

BSE SENSEX 85,170 S&P CNX 26,004

**CMP: INR282 TP: INR305 (+8%) Neutral**



### Stock Info

Bloomberg	NOCIL IN
Equity Shares (m)	167
M.Cap.(INRb)/(USDb)	47.1 / 0.6
52-Week Range (INR)	336 / 210
1, 6, 12 Rel. Per (%)	-7/-4/-10
12M Avg Val (INR M)	339
Free float (%)	66.2

### Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	14.4	16.2	18.7
EBITDA	1.9	2.2	2.9
PAT	1.3	1.6	2.0
EPS (INR)	7.9	9.4	12.3
EPS Gr. (%)	-11.7	19.2	30.9
BV/Sh.(INR)	101	107	115

### Ratios

Net D:E	-0.1	-0.1	-0.0
RoE (%)	8.1	9.0	11.1
RoCE (%)	7.7	8.5	10.5
Payout (%)	38.1	38.1	38.1

### Valuations

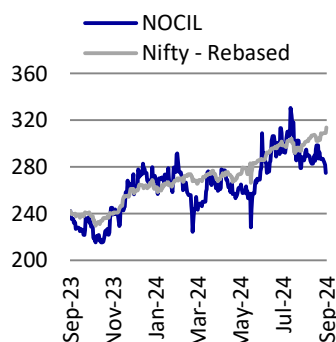
P/E (x)	36.1	30.3	23.2
P/BV (x)	2.8	2.7	2.5
EV/EBITDA (x)	24.4	20.7	16.3
Div. Yield (%)	1.1	1.3	1.6
FCF Yield (%)	3.8	1.6	0.9

### Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	33.8	33.8	33.8
DII	4.5	3.5	4.7
FII	7.8	7.8	5.4
Others	53.9	54.9	56.0

FII includes depository receipts

### Stock performance (one-year)



## Global expansion and capacity additions crucial for growth

- NOCIL is poised to benefit from the rising global demand for rubber chemicals, expanding its market share through strategic sales, diversification, and operational efficiency while navigating strong competition and volatility in raw material prices.
- NOCIL is investing INR2.5b in growth-focused capex for capacity expansion at its Dahej and Navi Mumbai facilities, aiming for long-term market leadership and sustainability by enhancing production and adopting green technologies.
- It currently trades at a premium of ~38% to its long-term average of 17.9x on a one-year forward P/E basis. The stock is also trading at 23.2x FY26E EPS of INR12.3 and 16.3x FY26E EV/EBITDA. Our TP of INR305 is premised on 25x FY26E EPS (~0.7x PEG ratio). Reiterate Neutral.

## Focus on global expansion amidst tough competition

- The demand for rubber chemicals is expected to rise, driven by growth in the tire, automotive, and EV markets, along with infrastructure development. NOCIL is expected to leverage its expertise and expanded capacity to meet the global demand.
- NOCIL plans to strengthen its global footprint in rubber chemicals by expanding sales in Asia, Europe, and the US. It aims for a double-digit global market share, focusing on customer relationships and China +1 and Europe +1 strategies in the medium to long term. The company is diversifying into non-tire applications and emerging sectors such as electric vehicles.
- However, it faces strong competition from Chinese (China Sunshin) and global players, leading to price pressures and margin impact. Volatile raw material prices are also a risk. That being said, the company is enhancing its operational efficiency and product differentiation to address these challenges. Further, it leverages strong supplier relationships to source RMs.

## Capacity expansion crucial to support growth

- NOCIL's capex is growth-focused and the company aims for long-term market leadership by expanding capacity to serve its growing tire and non-tire customer base. Ongoing projects are expected to boost production and sustainability. These investments are expected to drive significant returns through increased capacity and cost efficiencies.
- NOCIL has committed INR2.5b for capacity expansion (expected to come online in 2HFY27), mainly at its Dahej facility, to meet the rising demand for rubber chemicals domestically and internationally. This aligns with its long-term strategy for sustainable growth and market leadership. The capex also includes modernizing processes and adopting green technologies to boost energy efficiency, cut emissions, and lower costs.

