


Navin Fluorine International

Estimate change	
TP change	
Rating change	

CMP: INR3,908

TP: INR3,715 (-5%)

Neutral

Bloomberg	NFIL IN
Equity Shares (m)	50
M.Cap.(INRb)/(USDb)	193.8 / 2.2
52-Week Range (INR)	4017 / 2876
1, 6, 12 Rel. Per (%)	23/10/10
12M Avg Val (INR M)	834

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	23.7	28.9	32.7
EBITDA	5.3	6.9	7.7
PAT	2.9	4.0	4.6
EPS (INR)	59.4	81.0	92.9
EPS Gr. (%)	28.8	36.4	14.7
BV/Sh.(INR)	524.0	582.7	650.2

Ratios

Net D:E	0.6	0.5	0.4
RoE (%)	11.8	14.6	15.1
RoCE (%)	8.7	10.5	11.6
Payout (%)	27.4	27.4	27.4

Valuations

P/E (x)	65.8	48.3	42.1
P/BV (x)	7.5	6.7	6.0
EV/EBITDA (x)	39.2	30.2	26.5
Div. Yield (%)	0.4	0.6	0.7
FCF Yield (%)	-0.5	1.9	2.4

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	28.4	28.4	28.8
DII	28.5	28.2	28.9
FII	18.6	18.2	15.9
Others	24.6	25.2	26.4

FII includes depository receipts

HPP and Specialty Chemicals lift performance YoY

- Navin Fluorine International (NFIL)'s EBITDA/ PAT in 3QFY25 came in at 6%/12% higher than our estimates due to the strong YoY performance in HPP and Specialty Chemicals segments. Gross margin stood at 56.6%, while EBITDA margin expanded 920bp YoY to 24.3%. Earnings expanded 131% YoY to INR836m in 3QFY25. Management continues to drive operational efficiency in the company while indicating that it could exit FY25 with an EBITDAM at ~25%.
- HPP saw better realization as the product mix was optimized, with volume growth seen across inorganic salts, R32, R22, and HFO. The additional R32 capacity, with a capex of INR840m, is progressing on schedule for commissioning by Feb'25, with an asset turnover of 2-2.5x. The AHF capex of INR4.5b remains on track for early FY26 commissioning, with captive consumption expected at 25-27ktpa and external sales at 6-7ktpa.
- Spec Chem's ramp-up at Dahej and Surat will drive higher contributions in upcoming quarters. Dahej's capacity utilization was at 80-85% in 3QFY25 from 40-45% in 2QFY25. Surat assets' supply has started, with an expected asset turnover of 1.2x on a capex of INR300m. The Dahej Fluorospecialty (Project Nektar) capex of INR5.4b is expected to generate INR5.2b in revenue over two years, with 40-50% contribution in FY26 and nearing peak levels by FY27.
- The Fermion contract is set to contribute ~30% of the USD100m target, with the registration process in an advanced stage and expected approval by Apr-May'25. Direct dispatches have begun, and the CY25 order book is secured, with a new molecule supply expected in CY25. The cGMP-4 asset turnover is projected at 2x, while total revenue from cGMP-1/2/3 could reach USD50-60m.
- Despite the robust earnings in 3Q, we rationalize our earnings to some extent by cutting our FY25/26/27 revenue by 6%/6%/10% and FY27 EBITDA/PAT by 7%/10%. The stock is trading at ~48x FY26E EPS of INR81 and ~30x FY26E EV/EBITDA. We value the company at 40x FY27E EPS to arrive at our TP of INR3,715. Valuations remain extremely expensive, thus **we maintain our Neutral rating.**

Beat on EBITDA led by lower-than-expected opex and employee exp.

- NFIL reported revenue at INR6.1b (est. INR6.5b, +21% YoY) and GM at 56.6% (+250bp YoY). EBITDAM came in at 24.3% (+920bp YoY), with EBITDA at INR1.5b (est. of INR1.4b, +95% YoY). **Adjusted PAT stood at INR836m (est. of INR745m, +131% YoY).** NFIL declared an interim dividend of INR5/share (FV of INR2 each).
- For 9MFY25**, revenue stood at INR116.5b (+13% YoY), EBITDA at INR3.6b (+23% YoY), and adjusted PAT at INR1.9b (+22% YoY). EBITDAM was at 21.5% in 9MFY25 (+180bp YoY).
- The **HPP business** posted a revenue of INR3.1b (+22% YoY); higher volumes were seen for HFO and R32 with improved realization across products. The **Specialty Chemicals business** posted a revenue of INR2.2b (+26% YoY), with strong order visibility in 4QFY25 and FY26. The **CDMO business** reported a revenue of INR790m (+8% YoY); the order book remains strong for 4QFY25 with orders in hand for CY25 w.r.t. European CDMO MSA.

