March 17, 2025

PCBL Chemical Limited (erstwhile PCBL Limited): Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term term loan	644.50	712.00	[ICRA]AA(Stable); reaffirmed
Long term - Working capital term loan	480.00	480.00	[ICRA]AA(Stable); reaffirmed
Unallocated limits	75.50	8.00	[ICRA]AA(Stable); reaffirmed
Commercial paper	500.00	500.00	[ICRA]A1+; reaffirmed
NCD	700.00	700.00	[ICRA]AA(Stable); reaffirmed
Total	**2,400.00**	**2,400.00**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the ratings continues to factor in PCBL Chemical Limited's (erstwhile PCBL Limited; PCBL) position as a leading player in the domestic carbon black (CB) industry and its growing presence in the international market. The ratings derive comfort from the company's status as a part of the RP-Sanjiv Goenka Group, which gives it considerable financial flexibility because of its established relationships with banks. The ratings also favourably factor in the increasing share of specialty black (SB) in the company's sales and its focus on research and development to introduce new CB grades and implement process improvements, which would strengthen its operating profile, going forward.

Further, Advaya Chemical Industries Limited (ACIL, a wholly-owned subsidiary of PCBL) acquired Aquapharm Chemicals Private Limited (ACPL) in January 2024. ACPL was amalgamated with ACIL effective from January 2025. The acquisition of ACIL is a step towards expanding and diversifying PCBL's specialty chemical portfolio and is intended to yield synergy benefits for the Group over the coming years, given ACIL's strong market position in its product segments. The sale of surplus power generated from the company's captive power plants (122 MW as of December 2024) provides additional cushion to the profitability.

The ratings, however, are constrained by the inherent cyclicality of the business and the exposure of the company's margins to the adverse movement in crude oil prices as the major raw material is a crude oil derivative. However, ICRA notes that the company has been able to largely pass on such price hikes in the past, which provides some comfort. PCBL's profitability and cash flows are also exposed to foreign exchange rate fluctuation risks, though the hedging policy mitigates these risks.

Further, despite a strengthening of the operational profile, the consolidated financial risk profile has moderated with the increase in leverage from the debt-funded acquisition of ACPL. Also, ACPL's profitability moderated in FY2024 and 9M FY2025 compared to the past years owing to tepid demand. Further, the Group has capex plans of ~Rs. 600 crore-Rs. 700 crore per annum over FY2026 and FY2027 to be funded through a mix of debt and internal accruals. The company's ability to efficiently manage the consolidated operations by profitably scaling up, leading to commensurate returns, from ACIL, capex completed and planned, over the medium term, remains critical from a credit perspective. Also, any significant delays in deleveraging by the company remains a key sensitivity from a credit perspective.

The outlook on PCBL's long-term rating is Stable, given the healthy long-term demand outlook for CB in both the domestic and export markets and the diversification into speciality chemicals, which would keep the sales and cash flows healthy and aid the funding of capex and debt repayments.

Key rating drivers and their description

Credit strengths

Leading player in domestic carbon black industry; diversification into specialty chemicals – PCBL is an established player in the domestic carbon black industry with the highest market share. It has a wide portfolio of various grades of carbon black and the company has been increasing its product reach by developing new carbon black grades. Such initiatives are likely to help the company maintain its leadership position, going forward.

The acquisition of ACPL is a step towards expanding and diversifying PCBL's specialty chemical portfolio and is intended to yield synergy benefits for the Group over the coming years, given ACPL's strong market position in its product segments. It is an established player in specialty chemicals with a strong market position in phosphonates, a diversified product portfolio and a reputed client base that includes players like Procter and Gamble, Henkel AG, Ecolab Inc. and Unilever PLC.

Further, PCBL and Kindia Pty Ltd have entered into a JV agreement for developing nano-silicon products to be used in the anodes of Li-Ion batteries

Better margins from higher sale of specialty and superior grade carbon black – PCBL's product mix has been changing in the last few years with a higher share of superior grade carbon blacks and specialty carbon blacks, which has resulted in a steady improvement in the contribution margin. The EBITDA per MT from the carbon black business improved to 20,403 per MT in 9M FY2025 and Rs. 20,022 per MT in FY2024 from Rs. 17,337 per MT in FY2023. The sales volume of specialty carbon black has increased to 47,077 MT in 9M FY2025 and 57,247 MT in FY2024 from 40,375 in FY2023.

Sale of surplus power provides cushion to profitability - The captive power plants generate significant revenues from the sale of surplus power to the power grid, contributing to the company's bottomline. The power segment's revenue was at Rs. 168 crore in FY2024 and Rs. 137 crore in 9M FY2025 compared to Rs. 142 crore in FY2023 backed by the increase in power tariffs and the higher units generated with the increased capacity over the years.

