

**Company Name:- National Peroxide Limited (NPL)**  
**Address:- Wadia international Center, Pandurang Budhkar Marg**  
**Industry:- Chemicals**  
**Established Date:- 1954**  
**Website: <http://www.naperol.com/>**

**CMP: Rs. 1800**  
**52 week High/low: 5124/1272**  
**PE Ratio: 9.6**  
**Dividend yield %: 3.1%**  
**Market Cap: Rs 1034 crs**

## Company Background

1. National Peroxide limited (NPL) was started and jointly promoted by The Bombay Dyeing & Manufacturing Company and Laporte Industries, UK.
2. National Peroxide Limited (NPL) is the largest producer of Hydrogen Peroxide in the country. (42% market share in India)
1. The Company manufactures hydrogen peroxide with current installed capacity of 95,000 metric tons per annum (MTPA) and its integrated manufacturing site for hydrogen peroxide is located at Kalyan in Maharashtra (India).

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## Historical key events

1954

1956

1970

1980

1982

1991

2009

Company incorporated with object to manufacture hydrogen pertoxide and sodium perborate.

First hydrogen peroxide plant using electro lytic process at Wadala

Laporate industries merger with Solray et Cie.

R & D centre was established and was accorded recognition by GOI.

Letter of intent received for expanding capacity from 6000 tonnes to 12000 tonnes

R & D developed technology to manufacture sodium perborate monohydrate

Company entered into Gas supply agreement with GAIL for supply of Natural gas

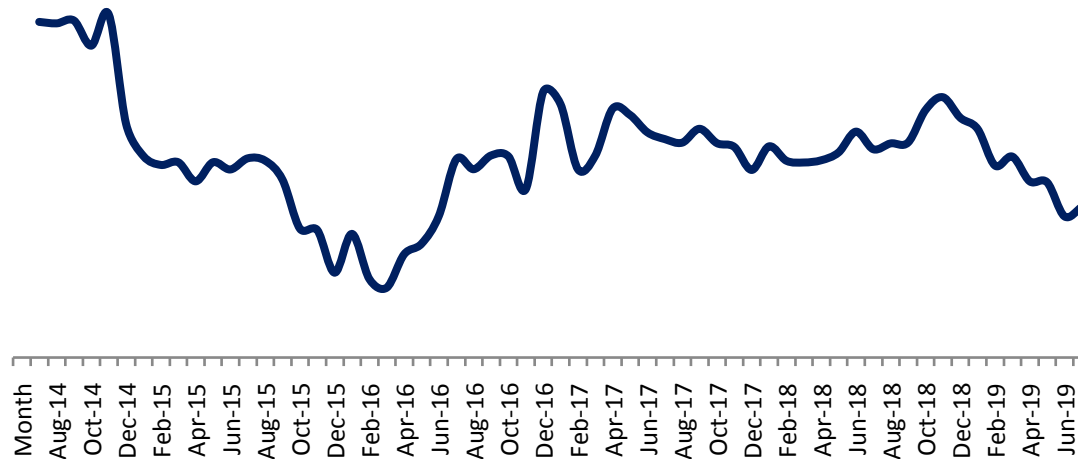
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Name	Designation	Prior experience
Ness Wadia	Chairman.	<p>He holds an M.Sc. in Engineering Business Management from Warwick University, UK. He received extensive training in Management from the Warwick University, U.K. He serves as the Director of Britannia Industries Limited. He was appointed on the Prime Minister's Council on Trade &amp; Industry in 1998, 1999 &amp; 2000. He is a Co-Promoter at K.P.H. Dream Cricket Pvt. Ltd. He has been with Bombay Dyeing &amp; Manufacturing Co. Ltd., for over 11 years initially as a Management Trainee and prior to his induction on the Board, as Marketing Manager. He was strategically involved in the Textiles &amp; Polyester Divisions and was instrumental in setting up the Real Estate Division. He has been Non Independent Non-Executive Chairman of The Board of National Peroxide since April 27, 2011 and as its Non Executive Director since March 1997. He serves as the Chairman of the Board at Wadia BSN Ltd., and Nowrosjee Wadia &amp; Sons Ltd. He served as the Chairman of TEXPROCIL and MOA. He serves as a Director of Gherzi Eastern Ltd., Nowrosjee Wadia &amp; Sons Limited, Tata Iron &amp; Steel Co. Ltd., Tata Chemicals Ltd., K.P.H. Dream Cricket Pvt. Ltd., Tata Motors Ltd., EIH Ltd. and Atul Ltd. and 1 private limited company and 4 foreign companies. He has been the Managing Director of The Bombay Burmah Trading Corporation Limited since April 1, 2011</p>
Suresh Khurana	Chief Executive Officer & Director	<p>He received an undergraduate degree from the University of Delhi. In the past he occupied the position of Executive Member at Indonesian Synthetic Fiber Producers Association and General Secretary at Asian Chemical Fibre Industries Federation.</p> <p>He is also on the board of Naperol Investments Ltd. and Association of Synthetic Fibre Industry and Associate Member at ICSI, Associate Member at ICWA, Associate Member at Indian Institute of Banking &amp; Finance and Chief Executive Officer-Polyester Staple Fibre at Bombay Dyeing &amp; Manufacturing Co. Ltd.</p>
S. R. Lohokare	Managing director	<p>B.Tech (Hons) in Chemical Engineering from the Indian Institute of Technology, Mumbai. Has a post Graduate Diploma in Industrial Management and a degree of Master of Financial Management from Bombay University.</p> <p>Having an experience of 40 years in the field, he was CEO of the India's largest Hydrogen Peroxide and derivatives manufacturer. The Company was in serious financial difficulties in 1997-98. By using various turn-around strategies such as divestment of a loss making unit, sale of real estate, manpower rationalization, improving the capacity utilization of the unit and significantly reducing the cost of production.</p>
Conrad David fernandes	Chief Financial Officer	<p>He has been appointed as CFO from 7th Jan, 19. He is a fellow member of ICAI and has varied experience of over 25yrs across financial services, Telecom, FMCG and manufacturing industries. He was working with Sharda corpchem limited as CFO.</p>

