# BESPOKE

Advice for a select few

ANANDRATHI
PRIVATE CLIENT GROUP
EQUITY
PCG

# PCG Advantage

Premium Services handcrafted for HNI Clients

Award Winning Advisory backed by quality Research

High-tech and hassle-free Investment Platforms

## Demat & Trading

- Equities
- Commodities
- Currency
- Depository Services

## Equity Services

- Research Report
- Portfolio Restructuring
- Basket Advisory Products
- Loan against Securities
- Margin Trading Facility
- Stock Lending and Borrowing Mechanism

## PMS

- Anand Rathi MNC Portfolio
- Anand Rathi Impress
- Anand Rathi Portfolio Plus
- ASK

## Structured Products

- Debt Structured Products
- Equity Structured Products

## Mutual Funds

- Equity Mutual Funds
- ELSS
- Debt Mutual Funds
- Mutual Fund Advisory

## Insurance

- Life Insurance
- Health Insurance
- Insurance Audit

# Equity Investing: *Global Markets Update*

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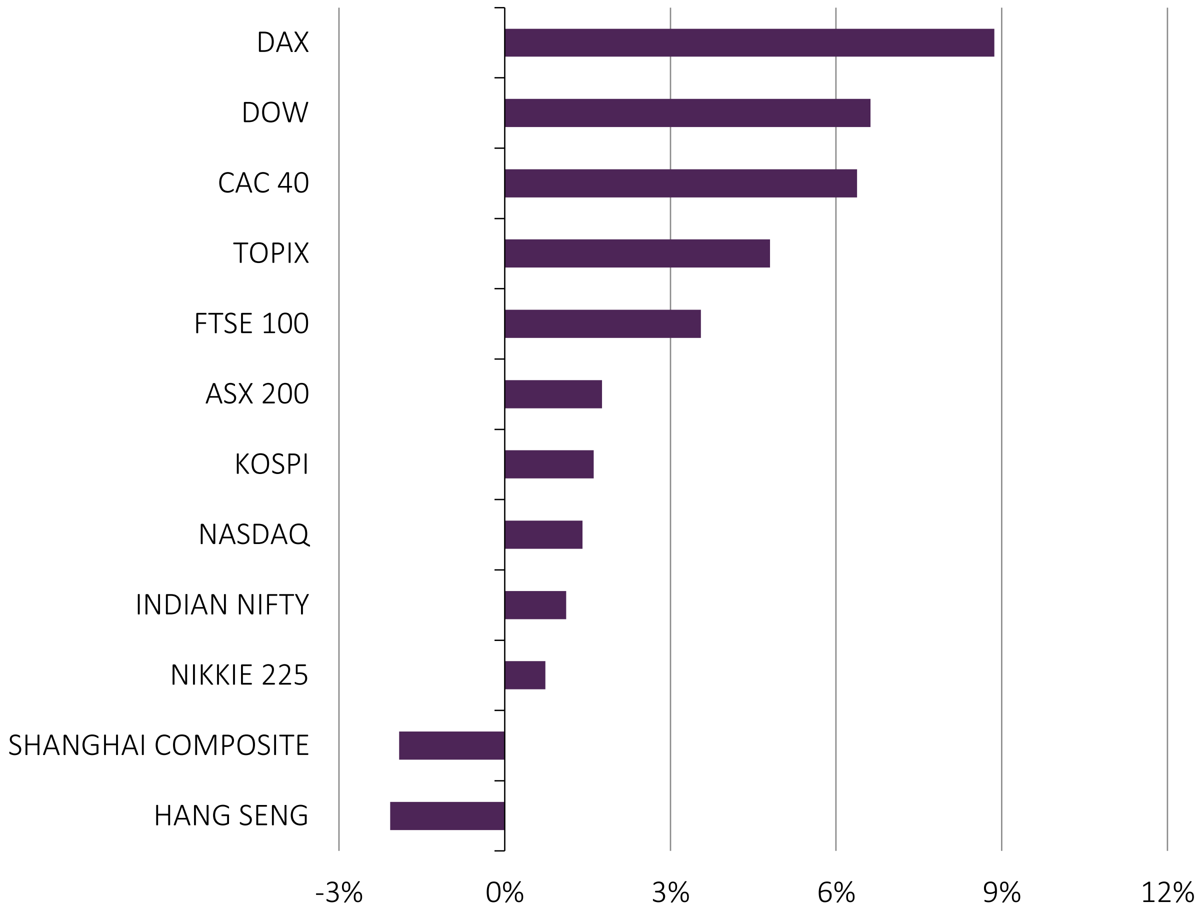
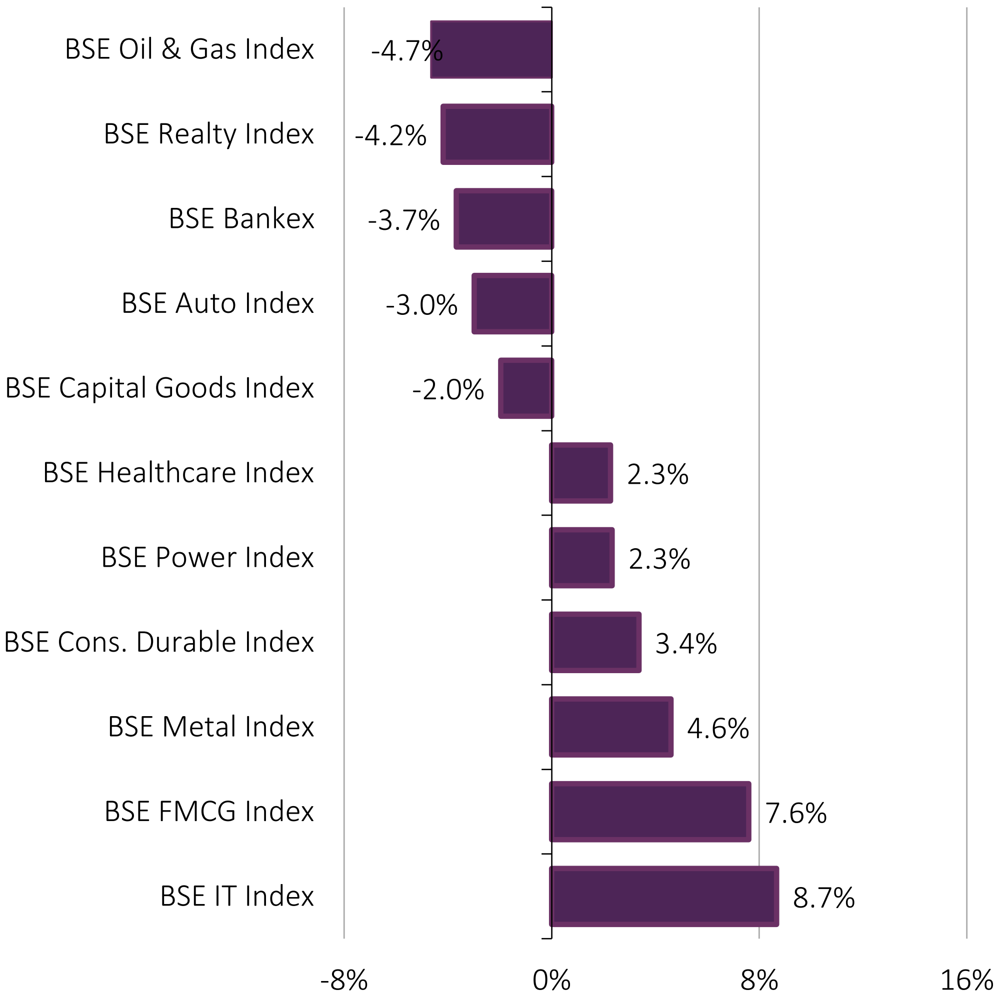
## Global Markets performance in Mar-21

