

PHILLIPS CARBON BLACK LTD

Result Update (PARENT BASIS): Q3 FY19

CMP: 207.80

JAN 17th, 2019

Overweight

ISIN:
INE602A01023

Index Details

Stock Data

Sector	Carbon Black
BSE Code	506590
Face Value	2.00
52wk. High / Low (Rs.)	287.00/157.40
Volume (2wk. Avg.)	107000
Market Cap (Rs. in mn.)	35814.33

Annual Estimated Results(A*: Actual / E*: Estimated)

Years (Rs. in mn)	FY18A	FY19E	FY20E
Net Sales	26003.10	36007.55	43569.13
EBITDA	4057.80	7091.43	8468.09
Net Profit	2297.80	4258.04	5213.11
EPS	66.66	24.71	30.25
P/E	3.12	8.41	6.87

Shareholding Pattern (%)

	As on Dec 2018	As on Sep 2018
Promoter	53.56	53.56
Public	46.44	46.44
Others	--	--

1 Year Comparative Graph



SYNOPSIS

Philips Carbon Black (PCBL), a member of RP Goenka Group was incorporated on March 30, 1960 and is a leading manufacturer of various grades of carbon black in India.

The company achieved a turnover of Rs. 9458.90 mn for Q3 FY 2018-19 as against Rs. 6150.10 mn in the corresponding quarter of the previous year, up by 53.80%.

During the quarter, EBIDTA stood at Rs. 1828.50 mn as against Rs. 1005.00 mn in the corresponding period of the previous year, up by 81.94%.

Profit before tax (PBT) increased by 99.20% to Rs. 1563.30 mn in Q3 FY19 from Rs. 784.80 mn in the corresponding quarter of the previous year.

During the quarter, net profit increased by 91.87% to Rs. 1085.80 mn from Rs. 565.90 mn in the corresponding quarter ending of previous year.

EPS of the company stood at Rs. 6.30 in Q3 FY19 against Rs. 3.28 in the corresponding quarter of the previous year.

Revenue of the company rose by 40.53% at Rs. 26075.70 mn in 9M FY19 as compared to Rs. 18555.60 mn in 9M FY18.

During 9M FY19, PAT rose by 101.95% at Rs. 3140.90 mn as against Rs. 1555.30 mn in 9M FY18.

The additional 56000 MT capacity at Mundra in Gujarat has since been commissioned by the company.

The company has declared an Interim Dividend @ 175% (Rs. 3.50 per equity share) on face value of Rs. 2.00 per share for the year ending 31st March 2019.

Net Sales and Operating Profit of the company are expected to grow at a CAGR of 20% and 45% over 2017 to 2020E, respectively.

PHILLIPS BLACK CARBON LTD

S&P BSE SENSEX

QUARTERLY HIGHLIGHTS (PARENT BASIS)

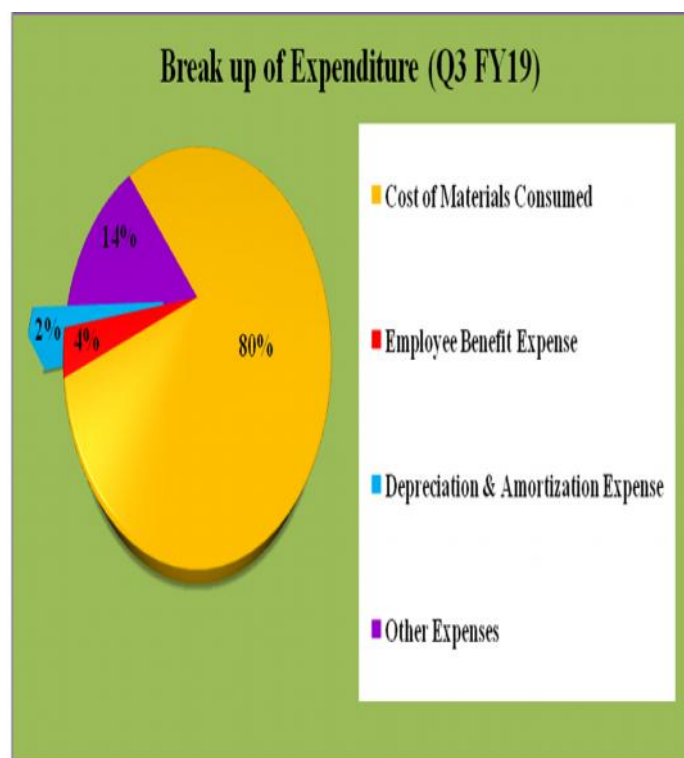
Results updates- Q3 FY19,

(Rs. in million)	Dec-18	Dec-17	% Change
Revenue	9458.90	6150.10	53.80%
Net Profit	1085.80	565.90	91.87%
EPS	6.30	3.28	91.87%
EBIDTA	1828.50	1005.00	81.94%

