

**Estimate changes**

TP change

Rating change



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Bloomberg	NOCIL IN
Equity Shares (m)	166
M.Cap.(INRb)/(USD\$)	38.2 / 0.5
52-Week Range (INR)	321 / 146
1, 6, 12 Rel. Per (%)	-5/-25/35
12M Avg Val (INR M)	392

**Financials & Valuations (INR b)**

Y/E March	FY22	FY23E	FY24E
Sales	15.7	18.2	20.2
EBITDA	2.8	3.4	3.7
PAT	1.8	2.2	2.4
EPS (INR)	10.6	13.3	14.5
EPS Gr. (%)	103	26	9
BV/Sh.(INR)	86	94	103

**Ratios**

Net D:E	(0.0)	(0.1)	(0.1)
RoE (%)	13.0	14.8	14.7
RoCE (%)	12.2	13.9	13.9
Payout (%)	28.4	40.0	40.0

**Valuations**

P/E (x)	26.1	20.7	19.0
P/BV (x)	3.2	2.9	2.7
EV/EBITDA (x)	16.2	13.2	12.0
Div. Yield (%)	1.1	1.9	2.1
FCF Yield (%)	(1.4)	3.5	4.5

**Shareholding pattern (%)**

As On	Jun-22	Mar-22	Jun-21
Promoter	33.9	33.9	33.9
DII	4.9	4.3	4.4
FII	2.9	2.5	2.2
Others	58.3	59.4	59.6

FII Includes depository receipts

**CMP: INR278**
**TP: INR319 (+15%)**
**Buy**
**Another strong quarter aided by an uptick in demand**

- NOCIL delivered a beat on our EBITDA estimate (at INR66/kg, -18% QoQ), with realization being flat QoQ (at INR333/kg, +27% YoY) in 1QFY23. Raw material costs were higher; however, volumes grew 16% YoY and 11% QoQ to 15.3kmt, which were boosted by easing of supply chains and an uptick in demand from OEMs as well as replacement demand.
- The company's focus will be on growing its volumes, which it has been successfully executing. We expect volumes sold to post 22% CAGR over FY22-24, with NOCIL likely to post a 13% revenue growth during the same period.
- Due to the beat in estimates in 1QFY23, we factor in an EBITDA/kg of INR50 for FY23 (up from INR45/kg) leaving our FY24E figure unchanged at INR45/kg.** Owing to this, we also increase our FY23 absolute EBITDA and EPS guidance by 16% and 18%, respectively, and raise FY24 revenue estimate by 8%, ceteris paribus.
- Management believes that some near-term demand slowdown may occur and has guided that **the optimal utilization for its expanded capacity could be delayed by three to six months (earlier guidance of full utilization by Sep'23).** We have been conservative always and have guided for the same by end-FY24. We forecast revenue/EBITDA/EPS CAGR of 13%/14%/17% over FY22-24E, respectively. Management further guided for capacity debottlenecking, which may add further volume growth in the future.
- The stock is up 18% and has outperformed the Nifty index in the last six months. **Valuing NOCIL at 22x FY24E EPS, we arrive at our TP of INR319. We reiterate our BUY rating with a 15% potential upside.**

**Beat on EBITDA even as margins decline sequentially**

- NOCIL's revenue came in above our estimate at INR5.1b (+48% YoY, +10% QoQ).
- Gross margin contracted QoQ to 46.4% in 1QFY23 (v/s 49.4% in 1QFY22).**
- EBITDA was above estimate at INR1b (+70% of est., +39% YoY, -8% QoQ).
- EBITDA margin stood at 19.9% (v/s 23.9%/21.1% in 4QFY22/1QFY22).
- PAT was at INR656m (+39% YoY, -4% QoQ) in 1QFY23.

