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Q4FY21 result review  
and TP change

## Specialty Chemicals

Target price: Rs3,073

Earnings revision

(%)	FY22E	FY23E
Sales	↑ 2.9	↑ 3.5
EBITDA	↑ 1.9	↑ 2.9
EPS	↓ 1.2	↓ 1.4

Target price revision

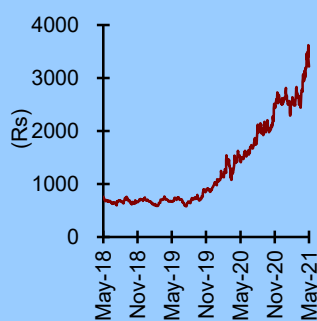
Rs3,073 from Rs2,338

### Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	30.5	30.5	30.2
Institutional investors	38.4	41.4	40.9
MFs and other	17.0	13.9	13.4
Insurance Cos.	0.1	0.0	0.0
FII	24.3	27.5	27.5
Others	28.1	28.1	28.9

Source: NSE

### Price chart



INDIA

**ICICI Securities**

# Navin Fluorine International

**REDUCE**

Maintained

**Rs3,223**

## Demanding valuation caps upside

Navin Fluorine International's (NFL) Q4FY21 EBITDA grew 23% YoY on low base and steady performance in CRAMS and specialty chemicals. It expects specialty chemicals revenue growth in mid-teens for FY22. CRAMS will continue to grow albeit at a lower magnitude; it is sitting on projects for 25 molecules in phase 1 & 2. Gross profit margins have been range bound despite significant improvement in contribution from high value business, which is key to watch. HPP and MPP plants could be delayed by one-quarter on second wave of covid. Company remains excited on new opportunities and plans for a new innovation centre outside India. We have cut EPS on deconsolidation of CCVL, but raise valuation multiple to 40x (from 30x) on rising opportunities and target price to Rs3,073 (from Rs2,338). Maintain REDUCE.

- ▶ **Low base drives revenue growth.** Standalone revenue rose 22.3% YoY to Rs3.2bn driven by CRAMS revenue rise of 39% to Rs0.75bn, and specialty chemicals revenue growth of 26% to Rs1.3bn. Ref-gas and inorganic revenues rose 3.6% / 15.7% YoY to Rs580mn and Rs590mn, respectively. Specialty chemicals revenue to grow in mid-teens, which will be driven by agro-chemicals in FY22 and CRAMS will continue to grow. It has 25 molecules in initial stages of product development in CRAMS, which have come from the existing customers (repeat business) and provide good visibility for revenue growth.
- ▶ **Gross margin hurt from inferior mix.** Gross margin dipped 150bps YoY to 52.7% and was impacted from 1) lower sales of R-22 in domestic market and non-emissive use, which have higher realisations; and 2) few high margin product sales in specialty chemicals was lower due to logistical issues. EBITDA rose 25% YoY to Rs842mn and EBITDA margin came in at 26% (up 60bps YoY). Consolidated revenue / EBITDA and PBT grew 21.6% / 22.5% and 51% YoY. It had tax reversal in Q4FY20 and exceptional gains in Q4FY21 and therefore, net profit is not comparable.
- ▶ **Steady revenue growth outlook for FY22.** NFL has guided for a mid-teens growth in specialty chemicals for FY22 largely driven by debottlenecking of few capacities; new MPP plant should help growth only from FY23. CRAMS should see continued growth; magnitude of growth may be small, but it remains confident of sustained growth over the years as it continues to build on capabilities and relationships. NFL is planning for an innovation centre outside India for new product development and applications.
- ▶ **Other highlights.** 1) Impact from rise in input cost is minimum and limited to solvents, margin compression is on inferior sale mix; 2) quality of business improving from being second to fourth supplier; it is working on molecule where either it is a primary supplier; or second supplier with first in eastern market; 3) NFL is not excited on import substitution market as pricing needs to be matched to Chinese supplier, but it is focused in innovative products for exports market. Export agrochemicals intermediate market looks strong; and 4) it has been working on partnerships with chemical companies to have deeper understanding. It is seeking board approval for small capex in new product.

