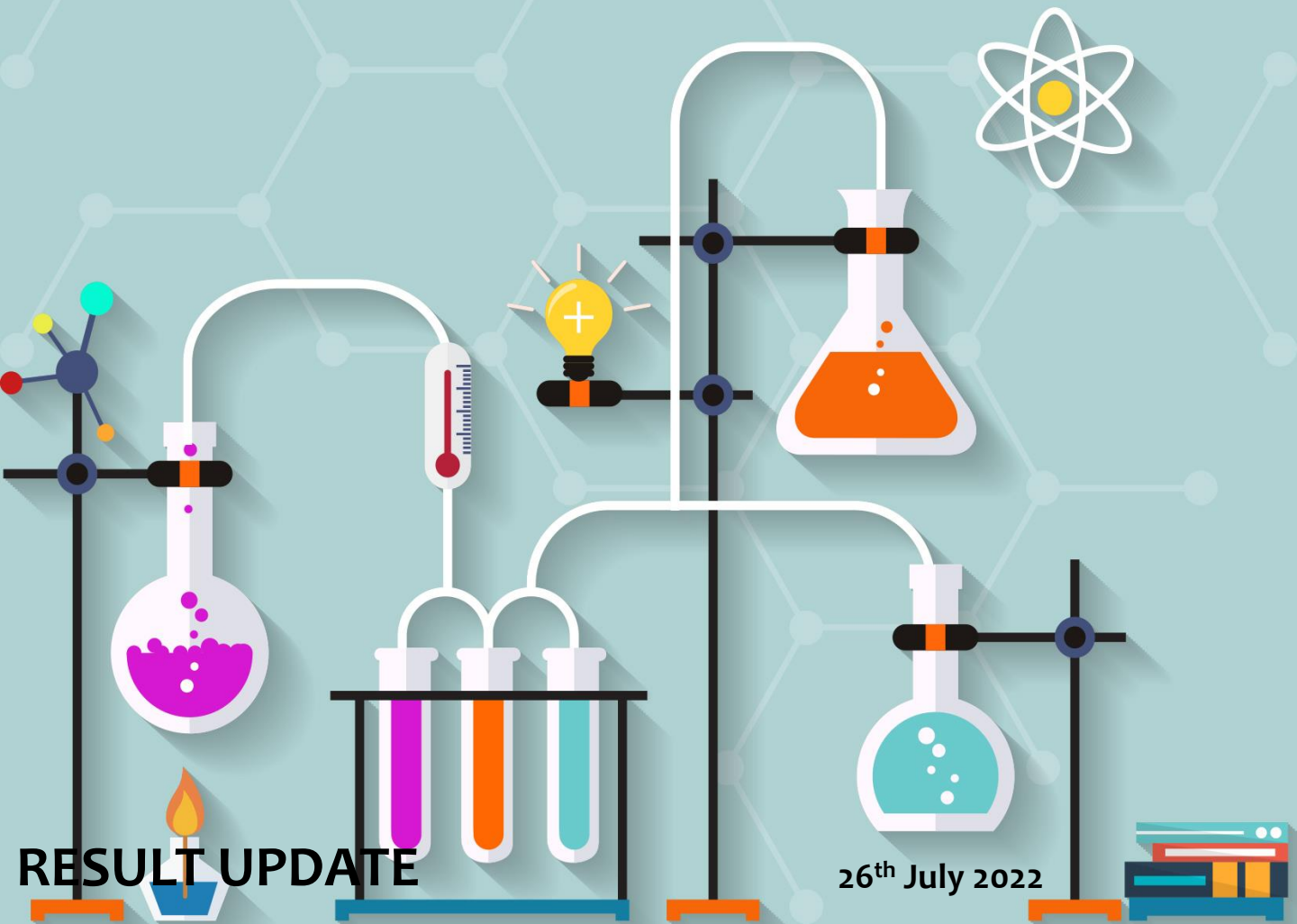


NAVIN FLUORINE INTERNATIONAL Ltd.



RESULT UPDATE

26th July 2022



Navin Fluorine International Ltd.

