BUY (Maintain)

CMP: **INR 3,704** Target Price: **INR 4,160** ▲ 12%

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22 February 2025

India | Equity Research | Company Update

Gujarat Fluorochemicals

Speciality Chemicals

At the cusp of inflection in earnings growth

Gujarat Fluorochemicals (GFL) is at the cusp of inflection in earnings growth with revenue / EBITDA / PAT CAGR estimated at 20.4%/ 33.4%/ 46% over FY25-27E. The quality of earnings may also be better with fluoropolymers contributing 67% / 70% to incremental revenue/ EBITDA. Fluoropolymers business has tailwinds from industry consolidation, destocking impact creating a low base in past two years, rise in demand particularly in India, and limited capacity addition by the remaining western players. GFL has added large capacity which should aid in winning market share. Ref-gas should benefit from tight-supply situation; R-32 capacity could commission in FY27E. Our assumption under appreciates battery chemicals potential; we see healthy balance sheet and return ratios. Maintain **BUY**.

Fluoropolymers volume growth may accelerate in FY26

Fluoropolymers' volumes and prices in past two years have been hurt from global destocking and softness in demand. Moreover, GFL has added large capacities in fluoropolymers business to benefit from industry consolidation; however, current lower utilisation rates have depressed margins.

We see multiple tailwinds for fluoropolymers business in FY26: 1) Favourable base wherein past two years' profits were depressed; 2) industry consolidation with 3M shutting its fluoropolymers production from Dec'24; and GFL aiming to grab higher incremental market share; 3) Chinese have limited presence in value-added fluoropolymers in western market; and key players - Chemours, Solvay and Daikin have no major capacity additions; 4) demand for FKM in India to rise with increasing penetration of ethanol blended fuel and rising safety norms. We expect GFL's fluoropolymers revenue to grow at CAGR of 24.5% over FY25-27E driven largely by volumes, and small price increase.

Tailwinds in ref-gas business

GFL's ref-gas revenue includes only R-22 and R-125; it plans to add 30ktpa R-32 capacity before Dec'26 with phase-1 of 20ktpa by Mar'26. After weak FY25 for R-125 volumes and prices, we expect volumes to recover for GFL in FY26, and likely see some rise in prices as well. Ref-gas revenue may see a sharp jump in FY27 when the company commissions R-32 capacities; it is likely to secure R-32 quota beyond CY26 in lieu of its existing HCFC quota.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	42,808	49,355	60,849	71,593
EBITDA	9,074	12,172	18,351	21,668
EBITDA Margin (%)	21.2	24.7	30.2	30.3
Net Profit	4,350	5,562	9,816	11,859
EPS (INR)	39.6	50.6	89.4	108.0
EPS % Chg YoY	(67.3)	27.9	76.5	20.8
P/E (x)	93.6	73.2	41.5	34.3
EV/EBITDA (x)	46.8	34.7	23.2	19.7
RoCE (%)	6.1	8.0	12.1	13.0
RoE (%)	7.6	9.0	14.3	15.2

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Market Data

Market Cap (INR)	407bn
Market Cap (USD)	4,694mn
Bloomberg Code	FLUOROCH IN
Reuters Code	GUJL BO
52-week Range (INR)	4,881 /2,476
Free Float (%)	37.0
ADTV-3M (mn) (USD)	5.4

Price Performance (%)	3m	6m	12m
Absolute	(3.3)	15.9	4.7
Relative to Sensex	(0.9)	22.8	1.0

ESG Score	2022	2023	Change
ESG score	**43.5**	**62.9**	**19.4**
Environment	20.0	44.2	24.2
Social	41.4	74.1	32.7
Governance	60.9	68.2	7.3

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

30-01-2025: Q3FY25 results review

30-10-2024: Q2FY25 results review

We estimate GFL fluorochemicals segment revenue to grow at CAGR of 13.6% over FY25-27E largely led by strong growth in ref-gas. More importantly, R-32 will require MDC (commodity which is sold in market currently) for captive application; therefore, reducing contribution for bulk chemicals. This could help GFL improve the quality of earnings sharply in next three years.

Battery chemicals – ahead of competition; balance sheet derisked

GFCL EV (subsidiary of GFL) operates in battery chemicals, and will help in providing visibility for earnings growth durability. GFCL EV products include electrolyte (LiPF6, and sodium-based salt, additives and electrolyte), cathode active materials (LFP) and binders (PVDF/ PTFE) which will together address ~40% of battery cost by value. Currently, China has dominant market share in each of these sub-segments; there are limited producers outside of China.

GFCL EV is ambitious to become a key player in these battery chemicals sub-segments outside China, and is ahead of peers. It has commissioned LiPF6 plant which has stabilised now; it is also looking to expand capacity in anticipation of contracts and enquires. GFCL EV expects commercial supplies to begin by Q4FY25/ early-FY26. LFP plant is expected to commission in Q4FY25, and stabilisation and securing approval/ contracts may happen in FY26. PVDF, PTFE are part of core business, and the company is already in the process of securing contracts from marquee EV / battery OEMs globally.

GFCL EV has an advantage over peers led by backward integration for HF, and GFCL EV has strengthen its balance sheet from equity raise of INR 10bn. It plans another INR 10-15bn equity raise in the near term which will fund capex for battery chemicals. It will also provide comfort to buyers/ establish the ability of GFCL EV to invest.

Our assumption for new initiatives (including battery chemicals) significantly under-appreciates the capex, and opportunity in battery chemicals for GFCL EV. Our model is yet to bake in the fund raise in GFCL EV.

Salient points for GFL's next two years' earnings print

1) GFL's revenue/ EBITDA/ EPS to grow at CAGR of 20.4%/ 33.4%/ 46% over FY25-27E. The quality of earnings may be significantly better with fluoropolymers contributing 67% / 70% to incremental revenue and EBITDA; 2) we have, conservatively, not factored in any major deal win for GFL in battery chemicals. Any deal win in battery chemicals can add to growth; 3) EBITDA margin assumption is 30% for FY27E which is lower than potential (35%). New fluoropolymers should help the company in gaining higher margins compared to historical; 4) despite sub-scale assumption for battery chemical, company may still achieve pre-tax ROCE of 17% in FY27E. 5) Net debt is comfortable without factoring in equity raise; including the already concluded equity raise at GFCL EV, net debt to EBITDA will be less than 0.5x.

We keep our estimates unchanged, and target price of INR 4,160 (30x FY28E); implied valuation of 38.5x FY27E EPS. Maintain **BUY**. Our EPS estimates does not include benefit of INR 10bn equity raised which will reduce debt and interest expenses.

Risks

1) Increase in related-party transactions; and 2) execution in fluoropolymer and battery chemicals businesses.

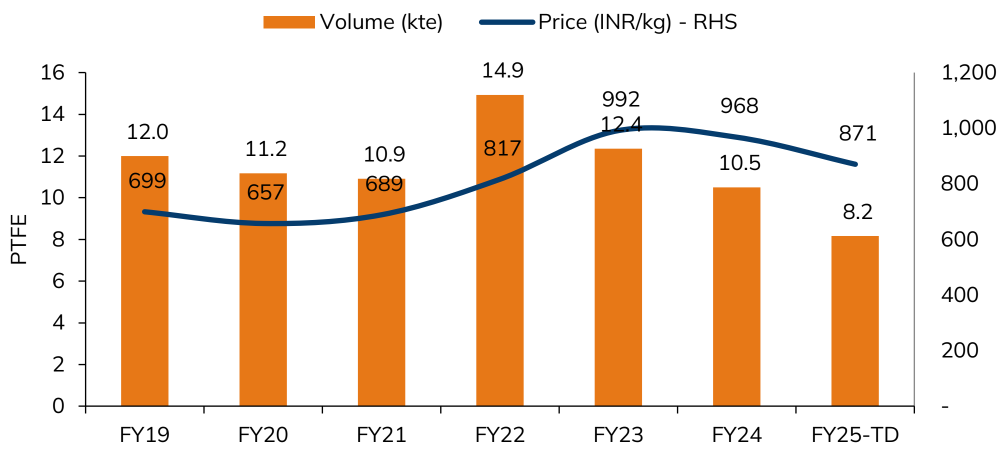
Fluoropolymers volume growth may accelerate in FY26

GFL's fluoropolymers business had strong FY22/FY23 with sharp rise in volumes, and it also took price increase across fluoropolymers. It had large approvals/ certifications which drove improvement in fluoropolymers mix towards value-added grades as well. India PTFE exports were 12.4kte in FY23 (largely GFL) with average realisation at INR 992/kg. In FY23, India PTFE exports volumes dipped 17% while price grew 21.5%, protecting revenue and profits. India new fluoropolymers exports volumes peaked in FY23 at 3.7kte (again largely GFL) with average realisation of INR 2,300; however, volumes and prices have dipped in the past two years. Notably, over 70% of GFL's fluoropolymers revenue comes from exports.

