

TAKSH



TAKSH ASSET MANAGEMENT

KNOWLEDGE SERIES

Specialty Chemicals in India

Riding the Global Shift

SEPTEMBER 2025



In this edition of our Knowledge Series, we turn the spotlight on one of the most dynamic engines of India's manufacturing ecosystem—**specialty chemicals**. This high-value segment is not only transforming domestic industries but is also positioning India as a stronger player in global markets.

According to **NITI Aayog**, India's share in the global chemicals market is projected to rise from the current **3.5% to 10–12% in the coming decades**. Within this, specialty chemicals represent a particularly compelling growth story:

- ▶ **Current Market Size (2023):** USD 40–45 billion
- ▶ **Projected Market Size (2040):** USD 200 billion
- ▶ **Growth Trajectory:** CAGR of 11–12% until 2027
- ▶ **Current Contribution:** ~20–22% of India's chemical market and over 50% of chemical exports

These numbers highlight why specialty chemicals stand out as a long-term structural growth driver for India.

What's Inside This Edition

We explore the sector through multiple lenses:

1

Structure and Growth Drivers-

An overview of sub-segments, demand outlook, and global positioning.

2

Investment Framework -

Taksh Asset Management's approach to identifying sustainable advantages in specialty chemicals.

3

Sustainability and Innovation -

How green chemistry and environment- friendly processes are shaping competitiveness.

4

China+1 Opportunity -

India's role as a credible alternative in global supply chains.

5

Case Studies -

Deep dives into agrochemicals and pharma companies, highlighting how sustainable chemistry has enabled them to integrate into global supply chains and deliver **superior operational, financial, and market performance** over the long period of time.

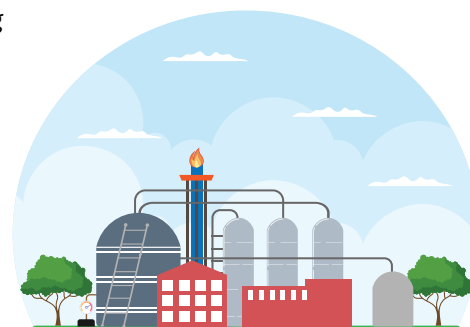
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Industry Perspectives - Insights from **Mr. Anurag Surana**, a veteran of the specialty chemicals sector.



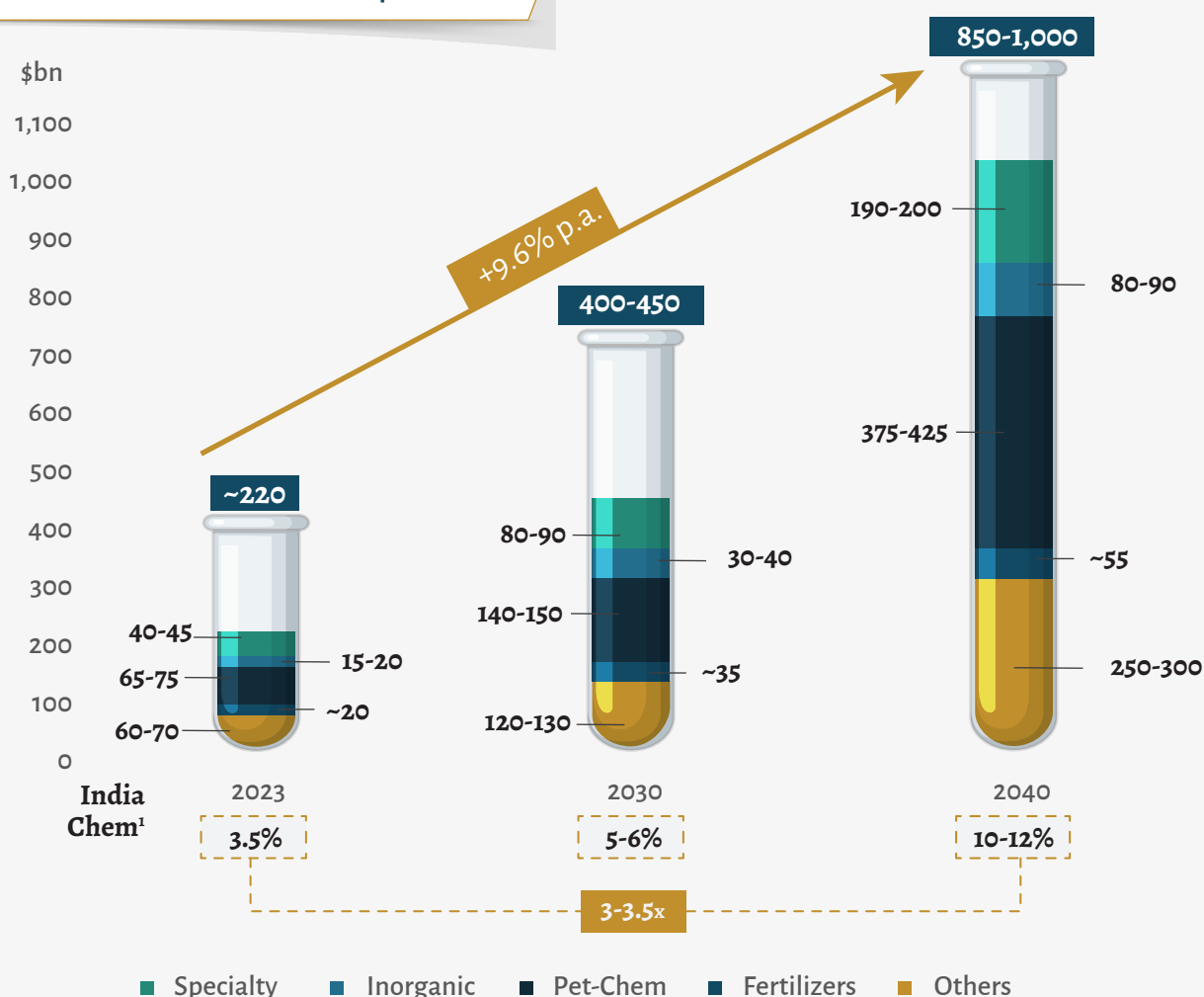
INTRODUCTION

India's chemicals industry is a cornerstone of the country's manufacturing ecosystem, contributing approximately 7 percent to the national gross domestic product (GDP) and supplying essential raw materials to critical industries such as agriculture, pharmaceuticals, textiles, automotive, and construction. Ranked as the sixth-largest chemicals producer globally and third in Asia, India holds immense potential for expansion—provided it receives the right strategic support from the Government. The domestic chemicals market was valued at \$220 billion in 2023 and is expected to grow to around \$400 to 450 billion by 2030.



