NOCIL LIMITED

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ARVIND MAFATLAL GROUP
The ethics of excellence

Date:6th November 2024

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 29th October ,2024 regarding discussion on the Operational and financial performance of the Company for the quarter and half year ended 30th September, 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: 2024.11.06 16:17:46 +05'30'

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

Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

"NOCIL Limited
Q2 FY '25 Earnings Conference Call"
October 29, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 29th October 2024 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 Q2 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. Please note that this conference is being recorded.

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

V. S. Anand: Thank you, Shlok, and good morning to everyone. I'd like to start by expressing my appreciation for your presence today. Joining me are Mr. P. Srinivasan, our Chief Financial Officer, and our Investor Relations Advisors from SGA. I hope you have all received our investor presentation. It is available on both the stock exchanges and our company website.

To start with, let me provide you with an overview of the company's performance for quarter 2 financial year '25. During this period, revenue from operations amounted to Rs.363 crores. We witnessed a slight degrowth in volumes in Q2FY25 sequentially compared to the preceding quarter, partially impacted by logistical challenges.

Having said that, we continue to build on our volumes year-on-year, both on a quarterly and on half yearly basis. The domestic demand for rubber chemicals continues to remain robust on the back of the tire industry's stable replacement volumes and recovery in exports. Aggressive pricing actions and product dumping by Chinese, Korean and EU rubber chemical players have put a significant strain on prices.

On the industry front, there was a temporary slowdown in compounding production due to the shortages in very high prices of natural rubber. The natural rubber prices have since begun easing and availability improving. The OE growth for tires is expected to moderate amid softened demand. The 2-wheelers are expected to fare relatively better while the commercial vehicle segment is impacted by moderation in demand amidst a high base.

On the export side, we have seen continued momentum in our international business growth. Despite global challenges such as geopolitical tensions, container shortages, issues in the Red Sea region and rising freight costs, we have made good progress in expanding our international presence, a result of our long-term strategic engagement with our customers and our focused efforts in gaining approvals.

The Latex business has been witnessing a mild recovery with improved exports of rubber gloves from ASEAN and this augurs well for us. In terms of raw materials, prices remained marginally higher during the quarter. Passing on these cost increases to customers have been challenging due to the fierce competition from China, Korea, and EU. In response, we have adopted a judicious approach balancing price and volume amidst these ongoing challenges.

Our capex expansion program is progressing well at our Dahej site. This capex program aligns with our strategic objectives for growth will enable us to continue to partner with our customers in their growth journey. We continue to work on improving our operational efficiencies with technology and infrastructure and at the same time, prioritizing eco-friendly practices from energy-efficient production methods to waste reduction technologies.

Looking ahead, while there continues to be an element of unpredictability in the external environment, we remain positive on our growth opportunities. We continue to focus on building our market strengths, deepening our customer relationships, and leveraging our rubber chemical expertise to drive growth. I shall pause for now. That's it from my side.

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

P. Srinivasan: Thank you, Mr. Anand, and good morning to everyone. Now let's run through the consolidated financial highlights. On the sales volume front on an index basis for Q2 FY '25 is 141, taking base of Q1 FY '20 as 100. On the revenue parameters, the net revenue from operations for Q2 FY '25 stood at Rs.363 crores as against Rs.372 crores in Q1 FY '25, a marginal degrowth as compared to the previous quarter.

For the half year, the net revenue from operations stood at Rs.735 crores as against Rs.748 crores recorded in H1 FY '24, again, a degrowth of 2%. We have maintained our selling prices largely for the quarter. Volumes for Q2 FY '25 grew by 11% year-on-year but showed a slight decline on a quarter-to-quarter due to logistic issues.

The international business continues to show our growth trajectory. For the first half of FY '25, the volumes reflected a strong growth of 9% as compared to H1 FY '24. Here too, the domestic business maintaining the growth in line with the prevailing market trends, the export performance at a relatively higher levels say at double-digit growth.

