

Robust exports, positive operating leverage drive earnings beat

PCBL's 3QFY24 earnings print was significantly better than our and consensus expectations on account of a jump in per kg profitability amid higher-than-anticipated volumes. Despite lower specialty volumes, higher profitability could have been on account of i) higher export share, ii) positive operating leverage, iii) better product mix within non-specialty, and iv) some reversible gains owing to supply tightness. Hence, going forward, we build in slight moderation in per kg EBITDA albeit higher than our previous estimates. This along with faster-than-anticipated volume ramp-up of newer capacities has led to upgrade of our FY24/25/26 EBITDA by 9%/9%/7% and EPS by 11%/11%/9%. We maintain BUY with a revised Mar'25 TP of INR 355/share as we believe PCBL is likely to continue to benefit from strong sector tailwinds while focusing on diversification.

- Steady volume growth continues:** PCBL's 3QFY24 consolidated gross profit came in 11% ahead of JMFe, at INR 4.9bn (up 12%/54% QoQ/YoY) as revenue came in 12% above JMFe at INR 16.6bn (up 11%/22% QoQ/YoY) while gross margin was marginally lower than our expectation at 29.7% (vs. 29.9% of JMFe and 29.5% in 2QFY24). As a result, despite higher other expenses and employee costs, EBITDA came in 14%/15% above JMFe/consensus at INR 2.8bn (up 17%/71% QoQ/YoY). Further, on account of lower tax rate and higher other income, PAT was 18% above JMFe and stood at INR 1.5bn (up 21%/52% QoQ/YoY). During the quarter, PCBL's overall sales volume came in 2% ahead of JMFe at 136.1kt (up 5%/34% QoQ/YoY) owing to strong ramp-up of new capacities in Tamil Nadu (TN). Specialty volume was lower at 14.4kt (vs. JMFe of 17.0kt and 15.6 kt in 2QFY24). The TN plant has achieved 50% capacity utilisation and the company expects it to gradually reach optimum utilisation over the next couple of quarters.
- Jump in per kg EBITDA likely on account of higher share of exports:** During 3QFY24, PCBL's per kg gross margin was higher at INR 36.2/kg (vs. JMFe of INR 33.2/kg and INR 33.7/kg in 2QFY24). Further, despite higher cost of servicing, EBITDA/kg was higher at INR 20.5/kg (vs. INR 18.3/kg in 2QFY24). Although the share of specialty blacks was lower during the quarter at 11% (vs. 13% in 2QFY24), we believe higher share of exports (42% in 3QFY24 vs. 37% in 2QFY24) could have been one of the drivers of higher per kg profitability, besides positive operating leverage. In our view, within standard blacks, the company would also have been able to sell higher volume of some of the premium grades such as N220, which has 10-15% premium to other grades such as N660, N330, etc. Moreover, we believe that any improvement due to supply tightness of certain grades could reverse in the coming quarters.
- Raise EBITDA estimates by 7-9%; maintain BUY:** Factoring in 3QFY24 results, we raise our volume estimates along with per kg EBITDA. As a result, our FY24/25/26 EBITDA estimates are revised upwards by 9%/9%/7% and EPS estimates are revised upwards by 11%/11%/9%. We expect PCBL to register 12% EPS CAGR over FY24E-26E. We maintain BUY with a revised Mar'25 TP of INR 355/share (from INR 330/share earlier).

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	355
Upside/(Downside)	28.7%
Previous Price Target	330
Change	7.5%

Key Data – PCBL IN

Current Market Price	INR276
Market cap (bn)	INR104.1/US\$1.3
Free Float	47%
Shares in issue (mn)	377.0
Diluted share (mn)	377.0
3-mon avg daily val (mn)	INR1,041.0/US\$12.6
52-week range	288/108
Sensex/Nifty	73,328/22,097
INR/US\$	82.9

