DALALBYTES RESEARCH

Kothari Petrochemicals

India's PIB Maker at a Merger Crossroads

India's largest polyisobutylene maker, almost debt-free, priced at 10x with a sugar merger to vote on

NSE: KOTHARIPET · BSE: 532096

October 14, 2026

Reference: Rs 120, NSE close of October 14, 2026.
Market cap about Rs 707 cr; 52-week range Rs 94.75 to Rs 155.47.
Founding story, product, financials, competition,
management, valuation vs peers, risks, and FY2029 scenarios.

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VERDICT

64 / 100 : Selective Positive

Kothari Petrochemicals is India's largest maker of polyisobutylene (PIB), the lubricant and fuel additive base chemical, with 48,000 tonnes a year of nameplate capacity at Manali in Chennai, an almost debt-free balance sheet, and a profit line that compounded at about 26% a year over five years to Rs 72 cr in FY26. At Rs 120 the stock trades at about 9.8x trailing earnings and about 1.9x book value, the cheapest multiple in this research queue, against return on equity of about 21% and return on capital employed of about 29%. The promoter group raised its holding from 70.98% to 72.22% in September 2025 and has reported zero pledging.

The selective part is unusually specific. Revenue has been flat for three years (Rs 596 cr in FY24, Rs 577 cr in FY25, Rs 591 cr in FY26), the business is one product fed by one refinery ecosystem, and ICRA put the A+ rating on watch with negative implications in March 2026 over feedstock supply volatility. Above all, the board approved in May 2026 the amalgamation of Kothari Sugars and Chemicals, a group company that made operating losses in FY26, into this clean PIB company at one Kothari Petrochemicals share for every five sugar shares. Shareholders vote on November 13, 2026. The PIB business deserves a higher score; the merger the promoters are asking it to absorb is what caps this at 64.

Reference price: Rs 120 (NSE close, October 14, 2026). Market cap about Rs 707 cr. 52-week range Rs 94.75 to Rs 155.47.

FY2029 targets: Bear Rs 85 / Base Rs 170 / Bull Rs 275. See Section 12 for assumptions. FY means the March year-end; FY2029 is the year ending March 2029. Targets are on the current share count and the standalone PIB business; the pending sugar amalgamation is treated as a separate overhang, not built into the targets.

1. SNAPSHOT

Item	Detail
Company	Kothari Petrochemicals Ltd, Chennai, Tamil Nadu
Founded	Started 1989; incorporated 1990; PIB business from 2006
Listed	NSE: KOTHARIPET, BSE: 532096; ISIN INE720A01015
Promoter	HC Kothari group, 72.22% at June 2026; zero pledging reported
Business	Polyisobutylene (PIB), single segment; 48,000 MTPA at Manali, Chennai

Item	Detail
FY26 revenue	Rs 591 cr (+2%); PAT Rs 72 cr (+10%); EPS Rs 12.32
Latest quarter	Q1 FY27 revenue Rs 146 cr; PAT Rs 17 cr; EPS Rs 2.89
Balance sheet	Borrowings about Rs 2 cr; net worth Rs 372 cr at March 2026
Dividend	Rs 1.00 per share interim, declared May 2026; yield about 0.83%
Leadership	Nina Bhadrashyam Kothari, Chairperson; Arjun B Kothari, Managing Director
Pending event	Amalgamation of Kothari Sugars and Chemicals into the company; shareholder vote November 13, 2026

2. FOUNDING STORY: A SHELL THAT FOUND ITS PRODUCT IN 2006

Kothari Petrochemicals began in 1989 with a caustic soda unit, set up as backward integration for the nitro chloro benzene business of Kothari Sugars and Chemicals, the HC Kothari group company in Chennai. The chloralkali unit at Karaikal in Puducherry was later sold to Chemplast Sanmar. What remained was, in ICRA's plain description, a shell company with no significant business except marginal trading operations.

The business that matters arrived on April 1, 2006, when Primetra Technologies Private Limited, a group company that manufactured PIB, was merged into Kothari Petrochemicals. PIB has been the company's single business line ever since. That origin matters for reading the current moment: this company's own history is a group merger that worked, because the asset folded in was a good one. The question in 2026 is whether the same trick works when the asset folded in is a loss-making sugar business.

