

## Primo Chemicals Limited

July 28, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	102.71 (Reduced from 133.27)	CARE BBB-; Stable	Reaffirmed; Outlook revised from Negative
Long-term / short-term bank facilities	75.00	CARE BBB-; Stable / CARE A3	Reaffirmed; Outlook revised from Negative

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Primo Chemicals Limited (PCL) continue to derive strength from the experienced promoters with long track record of operations, favourable location of the plant and moderate diversification of the clientele across end-user industries. Reaffirmation also factors in improvement in the company's operational and financial performance characterised by ~35% year-over-year (y-o-y) growth in scale of operations and 775 bps improvement in the profit before interest, lease, depreciation, and taxes (PBILDT) margins largely considering improvement in ECU sales realisations of ~22.22% in FY25 (refers to April 01 to March 31). With improved profitability and similar level of debt level, PCL's capital structure remained stable and debt protection metrics improved in FY25.

However, ratings continue to remain constrained by the inherent volatility in ECU realisations of caustic soda leading to volatile scale and margins over the last five years. PCL's profitability is susceptible to adverse movements in power cost which accounts for 45-50% total input cost, threat of cheaper imports from foreign countries, and competition with established integrated players in an inherently cyclical caustic soda industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustained increase in its revenues, while maintaining its PBILDT margins above 14% and debt coverage metrics.
- Improvement in total debt to PBILDT below 1.25x.

#### Negative factors

- PBILDT margin falling below ~7% and/or revenue from operations below ₹400 crore, impacting PCL's financial profile on a sustained basis.
- Higher-than-envisaged major debt funded capex resulting deterioration of overall gearing ratio above 1x and affecting its liquidity on a sustained basis.
- Tightening of prevailing pollution control/ environmental norms and/or regulatory ban on production and sales of major products significantly impacting its business and profitability.

### Analytical approach: Standalone

#### Outlook: Stable

Revision in the outlook to 'Stable' from 'Negative' factors in improvement in the company's operational and financial performance led by improvement in electrochemical unit (ECU) realisation. With no significant debt funded capex planned in the near-to-medium term and captive power plant being operational and coal linkage, the profitability is likely to improve.

### Detailed description of key rating drivers:

#### Key strengths

##### Growth in scale of operations with improvement in profitability

The company's total operating income (TOI) improved to ₹556.54 crore in FY25 from ₹409.32 crore in FY24 by 35.97%, mainly considering improvement in ECU sales realisation to ₹41,505/- metric tonne (MT) in FY25 from ₹33,959/- MT in FY24. With improvement in ECU sales realisation and increase in sales volume, PCL's PBILDT margin also improved to 12.46% in FY25 from 4.71% in FY24.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

Profitability is expected to improve with operationalisation of its 35 MW captive power plant at Naya Nangal, Punjab and coal linkage. The company entered a 10-year coal supply agreement with Coal India for regular supply of coal which is expected to result in annual savings in power consumption cost by close to ₹1.0 per unit. However, stabilisation of the captive power plant remains a key monitorable. ECU realisations are expected to remain stable in FY26 aligning with FY25 level. With the operationalisation of caustic soda flakes plant and aluminium chloride plant, the volumes of same are increasing consistently which are expected to yield better profitability margins.

#### **Comfortable debt coverage indicators with moderate capital structure**

With better operating profit margins and similar debt level in FY25, PCL's debt coverage indicators improved in FY25 against FY24 with total debt to gross cash accrual (TD/GCA) and interest coverage ratio of 2.81x and 3.01x, respectively, in FY25 against 22.51x and 1.06x in FY24. TD to earnings before interest, taxation, depreciation, and amortisation (EBITDA) improved 2.57x in FY25 from 9.28x in FY24. Long-term debt-to-equity and overall gearing ratios improved to 0.31x and 0.51x in FY25 against 0.40x and 0.53x in FY24. With no significant debt funded capex planned, the company's capital structure is expected to improve considering scheduled repayment of term debt obligations and accretion of profits in the net worth.

#### **Locational advantage of the plant**

PCL's units are at Naya Nangal in Ropar, Punjab. PCL has locational advantage owing to easy access to end-users in the vicinity and its proximity to the Bhakra Left Bank Power Generating station, which provides it uninterrupted power supply, and River Sutlej as a continuous water supply source, both of which are critical inputs for the smooth functioning of plant. The road and rail connectivity to the plant is also good as the company has its own railway siding, and currently, salt is being transported from Gujarat directly to the PCL factory, which reduces the transportation cost. Due to its strategic location, PCL cost-effectively caters not only to Northern India but also to the farther reaches of the country.

#### **Moderate diversification of clients across end-user industries**

PCL's products find application across industries, such as paper, textiles, detergents, fast-moving consumer goods (FMCG), paints, chemicals, and pharmaceutical industries. The company has healthy relationships with customers and receives repeat orders from them. Payments from customers are normally received in 15-30 days.