Continued performance from specialty segment

CMP INR 4,156	Target INR 4,374	Potential Upside 5.23%	Market Cap (INR Mn) INR 2,06,024	Recommendation ACCUMULATE	Sector Specialty Chemicals
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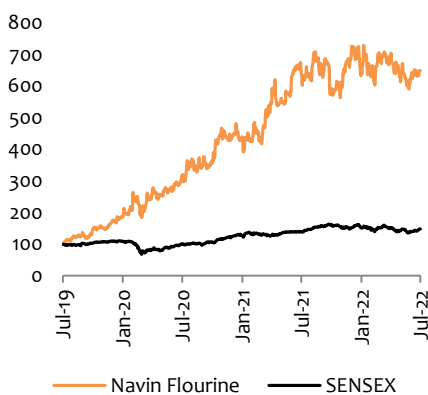
Result Highlights:

- In Q1FY23, NFL reported sales growth of 21.75% YoY and de-growth of 2.79% QoQ at INR 3,975 Mn. Improving contribution from Specialty and HPP segment delivered strong performance.
- EBITDA improved by 27.61% YoY and 5.23% on QoQ basis to INR 992 Mn. OPM came at 24.9% up 115bps YoY and 190bps QoQ. Input costs remained a concern due to higher fluorspar prices but was offset by higher realisations. Other expenses remained lower comparatively.
- Reported PAT has seen a growth of 33.28% on YoY and marginal fall of 0.89% on QoQ basis to INR 745 Mn. PAT margins improved both on YoY and QoQ basis at 18.72% in Q1FY23.
- EPS in Q1FY23 came at 15.02 against 11.29 in same period last year.

MARKET DATA

Shares outs (Mn)	50
Mkt Cap (INR Mn)	2,06,024
52 Wk H/L (INR)	4,339/3,196
Volume Avg (3m K)	145.6
Face Value (INR)	2
Bloomberg Code	NFIL IN Equity

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	55,395
NIFTY	16,514

SHARE HOLDING PATTERN (%)

Particulars	Jun-22	Mar-22	Dec-21
Promoters	29.70	29.70	30.19
FIIIs	21.42	23.51	25.25
DIIIs	20.79	18.28	15.98
Others	28.09	28.51	28.58
Total	100	100	100

KEY FINANCIALS

INR Mn	Q1FY23	Q1FY22	YoY	Q4FY22	QoQ
Revenue	3,975	3,265	21.75%	4,089	-2.79%
EBITDA	992	777	27.61%	942	5.23%
PAT	745	559	33.28%	751	-0.89%
EBITDA Margin (%)	24.9%	23.8%	115bps	23.0%	190bps
NPM (%)	18.7%	17.11%	162bps	18.37%	36bps

Source: Company, KRChoksey Research

Sustainable growth led by strong partnerships:

NFL during the quarter delivered sales growth of 21.75% YoY and de-growth of 2.79% QoQ at INR 3,975 Mn due to increasing volumes from both international and domestic businesses. Specialty segment reported highest ever quarterly sales contributing (46%) to the revenue followed by HPP (39%) and CDMO (15%). Repeat orders helped the Specialty chemical segment contribute higher (+32.7%) while increased volumes and good pricing power drove HPP sales (+33.1%) on YoY basis. CDMO business saw a de-growth (12%) YoY during the quarter but overall the continuation of efforts to increase the project pipeline and better diversify the clientele in the near future.

Maintained operating efficiency despite various challenges:

NFL was able to showcase improvement in its operational performance both on YoY and QoQ basis. EBITDA improved by 27.61% YoY and 5.23% on QoQ basis to INR 992 Mn. Input costs remained a concern due to higher fluorspar prices but was offset by higher realisations across segments. Operating margins went up by 115bps/190bps on YoY/QoQ basis to 24.9% in Q1FY23. R-22 prices and high margin molecules delivered better realisations. It reported PAT growth of 33.28% and margin dip of 0.89% on YoY/QoQ basis to INR 745 Mn. PAT margins improved by 162bps YoY and 36bps QoQ in Q1FY23.

Debottlenecking and Commercial supplies from new plant on cards:

The board has approved debottlenecking of its Surat unit for an announced capex of INR 800 Mn. The said capex is to develop a new molecule under HPP business and is expected to get commissioned by July 2023. It is expected to achieve 2x Asset T/O on optimum utilisation levels. It's subsidiary Navin Fluorine Advanced Sciences Limited, will manufacture and supply Honeywell's proprietary Solstice range of Hydrofluoroolefins from Dahej plant. This manufacturing plant got commissioned recently and trial supplies have already begun. We expect commercial supplies of the products to embark shortly.

27.19%

 Revenue CAGR
between FY21 - FY24E

25.14%

 PAT CAGR between
FY21 - FY24E

Navin Fluorine International Ltd.