## Key Raw material

1. The key raw material of Hydrogen peroxide is Natural Gas. The manufacturing process involves the catalysis of the reaction of H<sub>2</sub> (obtained from processing Natural Gas) with atmospheric O<sub>2</sub> to give H<sub>2</sub>O<sub>2</sub>. (*Cost of Natural gas is 25% of total sales*)
2. India imports close to 50% of its requirement of Natural Gas. Price of Natural Gas to a very great extent depends on the crude oil price and US\$ exchange rate versus Indian Rupee. This makes the price of Natural Gas subject to increased volatility.
3. From Oct 01, 2018, natural gas prices have declined by 26 per cent from \$3.02 per unit to \$2.23 per unit.

### Natural gas prices in USD per unit



## **Product portfolio & its uses.**

- ❖ National Peroxide Ltd manufactures Hydrogen peroxide with current installed capacity of 95,000 metric tons per annum (MTPA). Hydrogen peroxide is a pale blue clear liquid slightly more viscous than water.
- ❖ The imports of hydrogen peroxide contribute nearly 20% of demand in India. The imports majorly come from Thailand, Bangladesh, Pakistan, Korea and Taiwan.

## **Its Uses:-**

- ❖ Hydrogen Peroxide is mainly used as a non-polluting oxidizing agent and is used as an oxidizer, bleaching agent and disinfectant.
- ❖ It is used for refining non-edible oil, water and effluent treatment, paper pulp bleaching, chemical synthesis, textile bleaching industry, sugar bleaching industry and metallurgy industry.
- ❖ Hydrogen peroxide is used to make sodium perborate and sodium percarbonate, which are further utilized as a bleaching agent in detergents
- ❖ Industrial Hydrogen Peroxide market is expected to witness an escalating demand among the consumers because of its broad use and increasing presence paper and pulp industry throughout the world. Industrial Hydrogen Peroxide market is driven by the growing adaptation in paper and pulp industry.

