

Gearing for Growth & Margin Expansion; Upgrade to BUY

Est. Vs. Actual for Q3FY25: Revenue – **INLINE**; EBITDA – **BEAT**; PAT – **BEAT**

Change in Estimates post Q3FY25

FY25E/26E/FY27E: Revenue: -2%/0%/4%; EBITDA: 4%/-2%/2%; PAT: 7%/1%/8%

Recommendation Rationale

NFIL reported strong all-around growth during the quarter and a significant margin recovery. Management indicated that these margin levels are sustainable and expressed confidence in achieving continued growth and targeted EBITDA margins by FY27. Despite challenges in the industry, the company's robust performance underscores its ability to meet these targets.

- **Volume and Realization Lead Growth in HPP:** The company's HPP segment recorded another strong quarter with 22% YoY revenue growth, driven by volume growth in HFO, R22, R32, and inorganic salts, along with improved price realisation. The additional R32 capacity of 4,500 metric tonnes is expected to be commissioned by Feb'25, while the AHF project remains on track for commissioning by early FY26. The demand outlook for R32 remains strong.
- **Improving Utilization in Specialty Chemicals:** The specialty chemicals business showed signs of recovery during the quarter, in line with management's commentary from the previous earnings call. The Dahej plant, with a capex outlay of Rs 540 Cr, commenced commercial production in November 2024, and the first dispatch from Surat is expected in Q4FY25. NFIL remains focused on increasing capacity utilization and sees strong order visibility in Q4FY25 and beyond.
- **Strong visibility in CDMO:** The CDMO business posted 8% YoY revenue growth, with an order book providing clear revenue visibility going forward. The company continues to make progress in the European CDMO business and has received a scale-up order from a major US-based customer. The first phase of the cGMP4 project remains on track for commissioning by Q3FY26.

Sector Outlook: Neutral

Company Outlook & Guidance: While the company continues to add capacities, it is also focused on maximising capacity utilisation, enhancing productivity, and driving efficiencies across all business lines while strengthening customer relationships. The order book reflects that management sees strong revenue visibility across all three segments. The margin improvement in the current quarter reinforces confidence in achieving or surpassing its EBITDA margin target of around 25%. With ongoing expansion, new molecule launches, and anticipated tie-ups in the CDMO space, the company is well-positioned to deliver strong performance in FY26 and FY27.

Current Valuation: 30x FY27E (Earlier Valuation: 27x FY27E).

Current TP: Rs 4,300/share (Earlier TP: 3,570/share).

Recommendation: We upgrade the rating on the stock to **BUY** from **HOLD** as the company appears well set for long-term profitable growth.

Financial Performance: Navin Fluorine International Ltd. (NFIL) reported strong Q3FY25 results, surpassing our estimates on profitability. The company recorded revenue of Rs 606 Cr, broadly in line with our estimate of Rs 594 Cr. EBITDA stood at Rs 147 Cr, exceeding our estimate of Rs 122 Cr. EBITDA margins improved to 24.3% compared to 15.1% in the same quarter last year. PAT came in at Rs 84 Cr, up 7% YoY and 42% QoQ, beating our estimate of Rs 71 Cr.

Outlook: As expected, NFIL improved revenue visibility during the quarter, with the specialty chemicals segment showing signs of revival while other segments continued to perform well. Well-planned capex and operational discipline will drive future growth and further improve margins. NFIL's strong track record of establishing international collaborations and strategically adding to its product portfolio bodes well for its long-term prospects. Our estimates continue to reflect expectations of accelerated growth from FY26 onwards as all key growth levers come into play.

Valuation & Recommendation: We have revised our estimates to factor in the margin trajectory and the benefits of utilisation approaching peak levels in FY27. Growth is expected to accelerate over the next few quarters, with performance further improving as projects stabilise and capacity utilisation reaches optimal levels. We now value the stock at 30x FY27E (earlier 27x FY27E) to reflect improved long-term prospects, translating into a TP of Rs 4,300/share (earlier Rs 3,570/share), implying an upside of 10%. **Accordingly, we upgrade our rating to BUY from HOLD.**

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	606	21%	17%	594	2%
EBITDA	147	95%	37%	122	21%
EBITDA Margin	24.3%	917bps	360bps	20.5%	380bps
Net Profit	84	7%	42%	71	17%
EPS (Rs)	16.9	7%	42%	14.4	17%

