PCBL Chemical (PCBL IN)

Rating: BUY | CMP: Rs423 | TP: Rs543

*The flight of Arctic Tern^*

Saurabh Ahire saurabhahire@plindia.com |

Swarnendu Bhushan swarnendubhushan@plindia.com | 91-22-66322260

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Company Initiation

^Arctic Tern is the bird with the longest migratory flight of upto 70,000km annually. It is also one of the longest surviving birds. We believe that with rising specialization, PCBL is also migrating towards a brighter future!

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	64,198	84,437	97,821	1,09,375
EBITDA (Rs. m)	10,375	13,652	16,060	18,880
Margin (%)	*16.2*	*16.2*	*16.4*	*17.3*
PAT (Rs. m)	4,913	4,485	6,512	8,544
EPS (Rs.)	13.0	11.9	17.3	22.6
Gr. (%)	*11.1*	*(8.7)*	*45.2*	*31.2*
DPS (Rs.)	5.5	5.5	5.5	5.5
Yield (%)	*1.3*	*1.3*	*1.3*	*1.3*
RoE (%)	*16.1*	*13.3*	*17.5*	*20.1*
RoCE (%)	*14.5*	*12.7*	*14.9*	*17.3*
EV/Sales (x)	3.2	2.4	2.1	1.8
EV/EBITDA (x)	19.7	15.0	12.6	10.4
PE (x)	32.5	35.6	24.5	18.7
P/BV (x)	4.9	4.6	4.1	3.5

Key Data	PCBL.BO | PCBL IN
52-W High / Low	Rs. 585 / Rs. 209
Sensex / Nifty	76,906 / 23,350
Market Cap	Rs. 160 bn/ $ 1,857 m
Shares Outstanding	377m
3M Avg. Daily Value	Rs. 955.61m

Shareholding Pattern (%)

Promoter's	51.41
Foreign	5.23
Domestic Institution	6.69
Public & Others	36.67
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.2	(20.2)	61.1
Relative	6.7	(11.9)	52.6

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saurabhahire@plindia.com |

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PCBL has emerged as India's largest and world's 7th largest carbon black (CB) manufacturer. With plans to expand to 1mmtpa+ by FY28/FY29 and focus on innovation, it is set to strengthen both the old age economy of CB as well as new age applications like nano silicon. We expect EBITDA/mt to increase from Rs20,018 in FY24 to Rs23,657 in FY27E led by the rising contribution of specialty grade. EBITDA is likely to clock 22% CAGR during the period, aided by rising contribution from specialty as well as overall volumes. A significant re-rating of the stock is likely once the Aquapharm business (focused on phosphonates) and JV with Kinaltek (focused on nano silicon) gather steam. The stock is trading at 19x FY27. With EPS CAGR of 20% in FY24-27E, we initiate coverage on the stock with a BUY recommendation, valuing the stock at 24x FY27 EPS with a target price of Rs543.

- **Rising CB demand to boost company prospects:** The EU ban on Russian CB since Jul'24, has resulted in rise in Chinese (+14%) and Indian exports (+91%) to Europe. PCBL offers a better alternative as its CB feedstock (CBFS) is ~USD200/mt cheaper than coal tar-based CB oil (CBO), the main feedstock for Chinese producers. Higher tariffs against China may also help PCBL gain market share in the USA. Hence, we expect PCBL CB volumes to increase at 9% CAGR over FY24-FY27E.

- **EBITDA/mt to increase with change in product mix:** Over the years, PCBL has steadily grown its specialty volumes, from 6% of overall mix in FY21 to 11% in FY24, driving up EBITDA/mt from Rs13,464 to Rs20,018. With rising premiumization, we expect specialty segment to grow 10,000mt every year and EBITDA/mt to reach Rs23,657 by FY27E; the management has guided it to reach Rs25,000 by 2029. Orion, with a much higher proportion of specialty in its product basket, for example, generates 35% higher EBITDA/mt than PCBL.

- **Foray into high-growth water treatment through Aquapharm acquisition:** Aquapharm acquisition is a pivotal step toward tapping into the high-growth specialty chemicals market. Excluding China, it is the 3rd largest phosphonate producer globally. Its revenue is expected to decline from Rs20bn in FY23 to Rs14bn in FY25E, due to decline in price of yellow phosphorous, a key raw material. However, with capacity addition and rise in realization, we expect revenue to bounce back to Rs20.7bn by FY27E.

- **Foray into battery chemicals technologies through Nanovace:** PCBL is setting up a pilot plant to develop nano silicon additives for EV batteries, its migration toward advanced materials. Even at one-third of current realization (USD100/kg), the company will make a topline of Rs20bn by 2029 and ~50% EBITDA margin, as per the management.

- **Setting up India's 1st acetylene black plant:** India imported 1,726mt of acetylene black in FY24, and has already imported 1,656mt in 9MFY25. Imports are expected to rise with demand for acetylene black, a high-end conductive grade chemical with applications in high-voltage power cables, Li-ion batteries, EV charging, semiconductor packaging and conductive plastics, paints and coatings. PCBL has signed a technology transfer agreement with the Chinese company, Ningxia Jinhua to set up India's 1st acetylene black plant.

- **Valuation outlook:** PCBL has demonstrated strong financial performance historically. Going ahead, we expect the company to log revenue/EBITDA/PAT CAGR of 19%/22%/20% over FY24-27E. The stock is currently trading at 19x FY27 EPS. We value the stock on forward multiple of 24x FY27 EPS with target price at Rs543, supported by robust CB demand, specialty product penetration, and increasing exports. Its focus on reducing debt, improving margins, and expanding global presence underscores its commitment to sustainable growth.

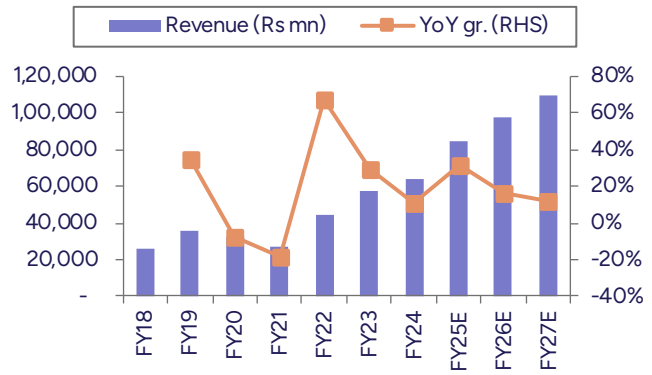
Exhibit 1: Summary of financial information

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sales (Rs mn)	26,595	44,464	57,741	64,198	84,437	97,821	1,09,375
Gr (%)		*67*	*30*	*11*	*32*	*16*	*12*
EBITDA(Rs mn)	5,180	6,529	7,313	10,375	13,652	16,060	18,880
Gr (%)		*26*	*12*	*42*	*32*	*18*	*18*
EBITDA margin (%)	*19.5*	*14.7*	*12.7*	*16.2*	*16.2*	*16.4*	*17.3*
PAT (Rs mn)	3,140	4,263	4,423	4,913	4,485	6,512	8,544
EPS (Rs)	8.3	11.3	11.7	13.0	11.9	17.3	22.6
EPS Growth (%)		*36*	*4*	*11*	*-9*	*45*	*31*
BV/Share (Rs)	51	69	75	86	92	104	121
RoE (%)	*17.2*	*18.7*	*16.2*	*16.1*	*13.3*	*17.5*	*20.1*
RoCE (%)	*17.9*	*19.3*	*17.9*	*14.5*	*12.7*	*14.9*	*17.3*
P/E (x)	51	37	36	33	36	25	19
EV/EBITDA (x)	32	25	23	20	15	13	11
EV/Sales (x)	6	4	3	3	2	2	2

Source: Company, PL

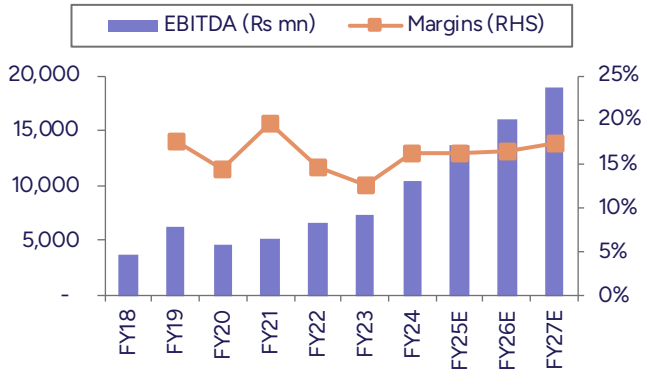
Story in Charts

Exhibit 2: Revenue to clock 19% CAGR over FY24-FY27



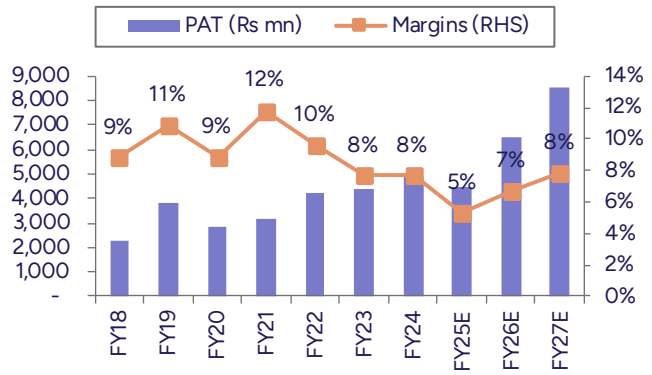
Source: Company, PL

Exhibit 3: EBITDAM margins to reach 17.3% by FY27E



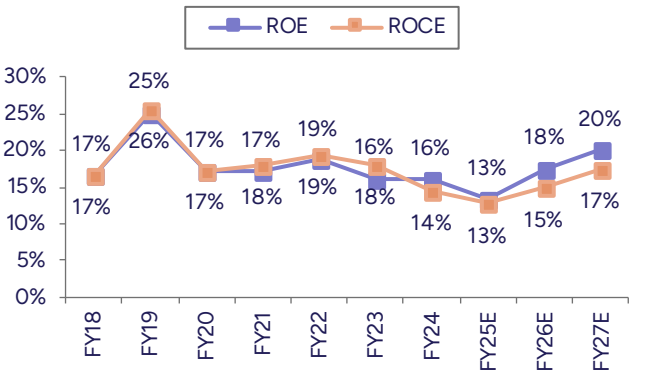
Source: Company, PL

Exhibit 4: PAT CAGR estimated at 20% over FY24-27E



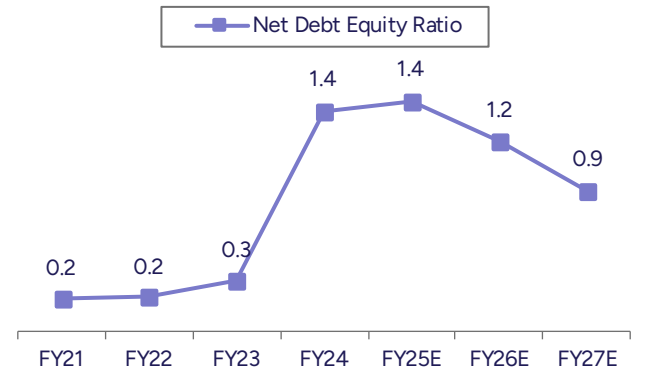
Source: Company, PL

Exhibit 5: Return ratios to hover at 17-20% by FY27



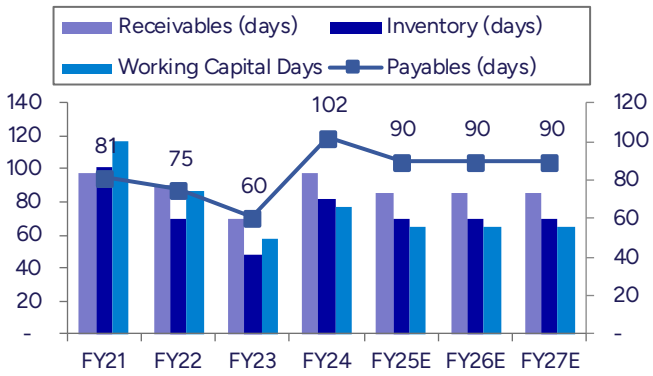
Source: Company, PL

Exhibit 6: Debt/equity ratio to reach 0.9x by FY27E



Source: Company, PL

Exhibit 7: Working capital days to remain at 65



Source: Company, PL

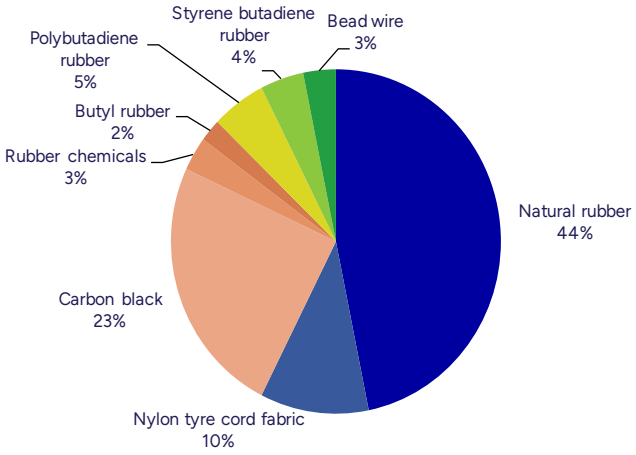
CB: An indispensable element with diverse applications

It is a black powder produced by thermal decomposition of gaseous or liquid hydrocarbons under controlled conditions. CB typically contains more than 95% pure carbon with very small quantities of oxygen, hydrogen and nitrogen.

~70% of CB produced globally is consumed by the automobile industry, as a reinforcing filler in the manufacture of tires and other rubber products. It constitutes 23% of overall tire weight.

CB is used to improve the abrasion resistance and strength of tires, and thus extend their life, which otherwise would be less than 100km. It absorbs UV light and ozone, thus limiting oxidation and preventing cracking of tires. CB is also used in conveyor belts, hoses, inks, electric wires, printing inks, plastic parts, coatings, textile fabrics, cameras and batteries. About 20% of global CB production goes into belts, hoses, and other non-tire rubber goods. The balance is mainly used as a pigment in inks, coatings and plastics. CB also finds applications in electrodes and battery cells.

Exhibit 8: CB constitutes 23% of tires by weight



Source: Company, PL

Exhibit 9: Diverse applications of CB

Source: Company, PL

CB manufacturing process

98% of global CB is produced using the furnace black process. Other manufacturing processes include gas black, lamp black, thermal black and acetylene black methods.

Heavy oil with a high content of aromatic hydrocarbons is the preferred feedstock for most CB production processes, especially the furnace black process. The aromatic form of carbon gives the highest carbon-to-hydrogen ratio, thus maximizing available carbon and CB yields. Higher the aromaticity, more efficient is the process.

Distillates from coal tar or residual oils formed by the catalytic cracking of mineral oil fractions and olefins manufactured by the thermal cracking of naphtha or gas oil are also used as raw materials.

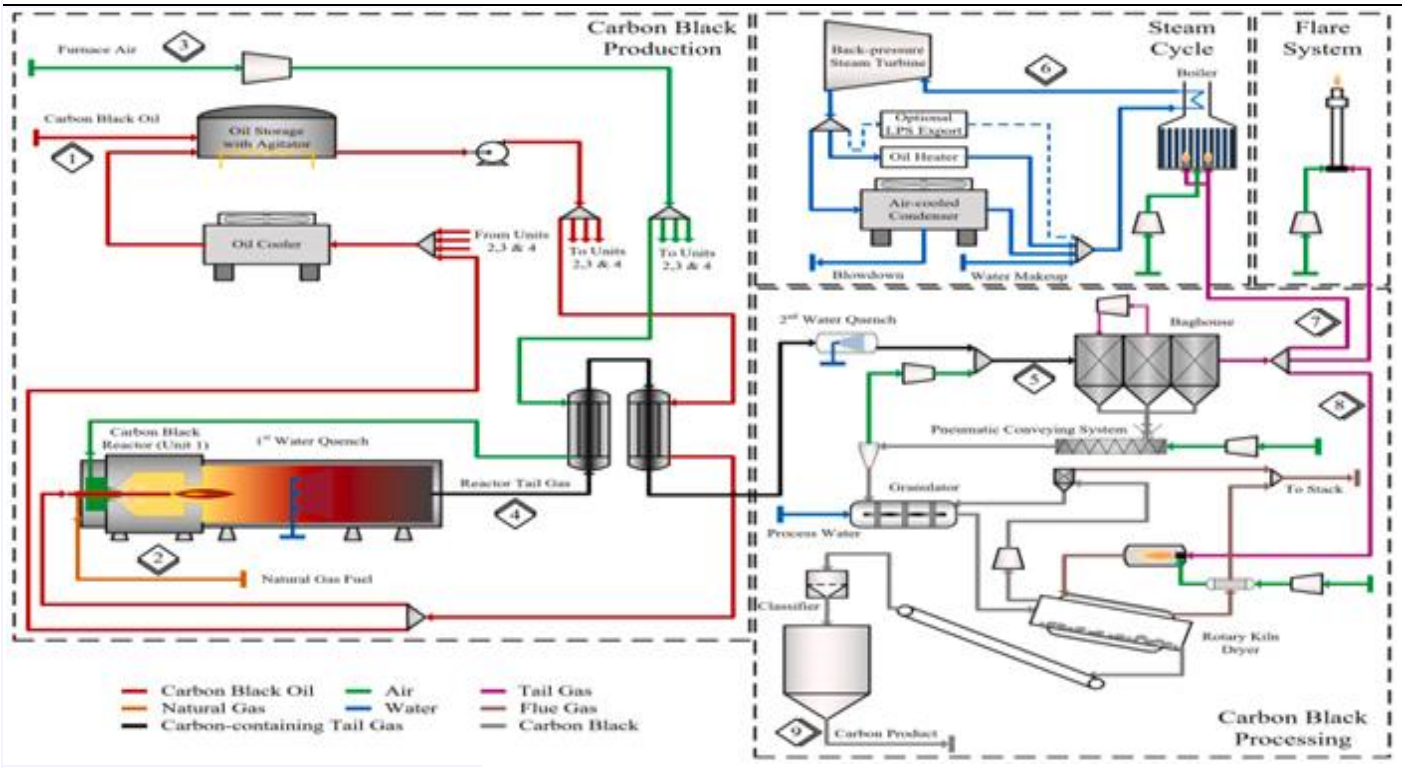
Exhibit 10: CB manufacturing processes

Manufacturing Process	Raw Material	Manufacturing Method	Explanation
Incomplete Combustion	Natural Gas or Oil	Furnace Black	This is currently the most common method
	Mineral / Vegetable Oils	Lamp Black	Oldest industrial method
	Natural Gas	Channel	Flames contact the lower surface of a channel (an H-shaped steel beam)
Thermal Decomposition	Acetylene	Gas Furnace	Useful for fine-particle carbon black
		Acetylene Decomposition	As this is a heat generation reaction, continuous production is possible
	Natural Gas	Thermal	Combustion and thermal decomposition is repeated in cycles

Source: Industry, PL

PCBL manufactures CB using the furnace black method. This process uses liquid and gaseous hydrocarbons as the feedstock. PCBL majorly sources CBFS from the USA, Malaysia, the Netherlands, Singapore and Thailand. In the domestic market, the company sources the raw material primarily from refineries like Haldia Petrochem, IOCL and Reliance.

