



ARVIND MAFATLAL GROUP
The ethics of excellence

NOCIL LIMITED

59TH ANNUAL REPORT 2020-21



NOCIL LIMITED

ACCELERATING

MOMENTUM

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INVESTOR INFORMATION

Market Capitalisation as at March 31, 2021	₹ 2,902 Crores
CIN	L99999MH1961PLC012003
BSE Code	500730
NSE Symbol	NOCIL
Bloomberg Code	NOCIL:IN
AGM Date	August 03, 2021
AGM Mode	Virtual

Disclaimer:

This document contains statements about expected future events and financials of NOCIL Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis section of this Annual Report.

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<http://www.nocil.com/detail/financials/annual-report/12>

Or simply scan to download



ACCELERATING MOMENTUM

Having been in the rubber chemicals manufacturing space for over four decades, NOCIL Limited ('NOCIL' or 'The Company') is a leading name in the industry. For NOCIL, what matters the most is customer centricity by delivering the best quality and cost-efficient products, continuous improvement in operations and consistent progress with a focus on sustainable development. We have been persistently expanding our production capacities to meet the rising demand. With capacities and capabilities in place, we are now on the launchpad to accelerate momentum!



NOCIL LIMITED

ABOUT US

NOCIL is India's largest rubber chemical manufacturer with a broad customer base across 40 countries. As a manufacturer and supplier of global repute in the rubber chemical segment, we have thrived on the wealth of experience and knowledge garnered over decades in the industry.

Being a part of the eminent Arvind Mafatlal Group, we persistently drive towards excellence in our processes maintaining uncompromised quality, services and competitive pricing of our products. Today, we are one of the non-Chinese rubber chemical manufacturers with presence across the entire portfolio of rubber chemicals.

As a part of the NOCIL culture, we have always focussed our efforts in continuously improving our standards in terms of environment, safety and energy. We've consistently built our production capabilities and expanded our reach in terms of volume and geographies, making us one of the preferred suppliers around the world.



Our Experience + Technological Edge = Preferred Supplier



- Favourable positioning
- Continuous technological improvement in products and processes
- Strong position in high-value-added products
- Exceptional R&D capabilities leading to a significant reduction in production cost
- Benefit of operating leverage due to scaling up of business

End Uses of Rubber Chemical



- Tyres and tubes
- Moulded components for vehicles
- Industrial belts
- Gloves and other latex applications
- Hoses
- Footwear



+8%*

Revenue

+14%

Growth in sales volume in FY 2020-21

+26%*

EBITDA

+35%*

Operating PBT

~30%*

Dividend payout more than 5 years

*CAGR from 2013-2021

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation

PBT: Profit before Tax

PAT: Profit after Tax

Key Performance Indicators

₹ **939** Crores
Total revenue

₹ **141** Crores
EBITDA

₹ **86** Crores
PAT

MANAGING DIRECTOR'S MESSAGE

“ We ramped up our production capacity in the wake of growing demand and achieved the highest ever quarterly revenues with substantial growth in Q4 of 2020-21. ”

Dear Shareholders,

I hope you and your family are safe. I must begin my note by thanking all our stakeholders, customers, business partners and investors for their continued support.

Stepping into 2020, few could have anticipated the profound challenges that the world would face in the months to follow, with Covid-19 prompting an unprecedented health crisis, huge economic disruptions and repeated lockdowns around the globe. Looking back, I am proud of the effectiveness with which NOCIL navigated the crisis, and I would like to commend the commitment that all my colleagues have shown in supporting our associates throughout this daunting phase.

In the prevailing time, our first concern was to ensure the well-being of our people. We instantly adopted a Covid-19-appropriate behaviour at the workplace and around us to curtail the spread of the virus and accelerate, in whatever little way, the economic momentum of the nation.

Driving Momentum through Resilience

The first quarter of 2020-21 was indeed challenging due to the imposition of lockdowns, and subsequent curtailment of economic activities. This disrupted the supply chain and impacted all the industries far and wide. But it was the auto industry which took the major hit. Since we have the highest revenues coming from the supply of rubber chemicals to the tyre industry, we faced the impact of the auto industry's slowdown. However, despite the adverse environment, we remained resilient and kept running the wheels of momentum, though initially at a slower pace.

