

# Navin Fluorine

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	NFIL IN
Equity Shares (m)	50
M.Cap.(INRb)/(USDb)	235.6 / 2.9
52-Week Range (INR)	4900 / 3439
1, 6, 12 Rel. Per (%)	4/7/6
12M Avg Val (INR M)	737

## Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	20.8	28.6	34.3
EBITDA	5.5	7.8	9.5
PAT	3.8	5.3	6.5
EPS (INR)	75.7	106.4	131.9
EPS Gr. (%)	42.6	40.5	23.9
BV/Sh.(INR)	441.0	530.5	641.5

## Ratios

Net D:E	0.4	0.3	0.3
RoE (%)	18.6	21.9	22.5
RoCE (%)	15.7	16.4	17.6
Payout (%)	15.8	15.8	15.8

## Valuations

P/E (x)	63.0	44.9	36.2
P/BV (x)	10.8	9.0	7.4
EV/EBITDA (x)	44.4	31.6	25.8
Div. Yield (%)	0.3	0.4	0.4
FCF Yield (%)	-3.5	0.1	0.9

## Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	28.8	29.4	29.7
DII	24.8	23.8	18.3
FII	19.6	19.2	23.5
Others	26.8	27.6	28.5

FII Includes depository receipts

**CMP: INR4,752**
**TP: INR4,615 (-3%)**
**Neutral**

## Robust performance across all segments

- **Navin Fluorine (NFIL) reported 22%/30% higher-than-estimated EBITDA/PAT due to robust performance across its segments in 4QFY23.** Gross margin stood at 59.3%, while EBITDA margin expanded 130bp QoQ to 28.9%. Margins improved on account of better product mix and operating leverage.
- High Performance Products (HPP) and CDMO businesses (up 91%/105% YoY) grew strongly – fueled by an increase in sales volumes in HFO and better price realization. The Specialty Chemicals business jumped 28% YoY primarily due to new product introductions with agrochemical intermediate achieving optimal capacity utilization during the quarter.
- Management highlighted that it would start production of two molecules in FY24 and expects optimum utilization in FY25. The company has already started work on debottlenecking of the capacity in its HFO plant that would increase its capacity by 20%. It is also working on new molecules with Honeywell.
- That being said, management also informed about HFO and HF plants being shutdown (planned annual one) in Apr'23 at Dahej and Surat, respectively, due to which 1QFY24 performance could be on the softer side. The pharma molecule that the company was going to commission in the MPP plant has also dropped from the immediate plans of the management; while there is another agrochemical molecule that is under consideration and might commence in 2HFY24.
- We broadly maintain our estimates as of now. Subsequently, **we expect a revenue/EBITDA/PAT CAGR of 33%/39%/35% over FY23-25.** The stock is trading at 36x FY25E EPS of INR132 and 26x FY25E EV/EBITDA. We value the company at 35x FY25E EPS to arrive at our TP of INR4,615. **We maintain our Neutral rating owing to limited upside.**

## Beat on EBITDA and PAT; EBITDAM improves sequentially

- NFIL reported 4QFY23 revenue of INR7b (+70% YoY, +24% QoQ), consensus beat by 19%
- **EBITDA margin came in at 28.9% (+590bp YoY, +130bp QoQ),** with EBITDA at INR2b (est. of INR1.7b)., consensus beat by 12%
  - NFIL granted ESOPs to the senior leadership amounting to INR93m.
- PAT stood at INR1.4b (est. of INR1.1b, +81% YoY, +28% QoQ), translating into an EPS of INR27.6 in 4QFY23 (v/s INR21.5 in 3QFY23), consensus beat by 13%.
  - Depreciation was lower by INR203.8m during the quarter due to revision in estimated life of assets at Dahej and Dewas plants
- **For FY23,** revenue stood at INR20.7b (+43% YoY), EBITDA at INR5.5b (+55% YoY) and PAT at INR3.8b (+43% YoY).
- EBITDA margin improved 210bp YoY to 26.5% for FY23.
- **The company has declared a final dividend of INR7/share**

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Segmental highlights

- The **HPP business** posted revenue of INR2.9b (+91% YoY).
  - Sales were higher primarily led by increased volumes from new product and better price realizations.
  - Commissioning of R32 Project in Surat is on schedule; sales to start from 2QFY24E.
- The **Specialty Chemicals business** posted revenue of INR2b (+28% YoY) with new products contributing significantly in 4QFY23.
  - Agrochemical Intermediate plant achieved optimal capacity utilization.
  - New capex progressing on schedule. Plant scheduled to commission by end-CY23.
- **CDMO business** posted robust numbers with revenue of INR2b (+105% YoY)
  - c-GMP-3 manufacturing block was commissioned post-debottlenecking.
- **The revenue mix in 4QFY23 stood at 42% for HPP business (45% in 3QFY23), 29% for CDMO business (22% in 3QFY23) and 29% for Specialty Chemicals business (33% in 4QFY23).**
- Domestic sales were 22% (25% in 3QFY23) of the total revenue in 4QFY23 while the rest was exports. Domestic sales from the HPP business stood at 29% and 33% from the Specialty Chemicals business. Exports contributed 100% of the CDMO business revenue.

