"NOCIL Limited
Q1 FY2023 Earnings Conference Call"
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ANALYST:

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Moderator: Ladies and gentlemen, good day and welcome to the NOCIL Limited Q1 FY2023 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. S. R. Deo, Managing Director of NOCIL Limited. Thank you and over to you Sir!

S. R. Deo: Thank you. Good morning and very warm welcome to everyone present on the call. Along with me I have Mr. P Srinivasan our Chief Financial Officer and SGA our investor relations advisors. Hope you all have received our investor presentation by now. For those who have not, you can view them on the stock exchanges and company website. I hope you and your loved ones are safe and doing well.

We will start with the performance of Q1 FY2023. We have achieved highest ever volume growth during this quarter. Good volume growth on the back of some easing in supply chain resulted in a record-high quarterly revenue of Rs.509 Crores. This increase in revenue comes on the heels of a 17% increase in volume in Q1FY2023 as compared to Q1 FY2022 and sequential growth of 12% to 13%. This was largely due to good demand uptake from tire companies on account of improvement in both OEM and replacement markets. As mentioned in our investor presentation, we could largely maintain flattish selling prices for a large part of our product portfolio. On the production front, we could utilize our plant around 75% of our installed capacity. Most raw material prices were flattish for the quarter. In a few products due to domestic situation, few abnormalities got experienced. The quarter also witnessed some increase in utilities cost due to increasing gas and coal prices. As you are all aware that in view of the Russian-Ukraine war situation there have been disturbances particularly on the energy front. Its impact is visible across the globe in the form of higher inflation, higher interest rates and recessionary trend. This is also endorsed by IRSG wherein for the quarter January to March 2022 most major markets shown a degrowth of 1% to 3%. The only exception being India and USA. Southeast Asian markets shown a degrowth of 10%. Further based on the interactions with customers, we do believe that the coming few months may see some muted demand, however, we are confident that on an overall basis the volume for H1 FY2023 will be higher by around 10%.

Quickly on the industry scenario keeping in mind our long-term vision of capturing double digit market share, we are envisaging growth opportunities for our rubber chemicals business in the global space. To pursue the said objective, we intend to optimize the capacity utilization say by September 2023, however, keeping in mind the short-term recessionary outlook we believe that this can get extended by another three to six months. To meet the short fall thereafter, we have already started debottlenecking of certain capacities. This exercise may take about 12 months, which will help us to meet the demand for another one to two years. At the same time, we are evaluating capacity expansion plans to achieve our long-term vision. Executions shall be decided once the global business environment stabilizes. This is from my side. Now I will hand over to Mr. P Srinivasan to give you an update on the financial performance. Thank you very much. Srini over to you.

P Srinivasan: Thank you Mr. Deo and good morning, everyone. Hope you are all are safe and are in good health. Just to recapitulate the Q1 FY2023 performance, we have registered the highest ever quarterly revenue and volumes. This has already explained by Mr. Deo on the back on better sales volumes in the quarter.

Some of the financial highlights:

Volumes grew in this quarter by 51% taking base as Q1 FY2020, so when we are looking at June 2019 it was 100, today we are 151. On a sequential basis, it is about 12% to 13%. During the quarter, we saw volume growth largely from domestic business as there has been changes in the geographical dynamics. Net revenue from operations stood for the quarter at Rs.509 Crores as against Rs.462 Crores for Q4 FY2022, a sequential growth of 10%. To recapitulate, this is the highest ever revenue parameters for NOCIL Rubber Chemicals history. The sales growth was largely driven by volume growth across product segment during the quarter.

On the operating EBITDA performance, for the quarter stood at Rs.101 Crores as against Rs.73 Crores in Q1 FY2022, a Y-o-Y growth of 39% and Rs.111 Crores in Q4 FY2022 a degrowth or sequential degrowth of 8%. EBITDA margin for the quarter stood at 20% in Q1 FY2023 as compared to 21% in Q1 FY2022 and 24% in Q4 FY2022.

