

Date : 6th November, 2012

DE NORA INDIA LIMITED

Stock Performance Details

Current Price	: Rs. 214.65**
Face Value	: Rs. 10 per share
52 wk High / Low	: Rs. 229.00 / Rs. 76.53
Total Traded Volumes	: 14,000 shares**
Market Cap	: Rs. 116 crore**
Sector	: Other Industrial Goods
EPS (FY2011)	: Rs. 7.81per share
P/E (TTM)	: 6.09 (x)^
P/BV (TTM)	: 2.97 (x)^
Financial Year End	: 1 st January - 31 st December
BSE Scrip Name	: DENORA
BSE Scrip Code	: 590031

**as on 6th November, 2012; ^ as on September, 2012

Shareholding Details - September 2012

Particulars	Shareholding	
	Nos.	(%)
Promoter & Promoter Group Holding	30,96,766	58.33
Total Institutional Holdings (FIIs & DIIs)	7,560	0.14
Public Holdings	22,04,308	41.52
Total	53,08,634	100.00

Strategy Focus

- The Company is in the process of acquiring the technology for coating of the Membrane Cathode named as "Zerogap" from Industrie Denora S.p.A. Milan, Italy.
- The Company has leading presence in the Chlor Alkali and Cathodic Protection Systems business. De Nora is also making its presence felt in the Electro Chlorination segment.
- Recoating of anode and cathode is a specialised process, formulation of which involves use of noble metals. These formulations and processes are Proprietary and because of its affiliation to "Gruppo De Nora", the company has the authority to use these formulations and processes, giving it the prominent market share in India. DNIL not only provides support to all Gruppo De Nora & Krupp Uhde customers in India but is also equipped to give technical support to other technology suppliers in the Chlor-alkali sector.
- The company is looking forward to maintain its position of market leader in Membrane recoating activity and Cathodic Protection Systems.

Background

- DNIL was set up with technical and financial collaboration of "Gruppo De Nora" of Italy, a world market leader in the manufacture of anode and cathode for electrolytic processes used in the chlor-alkali and chlorate plants.
- The company's core business lies in Chloralkali sector. However, it has expanded by including high tech products such as Cathodic Protection Systems, Electrochlorination systems, and Platinized Titanium Anodes for surface finish application.
- De Nora India Limited (DNIL) is engaged in the manufacture and coating of anode and cathode for electrolytic process for application in the chlor-alkali & chlorate plants, Lida® Anodes for cathodic protection systems, Electrochlorinators and Platinized Titanium Anodes for surface finish application. All these applications come under the field of Electrolytic Processes.
- The Company has ISO 9001:2008 for Quality Management System from JAS-ANZ.
- De Nora India has ongoing technical collaboration for Ion Exchange Membrane Electrolysers for Chlor-Alkali Industry, Electrochlorinators for Water Treatment and Cathodic Protection (Anti corrosion) Systems. These agreements are performed through Industrie De Nora S.p.A.

Financial Snapshot

Particulars	Standalone Financials (Rs. In Million)		
	FY11	FY10	FY 09
Income Statement			
Net Sales / Income from Operations	340.5	168.6	132.2
Expenses			
Cost of material consumed	188.3	61.7	34.8
Change in Inventories	-29.6	-5.5	0.3
Power & Fuel Cost	4.5	3.7	3.6
Employee Benefit Expenses	33.8	28.8	29.2
Administrative & Other Expenses	77.6	57.3	67.2
EBIDTA	65.9	22.6	-2.9
Depreciation & Amortization	6.0	7.1	6.5
Finance Costs / Interest Expense	3.1	0.7	1.1
Other Income	12.1	18.3	23.1
Profit After Tax (PAT)	47.8	30.6	1.4
Key Ratios - Income Statement			
EBIDTA Margin (%)	19.4	13.4	-2.2
PAT Margins (%)	14.0	18.1	1.1
Balance Sheet			
Networth	260.3	260.0	261.9
Non - Current Liabilities / Loan Funds	0.0	0.0	12.9
Non Current Assets / Fixed Assets	56.8	58.5	65.4
Inventories	134.4	56.6	48.4
Debtors	107.8	50.1	33.2
Key Ratios - Balance Sheet			
Debt : Equity (x)	0.0	0.02	0.02
Book Value (BV) (in. Rs.)	47.9	46.8	47.1
Return on Capital Employed (ROCE) (%)	27.7	12.6	5.1
Return on Equity (ROE) (%)	18.4	11.7	0.5
Debtors Turnover (x)	4.5	4.2	3.5
Inventory Turnover (x)	3.7	3.3	2.6
Valuation Ratios			
P/E (x)	11.0	14.4	259.2
P/BV (x)	1.8	1.4	1.4
EV / EBITDA (x)	5.7	8.7	16.5

