Operator: Ladies and gentlemen, good day and welcome to Nocil Ltd Q2 FY27 earnings conference call. This conference call may contain forward-looking statements about the company that are based on the company's beliefs, opinions, and expectations as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participants' lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal the 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. V.S. Anand, Managing Director of Nocil Ltd. Thank you, and over to you, sir.

V.S. Anand - Managing Director: Thank you, {? Ikra ?}. Thank you, and good morning to everyone. I would like to start by expressing my appreciation for your presence today. Joining me are Mr. P. Srinivasan, our Chief Financial Officer, and our Investor Relations Advisors from SGA. I hope you have all received our investor presentation. If not, it is available on both stock exchanges and on our company's website.

When I look at the first half of this year, I believe the important point is that we have continued to make progress in a challenging business environment. We have had to navigate global uncertainty, supply-side disruptions, and competitive pressures. At the same time, we have continued to invest in strengthening Nocil Ltd for the long term.

Let me begin with a brief overview of our performance. We concluded H1 FY25 with revenue of 830 crores, a growth of 26% over the corresponding period last year. Volumes grew by 3%, supported by sustained demand across our key end markets. Domestic volumes registered single-digit growth, aided by improved demand following the implementation of GST 2.0. Export volumes also recorded single-digit growth, reflecting continued traction across international markets and the conversion of customer engagements into business opportunities.

For Q2, revenue from operations stood at Rs.427 crores, registering year-on-year growth of 33% and sequential growth of 6%. This was primarily driven by an increase in the average selling price. However, volumes declined by 3% year-on-year and 7% sequentially due to temporary supply-side constraints and logistical challenges arising from the geopolitical situation.

While these disruptions impacted our quarterly volumes, our customer engagement and underlying demand remain healthy. We have addressed the supply-side constraints, and we expect the affected volumes to recover in the second half.

The quarter's performance also reflects the continued competitive pressures in the market, including the impact of import dumping. Our focus remains on balancing price and volumes while protecting our competitiveness.

Let me now briefly touch upon the industry environment. Domestic tire demand continued to benefit from the consumption tailwinds following GST 2.0. At the same time, the industry faced higher raw material costs, with crude oil prices rising during the quarter amid geopolitical tensions. This has had a bearing on input costs across the value chain.

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Looking ahead, a weaker monsoon and inflationary pressures could create some near-term demand headwinds. However, the underlying industry fundamentals remain supportive, driven by healthy replacement demand, growth in OEM volumes, and favorable long-term growth drivers. We therefore remain positive on the industry's long-term prospects while recognizing that the near-term operating environment continues to be challenging.

Coming back to Nocil Ltd, I would like to highlight the progress we are making on our investments. Our brownfield TDQ expansion at Dahej is progressing towards customer approvals, which we expect over the coming months. Work on our integrated specialty rubber chemicals project is also progressing as planned. These investments are important steps in strengthening our product portfolio and manufacturing capabilities and in positioning Nocil Ltd for future growth.

Looking ahead, we remain focused on deepening customer relationships, expanding our presence in domestic and export markets, and pursuing new product opportunities.

Coming to our FY25 outlook, as highlighted during our last earnings call, we had indicated a revenue range of Rs.1,400 to 1,600 crores. Given our H1 performance and the current momentum, we remain confident of closing FY25 towards the upper end of this range with EBITDA margins of around 10%.

While the operating environment remains uncertain, our priorities are clear. We will continue to focus on our customers, operational excellence, disciplined investments, and financial discipline, while building the capabilities required for sustainable, long-term growth.

As part of our efforts to build a more cyclically resilient business and utilize our cash chest, we have been actively exploring opportunities for inorganic growth in the chemical space, and we will keep you posted as and when there is any development in that space.

With this, I now invite Mr. P. Srinivasan to provide an overview of our financial performance.

P. Srinivasan – Chief Financial Officer: Thank you, Mr. Anand, and good morning to everyone. Let us run through the Q2 and H1 FY25 consolidated financial highlights.

Sales volume: Volumes for Q2 FY25 were 135, taking a base of 100 in Q1 FY20.

