NOCIL LIMITED

Regd. Office : Mafatlal House, 3rd Floor, H. T. Parekh Marg, Backbay Reclamation, Churchgate, Mumbai - 400 020, India.
Tel.: +91 22 6657 6100, 6636 4062 Fax +91 22 6636 4060
Website: www.nocil.com CIN : L99999MH1961PLC012003
Email: investorcare@nocil.com

ARVIND MAFATLAL GROUP
The ethics of excellence

Date: 13th February, 2025

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 7th February, 2025 regarding discussion on the Operational and financial performance of the Company for the quarter and nine months ended 31st December, 2024 is enclosed herewith.

This intimation is also being made available on the Company’s website viz.,

https://www.nocil.com/overview/#investor_presentation

This is for your information and record.

Thanking you,

Yours faithfully,
For NOCIL Limited

AMIT KUNDAN VYAS
Digitally signed by AMIT KUNDAN VYAS
Date: 2025.02.13 11:42:47 +05'30'

Amit K. Vyas
Head-Legal
& Company Secretary

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

"NOCIL Limited
Q3 FY '25 Earnings Conference Call"
February 07, 2025

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 07th February 2025 will prevail.

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Earnings Conference Call of NOCIL Limited.

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 your touchtone phone.

I now hand the conference over to Mr. V.S. Anand, Managing Director from NOCIL Limited. Thank you, and over to you, sir.

V. S. Anand: Thank you, and good morning to everyone. I'd like to start by expressing my appreciation for your presence here 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's available on both the stock exchanges and our company website.

To begin with, let me provide an overview of the company's performance for quarter 3 financial year '25. During this period, revenue from operations stood at Rs.318 crores, reflecting a 7% sequential decline. Volume saw a 10% de-growth compared to the previous quarter due to lower demand from customers on account of lower production at their end, coupled with some aggressive priced imports as compared to the previous quarter. We see this lower production as transitionary and expect demand to pick up in the next few months.

Our prices for the quarter have moved in tandem with raw material prices. We have continued to experience intense pricing pressure and product dumping from Chinese, Korean,Thailand and EU rubber chemical players, which has had a significant impact on domestic rubber chemical prices. The influx of lower-priced imports has created a challenging competitive landscape, putting downward pressure on margins and affecting overall market dynamics.

On the export side, the year-on-year growth is encouraging. This is primarily driven by our strategic engagement with customers and product approvals, which have expanded our global reach and reinforce customer confidence in our offerings.

Coming to our largest and key customer segment, the tire industry. The replacement and export demand for the tire industry in India is on a positive trend, but there seems to be a slowdown with OEM demand.

On the other hand, the expected ramp-up in infrastructure spending is expected to augur well for the commercial vehicle sector going ahead, thereby driving demand for tires in both the replacement and OEM segments. Natural rubber prices have moderated from the peak in recent months, but continue to remain at a higher level compared to the previous year.

In the domestic non-tire sector, our well-penetrated presence continues to drive growth in this sector. This is largely driven by the auto components, engineering goods, and other applications. Internally, on the operations front, we continue our high focus on operational efficiencies as we stabilized our turbine, our cogeneration turbine and enhanced our renewable energy sources. On the innovation front, our R&D and application teams are working to innovate value-added products for our customers that we look forward to launching soon.

Moving forward, during these challenging times, we continue to focus on the basics and to seek and expand our approvals. We see this trough as temporary and are quite positive to get back on a volume growth path. We remain focused on strengthening our global presence, deepening customer relationships and leveraging our product portfolio and supply reliability to drive sustainable growth.

You may also have noted in the investor presentation, the slide on the vision and values, the co-creation and rejuvenation of our vision and values. This sets the direction of our envisaged future and a good balance between continuity and change. That's it from my side.

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

P. Srinivasan: Thank you, Mr. Anand, and good morning to everyone. So let's run through the consolidated financial highlights. On the sales volume front, volume for Q3 FY25 is at 127 index basis, taking a base of Q1 FY20 as 100. The volume growth gives us a de-growth of 10%, which was already highlighted by Mr. Anand. On the revenue front, the net revenue from operations for Q3 FY25 stood at Rs.318 crores as compared to Rs.363 crores in Q2 FY25. Sequentially, we lost about Rs.45 crores on the revenue front with a combination of de-growth in volumes and some price decreases during the quarter

For the 9MFY '25, the net revenue from operations stood at Rs.1,053 crores as against Rs.1,088 crores in 9MFY24. During this quarter, we tried to adjust the selling prices in commensurate with the drop in input prices. So overall, on a net-to-net basis, there was no dip on the value addition front per kg.

