

24 October 2024

India | Equity Research | Q2FY25 results review

Navin Fluorine International

Speciality Chemicals

Confident of significant revenue ramp up in H2FY25

Navin Fluorine International (NFIL) anticipates sharp recovery in revenue in H2FY25 as it has started receiving confirmed orders for projects commissioned in past 24 months, and for two new projects to be commissioned in Nov'24. Also, NFIL has started supplies for EU MSA which may significantly ramp up over the next couple of quarters, along with nicely built-up pipeline of new late-stage molecules in CDMO segment. NFIL offers balanced mix of agro and pharma intermediates, helping to cushion cyclicality. Ramp up of projects may aid EBITDA margin to achieve guidance of ~25%. We cut EPS estimates by 4%/8% for FY25/26E, and TP to INR 3,800 (from INR 4,135) with an unchanged multiple at 40x FY26E EPS. Upgrade to **BUY** (from Add) on rising visibility for earnings growth.

Strong revenue visibility for H2FY25

NFIL's Q2FY25 revenue was up 9.9% YoY/down 1% QoQ to INR 5.2bn, impacted largely from slower off-take by agro-chemical customers. HPP segment revenue stood at INR 2.9bn, up 23.1% YoY (on low base, as Q2FY24 was impacted by issues in HFO plant) and up 4.3% QoQ. Domestic HPP revenue rose 26% YoY on strong off-take in R-32 and better realisations in both R-32 and R-22. Even HPP exports jumped 13.4% YoY on optimal utilisation of HFO plant as contracted. CDMO, lumpy business, dipped 16% QoQ/+41.7% YoY to INR 680mn and started supplies to EU MSA.

Specialty chemicals business slowed with dip of 15.1% YoY/2.5% QoQ to INR 1.6bn – largely due to 11.5% YoY/21.3% QoQ drop in exports revenue to INR 790mn. Exports business largely caters to agro-chemical segment, wherein purchases have been delayed.

NFIL's capacity utilisation across ref-gas has reached optimal levels – R-22, R-32 and HFO (80% utilisation as per base contract). In fact, it has a strong order pipeline for R-32, which provides comfort for the new capacity expected to be commissioned by Feb'25. In specialty chemicals, it has received confirmed orders across products. Commissioning of project Nectar and a plant in Surat in Nov'24 may significantly help in ramping up revenue in H2FY25. In CDMO, NFIL expects to ramp-up supplies for EU MSA, supplies for two late-stage molecules and scale-up order for US major in H2FY25.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	20,774	20,650	26,101	29,982
EBITDA	5,503	3,983	5,802	7,644
EBITDA Margin (%)	26.5	19.3	22.2	25.5
Net Profit	3,752	1,663	3,117	4,702
EPS (INR)	75.7	54.6	62.9	94.9
EPS % Chg YoY	42.6	(27.9)	15.2	50.9
P/E (x)	43.7	60.6	52.6	34.9
EV/EBITDA (x)	31.2	43.2	30.1	22.7
RoCE (%)	14.8	6.9	8.7	11.6
RoE (%)	18.6	11.8	12.5	16.9

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Market Data

Market Cap (INR)	164bn
Market Cap (USD)	1,951mn
Bloomberg Code	NFIL IN
Reuters Code	NAFL.BO
52-week Range (INR)	3,979 /2,876
Free Float (%)	70.0
ADTV-3M (mn) (USD)	9.1

Price Performance (%)	3m	6m	12m
Absolute	(7.0)	(2.0)	(6.2)
Relative to Sensex	(6.6)	(10.6)	(30.3)

ESG Score	2022	2023	Change
ESG score	48.3	64.7	16.4
Environment	81.0	93.2	12.2
Social	21.6	41.0	19.4
Governance	36.6	68.7	32.1

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
Revenue	(3.0)	(6.0)
EBITDA	(3.1)	(6.5)
EPS	(4.4)	(8.2)

Previous Reports

31-07-2024: [Q1FY25 results review](#)

30-05-2024: [Company Update](#)

