

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	NOCIL IN
Equity Shares (m)	166
M.Cap.(INRb)/(USDb)	42.3 / 0.5
52-Week Range (INR)	321 / 191
1, 6, 12 Rel. Per (%)	16/12/13
12M Avg Val (INR M)	379

Financials & Valuations (INR bn)

Y/E March	FY22	FY23E	FY24E
Sales	15.7	17.5	18.8
EBITDA	2.8	2.9	3.5
PAT	1.8	1.9	2.3
EPS (INR)	10.6	11.2	13.9
EPS Gr. (%)	103	6	24
BV/Sh.(INR)	86	93	101

Ratios

Net D:E	(0.0)	(0.1)	(0.1)
RoE (%)	13.0	12.6	14.3
RoCE (%)	12.2	11.8	13.5
Payout (%)	28.4	40.0	40.0

Valuations

P/E (x)	24.1	22.6	18.3
P/BV (x)	3.0	2.7	2.5
EV/EBITDA (x)	14.9	14.1	11.4
Div. Yield (%)	1.2	1.8	2.2
FCF Yield (%)	(1.5)	3.6	5.2

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	33.9	33.9	33.9
DII	4.3	4.5	5.2
FII	2.5	2.7	2.2
Others	59.4	58.9	58.7

FII Includes depository receipts

CMP: INR254
TP: INR306 (+20%)
Buy

Margin expands amidst price hikes

- NOCIL reported a beat on our EBITDA estimate (at INR80/kg, +121% QoQ), with an improvement in realization to INR336/kg (+19% QoQ). Raw material costs in 4QFY22 were higher; however, higher-than-expected realization drove the beat. Volumes declined 9% YoY, but were flat QoQ at 13.8kmt.
- The management's focus will be on growing its volumes further, which it has been successfully doing. **We expect volumes sold to report 20% CAGR over FY22-24, with the company achieving 70% YoY revenue growth in FY22.**
- **There is an ongoing Anti-Dumping Duty (ADD) investigation on three of NOCIL's products**, even though the Center did not accept DGTR's recommendation for imposing ADD on one of its key product PX-13 in 2QFY22. These products could contribute significant revenue to the overall business.
- **Our model builds in an EBITDA/kg of INR45 for FY23-24E**, as capacity ramps up and raw material prices normalize from the current higher levels. Some commodity prices (such as Aniline) have already started normalizing.
- **The management believes that the optimal utilization for its expanded capacity (of 110ktpa) will be achieved by 1HFY24E.** Though conservative, we expect the same by the end of FY24 (translating into a volume CAGR of ~20%). We forecast a revenue/EPS CAGR of 9%/15% over FY22-24. Management also guides for debottlenecking of the capacity, which may add further volume growth in the future.
- **Valuing NOCIL at 22x FY24E EPS, we arrive at our TP of INR306. We reiterate our BUY rating with a 20% potential upside.**

Lower-than-expected RM cost drives beat

- Revenue came in higher than our estimate, at INR4.6b (+44% YoY, +19% QoQ). Gross margin expanded QoQ to ~50% (from 44% in 4QFY21)
- EBITDA was 93% higher than our estimate, at INR1.1b (+120% YoY, +121% QoQ). EBITDA margin was at 23.9% (v/s 12.8%/15.6% in 3QFY22/4QFY21).
- PAT stood at INR685m (+90% YoY, +129% QoQ)
- **In FY22, EBITDA stood at INR2.8b (+124% YoY) – EBITDA margin was at 18% (+430bp YoY) with a PAT of INR1.8b (+103% YoY).**
- NOCIL declared a final dividend of INR3/share for FY22.

Valuation and view – Maintain BUY

- **The management guided for debottlenecking of its existing units in the near term**, even as it evaluates its plans for the next three-to-five years. Specialized products constituted 25% of total revenue with limited room for expansion (industry standard is 12%).
- The Indian Tyre industry is expected to grow 7-9% in volume terms in FY23. Domestic Tyre companies are planning to ramp up production, with a planned capex of INR200b over the next three years.
- The stock is trading at 18x FY24E EPS of INR14 and 11x FY24E EV/EBITDA, with an asset turnover of ~1x (which is set to rise to 1.1x in FY24E). We expect return ratios to recover to 11-14% by FY23-24E (up from 7% in FY21). We maintain our **BUY** rating on the stock.

