

# Navin Fluorine International

Estimate change

TP change

Rating change



Bloomberg	NFIL IN
Equity Shares (m)	50
M.Cap.(INRb)/(USD\$)	170.5 / 2
52-Week Range (INR)	4950 / 3357
1, 6, 12 Rel. Per (%)	-6/-35/-30
12M Avg Val (INR M)	797

## Financials & Valuations (INR b)

Y/E March	FY23	FY24E	FY25E
Sales	20.8	22.9	29.7
EBITDA	5.5	5.8	8.0
PAT	3.8	3.3	4.9
EPS (INR)	75.7	67.5	98.9
EPS Gr. (%)	42.6	-10.8	46.4
BV/Sh.(INR)	441.0	497.8	581.0
<b>Ratios</b>			
Net D:E	0.4	0.4	0.3
RoE (%)	18.6	14.4	18.3
RoCE (%)	15.7	12.1	15.0
Payout (%)	15.8	15.8	15.8
<b>Valuations</b>			
P/E (x)	45.3	50.8	34.7
P/BV (x)	7.8	6.9	5.9
EV/EBITDA (x)	32.4	31.0	22.4
Div. Yield (%)	0.3	0.3	0.5
FCF Yield (%)	-4.8	0.3	0.6

## Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	28.8	28.8	29.4
DII	26.0	26.0	22.7
FII	19.2	18.5	20.1
Others	26.0	26.7	27.9

FII Includes depository receipts

**CMP: INR3,438**
**TP: INR3,460 (+1%)**
**Neutral**

## Macro headwinds to have an adverse short-term impact

- Navin Fluorine (NFIL) reported 29%/28% lower-than-estimated EBITDA/PAT due to subdued performances in the Specialty Chemicals/CDMO businesses QoQ. Gross margin stood at 57.2%, while EBITDA margin dipped 150bp YoY to 20.8%. NFIL lost ~INR1b in revenue in 2Q due to macro headwinds and deferment of some orders. At the normal level, revenue could have been ~INR5.5-5.7b (in line with our est.)
- The Specialty Chemical segment disappointed in 2Q primarily due to the deferment of sales of two molecules from 2Q to 3Q led by production problems in Dahej. Revenue from these is expected to accrue in 3Q. Five new molecules are also likely to be launched in the ensuing quarter by NFIL. Management is confident that the segment is going to be a high-growth one in future.
- There were planned and unplanned shutdowns in the HFO plant in 1Q and the plant has now been stabilized. It is ramping up post-Jul'23. There was slower- than-expected stabilization of the R32 plant, but management expects the same to run at optimal utilization from 3Q onwards. Pricing pressure in Refrigerant gases continued to impact the segment adversely.
- The entire revenue in the CDMO segment was from new molecules with detailed engineering of CGMP4 on track. Sales from a campaign were deferred to 3Q from 2Q due to the last minute change in product specification by the customer. Orders for a couple of large molecules have also been deferred from CY23 to CY24. The segment is anticipated to remain lumpy going forward.
- Given the underperformance in 1HFY24, we cut our revenue/EBITDA/EPS estimates by 14%/19%/27% for FY24 and by 11%/10%/18% for FY25. Subsequently, **we expect a revenue/EBITDA/PAT CAGR of 27%/31%/23% over FY23-25**. The stock is trading at 34x FY25E EPS of INR99 and 22x FY25E EV/EBITDA. We value the company at 35x FY25E EPS to arrive at our TP of INR3,460. **We maintain our Neutral rating on the stock.**

## Overall miss on estimates; margin contracts sequentially

- NFIL reported revenue of INR4.7b (est. INR5.3b, +13% YoY) in 2QFY24.
- EBITDAM came in at 20.8% (-150bp YoY), with EBITDA at INR983m (est. of INR1.4b, +5% YoY) during the quarter.
- PAT stood at INR606m (est. of INR842m, +5% YoY). Other income was higher as it includes INR153m of income tax refund.
  - Adj. PAT stood at INR453m (-22% YoY) in 2QFY24.
- **For 1HFY24**, revenue was INR9.6b (+18% YoY), EBITDA was at INR2.1b (+10% YoY) and PAT was at INR1.2b (-8% YoY).
  - EBITDAM was at 22.1% (-160bp YoY). 1HFY24 EBITDA stood at 30% of our full-year estimate.
- The Board has declared an interim dividend of INR5/share plus a one-time special dividend of INR3/share to commemorate the centenary birth year of Mr. Arvind Mafatlal.

