

Navin Fluorine International

Estimate change 

TP change 

Rating change 

CMP: INR3,377

TP: INR3,110 (-8%)

Neutral

Bloomberg	NFIL IN
Equity Shares (m)	50
M.Cap.(INRb)/(USDb)	167.4 / 2
52-Week Range (INR)	4946 / 2899
1, 6, 12 Rel. Per (%)	8/-21/-53
12M Avg Val (INR M)	897

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	20.7	25.5	31.4
EBITDA	4.0	5.4	7.1
PAT	2.3	3.1	4.4
EPS (INR)	46.1	62.7	88.9
EPS Gr. (%)	-39.1	35.9	41.8
BV/Sh.(INR)	480.9	526.3	590.8

Ratios

Net D:E	0.6	0.6	0.5
RoE (%)	10.0	12.4	15.9
RoCE (%)	8.4	9.2	11.5
Payout (%)	27.4	27.4	27.4

Valuations

P/E (x)	73.1	53.8	37.9
P/BV (x)	7.0	6.4	5.7
EV/EBITDA (x)	45.2	34.0	25.4
Div. Yield (%)	0.4	0.5	0.7
FCF Yield (%)	0.4	-0.8	2.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	28.8	28.8	28.8
DII	28.6	28.9	24.8
FII	15.6	15.9	19.6
Others	27.0	26.4	26.8

FII Includes depository receipts

Strong performance led by Specialty and HPP businesses

- Navin Fluorine's (NFIL) EBITDA/PAT were 13%/42% higher than our estimates in 4QFY24. The beat was driven by a strong performance in the Specialty Chemicals business, which was well supported by growth in the HPP segment. Gross margin was 50%, while EBITDA margin dipped 10.7pp YoY to 18.3%.
- The Specialty Chemicals business posted strong revenue growth of 26% YoY, led by higher utilization at the Surat plant and the addition of new molecules (one in Dahej and two in Surat). Management highlighted that it is much better placed with long term take-or-pay contracts with its customers. Currently, 80% of the revenue is contributed by the agrochemicals sector. NFIL anticipates launching 3-4 new molecules every year in this space.
- The HPP business grew 3% YoY, led by R22 and R32 plants that are running at full capacity, with positive pricing trends being seen in the domestic market for R32. Management seeks to double the R32 capacity that is expected to be commissioned by Feb'25. The HFO plant has stabilized, and the volumes are higher than the previous three quarters. Management also highlighted that the Ref Gas market is showing signs of recovery.
- Navin Molecular continued its weak performance with a revenue decline of 76% YoY in 4Q, and some deferral in molecules while some molecules did not get timely approvals by the customers. Despite this, management mentioned that it has a strong late-stage pipeline/commercial opportunities in the business. The BoD has also approved a capex of INR2.9b for its cGMP-4 plant with Phase-1 outlay of INR1.6b that is likely to be commissioned by end-CY25.
- We have not made any material changes to our estimates as of now. Subsequently, **we expect a revenue/EBITDA/PAT CAGR of 23%/34%/39% over FY24-26**. The stock is trading at 38x FY26E EPS of INR89 and 25x FY26E EV/EBITDA. We value the company at 35x FY26E EPS to arrive at our TP of INR3,110. **We reiterate our Neutral rating on the stock.**

Beat led by lower-than-expected operating costs, EBITDAM improves sequentially

- NFIL reported a revenue of INR6b (est. INR5.3b, -14% YoY). EBITDAM came in at 18.3% (-10.7pp YoY), with EBITDA at INR1.1b (est. of INR976m, -45% YoY).
- Reported PAT stood at INR704m (est. of INR497m, -48% YoY). Other income was higher as it included INR12m of interest on the refund of income tax. Tax expenses also included a reversal of excess tax provisions for earlier years amounting to INR170m.
- For FY24**, revenue stood at INR20.7b (-1% YoY), EBITDA was INR4b (-28% YoY), and reported PAT was INR2.7b (-28% YoY). Adjusted PAT came in at INR2.3b (-39% YoY), with EBITDAM at 19.3% (-720bp YoY).

Aman Chowdhary – Research Analyst (Aman.Chowdhary@MotilalOswal.com)

Abhishek Nigam – Research Analyst (Abhishek.nigam@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The Board declared a final dividend of INR7/sh (350% of FV) for FY24. An interim dividend of INR5/sh plus a one-time special dividend of INR3/sh were also announced during the year.

