IDBI capital

PCBL HOLD

Operating profit in-line; Aquapharm acquisition complete

TP	Rs343
CMP	**Rs301**
Potential upside/downside	14%
Previous Rating	HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	(6.5)	15.0	161.5
Rel to Sensex	(10.0)	4.2	138.5

V/s Consensus

EPS (Rs)	FY24E	FY25E	FY26E
IDBI Capital	14	12	18
Consensus	21	18	16
% difference	*(33.3)*	*(33.3)*	*12.5*

Key Stock Data

Bloomberg / Reuters	PCBL IN / PHIL.BO
Sector	Chemical & Fertilizers
Shares o/s (mn)	377
Market cap. (Rs mn)	113,711
3-m daily average value (Rs mn)	77.5
52-week high / low	Rs343 / 108
Sensex / Nifty	73,143 / 22,213

Shareholding Pattern (%)

Promoters	51.4
FII	7.1
DII	5.9
Public	35.6

Summary

Although PCBL's Q3FY24 sales volumes were weaker than expected, its EBITDA/t was stronger than expected at Rs21,021 led by higher realizations in the exports markets and tightness in spot domestic sales. Its volumes grew 34% YoY to 136 kt (+5% QoQ). Importantly, its specialty black volumes increased by 60% YoY to 14,435 tonnes. EBITDA increased 50% YoY to Rs2.6 bn. The company has completed acquisition of Aquapharm (ACPL) in January 2024 and we now incorporate the impact of this acquisition in our forecasts. We introduce FY26 financials in this report and now value the stock at a PER of 20x FY26E (earlier 12x FY25) EPS and derive a target price of Rs343 (earlier Rs281). Given the recent run up in the stock we maintain our HOLD rating.

Key Highlights and Investment Rationale

- **ACPL acquisition complete:** PCBL completed the acquisition of ACPL in January 2024 through its wholly owned subsidiary Advaya Chemicals Ltd. ACPL was valued at 9.1x of FY23 EBITDA at Rs38 bn. The sourcing of the fund was majorly through debt and some portion through internal accruals.

- **Project updates:** PCBL commenced construction of 2nd phase (20,000 MTPA of 40,000 MTPA) specialty chemical capacity at Mundra plant, Gujarat. Also, PCBL (TN) plant has reached the capacity utilization of 50% and has started receiving approvals from customers.

- **Focus now shifts on integrating Aquapharm:** While PCBL has completed a large acquisition (Acquapharm), the focus will now be on integrating the acquisition and realizing synergies – this is likely to be challenging for PCBL. We would keenly watch how PCBL ramps up its carbon black Tamil Nadu plant and also grow Aquapharm sales and profits.

Financial snapshot (Rs mn)

Year	FY22	FY23	FY24E	FY25E	FY26E
Revenue	44,464	57,741	60,989	93,379	1,08,571
Change (yoy, %)	*67*	*30*	*6*	*53*	*16*
EBITDA	6,307	7,212	9,906	13,918	16,344
Change (yoy, %)	*24*	*14*	*37*	*41*	*17*
EBITDA Margin(%)	*14.2*	*12.5*	*16.2*	*14.9*	*15.1*
Adj.PAT	4,264	4,422	5,292	4,676	6,952
EPS (Rs)	11	12	14	12	18
Change (yoy, %)	*35.8*	*3.7*	*20*	*(12)*	*49*
PE(x)	26.7	25.7	21	24	16
Dividend Yield (%)	1.7	1.8	3	4	5
EV/EBITDA (x)	18.9	16.7	15.8	11.4	9.8
RoE (%)	18.8	16.3	18	16	22
RoCE (%)	15.6	16	14	14	16

Source: IDBI Capital Research

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Exhibit 1: Quarterly Snapshot (Standalone) **(Rs mn)**

