

August 9, 2024

Q1FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	REDUCE		REDUCE	
Target Price	262		268	
Sales (Rs. m)	15,472	17,212	15,472	17,212
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,930	2,386	2,041	2,816
% Chng.	(5.4)	(15.3)	-	-
EPS (Rs.)	7.2	9.0	7.4	10.7
% Chng.	(3.6)	(15.7)	-	-

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	16,166	14,447	15,472	17,212
EBITDA (Rs. m)	2,528	1,950	1,930	2,386
Margin (%)	15.6	13.5	12.5	13.9
PAT (Rs. m)	1,492	1,330	1,191	1,503
EPS (Rs.)	9.0	8.0	7.2	9.0
Gr. (%)	(15.3)	(10.8)	(10.4)	26.2
DPS (Rs.)	3.0	3.0	3.0	3.0
Yield (%)	1.0	1.0	1.0	1.0
RoE (%)	10.0	8.2	7.0	8.6
RoCE (%)	13.1	8.8	8.1	10.3
EV/Sales (x)	3.0	3.2	3.0	2.7
EV/EBITDA (x)	19.0	23.9	24.3	19.6
PE (x)	33.8	37.9	42.3	33.5
P/BV (x)	3.2	3.0	3.0	2.8

Key Data

NOCI.BO | NOCIL IN

52-W High / Low	Rs.336 / Rs.210
Sensex / Nifty	79,706 / 24,368
Market Cap	Rs.50bn/ \$ 601m
Shares Outstanding	167m
3M Avg. Daily Value	Rs.479.77m

Shareholding Pattern (%)

Promoter's	33.84
Foreign	7.77
Domestic Institution	4.45
Public & Others	53.94
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.4	14.3	35.7
Relative	2.2	2.6	12.4

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Muted domestic demand to persist

Quick Pointers:

- Increasing Chinese imports continue to impact prices & volumes, remains a key concern
- Overall capacity utilization at 70%; utilization varies across products

NOCIL reported topline of Rs3.7bn (PLe: Rs3.8bn), a decline of 6.2% YoY, due to subdued realization amid aggressive dumping by Chinese peers. As per our calculation, average realization remained flattish QoQ at Rs256/kg, but declined 13% YoY. EBITDAM was also impacted due to higher employee cost and rising raw material cost, especially aniline prices, which have been on an uptrend recently. Volumes in the domestic market continue to be impacted, but the management stated that volumes in export markets have shown a growth trajectory. Overall, capacity utilization stands at 70%, though there is significant variation across products. The company is undertaking Rs2.5bn capex to expand capacities of rubber chemical products that are running at higher utilization. These capacities will come online in H2FY27, and overall, peak utilization is unlikely to be reached within the next 1.5 to 2 years. We believe the company's performance will continue to be impacted by near-term headwinds. The stock is currently trading at ~33x FY26E EPS. We maintain 'Reduce' rating with a TP of Rs262, valuing the company at 29x FY26 EPS.

- Volumes grow by 4% QoQ:** Consolidated revenue stood at Rs3.7bn, -6.2% YoY/ 4.4% QoQ (PLe: Rs3.8bn, Consensus: Rs3.9bn). Gross profit margin was at 41.6% (vs 42.7% in Q1FY24 and 42.1% in Q4FY24), down 50bps QoQ due to modest increase in raw material cost.
- EBITDA margin shrinks by 300bps YoY:** EBITDA decreased 26% YoY and 8% QoQ to Rs411mn (PLe: Rs510mn, Consensus: Rs523mn). EBITDAM stood at 11% (PLe: 13.2%) as against a margin of 14% in Q1FY24 and 12.5% in Q4FY24, due to significant increase in employee expense related to annual revision of salaries and increase in retiral benefits. Reported PAT stood at Rs271mn, down 21% YoY/ 35% QoQ, due to lower other income and higher sequential tax rate. PAT margins were at 7% vs 9% in Q1FY24 & 12% in Q4FY24.
- Concall takeaways:** (1) Volumes increased by 4% QoQ and 8% YoY. (2) Raw material cost increased QoQ; natural rubber prices are on an uptrend. (3) Indian tire industry is expected to grow in the mid-single digits in FY25. (4) Dahej capex is for products operating at higher utilization; project progress is at 10%-15%. (5) Overall utilization is 70%. (6) Employee expense increased significantly due to annual revision of salaries and increase in retiral benefits. (7) Domestic and export mix is at 66% and 34%, respectively. (8) OEMs sector is not doing well in Europe, but replacement sector demand is showing positive progress. (8) New power capacity is expected to reduce power and fuel cost from Q2FY25. (9) Product pipeline includes green rubber chemicals. (10) Some approvals that are pending at the customer end are expected to come this year.