Price Performance

%	1M	6M	12M
Absolute	3.8	74.7	123.1
Relative*	1.2	57.4	83.4

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	44,464	57,741	61,399	67,320	73,815
Sales Growth (%)	67.2	29.9	6.3	9.6	9.6
EBITDA	6,530	7,312	9,636	10,540	11,760
EBITDA Margin (%)	14.7	12.7	15.7	15.7	15.9
Adjusted Net Profit	4,263	4,422	5,356	5,727	6,720
Diluted EPS (INR)	11.3	11.7	14.2	15.2	17.8
Diluted EPS Growth (%)	35.8	3.7	21.1	6.9	17.3
ROIC (%)	15.4	13.0	15.2	14.7	15.6
ROE (%)	18.7	16.2	17.3	15.7	15.7
P/E (x)	24.4	23.5	19.4	18.2	15.5
P/B (x)	4.0	3.7	3.1	2.6	2.3
EV/EBITDA (x)	16.8	15.5	11.6	10.4	9.0
Dividend Yield (%)	0.2	2.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 15/Jan/2024

Exhibit 1. PCBL's quarterly financial snapshot

Consolidated (INR mn)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY24E	% QoQ	% YoY	% difference
Net Sales	11,561	12,188	14,091	16,279	13,633	13,738	13,475	14,867	16,568	14,858	11%	22%	12%
COGS	8,403	9,042	10,257	12,587	10,437	10,244	9,353	10,483	11,645	10,411	11%	12%	
Gross Profit	3,158	3,146	3,834	3,692	3,196	3,495	4,122	4,384	4,923	4,448	12%	54%	11%
Gross margin	27.3%	25.8%	27.2%	22.7%	23.4%	25.4%	30.6%	29.5%	29.7%	29.9%	23bps	627bps	
Employee cost	398	418	472	488	478	467	524	560	610	570	9%	28%	
Employee cost as % of sales	3%	3%	3%	3%	4%	3%	4%	4%	4%	4%	-9bps	18bps	
Other expenditure	1,080	1,385	1,408	1,318	1,085	1,189	1,490	1,443	1,524	1,430	6%	41%	
Other expenditure as % of sales	9%	11%	10%	8%	8%	9%	11%	10%	9%	10%	-51bps	124bps	
EBITDA	1,680	1,343	1,955	1,886	1,634	1,838	2,108	2,381	2,789	2,448	17%	71%	14%
EBITDA margin	14.5%	11.0%	13.9%	11.6%	12.0%	13.4%	15.6%	16.0%	16.8%	16.5%	82bps	485bps	36bps
Depreciation	308	305	375	327	330	336	412	482	527	505	9%	60%	
EBIT	1,372	1,039	1,580	1,558	1,304	1,503	1,696	1,899	2,263	1,943	19%	74%	
Interest expense	69	69	89	110	150	186	193	210	324	220	54%	116%	
Other income	90	121	117	38	85	166	40	27	72	20	168%	-16%	
PBT	1,392	1,091	1,608	1,487	1,239	1,483	1,543	1,716	2,011	1,743	17%	62%	
Tax	277	208	346	322	268	460	450	488	531	488	9%	99%	
PAT	1,114	882	1,262	1,164	970	1,022	1,092	1,226	1,479	1,253	21%	52%	18%
PAT margin	10%	7%	9%	7%	7%	7%	8%	8%	9%	8%	68bps	181bps	
Basic EPS (INR)	3.0	2.3	3.3	3.1	2.6	2.7	2.9	3.3	3.92	3.3	21%	52%	
Tax rate	20%	19%	21%	22%	22%	31%	29%	28%	26.4%	28.0%	-201bps	482bps	