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

- The revenue mix in 3QFY25 stood at 50% for the HPP business (flat YoY), 13% for the CDMO business (15% in 3QFY24), and 36% for the Specialty Chemicals business (35%). Domestic sales accounted for 54% of total revenues in 3Q, while exports accounted for 46% (68% in 3QFY24). Further, domestic sales from the HPP business were 46% and from the Specialty Chemicals business 75%. Meanwhile, domestic sales for the CDMO business were 25%.

Valuation and view

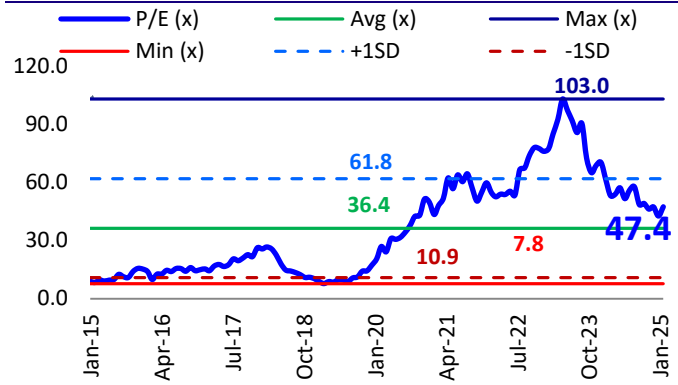
- The CDMO business is expected to drive robust growth (clocking a 33% CAGR over FY24-27) due to the increasing use of fluorine in the Pharma and Agro space, battery chemicals, and performance materials (Solar grid HF, Semiconductor grade HF, etc). The company has already identified various opportunities, such as: 1) a capability capex in Specialty Chemicals with INR360m in peak revenue (first dispatch in 4QFY25); 2) Fermion contract with a value of USD30m over three years (starting from end-CY24); and 3) an additional R32 capacity to be commissioned by Feb'25, among others.
- We expect a revenue/EBITDA/adj. PAT CAGR of 17%/25%/26% over FY24-27. The stock is trading at ~48x FY26E EPS of INR81 and ~30x FY26E EV/EBITDA. We value the company at 40x FY27E EPS to arrive at our TP of INR3,715. Valuations remain extremely expensive, thus **we maintain our Neutral rating**.

Consolidated - Quarterly Snapshot

(INR m)

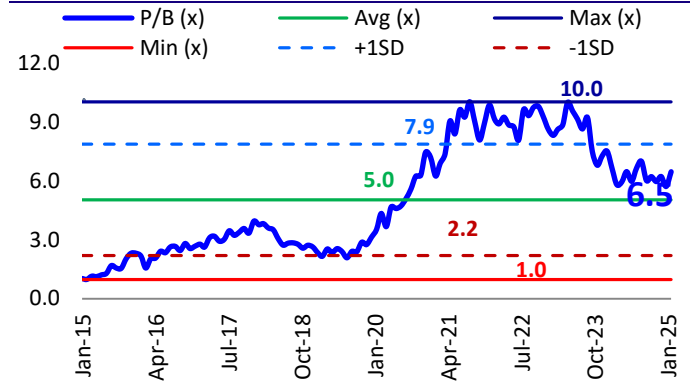
Y/E March	FY24				FY25				FY24	FY25E	FY25	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE	(%)	
Gross Sales	4,912	4,718	5,001	6,020	5,237	5,186	6,062	7,240	20,650	23,724	6,525	-7%
YoY Change (%)	23.6	12.5	-11.3	-13.6	6.6	9.9	21.2	20.3	-0.6	14.9	30.5	
Gross Margin (%)	58.7%	57.2%	54.1%	50.0%	56.0%	56.8%	56.6%	56.6%	54.7%	56.5%	59.2%	-2.6%
EBITDA	1,142	983	757	1,101	1,004	1,074	1,473	1,797	3,983	5,347	1,387	6%
Margin (%)	23.3	20.8	15.1	18.3	19.2	20.7	24.3	24.8	19.3	22.5	21.3	3.0
Depreciation	213	243	249	257	267	279	296	317	962	1,158	284	
Interest	194	200	177	174	156	139	202	247	746	744	245	
Other Income	83	231	119	125	103	112	105	114	559	433	138	
PBT before EO expense	818	772	450	794	683	768	1,080	1,347	2,834	3,878	997	8%
Extra-Ord. expense	0	0	521	0	0	0	0	0	521	0	0	
PBT	818	772	972	794	683	768	1,080	1,347	3,355	3,878	997	8%
Tax	202	166	191	90	171	179	244	340	650	935	251	
Rate (%)	24.8	21.5	19.7	11.4	25.0	23.4	22.6	25.2	19.4	24.1	25.2	
Reported PAT	615	606	780	704	512	588	836	1,007	2,705	2,943	745	12%
Adj. PAT	615	606	362	704	512	588	836	1,007	2,285	2,943	745	12%
YoY Change (%)	-17.4	4.8	-66.1	-48.4	-16.8	-2.9	131.2	43.1	-39.1	28.8	106.1	
Margin (%)	12.5	12.8	7.2	11.7	9.8	11.3	13.8	13.9	11.1	12.4	11.4	2.4
Segmental Revenue (INR m)												
High Performance Products (HPP)	1,690	2,381	2,510	2,970	2,810	2,930	3,060	3,339	9,551	12,139	3,256	-6%
Specialty Chemicals	2,300	1,855	1,750	2,570	1,620	1,580	2,210	2,963	8,475	8,373	2,214	0%
CDMO	920	482	730	480	810	680	790	933	2,612	3,213	1,056	-25%

