

A blue-tinted background image showing laboratory equipment, including test tubes, a microscope, and a person wearing safety goggles.

CHEMICALS MONTHLY UPDATE

January 2024

Subdued recovery in demand continues

Over the past few months, chemical prices have remained soft, with no meaningful signs until now for any upward movement. The chemical industry continues to navigate challenging times. The Inventory destocking is expected to normalize gradually from hereon, with chemical industry growth likely to improve in Q1FY25. We believe that Q4FY24 may see demand recovery from key regions. Meanwhile, overcapacity in China remains a concern even as Red Sea supply disruptions further add to the uncertainty. The chemical destocking worldwide is nearing an end, led by US inventory destocking which has largely ended. We expect global chemical production to have a modest recovery in 2024. Further, Europe has remained muted over the past several quarters, and rising monthly production provides some signs of recovery. In addition, China is dumping its inventory in the global market, and based on the current trend, the global chemical companies' inventory destocking is ending. However, our outlook for the Indian chemical companies remains cautious in the short to medium term. In recent quarters, poor performance from chemical companies was a precursor to an economic downturn primarily due to end-consumer demand, and weakness is felt across broader markets. However, the silver lining is that the chemical sector has survived the dark clouds due to the long-run destocking trend. We, thus, believe that Indian chemical companies are well positioned to gain from the growing domestic and global opportunities. We expect various headwinds such as supply constraints and higher input costs to normalize and expect most chemical companies to perform better in Q1FY25. 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.

The pricing trend remains soft across most chemicals, although a modest recovery is sometimes visible from depressed levels. Soda ash prices in China have corrected in recent weeks, while soda ash import prices in India remain weak. Acetone, Methanol and Aniline prices have advanced, while Benzene, Bromine and Acetic prices contracted during the month. Prices of Phenol have recovered modestly in recent months after a correction. In the refrigerant category, prices of R-22 and R-32 corrected in January 2024. Caustic soda prices also eased in January 2024, while prices of MEHQ ticked up during the month. Overall, most chemical prices have bottomed out, at least for now. Meanwhile, we will keep a close watch on whether Red Sea supply disruptions have increased pricing pressure on chemical companies.

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

The commodity chemicals segment could witness traction in pricing levels due to crude prices remaining broadly stable after a decline from the recent high. Moreover, most chemical companies are undertaking capex to accomplish backward integration and shift the product mix towards value-added products. We prefer companies that are higher up the specialty chemicals value chain and stand to benefit immensely from a longer-term perspective. We believe that 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
	Oct'23	Nov'23	Dec'23	Jan'24	
Acetone	96	94	81	93	Deepak Nitrite
Aniline	168	156	159	162	Nocil
Benzene	88	90	90	90	Aarti Industries
Caustic Soda	41	39	35	42	Gujarat Alkalies, DCW, Punjab Alkalies & Chemicals
Epoxy Resin	188	185	180	179	MFL, SRF
Ethyl Acetate	97	90	92	93	Jubilant Ingrevia, Laxmi Organics
Fatty Alcohols	158	147	145	144	Galaxy Surfactants
Heavy Soda Ash	38	39	36	44	GHCL, Tata Chemicals
Iso Propyl Alcohol (IPA)	105	120	118	140	Deepak Nitrite
Methanol	26	25	26	27	RCF, NFL, Deepak Fertilizers, GNFC
Phenol	108	118	102	106	Deepak Nitrite Ltd.
Potassium Bromide	451	458	455	453	Archean Chemical

