

# Privi Speciality Chemicals

BSE SENSEX 73,983 S&P CNX 23,215

CMP: INR3,145 TP: INR3,900 (+24%) Buy



PRIVI SPECIALITY CHEMICALS LIMITED

Bloomberg	PRIVISCL IN
Equity Shares (m)	39
M.Cap.(INRb)/(USDb)	122.8 / 1.3
52-Week Range (INR)	3595 / 2050
1, 6, 12 Rel. Per (%)	-6/11/45
12M Avg Val (INR M)	424

## Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	25.6	30.6	40.0
EBITDA	6.5	7.7	10.5
PAT	3.3	4.0	5.9
EBITDA %	25.3	25.1	26.3
EPS (INR)	84.6	102.7	143.7
EPS Gr. (%)	76.7	21.4	40.0
BV/Sh.(INR)	361.6	464.3	721.8

## Ratios

Net D:E	0.7	0.6	0.1
RoE (%)	26.3	24.9	24.6
RoCE (%)	15.3	15.7	18.0

## Valuations

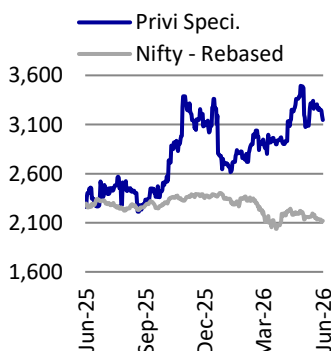
P/E (x)	37.2	30.7	21.9
P/BV (x)	8.7	6.8	4.4
EV/EBITDA (x)	20.4	17.4	12.6
FCF per share	58.9	(18.6)	61.8

## Shareholding pattern (%)

As on	Mar-26	Dec-25	Mar-25
Promoter	60.6	60.6	74.1
DII	10.7	10.2	1.9
FII	1.4	1.6	0.4
Others	27.4	27.5	23.6

Note: FII includes depository receipts

## Stock's performance (one-year)



## Resilient operations, strategic expansion, and biomass integration drive a strong growth outlook

- The Middle East crisis since Mar'26 has disrupted energy supply chains and raised specialty chemical prices due to the sector's reliance on crude-linked feedstocks. Despite the industry's high oil dependency (~58%), PRIVI remains relatively insulated, with only ~25% exposure, limited reliance on the Strait of Hormuz, and negligible dependence on Middle Eastern markets. This supports greater operational stability and margin resilience.
- PRIVI's merger with Privi Fine Science (PFS)/Privi Biotechnologies (PBPL) (by 3QFY27) is expected to add ~5–7% to FY27 revenue and expand its specialty aroma portfolio. Further, PRIGIV (the JV with Givaudan) has turned PAT-positive, with profitability expected to further improve, supported by fresh funding and debt reduction. Further capex into high-value molecules and tech-led expansion should drive steady growth and margin gains.
- PRIVI is expanding into high-value specialty products such as Maltol, Ethyl Maltol, and Cyclopentanone, which could contribute over INR5b in revenues by FY28, while supporting strong margins and cost efficiencies. The company's planned backward integration into Furfural is expected to materially improve profitability, aided by the stable availability of low-cost corn cobs as feedstock.
- PRIVI's 'Beyond 5K:1K' (INR50b/INR10b of revenue/EBITDA by FY30) strategy is centered on building a biomass-based biorefinery platform, targeting ~USD5b (total TAM to reach ~USD11.1b) opportunity across high-value specialty chemicals such as vanillin, lactic acid, and xylitol. Unlike conventional biofuel models, the company is focusing on premium molecules with superior economics and scalable demand potential. The upcoming demonstration plant will be critical in validating commercial viability, while successful execution could position PRIVI as a sustainable, lower-cost alternative to conventional fossil-fuel-based chemical manufacturing.
- We expect PRIVI to clock a CAGR of 25%/27%/34% in revenue/EBITDA/PAT during FY26-28. We reiterate our BUY rating with a TP of INR3900 (based on 27x FY28E EPS i.e. 3 year average – one year forward P/E).

