

17th January, 2025

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Listing Department,
National Stock Exchange of India Ltd,
Exchange Plaza,
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Mumbai – 400051

The General Manager,
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P.J. Towers,
Dalal Street, Fort,
Mumbai – 400001

NSE Code:- PCBL

BSE Scrip Code:- 506590

Dear Sir,

Sub:- Q3 FY 25 Results Conference Call – Transcript

Further to our letters dated 7th January, 2025 and 11th January, 2025 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule III Part A Para A, please find enclosed herewith the transcript of the Q3 FY'25 Results Conference Call held on Friday, 10th January, 2025 at 17:30 hrs India Time, for the quarter and nine months ended 31st December, 2024. This information will also be hosted on the Company's website and can be accessed at the link : <https://www.pcblltd.com/investor-relation/financials/investor-presentation> .

We request you to please take the afore-mentioned information in record and oblige.

Thanking you,

Yours faithfully,
For **PCBL CHEMICAL LIMITED**

K. Mukherjee
Company Secretary and Chief Legal Officer

Encl: As above

PCBL Chemical Limited

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Note: "PCBL Chemical Limited" was formerly known as "PCBL Limited"



“PCBL Chemical Limited
Q3 FY '25 Results Conference Call”

January 10, 2025



MANAGEMENT: **MR. RAJ GUPTA – CHIEF FINANCIAL OFFICER – PCBL
CHEMICAL LIMITED**
**MR. SAKET SAH – GROUP HEAD, INVESTOR
RELATIONS AND ESG – PCBL CHEMICAL LIMITED**
**MR. PANKAJ KEDIA – VICE PRESIDENT, INVESTOR
RELATIONS – PCBL LIMITED**

MODERATOR: **MR. MOHIT MISHRA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to PCBL Chemical Limited Q3 FY '25 Results Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mohit Mishra from ICICI Securities. Thank you and over to you, Mr. Mishra.

Mohit Mishra: Good evening, everyone. Thank you for joining our PCBL Chemical Limited Q3 FY '25 Results Conference Call. We have PCBL Chemical Management on call, represented by Mr. Raj Gupta, CFO, Mr. Saket Sah, Group Head, Investor Relations and ESG, Mr. Pankaj Kedia, Vice President, Investor Relations. I would like to invite Mr. Raj Gupta to initiate with opening remarks, post which we will have Q&A session. Over to you, sir.

Raj Gupta: Thank you, Mohit. Good evening, my friends and thank you for joining our earnings calls today. On behalf of entire PCBL Chemical family, I would like to extend warm wishes for a very happy and prosperous new year. I'll start with some of the major highlights of the quarter and then would be happy to take your questions.

Over the last few years, we have diversified beyond carbon chemistry into new fields within the chemical sector. This growth, both organic and through strategic acquisition and partnerships, has brought us to a pivotal moment. To mark this evolution, we have recently unveiled our new identity. We are now PCBL Chemical Limited. This name change reflects our broadened capabilities and our dedication to pioneering advanced solutions for our customers globally.

Recently, the Andhra Pradesh government has allotted us 116 acres of land in Naidupeta, which would be used for our next greenfield expansion. This proposed site has proximity to major ports like Kattupalli, Krishnapatnam, Nellore and Ennore, which would facilitate seamless movement of goods with high logistics cost efficiency. This would be our 6th manufacturing site and is crucial in our journey of crossing the benchmark of 1 million tons of capacity.

During the quarter, our specialty line of 20,000 MTPA capacity in Mundra was also commissioned, taking our total capacity to 7,90,000 MTPA.

Sustainability has been at the core of our decision making. The company has been certified with International Sustainability and Carbon Plus, which is ISCC certification. It emphasizes company's commitment towards responsible consumption and production, also circular economy and reduction of GHG emissions. On this front, we have recently launched a new grade named ECOZENTM6000, which is based on recycled materials.

Over the last few years, the company deepened its research commitment, comprising forward-looking investments in infrastructure, people and processes, resulting in empowerment of the company with proven capabilities in product applications, process efficiency, and product customizations.

Coming to the quarterly performance, PCBL continued with a steady performance in the challenging microenvironment.

During the quarter, our consolidated sales volume in Carbon Black business increased by over 5% YoY to 144,000 tons. This translates into a capacity utilization of over 90% during the quarter.

Consolidated revenue from operations increased by 21% to INR 2,010 crores on back of higher sales volume and also revenue from the newly acquired business of Aquapharm Chemicals. Consolidated EBITDA in the same period grew by around 15% to INR328 crores, while PBT stood at INR124 crores and PAT at INR93 crores. EBITDA per ton in Carbon Black business stood at INR19,868 per ton. Of the total Carbon Black sales volume, domestic sales volume stood at 84,369 tons, while international sales volume stood at 59,132 tons.

Moving on to our segmental performance, tyre accounted for 86,886 tons. Performance Chemicals reported sales volume of 42,367 tons, while specialty sales volume was 14,247 tons. We continue to expand our product portfolio and customer reach.

During the quarter, we have undertaken a major overhaul of our power unit in Durgapur plant, resulting in lower power generation. Power generation stood at 161 MU during the quarter, with an external sales volume of 94 MU. PCBL's average realization during this quarter stood at INR3.5/kWh.