Exhibit 1: Q1FY25 Result Overview - Consolidated (Rs mn)

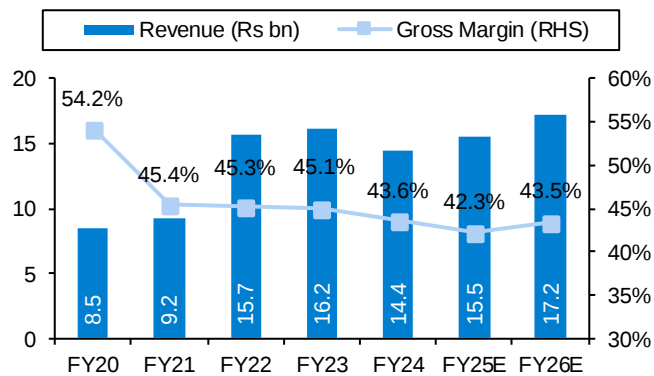
Y/e March	Q1FY25	Q1FY24	YoY gr. (%)	Q1FY25E	% Var.	Q4FY24	QoQ gr. (%)	FY25E	FY24	YoY gr. (%)
Net Sales	3,722	3,967	(6.2)	3,868	(3.8)	3,565	4.4	15,472	14,447	7.1
Gross Profit	1,547	1,693	(8.6)	1,666	(7.1)	1,500	3.2	6,551	6,296	4.1
Margin (%)	41.6	42.7		43.1		42.1		42.3	43.6	
EBITDA	411	555	(26.0)	510	(19.5)	446	(8.0)	1,930	1,950	(1.1)
Margin (%)	11.0	14.0		13.2		12.5		12.5	13.5	
Other Income	93	50		50	86.8	247	(62.2)	250	394	
Depreciation	132	129	1.9	139	(5.4)	133	(1.1)	557	528	5.5
EBIT	372	475	(21.7)	421	(11.6)	560	(33.6)	1,623	1,816	(10.6)
Interest	5	4	21.1	3	67.3	4	9.5	11	16	(32.1)
PBT before excep	368	472	(22.1)	418	(12.1)	556	(33.9)	1,612	1,800	(10.4)
Total Tax	97	129	(24.6)	109	(11.2)	141	(31.0)	421	470	(10.4)
ETR (%)	26.4	27.3		26.1		25.3		26.1	26.1	
Adj. PAT	271	343	(21.1)	309	(12.4)	415	(34.9)	1,191	1,330	(10.4)
Exceptional Items	0	0		0		0		0	0	
PAT	271	343	(21.1)	309	(12.4)	415	(34.9)	1,191	1,330	(10.4)

Source: Company, PL

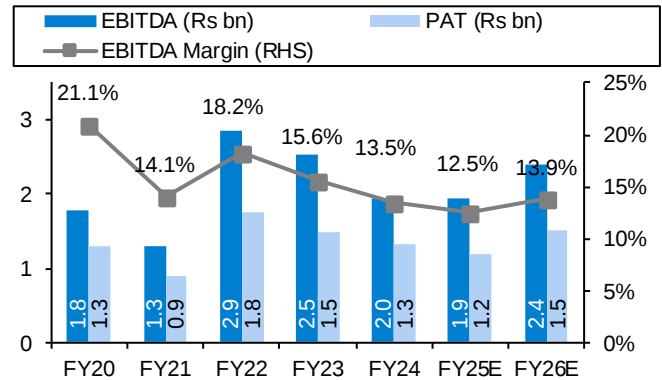
Exhibit 2: Segmental Details (Assumptions)

Y/e March	Q1FY25	Q1FY24	YoY gr. %	Q4FY24	QoQ gr. %	FY25E	FY24	YoY gr. %
Sales Volume (MT) – calculated	14,544	13,500	8%	13,985	4%	55,521	52,877	5.0%
Avg Realisation (Rs/ kg)	256	294	-13%	255	0%	279	273	2.0%
Gross Profit (Rs / kg)	106	125	-15%	107	-1%	118	119	-0.9%
EBITDA (Rs / kg)	28	41	-31%	32	-12%	35	37	-5.8%