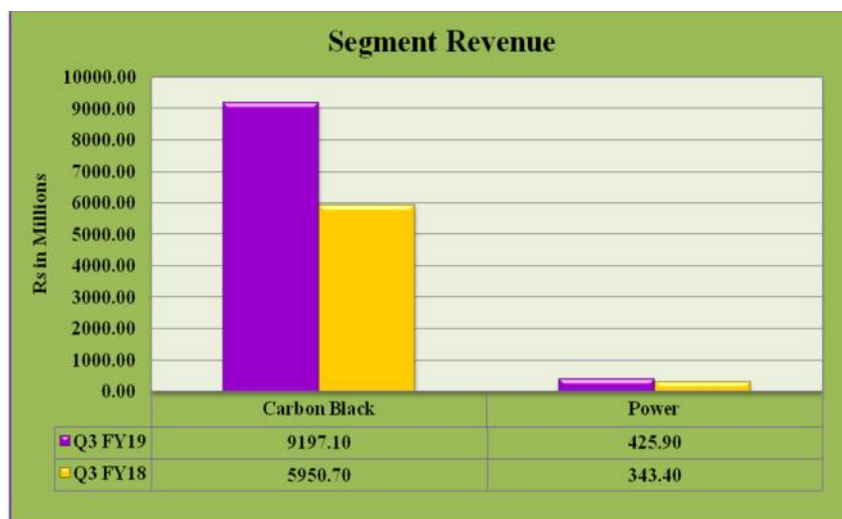
The company's net profit increased by 91.87% to Rs. 1085.80 million from Rs. 565.90 million in the corresponding quarter ending of previous year. Revenue for the 3rd quarter stood at Rs. 9458.90 million as against Rs. 6150.10 million in the corresponding quarter ending of previous year, up by 53.80%. Reported earnings per share of the company stood at Rs. 6.30 a share during the quarter, as against Rs. 3.28 per share over previous year period. Profit before interest, depreciation and tax is Rs. 1828.50 million as against Rs. 1005.00 million in the corresponding period of the previous year.

Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q3 FY19	Q3 FY18	% Change
Cost of Materials Consumed	6395.50	3953.10	62%
Employee Benefit Expense	298.40	280.20	6%
Depreciation & Amortization Expense	156.40	152.20	3%
Other Expenses	1144.50	910.00	26%



Segment Revenue:



Highlights:

- Revenue of the company rose by 40.53% at Rs. 26075.70 mn in 9M FY19 as compared to Rs. 18555.60 mn in 9M FY18.
- During 9M FY19, PAT rose by 101.95% at Rs. 3140.90 mn as against Rs. 1555.30 mn in 9M FY18.
- The additional 56000 MT capacity at Mundra in Gujarat has since been commissioned by the company.
- The company has declared an Interim Dividend @ 175% (Rs. 3.50 per equity share) on face value of Rs. 2.00 per share for the year ending 31st March 2019.

COMPANY PROFILE

Phillips Carbon Black Limited is engaged in the manufacture and sale of carbon black, which is used by the rubber industry. It operates through two segments: Carbon black and Power. The Company produces and sells excess electric power generated from the low calorific value off gas, which is generated in the process of manufacture of carbon black. It also manufactures customized blacks for specialized applications and specialty blacks for non-rubber applications, such as films, pipes, automotive, fiber and ink. The process of manufacture of Carbon Black results in generation of lean gases, which are harnessed for generating electricity at the Company's Captive Power Plants, at Baroda, Durgapur, Mundra and Kochi. It has a production capacity of approximately 472,000 metric tons per annum in India, and involves a dedicated capacity of specialty blacks of over 40,000 metric tons per annum at Palej. It has over 80 megawatts of power generation capacity.