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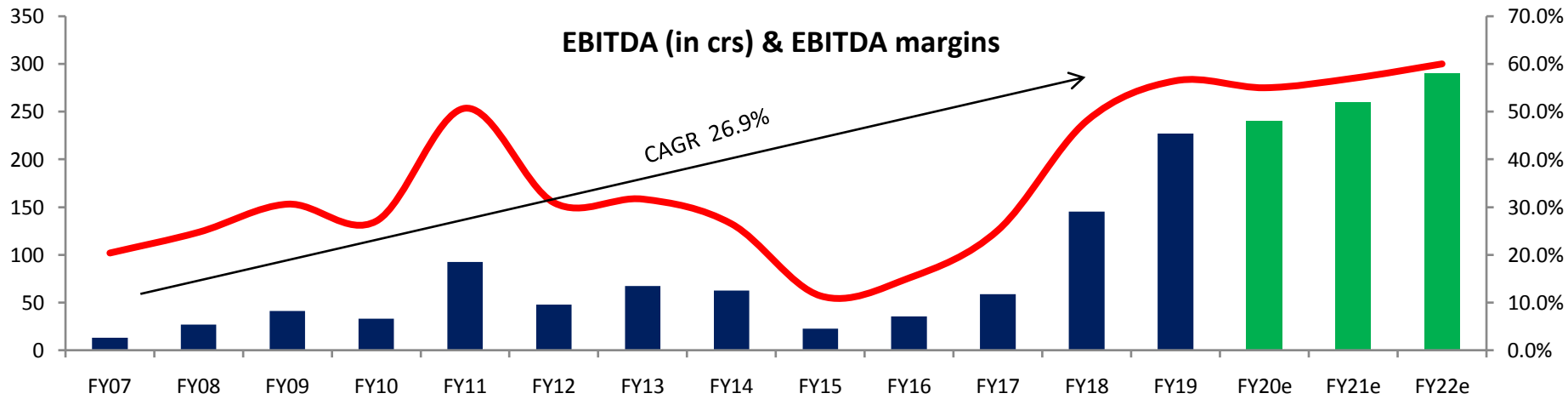
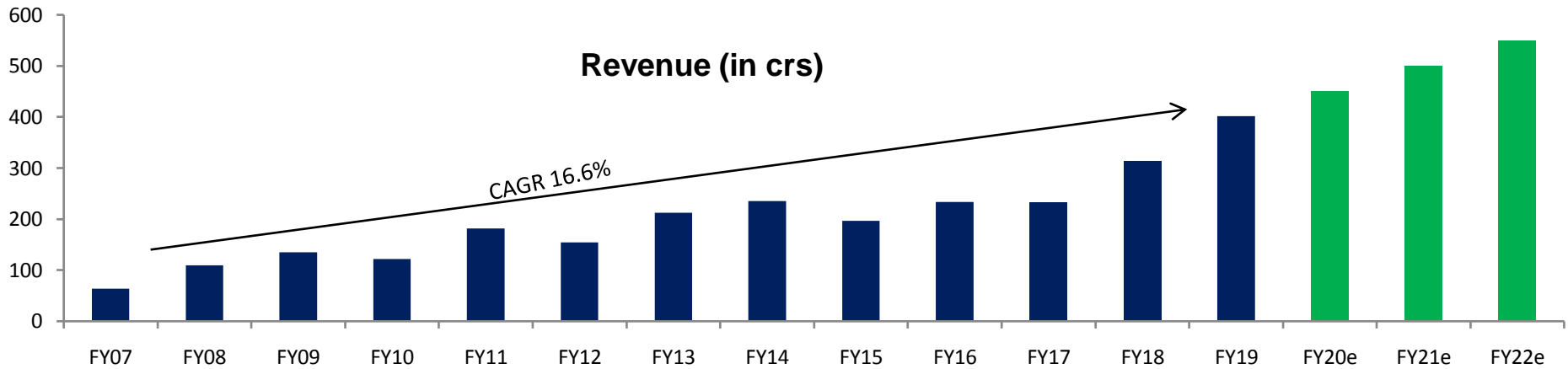
❖ **Paper and pulp industry** is the key user of Hydrogen peroxide in India. The Indian Paper Industry is now a vast industry comprising more than 750 pulp and paper mills. However, only 50 of these mills have a capacity of 50,000 metric tonnes per annum or more. While demand for newsprint paper is being lost as readers move online, the ever-increasing migration by consumers to make purchases online is generating demand growth for transport packaging. The Indian paper industry benefitted as a result of Chinese Government banning the import of several varieties of waste paper, which is the primary raw material for finished paper

❖ Hydrogen Peroxide is initially used to ease the preparation of paper which is nowadays the biggest reason for Industrial Hydrogen Peroxide market growth. Almost all the paper and pulp manufacturers use hydrogen peroxide as an ingredient in the manufacturing process. It is useful in a variety of oxidation possibilities and pH ranges in which it can be utilized as an oxidizer.