Market Cap	Rs159bn/US\$2.2bn
Reuters/Bloomberg	NAFL.BO/NFIL IN
Shares Outstanding (mn)	49.5
52-week Range (Rs)	3620/1410
Free Float (%)	69.8
FII (%)	27.5
Daily Volume (US\$/'000)	8,641
Absolute Return 3m (%)	26.1
Absolute Return 12m (%)	124.7
Sensex Return 3m (%)	(3.4)
Sensex Return 12m (%)	58.2

Year to Mar	FY20	FY21P	FY22E	FY23E
Revenue (Rs bn)	10.6	11.8	14.1	20.4
Net Income (Rs bn)	4.1	2.4	3.0	3.8
Recurring EPS (Rs)	82.6	52.0	60.4	76.8
% Chg YoY	173.9	(37.0)	16.1	27.2
P/E (x)	39.0	61.9	53.3	42.0
CEPS (Rs)	90.1	61.0	68.5	94.0
EV/E (x)	58.9	49.7	39.8	28.8
Dividend Yield (%)	0.3	0.3	0.6	0.7
RoCE (%)	28.3	11.8	15.2	16.8
RoE (%)	32.9	17.0	17.4	19.4

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Table 1: NFIL (consolidated financials)

Rs mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	QoQ (%)	YoY (%)
Net revenue	2,766	2,149	3,189	3,091	3,364	8.8	21.6
Cost of Goods sold	1,257	910	1,432	1,425	1,607	12.7	27.8
<b>Gross profit</b>	<b>1,509</b>	<b>1,240</b>	<b>1,757</b>	<b>1,666</b>	<b>1,758</b>	<b>5.5</b>	<b>16.5</b>
<i>Gross profit margin (%)</i>	54.6	57.7	55.1	53.9	52.2		
Employee cost	351	346	340	362	369	2.1	5.1
<i>% of revenue</i>	12.7	16.1	10.7	11.7	11.0		
Other expenses	470	355	510	499	546	9.4	16.2
<i>% of revenue</i>	17.0	16.5	16.0	16.1	16.2		
<b>Total expenses</b>	<b>821</b>	<b>701</b>	<b>850</b>	<b>861</b>	<b>915</b>	<b>6.3</b>	<b>11.5</b>
<b>EBITDA</b>	<b>688</b>	<b>538</b>	<b>907</b>	<b>805</b>	<b>842</b>	<b>4.7</b>	<b>22.5</b>
<i>EBITDA margin (%)</i>	24.9	25.0	28.4	26.0	25.0		
Depreciation	111	107	109	110	116	5.2	4.5
<b>EBIT</b>	<b>577</b>	<b>431</b>	<b>799</b>	<b>695</b>	<b>727</b>	<b>4.6</b>	<b>26.0</b>
<i>EBIT margin (%)</i>	20.9	20.1	25.0	22.5	21.6		
Other income	57	362	97	99	233	135.1	309.7
Finance cost	5	3	4	4	8	111.3	55.4
<b>PBT</b>	<b>629</b>	<b>790</b>	<b>891</b>	<b>790</b>	<b>952</b>	<b>20.5</b>	<b>51.4</b>
Tax expenses	(2,072)	260	247	226	375	66.1	(118.1)
<i>ETR (%)</i>	(329.5)	32.9	27.7	28.6	39.4		
Exceptional item					155		
Profit from JV	26	31	34	24	16		
<b>PAT</b>	<b>2,727</b>	<b>560</b>	<b>678</b>	<b>589</b>	<b>748</b>	<b>27.0</b>	<b>(72.6)</b>
<i>Net profit margin (%)</i>	98.6	26.1	21.3	19.1	22.2		
<b>Recurring EPS (Rs)</b>	<b>55.1</b>	<b>11.3</b>	<b>13.7</b>	<b>11.9</b>	<b>12.0</b>	<b>0.7</b>	<b>(78.3)</b>

