

Navin Fluorine International

Estimate change

TP change

Rating change



CMP: INR3,262

TP: INR2,950 (-10%)

Neutral

Bloomberg	NFIL IN
Equity Shares (m)	50
M.Cap.(INRb)/(USDb)	161.7 / 1.9
52-Week Range (INR)	4946 / 3203
1, 6, 12 Rel. Per (%)	-16/-40/-44
12M Avg Val (INR M)	840

Financials & Valuations (INR b)

Y/E March	FY24E	FY25E	FY26E
Sales	20.7	25.9	30.8
EBITDA	4.2	5.9	7.3
PAT	2.4	3.4	4.4
EPS (INR)	47.9	68.0	89.7
EPS Gr. (%)	-36.7	42.0	31.8
BV/Sh.(INR)	488.3	545.5	621.0

Ratios

Net D:E	0.4	0.4	0.3
RoE (%)	10.3	13.2	15.4
RoCE (%)	9.2	10.7	12.4
Payout (%)	15.8	15.8	15.8

Valuations

P/E (x)	68.1	48.0	36.4
P/BV (x)	6.7	6.0	5.3
EV/EBITDA (x)	40.5	29.5	23.5
Div. Yield (%)	0.3	0.3	0.4
FCF Yield (%)	0.1	-0.7	1.8

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	28.8	28.8	29.4
DII	28.9	26.0	23.8
FII	15.9	19.2	19.2
Others	26.4	26.7	27.6

FII Includes depository receipts

Postponement in sales of key molecules plays spoilsport

- Navin Fluorine's (NFIL) EBITDA/adj. PAT in 3QFY24 came in 40%/45% lower than our estimates due to subdued performances in the Specialty Chemicals/Navin Molecular businesses YoY. Gross margin stood at 53.9%, while EBITDA margin dipped 12.5pp YoY to 15.1%. The postponement of some key molecules and channel inventory destocking led to subdued performance in the quarter.
- The Specialty Chemical segment disappointed in 3Q primarily due to the deferment of sales campaigns. NFIL added one molecule in Dahej, while four more are in the pipeline for 4Q. Agro Specialty capex and the capability capex both are on track to be commissioned within the given timelines and start generating revenues in FY25.
- There was pricing pressure in R22 exports and the management expects it to stabilize by 1QFY25. HFO plant is also taking longer than expected to ramp up and the management is in discussion with the customer about the delay. AHF capacity expansion is well on track, with NFIL announcing the doubling of R32 capacity with an investment of INR840m to be commissioned by Feb'25.
- Navin Molecular was the most affected by the postponement of sales for key molecules to FY25, which impacted revenue of the business. However, it has entered into a strategic partnership with a US-based CDMO player, which would be mutually beneficial for both. The management also announced CGMP4 capex of INR2.9b, with Phase-I outlay at INR1.6b expected to be commissioned by end-CY25.
- Given the underperformance in 9MFY24, we cut our revenue/EBITDA/EPS estimates by 4%/17%/15% for FY24, by 8%/15%/18% for FY25 and by 5%/13%/16% for FY26. Subsequently, **we expect a revenue/EBITDA/PAT CAGR of 14%/10%/6% over FY23-26**. The stock is trading at 48x FY25E EPS of INR68 and 29.5x FY25E EV/EBITDA. We value the company at 35x Dec'25E EPS to arrive at our TP of INR2,950. **We maintain our Neutral rating.**

Overall miss on estimates; margin declines significantly

- NFIL reported revenue of INR5b (est. INR5.6b, -11% YoY).
- EBITDAM came in at 15.1% (-12.5pp YoY), with EBITDA at INR757m (est. of INR1.3b, -51% YoY).
- Reported PAT stood at INR780m (est. of INR661m, -27% YoY), while adjusted PAT was at INR362m (-66% YoY).
 - The company recorded an exceptional gain of INR521m on account of sale of surplus unused colony land situated at Surat (Gujarat).
 - Other income was higher as it included INR11m of interest on the refund of income tax.
- For 9MFY24**, Revenue stood INR14.6b (+6% YoY), EBITDA came in at INR2.9b (-17% YoY) and reported PAT was at INR2b (-16% YoY).
 - Adj. PAT came in at INR1.6b (-34% YoY). EBITDAM stood at 19.7% (-560bp YoY).

