

# HSIE Results Daily

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- Navin Fluorine International:** We retain our BUY rating on NFIL, with a target price of INR 4,640 on the back of (1) earnings visibility, given long-term contracts; (2) tilt in sales mix towards high-margin high-value business, (3) capacity expansion led growth, and (4) strong R&D infrastructure. EBITDA was 5% below our estimate, owing to higher-than-expected raw material cost and other expenses, offset by lower-than-expected employee cost. APAT was 8% above our estimate, owing to higher-than-expected other income and lower-than-expected tax outgo.

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# Voltas

## Blip in performance, seasonal tailwinds continue

Voltas Q4 performance was quite unique; in a strong onset of summer, the market leader lost market share in room air conditioner (RAC) category. The industry is witnessing robust demand after the slump of the last two summer seasons, while many markets and brands are witnessing a stock-out situation. Voltas lost market share (>200bps on YTD to 23.4%), primarily in south market (typically contributes ~20% but higher contribution for Q4). Voltas lost market share to LG and Samsung due to lower price gap and to Lloyd due to aggressive pricing. We believe the road is not an easy one for company in regaining its full share, although some recoup is expected owing to corrective price action and strong demand in the core market. Despite this blip in Q4 performance, we are confident on the company's execution capabilities (demonstrated in the past several years) while we will keep monitoring the market share status in the remaining season. Voltas is expected to sacrifice margin over growth; hence, we cut our EPS estimate by 4% for FY23/FY24. We remain bullish on Voltas for being a market leader in the promising RAC category. We cut our UCP multiple to 45x vs. 50x earlier on FY24 EPS. We value the stock on SoTP (UCP/EMPS/EPS P/E at 45/9/15x and Volt-Beko P/S of 4x) on FY24 to derive a TP of INR 1,150. **Maintain ADD.**

- UCP miss, EMPS in line:** Consolidated revenue grew 1% YoY (+27% in Q4FY21, -10% in Q3FY22), below our estimate of a 4% growth. UCP revenue was up 10% YoY (+20% in Q4FY21, +9% in Q3FY22; HSIE +15%). On a three-year CAGR, UCP revenue was up 22% vs. 22% for Lloyd and 14% for Blue Star. Voltas continued to be the market leader, with 23.4% YTD market share in Mar 2022. The EMPS segment remained under pressure, declining 21% YoY (+37% in Q4FY21, -35% in Q3FY22; HSIE -20%) due to a low carry forward order book. EPS clocked 26% growth (+3% in Q4FY21, +3% in Q3FY22; HSIE +35%). The company expects to regain its lost market share in Q1FY23 as RAC demand in North, a key geography, picks up.
- Margin pressure in UCP:** UCP EBIT was at 10.6% (down 522bps YoY) due to time lag in passing the input cost pressure and continued RM inflation. EMPS EBIT margin was at 6.9% (6.5% in Q4FY21, 6.6% in Q3FY22; HSIE 6.5%) on good execution. JV loss stood at INR 289mn vs. INR 222mn YoY. We believe UCP EBIT margin will be under pressure in FY23 (RM inflation and competitive pressure), while we expect EBIT margin of 11.5% in FY24.
- Con call takeaways:** (1) Voltas' RAC YTD market share stood at 23.4%, as of March 22, with exit market share at 18.5%. The gap with the second-largest player has reduced. (2) Share loss was due to strong performance by peers in South India, a weak geography for Voltas, and delay in price hikes by competition. (3) The company had taken price hikes in Jan, which took a lag to be passed on. (4) Price differentiation to peers is 2-2.5% in selected markets. (5) Given it is a seasonal period, the company will be providing higher incentives and schemes (interest subvention). (6) Industry will see a stock-out by June and July if the current growth rates sustain.

### Quarterly/annual financial summary

YE Mar (Rs mn)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	FY21	FY22P	FY23E	FY24E
Net Sales	26,666	26,517	0.6	17,936	48.7	75,558	79,345	1,02,448	1,14,936
EBITDA	2,610	3,307	(21.1)	1,556	67.7	6,414	6,816	9,691	11,129
APAT	1,827	2,388	(23.5)	966	89.2	5,289	5,060	8,323	9,764
Diluted EPS (Rs)	5.5	7.2	(23.5)	2.9	89.2	16.0	15.3	25.2	29.5
P/E (x)						65.2	68.1	41.4	35.3
EV / EBITDA (x)						53.5	50.3	35.4	30.5
RoCE (%)						21.0	22.2	29.4	28.5

Source: Company, HSIE Research

**ADD**

CMP (as on 09 May 22)	INR 1,047
Target Price	INR 1,150
NIFTY	16,302

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 1,325	INR 1,150
EPS %	FY23E	FY24E
	-4%	-4%

### KEY STOCK DATA

Bloomberg code	VOLT IN
No. of Shares (mn)	331
MCap (INR bn) / (\$ mn)	346/4,654
6m avg traded value (INR mn)	1,342
52 Week high / low	INR 1,357/953

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(14.5)	(16.4)	7.9
Relative (%)	(7.7)	(6.5)	(2.8)

### SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	30.30	30.30
FIs & Local MFs	29.76	27.83
FPIs	24.42	26.19
Public & Others	15.52	15.68
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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# Navin Fluorine International

## Another feather in its cap

We retain our BUY rating on NFIL, with a target price of INR 4,640 on the back of (1) earnings visibility, given long-term contracts; (2) tilt in sales mix towards high-margin high-value business, (3) capacity expansion led growth, and (4) strong R&D infrastructure. EBITDA was 5% below our estimate, owing to higher-than-expected raw material cost and other expenses, offset by lower-than-expected employee cost. APAT was 8% above our estimate, owing to higher-than-expected other income and lower-than-expected tax outgo.