Volumes for Q3 FY25 grew by 3% year-on-year, but showed a decline of 10% on a quarter-to-quarter basis. On the 9 months performance, for the 9MFY25, the volumes reflected a growth of 7% as compared to 9MFY24.

It's very important to note that on the rubber consumption front globally, we are still seeing a de-growth as compared to marginal de-growth as compared to CY23, CY24 shows a marginal de-growth. In comparison to that, I think our performance is slightly better.

On operating EBITDA, operating EBITDA for Q3 FY25 stood at Rs.24 crores as against Rs.38 crores in Q2 FY25 with EBITDA margins at 8% in Q3 FY25. For the 9 months ended December

'24, the operating EBITDA stood at Rs.103 crores as against Rs.150 crores compared to the 9 months of previous year. Margin standing at 10% in 9MFY '25.

On operating profitability, operating PBT for Q3 FY25 stood at Rs.19 crores as compared to Rs.32 crores in Q2 FY25. The 9MFY25 operating PBT stood at Rs.88 crores as compared to Rs.124 crores in 9MFY24.

On the profit after tax, the profit after tax for Q3 FY25 stood at Rs.13 crores as compared to Rs.42 crores for Q2 FY25, primarily in Q2 FY25, there was a tax credit consequent to the lower capital gain tax rates as per the budget announcement during Q2FY25. For the 9MFY25, PAT stood at Rs.82 crores as compared to Rs.91 crores for the corresponding 9 months period of FY24.

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

Moderator: The first question is from the line of Nirav Jimudia from Anvil Research.

Nirav Jimudia: Sir, I have two questions. So first, sir, if you can explain geographically, if we see ex-China, how are the various markets in terms of consumption, specifically Europe, Japan, U.S.A., Malaysia, Thailand?

If you can just give a flavor of the consumption basket of antioxidants and accelerators in these broader geographies? And also if you can share some thoughts of the available production capacity in these regions? And how much of these regions are currently relying on the imports of rubber chemicals?

P. Srinivasan: So Nirav, this is Srinivasan here. So if you look at the rubber -- see, rubber chemicals demand is derived out of rubber consumption. IRSG, the International Rubber Study Group, releases periodical data on a quarterly basis. And from that data, one can understand that 36% of the consumption of the world is consumed by China. 12% is done by European Union. 9% is done by U.S.A. And India is probably 7.5% to 8%. Japan is 5%. And other markets are much lower.

The key thing is, apart from e India showing a growth in the volume trend when you are looking at CY24 data, based on market situation till Jun 24.. We have received the data till June. But if you analyze that, India is still showing a growth of 4%, 4.5%. China is relatively lower growth.

China is growing at a slow rate; as compared to CY23, CY24 has been at a slower growth rate. India is showing 4%, 4.5%. We don't know what is the data till December, but the trend based on January to June indicates that. But other markets are all showing a de-growth. So under the circumstances, we see India and probably Southeast Asia, 1 or 2 markets, which have shown a positive growth. Rest everyone is flattish or negative growth or de-growth. This is as far as the consumption is concerned.

Insofar as the supply is concerned, I think the supply is largely concentrated around China, which is 80%. Then the European Union entities who have operations across the world, they contribute about maybe 14%, 15%, and the remaining 5%, 6% is supplied by NOCIL. So I think that's what we can give.

Nirav Jimudia: Sir, is it safe to assume that?

P. Srinivasan: There are other markets who are supplying, like Korea. There are other players in India or European. But we do not have their intermediate manufacturing capability. So therefore, one should consider them as influenced by China.

Nirav Jimudia: So is it safe to assume that, let's say, out of 10 lakh tonnes of rubber chemical consumption globally, U.S. is 90,000 tonnes and they don't have any capacity to produce. So they are relying on the imports for their consumption. Is it a safe statement to make, sir?

V. S. Anand: Yes. Some small production, but largely import.

P. Srinivasan: Largely European domination and then other -- basically European sourcing.

Nirav Jimudia: Sir, secondly, like after many quarters, we have seen our volumes dipping and Mr. Anand in his opening remarks mentioned that because of the lower production from the customers and also the demand was lesser. But we are seeing those volumes again coming back next month, if I heard him correctly. So just wanted to understand like in our previous interactions on the conference call, you had mentioned that the intent is to grow our volumes quarter-on-quarter. And this was the quarter where we have seen a dip in the volume.