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Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Segmental highlights

- **HPP business** posted revenue of INR2.5b (-1% YoY). HFO business is taking longer to ramp up. AHF capacity expansion is on track.
- **Specialty Chemicals business** posted revenue of INR1.8b (-5% YoY). Segment was impacted due to deferral of campaigns and channel inventory destocking. One molecule was added in Dahej and four in pipeline for 4QFY24.
- **CDMO business** reported a revenue of INR730m (-42% YoY). Postponement of sales for key molecules happened during the quarter. NFIL has entered into a strategic partnership with a US-based CDMO player.
- **The revenue mix in 3QFY24 stood at 50% for HPP business (45% in 3QFY23), 15% for CDMO business (22%) and 35% for Specialty Chemicals business (33%)**
- Domestic sales made up 32% of total revenue in 3QFY24, while exports accounted for 68% (75% in 2QFY23). HPP business contributed 42% to domestic sales, while Specialty Chemicals business contributed 32%. Exports accounted for 100% of revenue of the CDMO business.

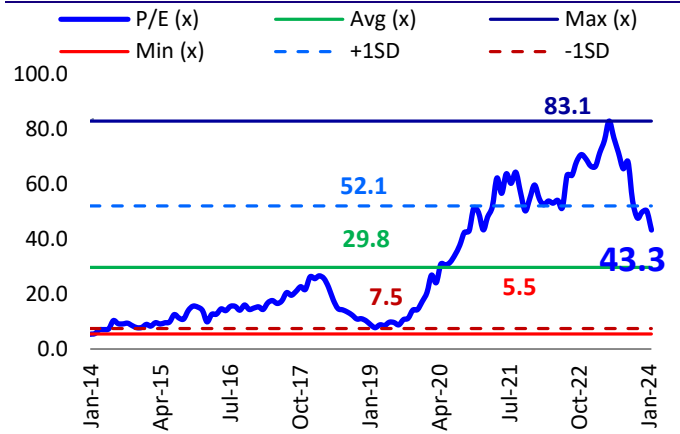
Valuation and View

- The HPP and the Specialty Chemicals segments should drive robust growth (at 10% and 26% CAGRs respectively over FY23-26), with increasing use of fluorine in the Pharma and Agro space, battery chemicals, and performance materials. The company has already identified various opportunities such as 1) a capability capex in Specialty Chemicals with INR450m in revenue expected every year starting FY25, 2) Fermion contract with value of USD40m over three years (either from end FY25 or starting of FY26) and some others mentioned above.
- We expect a revenue/EBITDA/PAT CAGR of 14%/10%/6% over FY23-26. The stock is trading at 48x FY25E EPS of INR68 and 29.5x FY25E EV/EBITDA. We value the company at 35x Dec'25E EPS to arrive at our TP of INR2,950. **We maintain our Neutral rating.**

