

NFIL's Q1 revenue was up 14% YoY at Rs5.2bn (-13% QoQ), owing to i) volume recovery in the HFO plant (YoY) and higher volumes/pricing-in the ref gas business; ii) lower contribution from the specialty chemical business due to inventory rationalization in the agrochemical market (the mgmt expects recovery from H2), and iii) stable contribution from the CDMO business, with focus on late-stage molecules. EBITDA was below estimates, at Rs1bn (down 12% YoY and 9% QoQ), with margin at 19.2% (vs. 23.3% YoY) on reduction in gross margin and operating leverage. We cut FY25/26E EPS by 7%, to build in lower revenue expectations from capex of Rs5.4bn. We increase our target multiple to 35x, given certainty on the leadership (new MD hired). We retain REDUCE on NFIL, and revise up our TP to Rs3,400/sh (35x Jun-26E EPS).

**Navin Fluorine: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	20,774	20,650	25,061	30,827	35,059
EBITDA	5,503	3,983	5,714	7,583	8,624
Adj. PAT	3,752	2,184	3,487	4,625	5,302
Adj. EPS (Rs)	75.7	54.6	70.4	93.3	107.0
EBITDA margin (%)	26.5	19.3	22.8	24.6	24.6
EBITDA growth (%)	55.1	(27.6)	43.5	32.7	13.7
Adj. EPS growth (%)	42.5	(27.9)	28.9	32.6	14.6
RoE (%)	18.6	9.6	13.9	16.2	16.2
RoIC (%)	19.6	8.2	11.3	12.3	12.1
P/E (x)	49.8	85.6	53.6	40.4	35.2
EV/EBITDA (x)	35.4	50.2	34.7	26.3	23.0
P/B (x)	8.6	7.8	7.1	6.1	5.3
FCFF yield (%)	(3.9)	0.0	(0.7)	(0.1)	0.6

Source: Company, Emkay Research

**High Performance Product (HPP) plants running at optimal utilization**

The HPP segment generated revenue of Rs2.8bn (+67 YoY; -5% QoQ), on steady utilization in the HFO plant and optimum utilization in the R22 and R32 plants, coupled with moderate pricing recovery in the domestic market for R32. R22 volumes as well as pricing saw an uptick in the exports market, owing to phased cuts in consumption. The R32 plant has stabilized, and the focus is on promptly adding 4,500MT capacity, while the progress schedule remains on track for commissioning by Feb-25. AHF capex of Rs4.5bn is scheduled for commissioning by end-FY25/early-FY26 (expects gradual ramp-up by captive consumption and merchant sales of 7,000-8,000MT).

**Specialty Chemicals sales impacted by inventory rationalization**

Specialty Chemicals reported revenue of Rs1.6bn (-29% YoY; -37% QoQ), on inventory level rationalization and continuation of destocking in the agchem market. NFIL added 1 new molecule at Surat (for a global major), with annual peak revenue potential of Rs400-500mn for 3 years. It also entered into supply agreement for a patented agrochemical catering to the Japanese market, with incremental revenue of Rs200-300mn. NFIL is likely to commission its agro specialty capex (Rs5.4bn) by Sep-24, and the revenue is expected to start ramping up from Q3FY25. The management expects to first service the PO for dedicated capacity (50%), and conduct sampling for spot market sales.

**CDMO focus on late-stage molecules continues**

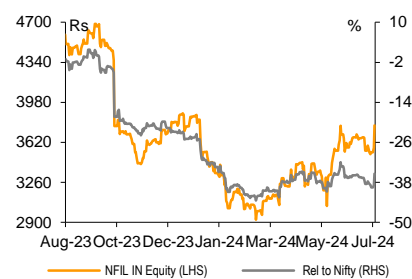
CDMO reported revenue of Rs0.8bn (down 13% YoY; up 69% QoQ), on improving order book visibility in FY25. cGMP-4 capex of Rs2.9bn remains on track to commission by end-CY25, with initial outlay of Rs1.6bn. The management continues to focus on late-stage molecules, and expects gradual build up in revenue over the next couple of quarters (given emergence of a strong pipeline of late-stage molecules). NFIL expects to achieve peak revenue potential for the MSA signed with Fermion earlier than projected, with increase in drug application in select therapeutic areas. The management expects to achieve its revenue guidance of US\$100mn from this business by FY27.

