Privi Speciality Chemicals Ltd.

BP WEALTH

Plant Visit Note **21st April 2025**

Strategic Levers in Place for High-Margin Growth

We recently met the management of Privi Speciality Chemicals Limited during a plant visit to its Mahad facility to gain deeper insights into the aroma and fragrance chemicals segment and assess the company's production capabilities and future growth prospects. Privi Speciality Chemicals is India's leading manufacturer and exporter of aroma and fragrance chemicals, with over 30 years of experience in the industry. The company specializes in bulk aroma chemicals used across soaps, shampoos, detergents, fine fragrances, and pharmaceuticals. Privi holds over 20% global market share in ten key aroma products, underscoring its strong international presence. As of 9MFY25, the company's revenue mix is well-diversified, with Pinene contributing 58%, Musk & Speciality at 23%, Citral at 10%, Phenol at 7%, and Value-Added Products at 2%. Privi also invests in developing new capacities for high-value products through its dedicated R&D initiatives. Based on our observations, Privi Speciality Chemicals stands out in the aroma and fragrance chemicals space, aided by its robust technical capabilities, strong competitive positioning, and strategic focus on operational excellence, product optimization, and long-term customer relationships.

Following are the key takeaways from the interaction:

Strategic partnership with Givaudan to accelerate growth

Privi Speciality Chemicals has taken a significant strategic step by partnering with Givaudan, a global leader in the flavours and fragrances industry, to manufacture 42 exclusive, high-value aroma chemicals. This joint venture, PRIGIV, marks Privi's focused entry into the high-value product segment. During the Q3FY25 earnings call, the management announced that commercial production at the new facility has already commenced, with the ramp-up progressing as expected. The products produced under this joint venture are advanced and complex, requiring precision. While the initial scale-up will take time, the company is confident in achieving the projected revenue potential from this venture, particularly from FY26 onwards. The partnership fits well within Privi's strategy to enhance its product portfolio with high-margin molecules and reduce dependency on commodity-driven volumes. Notably, the company highlighted that several new products are being developed from renewable feedstock. The JV is also expected to strengthen company's presence in export markets, particularly in the Western regions, while securing long-term contracts and customer stickiness. The collaboration with Givaudan adds a robust global client to Privi's portfolio and signifies a shift towards higher-value, innovation-led growth, ensuring financial stability.

CST refinery to drive operational performance

The CST refinery at Privi Speciality Chemicals is critical to the company's growth strategy, particularly in the high-margin business. The company is one of the four global companies and the only Asian company to use CST from 30+ pulp mills worldwide. As Asia's largest CST refinery, Privi enjoys a strong competitive advantage driven by economies of scale and superior process control, making it a true margin powerhouse. The current installed capacity is 36,000 MT for CST and 9,600 MT for GTO. The company plans to enhance this capacity to 42,000 MT (CST) and 12,000 MT (GTO) over the next 9–12 months to cater to the expected demand surge by CY26. A key differentiator for Privi is its ability to process both CST and GTO, adjusting based on cost dynamics, which positions it as the industry's lowest-cost producer. Additionally, the CST refinery benefits from continuous process improvements and debottlenecking, which are expected to drive higher yields and better operational efficiency, supporting long-term margins and robust performance.

Strengthen core business to enhance volume growth

The company is strengthening its core business by optimizing product and long-term customer engagement. This transition has already been implemented for several of its core products, including Galaxmusk and Prionyl, leading to significant improvements in yield, reduced utility consumption and overall cost efficiency. Privi is also expanding the capacities of its flagship products, such as Galaxmusk, Prionyl, and Camphor, which have seen growing demand from multinational customers. The company has streamlined production across these lines following years of focused capex, and it is now reaping the benefits of robust customer demand. Additionally, the company is leveraging its R&D strength to develop newer versions and variants of its core offerings, often using renewable feedstocks, which aligns with global sustainability standards and gives Privi a competitive edge in a market that increasingly values green chemistry. Moreover, about 70% of Privi's revenues are secured through long-term contracts with significant fragrance and FMCG companies. For 2025, Privi has already secured contracts with key clients at a 7-10% price increase, depending on the product