Exhibit 11: CB manufacturing process using furnace black method

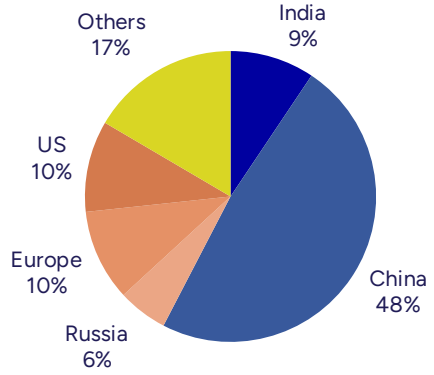


Source: Industry, PL

Global demand and supply

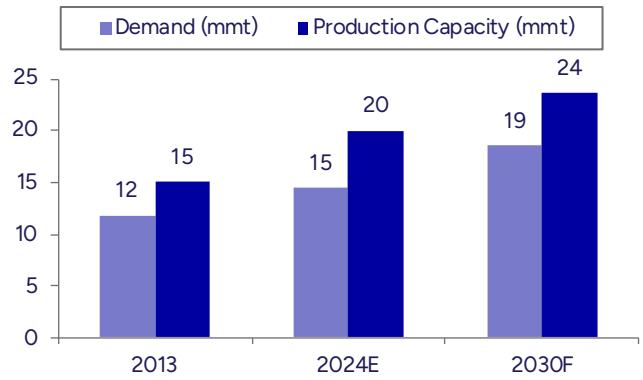
Over the last decade, the global CB industry has witnessed significant growth with demand rising from 11.85mmt in 2013 to 14.5mmt in 2024. Correspondingly, total global production capacity increased from 15mmt to 20mmt and is projected to reach 23.6mmt by 2030.

Exhibit 12: Global CB production capacity



Source: Industry, PL

Exhibit 13: Global CB production to reach 24mmt by 2030



Source: Company, PL

PCBL is the 7th largest CB manufacturer globally with total manufacturing capacity of 0.79mmtpa

Top 10 global CB players hold almost 60% of capacity. Cabot has the largest product capacity at 2.3mmtpa, followed by Birla Carbon at 2.1mmtpa and Orion at 1.4mmtpa. PCBL stands at the 7th position with total manufacturing capacity of 0.79mmtpa.

Exhibit 14: Top global CB manufacturing companies

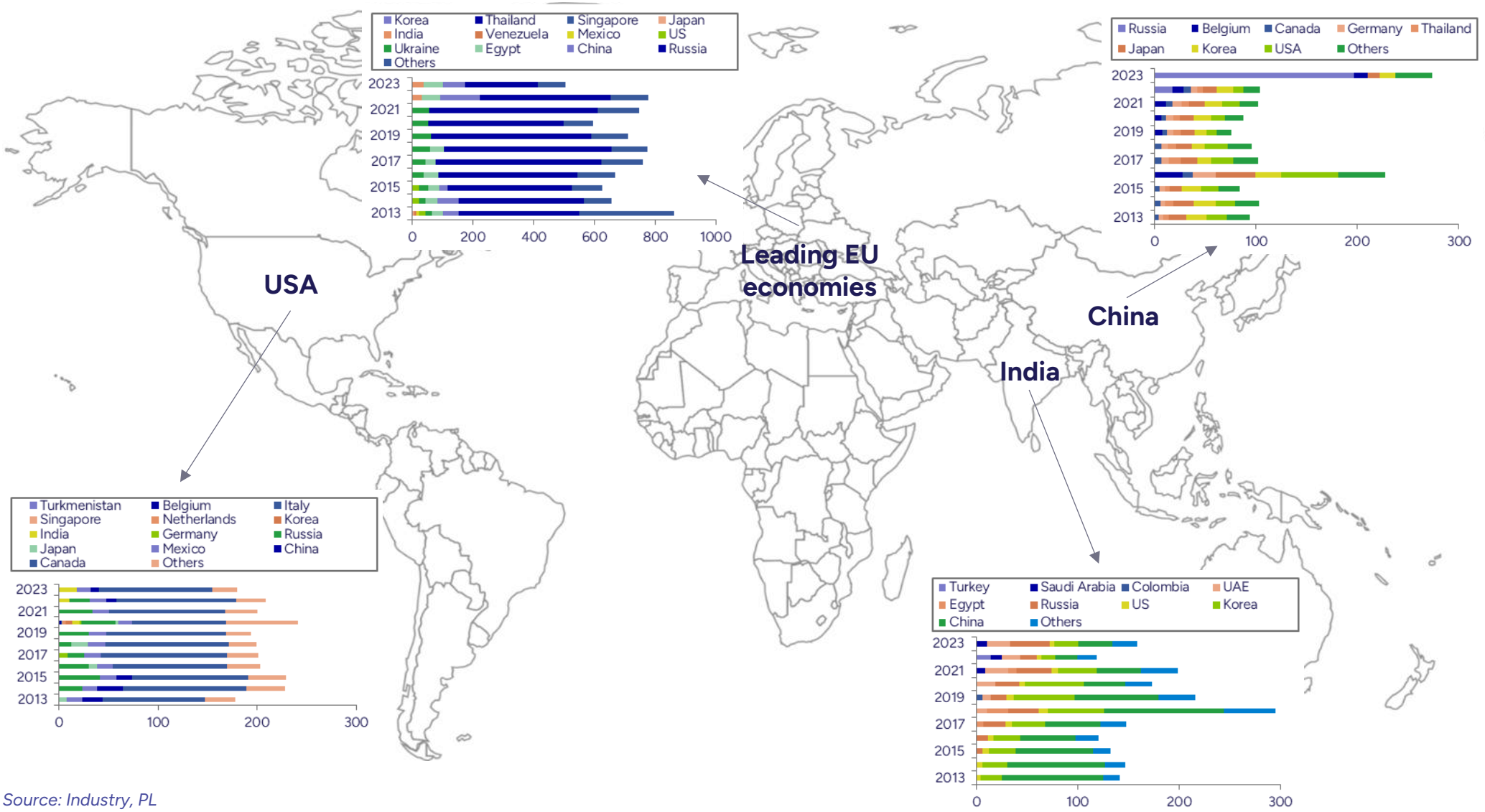
Capacity	mmtpa
Cabot	2.3
Birla Carbon	2.1
Orion	1.4
Jiangxi	1.1
Tokai Carbon	0.9
CSRC Group	0.9
PCBL	0.8
Others	10.2
Total	**19.7**

Source: Industry, PL

Global trade

- Canada is the largest exporter of CB to the USA, accounting for 55-65% of CB exports in the past decade. Indian CB exports to the USA rose to ~10% in CY23. Chinese CB accounts for <5% of CB imports in the USA. Russia, which accounted for ~10% in previous years, came to a stop in CY23.
- Russia was the largest supplier to the EU until CY21, accounting for ~75% of total CB imports. However, post Russia-Ukraine war, the EU levied import quota during Feb'23-Jun'24, and imports from Russia are completely banned. In CY23, Russia's market share in EU imports reduced to 47%, while China and India gained foothold with ~15% and 7.5% market share, respectively.
- Meanwhile, Russia's share in imports to China rose from 17% in CY22 to 72% in CY23.

Exhibit 15: Exports of Indian CB to EU rising



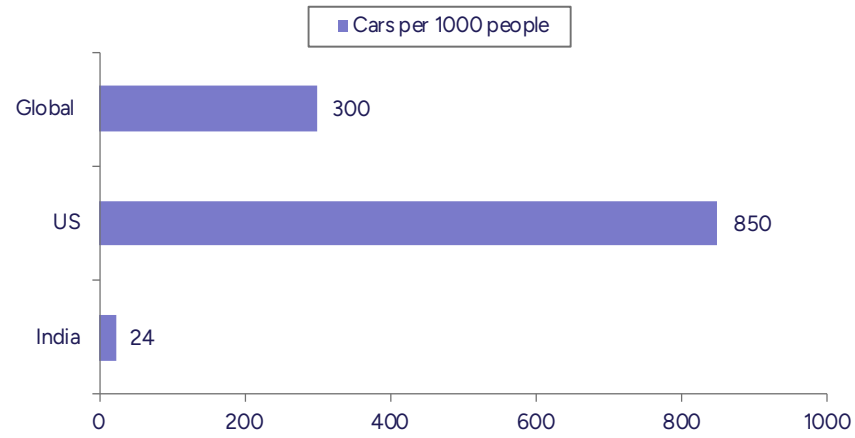
Source: Industry, PL

Domestic CB industry

India holds a strong position in the global heavy vehicles market. India is the ***largest producer of tractors, 2nd largest producer of buses and 3rd largest producer of heavy trucks globally***.

Penetration of cars in India remains dismal at 24 per 1,000 people compared with 300 globally and 800-900 in the USA, indicating a huge opportunity. Further, rising disposable income is expected to result in higher demand for automobiles.

Exhibit 16: Cars per 1,000 people in India to rise with disposable income

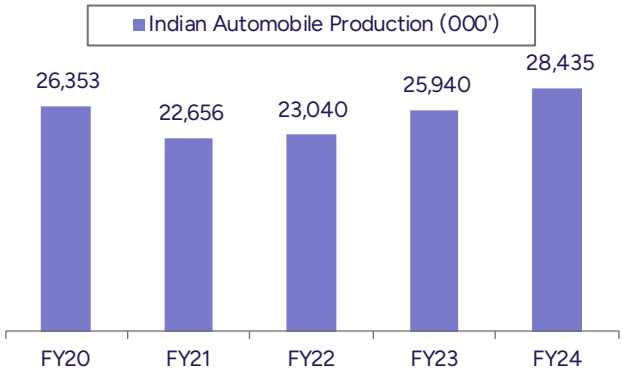


Source: Industry, PL

The Government of India is also focusing on promoting faster adoption of EVs. Schemes like FAME have been launched to promote growth and early adoption of hybrid and EVs. While percentage constitution of CB in tires of ICE vehicles and EVs may not be significantly different, EV tires are 10-15% heavier and hence, would boost demand for CB.

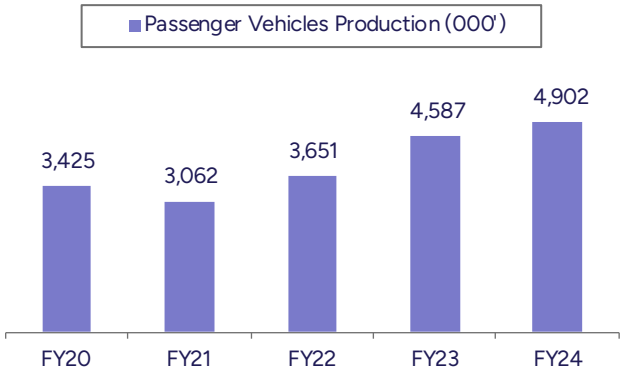
Majority domestic tire manufacturers expect replacement tire demand to grow by 7-8% in CY25. This, along with OEM demand and exports, will boost overall domestic tire production.

Exhibit 17: Indian automobile sales increasing since 2021



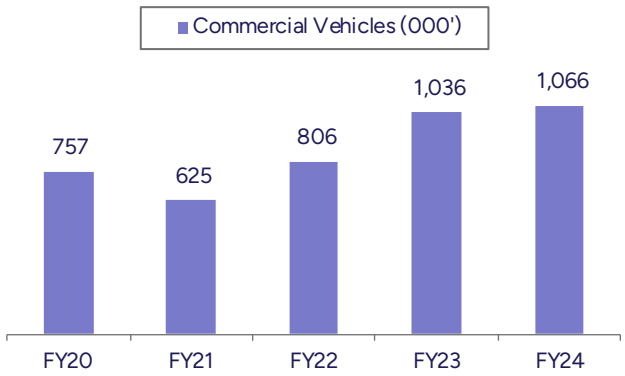
Source: Industry, PL

Exhibit 18: PV production shows consistent growth



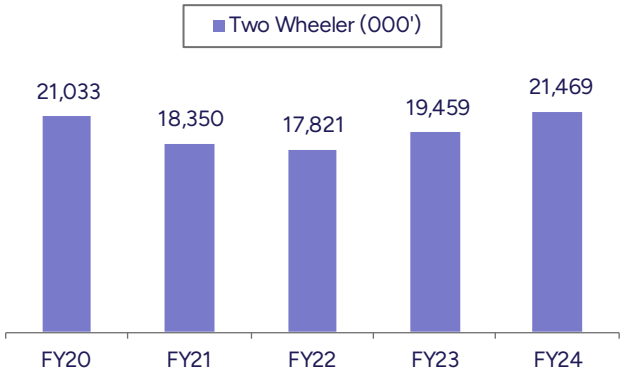
Source: Industry, PL

Exhibit 19: CV production shows revival post Covid slowdown



Source: Industry, PL

Exhibit 20: Two-wheeler production at 21,469k in FY24

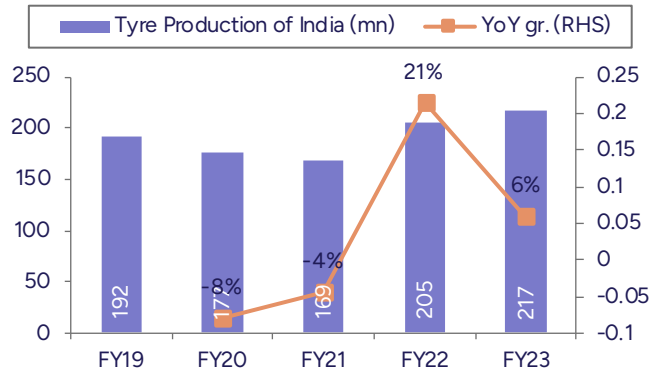


Source: Industry, PL

After declining from FY19–21, domestic tire production showed a strong recovery in FY22 with double-digit growth and remained flat for FY23. Overall, domestic tire production recorded a CAGR of 7% over FY20-23.

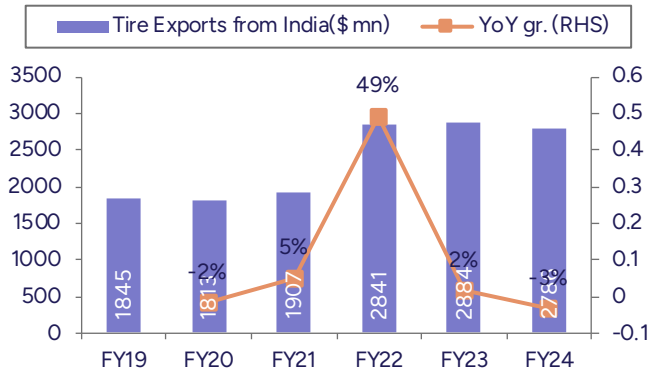
Tire exports remained steady from FY19 to FY21, but showed a 49% jump in FY22. Thereafter, exports grew just 2% in FY23 and reduced by 3% in FY24, to USD2.8bn. With the tire industry on a trajectory for higher growth, domestic demand for CB is rising.

Exhibit 21: Domestic tire production logs 7% CAGR in FY20-23



Source: Industry, PL

Exhibit 22: Tire exports on a rising trend



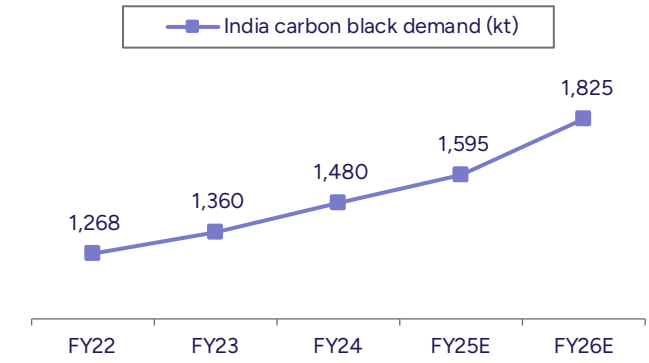
Source: Industry, PL

Total CB capacity in India to grow at 22% CAGR from 1,750ktpa in FY24 to 2,200ktpa in FY26

From FY22 till FY24, Indian CB demand grew at a CAGR of 8%. Demand is expected to see a growth of 7.8% in FY25 to 1,595ktpa and 14.4% in FY26 to reach 1,825ktpa.

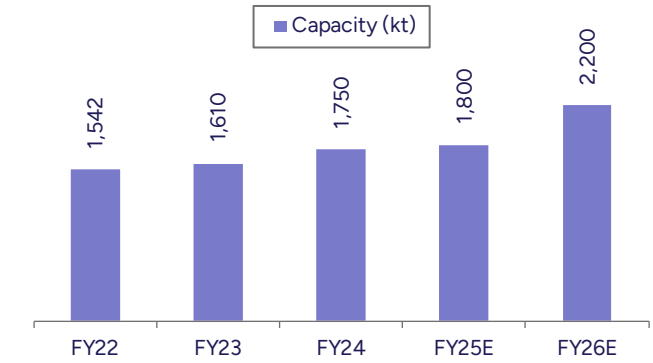
With all major CB manufacturers adding new capacities to meet the rising demand, total CB capacity in India is expected to grow at a CAGR of 22% from 1,750ktpa in FY24 to 2,200ktpa in FY26.

Exhibit 23: India CB demand to reach 1,825kt by FY26



Source: Industry, PL

Exhibit 24: India CB capacity to reach 2,200kt by FY26



Source: Industry, PL

PCBL aims to reach a total CB capacity of 1mmtpa+ by FY28/FY29

- **Capacity expansions:** Most Indian manufacturers are expanding their CB capacity aggressively to cater to increasing demand in the domestic and international markets. PCBL aims to reach a total CB capacity of 1mmtpa+ by FY28/FY29.

Exhibit 25: PCBL expansion ahead of domestic peers

Company names	Capacity (mtpa)	Planned expansions
Phillips CB Limited (PCBL)	7,90,000	Expected to reach 880,000mtpa by FY26 and 1mmtpa+ by FY28/FY29
Himadri Speciality Chemical	1,80,000	Expected to reach 250,000mtpa in next 1 year
Balkrishna Tyres	2,00,000	Recently completed 30,000mtpa expansion
Epsilon Carbon	1,15,000	Capacity was expected to reach 215,000mtpa by the end of CY24
Birla CB	382,200	Global capacity is 2mmtpa
Continental Carbon India	265,000	

Source: Industry, PL

Phosphonates have key applications in water treatment and detergents.

