

August 7, 2025

## Fluoropolymers continue to drive numbers with better visibility...

**About the stock:** Gujarat Fluorochemicals started as a refrigerants manufacturer and, thereafter, diversified into other areas like speciality chemicals, fluoropolymers, new fluoropolymers and bulk chemicals.

- FY25 segmental mix: Bulk chemicals ~14%, Fluorochemicals ~26%, Fluoropolymers ~58% and others ~2%
- The company has chalked out plans for EV products business with the incorporation of GFCL EV Products Ltd, a 100% subsidiary of GFL, with a substantial investment plan of ₹ 6000 crore over the next 4- 5 years.

### Result performance & Investment Rationale:

- Q1FY26 - Growth driven by Fluorochemicals and Fluoropolymers –** Revenues grew 9% YoY to ₹1281 crore mainly driven by Fluoropolymers business (up 16% YoY) whereas Fluorochemicals stood almost flat at 2% YoY growth. Commoditized Bulk Chemicals segment de grew 12% YoY to ₹148 crore. EBITDA grew 31% YoY to ₹344 crore and margins stood at 26.9% (up 458 bps YoY) despite 29 bps YoY decline in GPM to 65.1%. For Fluoropolymers (62% of sales) the growth was primarily driven by volume and also favourable product mix change whereas Fluorochemicals (24% of sales) witnessed improvement in R-22 prices during Q1FY26 and are expected to increase going forward however flattish trend was mainly due to reduction in sales of R410A/R-125 in the US. Specialty chemicals segment was stable. Revenues of Bulk Chemicals (12% of sales) declined during quarter and offset the growth due to drop in prices of Caustic Soda and planned shut down for CMS.
- High end Fluoropolymers, RF gas to lead momentum; EV next–** Fluoropolymers segment is witnessing recovery and brighter future with changing global dynamics with the exit of legacy player (3M) and partial shutdown of Solvay capacity. The traction is witnessed in some high-grade Fluoropolymers which are mostly insulated from the Chinese competition. The company has invested heavily in high-grade Fluoropolymers capacity build up over the last few years. Managements has reaffirmed its ~25% growth for FY26 in Fluoropolymers stemming from approvals and commercial orders for high-purity grades for semiconductors, aerospace, automobiles amongst others. In RF gas, thanks to retrofitting, GFL has started the commercial production of R-32 ahead of schedule with an initial capacity over ~10000 MT which the management aims to ramp up to 20000 MT by end of FY26. Besides this the EV segment is expected to trickle from second half of this year. We expect Fluoropolymers and the newly inducted battery chemicals segment to drive growth in the future.

### Rating and Target price

- Our target price is ₹ 4345 based on SoTP valuation.

### Key Financial Summary (Base Business – Ex - EV)

Key Financials (₹ Crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	3953.6	5684.7	4280.8	4737.0	6.2	5526.9	6443.9	16.6
EBITDA	1168.5	1965.3	907.4	1099.0	-2.0	1575.2	1900.9	31.5
EBITDA margins (%)	29.56	34.57	21.20	23.20		28.50	29.50	
Net Profit	775.9	1323.1	435.0	546.0	-11.1	747.1	948.9	31.8
EPS (₹)	70.6	120.4	39.6	49.6		67.9	86.3	
PE (x)	50.3	29.5	89.7	71.5		52.3	41.2	
EV to EBITDA (x)	34.7	20.6	45.3	37.1		26.1	21.6	
RoCE (%)	22.6	31.5	10.8	10.6		11.8	12.5	
ROE (%)	18.2	24.0	7.3	7.5		9.4	10.7	

