

Date: 15th February 2024

The Secretary The Bombay Stock Exchange Limited “P.J. Towers” Dalal Street Mumbai-400 001 Scrip Code: 500730	The National Stock Exchange of India Ltd. Exchange Plaza Bandra Kurla Complex, Bandra (East) Mumbai-400 051 Symbol: NOCIL
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Subject: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of Earnings Call.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of Company’s Earnings call held on 8th February, 2024 regarding discussion on the Operational and financial performance of the Company for the quarter and nine months ended 31st December, 2023 is enclosed herewith.

This intimation is also being made available on the Company’s website viz., <https://www.nocil.com/detail/investors/investor-presentation/69>

This is for your information and record.

Thanking you,

Yours faithfully,
For NOCIL Limited

Amit K. Vyas
Assistant Vice President (Legal)
& Company Secretary



NOCIL LIMITED

“NOCIL Limited
Q3 FY '24 and 9M FY '24 Conference Call”
February 08, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 8th February 2024 will prevail.



NOCIL LIMITED



MANAGEMENT: MR. V.S. ANAND – MANAGING DIRECTOR – NOCIL LIMITED
MR. P. SRINIVASAN – CHIEF FINANCIAL OFFICER – NOCIL LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the NOCIL Limited Q3 FY '24 and 9 months FY'24 Conference Call. This 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anand, the Managing Director. Thank you, and over to you, Mr. Anand.

V.S. Anand: Thank you. 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. Hope you all have received our investor presentation by now. For those who have not, you can view them on the stock exchange and the company website.

To start, let me give you an overview of the company's performance in quarter 3 financial year '24. During this period, revenue from operations amounted to INR341 crores, showing a slight decline compared to the previous quarter. Similarly, volumes experienced a marginal decrease in quarter 3 financial year '24 compared to the preceding quarter, while maintaining the selling prices. This drop can be attributed to the ongoing global recessionary trends and the consistent influx from Chinese competition.

The surge in supply from China, largely owing to the subdued demand in international markets, including China itself, is exerting pressure on volume and price dynamics, both in the domestic and international markets. Despite the challenging environment, it is worthwhile to note that our continuous efforts to bolster our export business has started yielding positive traction. We have clocked a year-on-year volume growth of 14% on a 9-month FY '24 basis in exports despite the current circumstances.

It is important to highlight that though the latex part of our imports business has remained flat to the prevailing market conditions in Malaysia, our non-latex products business has developed on a positive trajectory. Just to reiterate, that even the volumes year-on-year for 9 months financial '24 in the domestic market is flat.

Domestic market volumes continue to face the brunt of aggressive dumping from China. Nevertheless, our supply reliability and deep engagement with our domestic customers continue to hold us in good stead. Given the ongoing uncertainties, we maintain a balanced approach by strategically managing both price and volume.

Now quickly on the industry scenario. The tire industry in India is well positioned on account of the steady growth of the automotive sector. India is holding on to its spot as the world's third largest automotive market and is expected to reach 4.1 million passenger vehicle sales by financial year '24, remaining one of the fastest-growing markets globally.

On the tire exports front, following a slowdown in tire exports, tire exports have been making a slow recovery barring a few hiccups ~~reaps~~ with the Red Sea challenges. This situation has partially impacted both our exports and imports of raw materials. The domestic demand growth for tire in tonnage terms is estimated to grow at about 3% to 6% CAGR from financial year '24 to '26, a combination of both replacement and OE sales.

The tire industry aspires to double its revenues by 2030, driven by rising demand for SUVs, infrastructure development projects and stricter safety regulations. The non-tire sector also holds good promise, with strong growth plans on the auto component and allied sectors.

In summary, while there may be short-term challenges, the long-term outlook for rubber chemicals is promising with good growth expected from our end-use sectors. We at NOCIL continue to focus on our key customers with a wide range of products, sustainability initiatives and supply reliability. This positions us well to capitalize on these opportunities for growth.

That is it from my side for now. I will hand over to Mr. P. Srinivasan to give you updates on the financial performance.

P.Srinivasan:

Good morning. Thank you, Mr. Anand, and good morning to everyone. Let me run through you the consolidated financial highlights. On the sales volume front, volumes for Q3 FY '24 is 123, taking a base of Q1 FY '20 as 100. Coming to the revenue parameters.