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

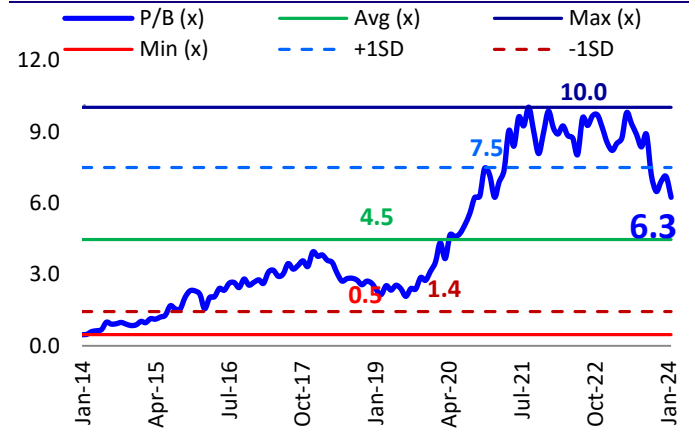
Y/E March	FY23			FY24			FY23	FY24E	FY24	Var.		
	1Q	2Q	3Q	1Q	2Q	3Q	4QE	3QE		(%)		
Gross Sales	3,975	4,192	5,636	6,971	4,912	4,718	5,018	6,094	20,774	20,742	5,557	-10%
YoY Change (%)	21.7	23.7	48.7	70.5	23.6	12.5	-11.0	-12.6	42.9	-0.2	-1.4	
Gross Margin (%)	54.1%	56.2%	56.3%	59.3%	58.7%	57.2%	53.9%	58.0%	56.9%	57.0%	57.3%	-3.4%
EBITDA	991	938	1,556	2,018	1,142	983	757	1,343	5,503	4,225	1,268	-40%
Margin (%)	24.9	22.4	27.6	28.9	23.3	20.8	15.1	22.0	26.5	20.4	22.8	-7.7
Depreciation	124	177	250	76	213	243	249	260	626	964	251	
Interest	3	40	92	140	194	200	177	204	275	775	209	
Other Income	109	109	99	40	83	231	119	106	357	539	76	
PBT before EO expense	974	831	1,313	1,842	818	772	450	985	4,959	3,025	883	-49%
Extra-Ord. expense	0	0	0	0	0	0	521	0	0	521	0	
PBT	974	831	1,313	1,842	818	772	972	985	4,959	3,546	883	10%
Tax	229	252	247	478	202	166	191	203	1,207	762	222	
Rate (%)	23.5	30.4	18.8	26.0	24.8	21.5	19.7	20.6	24.3	21.5	25.2	
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	745	578	1,066	1,364	615	606	780	782	3,752	2,784	661	18%
Adj. PAT	745	578	1,066	1,364	615	606	362	782	3,752	2,375	661	-45%
YoY Change (%)	33.2	-8.6	54.9	81.5	-17.4	4.8	-66.1	-42.6	42.6	-36.7	-38.0	
Margin (%)	18.7	13.8	18.9	19.6	12.5	12.8	7.2	12.8	18.1	11.4	11.9	-4.7
Segmental Revenue (INR m)												
High Performance Products (HPP)	1,520	2,110	2,530	2,890	1,690	2,381	2,510	2,682	9,050	9,263	2,472	2%
Specialty Chemicals	1,760	1,770	1,860	2,040	2,300	1,855	1,770	2,386	7,430	8,311	2,063	-14%
Navin Molecular	700	390	1,250	2,030	930	482	730	1,026	4,370	3,168	1,021	-29%

