

NOCIL Ltd.

Strong visibility of growth going ahead

We have done annual report analysis of NOCIL and deeply checked various parameters like corporate governance, related parties transactions, cash flow & balance sheet notes etc. Our analysis suggest that the company is clean on corporate governance side having almost negligible related party transactions and maintaining healthy & strong balance sheet with strong cash flows. With over 4 decades of experience, NOCIL is the market leader in rubber chemical space, capturing ~40% domestic and ~4-5% global market share in terms of production. The company has established long term relationship with its customers in over 40 countries. We believe NOCIL is on a strong footing of growth, majorly led by (a) Double digit volume growth going ahead (b) Global rubber chemical sourcing strategy is expected to undergo a change to include China+1 (c) Increasing shift towards radial tyres to propel rubber chemical consumption (d) Increased focus towards specialized products to enrich the product mix. Despite lockdown and virus grappling the economy, the company reported healthy double-digit volume growth in FY21 & FY22. The company has developed strong R&D and technical research capabilities and long-lasting relationship with clients that create huge entry barrier for new players. The future growth visibility of this cash rich company is significant.

Healthy double-digit volume growth on the cards

- Over the last 5 years (FY17-22), NOCIL volume CAGR growth has been ~21%. This was owing to consistent rubber and tyre consumption growth, increasing focus on exports, strong client relationship and diversified product profile.
- Despite rubber consumption growth of 9.6% YoY in CY21, NOCIL volumes grew by 16.5% YoY in FY22 backed by increasing exports, higher wallet share from existing clients and robust domestic demand. NOCIL has consistently gained market share on the back of strong volume growth and plans to further increase its exports footprint backed by recent capacity expansion and diverse product basket.
- The company expanded capacity of 55,000 TPA is operating at higher utilization rates. We believe the expanded capacity is likely to reach optimum utilization levels by H1FY24. On the back of this, we expect NOCIL to report volume CAGR growth of 11.5% from FY22-24E.

Exports to be the key driver of growth going ahead

- With the onset of pandemic which led to supply chain disruption globally and business hit suffered by several conglomerates dependent primarily on Chinese companies as sourcing partner are now looking for alternatives outside China. We believe this would eventually lead to global companies prefer Indian manufacturers like NOCIL which have the scale and expertise to fulfil the needs of any global tyre manufacturer.
- In the rubber chemicals space, China accounts for lions share roughly 70% of global production of which more than 40% is exported. With the China+1 strategy in place, NOCIL doubling its capacity would eventually lead to market share gains for NOCIL, at the expense of Chinese manufacturers.
- The company's exports as a % of sales stood at ~36% in FY22 as compared to 25% in FY16. We believe as NOCIL increase its wallet share and visibility in export market the company will eventually touch 40% of export sales in the coming years.

Healthy product mix to drive operating margins

- Over the past few years, NOCIL has invested on increasing its product quality and technical capabilities to manufacture high grade specialized products particularly used in the export markets.
- The company's specialized product portfolio stands at 25% of sales in FY22 up from 15% in FY14. Increased focus on speciality products particularly for the export market was one of the key reasons for improvement in gross as well as operating margins over the last couple of years.
- The company is focusing significantly on increasing its wallet share and visibility in the export market which should further improve the mix towards specialized grade products and thereby margin profile of the company. The company is focusing on value added or niche product having wider visibility and thereby, commands higher margins.
- Higher value-added product coupled with cost optimization would lead to improvement in margins in the coming years. Consequently, we expect EBITDA margins to be at 19.1% & 21.2% in FY23E & FY24E respectively.

Valuation and risks:

- We value the stock using EV/EBITDA multiple and arrive at target price of 332 per share (assigning ~13x EV/EBITDA to FY24 projections) which indicates upside of 16% from current valuations.
- Hence, we assign **BUY** rating on the stock.

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	PAT	YoY (%)	EPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY20	8,463	-19	1,782	21.1	1,307	-29	7.9	11.1	11.2	13.4	9.5
FY21	9,247	9	1,308	14.1	884	-32	5.3	7.2	7.2	33.8	21.8
FY22	15,713	70	2,862	18.2	1,761	99	10.6	12.9	12.9	23.6	14.3
FY23E	17,120	9	3,274	19.1	2,082	18	12.5	13.7	13.7	22.8	13.8
FY24E	18,747	10	3,968	21.2	2,590	24	15.5	15.3	15.3	18.3	11.0

Source: Company, SMIFS Research Estimates

Rating: **BUY**Upside: **16%**Current Price: **285**Target Price: **332**

I Market Data

Bloomberg:	NOCIL: IN
52-week H/L (Rs):	321/190
Mcap (Rs bn/USD bn):	47.3/0.59
Shares outstanding (mn):	166.6
Free float:	59.4%
3 Month Avg. daily vol (mn):	2.0mn
Face Value (Rs):	10
Group:	S&P BSE 500

Source: Bloomberg, SMIFS Research

I Shareholding pattern

	Mar-22	Dec-21	Sep-21	Jun-21
Promoter	33.8	33.9	33.9	33.9
FII	2.5	2.7	2.1	2.2
DII	4.3	4.5	4.4	4.3
Public/others	59.4	58.9	59.6	59.6

Source: BSE

I Price Performance (%)*

YE Mar (R)	1M	3M	12M	36M
S&P BSE 500	7.0	-2.9	4.1	56.4
NOCIL	10.4	27.3	13.8	207

*as on 25th July 2022; Source: AceEquity, SMIFS Research

Aditya Khetan

Sector Lead - Chemicals
+91-9004126470/ 022-42005512
aditya.khetan@smifs.co.in

Awanish Chandra

Senior VP – Institutional Equities
+91-8693822293/ 022-4200 5508
awanish.chandra@smifs.com

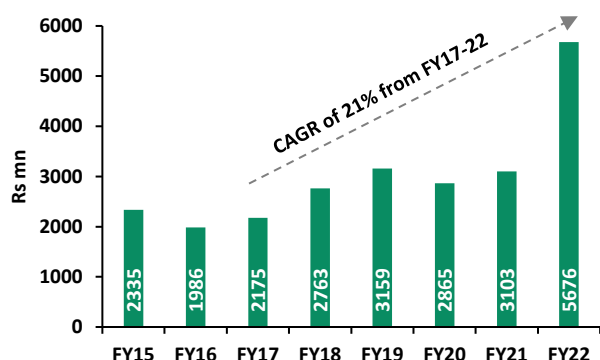
Index

Export led focus to be the key driver going ahead.....	3
Analysis of Profit & Loss (P&L).....	4
Analysis of Balance Sheet.....	6
Analysis of Cash Flow.....	8
Other Key Takeaways from the Annual Report	9
Key Excerpts from Directors Report.....	10
Key Excerpts from Management Discussion & Analysis (MD&A) Report.....	11
Corporate Governance.....	12
Valuation and Recommendations	16
Company Background	17
Quarterly Financials, Operating Metrics and Key Performance Indicators	19
Financials Consolidated.....	20

Export led focus to be the key driver going ahead

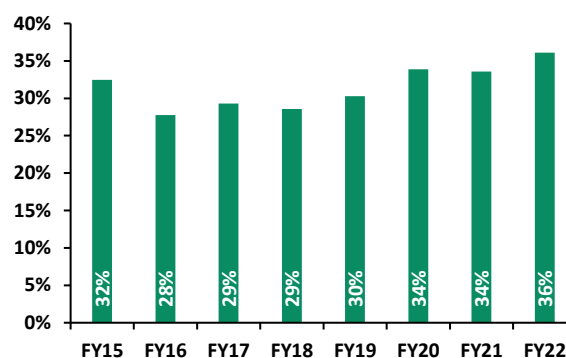
- Over the past 5 years, exports grew at a CAGR of 21% from FY17-22. This was led by diversification in newer geographies, increasing wallet share from existing overseas clients and consistent demand growth of global rubber chemicals.
- Despite facing intense competition from Chinese manufacturers, the company has established a strong positioning in the global markets with all major international tyre manufacturers as their clients.
- On the global front, the company commands 5-6% market share in terms of production and with recent capacity expansion the global market share is set to increase to 7-8% levels over the next couple of years.
- Increasing exports footprint is a measure of the company's strong and diversified product visibility around global tyre manufacturers.
- The company focuses on specialized range of products in overseas markets which generate incremental margins over the base product margin profile.
- Recent doubling of capacity will lead to a higher focus on export market and hence we expect exports to gain traction in medium to long term.