Specialty chemicals market

Valued at USD641.5bn in 2023, the global specialty chemicals market is expected to grow at a CAGR of 5.2% by 2030. Growth will be driven by rising demand in construction, water treatment, and electronics chemicals; pharmaceuticals; food and feed additives; and flavors and fragrances, among others.

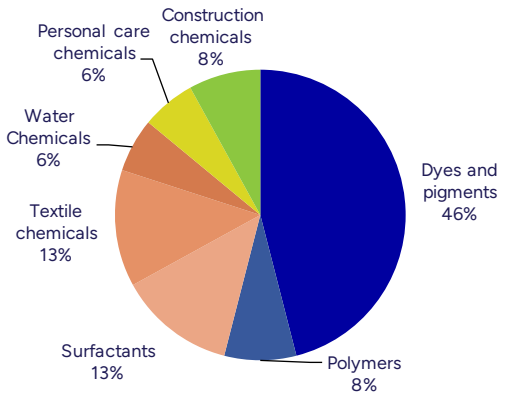
Indian specialty chemicals has also expanded significantly in the last few years driven by favorable government policies, changing customers lifestyle, increased demand across end user sectors, among other factors. ***In terms of global market share, India accounts for 4%, while China has the highest share at 26%***.

Exhibit 26: Water treatment chemicals to clock 15% CAGR from 2020 to 2026

Segment	CAGR (2020-2026)	End user industries
Dyes and pigments	10%	Textile; paints and coatings
Personal care chemicals	15%	Cosmetics; hair care
Surfactants	11%	Home care, personal care
Textile chemicals	11.5%	Apparel
Polymers	10%	Automotive; pipes
Construction chemicals	15%	Real estate; infrastructure
Flavors and fragrance	17.1%	Food processing; personal care
Water treatment chemicals	15%	Water treatment

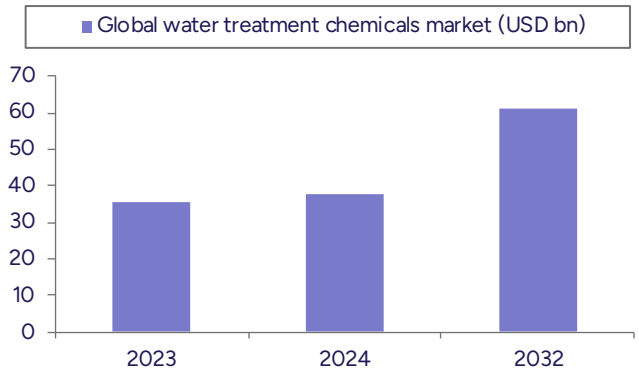
Source: Industry, PL

Exhibit 27: Indian specialty chemicals market – Segmentation



Source: Industry, PL

Exhibit 28: Water treatment chemicals to clock 6.3% CAGR in FY23-32



Source: Industry, PL

Valued at USD37.5bn in 2024, global water treatment chemicals market is expected to grow to USD39.8bn in 2025 and USD61bn by 2032, at a CAGR of 6.3%.

What are phosphonates?

Phosphonates are a family of compounds derived from phosphorus acid where the hydrogen atom has been replaced with another grouping to form a carbon-to-phosphorus bond.

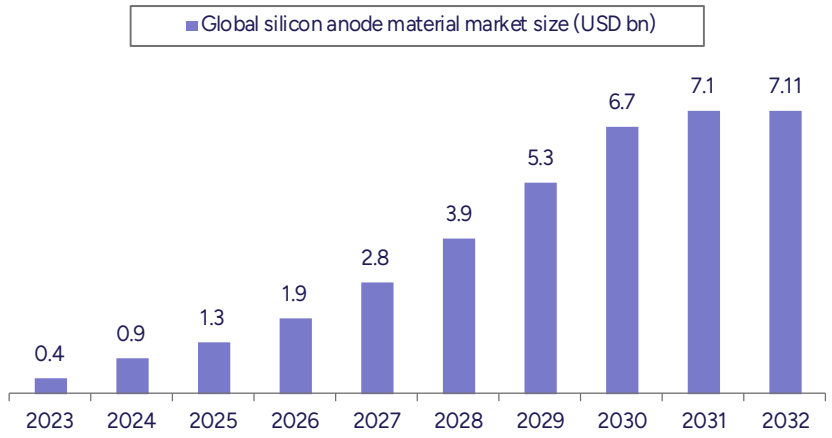
Due to their unique chemical structure, phosphonates have high solubility in water, can prevent corrosion and inhibit scaling, are stable in harsh conditions and have high compatibility with other chemicals in formulations. Phosphonates are also able to bind easily with (or 'chelate') metal ions.

Battery chemicals: Focus on anode materials

Silicon has been found to be a promising material to improve the performance of lithium-ion batteries.

Global silicon anode material market stood at USD400mn in 2023 and is projected to reach USD7.11bn by 2032, at a CAGR of 41.9%. Technological advancements and rising EV adoption are the key driving factors.

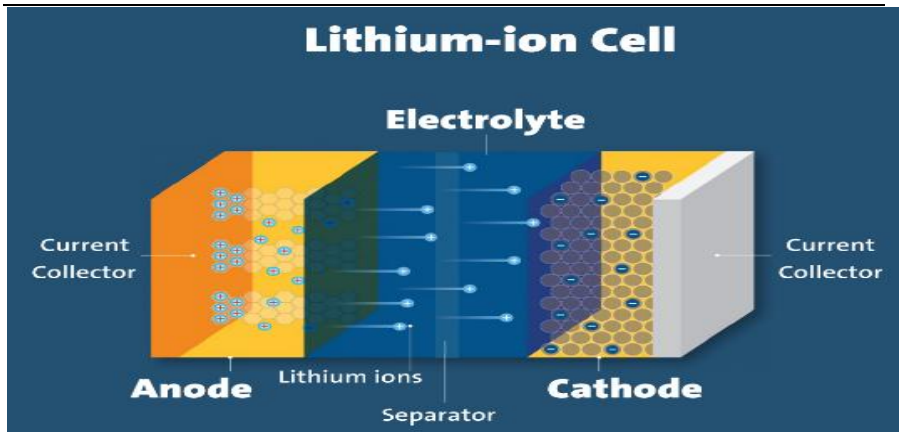
Exhibit 29: Global silicon-based anode market to reach USD7.11bn by 2032



Source: Industry, PL

- **Silicon-based anode:** Batteries consist of 3 important parts: cathode, anode and electrolyte. Cathode is where the reaction or charging happens and the ions are generated. These ions flow from cathode to anode where ions are stored. During charging, lithium ions are stored in the anode, and during discharging, the ions flow back to the cathode.

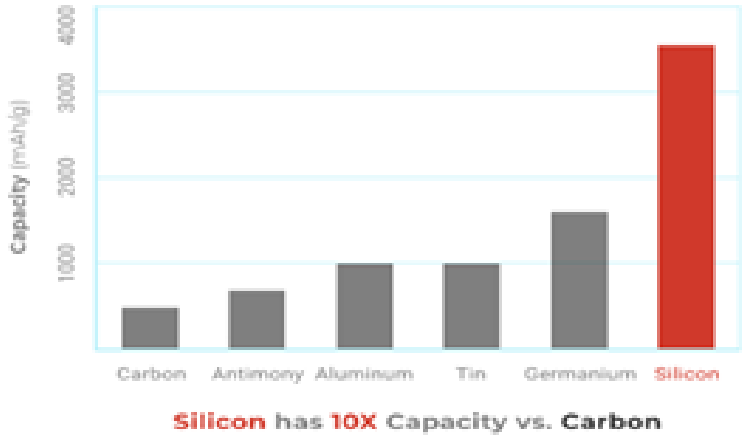
Exhibit 30: Schematic of Li-ion cell



Source: Industry, PL

Silicon can hold roughly 10 times more ions than graphite and can improve energy density by 20%-50%. Standard anode material, graphite has a maximum theoretical capacity of 372mAh/g in the fully lithiated state. Silicon-based materials, generally, have specific capacity of 3,400-3,600mAh/g, much higher than standard graphite.

Exhibit 31: Storage capacity improves with silicon content in graphite



Source: Industry, PL

Some graphite anodes already contain some silicon, while a move toward more silicon-rich anodes is still in development and may come with higher production costs, which can offset lower raw material cost of silicon. Additionally, silicon is known to significantly deplete a battery's lifespan due to swelling during charging, reducing the number of recharge cycles available, which creates another hurdle for this technology.

Companies like Sila Nanotechnologies, OneD Battery Sciences and Enovix have launched silicon graphite anode products. They are also working with top automobile giants to use their technology in vehicles. We can expect more advanced technologies in coming years.

Investment Arguments

Largest CB manufacturer in India, eye on exports

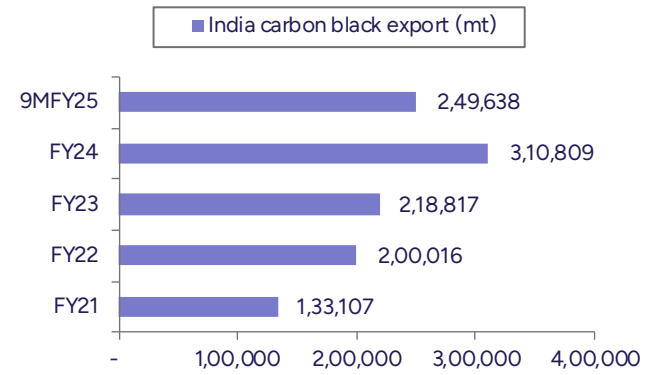
PCBL is the largest CB manufacturer in India and 7th largest globally. It has presence in 60+ countries, including USA, Canada, Saudi Arabia, UAE, France, Spain, Germany, China and Japan. It has manufacturing facilities in Durgapur, Kochi, Palej, Mundra and Chennai. All its facilities are situated near ports, which gives the company easy access to raw materials and international customers. PCBL has 100+ offices worldwide, in Japan, Germany, Belgium, Vietnam, China and South Korea. Its strong distribution network helps address needs of the large customer base worldwide.

- Almost 90% of its CB segment revenue comes from the tires and industrial rubber industry. All major Indian and global tire companies are its customers.
- The company has 300+ grades of rubber and specialty CB and aligns its product portfolio according to the needs of its customers. It also engages in joint product development of a few of its products.

India's CB exports reached 3,10,809mt in FY24 from 1,33,107mt in FY21, growing at a CAGR of whopping 33%. For 9MFY25, India has exported 2,49,638mt of CB, which is equivalent to 80% of FY24 exports. As new capacity expansions in India come online, exports are expected to rise further. Additionally, China, which is the major exporter of CB, has been facing production difficulties due to environmental norms as well as high input costs. Chinese CB manufacturer uses CBO, a derivative of coal tar as a key raw material, while Indian companies use CBFS, which is derived from crude oil. This development has enhanced competitiveness of India's CB manufacturers.

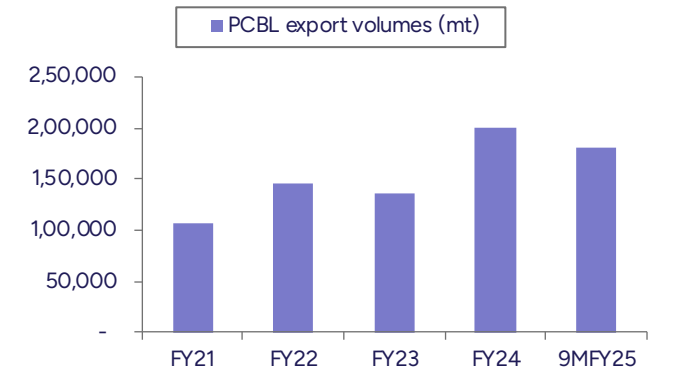
PCBL exports have grown at from 1,36,467mt in FY23 to staggering 2,00,608mt in FY24, an increase of 47%. The company is looking to expand to new geographies. PCBL focuses on moving up the value chain and launching new specialty grades every year, which will further aid export growth. In 9MFY25, PCBL has already exported 1,81,085mt of CB, almost 90% of FY24 exports. We expect total CB exports of FY25 to be much larger than FY24 as the EU has halted imports from Russia since H2FY25.

Exhibit 32: Indian CB exports rising



Source: PL, Industry

Exhibit 33: PCBL CB exports increase by 47% in FY24

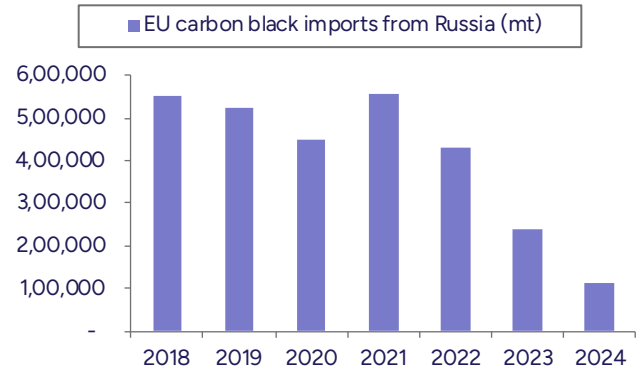


Source: PL, Company

Global supply chain realignment: The EU imposed sanctions on Russia and limited CB imports from Feb'23. Import quota of up to 752,475mt of CB was imposed on Russia, with whole import ban coming into effect from Jul'24.

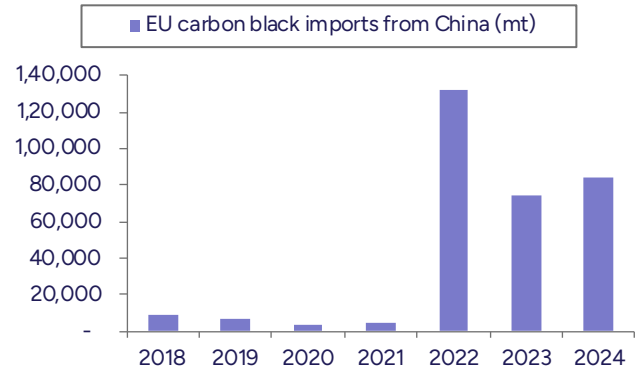
- This has created an opportunity for Indian players to increase exports to Europe and America, leveraging competitive costs and quality.
- As sanctions came into effect, Russian exports to EU declined from ~500,000mtpa in past few years to 114,598mt in 2024, a reduction of almost 80% from the peak.
- China exports to the EU increased significantly in 2022 to 1,32,199mt from 4,398mt in 2021, but started declining in 2023 to 74236mt and 2024 to 84,525mt.
- Indian exports of CB continue to increase from 5,862mt in 2020 to 72,234mt in 2024, at almost 87% CAGR. Exports peaked in Feb'23 when sanctions were placed and since then, have been growing at higher rate. As restrictions on Russia continue, exports are expected to rise further, benefitting PCBL as well as other Indian CB manufacturers.

Exhibit 34: EU CB imports from Russia declining



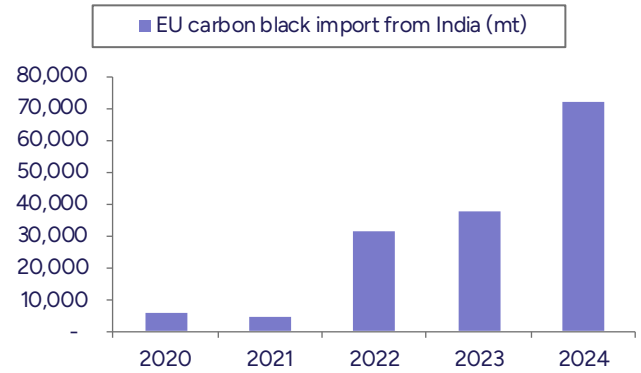
Source: Industry, PL

Exhibit 35: China also benefitting from EU sanctions on Russia



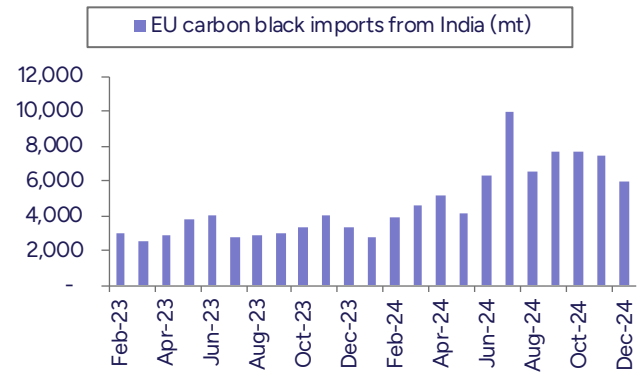
Source: Industry, PL

Exhibit 36: Indian exports to EU on a rising trend



Source: Industry, PL

Exhibit 37: Indian exports to EU spike post sanctions on Russia



Source: Industry, PL

Chinese dominance in global CB market to weaken due to higher coal tar prices

Global CB market was largely dominated by China due to lower production cost, access to abundant raw materials as well huge manufacturing facilities. Chinese companies use coal tar-based feedstock CBO for manufacturing CB, a byproduct of coke production in the steel industry, while Indian companies like PCBL use CBFS, a crude-based feedstock.

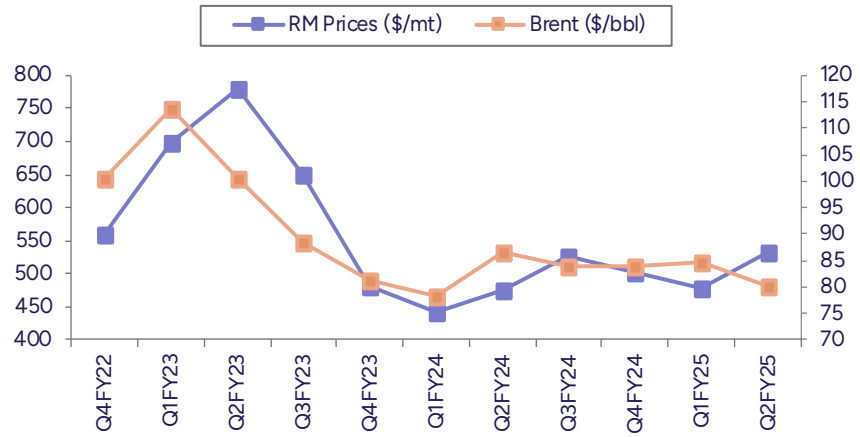
However, China's dominance is being challenged as coal tar prices are rising rapidly due to stricter environmental regulations. Secondly, rising global demand for coal tar in other industries, such as aluminum and steel, has led to an overall tightening of supply.

Average CBO prices USD200/mt higher than CBFS prices

Average CBO prices have been USD200/mt higher than CBFS prices since 2018, giving Indian players a cost advantage over the Chinese.

PCBL's feedstock prices are closely linked with Brent. Prices reached a peak of USD779/mt in Q2FY23, when Brent stood at USD101/bbl, while CBFS prices were lowest at USD441mt in Q1FY24, when crude stood at USD78/bbl.

