

**Weaker-than-Expected Performance; Maintain HOLD!**
**Est. Vs. Actual for Q3FY25: Revenue: MISS; EBITDA: MISS; PAT: MISS**
**Change in Estimates post Q3FY25**
**FY25E/26E/FY27E: Revenue: -24%/-14%/-9%; EBITDA: -31%/-15%/-17%; PAT: -41%/-19%/-19%**
**Recommendation Rationale**

- **Sequential Volumes Decline:** In the quarter, total volumes declined by 10% QoQ and grew merely by 3% YoY. The decline was driven by lower demand from customers due to reduced production on their part, coupled with more aggressive price-based imports compared to the previous quarter. As a result, the company's revenue performance was well below expectations, reflecting ongoing competitive pressure on both demand and pricing. However, the company views the lower production as temporary and expects demand to improve in the coming months, with volumes recovering in the next quarter.
- **Continued Pricing Pressure:** The management mentioned that during the quarter, the company continued to face intense pricing pressure and product dumping from Chinese, Korean, and EU rubber chemical players, which significantly impacted domestic rubber chemical prices. The influx of lower-priced imports has created a challenging competitive environment, exerting downward pressure on margins and affecting market dynamics. Management expects pricing to improve as economic conditions and demand recover, though the timing remains uncertain.

**Sector Outlook: Neutral**

**Company Outlook & Guidance:** NOCIL continues to focus on balancing price and volume while aiming to boost export sales and establish long-term customer partnerships to navigate industry challenges. While management acknowledges uncertainties in the external environment, it remains optimistic about growth opportunities. Positive momentum is seen in the replacement and export markets, while the commercial vehicle sector is expected to benefit from increasing infrastructure initiatives. With an anticipated volume rise, management remains hopeful of margin recovery in the coming quarters.

**Current Valuation: 18x FY27E** (Earlier: 18x FY27E)

**Current TP: Rs. 240/share** (Earlier TP: Rs 295/share)

**Recommendation:** We maintain our **HOLD** rating on the stock.

**Financial Performance:** NOCIL missed our estimates on all fronts. The company reported revenue of Rs 318 Cr, down 7% YoY and 12% QoQ, missing our estimate by 14%. EBITDA stood at Rs 24 Cr, down 51% YoY and 36% QoQ, significantly missing our estimate by 37%. EBITDA margin declined to 7.6% from 14.5% in Q3FY24. PAT stood at Rs 13 Cr, down 57% YoY and 69% QoQ, against our estimate of Rs 42 Cr.

**Key Financials (Consolidated)**

(Rs Cr)	Q3FY25	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	318	-7%	-12%	369	-14%
EBITDA	24	-51%	-36%	38	-37%
EBITDA Margin	7.6%	-679bps	-287bps	10.3%	-275bps
Net Profit	13	-57%	-69%	25	-48%
EPS (Rs)	0.8	-57%	-69%	1.5	-48%

Source: Company, Axis Securities Research

(CMP as of 7<sup>th</sup> February 2025)

CMP (Rs)	224
Upside /Downside (%)	7%
High/Low (Rs)	336/215
Market cap (Cr)	3,729
Avg. daily vol. (1m) Shrs.	3,05,495
No. of shares (Cr)	16.7

**Shareholding (%)**

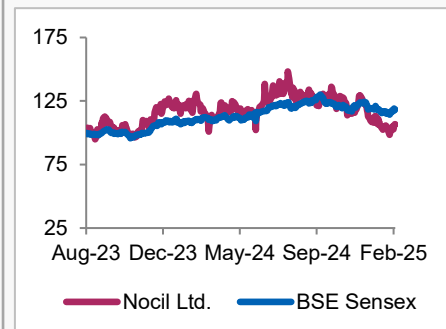
	Jun-24	Sep-24	Dec-24
Promoter	33.84	33.78	33.78
FII's	7.77	7.92	7.82
DII's	4.44	6.13	5.93
Retail	53.95	52.18	52.47

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	1,445	1,387	1,569
EBITDA	195	197	242
Net Profit	133	119	165
EPS (Rs)	8.0	7.1	9.9
PER (x)	28.1	31.3	22.7
P/BV (x)	2.2	2.1	1.9
EV/EBITDA (x)	18.7	18.6	15.1
ROE (%)	11.5%	6.6%	8.3%

**Change in Estimates (%)**

Y/E Mar	FY25E	FY26E	FY27E
Sales	-24%	-14%	-9%
EBITDA	-31%	-15%	-17%
PAT	-41%	-19%	-19%

**Relative Performance**


Source: Ace Equity, Axis Securities Research

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## Outlook

NOCIL continues to take initiatives to improve its product mix, build partnerships, and reduce costs. While pricing pressures from aggressive competition by overseas players (China, Europe, and the EU) are expected to persist in the near term, demand appears to be picking up. With a focus on expanding exports and innovating new products, NOCIL is taking the right steps toward long-term growth and improved profitability. However, an apparent recovery remains uncertain, and we remain cautious about prolonged pricing pressures and logistical challenges.

