Twitter Thread by Value Investor

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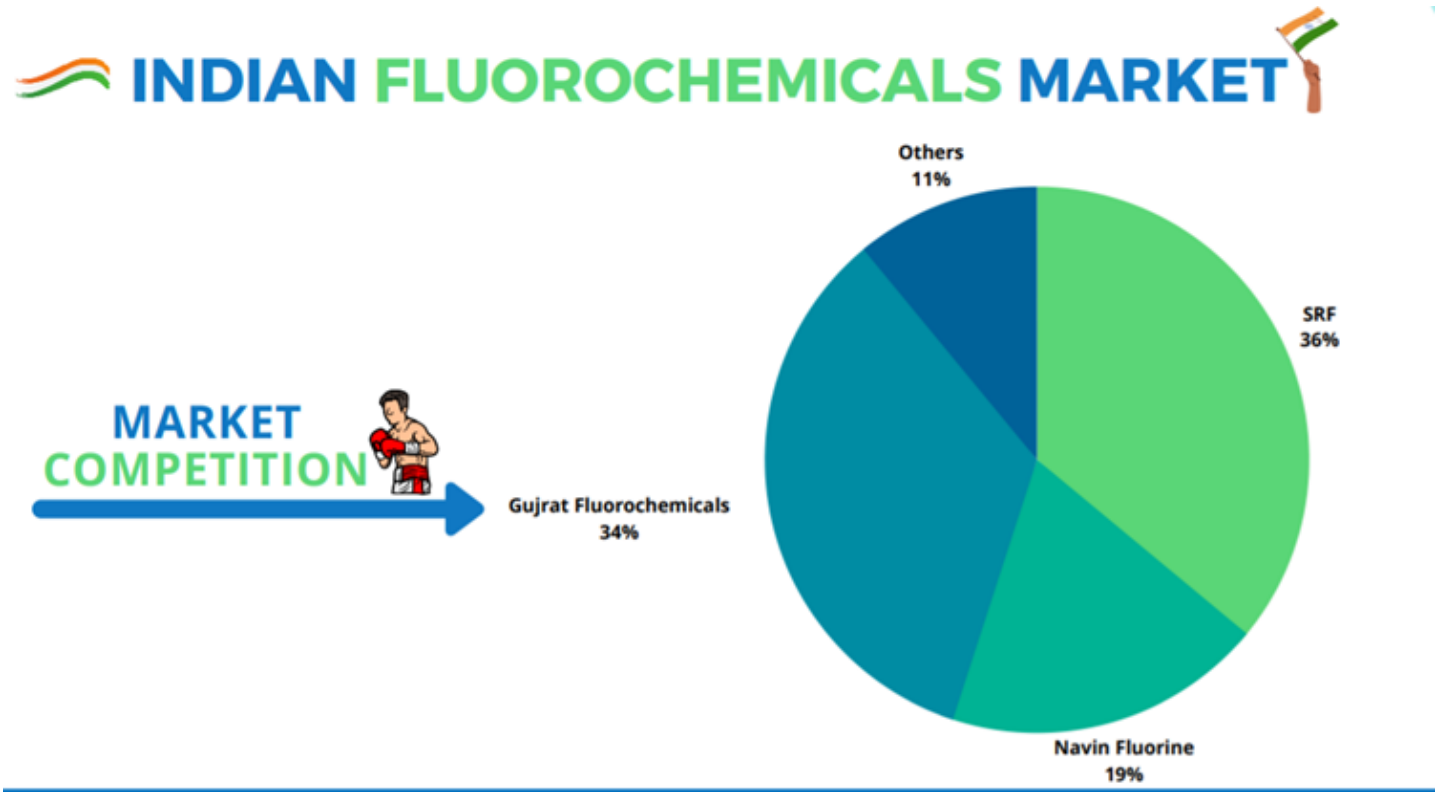
@ValueInvestor27

A thread on the summary points of webinar by @ishmohit1 at @ias_summit last week on Navin Fluorine moderated by @MashraniVivek & @cautkarshpandey

@ishmohit1 @ias_summit @MashraniVivek @cautkarshpandey Overview of Fluorine Industry:
Fluorine is made out of raw material which is known as Fluorspar. China contributes to 60% of mining of Fluorspar. Due to environmental concerns, China has cut back on fluorspar mining and processing. Fluorine is replacing toxic chemicals.