Exhibit 1: One year forward P/E chart



Source: Company, MOFSL

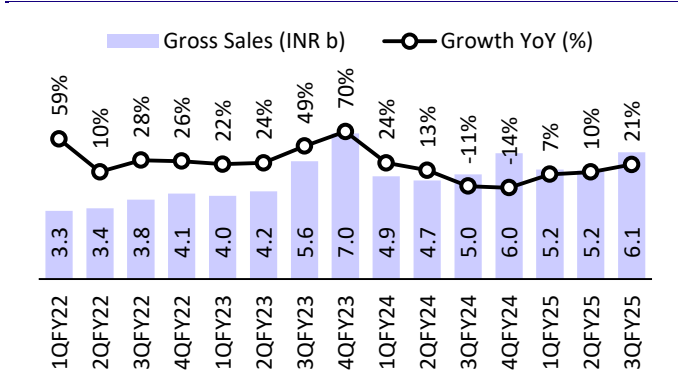
Exhibit 2: One year forward P/B chart



Source: Company, MOFSL

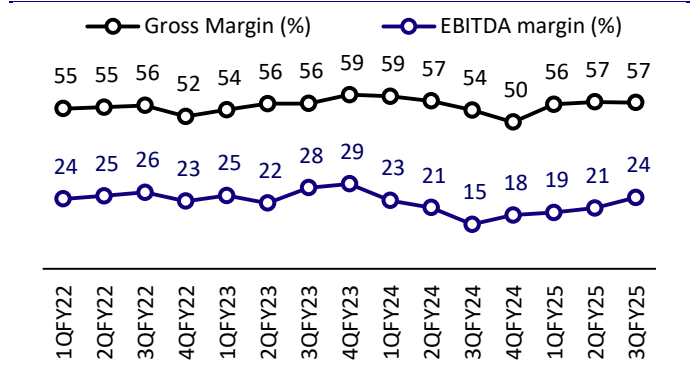
Story in charts – 3QFY25

Exhibit 3: Sales increased 21% YoY



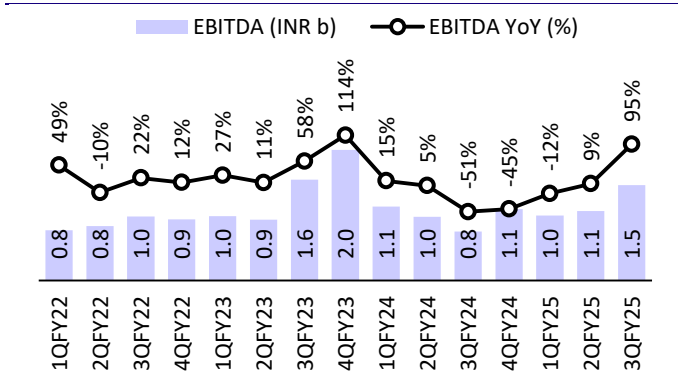
Source: Company, MOFSL

Exhibit 4: Margins expanded YoY in 3QFY25



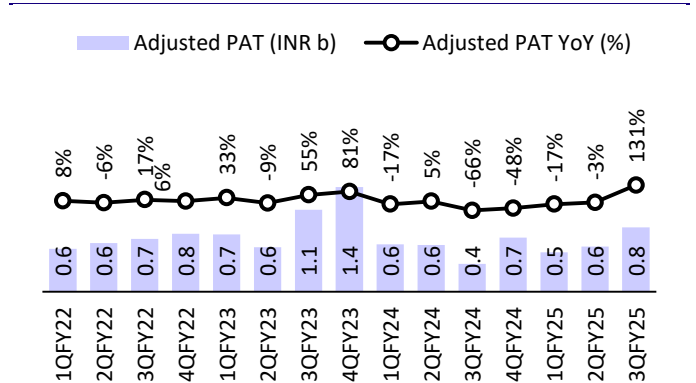
Source: Company, MOFSL

Exhibit 5: EBITDA increased 95% YoY



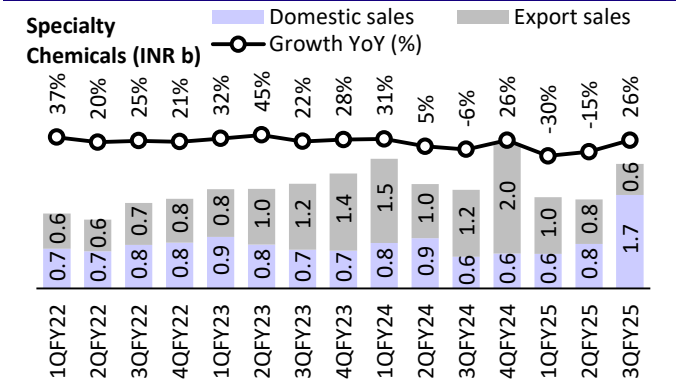
Source: Company, MOFSL

Exhibit 6: Adjusted PAT increased 131% YoY



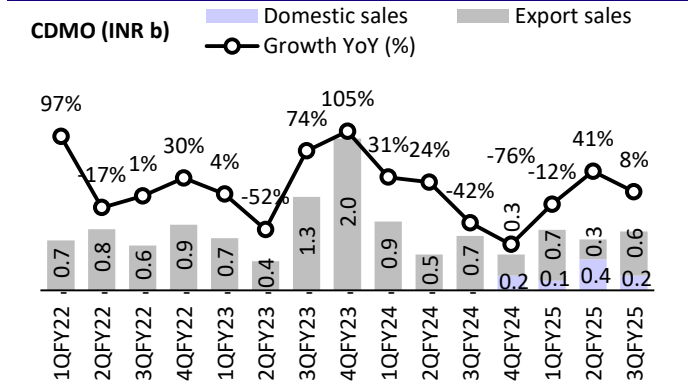
Source: Company, MOFSL

Exhibit 7: Specialty Chemicals revenue increased 26% YoY



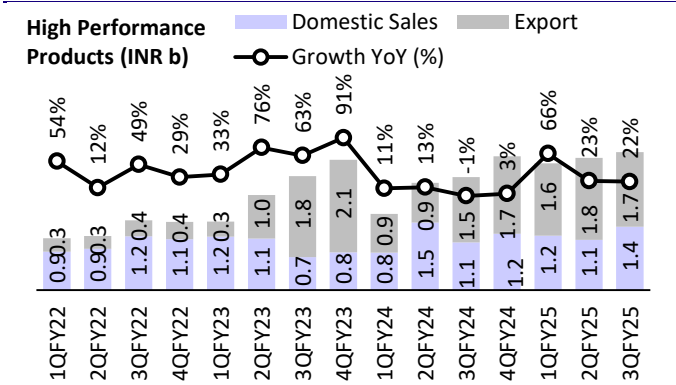
Source: Company, MOFSL

Exhibit 8: CDMO revenue increased 8% YoY



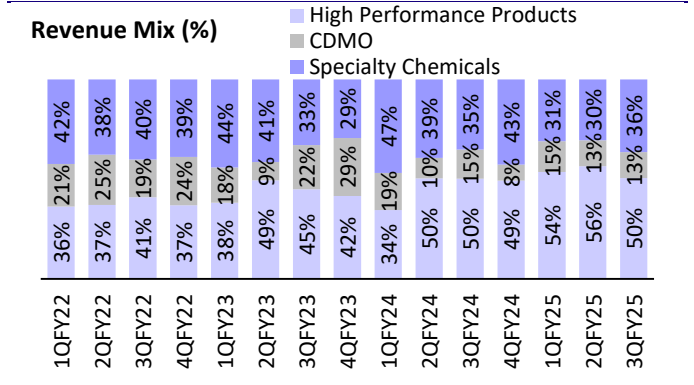
Source: Company, MOFSL

Exhibit 9: HPP sales increased 22% YoY



Source: Company, MOFSL

Exhibit 10: Revenue mix for the quarter



Source: Company, MOFSL



Management concall highlights

- Business environment continues to be uncertain due to geopolitics and macro.
- Despite this, the company delivered sustainable performance.
- HPP
 - Better realization by optimizing product mix in the quarter
 - Volume growth in inorganic salts, R32, R22, and HFO
 - Additional R32 capacity at a capex of INR840m progressing on schedule, to commission by Feb'25
- Asset turnover to be 2-2.5x
- AHF capex for INR4.5b on schedule to be commissioned by early FY26
- Captive consumption to be ~25-27ktpa and external sales to be ~6-7ktpa
- Spec Chem