FINANCIAL HIGHLIGHT (PARENT BASIS)

(A* - Actual, E* - Estimations & Rs. In Millions)

Balance Sheet as of March 31, 2017-2020E

	FY17A	FY18A	FY19E	FY20E
ASSETS				
1) Non-Current Assets				
a) Property, plant and equipment	13830.60	13942.70	14639.84	15225.43
b) Investment Properties	44.80	44.80	47.04	48.92
c) Capital Work in Progress	737.50	668.40	634.98	615.93
d) Intangible Asset	0.00	4.50	4.73	4.91
e) Financial Assets				
i) Investments	2139.90	3374.00	4318.72	5398.40
ii) Loans	179.10	183.20	192.36	200.05
iii) Other financial assets	13.90	13.90	14.60	15.32
f) Other Non Current Assets	97.20	472.10	637.34	828.54
Sub Total Non- Current Assets	17043.00	18703.60	20489.59	22337.51
2) Current Assets				
a) Inventories	2435.20	3099.00	3873.75	4725.98
b) Financial Assets				
i) Other Investments	950.30	0.00	0.00	0.00
ii) Trade receivables	4656.60	5219.70	5741.67	6201.00
iii) Cash and Cash equivalents	223.30	1328.50	1700.48	2125.60
iv) Other Bank Balance	13.00	9.70	11.45	13.16
v) Loans	5.10	4.60	4.23	4.02
vi) Other Financial Assets	14.40	45.80	70.99	90.87
c) Other current assets	334.10	182.60	155.21	139.69
Sub Total - Current Assets	8632.00	9889.90	11557.78	13300.32
Total Assets (1+2)	25675.00	28593.50	32047.37	35637.83
EQUITY AND LIABILITIES				
1) EQUITY				
a) Equity Share Capital	344.70	344.70	344.70	344.70
b) Reserves and Surplus	10914.60	13378.80	14984.26	16632.52
Total Equity	11259.30	13723.50	15328.96	16977.22
2) Non Current Liabilities				
a) Financial Liabilities				
i) Borrowings	1901.60	1642.50	1576.80	1529.50
b) Provisions	6.60	7.00	7.35	7.64
c) Deferred Tax Liabilities (net)	2046.70	2272.70	2499.97	2699.97
Sub Total - Non Current liabilities	3954.90	3922.20	4084.12	4237.11
3) Current Liabilities				
a) Financial Liabilities				
i) Borrowings	5481.40	5226.30	5069.51	4866.73
ii) Trade Payables	4142.70	3802.90	3650.78	3541.27
iii) Other Financial Liabilities	505.60	764.40	978.43	1223.04
b) Other Current Liabilities	146.00	765.00	2404.85	4123.47
c) Provisions	20.60	120.50	186.78	239.07
d) Current Tax Liabilities	164.50	268.70	343.94	429.92
Sub Total - Current Liabilities	10460.80	10947.80	12634.29	14423.50
Total Equity and Liabilities (1+2+3)	25675.00	28593.50	32047.37	35637.83

Annual Profit & Loss Statement for the period of 2017 to 2020E

Value(Rs.in.mn)	FY17A	FY18A	FY19E	FY20E
Description	12m	12m	12m	12m
Net Sales	21312.70	26003.10	36007.55	43569.13
Other Income	189.40	197.30	152.88	168.17
Total Income	21502.10	26200.40	36160.43	43737.30
Expenditure	-18726.10	-22142.60	-29068.99	-35269.21
Operating Profit	2776.00	4057.80	7091.43	8468.09
Interest	-514.50	-414.40	-357.21	-314.34
Gross profit	2261.50	3643.40	6734.22	8153.74
Depreciation	-606.20	-605.20	-651.88	-717.07
Profit Before Tax	1655.30	3038.20	6082.34	7436.67
Tax	-959.90	-740.40	-1824.30	-2223.56
Net Profit	695.40	2297.80	4258.04	5213.11
Equity capital	344.70	344.70	344.70	344.70
Reserves	10914.60	13378.80	14984.26	16632.52
Face value	10.00	10.00	2.00	2.00
EPS	20.17	66.66	24.71	30.25

