"NOCIL Limited
Annual Earnings Conference Call"

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MANAGEMENT: **MR. S.R. DEO - MANAGING DIRECTOR - NOCIL LIMITED**
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Moderator: Ladies and gentlemen, good day and welcome to the annual earnings conference call of NOCIL Limited. This conference may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements do not guarantee the future performance of the company 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. S.R. Deo - Managing Director of NOCIL Limited. Thank you and over to you, Sir!

S.R. Deo: Good morning and very warm welcome to everyone present on the call. Along with me, I have, Mr. R. M. Gadgil, President Marketing, Mr. P. Srinivasan, CFO, and SGA our Investor Relation Advisors. I hope all of you must have received the investor presentation by now. For those who have not, you can view them on Stock Exchanges and our website.

To start with, we are pleased to inform you that company recorded a growth of 10% during the first half of the FY19. However experienced negative growth in second half of FY19 due to slowdown in auto sector coupled with excess supplies from China. Despite this, the year has ended on a satisfactory note. The auto industry did not perform to the expectation and in some cases de-growth was also observed. As you are aware, the Indian Auto Industry is undergoing a structural shift due to technology related business, market disruption, regulatory overhaul and geopolitical uncertainty. This downturn was also reflected in our performance of last quarter. Our company NOCIL derives more than 70% of its revenue from the tyre industry which has its fortune linked to auto industry. We believe that this is a short-term phenomenon as many growth levers for the Indian Economy are falling in place like low inflation leading to softening of interest rates. Having said that, we do expect muted demand for rubber chemicals in the first half of FY20 but the business should do better in second half of FY20. We believe that after this few setbacks of high prices, increased insurance cost, liquidity issue in the system, the auto industry is expected to bounce back. The long-term prospects of the industry are quite promising and the demand for auto will continue to grow year on year. The capex plan given by tyre industry in Asia is still on. We at NOCIL have prepared ourselves to leverage growth potential of the Indian Economy in the long term. The company has always focused on optimization, drive operating leverage and manage capital spend prudently to offtake the impact of headwinds facing the business. Based on this principle, we had announced the capex plan of Rs.425 Crores. The capex is validated on the stress case scenario of the industry growing at about

4% to 5% CAGR. However, industry is expected to grow at a much higher rate than this in the coming years. So far as the first phase of capex which was commenced at Dahej, we have supplied samples to our customers for approval and approvals are expected to be received during Q2 FY2020. We are hopeful to commence trials for phase II project by end of Q2 FY2020.

Coming to the performance, our margins profile remains intact. Our overall improvement in the margin over last 4 to 5 years was due to sustainable initiatives taken by the company like change in product mix, technological improvements, strong position in high value-added products, R&D capabilities leading to significant reduction in cost of production. Most of these initiatives are fixed in nature, benefit of which, will be with the company for the years to come.

Just to update you on the Chinese Industry, as we understand the recent chemical disaster in China in March 2019 have forced the Chinese authorities to shutdown the industrial park on the back of safety standards and low setbacks for pollution control. Looking at this disaster, it is an awakening call for the customers globally to source their product from the company, who adheres to the highest safety standards and stringent pollution norms. Customers also now wants to hedge themselves against the concentration risk for sourcing the raw materials from China. This situation will benefit NOCIL, as Company follows higher standard of environment, health, and safety norms. We are very confident of long-term sustainability of our business, since the overall sustainability standards of NOCIL are comparable to the best in the world.

Before I handover to Mr. P. Srinivasan to take you through the financial performance of the company, let me summarize the message in few points from my side. NOCIL continue to remain positive on long-term prospects of the industry and therefore in FY2017-18, we invested Rs.425 Crores to enhance our capacity and emerge as one important non-Chinese-dependent player. We are continuously putting efforts in the research and development work on an exciting initiative for better and greener process and product and help our customers by offering product and solutions to enhance their performance while adhering to stringent pollution norms and last but not the least, we are continuously focusing on improving efficiency and performance of the company.