 - Ongoing ramp-up at Dahej and Surat to contribute higher in coming quarters
 - Dahej capacity utilization of 80-85% in 3QFY25 compared to 40-45% last quarter
 - Surat asset turn to be 1.2x, with capex of INR300m; supply has already started
 - Dahej Fluorospecialty product (Project Nektar) capex of INR5.4b
- Revenue of ~INR5.2b spread across 2 years (by FY27 get closer to this peak)
- 40-50% of the revenue should come in FY26
- CDMO
 - Fermion contract to contribute ~30% of the USD100m target in the business
- Registration process is in a very advanced stage
 - The customer is confident of getting favorable registration in Apr-May'25
- Direct dispatches already started
- Order book for CY25 already secured in the business
- Supply of a new molecule expected in CY25 as well
- cGMP-4 asset turnover to be 2x
- cGMP-1/2/3 total revenue could be USD50-60m
- Management continues to drive operational efficiency in the company.
- The company is striving to achieve the following targets to create long-term value for all stakeholders:
 - Manufacturing excellence
 - Deepening the relationship with existing customers while pursuing new ones
 - Disciplined project execution
 - Pursuing growth opportunities within a tight financial framework
- Management expects to exit FY25 with an EBITDAM at ~25%; no guidance on future margin trajectory.

Financial story in charts

Exhibit 11: Expect ~17% revenue CAGR over FY24-27...

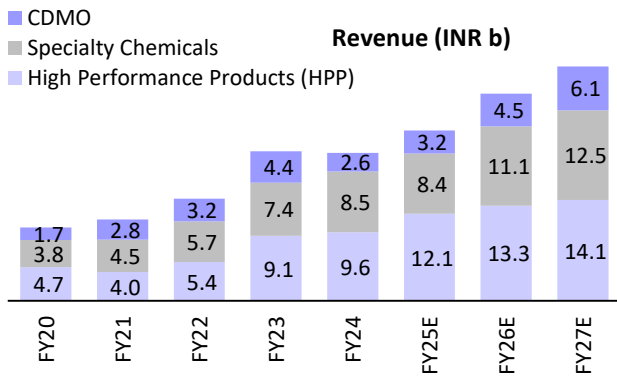


Exhibit 12: ...with CDMO clocking a CAGR of 33%

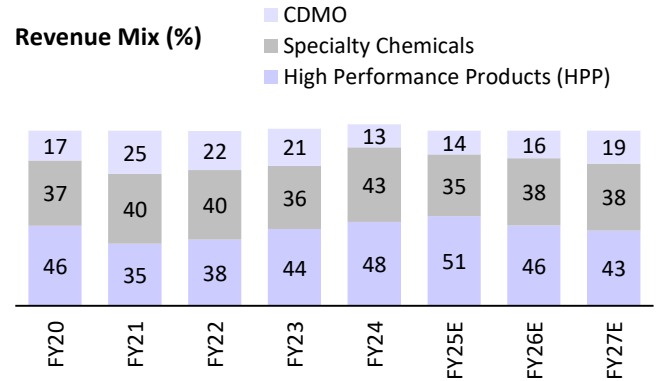


Exhibit 13: Exports were ~63% of the total revenue in FY24...

