NOCIL LIMITED

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ARVIND MAFATLAL GROUP
The ethics of excellence

Date:5th June 2023

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

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 30th May ,2023 regarding discussion on the Operational and financial performance of the Company for the quarter and year ended 31st March, 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 KUNDAN VYAS Digitally signed by AMIT KUNDAN VYAS Date: 2023.06.05 16:22:13 +05'30'

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

“NOCIL Limited

Q4 FY '23 Earnings Conference Call”

May 30, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th May 2023 will prevail.

MANAGEMENT: **MR. S. R. DEO – MANAGING DIRECTOR – NOCIL LIMITED**
MR. ANAND – DEPUTY MANAGING DIRECTOR – NOCIL LIMITED
MR. P. SRINIVASAN – CHIEF FINANCIAL OFFICER – NOCIL LIMITED
SGA – INVESTOR RELATIONS ADVISOR – NOCIL LIMITED

MODERATOR: MR. PRATIK SHAH – SGAPL

Moderator: Ladies and gentlemen, good day and welcome to the NOCIL Limited Q4 FY '23 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on 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 a touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. S.R. Deo, Managing Director of NOCIL Limited. Thank you, and over to you, sir.

S. R. Deo: Thank you. Good morning, and a very warm welcome to everyone present on the call. Along with me, I have Mr. Anand, our Deputy Managing Director; Mr. P. Srinivasan, our Chief Financial Officer; and SGA, our Investor Relations Advisor. I hope you all have received our investor presentation by now. For those who have not, you can view them on the stock exchanges and company website.

Let me start by giving you overall performance of the company. FY '23 was impacted by global recessionary trends and inflationary pressures that impacted the manufacturing sector in major economies around the world. At the beginning of FY '23, during Q1 FY '23, we achieved highest ever quarterly volumes and revenues. However, as the global market began to slowdown, the subsequent quarter experienced a decline in growth.

The second and third quarters were particularly challenging, marked by a sharp degrowth in the company's performance. Despite these difficulties, there was some recovery in the fourth quarter, although concerns about our ongoing recession persist. On an annual basis, the sales volume experienced a 4% drop compared to the previous year, mainly due to degrowth in international markets. This decline was offset to some extent by price increase of over 7%.

Despite the dip in volumes, we achieved a turnover of INR 1,611 crores for the year compared to INR1,561 crores for the previous year, representing a growth of approximately 3%. As we have mentioned in the past, NOCIL is focusing on environmental compliance and sustainability. In this regard, we are extremely happy to share that NOCIL has been awarded the silver rating by EcoVadis Sustainability. EcoVadis is a methodology to measure the quality of a company's sustainability management system through its policies, action and results. Further, Bureau Veritas has issued an independent assurance statement with regard to NOCIL's business responsibility and sustainability report.

This is all from my side. Now I request our Deputy Managing Director, Mr. Anand to take you through the market scenario.

V.S. Anand: Thank you, Mr. Deo. A very good morning to you all. Talking of our performance in quarter 4 financial year '23, on a sequential basis, volumes in exports are recovering. Overall, volumes have started showing an uptick. The revenues for quarter 4 financial year '23 has shown a 21% growth sequentially. We are positive that for financial year '24, we shall continue our efforts to increase our market share.

Now let me talk to you about the full year financial year '23. Starting with the domestic market, in financial year '23, we achieved a net domestic revenue of INR1,120 crores, indicating a growth of approximately 13%. In terms of volumes, our domestic business surpassed domestic rubber consumption, exhibiting a growth rate of over 6%. This positive performance can be attributed to favourable customer interactions that supported our growth.

While talking about exports, in financial year '23, our exports experienced a decline in volumes of about roughly 21%. This decline was primarily influenced by the global economic slowdown, particularly in Europe as well as a significant decrease in latex production within the Southeast Asian market.

On the revenue front, our turnover for the year amounted to INR491 crores, representing a decrease of 13% compared to the previous year's figure of INR567 crores. The strengths and capabilities of your company are consistently valued by our global customers. With available capacities and the attainment of necessary approvals, we are poised to capitalize on growth opportunities and work towards long-term vision of doubling our market share in the global arena.

