"NOCIL Limited

Q2 FY '23 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the NOCIL Limited Q2 FY 2023 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 the listen-only mode. 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 star and then zero on your touchtone phone. Please note that 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 a very warm welcome. I hope you had a safe Diwali and wish this New Year brings prosperity and joy. Along with me here, I have Mr. Anand, our Deputy Managing Director; Mr. P. Srinivasan, our CFO; and SGA, our Investor Relations advisor. Hope you all have received our investor presentation by now. For those who have not, you can view them on the stock exchange and company website. I hope you and your loved ones are safe and doing well.

We will begin with the business updates for Q2 FY '22-'23. We generated INR 389 crores in the operating revenue during the quarter. We grew by 4% year-on-year, owing to better realization as we implemented price increases proportional to raw material price increases. However, on quarter-on-quarter basis, selling prices largely remained flat.

As communicated during our previous investor calls, the sales volume was impacted on account of global recessionary trend on a quarter-on-quarter basis. The silver-lining among this situation is that the profit parameters adjusted to the volume, remained flat.

Coming to the debottlenecking projects and new capex, the debottlenecking project, which we had initiated a couple of quarters back, is going as per schedule and we are fully committed to complete the same.

Regarding the new capex, I would like to highlight that the plan is under evaluation and looking at the current global economic scenario, we will take the final call at an appropriate time. Similarly, regarding the ramp-up of new capacity, the current global economic scenario makes it difficult to provide the exact timeline.

Now I will hand over to Mr. Anand, our Deputy Managing Director, for his views on medium- to long-term outlook as well as ESG initiatives.

V.S. Anand: Thank you, Mr. Deo, and good morning to everyone on the call. Let me just walk you through a couple of points from the medium-term scenario and also speak about the ESG-related initiatives. On the medium-term scenario, given the energy scenario in light of the geopolitical issues, we are looking at a possibility of a Europe plus 1 scenario panning out similar to the discussions on the China plus 1 strategy.

It will be noted at this point that the discussions are very much in the initial stages, but these green shoots augur well for players like us with a strong R&D. As we speak about R&D, we would also like to inform you that NOCIL has been awarded with the Indian Chemical Council's Best Industry Academia Collaboration Award last month. This award was instituted for the first time, is a validation of the decades of fruitful collaboration for research between NOCIL and academic institutions.

With spare manufacturing capacity available, NOCIL has a strong appetite to grow further in the rubber chemicals business. Coming to ESG-related initiatives to highlight a few. NOCIL's goal is not only to comply with environmental regulation, but also to incorporate cutting-edge technologies such as green chemistry.

Our research center has a skilled team dedicated to advancing environmental research and green chemistry, thereby promoting sustainable business practices. NOCIL has adopted and implemented the 5S workplace organization method as a responsible corporate citizen to promote productivity, safety and waste reduction.

To maintain a sustainable environment, we have also implemented a 3R approach to pollution prevention and waste management that is reduce, reuse and recycle. As a responsible care company, we have always sought continuous improvement in the areas of environmental protection, health and safety and secure transportation of raw material and delivery of finished products. That's it from my side for now.

Now I would like to hand over to Mr. P. Srinivasan to give you an update on the financial performance.

P. Srinivasan: Thank you, Mr. Deo, Mr. Anand and good morning to everyone. Hope you all are safe and in good health. Now let me take you through -- run through some of the key financial highlights. Sales volume for Q2 '23 grew by 17% as compared to -- or the index level of 117 as compared to 100 when you compare Q1 FY '20 as a base.

On a quarterly, sequential quarter basis, we have de-grown by 22%, this was basically anticipated in view of the global recessionary trend, which impacted the sales volume. On a half yearly basis, we have witnessed a moderate growth in the sales volume. Coming to the revenue parameters. The revenue for Q2 FY '23 stood at INR 389 crores as against INR 375 crores for Q2 FY '22, our year-on-year growth of 4% and a degrowth of 23% as compared to the previous quarter.