Target Price – 12M	Jun-25
Change in TP (%)	13.3
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	(9.8)
CMP (30-Jul-24) (Rs)	3,771.2

Stock Data	Ticker
52-week High (Rs)	4,721
52-week Low (Rs)	2,876
Shares outstanding (mn)	49.6
Market-cap (Rs bn)	187
Market-cap (USD mn)	2,234
Net-debt, FY25E (Rs mn)	11,395
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	945.0
ADTV-3M (USD mn)	11.3
Free float (%)	-
Nifty-50	24,857
INR/USD	83.7
<b>Shareholding, Jun-24</b>	
Promoters (%)	28.8
FPIs/MFs (%)	18.0/27.4

Price Performance			
(%)	1M	3M	12M
Absolute	5.5	10.3	(11.6)
Rel. to Nifty	1.9	0.3	(30.2)

**1-Year share price trend (Rs)**



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## Other Highlights

### High-Performance Products (HPPs)

- The management is witnessing signs of recovery in the refrigerant gas market with respect to pricing. The R22 pricing environment has improved in the export markets. R32 realization has improved in the domestic market.
- The company's R32 plant was commercialized in Q2FY24, and is operating at optimal capacity. R32 witnessed higher domestic volumes, whereas the export environment remained challenging, with enquiries flowing from European/US geographies.
- Additional capacity expansion of 4,500MT is approved by the Board at a capex of Rs840mn and is expected to be commissioned by Feb-25 (progress as per schedule). The additional capacity will be ramped up, considering the higher order bookings and demand in domestic market.
- The AHF capacity expansion project (40KTPA) at a cost of Rs4.5bn is moving as per schedule. The management has guided that initial capacities will be used for internal consumption and newer projects. Capacity is expected to come on-stream by FY25-end/early-FY26.

### Specialty Chemicals

- Specialty sales were impacted by inventory rationalization and postponement of orders by key customers.
- NFIL has signed supply agreement for a patented agrochemical product catering to the Japanese market, with incremental annual revenue of Rs200-300mn from CY25.
- One new molecule was added in Q1FY25 at Surat, with annual peak revenue potential of Rs500mn.
- NFIL to start commercial production of agro-specialty capex of Rs5.4bn at Dahej by Sep-24. One half of the plant capacity has been built for catering to the contracted volumes with a specific customer, and the other half will be for NFIL at its discretion.
- Capex of Rs0.3bn towards the development of a completely new capability in Surat is on track, and is expected to be completed in Q2FY25.
- The management expects agchem demand to recover from the end of Q2FY25, and believes that H2 will be better than H1.

### CDMO

- NFIL has expanded its existing MSA with a European API customer (Fermion) for supplying 2 new molecules (total 3 molecules) in FY25. The company has good order visibility, leading to optimism on achieving peak revenue projections. Some decent-size revenue would kick-in CY25 onward which will be 2x that of CY24 and 3x that of CY24, for CY26.
- The management took a strategic decision to target a fair mix of early- and late-stage molecules for sustainable and continuous growth, and has received a promising response.
- It on-boarded 1 new UK pharma client (development completed, and scale-up order is received), pre-validation campaign completed for an EU customer, and POs in hand for 2 RSMs for delivery in CY25, for a drug recently approved by the FDA for commercial launch for a US-based customer.
- NFIL's Board has approved cGMP4 capex amounting to Rs2.9bn, with an initial Phase-1 outlay of Rs1.6bn (Phase-2 at Rs1.3bn), and on-track commissioning by the end of CY25.

