

BSE SENSEX
59, 135

S&P CNX
17,413

CMP: INR224
TP: INR280 (+25%)
Buy

NOCIL LIMITED
Stock Info

Bloomberg	NOCIL IN
Equity Shares (m)	167
M.Cap.(INRb)/(USDb)	37.2 / 0.5
52-Week Range (INR)	295 / 196
1, 6, 12 Rel. Per (%)	8/-20/3
12M Avg Val (INR M)	199
Free float (%)	66.2

Financials Snapshot (INR b)

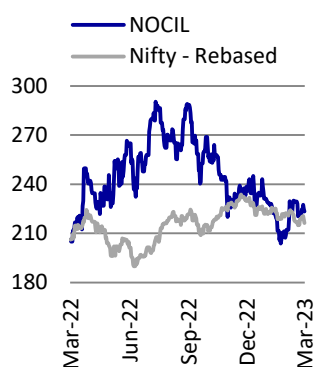
Y/E March	FY23E	FY24E	FY25E
Sales	15.8	18.1	19.9
EBITDA	2.4	3.3	3.8
PAT	1.4	2.1	2.4
EPS (INR)	8.6	12.5	14.5
EPS Gr. (%)	(18.8)	45.4	16.5
BV/Sh.(INR)	91.2	98.7	107.4

Ratios

Net D:E	(0.1)	(0.1)	(0.2)
RoE (%)	9.7	13.1	14.1
RoCE (%)	9.1	12.4	13.3
Payout (%)	40.0	40.0	40.0

Valuations

P/E (x)	26.1	17.9	15.4
P/BV (x)	2.5	2.3	2.1
EV/EBITDA (x)	14.9	10.7	9.0
Div. Yield (%)	1.5	2.2	2.6
FCF Yield (%)	4.7	4.5	5.8

Stock performance (one-year)

On the road to recovery after two quarters of downturn

- NOCIL is the largest manufacturer of rubber chemicals in India, with a domestic and global market share of ~40% and ~5%, respectively. Having a rich experience of over four decades, it is a one-stop shop and a dependable supplier of rubber chemicals. The company provides a range of 20+ products. It is part of the Arvind Mafatlal group, with Mr. Hrishikesh A. Mafatlal serving as the Executive Chairman and a Promoter Director of the company.
- We visited the company's Dahej plant last week. The management was represented by Mr. S R Deo, MD, Mr. Anand V S, Deputy MD and Mr. P Srinivasan, CFO. Below are the key highlights from the plant visit:

Huge land parcel still available for future expansion

- The plant is spread across two land parcels of 50 acres and 10 acres each. The 50-acre land is for manufacturing, whereas the other is for logistics; 55% of the 50-acre land and 20% of the 10-acre land are utilized, leaving a huge scope for future expansion.
- The Dahej plant was built with in-house expertise and management believes it would take 15 months to build a similar plant post-receiving all approvals.
- The total capacity of 110ktpa is spread 50:50 across Navi Mumbai & Dahej sites with neither sites having any fungibility. About 95% of valuables from effluents are recovered; the rest is treated using soil enzymes.

Understanding the product dynamics

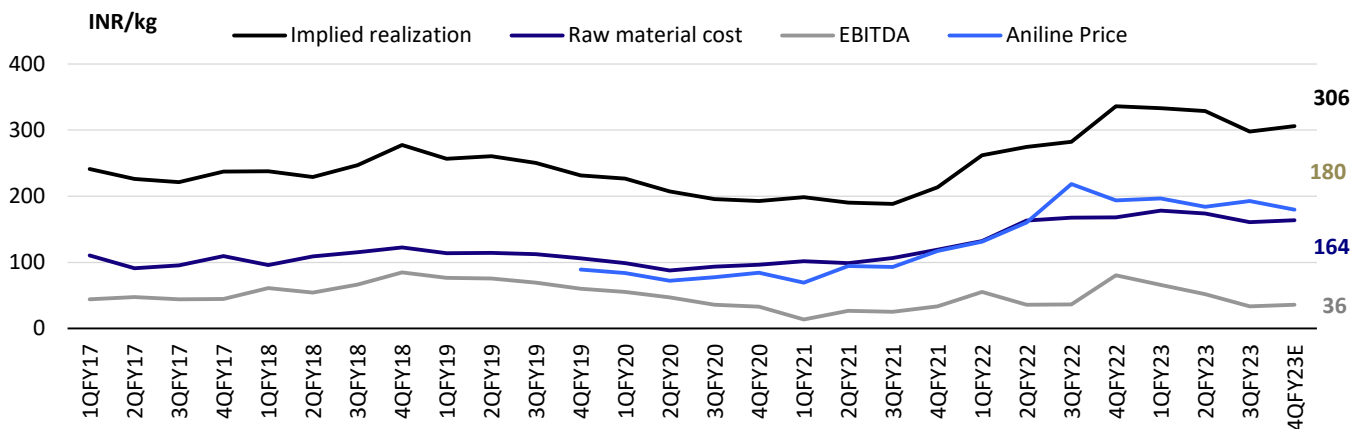
- Half of the 23 products are used in tyre applications, rest in non-tyre applications. 4ADPA was commissioned in 2012, accelerators in 2018, and antioxidants in 2019. ADPA is the intermediate for PX-13; it is also the most complex in terms of chemistry with 5-6 steps of reactions.
- Specialty chemicals account for ~25% of revenue and ~20% of volumes. Some accelerators for the company are NaMBT and Sulphonamides. PX-13 is 33% of global rubber chemicals consumption, while for NOCIL, it is slightly higher.
- The top 5 customers would account for 35% of total revenue while the top products for the company are PX-13 (anti-oxidants), TDQ, CBS (accelerators) et al. The revenue split between the product categories are: Anti-oxidant – 52%, accelerators – 43%, and rest – 5%.
- In terms of global competition, China Sunshine is mostly present in tyre applications, that too in accelerators. Senex & Chemi are two smaller players in addition to China Sunshine (20% of global capacity – 254,000mt total capacity including 50k of Insoluble Sulphur; this capacity is for the end-products).

