

## PCBL Chemical

HOLD

## Weak Carbon Black Performance Amid Muted Exports!

## Summary

PCBL's Q3FY26 profitability was below our expectations. Carbon black sales declined 11% YoY, primarily due to a 9% YoY drop in realizations and 2% YoY drop in volumes, driven by weak demand amid global uncertainty. Domestic volumes increased by 6% YoY, while export volumes declined by 13% YoY. The Consolidated EBITDA margin contracted 416bps YoY to 11.6%, reflecting margin compression in both the carbon black and Aquapharm segments, owing to negative operational leverage and a one-time provision for labour code amounting Rs210mn. EBITDA/t for carbon black segment fell 31% YoY to Rs13,489 impacted by high input tariffs imposed by US. We roll forward to FY28E estimates and value the stock at a PER of 20x FY28E EPS, resulting in a revised target price of Rs292. We maintain our HOLD rating on the stock.

## Key Highlights and Investment Rationale

- Muted performance by Aquapharm:** Revenue remained flat YoY as volumes decreased by 4% YoY which was offset by 5% YoY increase in realisations. However, EBITDA margin contracted by 90bps YoY to 14.7%, owing to lower contribution from the high margin Oil & Gas segment. Management has guided for a minimum volume growth of 20% for FY27.
- Project Update:** PCBL's commissioned a 60,000MTPA soft line at Tamil Nadu plant, with a 30,000MTPA hard line expected to commission soon. The 1,000MTPA superconductive grade line at Palej has commenced production. Work on 4,000 MTPA Acetylene Black facility has been initiated, with commissioning expected in FY27. The 20,000 MTPA specialty black line in Mundra has entered pre-commissioning phase. The Nanovace 80T pilot plant is expected to go live by Mar'26, while a 2000T commercial plant is planned to be established by FY28 with peak revenue run-rate of Rs17Bn with 50% EBITDA margins.

TP	Rs292
<b>CMP</b>	<b>Rs300</b>
Potential upside/downside	-3%
Previous Rating	HOLD

## Price Performance (%)

	-1m	-3m	-12m
Absolute	(0.5)	(16.3)	(25.6)
Rel to Sensex	1.9	(16.0)	(34.1)

## V/s Consensus

EPS (Rs)	FY26E	FY27E	FY28E
IDBI Capital	7	12	15
Consensus	11	17	24
% difference	(34.8)	(31.2)	(37.4)

## Financial snapshot

Year	FY24	FY25	FY26E	FY27E	FY28E
Revenue	64,198	84,043	81,101	88,436	96,786
Change (yoy, %)	11.2	30.9	(3.5)	9.0	9.4
EBITDA	10,373	13,368	11,111	13,708	15,099
Change (yoy, %)	43.8	28.9	(16.9)	23.4	10.1
EBITDA Margin(%)	16.2	15.9	13.7	15.5	15.6
Adj.PAT	4,911	4,352	2,768	4,537	5,504
EPS (Rs)	13	12	7	12	15
Change (yoy, %)	11.1	(11.4)	(36.4)	63.9	21.3
PE(x)	23.0	25.9	40.8	24.9	20.5
Dividend Yield (%)	1.8	1.8	1.8	1.8	1.8
EV/EBITDA (x)	15.2	12.2	14.7	12.0	10.8
RoE (%)	16.2	12.5	7.4	11.4	12.7
RoCE (%)	12.4	10.6	7.7	9.9	10.8

Source: IDBI Capital

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## Key Stock Data

Bloomberg / Reuters	PCBL IN / PHIL.BO
Sector	Chemical & Fertilizers
Shares o/s (mn)	393
Market cap. (Rs mn)	1,17,842
3-m daily average value (Rs mn)	9.5
52-week high / low	Rs444 / 255
Sensex / Nifty	83,739 / 25,728

## Shareholding Pattern (%)

Promoters	53.4
FII	5.7
DII	10.2
Public	30.7

(Rs mn)

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**Exhibit 1: Quarterly Snapshot (Consolidated)**