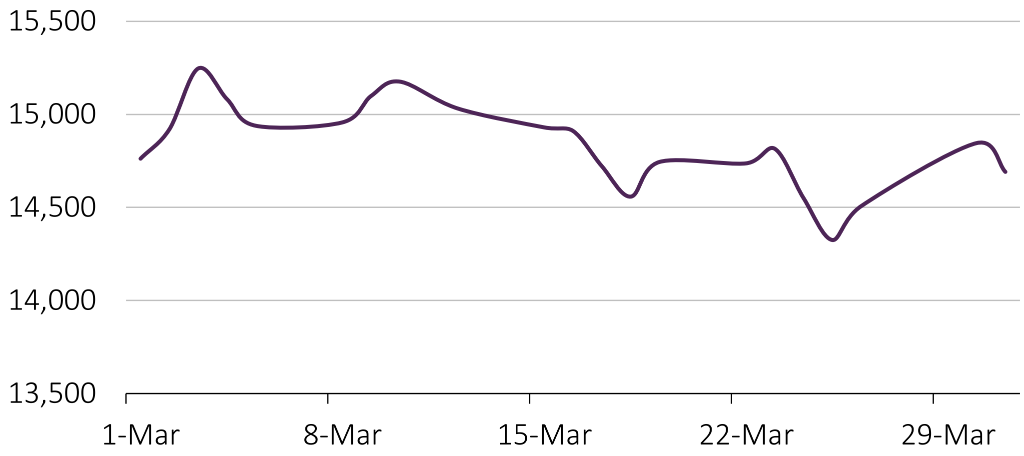


# Equity Investing: *Monthly musings*

## Sector wise performance during the month




## NIFTY Performance in Mar 2021

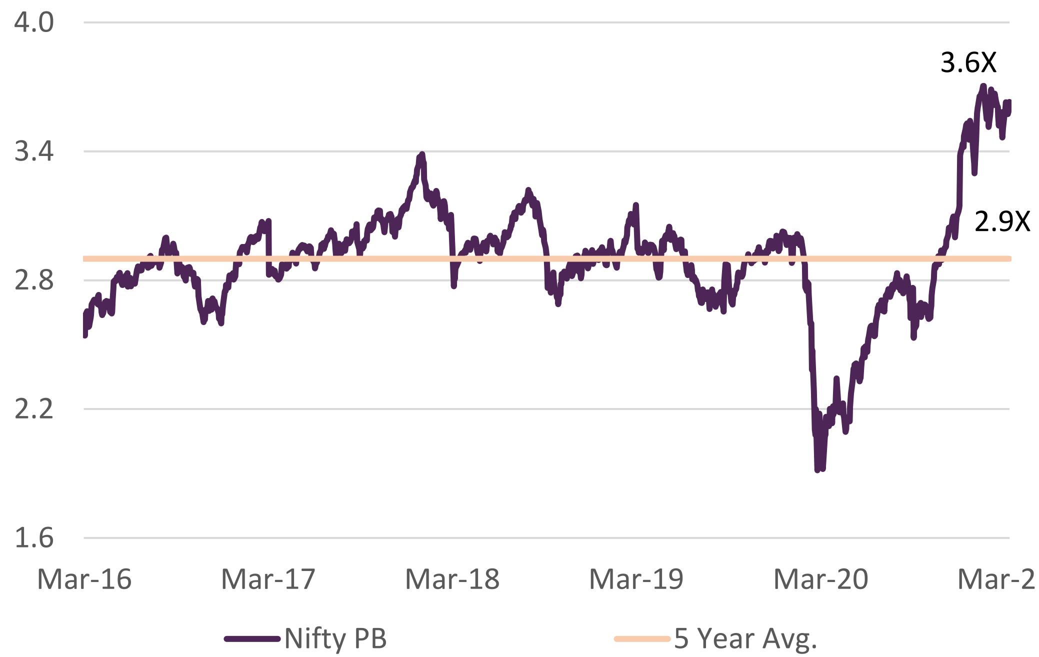



## NIFTY monthly performance for trailing 12 months

# Equity Investing: *Index valuations*

## Nifty Trailing 12M P/E & 5 Yr. Avg. P/E

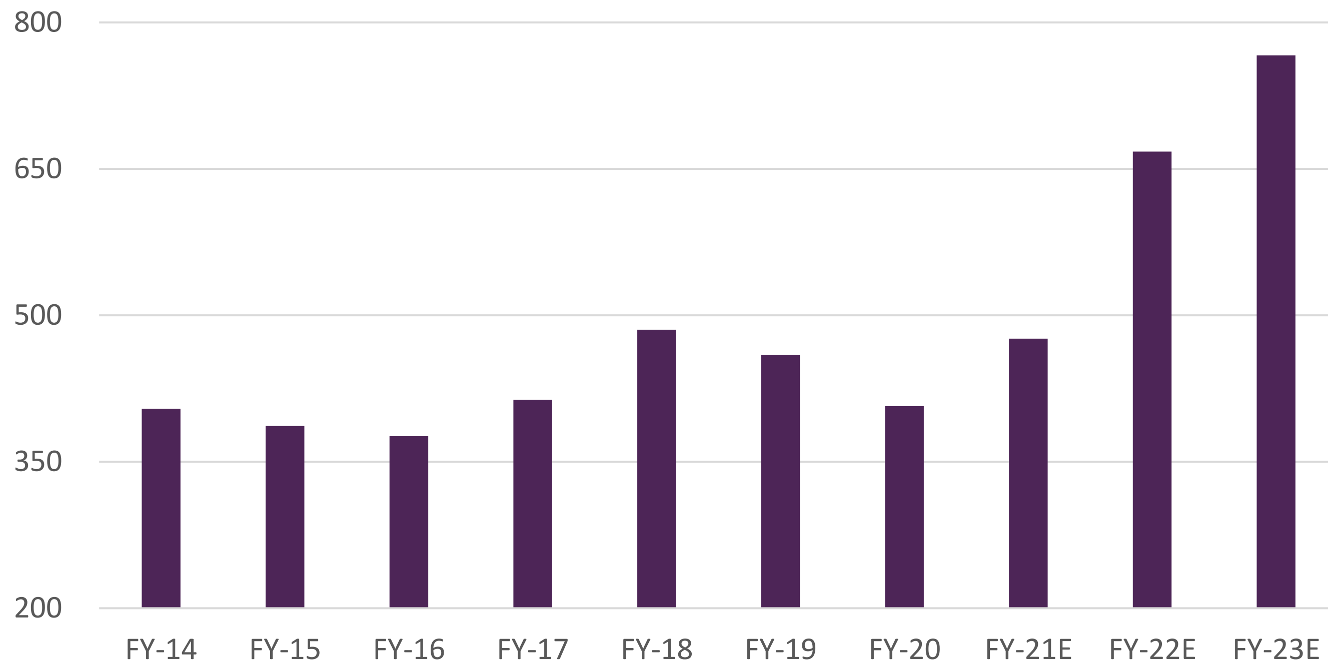

## Nifty Trailing 12M P/B & 5 Yr. Avg. P/B




- Currently Nifty50 is trading at around 36.1x its trailing 12 month price to earnings ratio while its five year historical average price to earnings ratio stands at around 24.2x. A premium of around 49% from its five year historical average.
- In terms of price to book ratio, the Nifty50 is trading at around 3.6x it price to book while its five year historical price to book ratio stands at around 2.9x. A premium of around 24% from its five year historical average.

