

PCBL Ltd. | BUY

New segments catalysing growth

On its Investors Day, PCBL's management gave insights on the company's ongoing growth plans and long-term opportunities. Key takeaways are – 1) battery chemicals has great potential and is expected to contribute from FY26E/27E, 2) for Aquapharm, the target is to grow each vertical and backward integrate to yellow phosphorous (leading to 15% sales volume CAGR over the next 5 years with margin improvement), 3) growth momentum in carbon black is likely to continue, 4) current expansion plans will not require any leverage due to sufficient cash flow generation, and 5) aim to improve RoE. Taking some of these insights into consideration, and our calculations, we have revised our FY25-27E EPS estimates upwards by ~10-22%. We continue to remain constructive on the name as the stock is trading at ~13x/11x FY26E/27E EBITDA despite the sharp run-up. We expect 28%/26% PAT CAGR over FY24-27E/24-29E (much lower than the company's target of 37% PAT CAGR over FY24-29E). We maintain BUY with a revised SoTP-based Mar'26 TP of INR 635 (from INR 445 earlier).

- Battery chemicals – not just a narrative:** PCBL has finalised 3,000MT of capacity additions for nano silicon materials. For this, the company has indicated a capex to the tune of INR 5.0bn (refer **Exhibit 4**). We believe that given these materials can replace traditional graphite, increase energy density, and increase lithium storage in graphite anodes (leading to higher charging rates), these products will see strong offtake. Moreover, Kinaltek's patented technology will make them economically viable. Hence, we expect this business to yield ~INR 1.1bn by FY27E and INR 2.6bn by FY29E (refer detailed calculations below). (Please note for simpler calculations, we are only considering PCBL's proportion, given PCBL owns a controlling stake; JV-wide numbers will be consolidated and minority interest will be deducted). Although ~ INR 5.0bn JV EBITDA on an INR 5.0bn investment seems too high, we believe it to be possible owing to process break-through.
- Aquapharm – on a strong footing:** Over FY24-29E, PCBL aims to achieve i) 15% sales volume CAGR in Aquapharm, and ii) 12% sales volume CAGR in carbon black. For Aquapharm, owing to its strong positioning in phosphonates (HEDP, ATMP, etc.), and green chelates (GLDA, MGDA, etc.), we believe the company's targets are not over-ambitious. On the margin front, however, we build in margin improvement only to ~17-18% from ~15% currently (vs. the company's guidance of ~23-25%).
- Carbon black – momentum to continue:** In our various previous reports (click [here](#), [here](#), and [here](#)) we have highlighted India's strong positioning in carbon black. In this report, we further indicate that India's carbon black exports have been growing at a rapid pace over the last 6-7 years while China's carbon black net exports haven't seen a significant change over the same period (refer **Exhibit 08** and **Exhibit 11**). Moreover, in our view, the low utilisation of coking coal plants will keep Chinese feedstock (CBO) price elevated compared to CBFS. Hence, although the company might not have shown 12% sales volume CAGR in the past, we build in its target of 12% sales volume CAGR over FY24-29E as our base case. Two reasons explain low growth in the past – i) low



Krishan Parwani

krishan.parwani@jmfl.com | Tel: (91 22) 6630 3073

Siddhinathan KN

siddhinathan.kn@jmfl.com | Tel: (91 22) 6630 3048

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	635
Upside/(Downside)	26.9%
Previous Price Target	445
Change	42.7%

Key Data – PCBL IN

Current Market Price	INR500
Market cap (bn)	INR188.9/US\$2.3
Free Float	48%
Shares in issue (mn)	377.0
Diluted share (mn)	377.0
3-mon avg daily val (mn)	INR2,551.2/US\$30.4
52-week range	507/156
Sensex/Nifty	81,086/24,823
INR/US\$	83.9

Price Performance

%	1M	6M	12M
Absolute	71.4	66.3	216.7
Relative*	72.0	49.2	153.4

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	57,741	64,198	91,186	106,230	120,698
Sales Growth (%)	29.9	11.2	42.0	16.5	13.6
EBITDA	7,312	10,373	15,219	17,952	20,847
EBITDA Margin (%)	12.7	16.2	16.7	16.9	17.3
Adjusted Net Profit	4,422	4,911	5,549	7,783	10,310
Diluted EPS (INR)	11.7	13.0	14.7	20.6	27.3
Diluted EPS Growth (%)	3.7	11.1	13.0	40.3	32.5
ROIC (%)	13.0	10.5	10.7	12.5	14.0
ROE (%)	16.2	16.2	15.7	18.6	20.2
P/E (x)	42.6	38.4	34.0	24.2	18.3
P/B (x)	6.7	5.8	5.0	4.1	3.4
EV/EBITDA (x)	27.0	22.4	15.4	12.9	10.8
Dividend Yield (%)	1.1	1.1	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 23/Aug/2024

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.

competitiveness before CY16, and ii) limited capacity expansion till FY18.

- **Carbon black EBITDA/MT as a percentage of Brent crude a better way to assess:** We highlight that PCBL's carbon black EBITDA/MT as % of Brent crude has been 0.2-0.3% (refer **Exhibit 14**). Building on this and taking in rupee depreciation, we arrive at INR 19/kg EBITDA for the carbon black business in FY29E from INR 16/kg (refer calculations below). We highlight that the company's guidance of INR 25/kg EBITDA for carbon black includes other income and a possible contribution from power. Overall, we expect carbon black EBITDA to reach INR 13.3bn by FY27E and INR 17.9bn by FY29E (from INR 8.4bn in FY24).
- **Raise EPS estimates by 10-22%; maintain BUY:** Post better clarity on battery chemicals capacities and ramp-up of Aquapharm, we have revised our FY25/26/27 EBITDA estimates up by 5%/8%/11% and our EPS estimates upwards by 10%/19%/22%. We expect PCBL to register 28%/26% EPS CAGR over FY24-27E/24-29E. We highlight that by FY29E, carbon black and power EBITDA contribution is likely to fall to ~70% (from ~98-100% in FY24E). Further, we move to SoTP valuation to better account for different segments. We maintain BUY with a revised Mar'26 TP of INR 635 (from INR 445 earlier).