Source: Company data, I-Sec research

Table 2: NFIL (standalone financials)

Rs mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	QoQ (%)	YoY (%)
Net revenue	2,650	2,047	3,077	2,966	3,240	9.2	22.3
Cost of Goods sold	1,209	852	1,367	1,359	1,532	12.8	26.8
<b>Gross profit</b>	<b>1,441</b>	<b>1,196</b>	<b>1,710</b>	<b>1,607</b>	<b>1,708</b>	<b>6.3</b>	<b>18.5</b>
<i>Gross profit margin (%)</i>	54.4	58.4	55.6	54.2	52.7		
Employee cost	300	291	283	294	325	10.6	8.4
<i>% of revenue</i>	11.3	14.2	9.2	9.9	10.0		
Other expenses	470	384	492	490	541	10.3	15.2
<i>% of revenue</i>	17.7	18.8	16.0	16.5	16.7		
<b>Total expenses</b>	<b>769</b>	<b>675</b>	<b>775</b>	<b>784</b>	<b>866</b>	<b>10.4</b>	<b>12.5</b>
<b>EBITDA</b>	<b>672</b>	<b>521</b>	<b>935</b>	<b>823</b>	<b>842</b>	<b>2.3</b>	<b>25.3</b>
<i>EBITDA margin (%)</i>	25.4	25.4	30.4	27.8	26.0		
Depreciation	102	99	100	101	106	5.1	3.9
<b>EBIT</b>	<b>570</b>	<b>422</b>	<b>835</b>	<b>722</b>	<b>736</b>	<b>1.9</b>	<b>29.2</b>
<i>EBIT margin (%)</i>	21.5	20.6	27.1	24.3	22.7		
Other income	53	356	88	91	197	116.4	273.3
Finance cost	5	2	3	3	6	109.8	23.3
<b>PBT</b>	<b>618</b>	<b>776</b>	<b>920</b>	<b>810</b>	<b>927</b>	<b>14.4</b>	<b>50.1</b>
Exceptional item	-	-	-	-	662		
Tax expenses	(2,069)	260	246	223	373	67.0	(118.0)
<i>ETR (%)</i>	(335.1)	33.5	26.8	27.6	40.2		
<b>PAT</b>	<b>2,687</b>	<b>516</b>	<b>673</b>	<b>587</b>	<b>1,216</b>	<b>107.3</b>	<b>(54.7)</b>
<i>Net profit margin (%)</i>	101.4	25.2	21.9	19.8	37.5		
<b>Recurring EPS (Rs)</b>	<b>54.5</b>	<b>10.4</b>	<b>13.6</b>	<b>11.9</b>	<b>11.2</b>	<b>(5.6)</b>	<b>(79.4)</b>