Source Indiapetrochem

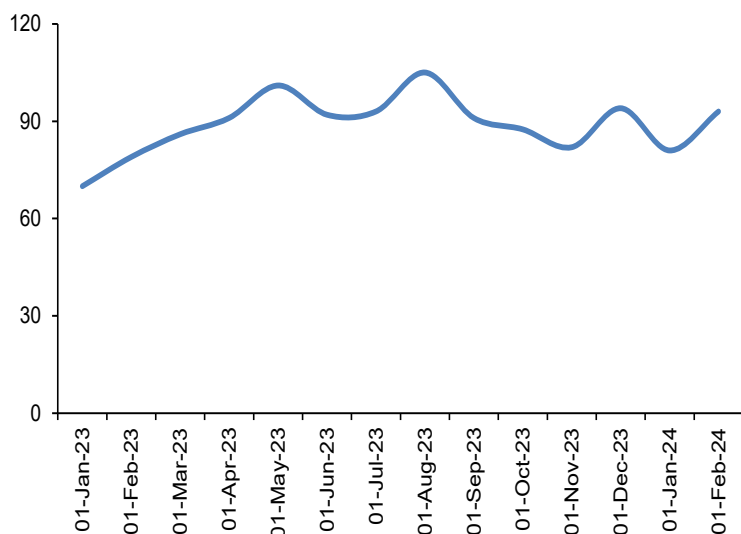
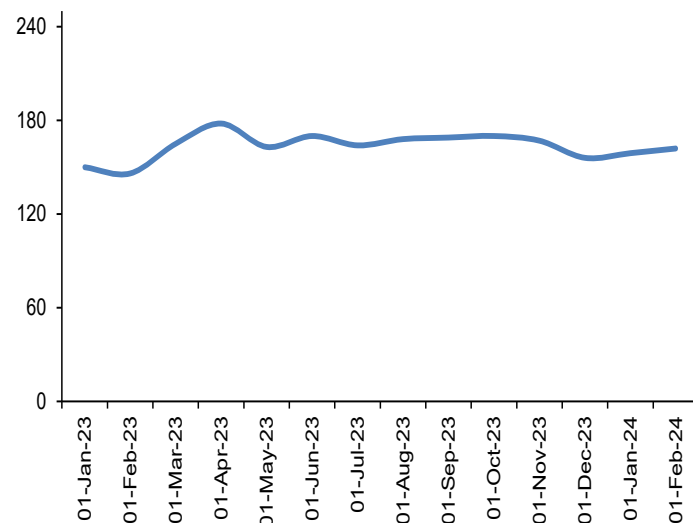
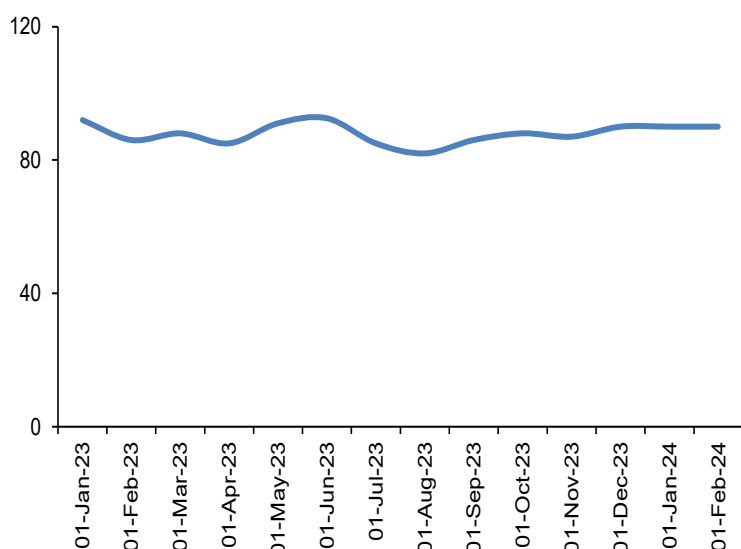
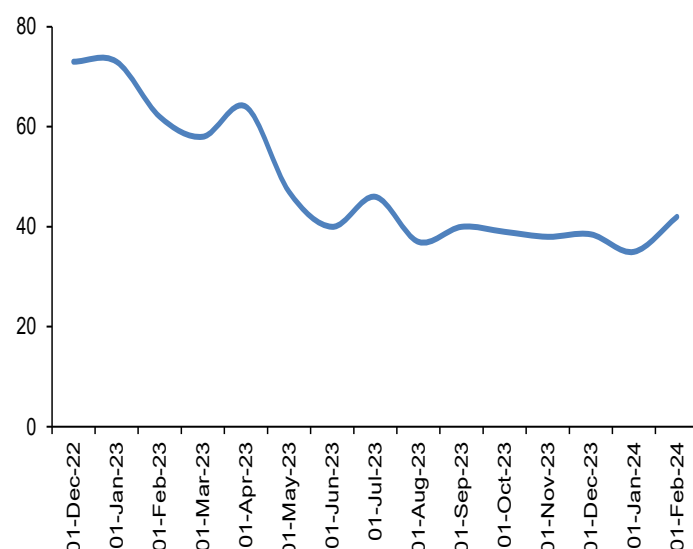
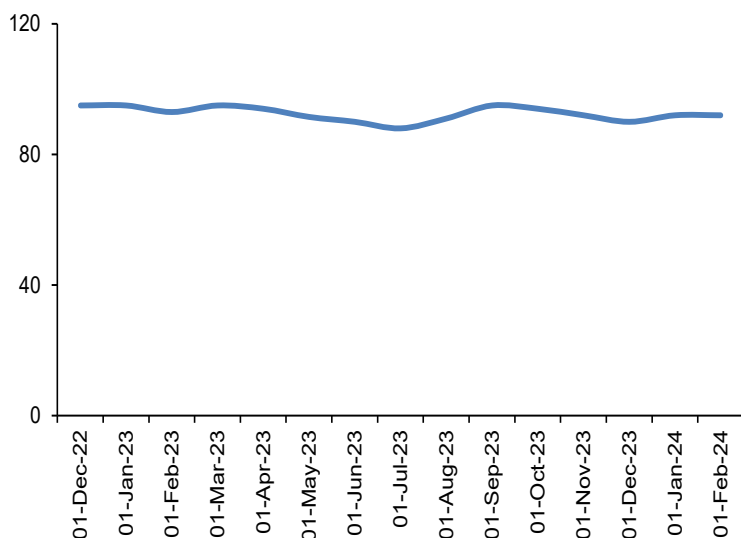
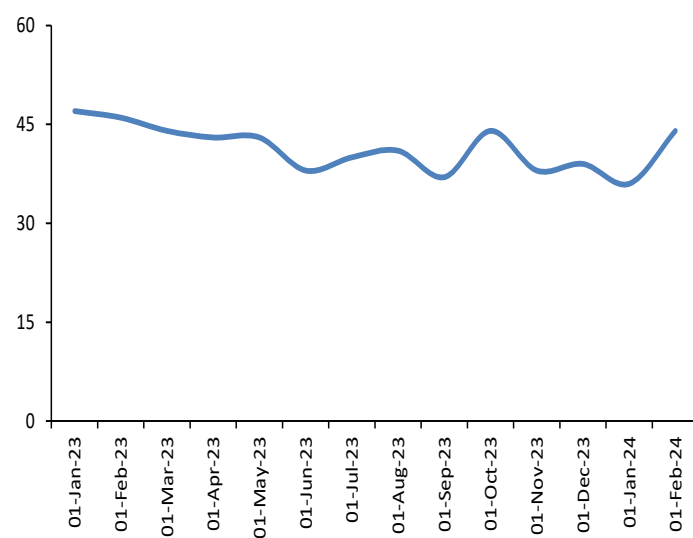
Research Analyst: Prathamesh Masdekar