Source: Company, ICICI Direct Research



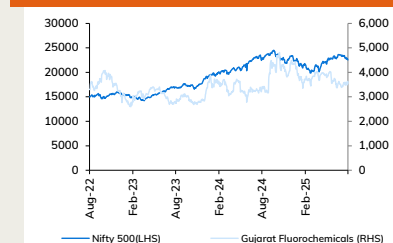
### Particulars

Particular	Amount
Market cap (₹ Crore)	39,015
FY25 Total Debt (₹ Crore)	2,080
FY25 Cash & Inv (₹ Crore)	1,875
EV (₹ Crore)	39,220
52 Week H/L	4881/3080
Equity Capital (₹ Crore)	11.0
Face Value (₹)	1

### Shareholding pattern

(in %)	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	62.6	62.6	62.6	62.6
FII's	4.9	4.6	4.6	4.3
DII's	9.6	10.1	10.7	11.5
Others	23.0	22.8	22.1	21.7

### Price Chart



### Key risks

- (i) Heavy reliance on Fluoropolymers for overall performance improvement
- (ii) Weakness in agrochemical fluorochemicals spilling beyond FY26.

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### Exhibit 1: Valuation Summary

Valuation Summary			
Particulars	FY27E (₹ crore)	Multiple	EV (₹ crore)
<b>Base Business FY27E EBITDA (Ex EV)</b>	1,900.9	18	<b>34217</b>
EV business latest deal value			25000
Holding company Discount			35%
Holding company stake			96%
Attributable Enterprise value from EV business			15600
<b>Total EV</b>			<b>49817</b>
Net Debt			1,996
Targeted Mcap			47821
No of shares			11
<b>Per share Value</b>			<b>4345</b>

Source: Company, ICICI Direct Research

## Q1FY26 Conference call highlights

### Fluoropolymers-

- The management maintains the revenue growth guidance of 25% for FY26 to be largely driven by volume.
- GFL has secured approvals and commercial orders for high-purity grades including for semiconductor, aerospace, automobiles amongst others.
- Management anticipates benefit from high-value product adoption in future.
- New Fluoropolymer capacity is expected to reach optimum capacity by end of FY26.
- Company further plans to incur capex of ~ ₹400 crore in FY26 across entire range of Fluoropolymers.
- High end Fluoropolymers approval from Europe are expected in coming quarter where management plans to ramp up.
- The electrolyte, PVDF, and PTFE binder grades have been established and are in final stages of customer validation.
- Fluoropolymers orderbook remains strong across geographies of US, Europe, Far East including Japan.

### Fluorochemicals/ Bulk Chemicals-

- GFL commercialised R32 plant in Q2FY26 (over 10KTPA capacity), couple of quarters ahead of the schedule, through retrofitting.
- Company further aims to ramp up R32 plant capacity to 20KTPA in phased manner by end of FY26 primarily for overseas market.
- GFL expects to focus on exports market, and may increase R-410a business.
- Company witnessed improvement in R22 prices however decline of R-410A and R-125 volumes in USA led to decline in Fluorochemicals business.
- Management believes R22 Prices to be stable for remaining quarters.
- GFL has also shipped the first shipment from retrofitted plant.
- The Bulk Chemicals segment during the quarter was impacted due to fall in caustic soda prices and planned shutdown of CMS.

### Battery Materials (GFCL EV)

- GFL expects to benefit from a recent legislation in the US which includes energy storage system for subsidy of US\$ 45 per kwh. This amount covers 2/3rd of the battery cost. Management aims to capitalise on this opportunity by leveraging the customer relationships.
- GFL's LFP chem plant has completed pre-commissioning activities, and the pilot plant is in the process of developing grades as per customers' requirements.
- Management expects the sales from the EV business to start trickling in by the second half of this year

### Other Aspects

- Management is focusing to reduce working capital Total saving of power and fuel is expected to be ~₹120-150 crore on annualized basis.
- Tariff Impact –
  - PTFE, Micro powders and majority of the battery chemicals are included in the exemption list of the reciprocal tariff rates in the US.
  - Few of GLF's new fluoropolymers where Tariff would be implied are highly specialized with very few suppliers globally, and have a long qualification cycle therefore management believe it will not be easy to develop an alternate supply chain in short to medium terms
- For Renewable plant investment construction has started and saving will start accruing from Q3FY26 with annual saving of ~₹150 crore.

