

27 January 2021

## Navin Fluorine

*High-margin businesses grow; outlook strong; maintaining a Buy*

Rating: **Buy**

Target Price: Rs.3,000

Share Price: Rs.2,480

With strong, 35% y/y, growth in its high-value business, Navin's Q3 revenue/EBITDA/PAT grew 18.7%/22.9%/29.7% y/y. Its past business recovered, driven by normal demand. Ahead, we are positive on Navin's future performance following the strong performance in its high-value business, product launches and revenue from the high-performance product segment (Q4 FY22) and the commissioning of MPP in H1 FY23. We maintain our Buy rating with the same target price of Rs.3,000, valuing the stock at 34x FY23e EPS.

**Strong growth momentum continued in high-value business.** Following its strong customer partnerships and order book, Navin's specialty chemicals and CRAMS revenue grew 26% and 51% y/y respectively. Ahead, it spoke of leveraging its R&D capabilities and deep fluorination expertise to strengthen its opportunities pipeline, expand its product range and raise capacities through greenfield and brownfield expansions for growth.

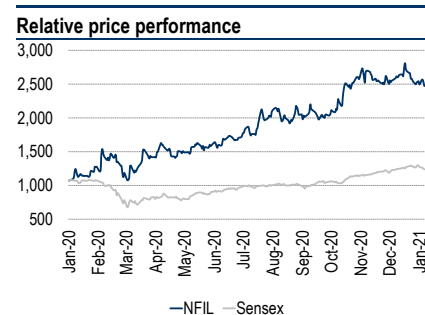
**Gradual recovery in its past business.** Following customer additions and demand recovery in end-user industries, its inorganic fluoride revenue grew 12% y/y. Its refrigerant gas business experienced a challenging environment in the domestic market while strong volume growth was seen in exports. Refrigerant gas revenue declined 18% y/y.

**Outlook.** Management talked of ~20% revenue growth in specialty chemicals and \$10m revenue per quarter in CRAMS in FY22. Growth in inorganic fluorides in FY22 would be ~10% following demand recovery in the stainless steel and glass industries. Growth in its refrigerant gas business would be in the mid-teens as the export demand is rising with better realizations.

**Valuation.** We maintain our Buy rating with the same target of Rs.3,000, at implied multiples of 34x FY23e EPS and 26x FY23e EV/EBITDA. **Risks:** Delay in pick-up in its past business and capex implementation.

Key data	NFIL IN / NAFL.BO
52-week high / low	Rs2850 / 977
Sensex / Nifty	47410 / 13968
3-m average volume	\$5.3m
Market cap	Rs122bn / \$1676.7m
Shares outstanding	49m

Shareholding pattern (%)	Dec'20	Sep'20	Jun'20
Promoters	30.5	30.5	30.5
- of which, Pledged	3.0	3.0	3.4
Free float	69.5	69.5	69.5
- Foreign institutions	24.5	21.1	19.4
- Domestic institutions	16.9	17.2	18.9
- Public	28.1	31.2	31.2



Source: Bloomberg

Key financials (YE Mar)	FY19	FY20	FY21e	FY22e	FY23e
Sales (Rs m)	9,959	10,616	11,117	14,036	19,280
Net profit (Rs m)	1,491	4,086	2,334	2,696	4,366
EPS (Rs)	30.2	82.6	47.2	54.5	88.2
PE (x)	82.2	30.0	52.6	45.5	28.1
EV / EBITDA (x)	54.3	44.9	39.7	31.9	21.6
PBV (x)	11.4	8.7	7.7	6.8	5.8
RoE (%)	14.5	32.9	15.6	16.0	22.4
RoCE (%)	13.8	32.0	15.2	16.0	22.4
Dividend yield (%)	0.3	0.4	0.5	0.5	0.9
Net debt / equity (x)	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)

Source: Company, Anand Rathi Research

**Nav Bhardwaj**  
Research Analyst

**Bhawana Israni**  
Research Associate

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## Quick Glance – Financials and Valuations

