

# Navin Fluorine International Ltd.

<b>Nifty</b>	10,471
<b>Sensex</b>	35,430

## Key Stock Data

<b>CMP</b>	₹1,628
<b>Market Cap (₹mn)</b>	80,556
<b>52W High/Low</b>	₹1,694/570
<b>Shares o/s (mn)</b>	49

## Shareholding pattern Mar 2020

<b>Promoters</b>	30.5%
<b>FII</b>	18.0%
<b>DII</b>	17.4%
<b>Public &amp; Others</b>	33.6%

(₹ mn)

Particulars	FY18	FY19	FY20
Net Sales	9,127	9,959	10,616
EBITDA	2,023	2,184	2,635
Net Profit	1,698	1,474	4,013
EPS (₹/ share)	33.9	30.2	82.6
RoNW (%)	17.0%	13.9%	28.9%
RoCE (%)	16.3%	17.7%	16.0%
EV/EBITDA (x)	39.6	36.7	29.5

Source: Company Data, Way2Wealth Inst Equity

## Key Result Highlights – Q4FY20

- Navin Fluorine International Ltd (NFIL) reported a topline growth of ~9.5% YoY to ₹2766mn on the back of robust growth in its segments such as specialty chemicals and CRAMS which surged by ~52% & ~26% YoY respectively in Q4FY20. Specialty Chemicals recorded higher growth due to strong performance in domestic & export markets driven by higher volumes and CRAMS business due to its strong order book position in Q4FY20. However, the robust performance in mentioned segments was offset by weak performance in Refrigerant business which de-grew due to lower volumes in Q4 and impacted exports. In FY20, topline grew 7% YoY to ₹10,616mn on the back of robust performance in its segments.
- EBITDA grew by 33% to ₹688mn on account of lower operating expenditure while EBITDA margins expanded by 444 bps to 24.9% in Q4FY20. In FY20, EBITDA surged 21% YoY to ₹2,635mn from ₹2,184mn and EBITDA margins improved by ~200 bps to 21.1%.
- PAT for Q4FY20 grew to ₹2,701mn from ₹335mn on account of higher operating profit & deferred tax credit of ₹2,072mn. PAT margins stood at 97.7% vs.13.3%/17.3% in Q4FY19/Q3FY20 respectively.

## Earnings Highlights

- **Specialty Chemicals & CRAMS segment led to topline growth** – Navin Fluorine International Ltd reported a topline growth of ~9.5% YoY to ₹2766mn on the back of robust growth in its segments such as specialty chemicals and CRAMS which surged by ~52% & ~26% YoY respectively in Q4FY20. Specialty Chemicals recorded higher growth due to strong performance in domestic & export markets driven by higher volumes coupled with strong order book position in CRAMS business in Q4FY20. However, the robust performance in mentioned segments was offset by weak performance in Refrigerant business which de-grew due to lower volumes in Q4. Revenue from Specialty chemicals was largely unaffected by the lockdown in the last week of March. However, NFIL lost ₹260mn in revenue mainly from the legacy business. Management indicated company's newly commissioned Dewas facility has strong order book position with enquiry inflow in FY21E. In FY20, topline grew 7% YoY to ₹10,616mn on the back of robust performance in its segments.
- **Lower Operating Expenses aided margin expansion** – EBITDA grew by 33% to ₹688mn on account of lower operating expenditure while EBITDA margins expanded by 444 bps to 24.9% in the mentioned quarter. In FY20, EBITDA surged 21% YoY to ₹2,635mn from ₹2,184mn and EBITDA margins improved by ~200 bps to 21.1%. PAT for Q4FY20 grew to ₹2,701mn from ₹335mn on account of higher operating profit & deferred tax credit of ₹2,072mn. PAT margins stood at 97.7% vs. 13.3%/17.3% in Q4FY19/Q3FY20 respectively.
- **Capex & Earnings Outlook** – Management highlighted it had signed 7 year exclusive supply contract with a global company for HPP having a total revenue potential of ₹29000mn starting FY23E and maintained that the project is on track. NFIL plans to carry out a few debottleneck projects in the Specialty chemicals segment in FY21E (similar to FY20) however, given the capacity constraints at the Surat facility, new capacity addition plans may be announced in the near future. NFIL plans to carry out a few debottleneck projects in the Specialty chemicals segment in FY21E (similar to FY20). However, given the capacity constraints at the Surat facility, new capacity addition plans may be announced in the near future. Management indicated plants catering to Industrial demand are running at pre- Covid-19 levels but demand for refrigerant gas is currently subdued and pressure due to the high inventory build-up should ease as unlocking progresses.