Fig 1: Exports witnessed CAGR of 21% from FY17-22



Source: Company, SMIFS Research Estimates

Fig 2: Exports at 36% of sales in FY22, up from 28% in FY16



Source: Company, SMIFS Research Estimates

- The company currently caters to a diverse export market across 40 countries. However, the focused markets are Japan, Malaysia, United States, Thailand and European countries.
- For the last 2 years, the company increasingly focused on increasing its reach in the US market. The US market business has grown significantly but is presently very small for NOCIL. The company with its diversified product range is set to establish its presence in the US market in coming years. US market has witnessed a sharp uptick in volumes over the last 5 years with volumes of NOCIL to US growing by roughly 10x to ~2000-2500 TPA.
- Exports as a % of sales stood at ~36% in FY22 as compared to 28% in FY16. We believe as NOCIL increase its wallet share and visibility in export markets, the company will eventually touch 40% of export sales in the coming years.
- Overall, we expect NOCIL to report export sales CAGR of 11.5% from FY22-25E.

Analysis of Profit & Loss (P&L)

Fig 3: Breakup of Gross Revenue from Operations - Consolidated

(Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Rubber Chemical Sales	7683	7661	7918	9594	10245	8378	9131	15613
Trading of rubber chemical & Others	141	151	156	174	58	0	0	0
Sale of Scrap	10	15	17	27	15	12	8	12
Duty drawback and other export incentives	1	50	65	42	84	64	47	45
VAT Refund	0	0	0	37	0	0	0	0
Cash Discounts Received	2	1	1	3	3	2	1	2
Excess provision for earlier years written	4	8	20	11	18	6	15	28
Refund of electricity duty	10	0	1	0	4	0	0	0
Miscellaneous income	2	1	5	5	2	1	6	9
Profit on sale of raw material	0	0	0	0	0	0	39	6
Total Revenue from operations	7853	7886	8183	9893	10429	8463	9247	15713
Excise Duty	663	734	761	216	0	0	0	0
Total Revenue from operations(net)	7190	7152	7422	9676	10429	8463	9247	15713
Growth		-1%	4%	30%	8%	-19%	9%	70%

Source: Company Annual Report, SMIFS Research

Fig 4: Margin Analysis

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Raw material cost as % of sales	54.0%	50.3%	48.4%	45.5%	44.8%	45.8%	54.6%	54.7%
Employee cost as % of sales	7.0%	8.5%	8.6%	7.4%	6.8%	9.1%	7.6%	5.1%
Other expense as % of sales	23.2%	21.8%	21.5%	19.7%	20.4%	24.0%	23.7%	22.0%
EBITDA Margin	15.8%	19.5%	21.4%	27.4%	28.1%	21.1%	14.1%	18.2%
EBIT Margin	14.3%	17.9%	20.1%	26.4%	26.7%	18.2%	11.7%	15.4%
PBT Margin	12.0%	16.6%	19.8%	26.3%	26.6%	18.0%	11.6%	15.3%
PAT Margin	7.9%	10.9%	13.1%	17.6%	17.7%	15.4%	9.6%	11.2%

Source: Company Annual Report, SMIFS Research

- The company reported strong jump in EBITDA margin from 15.8% in FY15 to 28.1% in FY19. This was owing to operating leverage, Imposition of ADD, backward integration etc. Thereafter, margin dropped to 14.1% in FY21 led by discontinuation of ADD and operating deleverage. Thereafter, margin expanded to 18.2% in FY22 on the back of operating leverage wherein other expenses stood at 22% of sales as compared with 23.7% as on FY21 due to lower processing charges & general corporate expense.

Fig 5: Breakup of Other Expenses (Major Component) (Consol Figures)

(Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Power & Fuel Cost	658	544	518	657	755	722	794	1504
Power & Fuel Cost as % of sales	8.4%	6.9%	6.3%	6.6%	7.2%	8.5%	8.6%	9.6%
Processing Charges	171	172	173	186	207	210	188	207
Processing Charges as % of sales	2.2%	2.2%	2.1%	1.9%	2.0%	2.5%	2.0%	1.3%
Selling Expenses	233	231	247	293	322	310	367	629
Selling Expenses as % of sales	3.0%	2.9%	3.0%	3.0%	3.1%	3.7%	4.0%	4.0%
Consumption of Packing Materials	122	112	124	137	145	134	156	213
Consumption of Packing Materials as % of sales	1.6%	1.4%	1.5%	1.4%	1.4%	1.6%	1.7%	1.4%
Expenses on CSR	8	11	19	25	37	48	48	37
Expenses on CSR as % of sales	0.1%	0.1%	0.2%	0.3%	0.4%	0.6%	0.5%	0.2%
Other Expenses	249	243	277	293	320	302	335	416
Other Expenses as % of sales	3.2%	3.1%	3.4%	3.0%	3.1%	3.6%	3.6%	2.6%

Source: Company Annual Report, SMIFS Research

Fig 6: Employee Cost Analysis (Consol Figures)
(Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Salaries, wages and bonus	404	470	511	569	577	634	597	681
No of Employees	440	448	456	489	593	645	634	675
Average Revenue Per Employee in Lakhs	9.2	10.5	11.2	11.6	9.7	9.8	9.4	10.1
Contribution to provident and other funds	53	88	63	60	36	53	42	55
Employee Share based payment	0	0	15	26	25	20	10	4
Staff welfare expenses	46	49	53	57	67	60	52	69
Total Employee Expense	503	608	642	712	705	767	701	808
Growth	18%	21%	6%	11%	-1%	9%	-9%	15%

Source: Company Annual Report, SMIFS Research

- Although, No. of Employees witnessed jump of 40% from 489 employees in FY18 to 675 employees in FY22, average revenue per employee declined by 13% in the same period. However, major reason for this drop in average revenue per employee is due to realization decline of rubber chemical and nothing related to low productivity of employees or so.

Fig 7: Tax Breakup (Consol Figures)
(Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Current Tax	255	359	474	860	843	389	252	571
MAT Credit Entitlement	-1	-2	-2	-1	-2	0	0	0
Deferred Tax	28	51	24	-9	88	-172	63	54
Excess Provisioning	10	-2	0	-2	0	0	-127	21
Total Tax Expense	291	407	497	848	929	217	187	645
Tax Rate (Tax expense as % of PBT)	33.8%	34.2%	33.8%	33.3%	33.4%	14.2%	17.5%	26.8%

Source: Company Annual Report, SMIFS Research

- Tax rate stood at ~27% in FY22.