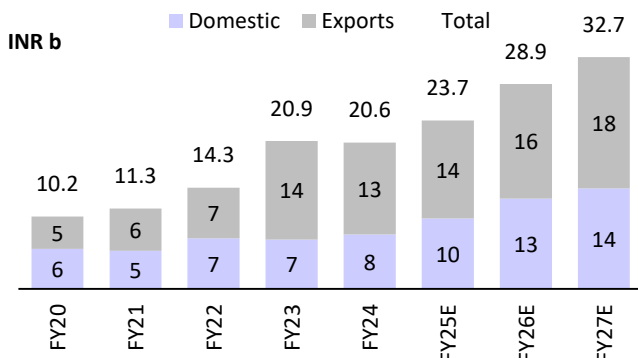


Exhibit 14: ...and are expected to contribute 57% by FY27

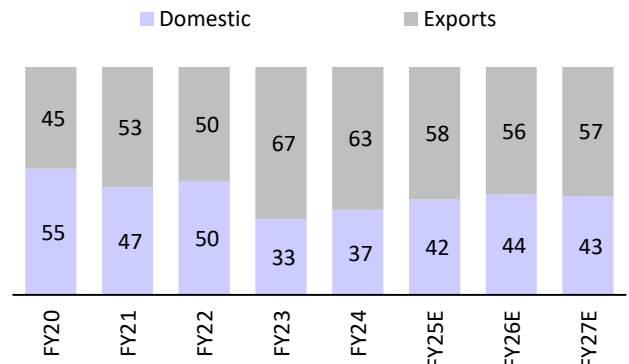


Exhibit 15: Expect ~25% EBITDA CAGR over FY24-27...

