NALANDA RESEARCH

NOCIL Ltd.

Unique business with strong moat advantage

Company Update

January 02, 2019

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Institutional Research

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NOCIL Ltd.

Strong volume growth, favourable product mix provides earnings visibility

We initiate coverage on **NOCIL Ltd** with a buy rating and target price of INR 214, implying ~29.1% upside potential from current levels. Our view stems from the fact that the company is: (i) market leader in rubber chemicals capturing 40-45% domestic market share, (ii) doubling the overall capacity will help to capture the incremental demand and market share of rubber chemicals, (iii) strong consumption of rubber chemicals in tyres segment will lead to incremental demand trigger. Hence, we expect EPS CAGR of 13.5% from FY18-21E.

Volume growth to be robust going ahead

Historically, the company reported volume CAGR of 9-10% from FY15-18. This was due to robust demand from key end user industries like tyre. Tyre manufacturers are the major consumers of rubber chemicals constituting ~65-70% volume offtake. Domestic tyre manufacturers have lined up capex of INR 15,000-16,000 crore over the next 2 year which signifies strong volume visibility for rubber chemical manufacturers. Hence, to capitalize on this opportunity NOCIL has planned to double the capacity, thereby, improving the scope of volume growth going ahead.
We expect the volume CAGR of 15-20% from FY18-21E.

Plans to double the rubber chemicals capacity gives strong growth outlook

The company has an installed capacity of 55,000 MTPA and is currently operating at ~95% utilization levels. NOCIL plans to double the total capacity to 1,10,000 MTPA by H2FY20E. The expansion is planned in phases viz. phase 1 and phase 2. The total capex outlay is INR 425 crore. Phase 1 is divided into 1(a) and 1(b) and capex outlay for phase 1 is INR 170 crore, Phase 1(a) is completed on Q1FY19 and phase 1(b) will be completed by Q3FY19E. Phase 2 commercial production will start from H2FY20E and the total capex outlay is INR 255 crore.
We expect the said capex of INR 425 crore to generate incremental revenues of INR 850-900 crore, an asset turnover of 2x by FY23E.

Focus on exports to be the growth trigger owing to US imposing additional duty of 15% on China

Exports constitutes nearly 25.8% of consolidated sales in FY18 and historically it has been in the range of 24-26%. The company has adopted niche strategy towards export markets by focusing on exporting specialized rubber chemicals. These products are not manufactured in bulk and margins are relatively stable. US has decided to impose additional duty of 15% by January 2019 on China, hence the total duty imposed by US on china for rubber chemicals will be 25%. We believe post imposition of this duty there are chances of heavy dumping of Chinese rubber chemicals in India. NOCIL plans to focus on US clients and be the preferred supplier for international majors as well to overcome this situation.

Anti-dumping duty(ADD) provides an added support to the domestic industry

The Ministry of Commerce has levied ADD on certain rubber chemical imports from China and European Union to protect the domestic manufacturers from a possible low cost dumping from China, Korea etc. The ADD is under review effective July 2019. Removal of duty might cause significant injury to the margins of the Indian rubber chemical manufacturers. Conservatively, for our calculation we factor in the removal of duty and believe that there could be an impact of 4% on the margin's of the company.

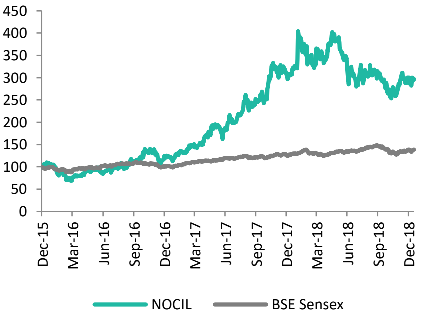
STRONG BUY *

Downside Scenario	Current Price	Price Target	Upside Scenario
	166	214 29.1%▲	

Stock Details	
Industry	Speciality chemicals
Sensex	36484
Nifty	10967
Bloomberg Code	NOCIL:IN
Eq. Cap. (INR Crores)	164.5
Face Value (INR)	10
52-w H/L	236/139
Market Cap (INR Crores)	2632

Valuation Data	FY19E	FY20E	FY21E
P/E (x)	13.8	12.6	11.1
P/B (x)	2.3	2.0	1.8
EV/EBITDA(x)	7.8	7.0	5.8

NOCIL Ltd Vs SENSEX



Shareholding Pattern (in %)	Sept'18	June'18	Sept'17
Promoters	34.08	35.06	36.85
FIIs	4.71	4.80	5.47
DIIs	6.00	5.29	3.25
Retail	55.21	54.85	54.43
Total	**100.0**	**100.0**	**100.0**

20%	17%	14%
Total Revenue CAGR FY18 -21E	Total EBITDA CAGR FY18 -21E	Total PAT CAGR FY18 -21E

** Read last page for disclaimer & rating rationale*

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Valuation

We expect the company to notch re-rating in its valuations on the back of:

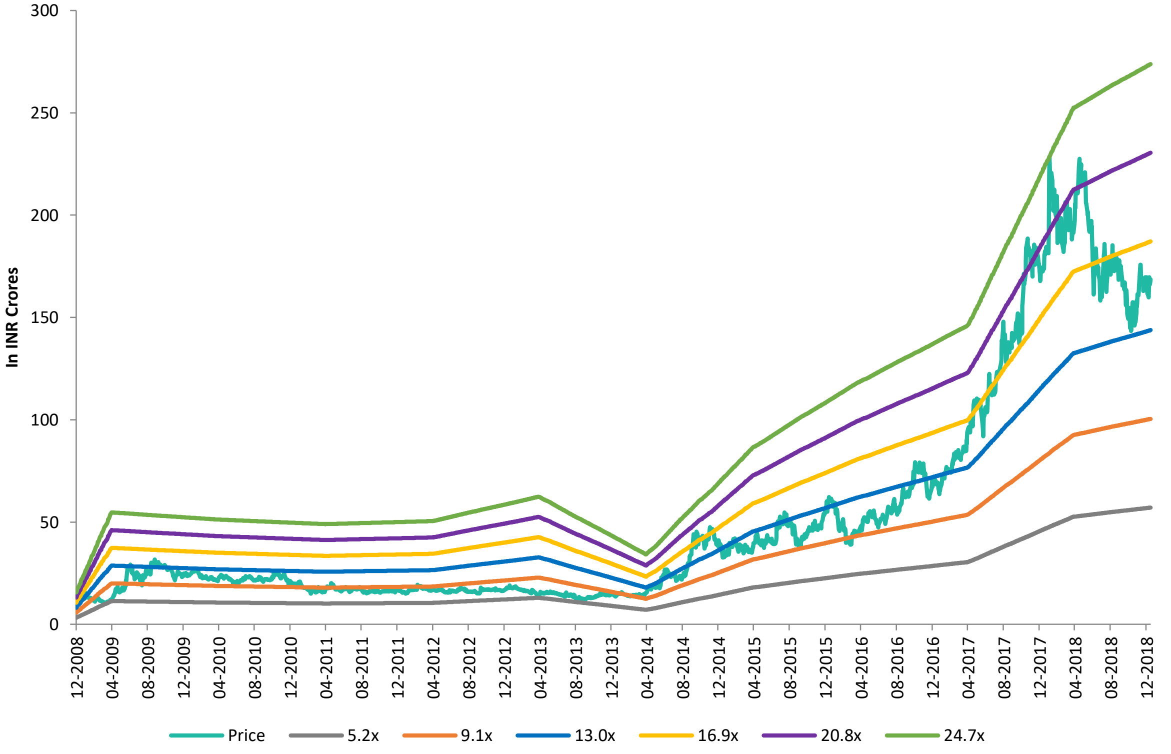
- Expansion of rubber chemicals capacity by 55,000 MTPA by FY20E will lead to increased volume offtake.
- Focussing on specialized rubber chemicals in the export market will improve the margins going ahead.
- Strong capex from tyre industries to drive growth momentum going ahead.

