

Prasol Chemicals Ltd – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
08 September 2026	10 September 2026	₹643-676	Subscribe

Investment Summary

Prasol Chemicals Limited presents an attractive specialty chemicals growth story, supported by its diversified product portfolio, presence across multiple end-use industries and established capabilities in complex acetone- and phosphorus-based chemistries. The company benefits from long-standing relationships with a broad customer base, high repeat business and an expanding global footprint, while its application-focused R&D provides scope for new product development, customer additions and deeper wallet share. The recent improvement in profitability, recovery in utilization at the Mahad facility and headroom available at its manufacturing facilities provide further operating leverage and support the company's medium-term growth prospects. Key monitorables going forward include sustained improvement in Mahad utilization and profitability, successful commercialization of new products, management of raw-material and working-capital requirements, and maintenance of stringent environmental, health and safety standards. Supported by its diversified business model, improving operating performance, strong customer stickiness and growth opportunities across domestic and global markets, we recommend a **"Subscribe"** stance on the issue.

Company Overview

Prasol Chemicals Limited, incorporated in 1992 and headquartered in Navi Mumbai, Maharashtra, is a diversified specialty chemicals manufacturer with over 33 years of industry experience, focused on acetone-based, phosphorus-based and other specialty chemicals involving complex and differentiated chemistries. The company offers a portfolio of 150+ specialty chemical products, comprising 21 acetone-based, 53 phosphorus-based and 76 other specialty products, catering to five key application segments—performance chemicals, PICA (paints, inks, construction & adhesives), pharmaceuticals, agrochemicals, and home & personal care. Prasol serves 1,600+ customers across domestic and international markets and exports to 69 countries across six continents.

Business Model

Prasol operates a **specialty chemicals manufacturing model built around diversified, application-oriented products**. Its acetone-based portfolio includes products such as diacetone alcohol, isophorone, trimethyl cyclohexanol and hexylene glycol, while its phosphorus-based portfolio includes phosphorus pentoxide, phosphorous pentasulphide, dithiophosphates, polyphosphoric acid, DETC and phosphate esters. These products are used across a broad range of industries including lubricants, mining, agrochemicals, pharmaceuticals, personal care, coatings, inks, construction and adhesives.

The company follows a **forward-integrated and R&D-led manufacturing approach**, with two manufacturing facilities at Khopoli and Mahad, Maharashtra, having an aggregate installed capacity of 98,644 MTPA. Its capabilities span complex chemistries including hydrogenation, oxidation, aldol condensation, pyrolysis, high-temperature and high-pressure reactions, halogenation and dehydration. Prasol also maintains an in-house R&D centre and a 37-member R&D team, with customer-led product development and customization helping it introduce new products and address specific application requirements.

Prasol's **B2B customer-led sales model is supported by a highly diversified domestic and export base**, with 1,618 customers in FY26 and no single customer contributing more than 5% of total income. Repeat customers accounted for 93.28% of FY26 revenue from operations, reflecting strong customer stickiness, while exports contributed ~27% of revenue and reached 69 countries. The company has sales personnel in Shanghai and London, consignment stockists in Houston and Rotterdam, and a 36-member sales team to deepen its international market presence.

Financial Performance

- **Revenue CAGR ~ (FY24–FY26): ~18.6%**, with revenue from operations increasing from ₹876.57 Cr in FY24 to ₹1,012.49 Cr in FY25 and ₹1,232.59 Cr in FY26, supported by higher sales across its acetone-based and phosphorus-based specialty chemical portfolio and improved utilization at the Mahad manufacturing facility.
- **EBITDA:** ₹60.53 Cr (FY24) → ₹87.77 Cr (FY25) → ₹139.32 Cr (FY26), while margins are at ~11.30% in FY26.
- **PAT trajectory:** ₹18.13 Cr (FY24) → ₹43.57 Cr (FY25) → ₹83.12 Cr (FY26) with a 6.74% margin.
- **Return metrics:** Return ratios improved materially with Adjusted RoAE increasing from 5.71% in FY24 to 20.37% in FY26, while Adjusted RoCE improved from 12.61% to 22.43%, supported by stronger profitability and improved utilization of the manufacturing asset base.
- **Balance sheet:** Net worth stood at ₹448.51 Cr as of FY26, with Net Debt-to-Equity at 0.19x, indicating a relatively moderate leverage profile.
- **Key Ratios:** Basic EPS ₹14.33, NAV ₹77.33 per share.