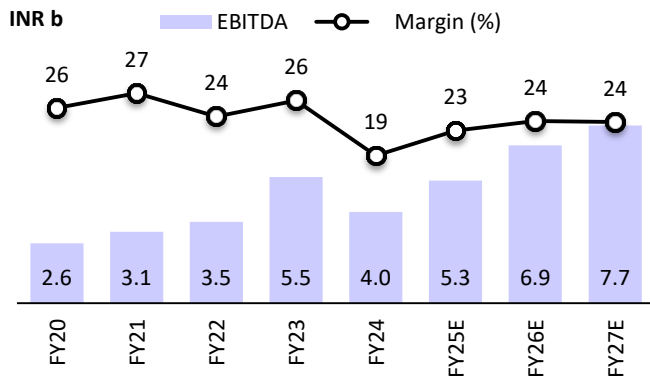


Exhibit 16: ...with adj. PAT CAGR of ~26% during FY24-27

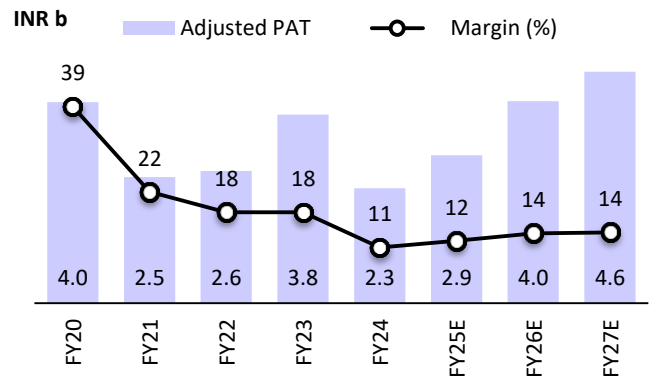


Exhibit 17: Capex to be at ~INR8.6b over FY25-27

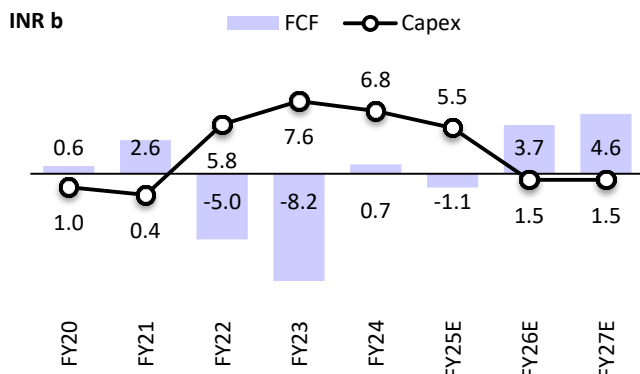
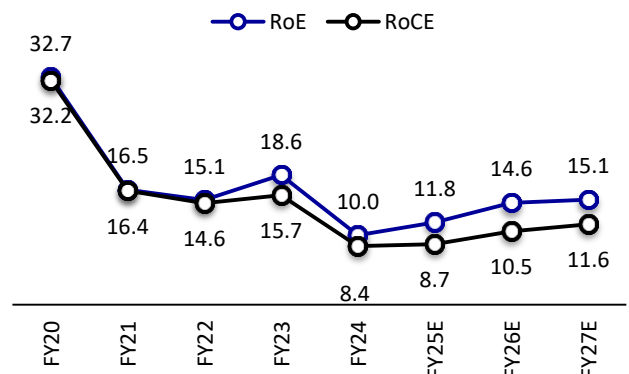


Exhibit 18: Return ratios likely to improve going forward



Source: Company, MOFSL

Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	10,223	11,331	14,534	20,774	20,650	23,724	28,885	32,674
Change (%)	7.0	10.8	28.3	42.9	-0.6	14.9	21.8	13.1
Gross Margin (%)	54.5	54.9	54.2	56.9	54.7	56.5	56.8	57.0
EBITDA	2,607	3,108	3,548	5,503	3,983	5,347	6,874	7,736
Margin (%)	25.5	27.4	24.4	26.5	19.3	22.5	23.8	23.7
Depreciation	337	407	479	626	962	1,158	1,181	1,248
EBIT	2,270	2,702	3,069	4,877	3,021	4,189	5,693	6,488
Int. and Finance Charges	16	14	19	275	746	744	776	793
Other Income	313	745	392	357	559	433	448	457
PBT bef. EO Exp.	2,567	3,433	3,442	4,959	2,834	3,878	5,364	6,152
EO Items	0	662	0	0	521	0	0	0
PBT after EO Exp.	2,567	4,095	3,442	4,959	3,355	3,878	5,364	6,152
Total Tax	-1,431	1,103	812	1,207	650	935	1,350	1,549
Tax Rate (%)	-55.7	26.9	23.6	24.3	19.4	24.1	25.2	25.2
Reported PAT	3,998	2,992	2,631	3,752	2,705	2,943	4,014	4,604
Adjusted PAT	3,998	2,508	2,631	3,752	2,285	2,943	4,014	4,604
Change (%)	169.3	-37.3	4.9	42.6	-39.1	28.8	36.4	14.7
Margin (%)	39.1	22.1	18.1	18.1	11.1	12.4	13.9	14.1

Consolidated - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	99	99	99	99	99	99	99	99