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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 a revenue of INR2.4b (+13% YoY)
- The **Specialty Chemicals business** posted a revenue of INR1.9b (+5% YoY).
- Agro capex to be commissioned in FY24-end
- The **CDMO business** reported a revenue of INR482m (+24% YoY)
- The “Navin Molecular” brand was launched at the CPHI event in Oct’23
- **The revenue mix in 2QFY24 stood at 50% for HPP business (49% in 2QFY23), 10% for CDMO business (9%) and 39% for Specialty Chemicals business (41%)**
- Domestic sales were 51% of the total revenue in 2QFY24 while 49% was exports (55% in 2QFY23). Domestic sales from the HPP business stood at 63% and from the Specialty Chemicals business stood at 48%. Exports contributed 100% of the CDMO business revenue.

**Valuation and View**

- The HPP and the Specialty Chemicals segments would drive robust growth (at 31% CAGR each over FY23-25), with increasing use of fluorine in the Pharma and Agro space, battery chemicals, and performance materials. The company has already identified various opportunities in the abovementioned spaces.
- The stock is trading at 34x FY25E EPS of INR99, with return ratios expected to remain stable at current levels, despite a huge capex (INR8b) over the next two years. We value the company at 35x FY25E EPS to arrive at our TP of INR3,460.  
**We maintain our Neutral rating on the stock.**

**Consolidated - Quarterly Snapshot****(INR m)**

Y/E March	FY23				FY24				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
<b>Gross Sales</b>	<b>3,975</b>	<b>4,192</b>	<b>5,636</b>	<b>6,971</b>	<b>4,912</b>	<b>4,718</b>	<b>5,996</b>	<b>7,271</b>	<b>20,774</b>	<b>22,905</b>	<b>5,303</b>	<b>-11%</b>
YoY Change (%)	21.7	23.7	48.7	70.5	23.6	12.5	6.4	4.3	42.9	10.3	26.5	
Gross Margin (%)	54.1%	56.2%	56.3%	59.3%	58.7%	57.2%	57.6%	57.5%	56.9%	57.8%	59.7%	-2.6%
<b>EBITDA</b>	<b>991</b>	<b>938</b>	<b>1,556</b>	<b>2,018</b>	<b>1,142</b>	<b>983</b>	<b>1,527</b>	<b>2,117</b>	<b>5,503</b>	<b>5,779</b>	<b>1,383</b>	<b>-29%</b>
Margin (%)	24.9	22.4	27.6	28.9	23.3	20.8	25.5	29.1	26.5	25.2	26.1	-5.2
Depreciation	124	177	250	76	213	243	251	258	626	964	216	
Interest	3	40	92	140	194	200	205	203	275	802	127	
Other Income	109	109	99	40	83	231	80	64	357	458	85	
<b>PBT before EO expense</b>	<b>974</b>	<b>831</b>	<b>1,313</b>	<b>1,842</b>	<b>818</b>	<b>772</b>	<b>1,152</b>	<b>1,720</b>	<b>4,959</b>	<b>4,471</b>	<b>1,125</b>	<b>-31%</b>
<b>PBT</b>	<b>974</b>	<b>831</b>	<b>1,313</b>	<b>1,842</b>	<b>818</b>	<b>772</b>	<b>1,152</b>	<b>1,720</b>	<b>4,959</b>	<b>4,471</b>	<b>1,125</b>	<b>-31%</b>
Tax	229	252	247	478	202	166	290	467	1,207	1,125	283	
Rate (%)	23.5	30.4	18.8	26.0	24.8	21.5	25.2	27.1	24.3	25.2	25.2	
<b>Reported PAT</b>	<b>745</b>	<b>578</b>	<b>1,066</b>	<b>1,364</b>	<b>615</b>	<b>606</b>	<b>862</b>	<b>1,253</b>	<b>3,752</b>	<b>3,345</b>	<b>842</b>	<b>-28%</b>
<b>Adj. PAT</b>	<b>745</b>	<b>578</b>	<b>1,066</b>	<b>1,364</b>	<b>615</b>	<b>606</b>	<b>862</b>	<b>1,253</b>	<b>3,752</b>	<b>3,345</b>	<b>842</b>	<b>-28%</b>
YoY Change (%)	33.2	-8.6	54.9	81.5	-17.4	4.8	-19.1	-8.1	42.6	-10.8	45.6	
Margin (%)	18.7	13.8	18.9	19.6	12.5	12.8	14.4	17.2	18.1	14.6	15.9	-3.0
<b>Segmental Revenue (INR m)</b>												
High Performance Products (HPP)	1,520	2,110	2,530	2,890	1,690	2,381	2,613	3,038	9,050	9,722	1,986	20%
Specialty Chemicals	1,760	1,770	1,860	2,040	2,300	1,855	2,111	2,393	7,430	8,659	2,403	-23%
CDMO	700	390	1,250	2,030	930	482	1,273	1,840	4,370	4,525	914	-47%