Now I would like to handover to Mr. P. Srinivasan to give you update on the financial performance. Over to Srini!

P. Srinivasan: Thank you Mr. Deo and good afternoon everyone. Firstly, would like give you an update on the capex and then we will take you through the financials of the company for the year ended 31st March 2019. To start with, the Board of directors has recommended a final dividend of Rs.2.50 per equity share on a face value of Rs.10 each, i.e., 25% of face value subject to the shareholders' approval at the ensuing annual general meeting. So far as the capex update is concerned, we have spent during the year about Rs.250 Crores in addition to Rs.40 Crores spent last year. Out of Rs.425 Crores, we have already incurred a sum of Rs.290 Crores till date, in addition to this we have commitments entered already to the extent of Rs.75 Crores further. Thus in relation to the Rs.425 Crores capex, Rs.360 Crores have already entered into commitments which also includes spent amount. So far as the capacity utilization was concerned, this year as we announced earlier during various investor calls, that our capacity got added by the June as well as the January. Our production capacity on the pro rata basis for the year works out to 60,000 tonnes as against that we have already used 92% of that during the year 2018-19. Mr. Deo just mentioned that samples for the products are already being forwarded to the customers and we expect the process to be completed in the first half of 2019-20. So far the phase II, i.e. the second capex of Rs.255 Crores is concerned, we expect to commence the commercial production after the successful trials maybe by the end of CY2019. It is worth noting that the entire capex of Rs.425 Crores, is 100% implemented by an in-house technical team without any technical collaboration or EPC contract. This again demonstrates NOCIL's strong capabilities of executing the projects smoothly without any external support in terms of product, process, contribution in construction, etc. The results of the same will be visible in terms of the amount spent by us as compared to the other investments made by other companies and the return on this capital investment will prove that we are in the right zone.

Coming to the financial performance, we are happy to say we have crossed Rs. 1,000 Crores revenue in FY2018-19 and we are confident to grow on year-to-year. The net revenue for 2018-19 was Rs.1043 Crores as against Rs.968 Crores for 2017-2018 representing a growth of 7.8%. In this incremental revenue of 75 Crores, 60% is due to the improved pricing and 40% due to improved volumes.

So far as the domestic and export mix is concerned, in last year we were about 75:25 today the export business has reached above 30%. This year the export business value has increased by 24%, which again is a focus area in the years to come. We have announced on various occasions in the past, that our focus on expansion will be improving our export business contribution to the overall business.

So far as the Q4 operation is concerned, the revenue for Q4 is Rs.242 Crores, a negative growth of 12.5% as compared to the previous year of Rs.276 Crores. Largely the drop in revenues is due to the dips in sales volumes on account of auto slow down and production cuts undertaken by tyre industry.

Outlook for the coming years is still positive though there are some short-term challenges in terms of the auto slow down we expect these challenges will be overcome by the first half of this year. ICRA's previously forecasted auto growth of 12% to 14%, have recently moderated it to 7% to 9% growth in the medium term. We planned for expansion on a assumption of 4% to 5% auto growth in our feasibility plan for Capex, and if ICRA estimates turns out to be true, it is good news for us.

So far as the value addition for the financial year FY2019 is concerned, the value addition is Rs.576 Crores, growth of 9.3% as compared to Rs.527 Crores in FY2018. Value additions again I repeat is calculated as revenue minus cost of raw material consumed minus cost of traded goods minus change in inventory. The value addition as a percentage of sales improved by 70 basis points to 55.2% and we expect a steady value addition % (net of antidumping duty benefit) to be around 50%. For Q42019 it is 131 Crores, a negative growth of 15.1% as compared to the previous year March quarter. Despite the challenging environment in Q4, we were still able to maintain a value addition percentage of 54% plus.

