

October 20, 2025

Muted show, margin recovery to be gradual...

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

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

Q2FY26 Result: On the consolidated basis, at PCBL, net sales for Q2'26 came in at ₹ 2,164 crore with carbon black sales volumes at 162 kt (up 9% YoY & 5% QoQ) and realisation at ₹ 99/kg (vs. ₹ 108/kg in Q1FY26). EBITDA for the quarter came in at ₹266 crore with margins at 12.3% (down 280 bps QoQ). PAT for Q2FY26 stood at ₹62 crore, down 50% YoY. EBITDA/tonne in carbon black space for Q2'26 stood at ~₹ 14,250/tonne vs. ~₹17,800 clocked Q1FY26.

Investment Rationale:

- Global uncertainty to weigh on near term performance:** For Q2'26; EBITDA/tonne at the carbon black business came in disappointing and was a new low in last 14 quarters. It was primarily on account of global trade uncertainty (US tariffs), higher supply domestically (pressure on spot pricing) as well as steep decline in crude prices during the quarter (some inventory loss). With bottom in place, the company guided for gradual recovery in profitability amid ongoing uncertainty. At Aquapharm division also, flattish EBITDA was below expectation, the commentary herein however was positive with Q4'26 exit EBITDA guided at 1.5x current levels. We have modelled carbon black sales volume at PCBL to grow at a CAGR of 8.4% CAGR over FY25-27E to 7 lakh tonne in FY27E with EBITDA/tonne expected to improve to ~₹ 18,000 levels by FY27E (vs. ~₹ 20,000 earlier)
- Vision 2030: targets unchanged:** PCBL Chemicals has shared its Vision 2030, wherein it intends to 2x the revenues by 2030 vs. 2025, grow EBITDA to 3x and target PAT of 5x. All this will be achieved amidst calibrated capex spends (~₹ 3,000 crore over a 5-year period) with Net Debt: EBITDA declining from ~3.6x to <1 in the same time period. Base carbon black capacity is targeted to be enhanced from existing 7.9 lakh tonne to >1 million tonnes by FY28 which includes a greenfield plant in AP. PCBL is also targeting quantum jump in sales & profitability at Aquapharm which operates in niche water chemical space. It is targeting sales in this space to grow from ~₹ 1,400 crore (FY25) to ~₹ 3,400 crore in FY30E with EBITDA margins improving from ~13.5% to 20-21%. In FY30, it is also targeting an ambitious ~₹ 1,400 crore EBITDA from new verticals which includes super conductive grade carbon black, acetylene black & nano-silica (use in EV's).

Rating and Target Price

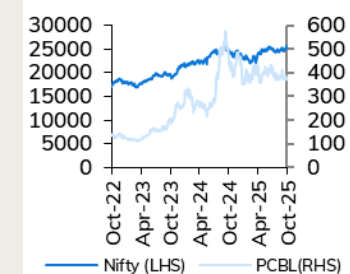
- With cut in our forward earnings estimates, we expect stock to consolidate at present levels over next few months as it lacks triggers for imminent price appreciation. Consequently, **we downgrade the stock from BUY to HOLD with revised target price of ₹ 400 i.e. 25x P/E on FY27E**. We await sustained improvement in profitability at PCBL before upgrading the stock.

**Particulars**

Stock Data	₹ crore
Market Capitalization	13,666
Total Debt (FY25)	5,380
Cash & Cash Eqv (FY25)	389
Enterprise Value	18,656
52 week H/L (₹)	499 / 331
Equity Capital	37.8
Face Value	₹ 1

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	51.4	51.4	51.4	51.4
FII	5.2	5.6	5.5	6.1
DII	6.7	8.9	9.9	10.8
Others	36.7	34.1	33.2	31.7

Price Chart**Recent event & key risks**

- PCBL reports muted Q2FY26. EBITDA/tonne at the Carbon black business disappoints.
- Key Risk: (i) higher than expected pace of margin recovery (ii) lower than built in volume growth