NOCIL Ltd is the market leader in rubber chemicals and with increasing demand from the key end user industries the company is in a expansion mode to cater to their client needs and to be the preferred partner of choice in rubber chemicals. At CMP of INR 166 the stock is trading at 11.1x FY21E diluted EPS of INR 14.9. We assign a forward multiple of 14.4x (arrived by assigning 25% premium to historical benchmark of 11.5x) and arrive at a target price of INR 214 per share, thereby, representing a potential upside of 29.1% from current valuations.

Financial Snapshot

(INR Crores)	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	719	715	742	968	1202	1468	1685
Growth		*-0.5%*	*3.8%*	*30.4%*	*24.2%*	*22.1%*	*14.8%*
EBITDA	113	139	159	265	341	378	423
Growth		*23.0%*	*14.2%*	*66.7%*	*28.3%*	*11.1%*	*11.8%*
PAT	57	78	97	170	204	223	251
Growth		*37.1%*	*24.1%*	*75.0%*	*19.9%*	*9.5%*	*12.7%*
Diluted EPS	3.5	4.8	5.9	10.2	12.1	13.2	14.9
P/E	10.7	9.7	15.9	18.8	13.8	12.6	11.1

P/E Band chart



Source: Company, NSPL Research

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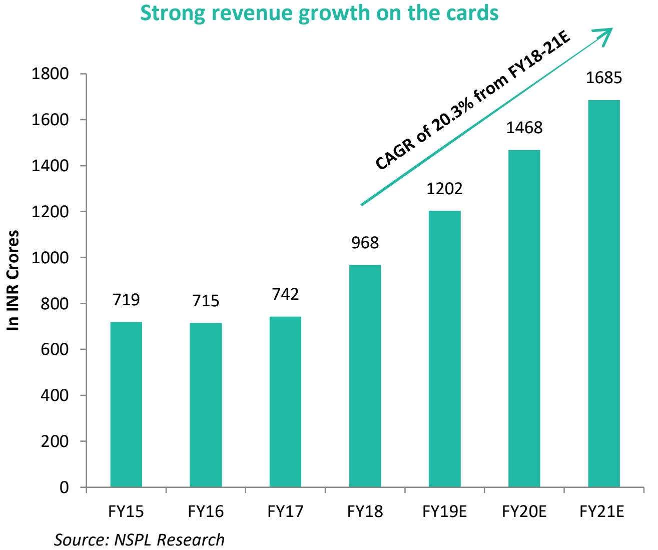
Investment Rationale

Strong revenue growth on the cards



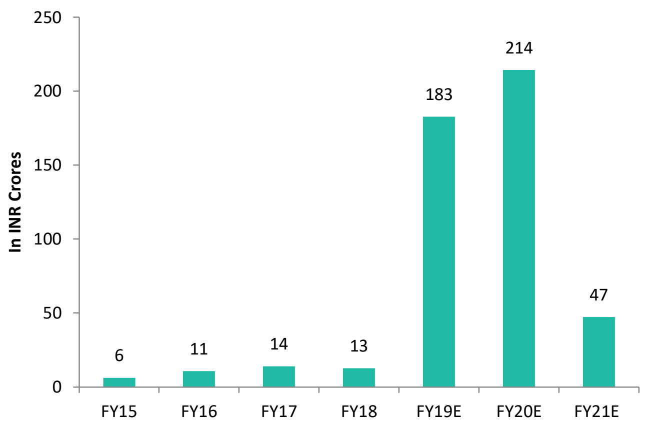
Source: NSPL Research

Revenue trajectory to be strong going ahead

- Historically, the company's revenue remained flat in the range of INR 700-800 crore from FY15-17.
- The volume growth remained robust, however, realizations were quite volatile which led to flat top line over the period during FY15-17.
- Going ahead with doubling the capacity from 55,000 MTPA to 1,10,000 MTPA, we believe there is strong visibility of volumes, hence, we expect volume to grow at 15-20% from FY18-21E.
- Rubber chemical prices are determined by demand - supply and benzene - aniline spread.
- We expect the company to report revenue CAGR of 20.3% from FY18-21E.

- We believe NOCIL is on a turnaround owing to strong demand from key end user industries like tyre sector etc. Tyre sector consumes 65-70% of rubber chemicals.
- Domestic tyre manufacturers have lined up INR 15,000-16,000 crore capex and global tyre manufacturers are looking to invest INR 50,000-55,000 crore over the next 2 years which gives enough visibility to the company's growth going ahead.
- Further, the company is looking to tap the ongoing US China trade war and look forward to export specialized rubber chemicals and become the preferred supplier of rubber chemicals globally.
- We believe if the anti-dumping duty on rubber chemicals is further extended then the growth story is yet to unfold.

Capex to remain robust going ahead



Source: NSPL Research

- The overall capex outlay for the next 2 years is ~INR 425 crore. The said capex is expected to generate asset turnover of 2x at optimum utilization levels.
- The entire capex is funded through internal accruals.
- The capex of INR 425 crore is divided into Phase 1(a) and Phase 1(b) and Phase 2.
- We believe optimum utilization levels can be achieved by FY23E and if ADD goes away, china might dump rubber chemicals at a much faster pace than expected which will impact 4% margins of the company.
- However, the pricing gap differential between India and China will reduce due to China struggling with high labour cost, increase in operating cost due to investments in effluent treatment plant and increasing regulatory norms.

