Prasol Chemicals Limited

7-September-26

Subscribe- Long Term

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Issue Details

Issue Details	
Issue Size (Value in ` million, Upper Band)	5,000
Fresh Issue (No. of Shares in Lakhs)	11.8
Offer for Sale (No. of Shares in Lakhs)	62.1
Bid/Issue opens on	08-Sept-26
Bid/Issue closes on	10-Sept-26
Face Value	Rs.2
Price Band	Rs. 643-676
Minimum Lot	22

Objects of the Issue:

- **Fresh Issue: ₹ 800 million**
  - Repayment and pre-payment, in full or part, of certain borrowings
  - General corporate purposes
- **Offer for Sale: ₹ 4,200 million**

Book Running Lead Managers
DAM Capital Advisors Limited
Registrar to the Offer
KFin Technologies Limited

Capital Structure (` Million)	Aggregate Value
Authorized share Capital	380
Subscribed paid up Capital (Pre-Offer)	116
Paid up capital (Post - Offer)	118

Share Holding Pattern %	Pre Issue	Post Issue
Promoters & Promoter group	89.2%	76.9%
Public	10.8%	23.1%
Total	100%	100%

Financials

Particulars (Rs. In Million)	FY26 (Standalone)	FY25 (Consolidated)	FY24 (Consolidated)
Revenue from operations	**12,326**	**10,125**	**8,766**
Operating expenses	10,933	9,247	8,161
EBITDA	**1,393**	**878**	**605**
Other Income	53	30	110
Depreciation	247	233	214
EBIT	**1,199**	**675**	**501**
Interest	80	82	109
Share of Profit / (Loss) of Associate	**1,119**	**593**	**392**
PBT	0	0	58
Exceptional Item	**1,119**	**593**	**334**
Tax	288	157	153
Consolidated PAT	**831**	**436**	**181**
EPS	14.3	7.5	3.1
Ratio	**FY26**	**FY25**	**FY24**
EBITDAM	11.3%	8.7%	6.9%
PATM	6.7%	4.3%	2.1%
Sales growth	21.7%	15.5%	-

Company Description

Incorporated in 1992, Prasol Chemicals Ltd is in the specialty chemicals industry, they are a forward integrated manufacturer of acetone and phosphorous based specialty chemicals and other specialty chemicals involving complex and differentiated chemistries.

The company is highly diversified specialty chemical player with over 150 specialty chemical products and over 1,600 customers and exports to 69 countries, as of July 15, 2026. Their products find diversified applications industries across numerous industries with 5 key segments being: (a) performance chemicals (including lubricant additives and mining chemicals); (b) PICA viz., paints, inks construction, & adhesives; (c) pharmaceuticals; (d) agrochemicals; and (e) home and personal care.

The company has comprehensive product portfolio comprised over 150 specialty chemical products comprising: 21 acetone-based specialty chemicals. Acetone is a colourless, highly volatile and flammable organic chemical compound with a pungent odour; 53 phosphorous-based specialty chemicals. Phosphorous is a highly reactive chemical element; and 76 other specialty products including non-acetone and non-phosphorous based customized specialty chemicals such as surfactants, performance additives, ethers, esters, polymers, and acids.

The company operates 2 large-scale, certified manufacturing facilities in Maharashtra with an aggregate installed capacity of 98,644 MTPA, supported by an additional expandable facility at Dheku. The manufacturing footprint is built on strong quality systems, regular customer audits and environmentally sustainable processes, providing scalability, operational reliability and the ability to support future growth.

Key customers: Alembic Pharmaceuticals, Lubrizol India, Rossari Biotech, Clean Science, Gharda Chemicals, Croda India, Supriya Lifescience, Yasho Industries, etc. As of July 31, 2026, the company served 1600 customers and exports to 69 countries. It is certified as a 3 Star Export House by the Indian government and have a strong global distribution network across APAC, North and South America, and Europe.

Valuation:

Prasol Chemicals is a forward integrated manufacturers of acetone and phosphorous based specialty chemicals with highly diversified product portfolio used across various Application Industries. Highly diversified product portfolio used across various Application Industries. Its long-standing customer relationships and expanding global presence enhance revenue visibility, while customer diversification reduces dependence on any single end-market

The company's specialty chemicals business benefits from high entry barriers, driven by lengthy 1–4 year customer approval cycles, complex chemistry, high product-development costs and stringent regulatory requirements. These factors create significant customer stickiness and make displacement of established suppliers difficult, supporting long-term revenue visibility and competitive positioning.

On the valuation front, based on FY26 earnings, the company is seeking a P/E of 48x times, and a post-issue market capitalization of approximately Rs 40,008 million, making the issue appears to be fully priced. However, their business is dependent on manufacturing facilities wherein unplanned shutdown happens creating disruption in operational activities. Overall strong product depth, R&D-led innovation and a diversified global customer base position the company well to capture long-term growth opportunities in specialty chemicals. Hence, we assign a **Subscribe for Long Term** rating for the issue.

Company Overview

Prasol Chemicals Limited, incorporated in 1992, is a forward-integrated specialty chemicals manufacturer with over three decades of industry experience. The Company has a diversified portfolio of more than 150 specialty chemical products, serving over 1,600 customers across 69 countries as of July 15, 2026. Its product portfolio comprises 21 acetone-based, 53 phosphorous-based and 76 other specialty chemicals, catering to performance chemicals, paints, inks, construction and adhesives (PICA), pharmaceuticals, agrochemicals, and home and personal care applications. The Company has established strong positions in niche chemistries, being the largest importer of acetone in India during CY2022–CY2025 and the only domestic manufacturer of isophorone. It was also among India's top five users of yellow phosphorous during the period, supporting its broad portfolio of phosphorous-based specialty chemicals. Set out below is their product offering along with the revenue generated, in terms of percentage of the revenue from operations, from each of their product categories, in Fiscal 2026, Fiscal 2025 and Fiscal 2024, based on their Restated Financial Information:

Products	Fiscal 2026 Amount (₹ million)	% of Total Revenue	Fiscal 2025 Amount (₹ million)	% of Total Revenue	Fiscal 2024 Amount (₹ million)	% of Total Revenue
Acetone-based specialty chemicals	5,269	42.8%	4,833	47.7%	4,117	47.0%
Phosphorous-based specialty chemicals	4,720	38.3%	3,490	34.5%	2,789	31.8%
Other specialty chemicals*	2,259	18.3%	1,745	17.2%	1,826	20.8%
Other operating and service revenue**	78	0.6%	57	0.6%	34	0.4%
Total	**12,326**	**100.0%**	**10,125**	**100.0%**	**8,766**	**100.0%**