Consolidated EBITDA margin up 150bp QoQ to 20.7%

NFIL's gross profit margin improved 80bp QoQ to 56.8% due to higher contribution of ref-gas and CDMO business that commands higher margins. However, gross profit margin dipped 40bp on YoY basis. Gross profit rose 9.2% YoY/ 0.4% QoQ to INR 2.9bn. EBITDA increased by 9.2% YoY/7% QoQ to INR 1.1bn; EBITDA margin stood at 20.7%, down 10bps YoY/+150bps QoQ. Net profit declined 2.9% YoY / +15% QoQ to INR 588mn on higher depreciation costs amid the commissioning of new plants.

Margin pressure (vs historical average/ guidance of 25%) can be attributed to lower fixed cost absorption. We expect, along with operating leverage, EBITDA margin to improve progressively to 24-25% - where it should stabilise.

Company reaffirms USD 100mn CDMO revenue by FY27

NFIL's orderbook visibility in CDMO business has been improving with progress in key late-stage molecules. The company has signed one MSA contract with European CDMO, and the drug application has expanded. This may increase the initial revenue projections for the product. Molecules for UK and US pharma majors have completed product development with customers ordering scale up. NFIL's cGMP-4 phase-1 capex of INR 1.6bn is intended at catering to the demand for signed MSA with innovator for patented product. The company believes, if everything plays out as projected, it should be able to hit CDMO revenue run-rate of USD 100mn p.a. by FY27.

Other highlights

- **Better agrochemical supplies outlook for H2FY25.** NFIL expected end-agrochemical market to remain weak in H1FY25, and recovery to be more gradual from H2FY25. Chinese competition in agrochemical market remains intense. However, NFIL's agrochemical intermediate supplies have limited impact, as it largely caters to innovators. The company has now started receiving confirmed orders for agro-chemical molecules to be supplied in H2FY25 including products in MPP-4, dedicated agro-chemicals and project Nectar.
- It has commissioned a plant in Surat with capex of INR 300mn with one-molecule, and may add another two in coming quarters, where supply order has come from Nov'24. The peak revenue from the plant is expected at INR 500mn in 18months.
- **Nectar plant** is expected to be commissioned in Nov'24. The company said it has firm order in place for FY25 to supply material to dedicated customer. A slight delay in commissioning plant is for resolving teething issues, improving efficiency and reliability of the project. The company expects to be a most efficient player in the product, and offer competitive specs to non-anchor customers in FY26.
- **Honeywell** plant has run at optimal capacity in H1FY25. NFIL has additional 20% capacity to be supplied, and is in talk with Honeywell. **AHF** plant will be commissioned by end-FY25 with 40ktpa capacity as planned.
- R-32 addition 4.5ktpa capacity plant will be commissioned by Feb'25, and the company anticipates faster ramp up after solid response to its existing capacity.

Risks

Upside risks: 1) Faster than expected ramp up in projects at Dahej; and 2) CDMO revenue growing at higher-than-expected pace.

Downside risks: 1) Delay in plant commissioning at Dahej impacting revenues and margins; and 2) gradual-than-expected recovery in specialty chemicals business.

Exhibit 1: NFIL (consolidated financials)