Segmental highlights

- The **HPP business** posted revenue of INR3b (+3% YoY). The business saw increased sales from R32 capacity, which was offset by lower export realization and reduced HFO. The HFO sales were significantly higher than 9MFY24.
- The **Specialty Chemicals business** posted revenue of INR2.6b (+26% YoY). Utilization at the Surat plant was higher with the addition of new molecules. One molecule was added at Dahej and two in Surat. Chemical charge was initiated from the Agro specialty molecule with firm orders for FY25 in place.
- **Navin Molecular** reported a revenue of INR480m (-76% YoY). Deferral of molecules in 4Q led to weak business performance. There was an order visibility from existing MSA, with a European CDMO major for FY25. The company has a strong late-stage pipeline/commercial opportunities. cGMP capex of INR2.9b was approved by the BoD with Phase-I outlay of INR1.6b (to be commissioned by end-CY25).
- **The revenue mix in 4QFY24 was 49% for HPP business (42% in 4QFY23), 8% for Navin Molecular (29%), and 43% for Specialty Chemicals business (29%)**
- Domestic sales were 34% of the total revenues in 4QFY24, while 66% was exports (78% in 4QFY23). Domestic sales from the HPP business stood at 42% and sales from the Specialty Chemicals business was 24%. The same for Navin Molecular was at 41%.

Valuation and View

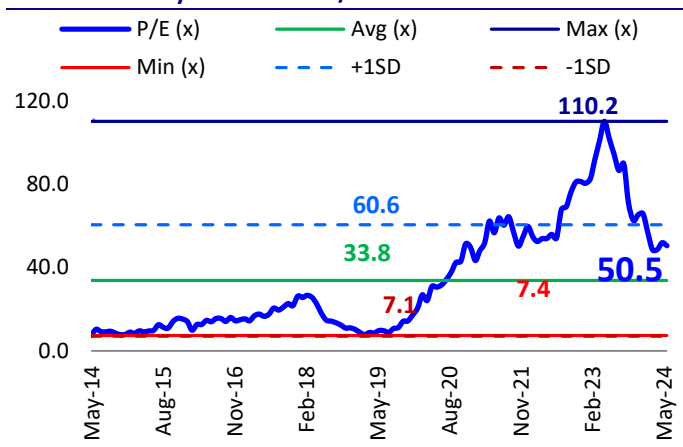
- The Specialty Chemicals and Navin Molecular businesses should drive robust CAGR at 29% and 45%, respectively, over FY24-26, with increasing use of fluorine in the Pharma and Agro space, battery chemicals, and performance materials (Solar grid HF, Semiconductor grade HF, et al).
- The company has already identified various opportunities, such as 1) a capability capex in Specialty Chemicals with INR450m in revenue expected every year starting FY25, 2) Fermion contract with value of USD40m over three years (starting CY24), and 3) an additional R32 capacity to be commissioned by Feb'25, among others.
- **We expect a revenue/EBITDA/PAT CAGR of 23%/34%/39% over FY24-26.** The stock is trading at 38x FY26E EPS of INR89 and 25x FY26E EV/EBITDA. We value the company at 35x FY26E EPS to arrive at our TP of INR3,110. **We reiterate our Neutral rating on the stock.**

Consolidated - Quarterly Snapshot

(INR m)

