



INDEPENDENT EQUITY RESEARCH

Navin Fluorine International Ltd

Q4FY11 First Cut

Enhancing investment decisions

Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (- 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

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Navin Fluorine International Ltd

Q4FY11 first cut – getting the due credits

Fundamental Grade	2/5 (Moderate fundamentals)
Valuation Grade	3/5 (CMP is aligned)
Industry	Chemicals

Navin Fluorine International Ltd's (Navin's) Q4FY11 revenues and PAT were in line with CRISIL Equities' expectations. As expected, the sale of CERs were resumed in Q4FY11, whereby the company registered an income of ~Rs 750 mn. Q4 profitability for the core business mirrored Q3. Post our interaction with the management, we may revisit our estimates and fair value. We maintain the fundamental grade of **2/5**.

Q4FY11 result analysis

- Navin's Q4 revenues grew by 41.6% y-o-y to Rs 1,707 mn mainly due to bunching up of CER income of ~Rs 750 mn in Q4.
- Despite better performance by the core business, for the full year, Navin's revenues were flat at Rs 4,297 mn due to much lower CER income. As UNFCCC had suspended issuance of carbon credits during 9MFY11, Navin could not accrue and sell CERs.
- EBITDA margin increased 19.2 percentage points to 35.9%. We however note that the margins are not comparable, as Q4FY11 had significant bunching of the high margin CER income.
- In line with EBITDA margin, PAT margin increased to 23.9% y-o-y, up from 2.6% in Q4FY10. Also, Q4FY11's PAT contributed to 57% of FY11 total PAT. We expect normalised profitability going forward.
- The company has declared a dividend of Rs 15 per share. At the current market price dividend yield is 5.6%.

Valuations: Current market price is aligned

We continue to use the SoTP method to value Navin. At the current market price of Rs 268, the stock merits a valuation grade of 3/5.

KEY FORECAST (CONSOLIDATED)

(Rs mn)	FY09	FY10	FY11#	FY12E*
Operating income	4,209	4,318	4,297	5,789
EBITDA	1,026	1,464	1,110	2,258
Adj PAT	570	824	713	1,525
Adj EPS-Rs	56.5	81.6	73.1	156.3
EPS growth (%)	NM	44.6	(10.5)	113.8
Dividend yield	13.7	5.5	5.6	5.6
RoCE (%)	31.2	45.8	28.3	47.1
RoE (%)	26.5	31.3	22.3	37.5
P/E (x)	1.5	3.7	3.7	1.7
P/BV (x)	0.4	1.0	0.8	0.6
EV/EBITDA (x)	1.2	1.6	1.0	0.5

NM: Not meaningful; CMP: Current Market Price

#FY11 numbers based on the abridged financials

* We may revisit our estimates and fair value after interaction with the management

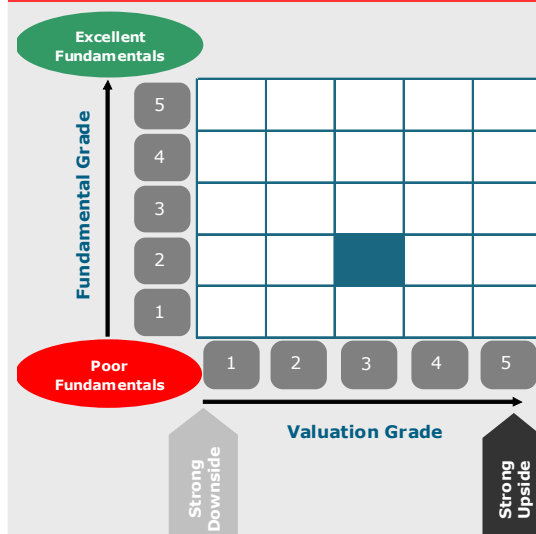
Source: Company, CRISIL Equities estimate