Net revenue for half year FY '23 stood at INR 898 crores for the H1 FY '23 as compared to INR 720 crores for H1 FY '22, a year-on-year growth of 25%. On the operating EBITDA parameters, operating EBITDA for Q2 FY '23 stood at INR 61 crores as against INR 49 crores in Q2 FY '22, year-on-year growth of 24% and INR 101 crores in Q1 FY '23, a sequential degrowth of 39%. Operating EBITDA for H1 FY '23 stood at INR 163 crores as against INR 122 crores in H1 FY '22, a year-on-year growth of 33%.

EBITDA margins for Q2 FY '23 stood at 16% as compared to 13% FY '22 and 20% in Q1 FY '23. The profit before tax or PBT parameters for Q2 FY '23 stood at INR 49 crores as compared to INR 41 crores in Q2 FY '22, a growth of 18%, and INR 88 crores in Q1 FY '23 there's a drop. H1 FY '23 PBT stood at INR 137 crores as compared to INR 104 crores for H1 FY '22. Profit after tax resultantly came down to INR 36 crores for Q2 FY '23 as compared to INR 31 crores in Q2 FY '22. Whereas as against Q1 FY '23, it was INR 66 crores. The profit after tax for half year FY '23 stood at INR 102 crores as compared to INR 78 crores in H1 FY '22.

With this, we would like to open the floor for question-and-answer session.

Moderator: Our first question is from the line of Bhargav Buddhadev from Kotak Mutual Fund.

Bhargav Buddhadev: My first question is on the export outlook. You have mentioned in your opening commentary that there is a slowdown in export demand and this is a big business for us, given that it accounts for about 35-odd percent of revenue. So, what is the outlook going forward? And do you see any structural issues as far as export demand is concerned?

V.S. Anand: So this is Anand here. So. while we've also kind of commented on this that we see an outlook even in the last call, that there are those recessionary trends that are kind of looming over us. We see this from an outlook point of view, the demand is expected to stay muted. But we don't see any structural specific issues. It's more from a specific also a sentiment point of view that there is a bit of destocking that tends to happen with this sentiment. But at least for the next two to three months, it is expected to be muted. Yes.

Bhargav Buddhadev: And my second question is, you alluded to this Europe plus 1 strategy to play out for NOCIL, but for that strategy to play out, we should have capacity which we may run out by maybe FY '24 end. So why are we sort of delaying in terms of new capex plans given that there is a big opportunity in knocking at the doors?

V.S. Anand: So like we've mentioned, capacity expansion is not only limited to greenfield or a major brownfield. Debottlenecking has also been actively giving us capacity increases over the years. And looking at the current utilization levels, as well as we go forward and as the demand ramps up, we are evaluating the situation, and we will take the call at the right time.

Bhargav Buddhadev: And any timelines in terms of how much time will it take to set up a new capacity?

S.R. Deo: See as far as setting up of the new capacities is concerned you must understand the strength of NOCIL. We already have a surplus land at Dahej. Second thing when we are talking of debottlenecking, debottlenecking actually brings in substantially good capacities, these are all low-hanging fruits. So as we said that NOCIL has capacities to meet the opportunities, which are likely to come out of Europe plus 1. And as far as your question is concerned, we don't see any capacity constraint, at least for next two to three years.

Moderator: We'll take the next question from the line of Aditya Khetan from SMIFS Institutional.

Aditya Khetan: Sir, my first question is on the volumes part. Sir this quarter, volume drop has been roughly around 23% on quarter-on-quarter basis. So, this is only because of exports or domestic also has taken some impact?

V.S. Anand: So domestic, we've still seen a moderate growth in volumes, a large part of it is coming from the export business.

Aditya Khetan: So sir domestic dip in volumes, it could be 4%, 5%, is that number would be taken on?

V.S. Anand: You broke off at the end. Can you just repeat yourself, please?

Aditya Khetan: Sir, the domestic dip in volumes, so that would be around 4%, 5% is that...

V.S. Anand: We didn't have a dip. So we didn't have a dip in domestic volumes.

Aditya Khetan: You didn't have a dip in domestic volume. So sir, considering a drop of 23% only...

Moderator: Sorry to interrupt Mr. Khetan, if you are on a speaker mode, can you switch to handset and speak. Your audio is a bit muffled, sir?

