



**SMIFS
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INITIATING COVERAGE REPORT

Oriental Carbon & Chemicals Limited



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Oriental Carbon & Chemicals Ltd

Growth set to kick in, play on tyre sector recovery

Oriental Carbon & Chemicals (OCCL) has positioned itself as the market leader in Insoluble Sulphur (IS) chemistry capturing 60% domestic & ~10% global market share. The global IS market is dominated by mere four quality players including OCCL, is itself a proof of niche and specialized chemistry the company operates in. Our faith in the company's profitable business growth stems from the fact that (a) Domestic insoluble sulphur demand is set to grow at 6-8% annually led by robust rubber & tyre consumption (b) expansion of IS capacity to increase penetration in existing & foray in newer geographies like North America and global increase market share of the company (c) focus on specialized products in exports will improve the product mix and margins. OCCL business is governed by strong R&D, marquee client base and strong visibility in international markets. High initial capital requirements, longer client approval period & lower asset turn makes it difficult for a new entrant to successfully replicate the business model of OCCL. We believe as tyre industry is set to regain its growth path on the back of robust demand of auto, strong replacement segment momentum and increase in shift towards radial tyres from bias tyres which will create strong demand momentum. Considering the future growth visibility of this net cash company with strong dividend payout history (20-25%), we assign BUY rating with target price of INR 1036 per share.

Market leader in IS coupled with capacity expansion offers growth opportunity

- OCCL is the market leader in Insoluble Sulphur (Used as vulcanizing agent in tyre) capturing nearly 60% of domestic and ~10% global market share. The company global market share has consistently expanded from nearly 7.5% in FY13 to ~10% in FY19. This was because of strong volume growth wherein the company has recorded ~9% growth as compared to global industry growth of ~3.5-4% during FY13-19.
- Thereafter, during FY20-23 market share declined because of higher supply & weak demand. However, going ahead we feel the company will be back in double digit market share of around 12% by FY26E.
- Going ahead domestic tyre manufacturers have lined up capex of Rs200-250bn over the next 2-3 years, indicating strong volume visibility for insoluble sulphur and other rubber chemical manufacturers. To capitalize on this opportunity the company has added 5,500 TPA of IS & 42,000 TPA of sulphuric acid with a capex of Rs1.5bn. At peak utilization this will add Rs1-1.1bn to topline (0.7x asset turnover)
- Also, another line or phase 2 of 5,500 TPA (currently kept on hold) will be added depending on the demand & supply dynamics at a later stage. The capex earmarked is Rs600-700mn.

Focus on increasing foray in newer geographies will increase the reach and visibility of the company

- The company already has its feet strong in the domestic IS market commanding over 60% market share and we believe the company is now focussed on enhancing its export business.
- Targeted export market for the company over the next 2-3 years is penetrating further in North America. In North America the company already has made good inroads in IS market and now they are looking to leverage on that to gain additional business. The North America market is ~40,000 tonnes.
- The company particularly focuses on high value or specialized products in the export market. The company has added 5,500 TPA capacity to focus more on export market and hence we expect exports to grow at ~9% CAGR from FY23-26E (historically grown at 3% CAGR from FY18-23).

High entry barriers makes it near impossible for new entrant to replicate the business model

- Manufacturing of insoluble sulphur is a business where gestation period is relatively higher as compared to other chemicals, due to technology and customer approval issues.
- It takes nearly 4-5 years for a new rubber chemical manufacturer to set up capacity from plan proposal to customer approval.
- Also, the global market is consolidated with mere 4-5 players capturing 95% global market share which probably makes very difficult for a new entrant to enter into the IS space.

Valuation & Risk

- A net cash company with strong entry barriers having strong relationship with tyre OEMs focusing on newer & existing geographies by increasing volumes backed by its capacity expansion deserves valuation re-rating. Also, future visibility looks good backed by volume growth & improving global market share.
- We expect OCCL to report CAGR of 7%/15%/20% at Revenue/EBITDA/PAT on standalone basis over FY23-26E. Improvement in spreads of IS & demand uptick in international markets are the key triggers.
- The stock is trading at P/E of ~11.4x on Sept 25E EPS. We assign 15x as the target multiple and arrive at target price of INR 1036 per share which offers upside of 32% from current valuations. Therefore, we assign BUY rating on the stock.**

Rating: **BUY** Upside: **32%**
 Current Price: **Rs 787** Target Price: **Rs 1036**

| Market data

Bloomberg:	OTCC IN
52-week H/L (Rs):	910/651
Mcap (Rs bn/USD bn):	8.0/0.1
Shares outstanding (mn):	9.99
Free float:	47.0%
Daily vol. (3M Avg.):	0.01mn
Face Value (Rs):	10

Source: Bloomberg, SMIFS Research

| Shareholding pattern (%)

	Sep-23	Jun-23	Mar-23	Dec-22
Promoter	51.8	51.8	51.8	51.8
FIIs	0.7	0.7	1.3	1.3
DIIs	11.8	12.8	13.1	13.8
Public/others	35.7	34.7	33.8	33.1

| Pro. Pledging

Pledging	0.0	0.0	0.0	0.0
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Source: BSE

| Price performance (%)*

	1M	3M	12M	36M
NIFTY 50	8.4	9.1	19.1	56.0
NIFTY 500	8.6	10.9	25.2	69.2
OCCL	2.6	-1.6	3.2	-3.3

*as on 26th Dec 2023; Source: AceEquity, SMIFS Research

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	Adj P/E (x)	EV/EBITDA (x)
FY21	3,422	-0.4	1,215	35.5	750	4.9	75.1	15.0	11.9	10.5	6.5
FY22	3,878	13.3	783	20.2	399	-46.7	40.0	7.3	6.3	24.8	12.9
FY23	4,649	19.9	957	20.6	437	9.4	43.8	7.6	7.1	18.3	8.1
FY24E	4,189	-9.9	1,008	24.1	470	7.4	47.0	7.7	7.0	16.7	7.2
FY25E	4,994	19.2	1,228	24.6	619	31.8	62.0	9.5	8.8	12.7	6.1
FY26E	5,712	14.4	1,466	25.7	761	23.0	76.2	10.8	9.9	10.3	5.1

Source: Company, SMIFS Research Estimates

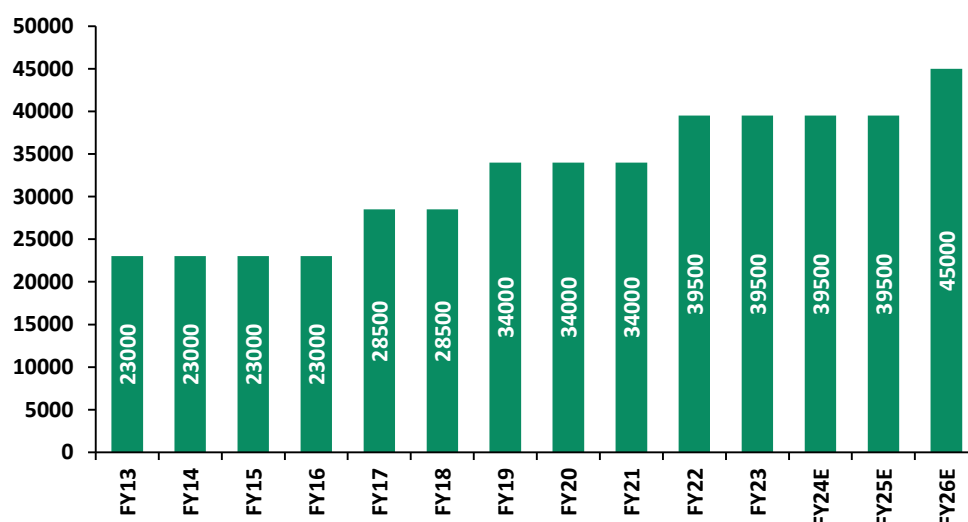
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Investment Rationale

Capacity expansion would lead to visibility of growth

- The company has consistently expanded Insoluble Sulphur (IS) capacity from 5,000 TPA in FY05 to 39,500 TPA in FY22. Consistent capacity addition was on the back of rapidly expanding manufacturing base of automobile & tyre industry leading to higher usage of insoluble sulphur, increased rubber consumption and inherent diversification by tyre manufacturers looking for second source of stable insoluble sulphur supplier.
- Historically, the insoluble sulphur demand has grown at 10-12% in the domestic and 3-5% in the international market.
- A big chunk of India demand (~60%) is currently met by OCCL and remaining 35-40% by Flexsys (ex. Eastman Chemicals) & smaller portion by Chinese players.
- The company has expanded its insoluble sulphur capacity by 5,500 TPA in December 2021 taking the overall total capacity to 39,500 MTPA. The capacity expanded was at Dharuhera (Haryana) and it was brownfield in nature.
- Mundra (Gujarat) has IS capacity of 22,000 TPA and Dharuhera (Haryana) had capacity of 12,000 TPA and post expansion of 5,500 TPA the rated capacity at Dharuhera stood at 17,500 TPA.
- The company has also expanded its sulphuric acid capacity by 42,000 TPA and the total capacity now stands at 88,000 MTPA.
- The recent investment on IS and sulphuric acid capacity expansion is Rs1.5bn and is funded by a mix of loans and internal accruals with a debt equity ratio of 2:1.
- The phase 2 IS capacity expansion of 5,500 TPA is kept on hold although we can expect another phase expansion to come on stream by FY26E.
- Also, the steam which would be produced from the new sulphuric acid plant will cater to the requirement of the new insoluble sulphur lines.
- Since the insoluble sulphur business is capital intensive providing very low potential asset turnover, we believe at peak utilization levels the said capex is expected to generate an asset turnover of 1x.

Fig 1: Insoluble Sulphur (IS) capacity expansion to provide visibility of growth (In Tonnes)

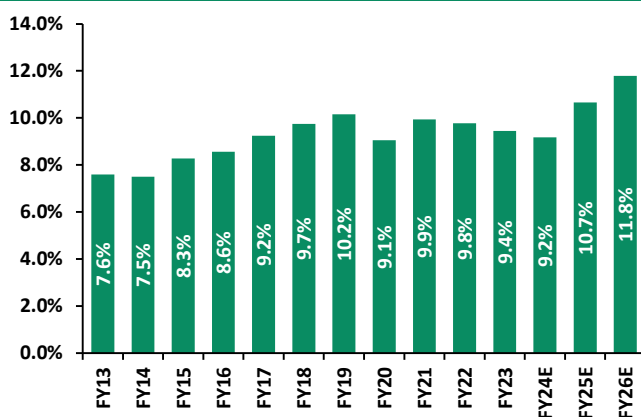


Source: Company, SMIFS Research Estimates

OCCL Insoluble Sulphur market share to expand post expansion

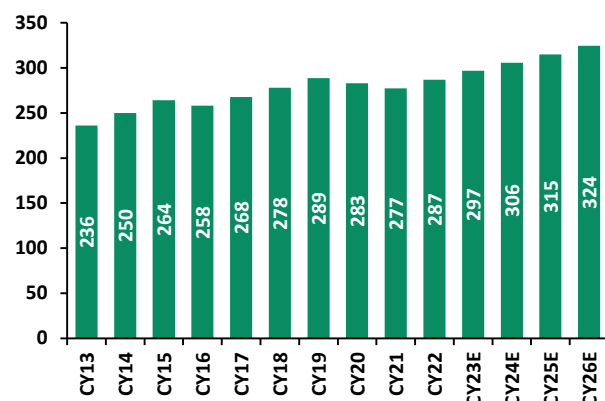
- Historically, OCCL global market share continuously expanded from around ~7.5% in FY13 to ~9.5% in FY23. This expansion in market share was owing to prudent capacity expansion, diversifying and penetrating into newer geographies and focus on capturing new clients.
- Developing new grades of IS requires strong competitive advantage and R&D which OCCL has developed over time. This will help the company to increase its market share.
- Also, market share improvement over the years is better attributable to foray in newer geographies like US & China.
- OCCL currently commands 60% market share in domestic and ~9.5% globally. The company has near monopoly business in the domestic segment.
- The improvement in global market share would be led by exports growth because the company is majorly focussed on North America market and there is good scope for the company to capture market share from the competitors, hence we believe growth would be majorly on the global front side.
- The North America market is ~40,000 tonnes & OCCL is expecting to garner 10% market share in the coming years with expanded capacity & demand pickup.
- As seen in Fig. 3, the global insoluble sulphur demand is expected to grow at ~2-3% from 2022-26E. The growth will be on the back of expanding tyre capacities around the globe, new compounds being designed for the ultra-high performance tyres where it is assumed that the requirement for IS will be higher than normal and increasing radialization in MH&CV leading to higher usage of IS.

Fig 2: OCCL global IS market share stood at ~9.5% in FY23



Source: Company, SMIFS Research

Fig 3: IS global demand to grow at ~3% CAGR from FY23-26E (in lakh tonnes)



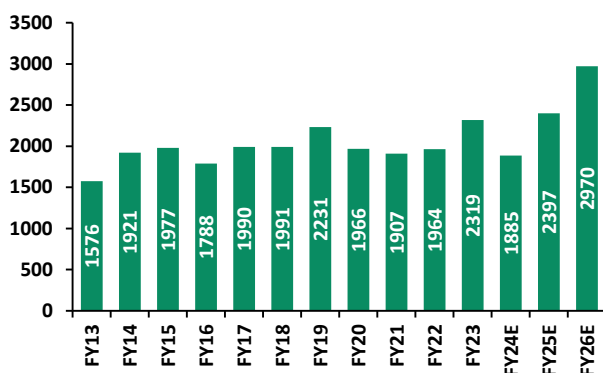
Source: Company, SMIFS Research

- We believe that global tyre production is expected to report mid to high single digit growth of 6-8% from FY23-26E and this would immensely benefit the global insoluble sulphur industry which is dependent on tyre consumption for its majority sales. To capture on the additional volumes, OCCL has recently added new capacity of 5,500 TPA which augurs well. This will benefit OCCL to capture incremental market share on exports front.

