“NOCIL Limited
Q3 and 9M FY2022 Earnings Conference Call”

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MANAGEMENT: MR. S. R. DEO – MANAGING DIRECTOR - NOCIL LIMITED
MR. P. SRINIVASAN - CHIEF FINANCIAL OFFICER - NOCIL LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9M FY2022 Earnings Conference Call of NOCIL Limited. 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 the 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 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 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: Thanks a lot. Good morning and a 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. I hope you all have received our investor presentation by now. For those who have not, you can view them on the stock exchanges and the company website. I hope you and your loved ones are safe and doing well in the current challenging times. In our yesterday's board meeting, the board has decided to appoint, Mr. Anand V.S. as Deputy Managing Director. I would like to welcome Mr. Anand on the board of the company.

Just to give you his background, Mr. Anand is a Chemical Engineer with Postgraduate Diploma in Management from MDI Gurgaon. Prior to joining NOCIL, Mr. Anand was Managing Director of Chemetall, a BASF Company. Mr. Anand was associated with BASF from 1997 till date. He has over 2 decades of diverse experience in chemical industry. He will be joining the company in first week of March. This appointment is inline with our long-term strategy planning for the company. I thought that I need to share this first before I touch upon the Q3 results.

Now coming to the Q3 results, we achieved an all-time high revenue of Rs.389 Crores in Q3 FY2022 on the back of improved realization by 3% and marginal volume growth of 1% compared to the previous quarter. As a result of the global inflationary trend and a sharp rise in commodity prices, the prices of our key raw materials and fuels have risen sharply. This unprecedented rise in raw materials, freight and other input costs continue to put pressure on our margins. Our company is committed to improving operational efficiencies on a regular basis and to always keep costs under control.

We continue to review the situation and to cover the higher raw material costs we have increased our selling prices again in Q4 FY2022. In the current market environment where input costs have skyrocketed, it is difficult to forecast margins for the future. I like to reiterate our expectations of more than 10% volume growth and more than 50% revenue growth to be achieved in FY2022 v/s FY2021.

Coming back to the industry scenario, we believe that Omicron variant had set off a new wave that has potential to disturb various industries including tyres. The tyre industry is relatively better protected from any potential impact of Omicron due its reliance on stable demand from tyre replacement. According to a reputable rating agency the Indian tyre industry is expected to grow at a rate of 13% to 15% in volume for FY2022 and 79% for that period of FY2022 to FY2025. With the increasing acceptance of Indian tyres in overseas market, tyre exports have increased sharply in the current year owing too strong demand from destinations such as United States and Europe; the increased outlay in the road sector and infrastructure development augers well for the tyre industry.

The tyre industry has seen a revival in capex spending towards capacity addition as the demand outlook remains favorable despite the threat of a third wave of pandemic. Over the next 3 years the proposed capex is estimated to be more than Rs. 20000 Crores. Our new capacity addition aligns with several tailwinds in our business allowing us to grow our revenues and profitability at a faster rate in the coming years. Our presence in the export market has been improving and we are very optimistic about our export business.

The global consumption of rubber data both natural and synthetic rubber continues to show signs of an upward trend. The rubber consumption on the annualized basis based on January to September 2021 period shows the growth of approximately 9.6% compared to a calendar year of 2020, a degrowth of 6%. When we look at our volume growth, our volume growth for calendar year 2021 is more than 3X industry volume growth. That is all from my side. Now, I would like to hand over to Mr. P. Srinivasan to give you an update on the financial performance. Thank you very much.

P. Srinivasan: Thank you, Mr. Deo. Good morning to everyone. I hope you all are safe and in good health. As Mr. Deo just said that the quarter ending December 2021 or Q3 FY2022, we have registered highest ever quarterly revenues of Rs. 389 Crores. The performance on a sequential business has been stable on the profitability front.

Let me run through the brief financial highlights. The volume in Q3 FY2022 grew by 36% taking base of Q1 FY2020 whereas on sequential basis as compared to the Q2 FY2022 it grew by 1%. The net revenue from operations for Q3 FY2022 stood at Rs. 389 Crores as against Rs. 375 Crores in Q2 FY2022, a sequential growth of 4%.

The sales growth has been driven by a marginal increase in sales volume and a price hikes taken during the quarter more specifically for a spot market, which we announced in the previous investor call. Net revenue for 9 months FY2022 stood at Rs. 1109 Crores as against Rs. 603 Crores in 9 months FY2021 a growth of 84%.