Sector Outlook	**Positive**

Stock

CMP (Rs.)	1,902
NSE Symbol	PRIVISCL
BSE Code	530117
Bloomberg	PRIVISCL IN
Reuters	ADIF.BO

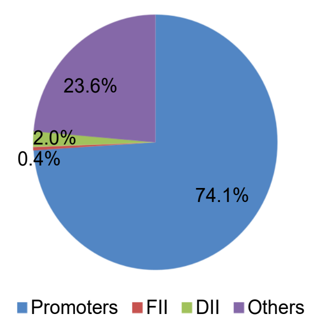
Key Data

Nifty	24,122
52WeekH/L(INR)	2,017/1,031
O/s Shares (Mn)	39.1
Market Cap (INR bn)	73.7
Face Value (INR)	10

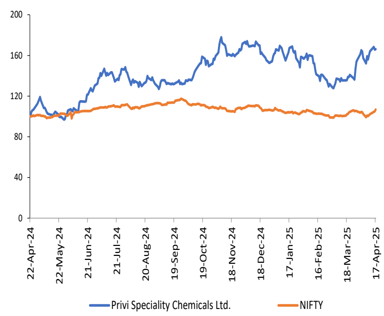
Average volume

3 months	36,540
6 months	47,550
1 year	47,760

Share Holding Pattern (%)



Relative Price Chart



Research Analyst
Prathamesh Masdekar
Prathamesh.masdekar@bpwealth.com
022-61596158

category. While Europe remains Privi's primary export market, contributing 35-40% of its revenue, the company is actively expanding into high-growth regions such as India, Africa, and Latin America while reinforcing its position in established markets like North America. This expansion strategy is expected to drive volume growth and increase market share.

Strategic expansion plan to aid financial performance

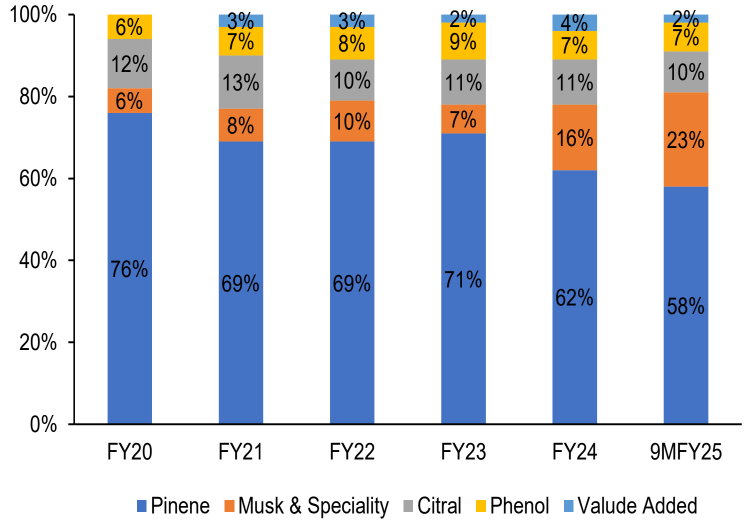
Privi Speciality Chemicals has boarded on a well-structured capacity expansion plan to meet rising demand, improve operational efficiencies, and reinforce its leadership position in the aroma chemicals industry. Over the next 15 to 18 months, the company has committed a capex of approximately Rs. 250–300 crore. This investment will primarily focus on debottlenecking existing plants, enhancing manufacturing efficiencies, and expanding capacities for high-demand products such as Galaxmusk, Prionyl, and Camphor. These products have received significant capex over the past few years and are now experiencing strong market demand, necessitating further capacity augmentation. These initiatives will drive robust volume growth, strengthen the product mix, and support improved margin realization. The debottlenecking initiatives and new capacity additions are expected to support its revenue growth guidance of 20% for FY25–26 and beyond. Overall, this expansion strategy is central to Privi's long-term vision of efficiently scaling operations while improving product mix and profitability.

