

BSE SENSEX
76,724

S&P CNX
23,213

CMP: INR229

TP: INR235 (+3%)

Neutral



Stock Info

Bloomberg	NOCIL IN
Equity Shares (m)	167
M.Cap.(INRb)/(USDb)	38.2 / 0.4
52-Week Range (INR)	336 / 218
1, 6, 12 Rel. Per (%)	-10/-16/-23
12M Avg Val (INR M)	282
Free float (%)	66.2

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	15.1	17.8	21.4
EBITDA	1.6	2.1	3.1
PAT	1.3	1.4	2.1
EPS (INR)	7.8	8.7	12.9
EPS Gr. (%)	-1.1	11.1	48.7
BV/Sh.(INR)	106	111	119

Ratios

Net D:E	-0.1	-0.0	-0.0
RoE (%)	7.5	8.0	11.2
RoCE (%)	7.1	7.6	10.6
Payout (%)	38.1	38.1	38.1

Valuations

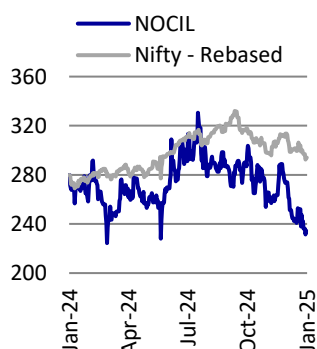
P/E (x)	29.2	26.3	17.7
P/BV (x)	2.2	2.0	1.9
EV/EBITDA (x)	22.6	18.0	12.2
Div. Yield (%)	1.3	1.4	2.2
FCF Yield (%)	2.2	(0.6)	2.2

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	33.8	33.8	33.8
DII	5.9	6.2	2.9
FII	7.8	7.9	7.0
Others	52.5	52.2	56.3

FII includes depository receipts

Stock performance (one-year)



Building long-term resilience

- NOCIL faces challenges of flat demand trends and import pressures in the short to medium term. However, the company expects improvement in 1HCY25. It has also filed a plea for anti-dumping duty (ADD) on Sulphenamides Accelerators, which form ~45% of its portfolio.
- NOCIL aims to build long-term resilience through export growth, innovation, portfolio expansion, and diversification in the non-rubber segment, with initiatives expected to yield results in three years.
- NOCIL currently trades at a premium of ~51% to its long-term average of 19.1x on a one-year forward P/E basis. The stock is also trading at 26x FY26E EPS of INR8.7 and 18x FY26E EV/EBITDA. Our TP of INR235 is premised on 20x Dec'26E EPS. Reiterate Neutral.

Pressure likely to persist in the short to medium term

- NOCIL is experiencing challenging times currently, with no green shoots visible in the near future. Demand trends have also been flat. However, the company expects the business to improve 1HCY25 onward, when volumes are expected to see a stable trend and prices are expected to grow. Chinese consumption has not recovered as expected, because of which the Chinese government has been announcing stimulus packages at regular intervals.
- Hence, China Sun sine (global leader in rubber chemicals) has been able to keep pace in terms of volumes during these times. In our various interaction with the management, NOCIL has highlighted that competition from Chinese companies has always been there and NOCIL follows China Sun sine for prices, but in terms of per-kg margin, NOCIL is better off on 1/3rd capacity of China Sun sine.
- NOCIL has also been facing pressure from imports, which have been hurting its margin. DGTR has earlier rejected its plea for ADD on one product (PX-13). NOCIL has again filed an ADD application with DGTR for a couple of Sulphenamides Accelerators imported from China, European Union and the US. Accelerators account for ~45% of NOCIL's product portfolio.

Building long-term resilience

- NOCIL has been having fruitful discussions with customers as reflected in CY24 when exports grew in double digits. The management has greater visibility that the business should pick up. Some quarterly aberrations could be expected in the short term, but that would be majorly because of the nature of contracts with customers.
- NOCIL is also studying new applications of existing products and expanding its portfolio through new products, which should boost margins. Specialty makes up 17% of the total portfolio, down from 25% earlier due to a slump in the latex market. NOCIL is also considering technological tie-ups for inorganic growth as well.

