

Recommendation
Buy on Dips

Your ideal partner
Navin Fluorine

CMP: 338*
Target: Rs. 424 to Rs. 510

Company Profile

Navin Fluorine International Limited is engaged in the production of fluorochemicals. It has a leading position in India's fluorochemicals industry, having the largest integrated fluorochemicals complex in India. Its Hydrofluoric acid capacity of more than 20,000 tons p.a. and its ability to produce some of the niche organofluorine molecules gives it the leading edge among other fluorochemicals producers in India. The company offers a diversified portfolio of advanced fluorine derivatives to the world with wide ranging applications in pharma, agro and petrochemicals. There are three segments to its business – speciality fluorochemicals, bulk fluoride and refrigerants. The specialty fluorochemicals portfolio primarily caters to the agro-chemical, pharmaceutical and polymer industries. Bulk fluorides caters to aluminium smelters, steel, automotive, glass, sugar, agro and pharma industries. The refrigerant gases portfolio comprises of hydro-chloro-fluoro-carbon (HCFC) 22, which is used in air-conditioners, both stationary and mobile, and 143a, which is used in car air-conditioners and household refrigerators.

Outlook and Scope

Navin Fluorine mainly focused in three segments of fluorochem business – speciality fluorochemicals, bulk fluoride and refrigerants. The speciality fluorochemicals are used agrochemicals, pharmaceutical industry, petrochemical industry and personal-care industry. Bulk fluoride is used aluminum and refrigerant industries. CFCs (chlorofluorocarbons) are mainly used as refrigerant gases. CFC will be replaced by HCFCs as per the Montreal environmental summit. Navin Fluorine is eligible to get large carbon credits for phasing out CFC.

Respecting the Kyoto Protocol the company is implementing a system to capture, store and destroy HFC 23 by thermal oxidation. This is expected to generate 2.8 million carbon credits annually for 10 years. Thus company is in a position to get a assured sum of amount from carbon credits for the coming years. This is more important as now the world is giving more importance for the environment protection and as the demand for carbon credits is increasing. Navin Fluorine can cash on that.

Financials

	FY 08	FY 09	FY 10E	FY 11E
Sales	290.96	417.88	485.64	582.76
PAT	7.52	43.45	72.84	81.58
EPS	7.44	43.02	72.12	80.77
P/E	45.43	7.85	4.68	4.18

Key Information

Key Indicators			
EPS (TTM)	68.40		
P/E (with TTM – EPS)	4.94	Face Value	10
Industry P/E	15.46	Equity Capital	10.10 Cr
Book Value	269.85	Management	Arvind Mafatlal Group
P/B	1.14	NSE Code	NAVINFLUOR
Beta	1.14	BSE Code	532504
Debt -Equity	0.23	ISIN Code	INE048G01018

Share Holding Pattern (As on Sep 2009)

Share Holding	Percentage
Promoters	37.22
Public	40.82
FII's	0.44
Others	21.52
Total	100.00

Major Investors

Uti Mutual Fund, Oriental Insurance Co. Ltd, Life Insurance Corp Of India, DSP Merrill Lynch Ltd, JM Financial Ventures Ltd

Valuations

Navin Fluorine is number one in fluorochemicals. Company has the largest fluorine complex in India with - 20,000 tons of Anhydrous Hydrofluoric Acid capacity. This provides the ability to speedily address new requirements of customers. Apart from that company ensures an additional stream of income from carbon credits. At the current market price of Rs.338 the stock trades at 8 multiple of its FY-09 earnings and 5 multiple of FY-10E earnings, and 4 multiple of FY-11E respectively.

Concerns

Accelerated phasing out of Hydro chlorofluorocarbons (HCFC 22) and Unhealthy competition from the Chinese in some of the products are concerns. Apart from that a faster obsolescence of some of the existing products leads to shrinkage of the product basket of the Company.

Investment rationale

Navin Fluorine is number one in fluorochemicals. The company offers a diversified portfolio of advanced fluorine derivatives to the world with wide ranging applications in pharma, agro and petrochemicals. Apart from the revenue from its regular business company is getting carbon credits that will ensure additional stream of income and the demand for the carbon credits is expected to increase in coming years thus the company cash its carbon credits in a better margin than now Based on FY 10E and FY 11E earnings, we recommend to accumulate Navin Fluorine on dips with a target of Rs.424 to Rs.510 for an investment horizon of 6 months to 18 months.

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*Price as on 31-12-2009

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