Source: Company, JM Financial

Exhibit 2. PCBL's quarterly operational snapshot

Consolidated	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	3QFY24E	% QoQ	% YoY	% difference
Segmental volume (MT)													
Standard	1,06,759	1,03,103	99,510	1,03,843	92,494	1,07,743	1,11,306	1,14,537	1,21,673	1,17,014	6%	32%	4%
Specialty	9,835	9,349	9,867	10,016	8,998	11,495	11,780	15,574	14,435	17,000	-7%	60%	-15%
Total	1,16,594	1,12,452	1,09,377	1,13,859	1,01,492	1,19,238	1,23,086	1,30,111	1,36,108	1,34,014	5%	34%	2%
YoY growth (%)													
Standard	-1%	-2%	-3%	-3%	-13%	5%	12%	10%	32%	27%			
Specialty	37%	23%	35%	22%	-9%	23%	19%	55%	60%	89%			
Total	2%	-1%	0%	-2%	-13%	6%	13%	14%	34%	32%			
Segmental volume contribution (%)													
Standard	92%	92%	91%	91%	91%	90%	90%	88%	89%	87%			
Specialty	8%	8%	9%	9%	9%	10%	10%	12%	11%	13%			
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%			
Geographical break-up (%)													
Domestic	66%	68%	70%	68%	71%	67%	67%	63%	58%				
Exports	34%	32%	30%	32%	29%	33%	33%	37%	42%				
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%				
Unit economics (INR/kg)													
Revenue per kg	96.8	106.0	125.6	139.8	131.2	112.0	106.4	110.9	118.7	110.9	7%	-10%	7%
COGS per kg	69.7	78.0	90.6	107.3	99.7	82.7	72.9	77.2	82.5	77.7	7%	-17%	6%
Gross margin per kg	27.1	28.0	35.1	32.4	31.5	29.3	33.5	33.7	36.2	33.2	7%	15%	9%
Opex per kg	12.7	16.0	17.2	15.9	15.4	13.9	16.4	15.4	15.7	14.9	2%	2%	5%
EBITDA per kg	14.4	11.9	17.9	16.6	16.1	15.4	17.1	18.3	20.5	18.3	12%	27%	12%

Source: Company, JM Financial

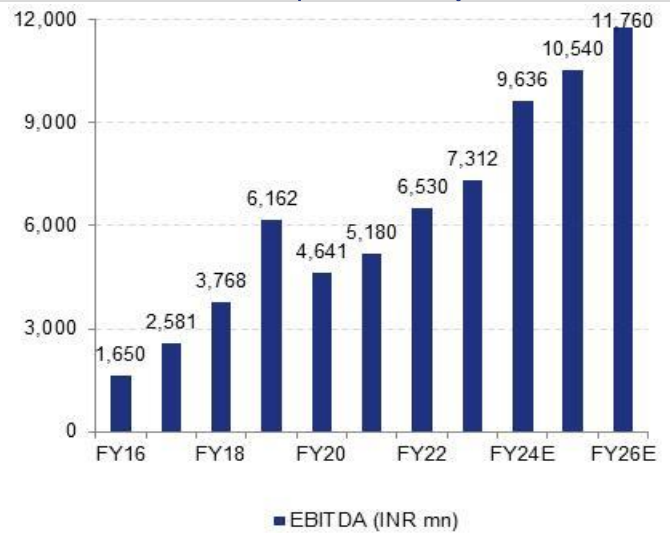
Exhibit 3. Key assumptions and estimates

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Installed Capacity (MT)	4,72,000	4,88,000	5,29,000	5,71,000	6,03,000	6,03,000	6,66,000	7,90,000	8,10,000	8,60,000
Carbon Black (MT)	4,48,000	4,64,000	4,89,000	5,31,000	5,31,000	5,31,000	5,94,000	6,78,000	6,80,000	7,30,000
Specialty Blacks (MT)	24,000	24,000	40,000	40,000	72,000	72,000	72,000	1,12,000	1,30,000	1,30,000
Utilisation (%)	81.2%	81.9%	77.7%	71.4%	63.8%	75.3%	66.7%	67.2%	73.4%	77.4%
Production (MT)	3,83,316	3,99,904	4,10,798	4,07,887	3,84,786	4,54,187	4,43,966	5,30,539	5,94,204	6,65,509
Sales Volume (MT)	3,87,345	4,02,069	4,03,423	4,06,791	3,89,261	4,54,187	4,43,966	5,30,539	5,94,204	6,65,509
Carbon Black Realisation (INR/Kg)	47.55	61.52	85.05	77.61	66.59	95.85	126.85	112.90	110.64	108.43
Carbon Black Gross Margin (INR/Kg)	17.82	22.08	30.54	25.91	26.99	28.90	32.02	34.26	33.58	32.91
Carbon Black EBITDA Margin (INR/Kg)	6.66	9.37	15.27	11.41	13.31	14.38	16.47	18.16	17.74	17.67

Source: Company, JM Financial

Exhibit 4. PCBL's revenue is expected to show 9% CAGR over FY23-FY26E...