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

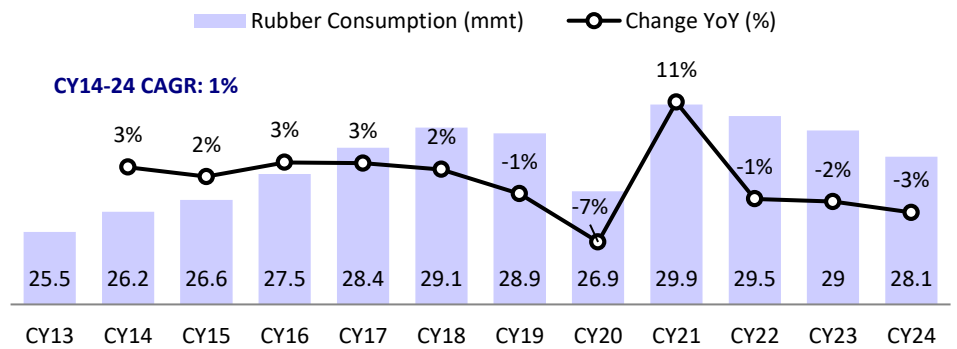
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- All in all, NOCIL aims to build long-term resilience in its core business operations through continuous innovations to safeguard itself from pricing pressure from Chinese supplies. In the non-rubber business, it is looking at adjacent chemistries. These initiatives should bear fruit in the next three years.

Valuation and view

- NOCIL is expanding its capacities (20% of the current capacity of 110ktpa) in anticipation of a demand uptrend in the near term. The new capacity is expected to come online by Sep'26. The top three global players are also expanding their capacities. The pickup in China's domestic consumption is expected to play a key role in easing pricing pressure for NOCIL, though we do not anticipate this to happen in the near term. There is currently no timeline for the optimum utilization of its existing facilities.
- NOCIL currently trades at a premium of ~51% to its long-term average of 19.1x on a one-year forward P/E basis. The stock is also trading at ~26x FY26E EPS of INR8.7 and ~18x FY26E EV/EBITDA. Our TP of INR235 is premised on 20x Dec'26E EPS. Reiterate Neutral.

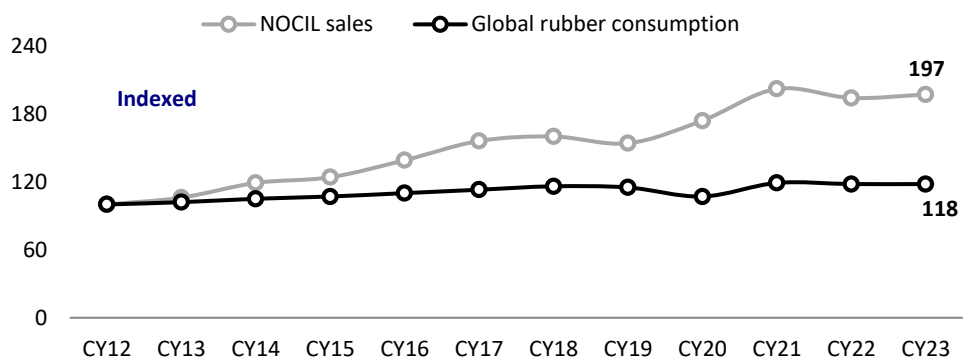
Exhibit 1: Global rubber consumption (natural + synthetic)