On operating EBITDA performance, operating EBITDA for Q2 FY '25 stood at Rs.38 crores as against Rs.41 crores for Q1 FY '25 with EBITDA margins around 10% in Q2 FY '25. Operating EBITDA margins for the quarter were impacted due to increase in production activity by 10% on a sequential basis, which led to higher operating costs, along with certain freight costs incurred in terms of the cost for destinations. For the half year, operating EBITDA stood at Rs.79 crores against Rs.101 crores for H1 FY '24 with margins standing at 11%.

Coming to the PBT parameters, the PBT for Q2 FY '25 -- operating PBT for Q2 FY '25 stood at Rs.32 crores as compared to Rs.37 crores in Q1

FY '25. H1 FY 25 operating PBT stood at Rs.69 crores as compared to Rs.84 crores in H1 FY '24.

On the profit after tax, the profit after tax for Q2 FY' 25 stood at Rs.42 crores as compared to Rs.27 crores in Q1 FY '25. This is on account of the change in the LTCG rates as announced during budget '24 wherein the long-term capital gains tax rate witnessed a change. Accordingly, there is a one-time tax credit of Rs.14.89 crores were recognized due to the budget changes. For H1 FY '25, the profit after tax stood at Rs.69 crores as compared to Rs.61 crores in H1 FY '24.

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

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

Nirav: I have 2, 3 questions. First is you mentioned that there was increase in the production activity this quarter, but I think the sales was impacted due to the logistics issue, I think very well reflected in our stock changes also. So, let's say that if there was no logistics issue and we were able to sell whatever we have produced this quarter, what would have been the sequential growth in the volumes in Q2?

V. S. Anand: So, Nirav, I would expect it would have marginally been higher than the previous quarter.

Nirav: Got it. And are those logistic challenges behind us and could we see the production what we have clocked in second quarter that should start moving in the third quarter onwards plus the normalized volume growth which you mentioned last time that we are seeing every quarter some bit of volume increases through the contracts what we have negotiated with the customers.

So, if you can just help us out understanding how the volume trajectory is looking out in H2 of FY '25. So, I think we have clocked something close to around 9% volume growth in H1. So, if you can just help us understand some bit on the volume side, that would be helpful?

V. S. Anand: Yes, sure. So, like we mentioned also on the previous calls, we see volume to develop positively. And for the second half, we maintain that there should be an improvement from here on further going into the second half, at least at this point, when we look ahead, and clearly, with the volumes developing positively.

Nirav: Got it. Because sir, last year, third quarter was a bit sluggish in terms of the volumes. So safe to believe that the current level of volumes, what we have been doing on a quarter-on-quarter basis, there should be improvement on the base volume of H1, is the right understanding to do?

V. S. Anand: Yes, yes.

Nirav: Got it. Sir, second question is on the competition part. I think you mentioned that there was intense pricing pressure due to competition from China, Korea, and EU. So I just wanted to understand from you, like when the competition behaves on the pricing side, do they work on the cost-plus basis like when the raw material prices starts coming down, they adjust their prices accordingly on a spot basis and change your prices because of which we also face a similar sort of pressure in getting our volumes to be placed. So how do the competition behaving at this point of time in terms of pricing, a, and in terms of placing their incremental volumes in the market?

V. S. Anand: Yes. So based on our experience, what we see, and I can't specifically comment on what their approach is. But by and large, I see that they start with the cost-plus kind of cost-related pricing, but then it tends to then also become very, very market-based depending on how the rest of the pricing in the market tends to play out. So then that kind of trends to put a downward pressure if there is a lowering of prices by some of the players. So that's how this is playing out. Everybody is trying to really grab volumes because there is lower demand in some of the markets.

We know that the Chinese economy as such, utilization levels are at a significantly lower level. So, they are really looking to take those volumes. So sometimes they do take some -- I would put it as rationale or irrational decision to take some volumes. And then that tends to put pressure on quite a few of the other players on the pricing.

Nirav: Got it. So, at some point of time, do the customers approach us also on the similar lines that do we also need to price our products on a cost-plus basis or adjust our price accordingly. So, if you can just help us understand what sort of volumes of ours are susceptible to the spot prices and how much of our volumes are more towards the contracted side where such changes on a quarterly basis doesn't impact us?