## Financial Tables

Exhibit 3: P&amp;L Statement (Base Business)

₹ crore

Year end March	FY24E	FY25	FY26E	FY27E
<b>Total Operating Income</b>	<b>4,280.8</b>	<b>4,737.0</b>	<b>5,526.9</b>	<b>6,443.9</b>
Growth (%)	-24.7	10.7	16.7	16.6
Raw Material Expenses	1,453.3	1,513.0	1,713.3	1,997.6
Gross Profit	2,827.5	3,224.0	3,813.6	4,446.3
Employee Cost	350.4	433.0	497.4	579.9
Other Operating Expenses	1,569.7	1,692.0	1,741.0	1,965.4
<b>EBITDA</b>	<b>907.4</b>	<b>1,099.0</b>	<b>1,575.2</b>	<b>1,900.9</b>
Growth (%)	-53.8	21.1	43.3	20.7
Other Income	106.9	116.0	100.0	100.0
EBITDA, including OI	1,014.3	1,215.0	1,675.2	2,000.9
Depreciation	286.1	355.0	468.5	566.4
Net Interest Exp.	133.1	147.0	183.3	169.3
Other exceptional items	0.0	0.0	0.0	0.0
PBT	595.1	713.0	1,023.4	1,265.2
Total Tax	160.1	167.0	276.3	316.3
Tax Rate	26.9%	23.4%	27.0%	25.0%
<b>PAT</b>	<b>435.0</b>	<b>546.0</b>	<b>747.1</b>	<b>948.9</b>
Adj.PAT after Minority interest	435.0	546.0	747.1	948.9
<b>Adj. EPS (₹)</b>	<b>39.6</b>	<b>49.6</b>	<b>67.9</b>	<b>86.3</b>

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement

₹ crore

Year end March	FY24E	FY25	FY26E	FY27E
PBT & Extraordinary	435.0	546.0	1,023.4	1,265.2
Depreciation	286.1	355.0	468.5	566.4
After other adjustments				
(Inc) / Dec in Working Capital	-144.0	-415.0	158.5	-199.4
Taxes	-34.8	-188.0	-276.3	-316.3
Others	84.1	247.0	183.3	169.3
<b>CF from operating activities</b>	<b>626.4</b>	<b>545.0</b>	<b>1,557.4</b>	<b>1,485.3</b>
Purchase of Fixed Assets	-970.6	-881.0	-1,596.9	-1,300.0
Others	-10.5	-241.0	0.0	0.0
<b>CF from investing activities</b>	<b>-981.0</b>	<b>-1,122.0</b>	<b>-1,596.9</b>	<b>-1,300.0</b>
Proceeds from issue of shares	0.0	838.0	0.0	0.0
Borrowings (Net)	628.6	158.0	438.1	-200.0
Others	-171.5	-230.0	-205.3	-191.3
<b>CF from financing activities</b>	<b>457.1</b>	<b>766.0</b>	<b>232.9</b>	<b>-391.3</b>
Net cash flow	102.4	189.0	193.4	-206.0
Effects of foreign currency translation	0.0	0.0	0.0	0.0
Opening Cash	24.0	31.5	55.0	248.8
<b>Closing Cash</b>	<b>31.5</b>	<b>55.0</b>	<b>248.8</b>	<b>42.8</b>