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

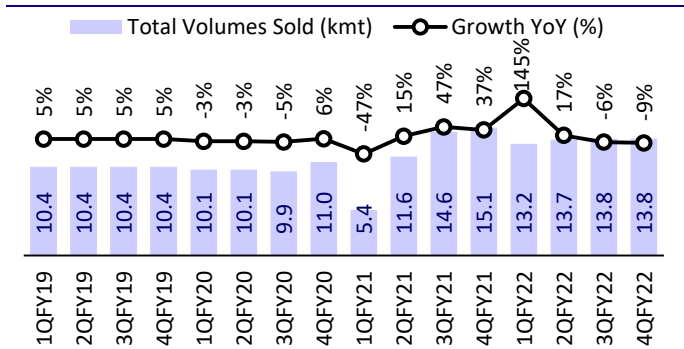
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Standalone - Quarterly Earning Model

(INR m)

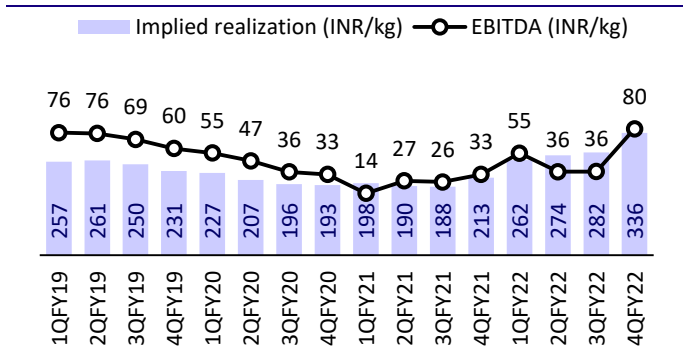
Y/E March	FY21				FY22				FY21	FY22	FY22	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Gross Sales	1,065	2,216	2,746	3,220	3,445	3,752	3,889	4,627	9,247	15,713	4,277	8%
YoY Change (%)	-53.6	5.7	41.3	51.4	223.4	69.3	41.6	43.7	9.3	69.9	32.8	
Gross Margin (%)	49%	48%	43%	44%	49%	41%	41%	50%	45%	45%	42%	8%
EBITDA	75	312	372	503	727	495	500	1,105	1,262	2,826	573	93%
Margin (%)	7.0	14.1	13.6	15.6	21.1	13.2	12.8	23.9	13.6	18.0	13.4	10.5
Depreciation	88	88	88	98	102	104	105	160	361	471	114	41%
Interest	3	3	2	2	2	2	3	4	10	11	3	42%
Other Income	106	9	12	22	10	22	9	11	150	51	13	-16%
PBT before EO expense	91	231	295	426	632	411	400	952	1,042	2,396	469	103%
PBT	91	231	295	426	632	411	400	952	1,042	2,396	469	103%
Tax	-27	64	74	66	161	106	102	268	177	636	118	
Rate (%)	-29.7	27.8	25.1	15.4	25.5	25.8	25.3	28.1	17.0	26.6	25.2	
Reported PAT	118	166	221	360	471	305	299	685	865	1,760	351	95%
YoY Change (%)	-64.0	-69.9	6.8	60.8	300.3	83.4	35.4	90.1	-34.0	103.4	-2.4	
Margin (%)	11.0	7.5	8.0	11.2	13.7	8.1	7.7	14.8	9.4	11.2	8.2	6.6
Operating metrics												
Total Volume Sold (mt)	5,366	11,644	14,580	15,086	13,163	13,669	13,770	13,770	46,676	54,371	14,010	-2%