Valuation and view

- Management guided for debottlenecking in its existing units by Aug/Sep'23, even as it evaluates its plans for the next three-to-five years. Currently, specialized products constitute 25% of its total revenue with limited room for expansion (industry standard is less than 10%).

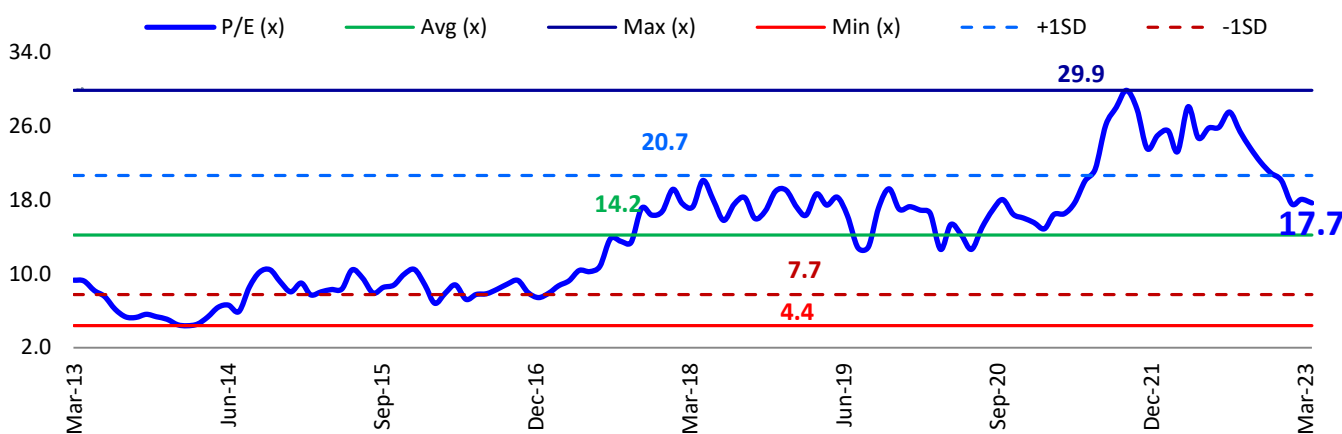
- Despite global rubber consumption remaining flat in CY22 v/s CY21, due to the current global slowdown, NOCIL has been able to maintain its market share during the period. Further, management expects that Europe+1 could play out over medium term with no likely capacity constraints in near future.
- The stock is trading at 17.9x FY24E EPS of INR12.5 and 10.7x FY24E EV/EBITDA. We expect the return ratios to be stable at 12-14% over FY24-25. **We value the company at 20x Dec'24 EPS and reiterate our BUY rating on the stock with a TP of INR280.**