Battery chemicals – not just a narrative

In its Investors Day presentation, PCBL has indicated that the company will infuse INR 5.0bn into the Kinaltek joint venture (JV) for a capacity of 3KTPA of nano silica compounds. Basis some of the inputs made during the presentation, we have discovered significant insights. We highlight that Kinaltek has patented its low-cost production technology for producing silicon-carbon composites, nano particles, and nanowires. The key advantages of these products are: **i) silicon nano particles can be used to replace up to 3% of graphite without significant changes in anode configuration, ii) 'drop-in' in silicon nanowires can increase lithium storage, and iii) carbon-coated silicon nano composites can be used to directly replace graphite in the anode.**

These materials can be used with the existing (NMC, LFP, LCO) and even next-generation cathodes. Kinaltek's single-step process of manufacturing these materials is much cheaper compared to the traditional multi step synthesis. Based on industry reports (click [here](#)), the existing cost of nanosilicon is ~USD 1,000/kg while Kinaltek's process brings the cost down to ~USD 5-50/kg depending on the nanoparticle. Hence, these silicon nano particles are cheaper than graphite on both mass and kW per kilogram basis.

Exhibit 1. Kinaltek's nano silicon materials will be a drop-in solution for battery manufacturers

KINSIL™
A Novel Platform Technology for Production of Nanosilicon

KINALTEK

KINSIL produces nanomaterials as a 'drop-in' solution for lithium battery manufacturers using a single step process that is cheaper and faster than existing technologies.

We use precursors such as silica powder, precipitated silica or silicates leading to high quality materials.

The Technology has a low environmental impact because its energy usage is minimal, its by-products are largely recyclable and processing is carried out at low temperature with low carbon emission.

- DROP-IN SOLUTION
- TUNEABLE NANOPRODUCTS
- LOW COST
- LOW CARBON EMISSIONS
- FUTURE PROOFING BATTERIES

Source: Industry, JM Financial

Exhibit 2. Kinaltek's process makes the materials viable for commercial use

KINSIL vs Existing Methods of producing nanosilicon

Significantly lower cost and 80% less CO₂ than existing technologies

Existing methods

Metallurgical Silicon → Silicon Chloride → Hydrogen Reduction → Refined (1) → Refined (2) → Refined (3) → Silane → Multi-step complex synthesis processes: chemical vapour deposition, laser, plasma, magnesiothermic reduction → End Products: Silicon Nanoparticles, Silicon Nanowires and Silicon-Carbon Composites

KINSIL

SiO₂ minerals → Silica Powder or Other Silica Precursors (e.g. glass powder, minerals, etc...) → KINSIL → End Products: Silicon Nanoparticles, Silicon Nanowires and Silicon-Carbon Composites

Source: Industry, JM Financial

Exhibit 3. Kinaltek’s wide range of products offer various benefits

Wide and Customised Range of Products

Nanowires

- ‘Drop-in’ silicon nanowires
- Increase lithium storage in graphite-based anodes.
- Fraction of the cost of existing processes.
- 1000-times thinner than a human hair
- Expansion due to lithium alloying is contained in two dimensions.
- Greater amounts of lithium can be incorporated into the battery
- Increased charging rates can be achieved.
- Silicon nanowires can be used to replace up to 30% of the graphite in anodes.

Nanoparticles

- Silicon nanoparticles that can serve as a drop-in solution for increasing the energy density of lithium batteries.
- Silicon nanoparticles are just a few hundred billionths of a metre in diameter.
- Where larger silicon particles fragment when alloying with lithium, our nanoparticles can tolerate expansion due to their size, which improves cycle life in silicon-doped anodes.
- Silicon nanoparticles can be used to replace up to 3% of graphite without significant changes in anode configuration and up to 20% in adapted configurations.

Composites

- Producing carbon-silicon composites directly from silica.
- Developing carbon-coated silicon nanocomposites that can be used to directly replace graphite in anode.
- Nanowires or nanoparticles are combined with carbon to produce materials that enable more lithium to be included in the battery while allowing for fast charge times.

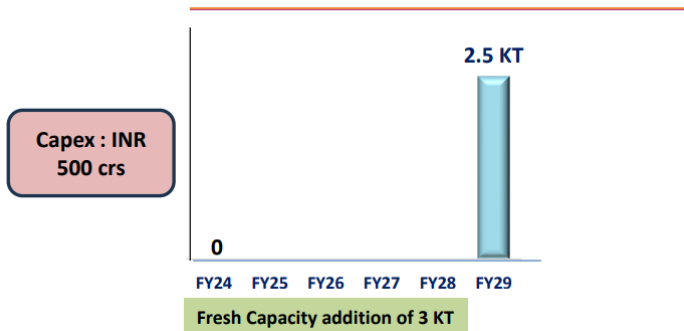
KINSIL™

Source: Industry, JM Financial

PCBL has indicated that it will incur a capex of INR 5.0bn in this JV (51:49 PCBL:Kinaltek). The initial investment commitment is of USD 28mn. Given that Kinaltek has brought the process, we believe PCBL’s role in this JV would be to provide the financial support along with manufacturing know-how. For building our estimates, we have taken USD 100/kg average realisation (which is much lower than the existing price of ~USD 300/kg for some of these materials). Despite it being patented technology, we have taken a modest ~25% EBITDA margin for these compounds. Instead of taking out Kinaltek’s share, we directly build in ~12.5% EBITDA margin for PCBL. This results in an EBITDA of ~INR 2.6bn for PCBL in FY29E from this JV.

Exhibit 4. PCBL has indicated 2,500MT sales volume of nano silicon compounds by FY29E

Nano silica for EV Battery (Sales. Vol.)