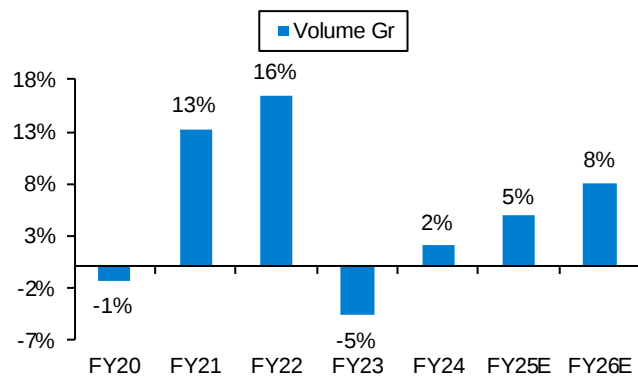
Source: Company, PL

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


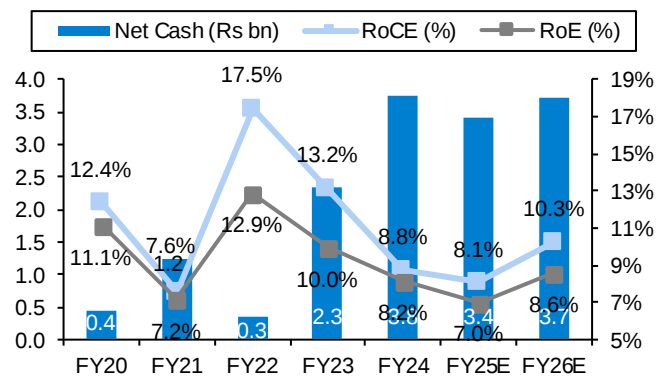
Source: Company, PL

Exhibit 4: Margins to hover around 14%


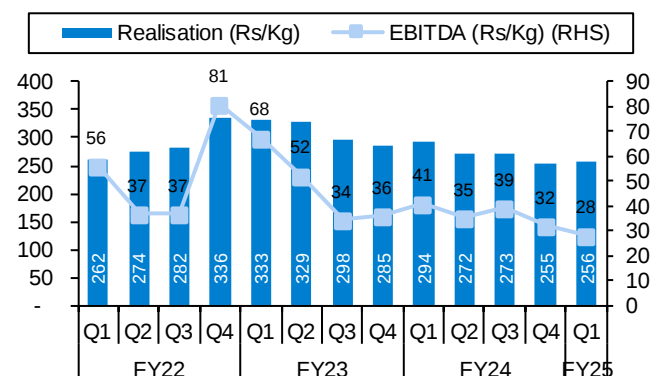
Source: Company, PL

Exhibit 5: 8% volume growth expected in FY26


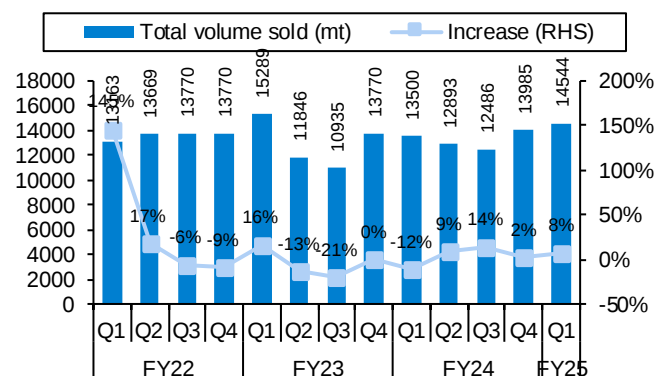
Source: Company, PL

Exhibit 6: Net Cash BS with improving ratios


Source: Company, PL

Exhibit 7: Average Realisation at 256 Rs/kg in Q1FY25


Source: Company, PL

Exhibit 8: Volumes improved 8% YoY in Q1FY25


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	16,166	14,447	15,472	17,212
YoY gr. (%)	2.9	(10.6)	7.1	11.2
Cost of Goods Sold	8,877	8,151	8,921	9,716
Gross Profit	7,289	6,296	6,551	7,495
Margin (%)	45.1	43.6	42.3	43.5
Employee Cost	875	921	986	1,064
Other Expenses	3,887	3,425	3,636	4,045
EBITDA	2,528	1,950	1,930	2,386
YoY gr. (%)	(11.7)	(22.8)	(1.1)	23.6
Margin (%)	15.6	13.5	12.5	13.9
Depreciation and Amortization	557	528	557	591
EBIT	1,971	1,423	1,373	1,796
Margin (%)	12.2	9.8	8.9	10.4
Net Interest	12	16	11	11
Other Income	62	394	250	250
Profit Before Tax	2,021	1,800	1,612	2,035
Margin (%)	12.5	12.5	10.4	11.8
Total Tax	529	470	421	531
Effective tax rate (%)	26.2	26.1	26.1	26.1
Profit after tax	1,492	1,330	1,191	1,503
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,492	1,330	1,191	1,503
YoY gr. (%)	(15.3)	(10.8)	(10.4)	26.2
Margin (%)	9.2	9.2	7.7	8.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,492	1,330	1,191	1,503
YoY gr. (%)	(15.3)	(10.8)	(10.4)	26.2
Margin (%)	9.2	9.2	7.7	8.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,492	1,330	1,191	1,503
Equity Shares O/s (m)	167	167	167	167
EPS (Rs)	9.0	8.0	7.2	9.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	12,527	12,874	13,674	14,474
Tangibles	12,408	12,755	13,555	14,355
Intangibles	120	120	120	120
Acc: Dep / Amortization	3,653	4,180	4,737	5,328
Tangibles	3,565	4,093	4,650	5,240
Intangibles	88	88	88	88
Net fixed assets	8,875	8,694	8,937	9,146
Tangibles	8,843	8,662	8,905	9,114
Intangibles	32	32	32	32
Capital Work In Progress	86	162	162	162
Goodwill	-	-	-	-
