

BSE SENSEX 85,170 S&P CNX 26,004

CMP: INR282 TP: INR305 (+8%) Neutral



Stock Info

Bloomberg	NOCIL IN
Equity Shares (m)	167
M.Cap.(INRb)/(USDb)	47.1 / 0.6
52-Week Range (INR)	336 / 210
1, 6, 12 Rel. Per (%)	-7/-4/-10
12M Avg Val (INR M)	339
Free float (%)	66.2

Financials Snapshot (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	14.4	16.2	18.7
EBITDA	1.9	2.2	2.9
PAT	1.3	1.6	2.0
EPS (INR)	7.9	9.4	12.3
EPS Gr. (%)	-11.7	19.2	30.9
BV/Sh.(INR)	101	107	115

Ratios

Net D:E	-0.1	-0.1	-0.0
RoE (%)	8.1	9.0	11.1
RoCE (%)	7.7	8.5	10.5
Payout (%)	38.1	38.1	38.1

Valuations

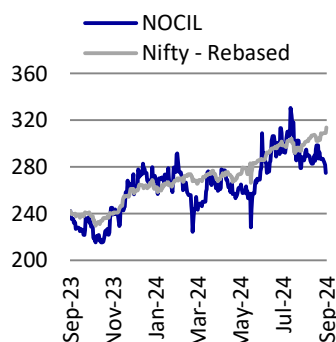
P/E (x)	36.1	30.3	23.2
P/BV (x)	2.8	2.7	2.5
EV/EBITDA (x)	24.4	20.7	16.3
Div. Yield (%)	1.1	1.3	1.6
FCF Yield (%)	3.8	1.6	0.9

Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	33.8	33.8	33.8
DII	4.5	3.5	4.7
FII	7.8	7.8	5.4
Others	53.9	54.9	56.0

FII includes depository receipts

Stock performance (one-year)



Global expansion and capacity additions crucial for growth

- NOCIL is poised to benefit from the rising global demand for rubber chemicals, expanding its market share through strategic sales, diversification, and operational efficiency while navigating strong competition and volatility in raw material prices.
- NOCIL is investing INR2.5b in growth-focused capex for capacity expansion at its Dahej and Navi Mumbai facilities, aiming for long-term market leadership and sustainability by enhancing production and adopting green technologies.
- It currently trades at a premium of ~38% to its long-term average of 17.9x on a one-year forward P/E basis. The stock is also trading at 23.2x FY26E EPS of INR12.3 and 16.3x FY26E EV/EBITDA. Our TP of INR305 is premised on 25x FY26E EPS (~0.7x PEG ratio). Reiterate Neutral.

Focus on global expansion amidst tough competition

- The demand for rubber chemicals is expected to rise, driven by growth in the tire, automotive, and EV markets, along with infrastructure development. NOCIL is expected to leverage its expertise and expanded capacity to meet the global demand.
- NOCIL plans to strengthen its global footprint in rubber chemicals by expanding sales in Asia, Europe, and the US. It aims for a double-digit global market share, focusing on customer relationships and China +1 and Europe +1 strategies in the medium to long term. The company is diversifying into non-tire applications and emerging sectors such as electric vehicles.
- However, it faces strong competition from Chinese (China Sunshin) and global players, leading to price pressures and margin impact. Volatile raw material prices are also a risk. That being said, the company is enhancing its operational efficiency and product differentiation to address these challenges. Further, it leverages strong supplier relationships to source RMs.

Capacity expansion crucial to support growth

- NOCIL's capex is growth-focused and the company aims for long-term market leadership by expanding capacity to serve its growing tire and non-tire customer base. Ongoing projects are expected to boost production and sustainability. These investments are expected to drive significant returns through increased capacity and cost efficiencies.
- NOCIL has committed INR2.5b for capacity expansion (expected to come online in 2HFY27), mainly at its Dahej facility, to meet the rising demand for rubber chemicals domestically and internationally. This aligns with its long-term strategy for sustainable growth and market leadership. The capex also includes modernizing processes and adopting green technologies to boost energy efficiency, cut emissions, and lower costs.