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Key Financial Summary

Key Financials	FY21	FY22	FY23	FY24	FY25	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%	8,710	9,935	8.7%
EBITDA	519	653	731	1,037	1,337	23.5%	1,266	1,604	9.6%
EBITDA Margins (%)	19.5	14.7	12.7	16.2	15.9		14.5	16.2	
Net Profit	312	426	442	491	435	8.9%	383	628	20.2%
EPS (₹)	9.1	11.3	11.7	13.0	11.5		9.7	16.0	17.7%
P/E	39.9	32.1	30.9	27.8	31.4		37.2	22.7	
RoNW (%)	16.2	16.3	15.6	15.1	11.8		9.2	14.0	
RoCE (%)	16.1	16.1	15.8	10.2	10.9		9.5	12.3	

Source: Company, ICICI Direct Research

Key Tables and Charts

Exhibit 1: Quarterly P&L Analysis

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Total Operating Income	2,164	2,163	0.0	2,114	2.3
Raw Material Expenses	1,529	1,499	2.0	1,455	5.1
Employee Expenses	124	99	26.3	110	13.6
Other expenses	244	203	20.3	231	5.5
EBITDA	266	363	-26.8	319	-16.6
EBITDA Margin (%)	12.3	16.8	-450 bps	15.1	-279 bps
Other Income	12	6	113.3	6	107.8
Depreciation	93	86	7.4	92	0.5
Interest	107	119	-9.9	112	-4.6
Total Tax	17	40	-58.9	26	-36.3
PAT	62	123	-50.0	94	-34.4
Key Metrics					
Carbon Black Sales Volume (tonne)	161,728	148,693	8.8	154,093	5.0
Carbon Black EBITDA/tonne (₹/t)	14,235	21,324	-33.2	17,791	-20.0

Source: Company, ICICI Direct Research

Exhibit 2: Change in key estimates

	FY26E			FY27E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue	8,983	8,710	-3.0	10,144	9,935	-2.1
EBITDA	1,480	1,266	-14.5	1,796	1,604	-10.7
EBITDA Margin (%)	16.5	14.5	-197 bps	17.7	16.2	-155 bps
PAT	522	383	-26.6	757	628	-17.1
EPS (₹)	13.3	9.7	-26.6	19.2	16.0	-17.1

Source: ICICI Direct Research

Exhibit 3: Assumptions

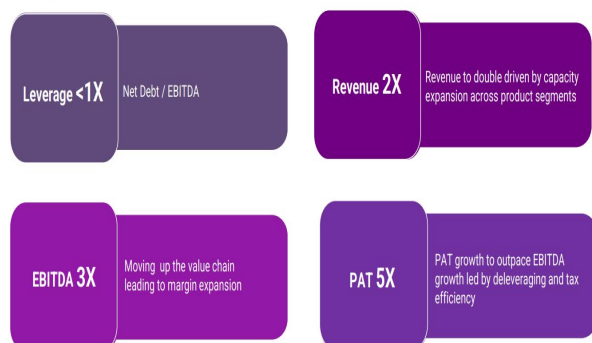
Assumptions	Units	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Carbon Black Sales Volumes	tonne	403,423	406,790	389,260	454,187	445,184	531,849	596,263	640,228	700,308
Speciality Grade Carbon Black Sales Volumes	tonne	19,300	19,378	23,966	34,687	40,376	57,247	62,450	67,000	75,000
Carbon Black blended ASP's	₹/kg	85	78	67	96	129	113	114	106	110
Carbon Black Sales (₹ crore)	₹ crore	3,431	3,157	2,592	4,353	5,732	6,013	6,802	6,807	7,706
Carbon Black EBITDA/tonne	₹/tonne	15,437	11,429	13,322	14,435	16,543	19,322	19,135	16,000	18,000
Carbon Black EBITDA	₹ crore	623	465	519	656	736	1,028	1,141	1,024	1,261
Aquapharm Sales	₹ crore	-	-	-	-	-	239	1,420	1,704	2,011
Aquapharm EBITDA margins	%							13.8%	14.0%	17.0%
Aquapharm EBITDA	₹ crore							196	239	342