Valuation & Outlook

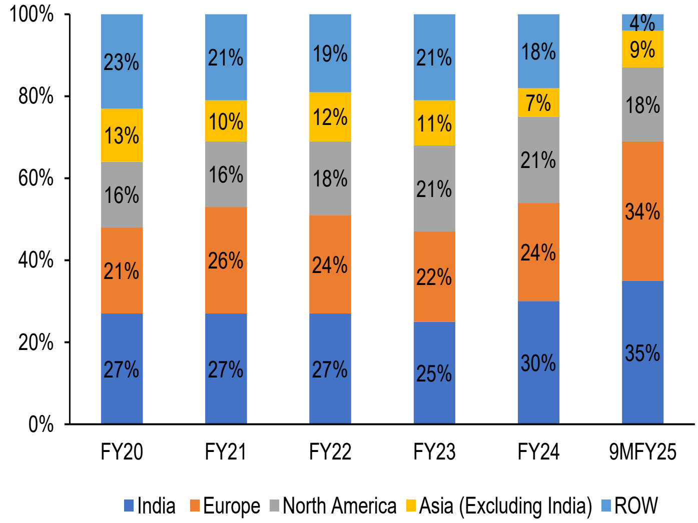
Privi Speciality Chemicals Ltd. is one of India's leading manufacturers of aroma and fragrance chemicals, supplying global fragrance houses and FMCG giants. With a well-integrated manufacturing set-up, backward integration into raw materials, and a diversified product portfolio, the company has established itself as a strong player in the global aroma chemicals market. The company holds over 20% global market share in ten key aroma products, highlighting its strong international presence. On the financial front, the company reported a Rev/ EBITDA CAGR of 11.7%/29.9 during the FY22-24 period. It was led by multiple capacity expansion projects to support increasing demand, enhance operational efficiencies, and maintain its leadership in the aroma chemicals industry. The company is also expanding its production capacity to cater to rising demand. Ongoing capex projects, including new plants for key intermediates, improved volume & realization of legacy products, and commercialization of a joint venture with Givaudan, are expected to drive revenue growth and enhance profitability. Privi's entry into value-added derivatives and strategic tie-ups further improve its growth prospects. **We, thus, expect Privi Speciality Chemicals to generate sustained growth over the long term and is trading at a PE of 48.5x on FY25e EPS estimates.**

Privi Speciality Chemicals Ltd.