Non-Current Investments	692	1,462	1,456	1,456
Net Deferred tax assets	(1,109)	(1,249)	(1,249)	(1,249)
Other Non-Current Assets	107	76	76	76
Current Assets				
Investments	1,763	2,808	2,808	2,808
Inventories	2,849	2,228	2,749	3,058
Trade receivables	3,460	3,402	3,643	4,053
Cash & Bank Balance	574	955	619	915
Other Current Assets	154	275	148	164
Total Assets	18,572	20,152	20,609	21,851
Equity				
Equity Share Capital	1,666	1,667	1,666	1,666
Other Equity	13,855	15,319	15,319	16,322
Total Network	15,521	16,986	16,984	17,988
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	162	152	152	152
Other non current liabilities	68	109	109	109
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,273	1,181	1,696	1,886
Other current liabilities	439	476	420	467
Total Equity & Liabilities	18,572	20,152	20,609	21,851

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	2,021	1,800	1,612	2,035
Add. Depreciation	557	528	557	591
Add. Interest	12	16	11	11
Less Financial Other Income	62	394	250	250
Add. Other	(61)	(414)	(250)	(250)
Op. profit before WC changes	2,529	1,930	1,930	2,386
Net Changes-WC	796	481	(793)	(504)
Direct tax	(505)	(402)	(417)	(526)
Net cash from Op. activities	2,820	2,009	720	1,356
Capital expenditures	(294)	(169)	(800)	(800)
Interest / Dividend Income	25	122	250	250
Others	(1,899)	(727)	5	-
Net Cash from Invt. activities	(2,168)	(774)	(545)	(550)
Issue of share cap. / premium	12	1	(1)	-
Debt changes	-	-	-	-
Dividend paid	(500)	(501)	(500)	(500)
Interest paid	(12)	(16)	(11)	(11)
Others	(37)	(37)	-	-
Net cash from Fin. activities	(538)	(553)	(512)	(511)
Net change in cash	114	683	(336)	296
Free Cash Flow	2,523	1,655	(80)	556

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	9.0	8.0	7.2	9.0
CEPS	12.3	11.1	10.5	12.6
BVPS	93.1	101.9	102.0	108.0
FCF	15.1	9.9	(0.5)	3.3
DPS	3.0	3.0	3.0	3.0
Return Ratio(%)				
RoCE	13.1	8.8	8.1	10.3
ROIC	10.7	8.0	7.6	9.5
RoE	10.0	8.2	7.0	8.6
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	114	112	111	111
Valuation(x)				
PER	33.8	37.9	42.3	33.5
P/B	3.2	3.0	3.0	2.8
P/CEPS	24.6	27.1	28.8	24.1
EV/EBITDA	19.0	23.9	24.3	19.6
EV/Sales	3.0	3.2	3.0	2.7
Dividend Yield (%)	1.0	1.0	1.0	1.0