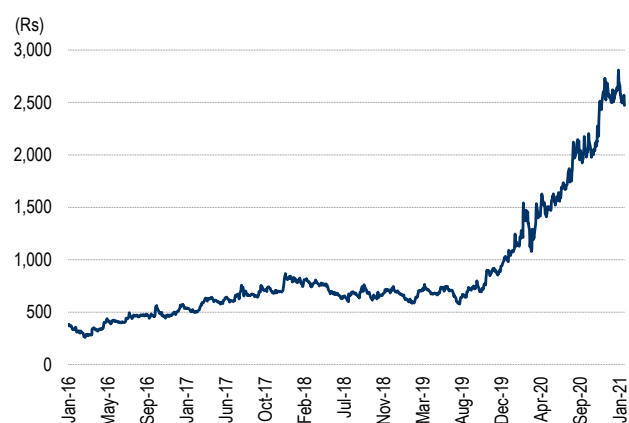
**Fig 1 – Income statement (Rs m)**

Year-end: Mar	FY19	FY20	FY21e	FY22e	FY23e
<b>Net revenues</b>	<b>9,959</b>	<b>10,616</b>	<b>11,117</b>	<b>14,036</b>	<b>19,280</b>
<b>Growth (%)</b>	<b>9.1</b>	<b>6.6</b>	<b>4.7</b>	<b>26.3</b>	<b>37.4</b>
Direct costs	4,766	4,838	4,780	6,036	7,905
SG&A	3,010	3,142	3,335	4,211	5,784
<b>EBITDA</b>	<b>2,184</b>	<b>2,635</b>	<b>3,002</b>	<b>3,790</b>	<b>5,591</b>
<b>EBITDA margins (%)</b>	<b>21.9</b>	<b>24.8</b>	<b>27.0</b>	<b>27.0</b>	<b>29.0</b>
- Depreciation	275	370	413	625	703
Other income	344	333	667	702	964
Interest expenses	8	20	15	15	15
PBT	2,244	2,578	3,241	3,852	5,837
<b>Effective tax rate (%)</b>	<b>34.3</b>	<b>-55.7</b>	<b>30.0</b>	<b>30.0</b>	<b>25.2</b>
+ Associates / (Minorities)	17	72	65	-	-
<b>Net income</b>	<b>1,491</b>	<b>4,086</b>	<b>2,334</b>	<b>2,696</b>	<b>4,366</b>
<b>Adjusted income</b>	<b>1,491</b>	<b>1,702</b>	<b>2,334</b>	<b>2,696</b>	<b>4,366</b>
WANS	49	49	49	49	49
FDEPS (Rs / sh)	30.2	82.6	47.2	54.5	88.2
FDEPS growth	-17.2	173.9	-42.9	15.5	61.9
<b>Gross margins (%)</b>	<b>52.1</b>	<b>54.4</b>	<b>57.0</b>	<b>57.0</b>	<b>59.0</b>

**Fig 3 – Cash-flow statement (Rs m)**

Year-end: Mar	FY19	FY20	FY21e	FY22e	FY23e
PBT before OI and Interest	1,909	2,265	2,589	3,165	4,888
+ Non-cash items	275	370	413	625	703
Oper. prof. before WC	2,184	2,635	3,002	3,790	5,591
- Incr. / (decr.) in WC	640	1,896	(26)	957	1,881
Others incl. taxes	729	(581)	972	1,156	1,471
<b>Operating cash-flow</b>	<b>814</b>	<b>1,320</b>	<b>2,055</b>	<b>1,677</b>	<b>2,239</b>
- Capex (tang. + intang.)	504	1,362	3,500	3,500	2,000
Free cash-flow	310	(42)	(1,445)	(1,823)	239
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	464	655	583	674	1,092
+ Equity raised	0	0	-	-	-
+ Debt raised	(85)	126	-	-	-
- Fin investments	(20)	(2,332)	(1,000)	-	-
- Misc. (CFI+CFF) (adj OI & int)	(215)	(707)	(717)	(687)	(949)
<b>Net cash-flow</b>	<b>(5)</b>	<b>2,468</b>	<b>(311)</b>	<b>(1,810)</b>	<b>97</b>