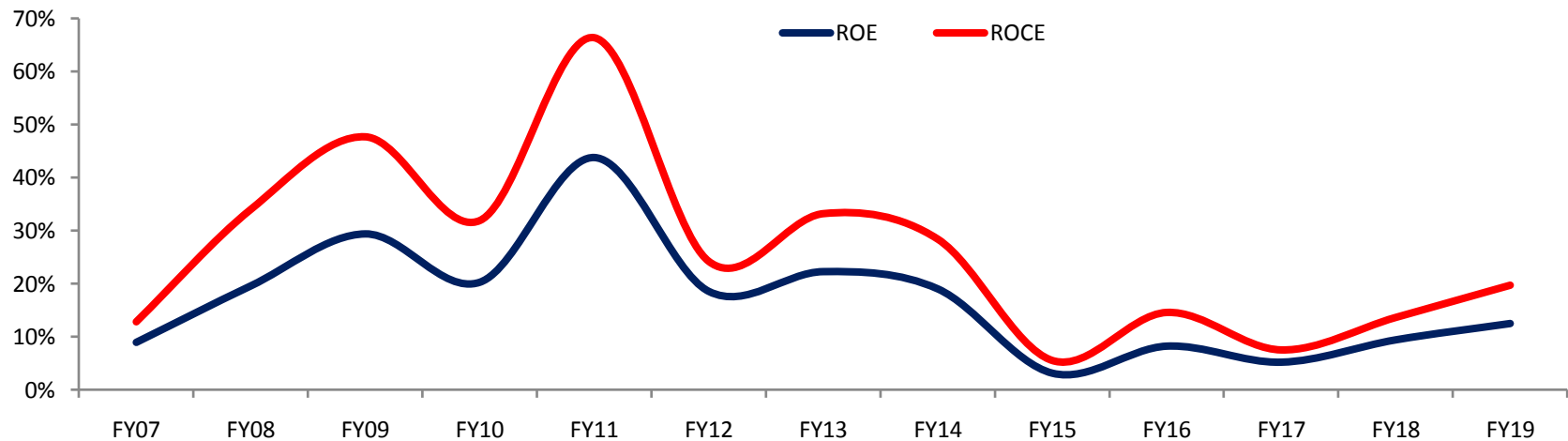
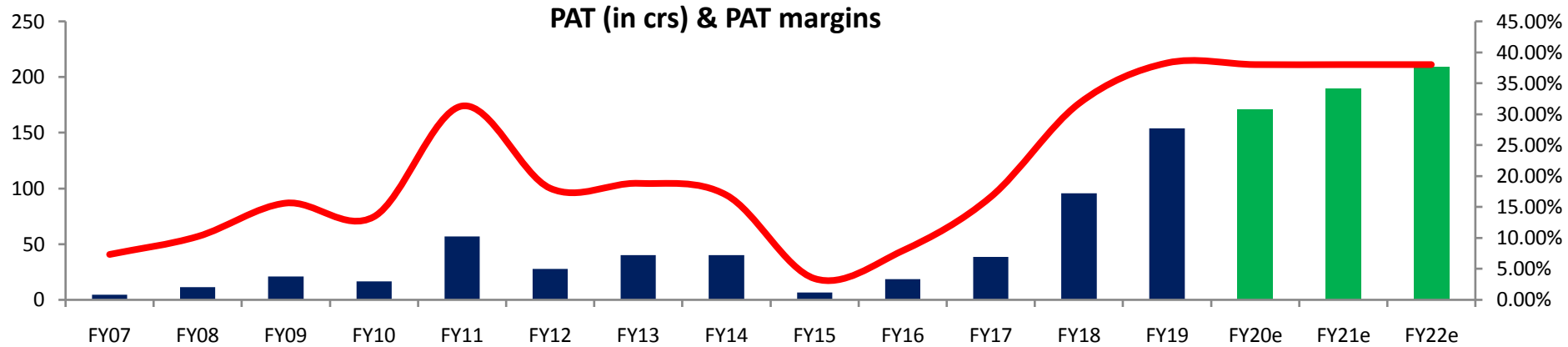
❖ **Textile** :- Growth in domestic textile industry and Government of India's focus to further develop this sector multifold in next 7 years bodes well for the Hydrogen Peroxide demand in India.