Aditya Khetan: Yes. Sir so considering the 23% drop in export only business, so that indicates that for quarter-on-quarter basis, only the exports business as a percentage of overall volume that has dropped to roughly 40%, 50%?

P. Srinivasan: I think I will address very differently, Aditya. Basically, exports -- I think Mr. Anand in his earlier remarks, he alluded to that. There are certain markets which went through restocking or overstocking was there, and that has impacted that business very substantially. I think one should look at the IRSG data for the consumption of various markets. So it's a reflection of that, and that market degrowth in certain markets played out on the export front also for us. So that's the key part.

If you're degrowing in relation to the degrowth in rubber consumption, you are at par. We have not degrown to the extent what are -- we have got a higher market share in that. But what we are trying to say is the market in a particular region have degrown in certain markets because of the demand outlook or excess stocking, etcetera. So that affected in certain products for us, and which is a more of temporary nature which is what he indicated. So, it's not a structural issue. It's more of temporary nature.

Aditya Khetan: Sir which are these geographies or markets, sir, which are witnessing demand issues? And what would be the export share as a percentage of revenue for this quarter?

P. Srinivasan: Export share and revenue as a percentage this quarter?

Aditya Khetan: Yes, sir.

P. Srinivasan: It will be below 30%.

Aditya Khetan: Below 30%. And which are the markets which are witnessing sort of demand issues as you mentioned as well?

V.S. Anand: So from a market point of view, we see -- so we operate all across. And there has been a drop across regions, be it Asia, Europe or the US.

Aditya Khetan: Sir, realization has been almost flattish. So, this is -- so despite the volatility in the major raw material like aniline and benzene. So, what do you attribute to this resilience in pricing of rubber chemical?

S.R. Deo: I couldn't get the question.

V.S. Anand: Again boss, just to rephrase. So did you ask something about the raw materials?

Aditya Khetan: Yes. So. what I was asking that the raw material prices has been quite volatile like aniline and benzene. but the realizations has been almost flattish. So what is attributing to this resilience into the realization of rubber chemical?

S.R. Deo: I think these are to be frankly disjoint fares. If you really look at raw materials, as you have rightly said it, they continue to be volatile because oil prices, benzene and benzene derivatives continue to be volatile. As far as the finished good prices are concerned, okay. Basically, they are governed by the market situation on demand and supply. So, it is not always that we can co-relate the variability of raw material with the finished good prices.

Aditya Khetan: So sir so considering the supply is limited or demand has gone up. So, what has -- actually, so that is leading to the robust realization of rubber chemical. If you can highlight a bit more on this?

S.R. Deo: See basically, I think if you really look at it, when we talk of recession, the meaning of recession is the demand has gone down. And when the demand has gone down and probably 75% of our chemicals, which are manufactured in China they continue to manufacture. It's going to always effect the chemicals prices.

Aditya Khetan: So the Chinese supply is getting some sort of -- so they are closing down or they are temporary -- so shutting down. Is that the reason? Like what is holding the pricing of rubber chemicals globally?

S.R. Deo: We have no information in terms of China shutting down. But if you really see even within China, the demand has gone down, probably maybe the operating rates have down.

Aditya Khetan: Operating -- sir, demand has gone down. So that should actually led to decline in realization?

V.S. Anand: Just to kind of extend that. So that -- when the local demand, so what the point was, when the local demand in China is lower, there is always a tendency for these volumes to find that the international markets, and that's where the pricing comes under pressure.

Aditya Khetan: And sir this weaker export demand, so do you think sir this could trickle down into these domestic market also and we should start seeing the premium in the domestic demand also in the coming quarters?

V.S. Anand: So I think largely, we know this that they're not completely decoupled from what's happening in the rest of the world. And it also depends on how our customers are spreading their portfolio. because if you have a large exposure to exports, then you tend to get impacted. So, it will be difficult to comment at this point in time.

Moderator: Mr. Khetan, I'm sorry, but may we request you to return to the queue. There are several participants waiting for their turn. We'll take our next question from the line of Nirav Jimudia from Anvil Research.