## Well-positioned amid a volatile macroeconomic environment

- The escalating Middle East crisis, which began in Mar'26, has disrupted the supply chain of energy and raw materials, causing a spike in specialty chemical prices. Specialty chemicals are frequently derived from base petrochemicals like ethylene, benzene, and propylene that are directly linked to crude oil and natural gas prices
- However, PRIVI remains one of the relatively insulated companies in the current environment. This resilience is driven by its independence over the Strait of Hormuz and a lower share of petroleum-based products
- In India, oil accounts for ~58% of fuel consumption across chemical companies, indicating a high overall dependence on petroleum-based inputs. In contrast, PRIVI demonstrates relatively lower exposure, with only ~25% of its portfolio linked to oil.
- Overall, despite rising volatility in energy-linked inputs, PRIVI remains relatively insulated due to its lower petroleum dependence and limited exposure to key geopolitical disruptions, supporting more stable operations than peers.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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- PRIVI's exports accounted for ~70% sales in FY25; its dependence on the Middle East remains low, resulting in a negligible impact on its sales and margins.
- **Overall, PRIVI remains relatively insulated due to lower oil dependence and minimal Middle East exposure, supporting stable operations and margins despite sector volatility.**

### Merger synergies to drive growth

- PRIVI expects the merger with Privi Fine Sciences (PFS) and Biotechnologies (PBPL) to be completed by 3QFY27.
- PFS is expected to generate 5-7% of the company's FY27E revenue, while enabling entry into new products such as **Privial, Anethole, and Cyclamen Aldehyde**, which are used in fine and functional flavors and fragrances (cumulative TAM of ~INR22b and 29k tons).
- Moreover, PRIGIV (the joint venture with Givaudan) achieved positive PAT for the first time in 4QFY26. Profits are anticipated to further improve in subsequent quarters.
- **To capitalize on the growth opportunity and leverage PRIGIV's proven technology development track record, PRIVI and GIVAUDAN have infused further equity capital of INR500m for its immediate expansion project.**
- Further, to reduce debt the burden on PRIGIV, GIVAUDAN and PRIVI have negotiated that a non-interest-bearing trade advance of about INR1.5b will be provided by GIVAUDAN, which will enable PRIGIV to reduce debt levels and, in turn, lower interest costs
- Building on the success of in-house technologies developed by PRIVI, PRIGIV is evaluating further capex to manufacture high-value specialty molecules with a potential revenue of over INR1b.
- **Overall, technology-led expansion and new specialty molecules position the company for steady growth and margin expansion.**

### Integrated biomass strategy to support growth and margin expansion

- The company is expanding its product line to include Maltol, Ethyl Maltol, and Cyclopentanone, targeting its current flavor and fragrance customer base. These initiatives could drive ~INR5b+ revenues, strong margins, and improved cost efficiencies in FY28.
- The company plans to invest in backward integration for Furfural as a raw material, **which is expected to expand margins by 50%** (requires corn cob as a key raw material, manufacturing process in Exhibit 1).
- India's maize production has been witnessing a steady uptrend, supported by policy incentives and strong end-use demand. According to the Ministry of Agriculture & Farmers Welfare, output has risen from ~32 MMT in FY21 to ~42 MMT in FY25 (8% CAGR over the period), **driven by MSP support and expansion in rabi cultivation.**
- This creates a favorable structural environment for PRIVI, as higher maize output increases the availability of corn cobs—an agricultural residue used as feedstock in its biomass-based chemical chain. **Unlike maize grain, cobs have limited competing demand, resulting in relatively stable and low input costs.**
- **PRIVI's specialty chemical expansion and Furfural backward integration are expected to drive strong revenue growth and margin expansion over the medium term. Rising maize output in India also supports stable availability of low-cost corn cobs, strengthening the company's cost competitiveness and supply security.**

2G (Second-Generation)  
Ethanol is made from agricultural waste and non-food biomass, while 1G Ethanol is made from food-based crops that contain sugar or starch

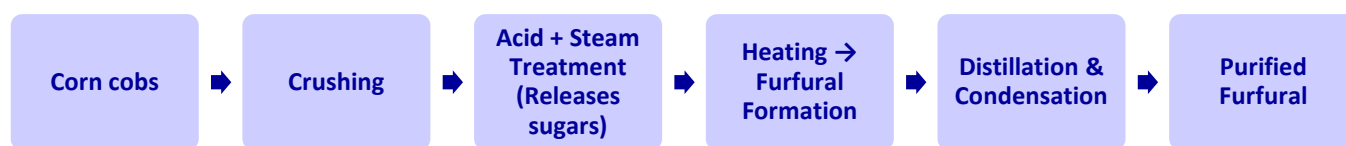
### Beyond 5K:1K - Next-generation biomass chemicals opportunity

