

Value added segments likely to aid performance...

Navin Fluorine has outlined capital expenditure for setting up a multi-purpose plant (MPP) with an outlay of ₹ 195 crore. The capex will be undertaken by its wholly owned subsidiary, Navin Fluorine Advanced Sciences Ltd at Dahej, Gujarat. The new capacity is expected to come on stream during H1FY23 and will create opportunities for new products in life science and crop science sectors in the specialty chemicals business. The company has already identified potential 12 new products of which five are going to be commercialised initially, which find application in crop protection. This new capacity would retain a mix of 50:50 among life science and crop protection in the long run. The management expects better margins for this new venture with an asset turn of 1.35-1.45x.

New capex likely to aid specialty chemical revenue growth, going ahead

The management highlighted that given that the company was doing R&D on a few niche fluorine molecules for both crop protection & life science, it has been able to develop 12 intermediates. Of this, five intermediates will be launched initially having application in crop protection. The management believes that of these five molecules, four intermediates have the potential to reach 300-400 tonnes of volumes in the next three to four years. This would lead the company to look after dedicated MPP in the years to come. Apart from this, asset turn is expected to be 1.35-1.45x with better operating margin visibility than the current profile. We believe since 40% of the plant is currently vacant, which can be expanded by putting in more machineries going ahead, expected asset turn could be at 2-2.25x. This should support specialty chemical segment revenue growth in the high teens.

Conference call key takeaways

(i) The new capacity is expected to generate revenues to the tune of ₹ 260-280 crore at peak utilisation levels. (ii) Payback period is estimated to be four years and the capacity is expected to reach peak levels in two to three years post its commissioning, (iii) in the next three to four years, the company may enter forward integration of products and develop active ingredients based on requests received from its strategic customers, (iv) in the initial set of five products – three are for India and two for export market. Two of them have been developed jointly with the customer with the rest developed independently.

Valuation & Outlook

We upgrade our PER multiple to 40x (1.4x PEG) from 35x PER of FY23E. We arrive at a target price of ₹ 3040. We have a **BUY** recommendation on the stock.



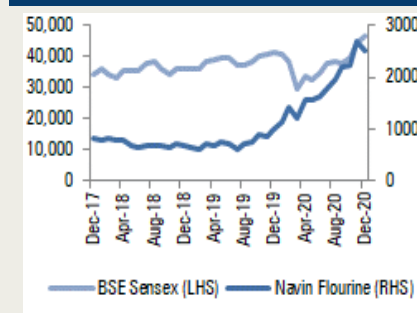
Particulars

Particular	Amount
Market cap (₹ Crore)	12,736
FY20 Total Debt (₹ Crore)	1
FY20 Cash & Inv (₹ Crore)	351
EV (₹ Crore)	12,386
52 Week H/L	2271/826
Equity Capital (₹ Crore)	9.9
Face Value (₹)	2

Key Highlights

- Growth of new capex likely to aid specialty chemical revenue growth, going ahead
- Maintain BUY rating on stock with target price of ₹ 3040

Price Performance



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Key Financial Summary

(₹ Crore)	FY18	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Revenue	912.7	995.9	1,061.6	1,086.1	1,261.5	1,720.1	17.5
EBITDA	215.0	218.4	263.5	291.1	359.5	540.1	27.0
EBITDA Margins (%)	23.6%	21.9%	24.8%	26.8%	28.5%	31.4%	
Adj.PAT	179.8	149.1	179.1	222.5	242.4	376.3	28.1
Adj. EPS (₹)	36.4	30.1	36.2	45.0	49.0	76.0	
EV/EBITDA	58.0x	57.3x	47.0x	42.4x	34.7x	23.0x	
P/E	70.6x	85.3x	71.1x	47.8x	52.5x	33.8x	
ROE (%)	18.3	13.9	12.7	13.6	13.3	17.7	
ROCE (%)	25.6	19.9	17.9	18.7	17.2	22.9	

Financial summary

Exhibit 1: Profit and loss statement					
	₹ crore				
Year end March	FY19	FY20	FY21E	FY22E	FY23E
Total Operating Income	995.9	1,061.6	1,086.1	1,261.5	1,720.1
Growth (%)	9.1	6.6	2.3	16.1	36.4
Raw Material Expenses	476.6	483.8	467.0	536.1	713.8
Employee Cost	115.5	130.8	139.0	157.7	199.5
Other Expenses	185.5	183.5	189.0	208.1	266.6
Total Operating Expenditure	777.6	798.1	795.0	902.0	1,180.0
EBITDA	218.4	263.5	291.1	359.5	540.1
Growth (%)	1.6	20.7	10.5	23.5	50.2
Other Income	34.4	33.3	65.0	49.1	58.4
Depreciation	27.5	37.0	43.7	85.4	96.7
Net Interest Exp.	0.8	2.0	0.1	0.0	0.0
Other exceptional items	0.0	0.0	32.5	0.0	0.0
PBT	224.4	257.8	344.8	323.2	501.7
Total Tax	77.0	-143.6	86.2	80.8	125.4
PAT	147.4	401.4	258.6	242.4	376.3
Adjusted PAT	149.1	179.1	222.5	242.4	376.3
Growth (%)	-17.1	20.1	24.2	8.9	55.2
Adjusted EPS (₹)	30.1	36.2	45.0	49.0	76.0