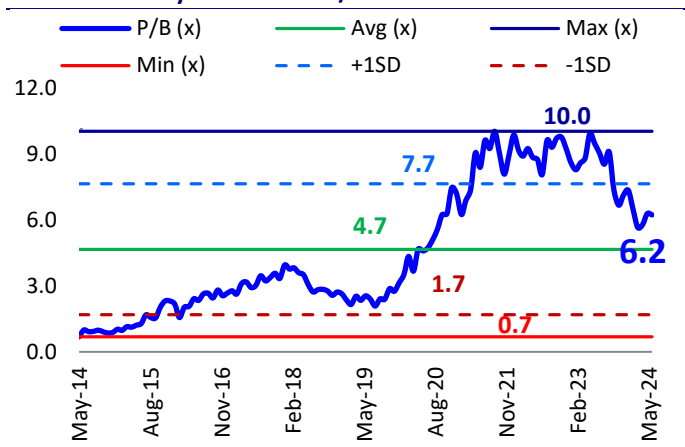
Y/E March	FY23				FY24				FY23	FY24	FY24	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE	(%)	
Gross Sales	3,975	4,192	5,636	6,971	4,912	4,718	5,001	6,020	20,774	20,650	5,322	13%
YoY Change (%)	21.7	23.7	48.7	70.5	23.6	12.5	-11.3	-13.6	42.9	-0.6	-23.7	
Gross Margin (%)	54.1%	56.2%	56.3%	59.3%	58.7%	57.2%	54.1%	50.0%	56.9%	54.7%	58.2%	-8.2%
EBITDA	991	938	1,556	2,018	1,142	983	757	1,101	5,503	3,983	976	13%
Margin (%)	24.9	22.4	27.6	28.9	23.3	20.8	15.1	18.3	26.5	19.3	18.3	-0.1
Depreciation	124	177	250	76	213	243	249	257	626	962	260	
Interest	3	40	92	140	194	200	177	174	275	746	181	
Other Income	109	109	99	40	83	231	119	125	357	559	86	
PBT before EO expense	974	831	1,313	1,842	818	772	450	794	4,959	2,834	621	28%
Extra-Ord. expense	0	0	0	0	0	0	521	0	0	521	0	
PBT	974	831	1,313	1,842	818	772	972	794	4,959	3,355	621	28%
Tax	229	252	247	478	202	166	191	90	1,207	650	124	
Rate (%)	23.5	30.4	18.8	26.0	24.8	21.5	19.7	11.4	24.3	19.4	20.0	
Minority Interest & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	745	578	1,066	1,364	615	606	780	704	3,752	2,705	497	42%
Adj. PAT	745	578	1,066	1,364	615	606	362	704	3,752	2,285	497	42%
YoY Change (%)	33.2	-8.6	54.9	81.5	-17.4	4.8	-66.1	-48.4	42.6	-39.1	-63.6	
Margin (%)	18.7	13.8	18.9	19.6	12.5	12.8	7.2	11.7	18.1	11.1	9.3	2.4
Segmental Revenue (INR m)												
High Performance Products (HPP)	1,520	2,110	2,530	2,890	1,690	2,381	2,510	2,970	9,050	9,551	2,682	11%
Specialty Chemicals	1,760	1,770	1,860	2,040	2,300	1,855	1,770	2,570	7,430	8,495	1,898	35%
Navin Molecular	700	390	1,250	2,030	930	482	730	480	4,370	2,622	742	-35%

