



May 12, 2025

The Manager (CRD) The BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai- 400001 Scrip Code: 530117	The Manager – Listing Department National Stock Exchange of India Ltd Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (East) Mumbai - 400 051 Symbol: PRIVISCL
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Dear Sir / Madam,

Ref: Letter dated May 06, 2025, providing Audio link of the Analyst / Investors Meet

Sub: Transcript of Analyst/ Investors Meet held on Tuesday, May 06, 2025

In addition to Audio Link shared via letter dated May 6, 2025, please also find enclosed the transcript of the Analysts/Investors Call on the Audited Standalone and Consolidated Financial Results of Privi Speciality Chemicals Limited for the quarter and Year ended March 31, 2025, held on May 06, 2025.

You are requested to kindly take the same 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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“Privi Speciality Chemicals Limited Q4 FY'25 Earnings Conference Call”

May 06, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 06th May 2025 will prevail.



**MANAGEMENT: MR. MAHESH BABANI – CHAIRMAN & MANAGING
DIRECTOR, PRIVI SPECIALITY CHEMICALS LIMITED
MR. R.S. RAJAN – PRESIDENT, PRIVI SPECIALITY
CHEMICALS LIMITED
MR. NARAYAN S. IYER – CHIEF FINANCIAL OFFICER,
PRIVI SPECIALITY CHEMICALS LIMITED
MR. SANJEEV PATIL – SENIOR VICE PRESIDENT
(STRATEGY), PRIVI SPECIALITY CHEMICALS LIMITED.
MS. ASHWINI S SHAH – COMPANY SECRETARY, PRIVI
SPECIALITY CHEMICALS LIMITED.**



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Moderator:

Ladies and gentlemen, good day and welcome to Privi Speciality Chemicals Limited Q4 FY25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company's as on the date of this call. These statements are not guarantee of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Shrikant Sangani. Thank you and over to you sir.

Shrikant Sangani:

Thank you. This is Shrikant Sangani from SGA. Thank you, everyone for joining us today, to discuss Privi Speciality Chemicals Q4 and FY25 Business and Financial Performance.

The Financial Results and Investor Presentation are available on the company's website. The recording of today's earnings call and transcript will be uploaded on the company's website under IR section.

For today's call, Privi team is represented by Mr. Mahesh Babani – Chairman and Managing Director; Mr. R.S. Rajan – President. Mr. Narayan S. Iyer – Chief Financial Officer, Mr. Sanjeev Patil – Senior Vice President (Strategy) and my fellow colleagues from SGA team.

Please note there may be forward-looking statements during the course of the call and must be viewed in an aggregate with the risk that company faces.

With this brief introduction, I now invite Mr. Babani for his Opening Remarks. Over to you, sir.

Mahesh Babani:

Thank you, Shrikant. Good evening to all of you and we are pleased to report the best-ever Quarterly and Annual Financial Performance, marking a significant milestone in our journey.

The Year ‘24-25 has been good for the company with all along improvement in all areas of the company. The performance has been achieved through process identification, leading to yield improvements, new Speciality products being launched during the year and these factors will continue in the future, we are confident of sustaining this growth in margins.



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Key Highlights of the Year gone by are: The demand for our core products are healthy and our plants are operating at optimum level. Of course, we are debottlenecking capacity further because of the demand. We have also developed two new premium products to be launched in this current financial year, . Our PRIGIV update is that the plant has been successfully commissioned. It would take one year more to break even. As you know that in chemical plants, it's not so easy to get the full capacities in operations immediately. Moreover, these are high value, very high value Speciality chemicals to be manufactured. However, the future is very bright and certain, since these are going to be sold back with the buyback arrangement to the subsidiary company. So that's why we are very confident that the future is very, very bright for this particular vertical in the coming years as we are dealing with the market leader of the entire world.

Over the decades, your company has emerged as a trusted partner to almost now all companies in our field. The compliance of our company is of the highest standard, and we endeavor to be best-in-class. Our capabilities have grown significantly both in scale and complexity, driven by deep client engagement and relentlessly focused on innovation. We are transitioning from being a leading supplier to a collaborative partner, strengthening relationships and creating long-term and sustainable value for our customers.

