

CMP: ₹ 362

Target: ₹ 515 (42%)

Target Period: 12 months

BUY

April 30, 2025

Long term investment thesis remains unchanged...

About the stock: PCBL Ltd (erstwhile Phillips Carbon Black) is the leading manufacturer of carbon black, which is used as a reinforcing material in tyres.

- PCBL also derives ~11% of sales volume from speciality carbon black.
- Recently acquired speciality chemical company i.e. Aquapharm Chemicals

Q4FY25 Result: On the consolidated basis, at PCBL, net sales for the quarter came in at ₹ 2,088 crore with carbon black sales volumes at 150 kt (up 5% YoY, QoQ). EBITDA for the quarter came in at ₹298 crore with margins at 14.3% (down 150 bps QoQ). Consequent PAT for Q4FY25 stood at ₹100 crore, down 10% YoY. EBITDA/tonne in the carbon black space for Q3FY25 stood at ~₹ 17,650/tonne.

Investment Rationale:

- Buoyed by export demand, aiming for 10 lakh carbon black capacity:** PCBL is India's largest and world's 7th largest carbon black manufacturer with installed capacity of ~7.9 lakh tonnes as on date. Sensing robust demand prospects especially in Export market, it is looking at adding 90 KT capacity via brownfield expansion at its new Tamil Nadu plant (30KT due for commissioning in Q1FY26) and finalised a new greenfield plant in AP. It is targeting double digit volume CAGR over next 5 years and is looking at substantial export play with near term capacity pegged at ~10 lakh tonne. We have modelled carbon black sales volume at PCBL to grow at a CAGR of 10% CAGR over FY25-27E to 7.2 lakh tonne in FY27E. Exports share in its total carbon black sales volume mix is on the rise from 27% in FY21 to 41% in FY25 and is further slated to increase to 45% by FY27E.
- Increasing share of speciality grade, margin accretive, structural driver:** PCBL has, over the years, with indigenous R&D efforts has developed grades in specialty carbon black (SCB) domain, which is a high margin product (typically ~3-4x normal tyre grade carbon black). Speciality grade carbon black volumes grew 9% YoY to 62KT in FY25. On a high base, SCB volumes are expected to grow at a CAGR of 12% over FY25-27E to 78KT in FY27E. This is structurally positive for EBITDA/tonne profile at PCBL.
- Aquapharm turnaround in sight; stepping up speciality chemical play:** Aquapharm operates in the niche water chemical space. With change in ownership, management systems & processes as well as cost efficiencies, PCBL is guiding for a strong turnaround at this business. With captive presence in US, it also stands to gain from current tariffs imposed by US. We expect revenues at Aquapharm to grow at a CAGR of 20% over FY25-27E with EBITDA margins seen improving from 14% to 18.5% mark.

Rating and Target Price

- With organic levers of growth amidst changing business profile in favour of more speciality chemical play including niche battery chemical business, aspiration to clock 5x PAT in 5 years i.e. (~₹ 2,500 crore in FY29E vs. ~₹ 500 in FY24), **we remain positive on PCBL and retain our BUY rating on the stock with revised target price of ₹ 515 i.e. 25x P/E on FY27E**



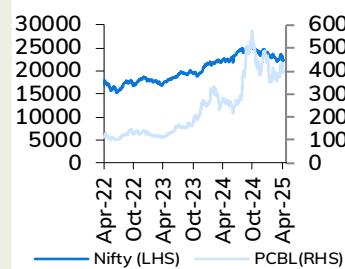
Particulars

Stock Data	₹ crore
Market Capitalization	13,666
Total Debt (FY25P)	5,380
Cash & Cash Eqv (FY25P)	389
Enterprise Value	18,656
52 week H/L (₹)	584 / 209
Equity Capital	37.8
Face Value	₹ 1

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	51.4	51.4	51.4	51.4
FII	5.3	5.0	5.2	5.6
DII	6.4	6.8	6.7	8.9
Other	36.9	36.8	36.7	34.1

Price Chart



Recent event & key risks

- PCBL reports muted Q4FY25. Earnings CAGR seen at ~35% over FY25-27E.
- Key Risk: (i) global muted demand impacting margin recovery (ii) rise in imports impacting domestic volumes

