

February 8, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	REDUCE		REDUCE	
Target Price	254		236	
Sales (Rs. m)	16,759	19,273	16,569	19,054
% Chng.	1.1	1.1		
EBITDA (Rs. m)	2,541	3,121	2,701	3,171
% Chng.	(5.9)	(1.6)		
EPS (Rs.)	9.0	11.6	9.8	11.8
% Chng.	(7.3)	(1.9)		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	16,166	14,510	16,759	19,273
EBITDA (Rs. m)	2,528	2,013	2,541	3,121
Margin (%)	15.6	13.9	15.2	16.2
PAT (Rs. m)	1,492	1,198	1,506	1,925
EPS (Rs.)	9.0	7.2	9.0	11.6
Gr. (%)	(15.3)	(19.6)	25.7	27.8
DPS (Rs.)	3.0	3.0	3.0	3.0
Yield (%)	1.1	1.1	1.1	1.1
RoE (%)	10.0	7.6	9.0	10.7
RoCE (%)	13.1	9.0	11.6	14.0
EV/Sales (x)	2.6	2.9	2.4	2.0
EV/EBITDA (x)	16.9	20.6	15.8	12.6
PE (x)	30.2	37.5	29.9	23.4
P/BV (x)	2.9	2.8	2.6	2.4

Key Data

NOCI.BO | NOCIL IN

52-W High / Low	Rs.285 / Rs.199
Sensex / Nifty	71,428 / 21,718
Market Cap	Rs.45bn / \$ (2,14,68,26,273)m
Shares Outstanding	167m
3M Avg. Daily Value	Rs.423.54m

Shareholding Pattern (%)

Promoter's	33.84
Foreign	6.98
Domestic Institution	2.85
Public & Others	56.33
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.6	20.6	30.2
Relative	0.5	11.2	10.6

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Challenges persist

Quick Pointers:

- Increasing Chinese imports impacting prices & volumes, remains a key concern
- Domestic tyre chemicals market is broadly flat, but expected to grow, NOCIL has not lost any market share in current situation

NOCIL topline came inline with our estimates at Rs3.4bn (PLe Rs3.4bn), however, EBITDA/PAT came in above estimates at Rs477/298mn (PLe: Rs385/221mn. As per our calculation, average realization remained flat at Rs 272 /kg on QoQ basis and declined 9% YoY. EBITDA grew 9% QoQ to Rs38/kg. Non latex segment saw some growth but latex demand was bottomed up. The management of the company believes that (1) Q4FY24 will be better than Q3FY24 (2) Domestic tyre industry is expected to grow at a CAGR of 3-6% (3) Capacity utilization to improve, currently 62-65% is utilized. The stock is trading at ~24 P/E on FY24E EPS. We maintain 'Reduce' rating with a TP 254 valuing the company at 22x FY26 EPS.

- Standalone revenue at Rs 3.4bn (4.57% YoY/ -2.92% QoQ).** Actual sales were inline with our estimates of 3.38bn. For 9MFY24, topline dropped by 11% to Rs 10.8bn from Rs 12.2bn, while EBITDA & PAT margins to 13.6%/8.4% from 16.6%/9.9% respectively.
- Gross margin** was at 46.3% (vs 43.5% in Q2FY24 and 46% in Q3FY23), volume continues to decline due to tougher environment whereas selling price remained stable QoQ.
- EBITDA** came in at Rs477mn (26% YoY/ 5.4% QoQ), and EBITDA margin came at 14% (vs 11.6% in Q3FY23 and 12.9% in Q2FY24). 9MFY24 EBITDA stood at Rs1.4bn, almost 27% down YoY.
- Reported PAT** was at Rs298mn (60% YoY/ 9.6% QoQ), while margins were at 8.8% in Q3FY24 vs 5.7% & 7.6% in Q3FY23 & Q2FY24 respectively. 9MFY24 PAT stood at Rs912mn, a decline of 24.5% YoY.
- Concall takeaways:** (1) Consistent surge in supply from Chinese players (2) company trying to bolster exports (3) Latex business remains flat, non-latex growing (4) Domestic market continues to face brunt of Chinese dumping (5) Tyre exports making slow recovery (6) Domestic tyre demand expected to grow at 3-6% CAGR, Non-tyre also remains strong (7) Gradual volume growth expected (8) Domestic tyre chemicals market is broadly flat, but expected to grow, NOCIL has not lost any market share (9) Q4FY24 should be better than Q3FY24 (10) Latex demand appears bottoming out (11) Domestic : Exports 68:32 (12) For a similar product, domestic margin is higher due to the duty protection (13) Current capacity utilization at 62-65% (14) Cautious approach continues in procurement (15) Specialty segment is currently 15-17%.