V. S. Anand: Yes, it's a mix of both. So basically, like we have also explained in the previous calls, most of the pricing tends to hold for a quarter, at least with the large customers, some of them even for longer periods. But some of them, since they are also long-term relationships, they don't tend to fluctuate that much. It's a balance of both, where we have the long-term engagement where you don't see too much of fluctuation in volumes from one quarter to the other. But for some of the other customers, you do tend to see this fluctuation. So, it's a mix of a basket of that we have, Nirav.

Nirav: Got it. Sir, lastly from my side. One, you mentioned that there was a double-digit volume growth on the export side on a Y-o-Y basis. So, if you can just clarify that number. And second, are we seeing any recovery on the latex side of the business where our volumes were impacted in last year and even in first quarter. So, are we seeing some sort of recovery there on the latex side of the business?

V. S. Anand: Yes. So, on the latex, yes, we do see that the production of rubber gloves is improving. Partially, I think also what we see is that exports from ASEAN is also improving. So, there is an uptick in the market compared to the situation last year for sure.

Nirav: Got it. And sir, last one on the export numbers or export volume growth on a Y-o-Y basis, if you can clarify, sir.

P. Srinivasan: Yes, it's double-digit growth only, confirm. I will not specify the exact number, but it is more than double-digit growth.

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

Aditya Khetan: Sir, my first question is also the volume part. Sir, on sequential basis, sir, can you clarify the volume dip is majorly because of the international volumes or because of the domestic volume?

V. S. Anand: So, there is growth on both fronts from a year-to-year basis. Also, on a sequential -- we see there is a bit of a staggering of volumes is what I would say. It's not -- and due to logistical challenges, that we have witnessed here. So, I don't see that as a real degrowth per se.

Aditya Khetan: Okay. Sir, on to the logistical challenges, so that is clearly reflected into the higher other expense. Sir, is it possible to quantify the number? How much was it higher on a sequential basis absolute figure, sir, if it is possible to share?

V. S. Anand: So, like I mentioned, at least I think if we didn't have, hypothetically, we should have marginally been higher than the previous quarter volumes.

Aditya Khetan: Okay. Sir, as you had also mentioned in your initial commentary that higher competition is clearly impacting the company. And that is also reflected into our per ton margin, which we calculate. Sir, any idea in terms of a cycle, so that is clear, so we are standing at the bottom. So what are the triggers like which can take this per tonne margins to the original levels, which were there, you can say, 5 to 6 years so before any triggers you find apart from the higher competition or any sort of the value addition, which is going up or any sort of new products we are launching, so that can help us to improve the margins or we will -- so more or less remain at this level going ahead?

V. S. Anand: I see that with improving of the economies outside of India and improving demand. We should see prices moving up. But then I don't have a specific timeframe to put in terms of when this will improve given the uncertainties that are all around. But that's on the market front and where I see that there is clearly a possibility that prices should improve with increasing demand in the other markets.

But on the other hand, we continue to work on products which we can bring to the market, but they do take its time. We are in trial phases, products are in different stages, where we want to also, I'll get into the products and applications where we can see more resilience. So that is work in progress, but that's still some time away.

Aditya Khetan: Okay. But sir, in your presentation also, so the graph of the rubber consumption. So, sir, that number is quite like the 2017 figures of 28 million tons. So, it seems, sir, over a period of 6 to 8 years, so demand has been flattish only into the global market. Any reason, sir, why this demand has not gone up and it is at a similar level?

P. Srinivasan: So, Aditya, there are a few challenges, which the market encountered. One was the automobile degrowth in 2018-19 in China. Secondly, the COVID waves of COVID-1 or COVID-2, incidents like that, has an impact on the consumption parameters. So therefore, if you see, there were 2 major interruptions during those periods where the market degrew and therefore, you saw a flattish thing. But whenever there is a recoup happening, it goes into 3% thereabout or 4% thereabout.

So once the conditions stabilize, I think, hopefully, the momentum will pick up. Having said that, in the last 10 years, one has seen despite this volatility, the average growth for this industry has been 2%, 1.8% or thereabout. So compounded CAGR growth is 2% per annum. Now maybe once these things, the conditions stabilize, hopefully, the momentum starts to pick up.

