Prasol Chemicals Ltd.

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IPO Note **07th September 2026**

Company Overview

Prasol Chemicals Ltd. is a diversified specialty chemicals manufacturer with over three decades of operating experience, producing acetone-based specialty chemicals, phosphorus-based specialty chemicals and other customized specialty chemicals. The company has a portfolio of over 150 products serving more than 1,600 customers and exports to 69 countries across global markets as of July 15, 2026. Its key application segments include performance chemicals, paints, inks, construction & adhesives (PICA), pharmaceuticals, agrochemicals and home & personal care. The company's portfolio comprises 21 acetone-based specialty chemicals, 53 phosphorus-based specialty chemicals and 76 other specialty chemicals. Key products include diacetone alcohol, isophorone, hexylene glycol, phosphorus pentasulphide, phosphorus pentoxide, zinc dialkyl dithiophosphates, specialty phosphates, polyphosphoric acid and dithiophosphates, catering to a diversified range of end-use applications. In FY26, acetone-based specialty chemicals contributed 42.8% of revenue, phosphorus-based specialty chemicals contributed 38.3%, while other specialty chemicals accounted for 18.3%, providing a relatively diversified revenue profile across product categories. The company operates two manufacturing facilities at Khopoli and Mahad in Maharashtra, with aggregate installed capacity of 98,644 MTPA as of FY26. Khopoli plant operated at a healthy utilization of 80.3%, while Mahad plant utilization improved sharply to 44.1% in FY26 from 25.2% in FY25. The Mahad facility faced operational disruptions, but the resumption of operations and improved utilization indicate a gradual recovery in asset productivity. With significant unutilized capacity remaining at Mahad, further ramp-up provides potential operating leverage and volume-led growth, subject to demand conditions and execution.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Repayment and / or pre-payment, in full or part, of certain borrowings availed by the company;
- ⇒ General corporate purposes.

Investment Rationale

Strong positioning in acetone and phosphorus-based specialty chemicals, supported by leadership in select niche products

Prasol is strategically positioned in the domestic specialty chemicals industry through its integrated presence across acetone and phosphorus based derivatives. The company was the largest importer of acetone in India during CY22-CY25, which supports its scale and procurement capabilities in acetone-based chemistries. It is also the sole domestic manufacturer of isophorone, with an installed capacity of 9,000 MTPA, providing a differentiated position in the domestic market. Its acetone-based portfolio comprises products such as diacetone alcohol, isophorone, hexylene glycol and MIBC, which cater to diverse end-use industries including pharmaceuticals, agrochemicals, paints and coatings, construction, mining and lubricants. On the phosphorus side, Prasol is among the top five users of yellow phosphorus in India, key feedstock for its portfolio of phosphorus-based specialty chemicals. The company manufactures products including phosphorus pentasulphide, phosphorus pentoxide, polyphosphoric acid, dithiophosphates, phosphate esters and lubricant additives such as ZDDP. Its backward and forward integration across these chemistries enables it to participate across multiple stages of the value chain and cater to diverse applications spanning performance chemicals, lubricants, mining, agrochemicals, pharmaceuticals, paints and construction. The company’s competitive positioning is further supported by its broad product portfolio, complex manufacturing chemistries and application-oriented R&D capabilities. The company had more than 150 specialty chemical products as of FY26 and a 37-member in-house R&D team, with a pipeline of 40 products and 13 products commercialized since April 2023. These capabilities, combined with customer qualification requirements and product-specific technical know-how, create entry barriers in several niche applications.

Issue Details	
Offer Period	08th Sept, 2026 - 10th Sept, 2026
Price Band	Rs. 643 to Rs. 676
Bid Lot	22
Listing	BSE, NSE
Issue Size (no. of shares in mn)	7.39
Issue Size (Rs. in bn)	5.00
Face Value (Rs.)	2

Issue Structure	
QIB	50%
NIB	15%
Retail	35%
BRLM	DAM Capital Advisors Ltd.
Registrar	KFin Technologies Ltd.

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	89.20	77.51
Public	10.80	22.49
Total	**100.00**	**100.00**

(Assuming issue subscribed at higher band)

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Diversified product portfolio and customer base provide multiple avenues for growth

The company has built a diversified specialty chemical portfolio spanning acetone-based, phosphorus-based and customized specialty chemicals, reducing dependence on any single product or end-use industry. The company offers more than 150 products across five key application segments, namely, performance chemicals, paints, inks, construction & adhesives (PICA), pharmaceuticals, agrochemicals, and home & personal care and serves customers across more than 20 industries. Its customized specialty chemicals are developed around customer-specific technical requirements and involve application development and qualification processes, which can increase switching costs and support customer retention, particularly for products requiring customer approval and process validation. The company's dedicated R&D centre also facilitates collaborative product development with customers and customized solutions. The company has also established a broad and geographically diversified customer base, with 1,600+ customers and exports to 69 countries across six continents as of July 15, 2026. FY26 revenue concentration remains relatively contained, with the top 10 customers contributing 23.7% of revenue and no individual customer accounting for more than 5% of total income, limiting dependence on any single customer. Prasol's long-standing customer relationships further support revenue visibility and provide opportunities for cross-selling and increasing wallet share as the company expands its product portfolio. The company's established relationships with customers across pharmaceuticals, agrochemicals, lubricants and specialty chemicals, together with its growing product pipeline, provide scope to deepen penetration within existing accounts. The company's global credentials also support its ability to participate in international supply chains. Prasol is recognized as a Three-Star Export House by the Government of India and holds ISO 9001, ISO 14001 and ISO 45001 certifications, while select products have obtained European REACH registrations. These certifications and regulatory registrations can support customer qualification and market access, particularly in regulated export markets.