With the easing of lockdowns from July 2020, there were some clear signs of revival as the economy gradually opened up. Subsequently, with a steady recovery in demand and the backlog of the order book getting cleared, manufacturing operations too started picking up. A gradual ramp-up of production

was thus witnessed. Our strategy entailed around having the expansion plans in place to meet anticipated growth in demand, while continuing on the expansion journey, which we started around two-three years ago. While building our capacities further, we continued maintaining our market share and exploring additional markets to amplify sales. Our comfortable liquidity position, with no long-term debts, enabled us to stay afloat, while keeping our costs at bay.

Besides, there's an echo for a China-Plus-One strategy, wherein international tyre majors are considering de-risking their value chain to reduce over dependence on a single source of supply. We already have some reputable international clients and with the global tyre majors driving their attention to other countries, there stands a good chance for India to benefit out of it. This will also bode well for players like us and enable us to expand our geographical frontiers. Moreover, the recent import restrictions on various classes of tyres in India is also likely to push domestic demand from Indian tyre makers. This again is anticipated to act in our favour.

Performance in 2020-21

Our revenues were impacted in Q1 of 2020-21 owing to the lockdowns. Lower revenues resulted in lower absorption of fixed costs, leading to a subdued EBITDA. Gradually, with easing restrictions, our sales and EBITDA margins recovered significantly in the remaining quarters.

Subsequently, with the ramping up of our production capacities, we were able to cater to the growing demands and fulfil the gradual increase in orders. It is with pride that I mention, we were able to achieve the highest ever quarterly revenues with substantial growth in Q4 of 2020-21. With our resilience and contingency plans in place, we were able to register 14% growth in volumes and 9% growth in revenue for 2020-21 compared to 2019-20.

Driving Capacity Expansion

In 2017-18, we had strategically commenced a Capex plan. It was to be implemented over a three-year period, with investments being undertaken in a phased manner to expand the production capacities of Navi Mumbai and Dahej facilities. With the immense dedication of our in-house technological support and team, we could complete the implementation 100%. The entire Capex was accrued and utilised by the end of 2020-21, completely funded

using our internal accruals. We are still maintaining a zero-debt status till date.

Driving Growth Sustainably

At NOCIL, we take environment stewardship very seriously. We believe being a rubber chemical manufacturer, we have a certain degree of responsibility towards the society at large. Our dedicated sustainable operations exemplify our stand as a conscientious corporation. We strive to meet our customers' requirements by providing them products that are produced in an eco-friendly manner.

Our focus revolves around continuous improvement of our facilities and production capacities, while making them greener and environmentally relevant to stay ahead in the industry on sustainability counts. This is being done through continuous investments to adopt various innovative environmental technologies for long-term sustainability. We also take pride in being a Responsible Care-certified Company and were recently certified with ISO 50001 for energy conservation.

Outlook

Being one of the leading non-Chinese rubber chemical manufacturers in India, we are considered as a preferred and dependable rubber chemical supplier by global tyre majors because of our niche R&D capabilities and value for money offerings.

As a leading manufacturer in India, we are also well-positioned to grow with every domestic and international opportunities coming our way. Supporting our Government's Make in India initiative, we have been the frontrunners in our industry in promoting indigenous products and exporting them to the world. Going ahead, we will leverage our dominant position to expand our network and reach.

On a concluding note, I would like to thank all the stakeholders for their continued support even during such challenging times. We are confident to sail through these testing times and hope to record better performance going ahead.

