

Accumulate

- Navin Fluorine Q1FY23 revenues were in line with our estimates. Revenues grew by 21.7% YoY to Rs 3.97bn driven by strong performance in the Specialty Chemicals business and higher pricing and volumes in the HPP business (Ref Gases, Inorganics Fluorides and HPP have been clubbed under HPP segment)
- EBITDA growth came in at 27.4% YoY to Rs 991mn (D.est : Rs 953mn) translating to an EBITDA margin expansion of 111bps YoY to 24.9%.
- PAT was higher by 33.1% YoY to Rs 745mn (D.est : Rs 668mn) on the back of improved operational performance.

Outlook and Valuation

Navin Fluorine International's CRAMS business (now renamed as CDMO) is expected to remain weak in H1FY23 with revenues expected to be lower than the guided quarterly run rate of ~USD 10-12mn. However, H2FY23 is expected to see a significant uptick on the back of strong business opportunity pipeline. Expansion of cGmp 3 plant will further aid its growth in H2FY23. We expect growth momentum in the Specialty Chemicals to continue driven by strong product launches and new customer additions. Ref Gas business and Inorganic fluorides business benefitted from improved volumes and higher realizations. We expect the pricing tailwind to continue in the ensuing quarters. Revenues from its new plant set up for Honeywell are expected to start from Q2FY23. With its other projects also expected to come-onstream over FY23 and FY24 we expect to see a strong Sales/EBITDA/PAT CARG of 41.4/47.3/39.5% over FY22-FY24E. With addition of these new projects we expect the overall operating margins to improve from 24.4% in FY22 to 26.5% in FY24E. The company is evaluating newer opportunities like foraying into HFCs, Non-fluorinated compounds, performance materials space and new age emerging segments (like battery chemicals) among others which could open up new revenue streams in the future. We remain structurally positive on the stock on account of strong business prospects in Specialty chemicals and CRAMS businesses driven by the company's strong technical expertise in the fluorine chemistry and robust R&D and technological capabilities. We have upward revised our Sales/EBITDA/PAT estimates by 0.5/7.6/11.1% and 7.0/10.5/7.3% for FY23/FY24 respectively. We have valued NFIL on SOTP based EV/EBITDA methodology with a target price of Rs 4,838 and maintain our accumulate rating on the stock.

Q1FY23 Result (Rs Mn)

Particulars	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)
Revenue	3,975	3,265	21.7	4,089	(2.8)
Total Expense	2,984	2,487	20.0	3,147	(5.2)
EBITDA	991	778	27.4	943	5.2
Depreciation	124	120	3.0	119	4.0
EBIT	868	658	31.9	824	5.3
Other Income	109	89	22.9	124	(12.0)
Interest	3	5	(41.4)	6	(54.0)
EBT	974	742	31.3	941	3.4
Tax	229	182	25.7	190	20.8
RPAT	745	559	33.1	752	(0.9)
APAT	745	559	33.1	752	(0.9)
			(bps)		(bps)
Gross Margin (%)	54.1	54.6	(41)	51.9	226
EBITDA Margin (%)	24.9	23.8	111	23.0	189
NPM (%)	18.7	17.1	160	18.4	35
Tax Rate (%)	23.5	24.6	(105)	20.2	339
EBIT Margin (%)	21.8	20.1	168	20.1	168

* Change in sector lead – Assumed coverage starting this quarter

CMP	Rs 4,208
Target / Upside	Rs 4,838 / 15%
NIFTY	16,631

Scrip Details

Equity / FV	Rs 99mn / Rs 2
Market Cap	Rs 208bn
	USD 3bn
52-week High/Low	Rs 4,329/ 3,203
Avg. Volume (no)	173,991
Bloom Code	NFIL IN

Price Performance	1M	3M	12M
Absolute (%)	16	2	14
Rel to NIFTY (%)	11	5	8

Shareholding Pattern

	Dec'21	Mar'22	Jun'22
Promoters	29.7	29.7	29.7
MF/Banks/FIs	18.9	18.3	18.9
FIs	21.4	23.5	21.4
Public / Others	30.0	28.5	30.0

