Palvi Industries Limited

July 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	25.12 (Enhanced from 16.98)	CARE BBB-; Stable	Reaffirmed
Long-term / Short-term bank facilities	100.00 (Enhanced from 65.00)	CARE BBB-; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Palvi Industries Limited (PIL) continue to derive strength from long experience of promoters in the chemical industry, established track record with diversified clientele, location advantage being presence in chemical cluster of Gujarat and moderate capital structure and debt coverage indicators.

However, ratings continue to remain constrained considering its moderate scale of operations and supplier concentration risk. Ratings also take cognisance of its moderate profitability, which is envisaged to improve going forward with recent completion of backward integration project and shall rationalise raw material cost. Ratings also factor in profitability susceptible to raw material price volatility and foreign currency fluctuations and regulatory risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors:

- Volume-backed growth in the scale of operation with profit before interest, lease, depreciation and tax (PBILDT) margin above 7% on a sustained basis.
- Improvement in overall gearing below 0.80x on a sustained basis.

Negative factors:

- Decrease in PBILDT margin below 4% on a sustained basis.
- Deterioration in overall gearing above 2x on a sustained basis.
- Elongation of operating cycle above 90 days on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CareEdge Ratings) expectations that PIL shall continue to benefit from extensive experience of promoters in the chemical industry and its established market position in manufacturing molybdenum derivatives industry and diversified clientele.

Detailed description of key rating drivers:

Key strengths

Long experience of promoters in the chemical industry

PIL is promoted by Himanshu Mehta, MD and CEO, who has over two decades of experience in the chemical industry and looks after the company's overall business. He is supported by his son, Alay Mehta, a chemical engineer. The management is further supported by tier II professionals and experienced staff.

Established track record of operations

PIL has track record of over two decades in the chemical industry, including manufacturing molybdenum derivatives and trading commodity and speciality chemicals. PIL is a member of 'Registration, Evaluation, Authorisation and restriction of Chemicals (REACH) in compliance with regulation of European Parliament and of the Council. Earlier, PIL was also engaged in trading speciality chemicals. However, the company is transferring trading operations to its subsidiaries Palvi Power Tech FZE (Dubai) and Palvi Power Tech Sales Private Limited (India; incorporated in March 2024) from FY24 onwards. In FY25, the income from trading segment was 14% of TOI (FY24: 23%). Overall capacity utilisation of molybdenum unit improved from 53% in FY24 to 68% in FY25.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Diversified clientele and location advantage with presence in chemical cluster of Gujarat

PIL's products find its application in industries such as catalysis, pigments and colour, water treatment industry, steel industry, paper and textile industry, food ingredients, cosmetic and body care products, flavours and fragrance, plastic, paints and coating, drilling and mining, and automobile among others. Sales of PIL is mix of direct sales to customer and through distributors.

PIL has diversified customer base with top 10 customers forms ~44% of its net sales in FY25 (FY24: 37%). PIL has major presence across the export market with export sales forms ~55% of its TOI in FY25 (FY24: 63%). It caters to over 25 countries such as Brazil, the UK, the USA, Kenya, the Netherland, and South Korea among others. PIL operates from Vadodara, Gujarat, which results in location benefit with its presence in the chemical cluster of Gujarat in terms of proximity to suppliers, customers and easy availability of labour.

Completion of backward integrated project

PIL has completed its backward integration project for manufacturing roasted molybdenum. The plant commenced operations in March 2025-end against earlier estimate by December 2024. The total project cost was ₹30.16 crore, which was funded through term loan of ₹22.62 crore and balance through internal accruals. The project cost increased form earlier-envisaged cost of ₹16.16 crore owing to additional infrastructure creation for the green and clean technology. The integrated nature of operations shall ensure better cost control, aiding enhancement in profitability going forward.

Moderate capital structure and debt coverage indicators

PIL's capital structure remained moderately leveraged marked by overall gearing of 1.78x as on March 31, 2025, against 1.27x as on March 31, 2024. Capital structure deteriorated owing to increase in the additional term loan availed due to increase in the project cost. With project the completion, there was increase in the raw material inventory, leading to increase in the working capital borrowings. The company's total debt level increased from ₹62.97 crore as on March 31, 2024, to ₹110.77 crore as on March 31, 2025, while the company's tangible net worth stood moderate at ₹62.15 crore as on March 31, 2025.

Debt coverage indicators too remained moderate marked by PBILDT interest coverage of 2.74x (PY: 2.85x) and total debt to gross cash accruals (TD/GCA) of 10.37x (PY: 6.81x) in FY25. Going forward, capital structure and debt coverage indicators as debt level shall rationalised, while entity benefiting from integrated nature of operations.