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

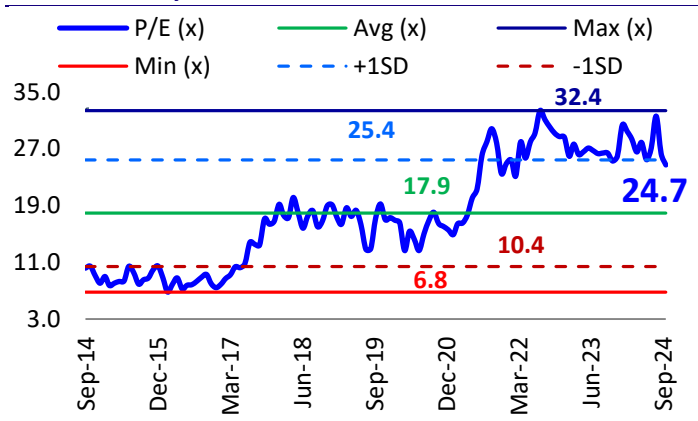
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The Dahej site, strategically located at key ports and the petrochemical industry, is the focus of its expansion. NOCIL has also invested in its Navi Mumbai plant to enhance precision in rubber chemical manufacturing as part of its drive for operational excellence.

Valuation and view

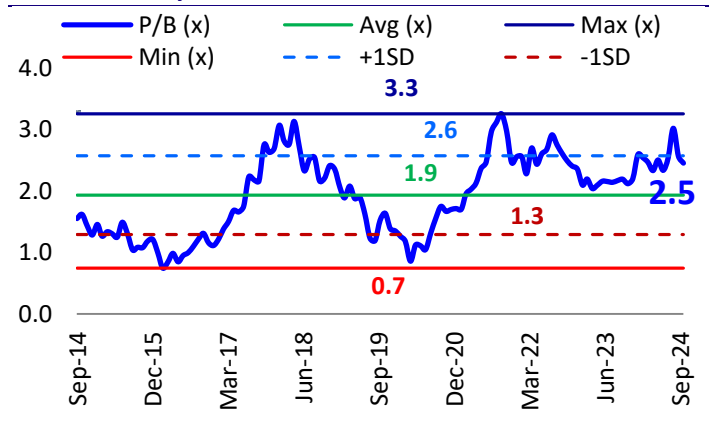
- NOCIL is expanding its capacities (20% of the current capacity of 110ktpa), in anticipation of demand being robust, which is expected to come online in 2HFY27, with the top three global players also expanding their respective capacities.
- The pick-up in China’s domestic consumption is expected to play a key role in easing pricing pressure for NOCIL, though we do not anticipate this happening in the near term. There is currently no timeline for the optimum utilization of its existing facilities, but management anticipates achieving this within the next 1 to 1.5 years.
- NOCIL currently trades at a premium of ~38% to its long-term average of 17.9x on a one-year forward P/E basis. The stock is also trading at 23.2x FY26E EPS of INR12.3 and 16.3x FY26E EV/EBITDA. Our TP of INR305 is premised on 25x FY26E EPS (~0.7x PEG ratio). Reiterate Neutral.