Fig 8: R&D Expense
(Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
R&D Expense	42	62	52	57	50	55	59	58
R&D Expense as % of Sales	0.6%	0.9%	0.7%	0.6%	0.5%	0.7%	0.6%	0.4%

Source: Company Annual Report, SMIFS Research

Analysis of Balance Sheet

Fig 9: Cash Conversion Cycle

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Inventory Days	176	135	116	129	133	128	120	141
Receivable days	78	70	75	90	81	88	122	104
Payable days	79	74	89	96	77	84	123	91
Cash Conversion Cycle	175	131	102	123	138	132	119	154

Source: Company Annual Report, SMIFS Research

Fig 10: Total working capital as a % of sales inched up marginally in FY21 (Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Current Assets (Excluding cash and investments)	3727	2985	2954	4123	4369	3814	4988	8104
Current Liabilities	2331	1303	1191	1644	1548	1406	2104	2593
Total Working Capital	1396	1682	1762	2479	2821	2408	2884	5511
Net Revenue	7190	7152	7422	9676	10429	8463	9247	15713
Working Capital as % of sales	19%	24%	24%	26%	27%	28%	31%	35%

Source: Company Annual Report, SMIFS Research

Fig 11: Non-Current Investments Breakup (Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Mafatlal Industries Ltd (Rs mn)	89	89	310	510	212	122	172	341
No. of shares of Mafatlal ind.	566320	566320	1269695	1954695	1954695	1954695	1954695	1954695
HDFC Bank Ltd (Rs mn)	0.01	0.01	0.01	9	12	9	15	15
No. of shares of HDFC Bank	5000	5000	5000	5000	5000	10000	10000	10000
Bank of India Ltd (Rs mn)	1	1	1	2	2	1	1	1
No. of shares of Indian Bank	19900	19900	19900	19900	19900	19900	19900	19900
Corporation Bank Ltd (Rs mn)	0.2	0.2	0.2	0.4	0.4	0.1	0.1	0.2
No. of shares of Corporation Bank	12000	12000	12000	12000	12000	12000	3960	3960
Navin Fluorine Int Ltd (Rs mn)	134	134	111	0	0	0	0	0
Total Quoted Investments	224	224	422	522	226	131	188	357
Unquoted Investments	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Investments in Mutual Funds	1	1	1	2	42	109	61	1
Total Non current Investments	224	224	423	524	268	240	250	359

Source: Company Annual Report, SMIFS Research

- Non-current investments has eroded significantly in value in a span of 3 years from FY18-21 because of decline in Mafatlal industries share price. With 19.54 lakh share of Mafatlal, NOCIL holds 14.05% stake in the company and the share price of Mafatlal is continually declining owing to losses reported by the company quarter after quarter. However, Mafatlal Industries stock price rebounded sharply in FY22 and is now trading at a 3 year high due to which investments value increased which led to total non current investments rise by 43% in FY22.
- Mafatlal Industries is into textile business which is witnessing significant volatility in terms of demand, customer preference, MEIS issues etc.

Fig 12: Investments in Wholly Owned Subsidiary
(Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
PIL Chemicals Ltd (Rs in mn)	250	250	250	250	250	250	250	250
No. of shares of PIL Chemicals Ltd	8354833	8354833	8354833	8354833	8354833	8354833	8354833	8354833
Total Equity	266	267	274	343	350	343	363	367
Revenue	104	109	118	146	132	134	152	184
PAT	4	5	7	17	13	7	19	20

Source: Company Annual Report, SMIFS Research

- The company has one wholly owned subsidiary, PIL Chemicals Ltd. In terms of financial performance of the subsidiary, the revenue grew by ~21% YoY with PAT margins of 11% in FY22 as compared to historical range of 5-10%.
- PIL Chemicals has support of adequate reserves and consistent profit generation. Nothing significant has come to our notice.

Fig 13: Cash Yield Analysis (Consol Figures)
(Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Cash on Balance Sheet (Includes current investment)	75	154	1220	2609	1469	442	1239	336
Total Non current Investments	224	224	423	524	268	240	250	359
Total Cash and Non-Current Investments	300	378	1643	3132	1737	682	1488	695
Other Income	40	35	95	146	100	92	147	39
Other Income as % of Cash on BS	10%	9%	6%	4%	8%	14%	4%	

Source: Company Annual Report, SMIFS Research, Note: Other income as % of Cash on BS is taken as average of total cash & non-current investment

- The profit generated before working capital has completely been used up in working capital due to which the cash generated from operations post tax is negative, this has led the company to use its investments and cash for the dividend payment and this is the reason for decrease in cash on balance sheet in FY22.

Fig 14: Debt and Cash Analysis (Consol Figures)
(Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Debt includes lease liability	1473	259	150	50	0	92	79	78
Cash on Balance Sheet (Excludes Non-current investments)	75	154	1220	2609	1469	442	1239	336
Net Cash	-1398	-105	1070	2559	1469	350	1160	258

Source: Company Annual Report, SMIFS Research

- The company is on net cash since FY17.

Analysis of Cash Flow

Fig 15: Higher working capital led to negative FCF in FY22

(Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Cash Flow from Operations (CFO)	135	1610	1394	1016	1634	1781	926	-313
Capex	-62	-108	-140	-127	-1536	-1739	-1605	-389
Free Cash Flow (FCF)	73	1502	1254	889	98	42	-679	-703
FCF to CFO	54%	93%	90%	87%	6%	2%	-73%	224%

Source: Company Annual Report, SMIFS Research

- The working capital cycle has gone up sharply in due to which complete profit generated by the company has been used to fund the working capital which led to negative cash from operations and therefore negative FCF in FY22

Fig 16: Negative CFO leading to negative ratio of CFO to PAT in FY22

(Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Cash Flow from Operations (CFO)	135	1610	1394	1016	1634	1781	926	-313
Profit After Tax (PAT)	571	783	971	1699	1849	1307	884	1761
CFO to PAT (%)	24%	206%	144%	60%	88%	136%	105%	-18%

Source: Company Annual Report, SMIFS Research

Fig 17: Cash Flow from Operations before tax (CFO) Analysis

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
CFO to Sales (%)	4%	27%	25%	19%	24%	27%	10%	2%
CFO to EBITDA (x)	0.4	2.1	1.8	1.0	1.3	1.5	0.9	0.1
CFO to Net Fixed Assets (%)	11%	63%	61%	35%	38%	29%	10%	3%
Current Liability Coverage Ratio (x)	0.1	1.5	1.6	1.1	1.6	1.6	0.4	0.1
Market Cap to CFO (x)	44.5	4.7	11.0	24.8	17.1	9.9	32.3	-

Source: Company Annual Report, SMIFS Research

- CFO to EBITDA has declined sharply to 0.1x in FY22 owing to higher working capital leading to lower CFO, however, we believe NOCIL would comfortably cross 1x over the long term.
- CFO to fixed assets stood at 3% in FY22 as compared to the range of 19-25% of last 3 years. We believe as demand picks up the new expanded capacity will operate at increasing utilization levels and the benefits will be reaped in the form of increased CFO, thereafter, this ratio will fire up in the coming years.
- Current Liability Coverage Ratio (CCCR) determines the company's ability to clear current liabilities from its CFO. NOCIL CCCR stood at 0.1x in FY22 which is lower as compared to last 2 years.

Fig 18: Free Cash Flow (FCF) Analysis

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
FCF to Sales	1.0%	21.0%	16.9%	9.2%	0.9%	0.5%	-7.3%	-4.5%
FCF to PAT	12.8%	191.9%	129.1%	52.3%	5.3%	3.2%	-76.8%	-39.9%
FCF to Net Fixed Assets	2.4%	49.7%	41.6%	16.9%	1.5%	0.5%	-7.4%	-7.8%

Source: Company Annual Report, SMIFS Research

Other Key Takeaways from the Annual Report

Fig 19: Raw Material Procurement Breakup

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Imported	53%	50%	51%	52%	52%	53%	53%	53%
Indigeneous	47%	50%	49%	49%	49%	47%	47%	47%

Source: Company Annual Report, SMIFS Research

- The company imported roughly 53% of raw materials in FY22 and the contribution has increased by approx. 200bps from 51% since FY17.