Source: Company data, I-Sec research

**Table 3: NFIL – segmental revenues**

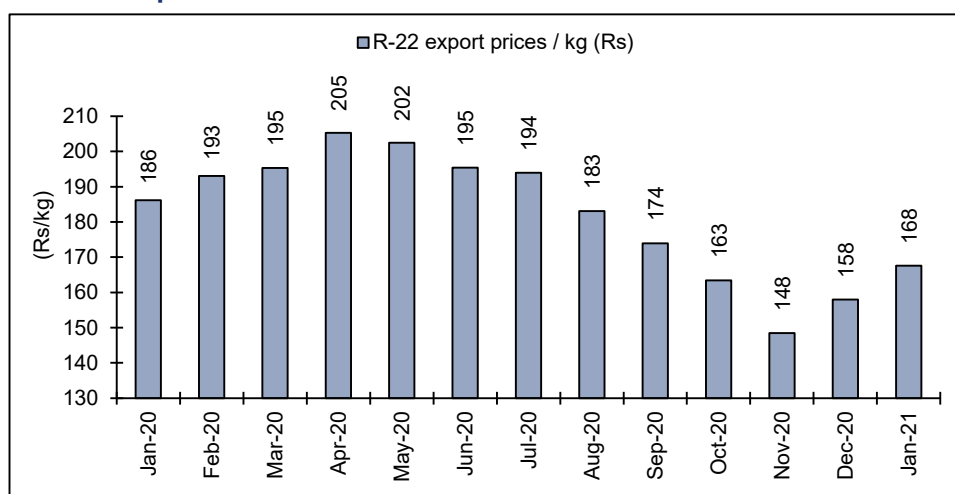
Rs mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	QoQ (%)	YoY (%)
Refrigerants	560	460	580	470	580	23.4	3.6
Inorganic Fluorides	510	280	490	570	590	3.5	15.7
Specialty Chemicals	1,040	970	1,020	1,220	1,310	7.4	26.0
CRAMS	540	340	990	710	750	5.6	38.9
<b>Total revenue</b>	<b>2,650</b>	<b>2,050</b>	<b>3,080</b>	<b>2,970</b>	<b>3,230</b>	<b>8.8</b>	<b>21.9</b>
<b>Contribution (%)</b>							
Refrigerants	21.1	22.4	18.8	15.8	18.0		
Inorganic Fluorides	19.2	13.7	15.9	19.2	18.3		
Specialty Chemicals	39.2	47.3	33.1	41.1	40.6		
CRAMS	20.4	16.6	32.1	23.9	23.2		

Source: Company data, I-Sec research

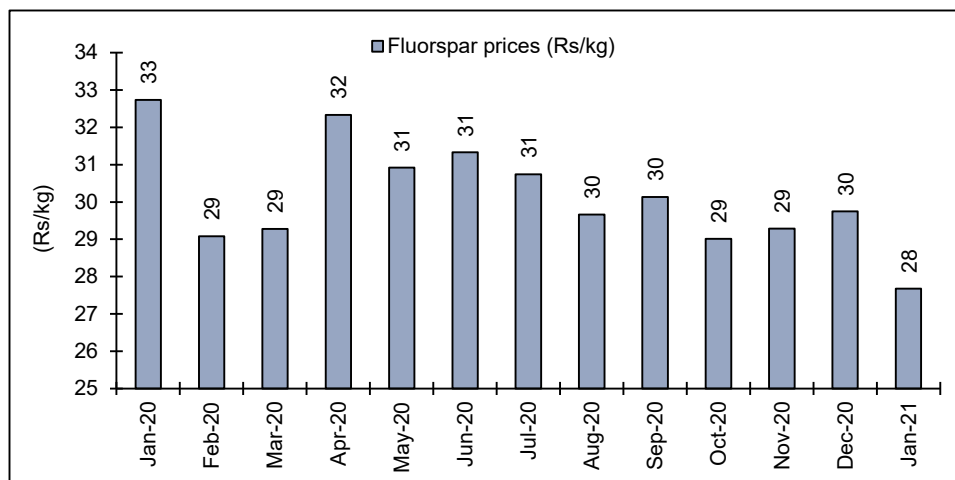
**Table 4: NFIL – geographic revenues**

Rs mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	QoQ (%)	YoY (%)
<b>Domestic</b>							
Refrigerants	314	271	275	249	328	31.8	4.7
Inorganic Fluorides	449	244	188	359	367	2.2	(18.1)
Specialty Chemicals	603	446	668	785	818	4.2	35.6
CRAMS	-	-	-	-	-		
<b>Total Domestic</b>	<b>1,366</b>	<b>961</b>	<b>1,130</b>	<b>1,394</b>	<b>1,514</b>	<b>8.6</b>	<b>10.9</b>
<b>Exports</b>							
Refrigerants	246	189	306	221	252	14.0	2.2
Inorganic Fluorides	61	36	302	211	223	5.7	263.7
Specialty Chemicals	437	524	352	445	492	10.6	12.6
CRAMS	540	340	990	710	750	5.6	38.9
<b>Total Exports</b>	<b>1,284</b>	<b>1,089</b>	<b>1,950</b>	<b>1,586</b>	<b>1,716</b>	<b>8.2</b>	<b>33.6</b>

