

August 4, 2021

Q1FY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	393		251	
Sales (Rs. m)	14,894	19,302	12,749	17,900
% Chng.	16.8	7.8		
EBITDA (Rs. m)	3,053	4,054	2,231	3,490
% Chng.	36.8	16.1		
EPS (Rs.)	12.3	16.8	8.6	14.3
% Chng.	43.1	17.7		

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	8,463	9,247	14,894	19,302
EBITDA (Rs. m)	1,765	1,269	3,053	4,054
Margin (%)	20.8	13.7	20.5	21.0
PAT (Rs. m)	1,310	865	2,042	2,796
EPS (Rs.)	7.9	5.2	12.3	16.8
Gr. (%)	(28.9)	(34.2)	136.1	36.9
DPS (Rs.)	1.8	2.0	4.9	6.7
Yield (%)	0.6	0.7	1.7	2.4
RoE (%)	11.2	7.1	15.0	18.1
RoCE (%)	13.2	8.6	20.1	24.2
EV/Sales (x)	5.5	5.0	3.1	2.3
EV/EBITDA (x)	26.4	36.2	14.9	11.0
PE (x)	35.8	54.5	23.1	16.9
P/BV (x)	4.0	3.7	3.3	2.9

Key Data

NOCI.BO | NOCIL IN

52-W High / Low	Rs.294 / Rs.105
Sensex / Nifty	53,823 / 16,131
Market Cap	Rs.47bn/ \$ 635m
Shares Outstanding	166m
3M Avg. Daily Value	Rs.935.22m

Shareholding Pattern (%)

Promoter's	33.89
Foreign	2.16
Domestic Institution	4.35
Public & Others	59.60
Promoter Pledge (Rs bn)	1.75

Stock Performance (%)

	1M	6M	12M
Absolute	23.0	94.0	156.0
Relative	19.9	81.2	75.7

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Resilient performance

Quick Pointers:

- Pricing environment improves as demand recovers; Q1FY22 price hiked at over 20% QoQ after 14% hike in Q4.
- Healthy export share of 39.2% in Q1 (FY21 32.6%) to make up for disruption in domestic demand.
- Global rubber chemicals market after declining two years started improving, accordingly Nocil expects full utilization by Sept 23.

We increase our estimates for FY22/23E by 43.1%/17.7% as we increase our margin assumptions to factor in price hikes and higher margins. The company reported strong beat with EBITDA/PAT of Rs727m (+44%QoQ) and Rs471m (+31%QoQ) as gross margins improved 520bps QoQ. Q1 sales volumes declined 12.8%QoQ, due to disruption at customers' end while realization improved over 20%QoQ. Nocil's growth prospects look promising given 1) strong demand traction in domestic and export markets 2) reduced competitive intensity as Chinese auto demand recovers and 3) likely imposition of Anti-Dumping Duty (ADD). Nocil, with new capacities commissioned is poised to benefit from recovery in auto demand. Reiterate BUY with a TP of Rs393 (Rs251) based on 17x PER FY24E on roll over.

- Revenue growth of 7%QoQ amidst pandemic is impressive:** Nocil reported Q1FY22 revenues of Rs3.5bn (+7%QoQ) while EBITDA and PAT were at Rs727mn (+44% QoQ; PLe Rs 555mn) and Rs471mn (+31% QoQ; PLe Rs375mn), respectively. Q1 volumes declined 12.8%QoQ given disruptions at customer end. Gross margins improved to 49.4% (+520bps QoQ) and EBITDA margins improved to 21.1% (+220bps QoQ) as pricing intervention and operating leverage helped support margins.
- Improved demand environment to give a fillip to margins:** After a difficult FY21, Nocil steadily increased prices to pass on RM prices increases given improved demand in domestic and international markets. Margins going ahead are likely to be cushioned by 1) likely imposition of ADD and 2) reduced competitive intensity as Chinese auto demand recovers. Accordingly, we increase our gross margins to 51%/52.5%/54% for FY22/23/24E vs 45.4% in FY21 and 54.2% in FY20. We have increased our EBITDA margins to 20.5%/21% from 17.5%/19.5% for FY22/23E.
- Volume maximization game ahead:** Volume maximization strategy is in line with China Sunshine policy, which prioritizes volumes. We have factored in 25%/20%/15% volume growth for FY22/23/24E. We remain structurally positive on the company as Nocil remains a play on operating leverage in a recovering demand environment.
- Opportunities galore:** Nocil is one of the largest rubber chemicals player globally with capacity of 110,000 tons including intermediaries. Rising clamor to diversify supplies away from China can open many opportunities for Nocil. Also, limited capacity addition by global players, ex Chinese, will mean Nocil is well placed to capitalize on any demand recovery.