**Valuation and view – Maintain BUY**

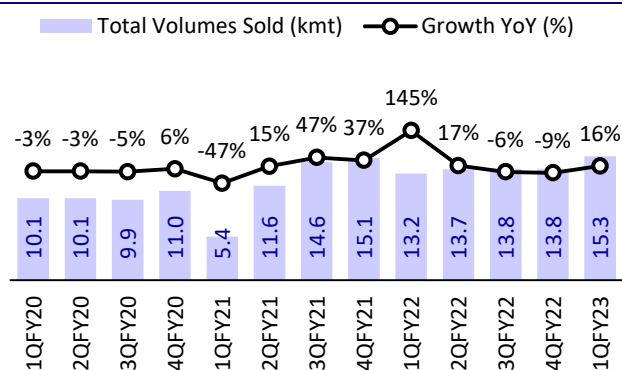
- The management guided for debottlenecking of its existing units in the near term,** even as it evaluates its plans for the next three-to-five years. Specialized products constituted 25% of total revenue; with limited room for further expansion (industry standard is 12%).
- The Indian Tyre industry is likely to grow 7-9% in volume terms in FY23. Domestic Tyre companies are planning to ramp up production, with a planned capex of INR200b over the next three years.
- The stock is trading at 19x FY24E EPS of INR15 and 12x FY24E EV/EBITDA. We expect return ratios to recover to 13-14% in FY23-24 (up from 7% in FY21). **We maintain our BUY rating on the stock.**

## Standalone - Quarterly Earning Model

(INR m)

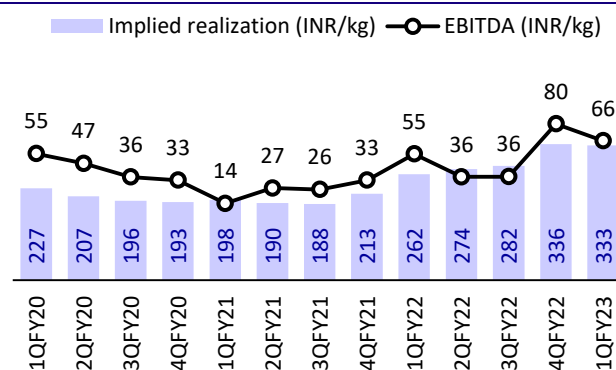
Y/E March	FY22				FY23				FY22	FY23E	FY23E	Var
	1Q	2Q	3Q	4Q	1QE	2QE	3QE	4QE			1QE	(%)
<b>Gross Sales</b>	<b>3,445</b>	<b>3,752</b>	<b>3,889</b>	<b>4,627</b>	<b>5,089</b>	<b>4,605</b>	<b>4,332</b>	<b>4,213</b>	<b>15,713</b>	<b>18,238</b>	<b>4,377</b>	<b>16%</b>
YoY Change (%)	223.4	69.3	41.6	43.7	47.7	22.8	11.4	-9.0	69.9	16.1	27.1	
Gross Margin (%)	49.4%	40.6%	40.7%	50.0%	46.4%	43.4%	39.5%	41.3%	45.3%	42.9%	42.2%	4.2%
<b>EBITDA</b>	<b>727</b>	<b>495</b>	<b>500</b>	<b>1,105</b>	<b>1,012</b>	<b>895</b>	<b>744</b>	<b>748</b>	<b>2,826</b>	<b>3,398</b>	<b>594</b>	<b>70%</b>
Margin (%)	21.1	13.2	12.8	23.9	19.9	19.4	17.2	17.7	18.0	18.6	13.6	6.3
Depreciation	102	104	105	160	134	125	128	89	471	475	119	
Interest	2	2	3	4	3	2	2	4	11	11	3	
Other Income	10	22	9	11	10	14	11	16	51	51	13	
<b>PBT before EO expense</b>	<b>632</b>	<b>411</b>	<b>400</b>	<b>952</b>	<b>885</b>	<b>782</b>	<b>624</b>	<b>672</b>	<b>2,396</b>	<b>2,963</b>	<b>486</b>	<b>82%</b>
<b>PBT</b>	<b>632</b>	<b>411</b>	<b>400</b>	<b>952</b>	<b>885</b>	<b>782</b>	<b>624</b>	<b>672</b>	<b>2,396</b>	<b>2,963</b>	<b>486</b>	<b>82%</b>
Tax	161	106	102	268	229	212	145	160	636	746	122	
Rate (%)	25.5	25.8	25.3	28.1	25.8	27.1	23.3	23.9	26.6	25.2	25.2	
<b>Reported PAT</b>	<b>471</b>	<b>305</b>	<b>299</b>	<b>685</b>	<b>656</b>	<b>570</b>	<b>479</b>	<b>512</b>	<b>1,760</b>	<b>2,217</b>	<b>364</b>	<b>81%</b>
YoY Change (%)	300.3	83.4	35.4	90.1	39.4	86.9	60.2	-25.3	103.4	26.0	-22.8	
Margin (%)	13.7	8.1	7.7	14.8	12.9	12.4	11.1	12.1	11.2	12.2	8.3	4.6