Exhibit 1: One year forward P/E



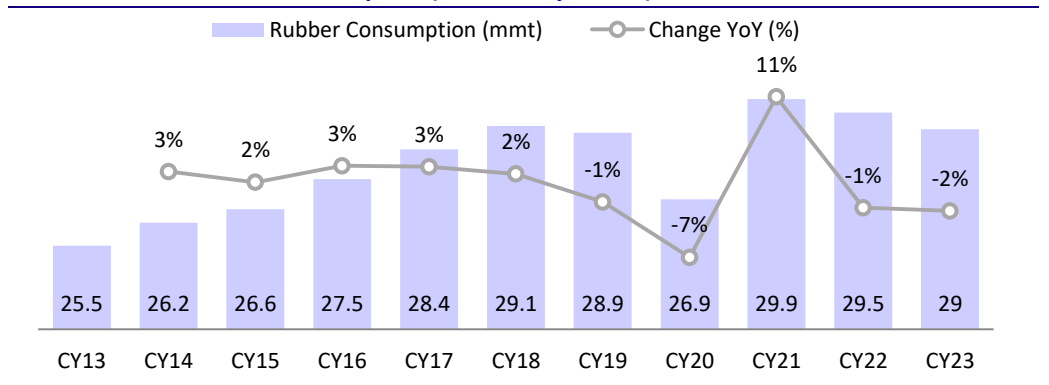
Source: MOFSL

Exhibit 2: One year forward P/B



Source: MOFSL

Exhibit 3: Global rubber consumption (natural + synthetic)