Coming to the 9MFY25 performance, consolidated revenue from operations increased by over 40% YoY to INR6,317 crores from INR4,491 crores during the same period last year. Sales volume increased around 15% YoY to 4,46,110 tons. The consolidated EBITDA for the 9MFY25 was up 44% YoY to INR1,067 crores, as against INR742 crores during the first 9M of the previous year. Power generation also increased by 15% in this period to 563 MU.

Aquapharm Chemicals reported a steady performance during the quarter. We are already seeing some improvement in the industry dynamics, further improvement in cost and operational efficiencies, and increased market penetration is going to support the company's financial performance going forward.

We expect strong growth both in sales volume and in operating margins in the ensuing financial year.

Aquapharm's Q3FY25 revenue stood at INR328 crores, with an operational EBITDA of INR51 crores. The quarterly sales volume stood at 23,000 tons. Capacity utilization remained above 70% during the quarter.

At PCBL Chemical, we continue to work on portfolio expansion and capacity additions across business verticals, and we are increasing allocation of resources towards strengthening of our supply chain, improving the product mix, and also optimization of cost.

The long-term prospects of all business segments remain positive, and we are on track to achieve our mid- and long-term growth targets.

The brownfield expansion of 30,000 tons in PCBL-TN is completed, and we are currently awaiting consent to operate from the local Pollution Control Board, we expect it in the next few weeks. Also, the 2nd phase of expansion of 60,000 tons in Tamil Nadu and 12MW green power is currently underway. We expect this project work to be completed in the next 3-4 quarters' time. We have also started project work on one new speciality line, which would cater to application segments like conductive polymers and batteries.

Aquapharm Chemicals expansion project of 38,000 metric tons per annum are on track and likely to be commissioned by March '25.

On the nano-silica project side, we have started placing orders for equipment for the pilot plant and expect the commissioning to happen in the next few months' time.

Tyre industry growth outlook, both in India as well as at global industry level, continues to remain positive. In India, the investment in road infrastructure, steadily rising income levels, increasing urbanization rates, premiumization, and a grossly underpenetrated vehicle market has created a significant long-term growth opportunity for the entire auto industry ecosystem.

With our rapidly expanding product portfolio, market penetration, and strengthening supply chain and R&D capabilities, we have the potential to outpace auto and tyre industry growth rate. We are geared up to leverage the emerging opportunities and remain on track to achieve our mid- and long-term growth plans.

Also happy to share that our Board of Directors has declared an interim dividend of 550%, i.e. INR5.50 per equity share of face value of INR1 each for the year ended 31st March '25.

With this, I conclude my opening remarks and open the floor for your questions. Thank you.

Moderator: Thank you. The first question comes from the line of Aditya Khetan with SMIFS Institutional Equities. Please go ahead.

Aditya Khetan: Thank you, sir, for the opportunity. I have a couple of questions. First question, is there any particular reason for drop in the Carbon Black spreads on quarter-on-quarter basis? Is it related to general market weakness or the product mix of the company has deteriorated? And second question on to this, any further plans on the speciality Carbon Black? Like we have completed Phase 2. So, are we planning to further expand, any plans on that?

Raj Gupta: Aditya, I couldn't hear your second question properly. Would you repeat that?

Aditya Khetan: Sir, my second question was on to, is there any further plans to expand the speciality grade Carbon Black? We have completed the 20,000 tons of Phase 2. So, is there any newer plan on the table which has been outlined?

Raj Gupta: Okay. So, I'll answer your first question first. Drop in realization is primarily on account of crude price movement. Crude prices came down by about \$6 compared to the previous quarter. And you're aware that our principal raw material is a derivative of crude, which has an impact on our realization. So partly it is on account of crude prices. And also, there has been a product mix change during the quarter, which has impacted the realization.

Coming to the second question about next specialty line, I was just talking about the new specialty line. So, we have already started work on a new specialty line. It will come up in Palej. And here, we are planning to manufacture premium grades for conductive plastics and batteries.

Aditya Khetan: Any numbers we can put, how much tons and what is the capex?

Raj Gupta: So currently it is under the designing phase. Give us a few more weeks' time. In 3 to 4 weeks' time, I'll come back with more details on this.

Aditya Khetan: Got it. My next question is on to, so the recent land allocation in Andhra Pradesh. I believe, sir, we are investing around INR3,700 crores. So, this would be largely to set up a Carbon Black plant only, like complete Carbon Black unit only. So, Sir, just if I may ask you, so what would be the capacity which we are outlining? Because I believe with this much of investment, we can add up around 6 lakh tons of additional Carbon Black capacity. So currently somewhere around 8.5 plus 6, so we can reach to 1.4 million tons v/s our, like what we are seeing, that is around 1 million tons. Any thoughts on how much we could add?

Raj Gupta: Aditya, the capex guidance that we shared during our earlier calls was on a consolidated basis, which included all the business segments which had Carbon Black, phosphonates, and nano silicon. So, when you are talking about the INR3,700 crores number, then this includes the capex which is planned for all these businesses.

Coming to the current land allocation in Andhra, it's a large piece of land which can house roughly about 400,000-450,000 MTPA of Carbon Black capacity. But the capacity would come up in phases. So, in the first phase, we expect to put up a 150,000 MTPA plant only.