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

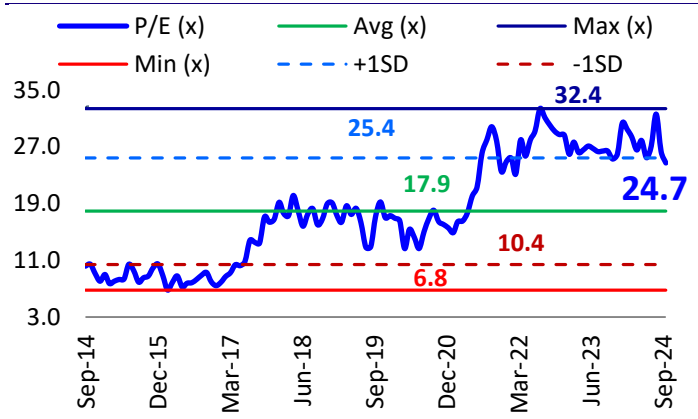
Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The Dahej site, strategically located at key ports and the petrochemical industry, is the focus of its expansion. NOCIL has also invested in its Navi Mumbai plant to enhance precision in rubber chemical manufacturing as part of its drive for operational excellence.

**Valuation and view**

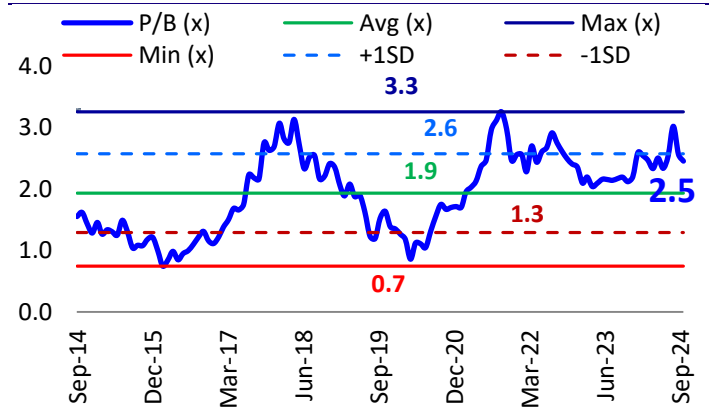
- NOCIL is expanding its capacities (20% of the current capacity of 110ktpa), in anticipation of demand being robust, which is expected to come online in 2HFY27, with the top three global players also expanding their respective capacities.
- The pick-up in China’s domestic consumption is expected to play a key role in easing pricing pressure for NOCIL, though we do not anticipate this happening in the near term. There is currently no timeline for the optimum utilization of its existing facilities, but management anticipates achieving this within the next 1 to 1.5 years.
- NOCIL currently trades at a premium of ~38% to its long-term average of 17.9x on a one-year forward P/E basis. The stock is also trading at 23.2x FY26E EPS of INR12.3 and 16.3x FY26E EV/EBITDA. Our TP of INR305 is premised on 25x FY26E EPS (~0.7x PEG ratio). Reiterate Neutral.

