Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Viewpoint

New Idea

Navin Fluorine International Ltd

Riding multiple growth tailwinds

Speciality Chemical		Sharekhan code: NAVINFLUOR
Reco/View: Positive	CMP: **Rs. 3,307**	Price Target: **Rs. 4,196**

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- We initiate viewpoint coverage on **Navin Fluorine International** with a positive view, assigning a PT of Rs. 4196, At CMP, the stock trades at 55/36/24x its FY25/26/27E EPS.
- Company eyes $100 million in CDMO revenues, besides a phased plan for new pharma plant; ongoing capex of Rs. 1400 crore will boost capacity at many plants.
- Riding on sustainable growth and strategic investments, the company eyes EBITDA margins of 25%.
- Thrust on indigenous production for US market will reduce China dependence; boost biosecurity and supply chain resilience; seven-year deal with Honeywell will stabilise revenue streams and help Navin match industry growth rates.

Navin Fluorine International is a leading player in the specialty chemicals sector, distinguished by its extensive portfolio of high-value fluorine-based products. The company now eyes $100 million in revenues from CDMO services through its cGMP4 project at its Dewas facility. The plant currently hosts three operational cGMP4 plants; construction of a fourth one with a capacity of 200 kl is underway. The project is being executed in two phases, with the first phase involving an investment of Rs. 160 crore and is expected to be completed by October 2025. This will be followed by product qualification. The facility is set to produce two products for a global pharmaceutical client, while working on additional molecules in Phase II. To boost revenues, the company is focusing on cGMP4 molecules in chronic therapeutic areas with high revenue potential. The ongoing Rs. 1400 crore capex will enhance various plants, including the AHF and R32 facilities, driving EBITDA margin to 25% and reducing reliance on Chinese suppliers. Furthermore, the company is leveraging contracts, such as a seven-year agreement with Honeywell, to ensure stable revenue streams, aligned with industry growth.

- **cGMP4 project:** The cGMP4 project at the Dewas facility aims to achieve $100 million in revenue from CDMO by building a fourth plant with 200 kl capacity. The project, which is being executed in two phases, has an initial investment of Rs. 160 crore and is expected to be commissioned by October 2025.
- **Ongoing capex:** The company is executing a total capex of Rs. 1,400 crore , which includes investments in an agro intermediate plant, an AHF plant, and the cGMP4 project. These investments are anticipated to drive growth until FY27 and beyond.
- **EBITDA margin aspirations:** NFIL aims to achieve an EBITDA margin of 25% through growth in its CDMO, HPP, and specialty chemicals verticals. Increased capacity and utilisation, particularly from the R32 and AHF plants, are expected to support this goal in the coming years.
- **Gaining competitive edge:** NFIL is focused on reducing dependency on Chinese suppliers by increasing local production to 70-80% for US customers. The company is also developing complex fluorinating agents and securing supply chains in India to capitalise on emerging market demands.

Our Call

Valuation – Initiate viewpoint with Positive view; expect 27% upside: Navin Fluorine has emerged as a front-runner in the specialty chemicals sector, with a notable emphasis on fluorine-based compounds. The company's strong market position is bolstered by a diverse product range and a robust supply chain, which collectively strengthen its competitive advantage. With the anticipated revival of the chemicals sector and the company's long-term strategy, Navin Fluorine is projected to achieve revenue and PAT growth of 50% and 75%, respectively, over FY2024-26E. Currently, the stock is valued at 36x and 24x its FY2026E and FY2027E earnings. We are initiating a Positive outlook on the stock, with a potential upside of 27%.

Key Risks

Non-revival of chemical prices in H2FY25 as anticipated.