Exhibit 1: Sales volumes was flat QoQ



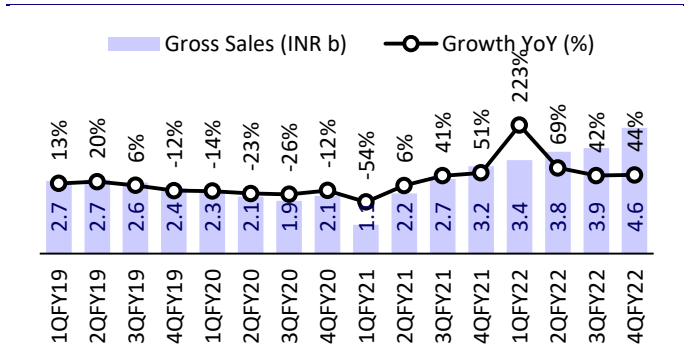
Source: Company, MOFSL

Exhibit 2: EBITDA/mt was at INR80 for 4QFY22



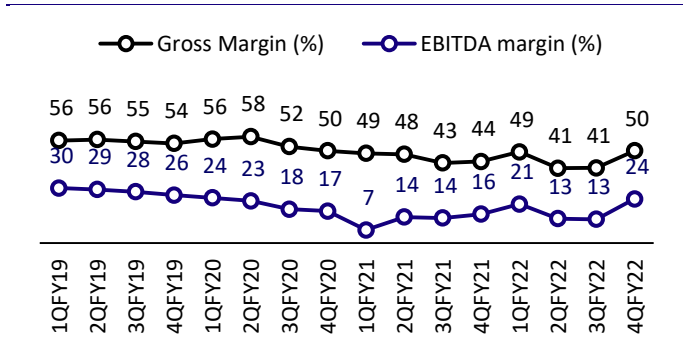
Source: Company, MOFSL

Exhibit 3: Sales rose 19% QoQ, with better realization/mt (improves to INR336/kg)

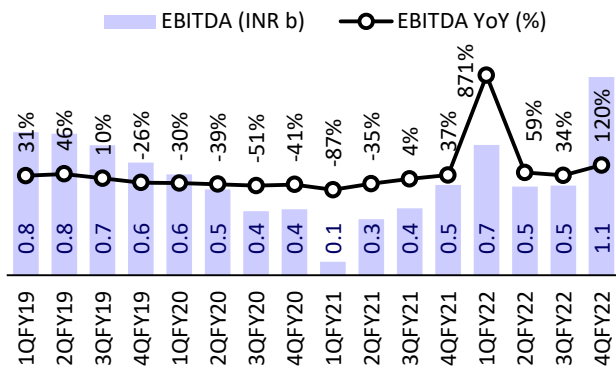


Source: Company, MOFSL

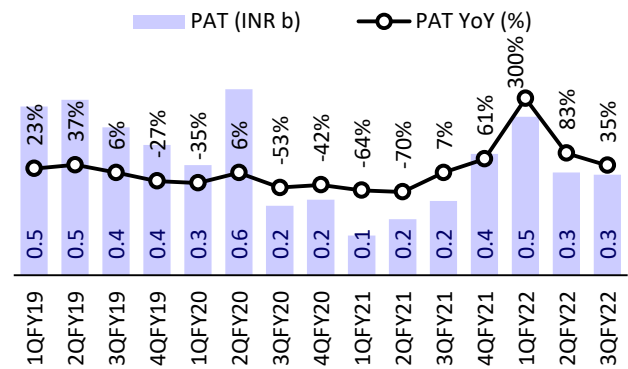
Exhibit 4: Gross/EBITDA margin improved backed by inventory gain in 4QFY22



Source: Company, MOFSL

Exhibit 5: EBITDA up 138% QoQ (EBITDA margin at 23.9%)