Exhibit 1: One year forward P/E chart



Source: Company, MOFSL

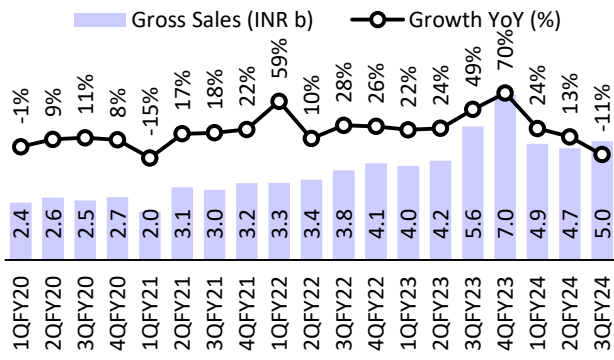
Exhibit 2: One year forward P/B chart



Source: Company, MOFSL

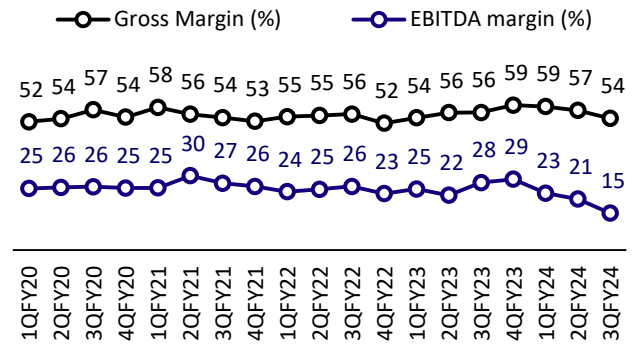
Story in charts – 3QFY24

Exhibit 3: Sales declined 11% YoY due to weakness in Navin Molecular



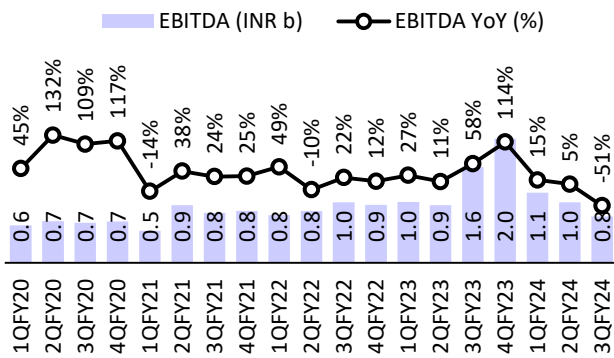
Source: Company, MOFSL

Exhibit 4: Margins declined YoY in 3QFY24



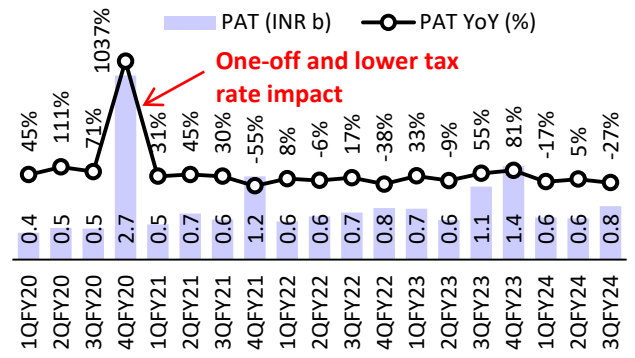
Source: Company, MOFSL

Exhibit 5: EBITDA declined 51% YoY



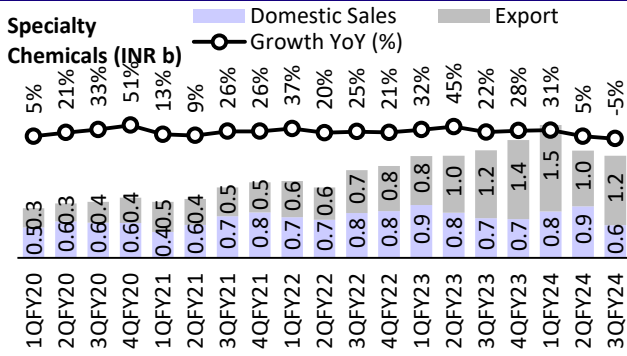
Source: Company, MOFSL

Exhibit 6: PAT too declined 27% YoY



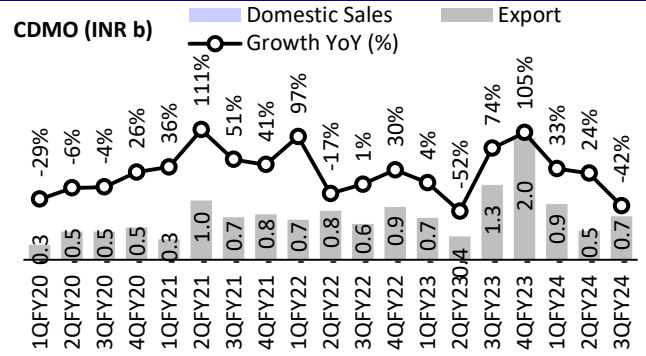