@ishmohit1 @ias_summit @MashraniVivek @cautkarshpandey Different types of products within the flourine industry:
• Fluorospeciality: Agro, Pharma, Industrial and other uses. High Margins
• Fluoropolymers: Commodity-grade and value-added. Commoditized + High Margins in VAP
•Inorganic Fluorides: steel and glass industry. Low Margins

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• Pharma Propellent: used in Metered Dose Inhalers as a propellant

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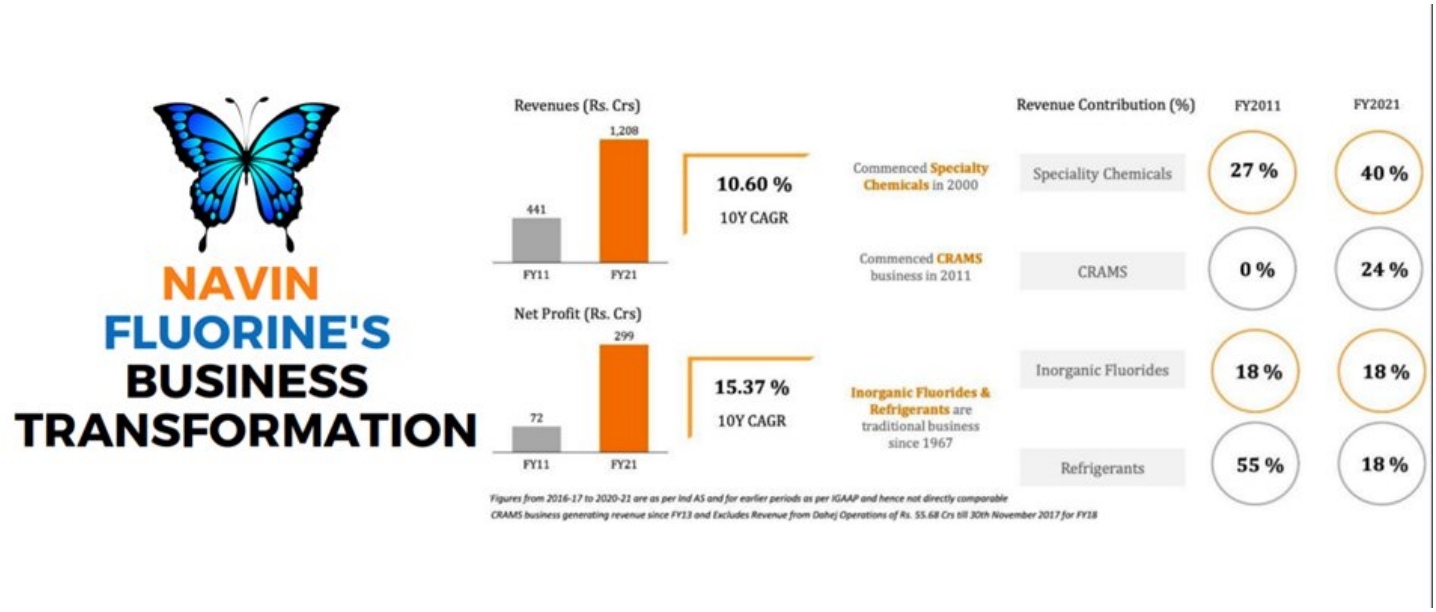
Navin is a business which is a backward integrated and for Fluorspar they have a tie up with Gujarat fluorochemicals and and GMDC and they source all their floors from Africa.

@ishmohit1 @ias_summit @MashraniVivek @cautkarshpandey Navin is backwards integrated into hydrochloric acid from there it makes all types of intermediates that are possible it goes into 6 or 7 or 8 steps of reactions and from there they make all the intermediates.

@ishmohit1 @ias_summit @MashraniVivek @cautkarshpandey Navin will be renaming its Specialty Chemicals business as Custom Synthesis Business (which PI Industries does). In Speciality chemicals they are doing CRAMS for Agro Chemicals which PI does.



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Navin does contract manufacturing of intermediates for Pharma innovators. Currently there are 2 molecules under the commercial production. Navin is also planning to do forward integration into the API

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Manchester Organics Ltd has a strong legacy in fluorination & high special chemistry. MOL directly works with innovative pharma companies on milligram to multi-kilo research phase.

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to 2020, this catalogue has grown to 51,000 chemicals.

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Navin Fluorine is primarily into manufacturing of R-22 with a capacity of 9,000 tonnes out of which 40% is exported to the Middle East and South Africa and balance is sold in India. Navin has 20% market share in India. This business segment is seasonal.