Exhibit 1: One year forward P/E chart

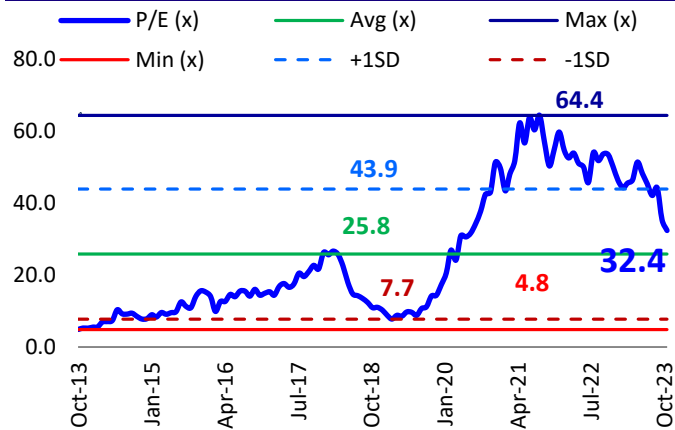
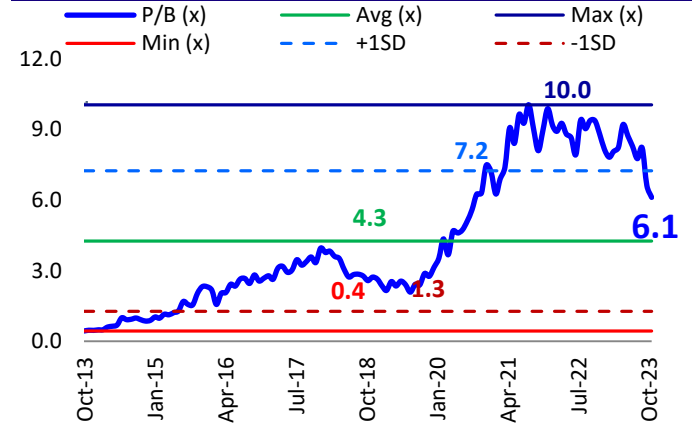


