

November 12, 2024

Visit Update

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23	FY24
Sales (Rs. m)	26,595	44,464	57,741	64,198
EBITDA (Rs. m)	5,078	6,307	7,149	9,893
Margin (%)	19.1	14.2	12.4	15.4
PAT (Rs. m)	3,136	4,260	4,418	4,909
EPS (Rs.)	4.6	5.9	11.7	13.0
Gr. (%)	-45.3	29.8	98.1	11.1
DPS (Rs.)	3.5	5.0	5.5	5.5
Yield (%)	0.7	1.0	1.1	1.1
RoE (%)	17.3	18.7	16.2	16.2
RoCE (%)	15.3	17.3	15.9	16.6
EV/Sales (x)	8.6	5.1	3.9	3.5
EV/EBITDA (x)	44.9	36.1	31.9	23.0
PE (x)	106.7	82.2	41.5	37.3
P/BV (x)	8.6	7.0	6.5	5.6

Key Data

PCBL.BO | PCBL IN

52-W High / Low	Rs.585 / Rs.209
Sensex / Nifty	82,133 / 24,768
Market Cap	Rs.183.6bn/ \$ 2,164.4m
Shares Outstanding	377.5m
3M Avg. Daily Value	Rs.1,501.7m

Shareholding Pattern (%)

Promoter's	51.41
Foreign	5.00
Domestic Institution	6.79
Public & Others	36.81
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	19.6	88.2	77.2
Relative	14.4	82.7	61.8

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Focus on volume growth to drive revenue

Quick Pointers:

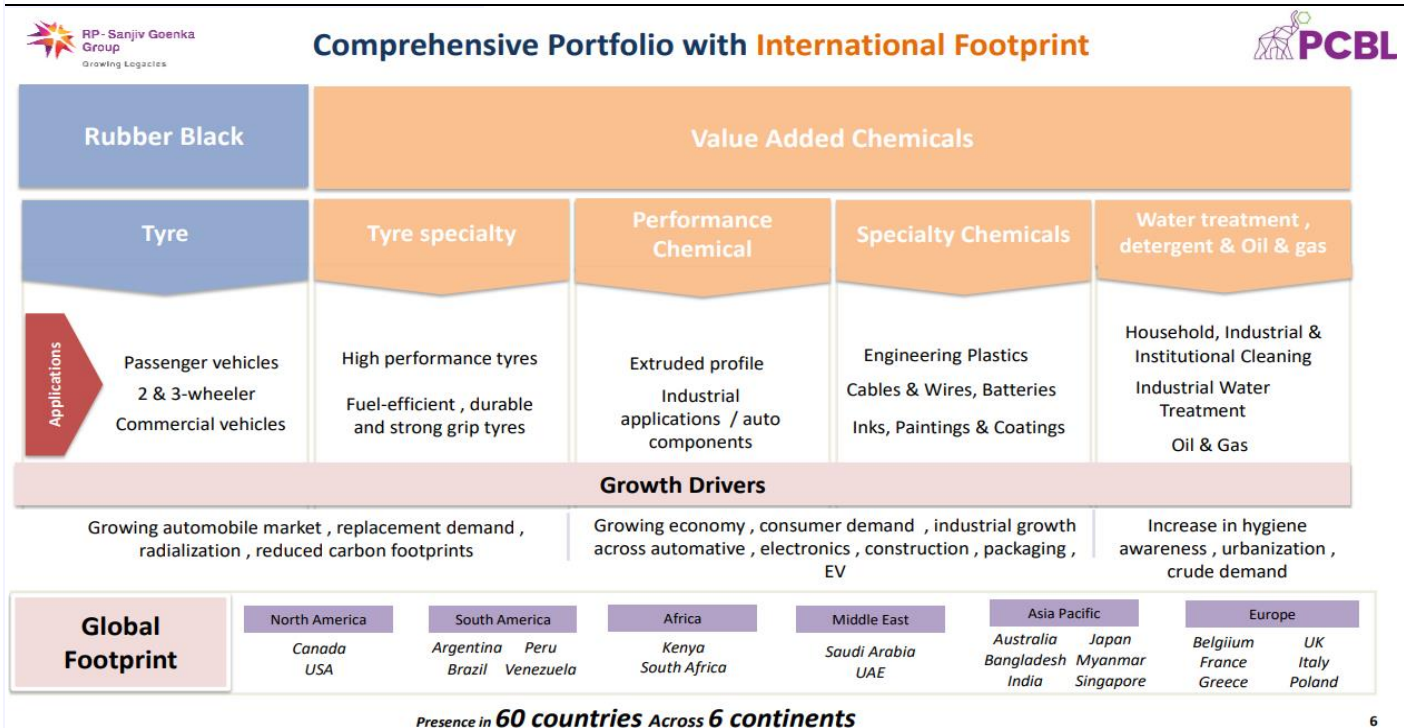
- Palej plant is a cutting-edge manufacturing facility specializing in the production of carbon black and specialty carbon black
- Pilot plant for the development of nanosilicon products being set up at Palej, to be ready in next 5-6 months