Valuation (Consolidated) Rs cr

Particulars	FY22	FY23	FY24A	FY25E	FY26E	FY27E
Revenue	1,453	2,077	2,065	2,478	3,098	3,872
OPM (%)	24%	26%	19%	21%	24%	26%
Adjusted PAT	263	375	271	298	460	693
% YoY growth	40%	43%	-28%	10%	55%	51%
Adjusted EPS (Rs.)	53.09	75.72	54.59	60.08	92.92	139.88
P/E (x)	62x	44x	61x	55x	36x	24x
P/B (x)	9x	8x	7x	6x	5x	5x
EV/EBITDA (x)	46x	31x	45x	34x	25x	18x
RoNW (%)	14%	17%	11%	11%	15%	20%
RoCE (%)	17%	17%	10%	12%	15%	20%

Source: Company; Sharekhan estimates

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

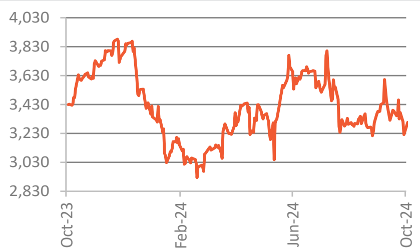
Company details

Market cap:	Rs. 17,057 cr
52-week high/low:	Rs. 3,979/2,876
NSE volume: (No of shares)	1.96 lakh
BSE code:	532504
NSE code:	NAVINFLUOR
Free float: (No of shares)	35.7 cr

Shareholding (%)

Promoters	28.4
FII	18.2
DII	28.2
Others	25.2

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-1.8	-7.0	-2.0	-
Relative to Sensex	0.7	-7.7	-13.0	-10.0

Sharekhan Research, Bloomberg

Key Arguments:

Agrochemical intermediate project

The project worth Rs. 540 crore is set to commence in October 2024. Management has maintained a peak revenue target of Rs. 600 crore for the project, expected to be reached two years after commissioning, despite recognising pricing challenges. For FY2025, a customer has placed firm orders for half of the total installed capacity. The product is utilised in four active ingredients, with clients being leading global agrochemical innovators, who are also contending with competition from China, like NFIL. The management indicates that the margins from this project will differ from the company's usual standards, emphasizing a focus on volume rather than market exit; adaptability will be crucial. It is anticipated that shipments from the non-dedicated capacity will likely begin in FY2026, at which point margin pressures may become more evident.

cGMP-4 Unit to help achieve $100 million revenues in CDMO biz

The cGMP-4 unit at Dewas is currently under construction and is expected to be commissioned by the end of CY2025. The total capital expenditure is projected at Rs. 288 crore, with Rs. 160 crore already in progress for the first unit, which will be dedicated to the Fermion contract. Following this, a second unit is planned for another customer. Once the cGMP-4 unit is operational, the total investment at the Dewas site will reach Rs. 600 crore billion, including utilities and shared infrastructure, enabling the achievement of $100 million in revenues with a 2X asset turnover on the productive portion of the assets. Additionally, NFIL is in discussions with three other prospective customers for 4-5 other molecules, expecting to secure at least one by FY2027. These molecules are anticipated to be blockbuster drugs, each generating over $1 billion in sales, with intermediates valued at 2-3% of those sales.

Confident of getting 50% wallet share for Fermion molecule

NFIL is set to supply two intermediates under the Fermion contract, both essential for producing the blockbuster API darolutamide. While NFIL has gained customer approval for one intermediate, it currently ranks as a smaller supplier to Fermion. However, NFIL is optimistic about increasing their wallet share to 50% over time. Having collaborated with Fermion for the past decade on various molecules, NFIL also enjoys strong relationships with the top 20 pharmaceutical innovators globally. As the US shifts towards the Biosecure Act, aimed at reducing reliance on Chinese sourcing, NFIL has noted a rise in RFQs over the past two quarters and plans to diversify its chemistries. Management anticipates that the benefits of the Biosecure Act will take time to materialise, as changes to existing suppliers cannot occur instantly, but aims to establish a China-independent supply chain covering 70-80% within the next two years.