Profit before tax or the PBT for Q1 FY2023 stood at Rs.88.49 Crores as compared to Rs.63.19 Crores in Q1 FY2022 and Rs.95.24 Crores in Q4 FY2022.

The profit after tax for Q1 FY2023 stood at Rs.65.63 Crores as compared to Rs.47.08 Crores in Q1 FY2022 and Rs.68.47 Crores in Q4 FY2022. That is, it from our financial front so with this we would like to open the floor for question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Thanks for the opportunity and congratulations for another good quarter. My first question is on the RM side? You indicated on a Q-o-Q basis RM has been flattish now what has been the trend during the ongoing quarter and what do we expect that the RM prices will start alleviating incrementally? Thank you.

S. R. Deo: Rohit, I think this is a very difficult question to predict because currently, there is a huge amount of unstability which we see in the world market. The oil prices are fluctuating. The petrochemical derivatives are fluctuating. To predict the oil prices and guess the oil prices and petrochemical derivatives are going to be a big challenge and we could be wrong for that guess, however, if you ask me for a month or so I think they look flattish, but that is a very small-time frame. We will not be able to guess it for may be two months after or three months after.

Rohit Nagraj: Sure, got it. The second question is on the debottlenecking, so you said probably it will take another 12 months and it will be sufficient for next one to two years growth what is the capex that we are envisaging for this and second, we had also indicated in the past that we will be working on some other products as well; any status update on the same thank you?

S. R. Deo: As far as the debottlenecking is concerned, it is always low-hanging fruit and the capex involved is very small okay and that is precisely we are trying to do. As far as the long-term vision is concerned, it continues to be as I said that we want to establish ourselves as a substantially major player in the world market and we are working on that.

Rohit Nagraj: Right Sir. Got it. Thank you so much and best of luck Sir.

Moderator: Thank you. The next question is from the line of Aditya Khetan from SMIFS Limited. Please go ahead.

Aditya Khetan: Thank you for the opportunity. My first question is on the spread part. This quarter also our EBITDA spread is roughly around Rs.65 per kilo, although lower than last quarter but still higher than our average; just wanted to know so is this benefit that has been largely led by the inventory gains or actually the spread for the industry has improved?

P Srinivasan: I do not know Aditya. I am not able to understand from where you are come to the figure of Rs.65 per kg or something.

Aditya Khetan: Your volumes for the quarter; Your EBITDA that are divided by the volumes.

P Srinivasan: Somewhere, your calculation may be, incorrect please have a relook at it. That we can answer it separately. Secondly, the performance on the business industry perceptive. You have to look at what is the global trend in the last six to nine months and when you look at and we have been communicating in the past even today also that most of the price corrections are happening in commensurate with the raw material price movements and that has been the trend which we have witnessed for the last 18 months and your Chinese competitors are also doing it and we being also significant non – Chinese player in this industry, we also take corrective actions based on that trend.

Aditya Khetan: The benefit has helped; that has been largely led by the spread for the industry has only improved, means this has been not led by the low-cost inventory which you mean to say that?

P Srinivasan: There could be a few cases here and there but that is not significant to talk about.

Aditya Khetan: Okay. The second question, now we are witnessing that the pricing decline in majority of the raw materials whether it is aniline or other raw materials and similar correction we are also witnessing into the rubber accelerator prices also. Can we make a case that the spread will normalize towards around Rs.45 to Rs.50 Crores per kilo for the coming quarter?

P Srinivasan: One cannot be specific about those numbers because it depends on the situation, the customer profile, and the product profile, so what we are seeing the price corrections if at all if it is happening, it happens along with the cost movements.

Aditya Khetan: Mr. Deo had said in his initial remarks that the utilization for the quarter is around 75% but considering there is a 11% to 12% volume growth on quarter-on-quarter basis, so that utilization should be around 85% for the quarter at least. In the also quarter also, we have utilized around 75% and considering a 11% volume growth so they should be easily around 85%; just wanted to clarify on this part.

P Srinivasan: Gentleman, however, if you look at the March quarter results there was an inventory change of credit of Rs.36 Crores. Maybe if you adjust that probably all your questions get answered.