Despite the short-term challenges, the China +1 strategy continues to be an important differentiator for NOCIL, where our customers look for security of supply chain from a long-term and medium-term perspective. That is it from my side for now. I will hand over to Mr. Srinivasan to give you an update on the financial performance.

P. Srinivasan: Thank you, Mr. Deo, Mr. Anand, and good morning to everyone on the call. Let us take you through the consolidated financial highlights. Sales volume for Q4 FY23 is 136 taking base of Q1FY20 as 100. On a sequential basis, the volume registered a growth of 26%. As mentioned earlier, the overall volumes are showing signs of improvements. On the revenue front, the net revenue from operations for Q4 FY '23 stood at INR393 crores as against INR326 crores in Q3 FY '23, a growth of 21%. Net revenue from operations for the year FY '23 on a consolidated basis stood at INR1,617 crores as against INR1,571 crores recorded in FY '22.

Coming to the operating EBITDA parameters. The operating EBITDA parameters for Q4 FY '23 stood at INR50 crores consolidated basis as against INR38 crores recorded in Q3 FY '23. Operating EBITDA for the financial year FY '23 stood at INR253 crores as against INR286 crores in FY '22. EBITDA margin for Q4 FY '23 stood at 12.7% as compared to 11.6% in the previous quarter or the sequential quarter basis.

Coming to profit before tax, PBT parameters, the PBT parameters for Q4 FY '23 on a consolidated basis stood at INR39 crores as compared to INR25 crores in Q3 FY '23. PBT for financial year '23 stood at INR202 crores as compared to INR241 crores in FY '22. Profit after tax parameters, the profit after tax for Q4 FY '23 stood at INR28 crores as compared to INR19 crores in Q3 FY '23. Profit after tax for the financial year '23 stood at INR149 crores as against INR176 crores recorded in FY '22. With this, we would like to open the floor for questions and answers.

Moderator: Our first question comes from Nirav Jimudia with Anvil Research.

Nirav Jimudia: Sir, I have 2 questions to ask. So, sir, if we exclude the latex market, which has shown a degrowth in the export side, if you can explain our total coverage of customers globally, which we have identified. And out of those coverage of customers, which we have identified, how much we feel still needs to be covered, which at some point of time could be our potential customer. So, let's say, if there is a coverage of customers, which we feel that it is rated on a scale of 100, how much we feel that we have covered and which are still yet to be covered?

V.S. Anand: Thank you, Nirav for the question. So, I think if you look at the exports and as you also kind of pointed out, the volume increase has largely come from the non-latex part of the business with international tyre customers. And when we look at this, it's an ongoing process. And I think clearly, we are making progress with regard to quite a few approvals that we discussed even in the last couple of calls about the work that's been done on that front and we see there is good traction. And we are progressing well on this. I would say we are on a good way. Quite difficult to put a finger on a scale of 1 to 10 or 1 to 100, but definitely on the higher side, I would kind of at least give you a certain guidance on that.

Nirav Jimudia: Correct. So, is it safe to assume that to the customers to whom we have been targeting in the export side, most of our samples have been approved and probably we are now waiting for the final approvals in terms of volumes to come from them? Or we still need to go to them in terms of further rounds of approvals or anything left to be done to tap those customers?

V.S. Anand: So, these are all in different stages of progress. I think even from one quarter to the other month-to-month, it's a dynamic situation. So quite a few of the customers are approved for the different sites. Some of them are in progress under testing. Some of them have gone into commercial lots. So that's continuously an ongoing process. So, I think this will continue to happen as we keep wanting to expand to different sites.

Nirav Jimudia: Got it. So just to add, sir, like if you can add like or if you can explain that in terms of the newer customers on the export side, have we added anything on last 2 years? And have they contributed anything to the volumes on the export side over the last 2 years? If you can just quantify some percentages in terms of the contribution from the newer customers, what we have tapped in the export market and their contribution to the volumes over the last 2 years, that would be helpful.