Fig 20: USD Currency Impact on PAT

(Rs in mn)

	FY18	FY19	FY20	FY21	FY22
5% strengthening against US Dollar	-0.8	-19.8	-17.5	-7.6	-28.3
5% weakening against US Dollar	0.8	19.8	17.5	7.6	28.3

Source: Company Annual Report, SMIFS Research

- The above table depicts the corresponding impact on PAT with movement in currency rates. For 5% strengthening of rupee against US dollar, the company PAT would have an impact of Rs28.3mn as per FY22 and vice versa.
- This is mainly attributable to the exposure outstanding on receivables and payables in the company at the end of the reporting period.

Fig 21: Ageing of Trade Receivables

(Rs in mn)

	FY18	FY19	FY20	FY21	FY22
Within the credit period	2222	1806	1546	2737	4262
0 - 180 days past due	205	515	485	348	236
More than 180 days past due	7	2	2	0	0
Total Trade Receivables	2434	2322	2032	3086	4498

Source: Company Annual Report, SMIFS Research

Fig 22: Reconciliation of loss allowance or provision for Trade Receivables

(Rs in mn)

	FY18	FY19	FY20	FY21	FY22
Balance as at beginning of the year	1.8	0.2	0.2	1.4	1.4
Impairment losses recognised in the year	0.2	0.0	1.2	0.0	0.0
Amounts written back during the year	-1.8	0.0	0.0	0.0	0.0
Balance at end of the year	0.2	0.2	1.4	1.4	1.4

Source: Company Annual Report, SMIFS Research

- Majority of trade receivables from FY18 to FY22 are under the credit period which company gives to its customer. The average credit period on sales is 60 days. Approx. 5% of trade receivables are in 0-180 days in FY22 down from 22-23% since FY18-20.
- No provisioning for trade receivables has been done indicating receivables are healthy in nature.

Key Excerpts from Directors Report

Outlook on operating performance

- Despite the challenging environment that has prevailed over the previous two years, NOCIL has delivered robust performance due to its integrated value chain, technological strength, wide product range, and strong marketing network. The company continue to consolidate its position in the global and domestic rubber chemicals market.
- The company reported sales growth of 70% in FY22 majorly driven by price hikes taken across products commensurate with the cost increases and also due to change in the product mix. The company reported 16% YoY growth in production volume backed by strong demand.

Outlook on ongoing expansion of rubber chemicals plant & future expansions

- The company expanded 55,000 TPA capacity will reach peak utilization levels by Sept 23.
- The company would also be investing in small capex programmes towards debottlenecking of capacities of some of the products.

Outlook on Rubber Chemical Exports:

- The company follows a prudent method of strategic diversification into newer export markets and this led to increase in number of enquiries across the globe. The company promotes high quality and high value speciality products in the export market to garner visibility across the international tyre OEM's.
- Japan, Malaysia, Thailand and USA are the key export destinations and we believe increased penetration in USA would be a trigger for growth going ahead.
- The company is also expanding its geographic reach and improving the position in the export market for its products.

Outlook on Tyre Sector:

- Following the effect of COVID-19, the Indian tyre industry has made a gradual recovery, with a positive long-term prognosis. The sector has witnessed immense supply side issues such as semiconductor chip shortages, logistics impacted demand, but tyre replacement demand has remained resilient and strong despite the downturn.
- Further, tyre import restrictions will benefit domestic tyre manufacturer companies in maintaining high utilization rates. Both natural and synthetic rubber production would continue to witness increased usage led by robust demand.
- Domestic tyre demand follows the GDP growth trend; hence tyre growth is estimated to be in the range of 7- 8% in 2022-23.

Key Excerpts from Management Discussion & Analysis (MD&A) Report

Opportunities: The way ahead

- The normalisation of the Indian economy will enable the replacement tyre market to operate at a higher rate and NOCIL being a major supplier to tyre sector will benefit from the same.
- The company enjoys a preferred-supplier status with most tyre majors. With increasing presence of tyre players in the Indian market, NOCIL stands to gain significant leverage as a domestic supplier for most tyre majors. There are opportunities for expanding business in certain specialty chemicals and high value chemicals, where some customers are conducting advanced pre-commercial studies. This development augurs well for the company. Also, the company is taking all the necessary steps for meeting these increased requirements.
- Management foresees growth potential in rubber, auto and tyre sector over the next 7-10 years and in lieu of this the company has invested Rs4.5bn capex over the last 3 years which benefits will be reaped till FY23 & FY24.
- Based on the demand outlook, further expansion in the field of rubber chemicals by the company would be an additional opportunity through which the company can consolidate its position in the global rubber chemicals space. Also, with capacities in place, any additional requirements in EU market on account of the prolonged war situation may help the Indian manufacturing industry.

Threats:

- Delay in normalization of demand in the auto and tyre segment can have a major impact.
- Exchange rate fluctuations, unforeseen movement in crude oil prices, trade war between US & China are negatives for the business.
- Aggressive or Irrational dumping of rubber chemicals at low prices by China will impact the margins.

Corporate Governance

We believe that good corporate governance is necessary for enhancing the trust of the shareholders. Hereby, we present a detailed framework on corporate governance for the comfort of the investors of NOCIL considering board of directors, remuneration of key managerial personnel, contingent liability etc.

Promoters' Shareholding

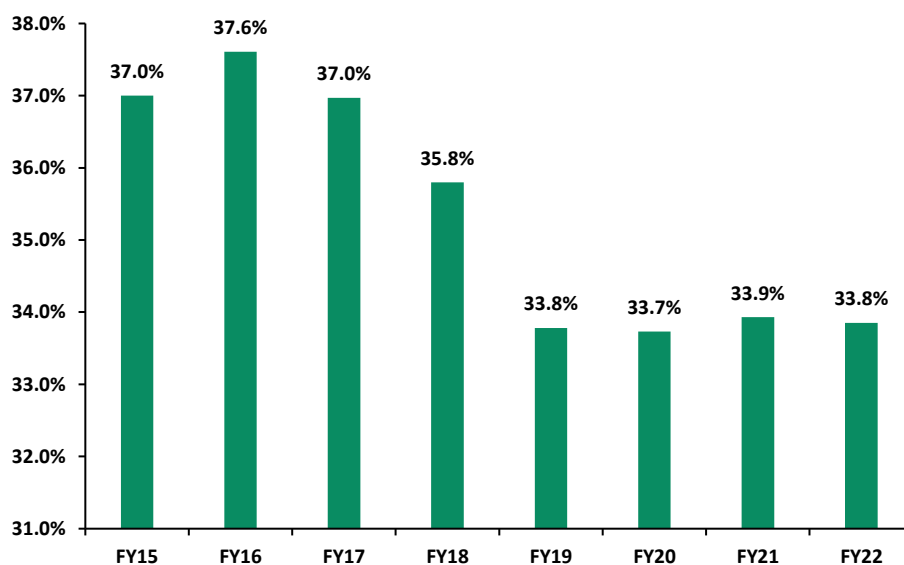
The promoters currently hold ~33.8% of the equity capital. Hrishikesh Mafatlal & family trust holds the highest equity capital (18.2%) in the company. The details of the shareholding and its movement are indicated in the following table and chart:

Fig 23: Latest Promoter Shareholding

Particulars	% Holding
Hrishikesh A Mafatlal (as a Trustee of Gurukripa Trust)	18.21
Mafatlal Industries Ltd	15.16
Hrishikesh A Mafatlal	0.48
Mr Priyavrata Hrishikesh Mafatlal	0.01
Total	33.8

Source: Company Annual Report FY22, SMIFS Research

Fig 24: Promoter Shareholding



Source: Company Annual Report, SMIFS Research

The decline in promoter shareholding from FY18 to FY19 is due to selling of shares by Navin Fluorine International and subsequent re-classification led to shifting from Promoter to Non-Promoter group category & due to ESOP grants. From 18th September 2018, Navin Fluorine International has been re-classified from Promoter to Non-Promoter public category. Navin Fluorine International had 2.4% stake in promoter group on March 2017 and currently it is Nil.