So far our operating EBITDA is concerned, for FY2019 it stood at Rs.290 Crores as compared to Rs.263 Crores for the same period of March 2018, a year-to-year growth of 10% plus. If you recollect in the last year's investor call we had given guidance of 27% i.e. average of FY17-18 for two to three quarters for FY2018-19. We are happy to say that we could maintain that for the whole year although there is an aberration in the fourth quarter. For Q4 FY2019 operating EBITDA stood at 59 Crores, a margin of 24.5% largely impacted due to the suboptimal production utilization due to the auto slow down and that can further be demonstrated by the change in the inventories , which has a debit of 6.8 Crores. The operating profit before tax for FY2019 is Rs.267 Crores as against Rs.239 Crores FY2018, a growth of 11.7%. As far as Q4 numbers are concerned, it stood at Rs.53 Crores at 22%. Profit after tax for year stood at Rs.184 Crores as against Rs.169 Crores, a year-to-year growth of 9.2% for Q42019 it stood at Rs.36 Crores. With this I would like to open the floor for the question and answer session.

Moderator: Thank you. We will now begin the question and answer session. First question is from the line of Abhijeet Dey from BNP. Please go ahead.

Abhijeet Dey: What is the volume growth in Q4 and for the full year?

P. Srinivasan: The volume growth for the year is 3% plus. As far as Q4 is concerned as compared to the previous year it is minus 8%.

Abhijeet Dey: In terms of the movement of product prices vis-à-vis the movement of raw material prices how has that been especially in Q4?

P. Srinivasan: Fortunately in most of the products the movement in raw material prices as far as the selling price is concerned is more or less did not impact us materially although in one or two products we are feeling the pressure of the slow down, so there has been dip in the selling prices on certain products where the commensurate fall in raw material price is not sufficient. Having said that I would like to add further, in a falling market what happens is in a business where we have to cover two to three months in advance because of import and the lead time and the storage time. The legacy costs also play a role in the quarterly performance.

Abhijeet Dey: In the current quarter Q1 you see the same trend continuing?

P. Srinivasan: I do not think so, from interacting with our customers we do not see any more negative growth happening. We are of the view that currently the demand has flattened out or at best we may improve marginally.

Abhijeet Dey: Right Sir. Thank you.

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

Dhaval Shah: Can you talk a little bit in detail regarding this 8% drop in the volume. So if I see the numbers that were reported by the tyre companies for Q4 they all are between 6%, 7% growth on the domestic side, so A. Which is like they have grown at 6%, 7%, B. Mr. Deo mentioned regarding imports coming in which also impacted your volumes, so what happened due to imports and also if the auto slow down in China played heavily on us because they were not able to sell there, so they dumped here and our exports also decreased at the same time. So I assume it as a mixture of couple of factors, so can you please talk a little bit in detail on that?

P. Srinivasan: Dhaval I would like to hand over to Mr. Gadgil who is present on the call he will answer this question.

R.M. Gadgil: Essentially what you are asking is the tyre industry showed a growth of 6% in the January-March quarter whereas we have shown an 8% drop in volume, so what really happened. I will just take you back a little. The slowdown in the auto industry if you recall started with the festive season, which is like October-November or thereabouts, it was felt because the traditional kind of boost in auto sales did not come in the last festival season. Now the way the industry operates is you have buildup stocks for the higher sales that you expect for the festival season, if those sales do not happen then people do not start cutting down production immediately, but it happens slowly step by step. Now as far as our tyre customers are concerned, their total requirements are met from two sources, one is domestic, largely NOCIL, the second is imports. These are normally contracted three months in advance, you have been contracted for a normal kind of a production level, what really happens is if there is a slow down those imports or products, which have been shipped do land up anyway. They adjust their inventories then by compressing their domestic buying. Now this is what happened, which is why you see a negative in our sales whereas you see a small growth of 6% in the tyre production. Now as soon as the market picks up and there are some signs that the replacement market is picking up in tyres the reverse happens because when their import coverage is inadequate and the larger volumes then need to be picked up from the domestic sources, so it works both way.

Dhaval Shah: So do they give priority to pick up imports volume?