And on a similar size of plant, we spent roughly about INR950-960 odd crores. I mean, the plant that we had put up in TN. And it will take about 2-2.5 years' time for this plant to come up. And then in the 2nd and 3rd phase, eventually we will add more capacity there.

Aditya Khetan: Okay. Sir, on to the Aquapharm. Like on sequential basis, we are seeing a good drop of almost around 13-15% in volumes. Sir, we had already guided for FY '25 volume growth of 15- 20%? Is there a cut on that guidance? And what is the reason for this volume drop?

Raj Gupta: Specialty chemicals, generally, I mean, this whole industry is facing a lot of headwinds in form of tepid demand and also stiff competition from China. You will see it across all the specialty chemical businesses. It is not unique to Aquapharm. it is only just about 9-10 months into our acquisition

and what we are focusing now is one on the cost and operational efficiency side and the other is on the increased market penetration side. We are putting more feet on the ground. And with all these initiatives, we expect that going forward, gradually over the next few quarters, we will be able to deliver better numbers. It will be visible in our performance from here on. But current year, it is because of strong headwinds in the industry.

Aditya Khetan: Sir, the weakness in like Carbon Black spreads in the domestic market and Aquapharm business also like remaining weak. And so, can we expect a similar sort of a performance in the fourth quarters also, like how you see things to change from particularly from which quarter?

Raj Gupta: We are not witnessing any weakness in margins even during the current quarter, it is primarily because of operating leverage and product mix. And Aquapharm like I said that we are expecting better performance going forward. So, even Q4 FY25 should be a better quarter. As of now, that is how we see it.

Aditya Khetan: Okay. Sir, just one last question if I may. Sir, any update on that Kinaltek JV? Sir, how far have we reached on to that part and has the lab testing and sampling and that has been successful and we can take it to a large commercial scale also? Just wanted to know on this part.

Raj Gupta: Yes, that is our plan. And Aditya, as part of that process, we are already participating in a lot of global battery chemical fairs, creating more visibility around the company. And simultaneously, the work on pilot plant is on. I mentioned that we have already started placing orders for project equipment. And in the next few months' time, once the plant is ready, then we will start placing samples with the targeted customers. It is on track.

Aditya Khetan: Sir, we have also transferred 2 patents to the JV, what we have made. Any updates like what is that?

Raj Gupta: Yes, so, we have had a tie-up with this Australian joint venture company. And all these patents were, all the IPs were developed by them. So, as part of the joint venture arrangement, we got them to transfer these IPs into the joint venture company.

Aditya Khetan: Thank you, sir.

Moderator: Thank you. Next question comes from the line of Khush Nahar with Electrum Portfolio Managers. Please go ahead.

Khush Nahar: Thank you for the opportunity. Sir, my questions are more on the Aquapharm side. So, number one, like you said that there is some weakness in the US industry. So, could you elaborate a bit more, this recovery will be because of the recovery in our numbers will be because of company-specific reasons like new products or it is more of industry recovery that we are betting on? And how much volume growth are we expecting once this recovery happens?

Raj Gupta: Well, Khush, there are 2-3 things which we are kind of relying on. One, the raw material prices which were gradually coming down since last 1.5 years, they have somewhere stabilized. Which

will, therefore, stop impacting our margins and possibly would see a U-turn from here. So, which should have a positive impact on our margins. So, that is on the margin side.

Regarding the volume recovery, , industry now possibly has come to a point where we may not see further deterioration in the industry demand supply dynamics. Possibly, we will see some recovery, but we are not depending on that. Like I said, we are putting more feet on the ground and we are also trying to reduce our client concentration. So, we are trying to create a broader base of customers and also creating more penetration in newer geography.

And, of course, it is not going to happen in one quarter's time, but the reflection of all these initiatives would become more and more visible as we travel into quarters in the next year.

Khush Nahar: All right, sir. Thank you for the detailed answer. And then the second question was more on the export side. So, I think this quarter, our exports have grown lower. So, what were the major reasons and when can we expect a recovery in this?

Raj Gupta: Our overall export volumes have gone up during the quarter.

Khush Nahar: 2.5% for this quarter volumes.

Raj Gupta: Yes, and, despite all the macro headwinds that we are facing. There is geopolitical issues, there are trade relations issues, trade route disruption. And generally, there has been some kind of destocking during the last quarter. December typically is a balance sheet month for most of the overseas customers. And they tend to reduce inventory in their books to show better capital efficiency. And despite that, we have been able to clock better numbers.

Khush Nahar: All right. Okay, sir. Thank you.

Moderator: Thank you. Next question comes from the line of Radha with B&K Securities. Please go ahead.

Radha: Hi, sir. Thank you for the opportunity. So, sir, my question was that Europe was importing around 4 lakh metric tons from Russia. So, that has stopped after the ban. And additionally, there were more sanctions that were imposed from 2nd October on the Russian company OMSK Carbon, which had a plant capacity of 1.6 lakh tons in Russia, in Belarus.

So, with respect to these two events, I wanted to understand that customers had started adding huge inventory in anticipation of the ban. So, do you think this situation is normalizing now? Or how long do you think this can continue? And when do you expect to witness sequential recovery in Carbon Black volumes?