Ongoing Capex

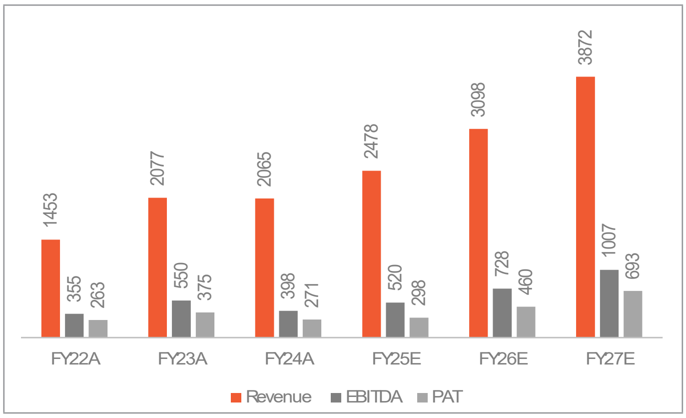
Currently, a total capital expenditure of Rs. 1,400 crore is in progress. Of this, Rs. 540 crore is allocated for an agro intermediate project expected to be commissioned by October 2024. Additionally, the Anhydrous Hydrogen Fluoride (AHF) plant, with a capacity of 40,000 tonnes per annum at Dahej, has received an investment of Rs. 450 crore and is slated for commissioning by March 2025. The company is also investing Rs. 84 crore to establish the R32 plant in Surat, expected to be operational by February 2025, and Rs. 290 crore is being spent on the cGMP4 plant project in Dewas. Collectively, these initiatives will support growth through FY2027 and beyond. By mid-next year, the company anticipates having a clearer understanding of potential new investments. Furthermore, it aims to pursue investments that are strategically aligned and sustainable over the next decade.

Navigating Chinese competition and US BIOSECURE Act

NFIL management believes that global players are increasingly focused on mitigating risks related to China and are willing to pay a premium while still requiring prices that remain competitive with Chinese manufacturers. To achieve this, companies must invest in R&D, innovation, lead management, manufacturing excellence, and optimization, as ongoing R&D innovation is crucial for staying ahead in the market. NFIL features state-of-the-art R&D laboratories in Surat and Dewas and is pursuing innovations similar to its Boron Trifluoride (BF_3) manufacturing process. The management expects significant changes in India's supply base over the next five years, particularly as the US implements the BIOSECURE Act, though the full effects may take time to unfold. While the outlook is positive for India, customers face challenges in rapidly changing suppliers for products with DMFs or those sourced from China, which may benefit ongoing molecule developments. NFIL is actively working to create a domestic supply chain in India to lessen dependence on China for products intended for the USA, aiming for 70% to 80% local production in the next one to two years to gain a competitive advantage. Furthermore, the company plans to establish a customer-centric ecosystem, exemplified by the Dewas facility's 'Rambo' block, which will manufacture a complex fluorinating agent currently sourced from a single supplier, highlighting NFIL's commitment to biosecurity.

