

Estimate changes
TP change
Rating change


Bloomberg	NOCIL IN
Equity Shares (m)	167
M.Cap.(INRb)/(USDb)	35.7 / 0.4
52-Week Range (INR)	295 / 199
1, 6, 12 Rel. Per (%)	-2/-9/-27
12M Avg Val (INR M)	155

Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	16.2	17.6	19.3
EBITDA	2.5	2.8	3.3
PAT	1.5	1.7	2.1
EPS (INR)	8.9	10.3	12.7
EPS Gr. (%)	-15.5	15.7	23.3
BV/Sh.(INR)	92	99	108

Ratios

Net D:E	-0.0	-0.1	-0.2
RoE (%)	10.0	10.8	12.3
RoCE (%)	9.4	10.1	11.6
Payout (%)	33.6	33.6	33.6

Valuations

P/E (x)	24.2	20.9	16.9
P/BV (x)	2.3	2.2	2.0
EV/EBITDA (x)	14.2	12.2	9.9
Div. Yield (%)	1.4	1.6	2.0
FCF Yield (%)	6.9	4.7	5.5

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	33.8	33.8	33.9
DII	5.5	4.8	4.3
FII	5.4	5.3	2.5
Others	55.3	56.1	59.4

FII Includes depository receipts

CMP: INR215
TP: INR255 (+19%)
Buy
Global macro environment still remains a challenge

- NOCIL reported a 13% beat on our absolute EBITDA estimate with EBITDA/kg at INR35.6/kg, up 6% QoQ, with realization declining 4% QoQ (at INR285/kg, down 15% YoY). Sales volumes increased 26% QoQ to 13.8tmt, primarily driven by the recovery of export volumes, leading to an overall uptick in volumes during the quarter.
- The company achieved its highest quarterly volumes and revenue in 1QFY23. However, as global demand slowdown started to kick in from 2Q, the company's performance started to decline. Despite a decrease in volumes, the increase in product prices helped mitigate the impact in FY23. Subsequently, the share of exports to total revenues decreased to 31% in FY23 from 36% in FY22. Due to the sluggish demand in China, there has been an influx of additional volumes into the international market at significantly reduced prices.
- Inflationary pressures and fear of recession still persist with the management focusing on growing its volumes, maintaining EBITDA/kg and increasing wallet share to navigate the global macro uncertainties. According to the management, the outlook of domestic tyre companies remains robust, with the industry expected to grow ~10% annually over the next several years.
- **Optimal capacity utilization for its expanded capacity is uncertain and would go beyond FY24, given the uncertain global macro environment** (earlier guidance of full utilization by Sep'23). Given the subdued performance in FY23 and the longer-than-expected duration for capacity ramp-up, **we cut our EBITDA/ EPS guidance for FY24 by 15%/ 17% and by 11%/ 12% for FY25**. We expect EBITDA/kg to be at INR48 for FY24 and at INR51 for FY25.
- The stock is trading at 17x FY25E EPS of INR12.7 and 10x FY25E EV/EBITDA. We expect the return ratios to be stable at 10-12% in FY24-25. We reiterate our BUY rating on the stock with a TP of INR255.

Beat led by lower employee and other operating expenses

- Revenue came in above our est. at INR3.9b (down 15% YoY, up 21% QoQ), **consensus beat by 11%**. Gross margin stood at 40.6% (v/s 50% in 4QFY22)
- Volumes sold were at ~13.8ktpa in 4QFY23 (up 26% QoQ) with export volumes recovering QoQ. Overall volumes have also improved in the quarter.
- Implied realization declined to INR285/kg (down 4% QoQ) with EBITDA/kg at INR35.6/kg in 4QFY23.
- EBITDA stood at INR490m (est. of INR433m, down 56% YoY, up 33% QoQ). **EBITDAM stood at 12.5% (v/s 23.9% in 4QFY22)**.
- PAT stood at INR284m (est. of INR230m, down 59% YoY, up 51% QoQ).
- **The board has appointed Mr. Anand V. S. as the new Managing Director of the company for a period of five years, w.e.f. 1st Aug'23.**
- As a part of succession planning, Mr. Anand was appointed as the Deputy Managing Director w.e.f. 2nd Mar'22, for a tenure of five years, so as to take over the mantle from Mr. Sudhir R Deo, whose tenure is coming to an end on 31st Jul'23.

