

December 07, 2023

PCBL Limited (erstwhile Phillips Carbon Black Limited) - Placed on Rating Watch with Developing Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loan	228.9	228.9	[ICRA]AA Placed on Rating Watch with Developing Implications
Unallocated limits	171.1	171.1	[ICRA]AA Placed on Rating Watch with Developing Implications
Commercial paper	500.0	500.0	[ICRA]A1+ Placed on Rating Watch with Developing Implications
Total	900.0	900.0	

Rationale

On November 28, 2023, PCBL Limited (erstwhile Phillips Carbon Black Limited) (PCBL) announced execution of share purchase agreement with Aquapharm Chemicals Private Limited (ACPL) and shareholders of ACPL, for undertaking the proposed transaction of acquisition of ACPL, for an aggregate consideration of Rs. 3,800 crore representing 100% of the issued and paid-up share capital (on a fully diluted basis) of ACPL.

The ratings of PCBL have been placed on 'Rating Watch with Developing Implications' given that exact funding mix for acquisition is not yet finalised. ICRA will resolve the watch once further clarity emerges on the funding mix for acquisition and the actual impact on the credit profile of PCBL is ascertained. The transaction is subject to various statutory approvals besides which the funding plans for the acquisition remains a key monitorable. ICRA shall continue to monitor the developments in this regard for their impact on the company's financial profile.

Further, on November 29, 2023, PCBL announced execution of a term sheet with Kinaltek Pty limited (KPL) for entering into a joint venture wherein the former shall own 51% and shall be infusing USD 16 Million in the JV Company and commits to infuse funds up to USD 28 Million in stages for setting up a manufacturing facility. ICRA shall continue to monitor the developments in this regard for their impact on the company's financial profile.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Chemical Industry
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of PCBL.

About the company

PCBL, incorporated in 1960, manufactures carbon black across four plants in Durgapur (West Bengal), Mundra (Gujarat), Palej (Gujarat) and Kochi (Kerala) with an aggregate capacity of 6,03,000 MTPA. The company also commissioned the greenfield capex (147,000 MTPA) in Chennai, Tamil Nadu in September 2023 under its wholly-owned subsidiary PCBL (TN) Limited. The company also operates 110-MW (as of October 2023) co-generation power plants based on waste gas generated in the carbon black manufacturing process. PCBL is a part of the Kolkata-based RP-SG Group.

Key financial indicators

PCBL Consolidated	FY2022	FY2023	H1 FY2024*
Operating income (Rs. crore)	4446.4	5774.1	2834.2
PAT (Rs. crore)	426.3	442.2	232.2
OPBDIT/OI (%)	14.2%	12.4%	15.8%
PAT/OI (%)	9.6%	7.7%	8.2%
Total outside liabilities/Tangible net worth (times)	0.8	0.9	0.9
Total debt/OPBDIT (times)	1.2	1.4	1.3
Interest coverage (times)	21.7	13.4	11.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation Note: Amount in Rs. crore; All calculations are as per ICRA research; Source: Company data, ICRA research; *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2022 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
				Dec 7, 2023	Apr 10, 2023			April 7, 2022	April 23, 2021
1 Term loans	Long term	228.9	228.9	[ICRA]AA&	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2 Commercial paper	Short term	500.0	--	[ICRA]A1+&	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-
3 Unallocated limits	Long term	171.0	--	[ICRA]AA&	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-	-

&: Rating Watch with Developing Implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Term loan	Simple

Commercial paper	Very Simple
Unallocated limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [Click Here](#)

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	Nov 2020	NA	Nov 2026	67.0	[ICRA]AA Rating Watch with Developing Implications
NA	Term loan 1	Sep 2021	NA	Sep 2025	34.4	[ICRA]AA Rating Watch with Developing Implications
NA	Term loan 2	Feb 2021	NA	Feb 2027	127.5	[ICRA]AA Rating Watch with Developing Implications
Yet to be placed*	Commercial paper	NA	NA	7-365 days	500.0	[ICRA]A1+ Rating Watch with Developing Implications
NA	Unallocated limits	NA	NA	NA	171.1	[ICRA]AA Rating Watch with Developing Implications