## Valuation & Recommendation

We have revised our forecasts downward to reflect continued pricing pressure, macro uncertainties, and near-term profitability challenges. Over the long term, we expect volume growth driven by deeper market penetration in exports and the introduction of new products to positively impact profitability, leading to a steady improvement in operating performance. **We maintain our HOLD rating on the stock, valuing the company at 18x FY27E earnings. This results in a revised target price of Rs 240/share, indicating a 7% upside from the CMP.**

## Key Concall Highlights

- **Financial Performance:** The company reported revenue degrowth of 7% YoY with a marginal 3% increase in volumes YoY. Pricing remained under pressure during the quarter. Aggressive price competition from China and other markets persisted, with the company adopting a balanced approach between pricing and volume. The company continues to focus on operational efficiency and enhancing its renewable energy sources. The company's R&D and application team is working to innovate value-added products that it expects to launch soon.
- **Volumes:** The management mentioned that it does not anticipate a production drop like the one during Q3. On the international front, the company observed lower inventory offtake, higher than expected. The management expects volumes to come back in the coming quarters. It anticipates 8-10% growth in volumes this year and next year.
- **Margins:** During the quarter, the EBITDA margin significantly declined to 7.6% vs. 14.3% in Q3FY24. However, management mentioned that it will continue to focus on operational efficiency and cost-cutting or cost rationalisation measures.
- **Export Market:** On the export volume side, the company observed a high-teens growth on a YoY basis, mainly driven by strategic engagement with customers and product approvals, which have expanded NOCIL's global reach and reinforced customers' confidence in the company's offerings.
- **Tyre Industry:** The demand for replacement and export tyres in India is trending positively, although there has been a slowdown in OEM demand. However, the company anticipates the expected increase in infrastructure spending will benefit the commercial vehicle sector, thereby improving tyre demand in both the replacement and OEM markets. While natural rubber prices have reduced from their recent peak, they remain higher than last year. Despite short-term challenges, the tyre industry maintains a positive long-term outlook. In the domestic non-tyre sector, the company's strong market presence continues to fuel growth.
- **Global Rubber Consumption:** As of CY24, 36% of the world's rubber consumption is consumed by China, 12% by the EU, 9% by the USA, 7.5-8% by India, and 5% by the Japan market. India is showing growth of around 4-4.5%, and China is showing relatively lower growth while other markets are showing degrowth.
- **Capacity Expansion:** Management indicated that the new capacity will be allocated to higher-demand areas, with current capacity utilisation around 65-70%. Additionally, the company plans to leverage adjacencies in its chemistries for applications across various sectors and would look for brownfield expansion for products that are out of capacity. These factors are expected to support volume growth in the coming years.

### Key Risks to Our Estimates and TP

- Global slowdown further affecting demand in coming quarters
- The threat of import substitutes on margins and volumes as China re-opens
- Delays in approval from new plants can slow volume ramp-up, while the inability to fund Capex internally may either stall the expansion plans or lead to additional financing costs.

### Change in Estimates

	New Estimates			Old Estimates			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net Sales	1,387	1,569	1,827	1,830	1,830	2,001	-24%	-14%	-9%
EBITDA	197	242	307	286	286	370	-31%	-15%	-17%
PAT	119	165	221	203	203	272	-41%	-19%	-19%
EPS	7.1	9.9	13.2	12.2	12.2	16.3	-41%	-19%	-19%

Source: Company, Axis Securities Research

### Q3FY25 Results Review

	Q3FY24	Q2FY25	Q3FY25 Axis Estm	Q3FY25	YoY (%)	QoQ (%)	Axis Variance (%)
Net Sales	341	363	369	318	-7%	-12%	-14%
Expenditure							
Net Raw Material	183	206	212	177	-4%	-14%	-17%
Gross Profit	158	157	157	142	-10%	-10%	-10%
Gross Margin (%)	46.3%	43.3%	42.5%	44.5%	-176bps	119bps	202bps
Employee Expenses	24	24	24	24	-1%	0%	-2%
Other Exp	85	96	95	94	11%	-2%	-1%
<b>EBITDA</b>	49	38	38	24	-51%	-36%	-37%
EBITDA Margin (%)	14.3%	10.4%	10.3%	7.6%	-679bps	-287bps	-275bps
Other. Inc	6	8	10	9	56%	8%	-4%
Interest	1	1	1	0	-10%	-15%	-10%
Depreciation	13	13	14	14	1%	2%	1%
PBT	41	32	34	19	-53%	-41%	-43%
Tax	11	(10)	9	6	-42%	-163%	-28%
<b>PAT</b>	30	42	25	13	-57%	-69%	-48%
EPS	1.8	2.5	1.5	0.8	-57%	-69%	-48%