Aditya Khetan: Sure, Sir that is it from me.

Moderator: Thank you. The next question is from the line of Nitesh Dhoot from Prabhudas Lilladher. Please go ahead.

Nitesh Dhoot: Congratulations on a good Q1 performance. My first question is on the strong volume growth in domestic market. What we understand is that the imports of rubber chemicals into India had slowed down in Q1 and NOCIL has substituted that demand, was this slowing of imports temporary in nature owing to some production or cost challenges for the players exporting to India or is there some structural change?

S. R. Deo: This is the question which you have to ask to Chinese manufactures because what they were doing.

Nitesh Dhoot: In fact, what I observe is that the slowing in exports is not from China, but from some other geographies. Even if you see the numbers that has slowed down, but it is not necessarily from China. Can you share that you have on the overall imports slowing down into India?

S. R. Deo: First and foremost is most of the imports, which come in India in the rubber chemical they mostly come from China. Imports from other geographies are very, very small.

Nitesh Dhoot: Yes; that has actually slowed down is what I see, so China is largely flattish to my understanding and whatever comes from the other geographies that has slowed down and that has what has been substituted by NOCIL, so that is the broad numbers?

S. R. Deo: This question should be addressed to our customers because what is going to be their strategy in terms of their procurement, how they are going to import, and how much they are going to buy from domestic market. It is a typical procurement strategy from the customers, and we hope that this procurement strategy will continue.

P Srinivasan: Just to add a bit I think gentlemen, I would like you to clarify that because what happens is when you are looking at an import data you are looking at an HSN code. But in case of rubber chemicals, you cannot look at HSN code as the standard because there so many items coming under the rubber compounds or rubber accelerators. So, there could be some products which may not be necessarily rubber chemicals in which we are playing and there could be some products which you have not been capturing in other chapters. So, it is important to understand the overall scheme of things then only we will be in a better position to comment on that.

Nitesh Dhoot: Sure okay. My next question is on your share of exports in Q1; what will be the share of exports and exports contribution to your revenue or volume?

P Srinivasan: It is about Rs.165 Crores.

Nitesh Dhoot: Rs.165 Crores okay. Just one more question. On your deprecation number what I see over the last two quarters, it has moved from Rs.11 Crores to Rs.16 Crores in Q4 and then in Q1 it has gone from Rs.16 Crores to Rs.14 Crores. Could you give some color on this movement up and down?

P Srinivasan: I do not know whether you have had the chance to look at the annual report. There is this fixed asset schedule or what we call as property plant and equipment schedule. Under that schedule, we have given a note what is that pertains to and what is the one-time correction and what is the recurring correction that has been adequately explained. My request is please refer that.

Nitesh Dhoot: That is helpful. Thank you so much. I will come back in the question queue for further questions?

Moderator: Thank you. The next question is from the line of Amar Maurya from AlfAccurate Advisor. Please go ahead.

Amar Maurya: Thanks a lot for the opportunity. First question is that in terms of the debottlenecking, how much of the capacities will get expanded because of this?

S. R. Deo: I cannot put a number, but I have made it very clear that we continue to look at the growth. We continue to look at which product may have a short fall after may be September 2023 or March 2024 and we continue to debottleneck the plant, so putting a number is difficult. The only thing we can very confidently say by debottlenecking, we will be able to meet the demand of next one to two years beyond our current capacity utilization.

Amar Maurya: Okay that means like at least the volume growth will be at least 10% right and when we say that capacity will be sufficient for two years from there on. Because of the debottlenecking, are we talking about like 70% to 80% kind of a capacity expansion then from the current level?

S. R. Deo: No, it does not require 70% to 80%. If you take a growth of 8% to 10%, you can really find out how much is the capacity expansion by debottlenecking.

P Srinivasan: We can constitute a plan on the debottlenecking.

Amar Maurya: How much of the land would be utilized currently at the current location?