Exhibit 1: Quarterly per kg snapshot of NOCIL



Source: Company, MOFSL

Exhibit 2: On a one-year forward P/E, NOCIL trades at 17.7x



Source: Company, MOFSL

Story in charts

Exhibit 3: Capacity and utilization snapshot for NOCIL

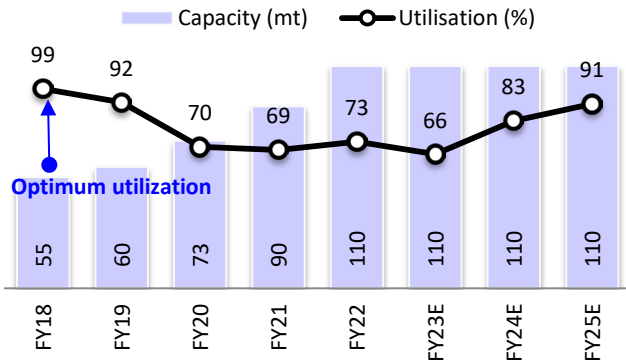


Exhibit 4: Expect 8% YoY volume CAGR over FY23-25

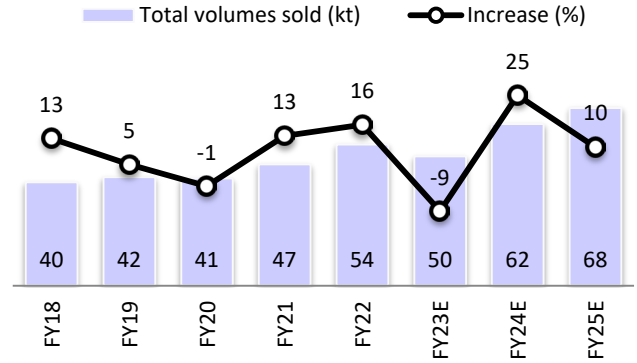


Exhibit 5: Exports to constitute ~40% of total revenue

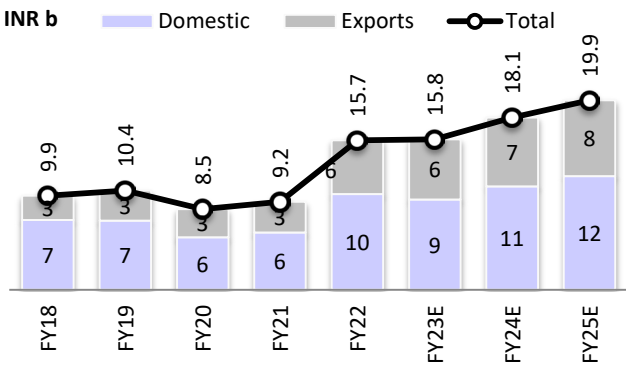


Exhibit 6: Realization/kg and EBITDA/kg snapshot

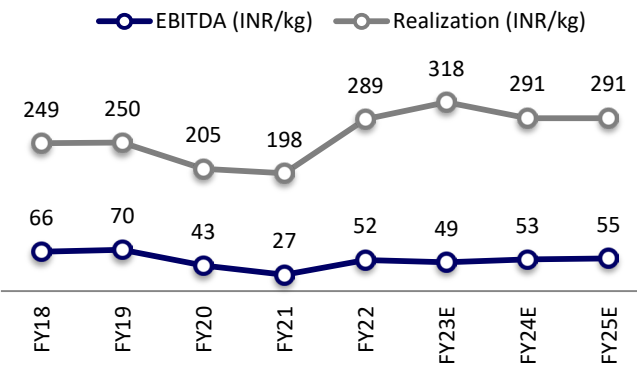


Exhibit 7: Expect EBITDA margin to contract in FY23

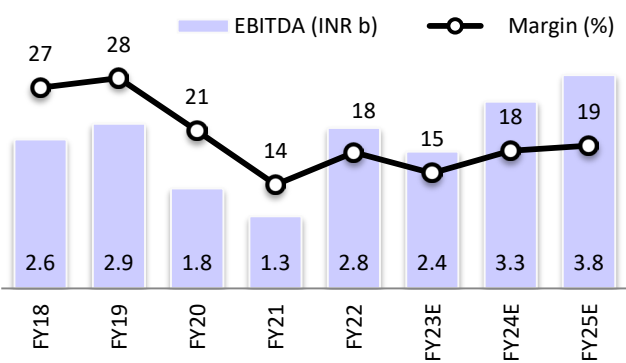


Exhibit 8: Expect PAT to surge ~1.4x by FY25 (from FY22 level)

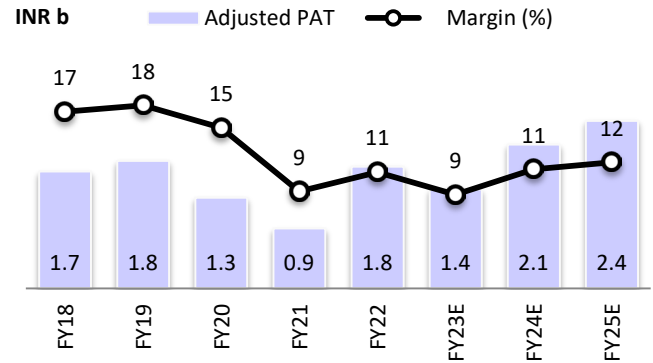


Exhibit 9: Return ratios to improve to 13-14% in FY25E...