Financial snapshot	Q3FY24	Q2FY24	*QoQ (%)*	Q3FY23	*YoY (%)*
Net sales	**14,853**	**13,983**	***6.2***	**14,632**	***1.5***
Expenditure	12,308	11,636	*5.8*	12,990	*(5.3)*
EBITDA	**2,584**	**2,360**	***9.5***	**1,720**	***50.2***
EBITDA margin (%)	*17.4*	*16.9*	*52bps*	*11.8*	*564bps*
Other income	39	14	*183.2*	78	*(50.4)*
Interest	224	172	*30.5*	150	*49.4*
Depreciation	385	378	*1.8*	330	*16.5*
PBT	**1,976**	**1,811**	***9.1***	**1,282**	***54.1***
Tax	531	488	*8.9*	280	*89.6*
PAT	**1,445**	**1,324**	***9.1***	**1,002**	***44.2***
Diluted EPS (Rs)	**3.8**	**3.5**	***9.1***	**2.7**	***44.2***

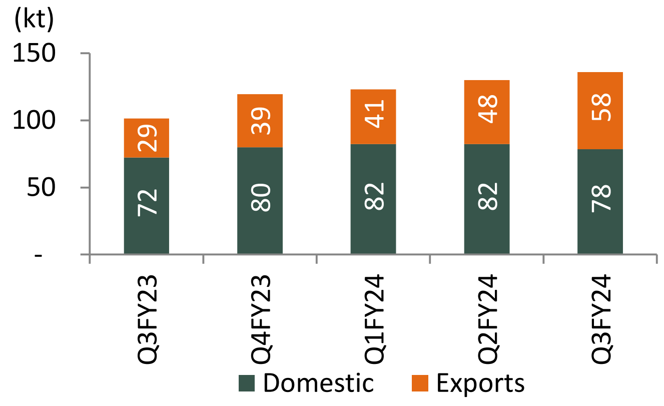
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. Estimates (Standalone) **(Rs mn)**

	Q3FY24E	Q3FY24A	*Variance (%)*
Net sales	**15,253**	**14,853**	***(2.6)***
EBTIDA	2,610	2,584	*(1.0)*
EBITDA margin (%)	*17.1*	*17.4*	*28bps*
PAT	**1,571**	**1,445**	***(8.1)***
Diluted EPS (Rs)	4.2	3.8	*(8.1)*

