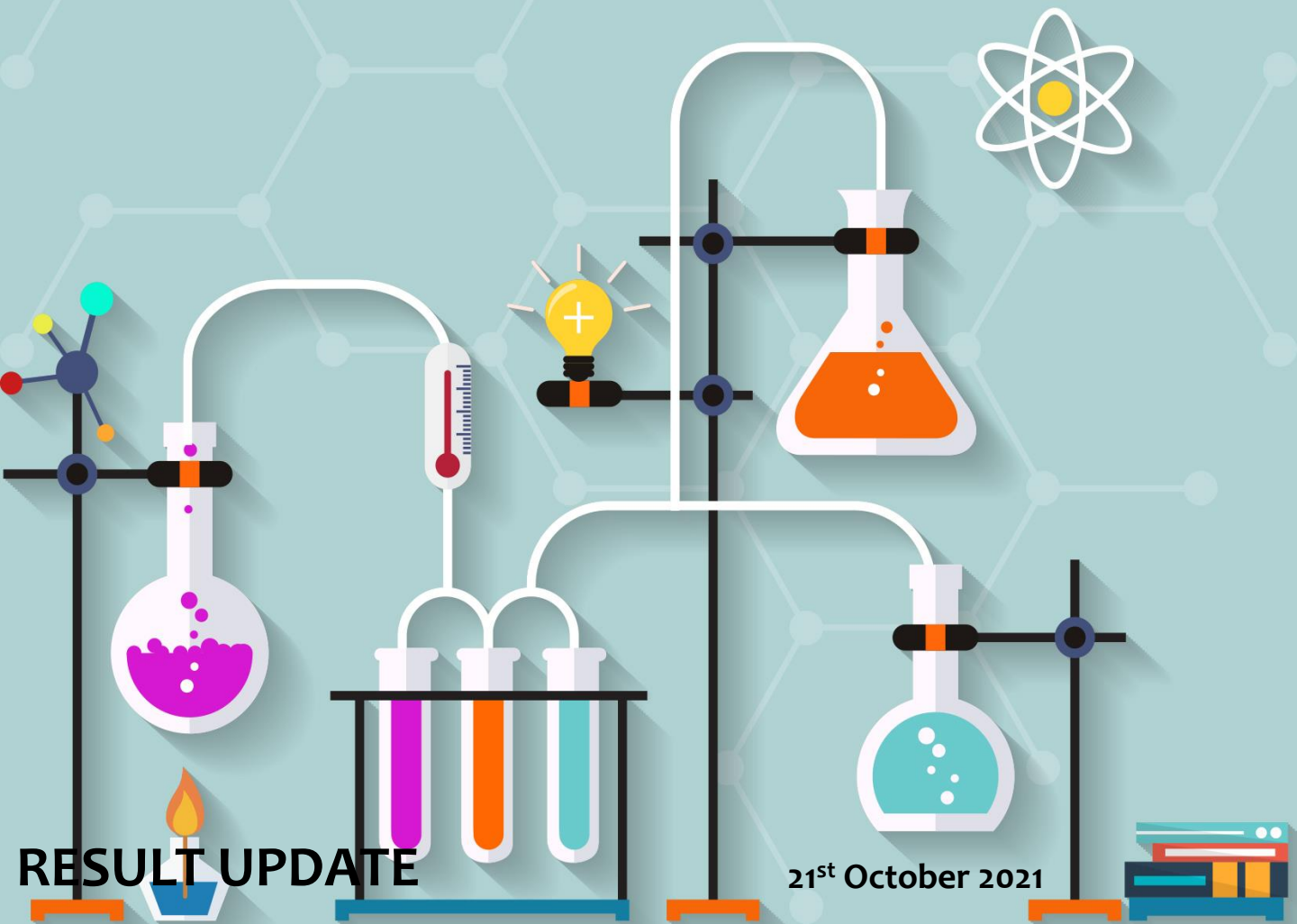


# NAVIN FLUORINE INTERNATIONAL Ltd.



**RESULT UPDATE**

21<sup>st</sup> October 2021



# Navin Fluorine International Ltd.

**Specialty & Inorganics supported the growth but margins dented**

CMP <b>INR 3,365</b>	Target <b>INR 4,494</b>	Potential Upside <b>33.55%</b>	Market Cap (INR Mn) <b>INR 1,66,680</b>	Recommendation <b>BUY</b>	Sector <b>Specialty Chemicals</b>
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## Result Highlights of Q2FY22 & H1FY22:

- NFIL reported topline growth of 6.27% YoY (+3.93% QoQ) at INR 3,389 Mn. For H1FY22 revenue stood at INR 6,655 Mn showing a decent growth of (+24.65% YoY).
- EBITDA stood at INR 842 Mn, down by 7.27% YoY (+8.79% QoQ), with OPM at 24.85% (-363bps YoY), the decline in margin was mainly due to sharp rise in the raw material/input cost's. For H1FY22 EBITDA was up by 12.03%.
- PAT for the quarter was at INR 632 Mn -1.86% YoY (+12.86% QoQ), with NPM at 18.65% (-1.55 Bps YoY). For H1FY22, PAT stood at INR 1,191 Mn (+1.45% YoY), with NPM at 17.90% in H1FY22.
- Net Cash flow from operations ended at INR 4,190 Mn in H1FY22 against INR 12,140 Mn in H1FY21.
- Declared an interim dividend of INR 5 per share of nominal value INR 2/- each (250%), aggregating to INR 247 Mn for the financial year 2021-2022.
- Appointed Mr. Basant Kumar Bansal as the new CFO w.e.f 1 November 2021.

## MARKET DATA

Shares outs (Mn)	50
Mkt Cap (INR Mn)	1,66,680
52 Wk H/L (INR)	4,212/2,037
Volume Avg (3m K)	297.9
Face Value (INR)	2
Bloomberg Code	NFIL IN Equity

## KEY FINANCIALS

INR Mn	FY20	FY21	FY22E	FY23E	FY24E
Revenue	10,616	11,756	14,802	21,061	25,510
EBITDA	2,635	3,035	3,848	5,581	7,015
Adj. PAT	4,086	2,652	3,098	4,384	5,359
EBITDA Margin (%)	24.8%	25.8%	26%	26.5%	27.5%
Adj. NPM (%)	38.5%	22.6%	20.9%	20.8%	21.01%

Source: Company, KRChoksey Research

## SHARE PRICE PERFORMANCE



## MARKET INFO

SENSEX	60,924
NIFTY	18,178

## Sustainable growth momentum continues:

NFIL's contribution from High value business remained at 63% in Q2FY22. In 1HY22 it delivered a topline growth of 21% on YoY basis. Specialty business continued to deliver strong performance by showing a growth of 19% in Q2FY22 YoY basis which came at INR 1,220 Mn. Business growth from this segment was mainly driven by growth in the international sales (54% of its sales). During the quarter CRAMS saw de-growth of 17% YoY but overall in H1FY22 it was +12% to INR 1,490 Mn supported by repeat orders. We believe new customer development across Europe and US, focus on expanding project pipeline will bring traction in this business in the coming years. Legacy business – good traction seen from end user industries, both Refrigerant business as well as Inorganic Fluorides supported the topline showing a jump of 11% and 56% YoY respectively in 1HY22. Export business due to higher logistics costs dented the growth in refrigerant business in Q2FY22 (-4%) YoY but realisations are expected to shoot up due to rising gas prices which should augur well for the company.

## Commercialisation of new plants are as per schedule:

NFIL has developed new capabilities by venturing into High Performance Product (HPP). This new foundation of business growth is expected to start supplies from its plant from Q4FY22/Q1FY23. Its recent capacity expansion plan at Dahej (MPP) is expected to come on stream during 1HY23. We believe the above developments are expected to enhance its product offering and strengthen its client base delivering future growth.

## SHARE HOLDING PATTERN (%)

Particulars	Sep-21	Jun-21	Mar-21
Promoters	30.20	30.22	30.22
FII's	26.43	26.65	25.10
DII's	15.17	15.18	15.82
Others	28.20	27.95	28.86
Total	100	100	100

**29.50%**

 Revenue CAGR  
between FY21 - FY24E

**26.40%**

 PAT CAGR between  
FY21 - FY24E

# Navin Fluorine International Ltd.

## Debottlenecking of cGMP-3 plant to support CRAMS business:

Management in its recent interaction expressed their plans to debottleneck its cGMP-3 plant by this year end, post which, they further plan to work on developing cGMP-4 plant to support their repeat business from existing clients by scaling up its molecules.

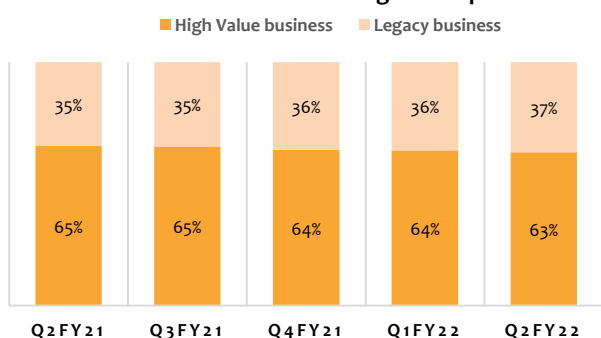
## Valuation and view:

NFIL is currently trading at a valuation with a P/E multiple of 37.97/31.07x on FY23E/FY24E earnings respectively. In Q2FY22 & 1HY22 sustainable growth momentum was seen across high value and legacy business segments. Improved demand from end user industries and strong order inflows provides revenue visibility. We believe its idea of setting up new R&D facility in outskirts of Mumbai and increasing focus towards new product launches opens newer set of opportunities for NFIL. We retain our BUY rating on the company and hence assign P/E multiple of 41.5x on FY24E EPS with same target price of INR 4,494/share, an upside of 33.58% to CMP.