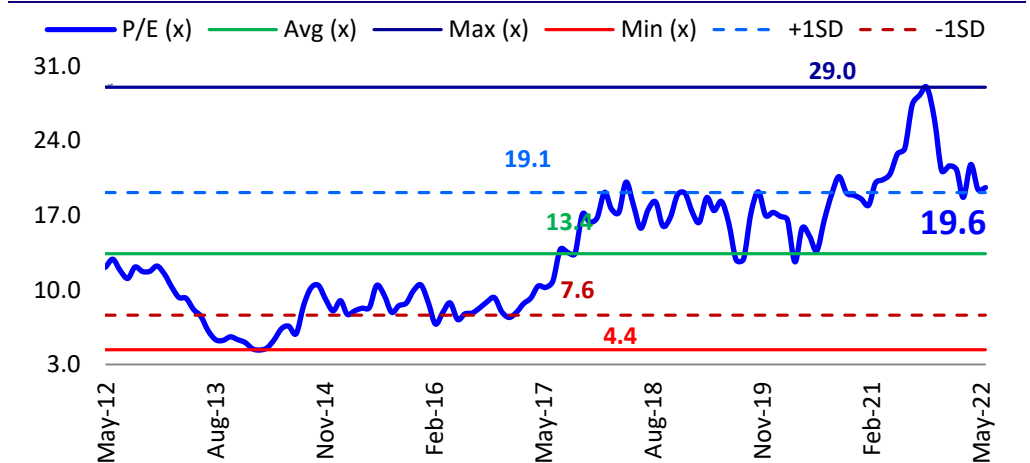
Source: Company, MOFSL

Exhibit 6: PAT grew 129% QoQ (PAT margin at 14.8%)

Source: Company, MOFSL

Highlights from the management commentary

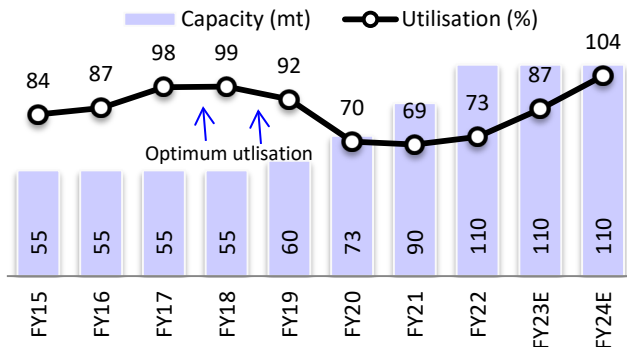
- Sharp increase in crude and Benzene prices along with increase in spread between Benzene and its derivatives led to increase in raw material prices QoQ. Exports decline marginally due to logistical issues. Price hikes were implemented in 4QFY22.
- The Indian Tyre industry is expected to grow by 7-9% in volume terms in FY23. Capex of more than INR200b over the next three years by Tyre companies bodes well for NOCIL.
- The replacement tyre market demand was strong with exports of tyres to Europe and US being robust. Demand from Asian region was down.
- Revenue mix for FY22 stood at 64:36 for domestic: exports. The company is taking measures for mitigating supply chain disruptions by encouraging local supplies in alignment with Atma Nirbhar mission.
- Global Rubber consumption grew 11% in CY21 v/s de-growth of 6.7% in CY20. Volume growth for NOCIL is 3x that of the industry. Its domestic market share has increased to ~42% from 35% prior to the COVID-19 outbreak.
- The management's earlier guidance of full capacity utilization by Sep'23 stays intact. Capex on debottlenecking is being looked at right now, along with capex for new capacity expansions that would be announced later. Maintenance capex is expected to be ~INR350m.

Exhibit 7: On a one-year forward P/E, NOCIL trades at 19.6x

Source: Company, MOFSL

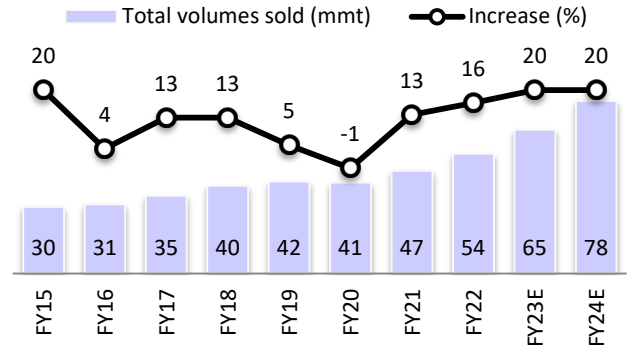
Financial story in charts

Exhibit 8: Expect optimal capacity utilization by FY24E...



