

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	369
12 month price target (INR)	372
52 Week High/Low	585/209
Market cap (INR bn/USD bn)	139/1.6
Free float (%)	47.0
Avg. daily value traded (INR mn)	783.4

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	51.41%	51.41%	51.41%
FII	5.58%	5.24%	4.99%
DII	8.93%	6.70%	6.80%
Pledge	0%	0%	0%

FINANCIALS

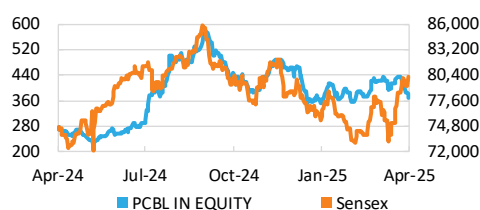
(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	64,198	84,043	86,143	93,854
EBITDA	10,373	13,368	14,989	16,406
Adjusted profit	4,911	4,347	5,753	6,873
Diluted EPS (INR)	13.0	11.5	14.6	17.5
EPS growth (%)	11.1	(11.5)	27.0	19.5
RoAE (%)	16.2	12.5	14.3	15.0
P/E (x)	28.4	32.1	25.2	21.1
EV/EBITDA (x)	17.7	14.2	12.5	11.6
Dividend yield (%)	1.5	1.5	1.7	1.9

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	86,143	93,854	0.6%	1.8%
EBITDA	14,989	16,406	-2.8%	-1.1%
Adjusted profit	5,753	6,873	-8.6%	-8.4%
Diluted EPS (INR)	14.6	17.5	-8.6%	-8.4%

PRICE PERFORMANCE



Feeble performance

PCBL posted weak Q4FY25 results despite top-line growth of 8.2% YoY to INR20.8bn (led by 56.9% YoY growth in Aquapharm). Volume growth of 5.3% YoY was offset by poor pricing (owing to cheap Russian imports). Furthermore, EBITDA/ton for the carbon black business fell 21.9% YoY to INR17,655/ton.

Although management remains optimistic about the future growth of the Aquapharm business, concerns persist due to Russian carbon black dumping and elevated debt levels. Overall, we maintain 'HOLD' on the stock with a revised TP of INR372 as we roll forward to Q4FY27, valuing at 12x EV/EBITDA.

Realisation-led decline in EBITDA/ton

PCBL posted overall weak results as revenue increased 8.2% YoY to INR20.8bn due to 57% YoY increase from Aquapharm business at INR3.7bn. Despite a 5.3% YoY growth in carbon black volumes, revenue from the carbon black segment rose only marginally by 1.3% due to pricing pressures. These pressures were largely attributed to aggressive dumping of cheaper carbon black by Russian producers in Asian and Indian markets, which further dragged gross margin by 242bp YoY to 29.3%. EBITDA fell 3.8% YoY to INR2.9bn, as EBITDA/ton in the carbon black segment declined 21.9% YoY to INR17,655/ton. However, Aquapharm partially offset this with a healthy EBITDA contribution of INR510mn. PAT fell 9.7% YoY to INR1bn, as higher depreciation costs outweighed the benefit from a 4.6% YoY reduction in interest expenses driven by lower interest rates.

Aquapharm presents strong opportunities; debt remains a concern

During the quarter, the Aquapharm business delivered a steady performance, and management remains optimistic about its growth prospects, driven by rising demand from the US oil & gas sector. They highlighted that Aquapharm currently holds less than 1% of global market share, presenting significant headroom for expansion. Furthermore, its Texas-based manufacturing facility positions it well to capitalise on US market opportunities, particularly in the context of tariffs that have stopped Chinese dumping. We believe that while Aquapharm offers strong long-term growth potential for the company, the continued dumping of carbon black by Russian companies in Asian and Indian markets remains a significant near-term concern for its core business. Considering these factors, we maintain 'HOLD' on the stock with a revised TP of INR372 as we roll forward to Q4FY27 EV/EBITDA with a multiple of 12x.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	20,875	19,288	8.2	20,100	3.9
EBITDA	2,977	3,095	(3.8)	3,173	(6.2)
Adjusted Profit	1,002	1,110	(9.7)	936	7.0
Diluted EPS (INR)	2.7	2.9	(9.7)	2.5	7.0