Swarnendu Bhushan – Research Analyst (Swarnendu.Bhushan@MotilalOswal.com)

Research Analyst: Aman Chowdhary (Aman.Chowdhary@MotilalOswal.com) | Rohit Thorat (Rohit.Thorat@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Prior to joining NOCIL, Mr. Anand held the position of Managing Director of Chemetall India (a BASF company). He was associated with BASF from 1997 until Feb'22.
- **For FY23**, revenue stood at INR16.2b (up 3% YoY) and EBITDA at INR2.5b (down 12% YoY). PAT stood at INR1.5b (down 15% YoY).
- EBITDAM was at 15.4% in FY23 (18% in FY22), declining 260bp YoY.
- **The company has declared a final dividend of INR3.**
- The global rubber consumption was flat at 29.7mmt in CY22 compared to CY21, due to the ongoing global economic slowdown.

Valuation and view

- The management guided for debottlenecking of its existing units by FY24, resulting in a potential capacity increase of 5-10%. However, there are no plans for new capacities in the next few years. The remaining capex would be allocated toward maintenance activities. No specific timelines have been provided for achieving optimal capacity utilization of the expanded capacity of 110ktpa.
- Even though global rubber consumption remained flat in CY22 v/s CY21, due to the ongoing global slowdown, NOCIL has managed to sustain its market share during this period. Additionally, the management expects that 'Europe+1' strategy could play out over the medium term, with no imminent capacity constraints in the near future.
- The stock is trading at 17x FY25E EPS of INR12.7 and 10x FY25E EV/EBITDA. We expect the return ratios to be stable at 10-12% in FY24-25. We reiterate our BUY rating on the stock with a TP of INR255.

Standalone - Quarterly Earnings Model

Y/E March	FY22				FY23				FY22	FY23	FY23	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Gross Sales	3,445	3,752	3,889	4,627	5,089	3,892	3,257	3,927	15,713	16,166	3,577	10%
YoY Change (%)	223.4	69.3	41.6	43.7	47.7	3.8	-16.2	-15.1	69.9	2.9	-22.7	
Gross Margin (%)	49.4%	40.6%	40.7%	50.0%	46.4%	47.1%	46.1%	40.6%	45.3%	45.1%	45.9%	-5.3%
EBITDA	727	495	500	1,105	1,012	615	367	490	2,826	2,484	433	13%
Margin (%)	21.1	13.2	12.8	23.9	19.9	15.8	11.3	12.5	18.0	15.4	12.1	0.4
Depreciation	102	104	105	160	134	136	138	136	471	544	141	
Interest	2	2	3	4	3	3	3	3	11	12	3	
Other Income	10	22	9	11	10	12	26	32	51	79	18	
PBT before EO expense	632	411	400	952	885	487	251	384	2,396	2,007	308	25%
PBT	632	411	400	952	885	487	251	384	2,396	2,007	308	25%
Tax	161	106	102	268	229	128	64	100	636	520	78	
Rate (%)	25.5	25.8	25.3	28.1	25.8	26.2	25.4	26.1	26.6	25.9	25.2	
Reported PAT	471	305	299	685	656	359	188	284	1,760	1,487	230	23%
YoY Change (%)	300.3	83.4	35.4	90.1	39.4	17.7	-37.2	-58.6	103.4	-15.5	-66.3	
Margin (%)	13.7	8.1	7.7	14.8	12.9	9.2	5.8	7.2	11.2	9.2	6.4	0.8
Operating metrics												
Total Volume Sold (mt)	13,163	13,669	13,770	13,770	15,289	11,846	10,935	13,770	54,371	51,840	11,680	18%
Implied Realization (INR/kg)	262	274	282	336	333	329	298	285	289	312	306	-7%