Exhibit 1: Q1FY22 Result Overview (Rs mn)

Y/e March	Q1FY22	Q1FY21	YoY gr. (%)	Q4FY21	FY22E	FY21	YoY gr. (%)
Income From Operations	3,445	1,065	223.4	3,220	14,894	9,247	61.1
Total Expenditure							
Cost of Material Consumed	2,098	397	429.0	1,846	7,298	4,788	52.4
Purchase of stock in trade	5	1	350.0	2		14	
Change in inventory of FG, WIP and SIT	(361)	150	(341.5)	(51)		246	
Total RM Cost	1,742	547	218.3	1,797	7,298	5,048	44.6
Gross Margin	1,703	518	228.8	1,423	7,596	4,199	80.9
<i>Margin (%)</i>	<i>49.4</i>	<i>48.6</i>		<i>44.2</i>	<i>51.0</i>	<i>45.4</i>	
Employee Cost	209	159	31.8	165	1,117	672	66.2
Other Expense	767	285	169.7	755	3,426	2,268	51.0
Excise	-	-		-	-	-	
Total Expenditure	2,718	990	174.5	2,717	11,841	7,988	
EBIDTA	727	75	871.5	503	3,053	1,259	48.2
<i>% of NS</i>	<i>41.7</i>	<i>13.7</i>		<i>28.0</i>	<i>20.5</i>	<i>24.9</i>	
Depreciation	102	88	16.4	98	396	361	9.9
EBIT	625	(13)	NA	406	2,657	898	195.8
Interest	2	3	(8.0)	2	5	10	-47.9
Other Income	10	106	(90.8)	22	78	154	-49.2
Exceptional Items	-	-		-	-	-	
PBT	632	91	596.8	426	2,730	1,042	162.0
Tax	161	(27)	(698.9)	66	688	177	288.9
<i>Tax rate %</i>	<i>25.5</i>	<i>-29.7</i>		<i>15.4</i>	<i>25.2</i>	<i>17.0</i>	
Profit After Tax	471	118	300.4	360	2,042	865	136.0

Source: Company, PL

Conference Call Highlights:

- Q1 utilization rate was at ~70% and got impacted due to disruptions at customer end.
- Exports were at Rs1.35bn or ~39% to make up for weakness in domestic demand.
- After price hikes in Jan21 and April 21, Nocil has taken pricing intervention in July to increase/decrease prices of few products.
- Nocil remains confident of full plant utilization by Sept 23.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	8,463	9,247	14,894	19,302
YoY gr. (%)	(18.9)	9.3	61.1	29.6
Cost of Goods Sold	3,879	5,048	7,298	9,169
Gross Profit	4,585	4,199	7,596	10,134
Margin (%)	54.2	45.4	51.0	52.5
Employee Cost	741	672	1,117	1,641
Other Expenses	2,079	2,257	3,426	4,440
EBITDA	1,765	1,269	3,053	4,054
YoY gr. (%)	(39.2)	(28.1)	140.5	32.8
Margin (%)	20.8	13.7	20.5	21.0
Depreciation and Amortization	324	361	396	397
EBIT	1,440	909	2,657	3,657
Margin (%)	17.0	9.8	17.8	18.9
Net Interest	13	10	5	5
Other Income	97	143	78	86
Profit Before Tax	1,524	1,042	2,730	3,737
Margin (%)	18.0	11.3	18.3	19.4
Total Tax	214	177	688	942
Effective tax rate (%)	14.1	17.0	25.2	25.2
Profit after tax	1,310	865	2,042	2,796
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,310	865	2,042	2,796
YoY gr. (%)	(28.9)	(34.0)	136.1	36.9
Margin (%)	15.5	9.4	13.7	14.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,310	865	2,042	2,796
YoY gr. (%)	(28.9)	(34.0)	136.1	36.9
Margin (%)	15.5	9.4	13.7	14.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,310	865	2,042	2,796
Equity Shares O/s (m)	166	166	166	166
EPS (Rs)	7.9	5.2	12.3	16.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	9,775	11,363	11,863	12,563
Tangibles	9,775	11,363	11,863	12,563
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,097	2,457	2,854	3,251
Tangibles	2,097	2,457	2,854	3,251
Intangibles	-	-	-	-
Net fixed assets	7,678	8,906	9,010	9,313
Tangibles	7,678	8,906	9,010	9,313
Intangibles	-	-	-	-
Capital Work In Progress	1,563	140	150	150
Goodwill	12	11	13	14
Non-Current Investments	551	566	566	566
Net Deferred tax assets	(887)	(956)	(1,229)	(1,603)
Other Non-Current Assets	301	265	276	288
Current Assets				
Investments	232	323	323	323
Inventories	1,361	1,653	2,448	3,173
Trade receivables	2,032	3,086	3,672	4,759
Cash & Bank Balance	128	797	1,233	2,057
Other Current Assets	405	229	251	276
Total Assets	14,274	15,988	17,958	20,937
Equity				
Equity Share Capital	1,656	1,662	1,662	1,662
Other Equity	10,104	11,073	12,782	14,766
Total Networkth	11,760	12,735	14,444	16,429
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	163	156	188	225
Other non current liabilities	1	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	892	1,710	1,632	2,115
Other current liabilities	507	393	465	565
Total Equity & Liabilities	14,279	15,989	17,958	20,937