Aditya Khetan: Got it. Sir, just one last question. Sir, any update on the antidumping duty? Have you represented to the government? And is the government so seriously considering importing an antidumping duty soon, considering the impact which we have seen in our margins and all?

P. Srinivasan: We are studying various parameters of the study. We have not filed anything.

Aditya Khetan: Okay. So, we have not applied yet, Sir?

P. Srinivasan: Yes. We are studying this before we decide which product if at all if you want to. So, for this study, there are various parameters to be studied before we take a view. And this is a joint decision between our consultants and NOCIL. So, at an appropriate time as and when we meet the prescribed guidelines of the case, we will do it, post acceptance from the government, we'll announce it.

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

Radha: So firstly, I would like to appreciate the management and team for continuously increasing volumes despite the challenges. Sir, my question was on the other expense front. I was surprised to see the higher other expense in this quarter. So normally around 45% of other expenses power and fuel cost and 14%, 15% is freight. So, in the previous con-call, you have mentioned that from this quarter, we'll be witnessing the benefit of cogen turbine. So, I thought that any increase in freight costs would have been offset by benefit of cogen. However, it was not reflected in the numbers. So, I request you to kindly help me understand these numbers.

P. Srinivasan: Radha, there are a few things. The turbine got commissioned in this quarter. It's a fact. We saw some benefits accruing. But I think what you missed is that we had a production increase in the activity because we had anticipated a higher sales dispatch during the quarter, which didn't happen. So therefore, the loading of expenses is there proportionate to the manufacturing activity. So that's one thing.

And secondly, we also had the exports to the destination in the Western world. So obviously, it will be having a relatively higher freight costs as compared to our Asian continent markets. So, both these factors came into the system in terms of other manufacturing expenses, and which includes even the packing material also. So, there are 3, 4 parameters, which got loaded in other expenses. That's why it's a one-time you see this, but it should stabilize as we go along.

Radha: All right, sir. So, sir, just continuing this point. So, from July to October period, we have seen that freight rates have halved from $6,000 to $3,000. So, in the next quarter, do we expect to see twin benefits of cogen plus lower freight rates in addition to the operating leverage on anticipation of higher volumes?

P. Srinivasan: Yes, we are going to see that. Those things will come in.

Radha: All right, sir. Also, so I just wanted to ask that in the last quarter, we were expecting some large approvals from customers. So, has that come through?

V. S. Anand: Yes, Radha. So, this is ongoing, and we do receive on a quarterly basis approval. So, like I've mentioned, it's not specifically -- it will be a customer, multiple customers, multiple sites. So that's ongoing, and that is progressing from quarter-to-quarter.

Radha: Sir, when can you see those volumes reflected in the numbers?

V. S. Anand: Actually, we are seeing this. So, as we speak, we are seeing this. And like we just discussed in one of the earlier questions, we are clearly seeing it in the volume development.

Radha: All right. And lastly, on the South America market, OE and aftermarket demand seems to be very strong. So, I just wanted to know, are you supplying to this region? And any new customer addition or share of business increase with customers located in this region? Also today, volume in South America, if we take an index number of 100, then how much growth are you expecting from this region in the next 2 years?

V. S. Anand: So, we are supplying to the South American market. We have presence with some of the global customers in those markets. Most of the growth, I expect more in North America than in South America because also the volumes and the opportunities are more there. So, we have not put a specific number on what we will expect from South America in the next few quarters.

Radha: Sir, what percentage of our total volumes would be to South America? Would it be lower than 5%?

V. S. Anand: By and large, yes.

Moderator: The next question comes from the line of Dhaval Shah from Girik Capital.

Dhaval Shah: Sir, my question is on the commentary made for H2. Now the overall Auto market globally is -- the commentaries has been quite low, and we see a good improvement for us in terms of volume growth. Now this is coming on back of you're seeing more customer wins on the specialty side and some market share gain. So where is this positivity coming out from? That's my first question.

And second question is on the competitive intensity. You mentioned a couple of countries name. Now this intensity and you've seen it many times in the past also. So, the quantum of intensity, is it similar to sometime in the past or it's something like very high right now? If you could relate to a time period in the past for us to better understand how we reacted that time and how did, we come out of it. So, some relation with the past. These are my 2 questions.