Exhibit 1: One-year forward P/E

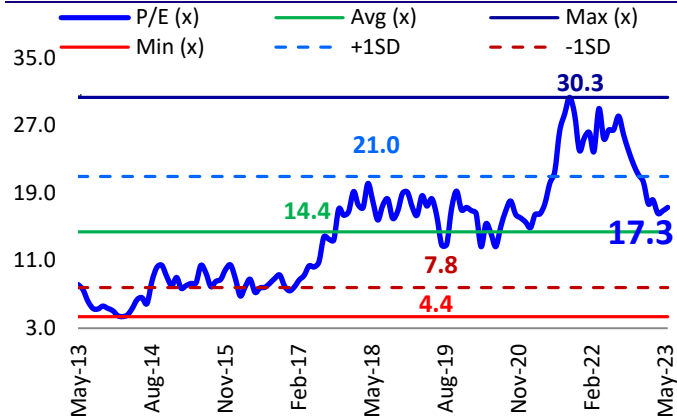
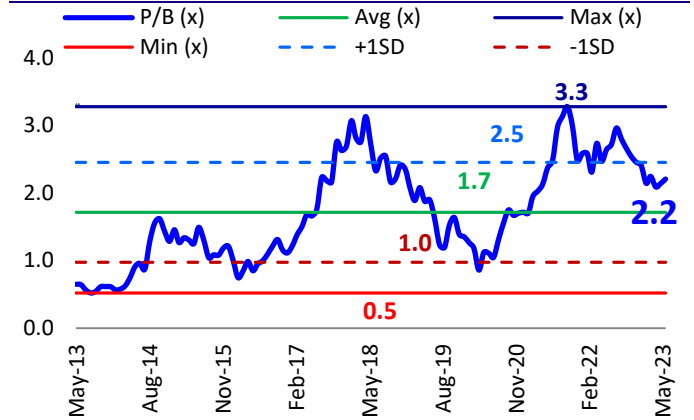