Source: Company, Axis Securities Research

(CMP as of 30th January 2025)

CMP (Rs)	3,906
Upside /Downside (%)	10%
High/Low (Rs)	3,974/2,876
Market cap (Cr)	19,368
Avg. daily vol. (1m) Shrs.	3,82,379
No. of shares (Cr)	4.96

Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	28.8	28.4	28.4
FII's	18.0	18.2	18.6
DII	27.3	28.2	28.5
Retail	25.9	25.2	24.5

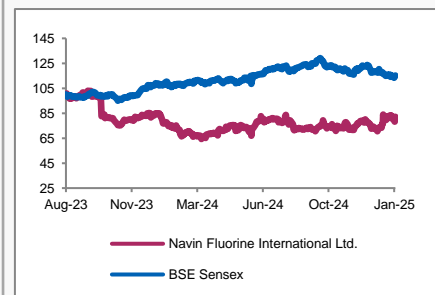
Financial & Valuations

(Rs Cr)	FY24	FY25E	FY26E
Net Sales	2,065	2,437	3,114
EBITDA	398	548	810
Net Profit	271	318	526
EPS (Rs)	54.6	64.1	106.2
PER (x)	71.6	61.0	36.8
P/BV (x)	8.1	7.3	6.2
ROE (%)	11.4%	11.9%	16.8%

Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Sales	-2%	0%	4%
EBITDA	4%	-2%	2%
PAT	7%	1%	8%

Relative Performance



Source: ACE Equity, Axis Securities Research

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Key Concall Highlights

- **Financial Performance:** Strong performance despite an uncertain macro environment. HPP business grew 22% YoY due to higher volumes and better realizations. SpecChem rose 26% YoY, mainly due to increased capacity utilization at both plants (Dahej and Surat). CDMO revenue increased 8% YoY. EBITDA margins improved by 917 bps YoY to 24.3% on the back of improved utilization, increased price realizations, and cost initiatives.
- **Capex Updates:** The additional R32 capacity of 4,500 metric tonnes is progressing as planned and will be commissioned by February 2025. The AHF project, with an investment of Rs 450 Cr, is on track for commissioning by early FY26. The Dahej plant has started deliveries after successful commissioning, while the Surat plant is expected to begin dispatches in Q4FY25. Phase 1 of cGMP4 capex remains on track for commissioning by the end of Q3FY26.
- **Order Book and Revenue Visibility:** The company remains constructive on the demand outlook for '32 in India and globally and is engaging with a few global majors to evaluate and enhance R32 capacities. On the SpecChem front, the company has strong order visibility for Q4FY25 and beyond, particularly with the ongoing ramp-up at Surat and Dahej facilities. It is also introducing one new molecule in Q4FY25 and a second in Q1 FY26. For European CDMO MSA, registration formalities are in the advanced stage, and direct customer dispatches have commenced. Projections for FY26 and beyond remain robust, with orders for CY25 in hand and new molecule supply expected in FY26. The company has received an order from an EU major, while a scale-up order has been received from a US major.
- **EBITDA Guidance:** The company continues to target EBITDA margins of 25% and has refrained from raising EBITDA guidance further as the focus remains on sustaining profitability. It will continue efforts to build efficiencies, improve the product mix, and secure fixed-cost savings.

Key Risks to Our Estimates and TP

- A global recessionary environment, especially a prolonged recession could affect demand for upstream players
- Price fluctuation in key raw materials and key products
- Delay in Capex and Commercialization of plants

Change in Estimates

	Revised			Old			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net Sales	2,437	3,114	3,893	2,487	3,111	3,732	-2%	0%	4%
EBITDA	548	810	1,012	527	824	989	4%	-2%	2%
PAT	318	526	709	298	520	655	7%	1%	8%
EPS (Rs)	64.1	106.2	143.1	60.1	104.9	132.2	7%	1%	8%

