

October 29, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	REDUCE		REDUCE	
Target Price	256		270	
Sales (Rs. m)	17,095	19,275	17,347	19,654
% Chng.	(1.5)	(1.9)		
EBITDA (Rs. m)	2,265	2,660	2,026	2,410
% Chng.	11.8	10.4		
EPS (Rs.)	8.7	10.3	7.4	9.0
% Chng.	17.1	14.7		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	14,447	15,443	17,095	19,275
EBITDA (Rs. m)	1,950	2,021	2,265	2,660
Margin (%)	13.5	13.1	13.2	13.8
PAT (Rs. m)	1,330	1,290	1,445	1,713
EPS (Rs.)	8.0	7.7	8.7	10.3
Gr. (%)	(10.8)	(2.9)	12.0	18.5
DPS (Rs.)	3.0	3.0	3.0	3.0
Yield (%)	1.1	1.1	1.1	1.1
RoE (%)	8.2	7.6	8.2	9.2
RoCE (%)	8.8	8.6	9.5	10.9
EV/Sales (x)	2.9	2.7	2.5	2.2
EV/EBITDA (x)	21.6	20.9	18.6	15.6
PE (x)	34.5	35.5	31.7	26.8
P/BV (x)	2.7	2.7	2.5	2.4

Key Data

	NOCI.BO NOCIL IN
52-W High / Low	Rs.336 / Rs.211
Sensex / Nifty	80,369 / 24,467
Market Cap	Rs.46bn / \$ 546m
Shares Outstanding	167m
3M Avg. Daily Value	Rs.300.48m

Shareholding Pattern (%)

Promoter's	33.79
Foreign	7.91
Domestic Institution	6.15
Public & Others	52.15
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.3)	0.8	24.8
Relative	1.9	(6.3)	(0.9)

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Headwinds continue persist

Quick Pointers:

- Competition from China, Korea and EU continues to impact prices & volumes, remains a key concern
- Overall capacity utilization at 70%; utilization varies across products

NOCIL reported a topline of Rs3.6bn (PLe: Rs3.9bn), reflecting a sequential decline of 2.5%. This decrease is attributed to a modest drop in volumes due to logistics challenges, though realization remained largely flat on a QoQ basis. Based on our calculations, average realization stood at Rs254/kg, a YoY decline of 6%. Sales volume grew by 11% YoY; however, EBITDA/kg dropped by 25% YoY, impacted by higher operating expenses due to increase in production activity and freight cost. Overall capacity utilization was at 70%, though usage varies significantly across product lines. To support high-demand rubber chemical products that are already running at high utilization rates, the company is investing Rs2.5bn in capacity expansion. These additional capacities are expected to come online in H2FY27, though peak utilization across the portfolio is not anticipated for another 1.5 to 2 years. Near-term headwinds are likely to continue impacting performance. The stock is currently trading at ~32x FY26E EPS. We maintain 'Reduce' rating with a TP of Rs256, valuing the company at 27x FY26/FY27 EPS.

- Volumes degrow by 2% QoQ:** Consolidated revenue stood at Rs3.6bn, 3.4% YoY/ -2.5% QoQ (PLe: Rs3.9bn, Consensus: Rs3.9bn). H1FY25 revenue was at Rs7.3bn, down 1.7%. Gross profit margin at 43.3% (vs 43.5% in Q2FY24 and 41.6% in Q1FY25), increased QoQ by 170bps due to modest decrease in raw material cost.
- EBITDAM margin shrinks by 250bps YoY:** EBITDA decreased 16.5% YoY and 8% QoQ to Rs378mn (PLe: Rs455mn, Consensus: Rs458mn). EBITDAM stood at 10.4% (PLe: 11.7%) as against a margin of 12.9% in Q2FY24 and 11% in Q1FY25, decreased due to increase in operating cost. Reported PAT stood at Rs421mn, up by 55.2% YoY/ 55.7% QoQ, due to additional tax credit on account of revised LTCG tax rate. PAT margins were at 12% vs 8% in Q2FY24 & 7% in Q1FY25.
- Concall takeaways:** (1) Volumes increased by 11% YoY, but decreased by 2% QoQ in Q2FY25, impacted by logistics challenges. (2) Domestic demand continues to be robust, driven by domestic tire industry growth. (3) Competition from China, Korea and EU continues to impact prices & volumes, remains a key concern. (4) Exports showed double-digit growth on YoY basis in Q2FY25. (5) Latex business is witnessing mild recovery, and exports are improving. (6) The Red Sea crisis has led to higher freight charges and logistics challenges. (7) NOCIL has a negligible market share in the international market; it looks at this as a growth opportunity. (8) Dahej capex is focused on expansion of rubber chemical capacity by 20%, which is expected to come online by 30-35 months from date of announcement (Apr'24). (9) Existing capacity utilization is 70%. (10) The company has not applied for anti-dumping duty yet, currently they are studying the impact of competition.