**Exhibit 1: One year forward P/E**



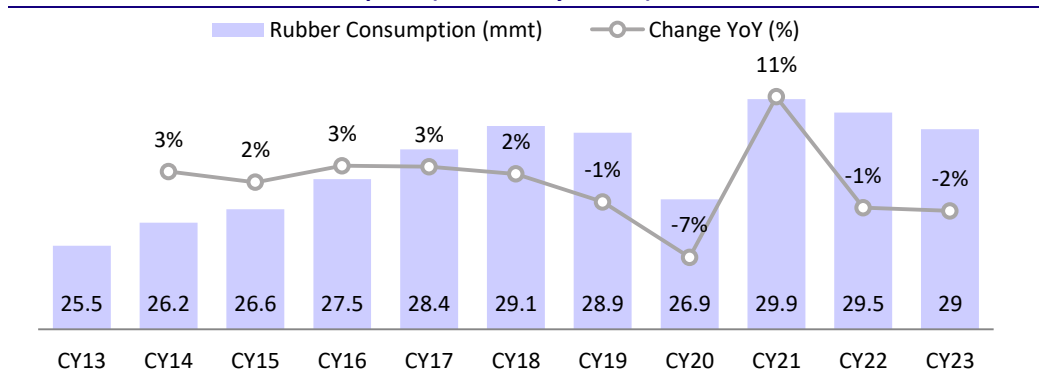
Source: MOFSL

**Exhibit 2: One year forward P/B**

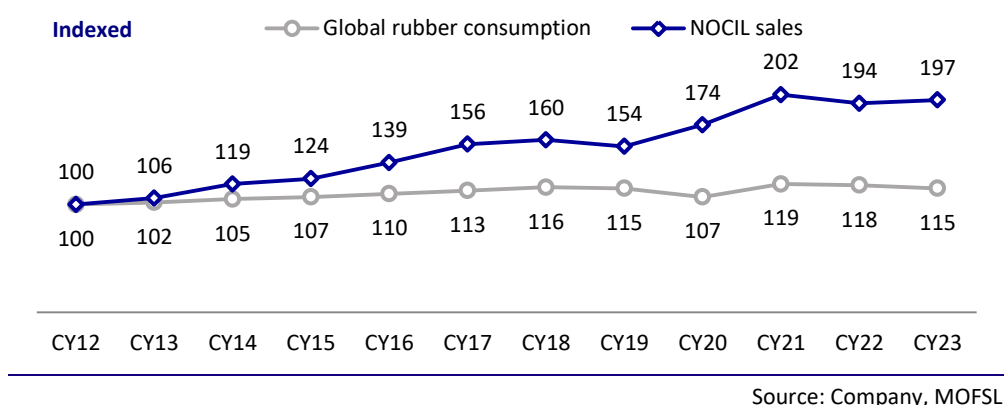
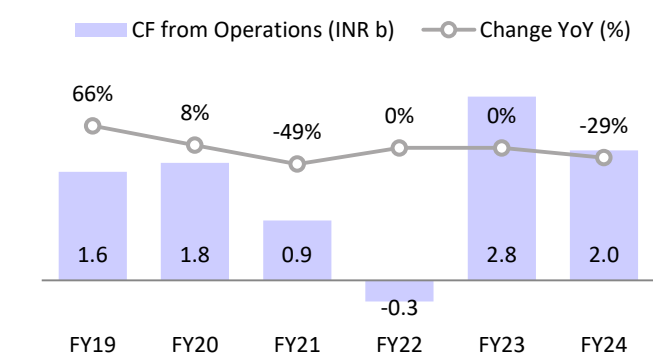
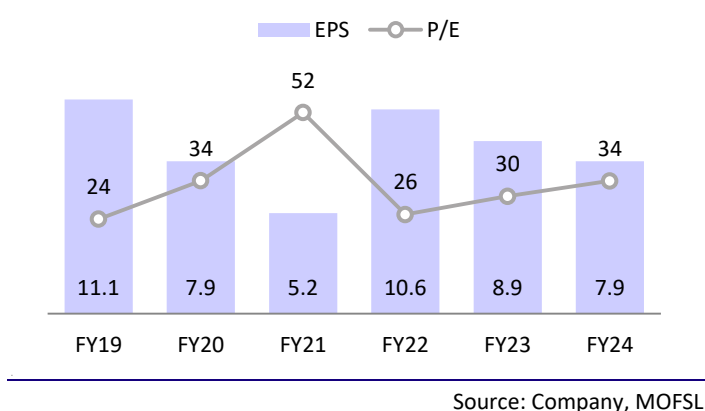


Source: MOFSL

**Exhibit 3: Global rubber consumption (natural + synthetic)**



Source: Company, MOFSL

**Exhibit 4: NOCIL grew over 6 times the global market growth****Exhibit 5: Strong cash flow generation from operations****Exhibit 6: Valuation remains rich though EPS declined in FY24****Exhibit 7: NOCIL made aggressive investments in its R&D**

R&D Expenditure (INR m)	FY19	FY20	FY21	FY22	FY23	FY24
Capital expenditure	4	3	4	2	7	2
Recurring expenditure	47	52	55	56	61	72
<b>Total expenditure</b>	<b>50</b>	<b>55</b>	<b>59</b>	<b>58</b>	<b>68</b>	<b>74</b>
Total R&D expenditure as % of the total turnover	0.48%	0.65%	0.64%	0.37%	0.42%	0.51%