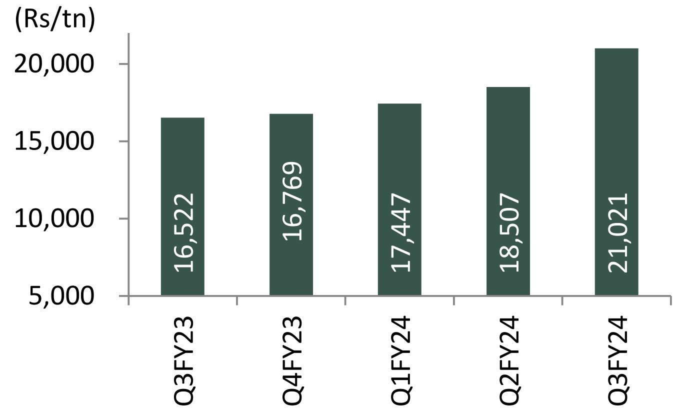
Source: Company; IDBI Capital Research

Exhibit 3: Volumes higher by 34% YoY



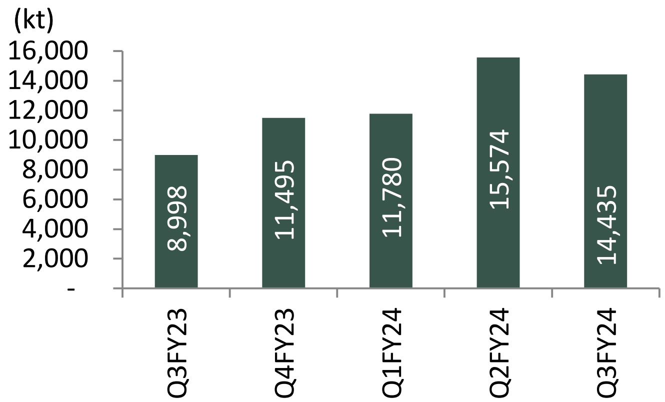
Source: Company, IDBI Capital Research

Exhibit 4: EBITDA/tonne increased 14% QoQ



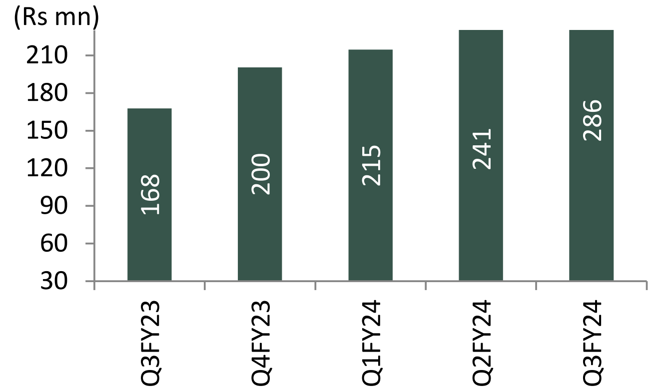
Source: Company, IDBI Capital Research

Exhibit 5: Specialty volumes increase by 60% YoY



Source: Company, IDBI Capital Research

Exhibit 6: EBITDA increased by 19% QoQ



Source: Company, IDBI Capital Research

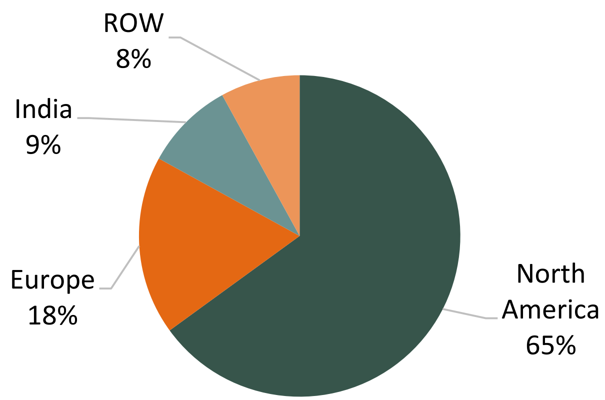
Aquapharm event timeline

Exhibit 7 : Aquapharm's evolution

Year	Details
1970	Company established: started offering desalting kits and water treatment formulations.
1980	Commissioned first plant in Pirangut manufacturing processes of phosphates, polymers and biocides.
1990	Sales of the formulation business to Nalco.
2003	Commissioned second plant in Mahad.
2015	Establishment of Aquapharm Europe B.V. in Amsterdam, Netherlands.
2017	Acquisition of APChem in Latexo, Texas(Become an active player in oil and gas chemical business in the North American market).
2019	Acquisition of USCI in Saudi Arabia.
2020	Successful integration of APChem and USCI completed.
2022	Expanded capacity of the Texas plant by 25% and the addition of the state of art logistics block to the Mahad plant.
2023	Ground broken on the greenfield expansion in line with the company's 5 year growth plan.