*CY24 is as of 2QFY25 earnings

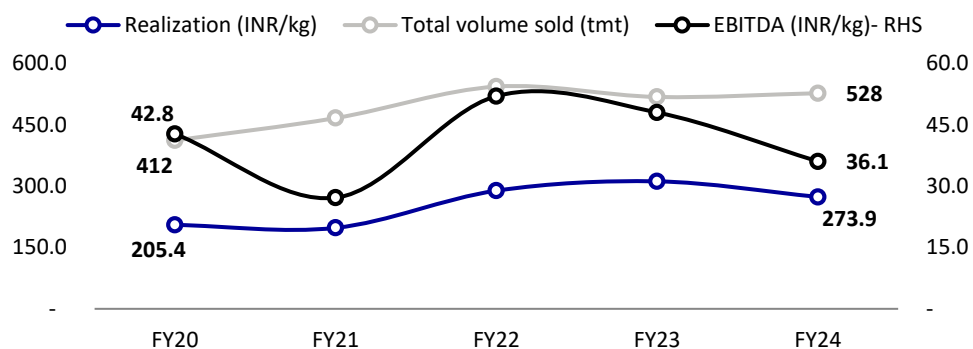
Source: Company, MOFSL

Exhibit 2: NOCIL grew over 6 times the global market growth



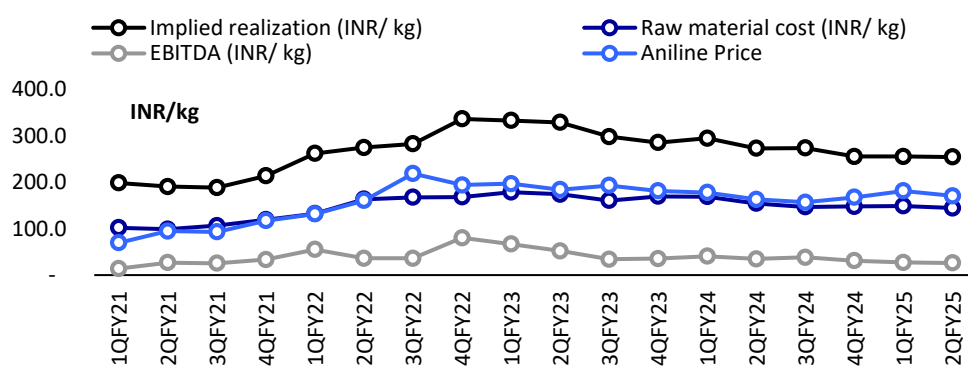
Source: Company, MOFSL

Exhibit 3: Volume and realization saw a CAGR of 6% and 7%, respectively, during FY20-24, but EBITDA/kg declined 4% during the same period for NOCIL



Source: Company, MOFSL

Exhibit 4: Quarterly movement in Aniline prices and operating performance since 1QFY21



Source: Company, MOFSL

Exhibit 5: Summary of our 3QFY25 earnings estimates for NOCIL

Standalone - Quarterly Earning Model										(INR m)
Y/E March	FY24				FY25				FY24	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Gross Sales	3,967	3,509	3,406	3,565	3,722	3,627	3,529	4,219	14,447	15,097
YoY Change (%)	-22.1	-9.9	4.6	-9.2	-6.2	3.4	3.6	18.4	-10.6	4.5
Gross Margin (%)	42.7%	43.4%	46.3%	42.1%	41.7%	43.3%	44.4%	40.2%	43.6%	42.3%
EBITDA	547	445	477	434	398	371	351	505	1,903	1,625
Margin (%)	13.8	12.7	14.0	12.2	10.7	10.2	9.9	12.0	13.2	10.8
Depreciation	126	127	132	130	128	130	136	145	515	541
Interest	4	3	5	4	5	5	5	3	16	18
Other Income	44	45	61	249	100	88	110	143	399	440
PBT before EO expense	461	360	402	549	364	324	320	499	1,771	1,507
PBT	461	360	402	549	364	324	320	499	1,771	1,507
Tax	125	91	104	138	92	-91	81	125	458	207
Rate (%)	27.2	25.3	25.9	25.1	25.3	-28.0	25.2	25.2	25.8	13.8
Reported PAT	336	269	298	411	272	415	239	373	1,314	1,300
Adj PAT	336	269	298	411	272	415	239	373	1,314	1,300
YoY Change (%)	-48.8	-25.2	58.7	44.9	-18.9	54.3	-19.6	-9.2	-11.7	-1.1
Margin (%)	8.5	7.7	8.7	11.5	7.3	11.4	6.8	8.8	9.1	8.6
Operational parameters										
Total Volume Sold (tmt)	13.5	12.9	12.5	14.0	14.6	14.3	13.9	15.2	52.8	39.3
Implied Realization (INR/kg)	294.6	272.9	273.5	255.1	255.3	254.1	253.4	276.8	273.9	384.3
EBITDA (INR/kg)	40.6	34.6	38.3	31.1	27.3	26.0	25.2	33.1	36.1	41.4

Source: Company, MOFSL

Commentaries from Indian tyre players in Oct-Nov'24

CEAT

- **Outlook:** A double-digit volume growth is expected in replacement/export segments, with a bounce-back in the OEM segment anticipated in 2H.
- RM costs are expected to rise further (1.5-2%) in 3Q, with some softening expected in 4Q.
- CEAT has taken a price hike of 1.5%/3.5% in the first week of Oct'24. It is looking to take further price hikes in 3QFY25 to pass on the higher cost impact.