Valuation (x)

	FY22A	FY23E	FY24E
P/E	79.1	61.8	40.7
EV/EBITDA	58.4	40.6	27.2
ROE (%)	15.1	17.2	22.5
RoACE (%)	14.6	16.2	20.9

Estimates (Rs mn)

	FY22A	FY23E	FY24E
Revenue	14,534	20,807	29,062
EBITDA	3,548	5,143	7,700
PAT	2,631	3,369	5,119
EPS (Rs.)	53.2	68.1	103.5

Analyst: Tejas Sonawane

Tel: +91 22 40969792

E-mail: tejass@dolatcapital.com

Associate: Alpesh Lad

Tel: +91 22 40969754

E-mail: alpeshl@dolatcapital.com

Exhibit 1: SOTP Table

EBITDA (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E	Target Multiple (EV/EBITDA)	EV
Refrigerants	522	416	612	657	700	12.0	8,399
Inorganic Fluorides	186	145	283	322	351	12.0	4,210
Specialty Chemicals	1,048	1,133	1,415	1,769	2,435	35.0	85,225
CRAMS	865	1,395	1,520	2,052	2,359	35.0	82,582
HPP				500	1,000	35.0	35,000
MPP				104	228	35.0	7,963
Agro-chemical fluoro-intermediate				0	200	35.0	7,000
Fluoro Speciality Molecule				0	300	35.0	10,500
Total	2,621	3,088	3,829	5,403	7,573		240,878
Gross Debt	14	25	1,045	2,000	3,000		3,000
Cash and Equivalents	3,513	6,284	2,000	1,486	1,495		1,495
Market Cap							239,374
No of Shares							49
Target Price (Rs)							4,838

Source: DART, Company

Exhibit 2: Actual vs DART Estimates

Particulars (Rs mn)	Actual	Estimated	Variance %	Comments
Revenue	3,975	4,012	(0.9)	In-line
EBITDA	991	953	4.0	
EBITDA Margin (%)	24.9	23.8	117.7	
PAT	745	668	11.4	Lower than expected depreciation charge.

Source: DART, Company

Exhibit 3: Change in estimates

Particulars (Rs Mn)	FY23E			FY24E		
	New	Previous	Chg (%)	New	Previous	Chg (%)
Revenue	20,807	20,697	0.5	29,062	27,155	7.0
EBITDA	5,143	4,781	7.6	7,700	6,967	10.5
EBITDA Margin (%)	24.7	23.1	161.7	26.5	25.7	79.4
PAT	3,369	3,034	11.1	5,119	4,773	7.3
EPS(Rs)	68.0	61.2	11.1	103.3	96.3	7.3

Source: DART, Company

Con Call Highlights

Key Highlights

- HPP plant for Honeywell International Inc. at Dahej was inaugurated on July 12. The company has initiated trial supplies and expect to start commercial supplies in from Q2FY23.
- Refrigerant gas, Inorganic Fluorides and HPP have been redefined into a single segment called HPP segment.

Specialty Chemicals (Revenue for Q1FY23 – Rs 1.8bn, up 32% YoY)

- Export to Domestic revenue split – 48:52
- Launched 1 new molecule during the quarter.
- Company is exploring opportunities on the Performance materials space.
- Company continues to see softness in ARV demand.
- Overall dependence on ARV has significantly reduced and the company does not see any impact on the growth of its specialty chemicals business despite softness in ARV demand.