India's specialty chemicals sector, a critical component of the nation's USD 220 billion chemical industry in 2023, is poised for remarkable growth, projected to reach USD 200 billion by 2040 with a robust CAGR of 11–12% until 2027. Accounting for 22% of the total chemical market, this sector drives over 50% of India's chemical exports, with agrochemical exports alone reaching USD 5.4 billion in FY 2022–23, predominantly to key markets like the US (USD 5.4 billion), Germany (USD 3.9 billion), and France (USD 4.1 billion).

India Chemicals Market Consumption



Source: Niti Ayog report

¹ Excluding others as % of Global Chem

INDUSTRY STRUCTURE: Bulk Vs Specialty

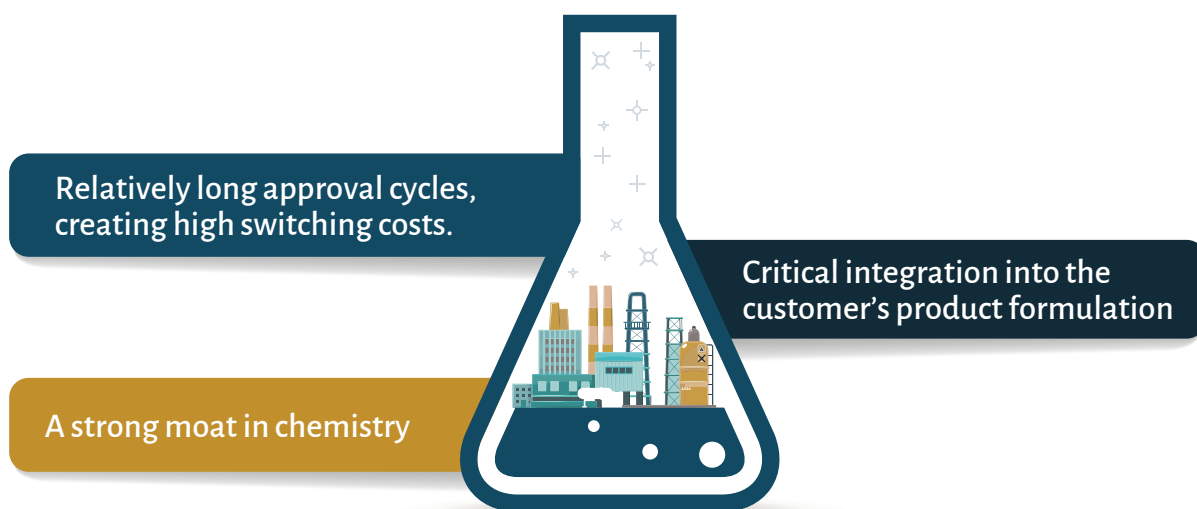
The overall chemical sector broadly can be divided into bulk or specialty chemicals.

Parameter	Bulk Chemicals	Specialty Chemicals
Definition	High-volume, low-value commodity chemicals produced in large quantities.	Low-volume, high-value chemicals tailored for specific applications.
Production Volume / Capex Intensity	Produced at massive scale (millions of tons annually); capital-intensive plants.	Produced at smaller scales (typically thousands of tons); lower capex intensity.
Chemistry	Typically, synthesis involves maximum of 2 steps	Synthesis involves more than 3 steps and more complex
Value & Pricing	Low realization (< US\$2/kg); pricing driven by supply-demand dynamics.	Higher realization (> US\$ 5/kg); pricing driven by product value and performance.
Applications	General-purpose (e.g., fertilizers, plastics, detergents).	Application-specific (e.g., pharmaceuticals, agrochemicals, electronics).
Customization	Standardized, little scope for customization.	Highly customized, designed to meet customer-specific needs.
R&D Investment	Minimal R&D; focus on operational efficiency and cost control.	Significant R&D; focus on innovation and functional differentiation.
Market Dynamics	Cyclical, commodity-driven; vulnerable to raw material volatility and oversupply.	Less cyclical, demand-led; benefits from niche positioning and regulatory tailwinds.
Profit Margins	Thin (5–10%) due to commoditization and intense competition.	Higher (20–30%) due to specialization and high entry barriers.
Examples	Sulfuric acid, chlorine, polyethylene.	Pigments, surfactants, APIs, polymer additives.



THE TAKSH FRAMEWORK FOR IDENTIFYING SPECIALTY CHEMICAL LEADERS

At **Taksh**, our investment focus is on **specialty chemical companies** that exhibit



These characteristics help such companies deliver **high and stable operating margins**, even across economic cycles.

To quantify margin resilience, we track the **EBITDA Volatility Score (across business cycles)**, calculated as:



$$\text{EBITDA Volatility Score} = \frac{(\text{Highest EBITDA Margin} - \text{Lowest EBITDA Margin})}{\text{Average EBITDA Margin}}$$

A **lower EBITDA Volatility Score** indicates **less volatility** in operating margins and reflects the company's ability to maintain consistent performance over long periods (typically across a 10–12 year cycle).



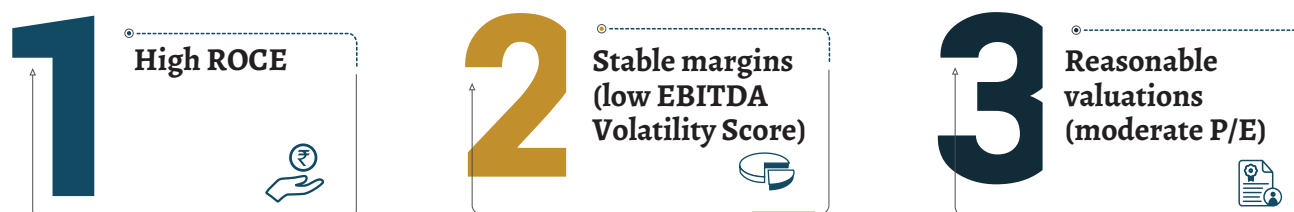
THE TAKSH FRAMEWORK FOR IDENTIFYING SPECIALTY CHEMICAL LEADERS

Financial Visualization of 23 Indian Specialty Chemical Companies

The following bubble chart illustrates the performance of **23 Indian specialty chemical companies** (organic and inorganic) across three critical financial metrics:

- 01 EBITDA Volatility Score** (Y-axis): Indicates margin stability across cycles.
- 02 P/E Ratio** (X-axis): Reflects market valuation and investor expectations.
- 03 ROCE** (Bubble Size): Represents the efficiency in capital utilization.