R.M. Gadgil: When you have got into an import contract, you open the LCs and things like that. So those come in anyway, but the reverse happens I mean I have seen that in 2008-09 when the market suddenly crushed after a financial crisis in the US and the moment the tyre business picked up there was a scramble for materials. We could not provide them enough, so something like that happens. So even in quarters and we are already seeing that the buying in April and May is higher than what we saw in March and things like that, so a little bit of that creeping in back.

Dhaval Shah: Since we are like the largest one supplying in the domestic side so even we would be having some sort of agreement with our customers, so why would that be, is that short term in nature compared to what they have with imports?

R.M. Gadgil: It is like this. You normally work very, very closely with your domestic suppliers and we being a supplier work very closely with our domestic customers, so if there is a hardship like most of the tyre companies had to cut down production by about anything like five to seven days in a month depending on company to company over the quarter and if they say that let me go a little easy on buying from you this quarter I cannot stop whatever has been shift, so we adjust and they make it up in fact April and June some of our customers have made a conscious effort to cut down on their imports and increase from us, so we balance it out.

Dhaval Shah: My worry is that this Chinese pricing is not again coming into the picture what we saw five years back that they were dumping again and so that sort of scenario is not emerging again?

R.M. Gadgil: The Chinese pricing is phenomena not just for rubber chemicals, for any chemicals, for any business and industries that they compete in is a phenomenon, which never disappears. The trick has been learning how to cope with it and how to compete with that is the reality you have to face

Dhaval Shah: So prices are lower than what we were offering.

R.M. Gadgil: They are low. They are basically looking for volumes, there is surplus in that country and they continue to dump all over the world.

Dhaval Shah: This is a phenomenon of restarting again or it is the new strategy it is unpredictable. So any new capacity entered in the market, which were shutdown because there were some messages circulating regarding start of the capacity in 2019 I think in January-February it is getting started?

R.M. Gadgil: Yes, the only significant capacity addition has been in one particular accelerator that has come off the ground is 15,000 tonnes the largest producer in the world, but that is the only one and let us understand that the Chinese tyre demand and the Chinese auto industry is also having a weak time and therefore tyre capacity and the surplus of rubber chemicals, which needs to be exported out for those guys. The moment that Chinese domestic market picks up you have that surplus kind of vanish.

Dhaval Shah: Fine I will come back again.

Moderator: Thank you. The next question is from the line of Sharad Tripathi from Edelweiss. Please go ahead.

Sharad Tripathi: I have one clarification. You mentioned in your presentation that only six products out of 22 are covered by antidumping duty so can you help us to get what percentage of revenues are covered by antidumping duty?

P. Srinivasan: 50% of revenues.

Sharad Tripathi: Almost 50%. Thanks. This is all.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique Investments. Please go ahead.

Sunil Kothari: With antidumping duty protection this is our margin and we were expecting that with the removal of duty also we will be able to do 25% EBITDA margins what you said on plant visit and last concall, do you see any major change in your statement or your expectation of EBITDA margins with antidumping duty removal because I think price also now is less, so benefits of antidumping duty must have reduced?

P. Srinivasan: Sunil I would clarify a little thing. The 25% EBITDA margin guidance which we gave is based on the basic presumption that when we are doing scaling up the volume of operations the optimization of cost will come into play and those benefits will give us the protection to fight at 25% EBITDA margin and other condition is that the Chinese government policies will not undergo any significant change from here on. In case there is any change in the Chinese government policy either in the form of reduction or increase in export tax rebates the margins may undergo a change to that extent. These were the basic riders which we attached to that and what we are only trying to say from the way we are seeing the difference between value addition and the EBITDA the conversion cost, which used to be 30% plus had dropped down to 27% only in this quarter because of the level of activity being low as compared to the earlier quarters, the conversion cost as a percentage of revenue had gone up from 27% to 30% thereabout.

R.M. Gadgil: I think let us not miss out on the fact that we have a larger capacity to offer product this year compared to what we had last year, in fact many of the products we were limited by product availability by our last year's capacity which was limited, so while per kg margin would certainly be impacted depending on what happens to antidumping duty. By the way the antidumping duties are there till about end of July or so and we are seeing whether there is any way and there are legal provisions in terms of continuing those duties so that is a matter on which the final word is not out yet, but what is definite is that we have larger volumes to offer, which we did not have last year so there would be a little bit of relief or redemption, which would come to larger volumes.