Nirav Jimudia: Sir, two questions. So one, just a clarification on what Mr. Srinivasan was mentioning on the IRSG data. So, like if we see your slide number 20, where you have mentioned the global rubber consumption data from 2019 to 2021 we have seen rubber consumption going up by 1 million ton, roughly. So this translates to almost 35,000 tons of rubber chemical consumption. Now when we are seeing from 2021 to 2022, I think the fall in rubber consumption is almost to an extent of 0.7 million tons, so which roughly translates to almost 25,000 tons. So my question is, this 35,000 tons growth, what we have seen from 2019 to 2021, our incremental volume share, what we have got during those times is protected during this fall, that means, let's say, the fall currently is 25,000 tons in terms of the rubber chemicals. So our volume lost is lesser than what we have gained earlier in -- from 2019 to 2021, just to reconfirm these facts.

V.S. Anand: Yes, definitely. So I think if you look at our volumes also, I think it's definitely much lesser than what the market is reflecting. Partially also to answer, when you look at these global numbers, these are numbers that also reflect a drop in China, for example, yes, or the rest of the other markets. So we might not be in some of the markets which are -- where the drop is more sharper. So -- and also we have -- it's also customer-to-customer relationships that tend to play out. So definitely, the drop is not to that extent. Yes.

Nirav Jimudia: Sir, so this brings me to the second question. So like if we -- sir if you can just help us explain out of roughly around 1.1 million tons of global rubber chemical consumption, how much is the share of specialty volumes. Probably we are in some of the specialty products, which we cater to the export market predominantly. So if you can say or if you can just quantify in terms of what could be the specialty markets globally out of this 1.1 million tons?

P. Srinivasan: It will be less than 5%.

Nirav Jimudia: It is -- so out of those global consumption of 1.1 million tons 5% is the specialty market?

P. Srinivasan: Yes, 5% to 6% maybe just estimate. It's a -- we don't have accurate data, but it's more of 5% to 6%.

Nirav Jimudia: So sir, what we have seen in this quarter, our export volumes got impacted. So -- and predominantly, what we sell in the export market is more of specialty volumes also based on some earlier interactions. So -- does those volumes have impacted and because of which our volumes have come down? So if you can just quantify out of this 20% to 23% volume fall which we have seen this quarter, how much could be the fall in the specialty volumes?

P. Srinivasan: I think Mr. Anand alluded to that. It is across all markets. So it's not confined to one specific region or one specific product. It's a combination of weighted average across all global markets. So the fall has been seen, the recession has been seen. So that's how we see.

V.S. Anand: From the quantum of our total exports, it's a mix of -- it's a large part of the non-specialty and specialty. So I think when you look at a drop, I think it would not be right to say that the drop is more on specialty, yes. So it's kind of across the board. .

Moderator: Our next question is from the line of Dikshit Mittal from LIC Mutual Fund.

Dikshit Mittal: Sir, my question is on US exports. So currently, out of your total, how much is the US currently per month?

P. Srinivasan: Just repeat the question, please?

Dikshit Mittal: Out of the total exports, what is the US run rate per month, if you can share?

P. Srinivasan: I don't have the data right now. Maybe I will share it with the SGA in the coming days. Maybe later.

Dikshit Mittal: And sir, I think you were hoping that maybe by middle of next year, our capacities can be fully utilized. So based on the current scenario, so what are the basically base case now assumption in terms of current utilization?

P. Srinivasan: I think at the starting point, our MD did say that it's a challenging situation. One cannot put any definitive time line. This is already in the starting speech he made a comment on that.

Dikshit Mittal: Sir, in terms of like underlying demand, as you mentioned, like part of that is because of the destocking at the customer's end. So basically, if you can just give us a sense what is the underlying demand for these basically chemicals?

V.S. Anand: So if I were to understand your question was what is the underlying demand? Or was it referring to the destocking?

Dikshit Mittal: I'm just saying because part of the volume decline is one of destocking also. So what is the underlying demand growth? So -- because I think till destocking maybe one or two quarters down the line, we can see the restocking as well. So underlying demand is how much is the earn-out?

V.S. Anand: That would be difficult to quantify at this point, so precisely and so because -- so it's kind of a pretty volatile situation and things are changing rapidly. So difficult to put a number to that.

