PCBL Chemical (PHICAR)

ICICI Direct

CMP: ₹ 342 | Target ₹ 350 (2%) | Target Period: 12 months | **HOLD**

July 30, 2026

Inventory gains aid Q1'27, muted guidance limits upside

About the stock: PCBL Chemical (erstwhile Phillips Carbon Black, PCBL) is the leading manufacturer of carbon black, which is used as a reinforcing agent in tyres.

- PCBL also derives ~11% of sales volume from speciality carbon black
- Present in speciality chemical domain though Aquapharm Chemicals

Q1FY27 Result: PCBL reported robust results led by inventory gains given sharp up-move in brent crude prices during the quarter (US$ 97 in Q1FY27 vs. US$ 78 in Q4FY26). On the consolidated basis, net sales for Q1FY27 came in at ₹ 2,473 crore with carbon black sales volumes at 153.5 kt (flat YoY). EBITDA for the quarter came in at ₹396 crore with margins at 16%. PAT for Q1'27 stood at ₹155 crore vs. ₹ 94 crore in Q1'26. Reported EBITDA/tonne in carbon black space for the quarter stood at ~₹ 23k/t vs. ~₹13.5k/t in Q4FY26 with adjusted EBITDA/tonne at ~₹ 18.4k/t.

Investment Rationale:

- **Carbon black business – volatile times, FY27 EBITDA guidance at ₹17k/t:** PCBL reported stellar performance in Q1FY27 led by higher carbon black pricing during the quarter (up ₹ 27/kg QoQ to ₹ 130/kg in Q1FY27) tracking rise in crude prices and ~30% share of spot sales volume. Business environment however remains volatile given sharp swing in crude prices amid geo-political conflict as well as higher ocean freight limiting export volume growth. Amidst this uncertainty, management retained its 14-15% improvement in profitability guidance for FY27, implying EBITDA/tonne at ₹ 17k/t for FY27E. This we believe is tad below the upgrade expectation and implies muted profitability in Q2FY27 followed by efficiency gains in H2FY27. Accordingly, we bake in ~₹ 17.5k/t as EBITDA/tonne for FY27E and ~₹ 18k/t for FY28E. On the volumes front as well, given the focus on profitability growth and company's intention to let go some volumes which are lower on the profitability front, we bake in sales volume growth of 7% over FY26-28E to 7.1 lakh tonne in FY28E. Struggle at Aquapharm continued with flattish topline on YoY basis and below expectation EBITDA margin profile. With new & experienced CEO at the helm at this division, we await strategic roadmap before turning decisive positive on the stock.
- **Vision 2030: targets unchanged:** PCBL Chemicals has in the past shared its Vision 2030, wherein it intends to 2x the revenues by 2030 vs. 2025, grow EBITDA to 3x and target PAT of 5x. All this will be achieved amidst calibrated capex spends (~₹ 3,000 crore over a 5-year period) with Net Debt: EBITDA declining from ~3.6x to <1. Base carbon black capacity is targeted to be enhanced from existing 8.8 lakh tonne to >1 million tonnes by FY28 which includes a greenfield plant in AP. PCBL is also targeting quantum jump in sales & profitability at Aquapharm which operates in niche water chemical space. In FY30, it is also targeting an ambitious ~₹ 1,400 crore EBITDA from new verticals i.e. super conductive grade carbon black, acetylene black & nano–silica (use in EV's, FY28 onwards).

Rating and Target Price

- PCBL lacks trigger for substantial up-move amidst volatile carbon black business environment and uncertain Aquapharm outlook. Consequently, **we retain HOLD rating with revised target price of ₹ 350 (20x P/E-FY28)**

PCBL CHEMICAL

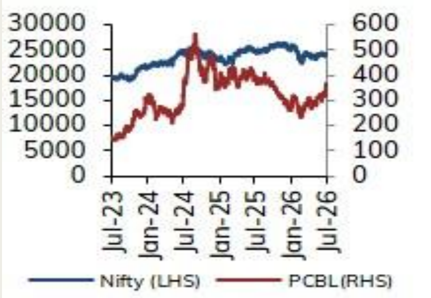
Particulars

Stock Data	₹ crore
Market Capitalization	13,458
Total Debt (FY26P)	4,825
Cash & Cash Eqv (FY26P)	288
Enterprise Value	17,994
52 week H/L (₹)	426/ 226
Equity Capital	39.4
Face Value	₹ 1