Source: Company, Anand Rathi Research

**Fig 5 – Price movement**


Source: Bloomberg

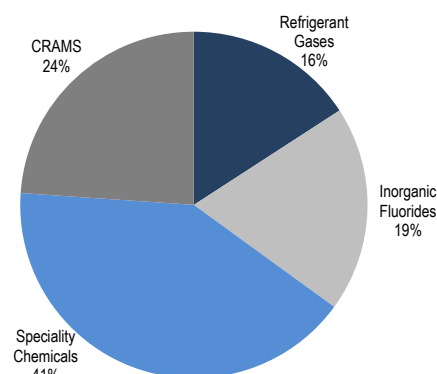
**Fig 2 – Balance sheet (Rs m)**

Year-end: Mar	FY19	FY20	FY21e	FY22e	FY23e
Share capital	99	99	99	99	99
Net worth	10,724	14,122	15,872	17,894	21,169
Debt	41	167	167	167	167
Minority interest	-	-	-	-	-
DTL / (Assets)	348	(151)	(151)	(151)	(151)
<b>Capital employed</b>	<b>11,114</b>	<b>14,138</b>	<b>15,888</b>	<b>17,910</b>	<b>21,185</b>
Net tangible assets	2,850	3,850	6,448	9,901	10,699
Net intangible assets	13	10	10	10	10
Goodwill	878	878	878	878	878
CWIP (tang. & intang.)	393	389	878	300	800
Investments (strategic)	1,457	1,125	579	579	579
Investments (financial)	3,379	1,379	925	925	925
Current assets (ex cash)	3,733	5,666	5,559	7,018	9,640
Cash	370	2,837	2,526	716	813
Current liabilities	1,958	1,996	1,914	2,417	3,158
Working capital	1,775	3,670	3,644	4,601	6,482
<b>Capital deployed</b>	<b>11,114</b>	<b>14,138</b>	<b>15,888</b>	<b>17,910</b>	<b>21,185</b>
Contingent liabilities	549	435	-	-	-

**Fig 4 – Ratio analysis**

Year-end: Mar	FY19	FY20	FY21e	FY22e	FY23e
P/E (x)	82.2	30.0	52.6	45.5	28.1
EV / EBITDA (x)	54.3	44.9	39.7	31.9	21.6
EV / Sales (x)	11.9	11.1	10.7	8.6	6.3
P/B (x)	11.4	8.7	7.7	6.8	5.8
RoE (%)	14.5	32.9	15.6	16.0	22.4
RoCE (%) - after tax	13.8	32.0	15.2	16.0	22.4
RoIC	21.6	46.8	20.4	18.9	24.5
DPS (Rs / sh)	7.8	11.0	11.8	13.6	22.1
Dividend yield (%)	0.3	0.4	0.5	0.5	0.9
Dividend payout (%) - incl. DDT	25.9	13.3	25.0	25.0	25.0
Net debt / equity (x)	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)
Receivables (days)	63	75	73	73	73
Inventory (days)	86	119	119	119	125
Payables (days)	55	74	70	70	69
CFO : PAT %	54.6	77.6	88.1	62.2	51.3

Source: Company, Anand Rathi Research

**Fig 6 – Revenue break-up, by business (Q3 FY21)**


Source: Company

## Company Update

### Financial highlights

- Navin's Q3 consolidated revenue was up 18.7% y/y, down 3.1% q/q, to Rs.3.1bn, driven the strong momentum continuing in its high-value business. The slow revival of demand to normalcy in its past business helped.
- Higher raw-material cost hurt the gross margin, which contracted 342bps y/y, 121bps q/q, to 53.9%.
- Despite the lower gross margin, the EBITDA margin rose 90bps y/y (though q/q down 241bps) to 26% due to operating efficiencies.
- Supported by strong revenue and EBITDA growth, PAT grew 29.7% y/y, though q/q down 13.2%, to Rs.589m supported by lower tax expenses. The effective tax rate was 28.6% (32.9% a year ago, 27.7% the prior quarter).