Revenue: Net revenue from operations for Q2 FY25 stood at 427 crores, registering growth of 33% on a year-on-year basis and 6% on a quarter-on-quarter basis. For H1 FY25, net revenue from operations stood at 830 crores, registering growth of 36% on a year-on-year basis.

EBITDA: EBITDA for Q2 FY25 stood at 36 crores, registering growth of 61% on a year-on-year basis, while witnessing a de-growth of 20% on a quarter-on-quarter basis, with margins standing at 8.4%. For H1 FY25, EBITDA stood at 81 crores, registering growth of 54% on a year-on-year basis, with margins standing at 9.8%.

Profit before tax: PBT for Q2 FY25 stood at 28 crores, registering growth of 52% on a year-on-year basis, while witnessing a de-growth of 24% on a quarter-on-quarter basis. For H1 FY25, PBT stood at 65 crores, registering growth of 57% on a year-on-year basis.

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Profit after tax: PAT for Q2 FY25 stood at 24 crores, registering growth of 98% on a year-on-year basis, while witnessing a de-growth of 13% on a quarter-on-quarter basis. For H1 FY25, PAT stood at 52 crores, registering growth of 76% on a year-on-year basis.

With this, we would like to open the floor for questions and answers.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Nirav Jimudia from Anvil Wealth Management Private Limited. Please go ahead.

Nirav Jimudia – Anvil Wealth Management Private Limited: Good morning, sir. I have a few questions. First, on the volume growth side, last quarter you mentioned that for FY25, the top-line assumption we had taken was close to 10% volume growth. Going by that number, to achieve these numbers for FY25, and for H2 FY25 on an indexation basis, we need to achieve a volume index of around 165. How confident are we about achieving these numbers in the second half? If you can also give some qualitative understanding about where this volume growth could accrue from, that would be very helpful.

V.S. Anand – Managing Director: Thank you, Nirav. You are right about the indication we had given on volume growth, and we are quite positive that we will still be able to remain in the 8-10% growth range in terms of volumes. I am positive that, from the index point that you mentioned, at least the 160 range should be there, 160 to 165.

Nirav Jimudia – Anvil Wealth Management Private Limited: Correct.

V.S. Anand – Managing Director: Coming back to your additional point about the quality of the growth, it is going to come from a combination of both domestic and international markets. That is why we are quite positive.

Nirav Jimudia – Anvil Wealth Management Private Limited: Perfect. Going by those indexation numbers, if we are able to achieve this number in the second half, this automatically ensures that for FY26 we also achieve 10% volume growth. Is this the right assumption to work with for FY26 as well?

V.S. Anand – Managing Director: That is a fair assumption to take.

Nirav Jimudia – Anvil Wealth Management Private Limited: Correct. My second question is on the gross margin and conversion cost side. Going by the simple mathematics, based on what we have seen for H1, our gross margin run rate is close to 700 crores, and our conversion cost run rate is close to 520 crores. If we subtract this, our EBITDA should be closer to 180 crores. Here, I am not taking into account any operating leverage that could accrue to us from the higher volumes we are expecting in the second half. In your opening remarks, you mentioned that we are confident of achieving a top line of 1,600 crores with 10% margins. Aren't we being conservative in giving this

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guidance, since the metrics are showing a slightly higher end?

V.S. Anand – Managing Director: You are right; there is some conservatism, given the fact that typically, from one quarter to the other, the environment is also evolving. There is some conservatism, but we will strive to achieve more. That is for sure.

Nirav Jimudia – Anvil Wealth Management Private Limited: Perfect. My last question is regarding the first quarter, when we had issues with power. In the second quarter, we had issues relating to shipping, supply constraints, and other factors. Where are we currently in terms of addressing these factors? Can we see the benefit of the captive power boilers that we have installed accruing to us through the higher volumes we are expecting in the second half? Thank you.

V.S. Anand – Managing Director: That should start taking effect in the second half. Coming to the challenges we had, they have been addressed. As we speak, they are addressed, and we expect volumes to start picking up from a production point of view as well. Regarding the turbines and all that, their full utilization will come into play as we increase volumes in the coming months.

Nirav Jimudia – Anvil Wealth Management Private Limited: Perfect. Thank you very much, and I wish you all the best.