Exhibit 1: One-year forward P/E chart



Source: Company, MOSL

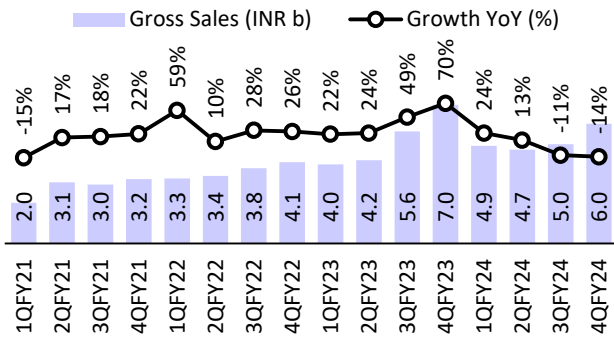
Exhibit 2: One-year forward P/B chart



Source: Company, MOSL

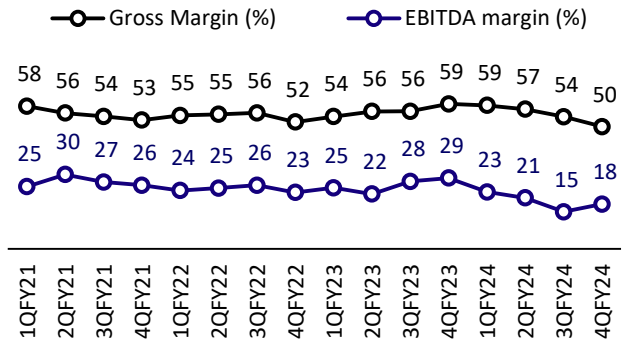
Story in charts – 4QFY24

Exhibit 3: Sales declined 14% YoY due to weakness in Navin Molecular



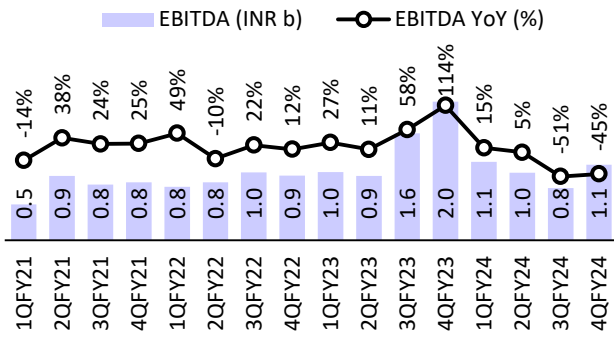
Source: Company, MOFSL

Exhibit 4: Margins contracted YoY in 4QFY24



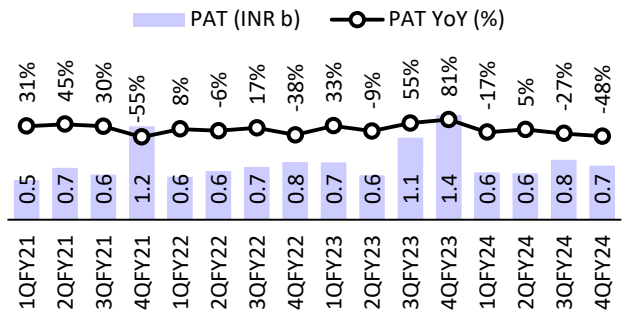
Source: Company, MOFSL

Exhibit 5: EBITDA declined 45% YoY



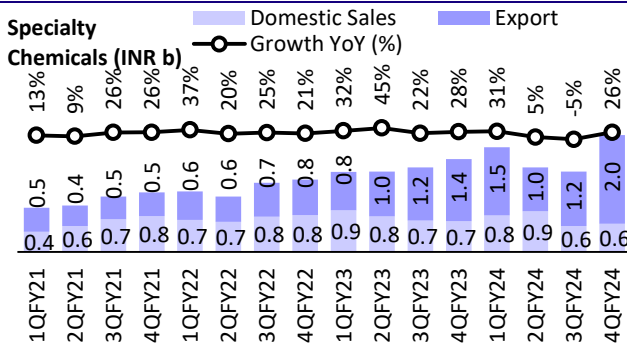
Source: Company, MOFSL

Exhibit 6: PAT too declined 48% YoY



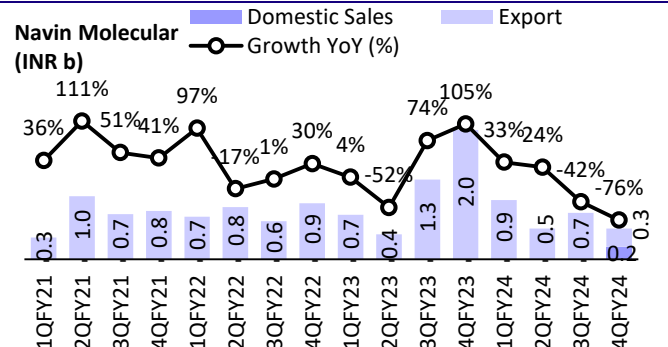
Source: Company, MOFSL

Exhibit 7: Specialty Chemicals revenue increased 26% YoY



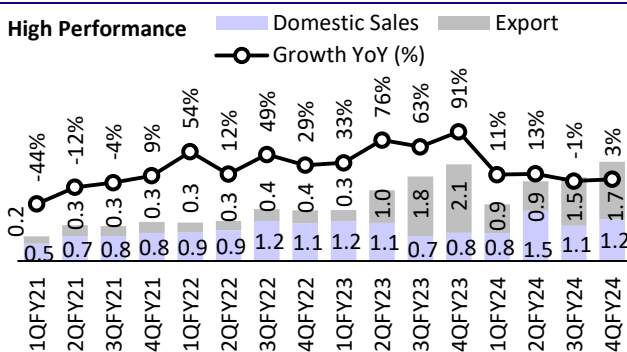
Source: Company, MOFSL

Exhibit 8: Navin Molecular revenue declined 76% YoY



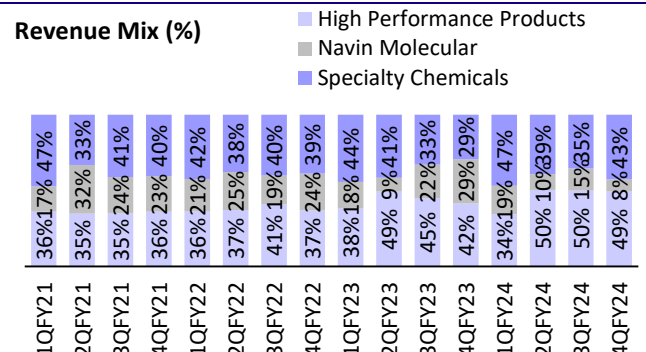
Source: Company, MOFSL

Exhibit 9: HPP sales increased 3% YoY



Source: Company, MOFSL

Exhibit 10: Revenue mix for the quarter



Source: Company, MOFSL

Management concall highlights

- Have narrowed down on candidates with respect to a new CEO appointment, which management expects to close soon
- Robust performance in the HPP and Spec Chem in 4QFY24
- **HPP**
 - R22 and R32 plants are operating at full capacities currently
 - Positive trends in domestic market in R32
 - Doubling the capacity will be operational by Feb'25
 - AHF capex also progressing well and as per schedule
 - Lower volumes in HFO w.r.t. FY23; expect 1.3x the volumes that was done at the run rate of 4QFY24
 - Ref gas prices were quite different in 4Q vs. 3QFY24
- **Spec Chem**
 - Much better placed with long-term take-or-pay contracts
 - To launch 3-4 new molecules every year