Source: Company, MOFSL

Exhibit 4: NOCIL grew over 6 times the global market growth

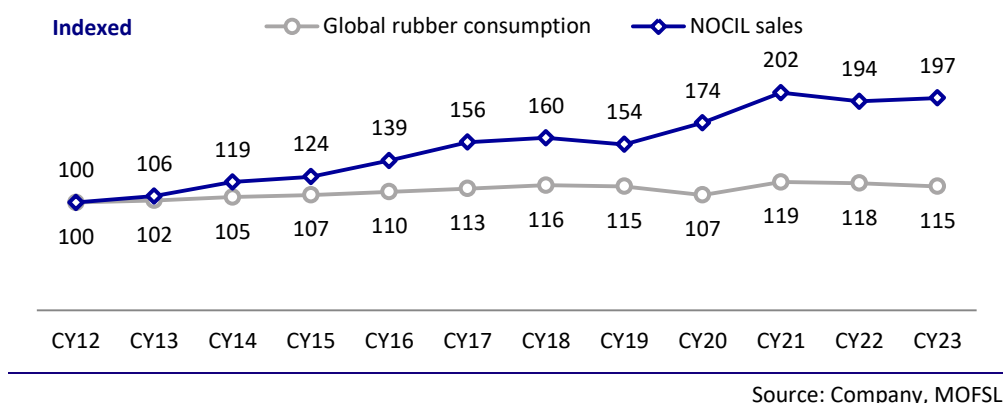


Exhibit 5: Strong cash flow generation from operations

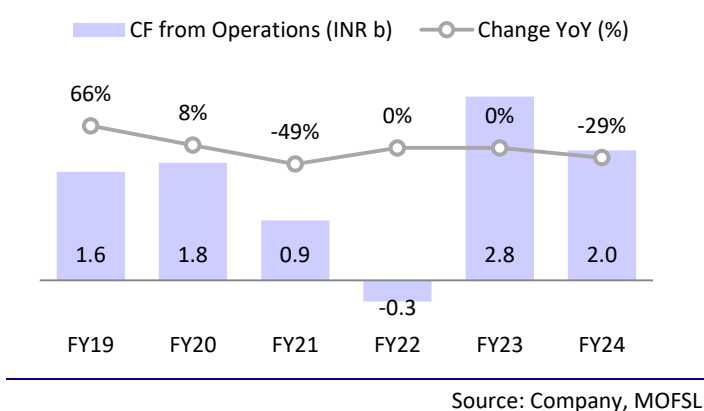


Exhibit 6: Valuation remains rich though EPS declined in FY24

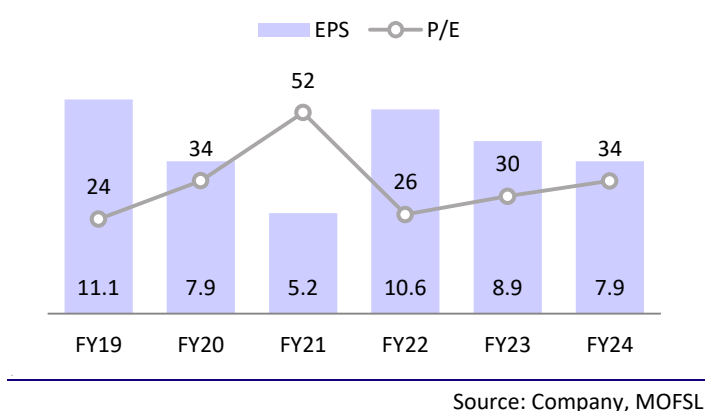


Exhibit 7: NOCIL made aggressive investments in its R&D

R&D Expenditure (INR m)	FY19	FY20	FY21	FY22	FY23	FY24
Capital expenditure	4	3	4	2	7	2
Recurring expenditure	47	52	55	56	61	72
Total expenditure	50	55	59	58	68	74
Total R&D expenditure as % of the total turnover	0.48%	0.65%	0.64%	0.37%	0.42%	0.51%

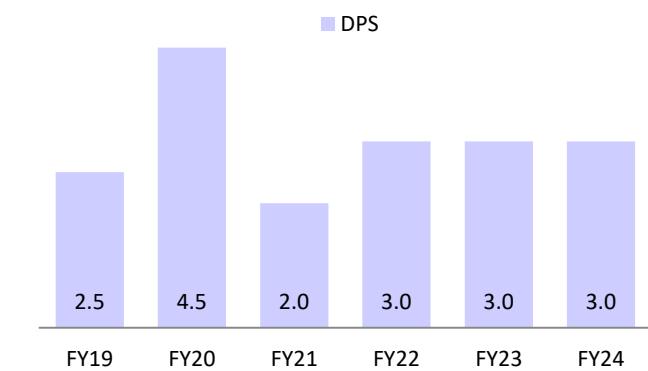
Source: Company, MOFSL

Exhibit 8: R&D expenses and capex in specific technologies to total R&D and capex

% R&D and capex investments to total R&D and capex investments	FY23	FY24	Improvements in environmental and social impacts
R&D	88%	97%	Current process improvements and new molecule development
Capex	12%	3%	

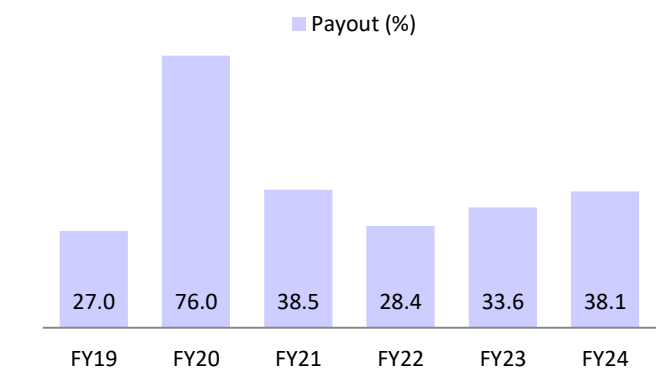
Source: Company, MOFSL

Exhibit 9: Higher dividend/share declared in FY24



Source: Company, MOFSL

Exhibit 10: Higher payout ratio in FY24



Source: Company, MOFSL

Exhibit 11: Cash conversion cycle at 112 days in FY24

Cash conversion cycle (year-end basis)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Days										
Inventory	87	61	51	57	60	59	65	77	64	56
Debtor	78	70	74	90	81	88	122	104	78	86
Creditor	42	29	36	42	35	38	67	50	29	30
Cash conversion cycle	123	103	89	105	106	108	120	131	113	112