## Exhibit 1: Result update

P&L (Rs mn)	Reported					Emkay Est.		Full year		
	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	Q1FY25	vs. Est. (%)	FY24	FY23	YoY (%)
<b>Net revenue</b>	<b>4,912</b>	<b>6,020</b>	<b>5,237</b>	<b>7</b>	<b>-13</b>	<b>5,686</b>	<b>-8</b>	<b>20,667</b>	<b>20,774</b>	<b>-1</b>
Raw Material cost	(2,027)	(3,010)	(2,304)	14	-23	(2,559)	-10	(9,371)	(8,960)	5
<b>Gross Profit</b>	<b>2,885</b>	<b>3,009</b>	<b>2,933</b>	<b>2</b>	<b>-3</b>	<b>3,127</b>	<b>-6</b>	<b>11,296</b>	<b>11,814</b>	<b>-4</b>
<b>Gross margin (%)</b>	<b>58.7</b>	<b>50.0</b>	<b>56.0</b>	<b>-273 bps</b>	<b>601 bps</b>	<b>55.0</b>	<b>100 bps</b>	<b>54.7</b>	<b>56.9</b>	<b>-222 bps</b>
Employee cost	(792)	(713)	(782)	-1	10	(768)	2	(2,858)	(2,494)	15
Other overheads	(951)	(1,196)	(1,148)	21	-4	(1,223)	-6	(4,455)	(3,817)	17
<b>Total expenses</b>	<b>(3,769)</b>	<b>(4,919)</b>	<b>(4,233)</b>	<b>12</b>	<b>-14</b>	<b>(4,549)</b>	<b>(7)</b>	<b>(16,684)</b>	<b>(15,271)</b>	<b>9</b>
<b>EBITDA</b>	<b>1,142</b>	<b>1,101</b>	<b>1,004</b>	<b>-12</b>	<b>-9</b>	<b>1,137</b>	<b>-12</b>	<b>3,983</b>	<b>5,503</b>	<b>-28</b>
<b>EBITDA margin (%)</b>	<b>23.3</b>	<b>18.3</b>	<b>19.2</b>	<b>-410 bps</b>	<b>88 bps</b>	<b>20.0</b>	<b>-84 bps</b>	<b>19.3</b>	<b>26.5</b>	<b>-722 bps</b>
Other income	83	125	103	24	-18	140	-27	559	357	56
Interest	(194)	(174)	(156)	-20	-11	(183)	-15	(746)	(275)	171
Depreciation	(213)	(257)	(267)	25	4	(270)	(1)	(962)	(626)	54
EO Items	-	-	-	-	-	-	-	521	-	-
<b>PBT</b>	<b>818</b>	<b>794</b>	<b>683</b>	<b>-16</b>	<b>-14</b>	<b>824</b>	<b>-17</b>	<b>3,355</b>	<b>4,959</b>	<b>-32</b>
Tax	(202)	(90)	(171)	-16	89	(181)	(6)	(650)	(1,207)	-46
<b>Adj. PAT</b>	<b>615</b>	<b>704</b>	<b>512</b>	<b>-17</b>	<b>-27</b>	<b>643</b>	<b>-20</b>	<b>2,184</b>	<b>3,752</b>	<b>-42</b>
EO Items	-	-	-	-	-	-	-	521	-	-
<b>Reported PAT</b>	<b>615</b>	<b>704</b>	<b>512</b>	<b>-17</b>	<b>-27</b>	<b>643</b>	<b>-20</b>	<b>2,705</b>	<b>3,752</b>	<b>-28</b>
<b>EPS (Rs)</b>	<b>12.4</b>	<b>14.2</b>	<b>10.3</b>	<b>-17</b>	<b>-27</b>	<b>13.0</b>	<b>-20</b>	<b>44.1</b>	<b>75.7</b>	<b>-42</b>
<b>Costs as a % of sales</b>										
Material cost	41.3	50.0	44.0	272 bps	-602 bps	45.0	-101 bps	45.3	43.1	221 bps
Employee cost	16.1	11.8	14.9	-120 bps	309 bps	13.5	143 bps	13.8	12.0	182 bps
Other overheads	19.4	19.9	21.9	255 bps	204 bps	21.5	41 bps	21.6	18.4	318 bps
Income tax rate (%)	24.8	11.4	25.0	28 bps	1365 bps	22.0	303 bps	19.4	24.3	-496 bps