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## Key Milestones of NPL



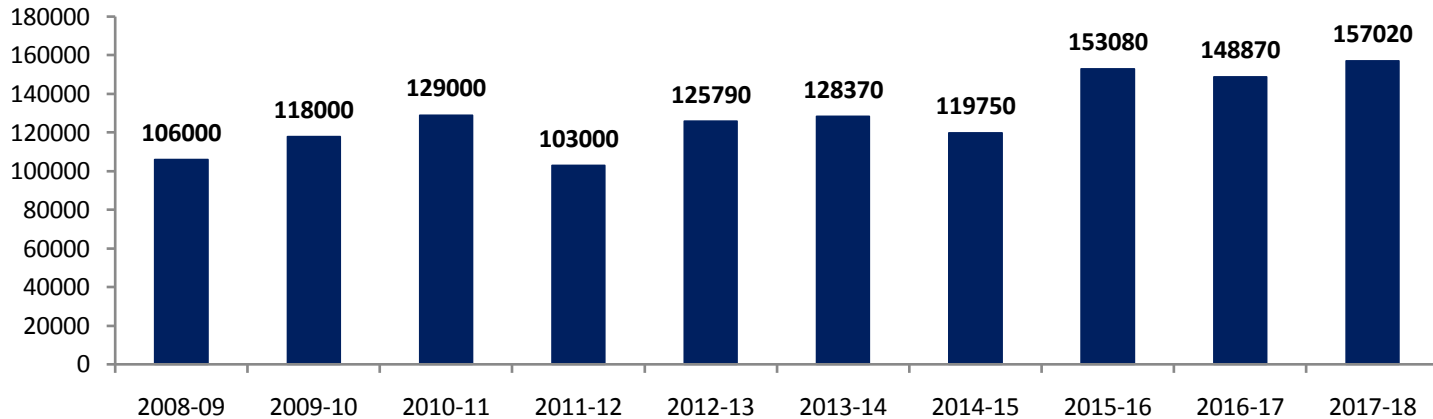
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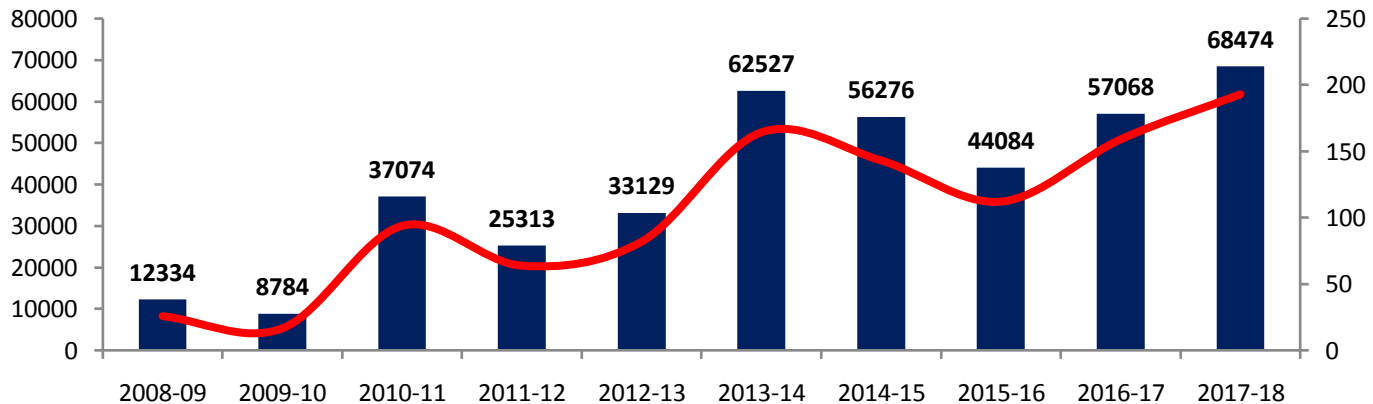