Exhibit 1: Q2FY25 Result Overview - Consolidated (Rs mn)

Y/e March	Q2FY25	Q2FY24	YoY gr. (%)	Q2FY25E	% Var.	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Net Sales	3,627	3,509	3.4	3,899	(7.0)	3,722	(2.5)	7,349	7,476	(1.7)
Gross Profit	1,572	1,527	2.9	1,621	(3.0)	1,547	1.6	3,119	3,220	(3.2)
Margin (%)	43.3%	43.5%		41.6%		41.6%		42.4%	43.1%	
EBITDA	378	453	(16.5)	455	(16.9)	411	(7.9)	788	1,008	(21.8)
Margin (%)	10.4%	12.9%		11.7%		11.0%		10.7%	13.5%	
Other Income	84	46		62.5	34.6	93	(10.0)	178	96	
Depreciation	134	131	2.1	139	(4.1)	132	1.4	265	260	2.0
EBIT	329	369	(10.8)	378	(13.1)	372	(11.7)	701	844	(17.0)
Interest	5	3	65.6	4	41.3	5	15.2	10	7	41.4
PBT before excep	323	365	(11.5)	374	(13.6)	368	(12.1)	691	837	(17.4)
Total Tax	-98	94	(204.7)	98	(200.4)	97	(201.1)	-1	222	(100.5)
ETR (%)	-30.3%	25.7%		26.1%		26.4%		-0.2%	26.6%	
Adj. PAT	421	272	55.2	277	52.3	271	55.7	692	615	12.6
Exceptional Items	0	0		0		0		0	0	
PAT	421	272	55.2	277	52.3	271	55.7	692	615	12.6

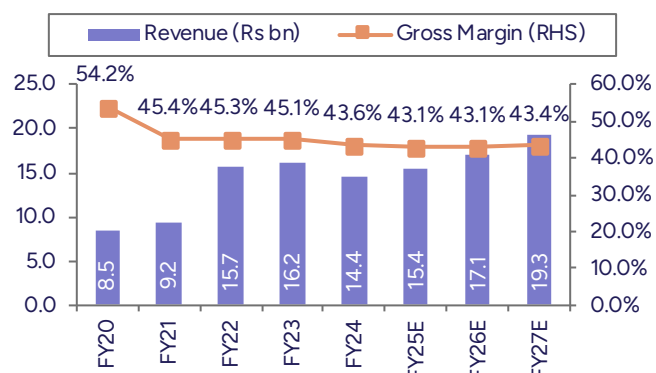
Source: Company, PL

Exhibit 2: Segmental Details (Assumptions)

Y/e March	Q2FY25	Q2FY24	YoY gr. %	Q1FY25	QoQ gr. %	H1FY25	H1FY24	YoY gr. %
Sales Volume (MT) – calculated	14,253	12,893	11%	14,544	-2%	28,797	26,393	9.1%
Avg Realisation (Rs/ kg)	254	272	-6%	256	-1%	255	283	-9.9%
Gross Profit (Rs / kg)	110	118	-7%	106	4%	108	122	-11.2%
EBITDA (Rs / kg)	27	35	-25%	28	-6%	27	38	-28.2%