Dikshit Mittal: Sir, lastly, as you mentioned, this China domestic demand is also basically the -- so do you see any risk that Chinese exports may actually start finding their way into export and that can depress the pricing also?

V.S. Anand: Yes. So that is playing out to a certain extent in the markets because it's not only completely linked only to the raw materials like we said, but also in terms of wanting to utilize capacity of Chinese players. So that does put pressure on the prices of other things you could say.

Moderator: The next question is from the line of Damodaran from Acuitas Capital.

Damodaran: The first question is again on your guidance on full capacity utilization by March '24. This is what we had guided last time around. So what specifically has changed in this quarter that we are now sort of, I mean, we're dropping that guidance? And can you point to a few metrics that in this quarter that have come out, that has led you to change that guidance? So that's the first question.

S.R. Deo: So basically, as I addressed you, I think when we addressed you in the last quarter, and when we are addressing you right now as you are aware, the business challenges have completely changed. And I think to put the time frame for these challenges, okay, is a very difficult thing. And probably, I think all of us know, we are aware of the challenges, but we are not aware of the timeframe for the challenges. And that's the reason it is very difficult to put the time frame in terms of capacity utilization.

Damodaran: But can you -- I mean, what exactly has changed? I mean, is there a metric or is it that your -- I mean, you had forecasted some percentage of demand to come through that is not -- can you give me some numbers or such that you have looked at or which has caused you to change this?

S.R. Deo: I think if you really look at the various things which we have been addressing, I think we have clearly said that the demand is slowing down and the slowdown is accelerating. Now I think the rate of acceleration when it -- till what time it will continue to accelerate probably -- at least we are not in a position to foresee that. And that's the reason we are saying that looking at these challenges, it is very difficult to put a timeframe for capacity utilization.

Damodaran: That explains, I think, the first question. The second one that I had was now given that, I mean, we are seeing some recessionary trends what would you comment on the sustainability of this realization that you are seeing? I mean, this quarter, it has been flattish on a Q-o-Q basis. And as a result, I mean, even our EBITDA per ton is below than our historical level. So I mean, could you comment on the sustainability of these? I mean, how do you see that in the coming quarters and years?

S.R. Deo: I think if we look at a short-term view, I think the challenges will continue as we are saying because the -- and I think only the quarter by quarter, we can see how the things progress.

Damodaran: On a longer-term basis, there is no actually -- there is nothing to be -- I mean, you can go by whatever historical levels of profitability we shall maintain. Will we still look at maintaining that?

S.R. Deo: If you really look at long term, I think NOCIL is in a very sweet spot as far as a long term is concerned. Because first and foremost thing, NOCIL has volumes. NOCIL has a brand equity in the market. And in fact, what's happening in terms of Euro plus, which we talked which manufactures about 15% of the other chemicals all over the world. So if you take the distribution 75% at China, 15% at Europe and 10% at NOCIL, probably, this opportunity of Euro plus, which we see at this point of time could actually create a very healthy business proposition for NOCIL in long term.

Damodaran: So the long-term picture is certainly brighter is what you would say?

S.R. Deo: Long term, we are pretty confident that NOCIL has a very good future.

Moderator: Our next question is from the line of Ravi Mehta from Deep Financial.

Ravi Mehta: Just wanted to check that since the demand environment is slowing down, are you seeing some trends of realization softening, because as you alluded that even the risk of Chinese dumping is also playing out in a way or there are different markets we try to segment and address that to protect our realizations? So some color on that.

V.S. Anand: So like it's kind of also taking off from -- I think it's related to what Mr. Deo said in the previous response, there is short-term challenges on the realization, maybe a quarter or two. But then clearly, in the long term, there are plans which kind of try to see how we can secure our businesses. And we are expanding our presence with customers which make it more resilient. Yes.

Ravi Mehta: And one more thing was that I agree that the long-term outlook is robust, given the Europe Plus One opportunity. But in near term, maybe like a year or so, can the China Plus One helps us protect our volumes in a soft market environment? I can understand some destocking and all maybe one or two quarters bad is understandable. But overall, can that help us protect volumes and we can do better?