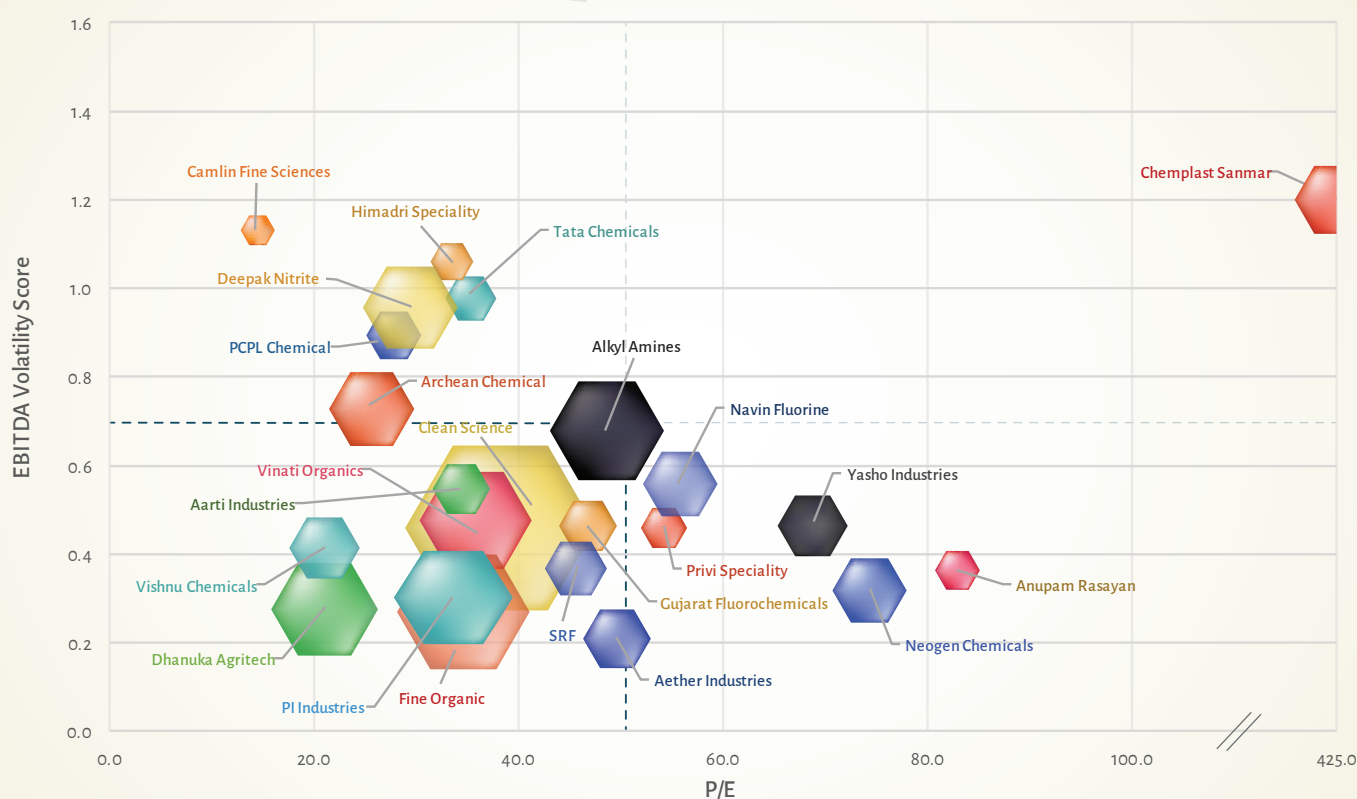
This visual framework helps **identify outperformers**—companies with:



Conversely, companies with high P/E and weak ROCE or volatile margins can be viewed as **potentially overvalued** or **less efficient**.

This analysis supports strategic investment decisions and **benchmarking within the specialty chemicals universe**, offering insights into sustainable value creators in a competitive landscape.

Financial Metrics Benchmarking



Disclaimer: The above is for representation purpose only and should not be considered as an investment advice/recommendation or an offer or solicitation of an offer to buy/sell any securities.

Segment	Key Products	Industries Served	Key Players
Agrochemicals	Pesticides, Herbicides, Fungicides	Agriculture	UPL, PI Industries, Sumitomo Chemical, SRF
Dyes & Pigments	Synthetic Dyes, Pigments, Colorants	Textiles, Paints & Coatings	Aarti Industries, Bodal Chemicals, Clariant, Sudarshan
Surfactants	Detergents, Emulsifiers	Personal Care, Home & Industrial Cleaning	Galaxy Surfactants, Rossari Biotech
Construction Chemicals	Adhesives, Sealants, Waterproofing Compounds	Infrastructure, Real Estate	Pidilite Industries
Flavors & Fragrances	Essential Oils, Aromatic Compounds	Food & Beverages, Cosmetics, Perfumery	Privi Organics, Eternis
Pharmaceutical Intermediates	APIs, Drug Intermediates	Pharmaceuticals, Biotechnology	Divi's Labs, Laurus Labs, Aarti Drugs, Acutaas
Polymer Additives	UV Stabilizers, Flame Retardants, Antioxidants	Plastics, Automotive, Packaging	Clean Science, Vinati Organics, Camlin Fine Sciences
Electronic Chemicals	Semiconductor Coatings, Conductive Polymers	Electronics, Electric Vehicles, Solar Panels	Neogen Chemicals, GFL, PCBL
Refrigerants	CFCs, HFCs, HFOs	HVAC, Consumer Durables, Automotive	Navin Fluorine, SRF, GFL