S. R. Deo: Current location, we have two locations so one in Navi Mumbai where the land utilization is practically 100% and Dahej is about 50% to 60%.

P Srinivasan: In other words, it has a scope of Brownfield expansion.

Amar Maurya: Secondly, just continuing to the last question, what we are trying to understand is that have we increased our market share in domestic from the current customers because of whatever supply chain issues were there in this current quarter?

P Srinivasan: We have been maintaining 40% to 43% in the domestic market share. It moves a percentage here and there depending on the quarterly fluctuations, but we intend to consolidate further as we go along, but today that is what we can comment.

Amar Maurya: The point here is to understand like the kind of domestic volume growth we had seen in this particular quarter. Is this likely to continue given that the market share has eased up in the customers kitty?

P Srinivasan: It all depends on how the demand outlook and if the demand is growing, we will definitely participate in that.

Amar Maurya: Perfect. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Good morning. Just to understand the results better. If the raw material starts reducing and so is the selling price, the per tonne or per kilo margin; we have seen an improvement the way you have explained that we always try to maintain the per unit margin, so now in a declining raw material scenario, will we be able to do that or I just want to understand how the numbers will look?

P Srinivasan: It is difficult to predict the way it is going but what we have seen so far, all the manufacturing players of this industry are maintaining the delta. So far, we have not seen a very contraction trend, that is still maintained so far. May be as we go along, we will understand because it all depends on how the market is. If the recession is there for a shorter period, one need not worry about it, but if it is for a longer period, naturally it is a different issue altogether. It all depends on how the demand outlook is and it reflects capacity utilization and how much extra stock you have.

Dhaval Shah: Correct. Now last quarter, we saw China was under lockdown so what change did you see in terms of the excess supply, which was not being consumed in China? Was it getting dumped in the other global markets and how is the demand supply scenario in the global markets?

P Srinivasan: If you see the domestic rubber consumption, one does not see that much slow down in China. It was a minus 3% so when we are talking about a lockdown, the slowdown will be much deeper. What we see is minus 3% rubber consumption January to March so one does not get a feeling that may be the domestic parameters must have been higher as compared to the exports we do not know. As we see the data, we will come to comment on that. It all depends on how they participate, but what we are seeing is there is a shift in their strategy and that is still continuing, but we do not know whether they will go back to their old ways we do not know. But so long from November 2020 onwards or October 2020 onwards, we are seeing that strategy is continuing. They are adjusting their prices according to their raw material price movements.

Dhaval Shah: Okay. You mentioned January to March, but April, May, and June also there was some lockdown in some cities, and some was open. Even during that time also, you did not see much of supply coming from there.

P Srinivasan: It was there. We cannot say that it was not there, but what we are trying to say is we have to see the data for April and June then we can comment on it. Today we do not have the data. What we have the data is January and March rubber consumption from IRSG. On that basis, we are able to derive this conclusion.

Dhaval Shah: Correct; got it and just last question. Any new capacities, which have been announced or you feel can get announced in the near term, which will impact your expansion plans?

P Srinivasan: Those have already been announced in the marketplace by China Sun sine. Most of the investors are aware of it and other than that we are not seeing any new announcements.

Dhaval Shah: Thank you very much.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Svan Investments. Please go ahead.

Sachin Kasera: Good morning. Just a couple of questions. In actually your presentation while your volumes have gone up by 10%, your realization is up by 2% quarter-on-quarter, so is it because of some lag in terms of passing the raw material prices or some product mix change; can you comment on that?

P. Srinivasan: Which slide you are referring to gentleman.

Sachin Kasera: Slide number five Sir?

P Srinivasan: Okay. Basically, if you recollect in the last quarter, we had an inventory built up number one. Number two, our capacity utilization January and March quarter was higher as compared to the sales volume, so that had an inventory built up and what we saw in this quarter as Mr. Deo explained at the starting and opening remarks, most of the selling prices were flattish for the quarter as compared to January and March, however on the raw materials few domestic inputs we had some abnormalities and that did impact to an extent marginally the delta.