Mafatlal Industries hold 15.2% as on 31st March 2022 as compared to 16.1% in March 2017 indicates selling of some small portion of shares has been done by Mafatlal Industries. The purpose of selling is to strengthen its own core business operations.

Promoter Compensation

- The promoter compensation as a % of PBT has increased from 0.2% in FY15 to 2.3% in FY22.

Fig 25: Remuneration of promoter

(Rs in mn)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Mr. H. A. Mafatlal	1	1	26	42	46	38	36	53
Mr. Priyavrata Mafatlal	0	0	0	2	2	2	2	3
Mr. Vishad. P. Mafatlal*	1	1	0	0	0	0	0	0
Total Remuneration	2	2	26	44	48	40	37	55
As a % of PBT	0.2%	0.2%	1.8%	1.7%	1.7%	2.6%	3.5%	2.3%

Source: Company Annual Report, SMIFS Research; * indicates that not a part of the board from FY18

Independent Director's Compensation

- As on FY22, NOCIL board constituted of 7 independent directors of which one director has passed away. Independent directors were paid cumulative Rs25.4mn which is 1.1% of PBT in FY22 and Rs17.5mn which is 1.6% of PBT in FY21.

Fig 26: Remuneration of Independent Director

Name	FY21 Compensation (Rs in mn)	As % to PBT (FY21)	FY22 Compensation (Rs in mn)	As % to PBT (FY22)
Mr. Vilas Gupte	2.6	0.2%	3.4	0.1%
Mr. Priyavrata Mafatlal	1.9	0.2%	2.5	0.1%
Mr. N. Sankar *	2.0	0.2%	3.4	0.1%
Mr. Rohit Arora	1.6	0.1%	3.1	0.1%
Mr. D. N. Mungale	2.4	0.2%	3.1	0.1%
Mr. P. V. Bhide	2.4	0.2%	3.3	0.1%
Ms. Dharmishta Raval	2.3	0.2%	2.9	0.1%
Mr. Debnarayan Bhattacharya	2.4	0.2%	3.7	0.2%
Total	17.5	1.6%	25.4	1.1%

Source: Company Annual Report, SMIFS Research, * Mr. N. Sankar Independent Director passed away on April 17, 2022.

Board Composition

- The company's board of directors constitute 60% independent directors and 20% other non-executive director. The details are given below:

Fig 27: Board Composition

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Independent Directors	6	6	6	6	6	6	6	7#
Other Non-Executive Director	3	3	1	2	2	2	2	1
Executive Chairman, Managing Director	2	2	3	2	2	2	2	3*

Source: Company Annual Report, SMIFS Research

* indicates Mr. Anand V. S. has been appointed as the Deputy Managing Director for a period of 5 years with effect from March 02, 2022.

indicates Mr. N. Sankar, Independent Director passed away on April 17, 2022. Excluding Mr. N Shankar, the independent director strength is 6 independent directors.

Contingent Liabilities

The company's contingent liability increased as a % of net worth from 0.9% in FY18 to 2.8% in FY22. The contingent liabilities are on account of taxation related (Direct and Indirect) is insignificant as a % of net worth.

Fig 28: Contingent Liability

(Rs in mn)

	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Direct and Indirect Taxation	95	114	97	249	289	312	404
Net Worth	4,699	5,961	10,467	11,630	11,852	12,847	14,452
As a % of Net Worth	2.0%	1.9%	0.9%	2.1%	2.4%	2.4%	2.8%

Source: Company, SMIFS Research

Related Party Transactions

- Relative sharp jump is witnessed in post employment benefits on behalf of NOCIL employee trust funds from Rs13mn in FY20 to Rs61mn in FY21 which has normalized in FY22. Apart from this nothing significant has come to our notice while investigating related party transactions.

Fig 29: Related Party Transactions

(Rs in mn)

	FY18	FY19	FY20	FY21	FY22
Subsidiary PIL Chemicals					
Purchase of Materials	15	13	13	17	32
Dividend Received	3	5	10	0	0
Mafatlal Industries Limited					
Purchase of Investment	187	0	0	0	0
Reimbursement of Expenses	2	1	1	1	1
Dividend Received	4	0	0	0	0
Dividend Paid	47	65	126	0	0
Sri Chaitanya Seva Trust					
Expenditure on CSR Activities	10	12	16	15	14
N. M. Sadguru Water and Development Foundation					
Expenditure on CSR Activities	3	5	6	5	6
NOCIL Employee Trust Funds					
Contributions paid to funds	52	39	15	37	6
Post Employment Benefits paid on behalf of Trust	4	1	13	61	24
Key Management Personnel					
Short-term employee benefits	78	70	58	54	81
Post-employment benefits	7	6	7	7	7
Share-based payment	10	5	4	2	1

Source: Company Annual Report, SMIFS Research

Key management personnel

Fig 30: Details of promoter and director

Name	Designation	Profile
Mr Hrishikesh Mafatlal	Executive Chairman	Mr. Hrishikesh Mafatlal has completed its B.Com (Hons) and has attended the Advanced Management Programme at the Harvard Business School, USA. He is a past President and now a Managing Committee Member of The Millowners' Association, Mumbai (MOA). He was a Member on the Board of Governors of IIM Ahmedabad for 12 years (1995 – 2007) and was Vice Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL).
Mr. S. R. Deo	Managing Director	Mr. S R Deo has been appointed on the Board as Managing Director w.e.f. 1st August, 2017. Mr. Deo is M. Tech. in Chemical Engineering from IIT Kanpur and is associated with NOCIL for nearly 40 years in various technical capacities and has made a significant contribution in these areas.
Mr. P Srinivasan	Chief Financial Officer	Mr. P Srinivasan is Chief Financial Officer and is associated with the company since 2005. By qualification he is a Chartered Accountant with over 31 years of experience.
Mr. Milind Shevte	Vice President - Marketing	Mr. Milind Shevte is associated with the company for over 16 years. By qualification he has done B.E Chemical Engineering.
Dr. Chinmoy Nandi	Vice President (Research & Development)	Dr. Chinmoy Nandi is associated with the company for nearly 35 years in various R&D capacities. By qualification he has done Post Graduate & Ph.D. in Science.
Dr. Narendra Nangwal	Vice President (QA, Analytical and Outsourced Research)	Dr. Narendra Nangwal is associated with the company since 2007. By qualification he has done his Ph.D. in Analytical Chemistry. He has cumulative 27 years of experience.

Source: Company Annual Report, SMIFS Research

CSR Activities

- NOCIL has been actively involved in CSR activities for the betterment of the society. The company has spent Rs37.3mn in FY22 and Rs47.7mn in FY21.
- The spend as % of prescribed limit is 100% for both FY21 and FY22. The company spends a major portion in FY21 to PM Cares fund for COVID-19 relief & in Sri Chaitanya Seva Trust for charitable and philanthropic purposes.