- Beyond cyclopentanone and maltol, PRIVI intends to leverage biomass to produce vanillin, lactic acid, and xylitol, which together represent a global TAM of ~USD5b. These products cater to end markets such as food and fragrances (Refer to Exhibit 3 for the manufacturing process).
- The economics of bio-based manufacturing become attractive when applied to premium and high-value molecules rather than low-value petrochemical-based products. **While 2G ethanol realizations are typically limited to ~INR105–107/liter, PRIVI is targeting significantly higher-value specialty molecules to improve project economics and profitability.**
- To validate process economics, scalability, and operating efficiencies, PRIVI is setting up a demonstration plant (capex of INR700-750m), expected to be operational over the next 12 months. The continuous operation of this facility is expected to establish commercial viability and return metrics.
- **Although bio-waste feedstock remains economically attractive on an operating basis, the key bottleneck for wider commercialization is the significant capex requirement associated with these technologies.**
- The company remains cautiously optimistic about achieving economic and performance parity with incumbent fossil-fuel-based manufacturing processes over the next 3-4 years, particularly in premium product categories.
- Some premium molecules in the industry currently command prices of ~USD30–50/kg, while a few niche products can trade at ~USD70–90/kg. **PRIVI aims to scale production and potentially offer certain high-value molecules at materially lower prices (~USD45–50/kg), which management believes could significantly expand market demand and adoption.**
- Accordingly, the company plans to scale production gradually from kilogram to ton-level quantities through pilot and demonstration phases before committing larger capital toward commercialization, ensuring prudent capital allocation and minimizing shareholder risk.
- Additionally, residues generated from these processes are expected to be utilized for captive power generation, potentially lowering the company's overall power and fuel costs.
- **PRIVI'S biomass-based biorefinery strategy targets a sizeable ~USD5b opportunity (total TAM to move to USD11.1b from USD6.1b) in high-value specialty chemicals. The demonstration plant will be key to validating scalability and economics, while successful execution could enable lower-cost, sustainable alternatives to conventional fossil-fuel-based manufacturing.**

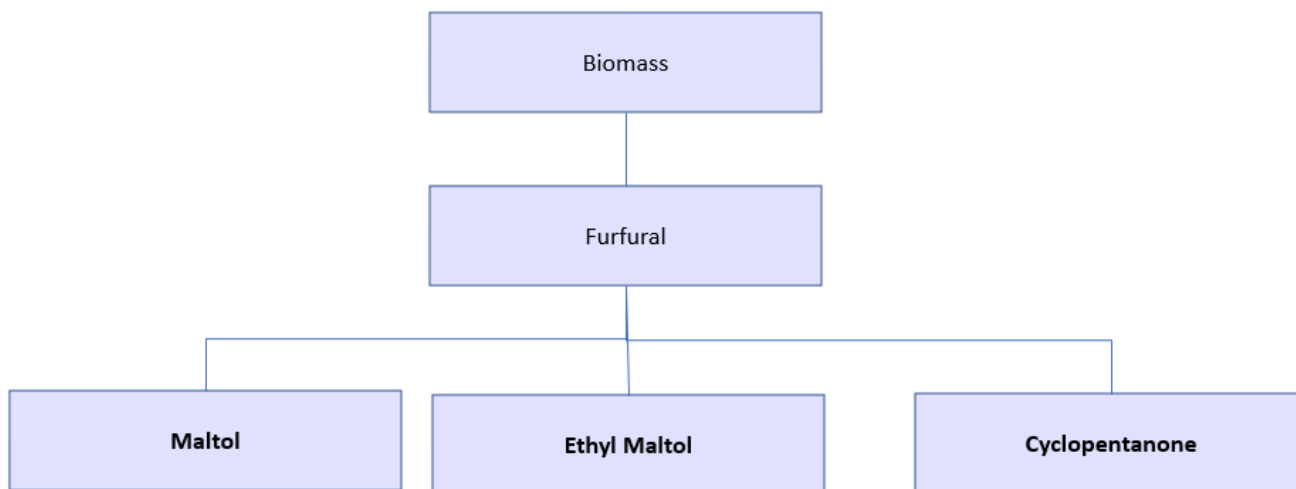
### Valuation and view

- PRIVI is well-positioned for sustainable growth, supported by its relatively low crude-linked exposure (~25%), which provides resilience against ongoing energy market volatility and supports margin stability. The upcoming mergers with PFS/PBPL and PRIGIV JV are expected to expand its specialty aroma portfolio. Consequently, this is expected to drive revenue growth and enhance earnings.
- Further, the company's expansion into high-value specialty molecules such as Maltol, Ethyl Maltol, and Cyclopentanone (from the Corn Cob route), coupled with backward integration into Furfural, is expected to contribute meaningfully to revenues while improving cost competitiveness and margins.
- **We expect PRIVI to clock a CAGR of 25%/27%/34% in revenue/EBITDA/PAT during FY26-28. We reiterate our BUY rating with a TP of INR3900 (based on 27x FY28E EPS i.e. 3 year average – one year forward P/E).**