## Exhibit 1: Sales volumes grew 16% YoY and 11% QoQ



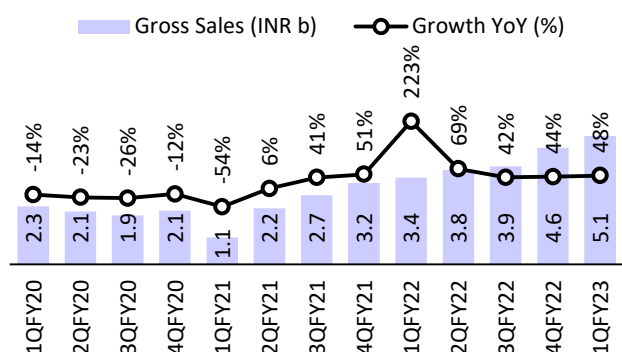
Source: Company, MOFSL

## Exhibit 2: EBITDA/mt was at INR66 for 1QFY23



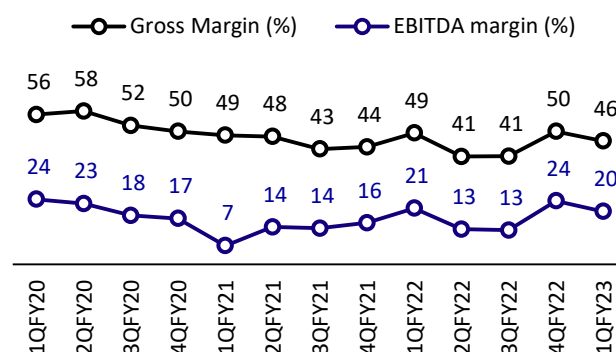
Source: Company, MOFSL

## Exhibit 3: Sales rose 10% QoQ, with flat realization/mt (at INR333/kg)

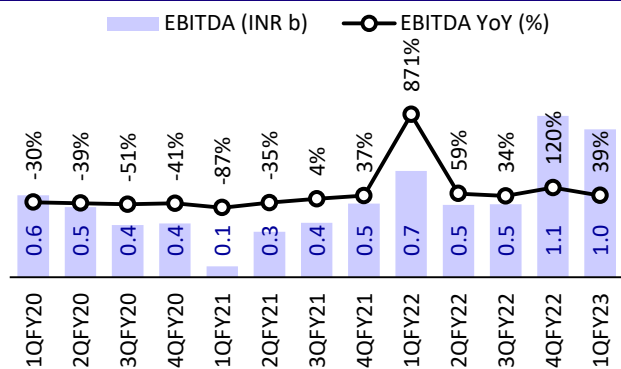


Source: Company, MOFSL

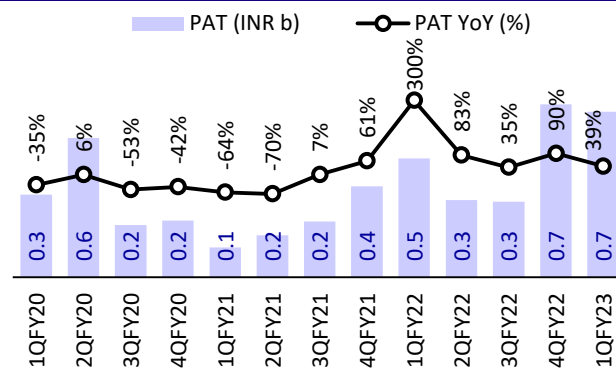
## Exhibit 4: Gross Margin and EBITDAM both declined ~400bp in 1QFY23