Net revenue from operations for Q3 FY '24 stood at INR341 crores, as against INR351 crores in Q2 FY '24, a degrowth of 3%. Selling price has remained largely stable on a Q-o-Q basis. Volumes for Q3 FY '24 has degrown 3% on a Q-o-Q basis. Net revenue from operations for 9 months FY '24 stood at INR1,088 crores as against INR1,224 crores recorded in 9 months FY '23.

Coming to the operating EBITDA performance, Operating EBITDA for Q3 FY '24 stood at INR49 crores as against INR45 crores in Q2 FY '24. EBITDA margin for Q3 FY '24 stood at 14% as compared to 13% in Q2 FY '24. On the operating EBITDA for 9 months FY '24 stood at INR150 crores as against INR205 crores in 9 months FY '23. EBITDA margins for 9 months FY '24 stood at 14% as compared to 17% in the 9 months FY '23.

In relation to the PBT parameters, PBT for Q3 FY '24 stood at INR41 crores as compared to INR37 crores in Q2 FY '24. PBT for 9 months FY '24 stood at INR124 crores as compared to INR164 crores in 9 months FY '23. The profit after tax for Q3 FY '24 stood at INR30 crores as compared to INR27 crores in Q2 FY '24. Profit after tax for 9 months FY '24 stood at INR91 crores as compared to INR121 crores in 9 months FY '23.

With this, we would like to open the floor for questions and answer session. Thank you.



Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nirav Jimudia from Anvil Share and Broking Limited. Please go ahead.

Nirav Jimudia: Sir, I have two questions. Sir, first is on, let's say, when we see the global tire customers, I think there are some top 15 tire customers which controls close to 80% of the world's tire production. And I presume that we are probably registered with most of them. So just want to have your thoughts like what is actually stopping them to source the additional volume from us given the kind of proactive discussions we have been initiating with them over last 1 year. And I presume that, currently, we may be supplying very little or smaller volumes to them in their overall volume requirement. So if you can just share your thoughts on that, that would be helpful.

V.S. Anand: Yes, thank you. Thank you, Nirav. Yes, so you're right. We are kind of present with nearly all the top tire customers outside of China, not in China but largely all the ones outside. We have one or the other product that's been going to that. That's on the one hand.

On the other hand, as we have also been mentioning at the earlier call that we have been making progress, and I think it's not a question of not wanting to, it's about the step-by-step approach in terms of getting approvals at each site.

And there's also a certain comfort down the line in each of these organizations, where they get comfortable with some of the products, the newer products that we're giving them. So that is ongoing. And we also see the results are strong of the developing volumes that we just mentioned in terms of how the export numbers have been developing. So I think we're on a pretty much good track as far as that is concerned.

Nirav Jimudia: Yes. Because, sir, earlier, I think we were facing some capacity constraints when we had not expanded the capacities. But I think we have expanded in the right products also, which probably they would be requiring to source from us.

So I just wanted to understand like can those incremental volumes, based on our discussions, start accruing to us from Q4 or, let's say, Q1, where we will see some sort of incremental volumes from those customers and then probably the building up of volumes can happen from that source?

V.S. Anand: Yes. So like I mentioned, they've already started accruing and we expect that this should start building up as we go along into the next quarters, for sure. And we have the right products, yes.

Nirav Jimudia: Okay. So sir, it's safe to assume that some sizable incremental volumes could come to us in Q4 or that could be postponed to Q1, just test your thoughts?

V.S. Anand: My thought is that there will be a gradual buildup. I think we know that there are recessionary trends out there, but we are quite positive that this buildup will be positive there.

Nirav Jimudia: Okay. Sir, second question is on the domestic Rubber Chemical market. So I just wanted to understand like whether it has expanded in CY '23 versus CY '22. And if yes, like what is our incremental market share in those incremental volumes in India? And some understanding on our overall market share in CY '23 versus CY '22.