# Equity Investing: *Index valuations contd.*

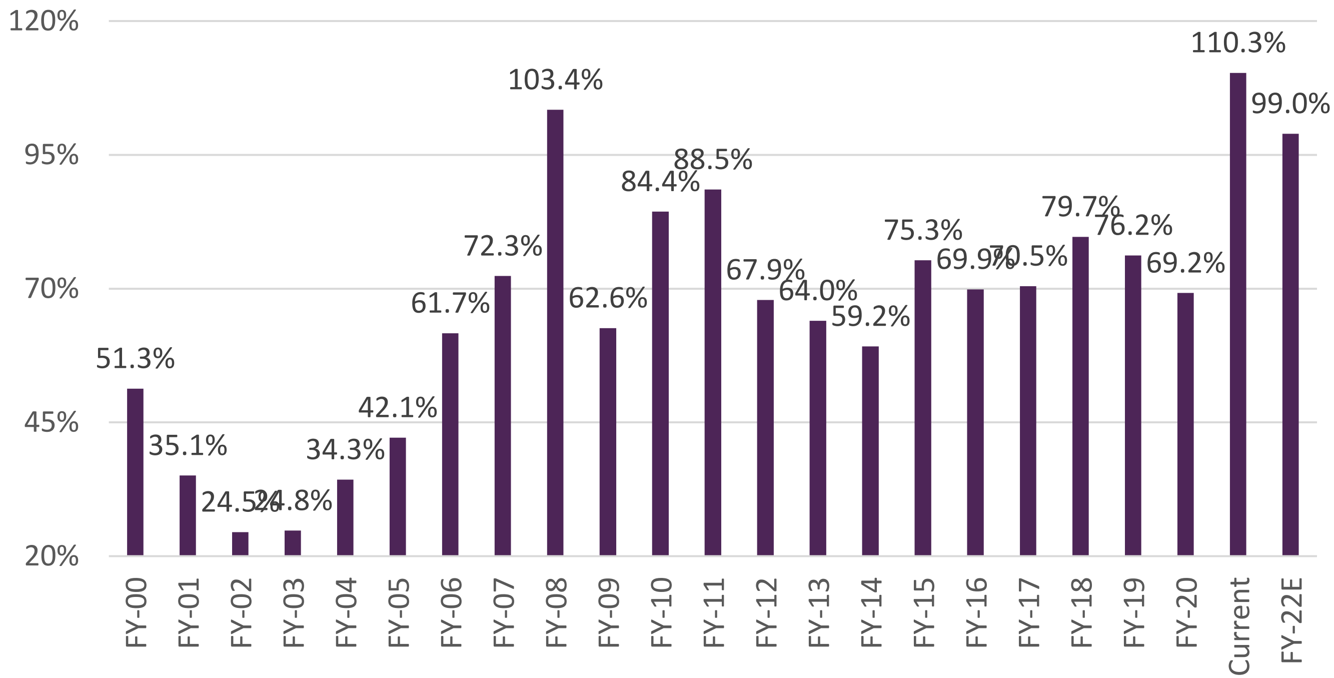
## Nifty Historical and Estimated EPS (Consensus)




- Nifty50 earnings are estimated (consensus) to grow at a CAGR of about 24% in next three years from FY20 onwards till FY23.

