

July 24, 2025

Steady performance, patience holds the key...

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

Q1FY26 Result: PCBL reported stable performance. On consol basis, net sales for the quarter came in at ₹ 2,114 crore with carbon black sales volumes at 154 kt (flat YoY, up 3% QoQ) and realisation at ₹ 108/kg (vs. ₹ 111/kg in Q4FY25). EBITDA for the quarter came in at ₹319 crore with margins at 15.1% (up 80 bps QoQ). Consequent PAT for Q1FY26 stood at ₹94 crore, down 20% YoY. EBITDA/tonne in carbon black space for Q1'26 stood at ~₹ 17,800/tonne vs. ₹17,700 clocked Q4FY25

Investment Rationale:

- Long term 10 lakh carbon black capacity target remains unchanged:** 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 steady 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 next few weeks) & finalised new greenfield plant in AP. It is targeting double digit volume CAGR over next 5 years and is looking at substantial export play with FY28E capacity pegged at ~10 lakh tonne. We have modelled carbon black sales volume at PCBL to grow at a CAGR of 8% CAGR over FY25-27E to 7 lakh tonne in FY27E. Exports share at its carbon black business is on the rise from 27% (FY21) to 45% (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 10% over FY25-27E to 75KT 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. EBITDA guidance retained at ~₹ 300 crore for FY26E despite muted Q1FY26 (~₹50 crore). We expect revenues at Aquapharm to grow at a CAGR of 21% over FY25-27E with EBITDA margins seen improving from 14% to 19% mark (FY27E).

Rating and Target Price

- On a high base & uncertain global trade, H1FY26 performance is expected to be muted at PCBL. However, with organic levers of growth amidst changing business profile in favour of speciality chemical play including niche battery chemical business, **we remain positive on PCBL and retain our BUY rating with revised target price of ₹ 480 i.e. 25x P/E on FY27E.**



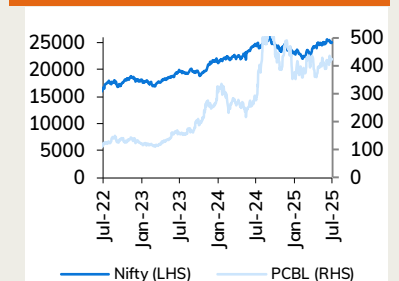
Particulars

Stock Data	₹ crore
Market Capitalization	15,100
Total Debt (FY25P)	5,380
Cash & Cash Eqv (FY25P)	389
Enterprise Value	20,091
52 week H/L (₹)	584 / 274
Equity Capital	37.8
Face Value	₹ 1

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	51.4	51.4	51.4	51.4
FII	5.0	5.2	5.6	5.5
DII	6.8	6.7	8.9	9.9
Other	36.8	36.7	34.1	33.2

Price Chart



Recent event & key risks

- PCBL reports stable Q1FY26. Earnings CAGR seen at ~30% over FY25-27E.
- Key Risk: (i) elongated recovery in margin profile amidst uncertain global trade (ii) lower than built in volume growth