- At peak utilization levels this capex has the ability to generate incremental revenues of INR 850-900 crore. Also, none of the peers are planning to increase there capacity for rubber chemicals which will eventually improve the market share of NOCIL.
- Post this expansion, we believe the company would be able to grab majority of the domestic market (57-60%) and improve its visibility across tyre companies.
- The above capex includes the maintenance capex, which is 8-10% of overall capex.

Huge capex plans provides strong footing of future growth potential

Project	Planned Expansion	Commissioning	Status	Comments
Phase 1(a)	55,000	Q1FY19	Completed	To strengthen its position in the domestic market by capturing the imports market and gaining more market share.
Phase 1(b)		Q3FY19	Ongoing	
Phase 2		Q2FY20	Ongoing	

Source: Company, NSPL Research

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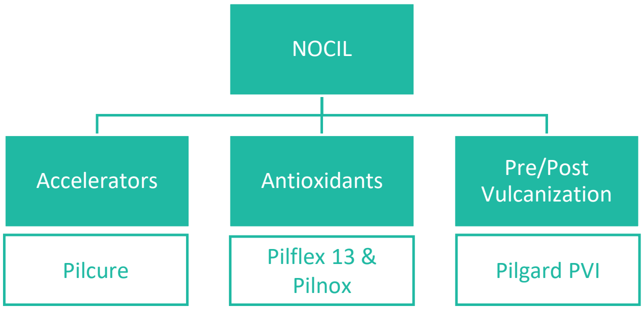
Strong leadership and brand visibility makes NOCIL the market Leader in rubber chemicals

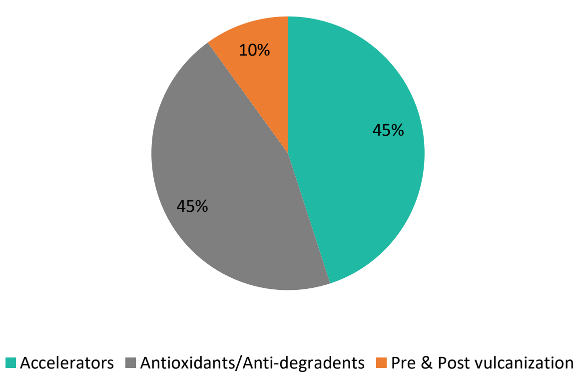
NOCIL segmental breakup



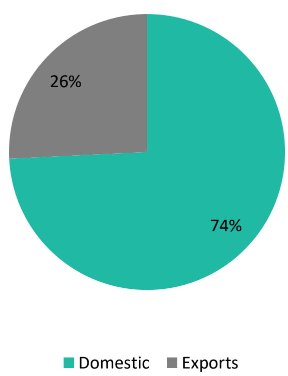
- The company has been consistently able to grow its domestic market share over the years to 40-45% and commands global market share of ~4.5% as on FY18. This was on the back of consistent rubber production growth of 3-3.5% over the years.
- We expect with doubling of capacity and no other player resorting for major expansion the company's market share is set to improve from here. We expect the domestic market share to be ~ 57-58% by FY21E.
- Over the last few years, the company has focused on improving the sales mix by focusing on high value products thereby improving the profitability of the business. Current sales mix is 74% domestic & 26% exports and we expect exports to inch upwards going ahead.

- The company manufactures accelerators, antioxidants and pre/post vulcanization inhibitor under the **Pilcure**, **Pilflex 13 & Pilnox, Pilgard PVI** respectively.

Rubber chemicals revenue breakup FY18



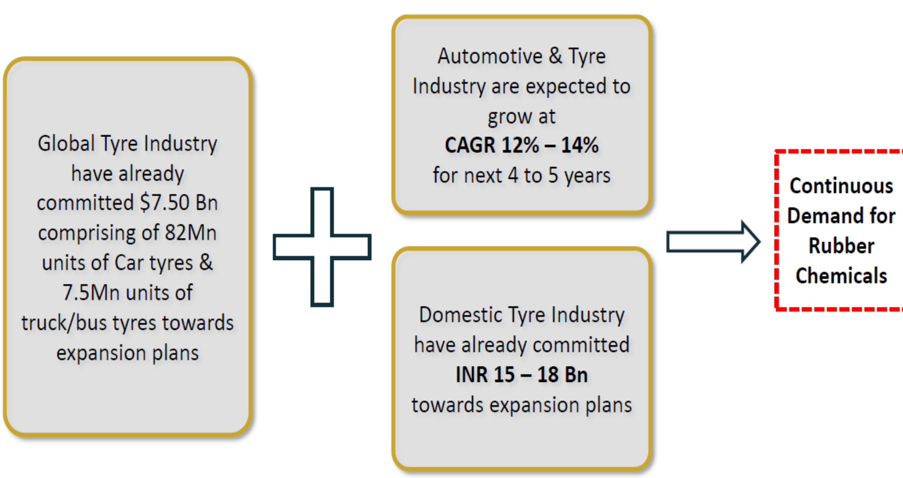
Domestic & Exports breakup



Source: Company, NSPL Research

- The company manufactures entire range of rubber chemicals viz. accelerators, anti-degradants, pre & post vulcanization inhibitor, Zinc based applications etc.
- Rubber chemicals convert natural or synthetic rubber into finished products like tyres, footwear, industrial belts, gloves and moulded components for vehicles etc.
- The demand of rubber chemicals is dependent on the automotive tyre industry and global rubber production.

Demand of rubber chemicals is set to grow on a strong footing



Source: Company Presentation, NSPL Research

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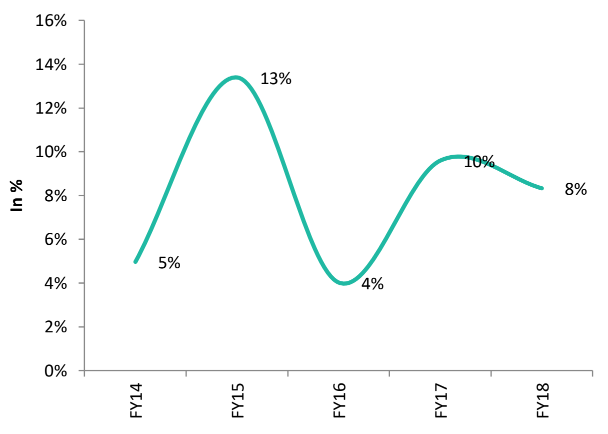
Volume growth to be robust going ahead

