

June 30, 2020

Q4FY20 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	96		96	
Sales (Rs. m)	6,855	8,912	8,048	9,658
% Chng.	(14.8)	(7.7)		
EBITDA (Rs. m)	1,234	1,871	1,368	1,738
% Chng.	(9.8)	7.7		
EPS (Rs.)	3.8	6.2	4.8	6.2
% Chng.	(19.9)	(0.1)		

Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	10,429	8,463	6,855	8,912
EBITDA (Rs. m)	2,903	1,765	1,234	1,871
Margin (%)	27.8	20.8	18.0	21.0
PAT (Rs. m)	1,841	1,310	630	1,033
EPS (Rs.)	11.1	7.9	3.8	6.2
Gr. (%)	8.4	(28.9)	(51.9)	63.9
DPS (Rs.)	2.5	1.8	0.9	1.4
Yield (%)	3.0	2.1	1.0	1.7
RoE (%)	16.8	11.2	5.3	8.2
RoCE (%)	25.3	13.2	7.0	10.9
EV/Sales (x)	1.2	1.6	2.0	1.6
EV/EBITDA (x)	4.3	7.6	11.1	7.5
PE (x)	7.4	10.5	21.8	13.3
P/BV (x)	1.2	1.2	1.1	1.1

Key Data

NOCI.BO | NOCIL IN

52-W High / Low	Rs.128 / Rs.45
Sensex / Nifty	34,916 / 10,302
Market Cap	Rs.14bn/ \$ 182m
Shares Outstanding	166m
3M Avg. Daily Value	Rs.439.78m

Shareholding Pattern (%)

Promoter's	33.73
Foreign	2.23
Domestic Institution	3.52
Public & Others	60.53
Promoter Pledge (Rs bn)	0.70

Stock Performance (%)

	1M	6M	12M
Absolute	(4.3)	(18.3)	(29.4)
Relative	(11.2)	(3.5)	(20.4)

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Impressive Q4 show in a tough environment

Quick Pointers:

- Q4 volume growth of 11% in a tough environment support earnings beat.
- April being a complete washout, we expect 10% volume decline for FY21E after 4% decline in FY20.
- Volume maximization at cost of margins will be the strategy going ahead.
- Likely imposition of Anti-Dumping Duty to aid profitability.

We lower our FY21/22E earnings estimates by 19/1% to factor in near term weakness in volumes. While near term demand slowdown in China and India is a concern, long term opportunities remain impressive. Nocil with new capacities commissioned is poised to benefit from improvement in global rubber chemicals market. Reiterate BUY with a PT of Rs96 (unchanged) based on 15x PER FY21E.

- Improved utilization support profits:** Nocil reported Q4FY20 EBITDA and PAT of Rs367mn (-38% YoY; PLe Rs 245mn) and Rs224mn (-37% YoY; PLe Rs140mn), respectively. Q4 revenues were at Rs2.1bn (+9%QoQ) led by 11%YoY volume growth in a weak demand environment. EBIDTA margins came down to 17.3% (-110bps QoQ) as the company had to take pricing discounts to push volumes in an over supplied market.
- For FY20, revenues were down 19% YoY to Rs8.5bn (volumes -4%+ Pricing -15%). EBIDTA was at Rs1.8bn (-39%Y/Y) and EBIDTA margins were at 20.8% (-700bps YoY). PBT was at Rs1.5bn (-45%YoY) while PAT was at Rs1.3bn (-29%YoY) due to lower tax rate of 14.1% vs 33.5% in FY19.
- Gross margins come off:** For Q4, gross margins were at 50.0% vs Q3FY20 levels of 52.3% (FY19 levels of 55.2%). Nocil has consciously taken a volume maximization strategy at the cost of margins, going ahead. This is in line with China Sunshine policy which prioritizes volumes. We have accordingly factored in EBIDTA margins at 18/21% for FY21/22E vs 20.8% in FY19.
- Opportunities galore:** Nocil is one of the largest rubber chemicals player globally with capacity of 110,000tons including intermediaries. Rising clamor to diversify supplies away from China can open many opportunities for Nocil. With Covid pandemic impacting April volumes, we have factored in 10% volume decline for FY21E. However, led by likely smart recovery in replacement demand and aggressive push by Nocil to increase utilization we expect 35% volume growth for FY22E.
- Even as near term demand uncertainty persist given slowing global auto sales, we believe at current prices, Nocil offers value. Reiterate BUY

Exhibit 1: Q4FY20 Result Overview (Rs mn)