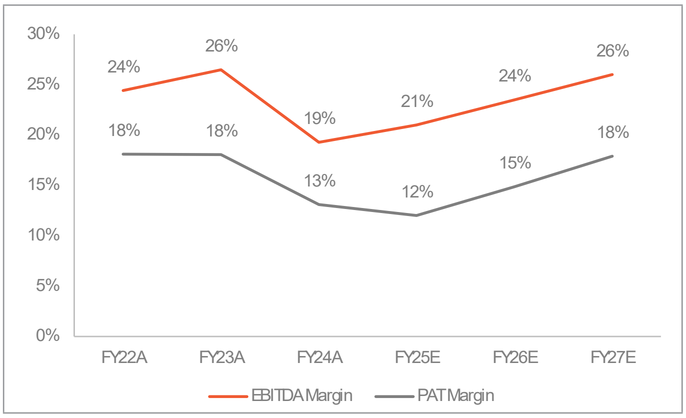
Financials in charts

Revenue EBITDA and PAT trend



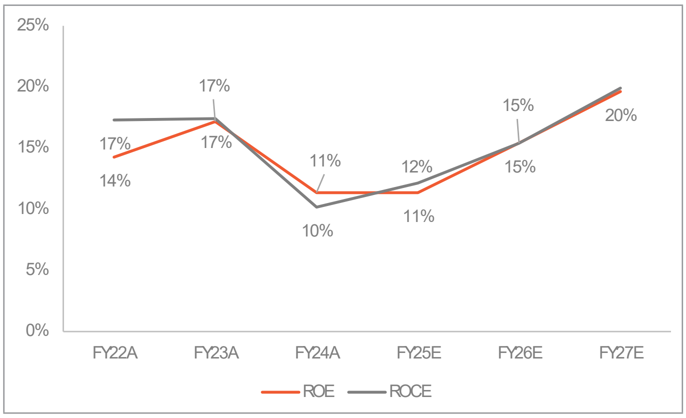
Source: Company, Sharekhan Research

Margins to improve from current level



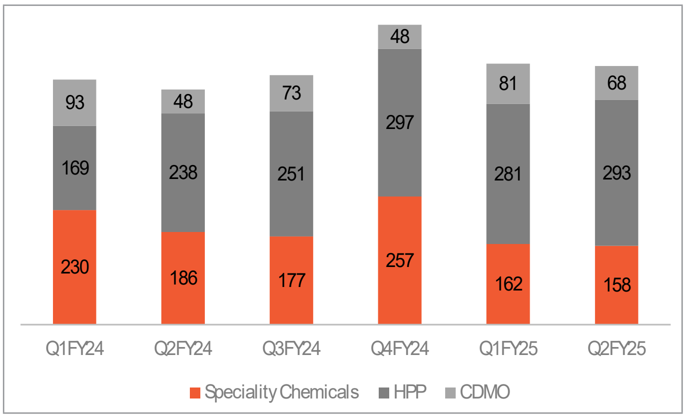
Source: Company, Sharekhan Research

Return ratios to sharply increase



Source: Company, Sharekhan Research

Segment-wise revenue trend



Source: Company, Sharekhan Research

Q2FY25 Performance Rs cr

Particulars	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Revenue	**519**	**472**	**10%**	**524**	**-1%**
Total Expenditure	411	373	10%	423	-3%
Operating profit	**107**	**98**	**9%**	**100**	**7%**
Other Income	11	23	-52%	10	9%
Depreciation	28	24	15%	27	4%
Interest	14	20	-31%	15.6	-11%
PBT	77	77	-1%	68	12%
Tax	18	17	8%	17	5%
Reported PAT	**59**	**61**	**-3%**	**51**	**15%**
Reported EPS (Rs.)	11.86	12.22	-3%	10.33	15%
Margin (%)			**YoY (BPS)**		**QoQ (BPS)**
OPM	21%	21%	-14bps	19%	152bps
NPM	11%	13%	-150bps	10%	155bps
Tax rate	23%	22%	183bps	25%	-164bps

Source: Company; Sharekhan Research

In Q2FY25, NFIL reported a revenue of Rs. 519 crore, reflecting a 10% year-on-year increase, although it experienced a slight dip of 1% quarter-on-quarter. The company's EBITDA reached Rs. 107 crore, which is a 9% rise compared to the same quarter last year and a 7% increase from the previous quarter. Meanwhile, the profit after tax (PAT) was recorded at Rs. 59 crore, showing a modest decline of 3% year-on-year but a notable improvement of 15% sequentially.

Segmental Update:

1. HPP – Rise in revenue primarily stems from higher R32 sales and better realisations for R22.

- AHF capital expenditure of Rs. 450 crore is on track for commissioning by the end of FY25 or early FY26.
- Additional R32 capacity, with a capex of Rs. 84 crore, is progressing as planned and is expected to be commissioned by February 2025.
- There is a positive outlook for offtake of R32 capacities.

2. Specialty Chemicals - Sales Affected by Global Industry Trends

Sales have been influenced by macroeconomic factors, resulting in cautious demand and heightened competitive pressures. However, there is a strong order visibility for Q3 and Q4 FY25, extending into FY26, particularly for the Surat and Dahej assets. Additionally, one new molecule has been introduced at the Surat facility, with plans to target two more in the upcoming quarter.

- Dahej capital expenditure stands at Rs. 540 crore, with commercial production expected to begin by November 2024.
- Surat's capex is Rs. 30 crore, with commissioning completed and the first dispatch anticipated in November 2024.