Source: Company, Axis Securities Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Net Sales</b>	<b>1,617</b>	<b>1,445</b>	<b>1,387</b>	<b>1,569</b>	<b>1,827</b>
Revenue Growth (%)	2.9%	-10.6%	-4.0%	13.1%	16.5%
Total Raw Material Consumption	888	815	784	882	1,027
Staff costs	87	92	85	89	97
Other Expenditure	389	342	322	356	396
Total Expenditure	1,364	1,250	1,190	1,327	1,520
<b>EBITDA</b>	<b>253</b>	<b>195</b>	<b>197</b>	<b>242</b>	<b>307</b>
<b>EBITDA Margin %</b>	<b>15.6%</b>	<b>13.5%</b>	<b>14.2%</b>	<b>15.4%</b>	<b>16.8%</b>
Depreciation	55.7	52.8	63.3	67.4	69.5
EBIT	197	142	134	174	237
EBIT Margin %	12.2%	9.8%	9.6%	11.1%	13.0%
Interest	1	2	2	2	2
Other Income	6	39	28	47	58
PBT	202	180	160	220	294
Tax	53	47	41	55	74
<b>PAT</b>	<b>149</b>	<b>133</b>	<b>119</b>	<b>165</b>	<b>221</b>
EPS growth	-15.3%	-10.8%	-10.5%	38.3%	34.0%

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
<b>Equity</b>					
Share Capital	167	167	167	167	167
Reserves & Surplus	1,385	1,532	1,651	1,816	2,036
<b>Total Share Holders Funds</b>	<b>1,552</b>	<b>1,699</b>	<b>1,818</b>	<b>1,982</b>	<b>2,203</b>
<b>Non-Current Liabilities</b>					
Long Term Borrowings	-	-	-	-	-
Lease Liability	7	11	11	11	11
Deferred Tax Liability (Net)	111	125	125	125	125
Long Term Provisions	16	15	15	16	19
<b>Total Non-Current Liabilities</b>	<b>134</b>	<b>151</b>	<b>150</b>	<b>152</b>	<b>155</b>
<b>Current Liabilities</b>					
Short Term Borrowings	-	-	-	-	-
Trade Payables	127	118	133	150	175
Lease Liability	3	2	2	2	2
Other Financial Liability	26	28	28	28	28
<b>Total Current Liability</b>	<b>171</b>	<b>166</b>	<b>181</b>	<b>198</b>	<b>223</b>
<b>Total Liabilities</b>	<b>305</b>	<b>317</b>	<b>331</b>	<b>350</b>	<b>378</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,857</b>	<b>2,015</b>	<b>2,149</b>	<b>2,333</b>	<b>2,581</b>
<b>Non-Current Assets</b>					
Property Plant & Equipment	884	866	1,102	1,185	1,266
Financial Assets: Investments	42	119	49	63	82
Financial Assets: Others	10	10	10	10	10
Non-Current Tax Assets (net)	17	17	17	17	17
Other Non-Current Assets	11	8	7	8	9
<b>Total Non-Current Assets</b>	<b>976</b>	<b>1,039</b>	<b>1,189</b>	<b>1,287</b>	<b>1,388</b>
<b>Current Assets:</b>					
Inventories	285	223	247	288	345
Trade Receivable	346	340	319	361	420
Investments	176	281	281	281	281
Cash and Cash Equivalents	24	92	73	73	98
Other Current Assets	12	28	26	30	35
<b>Total Current Assets</b>	<b>881</b>	<b>976</b>	<b>960</b>	<b>1,046</b>	<b>1,193</b>
<b>Total Assets</b>	<b>1,857</b>	<b>2,015</b>	<b>2,149</b>	<b>2,333</b>	<b>2,581</b>

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
PBT	202	180	160	220	294
Depreciation & Amortization	56	53	63	67	69
Chg in Working cap	159	48	13	-68	-96
Direct tax paid	-51	-40	-41	-55	-74
<b>Cash flow from operations</b>	<b>282</b>	<b>201</b>	<b>197</b>	<b>166</b>	<b>196</b>
Chg in Gross Block	-348	-811	-284	-150	-150
Chg in Investments	0	0	0	0	0
Proceeds on redemption of Fin. Assets	129	703	70	-14	-19
<b>Cash flow from investing</b>	<b>-217</b>	<b>-77</b>	<b>-214</b>	<b>-164</b>	<b>-169</b>
<b>Cash flow from financing</b>	<b>-54</b>	<b>-55</b>	<b>-2</b>	<b>-2</b>	<b>-2</b>
<b>Chg in cash</b>	<b>11</b>	<b>68</b>	<b>-19</b>	<b>0</b>	<b>25</b>
Cash at start	12	24	92	73	73
Cash at end	24	92	73	73	98