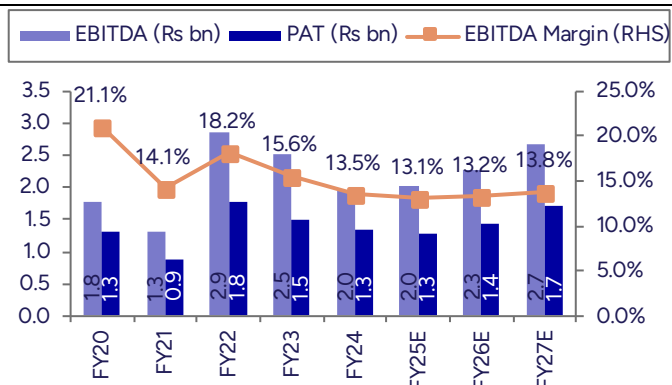
Source: Company, PL

Exhibit 3: Rev to grow at 10% CAGR in FY24-27E led by vol



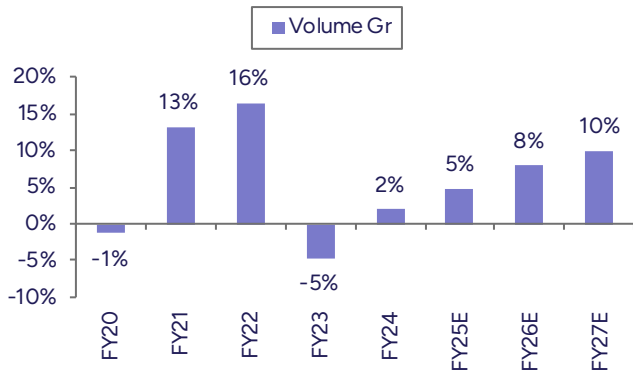
Source: Company, PL

Exhibit 4: Margins to hover around 12%



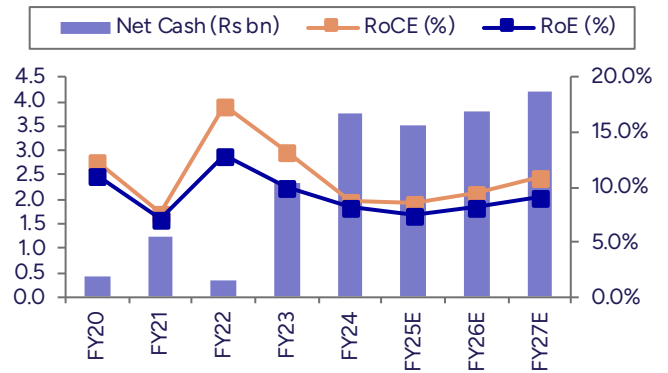
Source: Company, PL

Exhibit 5: 10% volume growth expected in FY27



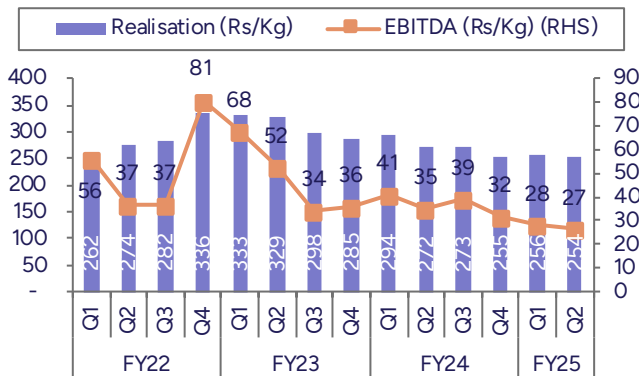
Source: Company, PL

Exhibit 6: Net cash BS with improving ratios



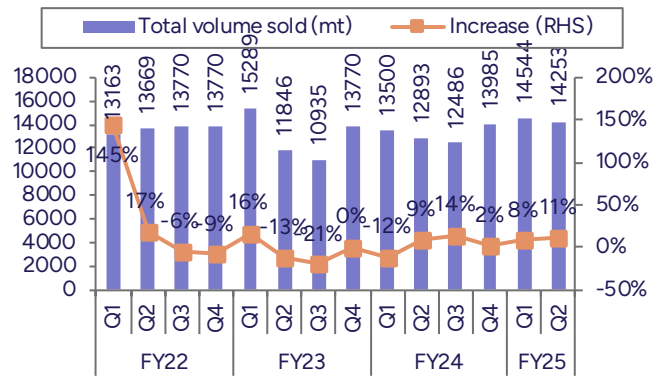
Source: Company, PL

Exhibit 7: Average realization at Rs254/kg in Q2FY25



Source: Company, PL

Exhibit 8: Volumes improved 11% YoY in Q2FY25



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	14,447	15,443	17,095	19,275
YoY gr. (%)	(10.6)	6.9	10.7	12.8
Cost of Goods Sold	8,151	8,793	9,734	10,914
Gross Profit	6,296	6,650	7,361	8,361
Margin (%)	43.6	43.1	43.1	43.4
Employee Cost	921	999	1,079	1,171
Other Expenses	3,425	3,629	4,017	4,530
EBITDA	1,950	2,021	2,265	2,660
YoY gr. (%)	(22.8)	3.6	12.0	17.5
Margin (%)	13.5	13.1	13.2	13.8
Depreciation and Amortization	528	557	591	624
EBIT	1,423	1,464	1,674	2,036
Margin (%)	9.8	9.5	9.8	10.6
Net Interest	16	18	18	18
Other Income	394	300	300	300
Profit Before Tax	1,800	1,746	1,956	2,318
Margin (%)	12.5	11.3	11.4	12.0
Total Tax	470	456	511	605
Effective tax rate (%)	26.1	26.1	26.1	26.1
Profit after tax	1,330	1,290	1,445	1,713
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,330	1,290	1,445	1,713
YoY gr. (%)	(10.8)	(3.0)	12.0	18.5
Margin (%)	9.2	8.4	8.5	8.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,330	1,290	1,445	1,713
YoY gr. (%)	(10.8)	(3.0)	12.0	18.5
Margin (%)	9.2	8.4	8.5	8.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,330	1,290	1,445	1,713
Equity Shares O/s (m)	167	167	167	167
EPS (Rs)	8.0	7.7	8.7	10.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	12,874	13,674	14,474	15,274
Tangibles	12,755	13,555	14,355	15,155
Intangibles	120	120	120	120
Acc: Dep / Amortization	4,180	4,737	5,328	5,952
Tangibles	4,093	4,650	5,240	5,865
Intangibles	88	88	88	88
Net fixed assets	8,694	8,937	9,146	9,322
Tangibles	8,662	8,905	9,114	9,290
Intangibles	32	32	32	32
Capital Work In Progress	162	162	162	162