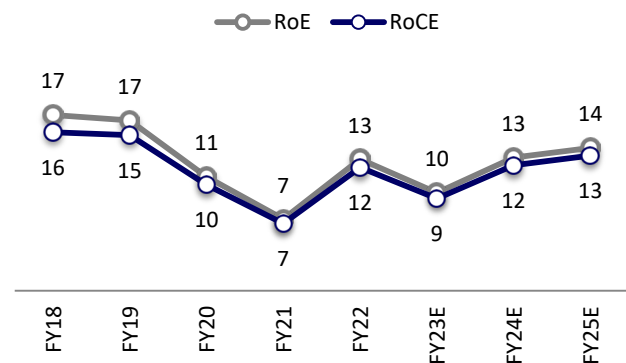
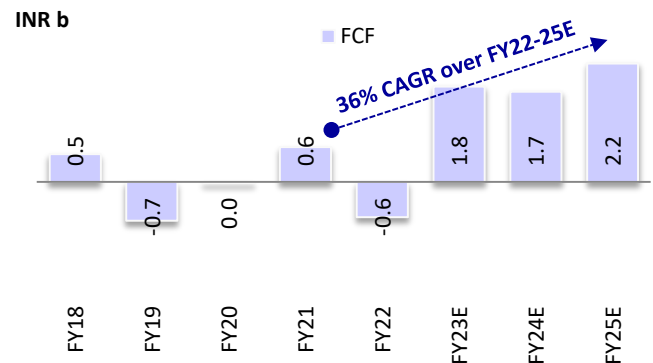


Exhibit 10: ...with strong FCF CAGR of 36% over FY22-25E



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	9,893	10,429	8,463	9,247	15,713	15,815	18,098	19,907
Change (%)	20.9	5.4	-18.9	9.3	69.9	0.7	14.4	10.0
Gross Margin (%)	55.5	55.2	54.2	45.4	45.3	46.6	47.4	48.1
EBITDA	2,629	2,903	1,765	1,269	2,829	2,413	3,296	3,762
Margin (%)	26.6	27.8	20.8	13.7	18.0	15.3	18.2	18.9
Depreciation	229	230	324	361	471	553	586	596
EBIT	2,400	2,673	1,440	909	2,358	1,860	2,710	3,167
Int. and Finance Charges	12	6	13	10	11	11	11	11
Other Income	143	100	97	143	48	76	77	78
PBT bef. EO Exp.	2,531	2,767	1,524	1,042	2,396	1,926	2,776	3,234
PBT after EO Exp.	2,531	2,767	1,524	1,042	2,396	1,926	2,776	3,234
Total Tax	845	926	214	177	636	496	699	814
Tax Rate (%)	33.4	33.5	14.1	17.0	26.6	25.8	25.2	25.2
Reported PAT	1,686	1,841	1,310	865	1,760	1,429	2,078	2,420
Adjusted PAT	1,686	1,841	1,310	865	1,760	1,429	2,078	2,420
Change (%)	74.1	9.2	-28.9	-34.0	103.4	-18.8	45.4	16.5
Margin (%)	17.0	17.7	15.5	9.4	11.2	9.0	11.5	12.2

Standalone - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	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	13,531	14,777	16,229
Net Worth	10,374	11,531	11,760	12,735	14,339	15,196	16,443	17,895
Total Loans	50	0	0	0	0	0	0	0
Deferred Tax Liabilities	1,003	1,054	887	956	1,028	1,028	1,028	1,028
Capital Employed	11,427	12,584	12,647	13,691	15,367	16,224	17,471	18,923
Gross Block	6,569	8,050	9,789	11,374	11,783	11,983	12,183	12,383
Less: Accum. Deprn.	1,576	1,787	2,111	2,472	2,943	3,495	4,081	4,677
Net Fixed Assets	4,994	6,263	7,678	8,902	8,840	8,488	8,102	7,706
Capital WIP	392	1,305	1,563	140	86	86	86	86
Total Investments	3,020	1,487	726	826	669	669	669	669
Curr. Assets, Loans, and Adv.	4,750	5,223	4,312	6,122	8,567	9,795	11,834	14,003
Inventory	1,550	1,704	1,361	1,653	3,326	3,348	3,831	4,214
Account Receivables	2,434	2,322	2,032	3,086	4,498	4,528	5,181	5,699
Cash and Bank Balance	276	389	128	797	154	1,328	2,144	3,345
Cash	240	360	84	441	116	1,289	2,106	3,307
Bank Balance	36	29	44	356	38	38	38	38
Loans and Advances	491	808	791	587	589	592	678	746
Curr. Liability and Prov.	1,729	1,694	1,633	2,297	2,795	2,814	3,220	3,542
Account Payables	1,139	988	892	1,710	2,174	2,188	2,503	2,754
Other Current Liabilities	397	502	511	378	414	417	477	525
Provisions	193	204	230	210	207	209	239	263
Net Current Assets	3,022	3,529	2,680	3,824	5,771	6,981	8,614	10,462
Appl. of Funds	11,427	12,584	12,647	13,691	15,367	16,224	17,471	18,923