Fluoropolymers volumes in past two years have been hurt by global destocking in chemicals driven by higher interest rate cycle, and softness in demand for underlying industries (industrials, auto, electrical & electronics etc.). The prices for fluoropolymers have also declined; however, the drop is much lower compared to other chemicals showcasing resilience in product portfolio of GFL, and limited competition.

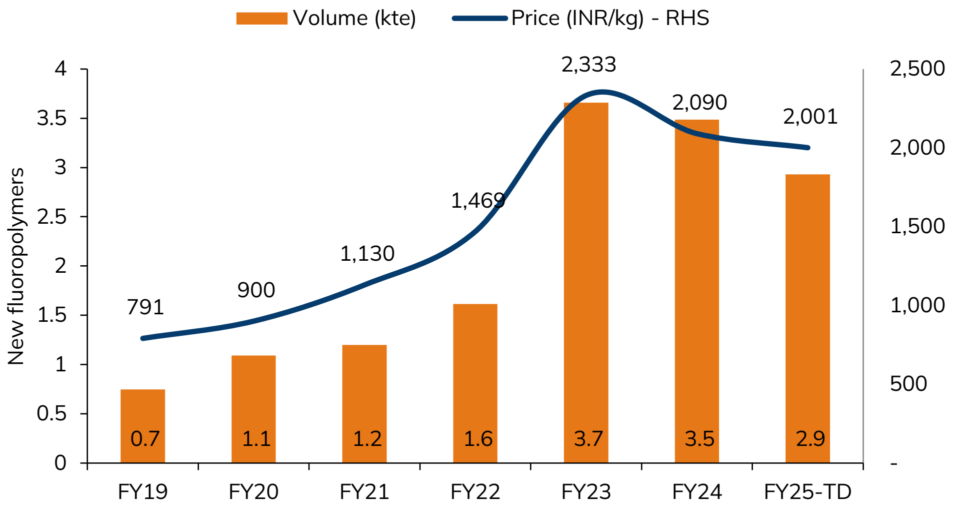
Nonetheless, GFL's profitability has taken a hit due to cost increase towards new capacity addition, and significant underutilisation of capacities. Considering GFL is completely backward integrated, the impact on margins was even more pronounced as all feedstock plants were also running at lower utilisation rates.

Exhibit 1: PTFE exports revenue peaked in FY22/FY23; since then, it has been weak...



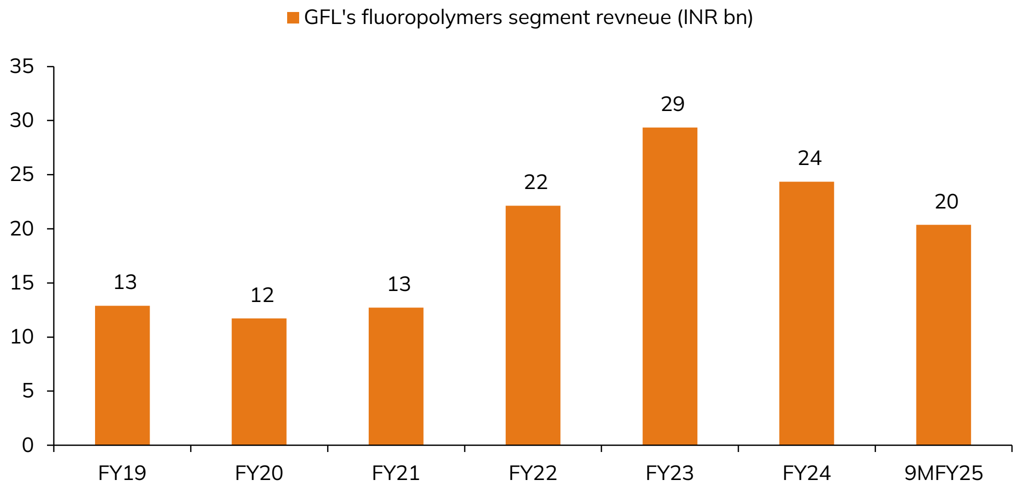
Source: I-Sec research, Commerce ministry; FY25-TD is data till Nov'24

Exhibit 2: …trend for new fluoropolymers exports were also same



Source: I-Sec research, Commerce ministry; FY25-TD is data till Nov'24

Exhibit 3: GFL's fluoropolymers segment revenue trend is tracking exports data

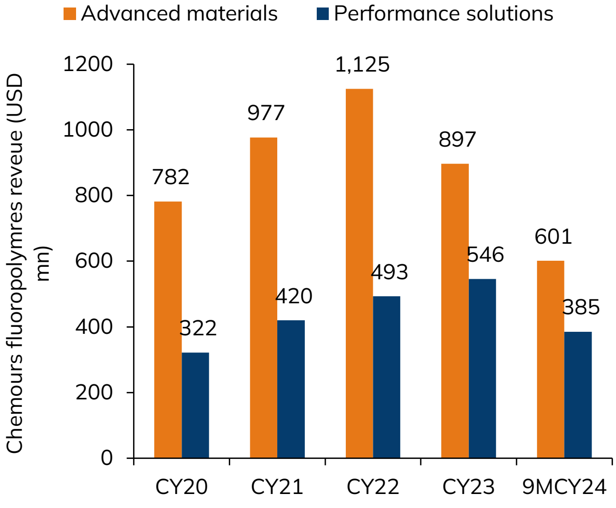


Source: I-Sec research, Commerce ministry

The trend was same for The Chemours Co (one of the largest western fluoropolymers players) where fluoropolymers volume growth peaked in CY21, and prices in CY22. The company has also seen two years of drag in fluoropolymers performance, and expects to be bottoming. Notably, Chinese players are not major competition in value-added grade within fluoropolymers in European and US markets. These markets were dominated by four major players – Chemours, Solvay, 3M and Daikin; GFL has made good inroads in past couple of years. Further, Russian fluoropolymers company - HaloPolymer - would have faced restriction in Europe and US markets.

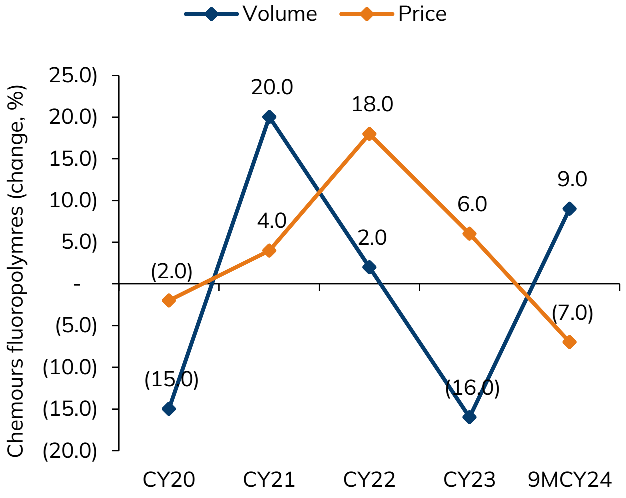
Pricing pressure in fluoropolymers was relatively low compared to other chemicals which also indicates the segment is better placed from competitive intensity perspective and China overlap. We believe when demand revives, segment performance should sharply jump in both volumes and pricing and sustain in medium term.

Exhibit 4: Chemours' fluoropolymers revenue has suffered from weak demand and destocking



Source: I-Sec research, Company

Exhibit 5: Chemours' fluoropolymers volumes peaked in CY21 and prices in CY22



Source: I-Sec research, Company

We see multiple tailwinds for fluoropolymers business in FY26, and GFL is well prepared to benefit from these trends. It has put up large fluoropolymer capacities in anticipation of rising opportunities globally. The salient feature of GFL's business model – it is completely backward integrated across fluoropolymers, and has already set-up large monomer capacity. This will allow GFL to build polymerisation capacity in modular form as and when needed.