INR mn	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	QoQ (%)	YoY (%)
Net revenue	4,718	5,018	6,020	5,237	5,186	(1.0)	9.9
Cost of Goods sold	2,020	2,314	3,010	2,304	2,240	(2.8)	10.9
Gross profit	2,698	2,704	3,009	2,933	2,946	0.4	9.2
Gross profit margin (%)	57.2	53.9	50.0	56.0	56.8		
Employee cost	609	745	713	782	770	(1.6)	26.4
% of revenue	12.9	14.9	11.8	14.9	14.8		
Other expenses	1,106	1,202	1,196	1,148	1,103	(3.9)	(0.3)
% of revenue	23.4	24.0	19.9	21.9	21.3		
Total expenses	1,714	1,948	1,909	1,929	1,872	(3.0)	9.2
EBITDA	983	757	1,101	1,004	1,074	7.0	9.2
EBITDA margin (%)	20.8	15.1	18.3	19.2	20.7		
Depreciation	243	249	257	267	279	4.5	15.1
EBIT	741	508	843	736	795	7.9	7.2
EBIT margin (%)	15.7	10.1	14.0	14.1	15.3		
Other income	231	119	125	103	112	8.8	(51.7)
Finance cost	200	177	174	156	139	(11.2)	(30.7)
PBT	772	450	794	683	768	12.4	(0.6)
Tax expenses	166	191	90	171	179	4.9	7.9
ETR (%)	21.5	42.5	11.4	25.0	23.4		
Exceptional item	-	521.3	-	-	-		
Profit from JV	-	-	-	-	-		
PAT	606	259	704	512	588	14.9	(2.9)
Net profit margin (%)	12.8	5.2	11.7	9.8	11.3		
Recurring EPS (INR)	12.2	7.3	14.2	10.3	11.9	14.9	(2.9)

Source: Company data, I-Sec research

Exhibit 2: NFIL (standalone financials)

INR mn	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	QoQ (%)	YoY (%)
Net revenue	3,148	3,587	3,966	3,763	3,858	2.5	22.5
Cost of Goods sold	1,416	1,767	2,036	1,711	1,749	2.2	23.5
Gross profit	1,733	1,820	1,930	2,052	2,109	2.8	21.7
Gross profit margin (%)	55.0	50.7	48.7	54.5	54.7		
Employee cost	390	539	579	572	560	(2.2)	43.4
% of revenue	12.4	15.0	14.6	15.2	14.5		
Other expenses	733	887	845	845	832	(1.5)	13.5
% of revenue	23.3	24.7	21.3	22.5	21.6		
Total expenses	1,124	1,426	1,424	1,417	1,392	(1.8)	23.9
EBITDA	609	394	507	634	717	13.1	17.8
EBITDA margin (%)	19.3	11.0	12.8	16.9	18.6		
Depreciation	144	156	160	166	171	3.2	18.7
EBIT	465	239	347	469	546	16.6	17.5
EBIT margin (%)	14.8	6.7	8.7	12.5	14.2		
Other income	264	143	152	201	125	(37.9)	(52.8)
Finance cost	14	6	13	7	13	87.0	(9.2)
PBT	715	375	485	662	658	(0.6)	(7.9)
Exceptional item	-	521	-	-	-		
Tax expenses	155	174	45	162	158	(2.7)	2.0
ETR (%)	21.6	46.5	9.3	24.5	23.9		
PAT	560	722	440	500	501	0.1	(10.6)
Net profit margin (%)	17.8	20.1	11.1	13.3	13.0		
Recurring EPS (INR)	11.3	4.0	8.9	10.1	10.1	0.1	(10.6)

Source: Company data, I-Sec research

Exhibit 3: NFIL (consolidated minus standalone) financials

INR mn	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	QoQ (%)	YoY (%)
Net revenue	1,570	1,432	2,053	1,474	1,327	(9.9)	(15.4)
Cost of Goods sold	605	547	975	593	491	(17.2)	(18.8)
Gross profit	965	884	1,079	881	837	(5.1)	(13.3)
Gross profit margin (%)	61.5	61.8	52.5	59.8	63.0		
Employee cost	218	207	133	210	210	-	(3.8)
% of revenue	13.9	14.4	6.5	14.2	15.8		
Other expenses	372	315	351	302	270	(10.5)	(27.4)
% of revenue	23.7	22.0	17.1	20.5	20.4		
Total expenses	591	522	485	512	480	(6.2)	(18.7)
EBITDA	374	362	594	369	356	(3.5)	(4.9)
EBITDA margin (%)	23.9	25.3	28.9	25.0	26.8		
Depreciation	98	93	97	101	108	6.5	9.8
EBIT	276	269	497	268	248	(7.4)	(10.1)
EBIT margin (%)	17.6	18.8	24.2	18.2	18.7		
Other income	(33)	(23)	(26)	(98)	(13)	(86.7)	(60.3)
Finance cost	186	171	161	149	126	(15.7)	(32.3)
PBT	58	75	309	21	109	426.0	90.3
Tax expenses	12	17	45	9	22	141.1	86.8
ETR (%)	20.2	22.5	14.7	43.3	19.8		
Exceptional item							
PAT	46	58	264	12	88	643.2	91.1
Net profit margin (%)	2.9	4.1	12.8	0.8	6.6		