Fig 31: CSR spend

(Rs in mn)

Company	Avg Net Profit (last 3 Yrs)	Prescribed Expenditure	Total Spends	Spend as % of prescribed limit
FY22	1,865.8	37.3	37.3	100
FY21	2,386.6	47.7	47.7	100
FY20	2,382.7	47.6	47.6	100
FY19	1,838.7	36.8	36.8	100
FY18	1,249.4	25.0	25.0	100

Source: Company Annual Report, SMIFS Research

Auditors Remuneration

Fig 32: Audit spends

	Auditor name	Type	Auditor Fees - (Rs mn)	As a % of PBT
FY22	Kalyaniwalla & Mistry LLP	Statutory Auditor	3.6	0.15%
FY21	Kalyaniwalla & Mistry LLP	Statutory Auditor	3.3	0.31%
FY20	Kalyaniwalla & Mistry LLP	Statutory Auditor	3.4	0.22%
FY19	Kalyaniwalla & Mistry LLP	Statutory Auditor	3.0	0.11%

Source: Company Annual Report, SMIFS Research

- Kalyaniwalla & mistry LLP is the statutory auditor.
- The auditors have given a true and fair view for the results of the financial year 2021-22.

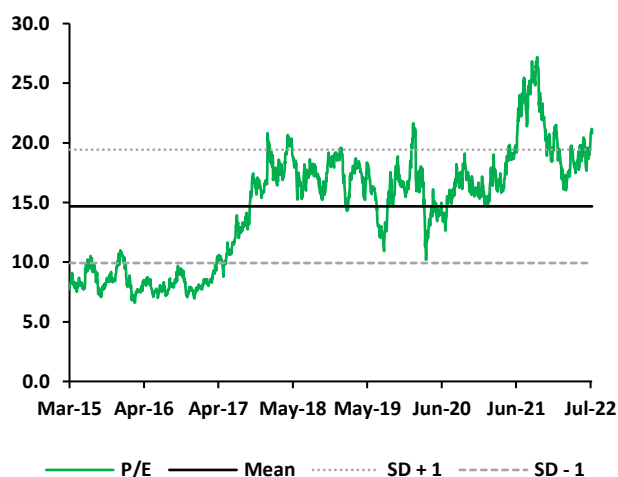
Valuation and Recommendations

We feel that impact of de-growth in auto sector and operating deleverage which impacted the company are behind now. As the company operates in niche product segment with high entry barriers having market leadership, there is huge possibility of growth with reasonable profitability.

We value the stock using EV/EBITDA multiple and arrive at target price of 332 per share (assigning ~13x EV/EBITDA to FY24 projections) which indicates upside of 16% from current valuations.

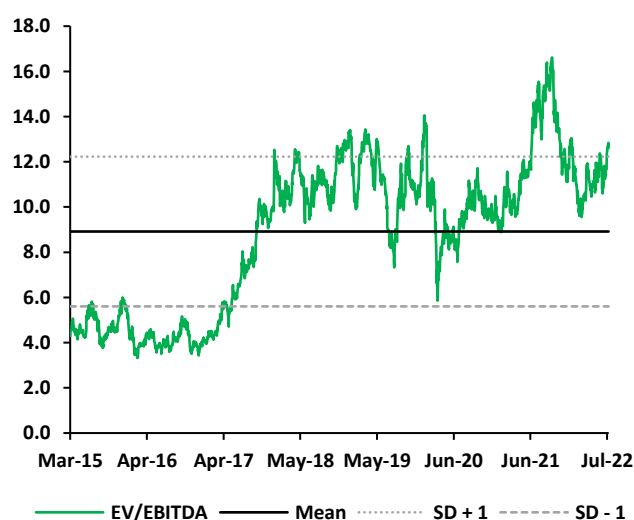
Hence, we assign **BUY** rating on the stock.

Fig 33: 1 year forward P/E chart



Source: Bloomberg, Company, SMIFS Research

Fig 34: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, SMIFS Research

Company Background

What is NOCIL all about?

- Incorporated in 1975, NOCIL is part of Arvind Mafatlal Group and is the largest manufacturer of rubber chemicals in India. The company has expertise in rubber chemical over 4 decades.
- The manufacturing facilities are located in Navi Mumbai and Dahej with a cumulative capacity of 1,10,000 MTPA (including intermediates) post recent expansion.
- As per our estimates, the revenue model is divided into Accelerator (45%), Anti-oxidant (45%), Pre/Post vulcanization inhibitor/stabilizer (10%), Zinc based applications etc.
- The company has presence in over 40 countries and enjoys long-term standing relationships with the tyre majors. It possesses strong technical expertise and a diversified product range.

Fig 35: Manufacturing locations



Navi Mumbai Plant

- Set up in 1976
- Located in Trans-Thane Creek industrial area at Navi Mumbai, Thane - Belapur's industrial zone designated for the chemical industry, about 40 kms away from Mumbai
- State-of-the-art technology for the manufacture of the entire range of Rubber Chemicals for Tyre & other Rubber Products

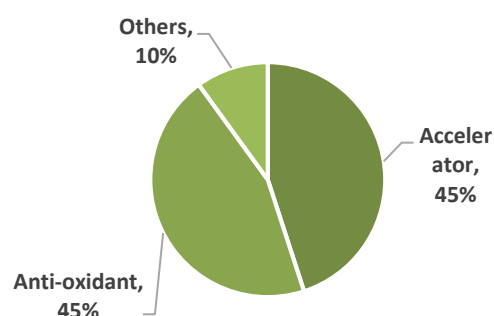


Dahej Plant

- Commenced operations in March 2013
- Located about 45 kms from Bharuch, Gujarat
- Location has synergistic Chemicals & Petrochemicals industry and excellent connectivity with Dahej & Hazira Port
- Fully automated continuous process plant developed completely with in-house technology

Source: Company Investor Presentation, SMIFS Research

Fig 36: Industry revenue breakup in %



Source: Company, SMIFS Research

- The company's 65-70% off take is consumed by tyre manufacturers and rest by non-tyre sectors like latex, cycle tyres, surgical gloves, footwear etc.
- The key clientele are MRF, Bridgestone, JK Tyres, CEAT, Michelin, Apollo Tyres, TVS Tyres and BKT etc.

Fig 37: Key Clientele



Source: Company, SMIFS Research

Diversified product portfolio leading to strong visibility in end user market

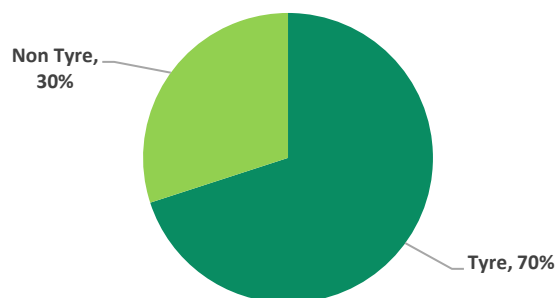
- The company is present in the entire range of rubber chemicals viz. Accelerators, Anti-oxidants, Pre and post vulcanization inhibitor etc.
- The company has an overall basket of 23 products in the portfolio.
- With 23 products, NOCIL manufacturers almost all types of rubber chemical which is used as a raw material for tyre and non tyre players.

Fig 38: Diversified Product Portfolio



Source: SMIFS Research

Fig 39: Tyre constitutes major end user of rubber chemicals



Source: Company, SMIFS Research

Fig 40: Segment wise, brand wise product application details

Product	Applications	Brands	% of Revenues
Accelerator	It is used to increase the speed of vulcanization. With accelerators, the vulcanization of rubber can be easily done in 1-2 hour as compared to normal 5-6 hour process.	PILCURE MBTS, PILCURE ZMBT, PILCURE F, PILCURE CBS, PILCURE MOR, PILCURE MBT, PILCURE TMT, PILCURE NS, PILCURE ZDBC, PILCURE SDBC, PILCURE ZDC, PILCURE ZBZDC	45-50%
Anti-degradants	An anti-degradant, or deterioration inhibitor is an ingredient in rubber compounds used to deter the aging of rubber products.	PILFLEX 13	45-50%
Antioxidant	Anti-oxidants inhibits the oxidation process and also used as a stabilizer.	PILNOX TDQ, PILNOX SP etc	
Pre-Vulcanization Inhibitor	Retarders or pre-vulcanization inhibitors are often compounds that readily react with the accelerators and only slowly release them.	PILGARD PVI	10%
Post Vulcanization Stabilizer	Post vulcanization inhibitors is oftenly used for thermal stability in the rubber compounds	PILCURE DHTS	

Source: Company, SMIFS Research

- Tyre manufacturers work with companies like NOCIL which can supply them in time and have wide range of rubber chemicals to suit their needs.
- The company has good range in Accelerator with different types of PILCURE brand whereas in anti-degradants the company has only one brand PILFLEX 13 and in anti-degradants the company has PILNOX.
- In Pre/Post vulcanization inhibitor/stabilizer the company has PILGARD PVI and PILCURE DHTS brand.
- The company has a diversified product range in rubber chemicals which makes it a “one shop stop”.