The two decades since 2006 were spent deepening one plant. The Manali plant sits next to Chennai Petroleum Corporation's refinery, its main feedstock source, with Reliance Industries as the other named supplier. A lean PIB feedstock plant was commissioned in 2016, a captive power plant followed, an effluent recycle plant was built in 2019 to meet pollution board norms, and a debottlenecking project lifted nameplate capacity from 36,000 tonnes to 48,000 tonnes a year in 2023 after pollution board approval. Production in FY26 was 39,163 tonnes, about 90% of the annual plan and about 82% of nameplate capacity.

3. WHAT KOTHARI SELLS

One product, many grades. Polyisobutylene is a synthetic polymer made from isobutylene feedstock. Kothari makes varying molecular-weight grades from its single Manali plant and reports a single segment: the manufacture of PIB. There are no subsidiaries, associates or joint ventures.

The demand sits in four buckets. Lubricant additives are the core: PIB is the base for dispersants and viscosity modifiers in engine and industrial oils. Fuel additives use PIB-derived chemistry for detergents that

keep injectors clean. Rubber and tyres use PIB for inner liners and tubes, where its very low gas permeability holds air. Plastics, paints, adhesives and sealants take the rest, where PIB works as a tackifier, plasticiser and sealant base.

The global market is steady rather than explosive. Mordor Intelligence estimates world PIB volume at about 1.12 million tonnes in 2026 growing to about 1.32 million tonnes by 2031, a compound rate of about 3.3% a year, led by lubricant additives, adhesives and tubeless tyre demand in Asia-Pacific. Newer uses, including highly reactive PIB grades and battery-related applications highlighted by global majors in 2026, improve the mix at the margin. They do not turn PIB into a high-growth industry, and this report does not price it as one.

4. STRATEGY AND FLYWHEEL

There is no platform flywheel here either; there is a position flywheel, and it is narrower than most. Kothari is the largest PIB maker in India, in a product where customers qualify suppliers slowly because additive chemistry has to perform inside an engine oil formulation for years. Incumbency, grade consistency, a plant beside its feedstock refinery, and two decades of supply history are the assets. Each debottlenecking tonne then sells through the same customer relationships at low incremental cost.

The limits are just as structural. The plant is one site in Manali. The feedstock comes largely from one refinery ecosystem, and in 2026 that dependence stopped being theoretical: ICRA placed the ratings on watch in March 2026 citing feedstock supply volatility hitting production volumes, revenue and profitability, and the company told exchanges on July 2, 2026 that raw material constraints had eased after government directions and operations were expected to continue normally. A supplier whose input can need government intervention to flow is a supplier without the strongest hand, whatever its market share.

Management's stated FY27 direction is operational rather than expansive: run the 48,000 tonne plant harder after the feedstock disruption, keep investing in the site (a third synthesis laboratory building was commissioned in 2026, solar capacity rose to about 307 kW, and a revamped pond now stores about 4,000 kilolitres of rainwater), and complete the group amalgamation. No new capacity beyond the 2023 debottlenecking has been announced in the sources reviewed.

5. FINANCIALS: PROFIT COMPOUNDING ON A FLAT TOP LINE

Standalone figures, March year-ends, Rs cr except margins and EPS.

Year	Rev (cr)	YoY	Op profit	OPM	PBT	PAT	EPS (Rs)
FY22	382	n.a.	50	13%	46	33	5.59
FY23	482	26%	57	12%	55	39	6.66
FY24	596	24%	96	16%	95	64	10.84
FY25	577	-3%	80	14%	82	66	11.19

Year	Rev (cr)	YoY	Op profit	OPM	PBT	PAT	EPS (Rs)
FY26	591	2%	97	16%	97	72	12.32
Q1 FY27	146	-9%	22	15%	22	17	2.89

Read the table in two halves. FY22 to FY24 was the expansion: revenue rose from Rs 382 cr to Rs 596 cr as the debottlenecked capacity came in, operating margin widened from 13% to 16%, and PAT almost doubled to Rs 64 cr. FY24 to FY26 was the plateau: revenue moved sideways in a Rs 577 cr to Rs 596 cr band for three years, while PAT still crept from Rs 64 cr to Rs 72 cr on margin recovery (operating margin back to about 16% in FY26, ICRA's operating margin measure at 16.43%) and lower material costs. Profit growth of about 26% a year over five years on sales growth of about 21% over five years but only about 7% over three years is the whole story in one line: the compounding engine is margin and mix now, not volume-led revenue.