Source: Company, Axis Securities Research

Q3FY25 Results Review

	Q3FY24	Q2FY25	Q3FY25 Axis Est	Q3FY25	% Change (YoY)	% Change (QoQ)	Axis Variance
Net Sales	500	519	594	606	21.2%	16.9%	2.1%
COGS	230	224	258	263	14.6%	17.5%	
Employee Cost	75	77	86	71	-4.4%	-7.4%	
Other Expenses	120	110	128	124	3.5%	12.9%	
EBITDA	76	107	122	147	94.7%	37.2%	21.0%
EBITDA Margin %	15.1%	20.7%	20.5%	24.3%	917bps	360bps	380bps
Depreciation	25	28	27	30	18.8%	5.9%	
EBIT	51	79	95	118	131.8%	48.2%	
Interest	18	14	15	20	14.2%	45.8%	
PBT	33	66	81	98	194.7%	48.7%	
Exceptional Items							
Other Income	12	11	11	10	-12.1%	-6.1%	
PBT	97	77	92	108	11.2%	40.7%	
Tax	19	18	20	24	27.7%	36.2%	
Tax Rate %	20%	23%	22%	23%	14.8%	-3.2%	
PAT	78	59	71	84	7.2%	42.1%	17.1%
EPS (Rs)	15.7	11.9	14.4	16.9	7.1%	42.1%	17.1%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	2,077	2,065	2,437	3,114	3,893
COGS	896	935	1,060	1,339	1,674
Employee Cost	249	286	305	343	428
Other Expenses	382	445	524	623	779
Total Expenditure	1,527	1,667	1,888	2,305	2,881
EBITDA	550	398	548	810	1,012
EBITDA Margin %	26.5%	19.3%	22.5%	26.0%	26.0%
Depreciation	63	96	116	127	147
EBIT	488	302	432	682	865
Interest	28	75	75	63	42
PBT	460	228	358	620	823
Exceptional Items					
Other Income	36	56	49	62	97
PBT	496	336	407	683	921
Tax	121	65	90	157	212
Tax Rate %	0	0	0	0	0
PAT	375	271	318	526	709
EPS	76	55	64	106	143

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	10	10	10	10	10
Reserves & Surplus	2,175	2,373	2,650	3,119	3,772
Total Equity Capital	2,185	2,383	2,659	3,129	3,781
Trade Payables	243	303	300	341	427
Other Financial Liabilities	101	84	84	84	84
Other Current Liabilities	54	40	40	40	40
Total Current Liability	521	858	689	730	715
Long Term Borrowings	753	1,023	1,100	1,050	1,050
Total Non-Current Liabilities	823	1,136	1,222	1,182	1,196
Total Liabilities	1,344	1,994	1,911	1,912	1,911
Total Equity + Liabilities	3,529	4,377	4,570	5,041	5,693
Inventories	468	372	434	512	640
Trade Receivable	562	513	567	683	853
Investments	31	486	73	93	117
Cash and Equivalents	14	7	155	46	30
Other Current Assets	363	137	137	137	137
Total Current Assets	1,466	1,553	1,406	1,510	1,816
Net Block	1,472	1,685	2,743	3,116	3,468
Capital Work in Progress	279	711	164	157	151
Goodwill on consolidation	88	88	88	88	88
Total Non-Current Assets	2,063	2,824	3,164	3,530	3,877
Total Assets	3,529	4,377	4,570	5,041	5,693

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
PBT	496	336	407	683	921
Depreciation & Amortization	63	96	116	127	147
Chg in Working cap	(531)	361	294	(173)	(237)
Direct tax paid	(110)	(34)	(90)	(157)	(212)
Cash From Operating Activities	(64)	750	750	488	571
Chg in Gross Block	(758)	(732)	(600)	(500)	(500)
Interest Received	3	3	49	62	97
Cash Flow from Investing Activities	(656)	(1,093)	(388)	(438)	(403)
Proceeds / (Repayment) of Short Term Borrowings (Net)	91	110	(167)	-	(100)
Finance Cost paid	(28)	(75)	(75)	(63)	(42)
Dividends paid	(54)	(74)	(57)	(57)	(57)
Cash from Financing Activities	658	336	(213)	(159)	(185)
Opening Cash & Cash Equivalents	76	14	7	155	46
Chg in cash	(61)	(8)	149	(109)	(16)
Closing Cash & Cash Equivalent	14	7	155	46	30