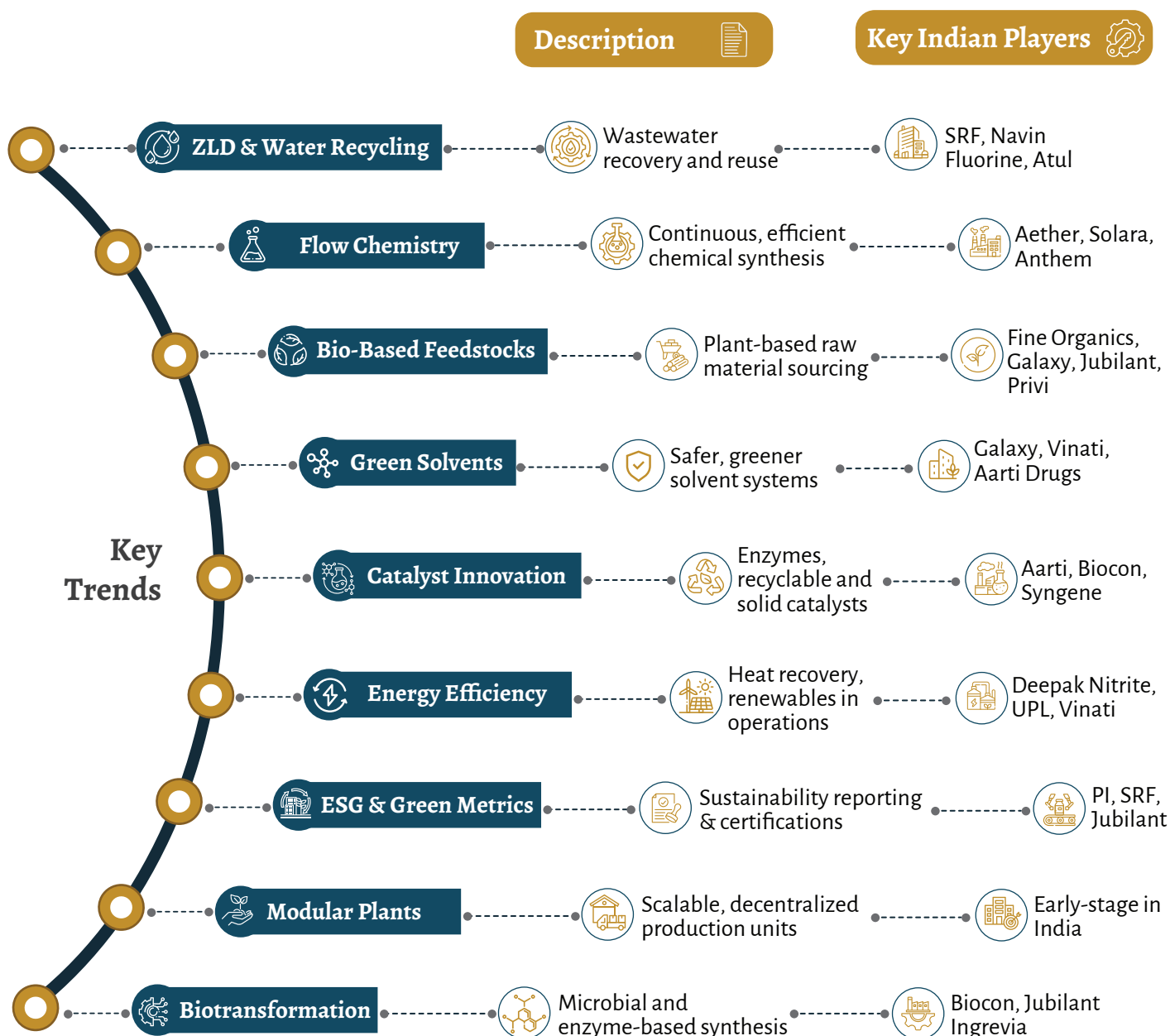


SUSTAINABLE CHEMISTRY:

Key trends shaping the future of specialty chemicals

The specialty chemicals industry is undergoing a profound shift toward sustainability. Driven by regulatory mandates, customer preferences, and investor expectations, chemical companies are embracing innovative technologies that reduce environmental impact, optimize resource use, and improve long-term viability.

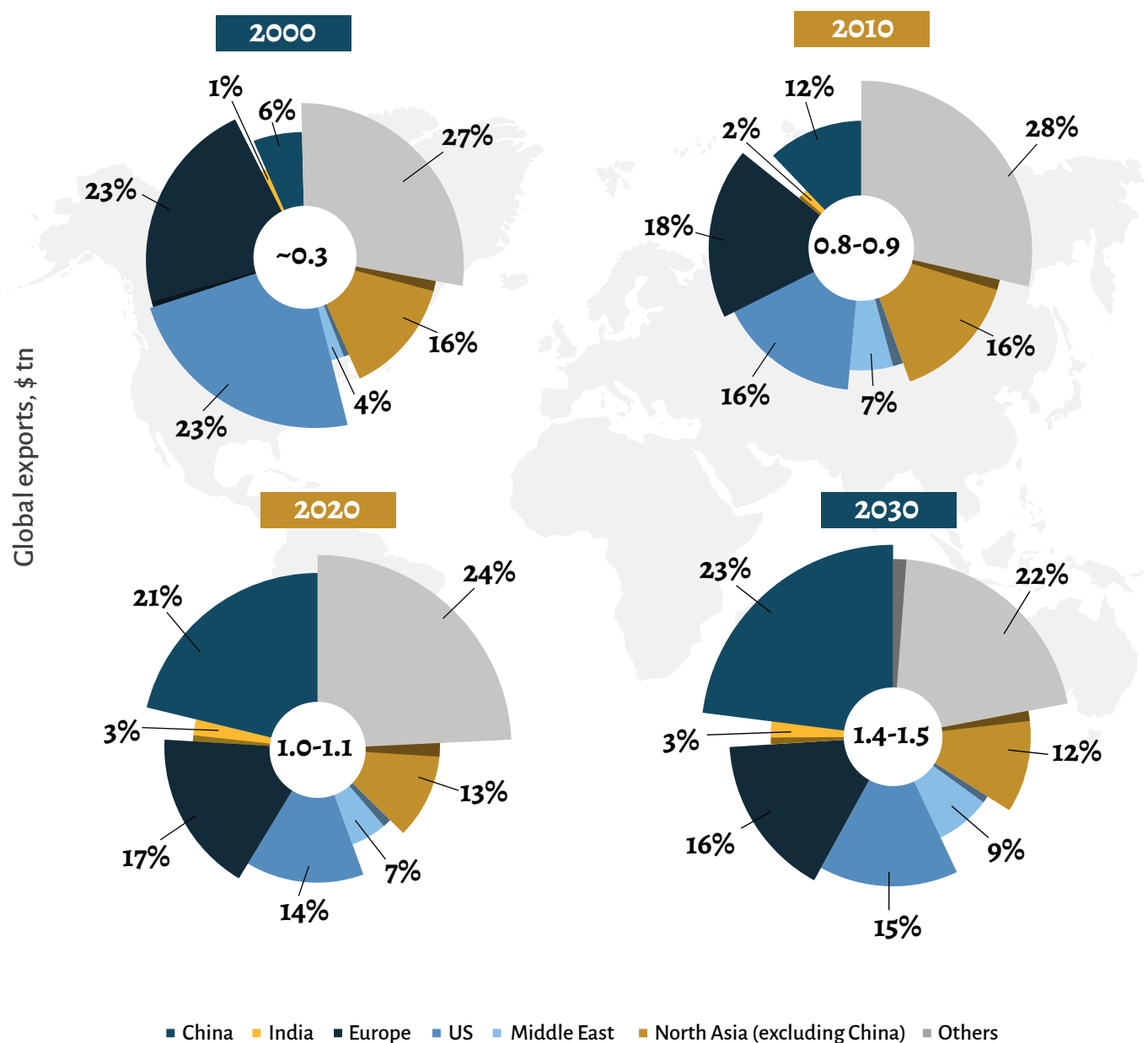
Summary Table: Sustainable Chemistry Trends in India



Sustainable chemistry is not just an environmental necessity—it is fast becoming a **competitive advantage**. Companies that integrate green practices early are better placed to capture market share, secure export contracts, and align with global sustainability mandates.