3. CDMO - Robust order book for H2FY25

The order book for H2FY25 remains strong, with a European CDMO MSA reflecting a solid customer outlook for FY26. There are confirmed orders for the supply of two new late-stage intermediates in Q4.

Strategy in Action:

- For the major client in the EU, quantities are being supplied for process performance qualification related to late-stage studies.
- For the major US client in the commercial stage, a scale-up order has been received, with supplies expected in Q3FY25.

Additionally, the cGMP4 capital expenditure is set at Rs. 288 crore, with Phase I requiring an investment of Rs. 160 crore, on track for commissioning by the end of Q3FY26.

Q2FY25: Management Call Highlights

- The company is progressing with capacity expansions in the R32 and the AHF projects, which are expected to conclude soon, alongside plans for launching new molecules and improving existing product lines to drive growth.
- Despite challenges in the specialty chemicals market, the company remains optimistic, supported by positive customer interactions and a robust order book. Strategic partnerships and investments in capacity aim to unlock growth opportunities across sectors.
- Strategic initiatives would sustain growth across divisions by scaling operations, optimising capacity utilization, and addressing competitive market pressures, targeting peak revenues of $100 million in the CDMO sector by FY27.
- Strong customer relationships and strategies are starting to yield positive results, with strong order visibility for the Dahej and Surat plants are anticipated to enhance capacity utilization and growth from Q3 onwards.
- Improved visibility for the specialty chemicals sector is expected in the second half of the year, with firm orders extending into 2025, leading to growth.
- Domestic specialty chemical revenues surged due to opportunistic sales and restart of traditional molecules, alongside ongoing efforts to increase capacities and a shift in focus toward pricing and volume growth.
- The agro-specialty plant at Dahej is under commissioning with a planned capex of Rs. 540 crores, expected to begin commercial production by November 2024. The Surat project, with a capex of Rs. 30 crore, is also set for its first dispatch in November 2024.
- cGMP4 project is progressing well with a Phase I investment of Rs. 160 crore, aiming for commissioning by Q3 FY26. New capacity for R32 is being developed to meet increasing demand.
- Investment in R32 plant is planned for Q4FY25, while the Honeywell project has a capex of Rs. 195 crore, with an additional Rs. 160 crore to boost the cGMP4 project.
- Specialty chemicals and CDMO businesses show varied performance; specialty chemicals are facing declines while CDMO is experiencing growth.
- New product innovations and late-stage intermediates are integral to growth strategies, with a strong focus on high-value Specialty Chemicals secured through firm orders.
- Rising activity in the agrochemical sector accounts for over 70% of growth in the specialty chemicals segment, although product volumes are primarily campaign-driven, resulting in smaller quantities.
- The company is concentrating on innovator pharma clients, with a potential for better visibility on molecules at various development phases.
- Various projects within specialty chemicals are advancing, but market dynamics have led to underperformance in specific segments, with a focus on late-stage molecules with lower risk profiles showing promise for growth in the future.