P. Srinivasan: In a situation let us assume for worst case scenario in case antidumping duty gets withdrawn just assume for a moment although the management will try to pursue for the best possible chance to extend it or thereabout, but assuming for a moment that the antidumping duty is not rolled over then the first thing, which happens is an exporter normally and that is what we have seen in the history of various chemicals increases their prices into the Indian market the exporter is not looking at what price he is getting he is looking at what price the customer is going to pay, so therefore we do expect that in India if antidumping duty gets withdrawn some price corrections can be expected from the Chinese competitors.

Sunil Kothari: My second question is when we expanded our capability and capacity and yet further scope to enhance another equivalent capacity at Dahej also in maybe after another three years, so there was a statement about India becoming second source, China because of this recent explosion and all these things if customer want to create second source we can become those. Is there any major change or structural shift do you see that clients now requiring more maybe able to explore more?

P. Srinivasan: At this stage no customers would ever commit anything or indicate such things because currently the business is experiencing a recession pace or slow down pace. We expect some corrections to happen and thereafter you can expect some indicators from the customers.

R.M. Gadgil: Your question was about customer structurally changing their buying pattern is that what is the question?

Sunil Kothari: Customer wanted to have second source globally other than China and NOCIL wanted to capture those position because of your qualitative and own R&D, our own development capabilities so is there any change in the situation that assumptions remain or is there any change that is what I am asking?

R.M. Gadgil: No that assumption remains because basically most of the large customers have not exactly been happy with the way the Chinese conducted the business for the previous two years when rubber chemicals were short. The risks associated with buying too much from China too much of your requirement are A. Political and B. The way the business is conducted. When the pollution kind of clean up happens suddenly the supply dries up from China. The moment it dries up the prices suddenly shoot up. Now tyre being kind of traditional industry they do not like these spikes in prices or these dips in availability and therefore that is where NOCIL is position as a non-Chinese supplier with having adequate quality having a relationship with this customer for the last 30 years or so and we have been exporting from the 1990 that is one structural change so that thinking continues. In fact in the large global tyre companies there are senior level committees or groups of senior level managers to formulate their China strategy how much to depend on China, how much to buy, who are the other capable sources that is a constant search. This is one structural change. The second structural change are duties in American markets, we did not have significant exports to US. Now Mr. Trump since last year in July announced 10% additional on China and last Friday just two days back announced another 15%, which gives us a lot of opportunities, in fact over the last six months we have developed at least if I remember correctly three or four major tyre accounts in the US, which were not previously available to us.

Sunil Kothari: Thank you very much Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: What percentage of rubber chemical supplies to the industries from imports?

P. Srinivasan: Typically it used to 50% imports, now in this year may be slightly gone ahead because of the production cuts in the tyre industry may be 52% thereabout.

Giriraj Daga: Did I heard you correctly you mentioned the value addition margin was more like guidance or we would like to retain 50% number?

P. Srinivasan: No, I am saying we still maintain at 50% number I would like to maintain at 50% number.

Giriraj Daga: Our number was 54, 55 for the full year?

P. Srinivasan: When I am giving a value addition guidance I am not looking at short term I am looking at the medium term or a long term number one, number two these guidance are given in a situation where antidumping duties are not present.

Giriraj Daga: Thanks a lot.

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

Rushabh Shah: Wanted to ask in context of increasing import quantity this year if ADD benefit goes away at current prices?

P. Srinivasan: I think we have always been saying that it is about 40, 45 Crores per annum on the pricing that is the ADD projection and that 40, 45 Crores will get into a threat in case ADD gets withdrawn.