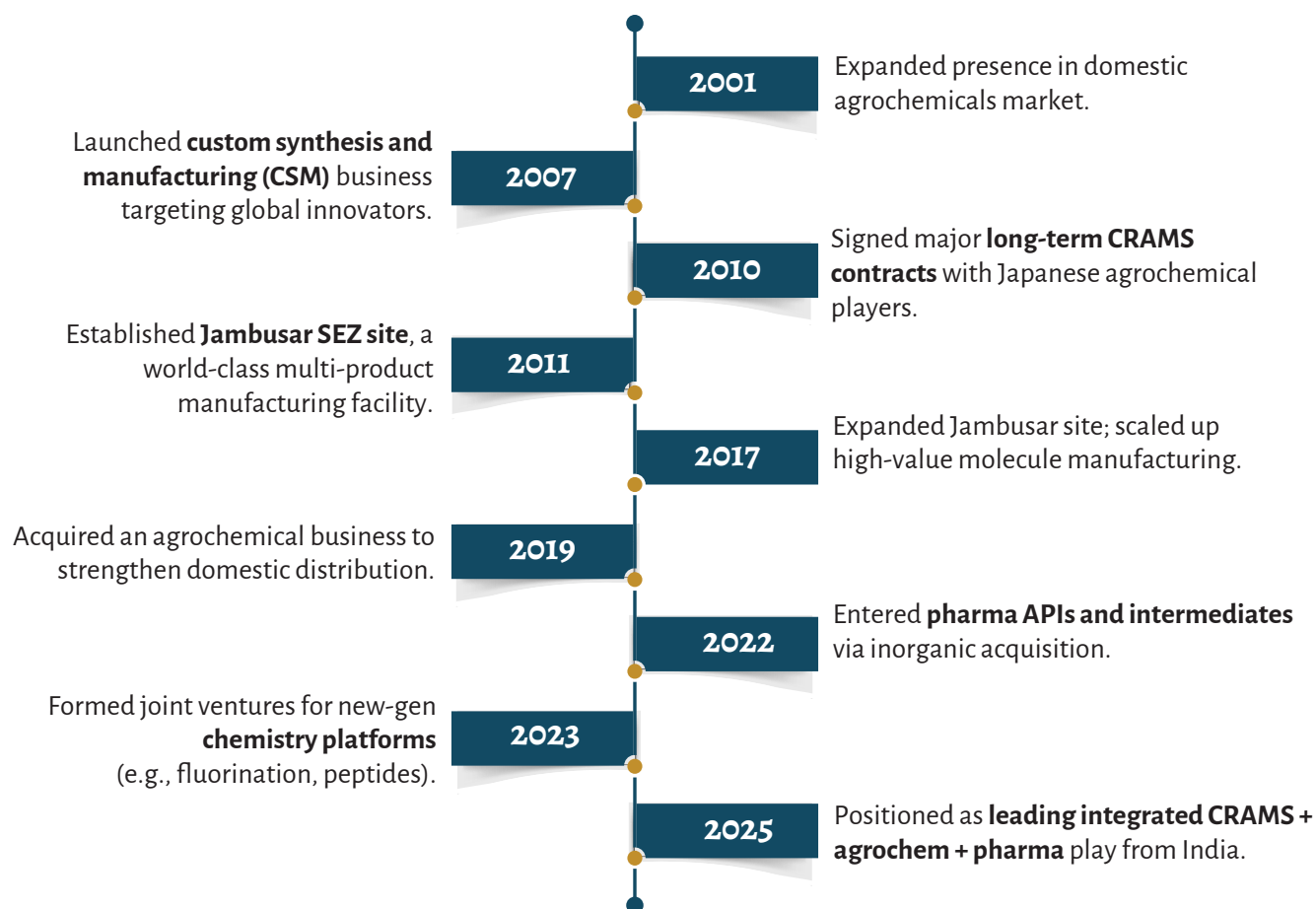
This transformation, while complex, represents an unprecedented opportunity for Indian specialty chemical firms to lead the global transition to cleaner and more responsible manufacturing.

China has rapidly expanded its footprint in the global chemicals industry, increasing its share of global chemical production from 6% in 2000 to around 33–35% today. This growth has been driven by sustained investments in infrastructure, R&D, and an ability to leverage scale and cost advantages. Currently, China accounts for ~23% of global chemical exports and ~12% of imports, while catering to a high domestic consumption of 75–80%.

