PCBL

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	406
12 month price target (INR)	394
52 Week High/Low	585/274
Market cap (INR bn/USD bn)	153/1.8
Free float (%)	47.0
Avg. daily value traded (INR mn)	692.4

SHAREHOLDING PATTERN

	Jun-25	Mar-24	Dec-24
Promoter	51.41%	51.41%	51.41%
FII	5.53%	5.58%	5.24%
DII	9.89%	8.93%	6.70%
Pledge	0%	0%	0%

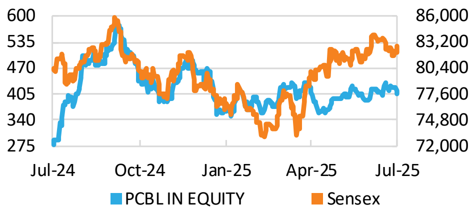
FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	84,043	85,377	91,746	1,00,676
EBITDA	13,368	14,685	16,331	17,971
Adjusted profit	4,347	5,506	6,536	7,659
Diluted EPS (INR)	11.5	14.6	17.3	20.3
EPS growth (%)	(11.5)	26.7	18.7	17.2
RoAE (%)	12.5	14.3	15.6	16.6
P/E (x)	32.1	25.3	21.3	18.2
EV/EBITDA (x)	14.2	13.1	11.8	10.7
Dividend yield (%)	1.5	1.8	2.0	2.0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	85,377	91,746	-0.3%	-0.4%
EBITDA	14,685	16,331	-4.7%	-1.5%
Adjusted profit	5,506	6,536	-12.5%	-12.9%
Diluted EPS (INR)	14.6	17.3	-12.5%	-12.9%

PRICE PERFORMANCE



Uncertainty still persists

PCBL posted in-line Q1FY26 results with revenue down 1.4% YoY to INR21.1bn as lower realisations in Carbon Black weighed on performance. EBITDA fell 10.9% YoY to INR3.19bn, with Carbon Black EBITDA/ton down 14.7% YoY to INR17,791. PAT decreased 20.2% YoY to INR941mn due to weaker margins and higher depreciation.

While the company's long-term transformation from a commodity player to a specialty chemicals business remains intact, concerns persist around a stretched balance sheet, continued dumping of carbon black in spot markets by Russia, and a slower-than-expected recovery in the Aquapharm segment. All in all, we maintain 'HOLD' on the stock with a revised TP of INR394.

Margin continues to be under pressure

PCBL reported in-line performance with revenue down 1.4% YoY to INR21.1bn, impacted by a 4.1% YoY decline in the Carbon Black business due to lower realisations despite stable volumes. The Chemicals segment (Aquapharm) grew 7% YoY, amid higher US imports driven by tariff uncertainty from other countries. The Power segment witnessed 22.2% YoY growth aided by strong volumes and better realisations. Gross margin fell 120bp YoY to 31.2% leading to a 10.9% YoY drop in EBITDA to INR3.19bn as profitability was impacted by lower EBITDA/ton in the Carbon Black segment (INR17,791/ton, down 14.7% YoY) and higher freight costs (~INR60mn) in the Aquapharm business, which limited EBITDA to INR500mn. A lower tax rate couldn't arrest PAT decline, down 20.2% YoY to INR941mn, which was impacted by lower margins, higher depreciation and reduced other income.

Gradual ramp-up and leverage key concerns

Aquapharm continued its steady recovery with volumes up 8.7% YoY, though EBITDA remained flat at INR500mn due to elevated freight costs. While management has maintained the FY26 EBITDA guidance of INR3bn supported by improving volumes in ensuing quarter, we believe the ramp-up will be gradual and likely slower than initially expected. Continued dumping by Russian imports in spot markets also remains an overhang for PCBL's carbon black business. We are, hence, revising down FY26E/27E EBITDA by 4.7%/1.5%. We maintain '**HOLD**' with a revised TP of INR394 (earlier INR391), while rolling forward the target valuation to Q1FY28E EBITDA and ascribing a multiple of 12.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	21,141	21,436	(1.4)	20,875	1.3
EBITDA	3,191	3,583	(10.9)	2,977	7.2
Adjusted Profit	941	1,179	(20.2)	1,002	(6.1)
Diluted EPS (INR)	2.5	3.1	(20.2)	2.7	(6.1)