Source: Company, Emkay Research

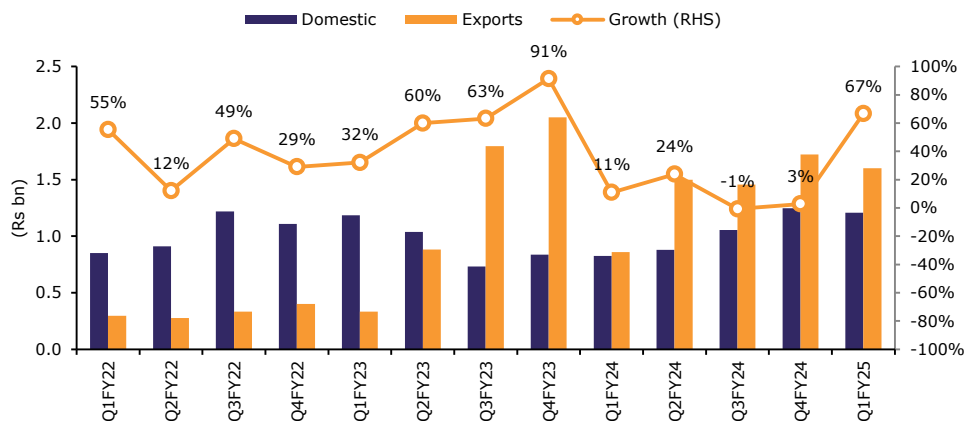
## Exhibit 2: Segmental Highlights

Segmental Highlights (Rs mn)	Quarter ended					Full year		
	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
<b>High-Performance Products (HPP)</b>								
Domestic	826	1,247	1,208	46	-3	4,009	3,794	6
Exports	860	1,723	1,602	86	-7	5,538	5,066	9
<b>Total</b>	<b>1,686</b>	<b>2,970</b>	<b>2,810</b>	<b>67</b>	<b>-5</b>	<b>9,547</b>	<b>8,860</b>	<b>8</b>
<b>Specialty Chemicals</b>								
Domestic	804	617	616	-23	0	2,955	3,056	-3
Exports	1,492	1,953	1,004	-33	-49	5,544	4,376	27
<b>Total</b>	<b>2,296</b>	<b>2,570</b>	<b>1,620</b>	<b>-29</b>	<b>-37</b>	<b>8,499</b>	<b>7,432</b>	<b>14</b>
<b>CDMO</b>								
Domestic	-	197	130		-34	197	-	
Exports	930	283	680	-27	140	2,433	4,482	-46
<b>Total</b>	<b>930</b>	<b>480</b>	<b>810</b>	<b>-13</b>	<b>69</b>	<b>2,630</b>	<b>4,482</b>	<b>-41</b>
<b>Overall Revenue</b>								
Domestic	1,630	2,061	1,954	20	-5	7,161	6,850	5
Exports	3,282	3,959	3,287	0	-17	13,515	13,924	-3
<b>Total</b>	<b>4,912</b>	<b>6,020</b>	<b>5,240</b>	<b>7</b>	<b>-13</b>	<b>20,676</b>	<b>20,774</b>	<b>0</b>

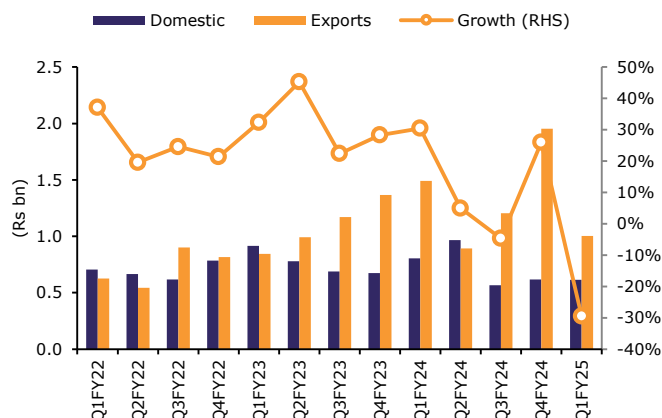
Source: Company, Emkay Research

**Exhibit 3: HPP revenue jumped 67% YoY in Q1FY25 (-5% QoQ)**

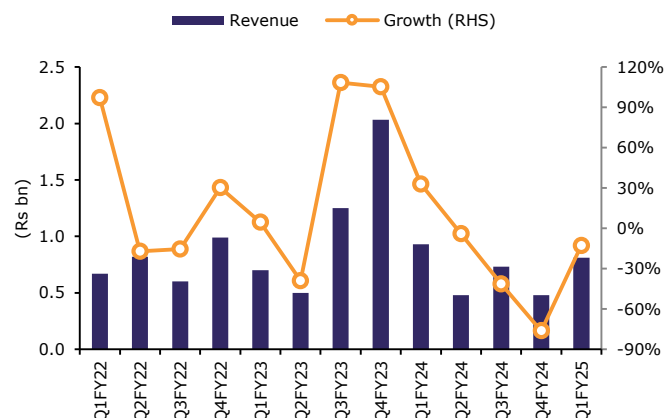
**All plants running at optimal utilization**