Volume growth on the cards led by exports pickup

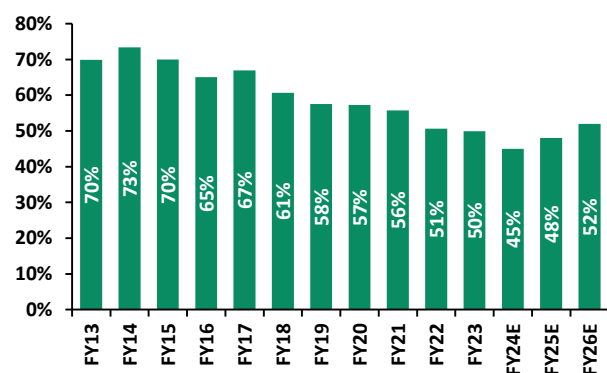
- Over the past 5 years (FY18-23), IS volume growth has been almost flattish. However, volumes increased in high single digit in fiscal years FY18 & FY19 but thereafter decline has been witnessed for the next 3 years till FY22 led by slowing rubber consumption, supply chain disruption led by COVID-19 induced lockdown & surplus capacity of IS globally for rubber chemicals.
- The company has expanded the capacity in IS by 5,500 TPA taking the total capacity to 39,500 MTPA in FY22. Also, we expect another 5,500 TPA is expected to get commissioned by FY26E. The company is yet to announce the same. We believe this capacity expansions would be more focussed towards catering the export market wherein the company is increasing its presence.
- The company plans to penetrate more in North America market and also increase its supply to existing customer across the globe. North America is the highest growth market and since the company is in good progress in terms of client reach, the management expects robust growth to follow going ahead.
- The company particularly focuses on high value added or specialized grades in the export market which generate higher margins. We expect exports to be gaining traction over the medium to long term.

Fig 4: Exports to grow at ~9% from FY23-26E (Rs in mn)



Source: Company, SMIFS Research

Fig 5: Exports contribution to be around ~52% by FY26E



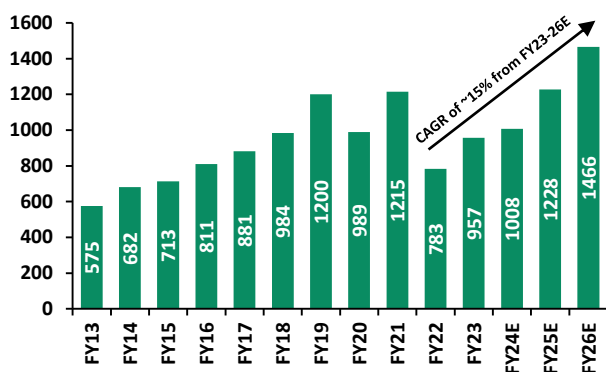
Source: Company, SMIFS Research

- The company is also focusing on developing new product which will support its volume growth going ahead. The company in 2020 has developed new grade DIAMIX IS-65 which offers best value proposition to tyre & rubber manufacturers.
- Overall, we expect export growth to be around ~9% from FY23-26E.

EBITDA margins to consolidate around 25-26% by FY26E

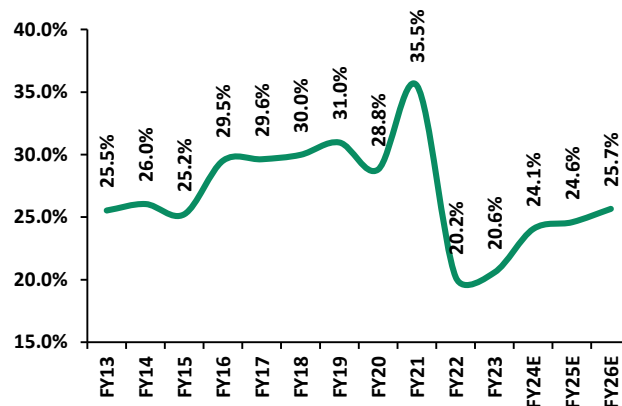
- Over the last 5 years (FY18-23), notable decline in EBITDA margins were witnessed from 30% in FY18 to 20.6% in FY23 majorly because of higher raw material prices of sulphur & coating oil which company was not able to pass on owing to moderate demand and high supply.

Fig 6: EBITDA to grow at CAGR of ~15% from FY23-26E (Rs in mn)



Source: Company, SMIFS Research Estimates

Fig 7: EBITDA margins to be in the range of 25-26% by FY26E



Source: Company, SMIFS Research Estimates

- A prolonged slowdown in auto industry has led to production cuts by tyre manufacturers in FY20 and the situation improved slightly in FY21 with lower cost leading to highest ever margins reported by OCCL. Also, strong uptick in demand combined with rise in automotive production has led to strong demand for tyres in FY22 & FY23 which led to rise in revenue for OCCL but higher cost pinched the company leading to steep decline in margins.
- Going ahead from FY23-26E, industry is bracing for robust capital expenditure by tyre manufacturers and to seize the rising opportunity of India's growth story of becoming an export dependent automotive hub which will lift all boat upwards including tyre and tyre allied chemical sector.
- With operating leverage from the newer expanded capacity, we expect EBITDA to grow at ~15% CAGR from FY23-26E & EBITDA margins of ~26% in FY26E from the current levels of 23-24%.

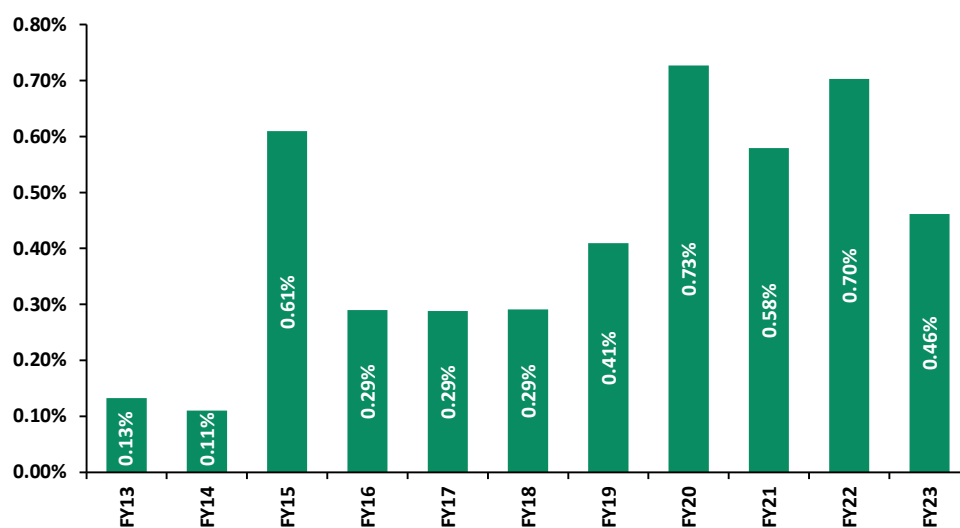
High entry barriers and competitive strength of OCCL insoluble Sulphur business puts it ahead in the stage

- The company's inherent advantage over new entrant is the strong underlying moat which OCCL enjoys. We believe there are strong entry barriers developed by OCCL in IS business which is nearly impossible for any other player to replicate.
- Insoluble Sulphur require strong R&D, technological advancement and technical expertise which OCCL has already developed over time.
- We list below some of the parameters which justifies our high entry barrier argument:
 - **Long gestation period for setting up new plant:** OCCL started IS business way back in 1994 with small capacity of 3,000 MTPA and eventually grown its capacity to 39,500 MTPA by FY22. In this journey, OCCL new capacities also went through time consuming process which are now well recognized by the tyre manufacturers. Its takes nearly 24-30 months for a new capacity to come on stream and extremely difficult for a new player to gain visibility & trust across tyre OEMs like OCCL has developed over time.
 - **Sole manufacturer in Indian market:** OCCL captures nearly 60% domestic market share and remaining 40% is getting catered by imports from Flexsys and Shikoku Japan. We believe as OCCL expand its capacities further it will become stronger and very difficult for any new player to dislocate OCCL which is currently the Indian Insoluble Sulphur (IS) giant.
 - **95-98% global market captured by mere four quality players:** Flexsys (US), Shikoku (Japan), OCCL (India) and China Sunshine (China) are the only 4 quality players who captures 95-98% of the global insoluble sulphur market. While, Flexsys is the largest capturing 70-75%, Shikoku captures 12%, OCCL & China Sunshine captures around 10% each. We believe it is very difficult for even a fifth player to enter into such highly competitive market which requires high research & development and technological capabilities which these players have developed over time.
 - **High capital requirements makes it difficult for small player:** Insoluble Sulphur is a niche chemistry wherein manufacturing is capital intensive along with high working capital requirements and continuous investment in R&D. Insoluble Sulphur offers low potential turnover of 1x and high chances of being rejected in the early stage of manufacturing. Thus, initial investment in insoluble sulphur is high which almost nullify the chances of small players to enter into this niche chemistry who do not have the appetite for high investment.
 - **Strong R&D requirement is itself a high entry barrier:** In order to remain ahead of the curve in developing new grades of insoluble sulphur, maintain high quality and ensure complete satisfaction of clients, R&D is the need for any insoluble sulphur or any other rubber chemical business. In Insoluble Sulphur (IS) business this R&D technology is guarded by only 4 players including OCCL. It is very difficult for any new player to have the same expertise as developed by existing players. We feel this itself has created a strong moat for entering any new player in IS business.
 - **Mandatory requirement of marquee clients:** Insoluble Sulphur is niche chemical which 90% offtake is consumed by tyre OEM. Hence, tie up with all domestic & international tyre OEM is essential to reduce dependence on mere 2-3 customers. OCCL has tie up with near all domestic and international tyre OEM which it has developed over last 2 decades which is very difficult for any new player to capture the same market.
- Considering the above entry barrier argument, we feel that it is very difficult to even compete or dislocate player like OCCL in insoluble sulphur business. **OCCL insoluble business fits in an old saying "The Strong gets Stronger"**.

Focus on developing high quality grades through strong R&D

- Manufacturing high grades insoluble sulphur required strong technological advancement and R&D. Hence, continuous investment in R&D is the need of the hour.
- Tyre OEMs usually have stringent measures to test client's products and then only they certify a manufacturer to supply to them on continuous basis. There are chances that insoluble sulphur might get rejected from tyre OEMs at early stages of manufacturing owing to quality issues. Hence, to keep the chemical of best quality, high standard and zero error issues should be the priority of any insoluble sulphur manufacturer and here R&D plays a very important role to keep them ahead of the curve.
- OCCL has an in-house R&D lab in Daruhera (Haryana). Over the years, OCCL has gained market share in insoluble sulphur business on the back of strong R&D leading to competitive advantage.
- A full in-house R&D team works on continuous basis to improve the quality of product and its properties. The company manufactures new grades to meet customers varied requirements.
- R&D also focuses on reducing utility cost to enhance the product margins.
- The company's R&D facility is approved by Department of Scientific and Industrial Research, Ministry of Science and Technology Government of India.
- R&D expense to sales averaged around 0.3% from FY13-19 and thereafter witnessed sharp jump to 0.6% from FY20-23 owing to focus on developing new insoluble sulphur chemistries.

Fig 8: R&D expense to sales



Source: Company, SMIFS Research

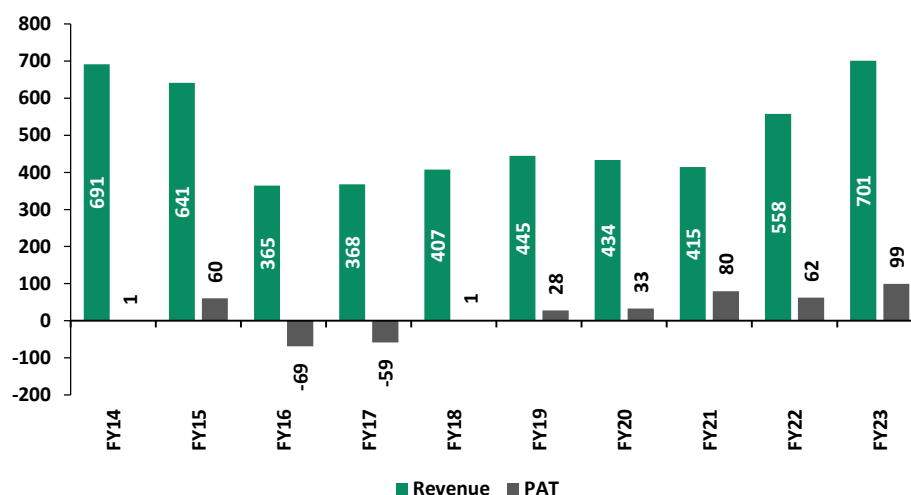
New product development DIAMIX IS-65 to keep OCCL ahead of the curve

- OCCL has launched a new product DIAMIX Pre-disbursed (DIAMIX IS-65) Insoluble Sulphur in Q2FY20.
- The commercial sales of this product started after 1-1.5 years only after stringent testing and validation.
- The product offers superior quality on account of better dispersion in rubber which is the best product currently in the overall basket of insoluble sulphur of OCCL.
- Also, DIAMIX IS-65 offers great value proposition to tyre OEMs and rubber manufacturers. It reduces power consumption, reduces scrap ratio and improves the mixing time with rubber.
- Since OCCL is R&D focussed on developing niche products, we believe there could be more product development for tyre OEMs and rubber manufacturers to improve their quality of finished goods.