### Valuation and View

- The HPP and the Specialty Chemicals segments will drive robust growth (at 33-40% CAGR over FY23-25E), with increasing use of fluorine in the Pharma and Agro space. The company is already receiving new orders.
- Management expects peak revenue for: a) the Agrochemical Intermediate to be achieved in FY24, and b) the MPP plant to be achieved in FY25. Two new molecules at the MPP plant are expected to be commissioned in CY23.
- The stock is trading at 36x FY25E EPS of INR132, with an expected improvement in RoE to 22-23%, despite a huge capex (INR8b) over the next two years. We value the company at 35x FY25E EPS to arrive at our TP of INR4,615. **We maintain our Neutral rating on the stock owing to limited upside.**

## Consolidated - Quarterly Snapshot

(INR m)

Y/E March	FY22				FY23				FY22	FY23	FY23	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
<b>Gross Sales</b>	<b>3,265</b>	<b>3,390</b>	<b>3,790</b>	<b>4,089</b>	<b>3,975</b>	<b>4,192</b>	<b>5,636</b>	<b>6,971</b>	<b>14,534</b>	<b>20,774</b>	<b>5,895</b>	<b>18</b>
YoY Change (%)	59.5	10.2	27.8	26.2	21.7	23.7	48.7	70.5	28.3	42.9	48.0	
Gross Margin (%)	54.6%	55.0%	55.6%	51.9%	54.1%	56.2%	56.3%	59.3%	54.2%	56.9%	56.5%	2.8
<b>EBITDA</b>	<b>778</b>	<b>842</b>	<b>986</b>	<b>943</b>	<b>991</b>	<b>938</b>	<b>1,556</b>	<b>2,018</b>	<b>3,548</b>	<b>5,503</b>	<b>1,650</b>	<b>22</b>
Margin (%)	23.8	24.8	26.0	23.0	24.9	22.4	27.6	28.9	24.4	26.5	28.0	0.9
Depreciation	120	119	121	119	124	177	250	76	479	626	257	
Interest	5	4	4	6	3	40	92	140	19	275	90	
Other Income	89	105	75	124	109	109	99	40	392	357	100	
<b>PBT before EO expense</b>	<b>742</b>	<b>824</b>	<b>936</b>	<b>941</b>	<b>974</b>	<b>831</b>	<b>1,313</b>	<b>1,842</b>	<b>3,442</b>	<b>4,959</b>	<b>1,404</b>	<b>31</b>
<b>PBT</b>	<b>742</b>	<b>824</b>	<b>936</b>	<b>941</b>	<b>974</b>	<b>831</b>	<b>1,313</b>	<b>1,842</b>	<b>3,442</b>	<b>4,959</b>	<b>1,404</b>	<b>31</b>
Tax	182	192	248	190	229	252	247	478	812	1,207	354	
Rate (%)	24.6	23.3	26.5	20.2	23.5	30.4	18.8	26.0	23.6	24.3	25.2	
<b>Reported PAT</b>	<b>559</b>	<b>632</b>	<b>688</b>	<b>752</b>	<b>745</b>	<b>578</b>	<b>1,066</b>	<b>1,364</b>	<b>2,631</b>	<b>3,752</b>	<b>1,050</b>	<b>30</b>
<b>Adj. PAT</b>	<b>559</b>	<b>632</b>	<b>688</b>	<b>752</b>	<b>745</b>	<b>578</b>	<b>1,066</b>	<b>1,364</b>	<b>2,631</b>	<b>3,752</b>	<b>1,050</b>	<b>30</b>
YoY Change (%)	8.4	-6.1	17.2	5.9	33.2	-8.6	54.9	81.5	4.9	42.6	33.3	
Margin (%)	17.1	18.7	18.2	18.4	18.7	13.8	18.9	19.6	18.1	18.1	17.8	1.7
<b>Segmental Revenue (INR m)</b>												
High Performance Products (HPP)	1,140	1,200	1,550	1,510	1,520	2,110	2,530	2,890	5,400	9,050	2,562	13
Specialty Chemicals	1,330	1,220	1,520	1,590	1,760	1,770	1,860	2,040	5,660	7,430	2,212	-8
CDMO	670	820	720	990	590	390	1,250	2,030	3,200	4,260	1,037	96