Exhibit 38: Volatility of RM prices



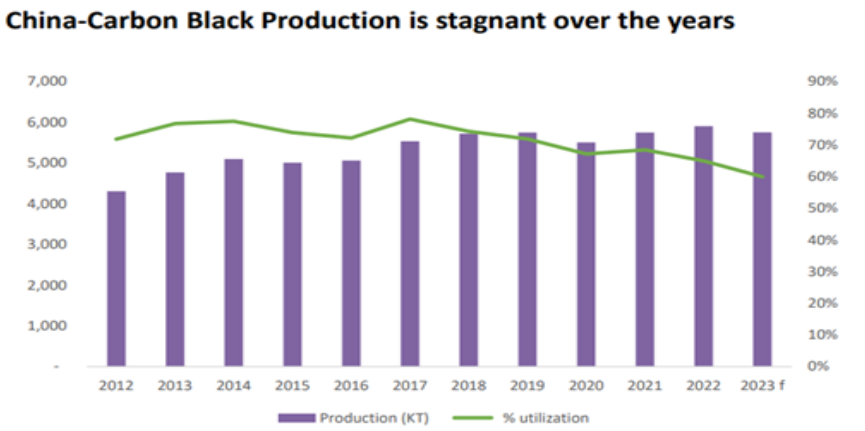
Source: Industry, PL

Challenges in shifting to CBFS from CBO for Chinese manufacturers

Most Chinese CB plants are designed and optimized for processing CBO, but not CBFS. Hence, shifting to CBFS feedstock would require modifications in infrastructure and equipment, which would involve significant capital investment.

Since 2012 due to multiple headwinds, China's CB production has been largely stagnant, which presents a huge opportunity for Indian players.

Exhibit 39: China's CB production stagnant



Source: Company, PL

PCBL CB capacity to reach 1mmtpa+ by FY28/FY29

PCBL started its CB manufacturing journey in 1960 with a modest capacity of 14,000mtpa. Currently, the company has 5 manufacturing facilities with total CB production capacity of 790,000mtpa, making it the largest producer of CB in India. These also include specialty CB manufacturing capacity of 112,000mtpa.

Domestic tire industry is expected to grow rapidly and India has the potential to emerge as a global leader in manufacturing, particularly amid the ongoing search for alternatives to China prompted by geopolitical tensions. PCBL's capex plans are aligned to maximize the benefits of growth opportunities available domestically and globally. It has launched several greenfield and brownfield capex plans to enhance its manufacturing capacity for CB and specialty CB.

- **Greenfield expansion at Chennai:** PCBL recently commissioned a CB manufacturing facility in Chennai with total capacity of 147,000mtpa and 24MW green power generation through its wholly owned subsidiary, PCBL (TN) Limited. This plant is equipped with Industry 4.0 technologies such as AI, ML and data analytics to enhance its operational efficiency and automation. This plant has received approvals from all major tire manufacturers in India and has reach utilization of >85% already. The company further announced brownfield expansion 90,000mtpa at the plant in 2 phases: 30,000mtpa to be commissioned in Q4FY25 and 60,000mtpa by H1FY26.

- **Brownfield expansion at Mundra:** To enhance its specialty CB manufacturing capabilities, the company launched brownfield expansion of 20,000mtpa at Mundra. Recently commercialized, this facility takes total manufacturing capacity of Mundra plant to 40,000mtpa.

- **Further expansion at newly acquired land in Andhra Pradesh (AP):** The company plans to reach total production capacity of 1mmtpa+ by FY28/FY29. The company recently acquired 116acre land at Naidupeta MPSEZ, AP, for its 6th manufacturing unit. This new facility will focus on producing rubber black, performance chemicals and specialty chemicals. 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.

Exhibit 40: PCBL's rubber CB capacity expansion plans until FY27E

Capacity (mtpa)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Durgapur	1,63,500	1,63,500	1,63,500	1,63,500	1,63,500	1,63,500	1,63,500
Kochi	92,500	92,500	92,500	92,500	92,500	92,500	92,500
Palej	70,250	70,250	70,250	70,250	70,250	70,250	70,250
Mundra	2,04,750	2,04,750	2,04,750	2,04,750	2,04,750	2,04,750	2,04,750
Chennai				1,47,000	1,77,000	2,37,000	2,37,000
Total	**5,31,000**	**5,31,000**	**5,31,000**	**6,78,000**	**7,08,000**	**7,68,000**	**7,68,000**

Source: Company, PL

Exhibit 41: PCBL's specialty CB capacity expansion plans until FY27E

Capacity (mtpa)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Palej	72,000	72,000	72,000	72,000	72,000	72,000	72,000
Mundra				20,000	40,000	40,000	40,000
Total	**72,000**	**72,000**	**72,000**	**92,000**	**1,12,000**	**1,12,000**	**1,12,000**

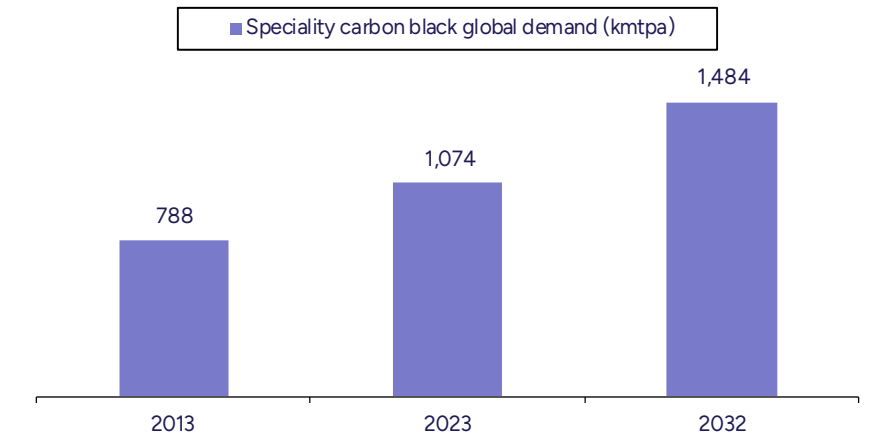
Source: Company, PL

Portfolio mix inching toward high-value products

Specialty CB is increasingly being used in high-end applications such as fibers, pressure pipes, paints, inks, coatings, wire & cables, food contact plastics & engineering plastics. PCBL is India's leading manufacturer of specialty CB and is continuously focusing on enhancing its market presence, elevating its product portfolio by launching new grades of specialty CB. Specialty CB is a high-margin segment and will be key driver in improving the company's margin as revenue mix from the segment keeps increasing.

Global specialty CB market is expected to reach 1,484kmtpa by 2032, from 788kmtpa in 2013 and 1,074kmtpa in 2023.

Exhibit 42: Global specialty CB market to reach 1,484kmt by 2032



Source: Company, PL

PCBL markets its specialty CB portfolio through Royal Black brand, which has 3 sub-brands.

Exhibit 43: PCBL's specialty CB brands

Brand	Application
Bleumina	For engineering and coating grades
Nutone	For inks, paints & coatings, adhesives & sealants
Energia	For conductive polymer, ESD, wires & cables and battery chemicals

Source: Company, PL

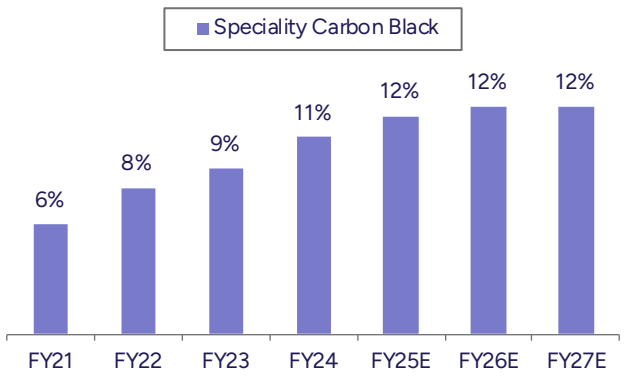
PCBL spent ~Rs130mn in FY24 on R&D to develop new specialty CB grades. Its R&D centers are located at Palej, India, and in Belgium. Over the last 3 years, the company has developed 31 new grades having diverse applications.

PCBL started with 40,000mtpa specialty CB manufacturing facility at Palej. Its total specialty CB capacity currently stands at 1,12,000mtpa, including the recently commercialized 20,000mtpa brownfield expansion at Mundra plant. This plant will cater to growing demand for specialty grades. PCBL's plants meet US FDA requirements for direct/indirect food contact applications like plastics food trays and cutlery.

PCBL has invested in logistics and warehousing infrastructure in high-growth markets like Europe and North America where there is growing demand for specialty products across plastics, coatings and battery industries. The company has 100+ customers across the globe and sells about 2/3rd of specialty grades in the international market.

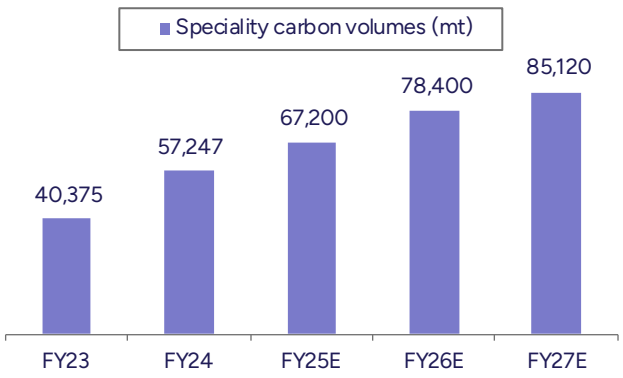
Specialty CB volumes have been continuously increasing for PCBL since the last few years. Growth in specialty CB grade will help the company reduce its dependency on the cyclical tire industry. In Q2FY25, the company made the highest ever specialty grades' sales of 17,127mt. We expect this segment to clock a CAGR of 14% from FY24-27E. The company expects incremental 10,000mt of specialty CB sale each year for the next 3 years. Growth in this segment will also increase export contribution, which currently stands at 30-35% of overall sales.

Exhibit 44: Specialty mix to be 12% in FY27



Source: Company, PL

Exhibit 45: Specialty CB vol to log 14% CAGR from FY24-27E



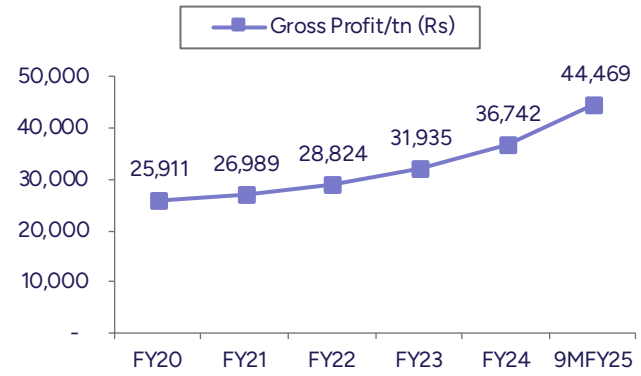
Source: Company, PL

EBITDA/mt of PCBL increased from Rs13,464 in FY21 to Rs20,018 in FY24

Specialty CB mix has improved to 11% of overall sales volume from 6% in FY21. As specialty is a high-margin business, it helped imrpove EBITDA/mt of the company from Rs13,464 in FY21 to Rs20,018 in FY24. As contribution from the segment keeps improving, the management has guided EBITDA/mt to reach Rs25,000 by

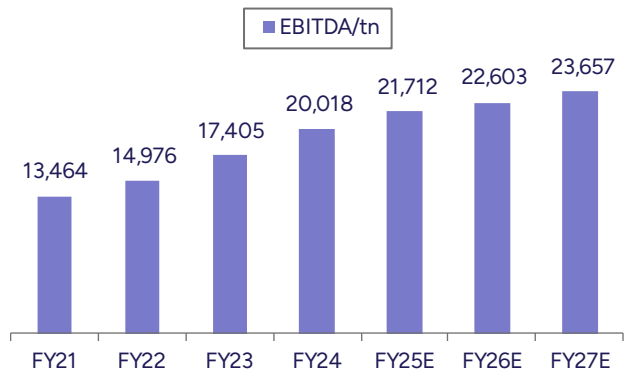
FY29, which will enhance margins of the company, leading to higher bottom line. We expect EBITDA/mt to reach Rs23,657 by FY27. Gross profit per ton has also increased sharply from Rs25,911 in FY21 to Rs44,469 in 9MFY25, as realization from specialty grade CB has been higher as compared to rubber CB.

Exhibit 46: GP/tn reaches Rs44,469 in 9MFY25



Source: PL

Exhibit 47: Up from Rs13,464 in FY21 to Rs20,018 in FY24



Source: PL

Power segment contribution up, led by CB volume growth

PCBL leverages an integrated process to manufacture CB. It uses byproduct of the process, which are tail gases, or off gases, to generate power. Approximately 40% of the power generated is used captively to meet requirements of day-to-day operations, while the remaining is sold externally. For production of 1mt of CB, 300-350kW of power is consumed.

PCBL has a combined power-generating capacity of 122MW, with additional 12MW expansion underway at Tamil Nadu, which is expected to be commissioned by H1FY26.

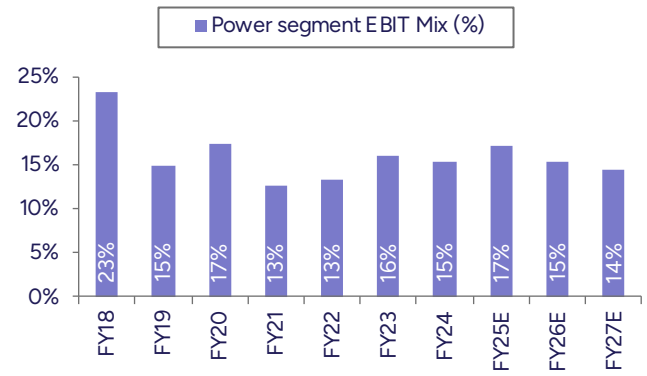
Exhibit 48: Power generation capacity to reach 134MW by FY27

Power Capacity (MW)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Durgapur	30	30	30	30	30	30	30
Kochi	10	10	10	17	17	17	17
Palej	19	19	19	19	19	19	19
Mundra	24	32	32	32	32	32	32
Chennai				24	24	36	36
Total	**83**	**91**	**91**	**122**	**122**	**134**	**134**

Source: Company, PL

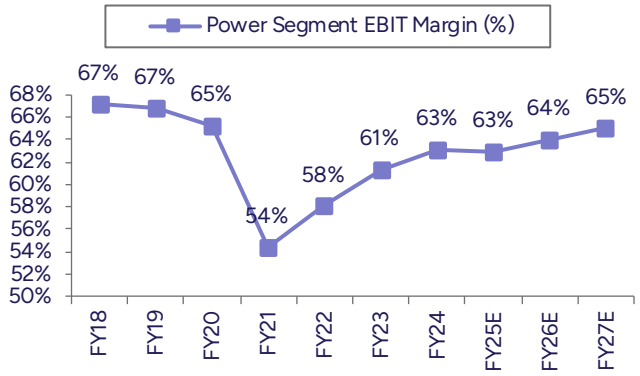
In FY24, the company generated highest power of 671mn units, of which 408mn units were sold externally at a realization of Rs3.98/kWh, generating a revenue of Rs2,570mn. We expect power generation revenue to grow at 10% CAGR from FY24-27E, with external sales at 70% by FY27 of the total power generated, while revenue mix will remain at 3%. EBIT margin of this segment has historically remained above 60%. Thus, we expect EBIT margin to remain within 63-65% over the next 3 years with this segment contributing to 13-14% of overall EBIT.

Exhibit 49: Power segment EBIT mix to hover at 13-14%



Source: Company, PL

Exhibit 50: Power EBIT margin to exceed other segments



Source: Company, PL

Exhibit 51: External sales of power generated to improve going ahead

Power generated	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (Rs mn)	1,673	2,150	2,570	2,906	3,071	3,382
Power generated (mn units)	544	597	671	949	984	1,042
Capacity utilization (%)	*69%*	*76%*	*64%*	*90%*	*85%*	*90%*
Power revenue growth Y-o-Y (%)		*10%*	*12%*	*41%*	*4%*	*6%*
External sale (mn units)	321	366	408	695	700	734
External sale as a % of total power generated	59%	61%	61%	73%	71%	70%
External sales growth Y-o-Y (%)		*14%*	*11%*	*70%*	*1%*	*5%*
Captive power consumption (mn units)	223	231	263	253	284	308
Captive consumption sale as a % of total power generated	*41%*	*39%*	*39%*	*27%*	*29%*	*30%*
Power realization (Rs/kWh)	2.99	3.81	3.98	4.18	4.39	4.61
Power realization growth rate (%)		*27%*	*4%*	*5%*	*5%*	*5%*

Source: Company, PL

Aquapharm is the largest phosphonate producer in India and among the top 3 global producers, excluding China

Strategic acquisition of Aquapharm

On 31 Jan'24, PCBL completed the acquisition of Aquapharm Chemicals Pvt Ltd, a leading specialty chemicals company based out of Pune. *Aquapharm is the largest phosphonate producer in India and is among the top 3 global producers, excluding China*. The company started its operations in 1974 and is a major supplier and manufacturer of phosphonates, polymers, oil field chemicals and biodegradable chelating agents. Aquapharm has production facilities in India, USA and Saudi Arabia, and strong market presence in Europe and the America. Thus, the acquisition will help PCBL to diversify its product offerings.

- PCBL acquired 100% of Aquapharm at an enterprise value of Rs38bn, which is 9x of FY24 EBITDA. The transaction was funded through a mix of debt and internal accruals.
- Aquapharm derives >75% of revenue from export markers, i.e., the USA and Europe, and ~50% from phosphonates. Its key customers include FMCG companies like Procter & Gamble, Unilever, Henkel, and Reckitt & Colman; oil and gas companies like Halliburton and Baker Hughes; and chemical companies like BASF and ION Exchange.

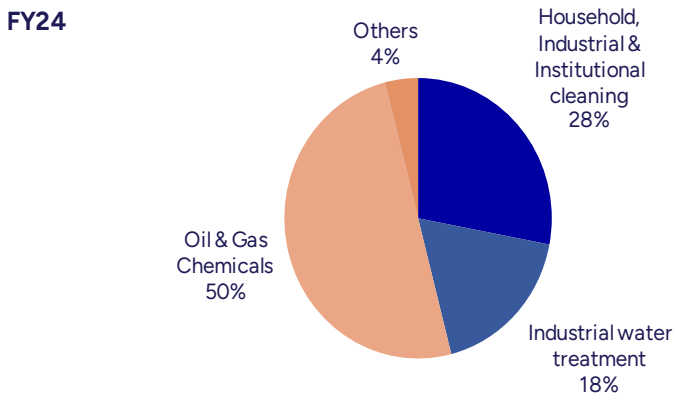
Expanding capacity by 38,000mtpa: Aquapharm has a manufacturing capacity of 130,000mtpa with production facilities in India, USA and Saudi Arabia. Capacity expansion of 38,000mt is underway and is likely to be commissioned by Mar'25. Greenfield and brownfield expansions are planned in Texas to increase specialty phosponate production for the oil and gas industry, production of green chelates to serve the USA market and expand drilling and production related chemicals. Additionally, brownfield expansion is planned at Jeddah to cater to the growing demand from key accounts and serve the Middle East and North Africa.