Coming to the operating EBITDA, the operating EBITDA for Q3 FY2022 stood at Rs. 50 Crores as against Rs. 49 Crores, a sequential growth of 1%. For 9 months FY2022, it is about Rs. 172 Crores as against Rs. 77 Crores in the corresponding 9 months period of FY2021.

EBITDA margins for the quarter stood at 13% for Q3 FY2022 as compared to 13% in Q2 FY2022. For 9 months this is at 16% as against 13% in the last year's 9 months period. As stated in the previous call, EBITDA for this quarter was in the pressure primarily driven by a sudden surge in input costs, energy costs, etc.

On profitability aspects, profit before tax for Q3 FY2022 stood at Rs. 40 Crores as compared to Rs. 41 Crores in Q2 FY2022. PBT for 9 months April to December 2021 stood at Rs. 144 Crores as against Rs. 62 Crores for 9 months FY2021. On the profit after tax parameters, the December quarter Q3 FY2022 stood at Rs. 30 Crores as compared to Rs. 31 Crores in the previous quarter. The profit after tax for 9 months stood at Rs. 107 Crores as against Rs. 50 Crores for the 9 months FY2021. 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 Nirav J from Anvil Research. Please go ahead.

Nirav J: Good morning, Sir. Sir, I have two questions, one to Mr. Srinivasan and then to Mr. Deo. In Q3 FY2022, when we see our investor presentation on indexation of volumes, we were at 149 in Q3 FY2021, correct if I see your investor presentation correctly, so that 149 we were in Q4 FY2021 my mistake and current we are at 136, so when we compare this indexation of 149 to 136, our conversion cost in Q4 FY2021 was Rs. 92 Crores, but with the drop in volumes in Q3 FY2022 our conversion cost has gone up to Rs. 108 Crores, so if you can help us explain where the conversion cost has gone up even with the fall in volumes some understanding on the same, Sir?

P. Srinivasan: Conversion cost, I think post value addition?

Nirav J: Yes, post value addition, correct.

P. Srinivasan: You are saying in Q4 FY2021 is about Rs. 92 Crores and now it is?

Nirav J: Rs. 108 Crores.

P. Srinivasan: Rs. 108 Crores , yes, It is basically on account of 2 major parameters, one is a surge in the freight cost which is evident in the ocean freight or maritime freight cost which has gone significantly this is also compensated by appropriate price rise in the selling prices, secondly we also see the energy costs going up significantly because of the way energy price have moved in the last 2 to 3 months, so these are the combination of 2 factors, which has a taken up the cost for about Rs. 15 Crores to 16 Crores for the quarter.

Nirav J: If you can give us some broad breakup in terms of, how much the power cost has gone up from Q4 FY2021 to Q3 FY2022 and how has been the situation currently?

S. R. Deo: Nirav, can I come in, I think I can give you a very broad view.

Nirav J: I want a broader understanding and not the specific numbers?

S. R. Deo: Basically, I think this is all published information on which I would like to share it with you. First thing if you really look at the cost of coal in April 2021 it was about Rs.5000 a tonne, it touched as high as Rs.15000 to Rs.16000 a tonne with availability becoming an issue and currently, it hovers at about Rs.11000 to Rs.12000 a tonne, so that is the way the coal cost has gone up, if you really look at the cost of natural gas, which at the beginning of the year was about Rs.32 to Rs.33 per standard cubic meter, it has gone to Rs.66, so I think this will explain the cost of energy going up for practically everybody, it is not for NOCIL,

P. Srinivasan: Also to add, if one looks at from a revenue perspective, the revenue has also correspondingly gone up, if you look at in absolute terms in terms of the volume parameters as well as the revenue parameters it is compensated by the appropriate price hike in the revenue parameters, so despite the conversion cost going up what we are seeing is this has also shown an increasing trend.

Nirav J: Correct, because then probably our volumes would have come down so on a per kg basis if you see those sort of increases we have seen because of this increase in the power and the freight cost, so I was just trying to understand that where this cost has gone up in the powers, so what Mr. Deo has rightly mentioned that even the natural gas has also played a part in terms of increase in the cost of production, so I was trying to understand that aspect, Sir. And second question to Mr. Deo, on slide #18, you have mentioned that our R&D capabilities have led to the significant reduction in the cost of production and if you can explain this with respect to the product and the process innovation what we have been doing at NOCIL and if I can just add one more point even if we see in last decade even our intensity of R&D expenditures have gone up, so right from Rs. 2 Crores to Rs. 3 Crores in 2009-2010 to Rs. 6 Crores in 2021, so if you can relate this aspect with the statement made on the slide #18 that would be helpful?