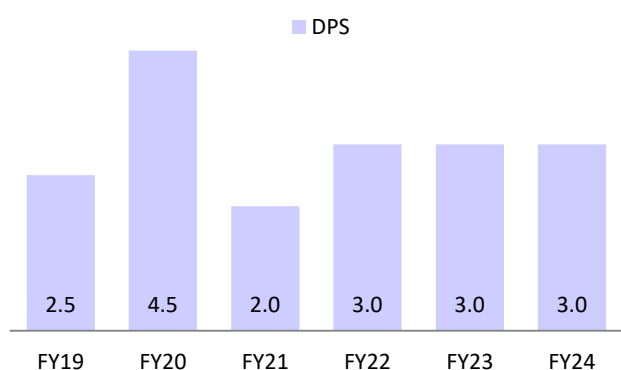
Source: Company, MOFSL

**Exhibit 8: R&D expenses and capex in specific technologies to total R&D and capex**

% R&D and capex investments to total R&D and capex investments	FY23	FY24	Improvements in environmental and social impacts
R&D	88%	97%	Current process improvements and new molecule development
Capex	12%	3%	

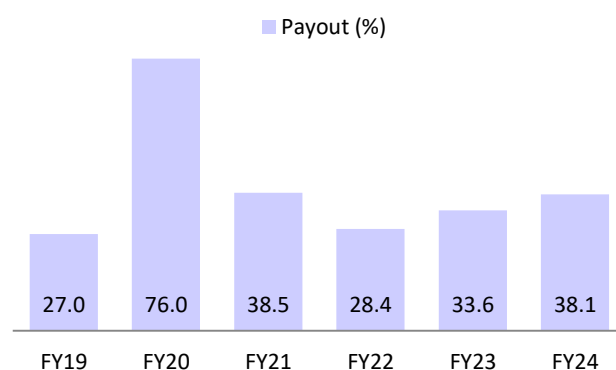
Source: Company, MOFSL

Exhibit 9: Higher dividend/share declared in FY24



Source: Company, MOFSL

Exhibit 10: Higher payout ratio in FY24



Source: Company, MOFSL

Exhibit 11: Cash conversion cycle at 112 days in FY24

Cash conversion cycle (year-end basis)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Days										
Inventory	87	61	51	57	60	59	65	77	64	56
Debtor	78	70	74	90	81	88	122	104	78	86
Creditor	42	29	36	42	35	38	67	50	29	30
<b>Cash conversion cycle</b>	<b>123</b>	<b>103</b>	<b>89</b>	<b>105</b>	<b>106</b>	<b>108</b>	<b>120</b>	<b>131</b>	<b>113</b>	<b>112</b>

Source: Company, MOFSL

Exhibit 12: Peer comparison for our coverage universe

Company	Reco	TP (INR)	EPS (INR)			P/E (x)			P/BV (x)			EV/EBITDA (x)			ROE (%)		
			FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Alkyl Amines	Neutral	1,955	29.1	41.5	55.8	82.5	57.8	43.0	9.7	8.7	7.7	48.4	34.6	26.9	12.2	15.9	19.0
Atul	Buy	9,100	103.4	160.8	214.4	74.1	47.6	35.7	4.4	4.1	3.7	36.0	25.4	20.5	6.2	8.9	10.9
Clean Science	Neutral	1,440	23.0	27.5	36.1	67.4	56.2	42.9	13.7	11.3	9.2	49.5	41.0	32.4	22.1	22.0	23.6
Deepak Nitrite	Neutral	3,060	55.1	65.3	76.4	51.6	43.5	37.2	8.1	7.0	6.0	34.0	28.8	23.9	16.9	17.2	17.3
Fine Organic	Sell	4,095	120.0	119.2	116.9	44.1	44.4	45.2	8.7	7.4	6.4	32.2	31.8	31.5	21.8	18.0	15.2
Galaxy Surfact.	Buy	3,450	85.0	97.7	115.0	37.3	32.5	27.6	5.2	4.6	4.1	24.0	20.1	17.3	14.8	15.0	15.8
Navin Fluorine	Neutral	3,450	46.1	60.3	86.2	71.6	54.8	38.3	6.9	6.3	5.6	43.7	33.0	25.1	10.0	12.0	15.5
NOCIL	Neutral	305	7.9	9.4	12.6	34.4	28.8	21.5	2.7	2.5	2.4	23.6	19.9	15.1	8.1	9.0	11.4
P I Industries	Buy	5,200	110.6	113.8	137.5	42.7	41.5	34.4	8.2	7.0	5.9	33.3	28.3	23.3	21.1	18.2	18.6
SRF	Neutral	2,130	47.5	52.6	74.0	51.0	46.0	32.7	6.3	5.7	5.0	28.4	24.4	19.0	13.0	13.0	16.4
Tata Chemicals	Neutral	980	36.1	29.6	49.4	28.4	34.6	20.8	1.2	1.2	1.1	10.7	11.5	9.0	4.4	3.4	5.5
Vinati Organics	Buy	2,425	31.2	42.7	53.9	62.7	45.8	36.3	8.2	7.2	6.3	42.7	31.8	25.6	13.8	16.8	18.5