 - Performance/ advanced materials: solar grid HF, semiconductor grade HF, etc.
 - 80-90% of the revenue contribution comes from agrochem
 - Management remains constructive on the agrochem industry
- **CDMO**
 - Weak results due to deferral of some molecules. Some molecules did not get validated in time by customers
 - Have secured a validation campaign for a major company in the EU
 - Gestation period is going to be quite long from registration to validation to commercial supply
 - The company expects to double revenue in CY25 vs. CY24 and 3x in CY26 vs. CY24 w.r.t. Fermion contract
 - Have two POs in hand for two RSMs for delivery in CY25 for a drug recently approved by the FDA
 - CDMO contribution in FY24 vs. FY23 is significantly lower, which is a high-margin business
 - Commercial stage molecules to have similar margin w.r.t. past years
- Long-term view remains intact for the business
- 1HFY25 is expected to be muted with 2HFY25 recovery to be gradual and not a hockey sticks one w.r.t. agrochem industry
- Contractual liability of INR900m: customers wanted to bring in greater flexibility w.r.t. to the agro specialty molecule and therefore they have funded the plant
- Capex guidance of INR5-6b in FY25
- 65-70% of the molecules are patented for the company
- Phase-I capex of cGMP-4 would mainly cater to Fermion or the EU CDMO
- Phase II would start once these molecules start ramping up
- Phase-I would help in unlocking USD100m revenue in Navin Molecular

Financial story in charts

Exhibit 11: Expect ~23% revenue CAGR over FY24-26...

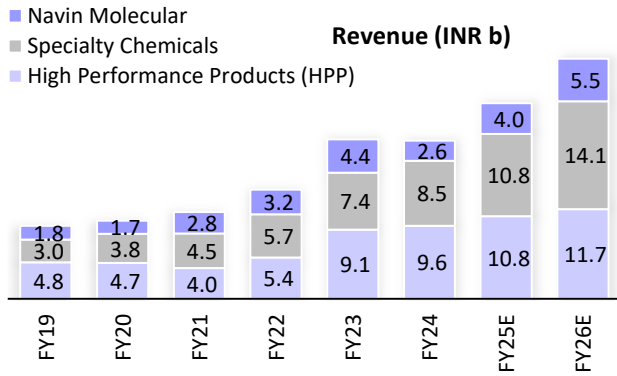


Exhibit 12: ...with Navin Molecular clocking a 45% CAGR

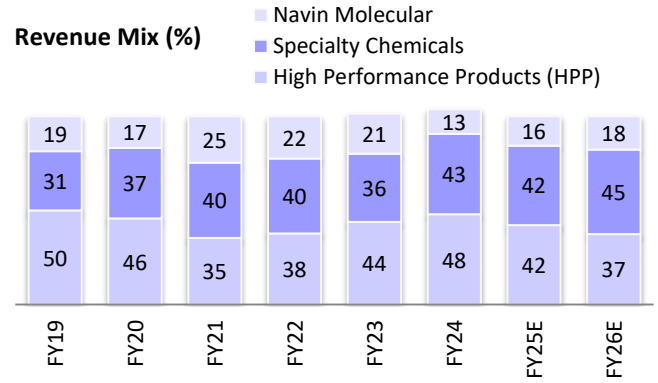


Exhibit 13: Exports were ~63% of total revenue in FY24...