Exhibit 1: Q3FY24 Result Overview - Consolidated (Rs mn)

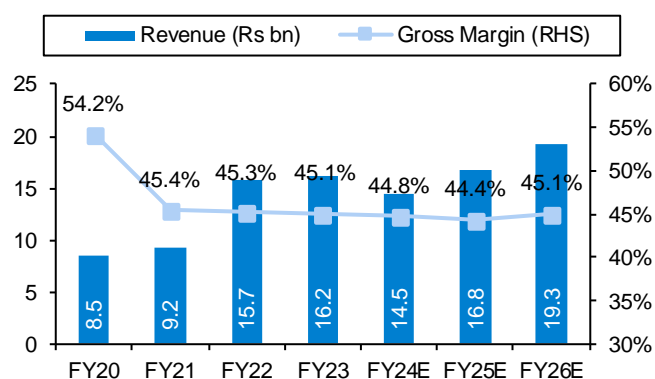
Y/e March	Q3FY24	Q3FY23	YoY gr. (%)	Q3FY24E	% Var.	Q2FY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Net Sales	3,406	3,257	4.6	3,384	0.6	3,509	(2.9)	10,882	12,239	(11.1)
Gross Profit	1,578	1,498	5.4	1,438	9.8	1,527	3.3	4,799	5,697	(15.8)
Margin (%)	46.3	46.0		42.5		43.5		44.1	46.5	
EBITDA	477	377	26.5	385	23.9	453	5.4	1,485	2,030	(26.9)
Margin (%)	14.0	11.6		11.4		12.9		13.6	16.6	
Other Income	61.2	20.7		46.3	32.2	46.3	32.2	157.4	33	
Depreciation	132	142	(7.2)	130	1.2	131	0.6	392	418	(6.4)
EBIT	407	256	58.8	301	35.1	369	10.4	1,251	1,645	(24.0)
Interest	5	3	61.3	3	56.3	3	56.3	12	9	29.0
PBT before excep	402	253	58.8	298	34.8	365	10.0	1,239	1,636	(24.3)
Total Tax	104	67	55.8	78	34.4	94	11.2	327	427	(23.6)
ETR (%)	25.9	26.4		26.0		25.7		26.4	26.1	
Adj. PAT	298	186	59.9	221	35.0	272	9.6	912	1,208	(24.5)
Exceptional Items										
PAT	298	186	59.9	221	35.0	272	9.6	912	1,208	(24.5)

Source: Company, PL

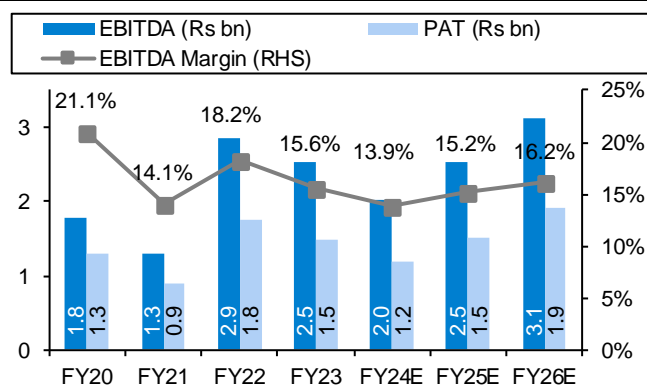
Exhibit 2: Segmental Details (Assumptions)