Exhibit 2: One year forward P/B chart



## Story in charts – 2QFY24

Exhibit 3: Sales rose 13% YoY on the back of strong growth in CDMO business

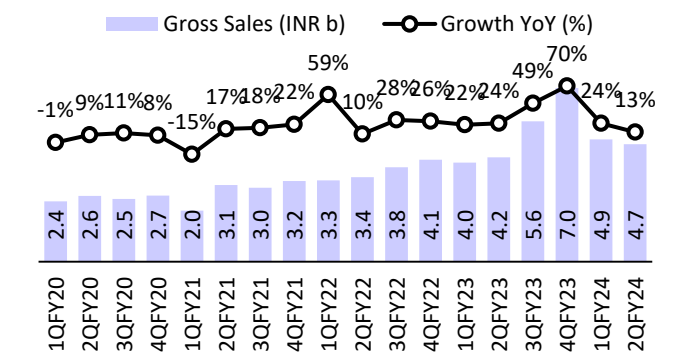


Exhibit 4: EBITDAM contracted YoY while gross margin expanded 100bp YoY

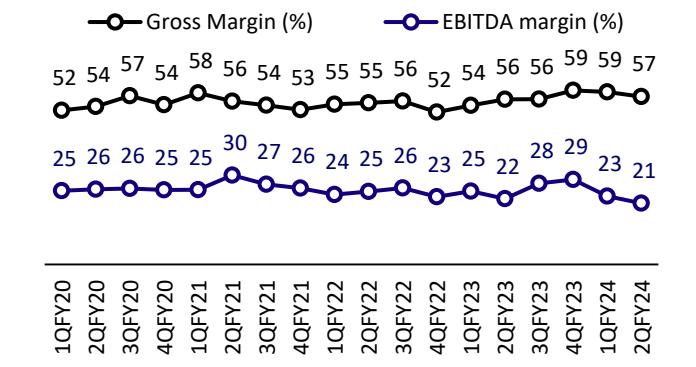


Exhibit 5: EBITDA grew 5% YoY

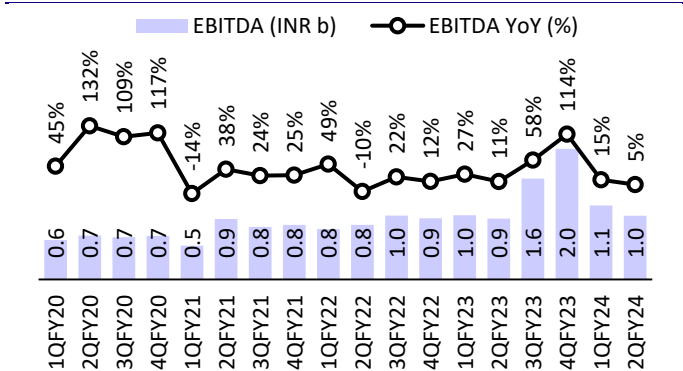


Exhibit 6: PAT too grew 5% YoY

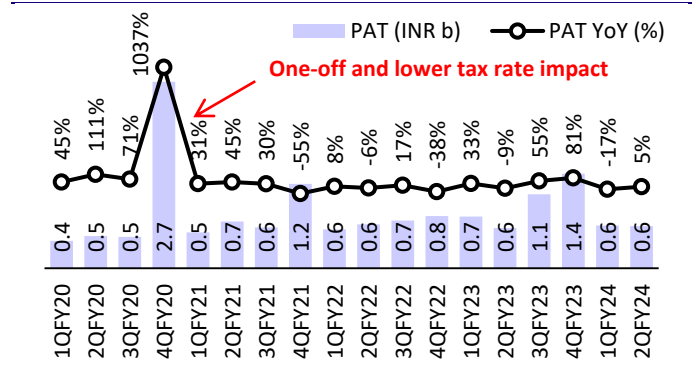
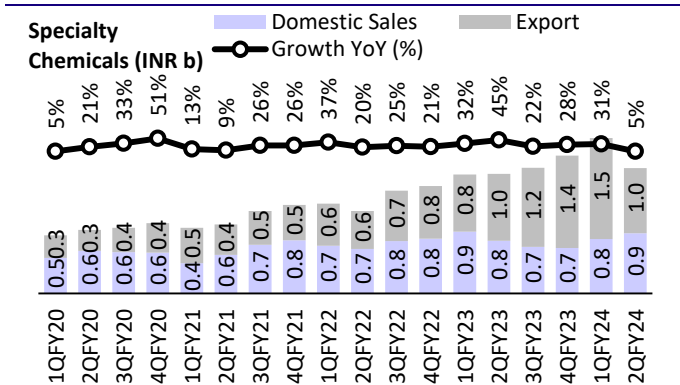
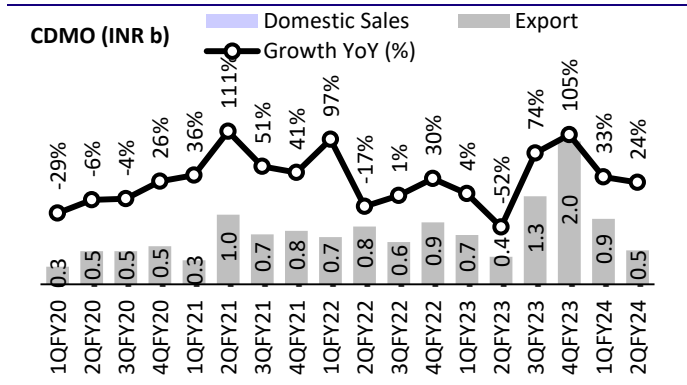