Source: Company data, I-Sec research

**Chart 1: Export realisation for R-22**

Source: I-Sec research, Gol

**Chart 2: Fluorspar (key raw material) prices**

Source: I-Sec research, Gol

**Table 5: Earnings revision**

(Rs mn)	Revised		Earlier		% change	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	14,102	20,412	13,707	19,721	2.9	3.5
EBITDA	3,951	5,537	3,878	5,380	1.9	2.9
EBITDA margin (%)	28.0	27.1	28.3	27.3		
PAT	2,989	3,801	3,025	3,856	(1.2)	(1.4)
EPS (Rs)	60	77	61	78	(1.2)	(1.4)

Source: I-Sec research

## Financial summary

Table 6: Profit &amp; loss statement

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Operating Income (Sales)</b>	<b>10,616</b>	<b>11,794</b>	<b>14,102</b>	<b>20,412</b>
<b>Operating Expenses</b>	<b>7,981</b>	<b>8,701</b>	<b>10,151</b>	<b>14,875</b>
<b>EBITDA</b>	<b>2,635</b>	<b>3,093</b>	<b>3,951</b>	<b>5,537</b>
% margins	24.8	26.2	28.0	27.1
Depreciation & Amortisation	370	442	400	847
Net Interest	20	18	10	10
Other Income	333	790	480	433
<b>Recurring PBT</b>	<b>2,578</b>	<b>3,423</b>	<b>4,022</b>	<b>5,112</b>
Add: Extraordinaries	-	155	-	-
Less: Taxes	(1,436)	1,108	1,032	1,311
- Current tax	(1,436)	1,108	1,032	1,311
- Deferred tax	-	-	-	-
Add: Share of JV	72	105	-	-
<b>Net Income (Reported)</b>	<b>4,086</b>	<b>2,575</b>	<b>2,989</b>	<b>3,801</b>
<b>Recurring Net Income</b>	<b>4,086</b>	<b>2,420</b>	<b>2,989</b>	<b>3,801</b>

Source: Company data, I-Sec research

Table 7: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	8,504	10,399	8,136	11,295
of which cash & cash eqv.	2,837	4,391	905	666
Total Current Liabilities & Provisions	2,149	2,418	2,900	4,105
<b>Net Current Assets</b>	<b>6,354</b>	<b>7,980</b>	<b>5,236</b>	<b>7,190</b>
<b>Investments</b>	<b>2,504</b>	<b>2,504</b>	<b>2,504</b>	<b>2,504</b>
<b>of which</b>				
Strategic/Group	955	955	955	955
Other Marketable	1,549	1,549	1,549	1,549
<b>Net Fixed Assets</b>	<b>4,248</b>	<b>4,853</b>	<b>9,678</b>	<b>12,371</b>
<b>Goodwill</b>	<b>878</b>	<b>878</b>	<b>878</b>	<b>878</b>
<b>Total Assets</b>	<b>13,984</b>	<b>16,217</b>	<b>18,297</b>	<b>22,943</b>
<b>Liabilities</b>				
Borrowings	14	214	214	2,214
Deferred tax liability	(151)	(151)	(151)	(151)
Minority Interest	-	-	-	-
Equity Share Capital	99	99	99	99
Face Value per share (Rs)	2.0	2.0	2.0	2.0
Reserves & Surplus	14,023	16,055	18,136	20,782
<b>Net Worth</b>	<b>14,122</b>	<b>16,154</b>	<b>18,234</b>	<b>20,881</b>
<b>Total Liabilities</b>	<b>13,984</b>	<b>16,217</b>	<b>18,297</b>	<b>22,943</b>