Source: Company, MOFSL

Story in charts

Exhibit 13: Capacity and utilization snapshot for NOCIL

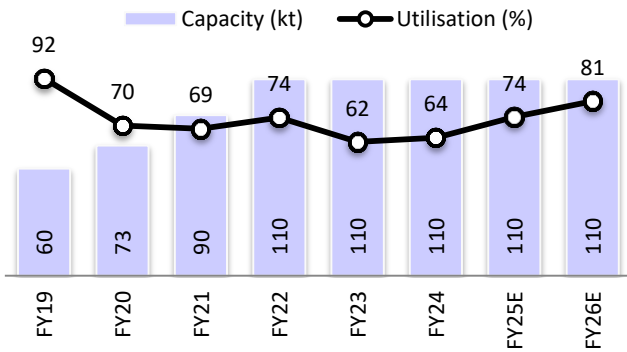


Exhibit 14: Expect 12% volume CAGR over FY24-FY26

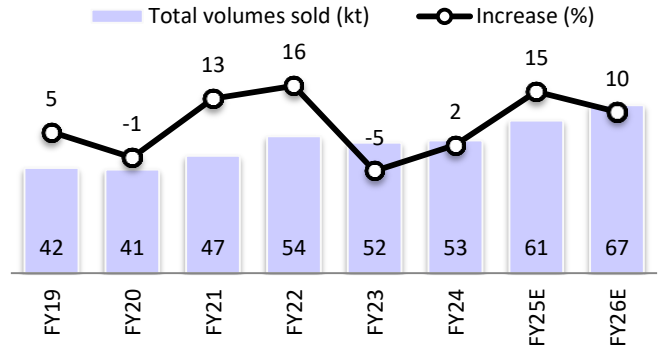


Exhibit 15: Exports to constitute ~30% of the total revenue

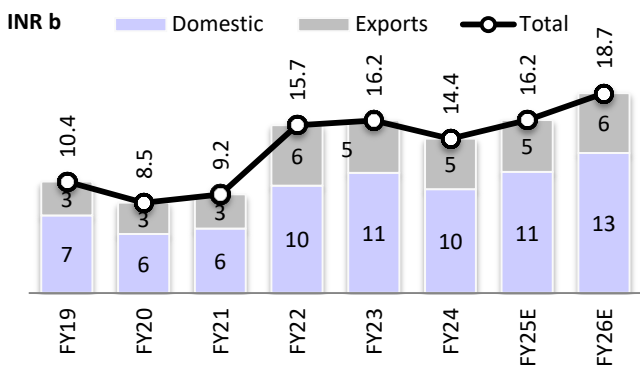


Exhibit 16: Realization and EBITDA per kg snapshot

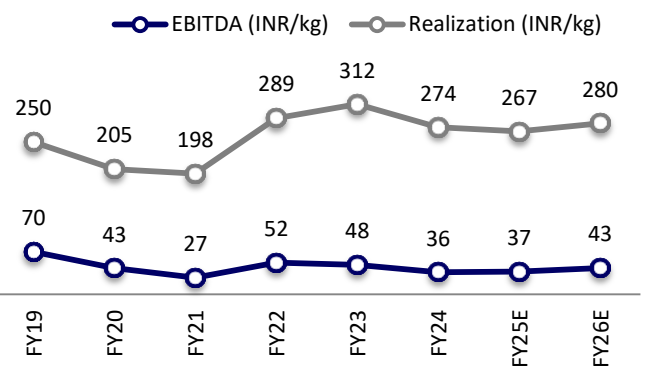


Exhibit 17: EBITDA and margin profile of NOCIL

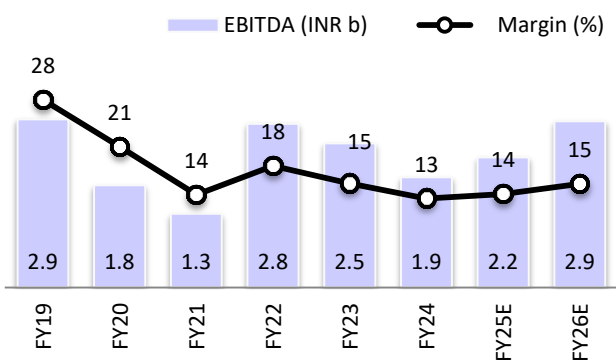


Exhibit 18: Expect PAT to grow ~1.6x by FY26 (v/s FY24)