# Equity Investing: *Broader Market valuations*

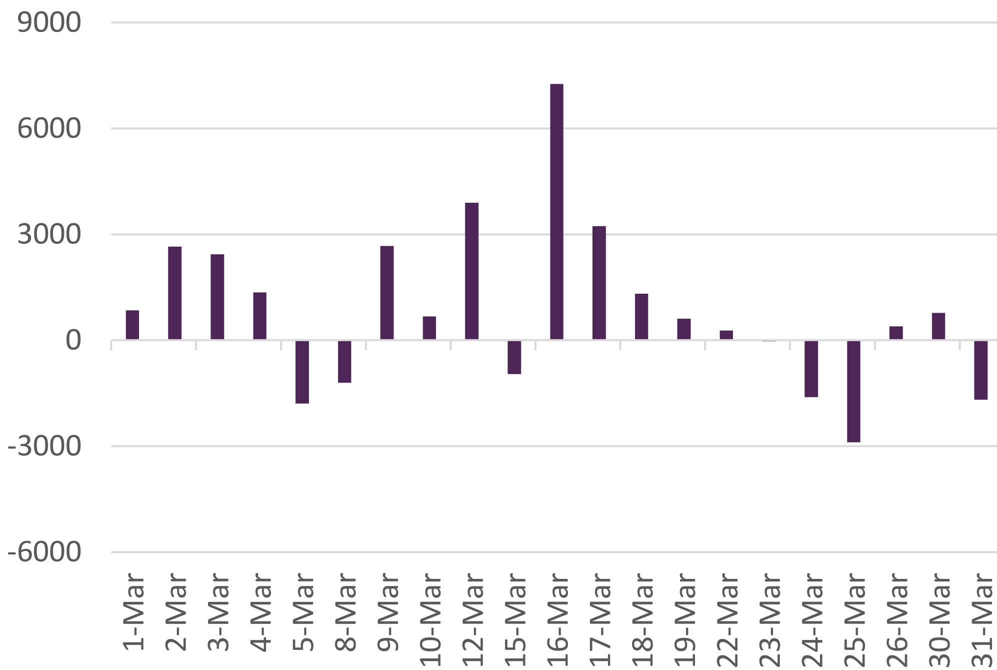
## India Market Cap. to GDP Ratio



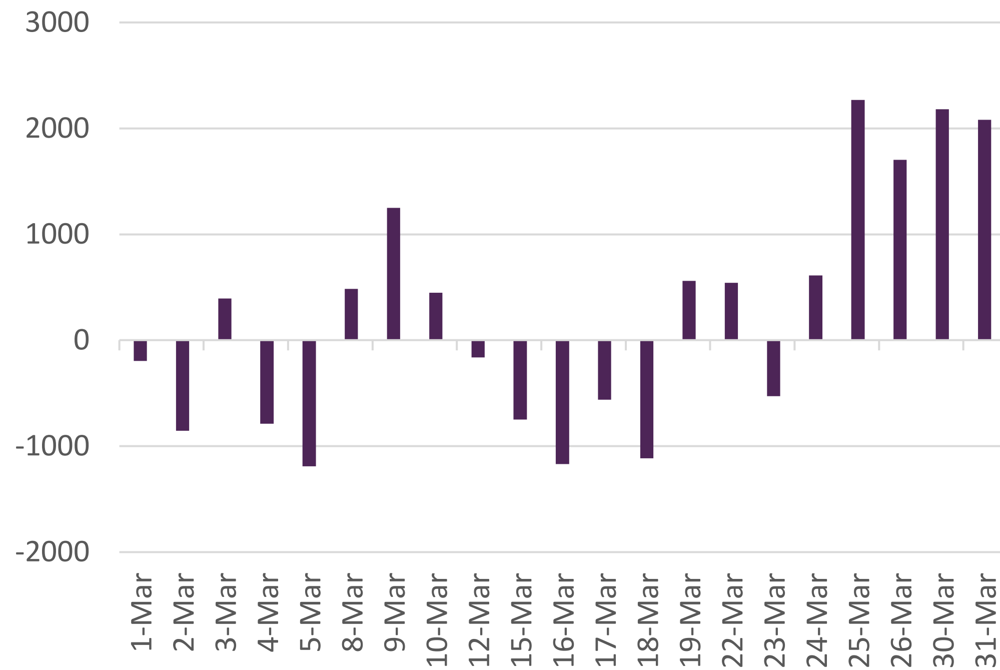

- Currently Nifty's market capitalisation to GDP (FY20) ratio stands at about 110.3% at month end while it was about 109.7% at the start of the Mar-21 month.
- The ratio is considered an indicative of overall equity market sentiments and cycles.

# Equity Investing: Big *Money Flow*

## FII Monthly Inflows in Equity (₹ Crore)



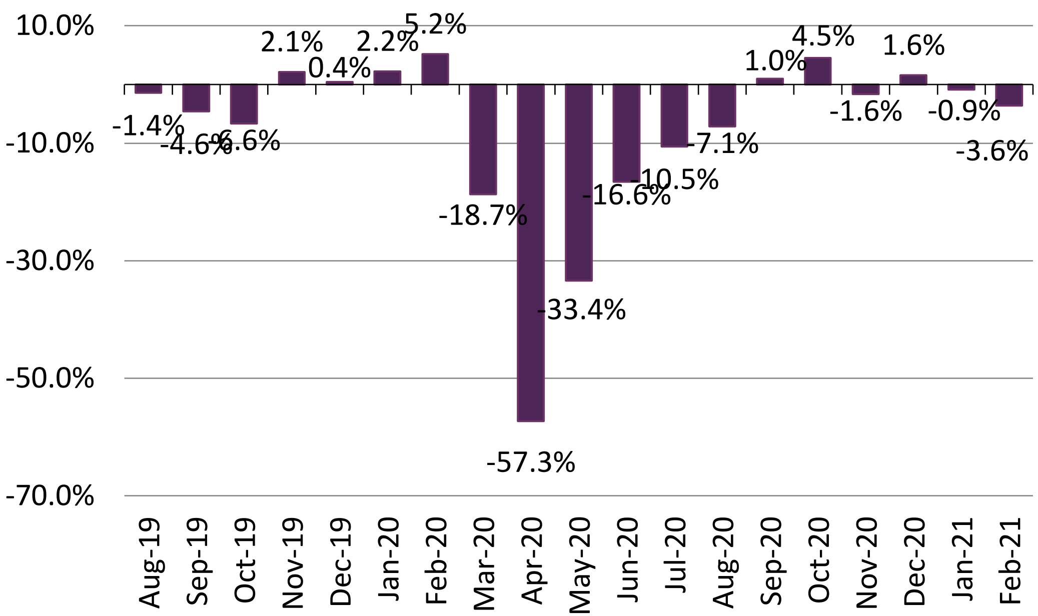

## DII Monthly Inflows in Equity (₹ Crore)



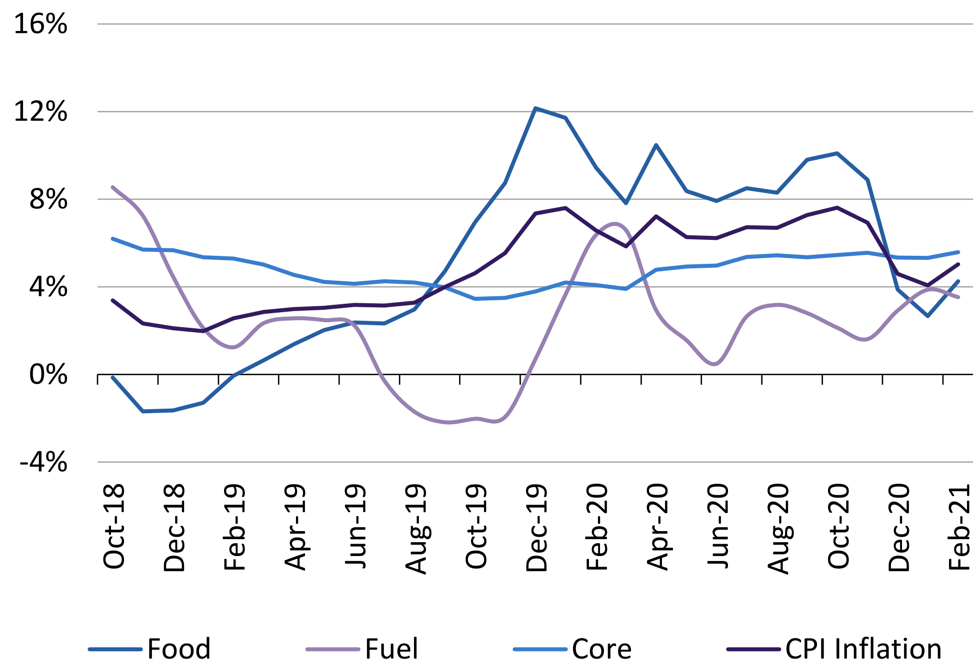

- FII monthly inflows for the month of Mar-21 has seen net inflows of almost ₹18,207 crores, as evident by positive global market factors for past few months on account of visibility in effective COVID vaccine.
- On the other hand, domestic funds have seen first net inflows in many months with net inflows standing at around ₹5,204 crores.

# Equity Investing: Growth & Inflation

## IIP Growth (%) trend (2011-12 base)




## Food, Fuel, Core & CPI Inflation (%) YoY




- Index of Industrial Production (IIP) data for the latest month Feb-21 continued its negative trend of Jan-21 month. The index stood at -3.6% for the month.
- Latest inflation data released showed pickup in overall inflation with core inflation at 5.6% with CPI at increased levels of 5%. The Food inflation for the Feb-21 month stood at 4.3% while fuel inflation at 3.5% for Feb-21 month.

# Model Basket / Portfolio

**Objective:**

- Focus on Return Optimization by investing in multi cap portfolio of rising enterprises with sound corporate track record and sustainable business model keeping balance between value and growth strategy.