Source: Company Data, PL Research

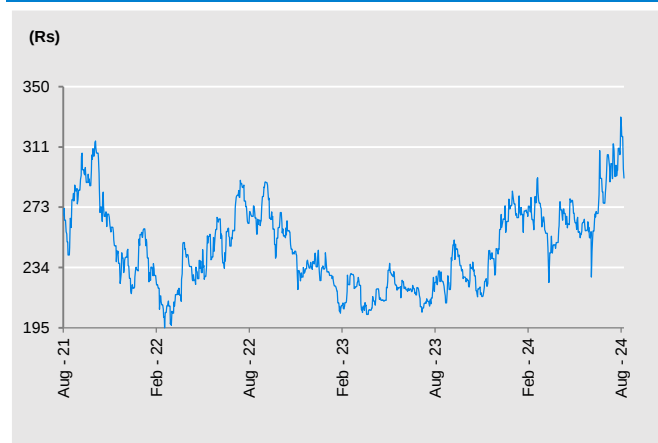
Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	3,509	3,406	3,565	3,722
YoY gr. (%)	(9.9)	4.6	(9.2)	(6.2)
Raw Material Expenses	1,982	1,830	2,065	2,175
Gross Profit	1,527	1,576	1,500	1,547
Margin (%)	43.5	46.3	42.1	41.6
EBITDA	453	489	446	411
YoY gr. (%)	(27.0)	29.5	(10.3)	(26.0)
Margin (%)	12.9	14.3	12.5	11.0
Depreciation / Depletion	131	135	133	132
EBIT	322	354	313	279
Margin (%)	9.2	10.4	8.8	7.5
Net Interest	3	5	4	5
Other Income	46	58	247	93
Profit before Tax	365	407	556	368
Margin (%)	10.4	11.9	15.6	9.9
Total Tax	94	107	141	97
Effective tax rate (%)	25.7	26.3	25.3	26.4
Profit after Tax	272	300	415	271
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	272	300	415	271
YoY gr. (%)	(24.0)	61.1	46.7	(21.1)
Margin (%)	7.7	8.8	11.7	7.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	272	300	415	271
YoY gr. (%)	(24.0)	61.1	46.7	(21.1)
Margin (%)	7.7	8.8	11.7	7.3
Other Comprehensive Income	697	-	(222)	778
Total Comprehensive Income	969	300	194	1,048
Avg. Shares O/s (m)	167	167	167	167
EPS (Rs)	1.6	1.8	2.5	1.6

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jul-24	Reduce	268	303
2	30-May-24	Reduce	224	260
3	09-Apr-24	Reduce	249	266
4	08-Feb-24	Reduce	254	270
5	08-Jan-24	Reduce	236	274
6	07-Dec-23	Reduce	226	246
7	03-Nov-23	Hold	226	216
8	09-Oct-23	Hold	228	226

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	634	718
2	Ashok Leyland	Accumulate	261	246
3	Bajaj Auto	Accumulate	10,326	9,718
4	Bharat Forge	Hold	1,615	1,672
5	Bharat Petroleum Corporation	Reduce	269	302
6	Bharti Airtel	Accumulate	1,618	1,430
7	CEAT	Accumulate	2,992	2,667
8	Clean Science and Technology	Hold	1,516	1,562
9	Deepak Nitrite	Reduce	2,268	2,677
10	Divgi Torqtransfer Systems	Accumulate	831	742
11	Eicher Motors	BUY	5,335	4,737
12	Endurance Technologies	Hold	2,664	2,735
13	Exide Industries	Hold	559	532
14	Fine Organic Industries	Accumulate	6,172	5,535
15	GAIL (India)	Reduce	211	241
16	Gujarat Fluorochemicals	Reduce	2,775	3,250
17	Gujarat Gas	Accumulate	623	645
18	Gujarat State Petronet	BUY	409	311
19	Hero Motocorp	Accumulate	5,914	5,558
20	Hindustan Petroleum Corporation	Sell	340	396
21	Indian Oil Corporation	Sell	151	183
22	Indraprastha Gas	Sell	374	541
23	Jubilant Ingrevia	Hold	592	586
24	Laxmi Organic Industries	Sell	206	257
25	Mahanagar Gas	Sell	1,492	1,846
26	Mahindra & Mahindra	BUY	3,330	2,908
27	Mangalore Refinery & Petrochemicals	Sell	135	218
28	Maruti Suzuki	BUY	15,145	13,116
29	Navin Fluorine International	Accumulate	4,144	3,771

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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