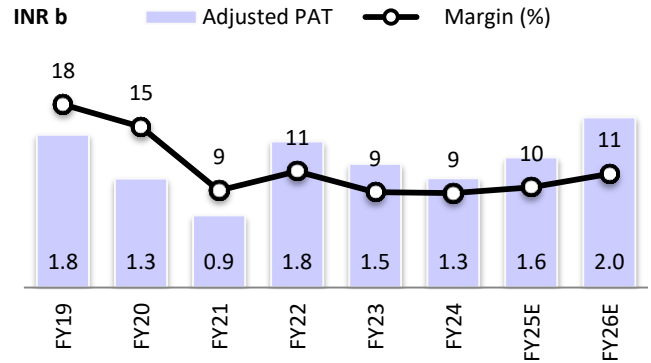


Exhibit 19: Expect return ratios to improve to 11x in FY26

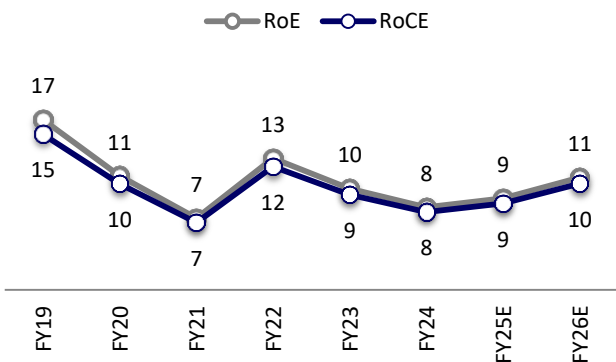
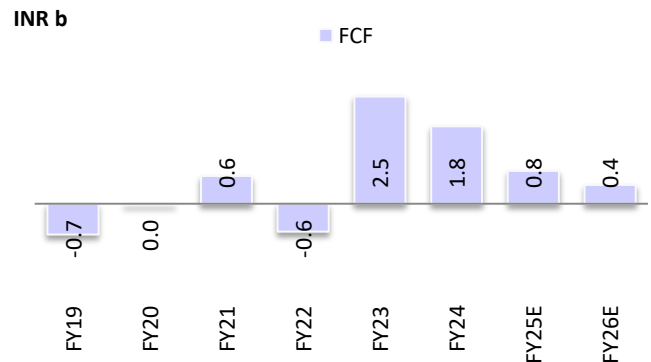


Exhibit 20: FCF to further decline going forward



Source: Company, MOFSL

Source: Company, MOFSL

## Financials and valuations

### Standalone - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Total Income from Operations</b>	<b>10,429</b>	<b>8,463</b>	<b>9,247</b>	<b>15,713</b>	<b>16,166</b>	<b>14,447</b>	<b>16,198</b>	<b>18,709</b>
Change (%)	5.4	-18.9	9.3	69.9	2.9	-10.6	12.1	15.5
Gross Margin (%)	55.2	54.2	45.4	45.3	45.1	43.6	45.7	45.7
<b>EBITDA</b>	<b>2,903</b>	<b>1,765</b>	<b>1,269</b>	<b>2,829</b>	<b>2,490</b>	<b>1,904</b>	<b>2,245</b>	<b>2,869</b>
Margin (%)	27.8	20.8	13.7	18.0	15.4	13.2	13.9	15.3
Depreciation	230	324	361	471	544	515	541	588
<b>EBIT</b>	<b>2,673</b>	<b>1,440</b>	<b>909</b>	<b>2,358</b>	<b>1,946</b>	<b>1,389</b>	<b>1,704</b>	<b>2,281</b>
Int. and Finance Charges	6	13	10	11	12	16	18	20
Other Income	100	97	143	48	73	399	406	477
<b>PBT bef. EO Exp.</b>	<b>2,767</b>	<b>1,524</b>	<b>1,042</b>	<b>2,396</b>	<b>2,007</b>	<b>1,771</b>	<b>2,092</b>	<b>2,738</b>
<b>PBT after EO Exp.</b>	<b>2,767</b>	<b>1,524</b>	<b>1,042</b>	<b>2,396</b>	<b>2,007</b>	<b>1,771</b>	<b>2,092</b>	<b>2,738</b>
Total Tax	926	214	177	636	520	458	527	689
Tax Rate (%)	33.5	14.1	17.0	26.6	25.9	25.8	25.2	25.2
<b>Reported PAT</b>	<b>1,841</b>	<b>1,310</b>	<b>865</b>	<b>1,760</b>	<b>1,487</b>	<b>1,314</b>	<b>1,565</b>	<b>2,049</b>
<b>Adjusted PAT</b>	<b>1,841</b>	<b>1,310</b>	<b>865</b>	<b>1,760</b>	<b>1,487</b>	<b>1,314</b>	<b>1,565</b>	<b>2,049</b>
Change (%)	9.2	-28.9	-34.0	103.4	-15.5	-11.7	19.2	30.9
Margin (%)	17.7	15.5	9.4	11.2	9.2	9.1	9.7	11.0