Exhibit 7: Specialty Chemicals grew 5% YoY



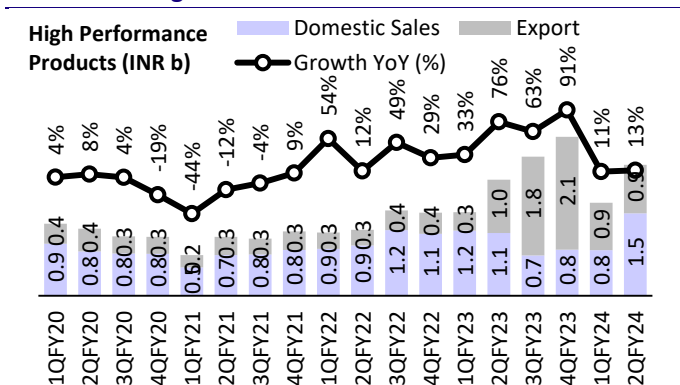
Source: Company, MOFSL

Exhibit 8: CDMO grew 24% YoY



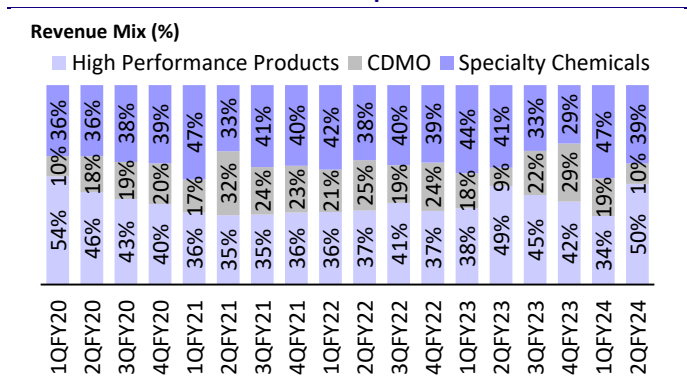
Source: Company, MOFSL

Exhibit 9: HPP grew 13% YoY



Source: Company, MOFSL

Exhibit 10: Revenue mix for the quarter



Source: Company, MOFSL

## Highlights from the conference call

### Spec Chem

- The Specialty Chemical segment disappointed in 2Q primarily due to the deferment of sales of two molecules from 2Q to 3Q led by production problems in Dahej.
- New molecules – the total impact stood at INR340m on revenue, which would accrue in 3QFY24.
- Five products to be launched in 3Q from Dahej
- Would remain a high-growth business in the future as well for the company
- INR300m capability capex is on track and would start accruing revenue from FY25
- Agrochemical molecule capex is on track and should be completed by FY24-end (earlier guidance of Dec'23).
- 50% of the volume was tied up in long-term contract, while another 50% was open for spot contracts.