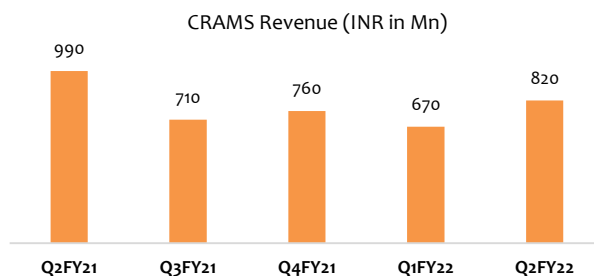
## Key Concall Highlights:

- H1FY22 witness strong performance led by high value business (+21% YoY).
- Exports sales impacted due to higher logistics cost.
- NFIL launched two new products during the quarter, in agro space and specialty chemical space.
- HPP plant is expected to start commercialisation by end of Q4FY22 while MPP plant’s capacity is expected to come on stream during H1FY23.
- Capex of INR 1,950 Mn for MPP plant to be funded by internal accruals and debt.
- Expects INR 2,600 -2,800 Mn peak annual revenue from the same plant.
- Business during the quarter was also supported by growth in international sales.
- Management focus remains on European and US markets where they added few mid-sized bio pharma companies recently in their cliental basket.
- Under Legacy business, in short term uptick is expected in the prices of Ref gas which would help them generate better realisations.
- Management has also indicated that they have already started working on other generation of Ref gases which has still not been phased out by the government.
- Employee cost to remain 11-12% of the total sales for the coming few quarters.
- It plans to set up R&D centre in outskirts of Mumbai for exploring newer product opportunities mainly in specialty chemical space.

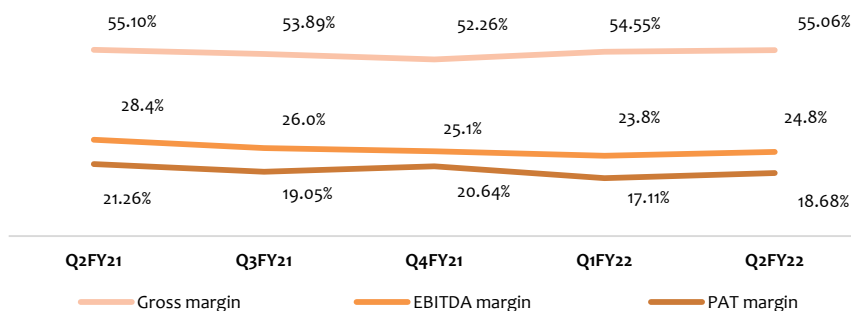
### Product mix skewed towards high value products



### Good project flows from new as well as existing innovators



### Sustainable performance over the quarters



Source: Company, KRChoksey Research

# Navin Fluorine International Ltd.

## KEY FINANCIALS

### Exhibit 1: Profit & Loss Statement

Income Statement (INR Mn)	FY20	FY 21	FY 22E	FY23E	FY 24E
<b>Revenues</b>	<b>10,616</b>	<b>11,756</b>	<b>14,802</b>	<b>21,061</b>	<b>25,510</b>
COGS	4,838	5,488	6,957	9,899	11,735
<b>Gross profit</b>	<b>5,777</b>	<b>6,268</b>	<b>7,845</b>	<b>11,162</b>	<b>13,776</b>
Employee cost	1,308	1,411	1,776	2,527	3,061
Other expenses	1,835	1,822	2,220	3,054	3,699
<b>EBITDA</b>	<b>2,635</b>	<b>3,035</b>	<b>3,848</b>	<b>5,581</b>	<b>7,015</b>
Depreciation & amortization	370	416	479	600	850
<b>EBIT</b>	<b>2,265</b>	<b>2,619</b>	<b>4,016</b>	<b>5,731</b>	<b>6,915</b>
Interest expense	20	1	1	1	1
Other income	333	803	646	750	750
<b>PBT</b>	<b>2,578</b>	<b>3,421</b>	<b>4,015</b>	<b>5,730</b>	<b>6,914</b>
Tax	-1,436	855	1,004	1,433	1,659
Minority interest	0	0	0	0	0
<b>PAT</b>	<b>4,086</b>	<b>2,652</b>	<b>3,098</b>	<b>4,384</b>	<b>5,359</b>
<b>EPS (INR)</b>	<b>82.6</b>	<b>53.6</b>	<b>62.61</b>	<b>88.61</b>	<b>108.31</b>