So if you can explain like when can we recoup these lost volumes and start growing again, A, where we have seen the dip in the volumes, if you can explain between the domestic and the export side? And C, given the kind of current situation in terms of the fall in volumes, are we doing anything in terms of controlling the cost so that we can save some bit of per kg cost and that could improve our EBITDA per kg?

V. S. Anand: Yes, Nirav. So let me -- so I think one is, like I mentioned, very clearly, we are to stay on the growth path. I see this as a temporary blip. What has happened is, typically, we don't expect this kind of production drop in this particular quarter in the way it happened. And so that has had an impact from a domestic market point.

Also, there was -- in the international markets, typically, we do see it every year. It's not new. It's the year-end where there is usually a lower inventory offtake because of the year-end. It was slightly a bit more than we had expected. So these 2 areas did play a role.

I would say also with the aggressive pricing, maybe a little bit of judicious price mix that we had to play. We had to kind of hold the pricing to a certain extent. But that, I think, we can retrieve. Otherwise, these volumes, we expect to come back in the next quarters.

In terms of growth, I would see that the volumes are expected to come back in all the markets that we are focusing on, both domestic as well as international. Surely, as you said, the last part of what you said, there are significant initiatives underway.

Nirav Jimudia: So my last part was that like given the kind of lower volumes and the pricing pressure from probably the countries which are dumping into India and elsewhere. Are we seeing or doing any cost initiatives which could bring down our cost per kg and hence could elevate some bit of EBITDA per kg margins?

V. S. Anand: Absolutely. I was just coming to that. In terms of internal initiatives, I just briefly touched upon it in terms of operational efficiencies. So there are multipronged efforts. One is also in terms of our steam utilization, the steam efficiencies. There are quite a lot of initiatives underway to look at our ratios. So that is surely going to bring in some cost element.

We're still yet to see the full kicking in of the turbine as it's kind of stabilizing and getting on stream. So that I should see should start giving more benefits going into the next few quarters. With the volume increase, there will be operating leverages that will also kick in. And quite a few other initiatives also on process yield, et cetera, which we see will also happen in the next few quarters. Yes. So there is quite a few initiatives on that front.

So Srini, you'd like to add something else to it?

P. Srinivasan: Nirav, actually, if you see the other expenses and the employee cost, utility, if you take the conversion cost, basically, what we are looking at as a number of maybe Rs.350 crores vis-a-vis Rs.330 crores or Rs.332 crores. Whereas on the production front, we have seen a growth of 11%, which means when your cost is going up -- activity is going up 11%, there are some elements of variable cost, which is in there in the conversion cost, which will proportionately grow along with the volume.

But what is more important, on the other part, we are trying to control the cost. So overall, if you see on a 9 months basis, if I take the other expenditure and aggregate the employee cost, the overall growth is about 5.5% or thereabouts. So in a way, the cost cutting or cost rationalization measure is already in place, which we can see from the data.

Nirav Jimudia: Sir, so to summarize, like if we can infer from the statements being made by you, is it safe to assume that the lost volumes in Q3 would be recouped in Q4 and possibly from Q1 we'll again start seeing the volume offtake getting higher from the customer?

V. S. Anand: Yes. So broadly, I would expect volumes to be better going forward. But then yes, exactly how much do we recoup in a span of 3 months or 6 months, I think this we will see as we go along.

Moderator: The next question is from the line of Nilesh Dhoot from Dolat Capital.

Nitesh Dhoot: So need some clarity on your previous answer. So in Q3, despite the moderation in freight costs and initiatives around power cost savings and others, which you've been talking for a while, we've seen the OpEx to be stable Q-on-Q. That's around Rs.120 crores or so despite the lower volumes. So if you could give some color on why we are not seeing, I mean, softening of OpEx? And by when can we see this reflecting?

P. Srinivasan: Nitesh, I didn't understand your question. What is this Rs.120 crores, where are you picking up from?

Nitesh Dhoot: So this is basically, if you see the employee expenses and the other operating expenses for Q3, which is at around Rs.118 crores. And even in Q2, the number was around Rs.119 crores. So it's broadly the same number, right? But we have a sequential dip in terms of volumes, which is what I was referring to.