Y/e March	Q3FY24	Q3FY23	YoY gr.	Q2FY24	QoQ gr.	9MFY24	9MFY23	YoY gr.
Sales Volume (MT) - calculated	12,500	10,935	14%	12,960	-4%	12,987	12,690	2.3%
Avg Realisation (Rs/ kg)	272	298	-9%	271	1%	279	320	-12.7%
Gross Profit (Rs / kg)	126	137	-8%	118	7%	123	149	-17.2%
EBITDA (Rs / kg)	38	34	11%	35	9%	38	51	-26.0%

Source: Company, PL

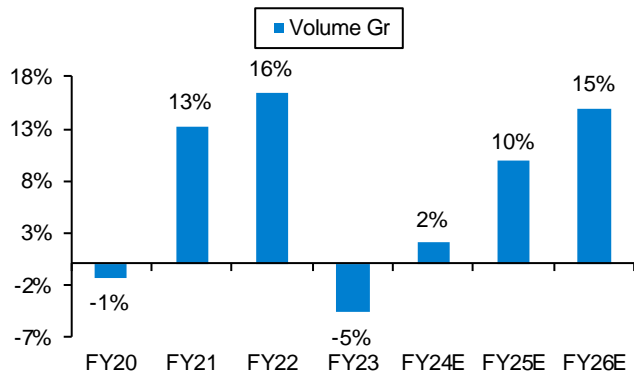
Exhibit 3: Rev to grow at 6% CAGR (FY23-26E) led by vol