**Includes non-acetone and non-phosphorous-based customised specialty chemicals such as surfactants, performance additives, ethers, esters, polymers and acids; **Comprises job work sales, commissions, scrap sales and other operating income.*

The company is a 3 Star Export House company as certified by the Government of India certified with a robust global distribution network spread across 63 countries in Asia-Pacific (APAC), North America, South America and Europe as on June 30, 2026. Set out below is a break-up of their revenue from domestic sales and export of their products in Fiscal 2026, Fiscal 2025 and Fiscal 2024, based on their Restated Financial Information:

Particulars	Fiscal 2026 (Standalone) Amount (₹ million)	% of Total Revenue	Fiscal 2025 (Consolidated) Amount (₹ million)	% of Total Revenue	Fiscal 2024 (Consolidated) Amount (₹ million)	% of Total Revenue
India	8,962	72.7%	7,255	71.7%	6,546	74.7%
Exports	3,364	27.3%	2,870	28.4%	2,219	25.3%
Total	**12,326**	**100.0%**	**10,125**	**100.0%**	**8,766**	**100.0%**

Set out below is a break-up of their revenue from domestic sales of their products during Fiscal 2026, Fiscal 2025 and Fiscal 2024, based on their Restated Financial Information:

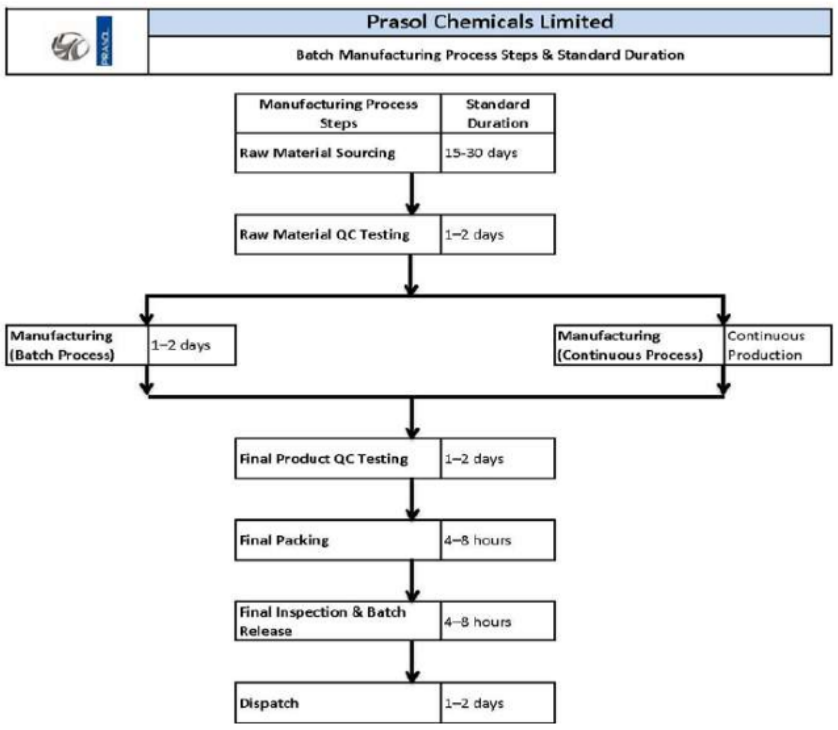
Particulars	Fiscal 2026 Amount (₹ million)	% of Revenue from India	Fiscal 2025 Amount (₹ million)	% of Revenue from India	Fiscal 2024 Amount (₹ million)	% of Revenue from India
Maharashtra	3,261	36.4%	2,836	39.1%	2,309	35.3%
Gujarat	2,661	29.7%	1,689	23.3%	1,913	29.2%
Tamil Nadu	654	7.3%	527	7.3%	430	6.6%
Telangana	376	4.2%	373	5.1%	404	6.2%
Karnataka	368	4.1%	373	5.1%	286	4.4%
Andhra Pradesh	238	2.7%	222	3.1%	163	2.5%
Haryana	240	2.7%	252	3.5%	116	1.8%
Goa	269	3.0%	258	3.6%	177	2.7%
Dadra and Nagar Haveli and Daman and Diu	271	3.0%	131	1.8%	113	1.7%
Rajasthan	155	1.7%	160	2.2%	126	1.9%
Kerala	12	0.1%	28	0.4%	153	2.3%
West Bengal	66	0.7%	93	1.3%	98	1.5%
Punjab	101	1.1%	65	0.9%	88	1.3%
Uttar Pradesh	111	1.2%	84	1.2%	69	1.1%
Madhya Pradesh	49	0.5%	58	0.8%	37	0.6%
Delhi	63	0.7%	35	0.5%	27	0.4%
Pondicherry	15	0.2%	16	0.2%	16	0.3%
Uttarakhand	21	0.2%	31	0.4%	3	0.1%
Himachal Pradesh	24	0.3%	11	0.2%	14	0.2%
Jammu and Kashmir	8	0.1%	10	0.1%	5	0.1%
Jharkhand	0	0.0%	1	0.0%	0	0.0%
Odisha	0	0.0%	0	0.0%	0	0.0%
Chhattisgarh	0	0.0%	0	0.0%	0	0.0%
Total	**8,962**	**100.0%**	**7,255**	**100.0%**	**6,546**	**100.0%**

Set out below is a break-up of their revenue from various countries during Fiscal 2026, Fiscal 2025 and Fiscal 2024, based on their Restated Financial Information:

Particulars	Fiscal 2026 Amount (₹ million)	% of Total Revenue	Fiscal 2025 Amount (₹ million)	% of Total Revenue	Fiscal 2024 Amount (₹ million)	% of Total Revenue
India	8,962	72.7%	7,255	71.7%	6,546	74.7%
China	241	2.0%	294	2.9%	317	3.6%
USA	311	2.5%	268	2.6%	217	2.5%
United Arab Emirates	224	1.8%	249	2.5%	348	4.0%
Republic of Belarus	316	2.6%	349	3.5%	44	0.5%
Russia	187	1.5%	322	3.2%	145	1.7%

France	158	1.3%	161	1.6%	—	—
Netherlands	212	1.7%	168	1.7%	97	1.1%
Singapore	139	1.1%	132	1.3%	117	1.3%
Monaco	141	1.1%	156	1.5%	82	0.9%
Others	1,435	11.6%	772	7.6%	803	9.2%
Total	**12,326**	**100.0%**	**10,125**	**100.0%**	**8,766**	**100.0%**

Business Operations: The Company follows a structured, enquiry-driven sales process. Customer enquiries received through meetings, emails or phone calls are followed by quotations issued through the customer relationship management system. Upon agreement on commercial and order terms, customers issue purchase orders, which are recorded in SAP and converted into sales orders. Manufacturing facilities then prepare and dispatch products according to the agreed delivery schedule, with invoices and e-way bills raised at dispatch. For credit sales, the sales support team monitors collections and ensures timely receipt of payments through banking channels, cheques or foreign inward remittances. Revenue recognition depends on the agreed delivery terms, with FOB sales recognized upon dispatch, while CIF sales are realized when the goods reach the specified destination.