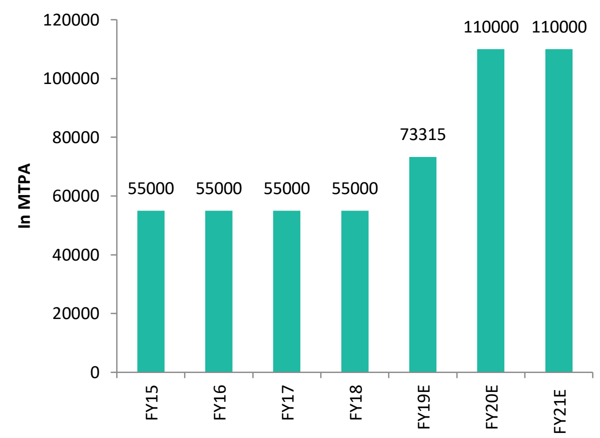
- Historically, the company reported volume CAGR of 9-10% from FY15-18. This was due to robust demand from key end user industries like tyre sector. Tyre manufacturers are the major consumers of rubber chemicals constituting ~ 65-70% volume offtake of rubber chemicals.
- Going ahead, the capacity expansion of 55,000 MTPA will support momentum in volume growth.
- Rubber chemicals constitute 3.5-4% of raw materials to manufacture tyre which is miniscule but still considered to be one of the vital raw materials. Hence, strong demand from key end user industries like tyre sector to continue volume offtake momentum of rubber chemicals.
- As on FY18, the company has an installed capacity of 55,000 MTPA in the rubber chemicals and utilization's stood at ~95%. The company is planning to double the capacity to 1,10,000 MTPA by H2FY20E. Post expansion we believe the utilization to be ~ 80-85% by FY21E. Also, optimum utilization levels can be achieved by FY23E.

Domestic tyre sector growth



Source: ATMA, NSPL Research

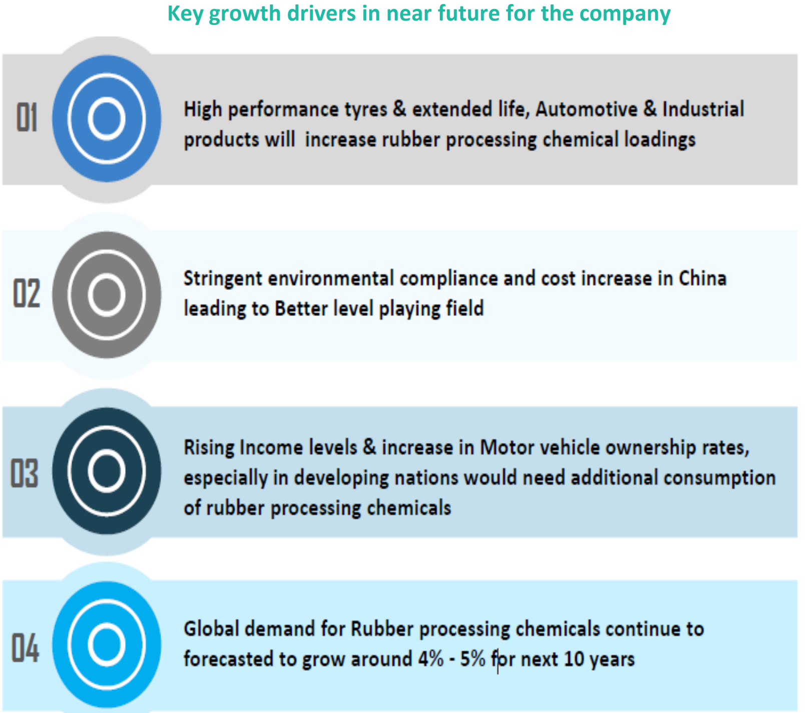
NOCIL capacity to nearly double by FY20E



Source: NSPL Research

- The domestic tyre sector growth reflects the growth in rubber chemicals. We believe with Indian auto industry set to become the 3rd largest in the world by 2030 the rubber chemicals manufacturers should immensely benefit from this and NOCIL having majority of the rubber chemical market will be the preferred player.

Key growth drivers in near future for the company



Source: Company Presentation, NSPL Research

Anti-dumping duty(ADD) might have an serious injury to the margins going ahead

- The Ministry of Commerce has levied ADD on certain rubber chemical imports from China and European Union to protect the domestic manufacturers from a possible low cost dumping from China, Korea etc. The ADD is under review effective July 2019.
- The company has approx. 20 products in the basket and only 6 have the ADD protection. These 6 products contribute ~ 50% of the top line.
- With the removal of ADD, we believe there would be an impact of 4% on the margin front.
- We believe if ADD is removed, then there are high chances of China dumping the supply in India owing to over capacity in Chinese continent, however, we believe they would not be able to sell rubber chemicals at the previous prices owing to increase in their operating cost structure due to installation of effluent treatment plants, captive generation and increase in labour cost etc.
- Also, with significant over capacity in China and probability of high dumping of rubber chemicals in India the authorities need to test the likelihood scenario for duty extension.

US imposing additional 15% on china to benefit Indian industry

- The US government will impose additional 15% duty on rubber chemical imports from China with effect from 1st Jan 2019.
- US has imposed 10% duty on September 2018 and now they are imposing additional 15% which will take the overall duty to 25%.
- The move was taken to safeguard the domestic manufacturers in US from cheap chinese imports. We believe this will have both good and bad implications for domestic Indian manufacturers.
- The positive side is that this opens up huge US market for Indian producers and NOCIL being the preferred supplier to major US multinationals will benefit.
- The negative side is that it might lead to abnormal dumping by china in Indian subcontinent since they will not be able to sell at the same prices in US as they were selling previously, thereby, routing of rubber chemical supply to India which may impact the rubber chemicals volumes.

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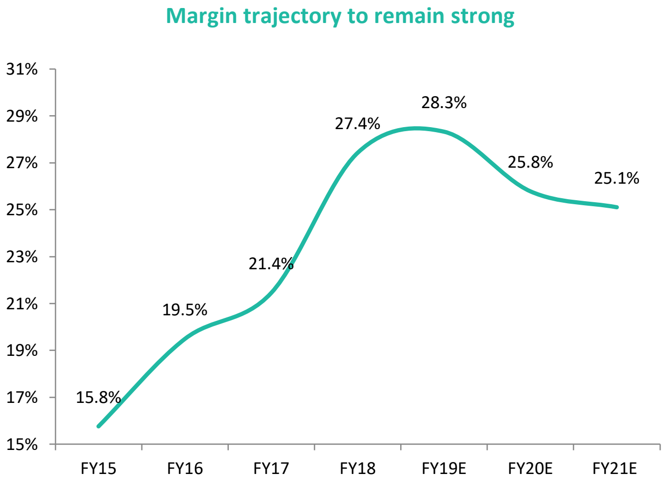
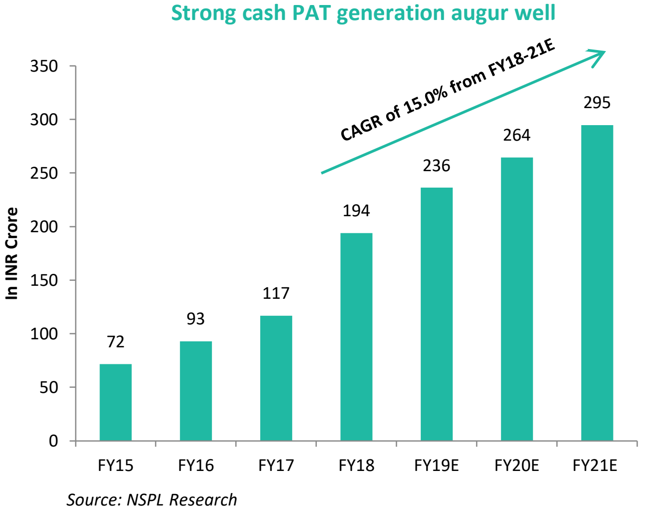
EBITDA margins to improve going ahead