R.M. Gadgil: We do not see much impact on the volumes. Basically ADD does not impact the volumes, ADD will impact pricing definitely and we just have to adjust our prices in terms of the import parity. The name of the game is import parity. Parity with duty paid landed cost of imported goods. When ADD was there domestic prices are higher, when ADD is not there domestic prices will be lower. Volumes are so much a function of availability, which as I mentioned has gone up from our side with our improved capacity, so we will target larger volumes for sure.

Rushabh Shah: Secondly since we are targeting higher exports what will be the receivables in case from current in FY2019, currently we are 80 to 90 debtor days, so how will that pan out?

P. Srinivasan: Export receivables generally number of days are much lower than number of credit periods.

R. M. Gadgil: Exports receipts come in faster.

Rushabh Shah: How much that is approximate?

P. Srinivasan: 65 days thereabout, 65 to 70 days.

Rushabh Shah: Okay.

Moderator: Thank you. The next question is from the line of Ashutosh Garud from Avendus Wealth. Please go ahead.

Ashutosh Garud: In Q4 FY2019 what was the utilization level of capacity?

P. Srinivasan: I think it was 82% thereabout.

Ashutosh Garud: And we are operating at the same capacity of 55000 right now on the annual?

P. Srinivasan: **For** Annually 2018-19 we produced 55,000 MT and so far as Q4 is concerned we operated 82% or 83% of the quarterly capacity.

Ashutosh Garud: Okay, so when you are talking about new capacity addition coming up and we have already seen the volumes degrew in this particular quarter, so would not there be a case where the incremental capacity may not be used as quickly as possible and if the new capacity does come in and you can clarify what exact capacities coming in which quarter, so would not it there be a case of the utilization levels dropping in that case because we have already seen the utilization levels going down.

P. Srinivasan: Before I addressed the specific questions, let me reiterate, in March 2018 we were 100 capacities we increased to 108 in June 2018, we have increased to 133 in January 2019. This is the actual state of thing and we intend to go to 200 by the end of this year, am I right. Just to on index basis that means by the end of this year the production capacities in terms of capabilities will be doubled and so far as market is concerned depending on how the markets moves because of the auto slow down we will take a call on the utilization of the capacity and Mr. Gadgil would like to add to this.

R. M. Gadgil: Let me explain, what happens with this capacity. We have already seen the extent of imports coming into that country, say almost half of it, why was half being imported because we ourselves were limited on quite a few products in terms of what quantity we could offer to our customers, so you cannot commit beyond what you can produce right, so we had to restrain our offering to the industry, now that particular compulsion or that restraint is now taken away by adding capacity and we can participate to a larger extent, do you see that, so that is the reason, I mean it is a matter of one or two months, which it is required for approval by the domestic tyre industry for the new capacity that we have added because the approvals are plan specific and this is the first time we are producing these products at Dahej, so that having gone through that process which might take a few months at the most this quarter then we are in a position to offer them much larger share of their requirements.

Ashutosh Garud: Okay, so you mean to say you would grow on the volume terms because you will take on more market share because of the increased capacity?

R. M. Gadgil: We could not do that earlier because we did not have the capacity, we have sold out.

Ashutosh Garud: Okay, that is it.

Moderator: Thank you. The next question is from the line of Rohith Potti from Marshmallow Capital. Please go ahead.

Rohith Potti: Thank you for the opportunity and as a shareholder I would like to appreciate the details and the candour with which the management response to the various questions. my first question is that on the new capacity that is come up which is the phase one expansion that has been conducted, am I right in understanding that this incremental capacity has not been utilized yet because we are as yet waiting for approval from the clients for the product that has been produced by the capacity?

P. Srinivasan: That is right. Samples have already gone to all the major customers including international customers and we expect this approval in a matter of about two months.

Rohith Potti: Understood, okay, thank you and the second question I have is if you could elaborate more on the Chinese situation right now where Mr. Deo said in the beginning that more volumes are coming in. In the last concall Mr. Srinivasan said that the Chinese pricing will not possibly go to that level, which were seen four, five years back, because of cost of compliances have increased substantially, so with the current pressure that the Chinese rubber chemical player has seen due to the reduction in auto demand there has the price decline to the level that we have seen four, five years back or do you still think that the old levels are no more relevant and we have a new base going forward?