Total Reserves	13,790	16,402	18,343	21,750	23,728	25,863	28,776	32,117
Net Worth	13,889	16,501	18,442	21,850	23,827	25,963	28,875	32,216
Total Loans	0	0	1,000	8,487	13,399	16,347	14,713	12,873
Deferred Tax Liabilities	206	167	201	348	643	643	643	643
Capital Employed	14,096	16,668	19,644	30,684	37,869	42,953	44,231	45,733
Gross Block	4,643	4,937	5,714	17,629	20,890	26,390	27,930	29,470
Less: Accum. Deprn.	1,053	1,459	1,938	2,565	3,526	4,685	5,866	7,115
Net Fixed Assets	3,591	3,478	3,776	15,065	17,363	21,705	22,064	22,355
Capital WIP	389	365	7,421	2,786	7,111	7,111	7,111	7,111
Total Investments	3,387	4,503	1,181	955	5,453	5,453	5,453	5,453
Curr. Assets, Loans, and Adv.	7,042	10,319	11,477	15,610	12,964	14,445	16,742	19,011
Inventory	1,361	1,543	2,575	4,681	3,717	4,098	4,908	5,561
Account Receivables	2,093	2,759	3,577	5,615	5,125	5,888	7,169	8,109
Cash and Bank Balance	2,640	3,889	902	348	276	612	818	1,494
Cash	1,692	761	757	145	66	403	609	1,285
Bank Balance	890	3,128	201	203	209	209	209	209
Loans and Advances	947	2,128	4,423	4,966	3,847	3,847	3,847	3,847
Curr. Liability and Prov.	1,644	1,998	4,211	4,609	5,900	6,639	8,016	9,075
Account Payables	922	1,027	141	2,435	3,025	3,335	3,995	4,526
Other Current Liabilities	590	824	3,879	1,944	2,569	2,951	3,593	4,065
Provisions	131	147	191	231	306	352	428	484
Net Current Assets	5,398	8,322	7,266	11,001	7,064	7,806	8,726	9,936
Appl. of Funds	14,096	16,668	19,644	30,684	37,869	42,953	44,231	45,733

