



May 22, 2024

Manager (CRD) BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai-400001 Scrip Code: 530117	Manager – Listing Department National Stock Exchange of India Limited Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (East) Mumbai-400051 Scrip Code: PRIVISCL
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Dear Sir/Madam,

Sub: Intimation of revision in ratings under SEBI (Listing Obligations & Disclosure Requirements), Regulations, 2015

Pursuant to Regulation 30(6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to report that CRISIL Limited have enhanced the ratings on the long-term debt instruments / bank facilities availed by the Company as follows.

CRISIL Limited have reaffirmed the ratings for short term debt availed by the Company.

Name of the Company	Credit Rating Agency	Type of Credit	Existing	Revised
Privi Speciality Chemicals Limited	CRISIL Limited	Long Term Credit Rating	A+ Outlook: Stable	A+ Outlook: Positive

Please find enclosed herewith letter dated May 21, 2024, issued by CRISIL intimating the Long-Term Ratings and the Shot-Term Ratings assigned to the Bank Facilities of Privi Speciality Chemicals Limited.

We request you to take the above on record.

Thanking You,

Yours Sincerely,

For PRIVI SPECIALITY CHEMICALS LIMITED

ASHWINI SAUMIL SHAH
COMPANY SECRETARY



Encl.: As above



PRIVI SPECIALITY CHEMICALS LIMITED

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Rating Rationale

May 21, 2024 | Mumbai

Privi Speciality Chemicals Limited

Rating outlook revised to 'Positive'; Ratings Reaffirmed; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.1118 Crore (Enhanced from Rs.897 Crore)
Long Term Rating	CRISIL A+/Positive (Outlook revised from 'Stable'; Rating Reaffirmed)
Short Term Rating	CRISIL A1 (Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed rationale

CRISIL Ratings has revised its outlook on the long-term bank facilities of Privi Speciality Chemicals Ltd (PSCL) to '**Positive**' from 'Stable' while reaffirming the rating at '**CRISIL A+**'. Further, CRISIL Ratings has reaffirmed its 'CRISIL A1' rating on the short-term bank facilities of the company.

The outlook revision factors CRISIL's expectation of improvement in overall credit profile driven by steady growth in revenue, along with sustenance of operating margin and reducing debt levels. Revenue increased to Rs 1,755 crore in fiscal 2024, from Rs 1,610 crore in fiscal 2023, while operating margin improved to 19.9% from 13% in the same period. Revenue is expected to increase by 10-12% in fiscal 2025, driven by higher volume sales from existing and new capacities, while sustaining operating margins between 18-20%, and will remain key monitorable. With scheduled debt repayments and improvement in networth, financial risk profile is expected to strengthen over the medium term. CRISIL does not expect any debt-funded capex to be undertaken by the company in near term. Furthermore, liquidity strengthened on the back of higher cash accrual, moderate reliance on bank limit and significant cash and cash equivalents.

The ratings continue to reflect PSCL's strong business risk profile, driven by an established market position in the bulk aroma chemicals industry, longstanding customer relationships, strong relationship with suppliers and improving profitability and asset utilisation. The ratings also consider an above-average financial risk profile because of comfortable capital structure and adequate debt protection metrics. These strengths are partially offset by exposure to any sudden and sharp fluctuation in foreign exchange (forex) rates, volatility in prices of raw material, particularly crude derivatives, and large working capital requirement.

Analytical approach

CRISIL Ratings has considered the consolidated financials of PSCL and its wholly owned subsidiaries and joint ventures – Privi Biotechnologies Pvt Ltd, Privi Speciality Chemical USA Corp and Prigiv Specialties Pvt Ltd, which are strategically important to, and have a significant degree of operational integration with, PSCL.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key rating drivers and detailed description

Strengths:

- **Established market position, longstanding customer relationships and diversified product basket:** Benefits from the two-decade-long experience of the promoters, their established relationships with suppliers and customers and a portfolio of 70 products (across four chemical categories -- pinene, citral, phenol and musk and speciality) should continue to support the business risk profile. Pinene-based products—dihydromyrcenol and amber fleur—account for sizeable revenue. Business is also bolstered by the key supplier status for all major global customers with which the company has healthy relationship. It exports to all major markets and is the preferred supplier to the top flavour and fragrance (F&F) houses of the world such as Givaudan (Switzerland), Firmenich (Switzerland), Symrise (Germany) and leading fast-moving consumer goods (FMCG) players such as The Procter & Gamble Company and Henkel. PSCL's established industry presence, diversified product basket and established relations with a reputed clientele bolsters its business risk profile and will facilitate steady ramp up of operations.

- **Strong relationship with suppliers, improving profitability and asset utilisation:** The company is one of the few players globally with capability to manufacture key inputs alpha and beta pinene from basic raw materials, crude sulphate turpentine and/or gum turpentine oil. The backward integration for key inputs insulates the business from fluctuations in alpha and beta pinene prices. Arrangements with suppliers for raw material procurement also supports profitability. The company has tie-ups with customers for 65% of its capacity on yearly basis, insulating the business from price fluctuation in key products in spot market.
- **Comfortable financial risk profile:** Financial risk profile is expected to remain comfortable, with healthy accretion to reserve and moderate reliance on external debt. Networth stood at Rs 913 crore as on March 31, 2024, with gearing at 1.0 time and total outside liabilities to adjusted networth (TOL/ANW) ratio at 1.46 times; the ratios are expected at 0.5-0.85 time and 0.90-1.29 times, respectively, over the medium term. Debt protection metrics have been healthy, with interest coverage ratio of 3.51 times and net cash accrual to adjusted debt ratio of 0.23 time for fiscal 2024; the metrics are likely to be comfortable over the medium term.

Weaknesses:

- **Exposure to sudden and sharp fluctuation in forex rates and volatility in raw material prices:** Exports account for 70% of revenue. While raw material imports form a partial natural hedge, the remaining is covered through forward contracts. However, the operating margin remains vulnerable to any sharp and sudden forex rate fluctuations. The operating margin is also exposed to volatility in prices of crude derivatives-based raw material, which form close to 30% of total raw material component. The margin dipped to 13% in fiscal 2023 from 16% in fiscal 2022. Sustenance of healthy operating margin, despite input price volatility, will remain monitorable.
- **Large working capital requirement:** The working capital cycle is likely to remain stretched and will be closely monitored. Gross current assets were 222 days as on March 31, 2023, driven by inventory of 171 days (due to stocking of key raw materials and debtors of about 72 days). The inventory levels are expected to be in similar range in medium term, as per business requirement given the lead time for imports. Furthermore, as the company deals with large global players, it has to extend an open credit of 60-70 days.

Liquidity: Strong

Cash accrual is projected at Rs 225-250 crore per annum, against debt repayment of Rs 137 crore and Rs. 130 crores in fiscal 2025 and fiscal 2026, respectively. The fund-based limit was utilised at around 83% during the 12 months through March 2024. Unencumbered cash and cash equivalents and investments in liquid funds and mutual funds were about Rs 63 crore as on March 31, 2024. Current ratio was moderate at 1.17 times as of March 2024. Liquidity is further supported by need-based unsecured loans extended by the promoters. Internal cash accrual and unutilised bank lines are sufficient to meet the incremental working capital requirement.

Outlook: Positive

CRISIL Ratings believes PSCL will benefit from optimum utilisation of capacity, addition of customers and higher-margin yielding products. A prudent funding mix and commitment towards maintenance of the capital structure and debt coverage will ensure sustenance of the financial risk profile over the medium term.

Rating sensitivity factors

Upward factors

- Strengthening of business risk profile, driven by ramp-up of revenue and operating profitability above 19%, leading to higher cash accruals.
- Controlled reliance on external debt and sustenance of liquidity.