V. S. Anand: So let -- so the first part of your question, there are 2 things. One is, if look at our market share outside in India, we have a very negligible market share. That is one. So, there is an opportunity to grow with customers. And the other part is when you look at the rubber industry consumption and largely it is the tire dominated. And within that, it's -- the OE part is a smaller percentage, right? It's about only 30%, very reflective of what we have in India and even in the global market. So, it's more of a replacement market.

And I see that the replacement market is still reasonably doing better than last year when I see this across the regions. So that is also a positive trend. On the other hand, our presence is also small. So, with both this as a combination, there is reason for optimism.

And the third part, which I can add is the long-term engagements that we've been having, the strategic engagements and the approvals that are coming through, which also I see as a positive contributor to that. So, if I would summarize, I think these are some of the points to answer your first question.

The second one on the part of the intensity of competition. I would say it is at a high level now to really say is how related is it to some period in the past, yes, I'm sure that there has been a period similar to this in the past, some period around further during FY 12-13 there were phases where this intensity has been high. So that's -- let's say, if I look at a time frame from the past, there are some comparisons to the similar period.

Dhaval Shah: Okay. So, between then and now, our portfolio mix is much better towards better margin products or specialty products, we may put it? Is it the right way to understand since we are always focusing in many years to improve our specialty portfolio outside India?

V. S. Anand: Yes. So, they have increased over the years, but also some fluctuation here and there in the last 1 or 2 years. We see that, that has contributed also with some of the specialized application products increasing in volumes over the years. That has given us a lot more robustness to the bottom line.

Dhaval Shah: Okay. Sir, any innovation index kind of metrics we maintain to understand out of our total sales volume as you do today, how much of the products have we developed in the last 3-year or a 2-year period? Just to understand how are we progressing as a company?

V. S. Anand: Yes. So, we are tracking what's usually called with the Vitality Index and so which is critical to look at new products introduction and how they perform as an overall percentage of sales. We are tracking it, but we have not declared any of this in public domain. But to give you an idea, it is progressing positively. And so that's something that we have as part of our leadership dashboard that we watch very, very closely. So that's something that we track, so products introduced in the last 5 years.

Dhaval Shah: Interesting. And last question, sir. As we see volume growth from basically the index, what we give, so this quarter, we were at 140-odd. Now like a 10% growth from here should give -- should bring a big leverage on the EBITDA. Is my understanding correct? Like if we just compare it, say, in FY '23 quarters. So, is there like a large operating leverage sitting here for a 10% volume growth from here?

V. S. Anand: There will be operating leverages kicking in as the volumes go up for sure.

Dhaval Shah: So, can we look at like a 10% volume growth from here could give a 3%, 4% jump on the EBITDA side?

P. Srinivasan: I think we cannot quantify those things at this moment. We are studying that because it all depends on the product mix also.

Dhaval Shah: And is there a room to improve our gross margin further from here? I mean, keeping aside the price increases, which are market-driven but is there some like organic growth room to improve our GP, which we like 43% this quarter?

P. Srinivasan: There is a continual improvement. We always work on our efficiencies and the yield parameters on a regular basis. So, we start monitoring on a regular basis, and we do have an internal target where we can stretch ourselves. But it all comes under the broad chemistry composition of the structure of molecule. So, I think we have some room to play, but I don't think it's that significant, but maybe a 1% here and there it can improve definitely.

V. S. Anand: And just to add, a lot of work of our R&D team, apart from looking at new products, include process efficiencies and both on the yield as well as the process. So, they continue to accrue, and I'm positive with volumes, they'll also add.

Moderator: The next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj: Sir, first question is on the export recovery. So, you mentioned that there is a recovery in exports and double-digit volume growth. At the same time, you have also mentioned that there have been aggressive pricing actions from China, Korea, and EU players. So how have we fared in terms of these competition? And maybe which geographies which have given this kind of growth? Or is there anything which can be explained by these 2 contradictory things?

V. S. Anand: Thanks, Rohit. So, I would say while -- yes, the competition and price intensity continue to be there, not only in India, but also outside, probably a bit more in India because people see that there is demand in the country. If I were to put it, it's a combination of the long-term engagements that we are getting into and the push over the last 2 to 3 years and the long-term relationship that we have had, which is enabling us to mitigate some of these other factors to a certain extent.

