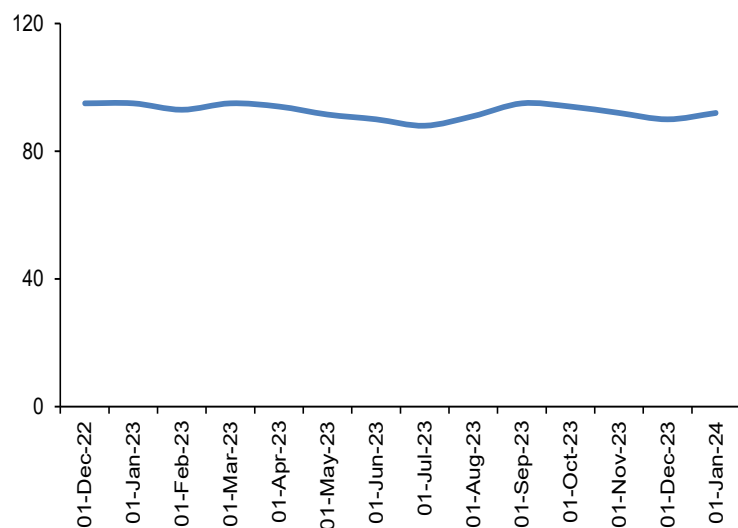
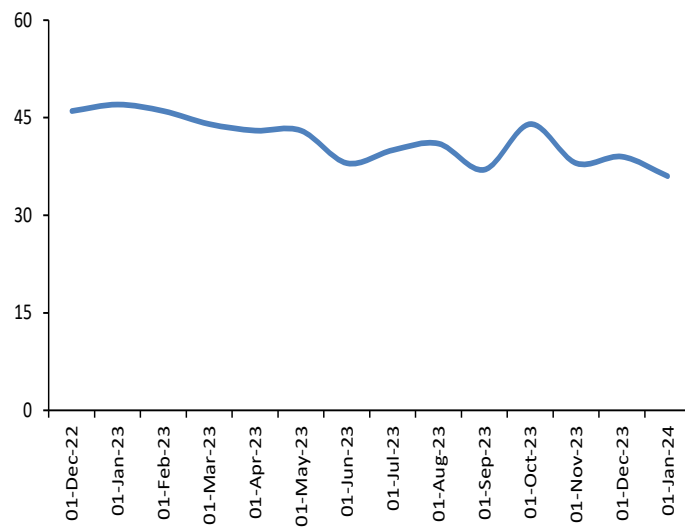
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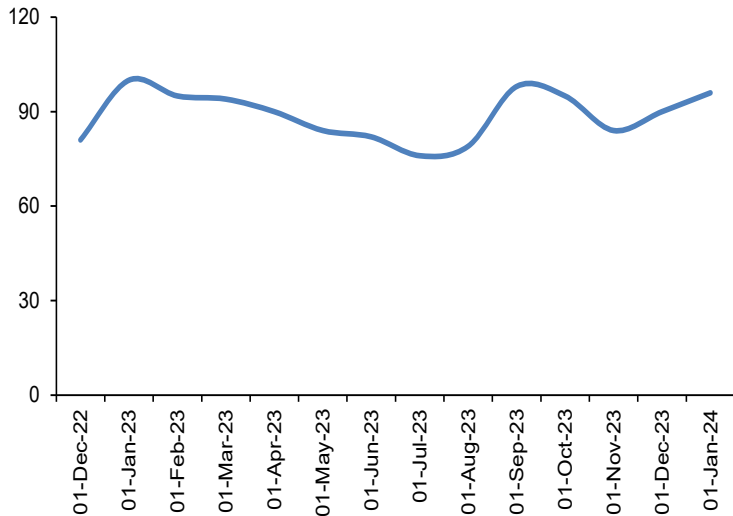
Chemicals Monthly Update (December 2023)

Acetone prices down ~14% MoM (Price Rs./Kg)**Aniline prices increased marginally MoM (Price Rs./Kg)****Benzene prices remained flat on MoM (Price Rs./Kg)****Caustic Soda prices down ~9% MoM (Price Rs./Kg)****Ethyl Acetate prices increased ~3% MoM (Price Rs./Kg)****Soda Ash prices down ~8% MoM (Price Rs./Kg)**

