

National Peroxide

₹2460

Pioneer in India for Peroxide...!!!

Buy



Feb 23, 2018

Company Background

National Peroxide was jointly promoted by the Bombay Dyeing & Manufacturing company and Laporte Industries, UK. The peroxygens division of the company manufactures hydrogen peroxide and persalts. And the other plastic additives division produces, litharge and PVC stabilisers. Hydrogen Peroxide is used in various industries for Bleaching, Chemical synthesis, Environmental control/ Effluent treatment and Sterilisation. NPL is a pioneer in India for peroxygen chemicals and is the largest manufacturer of Hydrogen Peroxide in India, with an installed capacity of 95,000 MTPA on 50% w/w. basis. It's fully integrated manufacturing site for Hydrogen Peroxide is located at Kalyan in Maharashtra. NPL is producing Hydrogen Peroxide to international standards, using the auto-oxidation process, at its most modern & up-to-date plant. Hydrogen Peroxide is a concentrated aqueous solution containing 50% Hydrogen Peroxide by weight and is commonly referred to as Hydrogen Peroxide 50% w/w. It is specially stabilised for Indian climatic conditions. It also produce Hydrogen Peroxide in 35%, 60%, 70% concentration and produces the Compressed Hydrogen Gas, Per Acetic Acid and Sodium Perborate.

Key Highlights

- ➔ For FY 2016-17 Net sales ₹ 2554.4 mn with 9.4% growth, operating profit rose by 78% to ₹ 766.1 mn, and net profit was improved by 166.3% to ₹ 478.8 mn on YoY basis.
- ➔ Indian government has imposed an anti-dumping duty on Hydrogen Peroxide imports from Bangladesh, Taiwan, South Korea, Indonesia, Pakistan and Thailand, the duty will be valid till 2022 duty range from \$16.91 to \$117.94 / tonne.
- ➔ Collecting import duty at \$16.91 to \$117.94 per tonne on imports is a good sign for domestic industry.
- ➔ Pulp & Paper Industry is a key customer to Hydrogen Peroxide. Demand for paper is expected to grow and drive the hydrogen peroxide market.
- ➔ National Peroxide Ltd is planning to expand production capacity of Hydrogen Peroxide from 95,000 tonnes p/a to 1,50,000 tonnes p/a.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	2,252.5	2,685.3	2,948.9
Rev. growth (%)	(16.02)	19.21	9.82
EBITDA (INR mn)	683.3	282.9	430.5
Net profit (INR mn)	62.3	179.7	478.5
Shares outstanding (mn)	5.8	5.8	5.8
EPS (INR)	9.8	29.2	83.3
EPS growth (%)	(84.80)	197.36	184.84
P/E (x)	57.12	18.98	11.77
RONW (%)	3.00	8.38	19.62
ROCE (%)	8.51	12.72	25.35

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Info Codes

Reuters	: NTPR.BO
Bloomberg	: NPL IN
NSE	: NATPEROXID
BSE	: 500298

Market Data

52 Wk Range (₹)	: 860/2898
Shares in Issue (mn)	: 5.8
Market. Cap (bn)	: 14.14
BSE 2 Wk Avg Vol	: 6513

Share Holding Pattern (%)

Promoters Holding	: 70.68
Public & Others	: 24.54
Corporate Holding	: 03.81
Foreign Institution	: 00.63
Institutions	: 00.01
Government	: 00.33

Investment Theme

Global hydrogen peroxide market was estimated to \$2.44 bn in 2016. By end of 2025, market is expected to reach to \$3.68, with a 4.7% CAGR. Asia Pacific region is anticipated to 5.3% CAGR between 2017-25, making it the leading regional segment in of growth rate. One of the major drivers for this market is increasing demand from the pulp & paper industry. Demand for paper in India, China, and Malaysia is expected to drive the global hydrogen peroxide market. This is due to the booming literacy rate, which helps in increasing the use of printing technology. India is importing 20% of demand of hydrogen peroxide, those imports are majorly comes from Thailand, Bangladesh, Pakistan, Korea & Taiwan. Indian Finance Ministry has imposed a duty on imports from \$16.91 to \$117.94 per tonne.

Imports contribute nearly 20% of demand...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	1,962.9	2,335.0	19.0	2,554.4	9.4
Other Income	63.7	80.8	26.8	101.8	26.0
Change in Stocks	(80.9)	3.8	(104.7)	(51.1)	(1,444.7)
Raw Material Con.	688.0	801.9	16.6	595.9	(25.7)
Employee Exp.	198.8	193.7	(2.6)	230.6	19.1
Indirect Taxes	225.9	269.5	19.3	292.7	8.6
Other Exp.	550.1	724.0	31.6	719.8	(0.6)
Operating Exp.	1,662.8	1,989.1	19.6	1,839.0	(7.5)
Operating Profit	282.9	430.5	52.2	766.1	78.0
Total Interest	46.8	53.9	15.2	21.3	(60.5)
Gross Profit	236.1	376.6	59.5	744.8	97.8
Net Dep.	72.1	89.6	24.3	89.3	(0.3)
Total Taxation	101.7	107.3	5.5	177.0	65.0
Net Profit/Loss	62.3	179.7	188.4	478.5	166.3