- V.S. Anand:** Yes. So I'd say, while the number as far as the domestic market is concerned, we go a lot by primary and also secondary data that we approve. I would say, it's pretty much kind of flattish, maybe 1% or 2% growth in actual kind of compounding volumes. Sometimes we look at other numbers, and we assume that it's growing faster. But actually, our barometer is compounding volumes of rubber. And that's kind of maybe flattish to 1% or 2% increase over.
- And I think it's kind of pretty much more or less also flattish, like we said, in terms of the market presence in the domestic market. I expect it should start moving up because the replacement cycle should start picking up as we go along in the next quarters.
- Nirav Jimudia:** So is it possible to quantify our market share in CY '23 versus CY '22 or exit of CY '23 versus '22?
- V.S. Anand:** Specifically, I would not be able to do that, but we have clearly a large, sizable market share in the domestic market, yes.
- Nirav Jimudia:** Got it. And sir, last one is like if you can just elaborate, because in your opening remarks you mentioned that the domestic tire market is expected to have a CAGR of, let's say, close to 3% to 6%, and given the kind of OE customers doing a lot of capex here for the export of tires to the outside world, is there any scope for expanding our market share here in India from where we are currently? And if yes, how we can go ahead with this strategy?
- V.S. Anand:** Yes. So just alluding back to your earlier question also, I think having a dominant market share, we kind of clearly see that with the tire production bound to increase in the next years, not only from OE but also from the replacement, as well as the export opportunities out there, we see a good opportunity to grow. Definitely grow at market growth rates and a few percentage points above that in an incremental manner. That's clearly our outlook.
- Moderator:** The next question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.
- Aditya Khetan:** Sir, my first question is, sir, when we look at our volumes on a 9 monthly basis, so this is almost flattish. So this is like what we had attributed to the higher competition. So how you see things to like moving forward in 2025 and '26? So we will be sitting at high single-digit growth or low double-digit growth can be expected going ahead, considering the competition and all?
- V.S. Anand:** So clearly, we see that volumes will go up from hereon going forward. But I wouldn't be able to put a specific finger to say where this number will be, but I'd expect with our approvals not to be getting accelerated in the export, but also with the domestic market expected to grow, volumes will develop positively.
- Aditya Khetan:** Okay. Sir, in this quarter, sir, there was a decline into our raw material prices, especially the aniline prices. But currently, sir, so from January '24, we are witnessing that the aniline prices have moved up by 15%. So like is there any risk to our near-term spreads what we have reported in this quarter, can it like maintain or there is a risk that it can go down?



- P.Srinivasan:** Aditya, this is Srinivas here from NOCIL. So basically, we will have to play the balanced game of judicial mix of volume and pricing. And we are constantly monitoring on a case-to-case, product-to-product, customer-to-customer basis.
- V.S. Anand:** I think on the aniline prices, it's a bit dynamic also, Aditya. So I think as you rightly said, there is a bit of downswing and then it again keeps going up and down.
- P.Srinivasan:** And we have covered something in the earlier period.
- V.S. Anand:** Yes. And we generally get it covered over a period. Did we answer your question, Aditya?
- Aditya Khetan:** Sir, my question was, can we maintain our long-term spreads what we have reported in this quarter?
- V.S. Anand:** Sorry, we just lost you in a bit. Can you just repeat it, please?
- Aditya Khetan:** So despite this aniline price movement, so can we maintain our long-term spreads, what we have reported in this quarter?
- V.S. Anand:** Yes. So that is kind of, again, as we said there is a volatile situation on the raw material. But we expect at least to keep similar valuation addition levels.
- Aditya Khetan:** Next question, sir. What is the value-added segment currently? Because I believe, 1 or 2 quarters back, you have stated that it has went down from 25% to 15%. So what levels are currently?
- V.S. Anand:** And this is referring to the speciality part, is it? Speciality business?
- Aditya Khetan:** Yes.
- P.Srinivasan:** So I think it's more or less around 15% to 17%.
- Aditya Khetan:** Sir, my question was for the value-added segment, so this will remain at 15% or there is a chance like it can move to around 25% and back to the normal levels?
- P.Srinivasan:** It will be operating in a similar level, but our aspiration to increase it will be there. So as and when the market opens up, we will definitely try to capitalize on those opportunities.
- Moderator:** The next question is from the line of Sailesh Raja from B&K Securities. Please go ahead.
- Sailesh Raja:** Sir, as per the EXIM data, on an average, China imports 2,500 tons per month of Rubber Chemical products, so which has come down below 2,000 tons in November month. Both October and November month data was showing declining trend over previous months. Also, under high-tech enterprise category, China was enjoying lower tax rate at 15% for the last 3 years, from Jan 2021 to December 2023 and it got expired. So my question to you is because of these two factors, do you see any signs of improvement in volume and realization for us in this running quarter?