Fig 7 – Quarterly trend (Rs m)

Particulars	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	% Y/Y	% Q/Q	9M FY20	9M FY21	% Y/Y
<b>Revenue</b>	<b>2,339</b>	<b>2,526</b>	<b>2,515</b>	<b>2,729</b>	<b>2,605</b>	<b>2,766</b>	<b>2,149</b>	<b>3,189</b>	<b>3,091</b>	<b>18.7</b>	<b>(3.1)</b>	<b>7,850</b>	<b>8,430</b>	<b>7.4</b>
RM costs	1,062	1,273	1,202	1,267	1,112	1,257	910	1,432	1,425	28.2	(0.5)	3,581	3,767	5.2
Employee exp	293	281	305	321	330	351	346	340	362	9.5	6.5	956	1,048	9.6
Other expenses	465	457	396	461	508	470	355	510	499	(1.7)	(2.2)	1,365	1,364	(0.1)
<b>EBITDA</b>	<b>518</b>	<b>516</b>	<b>611</b>	<b>681</b>	<b>655</b>	<b>688</b>	<b>538</b>	<b>907</b>	<b>805</b>	<b>22.9</b>	<b>(11.3)</b>	<b>1,947</b>	<b>2,250</b>	<b>15.6</b>
Depreciation	67	67	82	85	92	111	107	109	110	20.0	1.3	259	326	25.7
Interest	2	3	5	4	6	5	3	4	4	(41.6)	(6.6)	15	11	(29.0)
Other income	109	112	68	92	116	57	362	97	99	(14.6)	2.7	276	557	101.7
<b>PBT</b>	<b>559</b>	<b>558</b>	<b>592</b>	<b>684</b>	<b>673</b>	<b>629</b>	<b>790</b>	<b>891</b>	<b>790</b>	<b>17.4</b>	<b>(11.3)</b>	<b>1,949</b>	<b>2,471</b>	<b>26.8</b>
Tax	173	223	196	219	222	(2,072)	260	247	226	1.9	(8.6)	637	733	15.1
<b>Reported PAT</b>	<b>386</b>	<b>335</b>	<b>396</b>	<b>466</b>	<b>451</b>	<b>2,701</b>	<b>530</b>	<b>644</b>	<b>564</b>	<b>25.1</b>	<b>(12.4)</b>	<b>1,313</b>	<b>1,738</b>	<b>32.4</b>
Profit from Asso.	0	17	35	8	3	26	31	34	24	755.5	(27.9)	46	89	92.8
<b>Consol PAT</b>	<b>386</b>	<b>352</b>	<b>431</b>	<b>473</b>	<b>454</b>	<b>2,727</b>	<b>560</b>	<b>678</b>	<b>589</b>	<b>29.7</b>	<b>(13.2)</b>	<b>1,359</b>	<b>1,827</b>	<b>34.5</b>
<b>EPS (Rs / sh)</b>	<b>7.8</b>	<b>7.1</b>	<b>8.7</b>	<b>9.6</b>	<b>9.2</b>	<b>55.1</b>	<b>11.3</b>	<b>13.7</b>	<b>11.9</b>	<b>29.7</b>	<b>(13.2)</b>	<b>27.5</b>	<b>36.9</b>	<b>34.5</b>