V.S. Anand: Yes. So clearly, there is contribution coming in from, while all the customers globally, the tyre players internationally have been our customers for one product or the other. In the last few months, for sure, there has been expansion of the product portfolio with each of them. It would be difficult to put a specific number, Nirav, exactly what percentage I would not, at this point in time, be able to comment.

Nirav Jimudia: Okay. But those volumes to whom we have added the customers have been steadily moving up?

V.S. Anand: Yes, absolutely.

Nirav Jimudia: Got it. Sir, second question is in terms of our gross margin. So, if we see FY '23 or FY '22, there is an improvement on a per kg basis. But when we see our Q4 numbers, I think that has been showing signs of falling, probably maybe the raw material prices have not fallen in tandem with the fall in the realizations. So, if you can share your thoughts about how we should look our gross margins for FY '24. And let's say, on the volume side, if we take a base of Q4 of FY '23 and multiply it by 4, we'll be still having some 10% volume growth over FY '23. So, if you can share your thoughts on both these things, that would be helpful.

P. Srinivasan: Nirav, Srinivas here. To answer your question very differently, we would like to say, I think we have been communicating to the investors at large that we are not looking at gross margins as a percentage to be looked at this business. What we are more concerned is how do we protect our EBITDA margins per kg and that is what our focus is. At the same time, we cannot disregard the fact that we have to capture more market share. So it's a dynamic situation and you need to adjust the prices according to the market situation.

So, it's a combination of a wallet share increase, additional volumes and some bit price reductions or price adjustments and also EBITDA mark per kg trying to maintain a track of EBITDA per kg is what we are looking for. So, we don't look at value addition as a percentage to the revenue. Because in a high-cost regime, you cannot continue to look at that 45% or 50% thereabout. We should be looking at EBITDA...

Nirav Jimudia: From per kg basis only. So, I was also comparing on a per kg basis in FY '23 versus FY '22? And even for Q4 of FY '23, I was looking on a per kg only. So, because percentage becomes when it's normal in a rising as well as a falling pricing scenario. So just to put the things differently, sir, even if you can explain like...

P. Srinivasan: Okay. To answer it very differently. See, when you lose volumes, your operating leverage benefit doesn't come in. So, when you have to look at the volume growth, then the operating leverage benefits comes in. And that is what you're seeing in this quarter, if you see the benefit of the absolute profit numbers. So, if we look at a particular utilization level to which the operation is to continue, and therefore, we'll target for volumes and thereby improve our EBITDA margins.

Nirav Jimudia: And sir, on the volume side, I think if we just multiply it by 4, the Q4 volumes, I think it is giving us some 10% volume growth over FY '23. So, is this the right number to work with? Or are we seeing further improvement in the volumes probably in H2, where like in the initial remarks, Mr. Anand mentioned about tapping those customers and improving the wallet share from them. So, when can we see a meaningful improvement in the volumes over Q4 numbers if you can just share your thoughts here.

V.S. Anand: I think at this point, if I look ahead into the year, we are quite positive, the volumes will improve from the current position. Yes, it's an add-on to what I said earlier that the efforts with customers begin to more trickle in as we go along.

Nirav Jimudia: But that should be over Q4 volumes you are talking about, right, sir?

V.S. Anand: Yes. Yes.

Moderator: Our next question comes from the line of Aditya Khetan with SMIFS Institutions.

Aditya Khetan: My first question was on to the export market. So, this quarter, we had witnessed a significant revival in volumes in exports market. So particularly, if you can highlight apart from Europe, which are the other geographies which have witnessed expansion in volumes?

V.S. Anand: Yes. So, while we just mentioned also in the opening address, the clouds of the recession and the sentiment continue to remain cautious. The expansion in volumes have happened partially in Europe and in Asia also both.

Aditya Khetan: And sir, this situation will continue to improve or you see now this -- so the benefit has been played out and it can be flattish for the coming year?

V.S. Anand: No. We see that we can grow from here, yes.