Email: prathamesh.masdekar@bpwealth.com

Phone: 022-61596139



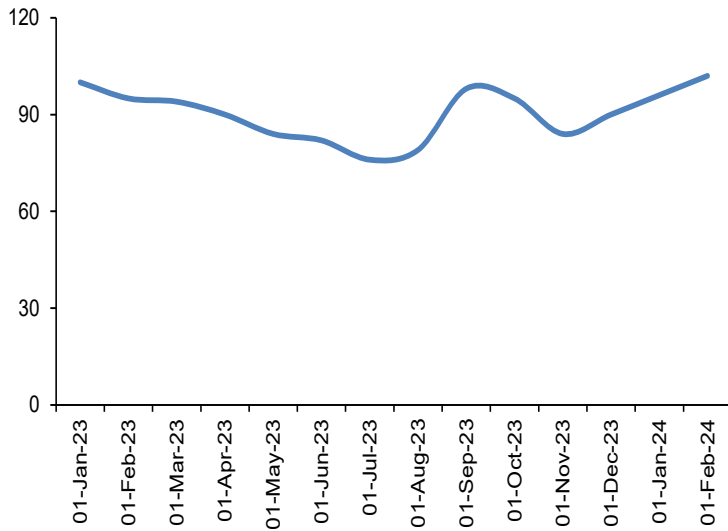
Chemicals Monthly Update (January 2024)