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	64,198	84,043	86,143	93,854
Gross profit	19,540	25,947	26,704	29,095
Employee costs	2,504	4,128	3,963	4,242
Other expenses	6,662	8,451	7,753	8,447
EBITDA	10,373	13,368	14,989	16,406
Depreciation	2,173	3,457	3,663	3,845
Less: Interest expense	1,808	4,609	4,430	4,430
Add: Other income	370	474	775	1,032
Profit before tax	6,763	5,776	7,671	9,163
Prov for tax	1,852	1,424	1,918	2,291
Less: Other adj	0	(5)	0	0
Reported profit	4,911	4,347	5,753	6,873
Less: Excp.item (net)	0	0	0	0
Adjusted profit	4,911	4,347	5,753	6,873
Diluted shares o/s	378	378	394	394
Adjusted diluted EPS	13.0	11.5	14.6	17.5
DPS (INR)	5.5	5.5	6.3	7.0
Tax rate (%)	27.4	24.7	25.0	25.0

Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
Specialty black vol	57,247.0	62,450.0	65,572.5	74,272.5
Carbon black vol	531,305.0	596,263.0	636,752.4	713,994.0
Realisation/tonne	117,784.3	114,217.4	107,000.0	102,000.0
EBITDA margin (%)	16.2	15.9	17.4	17.5
Net profit margin (%)	7.6	5.2	6.7	7.3
Revenue growth (% YoY)	11.2	30.9	2.5	9.0
EBITDA growth (% YoY)	41.9	28.9	12.1	9.5
Adj. profit growth (%)	11.1	(11.5)	32.4	19.5

Assumptions (%)

Year to March	FY24A	FY25E	FY26E	FY27E
GDP (YoY %)	5.8	6.3	6.3	6.3
Repo rate (%)	5.5	5.0	5.0	5.0
USD/INR (average)	78.0	77.0	77.0	77.0
Volumes (MT)	19,107.3	0	14,847.7	16,597.3
Crude Prices (USD)	10.8	10.5	10.3	10.4

Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	28.4	32.1	25.2	21.1
Price/BV (x)	4.3	3.8	3.3	3.0
EV/EBITDA (x)	17.7	14.2	12.5	11.6
Dividend yield (%)	1.5	1.5	1.7	1.9

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	378	378	394	394
Reserves	32,089	36,597	43,231	47,349
Shareholders funds	32,467	36,974	43,625	47,743
Minority interest	37	117	117	117
Borrowings	48,197	53,800	53,800	53,800
Trade payables	18,020	15,947	16,993	19,028
Other liabs & prov	12,523	8,805	9,041	9,288
Total liabilities	112,954	117,219	125,150	131,550
Net block	33,870	35,476	38,813	41,968
Intangible assets	33,321	28,133	28,133	28,133
Capital WIP	4,330	7,296	7,296	7,296
Total fixed assets	71,522	70,906	74,243	77,398
Non current inv	3,962	5,206	5,206	5,206
Cash/cash equivalent	3,848	3,892	5,657	3,444
Sundry debtors	17,102	17,937	18,881	21,085
Loans & advances	22	462	462	462
Other assets	13,062	15,411	17,296	20,550
Total assets	112,954	117,219	125,150	131,550

Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	4,911	4,347	5,753	6,873
Add: Depreciation	2,173	3,457	3,663	3,845
Interest (net of tax)	1,808	4,609	4,430	4,430
Others	6,800	(6,048)	122	0
Less: Changes in WC	(2,572)	(3,176)	(1,669)	(3,176)
Operating cash flow	13,120	3,189	12,299	11,971
Less: Capex	(43,954)	(3,424)	(7,000)	(7,000)
Free cash flow	(30,834)	(235)	5,299	4,971

Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	16.2	12.5	14.3	15.0
RoCE (%)	14.5	12.1	12.8	13.6
Inventory days	64	71	81	84
Receivable days	80	76	78	78
Payable days	113	107	101	102
Working cap (% sales)	13.0	14.2	15.7	17.8
Gross debt/equity (x)	1.5	1.5	1.2	1.1
Net debt/equity (x)	1.4	1.3	1.1	1.1
Interest coverage (x)	4.5	2.2	2.6	2.8

Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	11.1	(11.5)	27.0	19.5
RoE (%)	16.2	12.5	14.3	15.0
EBITDA growth (%)	41.9	28.9	12.1	9.5
Payout ratio (%)	42.3	47.8	43.1	40.1

Exhibit 1: Quarterly financial snapshot (INR mn)

Year to March	Q4FY25	Q4FY24	% change	Q3FY25	% change	FY25	FY26E	FY27E
Revenues	20,875	19,288	8.2	20,100	3.86	84,043	86,143	93,854
Raw material	14,766	13,177	12.1	13,853	6.59	58,095	59,438	64,759
Staff costs	1,093	810	34.9	1,049	4.22	4,128	3,963	4,242
Other expenditure	2,039	2,205	(7.5)	2,025	0.69	8,451	7,753	8,447
Total expenditure	17,898	16,193	10.5	16,927	5.74	70,675	71,154	77,448
EBITDA	2,977	3,095	(3.8)	3,173	(6.20)	13,368	14,989	16,406
Depreciation	881	752	17.2	867	1.71	3,457	3,663	3,845
EBIT	2,095	2,343	(10.6)	2,307	(9.17)	9,911	11,326	12,561
Interest	1,032	1,082	(4.6)	1,177	(12.37)	4,609	4,430	4,430
Other income	198	232	(14.8)	111	78.27	474	775	1,032
Profit Before Tax	1,261	1,493	(15.5)	1,241	1.68	5,776	7,671	9,163
Less: Provision for Tax	259	384	(32.4)	304	(14.73)	1,424	1,918	2,291
Reported Profit	1,002	1,110	(9.7)	936	7.01	4,352	5,753	6,873
No. of Diluted shares outstanding (mn)	378	378		378		378	394	394
Adjusted Diluted EPS	2.7	2.9	(9.7)	2.5	7.01	11.5	14.6	17.5
As % of revenues								
COGS	70.7	68.3	241.7	68.9	181.7	69.1	69.0	69.0
Gross profit	29.3	31.7	-241.7	31.1	-181.7	30.9	31.0	31.0
Employee costs	5.2	4.2	103.6	5.2	1.8	4.9	4.6	4.5
Other expenses	9.8	11.4	-166.5	10.1	-30.7	10.1	9.0	9.0
Total operating expenses	85.7	84.0	178.8	84.2	152.9	84.1	82.6	82.5
EBITDA	14.3	16.0	-178.8	15.8	-152.9	15.9	17.4	17.5
Net profit	4.8	5.8	-95.3	4.7	14.1	5.2	6.7	7.3

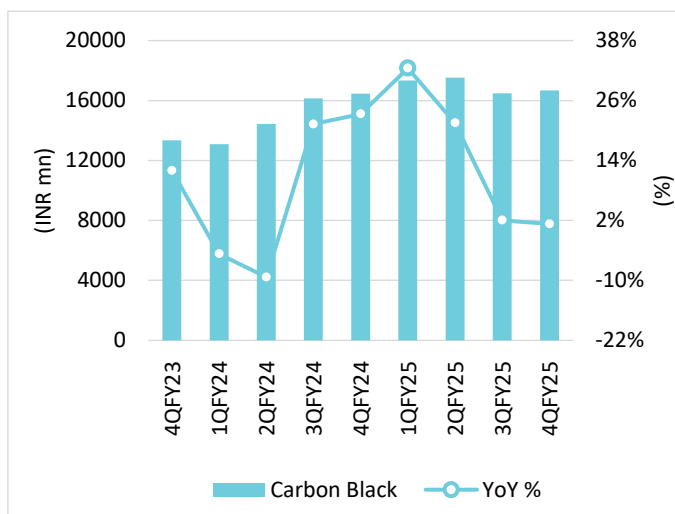
Source: Company, Nuvama Research

Exhibit 2: Segment details (INR mn)

