

June 30, 2026

## Privi Speciality Chemicals Limited: [ICRA]AA (Stable); assigned

### Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based – Term loan	300.00	[ICRA]AA (Stable); assigned
<b>Total</b>	<b>300.00</b>	

\*Instrument details are provided in Annexure II

### Rationale

The rating factors in Privi Speciality Chemicals Limited's (PSCL/the company) established position as a leading global manufacturer of aroma chemicals, supported by over three decades of established operating track record, strong backward integration through Crude Sulphate Turpentine (CST)-based processing, and diversified global customer base comprising leading fragrance and FMCG players. The company's integrated manufacturing capabilities, including dual pinene processing (alpha & beta), confer a structural cost advantage and enhance product range relative to its peers.

The rating also considers the company's increasing shift towards high-value specialty aroma molecules and ongoing capacity expansion. Further, the company has strong R&D capabilities marked by a high R&D spend, which is ~3% of operating income enabling product innovation and entry into premium segments such as fine fragrances and bio-based chemicals. As a part of its expansion plan, the company is aiming for its second waste-to-wealth product series, namely maltol and ethyl maltol, in the flavours market using corn cobs.

PSCL's healthy scale-up in revenues and profitability, with operating income increasing to ~Rs. 2,563 crore in FY2026 from ~Rs. 2,101 crore in FY2025, coupled with improvement in operating margins driven by product mix, supports its credit profile. The operating margin for FY2026 witnessed an uptick (reaching 25.2% from 21.8% in FY2025) due to R&D efforts, which led to the introduction of some high-margin aroma chemicals, debottlenecking of plants, increase in value added products from byproducts and enhanced scale of operations. Further, the company's JV with Givaudan (a Swiss-based leading fragrance player) – PRIGIV, turned PAT positive in Q4 FY2026 and will contribute to the profitability, albeit at a lower level relative to the overall scale of operations.

The rating also draws comfort from long-term contracts (for ~70% of revenues) with global clients and structured sourcing arrangements, which provide revenue visibility and partial protection against raw material volatility. The company's working capital improved significantly to 32.3% in FY2026 from 41.8% in FY2025, led by a decline in inventory days. Going forward, with the introduction of corn cob-based products in the portfolio and a higher proportion of raw materials being procured locally, working capital intensity is expected to improve further in the medium term.

However, the rating is constrained by the company's exposure to raw material price volatility (particularly for Gum Turpentine Oil (GTO) and crude-linked inputs) and elevated working capital intensity, primarily on account of high inventory (including goods in transit) and long supply chains. ICRA also takes note of forex risk arising from the company's significant exposure to international markets, mitigated by a natural hedge, as approximately 65–70% of the company's revenues are export-driven.

Further, PSCL is undertaking a large capex programme (~Rs. 1,200 crore) divided into three phases over the next 2–3 years, which exposes it to execution and leverage risks, although the funding mix and expected cash flows provide adequate comfort. Phase I of the capex programme is expected to be completed by July 2026, while Phase II and III are in the form of new product capacities that are expected to be commissioned by Q1 FY2028 and Q2 FY2029, respectively.

The Stable outlook reflects ICRA's expectations that PSCL will continue to benefit from healthy demand for aroma chemicals, improving scale and margins, while maintaining a comfortable capital structure despite the proposed capex plan.

## Key rating drivers and their description

### Credit strengths

**Strong market position in aroma chemicals with diversified global clientele** - PSCL is among the leading global manufacturers of aroma chemicals with exports to 40+ countries and a diversified customer base including Givaudan, IFF, Symrise, P&G, Reckitt, BASF, etc., supporting revenue visibility and low concentration risk. The portfolio includes 75+ products across pine, musk, Citral, value added speciality products and phenol segments, with increasing contribution from high-value speciality molecules (e.g., amber woody xtreme, indomerane), enhancing margins.

**Backward integration through CST route provides structural cost advantage** - The company's ability to process CST (Crude Sulphate Turpentine)—a low-cost by-product of the pulp industry—offers ~15–20% cost advantage against GTO route, along with lower volatility and supply security. PSCL is among only four global players with advanced CST processing capability, creating high entry barriers. Around 70% of revenues are under annual contracts with back-to-back input sourcing, ensuring better margin visibility and absorption of volatility over time.

**Improving scale and profitability** - PSCL's healthy scale-up in revenues and profitability, with operating income increasing to ~Rs. 2,563 crore in FY2026 from ~Rs. 2,101 crore in FY2025, coupled with improving margins driven by product mix, supports its credit profile. The margin for FY2026 witnessed an uptick, increasing to 25.2% from 21.8% in FY2025 due to R&D efforts, which led to introduction of some high-margin aroma chemicals, debottlenecking of plants, increase in value added products from byproducts and enhanced scale of operations. The revenues are expected to grow over the medium term, supported by capacity expansion and new product launches.

### Credit challenges

**Exposure to raw material price volatility** - Despite CST advantage, the company remains exposed to fluctuations in chemical inputs and logistics costs, which may impact margins in the short term. Chinese players may exert pricing pressure; however, their higher cost structures and reduced export incentives partially mitigate the risk.

**Working capital-intensive operations** - The company's working capital intensity stood at 32.3% in FY2026, which improved from 41.8% in FY2025, driven by a decline in inventory holding period. The high inventory levels (~Rs. 700 crore) due to long transit times (60–130 days), buffer stocking, and accounting of goods in transit result in an elevated working capital intensity.