Key factors that will shape up GFL's fluoropolymers business in FY26/ 27 are:

- ***Favourable base***. Company has suffered from low demand in past two years, and the base is quite favourable. We believe growth in FY26/27 will be a combination of both volume ramp up and price increase. Price increase could be a combination of higher selling prices, and better product mix. It may move up in value chain, and reduce exposure to standard grades.
- ***3M has shut fluoropolymers business***: 3M has announced plans to shut its entire business of PFAS production including fluoropolymers by CY25. 3M was amongst dominant players in fluoropolymers business in Europe and US, and its exit will leave a large void in value-added fluoropolymers business. 3M's PFAS revenue was USD 1.3bn (we estimate at least 25% of contribution should be from fluoropolymers) and operating profit was USD 200mn as disclosed in CY22. GFL has secured approvals from many customers for supply of fluoropolymers (who were earlier purchasing from 3M); however, revenue for GFL will slowly ramp up, as these customers exhaust the inventory piled by 3M, in CY25.

Exhibit 6: 3M's fluoropolymers portfolio

Industry (grades)	PTFE	PFA	FEP	FKM	PVDF	FFKM	THV	ETFE
Automotive (28)		2	1	18			6	1
Design & Construction (2)			1				1	
Electronics (15)		8	2	1		3	1	
Energy (84)	16		2	46	8	12		
Health Care (1)				1				
Manufacturing (17)	6	2		4	5			
Total	**22**	**12**	**6**	**70**	**13**	**15**	**8**	**1**

Source: I-Sec research, Company data

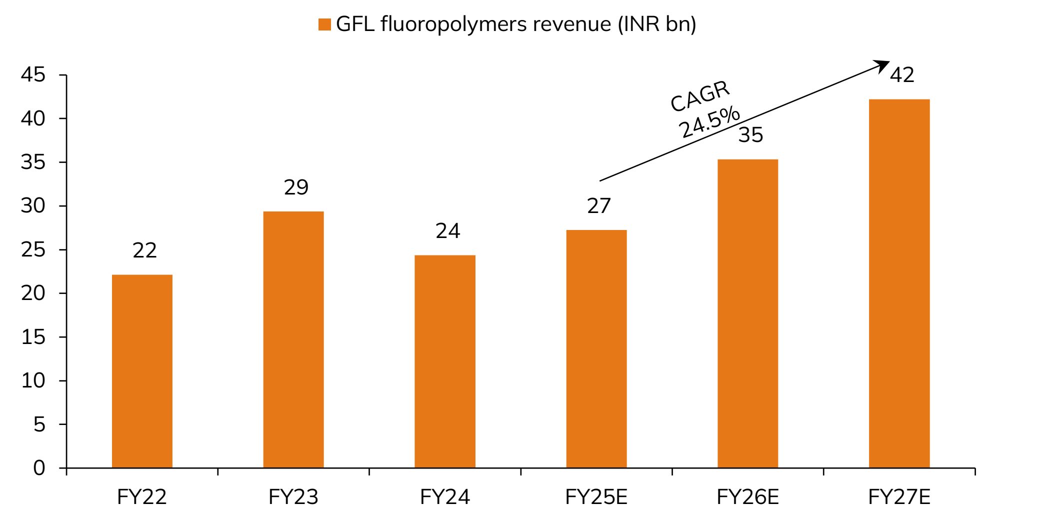
- ***Limited capacity addition in fluoropolymers in western market***: Other players including Chemours, Solvay and Daikin have limited capacity addition plans. Chemous has added capacity for PFA which finds application in semiconductors industries; Solvay is adding PVDF capacity which has incremental demand coming from batteries (as cathode active binders), and coating on separator sheet. This implies GFL will have limited competition from western players to grab incremental wallet share in fluoropolymers business which will be vacated by 3M over the next couple of quarters.

- ***Rise in demand for FKM in India***: India has been increasing ethanol blending, and this will warrant auto OEMs to significantly increase the use of FKM in auto-components. India is also enhancing safety norms for automobile, and use of FKM is likely to get boosted. The company has been in the process of securing approvals for its FKM with domestic OEMs and auto-component makers. This could be a lucrative opportunity for GFL.

We expect GFL's fluoropolymers segment revenue to grow at CAGR of 24.5% over FY25-27E driven largely by volumes. It has enough capacity in PTFE, and more capacity can be added through debottlenecking. It has also increased its new fluoropolymer capacity in past two years. We have not factored in any major jump in prices for fluoropolymers during the forecast period, which can provide more upside to revenue. However, from recognition perspective, some fluoropolymer revenue can be booked in GFCL EV.

Considering GFL is highly backward integrated for fluoropolymers, even feedstock plants could see sharp rise in utilisation which should help in improving overall EBITDA margin, may be back to 30-35% levels in FY26; and sustain.

Exhibit 7: GFL's fluoropolymers revenue to grow at CAGR of 24.5% over FY25-27E



Source: I-Sec research, Company data

Exhibit 8: GFL's fluoropolymers portfolio and its applications

PRODUCTS	PTFE	MICRO POWDERS	PFA	PVDF	FKM	PPA
APPLICATIONS	• Oil & Gas • Pharma & CPI • Food • Automotive • Aero-space & Defense • Electricals • Electronics & Semi-conductors • Cookware • Construction & Mechanical Parts	• Printing Inks • Engineering Plastics • Coatings • Industrial Finishes • Paints • Elastomers • Oils & Greases	• Semi-conductors • Aero-space • Chemical Processing • Corrosion Resistant Fluid Transfer • Wire & Cables • Telecom	• Chemical Processing • Electronics • Architecture • Pharma • EV Batteries • Solar Panels • Water Treatment Membranes • Oil & Gas	• Automotive • Chemicals • Refineries • Semiconductors • Aviation • Food & Pharma	• Improve Surface Finish & Gloss for LLDPE • HDPE & PP Films • Partitioning Agent

Source: Company data

Ref-gas supply situation favourable in near term; R-32 capacity addition to drive revenue from FY27

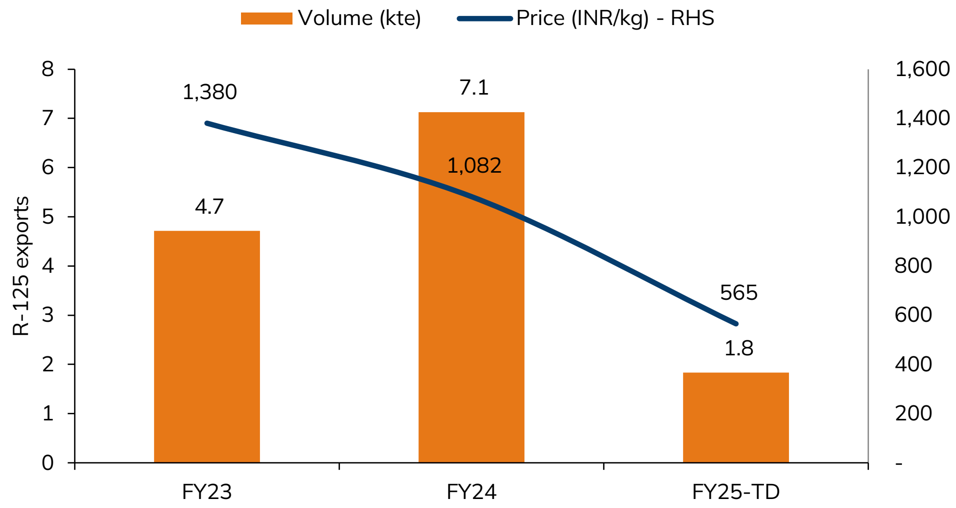
GFL ref-gas revenue currently includes only R-22 and R-125. Further, company aims to add 30ktpa R-32 capacity before Dec'26 with phase-1 of 20ktpa capacity likely to be commissioned by Mar'26.