## Industry outlook

### Production of Hydrogen Peroxide in mt

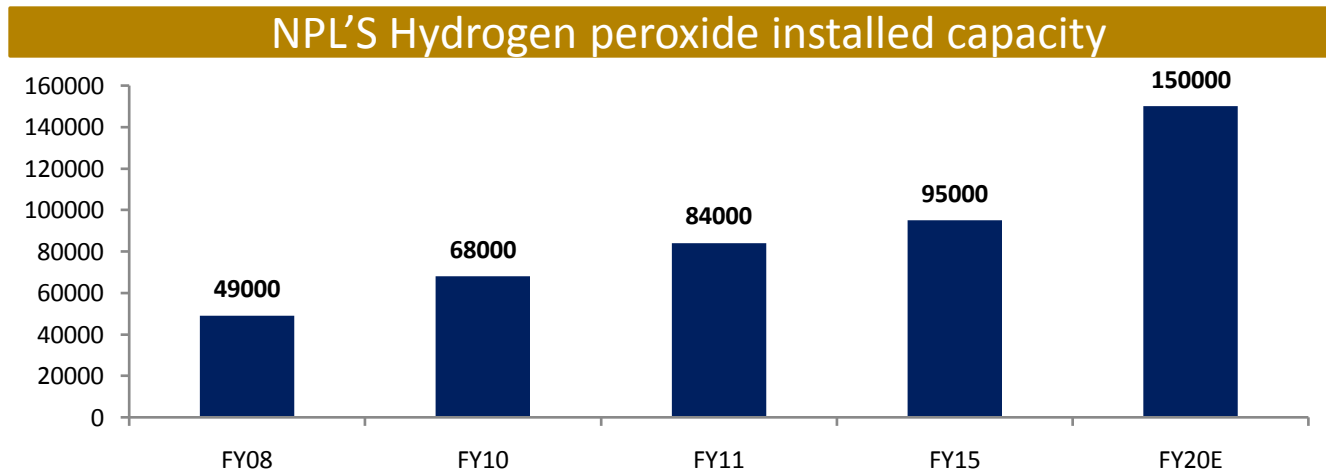


### Import and value (in crs) of Hydrogen Peroxide in mt



## Key Investment Rationale

❖ Capacity expansion program at Kalyan plant would raise its capacity from 95000 TPA to 1,50,000 TPA thereby, increasing visibility for sales growth.



❖ **Anti-dumping facility from 6 nations that gives it protection shield to run business smoothly:** National Peroxide Limited and Hindustan Organic Chemicals Ltd (hereinafter also referred to as the applicants) had jointly filed an application before Directorate General of Anti-Dumping & Allied Duties for initiation of anti-dumping investigation and imposition of Anti-dumping duty concerning imports of Hydrogen Peroxide, originating in or exported from Bangladesh, Taiwan, Korea, Indonesia, Pakistan and Thailand. The India's revenue department of ministry of finance issued a gazette notification slapping the duty on the same on these six countries that are Bangladesh, Taiwan, South Korea, Indonesia, Pakistan and Thailand.