Source: Company, Axis Securities Research

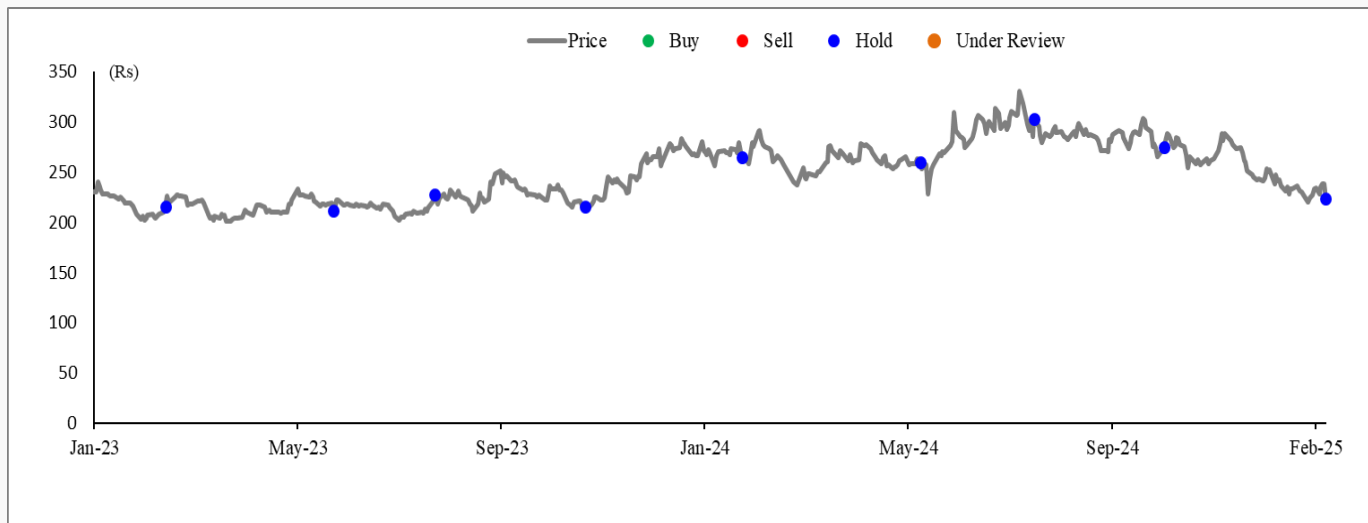
**Ratio Analysis**

(%)

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth (%)</b>					
Net Sales	2.9%	-10.6%	-4.0%	13.1%	16.5%
EBITDA	-11.7%	-22.8%	1.0%	22.6%	27.1%
APAT	-15.3%	-10.8%	-10.5%	38.3%	34.0%
<b>Per Share Data (Rs)</b>					
Adj. EPS	9.0	8.0	7.1	9.9	13.2
BVPS	93.1	101.9	109.1	119.0	132.2
<b>Profitability (%)</b>					
EBITDA Margin	15.6%	13.5%	14.2%	15.4%	16.8%
Adj. PAT Margin	9.5%	13.5%	8.6%	10.5%	12.1%
ROCE	11.7%	7.7%	6.8%	8.2%	10.1%
ROE	9.9%	11.5%	6.6%	8.3%	10.0%
ROIC	12.2%	8.7%	7.3%	8.7%	11.0%
<b>Valuations (X)</b>					
PER	25.0	28.1	31.3	22.7	16.9
P/BV	2.4	2.2	2.1	1.9	1.7
EV / EBITDA	14.7	18.7	18.6	15.1	11.8
EV / Net Sales	2.3	2.5	2.6	2.3	2.0
<b>Turnover Days</b>					
Asset Turnover	1.3	1.1	1.0	0.9	1.0
Inventory days	69.7	64.1	65.0	67.0	69.0
Debtors days	89.8	86.7	84.0	84.0	84.0
Creditors days	38.7	31.0	35.0	35.0	35.0
Working Capital Days	120.9	119.8	114.0	116.0	118.0

Source: Company, Axis Securities Research

## Nocil Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
15-Feb-23	HOLD	240	Result Update
31-May-23	HOLD	240	Result Update
02-Aug-23	HOLD	210	Result Update
06-Nov-23	HOLD	198	Result Update
10-Feb-24	HOLD	245	Result Update
31-May-24	HOLD	242	Result Update
12-Aug-24	HOLD	275	Result Update
30-Oct-24	HOLD	295	Result Update
10-Feb-25	HOLD	240	Result Update

Source: Axis Securities Research

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**RATING SCALE:** Definitions of ratings

<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.