Source: Company, MOFSL

Exhibit 7: Specialty Chemicals segment declined 5% YoY



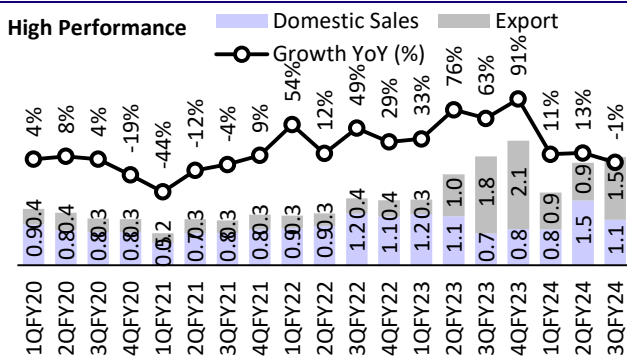
Source: Company, MOFSL

Exhibit 8: Navin Molecular revenue declined 42% YoY



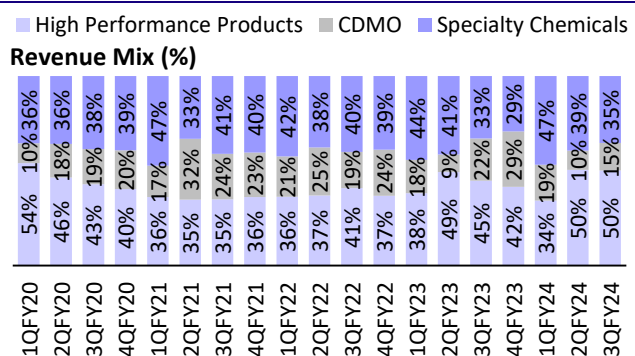
Source: Company, MOFSL

Exhibit 9: HPP declined 1% YoY



Source: Company, MOFSL

Exhibit 10: Revenue mix for the quarter



Source: Company, MOFSL

Financial story in charts

Exhibit 11: Expect ~14% revenue CAGR over FY23-26...

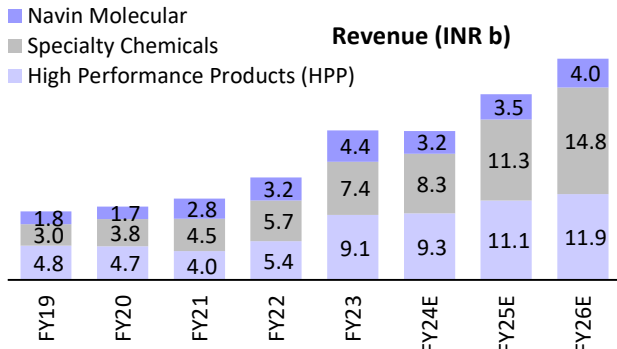


Exhibit 12: ...with Spec Chem clocking CAGR of 26%

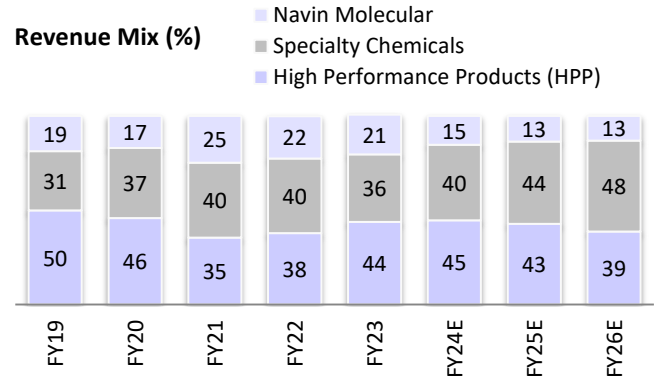


Exhibit 13: Exports were ~66% of total revenue in FY23...