Value investing is the art of buying stocks which trade at a significant discount to their intrinsic value. Portfolio Manager achieve this by looking for companies on cheap valuation metrics, typically low multiples of their profits or assets, for reasons which are not justified over the longer term.

Growth investing is a style of investment strategy focused on capital appreciation. Portfolio Manager invest in companies that exhibit signs of above-average growth, even if the share price appears expensive in terms of metrics such as price-to-earnings or price-to-book ratios.

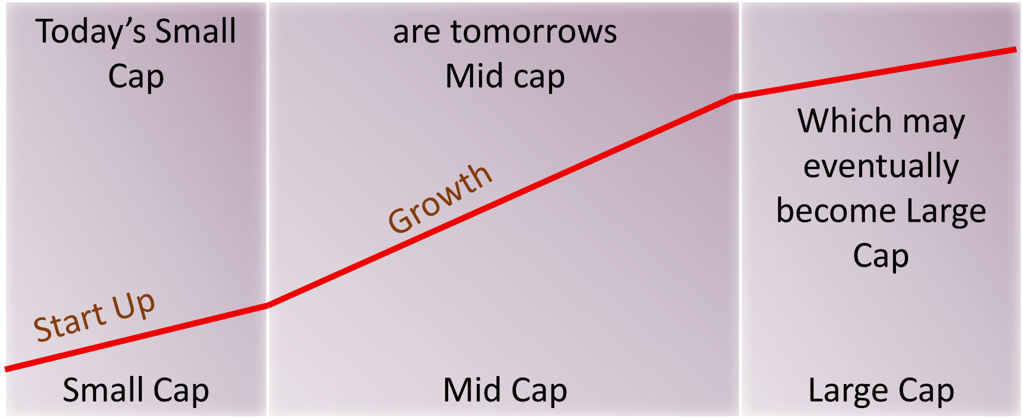
Value

Growth

# Why Multi-cap Strategy

| | Bull Period | | | |
|---|---|---|---|---|
| | Apr-03 | Dec-07 | CAGR | Volatility |
| **Sensex** | 2960 | 20287 | 51.0% | 22.0% |
| **BSE Mid Cap** | 952 | 9789 | 64.6% | 25.0% |
| **BSE Small Cap** | 893 | 13348 | 78.4% | 31.6% |
| | **Bear Period** | | | |
| | Dec-07 | Dec-11 | CAGR | Volatility |
| **Sensex** | 20287 | 15455 | -6.6% | 31.2% |
| **BSE Mid Cap** | 9789 | 5135 | -14.9% | 40.5% |
| **BSE Small Cap** | 13348 | 5550 | -19.7% | 45.4% |
| | **Current Bull period** | | | |
| | Dec-11 | Dec-19 | CAGR | Volatility |
| **Sensex** | 15455 | 41254 | 13.0% | 9.0% |
| **BSE Mid Cap** | 5135 | 14968 | 14.3% | 12.0% |
| **BSE Small Cap** | 5550 | 13699 | 11.9% | 13.5% |

- The table shows outperformance of the Mid Cap and Small Cap Index over the Sensex Index during the Bull Period.
- Outperformance of the Mid Cap and small caps happens because of better earnings growth in the bull phase.
- The P/E for Mid cap and Small Caps also expands as earnings growth is superior v/s Sensex earnings growth.
- Identifying the business within attractive valuation compare to their growth is key factor for outperformance.




- Returns delivered from Mid Cap and Small Cap do outperform the Large Cap, however one should keep in mind the risk associated with it as we see the higher volatility in it. Therefore we emphasis on stringent stock selection strategy and create a diversified Multi-cap portfolio to create alpha over the benchmark.

# Investment Process

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**Allocation**

**Stock Selection**

## Business Model either in
1) Improving Market Share 2) Leadership
3) Niche Business Model

## Rising Enterprises
1) Stable and Improving Margins
2) Improving ROE and ROCE

## Sustainability
1) Visibility of Earnings over next 2-3 years
2) Predictable business model

## Sound Corporate Track Record
1) Management back ground
2) Accounting & Corporate policies

## Sector opportunity
1) Sector potential to grow
2) Cyclical / Non Cyclical 3) Favoring Policies

## Diversification
1) Sectorally well diversified portfolio of 15-20 stocks across Market Capitalization

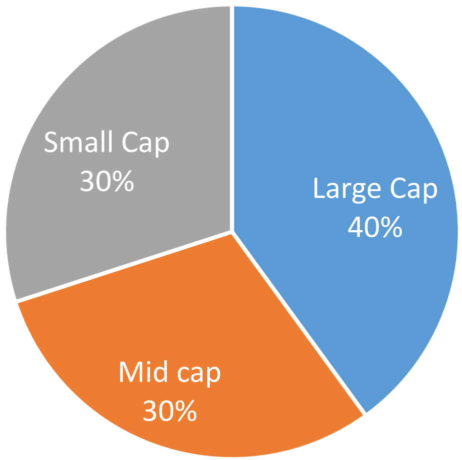
## Exposure
1) Single Stock exposure < 10%
2) Single Sector exposure < 30%

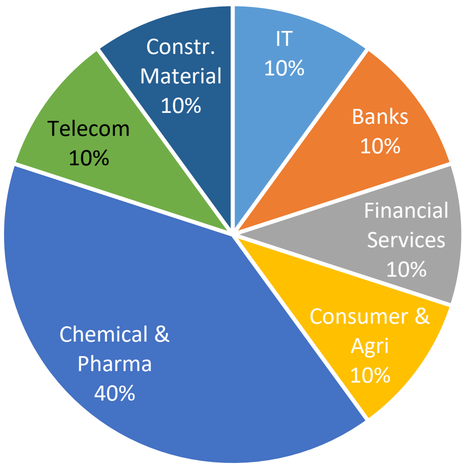
# Top Holdings & Allocation

| S.No. | Large Cap | % Weight |
|---|---|---|
| 1 | UPL Limited | 10% |
| 2 | ICICI Bank Limited | 10% |
| 3 | HCL Technologies Limited | 10% |
| 4 | Bharti Airtel Limited | 10% |

| S.No. | Mid Cap | % Weight |
|---|---|---|
| 1 | Aarti Industries Limited | 10% |
| 2 | Nippon Life Asset Management Limited | 10% |
| 3 | Alkem Laboratories Limited | 10% |