### HPP

- Unplanned shutdowns in Jun'23 and Jul'23 in the HFO plant
- Production in 2Q was more than in 1Q and the same would be higher than 2Q in the next quarter
- Commissioned R32 plant in 2Q and stabilized by mid-Sep'23
- Expect the plant to run at optimum utilization from 3Q

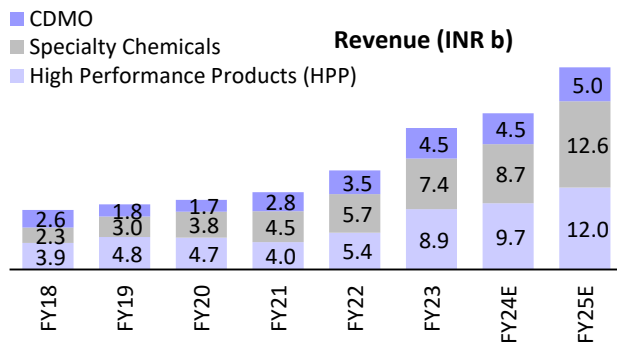
- Demand for R22 in international markets remained muted, but demand to pick up from Jan'24-end
- AHF project is progressing well and as per schedule
- Significant merchant sales of HF reduced due to constraints right now for captive consumption

**CDMO**

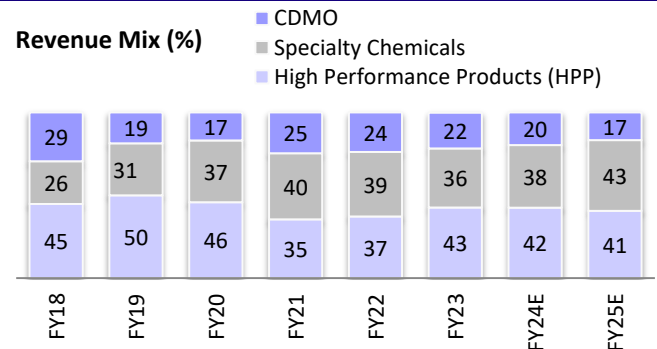
- The entire CDMO revenue came from new molecules
- Detail engineering of CGMP4 is as per schedule
- Sales from one campaign deferred from 2Q to 3Q due to last moment change in specification by the customer (INR180m)
- Target of USD100m revenue by FY26/27 would be gradual
- Business would continue to remain lumpy
- Focusing more on the late stage opportunities, which gives the management confidence of achieving the target of USD100m revenue

## Financial story in charts

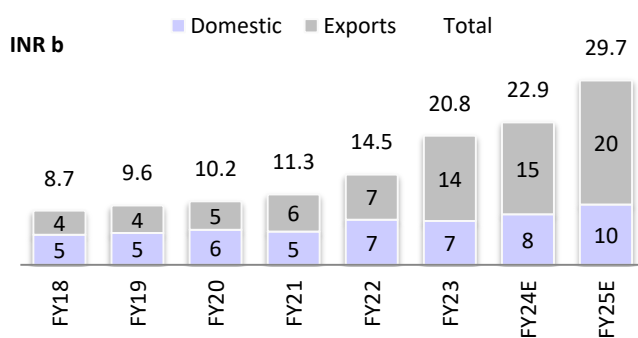
**Exhibit 11: Expect ~27% revenue CAGR over FY23-25...**



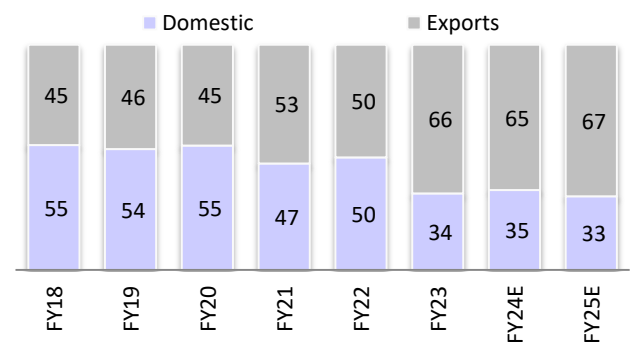
**Exhibit 12: ...with Spec Chem and HPP CAGR at 31% each**