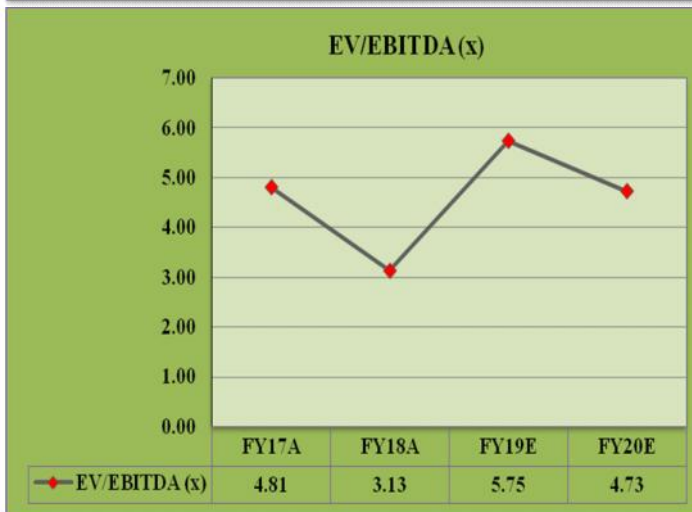
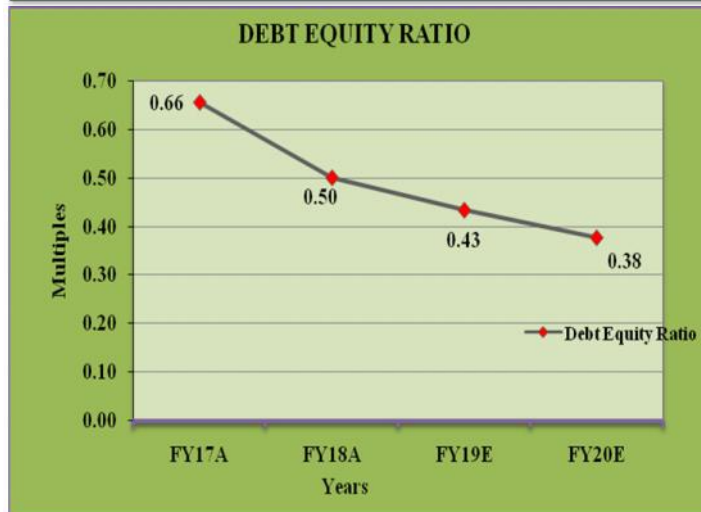
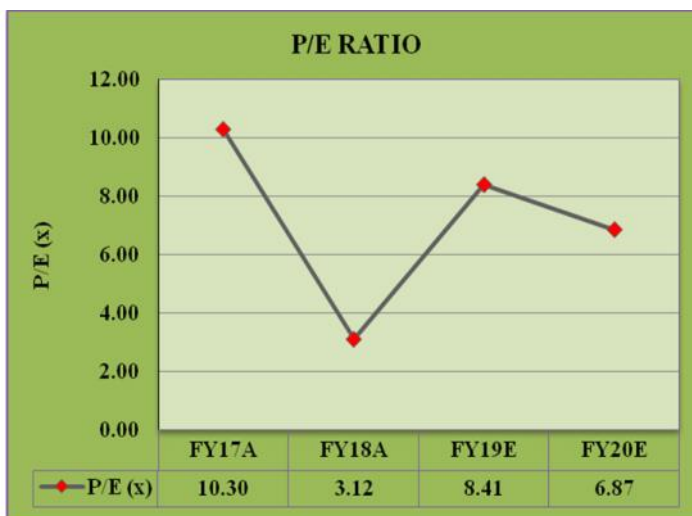
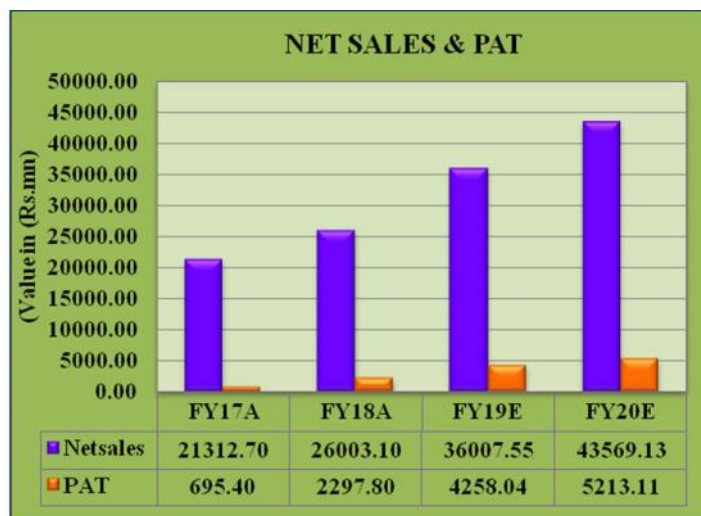
Quarterly Profit & Loss Statement for the period of 30th June, 2018 to 31st Mar, 2019E