Source: Company, JM Financial

Exhibit 5. We have built in USD 100/kg realisation and 25% EBITDA margin (PCBL’s share)

	FY26E	FY27E	FY28E	FY29E
Kinaltek JV				
Sales volume (MT)		1,000	1,800	2,400
Sales price (USD/kg)		100	100	100
EBITDA/kg (USD) (PCBL’s share)		13	13	13

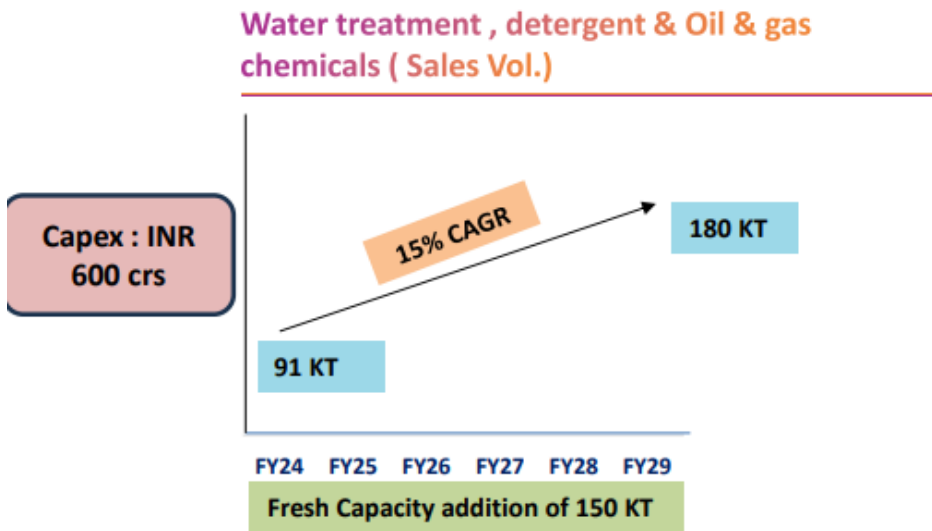
Source: JM Financial

Aquapharm – on a strong footing

We highlight that several of Aquapharm’s products such as polymaleic acid (water treatment chemical), glutamic acid diacetate (GLDA, green chelate), and methyl glycine diacetic acid (MGDA, green chelate) have more use-cases in the global market than in the domestic market. We had earlier highlighted that the some of the green chelates are replacing traditional chelating agents such as EDTA. Hence, the company’s capacity expansion of green chelates (from 3KTPA to 25KTPA by FY29) is a step in the right direction. Besides this, by FY29, the company has plans to expand its phosphonates capacity to 120KTPA (from 82KTPA) and water treatment chemicals capacity to 35KTPA (from 12KTPA), and also expand its oil and gas chemicals capacities. This will take the total capacity to 280KTPA. Further, Aquapharm also has plans for backward integration into yellow phosphorous to strengthen its positioning in phosphonates.

We now build in 15% sales volume CAGR for Aquapham (in line with the company’s guidance). For EBITDA margin, although the company has indicated that 23-25% EBITDA margin by FY29, we factor in expansion only to 17.5% owing to better product mix and positive operating leverage. This results in Aquapharm’s EBITDA reaching INR 6.2bn by FY29E (from a likely ~INR 2.9bn in FY25E).

Exhibit 6. PCBL intends to incur INR 6.0bn capex in Aquapharm and targets 15% sales volume CAGR over FY24-29E



Source: Company, JM Financial

Exhibit 7. We build in margin improvement to ~17.5% by FY29E (much lower than company’s guidance)

	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
Aquapharm						
Sales volume (MT)	91,000	1,09,200	1,35,200	1,61,200	1,74,200	1,82,000
Sales price (INR/kg)		169	178	187	187	196
EBITDA margin (%)		15.5%	15.5%	16.0%	17.0%	17.5%
EBITDA/kg (INR)		26	28	30	32	34

Source: Company, JM Financial

Carbon black – momentum to continue

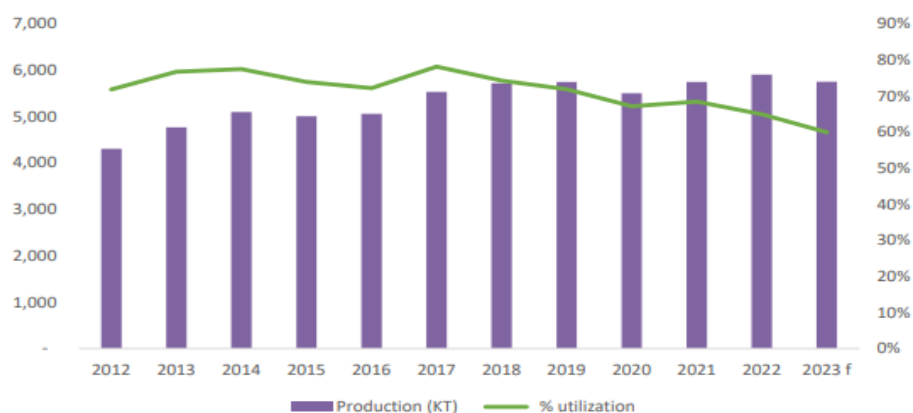
We highlight that China isn't likely to be a hindrance in PCBL's carbon black growth story. Over the last 7 years, Chinese carbon black exports have been range-bound while its production has grown only modestly over the last 10 years. This highlights that China hasn't been able to overcome the challenge of lower availability of coal tar on account of lower utilisation rates of Chinese coke ovens. Chinese coke oven utilisation rates haven't improved since environment-related concerns started in 2015-16. Of the overall coal tar demand of ~15-17MMTPA, ~55% is from aluminium, graphite, and other coal tar pitch end-use sectors while ~45% is from naphthalene, creosote, carbon black, fuel, and other industries.

