Prabhudas Lilladher
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Navin Fluorine International (NFIL IN)

Rating: Not Rated | CMP: Rs4,727 | TP: NA

April 24, 2023

Visit Update

Key Financials - Consolidated

Y/e Mar	FY19	FY20	FY21	FY22
Sales (Rs. m)	9,959	10,616	11,794	14,534
EBITDA (Rs. m)	2,184	2,635	3,093	3,548
Margin (%)	*21.9*	*24.8*	*26.2*	*24.4*
PAT (Rs. m)	1,495	1,791	2,359	2,598
EPS (Rs.)	30.2	36.1	47.6	52.4
Gr. (%)	*-10.2*	*19.7*	*31.7*	*10.0*
DPS (Rs.)	12.5	14.5	8.0	11.0
Yield (%)	*0.3*	*0.3*	*0.2*	*0.2*
RoE (%)	*14.5*	*14.4*	*15.5*	*14.9*
RoCE (%)	*18.4*	*18.2*	*17.4*	*17.1*
EV/Sales (x)	23.2	21.7	19.3	16.1
EV/EBITDA (x)	106.0	87.5	73.6	65.7
PE (x)	156.4	130.6	99.2	90.2
P/BV (x)	21.8	16.6	14.3	12.7

Key Data	NAFL.BO | NFIL IN
52-W High / Low	Rs. 4,848 / Rs. 3,433
Sensex / Nifty	60,056 / 17,743
Market Cap	Rs. 234.2bn/ $ 2,854.5m
Shares Outstanding	49.6m
3M Avg. Daily Value	Rs. 641.1m

Shareholding Pattern (%)

Promoter's	28.81
Foreign	19.58
Domestic Institution	24.84
Public & Others	26.77
Promoter Pledge (Rs bn)	-

Stock Performance (%)

1M	6M	12M	
Absolute	11.5	6.8	17.4
Relative	7.5	7.4	14.8

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Dahej site to enable strong & sustainable growth

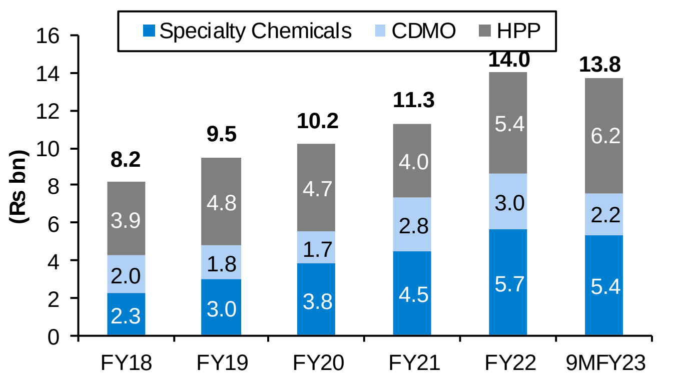
We visited Dahej site of Navin Fluorine Advanced Sciences Ltd (NFASL; Navin Fluorine International's 100% subsidiary) spread over ~75 acres plot housing (a) 1 dedicated plant producing 2 products (HFO and its intermediate for Honeywell) (b) 1 dedicated plant producing an intermediate for an agrochemical customer and (c) a multi-purpose plant (MPP) currently manufacturing 3 products (multiple customers). The site reflects extremely strong project execution along with management's futuristic thought process, as its designed to produce all raw materials in MPP's (capability in place) and is long term self-sustainable with limited external dependence for by-product/ waste handling.

We are of the view that NFIL will grow its earnings by ~30% CAGR (over FY23-25E) led by large capex (FY25E gross block at >3x of FY22) and strong revenue visibility as supplies are largely under long term contracts, while EBITDA margin trajectory strengthens (closer to ~30%) as all new projects are undertaken at superior margins. NFIL's strong balance sheet enables large capex with only transient increase in debt. The stock trades at 48x/37x FY24E/25E consensus EPS. We currently do not have a rating on the stock.

Key highlights:

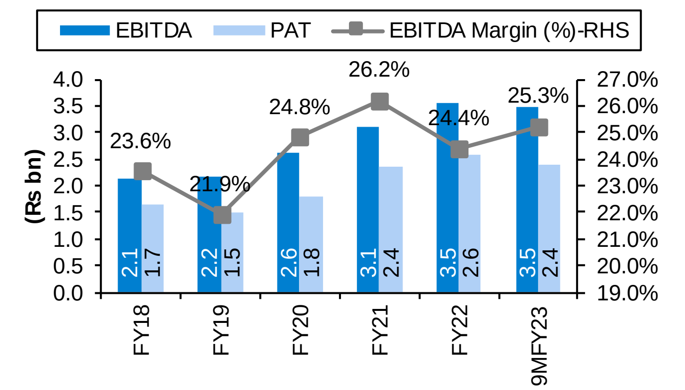
- **Site has ~50% area available for expansion:** ~50% land is still available for upcoming projects, including dedicated plant (Dec'23), HF (FY25) and other large expansions in specialty chemicals and HPP (subject to board approval).
- **HFO project debottlenecking under evaluation:** HFO project is operating at full capacity and debottlenecking is being evaluated to enhance capacity by ~20%; management to seek board approval for the same.
- **MPP ramping up; Surat site being revamped:** NFIL is revamping the product portfolio at Surat, which includes moving select large products from Surat to Dahej MPP and discontinuing production of certain low margin products at site.
- **Dedicated plant (agro-chem) ramped up to full capacity:** Facility for multi-year contract for agro-chemicals innovator was ramped up to full capacity soon after commissioning in Q3FY23. Site has provision for doubling the capacity.
- **ETP philosophy of reduction at source:** Each plant at site has a reduction at source facility with each effluent stream treated separately, thus ensuring decreased liability of waste, loss of energy, handling and treatment costs.
- **Self-sustainable site:** The site is equipped with a thermal oxidizer, liquid incinerator, CACL2 plants and hence not dependent on any external vendor for by-products, waste handling etc. thereby ensuring long term sustainability.
- **Raw material security:** Similarly, most of the RM used at this plant is either produced in house (HF, its key RM is produced at Surat) or being sourced from nearby vicinity (within 30km radius). MPP design ensures the capability to produce all RM's for all end products. Tie-ups for sourcing fluorspar for upcoming 40ktpa HF plant, are also in place.

Exhibit 1: ~18% revenue CAGR (5 yr); ready for faster growth



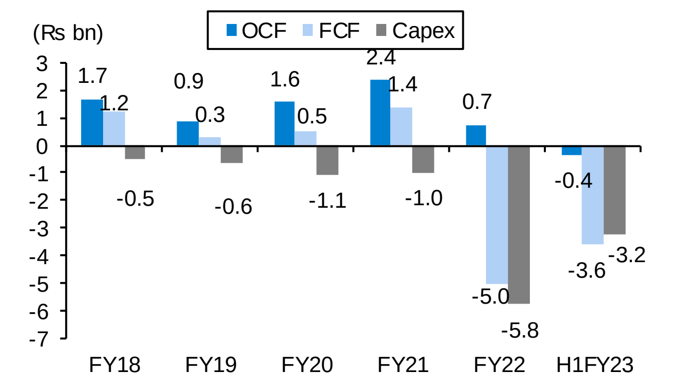
Source: Company, PL

Exhibit 2: Profit growth steady; margin expansion on cards



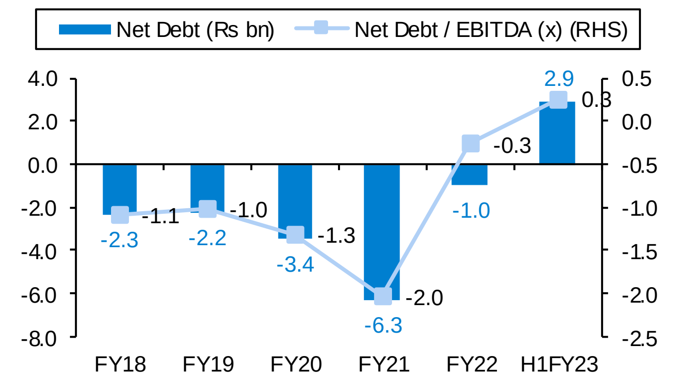
Source: Company, PL

Exhibit 3: Large capex ongoing; gross block >3x (FY22-25E)