(Rs mn)

Financial snapshot	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)
<b>Net sales</b>	<b>18,456</b>	<b>21,636</b>	<b>(14.7)</b>	<b>20,100</b>	<b>(8.2)</b>
Expenditure	16,310	18,974	(14.0)	16,927	(3.6)
<b>EBITDA</b>	<b>2,147</b>	<b>2,662</b>	<b>(19.4)</b>	<b>3,173</b>	<b>(32.4)</b>
<i>EBITDA margin (%)</i>	<i>11.6</i>	<i>12.3</i>	<i>-67bps</i>	<i>15.8</i>	<i>-416bps</i>
Other income	161	121	33.4	111	45.0
Interest	1,063	1,072	(0.8)	1,177	(9.7)
Depreciation	936	928	0.9	867	8.0
<b>PBT</b>	<b>102</b>	<b>786</b>	<b>(87.0)</b>	<b>1,235</b>	<b>(91.8)</b>
Tax	79	166	(52.1)	304	(73.9)
<b>PAT</b>	<b>231</b>	<b>619</b>	<b>(62.7)</b>	<b>936</b>	<b>(75.3)</b>
<b>Diluted EPS (Rs)</b>	<b>0.6</b>	<b>1.6</b>	<b>(62.7)</b>	<b>2.5</b>	<b>(75.3)</b>

Source: Company; IDBI Capital Research

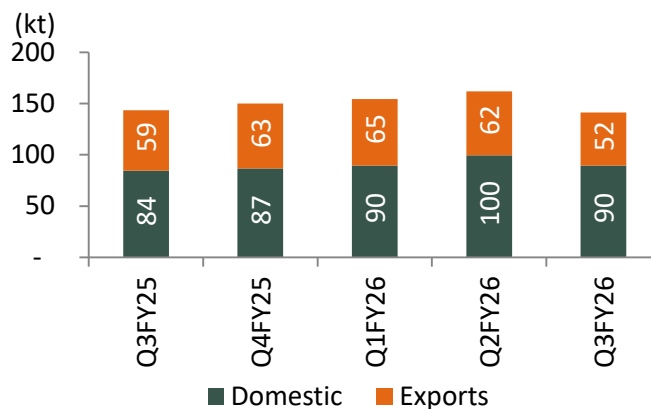
**Exhibit 2: Actual vs. Estimates**

(Rs mn)

	Q3FY26E	Q3FY26A	Variance (%)
<b>Net sales</b>	<b>21,523</b>	<b>18,456</b>	<b>(14.2)</b>
EBTIDA	2,712	2,147	(20.8)
<i>EBITDA margin (%)</i>	<i>12.6</i>	<i>11.6</i>	<i>-97bps</i>
<b>Adj.PAT</b>	<b>660</b>	<b>231</b>	<b>(65.0)</b>
Diluted EPS (Rs)	1.7	0.6	(65.0)