Quarterly Financials, Operating Metrics and Key Performance Indicators

Fig 41: Consolidated Quarterly Financials

Y/E March (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Sales	1065	2216	2746	3220	3445	3752	3889	4627
Raw Materials	546	1151	1552	1798	1742	2231	2310	2312
Employee Costs	165	182	182	172	217	195	194	194
Other Expenditure	275	567	630	727	752	823	878	1015
EBITDA	80	317	381	523	734	503	508	1105
Depreciation	92	91	91	101	105	107	108	160
Interest	3	3	2	2	2	2	3	4
Other Income	107	10	14	23	11	14	5	11
PBT	93	233	301	444	638	408	401	952
Tax	-26	65	78	71	164	108	104	268
Tax rate (%)	-	28	26	16	26	26	26	28
Reported PAT	120	168	223	373	474	300	298	685
Y-o-Y Growth (%)								
Revenue	-53.6	5.7	41.3	51.4	223.4	69.3	41.6	43.7
EBITDA	-85.9	-34.7	4.1	43.0	820.1	58.8	33.2	111.2
PAT	-63.7	-69.4	6.3	70.7	296.7	78.3	33.5	83.4
Q-o-Q Growth (%)								
Revenue	-49.9	108.0	23.9	17.3	7.0	8.9	3.7	19.0
EBITDA	-78.2	296.9	20.3	37.4	40.3	-31.5	0.9	117.8
PAT	-45.4	40.8	32.6	67.3	27.0	-36.7	-0.7	129.8
Margin (%)								
EBITDA	7.5	14.3	13.9	16.3	21.3	13.4	13.0	23.9
PAT	11.2	7.6	8.1	11.6	13.8	8.0	7.7	14.8
Gross	48.8	48.1	43.5	44.2	49.4	40.5	40.6	50.0
Employee cost as % of sales	15.5	8.2	6.6	5.3	6.3	5.2	5.0	4.2
Other expenses as % of sales	25.8	25.6	22.9	22.6	21.8	21.9	22.6	21.9

Source: Company, SMIFS Research

Financials Consolidated

Income Statement					
YE March (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Revenues	8,463	9,247	15,713	17,120	18,747
% Growth	-18.9	9.3	69.9	9.0	9.5
Raw Materials	3,878	5,046.3	8,593	9,174	9,775
% of revenues	45.8	54.6	54.7	53.6	52.1
Employee cost	767	701	808	861	911
% of revenues	9.1	7.6	5.1	5.0	4.9
Others	2,035	2,192	3,450	3,809	4,092
% of revenues	24.0	23.7	22.0	22.3	21.8
EBITDA	1,782	1,308	2,862	3,274	3,968
EBITDA margin (%)	21.1	14.1	18.2	19.1	21.2
Depreciation & Amortisation	337	374	483	512	530
EBIT	1445	934	2378	2763	3439
Interest expenses	13	10	11	11	9
PBT from operations	1,432	924	2,367	2,752	3,430
Other income	92	147	39	43	48
PBT	1,523	1,071	2,406	2,795	3,477
Taxes	217	187	645	713	887
Effective tax rate (%)	14.2	17.5	26.8	25.5	25.5
PAT	1,307	884	1,761	2,082	2,590
Extraordinary Items	-	-	-	-	-
Minority Interest	-	-	-	-	-
Adjusted PAT	1,307	884	1,761	2,082	2,590
PAT Margin	15.4	9.6	11.2	12.2	13.8
Growth (%)	-29.3	-32.3	99.2	18.2	24.4

Source: Company, SMIFS Research Estimates

Key Ratios					
YE March	FY20	FY21	FY22	FY23E	FY24E
Growth Ratio (%)					
Revenue	-19	9	70	9	10
EBITDA	-39	-27	119	14	21
Adjusted Net Profit	-29	-32	99	18	24
Margin Ratios (%)					
EBITDA margin	21.1	14.1	18.2	19.1	21.2
PBT margin	18.0	11.6	15.3	16.3	18.5
Adjusted PAT margin	15.4	9.6	11.2	12.2	13.8
Return Ratios (%)					
ROE	11.1	7.2	12.9	13.7	15.3
ROCE	11.2	7.2	12.9	13.7	15.3
ROIC	10.7	7.4	12.3	14.6	17.7
Turnover Ratios (days)					
Gross block turnover (x)	0.8	0.8	1.3	1.3	1.4
Inventory	88	122	104	90	90
Debtors	128	120	141	140	140
Creditors	84	123	91	90	85
Cash conversion cycle	132	119	154	140	145
Solvency Ratio (x)					
Debt-equity	0.0	0.0	0.0	0.0	0.0
Net debt-equity	0.0	0.0	0.0	0.0	0.0
Interest Coverage Ratio	116	111	222	255	387
Gross Debt/EBITDA	0.0	0.0	0.0	0.0	0.0
Current Ratio	3.0	3.0	3.3	3.7	4.4
Per share (Rs.)					
Adjusted EPS (reported)	7.9	5.3	10.6	12.5	15.5
BVPS	71.6	77.3	86.8	95.7	107.2
CEPS	9.9	7.6	13.5	15.6	18.7
DPS	2.5	2.0	3.0	3.6	4.0
Dividend Payout	32%	38%	28%	29%	25%
Valuation (x)					
P/E	13.4	33.8	23.6	22.8	18.3
P/BV	1.5	2.3	2.9	3.0	2.7
EV/EBITDA	9.5	21.8	14.3	13.8	11.0
Dividend Yield(%)	2.4	1.1	1.2	1.3	1.4

Source: Company, SMIFS Research Estimates

Balance Sheet					
YE March (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Source of funds					
Equity Share Capital	1656	1662	1666	1666	1666
Reserves & Surplus	10196	11185	12786	14268	16198
Shareholders' Fund	11852	12847	14452	15934	17864
Total Debt	92	56	55	47	41
Deferred Tax Liabilities	927	995	1068	1163	1274
Other Liabilities	168	161	164	174	184
Total Liabilities	13039	14060	15739	17319	19364
Gross Block	10193	11742	12092	12792	13242
Less: Accumulated Depre	2236	2582	3038	3550	4079
Net Block	7957	9160	9054	9242	9163
Capital WIP	1563	141	84	132	110
Intangible under dev.	13	12	36	36	36
Long term Investments	245	254	363	210	222
Other Non-Current Assets	389	352	329	347	376
Total Non-Current Asset	10167	9919	9866	9967	9905
Inventories	1364	1657	3327	3519	3749
Current Investments	304	435	176	176	176
Trade receivables	2032	3086	4498	4221	4622
Cash and cash equivalent	138	804	160	1841	3325
Other current assets	417	246	278	300	323
Total Current Assets	4256	6227	8440	10057	12196
Trade payables	896	1701	2151	2262	2276
Other current liabilities	420	316	365	388	404
Short term Provisions	67	69	51	54	57
Total Current Liabilities	1383	2086	2566	2705	2737
Net Current Assets	2872	4140	5873	7352	9459
Total Assets	13039	14060	15739	17319	19364