Source: Capitaline Database; all ratios are calculated as on 31st December, 2012

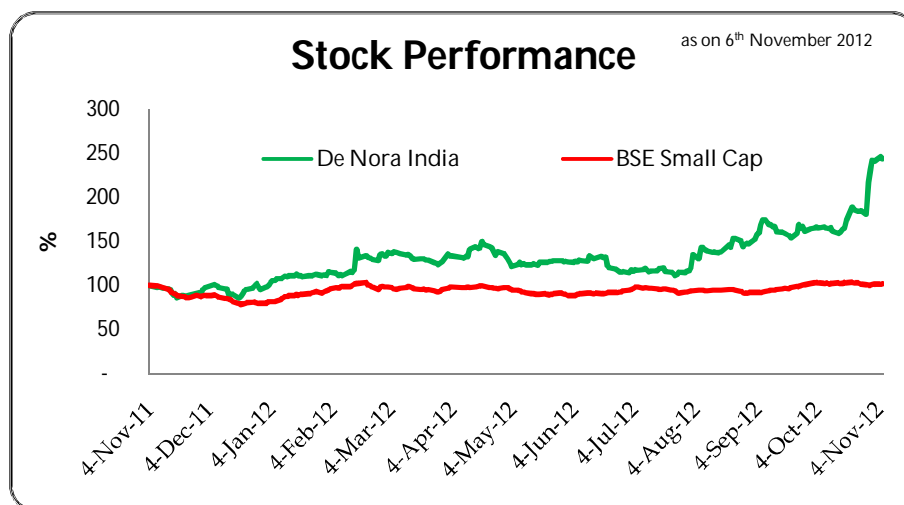
From the Research Desk of LKW's Gurukshetra.com

- The Company's turnover for the year amounted to Rs. 340.5 million a jump of 102% over the calendar year ended 2010. The Company has signed an order of approximately Rs.160 million for manufacture of Chlorate Cells. This is expected to be executed in 2012. The Company has earlier signed an order of approximately Rs.200 million for a lumpsum turnkey project for manufacture of 5 TPD of Sodium Chlorate plant. On the basis of the progress of completion the

Company has booked sales invoicing of approximately Rs.100 million in the year 2011 and balance is expected to be executed in 2012.

- Cost pressures were evident as there was a 205% rise in Raw Materials consumed and a 35% rise in administrative and other expenses. Despite, this EBITDA stood at Rs. 65.9 million indicating a rise of 191.6% with a consequent increase in EBITDA Margins which stood at 19.4 % during year 2011
- DNIL's Net Profit after Tax stood at Rs. 47.8 million, translating into a rise of 56.2%. Corresponding margins stood at 14%.
- The Company does not have debt on the books. Due to good financial performance its Return on Equity as well as Return on Capital Employed ratios have shown significant improvements.
- However, due to slowing economic conditions and timelag in receipt of revenues from its customers, there appears to have been an increase in debtors as well as inventories for the period ended 31st December, 2011. The same stood at Rs. 107.8 million and Rs. 134.4 million respectively.
- The main activity of the company is dependent on recoating of electrode for membrane cell electrolyzers in Chlor-alkali plant, which is cyclic in nature because the life of the coating lasts for 6 to 8 years.
- For the third quarter ended September 2012, the Company reported Net Sales at Rs. 255.8 million as compared to Rs. 49.6 million during the corresponding period last year. This marks an increase of over 415% on a y-o-y basis. Resultantly, the EBIDTA and PAT both stood at Rs. 97.6 million and Rs. 68.10 million marking an increase of over 674% and 665% for the period under review.

Performance on the Bourses



Peer Comparison

As the company operates in the chemical industry with niche presence in the manufacturing of coating of anodes and cathodes for electrolytic processes, which are used in the chlor-alkali & chlorate plants, there are no comparable peers with similar products and business operations.

About the Industry

Chlor-alkali chemistry produces three highly useful chemical building blocks namely, chlorine, sodium hydroxide and hydrogen. These elements in turn react with other compounds to produce thousands of products that are used around the world in our daily activities. Some of the important uses of these elements which are a result of the chlor alkali chemistry are energy-efficient building materials & solar energy panels, pharmaceuticals & crop protection products, electronics, fiber optics to name a few which that rely on these key chemicals for production.

Excessive dependency on Chlor-alkali business increases risks and the company is taking steps to minimize this risk by developing the market of its other products as well as introducing new products/technologies in the market. The Electrochlorination business is hampered by severe price competition due to entry of various small and this business requires aggressive pricing and several distributors in the territory. The major area of concern for the company is reduction in contribution due to increase in the raw material prices.

Currently, 80% of the industry in India produces through the membrane cell technology and the balance use the mercury cell technology. These plants using mercury cell technology needs to be converted to more eco-friendly membrane cell technology.