Source: Company data, I-Sec research

Exhibit 4: NFIL – segmental revenue

INR mn	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	QoQ (%)	YoY (%)
HPP (ref-gas/inorganic)	2,380	2,510	2,970	2,810	2,930	4.3	23.1
Specialty Chemicals	1,860	1,770	2,570	1,620	1,580	(2.5)	(15.1)
CDMO	480	730	480	810	680	(16.0)	41.7
Total revenue	4,720	5,010	6,020	5,240	5,190	(1.0)	10.0
Contribution (%)							
HPP (ref-gas/inorganic)	50.4	50.1	49.3	53.6	56.5		
Specialty Chemicals	39.4	35.3	42.7	30.9	30.4		
CDMO	10.2	14.6	8.0	15.5	13.1		

Source: Company data, I-Sec research

Exhibit 5: NFIL – domestic/overseas revenue breakup

INR mn	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	QoQ (%)	YoY (%)
Domestic							
HPP (ref-gas/inorganic)	881	929	1,247	1,208	1,113	(7.9)	26.4
Specialty Chemicals	967	920	617	616	790	28.3	(18.3)
CDMO	-	-	197	130	415	220.1	
Total Domestic	1,848	1,849	2,061	1,954	2,318	18.7	25.5
Exports							
HPP (ref-gas/inorganic)	1,499	1,581	1,723	1,602	1,817	13.4	21.2
Specialty Chemicals	893	850	1,953	1,004	790	(21.3)	(11.5)
CDMO	480	730	283	680	265	(61.0)	(44.8)
Total Exports	2,872	3,161	3,959	3,287	2,872	(12.6)	(0.0)

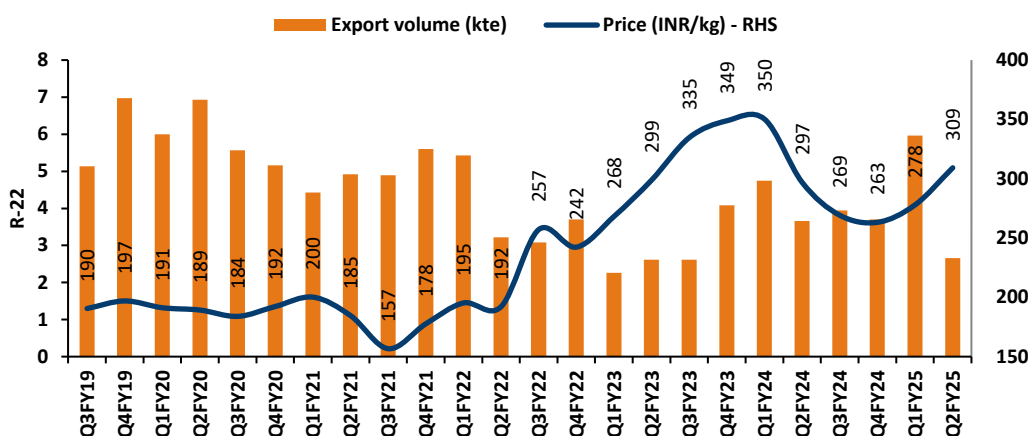
Source: Company data, I-Sec research

Exhibit 6: Earnings revision

INR mn	Revised		Earlier		% change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	26,101	29,982	26,914	31,902	(3.0)	(6.0)
EBITDA	5,802	7,644	5,986	8,178	(3.1)	(6.5)
EBITDA margin (%)	22.2	25.5	22.2	25.6		
PAT	3,117	4,702	3,259	5,122	(4.4)	(8.2)
EPS (INR)	63	95	66	103	(4.4)	(8.2)

