

Navin Fluorine International (NFIL)

Chemicals | Company Update

ACCUMULATE

CMP: Rs3,187 | Target Price (TP): Rs3,400 | Upside: 7%

June 03, 2024

Much awaited MD announcement a sentiment booster

Key Points

- NFIL's management has announced the appointment of Mr Nitin Kulkarni (see his [profile](#)) as the new MD today. This has come nearly eight months after Mr Radhesh Welling had tendered his resignation. Investors were concerned regarding the clarity on leadership, as reflected in the stock price (stock fell ~30% after earlier MD's resignation).
- We see appointment of the new MD as a sentiment booster as he has worked with NFIL in one of his previous stints and also comes with over three decades of rich experience in Fluorochemicals and CDMO. Unlike other Specialty Chemicals companies, NFIL's nearly 3/4th revenue is associated with global innovators and hence having an equally competent person at the helm remains the key.
- We remain positive on the Complex Fluorination space and NFIL on a structural basis. While there is clarity on the leadership now, near-term challenges such as order deferrals in high value business could be an overhang on the stock. Maintain Accumulate.

Profile of the new MD: Mr. Nitin G. Kulkarni brings to Navin Fluorine over three decades of rich experience across the Specialty Chemicals value chain, specifically covering Fluorochemicals and CDMO. He has been involved in executing large greenfield and brownfield projects, setting up new business verticals etc. He has developed deep relationships across the leading global players. In his previous stint as the ED of OC Specialities, he built and expanded the CDMO business in India, Europe, North America, Japan and China. NFIL has been proactive in terms of implementing HSE and sustainability measures. Mr Kulkarni's interest in these areas augurs well for the company. Considering his earlier 7-year stint at NFIL, we believe he could be a right fit for NFIL culture. While there could be changes in the strategic initiatives under his tenure, but broadly focus on high value business and market development in Fluorospecialty beyond Agrochemicals and Pharma should remain intact.

Performance under the leadership of Mr. Welling: Under the leadership of current MD, Mr. Welling, NFIL has delivered a very strong performance (Revenue/EBITDA/APAT CAGR of 20%/26%/26% over FY19-FY23). But, most importantly, NFIL offers much greater future visibility, unlike most other chemical companies in India. Capex acceleration was concentrated mainly towards the high-value businesses over the last few years. Also, a large part of the capex was incurred towards the multi-year long-term contracts with the innovators in Global Pharma and Agchem space. As a result, revenue share of high-value businesses increased from 50% in FY19 (similar to FY15-19 average) to 77% in FY23.

Est Change	No change
TP Change	No change
Rating Change	No change

Company Data and Valuation Summary

Reuters:	NAFL.BO
Bloomberg:	NFIL IN Equity
Mkt Cap (Rsbn/US\$bn):	158.1 / 1.9
52 Wk H / L (Rs):	4,745 / 2,899
ADTV-3M (mn) (Rs/US\$):	859.1 / 10.3
Stock performance (%) 1M/6M/1yr:	(6.8) / (13.9) / (31.7)
Nifty 50 performance (%) 1M/6M/1yr:	(0.5) / 2.5 / 21.9

Shareholding	2QFY24	3QFY24	4QFY24
Promoters	28.8	28.8	28.8
DII's	26.0	28.9	28.6
FII's	19.2	15.9	15.6
Others	26.0	26.4	27.0
Pro pledge	3.2	3.2	3.2