Company Background

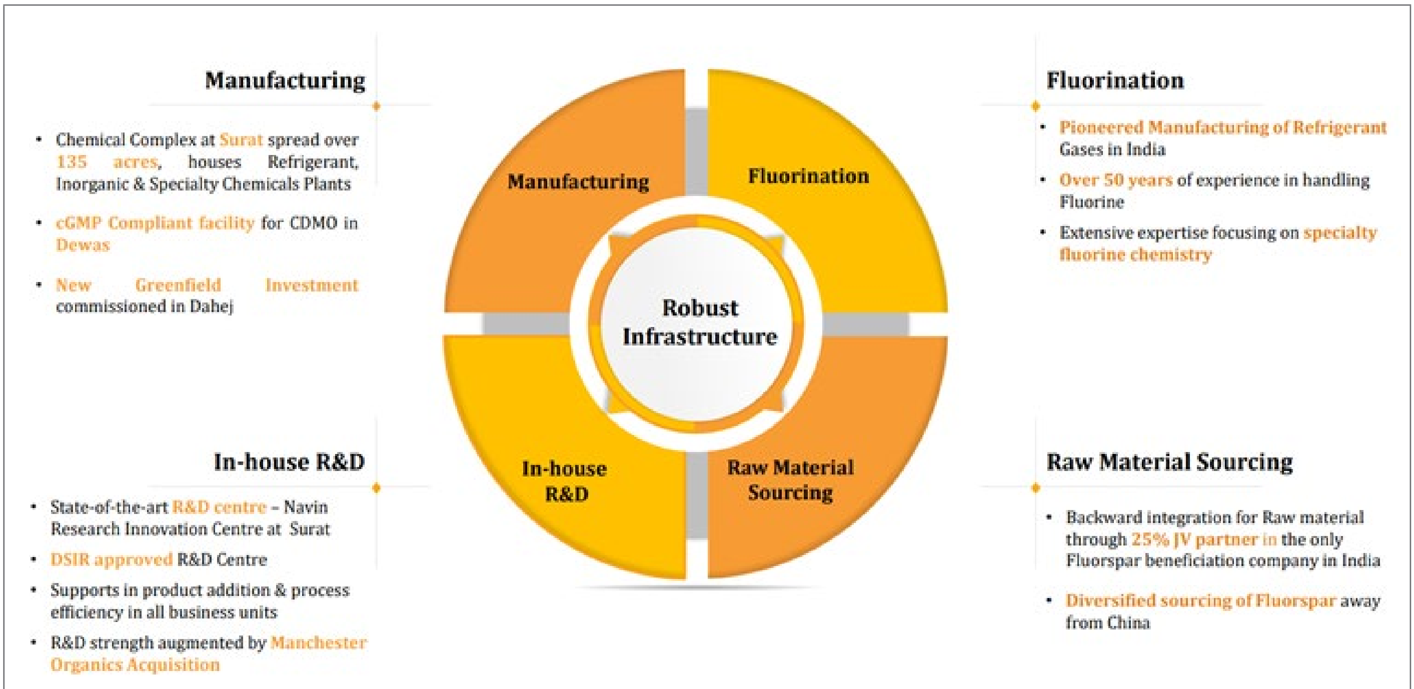
Navin Fluorine International Limited (NFIL) is a prominent player in the specialty chemicals sector, particularly recognized for its production of fluorochemicals. Established in 1995, the company has its headquarters in Mumbai, and operates multiple manufacturing facilities, including advanced production units in Surat and Dahej. NFIL is a part of the larger Navin Group, which has a rich track record in the chemicals industry. The company focuses on providing high-quality products and solutions to various sectors, including pharmaceuticals, agrochemicals, and refrigeration

Core business and products

NFIL specialises in the manufacture of a wide range of fluorinated intermediates, fine chemicals, and other specialty products. Their offerings cater to various applications, particularly in the pharmaceutical sector, where they produce key intermediates for active pharmaceutical ingredients (APIs). Notably, NFIL has developed strong expertise in producing complex fluorinating agents, which are essential in the synthesis of various drugs. The company's product portfolio includes intermediates used in the production of blockbuster drugs, and NFIL has built long-term partnerships with leading global pharmaceutical companies. Their commitment to research and development (R&D) is evident through their state-of-the-art laboratories in Surat and Dewas, where they focus on innovation and improving manufacturing processes.

Commitment to sustainability and innovation

NFIL's commitment to sustainability is reflected in its efforts to develop eco-friendly processes and reduce its carbon footprint. NFIL is also dedicated to fostering a culture of innovation, continuously seeking new molecules and products to meet market demands. This is evident in their recent introductions of new molecules in the Surat facility, which are expected to further bolster their market presence.



Source: Company, Sharekhan Research

Conclusion

NFIL stands as a leading entity in the specialty chemicals industry, driven by innovation, strong financial performance, and strategic growth initiatives. With a robust order book and a clear focus on expanding its capabilities, NFIL is well-positioned to capitalise on emerging opportunities in the global market, ensuring sustained growth and competitiveness in the years to come.