**Exhibit 1: Process for manufacturing furfural**



**Exhibit 2: Production process of Cyclopentanone, Maltol, and Ethyl Maltol**

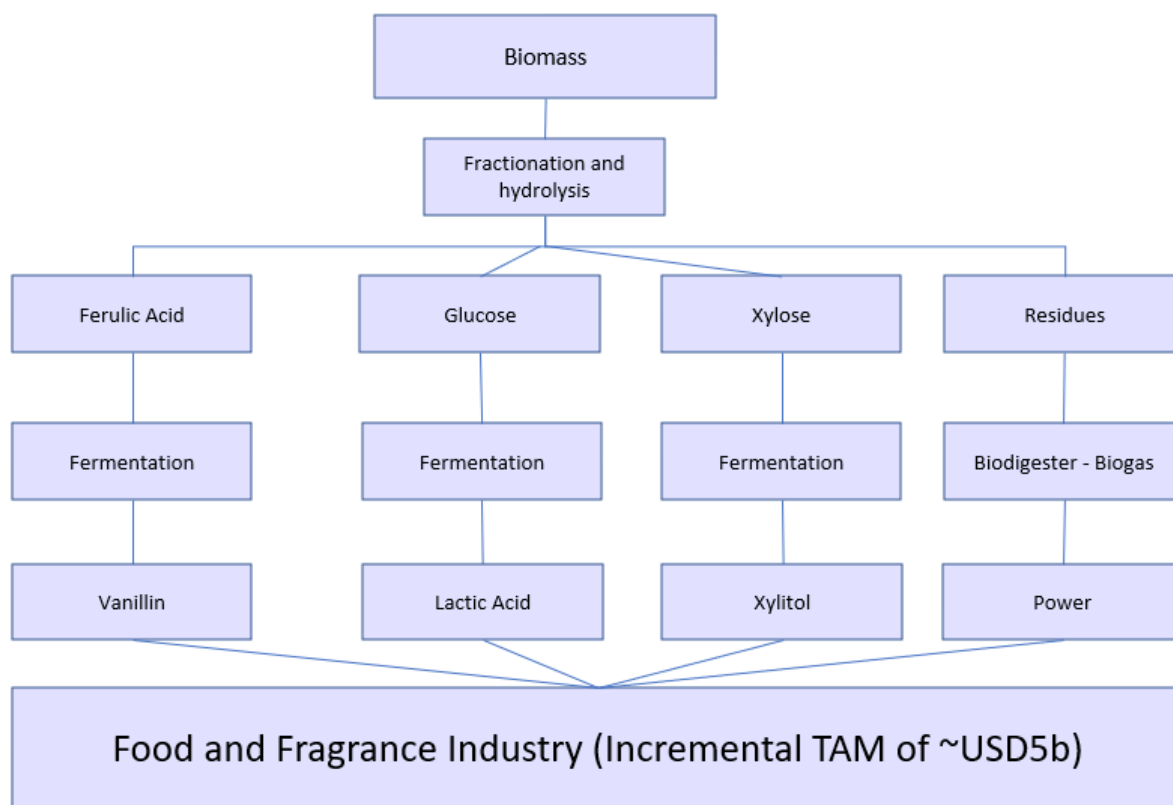


**Exhibit 3: New product development**

Segment	Product	Status
 Flavour	Maltol and Ethyl Maltol	Civil work half-way completed. Process finalized, Detail Engineering in progress
 Fragrance	Ethylene Brassylate (Musk T)	Civil work half-way completed. Process finalized, Detail Engineering in progress
 Speciality Chemical	Cyclopentanone	Process optimization underway