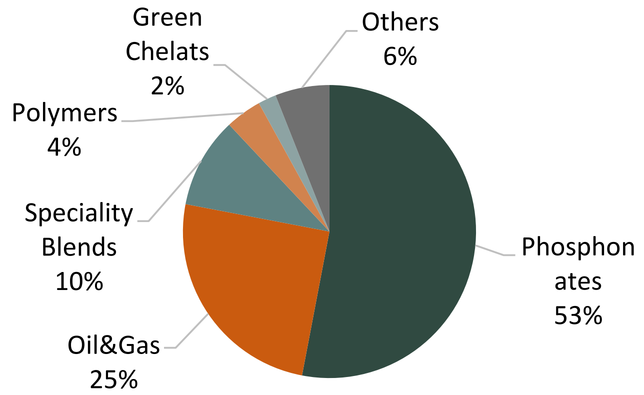
Source: Company, IDBI Capital Research

Exhibit 8: Aquapharm revenue geography-wise-FY23



Source: Company, IDBI Capital Research

Exhibit 9: Aquapharm segment-wise revenue break-up –FY23



Source: Company, IDBI Capital Research

Exhibit 10: Change in estimates

		FY24E			FY25E		FY26E
	Old	New	*(%) Chg*	Old	New	*(%) Chg*	
Revenue (Rs bn)	59,522	60,989	*2.5*	62,572	93,379	*49.2*	1,08,571
EBITDA (Rs bn)	9,867	9,906	*0.4*	11,265	13,918	*23.6*	16,344
EBITDA margin (%)	*16.6*	*16.2*	*-34bps*	*18.0*	*14.9*	*-310bps*	*15.1*
Adj. Net profit (Rs bn)	5,809	5,292	*(8.9)*	7,343	4,676	*(36.3)*	6,952
Adj. EPS (Rs)	15.4	14.0	*(8.9)*	19.5	12.4	*(36.3)*	18

Source: Company; IDBI Capital Research

Financial Summary (Consolidated)

Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net sales	**26,595**	**44,464**	**57,741**	**60,989**	**93,379**	**1,08,571**
Change (yoy, %)	*(18)*	*67*	*30*	*6*	*53*	*16*
Operating expenses	(21,517)	(38,157)	(50,528)	(51,083)	(79,460)	(92,226)
EBITDA	**5,078**	**6,307**	**7,212**	**9,906**	**13,918**	**16,344**
Change (yoy, %)	*10*	*24*	*14*	*37*	*41*	*17*
Margin (%)	*19.1*	*14.2*	*12.5*	*16.2*	*14.9*	*15.1*
Depreciation	(1,101)	(1,209)	(1,367)	(1,952)	(2,800)	(2,903)
EBIT	**3,977**	**5,099**	**5,845**	**7,953**	**11,118**	**13,442**
Interest paid	(236)	(69)	(434)	(1,017)	(4,207)	(3,726)
Other income	180	286	406	321	353	389
Pre-tax profit	**3,920**	**5,316**	**5,817**	**7,257**	**7,265**	**10,105**
Tax	(781)	(1,052)	(1,395)	(1,965)	(2,589)	(3,153)
Effective tax rate (%)	*19.9*	*19.8*	*24.0*	*27.1*	*35.6*	*31.2*
Minority Interest	-	-	-	-	-	-
Net profit	**3,140**	**4,264**	**4,422**	**5,292**	**4,676**	**6,952**
Exceptional items	-	-	-	-	-	-
Adjusted net profit	**3,140**	**4,264**	**4,422**	**5,292**	**4,676**	**6,952**
Change (yoy, %)	*9*	*36*	*4*	*20*	*(12)*	*49*
EPS	8.3	11.3	11.7	14.0	12.4	18.4
Dividend per share	3.2	5.0	5.5	10.0	12.0	14.0
Dividend Payout (%)	*38.4*	*44.3*	*47*	*71*	*97*	*76*

Balance Sheet (Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Shareholders' funds	**19,272**	**26,049**	**28,196**	**29,714**	**30,364**	**31,557**
Share capital	345	378	378	378	378	378
Reserves & surplus	18,927	25,672	27,819	29,336	29,986	31,180
Total Debt	**5,617**	**6,840**	**6,930**	**43,930**	**46,930**	**46,430**
Other liabilities	3,710	3,676	3,350	3,953	3,953	3,953
Curr Liab & prov	**8,503**	**10,989**	**11,686**	**15,754**	**17,204**	**19,720**
Current liabilities	8,503	10,196	10,864	14,931	16,381	18,897
Provisions	-	793	822	822	822	822
Total liabilities	**17,829**	**21,505**	**21,966**	**63,636**	**68,086**	**70,102**
Total equity & liabilities	**37,101**	**47,555**	**50,162**	**93,350**	**98,450**	**1,01,659**
Net fixed assets	**18,718**	**19,426**	**21,456**	**57,106**	**58,056**	**58,904**
Investments	3,891	6,296	11,441	11,441	11,441	11,441
Other non-curr assets	-	-	-	-	-	-
Current assets	**14,492**	**21,833**	**17,265**	**24,802**	**28,953**	**31,315**
Inventories	4,448	6,039	4,858	8,355	9,248	10,797
Sundry Debtors	7,075	11,051	11,078	14,554	16,110	18,810
Cash and Bank	2,190	1,087	421	984	2,686	798
Other current assets	779	3,656	909	909	909	909
Total assets	**37,101**	**47,555**	**50,162**	**93,350**	**98,450**	**1,01,659**