R. M. Gadgil: Prices are down, now if you see pricing and how it has moved over the last three, four or five may be six quarters or something, prices are definitely down, now to answer your question whether the prices have come down to the kind of bottom levels that we have seen in the past, the answer is no, prices are quite above the low levels that we have seen earlier and because of the cost compulsions due to increased environmental compliance they are unlikely to go down to that level because we have a reasonably good idea of what it cost to ensure compliance.

Rohith Potti: Okay, so that is good to know. My third question is on the product basket that we have right now I noticed that I think till recently we were giving it as 21 and we have moved to 22 right now, do we have the entire basket right now of the rubber chemical that are possibly required in the world in different industries, so we have the entire basket right now is it?

R.M. Gadgil: I will answer the first part of your question. No, I mean if you go into the chemicals that go into making a tyre, the list is long and if you talk rubber chemicals as we define them I think barring a couple of specialties we are in all the major products, difficult to put a percentage, but we should be able to address or make offerings for about 90%, 95% of the globally consumed rubber chemicals.

Rohith Potti: Understood, I was referring to as you define them as you rightly said so in that case going forward the efforts of the R&D department would be to complete the basket I should define them and are there any plans to enter any related areas, which are very close to your circle of competent?

R.M. Gadgil: That is an ongoing process, so the R&D focus is on a number of issues, one is for example cost reductions, which is better processes, cleaner processes, which is an environmental goal, looking at new products, you would be interested to know that this year itself we have added I think one new product to this thing, it is a futuristic product, it supposed to be a nitrosamine free and environmentally greener accelerator, we have already started selling that, so in that sense R&D is always looking at an evaluating new products to get into.

Moderator: Thank you. The next question is from the line of Dipen Shah who is an Individual Investor. Please go ahead.

Dipen Shah: Most of the questions have been answered. I just wanted to understand the status of this antidumping duty, by when are we actually likely to make a presentation to the government and by when can we expect a decision actually to come in?

P. Srinivasan: For antidumping issue the necessary applications or whatever has been filed, but we did not expect the government officials to answer this because I think they are waiting for the post election scenario may be in June, July we will expect some judgement, and it is subjudice at this point of time.

Dipen Shah: Thank you very much.

Moderator: Thank you. The next question is from the line of Nikhil Gada from AMSEC. Please go ahead.

Nikhil Gada: Can you give a number as to how the Indian rubber chemicals market has grown in FY2019?

R. M. Gadgil: A lot of the data is still coming in, but for the product range that we operate in we estimate the domestic rubber chemical market to be in the region of somewhere between 65000 to 70000 tonnes annuity and the best indicator for rubber chemicals market growth is the growth in rubber consumption. Again rubber board numbers are not available, but if you go by IRSG, which is international rubber study group, their numbers then January-December because they operate they give the numbers on a calendar basis. January-December of 2018 rubber consumption in the country grew at something like about 12%. Now you have to knock out the first quarter, which is January-March quarter, which was a very healthy quarter and on the other hand January-March of this financial year has been a weak quarter, so if you have made these two adjustments I would image that the rubber consumption growth could come down to may be 4%, 5%, 6%, it depends on the impact of the last quarter, which is still to be ascertained.

P. Srinivasan: Which we will get it June.

Nikhil Gada: So Sir in that context I think we had a market share of around 40% to 43%, so have we seen any market share gain?

R. M. Gadgil: We are about still about 40%.

Nikhil Gada: Okay and just largely on the exports part if I am not wrong you mentioned that we have grown at 24% for FY2019, so how much of that would be value and how much would be volume?

P. Srinivasan: 16% is the volume.

Nikhil Gada: Thank you so much Sir.

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

Siddharth Purohit:

Avishek Dutta: I was just looking at the China Sunshine press release and all, like their exports to US has actually come down in CY2018 to around 2% now from it used to be around 7% a few years ago, so has that led to more exports in India also or is that an opportunity for us to explore the US market more aggressively going forward?