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	1,524	1,042	2,730	3,737
Add. Depreciation	324	361	396	397
Add. Interest	13	10	5	5
Less Financial Other Income	97	143	78	86
Add. Other	(65)	92	293	399
Op. profit before WC changes	1,796	1,505	3,424	4,538
Net Changes-WC	407	(469)	(1,413)	(1,255)
Direct tax	(214)	(177)	(688)	(942)
Net cash from Op. activities	1,989	858	1,324	2,341
Capital expenditures	(1,981)	(165)	(511)	(701)
Interest / Dividend Income	-	-	-	-
Others	761	(99)	-	-
Net Cash from Inv. activities	(1,220)	(264)	(511)	(701)
Issue of share cap. / premium	2	6	-	-
Debt changes	-	-	-	-
Dividend paid	(494)	(350)	(332)	(811)
Interest paid	(13)	(10)	(5)	(5)
Others	-	-	-	-
Net cash from Fin. activities	(506)	(354)	(337)	(816)
Net change in cash	263	241	475	823
Free Cash Flow	8	694	812	1,640

Source: Company Data, PL Research

Key Financial Metrics

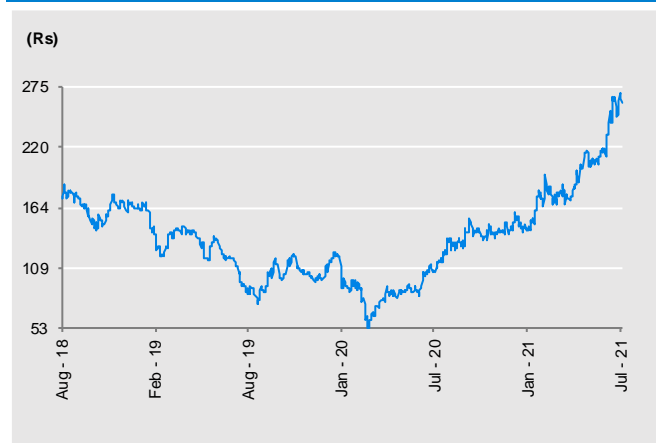
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	7.9	5.2	12.3	16.8
CEPS	9.9	7.4	14.7	19.2
BVPS	71.0	76.6	86.9	98.8
FCF	0.0	4.2	4.9	9.9
DPS	1.8	2.0	4.9	6.7
Return Ratio(%)				
RoCE	13.2	8.6	20.1	24.2
ROIC	12.4	7.9	17.0	19.4
RoE	11.2	7.1	15.0	18.1
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	108	120	110	110
Valuation(x)				
PER	35.8	54.5	23.1	16.9
P/B	4.0	3.7	3.3	2.9
P/CEPS	28.7	38.4	19.3	14.8
EV/EBITDA	26.4	36.2	14.9	11.0
EV/Sales	5.5	5.0	3.1	2.3
Dividend Yield (%)	0.6	0.7	1.7	2.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net Revenue	2,216	2,746	3,220	3,445
YoY gr. (%)	5.7	41.3	51.4	223.4
Raw Material Expenses	1,150	1,554	1,797	1,742
Gross Profit	1,066	1,192	1,423	1,703
Margin (%)	48.1	43.4	44.2	49.4
EBITDA	312	369	503	727
YoY gr. (%)	(34.8)	3.4	37.0	871.5
Margin (%)	14.1	13.4	15.6	21.1
Depreciation / Depletion	88	88	98	102
EBIT	224	281	406	625
Margin (%)	10.1	10.2	12.6	18.1
Net Interest	3	2	2	2
Other Income	9	16	22	10
Profit before Tax	231	295	426	632
Margin (%)	10.4	10.7	13.2	18.3
Total Tax	64	74	66	161
Effective tax rate (%)	27.8	25.1	15.4	25.5
Profit after Tax	167	221	360	471
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	167	221	360	471
YoY gr. (%)	(69.8)	6.8	60.9	300.4
Margin (%)	7.5	8.0	11.2	13.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	167	221	360	471
YoY gr. (%)	(69.8)	6.8	60.9	300.4
Margin (%)	7.5	8.0	11.2	13.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	02-Jul-21	BUY	251	230
2	28-May-21	BUY	251	209
3	05-Apr-21	BUY	182	173
4	03-Feb-21	BUY	182	143
5	08-Jan-21	BUY	169	253
6	10-Nov-20	BUY	169	143
7	07-Oct-20	BUY	153	154
8	09-Sep-20	BUY	153	124
9	25-Aug-20	BUY	153	132

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	814	874
2	Bharat Petroleum Corporation	BUY	581	463
3	GAIL (India)	BUY	184	151
4	Gujarat Gas	UR	-	665
5	Hindustan Petroleum Corporation	BUY	365	298
6	Indian Oil Corporation	BUY	135	106
7	Indraprastha Gas	BUY	662	561
8	Mahanagar Gas	BUY	1,370	1,109
9	NOCIL	BUY	251	230
10	Oil & Natural Gas Corporation	BUY	155	118
11	Oil India	UR	-	169
12	Petronet LNG	BUY	351	223
13	Reliance Industries	BUY	2,416	2,106

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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