Sachin Kasera: Should we take March quarter realization number as the stable number, or this quarter number are more stable?

P Srinivasan: How can we give stability in a way that the business environment is so volatile or so uncertainty? It is not proper to look at one quarter and take a reference point. We should look at an average trend what is going on and then take a call accordingly.

Sachin Kasera: Sure, and secondly you mentioned that the utilization this quarter was around 75%? What type of utilization, and you also mentioned that because of the demand you are looking at some debottlenecking? Practically, what type of utilization can you achieve at the current plant like 90% or 95% from the existing capacity?

P Srinivasan: Mr. Deo in his opening remarks addressed this question also. He said that our endeavor has been to utilize the capacity to the hilt by September 2023, however, given the current short term recessionary outlook one can see a possibility of this getting extended by three to six months.

Sachin Kasera: That I understood. My question is different. Can we operate the plant at 100% utilization if the demand is there or technically because the way mix and all are there, we speak out at 90% to 95% utilization that was my question?

P Srinivasan: It depends on the plant. I think we can definitely if there is a demand, we will definitely operate it at 100%. Why should we not.

Sachin Kasera: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Saurabh Kapadia from Asian Markets Securities. Please go ahead.

Saurabh Kapadia: Thank you for the opportunity. The Government in the notification rejected the antidumping on three products, so just wanted to understand has the industry dynamic changed compared to last year versus this year that antidumping is now again not being implemented by the government?

P Srinivasan: It is a policy of the central government, which we are not privy to, but what we have been seeing a trend is that most of the recommendations are being rejected. We are unable to ascertain the real reasons for it, so it is not advisable to comment on this today.

Saurabh Kapadia: Generally, industry dynamics in terms of competition or dumping, has there been some better condition in the current fiscal compared to last fiscal?

P Srinivasan: No, I think as far as the trade remedies are concerned, these are all trade remedial norms. This reflects what has happened in particularly injury period and on that basis the Ministry of Commerce through director general trade remedies concludes there is a material injury or injury as per the trade treaties or WTO guidelines and then they recommend. However, the central government have this ultra-powers where they can take a view in independent of what the law states in the public interest or from a national interest, they can take a call or which they can reject the recommendation.

Saurabh Kapadia: My other question is on the exports. Probably, the export has been poor but is it in the volume terms the growth in the domestic market was stronger this quarter compared to export?

P Srinivasan: In this quarter as compared to the previous quarter, domestic growth was much higher in volume.

Saurabh Kapadia: Okay. We have been guiding exports should do well given the approvals or we moving from the discomforts to the second stage of the customer list, so when should we expect the momentum kind of export to pick up, although your initial comments suggests there is some slowdown, but ideally with the changes what NOCIL have witnessed over the last two to three quarters we should be better off than the industry?

P Srinivasan: Our performance has always been better than the industry performance average that is number one. Number two on the exports front either two we were annually doing a Rs.300 Crores exports. Today we have already touched Rs.650 Crores mark so that is already a reflection, in which direction we are heading for, and we have been communicating in the past and even today like to reiterate that what we are today at 35% probably may be tomorrow we will end up at 40%.

Saurabh Kapadia: Just the last thing on the slowdown in the overall demand, is it largely from Europe is what we are witnessing, or it is across the geography the slowdown trends have been seen?

P Srinivasan: It is across geographies. One has to look at the global economic outlook of all the countries. Every country is going through a rising inflation and rising interest rates. Obviously, this will result in some temporary setbacks, so this is a natural follow-out of that.

Saurabh Kapadia: Sir thank you and all the best.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited. Please go ahead.

Dixit Doshi: Thanks for the opportunity. I am attending this call for the first time, so a couple of basic questions. One, what would be our capacity including both the plants and what will be the global capacity or global demand?

P Srinivasan: Gentleman, I think you please read the investor presentation where we have said the global demand of rubber chemicals is 3.5% of the global rubber consumption, so if you take 30 million tonnes as rubber consumptions today, we are looking at something like 10,50,000 tonnes of rubber chemicals global demand. That is point number one and as far as NOCIL is concerned we have capacity of 1,10,000 tonnes installed capacity, which includes finished goods and intermediates.