Exhibit 2: One-year forward P/B



4QFY23 - story in charts

Exhibit 3: Sales volumes up 26% QoQ and flat YoY

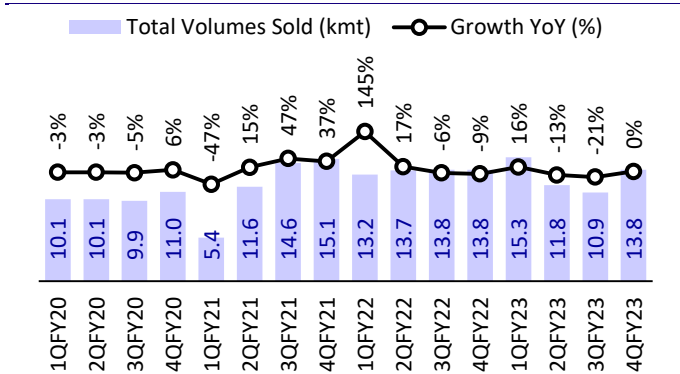


Exhibit 4: EBITDA/kg was at INR35.6 for 4QFY23

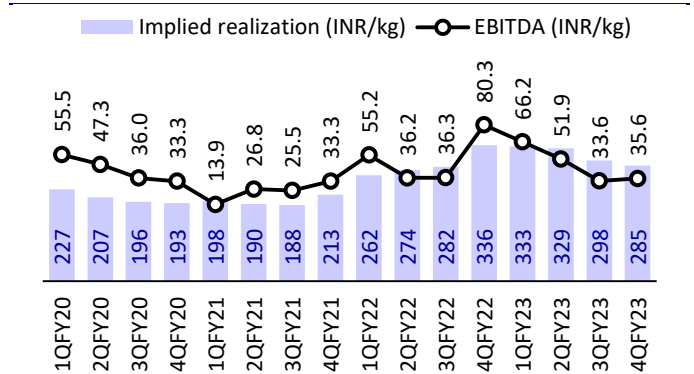


Exhibit 5: Sales up 21% QoQ, with realization at INR285/kg

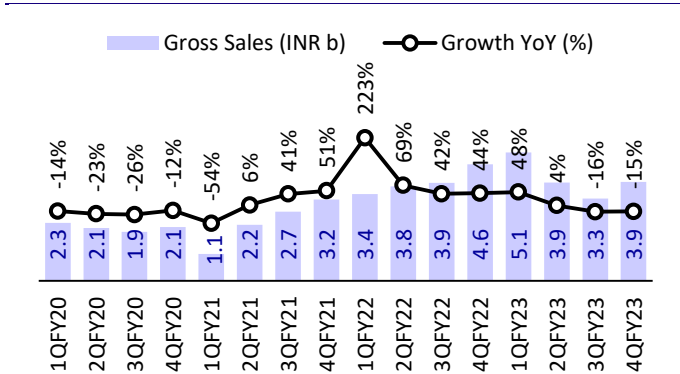


Exhibit 6: Gross margin down 550bbp, EBITDAM up 120bp QoQ

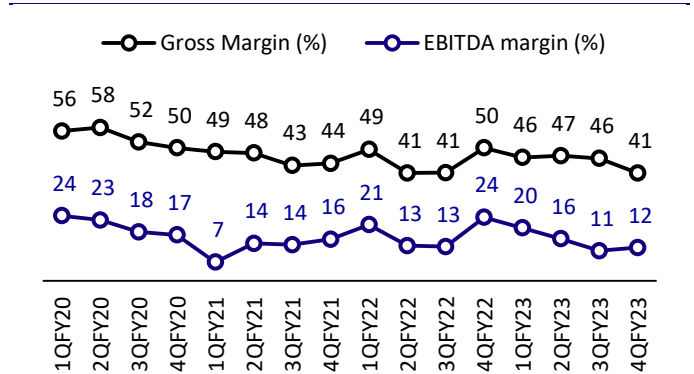
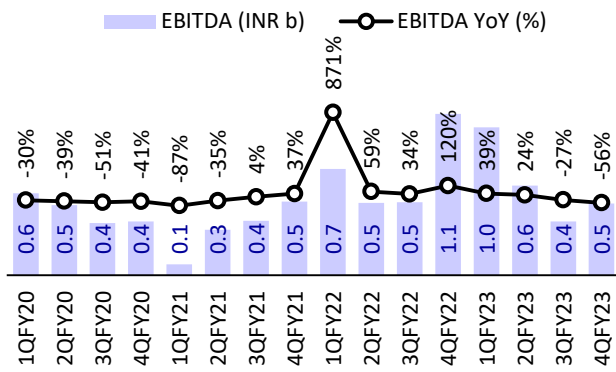
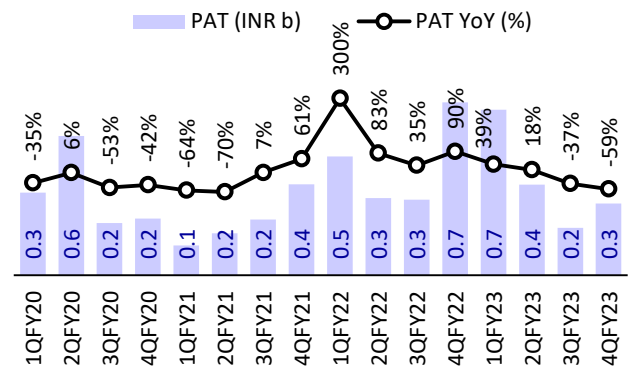


Exhibit 7: EBITDA up 33% QoQ (EBITDA margin at 12.5%)

Source: Company, MOFSL

Exhibit 8: PAT up 51% QoQ (PAT margin at 7.2%)