Source: NSPL Research

- The company has consistently improved the EBITDA margins from 15.8% in FY15 to 27.4% in FY18. This was on the back of strong demand of rubber chemicals leading to operating leverage. Margin improvement is also attributable to upgradation of technology at navi mumbai plant, focus on R&D, better product mix and other internal efficiencies.
- Going ahead there are chances of removal of anti-dumping duty and NOCIL which has product basket of approx. 20 products out of which only 6 products which are covered under anti-dumping duty will be impacted.
- Hence, we have factored in margin impact of 400 bps by FY21E if the anti-dumping duty(ADD) goes away.
- Conservatively, we expect EBITDA margins to be ~25.1% by FY21E.

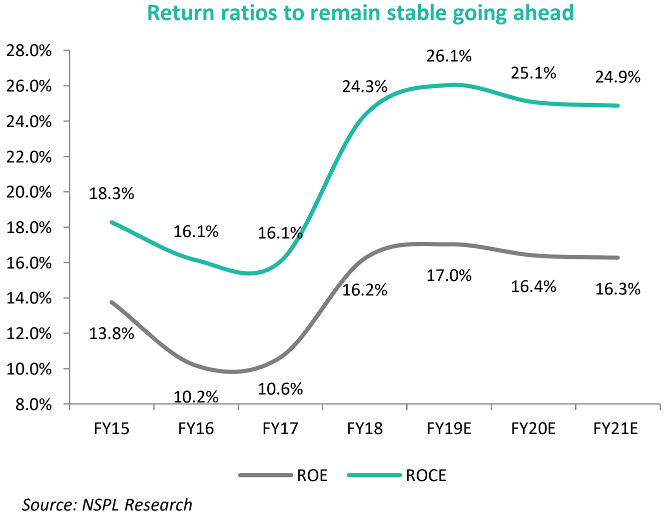
Cash profit generation to help in capex funding



Source: NSPL Research

- In FY18, the company generated cash profit of INR 194 crore on the back of improving utilization and support from rubber chemicals prices owing to melt down of Chinese industries.
- The company plans INR 425 crore capex for expansion of capacity and it is entirely funded through internal accruals. The company has INR 228 crore of current investments and INR 200 crore as cash profit which we believe will be utilized for expansion purposes.
- The cash profit margins stood at 20.0% in FY18 and we expect the company to report cash profit margin of 17.5% by FY21E considering the ADD impact.
- We expect the cash profit to grow at a CAGR of 15.0% from FY18-21E.

Return ratios to remain robust going ahead

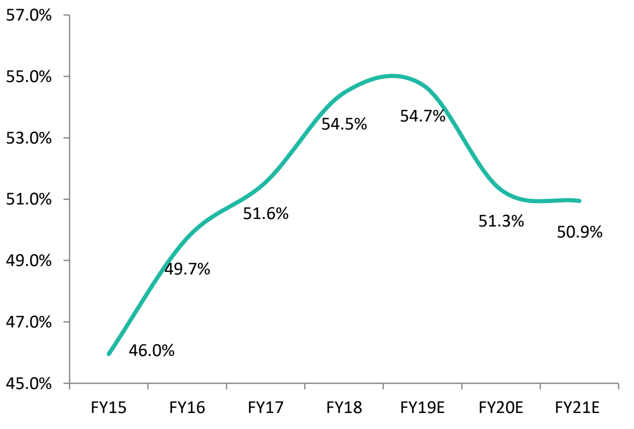


Source: NSPL Research

- The company's ROE & ROCE saw an upward trajectory from FY17-18. This was due to shutting down of various Chinese non compliant manufacturers permanently.
- NOCIL ROCE is on a higher side as compared to ROE owing to no reliance on debt. The overall capex of INR 425 crore will be entirely funded through internal accruals, hence, further also there will be no requirement of debt, except some working capital requirements.
- Factoring the expansion, removal of ADD and cost operational efficiencies, we expect the ROE & ROCE to remain ~ 16.3% & 24.9% respectively.

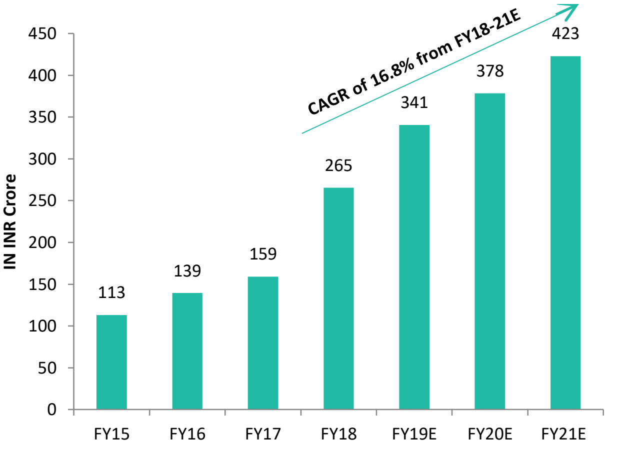
Gross margins to improve going ahead

Volatility in raw materials to impact the gross margins



Source: NSPL Research

EBITDA to double over the forecast period



Source: NSPL Research

- The company has consistently improved the gross margins from 46.0% in FY15 to 54.5% in FY18. This was on the back of in-house technology at Dahej, continuous upgradation of technology at Navi mumbai plant, better product mix and other internal efficiencies at Dahej etc.
- The major raw material to manufacture rubber chemicals are aniline, carbon disulphide, hydrogen peroxide and morpholine. Aniline is the key chemical that is used for the production of antioxidant and rubber accelerator.
- Rubber chemical prices are dependent on the competition reacting to prices and NOCIL over the last 4 years have aligned its prices as per the competition and the result has not shown any adverse effects even in case of price drop.
- We expect gross margins to be ~ 50.9% by FY21E.

