BUSINESS LINE N.D 5/5/18

Philips Carbon Black to set up ₹600-crore plant in TN

Standalone net leaps 165% in March quarter

OUR BUREAU

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RP-Sanjiv Goenka Group-owned Philips Carbon Black Ltd (PCBL) – the sixth largest global producer – will invest ₹900 crore towards capex by 2020.

According to Sanjiv Goenka, Group Chairman, around ₹600 crore will go towards a greenfield plant in Tamil Nadu that is expected to be operational around September 2020. The Tamil Nadu plant will have an annual capacity of 150,000 tonnes

This new plant will focus on rubber black which is used in tyres and also on speciality black. Speciality black has been the company's focus because of better margins.

Another ₹300 crore will be for brownfield expansion in its Mundra and Palej plants.

The Mundra plant, likely to be operational by this year-end, will see a capacity addition of 50,000 tonnes annually.

On the other hand, 30,000 tonnes will be added annually at Palej by March 2019.

"There will be a 50 per cent capacity addition post the investments," he told reporters here on Friday. PCBL currently has an annual capacity of 470,000 tonnes in its four plants – Durgapur (West Bengal), Mundra (Gujarat), Palej (Gujarat) and Kochi (Kerala), which is expected to go up to 700,000 tonnes by December 2020.

Expansion plans will be funded through a mix of internal accruals, equity issue and debt. In fact, the company is most likely to go for an equity issue by the year-end.

"We are generating cash flows to the tune of ₹450 crore a year. So we do not expect much of an issue in funding the expansion plans," Goenka said.

Sanjiv Goenka, Group Chairman DEBASISH BHADURI

Financial performance

The company, meanwhile, reported a near 165 per cent jump in standalone net profit for the January to March quarter of this fiscal to ₹74 crore. Profit in the corresponding quarter last fiscal (FY17) stood at ₹28 crore.

Sales (revenue from ops) stood at ₹753 crore. PCBL said the revenues are not comparable to previous quarters since there has been a change in the accounting treatment of indirect taxes post the roll-out of GST.

"Increase in sales, focus on high margin speciality black, an increase in efficiency such as usage of fuel, and a reduction in debt has led to improved results and rise in net profit," Goenka said.

According to him, in FY18, PCBL reduced its debt to ₹770 crore from ₹1,200 crore in the year-ago period. In fact, the plan is to bring down long term debt to zero. Long term debt stands at ₹460 crore in FY18.

"We expect debt to be around ₹700 crore for the next few years especially since there will be investments towards capex. However, we hope to bring down the long term debt to zero and focus only on working capital requirements," he said.

For the full fiscal, standalone net profit saw a 228 per cent jump, year-on-year to ₹230 crore; while revenue (from ops) stood at ₹26,00 crore.

The board has recommended a final dividend of 60 per cent or ₹1.20 per share of value of ₹2 each for FY18. The company had earlier declared an interim dividend of 60 per cent (that is ₹6 per equity share) of face value of ₹10 each.

Subsequently in April this year, it had initiated a stock split, where each equity share of ₹10 each was sub-divided into five equity shares of ₹2 each.

The company's scrip closed at ₹253.20, up by 0.48 per cent, on the BSE on Friday.