Source: Company data, I-Sec research

Table 8: Quarterly trend

(Rs mn, year ending March 31)

	Jun-20	Sep-20	Dec-20	Mar-21
Net sales	2,149	3,189	3,091	3,364
% growth (YoY)	(14.5)	16.8	18.7	21.6
EBITDA	538	935	823	842
Margin (%)	25.0	29.3	26.6	25.0
Other income	362	88	91	197
Add: Extra ordinaries	-	-	-	662
<b>Net profit</b>	<b>560</b>	<b>673</b>	<b>587</b>	<b>1,216</b>

Source: Company data

Table 9: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Operating Cashflow</b>	<b>2,272</b>	<b>2,245</b>	<b>2,919</b>	<b>4,226</b>
Working Capital Changes	(706)	(73)	(740)	(2,194)
Capital Commitments	(1,077)	(1,047)	(5,225)	(3,540)
<b>Free Cashflow</b>	<b>489</b>	<b>1,125</b>	<b>(3,046)</b>	<b>(1,508)</b>
<b>Cashflow from Investing Activities</b>	<b>1,929</b>	<b>790</b>	<b>480</b>	<b>433</b>
Issue of Share Capital	12	-	-	-
Inc (Dec) in Borrowings	(27)	200	-	2,000
Dividend paid & Others	(794)	(562)	(919)	(1,165)
<b>Chg. in Cash &amp; Bank balance</b>	<b>1,609</b>	<b>1,553</b>	<b>(3,485)</b>	<b>(240)</b>

Source: Company data, I-Sec research

Table 10: Key ratios

(Year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Per Share Data (in Rs.)</b>				
Recurring EPS	82.6	52.0	60.4	76.8
Reported EPS	82.6	52.0	60.4	76.8
Recurring Cash EPS	90.1	61.0	68.5	94.0
Dividend per share (DPS)	11.0	11.0	18.4	23.4
Book Value per share (BV)	285.4	326.5	368.5	422.0
<b>Growth Ratios (%)</b>				
Operating Income	6.6	11.1	19.6	44.7
EBITDA	20.7	17.4	27.8	40.1
Recurring Net Income	174.0	(37.0)	16.1	27.2
Diluted Recurring EPS	173.9	(37.0)	16.1	27.2
Diluted Recurring CEPS	152.2	(32.3)	12.3	37.2
<b>Valuation Ratios (% YoY)</b>				
P/E	39.0	61.9	53.3	42.0
P/CEPS	35.8	52.9	47.1	34.3
P/BV	11.3	9.9	8.7	7.6
EV / EBITDA	58.9	49.7	39.8	28.8
EV / Operating Income	14.6	13.0	11.1	7.8
EV / Operating FCF	264.0	136.7	(51.6)	(105.8)
<b>Operating Ratios</b>				
Other Income / PBT (%)	12.9	23.1	11.9	8.5
Effective Tax Rate (%)	(55.7)	32.4	25.7	25.6
NWC / Total Assets (%)	24.9	21.9	23.5	28.2
Inventory Turnover (days)	54.3	50.3	49.7	49.5
Receivables (days)	75.1	70.2	71.3	73.2
Payables (days)	33.7	34.6	35.5	35.4
Net Debt/EBITDA Ratio (x)	(1.7)	(1.9)	(0.6)	(0.0)
Capex % of sales	10.1	8.9	37.0	17.3
<b>Profitability Ratios (%)</b>				
Recur. Net Income Margins	38.5	21.8	21.2	18.6
RoCE	28.3	11.8	15.2	16.8
RoIC	43.5	17.8	20.0	18.9
RoNW	32.9	17.0	17.4	19.4
Dividend Yield	0.3	0.3	0.6	0.7
Gross Margins	54.4	54.4	55.1	53.8
EBITDA Margins	24.8	26.2	28.0	27.1

Source: Company data, I-Sec research

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