Financial flexibility from being a part of RP-SG Group – The company has access to bank finances at competitive interest rates. In the past, PCBL had got a significant portion of its term loan refinanced with an elongated repayment tenure because of the financial flexibility derived from being a part of the RP-SG Group.

Credit challenges

Commensurate returns from capex and acquisition remains critical for credit profile – PCBL has completed a greenfield capex under its wholly-owned subsidiary, PCBL (TN) Limited, entailing an expenditure of ~Rs. 950 crore, for setting up a 1,47,000-MTPA CB capacity and a 24-MW power plant in Chennai, Tamil Nadu, in FY2024. Further, it completed brownfield the expansion of its specialty black (SB) manufacturing capacity by 20,000 MT in July 2023 and 20,000 MT in December 2024. Also, PCBL acquired ACPL for Rs. 3,800 crore in January 2024, which was majorly funded through external debt.

The Group has capex plans of Rs. 600 crore-Rs. 700 crore per annum over FY2026 and FY2027 to be funded through a mix of debt and internal accruals. The capex plans majorly include the expansion of PCBL (TN) Limited's capacity by 90,000 MT, a phase 1 greenfield project in Andhra Pradesh, capacity expansion at ACPL and other regular capex in the existing plants. Further, PCBL has committed $44-million infusion (already infused $16 million as of December 2024) in Nanovace Technologies Limited (JV with Kindia Pty Ltd) in phases for developing nano-silicon products to be used in the anodes of li-ion batteries

The consolidated financial risk profile has moderated with the increase in leverage from the debt-funded acquisition of ACPL. Also, the planned capex is likely to weigh on the financial risk profile. However, an expected increase in carbon black (CB) offtake from the greenfield unit of (PCBL (TN) Limited), the enhanced specialty black capacity and the higher capacity utilisation and expansion of ACPL's products and customer portfolio are likely to support the operating income and operating profitability in the medium term. The company has also issued warrants of Rs. 448 crore of which Rs. 112 crore has been received in 9M FY2025 and Rs. 336 crore is expected by November 2025.

The company's ability to efficiently manage the consolidated operations by profitably scaling up, leading to commensurate returns over the medium term, remains critical from a credit perspective. Any significant delays in deleveraging by the company remains a key sensitivity from a credit perspective.

Susceptible to cyclicality in domestic automobile industry – A significant portion of the company's revenues is generated from the domestic automotive tyre industry (58% sales volume in 9M FY2025 -Tyre segment). While almost two-thirds of the demand for tyre manufacturers come from the replacement market, carbon black producers like PCBL remain exposed to the cyclicality of the domestic automobile industry. PCBL, however, has scaled up the production of specialty black to further reduce the risk of cyclicality in the automobile industry.

Exposed to movement in crude oil prices – The major raw material is carbon black feedstock (CBFS), which is a crude oil derivative and mainly imported. As a result, PCBL is exposed to the adverse movements in crude oil prices. The company, however, has been able to largely pass on the changes in the prices of CBFS, given the pricing mechanism that the industry works on.

Exposed to foreign exchange fluctuation risk – The company imports a significant portion of its raw materials and is, thus, exposed to forex risks. However, the risk is mitigated to a considerable extent as exports accounted for ~35% of the company's revenues in FY2024. PCBL also has a hedging policy in place.

Environmental and social risks

Given the safety and environmental health-related concerns associated with chemicals, the industry is exposed to the risk of tightening regulatory norms for the production, handling, disposal and transportation of chemical products. Additionally, some products can face restrictions/substitution over time because of their hazardous nature and the availability of more environment-friendly products. Further, in the event of accidents, the litigation risks and the liabilities for clean-up could be high. While PCBL has a demonstrated track record of running its operations safely, the nature of the risk (being low frequency--high impact) weighs on its rating.

Chemical sector entities are exposed to the risk of shift in consumer preferences over time to more environment-friendly products. Further, operating responsibly is an imperative and instances of non-compliance with environmental, health and safety norms could have an adverse impact on the local community which could manifest in the form of protests, constraining the ability to operate or expand capacity. PCBL hasn't experienced/reported any incident suggestive of safety lapses in its manufacturing facilities over the past several years and its ability to maintain the manufacturing controls would be a monitorable.

Liquidity position: Adequate

PCBL's liquidity position is likely to remain adequate on account of a steady cash flow from operations. Also, PCBL has a headroom in terms of unutilised working capital facilities with an average utilisation at ~14% of the drawing power for the past 13 months ended December 2024. The company has an annual debt repayment obligation of ~Rs. 582.8 crore and Rs. 672 crore during FY2026-FY2027, against which it is expected to generate sufficient cash accruals. Further, PCBL has access to unsecured limits of ~Rs. 1,500 crore at a standalone level from various lenders apart from the secured working capital limits.