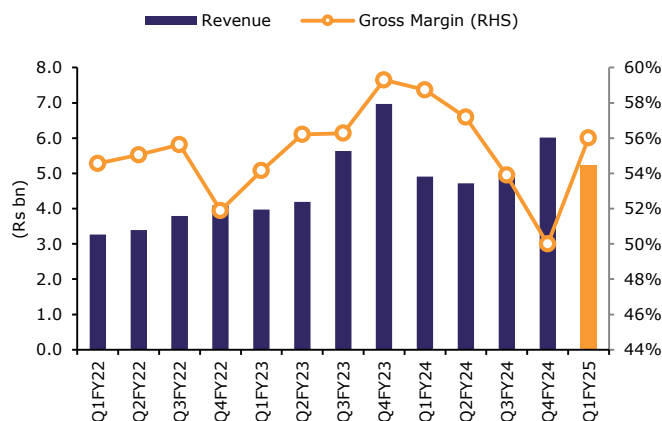
Source: Company, Emkay Research

**Exhibit 4: Specialty revenue plummeted 29% YoY (-37% QoQ)**

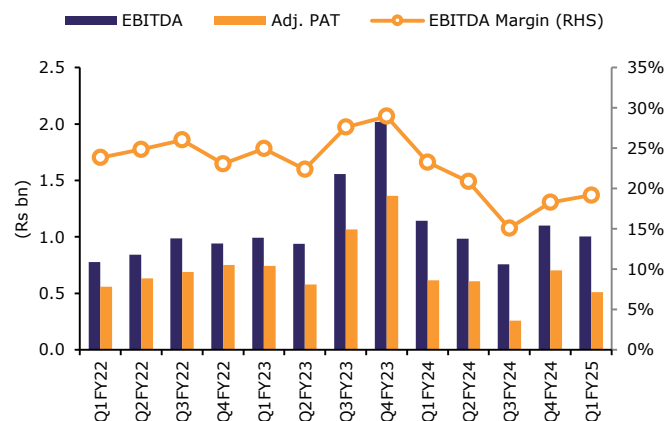
Source: Company, Emkay Research

**Exhibit 5: CDMO revenue dipped 13% YoY (+9% QoQ)**

Source: Company, Emkay Research

**Exhibit 6: Gross margin declined by 273bps YoY (+600bps QoQ)**

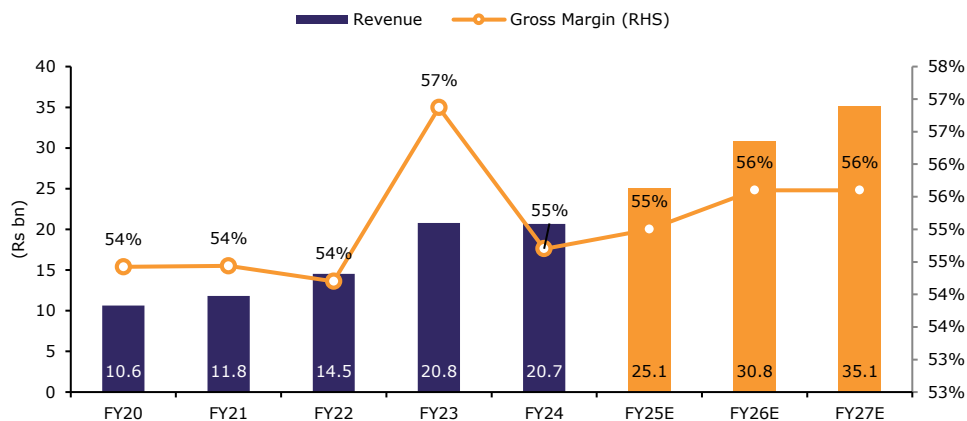
Source: Company, Emkay Research

**Exhibit 7: EBITDA margin stood at 19.2% (vs. 23.3% YoY)**

Source: Company, Emkay Research

**Exhibit 8: Specialty and CDMO ramp-up to drive 20% revenue CAGR over FY24-27E**

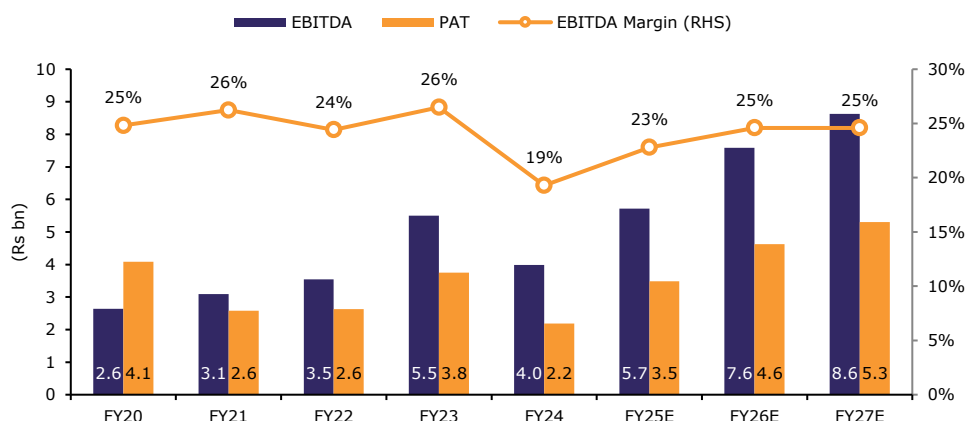
**Healthy growth in the specialty chemicals and CDMO businesses, coupled with steady ramp-up in the HPP business, to drive incremental revenue (lower base in FY24)**