Source: Company, MOFSL

Exhibit 12: Peer comparison for our coverage universe

Company	Reco	TP (INR)	EPS (INR)			P/E (x)			P/BV (x)			EV/EBITDA (x)			ROE (%)		
			FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Alkyl Amines	Neutral	1,955	29.1	41.5	55.8	82.5	57.8	43.0	9.7	8.7	7.7	48.4	34.6	26.9	12.2	15.9	19.0
Atul	Buy	9,100	103.4	160.8	214.4	74.1	47.6	35.7	4.4	4.1	3.7	36.0	25.4	20.5	6.2	8.9	10.9
Clean Science	Neutral	1,440	23.0	27.5	36.1	67.4	56.2	42.9	13.7	11.3	9.2	49.5	41.0	32.4	22.1	22.0	23.6
Deepak Nitrite	Neutral	3,060	55.1	65.3	76.4	51.6	43.5	37.2	8.1	7.0	6.0	34.0	28.8	23.9	16.9	17.2	17.3
Fine Organic	Sell	4,095	120.0	119.2	116.9	44.1	44.4	45.2	8.7	7.4	6.4	32.2	31.8	31.5	21.8	18.0	15.2
Galaxy Surfact.	Buy	3,450	85.0	97.7	115.0	37.3	32.5	27.6	5.2	4.6	4.1	24.0	20.1	17.3	14.8	15.0	15.8
Navin Fluorine	Neutral	3,450	46.1	60.3	86.2	71.6	54.8	38.3	6.9	6.3	5.6	43.7	33.0	25.1	10.0	12.0	15.5
NOCIL	Neutral	305	7.9	9.4	12.6	34.4	28.8	21.5	2.7	2.5	2.4	23.6	19.9	15.1	8.1	9.0	11.4
P I Industries	Buy	5,200	110.6	113.8	137.5	42.7	41.5	34.4	8.2	7.0	5.9	33.3	28.3	23.3	21.1	18.2	18.6
SRF	Neutral	2,130	47.5	52.6	74.0	51.0	46.0	32.7	6.3	5.7	5.0	28.4	24.4	19.0	13.0	13.0	16.4
Tata Chemicals	Neutral	980	36.1	29.6	49.4	28.4	34.6	20.8	1.2	1.2	1.1	10.7	11.5	9.0	4.4	3.4	5.5
Vinati Organics	Buy	2,425	31.2	42.7	53.9	62.7	45.8	36.3	8.2	7.2	6.3	42.7	31.8	25.6	13.8	16.8	18.5