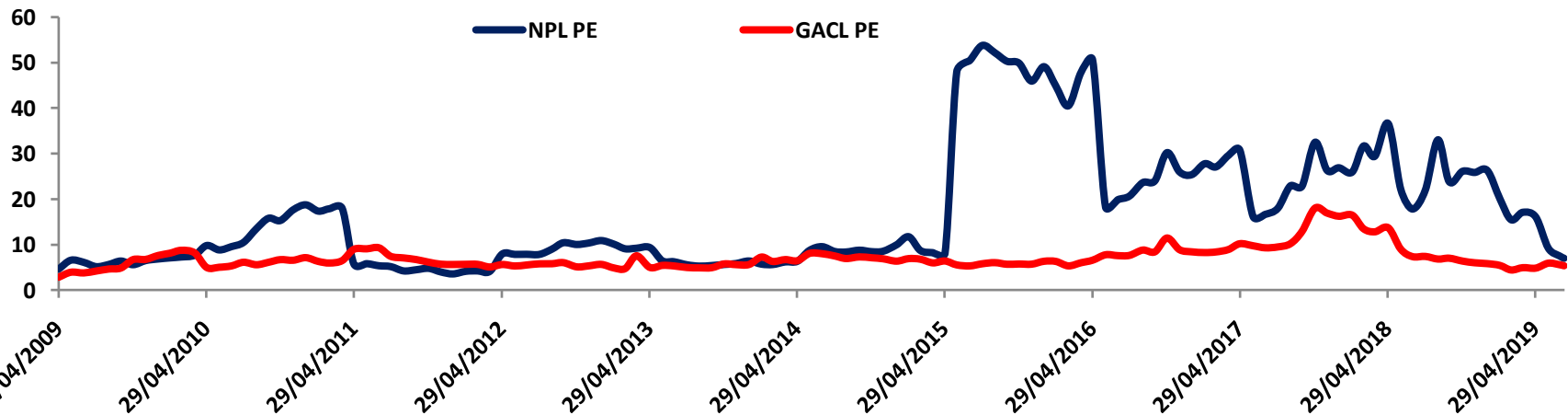
## Macro outlook

- ❖ Hydrogen peroxide market has been witnessing strong growth over the past few years on account of increasing demand from paper & pulp industries. Paper & pulp industry is the largest end-use application segment of hydrogen peroxide over the past few years and trend is expected to continue over the forecast period. Increasing demand for paper & pulp across various industries including packaging, commercial sectors and pharmaceuticals is anticipated to drive hydrogen peroxide market growth over the next six years.
- ❖ Increasing application scope of hydrogen peroxide in chemical industry as an oxidising agent is likely to propel its growth in this sector. In addition, increasing demand for hydrogen peroxide from personal care and cleaning products including bleaching, sterilization, toothpastes, sanitizer, mouth washes and hair dyes is also likely to fuel market growth over the projected period.
- ❖ Rising application scope of hydrogen peroxide in agriculture for improving crop yield is anticipated to drive its demand. In addition, hydrogen peroxide is used as cleaning agent in electronic industry. Growth of electronic industry especially in developing countries including India and China is anticipated to open new opportunities for hydrogen peroxide in the near future.
- ❖ Key players present in the hydrogen peroxide market include National Peroxide Limited, Evonik industries AG, The Dow chemical Company, Hansol Chemical Co. Ltd., Chang Chun Petrochemical Co. Ltd., Arkema S.A. and BASF SE.

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## Peer comparison

	Sales	EBITDA	PAT	EBITDA Mgn	PAT Mgn	ROE (%)	ROCE (%)	P/E (x)	EV/EBITDA (x)	EPS
<b>National peroxide. (CMP: Rs 1860, M. Cap: Rs 1068 cr)</b>										
2017	262.0	58.6	38.6	22%	15%	5.0	7.0	27.0	8.3	67.2
2018	315.0	145.5	95.8	46%	30%	9.0	14.0	24.9	8.6	166.8
2019	402.0	227.0	153.8	56%	38%	13.0	20.0	23.8	9.0	267.6
2020E	502.5	275.0	192.3	54.7%	38%	13.6	21.0	12.0	8.5	280.0
2021E	628.1	300.0	240.3	47.8%	38%	14.0	22.0	10.0	8.0	300.0
<b>Gujarat Alkalies &amp; chemicals ltd. (CMP Rs 497, M. Cap: Rs 3665 cr)</b>										
2017	2302.0	449.6	308.5	20%	13%	9.8	11.1	8.4	6.4	41.8
2018	2514.0	786.7	535.3	31%	21%	14.9	19.1	12.0	5.9	72.8
2019	3161.0	1115.2	688.9	35%	22%	15.2	19.5	6.9	5.5	94.0
2020E	3793.2	1338.2	760.0	35%	20%	16.0	20.0	8.0	5.3	102.0



## Conclusion

1. Hydrogen Peroxide is an environment friendly chemical used for 'oxidation reactions', 'bleaching processes in pulp, paper and textile industries', 'waste water treatment', 'exhaust air treatment' and for 'various disinfection applications'.
2. NPL is the largest producer of Hydrogen Peroxide with 42% market share in India and a capacity of 95000 tonnes per annum.
3. We recommend a buy at current valuation of 5.9PE FY19 EPS. NPL is an attractive buy at current valuation and with capacity expansion plans we expect the NPL to delivery good returns.



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We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed.

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**Thanks & regards,  
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