Returns stayed strong through the plateau: ROE of about 21% and ROCE of about 29% in FY26, on a net worth that has compounded from Rs 123 cr to Rs 372 cr in a decade without the equity capital ever changing from Rs 59 cr. Every rupee of that net worth build was retained profit.

Q1 FY27, the June 2026 quarter, was soft at the top and steady at the bottom: revenue of Rs 146 cr fell about 9% year on year from Rs 161 cr, operating profit was Rs 22 cr at about 15% margin, and PAT was Rs 17 cr (EPS Rs 2.89), down from Rs 18 cr a year earlier. Read against the feedstock disruption ICRA flagged and the company's July 2 statement that constraints had eased, the quarter looks like the disruption quarter rather than a demand break, but that is an interpretation, not a verified recovery. The September quarter is the proof point.

6. BALANCE SHEET, CASH FLOW AND CAPITAL ALLOCATION

The balance sheet is the cleanest page in this report. Borrowings were about Rs 2 cr at March 2026 against net worth of Rs 372 cr; ICRA puts total debt to operating profit at 0.02 times and interest coverage at about 131 times. Total assets were Rs 442 cr: fixed assets of Rs 214 cr, investments of Rs 104 cr (up from Rs 40 cr in FY25), and other assets of Rs 115 cr. ICRA notes unencumbered cash of about Rs 10 cr and unencumbered liquid investments of about Rs 22 cr at March 2026, with undrawn working capital limits on top.

Cash conversion is genuinely good, which separates this company from many microcaps in this queue. Operating cash flow was Rs 19 cr in FY22, Rs 26 cr in FY23, Rs 72 cr in FY24, Rs 59 cr in FY25 and Rs 81 cr in FY26, against PAT of Rs 33 cr, Rs 39 cr, Rs 64 cr, Rs 66 cr and Rs 72 cr. Across FY24 to FY26 the company converted roughly all of its reported profit into operating cash. Free cash flow on the market data series was Rs 57 cr in FY24, negative Rs 27 cr in FY25 (the heavy investment year, when fixed assets jumped and investments were built) and Rs 62 cr in FY26.

Capital allocation until now has been conservative to a fault: reinvest in the one plant, park the surplus in investments (now Rs 104 cr, roughly a seventh of the market cap), and pay a small dividend. The dividend record is Rs 1.00 a share in each recent year, an interim of Rs 1.00 declared in May 2026 with a record date

of May 11, 2026, a payout of roughly 8% of FY26 profit and a yield of about 0.83%. No buyback has been announced. Minority shareholders get a fortress and a token dividend, and until May 2026 that bargain was easy to understand.

The amalgamation changes the allocation question entirely, and Section 10 deals with it directly.

7. COMPETITION

Kothari has no clean listed peer in India: ICRA describes it as the largest PIB manufacturer in the country, and no other listed Indian company is a pure-play PIB maker. Competition arrives as imports and as the Indian arms and exports of global majors: BASF, TPC Group, Lubrizol, Chevron Oronite, INEOS, Lanxess and large Asian producers all sell PIB or PIB-derived additive chemistry into the same lubricant and fuel additive customers. Reliance appears in this story on both sides of the table, as a named feedstock supplier and as a global-scale petrochemical group listed among PIB market participants.

That structure cuts both ways. Domestic incumbency, freight economics on a bulky chemical, refinery adjacency and two decades of customer qualification give Kothari a real home-market edge, which its 21% ROE and 16% operating margin corroborate. But the product is a specification chemical, not a brand: buyers are sophisticated additive and lubricant companies who dual-source as a matter of policy, import parity sets a ceiling on price, and feedstock access, not demand, has been the binding constraint in 2026. Kothari's defensible ground is being the reliable domestic source at scale. Its exposed ground is that scale is 48,000 tonnes in a 1.1 million tonne world market, and the globals can contest any account where price matters more than proximity.

Listed chemical adjacents frame valuation rather than rivalry: Indian specialty and petrochemical names of similar or larger size generally trade well above 10x earnings, which is context for Section 11, not evidence that Kothari should.