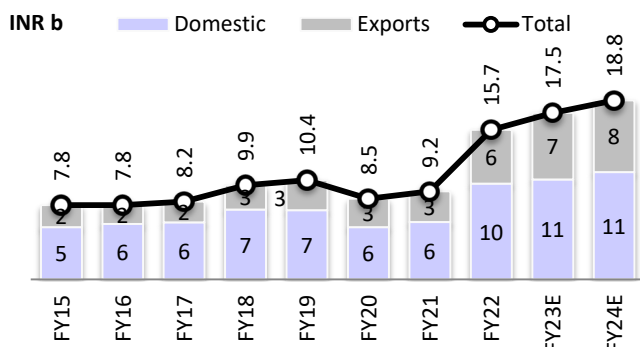
Source: Company, MOFSL

Exhibit 9: ...with ~20% YoY volume CAGR over FY22-24E



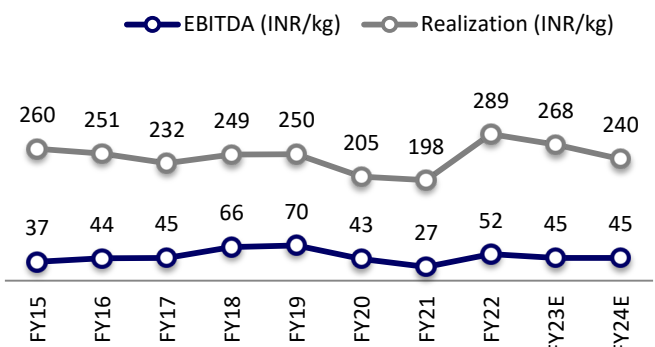
Source: Company, MOFSL

Exhibit 10: Exports to constitute ~40% of total revenue



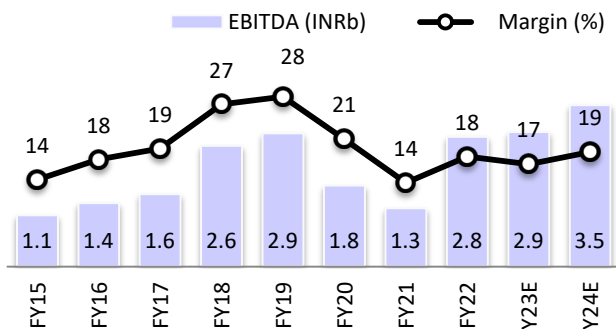
Source: Company, MOFSL

Exhibit 11: Realization/mt and EBITDA/mt snapshot



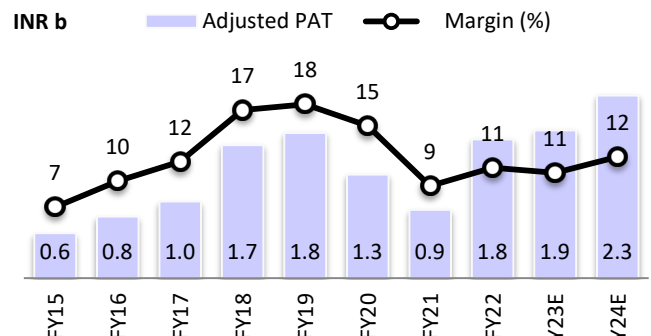
Source: Company, MOFSL

Exhibit 12: Expect EBITDA margin to improve to 19% in FY24E



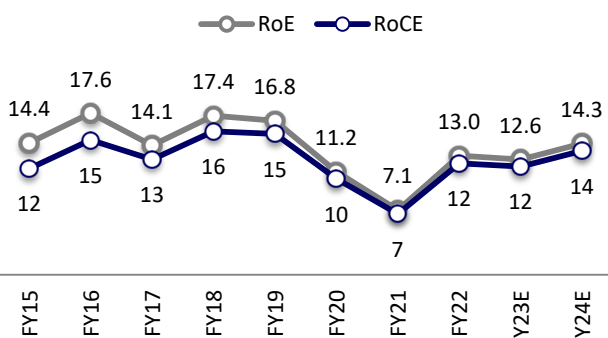
Source: Company, MOFSL

Exhibit 13: Expect PAT to grow by ~2.6x by FY24E (from FY21)