Demerger of subsidiary Duncan Schrader on the cards

- OCCL acquired 50% stake in Schrader Duncan (SDL) in FY13. SDL had 2 business segments – automotive product and pneumatic product.
- In April 2017, OCCL announced closure of loss making business unit automotive segment, thereby downsizing the business of its subsidiary and focusing on completely pneumatic product segment.
- The automotive segment reported nearly flat revenues of around Rs310-370mn from FY13-17 but was reporting negative profits continuously. Hence, management decision of prudently shutting down the business has led to their complete focus on pneumatic segment business. As per our analysis, post closure of automotive business in FY17, the pneumatic business revenue grew at CAGR of 13% from FY17-23 to Rs700.6mn in FY23.
- There are immense growth opportunities expected in the pneumatic actuators market as large number of associated industries is coming up. Most of these opportunities are expected to arise from modernization and upgradation of machinery. Improvements in design and technology, the expansion of industrialization and a growing awareness of energy expenditure savings are helping to drive growth in the worldwide pneumatic equipment market.
- The major growth drivers for pneumatic business is increased momentum of automation projects in all major industries. There is a need for high accuracy and cost optimization which is driving the demand for process automation, which is leading to an increase in the demand for control valves.
- This business will likely be demerged in the coming quarters. The matter is pending with NCLAT and we do not have exact timelines. We have considered only standalone numbers for our projections & valuations and have not factored financials of Duncan Schrader in our calculations.***

Fig 9: Schrader Duncan subsidiary started to report profits from FY19 (Rs in mn)

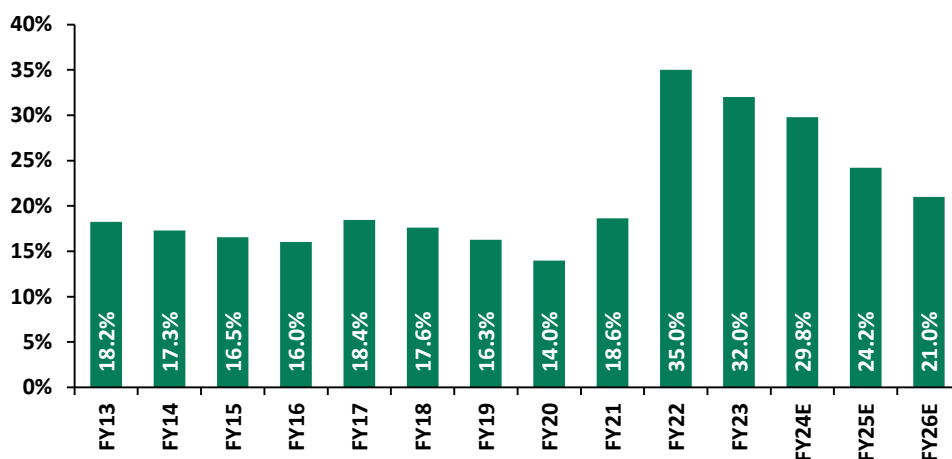


Source: Company, SMIFS Research

Handsome rewards to shareholders instills confidence in the company's business

- The company has done buyback of shares between Nov 2018 to Feb 2019. The buyback was through the open market rather than a tender offer.
- In the share buyback program, company bought 3,05,970 equity shares at an average price of Rs 1143 per equity share.
- Cumulative amount of Rs350mn was invested in the buyback.
- Also, advantage received by the shareholders apart from buyback is that the company has maintained its dividends. Despite buyback a company maintaining its dividends indicates strong management quality of rewarding its shareholders and keeping the faith of investors in the company.
- Also, the company in the past has consistently paid dividend to reward minority shareholders along with buybacks.
- Despite, profit witnessing decline over the last 2 years, management has maintained its dividend per share thereby increasing dividend payout ratio. Historically, dividend payout ratio was average 16% between FY13-21 which increased to average ~30% from FY22-23.
- We expect the dividend payout to remain around 20-25% levels by FY25E & FY26E. .

Fig 10: Dividend Payout will be at ~20% by FY26E, near to its long term historical average



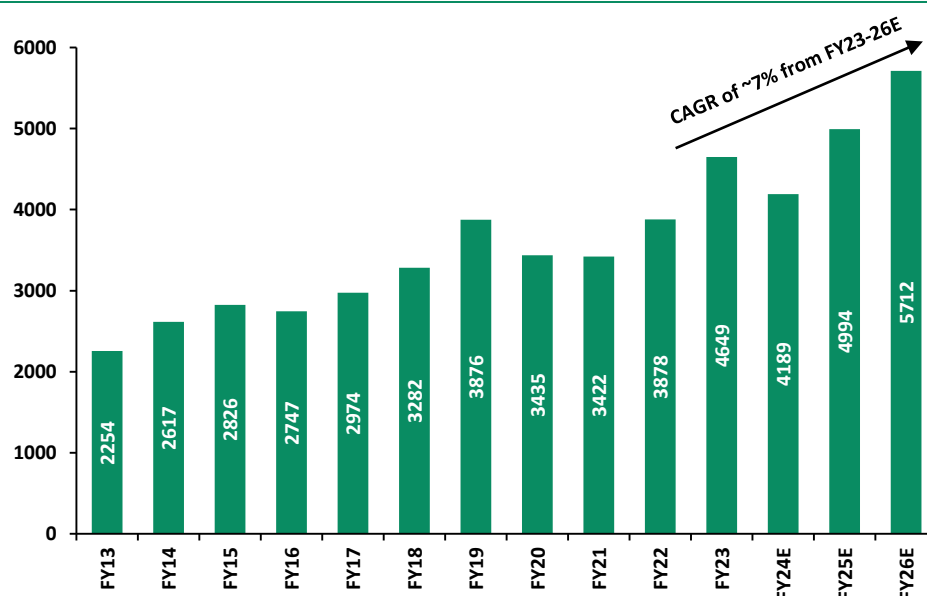
Source: Company, SMIFS Research Estimates

Revenue growth to remain robust primarily driven by volume growth

- OCCL reported standalone revenue growth of CAGR ~7% during FY18-23 primarily driven by strong realization. Volumes remained almost flattish.
- During FY14-19, the company reported strong volume growth of ~9%. This strong volume growth was on the back of robust demand of insoluble sulphur in the domestic market which grew at 8-10% during the same period.
- Thereafter from FY20-23 multiple headwinds led to almost flattish volume growth.
- With OCCL added 5,500 MTPA capacity of IS and 42,000 MTPA capacity of sulphuric acid, we expect volume growth to remain robust and grow at CAGR of ~11% over FY23-26E.
- Management has said the capacity expansion of insoluble sulphur would require approx. 1-1.5 year to reach its peak utilization levels. But looking at the moderation in demand & capacity addition by peers, we feel to reach optimum utilization levels might require atleast 2 years time frame.

Fig 11: Revenue to report ~7% CAGR growth of FY23-26E

(Rs in mn)



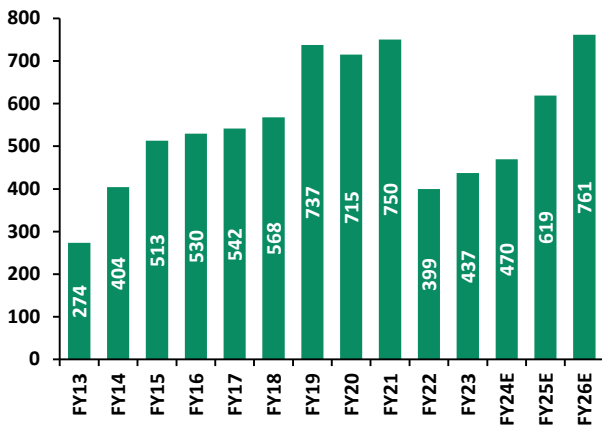
Source: Company, SMIFS Research

- On the realization front, we are bit cautious as we feel OCCL does not have pricing power and it is dependent on the landed price of imports. Overall, we model in realization decline to the tune of ~3% from FY23-26E.
- Overall, we expect revenue to grow by ~7% CAGR from FY23-26E because of volume led pickup.

PAT to report high double digit growth over FY23-26E

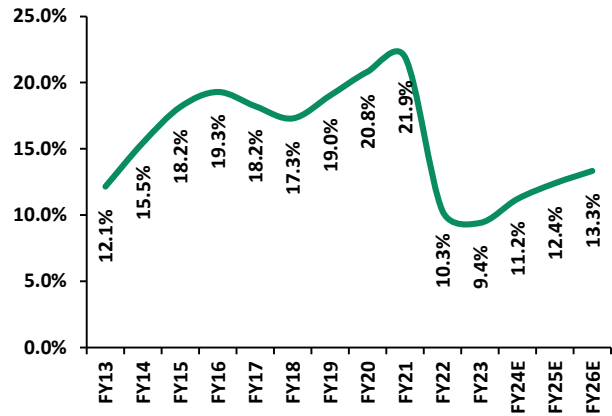
- Despite revenue growing by ~11% from FY20-23, EBITDA/PAT declined by ~1%/15% respectively in the same period.
- High single digit tyre growth & strong capex by tyre manufacturers would support demand for insoluble sulphur over the longer term. This will benefit OCCL substantially and hence we expect PAT to grow at CAGR of ~20% from FY23-26E and PAT margins to be around ~13-14% by FY26E.

Fig 12: PAT to report growth of ~20% from FY23-26E (Rs in mn)



Source: Company, SMIFS Research Estimates

Fig 13: PAT margins to hover at ~13-14% by FY26E

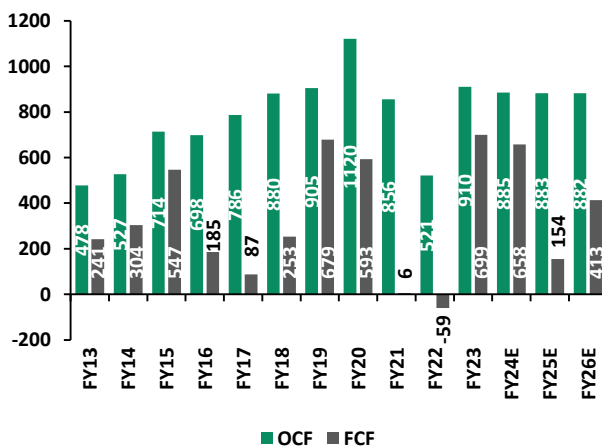


Source: Company, SMIFS Research Estimates

Strong operating cash flow & FCF generation augurs well

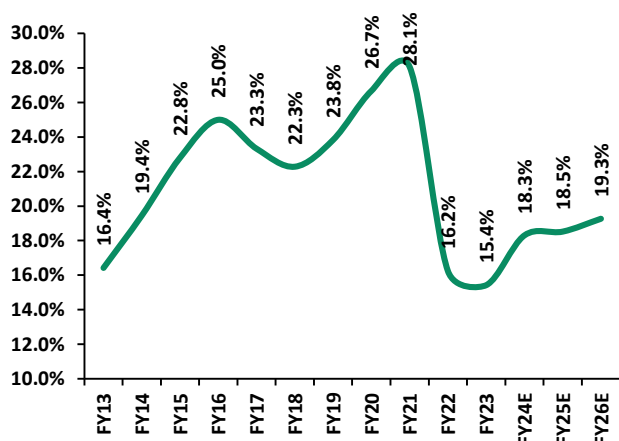
- The company operating cash flow has been quite strong since last 3-4 years. There is not even a single year from FY13-23 wherein the company has recorded negative operating cash flow. This gives us confidence in the company's business model and cash flow generation. As OCCL expands, the cash flow quantum will further increase.
- The company has generated cumulative profit after tax of Rs3.6bn from FY18-23. OCF generation during the same period stood at Rs5.2bn. This indicates the company has been able to generate higher cash as compared to its profits.
- The company reported highest ever FCF of Rs740mn in FY23. The company has generated cumulative FCF of Rs2.2bn from FY18-23. Our analysis of FCF suggest that company has generated an average of 60% FCF of profit from FY18-23 indicating strong conversion of profit to FCF generation.

Fig 14: Strong cash flow generation augurs well (Rs in mn)



Source: Company, SMIFS Research Estimates

Fig 15: Cash profit margins to be around ~19-20% by FY26E

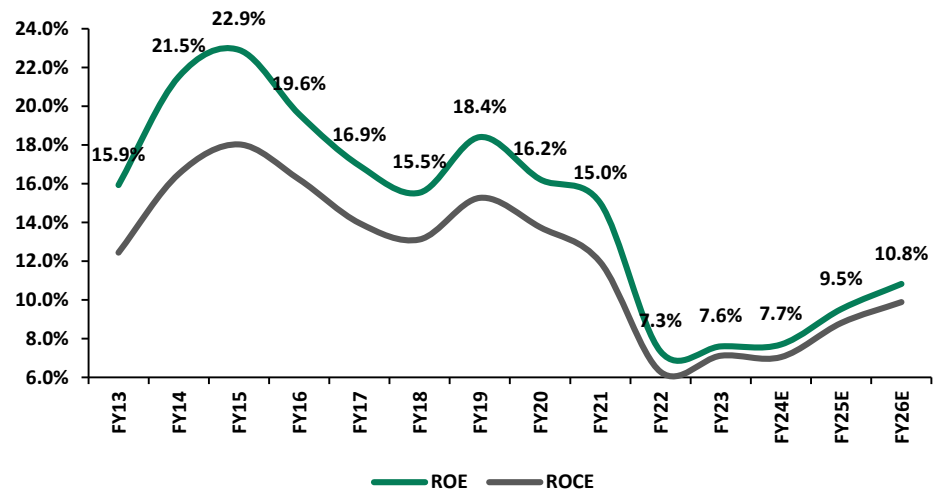


Source: Company, SMIFS Research Estimates

Return ratios witnessed steep decline in last 2 years, to improve going ahead

- Return ratios has witnessed steep decline in FY22 & FY23 owing to higher raw material cost, increased competition from international players, thereby leading to lower margins.
- We expect major brunt of negative factors has already been taken by the company and we see light at the end of the tunnel with OCCL gaining market share, introduction of newer grades to gain visibility & increased competitiveness.
- We foresee gradual improvement in return ratios is in sight from 8% in FY23 to around 10-11% by FY26E.