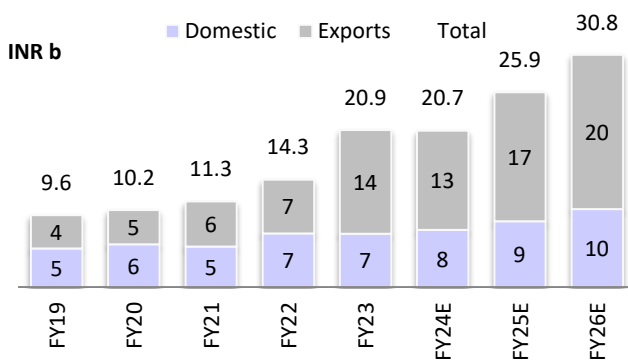


Exhibit 14: ...and to contribute 68% by FY26E

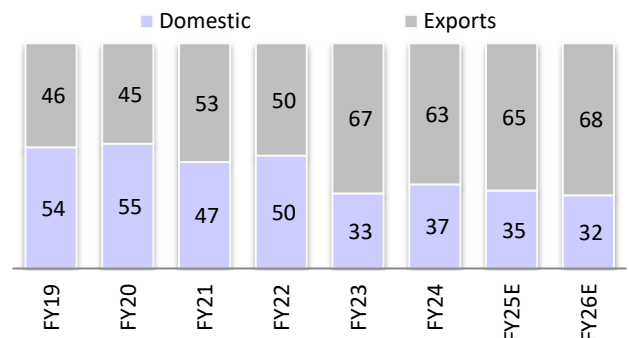


Exhibit 15: Expect ~34% EBITDA CAGR over FY24-26...