- ***R-22*** will be phasing out with 50% reduction wef 1st Jan'25 (vs previous year), and volumes will drop to negligible from 1st Jan'30. We believe during phasing out period, price increase should help keep EBITDA from R-22 intact. Company has the option to use R-22 for non-emissive purpose (particularly for making TFE, monomer for multiple fluoropolymers).
- ***R-125*** is used for residential ACs in blends, popularly R-410a (1:1 ratio with R-32). R-410a is used widely in Gulf region, and US market. India is pre-dominantly R-32 market for RAC, hence, domestic demand for R-125 is negligible. Further R-125 has very high GWP, hence, the quantity produced will less compared to R-32. GFL has 6-7ktpa capacity of R-125.
- ***R32*** is most popular ref-gas in India; globally, the belief is R-32 will be the largest gas within RAC segment, and for much longer time period. Even new gases for RAC are coming in blend with HFO and R-32. GFL does not have any installed R-32 capacity, but it has announced setting-up capacity of up to 30ktpa by Dec'26 with phase-1 planned at 20ktpa capacity by Mar'26. This is significantly large capacity, and can drive good additional revenue. The company is setting-up capacity in lieu of its GWP quota under HCFC regime.
- ***R-142B*** is HFC which is used as feedstock for production of PVDF.

R-125 enjoyed very strong pricing in FY23 and FY24; volumes also surged with supply constraints and strong demand from US market. However, FY25-TD (till Nov'24) saw significant drop in supplies of R-125 from India due to soft demand from US market (US phase down was wef 1st Jan'24) and rise in competition from China in Gulf region. It is known that R-32 supplies have seen constrains; we can also expect some spike in R-125 prices, but there is high certainty on better volume off-take. Currently, GFL largely supplies R-22 and R-125; higher volume off-take in R-125 will benefit GFL.

Notably, SRF had mentioned in its Q3FY25 earnings call that prices of other gases (apart from R-32) have also started improving which were weak in Q3. Further, GFL had mentioned in its Q3FY25 presentation: 'For R 125 which is primarily exported to the US, Q3 is seasonally a weak quarter. However, both prices and volumes are expected to improve going forward.'

Exhibit 9: R-125 exports have collapsed, and so has pricing in FY25-TD

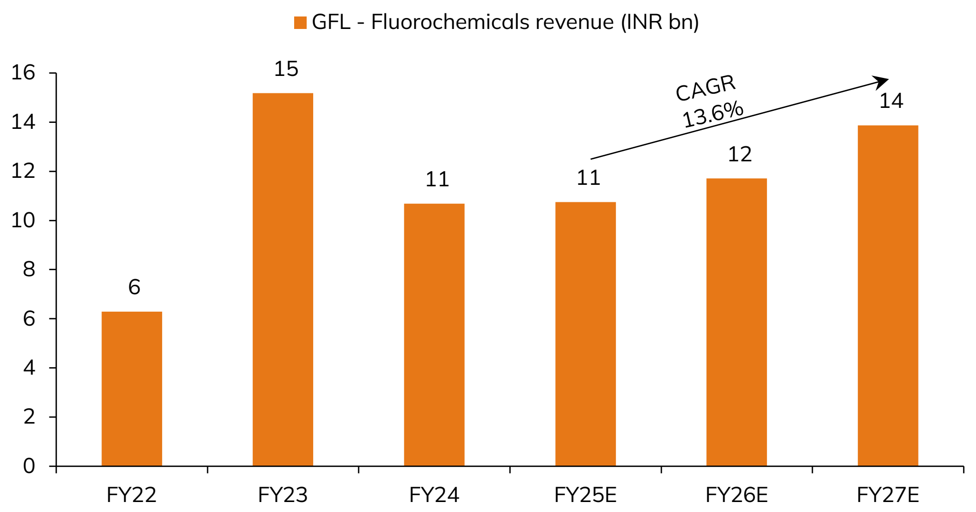


Source: I-Sec research, Commerce ministry; FY25-TD is data till Nov'24

GFL had earlier announced 10ktpa R-32 capacity expansion in FY23; however, prices fell to very low levels, and the company has put the plant expansion on hold. R-32 prices have improved significantly in FY25-TD, and GFL after reconsideration, has announced R-32 capacity addition of up to 30ktpa of which 20ktpa will come in phase-1 by Mar'26. The remaining 10ktpa capacity needs to be added before Dec'26.

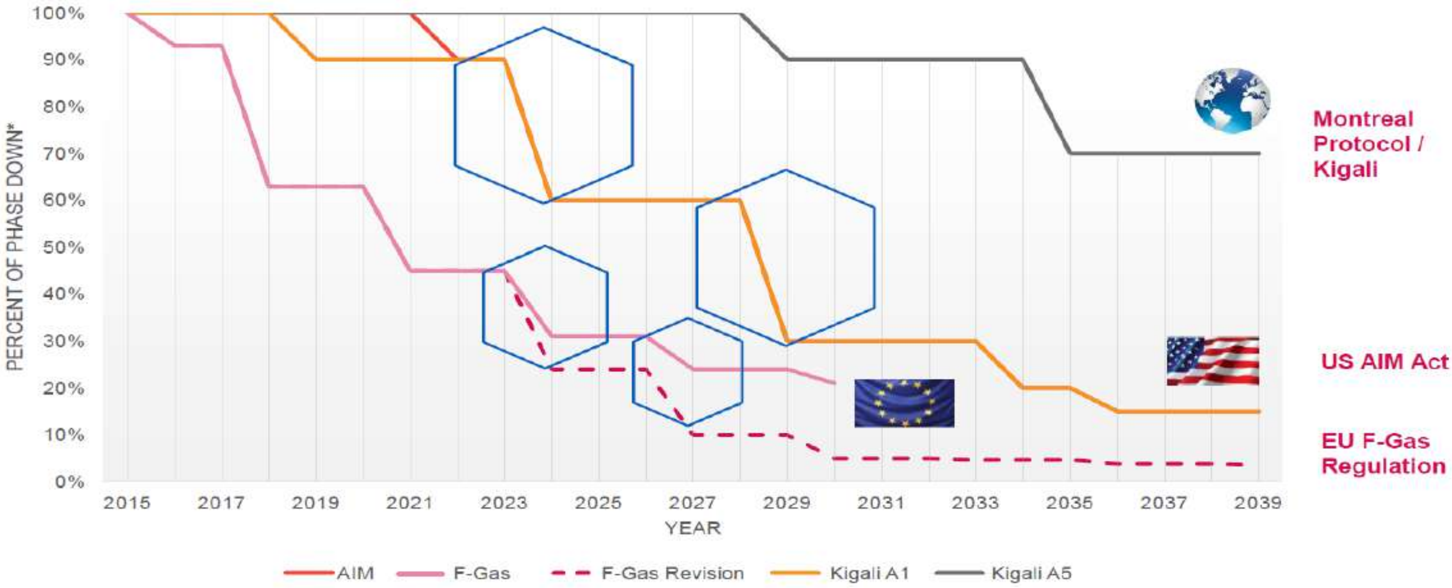
R-32 capacity expansion should add to FY27 earnings and beyond, and help sustain high growth till FY28 in fluorochemicals business for GFL. We estimate GFL's fluorochemicals segment revenue to grow at CAGR of 13.6% over FY25-27E.

Exhibit 10: GFL's fluorochemicals revenue to grow at CAGR of 13.6% over FY25-27E



Source: I-Sec research, Company data

Exhibit 11: HFC phase down; India quota determination period ends in CY26 with and phase down from CY28



Source: Company data

Exhibit 12: R-32 is a better ref-gas among HFCs with respect to GWP

Types	Refrigerant gas	Ozone depletion potential (ODP)	Global warming potential (GWP)
HCFC	R-22	0.055	1,810
HFC	R-32	-	675
HFC	R-134a	-	1,430
HFC	R-410a	-	2,088
	R-600a	-	3
	R-290	-	3
HFO	1234yf	-	4

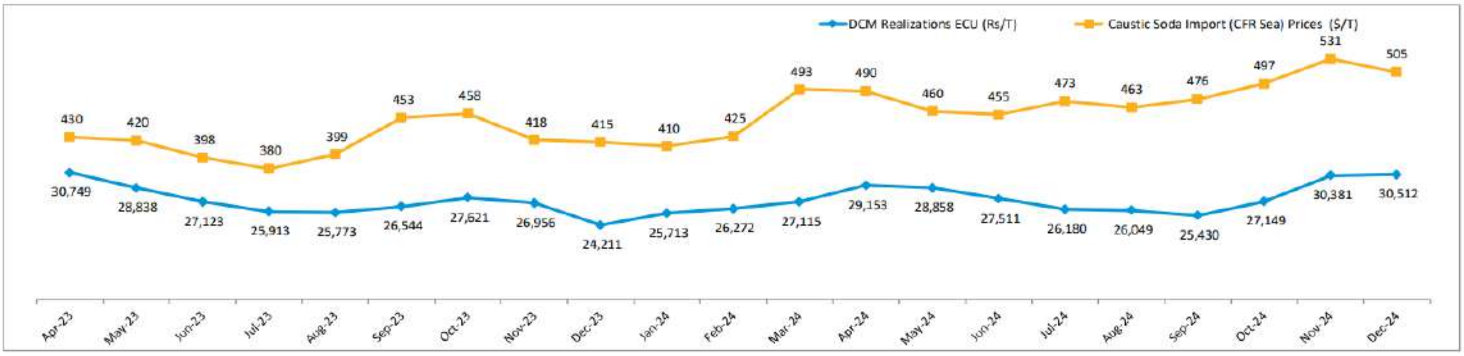
Source: Company data

Worst is likely behind in bulk chemicals

GFL has two key products in bulk chemicals – 1) caustic soda and 2) chloromethane (MDC and CTC are sold externally while chloroform is used captively). Caustic soda prices have significantly dropped in the past two years to below USD 400/te in FY24, and have gradually improved to over USD 500/te in Nov'24. The key reason for drop in prices in India was large capacity addition, and general weakness in chemicals which dragged absorption of new capacities.