Product Portfolio:

- *Acetone-based Specialty Chemicals:* The Company manufactures acetone-based specialty chemicals through multi-stage catalytic reactions involving condensation, hydrogenation and dehydration, supported by high-temperature and high-pressure processing and automated control systems. The portfolio caters to diverse industries, including performance chemicals, lubricant additives, mining chemicals, pharmaceuticals, agrochemicals, and home and personal care. Key products include diacetone alcohol, isophorone, hexylene glycol, 3,3,5-cyclohexanone, 3,3,5-cyclohexanol, mesityl oxide, 2-MPD, 4-MPOL, MIBC and 3,5-dimethyl phenol.

- *Phosphorous-based Specialty Chemicals:* The Company manufactures phosphorous-based specialty chemicals through processes such as halogenation, high-temperature addition, acidification, distillation and multi-stage forward integration. Its portfolio includes phosphorus pentasulphide, phosphorus pentoxide, ZDDP, specialty phosphates, DETA, DETC, DMTC, DMPAT, poly phosphoric acid and dithiophosphates. These products serve applications across pesticides, lubricant additives, mining, pharmaceuticals, metal treatment, hydraulic fluids and mineral processing.

- *Other Specialty Chemicals:* The Company's other specialty chemicals portfolio comprises customised products developed to meet specific technical and performance requirements of customers. These include surfactants, performance additives, ethers, esters, polymers and acids, which are typically tailor-made for niche applications. Such products are incorporated into high-performance end products and generally undergo customer-level trials and extended approval processes, creating higher customer engagement and potentially stronger product stickiness.

Set out below is their product offering along with the revenue generated, in terms of percentage of the revenue from operations, from each of their product categories, in Fiscal 2026, Fiscal 2025 and Fiscal 2024, based on their Restated Financial Information:

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Total	**12,326**	**100.0%**	**10,125**	**100.0%**	**8,766**	**100.0%**

**Includes non-acetone and non-phosphorous-based customised specialty chemicals such as surfactants, performance additives, ethers, esters, polymers and acids; **Comprises job work sales, commissions, scrap sales and other operating income.*

Manufacturing Facilities: The Company operates two manufacturing facilities, namely the Khopoli Manufacturing Facility, commissioned in 1995, and the Mahad Manufacturing Facility, commissioned in 2020. Spread across 120,604 sq. m. and 119,423 sq. m., respectively, the facilities serve both domestic and export markets and are supported by raw material and finished goods storage, quality control infrastructure and dedicated teams. The

manufacturing capacities are interchangeable across products, providing operational flexibility. Both facilities are also equipped with effluent treatment plants for treating industrial wastewater, enabling recycling for reuse or safe external disposal. As of March 31, 2026, the Khopoli facility had an installed production capacity of 78,784 MTPA, while the Mahad facility provides additional manufacturing capacity to support the Company's expanding product portfolio.
Set out below are the details of their installed capacity and capacity utilisation at Khopoli Manufacturing Facility for Fiscals 2026, 2025 and 2024:

Particulars	Fiscal 2026	Fiscal 2025	Fiscal 2024
Installed Capacity (annual) (MT)	78,784	70,914	61,214
Actual Production (MT)	63,256	48,650	43,970
Capacity Utilisation	80.3%	68.6%	71.7%

Set out below are the details of their installed capacity and capacity utilisation at Mahad Manufacturing Facility for the Fiscals 2026, 2025 and 2024:

Particulars	FY2026	FY2025	FY2024
Installed Capacity (annual) (MT)	19,860	17,000	15,000
Actual Production (MT)	8,756	4,281	1,908
Capacity Utilisation	44.1%	25.2%	12.7%

Note: The Mahad Manufacturing Facility was non-operational from October 27, 2023 to May 3, 2024, which significantly impacted production and capacity utilisation during FY2024. The FY2026 capacity utilisation of 85.6% is calculated based on 17,000 MT production against installed capacity of 19,860 MT.

New Product Commercialization Process: The Company follows a structured stage-gate innovation process for developing and commercialising new products, enabling disciplined decision-making while minimising execution risks. The process begins with idea refinement, where marketing, finance, projects and R&D teams assess strategic fit. This is followed by project feasibility and scope finalisation, covering capital expenditure, capabilities, capacity, procurement and supplier identification. The third stage involves execution planning, including technology discussions, capex, pilot and laboratory trials, customer sample approvals and demand forecasting. The project execution stage includes initial customer orders, pricing, project management, operator recruitment and training, safety reviews and pre-commissioning audits. The final stage comprises plant trials, quality assurance and quality control checks, pre-commissioning and commercial sales. This stage-gate framework supports efficient resource allocation, faster time-to-market and reduced product development risks while allowing iteration and refinement based on technical and market feedback.

Contract Manufacturing: The Company also undertakes contract manufacturing for global customers, leveraging its existing infrastructure to achieve economies of scale and provide customised products. Revenue from contract manufacturing increased from ₹525 million in FY2024 (6.0% of revenue) to ₹775 million in FY2025 (7.7%) and ₹1,097 million in FY2026 (8.9%), indicating increasing contribution from this business model.

Inventory Management and Procurement of Raw Materials: The primary raw materials used in the manufacture of their products are acetone and yellow phosphorous. They procure raw materials, from multiple domestic suppliers, on monthly, bi-monthly and quarterly basis. It also imports raw materials from China, Thailand, Korea, Europe, Kazakhstan, Vietnam and other countries such that their imports are not concentrated in any particular region. Set out below are details of their cost of raw material procurement in Fiscal 2026, Fiscal 2025 and Fiscal 2024:

Particulars	FY2026	FY2025	FY2024
Domestic Suppliers (₹ million)	2,831	2,792	2,228
% of Total Cost of Materials	34.0%	36.9%	36.3%
Imports (₹ million)	5,486	4,766	3,915
% of Total Cost of Materials	66.0%	63.1%	63.7%
Total Cost of Materials (₹ million)	**8,316**	**7,558**	**6,143**

Set out below is their cost of raw materials consumed from their top 10 suppliers during Fiscal 2026, Fiscal 2025 and Fiscal 2024:

Particulars	FY2026	FY2025	FY2024
Top 10 Suppliers (₹ million)	4,741	4,138	3,497
As a % of Cost of Material Consumed	68.9%	68.1%	67.6%

The raw materials are primarily transported by the road and sea. They typically purchase raw materials based on the historical levels of sales, actual sales orders on hand and the anticipated production requirements taking into consideration any expected fluctuation in raw material prices and delivery delay. Raw materials sourced from the domestic market are directly purchased from manufacturers and traders and supplied to the respective manufacturing locations.