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Income From Operations	2,127	2,416	(12.0)	1,943	8,463	10,429	(18.9)
Total Expenditure							
Cost of Material Consumed	983	1,038	(5.3)	809	3,672	4,956	(25.9)
Purchase of stock in trade	6	3	81.3	6	26	23	13.5
Change in inventory of FG, WIP and SIT	74	68	8.5	113	181	(310)	(158.2)
Total RM Cost	1,063	1,109	(4.2)	927	3,878	4,668	(16.9)
Gross Margin	1,064	1,306	(18.6)	1,016	4,585	5,761	(20.4)
<i>Margin (%)</i>	<i>50.0</i>	<i>54.1</i>		<i>52.3</i>	<i>54.2</i>	<i>55.2</i>	
Employee Cost	168	179	(6.1)	187	735	678	8.4
Other Expense	528	537	(1.5)	472	2,085	2,176	(4.2)
<i>Other Expense (%)</i>	<i>24.8</i>	<i>22.2</i>		<i>24.3</i>	<i>24.6</i>	<i>20.9</i>	
Excise	-	-		-	-	-	
Total Expenditure	1,759	1,825	(3.6)	1,586	6,698	7,522	(10.9)
EBIDTA	367	591	(37.8)	357	1,286	2,317	(44.5)
<i>% of NS</i>	<i>17.3</i>	<i>24.5</i>		<i>18.4</i>	<i>15.2</i>	<i>22.2</i>	
Depreciation	92	63	45.0	79	324	230	41.1
EBIT	276	528	(47.7)	278	1,440	2,678	(46.2)
Interest	4	2	118.8	3	13	6	109.5
Other Income	35	23	54.2	13	97	96	1.5
Exceptional Items	-	-		-	-	-	
PBT	307	549	(44.0)	287	1,524	2,767	(44.9)
Tax	83	191	(56.5)	81	214	926	(76.9)
<i>Tax rate %</i>	<i>27.0</i>	<i>34.8</i>		<i>28.1</i>	<i>14.1</i>	<i>33.5</i>	
Profit After Tax	224	358	(37.4)	207	1,310	1,841	(28.8)

Source: Company, PL

Conference Call Highlights

- Nocil had record volumes in Q4 with growth of 11%.
- Utilization level for FY20 stood at 65% for Nocil.
- April was a complete washout for Nocil but operations have now come back to near normalcy.
- For FY20, domestic market declined 8.5% while exports were up 6.5%.
- Company followed an aggressive market gain strategy in a weak demand environment.
- Exports accounted for 35% of FY20 sales.
- RM prices remain stable however company still imports 50% of their requirement.

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	10,429	8,463	6,855	8,912
YoY gr. (%)	7.8	(18.9)	(19.0)	30.0
Cost of Goods Sold	4,668	3,879	3,153	4,099
Gross Profit	5,761	4,585	3,702	4,812
Margin (%)	55.2	54.2	54.0	54.0
Employee Cost	678	741	617	802
Other Expenses	2,180	2,079	1,851	2,139
EBITDA	2,903	1,765	1,234	1,871
YoY gr. (%)	10.4	(39.2)	(30.1)	51.7
Margin (%)	27.8	20.8	18.0	21.0
Depreciation and Amortization	230	324	383	466
EBIT	2,673	1,440	851	1,405
Margin (%)	25.6	17.0	12.4	15.8
Net Interest	6	13	-	-
Other Income	100	97	(8)	(24)
Profit Before Tax	2,767	1,524	842	1,381
Margin (%)	26.5	18.0	12.3	15.5
Total Tax	926	214	212	348
Effective tax rate (%)	33.5	14.1	25.2	25.2
Profit after tax	1,841	1,310	630	1,033
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,841	1,310	630	1,033
YoY gr. (%)	9.0	(28.9)	(51.9)	63.9
Margin (%)	17.7	15.5	9.2	11.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,841	1,310	630	1,033
YoY gr. (%)	9.0	(28.9)	(51.9)	63.9
Margin (%)	17.7	15.5	9.2	11.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,841	1,310	630	1,033
Equity Shares O/s (m)	165	166	166	166
EPS (Rs)	11.1	7.9	3.8	6.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	8,073	9,812	12,812	13,812
Tangibles	8,073	9,812	12,812	13,812
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,805	2,130	2,513	2,979
Tangibles	1,805	2,130	2,513	2,979
Intangibles	-	-	-	-
Net fixed assets	6,268	7,683	10,299	10,833
Tangibles	6,268	7,683	10,299	10,833
Intangibles	-	-	-	-
Capital Work In Progress	1,305	1,563	150	150
Goodwill	23	12	13	15
Non-Current Investments	577	551	551	551
Net Deferred tax assets	(1,054)	(887)	(971)	(1,109)
Other Non-Current Assets	386	301	315	330
Current Assets				
Investments	968	232	232	232
Inventories	1,704	1,361	1,103	1,433
Trade receivables	2,322	2,032	1,646	2,140
Cash & Bank Balance	389	128	(243)	(471)
Other Current Assets	334	405	445	490
Total Assets	14,279	14,279	14,523	15,716
Equity				
Equity Share Capital	1,654	1,656	1,656	1,656
Other Equity	9,876	10,104	10,565	11,359
Total Networkth	11,531	11,760	12,221	13,015
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	146	163	163	163
Other non current liabilities	1	1	1	1
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	988	892	723	940
Other current liabilities	559	507	444	489
Total Equity & Liabilities	14,278	14,279	14,523	15,716