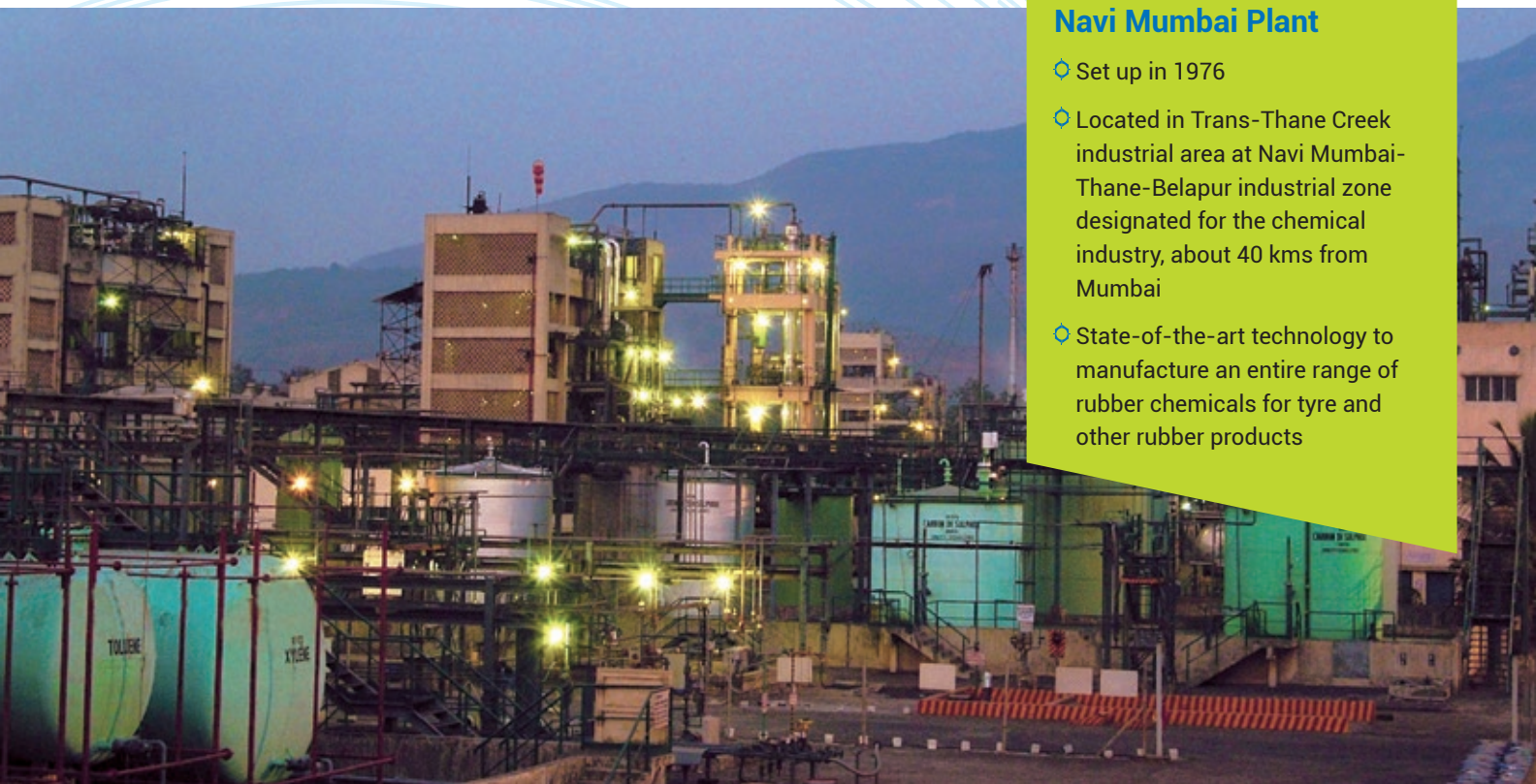
Warm regards,

S. R. Deo
Managing Director



Navi Mumbai Plant

- ◊ Set up in 1976
- ◊ Located in Trans-Thane Creek industrial area at Navi Mumbai-Thane-Belapur industrial zone designated for the chemical industry, about 40 kms from Mumbai
- ◊ State-of-the-art technology to manufacture an entire range of rubber chemicals for tyre and other rubber products



Dahej Plant

- ◊ Commenced operations in March 2013
- ◊ Located about 45 kms from Bharuch, Gujarat
- ◊ Location has synergistic proximity to petrochemicals industry and excellent connectivity with Dahej and Hazira Port
- ◊ Fully automated process plant developed completely with in-house technology



EXPANSION RESONATES GROWTH MOMENTUM

NOCIL strategically accelerated expansion plans with Capex accrual and utilisation over a period of three years. This was done after foreseeing the then market conditions, significant expansion plans of tyre customers and environmental measures affecting the production capabilities of Chinese competitors.

WHAT IS ACCELERATING OUR MOMENTUM?