Financial & Operational Performance Indicators: The following table sets forth certain information relating to the company's key operational and financial metrics:

KPI	Unit	FY2026	FY2025	FY2024
Financial KPIs				
Revenue from Operations	₹ million	12,326	10,125	8,766
Operating EBITDA	₹ million	1,393	878	605
Operating EBITDA Margin	%	11.3%	8.7%	6.9%
PAT	₹ million	831	436	181
PAT Margin	%	6.7%	4.3%	2.1%
Adjusted RoAE*	%	20.4%	12.6%	5.7%
Adjusted RoCE	%	22.4%	15.0%	12.6%
Net Debt to Equity	Times	0.19	0.23	0.22
Operational KPIs				
Countries Served	Number	56	50	50

Export Revenue	%	27.3%	28.4%	25.3%
No. of Customers	Number	1,618	1,586	1,560
Top 10 Customers	%	23.7%	22.0%	18.5%

Key Strengths:

➢ **Highly diversified product portfolio used across various Application Industries**

The Company has a highly diversified specialty chemicals portfolio, comprising over 150 products serving more than 1,600 customers across 69 countries as of July 15, 2026. Its products are used across performance chemicals, PICA (paints, inks, construction and adhesives), pharmaceuticals, agrochemicals, and home and personal care, reducing dependence on any single industry or end-use application. The Company is the largest importer of acetone in India and the only domestic manufacturer of isophorone, while also ranking among the top five users of yellow phosphorous in India. Acetone-based specialty chemicals accounted for 42.8% of FY2026 revenue, followed by phosphorous-based specialty chemicals at 38.3% and other specialty chemicals at 18.3%. Key applications include lubricant additives, mining chemicals, specialty coatings, pharmaceuticals, crop protection, disinfectants, fragrances and personal care products. In global markets, the Company competes with players such as Arkema, Evonik, TASCO and Solvay in acetone-based chemicals, while domestic competition remains relatively limited due to the presence of few manufacturers in niche acetone specialty chemicals.

➢ **Well established R&D capabilities driving innovation with strong pipeline of products to address customized customer requirements**

The Company has established R&D capabilities focused on developing differentiated specialty chemicals and addressing customised customer requirements. As of June 30, 2026, it had a portfolio of over 150 products and a development pipeline of 40 products, of which 9 had cleared the pilot stage, with select products expected to be commercialised over the next one to three years. The Company operates a dedicated R&D facility at its Khopoli manufacturing facility, equipped with specialised infrastructure including a fluidized bed reactor, distillation column and centrifuge, while pilot plants at both manufacturing facilities support small-batch product development and testing. Its in-house R&D team comprised 37 members, including four PhDs and 25 chemists, as of June 30, 2026. Since April 1, 2023, the Company has developed and commercialised 13 new products across mining chemicals, agrochemical intermediates, lubricant additives, aroma chemical intermediates, emulsifiers and construction chemicals. R&D-led customisation supports customer stickiness, product differentiation and higher-value opportunities.

➢ **Long standing relationships with a diversified customer base and strong global presence**

The Company maintains a diversified customer base supported by long-standing relationships across multiple application industries and geographies. Its customer base increased from 1,560 in FY2024 to 1,618 in FY2026, with marquee customers including pharmaceutical, agrochemical, lubricant, specialty chemical and personal care companies. Long-term customer associations, extending up to 16 years, provide revenue visibility, strengthen industry credibility and create opportunities for cross-selling and up-selling. The Company has also expanded product offerings to existing customers over time, with individual relationships growing from one product to as many as nine products. Its diversified customer base reduces dependence on any single geography, industry or customer, thereby providing resilience against regional economic cycles and industry-specific fluctuations. Their revenue from operations from their top 3, 5 and 10 customers during the Fiscal 2026, Fiscal 2025 and Fiscal 2024 is set out below:

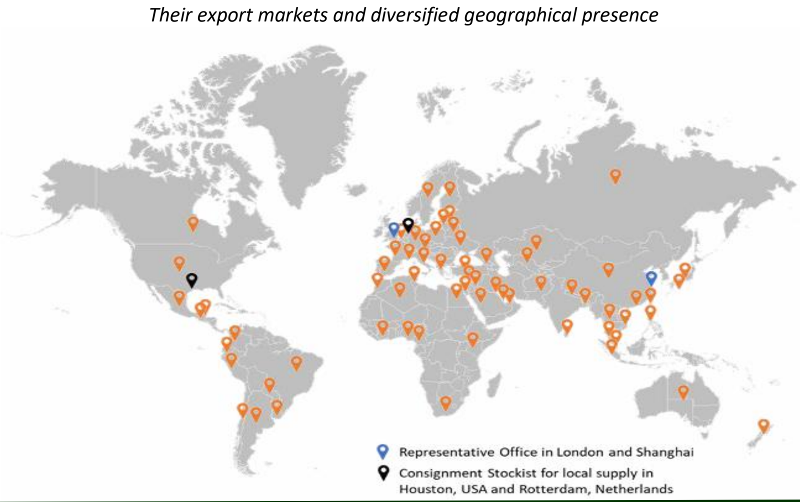
Particulars	FY2026 Revenue (₹ million)	% of Revenue	FY2025 Revenue (₹ million)	% of Revenue	FY2024 Revenue (₹ million)	% of Revenue
Top 3 customers	1,426	11.6%	1,017	10.1%	570	6.5%
Top 5 customers	1,900	15.4%	1,436	14.2%	904	10.3%
Top 10 customers	2,919	23.7%	2,223	22.0%	1,618	18.5%

Set out below is their revenue contribution from their repeat customers and their new customers during Fiscal 2026, Fiscal 2025 and Fiscal 2024:

Particulars	FY2026 Amount (₹ million)	% of Total Revenue	FY2025 Amount (₹ million)	% of Total Revenue	FY2024 Amount (₹ million)	% of Total Revenue
Repeat customers	11,498	93.3%	9,355	92.4%	7,925	90.4%
New customers	828	6.7%	770	7.6%	841	9.6%
Total	**12,326**	**100.0%**	**10,125**	**100.0%**	**8,766**	**100.0%**

The Company has established a broad international presence as a Government of India-certified 3 Star Export House, with a distribution network covering 69 countries across six continents. Its global reach is supported by registrations under EU REACH and K-REACH, membership of CHEMEXCIL and certification as an Authorised Economic Operator by Indian Customs. Sales channel personnel in Shanghai and London strengthen customer engagement and market understanding, while consignment stockists in Houston and Rotterdam enable just-in-time deliveries to smaller customers. The Company is further supported by a 36-member sales team as of June 30, 2026, facilitating market penetration and customer servicing across domestic and international markets.