Aditya Khetan: Okay. And sir, just a question on to the imports of rubber accelerator from China. So recently, I mean for the last -- so 2 to 3 months, we had witnessed some sort of increased imports from China market into India. Is this one of the reasons why the realizations are under pressure? And how you see -- also considering if the competitiveness will start to increase. So how difficult or easy for you to maintain the per kilo margins in the near term?

V.S. Anand: Yes. I think the per kg margin was also alluded to by Mr. Srinivasan a little while earlier, but the point that you made earlier was also to the fact that with the Chinese market, not economy per se, not having such a high offtake. Chinese exports into other countries are increasing, and there is a lot more aggression on pricing that we see, which we also mentioned earlier that in case the Chinese economy doesn't pick up, we see that 80% of rubber chemical capacities you would expect more volumes trickling into the international market. So, we do see that scenario playing out.

Aditya Khetan: So that can impact the per kilo margin, sir, in the near term or we can maintain from here on? Or how you see the trend to shape up?

V.S. Anand: So, I think from that point, we are looking at the overall margins that we can retain and look to see how we can keep the volumes growing while adjusting our prices to the market dynamics.

Aditya Khetan: Sir, just one last question, sir. In this quarter, we had witnessed an employee cost decline on a quarter-over-quarter basis. So particularly, sir, this quarter, there are increments and bonuses which are given to employees. So generally, the employee costs should be high, but we have witnessed a decline. So, is there any specific one-off in employee and other expenses also, which has led to your expansion in EBITDA margin?

P. Srinivasan: I think to answer your question, employee cost is -- it's an annual number. We make a quarterly provision as per the terms of employee remuneration costs, etc. So, there could be a slight change here and the components is not material, if you ask me. It's still at INR21 crores per quarter.

Aditya Khetan: Got it. So generally, sir, so what I was asking, sir, so generally, this quarter employee costs tend to be relatively higher because of increments given and because of bonuses.

P. Srinivasan: Just to answer your question, when we make a provision on the employee cost, we look at the overall components of the cost, including the variable and we make pro rata provisions on a pro forma basis, subject to final approvals and the final decisions. We expect this bonus part or the variable part to be expensed out evenly throughout the year.

Aditya Khetan: Got it. And also, sir, in other expenses, is there any one-off which you have taken?

P. Srinivasan: I think there's nothing. Other expenses consist of utilities. So, there is a lot of effort which is being done on utilities to control that.

Moderator: Our next question comes from Rohit Nagraj with Centrum Broking.

Rohit Nagraj: Congrats on good Q4. Sir, first question is in terms of the market. So, with limited understanding what I gauge is that in South Asian market, there the global players are trying to increase the tyre manufacturing capacity. So just wanted your perspective in terms of whether we are currently supplying to them? And whether this could also be an opportunity from an exports perspective?

V.S. Anand: Yes. Thanks, Rohit. Yes, there is expansion happening. And we are working with all these customers. So, the opportunity continues. Did I answer your question, Rohit, or you need a bit more elaboration?

Rohit Nagraj: I just wanted to get a perspective. So currently, these customers are being serviced by Chinese players, and we will have to make inroads. And will that effort have some kind of a gestation period.

V.S. Anand: Yes. So, as I mentioned earlier, so yes, it's being supplied by a mix of Chinese and European and even Asian players. So, we are working with these customers. And these approvals are site to site. So, you don't have a central approval, but you work from a site-to-site basis, you need to get the products approved. And there is a reasonably good traction on that front.

Rohit Nagraj: Okay. Got that. Sir, second question is, recently, China Sunsine also came up with an update and they had, particularly, again, the volumes have been good, but the average selling prices have come down. So, has the selling prices now got stabilized? Or they are still coming down in the wake of lower Chinese demand and probably influx of the volumes?

V.S. Anand: Yes. So, we are still seeing marginal reductions in prices, which continue to happen in the market. Wherever, I think we see a lack of demand in the domestic market, they seem to be wanting to take opportunities outside. So, we do see that pricing behaviour to continue here in the last few weeks, yes.

Moderator: Our next question comes from the line of Jainam Ghelani with Svan Investments.