V.S. Anand: That is playing out. That is playing out, and that will continue to be a factor.

Moderator: Our next question is from the line of Rushabh from RBSA Investment Manager.

Rushabh: Yes, sir, in the previous call, you had mentioned that last 1.5 years, China has changed the strategy of pricing. And now you are saying that they are again started dumping again due to slow demand in China. So is there any reason why that change in the earlier and now again coming back because demand slowdown?

S.R. Deo: I think if you really go back to what we talked as a team probably six months back, we didn't foresee the challenges which the world is facing. And I think all the geopolitical events, the recessionary trends have really slowed down the demand, okay? So if you compare what we were saying six months back, of course, we didn't foresee that this is what is going to happen in the world. But currently, if you really ask me, I think that there is slowdown in the demand and which is affecting the business more on short-term basis.

P. Srinivasan: Just to add this. I think the key thing is in December '20 or thereabout, when China started adjusting its prices in relation to the raw material costs, the principle continues to remain the same because -- and they have been going for almost 1.5, 2 years, 1.5 years at least, where they adjusted the pricing according to corresponding proportionate increase in input cost. What we are seeing today is more of a slowdown.

In a slowdown, you cannot expect everyone to adjust the price as per where we want. It all depends on the volume of surplus, et cetera. So I think we may have to wait for a quarter or so, then we will -- before we see the real effect of China's approach.

Rushabh: What's the reason like is there an export incentive removed from the Chinese government? Or that is still available to them?

V.S. Anand: That is still very much... There's no change.

Rushabh: And sir, last con-call you mentioned that in the long-term vision is to reach double-digit market share. So that is still intact. Maybe when the initially you might have envisaged you might have, say, over five to seven years period and now maybe it must have delayed by a couple of years. So that stays intact, right?

V.S. Anand: Absolutely.

Rushabh: And sir, in FY '18, our market share was around 4.5%. So if you have any number at current capacity, what will be market share in global -- in current scenario? Is it a 5% or 6% as on date?

V.S. Anand: So I think that -- so given that actually also just what Mr. Srinivasan was alluding to about the rubber consumption data and lower growth rates of the market, which is also reflected in the slide, which we shared with you. This will have to be worked out. Yes, I think we should still be maintaining or slightly above where we were last year.

Moderator: Our next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: So first question is, sequentially, our other opex has remained largely flattish despite almost 22% volumes going down. Any specific reasons as to which and all costs have probably impacted this overall opex?

P. Srinivasan: Large part of this opex expenses is fixed in nature. So it will be flattish by and large, for a quarter. And even when you are operating at a relatively lower capacity operating rates, you were -- some of your variable expenses also becomes semi variable in nature. So that is the reason for that.

Rohit Nagraj: And in any costs, are we seeing a flattening or probably a reduction in terms of transportation cost or the energy cost in the last one, one and half months?

P. Srinivasan: Transport -- freight cost has come down. Definitely, we are seeing a reduction.

S.R. Deo: As far as the energy costs are concerned, Rohit, I think you are aware of that international scenario. And India cannot isolate itself from the energy costs, which are affecting the whole world. So more or less, we are there where the world is there.

Rohit Nagraj: Sir, second question is in terms of the raw material costs. So during last quarter, we had seen quite a bit volatility. But now more or less, the crude has settled between $95 plus minus $5. So have we also seen our raw material costs more or less stabilizing during the current quarter?

S.R. Deo: I think Rohit what has happened in the world is those correlations of our raw materials with crude and benzene they are no more existing because of the individual product demand, supply and manufacturing situation and the volatility in our raw material continues to be there.

Moderator: Our next question is from the line of Nishita Shah from IDFC Mutual Fund.

Nishita Shah: So you alluded that near term, there are challenges and.-- yes. So I was saying that in near term, we are facing challenges. In the long term, you mentioned on Europe Plus One as well. So can you explain a bit more on what would the trigger for export growth in the future? So will it come from new markets or new regions, or maybe new products that we are looking at or any new products in the R&D? So maybe a trigger for export growth is what I'm looking at.

