

Strong orderbook provides better visibility...

About the stock: Navin Fluorine (NFIL) operates one of the largest integrated fluorochemicals complexes in India with a presence in speciality chemicals, CDMO, and HPP (Refrigerants + Inorganic Fluoride + HPP).

- The company has two manufacturing facilities in Surat and Dewas while it is setting up a new greenfield capacity at Dahej
- In Q2FY25 speciality chemicals accounted for 30% of overall revenues followed by CDMO 13% and the rest 57% were derived from HPP segment (refrigerants + Inorganic Fluoride + HPP).

Investment Rationale:

- Q2FY25 – Decent numbers despite weakness in Specialty Chemicals - Revenues grew ~10% YoY to ₹ 519 crore driven by HPP segment which grew 23% to ₹ 293 crore. CDMO business also grew 41% to ₹ 68 crore. On the other hand, Specialty Chemicals de-grew 15% to ₹ 158 crore. Similarly, EBIDA grew 9% YoY to ₹ 107 crore tracking revenues growth. EBITDA margins stood at 20.7%. Traction in HPP was driven by Hydrofluoroolefins (HFO) and strong sales of new R32 capacity, besides improved realisations of R22. In CDMO, the growth was driven by focus on late stage / commercial stage molecules. Specialty chemicals witnessed slowdown due to inventory level rationalization in the export markets.
- Strong orderbook for H2FY25 and beyond; execution to be the key- The order book visibility is strong across segments with significant ongoing capex- 1) HPP- Anhydrous hydrogen fluoride (AHF) ₹ 450 crore on schedule to commission by end FY25/ early FY26, Additional R32 capacity at a capex of ₹ 84 crore by Q4FY25, 2) Specialty Chemicals- ₹ 570 crore at Dahej and Surat in FY25 /26. 3) CDMO- ₹ 288 crore- Phase 1 capex with ₹ 160 crore outlay is likely to get commissioned by Q3FY26. The management confidence is stemming from past execution track record and most importantly the customer visits over the past few months. In Specialty Chemicals, the company introduced one new molecule from Surat and it is on track to launch 2 additional molecules. In CDMO, the company has made significant progress for EU and US based clients especially towards late-stage molecules. In HPP, the company expects better capacity utilisation for new capex based on firm commitments from existing and new customers. The management has set an aspirational EBITDA target of 24-25% of EBITDA in the long run and better ROCE.

Rating and Target price

- Our target price is ₹ 3830 based on 28x FY26E EBITDA of 722.4. We believe the premium valuation is justified on the back of significant built-up in orderbook based on earlier capex and customer commitments.

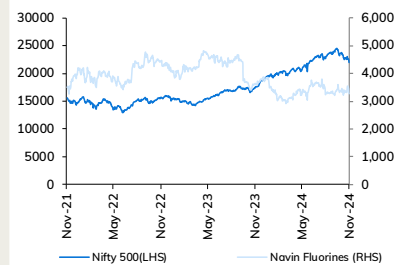
Particulars

Particular	Amount
Market cap (₹ Crore)	15,933
FY24 Total Debt (₹ Crore)	1,368
FY24 Cash & Inv (₹ Crore)	28
EV (₹ Crore)	17,274
52 Week H/L	3979/2876
Equity Capital (₹ Crore)	9.8
Face Value (₹)	2

Shareholding pattern

(in %)	Dec-23	Mar-24	Jun-24	Sept-24
Promoter	28.8	28.8	28.8	28.4
FII	15.9	15.6	18.0	18.2
DII	28.9	28.6	27.3	28.2
Others	26.4	27.0	25.9	25.2

Price Chart



Key risks

- (i) Possible slippages in the execution of capex due to postponement from customers
- (ii) Weakness in Specialty Chemicals spilling beyond FY25.