Our core strength lies in our robust backward integration, particularly through CST and GTO strategy. Integration ensures consistent quality, cost efficiency and of course long-term supply of security of critical raw materials giving Privi a distinct competitive advantage. It also enables great control over the value chain as these are raw materials which are always in short supply, driving innovation and reliability in delivering high performance of aroma chemical to global customers. While driving growth, we remain deeply committed to sustainability. Our current Gold Rating from Eco Vadis further validates our proactive approach in aligning the global best practices, reducing carbon footprint and also sending ESG disclosure. We are now striving for a platinum rating and we are not far from it.

Additionally, by increasing our share of green power, we have also reduced energy costs. Also, reinforced our dedication to sustainable energy solutions.

This is only the beginning of our growth story, my friends. It is also our endeavor to be #1 Aroma Global Chemical Company. Friends, we are not far from it.

I now hand over to our CFO – Narayan Iyer, for detailing on the Financials. Narayan, please.

Narayan S. Iyer:

Thank you, sir and thank you very much.



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Good evening to all my dear investors, stakeholders and all those who believe in Privi and who are there on the call. The year that has gone by has reaffirmed our belief in Privi's growth trajectory. With strong operational execution and a favorable product mix, we are confident that Privi is well-positioned to sustain healthy growth and deliver robust profit margins going forward.

Let me share some of our "Recent Developments." All our key products are currently operating at optimal capacity as demand for all key products are very healthy. Our units have all been operating at close to 85% to 90% of our capacities. As has been informed, we are actively working to expand our production capacities for our key products and take it up from 48,000 metric tons to 54,000 metric tons. We expect this expansion to be completed by March 2026.

During the year, the company had launched various products like Indomerane and Florovane and Amber Woody Xtreme. These products are used in day-to-day applications like hair care, personal care and laundry care, and they have been very well received in the market.

I would also like to highlight on the US tariffs that's been going around. We really do not anticipate any significant impact from the ongoing US tariffs as our presence in the US market is limited to around 10%. At the moment, almost all countries supplying to US have to bear higher tariffs than India. Moreover, our business is widely spread across domestic market, the European markets, the Asian and the Latin American and Middle East markets. So these were the key developments that I had to talk about.

Now, coming to the "Major Financial Highlights," starting with Q4 for Financial Year '24-25.

The total income for this particular quarter was a record Rs.628 crores, which is a growth of 28% on a year-to-year basis.

The EBITDA came in at Rs.147 crores, which is a growth of 50% on a year-on-year basis. EBITDA margins once again is at a record high of 23.5% for the quarter and we expect to maintain similar EBITDA margins in the near future.

Profit after tax for the quarter was a healthy Rs.64 crores as against Rs.32 crores, which indicates 100% growth over the previous year.

And lastly, the exports contributed about 72.5% for this particular quarter.

Giving Highlights for Year 24-25 in Comparison to the Earlier Year:



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During the year, the overall income or the overall revenue stood at Rs.2,122 crores, which is a growth of 19% on a year-on-year basis.

Overall EBITDA margins for the year was a very healthy Rs.474 crores which is almost a growth of about 37% on a year-on-year basis. EBITDA margins was at 22.3% as against 19.7% for Financial Year '23-24.

Profit after tax for the overall year was at Rs.185 crores as against Rs.95 crores achieved in Financial Year '23-24.

And exports on an overall basis was at 70% for Financial Year '24-25.

My dear friends, in the overall interest of all stakeholders and investors of the company, we have restrained from publishing certain sensitive information like quantitative and segment-wise sales. I hope you all will understand this.

With this backed by very strong financials, I would like to conclude my address on the numbers and open the floor for questions-and-answers. Thank you.

- Moderator:** Thank you, sir. Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sudhir Bheda from Bheda Family Office. Please go ahead.
- Sudhir Bheda:** Yes. Good afternoon, sir and hearty congratulations to entire Privi team for outstanding result, sir.
- Mahesh Babani:** Thank you.
- Narayan S. Iyer:** Thank you.
- Sudhir Bheda:** Sir, my first question is you did 23.46% EBITDA margin including other income in the last quarter. So this kind of margin 23%, 23.5% is sustainable over this current financial year?
- Mahesh Babani:** So, Mr. Bheda, I would think that north of 20% will always be our target. We'll always try to be above 20% for sure. As we grow, we may have to compromise to a certain extent by 1% or 2%, but we will try to maintain north of 20% for sure. But this has been our endeavor to be in the Speciality chemicals business and we expect that these margins are good enough to sustain.
- Sudhir Bheda:** So this margin of 23.5% what we delivered in Q4 is to do with any other income because our other income is quite high in this quarter. So can you throw lights on it?