Source: Company, MOFSL

Story in charts

Exhibit 13: Capacity and utilization snapshot for NOCIL

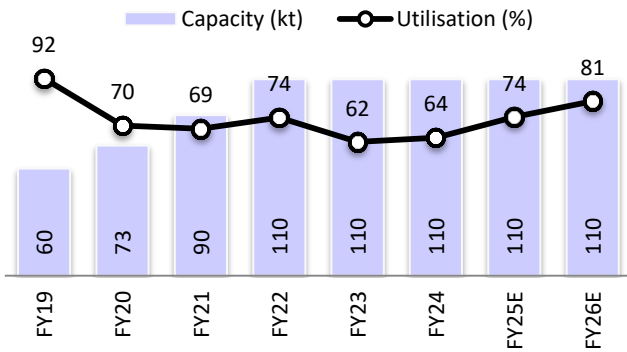


Exhibit 14: Expect 12% volume CAGR over FY24-FY26

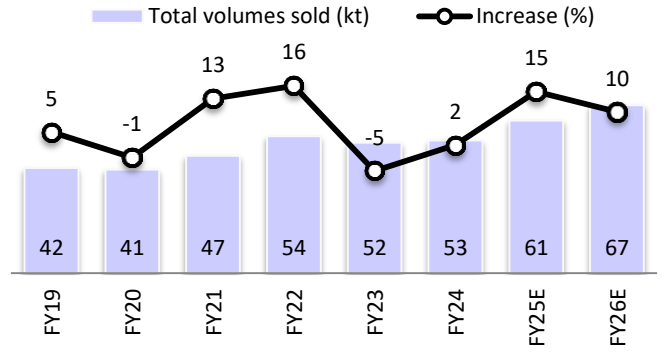


Exhibit 15: Exports to constitute ~30% of the total revenue

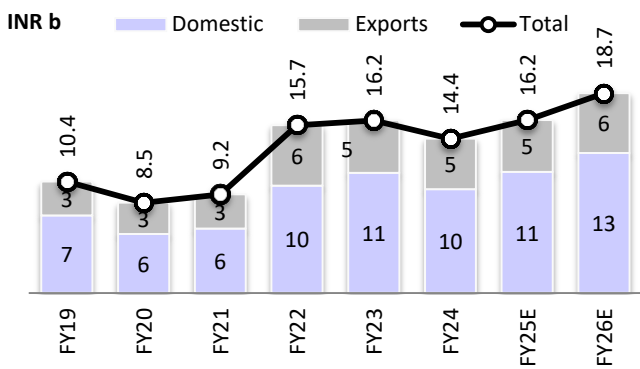


Exhibit 16: Realization and EBITDA per kg snapshot

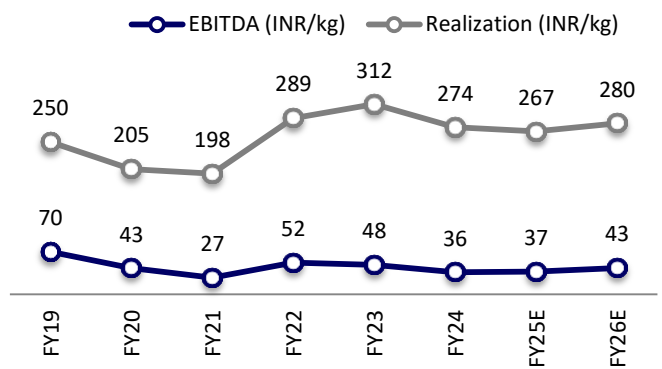


Exhibit 17: EBITDA and margin profile of NOCIL

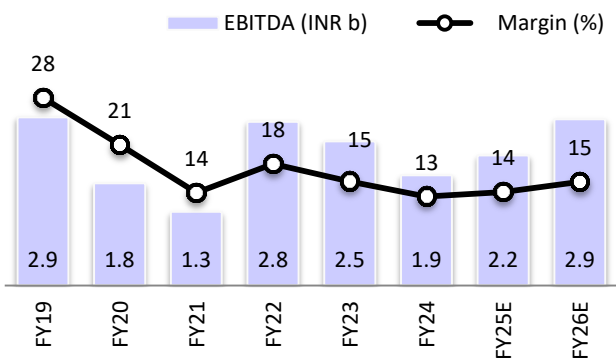


Exhibit 18: Expect PAT to grow ~1.6x by FY26 (v/s FY24)

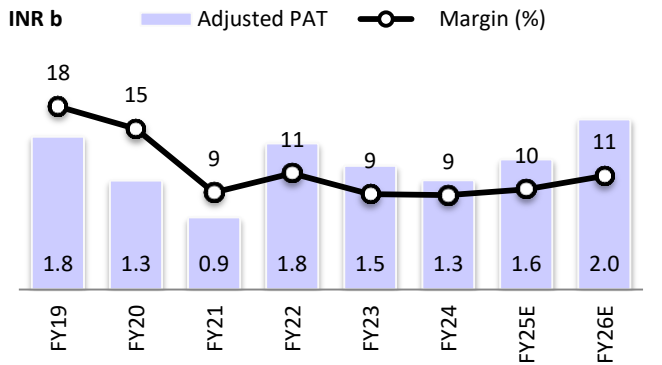


Exhibit 19: Expect return ratios to improve to 11x in FY26

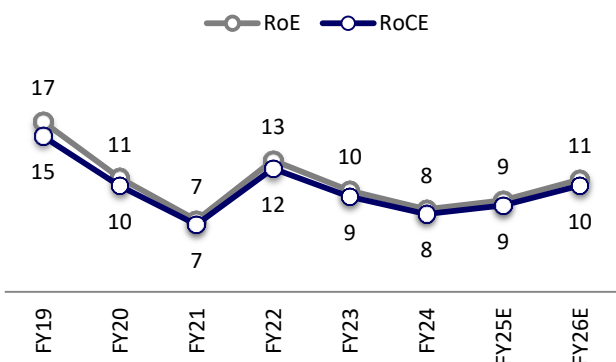
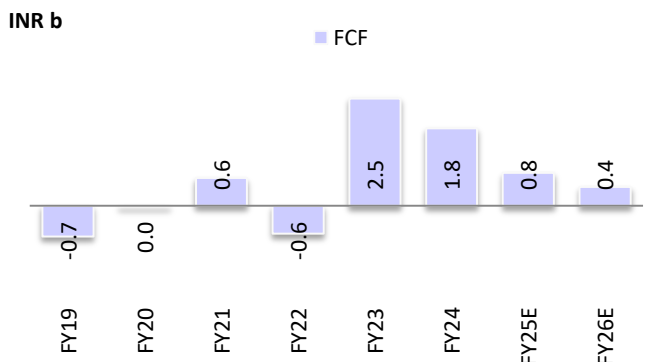