Their export markets and diversified geographical presence



Key Strategies:

- **Debottleneck and expand their production capacities for existing product portfolio**

The global specialty chemicals industry is expected to expand at a 9.0% CAGR during CY2025–CY2029, supported by rising demand from electric vehicles, semiconductors, renewable energy, water treatment and supply-chain diversification. Against this backdrop, the Company plans to debottleneck and expand capacities at its Khopoli and Mahad facilities to meet anticipated demand across its existing product portfolio. Capacity enhancement will focus on products such as diacetone alcohol, used in coatings, 3,5-xylenol, used in disinfectants, and phosphorus pentasulphide, used in agrochemical intermediates and lubricant additives. The Company also has access to approximately 30,110 sq. m. at Dheku, 34,423 sq. m. at Mahad Five Star Industrial Area and 40,000 sq. m. at another Mahad plot, providing substantial headroom for future expansion. Additionally, it has entered into a non-binding MoU with Odisha authorities to establish a specialty chemicals unit in the state, supporting its longer-term capacity expansion strategy.

- **Increased focus on R&D to support complex chemistries, product innovation, import substitution, and forward and backward integration of existing products**

The Company is strengthening its R&D capabilities to develop complex chemistries, enable product innovation, support import substitution and drive forward and backward integration. Its R&D activities span hydrogenation of ketones, zinc-based coordination complexes, chlorination compounds, condensation and dehydration of ketones and alcohols, and vapour-phase alkyl rearrangements, supported by separate laboratories for process development and intensification. The Company is also developing an application testing laboratory for lubricant additives, construction chemicals and mining chemicals, enabling performance testing in customer end products and providing data-backed product differentiation. As of June 30, 2026, its portfolio comprised over 150 products, with 40 products under development, including nine that had cleared the pilot stage. Since April 1, 2023, it has developed and commercialised 13 new products across mining, agrochemicals, lubricants, home and personal care and construction chemicals. R&D-led forward integration using existing products as raw materials can enhance value addition, captive consumption, plant utilisation and profitability, while supporting expansion into new markets.

- **Inorganic growth through strategic acquisitions, technology acquisition/licensing or joint ventures**

The company intends to pursue strategic acquisitions and technology partnerships to complement their organic growth and internal expertise. Additionally, they believe that by pursuing strategic acquisitions, they will add to their capabilities and technical expertise or enter partnerships to strengthen their product infrastructure and overall manufacturing capabilities in the specialty chemicals sector. The company is also evaluating partnering / forming joint ventures with international chemical companies for technology licensing for manufacturing new specialty chemicals.

- **Increase their geographic reach and global footprint and increase wallet share with existing customers**

The Company intends to expand its geographic footprint and deepen relationships with existing customers by leveraging its direct marketing capabilities, distributor network and diversified product portfolio. It aims to increase wallet share by becoming a preferred supplier, introducing more specialised and customised products and cross-selling its existing portfolio across customers. Sales channel personnel in Shanghai and London are expected to strengthen regional market development and customer understanding, while consignment stockists in Houston and Rotterdam enable just-in-time deliveries to smaller customers and support deeper market penetration. The expanded footprint will also allow the Company to support existing customers as they enter new geographies, strengthening its position as a preferred supplier across markets. The Company expects to benefit from the ongoing China+1 strategy, as rising manufacturing costs and regulatory pressures in China encourage global companies to diversify supply chains. India's comparatively lower labour costs and expanding specialty chemicals capabilities further support its positioning as an alternative manufacturing base.

- **Continue to focus on turnaround of their greenfield investment in Mahad Manufacturing Facility to increasing profitability**

The Company is focused on improving the profitability of its Mahad Manufacturing Facility as operations stabilise and capacity utilisation increases. The facility faced challenges following COVID-related demand disruptions, global agrochemical de-stocking and a prolonged shutdown from October 27, 2023 to May 3, 2024 following a gas leakage incident. These factors delayed operational stabilisation and contributed to losses in FY2024 and FY2025. However, improved operations and portfolio expansion supported a significant recovery in FY2026. Revenue from Operations increased to ₹1,348 million in FY2026 from ₹643.96 million in FY2025, while EBITDA improved to ₹436 million from a loss of ₹39 million. Loss before exceptional items and tax narrowed to ₹71 million from ₹122 million. The Company plans to further expand capacity and product offerings at Mahad, with higher utilisation expected to improve fixed-cost absorption and profitability. The turnaround remains a key earnings lever, particularly as the facility moves towards optimal utilisation and product mix.

- **Continue improving financial performance through focus on operational and functional efficiencies**

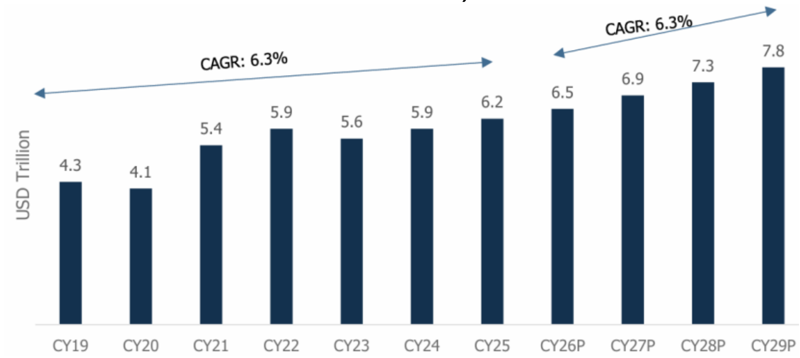
The Company remains focused on improving financial performance through operational and functional efficiencies across supply chain management, production, working capital and foreign exchange management. R&D initiatives are aimed at improving manufacturing yields, refining processes and developing eco-friendly, cost-effective production methods. The Company is also increasing local sourcing of raw materials to optimise procurement costs. Over the past three years, debottlenecking initiatives have enhanced capacity without significant capital expenditure, supported by lower energy consumption, manpower optimisation, improved yields and greater automation. These measures have reduced human error and improved operating efficiency. Going forward, the Company plans to continue implementing efficiency-led initiatives and is evaluating a renewable power purchase agreement to reduce power costs at its Mahad Manufacturing Facility.