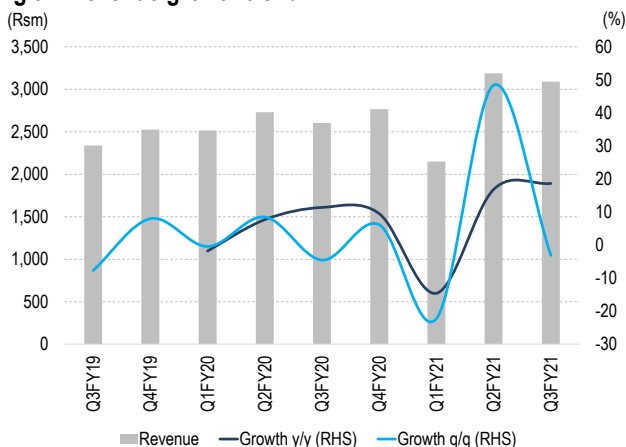
Source: Company

Fig 8 – Quarterly trend, as percent of sales

Particulars %	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	bps Y/Y	bps Q/Q	9M FY20	9M FY21	bps Y/Y
<b>Gross margins</b>	<b>54.6</b>	<b>49.6</b>	<b>52.2</b>	<b>53.6</b>	<b>57.3</b>	<b>54.6</b>	<b>57.7</b>	<b>55.1</b>	<b>53.9</b>	<b>(342)</b>	<b>(121)</b>	<b>54.4</b>	<b>55.3</b>	<b>93</b>
Employee costs	12.5	11.1	12.1	11.8	12.7	12.7	16.1	10.7	11.7	(98)	105	12.2	12.4	25
Other expenses	19.9	18.1	15.8	16.9	19.5	17.0	16.5	16.0	16.1	(335)	15	17.4	16.2	(120)
<b>EBITDA margins</b>	<b>22.2</b>	<b>20.4</b>	<b>24.3</b>	<b>25.0</b>	<b>25.1</b>	<b>24.9</b>	<b>25.0</b>	<b>28.4</b>	<b>26.0</b>	<b>90</b>	<b>(241)</b>	<b>24.8</b>	<b>26.7</b>	<b>189</b>
Depreciation	2.8	2.7	3.3	3.1	3.5	4.0	5.0	3.4	3.6	4	15	3.3	3.9	56
Interest	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.1	0.1	(12)	(0)	0.2	0.1	(7)
Other income	4.7	4.5	2.7	3.4	4.5	2.1	16.8	3.0	3.2	(125)	18	3.5	6.6	309
<b>PBT margins</b>	<b>23.9</b>	<b>22.1</b>	<b>23.5</b>	<b>25.1</b>	<b>25.8</b>	<b>22.7</b>	<b>36.7</b>	<b>27.9</b>	<b>25.6</b>	<b>(26)</b>	<b>(238)</b>	<b>24.8</b>	<b>29.3</b>	<b>448</b>
Effective tax rate	30.9	39.9	33.1	32.0	32.9	NA	32.9	27.7	28.6	(436)	84	32.7	29.7	(300)
<b>PAT margins</b>	<b>16.5</b>	<b>13.9</b>	<b>17.1</b>	<b>17.3</b>	<b>17.4</b>	<b>98.6</b>	<b>26.1</b>	<b>21.3</b>	<b>19.1</b>	<b>162</b>	<b>(221)</b>	<b>17.3</b>	<b>21.7</b>	<b>437</b>