Source: Company, MOFSL

Highlights from the management commentary

Operational highlights

- Volume increase has largely come from the non-latex market in 4QFY23
- Global recessionary trends and inflationary pressures in FY23 adversely impacted performance
- The company achieved its highest ever quarterly volumes and revenues in 1QFY23
- Subsequently, as the global slowdown started, the following two quarters proved to be challenging for the company
- Increased prices for its products offset the decline in volumes in FY23
- Domestic revenues were INR11b in FY23 v/s INR10b in FY22. Revenue grew ahead of the rubber consumption in the country
- Decreased production in the latex market in SE Asia hit the volumes as export volumes declined 21% in FY23
- Exports revenue stood at INR4.9b v/s INR5.7b in FY22

Outlook

- Inflationary pressures still persist
- Would focus on maintaining EBITDA/kg, growing volumes, and increasing wallet share with the customers
- Domestic tyre companies have strong growth plans
- At least grow by 10% on an annual basis for the next several years
- The non-tyre segment is also looking good
- The market share in the US is at low single digits, but has grown 3x on a base of 100 since FY19. Chinese import duty into the US still exists

Capex updates

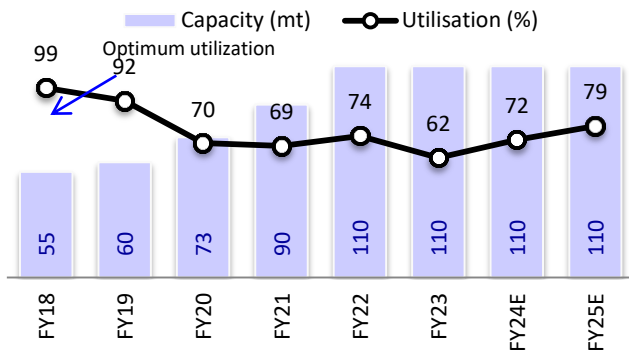
- Capex for FY24 and FY25 would be mainly for debottlenecking capacities (5-10% increase in capacity) and maintenance activities
- Debottlenecking to be completed in FY24

Other Highlights

- Expansion of product portfolio with the customers in the past few months
- Europe contributes 20% of total export sales for the company
- No guidance on timelines for optimum capacity utilization
- Average capacity utilization at 66-68% for 4QFY23 with the same being 62% for FY23
- Cash in hand at INR2b as of Mar'23