Exhibit 1: One year forward P/E chart

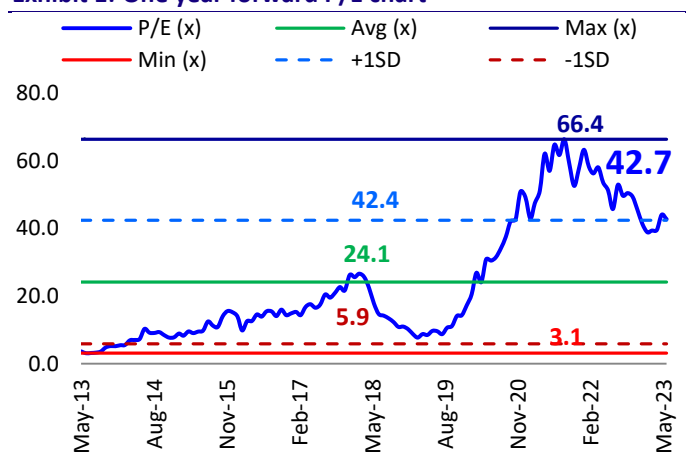
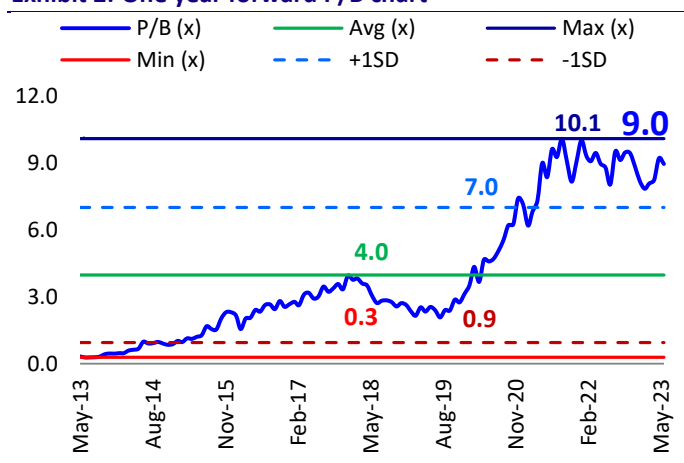
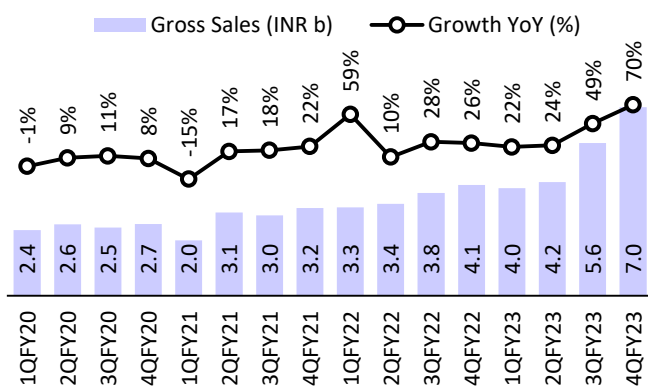