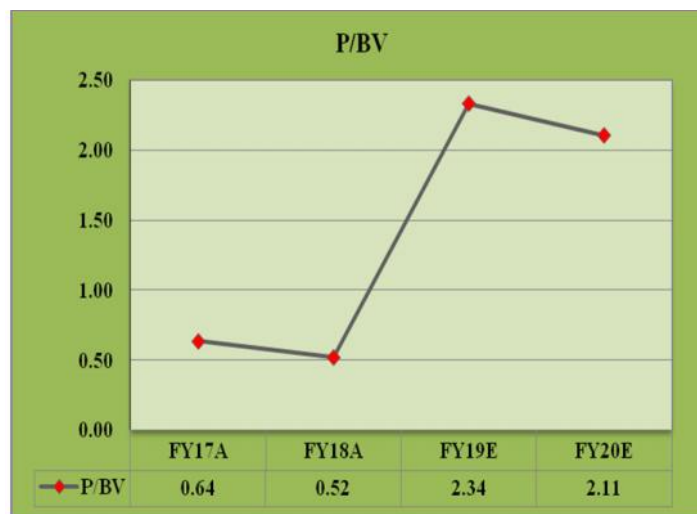
Value(Rs.in.mn)	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19E
Description	3m	3m	3m	3m
Net sales	7814.20	8802.60	9458.90	9931.85
Other income	31.90	31.60	41.00	48.38
Total Income	7846.10	8834.20	9499.90	9980.23
Expenditure	-6244.30	-7049.90	-7671.40	-8103.39
Operating profit	1601.80	1784.30	1828.50	1876.83
Interest	-75.90	-73.50	-108.80	-99.01
Gross profit	1525.90	1710.80	1719.70	1777.82
Depreciation	-154.70	-175.00	-156.40	-165.78
Profit Before Tax	1371.20	1535.80	1563.30	1612.04
Tax	-395.80	-456.10	-477.50	-494.90
Net Profit	975.40	1079.70	1085.80	1117.14
Equity capital	344.70	344.70	344.70	344.70
Face value	2.00	2.00	2.00	2.00
EPS	5.66	6.26	6.30	6.48

Ratio Analysis

Particulars	FY17A	FY18A	FY19E	FY20E
EPS (Rs.)	20.17	66.66	24.71	30.25
EBITDA Margin (%)	13.03%	15.61%	19.69%	19.44%
PBT Margin (%)	7.77%	11.68%	16.89%	17.07%
PAT Margin (%)	3.26%	8.84%	11.83%	11.97%
P/E Ratio (x)	10.30	3.12	8.41	6.87
ROE (%)	6.18%	16.74%	27.78%	30.71%
ROCE (%)	11.64%	16.77%	29.30%	33.16%
Debt Equity Ratio	0.66	0.50	0.43	0.38
EV/EBITDA (x)	4.81	3.13	5.75	4.73
Book Value (Rs.)	326.64	398.13	88.94	98.50
P/BV	0.64	0.52	2.34	2.11

Charts:





OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 207.80**, the stock P/E ratio is at 8.41 x FY19E and 6.87 x FY20E respectively.
- Earning per share (EPS) of the company for the earnings for FY19E and FY20E is seen at Rs. 24.71 and Rs. 30.25 respectively.
- Net Sales and Operating Profit of the company is expected to grow at a CAGR of 20% and 45% over 2017 to 2020E, respectively.
- On the basis of EV/EBITDA, the stock trades at 5.75 x for FY19E and 4.73 x for FY20E.
- Price to Book Value of the stock is expected to be at 2.34 x and 2.11 x for FY19E and FY20E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Medium term investment.

INDUSTRY OVERVIEW

Slow but steady recovery of advanced economies and Asia market should increase the demand for automobile and tyre and therefore increase the demand for carbon black.

In line with the expected capacity addition in Indian Auto Industry, the domestic tyre industry is also preparing to meet the increasing demand.

Demand for carbon black in India is expected to grow @ 4-5% during the next couple of years. With its wide product portfolio basket, manufacturing units located strategically near the customer location, Company is well positioned to meet increased demand.

Overseas demand for carbon black is expected to grow @ 3-4%. Company has established supply chain distribution network to ensure timely delivery, service to customers and thus widen its presence in the international market. This will continue to be a major thrust area for Company in the coming years. While moving up the product value chain is one of



the important pillars of company's business strategy, the Manufacturing and Technology team is adding more high value products to its portfolio.

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