April 29, 2011

Fair Value Rs 265
CMP Rs 268

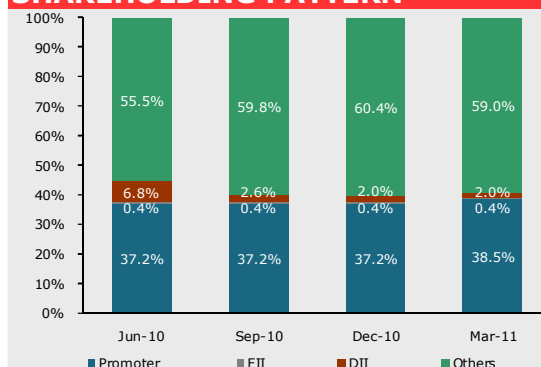
CFV MATRIX



KEY STOCK STATISTICS

NIFTY	5750
NSE ticker	NAVINFLUOR
Face value (Rs per share)	10
Shares outstanding (mn)	9.8
Market cap (Rs mn)/(US\$ mn)	2,547/57
Enterprise value (Rs mn)/(US\$ mn)	1,852/42
52-week range (Rs) (H/L)	363/223
Beta	1.1
Free float (%)	61.5%
Avg daily volumes (30-days)	25,146
Avg daily value (30-days) (Rs mn)	6.8

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Navin	8%	-1%	-5%	-19%
NIFTY	0%	4%	-4%	9%

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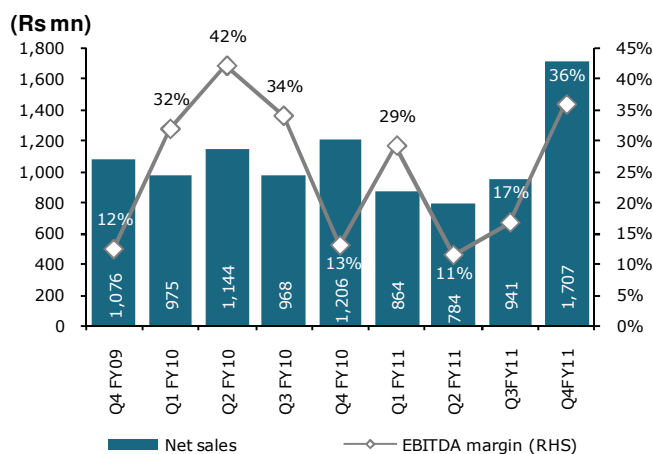
Q4FY11 Result Summary (Standalone financials)

(Rs mn)	Q4FY11	Q3FY11	Q4FY10	q-o-q (%)	y-o-y (%)	FY11	FY10	y-o-y (%)
Net sales	1,707	941	1,206	81	42	4,297	4,293	0
Raw materials cost	512	463	344	11	49	1,716	1,510	14
Raw materials cost (% of net sales)	30.0%	49.2%	28.5%	n.m.	n.m.	39.9%	35.2%	477bps
Employees cost	100	65	84	54	20	298	246	21
Other expenses	483	256	621	89	-22	1,170	1,258	-7
EBITDA	613	157	157	289	289	1,112	1,280	-13
EBITDA margin	35.9%	16.7%	13.1%	n.m.	n.m.	25.9%	29.8%	-392bps
Depreciation	38	34	27	12	40	135	111	22
EBIT	574	123	130	366	342	977	1,169	-16
Interest and finance charges	10	7	5	36	113	31	25	25
Operating PBT	564	116	125	387	350	946	1,144	-17
Other Income	43	31	19	39	123	114	79	45
PBT	607	147	145	313	320	1,060	1,223	-13
Tax	199	47	114	324	75	344	480	-28
PAT	409	100	31	308	n.m.	716	744	-4
Adj PAT	409	100	31	308	n.m.	716	744	-4
Adj PAT margin	23.9%	10.6%	2.6%	n.m.	n.m.	16.7%	17.3%	-65bps
No of equity shares (Mn)	9.8	10.1	10.1	-3	-3	9.8	10.1	-3
Adj EPS (Rs)	41.9	9.9	3.1	323	n.m.	73.4	73.7	0