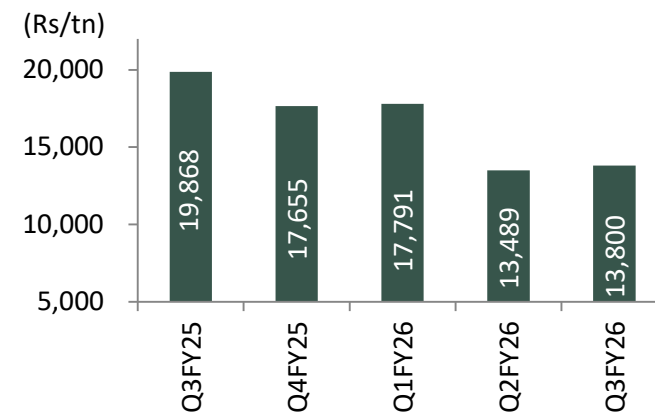
Source: Company; IDBI Capital Research

**Exhibit 3: Carbon Black Volumes**



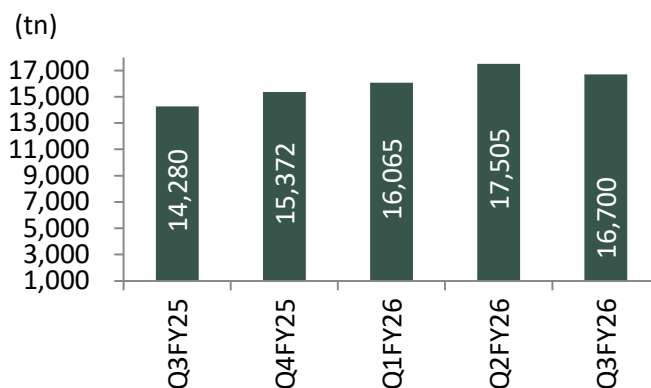
Source: Company, IDBI Capital Research

**Exhibit 4: EBITDA/tonne**



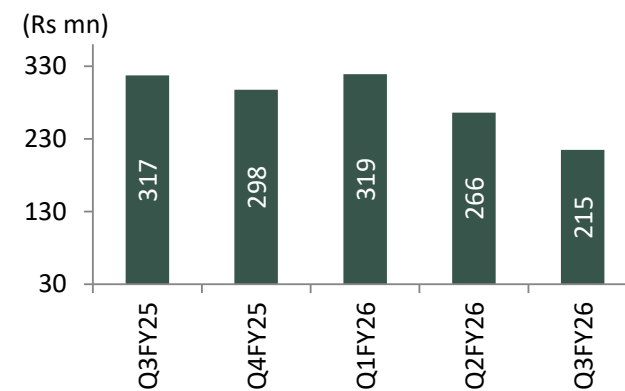
Source: Company, IDBI Capital Research

**Exhibit 5: Specialty volumes**



Source: Company, IDBI Capital Research

**Exhibit 6: Consolidated EBITDA**



Source: Company, IDBI Capital Research

## Conference call Highlights

### Financial Performance and Volume Trends

- Total carbon black sales volumes marginally declined by 2% year-on-year to 141,271 MT.
- Domestic volumes grew by 6% to 89,615 MT, while international volumes dropped 13% to 51,656 MT due to geopolitical tensions and tariff uncertainties.
- Q3 EBITDA per tonne for carbon black was Rs13,800, compared to a nine-month average of Rs15,300. Management maintained a long-term goal of reaching Rs24,000–25,000 per tonne within five years through product mix improvement and operational leverage.

### Strategic Trade and Global Outlook

- A newly announced India-US trade deal reduced tariffs on Indian exports from 50% to 18%. This is expected to significantly boost sales volumes and competitiveness against Asian peers.
- The India-EU FTA provides access to a 1.5 MT market, removing a 6.5% duty on chemical exports.
- Current global industry utilization is at 75% (down from the normal 80%), but pricing power is expected to return as utilization improves.

### Operational Initiatives and Cost Optimization

- PCBL has launched a company-wide initiative targeting Rs200 crore in cumulative savings over the next two years.
- Savings will be driven by procurement optimization (including diversifying feedstock with coal tar), yield improvements (targeting 1–2% gain), and logistics efficiency.

### Capacity Expansion and New Projects

- Brownfield Expansion: Commissioned a 60,000 MTPA rubber carbon black line in Tamil Nadu, bringing total organizational capacity to 850,000 MTPA.
- Future Pipelines: 1) A 20,000 MT specialty black line in Mundra is in the pre-commissioning phase. 2) Work has started on a 4,000 MT acetylene black plant, expected to commission by FY27-end. 3) Environmental clearances for the Andhra Pradesh Greenfield project are expected within 12 months.

### Innovation and Sustainability

- Nanovace (Battery Materials): The 80-tonne pilot plant is expected to be live by March 2026. At full scale (2,000 tonnes), this segment is projected to generate INR 1,700 crore in revenue with 50% EBITDA margins.
- PCBL is evaluating tire pyrolysis oil and recyclable carbon black to enhance sustainability.