Rating sensitivities

Positive factors – PCBL's long-term rating can be upgraded if there is a sustained improvement in the financial metrics and/or a meaningful improvement in the sales volumes and mix towards value-added products as well as a diversification of the customer base. An improvement in the core RoCE to 25% on a sustainable basis could also be a trigger for upgrade.

Negative factors – The company's ratings can be downgraded if a decline in the sales volume results in a material decline in the operating income or profitability on a sustained basis. Any significant delay in correction in the leverage metrics (total debt/OPBIDTA) could be a trigger for downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology-Chemicals
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 a greenfield capex (147,000 MTPA) in Chennai, Tamil Nadu, in September 2023 under its wholly-owned subsidiary, PCBL (TN) Limited. The company also operates 122-MW (as of December 2024) 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.

Advaya Chemical Industries Limited (ACIL), a wholly-owned subsidiary of PCBL, was formed to facilitate the acquisition of Aquapharm Chemicals Private Limited (ACPL). ACPL was acquired by PCBL in January 2024 through ACIL. ACPL amalgamated with its parent company ACIL, effective from January 1, 2025.

ACIL manufactures specialty chemicals with key products like phosphonates, biodegradable chelating agents, polymers, biocides, oilfield chemicals, which have application in water treatment, detergents, industrial cleaners, oilfields, municipal water treatment, pulp and paper, water softening, surface cleaning, pharma, agrochem applications. ACIL has manufacturing facilities in India, the US and Saudi Arabia. The overseas plants are being operated through subsidiaries.

Key financial indicators (audited)

PCBL Consolidated	FY2023	FY2024	9M FY2025*
Operating income	5774.1	6419.8	6316.8
PAT	442.2	491.1	334.5
OPBDIT/OI	12.4%	15.4%	16.5%
PAT/OI	7.7%	7.6%	5.3%
Total outside liabilities/Tangible net worth (times)	0.9	2.5	-
Total debt/OPBDIT (times)	1.4	5.0	-
Interest coverage (times)	13.4	5.5	2.9

*Source: Company, ICRA Research; * unaudited; All ratios as per ICRA's calculations; Amount in Rs. crore*
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Mar 17, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Term loans	Long term	712.00	**[ICRA]AA (Stable)**	Mar 19, 2024	[ICRA]AA(Stable)	Apr 07, 2022	[ICRA]AA (Stable)	Apr 23, 2021	[ICRA]AA (Stable)
				Jan 12, 2024	[ICRA]AA (Stable)				
				Dec 07, 2023	[ICRA]AA&				
				Apr 10, 2023	[ICRA]AA (Stable)				
Working capital term loan	Long term	480.00	**[ICRA]AA (Stable)**	Mar 19-2024	[ICRA]AA (Stable)				
Commercial paper	Short term	500.00	**[ICRA]A1+**	Mar 19,2024	[ICRA]A1+	Apr 07, 2022	[ICRA]A1+	Apr 23, 2021	[ICRA]A1+
				Jan 12, 2024	[ICRA]A1+				
				Dec 07, 2023	[ICRA]A1+&				
				Apr 10, 2023	[ICRA]A1+				
NCD	Long term	700.00	**[ICRA]AA (Stable)**	Mar 19-2024	[ICRA]AA(Stable)				
				Jan 12, 2024	[ICRA]AA(Stable)				
Unallocated limits	Long term	8.00	**[ICRA]AA (Stable)**	Mar 19, 2024	[ICRA]AA(Stable)	Apr 07, 2022	[ICRA]AA (Stable)		
				Jan 12, 2024	[ICRA]AA(Stable)				
				Dec 07, 2023	[ICRA]AA&				
				Apr 10, 2023	[ICRA]AA (Stable)				

&: Rating watch with developing implications

Complexity level of the rated instruments

Instrument	Complexity indicator
Term loans	Simple
Working capital term loan	Simple
Commercial paper	Very Simple
NCD	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 analysing 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 are 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	22.0	[ICRA]AA(Stable)
NA	**Term loan II**	Oct 2023	NA	Oct 2028	100.0	[ICRA]AA(Stable)
NA	**Term loan III**	Mar 2023	NA	Apr 2030	150.0	[ICRA]AA(Stable)
NA	**Term loan IV**	Jan 2024	NA	Jan 2029	190.0	[ICRA]AA(Stable)
NA	**Term loan V**	Dec 2024	NA	Mar 2032	250.0	[ICRA]AA(Stable)
NA	**Working capital term loan**	Jan 2024	NA	Dec 2028	480.0	[ICRA]AA(Stable)
Yet to be placed*	**Commercial paper**	NA	NA	7-365 days	500.0	[ICRA]A1+
INE602A07020	**NCD**	Jan 2024	8.79%	Jan 2029	700.0	[ICRA]AA(Stable)
NA	**Unallocated limits**	NA	NA	NA	8.0	[ICRA]AA(Stable)