Source: Company, MOFSL

**Exhibit 5: EBITDA down 8% QoQ (EBITDA margin at 19.9%)**

Source: Company, MOFSL

**Exhibit 6: PAT down 4% QoQ (PAT margin at 12.9%)**

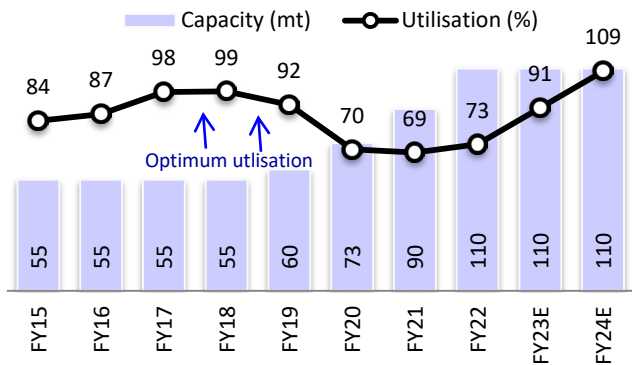
Source: Company, MOFSL

**Highlights from the management commentary**

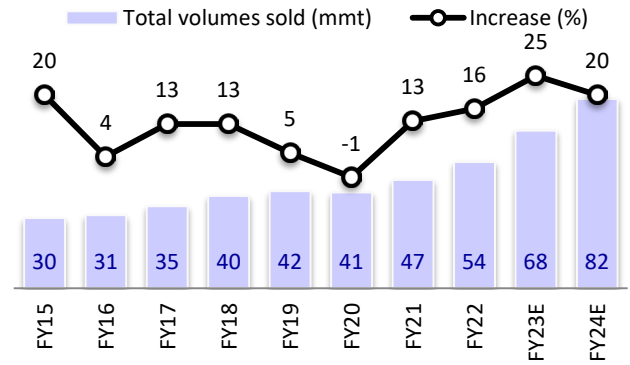
- NOCIL reported record revenues due to easing of supply chains in 1QFY23. There was sequential growth of 11% and 16% YoY in volumes that was seen largely due to an uptick in demand from tyre companies (both OEMs and replacement demand)
- Even as selling prices remained flat for the quarter
- The current capacity utilization stood at 75%
- Most raw material prices were flattish during the quarter
- Raw material price volatility is prevalent in the world market and it would be difficult to predict these prices right now by the management
- There was also increase in utility costs because of the increase in gas prices owing to the Russia-Ukraine crisis.
- The coming months may see demand slowing down which would be seen across all geographies
- However, the management believes the 1H FY23 volumes to be higher by 10%
- Keeping in mind the short term recessionary trends, the target to achieve full capacity utilization may be extended by three-to-six months (earlier target of full utilization by Sep'23)
- The debottlenecking activities are already under way and it may take up to 12 months to be completed
- The long term vision continues to be a major player in the Rubber Chemicals industry and the management is working towards it.
- The land utilization level at Dahej is 50-60% and at Navi Mumbai is 100%
- The growth in the domestic market was much higher in 1QFY23 due to higher volumes.
- Domestic: Exports mix stood at 68:32 during the quarter.

