



## HIGHLIGHTS

- Navin Fluorine figures as a multibagger company as it surged over 650% over the last 5 years with current five year gains being ~384%.
- With strong profitability and very low leverage, Navin Fluorine can be classified as a fundamentally strong company.
- Over the last two years, company has invested heavily in Capex. In the last reported full year financials, the Company has reported a 175% increase in net PPE with another 29% addition to PPE by Sept 2022.



## Industry Outlook

For the uninitiated, Fluorochemicals constitute fluorine, an incombustible viscose chemical reactive and electronegative with the tendency to form stable compounds. Fluorocarbons are the dominant product in the fluorochemical market at the global level. While the product finds application in various sectors like textile, insecticide, pharma, electronics, etc., the lion's share of application is in the cooling and refrigerant sector. The HFC and HCFC fluorocarbons are expected to register a high growth rate due to their extensive applications in high tensile and electrical insulation properties. The majority of the demand comes from the Asia Pacific market, while other key markets with different growth prospects as shown in image 1.2.

The global market is fragmented due to multiple players, but key players in the segment include The Chemours Company, Solvay, 3M, Daikin, etc. The market size is expected to grow from USD 423 billion in the current year to USD 535 billion by 2025.

At the domestic level, the sector has been witnessing considerable growth barring the last couple of years due to the impact of Covid 19 pandemic. The growth drivers have been that India exports multiple finished products in sectors like electronics, agrochemicals, and automobiles leading to higher demand. Further, in 2020-21 about a third of the domestic population was living in cities, expected to increase to three-fourths by 2031, pushing the demand for refrigerants. The Indian Government has de-licensed the production of speciality chemicals, except those that are hazardous. The policies catalyze the growth of ancillary sectors discussed earlier, leading to higher demand for speciality chemicals and fluorochemicals. Some of the domestic competitors in this segment are as shown in Image 1.3.



## Business Description

Established in 1967, Navin Fluorine International Ltd is one of India's largest integrated fluorochemical manufacturers. The Company manufactures speciality fluorochemicals and offers refrigerants to original equipment manufacturers and owners. The product portfolio also includes inorganic fluoride products, which find application in industries comprising oil and gas, steel, pharma, electronics, etc. Additionally, speciality chemicals are sold to fragrance, crop protection, and pharma sectors. Finally, CRAMS or Contract Research and Manufacturing Services cater to agrochemicals, basic research, process development products, etc. Most of the revenue is from the refringent, and nearly 43% of the sales are from exports.

Navin Fluorine is among the handful global players with robust fluorination capabilities. The organization has been in business for more than 5 decades, which gives them an experience in complex fluorine chemistries.



### STOCK QUOTE AND CHART (CURRENCY: INR)

52 WK HIGH/LOW	4,847.35/ 3,361.45	MARKET CAP (MM)	201,410.2
VOLUME (MM)	0.0023	SHARES OUT. (MM)	49.6
BETA 5Y	0.39	FLOAT %	68.4%
		DILUTED EPS EXCL. EXTRA ITEMS	55.71

Image - 1.1

### FLUROCHEMICAL MARKET- GROWTH RATE BY REGION, 2020-2025



Image - 1.2

### LEADING SPECIALTY CHEMICAL COMPANIES IN INDIA AS OF JULY 2022, BASED ON MARKET CAPITALIZATION

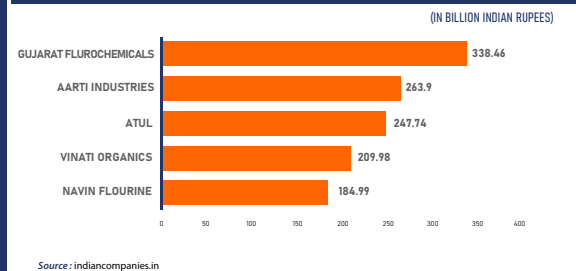


Image - 1.3

### NSE: NAVINFLUOR SHARE PRICE (IN INR)

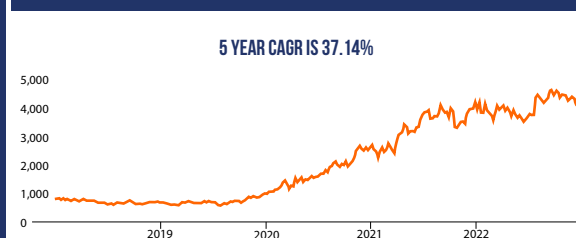


Image - 1.4



## Financial Analysis

A quick sneak peek into the financial performance of Navin Fluorine over the last 5 years alongside as on the Image 1.5.