Source: Company, PL

Exhibit 4: Margins to hover around 15%


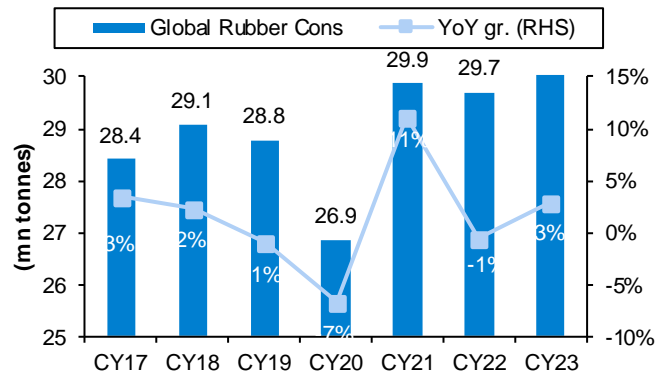
Source: Company, PL

Exhibit 5: Volume growth expected post FY24



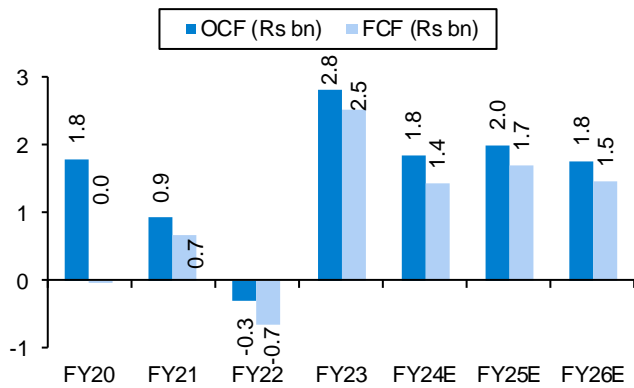
Source: Company, PL

Exhibit 6: Slower global rubber consumption in CY23



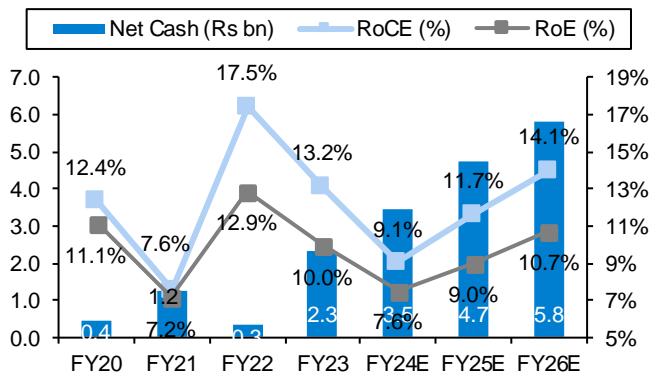
Source: Company, PL

Exhibit 7: Steady profits with negligible capex to boost FCF

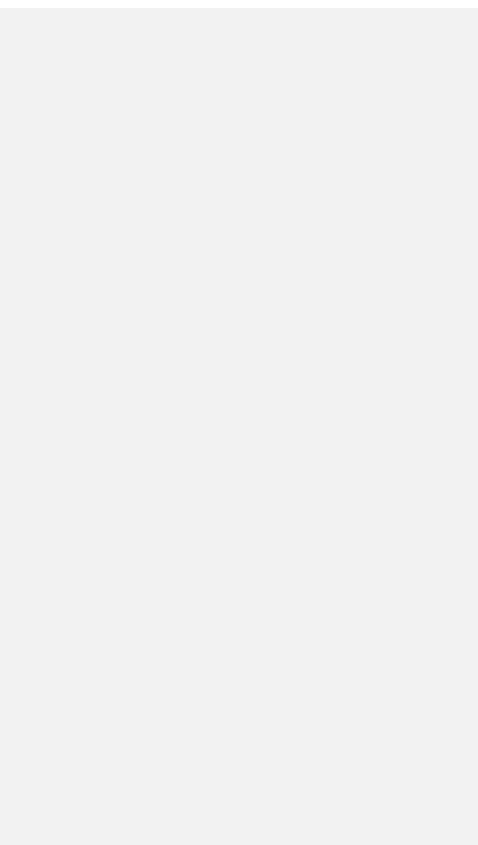


Source: Company, PL

Exhibit 8: Net cash BS with improving return ratios



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	16,166	14,510	16,759	19,273
YoY gr. (%)	2.9	(10.2)	15.5	15.0
Cost of Goods Sold	8,877	8,006	9,314	10,578
Gross Profit	7,289	6,504	7,445	8,696
Margin (%)	45.1	44.8	44.4	45.1
Employee Cost	875	965	1,050	1,142
Other Expenses	3,887	3,526	3,855	4,433
EBITDA	2,528	2,013	2,541	3,121
YoY gr. (%)	(11.7)	(20.4)	26.2	22.8
Margin (%)	15.6	13.9	15.2	16.2
Depreciation and Amortization	557	578	594	608
EBIT	1,971	1,435	1,946	2,513
Margin (%)	12.2	9.9	11.6	13.0
Net Interest	12	15	11	11
Other Income	62	200	100	100
Profit Before Tax	2,021	1,620	2,035	2,602
Margin (%)	12.5	11.2	12.1	13.5
Total Tax	529	421	529	676
Effective tax rate (%)	26.2	26.0	26.0	26.0
Profit after tax	1,492	1,198	1,506	1,925
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,492	1,198	1,506	1,925
YoY gr. (%)	(15.3)	(19.7)	25.7	27.8
Margin (%)	9.2	8.3	9.0	10.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,492	1,198	1,506	1,925
YoY gr. (%)	(15.3)	(19.7)	25.7	27.8
Margin (%)	9.2	8.3	9.0	10.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,492	1,198	1,506	1,925
Equity Shares O/s (m)	167	167	167	167
EPS (Rs)	9.0	7.2	9.0	11.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	12,527	12,927	13,227	13,527
Tangibles	12,408	12,808	13,108	13,408
Intangibles	120	120	120	120
Acc: Dep / Amortization	3,653	4,231	4,825	5,433
Tangibles	3,565	4,143	4,738	5,346
Intangibles	88	88	88	88
Net fixed assets	8,875	8,696	8,402	8,094
Tangibles	8,843	8,664	8,370	8,062
Intangibles	32	32	32	32
Capital Work In Progress	86	86	86	86
Goodwill	-	-	-	-
Non-Current Investments	692	692	692	692
Net Deferred tax assets	(1,109)	(1,109)	(1,109)	(1,109)
Other Non-Current Assets	107	107	107	107
Current Assets				
Investments	1,763	1,763	1,763	1,763
Inventories	2,849	2,578	2,977	3,424
Trade receivables	3,460	3,180	3,673	4,224
Cash & Bank Balance	574	1,694	2,983	4,037
Other Current Assets	154	138	160	184
Total Assets	18,572	18,946	20,856	22,625
Equity				
Equity Share Capital	1,666	1,666	1,666	1,666
Other Equity	13,855	14,554	15,560	16,985
Total Networkth	15,521	16,219	17,226	18,651
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	162	162	162	162
Other non current liabilities	68	68	68	68
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,273	994	1,837	2,112
Other current liabilities	439	394	455	523
Total Equity & Liabilities	18,572	18,946	20,856	22,625