V.S. Anand: Yes. So Nishita, I think business development or business growth is always a combination of the factors that you said, yes? So it's a combination of penetrating already our existing customers where we have strong relationships, strong position. So there is an opportunity to penetrate, and we would like to leverage that. It's also about new markets and new customers, where we will expand our existing products. And there is also a part of -- a small part of new products that we would want to also expand. So it's just a combination of all three that tends to look positive.

Nishita Shah: So let me rephrase the question. So let's say, out of the top 15 tyre manufacturers, how many does we have a relationship with business relationships with? And so how do we plan to deepen them? Would we take up new regions with the same manufacturer or adding to new products? So any more granularity on that part…

V. S. Anand: So we are mostly present with all the top tyre players across the world. So I think we can say that it's about expanding our presence with them. So it's also sometimes a plant to plant approval that takes its time. So we are in the process of doing that. That's been ongoing, and we just continue to do that, yes.

Nishita Shah: And just a follow-up. You mentioned on plant to plant approval. So what are the timelines that are taken to get the product approved maybe with an existing buyer or maybe same customer, but a new geography or a new plant, what are the brief timelines that are there?

V. S. Anand: So again, it varies, but it's anywhere from six months to one year.

Moderator: The next question is from the line of Dhruv Muchhal from HDFC Mutual Fund.

Dhruv Muchhal: Sir, the question was you mentioned about Europe 15% of rubber chemical production. But from your earlier comments, we also understand that in your earlier calls that this would also include capacities which European have probably in outside of Europe. So say, for example, Lanxess having somewhere in Africa or somewhere else. So would we have any better sense on what would be Europe's own production, I mean production which is based out of physically in Europe?

P. Srinivasan: Maybe 10% or thereabouts because they have a pan globe presence. So they have some capacities in China, some of India, something in the US also. Maybe we can say about 10% thereabout.

Dhruv Muchhal: And sir, related to this, so we have been seeing this issue with the utilities and other things. So from market sense, have you seen that the production has actually started to decline. One is, of course, due to demand. But capacity is closing because of this utility issue or some other issue. Are you seeing that? And in response to that, are the customers coming to you or they might already be approved with you because you are already very large, but for a higher share of allocation of volumes or something similar. Have you started seeing that?

V. S. Anand: We haven't seen plant shutdowns in the rubber chemical space at this point. But we will see certain product lines not being available in certain markets. So I think that's an indication that there is a bit of stress here.

Dhruv Muchhal: So they're getting out of a few set of products to focus on specific depending upon...

V. S. Anand: It would be difficult to comment whether they're getting out. But it could be even a temporary phase, but at least that's what we see in the market, so.

Moderator: We'll take a next question from the line of Shiv Chanani from Baroda BNP Paribas.

Shiv Chanani: Just as an extension of last couple of questions. There is of course, a lot of optimism around China plus 1 opportunity. Just want to understand is there any inflection point that you see from where the demand for you sort of takes off? Or is it more just a normal approval of products that is required over a period of time? I just want to understand that what will basically trigger that offtake in a serious manner as compared to probably more of a linear fashion?

V. S. Anand: I wouldn't say that, it would be right to say that there is going to be a certain inflection point I would see it's a gradual linear movement that would happen. I agree with that rather than an inflection point because it's about getting into customers, and it's about establishing supply circuit, supply reliance and it happens over a period of time, yes. But I would say there is going to be a certain inflection point, but it's going to be more linear.

Shiv Chanani: All right. And just to get a sense, have you seen more queries in the last 6 months as compared to what you would have seen six months prior to that or one year back?

V. S. Anand: Yes, we can say that. I think there has been conversations in that direction that's been far more at a higher frequency level compared to six months before, yes.

Shiv Chanani: And typically, what are these conversations like? Are these more saying that, like we are sourcing 80% from China right now, we want to go down to 50% from China? I'm just trying to understand the nature of these conversations.

V. S. Anand: Yes. So typically, these conversations we don't have this kind of what you just said. But I think reading between the lines, there is an indication that there is a keenness to increase share from NOCIL, yes.

Shiv Chanani: And this is what we have seen in some of the other businesses where the customers will typically like to see the capacity on the ground before committing any meaningful volumes, do you think that is going to be a constraint in terms of your customers committing bigger amount of volume?