S. R. Deo: Nirav, I think I would not like to share a very specific information in terms of what technological changes which we have done in the processes, but I can give you a broad guideline. In our research center there is one group which continuously keeps on looking that the process efficiencies, the process efficiencies include 2 or 3 aspects, first thing it includes the consumption of raw material and how we can keep on optimizing the consumption of raw material. The second aspect which is being seen is can we keep on adding creeping capacity additions in the same hardware by making some minor process changes and this yields a lot of significant reduction in the cost of production, and this is what we call it as a continual improvement in technology in terms of products and processes. Of course, there is one more aspect which more is in terms of marketing, that is the quality of the product because as far as we are concerned since we are in a global market, we continuously keep on benchmarking our quality and our research center keeps on looking at how we can be number one in quality and keep on changing the process changes, so these are the aspects which we handled in our R&D, obviously what you are saying is right, our R&D expenses have gone up because when we start building up these capacities we have to bring in hardware, we have to bring in software and all these things will continue to increase the R&D expenses, but of course I think those expenses as compared to what benefits we get in terms of our business are much, much higher.

Nirav J: Correct and Sir, if we see going forward because these expenditures will go up based on the commentary what do you gave, so would it be more towards developing more products or adding more products to our product basket of 20-23 or would it lead further more towards reducing our cost of production, so how our future R&D expenditures would look like?

S. R. Deo: Nirav, I think it will be multifold, it will not be in on singular direction so as I told you these efforts in terms of improving the capabilities in terms of significant reductions in costs that is a continuous process and it will continue to happen. As far as the development of new products, development of new processes also extremely high as you see in terms of treatment and actually developing green technology that will continue but it is a long-term perspective, so both the things are being handled simultaneously in our research center.

Nirav J: Got my answer, Sir. all the best and I will join back in the queue if I have any further question.

Moderator: Thank you. The next question is from the line of Shivan MS from JHP Securities. Please go ahead.

Shivan MS: Good morning, Sir. A couple of questions, one is you mentioned about the improved traction in the exports market, so if you could give some colour on the percentage of exports that we have done in this quarter compared to what we were doing pre-COVID and how is the realizations been there?

P. Srinivasan: Just to give a broad direction, in the Exports front we have improved from a level of 100 index. I believe we are already in the region of 150 to 160 thereabouts in the indexation. Secondly on the pricing parameters I think that it is very evident, one need not do any simple mathematics if we at 149 index volume, which is what Nirav was referring in the previous question, Q4 149 index was shown as revenue of Rs. 320 Crores there about and today at 136 or thereabouts, which is already Rs. 389 Crores. So it answers the price corrections have happened and it has happened not only in Indian market even an international market, so that I think we have been giving you the guidance all along that the market conditions have changed, the Chinese competitions also started correcting priced from last year or say end of December 2020 or early 2021 onwards so that action continues to be in place and we are also changing inline with those parameters.

Shivan MS: Sir, my question on the realization was as compared to what we sell in the domestic market are they better?

P. Srinivasan: These are all international CIF base prices, we could not have a disparity in that in one market you get better prices and another market you get a low price, in a nutshell it is more or less constant pricing for the same product adjusted for duties.

Shivan MS: Coming back to the domestic market, could you give some idea on how the imports into India been and our market share over the last few quarters?

P. Srinivasan: See, basically pre-COVID our market share dropped down to as low as 35% and from 35% we have already improved to 42% to 43% today.

Shivan MS: Got it and regarding the increase in the energy prices so are we looking at some capex on that front to have in-house power or something of that sort to reduce?

P. Srinivasan: Mr. Deo will answer that.

S. R. Deo: In fact, we have already taken a lot of initiatives in terms of having captive power, we already have power generation through steam turbine in Dahej, we also have a reasonably good amount of power generation at Dahej through solar and of course this we did it much ahead of this power crisis and this has been the strategy of the company and as we start growing in terms of manufacturing this strategy will continue.

Shivan MS: Got it. That is it from me. I will come back in the queue if I have anything. Thank you.

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

Rohit Nagraj: Good morning, Deo Sir and Srini Sir. Sir, the first question is the on demand environment, given that there is a high input cost raw material which is coming in and in the recent past we have seen that crude oil prices have now jump more than $90 so given the historical evidence may be sometimes in 2018 when the crude prices were closer to $80 to $85, how does the demand usually shapes up, is there any impact on the demand side and again given the historical perspective, do we have the ability to continuously pass on the increase in input cost with a lag effect? Thank you.