Downward factors

- Gearing sustained above 1 times due to any unanticipated capital expenditure or continued high inventory
- Weaker profitability because of high cost of production, slower ramp-up, or lower realisations, impacting cash accrual

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 manufacturing facility in Jhagadia at Gujarat. PSCL has integrated operations with existing facilities to manufacture key raw materials. Mr Mahesh Babani and Mr D B Rao manage the operations.

The company has a wide product profile, which includes pinene-based, citral-based, phenol-based and other specialty products; customers comprise global leaders in the flavour and fragrance, and FMCG industries. It is listed in both NSE and BSE,

Key financials- Consolidated

As on/for the period ended March 31	Unit	2024	2023
Operating income	Rs crore	1754.65	1,610.06
Reported profit after tax (PAT)	Rs crore	95.43	21.28
PAT margin	%	5.44	1.32
Adjusted debt/adjusted networth	Times	1.00	1.29

Interest coverage	Times	3.51	3.01
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Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Term loan	NA	NA	Mar-2030	343	NA	CRISIL A+/Positive
NA	Fund-based facilities	NA	NA	NA	695	NA	CRISIL A+/Positive
NA	Non-fund-based limit	NA	NA	NA	80	NA	CRISIL A1

Annexure - List of entities consolidated

Names of entities consolidated	Extent consolidation of	Rationale for consolidation
Privi Speciality Chemicals Ltd	Full	Strategically important and have a significant degree of operational integration
Privi Speciality Chemicals USA Corporation	Full	
Prigiv Specialties Pvt Ltd*	Partial (51%)	
Privi Biotechnologies Pvt Ltd	Full	

*51% owned by Privi Speciality Chemicals Ltd and 49% by Givaudan SA

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	1038.0	CRISIL A+/Positive		--	20-09-23	CRISIL A+/Stable	30-09-22	CRISIL A+/Stable	03-06-21	CRISIL A+/Stable	CRISIL A+/Stable
					--		--	30-08-22	CRISIL A+/Stable	05-05-21	CRISIL A+/Stable	--
Non-Fund Based Facilities	ST	80.0	CRISIL A1		--	20-09-23	CRISIL A1	30-09-22	CRISIL A1	03-06-21	CRISIL A1	CRISIL A1
					--		--	30-08-22	CRISIL A1	05-05-21	CRISIL A1	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Fund-Based Facilities	110	ICICI Bank Limited	CRISIL A+/Positive
Fund-Based Facilities	50	RBL Bank Limited	CRISIL A+/Positive
Fund-Based Facilities	130	HDFC Bank Limited	CRISIL A+/Positive
Fund-Based Facilities	40	RBL Bank Limited	CRISIL A+/Positive
Fund-Based Facilities	90	Standard Chartered Bank Limited	CRISIL A+/Positive
Fund-Based Facilities	70	Citibank N. A.	CRISIL A+/Positive
Fund-Based Facilities	90	IDBI Bank Limited	CRISIL A+/Positive
Fund-Based Facilities	115	YES Bank Limited	CRISIL A+/Positive
Non-Fund Based Limit	10	ICICI Bank Limited	CRISIL A1

Non-Fund Based Limit	10	Standard Chartered Bank Limited	CRISIL A1
Non-Fund Based Limit	10	HDFC Bank Limited	CRISIL A1
Non-Fund Based Limit	10	RBL Bank Limited	CRISIL A1
Non-Fund Based Limit	10	Citibank N. A.	CRISIL A1
Non-Fund Based Limit	10	IDBI Bank Limited	CRISIL A1
Non-Fund Based Limit	20	YES Bank Limited	CRISIL A1
Term Loan	46	Citibank N. A.	CRISIL A+/Positive
Term Loan	51	ICICI Bank Limited	CRISIL A+/Positive
Term Loan	56	RBL Bank Limited	CRISIL A+/Positive
Term Loan	188	HDFC Bank Limited	CRISIL A+/Positive
Term Loan	2	ICICI Bank Limited	CRISIL A+/Positive

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Chemical Industry](#)

[CRISILs Criteria for Consolidation](#)

[Understanding CRISILs Ratings and Rating Scales](#)

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