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Key Financial Summary

Key Financials	FY21	FY22	FY23	FY24	FY25P	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Net Sales	2,660	4,446	5,774	6,420	8,404	21.0%	9,339	10,618	12.4%
EBITDA	519	653	731	1,037	1,337	23.5%	1,574	1,890	18.9%
EBITDA Margins (%)	19.5	14.7	12.7	16.2	15.9		16.9	17.8	
Net Profit	312	426	442	491	435	8.9%	583	809	36.5%
EPS (₹)	9.1	11.3	11.7	13.0	11.5		14.8	20.6	33.7%
P/E	39.9	32.1	30.9	27.8	31.4		24.5	17.6	
RoNW (%)	16.2	16.3	15.6	15.1	11.8		13.4	16.7	
RoCE (%)	16.1	16.1	15.8	10.2	10.9		12.4	14.6	

Source: Company, ICICI Direct Research

Key Tables and Charts

Exhibit 1: Quarterly P&L Analysis

	Q4FY25	Q4FY24	YoY (%)	Q2FY25	QoQ (%)
Total Operating Income	2,088	1,929	8.2	2,010	3.9
Raw Material Expenses	1,477	1,318	12.1	1,385	6.6
Employee Expenses	109	81	34.9	105	4.2
Other expenses	204	221	-7.5	203	0.7
EBITDA	298	310	-3.8	317	-6.2
EBITDA Margin (%)	14.3	16.0 -179 bps		15.8 -153 bps	
Other Income	20	23	-14.8	11	78.3
Depreciation	88	75	17.2	87	1.7
Interest	103	108	-4.7	118	-12.4
Total Tax	26	38	-32.4	30	-14.7
PAT	100	111	-9.7	93	7.6
Key Metrics					
Carbon Black Sales Volume (tonne)	1,50,152	1,42,544	5.3	1,43,500	4.6
Carbon Black EBITDA/tonne (₹/t)	17,655	22,660	-22.1	19,868	-11.1

Source: Company, ICICI Direct Research

Exhibit 2: Change in key estimates

(₹ Crore)	FY26E			FY27E		
	Old	New	% Change	Old	New	% Change
Revenue	10,054	9,339	-7.1	11,227	10,618	-5.4
EBITDA	1,812	1,574	-13.2	2,083	1,890	-9.3
EBITDA Margin (%)	18.0	16.9	-117 bps	18.6	17.8	-75 bps
PAT	771	583	-24.4	979	809	-17.3
EPS (₹)	19.6	14.8	-24.4	24.9	20.6	-17.3

Source: ICICI Direct Research

Exhibit 3: Assumptions

Assumptions	Units	FY19	FY20	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E
Carbon Black Sales Volumes	tonne	4,03,423	4,06,790	3,89,260	4,54,187	4,45,184	5,31,849	5,96,263	6,50,366	7,20,209
Speciality Grade Carbon Black Sales Volumes	tonne	19,300	19,378	23,966	34,687	40,376	57,247	62,450	70,000	78,000
Carbon Black blended ASP's	₹/kg	85	78	67	96	129	113	114	113	114
Carbon Black Sales (₹ crore)	₹ crore	3,431	3,157	2,592	4,353	5,732	6,013	6,802	7,323	8,227
Carbon Black EBITDA/tonne	₹/tonne	15,437	11,429	13,322	14,435	16,543	19,322	19,135	20,000	21,000
Carbon Black EBITDA	₹ crore	623	465	519	656	736	1,028	1,141	1,301	1,512
Aquapharm Sales	₹ crore	-	-	-	-	-	239	1,420	1,704	2,045
Aquapharm EBITDA margins	%							13.8%	16.0%	18.5%
Aquapharm EBITDA	₹ crore							196	273	378

Source: ICICI Direct Research

Financial Summary

Exhibit 4: Profit and Loss statement				
(Year-end March)	FY24	FY25P	FY26E	₹ crore
Net Sales	6,420	8,404	9,339	10,618
Other Operating Income	-	-	-	-
Total Operating Income	6,420	8,404	9,339	10,618
Growth (%)	11.2	30.9	11.1	13.7
Raw Material Expenses	4,466	5,810	6,430	7,241
Employee Expenses	250	413	448	488
Selling Expense	257	336	374	425
Other Operating Expense	409	509	514	573
Total Operating Expenditure	5,382	7,068	7,766	8,728
EBITDA	1,037	1,337	1,574	1,890
Growth (%)	41.9	28.9	17.7	20.1
Depreciation	217	346	388	423
Interest	181	461	449	429
Other Income	37	47	40	41
PBT	676	578	777	1,079
Total Tax	185	142	194	270
PAT	491	435	583	809
Growth (%)	11.1	-11.5	34.1	38.9
EPS (₹)	13.0	11.5	14.8	20.6