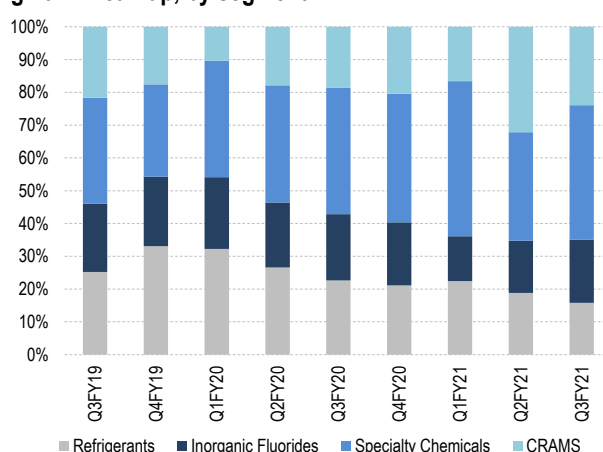
Source: Company

**Fig 9 – Revenue growth trend**



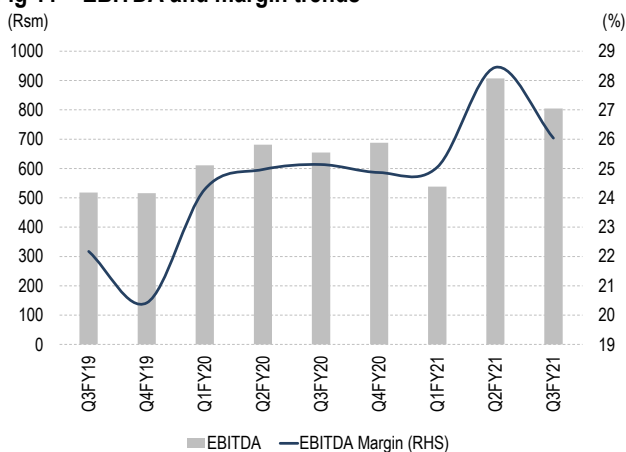
Source: Company

**Fig 10 – Break-up, by segment**



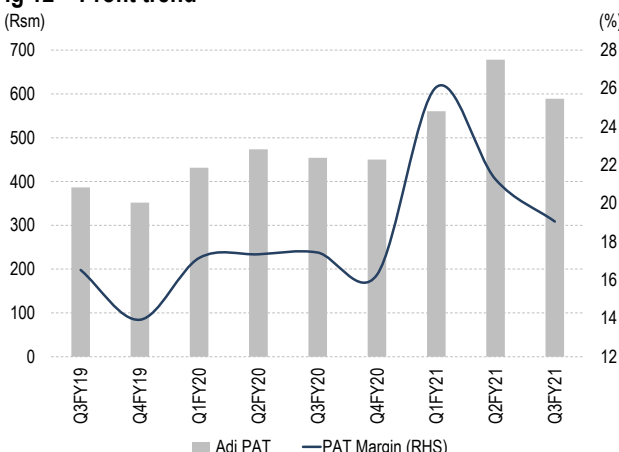
Source: Company

**Fig 11 – EBITDA and margin trends**



Source: Company

**Fig 12 – Profit trend**



Source: Company

**Business performance with Concall highlights**

**Refrigerants**

- Refrigerants is Navin’s primary legacy business. Its product basket comprises HCHC22, HCFC 22PTEF grade, HFC 134a, HFC 404a and HFC 410a. In India, summers are good for this segment.
- Revenue was down 18% y/y, 19% q/q, to Rs.470m mainly due to weak demand from end-user industries which were impacted in the home market and the competitive context internationally for emissive applications.
- The company saw strong volume growth in exports.
- Management clarified that export volumes were higher but globally lower R22 prices and softening prices from China hurt realisations.
- The company is seeing strong demand in the non-emissives segment. Currently, the non-emissive proportion of revenue to total revenue is ~20%, and is expected to rise in coming years.
- Demand recovery is expected both domestically and in exports following revival in the trade and service sectors. Management talked of mid-teen growth in FY22 in the refrigerants business.

### **Inorganic fluorides**

- Started in 1967, the year of incorporation, inorganic fluorides is another of Navin's legacy businesses. Over the years, the company became one of the largest manufacturers in India of anhydrous hydrofluoric (AHF) and aqueous hydrofluoric acids. AHF is used to manufacture various inorganic fluorides.
- Revenue from inorganic fluorides grew 10% y/y supported by demand recovery in the stainless steel and glass sectors.
- The company added two key customers, one in the US, the other in India.
- Management clarified that demand was back to pre-Covid levels and expects to similar growth in Q4 as in Q3.
- It expects to ~10% growth in this business aided by the lower base and further business from new customers.

### **Specialty chemicals**

- The growth momentum in specialty chemicals continued in Q3 supported by strong customer partnerships. This business is growing profitably and the growth momentum is expected to continue.
- Revenue grew 26% y/y to Rs.1.2bn, driven by strong demand, mainly from life sciences and industrials.
- The company is leveraging its R&D capabilities and deep fluorination expertise to strengthen the new opportunities pipeline, expand its product range and capacities, both greenfield and brownfield.
- Currently, the segment is operating optimally and the brownfield expansion along with debottlenecking should fuel business growth.
- Management talked of similar revenue growth in Q4 as in Q3, and ~20% in FY22.
- The company has strong project inflows and is focusing on technical and commercial capabilities to make the most of market opportunities. It plans to sharpen its focus on international markets as demand at end-user industries is growing, along with greater visibility among customers
- The company has a strong product pipeline of 20-25 products. It expects 15 qualified opportunities from this.
- It said demand would continue to be sturdy in coming quarters, too, as it has good project flows from life-science and crop-science customers, with a strong product pipeline and deeper penetration among existing users.
- Management said demand for fluorine chemicals is rising in the industry as substitution is increasing.

### **CRAMS**

- Navin started its contract research and manufacturing services (CRAMS) business in 2011. It has done well over the years.
- Revenue grew 52% y/y to Rs,710m on the strong order book, driven by customers acquired and deeper penetration among older customers.
- The current engagement with innovator pharma majors augurs well for sustainable growth.