8. STRENGTHS

What to watch

The November 13, 2026 amalgamation vote, the September quarter after the feedstock disruption, and whether the rating watch resolves decide whether the discount closes.

- 1. Category position: India's largest PIB maker at 48,000 MTPA, with about 82% utilisation in a disrupted FY26, in a global market still growing at about 3% a year.
- 2. Profit compounding without revenue help: PAT rose from Rs 33 cr to Rs 72 cr between FY22 and FY26, and EPS from Rs 5.59 to Rs 12.32, on margin and mix while the top line plateaued for the last three years.

- 3. Fortress balance sheet: borrowings of about Rs 2 cr, interest coverage above 100 times on ICRA's measure, and Rs 104 cr of investments on a Rs 442 cr asset base.
- 4. Real cash conversion: operating cash flow of Rs 81 cr against PAT of Rs 72 cr in FY26, and roughly full conversion across FY24 to FY26.
- 5. Promoter alignment on the classic tests: holding raised from 70.98% to 72.22% in September 2025, held since, with zero pledging reported and a formal zero-encumbrance confirmation for FY26.
- 6. Valuation: about 9.8x trailing earnings and about 1.9x book for a 21% ROE, 29% ROCE business, with the stock down about 15% in a year and about 23% below its 52-week high.

9. WEAKNESSES AND RISKS

- 1. The sugar amalgamation: the board approved on May 19, 2026 the merger of Kothari Sugars and Chemicals into this company at one share for every five sugar shares, with no cash consideration. The sugar company reported a net worth of about Rs 296 cr and turnover of about Rs 247 cr at March 2026, and ICRA notes it made operating losses in FY26. A clean, debt-free, single-product compounder is being asked to absorb a cyclical, loss-making sugar, alcohol and co-generation business. Shareholders and unsecured creditors vote on November 13, 2026, after NSE gave its no-objection in August 2026 and the NCLT Chennai bench cleared the meetings in September 2026.
- 2. Flat revenue: three years in a Rs 577 cr to Rs 596 cr band, with Q1 FY27 revenue down about 9% year on year. The growth pillar of the story is currently margin, and margins in a commodity chemical mean-revert.
- 3. Single product, single plant, concentrated feedstock: one segment, one Manali site, and feedstock sourced mainly from the Chennai refinery ecosystem. ICRA's March 2026 watch with negative implications was explicitly about feedstock supply volatility hitting volumes, revenue and profitability.
- 4. Rating watch overhang: the A+ and A1+ ratings on Rs 47.5 cr of bank facilities were put on watch with negative implications in March 2026 and remained on watch in ICRA's later 2026 updates while the agency monitors feedstock and the amalgamation. The facilities are small and barely drawn; the signal about operating stability is the point, not the debt.
- 5. Dilution arithmetic if the merger completes: the sugar company's share capital implies roughly 1.6 cr new shares on the one-for-five terms, against 5.88 cr shares today, an increase of roughly 28% in the share count for a business currently contributing operating losses. Per-share earnings fall mechanically unless sugar returns to profit quickly. These are DalalBytes estimates from the scheme terms, not company guidance.
- 6. Scale, liquidity and register: a Rs 707 cr market cap, FII holding of about 0.00%, DII holding of about 0.10%, about 39,300 shareholders, and a 52-week range of Rs 94.75 to Rs 155.47. There is no institutional price discipline and exit prices in such a name are events in themselves.
- 7. Dividend tokenism: about 8% payout and a 0.83% yield, with Rs 104 cr parked in investments. If the surplus is now to be shared with a loss-making sugar business rather than returned, minorities are entitled

to ask why they should fund the group's restructuring at a token yield.

10. MANAGEMENT AND GOVERNANCE

The HC Kothari group controls the company through BHK Trading LLP (about 61.57%) and Nina Bhadrashyam Kothari (about 10.63%), who chairs the board. Arjun B Kothari is Managing Director and M. Rajavel is Whole-time Director. The board carries four independent directors in the sources reviewed, the FY26 audit opinion was unmodified, and no SEBI action or auditor exit was found in the sources reviewed. Promoters confirmed zero share encumbrance for FY26.