We recently visited the Palej plant of PCBL Limited and had an opportunity to meet the management of the company. This plant is strategically located within the thriving Gujarat-Maharashtra automobile corridor, offering seamless access to ports for efficient raw material sourcing and ensuring cost-effective logistics for the supply of carbon black to the tire industry. The 1,42,250mtpa plant is divided into 6 lines and is capable of producing carbon black as well as specialty carbon black. The plant also hosts a 19MW captive power plant. The R&D center located within the plant, plays an important role in the development of new carbon black grades. PCBL has also formed a JV with Kindia, an Australia-based company, to develop nanosilicon products for Li-ion batteries. Pilot plant for the same is being set up in Palej, and is expected to be completed in the next 5-6 months. The company reported a revenue increase of 52% in 1HFY25 and expects continued strong performance in upcoming quarters. PCBL's stock is currently trading at 37.3x FY24 EPS.

- Pilot plant for battery materials being set up at Palej:** PCBL has established a JV, Nanovace Technologies Limited, with Sydney-based Kindia to develop nanosilicon additives for use in Li-ion battery anodes. The 51% stake in the JV will provide PCBL access to Kindia's IP and assets in Australia. Over the next 2 years, PCBL plans to invest \$44mn in acquiring IP, setting up a pilot plant, and building a commercial-scale manufacturing facility with Phase 1 capacity of 2,000mtpa. The pilot plant is expected to be commissioned in the next 5-6 months and will be used for product sampling purpose. This venture is anticipated to begin contributing to PCBL's revenue from FY27.
- Diversifying product portfolio with Aquapharm acquisition:** Aquapharm is an R&D-focused company and a leading producer of phosphonates used across a range of industries, including industrial and household cleaning, water treatment, and oil and gas. It has a total manufacturing capacity of 130,000mtpa, with production facilities in India, US and Saudi Arabia. Aquapharm maintains a strong presence in the western markets. Global demand for Aquapharm product portfolio is currently weak, leading to lower realizations. Prices appear to have almost bottomed out, with improvement expected soon. Since its acquisition, PCBL has focused on enhancing operational efficiency and expanding its client base. These efforts are expected to drive stronger performance from this segment in the coming quarters.

- **Capacity expansion to drive growth in long term:** PCBL has recently acquired 116 acres of land in Andhra Pradesh; this land can accommodate 400,000mtpa of additional capacity. Capex at this site is expected to commence in a year and construction to take 1.5–2 years thereafter. Additionally, PCBL is expanding its capacity at Tamil Nadu by 90,000mtpa, with Phase 1 of 30,000mtpa to be commissioned in this quarter and Phase 2 of 60,000mtpa by H1FY26. Recently, 20,000mtpa specialty carbon black capacity came online at Mundra. Aquapharm's capacity is also being expanded by 38,000mtpa, with commissioning expected in Mar'25.
- **R&D centers at Palej and Belgium driving innovation:** PCBL's R&D centers are located in Palej and Belgium, a chemical engineering hub. The company has recently developed carbon black grades for conductive cables, energy grade applications, and EV grades. It has 100+ carbon black grades in the portfolio and launches 10-11 new grades every year. PCBL is also looking at acquisition of technologies in related space to drive innovation.
- **Aiming for 50% export share:** China has seen significant consolidation in the carbon black industry. Export volumes from Russia have also declined by almost 50%. These trends have created an opportunity for Indian carbon black players. PCBL plans to take advantage of the gaining momentum in international markets and aims to increase export share to 50% of total revenue.

Exhibit 1: PCBL product portfolio



Source: Company, PL

Exhibit 2: Q2FY25 Result Overview (Rs mn)

Consolidated Financial Performance

Income Statement (In ₹ Crs)	Q2 FY25	Q1 FY25	Q2FY24	H1 FY 2025	H1 FY 2024
Revenue from Operations	2,163	2,144	1,487	4,307	2,834
Other Income	6	10	3	17	7
Revenue from operations	2,169	2,154	1,489	4,423	2,841
YoY Growth %	45%	-	-	56%	-
Cost of Materials (including change in inventory)	1,499	1,449	1,048	2,949	1,984
Employee Benefit Expense	98	100	56	199	108
Other Operating Expense	203	236	144	439	294
EBITDA	369	369	241	738	455
EBITDA %	17%	17%	16%	17%	16%
Finance Cost	119	121	21	240	40
Depreciation and amortization expense	86	84	48	171	89
Profit Before Taxes	164	164	172	327	326
Taxes	41	46	49	86	94
Profit After Tax	123	118	123	241	232
Diluted EPS (₹ /Share)	3.3	3.1	3.3	6.4	6.1