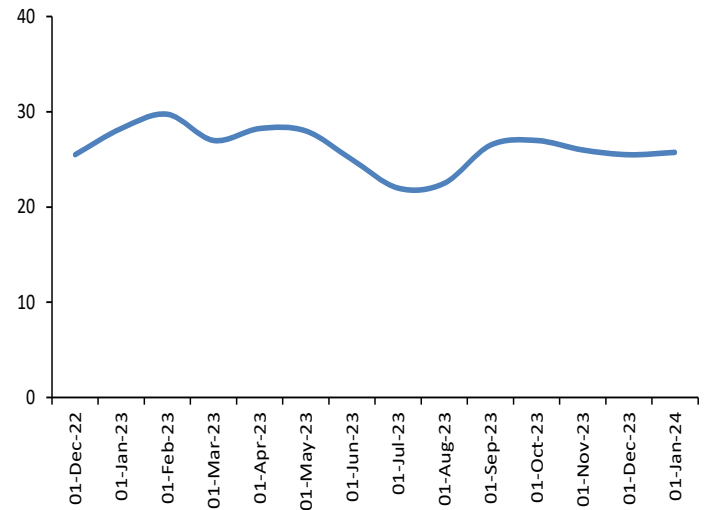
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Chemicals Monthly Update (December 2023)

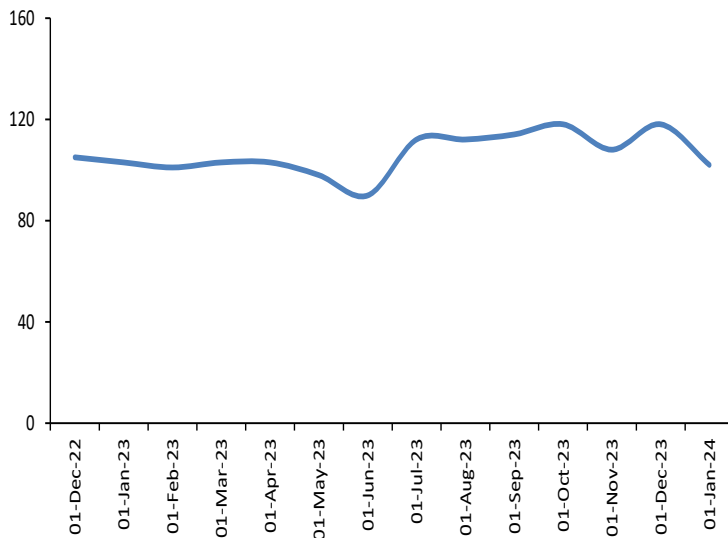
Isobutanol prices increased ~7% MoM (Price Rs./Kg)



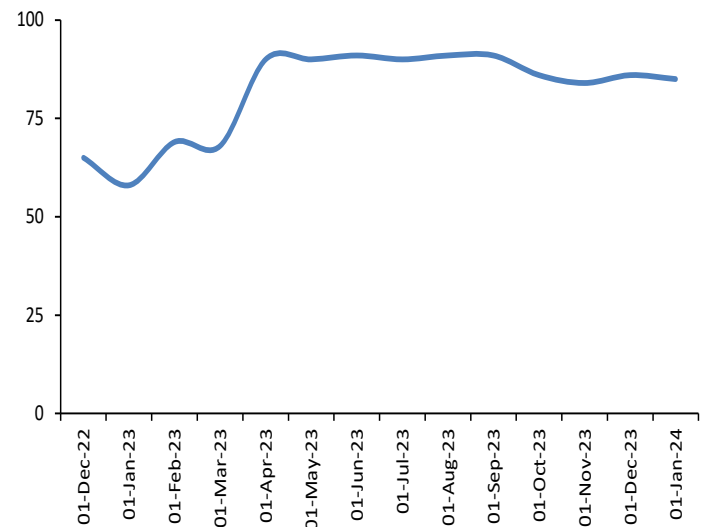
Methanol increased marginally MoM (Price Rs./Kg)



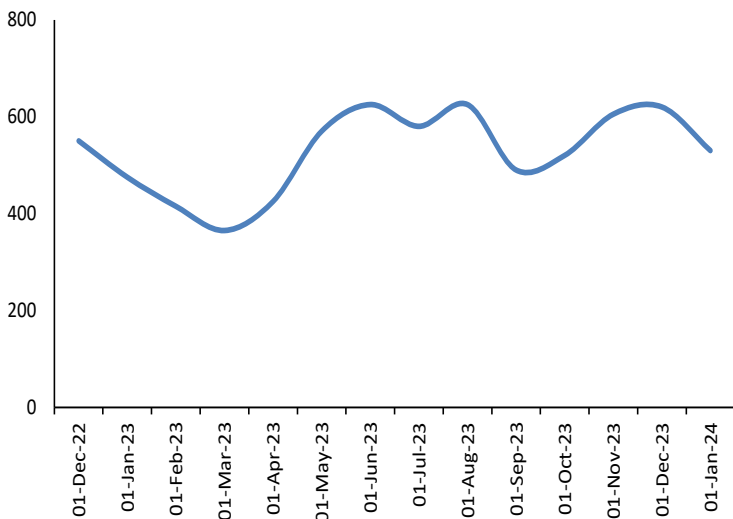
Phenol prices decline ~14% MoM (Price Rs./Kg)