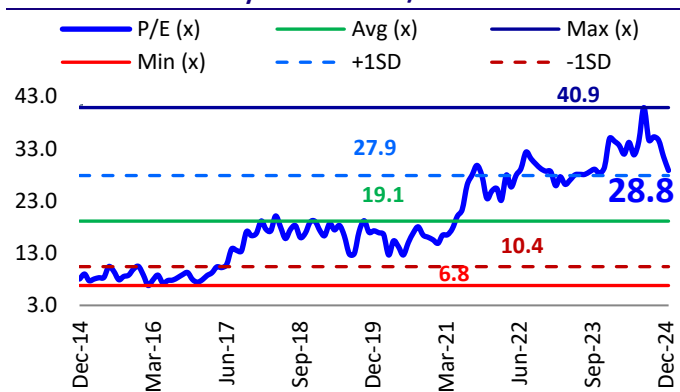
Balkrishna Inds (BIL)

- **Demand outlook:** Expects minor volume growth in FY25. **Persistent headwinds, including recessionary fears in the US, elevated sea freight, and geopolitical challenges, continue to impact operational performance. Demand remains weak in international markets, but it is healthy in India.**
- EBITDA margin for 2H is expected to be ~25%, close to the 2QFY25 level. RM costs had a 3-4% impact in 2QFY25. While it has not taken any price hike in 2Q, BIL took a 1-2% price increase in Q3. This is expected to help offset the RM cost pressure in 3Q.
- **Freight costs:** Freight costs in 3Q are likely to slightly decline QoQ.
- **Increased capex guidance:** The Company has increased its capex guidance to INR8-10b for FY25 from INR6-7b earlier. In 1HFY25, BIL spent INR5.4b.

Apollo tyres (APTY)

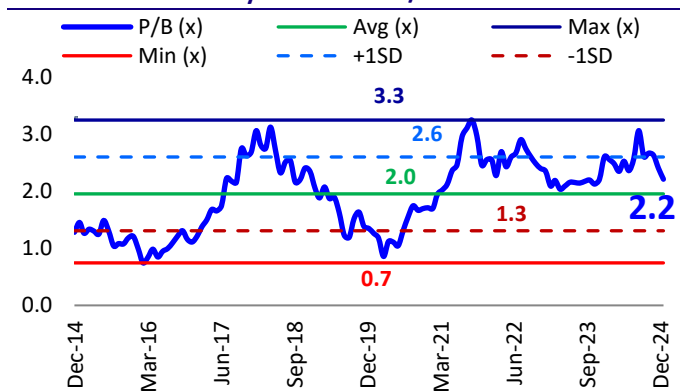
- **Outlook:** Volume growth for the quarter was flat. However, it expects better demand in 2HFY25, led by strong replacement demand. Management did acknowledge that its revenue growth has been lower than that of peers. **While APTY had continued to outperform in the replacement segment, its underperformance in 2Q was due to weak demand in OEMs and exports.**
- Although it is too early to conclude, the initial trends suggest a good season for winter tyres in Europe, as per management. APTY has continued with its premiumization trend as the UHP mix in total PCT volumes stood at 46% vs. 39% in 2QFY24.
- RM costs may inch up 1% QoQ in 3Q and then decline in 4Q. RM costs in 2Q went up by 8% QoQ. APTY has increased prices by ~2% in TBR (half of the effect was in 2Q) and 3% in PCR (hike taken in the middle of 2Q). There is under-recovery of ~6% due to the rise in input costs relative to last year.