### Aquapharm Segment Update

- Faced a 23% decline in the oil and gas segment due to lower US rig counts and seasonal home care fluctuations.
- New formal allocations received from P&G (MENA/Europe) and upcoming supplies to Henkel starting Q1FY27 are expected to drive a 20% volume growth next year

**Exhibit 7: Change in estimates**

	FY26E			FY27E			FY28E
	Old	New	(%) Chg	Old	New	(%) Chg	New
Revenue (Rs bn)	87,784	81,101	-7.6	95,455	88,436	-7.4	96,786
EBITDA (Rs bn)	12,904	11,111	-13.9	16,036	13,708	-14.5	15,099
<i>EBITDA margin (%)</i>	<i>14.7</i>	<i>13.7</i>	<i>-100</i>	16.8	15.5	-130	15.6
Adj. Net profit (Rs bn)	4,031	2,559	-36.5	6,335	4,537	-28.4	5,504
Adj. EPS (Rs)	10.7	7.3	-31.5	16.8	12.0	-28.5	14.6

Source: Company; IDBI Capital Research

## Financial Summary (Consolidated)

### Profit & Loss Account

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Net sales</b>	<b>57,741</b>	<b>64,198</b>	<b>84,043</b>	<b>81,101</b>	<b>88,436</b>	<b>96,786</b>
<i>Change (yoy, %)</i>	29.9	11.2	30.9	(3.5)	9.0	9.4
Operating expenses	(50,528)	(53,824)	(70,675)	(69,991)	(74,728)	(81,687)
<b>EBITDA</b>	<b>7,212</b>	<b>10,373</b>	<b>13,368</b>	<b>11,111</b>	<b>13,708</b>	<b>15,099</b>
<i>Change (yoy, %)</i>	14.3	43.8	28.9	(16.9)	23.4	10.1
<i>Margin (%)</i>	12.5	16.2	15.9	13.7	15.5	15.6
Depreciation	(1,367)	(2,173)	(3,457)	(3,754)	(4,042)	(4,301)
<b>EBIT</b>	<b>5,845</b>	<b>8,201</b>	<b>9,911</b>	<b>7,357</b>	<b>9,666</b>	<b>10,798</b>
Interest paid	(434)	(1,808)	(4,609)	(4,358)	(4,371)	(4,289)
Other income	406	370	474	490	521	547
<b>Pre-tax profit</b>	<b>5,817</b>	<b>6,763</b>	<b>5,771</b>	<b>3,281</b>	<b>5,816</b>	<b>7,057</b>
Tax	(1,395)	(1,852)	(1,424)	(722)	(1,280)	(1,553)
<i>Effective tax rate (%)</i>	24.0	27.4	24.7	22.0	22.0	22.0
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>4,422</b>	<b>4,911</b>	<b>4,347</b>	<b>2,559</b>	<b>4,537</b>	<b>5,504</b>
Exceptional items	-	-	(5)	(209)	-	-
<b>Adjusted net profit</b>	<b>4,422</b>	<b>4,911</b>	<b>4,352</b>	<b>2,768</b>	<b>4,537</b>	<b>5,504</b>
<i>Change (yoy, %)</i>	4	11	(11)	(36)	64	21
EPS	11.7	13.0	11.5	7.3	12.0	14.6
Dividend per share	5.5	5.5	5.5	5.5	5.5	5.5
<i>Dividend Payout (%)</i>	46.9	42.3	47.7	75.0	45.8	37.7