Dixit Doshi: Okay. The second question is if we see our FY2018 and FY2019, the EBITDA margins were almost 27% to 28%, so it is fair to assume that our per tonne absolute margin is fixed and that is why as the prices have gone up the EBITDA margin has gone down or there is some pricing pressure as well?

P Srinivasan: When you are looking at FY2017 or FY2018 of FY2019, those three years area where we had antidumping duty in the revenue parameters, which constituted about Rs.45 Crores per annum, so you may have to exclude that to arrive at the EBITDA margins number one.

Number two as far as the EBITDA margin, it reflects market situation where the supply is equal to demand or supply is excess of demand. It is a common economics that whenever the supply is in excess of demand, you will have the margin pressure because each player will not behave the same way one can expect. Every player can behave differently and adopt a different strategy, so that is what we can give guidance here.

Dixit Doshi: Thank you Sir. That is, it from my side.

Moderator: Thank you. The next question is from the line of Damodaran Kutty from Acuitas Capital Advisors. Please go ahead.

Damodaran Kutty: Thanks for the opportunity and congratulations for a good set of numbers. Most of my questions have been answered. There is just one question. If I look at your COGS growth, which is around 56% to 57% and if I tie that to basically aniline prices, which have been broadly stable on a year-on-year basis, so can you reconcile why the sharp increase in COGS on a year-on-year basis?

P Srinivasan: I just did not follow your question. Can you repeat the question please? Sorry.

Damodaran Kutty: If I look at your cost of goods sold that has increased by around 57% on a year-on-year basis, but if I look at the aniline prices broadly on a year-on-year basis they are somewhere in the range of 5% to 10% increase on a year-on-year basis. Can you just reconcile why the difference between this COGS growth of 57% whereas your volume actually has only grown by 16% and the aniline prices?

P Srinivasan: Gentleman we are not only consuming aniline, and we are also consuming solvents. We are consuming nitrobenzene and other inputs like caustic, carbon disulfide and so many parameters. So, it is not fair to judge raw material cost movement by single item called aniline. It is a composite of several items.

Damodaran Kutty: Right, so those items have seen a much sharper price increase if that is what we can understand.

P Srinivasan: Can you just repeat. I am sorry we are not able to hear your audio clearly. I am sorry for that.

Damodaran Kutty: What I was saying is the other items that you mentioned that has contributed to the sharp price increases what we can understand

P Srinivasan: It is there.

Damodaran Kutty: That was it from me. Thanks.

Moderator: Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.

Bhargav Buddhadev: Good afternoon team and thank you for the opportunity. Clearly NOCIL's competitiveness in the export market has been improving. Is it possible to quantify to see if we have moved up the ladder? I understand there are L1, L2, L3 and L4 suppliers who are supplying to customers, so if you can sort of highlight on this?

P Srinivasan: It all depends on the strategy with each customer. What we endeavor is whenever a customer is having a long-term relationship with us, we take a view from that perspective and then gradually move up the ladder, so maybe we may start with L4 and then thereafter we move to L3, then go to L2 and then L1. It is a long journey because it is not only pricing is one part. It is also involving a weightage of several products, which we are ready to offer along with the quality and the commitment on delivery schedules that is very important. So, one of the key things which today every supply chain cell is looking at is how assured or dependable the supply chain and on this front NOCIL has a proven track record. They are sticking to the delivery schedules commitments so that helps NOCIL to win larger contracts in the export market.

Bhargav Buddhadev: Is it fair to say we have moved up the ladder, or no?

P Srinivasan: Yes, we have definitely moved up the ladder.

Bhargav Buddhadev: Okay and how important is the share of value-added product portfolio in determining whether we move up the ladder or no?

P Srinivasan: We have been communicating that generally about 25% revenue stream is coming from specialty application. We intend to maintain around that. Maybe if there is scope to expand further or improve further, we will definitely encash those opportunities, but at this stage we are around 25%.