P.Srinivasan: Sailesh, we would like to clarify two things. One is the import data, which you are referring to may not be the accurate data because imports come in, in advance and the demand is based on actual consumption. So there could be a stockholding period. So actual import is not a true reflection of the demand what's happening in the market.

That's number one. Number two, I think Rubber Chemicals comes under different chapters. So importers use Chapter 29 and Chapter 38. So I don't know which chapter you've used to compare the data. So that's something which is yet to be validated. So if we can share those data, we will examine it and get back to you. The ~~subsidiary~~ subsidy part, we will come back to you. We need to check up. We have not heard anything in the marketplace to stay contrary to what subsidies they have withdrawn. I don't think so we have seen any such indications in the marketplace that the subsidies have been withdrawn. If it was by listed company, they would have definitely announced it in the public domain.

Sailesh Raja: Yes, yes. So if it's there, sir, I'll share it with you. How is the realization now trend, it is improving compared to 3Q?

P.Srinivasan: Realization, we have held on to the same price levels of Q2. More or less similar range.

Sailesh Raja: Okay. Okay, sir. Sir, my next question, one of the key growth drivers of the company is exports volume going up primarily in Southeast Asia, Japan, Europe and U.S., these 4 regions. So in 4Q particularly, the Europe replacement tire and truck and bus segment, degrew by 10% Q-o-Q and Y-o-Y also there was a degrowth of 17%.

So Europe is roughly contributing say, 20% of our overall exports. See, we have seen growth in exports Q-o-Q. Could you please let us know what led to this outperformance in overall exports volume and which region we are seeing good traction?

V.S. Anand: Yes. So basically, if you look at our international share, it's still moderately on the lower side. And we are kind of, as we have been mentioning in the last few calls, we're kind of getting in with the customers in terms of newer volumes with customers. So these are all also incremental. And on the one hand, with some of the customers we are there, they might show some impact of recessionary trends. But the newer businesses that we have got in the last months and which will build up in the next months, that's kind of accrued on that front. That's the reason.

Sailesh Raja: Okay. Good, sir. So say, this quarter, the exports index number is, say, 100. And how do you see this 100 index number will play out for us in the coming quarters?

P.Srinivasan: We will grow. We don't want to put any specific number to that. Our aspiration to grow is there and the discussions are in the direction front.

Sailesh Raja: Okay. Okay, sir. My next question, our power and fuel cost quarterly average was INR45 crores in FY '23. What is the current run rate? And what are the initiatives we are taking to reduce the power and utility cost?

P.Srinivasan: It's going on a continual basis, and our efforts to reduce the cost as compared to last year has led to some positive results, and it's sustaining and it is maintained. I would say, it's sustainable in

nature. Because of the efficiencies and other operating parameters, the team worked very hard on that to improve on that. And I think it has started showing the performance.

V.S. Anand: And as part of also our overall efforts in terms of operational efficiencies, I think they're also reflecting, beyond just reduction in the fuel cost, there has been other efficiencies that have also played out.

Sailesh Raja: So what was the number, sir, in 3Q, power and fuel cost?

P.Srinivasan: It's a broader number, other expenditure if you see...

Sailesh Raja: Okay, sir. Sir, cash balance -- sorry, sir?

V.S. Anand: Yes, yes, please go ahead.

Sailesh Raja: No, our cash balance must have crossed now INR350 crores and the cash generation also is expected to be very strong. But what is our capital allocation plan for next 2 years? How much you are going to spend for the new products? And for the existing business, what is our maintenance capex? Can you please talk about that.

P.Srinivasan: One is, on the other expenditures, we have seen a 9-month reduction of INR40-odd crores from INR298 crores to INR257 crores to the earlier question which you have asked. So that's the ultimate which comprises of. As Anand said, it comprises of both utilities and other operating costs in the manifesting environment.

Coming to the capital allocation, yes, we are in the evaluation stage. As and when we finalize something on capex, we will take it to the Board for appropriate approvals. And as and when those things come in, we'll definitely announce. Yes, our aspiration to grow is definitely there, and we are evaluating various plans for that.