Exhibit 8. China's carbon black net exports have been range-bound

Net exports (KTPA)	2017	2018	2019	2020	2021	2022	2023	2024
January	58.3	58.3	75.8	55.1	64.8	47.3	31.6	73.4
February	41.8	48.8	56.2	50.7	49.4	31.2	27.4	48.2
March	56.7	86	59.9	67.1	77.9	46.5	25.3	56.1
April	54.7	66.8	47.2	34.4	69.7	70.9	28.7	25.8
May	53	66.6	54.6	18.2	58.9	96.9	35.2	37.6
June	47.6	62.2	53.9	32.9	54	93.8	56.1	45.0
July	63.7	64.6	72.5	44.3	47.3	81.5	44.0	54.5
August	69.1	69.1	63.8	55.1	41.1	65.5	44.5	0.0
September	50.4	69.8	62.2	57.9	30.6	57.6	38.4	0.0
October	44.1	66.4	70.6	56	36.1	47	30.7	0.0
November	46.8	62.3	58.5	57.1	37	36.3	40.2	0.0
December	42.6	63	61.1	56.1	52.7	32.1	51.3	0.0
Total	628.8	783.9	736.3	584.9	619.5	706.6	453.5	340.5

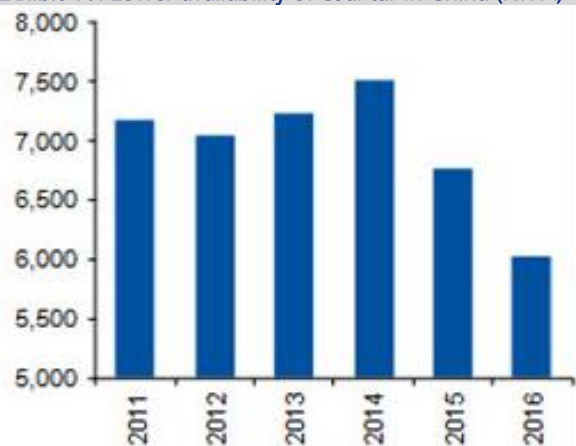
Source: Industry, JM Financial

Exhibit 9. China's carbon black production has seen only modest growth over the last 10 years



Source: Industry, JM Financial

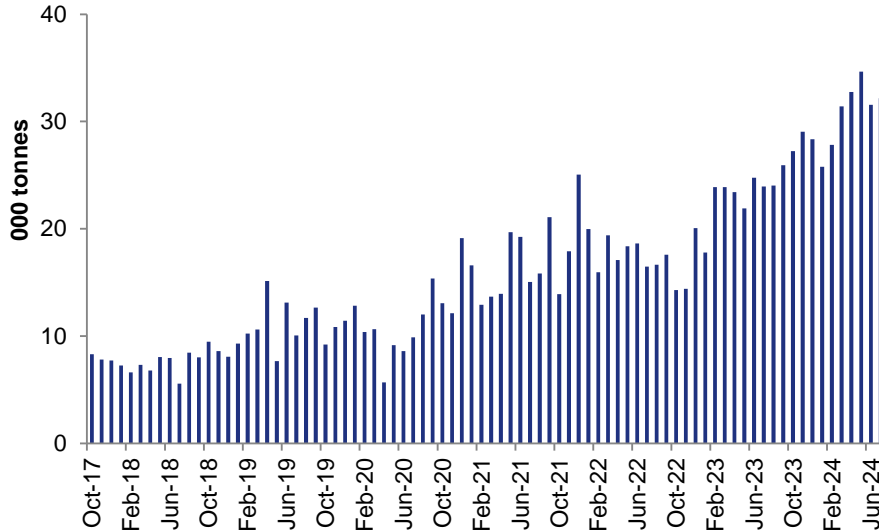
Exhibit 10. Lower availability of coal tar in China (KTPA)



Source: CRU, JM Financial

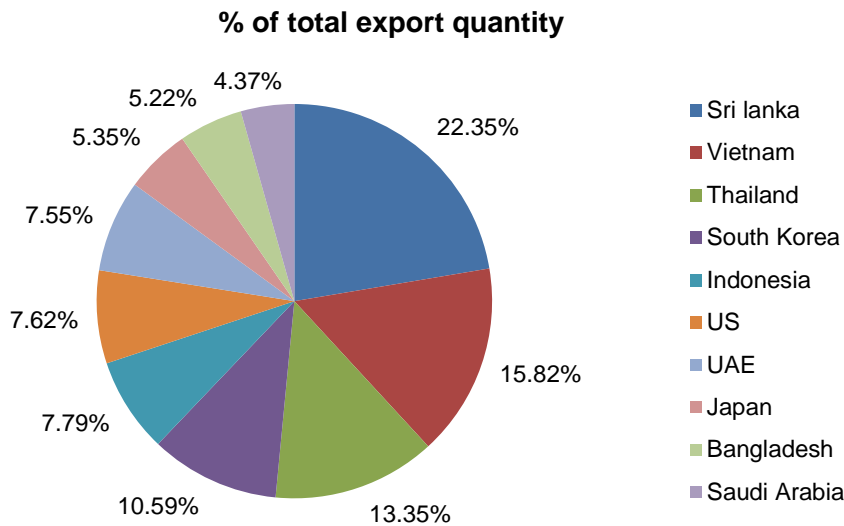
In contrast, India’s carbon black exports have been increasing consistently over the last 6-7 years; monthly exports have jumped from ~8KTPA in Oct’17 to ~32KTPA in Jul’24. Moreover, our analysis indicates that these exports have been largely to serve South East Asian demand. Hence, in our view, European demand (post the ban on Russian imports) would have been met by China.

Exhibit 11. India’s carbon black monthly exports have been increasing consistently over last 6-7 years



Source: Industry, JM Financial

Exhibit 12. Sri Lanka remains a top destination for carbon black exports from India

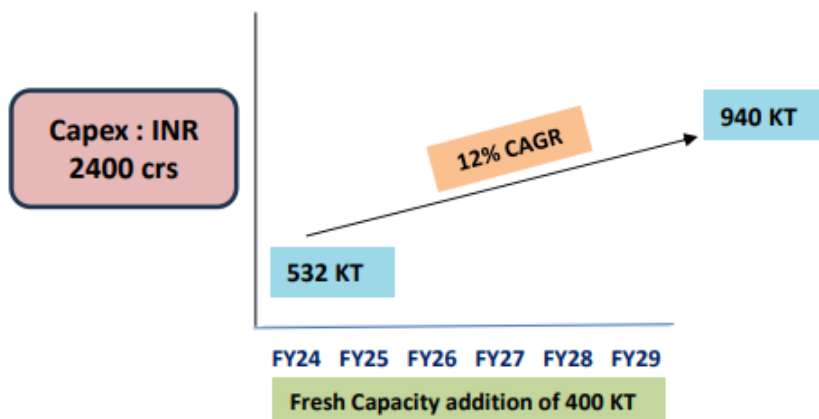


Source: Industry, JM Financial

During Investors Day, the company indicated its aspirations of 12% volume CAGR for carbon black. We believe that with tailwinds in place PCBL can achieve ~12% volume CAGR over FY24-29E. One of the key investor concerns we received on volume growth forecast assumption is the low growth in the past. We highlight that the company has started aggressive capacity expansion only after the increased competitiveness compared to China.