Bhargav Buddhadev: Lastly Sir amongst the non-Chinese suppliers would it be fair to say after them, we will be the next in the line in terms of the ladder?

P Srinivasan: In terms of the capacities and the ladder and in terms of the all-around product portfolio, NOCIL stands out number one in the world, I would say because we are there in every aspect and every product including if you see the self-sufficient intermediates, which is a key aspect in this supply chain of rubber chemicals to the customers so there I think NOCIL will stand number one or number two, if we can say it. But as far as non-Chinese players, yes there are two major players LANXESS. LANXESS has one dependency on China for their intermediates whereas Eastman, which has been sold to One Rock Capital, which is now known as New Flexsys. They are in a single product portfolio.

Bhargav Buddhadev: Great Sir. Thank you for that clarification and all the very best.

Moderator: Thank you. The next question is from the line of Aditya Khetan from SMIFS Limited. Please go ahead.

Aditya Khetan: Thank you for the followup. There was a news recently that the United States is planning to remove duties on some commodities imported from China and we know that in rubber chemicals US has imposed an antidumping duty on China, so now if that duty is removed can we again see that Chinese flow increasing to US and how this will impact NOCIL; can you tell us in brief on this one?

P Srinivasan: We do not have the updated list whether the rubber chemicals are included in this, or it is being considered number one. Number two independent of that today, we are not getting the 25% benefit when you are selling to the export market in US so for us whether today when a US customer is looking at, he is looking at what cost he is buying it. He is buying from Europe say 100, NOCIL may be 105 and China may be 131, so for us it does not matter much. The only thing is during this Chinese absence, we have established our credentials much deeper and that is why in the US market, we have grown index level of 100 to 300 over the last three years.

Aditya Khetan: Correct, so volumes definitely has ramped up from 200 tonnes to around 2000 tons. Now with the US and other global markets so might be slipping into a recession and demand taking a hit and if suppose this duty also would be removed on rubber chemicals so how do you see that US market to shape and also can we change our strategy to focus on domestic rather than on exports considering if the global markets take a hit on demand, so domestic demand would be robust considering that the tire players have announced a good capex so how that strategy would fit like for the next two to three years?

P Srinivasan: Once you establish a relationship, I do not think so we are out of that business ever. It is a competitive world. The relationship will involve some element of commercial transactions going through and we do not see, what may happen is the further growth potential may get hampered to an extent because of Chinese competition, we are not denying that, but it does not mean that the existing volumes will be lost. It will be retained. Maybe we consolidate at a slower pace if at all if there is a competition a very aggressive competition from China. That is number one. Number two, it depends on how the rubber consumption grows over the next few years and if there are no additional capacities then we are there for that.

Aditya Khetan: Okay and what was our target into US to take the volumes to maximum levels like previously we had stated around 4000 to 5000 tonnes so if that is maintained onto the volume side?

P Srinivasan: I do not think so we have ever given any volume targets in the US market or any of the markets. We have always been communicating on index parameters on US market. 100 to 300 is what we have been communicating. If at all if there is this communication from somewhere else, please remove that doubt from your mind and we do not want to specify what targets we have with any markets.

Aditya Khetan: Okay Sir just one more question. On to the exports part, we have reached around 36% of sales in FY2022 and that is almost near to our guidance of 40% so if we cannot push some value-added products into international markets further how do you see that value addition or that specialized portfolio, which is 25% will move up or it will remain at the same levels for the next two years?

P Srinivasan: We answered this question just a few minutes back where we said that our endeavor is there to move further. We would definitely like to move up the ladder, but as it stands today, we do not see it will be hovering around 25% because in the overall scheme of things, this specialty application is not even 10%. It will be less than 5% probably so against the 5% of the global space we are already 25%. I think we have already reached to a level unless we see further deepening or further opening of new customers and new account relationships to go beyond this, it will be little difficult I would say.

Aditya Khetan: No new products are being developed right now?