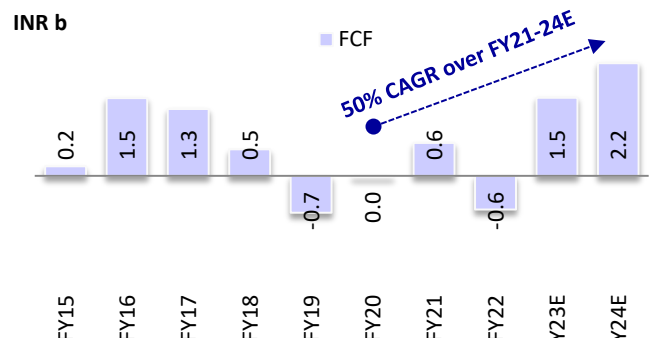
Source: Company, MOFSL

Exhibit 14: Expect return ratios to improve to ~14x in FY24E



Source: Company, MOFSL

Exhibit 15: ...with strong FCF CAGR of 50% over FY21-24E



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	8,183	9,893	10,429	8,463	9,247	15,713	17,509	18,791
Change (%)	3.8	20.9	5.4	-18.9	9.3	69.9	11.4	7.3
Gross Margin (%)	56.1	55.5	55.2	54.2	45.4	45.3	41.0	45.8
EBITDA	1,580	2,629	2,903	1,765	1,269	2,829	2,936	3,523
Margin (%)	19.3	26.6	27.8	20.8	13.7	18.0	16.8	18.8
Depreciation	187	229	230	324	361	471	475	520
EBIT	1,393	2,400	2,673	1,440	909	2,358	2,461	3,004
Int. and Finance Charges	22	12	6	13	10	11	11	11
Other Income	91	143	100	97	143	48	53	100
PBT bef. EO Exp.	1,462	2,531	2,767	1,524	1,042	2,396	2,503	3,093
PBT after EO Exp.	1,462	2,531	2,767	1,524	1,042	2,396	2,503	3,093
Total Tax	494	845	926	214	177	636	630	778
Tax Rate (%)	33.8	33.4	33.5	14.1	17.0	26.6	25.2	25.2
Reported PAT	968	1,686	1,841	1,310	865	1,760	1,873	2,314
Adjusted PAT	968	1,686	1,841	1,310	865	1,760	1,873	2,314
Change (%)	24.6	74.1	9.2	-28.9	-34.0	103.4	6.5	23.6
Margin (%)	11.8	17.0	17.7	15.5	9.4	11.2	10.7	12.3

Standalone - Balance Sheet

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	1,636	1,645	1,654	1,656	1,662	1,666	1,666	1,666
Total Reserves	7,415	8,730	9,876	10,104	11,073	12,673	13,797	15,186
Net Worth	9,050	10,374	11,531	11,760	12,735	14,339	15,463	16,851
Total Loans	150	50	0	0	0	0	0	0
Deferred Tax Liabilities	1,025	1,003	1,054	887	956	1,028	1,028	1,028
Capital Employed	10,226	11,427	12,584	12,647	13,691	15,367	16,491	17,879
Gross Block	6,653	6,569	8,050	9,789	11,374	11,783	11,983	12,183
Less: Accum. Deprn.	1,509	1,576	1,787	2,111	2,472	2,943	3,418	3,938
Net Fixed Assets	5,144	4,994	6,263	7,678	8,902	8,840	8,565	8,245
Capital WIP	31	392	1,305	1,563	140	86	86	86
Total Investments	2,014	3,020	1,487	726	826	669	669	669
Curr. Assets, Loans, and Adv.	4,291	4,750	5,223	4,312	6,122	8,567	10,285	12,222
Inventory	1,143	1,550	1,704	1,361	1,653	3,326	3,706	3,977
Account Receivables	1,665	2,434	2,322	2,032	3,086	4,498	5,013	5,379
Cash and Bank Balance	1,135	276	389	128	797	154	911	2,161
Loans and Advances	347	491	808	791	587	589	656	704
Curr. Liability and Prov.	1,255	1,729	1,694	1,633	2,297	2,795	3,115	3,343
Account Payables	810	1,139	988	892	1,710	2,174	2,422	2,599
Other Current Liabilities	243	397	502	511	378	414	462	496
Provisions	202	193	204	230	210	207	231	248
Net Current Assets	3,036	3,022	3,529	2,680	3,824	5,771	7,171	8,879
Appl. of Funds	10,225	11,427	12,584	12,647	13,691	15,367	16,491	17,879