Source: ICICI Direct Research

Vision 2030 – Unchanged

Exhibit 4: PCBL Chemicals – Vision 2030 – key financial parameters

Growth Vision 2030



Vision Unpacked

	FY25	2030
Revenue (Rs. Cr.)	8,400	16,000
Share of Specialty Chemicals (in Revenue)	28%	45%
EBITDA Margin	16.5%	24%
Share of Specialty Chemicals (in EBITDA)	28%	63%
Gearing: Net Debt to EBITDA	3.6x	<1x

Source: Company, ICICI Direct Research

Exhibit 5: Vision 2030 – new verticals – growth engine

	Acetylene Black	<ul style="list-style-type: none"> ✓ High-purity carbon black from pyrolysis of acetylene gas ✓ Building a specialized portfolio for energy solutions & advanced materials ✓ Application: Energy solutions, ESD applications, conductive polymers
	Nano Silicon	<ul style="list-style-type: none"> ✓ Conversion of Silicon precursors to battery grade Nano Silicon & other composites ✓ US patent secured for proprietary nanomaterial process ✓ 25-100% Extended battery range 4x Faster charging 2-5x Longer battery life
	Super Conductive Carbons	<ul style="list-style-type: none"> ✓ Enhancing electrode conductivity and extending cycle life in Li-ion batteries. ✓ Electric mobility is driving strong demand for conductive grades of specialty CB
	Green Chelates & Polymers	<ul style="list-style-type: none"> ✓ Demand across detergent, cleaning, and personal care segments ✓ Biodegradable polymers safer, efficient alternatives in water treatment & cleaning ✓ New 9,200 TPA polymer capacity commissioned at Mahad in May 2025
	Carbon Composites	<ul style="list-style-type: none"> ✓ Better Mileage ✓ Fuel efficiency ✓ Road Safety and lesser rolling resistance

Source: Company, ICICI Direct Research

Exhibit 6: EBITDA roadmap 3x over FY25-30E

Vision to EBITDA Roadmap

3X EBITDA Growth

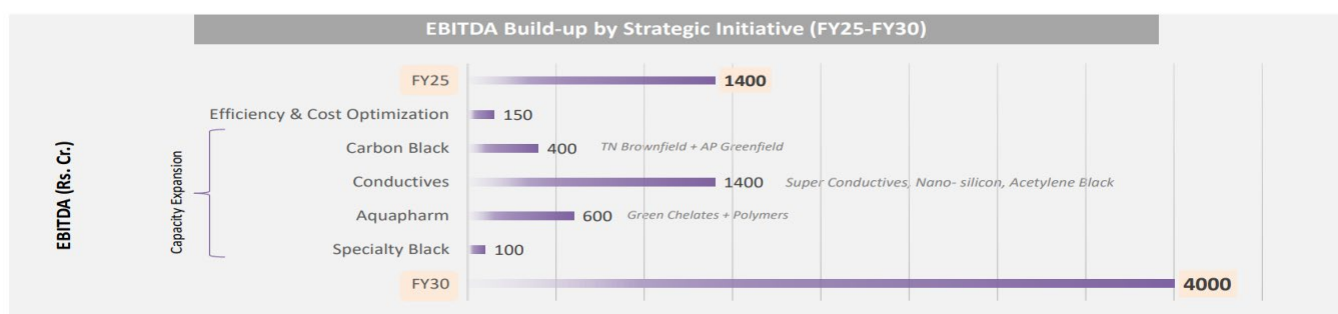
Strategic initiatives to drive 200% increase in EBITDA from ~Rs. 1,400 Cr. to ~Rs. 4,000 Cr.

Capacity-Led Strategy

Capacity expansions contributing to incremental EBITDA growth over 5 years

Systematic Value Creation

Higher Contribution from Next Gen Products- Battery Chemicals to drive maximum growth



Source: ICICI Direct Research

Financial Summary

Exhibit 7: Profit and Loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Net Sales	6,420	8,404	8,710	9,935
Other Operating Income	-	-	-	-
Total Operating Income	6,420	8,404	8,710	9,935
Growth (%)	11.2	30.9	3.6	14.1
Raw Material Expenses	4,466	5,810	6,020	6,756
Employee Expenses	250	413	478	532
Selling Expense	257	336	348	397
Other Operating Expense	409	509	598	646
Total Operating Expenditure	5,382	7,068	7,445	8,330
EBITDA	1,037	1,337	1,266	1,604
Growth (%)	41.9	28.9	-5.3	26.8
Depreciation	217	346	384	431
Interest	181	461	418	380
Other Income	37	47	35	33
PBT	676	578	498	826
Total Tax	185	142	114	198
PAT	491	435	383	628
Growth (%)	11.1	-11.5	-11.8	63.9
EPS (₹)	13.0	11.5	9.7	16.0