Acetone prices up ~15% MoM (Price Rs./Kg)**Aniline prices increased marginally MoM (Price Rs./Kg)****Benzene prices remained flat on MoM (Price Rs./Kg)****Caustic Soda prices surge ~20% MoM (Price Rs./Kg)****Ethyl Acetate remained flat on MoM (Price Rs./Kg)****Soda Ash prices up ~22% MoM (Price Rs./Kg)**

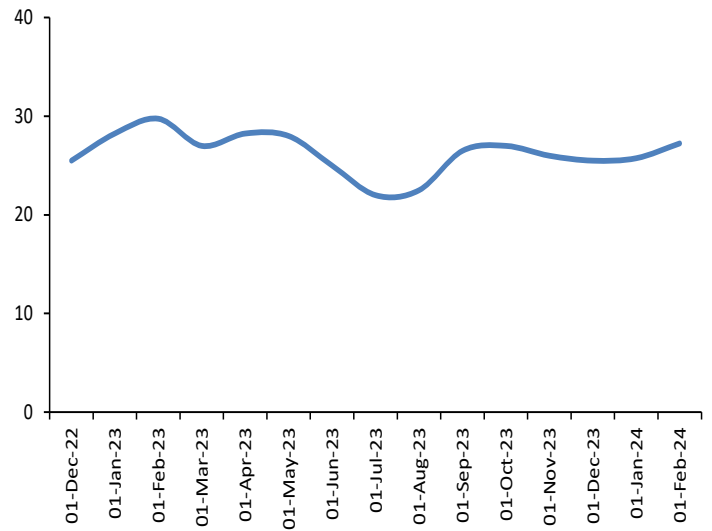
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Chemicals Monthly Update (January 2024)

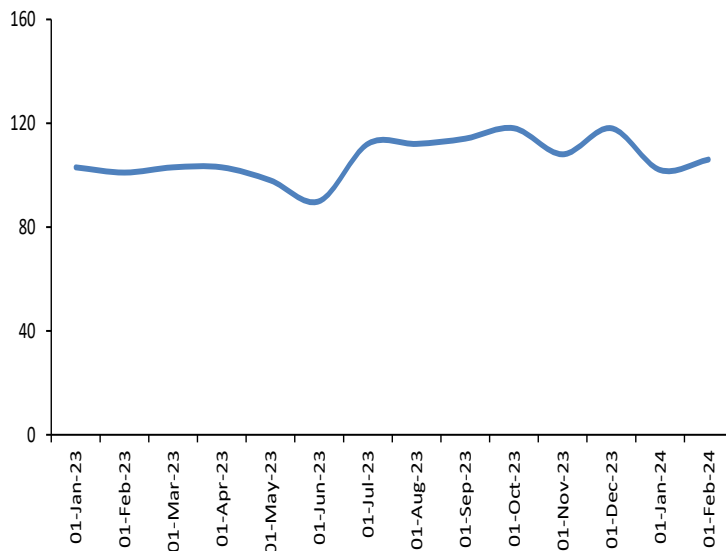
Isobutanol prices surge ~6% MoM (Price Rs./Kg)