Source: Company, Emkay Research

**Exhibit 9: Operating leverage to kick in by FY26/27 on the back of higher capacity utilizations**

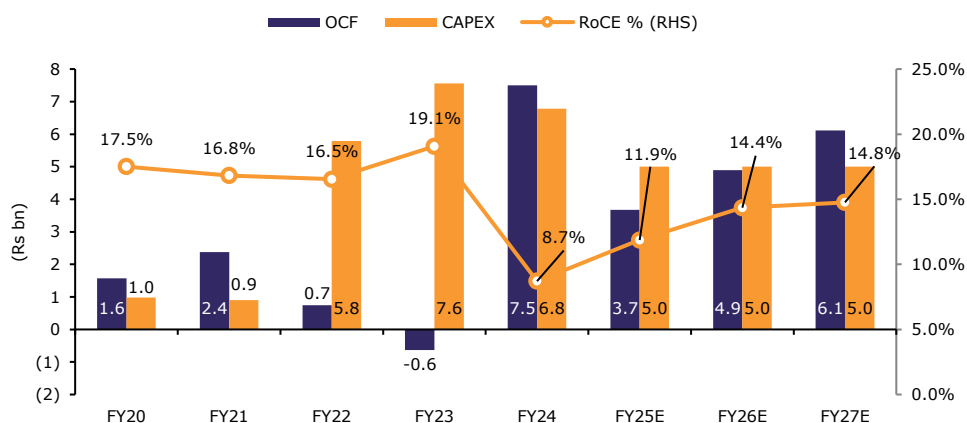
**Margin trajectory to improve, considering the higher share of the specialty/CDMO business, as guided by the management**



Source: Company, Emkay Research

**Exhibit 10: Sustainable operating cash flows to keep RoCE in control, post-capex**

**Healthy OCF generation to be sufficient for funding capex plans**

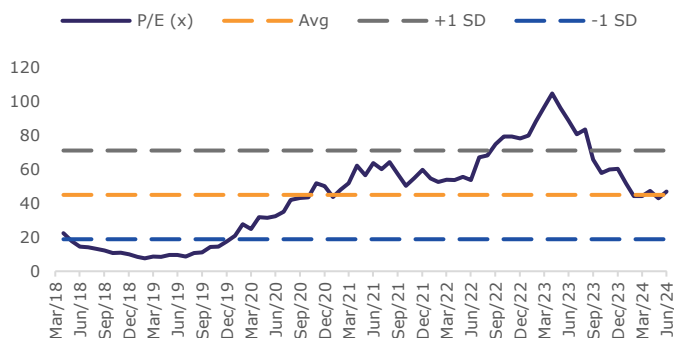


Source: Company, Emkay Research

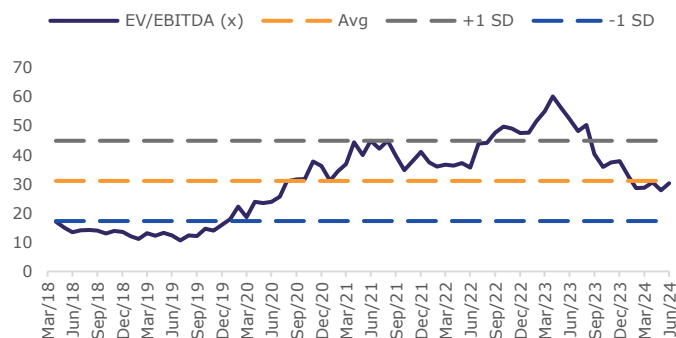
**Exhibit 11: We cut FY25E/FY26E EPS by 7% to factor in the lower revenue expectation from the Rs5.4bn capex**