Source: Company; *As of October 2023

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Phillips Carbon Black Cyprus Holdings Limited	100.0%	Full Consolidation
Phillips Carbon Black Vietnam Joint Stock Company	80.0%	Full Consolidation
PCBL (TN) Limited	100.0%	Full Consolidation

Source: Company data

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About ICRA Limited:

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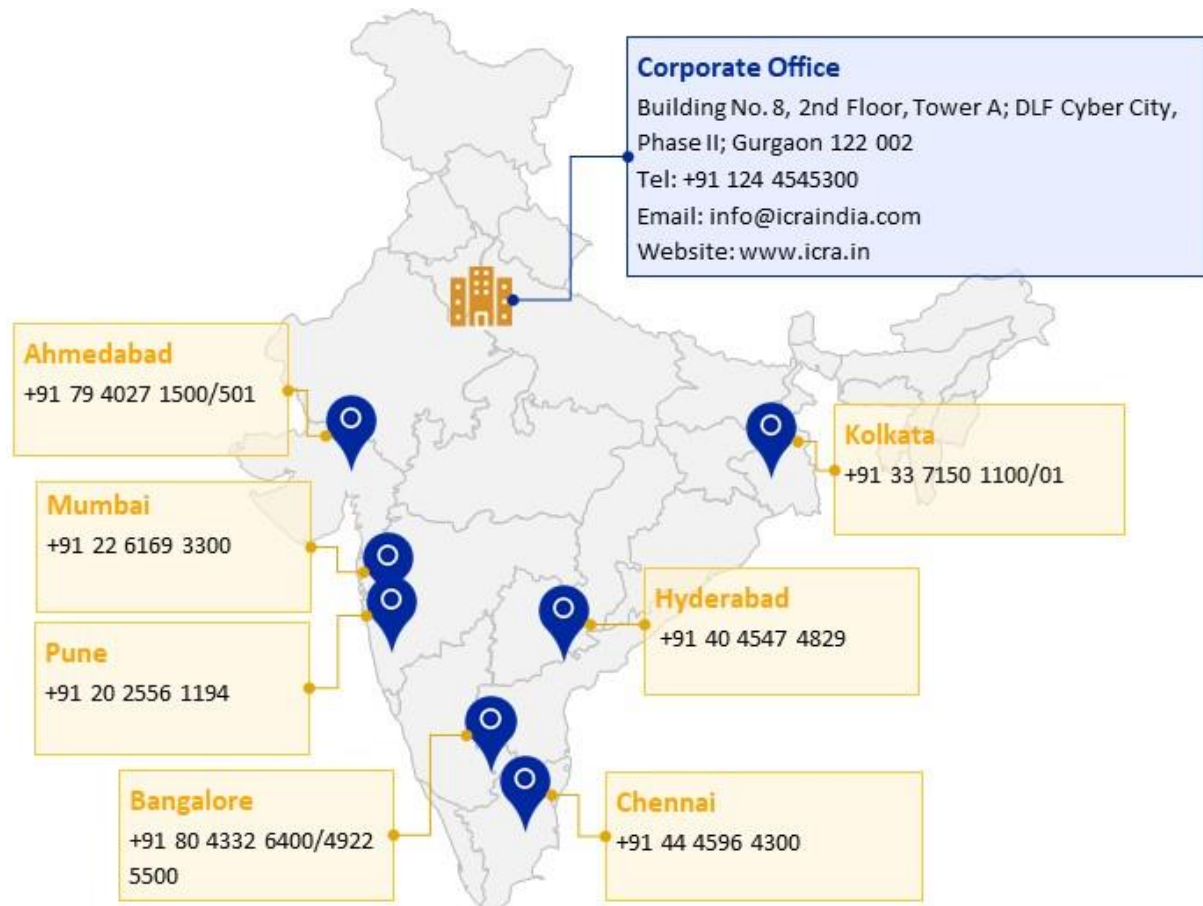
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