S. R. Deo: I think, I would split your question in two parts. First thing is you are talking of demand, let me tell you one thing if you really look at the core industries like automobile and tyre industry which is all related except for last 8 or 9 months when there is a crisis of chips availability, this continues to grow inline with GDP of the country and this you will see it as a historical data, so as far as the demand is concerned in FY2022-FY2023, GDP growth is expected to be somewhere close to 8.6% as estimated by our Honorable Finance Minister, we are very certain that the growth of tyre industry would be higher than that and of course for rubber chemicals, so demand is basically actually the economic indicators of the country that is one thing. Second things as far as the crude oil going up is a big concerned yes, that is a concern because the overall energy costs are going up, the crude oil prices are going up whether we would be able to pass on these inputs to our customers I would say we are optimistic, we cannot give a definitive line of action on this, but looking at the markets, looking at the China Plus strategy and various other economic and political factor we feel that we should be in a position to pass on the prices to our customers.

P. Srinivasan: Rohit, would like to add here if you see the data of last one year or in the last 4 quarters and especially from the international competition like China, we have seen China has been correcting its prices in proportionate to increase in raw material cost, so even they are also feeling the pinch and they are also responding appropriately.

Rohit Nagraj: Right, got it. That is very helpful. Sir, the second question is on the utilization front, now Deo Sir mentioned that the tyre demand is going to be on a higher than the GDP growth rate, it seems to signify that volume growth will continue and as per our continuous guidance that by September 2023, we will be able to utilize the expanded capacity or the full capacity optimally, any further thoughts on the capex plan or corollary to this is generally how much time does it take to go in for a Brownfield expansion given that the lead time could be 12 to maybe 18 months, we may have to start off at least with the initial part of the capex process in the next few months, so just your thoughts on this? Thank you.

S. R. Deo: I think first and foremost thing our earlier guidance that we would be able to achieve our capacity utilization by September 2023, we are pretty hopeful that we should be able to achieve the target, so that guidance remains constant. Now as far as the capex is concerned, of course we continue to plan the capex, but as I was answering Nirav we also have a huge research capacity where we start looking at a creeping capacity increases through debottlenecking. These are small capexes, but it gives lot of return so simultaneously would continue to plan a long-term capex and once it is consolidated approved by the board we will share it with you, but on day to day work, we continue to work with our research center and continue to increase the creeping capacity if we find that a particular product the demand is more than what we have estimated, so it is both ways we are working in it, but the objective is very clear, the objective is we would like to continue to be a strong player in rubber chemicals market.

P. Srinivasan: Let me add we have still an unfinished agenda in the rubber chemical space and we believe we have enough space to grow there.

Rohit Nagraj: Got it, just one small clarification on number, what would be the cash on the books by the end of 9 months of FY2022?

P. Srinivasan: Would request you to appreciate that we don’t provide these statistics or data for QE Dec. However, we have already indicated the same for QE Sep 21 position in our investor presentation which is already uploaded both in stock exchanges as well as in our company website.

Rohit Nagraj: Sure, no worries. Thank you so much and best of luck, Sir.

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

Dhaval Shah: Sir, good morning. A coupe of questions, firstly by the time we reach our full utilizations on the capacity side, what sort of gross margin improvement should we see over it assuming we able to pass on almost everything on the raw material inflation, so that is my the first question and on the second question, how is the business trajectory you see how is the recovery on the volume size happening over the next 1 to 2 quarters?

P. Srinivasan: Dhaval, we would like to answer two-folds, we have been giving guidance that ideally the stable market regime where the input price of the lower end and the increase input price on the higher end, we were having a 50% target on value addition margin because the level playing field was on the lower end, but when the input cost goes up significantly and if you see the last one year it has gone up by almost 60% to 75%, you cannot expect a value addition percentage to be maintained at 50%, so therefore we have to necessarily look at protecting the value addition margins per kg is what we normally look at and we can confidently say that we are in the best place, we continue to maintain the margins even today so to that extent we can assure you that we are maintaining the same level of absolute per kg margin what was being reported in the good old days also. Coming to the second part as far as the volume group is concerned Mr. Deo just alluded to that that the GDP expected to grow at 8.5% to 9% growth per annum and with the tyre expansion in place, the credit rating agency talking about a good tyre demand in the next few years, we do not see any harm in placing additional volumes and we believe our volume growth also will be significant.

Dhaval Shah: Just one more question, when we think about the next level of expansion will our mix of product be same or it will be more towards specialty or high margin product than what the current basket is?