Raj Gupta: Well, year-on-year, if you look at our volumes, our volumes are still higher. But coming to specific answer to your question, there has been some stocking in Europe because of this restriction on import from Belarus and Russia. You're right.

Currently, the customers appear to have a little elevated level of inventory. But despite that, our volumes in Europe and North America are going up. And that is because of being able to add new clients, new customers in these geographies.

I mentioned in our earlier calls also that until 2-3 years back, we were just doing about 4-5% volumes in Europe and another 2-3% in North America. So, in totality, we were doing about just 7-8% of our total international volumes in the western part of the world. And in the last quarter, we have done close to about 35% of our volume in these geographies.

And that's the reason why our overall international sales have been going up. If you look at our international sales in last 10 years' time, it has gone up by 3 times. And there is, significant scope for us to move up from here.

Once the stock levels again come back to the normalized levels, we are very confident that we should be able to do more business in western world. And therefore, we are putting up so much capex.

Radha: Yes. Just to follow up, how much do you think the inventory is lying with them as compared to what we consider normal?

Raj Gupta: It is a very bulky material. And therefore, it is unlikely that anyone would be able to stock more than maybe a couple of months' stock at any point in time, even that looks very high. So, we expect the situation to be normal, close to normal now.

Radha: Okay. So, last quarter, maybe in Q3, it was slightly above normal. And now, we expect the situation to have reached normal.

Raj Gupta: Yes, I think. I mentioned that December typically is a quarter of balance sheet for them. So, the capital efficiency is also at play there.

Radha: Sorry, I could not hear you. December is a quarter of?

Raj Gupta: I mean, for most of overseas customers (especially in the western part of the world), December is a balance sheet quarter for them. And in order to show better capital efficiency, generally there is a tendency to reduce working capital levels and therefore, de-stocking. We do not see this trend to continue beyond this quarter.

Radha: Okay. And, sir, again, continuing with this question. So, this entire 4 lakh tons and this 1.6 lakh tons, roughly 5-6 lakh tons of demand that has been created in European region. So, now that this situation has been going on for two quarters, how do you think this demand has been distributed among which nations?

Raj Gupta: So, there will be participation from multiple manufacturers and countries. It is for the most efficient manufacturers to get the largest share. And we are, of course, going to be one of them. Our volumes have already increased and PCBL as a brand name is very strong. I mean, it's a very strong brand name globally in this industry.

- Radha:** Okay. Sir, second question was with regards to usually in this quarter or in this period, there are negotiations with customers regarding pricing on the Carbon Black front. So, could you please share your thoughts regarding the pricing that we expect on Carbon Black for FY '25? How is it expected to fare out when compared to the current prices?
- Raj Gupta:** Negotiations mostly happen on the volumes. Because our pricing is also dependent on the movement in crude prices. So, the level of realization would also depend on the behaviour of crude prices going forward. But we got some new contracts also and I think it will be reflecting in our volumes going forward.
- Radha:** So, the pricing we would expect in similar levels to current quarters with respect to the new contracts?
- Raj Gupta:** No, I am not commenting on pricing, Radha. Pricing could be anything because tomorrow if crude goes up to \$100, then realization would tend to go up. If it comes down from the current level, realization would come down because this industry operates largely on formula pricing. So normally when we participate in tenders, it is mostly for volumes and on the formula.
- Radha:** Understood, sir. Sir, last question was with regards to ACPL. So, just wanted to understand that as a majority of the revenue in ACPL is coming from the US. Wherein we are supplying this oil and gas chemicals, so what is our market share, with respect to the oil and gas chemicals in the US market? And are there inputs from China coming in the US? And with respect to the new government in the US, do you expect any changes in the supply chain?
- Raj Gupta:** I could not hear it properly, but I think your question was what is our share of oil and gas industry, right?
- Radha:** Yes, sir.
- Raj Gupta:** So, we currently have just about 1% market share in oil & gas. Oil & gas is a fairly large industry and we have a very small share. Like I mentioned, we had significant client concentration and we were not present in a number of geographies. Even within North America, mostly we were doing business in the USA. I mean, while Mexico and Canada also offer equally big opportunity. So, now we are focusing on new geographies and customer penetration.
- Radha:** Sir, any comment on imports from China in the US market or any changes in supply chain you are expecting in that market?
- Raj Gupta:** I would not talk much about how China is going to play their strategy or whether US is going to impose any tariffs on them. We rather are focusing on our own strategy. So, even if we consider that it is going to remain a level playing field for all manufacturers across all countries, how can we increase our market share? And that's exactly where we are putting our energy.
- Radha:** Sir, what drives the demand in these oil and gas chemicals in that market? Is there anything that we can track to understand, how the situation is changing there?