Financial and Valuation Summary

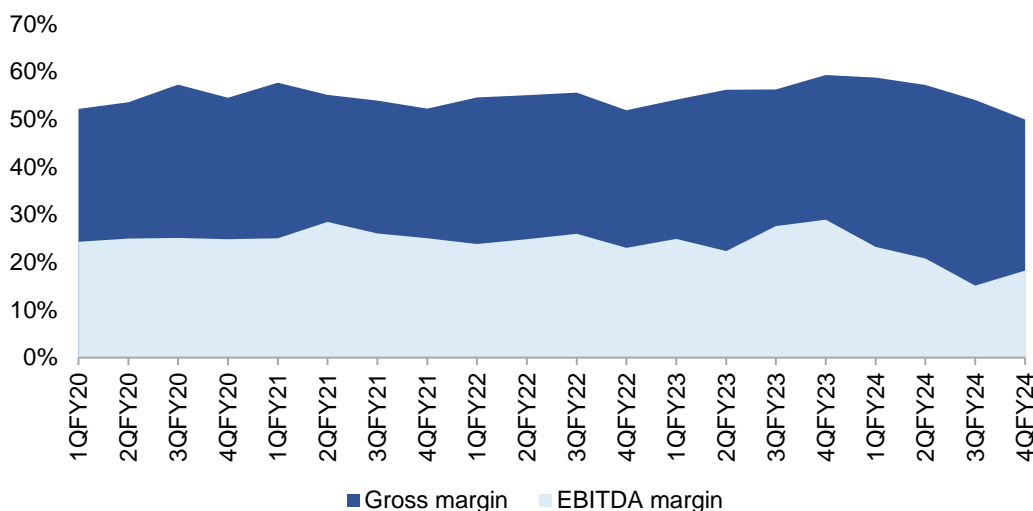
Particulars (Rsmn)	FY23	FY24	FY25E	FY26E
Net Sales	20,774	20,650	25,137	30,032
Growth YoY%	42.9%	-0.6%	21.7%	19.5%
Gross margin %	56.9%	54.7%	55.0%	56.0%
EBITDA	5,503	3,983	5,775	7,404
EBITDA margin %	26.5%	19.3%	23.0%	24.7%
Adj PAT	3,752	2,285	3,802	4,780
Growth YoY%	43%	-39%	66%	26%
EPS	75.7	46.1	76.7	96.5
RoCE (pre-tax)	19.6%	8.9%	12.2%	14.3%
RoCE	14.8%	7.2%	9.5%	11.0%
RoE	18.6%	10.0%	15.1%	17.0%
P/E	44.5	73.1	43.9	35.0
EV/EBITDA	31.8	44.0	30.8	24.5
P/BV	7.6	7.0	6.3	5.6

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

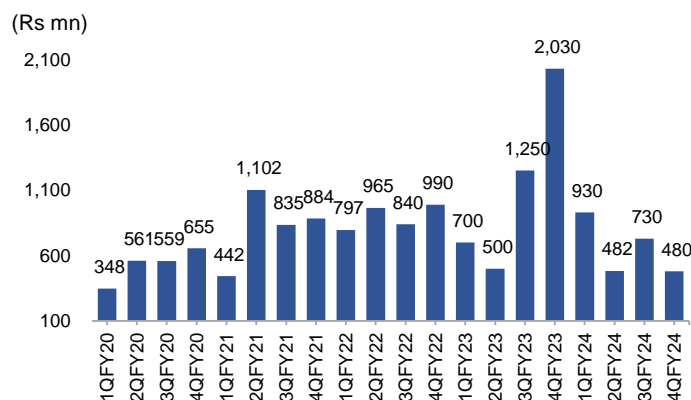
Key Links –

[4QFY24 Presentation](#)

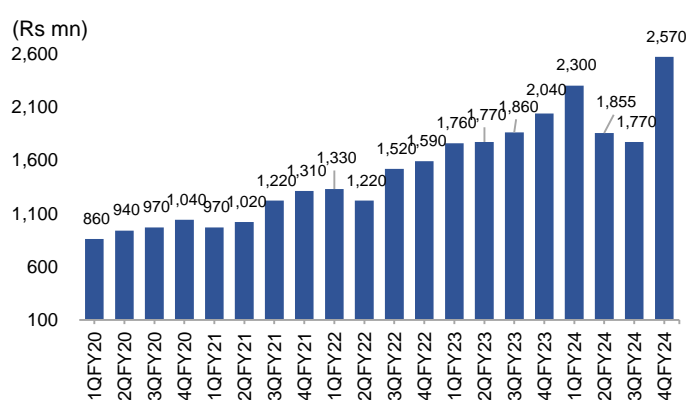
Please refer to the disclaimer towards the end of the document

Exhibit 1: Consolidated gross margin & EBITDA margin quarterly trend


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Quarterly CDMO revenue


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Quarterly Specialty Chemicals revenue


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Change in earnings estimates

Consolidated (Rsmn)	Old Estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	25,137	30,032	25,137	30,032	-	-
EBITDA	5,775	7,404	5,775	7,404	-	-
EBITDA Margin%	23.0%	24.7%	23.0%	24.7%	-	-
APAT	3,802	4,780	3,802	4,780	-	-