### Standalone - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	1,654	1,656	1,662	1,666	1,666	1,667	1,667	1,667
Total Reserves	9,876	10,104	11,073	12,673	13,736	15,183	16,153	17,422
<b>Net Worth</b>	<b>11,531</b>	<b>11,760</b>	<b>12,735</b>	<b>14,339</b>	<b>15,403</b>	<b>16,850</b>	<b>17,819</b>	<b>19,088</b>
Total Loans	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	1,054	887	956	1,028	1,069	1,209	1,209	1,209
<b>Capital Employed</b>	<b>12,584</b>	<b>12,647</b>	<b>13,691</b>	<b>15,367</b>	<b>16,471</b>	<b>18,059</b>	<b>19,028</b>	<b>20,297</b>
Gross Block	8,050	9,789	11,374	11,783	12,114	12,459	13,284	14,734
Less: Accum. Deprn.	1,787	2,111	2,472	2,943	3,487	4,002	4,542	5,130
<b>Net Fixed Assets</b>	<b>6,263</b>	<b>7,678</b>	<b>8,902</b>	<b>8,840</b>	<b>8,627</b>	<b>8,457</b>	<b>8,742</b>	<b>9,603</b>
Capital WIP	1,305	1,563	140	82	85	161	161	161
<b>Total Investments</b>	<b>1,487</b>	<b>726</b>	<b>826</b>	<b>674</b>	<b>2,314</b>	<b>4,075</b>	<b>4,075</b>	<b>4,075</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>5,223</b>	<b>4,312</b>	<b>6,122</b>	<b>8,567</b>	<b>7,386</b>	<b>7,271</b>	<b>8,188</b>	<b>8,926</b>
Inventory	1,704	1,361	1,653	3,326	2,847	2,227	2,497	2,884
Account Receivables	2,322	2,032	3,086	4,498	3,460	3,402	3,814	4,405
Cash and Bank Balance	389	128	797	154	551	940	1,089	728
Cash	360	84	441	116	213	903	1,052	690
Bank Balance	29	44	356	38	338	37	37	37
Loans and Advances	808	791	587	589	528	702	787	909
<b>Curr. Liability and Prov.</b>	<b>1,694</b>	<b>1,633</b>	<b>2,297</b>	<b>2,795</b>	<b>1,940</b>	<b>1,906</b>	<b>2,137</b>	<b>2,468</b>
Account Payables	988	892	1,710	2,174	1,283	1,184	1,327	1,533
Other Current Liabilities	502	511	378	414	453	535	600	693
Provisions	204	230	210	207	204	188	210	243
<b>Net Current Assets</b>	<b>3,529</b>	<b>2,680</b>	<b>3,824</b>	<b>5,772</b>	<b>5,445</b>	<b>5,365</b>	<b>6,050</b>	<b>6,458</b>
<b>Appl. of Funds</b>	<b>12,584</b>	<b>12,647</b>	<b>13,691</b>	<b>15,367</b>	<b>16,471</b>	<b>18,058</b>	<b>19,028</b>	<b>20,297</b>