HPP (Revenue for Q1FY23 – Rs 1.5bn, up 33% YoY)

- Ref Gas growth was driven majorly by volumes while Inorganic growth was led by pricing gains.
- Margin profile from HPP project is will be in line with the overall company margins with contracts on cost plus basis.
- Announced a capex of Rs 800mn towards debottlenecking for a new molecule at Surat. Peak utilisations are expected from 2nd/3rd Year onwards with peak revenue potential of Rs 1.5bn.
- Revenue from new HPP plant at Dahej is expected to flow in from Q2FY23 while full capacity is expected to be achieved in Q4FY23.
- Hydrofluoric acid (HF) is the key RM for HPP plant which is currently being sourced from Surat with the management indicating a possibility of setting up new HF facility in Dahej.
- Company is evaluating options of entering into value added products of R22.
- Export to Domestic revenue split – 22:78

CDMO (Revenue for Q1FY23 – Rs 590mn, down 12% YoY)

- c-GMP 3 plant capacity expansion is expected to be commissioned in Q3FY23.
- The management expects weaker performance in H1FY23 for CDMO business with H2FY23 expected to see a sharp uptick on the back of strong business opportunity pipeline.
- Company has begun its planning work on cGmp4 and is expected to soon take the business case for this plant for board approval.

Other Highlights

- All capacities are operating at almost full capacity except some small molecules in Inorganic business and CDMO business. The company expects to achieve optimum capacity for CDMO business from August 2022.
- The company is working on 2 molecules:

- 1) Agro molecule in Specialty Chemicals space developed in Surat
 - 2) Pharma molecule for CDMO business based out of Dewas, USA
- The company is working on 3 Fluoropyridine platforms of which 1 is under capex stage while 2 are in pilot plant stage.
 - HPP segment strategy – 1. Will look at debottlenecking HPP plant at the end of FY23, 2. Opportunity in non-fluorinated inorganic compounds and in Ref gas getting opportunities in industrial gases, 3. In new emerging segments.
 - No immediate plans to get in APIs due to its commoditized nature. Rather the company shall focus on developing advanced intermediates for European customers.

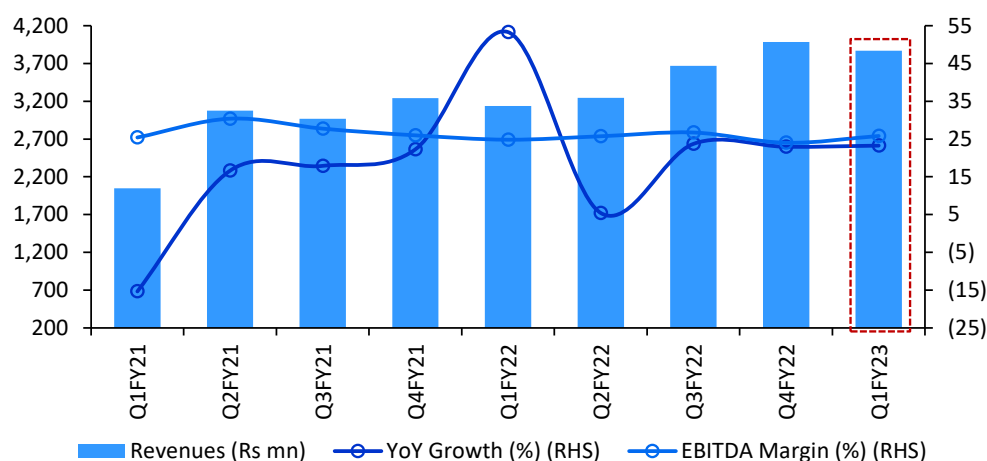
Capex updates

- Expected commissioning of MPP plant – Q2FY23
- Expected commissioning of Agro-chemical fluoro-intermediate plant – December 2022
- Expected commissioning of building block – December 2023
- The company is upgrading its infrastructure as well as investing in R&D and pilot plant in Surat.