n.m. – not meaningful

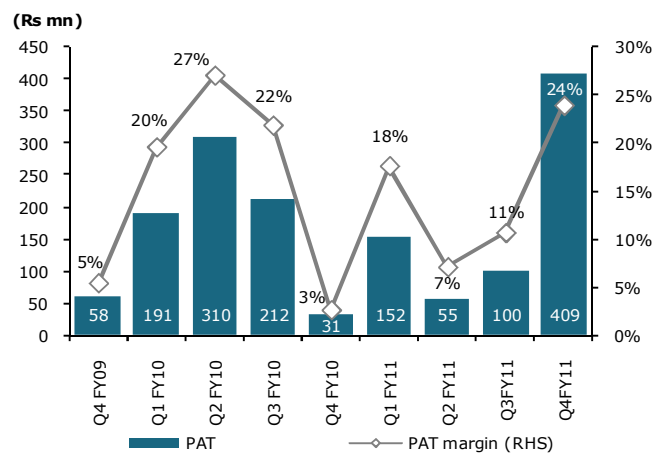
Source: Company, CRISIL Equities

Strong growth in revenues



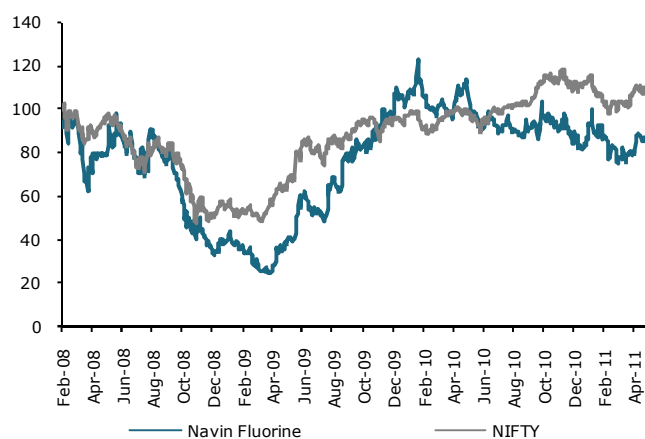
Source: Company, CRISIL Equities

Quarterly PAT and PAT margins rise



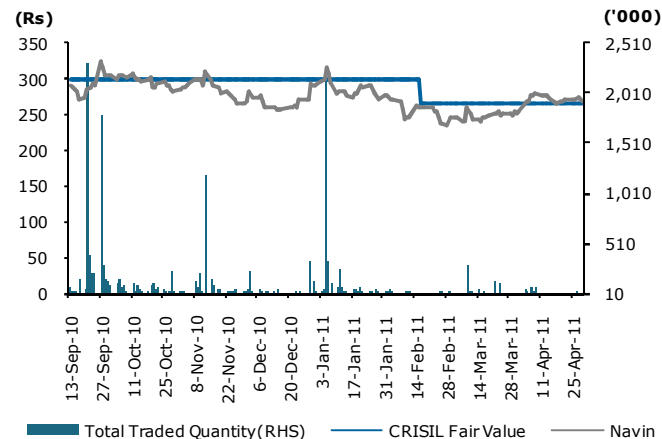
Source: Company, CRISIL Equities

Share price movement



Source: NSE, CRISIL Equities

Fair value movement since initiation



Source: BSE, NSE, CRISIL Equities

FINANCIALS

Income statement

(Rs mn)	FY09	FY10	FY11
Operating income	4,209	4,318	4,297
EBITDA	1,026	1,464	1,110
EBITDA margin	24.4%	33.9%	25.8%
Depreciation	128	114	138
EBIT	898	1,351	972
Interest	86	25	31
Operating PBT	811	1,326	941
Other income	37	(22)	117
Exceptional inc/(exp)	(135)	1	-
PBT	713	1,305	1,058
Tax provision	278	480	344
Minority interest	-	-	-
PAT (Reported)	435	825	713
Less: Exceptionals	(135)	1	-
Adjusted PAT	570	824	713