Source: Company, SMIFS Research Estimates

Cash Flow					
YE March (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Operating profit before WC changes	1,785	1,321	2,855	3,317	4,016
Net chg in working capital	523	-382	-2,560	291	-530
Income taxes paid	-513	-4	-597	-713	-887
Cash flow from operating activities (a)	1,794	936	-302	2,895	2,598
Adj OCF (OCF - Interest)	1,781	926	-313	2,884	2,589
Capital expenditure	-1,739	-1,605	-389	-700	-450
Free Cash Flow	42	-679	-703	2,184	2,139
Cash flow from investing activities (b)	-1,065	-621	312	-596	-439
Cash flow from financing activities (c)	-1,008	3	-336	-619	-675
Net chg in cash (a+b+c)	-278	317	-327	1,681	1,484

Source: Company, SMIFS Research Estimates

Disclaimer

Analyst Certification:

We /I, the above-mentioned Research Analyst(s) of SMIFS Limited (in short “SMIFS / the Company”), authors and the names subscribed to this Research Report, hereby certify that all of the views expressed in this Research Report accurately reflect our views about the subject issuer(s) or securities and distributed as per SEBI (Research Analysts) Regulations 2014. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this Research Report. It is also confirmed that We/I, the above mentioned Research Analyst(s) of this Research Report have not received any compensation from the subject companies mentioned in the Research Report in the preceding twelve months and do not serve as an officer, director or employee of the subject companies mentioned in the Research Report.

Terms & Conditions and Other Disclosures:

SMIFS Limited is engaged in the business of Stock Broking, Depository Services, Portfolio Management and Distribution of Financial Products. SMIFS Limited is registered as Research Analyst Entity with Securities & Exchange Board of India (SEBI) with Registration Number – INH300001474.

SMIFS and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Research Analysts. SMIFS generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this Research Report have been prepared by SMIFS and are subject to change without any notice. The Research Report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of SMIFS Limited. While we would endeavor to update the information herein on a reasonable basis, SMIFS is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent SMIFS from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or policies of SMIFS, in circumstances where SMIFS might be acting in an advisory capacity to this company, or in certain other circumstances.

This Research Report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This Research Report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Securities as defined in clause (h) of section 2 of the Securities Contract Act, 1956, includes Financial Instruments, Currency and Commodity Derivatives. Though disseminated to all the customers simultaneously, not all customers may receive this Research Report at the same time. SMIFS will not treat recipients as customers by virtue of their receiving this Research Report. Nothing in this Research Report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this Research Report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. SMIFS accepts no liabilities whatsoever for any loss or damage of any kind arising

out of the use of this Research Report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. The information given in this report is as of date of this report and there can be no assurance that future results or events will be consistent with this information. The information provided in this report remains, unless otherwise stated, the copyright of SMIFS. All layout, design, original artwork, concepts and intellectual Properties remains the property and copyright of SMIFS and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the SMIFS.

SMIFS shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, breakdown of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of SMIFS to present the data. In no event shall SMIFS be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the SMIFS through this report.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (a) Exchange Rates can be volatile and are subject to large fluctuations; (b) the value of currencies may be affected by numerous market factors, including world and notional economic, political and regulatory events, events in Equity & Debt Markets and changes in interest rates; and (c) Currencies may be subject to devaluation or government imposed Exchange Controls which could affect the value of the Currency. Investors in securities such as Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Since associates of SMIFS are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this Research Report.

SMIFS and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may: (i) from time to time may have long or short positions in, and buy or sell the Securities, mentioned herein or (ii) be engaged in any other transaction involving such Securities and earn brokerage or other compensation of the Subject Company/ companies mentioned herein or act as an Advisor or Lender/Borrower to such Companies or have other potential/material Conflict of Interest with respect to any recommendation and related information and opinions at the time of the publication of the Research Report or at the time of Public Appearance.

SMIFS does not have proprietary trades but may at a future date, opt for the same with prior intimation to Clients/ Investors and extant Authorities where it may have proprietary long/short position in the above Scrip(s) and therefore should be considered as interested.

The views provided herein are general in nature and do not consider Risk Appetite or Investment Objective of any particular Investor; Clients/ Readers/ Subscribers of this Research Report are requested to take independent professional advice before investing, however the same shall have no bearing whatsoever on the specific recommendations made by the analysts, as the recommendations made by the analysts are completely independent views of the Associates of SMIFS even though there might exist an inherent conflict of interest in some of the stocks mentioned in the Research Report.

The information provided herein should not be construed as invitation or solicitation to do business with SMIFS.

SMIFS or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the Research Report as of the last day of the month preceding the publication of the Research Report.

SMIFS encourages independence in Research Report preparation and strives to minimize conflict in preparation of Research Report. Accordingly, neither SMIFS and their Associates nor the Research Analysts and their relatives have any material conflict of interest at the time of publication of this Research Report or at the time of the Public Appearance, if any.

SMIFS or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

SMIFS or its associates might have received any compensation from the companies mentioned in the Research Report during the period preceding twelve months from the date of this Research Report for services in respect of managing or co-managing public offerings, corporate finance, investment banking, brokerage services or other advisory service in a merger or specific transaction from the subject company.

SMIFS or its associates might have received any compensation for products or services other than investment banking or brokerage services from the subject companies mentioned in the Research Report in the past twelve months.

SMIFS or its associates or its Research Analysts did not receive any compensation or other benefits whatsoever from the subject companies mentioned in the Research Report or third party in connection with preparation of the Research Report.

Compensation of Research Analysts is not based on any specific Investment Banking or Brokerage Service Transactions.

The Research Analysts might have served as an officer, director or employee of the subject company.

SMIFS and its Associates, Officers, Directors, Employees, Research Analysts including their relatives worldwide may have been engaged in market making activity for the companies mentioned in the Research Report.

SMIFS may have issued other Research Reports that are inconsistent with and reach different conclusion from the information presented in this Research Report.

A graph of daily closing prices of the securities/commodities is also available at www.nseindia.com and/or www.bseindia.com, www.mcxindia.com and/or www.icex.com.

SMIFS submit' s that no material disciplinary action has been taken on the Company by any Regulatory Authority impacting Equity Research Analysis activities in last 3 years.

This Research Report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SMIFS and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Specific Disclosures

1. SMIFS, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
2. SMIFS, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company.
3. SMIFS, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months.
4. SMIFS, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report.
5. Research Analyst has not served as director/officer/employee in the subject company
6. SMIFS has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
7. SMIFS has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
8. SMIFS has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months.
9. SMIFS has not received any compensation or other benefits from third party in connection with the research report.
10. SMIFS has not engaged in market making activity for the subject company

Analyst holding in stock: **NO**

Key to SMIFS Investment Rankings

Buy: Return >15%, Accumulate: Return between 5% to 15%, Reduce: Return between -5% to +5%, Sell: Return <-5%

Contact us:

SMIFS Limited. (<https://www.smifs.com/>)

Compliance Officer:

Sudipto Datta,

5F Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: +91 33 4011 5401 / +91 33 6634 5401

Email Id.: compliance@smifs.com

Mumbai Office:

206/207, Trade Centre, Bandra Kurla Complex (BKC), Bandra East, Mumbai – 400051, India

Contact No.: (D) +91 22 4200 5508, (B) +91 22 4200 5500

Email Id: institutional.equities@smifs.com

Kolkata Office:

Vaibhav, 4 Lee Road, Kolkata 700020, West Bengal, India.

Contact No.: (D) +91 33 6634 5408, (B) +91 33 4011 5400

Email Id: smifs.institutional@smifs.com