Breakdown by segment	Q4FY25	Q4FY24	% change	Q3FY25	% change
Revenues					
Carbon Black	16,674	16,460	1.3	16,475	1.2
Power	742	707	4.9	649	14.4
Chemical	3,750	2,391	56.9	3,266	14.8
Total	21,167	19,558	8.2	20,389	3.8
EBIT					
Carbon Black	2,150	2,595	-17.1	2,511	-14.4
Power	433	471	-8.0	376	15.2
Chemicals	194	0		108	79.5
Other Un-Allocable Expenditure Net Off Un-Allocable Income	-682	-641	6.5	-688	
Total	2,095	2,343	-10.6	2,307	-9.2

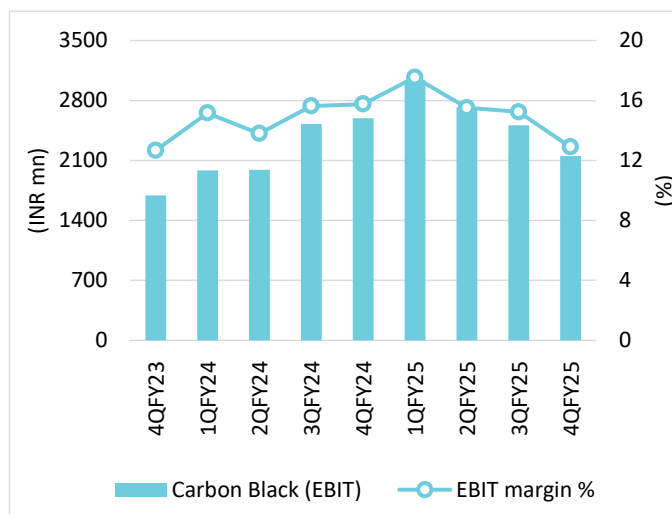
Source: Company, Nuvama Research

Exhibit 3: Carbon black revenue remains flat



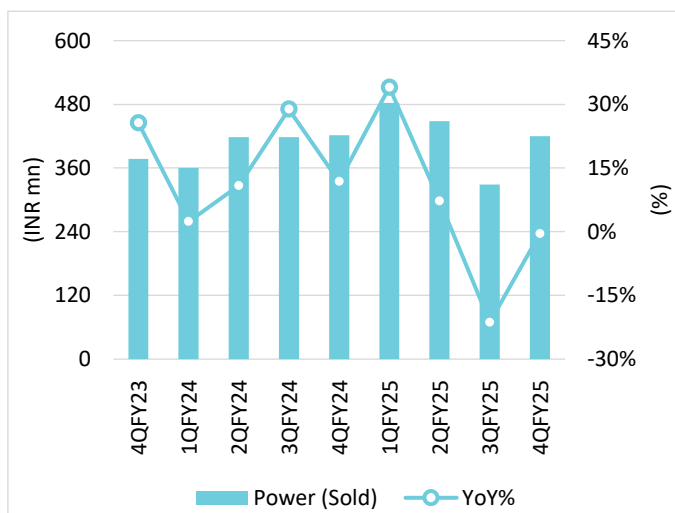
Source: Company, Nuvama Research

Exhibit 4: Carbon black EBIT margin contracts further



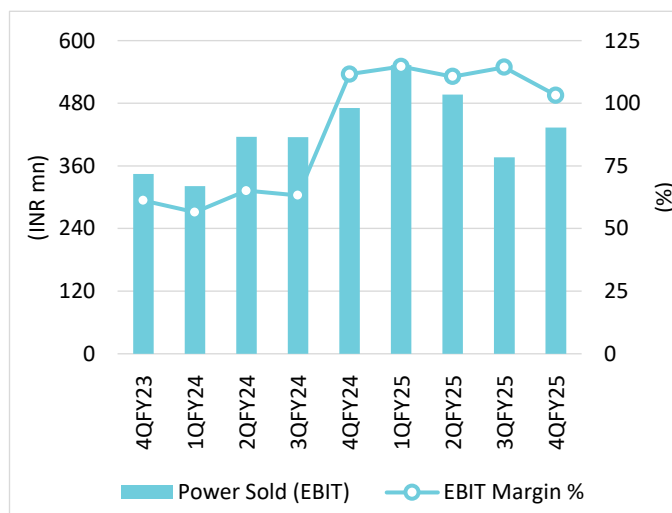
Source: Company, Nuvama Research

Exhibit 5: Power revenue share increases



Source: Company, Nuvama Research

Exhibit 6: Power EBIT margins decline



Source: Company, Nuvama Research

Q4FY25 conference call key takeaways

Financial update

- PCBL reported a weak quarter, with revenues flat at INR20.8bn, in line with consensus estimates. While carbon black sales remained steady, Aquapharm delivered strong revenue growth of 56.9% YoY, driven by improved demand from the oil & gas sector in the USA.
- **Volumes:** Carbon black volumes grew 5.3% YoY/4.6% sequentially. Tyre segment volumes increased 9.5% YoY while volumes for performance chemicals and specialty black remained flat.
- Gross profit margins declined 241bps YoY to 29.3%, primarily due to pricing pressure in domestic markets.
- EBITDA fell 3.8% YoY/6.2% sequentially to INR2.9bn, with EBITDA margins contracting 178bp YoY to 14.3%, mainly on account of lower gross margins and order delays amid global uncertainties.
- EBITDA/ton for carbon black declined 22.1% YoY/11.1% QoQ to INR17,655/ton.
- Aquapharm's EBIT margin rose sequentially by 186bp to 5.2% while carbon black's EBIT margin dropped 234bp YoY to 12.9%.
- PAT for the quarter fell 9.7% YoY to INR1.0bn, largely due to margin compression and a 17.2% YoY increase in depreciation to INR881mn. PAT margin fell 95bp YoY and remained flat sequentially at 4.8%.

Carbon black

- Export volumes rose 16.8% YoY to 63,415 tonnes, with increasing focus on international markets due to muted domestic auto and tyre demand.