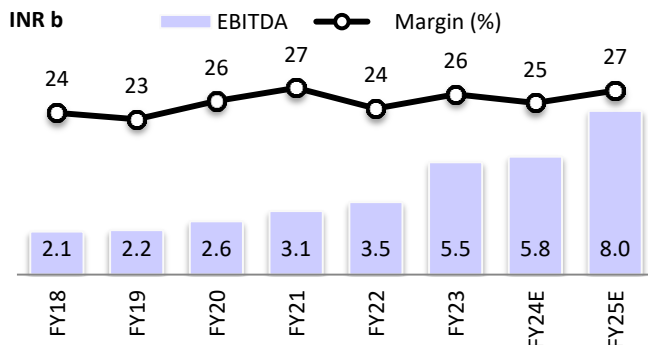
**Exhibit 13: Exports were ~66% of total revenue in FY23...**



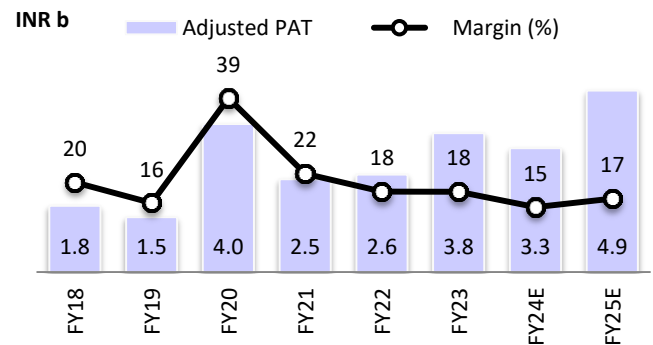
**Exhibit 14: ...and to be around the same levels until FY25**



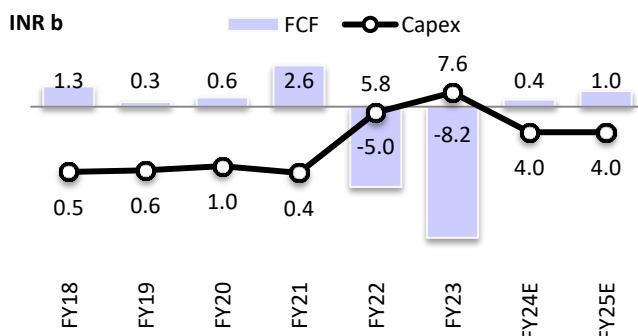
**Exhibit 15: Expect ~31% EBITDA CAGR over FY23-25...**



**Exhibit 16: ...with a PAT CAGR of ~23% over the same period**

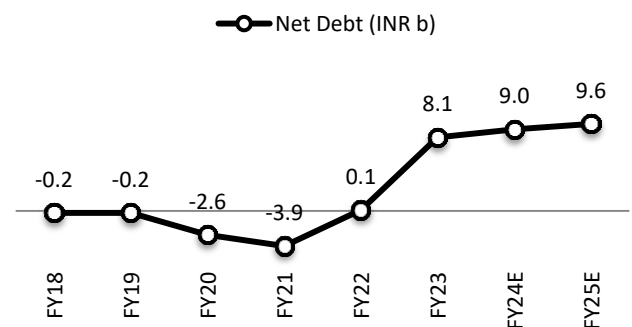


**Exhibit 17: Capex for the next two years is INR8b**



Source: Company, MOFSL

**Exhibit 18: Net debt profile of NFIL**



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>22,905</b>	<b>29,655</b>
Change (%)	20.3	7.8	7.0	10.8	28.3	42.9	10.3	29.5
Gross Margin (%)	56.6	52.3	54.5	54.9	54.2	56.9	57.8	58.1
<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>5,779</b>	<b>8,022</b>
Margin (%)	23.8	22.8	25.5	27.4	24.4	26.5	25.2	27.1
Depreciation	382	259	337	407	479	626	964	978
<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>4,814</b>	<b>7,044</b>
Int. and Finance Charges	7	5	16	14	19	275	802	819
Other Income	906	348	313	745	392	357	458	322
<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>4,471</b>	<b>6,546</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>4,471</b>	<b>6,546</b>
Total Tax	835	780	-1,431	1,103	812	1,207	1,125	1,648
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>3,345</b>	<b>4,899</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>3,345</b>	<b>4,899</b>
Change (%)	34.9	-17.0	169.3	-37.3	4.9	42.6	-10.8	46.4
Margin (%)	20.2	15.5	39.1	22.1	18.1	18.1	14.6	16.5