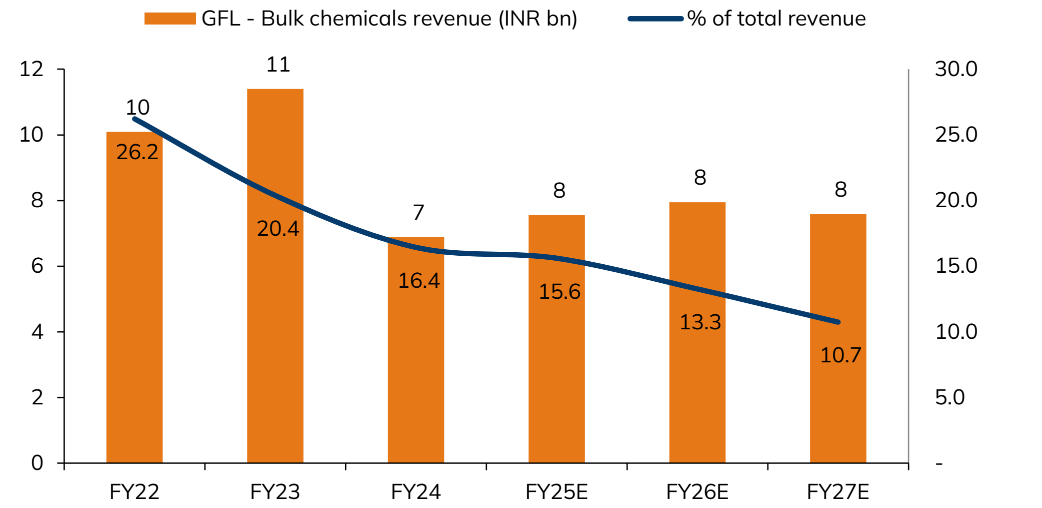
Chloromethane continues to struggle in India due to surplus capacity; however, GFL's addition of R-32 means it will need MDC for captive as feedstock for R-32. This should help in further reducing the revenue contribution from bulk chemicals.

Exhibit 13: Caustic soda prices have materially improved in Q3FY25



Source: Company data

Exhibit 14: GFL's bulk chemicals revenue to be flattish as captive demand may rise for MDC (feedstock for R-32) over FY25-27E, while contribution could dip sharply



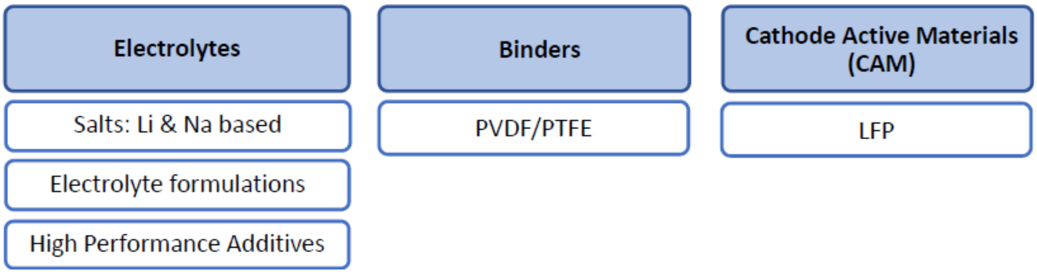
Source: I-Sec research, Company data

Battery chemicals – ahead of competition; derisked balance sheet via equity raise

Product portfolio

GFCL EV (subsidiary of GFL) intends to participate in three sub-segments within Li-battery ecosystem – 1) electrolyte where company aims to produce salt (lithium and sodium-based salts), additives (such as VC, FEC etc) and electrolyte formulations; 2) cathode active materials (LFP) and 3) binders (PVDF/ PTFE). Therefore, GFCL EV will be addressing ~40% of LFP battery cost by value. Notably, China has dominant market share in each of these components. China has relatively lower market share in binders as PVDF has application beyond batteries; and electrolyte are more effective to be produced locally.

Exhibit 15: GFCL EV addresses the requirement for 3 sub-segments of Li-battery



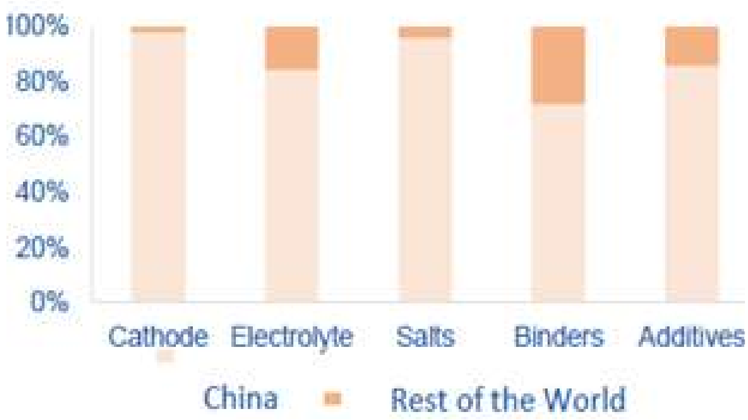
Source: Company data

Exhibit 16: These products will address 40% of LFP battery cost by value

Product	% of LFP cell cost
Cathode	44.4%
Anode	19.4%
Electrolyte	9.6%
Separator	12.1%
Others*	14.4%

Source: Company data

Exhibit 17: Notably, China dominates the entire Li-battery value chain



Source: Company data

Where is GFCL EV in product launch cycle?

- GFCL EV has stabilised LiPF6 plant at Jolva, Gujarat, and it has started supplying commercial plant samples to be approved by customers. Company is hopeful of starting commercial supplies from Q4FY25/ early-FY26. It is now confident of product, and is already planning for expansion of capacity to meet the anticipated demand/ enquires.
- Company's focus on additives and electrolyte is limited to local market immediately where commercial battery production should start soon.
- GFCL EV is working on getting approvals for its binders, particularly, PVDF in exports market for marquee customers.

- LFP plant is likely to be commissioned in Q4FY25/ early-FY26. It should undergo stabilisation phase, and commercial sample approval process with customers in FY26.

Advantages for GFCL EV

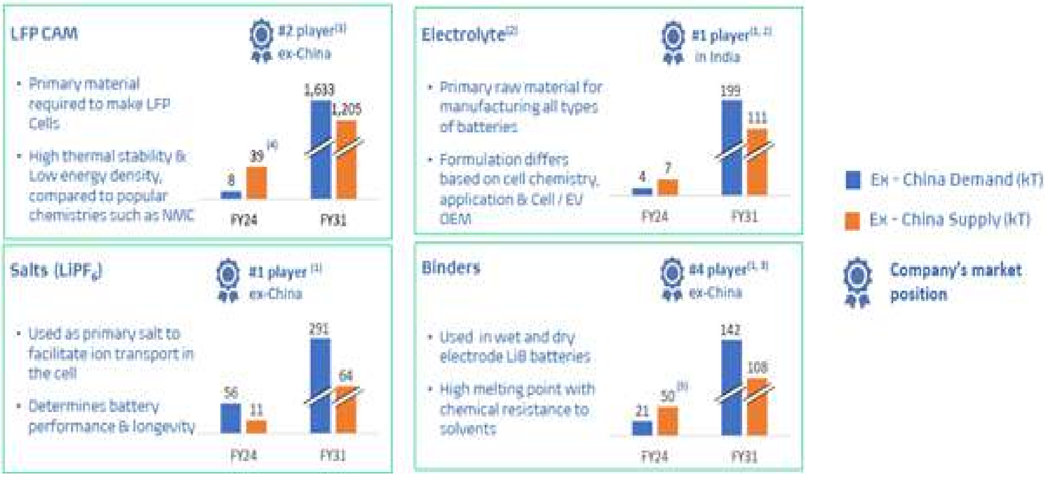
- GFL group, historically, worked on the philosophy of running highly integrated production process. Even in case of battery material, company is likely to stick to backward integrated process, and will be among very few producers outside China.
- Key major battery chemical peers within India will have limitation of HF availability. GFCL EV will have sufficient HF capacity which will make it a reliable supplier.
- Company has locked its funding for expansion. It has already raised equity of INR 10bn in GFCL EV entity at valuation of INR 250bn. It may look to raise additional INR 10-15bn in equity in near term which will ensure both GFL and GFCL EV's balance sheets remain healthy. It will also provide confidence to customers on company's capability to set up large capacities within the agreed timeline.