P. Srinivasan: I think what we're -- you're only looking at the sales volume de-growth, whereas when we look at that, we are looking at the activity. So when I'm looking at activities for 9 months, if you see the 9 months data, we are under control. And production levels are already high.

And if you see this year, this quarter, our plan already was to produce at a higher rate than the Q2 volumes. That was our endeavour. That was the plan, resources committed. And we had to do the activity. But unfortunately, the sales volume dipped because of the demand, lower demand at the customers' end. And therefore, this has resulted in a higher inventory. So the inventory build-up is there. And you can see it from the stock change in the P&L account, which has Rs.21 crores credit. So that's a clear case where the activity is more than the sales. So I think?

Nitesh Dhoot: I got your point. But sir, this was there in the previous quarter also. So last quarter also you had mentioned that there was a higher production. And there was an inventory build-up in Q2 as well. And there's not much change on that part. So which is why?

P. Srinivasan: Which means the expenses are already incurred for a higher level of activity. That's where the key point which we want to say. What we are trying to say is the expenses -- these expenses, operating expenses are based on the manufacturing activity rather than the volume of quantity sold. So -- and fixed costs are largely constant in nature. And therefore, we have to keep in mind those aspects also.

The variable component will move along with the volume of level of activity. The fixed component is almost constant in nature. So when you take the summation of that, this is where the number and therefore that we are getting Rs.20 crores credit also in the inventory change.

So fact of the matter is, yes, there is -- activity is higher than the sales and there is inventory build-up at the end of December.

Nitesh Dhoot: And just -- I mean, so in the previous quarter, I mean, since there was a build-up in the previous quarter, which I just referred to. So would it be correct to say that for Q3 production, you're not able to take the full advantage of the input cost reduction that happened in Q3? Would that be correct to say?

P. Srinivasan: We moderated in such a way that we had to maintain the value addition per kg. That's what we did. So we have continued to play this game of judicious mix of volume and pricing. So we used that consciously and selectively to ensure that our overall value addition per kg doesn't drop.

Nitesh Dhoot: And sir, just one last thing. So on your earlier guidance of a healthy volume growth in this current fiscal '25, where are we expected to end the year? That is one. And any early indications for FY '26 in terms of volume guidance? That will be all from my side.

V. S. Anand: So we have given some kind of an indication also in the investor presentation in terms of the expected volume growth, which is expected to be at least in the 8% to 10% range. And we hope to keep at the same level going into the next year also.

Moderator: The next question is from the line of Aditya Khetan from SMIFS Institutional Equity.

Aditya Khetan: Sir, my first question is into the opening remarks. So sir has mentioned that the pricing pressures into the domestic market that has impacted the realizations. I believe, sir, last quarter also, we had a discussion on the same. And you mentioned that more or less higher pricing pressure was largely because of the imports which were happening and that could have been the near bottom.

In this quarter also, sir, like we have witnessed again similar sort of a thing. And that has actually impacted your EBITDA per kilo front also. In terms of guidance, sir, what you can give, like is this the -- you think like -- so this -- so the pressure would be relieved from here on because the cycle has nearly bottomed out? Or you see like this to continue for some few quarters and while and as the demand in the international market picks up, then only we could see some uptick. Any sort of a broad sense if you can give how things are shaping up?

V. S. Anand: Yes, you're right, Aditya. With at least our view at the last call was that we're close to bottoming out and we should not see significant further erosion. But it has -- we did see it play out the other way that there has been further pressure on prices.

I think this is also a result and outcome of what's really happening in the other markets in terms of demand and capacities that have come on stream in the last few years, which is continuing to play out. So I would be cautious as far as now looking ahead into the next quarters also, seeing that there is still a pressure on prices.

But I see -- I'm kind of looking at it and saying, okay, possibly, it's getting close to the bottom, it should not go further. But like I said last quarter, I think I'd like to be cautious this time. But that's the way we see it.

Aditya Khetan: And sir, even so sir has alluded to the fact that improvement in some cost control efficiencies can have some benefit, but it seems, sir, like the benefit couldn't be that substantial. Eventually, it seems like the business effectively has weakened down. Any sense, sir, like how this business can like revive to the older levels? Like would it be the imposition of antidumping duty or reduction in imports that could benefit or the tire demand globally that should go up? So what are the levers like which can change from here on?

V. S. Anand: So one is I was just going to come to that point that you mentioned. So given the fact that we see that the bottoming out is also not really kind of happening. There is significant pressure on prices. We have also moved on the antidumping duty front. And we have got the investigations initiated for a couple of products and then that's quite a bit underway now.