Exhibit 6: NOCIL one year forward P/E



Source: MOFSL

Exhibit 7: NOCIL one year forward P/B



Source: MOFSL

Exhibit 8: Peer comparison for our coverage universe

Company	Reco	TP (INR)	EPS (INR)			P/E (x)			P/BV (x)			EV/EBITDA (x)			ROE (%)		
			FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Alkyl Amines	Neutral	1,760	32.0	46.9	62.5	55.3	37.7	28.3	6.6	5.9	5.2	35.2	25.3	19.3	12.4	16.5	19.5
Atul	Buy	8,395	153.2	202.1	252.4	44.4	33.6	26.9	3.6	3.4	3.0	23.9	19.8	16.5	8.5	10.4	11.8
Clean Science	Neutral	1,515	23.7	36.0	45.6	59.3	39.1	30.9	10.5	8.5	6.9	41.7	30.1	23.6	19.2	24.1	24.7
Deepak Nitrite	Neutral	2,555	61.5	78.0	87.5	39.4	31.0	27.7	6.0	5.1	4.4	26.4	20.6	18.3	16.2	17.7	17.1
Fine Organic	Sell	3,630	145.3	121.8	120.8	30.6	36.6	36.9	6.0	5.2	4.6	22.9	27.5	27.0	21.6	15.3	13.3
Galaxy Surfact.	Buy	3,350	95.6	118.3	139.3	25.9	21.0	17.8	3.6	3.2	2.8	16.5	13.4	11.3	14.7	16.2	16.9
Navin Fluorine	Neutral	3,435	57.7	82.3	103.4	62.9	44.1	35.1	6.9	6.2	5.5	39.1	29.4	24.1	11.5	14.9	16.7
NOCIL	Neutral	235	7.8	8.7	12.9	29.2	26.3	17.7	2.2	2.0	1.9	22.6	18.0	12.2	7.5	8.0	11.2
P I Industries	Buy	4,650	114.4	126.5	144.8	31.6	28.6	25.0	5.3	4.6	3.9	22.6	19.2	16.4	18.3	17.2	16.9
SRF	Neutral	2,340	39.6	66.5	87.9	65.8	39.2	29.6	6.4	5.7	4.9	32.0	23.0	18.5	10.0	15.3	17.8
Tata Chemicals	Neutral	1,100	28.0	49.6	62.2	35.0	19.7	15.7	1.1	1.1	1.0	12.6	8.9	7.5	3.2	5.5	6.6
Vinati Organics	Buy	2,655	42.3	51.9	61.3	40.0	32.6	27.6	6.3	5.4	4.7	30.3	24.3	20.7	16.7	17.9	18.3