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	51.4	53.4	53.4	53.4
FII	6.1	5.7	5.6	5.8
DII	10.8	10.2	11.0	11.3
Other	31.7	30.7	30.1	29.6

Price Chart



Recent event & key risks

- PCBL reports stellar Q1FY27. Guides for cautious profitability gains in FY27
- Key Risk: (i) higher than built in pace of EBITDA/tonne recovery in carbon black space (ii) lower than built in volume growth.

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials	FY22	FY23	FY24	FY25	FY26P	5-year CAGR (FY21-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	4,446	5,774	6,420	8,404	8,189	25.2%	10,363	10,959	15.7%
EBITDA	653	731	1,037	1,337	1,043	15.0%	1,382	1,718	28.3%
EBITDA Margins (%)	14.7	12.7	16.2	15.9	12.7		13.3	15.7	
Net Profit	426	442	491	435	198	-8.7%	463	686	86.2%
EPS (₹)	11.3	11.7	13.0	11.5	5.0		11.8	17.4	86.2%
P/E	30.3	29.2	26.3	29.7	68.0		29.0	19.6	
RoNW (%)	16.3	15.6	15.1	11.8	5.4		10.9	14.7	
RoCE (%)	16.1	15.8	10.2	10.9	7.6		10.7	13.6	

Source: Company, ICICI Direct Research

Conference Call highlights

- For Q1'27; in PCBL's core carbon black business, domestic volumes grew 15% YoY at 103 KT while export volumes declined 22% on YoY basis at 50.5k. Speciality grade carbon black sales volume came in impressive ~20kT for Q1'27, up 23% YoY.

- Q1FY27 performance was driven by superior pricing, inventory gains, better power realizations and an intentional shift towards higher-margin domestic sales. Management emphasized that this quarter demonstrated the resilience of its pricing model and supply chain rather than simply benefiting from favourable market conditions.

- A major contributor to earnings was the benefit from low-cost inventory accumulated before crude prices spiked. Management disclosed that inventory gains contributed approximately ₹70 crore during the quarter. They cautioned that around ₹40–50 crore of this benefit is not recurring.

- The company highlighted that Indian carbon black currently enjoys a tariff advantage over several competing Asian and Middle Eastern producers in the US market. With China continuing to face significantly higher tariffs and Russia constrained by sanctions, US customers are actively diversifying sourcing. PCBL is already witnessing stronger customer interest from the US and believes its upcoming Texas presence will further strengthen market access. During Q1, exports to the US were ~4,800 tonnes, while Europe accounted for ~16,000 tonnes, both expected to grow in the coming quarters as annual contracts are finalized.

- Around 70% of specialty volumes are exported, and management stressed that all strategic specialty customers continued to receive uninterrupted supplies despite logistics disruptions. The recently commissioned 20,000 MTPA specialty carbon black line at Mundra has increased total carbon black capacity to 900,000 MTPA, making PCBL one of the world's largest carbon black manufacturers.

- Management remains highly optimistic about its battery materials business. The Nanovace silicon anode pilot plant at Palej has received consent to operate and has begun equipment-level trials. Commercial customer sampling is expected to commence during August. Beyond silicon anodes, PCBL has also commissioned a 1,000 MTPA conductive carbon facility and continues engineering work on acetylene black manufacturing. Management reiterated confidence that battery materials—including silicon anodes, conductive carbons and acetylene black—will become important pillars of long-term growth engine at PCBL.

- PCBL reiterated that its ongoing cost optimisation initiative remains on schedule. The programme focuses on improving yields, feedstock diversification and manufacturing efficiencies. Management continues to expect cumulative savings of ₹200–250 crore over the next four to six quarters, with benefits gradually reflecting in reported earnings.