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Shubh Mehta
shubh.mehta@icicisecurities.com

Vedant Nilekar
vedant.nilekar@icicisecurities.com

Key Financial Summary

Key Financials (₹ Crore)	FY22	FY23	FY24	2 year CAGR (FY22-24)	FY25E	FY26E	2 year CAGR (FY24-26E)
Net Revenue	1,453.4	2,077.4	2,065.0	19.2%	2,373.7	3,010.0	20.7%
EBITDA	354.8	550.3	398.3	5.9%	522.2	722.4	34.7%
EBITDA Margins (%)	24.4%	26.5%	19.3%		22.0%	24.0%	
Adj.PAT	259.0	375.2	218.4	-8.2%	290.0	418.7	38.5%
Adj. EPS (₹)	52.3	75.7	44.1		58.5	84.4	
EV/EBITDA	45.3x	30.8x	42.8x		32.8x	24.1x	
P/E	62.5x	43.1x	59.8x		55.8x	38.7x	
ROE (%)	14.0	17.2	9.2		10.7	13.6	
ROCE (%)	17.8	17.2	9.5		11.5	14.2	

Source: Company, ICICI Direct Research

Q2FY25 Earnings release / Conference call highlights

HPP-

- Overall capacity utilisation at the Honeywell HFO facility is at an optimum level (80%)
- Sales breakup- India- 38%; Exports-62%
- Existing R32 plant is running optimally and the focus to add 4,500MT capacity, while the progress schedule remains on track for commissioning by Q4FY25
- The management expects Honeywell orderbook to improve on the back of US construction boom tracking lower interest rates

Specialty Chemicals-

- Sales impacted by global industry macro – cautious demand and competitive forces.
- Sales breakup- India- 50%; Exports-50%
- The upcoming agri-specialty plant at Dahej with a planned capex of ₹ 540 crore is under commissioning jointly with the company's customers and is expected to commence commercial production by November 2024.
- The Surat project with an outlay of ₹ 30 crore is commissioned, and the first dispatch will be in November 2024.
- The three new products are high volume- high value products.
- Orderbook visibility is based on the new as well as existing products.

CDMO

- Revenue guidance of US\$ 100 million by FY27 reiterated by the management.
- European CDMO MSA- Orders in hand for supply in Q4 of 2 new late-stage intermediates. Commercial supplies have started.
- Quantity also supplied to an EU major for process performance qualification for late-stage study
- Phase I capex of ₹ 160 crore has ATR potential of ~2x
- Sales breakup- India- 61%; Exports-29%
- The company is working on lot of late-stage molecules which typically have low risk profile.

Financial Tables

Exhibit 3: Profit and loss statement				₹ crore
Year end March	FY23	FY24	FY25E	FY26E
Total Operating Income	2,077.4	2,065.0	2,373.7	3,010.0
Growth (%)	42.9	-0.6	14.9	26.8
Raw Material Expenses	896.0	935.4	1,068.2	1,324.4
Employee Cost	249.4	285.8	308.6	391.3
Other Expenses	381.7	445.5	474.7	571.9
Total Operating Expenditure	1,527.1	1,666.7	1,851.5	2,287.6
EBITDA	550.3	398.3	522.2	722.4
Growth (%)	55.1	-27.6	31.1	38.3
Other Income	35.7	55.9	47.1	48.1
Depreciation	62.6	96.2	97.8	126.0
Net Interest Exp.	27.5	74.6	88.1	91.1
Other exceptional items	0.0	52.1	0.0	0.0
PBT	495.9	335.5	383.3	553.4
Total Tax	120.7	65.0	93.3	134.7
PAT	375.2	270.5	290.0	418.7
Adjusted PAT	375.2	218.4	290.0	418.7
Growth (%)	44.9	-41.8	32.8	44.4
Adjusted EPS (₹)	75.7	44.1	58.5	84.4

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement				₹ crore
Year end March	FY23	FY24	FY25E	FY26E
PBT & Extraordinary	495.9	335.5	383.3	553.4
Add: Depreciation	62.6	96.2	97.8	126.0
After other adjustments				
(Inc) / Dec in Working Capital	-530.7	361.0	-34.6	-353.0
Taxes	-109.8	-34.3	-93.3	-134.7
Others	18.4	-8.6	88.1	91.1
CF from operating activities	-63.6	749.9	441.3	282.8
Purchase of Fixed Assets	-757.7	-732.4	-498.3	-399.7
Others	102.1	-361.1	86.4	200.0
CF from investing activities	-655.6	-1,093.5	-412.0	-199.7
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	744.2	491.3	15.1	84.9
Dividnd paid & dividend tax	-54.3	-74.5	-59.5	-59.5
Others	-32.0	-81.1	-87.5	-91.1
CF from financing activities	657.9	335.7	-131.9	-65.8
Net cash flow	-61.3	-7.8	-102.5	17.3
Opening cash	95.8	34.8	27.5	30.2
Closing cash	34.8	27.5	30.2	47.5