P Srinivasan: There are some in the pipeline, but this is not getting into the commercial mode so far. As and when we get into the commercial mode, we will communicate about the same.

Aditya Khetan: Sure, thank you. That is, it from me.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund. Please go ahead.

Dhruv Muchhal: Thank you so much. Would you have any sense on what will be the Europe's total production and their share in global trade in rubber chemicals and particularly our set of products?

P Srinivasan: Europe demand will be about 12% or 11.5% of the world market and on the supply side, they will be about we are talking about Europe incorporated entities. They may have plants across the globe but when you are looking for Europe incorporated entities, they may be about 15%.

Dhruv Muchhal: Any sense on what the absolute physical capacity in Europe and are they big exporters?

P Srinivasan: They do exports to US also because US has a preferential duty arrangement with Europe, so obviously they have a good access to US markets.

Dhruv Muchhal: On the physical assets probably in Europe any share on that if you have? 15% production is of European based entities, but facilities which are in Europe any sense?

P Srinivasan: May be about 10% thereabouts; it is a guess. We do not have the full scale, but I think around 10%.

Dhruv Muchhal: Sure, Sir and secondly last year if I see our share of exports for FY2022 as a whole, these share of exports was about 36% and I believe you also mentioned in the last call the share of volumes is also about 35%. To me it means that the domestic broader realization is equal to the export realization. Is that because of the benefit that we have something in the domestic market because of the duty that the realization is the same because I thought what you export is relatively more value added?

P Srinivasan: What happens is the component of the product mix. If the product mix has high value products in exports as compared to a domestic market obviously the weighted average realization will be much different than the domestic market. What happens on a comparative terms yes if you are looking at a same product identical product exports in revenue parameters will be lower as compared to domestic because of the duty protection, but what is happening is an export market is we have a high-value products and that takes the weighted average realization for the basket up.

Dhruv Muchhal: That is what is the point. In value terms your export share was 36% and volume terms your export share was 35% last year FY2022 as a whole so it seems it is equal.

P Srinivasan: It may be coinciding, but what we are saying is we have to look at independently the weighted average composition of the product mix and the weighted average realization per kg. Generally, what happens is in identical products exports generally are on the lower side, but as far as NOCIL is concerned because of our product mix we are able to maintain that.

Dhruv Muchhal: Got it. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Thanks for the followup. Everybody manufactures similar set of products, so is their further scope for optimization by including say digitization or industry 4.0 or anything from the existing set of products thank you?

S. R. Deo: Basically, Rohit this optimization continues to be a part of growth so obviously when we put up the plants at Dahej, Dahej was a much better optimization than what with had in Navi Mumbai. And as we walk in all these things which you are talking about like industry 4.0, they will continue to get incorporated in the new plants.

Rohit Nagraj: Right and from the market share so last couple of years we have gained a good amount of market share from about 35% to 42% to 43%, going back a little bit in history generally this market share gain is irreversible even if there is some new competition or new volumes come up from China? Have we in the past seen that we have been able to maintain the same market share thank you?

S. R. Deo: I think we are certain that we will be able to maintain the market share.

Rohit Nagraj: All right and just one last clarification on the earlier participants questions in terms of the Europe's capacity in rubber chemicals, have we come to know because of the particular challenges in Europe, any of these capacities have been suffering or probably operating at lower levels and that may be a positive thing for us or the other competitors. Thank you

S. R. Deo: Rohit if you are talking of European situation, as it is emerging, the clarity will come when the winter starts and what is going to be the priority of each government in terms of their domestic and energy to the industry. At this point of time, I think it will be very difficult to guess.

Rohit Nagraj: Sure, that is really helpful. Thanks a lot.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. S. R. Deo for closing comments.

S. R. Deo: I take this opportunity to thank everyone for joining the call. I hope we have been able to address all your queries. For any further information kindly contact, us, or the strategic growth advisors our investor relation advisors. I request all of you to be safe under the given circumstances. Thank you once again.

Moderator: Thank you. On behalf of NOCIL Limited that concludes this conference. Thank you joining with us, and you may now disconnect your lines.