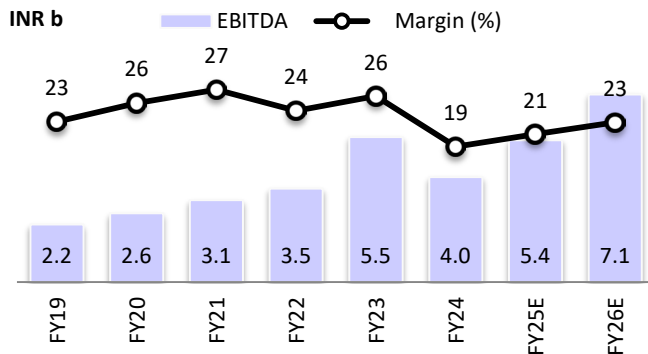


Exhibit 16: ...with a PAT CAGR of ~39% over the same period

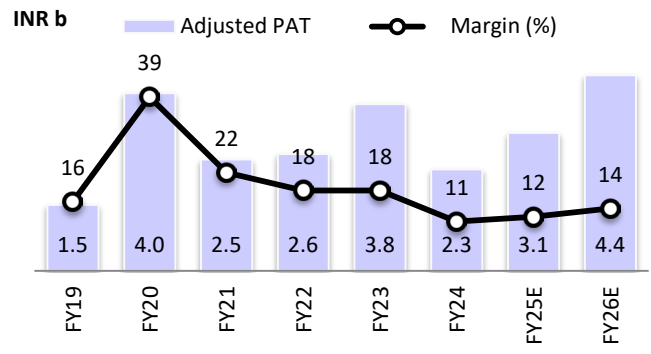


Exhibit 17: Capex to be at ~INR7b over FY25-26

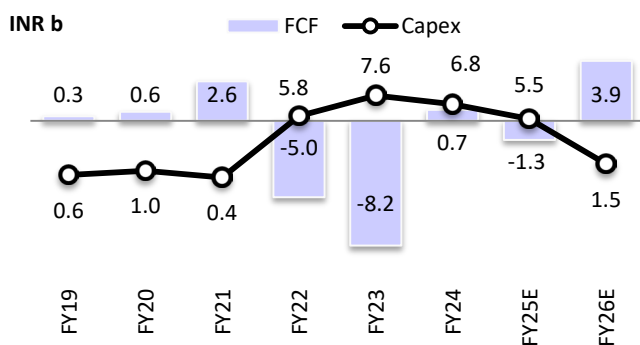
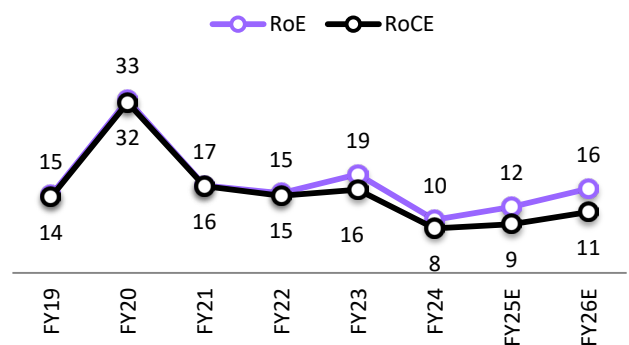


Exhibit 18: Return ratios likely to improve going forward



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	9,551	10,223	11,331	14,534	20,774	20,650	25,549	31,363
Change (%)	7.8	7.0	10.8	28.3	42.9	-0.6	23.7	22.8
Gross Margin (%)	52.3	54.5	54.9	54.2	56.9	54.7	55.0	55.5
EBITDA	2,181	2,607	3,108	3,548	5,503	3,983	5,385	7,131
Margin (%)	22.8	25.5	27.4	24.4	26.5	19.3	21.1	22.7
Depreciation	259	337	407	479	626	962	993	1,018
EBIT	1,922	2,270	2,702	3,069	4,877	3,021	4,392	6,112
Int. and Finance Charges	5	16	14	19	275	746	818	854
Other Income	348	313	745	392	357	559	575	626
PBT bef. EO Exp.	2,265	2,567	3,433	3,442	4,959	2,834	4,149	5,884
EO Items	0	0	662	0	0	521	0	0
PBT after EO Exp.	2,265	2,567	4,095	3,442	4,959	3,355	4,149	5,884
Total Tax	780	-1,431	1,103	812	1,207	650	1,044	1,481
Tax Rate (%)	34.5	-55.7	26.9	23.6	24.3	19.4	25.2	25.2
Reported PAT	1,485	3,998	2,992	2,631	3,752	2,705	3,105	4,403
Adjusted PAT	1,485	3,998	2,508	2,631	3,752	2,285	3,105	4,403
Change (%)	-17.0	169.3	-37.3	4.9	42.6	-39.1	35.9	41.8
Margin (%)	15.5	39.1	22.1	18.1	18.1	11.1	12.2	14.0

Consolidated - Balance Sheet							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	99	99	99	99	99	99	99	99
Total Reserves	10,493	13,790	16,402	18,343	21,750	23,728	25,980	29,175
Net Worth	10,592	13,889	16,501	18,442	21,850	23,827	26,080	29,274
Total Loans	0	0	0	1,000	8,487	13,399	16,347	14,713
Deferred Tax Liabilities	295	206	167	201	348	643	643	643
Capital Employed	10,887	14,096	16,668	19,644	30,684	37,869	43,070	44,630
Gross Block	3,511	4,643	4,937	5,714	17,629	20,890	26,390	27,930
Less: Accum. Deprn.	715	1,053	1,459	1,938	2,565	3,526	4,519	5,538
Net Fixed Assets	2,796	3,591	3,478	3,776	15,065	17,363	21,870	22,392
Capital WIP	393	389	365	7,421	2,786	7,111	7,111	7,111
Total Investments	5,267	3,387	4,503	1,181	955	5,453	5,453	5,453
Curr. Assets, Loans, and Adv.	4,224	7,042	10,319	11,477	15,610	12,964	14,975	17,561
Inventory	929	1,361	1,543	2,575	4,681	3,717	4,496	5,403
Account Receivables	1,675	2,093	2,759	3,577	5,615	5,125	6,341	7,784
Cash and Bank Balance	224	2,640	3,889	902	348	276	291	527
Cash	127	1,692	761	757	145	66	82	318
Bank Balance	97	890	3,128	201	203	209	209	209
Loans and Advances	1,397	947	2,128	4,423	4,966	3,847	3,847	3,847
Curr. Liability and Prov.	1,794	1,644	1,998	4,211	4,609	5,900	7,217	8,765
Account Payables	679	922	1,027	141	2,435	3,025	3,660	4,398
Other Current Liabilities	1,005	590	824	3,879	1,944	2,569	3,178	3,902
Provisions	110	131	147	191	231	306	379	465
Net Current Assets	2,431	5,398	8,322	7,266	11,001	7,064	7,758	8,797
Appl. of Funds	10,887	14,096	16,668	19,644	30,684	37,869	43,070	44,630