I would see that, on the other hand, the prices also moved with raw material prices corrections. And going forward, we see that the market is still in terms of our approvals and what we want to take as business, that still is continuous, that's still happening. So that's the positive view on -- in terms of the opportunity to grow further. Yes.

Aditya Khetan: Sir, one last question. Sir, in terms of weakening demand, is this also linked to the global rubber consumption like which has de-grown by almost 2.5% to 3% for the last 3 years? And now I think, sir, global rubber consumption is standing at 2018 levels. Is this also one of the reasons why demand has weakened? And how you see this trend to shape up?

V. S. Anand: So it has been -- so I think we saw it go up post-COVID and again come back down. So it's kind of like Srini was explaining initially. The growth is really coming from very, very few pockets in terms of overall rubber consumption, that's natural plus synthetic put together.

But in the long term, we still see that 2% to 3% growth globally, which was there, which will come back, because rubber applications per se continue to hold sway and they will continue to be there. So we will see that it should come back to the standard 2% to 3% global growth level, I would say.

Aditya Khetan: And sir, when are we expecting the outcome of antidumping duty?

P. Srinivasan: See, the investigation has started as per the law. There is a time of probably 9 to 12 months is what they will conclude the investigation. And then thereafter, the recommendations will go. So I think it's a matter which subjudice at this point of time.

Moderator: The next question is from the line of Gargi Singh, Value Investments.

Gargi Singh: Sir, my first question was that looking at the import data. So in October, there is a significant increase in antioxidants imports. So my understanding on the company was that antioxidant is our strength. And NOCIL has an advantage with respect to antioxidant products because of the backward integration that we have and also better quality over the Chinese.

So last 2 years, the imports were happening mostly in the accelerators. But now there is an increase in antioxidants as well, so which indicates that there will be a loss of market share. So please help me understand these numbers, sir? I mean what is your take on this?

V. S. Anand: So like I mentioned also on the pricing front and obviously, with antioxidants being the largest component in the rubber chemicals. As the prices drop, there is going to be an incentive for players domestically to also import to see that the delta in pricing is taken advantage of. In terms of quality, I would say, we are comparable.

And when you look at imports from both China and Korea, Korea also coming with very aggressive pricing. We see that that is playing out. But it's also kind of at the same time, come at a time when the demand -- the production itself has dropped a bit. Yes. And from that point of view, I don't see a significant loss in market share. I don't see that. And I think it's a correction that's expected to happen again in the next quarter or so.

Gargi Singh: The quality of the products that we are making in antioxidants is comparable with the quality that is coming in from the Chinese?

V. S. Anand: Yes. I wouldn't comment to say that one or the other is superior or inferior. I could say they're all comparable.

Gargi Singh: So with the higher-end tire customers like MRF or BKT or other, the higher-end products. So these antioxidant products when we supply it will be high-grade tires. So still, sir, even in those products, it will be replaceable with the Chinese and Korean?

V. S. Anand: Yes. So the large share is with all tire customers still continues to be with NOCIL due to the supply reliability and the support that we provide at the local level. In terms of what mix they use it for, we will not be specifically able to comment there.

Gargi Singh: No, sir. I understand that we have the largest market share. But just wanted to understand with respect to the quality perspective, with the higher-grade tires, is the product comparable in the antioxidants?

V. S. Anand: So like I said, Gargi, it's also every tire company, the application and the way they use it is quite different. So it would be very difficult to kind of generalize to say which of the products they use for higher or for lower-end tires. We would not be in a position to comment.

Gargi Singh: Sir, second question was that you mentioned that there is an inventory liquidation happening on the tire side. So again, my understanding here was that the -- and tire ancillary companies would normally have an understanding of the inventory position and the production schedules of the tire companies at least 1 quarter in advance.

So considering that we already had higher inventory in last quarter and we would -- definitely would have the production schedules of the tire companies for this quarter as well. So considering all these factors, it was surprising that we saw still a higher closing stock for this quarter and then the last quarter or for 2 consecutive quarters. Any comments on that?

P. Srinivasan: Gargi, Srinivas here. Actually, please look at the tire company's results, at least 3, 4 of them are released. And all of them, if you see in their own income statement, which has been released for the quarter, they also have a stock change credit, which means the production is more than the demand.