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	84,043	85,377	91,746	1,00,676
Gross profit	25,947	26,467	28,900	31,713
Employee costs	4,128	4,098	4,312	4,681
Other expenses	8,451	7,684	8,257	9,061
EBITDA	13,368	14,685	16,331	17,971
Depreciation	3,457	3,818	4,070	4,322
Less: Interest expense	4,609	4,209	4,280	4,241
Add: Other income	474	683	734	805
Profit before tax	5,776	7,341	8,714	10,212
Prov for tax	1,424	1,835	2,179	2,553
Less: Other adj	(5)	0	0	0
Reported profit	4,347	5,506	6,536	7,659
Less: Excp.item (net)	0	0	0	0
Adjusted profit	4,347	5,506	6,536	7,659
Diluted shares o/s	378	378	378	378
Adjusted diluted EPS	11.5	14.6	17.3	20.3
DPS (INR)	5.5	6.6	7.3	7.3
Tax rate (%)	24.7	25.0	25.0	25.0

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	378	378	378	378
Reserves	36,597	39,624	43,405	48,310
Shareholders funds	36,974	40,001	43,782	48,687
Minority interest	117	117	117	117
Borrowings	53,800	53,800	53,300	52,800
Trade payables	15,947	16,374	17,595	19,308
Other liabs & prov	8,805	9,041	9,288	9,547
Total liabilities	1,17,219	1,20,908	1,25,657	1,32,034
Net block	35,476	37,658	39,588	41,265
Intangible assets	28,133	28,133	28,133	28,133
Capital WIP	7,296	7,296	7,296	7,296
Total fixed assets	70,906	73,087	75,017	76,695
Non current inv	5,206	5,206	5,206	5,206
Cash/cash equivalent	3,892	1,222	512	664
Sundry debtors	17,937	19,882	21,366	23,445
Loans & advances	462	462	462	462
Other assets	15,411	17,642	19,689	22,157
Total assets	1,17,219	1,20,908	1,25,657	1,32,034

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Specialty black vol	62,450.0	65,572.5	74,096.9	81,506.6
Carbon black vol	5,96,263.0	6,26,076.2	6,90,650.9	7,59,716.0
Realisation/tonne	1,12,088.1	1,07,000.0	1,02,000.0	1,00,000.0
EBITDA margin (%)	15.9	17.2	17.8	17.9
Net profit margin (%)	5.2	6.4	7.1	7.6
Revenue growth (% YoY)	30.9	1.6	7.5	9.7
EBITDA growth (% YoY)	28.9	9.9	11.2	10.0
Adj. profit growth (%)	(11.5)	26.7	18.7	17.2

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	4,347	5,506	6,536	7,659
Add: Depreciation	3,457	3,818	4,070	4,322
Interest (net of tax)	4,609	4,209	4,280	4,241
Others	(6,049)	122	0	0
Less: Changes in WC	(3,176)	(3,636)	(2,062)	(2,575)
Operating cash flow	3,188	10,018	12,825	13,648
Less: Capex	(3,469)	(6,000)	(6,000)	(6,000)
Free cash flow	(281)	4,018	6,825	7,648

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.3	6.3	6.3	6.3
Repo rate (%)	5.0	5.0	5.0	5.0
USD/INR (average)	77.0	77.0	77.0	77.0
Volumes (MT)	12,573.6	16,362.1	18,028.5	19,869.9
Crude Prices (USD)	10.5	10.5	10.7	10.7
Specialty Product Percentage	0	0	0	0
EBITDA/tonne	0	0	0	0
Realisation Premium (Specialty V/s Carbon Black)	0	0	0	0

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	12.5	14.3	15.6	16.6
RoCE (%)	12.1	12.5	13.6	14.5
Inventory days	71	83	85	84
Receivable days	76	81	82	81
Payable days	107	100	99	98
Working cap (% sales)	14.2	18.1	19.1	20.0
Gross debt/equity (x)	1.5	1.3	1.2	1.1
Net debt/equity (x)	1.3	1.3	1.2	1.1
Interest coverage (x)	2.2	2.6	2.9	3.2