Source: Company, KRChoksey Research

### Exhibit 2: Cash Flow Statement

Cash Flow Statement (INR Mn)	FY20	FY21	FY22E	FY23E	FY 24E
Operating Cash Flow	1,566	2,372	3,298	3,032	4,396
Investing Cash Flow	851	(2,371)	(3,351)	(1,768)	(738)
Financing Cash Flow	(809)	(450)	(70)	(890)	(1,387)
Net Inc/Dec in cash equivalents	1,609	(449)	(122)	374	2,272
Opening Balance	159	1,767	1,318	1,196	1,569
Adjustments	0	0	0	0	0
Closing Balance Cash & Cash Equiv.	1,767	1,318	1,196	1,569	3,841

Source: Company, KRChoksey Research

### Exhibit 3: Key Ratios

Key Ratio	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margins (%)	24.8%	25.8%	26%	26.5%	27.5%
Net Profit Margin (%)	38.5%	22.6%	20.9%	20.8%	21.0%
RoE (%)	28.9%	16.2%	16.4%	19.5%	20.2%
RoCE (%)	18.4%	20.9%	20.7%	25%	25.7%
RoA (%)	25.1%	14%	13.7%	16.2%	16.9%
Debt/Equity	0.0X	0.0X	0.0X	0.0X	0.0X

Source: Company, KRChoksey Research

## Navin Fluorine International Ltd.

### Exhibit 4: Balance Sheet

Balance Sheet (INR Mn)	FY20	FY21	FY22E	FY23E	FY 24E
Property, plant and equipment	3,642	3,759	7,349	9,119	9,689
Right-of-use assets	208	217	219	213	199
Investment properties	550	539	528	516	505
Capital work-in-progress	389	948	948	948	948
Investments	874	138	138	138	138
Loans	75	81	105	149	181
Other financial assets	101	101	33	46	56
Non-current tax assets (Net)	1,149	308	308	308	308
Other non-current assets	96	43	134	190	231
<b>Total non-current assets</b>	<b>8,449</b>	<b>7,028</b>	<b>10,660</b>	<b>12,730</b>	<b>13,521</b>
Inventories	1,579	1,803	2,109	2,885	3,495
Investments	675	845	845	845	845
Trade receivables	2,185	2,841	2,920	4,039	4,892
Cash and cash equivalents	1,767	1,318	1,196	1,569	3,841
Bank balances other than above	1,070	4,120	4,120	4,120	4,120
Loans	45	27	63	89	108
Other financial assets	59	43	82	117	142
Other current assets	455	949	635	903	1,094
<b>Total current assets</b>	<b>7,836</b>	<b>11,946</b>	<b>11,969</b>	<b>14,568</b>	<b>18,537</b>
<b>TOTAL ASSETS</b>	<b>16,285</b>	<b>18,974</b>	<b>22,629</b>	<b>27,298</b>	<b>32,059</b>
Equity share capital	99	99	99	99	99
Other equity	14,023	16,240	18,780	22,375	26,448
<b>Total equity</b>	<b>14,122</b>	<b>16,339</b>	<b>18,879</b>	<b>22,474</b>	<b>26,547</b>
Borrowings	0	0	500	400	300
Provisions	103	118	143	204	247
Deferred tax liabilities (Net)	0	208	208	208	208
Other non-current liabilities	135	135	189	268	325
<b>Total non-current liabilities</b>	<b>391</b>	<b>616</b>	<b>1,195</b>	<b>1,235</b>	<b>1,235</b>
Borrowings	14	25	14	14	14
Trade payables	981	1,074	1,372	1,953	2,315
Other financial liabilities	355	384	495	705	853
Contract liabilities	21	30	29	41	50
Provisions	28	31	39	56	68
Current tax liabilities (Net)	0	81	81	81	81
Other current liabilities	373	394	519	739	895
<b>Total current liabilities</b>	<b>1,772</b>	<b>2,019</b>	<b>2,555</b>	<b>3,589</b>	<b>4,277</b>
<b>Total liabilities</b>	<b>2,164</b>	<b>2,635</b>	<b>3,750</b>	<b>4,824</b>	<b>5,512</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,285</b>	<b>18,974</b>	<b>22,629</b>	<b>27,298</b>	<b>32,059</b>

Source: Company, KRChoksey Research

# Navin Fluorine International Ltd.

Navin Fluorine International Ltd.				Rating Legend (Expected over a 12-month period)		
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside	
21-Oct-21	3,365	4,494	BUY	<b>Buy</b>	More than 15%	
1-Oct-21	3,713	4,494	BUY		<b>Accumulate</b>	5% – 15%
					<b>Hold</b>	0 – 5%
					<b>Reduce</b>	-5% – 0
					<b>Sell</b>	Less than – 5%

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