(Rs mn)	FY25E			FY26E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Revenue	25,061	27,067	-7	30,827	32,442	-5
EBITDA	5,714	6,171	-7	7,583	7,981	-5
EBITDA margin (%)	22.8	22.8	0 bps	24.6	24.6	-1 bps
PAT	3,487	3,744	-7	4,625	4,951	-7
EPS (Rs)	70.4	75.6	-7	93.3	99.9	-7

Source: Emkay Research

**Exhibit 12: One-year forward P/E**

Source: Bloomberg, Emkay Research

**Exhibit 13: One-year forward EV/EBITDA**

Source: Bloomberg, Emkay Research

Navin Fluorine: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	20,774	20,650	25,061	30,827	35,059
Revenue growth (%)	42.9	(0.6)	21.4	23.0	13.7
EBITDA	5,503	3,983	5,714	7,583	8,624
EBITDA growth (%)	55.1	(27.6)	43.5	32.7	13.7
Depreciation & Amortization	626	962	1,105	1,608	1,849
EBIT	4,877	3,021	4,609	5,975	6,775
EBIT growth (%)	58.9	(38.0)	52.6	29.6	13.4
Other operating income	0	0	0	0	0
Other income	357	559	614	676	743
Financial expense	275	746	753	722	722
PBT	4,959	2,834	4,471	5,929	6,797
Extraordinary items	0	0	0	0	0
Taxes	1,207	650	984	1,304	1,495
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	3,752	2,705	3,487	4,625	5,302
PAT growth (%)	42.6	(27.9)	28.9	32.6	14.6
Adjusted PAT	3,752	2,184	3,487	4,625	5,302
Diluted EPS (Rs)	75.7	54.6	70.4	93.3	107.0
Diluted EPS growth (%)	42.5	(27.9)	28.9	32.6	14.6
DPS (Rs)	11.0	15.0	16.4	14.1	14.0
Dividend payout (%)	14.5	27.5	23.3	15.1	13.1
EBITDA margin (%)	26.5	19.3	22.8	24.6	24.6
EBIT margin (%)	23.5	14.6	18.4	19.4	19.3
Effective tax rate (%)	24.3	22.9	22.0	22.0	22.0
NOPLAT (pre-IndAS)	3,690	2,328	3,595	4,661	5,285
Shares outstanding (mn)	49.6	49.6	49.6	49.6	49.6

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	4,959	2,834	4,471	5,929	6,797
Others (non-cash items)	0	0	0	0	0
Taxes paid	(1,098)	(343)	(958)	(1,271)	(1,470)
Change in NWC	(5,057)	(379)	2,948	(1,390)	(1,020)
Operating cash flow	(636)	7,499	3,679	4,889	6,109
Capital expenditure	(6,900)	(7,585)	(5,000)	(5,000)	(5,000)
Acquisition of business	34	40	0	0	0
Interest & dividend income	79	100	120	0	0
Investing cash flow	(6,556)	(10,935)	(386)	(4,324)	(4,257)
Equity raised/(repaid)	17	0	0	0	0
Debt raised/(repaid)	7,279	4,913	(1,712)	695	(704)
Payment of lease liabilities	14	14	14	0	0
Interest paid	(275)	(746)	(753)	(722)	(722)
Dividend paid (incl tax)	(543)	(745)	(812)	(697)	(694)
Others	101	(65)	0	0	0
Financing cash flow	6,579	3,357	(3,276)	(725)	(2,120)
Net chg in Cash	(613)	(78)	17	(160)	(267)
OCF	(636)	7,499	3,679	4,889	6,109
Adj. OCF (w/o NWC chg.)	(5,692)	7,120	6,627	3,500	5,089
FCFF	(7,536)	(86)	(1,321)	(111)	1,109
FCFE	(7,732)	(732)	(1,954)	(833)	0
OCF/EBITDA (%)	(11.6)	188.3	64.4	64.5	70.8
FCFE/PAT (%)	(206.1)	(27.1)	(56.0)	(18.0)	0.0
FCFF/NOPLAT (%)	(204.2)	(3.7)	(36.8)	(2.4)	21.0