V.S. Anand – Managing Director: Thank you.

Operator: Thank you. The next question is from the line of Aditya Khetan from {? SMIFS ?} Institutional Equity. Please go ahead.

Aditya Khetan – {? SMIFS ?} Institutional Equity: Thank you, sir, for the opportunity. I have a couple of questions. On the volume guidance, as you mentioned to the earlier participant, when we look at today's environment, oil prices are at record highs, volatility is present, and geopolitical uncertainties are still lingering. Even tire volume growth has been moderated by some of the good credit rating agencies from [trails off]

Aditya Khetan – {? SMIFS ?} Institutional Equity: 8% to 4-5%? What is the optimism driving this stronger volume growth in H2 versus H1? First. My second question is regarding conversion costs. Over the last few quarters, we had been witnessing lower power costs and some control on freight, but that benefit is also now going away. We are witnessing a jump of 10 to 20 rupees per kg in conversion costs as well. What is the outlook there? Will this come down as and when freight prices normalize, or will this continue to remain at these levels?

Management: On the volume front, as you rightly said, there has been some moderation in market expectations. We have considered and factored that in while assessing the volumes, but we also see quite a few opportunities in international markets coming to fruition. These will also contribute to mitigating some of those effects. We are quite positive that the 8-10% growth will come from a combination of both these efforts.

Coming back to conversion costs, I will begin and then perhaps Srini can also add to it. It is a combination of the significant increase we have had in fuel costs, which has played a role both in coal and gas. Our freight costs are also playing a role, not only domestic freight but also sea freight, where the situation has escalated to quite high levels. Srini, is there anything else you would like to

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add?

Srini: One of the things we saw in this quarter, or this half year basically, was that utility costs increased significantly, including coal and gas rates. That had a direct impact on conversion costs, as did sea freight. Also, since we had some supply-side challenges, we did not receive the operating leverage benefits that we would normally have received. We will probably see all those benefits coming in during the second half.

Aditya Khetan – {? SMIFS ?} Institutional Equity: Understood. You mentioned that international volumes will see an uptick. International volumes also largely include a portion of specialized rubber chemicals. How will that move up? Will that also move up, or will it remain flat?

Management: It will be in similar proportions. I do not see any significant jump in that particular segment.

Aditya Khetan – {? SMIFS ?} Institutional Equity: Understood. My next question is on the anti-dumping duty side. Recently, we also filed for anti-dumping duty on 4-ADPA. I suppose that if the duty is imposed, it would correct the value chain of PX-13 as well. That is a good move. If that duty is imposed, and also factoring in the sulfenamides duty, what additional percentage margin could Nocil Ltd obtain on 4-ADPA? I am asking for just a ballpark number; {? a range ?} would also help. If you can provide just a range, that would be useful.

Srini: Regarding 4-ADPA, I would like to clarify that it is an intermediate or precursor to Pilflex 13. The recommendation for anti-dumping duty on Pilflex 13 unfortunately could not be notified or accepted by the central government.

Even if there is duty protection on 4-ADPA, what will happen is that it may indirectly increase the cost of production of Pilflex 13 for other domestic producers, if the duty gets notified, because there would be an anti-dumping duty on 4-ADPA.

However, it may not result in a higher price for Pilflex 13 because imports would still remain outside the anti-dumping zone. What it may provide, if it happens, is something we will have to see. We do not know what will happen eventually after 3 months. It all depends on the final outcome.

Assuming that anti-dumping duty is notified, the other domestic players may face some difficulty in production or may have to produce at a higher cost. All three will then be competing with imports. That is what we are looking at. It remains to be seen at what price and with what effects it will play out in the marketplace. That is one point.

Secondly, regarding sulfenamides, it is not comparable in that sense because import data is simply not available today. Therefore, we are unable to quantify the exact benefit. We do factor in some quantum of it in our pricing decisions, but none of us is aware of or has information on how much the imports are undercutting or what prices they are charging.

Aditya Khetan – {? SMIFS ?} Institutional Equity: I have just one last question, if you may allow. Have you witnessed any new capacity additions outlined by Chinese players that could materially lead to further competition from imports? Have you witnessed any new capacity additions in the global pipeline?