On the delivery test, did they do what they said, the operating record passes: the debottlenecking to 48,000 tonnes was delivered in 2023, FY26 production hit about 90% of plan in a feedstock-disrupted year, margins recovered to about 16%, the promoter group bought more stock in September 2025 rather than selling into strength, and the holding has been stable at 72.22% since. That is a better record than microcap average.

The governance deduction is the amalgamation itself, and it is not a small one. Merging a listed, profitable, debt-free petrochemical company with a listed, loss-making sugar company from the same group, at a KPMG-valued, Saffron fairness-opined one-for-five exchange, may well simplify the group. It does not obviously serve the petrochemical company's minority shareholders, whose claim is on PIB cash flows and who are being offered sugar cyclicality, operating losses and about 28% more shares in exchange. The process protections are real (independent valuation, fairness opinion, NSE no-objection, a shareholder vote where the outcome will be visible on November 13, 2026), and the promoters' zero pledging and increased holding argue against bad faith. But pillar two asks whether leadership allocates capital for all shareholders. On the evidence of May 2026, the honest grade is: operations yes, this transaction not yet proven. The vote, and the first combined accounts if it passes, are the tests.

11. VALUATION VS PEERS

At Rs 120 (October 14, 2026): trailing EPS of Rs 12.32 gives a P/E of about 9.8x; TTM EPS of about Rs 12.22 gives about the same. Book value per share of about Rs 63.3 gives a P/B of about 1.9x. Market cap of about Rs 707 cr on FY26 revenue of Rs 591 cr gives a price-to-sales of about 1.2x, and market data series put EV/EBITDA at about 6.9x. The dividend yield is about 0.83%.

There is no direct listed PIB peer, so the honest comparison is three-way. Against its own history, the stock is cheap: it traded well above these levels within the last year (52-week high Rs 155.47) and its three-year high in market data series is far higher, while earnings are at a record. Against listed Indian chemicals, it is cheap: comparable quality specialty names trade in the mid-teens to twenties on earnings, and even diversified petrochemical adjacents rarely sit below 10x with a 21% ROE. Against its own risks, the discount has named causes: a flat top line for three years, a single plant and feedstock line, a rating on watch, and a pending merger with a loss-making business that would dilute earnings per share by roughly a fifth to a quarter on day one if sugar stays loss-making. The market is not mispricing a clean compounder; it is pricing a good business with a transaction stapled to it. That is why this is Selective Positive at 64 and not Positive: the PIB

franchise at 9.8x is the opportunity, and the November 13 vote is the gate in front of it.

12. FY2029 SCENARIOS (INR)

Base year is FY26 actuals: revenue Rs 591 cr, PAT Rs 72 cr, EPS Rs 12.32, shares about 5.88 cr. FY2029 is the year ending March 2029, three years forward. All scenario figures are DalalBytes estimates, not company guidance. No company guidance for FY27 to FY29 was found in the sources reviewed. Scenarios are for the standalone PIB business on the current share count; if the sugar amalgamation completes, add the dilution discussion in Sections 9 and 10 to every line below.

Scenario	Price	Revenue CAGR FY26 to FY29	FY29 revenue	PAT margin	FY29 PAT	EPS (Rs)	Exit P/E
Bear	Rs 85	2%	Rs 627 cr	10.0%	Rs 63 cr	10.7	8x
Base	Rs 170	7%	Rs 725 cr	12.5%	Rs 91 cr	15.4	11x
Bull	Rs 275	12%	Rs 830 cr	14.0%	Rs 116 cr	19.8	14x

Bear: feedstock disruption recurs, volumes stay near FY26 levels, revenue compounds at only 2%, PAT margin compresses to 10% as import pricing caps realisations, the sugar merger completes and absorbs management attention and surplus cash, and the market keeps a single-digit multiple on a conglomerate microcap. Earnings fall in per-share terms once dilution lands, and the price falls about 29%. Base: feedstock normalises as the July 2026 update suggests, utilisation rises toward 90% of the 48,000 tonne plant, revenue compounds at 7% (the three-year trend rate), PAT margin holds near 12.5%, and the stock re-rates modestly to 11x as the rating watch resolves. Bull: volume and mix both work, highly reactive and specialty grades lift realisations, revenue compounds at 12%, margins hold near FY26 levels at the PAT line, the merger is voted down or the sugar business returns to profit fast enough to stop diluting, and the market pays a mid-teens multiple for the only listed Indian PIB name.