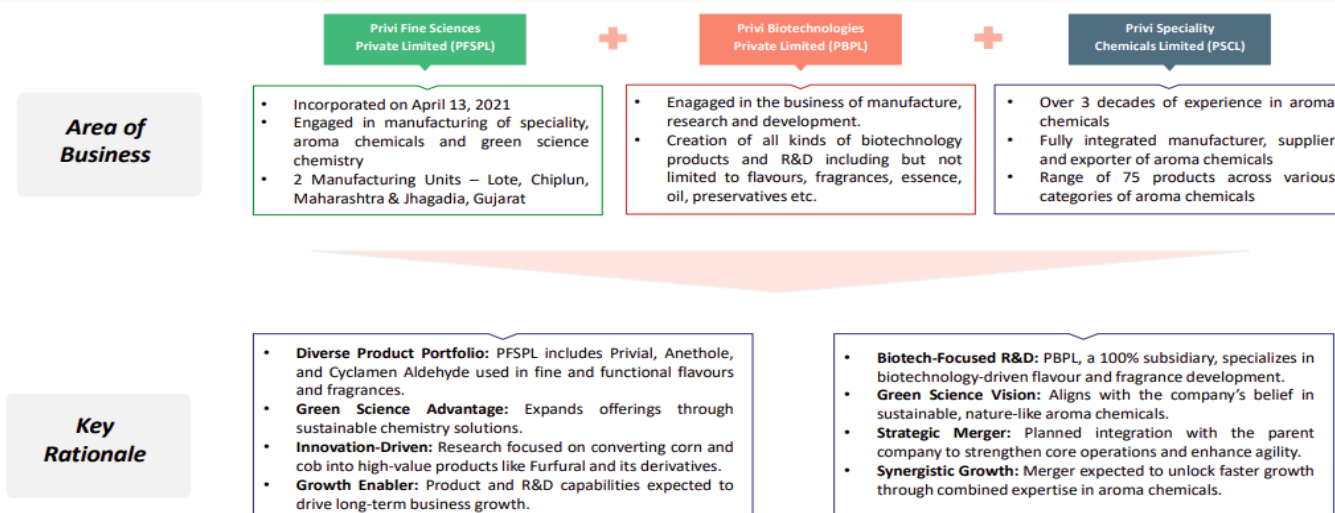
Source: Company, MOFSL

**Exhibit 4: Chemical process for new biomass-based chemicals**



Source: Company, MOFSL

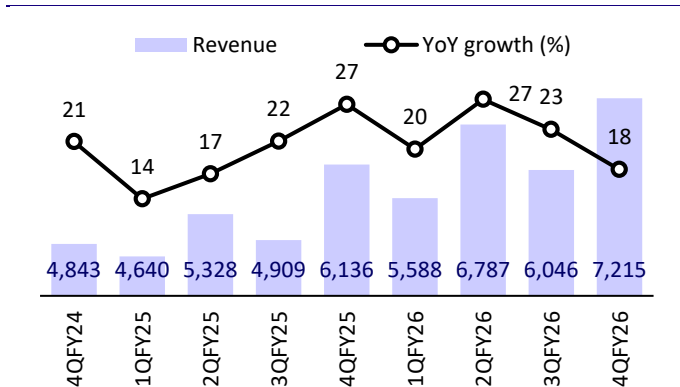
**Exhibit 5: Proposed scheme of amalgamation**