Jainam Ghelani: Sir, what is the capex guidance for the next 2 years, that is FY '24 and FY '25?

V.S. Anand: Capex. Sorry, we were just checking on this. So, it's largely maintenance capex and debottlenecking that we have planned is also included in that.

Jainam Ghelani: Okay, sir. So, we are not planning to increase any capacities as of now, like only through the bottlenecking.

V.S. Anand: Yes, yes. That's right.

Jainam Ghelani: And would this – like what can be the sustainable margins going forward, sir, if you could give us some rough guidance?

P. Srinivasan: Margins per kg?

Jainam Ghelani: Yes.

P. Srinivasan: We cannot give any specific guidance on that because it all depends on the market situation. While we aim to maintain these numbers or we would like to improve, but it all depends on how the market unfolds.

Moderator: Our next question comes from Nitesh Dhoot with Prabhudas Lilladher.

Nitesh Dhoot: So, my first question is on the gross margins again. I just wanted to check if the gross margin impact was also a result, some higher cost inventory that was carried over from Q3 because I reconnect during our last interaction, you had mentioned 65% -- around 65% capacity utilization while the volumes suggest somewhat larger number. So, if you could just help understand.

P. Srinivasan: To answer your question very differently. While we understand that the operating rates done during the year was on the lower side because of degrowth. Our endeavour has been to capture volumes and maintain the absolute EBITDA per kg is what we are aiming for. In this process, there could be some change in, what to say, the gross margins, etc. So, we will get back to you on those exact details separately.

Nitesh Dhoot: Sure. So, sir, just to continue on this, I mean, is the spread also a function of the product mix, whereby we would have sold more of antioxidants versus accelerators and as I understand antioxidants would possibly carry slightly lower spreads there. Would that be a fair understanding?

P. Srinivasan: I think this quarter, we have seen a stock change debit, so which means we have sold something from the inventory that's what it is. Your question is on that whether cost is on the previous legacy cost was higher or this quarter is on the lower side, that's what you were looking for. It was not such a major big change in that sense. I think largely in this quarter, performance improved on account of volumes and very marginal impact of cost.

Nitesh Dhoot: Sure. Okay. So, sir, on accelerated sales volumes, how they actually behaved in FY '23. And just to continue from one of the previous participants questions that are we seeing any kind of demand challenges over there over the last few quarters? Or is it like -- is it or the sales normal? Because we've seen lower accelerator volumes from other players also. So just if you could help clarify this?

V.S. Anand: So, Nitesh, usually -- so they go in tandem, right? So, your volumes of antioxidants and accelerators they go in tandem. And typically, antioxidant consumption is larger than the accelerator consumption. So, from a demand perspective, the answer would be equivalent for both the product groups. And if you look at that from a domestic market, we still see the demand to be quite robust with clear plans by our customers to continue to grow.

And international markets, while there is quite a lot of apprehension about how the recession eventually pans out, but I think the demand in different parts of the world are quite different. So again, you see a lot more apprehension in Europe compared to the U.S. or Asia. And Asia seems to be a slightly a bit more, if not same to positive in terms of outlook into this year. So, demand side seems to be more flattish in the international markets and more robust in the domestic markets.

Nitesh Dhoot: Right, sir. So, my next question is on the working capital. So, we've seen improvement on the working capital side, I think by reduction in inventory days and also receivable days, do we see a further improvement on this front? Or are we back to optimal working capital intensity?

P. Srinivasan: Working capital is, actually -- it's not a yearly number, which you should be looking at. You look on a quarterly basis, and it's more to do with the quarterly performance, how the level of activity and the performance of the various parameters like sales and the raw material costs, etcetera. So, it's linked to that. That's number one.

Number two, while we have been making a conscious effort to indigenize our local supply chain procurement, this will reduce your lead time on inventories is what we are aiming for. Receivables are generally related to the quarterly sales. Trade payables depends on the payment terms offered by the supplies, whether it's the cash. It's the credit terms or less credit terms depending on the price advantage of the discount advantage. So that we will reach a dynamic situation.