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Key Financial Summary

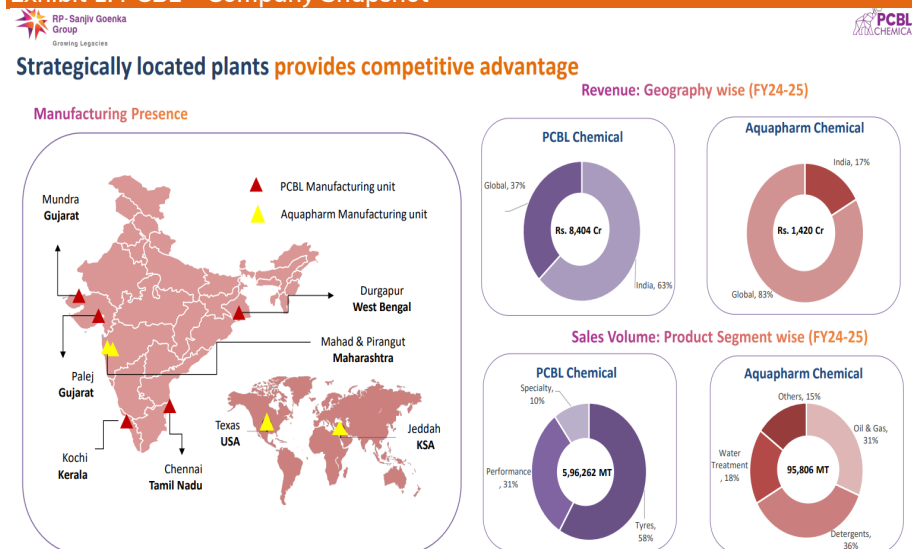
Key Financials	FY21	FY22	FY23	FY24	FY25P	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Net Sales	2,660	4,446	5,774	6,420	8,404	21.0%	8,983	10,144	9.9%
EBITDA	519	653	731	1,037	1,337	23.5%	1,480	1,796	15.9%
EBITDA Margins (%)	19.5	14.7	12.7	16.2	15.9		16.5	17.7	
Net Profit	312	426	442	491	435	8.9%	522	757	32.0%
EPS (₹)	9.1	11.3	11.7	13.0	11.5		13.3	19.2	29.3%
P/E	44.1	35.4	34.2	30.8	34.7		30.1	20.8	
RoNW (%)	16.2	16.3	15.6	15.1	11.8		12.1	16.0	
RoCE (%)	16.1	16.1	15.8	10.2	10.9		11.7	14.1	

Source: Company, ICICI Direct Research

Conference Call highlights – Q1FY26

- **Industry Trends:** PCBL is experiencing headwinds in the carbon black market with high uncertainties pertaining to trade tariffs. These factors are likely to exert pressure on pricing especially on spot sales which constitute ~30% of sales volume. However, for the long term, it expects future growth opportunities in international markets, with the US and Europe being robust markets where demand exceeds supply.
- **Carbon Black:** PCBL is undergoing a trial run for its 30,000 TPA brownfield carbon black project at the Tamil Nadu plant, which will be commissioned in the coming weeks. The second phase, comprising an additional 60,000 TPA and 12 MW green power capacity, is expected to be commissioned by the end of FY26. This will take the total capacity to ~9 lakh TPA. It is also in the process of completing the acquisition of 116 acres of land at Naidupeta in Andhra Pradesh for a greenfield carbon black project, which will focus on producing rubber black and performance chemicals.
- **Speciality Chemical:** PCBL is planning to set up a new line of speciality black of 20,000 TPA in Mundra, which is expected to be commissioned in the next 3 to 4 quarters. This will take the total speciality black capacity to 1,32,000 TPA. Meanwhile, it is undergoing a capex of 1,000 TPA for speciality black capacity for superconductive grade, which is expected to be commissioned by the end of FY26. It aims to achieve the targeted capacity of over 1 MTPA by FY28. These expansions are likely to improve profitability margins from FY28 onwards.
- **Aquapharm:** PCBL expects aqua pharma performance to be better in FY26 as compared to FY25. It has retained its FY26 guidance of ₹300 crores of EBITDA for this segment, supported by operating leverage and expanded capacity. It has commissioned 11,500 MTPA for producing polymer at the Mahad plant. Additionally, the balance capacity is expected to be commissioned within the next two to three months. Moreover, it plans to commission additional capacities for PBTC, green chelates, acetyl chloride, granulations, amines, and imidazoline in Q2FY26.
- **Capex:** PCBL has spent ₹112 crores of capex in Q1FY26. The majority of the capex was spent towards speciality black, debottlenecking projects, and R&D. The capex for aqua pharma was ₹15-16 crores for the quarter. Capex guidance for FY26E is pegged at ~₹ 600 crore.
- **Guidance:** PCBL expects capacity utilisation for carbon black to be maintained at more >90%, with volume guidance in the range of 630 to 650 KT. Additionally, it expects incremental ₹4-5/kg of EBITDA/tonne in the next 3 to 4 years, supported by expansion in the product portfolio.