## Financial story in charts

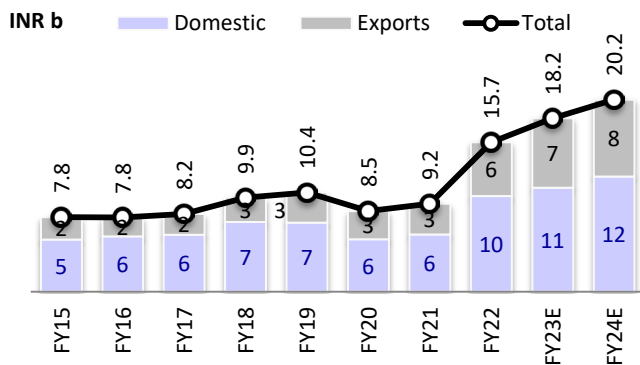
**Exhibit 7: Expect optimal capacity utilization by end FY24E...**



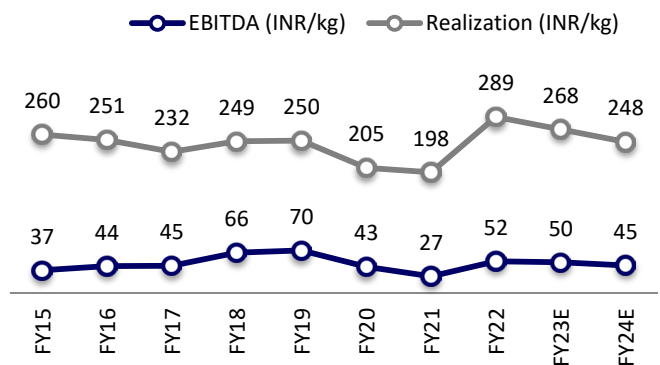
**Exhibit 8: ...with ~22% YoY volume CAGR over FY22-24E**



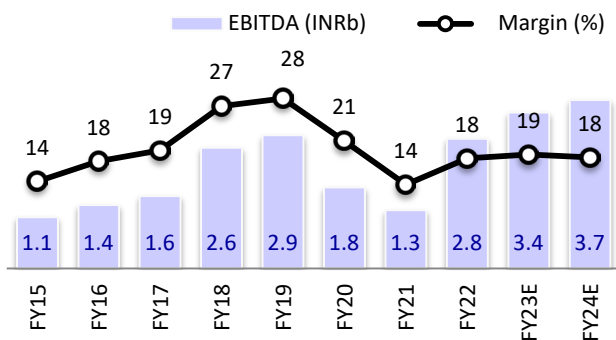
**Exhibit 9: Exports to constitute ~40% of total revenue**



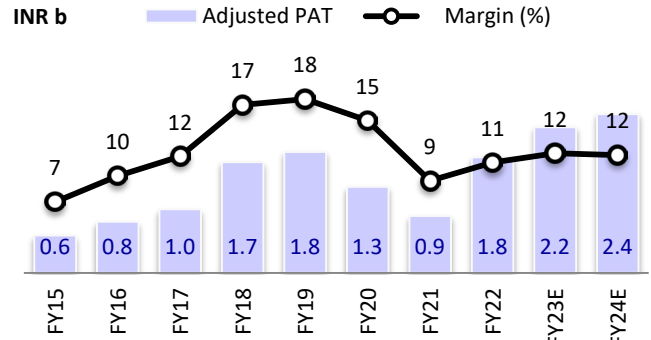
**Exhibit 10: Realization/mt and EBITDA/mt snapshot**



**Exhibit 11: Expect EBITDA margin to be flattish in FY24E**



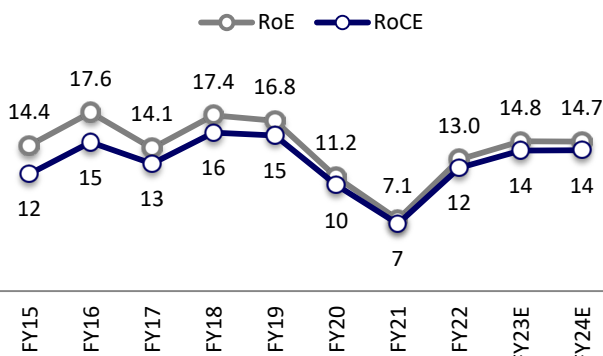
**Exhibit 12: Expect PAT to grow by ~2.8x by FY24E (from FY21)**