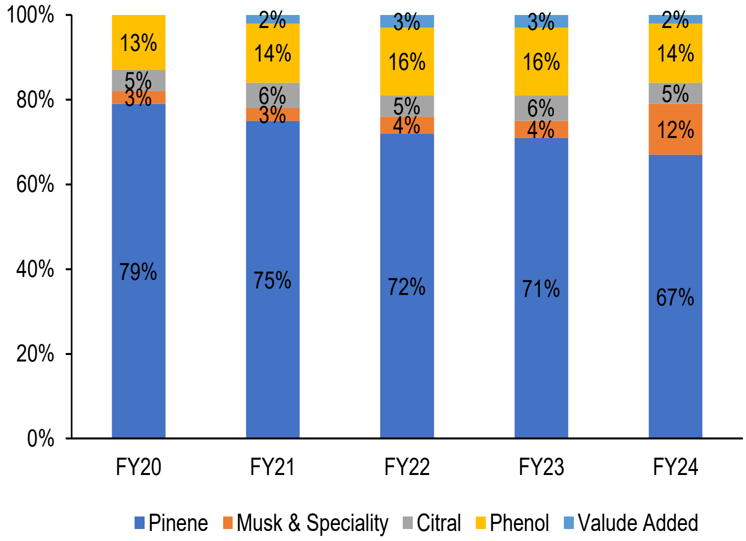
Revenue Breakup



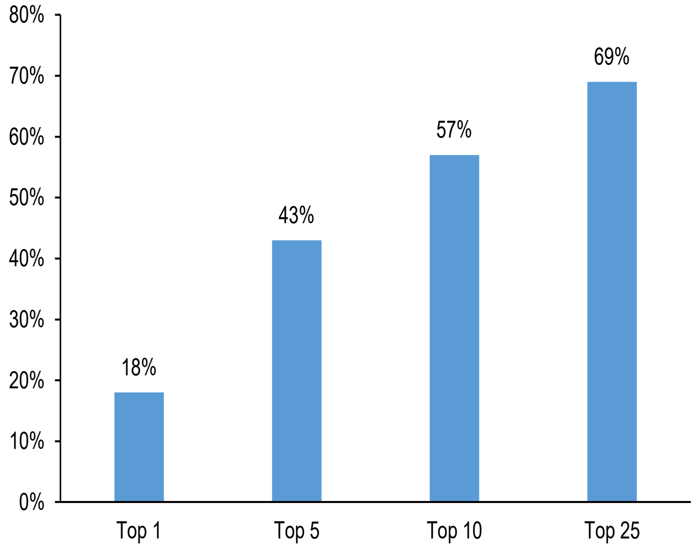
Geographical Split



Volume Breakup



Client Concentration



State Of Art Manufacturing Facilities

Location	Mahad, Maharashtra	Jhagadia, Gujarat
No. of Units	6	1
Major Products	Amber Fleur, Dihydromyrcenol, Camphor, Prionyl, Citral, Speciality, Pine oil & Terpineol	OTBCHA, PTBCHA, Galaxmusk, Florovane, Indomerane
Products with Global Market Share of more than 20%	Dihydromyrcenol, Amber Fleur, Pine Oil, Terpineol, Iso Bornyl Acetate, PTBCHA,OTBCHA, Sandal Products, Terpinen-4-ol and 1/8 Cineol	

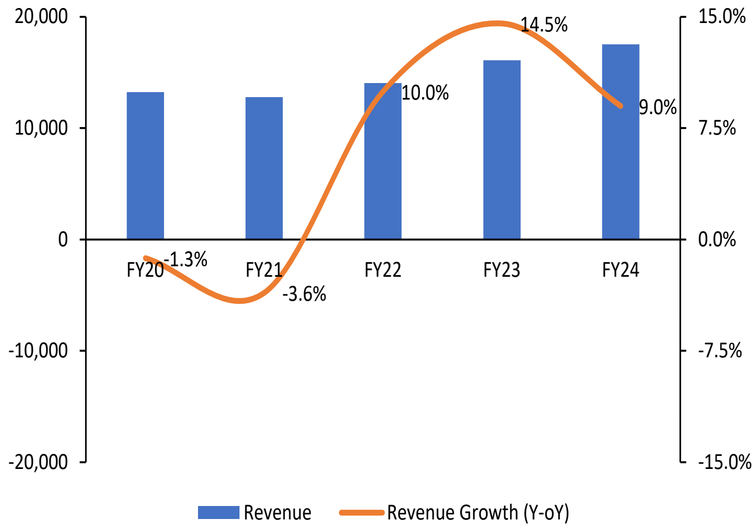
Building Capacity to Shape the Future

Aroma Chemical Segments	FY21	FY22	FY23	FY24	FY25E	FY26E
Pinene	✓	✓	✓	✓	✓	✓
Phenol	✓	✓	✓	✓	✓	✓
Value Add Products	✓	✓	✓	✓	✓	✓
Citral	✓	✓	✓	✓	✓	✓
Speciality	✓	✓	✓	✓	✓	✓
Galaxmusk (Speciality)				✓	✓	✓
Camphor (Pinene)				✓	✓	✓
Prionyl (speciality)				✓	✓	✓
40 Products under PRIGIV (Value Add)					✓	✓
New Products under development						✓

