Primo Chemicals Limited

July 22, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	-	-	Reaffirmed at CARE BBB-; Stable / CARE A3 and Withdrawn
Long-term bank facilities	RBI	-	-	Reaffirmed at CARE BBB-; Stable and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CareEdge Ratings has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB-; Stable/CARE A3' [Triple B Minus; Outlook: Stable/ A Three] assigned to the bank facilities of Primo Chemicals Limited (PCL) with immediate effect. This action has been taken at the request of PCL and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CareEdge Ratings.

The ratings continue to derive strength from its experienced promoters with a long track record of operations, favourable plant location, and moderate diversification of the clientele across end-user industries. Reaffirmation also factors in the marginal improvement in the company's operational and financial performance in FY26 (FY refers to April 01 to March 31), supported by better electrochemical unit (ECU) realisations. With improved profitability and lower debt levels, PCL's capital structure remained comfortable, with an improvement in debt coverage metrics in FY26. However, the company has proposed to acquire the remaining 51% stake in Flow Tech Chemicals Private Limited (FTCPL), by March 31, 2027, which may exert pressure on the company's debt protection metrics, particularly if funded through debt.

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 ending FY26. PCL's profitability remains susceptible to adverse movements in power costs (accounting for ~45-50% of total input costs), and exposure to competitive pressures from cheaper imports and established integrated players in the inherently cyclical caustic soda industry.

Analytical approach: Standalone

Outlook: Stable

The "Stable" outlook reflects CARE Ratings Limited's (CareEdge Ratings') expectation that PCL is expected to sustain its operating performance while maintaining comfortable debt protection metrics, despite planned debt-funded capex in the near-to-medium term.

Detailed description of key rating drivers: At the time of last rating on June 29, 2026, the following were the rating strengths and weaknesses.

Key strengths

Experienced promoters and management

The company was originally promoted by Punjab State Industrial Development Corporation (PSIDC) in 1975. PSIDC subsequently divested its 33% stake in Q3FY21 (Q3 refers to October 01 to December 31). In October 2020, 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. Post the change in ownership, the company's management has transitioned from PSIDC-nominated directors to an experienced leadership team comprising Sukhbir Singh Dahiya, Jagbir Singh Ahlawat, and Naveen Chopra, who collectively bring extensive experience in the chemical industry.

Comfortable financial risk profile; debt metrics may moderate going forward

With improved ECU realisations, the company witnessed an improvement in its overall operational performance reflected through improved TOI and profitability margins in FY26. Reduction in debt levels led to a marginal improvement in debt protection metrics in FY26. Overall gearing ratio stood at 0.41x in FY26, compared to 0.51x in FY25, while interest coverage ratio (PBILDT/interest cost) improved to 4.58x in FY26 from 3.01x in FY25. The company's capital structure is expected to remain comfortable, supported by adequate internal accruals and healthy net worth.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

CareEdge Ratings notes PCL's plan to acquire the remaining 51% stake in FTCPL, in which it currently holds 49% stake. The proposed acquisition is expected to be completed on or before March 31, 2027, subject to valuation and completion of due diligence. CareEdge will continue to monitor the valuation amount and funding structure of the proposed transaction. The company has planned capital expenditure of ₹60–70 crore over FY27 and FY28 with fresh debt of ~₹30 crore. The resultant increase in leverage may lead to moderation in PCL's debt protection metrics and remains a key monitorable.

Moderate scale of operations with improved profitability

The company's TOI marginally improved to ₹578.11 crore in FY26 from ₹556.54 crore in FY25, mainly driven by improvement in ECU sales realisation to ₹42,698/- metric tonne (MT) in FY26 from ₹41,505/- MT in FY25. With improved ECU sales realisation, PCL's PBILDT margin also improved to 14.67% in FY26 from 12.46% in FY25. Profitability is expected to marginally improve over the medium term, supported by power saving cost measures. Elevated power costs in FY26, driven by higher discom tariffs, are likely to moderate with sustained benefits from the operational 35-MW captive plant and incremental support from the proposed 50-megawatt (MW) solar project under a captive structure. The latter, with contracted tariffs of ₹4.20 per unit, is expected to yield annual savings of ₹10–15 crore, supporting margin expansion, subject to timely implementation and stabilisation.