Fig 16: After factoring in major negatives, return ratios will only rebound strongly over the coming years



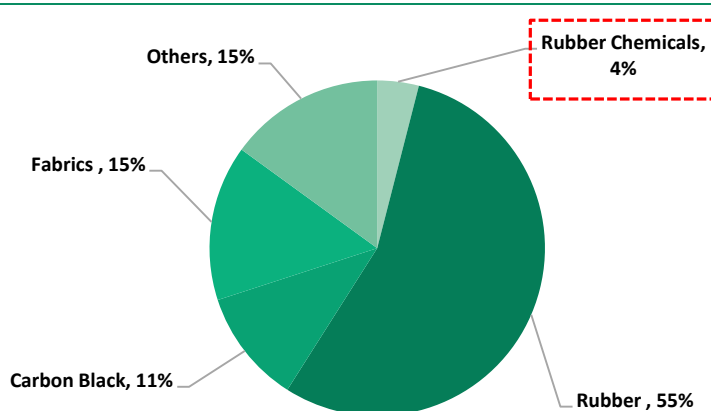
Source: Company, SMIFS Research Estimates

Industry Snapshot

Insoluble Sulphur: A niche industry to play

- Insoluble sulphur is used as a vulcanising agent for rubber to make it harder and durable. It is one of the indispensable raw materials used for manufacturing of tyres and other rubber derived products.
- Insoluble sulphur is used to prevent sulphur migration and is considered as the best vulcanizing agent for improving tyre mileage and abrasion resistance.
- The best part about insoluble sulphur is there is no known substitutes for the same and hence it acts as one of the vital or irreplaceable raw material used by tyre OEMs.
- Rubber chemicals including accelerator, anti-oxidants & Insoluble Sulphur form cumulative ~4% of raw materials for rubber consumption which is used to manufacture tyre and rubber derived products.

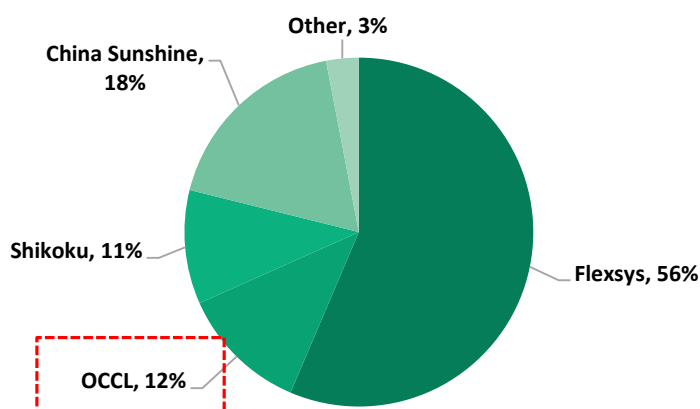
Fig 17: Tyre raw material breakup



Source: Company, SMIFS Research

- Insoluble sulphur is not manufactured in bulk. They are particularly used for providing hardness, durability etc to tyre.
- Insoluble sulphur is mostly used by tyre OEMs who have stringent selection criteria on quality. Hence, it is considered as niche chemicals.
- It is also evident from OCCL EBITDA margin track record of continuously recording 20%+ from FY13 with peak margins witnessed of ~33% in FY21.
- The industry is consolidated with mere 4-6 players controlling more than 95-98% of the global market.

Fig 18: Capacity wise global players in insoluble sulphur business



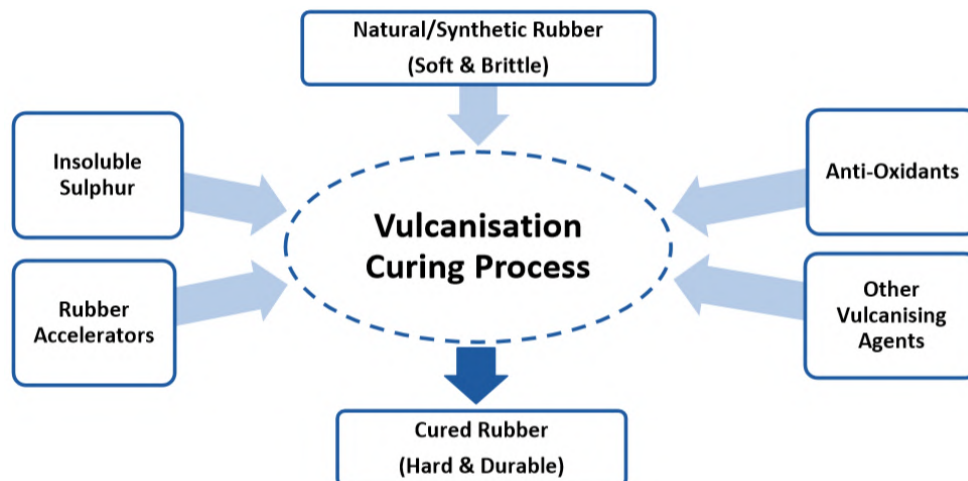
Source: Company, SMIFS Research

Manufacturing process and raw materials of Insoluble Sulphur

Manufacturing Process

- Insoluble Sulphur (IS) is a form of sulphur typically yellow in colour and is used as a vulcanization agent of rubber.
- Vulcanization is used for conversion of raw rubber to finished products (rubber). Rubber is treated sulphur with high temperatures above 160 degree celcius and due to which high heat is generated which gives hardness, durability, elasticity to rubber. Vulcanization process is given below in fig.19

Fig 19: Process of vulcanization of rubber using rubber chemicals



Source: Company Investor Presentation, SMIFS Research

- Insoluble Sulphur contains added oil and occasionally finely ground minerals. These are added to aid dispersion in rubber and to limit sulphur dusting.
- Mineral additives amount to c.25% of the final sulphur formulation. For complete vulcanization, the treatment levels are always significant to require adjustment in the formulation.
- Commercially available Insoluble Sulphur contain approx. 90% polymeric sulphur and less than 10% soluble sulphur. The sulphur atoms form links or bridges between long chains of rubber molecules.
- This increases the rubber's strength and durability and reduces its stickiness. Also, the rubber can retain its elasticity at a much wider range of temperature, making vulcanised rubber more useful for various purposes.

Raw Materials

- The major raw material for insoluble sulphur is Sulphur and Coating Oil. Sulphur is a by-product of refineries and coating oil is a crude derivative which is loosely related to crude oil prices.

Fig 20: Representation of Insoluble Sulphur in yellow colour



Source: Company, SMIFS Research

.....Also a highly capital-intensive industry and presence across varied IS grades key to gain visibility among clients

- Despite robust demand of insoluble sulphur, there are not many producers in India and across the globe because it requires massive investment and technical expertise to set up manufacturing units.
- Insoluble sulphur business set-up is not only capital intensive but also provides low asset turnover ratios of around 0.8-1.0x. This is also evident with the fixed asset turnover of OCCL around 1.0x from FY13-23. Moreover, working capital requirements are high along with high chances of product getting rejected at the early stages of manufacturing if the quality of IS is sacrificed.
- Rubber chemical companies have to meet and comply with the stringent environmental pollution standards. This adds up to the cost of setting up rubber chemical unit.
- Also, tyre companies are constantly adhering to latest technology and upgrading their standards in terms of tyre quality to match international standards and so they are becoming extremely stringent on the quality of raw material like rubber chemicals.
- In order to stay ahead of the curve, continuous investment in R&D is a must. Developing new and high value added insoluble sulphur is the need of the hour. **We believe OCCL is the only Indian player to have developed strong expertise in this area.**
- Presence across the entire product basket (basic + high stability + high dispersion grade) of insoluble sulphur gives strong visibility amongst its clients as it gives the company first hand advantage to supply diversified quality of insoluble sulphur to tyre OEMs. The chemical properties of OCCL Insoluble Sulphur is represented in Fig.21.

Fig 21: Process of vulcanization of rubber using rubber chemicals

Details	Regular			High Stability			High Dispersion	
	OT10	OT20	OT33	OT10	OT20	OT33	OT20	OT33
Appearance	Yellow Fine Powder	Yellow Fine Powder	Yellow Fine Powder	Yellow Fine Powder	Yellow Fine Powder	Yellow Fine Powder	Yellow Fine Powder	Yellow Fine Powder
Element Sulphur	90±1	80±1	67±1	90±1	80±1	67±1	78.5- 81.5	67±1
Insoluble Sulphur (Min)%	90	90	90	90	90	90	90	95
Oil Content (%)	10±1	20±1	33±1	10±1	20±1	33±1	18.5- 21.5	23.5- 26.5
Acidity (as H ₂ SO ₄) (Max)	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Ash Content (Max)%	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Heat Loss (Max)%	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Thermal Stability Heating	NA	NA	NA	80.0	80.0	80.0	80.0	75.0

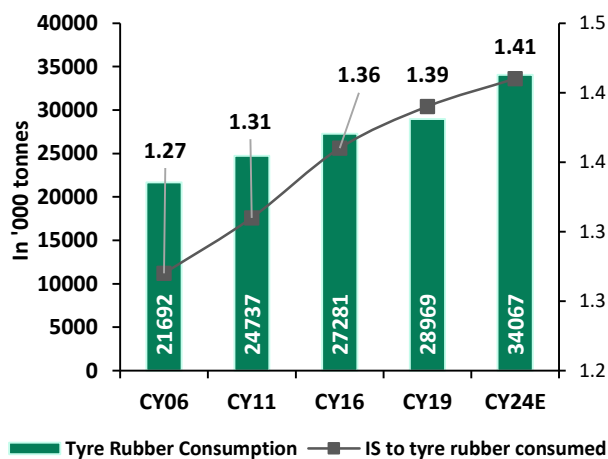
Source: Company Investor Presentation, SMIFS Research

- The company manufactures 3 grades of IS – Regular, high stability and high dispersion grade. It market Insoluble Sulphur under its brand name **"Diamond Sulf"**.
- The difference between the regular, high stability and high dispersion is the amount of sulphur and coating oil used.
- It is nearly impossible for a new entrant to manufacturer different grades of IS as produced by OCCL and is also in consistent foray to add new grades as required by tyre OEMs.
- Hence, we believe there is a strong entry barrier for other manufacturers who decides to foray in insoluble sulphur space as it requires huge capital, diverse set of IS products, high gestation period, client diversification, strong R&D etc. which makes it near impossible for any other player to start insoluble sulphur and other rubber chemical businesses.

IS demand is directly linked to tyre and rubber industry growth

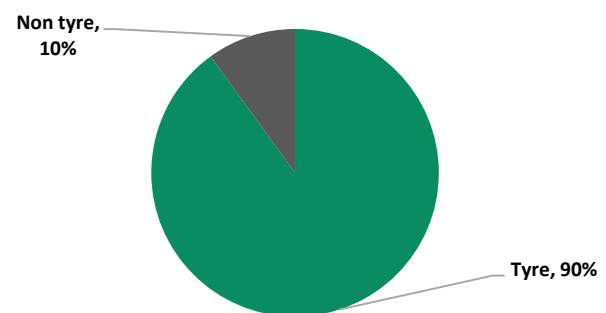
- Insoluble Sulphur growth is directly linked to the tyre and rubber industry growth. Increasing urbanization, penetration of vehicles in newer areas, new vehicle launches by OEMs will boost the tyre demand in the long run.
- The global insoluble sulphur market is expected to witness growth of 3-4% for the coming years on the back of expansion by tyre manufacturers globally aligning capex of Rs500-600bn over the next 3-4 years to cater to increasing demand.
- Apart from automotive and tyre sector, insoluble sulphur are also increasingly used in construction, infrastructure, medical equipments, footwear etc.
- Recovery in growth post witnessing drop in demand due to COVID-19 outbreak in country's construction, infrastructure and automotive sectors coupled with favourable government initiatives will lead to recovery of demand in insoluble sulphur in the next 2-3 years.
- Also, we are with the view that recovery in auto and tyre sector is imminent led by recovery in rural demand, new launches and rising per capita income. The government is working with the draft of scrappage policy of commercial vehicles which will generate 1.5x the replacement demand for commercial vehicles. This will increase the offtake of rubber chemicals like insoluble sulphur in the near term.

Fig 22: Radialization to increase IS consumption per tyre



Source: Industry, SMIFS Research

Fig 23: Tyre constitutes 90% volume offtake of IS



Source: Industry, SMIFS Research

- Since 90% of the insoluble sulphur finds applications in tyre industry, insoluble sulphur demand is directly linked to rubber tonnage used in tyre manufacturing.
- Also, the demand of insoluble sulphur will get a fillip as there is a shift towards radialization. In radialization, the consumption of insoluble sulphur goes up by 1.2-1.3x with the same input.
- Over the years, the insoluble sulphur consumption per tyre is expected to go up from 1.27 kg/tonne in CY06 to 1.41 kg/tonne in CY24E.
- We believe this would lead to strong insoluble sulphur demand domestically & globally.