Financial Snapshot

Metric	INR CR		
	FY24	FY25	FY26
Revenue from Operations	876.57	1,012.49	1,232.59
EBITDA	60.53	87.77	139.32
EBITDA Margin	6.91%	8.67%	11.30%
Profit After Tax (PAT)	18.13	43.57	83.12
PAT Margin	2.07%	4.30%	6.74%
Basic EPS (₹)	3.13	7.51	14.33

Investment Rationale

1. Diversified Specialty Chemicals Portfolio Across Multiple End-Use Industries:

Prasol offers 150+ specialty chemical products across acetone-based, phosphorus-based and other specialty chemicals, serving performance chemicals, PICA, pharmaceuticals, agrochemicals and home & personal care. This diversified product and application mix reduces dependence on any single end-market and supports cross-selling opportunities across its 1,600+ customer base.

2. Strong Position in Acetone & Phosphorus-Based Specialty Chemicals:

The company has established strong capabilities in two complex chemical streams, with 21 acetone-based and 53 phosphorus-based products accounting for ~81% of FY26 revenue. Prasol is also the largest importer of acetone in India for production of acetone derivatives and the only Indian manufacturer of isophorone with a capacity of 9,000 MTPA, providing a differentiated competitive position.

3. R&D-Led Product Development Supporting Customer Stickiness:

Prasol's 37-member in-house R&D team, including four PhDs, works on customized formulations and application-specific chemistries, with 13 new products commercialized since April 2023 and another 40 products in the pipeline. Customer approval cycles of typically 1–4 years create meaningful entry barriers and, combined with customized product development, enhance customer stickiness and potential for higher-value contracts.

4. Long-Standing Customer Relationships & Diversified Global Presence:

The company catered to 1,618 customers in FY26, with repeat customers contributing 93.28% of revenue from operations, highlighting strong customer retention and recurring business potential. Its status as a Government of India-certified 3 Star Export House, presence across 69 countries and sales/stocking infrastructure in key international markets provide a platform for further export-led growth.

5. **Margin Expansion & Improving Capital Efficiency:**

Prasol has delivered a strong improvement in profitability, with revenue growing at ~18.6% CAGR over FY24–FY26 while EBITDA margin expanded from 6.91% to 11.30% and PAT margin from 2.07% to 6.74%. Adjusted RoAE and RoCE also improved materially to 20.37% and 22.43%, respectively, reflecting better asset utilization and operating efficiency.

6. **Scope for Growth Through Capacity Expansion & Better Utilization:**

Khopoli operated at 80.29% utilization in FY26, while Mahad utilization improved significantly to 44.09% from 25.18% in FY25, leaving substantial headroom for incremental volumes. The company also has spare land at both facilities and is pursuing debottlenecking, capacity expansion, R&D-led product additions and deeper penetration of existing markets.

Key Risk Factors

1. **High Dependence on Imported Raw Materials & Commodity Price Volatility:**

Raw materials such as acetone and yellow phosphorus are critical inputs, with 65.96% of FY26 raw-material procurement sourced through imports. Volatility in commodity prices, exchange rates, freight costs, supply disruptions or changes in import policies could pressure margins and disrupt production.

2. **Low Utilization and Execution Risk at Mahad Facility:**

Although Mahad utilization improved to 44.09% in FY26, it remains well below Khopoli's 80.29%, while the facility incurred losses in FY24–FY26 as operations took time to stabilize. Any inability to improve utilization, achieve targeted yields or successfully execute capacity expansion could constrain profitability and returns on invested capital.

3. **Environmental, Health & Safety Risks in Hazardous Chemical Manufacturing:**

The company's operations involve corrosive, flammable and hazardous chemicals, exposing it to risks of accidents, environmental damage, regulatory action and facility shutdowns. The Mahad facility was previously shut from October 2023 to May 2024 following an H₂S/SO₂ gas leakage incident that resulted in one fatality and four hospitalizations, highlighting the potential severity of such risks.