Source: Company, MOFSL

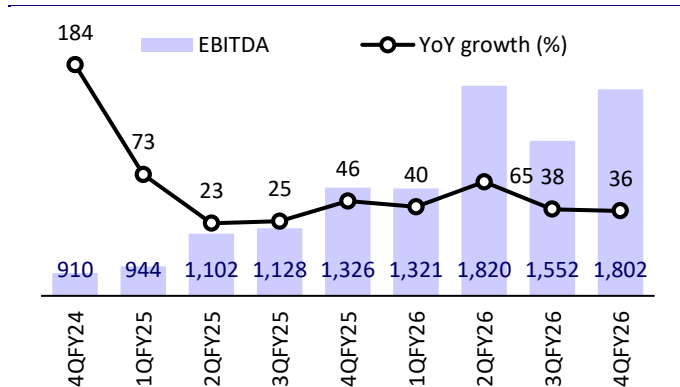
## Story in charts

**Exhibit 6: Consolidated revenue trend**



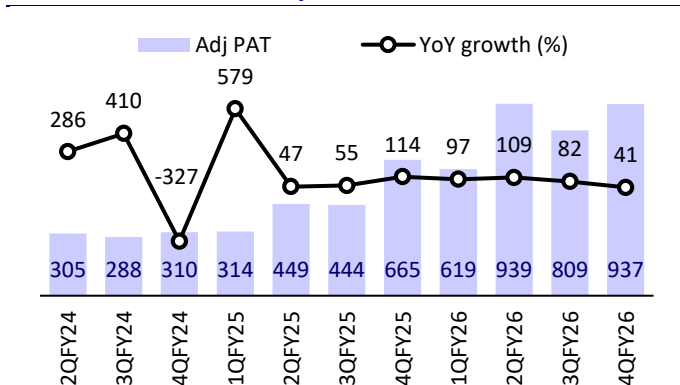
Source: Company, MOFSL

**Exhibit 7: Consolidated EBITDA trend**



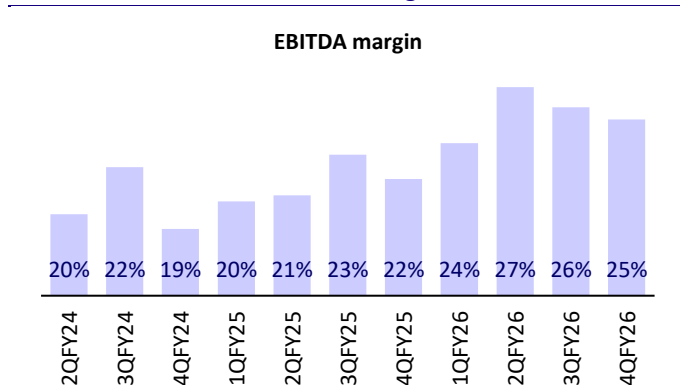
Source: Company, MOFSL

**Exhibit 8: Consolidated adj PAT trend**



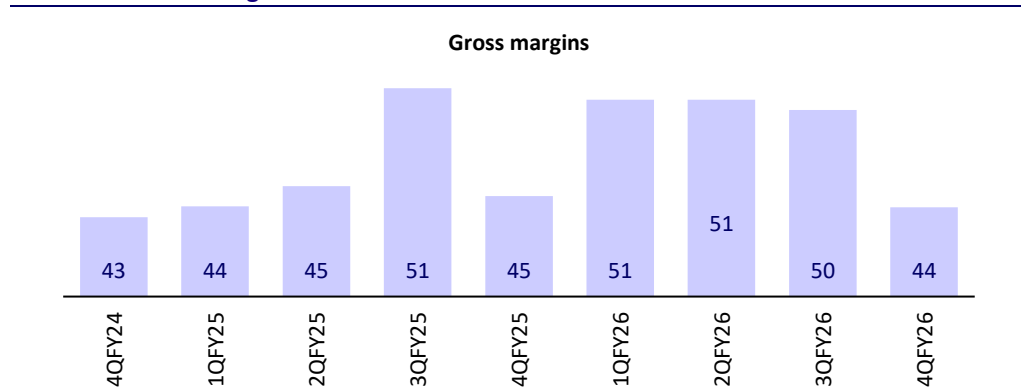
Source: Company, MOFSL

**Exhibit 9: Consolidated EBITDA margin**



Source: Company, MOFSL

**Exhibit 10: Gross margins**



Source: Company, MOFSL

## Financials and valuations

Consolidated Income Statement								(INRm)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
<b>Total Income from Operations</b>	<b>12,766</b>	<b>14,037</b>	<b>16,078</b>	<b>17,522</b>	<b>21,012</b>	<b>25,637</b>	<b>30,614</b>	<b>40,014</b>
Change (%)	-3.6	10.0	14.5	9.0	19.9	22.0	19.4	30.7
Raw Materials	7,511	8,310	9,610	10,094	11,315	13,171	15,613	20,407
Power and fuel	704	1,003	1,472	1,383	1,533	1,737	2,402	3,324
Employees Cost	699	767	797	727	865	1,108	1,229	1,370
Other Expenses	1,776	2,020	2,340	2,069	2,799	3,125	3,674	4,402
<b>Total Expenditure</b>	<b>10,690</b>	<b>12,099</b>	<b>14,219</b>	<b>14,273</b>	<b>16,512</b>	<b>19,141</b>	<b>22,918</b>	<b>29,503</b>
<b>Gross profit</b>	<b>5,255</b>	<b>5,728</b>	<b>6,468</b>	<b>7,429</b>	<b>9,697</b>	<b>12,466</b>	<b>15,001</b>	<b>19,607</b>
Gross Margin (%)	41.2	40.8	40.2	42.4	46.1	48.6	49.0	49.0
<b>EBITDA</b>	<b>2,076</b>	<b>1,938</b>	<b>1,859</b>	<b>3,250</b>	<b>4,500</b>	<b>6,496</b>	<b>7,695</b>	<b>10,512</b>
Margin (%)	16.3	13.8	11.6	18.5	21.4	25.3	25.1	26.3
Depreciation	710	747	1,085	1,234	1,318	1,438	1,698	2,031
<b>EBIT</b>	<b>1,366</b>	<b>1,192</b>	<b>774</b>	<b>2,015</b>	<b>3,182</b>	<b>5,058</b>	<b>5,998</b>	<b>8,481</b>
Int. and Finance Charges	214	241	678	979	879	820	831	885
Other Income	200	324	214	263	242	198	153	200
<b>PBT bef. EO Exp.</b>	<b>1,351</b>	<b>1,275</b>	<b>310</b>	<b>1,299</b>	<b>2,545</b>	<b>4,436</b>	<b>5,320</b>	<b>7,796</b>
EO Items	231	53	0	0	0	39	0	0
<b>PBT after EO Exp.</b>	<b>1,582</b>	<b>1,328</b>	<b>310</b>	<b>1,299</b>	<b>2,545</b>	<b>4,397</b>	<b>5,320</b>	<b>7,796</b>
Total Tax	413	354	98	345	698	1,230	1,339	1,962
Tax Rate (%)	26.1	26.6	31.5	26.5	27.4	28.0	25.2	25.2
Minority Interest	0	0	-9	5	-22	-108	-30	-30
<b>Reported PAT</b>	<b>1,169</b>	<b>974</b>	<b>222</b>	<b>949</b>	<b>1,870</b>	<b>3,275</b>	<b>4,011</b>	<b>5,864</b>
<b>Adjusted PAT</b>	<b>938</b>	<b>921</b>	<b>222</b>	<b>949</b>	<b>1,870</b>	<b>3,305</b>	<b>4,011</b>	<b>5,864</b>
Change (%)	-18.9	-1.8	-75.9	327.2	97.0	76.7	21.4	46.2
Margin (%)	7.3	6.6	1.4	5.4	8.9	12.9	13.1	14.7