Locational advantage of the plant with moderate client diversification across end-user industries

PCL's units are located 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 the plant. The plant benefits from road and rail connectivity, 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.

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.

Key weaknesses

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

PCL operates in a cyclical and commoditised industry, exposing it to significant volatility in caustic soda realisations. The net ECU realisations have exhibited high fluctuations over the last three years, declining to ₹33,959 per metric tonne (PMT) in FY2024 from ₹50,045 PMT in FY23, followed by a recovery to ₹41,505 PMT and ₹42,698 PMT in FY25 and FY26, respectively. While realisations are higher in Q1FY27 (Q1 refers to April 01 to June 30), however, sharp decline in ECU realisations could adversely impact accruals and profitability, which will remain a key rating monitorable.

Susceptibility of profitability to adverse movements in power cost

PCL's profitability remains susceptible to adverse movements in power cost, given the energy-intensive nature of the electrolysis process, with power constituting a significant portion (~54% in FY26) of its overall cost structure. The company's power cost remained largely stable at ₹238.24 crore in FY26 compared to ₹232.82 crore in FY25. However, the risk is partly mitigated by the sustained benefits from the operational 35-MW captive plant and incremental support from the proposed 50 megawatt (MW) solar project under a captive structure. The latter, with contracted tariffs of ₹4.20 per unit, is expected to yield annual savings of ₹10–15 crore, supporting margin expansion, subject to timely implementation and stabilisation.

Competition with established integrated players and cyclicality of the caustic soda industry

PCL operates in a highly competitive environment, marked by the presence of large and well-established integrated players such as Gujarat Alkalies and Chemicals Limited, DCM Shriram Limited, and Grasim Industries Limited, and competition from cheaper imports. The fragmented nature of the industry intensifies competitive pressures, with larger organised players benefiting from stronger brand presence and better bargaining power with suppliers.

The caustic soda industry is inherently cyclical in nature, resulting in fluctuations in realisations and profitability. While industry realisations moderated sharply in FY24, they witnessed improvement in the subsequent years, highlighting the cyclical trend in the sector.

Liquidity: Adequate

The liquidity position of PCL is adequate as characterised by sufficient cushion in projected cash accruals of ~₹68 crore compared to repayment obligations of ~₹27 crore in FY27. The company has free cash and bank balances amounting ~₹2 crore as on March 31, 2026. The average utilisation of fund-based working capital limits stood at ~82% in the last 12 months ending on April 30, 2026. PCL's liquidity position is expected to remain adequate despite the envisaged debt-funded capex, supported by sufficient internal accruals.

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
Withdrawal Policy
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & Petrochemicals	Commodity Chemicals

Incorporated in December 1975, the company was promoted by PSIDCL, which divested 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 were introduced by the company for product diversification. 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, 2024 (A)	March 31, 2025 (A)	March 31, 2026 (AB)
Total operating income	409.32	556.54	578.11
PBILDT*	19.26	69.32	84.79
Profit after tax (PAT)	-25.86	2.35	10.56
Overall gearing (x)	0.53	0.51	0.41
Interest coverage (x)	1.06	3.01	4.58

A: Audited; AB: Abridged; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-	-	-	31-01-2032	0.00	Withdrawn
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	RBI	Simple	-	-	-	-	0.00	Withdrawn

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 2026-2027	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
1	Fund-based - LT-Term Loan	LT	-	-	1)CARE BBB-; Stable (22-Jul-26) 2)CARE BBB-; Stable (29-Jun-26)	1)CARE BBB-; Stable (28-Jul-25)	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)
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD /LC/BG	LT/ST	-	-	1)CARE BBB-; Stable / CARE A3 (22-Jul-26) 2)CARE BBB-; Stable / CARE A3 (29-Jun-26)	1)CARE BBB-; Stable / CARE A3 (28-Jul-25)	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)

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

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

Annexure-4: 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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