- Raj Gupta:** The market itself, the market size is very large, Radha. We just have about a percentage of the market share. So, even if market grows as 1% or 2%, (historically it has grown at about 1.5-2%) there is still a long space for us to grow.
- Radha:** Understood. Thanks and all the best.
- Moderator:** Thank you. Next question comes from the line of Jainam Ghelani from Svan Investments. Please go ahead.
- Jainam Ghelani:** Hi, sir. Thanks for this opportunity. So, I'm noticing the results that we've taken an impairment of INR554 crores in Aquapharm Chemicals. And I feel that it's quite soon since our acquisition. So, do we expect any further impairment in this company in the near future or are we done for now?
- Raj Gupta:** Well, so I'll just explain the background of this impairment. This impairment is not there in isolation. You will see that there is an equal amount of write-back of deferred tax liability. So, as such, the impact on our current quarters financial is almost negligible.. Now, I'll just explain the background.
- When we acquired Aquapharm, as part of the accounting requirement some temporary assets and liabilities got created. So, on one side, deferred tax liability gets created and then on the other hand, equal amount of non-core goodwill also gets created.
- And when we merge these two entities, then all these temporary assets and liabilities get knocked off against each other. That's exactly what has happened. So, there is no impact on the carrying amount of other assets in the books of Aquapharm or Advaya. And there is no reason for us to think about any further impairment.
- Jainam Ghelani:** So, is it fair to assume that it is just because of the mismatch between the assets and liability and nothing related to the business performance?
- Raj Gupta:** It is not because of mismatch in assets and liabilities. It is because of the accounting regulations around mergers and acquisitions. This is a normal adjustment which has happened, which would have happened in any similar kind of acquisition. And as I said that this is not impacting the bottom line.
- Jainam Ghelani:** Okay. And so, my second question is that you mentioned earlier that usually December quarter is the quarter where we see a drop in volumes. But in the last 4 years, 3 years, we've witnessed gain in volume. So, is that because currently we have high inventory levels? Or if you could just quantify what would be our inventory levels currently in days or in absolute figures, please?
- Raj Gupta:** Okay. So, first, I'll answer your first part of the question. You said that in last 3 years, we have grown. So, in isolation, there would not be any drop in volumes or destocking. It will also depend on demand supply situations in the market. When customers see that they already have some level of stocking, they will tend to buy less and they will try to reduce inventory.

And if you track auto and tyre commentary, you will see that the destocking is happening in the entire supply chain. And which did not happen in last 2-3 years. Last 2-3 years, the market remained buoyant. And therefore, even in December quarter also, the sales went up.

Now, coming to the inventory position, see, if you look at our sales volume, when crude prices go up or down and when customers want to destock, then only 3-4% is what they can actually manage (inventory reduction or increase), because it's a bulky material. And if you look at our last quarter's volume and compare it with this quarter's volume, it's just about 3.5% decrease in volume. So, it is not significant in terms of overall inventory accumulation.

Jainam Ghelani: Okay, sir. Thank you. That's it from my side.

Moderator: Thank you. Next question comes from the line of Prolin Nandu with Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu: Hi, Raj. A few questions from my side. First of all, on the pricing negotiation, right, you mentioned that it's a formula-based kind of a negotiation. So, are you alluding to that that formula has largely remained the same? And can you repeat as to, I mean, how are those negotiations on the volume part?

Raj Gupta: So, we have to participate in tenders in international market, the formula also changes, right? And we have to bid on both volumes and formula,. Formula pricing allows for variable cost pass-through. And so, that is one part of the formula.

And the second part of the formula is the margin over pass-through. Beyond the pass-through part, variable cost includes three things, which is raw material cost, the outward freight, and currency, if you are selling in any currency other than dollars.

Prolin Nandu: So, Raj, what I wanted to understand was that this EBITDA per ton range that we have been reporting, let's say, on a last four-quarter average basis, is that likely to continue going forward as well, based on the negotiations that you had on the formula?

Raj Gupta: So, like I said that when we are bidding, we are bidding on pass-through of variable cost, and then there is also margin. But once we bid and once we freeze the formula, then our margins tend to remain the same over a period of time, during the contract period.

Prolin Nandu: So, that margin markup has not changed, right, versus last year is what I wanted to understand, right? I mean, on variable cost, the margins that you charge on the variable cost, that has not significantly changed, right, over the last negotiation?

Raj Gupta: That should not change significantly. To some extent, because of product mix, it might go up and down.

Prolin Nandu: Okay. And then that will always have a positive bias, right, given that our share of product mix is tilting towards speciality, right?

Raj Gupta: It does, but, it also depends on demand-supply situation. So, when we are bidding, we'll also have to keep that factor in mind.

Prolin Nandu: Sure. And coming to the slightly more medium-term to long-term outlook on export and maybe specifically on Europe and North American market, right? Now, what is happening is that there has been stocking which has taken place and you called out that maybe this December quarter was weaker because of stocking.

But going forward, when you think about probably the ban on Belarus's capacity, so is there a positive outlook on volumes going forward or do you see some risk, that in case if there is some de-escalation in geopolitical matters, there could be some headwinds on volumes as well? How should one think about the medium-term outlook in export for Europe as well as US?

Raj Gupta: Mid to long-term, we remain fairly bullish on the growth outlook of the industry and our ability to increase our market share. Now, all these events which are happening, the sanction on Russia or Belarus for that matter, this, we believe, would going to be there for maybe few quarters or few years at most. And also, it is not that they will stop selling in global markets.

If they are not able to sell in Europe, they will find their customers elsewhere. And if they don't sell to their regular customers, that means they are going to sell at a discount to other customers, which is again, margin negative. So, these restrictions don't give us any benefit other than maybe increase our market penetration to some extent.