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	2,767	1,524	842	1,381
Add. Depreciation	230	324	383	466
Add. Interest	6	13	-	-
Less Financial Other Income	100	97	(8)	(24)
Add. Other	446	(65)	70	123
Op. profit before WC changes	3,448	1,796	1,296	1,970
Net Changes-WC	(324)	407	371	(609)
Direct tax	(926)	(214)	(212)	(348)
Net cash from Op. activities	2,199	1,989	1,455	1,013
Capital expenditures	(2,413)	(1,986)	(1,588)	(1,001)
Interest / Dividend Income	-	-	-	-
Others	1,018	761	-	-
Net Cash from Inv. activities	(1,395)	(1,225)	(1,588)	(1,001)
Issue of share cap. / premium	(495)	2	183	(70)
Debt changes	-	-	-	-
Dividend paid	(492)	(494)	(352)	(169)
Interest paid	(6)	(13)	-	-
Others	-	-	-	-
Net cash from Fin. activities	(993)	(506)	(169)	(239)
Net change in cash	(189)	258	(303)	(228)
Free Cash Flow	(214)	3	(134)	11

Source: Company Data, PL Research

Key Financial Metrics

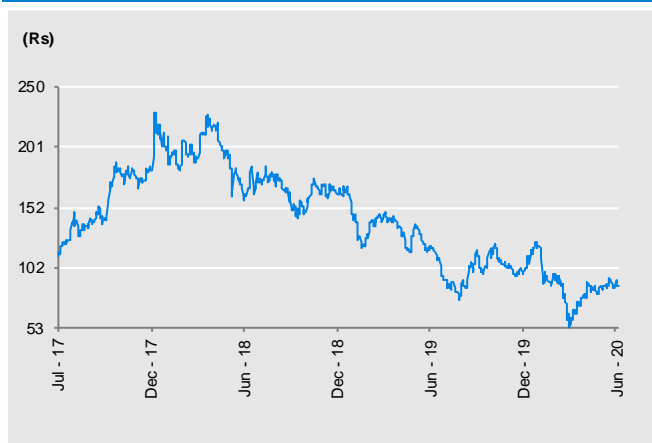
Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	11.1	7.9	3.8	6.2
CEPS	12.5	9.9	6.1	9.1
BVPS	69.7	71.0	73.8	78.6
FCF	(1.3)	0.0	(0.8)	0.1
DPS	2.5	1.8	0.9	1.4
Return Ratio(%)				
RoCE	25.3	13.2	7.0	10.9
ROIC	20.3	12.4	8.5	11.9
RoE	16.8	11.2	5.3	8.2
Balance Sheet				
Net Debt : Equity (x)	(0.1)	0.0	-	0.0
Net Working Capital (Days)	106	108	108	108
Valuation(x)				
PER	7.4	10.5	21.8	13.3
P/B	1.2	1.2	1.1	1.1
P/CEPS	6.6	8.4	13.5	9.2
EV/EBITDA	4.3	7.6	11.1	7.5
EV/Sales	1.2	1.6	2.0	1.6
Dividend Yield (%)	3.0	2.1	1.0	1.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	2,296	2,097	1,943	2,127
YoY gr. (%)	(14.4)	(22.9)	(25.6)	(12.0)
Raw Material Expenses	1,002	887	927	1,063
Gross Profit	1,294	1,211	1,016	1,064
Margin (%)	56.4	57.7	52.3	50.0
EBITDA	562	479	357	367
YoY gr. (%)	(30.0)	(39.3)	(50.8)	(37.8)
Margin (%)	24.5	22.8	18.4	17.3
Depreciation / Depletion	77	77	79	92
EBIT	485	402	278	276
Margin (%)	21.1	19.2	14.3	13.0
Net Interest	3	3	3	4
Other Income	25	25	13	35
Profit before Tax	507	423	287	307
Margin (%)	22.1	20.2	14.8	14.4
Total Tax	180	(129)	81	83
Effective tax rate (%)	35.5	(30.5)	28.1	27.0
Profit after Tax	327	552	207	224
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	327	552	207	224
YoY gr. (%)	(35.7)	4.5	(53.7)	(37.4)
Margin (%)	14.2	26.3	10.6	10.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	327	552	207	224
YoY gr. (%)	(35.7)	4.5	(53.7)	(37.4)
Margin (%)	14.2	26.3	10.6	10.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	327	552	207	224
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	08-Apr-20	BUY	96	72
2	31-Jan-20	BUY	129	109
3	03-Jan-20	BUY	174	111
4	04-Nov-19	BUY	174	118
5	03-Oct-19	BUY	189	99
6	31-Jul-19	BUY	199	89
7	09-Jul-19	BUY	199	115
8	04-Jul-19	BUY	221	117

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Accumulate	1,024	869
2	Bharat Petroleum Corporation	BUY	515	357
3	GAIL (India)	Accumulate	108	103
4	Hindustan Petroleum Corporation	BUY	280	214
5	Indian Oil Corporation	BUY	114	85
6	Indraprastha Gas	BUY	597	474
7	Mahanagar Gas	BUY	1,263	1,036
8	NOCIL	BUY	96	72
9	Oil & Natural Gas Corporation	BUY	115	74
10	Oil India	Accumulate	117	96
11	Petronet LNG	BUY	378	215
12	Reliance Industries	BUY	1,601	1,409

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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