Fig 24: Increasing radialization & penetration positive for OCCL

Radialization

An increase in rate of Radialization in Commercial Vehicles in India will lead to an increase in requirement of Insoluble Sulphur

Geographical Penetration

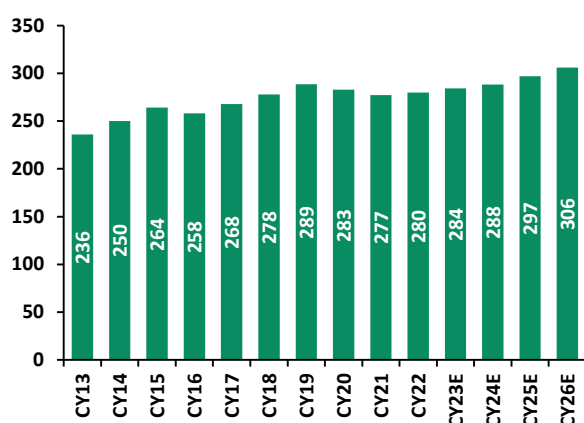
- North America is the largest market for Insoluble sulphur with potential for growth to increase share
- Insoluble sulphur requirement increasing at a fast pace in Asia – High Growth Market

Source: Company Investor Presentation, SMIFS Research

Domestic IS growth to grow higher than global growth

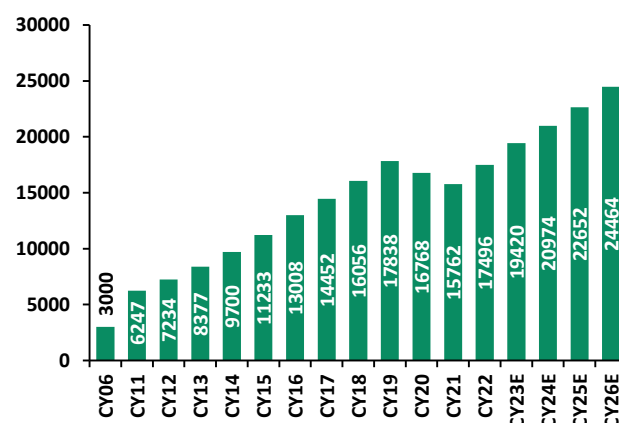
- From 2006-19, global IS demand was growing at CAGR of 3.8% but the domestic demand was growing at much higher pace of ~8-10%.
- Thereafter, from 2019-23E the global demand grew by mere 1% or had remained almost flattish majorly led by COVID-19 induced lockdowns, contraction in economy etc. However, it is now set to rebound with growth of ~2-3% from 2023-26E.
- Sharp revival in demand and increased investments in tyre & other allied sector for the coming years would contribute to the growth of insoluble sulphur for the coming years.
- As per our calculations, the global insoluble sulphur demand currently stands at 2.8-3.0 lakh tonnes and domestic demand is around 17,000-18,000 TPA. With increasing urbanization, penetration of vehicles in rural and urban areas, shift towards radialization and increasing investments in auto and tyre industry will increase the demand of insoluble sulphur going ahead.
- Hence, we factor in global IS growth of ~3% and domestic growth of 6-8% from 2023-26E.

Fig 25: Global growth to witness growth of ~3% from CY22-26E
(In '000 Tonnes)



Source: Industry, SMIFS Research

Fig 26: Domestic growth of IS will witness mid single digit growth of ~6-8% from CY22-26E
(In Tonnes)



Source: Industry, SMIFS Research

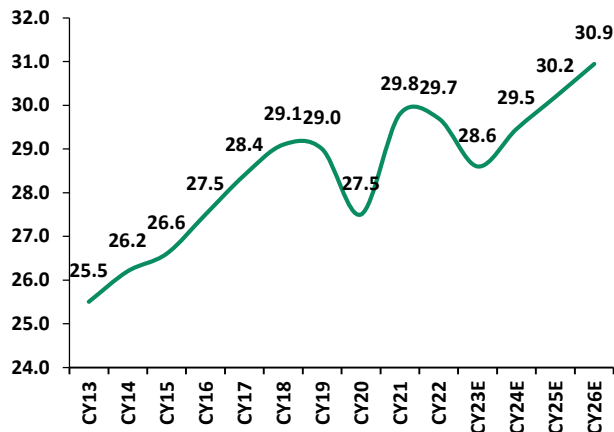
- As per our analysis, there is a bit overcapacity in the market due to recent capacity addition by China Sunshine & OCCL, however, closure of some smaller units in China manufacturing low grade insoluble sulphur may be beneficial for the short term.
- Over the last few years, India has been able to maintain its global market share owing to shutdown of capacity in China, making good quality chemicals in India and NIL export duty.

Rubber consumption is the key driver for Insoluble Sulphur volume growth

- The demand of Insoluble Sulphur and other rubber chemicals too like Accelerators and Anti-Oxidants is dependent on the rubber consumption growth. Global rubber consumption has remained almost flattish over 2018-23E to around 28.6 mn tonnes as on 2023E. Although it touched peak of 29.8 mn tonnes on 2021 and thereafter it witnessed decline till 2023E.
- The rubber consumption growth is directly linked to world GDP growth and tyre demand.
- Almost 60-65% of the rubber production is used in tyre manufacturing, hence, tyre production becomes the critical driver for rubber consumption.
- According to Expert Market Research, global tyre demand is forecasted to grow by 6-7% from 2023-28E and this should lead to healthy growth of rubber consumption going ahead.
- Robust rubber consumption would lead to healthy demand for insoluble sulphur and we believe that 11,000-12,000 MT additional demand of insoluble sulphur would be created annually which bodes well for players like OCCL.

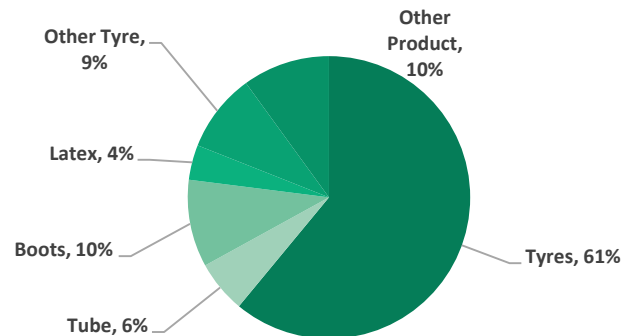
- India is the second largest consumer of Natural Rubber in the world, with per capita consumption of rubber as a whole is just around 1.2 kg as compared to 6.5 kg in China and the global average rubber consumption of 3.6 kg indicating huge scope of rubber consumption growth going ahead.

Fig 27: Global rubber consumption to grow at CAGR of ~2.5-3% from CY23-26E
(In mn Tonnes)



Source: Rubberworld.com , SMIFS Research *Indicates provisional figures

Fig 28: Tyre constitutes major consumption of rubber globally



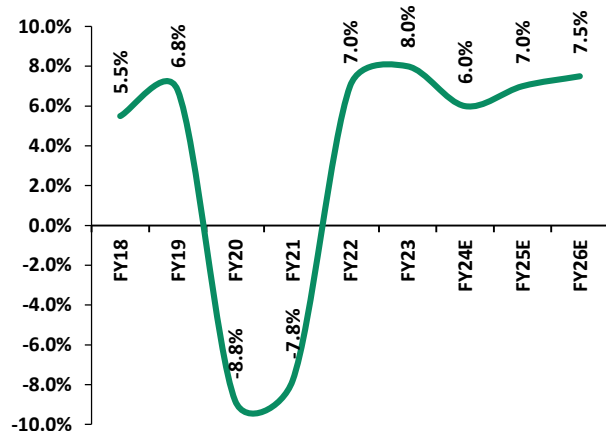
Source: China Sunshine Holdings Investor Presentation, SMIFS Research

- However, we remain confident of revival in rubber consumption as we expect the cycle to near bottom out which bodes well for tyre manufacturers.

Tyre industry – A snapshot

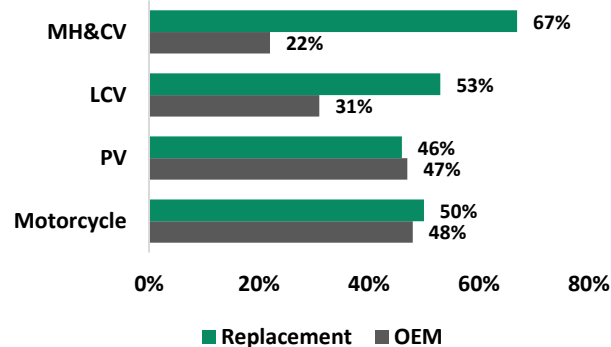
- Indian tyre industry has almost doubled in size from clocking Rs300bn in 2011 to ~Rs730bn in 2023E. India's tyre industry is on course to more than double its revenue to \$22 billion by FY32 from \$9 billion in FY22, according to a report by ATMA.
- The largely cyclical nature of OEM demand is mitigated by a substantial replacement market.
- In tonnage terms, MH&CV segment is the largest segment constituting ~52% of overall production as on FY23 and has registered 5 year CAGR of ~5%.
- The PV segment is the second largest contributor with a tonnage share of ~15% as on FY23 and it has registered a 5-year CAGR of ~6%. Similarly, the 2W & 3W tyre segment witnessed a 5-year CAGR of 9.7%.

Fig 29: Indian tyre market growth to remain in high single digit till FY26E



Source: Industry, SMIFS Research

Fig 30: OEM vs Replacement tyre breakup of industry (FY23)



Source: ATMA, SMIFS Research

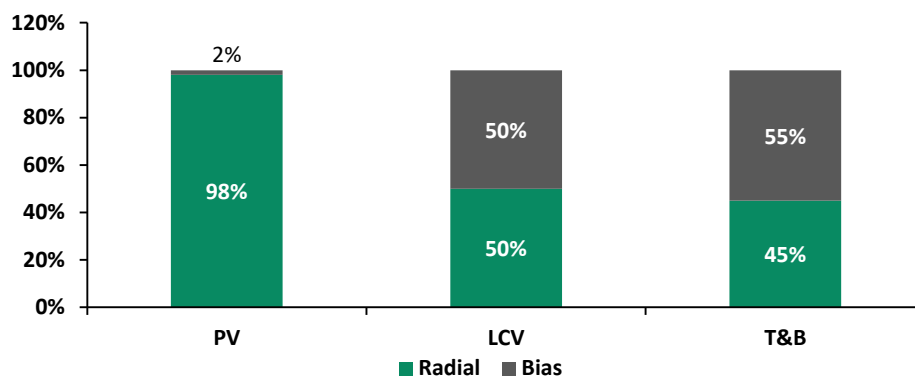
Shift towards Radialization a big trigger for rubber chemicals demand

- With the onset of BSVI emission norms from 1st April 2020 tyre manufacturers would turn their attention towards more efficient radial tyres as against traditional bias tyres.
- Radial tyre offers superior benefits as compared to traditional bias tyre.
- Radialization is likely to accelerate in T&B further over FY26E, with the share of radials in T&B segment touching ~66% by FY26E (from 55% in FY23).

Benefits of Radial tyre:

- A radial tyre features transverse radial plies that run perpendicular to the direction of travel. This assures less heat build-up and a softer ride.
- Moreover, radial tyres are manufactured with the plies laid radially which results in a more flexible tyre wall. Bias tyres are manufactured with the plies laid out diagonally, which is not as flexible compared to radial one.
- Reduced fuel consumption due to less rolling resistance.
- Lesser vibration.

Fig 31: Radialization in LCV & T&B remains underpenetrated



Source: Tyreworld.com, SMIFS Research

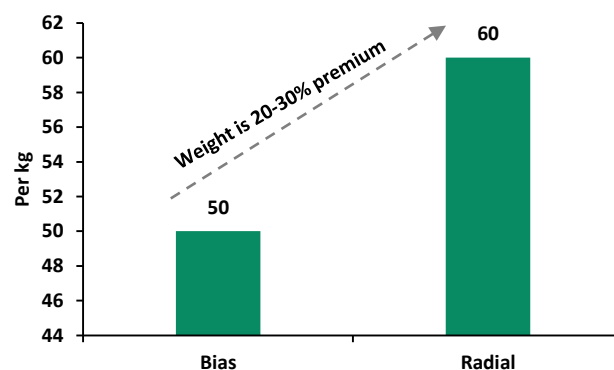
- The PV segment has adopted radialization to its complete capacity but the LCV and T&B remains underpenetrated, although improved in the last 2 years but still not upto the desired mark considering the immense benefits of radial tyre over bias tyre.
- Radial tyres weigh 20-30% more than conventional tyres, hence it requires more rubber chemicals than conventional bias tyres.**
- Therefore, we believe as Indian tyres move towards more radialization, rubber chemicals volumes would increase by 1.2-1.3x. This augurs well for rubber chemicals players like OCCL to gain from the shift towards radialization.

Fig 32: Despite similar cost, efficiency of radial tyres is high

	Bias	Radial
Initial cost per Tyre (Rs)	15,000	30,000
New tyre life (Km)	60,000	1,00,000
Times Retreaded	1	2
Cost of retreading (Rs)	8,000	10,000
Total cost of retreading (Rs)	8,000	20,000
Km travel per retread	30,000	50,000
Total km under retread	30,000	1,00,000
Total cost (Rs)	23,000	50,000
Total Kms	90,000	2,00,000
Cost/km (Rs)	0.26	0.25

Source: Tyreworld.com, SMIFS Research

Fig 33: Radial tyres higher weight imply increased use of IS



Source: Tyreworld.com, SMIFS Research

Positive sound bytes for radialization

JK Tyres XF range of fuel efficient radial tyres launched – Nov 2019

Vikram Malhotra Managing Director at JK Tyres said *“The company has launched XF range of fuel efficient radials for commercial vehicles. The company’s constant endeavor to cater to the needs and requirements of our customers to enhance their driving experience”.*

Kesoram Industries to focus on passenger radial tyres – July 2019

P Radhakrishnan Chief Financial officer at Kesoram Industries said *“The company has invested close to Rs7.7bn to add a fresh line for passenger radial tyres in its existing plant at Balasore in Odisha over the last 3-4 years. The company’s focus is on the passenger segment and planning to infuse an additional Rs2.2bn in the unit”.*

Apollo tyres to double radial truck tyre output – July 2019

Onkar.S. Kanwar Chairman at Apollo tyres said *“The company is committed to upgrade its existing manufacturing plant in Chennai, and double its radial truck tyre production to 12,000 units a day. With this is confident of achieving strong relationship with existing OEMs and leadership position”.*

India imposes duties on pneumatic radial tyres imported from China – June 2019

The government has imposed countervailing duty for 5 years on new pneumatic radial tyres, above 16 inches, which are imported from China. Pneumatic tyres are normally used in buses and trucks. *This notification will give big relief to domestic companies whose focus is on improving TBR tyre radialization like JK tyre, CEAT & MRF etc.*

Apollo tyres launches 5 new truck-bus radial tyres – Aug 22

Apollo tyres has introduced 5 new truck-bus radial tyres for the Indian market. These new products are a mix of steer, drive and all-wheel fitment tyres and have been introduced to enhance customers’ operational productivity and offer the best in technology.