Goodwill	-	-	-	-
Non-Current Investments	1,462	1,456	1,456	1,456
Net Deferred tax assets	(1,249)	(1,249)	(1,249)	(1,249)
Other Non-Current Assets	76	76	76	76
Current Assets				
Investments	2,808	2,808	2,808	2,808
Inventories	2,228	2,743	3,037	3,424
Trade receivables	3,402	3,636	4,025	4,539
Cash & Bank Balance	955	727	990	1,402
Other Current Assets	275	147	163	184
Total Assets	20,152	20,705	21,876	23,387
Equity				
Equity Share Capital	1,667	1,666	1,666	1,666
Other Equity	15,319	15,418	16,364	17,577
Total Networth	16,986	17,084	18,029	19,242
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	152	152	152	152
Other non current liabilities	109	109	109	109
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,181	1,692	1,873	2,112
Other current liabilities	476	419	464	523
Total Equity & Liabilities	20,152	20,705	21,876	23,387

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	1,800	1,746	1,956	2,318
Add. Depreciation	528	557	591	624
Add. Interest	16	18	18	18
Less Financial Other Income	394	300	300	300
Add. Other	(414)	(300)	(300)	(300)
Op. profit before WC changes	1,930	2,021	2,265	2,660
Net Changes-WC	481	(784)	(479)	(632)
Direct tax	(402)	(452)	(506)	(598)
Net cash from Op. activities	2,009	785	1,280	1,430
Capital expenditures	(169)	(800)	(800)	(800)
Interest / Dividend Income	122	300	300	300
Others	(727)	5	-	-
Net Cash from Inv. activities	(774)	(495)	(500)	(500)
Issue of share cap. / premium	1	(1)	-	-
Debt changes	-	-	-	-
Dividend paid	(501)	(500)	(500)	(500)
Interest paid	(16)	(18)	(18)	(18)
Others	(37)	-	-	-
Net cash from Fin. activities	(553)	(519)	(518)	(518)
Net change in cash	683	(228)	262	412
Free Cash Flow	1,655	(15)	480	630

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	8.0	7.7	8.7	10.3
CEPS	11.1	11.1	12.2	14.0
BVPS	101.9	102.6	108.2	115.5
FCF	9.9	(0.1)	2.9	3.8
DPS	3.0	3.0	3.0	3.0
Return Ratio(%)				
RoCE	8.8	8.6	9.5	10.9
ROIC	8.0	8.1	8.9	10.3
RoE	8.2	7.6	8.2	9.2
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	112	111	111	111
Valuation(x)				
PER	34.5	35.5	31.7	26.8
P/B	2.7	2.7	2.5	2.4
P/CEPS	24.7	24.8	22.5	19.6
EV/EBITDA	21.6	20.9	18.6	15.6
EV/Sales	2.9	2.7	2.5	2.2
Dividend Yield (%)	1.1	1.1	1.1	1.1