- The power segment contributed meaningfully to quarterly profitability. Power EBIT increased sharply due to a substantial improvement in realization, which rose from ~₹3.66 per unit in Q4'26 to ₹5.39 per unit during Q1'27. This alone added roughly ₹30 crore of incremental EBIT compared to Q4'26 and meaningfully supported consolidated EBITDA.

- With most brownfield expansions completed, FY27 capex is expected to remain moderate at around ₹300 crore (±₹50 crore). The majority will be directed towards maintenance, efficiency improvements and productivity enhancement rather than large capacity additions. Greenfield spending for the Andhra project is expected to accelerate primarily in FY28 rather than FY27.

Key tables & Charts

Exhibit 1: Quarterly Valuation

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Total Operating Income	2,473	2,114	17.0	2,066	19.7
Raw Material Expenses	1,650	1,455	13.5	1,451	13.8
Employee Expenses	130	110	19.1	113	15.0
Other expenses	297	231	28.6	259	14.7
EBITDA	396	319	24.0	243	62.7
EBITDA Margin (%)	16.0	15.1	90 bps	11.8	422 bps
Other Income	4	6	-24.1	5	-5.6
Depreciation	103	92	11.7	94	9.8
Interest	93	112	-17.7	97	-4.8
Total Tax	49	26	89.3	12	304.1
PAT	155	94	64.7	40	285.8
Key Metrics					
Carbon Black Sales Volume (tonne)	1,53,513	1,54,093	-0.4	1,61,865	-5.2
Carbon Black EBITDA/tonne (₹/t, Adj)	18,430	17,791	3.6	13,516	36.4

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

Assumptions	Units	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Carbon Black Sales Volumes	**tonne**	**389,260**	**454,187**	**445,184**	**531,849**	**596,263**	**618,957**	**663,060**	**712,800**
Speciality Grade Sales Volumes	tonne	23,966	34,687	40,376	57,247	62,450	69,656	80,000	85,000
Carbon Black blended ASP's	₹/kg	67	96	129	113	114	105	128	118
Carbon Black Sales (₹ crore)	**₹ crore**	**2,592**	**4,353**	**5,732**	**6,013**	**6,802**	**6,512**	**8,484**	**8,435**
Carbon Black EBITDA/tonne	₹/tonne	13,322	14,435	16,543	19,322	19,135	14,222	17,500	18,000
Carbon Black EBITDA	**₹ crore**	**519**	**656**	**736**	**1,028**	**1,141**	**880**	**1,160**	**1,283**
Aquapharm Sales	₹ crore	-	-	-	239	1,420	1,443	1,659	1,908
Aquapharm EBITDA margins	%					13.8%	11.3%	13.5%	16.0%
Aquapharm EBITDA	**₹ crore**					**196**	**163**	**224**	**305**
Conductive + Acetylene Black Sales	₹ crore								380
Conductive + Acetylene Black EBITDA	**₹ crore**								**130**

Source: Company, ICICI Direct Research

Exhibit 3: Change in Estimates

	FY27E			FY28E		
(₹ Crore)	**Old**	**New**	**% Change**	**Old**	**New**	**% Change**
Revenue	10,213	10,363	1.5	10,704	10,959	2.4
EBITDA	1,315	1,382	5.1	1,738	1,718	-1.2
EBITDA Margin (%)	12.9	13.3	46 bps	16.2	15.7	-56 bps
PAT	407	463	13.8	715	686	-4.1
EPS (₹)	10.3	11.8	13.8	18.2	17.4	-4.1

Source: ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Net Sales	8,404	8,189	10,363	10,959
Other Operating Income	-	-	-	-
Total Operating Income	8,404	8,189	10,363	10,959
Growth (%)	30.9	-2.6	26.5	5.8
Raw Material Expenses	5,810	5,719	7,212	7,397
Employee Expenses	413	463	525	570
Selling Expense	336	328	415	438
Other Operating Expense	509	636	829	836
Total Operating Expenditure	7,068	7,146	8,981	9,241
EBITDA	1,337	1,043	1,382	1,718
Growth (%)	28.9	-22.0	32.5	24.3
Depreciation	346	373	413	458
Interest	461	423	384	376
Other Income	47	39	26	25
PBT	578	286	610	909
Total Tax	142	63	147	223
PAT	435	198	463	686
Growth (%)	-11.5	-54.5	134.3	48.1
EPS (₹)	11.5	5.0	11.8	17.4