Valuation

Prasol Chemicals has established a diversified specialty chemicals platform with 150+ products across acetone-based, phosphorus-based and other specialty chemicals, serving 1,600+ customers across multiple end-use industries and 69 countries. The company’s key strategy remains focused on strengthening its position in niche chemistries, increasing downstream integration, improving capacity utilization and expanding its higher-value specialty product portfolio, with the Mahad facility providing meaningful headroom for volume-led growth. The Indian phosphorus derivatives market is expected to grow at ~10% CAGR between FY24 and FY29, providing a favourable industry backdrop for the company’s phosphorus-based portfolio, while its leadership in select acetone derivatives further strengthens its competitive positioning. Financial performance has improved sharply, with revenue/EBITDA/PAT growing at ~18.6%/~51.7%/~114.1% CAGR respectively over FY24-FY26 period, accompanied by EBITDA margin expansion from 6.9% to 11.3%. As we advance, higher capacity utilization, an improving product mix, export growth, and increasing contribution from differentiated specialty chemicals could support sustained earnings growth and operating leverage. While the issue valuation at ~47.2x FY26 earnings appears relatively demanding, we believe the quality of the business, niche product positioning, scalable growth opportunity and improving return profile add strategic value and provide scope for further earnings-led growth. **Given the company's strong growth trajectory and long-term specialty chemicals opportunity, we recommend a subscribe rating to the issue.**

Key Risks

⇒ The company remains exposed to fluctuations in the price and availability of key raw materials, particularly acetone and yellow phosphorus, with raw material costs accounting for 69.0% of total income in FY26. The absence of long-term procurement agreements and dependence on a limited number of suppliers could expose margins to input-cost volatility and create supply-disruption risks.

⇒ The company is dependent on key customers, with its top 10 customers contributing ~23.7% of FY26 revenue, up from 18.5% in FY24. Loss of key customers, lower orders, adverse changes in customer requirements, or failure to maintain long-standing relationships could adversely affect revenue and profitability.

⇒ The Mahad manufacturing facility has experienced operational challenges, including a shutdown between October 2023 and May 2024 following a gas leakage incident. Any further operational disruption, safety incident or delay in stabilizing the facility could adversely affect capacity utilization.

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Income Statement (Rs. in crores)

Particulars	FY24	FY25	FY26
Revenue			
Revenue from operations	877	1,012	1,233
Total revenue	**877**	**1,012**	**1,233**
Expenses			
Cost of Material Consumed	517	608	688
Purchase of Stock in Trade	136	134	175
Changes in the inventories	-6	-18	-10
Employee benefits expense	33	42	50
Other Expenses	135	159	189
Total operating expenses	**816**	**925**	**1,093**
EBITDA	**61**	**88**	**139**
Depreciation and amortization expense	21	23	25
EBIT	**39**	**64**	**115**
Finance costs	11	8	8
Other Income	11	3	5
Profit before exceptional Items and tax	**39**	**59**	**112**
Exceptional items	6	0	0
PBT	**34**	**59**	**112**
Tax Expense	15	16	29
Net Profit	**18**	**44**	**83**
Diluted EPS	3.1	7.5	14.3

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in crores)

Particulars	FY24	FY25	FY26
Cash Flow from operating activities	116	22	49
Cash flow from investing activities	-18	-22	-38
Cash flow from financing activities	-115	10	0
Net increase/(decrease) in cash and cash equivalents	**-17**	**10**	**11**
Cash and cash equivalents at the beginning of the period	**21**	**10**	**17**
Exchange differences	6	-3	-4
Cash and cash equivalents at the end of the period	**10**	**17**	**24**

Source: RHP, BP Equities Research

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Balance Sheet (Rs. in crores)

Particulars	FY24	FY25	FY26
Assets			
Non-Current Assets			
Property, plant and equipment	324	324	311
Capital Work in progress	22	21	47
Other intangible assets	2	2	3
Financial assets			
(i) Investments	0	0	0
(ii) Other financial assets	2	2	3
Other Non-Current Assets	1	0	1
Other Tax Assets (Net)	0	0	0
Total Non-Current Assets	**351**	**350**	**365**
Current Assets			
Inventories	100	152	153
Financial Assets			
(i) Trade receivables	160	197	279
(ii) Cash and cash equivalents	10	17	24
(iii) Bank Balances	0	0	0
(iv) Other Financial Assets	1	1	1
Other current assets	4	6	17
Total Current Assets	**276**	**373**	**474**
Total Assets	**626**	**723**	**839**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	12	12	12
Other equity	314	356	437
Total Equity	**326**	**367**	**449**
Liabilities			
Non-Current Liabilities			
Financial liabilities			
Borrowings	43	44	47
Lease Liabilities	0	0	0
Deferred Tax Liabilities (Net)	26	25	26
Provisions	1	8	10
Total Non-Current Liabilities	**69**	**77**	**83**
Current Liabilities			
Financial liabilities			
(i) Borrowings	39	57	63
(ii) lease liabilities	0	0	0
(ii) Trade payables	171	197	208
Other Financial Liabilities	3	3	4
Other current liabilities	14	17	31
Provisions	1	1	2
Income tax liabilities (net)	1	3	0
Total Current Liabilities	**231**	**279**	**308**
Total Liabilities	**300**	**355**	**390**
Total Equity and Liabilities	**626**	**723**	**839**

Source: RHP, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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