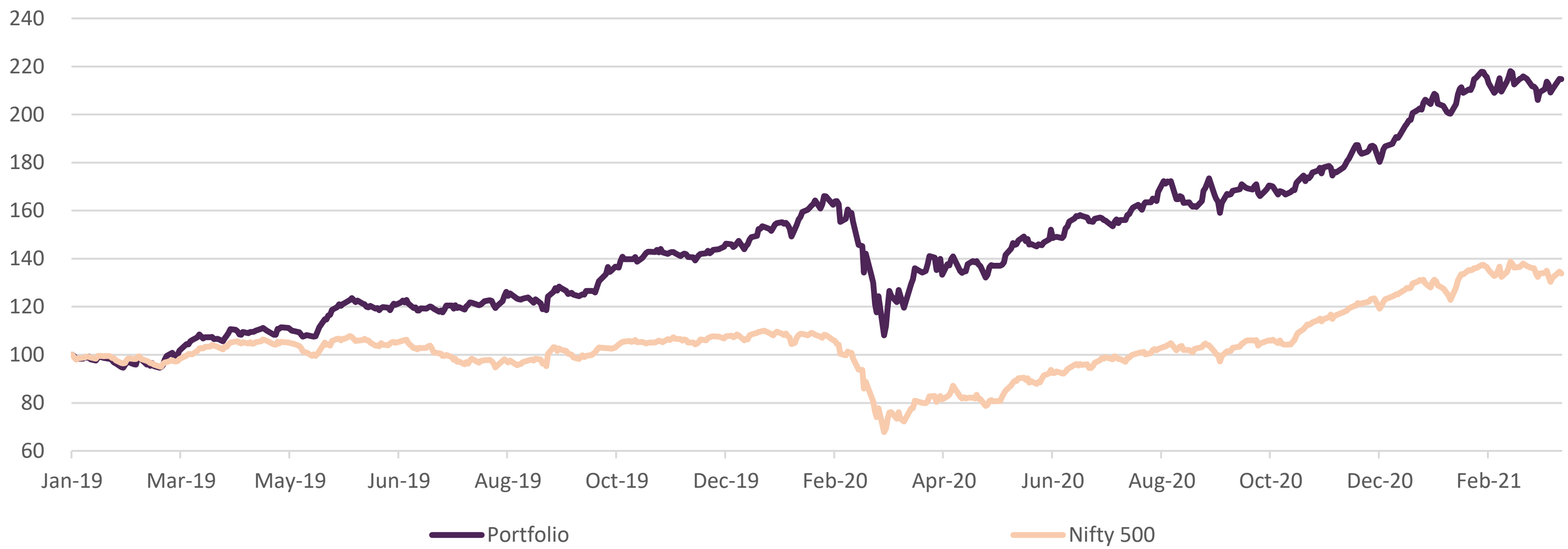
| S.No. | Mid Cap | % Weight |
|---|---|---|
| 1 | Vinati Organics Limited | 10% |
| 2 | Heidelberg Cement India Ltd. | 10% |
| 3 | NOCIL Limited | 10% |




NOTE: Basket /Portfolio is Equal weight with monthly rebalance strategy. As of 31st Mar 2021.

# Basket / Portfolio Performance




| Period | Portfolio % Return | Nifty500 % Return |
|---|---|---|
| One month | 2.6% | 1.1% |
| Three months | 13.0% | 6.9% |
| Six months | 28.8% | 31.8% |
| One Year | 69.3% | 76.0% |

NOTE: Performance as of 31st Mar 2021.

# Basket / Portfolio Stocks Rationale

## UPL Ltd. (UPL)

- UPL Limited is one of the top 5 crop protection product companies worldwide. The company's diverse product portfolio includes fungicides, herbicides, insecticides, plant growth regulators, rodenticides, specialty chemicals, nutri-feeds, seeds and seed treatment products. UPL currently has 48 manufacturing facilities across the world and presence in more than 130 countries. Region wise, during FY20, Latin America constituted 38% of total revenues, followed by 16% in North America, 15% in Europe, 11% in India while rest of the world accounted for 20% of the revenues. UPL intends to strengthen its presence in markets like Asia and Africa for driving further growth.

- Addressing debt concerns, UPL reduced net debt-to-EBITDA from 3.7 to 2.9 levels at end of FY20 and remains committed to further lower to about 2 levels by FY21 to maintain its investment-grade rating. The company also looks to further reduce its working capital intensity and lower fixed costs. Notably, the company recently reduced gross debt by $410 million by pre-paying 2021 USD Bonds.

- Given a robust R&D, UPL boasts of a strong product pipeline of active ingredients with focus on tapping opportunity in the growing post-patent market as well as increase market share in the proprietary chemical market. UPL will continue to invest in Capex, R&D and digital projects.

- During Q3FY21, the company reported 3% year over year (y/y) growth in revenues at ₹91,260 million. Volume growth was 7%. The quarter witnessed strong volume growth across Europe, India, North America and ROW regions. Latin America was impacted by a delayed season in Brasil due to drought and unfavourable forex. PAT jumped to ₹7,940 million from ₹7,010 million in Q3FY21.

- The company reported net working capital days reduction by 19 days to 117 days in Q3FY21. Further, gross debt reduced by ₹39,800 million to ₹2,78,370 million.

- For FY21, management reiterated its guidance of 6-8% growth in revenue and 10-12% in EBITDA. It expects to drive growth by focusing on differentiated and sustainable solutions as well new product launches. Further, it also expects price increases in local currencies, cost savings and synergies to support margins. We believe UPL remains well positioned for long term growth, given its, strong market position, diverse product offering, expectations of reduced debt levels, and decent revenue and cost synergies from Arysta acquisition.

# Basket / Portfolio Stocks Rationale

## ICICI Bank Ltd. (ICICIBANK)

- ICICI Bank is a large private sector bank in India offering a diversified portfolio of financial products and services to retail, SME and corporate customers. The Bank has an extensive network of branches, ATMs and other touch points. It is at the forefront of leveraging technology and offering services through digital channels like mobile and internet banking.

- The company reported a net interest income growth of 16% in its Q3-FY21 standalone results at ₹99,120 million as against ₹85,450 million in Q3-FY20, driven by advances growth of 10% and a net interest margin of 3.67%. Non-Interest Income, excluding treasury income declined by 3% YoY to ₹39,210 million in Q3-FY21.

- Provisions (excluding provision for tax) were ₹27,420 million Q3-FY21 compared to ₹20,830 million in Q3-FY20. During Q3-FY21, the Bank made contingency provision amounting to ₹30,120 million for borrower accounts not classified as non-performing pursuant to the interim order of the Supreme Court. The Bank utilised ₹18,000 million of Covid-19 related provisions made in the earlier periods.

- Core operating profit (profit before provisions and tax, excluding treasury income) grew by 15% year-on-year to ₹80,540 million in Q3-FY21. Profit after tax grew by 19% YoY to ₹49,400 million in the quarter ended December 31, 2020 compared to ₹41,460 million in the quarter ended December 31, 2019.

- Total advances increased by 10% YoY to ₹6,990,170 million at December 31, 2020 from ₹6,356,540 million at December 31, 2019. The year-on-year growth in domestic advances was 13% at December 31, 2020. The Bank has continued to leverage its strong retail franchise, resulting in a 15% YoY growth in the retail loan portfolio at December 31, 2020. Growth in the performing domestic corporate portfolio was about 10% YoY.

- During the quarter, the gross additions to NPAs were ₹4,710 million. Recoveries and upgrades, excluding write-offs, from nonperforming loans were ₹17,760 million in Q3-FY21. Net non-performing assets reduced by 53.21% from ₹103,885 million at December 31, 2019 to ₹48,605 million at December 31, 2020. The net NPA ratio decreased from 1.49% in December 31, 2019 to 0.63% in December 31, 2020.