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

Rohit Nagraj: And congrats on the growth numbers that we are seeing on the volume front. So sir, first question is on the inventory destocking. So what is your assessment when we are talking to our customers from two perspectives. One, the inventories for Rubber Chemicals as such?

And two, the inventories from the tire manufacturer perspective, their own set of inventories. Because both these factors certainly have had impact last year, but what is the current situation when we are talking to customers?

V.S. Anand: Thank you, Rohit. Yes. So while the destocking has happened in the last few months, there is still a trickle-down effect, that continues. But on the other hand, there is a more cautious approach given the uncertainty in terms of the various factors that keep coming up from the external environment. So there is a cautious approach in terms of procurement.

So you could say sometimes delaying, sometimes slowing it down. So these things are happening. Some plants tend to then operate at lower capacities. So that tends to play out. So I wouldn't say it's all across, but that's the conversations we tend to have with our customers, yes.



P.Srinivasan: To add to that, some of our critical raw materials, we are also making an effort by shifting from imports to indigenous sources that has also reduced the overall inventory procurement time and customer destocking.

Rohit Nagraj: Sure, sure. That's helpful. Sir, second question, you also alluded in terms of the Red Sea issue in terms of the logistics and freight cost. So what is your assessment until now over the last couple of months since your freight costs have gone up in terms of both availability of containers or shipping?

And second, whether there could be a transitory impact during Q4 because of the higher freight rates, which probably will be compensated in Q1 when we will again go in for our newer negotiations? So your perspective on the same.

And just in terms of -- even from the raw material availability, I mean, Srinivasan just told that we have gone in for some domestic resourcing as well. But from the imported raw material, are there any constraints that we are facing because of the Red Sea issue?

V.S. Anand: Yes. So first on the customer side and the business, we don't see any major impact on account of that. Yes, there is a marginal increase in freight costs, there has been an increase. We are discussing with customers on how this can be addressed. We don't see a major impact.

And yes, we have had to recalibrate our shipping time lines and things like this, but not a major challenge at this point in time. On the other hand, as far as raw materials, we don't see any major disruptions on account of that, yes. So we did have to, again, plan for longer lead times, but not major disruptions.

Rohit Nagraj: So just I'll squeeze in one last clarification. So we've been working on fewer products in terms of application apart from the auto segment. So if you could just let us know what is the status for the same. And obviously, at a certain point in time, that may entail capex. So currently, where are we in terms of any time lines for freezing such kind of initiative or next leg of capex?

V.S. Anand: So as Srini mentioned, as far as capex for the Rubber Chemicals is concerned, we have the closely studying the situation. We're looking at where we need to do. And as and when we have something approved at the Board, we will share that with you. So that's a constant study that is on. On the other hand, with regard to other adjacencies or I assume that was what was your question, we are also working on that.

As and when we have something, we will come back. Very difficult to put a specific time line to the story because you will understand that these things take time. I think they go up to a certain point and still we're not sure whether these things happen. So yes. that's where we are.

Moderator: The next question is from the line of Nitesh Dhoot from Dolat Capital. Please go ahead.

Nitesh Dhoot: So my first question is basically from one of the previous participant's question. You indicated that the imports from China and elsewhere would be in advance of the actual consumption? And since the December quarter witnessed a decline in imports, so does it indicate that Q4 would be

looking weaker in terms of domestic volumes sequentially? Any insight since we are already in the middle of the quarter?

V.S. Anand: No, we don't have any reason to believe that it will be weaker, so we don't see it from that perspective. We see that Q4 should be better than Q3.

Nitesh Dhoot: Right. And my second question is again on one of previous questions on the volumes. So not just last year, but last couple of years, there's practically no volume growth, so to say. So have we lost market share domestically? Or has the market itself remained flattish or degrown?

P.Srinivasan: On a domestic thing, I think it's more or less flattish and we have not lost any market share per se.

Nitesh Dhoot: So the market has also remained flat, you mean?

P.Srinivasan: More or less flat. I think what we have to look at is, I think if you look at the investor presentation, there is a slide which depicts about the IRSG or rubber consumption globally, and look at the consumption trending over the last 6 years, it's actually coming back to the last 6 years' levels.

Maybe we are talking about 2017 levels when we are speaking now. So from that perspective, we have grown in that sense, the demand being flat across the globe. And largely, it is in the western market, India and China are a little different.