- The company has strengthened both demand generation and demand fulfilment parts of the organisation in the last nine months. To strengthen its operations in the market and for a higher order book, it added two resources, one full-time person in North America and one consultant in Europe. Further, to address demand, it significantly strengthened its Dewas team and upgraded manufacturing abilities to generate expected revenue in coming years.
- The earlier launched molecule is doing well and the company is seeing repeat enquiries. This product was mainly developed for the US market only. Now, the company is aiming to expand regions for this particular product.
- The second molecule is in the commercialisation stage and is being developed for the European market. Further, management said two molecules are in the development stage.
- It is positive about the long-term performance of the business as it has a strong order book within the present margin range.
- Management talked of \$10m revenue per quarter in coming quarters.
- It is seeing more enquiries from clients, old and new. It is acquiring customers in the US and Europe.
- It is confident of 2.25x-2.5x asset-turn in future
- It may set up a multi-purpose and dedicated plant in future, based on the progress of launched products and demand for them.

#### **Update on MPP**

- To strengthen its specialty-chemicals division and for growth, it announced Rs.1.95bn capex in agro and pharma, expected to be funded by a mix of internal accruals and debt.
- The multi-purpose plant is expected to be commissioned in H1 FY23 at its wholly-owned subsidiary, Navin Fluorine Advanced Sciences (NFAS) at Dahej, Gujarat, at ~1.4x asset turnover.
- The expansion would help it launch products with complex fluorinated chemistry, building blocks for growth and strengthen customer relations.

#### **HPP - new business vertical**

- The company signed a \$410m contract with a global manufacturer to supply a high-performance product in fluoro-chemicals. It will manufacture both the intermediate and final products. The intermediate one can be used to manufacture different products; the contract, at present, is for one product.
- The project will be executed through the wholly-owned subsidiary, Navin Fluorine Advanced Sciences, at Dahej.
- It is investing \$51.5m (Rs.3.6bn) for a dedicated manufacturing plant and ~\$10m (Rs.710m) for a power plant.
- The project is on schedule and expected to go commercial in Q4 FY22.
- The RoCE and margins would be in line with the present business.

#### **Exit from JV**

- To expand its high-value businesses and access a hexafluoro chemistry

platform, it sold a 49% stake in CCPL to Piramal Pharma, which acquired the stake in order to grow its own anaesthetics business.

- In the transaction, the company received Rs651m for its stake and Rs.79m for leasehold rights of the GIDC land earmarked for CCPL. With this, it has received a perpetual license to use the technical know-how to develop and market select products. Navin will continue to supply raw material to CCPL.
- The company expects the transaction to be complete by end-FY21.

#### **Update on Manchester Organics**

- Performance and plans have been hit by the lockdown in the UK in the last few quarters. Further, senior leadership shifted focus from the UK operations to India in regard to different expansion projects. The company is working on finalising its overall business strategies.
- It seeks to significantly upgrade and expand its R&D abilities and add pilot plant capabilities for greater quantities (of multi-hundred kg). The project is expected to be complete by Q1 FY22.

## Valuation

To arrive at the true value of Navin Fluorine, we use the DCF method. The 11% WACC used has been arrived at as follows.

**Fig 13 – WACC**

Equity (FY20) (Rs m)	14,122
Cost of equity (%)	11
Debt (FY20) (Rs m)	167
Cost of debt (%)	9
Weighted average cost of capital (%)	11

Source: Anand Rathi Research

To arrive at future cash flows, a 5% terminal growth rate has been assumed.

**Fig 14 – Present value of FCFF (Rs m)**

(Rs m)	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e	FY27e	FY28e	FY29e	FY30e	FY31e
EBIT	3,256	3,867	5,852	7,471	9,244	11,208	13,590	16,478	19,980	24,226	29,375
EBIT (1-t)	2,279	2,707	4,378	5,588	6,914	8,384	10,165	12,326	14,945	18,121	21,972
Depreciation	413	625	703	786	890	942	997	1,055	1,116	1,182	1,251
WC changes	26	(957)	(1,881)	(2,059)	(1,942)	(2,136)	(2,349)	(2,584)	(2,843)	(3,127)	(3,440)
Capex	(3,500)	(3,500)	(2,000)	(2,000)	(2,000)	(1,000)	(1,058)	(1,058)	(1,058)	(1,058)	(1,058)
FCFF	(782)	(1,125)	1,200	2,315	3,862	6,190	7,754	9,738	12,160	15,117	18,724
PV of FCFF	(708)	(922)	890	1,554	2,346	3,403	3,859	4,386	4,958	5,579	6,254

