



NFIL specializes in fluorine chemistry and manufactures a range of products including refrigeration gases, inorganic fluorides, and specialty organofluorines. Its portfolio encompasses synthetic cryolite, fluorocarbon gases, hydrofluoric acid, and other fluorine chemicals. Additionally, the company provides contract research and manufacturing services. With manufacturing capacities for anhydrous and diluted hydrofluoric acid in India, NFIL serves various industries such as stainless steel, glass, oil and gas, abrasives, electronics, and life and crop sciences.

Investment Rationale

- A. Continued Strategic Investments in CDMO:** NFIL intends to invest Rs 288 Cr in capital expenditures to establish a cGMP4 facility with a capacity of 200 KL in Dewas, split into two phases, to be funded by internal accruals. The first phase, with a capacity of 100 KL and an expenditure of Rs 160 Cr, is expected to be operational by the end of CY25. The commencement of phase 2 of the capital expenditure will depend on the progress of the MSA and business projections.
- B. CDMO outlook remains strong:** The company has broadened its Master Service Agreement (MSA) with European API customers to encompass two new molecules, bringing the total to three. These molecules serve as intermediates to a patented commercial product, showing promising prospects. Starting from FY26, the MSA is anticipated to make a substantial contribution to CDMO revenue. The proposed cGMP4 phase 1 capacity is essential to support the MSA and unlock the business vertical's \$100 million topline aspiration.
- C. Q4 to be better than Q3 due to Deferred Orders:** Global Agro-Chem majors have postponed orders, aiming to reduce high-cost channel inventory, which has impacted the company's specialty chemical business but has led to an improvement in working capital. The ramp-up of the HFO Plant at Dahej is progressing slower than anticipated, with revenue expected in FY25E, and the company is collaborating with Honeywell to resolve the issue. Q4 is projected to outperform Q3, with sequential margin improvement anticipated.
- D. Optimum Utilization of Ref Gas Capacity:** The company indicated that the R22 and R32 capacity is currently operating at its maximum capacity. In FY25, it is expected that Honeywell's capacity could yield peak revenues of INR 4.6 Bn
- E. Outlook & Valuation:** NFIL remains dedicated to long-term investments within a prudent financial framework. With CDMO expected to drive growth, NFIL's history of effective execution and business attraction is a key advantage. Moreover, NFIL's emphasis on specialty chemicals, along with strategic capital expenditure in its traditional sector, is poised to fuel future revenue expansion. As such, we assign a target price of Rs. 3,430 per share, based on a 32x Sep'26E EPS valuation, indicating an 11% upside from the CMP.
- F. Recommendation:** We recommend a **BUY** on the stock for a target price of Rs 3,430/share, implying an upside of 11% from CMP.

Financial Summary (Consolidated)

Y/E March	Net Sales (Rs Cr)	EBITDA (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	PER (x)	ROE (%)	ROCE (%)	EV/EBITDA (x)
2023	2,077	550	375	76	41	17%	36%	29.4
2024E	2,086	419	270	54	57	11%	18%	39.4
2025E	3,002	756	441	89	35	16%	29%	22.3
2026E	3,702	1,028	622	125	25	18%	37%	16.3

Source: Axis Securities; CMP as on 22nd March, 2024

CMP (Rs)	Target (Rs)	Potential Upside (%)
3,096	3,430	11%

MARKET DATA

No. of Shares	4.96 Cr
Market Cap	15,335 Cr
52-week High / Low	4,922/2,900
BSE Code	532504
NSE Code	NAVINFUOR

Why NFIL Ltd

- ✓ **Capex plans to support future growth trajectory**
- ✓ **Sharp focus on R&D**
- ✓ **Well-nurtured long-term relationship with customers**

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