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	2,119.0	2,834.9	2,523.2	2,816.9
Equity Share capital	57.5	57.5	57.5	57.5
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	2,008.4	2,032.0	2,142.5	2,621.0
Secured Loans	40.4	679.9	303.3	110.5
Unsecured Loans	12.7	65.5	19.9	27.9
USES OF FUNDS	2,119.0	2,834.9	2,523.2	2,816.9
Gross Block	2,433.1	3,215.7	3,228.3	3,305.7
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	1,266.8	1,342.1	1,431.6	1,520.9
Net Block	1,166.3	1,873.6	1,796.7	1,784.8
Capital Work in Progress	409.2	39.8	30.9	16.8
Investments	102.9	96.0	70.5	514.0
Current Assets	875.8	1,345.1	1,141.0	1,052.3
Less : Current Liabilities	401.0	331.3	285.1	260.1
Total Net Current Assets	474.8	1,013.8	855.9	792.2
Misc. Expenses not writtenoff	(34.2)	(188.3)	(230.8)	(290.9)
NOTE				
Book Value of Unquoted Investments	92.7	85.7	60.4	503.6
Market Value of Quoted Investments	206.4	649.6	535.1	1,199.8
Contingent Liabilities	2.8	2.8	12.8	28.7
Dividend (%)	150.0	50.0	100.0	340.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 17	Jun 17	Sep 17	Dec 17
Net Sales	675.4	683.0	664.6	697.3
Cost Of Sales	530.7	407.4	384.5	383.6
Operating Profit	144.7	275.6	280.1	313.7
Other Income	52.9	19.2	36.8	24.4
Adjusted PBDIT	197.6	294.8	316.9	338.1
Financial Expenses	5.3	1.6	0.3	(1.1)
Depreciation	22.5	22.9	23.1	23.1
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	169.8	270.3	293.5	316.0
Tax Charges	12.9	90.8	102.0	108.8
Reported Profit	156.9	179.5	191.5	207.2
Extra Ordinary Items	36.3	0.0	6.9	0.0
Other Non Cash Adjust	3.0	0.0	3.7	0.0
Adjusted Net Profit	120.7	179.5	184.5	207.2

52 Week Index Relative Percentage Appreciation

National Peroxide vs SENSEX
Risks Associated

- ➔ Natural gas is a major raw material, as the company importing raw material nearly 45% of requirement even though there is a gap between imports and consumption.
- ➔ Pulp and Paper Industry is a key Customer for Hydrogen Peroxide, if not perform well paper industry that impact company revenue.
- ➔ Introduction of the web and digitalization has reduced the utilization of newsprint paper in developed countries.

Scope of Growth

- ➔ For Q3 net sales improved by 4.9% to ₹ 697.3 mn, operating profit and net profit both are rose by 11.99% and 12.30% respectively on QoQ basis.
- ➔ Increasing demand for paper in countries such as India, China, and Malaysia is expected to drive the global hydrogen peroxide market.
- ➔ Imposing customs duty on imports from Bangladesh, Taiwan, South Korea, Indonesia, Pakistan and Thailand is a good for domestic market.
- ➔ Company planning to expand production capacity of Hydrogen Peroxide from 95,000 tonnes p/a to 1,50,000 tones p/a.
- ➔ Company has three products Hydrogen Peroxide, Hydrogen Gas and Peracetic Acid for this products natural gas and solvents & Chemicals are raw materials. Hydrogen Peroxide is the major prodduct.
- ➔ Asia Pacific is expected to hold a significant share of the market as far as utilization and creation of hydrogen peroxide on a worldwide. Market in this region is driven by rising interest from paper and waste water treatment businesses.
- ➔ Demand and supply of hydrogen peroxide is incrementing because of mechanical advancements across the globe.

National Peroxide

In a Nutshell

NPL is a pioneer in India for peroxygen chemicals and is the largest manufacturer of Hydrogen Peroxide in India. Hydrogen Peroxide chemical is used in various industries; Paper & Pulp, Chemical, Waste Water Treatment, Mining and others. NPL is manufacturing Hydrogen Peroxide to international standards, it produce Hydrogen Peroxide in 35%, 50%, 60% and 70% concentration. It manufacturing three products namely; Hydrogen Peroxide, Hydrogen gas and Peracetic Acid. Out of all those three products Hydrogen Peroxide is major revenue contributor. Company also produces the Compressed Hydrogen Gas, Per Acetic Acid and Sodium Perborate. Recently company announce to expand its production capacity from 95,000 to 1,50,000 TPA. Key input is Natural Gas for producing Hydrogen Peroxide. Country imported 1,873 MMT of LNG during FY 2016-17. The total consumption amounts to 4,220 MMT. Pulp and Paper Industry is a key customer for Hydrogen Peroxide consumption. Performance of the paper industry has improved on the back of increased demand, lower raw material & coal prices. With increasing focus on education, CAGR of Indian paper industry is expected to reach 7% during next 5 years. Demand is expected to reach 20 mn from 13.9 mn tones in 2014-15. India importing nearly 20% of demand, from Bangladesh, Taiwan, South Korea, Indonesia, Pakistan and Thailand. In 2017 India has imposed import duty from \$16.91 to \$117.94 per tone, to protect Indian industry. During 2017 revenue has increased to ₹ 2554.40 mn as against ₹ 2335 mn in the previous year, finance charges were down by 60.5% to ₹ 21.3 mn, depreciation marginally declined by 0.3% to ₹ 89.3 mn and net profit rose by 166.3% to ₹478.5 mn. Company has recommend a dividend of ₹ 34 per share.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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