TVS Eurogrip Unveils Tigertrac Radial Tyres For Farm Sector – Aug 2023

TVS Eurogrip has unveiled a new range of agricultural radial tyres at the Farm Progress Show 2023. These off-highway tyres include the Tigertrac FL909 steel belted and FL900 textile belted flotation radials for agricultural transport and implements.

JK Tyre completes expansion of radial tyre manufacturing unit in Madhya Pradesh – June 23

Post expansion, JK Tyre's annual output from the said plant will increase by 31% to 51 lakh units from 39 lakh units earlier.

Bridgestone introduces M863 radial tyre - Feb 23

The new Bridgestone M863 can equip tough trucks, concrete mixers, dump trucks, construction fleets, logging trucks and more with a product proven to deliver more miles per tyre.

Growth momentum in rubber chemicals is dependent on tyre sector capex

- In the long term, tyre demand from OEMs is expected to grow on the back of continuous improvement in economic growth, which will lead to higher vehicle demand. However, the shift towards higher tonnage vehicles and commissioning of the dedicated freight corridor by the Indian Railways are expected to restrict any further increase in MH&CV sales.
- Over the last 5 years, the domestic tyre industry has witnessed significant capacity expansion.
- The combined capex of domestic players like MRF, Apollo, Ceat, JK Tyre, Goodyear and TVS Srichakra stood at Rs239bn over FY20-23 as compared with ~Rs291bn over FY16-FY20 as compared with Rs117.5bn over FY11-FY15.
- Shift towards radial tyres in the MH&CV segment was also one of the reasons that drove higher capex.

Fig 34: Capex aligned by tyre domestic manufacturers (FY23-26E)

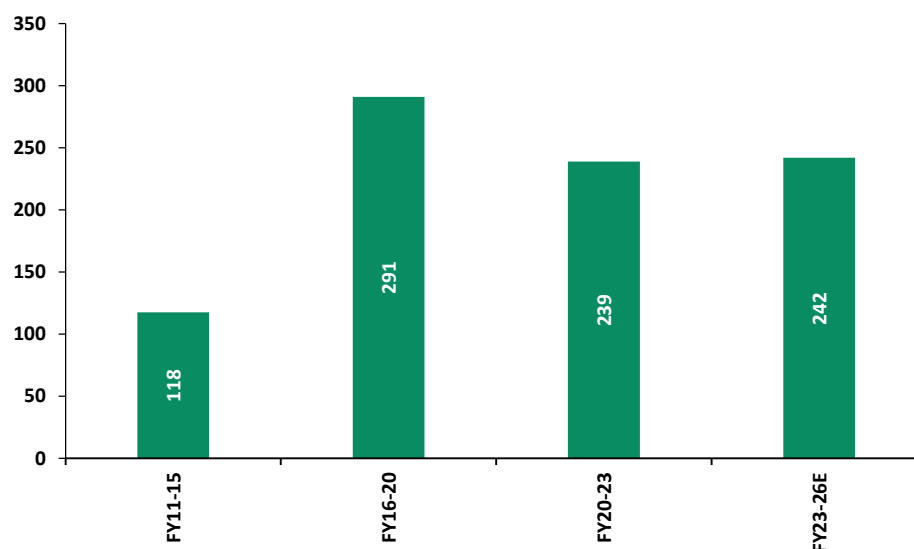
Company	Capex in Rs bn	Brownfield Expansion
Apollo Tyres	54	Increasing utilization in 2-wheeler radial (30,000 tyre per month) and cross ply (60,000 tyre per month) & maintenance capex
Balkrishna Industries	40	brownfield capex in the Bhuj plant, new product development like rubber tracks and giant solid tyres & maintenance capex
CEAT	35	To add capacity in TBR & OTR business along with debottlenecking in existing & maintenance capex
MRF	72	R&D investments, expand its existing facility & to create a new specialty assembly line at Sangareddy, Investments in new EV tyres & maintenance capex
JK Tyre	17	To add 100 tpd capacity in Banmore and Haridwar facilities in FY24 & FY25 plus maintenance capex
TVS Srichakra	10	To double its capacity in OHT segment (Phase 1 of 25 tons per day completed), increasing capacities in 2W as well as new opportunities in 2W/OHT space
Yokohoma India	8	To expand its passenger car tyre (high-end 18-inch and 22-inch) production capacity from 2.8 million units to 4.5 million units
Bridgestone India	6	Increasing capacity along with upgrading technology for passenger tyres
Total	242	

Source: Tyre Companies Presentation, SMIFS Research;

- Domestic tyre manufacturers have lined up capex of Rs200-250bn and global tyre manufacturers have lined up Rs500-550bn over the next 2-4 years.
- This bodes well for rubber chemicals demand & manufacturers like Oriental carbon & chemicals, NOCIL etc which are into rubber chemical manufacturing.
- We feel the pace of tyre capital expenditure will be strong and at par as compared with its previous levels since 2011.

Fig 35: Capex of Indian tyre companies to remain healthy from FY23-26E

(Rs in bn)



Source: Industry, SMIFS Research Estimates

Key risks to our thesis

Foreign currency fluctuations

- OCCL ~45-50% of the revenues are derived from exports, hence it is exposed to foreign currency fluctuations.
- The company adopts forex hedging policy wherein exports are hedged for a period of 6 months, however, any unfavourable foreign currency movement could affect the company as one time forex expense.

Aggressive pricing by competitors

- Since 55-60% of the global insoluble sulphur market is captured by Flexsys (Ex Eastman), hence any reduction in prices to focus on volume growth by flexsys will affect OCCL and other insoluble sulphur manufacturers.
- Other players including OCCL will have to align the pricing of insoluble sulphur as per Flexsys. This indicates low pricing power by OCCL.

Unforeseen volatility in raw material cost

- The major raw material for the company is sulphur and coating oil. Sulphur is a by-product of refineries and coating oil is loosely related to crude oil prices.
- Though, the company passes on the incremental raw material pricing impact to the end with a lag, still any unforeseen and sudden change in sulphur and coating oil prices might impact the company's short term working capital requirement and gross margins.

Weak demand leading to slow ramp up of expanded capacity

- Since, OCCL has recently expanded its insoluble sulphur capacity any slowdown in tyre demand might possibly lead to deferment of volumes by tyre manufacturers and slow ramp up in utilization for OCCL, thereby, hurting the revenues and profitability of OCCL.

Corporate Governance

We believe that good corporate governance is necessary for enhancing the trust of the shareholders. Hereby, we present a detailed framework on corporate governance for the comfort of the investors of Oriental Carbon & Chemicals considering board of directors, remuneration of key managerial personnel, contingent liability etc.

Promoters' Shareholding

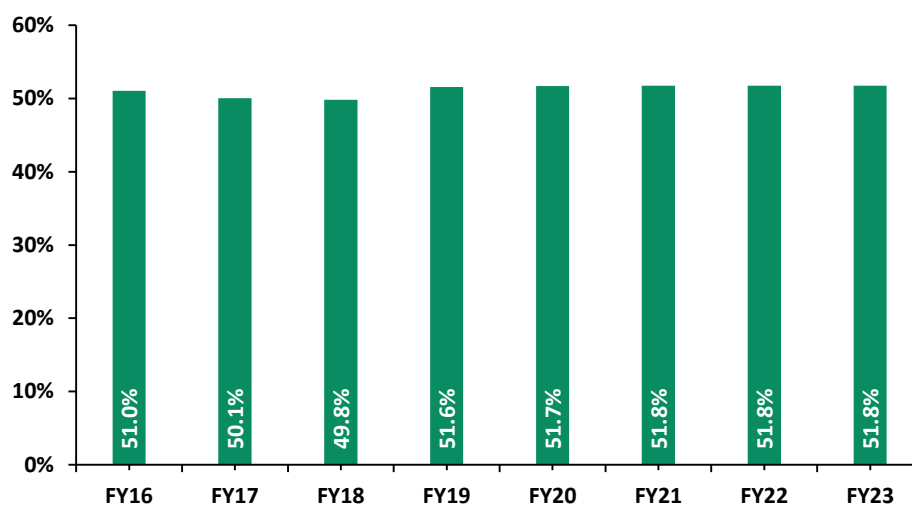
The promoters currently hold ~51.8% of the equity capital. Cosmopolitan Investments Ltd, New India Investment Corporation Ltd and Duncan International (India) Ltd together holds the highest equity capital (~41.2%) in the company. The details of the shareholding and its movement are indicated in the following table and chart:

Fig 36: Latest Promoter Shareholding

Particulars	% Holding
Cosmopolitan Investments Ltd	19.1%
New India Investment Corporation Ltd	12.1%
Duncan International (India) Ltd	10.0%
Haldia Investment Company Ltd	6.2%
Aparna Goenka	2.0%
Arvind Goenka	1.1%
Akshat Goenka	1.0%
Disciplined Investments Limited	0.3%
Total	51.8%

Source: Company Shareholding FY23, SMIFS Research

Fig 37: Promoter Shareholding



Source: Company Annual Report, SMIFS Research

Promoter Compensation

The promoter compensation is at ~8% of PBT.

Fig 38: Remuneration of promoter

	(Rs in mn)				
	FY19	FY20	FY21	FY22	FY23
Mr. Jagdish Prasad Goenka	0.3	0.4	0.2	0.1	0.5
Mr. Arvind Goenka	26.2	25.0	26.7	23.7	24.4
Mr. Akshat Goenka	24.6	23.4	25.2	22.1	22.7
Aparna Goenka	0.0	0.0	0.0	0.0	0.0
Total Remuneration	51.1	48.7	52.0	45.9	47.6
As a % of PBT	5.0%	6.1%	5.4%	8.4%	8.3%

Source: Company Annual Reports, SMIFS Research

Independent Director's Compensation

As on FY23, Oriental Carbon & Chemicals Ltd board constituted of 4 independent directors. Independent directors were paid cumulative ~Rs5.6mn which is 1.0% of PBT as on FY23.

Fig 39: Remuneration of Independent Director (Rs in mn)

Name	FY23 Compensation (Rs in mn)	As % to PBT (FY23)
Suman Jyoti Khaitan	1.8	0.3%
Om Prakash Dubey	1.4	0.3%
Kailasam Raghuraman	1.2	0.2%
Runa Mukherjee	0.9	0.2%
Sanjay Verma*	0.3	0.1%
Kisan Sahdev*	0.4	0.1%
Total	5.6	1.0%

Source: Company Annual Report FY23, SMIFS Research *Amount to be paid to the LIC of India as Mr Sanjay Verma is being the Nominee Director. Ms. Kiran Sahdev resigned with effect from September 08, 2022.

Board Composition

In FY23, Independent directors constitute ~44% of the board composition.

The details are given below:

Fig 40: Board Composition

	FY19	FY20	FY21	FY22	FY23
Non-Executive, Chairman – Director	1	1	1	1	1
Managing Director & Joint Managing Director	2	2	2	2	2
Non-Executive Independent Directors	5	5	5	4	4
Non-Executive Nominee Directors*	1	2	1	1	2

Source: Company Annual Reports, SMIFS Research. * Mr. Sanjay Verma was appointed with effect from November 07, 2022 in place of Ms. Kiran Sahdev who resigned as Non-Executive Nominee Director with effect from September 08, 2022.

Contingent Liabilities

The company's contingent liability as a % of net worth is 0.1% in FY23 and it has remain constant from FY19 in terms of percentage. A major portion of contingent liabilities is safe items which we have taken into consideration in calculating total liability.

Fig 41: Contingent Liability (Rs in mn)

	FY19	FY20	FY21	FY22	FY23
Claims against the group not acknowledged as debt	3.2	3.2	0.2	0.0	4.8
Bank Guarantees	1.0	1.0	1.0	1.0	1.0
Bonus liabilities	0.0	1.3	1.3	1.3	1.3
Corporate Guarantee given to a bank for loan taken by Subsidiary Company (to the extent loan outstanding)	66.9	4.9	0.0	0.0	0.0
Total	71.2	10.4	2.5	2.3	7.1
As a % of Net Worth	1.7%	0.2%	0.05%	0.04%	0.1%

Source: Company Annual Reports, SMIFS Research

Related Party Transaction

As per our analysis of RPT, nothing specific has come to our notice.

