The Indian petrochemical sector – Q1FY27

Highlights[1]

India's strengths in polymers and agrochemicals, alongside rising domestic demand and capacity expansion, position the broader chemicals and petrochemicals sector for sustained growth. Overall sector demand could reach INR92.7 tn by 2040, with specialty chemicals emerging as a key higher-value growth segment.

INR 92.7 tn

India's chemical sector is projected to reach this scale by 2040

As of 2026 80,000+ products

Highly diversified chemical and petrochemical products manufactured in India

Annual growth 11-12% 2021-27

Growth is expected to remain at 7–10 per cent annually during 2027–40, potentially tripling India's global chemical market share by 2040

3rd Globally

India ranks third in polymer consumption and agrochemical production and sixth in chemical production

1. Chemicals, IBEF, May 2026

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Segmental performance

India's chemical opportunity is shifting from volume-led expansion to higher-value growth, with specialty and agrochemicals driving future value creation while petrochemicals provide the scale required for downstream expansion

Segmental growth outlook

- **1.57 mn tonnes** — Petrochemical production in April 2026[1]
- **INR 2.19 tn** — India agrochemicals market projected to reach by 2034[2]
- **INR 8.65 tn** — India specialty chemicals market projected to reach by 2034[2]
- **6.71 mn tonnes** — Organic chemical production projected to reach by FY2037–38[2]

Key growth factors[2]

- Growing industries are increasing demand for chemical products
- Rising incomes and cities are increasing domestic demand
- New factories are expanding India's chemical production capacity
- Government support is encouraging investment and local production.

1. Monthly production data for the Index of Industrial Production (IIP), Department of Chemicals and Petrochemicals, April 2026
2. Chemicals, IBEF, May 2026

Performance snapshot

Drivers[1]

Integrated chemical hubs are expanding manufacturing capacity

Three operational regions attracted INR3.57 tn, strengthening manufacturing infrastructure and downstream linkages

Global market reach is widening export opportunities

Exports to 175+ countries position India to capture diversified global chemical sourcing demand

New chemical parks are supporting local manufacturing

INR33 bn announced by government for three chemical parks, supports domestic infrastructure and reduces import dependence

Foreign investment is supporting domestic capacity expansion

Chemical-sector foreign direct investment (FDI) reached INR2.23 tn from April 2000–March 2026, supporting localisation and capacity creation

Challenges

Low research spending constrains product innovation[1]

Chemical companies spend only ~1 per cent of revenue on research and development (R&D), constraining differentiated product development

Weak production momentum[2]

Petroleum-product production declined by 4.4 per cent Y-o-Y during Q1FY27, while crude processing declined by 2.6 per cent

Import dependence remains high across core chemicals[1]

Organic and inorganic chemical imports reached INR0.40 tn during April–May 2026 combined

1. Chemicals, IBEF, May 2026;
2. Petroleum Planning and Analysis Cell monthly report, PPAC, June 2026

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Outlook[1]

INR 1.39 tn

India's green chemicals market expected to reach by 2027

INR 0.89 tn

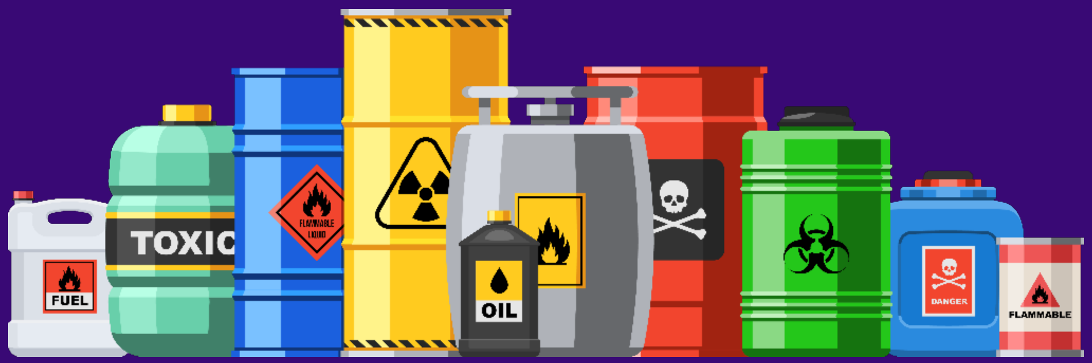
Agrochemical exports projected to reach by 2028

42.87 mn tonnes

Total chemical production projected to reach by FY 2037–38

60 mn tonnes

India's polymer consumption projected to reach by 2040



1. Chemicals, IBEF, May 2026

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Key takeaways[1]

- India's chemical and petrochemical demand could reach **INR92.66 tn** by 2040
- India's specialty chemicals market could reach **INR8.65 tn** by 2034
- India's agrochemicals market could reach **INR2.19 tn** by 2034; exports could exceed **INR0.89 tn** by 2028
- Financial year 2025–26: chemical trade deficit was **INR0.73 tn**, supporting localisation
- Three chemical hubs attracted **INR3.57 tn**, scaling domestic capacity
- Green chemicals market could exceed **INR1.39 tn** by 2027

1. Chemicals, IBEF, May 2026

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