Industry Snapshot:

- **Overview of Global Chemicals and Specialty Chemicals Industries**

The global chemicals industry has demonstrated steady long-term growth, expanding from USD 4.3 trillion in CY2019 to USD 6.2 trillion in CY2025, driven by industrialisation and rising demand from construction, automotive, agriculture, healthcare and consumer goods. The industry is projected to reach USD 7.8 trillion by CY2029, supported by increasing demand for high-performance materials, sustainable chemical solutions, digitalisation of manufacturing and capacity expansion across emerging economies. The industry is broadly segmented into basic, specialty, agricultural and consumer chemicals. Basic chemicals remain the largest segment, accounting for around 55% of the market in CY2025, although their share is expected to moderate as higher-value segments expand. Specialty chemicals accounted for approximately 21% of the market and are expected to reach 21–23% by CY2029, supported by growing demand for customised, high-performance and environmentally compliant products across pharmaceuticals, personal care, automotive and electronics.

Global Chemicals Industry Market Size

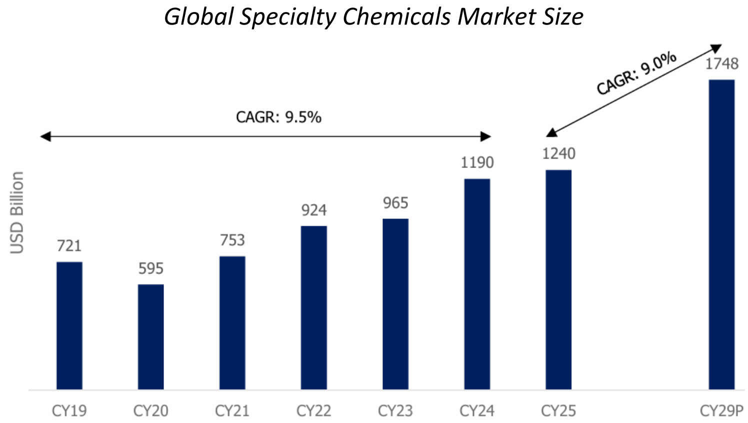


- *India's rank in the global chemicals industry:* India has steadily strengthened its position in the global chemicals industry, supported by expanding manufacturing capabilities, competitive production costs and growing domestic demand. In 2025, India was the seventh-largest chemical exporter, with exports of approximately USD 69 billion, representing 2.2% of global chemical exports, up from 1.0% in 2005. The top 10 exporters accounted for USD 2,647 billion, or over 85% of global chemical exports, highlighting the concentrated nature of the industry. On the import side, India ranked among the top five global chemical importers, with imports of approximately USD 92 billion in 2025, reflecting its expanding industrial base and increasing consumption of both bulk and specialty chemicals. India's growing share in global trade highlights its emergence as a competitive manufacturing and sourcing destination, supported by increasing investments and opportunities from global supply-chain diversification.
- *Key growth drivers for the Chemical Industry:* The chemical industry is supported by rising demand from end-use sectors such as pharmaceuticals, agriculture, paints, construction, electronics and lubricants. Technological advancements and digitalisation are improving manufacturing efficiency, product quality and cost competitiveness. Rapid industrialisation in emerging economies, particularly India, China and Southeast Asia, is driving chemical consumption and attracting investments. Additionally, growing demand for specialty chemicals across healthcare, personal care and electronics, supported by increasing R&D and customised formulations, is enabling innovation and higher-value product development.

- **Overview of Global Specialty Chemicals**

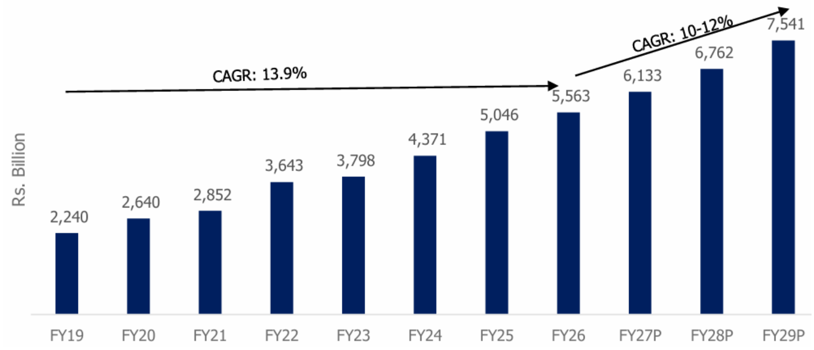
Specialty chemicals are application-specific products manufactured in relatively smaller volumes, with emphasis on quality, performance and customisation, unlike commodity chemicals. The global specialty chemicals market grew from USD 721 billion in CY2019 to USD 1,240 billion in CY2025, registering a 9.5% CAGR, and is projected to reach USD 1,748 billion by CY2029, implying a 9.0% CAGR during CY2025–CY2029. Growth is supported by increasing demand from automotive, construction, electronics, healthcare, agriculture and consumer goods, alongside adoption of sustainable and high-performance solutions. Asia-Pacific (APAC) remains the largest regional market, accounting for 52% in CY2025, expected to rise to 54% by CY2029. The region benefits from cost-effective talent, competitive raw materials and established manufacturing and export infrastructure. Within APAC, the specialty chemicals market was valued at USD 645 billion in CY2025, with electronic chemicals, flavours and fragrances, home and personal care, and pharmaceutical intermediates among the faster-growing segments. The China+1 strategy, electric vehicles, semiconductors, renewable energy and water treatment further support industry growth.

Global Specialty Chemicals Market Size



- *Domestic Overview:* The Indian specialty chemicals market has emerged as one of the fastest-growing segments of manufacturing, supported by rising domestic demand, exports, import substitution, favourable policies and expanding end-use industries. The market grew from ₹2,240 billion in FY2019 to ₹5,563 billion in FY2026 and is projected to reach ₹7,541 billion by FY2029, implying a 10–12% CAGR. India's cost-competitive manufacturing base, skilled workforce and established chemical clusters in Gujarat and Maharashtra strengthen its global positioning. The China+1 strategy is further accelerating supply-chain diversification as rising Chinese labour costs, stringent environmental regulations and geopolitical tensions encourage global companies to seek alternative sourcing locations. India's labour cost of around USD 2.27 per day, compared with USD 9.8–10.0 in China, enhances its cost advantage. Growing R&D, backward integration and capacity investments, alongside government initiatives promoting domestic manufacturing, are expected to support India's emergence as a global specialty chemicals hub.