Fig 42: Related Party Transaction

Related Party Transaction (in Rs mn)	FY21	FY22	FY23
Key Management Personnel (KMP) and Directors:			
Mr. J.P. Goenka	0.2	0.1	0.5
Mr. Arvind Goenka	11.7	23.7	24.4
Mr. Akshat Goenka	26.2	22.1	22.7
Mr. Anurag Jain	16.4	15.3	16.2
Mr. Pranab Kumar Maity	3.9	4.2	4.7
Mr. S.J. Khaitan	2.2	1.6	1.8
Mr. O.P. Dubey	1.8	1.3	1.4
Mr. B.B. Tandon	1.6	0.0	0.0
Mr. K. Raghuraman	1.5	1.1	1.2
Mrs. Runa Mukherjee	1.1	0.9	0.9
Ms. Kiran Sehdev	0.7	0.3	0.1
Relatives of Key Management Personnel (KMP) :			
Mrs. Aparna Goenka	2.0	0.0	0.0
Subsidiary Company			
Duncan Engineering Limited	8.1	-0.6	2.8
OCCL Ltd	0.0	0.0	0.6
Enterprise over which relative of key management personnel is having significant influence :			
Duncan International (India) Limited	16.5	7.7	7.8
Enterprise over which key management personnel is having significant influence :			
Cosmopolitan Investments Ltd.	26.4	7.5	7.5
New India Investment Corporation Ltd.	15.6	4.1	4.0
Subsidiary Company of Cosmopolitan Investments Ltd :			
Haldia Investments Ltd.	6.2	0.0	0.0
Disciplined Investments Ltd.	0.3	0.0	0.0
Trust in which key management personnel are Trustees			
Oriental CSR Trust	4.6	0.5	4.6
Oriental Carbon & Chemicals Limited Employees Gratuity Fund	10.8	7.9	2.0
Payable to Key Management Personnel (KMP) & Directors	34.8	22.2	21.5
Payable to Trust in which key management personnel are Trustees :			
Oriental Carbon & Chemicals Limited Employees Gratuity Fund	7.9	2.0	11.8
Receivable from Subsidiary Company			
Duncan Engineering Limited	0.0	0.0	0.0
Occl Ltd.	0.0	0.0	0.5
Total	200.5	121.7	136.9

Source: Company Annual Reports, SMIFS Research

Key management personnel

Fig 43: Details of promoter and director

Name	Designation	Profile
Mr J.P.Goenka	Promoter & Chairman	Mr. J.P. Goenka is the promoter and chairman of OCCL. He was the founder member of OCCL. Has more than 55 years of experience across jute & cotton textile, wooldtops, industrial explosives, rubber chemical & engineering products. He has completed his Honours Graduate from the University of Calcutta, is an Industrialist hailing from the Goenka family headed by (Late) Sir Badridas Goenka of the Industrial Group popularly known as House of Duncans. He is actively involved in management and growth of the company over the last two decades.
Mr Arvind Goenka	Promoter & MD	Mr. Arvind Goenka is the son of Mr. J.P. Goenka. He is the part of the promoter group and is the Managing Director of the company. He is one of the key members involved in transforming the company. He is responsible for the Long-term Goal Setting & Monitoring the progress of the company. He is a commerce graduate from Kolkata University with 30 years of experience in managing jute, lubricants and carbon black industry with expertise in finance & international marketing.
Mr. Akshat Goenka	Promoter & Joint MD	Mr. Akshat Goenka is the son of Mr. Arvind Goenka. He was appointed as Joint Managing Director of the company in June 2015. He has lead the team for setting up new plant for manufacturing Insoluble Sulphur at SEZ Mundra, Gujarat. He is a Graduate in Economics & International Relations from University of Pennsylvania, USA.
Mr. Anurag Jain	Chief Financial Officer	Mr. Anurag Jain is the CFO and is part of the company from last 26 years. He brings dynamism to the financial & commercial operations of the company & has played a key role in the growth and restructuring of the company over the years.
Mr. Vijay Sabbarwal	President - Operations	Mr. Vijay Sabaarwal is an IIT graduate & heading the Operations of the company from 2014. He has rich experience of over 25 years in diverse Industrial segments like Chemicals, FMCG, Consumer Durables, Auto etc.
Dr. Munnesh Batta	Vice President (Marketing)	Dr. Munnesh Batta is an M.B.A (International Business) with over 20 years of experience in International business. He is responsible for marketing of Insoluble Sulphur & increasing market share of Diamond Sulf overseas.

Source: Company Investor Presentation, SMIFS Research

CSR Activities

Oriental Carbon & Chemicals Ltd has been actively involved in CSR activities for the betterment of the society. The company has spent ~Rs19mn in FY22 and ~Rs15mn in FY23. The spend as % of prescribed limit is above 100% for both FY22 and FY23.

Fig 44: CSR spend

(Rs in mn)

Company	Avg Net Profit (last 3 Yrs)	Prescribed Expenditure	Total Spends	Spend as % of prescribed limit
FY23	759.6	15.2	15.2	100.4%
FY22	926.6	18.5	18.5	100.0%
FY21	871.7	17.4	17.5	100.2%

Source: Company Annual Reports, SMIFS Research

Auditors

Oriental Carbon & Chemicals Ltd appointed S S Kothari Mehta & Co. as the statutory auditor. The auditors have given a true and fair view for the results of the financial year 2022-23.

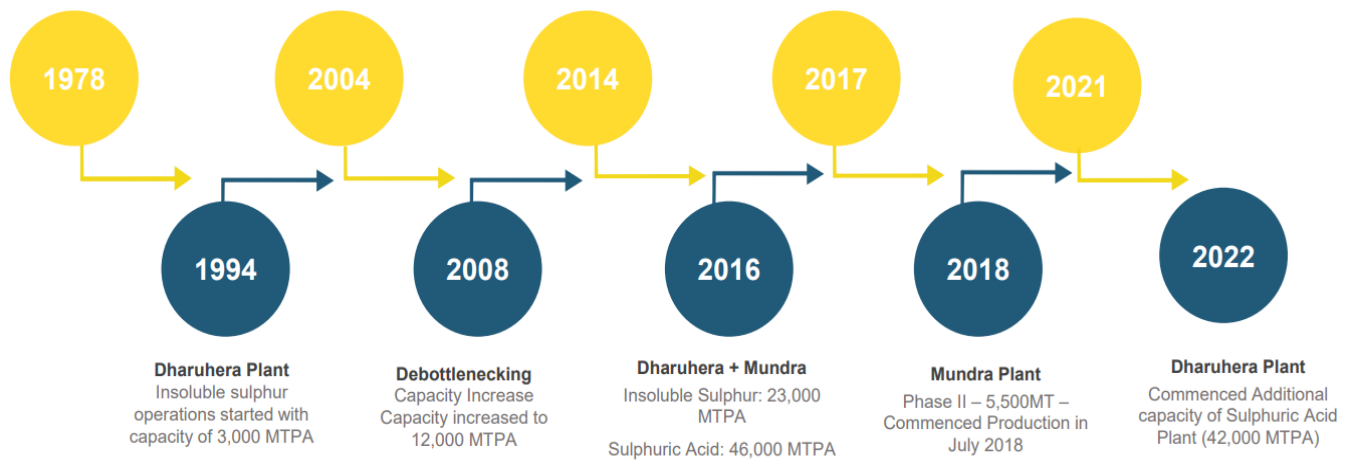
Fig 45: Auditor fee

Auditor Name	Type	Auditor Fees (Rs mn)	As a % of PBT
S S Kothari Mehta & Co.	Statutory Auditor	3.6	0.7%

Source: Company Annual Reports, SMIFS Research

Key milestones

Fig 46: Key Milestones of Oriental Carbon & Chemicals



Source: Company Investor Presentation, SMIFS Research

Company Background

What is OCCL all about?

- Incorporated in 1978, the company began manufacturing of sulphuric acid under Daruhera Chemicals (DCL) and subsequently in 1984 DCL was merged with Oriental Carbon Ltd and then was renamed Oriental Carbon & Chemicals (OCCL). In 1994, OCCL began manufacturing of insoluble sulphur with a capacity of 3,000 TPA.
- The current manufacturing facilities of Insoluble sulphur are located in Daruhera (Haryana) and Mundra (Gujarat) with a cumulative capacity of 34,000 MTPA and sulphuric acid manufacturing at Daruhera (Haryana) with capacity of 46,000 TPA as on FY19.
- The company acquired 50% stake in Schrader Duncan (SDL) on FY13. SDL had 2 business segments – automotive product and pneumatic product. On April 2017, OCCL announced closure of loss-making business unit automotive segment, thereby downsizing the business of its subsidiary and focusing on completely pneumatic product segment.
- The company is promoted by Mr. JP Goenka and Mr. Arvind Goenka. Mr. JP Goenka is the Promoter and Chairman and Mr. Arvind Goenka is the Promoter and Managing Director.

Fig 47: OCCL capacity breakup details as on FY23

Location	No. of Units	Capacity (In MT)	Product name
Daruhera (Haryana)	3	17,500	Insoluble Sulphur
SEZ Mundra (Gujarat)	4	22,000	Insoluble Sulphur
Daruhera (Haryana)	2	88,000	Sulphuric Acid / Oleum
Total	9	1,27,500	

Source: Industry, SMIFS Research

- The company has presence in over 21 countries and enjoys long term standing relationships with the tyre majors and it possess strong technical expertise and a diversified product range.
- The company has in house R&D team which works on a continuous basis to improve the quality of product and its properties and also in house technical team to maintain the technical and quality edge at every production stage.
- The company has long standing relationship with majority of tyre manufacturers which ensures repeat business for OCCL.
- Tyre manufacturers would love to work with companies like OCCL which can supply them in time and have wide range of insoluble sulphur to suit their needs.
- The key clientele are MRF, Bridgestone, JK Tyres, CEAT, ApolloTyres, Continental and Sumitomo rubber industries etc.

Fig 48: Key Clientele

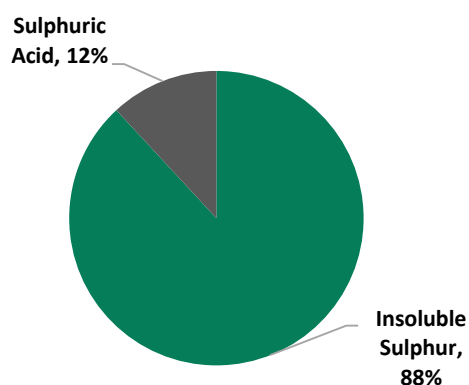


Source: Company Investor Presentation, SMIFS Research

Varied product basket of insoluble sulphur would lead to stronger visibility in end user market

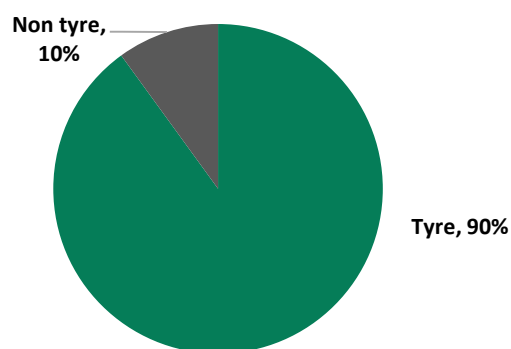
- The company manufactures varied grades of insoluble sulphur to satisfy diverse requirements of leading tyre manufacturers. The company is also working on new grades to meet the customer requirements.
- The company enjoys its logistical advantage with access to Mundra port in the proximity with the manufacturing facilities.
- The company's 90% volume offtake of IS is consumed by tyre manufacturers and rest by non-tyre like latex, cycle tyres, surgical gloves, footwear etc. Hence, tyre growth is critical to insoluble sulphur growth.
- The revenue breakup forms 88% from insoluble sulphur & sulphuric acid 12% as on FY23.

Fig 49: Revenue Breakup (FY23)



Source: Company, SMIFS Research

Fig 50: Segmental revenue break-up



Source: Company, SMIFS Research

Fig 51: Process of vulcanization of rubber using rubber chemicals

Details	Regular			High Stability			High Dispersion	
	OT10	OT20	OT33	OT10	OT20	OT33	OT20	OT33
Appearance	Yellow Fine Powder	Yellow Fine Powder	Yellow Fine Powder	Yellow Fine Powder	Yellow Fine Powder	Yellow Fine Powder	Yellow Fine Powder	Yellow Fine Powder
Element Sulphur	90±1	80±1	67±1	90±1	80±1	67±1	78.5-81.5	67±1
Insoluble Sulphur (Min)%	90	90	90	90	90	90	90	95
Oil Content (%)	10±1	20±1	33±1	10±1	20±1	33±1	18.5-21.5	23.5-26.5
Acidity (as H ₂ SO ₄) (Max)	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Ash Content (Max)%	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Heat Loss (Max)%	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Thermal Stability Heating	NA	NA	NA	80.0	80.0	80.0	80.0	75.0

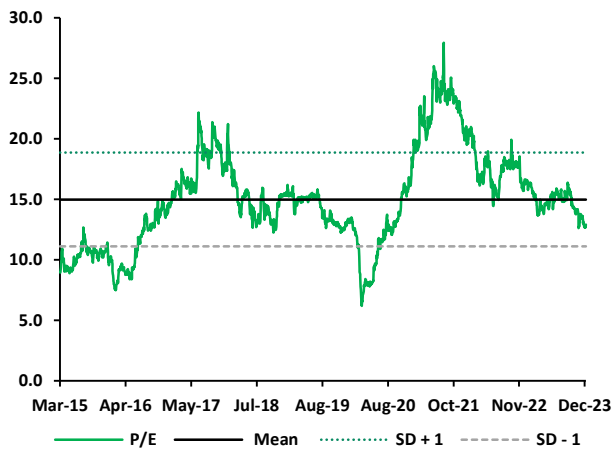
Source: Company Investor Presentation, SMIFS Research

- The company manufactures and sell IS under the brand "Diamond Sulf". As seen in Fig.51, the company manufactures OT10, OT20, OT33 divided in regular, high stability and high dispersion segments.
- The company also manufactures commercial grade and battery grade sulphuric acid and oleum's which is used as dehydrating agent, solvent, detergents and absorbents.