China Plus One Strategy

China dominates the world market share of rubber chemical manufacturing, contributing 75% of global rubber chemicals supply. The Covid-19 outbreak and imposition of lockdown resulted in supply chain breakdown worldwide. The major dependence on a single supply source is being viewed as a concern. The tyre majors across the world are looking for an alternative market other than China after the pandemic. Hence, shifting focus from China to India, as a de-risking strategy, gives NOCIL, which takes immense pride in cost-efficiency, quality and capacity, a favourable opportunity in this segment to meet the global demand. In the China+1 Strategy, NOCIL can have a major pie of the cake, as it already enjoys a preferred supplier status among international tyre majors.

Stringent Environment Compliance

The last three years have seen pollution explosion in China and consequently, there has been increased environment compliances levied by the Chinese Government. As a result, the Chinese companies have to bear the increased compliance cost, which would lead to rise in cost of manufacturing in China. However, in case of NOCIL, the products and processes always catered to the highest level of environmental, health, safety and conservation of natural resources. Hence, no such reciprocal increase in cost may have to be borne by NOCIL. As a result, this will create a level-playing field for NOCIL and a favourable market for our products.

Rising Income Levels

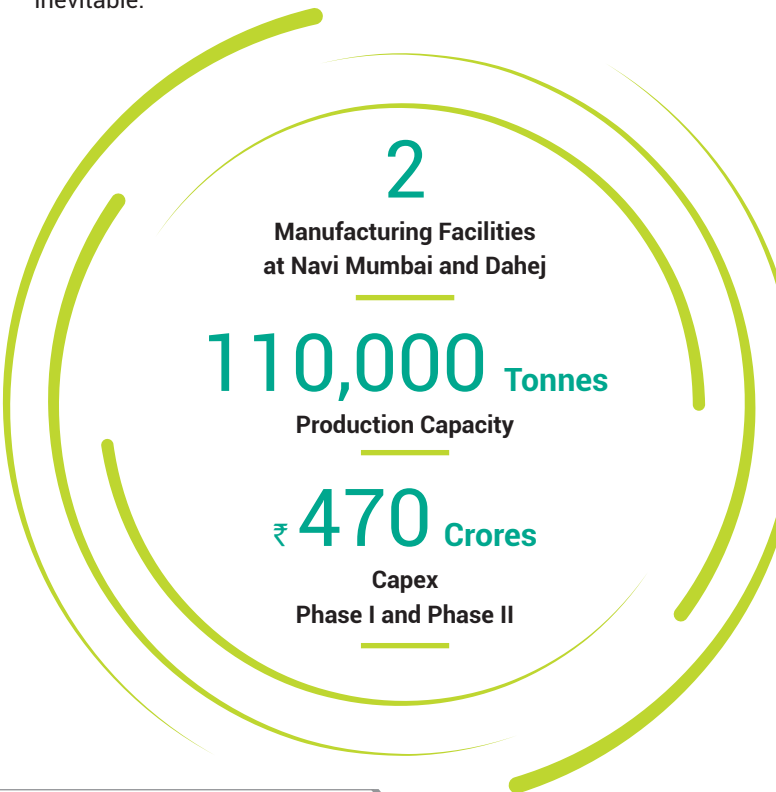
This will directly result in increase in motor vehicle ownership, which in turn will steadily increase the consumption of rubber processing chemicals. Since the major chunk of revenue for NOCIL comes from the tyre industry, this will favourably assist the Company to clock a substantial growth.

Global Consumption

The H2 of 2020-21 saw an upward trend in demand for both natural and synthetic rubber. The auto industry also resonated the same growth. This was further aided by the rising demand for OEMs as well as the replacement market. NOCIL is one of the key players in non-Chinese rubber chemical manufacturing segment with a strong presence across the entire portfolio of rubber chemicals. Thus, assuring a promising future for the Company.

High Performance Tyres

To give more life to tyres, the automobile industry will increase rubber processing chemical loadings. Thus, making the growth in demand of NOCIL products quite inevitable.





CERTIFICATIONS/ACCREDITATIONS

ISO
50001:2018
(EnMS)

ISO
9001:2015

ISO
14001:2015

ISO
45001:2018

ISO/IEC
17025:2017

RESPONSIBLE
CARE
CERTIFICATION BY
INDIAN CHEMICAL
COUNCIL

IATF
16949:2016