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- Narayan S. Iyer:** Mr. Sudhir Bheda, good evening. Narayan here. It's not just the other income; it is more with regard to as Mahesh bhai addressed with the process innovations and yield improvement that we were able to get these margins in this quarter in fact. Yes, there is a little bit of other income in this quarter which has added to it, but overall the margins will be sustained because of our process innovations and debottlenecking that we are going ahead.
- Sanjeev Patil:** In fact, Mr. Bheda, this is Sanjeev here. In fact, if you look at the last eight quarters, we have been consistently earning above 20% EBITDA margin, and this has been the result of substantially improved processes, better yields and also superior product mix. So, this is what has resulted into this higher margins. And the Quarter 4 is slightly higher as Mahesh bhai said. So that's about it.
- Sudhir Bheda:** Yes, got it. Got it. And sir, any guidance you would like to give for current FY26, the sales growth and margin?
- Mahesh Babani:** We don't want to give a very forward-looking statement, but we will minimum try to maintain our average growth rate of 20% to 25%.
- Sudhir Bheda:** Last question. In the standalone and in the consol, there is a difference of Rs.33 crores of revenue. So in these Rs.33 crores what is the contribution from PRIGIV, and when it will break even or will start contributing to bottom line this JV?
- Narayan S. Iyer:** Yes, PRIGIV has just started its operation somewhere in February '25. So there's hardly any contribution coming on to the revenue front, about Rs.4 crores or so. And as Mr. Mahesh bhai indicated in his initial opening remarks, PRIGIV will start possibly a breakeven from somewhere around a year from now, maybe '26-27 And then it will start contributing both in revenue and the margins in fact. Margins as indicated in the past should be around 20%+ range only in fact.
- Mahesh Babani:** This is an assured business and will keep on growing. It won't have a growth of 25%, but 10%-15% in PRIGIV will always keep on growing because the average growth rate whatever the normal in the market is GDP growth 10% for PRIGIV. It won't grow extraordinarily, but it has potential to reach about Rs.300, Rs.350 crores of top line in the next 3-4 years.
- Sanjeev Patil:** And as we said earlier, this is a very strategic fit. So it has to be seen in that context.
- Mahesh Babani:** It's like customer service to the great market leader.
- Sudhir Bheda:** Yes, yes. Thanks for the opportunity and all the best.



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Narayan S. Iyer:

Thank you.

Moderator:

Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers Limited. Please go ahead.

Bharat Shah:

Yes. Hi. Good to see heartening results. But a little bit of a note of doubt from my end. This is not as much as to what has been done, but because of lack of adequate understanding at my end. You earlier mentioned that sustainable growth over 20% and margins in excess of 20%. But two points come to my mind. One, when I look at the nature of your clients, the consumer firms, the fragrance firms, the other household article producing firms, given the nature of your clients, it's a bit surprising that how do we expect to grow at a sustained rate of 20%? Secondly, when I look at our long history, while top line has grown over the period of time, but the same thing can't be said about the profits, profits have been uneven. And actually the profits have exceeded year of 2021 for the first time in the current year. Even the top line growth over five years has been about 12%, 13%. So I am curious to understand what makes you confident of that high 20% growth rate and also considering the little checkered past, why that confidence on the growth rate, and as well as on the profitability?

Mahesh Babani:

So I appreciate your introspection on the balance sheet. We are at the lowest end of the prices over the last five years. If you see our prices of our main products was always in the region of \$6-\$7, which it came down from \$10 to \$6 in the last six years. So even if it bounce backs to \$8, \$8.5, so the growth comes from also there, and also the volume is increasing of these important products. You see the growth is coming from countries in Asia, India, Africa, where the usage of aroma chemicals has been very significant in the last 10-years and now these people have started using. Like India, it never had awareness of a perfume soap. So it used to have only Lifebuoy Soap. Now, you see the variety of soaps that are there. All are perfume. You see the variety of deodorants that are there. There were no concept of deodorant 10 years ago in India. So these new markets, the new air freshener, the hygiene conditions have improved. The floor wash, everything is increasing in India itself. Also the export market or the African market and the Asian markets and also Dubai and the other areas, the markets are improving significantly. So the awareness of cleanliness is coming, awareness of hygiene is coming all over the world. Actually after COVID this has taken a fast track to increase our share, and the demand is much higher. So today the prices we are at now \$7-\$7.5, going forward, I think it could be even 5%, 10% higher, average price.