Exhibit 2: One year forward P/B chart



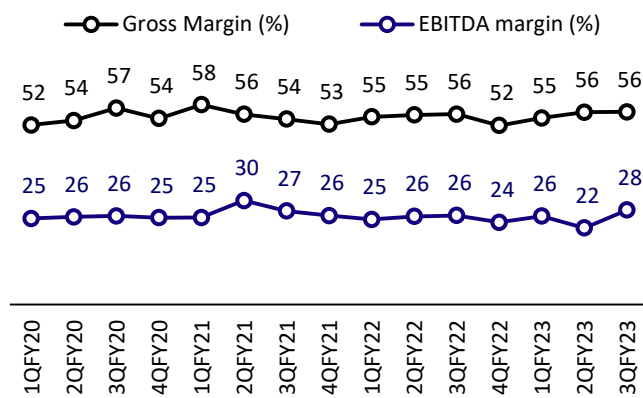
## Story in charts – 4QFY23

**Exhibit 3: Sales rose 70% YoY and 24% QoQ, led by robust performance across segments**



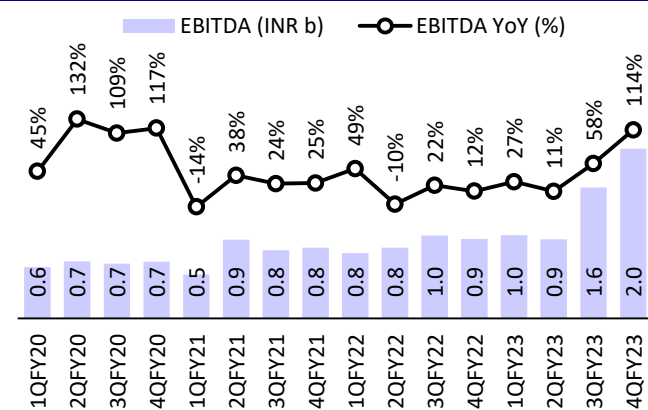
Source: Company, MOFSL

**Exhibit 4: EBITDAM and gross margin both expanded on a sequential basis**



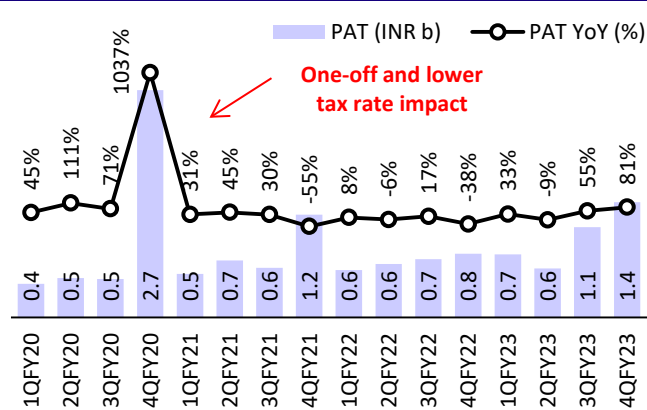
Source: Company, MOFSL

**Exhibit 5: EBITDA grew 114% YoY, with EBITDA margin at 28.9% in 4QFY23**



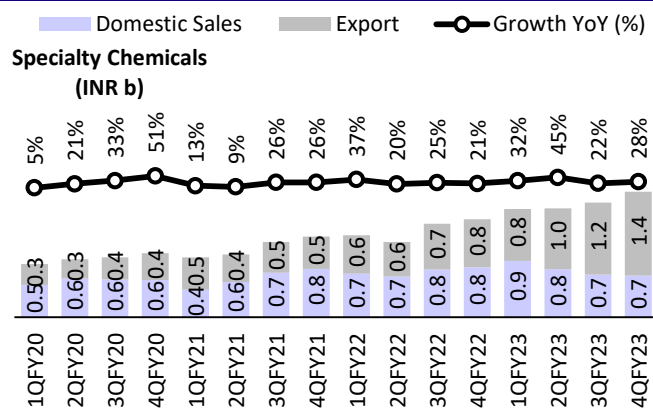
Source: Company, MOFSL

**Exhibit 6: PAT up 81% YoY (up 28% QoQ), margin at 19.6% in 4QFY23**



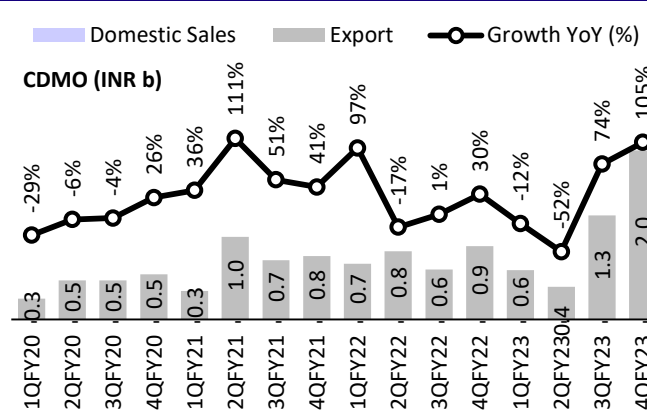
Source: Company, MOFSL

**Exhibit 7: Specialty Chemicals grew 28% YoY (up 10% QoQ)**



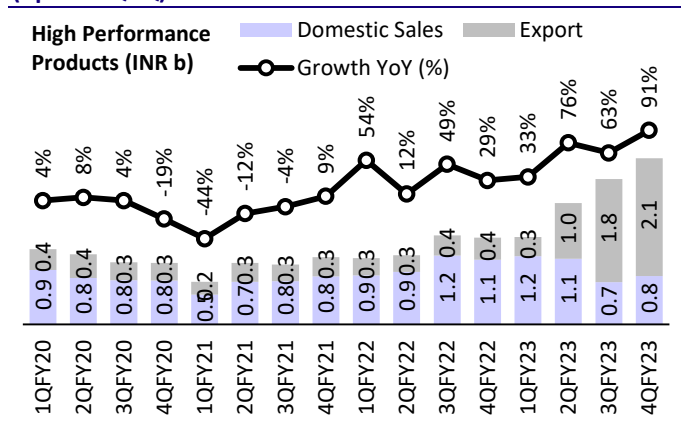
Source: Company, MOFSL

**Exhibit 8: CDMO grew 105% YoY and 62% QoQ**



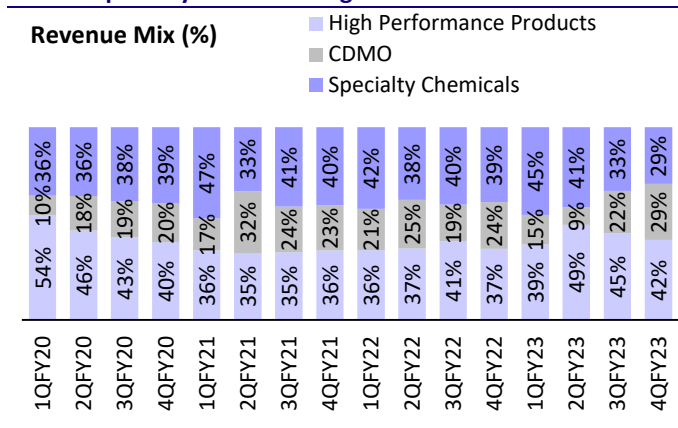
Source: Company, MOFSL

**Exhibit 9: High Performance Products (HPP) grew 91% YoY (up 14% QoQ)**



Source: Company, MOFSL

**Exhibit 10: Revenue mix for the HPP segment was at 42%, while it improved notably for CDMO at 29% and was at 29% for the Specialty Chemicals segment as well**