Consolidated - Balance Sheet								(INRm)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	391	391	391	391	391	391	391	408
Eq. Share Warrants & App. Money								
Preference Capital								
Total Reserves	6,835	7,732	7,900	8,853	10,644	13,734	17,745	29,039
<b>Net Worth</b>	<b>7,225</b>	<b>8,123</b>	<b>8,291</b>	<b>9,244</b>	<b>11,034</b>	<b>14,124</b>	<b>18,135</b>	<b>29,447</b>
Minority Interest	0	74	64	167	145	282	252	222
Total Loans	5,021	9,330	10,793	10,082	11,428	10,213	13,713	8,423
Deferred Tax Liabilities	133	133	198	232	241	227	227	227
<b>Capital Employed</b>	<b>12,378</b>	<b>17,659</b>	<b>19,347</b>	<b>19,725</b>	<b>22,849</b>	<b>24,846</b>	<b>32,326</b>	<b>38,319</b>
Gross Block	9,601	11,476	15,648	17,168	19,766	21,190	27,167	30,667
Less: Accum. Deprn.	3,621	4,346	5,425	6,723	8,067	9,505	11,203	13,233
<b>Net Fixed Assets</b>	<b>5,980</b>	<b>7,130</b>	<b>10,222</b>	<b>10,445</b>	<b>11,699</b>	<b>11,685</b>	<b>15,964</b>	<b>17,433</b>
Goodwill on Consolidation	0	0	0	0	0	0	0	0
Capital WIP	1,744	3,636	946	887	1,275	2,976	2,500	1,500
<b>Total Investments</b>	<b>0</b>	<b>120</b>	<b>67</b>	<b>403</b>	<b>84</b>	<b>545</b>	<b>545</b>	<b>545</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>7,678</b>	<b>10,875</b>	<b>12,675</b>	<b>11,690</b>	<b>14,848</b>	<b>16,492</b>	<b>21,501</b>	<b>29,536</b>
Inventory	3,425	6,163	7,994	6,594	7,884	8,261	9,864	12,893
Account Receivables	2,390	2,650	2,956	3,475	3,941	5,260	6,281	8,210
Cash and Bank Balance	197	374	250	288	502	695	2,638	4,431
Loans and Advances	1,665	1,688	1,475	1,333	2,520	2,276	2,717	4,001
<b>Curr. Liability &amp; Prov.</b>	<b>3,024</b>	<b>4,102</b>	<b>4,565</b>	<b>3,700</b>	<b>5,056</b>	<b>6,853</b>	<b>8,183</b>	<b>10,696</b>
Account Payables	1,674	3,058	2,939	2,825	4,023	5,274	6,298	8,232
Other Current Liabilities	1,189	854	1,426	663	759	1,210	1,444	1,888
Provisions	160	190	199	212	275	369	441	576
<b>Net Current Assets</b>	<b>4,654</b>	<b>6,773</b>	<b>8,111</b>	<b>7,989</b>	<b>9,791</b>	<b>9,639</b>	<b>13,318</b>	<b>18,840</b>
Misc Expenditure	0	0	0	0	0	0	0	0
<b>Appl. of Funds</b>	<b>12,378</b>	<b>17,659</b>	<b>19,347</b>	<b>19,725</b>	<b>22,849</b>	<b>24,846</b>	<b>32,326</b>	<b>38,319</b>