Sanjeev Patil:

And the other thing is Privi's comfort with all the top customers is that we are very sustainable and therefore as you see we have invested in the last five years into Camphor, Galaxmusk as well as Prionyl. And these products are leading to significant growth, and that is what is resulting into this 20% growth. So all along we have been growing by introducing newer products and we have been able to get the market share for more customers, under the same customers to whom we keep on



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selling the same products because the end customers are only so many. So therefore, we are able to grow at that level. That's how we are able to beat the market consistently. Last five years I have been seeing, but that will explain in longer detail to you in one-to-one meeting perhaps, but we grow by introducing newer products.

Bharat Shah:

So my question was that more than two-thirds of our business is coming from international markets. When we look at the composition of markets like Europe, where there is hardly any economic growth, some of the other markets are in a better shape, but not at the level of 20% kind of potential. So given all of that, what makes you confident? As I mentioned, this is more to educate myself. So please pardon my ignorance. But I am not able to grasp given the more checkered history over last 5-6 years and given the fact of the client base and the geographies as well as the nature of the client industry, consumers, fragrant, these are mature industries, so while hygiene has improved after COVID, but in the three years after the COVID we have degrown in our profits while fragrance contained would have been including soaps and shampoos and all of that, but it's not exactly a novelty and therefore it still beats me as to why would you believe that high 20% kind of growth will prevail going forward?

Mahesh Babani:

Well, we are confident of our growth as we see our order books position and we also are working closely with the clients, we have much more clients right now, customers who have given commitments. Earlier, we had only three key customers, now we have six key customers or probably all the top ten companies are our customers. Also, let me tell you that hardly 7% of our market shares is in the US. And these products are not being produced in the US. So that won't make any significant difference. And the growth of our products also comes from Africa, there are several companies in Africa who want these products made in India or made in Dubai. So our growth in this area is also increasing and we have at least five new customers who have good size to support this. So, we are confident with our order book position, we will be able to maintain our share of our business, our 20%, 25, 30% growth.

Sanjeev Patil:

It is an honor that person of your stature is asking us these questions and we would definitely like to talk to you offline also.

Bharat Shah:

Sure. Sure. I appreciate it. While the return on capital employed and return on equity have improved in the current year and of course earlier our profit suffered, so I understand capital efficiency would have declined in that three-year period. But when do you think given the fact that our markets are more international, therefore working capital structurally, I suppose would remain high. And I don't know what kind of fixed asset turns optimally can be expected. But given the nature of high working, average fixed asset turns when do you think we can see more healthy say 23%, 24% kind of a return on capital employed, at what stage do you think it is possible if it all it is likely to be the case?



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Narayan S Iyer:

Bharat bhai, good evening. As far as the Gross fixed asset turnover that you talked about, it should be in the range of around 1.4x and we are moving towards going to 1.6x, 1.7x in the coming few years. Working capital cycle, definitely we have been striving hard, and we have been in successful enough in bringing it down and you would have seen that over the last two years, our working capital overall cycle has come down and we still expect there is scope and room for improvement at least by another 15 to 20 days we can bring down the overall working capital cycle. So we expect the working capital cycle to improve and that's how will help and enable our ROE, ROCE to further grow above. And the levels that you have spoken is our also aspiration and we feel that we are striving towards it and we should be able to reach there shortly in the coming few years, in fact.

Bharat Shah:

Okay. Thank you.

Mahesh Babani:

I also want to tell you today the market scenario where especially the chemicals are panned out, sustainability is the keyword and supplier in coming times I can tell you, will be more important for a customer than his customer. That's what I see in coming times. I am sorry, but this is my honest observation.

Bharat Shah:

Thank you for that. If you allow me one last thing, if the asset turn is say 1.4x, maybe it will improve to 1.5x, 1.6x, but let us say it is 1.4x, therefore Rs.100 of assets will produce a turnover of Rs.140. Given the kind of working capital, on that Rs.140 we will need to invest about Rs.35-Rs. 40 minimum if not more in working capital. That means Rs.140, Rs.150 of total capital will generate a turnover of about Rs. 140. Therefore 1:1. If we take our EBIT margin if I say EBITDA margin at about 23%, 24%. EBIT margins would be about 17%, 18%. Therefore, capital efficiency can be around 17%, 18%. Unless margins improve materially from here or fixed asset turns improve significantly from here, of course working capital can come down dramatically. None of these in the foreseeable future can change dramatically is my impression. Therefore, I am not clear why 23%, 24% of return on capital employed how and when it can be achieved.