What is the ambition/ target for the company?

GFCL EV is anticipating robust growth (ex-China) in battery chemicals across products in next seven years driven by rise in penetration of EV and ESS. Globally, countries are emphasising the adoption of EV, and renewal energy to increase sustainability quotient. Even in India, Delhi and Mumbai, where air quality has deteriorated in the past few years, are also evaluating boosting EV adoption.

GFL remains confident of capitalising its first-mover advantage in battery chemicals, and leveraging the strong balance sheet to secure long-term contracts. It is looking to be among the top players in each of these chemicals outside of China.

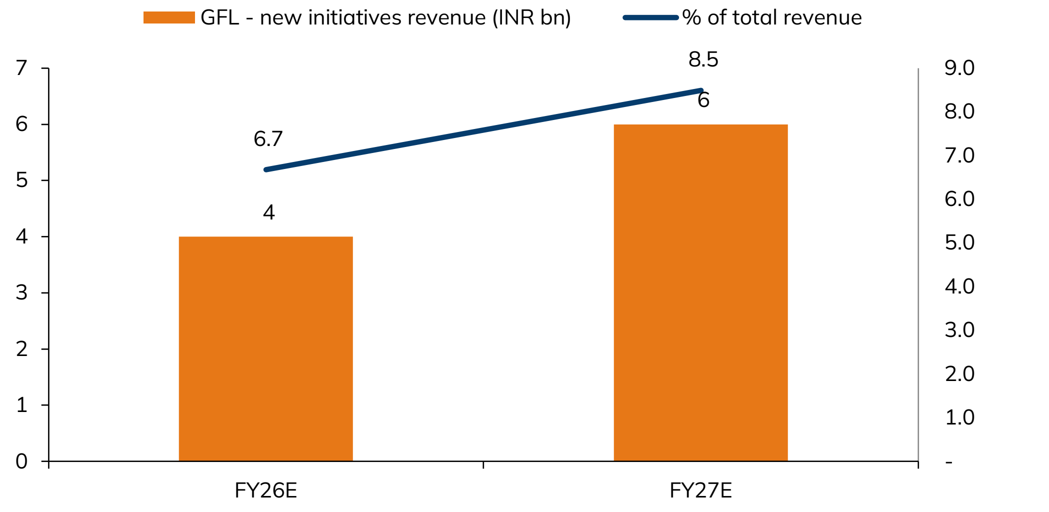
Exhibit 18: GFCL EV has ambition to become leader (ex-China) across battery chemical sub-segments



Source: Company data

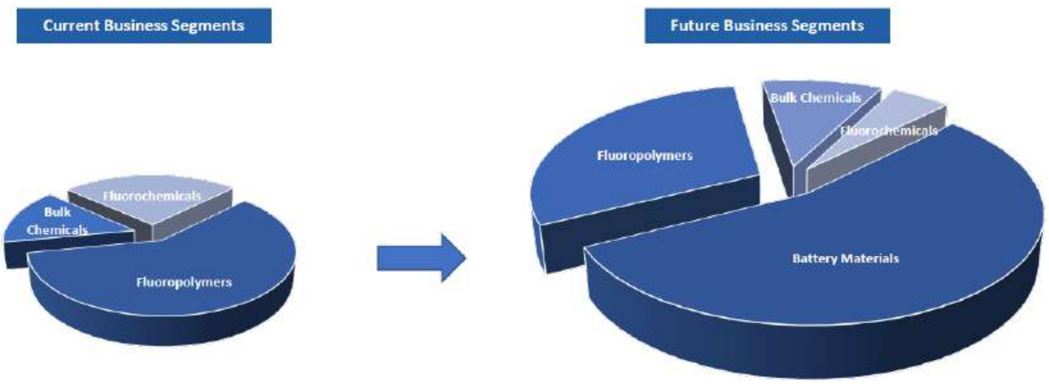
Our assumption for new initiatives significantly under-appreciates the capex, and opportunity in battery chemicals for GFCL EV. Our model is yet to bake in the fund raise in GFCL EV.

Exhibit 19: Our estimates under-appreciate new initiatives including battery chemicals, PVDF sheets etc.



Source: I-Sec research, Company data

Exhibit 20: GFL expects sharp rise in contribution from battery chemicals



Source: I-Sec research, Company data

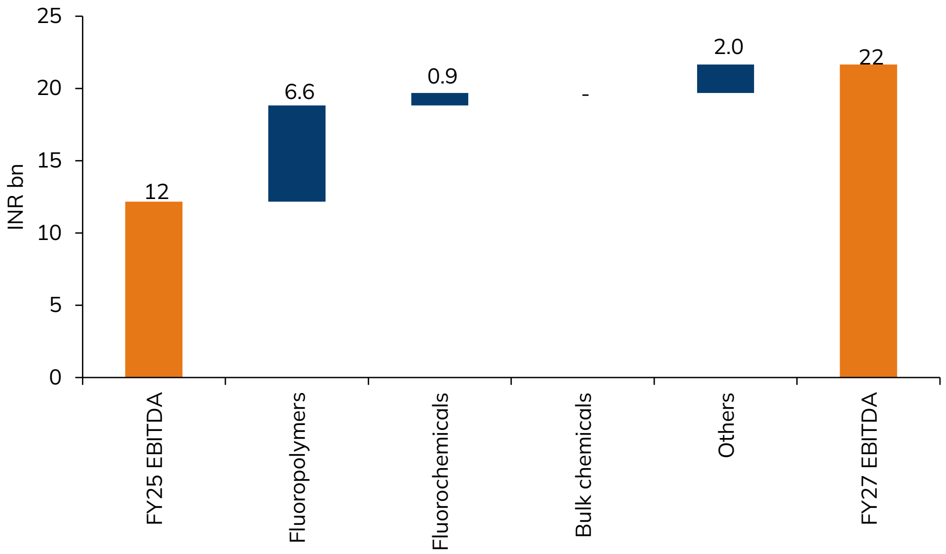
Financials

Exhibit 21: GFL's EBITDA to grow at CAGR of 33.4% over FY25-27E

INR mn	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR (%, FY25-27E)
Fluoropolymers	22,126	29,362	24,356	27,242	35,322	42,195	24.5
Fluorochemicals	6,287	15,182	10,689	10,742	11,704	13,870	13.6
Bulk chemicals	10,092	11,398	6,888	7,560	7,948	7,586	0.2
Others	-	-	4	2,922	4,968	7,017	55.0
Total revenue	**39,536**	**56,847**	**42,808**	**49,355**	**60,849**	**71,593**	**20.4**
Gross profit	**27,390**	**41,141**	**28,275**	**34,080**	**42,625**	**49,435**	**20.4**
GPM (%)	*69.3*	*72.4*	*66.0*	*69.0*	*70.0*	*69.0*	
Employee cost	2,655	3,221	3,504	4,485	4,933	5,525	11.0
Other expenses	13,051	18,267	15,697	17,423	19,340	22,241	13.0
Total expenses	**15,705**	**21,488**	**19,201**	**21,908**	**24,273**	**27,767**	**12.6**
EBITDA	**11,685**	**19,653**	**9,074**	**12,172**	**18,351**	**21,668**	**33.4**
EBITDA (%)	*29.6*	*34.6*	*21.2*	*24.7*	*30.2*	*30.3*	
D&A	2,054	2,361	2,861	3,435	4,009	4,617	15.9
EBIT	**9,630**	**17,292**	**6,213**	**8,737**	**14,343**	**17,051**	**39.7**
Other income	1,606	1,723	1,069	428	449	472	5.0
Finance cost	784	1,168	1,331	1,729	1,669	1,669	(1.7)
PBT	**10,452**	**17,847**	**5,951**	**7,436**	**13,123**	**15,854**	**46.0**
Tax	2,693	4,617	1,601	1,874	3,307	3,995	46.0
ETR (%)	*25.8*	*25.9*	*26.9*	*25.2*	*25.2*	*25.2*	
PAT	**7,872**	**13,288**	**4,350**	**5,562**	**9,816**	**11,859**	**46.0**
EPS (INR)	**72**	**121**	**40**	**51**	**89**	**108**	**46.0**

