

NOCIL Limited

December 26, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	175	CARE AA; Stable	Reaffirmed
Short-term bank facilities	425	CARE A1+	Reaffirmed

Details of facilities in Annexure-1

Rationale and key rating drivers

Ratings assigned to bank facilities of NOCIL Limited (NOCIL) continue to factor its dominant market position in domestic rubber chemicals industry and long-established relationship with large domestic and global players in tyre industry. Ratings also factor in its sustained strong financial risk profile marked by healthy capital structure, debt coverage and liquidity, and expected growth in scale of operations considering stable demand prospects and capacity expansion.

However, rating strengths continue to be tempered by competition from cheap import, which adversely impacted its profitability in FY24 (refers to April 01 to March 31) and H1FY25, profitability susceptible to raw material price volatility, and sizable dependence on tyre/automobile industry for its demand prospects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial increase in global market share backed by improved exports, resulting in more diversified operations.
- Sustained improvement in PBILDT margin at more than 25%, while maintaining strong capital structure and liquidity.

Negative factors

- Significant reliance on debt for funding of growth plans leading to moderation in net debt/PBILDT beyond 1x on a sustained basis.
- Changes in government regulations pertaining to production and sales of certain products, significantly impacting its business and profitability.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has analysed NOCIL's credit profile by considering consolidated financial statements of NOCIL owing to operational, financial & managerial linkages between NOCIL and its sole 100% subsidiary, PIL Chemicals Limited (PIL).

Outlook: Stable

CARE Ratings believes that NOCIL shall continue to hold a dominant market position in the domestic rubber chemicals industry, while maintaining its strong financial risk profile.

Detailed description of key rating drivers

Key strengths

Leadership position in the domestic rubber chemicals industry

NOCIL has over four decades of experience in manufacturing rubber chemicals. Over the years, it has been able to maintain market leadership position in domestic rubber chemicals market with an overall basket of 20+ rubber chemicals in its product portfolio. The company has presence in over 40 countries and enjoys long-standing relationships with its customers.

'China plus one' sourcing strategy being adopted by global tyre majors augurs well for NOCIL

China is the largest producer of rubber chemicals globally. However, considering disruption in China in the last few years, international tyre majors are gradually diversifying their sourcing of rubber chemicals to de-risk supply chain from over-dependence on China. This presents a sizable opportunity for NOCIL, which enjoys a preferred supplier status due to its long-association with most international tyre majors and offers a wide range of rubber chemicals backed by R&D capabilities. Proportion of exports in NOCIL's sales mix is expected to increase in the medium term supported by its initiatives.

Strong financial risk profile

Over the years, NOCIL has funded its capex and working capital requirements through internal accruals, while maintaining healthy dividend pay-out. The company utilises only non-fund-based limits for purchase of raw materials. Accordingly, NOCIL's overall

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

gearing and total debt/PBILDT remained strong at 0.03x and 0.26x as on March 31, 2024. Going forward, sizable reliance on debt for funding growth plans will be a key monitorable.

Liquidity: Strong

NOCIL's strong liquidity is marked by unutilised fund based working capital limits of ₹150 crore and healthy free cash & liquid investments of ₹372 crore as on September 30, 2024. NOCIL hardly utilises fund-based working capital limits, while average utilisation of non-fund-based limits stood minimal at ~10% in 12-months ended July 2024.

Key weaknesses

Revenue and profitability adversely impacted in FY24 & H1FY25 due to decline in product realisations

NOCIL's total operating income (TOI) declined by ~11% on a y-o-y basis to ₹1,443 crore in FY24 and remained muted at ₹735 crore in H1FY25. This was primarily considering decline in product realisations, as the company resorted to competitive pricing, amidst heavy dumping of rubber chemicals in domestic markets and weak global demand scenario, to maintain its market share. NOCIL's profitability was adversely impacted marked by PBILDT margin of 13.39% and 10.73% in FY24 and H1FY25 respectively against 15.53% in FY23. However, due to competitive pricing, the company was able to increase its overall sales volume in FY24 & H1FY25, and its overall capacity utilisation improved to ~70% by September 2024 end against 65% in FY23. CARE Rating expects NOCIL's sales volume to witness healthy growth in the medium term, aided by healthy growth in exports and steady demand in the domestic market. This is expected to result in gradual improvement in NOCIL's profitability margins.