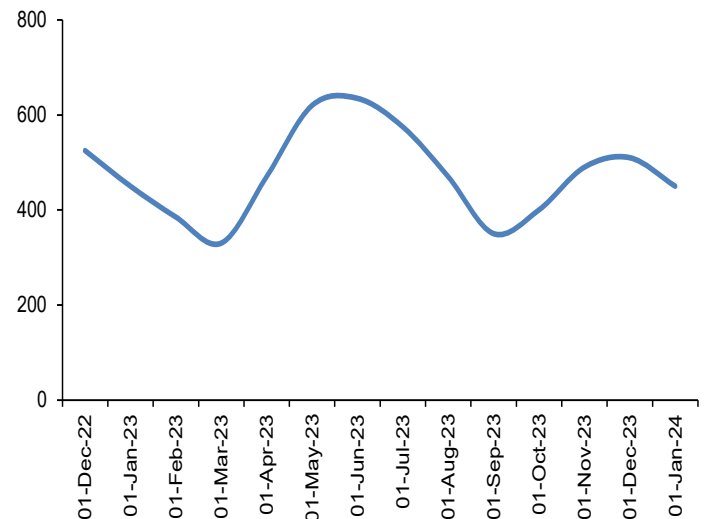
Ethanol prices decline marginally MoM (Price Rs./Kg)



Refrigerant R22 prices corrected MoM (Price Rs./Kg)



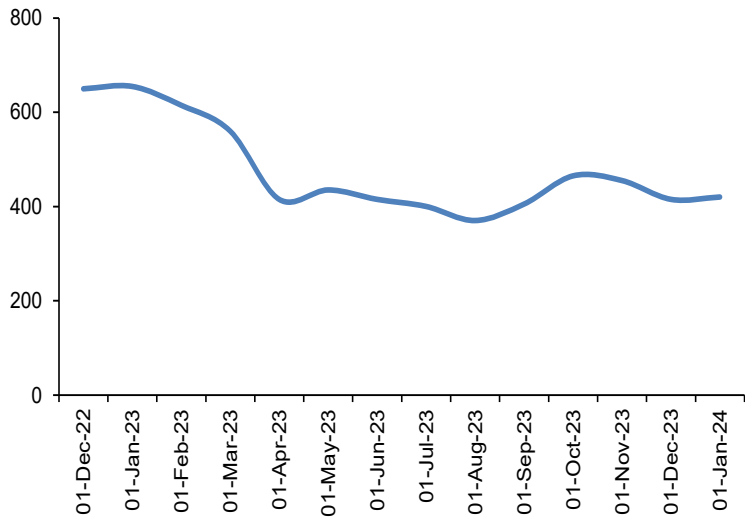
Refrigerant R134a prices decline MoM (Price Rs./Kg)



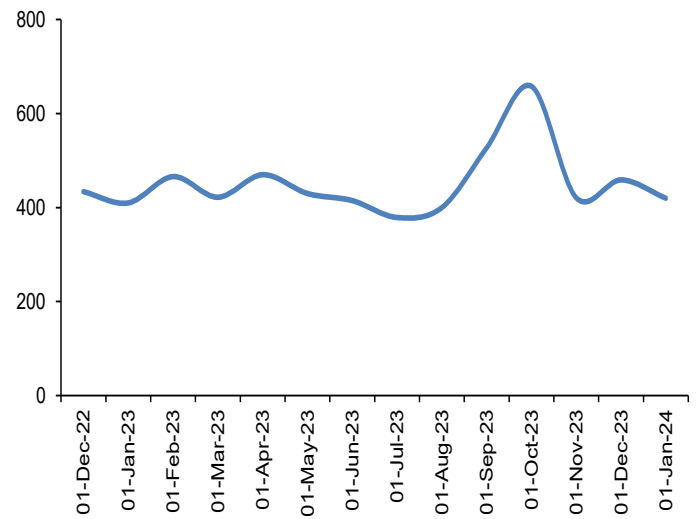
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Chemicals Monthly Update (December 2023)