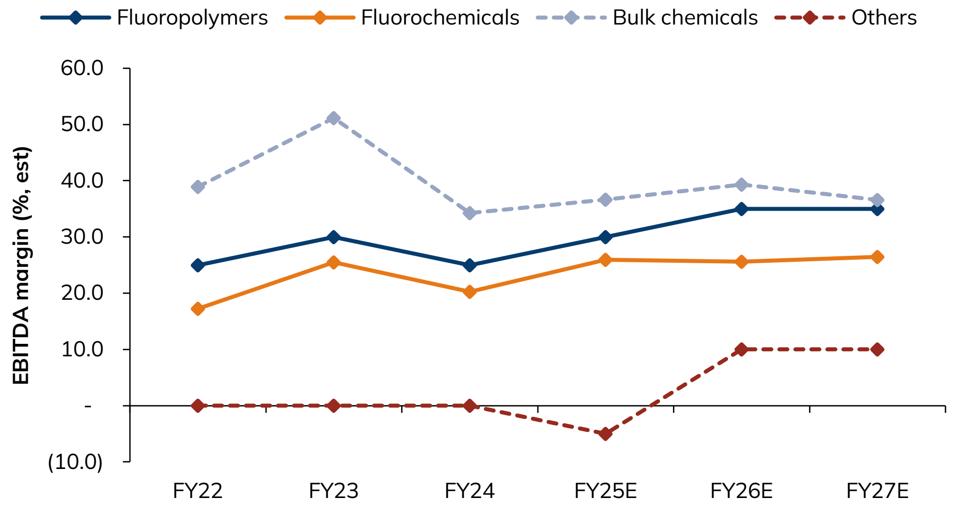
Source: I-Sec research, Company data

Exhibit 22: Significant incremental EBITDA contribution could come for fluoropolymers, improving quality of earnings



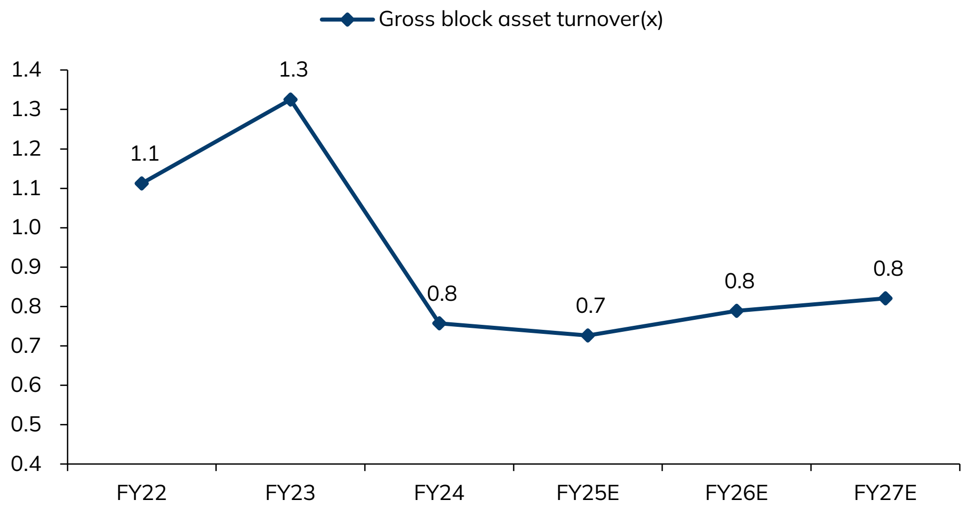
Source: I-Sec research, Company data

Exhibit 23: EBITDA margin improvement is also driven by fluoropolymers segment, while new business will be a drag



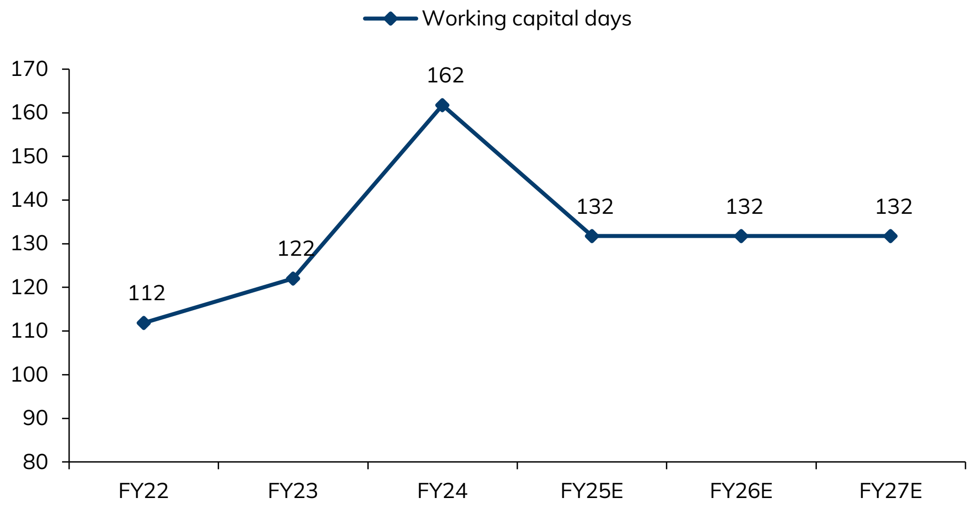
Source: I-Sec research, Company data

Exhibit 24: Gross block asset turnover is depressed due to lower revenue assumed for new businesses