Financials and valuations

Ratios								
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	80.8	50.7	53.1	75.7	46.1	59.4	81.0	92.9
EPS Growth (%)	169.3	-37.3	4.7	42.6	-39.1	28.8	36.4	14.7
Cash EPS	87.6	58.9	62.8	88.4	65.5	82.8	104.9	118.1
BV/Share	280.7	333.5	372.2	441.0	480.9	524.0	582.7	650.2
DPS	11.0	11.0	11.0	12.0	15.0	16.3	22.2	25.5
Payout (%)	17.9	18.2	20.7	15.8	27.4	27.4	27.4	27.4
Valuation (x)								
P/E	48.4	77.1	73.6	51.6	84.8	65.8	48.3	42.1
Cash P/E	44.6	66.4	62.3	44.2	59.7	47.2	37.3	33.1
P/BV	13.9	11.7	10.5	8.9	8.1	7.5	6.7	6.0
EV/Sales	18.7	16.7	13.3	9.7	10.0	8.8	7.2	6.3
EV/EBITDA	73.2	61.0	54.6	36.7	51.9	39.2	30.2	26.5
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.4	0.4	0.6	0.7
FCF per share	11.8	52.1	-101.1	-165.3	14.5	-21.4	75.1	92.2
Return Ratios (%)								
RoE	32.7	16.5	15.1	18.6	10.0	11.8	14.6	15.1
RoCE	32.2	16.4	14.6	15.7	8.4	8.7	10.5	11.6
RoIC	55.7	25.3	26.0	20.1	9.4	11.6	14.1	15.5
Working Capital Ratios								
Fixed Asset Turnover (x)	3.2	3.2	4.0	2.2	1.3	1.2	1.3	1.5
Asset Turnover (x)	0.7	0.7	0.7	0.7	0.5	0.6	0.7	0.7
Inventory (Days)	49	50	65	82	66	63	62	62
Debtor (Days)	75	89	90	99	91	91	91	91
Creditor (Days)	33	33	4	43	53	51	50	51
Leverage Ratio (x)								
Current Ratio	4.3	5.2	2.7	3.4	2.2	2.2	2.1	2.1
Net Debt/Equity ratio	-0.2	-0.2	0.0	0.4	0.6	0.6	0.5	0.4

Consolidated - Cash Flow Statement						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	2,567	4,095	3,442	4,959	3,355	3,878	5,364	6,152
Depreciation	337	407	479	626	962	1,158	1,181	1,248
Others	-210	-1,054	-289	184	-86	744	776	793
Direct Taxes Paid	-456	-186	-781	-1,098	-343	-935	-1,350	-1,549
(Inc.)/Dec. in WC	-684	-305	-2,104	-5,308	3,611	-406	-713	-534
CF from Operations	1,555	2,958	748	-636	7,499	4,439	5,259	6,111
Capex	-972	-382	-5,758	-7,555	-6,783	-5,500	-1,540	-1,540
Free Cash Flow	582	2,576	-5,011	-8,191	717	-1,061	3,719	4,571
Change in Investments	1,706	-914	3,757	799	-4,312	0	0	0
CF from Investments	766	-3,452	-1,724	-6,556	-10,934	-5,500	-1,540	-1,540
Inc./(Dec.) in Debt	0	0	1,020	7,442	4,913	2,948	-1,635	-1,839
Interest Paid	-16	-14	-19	-275	-746	-744	-776	-793
Dividend Paid	-714	-394	-542	-543	-745	-808	-1,101	-1,263
CF from Fin. Activity	-756	-437	415	6,579	3,358	1,397	-3,512	-3,895
Inc./Dec. in Cash	1,565	-931	-561	-613	-77	336	206	676
Opening Balance	127	1,692	760	758	144	67	402	609
Closing Balance	1,692	760	758	144	67	402	609	1,285

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