Source: Company, Axis Securities Research

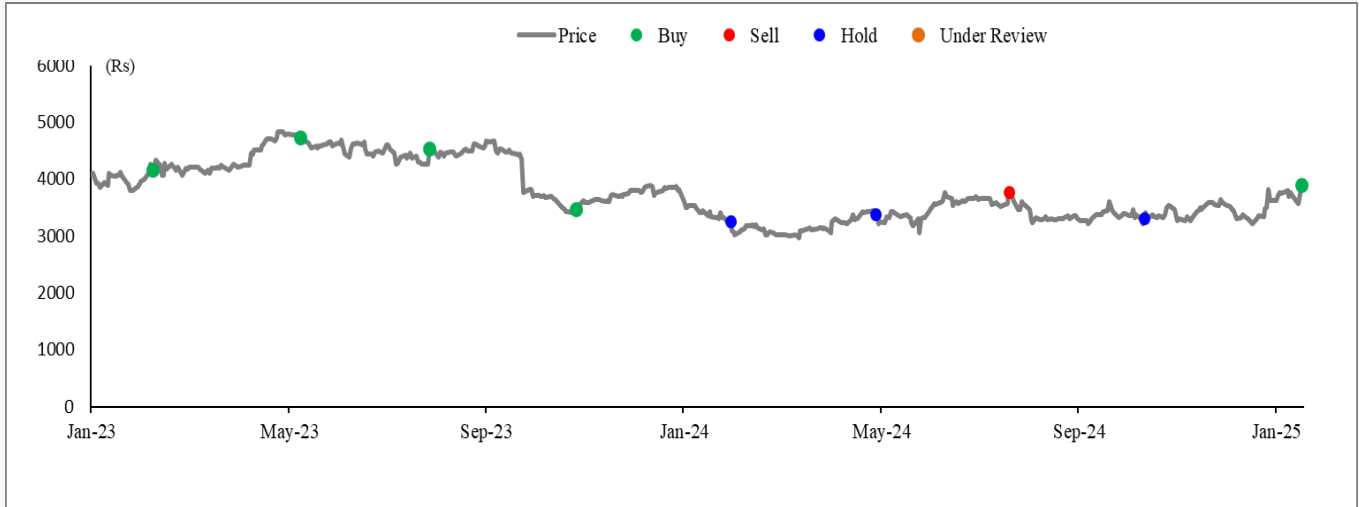
Ratio Analysis

(%)

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Growth (%)					
Net Sales	42.9%	-0.6%	18.0%	27.8%	25.0%
EBITDA	55.1%	-27.6%	37.7%	47.7%	25.0%
APAT	42.6%	-27.9%	17.4%	65.6%	34.8%
Profitability (%)					
EBITDA Margin	26.5%	19.3%	22.5%	26.0%	26.0%
Adj. PAT Margin	18.1%	13.1%	13.0%	16.9%	18.2%
ROCE	36.3%	15.1%	22.6%	35.7%	45.3%
ROE	17.2%	11.4%	11.9%	16.8%	18.8%
ROIC	39.0%	16.9%	25.0%	37.1%	46.6%
Per Share Data (Rs)					
Adj. EPS	75.7	54.6	64.1	106.2	143.1
BVPS	440.8	480.7	536.6	631.3	763.0
DPS	15.9	11.5	11.5	11.5	11.5
Valuations (X)					
PER	51.7	71.6	61.0	36.8	27.3
P/BV	8.9	8.1	7.3	6.2	5.1
EV / EBITDA	36.7	52.0	37.3	25.4	20.2
EV / Net Sales	9.7	10.0	8.4	6.6	5.3
Turnover Days					
Asset Turnover	1.8	1.0	0.8	0.9	1.0
Inventory days	64	74	65	60	60
Debtors days	81	95	85	80	80
Creditors days	34	48	45	40	40
Working Capital Days	110	121	105	100	100

Source: Company, Axis Securities Research

Navin Fluorine International Price Chart and Recommendation History



Date	Reco	TP	Research
10-May-22	BUY	4,150	Result Update
25-Jul-22	HOLD	4,380	Result Update
21-Oct-22	HOLD	4,750	Result Update
09-Feb-23	BUY	4,750	Result Update
15-May-23	BUY	4,750	Result Update
02-Aug-23	BUY	5,200	Result Update
02-Nov-23	BUY	5,200	Result Update
07-Feb-24	HOLD	3,220	Result Update
08-May-24	HOLD	3,080	Result Update
31-Jul-24	SELL	3,135	Result Update
24-Oct-24	HOLD	3,570	Result Update
31-Jan-25	BUY	4,300	Result Update

Source: Axis Securities Research

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