P. Srinivasan: We would like to clarify here, whenever we are taking a specialty application it depends on the market how it unfolds, so you cannot say that it has to grow sequentially, it has to have a specific application and the need for the application, so whenever such as need arises we will definitely participate in that so obviously we would endeavour to do more of specialty chemicals that anyone's dream, but market conditions also needs to be studied and depending on the market condition we will decide the mix.

Dhaval Shah: To put it differently say for example, extending by 100 tonne for example, so what is a minimum of the basic PX13 and the basic chemical we need to have anytime in your capacity?

P. Srinivasan: I think Dhaval, I would prefer to answer in a different way, when the rubber consumption goes up significantly along with the rubber consumption, the rubber chemical consumption also grow sequentially exactly the same pattern. For example, if the rubber consumption goes up from 30 million tonnes to say 35 million tonnes which is about 15.5% growth same way Pilxfex-13 demand also grow for by 15.5%, there is direct correlation there, the conventional rubber chemicals Pilflex-13, TDQ-13 such products, when we talk of specialty applications, these are all speciality applications so depending on where the applications, where the customer and depending on their needs the demand will pickup, so I hope we have clarified to that extent.

Dhaval Shah: So you can there would be an element of fungibility so you can make more on speciality when the demand arises?

P. Srinivasan: In our setup, we have dedicated plants, we do not have flexibility in the same plant to have a speciality and the conventional, I think that is not a viable solution.

Dhaval Shah: Fine, thank you.

Moderator: Thank you. The next question is from the line of Dhimant Shah from OneUp Finance. Please go ahead.

Dhimant Shah: Good morning and thank you for the opportunity. Again, delving on the previous question asked by previous participant, on the expansion can you just throw some light as to why would we not have fructified, is it because by that time you have already if I understood correctly so far, we have already seen that most of our products and now we cover all the categories be it accelerator or speciality or vulcanizer, anti-oxidants everything and possibly we have got acceptance in the export markets where you alluded that possibly the growth is going to be very vibrant then is it that we will still take only debottlenecking and not the minimum economic size of jump and kind of again expand maybe 25% or 30% or 40% to whatever extent our cash flows do along?

S. R. Deo: I think I had explained this to the earlier question, there are always 2 strategies because one must understand that what you have rightly said is a minimum economic size of the plant, now when you get into minimum economic size of the plant you also have to look at the utilization, the return on investments and it takes a longer time whereas if you continue to be a debottlenecking and debottlenecking also has a limit, but if you continue to do it then I think on a very small capex your returns are very high, so what we do is we adopt both the strategies, so we continue to do the debottlenecking and since we have put the latest plant we see some scope and elbowroom in terms of de-bottlenecking in those plants, but obviously we are also planning a long-term capex and as I said as our capex ideas looking at the market because currently you must also understand the markets are very, very volatile both in terms of supply chain also demand and of course we will continue to work on that, we are working on that and at an appropriate time we will share the capex ideas with you.

Dhimant Shah: Great, just let me rephrase that sorry for being persistent, suppose these supply chain and the high oil prices and raw material prices, I mean basically the volatility does come down or recedes significantly as of today then what is the capacity that you would possibly envisage?

S. R. Deo: I think I would not be able to answer this question right now because we will continue to work on that and at an appropriate time when we have the right numbers and the right investment proposition we will definitely share it with you.

Dhimant Shah: Second question is your ability to pass on the price hike if you take the export market vis-à-vis the domestic market where do you think you have more ease of pass on in terms of the ability to convince the end customer?

P. Srinivasan: I think that question has been answered to the previous participant, basically what we are trying to say this is an international parity prices and when you have a lead market producer from China participating with 75% market share, he will definitely dictate the price terms on conventional rubber chemicals and if you are able to match those prices and still make money and make your protection, I think we have been doing a good job and vis-à-vis at all the market whether it is export or domestic it is always a parity prices obviously adjusted for duties in respect to the consumer market but we have to supply before duty at what price so that is there and we have been match it and we have been matching that only, so there is nothing extra to put an effort to that.

Dhimant Shah: Lastly on the working capital side, can you just give a brief comment how do you see that number?

P. Srinivasan: I think we have given a clarification to the investors a large in the previous calls also working capital cycle for our businesses is typically 20% to 25% of net revenue, so in other words if my revenue goes by say Rs. 100 Crores you can expect Rs. 20 Crores getting into working capital cycle assuming that we are not taking any finance that is a business requirement.