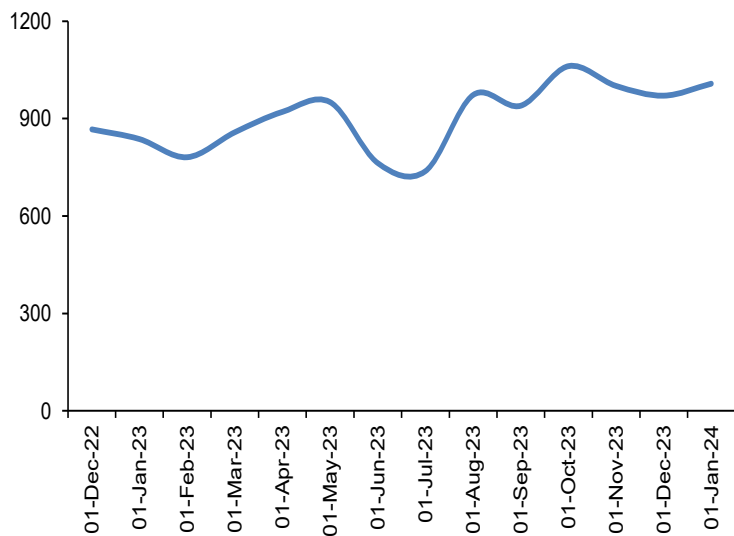
China Caustic Soda (USD/MT)



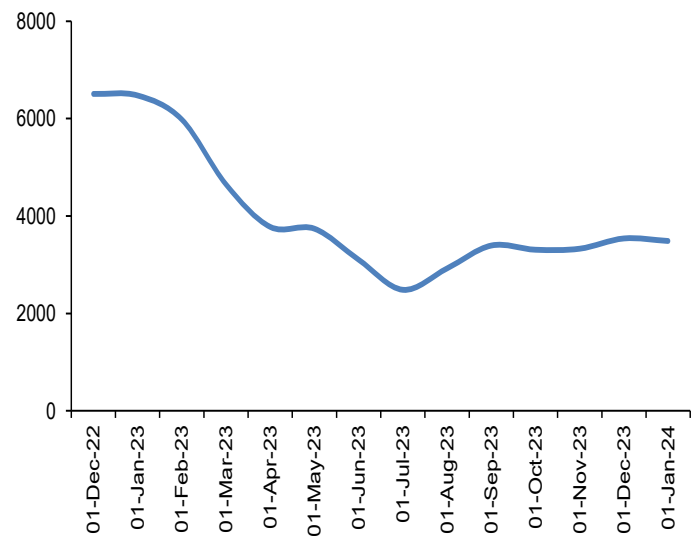
China Acetic Acid (USD/MT)



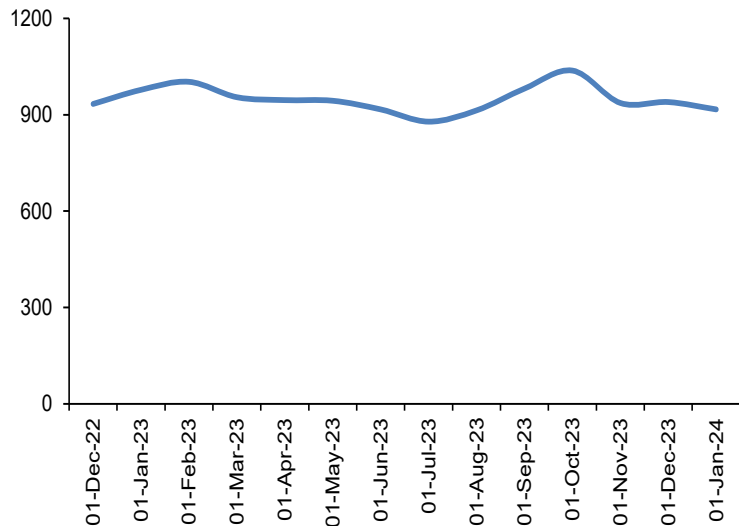
China Acetone (USD/MT)



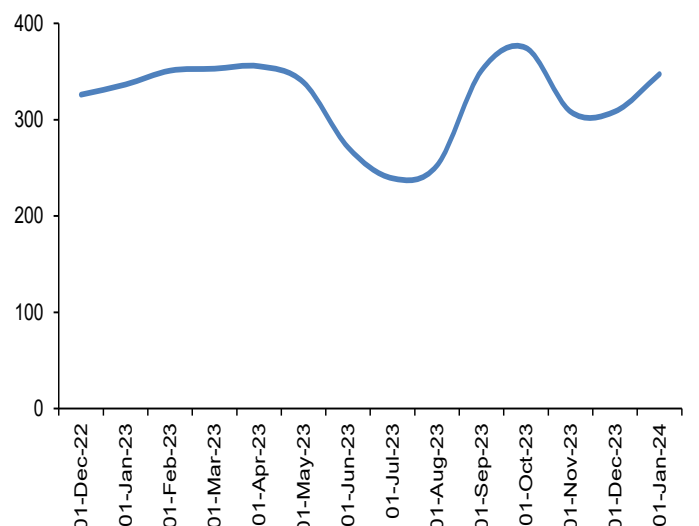
China Bromine (USD/MT)



China Ethyl Acetate (USD/MT)



China Soda Ash FOB (USD/MT)



Source : Bloomberg



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