Base-case value of Rs 170 is about 42% above the reference price over about two and a half years to March 2029, roughly 15% a year before the small dividend. That is a fair expected return for the operating business. The asymmetry at Rs 120 is therefore genuinely two-sided in a way the multiple alone does not show: the bull case more than doubles the money, the bear case loses about a third, and unusually for this queue, a dated shareholder vote on November 13, 2026 decides a large part of which path the company is on.

13. WHY IT MATTERS

Kothari Petrochemicals is the cleanest test in this queue of a question Indian microcap investors face constantly: what is a good business worth when its controlling group asks it to carry a weaker sibling? The operating answer is impressive and verifiable: India's largest PIB plant, a decade of retained-profit net worth building, roughly full cash conversion, no debt, no pledging, and promoters who bought more. The investment

answer at Rs 120 is narrower: you are paying 9.8x for those cash flows with a loss-making sugar merger, a feedstock watch and three flat revenue years stapled to the same share certificate. At 64/100 Selective Positive, the verdict is: back the PIB franchise and its price, respect the merger and the feedstock line, and let the November 13 vote and the September quarter, not the cheap multiple alone, set the conviction.

DISCLOSURES

DalalBytes Research, for educational purposes only. Not investment advice. Figures are drawn from company filings and results, Screener data, ICRA rating rationales and market-data summaries cited below; management commentary is labelled as such wherever it appears, and all FY2029 figures and merger dilution figures are DalalBytes estimates. No position disclosure is made in this report beyond the house educational-purpose statement.

SOURCES

- Screener.in, Kothari Petrochemicals standalone: close of Rs 120 on October 14, 2026, market cap about Rs 707 cr, 52-week range Rs 94.75 to Rs 155.47, P/E about 9.8x, book value about Rs 63.3, FY22 to FY26 profit and loss, balance sheet, cash flow and ratios, shareholding to June 2026 (promoter 72.22%, FII 0.00%, DII 0.10%, 39,301 shareholders), Q1 FY27 quarter (revenue Rs 146 cr, PAT Rs 17 cr, EPS Rs 2.89)

- Audited FY26 results filing (May 5, 2026): revenue from operations Rs 591.39 cr, total income Rs 600.50 cr, PAT Rs 72.5 cr on ICRA's summary, unmodified audit opinion, single PIB segment, no subsidiaries; interim dividend of Rs 1.00 per share, record date May 11, 2026

- ICRA rating rationales (March 20, 2026; May 28, 2026 and July 13, 2026 updates): A+ and A1+ on Rs 47.5 cr of facilities on watch, feedstock supply volatility rationale, largest PIB maker in India at 48,000 MTPA, plant at Manali near the Chennai refinery, history from the 1989 caustic soda unit through the 2006 Primetra merger, FY26 operating income Rs 591.4 cr, PAT Rs 72.5 cr, operating margin 16.43%, interest coverage about 131 times, cash and liquid investments at March 2026

- Scheme of Amalgamation disclosures (May 19, 2026 board approval; NSE no-objection August 19, 2026; NCLT Chennai order September 30, 2026; meetings set for November 13, 2026): Kothari Sugars and Chemicals net worth about Rs 296 cr and turnover about Rs 247 cr at March 2026, exchange ratio of one Kothari Petrochemicals share for every five Kothari Sugars shares, KPMG valuation and Saffron Capital fairness opinion, no cash consideration, sugar company operating losses in FY26 noted by ICRA

- Company updates and annual report material for FY26: production of 39,163 tonnes (about 90% of plan), debottlenecking to 48,000 MTPA in 2023, July 2, 2026 update that raw material constraints had eased after government directions, third synthesis laboratory commissioned in 2026, solar capacity of about 307 kW, zero promoter encumbrance confirmation for FY26

- Market and industry data (October 2026): Finnhub, Dhan, Upstox and Moneyworks4me summaries (P/E about 9.6 to 10.4x, EV/EBITDA about 6.9x, dividend yield about 0.83%, promoter entities BHK Trading LLP

about 61.57% and Nina Bhadrashyam Kothari about 10.63%); Mordor Intelligence PIB market estimate of about 1.12 million tonnes in 2026 growing to about 1.32 million tonnes by 2031 at about 3.3% a year