Like in Europe, earlier it was very difficult for us to get access to those customers. The windows were not opening for so many years. And then this issue in Eastern Europe happened and all the customers, they were willing to buy from us.

And once the relationship gets established, then it becomes kind of a long-term relationship. So that's the benefit what actually we are depending on, nothing beyond that. Rest all is our quality of product, our quality of service, our cost efficiencies and pricing.

Prolin Nandu: Understood. And one question on Aquapharm, if I may. So, in Aquapharm, in Q3, you mentioned that there were some macro-US-related kinds of headwinds. Q4 onwards, things should be better. But again, there the outlook on medium-term, right, as to in terms of the profit numbers or operating profit numbers that we did on that before the acquisition. How soon should we be able to see those numbers there?

Raj Gupta: I'll answer the second part of the question first. My sense is that by Q4 of next year, we should reach the run rate of how the business was performing a couple of years back. Coming to the first part of the question, we are seeing some recovery in the industry.

The headwinds are not as strong. And additionally, we have also been able to add new customers. And we are also preparing to launch some newer grades in the market. And with expansion of product portfolio and higher customer reach, we expect the volume and margin recovery.

- Prolin Nandu:** Sure. So, by Q4, FY '26, we should be tracking a run rate on revenue as well as margins of what we did in FY '22. Is that correct?
- Raj Gupta:** I would not comment on the revenue because, again, I mean, there is some kind of relation between the raw material prices and realization. But EBITDA, for sure, we are confident that we should be reaching somewhere around at least INR80-90 crores, if not more (the quarterly run rate).
- Prolin Nandu:** That's great. Thank you so much, Raj. I'll join back the queue. All the best.
- Moderator:** Thank you. Next question comes from the line of Krishan Parwani with JM Financial. Please go ahead.
- Krishan Parwani:** Hi, sir. Thank you for taking my question. So firstly, on Carbon Black, just on the destocking bit, do we not work on just-in-time model given high correlation with the crude?
- Raj Gupta:** No. So, the way we work, see, a good part of our volume, still go to tyre customers, around 60%. And there we kind of forecast our demand one quarter in advance. And basis that, we do our procurement, our production planning and everything. But two things happened in last quarter. One, crude prices came down by about \$5-6, and the customers know that if they defer part of their procurement to the subsequent quarter (with formula price working), they will tend to get that material at a lower cost. And second, some of the overseas customers, because of balance sheet consideration, etc., they also do it just to show better capital efficiency on their books
- Krishan Parwani:** Okay. Fair enough. And so, given the current scenario, by when do we expect to achieve, let's say, 160-170 KT, a kind of quarterly sales volume in Carbon Black business?
- Raj Gupta:** My sense is that maybe by fourth quarter of next year. But for that, we would require our capacities to be ready because currently we can only go up to maybe 156-157KT based on our current capacity. So, this TN lines have to come up.
- Krishan Parwani:** Okay. So that means even though the volumes have been declining for last 2 quarters, we will still continue with the capacity additions, correct?
- Raj Gupta:** Even in the last quarter, we were at 90% capacity utilization. So, we don't have any capacity cushion now, Krishan. We're very close to full capacity.
- Krishan Parwani:** So, okay. And last bit on Carbon Black. So, this lower part sales is by any chance accounted in the INR20 per kg EBITDA that you reported for Carbon Black or is it not?
- Raj Gupta:** Yes, operating leverage has played its role. It is partly operating leverage and partly also the product mix.
- Krishan Parwani:** And secondly, on the Aquapharm, can you please give other income number for this quarter previous and 1Q '25?

- Raj Gupta:** Aquapharm doesn't have much other income. They just have about INR1 crore a quarter, INR1 crore a month, INR2 crores to INR3 crores every quarter.
- Krishan Parwani:** So, in that case, so last quarter, if I see depreciation, I think it was closer to INR30-odd crores. I think this quarter depreciation closer to INR40-odd crores. So, what's the jump on account of?
- Raj Gupta:** Aquapharm depreciation has been almost kind of equal. I mean, INR1-2 crores here and there.
- Krishan Parwani:** I'm referring to, let's say, last quarter INR20 crores we had reported in the press release and this quarter is about INR11 crores. And last quarter in the presentation, we had EBITDA of INR50 crores and this quarter we reported EBITDA of INR51 crores. So, I'm just deducting that. That's why I'm asking where's the disconnect?
- Raj Gupta:** No sorry. Will you please repeat your question? You're saying the difference between EBITDA and PBT?
- Krishan Parwani:** Difference between EBITDA and EBIT?
- Raj Gupta:** No, it is same, I guess. Where did you get EBIT numbers?
- Krishan Parwani:** In your press release?
- Raj Gupta:** No, we have not mentioned any EBIT numbers. You may have looked at the segmental numbers, but there are some adjustments also in that. We'll look at those numbers and explain it to you, Krishnan. But the numbers are consistent. There has not been any change from last quarter.
- Krishan Parwani:** Okay, so depreciation is INR30 crores or INR40 crores?
- Raj Gupta:** It is more or less similar. No, there would not be a INR10 crore difference in the depreciation. But also, what has happened is during the quarter, the merger has happened between the acquisition vehicle and Aquapharm. So, some items might have got created because of this merger thing. Let us look into that and we will revert on this to you.
- Krishan Parwani:** Okay, and just last bit, if I may. In the absence of the amortization of the goodwill that is written off, let's say that is impaired. So, I think amortization number should go down. That means EBIT number should look up, right, going forward?
- Raj Gupta:** No Krishnan. So, this impairment is of the non-core goodwill. Goodwill in any case was not getting impaired. Whatever goodwill is there on the books is going to remain there, as long as our profit projections do not change. And we don't see any change in profit projections. So whatever exceptional items you see in this quarter's financial report, that is because of the merger. This is the merger accounting.
- And you will see that impairment is backed by an equal amount of deferred tax liability right back. So, as such exceptional transactions are not impacting our current quarters or current year's profitability. So, this is profit neutral (all these adjustments).