### 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	24,566	28,690
<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>24,665</b>	<b>28,789</b>
Total Loans	0	0	0	0	1,000	8,487	9,335	9,895
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>34,348</b>	<b>39,032</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	3,529	4,507
<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>17,754</b>	<b>20,776</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>18,460</b>	<b>21,607</b>
Inventory	924	929	1,361	1,543	2,575	4,681	5,250	6,631
Account Receivables	1,471	1,675	2,093	2,759	3,577	5,615	6,191	8,016
Cash and Bank Balance	219	224	2,641	3,889	902	348	312	254
Cash	136	127	1,692	761	757	145	109	50
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>5,090</b>	<b>6,575</b>
Account Payables	889	679	922	1,027	141	406	456	576
Other Current Liabilities	1,056	1,005	590	824	3,879	3,973	4,380	5,671
Provisions	108	110	131	147	191	231	254	329
<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>13,370</b>	<b>15,031</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>34,348</b>	<b>39,032</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	67.5	98.9
EPS Growth (%)	34.9	-17.0	169.3	-37.3	4.7	42.6	-10.8	46.4
Cash EPS	43.9	35.2	87.6	58.9	62.8	88.4	87.0	118.6
BV/Share	196.0	214.1	280.7	333.5	372.2	441.0	497.8	581.0
DPS	7.0	7.8	11.0	11.0	11.0	12.0	10.7	15.6
Payout (%)	19.9	41.7	17.9	18.2	20.7	15.8	15.8	15.8
<b>Valuation (x)</b>								
P/E	94.8	114.3	42.4	67.7	64.6	45.3	50.8	34.7
Cash P/E	78.2	97.3	39.1	58.2	54.7	38.8	39.4	28.9
P/BV	17.5	16.0	12.2	10.3	9.2	7.8	6.9	5.9
EV/Sales	19.1	17.7	16.3	14.6	11.7	8.6	7.8	6.1
EV/EBITDA	80.4	77.7	64.1	53.3	47.9	32.4	31.0	22.4
Dividend Yield (%)	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.5
FCF per share	25.7	5.9	11.8	52.1	-101.1	-165.3	9.0	19.7
<b>Return Ratios (%)</b>								
RoE	20.0	14.6	32.7	16.5	15.1	18.6	14.4	18.3
RoCE	19.5	14.3	32.2	16.4	14.6	15.7	12.1	15.0
RoIC	25.8	27.1	55.7	25.3	26.0	19.8	12.4	15.9
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	2.6	3.4	3.2	3.2	4.0	2.2	1.4	1.5
Asset Turnover (x)	0.9	0.9	0.7	0.7	0.7	0.7	0.7	0.8
Inventory (Days)	38	35	49	50	65	82	84	82
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	3.6	3.3
Net Debt/Equity ratio	0.0	0.0	-0.2	-0.2	0.0	0.4	0.4	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	4,471	6,546
Depreciation	382	259	337	407	479	626	964	978
Others	-694	-277	-210	-1,054	-289	184	802	819
Direct Taxes Paid	-496	-710	-456	-186	-781	-1,098	-1,125	-1,648
(Inc.)/Dec. in WC	-90	-637	-684	-305	-2,104	-5,307	-664	-1,720
<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>4,447</b>	<b>4,975</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>447</b>	<b>975</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	560
Interest Paid	-7	-5	-16	-14	-19	-275	-802	-819
Dividend Paid	-350	-611	-714	-394	-542	-543	-529	-775
<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>-483</b>	<b>-1,034</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>-36</b>	<b>-59</b>
Opening Balance	224	136	127	1,692	760	757	144	109
<b>Closing Balance</b>	<b>136</b>	<b>127</b>	<b>1,692</b>	<b>760</b>	<b>757</b>	<b>144</b>	<b>109</b>	<b>50</b>

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Explanation of Investment Rating	
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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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