- Specialty black volumes increased to 15,372 tonnes in Q4, representing 10% of total volumes, with capacity nearly fully utilized.
- Total installed capacity of Specialty Black stands at 1,12,000MTPA; new 1,000MTPA superconductive grade line is expected by FY26.
- The company plans to cross 1mn tonnes in total carbon black capacity by FY28.
- Mundra's specialty line 20,000MTPA commissioned in FY25 is seeing strong traction.
- PCBL's sixth carbon black plant of 1,50,000MTPA, (primarily rubber black) is being planned in Naidupeta, Andhra Pradesh; overall site capacity potential is 450,000MTPA. Capex to begin in a year, with an 18-month execution timeline.
- **Global scenario:** Due to sanction on Russia, Russian dumping continues to hurt pricing and margins, especially in Asia and India. The company remains focused on sustaining capacity utilisation and margin through global diversification and product mix shift.
- Management remains confident on growth prospects as PCBL currently has only 4% of global market share, offering significant upside potential.

Aquapharm

- FY25 was the first full year post-acquisition; revenue was INR14.2bn with EBITDA of INR1.9bn (including INR11bn other income).
- Q4FY25 had volumes of 24,098mt, despite earlier quarters being hurt by weak demand and yellow phosphorus price correction.
- EBITDA came in at INR510mn, which has improved sequentially on the back of higher volumes from oil & gas sector, supported with improved cost structures and procurement.
- Operating cost structure and leadership in Aquapharm have been revamped, with visible improvement from Q4 onwards.
- Capacity expansion of 38,000mtpa in India is underway; partial commissioning has occurred, with full ramp-up expected shortly.
- Aquapharm holds <1% global share in oil & gas chemicals; significant headroom exists, especially in the US where local production and tariffs provide a competitive advantage.
- Management highlighted that local manufacturing in Texas gives PCBL a competitive edge in navigating global tariffs and meeting rising US demand.
- Brownfield expansion plans in both India and the US are focused on high-potential areas like green chelates (biodegradable agents); MGDA and GLDA liquid already developed and are currently working on MGDA granules.
- **Guidance:** Managements expects to deliver 40–50% YoY growth in EBITDA.