Nitesh Dhoot: Right. So again, I mean, just continuing. So what gives us the confidence that the next couple of years would be different versus the previous couple of years only as far as the domestic market is concerned? I mean, your thoughts there would be really helpful.

V.S. Anand: Yes. So I think in the domestic market, there is always a cycle of replacement tire segment. And I think we see that the cycle will also kick in with all the things going together in terms of expansion and production of tire companies, investment in infrastructure. All these things will hold good even for commercial vehicle replacements that happen.

So we are quite positive the domestic market will grow, and there are quite positive plans by our customers to go on that front. Also on the export side, we see that with gaining approvals and penetration that happens, volumes will tend to grow over the next quarter.

Nitesh Dhoot: Right. And any numbers that you can ascribe what kind of volume growth you're targeting for the next couple of years? Or in terms of capacity utilization, any indications there?

V.S. Anand: Nitesh, it will be difficult to put a finger on that, but we are quite positive it should be on the ascendancy.

Moderator: The next question is from the line of Nirav Jimudia from Anvil Shares & Stockbroking. Please go ahead.

Nirav Jimudia: So you mentioned that the latex market has virtually remained flat for us. And I think from the peak -- from our earlier discussion on the con-call, you mentioned that our latex volumes have

come down significantly. So anything if you can share, like how do you see those markets recovering or any chances of getting recovering in the short term which could again bring back those lost volumes to us?

V.S. Anand: Yes. So I think on the latex, at least what we are seeing is that it's kind of bottomed out. And we see some recovery that's happening. Not necessarily significant volumes coming back, but at least the view is that it's kind of bottomed out and while there have been some market shift happening within the latex production itself within Asia, but expect that it's kind of more or less bottomed out, yes.

Nirav Jimudia: Okay. So we could see some incremental volumes from there also starting FY '25, if that could be...

V.S. Anand: That's our expectation, yes.

Nirav Jimudia: Got it. And sir, second question is on the imports of rubber chemicals to India. So I think there are a few categories of products where probably we don't have those presence, like in terms of the total market size. If you can just give us some understanding like out of the total Rubber Chemical market in India, how much is like we are able to serve on?

So some of the products where we don't have the presence and that are getting imported to India, obviously, our market share gets diluted to that extent if we take the overall market size. So if you can just give us some understanding about what are the volumes coming to India where we don't have the presence, and how much it forms of our total Rubber Chemical size of India?

V.S. Anand: In terms of Rubber Chemicals, largely for the applications, there are maybe 1 or 2 products which we see we might not have in our range. But that also in the recent past, we have done some indigenization to also start local production of those products. But by and large, then there is the other speciality additives segment, which is not necessarily around the same value chain, a bit more different.

That's another market segment that I would say and not put it along with the same market that we are defining and defining for our strategically relevant markets. So not too many products which are outside of our strategically relevant market, I would say.

Nirav Jimudia: So when we say our market share, we don't include those speciality additives in that, right?

V.S. Anand: Yes, we don't include those speciality additives.

Nirav Jimudia: Got it, got it. And just a small clarification, if I could understand it correctly, you mentioned that Q4 volumes should be trending higher than what we have done in Q3.

V.S. Anand: Yes.

Moderator: The next question is from the line of Radha from B&K Securities. Please go ahead.



Radha: Sir, wanted to understand a bit on the domestic market. So we understand that we are the largest players in rubber chemicals, but other than that, there are a few small players like PMC Chemicals, etcetera, who have expanded capacities in rubber chemicals.

So how is that panning out for them? And I also wanted to understand whether LANXESS has any rubber chemical capacities in India? Or are they only trading from the US entity?

V.S. Anand: So LANXESS has capacities in India. They make a couple of products in the segments we operate. Apart from that, they make some additives also. The other players have come up with some small capacity, but some of them overlap, some of them do not overlap.

Also, at the same time, I think some of these products are critical from an intermediate point of view. And I think that also gives us an advantage in terms of being able to manufacture the intermediate also in-house.

Radha: Sir, how much capacity does LANXESS have in India?

V.S. Anand: I would not be able to put a number on that, Radha.

Radha: And sir, any of these 2 players also having backward integration?

V.S. Anand: No, they do not have backward integration.