Cash Flow Statement (Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	3,920	5,316	5,817	7,257	7,265	10,105
Depreciation	1,101	1,209	1,367	1,952	2,050	2,153
Tax paid	(615)	(1,004)	(1,584)	(1,965)	(2,589)	(3,153)
Chg in working capital	(1,018)	(2,919)	1,852	(2,906)	(999)	(1,733)
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	**3,389**	**2,602**	**7,452**	**4,338**	**5,727**	**7,371**
Capital expenditure	(1,669)	(1,917)	(3,397)	(37,603)	(3,000)	(3,000)
Chg in investments	(94)	(2,405)	(5,145)	-	-	-
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	**(1,763)**	**(4,322)**	**(8,542)**	**(37,603)**	**(3,000)**	**(3,000)**
Equity raised/(repaid)	-	4,000	-	-	-	-
Debt raised/(repaid)	170	1,223	90	37,000	3,000	(500)
Dividend (incl. tax)	(1,206)	(1,887)	(2,076)	(3,775)	(4,530)	(5,284)
Chg in monorities	-	-	-	-	-	-
Other financing activities	-	-	-	-	-	-
Cash flow from financing (c)	**(1,036)**	**3,336**	**(1,986)**	**33,225**	**(1,530)**	**(5,784)**
Net chg in cash (a+b+c)	**590**	**1,615**	**(3,076)**	**(39)**	**1,197**	**(1,413)**

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Book Value (Rs)	51	69	75	79	80	84
Adj EPS (Rs)	*8*	*11*	*12*	*14*	*12*	*18*
Adj EPS growth (%)	*9.2*	*35.8*	*3.7*	*19.7*	*-11.6*	*48.7*
EBITDA margin (%)	*19.1*	*14.2*	*12.5*	*16.2*	*14.9*	*15.1*
Pre-tax margin (%)	*14.7*	*12.0*	*10.1*	*11.9*	*7.8*	*9.3*
Net Debt/Equity (x)	*0.2*	*0.2*	*0.2*	*1.4*	*1.5*	*1.4*
ROCE (%)	*14.6*	*15.6*	*15.6*	*13.7*	*14.0*	*16.4*
ROE (%)	*17.4*	*18.8*	*16.3*	*18.3*	*15.6*	*22.0*
DuPont Analysis						
Asset turnover (x)	0.8	1.1	1.2	0.8	1.0	1.1
Leverage factor (x)	1.9	1.9	1.8	2.5	3.2	3.2
Net margin (%)	*11.8*	*9.6*	*7.7*	*8.7*	*5.0*	*6.4*
Working Capital & Liquidity ratio						
Inventory days	61	50	31	50	36	36
Receivable days	97	91	70	87	63	63
Payable days	100	87	69	97	69	69

Valuations

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
PER (x)	36.2	26.7	25.7	21.5	24.3	16.4
Price/Book value (x)	5.9	4.4	4.0	3.8	3.7	3.6
EV/Net sales (x)	4.4	2.7	2.1	2.6	1.7	1.5
EV/EBITDA (x)	23.1	18.9	16.7	15.8	11.4	9.8
Dividend Yield (%)	*1.1*	*1.7*	*1.8*	*3.3*	*4.0*	*4.6*

Source: Company; IDBI Capital Research

Notes

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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