So, from a working capital perspective, during the year, there was a degrowth, and that happened that helped us to recover in sum in short something like INR75 crores infusion of cash into the kitty. But going forward, yes, it depends and if the supply chain continues to be local procurement, then we will see not much significant level of active deployment in working capital. If the volume goes up, then definitely some additional working capital deployment will be required.

Moderator: Our next question comes from Damodaran with Acuitas Capital.

Damodaran Narayanan: So, a few questions from my side. The first one is, I mean, China Sunshine had recently released its AGM minutes when they called out that demand remains weak globally and supply exceeded demand, and they have embarked on a strategy of any increase in sales volume. So, in this backdrop, I mean, how does this pose as a challenge for NOCIL to gain market share in the exports market? I mean do you have to give higher discounts or adopt a more aggressive price strategy? And what are the impediments on that scientific highlight, that will be useful. That's one.

And another question is on the domestic market. We have seen almost most of the major tire manufacturers in India announced capex plans. So, what sort of visibility does it give for the domestic growth over the next 3 to 5 years? If you can sort of give us a number, that would be great. Yes, those were the 2 questions from my side.

V.S. Anand: Yes. Thank you, Mr. Damodaran. So, on the international markets, yes, I think all of us know that the Chinese pricing can swing from one side to the other, and there is that risk. But our focus is on working at a strategic level with customers on a more medium- to long-term basis and not look at it from a transactional basis. So, I see that, that tends to be more sustainable rather than look at prices going up or down, and we know that Chinese players can play it that way. So that's our approach, and we are quite positive that should work with the international customers, and that's the supply reliability and confidence that we have built with them in the last few years.

Coming to the domestic market, I think there is sufficient robustness in the market. So, if you look at tire companies, they have quite strong plans looking ahead, and they've also announced growth plans going into the next years and also projected to grow at about at least 10% on an annual basis for the next few years. So, we see that, that demand will also grow with that, and we can work closely with our customers to continue to improve our business.

The other sectors also, when we talk about the non-tyre part of the business, be it related to the auto segment or the industrial segment, they continue to grow at plus or minus 1% close to the GDP rates. So, I think that still looks positive as we look ahead.

Damodaran Narayanan: Sure. And I mean, given that -- I mean you're confident about exports as well as domestic business for you. And you -- I mean, with the overall capacity utilization, we can go up to like 68% to 70% growth is what I am feeling. How would you still look at capex announcements long term about -- capex over the next 2 years? But if our plans pan out, we should be running out of capacity in the next 2 to 3 years, is that a fair assumption?

V.S. Anand: Not really because we do see the opportunities for debottlenecking in many of our different plants. And in case -- we mentioned this also in the earlier call that we will take early action in case we see the need for additional big-time investments.

Damodaran Narayanan: Yes. And so, what will be quantum of capacity that you can add by debottlenecking, I mean if you can give a percentage?

V.S. Anand: Yes. It's about 10%, yes 5%, 10% yes, depending on the products. From product to product, it varies.

Moderator: Our next question comes from Swarnashish Chatterjee with Asterisk.

Swarnashish Chatterjee: Am I audible? My first question is, could you please share what is our market share in U.S. markets?

V.S. Anand: In the U.S. market, is it?

Swarnashish Chatterjee: Yes. And is there any Chinese import duty still going on?

V.S. Anand: Yes. There is still the Chinese import duty into the U.S. Our market shares in the U.S. would be quite low, I think, yes. It is low single digits, yes.

P. Srinivasan: Low single digit. However, from a base level of 2019, I think we have already grown up by 3x. From 100 level -- in that, from 100, we have come to 300.

Swarnashish Chatterjee: I think your volume is 1000 metrics tonnes and now you have moved to 3,000 metric tonnes and the market would be around 1 lakh metric tonnes.

V.S. Anand: No, no, no. I'm sorry. On index level, we were at 100 in 2019. Today, we are at 300. We are not talking about specific volume numbers.