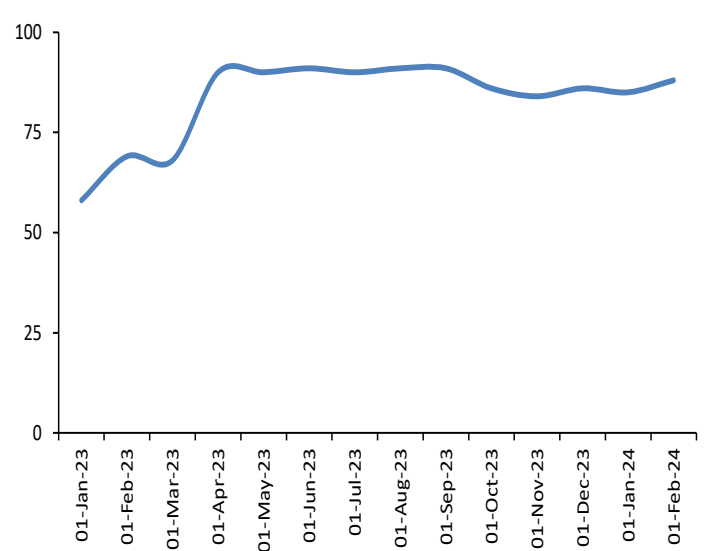
Methanol increased ~6% MoM (Price Rs./Kg)



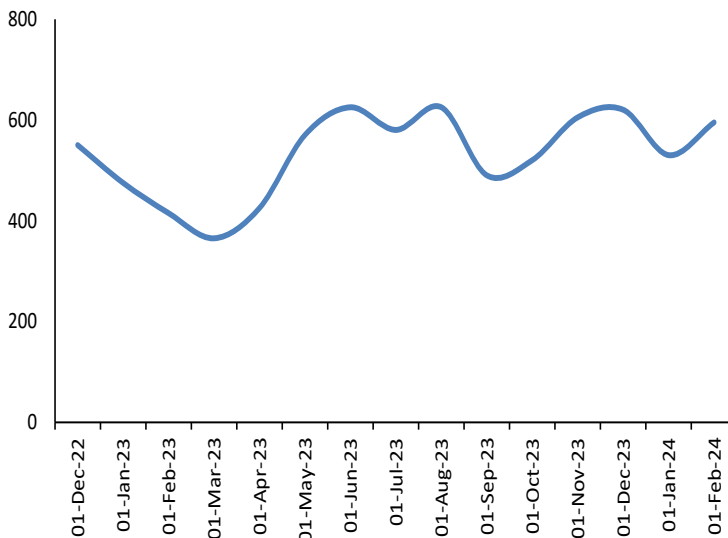
Phenol prices increased ~4% MoM (Price Rs./Kg)



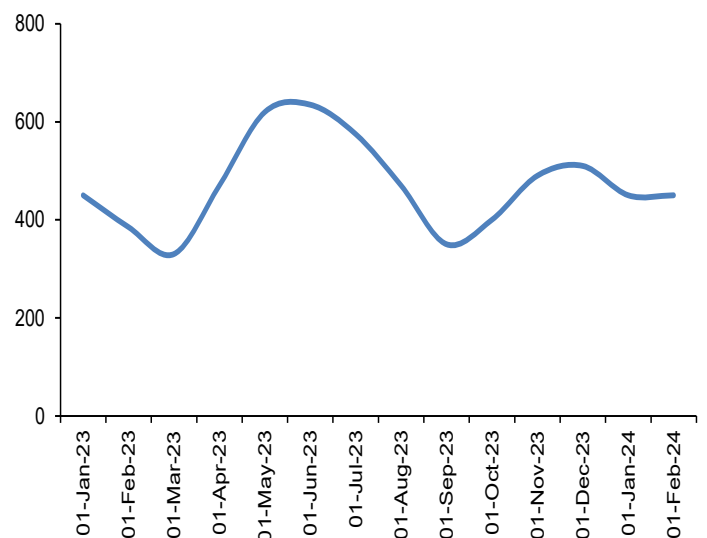
Ethanol prices up ~4% MoM (Price Rs./Kg)