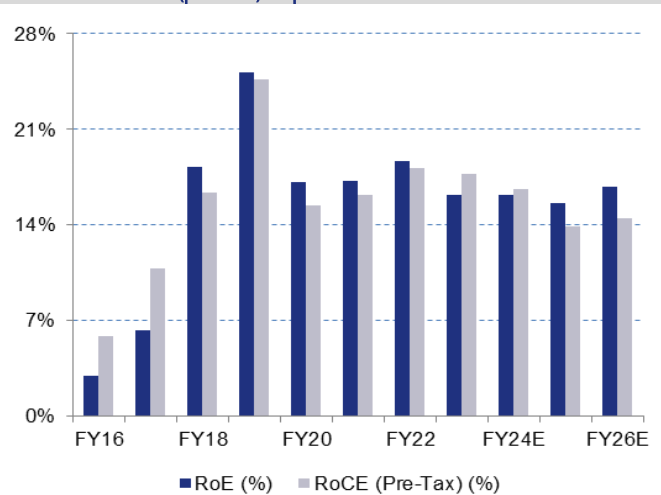
Source: Company, JM Financial, Note: ex-Aquapharm numbers

Exhibit 5. ...and EBITDA is expected to rise by 17% CAGR

Source: Company, JM Financial, Note: ex-Aquapharm numbers

Exhibit 6. PAT CAGR expected to be ~15% over FY23-FY26E

Source: Company, JM Financial, Note: ex-Aquapharm numbers

Exhibit 7. RoCE/RoE(pre-tax) expected to stabilise ~15/16%

Source: Company, JM Financial, Note: ex-Aquapharm numbers

Exhibit 8. Changes in estimates

	New	Old	Divergence
Revenue (INR Mn)			
FY24	61,399	59,487	3.2%
FY25	67,320	63,516	6.0%
FY26	73,815	67,819	8.8%
EBITDA (INR Mn)			
FY24	9,636	8,833	9.1%
FY25	10,540	9,649	9.2%
FY26	11,760	10,916	7.7%
PAT (INR Mn)			
FY24	5,356	4,849	10.5%
FY25	5,727	5,142	11.4%
FY26	6,720	6,170	8.9%
EPS (INR)			
FY24	14.2	12.9	10.5%
FY25	15.2	13.6	11.4%
FY26	17.8	16.4	8.9%

Source: JM Financial

Valuation

Exhibit 9. Our Mar'25 TP for PCBL consolidated stands at INR 355/share

	Mar'26 EPS	P/E multiple (x)	Value (INR/share)
PCBL standalone	18	18	320
Aquapharm	1.4	25	34
PCBL consolidated TP			355
Mar'26E consolidated EPS			19
Implied P/E multiple			18

Source: JM Financial

Exhibit 10. Chemical companies peer valuation

Company	CMP (INR)	P/E (x)				P/B (x)				EV/EBITDA (x)				ROE (%)			
		FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
SRF	2,347	32.2	44.9	33.2	25.4	6.7	5.9	5.1	4.4	20.6	25.6	19.6	15.4	22.9	14.1	16.6	18.6
UPL	568	11.7	30.5	16.1	11.9	1.5	1.4	1.3	1.2	6.4	8.9	7.6	6.6	13.6	4.7	8.5	10.7
PI Industries	3,461	43.0	34.4	31.4	27.5	7.3	6.0	5.1	4.3	32.0	25.4	21.9	18.9	18.4	19.2	17.5	16.8
Deepak Nitrite	2,428	33.2	39.2	26.9	22.3	6.9	5.9	4.8	4.0	21.7	24.3	17.1	14.2	22.9	16.2	19.7	19.6
Clean Science	1,506	54.2	68.0	49.0	36.7	15.8	12.9	10.3	8.1	38.9	47.7	34.1	26.2	33.2	20.9	23.4	24.6
Navin Fluorine	3,536	46.7	52.7	36.5	26.5	8.0	7.2	6.2	5.2	33.0	35.9	26.4	20.8	18.6	14.4	18.2	21.5
Fine Organics	4,711	24.5	42.4	45.8	43.9	9.5	8.1	7.1	6.3	17.9	29.3	29.4	27.4	47.6	20.6	16.5	15.2
Galaxy Surfactants	2,817	26.2	33.9	30.8	28.7	5.3	4.6	4.0	3.5	17.6	19.9	18.2	16.6	22.0	14.5	13.9	13.0
PCBL Ltd.	276	23.5	19.4	18.2	15.5	3.7	3.1	2.6	2.3	15.5	11.6	10.4	9.0	16.2	17.3	15.7	15.7
Aether Industries	882	84.2	93.6	53.1	39.0	8.8	5.5	5.0	4.4	58.4	59.1	33.9	25.4	16.0	7.4	9.9	12.1
Anupam Rasayan	953	56.5	68.1	43.0	29.4	4.3	3.5	3.2	2.9	22.9	24.3	18.2	14.4	8.8	5.8	7.7	10.3
Archean Chemicals	621	18.0	22.1	14.2	11.1	4.8	4.3	3.3	2.5	11.7	14.3	9.0	6.5	45.2	21.6	26.3	25.8
Tatva Chintan Pharma Chem	1,487	70.9	88.5	44.4	32.1	6.8	4.8	4.3	3.9	59.5	38.6	25.4	19.9	9.9	6.3	10.2	12.7