4. **Working Capital Intensity & Cash Flow Volatility:**

Despite strong accounting profitability, working capital remains a key cash-flow monitorable, with trade receivables increasing sharply and ₹81.68 Cr absorbed through higher receivables in FY26. Any deterioration in customer collections or extension of credit terms could increase borrowing requirements and constrain funds available for growth.

5. **Dependence on Continued Product Innovation & Customer Demand:**

Specialty chemical products can face substitution risk if alternative formulations or technologies emerge, while demand is linked to the performance of downstream industries. Delays in R&D, customer approvals or commercialization of new products could result in slower growth, inventory write-downs or loss of market share.

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Prasol Chemicals Ltd.
IPO Issue Size	Total Issue Size: ₹500.00 Cr Fresh Issue of ₹80 Cr & OFS of 420 Cr
Price Band	₹643 – ₹676 per share
Face Value	₹2 per share
Post-Issue Market Cap	Approx. ₹4001 Cr
IPO Opening Date	08 September 2026
IPO Closing Date	10 September 2026
Listing	NSE / BSE
Promoter Holding (Pre/Post)	Pre-IPO: ~ 89.2% → post-IPO: ~ 77.51%
Book Running Lead Managers	DAM Capital Advisors Limited
Use of Proceeds	• Repayment or pre-payment, in full or in part, of certain of our outstanding borrowings availed by our Company (~60 Cr) • General Corporate Purposes

Valuation and Outlook

At the **upper price band of ₹676 per share**, Prasol Chemicals Limited commands a **post-issue market capitalisation of approximately ₹4,001 crore**. Based on FY26 PAT of ₹83.12 crore, the implied **post-issue P/E works out to ~48.1x** (Pre Issue P/E at ~47.1x). The company's listed peer set disclosed in the RHP - Aarti Industries, Atul, Laxmi Organic Industries, Vinati Organics, Privi Specialty Chemicals, Yasho Industries and Excel Industries trades at **17.12x–206.68x P/E**, with an arithmetic average of **~61.7x** as of August 28, 2026. At ~48.1x post-issue P/E, Prasol is valued at a discount to the reported peer average, although the comparison is skewed by Yasho Industries' exceptionally high 206.68x multiple; excluding this outlier, the peer average falls to ~37.5x, implying that Prasol is at a premium to the more representative peer set. The valuation is supported by its strong improvement in profitability, with EBITDA margin expanding from **6.91% in FY24 to 11.30% in FY26**, PAT margin rising to **6.74%**, and RoCE improving to **22.43%**. However, the company still needs to demonstrate sustained earnings growth through higher Mahad utilization, new product commercialization and further export expansion, while managing raw-material dependence and environmental/safety risks. Considering the **strong earnings trajectory, diversified specialty-chemical portfolio, improving return profile and reasonable valuation versus the disclosed peer average**, we recommend a **“Subscribe”** stance on the issue, with investors closely tracking execution and capacity utilization post listing.

Disclaimer

This information/document has been prepared by Mangal Keshav Financial Services LLP (MANGAL KESHAV) and is intended for use only by the person or entity to which it is addressed. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/document is subject to changes without prior notice.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. MANGAL KESHAV will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and MANGAL KESHAV has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavor to update the information herein on a reasonable basis, MANGAL KESHAV, its subsidiaries, and associated companies, their directors and employees ("MANGAL KESHAV and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent MANGAL KESHAV and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information.

Clients should read the Risk Disclosure Document issued by SEBI and relevant exchanges, and the Terms & Conditions on the Mangal Keshav website.

Registration and Contact Details: Name of Research Analyst - Mangal Keshav Financial Services LLP, Research Analyst
Registration No.: INH000018319.

LLPIN: AAM-3358

Registered Office: 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.

Correspondence/Administrative Office Address - 501, Heritage Plaza, JP Road, Opp Indian Oil Colony, Andheri West, Mumbai 400053.

TEL: 022 61907900