Narayan S Iyer:

Bharat bhai, specifically to answer, as I said, we are in the process of deploying and adding some capacities. These capacities are more with regard to debottlenecking and augmentation. So the CAPEX required for such expansion is not on the same lines as we had to do when we initially set up our existing plant. I also happen to tell you that from 1.4x, 1.5x currently, it is going to move towards the 1.7x, 1.8x and in some products it may even be 2x. So we definitely are going to improve upon our asset turnover. Second, I also happen to mention that we are in the process of further reduction or further improvement of our working capital days. So that will also add. So your equation about being 1:1 may not be so true. And last but not the least, the entire world is looking at India because they all would love to see someone other than China really taking the battle ahead. We do



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believe and we foresighted that Privi has a great chance to achieve those numbers what you happen to mention.

Bharat Shah: Thank you so much. All the very best and I will look forward to a detailed personal interaction to understand better, but thank you very much for all the elaborate discussion and details.

Narayan S. Iyer: Thank you, sir. Thank you.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from B&K Securities. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and congrats on a very good set of numbers. Sir, the first question is in terms of the growth for FY26. Given that all our capacities are operating at optimal event, how do we foresee volume growth coming in for FY26 given that debottlenecking exercise will only be completed by the end of March '26, and the new capacities will be applicable, so just your view on this? Thank you.

Narayan S. Iyer: Rohit, good evening and thank you for appreciating our performance. We are having certain capacities yet to achieve to our optimal capacities that we have and we hope to grow the balance 15%-odd that we have. And meanwhile, we are also debottlenecking some of our major products, and that's how the growth will come for the Year '25-26. But we are very, very optimistic of the 20% plus growth in this year in fact.

Rohit Nagraj: And the second question is in terms of growth that we are seeing from the volume side, new product side, just a slight understanding, as Bharat bhai was also asking, is that globally, are there other players who are not expanding capacity and because of which we have a better chance to play into it or is it that generally the growth itself is higher for these products and that's why we are seeing even after some competitors are putting up the capacity, we still have a chance based on our interactions with our customers?

Sanjeev Patil: So the answer to this question is, yes, others can also expand, but the speed at which Privi puts up capacity is something very, very important. And also the fact that when we put up the capacity, the kind of plants and kind of asset that we build in terms of sustainability, in terms of zero liquid discharge, that is what gives edge to Privi as compared to many others in the play. And overall dependability that Privi has developed over the last two decades wherein you can see that in the three products that we have introduced, we have fully sold and expanding further already. So that is the level of comfort that most of our customers have. And the new products that we bring in are always bought in, in close connect with our customers so that we are aware of what are the products on which our customers are demanding new products and that's how we get more share of the wallet



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from the same customers and also it is not only China Plus One but also Europe plus one, US plus one as a strategy because whatever is happening on the tariff side and all that but most leading companies are looking at buy-versus-make decisions, most multinationals. So therefore since we are competitive and we have reached a particular threshold level of growth, therefore we are able to attract and convert many of the existing products for a customer. If he was making it himself then he is deciding to outsource that from us because we are able to provide it competitively. And also the China Plus One factor which all of us know very well, which is also helping us.