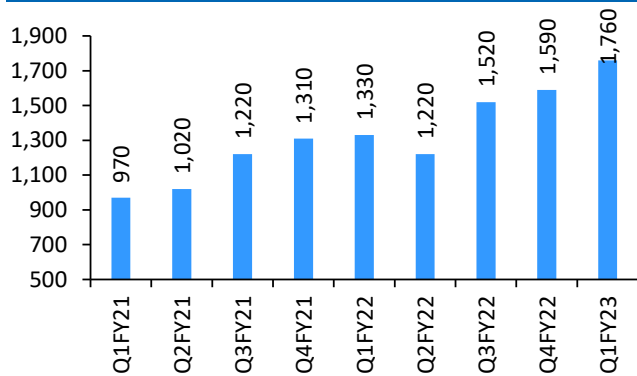
Guidance

- Working capital cycle is expected to be around 90 days going forward.

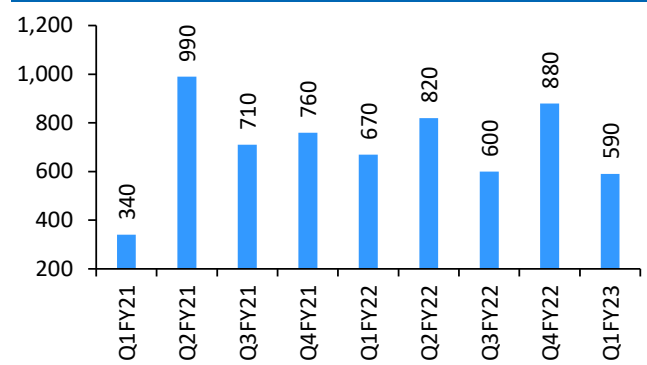
Exhibit 4: Quarterly Revenue vs EBITDA Margin