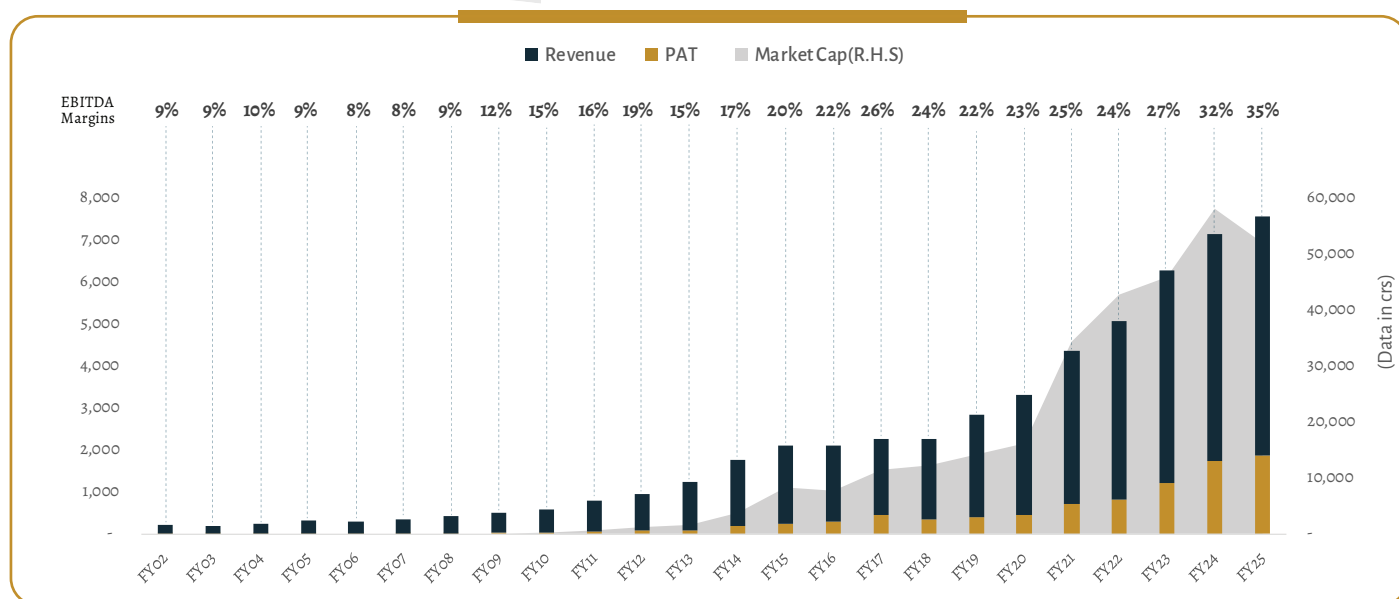


China's evolution from a net importer in 2010 to a net exporter across several categories underscores its growing dominance. Given this scale, China exerts a significant influence on global chemical pricing. Competing effectively requires clear differentiation—whether through specialization, technology, customer intimacy, or regulatory barriers—as direct head-to-head competition on cost is typically unsustainable.

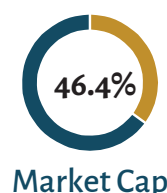
CASE STUDY 1: Agrochemical company with focus on high end chemistry and custom synthesis



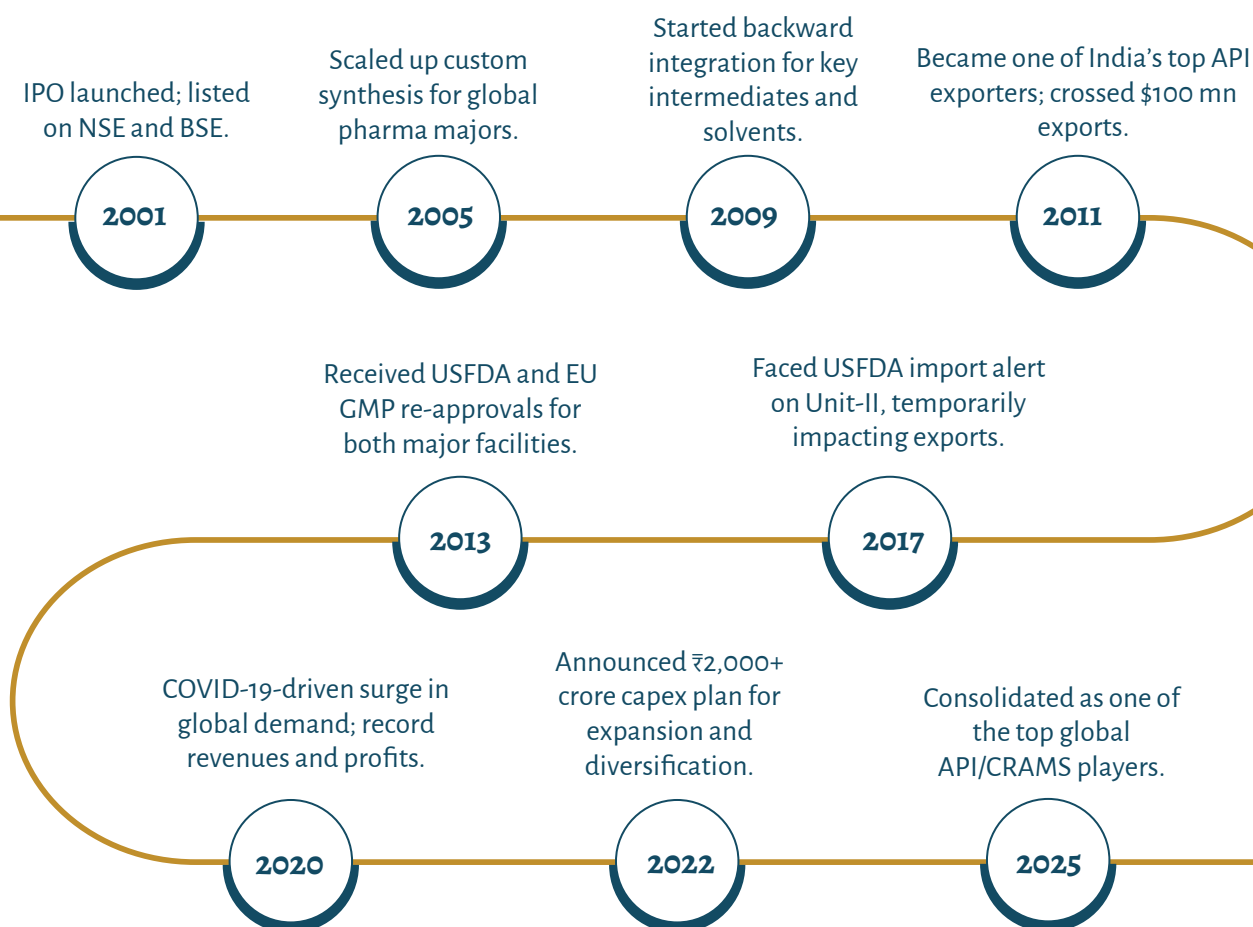
Financial Snapshot (Data in crs)



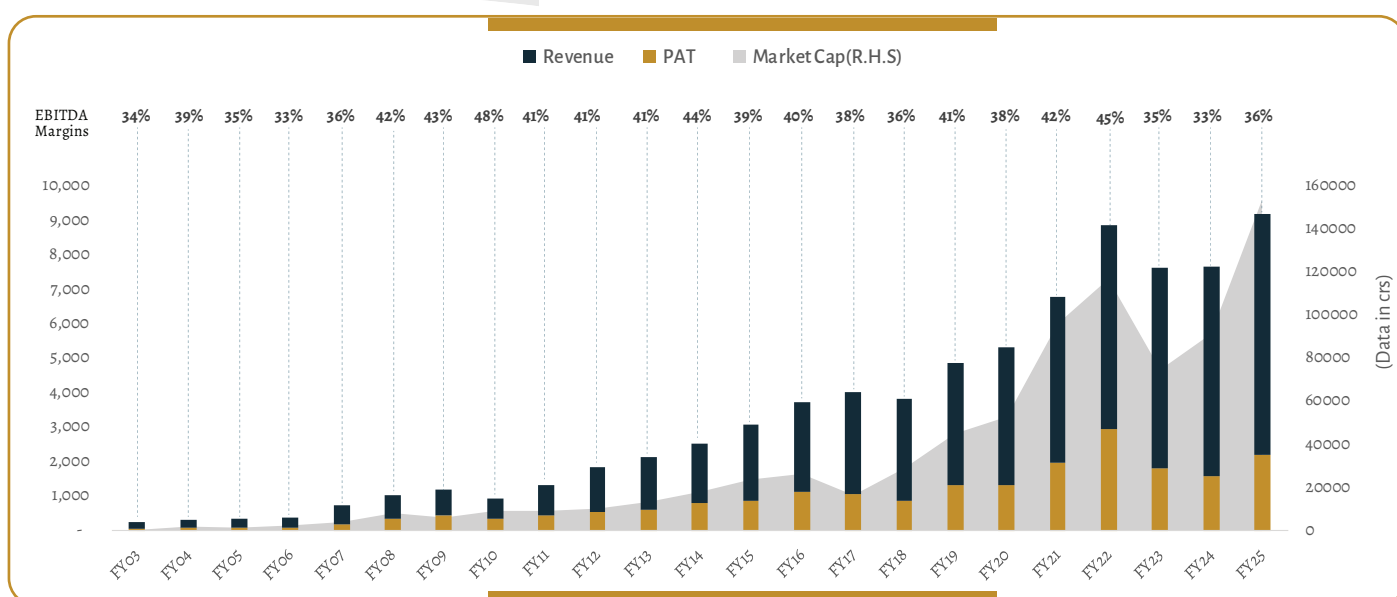
CAGR (FY02-FY25) :