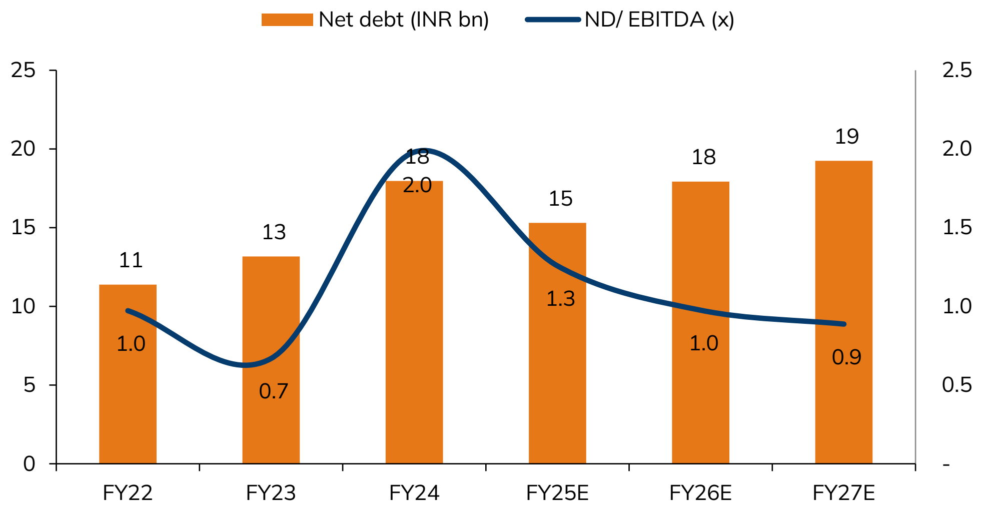
Source: I-Sec research, Company data

Exhibit 25: Expect working capital days to remain steady



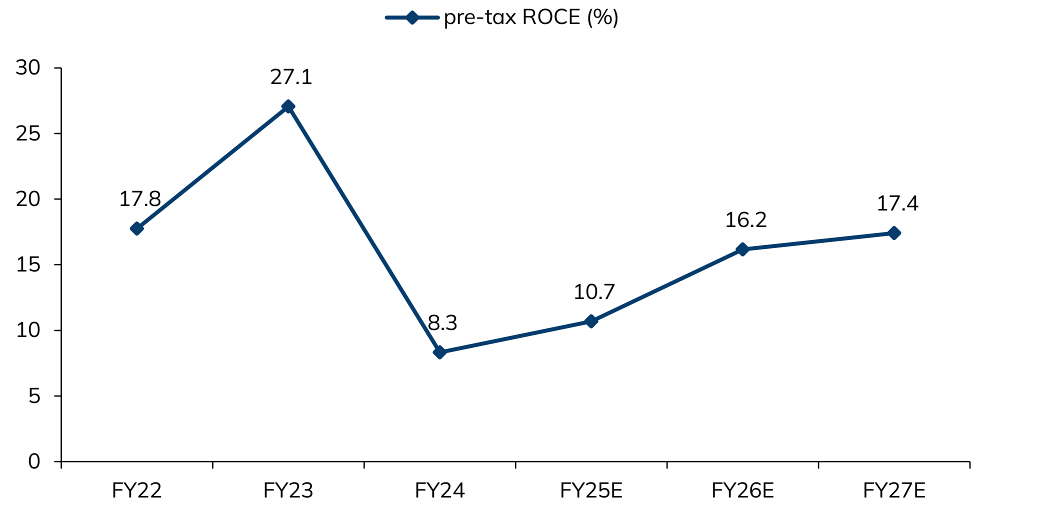
Source: I-Sec research, Company data

Exhibit 26: We are yet to factor in equity raise at GFCL EV; net debt should be lower than estimated



Source: I-Sec research, Company data

Exhibit 27: Despite not much pick up assumed in new businesses, ROCE is healthy for GFL



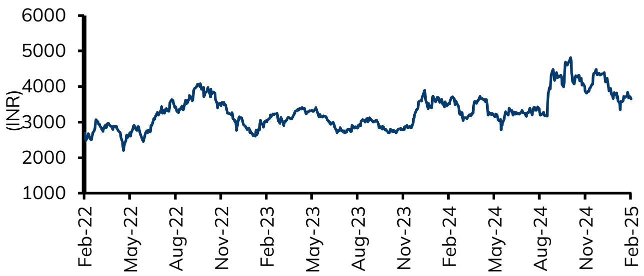
Source: I-Sec research, Company data

Exhibit 28: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	62.6	62.6	62.6
Institutional investors	14.7	14.5	14.7
MFs and others	7.9	7.7	7.5
FIs/Banks	0.0	0.0	0.0
Insurance	1.2	1.2	1.8
FIIs	5.6	5.6	5.4
Others	22.7	22.9	22.7

Source: Bloomberg, I-Sec research

Exhibit 29: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 30: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	42,808	49,355	60,849	71,593
Operating Expenses	**33,735**	**37,183**	**42,498**	**49,925**
EBITDA	9,074	12,172	18,351	21,668
EBITDA Margin (%)	**21.2**	**24.7**	**30.2**	**30.3**
Depreciation & Amortization	2,861	3,435	4,009	4,617
EBIT	6,213	8,737	14,343	17,051
Interest expenditure	1,331	1,729	1,669	1,669
Other Non-operating Income	1,069	428	449	472
Recurring PBT	5,951	7,436	13,123	15,854
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	**1,601**	**1,874**	**3,307**	**3,995**
PAT	4,350	5,562	9,816	11,859
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	4,350	5,562	9,816	11,859
Net Income (Adjusted)	**4,350**	**5,562**	**9,816**	**11,859**

Source Company data, I-Sec research

Exhibit 31: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	34,035	37,876	43,692	50,161
of which cash & cash eqv.	1,984	4,646	2,036	706
Total Current Liabilities & Provisions	8,801	9,979	12,082	13,973
Net Current Assets	**25,234**	**27,898**	**31,610**	**36,187**
Investments	42	42	42	42
Net Fixed Assets	51,829	54,219	59,384	64,859
ROU Assets	1,924	1,924	1,924	1,924
Capital Work-in-Progress	11,284	5,642	5,642	5,642
Total Intangible Assets	140	140	140	140
Other assets	4,208	4,418	4,639	4,871
Deferred Tax Assets	10	10	10	10
Total Assets	**92,341**	**98,806**	**1,10,048**	**1,22,261**
Liabilities				
Borrowings	**19,958**	**19,958**	**19,958**	**19,958**
Deferred Tax Liability	**2,665**	**2,665**	**2,665**	**2,665**
Provisions	545	648	837	1,013
Other Liabilities	1,009	1,163	1,434	1,687
Equity Share Capital	110	110	110	110
Reserves & Surplus	59,254	64,283	72,962	82,856
Total Net Worth	**59,363**	**64,393**	**73,072**	**82,965**
Minority Interest	-	-	-	-
Total Liabilities	**92,341**	**98,806**	**1,10,048**	**1,22,261**

Source Company data, I-Sec research

Exhibit 32: Quarterly trend

(INR mn, year ending March)

	Mar-24	Jun-24	Sep-24	Dec-24
Net Sales	11,330	11,760	11,880	11,480
% growth (YOY)	(23.0)	(2.8)	25.5	15.8
EBITDA	2,376	2,620	2,950	2,940
Margin %	21.0	22.3	24.8	25.6
Other Income	183	90	90	140
Extraordinaries	0	0	0	0
Adjusted Net Profit	1,010	1,080	1,210	1,260

Source Company data, I-Sec research

Exhibit 33: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	**7,703**	**10,298**	**15,044**	**17,673**
Working Capital Changes	(1,440)	22	(6,124)	(5,750)
Capital Commitments	(9,556)	(5,825)	(9,174)	(10,091)
Free Cashflow	**(3,292)**	**4,495**	**(253)**	**1,833**
Other investing cashflow	**(141)**	**428**	**449**	**472**
Cashflow from Investing Activities	4	428	449	472
Issue of Share Capital	-	-	-	-
Interest Cost	(1,406)	(1,729)	(1,669)	(1,669)
Inc (Dec) in Borrowings	5,191	-	-	-
Dividend paid	(220)	(533)	(1,136)	(1,966)
Others	-	-	-	-
Cash flow from Financing Activities	3,476	(2,261)	(2,805)	(3,635)
Chg. in Cash & Bank balance	**75**	**2,661**	**(2,609)**	**(1,331)**
Closing cash & balance	315	4,646	2,036	706

Source Company data, I-Sec research

Exhibit 34: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	39.6	50.6	89.4	108.0
Adjusted EPS (Diluted)	39.6	50.6	89.4	108.0
Cash EPS	65.6	81.9	125.9	150.0
Dividend per share (DPS)	3.0	4.8	10.3	17.9
Book Value per share (BV)	540.4	586.2	665.2	755.3
Dividend Payout (%)	7.6	9.6	11.6	16.6
Growth (%)				
Net Sales	(24.7)	15.3	23.3	17.7
EBITDA	(53.8)	34.1	50.8	18.1
EPS (INR)	(67.3)	27.9	76.5	20.8
Valuation Ratios (x)				
P/E	93.6	73.2	41.5	34.3
P/CEPS	56.4	45.2	29.4	24.7
P/BV	6.9	6.3	5.6	4.9
EV / EBITDA	46.8	34.7	23.2	19.7
EV/SALES	9.9	8.6	7.0	6.0
Dividend Yield (%)	0.1	0.1	0.3	0.5
Operating Ratios				
Gross Profit Margins (%)	66.0	69.0	70.0	69.0
EBITDA Margins (%)	21.2	24.7	30.2	30.3
Effective Tax Rate (%)	26.9	25.2	25.2	25.2
Net Profit Margins (%)	10.2	11.3	16.1	16.6
NWC / Total Assets (%)	27.3	28.2	28.7	29.6
Net Debt / Equity (x)	0.3	0.2	0.2	0.2
Net Debt / EBITDA (x)	2.0	1.3	1.0	0.9
Profitability Ratios				
RoCE (%)	6.1	8.0	12.1	13.0
RoE (%)	7.6	9.0	14.3	15.2
RoIC (%)	6.2	8.3	12.6	13.2
Fixed Asset Turnover (x)	0.8	0.7	0.8	0.8
Inventory Turnover Days	134.0	104.0	104.0	104.0
Receivables Days	72.0	72.0	72.0	72.0
Payables Days	44.2	44.2	44.2	44.2

Source Company data, I-Sec research

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