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
<b>Basic (INR)</b>								
EPS	24.0	23.6	5.7	24.3	47.9	84.6	102.7	143.7
EPS Growth (%)	-18.9	-1.8	-75.9	327.2	97.0	76.7	21.4	40.0
Cash EPS	42.2	42.7	33.5	55.9	81.6	121.4	146.1	193.5
BV/Share	185.0	207.9	212.2	236.6	282.5	361.6	464.3	721.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>								
P/E	131	134	554	130	66	37	31	22
Cash P/E	75	74	94	56	39	26	22	16
P/BV	17	15	15	13	11	9	7	4
EV/Sales	10	9	8	8	6	5	4	3
EV/EBITDA	62	68	72	41	30	20	17	13
Dividend Yield (%)	0	0	0	0	0	0	0	0
FCF per share	-24	-78	-23	54	-4	59	-19	62
<b>Return Ratios (%)</b>								
RoE	14	12	3	11	18	26	25	25
RoCE	9	6	3	8	11	15	16	18
RoIC	10	7	3	8	12	18	19	22
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	2.1	2.1	1.9	1.7	1.9	2.2	2.2	2.4
Asset Turnover (x)	1.0	0.8	0.8	0.9	0.9	1.0	0.9	1.0
Inventory (Days)	98	160	181	137	137	118	118	118
Debtor (Days)	68	69	67	72	68	75	75	75
Creditor (Days)	48	80	67	59	70	75	75	75
<b>Leverage Ratio (x)</b>								
Current Ratio	2.5	2.7	2.8	3.2	2.9	2.4	2.6	2.8
Interest Cover Ratio	6.4	4.9	1.1	2.1	3.6	6.2	7.2	9.6
Net Debt/Equity	0.7	1.1	1.3	1.1	1.0	0.7	0.6	0.1

### Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	1,582	1,328	310	1,299	2,545	4,397	5,320	7,796
Depreciation	710	747	1,085	1,234	1,318	1,358	1,698	2,031
Interest Expenses	214	241	678	979	879	820	831	885
Others	127	-1	90	-116	162	183	0	0
Direct Taxes Paid	-397	-327	-139	-259	-707	-1,163	-1,339	-1,962
(Inc)/Dec in WC	-743	-1,939	-1,537	407	-1,386	-93	-1,736	-3,729
<b>CF from Operations</b>	<b>1,493</b>	<b>47</b>	<b>488</b>	<b>3,545</b>	<b>2,811</b>	<b>5,501</b>	<b>4,773</b>	<b>5,020</b>
<b>CF from Operating incl EO</b>								
(Inc)/Dec in FA	-2,428	-3,085	-1,396	-1,423	-2,985	-3,200	-5,500	-2,500
<b>Free Cash Flow</b>	<b>-935</b>	<b>-3,038</b>	<b>-909</b>	<b>2,122</b>	<b>-173</b>	<b>2,301</b>	<b>-727</b>	<b>2,520</b>
Change in Investments	8	-123	62	-383	26	-460	0	0
Others	5	3	3	3	19	80	0	0
<b>CF from Investments</b>	<b>-2,415</b>	<b>-3,205</b>	<b>-1,332</b>	<b>-1,803</b>	<b>-2,940</b>	<b>-3,581</b>	<b>-5,500</b>	<b>-2,500</b>
Issue of Shares	0	0	0	0	0	245	0	5,448
Inc/(Dec) in Debt	531	761	643	751	603	-1,128	3,500	-5,290
Interest Paid	-218	-344	-667	-948	-856	-797	-831	-885
Dividend Paid	-59	-78	-78	0	-78	-195	0	0
Others	-25	2,990	825	-1,510	717	-101	0	0
<b>CF from Fin. Activity</b>	<b>229</b>	<b>3,329</b>	<b>723</b>	<b>-1,706</b>	<b>386</b>	<b>-1,977</b>	<b>2,669</b>	<b>-727</b>
<b>Inc/Dec of Cash</b>	<b>-693</b>	<b>172</b>	<b>-121</b>	<b>35</b>	<b>258</b>	<b>-57</b>	<b>1,942</b>	<b>1,793</b>
Opening Balance	849	154	325	204	240	497	695	2,638
Bank balance and other items	41	47	46	48	4	255	0	0
<b>Closing Balance</b>	<b>197</b>	<b>374</b>	<b>250</b>	<b>288</b>	<b>502</b>	<b>695</b>	<b>2,638</b>	<b>4,431</b>

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