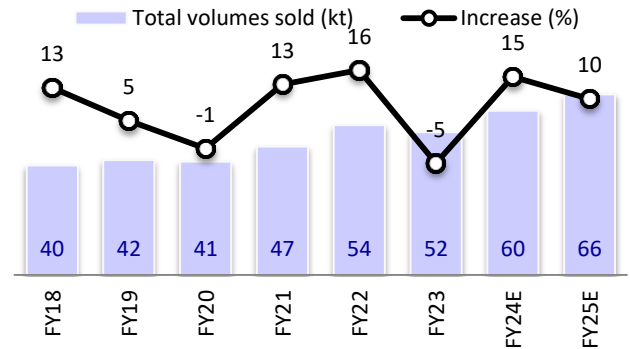
Financial story in charts

Exhibit 9: Capacity and utilization snapshot for NOCIL



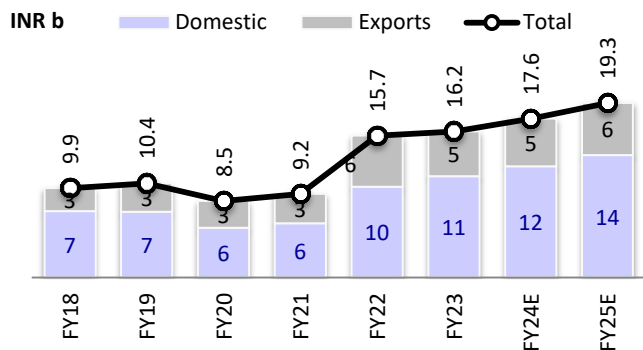
Source: Company, MOFSL

Exhibit 10: Expect 6% YoY volume CAGR over FY23-25



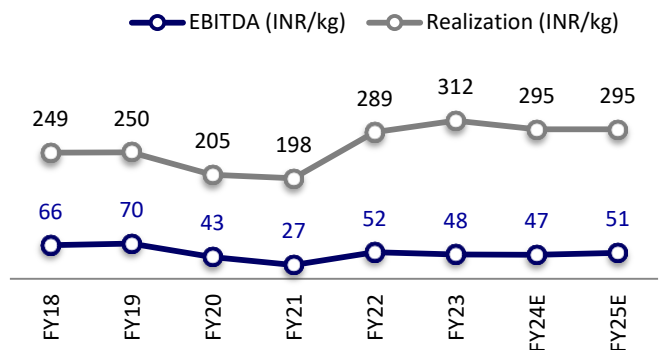
Source: Company, MOFSL

Exhibit 11: Exports to constitute ~30% of total revenue



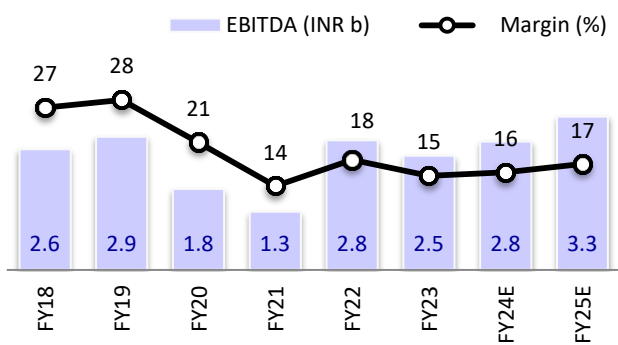
Source: Company, MOFSL

Exhibit 12: Realization and EBITDA per kg snapshot



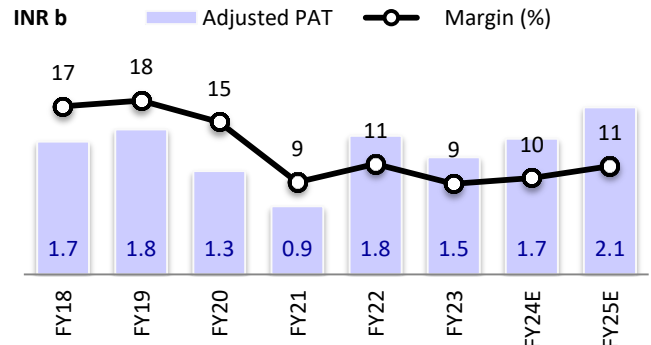
Source: Company, MOFSL

Exhibit 13: Margin profile of NOCIL



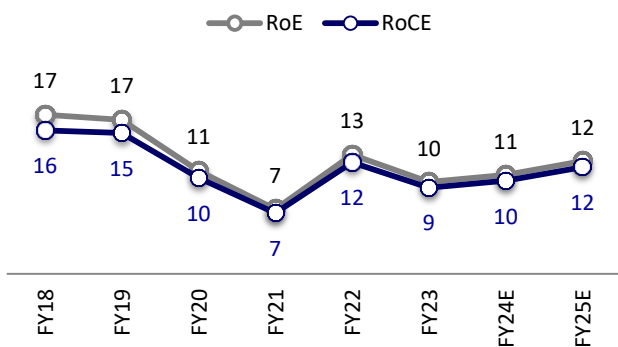
Source: Company, MOFSL

Exhibit 14: Expect PAT to grow by ~1.2x by FY25 (from FY22)