Exhibit 1: PCBL – Company Snapshot



Source: Company, ICICI Direct Research

Key Tables and Charts

Exhibit 2: Quarterly P&L Analysis

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Total Operating Income	2,114	2,144	-1.4	2,088	1.3
Raw Material Expenses	1,455	1,449	0.4	1,477	-1.5
Employee Expenses	110	100	9.4	109	0.2
Other expenses	231	236	-2.2	204	13.3
EBITDA	319	358	-10.9	298	7.2
EBITDA Margin (%)	15.1	16.7	-162 bps	14.3	83 bps
Other Income	6	11	-46.7	20	-70.7
Depreciation	92	85	9.3	88	4.8
Interest	112	121	-7.2	103	8.9
Total Tax	26	46	-42.9	26	0.4
PAT	94	118	-20.2	100	-6.1
Key Metrics					
Carbon Black Sales Volume (tonne)	154,093	153,918	0.1	150,152	2.6
Carbon Black EBITDA/tonne (₹/t)	17,791	20,861	-14.7	17,655	0.8

Source: Company, ICICI Direct Research

Exhibit 3: Change in key estimates

(₹ Crore)	FY26E			FY27E		
	Old	New	% Change	Old	New	% Change
Revenue	9,339	8,983	-3.8	10,618	10,144	-4.5
EBITDA	1,574	1,480	-6.0	1,890	1,796	-5.0
EBITDA Margin (%)	16.9	16.5	-38 bps	17.8	17.7	-10 bps
PAT	583	522	-10.3	809	757	-6.4
EPS (₹)	14.8	13.3	-10.3	20.6	19.2	-6.4

Source: ICICI Direct Research

Exhibit 4: Assumptions

Assumptions	Units	FY19	FY20	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E
Carbon Black Sales Volumes	tonne	403,423	406,790	389,260	454,187	445,184	531,849	596,263	635,346	700,308
Speciality Grade Carbon Black Sales Volumes	tonne	19,300	19,378	23,966	34,687	40,376	57,247	62,450	67,000	75,000
Carbon Black blended ASP's	₹/kg	85	78	67	96	129	113	114	110	112
Carbon Black Sales (₹ crore)	₹ crore	3,431	3,157	2,592	4,353	5,732	6,013	6,802	7,010	7,831
Carbon Black EBITDA/tonne	₹/tonne	15,437	11,429	13,322	14,435	16,543	19,322	19,135	18,500	20,000
Carbon Black EBITDA	₹ crore	623	465	519	656	736	1,028	1,141	1,175	1,401
Aquapharm Sales	₹ crore	-	-	-	-	-	239	1,420	1,775	2,094
Aquapharm EBITDA margins	%							13.8%	17.0%	19.0%
Aquapharm EBITDA	₹ crore							196	302	398

Source: ICICI Direct Research

Financial Summary

Exhibit 5: Profit and Loss statement

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Net Sales	6,420	8,404	8,983	10,144
Other Operating Income	-	-	-	-
Total Operating Income	6,420	8,404	8,983	10,144
Growth (%)	11.2	30.9	6.9	12.9
Raw Material Expenses	4,466	5,810	6,125	6,837
Employee Expenses	250	413	453	497
Selling Expense	257	336	359	406
Other Operating Expense	409	509	565	609
Total Operating Expenditure	5,382	7,068	7,503	8,349
EBITDA	1,037	1,337	1,480	1,796
Growth (%)	41.9	28.9	10.7	21.3
Depreciation	217	346	383	426
Interest	181	461	445	402
Other Income	37	47	31	29
PBT	676	578	684	996
Total Tax	185	142	161	239
PAT	491	435	522	757
Growth (%)	11.1	-11.5	20.2	45.0
EPS (₹)	13.0	11.5	13.3	19.2