Source: Company, MOFSL

Story in charts

Exhibit 9: Capacity and utilization snapshot for NOCIL

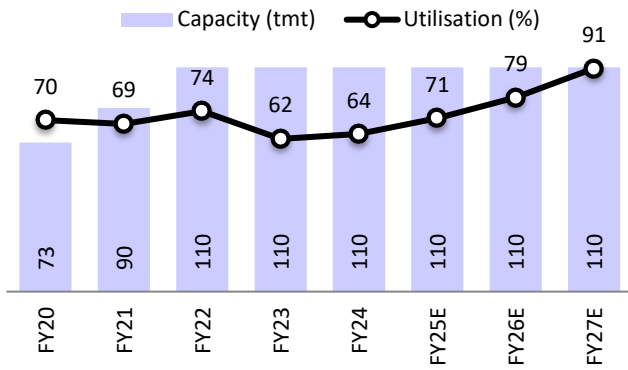


Exhibit 10: Expect 12% volume CAGR over FY24-FY27

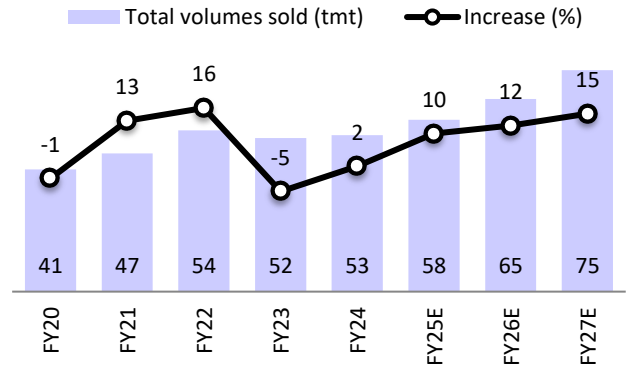


Exhibit 11: Exports to constitute ~30% of total revenue

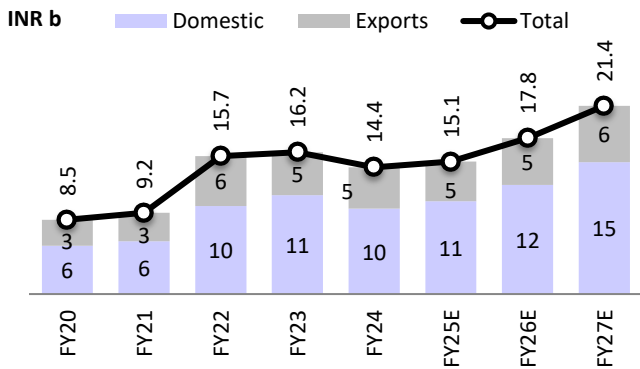


Exhibit 12: Realization and EBITDA per kg snapshot

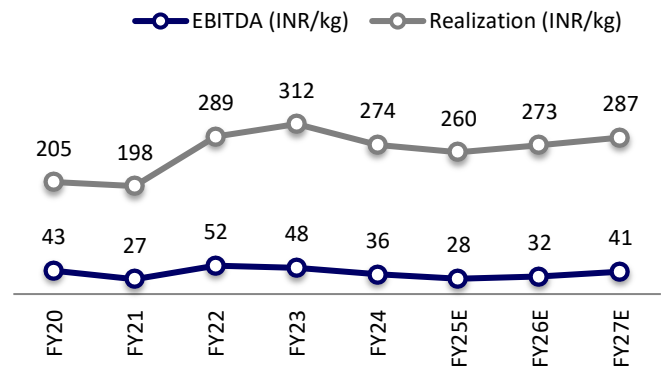


Exhibit 13: EBITDA and margin profile of NOCIL

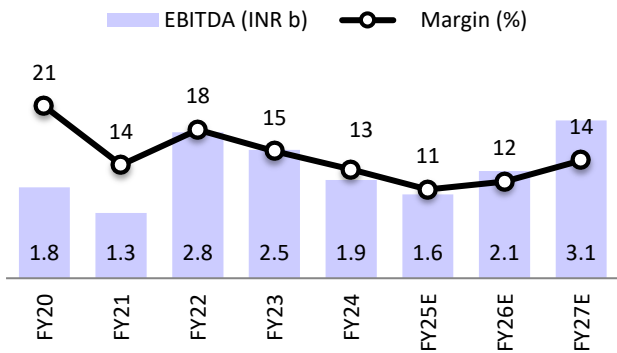


Exhibit 14: Expect PAT to grow ~1.6x by FY27 (v/s FY24)