Battery chemicals

- PCBL is entering battery materials via nano-silicon technology for lithium-ion anodes; the pilot plant is under construction and likely to be ready by end-CY25.
- Nano-silicon will be blended with graphite to enhance battery range, life, and charging speed while reducing CO₂ emissions.
- The company is also developing acetylene black (used in batteries, semiconductors, and conductive plastics) with a 5,000MTPA line planned for Mundra by FY27.
- Global demand for acetylene is around 70,000MTPA, with 90% of it being supplier by China.
- India imports ~2,000 tonnes of acetylene black annually at prices of USD4,000–5,000/ton, offering significant margin potential.
- R&D efforts are centralised in Gujarat to support high-tech lines such as nano-silicon and acetylene black.

Other key highlights

- Total group capex of INR35bn is planned over the next five years (INR700bn annually); absolute debt levels to remain steady due to this investment cycle.
- Finance cost for the quarter declined mainly due to reduction in interest rate.
- PCBL's current carbon black exposure to the US is 5%, with potential to grow as US and EU wallet share remains in low single digits.

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	
HDFC AMC	1.71	Tata Asset mana	0.67
IDFC Mutual fun	1.58	Australlian sup	0.40
Dimensional Fun	1.16	BOI Investment	0.32
Mahindra Manuli	0.69	FIL ltd	0.31
Blackrock Inc	0.69	WisdomTree Inc	0.28

*Latest public data

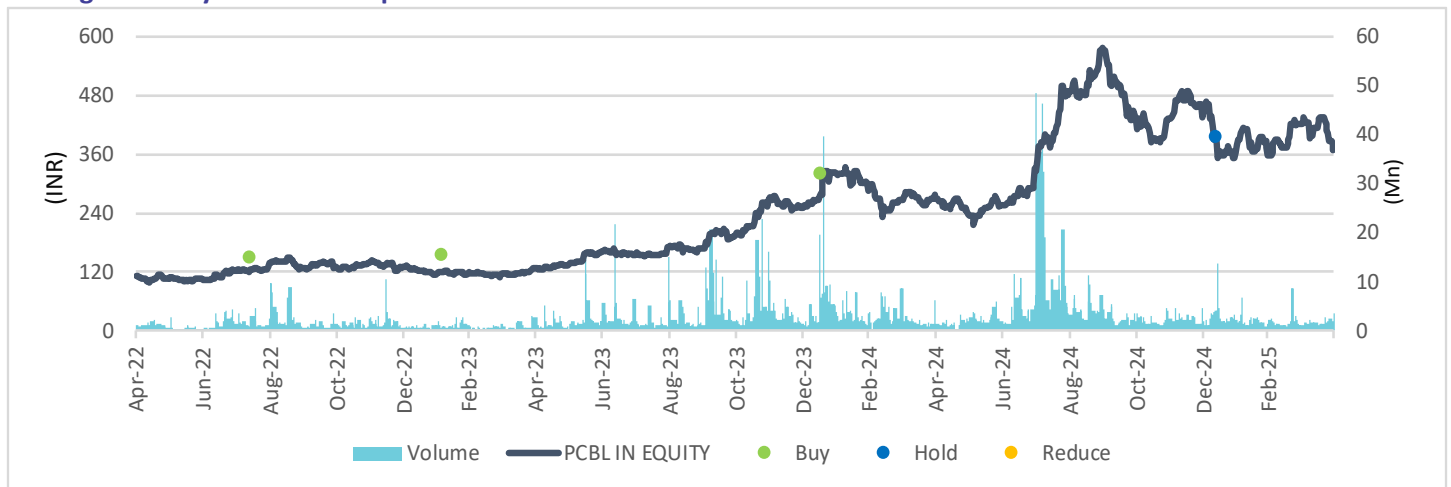
Recent Company Research

Date	Title	Price	Reco
10-Jan-25	Slower-than-expected growth; <i>Result Update</i>	391	Hold
30-Oct-24	EBITDA/mt to improve further; <i>Result Update</i>	434	Buy
12-Aug-24	Moving towards specialty chemicals; <i>Result Update</i>	387	Buy

Recent Sector Research

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

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%	209
Hold	<15% and >-5%	59
Reduce	<-5%	34

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