- Rohit Nagraj:** Sure. Just one last small suggestion. I know from competitive purposes; we don't want to give split up of volumes. If you can share just the overall aggregate volumes on a quarterly basis, it will be helpful just to understand in terms of the growth path on volume terms where are we currently? That's it from my side. Thanks a lot and all the best.
- Sanjeev Patil:** We will do that.
- Moderator:** Thank you. The next question is from the line of Abhishek Ranawade from Oaklane Capital. Please go ahead.
- Abhishek Ranawade:** First of all, congratulations sir, for such a solid result. My question was could you please share your revenue by product category along with the corresponding margin for each category? And is there any shift happening towards the value added since last year?
- Sanjeev Patil:** Sir giving information between the category of products and the margin is really sensitive and we would not like to put that up in a public domain. So please respect that and this is in the best interest of all the stakeholders including all the shareholders and others. So, therefore, we will rather refrain from giving that information. In terms of changes in the product mix, there is no drastic change. What you have to understand is there is a steady change and that is an evolving process. So existing products also are doing well, and the new products also are doing well. So overall it has been a good time and it will continue to be a good time to come in.
- Abhishek Ranawade:** Okay. Can you tell me like for the current existing products category, the EBITDA margin expansion, so is there any contribution due to the shift is happening or -?
- Sanjeev Patil:** Yes. So, so if you see the presentation that we have put up earlier in terms of value added products that we make, those are contributing better and that is what is adding to the value. And we also now have products which are in that whole product basket range. We have products which are expensive over \$100 products which is adding value, even if the quantity is small the value as well as the contribution is significant.



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- Abhishek Ranawade:** So in the coming years, can we expect that this shift will be faster or is there any trend going on?
- Sanjeev Patil:** Yes, yes, that's what we are working with.
- Maresh Babani:** Certainly. Certainly, yes.
- Abhishek Ranawade:** And, sir, so as you said that the input cost for you this whole year was lower, so what was the reason behind it?
- Sanjeev Patil:** Input cost as in you have to see it in terms of improved yields. It is not that the cost of raw material has substantially gone down. It is improved yields which is resulting into lower material cost. It is a function of improved yields as well as the value added products that we talked about. So we are able to manufacture products for more side streams, and in fact that has been the journey of Privi for the last about 7 years, wherein from many side streams we developed products which add significant value. So instead of disposing the side streams as a normal chemical or a solvent or a fuel we are able to add value and that is what has led to significant improvement in the margins and that's how the costs have come down.
- Abhishek Ranawade:** Okay. Okay, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang Securities Private Limited. Please go ahead.
- Manish Ostwal:** Yes, sir. Thank you for the opportunity. The question is on the full year performance. So we have shown 19% growth in our revenue. So my question is, sir, given our key markets, it is a function of we added a lot of customers in last one year because the market growth rate is much lower than this growth rate. So what is the function whether we added more products in last one year which are helping us to deliver 19% growth, we added customers, we added geography, so can you explain that 19% growth and what is the volume growth in our business in FY25?
- Sanjeev Patil:** Sir, as we have stated, I would once again like to repeat that we are getting more share of the wallet of the customer. So it's the same customer, let us say I have introduced Musk range of products, now the same customers to whom I will go to sell and because of our reputation we are able to get a better share of that wallet as well as we have also got some new customers and new geographies also. So it's a combination of all the factors which is resulting into higher growth rate and it will continue to grow.



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- Manish Ostwal:** Okay. And second, I want to understand this expansion in the gross margin on the full year. So can you explain the factors which contributed to this expansion in the gross margin for the year?
- Sanjeev Patil:** So as I already explained, it is the product mix that now that we now have which includes products which are high value products selling over \$100 per kilogram as well as the products that we make from the site streams. So from the side streams we make products which give higher contribution and that's how our overall gross margin improves. Am I able to answer your question?
- Manish Ostwal:** I mean, is there any supply cut in our product segment where the prices shoot up because of that?
- Sanjeev Patil:** No.
- Manish Ostwal:** Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Sajal Kapoor from Antifragile Thinking. Please go ahead.
- Sajal Kapoor:** Yes. Thank you for taking my question. And given that Privi is transitioning from supplier to partner in terms of core development, this will probably require fresh investment in things like enhancing the capabilities in terms of hardware, lab equipment, software as well as scientists. So, what kind of investments do you anticipate in the current fiscal and if you can give us a sense on the medium-term outlook? Thank you.
- Mahesh Babani:** So we are confident that we will be able to keep our growth rate at about 20% to 25% for sure and we are planning and working out the growth potential for several products which are in demand from our customers. We are working out the project cost. There will be a CAPEX plan in coming year where we are confident that we will be able to multiply and keep a continued growth for the company.
- Sajal Kapoor:** Sure. China Plus One I am completely also optimistic that given you have been a leading industry player over several decades, your vantage point, you see better than any one of us. But I mean, given the fact that we all know that the future is unpredictable, I mean no one knows. So no one saw this U.S. China and trade tariff coming at this kind of intensity, right, so future again is unpredictable. My question is more broad in the sense that given Privi was always a catalog, or a product company and we were not offering our capabilities or scientific capabilities as a service until we struck this JV with Givaudan. Now given the success of this JV which is more of a core manufacturing and development services clearly, I think Privi sees this as an additional growth revenue stream, but that will also bring its own set of challenges and investment. So my question was more broader in that context.