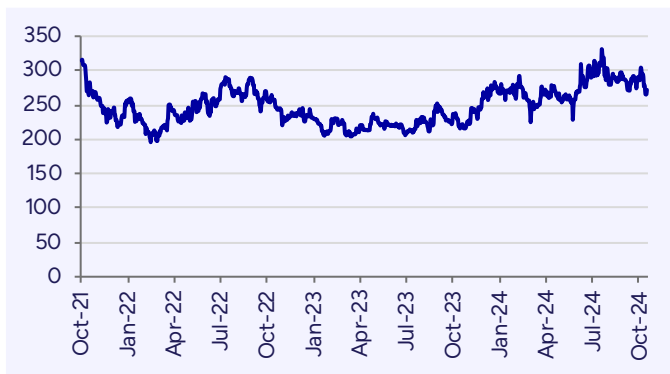
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	3,406	3,565	3,722	3,627
YoY gr. (%)	4.6	(9.2)	(6.2)	3.4
Raw Material Expenses	1,830	2,065	2,175	2,055
Gross Profit	1,576	1,500	1,547	1,572
Margin (%)	46.3	42.1	41.6	43.3
EBITDA	489	446	411	378
YoY gr. (%)	29.5	(10.3)	(26.0)	(16.5)
Margin (%)	14.3	12.5	11.0	10.4
Depreciation / Depletion	135	133	132	134
EBIT	354	313	279	245
Margin (%)	10.4	8.8	7.5	6.7
Net Interest	5	4	5	5
Other Income	58	247	93	84
Profit before Tax	407	556	368	323
Margin (%)	11.9	15.6	9.9	8.9
Total Tax	107	141	97	(98)
Effective tax rate (%)	26.3	25.3	26.4	(30.3)
Profit after Tax	300	415	271	421
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	300	415	271	421
YoY gr. (%)	61.1	46.7	(21.1)	55.2
Margin (%)	8.8	11.7	7.3	11.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	300	415	271	421
YoY gr. (%)	61.1	46.7	(21.1)	55.2
Margin (%)	8.8	11.7	7.3	11.6
Other Comprehensive Income	-	(222)	778	(290)
Total Comprehensive Income	300	194	1,048	132
Avg. Shares O/s (m)	167	167	167	167
EPS (Rs)	1.8	2.5	1.6	2.5

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Oct-24	Reduce	270	284
2	09-Aug-24	Reduce	262	303
3	04-Jul-24	Reduce	268	303
4	30-May-24	Reduce	224	260
5	09-Apr-24	Reduce	249	266
6	08-Feb-24	Reduce	254	270
7	08-Jan-24	Reduce	236	274
8	07-Dec-23	Reduce	226	246
9	03-Nov-23	Hold	226	216

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	512	551
2	Ashok Leyland	Accumulate	257	222
3	Bajaj Auto	Hold	11,859	11,617
4	Bharat Forge	Accumulate	1,369	1,437
5	Bharat Petroleum Corporation	Hold	316	310
6	Bharti Airtel	Accumulate	1,831	1,657
7	CEAT	Hold	3,063	2,973
8	Clean Science and Technology	Hold	1,561	1,579
9	Deepak Nitrite	Reduce	2,582	3,000
10	Divgi Torqtransfer Systems	Hold	633	591
11	Eicher Motors	BUY	5,416	4,668
12	Endurance Technologies	Accumulate	2,569	2,182
13	Exide Industries	Hold	520	481
14	Fine Organic Industries	Accumulate	5,568	5,142
15	GAIL (India)	Sell	205	224
16	Gujarat Fluorochemicals	Reduce	3,771	4,065
17	Gujarat Gas	Hold	646	596
18	Gujarat State Petronet	Hold	422	411
19	Hero Motocorp	Accumulate	5,906	5,495
20	Hindustan Petroleum Corporation	Accumulate	412	372
21	Indian Oil Corporation	Hold	156	147
22	Indraprastha Gas	Sell	407	543
23	Jubilant Ingrevia	Hold	695	682
24	Laxmi Organic Industries	Sell	218	276
25	Mahanagar Gas	Accumulate	1,627	1,497
26	Mahindra & Mahindra	BUY	3,458	3,060
27	Mangalore Refinery & Petrochemicals	Sell	128	173
28	Maruti Suzuki	BUY	15,045	12,528
29	Navin Fluorine International	Accumulate	3,523	3,307

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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