Source: Company, MOFSL

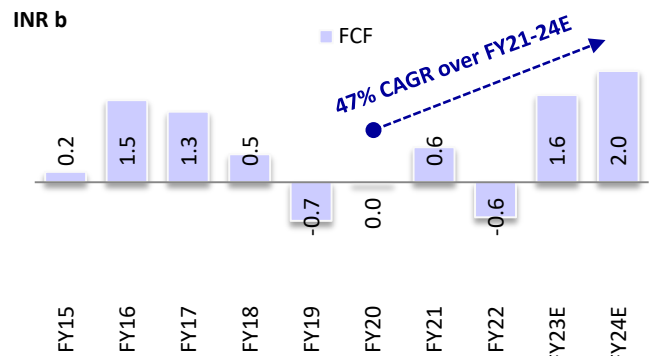
Source: Company, MOFSL

**Exhibit 13: Expect return ratios to improve to ~14x in FY24E**



Source: Company, MOFSL

**Exhibit 14: ...with strong FCF CAGR of 47% over FY21-24E**



Source: Company, MOFSL

## Financials and valuations

### Standalone - Income Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Total Income from Operations</b>	<b>8,183</b>	<b>9,893</b>	<b>10,429</b>	<b>8,463</b>	<b>9,247</b>	<b>15,713</b>	<b>18,238</b>	<b>20,203</b>
Change (%)	3.8	20.9	5.4	-18.9	9.3	69.9	16.1	10.8
Gross Margin (%)	56.1	55.5	55.2	54.2	45.4	45.3	42.9	44.4
<b>EBITDA</b>	<b>1,580</b>	<b>2,629</b>	<b>2,903</b>	<b>1,765</b>	<b>1,269</b>	<b>2,829</b>	<b>3,398</b>	<b>3,670</b>
Margin (%)	19.3	26.6	27.8	20.8	13.7	18.0	18.6	18.2
Depreciation	187	229	230	324	361	471	475	520
<b>EBIT</b>	<b>1,393</b>	<b>2,400</b>	<b>2,673</b>	<b>1,440</b>	<b>909</b>	<b>2,358</b>	<b>2,923</b>	<b>3,151</b>
Int. and Finance Charges	22	12	6	13	10	11	11	11
Other Income	91	143	100	97	143	48	51	90
<b>PBT bef. EO Exp.</b>	<b>1,462</b>	<b>2,531</b>	<b>2,767</b>	<b>1,524</b>	<b>1,042</b>	<b>2,396</b>	<b>2,963</b>	<b>3,230</b>
<b>PBT after EO Exp.</b>	<b>1,462</b>	<b>2,531</b>	<b>2,767</b>	<b>1,524</b>	<b>1,042</b>	<b>2,396</b>	<b>2,963</b>	<b>3,230</b>
Total Tax	494	845	926	214	177	636	746	813
Tax Rate (%)	33.8	33.4	33.5	14.1	17.0	26.6	25.2	25.2
<b>Reported PAT</b>	<b>968</b>	<b>1,686</b>	<b>1,841</b>	<b>1,310</b>	<b>865</b>	<b>1,760</b>	<b>2,217</b>	<b>2,417</b>
<b>Adjusted PAT</b>	<b>968</b>	<b>1,686</b>	<b>1,841</b>	<b>1,310</b>	<b>865</b>	<b>1,760</b>	<b>2,217</b>	<b>2,417</b>
Change (%)	24.6	74.1	9.2	-28.9	-34.0	103.4	26.0	9.0
Margin (%)	11.8	17.0	17.7	15.5	9.4	11.2	12.2	12.0