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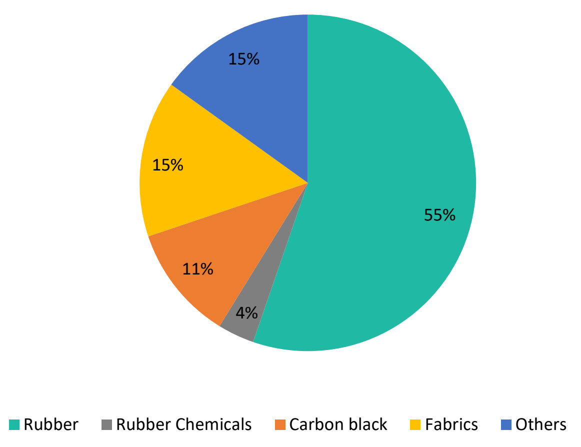
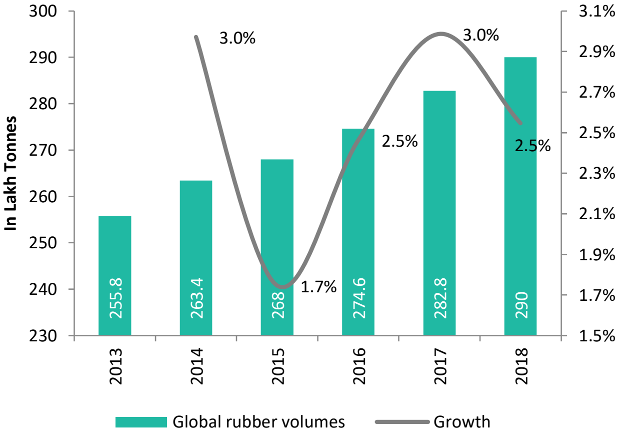
Improving capacity utilization of tyre companies to boost tyre production and stimulate robustness in rubber chemicals demand

- The overall tyre production growth is consistent at a CAGR of 8-9% from FY08-18. Now with the revival in demand from the T&B replacement segment, we believe overall tyre segment volumes to remain robust over the next 5 years.
- The T&B replacement demand revival in FY18 was due to improving road construction and highways which led to an uptick in demand.
- Most of the segments in automotive like 2 wheeler tyre and TBR tyre are at 85-90% utilization levels, hence, there is a need to expand the capacity.
- The strong demand for tractor sales seen in Q3FY18 should be strong even for full year FY19E. Speciality and other segments tyres are mainly produced for export market and strong growth is expected on the back of competitiveness of domestic manufacturers in the global market.
- MH&CV demand has picked up from FY16 and shown 12-15% CAGR from FY16-18 and we expect the momentum to sustain led by strong replacement market.
- The government has imposed anti-dumping duty of US $245-452 per tonn on Chinese TBR import for a period of five years effective from 18 September 2017 and has also increased basic customs duty on TBR imports to 15% from 10% as announced in the budget. We believe this move would increase the tyre demand and thereby rubber chemicals demand will get a boost.
- We believe strong T&B replacement demand led by pick in M&HCV sales over the past few years and strong momentum in PV segments should result in strong tyre volume growth at 9-9.5% CAGR over FY18-21E.

Rubber constitutes a major chunk in tyre raw materials



Global rubber volumes growing at a steady rate of 2-3% annually



Source: NSPL Research

- As seen above, rubber constitutes a major portion of the rubber raw materials and with increasing tyre demand the rubber and rubber chemicals demand are only set to grow from here.
- To understand better on rubber chemicals demand going ahead we outlined global rubber volumes in the past and found that global rubber volumes(Including natural & synthetic) growth is steady in the range of 2-3% and since global tyre companies have lined up aggressive capex plans of INR 55,000-60,000 crore over the next 2-3 years, we believe the global rubber growth could be ~3-4%, thereby, creating additional domestic demand of rubber chemicals to the tune of 40,000 MTPA.

Domestic tyre companies outlined capex

Company	Capex in Crores	Brownfield Expansion
MRF	4500	Ongoing brownfield capacity expansion in southern states was announced in March 15 and for a tenure of 7 years
Bridgestone	1900	Expand capacity across two plants in Pune and Indore over the next 5 years
CEAT	400	Expansion of 2-wheeler tyre capacity over the next two years
Continental	500-1000	Expansion of existing facility over the next two years
Apollo tyres	2700	Capacity expansion to double TBR production and is expected to be completed in FY19
JK Tyres	300	Expansion of TBR capacity of Cavendish business
Yokohama India	400	Expansion of PCR facility to double the capacity; production scheduled to start by end of 2019

Company	Capex in Crores	Greenfield Expansion
MRF	4000	Setting up a new facility in Gujarat ,although, in two phases and for all major tyre segments
Apollo tyres	3800	New TBR and PCR plant in Andhra and is expected to commissioned by early 2020
Maxxis	2600	Commissioned new 2-wheeler capacity in Gujarat in FY19 and aim is to gradual ramp up to full capacity by 2021
CEAT	2500	New plant in Chennai for PCR is expected to commence production in 2019

Source: Tyre companies presentation, NSPL Research

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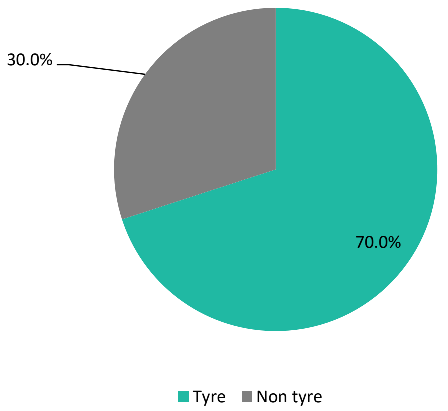
Domestic players bridging the demand supply gap in rubber chemicals

- According to TechSci Research, the Indian rubber processing chemicals market stood at $ 288 million in 2017 and is projected to grow at a CAGR of 7.5% to reach $ 443 million by 2023, predominantly on the back of growing tyre manufacturing base in the country.
- Strong growth in the country's industrial and automotive sectors, declining raw material prices, favorable Government initiatives to support rubber production and growing investments in production facilities of rubber processing chemicals are among the key factors expected to aid the rubber processing chemicals market in India during the forecast period.
- The global rubber processing chemicals market is witnessing rapid expansion because of the increasing demand from the tyre and automotive industries and their application across diverse industries. The tyre industry is the major consumer of rubber chemicals, holding over 70% of the market share. Use of rubber processing chemicals make tyres durable and provides them strength to withstand harsh environment. The demand from the tyre industry is projected to rise further with the expansion of the automotive industry. Apart from tyre and automotive sectors, rubber processing chemicals are increasingly used in industries such as construction, electric & electronics, medical, aerospace, polymer modification, and footwear production. There is rising use of rubber processing chemicals as roofing materials, floor coverings, sound insulators, and sealants in the construction industry. The growth in these sectors is also aiding the expansion of the rubber processing chemicals market.