- We remain positive on ICICIBANK, considering a strong b/s (granular, sticky liability base, lower stress levels, high provision coverage ratio and adequate capital adequacy ratio), strong growth in advances, high casa ratio and improving asset quality.

# Basket / Portfolio Stocks Rationale

## HCL Technologies Ltd. (HCLTECH)

- HCL Technologies is a next-generation global technology company that helps enterprises reimagine their businesses for the digital age. In order to thrive in the digital age, technologies such as analytics, cloud, IoT and automation occupy center stage. In order to offer enterprises the maximum benefit of these technologies to further their business objectives, HCL offers an integrated portfolio of products and services through three business units. These are IT and Business Services (ITBS), Engineering and R&D Services (ERS), and Products and Platforms (P&P).

- The company reported strong results for the quarter under review. Revenue from operations improved by 6.4% year-on-year to ₹193,020 million on a reported basis. In constant currency (CC) terms the revenue grew by 1.1% YoY. The company reported healthy revenue growth mainly led by better performance in Americas (geographically).

- Mode-2 & Mode-3 business grew by 25.0% & 3.5% YoY respectively. Segment wise, Product Platforms and IT business services led growth during for the quarter by 9.3% & 1.1% YoY respectively. Among verticals – Technology, Lifesciences and retail led the growth by 20.2%, 13.3%, 3.0% YoY respectively.

- On profitability front, the EBITDA from operations for the quarter improved by 21.5% year-on-year at ₹56,240 million with a margin of 29.1%. The company achieved the reported PAT of ₹39,690 million, a growth of 34.8% year-on-year with a net margin of 20.6% translating into EPS of ₹14.63 per share for the quarter.

- The company's revenue crossed $10 billion milestone in CY20 and it signed 13 transformational deals during the quarter driven by life sciences & healthcare, technology and financial services.

- HCL completed the acquisition of Cisco's Self-Optimizing Network (SON) technology. This acquisition, which comprises products and services built on Cisco's SON technology, will help HCL meet the growing needs of its clients in the telecommunications industry globally. HCL also launched various new products as its clients are adopting new technologies at the core of their business models.

- Constant currency revenue guidance for Q4 is expected to be in the range of 2% to 3%. EBIT guidance stands revised upwards to 21% to 21.5%. The management declared dividend of ₹4 per share for the quarter. With continuity of robust growth across Mode-2 and Mode-3 business (39% of revenue combined), we expect the growth momentum to continue in the near term supported by strong products, deal pipeline and ramp up of large deals. Overall, the results were above our expectations.

# Basket / Portfolio Stocks Rationale

## Bharti Airtel Ltd. (BHARTIARTL)

- Bharti Airtel Limited is a leading global telecommunications company with operations in 18 countries across Asia and Africa. The company ranks amongst the top 3 mobile service providers globally in terms of subscribers. In India, the company's product offerings include 2G, 3G and 4G wireless services, mobile commerce, fixed line services, high speed home broadband, DTH, enterprise services including national & international long distance services to carriers. In the rest of the geographies, it offers 2G, 3G, 4G wireless services and mobile commerce. Bharti Airtel had ~458 million customers across its operations at the end of December 2020.

- Bharti Airtel posted the highest ever consolidated quarterly revenues of ₹265,180 million – up 24.2% YoY. The company's India business witnessed highest ever quarterly revenues of ₹190,070 million – up 25.1% YoY. Mobile services India revenues up 32.4% YoY led by improving realizations coupled with strong customer additions. Airtel's Business revenues up by 9.2% YoY on the back of strong demand for connectivity and solutions. Its Digital TV business further strengthens its leadership position in the market

- Consolidated EBITDA at ₹121,780 million; EBITDA margin at 45.9% - improvement of 464 bps YoY. India business posts EBITDA of ₹85,890 million; EBITDA margin at 45.2%; up 594 bps YoY

- The company reported industry leading operational indicators underscoring strong business momentum - During Q3FY21, 4G customers were up by 12.9 Mn for the quarter to reach 165.6 Mn, Mobile ARPU at ₹166 vs ₹135 in Q3'20, Digital assets recorded over 190 Mn digitally engaged Monthly active users, Highest ever customer additions of 215K in the homes business in Q3'21, Digital TV business added 485K customers, base increases to 17.9 Mn in Q3'21

- The company reported a Net Profit of ₹8536 million in Q3FY21 compared to Net Loss of ₹10,353 million in Q3FY20.

- We believe Bharti Airtel Ltd. remains well positioned as it continues to invest ahead of the curve to create capacities and provide services to it customers.

# Basket / Portfolio Stocks Rationale

## Aarti Industries Ltd. (AARTIIND)

- Aarti Industries is a leading Indian manufacturer of Speciality Chemicals and Pharmaceuticals with a global footprint. Chemicals manufactured by Aarti are used in the downstream manufacture of pharmaceuticals, agrochemicals, polymers, additives, surfactants, pigments, dyes, etc. The company has 18 manufacturing plants & 200+ products.

- The company reported a revenue of ₹13,110 million during Q3FY21, a growth of 7.60% YoY, driven by volume expansion and 76% contribution from value-added products. Domestic demand for discretionary products has returned to pre-covid levels, while for exports markets the same are recovering gradually. Pharma segment revenues were at record levels as it reported a revenue growth of 32% YoY during the quarter.

- EBITDA came in at ₹2,850 million during Q3FY21, a growth of 12.1% YoY. The company's gross margins returned to normalized levels. PAT came in at ₹ 1650 million during the quarter, a growth of 18.2%. Profitability sustained as the product basket remains focused on value addition.

- The company incurred capex of ₹3,650 million in Q3FY21 and a 9 month aggregate capex of ₹8,910 – in line with guidance of ₹10,000-12,000 million for FY21.

- The profit guidance was maintained and 15-20% annual growth in coming years, driven by more demand, project commissioning, rising share of high-margin products and business from new chemistries. Further, it guided to invest Rs.10bn-12bn a year in the next 4-5 years to cater to future opportunities as India is emerging as a significant operator in the global chemicals supply chain with its scalable, low-cost manufacturing ecosystem, improving infrastructure and established compliance framework.

# Basket / Portfolio Stocks Rationale

## Nippon Life India Asset Management Ltd. (NAM-INDIA)

- Nippon Life India Asset Management Limited is one of India's largest asset management companies with a total AUM of ₹ 2.55 lakh crores as of March 31, 2020. The Company engages in managing mutual funds including exchange traded funds (ETFs); managed accounts, including portfolio management services, alternative investment funds and pension funds; and offshore funds and advisory mandates.

- The company reported assets under management of ₹ 3,52,360 crores as on 31st December 2020 and average assets under management of ₹ 2,13,033 crores for the quarter 31st December 2020. Equity assets share contributed 39.1% of AUM as against 38.9% for the quarter ended September 30, 2020.

- As on December 2020, the company has one of the largest retail assets in the industry, at ₹ 58,642 crore. Retail assets contributed 26% to the company's AUM.

- Revenue came in at ₹ 2684.6 million for the period of Q3FY21, down by 11.4% YoY and Profit after tax for the quarter came in at ₹2115 million, up by 41.7% YoY.