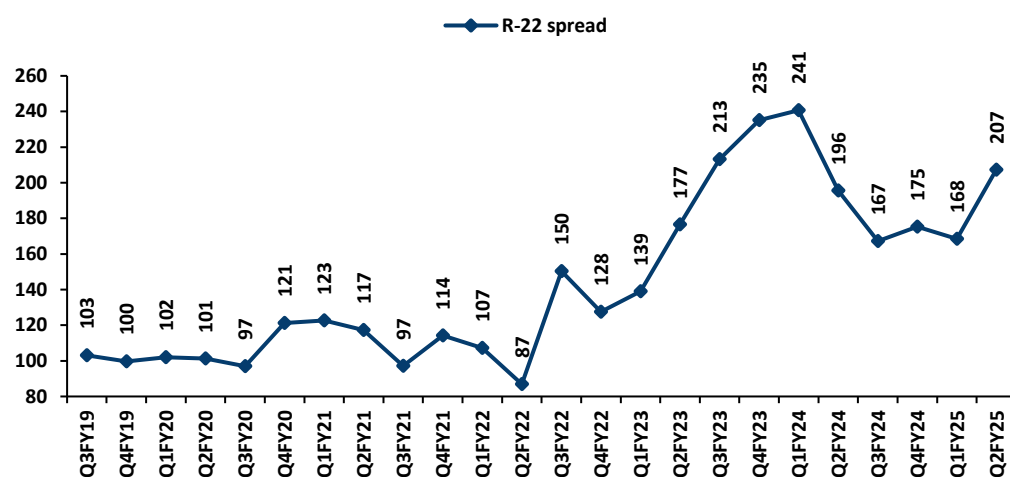
Source: Company data, I-Sec research

Exhibit 7: R-22 prices up 4.2% YoY



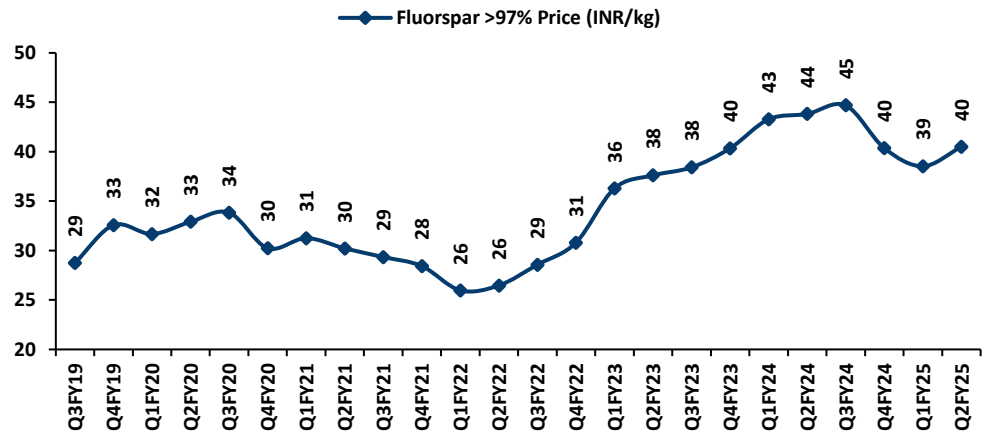
Source: I-Sec research, Company data; Note Q1FY25 data is for the month of Jul & Aug'24