On the profitability front, the company's gross profit margin has been relatively stable over the last 5 years. The company has recorded a substantial improvement in net profit margin till 2020. After 2020, due to the impact of the COVID-19 pandemic, the net income margin has slipped to 18%. The profitability is expected to improve with the market's gradual return to pre-pandemic levels.

The company's liquidity position is good as the current ratio has consistently been above the level of one. The quick ratio has also been quite intense, with some slippage observed in 2022. The asset turnover ratio has also been relatively stable, barring the fixed asset turnover, which reduced to 1.8 times in 2022. The increase in the cash conversion cycle is a matter of concern that the management should address, as precious working capital is getting stuck with an increase in the cash conversion cycle. On the capital structure side, the company is playing on the safer side as the debt level is relatively low compared to the company's total equity. The Company's gross profit margin and current ratio have been higher than its industry group average for the last five years. (Source - Bloomberg)

This places the company in the good books of equity investors as it will help the company during times of expansion.



## Current Developments and Future Expectations

**Financials** – FY2022 has been a positive year for the company. The revenues grew by INR 271 Cr to INR 1,404 Cr and the Specialty business revenue itself crossed INR 500 Cr, with ~25% growth. The inorganic Fluorides business grew 42% from INR 193 Cr in FY20-21 to INR 274 Cr in FY21-22. There has been capital expenditure of ~INR 1,000 Cr, which will support in the robust foundation for growth in near future.

Based on the Q2FY23 financials released, the Company has increased its top line on a Q-o-Q basis and a Y-o-Y basis. However, due to increased operating costs, the profitability has reduced compared to the previous quarter and year. The numbers continue to be in line on a half-yearly basis. The muted performance from CRMS has been made up by strong recovery in speciality chemical segment. An increase in CRMS opportunities in the second half of the financial year is expected to assist faster than anticipated Company recovery post-Covid pandemic recovery.

**Business** – The Company is globally one of the largest manufacturers of BF3 Gas and a leading domestic manufacturer of fluorinated speciality chemicals. The Company has regularly been investing in CAPEX & research & development activities which are expected to strengthen its sustainability ( a crucial element for chemical producers in the environment-sensitive industry). In the last full year's financials, the Company reported a 175% increase in net PPE with another 29% addition to PPE by Sept 2022.

In the area of Partnerships, Navin Fluorine has two client relationships fast approaching revenues of US\$ 100MM a year and another shaping to be one. And if we are to speak about products, then three value chains are being focused on, of which two are doing well.

RATIOS					
FOR THE FISCAL PERIOD ENDING	12 MONTHS MAR-31-2018	12 MONTHS MAR-31-2019	12 MONTHS MAR-31-2020	12 MONTHS MAR-31-2021	12 MONTHS MAR-31-2022
<b>PROFITABILITY</b>					
RETURN ON ASSETS %	10.0%	10.0%	10.4%	9.8%	9.3%
RETURN ON EQUITY %	19.8%	14.5%	32.9%	16.9%	15.1%
<b>MARGIN ANALYSIS</b>					
GROSS MARGIN %	54.8%	51.2%	53.6%	53.7%	53.4%
EBITDA MARGIN %	19.7%	15.0%	38.5%	21.8%	18.1%
EBITA MARGIN %	6.6%	6.2%	23.9%	14.0%	17.4%
<b>ASSET TURNOVER</b>					
TOTAL ASSET TURNOVER	0.8X	0.8X	0.7X	0.7X	0.7X
FIXED ASSET TURNOVER	2.5X	3.2X	2.8X	2.6X	1.8X
<b>SHORT TERM LIQUIDITY</b>					
CURRENT RATIO	2.7X	3.2X	4.4X	5.9X	2.7X
QUICK RATIO	1.9X	2.2X	3.1X	4.5X	1.4X
AVG. CASH CONVERSION CYCLE	82.4	82.0	109.9	124.8	137.2
<b>LONG TERM SOLVENCY</b>					
TOTAL DEBT/EQUITY	1.3%	0.4%	1.6%	1.6%	6.6%
TOTAL DEBT/EQUITY	0.4%	NA	1.1%	1.0%	6.0%
EBIT/INTEREST EXP.	NM	281.9X	139.8X	174.4X	193.5X