Swarnashish Chatterjee: Okay. Okay. But in 2019, the volume share was around 1,000 metric tonnes, that's what I'm saying. But I am saying where do we see this volume in probably next 5 years? Would the China import duty would benefit us?

V.S. Anand: Yes. So, there are opportunities in the U.S. market and like what Mr. Srinivasan said, we have been able to increase the volumes and there are more approvals also continuing in the U.S. market, and we see that they will also slowly start increasing in the next few years.

Swarnashish Chatterjee: And do you see our full capacity utilization by FY '25?

V.S. Anand: Full capacity utilization by FY '25. So, I think we did initially give a certain timeline, but I would say we kind of then also given the uncertain environment, I think we'll take it as we go along, yes.

Moderator: Our next question comes from Anubhav Sahu with McPro Research.

Anubhav Sahu: So, I had this question about the opportunity we are seeing in Europe. Is it more about getting new customers or it's an extension of portfolio of existing global customers? And if you could also talk about how much Europe now contributes to our export, please?

V.S. Anand: So, if you look at most of our customers, we are already present. So, it's more expanding our portfolio presence with these customers, and that would mean entail approvals and things like this. So basically, bottom lining the answer, we are present with most of the customers, it is an expansion within the customers.

In the non-tires part in Europe, we probably would be touching newer customers. If you look at the share of our total -- in Europe, our total -- out of our total exports roughly about 20% to 25% would be a total share from Europe.

Anubhav Sahu: And just a clarification, regarding debottlenecking, I think did you mention that it will contribute to about 5% to 10% capacity expansion?

V.S. Anand: That's right.

Anubhav Sahu: That's right. Good. And sir, what would be the capacity utilization right now, given how the volumes there in Q4?

V.S. Anand: For the year, we recorded 62%. I think for the quarter, we may be about 66%, 68%.

Moderator: Our next question comes from Shivani with Axis Securities.

Shivani: I am new to the company. Can you please tell me the current product-wise capacity for key different products and the current capacity utilization level?

V.S. Anand: Ma'am, we don't give any product-wise capacity breakup. However, we can -- just now with the previous question we answered that for the financial year '23, our capacity utilization was 62%. For the recent quarter, Q4 '23, we have utilization at 66%, 68%.

Moderator: Our next question comes from Aditya Khetan with SMIFS Institutions.

Aditya Khetan: The debottlenecking exercise of 5%, 10%, this will be completed in FY '24 or FY '25?

P. Srinivasan:: Largely FY '24. Maybe some additional option comes, we will even explore that.

Aditya Khetan: FY '24, and sir, what would be the rough capex which we have highlighted.

V.S. Anand: It's very marginal. It's not major amount.

Aditya Khetan: Okay. And sir, just -- sir, one more follow-up, sir. Earlier, we had stated the guidance on to the newer capacity, which we had expanded 2 years back. We have stated that by March '24, we would be reaching peak utilization. So, any sort of change to that guidance or...

V.S. Anand: So, I -- yes, I tried to address that a little while earlier. So, I think given the environment, I would not want to put specific timeline to this, Mr. Khetan.

Moderator: Our next question comes from Rohit Nagraj with Centrum Broking.

Rohit Nagraj: So, first question is on the inventory destocking happening in domestic and global market. Is the inventory destocking completed and now the normalized volumes are happening?

V.S. Anand: Yes. We did see inventory destocking. I would say it has stabilized to a certain extent, but there is still -- there's a lot of cautiousness in the purchase. I would still say that.

Moderator: Rohit there is disturbance in your line.

Rohit Nagraj: Sir, in terms of the raw material prices, so have they also more or less stabilized and in terms of the operating environment from the fuel cost, power cost, more or less now there is no significant fluctuation.

S.R. Deo: Rohit, I think you are aware of what's happening in the crude market. I think the crude price continued to fluctuate and most of our major raw materials are the precursors from crude. So, there is always 2 types of things. One is the crude oil prices; it starts affecting the prices. And the second is the demand/supply position. Okay. So, it's a pretty complex situation. I think sometimes we see that the prices are going down. Sometimes we see that petrochemical starts operating at a lower operating rate, which takes the prices up.