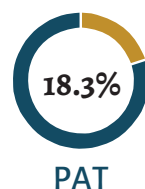
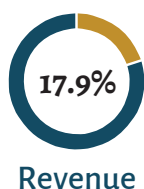
CASE STUDY 2: Large API player with Global scale and core competency in handling challenging chemistry



Financial Snapshot (Data in crs)



CAGR (FY03-FY25) :



CHALLENGES IN INDIA'S SPECIALTY CHEMICALS SECTOR



High Import Dependence on Raw Materials

China has rapidly expanded its footprint in the global chemicals industry, increasing its share of global chemical production from 6% in 2000 to around 33–35% today. This growth has been driven by sustained investments in infrastructure, R&D, and an ability to leverage scale and cost advantages. Currently, China accounts for ~23% of global chemical exports and ~12% of imports, while catering to a high domestic consumption of 75–80%.

Global Chemical exports by China.

~23%

Environmental Regulations



India's regulatory framework—driven by sustainability commitments and global ESG norms—is tightening. Compliance with standards such as zero-liquid-discharge (ZLD), green chemistry, and the Chemical (Management and Safety) Rules, 2020, necessitates heavy investments in waste treatment and pollution control infrastructure. For instance, ZLD plants may cost \$5–10 million per facility, burdening especially smaller players. Delays in environmental clearances (12–18 months) further impact project timelines and scalability.

\$5–10 million

High ZLD Plant cost



Capital-Intensive Nature of the Business

The chemicals industry is inherently capital-intensive, with new plant setups typically requiring investments of \$50–100 million. These projects often have long payback periods of 5–7 years, driven not only by capacity expansion needs but also by the continuous need to upgrade for evolving quality, regulatory, and technological standards. Additionally, the volatility in raw material and product prices adds a layer of risk—especially if product spreads compress significantly after the initiation of capex. Such fluctuations can materially impact expected returns and delay breakeven timelines, making project timing and feedstock hedging critical to financial viability.

New Plant Setup Cost

\$50–100 million



CHALLENGES IN INDIA'S SPECIALTY CHEMICALS SECTOR

Exposure to Cyclicality and Crude Oil Volatility



Despite being less cyclical than bulk chemicals, the specialty chemicals sector remains vulnerable to crude oil price movements, as 40–50% of input costs are linked to petrochemical derivatives (e.g., benzene, toluene). A 10% increase in crude oil prices can raise input costs by 4–5%, impacting profitability unless offset through price hikes. Crude volatility—Brent ranging between \$70–100/barrel during 2024–2025—also affects global competitiveness, particularly against producers in feedstock-rich regions like the Middle East. Moreover, end-market demand in sectors like auto, construction, and textiles is cyclical, adding to earnings volatility.

40-50% Input cost linked to Petrochemical derivatives



Global Trade Dynamics and US Tariff Impact

While over 70% of US specialty chemical imports (especially under Chapter 29) are tariff-exempt, China's exports have only limited exposure to tariffs (less than 30%). As China redirects its supply toward non-US markets, Indian exporters face heightened competition and pricing pressure, particularly in overlapping product segments. However, India has an opportunity to expand US market share in tariffed products—especially agrochemicals, where it holds a competitive edge (e.g., FY23 exports: \$5.4 billion).

Us Chemical Imports

70%

Conclusion

Above challenges notwithstanding India's specialty chemicals sector is well-placed to benefit from global realignment and domestic consumption growth. India's specialty chemicals industry is no longer a hidden gem—it is emerging as a central pillar of the country's manufacturing and export ambitions. As global supply chains recalibrate and the world looks for diversified, reliable, and innovation-driven chemical partners, India is uniquely positioned to lead this transition. The sector's evolution from commodity-linked volatility to value-added resilience is not just a story of scale, but of strategic depth—built on chemistry expertise, customer intimacy, and regulatory readiness.

Yet, the road ahead demands more than just optimism. To truly capitalize on its potential, the sector must double down on backward integration, cleaner technologies, and operational discipline—turning today's challenges into tomorrow's competitive advantages. The winners will be those who can innovate fast, scale responsibly, and stay ahead of environmental and geopolitical currents.



EXCLUSIVE CHAT WITH MR. ANURAG SURANA: A Deep Dive Into India's Specialty Chemicals Boom

Mr. Anurag Surana has over 27 years of experience in the specialty chemicals sector. He is the Founder & MD of Kagashin Global Network Pvt. Ltd., advising leading specialty and agrochemical companies in India and abroad. Formerly Executive Director at PI Industries, he currently serves on the boards of Neogen Chemicals, Privi Speciality Chemicals, Yasho Industries, and Cohizon Life Sciences.



Taksh Research: Mr. Surana, it's a pleasure to have you with us. Before we get into specifics, how would you describe the current state of India's specialty chemicals sector and the role it's playing in the global market today?



Mr. Anurag Surana: Thanks for having me! The specialty chemicals sector in India is on a strong growth trajectory. Unlike commodity chemicals, which are mass-produced, specialty chemicals are all about specific applications, making them high-value products. India has really stepped up as a global supplier thanks to its **cost advantage, rising domestic demand, and the whole China+1 shift**. Companies here are doubling down on **innovation, R&D, and scaling up** to grab a bigger share of the global market.