Competition from cheap imports

NOCIL is exposed to competition from dumping of rubber chemicals in India, mainly from China, South Korea and the USA. Earlier, NOCIL was protected to the extent of anti-dumping duty (ADD) imposed by Government of India on import of some of its products, however, the same was discontinued with effect from July 2019. Amidst weak global demand of rubber chemicals, Indian market witnessed aggravated dumping primarily from China in FY24 & H1FY25. NOCIL also had to resort to competitive pricing to maintain its market share.

High dependence on automobile/tyre industry resulting in sector concentration risk

Automobile industry is the major consumer of rubber & rubber chemicals for manufacturing tyres & other auto components. Automobile industry constitutes ~70-80% demand of rubber chemicals. NOCIL's revenue remains exposed to performance of automobile/tyre industry. CARE Ratings expects stable domestic demand prospects for rubber chemicals primarily backed by stable demand prospects for tyres aided by replacement demand.

Profitability exposed to raw material price volatility

NOCIL's most raw materials including benzene, chlorinated aromatics, and amines among others, are predominantly crude derivatives. Thus, raw material price volatility has a bearing on NOCIL's profitability margins. NOCIL usually has fixed-price volume contracts, for a quarter, with its key customers, and remaining customers are contracted on a spot basis. NOCIL's profitability remains exposed to unfavourable input price scenario against selling price.

Environment, social, and governance (ESG) risks

Risk factors	Compliance and action by the company
Environment	The company has adopted a range of initiatives to mitigate environmental risks associated with its operations. The company uses eco-friendly fuel sources & power sources to reduce GHG emissions. The company has undertaken measures to control emissions of particulate matter to reduce airborne pollutants. The company ensures proper wastewater handling and disposal whereas it seeks to minimize hazardous waste through reducing, reusing, and recycling strategies and proper disposal mechanism. The company has obtained ISO certifications for both of its units to ensure compliance with latest environmental risk mitigations measures.
Social	In FY24, NOCIL incurred ₹3.64 crore expense on CSR activities in line with requirements under The Companies Act, 2013. The company continues to provide adequate training to its employees on health and safety measures, skill upgradation and adequate insurance coverage for them.
Governance	The company ensures compliance with corporate governance practices as laid down by SEBI (LODR) Regulations, 2015. The company has seven independent directors on a 9-member board of directors with one independent woman directors. The company has put in place grievances redressal mechanisms to address concerns of stake holders including investors, employees, and value chain partners among others, In FY24, the company has appropriately held meetings of audit committee, risk management committee, and CSR committee among others.

Applicable criteria

[Rating Outlook and Rating Watch](#)

[Definition of Default](#)

[Manufacturing Companies](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial Sector Entities](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & petrochemicals	Specialty chemicals

Incorporated in 1961, NOCIL, an Arvind Mafatlal group company, is engaged in manufacturing rubber chemicals and intermediates and is one of the leading producers in the domestic market. As on September 30, 2024, promoter group held 33.79% equity stake in NOCIL.

NOCIL manufactures ~22 types of rubber chemicals, which can be broadly classified under three grades, accelerators, anti-degradants/antioxidants and speciality chemicals. The products find application in industries, including tyre/automobile, industrial & consumer rubber products, and other segments of rubber processing industry. Manufacturing facilities are at Navi Mumbai, Maharashtra, and Dahej, Gujarat with total capacity including intermediates at 110,000 tonnes per annum as on September 30, 2024. NOCIL also exports to ~40 countries across the world with export sales contributing to ~33% of its total revenue in FY24.

Brief Financials (₹ crore) – Consolidated	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	1,614	1,443	735
PBILDT	251	193	79
PAT	149	133	69
Overall gearing (times)	0.02	0.03	NA
Interest coverage (times)	208.93	119.28	79.65

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based-Long Term	-	-	-	-	175	CARE AA; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	425	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - ST-BG/LC	ST	425	CARE A1+	-	1)CARE A1+ (09-Oct-23)	1)CARE A1+ (30-Aug-22)	1)CARE A1+ (04-Jan-22)
2	Fund-based-Long Term	LT	175	CARE AA; Stable	-	1)CARE AA; Stable (09-Oct-23)	1)CARE AA; Stable (30-Aug-22)	1)CARE AA; Stable (04-Jan-22)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long term	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	PIL Chemicals Limited	Full	Subsidiary

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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