Valuation and Recommendations

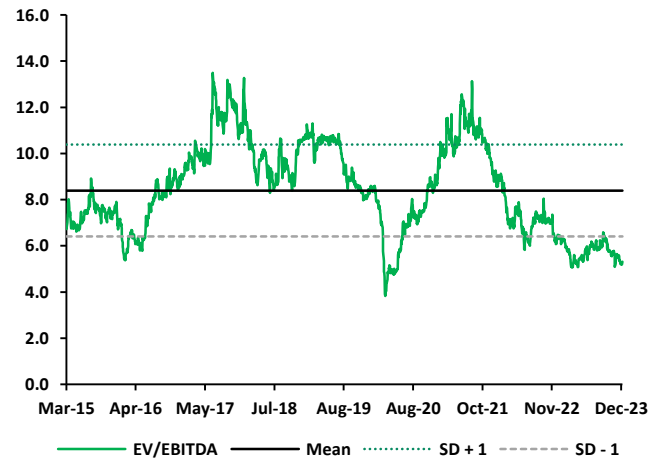
- A net cash company with strong entry barriers having strong relationship with tyre OEMs focusing on newer & existing geographies by increasing volumes backed by its capacity expansion deserves valuation re-rating. Also, future visibility looks good backed by volume growth & improving global market share.
- We expect OCCL to report CAGR of 7%/15%/20% at Revenue/EBITDA/PAT on standalone basis over FY23-26E. Improvement in spreads of IS & demand uptick in international markets are the key triggers.
- ***The stock is trading at P/E of ~11.4x on Sept 25E EPS. We assign 15x as the target multiple and arrive at target price of INR 1036 per share which offers upside of 62% from current valuations. Therefore, we assign BUY rating on the stock.***

Fig 52: 1-year forward P/E



Source: AceEquity, SMIFS Research

Fig 53: 1-year forward EV/EBITDA



Source: AceEquity, SMIFS Research

Quarterly financials, operating metrics and key performance indicators

Fig 54: Quarterly Financials (Standalone)

Y/E March (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Sales	954	1,094	1,364	1,222	1,028	1,035	1,087	951
Raw Materials	325	439	529	529	356	379	370	323
Employee Costs	114	112	127	124	122	126	138	134
Other Expenditure	323	383	440	367	323	282	270	283
EBITDA	192	159	268	202	226	248	308	211
Depreciation	56	65	68	70	73	68	70	72
Interest	13	30	31	35	28	30	31	30
Other Income	4	17	15	9	8	2	17	6
PBT before exceptional items	128	81	184	105	133	152	224	115
Exceptional items	0	0	0	0	0	0	0	0
PBT after exceptional items	128	81	184	105	133	152	224	115
Tax	22	38	45	28	29	37	72	32
Tax rate (%)	17.2	46.5	24.2	26.2	21.7	24.0	31.9	27.6
Reported PAT	106	43	140	78	104	115	153	83
Adjusted PAT	106	43	140	78	104	115	153	83
YoY Growth (%)								
Revenue	-11.9	3.1	62.9	23.0	7.8	-5.3	-20.3	-22.2
EBITDA	-54.2	-58.0	33.7	-11.6	17.6	56.1	14.9	4.4
Adjusted PAT	-62.9	-82.5	12.5	-38.5	-1.3	166.7	9.4	7.4
QoQ Growth (%)								
Revenue	-4.0	14.6	24.7	-10.4	-15.8	0.7	5.0	-12.5
EBITDA	-15.7	-17.2	68.7	-24.9	12.1	9.8	24.2	-31.7
Adjusted PAT	-16.4	-59.0	222.6	-44.4	34.2	10.8	32.4	-45.4
Margin (%)								
Gross Profit	66.0	59.9	61.2	56.7	65.3	63.4	66.0	66.0
EBITDA	20.2	14.6	19.7	16.5	22.0	24.0	28.4	22.2
Adjusted PAT	11.1	4.0	10.2	6.4	10.1	11.2	14.1	8.8
Employee cost as % of sales	11.9	10.3	9.3	10.1	11.9	12.1	12.7	14.1
Other expenses as % of sales	33.9	35.1	32.2	30.1	31.4	27.2	24.9	29.8

Source: Company, SMIFS Research

Industry Comparison (Domestic & Global)

Fig 55: Domestic Industry Comparison
(In Rs mn)

Company Name	Net Sales				EBITDA				PAT				EBITDA Margin (%)				PAT Margin (%)			
	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Oriental Carbon & Chemicals	4,649	4,189	4,994	5,712	957	1,008	1,228	1,466	437	470	619	761	20.6%	24.1%	24.6%	25.7%	9.4%	11.2%	12.4%	13.3%
Galaxy Surfactants	44,452	42,668	46,286	51,180	5,683	4,972	5,956	6,678	3,810	3,084	3,812	4,335	12.8%	11.7%	12.9%	13.0%	8.6%	7.2%	8.2%	8.5%
PCBL	57,741	60,973	67,329	76,550	7,312	8,875	9,816	11,284	4,418	4,609	5,224	6,276	12.7%	14.6%	14.6%	14.7%	7.7%	7.6%	7.8%	8.2%
NOCIL	16,166	15,139	16,050	18,267	2,527	2,070	2,453	3,078	1,492	1,268	1,427	1,877	15.6%	13.7%	15.3%	16.8%	9.2%	8.4%	8.9%	10.3%
Navin Fluorine Intl	20,774	24,047	31,294	36,946	5,503	6,063	8,416	10,098	3,752	3,743	5,308	6,419	26.5%	25.2%	26.9%	27.3%	18.1%	15.6%	17.0%	17.4%
Aarti Industries	66,186	66,948	84,109	1,01,803	10,890	10,273	14,691	18,053	5,452	4,459	7,168	9,226	16.5%	15.3%	17.5%	17.7%	8.2%	6.7%	8.5%	9.1%
Fine Organic Industries	30,231	21,844	23,292	26,260	8,311	5,319	5,371	6,194	6,181	3,998	4,030	4,606	27.5%	24.4%	23.1%	23.6%	20.4%	18.3%	17.3%	17.5%
Deepak Nitrite	79,721	77,695	89,146	99,189	12,894	12,614	17,136	19,964	8,520	8,337	11,576	13,261	16.2%	16.2%	19.2%	20.1%	10.7%	10.7%	13.0%	13.4%

Source: Bloomberg & SMIFS Research Estimates

Company Name	CAGR FY23-26E (%)			ROE (%)				Dividend Yield (%)				P/E (x)				EV/EBITDA (x)			
	Rev	EBITDA	PAT	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Oriental Carbon & Chemical	7.1%	15.3%	20.3%	7.6%	7.7%	9.5%	10.8%	1.7	1.8	1.9	2.0	18.3	16.7	12.7	10.3	8.1	7.2	6.1	5.1
Galaxy Surfactants	4.8%	5.5%	4.4%	22.0%	15.4%	16.7%	16.6%	0.8	0.9	1.0	1.2	26.0	33.7	27.3	24.0	17.6	20.7	17.3	15.2
PCBL	9.9%	15.6%	12.4%	16.2%	15.6%	16.3%	17.8%	4.5	2.4	2.5	2.7	10.4	20.9	18.4	15.3	7.6	11.8	10.4	8.8
NOCIL	4.2%	6.8%	8.0%	10.0%	8.0%	8.6%	10.6%	1.2	1.4	1.6	1.8	27.2	30.0	26.6	20.2	15.2	17.4	14.2	11.1
Navin Fluorine Intl	21.2%	22.4%	19.6%	18.6%	16.1%	19.5%	20.2%	0.3	0.4	0.5	0.6	56.3	50.3	35.2	29.0	37.5	32.3	23.3	19.4
Aarti Industries	15.4%	18.4%	19.2%	11.6%	8.7%	12.8%	14.6%	0.5	0.5	0.5	0.5	47.1	41.5	25.8	20.0	21.0	21.2	15.1	12.3
Fine Organic Industries	-4.6%	-9.3%	-9.3%	49.4%	23.7%	19.9%	19.6%	0.2	0.5	0.5	0.7	21.4	33.8	33.6	29.7	14.2	24.2	24.0	20.8
Deepak Nitrite	7.6%	15.7%	15.9%	22.9%	18.6%	21.1%	20.6%	0.4	0.3	0.4	0.4	29.5	36.7	26.7	23.0	18.7	23.8	17.5	15.0

Source: Bloomberg & SMIFS Research Estimates

Fig 56: Global Industry Comparison

Company Name	Net Sales				EBITDA				PAT				EBITDA Margin (%)				PAT Margin (%)			
	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Oriental Carbon & Chemicals	4,649	4,189	4,994	5,712	957	1,008	1,228	1,466	437	470	619	761	20.6%	24.1%	24.6%	25.7%	9.4%	11.2%	12.4%	13.3%
China Sunshine Chemical	3,825	3,595	3,795	4,020	816	533	595	653	642	329	381	431	21.3%	14.8%	15.7%	16.2%	16.8%	11.2%	10.9%	11.1%

Source: Bloomberg & SMIFS Research Estimates; Note: China Sunshine Chemicals numbers are in Rmb (Chinese currency)

Company Name	CAGR FY23-26E (%)			ROE (%)				Dividend Yield (%)				P/E (x)				EV/EBITDA (x)			
	Rev	EBITDA	PAT	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Oriental Carbon & Chemicals	7.1%	15.3%	20.3%	7.6%	7.7%	9.5%	10.8%	1.7	1.8	1.9	2.0	18.3	16.7	12.7	10.3	8.1	7.2	6.1	5.1
China Sunshine Chemical	1.7%	-7.2%	-11.4%	17.7%	8.7%	9.5%	9.9%	7.0	3.0	3.5	4.0	3.4	6.3	5.4	4.8	0.9	1.2	0.5	-0.2

Source: Bloomberg & SMIFS Research Estimates

Financial Statements (Standalone)

Income Statement					
YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenues	3,878	4,649	4,189	4,994	5,712
Raw Materials	1,347	1,793	1,474	1,780	1,980
% of sales	34.7	38.6	35.2	35.6	34.7
Personnel	457	499	550	600	655
% of sales	11.8	10.7	13.1	12.0	11.5
Other Expenses	1,291	1,400	1,158	1,386	1,611
% of sales	33.3	30.1	27.6	27.7	28.2
EBITDA	783	957	1,008	1,228	1,466
Other Income	77	26	38	39	41
Depreciation & Amortization	230	279	297	305	339
EBIT	630	703	749	961	1168
Finance cost	82	128	88	95	103
Core PBT	548	575	661	866	1,065
Exceptional items	0	0	0	0	0
PBT	548	575	661	866	1,065
Tax-Total	149	138	192	247	304
Tax Rate (%) - Total	27.2	24.0	29.0	28.5	28.5
Reported PAT	399	437	470	619	761
Adjusted PAT	399	437	470	619	761

Source: Company, SMIFS Research Estimates

Key Ratios					
YE March	FY22	FY23	FY24E	FY25E	FY26E
Growth Ratio (%)					
Revenue	13.3	19.9	-9.9	19.2	14.4
EBITDA	-35.5	22.2	5.3	21.9	19.4
Adjusted PAT	-46.7	9.4	7.4	31.8	23.0
Margin Ratios (%)					
Gross Profit	65.3	61.4	64.8	64.4	65.3
EBITDA	20.2	20.6	24.1	24.6	25.7
EBIT	16.2	15.1	17.9	19.2	20.4
Core PBT	12.2	11.8	14.9	16.6	17.9
Adjusted PAT	10.3	9.4	11.2	12.4	13.3
Return Ratios (%)					
ROE	7.3	7.6	7.7	9.5	10.8
ROCE	6.3	7.1	7.0	8.8	9.9
Turnover Ratios (days)					
Gross block turnover ratio	0.6	0.7	0.6	0.7	0.7
Adj CFO / Adj PAT (%)	114.1	186.2	161.4	122.7	98.2
Inventory	55	47	55	55	60
Debtors	76	59	60	60	65
Creditors	23	15	16	18	20
Cash conversion cycle	108	92	99	97	105
Solvency Ratio (x)					
Debt-equity	0.3	0.3	0.2	0.2	0.2
Net debt/equity	0.0	0.0	-0.1	-0.1	-0.1
Gross debt/EBITDA	2.4	1.7	1.2	1.1	1.0
Current Ratio	1.8	2.0	2.4	2.2	2.3
Interest coverage ratio	7.7	5.5	8.6	10.1	11.3
Dividend					
DPS	14.0	14.0	14.0	15.0	16.0
Dividend Yield (%)	1.4	1.7	1.8	1.9	2.0
Dividend Payout (%)	35.0	32.0	29.8	24.2	21.0
Per share Ratios (Rs)					
Basic EPS (reported)	40.0	43.8	47.0	62.0	76.2
Adj EPS	40.0	43.8	47.0	62.0	76.2
Adj CEPS	63.0	71.7	76.7	92.5	110.1
Adj BV	557.6	594.3	627.3	674.2	734.5
Valuation (x)*					
Adj P/E	24.8	18.3	16.7	12.7	10.3
P/BV	1.8	1.3	1.3	1.2	1.1
EV/EBITDA	12.9	8.1	7.2	6.1	5.1
EV/Sales	2.6	1.7	1.7	1.5	1.3
Adj Mcap / Core PBT	17.5	11.1	9.7	7.4	5.8
Adj Mcap / Adj OCF	18.1	7.5	8.0	8.1	8.0

Source: Company, SMIFS Research Estimates

Balance Sheet					
YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Source of funds					
Equity Share Capital	100	100	100	100	100
Reserves & Surplus	5,471	5,837	6,167	6,636	7,237
Shareholders' Fund	5,571	5,937	6,266	6,736	7,337
Total loan funds	1,879	1,652	1,250	1,361	1,471
Other Liabilities	327	386	445	479	490
Total Liabilities	7,777	7,975	7,962	8,576	9,298
Application of funds					
Gross Block	5,004	5,069	6,383	6,864	7,068
Net Block	4,375	4,616	4,524	4,422	4,873
Capital WIP	413	14	36	560	240
Other Investments	226	269	379	489	599
Other Non-Current Assets	122	110	114	134	152
Total Non Current Asset	5,135	5,009	5,053	5,606	5,864
Inventories	589	599	631	753	939
Sundry Debtors	808	756	689	821	1,017
Cash & bank balances	20	20	119	109	239
Quasi cash investments	1,640	1,897	1,717	1,637	1,657
Other current assets	120	94	119	150	189
Total Current Assets	3,177	3,365	3,274	3,469	4,041
Sundry Creditors	248	188	184	246	313
Other current liabilities	288	211	181	253	294
Total Current Liabilities	536	399	365	499	607
Net Current Assets	2,641	2,966	2,909	2,970	3,434
Total Assets	7,777	7,975	7,962	8,576	9,298

Source: Company, SMIFS Research Estimates

Cash Flow					
YE March (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Operating profit before WC changes	791	1,004	1,008	1,228	1,466
Net changes in working capital	-162	4	31	-137	-321
Tax Paid	-111	-102	-192	-247	-304
Cash flow from operating activities	517	907	847	844	841
Adj. OCF	456	814	758	760	748
Capital expenditure	-492	-196	-227	-728	-469
Adj FCF	-36	618	531	31	279
Cash flow from investing activities	-321	-382	-119	-720	-558
Debt	-1	-29	-289	-35	-43
Dividend	268	-106	-340	-100	-110
Interest and Lease	-62	-93	-89	-85	-93
Cash flow from financing activities	-208	-524	-629	-134	-153
Net change in cash	-11	0	99	-10	130

Source: Company, SMIFS Research Estimates

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