Exhibit 20: FCF to further decline going forward



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	10,429	8,463	9,247	15,713	16,166	14,447	16,198	18,709
Change (%)	5.4	-18.9	9.3	69.9	2.9	-10.6	12.1	15.5
Gross Margin (%)	55.2	54.2	45.4	45.3	45.1	43.6	45.7	45.7
EBITDA	2,903	1,765	1,269	2,829	2,490	1,904	2,245	2,869
Margin (%)	27.8	20.8	13.7	18.0	15.4	13.2	13.9	15.3
Depreciation	230	324	361	471	544	515	541	588
EBIT	2,673	1,440	909	2,358	1,946	1,389	1,704	2,281
Int. and Finance Charges	6	13	10	11	12	16	18	20
Other Income	100	97	143	48	73	399	406	477
PBT bef. EO Exp.	2,767	1,524	1,042	2,396	2,007	1,771	2,092	2,738
PBT after EO Exp.	2,767	1,524	1,042	2,396	2,007	1,771	2,092	2,738
Total Tax	926	214	177	636	520	458	527	689
Tax Rate (%)	33.5	14.1	17.0	26.6	25.9	25.8	25.2	25.2
Reported PAT	1,841	1,310	865	1,760	1,487	1,314	1,565	2,049
Adjusted PAT	1,841	1,310	865	1,760	1,487	1,314	1,565	2,049
Change (%)	9.2	-28.9	-34.0	103.4	-15.5	-11.7	19.2	30.9
Margin (%)	17.7	15.5	9.4	11.2	9.2	9.1	9.7	11.0

Standalone - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	1,654	1,656	1,662	1,666	1,666	1,667	1,667	1,667
Total Reserves	9,876	10,104	11,073	12,673	13,736	15,183	16,153	17,422
Net Worth	11,531	11,760	12,735	14,339	15,403	16,850	17,819	19,088
Total Loans	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	1,054	887	956	1,028	1,069	1,209	1,209	1,209
Capital Employed	12,584	12,647	13,691	15,367	16,471	18,059	19,028	20,297
Gross Block	8,050	9,789	11,374	11,783	12,114	12,459	13,284	14,734
Less: Accum. Deprn.	1,787	2,111	2,472	2,943	3,487	4,002	4,542	5,130
Net Fixed Assets	6,263	7,678	8,902	8,840	8,627	8,457	8,742	9,603
Capital WIP	1,305	1,563	140	82	85	161	161	161
Total Investments	1,487	726	826	674	2,314	4,075	4,075	4,075
Curr. Assets, Loans, and Adv.	5,223	4,312	6,122	8,567	7,386	7,271	8,188	8,926
Inventory	1,704	1,361	1,653	3,326	2,847	2,227	2,497	2,884
Account Receivables	2,322	2,032	3,086	4,498	3,460	3,402	3,814	4,405
Cash and Bank Balance	389	128	797	154	551	940	1,089	728
Cash	360	84	441	116	213	903	1,052	690
Bank Balance	29	44	356	38	338	37	37	37
Loans and Advances	808	791	587	589	528	702	787	909
Curr. Liability and Prov.	1,694	1,633	2,297	2,795	1,940	1,906	2,137	2,468
Account Payables	988	892	1,710	2,174	1,283	1,184	1,327	1,533
Other Current Liabilities	502	511	378	414	453	535	600	693
Provisions	204	230	210	207	204	188	210	243
Net Current Assets	3,529	2,680	3,824	5,772	5,445	5,365	6,050	6,458
Appl. of Funds	12,584	12,647	13,691	15,367	16,471	18,058	19,028	20,297