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Sanjeev Patil:

So you hit the nail on the head I would say, but Privi's capability in terms of R&D, we already have 90 scientists, and most of these guys have been with us for a very long time, including the team leaders. So they understand the nuances of aroma chemical industry very well and aroma chemistry also very well, from Pinene chemistry to Musk chemistry what have you, all of that they understand very well and in terms of laboratory equipment, in terms of capabilities at the lab, instrumentation and all of that we are state-of-the-art, we have all of that with us. It's only that we are now offering those services more aggressively and we see huge amount of potential in this thing and many of these investments have been done in the past, that's how our issues have been, but all that is now paying off in terms of what sustainability, in terms of our lab standards, in terms of the people that we employed, all of that is now paying off.

Sajal Kapoor:

No, absolutely. And I think Mr. Babani in his opening remarks spoke about yield improvement. And again, you know these yield improvements, they are not lucky brace, I mean these things happen after a very long period of what's called the learning curve, the experience curve where scientists try multiple iterations over a very long period of time before you get a breakthrough, like a yield improvement on a sustainable basis.

Sanjeev Patil:

Yes.

Sajal Kapoor:

That was just a broad comment I completely agree with your views there. My second question is history tells us that for every 27%, 28% growth in per capita GDP, the demand for aroma and niche chemicals doubles. So 30% give or take GDP per capita growth it's a very non-linear growth curve if you see. A small change, which is just 25% give or take happening on the per capita consumption is doubling the market for niche, aroma, speciality fragrance chemicals. Is the reason where why you are optimistic in terms of sustaining a growth momentum, I mean whether it comes out to be 15% or 25% that's anybody's guess?

Sanjeev Patil:

Yes, that is also one of the key reasons. You have very rightly pointed out in terms of trends that any increase in GDP leads to multiple effect on the aroma chemical consumption. And as the living standards are improving which Mr. Babani referred to those demands also are increasing. Always remember our increasing share of wallet of the customers because when we introduce a new product, it is done with huge amount of history as much as you said that the yield improvement is not by chance. But similarly when we introduce product they are also based on lot of homework that we do and therefore we feel very, very sanguine we will be able to get this kind of growth including the reason that you have pointed out, yes.

Sajal Kapoor:

Absolutely. Thank you so much for answering all my questions and wish you guys all the very best Thank you.



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Mahesh Babani: Thank you.

Narayan S. Iyer: Thank you.

Moderator: The next question is from the line of Manan Madlani from KamayaKya Wealth management. Please go ahead.

Manan Madlani: Yes. Hi, sir. Thanks for the opportunity and congratulations on a good set of numbers. Sir, my first question is regarding the CAPEX. You mentioned in the PPT is for FY26, the number is Rs. 250 to Rs. 300 crores. So, is it entirely for debottlenecking or any other plans?

Narayan S. Iyer: Yes, it is basically for debottlenecking or expanding on our major products in that.

Manan Madlani: So the follow-up on the same. So after spending Rs.250 crores, Rs.300 crores, we'll get the 6,000 metric tons additional capacity, right?

Narayan S. Iyer: That's correct.

Manan Madlani: So if I do the number, our revenue from what we are getting currently, it will be somewhere in the range of 300 crores only like from this capacity. So why the asset turn is such low on the debottlenecking?

Narayan S. Iyer: See, I am not going to talk about the exact numbers, but our asset turnover will definitely improve with this deep bottlenecking also happening because our numbers are much lower than what we are projecting.

Manan Madlani: Okay. And sir, on the gross margin side, so last quarter our gross margins were highest ever if I recollect it correctly, 51.5%. And even last year that is Q3 FY24 it was the highest. So in Q3, is there any seasonality effect or was that just the one-off? That's my first question.

Narayan S. Iyer: It could have been effected because of certain product mix, especially there could have been a little bit higher movement on the high-end Speciality. But I would like to reply to all my investors that you need to look Privi on an annual basis rather than more of a quarter-to-quarter because in one quarter you may have (+/-0.5%). That's not really how we need to be looked at. As you yourselves indicated that whatever Privi is achieving is on account of a long-term strategy where it takes years and years of chemistry and improvements to showcase and get the results. So my sincere and simple honest request to all of you is to look at us on a yearly basis rather than just compare 1% going up one from one quarter to the other.