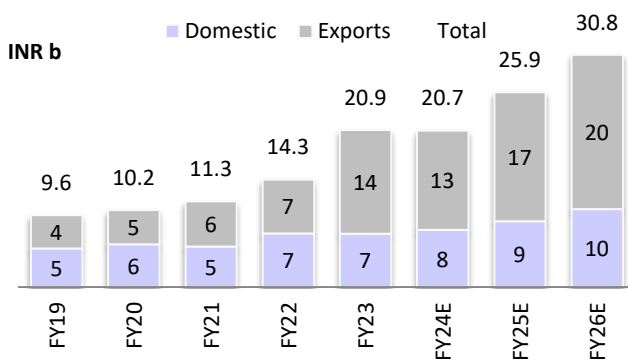


Exhibit 14: ...and to be around the same levels until FY26

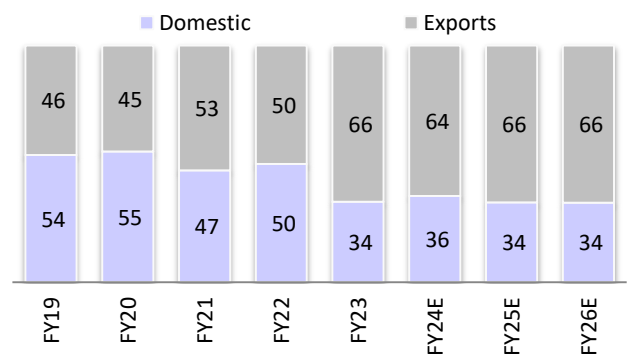


Exhibit 15: Expect ~10% EBITDA CAGR over FY23-26...

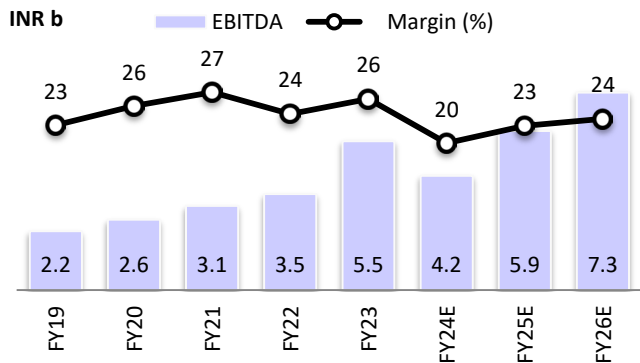


Exhibit 16: ...with a PAT CAGR of ~6% over the same period

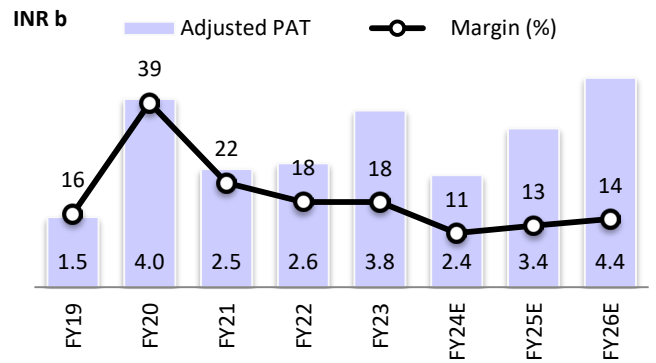


Exhibit 17: Capex to be at ~INR11b over FY24-26

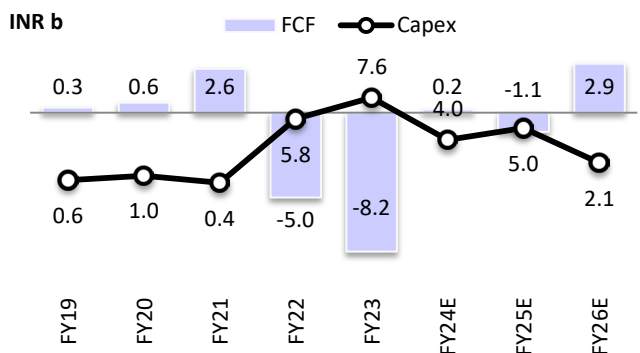
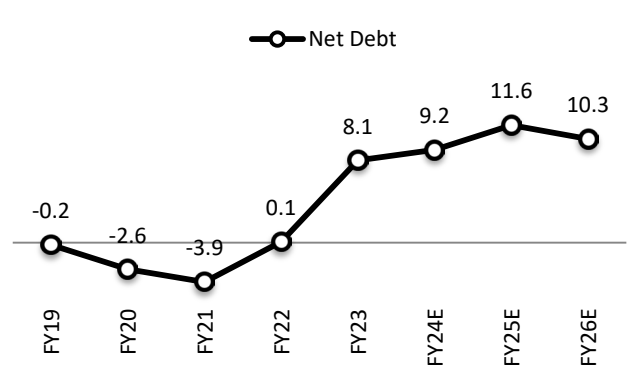