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	11.1	7.9	5.2	10.6	8.9	7.9	9.4	12.3
EPS Growth (%)	9.2	-28.9	-34.0	103.0	-15.5	-11.7	19.2	30.9
Cash EPS	12.5	9.8	7.4	13.4	12.2	11.0	12.6	15.8
BV/Share	69.4	70.8	76.6	86.1	92.4	101.1	106.9	114.5
DPS	2.5	4.5	2.0	3.0	3.0	3.0	3.6	4.7
Payout (%)	27.0	76.0	38.5	28.4	33.6	38.1	38.1	38.1
Valuation (x)								
P/E	25.7	36.2	54.8	27.0	31.9	36.1	30.3	23.2
Cash P/E	22.9	29.0	38.6	21.3	23.4	26.0	22.5	18.0
P/BV	4.1	4.0	3.7	3.3	3.1	2.8	2.7	2.5
EV/Sales	4.5	5.6	5.0	3.0	2.9	3.2	2.9	2.5
EV/EBITDA	16.2	26.8	36.7	16.7	18.8	24.4	20.7	16.3
Dividend Yield (%)	0.9	1.6	0.7	1.1	1.1	1.1	1.3	1.6
FCF per share	-4.3	-0.1	3.9	-3.9	15.0	10.8	4.6	2.6
Return Ratios (%)								
RoE	16.8	11.2	7.1	13.0	10.0	8.1	9.0	11.1
RoCE	15.4	10.5	6.6	12.2	9.4	7.7	8.5	10.5
RoIC	20.7	12.6	6.8	13.1	10.3	7.8	9.6	11.8
Working Capital Ratios								
Fixed Asset Turnover (x)	1.9	1.2	1.1	1.8	1.9	1.7	1.9	2.0
Asset Turnover (x)	0.8	0.7	0.7	1.0	1.0	0.8	0.9	0.9
Inventory (Days)	60	59	65	77	64	56	56	56
Debtor (Days)	81	88	122	104	78	86	86	86
Creditor (Days)	35	38	67	50	29	30	30	30
Leverage Ratio (x)								
Current Ratio	3.1	2.6	2.7	3.1	3.8	3.8	3.8	3.6
Interest Coverage Ratio	424.3	109.1	94.6	220.4	163.6	85.7	95.6	116.4
Net Debt/Equity ratio	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.1	0.0

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	2,767	1,524	1,042	2,396	2,007	1,771	2,092	2,738
Depreciation	230	324	361	471	544	515	541	588
Direct Taxes Paid	-878	-510	-1	-591	-500	-393	-527	-689
(Inc.)/Dec. in WC	-400	515	-372	-2,549	783	470	-536	-769
CF from Operations	1,638	1,772	904	-318	2,776	1,960	1,587	1,888
(Inc.)/Dec. in FA	-2,351	-1,790	-262	-330	-284	-165	-825	-1,450
Free Cash Flow	-713	-18	642	-647	2,492	1,795	762	438
Other Investing Activity	1,334	746	-325	658	-1,856	-551	0	0
CF from Investments	-1,017	-1,044	-586	328	-2,140	-717	-825	-1,450
Inc./Dec. in Debt	-50	0	0	0	0	0	0	0
Interest Paid	-7	-9	-4	-6	-5	-7	-18	-20
Dividend Paid	-490	-980	-7	-332	-500	-501	-596	-780
Others	41	-15	51	-27	-44	-46	0	0
CF from Fin. Activity	-501	-1,004	40	-336	-538	-553	-614	-800
Inc./Dec. in Cash	120	-276	358	-325	98	690	149	-361
Opening Balance	240	360	84	441	116	213	903	1,052
Closing Balance	360	84	441	116	213	903	1,052	690

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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