And what is happening is in a situation where the demand is downside and they have -- see, a tire company plans its activity in advance. We understand what you're saying 3 months in advance, it's very nice, exactly correct. But when they source, they source from multiple sources. There could be domestic sources, there could be an import source.

And whenever the production activity is moderated during the quarter because of the demand schedule, the way it is operating, the business is operating, the local player will generally suffer because the import is already committed. The shipment has already come to the country, he has to clear it. So therefore, the domestic suppliers will go through that crisis. Conversely, in a situation when the demand suddenly picks up, the domestic player will be the beneficiary.

Gargi Singh: Sir, third and last question, sir. I appreciate how the company is being run both operationally and financially. But at the same time, what I wanted to understand from the management team is regarding the plans for diversification. So while the efforts have been taken by the company to increase share of business with the overseas customers. In this quarter, specifically, we have seen that those efforts are getting nullified due to higher dumping in India. So this issue has been there for the last 2 to 3 years.

So on the balance sheet front, we have around Rs.550 crores cash and investments on book. But we have not done any product diversification to combat this. So while other chemical companies are diversifying and entering into new businesses, where there is high growth potential, this part of diversification has not been seen in the company. So what is the plan for diversification and utilization of cash to grow the business going forward?

V. S. Anand: So first, let me kind of respond on the rubber chemicals itself. So the rubber chemicals, as you have seen that we have also announced investments to further expand our capacities, because we see that there is potential and long-term growth possibilities given the market share and the market share that we can also gain over a period of time with the China Plus One playing out also. So that's on the rubber chemicals.

And we also look at innovating in the rubber chemical space, like I briefly mentioned, looking at products that we can add to our portfolio. That is also a work in progress. But also we are actively looking at what other areas to look at beyond rubber. So there are some adjacencies that we can look at based on similar chemistries or the expertise that we can take into other industries that we have in quite a few areas. So both are underway, Gargi.

So I would say, we have been also talking about this in the last couple of years at the call. There have been quite a few cases which where we were quite close, but didn't kind of work out the way we would like it to. So we're still on it. That's an active process that is underway.

Gargi Singh: Sir, just a follow-up. So -- 4 to 5 years back, we have expanded the capacity. And at that time we had projected to reach full utilizations much before than what the current performance is. So now with your current guidance to the previous participant, with the current capacity that we have, it would take around another 4 years to reach full utilization.

Still you have planned for Rs.250 crores capex to expand the capacities in the existing products itself, wherein we are seeing dumping and also there is an issue in demand from the demand front. So is there any plan to defer the capex? Or what is the near-term capital allocation plan with respect to that?

V. S. Anand: So while we had also mentioned that the capacity which we mentioned is just for a basket of products, yes, and the basket of products are at different utilization levels. So while we have mentioned that for some of the products, there still the utilization level has some way to go and we will take time to fill it up. Some of the products are already at 95%, 100%, 90%, that range.

So it takes time to bring these capacities on stream. And we feel that there is growth opportunity. So only for those specific products, we first start with debottlenecking. We look at what we can do to get additional volumes just from that. And only if all those are exhausted, we look at going in for brownfield from what we have announced. So it is for that specific product where we are already completely out on capacity.

Gargi Singh: And how much would that product contribute to the revenue, sir?

V. S. Anand: So we haven't announced details of this product as yet in the public domain. We will do that as we get closer because the product is getting more on stream only in the second half of next year.

Gargi Singh: So with the current capacity, by when do you expect to reach full utilization?

V. S. Anand: Yes. Gargi, I'll refrain from giving a certain guidance on this given the uncertain external environment. But, yes, I think we should get there in the next short to medium term. Yes.

Moderator: The next question is from the line of Renjith Sivaram from Mahindra Manulife Mutual Fund.

Renjith Sivaram: I just wanted to check with you like we were believing that a lot of these Japanese tire companies were previously buying from China rubber chemicals. And given our capacity additions that and they were also looking at China Plus One, we will be one of the biggest beneficiary of the alternate sourcing that is being lit up by these Japanese tire companies.

So in that also there was a lot of activities happening. They were also checking our quality. A lot of tests were going on. So in that aspect, what traction had we made into making inroads into these Japanese tire companies?

V. S. Anand: Yes. So it was a bit muffled, but I think I got what you were trying to ask, Renjith. So let me give it a shot. So yes, the China Plus One is playing out. It's not limited only to Japanese. I think you could broad base it a bit more. And that traction is happening in terms of what I mentioned in terms of product site approvals, samples, commercial lots and then larger bulk lots going. And that is underway, albeit at a pace, in some cases fast, some cases not so fast. Yes, So it's a mix of both, Renjith. Yes.