- Krishan Parwani:** Okay, no problem, sir. Thank you so much for patiently answering my question. Wish you all the best.
- Moderator:** Thank you. Next question comes from the line of Bharat Sheth with Quest Investment. Please go ahead.
- Bharat Sheth:** Hi Raj, thanks for the opportunity. Russian Carbon Black are also coming to India since they have discontinued to Europe. So, some are going to China and even India also is getting a lot of import from Russia. Is that happening and how that is affecting the domestic market?
- Raj Gupta:** So, Russia because they are not able to sell it in Europe, they are selling mostly in Asia now. And that is impacting our margins. But mostly they are selling in spot market to small consumers. None of the large tyre companies are buying from Russia as tyre companies are also exporters in global market and if they buy directly from Russia, then it might attract some kind of sanction from US. So in our earlier commentary also we have been mentioning that this restriction on Russia is not only creating positive side benefits for us, but it also has a negative side. It is also kind of impacting our margins. In some of the customer segments, especially the smaller ones, our margins are getting impacted because of Russian imports.
- Bharat Sheth:** Is it possible to quantify something?
- Raj Gupta:** It is not significant. India is importing just around 100,000 tons every year and about 30% of that is from Russia. It is not significant. But even to whatever extent they are selling (1,500-2,000 tons on an average monthly), to that extent there is some impact which we have to bear.
- Bharat Sheth:** And second thing on this, our export since has increased. So, can you quantify how much export is in dollar currency?
- Raj Gupta:** Our sales is mostly in dollar terms. So about 95% of our international sales is contracted in dollar terms. Even when we are selling in Europe, our underlying contracts are in dollars. So, a very small portion of our sales, 4-5% is in non-dollar terms.
- Bharat Sheth:** Okay. So, do you think that in coming quarters, I mean with rupee depreciation, we will have some kind of a benefit on account of that?
- Raj Gupta:** We are also importeing. Most of our raw material also comes in dollar terms. The contracts are in dollars. So, as such, we don't get benefit or get negatively impacted because of movement in currency as long as we keep our position hedged. And our policy is to keep our currency exposure fully hedged.
- Bharat Sheth:** And coming to the speciality side of the Carbon Black, can you give a little more color, how much new product has been added during these 9 months and how many customers?
- Raj Gupta:** Last year, we did a total sales volume of 57,000 tons around that. And this year, we have visibility of somewhere around 63,000-64,000 tons on a full year basis. So, this is more or less in line with our earlier guidance to the market.

And every year, we are adding newer lines. So, like last-to-last year, we added one line. And then recently also we commissioned one more line. And with all the new lines, we are getting into newer applications. So, it is not only vertical volume growth for us, it is also expansion of portfolio, which we are achieving through these new lines.

Bharat Sheth: And these new applications are more profitable or more value accretive for us?

Raj Gupta: We are actually moving up the value chain, even in the specialty portfolio. So gradually, one year is not the right period to measure the improvement in contribution. But over the next 2-4 years' time, we expect decent margin growth in the segment.

Bharat Sheth: And any color, how much are net borrowing vis-a-vis quarter, Q2 to this quarter? Gross borrowing and net borrowing?

Raj Gupta: Our net borrowing has gone up roughly by about INR98 odd crores in this quarter.

Bharat Sheth: So, this is largely on account of what?

Raj Gupta: This is largely on account of some extra inventory that got accumulated.

Bharat Sheth: Thank you and all the best.

Moderator: Thank you. Next question comes from the line of Nishant Gupta with Minerva Global Capital. Please go ahead.

Nishant Gupta: Thank you for the opportunity. So, the first question is, what kind of a debt-equity level we can see going forward since the finance cost is affecting the bottom line?

Raj Gupta: Nishant, we have fairly high visibility around increase in our earnings. Year-on-year profitability would go up. Last year, we had a debt-to-EBITDA of about roughly 4.5. By this year end, we should be somewhere around 3.3-3.4. And a year from now, we should be below 3 for sure.

Now, where we are comfortable? We are not comfortable with long term debt in our books. So, over a period of time, once we are through with our expansion, we would pare off debt. So, maybe not in next 5 years, because next 5 years are going to be a kind of high growth period for us (significant growth we are going to achieve in these 5 years).