SOURCE: ANNUAL REPORT

Image - 1.5

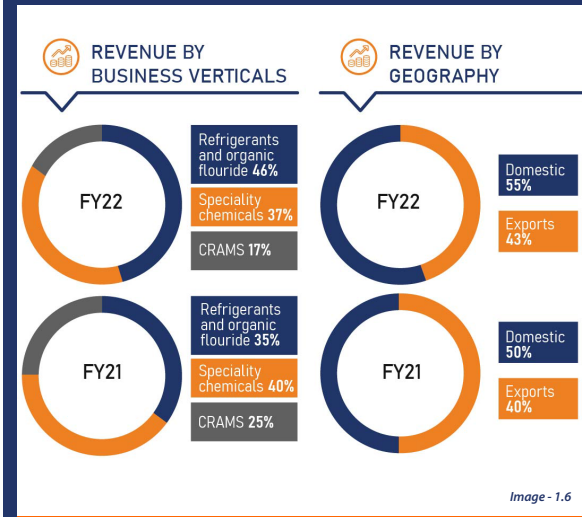


Image - 1.6



**CMP: INR 4,074.90**

DEC 29, 2022

**Recent Events** – The company’s wholly owned subsidiary, Navin Fluorine Advanced Sciences Ltd in Dahej, Gujarat, had commenced the commercial production of Hydrofluoroolefins after successful trial runs and approval from customers. The new process plant in Dahej is likely to be commissioned in FY22-23. This is likely to generate attractive revenue growth. With this, the company is upcoming with a development of new product around the fluoropyridine platform, and is expected to be the firsts if launched in 2023.

Apart from this, the Company has bagged a INR 800 Cr multi-year agreement towards the supply of crucial agro-chemical fluoro-intermediate improving revenue visibility.

The positive growth is further vouched by the declaration of an interim dividend of 250% backed by 24% growth in Q2 sales figures.

**Future Expectations** – Navin Fluorine figures as a multi-bagger company as it surged over 650% over the last 5 years, with current five-year gains being ~384%. The stock has appreciated at a CAGR of 91% over the previous three years, backed by solid demand in the domestic and Asian markets. Supply chain disruptions due to the Chinese Covid fallout might be something to look out for.

A pattern of increasing sales coupled with gradually increasing EPS has generates a positive call on the company. The forecasted growth rate is high given the multiple rounds of capex undertaken by the Company and as reflected in the chart below which shows the projected revenue for the Company over the course of next two years.

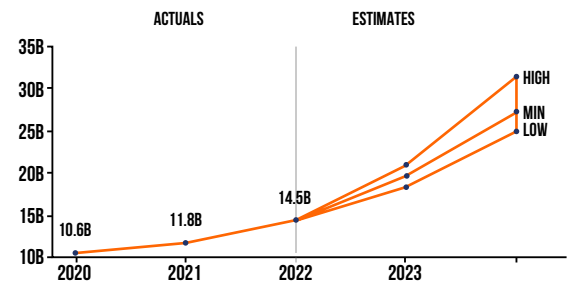
On an overall basis, the key trigger for future performance of this stock relies on the capitalization of existing capex and fruitification of upcoming capex in HPP and Speciality Chemical segment which is expected to assist in improving revenue mix. The potential entry of the group in fluorine molecules will further add to the profitability ratios.

	2023	2024
MEAN	19.6B	27.2B
HIGH	20.9B	31.3B
LOW	18.3B	24.8B
FORCASTED GROWTH	34.8%	87.4%
# OF ANALYSIS	18	18

SOURCE: BLOOMBERG REFINITIVWORK SP

Image - 1.7

## NF'S ANNUAL REVENUE



SOURCE: BLOOMBERG REFINITIVWORK SP

Image - 1.8



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