

12th November 2021

CMP – ₹257/-

View – Accumulate on dips

Q2FY22 Performance

- Company reported topline growth of 69%% Y-o-Y and ~9% Q-o-Q, with realization at ₹274/kg (up from ₹262/kg in Q1FY22) in Q2FY22. Higher raw material costs of ₹163/kg (+₹31 Q-o-Q) were attributable to an increase in commodity prices and carry-over inventory from the previous quarter.
- EBITDA stood at ₹503mn up 61% Y-o-Y while EBITDA margins contracted by 67bps Y-o-Y and 799bps Q-o-Q due to increase in freight costs and power costs. PAT fell by 36.7% Q-o-Q to ₹300mn due to weak operational performance.
- For H1FY22, revenue doubled Y-o-Y to ₹7200mn (on the back of improved realization of ₹268/kg v/s ₹194/kg in H1 FY21), with EBITDA coming in at ₹1200mn and PAT grew 173% Y-o-Y to ₹776mn.
- Exports during the quarter came in at ₹1400mn, up 16% Q-o-Q with a contribution of 37% to the top-line. The capacity utilization for the quarter was 70%. While the near-term outlook on profitability remains challenging owing to inflationary headwinds, the company's focus will be on maximize.

Important Statistics

M.Cap (₹ Cr)	₹4447
52 Week H/L (₹)	321.0/117.7
NSE Code	NOCIL
BSE Code	500730

Shareholding pattern (%)	Sep'21
Promoter Holding	33.9
FII	2.1
DII	4.4
Public	59.6

Key Concall Highlights

- Company reported volume growth of 5% Q-o-Q off-take during the quarter, but extended lockdowns resulted in lower operating rates.
- NOCIL would continue to focus on increasing volumes in the market, which it has done successfully thus far. The company aims to increase volumes sold by 10% Y-o-Y and revenue growth to 45% Y-o-Y, at minimum, in FY22.
- Increased raw material prices, freight costs, and other utility costs affected margins in Q2FY22. The recent disruption in China due to a power shortage has led to high raw material prices hence, the company has de-risked itself with regard to sourcing raw materials from China.
- Rubber consumption is on an uptrend on an annualized basis and would grow ~9% in CY21 (v/s de-growth of ~7% in CY20).
- Demand from the Tyre industry remains robust, and companies have announced significant capex in light of upcoming demand.
- Domestic market share has improved. NOCIL's presence in the export market is strengthening – on the back of R&D and brand-building activities.
- No additional capacities have come up globally in the Rubber Chemicals space over the last 18 months – barring some capacities announced by China Sunshine (global leader) that are due to come on stream in the coming quarters.
- Management stated they are they are focusing on improving market share led by increase in volumes from capacity expansion going ahead.
- Company has taken price hikes to cover the raw material costs hence there was increase in realisations.

Financials

	(₹ mn)		
Particulars	FY19	FY20	FY21
Net Sales	10429	8463	9247
EBITDA	2927	1782	1307
EBITDAM%	28.1%	21.1%	14.1%
PAT	1849	1307	883
PATM%	17.7%	15.4%	9.5%
EPS (₹)	11.2	7.9	5.3
ROE (%)	16.7	11.1	7.1
ROCE (%)	16.7	11.2	7.2
P/E (x)	23.1	32.4	49.1

Key Risks

Slower than expected demand recovery in its key markets and 3rd wave of Covid -19.

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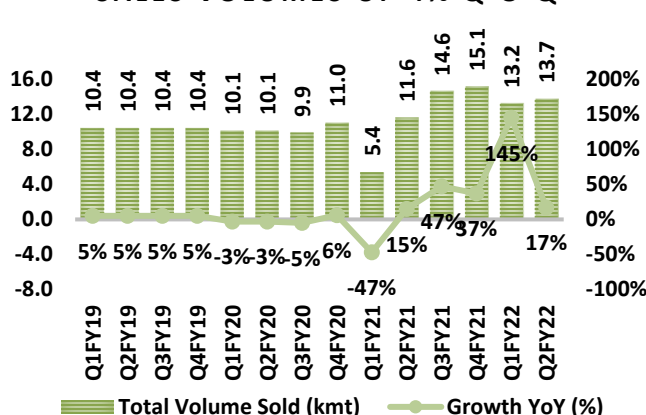
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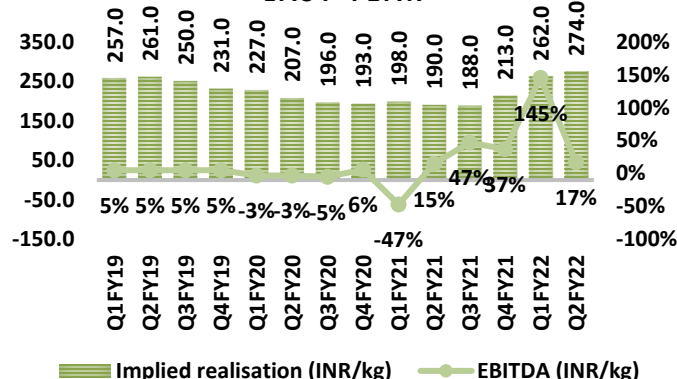
View

Company reported Y-o-Y growth in numbers on the back of recovery in automotive sector and rubber chemicals coupled with price hikes. We believe, degrowth in auto sector, ADD removal impact and operating deleverage are behind now. Management is confident of ramping up-to peak utilisation by Sep23 (driven by robust tyre demand and increasing penetration in new geographies) and is focussed on increasing its volume and market share in domestic and export front. We expect company to post good earnings led by higher capacity utilisation, increasing wallet share from existing clients and capacity expansion. **At CMP of ₹257, NOCIL Ltd trades at ~50x FY21 EPS and ~6.3x FY21 EV/EBITDA and is justified given its long term growth story thus we recommend investors to 'ACCUMULATE on Dips'.**

SALES VOLUMES UP 4% Q-O-Q



EBITDA/MT DECLINES AFTER JUMP LAST YEAR



Financial Highlights

(₹ mn)					
Particulars	Q2FY22	Q1FY22	Q2FY21	Y-o-Y	Q-o-Q
Net Sales	3,752	3,445	2,216	69.3%	8.9%
Cost of raw material consumed	2,231	1,742	1,150	94.0%	28.0%
Employee expense	195	217	173	12.7%	-10.2%
Other expense	823	749	581	41.7%	10.0%
Total Expenditure	3,249	2,708	1,904	70.6%	20.0%
EBITDA	503	737	312	61.2%	-31.8%
EBITDA Margin	13.4%	21.4%	14.1%	(67.3bps)	(799 bps)
Depreciation	106.8	105.4	88	21.6%	1.3%
EBIT	396	632	224	76.7%	-37.3%
EBIT Margin	10.6%	18.3%	10.1%	44.2bps	(778 bps)
Interest	1.9	2.3	2.6	-26.9%	-17.4%
Other income	13.7	8.1	9.1	50.5%	69.1%
PBT	408	638	231	56.0%	-36.0%
Tax	108	164	64	68.1%	-34.0%
PAT	300	474	166	80.2%	-36.7%
PAT Margin	8.0%	13.8%	7.5%	48.5bps	576.8bps
EPS (₹)	1.82	2.85	1.00	81.1%	-36.3%

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Indian Nocil Ltd. as on November 12th, 2021

Name of the Security	Nocil Ltd.
Name of the analyst	Yogita Desai
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
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