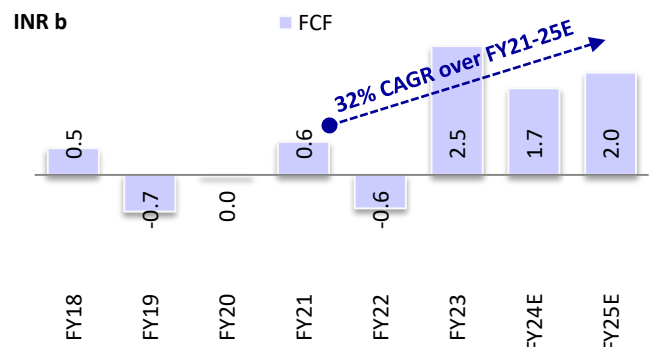
Source: Company, MOFSL

Exhibit 15: Expect return ratios to improve to 12x in FY25



Source: Company, MOFSL

Exhibit 16: ...with strong FCF CAGR of 32% over FY21-25



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	9,893	10,429	8,463	9,247	15,713	16,166	17,568	19,325
Change (%)	20.9	5.4	-18.9	9.3	69.9	2.9	8.7	10.0
Gross Margin (%)	55.5	55.2	54.2	45.4	45.3	45.1	45.1	45.1
EBITDA	2,629	2,903	1,765	1,269	2,829	2,490	2,802	3,344
Margin (%)	26.6	27.8	20.8	13.7	18.0	15.4	15.9	17.3
Depreciation	229	230	324	361	471	544	568	577
EBIT	2,400	2,673	1,440	909	2,358	1,946	2,234	2,767
Int. and Finance Charges	12	6	13	10	11	12	12	12
Other Income	143	100	97	143	48	73	77	79
PBT bef. EO Exp.	2,531	2,767	1,524	1,042	2,396	2,007	2,299	2,835
PBT after EO Exp.	2,531	2,767	1,524	1,042	2,396	2,007	2,299	2,835
Total Tax	845	926	214	177	636	520	579	713
Tax Rate (%)	33.4	33.5	14.1	17.0	26.6	25.9	25.2	25.2
Reported PAT	1,686	1,841	1,310	865	1,760	1,487	1,720	2,121
Adjusted PAT	1,686	1,841	1,310	865	1,760	1,487	1,720	2,121
Change (%)	74.1	9.2	-28.9	-34.0	103.4	-15.5	15.7	23.3
Margin (%)	17.0	17.7	15.5	9.4	11.2	9.2	9.8	11.0

Standalone - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	1,645	1,654	1,656	1,662	1,666	1,666	1,666	1,666
Total Reserves	8,730	9,876	10,104	11,073	12,673	13,736	14,878	16,286
Net Worth	10,374	11,531	11,760	12,735	14,339	15,403	16,544	17,952
Total Loans	50	0	0	0	0	0	0	0
Deferred Tax Liabilities	1,003	1,054	887	956	1,028	1,069	1,069	1,069
Capital Employed	11,427	12,584	12,647	13,691	15,367	16,471	17,613	19,021
Gross Block	6,569	8,050	9,789	11,374	11,783	12,114	12,314	12,514
Less: Accum. Deprn.	1,576	1,787	2,111	2,472	2,943	3,487	4,055	4,632
Net Fixed Assets	4,994	6,263	7,678	8,902	8,840	8,627	8,259	7,882
Capital WIP	392	1,305	1,563	140	82	85	85	85
Total Investments	3,020	1,487	726	826	674	2,314	2,314	2,314
Curr. Assets, Loans, and Adv.	4,750	5,223	4,312	6,122	8,567	7,386	9,064	11,060
Inventory	1,550	1,704	1,361	1,653	3,326	2,847	3,094	3,404
Account Receivables	2,434	2,322	2,032	3,086	4,498	3,460	3,760	4,136
Cash and Bank Balance	276	389	128	797	154	551	1,636	2,889
Cash	240	360	84	441	116	213	1,298	2,551
Bank Balance	36	29	44	356	38	338	338	338
Loans and Advances	491	808	791	587	589	528	573	631
Curr. Liability and Prov.	1,729	1,694	1,633	2,297	2,795	1,940	2,109	2,320
Account Payables	1,139	988	892	1,710	2,174	1,283	1,395	1,534
Other Current Liabilities	397	502	511	378	414	453	492	541
Provisions	193	204	230	210	207	204	222	244
Net Current Assets	3,022	3,529	2,680	3,824	5,772	5,445	6,955	8,740
Appl. of Funds	11,427	12,584	12,647	13,691	15,367	16,471	17,613	19,021

