

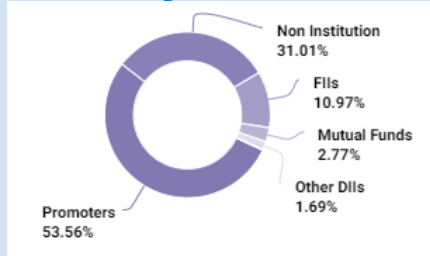
Company Details

CMP:	Rs.178.10
Face value:	Rs.2
Market cap:	Rs.3,136.55 Crs.
TTM EPS	Rs.22.5
52 week high:	Rs.287
52 week low:	Rs.157.4
BSE Code:	506590
Sector	Carbon Black

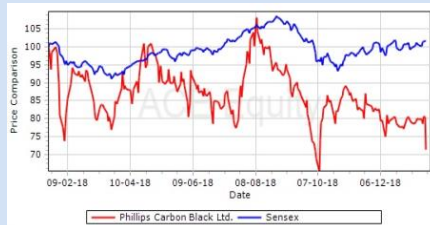
Financial Highlights (YoY)

Rs. in crores			
	Q3FY19	Q3FY18	% Var
Net Sales	945.89	615.01	53.8%
Total Expendit	767.14	518.06	48.1%
PBDIT	178.75	96.95	84.4%
Op.Profit	182.85	100.50	81.9%
OPM (%)	19.3%	16.3%	18.3%
PBT	156.33	78.48	99.2%
PAT	108.58	56.59	91.9%
EPS (Rs.)	6.30	3.28	92.1%
Equity	34.47	34.47	0.0%

Shareholding Pattern



Price Vs Sensex Chart



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Company Background

Phillips Carbon Black Ltd., (PCBL) a part of the RP-Sanjiv, Goenka Group, is India's largest producer and exporter of carbon black which is used in tyre and rubber goods manufacturing. The company was setup in collaboration with US based company Phillips Petroleum in 1960. With annual production capacity of 5,15,000 MT, along with a capacity to produce energy (76MW) from Tail Gas, the product portfolio of the company meets the specific end requirements across rubber, plastics, coating, inks and other niche industries globally. The company has 4 state-of-art production and quality assurance plants at different geographical location across India – Durgapur in West Bengal, Kochi in Kerela and Palej and Mundra in Gujarat.

RUBBER APPLICATIONS			NON RUBBER APPLICATIONS					
<p>Tyres</p> <p>Present in complete tyre applications across all segments, including:</p> <ul style="list-style-type: none"> Passenger vehicle tyres Truck and bus tyres Off-highway tyres Agricultural tyres Motorcycle and scooter tyres Three-wheeler tyres Cycle tyres 	<p>Technical and Moulded Rubber Goods</p> <ul style="list-style-type: none"> Conveyor belts Construction profiles Damping elements Hoses Transmission belts Moulded goods Seals Rubber-to-metal bonding Unvulcanised sheets Adhesives Tubing 	<p>Present in industrial rubber applications, including:</p> <ul style="list-style-type: none"> Conveyor belts Construction profiles Damping elements Hoses Transmission belts Moulded goods Seals Rubber-to-metal bonding Unvulcanised sheets Adhesives Tubing 	<p>Engineering Plastics</p>	<p>Fibre</p>	<p>USFDA Approved Food Contact</p>	<p>Pressure Pipes, Film and Mouldings</p>	<p>Conductors and Cables</p>	<p>Inks and Coatings</p>

Financial Performance

The company had reported Net sales of Rs. 945.89 crore for Q3FY19 higher by 53.8% against Rs. 615.01 crore for Q3FY18, while **Operating profit was at Rs.182.85 crore in Q3FY19 up by 81.9% against that of Rs.100.50 crores in Q3 of the last year.** The operating profit margin has improved to 19.3% for Q3FY19, as compared to 16.3% for the corresponding quarter of previous year. **The EPS has significantly improved to Rs 6.30 in Q3FY19 as against Rs. 3.28 (adjusted after change in FV from Rs. 10 to Rs. 2) in Q3 FY18.** The rise in the revenues as well as margins is mainly due to shift in product mix to more value added premium products, customer centric initiatives and continuous improvement across all functions. The company has announced Rs. 3.50 as interim dividend per share and the **Ex-date** for the dividend is **28th Jan 2019.**

Investment Rationale

- The company commands market share of over 30%, With Chinese Black carbon manufacturers losing the competitive advantage, Indian carbon black industries is expected to do well.
- The company has market presence in more than 30 countries; with revenue mix of 21% from export any depreciation in Rupee will give an edge in the global market.
- The demand of Carbon black in India is expected to grow at 6-8% in the coming years; the company is well positioned to meet the increased demand.
- Additional 56,000 tonnes capacity at Mundra in Gujarat has been commissioned. The other expansion of 32,000 tonne capacity at Pahej in Gujarat in progressing satisfactorily and is expected to be complete by Q3 FY20.
- Greenfield project in South India will have capacity of 1, 50,000 tonnes per annum at an estimated investment of Rs. 600 crores.
- The company is focusing on Specialty grade carbon which fetches higher margin, the current share of specialty for FY18 is ~4% and it is expected to increase to ~6%.
- As on Sep 30th, 2018, the promoters hold 53.26% equity of the company, whereas FIIs and DIIs own 10.97% and 4.46% respectively, and the balance 31.01% shares are held by the public.

Concerns

Competition from unorganized players and volatility in raw material prices are the main concerns.

Valuation

The share of the Company is trading near its 52-week low of Rs. 157.4 with an attractive **TTM P/E of only 10x.** Keeping the improving financials of the company, improvement in margins, expansion plans and ability to scale the top-line, we expect the company to report an **EPS of about Rs. 24 for FY19 and based on PE of 10x,** we estimate the price of the scrip to appreciate to about Rs. 240 over the next 6-12 months.



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