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	2,021	1,620	2,035	2,602
Add. Depreciation	557	578	594	608
Add. Interest	12	15	11	11
Less Financial Other Income	62	200	100	100
Add. Other	(61)	(200)	(100)	(100)
Op. profit before WC changes	2,529	2,013	2,541	3,121
Net Changes-WC	796	249	(19)	(688)
Direct tax	(505)	(426)	(522)	(669)
Net cash from Op. activities	2,820	1,836	2,000	1,764
Capital expenditures	(294)	(400)	(300)	(300)
Interest / Dividend Income	25	200	100	100
Others	(1,899)	-	-	-
Net Cash from Inv. activities	(2,168)	(200)	(200)	(200)
Issue of share cap. / premium	12	(1)	-	-
Debt changes	-	-	-	-
Dividend paid	(500)	(500)	(500)	(500)
Interest paid	(12)	(15)	(11)	(11)
Others	(37)	-	-	-
Net cash from Fin. activities	(538)	(516)	(511)	(511)
Net change in cash	114	1,120	1,289	1,054
Free Cash Flow	2,523	1,436	1,700	1,464

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	3,927	3,967	3,509	3,406
YoY gr. (%)	(15.1)	(22.1)	(9.9)	4.6
Raw Material Expenses	2,335	2,274	1,982	1,828
Gross Profit	1,592	1,693	1,527	1,578
Margin (%)	40.5	42.7	43.5	46.3
EBITDA	497	555	453	477
YoY gr. (%)	(55.4)	(46.3)	(27.0)	26.5
Margin (%)	12.7	14.0	12.9	14.0
Depreciation / Depletion	139	129	131	132
EBIT	359	426	322	346
Margin (%)	9.1	10.7	9.2	10.1
Net Interest	3	4	3	5
Other Income	29	50	46	61
Profit before Tax	385	472	365	402
Margin (%)	9.8	11.9	10.4	11.8
Total Tax	102	129	94	104
Effective tax rate (%)	26.5	27.3	25.7	25.9
Profit after Tax	283	343	272	298
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	283	343	272	298
YoY gr. (%)	(58.9)	(48.4)	(24.0)	59.9
Margin (%)	7.2	8.6	7.7	8.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	283	343	272	298
YoY gr. (%)	(58.9)	(48.4)	(24.0)	59.9
Margin (%)	7.2	8.6	7.7	8.7
Other Comprehensive Income	(188)	170	697	-
Total Comprehensive Income	95	513	969	298
Avg. Shares O/s (m)	167	167	167	167
EPS (Rs)	1.7	2.1	1.6	1.8