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Management: Nothing in the last few months, apart from the capacity additions that were already announced or were coming on stream earlier.

Aditya Khetan – {? SMIFS ?} Institutional Equity: Understood, sir. Thank you very much.

Operator: Thank you. A reminder to all participants who wish to ask a question: you may press star and one now.

The next question is from the line of Nitesh Dhoot from Anand Rathi Institutional Equities. Please go ahead.

Nitesh Dhoot – Anand Rathi Institutional Equities: Good afternoon, team. Thank you for the opportunity. My first question is on realizations, which I see are up by about 36% year-on-year. Can you give us some color on how much of this increase comes from the ADD on CBS and NS, and how much comes from passing on the higher costs? Is there any element of the ADD benefit at all? This is what I am trying to understand.

Srini: The impact of the ADD is not significant because the ADD is only on sulfenamides. Some portion is there, but I think we cannot quantify the exact number.

Nitesh Dhoot – Anand Rathi Institutional Equities: No, because there is a 100-rupee increase in realizations, and when we look at the increase in the EBITDA spread over the last couple of quarters, it is hardly 13 rupees. If there is any element of ADD, then it means that the remaining portion indicates that the structurally steady-state margins without ADD are becoming even weaker.

Srini: If I may come in, you have to look at two parts. If you see our annual report, 60% of our business is antioxidants. We are talking about ADD on sulfenamides, which is a small portion. It is not as high as 60%. That is number one.

The increase in price that we are seeing also reflects the increase in costs. That is factored in, and the delta has increased. One of the participants had raised a question about the value addition, and that shift has happened during this year. The run rate has improved compared with previous years. Therefore, that includes a portion of the delta between price and cost, as well as some element of ADD. We cannot quantify the exact quantum at this stage.

Nitesh Dhoot – Anand Rathi Institutional Equities: Okay, sir. My second question is on inventory. What I see is an inventory build of about 57 crores that has flowed through the first half. If input prices were to fall, I understand that this would have been at a higher cost structure. What is the risk of a reversal on that side?

Srini: First of all, we normally evaluate our working capital situation as a percentage of sales. Around March 25, we were at about 30% plus or 32% plus. Now we have brought it down to around 25%. That is one thing we have done to improve the working capital cycle.

Secondly, as it stands today, because inventory is a rolling item, it is held for a maximum of perhaps the next 40 days or the next 60 days. As of this date, there is no significant effect expected in the next quarter.

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Management: To further add to what Srini said, the key is also to manage inventory to the extent that you are not speculating too much and getting caught in a situation like what happened. From the first quarter to the second quarter, there was a slight drop in prices before they went back up. We will have to be very aware of that situation and plan very carefully. That is what we are doing to ensure that we maintain optimum inventory for production and supply reliability.

Nitesh Dhoot – Anand Rathi Institutional Equities: Yes, because the way we look at it, we have a tall task on the volume growth side for the second half. We have to deliver almost 16% growth. If there is a reversal on the inventory side, I think we might end up missing our EBITDA guidance in that case. That is why I wanted to clarify.

Lastly, on the TDQ plant, your presentation says that it was delivered ahead of schedule, but it does not appear to have been capitalized. When will it be capitalized, how much of an increase in depreciation should we see, and what return does it earn without anti-dumping duty protection now?

Srini: [pause] There are two points. For capitalization, we are waiting for customer approvals. Some tire customer approvals are pending. Once we receive them, we will hopefully capitalize it in Q3. The annual depreciation charge, which is typically on 220 crores, may be about 1 crore a month or 3 crores per quarter.

Nitesh Dhoot – Anand Rathi Institutional Equities: Understood. Thank you very much for answering the questions. I wish you the best for the coming quarters.

Management: Thank you, Nitesh.

Operator: Thank you. Participants who wish to ask a question may press star and one at this time.

The next question is from the line of Ravi Mehta from OneUp. Please go ahead.

Ravi Mehta – OneUp: Thank you for the call. I have one clarification. When I calculate the absolute gross profit that you make per ton, it seems to have held up over the last 2 quarters. In Q1, we were told that there was some inventory benefit. In Q2, is it because of the ADD helping you to maintain that level even though there was no inventory benefit? That is how I am trying to read it.