End uses of rubber chemicals



Source: NSPL Research

Rubber chemicals – A highly capital intensive model

- Despite growing demand for rubber chemicals, there are not many major producers in India as it entails massive investment and technical expertise to set up a manufacturing unit. Also, the basic raw material is hard to develop. Consequently, the rubber chemical companies import basic raw materials and develop different grades here.
- The rubber chemical companies also have to comply with stringent regulations regarding environmental pollution and quality. As tyre companies are making high-quality products and developing and upgrading technology to the international standards, they are becoming stringent on the quality of rubber chemicals. To some extent, rubber chemicals contribute to pollution at the production site; but due to growing regulations, rubber chemical companies are taking pollution control measures at their plants.

Rubber chemicals – Challenges & Opportunities

- The rubber chemicals industry is facing many challenges. There is growing concern over the environmental hazards by the industry, which has forced governments in Europe, North America etc. to enact stringent regulations to reduce harmful greenhouse gas emissions. This has entailed huge investments by manufacturers in pollution control measures and also impacted the market for rubber processing chemicals.
- The spurt in production of green tyres is expected to reduce consumption of rubber chemicals and carbon black by the tyre industry. Economic slowdown in China, the largest consumer of rubber chemicals, is another cause of concern for the industry. The slowdown has affected the largest end-use market, the automotive industry, and also hampered the growth in the rubber and allied industries in China.
- Increasing R&D expenditure for rubber processing chemicals due to regulations imposed by government and intense competition due to the presence of various vendors and substitute products too possess new challenges to the rubber chemicals industry.
- However, the rubber chemicals market offers lucrative opportunities for potential investors in view of the projected growth in demand in the coming years. The manufacturers have to equip themselves to meet the challenges and ramp up their production capacity in order to bridge the demand-supply gap in the rubber chemicals market.

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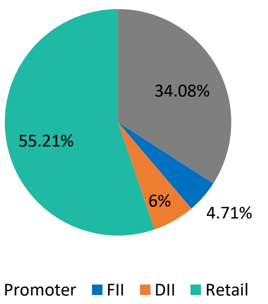
Management Team

Name	Designation
Mr. Hrishikesh A Mafatlal	Promoter & Chairman
Mr. S R Deo	Managing Director
Mr. R M Gadgil	President - Marketing
Mr P Srinivasan	Chief Financial Officer
Dr. Chinmoy Nandi	Vice President (Research & Development)
Dr. Narendra Gangal	Vice President (Analytical & Outsourced Research)

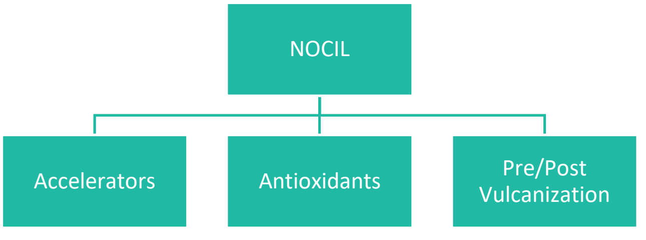
Shareholding Pattern



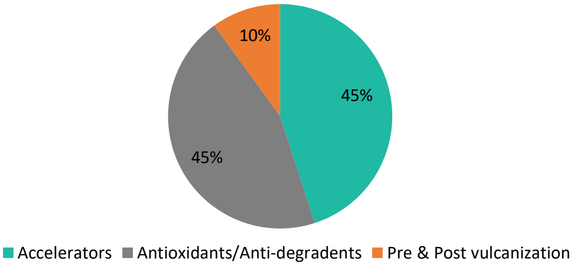
About the Company

- Incorporated in 1975, NOCIL is a part of Arvind Mafatlal group and is in the manufacturing of rubber chemicals.
- The company enjoys leadership position in the domestic market and manufacturing facilities are situated at Dahej & Navi-Mumbai.
- The company manufactures wide range of rubber chemicals to suit the customer needs viz. accelerators, antioxidants and pre/post vulcanization inhibitor and zinc based applications etc.
- The company has long term business relationship with tyre majors both in the domestic & international market.

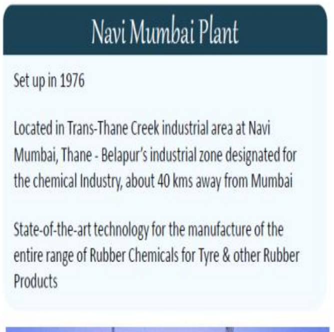
Major businesses of NOCIL



Revenue Breakup FY18



Snapshot of manufacturing facilities



Uses of various types of rubber chemicals

One Stop Shop with Wide Range to suit Market Requirements

Source: Company Investor Presentation, NSPL Research

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Profit & Loss (INR Crores)	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Net sales	**719**	**715**	**742**	**968**	**1202**	**1468**	**1685**
COGS	389	360	360	441	544	715	827
Employee Expenses	50	61	64	71	81	92	110
Other Expenses	167	156	159	190	237	282	325
EBITDA	**113**	**139**	**159**	**265**	**341**	**378**	**423**
D&A	14	15	20	24	32	41	43
Other income	4	4	10	15	3	4	4
EBIT	**103**	**128**	**149**	**256**	**312**	**341**	**384**
Interest Expense	17	9	2	1	0	0	0
PBT	**86**	**119**	**147**	**255**	**311**	**341**	**384**
Tax	29	41	50	85	108	118	133
PAT	**57**	**78**	**97**	**170**	**204**	**223**	**251**
Diluted EPS in INR	**3.5**	**4.8**	**5.9**	**10.2**	**12.1**	**13.2**	**14.9**