Source: Company Data, PL Research

Key Financial Metrics

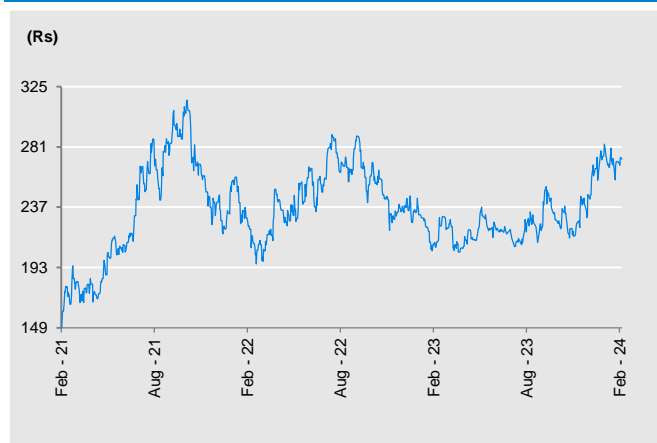
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	9.0	7.2	9.0	11.6
CEPS	12.3	10.7	12.6	15.2
BVPS	93.1	97.4	103.4	112.0
FCF	15.1	8.6	10.2	8.8
DPS	3.0	3.0	3.0	3.0
Return Ratio(%)				
RoCE	13.1	9.0	11.6	14.0
ROIC	10.7	8.2	11.4	14.7
RoE	10.0	7.6	9.0	10.7
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	114	120	105	105
Valuation(x)				
PER	30.2	37.5	29.9	23.4
P/B	2.9	2.8	2.6	2.4
P/CEPS	22.0	25.3	21.4	17.8
EV/EBITDA	16.9	20.6	15.8	12.6
EV/Sales	2.6	2.9	2.4	2.0
Dividend Yield (%)	1.1	1.1	1.1	1.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales Volume Growth (%)	(4.7)	2.0	10.0	15.0
Avg Realisations Growth (%)	7.9	(12.0)	5.0	
EBITDA (Rs/kg)	48.8	38.1	42.0	46.0
Capex (Rs bn)	0.3	0.4	0.3	0.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	Reduce	236	274
2	07-Dec-23	Reduce	226	246
3	03-Nov-23	Hold	226	216
4	09-Oct-23	Hold	228	226
5	02-Aug-23	Hold	230	228
6	30-May-23	Hold	210	215
7	13-Apr-23	Accumulate	240	220
8	15-Mar-23	Accumulate	240	206
9	15-Feb-23	Accumulate	250	218

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	584	629
2	Bharat Petroleum Corporation	Sell	381	504
3	Bharti Airtel	Accumulate	1,225	1,134
4	Clean Science and Technology	Hold	1,425	1,461
5	Deepak Nitrite	Reduce	1,881	2,451
6	Fine Organic Industries	Hold	4,575	4,496
7	GAIL (India)	Reduce	157	172
8	Gujarat Fluorochemicals	Hold	3,727	3,616
9	Gujarat Gas	Hold	473	505
10	Gujarat State Petronet	Accumulate	374	334
11	Hindustan Petroleum Corporation	Sell	284	432
12	Indian Oil Corporation	Sell	100	143
13	Indraprastha Gas	Hold	382	405
14	Jubilant Ingrevia	Hold	433	439
15	Laxmi Organic Industries	Sell	221	271
16	Mahanagar Gas	Reduce	1,124	1,345
17	Mangalore Refinery & Petrochemicals	Sell	106	134
18	Navin Fluorine International	Accumulate	3,727	3,262
19	NOCIL	Reduce	236	274
20	Oil & Natural Gas Corporation	BUY	259	216
21	Oil India	Hold	379	380
22	Petronet LNG	Sell	212	268
23	Reliance Industries	Accumulate	2,912	2,735
24	SRF	Reduce	2,127	2,320
25	Vinati Organics	Accumulate	1,885	1,741

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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