Source: Company, ICICI Direct Research

Exhibit 5: Cash Flow statement				
(Year-end March)	FY24	FY25P	FY26E	₹ crore
Profit after Tax	491	435	583	809
Add: Depreciation	217	346	388	423
(Inc)/dec in Current Assets	-1,100	-318	-295	-497
Inc/(dec) in CL and Provisions	852	-4	213	317
Others	181	461	449	429
CF from operating activities	640	919	1,338	1,482
(Inc)/dec in Investments	-199	-83	-5	-5
(Inc)/dec in Fixed Assets	-1,117	-861	-750	-750
Others	-2,656	-86	0	0
CF from investing activities	-3,972	-1,030	-755	-755
Issue/(Buy back) of Equity	0	0	2	0
Inc/(dec) in loan funds	3,877	560	-200	50
Interest & Dividend paid	-388	-669	-705	-764
Inc/(dec) in Share Cap	0	0	0	0
Others	133	224	335	0
CF from financing activities	3,621	116	-568	-714
Net Cash flow	289	4	15	13
Opening Cash	96	385	389	404
Closing Cash	385	389	404	417

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
(Year-end March)	FY24	FY25P	FY26E	₹ crore
Liabilities				
Equity Capital	37.8	37.8	39.4	39.4
Reserve and Surplus	3,209	3,660	4,321	4,796
Total Shareholders funds	3,247	3,697	4,361	4,835
Total Debt	4,820	5,380	5,180	5,230
Deferred Tax Liability	871	289	289	289
Minority Interest / Others	190	192	197	202
Total Liabilities	9,128	9,558	10,026	10,556
Assets				
Gross Block	4,487	5,052	6,032	6,582
Less: Acc Depreciation	923	1,268	1,656	2,079
Net Block	3,565	3,784	4,375	4,503
Capital WIP	433	730	500	700
Total Fixed Assets	3,998	4,513	4,875	5,203
Investments & Goodwill	3,761	3,329	3,334	3,339
Inventory	999	1,268	1,407	1,600
Debtors	1,710	1,794	1,919	2,182
Loans and Advances	26	13	14	16
Other Current Assets	282	261	290	329
Cash	385	389	404	417
Total Current Assets	3,402	3,725	4,034	4,544
Current Liabilities	2,016	1,976	2,175	2,473
Provisions	91	98	108	123
Current Liabilities & Prov	2,107	2,074	2,283	2,595
Net Current Assets	1,295	1,650	1,751	1,949
Others Assets	75	66	66	66
Application of Funds	9,128	9,558	10,026	10,556

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY24	FY25P	FY26E	FY27E
Per share data (₹)				
EPS	13.0	11.5	14.8	20.6
Cash EPS	18.8	20.7	24.7	31.3
BV	86.0	97.9	110.8	122.9
DPS	5.5	5.5	6.5	8.5
Cash Per Share (Incl Invst)	109.8	98.5	95.0	95.5
Operating Ratios (%)				
EBITDA Margin	16.2	15.9	16.9	17.8
PAT Margin	7.6	5.2	6.2	7.6
Inventory days	56.8	55.1	55.0	55.0
Debtor days	97.2	77.9	75.0	75.0
Creditor days	114.6	85.8	85.0	85.0
Net Working Capital days	39.4	47.1	45.0	45.0
Return Ratios (%)				
RoE	15.1	11.8	13.4	16.7
RoCE	10.2	10.9	12.4	14.6
RoIC	11.4	12.5	13.7	16.4
Valuation Ratios (x)				
P/E	27.8	31.4	24.5	17.6
EV / EBITDA	17.4	14.0	11.7	9.8
EV / Net Sales	2.8	2.2	2.0	1.7
Market Cap / Sales	2.1	1.6	1.5	1.3
Price to Book Value	4.2	3.7	3.3	2.9
Solvency Ratios				
Debt/EBITDA	4.6	4.0	3.3	2.8
Debt / Equity	1.5	1.5	1.2	1.1
Current Ratio	1.4	1.6	1.6	1.6
Quick Ratio	1.0	1.0	1.0	1.0

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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