Exhibit 19: NFIL's segment-wise analysis

	Refrigerants	Inorganic Fluorides	Specialty Chemicals	CRAMS
Applications	Air conditioning and refrigeration	Steel, Glass, Aluminium smelters, Automobiles, Pharmaceuticals	Pharmaceuticals, Agrochemicals, Petroleum resins	Innovator pharmaceuticals and life sciences
Sales contribution in FY19	28%	20%	30%	18%
Revenue by geography	Domestic: 56% Exports: 44%	Domestic: 90% Exports: 10%	Domestic: 60% Exports: 40%	Domestic: 0% Exports: 100%
Last five year growth CAGR (FY14-19)	12%	12%	14%	47%
Next five years growth CAGR (FY19-24E)	11%	11.0%	25%	21%
Client base	Blue Star, Carrier,LG, Voltas, Samsung	Domestic steel, aluminium and glass industry	BASF, Bayer, Clariant, Du Pont, Syngenta, etc.	Novartis, Roche, etc.
Peers	SRF, GFL,	Solvay	SRF, GFL	Divis, Syngene, SRF, PI Industries
EBITDA margins	◑	◔	◕	●
Future Capex intensity	◑	◔	●	◕
Competitive positioning	◔	◕	◕	◕

Source: Company, Ambit Capital research; Note: NFIL's domestic CRAMS peers are not exactly in the same segment

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	NFIL	PI Industries	Divis Laboratories
Application area	NFIL caters to both Pharmaceuticals and Agrochemicals.	PI is majorly into Agrochemicals and is trying to enter the Pharmaceuticals segment.	Divis caters to Custom Synthesis of APIs and Intermediates for global pharmaceutical innovator companies.
Scale	NFIL started CRAMS in 2011 and is still in nascent stage with a revenue of ₹1,780mn in FY19	PI is one of the few players for the end-to-end Active Ingredients (AI) projects for global agrochemical players. Its revenue from CSM in FY19 was ₹18,800mn.	Divis is a big player in pharma custom synthesis and six out of the top ten big pharma companies are associated with Divis.
Capabilities	NFIL is building its capabilities in CRAMS with more R&D and infrastructure development. Its focus remains fluorine and is likely to be benefited as use of fluorine keeps on increasing in pharmaceuticals. It also has the advantage of being backward integrated for some of the RMs used for CRAMS.	PI has proved its capabilities in agrochemicals, however, it hasn't been very successful in entering pharma intermediates.	Divis has some attractive chemistry skills which make it differentiated vs. other peers.
Future growth	NFIL is presently doing grams to tonnes. The future growth will depend on the commercialisation of its molecules and its ability to manufacture in multi-tons.	PI is expected to continue to grow its CSM segment driven by commercialisation of new molecules.	Shift in capacities and USFDA-related challenges for vertically-integrated players would create opportunities for Divis.
Knowledge Architecture	R&D is still at a nascent stage when compared to Divi's which has taken up much more complex products and end-to-end API.	Does end-to-end manufacturing for agrochemicals API but limited presence in pharma.	Does complex chemistries and is into pharma APIs.

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• Company's current fixed assets is close to 550-600 hundred cr on that fixed asset base company will be adding close to 850 crores of additional fixed assets in next almost 4-5 quarters.

@ishmohit1 @ias_summit @MashraniVivek @cautkarshpandey • In Q4 of FY22 500 crore Capex will almost come in then one more Capex will come in for 195 crores that will go live in Q2-Q3 then one more Capex of 140 cr will come in.

@ishmohit1 @ias_summit @MashraniVivek @cautkarshpandey • Next year we are likely to see announcements cGMP 3 they are going to do debottleneck. They will be also announcing a plan for cGMP 4. Upcoming de-bottlenecking and cGMP Unit 4. Capex spend to be close to 500 crores

@ishmohit1 @ias_summit @MashraniVivek @cautkarshpandey • They will be likely announcing Capex in next two to three years for new age opportunities like electric vehicles semiconductors and 5G.
• They will be likely announcing Capex for new age refrigerant gas.

@ishmohit1 @ias_summit @MashraniVivek @cautkarshpandey • NFIL has already commercialized a hexafluoro (6 atoms) platform in pharma, very few companies in the world are working on it.

• Optionality from EV and Other opportunities. Navin is working on 2 Lithium Based molecules on Hexafluoride chemistry. One of the molecule is in collaboration with a French Company. The molecule is manufactured through Organic route and is touted to replace Lithium.

End of thread, if found useful please retweet.