#### **Experienced promoters and management**

The company was promoted by Punjab State Industrial Development Corporation (PSIDC) in 1975, which disinvested its 33% stake in Q3FY21 (Q3 refers to October 01 to December 31). In October 2020, the promoters of the Flow Tech Group acquired a stake in PCL from the open market. Established in 1993, the Flow Tech Group is a pioneer in manufacturing chlorinated paraffin and hydrochloric acid. The manufacturing facilities of the Flow Tech Group are set up at prominent locations in Punjab, Haryana, and West Bengal. The company's management has changed from nominee directors of PSIDC to Sukhbir Singh Dahiya, Jagbir Singh Ahlawat, and Naveen Chopra, who have several decades' experience in the chemical industry.

#### **Key weaknesses**

##### **Volatility in ECU realisations of caustic soda and its by-products leading to volatile margins**

With presence in a cyclical industry where the product is also commoditised, PCL faces high volatility in the realisations of caustic soda. The net ECU realisations have been volatile in the last three years as it declined to ₹33,959 PMT in FY24 from ₹50,045 in FY23, however, same improved to ₹41,505 PMT in FY25. Net realisations are expected to remain stable in FY26. However, substantial drop in ECU realisations, may lead to a reduction in the GCA, which will remain a key rating monitorable.

##### **Susceptibility of profitability to adverse movements in power cost**

PCL's profitability is susceptible to adverse movements in power cost since electrolysis is an energy-intensive process and power cost constitutes a significant part of its cost structure. The company's power cost stood at ₹232.82 crore in FY25 against ₹195.23 crore in FY24. However, PCL has already set up its captive power plant of 35 megawatt (MW) and secured a long-term coal supply agreement with Coal India, which would reduce the overall power cost.

##### **Competition with established integrated players and presence in an inherently cyclical caustic soda industry**

With the presence of large established players such as Gujarat Alkalis and Chemicals limited, DCM Shriram Limited and Grasim Industries Limited among others and due to cheaper imports, the market is highly competitive. The large number of players in the industry lead to high competition among the existing players. Larger organised players are better placed in the market due to their brand name, and their ability to negotiate better prices with raw material suppliers. The caustic soda industry is an inherently cyclical industry, where the sales realisation of companies in caustic soda manufacturing has moderated in FY24, although it improved in FY25.

**Liquidity: Adequate**

The adequate liquidity position of PCL is characterised by sufficient cushion in projected cash accruals of ~₹85 crore against repayment obligations of ₹28.39 crore. The company has free cash and bank balance including unutilised bank limits amounting ₹33.97 crore as on June 30, 2025. The average utilisation of working capital limits was ~87% in the last 12 months ending on May 31, 2025. There is no major debt funded capex plans of the company in the near-to-mid-term.

**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](#)

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**About the company and industry****Industry classification**

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

Incorporated in December 1975, the company was promoted by PSIDCL, which disinvested its 33% stake in Q3FY21. In October 2020, the promoters of the Flow Tech Group acquired a stake in PCL from the open market and held 31.35% stake in the company as on March 31, 2023. The company's name was subsequently changed to Punjab Alkalies & Chemicals Limited in 1983, and to its current name in December 2022. PCL commenced operations at Naya Nangal, Roopnagar, Punjab, in January 1984. The company mainly manufactures caustic soda lye and caustic soda flakes, which are widely used in industries such as soap, paper, dyes, chemicals, and plastic. Caustic soda flakes, stable bleaching powder and aluminium chloride are introduced by the company for product diversification. The other products, such as liquid chlorine, hydrochloric acid and sodium hypochlorite among others are the by-products of the manufacturing process. The company's manufacturing facility, situated in Naya Nangal, Ropar, Punjab, has an installed capacity of 500 tonnes per day.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (Abridged)
Total operating income	725.94	409.32	556.54*
PBILDT	210.91	19.26	69.32
PAT	133.98	-25.86	2.35
Overall gearing (times)	0.54	0.53	0.51
Interest coverage (times)	26.13	1.06	3.01

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

\*Excludes GST incentive of ₹13.87 crore, which has been classified as non-operating income effective FY25 onwards.

**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-Term Loan	-	-	-	September 2030*	102.71^	CARE BBB-; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	75.00	CARE BBB-; Stable / CARE A3

\*Maturity date might change as there are multiple term loans herein, we have taken the longest tenor term loan's last repayment.

^Amount outstanding as on July 10, 2025

**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	Fund-based - LT-Term Loan	LT	102.71	CARE BBB-; Stable	-	1)CARE BBB-; Negative (10-Jun-24)	1)CARE BBB-; Stable (13-Nov-23)  2)CARE BBB- (RWD) (06-Jul-23)  3)CARE BBB- (RWD) (05-Apr-23)	1)CARE BBB- (RWD) (27-Dec-22)  2)CARE BBB- (CW with Developing Implications) (04-Jul-22)  3)CARE BBB- (CW with Developing Implications) (08-Jun-22)
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	75.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Negative / CARE A3 (10-Jun-24)	1)CARE BBB-; Stable / CARE A3 (13-Nov-23)  2)CARE BBB- / CARE A3 (RWD) (06-Jul-23)  3)CARE BBB- / CARE A3 (RWD) (05-Apr-23)	1)CARE BBB- / CARE A3 (RWD) (27-Dec-22)  2)CARE BBB- / CARE A3 (CW with Developing Implications) (04-Jul-22)  3)CARE BBB- / CARE A3 (CW with Developing Implications) (08-Jun-22)

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-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	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](mailto:care@careedge.in) for clarifications.

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