Management: Your voice was a bit garbled [cut off]

Ravi Mehta – OneUp: Is it better now? Is it better now?

Management: It was better towards the end, but it is a bit garbled again now. Please go ahead. We can understand what you are trying to say. Please continue.

Ravi Mehta – OneUp: I was saying that gross profit per ton seems to be quite firm and sustained for Q1 and Q2. In Q1, we were given to understand that there were some inventory benefits, which may not be present in Q2. Is the ADD on sulfenamides coming in and helping you maintain that gross profit on a tonnage basis? Is this a sustainable number, given that there are no inventory anomalies or gains or losses?

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Srini: Ravi, there are two things. As I said to the previous participant, sulfenamides are not a significant portion of our overall basket. Antioxidants constitute 60%, whereas the gross margin includes the complete basket mix.

Having said that, there is some portion of anti-dumping duty in Q2. We are not denying that. That is definitely there. However, not everything is due to anti-dumping.

Secondly, the way things have evolved over the past 6 months, the market environment has improved compared with the previous year. If you look at the current run rate of 700 crores, we are operating at that level, whereas last year we were probably operating at 520 or 525 crores per annum. In that sense, there has been a significant improvement. Not everything can be attributed to legacy costs or anti-dumping. Some portion is also due to the change in market conditions.

Ravi Mehta – OneUp: That benefit was available only for part of the quarter, and we can still see some benefit for the full quarter in Q3?

Management: It was part of the benefit for the last quarter.

Ravi Mehta – OneUp: Okay, thank you very much.

Operator: Thank you. The next question is from the line of Pawan from Nayan M. Vala Securities. Please go ahead.

Pawan – Nayan M. Vala Securities: Hello. Thank you for the opportunity. Am I audible?

Management: Yes, you are. Please go ahead.

Pawan – Nayan M. Vala Securities: Can you confirm your revenue expectations for this year?

Management: We had given an indication of 1,400 to 1,600, and as I mentioned in my initial speech, we see it towards the upper side of that range.

Pawan – Nayan M. Vala Securities: On the upper side of 1,600, if I calculate for H2, where we expect 16% volume growth, are we expecting close to 20-23% realization de-growth for H2 from H1?

Management: [cut off]

Pawan – Nayan M. Vala Securities: {? As well ?}

Management: I think Mr. Anand's guidance was that we are looking at an index of 160 and above in terms of volume. Based on current pricing, yes, there is a possibility of exceeding the numbers. However, it all depends on how the volume tapers out.

Today, based on current pricing, we may see it exceeding 160 as well. However, we are taking a conservative position because we do not know what the fourth quarter will bring.

Pawan – Nayan M. Vala Securities: Based on the current prices, are prices above the H1 realizations?

Management: [pause] Yes, there is a marginal uptick, at least for Q3.

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Pawan – Nayan M. Vala Securities: One last question: what is our capex expectation for FY '24 and FY '25?

Management: Regarding capex for FY '24 and FY '25, we have the 130 crores that were sanctioned by the board. That spending is underway. There is also some maintenance capex. These are the two main components. Nothing else is foreseen.

Pawan – Nayan M. Vala Securities: This is for FY '24, sir?

Management: FY '24 and FY '25 together. We have spent some of the 130 crores, and we are going to spend some more over H2 and next year's H1. There is also some routine maintenance capex, which is always incurred. It is not significant, but it will be incurred.

Pawan – Nayan M. Vala Securities: So, you mean that the 130 crores will be split between H2 and FY '25?

Management: Yes.

Pawan – Nayan M. Vala Securities: Thank you.

Operator: Thank you. A reminder to all participants: if you wish to ask a question, you may press star and one.

To ask a question, please press star and one now.

Anyone who wishes to ask a question may press star and one on their touchtone telephone.

Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Management: Thank you, everybody, for your time. I hope we have been able to address all your queries. For any further information, kindly get in touch with any one of us or Strategic Growth Advisors, our Investor Relations Advisors. I would like to end by wishing everyone a very happy and safe Diwali and a prosperous New Year. Thank you, and have a nice day.

Operator: Thank you. On behalf of Nocil Ltd, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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