Source: Company, ICICI Direct Research

Exhibit 6: Cash Flow statement

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Profit after Tax	491	435	522	757
Add: Depreciation	217	346	383	426
(Inc)/dec in Current Assets	-1,100	-318	-230	-433
Inc/(dec) in CL and Provisions	852	-4	126	289
Others	181	461	445	402
CF from operating activities	640	919	1,246	1,441
(Inc)/dec in Investments	-199	-83	-5	-5
(Inc)/dec in Fixed Assets	-1,117	-861	-600	-600
Others	-2,656	-86	0	0
CF from investing activities	-3,972	-1,030	-605	-605
Issue/(Buy back) of Equity	0	0	2	0
Inc/(dec) in loan funds	3,877	560	-300	-100
Interest & Dividend paid	-388	-669	-681	-737
Inc/(dec) in Share Cap	0	0	0	0
Others	133	224	335	0
CF from financing activities	3,621	116	-644	-837
Net Cash flow	289	4	-4	-1
Opening Cash	96	385	389	386
Closing Cash	385	389	386	385

Source: Company, ICICI Direct Research

Exhibit 7: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Liabilities				
Equity Capital	37.8	37.8	39.4	39.4
Reserve and Surplus	3,209	3,660	4,281	4,704
Total Shareholders funds	3,247	3,697	4,320	4,743
Total Debt	4,820	5,380	5,080	4,980
Deferred Tax Liability	871	289	289	289
Minority Interest / Others	190	192	197	202
Total Liabilities	9,128	9,558	9,886	10,214
Assets				
Gross Block	4,487	5,052	5,882	6,282
Less: Acc Depreciation	923	1,268	1,651	2,077
Net Block	3,565	3,784	4,230	4,205
Capital WIP	433	730	500	700
Total Fixed Assets	3,998	4,513	4,730	4,905
Investments & Goodwill	3,761	3,329	3,334	3,339
Inventory	999	1,268	1,354	1,529
Debtors	1,710	1,794	1,920	2,140
Loans and Advances	26	13	14	15
Other Current Assets	282	261	279	315
Cash	385	389	386	385
Total Current Assets	3,402	3,725	3,951	4,384
Current Liabilities	2,016	1,976	2,092	2,362
Provisions	91	98	104	117
Current Liabilities & Prov	2,107	2,074	2,196	2,480
Net Current Assets	1,295	1,650	1,756	1,904
Others Assets	75	66	66	66
Application of Funds	9,128	9,558	9,886	10,214

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY24	FY25P	FY26E	FY27E
Per share data (₹)				
EPS	13.0	11.5	13.3	19.2
Cash EPS	18.8	20.7	23.0	30.1
BV	86.0	97.9	109.8	120.5
DPS	5.5	5.5	6.0	8.5
Cash Per Share (Incl Invst)	109.8	98.5	94.5	94.6
Operating Ratios (%)				
EBITDA Margin	16.2	15.9	16.5	17.7
PAT Margin	7.6	5.2	5.8	7.5
Inventory days	56.8	55.1	55.0	55.0
Debtor days	97.2	77.9	78.0	77.0
Creditor days	114.6	85.8	85.0	85.0
Net Working Capital days	39.4	47.1	48.0	47.0
Return Ratios (%)				
RoE	15.1	11.8	12.1	16.0
RoCE	10.2	10.9	11.7	14.1
RoC	11.4	12.5	12.9	15.9
Valuation Ratios (x)				
P/E	30.8	34.7	30.1	20.8
EV / EBITDA	18.8	15.0	13.4	11.0
EV / Net Sales	3.0	2.4	2.2	1.9
Market Cap / Sales	2.4	1.8	1.7	1.5
Price to Book Value	4.7	4.1	3.6	3.3
Solvency Ratios				
Debt/EBITDA	4.6	4.0	3.4	2.8
Debt / Equity	1.5	1.5	1.2	1.0
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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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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