So, I cannot say that we are immune to it surely. We also will be susceptible. But at least it's holding us in good stead. And we are positive that we should be able to at least continue in that direction more as a reliable supplier, a long-term supplier, somebody they can derisk their supply chains from. So that's -- these are things that are working positively, Rohit.

Rohit Nagraj: Sure, sure. Second question, sir, we've been talking that we want to derisk ourselves from the rubber chemicals. And probably, we've been working on the same in our R&D, but nothing has actually come out. So, any progress on that? And given that there could be opportunities outside the current vertical that we are in, are we aggressively looking at any inorganic opportunities besides the capex program that we are having and given the cash balance is significantly higher on our balance sheet?

V. S. Anand: Yes. So, it is a 2-pronged approach where we look to leverage adjacencies in our chemistry. That means how do we look at our own chemistries that can go to other applications? There is work that's happened and there have been some sales in that front, but really not so material for us to report it. These are very specialized applications also where we see some good traction. We've been working on these projects for more than 2, 3, 4 years now and some of them are showing some traction, but I'm really not in a position to really talk about it because I don't see it as so material, but hopefully, they will start gaining some traction.

On the other hand, the option is always to look at the inorganic. And we are actively looking at it. At the same time, we want to find an option that can also leverage our own strengths, strength not only in chemistry, but all a lot of our other capabilities that we have, we can actually then have those synergies coming together. We're working on this, and I'm also not able to put any timeline to that because there are so many other factors that play into this that sometimes they don't work in the last minute. So, I think that's ongoing. We will continue to pursue that.

Rohit Nagraj: Got it, sir. Sir, just one last clarification. The 20% increase in capacity from this Rs.250 crores of capex, what is the timeline for this? When is it likely to be commissioned?

P. Srinivasan: Rohit, we have announced that by September '26, 30 months from the date of announcement, we'll be ready with the plant ready for completion. Thereafter, the trials and approvals thereafter. So, it may take 3, 4 months thereafter. So that's why you said fourth quarter of FY '27, the business should start coming in.

Moderator: The next question is from the line of Raman KV from Sequent Investments.

Raman KV: Sir, can you give the guidance for FY '25 as well as what's the current capacity utilization?

P. Srinivasan: So current capacity utilization is 70%.

Raman KV: 70%.

P. Srinivasan: And our guidance in terms of volume, as we have said in the past, and again, we maintain, our endeavour is to grow sequentially quarter-over-quarter. So, we don't want to give any specific guidance. Our intention, the base number is 140, we would like to grow from here every quarter.

Raman KV: Okay. In terms of volume, you want to grow quarter-on-quarter.

P. Srinivasan: Yes, yes, that's what we are looking at.

Raman KV: And sir, you have announced Rs.250 crores capex for the Dahej facility. So, is the whole capex only for de-bottling the existing facility, or are you planning to addition?

V. S. Anand: It's a brownfield new plant. It's not a debottlenecking project.

Raman KV: It's a brownfield project.

P. Srinivasan: Yes, that's right.

Raman KV: And sir, you have told in this call itself that the specialized products gave more robustness to the company's finances as well as you have mentioned that there are new products under development. So, these products, are they like a specialized chemical product? Or they are just like, how do I say, low-margin products?

V. S. Anand: Yes. What I mentioned was over the years, the specialized applications have slightly moved up but not beyond a certain point. Not specifically to this quarter to the previous quarter, nothing has significantly changed on the specialized application products. Coming to our new developments, clearly, the focus is on better margin products, less on the commodity space.

Moderator: The next question is from the line of Manoj Jethva from KSA Shares and Securities Private Limited.

Manoj Jethva: So, my first question is relating to the green chemistry, which you have mentioned in the presentation slides. So currently, NOCIL is having 20-plus product applications. So, are we going to launch any new products keeping in mind the green chemistry in mind?

V. S. Anand: Yes. We are working on this. So, when you say green chemistry, it also includes substances that are safe to use as well as looking at greener renewable options. So, we're looking at all this regularly, and they are in the works, Manoj.