Exhibit 8: R22-fluorspar/chloroform spread up 5.9% YoY



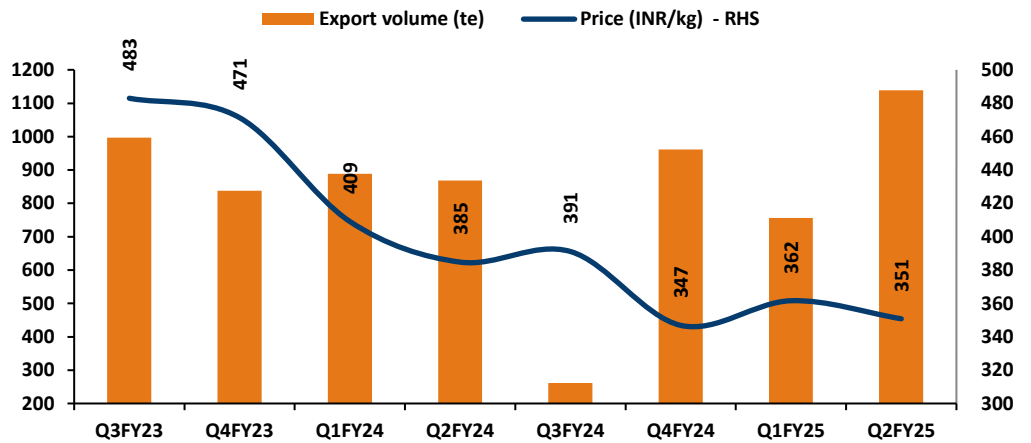
Source: I-Sec research, Company data; Note Q1FY25 data is for the month of Jul & Aug'24

Exhibit 9: Fluorspar >97% prices dip 7.6% YoY



Source: I-Sec research, Company data; Note Q1FY25 data is for the month of Jul & Aug'24

Exhibit 10: R-32 prices down 8.8% YoY



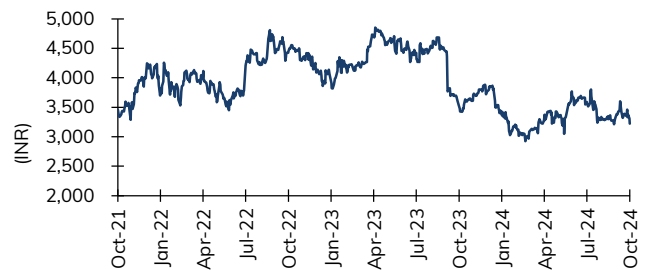
Source: I-Sec research, Company data; Note Q1FY25 data is for the month of Jul & Aug'24

Exhibit 11: Shareholding pattern

%	Mar'24	Jun'24	Sep'24
Promoters	28.8	28.8	28.4
Institutional investors	44.2	45.4	46.4
MFs and other	15.6	13.8	15.2
FIs/ Banks	0.0	0.0	0.0
Insurance Cos.	11.3	11.9	12.4
FIIIs	17.3	19.7	18.8
Others	27.0	25.8	25.2

Source: Bloomberg, I-Sec research

Exhibit 12: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 13: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	20,774	20,650	26,101	29,982
Operating Expenses	15,271	16,667	20,299	22,338
EBITDA	5,503	3,983	5,802	7,644
EBITDA Margin (%)	26.5	19.3	22.2	25.5
Depreciation & Amortization	626	962	1,431	1,535
EBIT	4,877	3,021	4,371	6,108
Interest expenditure	275	746	981	845
Other Non-operating Income	357	559	628	723
Recurring PBT	4,959	2,834	4,018	5,986
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,207	650	902	1,284
PAT	3,752	2,705	3,117	4,702
Less: Minority Interest	0	-	-	-
Extraordinaries (Net)	-	521	-	-
Net Income (Reported)	3,752	2,705	3,117	4,702
Net Income (Adjusted)	3,752	1,663	3,117	4,702

Source Company data, I-Sec research

Exhibit 14: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	14,662	15,532	16,860	17,514
of which cash & cash eqv.	348	275	2,016	1,057
Total Current Liabilities & Provisions	5,215	8,579	10,910	9,926
Net Current Assets	9,447	6,953	5,950	7,588
Investments	955	5,453	2,453	2,453
Net Fixed Assets	17,520	23,990	27,004	28,468
ROU Assets	-	-	-	-
Capital Work-in-Progress	2,786	7,111	3,555	3,555
Total Intangible Assets	878	878	878	878
Other assets	946	2,166	2,491	2,865
Deferred Tax Assets	-	-	-	-
Total Assets	35,293	43,770	48,470	50,986
Liabilities				
Borrowings	8,487	13,399	14,399	12,399
Deferred Tax Liability	348	643	643	643
Provisions	151	185	213	245
Other Liabilities	199	308	389	446
Equity Share Capital	99	99	99	99
Reserves & Surplus	21,750	23,728	25,988	29,398
Total Net Worth	21,850	23,827	26,087	29,497
Minority Interest	-	-	-	-
Total Liabilities	35,293	43,770	48,470	50,986