Rohit Nagraj: Okay. Just a couple of bookkeeping questions to Srini, sir. What is the cash at the end of the year? And what was the exports revenue during the year?

P. Srinivasan: Exports revenue was INR491 crores. I think Anand briefed at the start of the call. Cash at the end of the year may be around INR200 crores.

Moderator: Our next question comes from the line of Nirav Jimudia with Anvil Research.

Nirav Jimudia: So, 2 questions here. So, one on the latex side. So, I think this is predominantly our specialty portfolio. And this has seen a degrowth in FY '23. So, if you can share what was the utilization level in FY '23 and FY '22 for the latex portfolio of products?

P. Srinivasan: I think, Nirav, to address the question very differently, you should look at the rubber consumption in the Southeast Asian market consumption parameters. That probably will answer most of your queries. And it should be -- I think it's just about minus 30% degrowth in rubber consumption in that market. So, we essentially have to follow the same trend. And in a market which is as depressed, so our degrowth will be slightly higher than that.

Nirav Jimudia: Got it. Got it. Okay. Sir, second question is on the cash level what we have. So, I think you mentioned that we have some INR200 crores of cash in our balance sheet. So are there any opportunities in the near term where some of the products probably where we are not present, some of where we just imported in India and where we feel that now our R&D has done some sort of breakthroughs in terms of replacing those imported products, and we can plan any immediate capacities over there or on the export side, have we developed some products where earlier we were not there and we can now have a breakthrough and we can set up those capacities not with sort of higher capex, but with the minimal level of capex, we can set up those capacities and get those breakthroughs?

V.S. Anand: Yes. So, Nirav, there are 2 ways we look at this. And as you pointed out, one is the indigenization part, and that's something that we are working with the customers to see where the opportunities are in terms of local production. Our first option would be to see how if we can swing our existing capacities to produce some of these products, where there are some opportunities to do that, we are doing it wherever it's possible.

And in terms of other products, which you have touched, which is about newer products and that is something we are working with not only domestic, but also international ones. And there are -- there is work in the pipeline, and these things take some time, but we are positive, something will come out in the near future.

Nirav Jimudia: Got it, sir. And sir, in terms of the process part if we compare ourselves with the competitors for some of the products or let's say, the bunch of the products what we have. Do we feel that we still need to improve on the process side for any of these products where it will ultimately help us to improve our margins. So, do you feel that some work has to be done on that part also apart from the newer products, which we eventually plan to introduce?

P. Srinivasan: Nirav, actually, to address the question you have to compare the performance of, say, some of our competitors and especially Chinese competitors. When we look at the Chinese players, they get some favourable export incentives of tax rebates, they incorporate in their financials and the profitability. In our case, we don't have that much luxury or that flexibility.

So, despite that, if our performance on a per kg basis or on an overall basis is almost better than the China -- Chinese competitors, it gives us the belief that technologically we are slightly superior than their perspective. To that extent, it gives us confidence. At the same time, having achieved this stage, our endeavour will be continually to improve our technologies on a regular basis.

Nirav Jimudia: Got it. Got it. Sir, last question from my side would be at what level of capacity utilization, we feel that a real benefit of operating leverage would start kicking in. We are at 62% -- 67% for Q4. So, let's say at what level of utilization we feel that the real benefit of operating leverage would start kicking in. And at that point of time, we can think of a fresh round of capexes?

S. R. Deo: So, Nirav, I think this is -- if you really look at it, it's a linear equation. As we keep on increasing the volume, we'll continue to get the benefit of operating leverage. It's not a break point, it's a continuous process. So that's what I think exactly we have been saying that our endeavour is to keep on increasing the volumes so that we continue to get the operating benefit.

Moderator: As there are no further participants in the queue, I now hand over the conference to Mr. S.R. Deo for closing comments.

S. R. Deo: Thank you. I take this opportunity to thank everyone for joining the call. I hope we have been able to address all your queries. For any further information, kindly get in touch with me or Strategic Growth adviser, our Investor Relation adviser. Thank you, once again.

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