Exhibit 13. PCBL has guided for ~12% volume CAGR for carbon black

Rubber & Specialty Blacks (Sales Vol.)



Source: Company, JM Financial

We highlight that EBITDA/MT for carbon black has been around 0.2-0.3% of Brent crude price. We expect EBITDA/MT to increase to USD 215 on account of higher contribution of specialty blacks. Further, on account of rupee depreciation, EBITDA/kg is likely to increase to INR 19/kg by FY29E (from INR 16/kg in FY24). The company has guided for INR 25/kg EBITDA by FY29E. However, we highlight that EBITDA/kg also include other income and considers EBITDA probably including some component of power.

Exhibit 14. Key assumptions for carbon black volume and per kg EBITDA

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
Carbon black												
Sales volume (MT)	4,02,069	4,03,423	4,06,791	3,89,261	4,54,187	4,45,184	5,31,850	6,24,100	6,95,200	7,54,450	8,33,450	9,41,325
Brent (USD/bbl)	57.6	70.2	60.9	44.7	80.0	95.4	83.0	80.0	80.0	80.0	80.0	80.0
EBITDA/MT (USD)	105	193	127	154	159	164	191	195	200	205	210	215
EBITDA/kg (USD) as % of brent	0.18%	0.27%	0.21%	0.34%	0.20%	0.17%	0.23%	0.24%	0.25%	0.26%	0.26%	0.27%
EBITDA/kg (INR)	7	12	9	11	12	13	16	16	17	18	18	19

Source: Company, JM Financial

Operating cash flows sufficient for growth and debt reduction

The company highlighted that it would be able to pare down debt completely after servicing working capital and capex requirements with internal cash flow generation. We are building in a much lower EBITDA/PAT CAGR of 21%/26% over FY24-29E (compared to the company's aspiration of 30%/37% CAGR). Despite this, we believe with strong OCF generation, its net debt to EBITDA would fall to 1.8x by FY27E and 0.7x by FY29E. Further, basis our estimates, its RoE is likely to improve to 20% by FY27E and 21% by FY29E (vs. the company's aspiration of 25% ROE by FY29E).

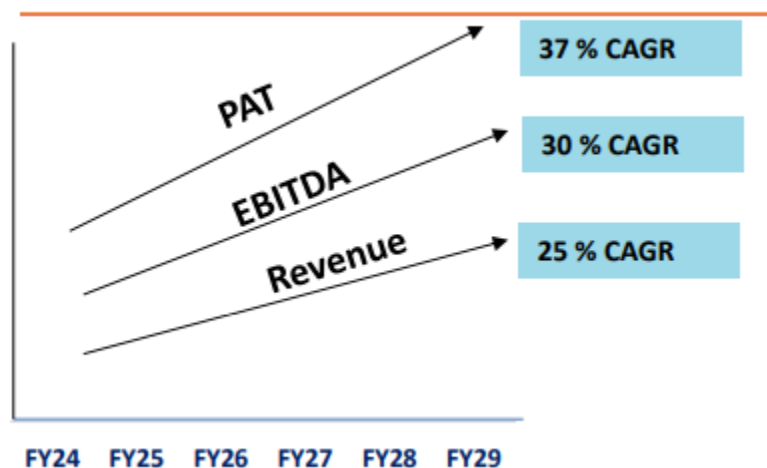
Exhibit 15. PCBL would be able to bring down its net debt to EBITDA to 1.8x by FY27E and 0.7x by FY29E

INR mn	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY24-29E CAGR	FY25-29 cumulative
Revenue	57,741	64,198	91,186	1,06,230	1,20,698	1,33,907	1,51,630	19%	
EBITDA	7,312	10,373	15,219	17,952	20,847	23,525	27,096	21%	1,04,639
PAT	4,422	4,911	5,549	7,783	10,310	12,819	15,846	26%	
OCF	5,041	11,054	9,203	13,359	15,546	17,625	19,554		75,286
Capex	-8,959	-5,358	-6,000	-6,000	-7,500	-7,500	-7,500		-34,500
FCF	-3,918	5,697	3,203	7,359	8,046	10,125	12,054		40,786
Net debt	9,028	44,706	45,652	42,339	37,582	29,760	19,220		
Net debt to EBITDA (x)	1.2	4.3	3.0	2.4	1.8	1.3	0.7		
ROE (%)	16%	16%	16%	19%	20%	20%	21%		