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>								
EPS	11.1	7.9	5.2	10.6	8.9	7.9	9.4	12.3
EPS Growth (%)	9.2	-28.9	-34.0	103.0	-15.5	-11.7	19.2	30.9
Cash EPS	12.5	9.8	7.4	13.4	12.2	11.0	12.6	15.8
BV/Share	69.4	70.8	76.6	86.1	92.4	101.1	106.9	114.5
DPS	2.5	4.5	2.0	3.0	3.0	3.0	3.6	4.7
Payout (%)	27.0	76.0	38.5	28.4	33.6	38.1	38.1	38.1
<b>Valuation (x)</b>								
P/E	25.7	36.2	54.8	27.0	31.9	36.1	30.3	23.2
Cash P/E	22.9	29.0	38.6	21.3	23.4	26.0	22.5	18.0
P/BV	4.1	4.0	3.7	3.3	3.1	2.8	2.7	2.5
EV/Sales	4.5	5.6	5.0	3.0	2.9	3.2	2.9	2.5
EV/EBITDA	16.2	26.8	36.7	16.7	18.8	24.4	20.7	16.3
Dividend Yield (%)	0.9	1.6	0.7	1.1	1.1	1.1	1.3	1.6
FCF per share	-4.3	-0.1	3.9	-3.9	15.0	10.8	4.6	2.6
<b>Return Ratios (%)</b>								
RoE	16.8	11.2	7.1	13.0	10.0	8.1	9.0	11.1
RoCE	15.4	10.5	6.6	12.2	9.4	7.7	8.5	10.5
RoIC	20.7	12.6	6.8	13.1	10.3	7.8	9.6	11.8
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.9	1.2	1.1	1.8	1.9	1.7	1.9	2.0
Asset Turnover (x)	0.8	0.7	0.7	1.0	1.0	0.8	0.9	0.9
Inventory (Days)	60	59	65	77	64	56	56	56
Debtor (Days)	81	88	122	104	78	86	86	86
Creditor (Days)	35	38	67	50	29	30	30	30
<b>Leverage Ratio (x)</b>								
Current Ratio	3.1	2.6	2.7	3.1	3.8	3.8	3.8	3.6
Interest Coverage Ratio	424.3	109.1	94.6	220.4	163.6	85.7	95.6	116.4
Net Debt/Equity ratio	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.1	0.0

### Standalone - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	2,767	1,524	1,042	2,396	2,007	1,771	2,092	2,738
Depreciation	230	324	361	471	544	515	541	588
Direct Taxes Paid	-878	-510	-1	-591	-500	-393	-527	-689
(Inc.)/Dec. in WC	-400	515	-372	-2,549	783	470	-536	-769
<b>CF from Operations</b>	<b>1,638</b>	<b>1,772</b>	<b>904</b>	<b>-318</b>	<b>2,776</b>	<b>1,960</b>	<b>1,587</b>	<b>1,888</b>
(Inc.)/Dec. in FA	-2,351	-1,790	-262	-330	-284	-165	-825	-1,450
<b>Free Cash Flow</b>	<b>-713</b>	<b>-18</b>	<b>642</b>	<b>-647</b>	<b>2,492</b>	<b>1,795</b>	<b>762</b>	<b>438</b>
Other Investing Activity	1,334	746	-325	658	-1,856	-551	0	0
<b>CF from Investments</b>	<b>-1,017</b>	<b>-1,044</b>	<b>-586</b>	<b>328</b>	<b>-2,140</b>	<b>-717</b>	<b>-825</b>	<b>-1,450</b>
Inc./Dec. in Debt	-50	0	0	0	0	0	0	0
Interest Paid	-7	-9	-4	-6	-5	-7	-18	-20
Dividend Paid	-490	-980	-7	-332	-500	-501	-596	-780
Others	41	-15	51	-27	-44	-46	0	0
<b>CF from Fin. Activity</b>	<b>-501</b>	<b>-1,004</b>	<b>40</b>	<b>-336</b>	<b>-538</b>	<b>-553</b>	<b>-614</b>	<b>-800</b>
<b>Inc./Dec. in Cash</b>	<b>120</b>	<b>-276</b>	<b>358</b>	<b>-325</b>	<b>98</b>	<b>690</b>	<b>149</b>	<b>-361</b>
Opening Balance	240	360	84	441	116	213	903	1,052
<b>Closing Balance</b>	<b>360</b>	<b>84</b>	<b>441</b>	<b>116</b>	<b>213</b>	<b>903</b>	<b>1,052</b>	<b>690</b>

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NOTES



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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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