Source Company data, I-Sec research

Exhibit 15: Quarterly trend

(INR mn, year ending March)

	Dec-23	Mar-24	Jun-24	Sep-24
Net Sales	5,018	6,020	5,237	5,186
% growth (YOY)	(11.0)	(13.6)	6.6	9.9
EBITDA	757	1,101	1,004	1,074
Margin %	15.1	18.3	19.2	20.7
Other Income	119	125	103	112
Extraordinaries	521	-	-	-
Adjusted Net Profit	259	704	512	588

Source Company data, I-Sec research

Exhibit 16: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	4,672	3,889	4,900	6,360
Working Capital Changes	(5,307)	3,610	(1,506)	(905)
Capital Commitments	(7,577)	(7,324)	(4,445)	(3,000)
Free Cashflow	(8,213)	175	(1,050)	2,455
Other investing cashflow	999	(4,152)	3,628	723
Cashflow from Investing Activities	1,021	(3,611)	3,628	723
Issue of Share Capital	12	1	-	-
Interest Cost	(275)	(746)	(981)	(845)
Inc (Dec) in Borrowings	7,442	4,913	1,000	(2,000)
Dividend paid	(543)	(745)	(856)	(1,292)
Others	(57)	(66)	-	-
Cash flow from Financing Activities	6,579	3,357	(837)	(4,137)
Chg. in Cash & Bank balance	(613)	(78)	1,741	(959)
Closing cash & balance	145	66	2,016	1,057

Source Company data, I-Sec research

Exhibit 17: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	75.7	54.6	62.9	94.9
Adjusted EPS (Diluted)	75.7	54.6	62.9	94.9
Cash EPS	88.4	74.0	91.8	125.9
Dividend per share (DPS)	12.0	15.0	17.3	26.1
Book Value per share (BV)	441.0	480.9	526.5	595.3
Dividend Payout (%)	15.8	27.5	27.5	27.5
Growth (%)				
Net Sales	42.9	(0.6)	26.4	14.9
EBITDA	55.1	(27.6)	45.7	31.7
EPS (INR)	42.6	(27.9)	15.2	50.9
Valuation Ratios (x)				
P/E	43.7	60.6	52.6	34.9
P/CEPS	37.4	44.7	36.0	26.3
P/BV	7.5	6.9	6.3	5.6
EV / EBITDA	31.2	43.2	30.1	22.7
EV/SALES	8.3	8.3	6.7	5.8
Dividend Yield (%)	0.4	0.5	0.5	0.8
Operating Ratios				
Gross Profit Margins (%)	56.9	54.7	52.2	54.2
EBITDA Margins (%)	26.5	19.3	22.2	25.5
Effective Tax Rate (%)	24.3	28.1	22.4	21.4
Net Profit Margins (%)	18.1	8.1	11.9	15.7
NWC / Total Assets (%)	(15.0)	8.2	(3.1)	(1.8)
Net Debt / Equity (x)	0.4	0.3	0.4	0.3
Net Debt / EBITDA (x)	1.4	2.1	1.8	1.2
Profitability Ratios				
RoCE (%)	14.8	6.9	8.7	11.6
RoE (%)	18.6	11.8	12.5	16.9
RoC (%)	15.6	7.5	9.9	12.7
Fixed Asset Turnover (x)	1.2	0.8	0.9	1.0
Inventory Turnover Days	82.2	65.7	64.7	63.7
Receivables Days	98.7	90.6	89.6	88.6
Payables Days	42.8	53.5	55.5	57.5

Source Company data, I-Sec research

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