Additionally, India has a unique advantage in terms of **skilled labor, a strong engineering base, and a regulatory environment that, while evolving, is still favorable compared to stricter norms in developed countries**. Many Indian firms are focusing on **long-term contracts, customized solutions, and niche markets** to differentiate themselves from large global players.

Taksh Research: When you look at the global stage, how does India compare with other specialty chemical hubs in terms of capabilities and competitiveness?



Mr. Anurag Surana: We're not trying to compete purely on scale. Instead, Indian companies are focusing on **cost efficiency, quality, and reliability**. Unlike some larger chemical hubs where mass production is the norm, Indian firms are going after **customized, high-value solutions**. Those who invest in **process innovation, tailored products, and smart supply chain strategies** will lead the pack.



Additionally, India's ability to **adapt quickly to regulatory changes and create value-added solutions** gives it a strong edge. Companies that can build long-term relationships with **global MNCs and consistently deliver quality with regulatory compliance** will cement their place in the supply chain.



Taksh Research: ESG and sustainability have become big talking points across industries. How are these priorities shaping the future of specialty chemicals?



Mr. Anurag Surana: It's a huge deal now. Global buyers are picking suppliers who follow **sustainable practices and green chemistry**. Companies that invest in **waste reduction, renewable energy, and lowering their carbon footprint** will have a serious edge. It's not just about being ethical—it's a business necessity now.

A growing trend is the use of **bio-based raw materials and circular economy practices**, where companies recycle chemical by-products into new applications. Firms investing in **zero liquid discharge (ZLD) systems and carbon capture technologies** will find themselves ahead of the regulatory curve.

EXCLUSIVE CHAT WITH MR. ANURAG SURANA: A Deep Dive Into India's Specialty Chemicals Boom

Taksh Research: In your view, what are the main forces driving growth in this sector right now?



Mr. Anurag Surana: A mix of things, actually:

1. Global Supply Chain Diversification: Companies don't want to rely on just one country anymore. They're looking for **risk mitigation and multi-source strategies**. **2. Booming End-User Industries:** Rapid growth in **pharma, agrochemicals, paints, coatings, electronics, and textiles** is pushing demand. The demand for **automobile coatings, EV battery chemicals, and advanced polymers** is also rising.



3. Government Push: Policies like **PLI schemes, Make in India, and Atmanirbhar Bharat** are nudging companies to manufacture locally and reduce dependence on imports. **4. Backward Integration:** More firms are making their own raw materials to cut down import reliance and improve margins. **5. Green Chemistry & ESG Compliance:** The world is moving toward **eco-friendly, biodegradable, and non-toxic chemical solutions**, and India is keeping up with that trend. Some companies are developing **solvent-free formulations and sustainable coatings** to stay ahead of regulatory changes. **6. Rise of Digitalization & Automation:** Industry 4.0 is making an impact with companies using **AI-driven process optimization, real-time monitoring, and predictive analytics** to enhance efficiency.



Taksh Research: Every industry has its roadblocks. What do you see as the most significant hurdles this industry faces?



Mr. Anurag Surana: Despite all the positives, there are some real challenges: **1. Raw Material Price Volatility:** A lot of specialty chemicals rely on imported inputs, making them vulnerable to price swings. Dependence on China for key raw materials like **fluorine and lithium compounds** remains a risk. **2. Regulatory Uncertainty:** Changing compliance norms can impact operations and add costs. Some Indian firms are still catching up with **REACH and other global standards**. **3. Capital-Intensive Industry:** Continuous investment in **R&D, infrastructure, and scaling up** is necessary but expensive. **4. Intense Global Competition:** Well-established international players with strong branding and R&D can be tough to beat. **5. Skilled Manpower Shortage:** While India has a great talent pool, **high-end chemical research requires specialized expertise**, which is still limited in India.

Taksh Research: You mentioned the China+1 strategy - how is this shift playing out for Indian manufacturers?



Mr. Anurag Surana: It's been a game-changer. With rising costs, strict environmental norms, and geopolitical tensions in China, global buyers are scouting for **alternate suppliers**. Indian manufacturers are well-positioned to step in, thanks to their **cost efficiencies, skilled talent pool, and regulatory compliance**. We've seen solid demand for **pharmaceutical intermediates, agrochemicals, coatings, and electronic chemicals**, as companies spread their supply chains beyond China.



That said, it's not just about replacing China. Indian manufacturers need to **prove their reliability, invest in capacity expansion, and ensure consistent quality** to retain these new business relationships. Some companies are already taking proactive steps by setting up **backward integration projects** to control raw material costs and improve supply chain resilience.

EXCLUSIVE CHAT WITH MR. ANURAG SURANA: A Deep Dive Into India's Specialty Chemicals Boom



Taksh Research: From an investor's perspective, what should one look for when evaluating specialty chemical companies?



Mr. Anurag Surana: It's definitely a high-growth, high-margin sector, but investors need to be smart about their picks. Here's what to look for: - **Pricing Power:** Can the company pass on cost hikes to customers? - **Product Differentiation:** Are they focused on innovation and unique solutions? - **R&D and Technology Investments:** Companies investing in cutting-edge product development will stay ahead. - **ESG Readiness:** Sustainability is now a major factor in valuation and buyer decisions.

While some stocks are already highly valued, companies that prioritize innovation, backward integration, and sustainability will continue to deliver strong returns.

Taksh Research: Looking ahead, what emerging trends or developments do you think will define the next phase of growth for this industry?



Mr. Anurag Surana: Things are evolving fast! Here are a few major trends: **1. Sustainability & Green Chemistry:** A shift toward biodegradable, solvent-free, and environmentally friendly chemicals. **2. New High-Growth Segments:** Rising demand for electronic chemicals, EV battery materials, and high-performance coatings. **3. Mergers & Acquisitions (M&A):** Bigger players are snapping up niche companies to expand their portfolios. **4. Contract Manufacturing Growth:** More global players are outsourcing chemical production to India, boosting exports.



Taksh Research: Finally, where do you see India's specialty chemicals industry headed over the next decade, and what will it take for companies to stay ahead?



Mr. Anurag Surana: We're at a real turning point. With supply chain shifts, growing domestic demand, and increased R&D investments, India has a golden opportunity to establish itself as a major global player. That said, companies will need to navigate raw material challenges, evolving regulations, and rising competition to maintain their momentum. For both investors and businesses, this is an exciting space. Those who focus on innovation, sustainability, and global expansion are going to be the real winners.

Taksh Research: Thank you, Mr. Surana. Your insights have provided a clear picture of both the opportunities and the work ahead. We look forward to seeing how this space evolves.



Mr. Anurag Surana: My pleasure! Always happy to chat about this exciting industry.





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