Domestic market size for Specialty Chemicals



- **Overview of Policy Support for India's Chemical Sector**

India's chemical sector is supported by favourable policies aimed at attracting investment, strengthening domestic manufacturing and improving infrastructure. 100% FDI under the automatic route facilitates foreign investment, while proposed PLI incentives for chemicals and petrochemicals could encourage capacity creation and reduce import dependence. The Bulk Drug Park scheme supports domestic production of APIs and intermediates through common infrastructure, strengthening pharmaceutical-related specialty chemicals. PCPIRs provide integrated infrastructure, logistics and policy support to attract large-scale chemical investments. Regulatory reforms, including the proposed integration of hazardous chemical safety rules, are expected to streamline compliance and improve safety standards. Additionally, labour-law simplification, streamlined land acquisition and improved export facilitation are enhancing ease of doing business and supporting the sector's competitiveness in domestic and global markets.

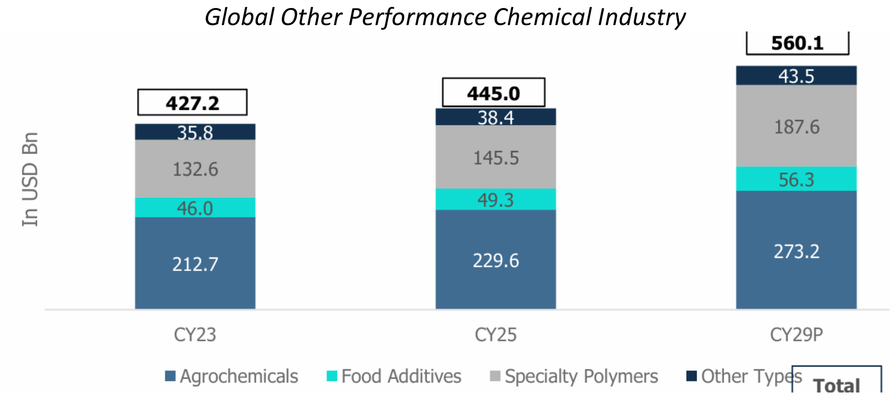
- **Indian market to grow sharply compared to other regions**

India is expected to record the fastest specialty chemicals market growth in Asia at 10–12% during 2025–2029, ahead of China at ~5%, Taiwan at ~6%, South Korea at ~4.5% and Japan at ~3%. Rising domestic and global demand is driving fresh investments, with over ₹16,000 crore of sectoral capex planned during FY2024–FY2026, focused on capacity expansion, backward integration and new product development. Strong entry barriers, including 1–4 year customer qualification cycles, high R&D and development costs, stringent regulatory requirements and capital-intensive manufacturing, support established players. Additionally, increasing domestic petrochemical capacity and adoption of green manufacturing are expected to improve raw material availability, reduce import dependence and support long-term industry growth.

- **Overview of the Global Performance Chemical Industry**

The global performance chemicals industry has demonstrated resilience, recovering from the COVID-19-led decline in CY2020 and reaching USD 112 billion in CY2025. The market is projected to reach USD 149 billion by CY2029, implying a 7% CAGR, supported by rising industrial activity, technological advancements and increasing demand for high-performance and sustainable solutions. Key growth drivers include rapid industrialisation and urbanisation in emerging markets, which are increasing chemical consumption across infrastructure, agriculture, automotive and consumer goods. Technological advancements in electric vehicles, solar energy, semiconductors, batteries and smart manufacturing are creating demand for specialised materials and performance chemicals. Additionally, an ageing global population and rising healthcare expenditure are supporting demand from pharmaceuticals, healthcare and personal care, while increased mining activity for critical minerals is expected to further drive demand for chemicals used in mineral processing and extraction.

Global Other Performance Chemical Industry



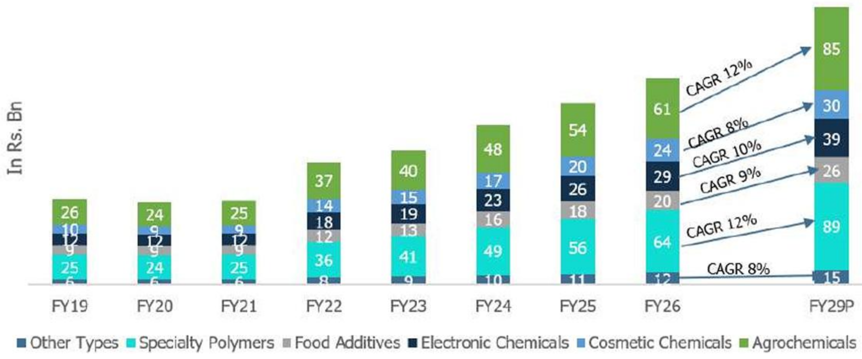
  - *Industry Size by Product Type:* The global paints and coatings chemicals market is projected to grow from USD 96.5 billion in CY2025 to USD 116.5 billion by CY2029, driven by infrastructure, real estate and automotive demand, alongside rising adoption of low-VOC and eco-friendly solutions. Construction chemicals are expected to increase from USD 74.7 billion to USD 86.2 billion, supported by highways, metros, airports, commercial real estate and energy-efficient buildings. The adhesives and sealants market is projected to expand from USD 80.9 billion to USD 99.5 billion, benefiting from packaging, automotive, electronics and construction applications, particularly lightweight vehicles and e-commerce packaging. Printing inks are expected to grow from USD 22.2 billion to USD 23.3 billion, supported by flexible packaging, labelling and corrugated boxes, with digital printing and water-based inks gaining traction due to environmental considerations.

- **Other Performance Chemical**

The global performance chemicals market is expected to witness steady growth across key segments during CY2025–CY2029. Agrochemicals are projected to increase from USD 229.6 billion to USD 273.2 billion, driven by rising agricultural productivity and demand for sustainable farming solutions.

Specialty polymers are expected to grow from USD 145.5 billion to USD 187.6 billion, supported by electric vehicles, electronics, sustainable packaging and medical applications. Food additives are projected to rise from USD 49.3 billion to USD 56.3 billion, benefiting from increasing consumption of processed foods and demand for longer shelf life and improved nutritional profiles. Other performance chemicals, including corrosion inhibitors, lubricant additives, catalysts, dispersing agents and functional additives, are expected to grow from USD 38.4 billion to USD 43.5 billion, supported by diverse applications across industries.