Exhibit 52: Aquapharm capacity

	Current capacity (mtpa)	Expansion (mtpa)
Mahad and Pirangut (India)	86,000	38,000
Jeddah	10,000	
Texas (USA)	34,000	
Total	**1,30,000**	**1,68,000**

Source: Company, PL

Exhibit 53: Aquapharm's revenue mix as of FY24



Source: Company, PL

Exhibit 54: Product portfolio of Aquapharm

Source: Company, PL

In the phosphonates segment, ex-China, Aquapharm has a market share of 24%

Aquapharm has significant growth opportunities across its product segments. The management expects market conditions to improve by FY26 and feels the company has the potential to expand its presence across the globe. In the phosphonates segment, global market size, excluding China, stands at 300mtpa, where Aquapharm holds a leadership position with a strong market share of 24%. This segment is expected to grow at a CAGR of 4-5%. This segment offers scope for sustained revenue growth, particularly if the company leverages its technological capabilities to innovate and cater to the growing demand for sustainable solutions in water treatment and industrial applications.

In the polymers and green chelates segments, Aquapharm has relatively modest market shares of 2.5% and 1.5%, respectively. However, these markets, globally at 550mtpa and 190mtpa, respectively, provide ample room for Aquapharm to grow. By enhancing its product offerings and expanding its distribution network, Aquapharm can capture a larger portion of the rapidly growing polymers and green chelates markets, with CAGR of 3.5% and 4%, respectively. Strategic collaborations and investments in R&D can help the company meet the increasing demand for environmentally friendly and high-performance solutions in these segments.

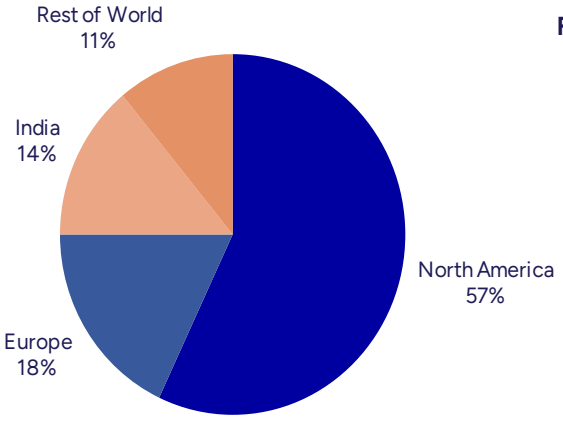
The oil and gas chemicals market, with its massive size of 2,800mtpa, represents an untapped opportunity for Aquapharm, where its market share is currently less than 1%. With a CAGR of 3%, this segment offers significant potential for Aquapharm to diversify its portfolio and enter new markets.

Exhibit 55: Large untapped opportunity for Aquapharm

Product groups	Global market size (mtpa)	Aquapharm market share	CAGR
Phosphonates	300 (ex-China)	24% (ex-China)	4-5%
Polymers	550	2.50%	3.50%
Oil and gas chemicals	2,800	<1%	3%
Green chelates	190	1.50%	4%

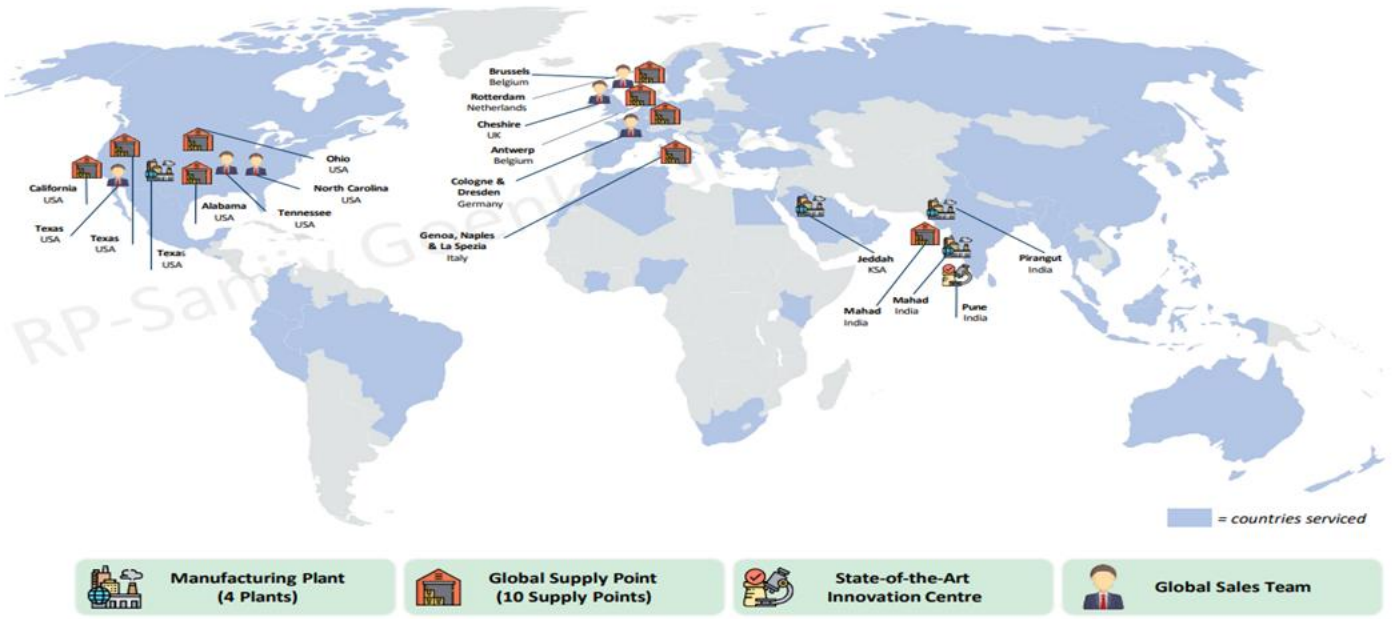
Source: Company, PL

Exhibit 56: Aquapharm's geographical revenue mix as of FY24



Source: Company, PL

Exhibit 57: Aquapharm – Global presence

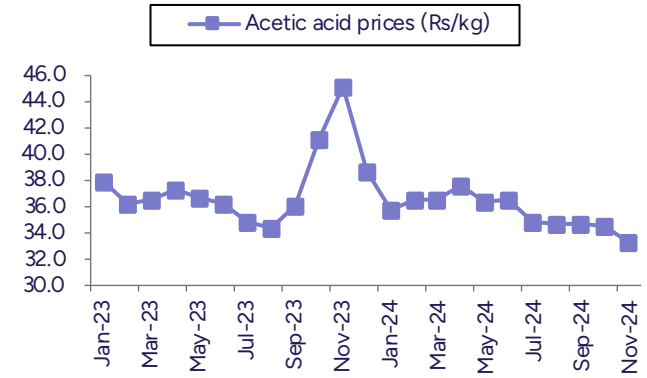


Source: Company, PL

Yellow phosphorus, chlorine, and acetic acid are the key raw materials. Yellow phosphorus is majorly imported. The company operates on a pass-through pricing model, meaning fluctuations in raw material costs are passed on to customers.

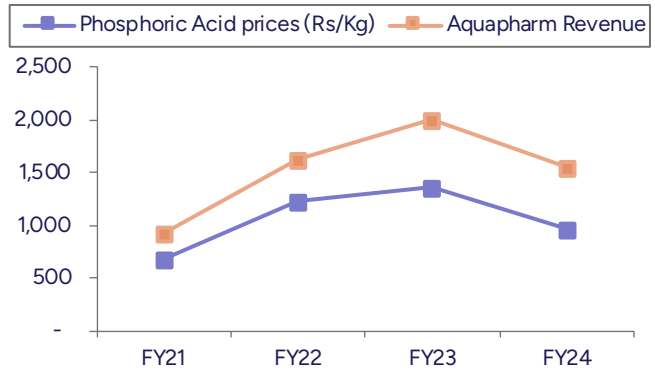
In FY22 and FY23, Aquapharm experienced significant growth in both topline and margins. The company passed on higher raw material costs, leading to increased revenue while also expanding margins. Major portion of its revenue comes from phosphonates, which is derived from phosphoric acid. Exhibit 58 shows the correlation of Aquapharm's topline with phosphoric acid prices. Higher raw material prices have a favorable impact on profitability due to Aquapharm's pricing strategy.

Exhibit 58: Acetic acid prices at Rs32/kg



Source: Industry, PL

Exhibit 59: Topline correlates with phosphoric acid prices



Source: Industry, Company, PL

Green chelates to drive future growth

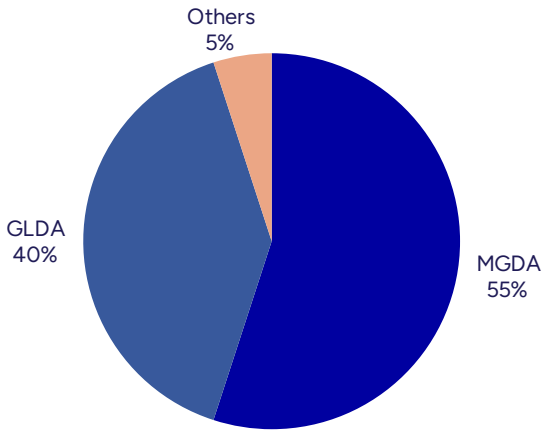
- Though Aquapharm is more focused on phosphates currently, going forward, the management plans to focus on green chelates and polymers applications for water treatment and detergents. Green chelates and polymers are green products from the point of view of sustainability.

What are green chelates?

Green chelates are powerful biodegradable agents derived from sustainable raw material chelating agent. They are derived from caustic soda, monosodium glutamate, and monochloroacetic acid. These chelates improve detergency by complexing hard water ions in household and industrial cleaning applications. They are used for controlling water hardness, surface cleaning, descaling boilers, processing textiles, and preventing scale formation and dirt dispersion and are safe for humans and environment. They also have applications in the paper and pulp industry.

There is growing demand for substitution of older chelating agent like STPP in the USA, Europe, China and India. North America and the EU together consume 80% of green chelates, a trend that is expected to continue for the next 5 years. The company is already making MGDA and GLDA liquid and is now working on MGDA granules to add to its green chelates product portfolio.

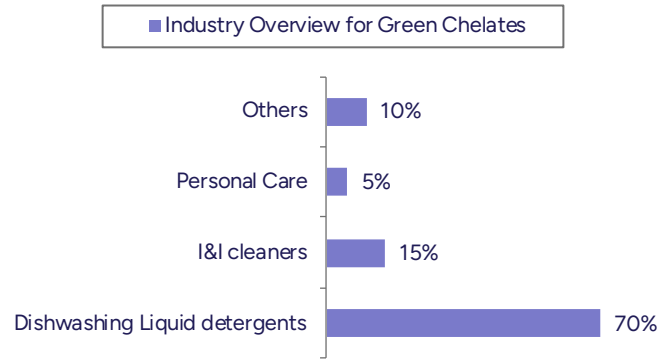
Exhibit 60: Green chelates – Industry overview



Source: Company, PL

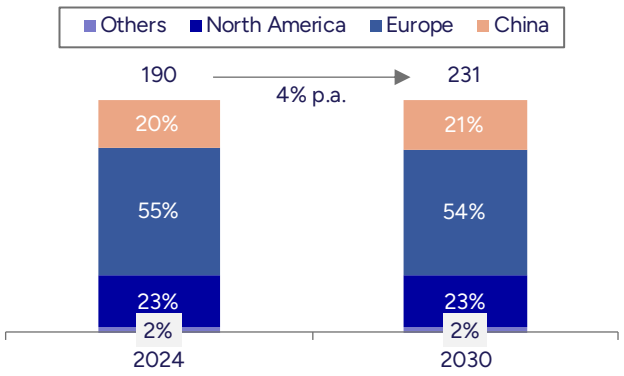
Green chelates industry has a global market size of 190,000mtpa, and is expected to grow at a CAGR of 4%. Aquapharm's market share by capacity stands at 1.5%. The management believes there is huge growth potential here and plans to make significant investments to capture the global market share in this product segment. Some of the major green chelates manufacturers include Actylis, BASF, Evonik Personal Care, Nippon Shokubai and Nouryon.

Exhibit 61: Green chelates market to be driven by detergents



Source: Company, PL

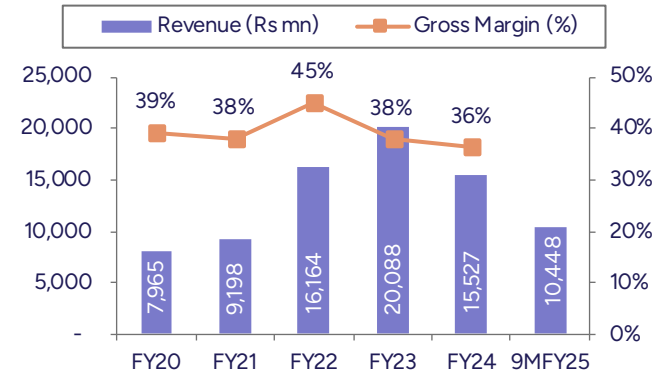
Exhibit 62: Green chelates to grow at 4% CAGR



Source: Company, PL

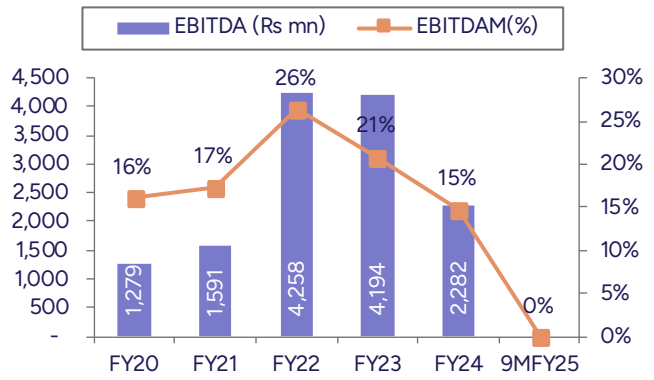
Aquapharm - Story in Charts

Exhibit 63: Topline decreases in FY24 due to lower realizations



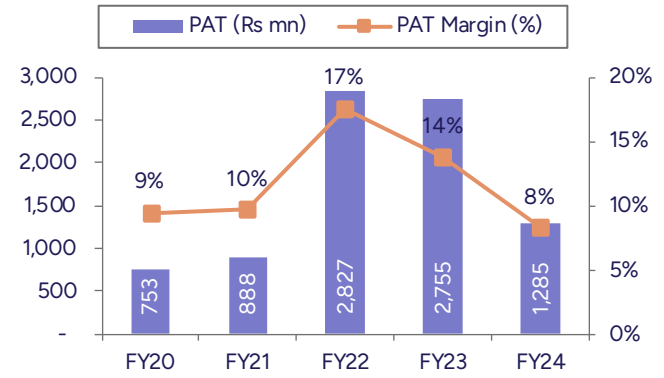
Source: Industry, PL

Exhibit 64: EBITDAM at 15% for 9MFY25



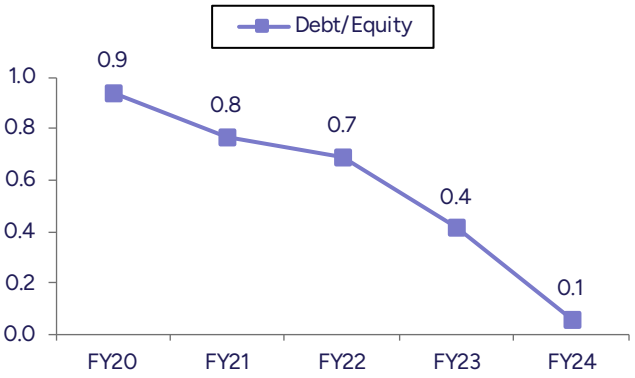
Source: Industry, PL

Exhibit 65: PAT margin reduces to 8% in FY24



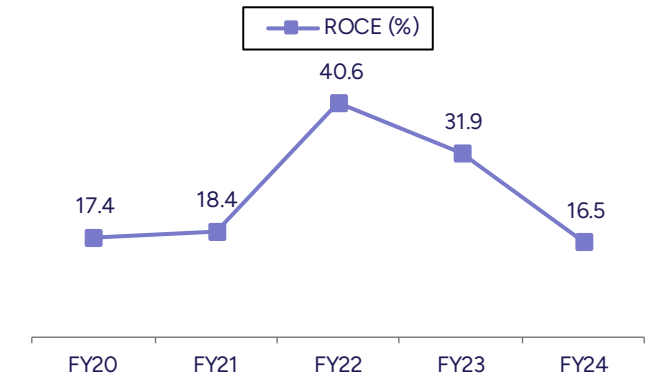
Source: Industry, PL

Exhibit 66: Net debt free company during acquisition in Jan'24



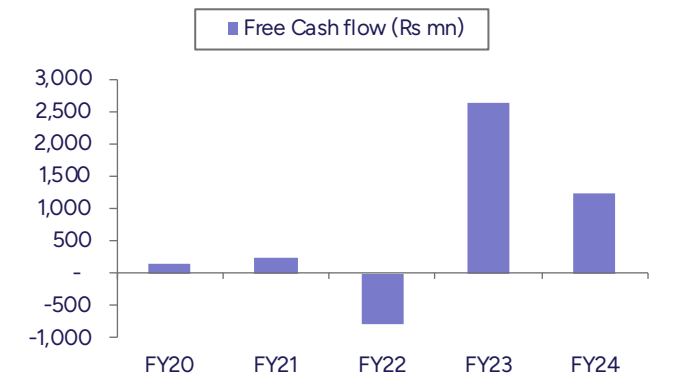
Source: Industry, PL

Exhibit 67: Return ratio decreases in FY24



Source: Industry, PL

Exhibit 68: Positive free cash flow in FY23 and FY24



Source: Industry, PL

Battery chemicals is expected to be high margin business with ~50% EBITDAM

Foray into EV battery chemicals manufacturing

PCBL and Kinaltek, a Sydney-based company, executed a JV agreement on 16th Mar'24 to form Nanovace Technologies Limited. This JV will develop nano silicon additives to be used in the anode of lithium-ion batteries. PCBL will own 51% of the JV and Kinaltek will hold 49%. PCBL will invest USD44mn in the JV company toward capital expenditures and commercialization of the technology over the next 1.5-2 years.