Radha: And sir, given that we have backward integration, so I wanted to understand whether we are selling any of the intermediate products in the market?

V.S. Anand: No, we're not doing that. We're using it largely for capital.

Radha: Okay. And sir, globally, anyone recently announced any capacity expansion?

V.S. Anand: Not in the last quarter, I'd say. Yes.

Radha: So that first half, actually, the accelerator capacity is expected to come back for Sunshine China? So other than that, no new capacity expansion?

V.S. Anand: Yes. Nothing that we know about.

Moderator: The next question is from the line of Harshil Parekh from Acuitas Capital. Please go ahead.

Harshil Parekh: Sir, I would just like to know our volume mix in terms of domestic and exports.

P.Srinivasan: It will be around 70-30. 68-32 something.

Harshil Parekh: 68-32. And sir, within exports, what would be the percentage for our latex part?

P.Srinivasan: Well, latex is about probably 18% -- 16%, sorry.

Harshil Parekh: Okay. And sir, for the value part, can you give the mix?



- P.Srinivasan:** No. Value part, we don't wish to share that. We wouldn't prefer to.
- Harshil Parekh:** Okay, sir. Understood. And sir, in the exports market, especially in the European markets where we have been seeing cheap Chinese tire imports which is impacting rubber chemical demand also for us. How is that scenario panning out? Is there any improvement there?
- V.S. Anand:** So we have not seen any major impact on account of that in terms of our business in the European market as yet.
- Harshil Parekh:** Okay. Understood, sir. And sir, these new approvals, which you mentioned in the call, is it coming from the US market or the European markets?
- V.S. Anand:** It's across. It's across.
- Moderator:** The next question is from the line of Rohit Nagraj from Centrum Broking Limited. Please go ahead.
- Rohit Nagraj:** Srini sir, for the first 9 months, what has been the export domestic mix in terms of revenues?
- P.Srinivasan:** I think exports will be about 34%.
- Rohit Nagraj:** Sure, sure. And in terms of margins, is there any distinction between the exports margins and the domestic margins? Or more or less, they are in line?
- P.Srinivasan:** See, I think for a similar product, you will be having in exports a lower margin because of the duty protection in India. Other than that, it's the same margin. The market of export is different than the domestic. That's the other part.
- Rohit Nagraj:** Right. And in terms of exports, currently, which are the key markets and incrementally which we are focusing on. The reason for asking the question is that I understand in Thailand, there have been a lot of new capacities by the global tire manufacturing companies are coming up. So just wanted your view in terms of our target markets, and we are also trying to get into this market as well?
- V.S. Anand:** So global customers it's always to work with them across geographies, right? So means if there is investment in additional capacities, we hopefully see the trickle-down effect of that also, yes. So it's across, Rohit.
- Rohit Nagraj:** Sure. That's helpful, sir. And any key markets that we are working in terms of exports?
- V.S. Anand:** Across all the markets. So if you work with the global players, like we mentioned, we always had a traditionally good presence in Asia, we continue to expand in Asia as well as the other markets.
- Moderator:** The next question is from the line of Aditya Khetan from SMIFS International Equities. Please go ahead.



Aditya Khetan: Sir, in our presentation on slide 23, we had given a comparison of NOCIL sales as compared to the global rubber consumption. So that data indicates that NOCIL has outperformed the rubber consumption by a wide margin. So sir, so will this trend continue over the next 10 to 12 years? How do you see the rubber consumption trend for the next 10 years?

V.S. Anand: So rubber consumption trend per se, the projections normally turn out to be about globally around 3% -- 2.5%, 3%. That's what the projections are, but they're not really played out to that extent in the last couple of years, 2, 3 years, like what Srinu was mentioning due to one reason or the other.

One market or the other doesn't do well, and it doesn't then globally play out to the same extent. But I think with consumption and things remaining at a certain assumed level, we still see that overall, globally the growth will continue to be at least 2.5%, 3%. And the emerging markets will obviously be at a higher rate. Yes.

Moderator: Aditya, you're not audible. I just request you to connect again. The next question is from the line of Prolin, an Individual Investor. Please go ahead.