Source: Anand Rathi Research

### DCF-based valuation

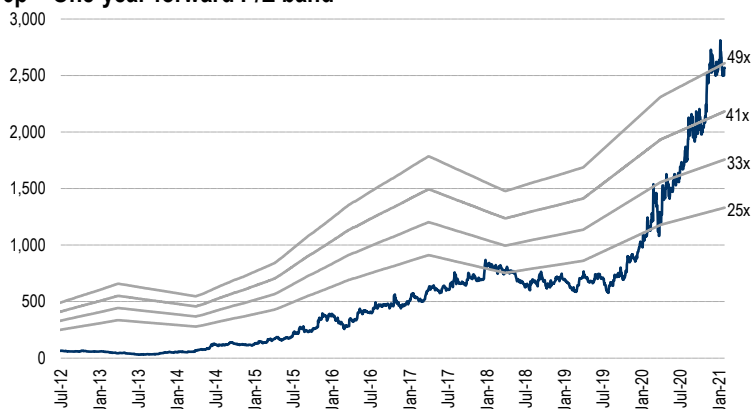
**Fig 15 – Target price (Rs m)**

Present value	31,599
Terminal value	114,081
Debt	(167)
Cash	2,837
Total value	148,350
No. of shares (m)	49
<b>Target price (Rs)</b>	<b>3,000</b>

Source: Anand Rathi Research

We maintain a Buy rating on the stock with the same target price of Rs.3,000. At this, the company is valued at PEs of 55x FY22e and 34x FY23e. On EV/EBITDA, it is valued at 39x FY22e and 26x FY23e.



**Fig 16p – One-year-forward P/E band**

Source: Anand Rathi Research

### Risks

- Delay in capex implementation.
- No pick-up in non-emissive (feedstock) refrigerant gases.
- Protracted global slowdown, leading to a continual deceleration in key consumer sectors such as autos, agro-chemicals, pharmaceuticals and refrigerants.
- A slowdown in the domestic steel industry would impact the performance of inorganic fluorides.
- Re-starting of capacities in China and a pick-up in utilisation.
- Inability to pass on to customers increases in fluorspar prices.
- Inability to scale up the average ticket size of products in CRAMS.

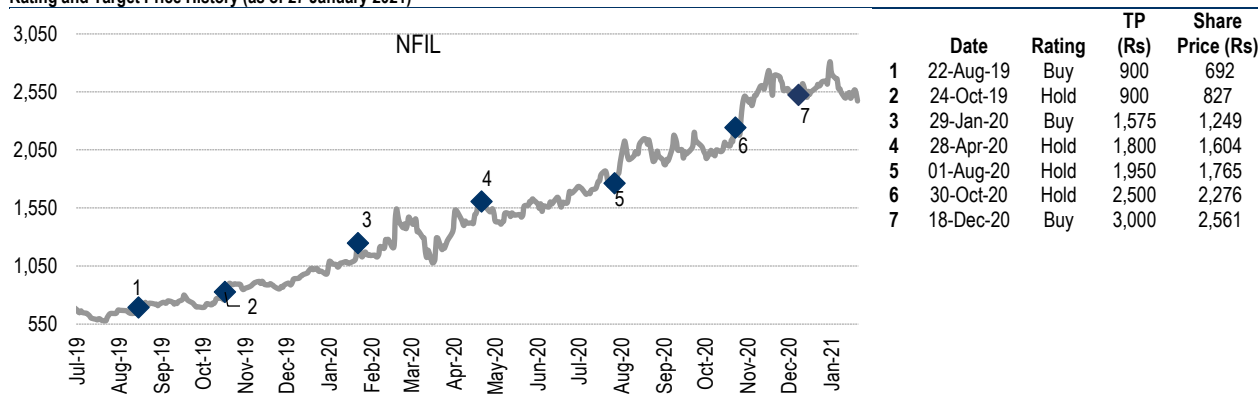
## Appendix

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ARSSBL registered address: Express Zone, A Wing, 9th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.  
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