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## Valuation & Recommendation

Despite subdued demand in agrochemicals/automotive/white goods sector and Covid-19 pandemic company's quarterly performance was better than its peers led by double digit growth in Specialty chemicals and CRAMS business. We expect NFIL Ltd to witness pain in its refrigerant and inorganic fluorides segment in FY21E on the back of subdued demand from automotive and white goods sector however, we believe company would report higher numbers post FY21-22E on the back of demand recovery in subdued sectors, HPP business contract and growth led by CRAMS business. **At CMP of ₹1628 company is trading at ~19x FY20P/E and ~29x FY20EV/EBITDA which is inline with its peers however given strong demand for company's specialty chemicals and CRAMS business, it can be attractive bet. However, currently, we have kept the stock under review for any rating/recommendation.**

## Quarterly Financials (Consolidated)

(₹ mn)

Particulars	Q4FY20	Q4FY19	Y-o-Y(%)	Q3FY20	Q-o-Q(%)
<b>Sales</b>	<b>2,766</b>	<b>2,526</b>	9.5%	<b>2,605</b>	6.2%
Raw Material Expenses	1,257	1,273	-1.2%	1,112	13.0%
Employee Cost	351	281	25.2%	330	6.4%
Other operating expense	470	457	2.9%	508	-7.5%
Total Expenditure	2,078	2,010	3.4%	1,950	6.6%
<b>EBITDA</b>	<b>688</b>	<b>516</b>	33.3%	<b>655</b>	5.0%
<b>EBITDA Margin (%)</b>	<b>24.9%</b>	<b>20.4%</b>	444bps	<b>25.1%</b>	-27 bps
Depreciation	111	67	65.2%	92	20.8%
<b>EBIT</b>	<b>577</b>	<b>449</b>	28.6%	<b>563</b>	2.5%
<b>EBIT Margin (%)</b>	<b>20.9%</b>	<b>17.8%</b>	309 bps	<b>21.6%</b>	-75 bps
Interest	5	3	64.4%	6	-20.6%
Other Income	57	112	-49.4%	116	-51%
PBT	629	558	12.7%	673	-6.5%
Taxes	-2072	223	-1030%	222	-1035%
<b>PAT</b>	<b>2701</b>	<b>335</b>	706%	<b>451</b>	498%
<b>PAT Margin (%)</b>	<b>97.7%</b>	<b>13.3%</b>	8438bps	<b>17.3%</b>	8033 bps
Share of Profit & Associates	26	17	52.9%	3	766%
<b>APAT</b>	<b>2,727</b>	<b>352</b>	675.2%	<b>454</b>	500.4%
Other Comprehensive Income	1	4	-75.0%	27	-96.3%
<b>Total Comprehensive Income</b>	<b>2,728</b>	<b>355</b>	669%	<b>481</b>	467%
EPS (₹)	55.1	7.11	675.2%	9.2	500.4%

# Financials (Consolidated)

	(₹ mn)			
Income Statement	FY17	FY18	FY19	FY20
Net Sales	7,415	9,127	9,959	10,616
YoY Growth	9.1%	23.1%	9.1%	6.6%
<b>EBITDA</b>	<b>1,171</b>	<b>2,023</b>	<b>2,184</b>	<b>2,635</b>
<b>EBITDA Margin</b>	<b>15.8%</b>	<b>22.2%</b>	<b>21.9%</b>	<b>24.8%</b>
Depreciation	299	398	275	370
<b>EBIT</b>	<b>872</b>	<b>1,625</b>	<b>1,908</b>	<b>2,265</b>
<b>EBIT Margin</b>	<b>11.8%</b>	<b>17.8%</b>	<b>19.2%</b>	<b>21.3%</b>
Interest	27	12	8	20
Other income	558	925	344	333
PBT	1,403	2,538	2,244	2,578
Tax	451	840	770	-1435
Tax Rate	32.1%	33.1%	34.3%	-55.6%
<b>PAT</b>	<b>952</b>	<b>1,698</b>	<b>1,474</b>	<b>4,013</b>
<b>PAT Margin</b>	<b>12.8%</b>	<b>18.6%</b>	<b>14.8%</b>	<b>37.8%</b>
EPS (₹)	19.4	33.9	30.2	82.6