**Balance Sheet**

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Shareholders' funds</b>	<b>28,302</b>	<b>32,467</b>	<b>36,974</b>	<b>37,457</b>	<b>39,917</b>	<b>43,344</b>
Share capital	378	378	378	378	378	378
Reserves & surplus	27,924	32,089	36,597	37,079	39,539	42,966
<b>Total Debt</b>	<b>9,430</b>	<b>48,197</b>	<b>53,800</b>	<b>53,800</b>	<b>52,800</b>	<b>51,800</b>
Other liabilities	3,344	10,576	4,692	4,692	4,692	4,692
<b>Curr Liab &amp; prov</b>	<b>13,161</b>	<b>21,677</b>	<b>21,646</b>	<b>21,946</b>	<b>23,433</b>	<b>25,101</b>
Current liabilities	12,339	20,769	20,665	20,965	22,453	24,120
Provisions	823	908	981	981	981	981
<b>Total liabilities</b>	<b>25,935</b>	<b>80,450</b>	<b>80,137</b>	<b>80,438</b>	<b>80,925</b>	<b>81,592</b>
<b>Total equity &amp; liabilities</b>	<b>54,328</b>	<b>1,12,954</b>	<b>1,17,229</b>	<b>1,18,012</b>	<b>1,20,960</b>	<b>1,25,055</b>
<b>Net fixed assets</b>	<b>30,189</b>	<b>59,863</b>	<b>64,818</b>	<b>67,064</b>	<b>69,022</b>	<b>69,721</b>
Investments	4,016	7,090	9,099	10,842	10,842	10,842
Other non-curr assets	-	11,614	6,068	6,068	6,068	6,068
<b>Current assets</b>	<b>20,124</b>	<b>34,388</b>	<b>37,245</b>	<b>34,039</b>	<b>35,028</b>	<b>38,424</b>
Inventories	5,714	9,993	12,682	12,411	13,547	14,821
Sundry Debtors	11,107	17,102	17,937	15,796	17,242	18,863
Cash and Bank	956	3,848	3,892	3,097	1,505	2,006
Other current assets	2,347	3,444	2,735	2,735	2,735	2,735
<b>Total assets</b>	<b>54,328</b>	<b>1,12,954</b>	<b>1,17,229</b>	<b>1,18,012</b>	<b>1,20,960</b>	<b>1,25,055</b>

**Cash Flow Statement**

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Pre-tax profit	5,817	6,763	5,771	3,281	5,816	7,057
Depreciation	1,367	2,173	3,457	3,754	4,042	4,301
Tax paid	(1,658)	(2,156)	(1,780)	-	-	-
Chg in working capital	909	3,396	(4,348)	2,712	(1,095)	(1,227)
Other operating activities	(1,395)	878	4,505	4,358	4,371	4,289
<b>Cash flow from operations (a)</b>	<b>5,041</b>	<b>11,054</b>	<b>7,605</b>	<b>13,382</b>	<b>11,855</b>	<b>14,419</b>
Capital expenditure	(8,957)	(5,329)	(7,644)	(6,000)	(6,000)	(5,000)
Chg in investments	3,322	(36,951)	547	(1,743)	-	-
Other investing activities	116	139	194	-	-	-
<b>Cash flow from investing (b)</b>	<b>(5,519)</b>	<b>(42,141)</b>	<b>(6,903)</b>	<b>(7,743)</b>	<b>(6,000)</b>	<b>(5,000)</b>
Equity raised/(repaid)	-	-	1,161	-	-	-
Debt raised/(repaid)	3,089	38,029	5,540	-	-	-
Dividend (incl. tax)	(2,076)	(2,076)	(2,076)	(4,358)	(4,371)	(4,289)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(1,319)	(2,146)	(5,225)	-	-	-
<b>Cash flow from financing (c)</b>	<b>(306)</b>	<b>33,808</b>	<b>(600)</b>	<b>(4,358)</b>	<b>(4,371)</b>	<b>(4,289)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(784)</b>	<b>2,721</b>	<b>102</b>	<b>1,282</b>	<b>1,484</b>	<b>5,130</b>