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- Manan Madlani:** Yes. So that was my question actually. So on a yearly basis, if I look at our three-year number, it it's been continuously growing. Now should we expect for FY26 the gross margin should be at least 45% plus?
- Narayan S. Iyer:** We indicated in our opening address both by Mahesh bhai and myself. You can expect margins to be at these levels going forward.
- Moderator:** Next question is from the line of Nikhil Porwal from Perpetual Capital. Please go ahead.
- Nikhil Porwal:** Yes. Hi. Thank you so much for the opportunity and congrats to the team on our strong performance. Continuing on one of the previous participant's question, so see broadly if you are running at 85%, 90% utilization now and the capacity addition is around 12.5% over the existing capacity and this goes live in FY27, and if you plan to deliver more than 20% growth consistently, so can we expect is it broadly basis improved pricing of existing products along with higher share from high value, low volume, higher margin products?
- Sanjeev Patil:** So it is a combination of these two but there is one more factor that I would like to emphasize is that our flagship products, we have been making these products for a long time, almost 20 years, we are #1 globally. So there by hindsight of this 15, 20 years of learning curve we have been able to debottleneck those capacities and increase capacities there significantly with minimal CAPEX. So that is also going to play a role going forward in terms of achieving the growth. That's a very crucial thing we have. For example if we are doing something as a batch process, we are converting that into a continuous process or process was done which could give you let's say 10 tons per day, you debottleneck some of the auxiliary equipment and you get a higher 15%, 20% capacity. So this is what is happening because of all the years of experience of running these plants and the strong technical services team that we have, that is also leading to this growth apart from new products as well as slightly improved prices.
- Nikhil Porwal:** Right. Ideally on higher volumes and higher share of these products that can expand margins, we are still guiding for margins to stay around current level or maybe even contract by 100 basis points. Is that being conservative or how do we look at that?
- Sanjeev Patil:** Somebody just a few minutes back mentioned that we live in an uncertain world. Therefore in terms of committing to you, we are being slightly conservative, but obviously internally we are working at the numbers that you will also love to hear in times to come.
- Nikhil Porwal:** Right. This quarter other income was slightly higher than the general. Is it related to subsidy from the government that you have just released, there was a press release about last few weeks ago?



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- Narayan S. Iyer:** The other income has nothing to do with the state incentives, which will come going forward.
- Nikhil Porwal:** Okay. So is this sustainable or is this one-time in nature?
- Narayan S. Iyer:** Other income is sustainable. We will keep getting an income from other sources.
- Nikhil Porwal:** Okay. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Jainam Ghelani from Svan Investments. Please go ahead.
- Jainam Ghelani:** Hi sir. Congratulations for a great quarter and full year. So basically our gross debt stands around Rs.1,100 crores and we have multiple CAPEXs coming over the years, which we might be able to meet through cash flows. So what could be the peak debt levels and what is our plans for debt reduction from current levels?
- Narayan S Iyer:** Thanks, Jainam. Of the said Rs.1,100 odd crores, there is a loan of about Rs.232 crores lying in one of my JV subsidiary. So as such overall the standalone basis, our debt has come down. And to answer you specifically, what the debt levels will be at peak level requirement? Our overall debt will not be exceeding a Debt-EBITDA of 3x. Currently it is at 2x odd on Debt-EBITDA.
- Jainam Ghelani:** Okay, sir. That's it from my side. Thank you and all the best.
- Narayan S Iyer:** Thank you. Yes.
- Moderator:** Thank you. This was the last question for the day. I would now like to hand the conference over to the SGA team for closing comments.
- Shrikant Sangani:** Thank you everyone for joining us in this Earnings Call. We appreciate your time and showing interest in the company. Also, I would like to thank the management team for their precious time. In case of any queries you can get in touch with us or the Privi team. We look forward to meeting all of you over the next call. Thank you.
- Mahesh Babani:** Thank you.
- Narayan S. Iyer:** Thank you, everybody.
- Moderator:** Thank you. On behalf of Privi Speciality Chemicals, that concludes this conference. Thank you for joining us and you may now disconnect your lines.