	(₹ mn)			
Particulars	FY17	FY18	FY19	FY20
Share capital	98	99	99	99
Reserves & Surplus	8254	9736	10626	14023
<b>Net worth</b>	<b>8,352</b>	<b>9,835</b>	<b>10,724</b>	<b>14,122</b>
Long term debt	111	42	-	-
Deferred Tax Liabilities	271	308	348	-
Long term Provisions	74	88	86	103
Other non-current liabilities	169	169	145	289
<b>Total Non-Current Liabilities</b>	<b>625</b>	<b>607</b>	<b>579</b>	<b>391</b>
Short term debt	74	84	41	14
Trade Payables	778	955	713	981
Deferred Tax liabilities	1639	515	379	393
Short term Provision	17	20	24	28
Other current liabilities	289	540	611	355
<b>Total Current Liabilities</b>	<b>2,797</b>	<b>2,114</b>	<b>1,769</b>	<b>1,772</b>
<b>Total Liabilities</b>	<b>11,774</b>	<b>12,556</b>	<b>13,072</b>	<b>16,285</b>
Net Block	4,902	3,592	3,817	4,789
CWIP	168	201	393	389
Goodwill & other tangible assets	881	885	878	887
Non- current investments	342	315	333	405
Other Non-Current Assets	976	2,113	2,364	2,293
<b>Total Non-Current Assets</b>	<b>7,100</b>	<b>6,905</b>	<b>7,465</b>	<b>8,449</b>
Currents Investments	1,386	2,076	1,883	675
Inventories	1,127	1,138	1,119	1,579
Debtors	1,376	1,556	1,727	2,185
Cash Equivalent & Bank balances	418	374	370	2,837
Other current assets	343	388	460	514
Short term loans & advances	23	118	48	45
<b>Total Current Assets</b>	<b>4,673</b>	<b>5,650</b>	<b>5,607</b>	<b>7,836</b>
<b>Total Assets</b>	<b>11,774</b>	<b>12,556</b>	<b>13,072</b>	<b>16,285</b>

	(₹ mn)			
Cash Flow	FY17	FY18	FY19	FY20
EBT	1,820	2,665	2,244	2,578
Depreciation	299	398	275	370
Inc/Dec in working capital	-386	-157	-615	-706
Others	(809)	(1,212)	(1,003)	(675)
<b>CF from Operating activity</b>	<b>924</b>	<b>1694</b>	<b>902</b>	<b>1567</b>
Inc/Dec in Fixed assets & CWIP	-1761	-484	-612	-979
Others	1606	-879	369	1,830
<b>CF from Investment activity</b>	<b>-156</b>	<b>-1363</b>	<b>-243</b>	<b>851</b>
Inc/Dec in equity	-215	-138	-84	-83
Dividends paid	-343	-350	-611	-714
Interest paid	-18.3	-11.9	-8.3	-20.0
Others	-95	110	20	8
<b>CF from Financing activity</b>	<b>-671</b>	<b>-390</b>	<b>-683</b>	<b>-809</b>
Inc/Dec in cash	97	-59	-25	1,609
Opening balance	145	242	184	158
<b>Closing balance</b>	<b>242</b>	<b>184</b>	<b>158</b>	<b>1,767</b>

Ratio Analysis	FY17	FY18	FY19	FY20
<b>Profitability Ratios (%)</b>				
EBITDA margins	15.8%	22.2%	21.9%	24.8%
EBIT margins	11.8%	17.8%	19.2%	21.3%
Net profit margins	12.8%	18.6%	14.8%	37.8%
<b>Return Ratios (%)</b>				
ROCE	10.2%	16.3%	17.7%	16.0%
ROE	11.4%	17.0%	13.9%	28.9%
ROA	8.1%	13.3%	11.4%	25.1%
<b>Shareholders' Ratios</b>				
EPS (₹)	19.4	33.9	30.2	82.6
BVPS	171	199	217	286
DPS (₹)	6.9	7.1	7.4	11.0
<b>Liquidity &amp; Solvency Ratios</b>				
Current Ratio	1.7	2.7	3.2	4.4
Quick Ratio	1.3	2.1	2.5	3.5
Net Debt/Equity	0.02	0.03	0.02	0.02
Interest Coverage Ratio	32.3	136	231	113
<b>Working Capital &amp; Turnover Ratios</b>				
Debtor Days	64.1	61.4	63.3	75.1
Inventory Days	125.8	103.3	85.7	119.1
Creditor Days	86.7	86.6	54.6	74.0
Total Asset Turnover	0.7	0.7	0.8	0.7
<b>Valuation Ratios</b>				
EV/EBITDA	67.9	39.6	36.7	29.5
P/E	84.0	48.1	54.0	19.7
P/B	9.3	8.2	7.5	5.7
EV/Sales	10.7	8.8	8.1	7.3
EV/EBIT	91.2	49.3	42.0	34.3

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## **Disclosure of Interest Statement in Navin Fluorine International Ltd. as on June 23, 2020**

Name of the Security	Navin Fluorine International Ltd.
Name of the analyst	Yogita Desai
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
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