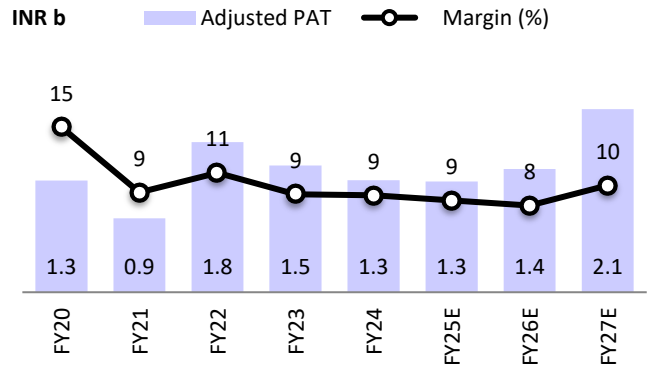


Exhibit 15: Expect return ratios to improve to 11x in FY27

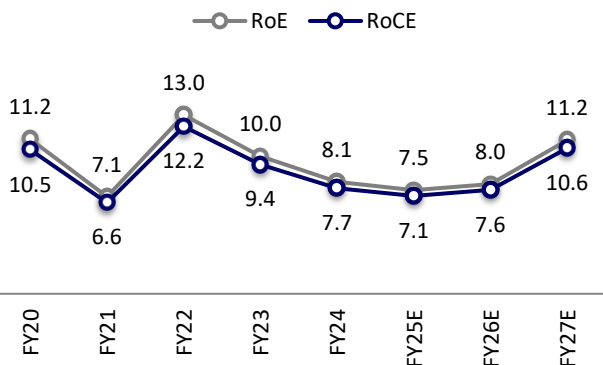
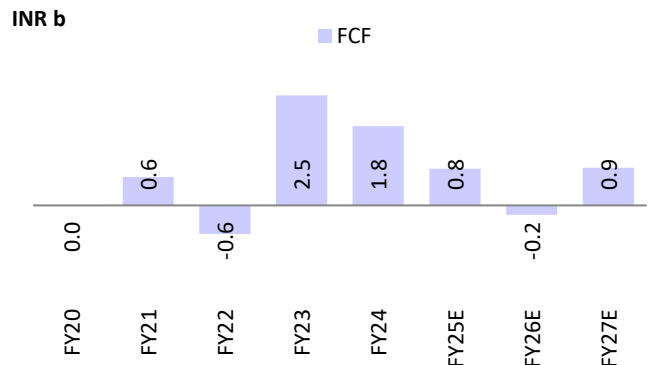


Exhibit 16: FCF to be INR1.5b during FY24-27E



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	8,463	9,247	15,713	16,166	14,447	15,097	17,754	21,438
Change (%)	-18.9	9.3	69.9	2.9	-10.6	4.5	17.6	20.8
Gross Margin (%)	54.2	45.4	45.3	45.1	43.6	42.3	42.1	43.6
EBITDA	1,765	1,269	2,829	2,490	1,904	1,625	2,080	3,064
Margin (%)	20.8	13.7	18.0	15.4	13.2	10.8	11.7	14.3
Depreciation	324	361	471	544	515	541	588	636
EBIT	1,440	909	2,358	1,946	1,389	1,084	1,491	2,428
Int. and Finance Charges	13	10	11	12	16	18	20	22
Other Income	97	143	48	73	399	440	457	463
PBT bef. EO Exp.	1,524	1,042	2,396	2,007	1,771	1,507	1,929	2,869
PBT after EO Exp.	1,524	1,042	2,396	2,007	1,771	1,507	1,929	2,869
Total Tax	214	177	636	520	458	207	486	722
Tax Rate (%)	14.1	17.0	26.6	25.9	25.8	13.8	25.2	25.2
Reported PAT	1,310	865	1,760	1,487	1,314	1,300	1,444	2,147
Adjusted PAT	1,310	865	1,760	1,487	1,314	1,300	1,444	2,147
Change (%)	-28.9	-34.0	103.4	-15.5	-11.7	-1.1	11.1	48.7
Margin (%)	15.5	9.4	11.2	9.2	9.1	8.6	8.1	10.0

Standalone - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	1,656	1,662	1,666	1,666	1,667	1,667	1,667	1,667
Total Reserves	10,104	11,073	12,673	13,736	15,183	15,988	16,882	18,212
Net Worth	11,760	12,735	14,339	15,403	16,850	17,654	18,549	19,878
Total Loans	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	887	956	1,028	1,069	1,209	1,209	1,209	1,209
Capital Employed	12,647	13,691	15,367	16,471	18,059	18,864	19,758	21,087
Gross Block	9,789	11,374	11,783	12,114	12,459	13,284	14,734	15,559
Less: Accum. Deprn.	2,111	2,472	2,943	3,487	4,002	4,542	5,130	5,767
Net Fixed Assets	7,678	8,902	8,840	8,627	8,457	8,742	9,603	9,792
Capital WIP	1,563	140	82	85	161	161	161	161
Total Investments	726	826	674	2,314	4,075	4,075	4,075	4,075
Curr. Assets, Loans, and Adv.	4,312	6,122	8,567	7,386	7,271	7,877	8,261	9,887
Inventory	1,361	1,653	3,326	2,847	2,227	2,327	2,737	3,305
Account Receivables	2,032	3,086	4,498	3,460	3,402	3,555	4,181	5,048
Cash and Bank Balance	128	797	154	551	940	1,262	481	493
Cash	84	441	116	213	903	1,225	443	456
Bank Balance	44	356	38	338	37	37	37	37
Loans and Advances	791	587	589	528	702	734	863	1,042
Curr. Liability and Prov.	1,633	2,297	2,795	1,940	1,906	1,992	2,342	2,828
Account Payables	892	1,710	2,174	1,283	1,184	1,237	1,454	1,756
Other Current Liabilities	511	378	414	453	535	559	657	794
Provisions	230	210	207	204	188	196	231	278
Net Current Assets	2,680	3,824	5,772	5,445	5,365	5,886	5,918	7,059
Appl. of Funds	12,647	13,691	15,367	16,471	18,058	18,864	19,758	21,087