Source: JM Financial, Company

Exhibit 16. PCBL has aspiration of 30%/37% EBITDA/PAT CAGR over FY24-29E

Overall growth



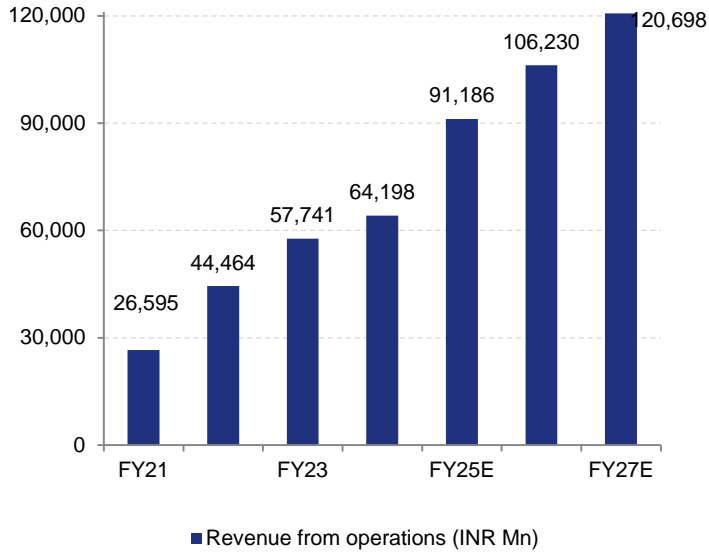
Source: Company, JM Financial

Exhibit 17. Changes in estimates

	New	Old	% change
Revenue (INR Mn)			
FY25	91,186	86,790	5.1%
FY26	1,06,230	98,251	8.1%
FY27	1,20,698	1,11,244	8.5%
EBITDA (INR Mn)			
FY25	15,219	14,501	4.9%
FY26	17,952	16,503	8.8%
FY27	20,847	18,712	11.4%
PAT (INR Mn)			
FY25	5,549	5,034	10.2%
FY26	7,783	6,525	19.3%
FY27	10,310	8,430	22.3%
EPS (INR)			
FY25	14.7	13.4	10.2%
FY26	20.6	17.3	19.3%
FY27	27.3	22.4	22.3%

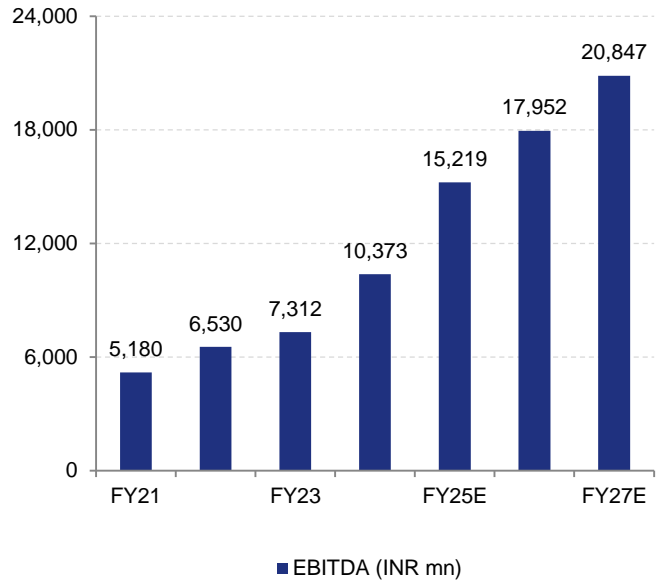
Source: Company, JM Financial

Exhibit 18. PCBL's revenue is expected to show 23% CAGR over FY24-FY27E...



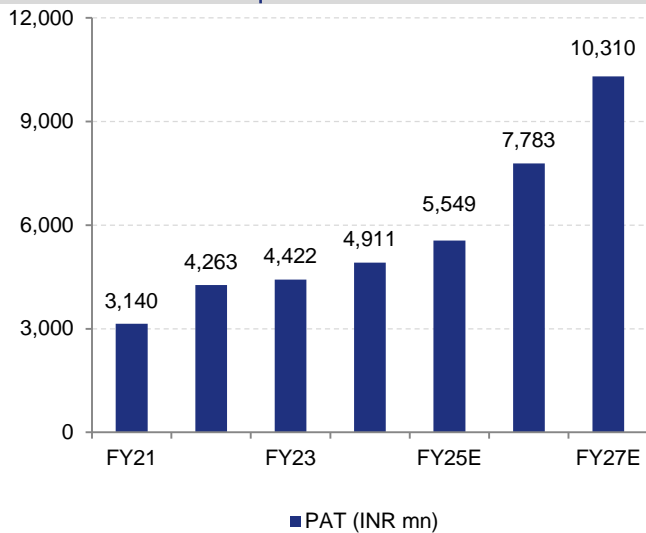
Source: Company, JM Financial

Exhibit 19. ...and EBITDA is expected to rise by 26% CAGR



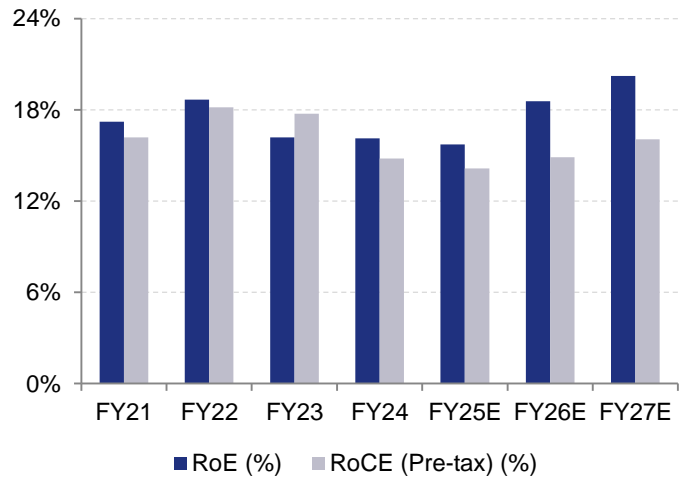
Source: Company, JM Financial

Exhibit 20. PAT CAGR expected to be ~28% over FY24-FY27E



Source: Company, JM Financial

Exhibit 21. RoCE (pre-tax) is expected to improve to 16% while RoE is expected to improve to 20% by FY27E



Source: Company, JM Financial

Valuation

We change our valuation methodology to SoTP to better account for value of segments. We highlight that we segregate carbon black and power EBITDA (hence, numbers do not directly match with the company's EBITDA numbers for carbon black). We ascribe an 8x/5x FY29E EBITDA multiple to carbon black/power business and discount it to Mar'27.

For the Aquapharm business, we ascribe a 15x FY29E EBITDA multiple as it is not a commodity business like carbon black. Further, owing to patented technologies and high entry barriers, we ascribe a 25x FY29E EBITDA multiple to PCBL's share of EBITDA from Kinaltek JV. Just this vertical alone has added enterprise value of INR 141/share. We maintain BUY with a revised Mar'26 TP of INR 635 (from INR 445 earlier).