Source: Companies, JM Financial

Financial Tables (ex-Aquapharm)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	44,464	57,741	61,399	67,320	73,815	
Sales Growth	67.2%	29.9%	6.3%	9.6%	9.6%	
Other Operating Income	0	0	0	0	0	
Total Revenue	44,464	57,741	61,399	67,320	73,815	
Cost of Goods Sold/Op. Exp	31,338	43,525	43,221	47,368	51,916	
Personnel Cost	1,589	1,905	2,343	2,530	2,707	
Other Expenses	5,008	4,999	6,199	6,881	7,432	
EBITDA	6,530	7,312	9,636	10,540	11,760	
EBITDA Margin	14.7%	12.7%	15.7%	15.7%	15.9%	
EBITDA Growth	26.0%	12.0%	31.8%	9.4%	11.6%	
Depn. & Amort.	1,209	1,367	1,626	2,096	2,306	
EBIT	5,321	5,945	8,010	8,445	9,454	
Other Income	286	406	183	197	301	
Finance Cost	291	534	1,052	1,006	914	
PBT before Excep. & Forex	5,316	5,817	7,141	7,637	8,842	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	5,316	5,817	7,141	7,637	8,842	
Taxes	1,052	1,395	1,785	1,909	2,122	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	4,263	4,422	5,356	5,727	6,720	
Adjusted Net Profit	4,263	4,422	5,356	5,727	6,720	
Net Margin	9.6%	7.7%	8.7%	8.5%	9.1%	
Diluted Share Cap. (mn)	377.0	377.0	377.0	377.0	377.0	
Diluted EPS (INR)	11.3	11.7	14.2	15.2	17.8	
Diluted EPS Growth	35.8%	3.7%	21.1%	6.9%	17.3%	
Total Dividend + Tax	189	2,074	0	0	0	
Dividend Per Share (INR)	0.5	5.5	0.0	0.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	5,316	5,817	7,141	7,637	8,842	
Depn. & Amort.	1,209	1,367	1,626	2,096	2,306	
Net Interest Exp. / Inc. (-)	283	521	1,052	1,006	914	
Inc (-) / Dec in WCcap.	-2,644	-731	-2,837	-973	-1,068	
Others	-224	-276	0	0	0	
Taxes Paid	-1,036	-1,658	-1,785	-1,909	-2,122	
Operating Cash Flow	2,904	5,041	5,197	7,855	8,871	
Capex	-3,062	-8,959	-3,500	-4,000	-4,400	
Free Cash Flow	-158	-3,918	1,697	3,855	4,471	
Inc (-) / Dec in Investments	0	0	0	0	0	
Others	-2,345	3,440	0	0	0	
Investing Cash Flow	-5,407	-5,519	-3,500	-4,000	-4,400	
Inc / Dec (-) in Capital	3,901	0	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	770	2,590	2,000	-1,000	-1,000	
Others	-2,504	-2,896	-1,052	-1,006	-914	
Financing Cash Flow	2,167	-306	948	-2,006	-1,914	
Inc / Dec (-) in Cash	-336	-784	2,646	1,850	2,558	
Opening Cash Balance	1,522	1,186	402	3,048	4,898	
Closing Cash Balance	1,186	402	3,048	4,898	7,455	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	26,140	28,302	33,658	39,385	46,105	
Share Capital	378	378	378	378	378	
Reserves & Surplus	25,762	27,924	33,280	39,008	45,727	
Preference Share Capital	0	0	0	0	0	
Minority Interest	82	91	91	91	91	
Total Loans	6,840	9,430	11,430	10,430	9,430	
Def. Tax Liab. / Assets (-)	2,763	2,561	2,561	2,561	2,561	
Total - Equity & Liab.	35,825	40,384	47,740	52,467	58,187	
Net Fixed Assets	25,140	34,205	36,079	37,983	40,077	
Gross Fixed Assets	23,460	25,115	39,915	43,915	48,315	
Intangible Assets	52	52	52	52	52	
Less: Depn. & Amort.	5,066	6,226	7,852	9,947	12,253	
Capital WIP	6,693	15,264	3,964	3,964	3,964	
Investments	3,705	554	554	554	554	
Current Assets	19,003	19,570	26,422	30,299	35,081	
Inventories	6,039	5,714	8,411	9,222	10,112	
Sundry Debtors	11,051	11,107	12,616	13,833	15,167	
Cash & Bank Balances	1,186	402	3,048	4,898	7,455	
Loans & Advances	5	5	5	5	5	
Other Current Assets	722	2,342	2,342	2,342	2,342	
Current Liab. & Prov.	12,022	13,945	15,314	16,369	17,526	
Current Liabilities	10,020	10,309	11,679	12,733	13,890	
Provisions & Others	2,002	3,636	3,636	3,636	3,636	
Net Current Assets	6,981	5,625	11,107	13,930	17,556	
Total - Assets	35,825	40,384	47,740	52,467	58,187	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Margin	9.6%	7.7%	8.7%	8.5%	9.1%	
Asset Turnover (x)	1.4	1.5	1.4	1.3	1.3	
Leverage Factor (x)	1.4	1.4	1.4	1.4	1.3	
RoE	18.7%	16.2%	17.3%	15.7%	15.7%	