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	7.9	5.2	10.6	8.9	7.9	7.8	8.7	12.9
<i>EPS Growth (%)</i>	-28.9	-34.0	103.0	-15.5	-11.7	-1.1	11.1	48.7
Cash EPS	9.8	7.4	13.4	12.2	11.0	11.0	12.2	16.7
BV/Share	70.8	76.6	86.1	92.4	101.1	105.9	111.3	119.3
DPS	4.5	2.0	3.0	3.0	3.0	3.0	3.3	4.9
Payout (%)	76.0	38.5	28.4	33.6	38.1	38.1	38.1	38.1
Valuation (x)								
P/E	28.9	43.8	21.6	25.6	28.9	29.2	26.3	17.7
Cash P/E	23.2	30.9	17.0	18.7	20.8	20.6	18.7	13.7
P/BV	3.2	3.0	2.6	2.5	2.3	2.2	2.0	1.9
EV/Sales	4.5	4.0	2.4	2.3	2.6	2.4	2.1	1.7
EV/EBITDA	21.4	29.2	13.4	15.0	19.5	22.6	18.0	12.2
Dividend Yield (%)	2.0	0.9	1.3	1.3	1.3	1.3	1.4	2.2
FCF per share	-0.1	3.9	-3.9	15.0	10.8	5.0	-1.3	5.1
Return Ratios (%)								
RoE	11.2	7.1	13.0	10.0	8.1	7.5	8.0	11.2
RoCE	10.5	6.6	12.2	9.4	7.7	7.1	7.6	10.6
RoIC	12.6	6.8	13.1	10.3	7.8	7.1	7.9	11.6
Working Capital Ratios								
Fixed Asset Turnover (x)	1.2	1.1	1.8	1.9	1.7	1.8	1.9	2.2
Asset Turnover (x)	0.7	0.7	1.0	1.0	0.8	0.8	0.9	1.0
Inventory (Days)	59	65	77	64	56	56	56	56
Debtor (Days)	88	122	104	78	86	86	86	86
Creditor (Days)	38	67	50	29	30	30	30	30
Leverage Ratio (x)								
Current Ratio	2.6	2.7	3.1	3.8	3.8	4.0	3.5	3.5
Interest Coverage Ratio	109.1	94.6	220.4	163.6	85.7	60.8	76.1	112.6
Net Debt/Equity ratio	0.0	-0.1	0.0	0.0	-0.1	-0.1	0.0	0.0

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	1,524	1,042	2,396	2,007	1,771	1,507	1,929	2,869
Depreciation	324	361	471	544	515	541	588	636
Direct Taxes Paid	-510	-1	-591	-500	-393	-207	-486	-722
(Inc.)/Dec. in WC	515	-372	-2,549	783	470	-199	-814	-1,128
CF from Operations	1,772	904	-318	2,776	1,960	1,659	1,238	1,676
(Inc.)/Dec. in FA	-1,790	-262	-330	-284	-165	-825	-1,450	-825
Free Cash Flow	-18	642	-647	2,492	1,795	834	-212	851
Other Investing Activity	746	-325	658	-1,856	-551	0	0	0
CF from Investments	-1,044	-586	328	-2,140	-717	-825	-1,450	-825
Inc./(Dec.) in Debt	0	0	0	0	0	0	0	0
Interest Paid	-9	-4	-6	-5	-7	-18	-20	-22
Dividend Paid	-980	-7	-332	-500	-501	-495	-549	-817
Others	-15	51	-27	-44	-46	0	0	0
CF from Fin. Activity	-1,004	40	-336	-538	-553	-512	-569	-839
Inc./Dec. in Cash	-276	358	-325	98	690	321	-781	13
Opening Balance	360	84	441	116	213	903	1,225	443
Closing Balance	84	441	116	213	903	1,224	443	456

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
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