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	32.1	25.3	21.3	18.2
Price/BV (x)	3.8	3.5	3.2	2.9
EV/EBITDA (x)	14.2	13.1	11.8	10.7
Dividend yield (%)	1.5	1.8	2.0	2.0

Source: Company and Nuvama estimates

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(11.5)	26.7	18.7	17.2
RoE (%)	12.5	14.3	15.6	16.6
EBITDA growth (%)	28.9	9.9	11.2	10.0
Payout ratio (%)	47.8	45.0	42.1	36.0

Exhibit 1: Quarterly financial snapshot (Consolidated)

Year to March	Q1FY26	Q1FY25	% change	Q4FY25	% change	FY26E	FY27E	FY28E
Revenues	21,141	21,436	(1.4)	20,875	1.27	85,377	91,746	1,00,676
Raw material	14,545	14,491	0.4	14,766	-1.49	58,910	62,846	68,963
Staff costs	1,095	1,001	9.4	1,093	0.12	4,098	4,312	4,681
Other expenditure	2,310	2,361	(2.2)	2,039	13.30	7,684	8,257	9,061
Total expenditure	17,950	17,853	0.5	17,898	0.29	70,692	75,415	82,705
EBITDA	3,191	3,583	(10.9)	2,977	7.19	14,685	16,331	17,971
Depreciation	924	845	9.3	881	4.78	3,818	4,070	4,322
EBIT	2,267	2,738	(17.2)	2,095	8.20	10,867	12,261	13,648
Interest	1,124	1,211	(7.2)	1,032	8.91	4,209	4,280	4,241
Other income	58	109	(46.7)	198	-70.66	683	734	805
Profit Before Tax	1,202	1,636	(26.5)	1,261	-4.74	7,341	8,714	10,212
Less: Provision for Tax	261	457	(42.9)	259	0.42	1,835	2,179	2,553
Reported Profit	941	1,179	(20.2)	1,002	-6.08	5,506	6,536	7,659
No. of Diluted shares outstanding (mn)	378	378		378		378	378	378
Adjusted Diluted EPS	2.5	3.1	(20.2)	2.7	-6.08	14.6	17.3	20.3
As % of revenues								
COGS	68.8	67.6	120.3	70.7	-193.3	69.0	68.5	68.5
Gross profit	31.2	32.4	-120.3	29.3	193.3	31.0	31.5	31.5
Employee costs	5.2	4.7	50.8	5.2	-6.0	4.8	4.7	4.7
Other expenses	10.9	11.0	-8.9	9.8	116.0	9.0	9.0	9.0
Total operating expenses	84.9	83.3	162.2	85.7	-83.3	82.8	82.2	82.2
EBITDA	15.1	16.7	-162.2	14.3	83.3	17.2	17.8	17.9
Net profit	4.5	5.5	-105.0	4.8	-34.8	6.4	7.1	7.6

Source: Company, Nuvama Research

Q1FY26 conference call takeaways

Opening remarks

- **Global scenario**: Global challenges including geopolitical tensions (Iran-Israel, the Red Sea disruption), macroeconomic slowdown and evolving tariff structures (particularly from the US) continued to weigh on sentiment.

- **Dumping situation**: While dumping into India has moderated, it remains elevated. Russian imports (~2,000 MT/month) continue, largely via traders—not tyre OEMs.

- **Tyre industry shift**: Structural shift in global tyre manufacturing towards India due to cost efficiency and supply chain benefits. India is poised to gain share due to higher tariffs on other countries and closures in EU/US (e.g. Orion's planned shutdown).

- **Export opportunity**: PCBL is focusing more on exports (41% mix) with a stronger push into Europe, US and Southeast Asia.

Carbon black

Acetylene Black

- Technology transfer completed; engineering work underway.

- Applications include high-voltage cables, semiconductors, paints/coatings.

- India currently imports 100% of its acetylene black; PCBL will be first domestic manufacturer.

- Initial capacity: 4,000–5,000 MT with scope for modular reactor-based expansion.

Orion capacity closure

- Orion (global carbon black major) plans to shut down some capacity across US and Europe by end-CY25E.

- Closures largely in rubber blacks, with a shift towards specialty grades.

- Management expects to benefit as global capacity tightens, particularly in the US/EU, where cost competitiveness is deteriorating.