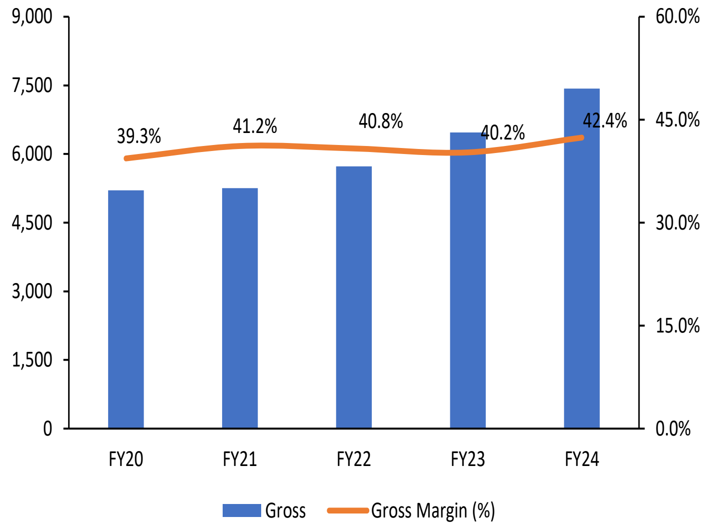
Source: Company, BP Equities Research

Privi Speciality Chemicals Ltd.