- Financial performance:** Revenue grew 23/9% YoY/QoQ to INR 3,984mn. EBITDA grew 14% YoY and fell 2% QoQ to INR 958mn in Q4, with EBITDA margin coming in at 24% (-196/-270bps YoY/QoQ). The margin was impacted negatively, given higher input and employee costs. Marked-to-market gains of INR 16.9mn and a one-off gain of INR 3.8mn have been excluded to arrive at an APAT of INR 767mn (+42/+11% YoY/QoQ).
- Segmental performance:** Speciality chemicals (40% of revenue mix) grew 21% YoY to INR 1,590mn on the back of growth driven by new product launches and better realisations. CRAMS BU (22%) grew 16% YoY to 880mn.
- Bags another long-term contract:** The company has announced a Capex of INR 5.4bn, to enter into a multi-year contract with a large MNC for manufacture and supply of a fluoro speciality chemical, which is a building block for value-added compounds in fluorine chemistry. The technology that will be used to produce this molecule is environment friendly, which gives NFIL an edge over its peers. NFIL shall supply 50% of its production to the MNC exclusively and 50% to the market as well as use it captively to produce downstream products. The new capacity shall come on stream by end of CY23, with a peak revenue potential of INR 6bn per annum.
- Change in estimates:** We cut our FY23/24 EPS estimate by 8.4/12.2% to INR 77.9/109.6 to account for subdued margins, owing to higher input costs, increased depreciation, and finance costs.
- DCF-based valuation:** Our target price is INR 4,640 (WACC 11%, terminal growth 5.5%). The stock is trading at 34x FY24E EPS.

### Financial summary (standalone)

INR mn	Q4 FY22	Q3 FY22	QoQ (%)	Q4 FY21	YoY (%)	FY20*	FY21*	FY22P*	FY23E*	FY24E*
Net Sales	3,984	3,670	8.6	3,240	22.9	10,616	11,794	14,534	20,384	26,790
EBITDA	958	981	(2.4)	842	13.7	2,635	3,093	3,548	5,485	8,022
APAT	767	689	11.4	540	42.0	3,855	2,216	2,606	3,859	5,428
AEPS (INR)	15.5	13.9	11.4	10.9	42.0	77.8	44.7	52.6	77.9	109.6
P/E (x)						48.0	83.6	71.1	48.0	34.1
EV/EBITDA(x)						69.0	57.9	51.9	34.4	23.7
RoE (%)						31.0	14.6	15.0	19.5	23.6

Source: Company, HSIE Research, \*Consolidated

### Change in estimates (consolidated)

(INR mn)	FY23E Old	FY23E New	% Ch	FY24E Old	FY24E New	% Ch
EBIDTA	5,633	5,485	(2.6)	8,377	8,022	(4.2)
EPS (INR/sh)	85.0	77.9	(8.4)	124.9	109.6	(12.2)

Source: Company, HSIE Research

## BUY

CMP (as on 09 May 22)	INR 3,735
Target Price	INR 4,640
NIFTY	16,302

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 4,905	INR 4,640
EPS %	FY23E -8.4%	FY24E -12.2%

### KEY STOCK DATA

Bloomberg code	NFIL IN
No. of Shares (mn)	50
MCap (INR bn) / (\$ mn)	185/2,486
6m avg traded value (INR mn)	747
52 Week high / low	INR 4,339/3,124

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(7.5)	6.9	10.8
Relative (%)	(0.7)	16.8	0.1

### SHAREHOLDING PATTERN (%)

	Dec-21	Mar-22
Promoters	30.19	29.70
FIs & Local MFs	15.98	18.27
FPIs	25.25	23.51
Public & Others	28.58	28.52
Pledged Shares	0.91	0.91

Source : BSE

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**Rating Criteria**

BUY: &gt;+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: &gt; 10% Downside return potential

**Disclosure:**

<b>Analyst</b>	<b>Company Covered</b>	<b>Qualification</b>	<b>Any holding in the stock</b>
Naveen Trivedi	Voltas	MBA	NO
Saras Singh	Voltas	PGDM	NO
Nilesh Ghuge	Navin Fluorine International	MMS	NO
Harshad Katkar	Navin Fluorine International	MBA	NO
Rutvi Chokshi	Navin Fluorine International	CA	NO
Akshay Mane	Navin Fluorine International	PGDM	NO

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