Source: Nirmal Bang Institutional Equities Research

Financials

Exhibit 5: Income statement

Y/E March (Rsmn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	14,534	20,774	20,650	25,137	30,032
Growth YoY%	23.2	42.9	-0.6	21.7	19.5
COGS	6,656	8,960	9,354	11,312	13,213
Gross margin %	54.2	56.9	54.7	55.0	56.0
Staff costs	1,815	2,494	2,858	3,393	3,916
Other expenses	2,514	3,817	4,455	4,657	5,499
EBITDA	3,548	5,503	3,983	5,775	7,404
Growth YoY%	14.7	55.1	-27.6	45.0	28.2
EBITDA margin %	24.4	26.5	19.3	23.0	24.7
Depreciation	479	626	962	992	1,202
EBIT	3,069	4,877	3,021	4,783	6,202
Interest	19	275	746	780	817
Other income	392	357	559	904	833
PBT (bei)	3,442	4,959	2,834	4,907	6,218
PBT	3,442	4,959	3,355	4,907	6,218
ETR	23.6	24.3	19.4	22.5	23.1
PAT	2,631	3,752	2,705	3,802	4,780
Adj PAT	2,631	3,752	2,285	3,802	4,780
Growth YoY%	6.6	42.6	-39.1	66.4	25.7

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Cash flow

Y/E March (Rsmn)	FY22	FY23	FY24	FY25E	FY26E
PBT	3,442	4,959	3,355	4,907	6,218
Depreciation	479	626	962	992	1,202
Interest	19	275	746	780	817
Other adjustments	-308	-91	-831	-904	-833
Change in Working capital	-2,104	-5,307	3,610	-1,555	-954
Tax paid	-781	-1,098	-343	-1,104	-1,438
Operating cash flow	747	-636	7,499	3,115	5,012
Capex	-5,789	-7,577	-7,324	-5,000	-7,000
Free cash flow	-5,042	-8,213	175	-1,885	-1,988
Other investing activities	4,065	1,021	-3,611	2,974	2,833
Investing cash flow	-1,724	-6,556	-10,935	-2,026	-4,167
Issuance of share capital	-	-	-	-	-
Movement of Debt	978	7,397	4,848	1,023	1,442
Dividend paid (incl DDT)	-542	-543	-745	-1,141	-1,489
Other financing activities	-21	-275	-746	-553	-817
Financing cash flow	415	6,579	3,357	-671	-864
Net change in cash flow	-561	-613	-78	418	-19
Opening C&CE	1,319	757	145	66	484
Closing C&CE	757	145	66	484	465

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Balance sheet

Y/E March (Rsmn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	99	99	99	99	99
Reserves	18,343	21,750	23,728	26,389	29,679
Net worth	18,442	21,850	23,827	26,488	29,778
Long term debt	1,000	7,531	10,229	11,251	12,377
Short term debt	45	955	3,171	3,171	3,488
Total debt	1,045	8,487	13,399	14,422	15,864
Other non-current liabilities	574	697	1,136	1,363	1,363
Total Equity & Liabilities	20,060	31,033	38,362	42,273	47,006
Gross block	6,581	18,073	21,313	26,313	33,313
Accumulated depreciation	1,902	2,507	3,469	4,461	5,663
Net Block	4,679	15,566	17,844	21,852	27,650
CWIP	7,421	2,786	7,111	7,111	7,111
Intangible and others	878	878	878	878	878
Other non-current assets	546	2,092	2,318	2,318	2,318
Investments	139	116	88	88	88
Trade receivables	3,577	5,615	5,125	6,537	7,810
Inventories	2,575	4,681	3,717	5,111	6,106
C&CE and Current Invst	2,000	670	5,136	3,484	1,465
Other current assets	2,041	2,889	1,555	1,555	1,555
Total current assets	10,193	13,855	15,532	16,687	16,936
Trade payables	1,465	2,435	3,025	3,323	3,970
Other current liabilities	2,329	1,825	2,383	3,336	4,004
Total current liabilities	3,794	4,260	5,408	6,659	7,974
Total Assets	20,060	31,033	38,362	42,273	47,006