## Alkem Laboratories Ltd. (ALKEM)

- Alkem Laboratories is one of India's foremost global pharmaceutical company. The Company is engaged in the development, manufacture and marketing of pharmaceuticals with operational footprints across 40+ countries. In India, it has a formidable presence in several therapy segments and consistently features amongst the top ten pharmaceutical companies.
- Revenue from operations grew by 6.2% YoY during Q3FY21, accompanied by 200bps expansion in EBITDA margin to 22.8% compared to 20.8% in Q3FY20.
- The company's India business registered a healthy recovery with 5.4% YoY growth in Q3FY21, US business grew by 5.5% YoY during the quarter.
- R&D expenses during the quarter was at 5.8% of revenue from operations compared to 5.5% in Q3FY20. The company received 10 ANDA approvals (including 2 tentative approval) from the USFDA in Q3FY21.
- The company has a healthy balance sheet with net cash of ₹7.8 billion as on December 31, 2020.
- Profit after tax during the quarter grew by 18.1% compared to the previous year.

# Basket / Portfolio Stocks Rationale

## Vinati Organcis Ltd. (VINATIORGA)

- Vinati Organics Limited has continued to excel in delivering specialty chemicals products for diverse industries. In the process, it is today a leading global manufacturing company of specialty chemicals for some of the largest companies in the world. The company is a niche chemicals manufacturer, working with new processes to develop products at cost effective rates and expanding its market presence. It is today the largest producer of Iso Butyl Benzene and ATBS in the world with a dominant market share.

- Vinati's board approved the Veeral Additives amalgamation with Vinati. The latter manufactures antioxidants (annual capacity: 24,000 tonnes). This acquisition is a forward integration for Vinati as its butyl phenols products will be used to manufacture antioxidants. After the acquisition, Vinati will become the largest and the only integrated manufacturer of such antioxidants in India. Veeral can generate Rs.3bn revenue and an additional Rs.2bn by using butyl phenol from Vinati.

- Revenue declined 6.3% y/y, though q/q up 1.8%, to Rs.2.2bn backed by continuous soft demand for ATBS. The EBITDA margin contracted 254bps y/y, 607bps q/q, to 32.3%, the lowest in the last 11 quarters, on the lower contribution of the high-margin ATBS and on higher operating expenses. Employee expenses rose due to hiring for the butyl phenol plant; other expenses jumped due to lower absorption of fixed costs on lower production.

- PAT declined 4% y/y, though q/q up 3.4%, to Rs.641m, due to the subdued operating performance compounded by higher depreciation and lower other income, but partially supported by lower tax expenses.

- ATBS demand picked up from Dec'20 and returned to pre-Covid levels in Jan'21. The company expects strong recovery from Q4.

# Basket / Portfolio Stocks Rationale

## Heidelberg Cement India Ltd. (HEIDELBERG)

- Heidelberg Cement entered India in 2006 and has consistently pursued its strategy of growth in developing markets. The Group acquired majority stakes in Mysore Cements and Cochin Cements, as well as the Indorama Cement joint venture, which was converted to a full acquisition in 2008. Following the merger with Indorama Cement, Mysore Cements was renamed HeidelbergCement India Ltd. (HCIL) in 2009. The existing HCIL facilities in Central India were expanded as part of a brownfield project, increasing its capacity from 2 million tonnes per year to 5 million tonnes in 2013.

- With the acquisition of Italcementi in the second half of 2016, the Group has more than doubled its installed capacity making it one of the top 10 players in India. The enlarged India footprint now covers 12 States served by 4 Integrated Cement plants, 4 Grinding Units and a Terminal, having installed capacity of 12.6 Million Tonnes. Its manufacturing locations are at Damoh (State of Madhya Pradesh), Yerraguntla (State of Andhra Pradesh), Sitapuram (State of Telangana), Ammasandra (State of Karnataka), Jhansi (State of Uttar Pradesh), Sholapur (State of Maharashtra), Chennai (State of Tamil Nadu), and Cochin (State of Kerala).

- This has enabled the Group to improve its product offerings over a wider geographic area. The products from its manufacturing units are sold under the brand names “Mycem” and “Zuari”.

- The kiln shutdown to a replace belt curtailed Heidelberg’s performance in Q3, though good rural demand aided volume growth. Though running at a high, ~80%, capacity, management said the recent 1m-ton capacity added and the clinker debottlenecking would suffice to cater to the rising demand. The B/S continues net cash with negative working capital.

- Rising rural demand and more premium-cement sales boosted volumes/realisations 3.8%/4.5% y/y. Demand is expected to grow 6%-8% in the Central region where the company’s plants are running at 80% capacity. Management said further clinker debottlenecking would help meet mounting demand. We feel that rising demand will protect domestic operators’ market shares against rising volumes from other regions.

- The process ongoing in Gujarat for MoEF clearance (mining lease in Sep’20) and the Zuari merger is on the cards. However, management is awaiting some amendments in The Minerals Act. It repaid NCDs of Rs1.25bn in Q3; further, with the last tranche due in Dec’21 (of Rs1.2bn), the company will be left with only interest-free loans.

## Nocil Ltd. (NOCIL)

- NOCIL's involvement in the Rubber chemicals business spans over 4 decades. It is one of the few players in this business to offer wide range of rubber chemicals to suit the customer needs. Due to its rich experience and offering a one stop shop to customers, NOCIL is today acknowledged as a dependable supplier of rubber chemicals. Globally it is recognised for its technical capabilities and on this aspect alone, NOCIL enjoys an edge over other players in this business.

- NOCIL today is the Largest Rubber Chemicals Manufacturer in India with the State of the Art Technology for the manufacture of rubber chemicals. Its brands PILFLEX® Antidegradants, PILNOX® Antioxidants, PILCURE® Accelerators, Post Vulcanization Stabilizer and PILGARD® Pre Vulcanization Inhibitor are well recognised in both domestic as well as international markets.

- The growth drivers are positive guidance by global and domestic tyre manufacturers, rising rubber consumption, shifting of supply from China to India, higher exports and better demand globally. Further, the ongoing expansion will help the company address growing demand and improve its market share. It is aiming at an 8-10% market share globally.

- Supported by the highest volumes in Q3, Nocil's revenue grew 41.3% y/y, 23.9% q/q, to Rs.2.7bn. The growth was driven by strong demand recovery in the tyre industry as restrictions imposed on tyre imports resulted in higher demand in the domestic market. Despite the highest revenue, the gross margin contracted 882bps y/y, 461bps q/q, to 43.5%. Thus, the EBITDA margin contracted 508bps y/y, 54bps q/q, to 13.7%. Management talked of a ~50% gross margin in the next 2-3 years, driven by greater volumes, higher realisations, better operating efficiencies.

- Following growing strong demand domestically and in exports coupled with the fall in finished-goods prices, management revised its FY21 flattish volume growth to 8-10%. Further, it aims at optimum utilisation of the expanded capacity by Sep'23 (earlier Mar'24). It expects the imposition of duty on tyre imports and the shift of global supply from China to India to boost demand in the domestic and global markets. Nocil, being the leading manufacturer, would be the key beneficiary in the long run.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