### Financial Ratios

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Book Value (Rs)	75	86	98	99	106	115
Adj EPS (Rs)	12	13	12	7	12	15
Adj EPS growth (%)	3.7	11.1	-11.4	-36.4	63.9	21.3
EBITDA margin (%)	12.5	16.2	15.9	13.7	15.5	15.6
Pre-tax margin (%)	10.1	10.5	6.9	4.0	6.6	7.3
Net Debt/Equity (x)	0.3	1.4	1.3	1.4	1.3	1.1
ROCE (%)	15.0	12.4	10.6	7.7	9.9	10.8
ROE (%)	16.2	16.2	12.5	7.4	11.4	12.7
<b>DuPont Analysis</b>						
Asset turnover (x)	1.1	0.8	0.7	0.7	0.7	0.8
Leverage factor (x)	1.9	2.8	3.3	3.2	3.0	2.9
Net margin (%)	7.7	7.6	5.2	3.4	5.1	5.7
<b>Working Capital &amp; Liquidity ratio</b>						
Inventory days	36	57	55	56	56	56
Receivable days	70	97	78	71	71	71
Payable days	69	122	82	85	87	87

### Valuations

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
PER (x)	25.5	23.0	25.9	40.8	24.9	20.5
Price/Book value (x)	4.0	3.5	3.1	3.0	2.8	2.6
EV/Net sales (x)	2.1	2.4	1.9	2.0	1.9	1.7
EV/EBITDA (x)	16.8	15.2	12.2	14.7	12.0	10.8
Dividend Yield (%)	1.8	1.8	1.8	1.8	1.8	1.8

Source: Company; IDBI Capital Research

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**Key to Ratings Stocks:****BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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1. These terms and conditions, and consent thereon are for the research services provided by the Research Analyst (RA) and RA cannot execute/carry out any trade (purchase/sell transaction) on behalf of, the client. Thus, the clients are advised not to permit RA to execute any trade on their behalf.
2. The fee charged by RA to the client will be subject to the maximum of amount prescribed by SEBI/ Research Analyst Administration and Supervisory Body (RAASB) from time to time (applicable only for Individual and HUF Clients).  
Note:
  - 2.1. The current fee limit is Rs 1,51,000/- per annum per family of client for all research services of the RA.
  - 2.2. The fee limit does not include statutory charges.
  - 2.3. The fee limits do not apply to a non-individual client / accredited investor.
3. RA may charge fees in advance if agreed by the client. Such advance shall not exceed the period stipulated by SEBI; presently it is one quarter. In case of pre-mature termination of the RA services by either the client or the RA, the client shall be entitled to seek refund of proportionate fees only for unexpired period.
4. Fees to RA may be paid by the client through any of the specified modes like cheque, online bank transfer, UPI, etc. Cash payment is not allowed. Optionally the client can make payments through Centralized Fee Collection Mechanism (CeFCoM) managed by BSE Limited (i.e. currently recognized RAASB).
5. The RA is required to abide by the applicable regulations/ circulars/ directions specified by SEBI and RAASB from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. The RA will endeavor to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.
6. Any assured/guaranteed/fixed returns schemes or any other schemes of similar nature are prohibited by law. No scheme of this nature shall be offered to the client by the RA.
7. The RA cannot guarantee returns, profits, accuracy, or risk-free investments from the use of the RA's research services. All opinions, projections, estimates of the RA are based on the analysis of available data under certain assumptions as of the date of preparation/publication of research report.
8. Any investment made based on recommendations in research reports are subject to market risks, and recommendations do not provide any assurance of returns. There is no recourse to claim any losses incurred on the investments made based on the recommendations in the research report. Any reliance placed on the research report provided by the RA shall be as per the client's own judgement and assessment of the conclusions contained in the research report.
9. The SEBI registration, Enlistment with RAASB, and NISM certification do not guarantee the performance of the RA or assure any returns to the client.
10. For any grievances,  
Step 1: the client should first contact the RA using the details on its website or following contact details:  
(RA to provide details as per 'Grievance Redressal / Escalation Matrix')  
Step 2: If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at [www.scores.sebi.gov.in](http://www.scores.sebi.gov.in)  
Step 3: The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at <https://smartodr.in>
11. Clients are required to keep contact details, including email id and mobile number/s updated with the RA at all times.
12. The RA shall never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. Never share such information with anyone including RA.