Nanovace has developed a patented proprietary technology for direct production of metallic alloys and compounds, including nano silicon, all starting from silicon powder and having applications in lithium-ion battery. This technology converts silicon powder into battery-grade silicon without the need for specialist materials or costly processes.

Conventionally, anodes were made from graphite, and graphite has limited absorption capacity. Nanovace will produce silicon-based additives, which when mixed with graphite in anode, will increase its ion absorption power, increase battery capacity and reduce charging time. Silicon is one of the most abundantly available materials on Earth, and therefore, can be procured at a cheap rate. Further, PCBL expects to achieve cost efficiency as the process is not power intensive.

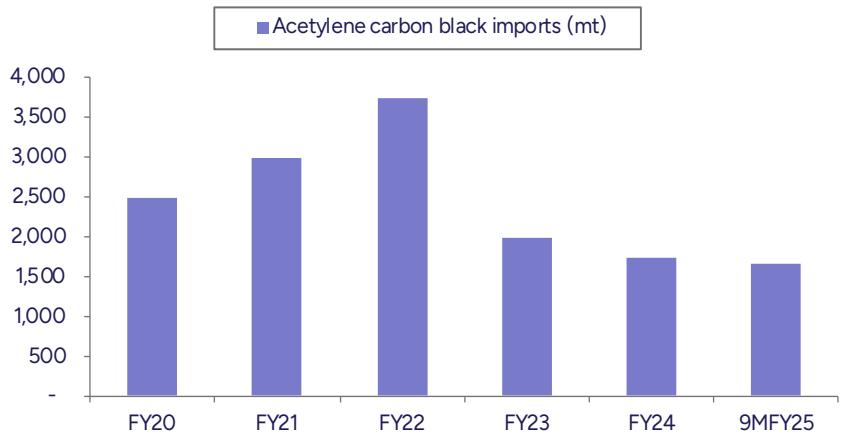
- The silicon additives market stands at ~15,000mtpa with a handful of producers globally and is growing at a high rate. None of the global producers has sizable production capacity in nano silicon, and thus, there is significant room for growth.
- Nanovace will come up with a pilot plant in the next 6-7 months at Palej. Post that, Phase 1 with a capacity of 2,000mtpa will be set up by FY27, at a capex of ~Rs2.5bn. The company expects this segment to contribute Rs20bn to topline by 2029 and to be a high-margin business with EBITDAM of ~50%. Currently, nano silicon additives are very expensive globally, sold at USD300/kg. With significant advancements underway in this segment, the company expects an average realization of USD100/kg.
- Once the initial plant reaches its optimal capacity, PCBL will come up with another 2,000mtpa plant at Palej; this will take total capex to Rs4.5-5bn for the segment.

Setting up India's 1st acetylene black plant

The company has signed a technology transfer agreement with Ningxia Jinhua Chemical Co, a Chinese company, to produce acetylene black in India. PCBL plans to set up the 1st acetylene black plant in India. Margin profile for acetylene black will be similar to specialty CB.

We believe this plant will cater to majorly import substitution along with global demand as India imported 1,726mt of acetylene black in FY24, and has already imported 1,656mt in 9MFY25. Imports are expected to rise with demand for acetylene black, which is a high-end conductive grade chemical with applications in high-voltage power cable, Li-ion batteries, EV charging, semiconductor packaging and conductive plastics, paints and coating applications.

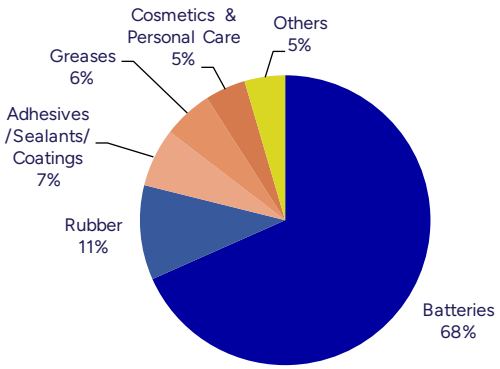
Exhibit 69: Acetylene black imports at 1,656mt for 9MFY25



Source: Industry, PL

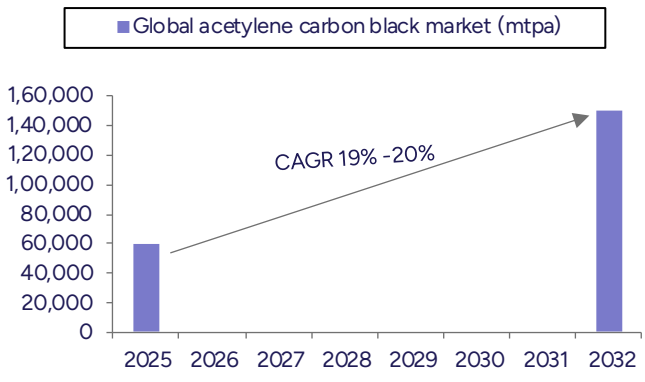
Increasing adoption of EVs has been a key driver of acetylene carbon demand as it is used in producing lithium-ion batteries. Acetylene black is used as a conductive additive in the anode material to improve conductivity. The global acetylene black market size, currently at 60,000mtpa, is expected to grow at a CAGR of 19%-20% to reach 150,000mtpa by 2030.

Exhibit 70: Global acetylene market share by application in 2024



Source: Industry, PL

Exhibit 71: Global acetylene black market to clock 20% CAGR



Source: Industry, PL

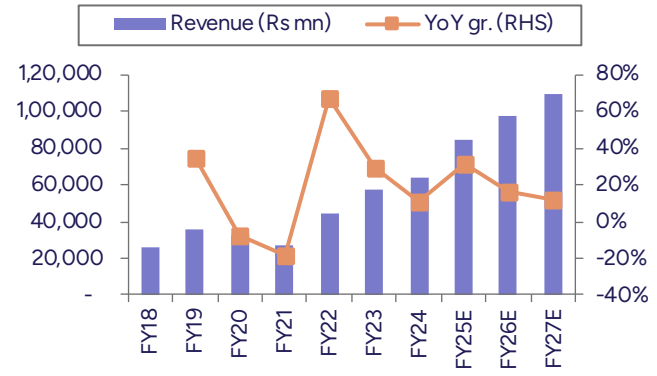
Financials & Valuations

Revenue to clock 19% CAGR over FY24-27E

The company posted revenue CAGR of 19% over FY20-FY24. We expect a revenue CAGR of 19% over FY24-FY27E, driven by 9% CAGR in CB volume, and Aquapharm revenue CAGR of 21% over FY25-FY27E, as the company penetrates new markets and overall demand recovers. We expect the battery chemicals segment to start contributing only in FY28.

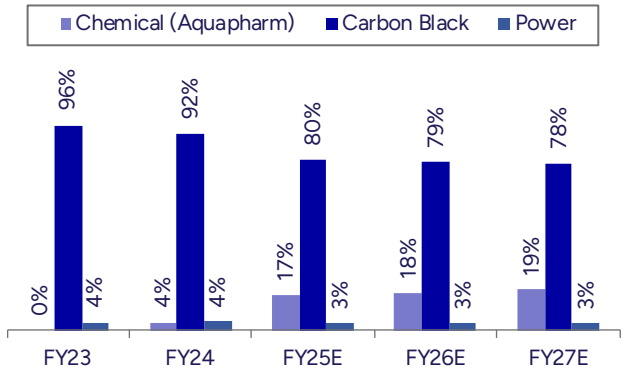
The next leg of volume growth will be driven by the brownfield expansion at the Chennai facility, recently inaugurated specialty line at Mundra and planned greenfield facility at Andhra Pradesh. With other Indian CB players adding capacity at a slower pace, PCBL is at an advantage and has potential to increase its market share. The company also plans to add additional capacity in Aquapharm over the next 5 years. The battery chemicals segment is expected to contribute Rs20bn to topline by 2029.

Exhibit 72: Revenue to clock 19% CAGR over FY24-27E



Source: Company, PL

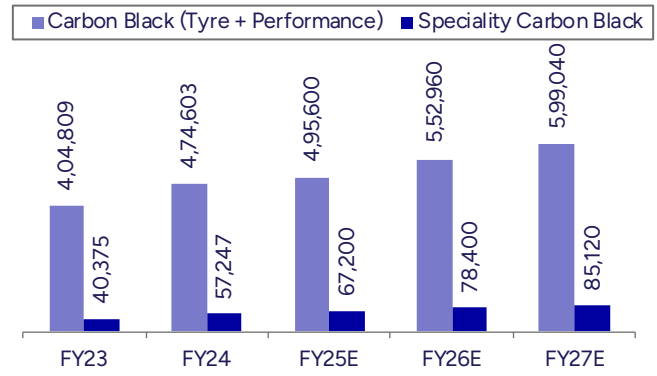
Exhibit 73: Revenue mix from CB to reduce to 78% by FY27



Source: Company, PL

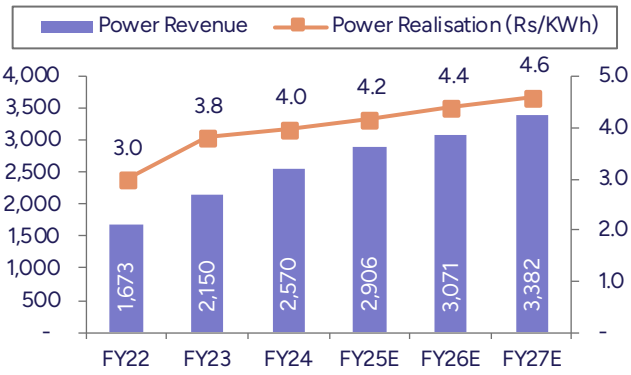
Diversification in PCBL's revenue streams: CB will continue to drive PCBL revenue, though its share is expected to decline from 96% in FY23 to 78% by FY27E. Conversely, Aquapharm is projected to grow significantly, reaching 19%. The power segment is expected to maintain a steady 3% contribution over the years.

Exhibit 74: Specialty volumes estimated at 14% CAGR over FY24-27E



Source: Company, PL

Exhibit 75: Power revenue to clock 10% CAGR over FY24-FY27E

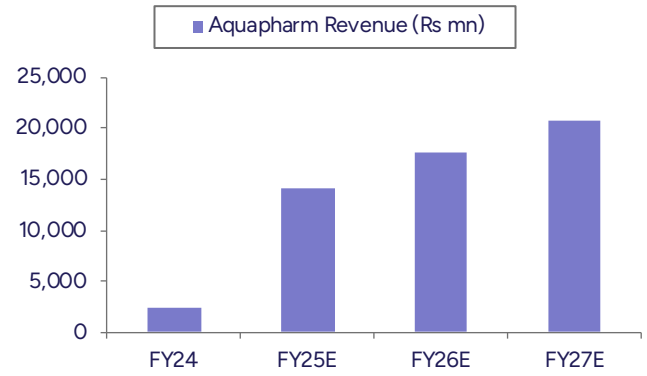


Source: Company, PL

CB volumes are expected to show consistent growth, from 404,809mtpa in FY23 to 599,040mtpa in FY27E. Specialty CB volumes are expected to exhibit robust growth, from 40,375mt to 85,120mt in FY27E. This will improve the margin profile and EBITDA/mt.

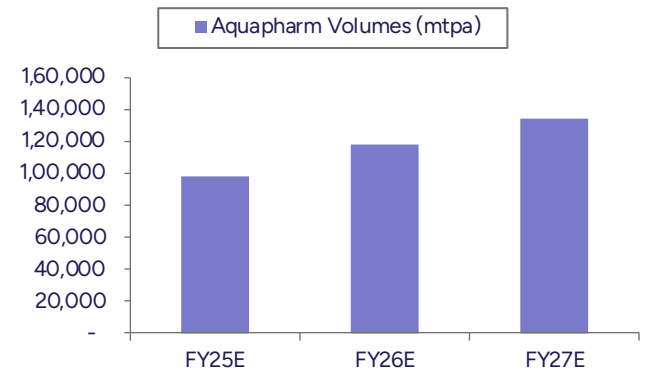
Increasing CB volumes will boost revenue from the power segment as the amount of tail gas produced increases. We expect revenue from the segment to grow at 10% CAGR from FY24-27E and power realization to clock 5% CAGR.

Exhibit 76: Aquapharm revenue to clock 21% CAGR in FY25E-27E



Source: Company, PL

Exhibit 77: Aquapharm volumes to clock 17% CAGR in FY25E-27E



Source: Company, PL

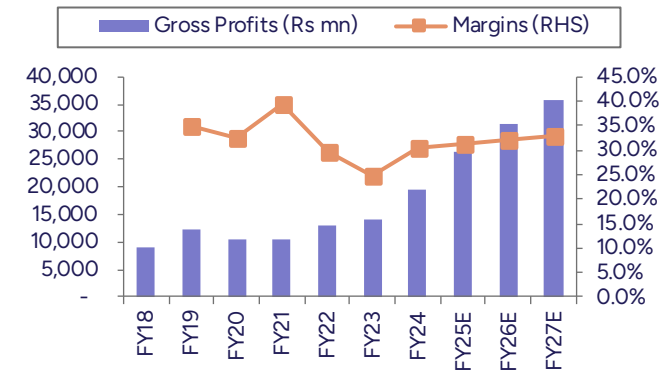
In FY24, Aquapharm revenue contribution was only for 2 months as the business was acquired in Jan'24. Revenue growth will be lower in FY25E due to lower demand; however, we expect it to grow steadily in FY26E and FY27E, surpassing the Rs20bn mark in FY27 in line with historical performance of Aquapharm. We expect volumes to reach 134,400mtpa by FY27 at a CAGR of 17% in FY25-27E.

PAT CAGR to reach 20% over FY24-27E

PCBL EBITDA/mt for the CB business increased from Rs13,464 in FY21 to Rs20,018 in FY24, as raw material prices remained stable and specialty mix in overall volumes increased from 6% to 11%. As product mix shifts toward higher value products, we expect EBITDA/mt to reach Rs21,712 in FY25 and Rs23,657 by FY27E, led by realization increase, product mix change as well as CB demand growth. We also expect blended realization/kg for Aquapharm business to be at Rs154 in FY27, with volumes clocking 17% CAGR over FY24-FY27.

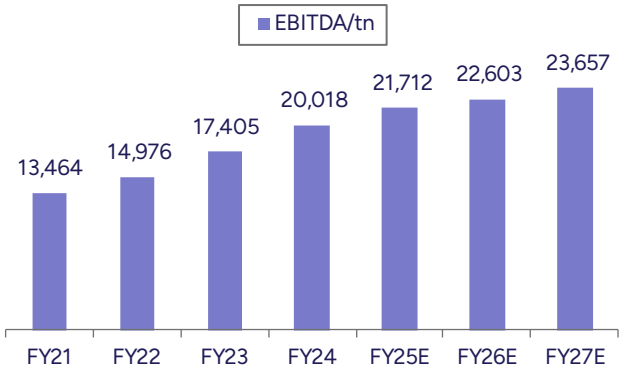
Gross margin of the company mainly depends on crude prices as the feedstock of CB segment is derived from crude. FY20-24 gross margin averaged at 31.3%. We expect this to reach 32.9% by FY27.

Exhibit 78: Gross margin to reach 33% by FY27E



Source: Company, PL

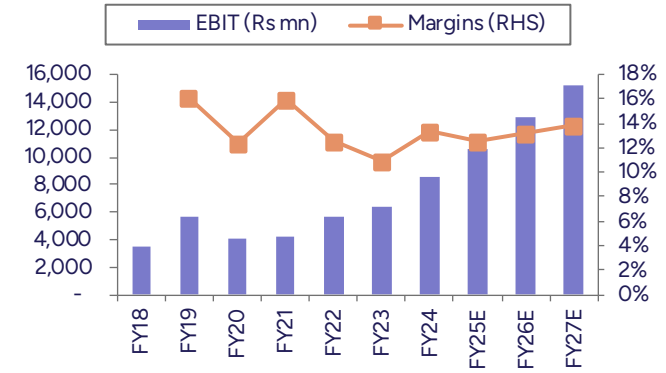
Exhibit 79: EBITDA/mt for CB to reach Rs23,657 as product mix changes



Source: Company, PL

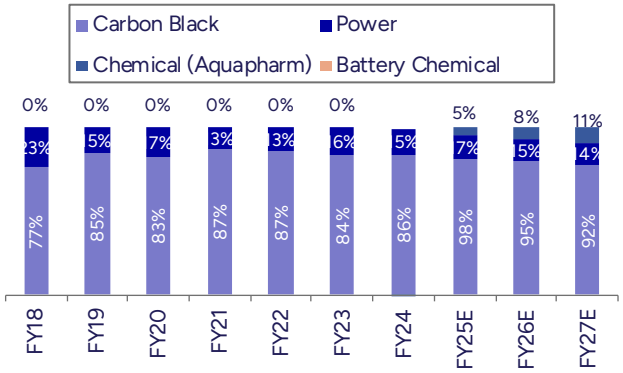
CB segment's EBIT margin averaged 15%, with absolute EBIT CAGR of 23% over FY21-24. This segment has the largest EBIT mix, at 86% in FY24. We expect EBIT to clock 15% CAGR over FY24-27E with EBIT margin expanding to 16.4% by FY27. Power segment has the highest margin with average EBIT margin at 59% and absolute EBIT CAGR of 32%. This segment had an EBIT mix of 15% in FY24. We expect EBIT to log 11% CAGR over FY24-27E with EBIT margin for the segment expanding to 65% by FY27. However, Aquapharm's chemicals business has seen significant tailwinds since its acquisition due to lower demand and realization across the phosphonates industry. EBIT margin for FY24, which included 2 months of performance, stood at -3%. We expect this to expand going ahead and reach 8% by FY27 as demand for the overall industry improves.