FINANCIALS

Income Statement Rs cr

Particulars	FY2022A	FY2023A	FY2024A	FY2025E	FY2026E	FY2027E
Revenue from operations	**1,453**	**2,077**	**2,065**	**2,478**	**3,098**	**3,872**
Growth % YoY	23%	43%	-1%	20%	25%	25%
Operating Expenses	**1,099**	**1,527**	**1,667**	**1,958**	**2,370**	**2,865**
Cost of materials consumed	650	906	902	1,060	1,283	1,551
Purchases of stock-in-trade	25	20	9	11	13	16
Changes in Inventories of finished goods, work in progress and stock-in-trade	-10	-29	24	28	34	41
Employee benefits expense	182	249	286	336	406	491
Other expenses	251	382	445	523	633	766
Operating Profit	**355**	**550**	**398**	**520**	**728**	**1,007**
OPM %	24%	26%	19%	21%	24%	26%
Depreciation and amortisation expense	48	63	96	114	129	141
Finance costs	2	28	75	94	106	97
Other Income	39	36	56	74	105	132
Profit Before Tax	**344**	**496**	**283**	**387**	**598**	**900**
Tax Expenses	81	121	65	89	138	207
Profit After Tax	**263**	**375**	**218**	**298**	**460**	**693**
Growth % YoY	40%	43%	-42%	36%	55%	51%
NPM %	18%	18%	11%	12%	15%	18%

Source: Company; Sharekhan Research

Balance Sheet Rs cr

Particulars	FY2022A	FY2023A	FY2024A	FY2025E	FY2026E	FY2027E
Share Capital	**10**	**10**	**10**	**10**	**10**	**10**
Other equity						
Reserves and surplus	1680	2019	2216	2455	2818	3366
Other reserves	155	156	156	156	156	156
Networth	**1844**	**2185**	**2383**	**2621**	**2985**	**3532**
Trade Payables	147	243	303	355	430	520
Other Liabilities	395	1101	1692	1862	2111	2030
Total Liabilities	**2385**	**3529**	**4377**	**4838**	**5525**	**6082**
Cash and cash equivalents	76	14	7	85	187	84
Inventories	258	468	372	446	557	697
Trade receivables	358	562	513	615	769	961
Property, plant and equipment	378	1472	1685	2300	2536	2807
Capital work-in-progress	742	279	711	350	400	400
Other Assets	575	735	1090	1042	1075	1133
Total Assets	**2385**	**3529**	**4377**	**4838**	**5525**	**6082**

Source: Company; Sharekhan Research

Cash Flows Statement Rs cr

Particulars	FY2022A	FY2023A	FY2024A	FY2025E	FY2026E	FY2027E
Cash Flow From Operating Activities	302	-64	750	382	505	690
Cash Flow From Investing Activities	-345	-656	-1093	-350	-400	-400
Cash Flow From Financing Activities	42	658	336	46	-3	-393
Net change in cash and cash equivalents	**-1**	**-61**	**-8**	**78**	**102**	**-103**
Opening Cash Balance	77	76	14	7	85	187
Closing Cash Balance	**76**	**14**	**7**	**85**	**187**	**84**

Source: Company; Sharekhan Research

Rs cr

Particulars	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Margin & Tax						
OPM	24%	26%	19%	21%	24%	26%
NPM	18%	18%	11%	12%	15%	18%
Tax	24%	24%	23%	23%	23%	23%
Growth Ratios						
Revenue	23%	43%	-1%	20%	25%	25%
Operating Profit	15%	55%	-28%	31%	40%	38%
PAT	40%	43%	-42%	36%	55%	51%
EPS	**53.09**	**75.72**	**54.59**	**60.08**	**92.92**	**139.88**
Valuation ratios						
PE	62x	44x	61x	55x	36x	24x
P/BV	9x	8x	7x	6x	5x	5x
EV/EBITDA	46x	31x	45x	34x	25x	18x
Return Ratios						
RoCE (%)	17%	17%	10%	12%	15%	20%
ROE (%)	14%	17%	11%	11%	15%	20%