Valuation and view:

We believe NFL is well poised for growth with a new organisational structure that was put in place. Also newer contracts and opportunities with project pipelines would be coming in at play. Its plan to develop newer molecules and set up of cGMP-4 plant will support visibility. Also post its successful trial supplies of Hydrofluoroolefins we expect commercial supplies of the products to embark shortly. The company is currently trading at a valuation with a P/E multiple of 50.11x/41.34x its FY23E/FY24E earnings respectively. We believe debottlenecking and focus on agri molecules will provide robust growth opportunities. **We maintain our recommendation to “ACCUMULATE” on the company applying P/E of 43.5x on FY24E EPS with revised price of INR 4,374/share, an upside of 5.23% to CMP.**

Key Concall Highlights:

Product verticals:

- Specialty chemical business achieved highest ever quarterly sales of INR 1760 Mn. Focus to remain on agricultural molecule space compared to performance molecule.
- Ref gas – Both domestic and international area saw an improvement.
- High margin molecules from Inorganic fluoride segment experienced growth in terms of both volumes and realisations.
- CRAMS biz – Continues to see strong traction from this segment in the coming years.
- HPP Revenues from the new plant set up for Honeywell is expected to commence from Q2FY23.
- cGMP-3 plant capacity expansion work is on track which will be commissioned in Q3FY23.

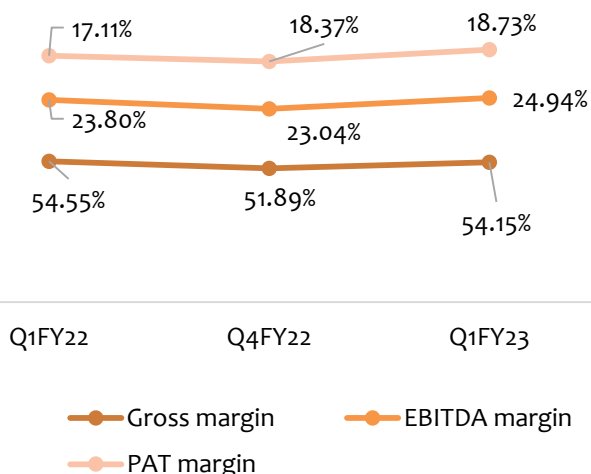
Capex programme:

- Debottlenecking at Surat unit to develop new molecule under HPP business and is expected to get commissioned by July 2023.
- Specialty segment to taker larger portion of capital allocation as compared to other segments.
- Management is confident about having more concrete plans to set up cGMP4 plant by next quarter.

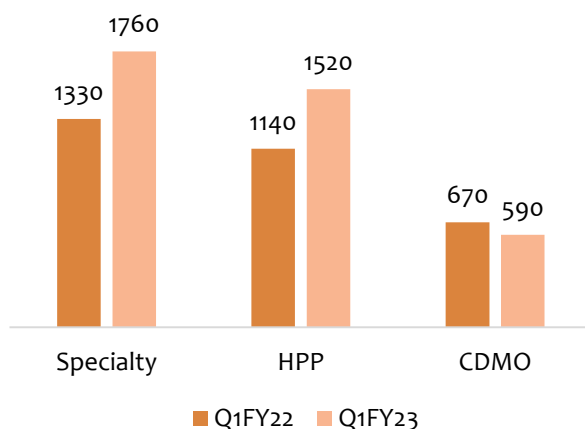
Other highlights:

- Specialty chemical and HPP plants are running at full capacity whereas Inorganic fluorides and CDMO space has some headroom left which should reach optimum capacity utilisation levels.

Healthy financial performance



Improving segmental performance (INR Mn)



Source: Company, KRChoksey Research

Navin Fluorine International Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Income Statement (INR Mn)	FY20	FY 21	FY 22	FY23E	FY 24E
Revenues	10,616	11,756	1,4553	20,724	24,190
COGS	4,838	5,488	6,656	9,481	11,079
Gross profit	5,777	6,268	7,877	11,243	13,111
Employee cost	1,308	1,411	1,815	2,590	2,782
Other expenses	1,835	1,822	2,514	3,419	3,870
EBITDA	2,635	3,035	3,548	5,233	6,459
Depreciation & amortization	370	416	479	450	690
EBIT	2,265	2,619	3,461	5,483	6,619
Interest expense	20	1	19	30	30
Other income	333	803	392	700	850
PBT	2,578	3,421	3,442	5,453	6,589
Tax	-1,436	855	811	1,350	1,614
Minority interest	0	0	0	0	0
PAT	4,086	2,652	2,631	4,103	4,974
EPS (INR)	82.6	53.6	53.18	82.93	100.54