Other Performance Chemicals Market Size



- *Domestic Performance Chemical Industry:* The Indian performance chemicals industry has witnessed strong growth, supported by rising domestic consumption and expanding end-use sectors such as manufacturing, agriculture, healthcare, packaging, personal care and automotive. The market increased from ₹141.1 billion in FY2019 to ₹448.4 billion by FY2029, reflecting sustained demand and capacity expansion. Technological advancements in automation, AI, IoT, data analytics, biotechnology, green chemistry and smart manufacturing have improved production efficiency and enabled development of sustainable products. Rapid industrialisation across Asia, particularly emerging markets, continues to drive chemical consumption. Government initiatives such as Make in India and Atmanirbhar Bharat, along with improved infrastructure, chemical parks and logistics networks, further support investment, manufacturing and distribution.

➢ **Overview of Indian Performance Chemicals Industry by Product Type and Application**

The Indian performance chemicals industry is expanding across paints and coatings, construction chemicals, adhesives and sealants, printing inks and other specialty segments, supported by rising industrial activity, infrastructure spending and increasing consumption across automotive, packaging, agriculture and consumer sectors. Paints and coatings remain the largest segment, growing from ₹41 billion in FY26 to approximately ₹54 billion by FY29, supported by real estate construction, industrial expansion, automobile production, PMAY and smart city projects. Construction chemicals are projected to increase from ₹32 billion in FY22 to ₹44 billion by FY29, driven by government and private infrastructure investments in roads, metros, airports and warehousing, alongside greater adoption of ready-mix concrete and high-performance admixtures. Adhesives and sealants are expected to reach ₹57 billion by FY29 from ₹44 billion in FY26, benefiting from e-commerce-led packaging demand, FMCG and pharmaceutical applications, lightweight automotive manufacturing and green building solutions. Printing inks are projected to grow from ₹10 billion to ₹13 billion, primarily supported by flexible and corrugated packaging, packaged food, personal care and pharmaceutical industries, while eco-friendly water-based inks gain traction. Other performance chemicals, including agrochemicals, specialty polymers, cosmetic chemicals, electronic chemicals, food additives and functional additives, are expected to rise from ~₹210 billion in FY26 to ~₹282 billion by FY29. Mining chemicals and lubricant additives also present attractive opportunities, supported by increasing mineral extraction and processing, infrastructure development, industrial output and vehicle parc expansion. Growing demand for high-performance, sustainable and customised chemical solutions, alongside domestic manufacturing, import substitution, R&D investments and technological advancements, is expected to sustain growth across these segments through FY29.

Comparison with Industry listed peers

Name of Company	Face Value (₹)	Market Cap (₹ million)	Revenue from Operations FY2026 (₹ million)	Total Income FY2026 (₹ million)	EPS – Basic (₹)	NAV (₹)	P/E – Basic	RONW (%)
Prasol Chemicals Limited	2	40,008	12,326	12,378	14.33	77.33	48.4*	18.5%
Key Listed Peers								
Aarti Industries Limited	5	1,78,590	82,860	82,910	11.56	164.27	46.75	7.0%
Atul Limited	10	1,87,660	62,735	64,764	230.25	2,136.46	28.04	11.0%
Laxmi Organic Industries Limited	2	47,880	28,467	28,620	2.87	71.66	59.74	4.0%
Vinati Organics Limited	1	1,36,510	22,269	22,795	42.80	304.99	30.95	14.0%
Privi Speciality Chemicals Limited	10	1,32,230	25,637	25,829	81.08	368.79	42.67	22.0%
Yasho Industries Limited	10	50,130	8,300	8,313	20.95	368.18	206.68	5.7%
Excel Industries Limited	5	12,930	10,945	11,218	60.19	1,354.74	17.12	4.4%

*Note – 1) P/E, P/BV Ratio has been computed based on the closing market price of equity shares on NSE on 04th Sept, 2026, other Financial highlights as on 31st March 2026 .

2) NAV, EPS, P/E* to sales of the Prasol chemicals is calculated on EPS of FY26, and post issue no. of equity shares issued.

Key Risk:

➢ **Manufacturing facility and operational disruption risk:** Both facilities are in Maharashtra, with prior MPCB-directed shutdowns and Mahad losses of ₹122 million in FY2026, potentially disrupting production and financial performance.

➢ **End-market demand risk:** Demand is dependent on customers' end products, with acetone-based and phosphorous-based chemicals contributing 42.8% and 38.3% of FY2026 revenue, respectively.

➢ **Customer credit risk:** Trade receivables increased to ₹2,787 million in FY2026, representing 22.5% of total income, while receivable days rose to 70 days, increasing collection risk.

- **Foreign exchange risk:** Significant income and expenditure are denominated in foreign currencies; forex fluctuations resulted in a ₹38 million loss in FY2026 despite hedging measures.
- **International market risk:** The Company exports to 69 countries, with exports contributing 27.3% of FY2026 revenue, exposing it to regulatory, tariff, geopolitical and currency risks.
- **Raw material procurement risk:** Raw materials comprise 61.2% of FY2026 expenses; acetone and yellow phosphorus prices remain volatile, while 68.9% of material costs come from top 10 suppliers.
- **Working capital risk:** Working capital requirements increased to ₹2,296 million in FY2026, with net working capital days rising to 87 days, increasing liquidity and funding risks.

Valuation:

Prasol Chemicals is a forward integrated manufacturers of acetone and phosphorous based specialty chemicals with highly diversified product portfolio used across various Application Industries. Highly diversified product portfolio used across various Application Industries. Its long-standing customer relationships and expanding global presence enhance revenue visibility, while customer diversification reduces dependence on any single end-market

The company's specialty chemicals business benefits from high entry barriers, driven by lengthy 1–4 year customer approval cycles, complex chemistry, high product-development costs and stringent regulatory requirements. These factors create significant customer stickiness and make displacement of established suppliers difficult, supporting long-term revenue visibility and competitive positioning.

On the valuation front, based on FY26 earnings, the company is seeking a P/E of 48x times, and a post-issue market capitalization of approximately Rs 40,008 million, making the issue appears to be fully priced. However, their business is dependent on manufacturing facilities wherein unplanned shutdown happens creating disruption in operational activities. Overall strong product depth, R&D-led innovation and a diversified global customer base position the company well to capture long-term growth opportunities in specialty chemicals. Hence, we assign a **Subscribe for Long Term** rating for the issue.

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Small Caps (251st company onwards)	>25%	0-25%	<0%

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