### Standalone - Balance Sheet

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	1,636	1,645	1,654	1,656	1,662	1,666	1,666	1,666
Total Reserves	7,415	8,730	9,876	10,104	11,073	12,673	14,003	15,453
<b>Net Worth</b>	<b>9,050</b>	<b>10,374</b>	<b>11,531</b>	<b>11,760</b>	<b>12,735</b>	<b>14,339</b>	<b>15,669</b>	<b>17,119</b>
Total Loans	150	50	0	0	0	0	0	0
Deferred Tax Liabilities	1,025	1,003	1,054	887	956	1,028	1,028	1,028
<b>Capital Employed</b>	<b>10,226</b>	<b>11,427</b>	<b>12,584</b>	<b>12,647</b>	<b>13,691</b>	<b>15,367</b>	<b>16,697</b>	<b>18,147</b>
Gross Block	6,653	6,569	8,050	9,789	11,374	11,783	11,983	12,183
Less: Accum. Deprn.	1,509	1,576	1,787	2,111	2,472	2,943	3,418	3,938
<b>Net Fixed Assets</b>	<b>5,144</b>	<b>4,994</b>	<b>6,263</b>	<b>7,678</b>	<b>8,902</b>	<b>8,840</b>	<b>8,565</b>	<b>8,245</b>
Capital WIP	31	392	1,305	1,563	140	86	86	86
<b>Total Investments</b>	<b>2,014</b>	<b>3,020</b>	<b>1,487</b>	<b>726</b>	<b>826</b>	<b>669</b>	<b>669</b>	<b>669</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>4,291</b>	<b>4,750</b>	<b>5,223</b>	<b>4,312</b>	<b>6,122</b>	<b>8,567</b>	<b>10,621</b>	<b>12,741</b>
Inventory	1,143	1,550	1,704	1,361	1,653	3,326	3,860	4,276
Account Receivables	1,665	2,434	2,322	2,032	3,086	4,498	5,221	5,784
Cash and Bank Balance	1,135	276	389	128	797	154	857	1,924
Cash	1,055	240	360	84	441	116	818	1,886
Bank Balance	81	36	29	44	356	38	38	38
Loans and Advances	347	491	808	791	587	589	683	757
<b>Curr. Liability and Prov.</b>	<b>1,255</b>	<b>1,729</b>	<b>1,694</b>	<b>1,633</b>	<b>2,297</b>	<b>2,795</b>	<b>3,245</b>	<b>3,594</b>
Account Payables	810	1,139	988	892	1,710	2,174	2,523	2,795
Other Current Liabilities	243	397	502	511	378	414	481	533
Provisions	202	193	204	230	210	207	241	267
<b>Net Current Assets</b>	<b>3,036</b>	<b>3,022</b>	<b>3,529</b>	<b>2,680</b>	<b>3,824</b>	<b>5,771</b>	<b>7,377</b>	<b>9,147</b>
<b>Appl. of Funds</b>	<b>10,225</b>	<b>11,427</b>	<b>12,584</b>	<b>12,647</b>	<b>13,691</b>	<b>15,367</b>	<b>16,697</b>	<b>18,147</b>