Key weaknesses

Moderate scale of operations and profitability

In FY25 (UA), PIL reported TOI of ₹446.44 crore: a y-o-y growth of 45% backed by increase in sales volume of its key products (molybdenum derivative). In FY24, the company had introduced new product, ferro molybdenum, which gained a significant traction in FY25.

Profitability marked by PBILDT remained moderate at 3.85% (FY24: 5.19%) in FY25 owning to higher raw material cost and sale of some obsolete trading inventory at reduced prices. Consequently, profit after tax (PAT) margin also remained moderate at 1.98% in FY25 (2.48% in FY24). PIL reported GCA of ₹10.68 crore in FY25 compared to ₹9.25 crore in FY24.

Supplier concentration risk

Earlier, PIL had significantly high dependency on the single supplier, for roasted molybdenum. However, supplier concentration risk moderated to some extent from FY24 with expansion of the supplier base across geographies. PIL buys contracted quantity from each supplier based on defined price formula.

Susceptibility of profitability to raw material price volatility and foreign currency fluctuations and regulatory risk

Roasted molybdenum concentrate is a major raw material for PIL forming over 80% of its cost of sales. Prices of roasted molybdenum concentrate is determined based on London Metal Exchange (LME), which depends on global demand and supply scenario and other economic factors, including geopolitical situation. Therefore, PIL's profitability is vulnerable to fluctuations in inherently volatile raw material prices, due to time-lag in passing these costs onto customers. This volatility is also evident in fluctuating trend of its gross margin.

To manage this volatility, PIL has annual contracts, with its supplier, which follows calendar year having price based on M, M-1 and M+1 price of molybdenum for the order month (M). On customer side, it sells in domestic market on spot price, while in export market it has same M, M-1 and M+1 pricing formulae.

PIL was a net imported in FY24-FY25. It hedges part of its foreign currency exposures through forward contract, reducing the forex risk to an extent. However, adverse forex variation could impact its profitability to the extent of un-hedged portion. The chemical industry is regulated by stringent regulatory and pollution control norms, which companies need to strictly adhere to. Continued compliance with these stringent pollution control norms is essential for the un-interrupted operation of companies including PIL.

Liquidity: Adequate

PIL has adequate liquidity with moderate GCA against debt repayment obligation and moderate working capital utilisation. It is expected to earn GCA of ₹20-22 crore, against low debt repayment of ₹5-6 crore in FY26. Average fund-based working capital utilisation for 12 months ended April 2024 remained moderate at ~85%.

Operating cycle stood moderate at 62 days in FY25 against 66 days in FY24. Despite growth in the scale of operation, debtor days remained at 30 days in FY24 (FY23: 42 days). Current ratio and quick ratio as on March 31, 2025, also remains moderate at 1.06x and 0.49x respectively. PIL has cash and bank balance of ₹0.88 crore (excluding margin money of ₹20.08 crore) as on March 31, 2025.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & petrochemicals	Commodity chemicals

PIL was initially incorporated as a proprietorship firm in 1995 for export trading speciality and commodity chemicals in the name of Govindlal Mehta, the first-generation promoter. Then, it was converted into partnership firm and in 2006 incorporated as a private limited company in the name of 'Palvi Power Tech Sales Private Limited'. In 2019, it converted into closely held public limited company and changed its name to the present name 'Palvi Industries Limited'.

PIL is engaged in manufacturing molybdenum derivatives and trading commodities and speciality chemicals. As on March 31, 2025, PIL has installed capacity of 2,160 MTPA for molybdenum derivatives and 1,200 MTPA for ferro molybdenum at its two plants in Vadodara, Gujarat.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	306.87	446.44
PBILDT	15.93	17.19
PAT	7.62	9.47
Overall gearing (times)	1.27	1.78
Interest coverage (times)	2.85	2.74

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	-	35.00	CARE BBB-; Stable / CARE A3
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	65.00	CARE BBB-; Stable / CARE A3
Term Loan-Long Term	-	-	-	07-12-2031	25.12	CARE BBB-; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Term Loan-Long Term	LT	25.12	CARE BBB-; Stable	-	1)CARE BBB-; Stable (01-Jul-24)	1)CARE BBB-; Stable (07-Jul-23)	-
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	35.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (01-Jul-24)	1)CARE BBB-; Stable / CARE A3 (07-Jul-23)	-
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	65.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (01-Jul-24)	1)CARE BBB-; Stable / CARE A3 (07-Jul-23)	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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