Exhibit 18: Net debt profile of NFIL



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

	(INR m)							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	9,551	10,223	11,331	14,534	20,774	20,742	25,852	30,800
Change (%)	7.8	7.0	10.8	28.3	42.9	-0.2	24.6	19.1
Gross Margin (%)	52.3	54.5	54.9	54.2	56.9	57.0	58.1	58.5
EBITDA	2,181	2,607	3,108	3,548	5,503	4,225	5,887	7,306
Margin (%)	22.8	25.5	27.4	24.4	26.5	20.4	22.8	23.7
Depreciation	259	337	407	479	626	964	998	1,023
EBIT	1,922	2,270	2,702	3,069	4,877	3,261	4,888	6,283
Int. and Finance Charges	5	16	14	19	275	775	796	804
Other Income	348	313	745	392	357	539	414	462
PBT bef. EO Exp.	2,265	2,567	3,433	3,442	4,959	3,025	4,506	5,941
EO Items	0	0	662	0	0	521	0	0
PBT after EO Exp.	2,265	2,567	4,095	3,442	4,959	3,546	4,506	5,941
Total Tax	780	-1,431	1,103	812	1,207	762	1,134	1,495
Tax Rate (%)	34.5	-55.7	26.9	23.6	24.3	21.5	25.2	25.2
Reported PAT	1,485	3,998	2,992	2,631	3,752	2,784	3,372	4,445
Adjusted PAT	1,485	3,998	2,508	2,631	3,752	2,375	3,372	4,445
Change (%)	-17.0	169.3	-37.3	4.9	42.6	-36.7	42.0	31.8
Margin (%)	15.5	39.1	22.1	18.1	18.1	11.4	13.0	14.4

Consolidated - Balance Sheet

	(INR m)							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	99	99	99	99	99	99	99	99
Total Reserves	10,493	13,790	16,402	18,343	21,750	24,094	26,932	30,674
Net Worth	10,592	13,889	16,501	18,442	21,850	24,193	27,031	30,773
Total Loans	0	0	0	1,000	8,487	9,759	12,199	10,979
Deferred Tax Liabilities	295	206	167	201	348	348	348	348
Capital Employed	10,887	14,096	16,668	19,644	30,684	34,300	39,578	42,100
Gross Block	3,511	4,643	4,937	5,714	17,283	21,283	26,263	28,323
Less: Accum. Deprn.	715	1,053	1,459	1,938	2,565	3,529	4,527	5,551
Net Fixed Assets	2,796	3,591	3,478	3,776	14,718	17,754	21,736	22,772
Capital WIP	393	389	365	7,421	2,786	2,786	2,786	2,786
Total Investments	5,267	3,387	4,503	1,181	438	438	438	438
Curr. Assets, Loans, and Adv.	4,224	7,042	10,320	11,477	17,351	17,958	20,380	22,961
Inventory	929	1,361	1,543	2,575	4,681	5,063	6,120	7,202
Account Receivables	1,675	2,093	2,759	3,577	5,615	5,606	6,988	8,325
Cash and Bank Balance	224	2,641	3,889	902	348	582	566	727
Cash	127	1,692	761	757	145	379	362	524
Bank Balance	97	890	3,128	201	203	203	203	203
Loans and Advances	1,397	947	2,128	4,423	6,706	6,706	6,706	6,706
Curr. Liability and Prov.	1,794	1,644	1,998	4,211	4,609	4,636	5,762	6,857
Account Payables	679	922	1,027	141	406	439	531	625
Other Current Liabilities	1,005	590	824	3,879	3,973	3,966	4,944	5,890
Provisions	110	131	147	191	231	230	287	342
Net Current Assets	2,431	5,398	8,322	7,266	12,741	13,322	14,618	16,104
Appl. of Funds	10,887	14,096	16,668	19,644	30,684	34,300	39,578	42,100