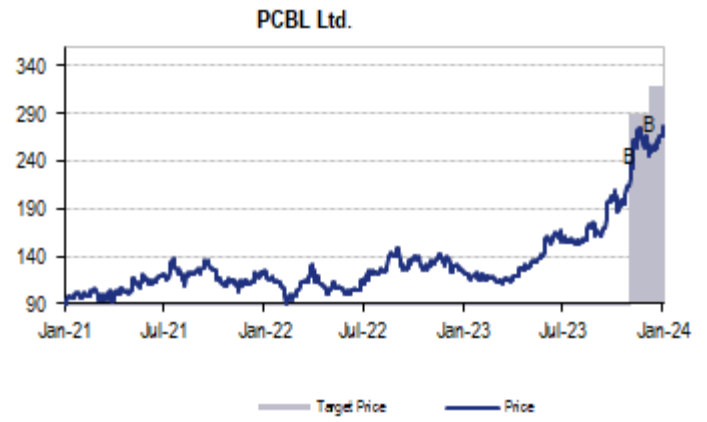
Key Ratios						
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
BV/Share (INR)	69.3	75.1	89.3	104.5	122.3	
ROIC	15.4%	13.0%	15.2%	14.7%	15.6%	
ROE	18.7%	16.2%	17.3%	15.7%	15.7%	
Net Debt/Equity (x)	0.2	0.3	0.2	0.1	0.0	
P/E (x)	24.4	23.5	19.4	18.2	15.5	
P/B (x)	4.0	3.7	3.1	2.6	2.3	
EV/EBITDA (x)	16.8	15.5	11.6	10.4	9.0	
EV/Sales (x)	2.5	2.0	1.8	1.6	1.4	
Debtor days	91	70	75	75	75	
Inventory days	50	36	50	50	50	
Creditor days	88	69	77	77	77	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
15-Nov-23	Buy	290	
21-Dec-23	Buy	320	10.2

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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