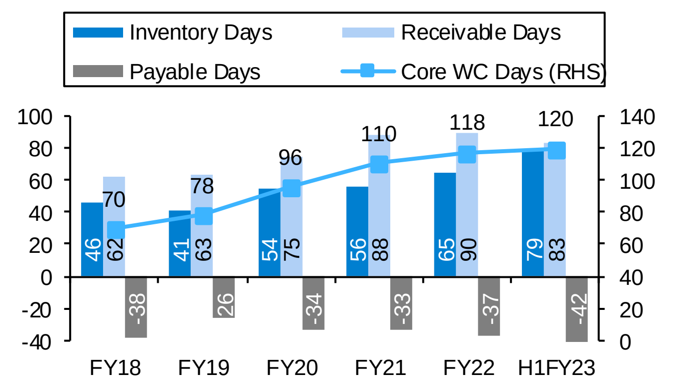
Source: Company, PL

Exhibit 4: Transient increase in debt to enable capex



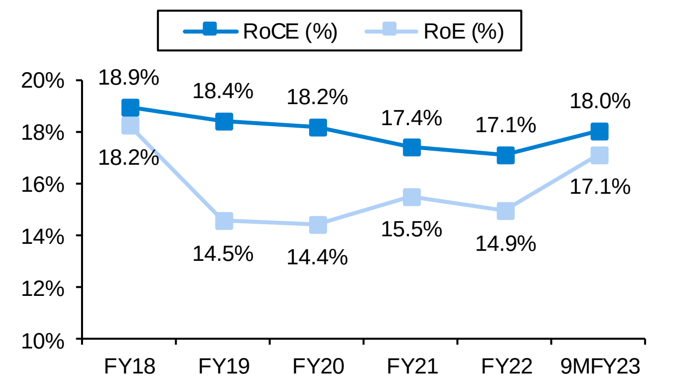
Source: Company, PL

Exhibit 5: Working capital largely stable



Source: Company, PL

Exhibit 6: Steady return profile amid high capital deployment



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e March	FY19	FY20	FY21	FY22
Net Revenues	**9,959**	**10,616**	**11,794**	**14,534**
YoY gr. (%)	*9.1*	*6.6*	*11.1*	*23.2*
Cost of Goods Sold	4,766	4,838	5,374	6,656
Gross Profit	5,194	5,777	6,420	7,877
Margin (%)	*52.1*	*54.4*	*54.4*	*54.2*
Employee Cost	1155	1308	1417	1815
Other Expenses	1,855	1,835	1,910	2,514
EBITDA	**2,184**	**2,635**	**3,093**	**3,548**
YoY gr. (%)	*1.6*	*20.7*	*17.4*	*14.7*
Margin (%)	*21.9*	*24.8*	*26.2*	*24.4*
Depreciation and Amortization	275	370	442	479
EBIT	**1,908**	**2,265**	**2,651**	**3,069**
Margin (%)	*19.2*	*21.3*	*22.5*	*21.1*
Net Interest	8	20	18	19
Other Income	344	333	790	392
Profit Before Tax	**2,244**	**2,578**	**3,578**	**3,442**
Margin (%)	*22.5*	*24.3*	*30.3*	*23.7*
Total Tax	770	(1,436)	1,108	812
Effective tax rate (%)	*34.3*	*-55.7*	*31.0*	*23.6*
Profit after tax	**1,474**	**4,014**	**2,471**	**2,631**
Minority interest	-	-	-	-
Share Profit from Associate	17	72	105	0
Adjusted PAT	**1,495**	**1,791**	**2,359**	**2,598**
YoY gr. (%)	*-9.9*	*19.8*	*31.7*	*10.1*
Margin (%)	*15.0*	*16.9*	*20.0*	*17.9*
Extra Ord. Income / (Exp)	-4	2,295	216	33
Reported PAT	**1,491**	**4,086**	**2,575**	**2,631**
YoY gr. (%)	*-17.1*	*174.0*	*-37.0*	*2.2*
Margin (%)	*15.0*	*38.5*	*21.8*	*18.1*
Other Comprehensive Income	0	0	0	0
Total Comprehensive Income	1,491	4,086	2,575	2,631
Equity Shares O/s (m)	**49**	**49**	**50**	**50**
EPS (Rs)	**30.2**	**36.1**	**47.6**	**52.4**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e March	FY19	FY20	FY21	FY22
Non-Current Assets				
Gross Block	**4,215**	**5,547**	**6,061**	**6,612**
Tangibles	4,191	5,247	5,478	6,070
Intangibles	24	300	583	541
Acc: Dep / Amortization	**791**	**1,137**	**1,537**	**1,928**
Tangibles	780	1,055	1,402	1,767
Intangibles	11	82	135	161
Net fixed assets	**3,424**	**4,410**	**4,524**	**4,683**
Tangibles	3,411	4,192	4,076	4,303
Intangibles	13	218	448	380
Capital Work In Progress	393	389	949	7,421
Goodwill	878	878	878	878
Non-Current Investments	2,391	1,279	145	139
Net Deferred tax assets	(348)	151	(207)	(201)
Other Non-Current Assets	379	1,402	532	541
Current Assets				
Investments	1,883	675	845	1,042
Inventories	1,119	1,579	1,804	2,575
Trade receivables	1,727	2,185	2,841	3,577
Cash & Bank Balance	370	2,779	5,439	958
Other Current Assets	508	559	1,019	2,041
Total Assets	**13,072**	**16,285**	**18,975**	**23,855**
Equity				
Equity Share Capital	99	99	99	99
Other Equity	10,626	14,023	16,240	18,343
Total Networth	**10,724**	**14,122**	**16,339**	**18,442**
Non-Current Liabilities				
Long Term borrowings	0	0	0	1,000
Provisions	86	103	118	137
Other non current liabilities	145	289	291	235
Current Liabilities				
ST Debt / Current of LT Debt	41	14	25	45
Trade payables	713	981	1,074	1,465
Other current liabilities	1,014	777	921	2,329
Total Equity & Liabilities	**13,072**	**16,285**	**18,975**	**23,855**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e March	FY19	FY20	FY21	FY22
PBT	2,244	2,578	3,578	3,442
Add. Depreciation	275	370	442	479
Add. Interest	8	20	18	19
Less Financial Other Income	(15)	(33)	(190)	(167)
Add. Other	(277)	(201)	(395)	(141)
Op. profit before WC changes	2,235	2,735	3,454	3,632
Net Changes-WC	(615)	(706)	(1,255)	(2,104)
Direct tax	(719)	(462)	174	(781)
Net cash from Op. activities	**902**	**1,566**	**2,373**	**748**
Capital expenditures	(612)	(979)	(906)	(5,758)
Interest / Dividend Income	14	19	180	179
Others	355	1,811	(1,645)	3,856
Net Cash from Invt. activities	**(243)**	**851**	**(2,371)**	**(1,723)**
Issue of share cap. / premium	21	12	15	25
Debt changes	(85)	(27)	11	1,020
Dividend paid	(611)	(714)	(394)	(542)
Interest paid	(8)	(20)	(18)	(19)
Others	-	(60)	(64)	(69)
Net cash from Fin. activities	**(683)**	**(809)**	**(451)**	**415**
Net change in cash	**(25)**	**1,609**	**(449)**	**(561)**
Free Cash Flow	286	489	1,386	(5,041)