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					
	₹ crore				
Year end March	FY19	FY20	FY21E	FY22E	FY23E
PBT & Extraordinary	224.4	257.8	344.8	323.2	501.7
Add: Depreciation	27.5	37.0	43.7	85.4	96.7
After other adjustments					
(Inc) / Dec in Working Capital	-61.5	-70.6	-6.0	-70.9	-158.9
Taxes	-71.9	-46.2	-86.2	-80.8	-125.4
Others	-28.4	-21.3	-32.5	0.0	0.0
CF from operating activities	90.2	156.7	263.9	256.9	314.1
Purchase of Fixed Assets	-61.6	-107.7	-250.0	-350.0	-150.0
Others	37.3	192.9	72.9	0.0	0.0
CF from investing activities	-24.3	85.1	-177.1	-350.0	-150.0
Issue/(Buy back) of Equity	2.1	1.2	0.0	0.0	0.0
Inc/(dec) in loan funds	-8.5	-8.7	-1.4	0.0	0.0
Dividend paid & dividend tax	-61.1	-71.4	-44.5	-48.5	-75.3
Others	-0.8	-2.0	-0.1	0.0	0.0
CF from financing activities	-68.4	-80.9	-46.0	-48.5	-75.3
Net cash flow	-2.5	160.9	40.9	-141.6	88.9
Opening cash	37.4	37.0	283.8	324.6	183.0
Closing cash	37.0	283.8	324.6	183.0	271.9

*calculated, Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet					
	₹ crore				
Year end March	FY19	FY20	FY21E	FY22E	FY23E
Liabilities					
Equity Capital	9.9	9.9	9.9	9.9	9.9
Reserves & Surplus	1,062.6	1,402.3	1,624.3	1,818.3	2,119.3
Total Shareholders Funds	1,072.5	1,412.2	1,634.2	1,828.2	2,129.2
Minority Interest	0.0	0.0	0.0	0.0	0.0
Long Term Borrowings	0.0	0.0	0.0	0.0	0.0
Net Deferred Tax liability	34.8	0.0	0.0	0.0	0.0
Other long term liabilities	14.5	28.9	29.5	34.3	46.8
Long term provisions	8.6	10.3	10.5	12.2	16.7
Current Liabilities and Provisions					
Short term borrowings	4.1	1.4	0.0	0.0	0.0
Trade Payables	71.3	98.1	104.1	121.0	164.9
Other Current Liabilities	99.0	74.9	76.6	89.0	121.3
Short Term Provisions	2.4	2.8	2.9	3.4	4.6
Total Current Liabilities	176.9	177.2	183.6	213.3	290.8
Total Liabilities	1,307.2	1,628.5	1,857.9	2,088.0	2,483.5
Assets					
Net Block	286.3	386.0	431.1	895.7	949.0
Capital Work in Progress	39.3	38.9	200.0	0.0	0.0
Intangible assets under devel.	0.0	0.0	0.0	0.0	0.0
Goodwill on Consolidation	87.8	87.8	87.8	87.8	87.8
Non-current investments	239.1	127.9	95.4	95.4	95.4
Deferred tax assets	0.0	15.1	15.1	15.1	15.1
Long term loans and advances	7.5	9.9	10.1	11.7	16.0
Other Non Current Assets	86.5	179.5	182.4	202.9	256.7
Current Assets, Loans & Advances					
Current Investments	188.4	67.5	67.5	67.5	67.5
Inventories	111.9	157.9	163.7	197.0	273.3
Sundry Debtors	172.7	218.5	223.2	266.1	362.9
Cash and Bank	37.0	283.8	324.6	183.0	271.9
Loans and Advances	4.8	4.5	4.5	4.5	4.5
Other Current assets	46.0	51.4	52.6	61.1	83.4
Current Assets	560.8	783.6	836.1	779.3	1,063.5
Total Assets	1,307.2	1,628.5	1,857.9	2,088.0	2,483.5

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios					
Year end March	FY19	FY20	FY21E	FY22E	FY23E
Per share data (₹)					
Adj. EPS	30.1	36.2	53.9	49.0	76.0
Adj. Cash EPS	35.7	43.7	62.7	66.2	95.6
BV	216.9	285.3	330.1	369.3	430.1
DPS	0.0	7.0	9.0	9.8	15.2
Operating Ratios (%)					
Gross Margin (%)	52.1	54.4	57.0	57.5	58.5
EBITDA Margin (%)	21.9	24.8	26.8	28.5	31.4
PAT Margin (%)	15.0	16.9	20.5	19.2	21.9
Debtor Days	63	75	75	77	77
Inventory Days	41	54	55	57	58
Creditor Days	26	34	35	35	35
Cash Conversion Cycle	78	96	95	99	100
Return Ratios (%)					
Return on Assets (%)	11.4	11.0	12.0	11.6	15.2
RoCE (%)	19.9	17.9	18.7	17.2	22.9
RoE (%)	13.9	12.7	13.6	13.3	17.7
Solvency					
Total Debt / Equity	0.0	0.0	-	-	-
Interest Coverage	271.4	129.9	NM	NM	NM
Current Ratio	3.2	4.4	4.6	3.7	3.7
Quick Ratio	2.5	3.5	3.7	2.7	2.7
Valuation Ratios (x)					
EV/EBITDA	57.3	47.0	42.4	34.7	23.0
P/E	85.3	71.1	47.8	52.5	33.8
P/B	11.9	9.0	7.8	7.0	6.0
EV/Sales	12.6	11.7	11.4	9.9	7.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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