Dhimant Shah: Great, Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Sanjay Satpathy from Ampersand Capital. Please go ahead.

Sanjay Satpathy: Sir thanks a lot for taking my question. Sir, when I look at the volume data that you have given in the chart in Q3 about 6% decline is there a year-on-year basis and the guidance that you have given about 10% growth implies a 30% kind of decline in Q4, how do you really kind of explain this?

P. Srinivasan: I think we said it will be 10% plus, we never said it is 10% flat, this 10% plus we do not want specify a number that is for you to estimate but we said it is 10% plus.

Sanjay Satpathy: So, basically it has no meaning in the sense that we cannot really guess what is going there?

P. Srinivasan: We do not want to give specific numbers for obvious reasons, but we are given indicative trend where we are heading for this year that is all we can say.

Sanjay Satpathy: The decline that we are seeing we saw in Q3 is there a decline in trend which is going to persist or we are going to see improvement in volume going forward?

P. Srinivasan: Basically if you recollect at the beginning of quarters three we did announce that we started with this quarter three situation with the abnormally high input costs and energy costs, so obviously certain contracts which we priced at old prices we could not recover the pricing, but on the spot market we could pass on some customers who could not afford that did not take those volume so that is why we consciously participated in volumes where we were able to pass on, in certain volumes we consciously took a break so that is one part, going forward in Q4 we do not see much of a change in volume parameters.

Sanjay Satpathy: The contract cancellation affected Q3, so those things are behind us and it will be back to normal business and rubber chemical demand outlook that will decide?

P. Srinivasan: Yes, I think we also clarified in investor call presentation we said EBITDA margins got affected in Q3, we gave the regions specifically for Q3.

Sanjay Satpathy: No, it is because of this guidance which is really confusing because if it is so off the mark then probably it to be better for us not to get the guidance then it is something which is of little help because 30% kind of a decline is like really a huge and it better be explain put in a guiding number particularly when we are talking about 9 months and over and we are talking about that number?

P. Srinivasan: Where is this 30% decline we are talking about, we have never given a 30% decline, we are unable to get which one you are referring to?

Sanjay Satpathy: You have given guidance for the full year of 10%?

P. Srinivasan: I said we have given guidance of 10% plus over previous years, we never said it is 10% flat, 10% over previous year.

Sanjay Satpathy: I would argue to really look at this guidance number because it has to be a little bit more accurate of what is going to happen but I do not want to really on labor this topic any more but what I have understood from you, you have given this comparison with GDP, etc., that to estimate the domestic demand, if I understand you correctly that India's GDP is growing at 10% next year then your demand could grow 10%, is that correct, is that what you said?

P. Srinivasan: Yes, that is perfect.

Sanjay Satpathy: How about export market? How do you estimate what will happen to exports outlook and how will that grow?

P. Srinivasan: It will grow as per the international demand. As we have announced in the past that we have a relationship expanding and international customers have suggested to NOCIL to expand their service point to various locations, not to restrict to one continent, they want global scale so we continue to do that and we are in that direction only, in the consolidation phase only.

Sanjay Satpathy: My question is that will exports continue to grow at a faster rate than in domestic or it will be something similar?

P. Srinivasan: I think we have already given you guidance in the past that today our export basket out of total revenue is 33% to 35%, long-term we are looking at 40% thereabouts so we are proceeding towards that journey.

Sanjay Satpathy: Lastly my question is that because we saw the announcement that you have got a new Deputy Managing Director and this looks like some management change and you also mentioned that you will continue to be in rubber chemicals, but will you be able to move beyond automotive sector in a meaningful way?

P. Srinivasan: Mr. Deo, will address that.

S. R. Deo: Basically as you see I think our core competence continues to be rubber chemicals and we are not on the automotive sector, we also have a very large business in latex sector which are entirely different sectors, so I think this is something which will continue to happen and that is going to be the growth engine of the company. You must also understand that we have a very large research center and we also understand chemistry and chemistry is nothing to do with rubber chemicals, its chemistry. So we also in future could look at various avenues of exploiting our chemistry knowledge and our market knowledge maybe to look at different products, but it is too preliminary to share with you. Our core competence on one side in terms of market is obviously the rubber chemicals, but on the other side of the core competence is in terms of developing new products and products could be anything, so we are looking at the complete basket and our strength to grow the business.

Sanjay Satpathy: Understood, so basically what I wanted to get an understanding is that how the addressable market for NOCIL can expand meaningfully and we are seeing such a massive increase that has happened in your sister concern, Navin Fluorine, so I m just trying to get a sense that how the long-term path will be started by NOCIL?