Source: Company, MOFSL

## Highlights from the conference call

### Operational highlights

- Commercial production of two new molecules began in 4QFY23 at MPP plant
- At least one more new molecule in FY24E
- Working capital rose during the year due to commencement of NFASL plant
- It did not experience pricing pressures in molecules related to pharma end-markets since the company worked with innovators instead of generic manufacturers
- One molecule in specialty segment saw demand being hit in 4QFY23 and had almost zero sales
- However, demand has now started picking up in 1QFY24
- Around INR150m of one-time expenses were part of other expenses in 4QFY23, which would not continue going forward.

### Outlook

- Planned annual shutdown of HFO plant at Dahej & HF plant at Surat happened during Apr'23
- NFIL's 1QFY24 performance could be a bit softer due to shutdowns
- HPP segment priorities in the foreseeable future:
  - Ramping up utilization
  - Debottlenecking – at least 20% additional capacity expected post-debottlenecking
  - Working on new molecules with Honeywell
- Depreciation should be around INR800-900m annually going forward based on current capitalization
- Annualized FY23 margins should keep on improving as capacities are added
- ESOP charge expected to be around INR310m for FY24 and should come down substantially after that

**Capex updates**

- Approved capex of INR4.5b for setting up a new 40ktpa HF capacity at Dahej
- Expected to come online in two years
- Most of HF will be consumed internally
- Within 3-4 years, almost all of it will be consumed internally as the company is working on downstream molecules
- Three agro molecules were produced in 4QFY23 at MPP plant
- The fourth molecule expected to happen in FY24
- The fifth new molecule is also under consideration in agro end-market, which is expected to commence in 2HFY24
- No immediate plans to commence the previously announced pharma molecule

## Financial story in charts

Exhibit 11: Expect ~35% revenue CAGR over FY23-25...

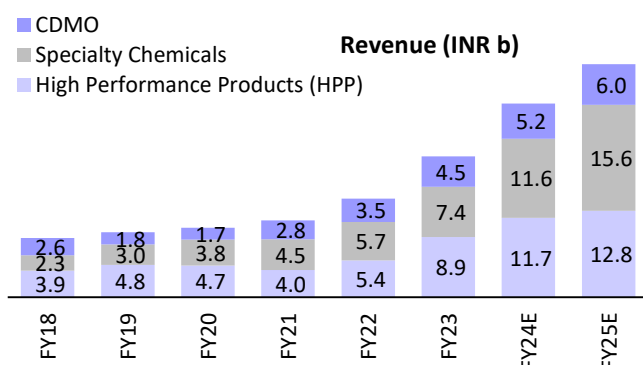


Exhibit 12: ...with Spec Chem CAGR of 40%

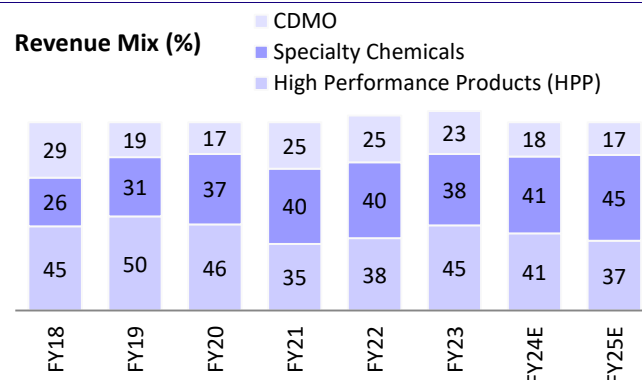


Exhibit 13: Exports were ~66% of total revenue in FY23...