Outlook: Pricing and margin

- Specialty blacks' realisations are 25–30% higher than rubber black, while performance blacks command ~ 17% premium.

- Carbon black margins faced pressure from spot market oversupply (~30% volumes); contract business (~70%) remains stable.

- Long-term EBITDA/kg goal remains INR20–22/kg aided by operating leverage and specialty shift.

- China-India feedstock price gap narrowed to USD130/ton.

- **Pricing renegotiation:** Tariff uncertainties in the US are key headwinds; pricing discussions with global tyre majors to begin in August.

Capex update

Tamil Nadu (Brownfield)

- Phase 1 (30,000 MTPA): Trial runs started; commissioning in next few weeks.
- Phase 2 (60,000 MTPA + 12 MW green power): Commissioning by end-FY26E.

Specialty Black

- New 20,000MTPA line at Mundra to be ready in three–four quarters; will take total capacity to 132,000MTPA.
- 1,000MTPA superconductive grade plant at Palej to be commissioned by end-FY26E.

Greenfield capex

- Acquiring 116 acres in Naidupeta, Andhra Pradesh, for rubber and performance blacks.
- Capex to kick off post-environmental clearance in FY26.

Aquapharm

Margin pressure

- Q1 impacted by higher freight costs (~INR60mn) due to the Red Sea disruptions.
- Product mix shift and pricing pressure also weighed on profitability.
- Despite higher volumes, EBITDA did not scale up due to operating leverage still not playing out.

Capacity update and outlook

- 11,500MTPA polymer line at Mahad commissioned in Q1; balance to come up in two–three months.
- Additional capacity for PBTC, green chelates, acetyl chloride, amines, imidazoline to be commissioned in Q2FY26.
- Targeting INR3bn EBITDA in FY26; management remains confident of achieving it via improved capacity utilisation.
- **Outlook**: Management mentioned that Integration across Detergent, Oil & Gas, and Water Treatment segments to unlock cross-selling and utilisation.
- Targeting 17–18% RoIC over the next three–four years.

Other key highlights

Nano Materials (Nanovace)

- US patent received for a proprietary process to develop nanomaterials for energy storage.
- Pilot plant to be commissioned by the end of CY25E, followed by sampling.
- Real contribution to earnings expected from FY28E.
- Q1FY26 capex stood at INR1.12bn, of which Aquapharm capex was INR150–160mn.
- Management has guided for an FY26 capex of INR6bn.
- Debt: Management indicated there is some debt reduction in debt in Q1FY26.

Company Description

PCBL, a part of RP-Sanjiv Goenka Group is the largest carbon-black producer in India by capacity. PCBL was set up in association with Phillips Petroleum a US-based company in 1960. PCBL commenced its commercial production in Dec-62 with 14ktap plant in Durgapur, using oil furnace technology. PCBL had a technical collaboration with Columbian Chemical for about a decade. In FY97, Carbon and Chemicals India Ltd was amalgamated with the company. By FY04, PCBL had three plants at Durgapur, Palej and Kochi with a total capacity of 270ktpa.

Investment Theme

In the Carbon-Black market, PCBL enjoys an indomitable 50% market share in India, 11%-globally and 17%-world ex-China. Furthermore, we see the global market share in the profitable Speciality-Carbon-Black market increasing to 5.9% by FY25E (FY22: 3.6%). Even in Rubber and Performance Chemicals grade, we expect the market share to rise by 30bp in both the categories. On the ESG front, the company outscores its global peers in areas such as GHG intensity (Scope 1) – 1.43tCO2e/t vs. 2.28tCO2e/t and water intensity- 6.2m3/t vs. 9.2m3/t. The company's long-term targets is demonstrative of its focussed pursuit towards a spirited advancement. In a business that enjoys little margin volatility, owing to the cost pass-through mechanism, PCBL is strengthening its market leadership. Key growth drivers includes: i) volume ramp up in core rubber business as 147ktpa Tiruvallur plant ramps up; ii) margin aggrandizement via higher speciality product sales volume (up 10ktpa p.a. through to FY25E) – yielding ~2.6x margin compared to rubber products; and iii) harnessing state-of-the-art technology at the greenfield Chennai plant, resulting in better plant processes and yields. All in all, we see EBITDA margin surpassing 21% (FY22: 12%) and RoE improving to 22% (FY22: 18.8%) through FY25E.