*Source: Company; *As of December 2024*

[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
PCBL (TN) Limited	100.0%	Full Consolidation
Phillips Carbon Black Cyprus Holdings Limited	100.0%	Full Consolidation
Phillips Carbon Black Vietnam Joint Stock Company	80.0%	Full Consolidation
PCBL Europe SRL	100.0%	Full Consolidation
Advaya Chemical Industries Limited	100.0%	Full Consolidation
Nanovace Technologies Limited (NTC)	JV of PCBL	Full Consolidation
Aquapharm Europe B.V*	100.0%	Full Consolidation
Unique Solutions for Chemical Industries Company (USCIC)*	85.0%	Full Consolidation
Aquapharm Chemicals LLC (AC LLC) *	100.0%	Full Consolidation
Aquapharm Foundation *	100.0%	Full Consolidation
USCI LLC *	85.0%	Full Consolidation
Aquapharm PChem LLC*	100.0%	Full Consolidation
Aquapharm Specialty Chemicals LLC *	100.0%	Full Consolidation
Enersil Pty Ltd	Subsidiary of NTC^	Full Consolidation

*Source: Company data; ICRA Research; * Subsidiary of ACIL w.e.f. January 31, 2024; ^Subsidiary of Nanovace Technologies Limited w.e.f. September 23, 2024*

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 12 4454 5322
prashant.vasisht@icraindia.com

Kushal Kumar
+91 40 6939 6408
Kushal.kumar@icraindia.com

Sankalpa Mohapatra
+91 40 6939 6409
sankalpa.mohapatra@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

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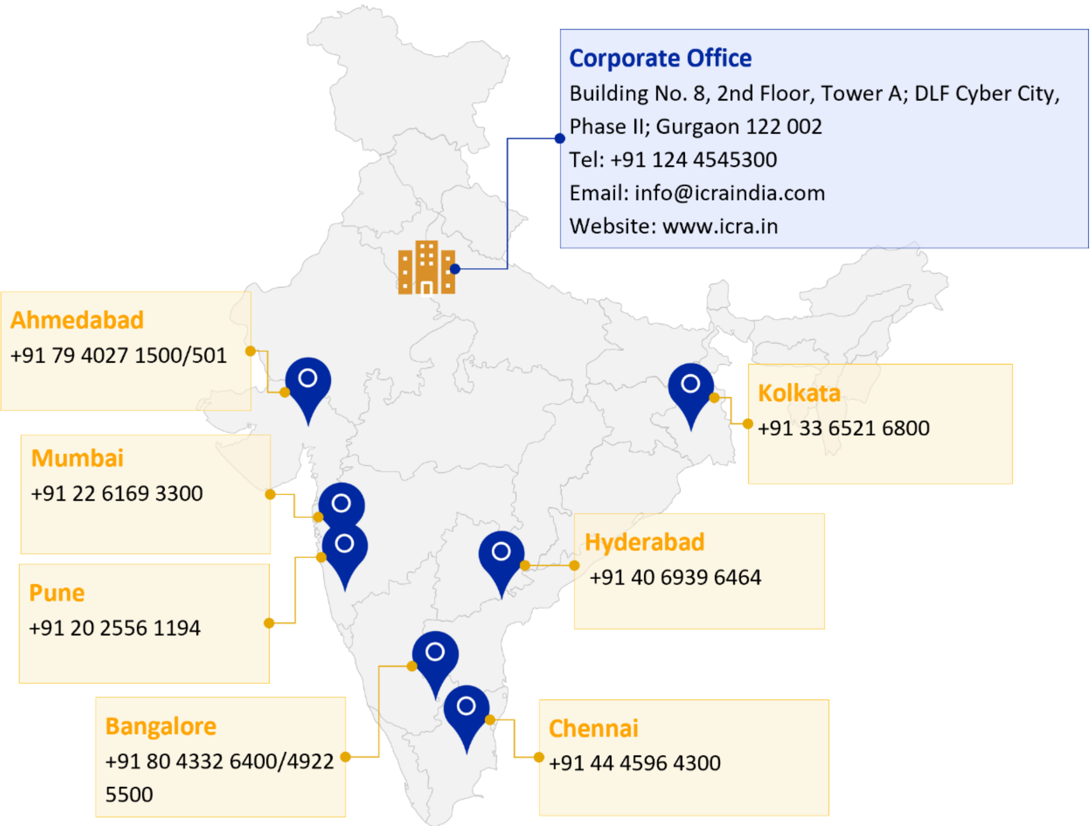

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