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	30.0	80.8	50.7	53.1	75.7	46.1	62.7	88.9
EPS Growth (%)	-17.0	169.3	-37.3	4.7	42.6	-39.1	35.9	41.8
Cash EPS	35.2	87.6	58.9	62.8	88.4	65.5	82.7	109.4
BV/Share	214.1	280.7	333.5	372.2	441.0	480.9	526.3	590.8
DPS	7.8	11.0	11.0	11.0	12.0	15.0	17.2	24.4
Payout (%)	41.7	17.9	18.2	20.7	15.8	27.4	27.4	27.4
Valuation (x)								
P/E	112.4	41.7	66.5	63.5	44.5	73.1	53.8	37.9
Cash P/E	95.7	38.5	57.2	53.7	38.2	51.5	40.8	30.8
P/BV	15.8	12.0	10.1	9.1	7.6	7.0	6.4	5.7
EV/Sales	17.4	16.1	14.4	11.5	8.4	8.7	7.2	5.8
EV/EBITDA	76.4	63.0	52.4	47.1	31.8	45.2	34.0	25.4
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.4	0.4	0.5	0.7
FCF per share	5.9	11.8	52.1	-101.1	-165.3	14.5	-25.5	79.4
Return Ratios (%)								
RoE	14.6	32.7	16.5	15.1	18.6	10.0	12.4	15.9
RoCE	14.3	32.2	16.4	14.6	15.7	8.4	9.2	11.5
RoIC	27.1	55.7	25.3	26.0	20.1	9.4	11.9	14.8
Working Capital Ratios								
Fixed Asset Turnover (x)	3.4	3.2	3.2	4.0	2.2	1.3	1.3	1.4
Asset Turnover (x)	0.9	0.7	0.7	0.7	0.7	0.5	0.6	0.7
Inventory (Days)	35	49	50	65	82	66	64	63
Debtor (Days)	64	75	89	90	99	91	91	91
Creditor (Days)	26	33	33	4	43	53	52	51
Leverage Ratio (x)								
Current Ratio	2.4	4.3	5.2	2.7	3.4	2.2	2.1	2.0
Net Debt/Equity ratio	0.0	-0.2	-0.2	0.0	0.4	0.6	0.6	0.5

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	2,265	2,567	4,095	3,442	4,959	3,355	4,149	5,884
Depreciation	259	337	407	479	626	962	993	1,018
Others	-277	-210	-1,054	-289	184	-86	818	854
Direct Taxes Paid	-710	-456	-186	-781	-1,098	-343	-1,044	-1,481
(Inc.)/Dec. in WC	-637	-684	-305	-2,104	-5,308	3,611	-679	-802
CF from Operations	900	1,555	2,958	748	-636	7,499	4,237	5,473
Capex	-606	-972	-382	-5,758	-7,555	-6,783	-5,500	-1,540
Free Cash Flow	294	582	2,576	-5,011	-8,191	717	-1,263	3,933
Change in Investments	190	1,706	-914	3,757	799	-4,312	0	0
CF from Investments	-315	766	-3,452	-1,724	-6,556	-10,934	-5,500	-1,540
Inc./(Dec.) in Debt	0	0	0	1,020	7,442	4,913	2,948	-1,635
Interest Paid	-5	-16	-14	-19	-275	-746	-818	-854
Dividend Paid	-611	-714	-394	-542	-543	-745	-852	-1,208
CF from Fin. Activity	-595	-756	-437	415	6,579	3,358	1,278	-3,697
Inc./Dec. in Cash	-9	1,565	-931	-561	-613	-77	15	236
Opening Balance	136	127	1,692	760	758	144	67	81
Closing Balance	127	1,692	760	758	144	67	81	318

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Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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