S. R. Deo: I cannot comment on what is happening in Navin Fluorine because I think that is very different business, but I can tell you one thing if you really see from last 5 to 6 years journey of NOCIL, NOCIL invested a Rs. 475 Crores capex to grow in rubber chemicals business if you look at our volume increases because of this investments or volumes have been continuously increasing, if you look at China Plus strategies our exports have been growing and as we have been saying that this is the business which grows with GDP all over the world so we see that we have sufficient room to continue to grow in this business, obviously we will continue to grow because that is the business which we know from last 40 years. Besides that we will also look at various avenues where we can work with our own strengths maybe for different products and different markets.

P. Srinivasan: Just to add a bit, Navin Fluorine is no longer a part of the AMG Group, the group got split in 2016 thereabouts, so we are no longer connected with them in any manner.

Sanjay Satpathy: Thanks a lot, Sir.

Moderator: Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Thanks for the opportunity. Sir, given the rated capacity of 110000 we should be currently at around 70% to 71% utilization is that a fair assessment?

P. Srinivasan: Yes, you say that around 70%.

Rahul Jain: Because Q2 it was around 70% and maybe it would be a higher percent, so 70% to 71% is that my assessment correct?

P. Srinivasan: Yes, your assessment is correct.

Rahul Jain: Sir, in your earlier replies with regards to guidance of 100% utilization by September 2023, which is about three quarters away, so the way I am trying to work out the calculations in the reverse direction, the ballpark figure which I arrive is probably in the next three quarters to reach that 100% addition and I am assuming that 100% utilization you are talking about the entire utilization of almost 110,000, so you are talking about roughly 9% to 10% volume growth or otherwise the total volume growth somewhere at the end of September, your volume production should be around 35% to 40% higher than what it is today, is my understanding correct?

P. Srinivasan: We are talking about seven quarters from now, we are not talking about three quarters, we are talking about September 2023, so that is the first correction we would like to clarify.

Rahul Jain: I am so sorry about this.

P. Srinivasan: No, not an issue. I just wanted to give you a clarification, this is January 2022, we are talking about September 2023, so we have 21 months away thereabouts, so it is about 7 quarter.

Rahul Jain: Sorry for that.

P. Srinivasan: No, not an issue at all, no problem.

Rahul Jain: Somewhere I made a mistake over here. Sir, with regards to the demand size on the exports, are we having to see some new customers or within the customer set are we getting some increased contracts, the size of the business is going within the existing customers, so how is the export market panning out now for you?

P. Srinivasan: It is a combination of both. We are expanding in existing customers and we are also adding new customers.

Rahul Jain: Thank you so much.

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

Nitesh Dhoot: Good morning, gentlemen. Thank you for the opportunity. I just wanted to know what percentage of our total 110000 MTPA capacity is for manufacturing intermediates that is for captive usage.

P. Srinivasan: We have already been given the guidance it is about one-third

Nitesh Dhoot: My next question is basically even Chinese players are aware that customers are increasingly looking to diversify their sourcing to vendors outside of China especially after the pandemic, so then why are Chinese players like China Sunshine adding so much capacity, so they are adding around 50% of their FY2020 base, with some capacities already commissioned and the balance to be done over the next couple of years. So how should one view this, is it like there is some kind of an industry consolidation or any existing players shutting down or is it like the demand prospects are anticipated to improve very significantly because if you see global rubber consumption it should be going at around 2% to 3% per annum so your thoughts on this, please? Thank you.

P. Srinivasan: When we considered the expansion plan, we had given a clarification in the past when the demand is going to be expanded and China will continue to expand there and we had factored China participating as high as 70%. So, we are not put up by that and it is part of that strategy only, so when you anticipate that your competitor is going to expand then the plans are in place, we created a plan assuming the competition also going expand. What we are trying to say is that what is the incremental demand our additional supply accounting of how much incremental demand or how much market share, so we calculated something like 12-15% so we were not even looking at big numbers. So that being the case, we are reasonably confident of getting all those numbers without any difficulty and that is the reason, Mr. Deo has been saying that we still have unfinished agenda in rubber chemical expansion. And second thing is the competitor which you are referring to these are players who are in a specific field of rubber chemicals, not in the entire spectrum of rubber chemicals say for example, China Sunshine is primarily an accelerator player, it is not in the complete anti-oxidants business or in a significant manner whereas NOCIL in coming in a complete integrated complex where one stop shop to the entire customers.