Prolin: So just want to understand, you mentioned that in a lot of global tire companies, your -- I mean, you are trying to get that approval, right? So maybe they have tried some of your products and then over the period of time, that gradual approval will come. So from a point of view of, let's say, switching cost for these tire companies to switch from a competitor to our product and vis-a-vis also to switch to a competitor from our products, how easy or difficult is it to do that?

And is there a part of the portfolio which you want to quantify which is more specialized in nature, hence, that switching cost is very, very difficult? So if you can help me with some color in the context of switching costs. And how does this progression of volumes take place at some of these customers where we have already started supplying some pilot quantities?

V.S. Anand: Okay. So thanks for that question. So maybe I'll start with the latter part first. In terms of -- maybe you need to kind of -- if I don't answer, you just have to come back again. But typically, what happens is the approval process can take anywhere between 6 months to 1 year, and even plus and beyond, but then it depends on how present you are with the customer.

I think it's also with the kind of support you give customers in terms of supply reliability, quality reliability, you always increase the switching cost, and that's what we always endeavor to do for anybody else. And it does take time.

So there is a switching cost of technical approvals, not only at the laboratory but other applications, so it is a cost. And as a player, you tend to hope that you can increase it with all the service and support that you give customers. Your latter question, I just missed that the last part, sorry.

Prolin: No, I just wanted to understand as to what percentage of portfolio would you quantify where switching cost is typically high. And just to add to that, right, I mean, is it fair that maybe in FY '24, we have been working on lot of these projects, and FY '25 we will see a lot of these approvals

finally fructifying and resulting in higher volume. Is that a fair comment to, I mean, summarize how things could be in FY '25?

V.S. Anand: Yes, that is the outlook, yes. That is how we see it. And I think on the speciality part, I think like we mentioned earlier, it's about 15-odd percentage as far as the specialities are concerned. So there, again, the switching costs will be higher than the other, one can expect.

Prolin: Okay. And when you say 15%, is it your overall mix? Or are we talking about only tire chemicals here?

V.S. Anand: The overall.

Prolin: Overall mix. Okay. And from a capacity point of view, right, from a gross flow point of view, if I were to ask you to divide the capacity between speciality and the other part, would it be 25-75? Because I think, if I'm not wrong, in the past you have had 25% of your sales coming from speciality. So from a capacity point of view, how would you divide capacity between speciality and non-speciality?

P.Srinivasan: Today, it will not be directly proportional to the business proportion. Capacity per se, in case of specialized application, the capital investment is much related a little lower as compared to the overall conventional rubber chemicals.

Prolin: Okay. And where are we on capacity utilization on both the fronts? Or maybe a consolidated number or a separate number will also help just to understand...

P.Srinivasan: Around -- somewhere operating between 62% to 65%.

Prolin: Okay. 62% to 65%. And maybe 70% to 75% is when you will think of expanding. Is that a fair way to think about things?

P.Srinivasan: I think that's a little premature question from your perspective. I think we will -- we said we are valuing various plans. And when we -- anything plan gets finalized, we will take it to the Board and then we'll come back to you.

Prolin: Okay. Okay. And one last question from my end would be on the export market. You mentioned that export mix is different versus the domestic mix. Would you want to, let's say, for example, in terms of realization, if let's say, domestic is 100, how different would be realization in the export market?

P.Srinivasan: We announced just few minutes back -- see, in domestic market, the pricing, the international prices are adjusted for duties and exchange rate. For example, if export market is fetching INR100, domestic on the same product will be INR110. But the basket of exports is slightly different vis-a-vis the basket of domestic.

Prolin: So taking that basket into consideration, I am assuming that realization would be higher. So by how much? I mean, is it like 25% higher just based on the basket?

P.Srinivasan: It is a sensitive information and we don't wish to quantify that.



- Prolin:** All right. No worries, sir. Thank you for answering my question. All the very best.
- P.Srinivasan:** Thank you.
- V.S. Anand:** Thank you.
- Moderator:** As there are no further questions, we will take Prolin as the last question. I would now like to hand the conference over to Mr. Anand for closing comments.
- V.S. Anand:** Thank you. I'd like to thank everyone and take this opportunity to thank you for joining the call. I hope we've been able to address all your queries. For any further information, kindly get in touch with me or Strategic Growth Advisors, our Investor Relation Advisors. Thank you once again, and have a nice day.
- Moderator:** Thank you. On behalf of NOCIL Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.