Source: Company Data, PL Research

Key Financial Metrics

Y/e March	FY19	FY20	FY21	FY22
Per Share(Rs)				
EPS	30.2	36.2	47.7	52.4
CEPS	35.8	43.7	56.6	62.1
BVPS	216.9	285.4	330.1	372.2
FCF	5.8	9.9	28.0	-101.7
DPS	12.5	14.5	8.0	11.0
Return Ratio(%)				
RoCE	18.4	18.2	17.4	17.1
ROIC	15.7	36.7	17.6	17.0
RoE	14.5	14.4	15.5	14.9
Balance Sheet				
Net Debt : Equity (x)	-0.2	-0.2	-0.4	-0.1
Net Working Capital (Days)	78	96	110	118
Valuation(x)				
PER	156.4	130.6	99.2	90.2
P/B	21.8	16.6	14.3	12.7
P/CEPS	132.1	108.2	83.5	76.1
EV/EBITDA	106.0	87.5	73.6	65.7
EV/Sales	23.2	21.7	19.3	16.1
Dividend Yield (%)	0.3	0.3	0.2	0.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e March	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	**4,089**	**3,975**	**4,192**	**5,636**
YoY gr. (%)	*22.6*	*21.6*	*21.7*	*23.7*
Raw Material Expenses	1,967	1,823	1,836	2,464
Gross Profit	2,122	2,152	2,356	3,172
Margin (%)	*51.9*	*54.1*	*56.2*	*56.3*
EBITDA	**943**	**991**	**938**	**1,556**
YoY gr. (%)	*10.2*	*27.4*	*11.5*	*57.8*
Margin (%)	*23.0*	*24.9*	*22.4*	*27.6*
Depreciation / Depletion	119	124	177	250
EBIT	**824**	**868**	**762**	**1,306**
Margin (%)	*20.1*	*21.8*	*18.2*	*23.2*
Net Interest	6	3	40	92
Other Income	124	109	109	99
Profit before Tax	**941**	**974**	**831**	**1,313**
Margin (%)	*23.0*	*24.5*	*19.8*	*23.3*
Total Tax	190	229	252	247
Effective Tax Rate (%)	*20.2*	*23.5*	*30.4*	*18.8*
Profit after Tax	**752**	**744**	**578**	**1,066**
Minority Interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**752**	**744**	**578**	**1,066**
YoY gr. (%)	*0.5*	*33.2*	*-8.6*	*54.9*
Margin (%)	*18.4*	*18.7*	*13.8*	*18.9*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**752**	**744**	**578**	**1,066**
YoY gr. (%)	*0.5*	*33.2*	*-8.6*	*54.9*
Margin (%)	*18.4*	*18.7*	*13.8*	*18.9*
Other Comprehensive Income	-5	-10	-11	28
Total Comprehensive Income	**746**	**735**	**567**	**1,094**
Avg. Shares O/S (m)	50	50	50	50
EPS (Rs.)	**15.2**	**15.0**	**11.7**	**21.5**

Source: Company Data, PL Research

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Accumulate	660	547
2	Fine Organic Industries	BUY	6,000	4,481
3	Jubilant Ingrevia	BUY	810	398
4	Laxmi Organic Industries	Hold	290	267
5	NOCIL	Accumulate	240	220

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Buy	:	>15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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