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	99	99	99	99	99
Reserves & Surplus	21,750	23,728	26,403	30,331	34,939
Net worth	21,850	23,827	26,502	30,430	35,038
Minority interests	0	0	0	0	0
Deferred tax liability (net)	348	643	643	643	643
Total debt	8,487	13,399	11,688	12,382	11,678
Total liabilities & equity	30,684	37,869	38,833	43,455	47,359
Net tangible fixed assets	6,291	6,539	6,748	322	0
Net intangible assets	15	31	31	5	0
Net ROU assets	40	12	12	0	0
Capital WIP	2,786	7,111	4,000	1,000	1,000
Goodwill	878	878	878	878	878
Investments [JV/Associates]	633	593	593	593	593
Cash & equivalents	348	275	293	133	(134)
Current assets (ex-cash)	15,584	17,550	14,146	16,676	18,532
Current Liab. & Prov.	4,609	5,901	5,446	6,585	7,422
NWC (ex-cash)	10,974	11,649	8,701	10,090	11,110
Total assets	30,683	37,869	38,833	43,455	47,359
Net debt	8,138	13,124	11,395	12,249	11,812
Capital employed	30,684	37,869	38,833	43,455	47,359
Invested capital	26,917	29,890	33,948	41,729	45,900
BVPS (Rs)	441.0	480.9	534.9	614.1	707.1
Net Debt/Equity (x)	0.4	0.6	0.4	0.4	0.3
Net Debt/EBITDA (x)	1.5	3.3	2.0	1.6	1.4
Interest coverage (x)	0.1	0.2	0.1	0.1	0.1
RoCE (%)	20.7	10.4	13.6	16.2	16.6

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	49.8	85.6	53.6	40.4	35.2
P/CE(x)	42.7	59.4	40.7	30.0	26.1
P/B (x)	8.6	7.8	7.1	6.1	5.3
EV/Sales (x)	9.4	9.7	7.9	6.5	5.7
EV/EBITDA (x)	35.4	50.2	34.7	26.3	23.0
EV/EBIT(x)	40.0	66.2	43.0	33.3	29.3
EV/IC (x)	7.2	6.7	5.8	4.8	4.3
FCFF yield (%)	(3.9)	0.0	(0.7)	(0.1)	0.6
FCFE yield (%)	(4.1)	(0.4)	(1.0)	(0.4)	0.0
Dividend yield (%)	0.3	0.4	0.4	0.4	0.4
DuPont-RoE split					
Net profit margin (%)	18.1	10.6	13.9	15.0	15.1
Total asset turnover (x)	0.8	0.6	0.7	0.7	0.8
Assets/Equity (x)	1.3	1.5	1.5	1.4	1.4
RoE (%)	18.6	9.6	13.9	16.2	16.2
DuPont-RoIC					
NOPLAT margin (%)	17.8	11.3	14.3	15.1	15.1
IC turnover (x)	0.0	0.0	0.0	0.0	0.0
RoIC (%)	19.6	8.2	11.3	12.3	12.1
Operating metrics					
Core NWC days	192.8	205.9	126.7	119.5	115.7
Total NWC days	192.8	205.9	126.7	119.5	115.7
Fixed asset turnover	1.7	1.0	1.0	0.9	0.9
Opex-to-revenue (%)	30.4	35.4	32.2	31.0	31.0

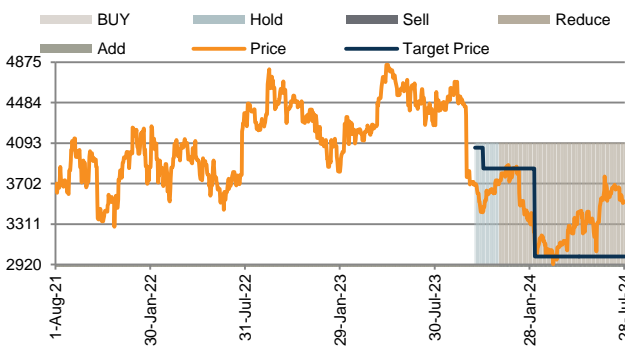
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
14-Jul-24	3,657	3,000	Reduce	Meet Vora
07-Jun-24	3,329	3,000	Reduce	Meet Vora
08-May-24	3,411	3,000	Reduce	Meet Vora
07-Apr-24	3,148	3,000	Reduce	Meet Vora
26-Feb-24	3,109	3,000	Reduce	Meet Vora
07-Feb-24	3,093	3,000	Reduce	Meet Vora
30-Nov-23	3,701	3,850	Reduce	Meet Vora
22-Nov-23	3,610	3,850	Hold	Meet Vora
31-Oct-23	3,438	3,850	Hold	Meet Vora
15-Oct-23	3,692	4,050	Hold	Meet Vora

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research



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<b>SELL</b>	<15% downside

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