V. S. Anand: We don't see that as a constraint, Mr. Chanani. So that's not a constraint.

Shiv Chanani Right. And finally, would you be open to -- again, this is just from what we have seen in some of the other industries and some other companies. Would you be open to buying some facilities in these international markets and then sort of transferring those products and lines to India?

V. S. Anand: So all options are always discussed. I wouldn't say they're necessarily evaluated. But I think we have built a lot of our capacities through greenfield and brownfield investments. If the opportunities are attractive, there is always an option to look at things, yes.

Shiv Chanani: Are you seeing any such opportunities right now?

V. S. Anand: No, nothing, nothing at this point.

Moderator: Our next question is from the line of Viraj Parekh from JMP Capital.

Viraj Parekh: Just one quick one from my side. So what was our capacity utilization overall on a capacity of 110 for the six months and for the quarter gone by?

P. Srinivasan: Somewhere around 65% to 70%.

Viraj Parekh: And considering the commentary given by all of you in terms of ramping up, I think we might see a delay in complete ramping up. Is the original timeline that we were targeting considering the current business challenges?

P. Srinivasan: I think that is what we've made at the start of our announcement. We made a reference to that. So today, it's very difficult to commit a date because of the way the international market is behaving.

Moderator: Our next question is a follow-up from the line of Aditya Khetan from SMIFS Institutional.

Aditya Khetan: Sir, how much would be the exports to Europe as a percentage of total exports?

P. Srinivasan: About 20%.

Aditya Khetan: About 20%. Okay. And sir, there has been a noticeable change in trend over the last few years and over the last few quarters?

P. Srinivasan: I didn't get your question, please? Change in the sense?

Aditya Khetan: Has there been a noticeable change in trend imports exports into the Europe. So currently, it is 20% so considering in FY '15, so what would be the share of exports to Europe be?

P. Srinivasan: That has increased. That has increased.

Aditya Khetan: Sir, considering now, as sir had mentioned to an earlier participants, so roughly around 10% to 15% of the global capacity and demand would be in euro and considering some of the products may not be available. So just to put in numbers. So considering that 10 lakh tons of supply globally, so considering that 10%, 15% or roughly around 1 lakh to 1.5 lakh tons capacity in demand would be in Europe. So considering some of the product that may not be available. So how much impact -- so can you share sort of for these 1 lakh tons so you can go to around 70,000 or 60,000. Any sort of numbers you can share?

V. S. Anand: Mr. Khetan, I think that would be -- I think you should also not kind of look at -- I don't see that these volumes are going to disappear overnight. And I think it will be very difficult for us to kind of indicate what would really -- how would the situation pan out. There's so many moving variables at this point in time.

Aditya Khetan: And sir, considering now, so this 20% exports to Europe. So considering -- so now the Europe plus 1 theme would be playing. So how do you see this trying to change over the next three quarters and over the next few years?

V. S. Anand: Yes. So I think I would say like we mentioned near term, there is a challenge continuing. But clearly, in the medium to long term, we see the growth at that.

Moderator: We'll take our next question from the line of Rohit Nagraj from Centrum Broking. .

Rohit Nagraj: So from the customer's perspective, are we seeing any delays in their expansion plans and that will probably have some impact on the volumes in the near to medium term?

V. S. Anand: So at least I think you know better in the domestic space, you are tracking it. So you know some of the investments are coming on stream. Some of them are happening companies are investing. In the international space, we do not see it's either way, we do not see that there is any sharp increase or a decrease. It seems to be at the same moderate level there.

Rohit Nagraj: Sir, second question is on the realizations. So is there any difference in domestic realizations and export realizations for us, particularly .

P. Srinivasan: It is the adjusted for duties in domestic, and we have the local duties, which is 7.5% plus clearing charges. So it's about -- typically, a common product will be 10% higher price as compared to an export price.

Moderator: As there are no further questions, I would now like to hand the floor back to Mr. S. R. Deo for closing comments. Over to you, sir.

S.R. Deo: Thank you. 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 get in touch with our Strategic Growth Advisors our Investor Relations advisors. Request all of you to be safe under the given circumstances. Thank you very much.

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