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>5.8</b>	<b>10.1</b>	<b>11.1</b>	<b>7.9</b>	<b>5.2</b>	<b>10.6</b>	<b>13.3</b>	<b>14.5</b>
<b>EPS Growth (%)</b>	<b>24.6</b>	<b>74.1</b>	<b>9.2</b>	<b>-28.9</b>	<b>-34.0</b>	<b>103.0</b>	<b>26.0</b>	<b>9.0</b>
Cash EPS	6.9	11.5	12.5	9.8	7.4	13.4	16.2	17.6
BV/Share	54.4	62.4	69.4	70.8	76.6	86.1	94.1	102.8
DPS	1.2	1.8	2.5	4.5	2.0	3.0	5.3	5.8
Payout (%)	24.0	21.0	27.0	76.0	38.5	28.4	40.0	40.0
<b>Valuation (x)</b>								
P/E	47.3	27.1	24.9	34.9	52.9	26.1	20.7	19.0
Cash P/E	39.6	23.9	22.1	28.0	37.3	20.6	17.0	15.6
P/BV	5.1	4.4	4.0	3.9	3.6	3.2	2.9	2.7
EV/Sales	5.5	4.6	4.4	5.4	4.9	2.9	2.5	2.2
EV/EBITDA	28.3	17.3	15.6	25.9	35.4	16.2	13.2	12.0
Dividend Yield (%)	0.4	0.7	0.9	1.6	0.7	1.1	1.9	2.1
FCF per share	7.8	3.1	-4.3	-0.1	3.9	-3.9	9.6	12.3
<b>Return Ratios (%)</b>								
RoE	14.1	17.4	16.8	11.2	7.1	13.0	14.8	14.7
RoCE	12.6	15.6	15.4	10.5	6.6	12.2	13.9	13.9
RoIC	15.6	21.6	20.7	12.6	6.8	13.1	14.8	15.4
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	2.0	2.0	1.9	1.2	1.1	1.8	2.1	2.4
Asset Turnover (x)	0.8	0.9	0.8	0.7	0.7	1.0	1.1	1.1
Inventory (Days)	51	57	60	59	65	77	77	77
Debtor (Days)	74	90	81	88	122	104	104	104
Creditor (Days)	36	42	35	38	67	50	50	50
<b>Leverage Ratio (x)</b>								
Current Ratio	3.4	2.7	3.1	2.6	2.7	3.1	3.3	3.5
Interest Coverage Ratio	62.7	196.7	424.3	109.1	94.6	220.4	273.2	294.4
Net Debt/Equity ratio	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1

### Standalone - Cash Flow

#### Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	1,462	2,531	2,767	1,524	1,042	2,396	2,963	3,230
Depreciation	187	229	230	324	361	471	475	520
Direct Taxes Paid	-454	-802	-878	-510	-1	-591	-746	-813
(Inc.)/Dec. in WC	269	-901	-400	515	-372	-2,549	-903	-702
<b>CF from Operations</b>	<b>1,402</b>	<b>984</b>	<b>1,638</b>	<b>1,772</b>	<b>904</b>	<b>-318</b>	<b>1,800</b>	<b>2,245</b>
(Inc.)/Dec. in FA	-106	-470	-2,351	-1,790	-262	-330	-200	-200
<b>Free Cash Flow</b>	<b>1,296</b>	<b>514</b>	<b>-713</b>	<b>-18</b>	<b>642</b>	<b>-647</b>	<b>1,600</b>	<b>2,045</b>
Other investing activity	27	-908	1,334	746	-325	658	0	0
<b>CF from Investments</b>	<b>-79</b>	<b>-1,379</b>	<b>-1,017</b>	<b>-1,044</b>	<b>-586</b>	<b>328</b>	<b>-200</b>	<b>-200</b>
Inc./(Dec.) in Debt	-109	-100	-50	0	0	0	0	0
Interest Paid	-23	-13	-7	-9	-4	-6	-11	-11
Dividend Paid	-230	-350	-490	-980	-7	-332	-887	-967
Others	-9	2	41	-15	51	-27	0	0
<b>CF from Fin. Activity</b>	<b>-315</b>	<b>-420</b>	<b>-501</b>	<b>-1,004</b>	<b>40</b>	<b>-336</b>	<b>-897</b>	<b>-978</b>
<b>Inc./Dec. in Cash</b>	<b>1,008</b>	<b>-814</b>	<b>120</b>	<b>-276</b>	<b>358</b>	<b>-325</b>	<b>703</b>	<b>1,068</b>
Opening Balance	47	1,055	240	360	84	441	116	818
<b>Closing Balance</b>	<b>1,055</b>	<b>240</b>	<b>360</b>	<b>84</b>	<b>441</b>	<b>116</b>	<b>818</b>	<b>1,886</b>



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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