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Key ratios

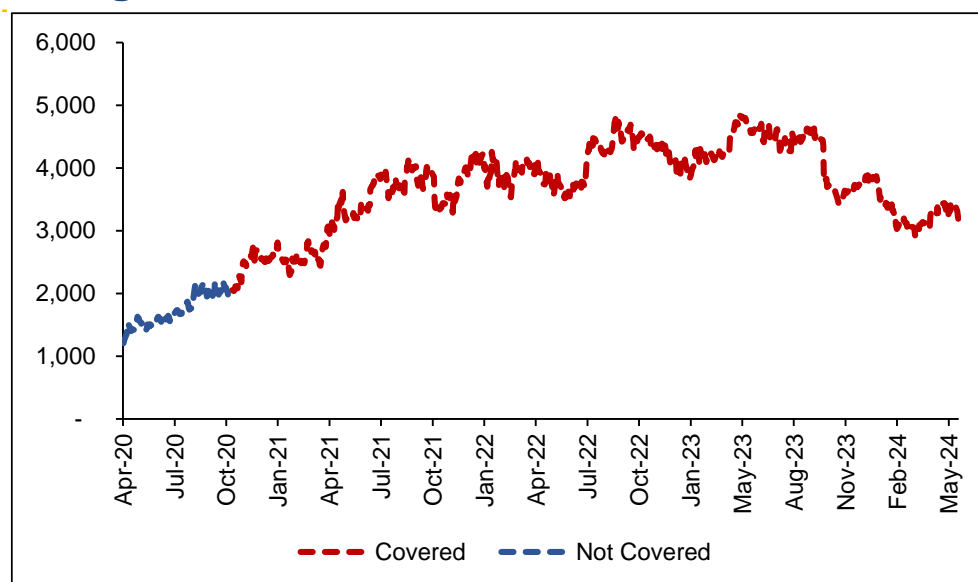
Y/E March	FY22	FY23	FY24	FY25E	FY26E
Per share (Rs)					
Adj EPS	53.2	75.7	46.1	76.7	96.5
Book value	372.9	441.0	480.9	534.6	601.0
Valuation (x)					
EV/EBITDA	46.7	31.8	44.0	30.8	24.5
P/E	63.4	44.5	73.1	43.9	35.0
P/BV	9.0	7.6	7.0	6.3	5.6
Return ratios (%)					
RoCE	13.1	14.8	7.2	9.5	11.0
RoCE (pre-tax)	17.1	19.6	8.9	12.2	14.3
RoE	15.1	18.6	10.0	15.1	17.0
Profitability ratios (%)					
Gross margin	54.2	56.9	54.7	55.0	56.0
EBITDA margin	24.4	26.5	19.3	23.0	24.7
PAT margin	17.6	17.8	10.8	14.6	15.5
Liquidity ratios (%)					
Current ratio	2.7	2.7	1.8	1.7	1.5
Quick ratio	2.0	1.8	1.4	1.2	0.9
Solvency ratio (%)					
Debt to Equity ratio	0.1	0.4	0.6	0.5	0.5
Net Debt to Equity ratio	-0.1	0.4	0.3	0.4	0.5
Turnover ratios					
Fixed asset turnover ratio (x)	2.2	1.1	1.0	1.0	0.9
Debtor days	81	81	95	95	95
Inventory days	55	64	74	74	74
Creditor days	32	34	48	48	48
Net Working capital days	104	110	121	121	121

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
16 October 2020	ACCUMULATE	1,999	2,200
29 October 2020	ACCUMULATE	2,278	2,200
7 January 2021	BUY	2,750	3,400
12 January 2021	BUY	2,669	3,400
27 January 2021	BUY	2,569	3,400
10 May 2021	ACCUMULATE	3,370	3,400
6 July 2021	BUY	3,820	4,400
27 July 2021	BUY	3,710	4,400
23 September 2021	BUY	3,923	4,700
20 October 2021	BUY	3,509	4,700
2 February 2022	ACCUMULATE	4,257	4,600
9 May 2022	BUY	3,757	4,500
25 July 2022	BUY	3,788	4,500
20 September 2022	ACCUMULATE	4,629	4,500
20 October 2022	ACCUMULATE	4,350	4,500
30 October 2022	ACCUMULATE	4,499	4,500
8 February 2023	ACCUMULATE	4,281	4,500
23 April 2023	ACCUMULATE	4,730	4,500
14 May 2023	ACCUMULATE	4,752	4,700
01 August 2023	BUY	4,272	5,000
04 October 2023	BUY	3,821	4,600
1 November 2023	BUY	3,430	4,000
6 February 2024	ACCUMULATE	3,265	3,500
8 May 2024	ACCUMULATE	3,372	3,400
3 June 2024	ACCUMULATE	3,187	3,400

Rating Chart



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Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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