Manoj Jethva: Sir, my second question is pertaining to China +1 strategy. So, everybody is talking on the buzzword of China +1 strategy, China +1 strategy but China is also coming out with the new economic package of almost around $54 billion. So how we got trails against such developments which might take place in China?

V. S. Anand: Yes. So, when you say the China +1 strategy and it's -- if you really bottom line that, it's nothing about reducing your supply chain risk, right? And as a player, as a large, if I put myself in the shoes of any of our customers who buy something that is very dependent on ingredients that run their plant, I'm always looking to derisk my supply chains to ensure that I have a stable supply chain. And this obviously leads to opportunities for players who can support them in this front.

So, I see that this supply chain derisking will continue to gather momentum with all the uncertainties that are around. So, I see that this will gain more traction as we go along. I'm not able to comment on the stimulus or what's really happened there. But I think the fundamental comfort is to look at supply chain derisking.

P. Srinivasan: So just to add a bit, I think the -- despite the stimulus, what you have seen is the export tax subsidy, which the Chinese government has extended to the rubber chemical manufacturers continues to remain at the same level. It has not been increased.

Manoj Jethva: Sir, I appreciate to share some growth trajectory apart from the rubber chemical things. Are we looking out for any inorganic growth in the same space, either, say, in India or overseas?

V. S. Anand: We are exploring options, Manoj, like I responded to one of the earlier questions. That's an ongoing process. We are doing it in a structured manner, and that's ongoing.

Moderator: The next question is from the line of Nirav from Anvil Wealth.

Nirav: When I see your annual report and in particularly, the power schedule, and when we compare our volumes of FY '22 and similar amount of power consumption, I think what we have consumed in terms of per metric ton of finished goods was something around close to 5,500 units, which is now down to 5,000 units, precisely in FY '24. So, this is despite of the fact that our volumes have not grown, but we have brought down our per ton consumption of power. So, one thing you mentioned that we have been continuously investing in the process part of our business.

So 2 things here: one, with the improvement in the volumes, which we are envisaging, I'm talking about the power consumption per metric ton of finished goods and with the turbine benefits also now accruing to us, would it also bring it down our unit cost of power because predominantly, we were more reliant on the coal side and with this renewable power coming on. So just wanted to understand the benefit of this in light of volume growth, a, and the mix of power getting changed?

P. Srinivasan: Yes, we will see some benefits accruing in. I think some things marginally got kicked in, in this quarter because we commissioned during the quarter. So, as we go along and once it starts operating at a stable capacity, these benefits will start accruing in.

Nirav: Got it. But sir, is it the right understanding that our power consumption per metric ton has come down by close to 10% over the last 2 years, and this is purely because of the process part of our investments?

P. Srinivasan: So, what happens is whenever you are running a plant at a particular throughput rate or a better utilization rate, you will get the optimization benefits.

Nirav: Got it. And this should further improve once our volumes getting ramped up?

V. S. Anand: Yes, Nirav, that's expected to happen. And also, the fact that we've been also looking at green energy options, that's also been contributing to that with the ramp-up.

Nirav: Got it. Sir, secondly, apart from the power side, are we seeing any improvement on the per unit consumption of raw material or, let's say, improvement in the input output norms for some of our products where you mentioned that the process innovation is also being a key investment for us. So, are we seeing some improvement there also, which eventually brings down our cost of production?

V. S. Anand: Yes. So, we have several examples internally where we have had this. And over the years, this is a continual program. And regularly, there is work on the yields, on the consumption of the raw materials. So, there is positive traction on this on a regular basis, Nirav.

Nirav: Correct. Sir, last from my side is in terms of the debottlenecking what we have been doing, how much would have been capitalized in H1 of FY '25? And how much balance is yet to be capitalized?

P. Srinivasan: Nirav, I don't have specific numbers right now with me. As and when I get the details, maybe I'll share it separately with SGA at a later date.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Anand for closing comments.

V. S. Anand: Thank you. Thanks, Shlok, and thank you everybody for your time and engaging discussion. I take this opportunity to thank everyone for joining the call. 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. We wish you all a happy and safe Diwali and a Happy New Year. Thank you once again and have a nice day.

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