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



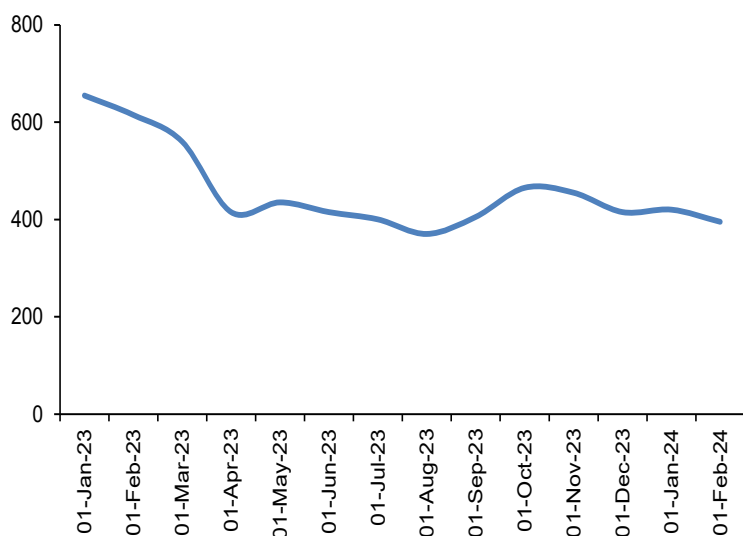
Refrigerant R134a prices stable MoM (Price Rs./Kg)



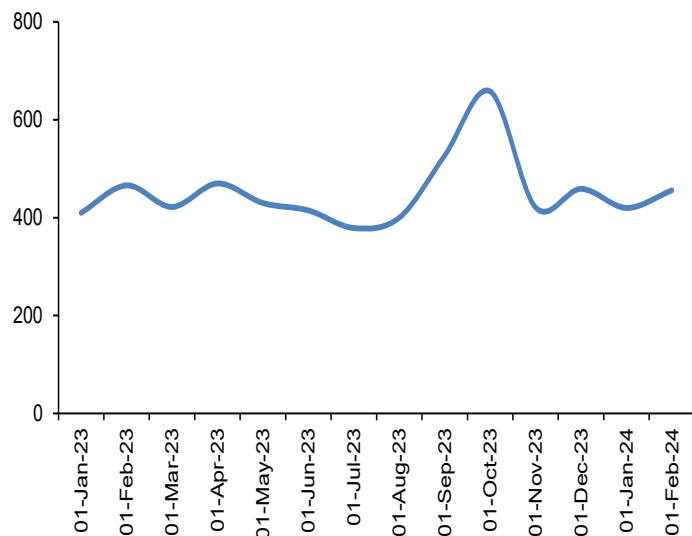
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Chemicals Monthly Update (January 2024)

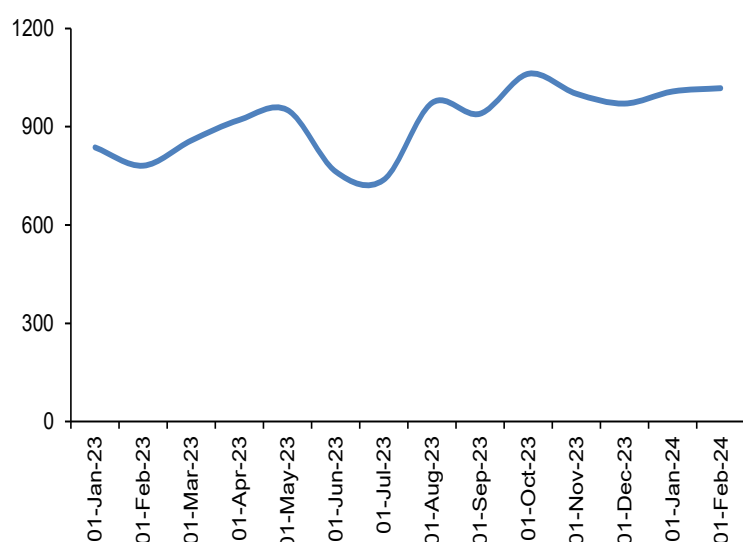
China Caustic Soda (USD/MT)