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	10.1	11.1	7.9	5.2	10.6	8.9	10.3	12.7
EPS Growth (%)	74.1	9.2	-28.9	-34.0	103.0	-15.5	15.7	23.3
Cash EPS	11.5	12.5	9.8	7.4	13.4	12.2	13.7	16.2
BV/Share	62.4	69.4	70.8	76.6	86.1	92.4	99.3	107.7
DPS	1.8	2.5	4.5	2.0	3.0	3.0	3.5	4.3
Payout (%)	21.0	27.0	76.0	38.5	28.4	33.6	33.6	33.6
Valuation (x)								
P/E	21.3	19.5	27.4	41.5	20.4	24.2	20.9	16.9
Cash P/E	18.7	17.3	21.9	29.3	16.1	17.7	15.7	13.3
P/BV	3.5	3.1	3.0	2.8	2.5	2.3	2.2	2.0
EV/Sales	3.6	3.4	4.2	3.8	2.3	2.2	2.0	1.7
EV/EBITDA	13.6	12.2	20.2	27.6	12.6	14.2	12.2	9.9
Dividend Yield (%)	0.8	1.2	2.1	0.9	1.4	1.4	1.6	2.0
FCF per share	3.1	-4.3	-0.1	3.9	-3.9	15.0	10.1	11.9
Return Ratios (%)								
RoE	17.4	16.8	11.2	7.1	13.0	10.0	10.8	12.3
RoCE	15.6	15.4	10.5	6.6	12.2	9.4	10.1	11.6
RoIC	21.6	20.7	12.6	6.8	13.1	10.3	12.3	15.2
Working Capital Ratios								
Fixed Asset Turnover (x)	2.0	1.9	1.2	1.1	1.8	1.9	2.1	2.4
Asset Turnover (x)	0.9	0.8	0.7	0.7	1.0	1.0	1.0	1.0
Inventory (Days)	57	60	59	65	77	64	64	64
Debtor (Days)	90	81	88	122	104	78	78	78
Creditor (Days)	42	35	38	67	50	29	29	29
Leverage Ratio (x)								
Current Ratio	2.7	3.1	2.6	2.7	3.1	3.8	4.3	4.8
Interest Coverage Ratio	196.7	424.3	109.1	94.6	220.4	163.6	187.7	232.5
Net Debt/Equity ratio	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.2

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	2,531	2,767	1,524	1,042	2,396	2,007	2,299	2,835
Depreciation	229	230	324	361	471	544	568	577
Direct Taxes Paid	-802	-878	-510	-1	-591	-500	-579	-713
(Inc.)/Dec. in WC	-901	-400	515	-372	-2,549	783	-425	-532
CF from Operations	984	1,638	1,772	904	-318	2,776	1,875	2,178
(Inc.)/Dec. in FA	-470	-2,351	-1,790	-262	-330	-282	-200	-200
Free Cash Flow	514	-713	-18	642	-647	2,494	1,675	1,978
Other investing activity	-908	1,334	746	-325	658	-1,859	0	0
CF from Investments	-1,379	-1,017	-1,044	-586	328	-2,140	-200	-200
Inc./(Dec.) in Debt	-100	-50	0	0	0	0	0	0
Interest Paid	-13	-7	-9	-4	-6	-5	-12	-12
Dividend Paid	-350	-490	-980	-7	-332	-500	-578	-713
Others	2	41	-15	51	-27	-44	0	0
CF from Fin. Activity	-420	-501	-1,004	40	-336	-538	-590	-725
Inc./Dec. in Cash	-814	120	-276	358	-325	98	1,085	1,253
Opening Balance	1,055	240	360	84	441	116	213	1,298
Closing Balance	240	360	84	441	116	213	1,298	2,551

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000.

Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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