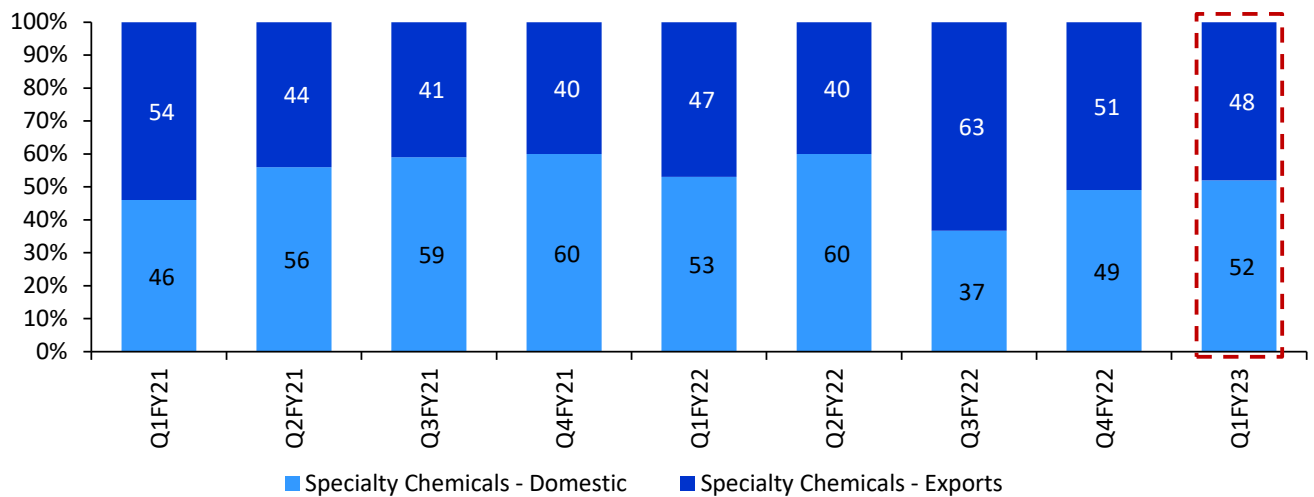
Source: Company, DART

Exhibit 5: Specialty Chemicals – Quarterly Revenues


Source: Company, DART

Exhibit 6: CRAMS – Quarterly Revenues


Source: Company, DART

Exhibit 7: Specialty Chemicals – Domestic vs Exports


Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY21A	FY22A	FY23E	FY24E
Revenue	11,794	14,534	20,807	29,062
Total Expense	8,701	10,986	15,664	21,362
COGS	5,374	6,656	9,698	13,418
Employees Cost	1,417	1,815	2,296	2,689
Other expenses	1,910	2,514	3,669	5,255
EBIDTA	3,093	3,548	5,143	7,700
Depreciation	442	479	821	1,171
EBIT	2,651	3,069	4,321	6,528
Interest	18	19	100	220
Other Income	790	392	306	420
Exc. / E.O. items	155	0	0	0
EBT	3,578	3,442	4,527	6,728
Tax	1,108	812	1,158	1,609
RPAT	2,575	2,631	3,369	5,119
Minority Interest	0	0	0	0
Profit/Loss share of associates	105	0	0	0
APAT	2,468	2,631	3,369	5,119

Balance Sheet

(Rs Mn)	FY21A	FY22A	FY23E	FY24E
Sources of Funds				
Equity Capital	99	99	99	99
Minority Interest	0	0	0	0
Reserves & Surplus	16,240	18,343	20,715	24,661
Net Worth	16,339	18,442	20,814	24,760
Total Debt	25	1,045	2,000	3,000
Net Deferred Tax Liability	207	201	201	201
Total Capital Employed	16,572	19,688	23,016	27,961

Applications of Funds

Net Block	4,862	5,033	13,633	18,712
CWIP	949	7,421	2,000	500
Investments	685	667	667	667
Current Assets, Loans & Advances	12,480	10,734	11,414	14,027
Inventories	1,804	2,575	3,687	4,379
Receivables	2,841	3,577	3,660	5,972
Cash and Bank Balances	5,439	958	444	453
Loans and Advances	0	5	5	5
Other Current Assets	1,551	2,576	2,576	2,176
Less: Current Liabilities & Provisions	2,404	4,167	4,699	5,945
Payables	1,074	1,465	2,098	3,344
Other Current Liabilities	1,329	2,701	2,601	2,601
<i>sub total</i>				
Net Current Assets	10,076	6,567	6,716	8,082
Total Assets	16,572	19,688	23,016	27,961

E – Estimates

Important Ratios

Particulars	FY21A	FY22A	FY23E	FY24E
(A) Margins (%)				
Gross Profit Margin	54.4	54.2	53.4	53.8
EBIDTA Margin	26.2	24.4	24.7	26.5
EBIT Margin	22.5	21.1	20.8	22.5
Tax rate	31.0	23.6	25.6	23.9
Net Profit Margin	21.8	18.1	16.2	17.6
(B) As Percentage of Net Sales (%)				
COGS	45.6	45.8	46.6	46.2
Employee	12.0	12.5	11.0	9.3
Other	16.2	17.3	17.6	18.1
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.1	0.1	0.1
Interest Coverage	144.1	161.5	43.2	29.7
Inventory days	56	65	65	55
Debtors days	88	90	64	75
Average Cost of Debt	93.8	3.6	6.6	8.8
Payable days	33	37	37	42
Working Capital days	312	165	118	102
FA T/O	2.4	2.9	1.5	1.6
(D) Measures of Investment				
AEPS (Rs)	49.9	53.2	68.1	103.5
CEPS (Rs)	58.8	62.9	84.7	127.1
DPS (Rs)	11.0	11.0	17.0	20.0
Dividend Payout (%)	22.1	20.7	25.0	19.4
BVPS (Rs)	330.2	372.7	420.7	500.4
RoANW (%)	16.9	15.1	17.2	22.5
RoACE (%)	15.3	14.6	16.2	20.9
RoAIC (%)	23.8	20.6	20.9	26.1
(E) Valuation Ratios				
CMP (Rs)	4208	4208	4208	4208
P/E	84.4	79.1	61.8	40.7
Mcap (Rs Mn)	208,209	208,209	208,209	208,209
MCap/ Sales	17.7	14.3	10.0	7.2
EV	201,950	207,254	208,723	209,714
EV/Sales	17.1	14.3	10.0	7.2
EV/EBITDA	65.3	58.4	40.6	27.2
P/BV	12.7	11.3	10.0	8.4
Dividend Yield (%)	0.3	0.3	0.4	0.5
(F) Growth Rate (%)				
Revenue	11.1	23.2	43.2	39.7
EBITDA	17.4	14.7	44.9	49.7
EBIT	17.1	15.8	40.8	51.1
PBT	38.8	(3.8)	31.5	48.6
APAT	(37.7)	6.6	28.1	51.9
EPS	(37.7)	6.6	28.1	51.9