Renjith Sivaram: So what phase are we in some of these customers? Like it takes 6 months to 1 year for them to approve our product and then they will start giving us orders. So that we understand that it takes almost 1 year. So where are we with these large companies in terms of how many of these companies we have -- they have approved our product and they can give us the production order?

V. S. Anand: Quite a few have already begun. It's again, even within the same company, there could be products at different stages. Depending on the needs, some of them are prioritized accordingly. So some of them have already flowed into the numbers that we see today and some are still on the way at different stages. So that's ongoing.

Renjith Sivaram: And currently what would be our utilization? And with these companies coming up, how confident that we can reach to optimal utilization in how many years so that that will give some advantage in terms of our operating leverage? Just wanted to understand that.

V. S. Anand: Yes. I think that's clearly our endeavour that the utilization with the volumes and that's why we are quite positive that we will stay on the volume growth path. With the pricing situation, it has to be a judicious call from a quarter-to-quarter. And so that's the balance we continue to play. I think today, we are at about 65% to 70% utilization for the period April to Dec 24

P. Srinivasan: We are at the moment at sub-optimal operating leverage. As we ramp our utilisation, the optimisation benefits will start flowing in the operational performance.

V. S. Anand: Yes. And we see that we should keep pushing it up from quarter-to-quarter.

Renjith Sivaram: It excluding that Rs.250 crores of additional capacity, right?

V. S. Anand: Sorry, can you repeat the question, please?

Renjith Sivaram: This utilization that you spoke about is excluding that Rs.250 crores.

V. S. Anand: I got what you're asking. Yes is the answer.

Renjith Sivaram: So that Rs.250 crores of additional capacity, when it kicks in, there will be further room for volume growth, right?

V. S. Anand: Yes, yes.

Moderator: The next question is from the line of Muskan Rastogi from B&K Securities.

Muskan Rastogi: I wanted to ask U.S. has an ADD on China for rubber chemicals. So with Trump, has the ADD been extended on China? And with tariffs on Mexico and Canada, do you see the gain in market share in the U.S. market, sir?

V. S. Anand: Yes. So the ADD is not only limited to China, but a few other countries also that the application is for. Yes, so as you know and all of us know that the overall tariffs that were announced in the last week, seems to be so dynamic. Some of them do present opportunities which are there. We see some inquiries also increasing on that front. But I would really kind of, let's say, keep my fingers crossed on how the whole thing develops, Muskan. Yes. But there will be opportunities, I at least think.

Muskan Rastogi: Sir, in terms of cost, we are the best when compared to the peers. The power cost is less, depreciation is less, interest is less. However, I wish to understand where else do we spend most of our time during discussions, Board discussions and internal meetings? Basically, I want to understand the future growth and diversification plans that you mentioned one of the participants. Apart from that, what else do we discuss in the Board meetings?

V. S. Anand: I think a lot is about -- is clearly how do we expand our market presence. What is it that we need in terms of competitiveness and the kind of plants that we operate. I would say there is always scope for us to continue to work on operational efficiencies.

We're also now looking at digitalization to help us in our operations to leverage that more to bring in operational efficiencies and improve our cost position. A lot of it is that. And you mentioned it to look at what are the areas that we can do beyond rubber. So that's also a discussion, Muskan.

Muskan Rastogi: And the last question. What is the delta that NOCIL would have in terms of margins when compared to companies that make rubber chemicals who do not make intermediates?

P. Srinivasan: So we don't have data right now. But what -- we can find out. But what we can say is we have compared with China Sunsine. China Sunsine with their volume of activity much -- on a much higher scale than NOCIL. And with the subsidy what they are getting from the government on their export of rubber chemicals, we can say that our margins per kg is marginally better than China Sunsine.

Moderator: Ladies and gentlemen, as this was the last question for today, I would now like to hand the conference over to Mr. V.S. Anand for closing comments.

V. S. Anand: Thank you. I'd like to take this opportunity to thank each one of you for joining the call today. I hope we've been able to address all your queries. For any further information, kindly get in touch with me or Strategic Growth Advisors, our Investor Relations Advisors. Thank you once again and have a nice day.

Moderator: Thank you. Ladies and gentlemen, on behalf of NOCIL Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.