P. Srinivasan: Let Mr. Gadgil answer.

R. M. Gadgil: Well both of what you say is true, in the sense, let me put China Sunshine the rubber chemical player has a certain amount of capacity. A certain part of their capacity was being exported to US, now exporting to US is increasingly becoming difficult because of larger duties, which means, they would have to sacrifice on their CIF pricing ambition. Now if that happens if you lose market share in one particular market what would any player do, they would look at other markets where they can play their capacity, am I right. In that sense a little extra aggression towards Indian market would be natural, but it is not limited to India, it could also be for other markets, so that is one part of the question. The second part is about NOCIL. Nobody have a capacity to play if we see more aggression here we basically will balance it out between our domestic selling and our export selling and as I mentioned earlier a lot of new opportunities have opened up for us in the US market for the same reason that China Sunshine has been denied those opportunities.

Avishek Dutta: Now that the capacities are in place or partially in place, what kind of volume growth are you looking for in FY2020 and 2021?

P. Srinivasan: I think Mr. Deo phrased it very well that in the first half it is going to be a challenging condition because of the slowdown situation in the domestic market. Having said that in the export market we would like to grow aggressively and indications what we are seeing is we are likely to grow, let us wait and watch how the market unfolds over the next two quarters.

Avishek Dutta: So like this year it was 3% volume growth for the full year.

P. Srinivasan: That is for the total business.

Avishek Dutta: Correct, so next year you are not putting any numbers to it?

R. M. Gadgil: Well we have the ability right now to offer more than 25% at least on volumes. It however depends on the market to how much of it can absorb

Avishek Dutta: Okay, your pricing strategy will actually undergo a change once the capacity comes now that you have more capacities to offer?

R. M. Gadgil: It is like this when you are sold out right then what will you do, you try to maximize your pricing and your margins. When you are a keen seller because of the larger capacities you will have to come down to closer to the market expectations or customer expectations or the competitive environment, right, so to that extent yes, we will have to adjust our pricing in light of the market conditions and considering that we have large volumes to sell.

Avishek Dutta: Correct, that is very helpful Sir. Thank you so much and best of luck.

Moderator: Thank you. Due to time constraints we have to take this as the last question. The next question is from the line of Udit Gajiwala from SMC Global Securities Limited. Please go ahead.

Siddharth Purohit: Hi Sir, this is Siddharth here. Sir one clarification, now that the tariff in US has gone up and it has become 25% for Chinese product, so does this make our case for extending the anti-dumping duty more strong and one data that how much of Chinese products are may be in terms of volume were directed towards the US as a market and which will now face some competition?

R. M. Gadgil: I will answer your question one by one. How much of Chinese volumes were directed towards the US market. The Chinese are exporting to the entire world, so it would actually depend on player-to-player, the numbers might vary a little bit and also depending on the duty structure, which varies from product-to-product for imports into US, but anything like 5% to 10% would be a reasonable gain.

Siddharth Purohit: 5% to 10% of the Chinese volume you are saying towards?

R. M. Gadgil: Yes, first of all they have a huge domestic market, okay let us take China Sunshine, typically their sales used to be about 50% domestic in China and 50% exports all over the world. Now in that kind of a scenario USA would have been somewhere between 5% to 10%. Of course these numbers change year-to year, but yes that is a reasonable estimate.

P. Srinivasan: Secondly on the merit point the antidumping part, I think that is subject to the interpretation by the government authorities. Economically it justifies your explanation for an extension of duty straightaway.

Siddharth Purohit: Okay, fair enough, that is it from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would like to hand the conference over to Mr. S.R. Deo for closing comments.

S.R. Deo: First let me thank all the participants for asking very good questions and through this I think my initial remarks could be very well explained by my team members. I take this opportunity to thank everyone for joining the call. I hope we have been able to address all the queries. For any further information kindly get in touch with strategic growth advisors, our investor relation advisor. Thank you very much once again.

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