Exhibit 22. Our Mar'26 TP for PCBL stands at INR 635/share

Segments	Valuation methodology	EBITDA (INR mn)	Multiple (x)	Valuation (INR mn)	Value per share (INR)
Carbon black (A)	8x FY29E EBITDA discounted to Mar'27	17,961	8	1,14,550	304
Power (B)	5x FY29E EBITDA discounted to Mar'27	2,838	5	11,311	30
Aquapharm (C')	15x FY29E EBITDA discounted to Mar'27	6,238	15	74,593	198
Kinaltek JV (considering PCBL's stake)	25x FY29E EBITDA discounted to Mar'27	2,662	25	53,063	141
Enterprise value (A) + (B) + (C') + (D)				2,53,517	672
Less: Net Debt/(cash)	Mar'29E net debt discounted to Mar'26			13,681	36
Equity value				2,39,837	635
Mar'27E consolidated EPS					27
Implied P/E multiple (x)					23

Source: JM Financial

Exhibit 23.

Company	Rating	CMP (INR)	TP (INR)	P/E (x)				P/B (x)				EV/EBITDA (x)				ROE (%)			
				FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
SRF	BUY	2,490	2,780	55.2	44.3	33.9	26.8	6.4	5.7	5.0	4.3	30.1	24.9	20.0	16.3	12.3	13.6	15.6	17.1
UPL	BUY	574	650	NM	47.2	23.4	NM	1.6	1.5	1.5	NM	15.3	9.5	8.3	NM	-3.4	3.3	6.4	NM
PI Industries	HOLD	4,422	4,035	40.2	40.9	35.0	30.4	7.7	6.5	5.5	4.6	31.5	26.8	22.9	19.6	21.0	17.2	16.9	16.5
Deepak Nitrite	BUY	2,820	3,180	47.4	39.3	31.8	26.6	8.0	6.7	5.6	4.7	34.2	25.6	21.1	17.4	18.2	18.6	19.3	19.3
Clean Science	BUY	1,549	1,760	67.4	55.1	40.4	31.5	13.7	11.0	8.7	6.9	48.6	38.6	29.0	22.2	22.1	22.1	24.0	24.4
Navin Fluorine	BUY	3,295	4,105	70.3	50.2	35.5	27.9	6.7	6.1	5.4	4.7	42.3	31.2	23.2	18.8	10.0	12.8	16.1	17.9
Fine Organics	SELL	5,508	3,890	45.8	42.8	42.1	41.5	9.1	7.7	6.7	5.9	33.1	30.1	29.4	28.6	21.8	19.5	17.1	15.2
Galaxy Surfactants	HOLD	2,912	2,700	34.2	31.3	28.8	26.7	4.7	4.1	3.6	3.2	21.7	19.5	17.8	16.3	14.8	14.1	13.4	12.8
PCBL Ltd.	BUY	500	635	38.4	34.0	24.2	18.3	5.8	5.0	4.1	3.4	22.4	15.4	12.9	10.9	16.2	15.7	18.6	20.2
Aether Industries	BUY	903	1,030	124.8	69.3	46.3	35.2	5.8	5.4	4.8	4.2	87.9	46.4	32.1	23.6	5.8	8.1	11.0	12.8
Anupam Rasayan	HOLD	780	725	66.6	76.0	41.6	26.5	3.1	3.0	2.7	2.5	24.9	26.6	19.2	14.4	5.0	4.0	6.8	9.8
Archean Chemicals	BUY	803	830	31.0	25.1	17.4	13.9	5.8	4.8	3.8	3.0	20.7	16.5	11.0	8.3	20.4	20.9	24.4	24.3
Tatva Chintan Pharma Chem	HOLD	1,025	1,020	79.0	57.0	38.0	26.4	3.3	3.1	2.9	2.7	34.8	28.0	19.8	14.7	4.8	5.6	7.9	10.5

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	57,741	64,198	91,186	106,230	120,698
Sales Growth	29.9%	11.2%	42.0%	16.5%	13.6%
Other Operating Income	0	0	0	0	0
Total Revenue	57,741	64,198	91,186	106,230	120,698
Cost of Goods Sold/Op. Exp	43,525	44,658	61,642	71,705	81,350
Personnel Cost	1,905	2,504	4,132	4,545	4,909
Other Expenses	4,999	6,662	10,193	12,028	13,592
EBITDA	7,312	10,373	15,219	17,952	20,847
EBITDA Margin	12.7%	16.2%	16.7%	16.9%	17.3%
EBITDA Growth	12.0%	41.9%	46.7%	18.0%	16.1%
Depn. & Amort.	1,367	2,173	3,388	3,788	4,119
EBIT	5,945	8,201	11,831	14,164	16,728
Other Income	406	370	319	123	126
Finance Cost	534	1,808	4,507	4,045	3,289
PBT before Excep. & Forex	5,817	6,763	7,642	10,241	13,565
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	5,817	6,763	7,642	10,241	13,565
Taxes	1,395	1,852	2,093	2,458	3,256
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	4,422	4,911	5,549	7,783	10,310
Adjusted Net Profit	4,422	4,911	5,549	7,783	10,310
Net Margin	7.7%	7.6%	6.1%	7.3%	8.5%
Diluted Share Cap. (mn)	377.0	377.0	377.0	377.0	377.0
Diluted EPS (INR)	11.7	13.0	14.7	20.6	27.3
Diluted EPS Growth	3.7%	11.1%	13.0%	40.3%	32.5%
Total Dividend + Tax	2,074	2,074	0	0	0
Dividend Per Share (INR)	5.5	5.5	0.0	0.0	0.0