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet				₹ crore
Year end March	FY23	FY24	FY25E	FY26E
Liabilities				
Equity Capital	9.9	9.9	9.9	9.9
Reserves & Surplus	2,175.0	2,372.8	2,709.6	3,068.8
Total Shareholders Funds	2,185.0	2,382.7	2,719.6	3,078.7
Minority Interest	0.0	0.0	0.0	0.0
Long Term Borrowings	759.6	1,040.2	952.8	940.2
Net Deferred Tax liability	34.8	64.3	66.1	66.1
Other long term liabilities	13.5	13.5	13.5	19.5
Long term provisions	15.1	18.5	20.0	21.9
Current Liabilities and Provisions				
Short term borrowings	101.3	328.3	430.8	528.3
Trade Payables	243.5	302.5	242.8	329.9
Other Current Liabilities	168.8	215.0	235.8	313.4
Short Term Provisions	8.0	12.1	9.3	11.5
Total Current Liabilities	521.5	857.9	918.7	1,183.1
Total Liabilities	3,529.3	4,377.0	4,690.6	5,309.4
Assets				
Net Block	1,506.5	1,736.3	2,049.7	2,921.6
Capital Work in Progress	278.6	711.1	798.3	200.0
Intangible assets under devl.	0.0	0.0	3.8	3.8
Goodwill on Consolidation	87.8	87.8	87.8	87.8
Non-current investments	12.7	8.8	8.0	8.0
Deferred tax assets	0.0	0.0	0.0	0.0
Long term loans and advances	0.3	0.3	0.2	0.5
Other Non Current Assets	177.3	279.6	319.7	232.0
Current Assets, Loans & Advances				
Current Investments	31.1	486.0	399.7	199.7
Inventories	468.1	371.7	361.3	536.0
Sundry Debtors	561.5	512.5	492.7	742.2
Cash and Bank	34.8	27.5	30.2	47.5
Loans and Advances	0.0	0.6	0.6	0.6
Other Current assets	370.6	154.9	138.8	329.9
Current Assets	1,466.2	1,553.2	1,423.3	1,855.9
Total Assets	3,529.3	4,377.0	4,690.6	5,309.4

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
Year end March	FY23	FY24	FY25E	FY26E
Per share data (₹)				
Adj. EPS	75.7	54.6	58.5	84.4
Adj. Cash EPS	88.4	74.0	78.2	109.8
BV	441.0	480.9	548.3	620.7
DPS	12.0	15.0	12.0	12.0
Operating Ratios (%)				
Gross Margin (%)	56.9	54.7	55.0	56.0
EBITDA Margin (%)	26.5	19.3	22.0	24.0
PAT Margin (%)	18.1	10.6	12.2	13.9
Debtor Days	99	91	100	90
Inventory Days	82	66	70	65
Creditor Days	43	53	40	40
Cash Conversion Cycle	138	103	130	115
Return Ratios (%)				
Return on Assets (%)	10.6	5.0	6.2	7.9
RoCE (%)	17.2	9.5	11.5	14.2
RoE (%)	17.2	9.2	10.7	13.6
Solvency				
Total Debt / Equity	0.4	0.6	0.5	0.5
Interest Coverage	19.0	4.8	5.4	7.1
Current Ratio	2.8	1.8	1.5	1.6
Quick Ratio	1.9	1.4	1.2	1.1
Valuation Ratios (x)				
EV/EBITDA	30.8	42.8	32.8	24.1
P/E	43.1	59.8	55.8	38.7
P/B	7.4	6.8	6.0	5.3
EV/Sales	8.2	8.2	7.2	5.8

Source: Company, ICICI Direct Research

ANALYST CERTIFICATION

I/We, Siddhant Khandekar, Inter CA; Shubh Mehta, MBA(Tech); Vedant Nilekar, MBA; Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 **E-mail Address:** complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.