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	5.8	10.1	11.1	7.9	5.2	10.6	11.2	13.9
EPS Growth (%)	24.6	74.1	9.2	-28.9	-34.0	103.0	6.5	23.6
Cash EPS	6.9	11.5	12.5	9.8	7.4	13.4	14.1	17.0
BV/Share	54.4	62.4	69.4	70.8	76.6	86.1	92.8	101.2
DPS	1.2	1.8	2.5	4.5	2.5	3.0	4.5	5.6
Payout (%)	24.0	21.0	27.0	76.0	48.1	28.4	40.0	40.0
Valuation (x)								
P/E	43.7	25.1	23.0	32.3	48.9	24.1	22.6	18.3
Cash P/E	36.6	22.1	20.4	25.9	34.5	19.0	18.1	15.0
P/BV	4.7	4.1	3.7	3.6	3.3	3.0	2.7	2.5
EV/Sales	5.1	4.3	4.0	5.0	4.5	2.7	2.4	2.1
EV/EBITDA	26.2	16.0	14.4	23.9	32.7	14.9	14.1	11.4
Dividend Yield (%)	0.5	0.7	1.0	1.8	1.0	1.2	1.8	2.2
FCF per share	7.8	3.1	-4.3	-0.1	3.9	-3.9	9.1	13.1
Return Ratios (%)								
RoE	14.1	17.4	16.8	11.2	7.1	13.0	12.6	14.3
RoCE	12.6	15.6	15.4	10.5	6.6	12.2	11.8	13.5
RoIC	15.6	21.6	20.7	12.6	6.8	13.1	12.6	15.1
Working Capital Ratios								
Fixed Asset Turnover (x)	2.0	2.0	1.9	1.2	1.1	1.8	2.0	2.2
Asset Turnover (x)	0.8	0.9	0.8	0.7	0.7	1.0	1.1	1.1
Inventory (Days)	51	57	60	59	65	77	77	77
Debtor (Days)	74	90	81	88	122	104	104	104
Creditor (Days)	36	42	35	38	67	50	50	50
Leverage Ratio (x)								
Current Ratio	3.4	2.7	3.1	2.6	2.7	3.1	3.3	3.7
Interest Coverage Ratio	62.7	196.7	424.3	109.1	94.6	220.4	230.0	280.7
Net Debt/Equity ratio	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.1	-0.1

Standalone - Cash Flow

Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	1,462	2,531	2,767	1,524	1,042	2,396	2,503	3,093
Depreciation	187	229	230	324	361	471	475	520
Others	-62	-73	-80	-82	-126	-44	11	11
Direct Taxes Paid	-454	-802	-878	-510	-1	-591	-630	-778
(Inc.)/Dec. in WC	269	-901	-400	515	-372	-2,549	-642	-458
CF from Operations	1,402	984	1,638	1,772	904	-318	1,717	2,386
Others								
CF from Operating incl EO								
(Inc.)/Dec. in FA	-106	-470	-2,351	-1,790	-262	-330	-200	-200
Free Cash Flow	1,296	514	-713	-18	642	-647	1,517	2,186
Other investing activity	27	-908	1,334	746	-325	658	0	0
CF from Investments	-79	-1,379	-1,017	-1,044	-586	328	-200	-200
Issue of Shares	57	41	5	0	0	29	0	0
Inc./(Dec.) in Debt	-109	-100	-50	0	0	0	0	0
Interest Paid	-23	-13	-7	-9	-4	-6	-11	-11
Dividend Paid	-230	-350	-490	-980	-7	-332	-749	-926
Others	-9	2	41	-15	51	-27	0	0
CF from Fin. Activity	-315	-420	-501	-1,004	40	-336	-760	-936
Inc./Dec. in Cash	1,008	-814	120	-276	358	-325	757	1,250
Opening Balance	47	1,055	240	360	84	441	116	873
Closing Balance	1,055	240	360	84	441	116	873	2,123

NOTES

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