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

Cash Flow Statement (INR Mn)	FY20	FY21	FY22	FY23E	FY 24E
Operating Cash Flow	1,566	2,372	3,442	5,453	6,589
Investing Cash Flow	851	(2,371)	(1,724)	(2,300)	(1,550)
Financing Cash Flow	(809)	(450)	415	1,970	(880)
Net Inc/Dec in cash equivalents	1,609	(449)	-561	1,498	1,324
Opening Balance	159	1,767	1,318	757	2,255
Adjustments	0	0	0	0	0
Closing Balance Cash & Cash Equiv.	1,767	1,318	757	2,255	3,578

Source: Company, KRChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margins (%)	24.8%	25.8%	24.41%	25.25%	26.70%
Net Profit Margin (%)	38.5%	22.6%	18.10%	19.80%	20.56%
RoE (%)	28.9%	16.2%	14.26%	18.20%	18.10%
RoCE (%)	18.4%	20.9%	17.76%	20.62%	22.39%
RoA (%)	25.1%	13.4%	11.03%	12.55%	12.96%
Debt/Equity	0.0X	0.0X	0.05X	0.09X	0.07X

Source: Company, KRChoksey Research

Navin Fluorine International Ltd.

Exhibit 4: Balance Sheet

Balance Sheet (INR Mn)	FY20	FY21	FY22	FY23E	FY 24E
Property, plant and equipment	3,642	3,759	3,775	6,325	8,036
Right-of-use assets	208	217	375	0	597
Investment properties	550	539	528	528	528
Capital work-in-progress	389	948	74,21	6,600	7,421
Investments	874	138	132	132	132
Loans	75	81	0	0	0
Other financial assets	101	101	191	273	318
Non-current tax assets (Net)	1,149	308	290	290	290
Other non-current assets	96	43	60	85	100
Total non-current assets	8,449	7,028	13,661	15,124	18,311
Inventories	1,579	1,803	2,575	3,407	3,976
Investments	675	845	1,042	10,42	1,042
Trade receivables	2,185	2,841	3,577	5,110	5,965
Cash and cash equivalents	1,767	1,318	757	2,255	3,578
Bank balances other than above	1,070	4,120	201	201	201
Loans	45	27	5	5	5
Other financial assets	59	43	59	84	98
Other current assets	455	949	1,977	2,819	3,290
Total current assets	7,836	11,946	10,193	14,922	18,155
TOTAL ASSETS	16,285	18,974	23,854	30,045	36,467
Equity share capital	99	99	99	99	99
Other equity	14,023	16,240	18,343	22,446	27,421
Total equity	14,122	16,339	18,442	22,545	27,520
Borrowings	0	0	1,000	2,000	2,000
Provisions	103	118	137	195	228
Deferred tax liabilities (Net)	0	208	201	0	350
Other non-current liabilities	135	135	135	192	225
Total non-current liabilities	391	616	1,574	2,487	2,902
Borrowings	14	25	45	45	45
Trade payables	981	1,074	1,465	1,688	1,973
Other financial liabilities	355	384	1,750	2,495	2,912
Contract liabilities	21	30	13	18	21
Provisions	28	31	54	77	90
Current tax liabilities (Net)	0	81	92	132	154
Other current liabilities	373	394	421	558	850
Total current liabilities	1,772	2,019	3,839	5,013	6,044
Total liabilities	2,164	2,635	5,413	7,500	8,947
TOTAL EQUITY AND LIABILITIES	16,285	18,974	23,855	30,045	36,466

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
26-July-22	4,156	4,374	ACCUMULATE	Buy	More than 15%
10-May-22	3,735	4,223	ACCUMULATE		
3-Feb-22	4,140	4,494	ACCUMULATE	Accumulate	5% – 15%
21-Oct-21	3,365	4,494	BUY		
1-Oct-21	3,713	4,494	BUY	Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

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KRChoksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.

ANALYST

Kushal Shah, research3@krchoksey.com, +91-22-6696 55502

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is also available on Bloomberg KRCS<GO>
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Phone: +91-22-6696 5555, Fax: +91-22-6691 9576

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