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	30.0	80.8	50.7	53.1	75.7	47.9	68.0	89.7
EPS Growth (%)	-17.0	169.3	-37.3	4.7	42.6	-36.7	42.0	31.8
Cash EPS	35.2	87.6	58.9	62.8	88.4	67.4	88.2	110.4
BV/Share	214.1	280.7	333.5	372.2	441.0	488.3	545.5	621.0
DPS	7.8	11.0	11.0	11.0	12.0	8.9	10.8	14.2
Payout (%)	41.7	17.9	18.2	20.7	15.8	15.8	15.8	15.8
Valuation (x)								
P/E	108.8	40.4	64.4	61.5	43.1	68.1	48.0	36.4
Cash P/E	92.6	37.3	55.4	52.0	36.9	48.4	37.0	29.6
P/BV	15.2	11.6	9.8	8.8	7.4	6.7	6.0	5.3
EV/Sales	16.9	15.5	13.9	11.1	8.2	8.2	6.7	5.6
EV/EBITDA	74.0	60.9	50.7	45.6	30.9	40.5	29.5	23.5
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.4	0.3	0.3	0.4
FCF per share	5.9	11.8	52.1	-101.1	-165.3	3.6	-22.7	58.3
Return Ratios (%)								
RoE	14.6	32.7	16.5	15.1	18.6	10.3	13.2	15.4
RoCE	14.3	32.2	16.4	14.6	15.7	9.2	10.7	12.4
RoIC	27.1	55.7	25.3	26.0	19.8	8.9	11.0	12.7
Working Capital Ratios								
Fixed Asset Turnover (x)	3.4	3.2	3.2	4.0	2.2	1.3	1.3	1.4
Asset Turnover (x)	0.9	0.7	0.7	0.7	0.7	0.6	0.7	0.7
Inventory (Days)	35	49	50	65	82	89	86	85
Debtor (Days)	64	75	89	90	99	99	99	99
Creditor (Days)	26	33	33	4	7	8	7	7
Leverage Ratio (x)								
Current Ratio	2.4	4.3	5.2	2.7	3.8	3.9	3.5	3.3
Net Debt/Equity ratio	0.0	-0.2	-0.2	0.0	0.4	0.4	0.4	0.3

Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
(INR m)								
OP/(Loss) before Tax	2,265	2,567	4,095	3,442	4,959	3,546	4,506	5,941
Depreciation	259	337	407	479	626	964	998	1,023
Others	-277	-210	-1,054	-289	184	775	796	804
Direct Taxes Paid	-710	-456	-186	-781	-1,098	-762	-1,134	-1,495
(Inc.)/Dec. in WC	-637	-684	-305	-2,104	-5,307	-346	-1,313	-1,324
CF from Operations	900	1,555	2,958	748	-636	4,177	3,853	4,949
Capex	-606	-972	-382	-5,758	-7,555	-4,000	-4,980	-2,060
Free Cash Flow	294	582	2,576	-5,011	-8,191	177	-1,127	2,889
Change in Investments	190	1,706	-914	3,757	799	0	0	0
CF from Investments	-315	766	-3,452	-1,724	-6,556	-4,000	-4,980	-2,060
Inc./Dec. in Debt	0	0	0	1,020	7,442	1,273	2,440	-1,220
Interest Paid	-5	-16	-14	-19	-275	-775	-796	-804
Dividend Paid	-611	-714	-394	-542	-543	-441	-534	-703
CF from Fin. Activity	-595	-756	-437	415	6,579	57	1,110	-2,728
Inc./Dec. in Cash	-9	1,565	-931	-561	-613	234	-16	162
Opening Balance	136	127	1,692	760	757	144	379	362
Closing Balance	127	1,692	760	757	144	379	362	524

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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