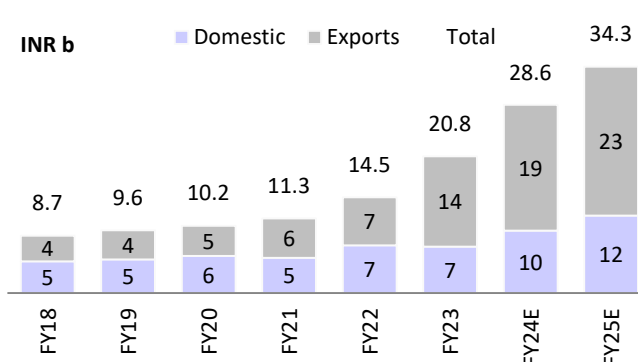


Exhibit 14: ...and to be on the same levels until FY25

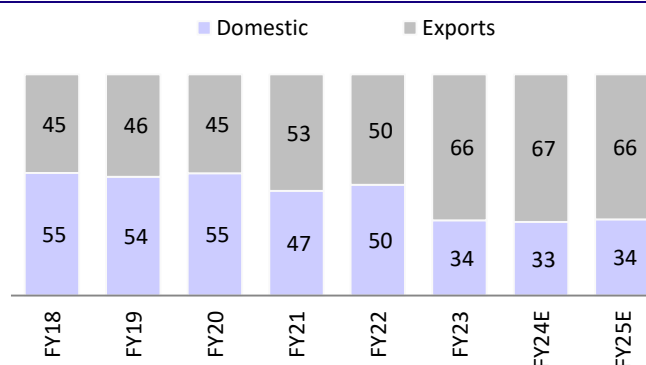


Exhibit 15: Expect ~39% EBITDA CAGR over FY23-25...

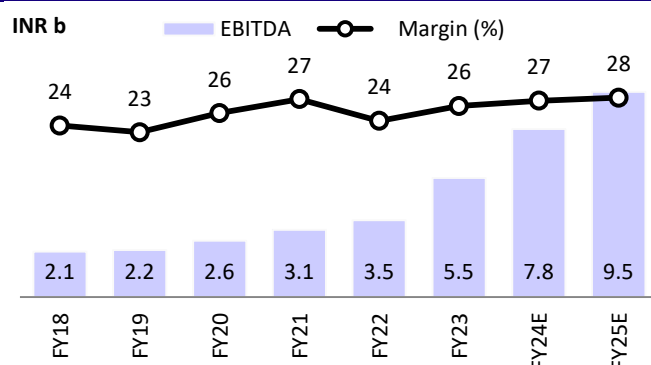


Exhibit 16: ...with a PAT CAGR of ~35% over the same period

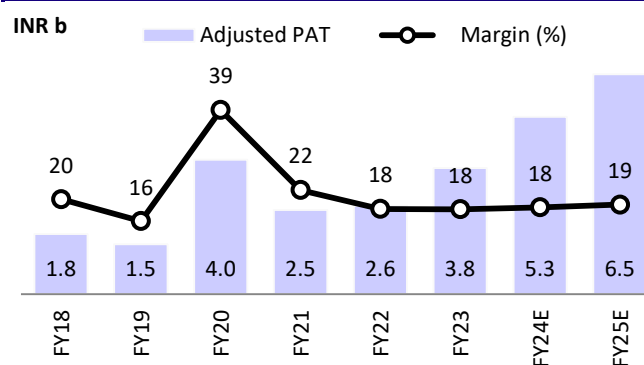


Exhibit 17: Capex for the next two years is INR8b...

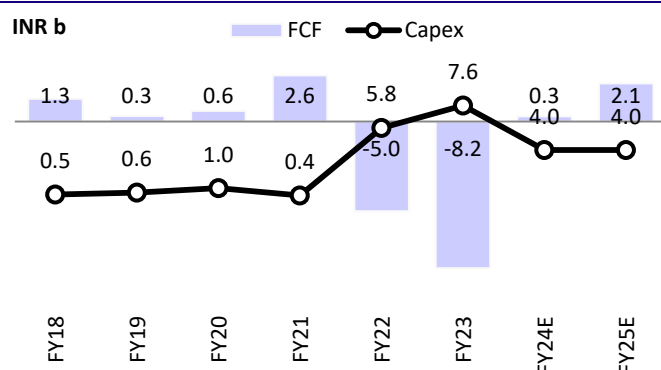
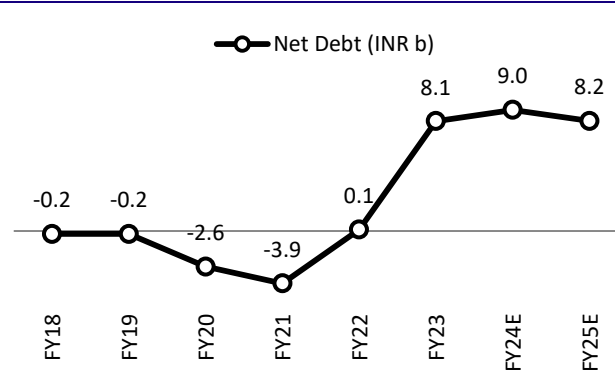