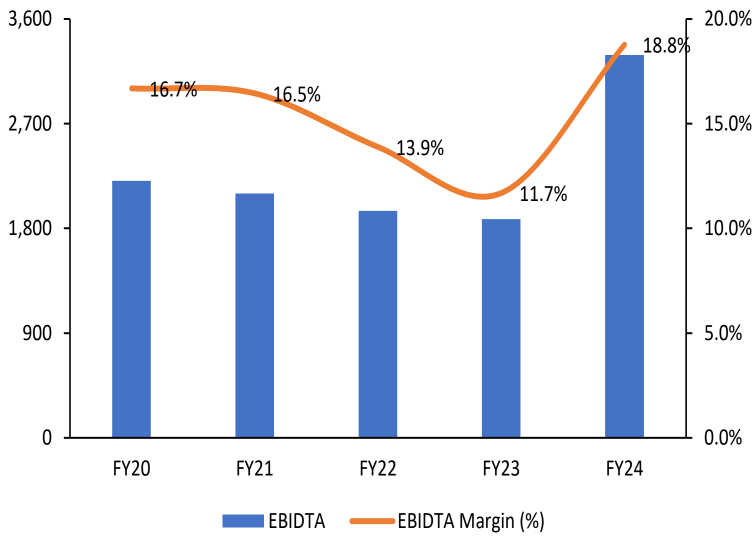
Strong revenue growth



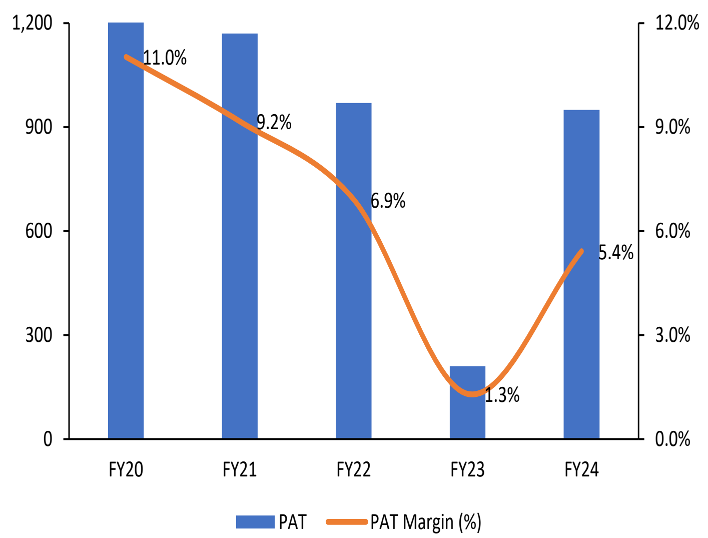
Steady improvement in gross margin



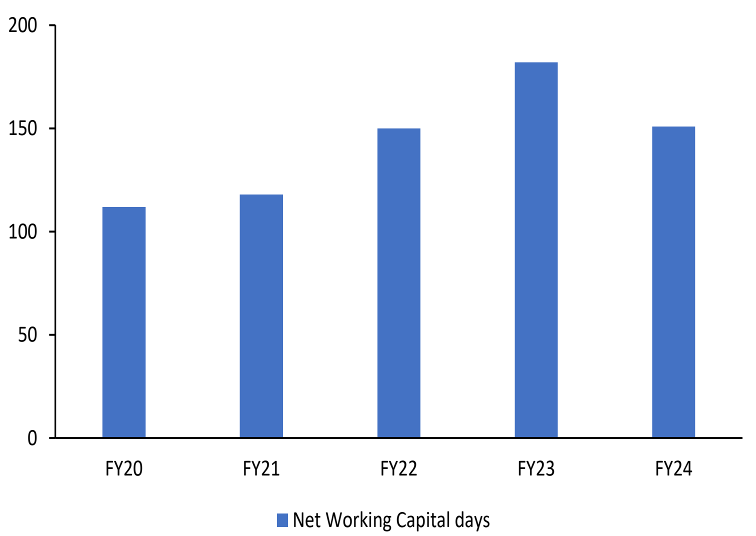
Strong EBITDA growth; margin improved



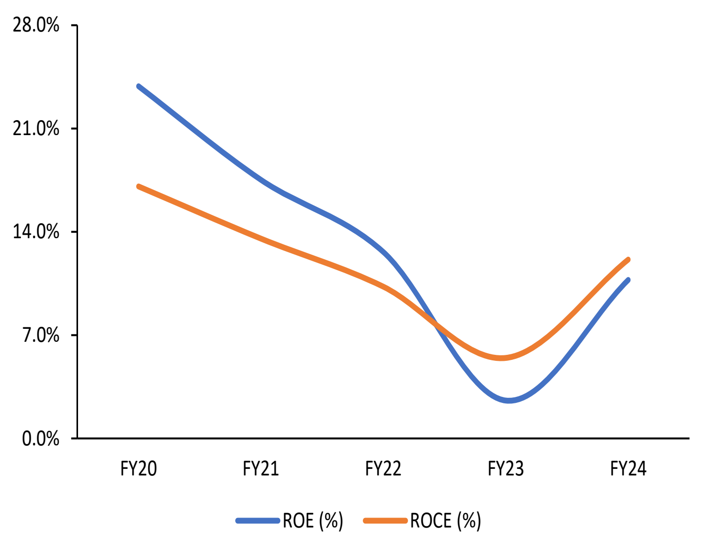
PAT margin to improve going ahead



Focus on reducing working capital days



Return ratio to improve



Source: Bloomberg, Company, BP Equities Research

Privi Speciality Chemicals Ltd.

Key Financials					
YE March (Rs. Crs)	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
Revenue	**13,241**	**12,766**	**14,037**	**16,078**	**17,522**
Revenue Growth (Y-oY)	-1.3%	-3.6%	10.0%	14.5%	9.0%
EBIDTA	**2,210**	**2,100**	**1,950**	**1,880**	**3,290**
EBIDTA Growth (Y-o-Y)	3.8%	-5.0%	-7.1%	-3.6%	75.0%
Net Profit	**1,460**	**1,170**	**970**	**210**	**950**
Net Profit Growth (Y-o-Y)	55.3%	-19.9%	-17.1%	78.4%	352.4%
Diluted EPS	**37.4**	**29.9**	**24.9**	**5.7**	**24.3**
Key Ratios					
EBIDTA margin (%)	**16.7%**	**16.5%**	**13.9%**	**11.7%**	**18.8%**
NPM (%)	11.0%	9.2%	6.9%	1.3%	5.4%
RoE (%)	**23.9%**	**17.5%**	**12.6%**	**2.6%**	**10.7%**
Valuation Ratios					
P/E (x)	50.9	63.6	76.4	334.9	78.4
EV/EBITDA	34.5	36.8	41.5	43.9	24.9
P/BV (x)	12.2	10.3	9.2	9.0	8.0
Net Debt/ EBITDA (x)	1.9	2.5	4.6	5.6	3.0

Source: Bloomberg, BP Equities Research

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Research Desk	Tel: +91 22 61596138
Institutional Sales Desk	Tel: +91 22 61596403/04

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Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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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.
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