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Profit after Tax	435	198	463	686
Add: Depreciation	346	373	413	458
(Inc)/dec in Current Assets	-318	656	-827	-412
Inc/(dec) in CL and Provisions	-4	-204	586	305
Others	461	423	384	376
CF from operating activities	919	1,445	1,020	1,413
(Inc)/dec in Investments	-83	52	-5	-5
(Inc)/dec in Fixed Assets	-861	-847	-400	-600
Others	-86	116	0	0
CF from investing activities	-1,030	-679	-405	-605
Issue/(Buy back) of Equity	0	2	0	0
Inc/(dec) in loan funds	560	-555	-50	-150
Interest & Dividend paid	-669	-659	-620	-632
Inc/(dec) in Share Cap	0	0	0	0
Others	224	346	0	0
CF from financing activities	116	-867	-670	-782
Net Cash flow	4	-101	-55	26
Opening Cash	385	389	288	233
Closing Cash	389	288	233	259

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Liabilities				
Equity Capital	37.8	39.4	39.4	39.4
Reserve and Surplus	3,660	3,967	4,194	4,624
Total Shareholders funds	3,697	4,006	4,234	4,664
Total Debt	5,380	4,825	4,775	4,625
Deferred Tax Liability	289	263	263	263
Minority Interest / Others	192	241	246	251
Total Liabilities	9,558	9,335	9,518	9,803
Assets				
Gross Block	5,052	6,063	6,279	7,379
Less: Acc Depreciation	1,268	1,641	2,055	2,512
Net Block	3,784	4,422	4,224	4,867
Capital WIP	730	566	750	250
Total Fixed Assets	4,513	4,988	4,974	5,117
Investments & Goodwill	3,329	3,187	3,192	3,197
Inventory	1,268	1,024	1,363	1,501
Debtors	1,794	1,395	1,845	2,102
Loans and Advances	13	56	61	65
Other Current Assets	261	204	237	251
Cash	389	288	233	259
Total Current Assets	3,725	2,968	3,740	4,178
Current Liabilities	1,976	1,727	2,271	2,552
Provisions	98	119	157	176
Current Liabilities & Prov	2,074	1,847	2,428	2,728
Net Current Assets	1,650	1,121	1,312	1,449
Others Assets	66	39	39	39
Application of Funds	9,558	9,335	9,518	9,803

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26P	FY27E	FY28E
Per share data (₹)				
EPS	11.5	5.0	11.8	17.4
Cash EPS	20.7	14.5	22.3	29.1
BV	97.9	101.8	107.6	118.5
DPS	5.5	6.0	6.0	6.5
Cash Per Share (Incl Invst)	98.5	88.3	87.1	87.8
Operating Ratios (%)				
EBITDA Margin	15.9	12.7	13.3	15.7
PAT Margin	5.2	2.4	4.5	6.3
Inventory days	55.1	45.6	48.0	50.0
Debtor days	77.9	62.2	65.0	70.0
Creditor days	85.8	77.0	80.0	85.0
Net Working Capital days	47.1	30.8	33.0	35.0
Return Ratios (%)				
RoE	11.8	5.4	10.9	14.7
RoCE	10.9	7.6	10.7	13.6
RoIC	12.5	8.4	12.1	14.4
Valuation Ratios (x)				
P/E	29.7	68.0	29.0	19.6
EV / EBITDA	13.8	17.3	13.0	10.4
EV / Net Sales	2.2	2.2	1.7	1.6
Market Cap / Sales	1.6	1.6	1.3	1.2
Price to Book Value	3.5	3.4	3.2	2.9
Solvency Ratios				
Debt/EBITDA	4.0	4.6	3.5	2.7
Debt / Equity	1.5	1.2	1.1	1.0
Current Ratio	1.6	1.5	1.4	1.4
Quick Ratio	1.0	0.9	0.9	0.9

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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