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet

₹ crore

Year end March	FY24E	FY25	FY26E	FY27E
<b>Liabilities</b>				
Share Capital	11.0	11.0	11.0	11.0
Reserves	5,925.4	7,242.0	7,967.1	8,894.0
<b>Total Shareholders Funds</b>	<b>5,936.3</b>	<b>7,253.0</b>	<b>7,978.1</b>	<b>8,905.0</b>
Minority Interest	0.0	46.0	46.0	46.0
Long Term Borrowings	462.9	478.0	885.1	685.1
Net Deferred Tax liability	266.5	240.0	240.0	240.0
Other long term liabilities	11.1	8.0	1,008.0	1,508.0
Long term provisions	54.5	61.0	39.7	46.3
<b>Current Liabilities and Provisions</b>				
Short term borrowings	1,633.1	1,602.0	1,633.1	1,633.1
Trade Payables	518.9	606.0	908.5	1,059.3
Other Current Liabilities	331.1	290.0	338.4	394.5
Short Term Provisions	19.7	25.0	29.2	34.0
<b>Total Current Liabilities</b>	<b>2,502.8</b>	<b>2,523.0</b>	<b>2,909.1</b>	<b>3,120.9</b>
<b>Total Liabilities</b>	<b>9,234.1</b>	<b>10,609.0</b>	<b>13,106.0</b>	<b>14,551.2</b>
<b>Assets</b>				
Net Block	4,105.6	4,136.0	6,338.4	7,071.9
Capital Work in Progress	1,091.3	1,524.0	450.0	450.0
Intangible assets under devl.	192.4	190.0	190.0	190.0
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Non-current investments	16.1	35.0	35.0	35.0
Deferred tax assets	1.0	6.0	6.0	6.0
Long term loans and advances	0.0	0.0	0.0	0.0
Other Non Current Assets	424.1	435.0	1,296.1	1,510.6
<b>Current Assets, Loans &amp; Advances</b>				
Current Investments	0.0	279.0	279.0	279.0
Inventories	1,571.3	1,820.0	1,968.5	2,295.1
Sundry Debtors	844.6	1,197.0	1,211.4	1,412.4
Cash and Bank	31.5	55.0	248.8	42.8
Loans and Advances	27.3	25.0	25.0	25.0
Other Current assets	928.9	907.0	1,058.2	1,233.8
<b>Current Assets</b>	<b>3,403.6</b>	<b>4,283.0</b>	<b>4,791.0</b>	<b>5,288.1</b>
<b>Total Assets</b>	<b>9,234.1</b>	<b>10,609.0</b>	<b>13,106.4</b>	<b>14,551.7</b>

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

Year end March	FY24E	FY25	FY26E	FY27E
<b>Per share data (₹)</b>				
Adj. EPS	39.6	49.6	67.9	86.3
Adj. Cash EPS	65.6	81.9	110.5	137.8
BV	540.2	659.4	725.3	809.5
DPS	2.0	2.0	2.0	2.0
<b>Operating Ratios (%)</b>				
Gross Margin (%)	66.0	68.1	69.0	69.0
EBITDA Margin (%)	21.2	23.2	28.5	29.5
PAT Margin (%)	10.2	11.5	13.5	14.7
Debtor Days	72	92	80	80
Inventory Days	134	140	130	130
Creditor Days	44	47	60	60
Cash Conversion Cycle	162	186	150	150
<b>Return Ratios (%)</b>				
Return on Assets (%)	4.7	5.1	5.7	6.5
RoCE (%)	10.8	10.6	11.8	12.5
Core RoC (%)	7.8	8.3	11.1	12.2
RoE (%)	7.3	7.5	9.4	10.7
<b>Solvency Ratios</b>				
Total Debt / Equity	0.4	0.3	0.3	0.3
Net Debt / EBITDA	2.3	1.8	1.4	1.2
Interest Coverage	5.5	5.9	6.6	8.5
Current Ratio	1.4	1.7	1.6	1.7
Quick Ratio	0.7	1.0	1.0	1.0
<b>Valuation Ratios (x)</b>				
EV/EBITDA	45.3	37.1	26.1	21.6
P/E	89.7	71.5	52.3	41.2
P/B	6.6	5.4	4.9	4.4
EV/Sales	9.6	8.6	7.4	6.4

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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