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Growth Trajectory and Regional Insights

In 2023, the global fluorochemical market was valued at approximately USD 28.7 billion and is projected to grow to USD 41.35 billion by 2030, reflecting a compound annual growth rate (CAGR) of 5.35% from 2023 to 2030. Fluorochemicals are utilised in a wide range of industries, including cooling, refrigerants, dyeing, automotive, electronics, agriculture, pesticides, herbicides, insecticides, textiles, and pharmaceuticals. The Asia-Pacific region leads the global fluorochemicals market, driven by its growing consumer base and extensive use across sectors such as automotive, oil and gas, electronics, pharmaceuticals, and transportation. Major markets in this region include China, Japan, and India. North America, particularly the United States and Canada, also has a significant presence in the global fluorochemicals market, owing to their advanced industries and strong demand for these products.

■ Company Outlook – Strategies in place to achieve strong earnings growth

NFIL stands out as a leading entity in the specialty chemicals industry, known for its extensive range of high-value fluorine-based products. With strong partnerships and a solid supply chain, the company is strategically positioned to seize emerging market opportunities. By harnessing its innovation-driven approach and expanding production capabilities, the company is poised for substantial revenue growth. The anticipated industry revival starting in H2FY25 is expected to drive the company's revenue at a compound annual growth rate (CAGR) of over 22% for the next two years. Strategic market expansion and a focus on high-margin products are set to further enhance both revenue and profitability.

■ Valuation – Initiate viewpoint with Positive view; expect 27% upside

Navin Fluorine has emerged as a front-runner in the specialty chemicals sector, with a notable emphasis on fluorine-based compounds. The company's strong market position is bolstered by a diverse product range and a robust supply chain, which collectively strengthen its competitive advantage. With the anticipated revival of the chemicals sector and the company's long-term strategy, Navin Fluorine is projected to achieve revenue and PAT growth of 50% and 75%, respectively, over FY2024-26E. Currently, the stock is valued at 36x and 24x its FY2026E and FY2027E earnings. We are initiating a Positive outlook on the stock, with a potential upside of 27%.

About the company

Navin Fluorine International is a leading player in the specialty chemicals sector, distinguished by its extensive portfolio of high-value fluorine-based products. The company is renowned for its innovation and strong operational capabilities, supported by established partnerships and a robust supply chain. With a strategic focus on expanding production capacities and leveraging emerging market opportunities, Navin Fluorine is well-positioned for significant growth. The company's commitment to innovation and its strategic market expansions are expected to drive substantial revenue and profitability improvements in the coming years.

Investment theme

NFIL stands out as a leader in the specialty chemicals sector, particularly in fluorine-based compounds, thanks to its robust market position supported by a diverse product portfolio and a resilient supply chain. The company is strategically positioned to capitalize on the rising demand for fluorochemicals across key industries like pharmaceuticals, agrochemicals, and electronics. Its commitment to research and development fosters innovation and the creation of high-value, niche products, enhancing its competitive edge. Additionally, Navin Fluorine's strategic expansion into new markets and scaling of production facilities are expected to drive significant revenue growth, with investments in capacity and global reach boosting operational efficiency and long-term prospects.

Key Risks

Non-recovery of chemicals sector as anticipated in H2FY25.

Additional Data

Key management personnel

P S Haridas	President
Nitin Vasant Kulkarni	Managing Director
Vishad Mafatlal	Chairman/Acting Managing Director
Anish Ganatra	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	10.08
2	ICICI Prudential Asset Management	2.78
3	Vanguard Group Inc/The	2.74
4	Goldman Sachs Group Inc/The	2.56
5	GOVERNMENT PENSION FUND - GLOBAL	2.25
6	Norges Bank	2.25
7	Aditya Birla Sun Life Asset Manage	2.06
8	SBI Funds Management Ltd	1.68
9	Blackrock Inc	1.15
10	Canara Robeco Asset Management Co	1.04

Source: Bloomberg

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

Sharekhan

by BNP PARIBAS

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/ information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

---

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Ms. Binkle R. Oza; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022-69920600.