**Large capex exposes company to execution and leverage risks** - The Rs. 1,200-crore capex plan across phases (existing, new and specialty products) introduces execution, ramp-up and financing risks. While the proposed capex is to be funded by debt of Rs. 500-600 crore, leverage and the debt coverage metrics are expected to remain comfortable (target total debt/EBITDA<2x) with healthy increase in cash accruals and profitability as incremental capacities ramp up.

### Environmental and social risks

**Environmental considerations** - Privi Speciality Chemicals integrates Environmental, Social, and Governance (ESG) principles into its core strategy to drive sustainable growth and long-term value creation. The company focuses on renewable energy adoption, waste management, and reducing emissions, with initiatives such as solar power usage, zero liquid discharge systems, and science-based climate targets. The Company has been accredited with the platinum ratings by Ecovadis which is conferred to less than 1% of the Companies Globally.

**Social considerations** - It prioritises employee safety, inclusion, skill development, and community welfare through CSR programmes in healthcare, education, and environmental conservation. Strong stakeholder engagement and transparent communication further reinforce trust and accountability. On governance, the company upholds ethical business conduct, robust risk management, and compliance with global standards and regulatory frameworks. ESG performance is recognised through high EcoVadis ratings and CDP disclosures.

### Liquidity position: Adequate

PSCL’s liquidity position, on a consolidated basis, is expected to remain adequate going forward with expectations of healthy net cash accruals on an ongoing basis and unutilised fund-based limits. While PSCL plans to undertake large capacity expansion of ~Rs. 1,200 crore (of which large part of ~Rs. 350-crore capex for phase I has been incurred), which would be funded from mix of debt (~Rs. 500-600 crore) and internal accruals, ICRA expects the company’s liquidity position to remain comfortable considering healthy cash flow from operations on account of strong margin profile of the entity. Further, there is adequate cushion available in the working capital limits, given the utilisation trend.

### Rating sensitivities

**Positive factors** – ICRA could upgrade the rating if PSCL demonstrates a sustained improvement in its operating performance with an expansion in profit margins and strengthening of its debt coverage metrics. Additionally, an improvement in the capital structure with Total Debt/OPBDITA moderating to below ~1.0 times on a sustained basis would also be a positive factor. Further, a structural reduction in working capital intensity, particularly through optimisation of inventory levels and improvement in the operating cycle, along with timely completion and efficient ramp-up of the ongoing capex programme, resulting in scale-up of revenues and cash accruals, will remain important positive triggers for a rating upgrade.

**Negative factors** – The rating could be downgraded in the event of a sustained weakening in PSCL’s profitability and coverage indicators. Any continued pressure on operating margins would be a key monitorable. Deterioration in debt protection metrics with Total Debt/OPBDITA rising above ~2.0 times on a sustained basis, could exert pressure on the ratings. Additionally, elongation in the working capital cycle—especially driven by elevated inventory levels or receivables—may result in a downgrade. Delays in project execution, cost overruns, or slower-than-expected ramp-up of capacities, resulting in lower earnings generation than envisaged, will also remain key negative factors.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Chemicals</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of PSCL. Refer to the Annexure III for the list of entities considered for consolidation.

### About the company

PSCL, incorporated in 1985, manufactures aroma chemicals, which are used as ingredients for manufacturing fragrances. The company has six manufacturing facilities at Mahad in Maharashtra and one in Jhagadia at Gujarat. PSCL has integrated operations with facilities to manufacture key raw materials. Mr. Mahesh Babani and Mr. D. B. Rao manage the operations. The company’s current capacity is 48,000 MTPA.

The company has a wide product profile, which includes pinene-based, citral-based, phenol-based, musk-based and other specialty products. Its customers comprise global leaders in flavour and fragrance and FMCG industries. It is listed on both the National Stock Exchange and the Bombay Stock Exchange.

### Key financial indicators (audited)

PSCL (consolidated)	FY2025	FY2026*
Operating income	2,101.2	2,563.7
PAT	184.8	316.7
OPBDIT/OI	21.8%	25.2%
PAT/OI	8.8%	12.4%
Total outside liabilities/Tangible net worth (times)	1.5	1.2
Total debt/OPBDIT (times)	2.5	1.6
Interest coverage (times)	5.0	7.9

Source: Company, ICRA Research; \* Result numbers; All ratios as per ICRA's calculations; Amount in Rs. crore  
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Current (FY2027)					Chronology of rating history for the past 3 years							
					FY2027		FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating		
Term loan	Long-term	300.00	Jun 30, 2026	[ICRA]AA (Stable)	-	-	-	-	-	-		

### Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/1/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI

15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(\*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

**Disclosure:** SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

### Annexure II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term Loan	FY2027	7.6%	FY2034	300.00	[ICRA]AA (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure III: List of entities considered for consolidated analysis**

Company name	Ownership	Consolidation approach
Privi Speciality Chemicals Limited	100.00% (Rated Entity)	Full Consolidation
Privi Biotechnologies Pvt Ltd	100.00%	Full Consolidation
Privi Speciality Chemicals USA Corporation	100.00%	Full Consolidation
Prigiv Specialties Pvt Ltd	51.00%	Equity Method

Source: Company

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

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