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Shareholders' Fund	28,302	32,467	38,016	45,799	56,109
Share Capital	378	378	378	378	378
Reserves & Surplus	27,924	32,089	37,639	45,422	55,732
Preference Share Capital	0	0	0	0	0
Minority Interest	91	37	37	37	37
Total Loans	9,430	48,197	46,697	43,197	38,697
Def. Tax Liab. / Assets (-)	2,561	8,710	8,710	8,710	8,710
Total - Equity & Liab.	40,384	89,411	93,460	97,743	103,553
Net Fixed Assets	30,241	59,908	62,520	64,732	68,113
Gross Fixed Assets	25,115	42,269	52,599	58,599	66,099
Intangible Assets	52	21,707	21,707	21,707	21,707
Less: Depn. & Amort.	6,226	8,399	11,786	15,574	19,693
Capital WIP	11,300	4,330	0	0	0
Investments	554	1,094	725	725	725
Current Assets	23,534	51,953	61,334	67,628	74,117
Inventories	5,714	9,993	14,989	17,462	19,841
Sundry Debtors	11,107	17,102	24,292	28,300	32,154
Cash & Bank Balances	402	3,123	320	133	390
Loans & Advances	5	6	5	5	5
Other Current Assets	6,306	21,728	21,728	21,728	21,728
Current Liab. & Prov.	13,945	23,543	31,119	35,342	39,403
Current Liabilities	10,309	19,730	27,305	31,528	35,589
Provisions & Others	3,636	3,814	3,814	3,814	3,814
Net Current Assets	9,589	28,409	30,215	32,286	34,715
Total - Assets	40,384	89,411	93,460	97,743	103,553

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profit before Tax	5,817	6,763	7,642	10,241	13,565
Depn. & Amort.	1,367	2,173	3,388	3,788	4,119
Net Interest Exp. / Inc. (-)	521	1,808	4,507	4,045	3,289
Inc (-) / Dec in WCap.	-731	2,919	-4,242	-2,258	-2,171
Others	-276	-453	0	0	0
Taxes Paid	-1,658	-2,156	-2,093	-2,458	-3,256
Operating Cash Flow	5,041	11,054	9,203	13,359	15,546
Capex	-8,959	-5,358	-6,000	-6,000	-7,500
Free Cash Flow	-3,918	5,697	3,203	7,359	8,046
Inc (-) / Dec in Investments	0	144	1	0	0
Others	3,440	-36,927	0	0	0
Investing Cash Flow	-5,519	-42,141	-5,999	-6,000	-7,500
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	2,590	37,803	-1,500	-3,500	-4,500
Others	-2,896	-3,995	-4,507	-4,045	-3,289
Financing Cash Flow	-306	33,808	-6,007	-7,545	-7,789
Inc / Dec (-) in Cash	-784	2,721	-2,803	-187	257
Opening Cash Balance	1,186	402	3,123	320	133
Closing Cash Balance	402	3,123	320	133	390

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin	7.7%	7.6%	6.1%	7.3%	8.5%
Asset Turnover (x)	1.5	1.0	1.0	1.1	1.2
Leverage Factor (x)	1.4	2.2	2.6	2.3	2.0
RoE	16.2%	16.2%	15.7%	18.6%	20.2%

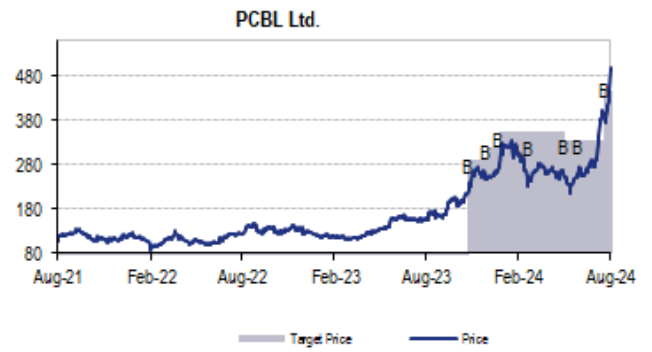
Key Ratios					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)	75.1	86.1	100.8	121.5	148.8
ROIC	13.0%	10.5%	10.7%	12.5%	14.0%
ROE	16.2%	16.2%	15.7%	18.6%	20.2%
Net Debt/Equity (x)	0.3	1.4	1.2	0.9	0.7
P/E (x)	42.6	38.4	34.0	24.2	18.3
P/B (x)	6.7	5.8	5.0	4.1	3.4
EV/EBITDA (x)	27.0	22.4	15.4	12.9	10.8
EV/Sales (x)	3.4	3.6	2.6	2.2	1.9
Debtor days	70	97	97	97	97
Inventory days	36	57	60	60	60
Creditor days	69	122	123	123	124

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
15-Jan-24	Buy	355	11.0
14-Mar-24	Buy	355	0.0
23-May-24	Buy	335	-5.4
20-Jun-24	Buy	335	0.0
12-Aug-24	Buy	445	32.8

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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.

Research Analyst(s) Certification

The Research Analyst(s), 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 or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its associates solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor. Registration granted by SEBI and certification from the National Institute of Securities Market (NISM) in no way guarantee performance of JM Financial Institutional Securities or provide any assurance of returns to investors.

JM Financial Institutional Securities renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or its associates, their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and their immediate relatives are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their immediate relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision.

This research report is based on the fundamental research/analysis conducted by the Research Analyst(s) named herein. Accordingly, this report has been prepared by studying/focusing on the fundamentals of the company(ies) covered in this report and other macro-economic factors. JM Financial Institutional Securities may have also issued or may issue, research reports and/or recommendations based on the technical/quantitative analysis of the company(ies) covered in this report by studying and using charts of the stock's price movement, trading volume and/or other volatility parameters. As a result, the views/recommendations expressed in such technical research reports could be inconsistent or even contrary to the views contained in this report.

The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction.

This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JM Financial Institutional Securities and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Any U.S. person who is recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a U.S. registered representative affiliated with a broker-dealer registered with the SEC and a member of FINRA. In the U.S., JM Financial Institutional Securities has an affiliate, JM Financial Securities, Inc. located at 1325 Avenue of the Americas, 28th Floor, Office No. 2821, New York, New York 10019. Telephone +1 (332) 900 4958 which is registered with the SEC and is a member of FINRA and SIPC.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an "accredited investor" as such term is defined in National Instrument 45-106 Prospectus Exemptions and a "permitted client" as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.