Source: Company, PL

Exhibit 3: PCBL balance sheet and cash flow statement as of H1FY25

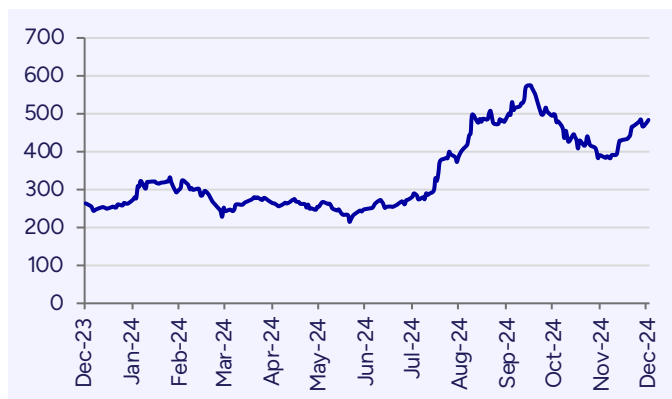
Consolidated Balance Sheet and Cash Flow Statement

Balance Sheet (In ₹ Crs)	30-Sep-24	31-Mar-24	Cash Flow Statement (In ₹ Crs)	30-Sep-24	31-Mar-24
Equity And Liabilities			Cash Flow from Operating Activities		
Equity Share Capital	38	38	Profit Before Tax	327	676
Other Equity	3,784	3,213	Adjustment: Non-Cash and Other Income / (Expense)	399	353
Borrowings (Current & Non Current)	4,750	4,820	Operating Cash before Working Capital	726	1,029
Deferred tax liabilities (Net)	871	871	Add/Less: Working Capital Changes	(206)	292
Other Non - Current Liabilities	185	187	Less: Income Taxes Paid	(86)	(216)
Trade Payables	1,713	1,802	Net cash generated from Operating Activities (A)	434	1,105
Other Current liabilities	403	365	Cash Flow from Investing Activities		
Total	11,744	11,295	Capital Expenditure, net	(420)	(533)
Assets			Proceeds from Current Investments	7.7	14
Fixed Assets (includes Right-of-use assets)	7,579	7,325	Payment towards acquisition of subsidiary	-	(3,708)
Investments (Current & Non Current)	672	433	Other Investment Activities	(0.8)	12.4
Other Non Current Assets	132	135	Net cash generated from / (used in) Investing Activities (B)	(413)	(4,214)
Cash and Cash Equivalents	257	385	Cash Flow from Financing Activities		
Inventories	981	999	Net Increase in Borrowings	(73)	3,803
Trade Receivables	1,775	1,710	Proceeds from issue of share warrants	112	-
Other Current Assets	348	308	Proceeds from issue of equity shares and Compulsory Convertible Debenture (CCDs) to Non-Controlling Interest	4	-
Total	11,744	11,295	Dividend Paid	-	(208)
			Net Interest Paid	(172)	(165)
			Payment of Lease Liabilities	(22)	(49)
			Net cash generated from / (used in) Financing Activities (C)	(151)	3,381
			Net (decrease) / increase in Cash and Cash Equivalents	(130)	272
			Opening Cash and Cash Equivalents	312	40
			Closing Cash and Cash Equivalents	183	312

Source: Company, PL

Price Chart

Recommendation History



No. Date Rating TP (Rs.) Share Price (Rs.)

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	411	474
2	Ashok Leyland	Accumulate	240	222
3	Bajaj Auto	Hold	11,859	11,617
4	Bharat Forge	Accumulate	1,501	1,329
5	Bharat Petroleum Corporation	Hold	301	300
6	Bharti Airtel	Accumulate	1,782	1,637
7	CEAT	Hold	3,171	3,149
8	Clean Science and Technology	Hold	1,526	1,484
9	Deepak Nitrite	Reduce	2,438	2,639
10	Divgi Torqtransfer Systems	Hold	632	638
11	Eicher Motors	BUY	5,299	4,599
12	Endurance Technologies	BUY	2,835	2,437
13	Exide Industries	Hold	456	437
14	Fine Organic Industries	BUY	5,852	5,000
15	GAIL (India)	Hold	204	209
16	Gujarat Fluorochemicals	Reduce	3,770	4,158
17	Gujarat Gas	Sell	389	486
18	Gujarat State Petronet	Hold	380	390
19	Hero Motocorp	Accumulate	5,162	4,604
20	Hindustan Petroleum Corporation	Hold	392	399
21	Indian Oil Corporation	Hold	153	142
22	Indraprastha Gas	Sell	321	406
23	Jubilant Ingrevia	Hold	695	682
24	Laxmi Organic Industries	Reduce	240	270
25	Mahanagar Gas	Sell	1,046	1,313
26	Mahindra & Mahindra	BUY	3,456	2,899
27	Mangalore Refinery & Petrochemicals	Sell	128	173
28	Maruti Suzuki	BUY	14,586	11,046
29	Navin Fluorine International	Accumulate	3,523	3,307

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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