Cash Flow

(Rs Mn)	FY21A	FY22A	FY23E	FY24E
CFO	2,797	2,151	3,628	5,152
CFI	17	(7,105)	(4,000)	(4,750)
CFE	(214)	473	(142)	(393)
FCFF	1,671	(4,971)	(372)	402
Opening Cash	2,837	5,439	958	444
Closing Cash	5,439	958	444	453

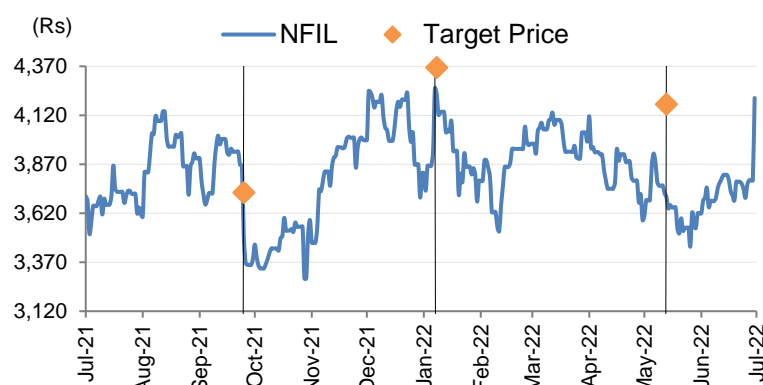
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-21	Accumulate	3,726	3,502
Feb-22	Accumulate	4,364	4,228
Jun-22	Accumulate	4,177	3,702

*Price as on recommendation date

Change Analyst

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
-------------	-------------------	-------------------------	-----------------

Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
-------------------	------------------	-----------------------	-----------------

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Anjana Jhaveri	VP - FII Sales	anjana@dolatcapital.com	+9122 4096 9758
Ruchi Bhadra	AVP - Equity Sales	ruchib@dolatcapital.com	+9122 4096 9784
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. Entity/ persons only: "This Report is considered independent third-party research and was prepared by Dolat Capital Market Private Limited, with headquarters in India. The distribution of this Research is provided pursuant to the exemption under Rule 15a-6(a) (2) and is only intended for an audience of Major U.S. Institutional Investors (MUSIIs) as defined by Rule 15a-6(b)(4). This research is not a product of StoneX Financial Inc. Dolat Capital Market Private Limited has sole control over the contents of this research report. StoneX Financial Inc. does not exercise any control over the contents of, or the views expressed in, any research reports prepared by Dolat Capital Market Private Limited and under Rule 15a-6(a) (3), any U.S. recipient of this research report wishing to affect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through StoneX Financial Inc. Please contact Gene Turok at +1 (212) 379-5463 or email gene.turok@stonex.com. Under no circumstances should any U.S. recipient of this research report effect any transaction to buy or sell securities or related financial instruments through the Dolat Capital Market Private Limited."



Dolat Capital Market Private Limited.

Corporate Identity Number: U65990GJ993PTC116741

Member: BSE Limited and National Stock Exchange of India Limited.

SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000000685

Registered office: Unit no PO6-02A - PO6-02D, Tower A, WTC, Block 51, Zone-5, Road 5E, Gift City, Gandhinagar, Gujarat – 382355

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