Exhibit 80: EBIT margin to expand to 14% in FY27E



Source: Company, PL

Exhibit 81: Aquapharm EBIT mix to reach 11% by FY27E



Source: Company, PL

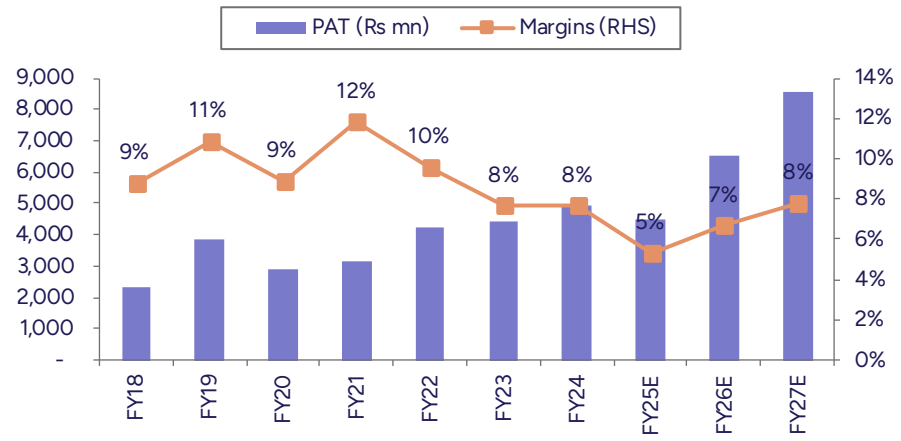
Exhibit 82: Segmental EBIT for PCBL

Segmental EBIT	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
CB	3,248	6,190	4,678	4,946	6,321	6,939	9,095	10,420	12,271	13,985
CB EBIT margin (%)	12.9%	18.0%	14.8%	19.1%	14.5%	12.3%	15.1%	15.5%	15.9%	16.4%
CB EBIT growth Y-o-Y (%)		91%	-24%	6%	28%	10%	31%	15%	18%	14%
Power	983	1,089	991	711	972	1,320	1,623	1,831	1,966	2,199
Power EBIT margin (%)	67%	67%	65%	54%	58%	61%	63%	63%	64%	65%
Power EBIT growth Y-o-Y (%)		11%	-9%	-28%	37%	36%	23%	13%	7%	12%
Chemical	0	0	0	0	0	0	-82	566	1,054	1,654
Chemical EBIT margin (%)							-3%	4%	6%	8%
Chemical EBIT growth Y-o-Y (%)									86%	57%
Total:	**4,230**	**7,279**	**5,669**	**5,657**	**7,292**	**8,258**	**10,636**	**10,616**	**12,890**	**15,238**
Less: Finance Cost	414	368	459	339	291	534	1,808	4,636	4,208	3,846
Less: Unallocated Exp	780	1,582	1,662	1,398	1,686	1,907	2,065	2,200	2,400	2,600
Total EBT	**3,036**	**5,329**	**3,548**	**3,920**	**5,316**	**5,817**	**6,763**	**5,980**	**8,683**	**11,391**

Source: Company, PL

Consolidated PAT stood at Rs4,913mn, up 11% YoY, reflecting a PAT margin of 8% in FY24. The company reported PAT CAGR of 16% over FY21-24. However, PAT margin contracted by 400bps due to increased finance cost and tax rate. We expect PAT to grow at 20% CAGR over FY24-27E and margins to reach 8% by FY27.

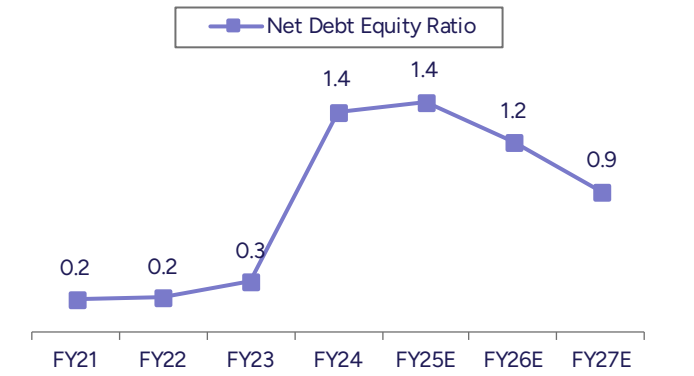
Exhibit 83: PAT margin to reach 8% by FY27E



Source: Company, PL

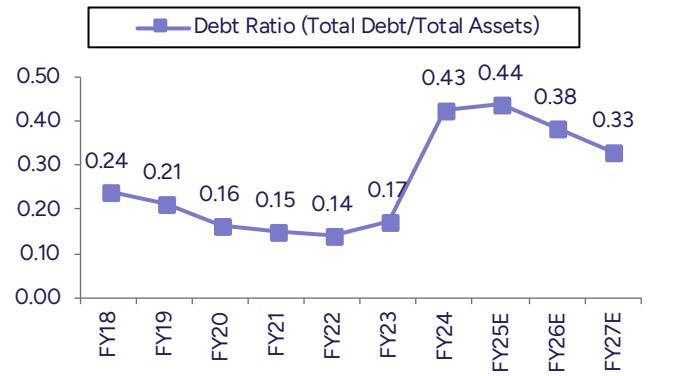
Debt level to reduce to Rs4.3bn by FY27: As of FY23, the company had Rs9.4bn of debt on its books. The debt shot up to Rs48bn in FY24 on account of Aquapharm acquisition. With a high interest rate, interest expense increased in FY25. The company plans to repay the debt with cash flow generated. As of H1FY25, the company has a gross debt of Rs47.5bn and cash of Rs2.6bn on books, with net debt standing at Rs45bn. The company is currently in the growth phase and is expected to incur a capex of Rs11bn in FY25-27. Debt level stands at Rs4.7bn, which we expect to reduce to Rs4.3bn by FY27, as upcoming capex requirements can be funded through internal accruals. Net debt-to-equity stood at 1.4x in FY24 and is expected to reduce to 0.9x by FY27E.

Exhibit 84: Net-debt-to-equity to reach 0.9x by FY27E



Source: Company, PL

Exhibit 85: Debt ratio to reach 0.3 by FY27E



Source: Company, PL

Orion's higher EBITDA/mt, indicates a bright future for PCBL

Orion is the top manufacturer of specialty CB and stands 3rd in rubber CB globally, while PCBL is the 7th largest manufacturer of CB. We consider Orion as the closest global peer of PCBL.

PCBL has lower specialty volume mix, but its EBITDAM is similar to Orion. However, Orion's EBITDA/mt is significantly higher than PCBL's. PCBL expects 10,000mtpa of incremental specialty volumes over each of the next 5 years. As the share of specialty increases, we expect EBITDA/mt to improve further. Orion has a higher utilization rate of 78% as against PCBL's 69%. Orion's annual sales volume stood at 934,800mtpa in CY24, far exceeding PCBL's 531,850mtpa in FY24. Further, PCBL has been adding huge capacity over the past 3 years. We expect utilization to rise further once the ramp-up of new facilities is completed. PCBL's focus on specialty grade CB and improving operational efficiency and utilization will significantly improve its performance in the next 2-3 years.

Exhibit 86: PCBL EBITDAM almost equal to Orion's

PCBL	FY21	FY22	FY23	FY24
Total Capacity (mtpa)	6,03,000	6,03,000	6,03,000	7,70,000
Annual Sales Volume (mtpa)	3,89,261	4,55,389	4,45,184	5,31,850
Utilization	65%	76%	74%	69%
Revenue (Rs mn)	25,923	43,534	56,318	60,128
Adjusted EBITDA	5,258	6,820	7,748	10,647
EBITDAM	20%	16%	14%	18%
EBITDA/t (Rs)	13,508	14,976	17,405	20,018
EBITDA/t ($)	183	188	210	239
Carbon black mix	94%	92%	91%	89%
Specialty carbon black mix	6%	8%	9%	11%

Source: Company, PL

Exhibit 87: Orion's EBITDA/t higher than that of PCBL

ORION	CY21	CY22	CY23	CY24
Total Capacity (mtpa)	12,00,000	12,00,000	12,00,000	12,00,000
Annual Sales Volume (mtpa)	9,64,000	963000	932000	934800
Utilization	80%	80%	78%	78%
Revenue ($ mn)	1,547	2,031	1,894	1,878
Adjusted EBITDA	268	312	332	302
EBITDAM	17%	15%	18%	16%
EBITDA/t ($)	278	324	356	323
Carbon black mix	73%	77%	76%	NA
Specialty Carbon black mix	27%	23%	24%	NA

Source: Industry, PL

Key Risks

- **Dependence on tire and auto industries**: There is a significant concentration risk as a substantial percentage of the business is dependent on the global/domestic automotive industry. Any systemic risk to the auto sector could impact CB offtake significantly.
- **Raw material price volatility:** Fluctuations in crude prices directly or indirectly impact the cost of the raw material, CBFS. Also, the company imports a significant portion of its raw materials, thus exposing it to forex risks.
- **CB manufacturing leads to air pollution**: Changes in environmental norms may impact production.

Outlook and Valuation

PCBL has a strong track record of financial performance with 34% revenue and 26% EBITDA CAGR from FY21-24. Gross profit/mt and EBITDA/mt have also increased at 36% and 48%, respectively. The company has successfully transitioned from a commodity player to a specialty chemicals company. The strategic acquisition of Aquapharm strengthens its position in the specialty chemicals segment. Capacity additions in the specialty grade CB have enhanced its product offerings and market presence. Furthermore, ongoing capacity additions in its core CB and power businesses position PCBL for sustained growth and operational excellence, driving growth in the long term.

Going ahead, we expect the company to clock revenue/EBITDA/PAT CAGR of 19%/22%/20% over FY24-27E. The stock is currently trading at a P/E multiple of 19x FY27 EPS. We value the stock on forward multiple of 24x FY27 EPS with target price of Rs543 led by robust CB demand, specialty product penetration, and increasing exports. Its focus on reducing debt, improving margins, and expanding global presence underscores its commitment to sustainable growth.

PCBL trades at a valuation of 19x FY27 compared to peers at 35x average. We believe, with it's the diversification of business segments and product offerings, PCBL has the potential to trade at a premium valuation.

Exhibit 88: Peers' valuation table

Company	Price (Rs)	MCap (Rs mn)	Revenues (Rs m)			PAT (Rs m)			RoE (%)			P/E (x)			EV/EBITDA (x)		
			'25E	'26E	'27E	'25E	'26E	'27E	'25E	'26E	'27E	'25E	'26E	'27E	'25E	'26E	'27E
PCBL Chemical Ltd	423	1,59,690	84,437	97,821	1,09,375	4,913	4,485	6,512	13.3	17.5	20.1	36.0	25.0	19.0	15.0	13.0	11.0
Himadri Speciality Chemical Ltd	442	2,17,980	48,243	58,421	71,642	6,252	6,252	8,450	18.7	18.4	17.8	34.8	29.6	25.7	25.0	21.7	18.5
Balkrishna Industries	2,610	5,04,530	1,04,795	1,17,352	1,30,964	16,896	19,686	22,523	17.5	17.7	17.7	29.8	25.8	22.4	19.6	17.0	14.9
Aarti Industries	407	1,47,425	71,859	80,449	91,858	3,033	4,745	6,471	5.5	8.0	10.0	48.7	31.1	22.8	19.9	14.8	12.3
Clean Science and Technology	1,237	1,31,431	9,447	11,411	12,671	2,578	3,309	3,716	19.8	21.6	20.5	51.0	39.7	35.4	34.7	27.6	24.0
Deepak Nitrite	2,058	2,80,684	81,637	91,157	99,940	6,393	8,277	9,548	12.6	14.5	14.7	43.9	33.9	29.4	28.1	22.1	19.3
Fine Organic Industries	3,968	1,21,671	22,503	24,641	26,982	4,259	4,876	5,226	20.1	19.2	17.4	28.6	25.0	23.3	20.6	17.4	15.5
Gujarat Fluorochemicals	3,938	4,32,639	47,544	52,866	59,571	5,099	6,059	7,008	8.3	9.0	9.6	84.8	71.4	61.7	37.8	32.9	28.8
Jubilant Ingrevia	693	1,09,486	42,121	45,748	48,673	2,487	2,796	2,909	8.6	8.9	8.6	44.1	39.2	37.7	22.7	20.1	18.7
Laxmi Organic Industries	185	51,121	30,524	34,336	37,126	1,283	1,692	1,947	7.0	8.8	9.4	39.9	30.2	26.3	17.1	13.7	12.1
Navin Fluorine International	4,247	2,10,424	22,716	28,019	33,089	2,821	3,518	4,291	11.3	12.8	14.1	74.6	59.8	49.0	44.9	36.2	30.6
NOCIL	191	31,843	13,999	15,136	16,755	977	1,140	1,286	5.8	6.7	7.2	32.6	27.9	24.7	21.3	16.1	14.1
SRF	3,024	8,96,481	1,39,732	1,54,477	1,69,847	10,167	12,525	15,961	8.5	9.7	11.3	88.2	71.6	56.2	39.1	33.8	28.1
Vinati Organics	1,602	1,66,120	22,412	25,496	28,062	3,995	4,477	4,889	15.3	15.2	14.8	41.6	37.1	34.0	29.3	25.7	23.3

Source: Company, PL

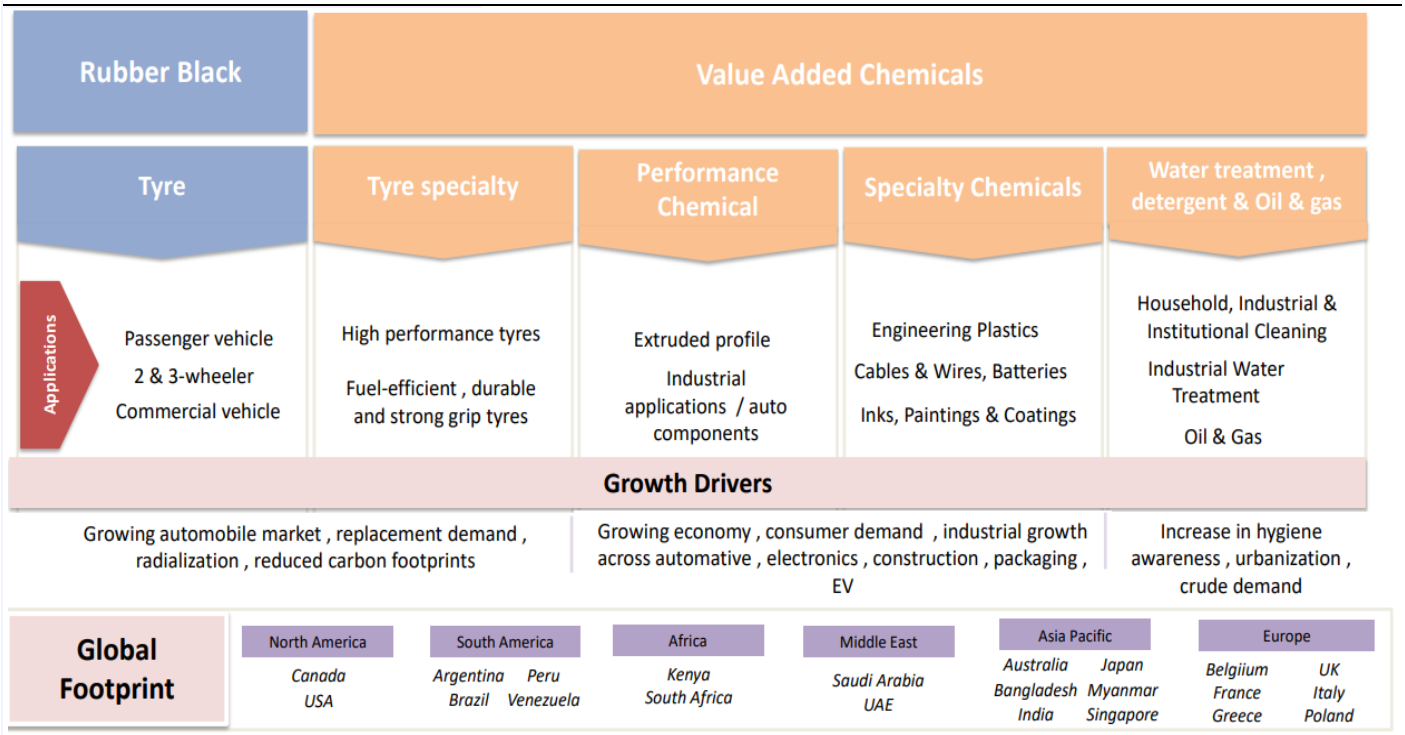
Annexure:

Company Overview

Established in 1960, PCBL Limited is part of the RP-Sanjiv Goenka Group. The group is a leading Indian conglomerate with assets totaling Rs606bn and revenue of Rs36.5bn. Its business segments are spread across 8 diverse industries.

Product portfolio: PCBL offers a wide range of CB grades used in tires, industrial rubber products, and conveyor belts catering to the requirements of domestic and global customers. The company also produces high-performance-grade CB for niche applications in plastics, coatings, and inks, offering enhanced color, UV protection, and durability. Through the acquisition of Aquapharm Chemicals, PCBL has diversified into specialty chemicals, including water treatment chemicals and performance additives, broadening its market reach. PCBL also offers tailored solutions for customers' unique requirements across industries and will also be leveraging Aquapharm's expertise to tap into the specialty chemicals space. Additionally, PCBL generates power for captive use as well as external sale using tail gas, which is a byproduct of CB production. PCBL is also entering into battery chemicals segment, which will start contributing to the topline from FY28. Recently, PCBL signed a technology transfer agreement with Ningxia Jinhua Chemical Co, a Chinese company, to produce acetylene black in India.

Exhibit 89: PCBL – Comprehensive product portfolio



Source: Company, PL

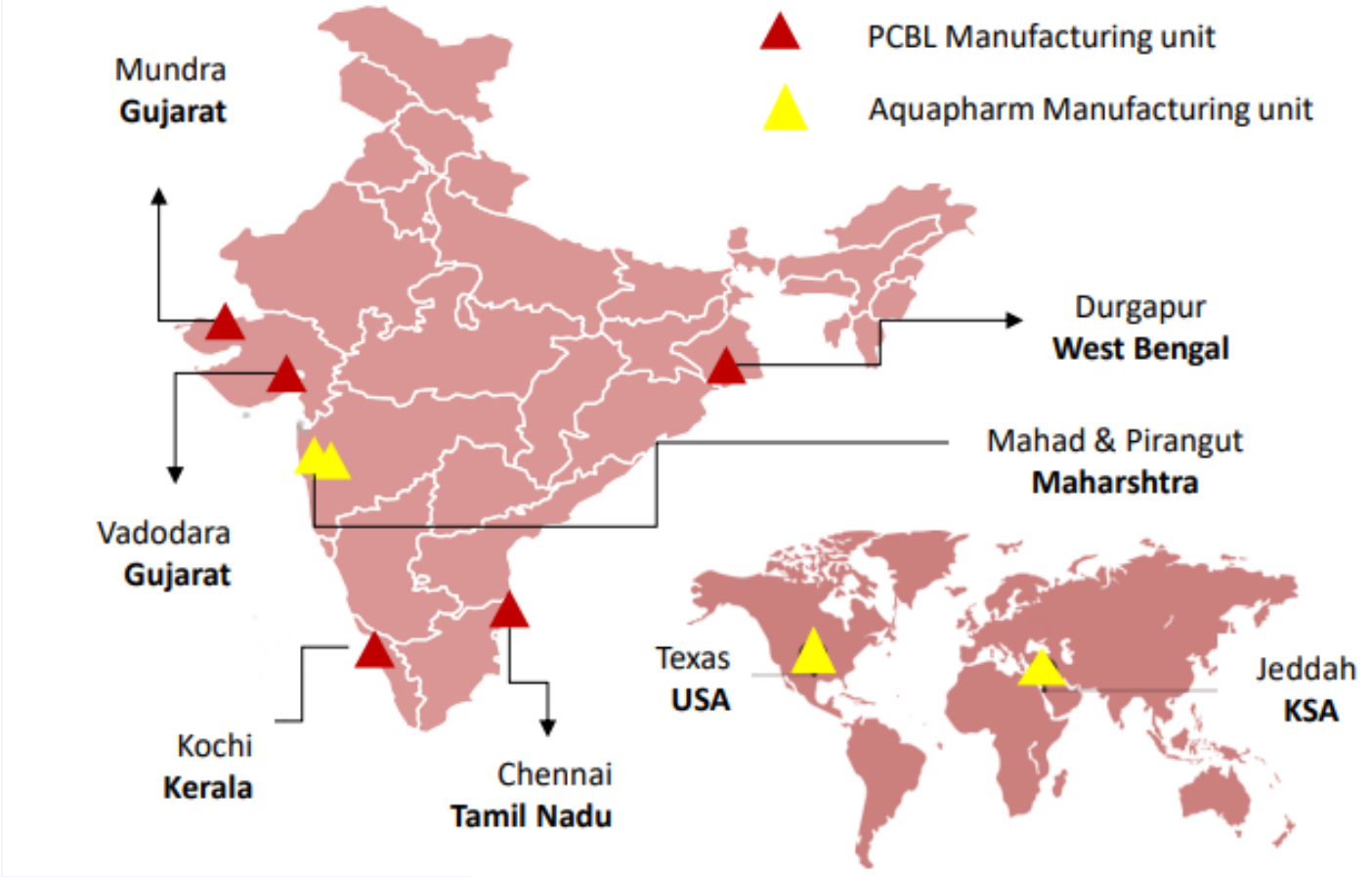
PCBL started with initial CB production capacity of 14,000mtpa in Durgapur. Now, it has 5 manufacturing facilities located across Durgapur (West Bengal), Palej and Mundra (Gujarat), Kochi (Kerala), and Chennai (Tamil Nadu). Total installed production capacity stands at 790,000mtpa, which is expected to be scaled up to 1mmtpa+ by FY28/FY29 through ongoing expansions and new expansions, to be announced soon.