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)								
EPS	10.1	11.1	7.9	5.2	10.6	8.6	12.5	14.5
EPS Growth (%)	74.1	9.2	-28.9	-34.0	103.0	-18.8	45.4	16.5
Cash EPS	11.5	12.5	9.8	7.4	13.4	11.9	16.0	18.1
BV/Share	62.4	69.4	70.8	76.6	86.1	91.2	98.7	107.4
DPS	1.8	2.5	4.5	2.0	3.0	3.4	5.0	5.8
Payout (%)	21.0	27.0	76.0	38.5	28.4	40.0	40.0	40.0
Valuation (x)								
P/E	22.1	20.2	28.4	43.0	21.2	26.1	17.9	15.4
Cash P/E	19.4	18.0	22.8	30.3	16.7	18.8	14.0	12.4
P/BV	3.6	3.2	3.2	2.9	2.6	2.5	2.3	2.1
EV/Sales	3.7	3.5	4.4	3.9	2.4	2.3	1.9	1.7
EV/EBITDA	14.1	12.7	21.0	28.7	13.1	14.9	10.7	9.0
Dividend Yield (%)	0.8	1.1	2.0	0.9	1.3	1.5	2.2	2.6
FCF per share	3.1	-4.3	-0.1	3.9	-3.9	10.5	10.0	13.1
Return Ratios (%)								
RoE	17.4	16.8	11.2	7.1	13.0	9.7	13.1	14.1
RoCE	15.6	15.4	10.5	6.6	12.2	9.1	12.4	13.3
RoIC	21.6	20.7	12.6	6.8	13.1	9.7	14.1	16.1
Working Capital Ratios								
Fixed Asset Turnover (x)	2.0	1.9	1.2	1.1	1.8	1.8	2.2	2.5
Asset Turnover (x)	0.9	0.8	0.7	0.7	1.0	1.0	1.0	1.1
Inventory (Days)	57	60	59	65	77	77	77	77
Debtor (Days)	90	81	88	122	104	104	104	104
Creditor (Days)	42	35	38	67	50	50	50	50
Leverage Ratio (x)								
Current Ratio	2.7	3.1	2.6	2.7	3.1	3.5	3.7	4.0
Interest Coverage Ratio	196.7	424.3	109.1	94.6	220.4	173.9	253.3	295.9
Net Debt/Equity ratio	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1	-0.2

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	2,531	2,767	1,524	1,042	2,396	1,926	2,776	3,234
Depreciation	229	230	324	361	471	553	586	596
Direct Taxes Paid	-802	-878	-510	-1	-591	-496	-699	-814
(Inc.)/Dec. in WC	-901	-400	515	-372	-2,549	-37	-816	-647
CF from Operations	984	1,638	1,772	904	-318	1,956	1,858	2,380
(Inc.)/Dec. in FA	-470	-2,351	-1,790	-262	-330	-200	-200	-200
Free Cash Flow	514	-713	-18	642	-647	1,756	1,658	2,180
Other investing activity	-908	1,334	746	-325	658	0	0	0
CF from Investments	-1,379	-1,017	-1,044	-586	328	-200	-200	-200
Inc./Dec. in Debt	-100	-50	0	0	0	0	0	0
Interest Paid	-13	-7	-9	-4	-6	-11	-11	-11
Dividend Paid	-350	-490	-980	-7	-332	-572	-831	-968
Others	2	41	-15	51	-27	0	0	0
CF from Fin. Activity	-420	-501	-1,004	40	-336	-582	-842	-979
Inc./Dec. in Cash	-814	120	-276	358	-325	1,174	817	1,201
Opening Balance	1,055	240	360	84	441	116	1,289	2,106
Closing Balance	240	360	84	441	116	1,289	2,106	3,307

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

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