

NOCIL

Subdued demand in export markets

Our BUY recommendation on NOCIL with a TP of INR 267 is premised on (1) a ramp-up in capacity utilisation and (2) expansion of margin with a focus on specialised rubber chemicals. Q1 EBITDA/PAT were 10/5% below our estimates, owing to an 8% fall in revenue, higher-than-expected other expenses, higher-than-expected tax outgo, offset by lower-than-expected raw material cost and higher-than-expected other income.

- Financial performance:** Revenue remained flattish sequentially at INR 4bn. Volumes fell by 2% sequentially, offset by realisations that grew by 2% sequentially in the quarter. Export volumes slowed down owing to the global recessionary trends. Domestic volumes improved marginally in Q1. EBITDA grew 11% sequentially to INR 0.5bn, with EBITDA margin coming in at 13.7% (+122/-618bps QoQ/YoY) on account of softening of raw material prices.
- Key con call takeaways:** (1) The domestic market continues to be robust, whereas the export market is showing pain. Asian and American markets are continuing to hold strong demand, whereas the European market is witnessing weak demand. Owing to the reduced domestic demand in China, the Chinese are dumping rubber chemicals aggressively worldwide at present. This is leading to a drastic reduction in product realisations. (2) The company's plants operated at an average capacity utilisation of 65% in Q1. (3) Exports formed 31% of the total revenue in Q1. (4) Speciality volumes contribute ~25% to the total volumes of the company.
- Change in estimates:** We cut our FY24/25E EPS estimates by 8.2/8.9% to INR 9.0/12.4 to factor in the subdued export demand owing to the global recessionary scenario, reduced realisations due to the Chinese dumping, and the overall performance in Q1FY24.
- DCF-based valuation:** Our price target is INR 267 (WACC 12%, terminal growth 4%). The stock is trading at 18x FY25E EPS.

Financial summary (standalone)

INR mn	Q1 FY24	Q4 FY23	QoQ (%)	Q1 FY23	YoY (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	3,967	3,927	1.0	5,089	(22.1)	15,713	16,166	15,969	18,364	20,660
EBITDA	544	490	10.9	1,012	(46.3)	2,829	2,490	2,486	3,298	3,780
APAT	336	284	18.3	656	(48.8)	1,759	1,487	1,493	2,073	2,407
AEPS (INR)	2.0	1.7	18.3	3.9	(48.8)	10.6	8.9	9.0	12.4	14.4
P/E (x)						21.6	25.5	25.4	18.3	15.7
EV/EBITDA(x)						13.3	14.3	13.9	10.4	8.9
RoE (%)						13.0	10.0	9.4	12.3	13.2

Source: Company, HSIE Research

Change in estimates (standalone)

Y/E Mar	FY24E Old	FY24E New	% Ch	FY25E Old	FY25E New	% Ch
EBITDA (INR mn)	2,670	2,486	(6.9)	3,570	3,298	(7.6)
Adj. EPS (INR/sh)	9.8	9.0	(8.2)	13.7	12.4	(8.9)

Source: Company, HSIE Research

BUY

CMP (as on 01 Aug 2023)	INR 228
Target Price	INR 267
NIFTY	19,734
KEY CHANGES	OLD
Rating	BUY
Price Target	INR 280
EPS %	FY24E
	-8.2%
	FY25E
	-8.9%

KEY STOCK DATA

Bloomberg code	NOCIL IN
No. of Shares (mn)	167
MCap (INR bn) / (\$ mn)	38/464
6m avg traded value (INR mn)	103
52 Week high / low	INR 295/199

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	7.0	11.3	(16.5)
Relative (%)	(1.8)	(0.0)	(30.9)

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	33.84	33.84
FIs & Local MFs	5.51	4.70
FPIs	5.39	5.44
Public & Others	55.26	56.02
Pledged Shares	3.53	3.53

Source: BSE

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