So, we'll do capex and there will also be some investments. But maybe over a period of next 7-8 years, you will see reduction in absolute debt also.

Nishant Gupta: Got it, sir. Thank you. Sir my next question is, sorry if you clarified this on previous conference calls around the nano silicon, the JV, which we have done. So, what kind of commercial operations commencement date are we kind of looking at and what kind of market and revenue are we looking from that particular segment?

- Raj Gupta:** Currently, we are putting up a pilot plant, which will be mostly for sampling. Once we stabilize the product in the pilot facility, we are going to put up a proper commercial plant of 2,000 tons. Now, this 2,000 tons, based on our back of the envelope calculation, should give us somewhere around INR1,700-1,800 crores kind of a top line and roughly about INR800-900 crores kind of EBITDA. That's how we are seeing it.
- Nishant Gupta:** Got it, sir. Any tentative timeline by when this proper plant will be coming up?
- Raj Gupta:** Our sense is by 2027 we should have this plant ready and running. And by, maybe somewhere between FY28 and FY29, we should be able to fully utilize this capacity.
- Nishant Gupta:** Got it, sir. And the \$44 million which you mentioned in the previous PPT, that would be sufficient to fund this proper plant?
- Raj Gupta:** Yes, so this is not capex heavy. We expect to incur just about \$20-25 million on this capacity.
- Nishant Gupta:** Got it, sir. Thank you and all the best.
- Moderator:** Thank you. Next question comes from the line of Rajesh Jain with RK Capital. Please go ahead.
- Rajesh Jain:** Hello, sir. I have two questions. What will be the interest cost trajectory over the next 4-8 quarters? Will the interest cost remain elevated such that the major part of the growth in revenue and EBITDA will be eaten up by the interest and even the employee costs? And when will the PAT growth start becoming visible?
- Raj Gupta:** PAT growth will be visible from next year itself. Last year, we did not have this interest cost and also the amortization. So, this is setting a new base (this year's expense structure). And in terms of absolute reduction in finance costs, the interest rates generally are coming down. And also, when we acquired Aquapharm, we also borrowed money for this acquisition. And acquisition money typically comes at a premium, doesn't come at the normal cost. Now, gradually, that acquisition borrowing is getting repaid. While our overall borrowing may not go down, but we are utilizing our cash flows first to repay the acquisition debt. And consequently, the weighted average cost of borrowing would also come down.
- We expect overall borrowing cost to go down. My sense is that borrowing cost should go down by at least 3-4% in absolute terms. So, currently, we have about INR120 crores quarterly run rate. Maybe we can see INR5-7 crores kind of quarterly reduction going forward
- Rajesh Jain:** That will be from as soon as the next quarter or 3-4 quarters down the line?
- Raj Gupta:** Next quarter also will have some reduction because there is some repayment which will start happening. Actually, we have already started repaying, but a big chunk of repayment would happen in January. And therefore, that impact will be there. It may not be INR 5 - 6 crores in this quarter, but it will be there. And from first quarter of next year onwards, gradually, you will see reduction in overall finance costs.

- Rajesh Jain:** Okay. And sir, are you seeing a noticeable slowdown in Europe economy and the auto sector? And do you see the risk of an impact on your Carbon Black exports to Europe?
- Raj Gupta:** Not really. So, first of all, the commentary from tyre and auto industry in Europe is not negative. Historically, they had been growing at about 1-1.5% and for CY '25 also, their commentary remains similar to that. Both US and Europe, the commentary is positive. It is not negative. Second, while our absolute volume in Europe has gone up, , it is still very insignificant portion of their overall requirement. And it is unlikely that they are going to restore their relationship with Russian suppliers soon. So, our share in European market is going to go up from the current level
- Rajesh Jain:** And so, in your EBITDA or in your PBT, how much impact do you see of the container freight rates increase due to the Red Sea and other issues?
- Raj Gupta:** Actually, container freight rates have started softening since last quarter. There was a spike in 2nd quarter, but last 2-3 months, we are seeing some downward trend. The situation is coming back to normalization.
- Rajesh Jain:** So, you are hopeful of returning to baseline or no impact, basically?
- Raj Gupta:** If not baseline, at least, it will not remain as elevated as it was in July or August.
- Rajesh Jain:** And so, to my first question, when you said that the PAT growth will start becoming visible year-on-year from next year. So, next year, does it mean like 4 quarters down the line? I mean, what exactly do you mean by next year?
- Raj Gupta:** No, I am saying that. See what happened this year, last year, we did not have borrowing. And consequently, the difference between EBITDA and PBT was very small. But this year, because of acquisition borrowing coming in, interest and amortization is eating into our EBITDA.
- So, current year's performance has set a lower base. And on this base, next year onwards, from the first quarter itself, you will start seeing improving numbers.
- Rajesh Jain:** Okay. That is from the June quarter.
- Raj Gupta:** Just to put it in perspective, if you look at our EBITDA, that has grown significantly from last year. Even in the first 3 quarters, our EBITDA has grown by over 40%. So, overall, operational performance has gone up. But because interest and amortization has eaten into this profitability, therefore, bottom line reflection is lower.
- Rajesh Jain:** Okay. That is all from my side. Thank you.
- Moderator:** Thank you. On behalf of PCBL Chemical Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.