Source: Company, ICICI Direct Research

Exhibit 8: Cash Flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	491	435	383	628
Add: Depreciation	217	346	384	431
(Inc)/dec in Current Assets	-1,100	-318	21	-412
Inc/(dec) in CL and Provisions	852	-4	60	304
Others	181	461	418	380
CF from operating activities	640	919	1,267	1,332
(Inc)/dec in Investments	-199	-83	-5	-5
(Inc)/dec in Fixed Assets	-1,117	-861	-650	-650
Others	-2,656	-86	0	0
CF from investing activities	-3,972	-1,030	-655	-655
Issue/(Buy back) of Equity	0	0	2	0
Inc/(dec) in loan funds	3,877	560	-300	-25
Interest & Dividend paid	-388	-669	-654	-695
Inc/(dec) in Share Cap	0	0	0	0
Others	133	224	335	0
CF from financing activities	3,621	116	-618	-720
Net Cash flow	289	4	-6	-43
Opening Cash	96	385	389	383
Closing Cash	385	389	383	340

Source: Company, ICICI Direct Research

Exhibit 9: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	37.8	37.8	39.4	39.4
Reserve and Surplus	3,209	3,660	4,142	4,455
Total Shareholders funds	3,247	3,697	4,181	4,494
Total Debt	4,820	5,380	5,080	5,055
Deferred Tax Liability	871	289	289	289
Minority Interest / Others	190	192	197	202
Total Liabilities	9,128	9,558	9,747	10,040
Assets				
Gross Block	4,487	5,052	5,932	6,382
Less: Acc Depreciation	923	1,268	1,653	2,084
Net Block	3,565	3,784	4,279	4,298
Capital WIP	433	730	500	700
Total Fixed Assets	3,998	4,513	4,779	4,998
Investments & Goodwill	3,761	3,329	3,334	3,339
Inventory	999	1,268	1,241	1,361
Debtors	1,710	1,794	1,790	2,041
Loans and Advances	26	13	13	15
Other Current Assets	282	261	270	308
Cash	385	389	383	340
Total Current Assets	3,402	3,725	3,697	4,065
Current Liabilities	2,016	1,976	2,028	2,314
Provisions	91	98	101	115
Current Liabilities & Prov	2,107	2,074	2,129	2,428
Net Current Assets	1,295	1,650	1,568	1,637
Others Assets	75	66	66	66
Application of Funds	9,128	9,558	9,747	10,040

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	13.0	11.5	9.7	16.0
Cash EPS	18.8	20.7	19.5	26.9
BV	86.0	97.9	106.2	114.2
DPS	5.5	5.5	6.0	8.0
Cash Per Share (Incl Invst)	109.8	98.5	94.5	93.5
Operating Ratios (%)				
EBITDA Margin	16.2	15.9	14.5	16.2
PAT Margin	7.6	5.2	4.4	6.3
Inventory days	56.8	55.1	52.0	50.0
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	42.0	40.0
Return Ratios (%)				
RoE	15.1	11.8	9.2	14.0
RoCE	10.2	10.9	9.5	12.3
RoIC	11.4	12.5	10.5	13.8
Valuation Ratios (x)				
P/E	27.8	31.4	37.2	22.7
EV / EBITDA	17.4	14.0	14.5	11.5
EV / Net Sales	2.8	2.2	2.1	1.9
Market Cap / Sales	2.1	1.6	1.6	1.4
Price to Book Value	4.2	3.7	3.4	3.2
Solvency Ratios				
Debt/EBITDA	4.6	4.0	4.0	3.2
Debt / Equity	1.5	1.5	1.2	1.1
Current Ratio	1.4	1.6	1.6	1.5
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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