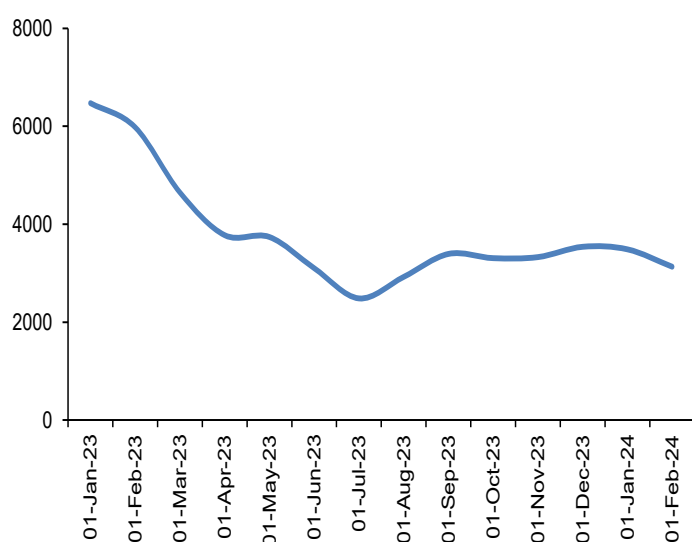
China Acetic Acid (USD/MT)



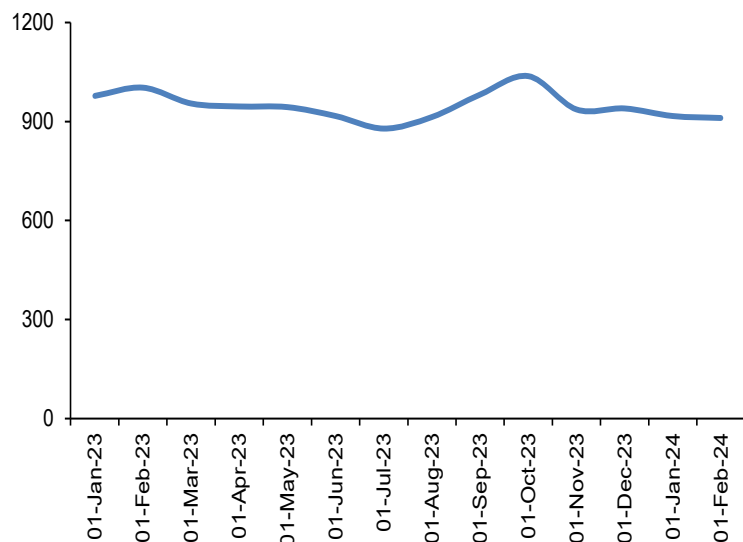
China Acetone (USD/MT)



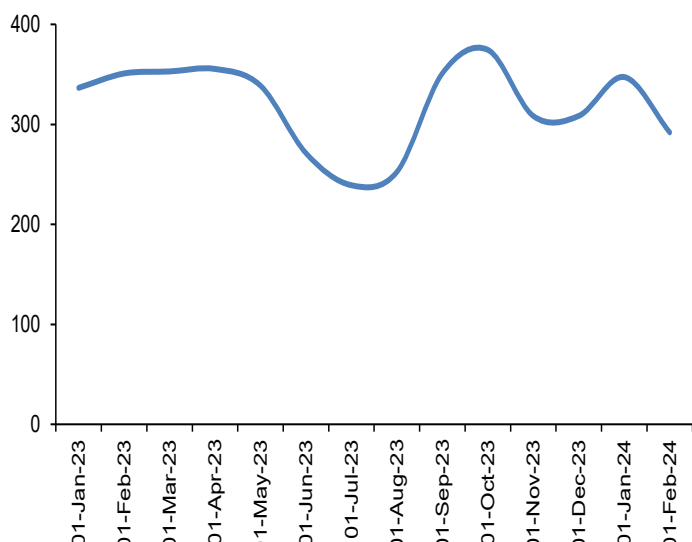
China Bromine (USD/MT)



China Ethyl Acetate (USD/MT)



China Soda Ash FOB (USD/MT)



Source : Bloomberg



Research Desk

Tel: +91 22 61596138

Institutional Sales Desk

Tel: +91 22 61596403/04

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Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591

BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392