This conversion is highly capital intensive in nature and companies in India would need to depend on imported technology to ensure reduction in costs of production. The sector is therefore dependent on imports, hence, customs and import duty on spare parts and advanced technologies used in the manufacturing process and for maintenance of the existing plants is an issues faced by most companies operating in the chlor-alkali segment. While, chlor alkali is one of the basic elements used in the manufacture of numerous end products used in daily life the prospects for the industry over the longer term appear to be satisfactory on account of the increasing population growth being witnessed in India.

Outlook

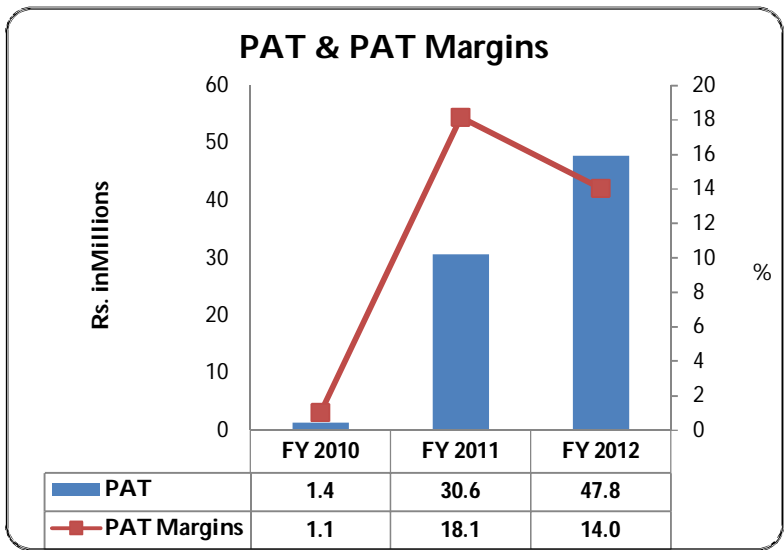
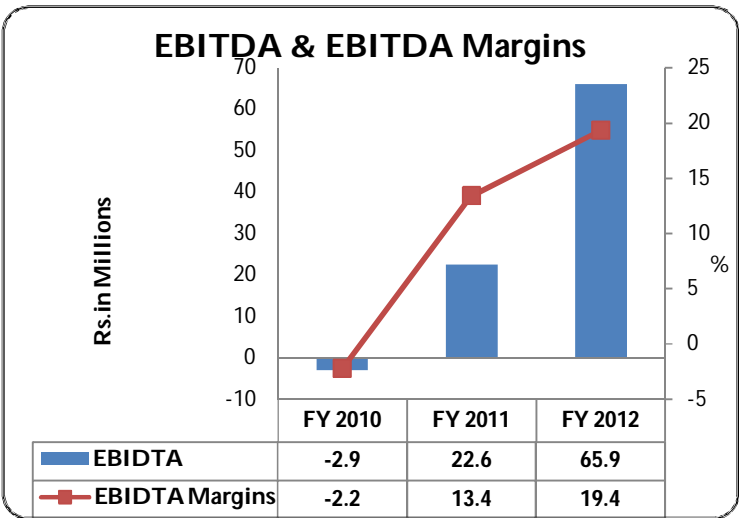
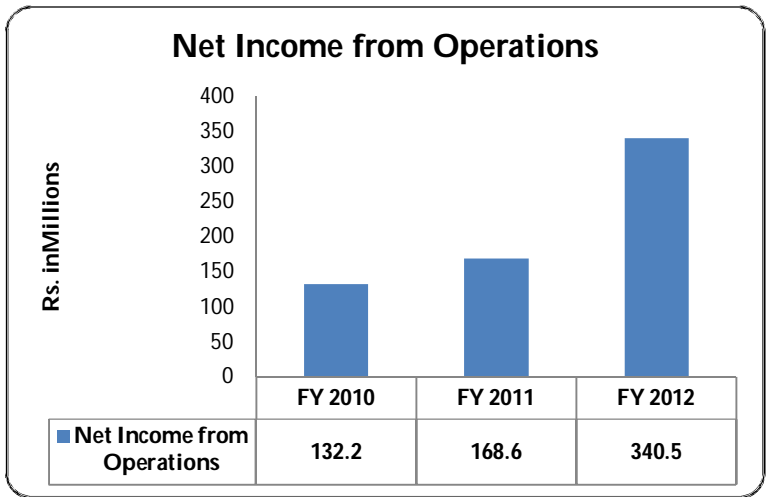
By virtue of being a market leader in the Chlor Alkali and Cathodic Protection systems business, DNIL's prospects in the long term appear to be satisfactory. Further, the order book of the company too appears to be fair which provides revenue visibility in the near term.

However, dependence on chlor alkali business exposes the company to risk of business concentration. Further, competition witnessed in the electrochlorination business segment from small players in the unorganized segment too could have an impact on the pricing of the products thereby affecting the operational performance.

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Financial Graphs



Disclosure

Each member of the team involved in the preparation of this report, hereby affirms that there exists no conflict of interest.



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