Ratios

	FY09	FY10	FY11E
Growth			
Operating income (%)	42.6	2.6	(0.5)
EBITDA (%)	174.2	42.8	(24.2)
Adj PAT (%)	n.m.	44.6	(13.4)
Adj EPS (%)	n.m.	44.6	(10.4)
Profitability			
EBITDA margin (%)	24.4	33.9	25.8
Adj PAT Margin (%)	13.5	19.1	16.6
RoE (%)	26.5	31.3	22.3
RoCE (%)	31.2	45.8	28.3
RoIC (%)	27.1	34.1	41.7
Valuations			
Price-earnings (x)	1.5	3.7	3.7
Price-book (x)	0.4	1.0	0.8
EV/EBITDA (x)	1.2	1.6	1.0
EV/Sales (x)	0.3	0.5	0.3
Dividend payout ratio (%)	27.2	20.1	20.5
Dividend yield (%)	13.7	5.5	5.6
B/S ratios			
Inventory days	74	65	54
Creditors days	139	159	158
Debtor days	68	53	36
Working capital days	53	45	26
Gross asset turnover (x)	1.7	1.7	1.7
Net asset turnover (x)	2.5	2.6	2.7
Sales/operating assets (x)	2.1	2.2	2.4
Current ratio (x)	1.6	1.9	2.5
Debt-equity (x)	0.2	0.0	0.1
Net debt/equity (x)	0.2	(0.2)	(0.5)
Interest coverage	10.4	54.1	31.1

Per share

	FY09	FY10	FY11
Adj EPS (Rs)	56.5	81.6	73.1
CEPS	69.1	92.9	87.3
Book value	225.7	295.1	349.3
Dividend (Rs)	11.7	16.4	15.0
Actual o/s shares (mn)	10.1	10.1	9.8

#FY11 numbers based on the abridged financials

Source: Company, CRISIL Equities estimate

Balance Sheet

(Rs mn)	FY09	FY10	FY11E
Liabilities			
Equity share capital	101	101	98
Reserves	2,177	2,878	3,310
Minorities	-	-	-
Net worth	2,278	2,979	3,408
Convertible debt	-	-	-
Other debt	526	114	374
Total debt	526	114	374
Deferred tax liability (net)	171	210	210
Total liabilities	2,976	3,303	3,992
Assets			
Net fixed assets	1,633	1,664	1,539
Capital WIP	281	278	140
Total fixed assets	1,914	1,942	1,679
Investments	79	8	8
Current assets			
Inventory	609	472	470
Sundry debtors	608	390	353
Loans and advances	771	884	880
Cash & bank balance	151	808	1,914
Marketable securities	-	-	-
Total current assets	2,139	2,554	3,616
Total current liabilities	1,304	1,359	1,470
Net current assets	834	1,194	2,146
Intangibles/Misc. expenditure	149	158	158
Total assets	2,976	3,303	3,992

Cash flow

(Rs mn)	FY09	FY10	FY11E
Pre-tax profit	848	1,304	1,058
Total tax paid	(253)	(441)	(344)
Depreciation	128	114	138
Working capital changes	(151)	288	154
Net cash from operations	571	1,264	1,005
Cash from investments			
Capital expenditure	(33)	(142)	125
Investments and others	96	71	-
Net cash from investments	63	(71)	125
Cash from financing			
Equity raised/(repaid)	0	0	(136)
Debt raised/(repaid)	(391)	(413)	260
Dividend (incl. tax)	(118)	(165)	(157)
Others (incl extraordinary)	(200)	42	8
Net cash from financing	(709)	(536)	(24)
Change in cash position	(75)	657	1,106
Closing cash	151	808	1,914

Quarterly financials

(Rs mn)	Q2FY11	Q3FY11	Q4FY11
Net Sales	784	941	1,707
Change (q-o-q)	-9%	20%	81%
EBITDA	90	157	613
Change (q-o-q)	-64%	75%	289%
EBITDA margin	11.5%	16.7%	35.9%
PAT	55	100	409
Adj PAT	55	100	409
Change (q-o-q)	-64%	81%	308%
Adj PAT margin	7.1%	10.6%	23.9%
Adj EPS	5.5	9.9	41.9

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