Key Risks

PCBL operates in a very competitive environment with significant dependence on automotive and tyre industries. Automotive industry is particularly susceptible to supply chain disruptions such as semiconductor shortage and calamity such as covid19, potentially impacting revenue and cash flows adversely. While operations are largely cost pass-through, the inability to do so, in the absence of a firm binding contract might have an impact on profitability. Besides, there is a need for constant innovation due to variations and changes required. The threat of substitution from silica precipitate, advanced materials and fused alloys remains. PCBL is subject to significant environmental and regulatory risks. Globally, carbon black is being investigated as potential carcinogenic and nano-scale material. Any development in this regard, could have a significant impact on company's sales volumes and cashflows

Additional Data

Management

Chairman	Sanjiv Goenka
Managing Director	Kaushik Roy
CFO	Raj Kumar Gupta
Auditor	S. R. Batliboi & Co. LLP

Holdings – Top 10*

	% Holding		% Holding
IDFC Mutual fun	2.81	Blackrock Inc	0.74
HDFC AMC	1.71	Aditya birla su	0.65
Vanguard Group	1.17	FIL ltd	0.31
Tata Asset mana	1.11	Reliance Nippon	0.30
Dimensional Fun	0.86	WisdomTree Inc	0.28

**Latest public data*

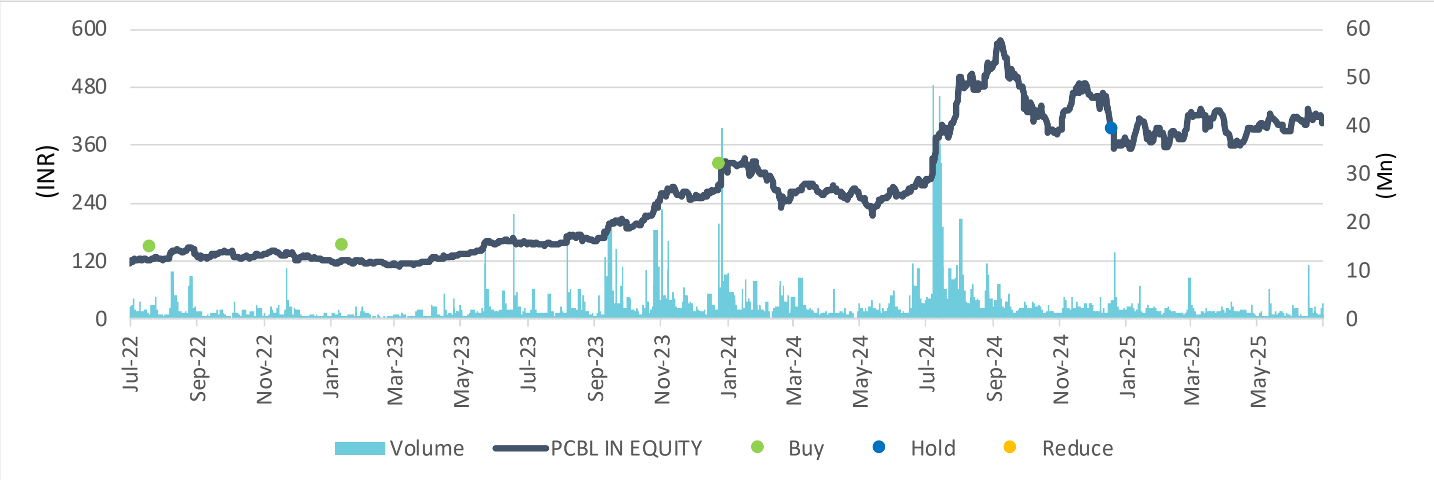
Recent Company Research

Date	Title	Price	Reco
29-Apr-25	Feeble performance; *Result Update*	369	Hold
10-Jan-25	Slower-than-expected growth; *Result Update*	391	Hold
30-Oct-24	PCBL (PCBL IN, INR 441, BUY) - EBITDA/mt; *Result Update*	433	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
19-Feb-24	Chemical	Early signs of revival; *Sector Update*
25-Apr-19	Chemical	Chemspec: Party for domestic manufacture; *Sector Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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