Balance Sheet (INR Crores)	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Share Capital	161	161	164	164	165	165	165
Reserves & Surplus	254	608	750	882	1031	1194	1379
Shareholder's Funds	**415**	**769**	**913**	**1047**	**1196**	**1359**	**1545**
Long term borrowings	51	15	5	0	0	0	0
Long term provisions	14	18	17	16	18	21	26
Deferred tax liabilities(Net)	43	104	106	104	126	148	169
Other non current liabilities	0	1	0	0	0	0	0
Total Non-current liabilities	**107**	**138**	**128**	**120**	**144**	**170**	**194**
Short term borrowings	75	1	0	0	0	0	0
Trade payables	84	69	81	116	271	246	337
Other financial liabilities	0	26	26	37	20	22	26
Other current liabilities	52	10	8	21	11	12	13
Short-term provisions	22	2	4	4	6	8	9
Current Tax Liabilities(Net)	0	0	0	3	6	8	9
Total Current liabilities	**233**	**107**	**119**	**181**	**314**	**296**	**394**
Total Equity and Liabilities	**755**	**1014**	**1161**	**1348**	**1655**	**1825**	**2134**
Fixed Assets	**306**	**544**	**539**	**524**	**676**	**850**	**855**
Capital work in progress	3	6	4	42	200	28	19
Investment property	0	1	1	0	0	0	0
Intangible assets	5	4	4	3	2	2	2
Other Investments	22	112	176	52	54	56	59
Other financial assets	0	5	5	5	5	5	5
Non current tax assets	0	20	7	5	6	15	17
Other non current assets	38	9	9	26	26	28	25
Total Non-current Assets	**375**	**700**	**744**	**658**	**969**	**983**	**982**
Inventories	188	133	115	155	173	258	308
Current investment	0	0	0	229	54	5	5
Trade receivables	167	151	167	243	337	456	521
Cash and cash equivalents	8	5	106	24	85	82	275
Other bank balance	0	11	16	8	8	8	8
Other financial assets	0	1	1	0	0	0	0
Other current assets	18	14	13	30	29	32	34
Total Current Assets	**380**	**314**	**417**	**690**	**686**	**841**	**1152**
Total Assets	**755**	**1014**	**1161**	**1348**	**1655**	**1825**	**2134**

Source: NSPL Research

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Cash Flow (INR Crores)	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	86	119	147	255	311	341	384
Operating profit before working capital changes	115	141	160	271	347	386	432
Operating profit after working capital changes	49	201	187	183	394	176	438
Less income tax paid	-19	-31	-46	-81	-108	-118	-133
Cash Flow from Operating	**30**	**170**	**142**	**103**	**286**	**58**	**305**
Cash Flow from Investing	**-5**	**-12**	**-10**	**-142**	**-167**	**3**	**-42**
Proceeds from issue of equity instruments	0	0	6	4	-1	0	0
(Decr)/Incr in Debt	-5	-121	-11	-10	0	0	0
Finance cost	-17	-10	-2	-1	0	0	0
Dividend Paid	-11	-19	-23	-35	-54	-60	-66
Cash Flow from Financing	**-33**	**-151**	**-31**	**-42**	**-59**	**-64**	**-70**
Incr/(Decr) in Balance Sheet Cash	-8	7	101	-82	60	-3	193
Cash at the Start of the Year	14	6	5	106	24	85	82
Other bank balance	0	0	-1	0	1	0	0
Cash at the End of the Year	**6**	**14**	**105**	**24**	**85**	**82**	**275**

RATIOS	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Profitability							
Return on Capital (%)	18.3%	16.1%	16.1%	24.3%	26.1%	25.1%	24.9%
Return on Equity (%)	13.8%	10.2%	10.6%	16.2%	17.0%	16.4%	16.3%
Margin Trend							
EBITDA Margin (%)	15.8%	19.5%	21.4%	27.4%	28.3%	25.8%	25.1%
PBT Margin (%)	12.0%	16.6%	19.8%	26.3%	25.9%	23.2%	22.8%
Net profit Margin (%)	7.9%	10.9%	13.1%	17.6%	17.0%	15.2%	14.9%
Gross Margin (%)	46.0%	49.7%	51.6%	54.5%	54.7%	51.3%	50.9%
Solvency							
Debt / Equity	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Debt / Assets	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Valuation Ratios							
P/E	10.7	9.7	15.9	18.8	13.8	12.6	11.1
P/B	1.5	1.0	1.7	3.0	2.3	2.0	1.8
EV/EBITDA	6.4	5.4	8.9	11.8	7.8	7.0	5.8

Source: NSPL Research

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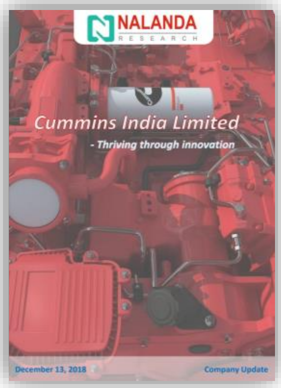

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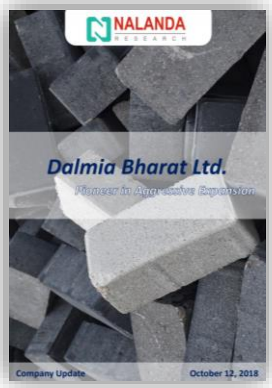

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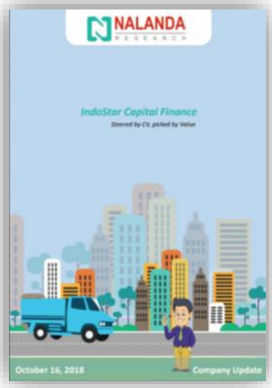

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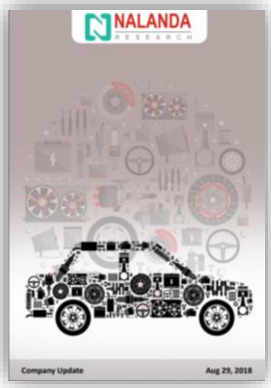

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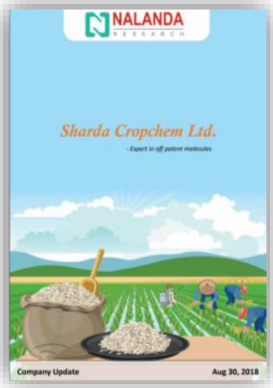

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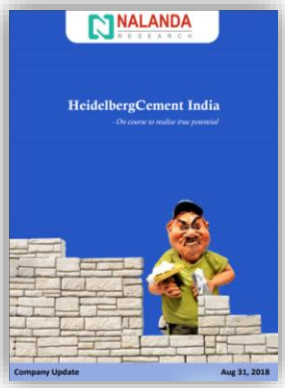

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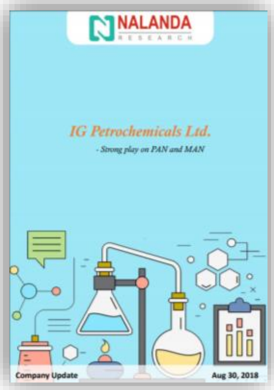

IG Petrochemicals

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NOCIL Ltd				Rating Legend	
Date	**CMP (INR)**	**Target Price (INR)**	**Recommendation**	**Strong Buy**	**More than 15%**
January 02, 2019	166	214	Strong Buy	**Buy**	**5% - 15%**
				Hold	**0 – 5%**
				Reduce	**-5% - 0**
				Sell	**Less than -5%**

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