Nitesh Dhoot: That is helpful, so one final questions, so what is the current status on the antidumping duty, so are we enjoying any kind of protection currently and anything expected in the near future and if you quantify will benefits from the same?

P. Srinivasan: I think we already announced in the past that in Pilflex-13 we got an antidumping recommendation from the DGTR but unfortunately the Central Government did not accept the recommendation, so we did not get any benefit out of that, secondly we have 3 other products which are under investigation with DGTR which the final results are awaited shortly maybe in the quarter or thereabout, so as of now no benefits accrued to the financials for business.

Nitesh Dhoot: Alright, Sir, one final thing if I may, so what will be the maintenance capex going forward for FY2023-FY2024, what kind of maintenance capex numbers should be considered?

P. Srinivasan: It is not more than Rs. 15 Crores.

Nitesh Dhoot: Alright, thank you so much, Sir.

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

Dhaval Shah: Sir, one followup question on the capex, in our interaction with few companies they mentioned that they are currently watching this winter olympics and how China’s policy towards pollution pans out over the next 3 to 4 months and then they would think of some expansion plans, so are we also thinking on the similar line for our expansion?

P. Srinivasan: It is not appropriate Dhaval to share what we are thinking and this is a public forum, so respect some confidentiality, please.

Dhaval Shah: That is all I had, thank you.

Moderator: Thank you. The next question is from the line of Ravi Mehta from Deep Financial. Please go ahead.

Ravi Mehta: Thanks for the opportunity. Just one small question on the speciality chemical side, so I believe the mix has improved over the years from 12% to 25% in our sales, what I understand this is more of non-tyre application as you also shared a while ago in the call , wanted to know where are in this market, are we as strong as we are in the tyre market or we see a lot of scope to grow this part of the business?

P. Srinivasan: To clarify one, it is not only non-tyre application, it is a specified high performance tyre applications as well as certain non-tyre sectors like latex application, it is a combination of 2 to 3 segments in specialty chemicals. In the global scheme of things this particular product components overall rubber chemicals business is not even 10% whereas we are already in the region of 25% plus, so just to give a perspective we are much higher of global standards of parameters and we intend to maintain this percentage if not improve, if we have a scope to improve further we will definitely go for it.

Ravi Mehta: Sure that is helpful and also one follow up to this is there is a lot of innovation in the tyre itself kind of heavy duty tyres and stuff like that, so these special chemicals what you make does it have higher application in the same tyres or how is the trend if you can highlight on this just to get a sense how this piece is moving?

P. Srinivasan: Mr. Deo will answer that.

S. R. Deo: I can only say one thing, yes, I think what you are saying is tyre industry is going through a transformation in terms of EVs and the requirement of EVs of future. Now whether the speciality application will increase or not we still need to watch and I think as the EV tyre markets start growing we would be able to comment on that, but one thing I can say that whether it is a traditional tyres or whether it is the new EV tyres with the new dimensions, all the tyres will require rubber chemicals. So rubber chemical market is completely secured whether the speciality markets will grow I think maybe as this segment starts growing we will be able to comment only when the segment grows.

Ravi Mehta: Sure, thank you, good luck.

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

Bhargav Buddhadev: Good morning team and thanks for the opportunity. My first question is that given the inflationary situation are you seeing any channel destocking at your customer end of reduced inventory significantly?

P. Srinivasan: Can you repeat the question; we were not able to clearly follow?

Bhargav Buddhadev: Given that realizations have increased in high double-digits this year, have you seen the inventory levels of your customers reduce because of the high pricing scenario?

P. Srinivasan: We do not have any update or accurate information on that as no customer will share exactly their internal details, but we have to judge and we judge based on interactions and we try to take a call.

Bhargav Buddhadev: Secondly is it possible to share within exports how much is the share from the US market and how much that business growing in last couple of year years?

P. Srinivasan: From an index parameter, our exports to Americas has grown from 100 to about 300.

Bhargav Buddhadev: This 100 was three years back?

P. Srinivasan: Three years ago, 2018-2019 we started with 100 now or maybe 2019 thereabouts and we are already at 300.

Bhargav Buddhadev: Thank you very much and all the best.

Moderator: Thank you. Ladies and gentlemen, due to time constraint we take that as last question. I now hand the conference over the management for their closing comments. Over to you, Sir!

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 get in touch with Mr. Srinivasan, myself or Strategic Growth Advisors, our Investors Relations Advisors. I request all of you to be safe under the given the circumstances. Enjoy your weekend. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of NOCIL Limited, that concludes this conference. We thank you all for joining us. You may now disconnect your lines.