



Farsight

## MORNING FARSIGHT

Friday, October 26, 2018

**NATIONAL PEROXIDE**

**CMP:RS 3857**

**TRGT:RS 4500**

**TIME HORIZON: 1 YEAR**

National Peroxide, is giving buying opportunity. Company is manufacturing hydrogen peroxide, sodium perborate, compressed hydrogen gas and per acetic acid, with an installed capacity of 95,000 TPA. Company posted good earnings for Q4FY18 and Q1FY19, which are sustainable given capacity expansion program at Kalyan plant from 95,000 TPA to 150,000 TPA + market share of 42% +debt free balance-sheet with clean management and promoter stake of over 70%. For Q1FY19, PAT rose to Rs. 42.6 cr from Rs. 37.3 cr Q00 and Rs. 17.9 cr YoY, a growth of 14% Q00 and 138% YoY, leading to an EPS of Rs. 74.06 for Q1FY19, which was at Rs. 65 in previous quarter and Rs. 165.51 in FY18, thus covering more than 45% of FY18 performance in Q1FY19 itself. One must note that company enjoys -42% market share in the hydrogen peroxide market in India and is one of the pioneer in producing Peroxygen chemicals, having moved to quarterly EPS trajectory of Rs. 65-70. One must note that Hydrogen peroxide is a pale blue clear liquid slightly more viscous than water and has wide applications across various industries. Hydrogen Peroxide is mainly used as a non-polluting oxidizing agent and is used as an oxidizer, bleaching agent and disinfectant, for refining non-edible oil, water and effluent treatment, paper pulp bleaching, chemical synthesis, textile bleaching industry, sugar bleaching industry and metallurgy industry, almost all the types of food and beverages, 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 in paper and pulp industry throughout the world. Further, National Peroxide and Hindustan Organic Chemicals (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, with government imposing anti-dumping duty in June 2017 of up to \$118 per tonne on import of hydrogen peroxide from Bangladesh and five other countries, for a period of 5 years. National Peroxide also has a long term agreement with GAIL for purchase of Natural Gas, which is valid till April 2028. Company is having no debt on the balance-sheet despite capacity expansion, and has Cash Equivalents of Rs. 75 cr or Rs. 130 per share. Besides, company has Rs. 691 cr (31% of current market cap) of Non Current Investments in Bombay Dyeing, Bombay Burmah, HDFC, L&T, ACC, ICICI Bank etc on which we are awaiting further details to get current value of these investments (FY18 Annual Report still awaited). **On an estimated EPS of Rs. 320 for FY19, stock is trading at PE of 12x which is seen attractive.** Share ruling at Rs.3,857 can move to Rs.4500 in 1 year . Buy as an investor only.

**DISCLAIMER:** This is solely for information of clients of Farsight Securities Ltd. and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Farsight Securities Ltd. its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Farsight Securities Ltd. or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. Technical analysis studies market psychology, price patterns and volume levels is used to forecast future price and market movements. Technical analysis is complementary to fundamental analysis and news sources. The recommendations issued herewith might be contrary to recommendations issued by Farsight Securities Ltd. in the company research undertaken as the recommendations stated in this report is derived purely from technical analysis. Farsight Securities Ltd. has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Farsight Securities Ltd. makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for trading purposes. The recommendations are valid for the day of the report however trading trends and volumes might vary substantially on an intraday basis and the recommendations may be subject to change. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.