Exhibit 18: ... to be funded via internal accruals and debt



Source: Company, MOFSL

Source: Company, MOFSL

## Financials and valuations

### Consolidated - Income Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Total Income from Operations</b>	<b>8,861</b>	<b>9,551</b>	<b>10,223</b>	<b>11,331</b>	<b>14,534</b>	<b>20,774</b>	<b>28,557</b>	<b>34,330</b>
Change (%)	20.3	7.8	7.0	10.8	28.3	42.9	37.5	20.2
Gross Margin (%)	56.6	52.3	54.5	54.9	54.2	56.9	57.0	57.6
<b>EBITDA</b>	<b>2,107</b>	<b>2,181</b>	<b>2,607</b>	<b>3,108</b>	<b>3,548</b>	<b>5,503</b>	<b>7,770</b>	<b>9,484</b>
Margin (%)	23.8	22.8	25.5	27.4	24.4	26.5	27.2	27.6
Depreciation	382	259	337	407	479	626	810	838
<b>EBIT</b>	<b>1,725</b>	<b>1,922</b>	<b>2,270</b>	<b>2,702</b>	<b>3,069</b>	<b>4,877</b>	<b>6,960</b>	<b>8,646</b>
Int. and Finance Charges	7	5	16	14	19	275	281	287
Other Income	906	348	313	745	392	357	366	372
<b>PBT bef. EO Exp.</b>	<b>2,625</b>	<b>2,265</b>	<b>2,567</b>	<b>3,433</b>	<b>3,442</b>	<b>4,959</b>	<b>7,045</b>	<b>8,732</b>
EO Items	0	0	0	662	0	0	0	0
<b>PBT after EO Exp.</b>	<b>2,625</b>	<b>2,265</b>	<b>2,567</b>	<b>4,095</b>	<b>3,442</b>	<b>4,959</b>	<b>7,045</b>	<b>8,732</b>
Total Tax	835	780	-1,431	1,103	812	1,207	1,773	2,198
Tax Rate (%)	31.8	34.5	-55.7	26.9	23.6	24.3	25.2	25.2
<b>Reported PAT</b>	<b>1,790</b>	<b>1,485</b>	<b>3,998</b>	<b>2,992</b>	<b>2,631</b>	<b>3,752</b>	<b>5,272</b>	<b>6,534</b>
<b>Adjusted PAT</b>	<b>1,790</b>	<b>1,485</b>	<b>3,998</b>	<b>2,508</b>	<b>2,631</b>	<b>3,752</b>	<b>5,272</b>	<b>6,534</b>
Change (%)	34.9	-17.0	169.3	-37.3	4.9	42.6	40.5	23.9
Margin (%)	20.2	15.5	39.1	22.1	18.1	18.1	18.5	19.0

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	99	99	99	99	99	99	99	99
Total Reserves	9,601	10,493	13,790	16,402	18,343	21,750	26,188	31,688
<b>Net Worth</b>	<b>9,700</b>	<b>10,592</b>	<b>13,889</b>	<b>16,501</b>	<b>18,442</b>	<b>21,850</b>	<b>26,287</b>	<b>31,787</b>
Total Loans	0	0	0	0	1,000	8,487	9,335	8,588
Deferred Tax Liabilities	239	295	206	167	201	348	348	348
<b>Capital Employed</b>	<b>9,939</b>	<b>10,887</b>	<b>14,096</b>	<b>16,668</b>	<b>19,644</b>	<b>30,684</b>	<b>35,970</b>	<b>40,723</b>
Gross Block	3,232	3,511	4,643	4,937	5,714	17,283	21,283	25,283
Less: Accum. Deprn.	477	715	1,053	1,459	1,938	2,565	3,375	4,213
<b>Net Fixed Assets</b>	<b>2,755</b>	<b>2,796</b>	<b>3,591</b>	<b>3,478</b>	<b>3,776</b>	<b>14,718</b>	<b>17,908</b>	<b>21,070</b>
Capital WIP	201	393	389	365	7,421	2,786	2,786	2,786
<b>Total Investments</b>	<b>5,219</b>	<b>5,267</b>	<b>3,387</b>	<b>4,503</b>	<b>1,181</b>	<b>438</b>	<b>438</b>	<b>438</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>3,817</b>	<b>4,224</b>	<b>7,042</b>	<b>10,320</b>	<b>11,477</b>	<b>17,351</b>	<b>21,168</b>	<b>24,036</b>
Inventory	924	929	1,361	1,543	2,575	4,681	6,372	7,616
Account Receivables	1,471	1,675	2,093	2,759	3,577	5,615	7,719	9,279
Cash and Bank Balance	219	224	2,641	3,889	902	348	371	434
Cash	136	127	1,692	761	757	145	168	230
Bank Balance	83	97	890	3,128	201	203	203	203
Loans and Advances	1,203	1,397	947	2,128	4,423	6,706	6,706	6,706
<b>Curr. Liability and Prov.</b>	<b>2,053</b>	<b>1,794</b>	<b>1,644</b>	<b>1,998</b>	<b>4,211</b>	<b>4,609</b>	<b>6,331</b>	<b>7,607</b>
Account Payables	889	679	922	1,027	141	406	553	661
Other Current Liabilities	1,056	1,005	590	824	3,879	3,973	5,461	6,565
Provisions	108	110	131	147	191	231	317	381
<b>Net Current Assets</b>	<b>1,764</b>	<b>2,431</b>	<b>5,398</b>	<b>8,322</b>	<b>7,266</b>	<b>12,741</b>	<b>14,837</b>	<b>16,429</b>
<b>Appl. of Funds</b>	<b>9,939</b>	<b>10,887</b>	<b>14,096</b>	<b>16,668</b>	<b>19,644</b>	<b>30,684</b>	<b>35,970</b>	<b>40,723</b>



## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>								
EPS	36.2	30.0	80.8	50.7	53.1	75.7	106.4	131.9
EPS Growth (%)	34.9	-17.0	169.3	-37.3	4.7	42.6	40.5	23.9
Cash EPS	43.9	35.2	87.6	58.9	62.8	88.4	122.7	148.8
BV/Share	196.0	214.1	280.7	333.5	372.2	441.0	530.5	641.5
DPS	7.0	7.8	11.0	11.0	11.0	12.0	16.8	20.9
Payout (%)	19.9	41.7	17.9	18.2	20.7	15.8	15.8	15.8
<b>Valuation (x)</b>								
P/E	131.9	159.0	59.1	94.1	89.9	63.0	44.9	36.2
Cash P/E	108.7	135.4	54.5	81.0	76.0	54.0	38.9	32.1
P/BV	24.3	22.3	17.0	14.3	12.8	10.8	9.0	7.4
EV/Sales	26.6	24.7	22.8	20.5	16.3	11.8	8.6	7.1
EV/EBITDA	112.0	108.1	89.5	74.7	66.7	44.4	31.6	25.8
Dividend Yield (%)	0.1	0.2	0.2	0.2	0.2	0.3	0.4	0.4
FCF per share	25.7	5.9	11.8	52.1	-101.1	-165.3	5.8	43.0
<b>Return Ratios (%)</b>								
RoE	20.0	14.6	32.7	16.5	15.1	18.6	21.9	22.5
RoCE	19.5	14.3	32.2	16.4	14.6	15.7	16.4	17.6
RoIC	25.8	27.1	55.7	25.3	26.0	19.8	17.5	18.6
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	2.6	3.4	3.2	3.2	4.0	2.2	1.8	1.8
Asset Turnover (x)	0.9	0.9	0.7	0.7	0.7	0.7	0.8	0.8
Inventory (Days)	38	35	49	50	65	82	81	81
Debtor (Days)	61	64	75	89	90	99	99	99
Creditor (Days)	37	26	33	33	4	7	7	7
<b>Leverage Ratio (x)</b>								
Current Ratio	1.9	2.4	4.3	5.2	2.7	3.8	3.3	3.2
Net Debt/Equity ratio	0.0	0.0	-0.2	-0.2	0.0	0.4	0.3	0.3

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	2,625	2,265	2,567	4,095	3,442	4,959	7,045	8,732
Depreciation	382	259	337	407	479	626	810	838
Others	-694	-277	-210	-1,054	-289	184	281	287
Direct Taxes Paid	-496	-710	-456	-186	-781	-1,098	-1,773	-2,198
(Inc.)/Dec. in WC	-90	-637	-684	-305	-2,104	-5,307	-2,073	-1,529
<b>CF from Operations</b>	<b>1,727</b>	<b>900</b>	<b>1,555</b>	<b>2,958</b>	<b>748</b>	<b>-636</b>	<b>4,289</b>	<b>6,130</b>
Capex	-457	-606	-972	-382	-5,758	-7,555	-4,000	-4,000
<b>Free Cash Flow</b>	<b>1,270</b>	<b>294</b>	<b>582</b>	<b>2,576</b>	<b>-5,011</b>	<b>-8,191</b>	<b>289</b>	<b>2,130</b>
Change in Investments	-1,338	190	1,706	-914	3,757	799	0	0
<b>CF from Investments</b>	<b>-1,489</b>	<b>-315</b>	<b>766</b>	<b>-3,452</b>	<b>-1,724</b>	<b>-6,556</b>	<b>-4,000</b>	<b>-4,000</b>
Inc./(Dec.) in Debt	0	0	0	0	1,020	7,442	849	-747
Interest Paid	-7	-5	-16	-14	-19	-275	-281	-287
Dividend Paid	-350	-611	-714	-394	-542	-543	-834	-1,034
<b>CF from Fin. Activity</b>	<b>-326</b>	<b>-595</b>	<b>-756</b>	<b>-437</b>	<b>415</b>	<b>6,579</b>	<b>-266</b>	<b>-2,068</b>
<b>Inc./Dec. in Cash</b>	<b>-87</b>	<b>-9</b>	<b>1,565</b>	<b>-931</b>	<b>-561</b>	<b>-613</b>	<b>23</b>	<b>63</b>
Opening Balance	224	136	127	1,692	760	757	144	168
<b>Closing Balance</b>	<b>136</b>	<b>127</b>	<b>1,692</b>	<b>760</b>	<b>757</b>	<b>144</b>	<b>168</b>	<b>230</b>

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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