The company also generates power captively using tear gas, a byproduct of CB production. Total installed green power capacity is 122MW, which is expected to be scaled up to 134MW by FY27.

In Jan'24, PCBL acquired Aquapharm Chemicals Pvt Ltd, a leading specialty chemicals company engaged in water treatment, oil & gas chemicals, and multiple applications. Headquartered in Pune, Aquapharm is among the top 3 producers (Ex-China) of phosphonates globally and India's largest phosphonate producer. Global leaders in FMCG, oil & gas, and chemicals are key customers of Aquapharm.

In Mar'24, PCBL established a JV, Nanovace Technologies Ltd, with Sydney-based Kindia to develop nano silicon additives for use in Li-ion battery anodes. PCBL holds 51% stake in the JV and will get access to Kindia's IP and assets in Australia. Over the next 2 years, PCBL plans to invest USD44mn in acquiring IP, setting up a pilot plant in Palej, and build 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.

Exhibit 90: Strategically located manufacturing units



Source: Company, PL

All the leading tire companies are clients of PCBL

R&D centers: To focus on innovation and quality, PCBL has its own R&D centers located in Palej, Gujarat, and in Ghislenghien, Belgium. Palej center focuses on developing new products and enhancing existing formulations, while Belgium center serves as the company's international hub for advanced research, facilitating global collaborations and technological advancements.

Major client base: PCBL serves a diverse clientele base across industries, majorly tires. Almost all the leading tire companies, including MRF, Apollo Tyres, JK Tyre & Industries, TVS Tyres, CEAT, Nexen Tyre, Goodyear and Michelin, are clients of PCBL.

Exhibit 91: Key customers

Source: Company, PL

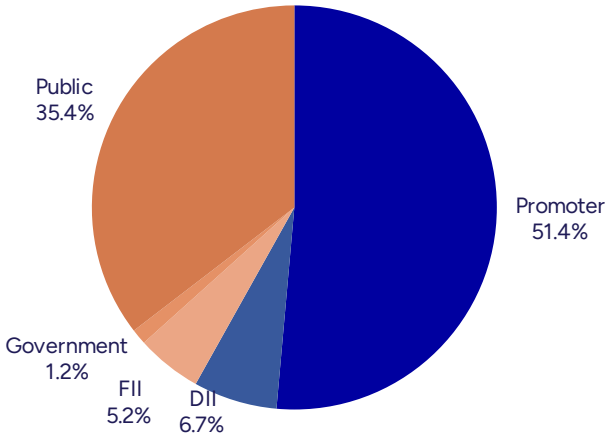
Through Aquapharm acquisition, PCBL has diversified into specialty chemicals, potentially broadening its client base to include sectors such as water treatment and pharmaceuticals.

Exhibit 92: Key milestones achieved by PCBL

1960	Incorporated as a public limited company in collaboration with Phillips Petroleum Company, USA
1962	Started production with installed capacity of 14,000mtpa at Durgapur on 5th Jun
1974	Durgapur capacity enhanced to 36,000mtpa
1988	Entered into a technical collaboration with Columbian Chemicals Company, USA
1988	Initiated 4MW per hour co-generation power plant at Durgapur
1995	Durgapur plant capacity enhanced to 78,000mtpa
1996	Acquired CB unit of Gujarat Carbon Ltd at Palej, adding 25,000mtpa
1998	Durgapur plant capacity increased to 1,10,000mtpa
1998	Acquired Carbon and Chemicals India Ltd, Kochi, and production capacity enhanced to 36,000mtpa
1998	Capacity addition of 2.5MW per hour at Kochi power plant
2003	Durgapur plant capacity further increased to 1,35,000mtpa
2004	ISO 14001:1996 (1st edition) certification of PCBL-Kochi
2004	Expansion of Palej plant capacity by 70,000mtpa
2004	Kochi Hard Black Line modernized and capacity enhanced to 40,000mtpa
2005	Expansion of power plant at Palej, Bharuch, to 12MW per hour
2006	Palej plant awarded carbon credits (CERs) in May, 1st unit in the CB industry to get the same
2009	Expansion of power plant at Durgapur to 30MW per hour, replacing the old power plant of capacity 4MW per hour
2009	Expansion of greenfield plant capacity at Mundra to 90,000mtpa
2010	Expansion of co-generation power plant at Mundra to 16MW per hour
2011	Expansion of co-generation power plant at Kochi to 10MW per hour
2011	New soft black line of capacity 50,000mtpa initiated at Mundra
2012	Expansion of co-generation power plant at Mundra to 6MW per hour
2012	Capacity addition of 12,000mtpa CB plant at Durgapur
2013	New Soft Black Line of capacity 50,000mtpa commissioned at Kochi
2018	Commissioned state-of-the-art Sushila Goenka R&D Centre at Palej plant
2018	Developed customized ASTM CB grades for major tire customers
2018	Increased capacity by 43,000mtpa across plants by debottlenecking
2018	Developed ink grades – a series of unique CB 'NuTone' grade for ink application
2018	Obtained 'Patent Grant Certificate' for 2 PCBL inventions
2019	State-of-the-art Sushila Goenka Research and Development Centre at Palej became operational, resulting in the introduction of new value-added products
2019	Commissioned water treatment plant of capacity 1,850kld with state-of-the-art technology at Mundra
2019	Completed capacity expansion at Mundra plant by 56,000mtpa
2020	Sushila Goenka Innovation Centre at Belgium became operational
2020	Corporate Governance Rating of CGR2+, reflecting best practices of corporate governance
2021	Completed capacity expansion at Palej plant by 32,000mtpa
2021	Production capacity increased to 6,03,000mtpa
2021	10MW CPP commissioned at Mundra plant
2022	Changed company name from Phillips CB Limited to PCBL Limited & launched new brand identity
2022	Commissioned additional 7MW green power plant at Kochi
2023	Commissioning of 1st phase of Chennai plant with 63,000mtpa capacity
2023	Commissioning of 1st phase of specialty chemicals expansion at Mundra with 20,000mtpa capacity
2023	Green power capacity of PCBL increased to 110MW per hour with the commissioning of CPP-1 and CPP-2 at Chennai plant
2024	Green power capacity of PCBL increased to 122MW per hour
2024	Expansion at the Chennai plant, with the commissioning of Line 2 and 3, has elevated the total capacity to an impressive 1,47,000mtpa, across 3 state-of-the-art production lines
2024	Changed the company name from PCBL Limited to PCBL Chemical Limited

Source: Company, PL

Exhibit 93: PCBL shareholding pattern



Source: Company, PL

Management team: PCBL's management team is led by Dr. Sanjiv Goenka, Chairman, and Kaushik Roy, Managing Director. Key executives include Raj Kumar Gupta (Chief Financial Officer), Kaushik Mukherjee (Company Secretary & Chief Legal Officer), and Valerie Smits (Chief R&D).

Exhibit 94: Leadership team of PCBL

Name	Designation	Professional experience (years)
Dr. Sanjiv Goenka	Chairman	
Mr. Kaushik Roy	Managing Director	30
Mr. Vijay Joshi	Chief Operations	30+
Mr. Raj Kumar Gupta	Chief Financial Officer	27
Mr. Gautam Kalia	Chief - International Markets	27
Mr. Mainackya Ghosh	Chief - National Markets	24
Mr. Valerie Smits	Chief - R&D	24
Mr. Kaushik Mukherjee	Chief Legal Officer & Co Secretary	31

Source: Company, PL

Promoters infusing equity through warrant issue: In Mar'24, the board of the company issued up to 160mn convertible warrants at a price of Rs280 per warrant (each convertible into one equity share), aggregating to Rs4.48bn to the promoter groups on preferential basis.

This is a positive development for the company and shows the promoter's confidence in the business. The funds raised are intended to partially retire the debt of Rs38bn for Aquapharm acquisition.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	**64,198**	**84,437**	**97,821**	**1,09,375**
YoY gr. (%)	*11.2*	*31.5*	*15.9*	*11.8*
Cost of Goods Sold	44,657	57,950	66,501	73,432
Gross Profit	19,541	26,486	31,320	35,942
Margin (%)	*30.4*	*31.4*	*32.0*	*32.9*
Employee Cost	2,504	3,800	4,500	5,031
Other Expenses	6,662	9,035	10,760	12,031
EBITDA	**10,375**	**13,652**	**16,060**	**18,880**
YoY gr. (%)	*41.9*	*31.6*	*17.6*	*17.6*
Margin (%)	*16.2*	*16.2*	*16.4*	*17.3*
Depreciation and Amortization	2,173	3,458	3,658	4,189
EBIT	**8,202**	**10,194**	**12,401**	**14,691**
Margin (%)	*12.8*	*12.1*	*12.7*	*13.4*
Net Interest	1,808	4,636	4,208	3,846
Other Income	370	422	489	547
Profit Before Tax	**6,765**	**5,980**	**8,683**	**11,391**
Margin (%)	*10.5*	*7.1*	*8.9*	*10.4*
Total Tax	1,852	1,495	2,171	2,848
Effective tax rate (%)	*27.4*	*25.0*	*25.0*	*25.0*
Profit after tax	**4,913**	**4,485**	**6,512**	**8,544**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**4,913**	**4,485**	**6,512**	**8,544**
YoY gr. (%)	*11.1*	*(8.7)*	*45.2*	*31.2*
Margin (%)	*7.7*	*5.3*	*6.7*	*7.8*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**4,913**	**4,485**	**6,512**	**8,544**
YoY gr. (%)	*11.1*	*(8.7)*	*45.2*	*31.2*
Margin (%)	*7.7*	*5.3*	*6.7*	*7.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,913	4,485	6,512	8,544
Equity Shares O/s (m)	**378**	**378**	**378**	**378**
EPS (Rs)	**13.0**	**11.9**	**17.3**	**22.6**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	**41,773**	**45,773**	**49,773**	**52,773**
Tangibles	41,773	45,773	49,773	52,773
Intangibles	-	-	-	-
Acc: Dep / Amortization	**7,903**	**11,361**	**15,020**	**19,209**
Tangibles	7,903	11,361	15,020	19,209
Intangibles	-	-	-	-
Net fixed assets	**33,870**	**34,412**	**34,754**	**33,564**
Tangibles	33,870	34,412	34,754	33,564
Intangibles	-	-	-	-
Capital Work In Progress	25,993	25,993	25,993	25,993
Goodwill	11,614	11,614	11,614	11,614
Non-Current Investments	4,022	5,111	5,914	6,607
Net Deferred tax assets	(8,710)	(8,710)	(8,710)	(8,710)
Other Non-Current Assets	3,068	3,771	4,039	4,270
Current Assets				
Investments	369	369	369	369
Inventories	9,993	11,114	12,754	14,083
Trade receivables	17,102	19,663	22,780	25,471
Cash & Bank Balance	3,123	6,003	3,904	5,254
Other Current Assets	3,794	4,222	4,891	5,469
Total Assets	**1,12,954**	**1,22,277**	**1,27,017**	**1,32,699**
Equity				
Equity Share Capital	378	378	378	378
Other Equity	32,089	34,498	38,934	45,401
Total Networth	**32,467**	**34,876**	**39,312**	**45,779**
Non-Current Liabilities				
Long Term borrowings	37,766	41,000	38,000	35,000
Provisions	157	84	98	109
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	10,431	10,500	9,500	8,000
Trade payables	18,020	20,820	24,120	26,969
Other current liabilities	3,657	4,561	5,284	5,907
Total Equity & Liabilities	**1,12,954**	**1,22,277**	**1,27,017**	**1,32,699**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	6,763	5,980	8,683	11,391
Add. Depreciation	2,173	3,458	3,658	4,189
Add. Interest	1,808	4,636	4,208	3,846
Less Financial Other Income	370	422	489	547
Add. Other	(453)	-	-	-
Op. profit before WC changes	10,290	14,074	16,549	19,427
Net Changes-WC	2,919	(2,291)	(2,193)	(1,806)
Direct tax	(2,156)	(1,495)	(2,171)	(2,848)
Net cash from Op. activities	**11,054**	**10,289**	**12,185**	**14,773**
Capital expenditures	18,026	(4,000)	(4,000)	(3,000)
Interest / Dividend Income	139	-	-	-
Others	(60,306)	-	-	-
Net Cash from Invt. activities	**(42,141)**	**(4,000)**	**(4,000)**	**(3,000)**
Issue of share cap. / premium	-	-	-	-
Debt changes	(19,616)	3,303	(4,000)	(4,500)
Dividend paid	(2,076)	(2,076)	(2,076)	(2,076)
Interest paid	-	(4,636)	(4,208)	(3,846)
Others	55,500	-	-	-
Net cash from Fin. activities	**33,808**	**(3,409)**	**(10,284)**	**(10,423)**
Net change in cash	**2,721**	**2,880**	**(2,098)**	**1,350**
Free Cash Flow	5,697	6,289	8,185	11,773

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	**19,288**	**21,436**	**21,632**	**20,100**
YoY gr. (%)	*40.4*	*59.1*	*45.5*	*21.3*
Raw Material Expenses	13,177	14,491	14,986	13,853
Gross Profit	6,111	6,945	6,646	6,247
Margin (%)	*31.7*	*32.4*	*30.7*	*31.1*
EBITDA	**3,095**	**3,583**	**3,635**	**3,173**
YoY gr. (%)	*68.4*	*70.0*	*52.7*	*13.8*
Margin (%)	*16.0*	*16.7*	*16.8*	*15.8*
Depreciation / Depletion	752	845	864	867
EBIT	**2,343**	**2,738**	**2,771**	**2,307**
Margin (%)	*12.1*	*12.8*	*12.8*	*11.5*
Net Interest	1,082	1,211	1,189	1,177
Other Income	232	109	57	111
Profit before Tax	**1,493**	**1,636**	**1,638**	**1,241**
Margin (%)	*7.7*	*7.6*	*7.6*	*6.2*
Total Tax	384	457	404	304
Effective tax rate (%)	*25.7*	*27.9*	*24.6*	*24.5*
Profit after Tax	**1,110**	**1,179**	**1,235**	**936**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**1,110**	**1,179**	**1,235**	**941**
YoY gr. (%)	*8.5*	*7.8*	*0.5*	*(36.4)*
Margin (%)	*5.8*	*5.5*	*5.7*	*4.7*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,110**	**1,179**	**1,235**	**941**
YoY gr. (%)	*8.5*	*7.8*	*0.5*	*(36.4)*
Margin (%)	*5.8*	*5.5*	*5.7*	*4.7*
Other Comprehensive Income	**(162)**	**687**	**1,448**	**(507)**
Total Comprehensive Income	**948**	**1,866**	**2,683**	**435**
Avg. Shares O/s (m)	**378**	**378**	**378**	**378**
EPS (Rs)	**2.9**	**3.1**	**3.3**	**2.5**

Source: Company Data, PL Research

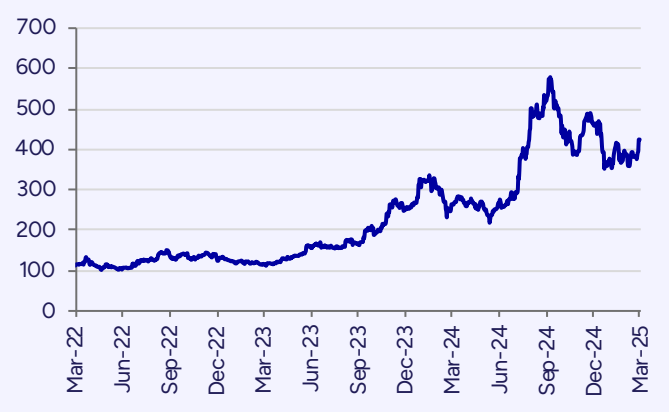
Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	13.0	11.9	17.3	22.6
CEPS	18.8	21.0	26.9	33.7
BVPS	86.0	92.4	104.1	121.3
FCF	15.1	16.7	21.7	31.2
DPS	5.5	5.5	5.5	5.5
Return Ratio(%)				
RoCE	14.5	12.7	14.9	17.3
ROIC	10.4	9.7	11.4	13.3
RoE	16.1	13.3	17.5	20.1
Balance Sheet				
Net Debt : Equity (x)	1.4	1.3	1.1	0.8
Net Working Capital (Days)	76	65	65	65
Valuation(x)				
PER	32.5	35.6	24.5	18.7
P/B	4.9	4.6	4.1	3.5
P/CEPS	22.5	20.1	15.7	12.5
EV/EBITDA	19.7	15.0	12.6	10.4
EV/Sales	3.2	2.4	2.1	1.8
Dividend Yield (%)	1.3	1.3	1.3	1.3

Source: Company Data, PL Research

Notes

Price Chart



Recommendation History

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

PL's Recommendation Nomenclature

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Saurabh Ahire- MBA, Passed CFA Level II, Mr. Swarnendu Bhushan- IIT, MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

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