

June 6, 2025

## Fluoropolymers upbeat; EV business shaping up well

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.

### Investment Rationale:

- Q4FY25 - Growth driven by Fluorochemicals and Fluoropolymers – Revenues grew 8% YoY to ₹1225 crore driven by both Fluoropolymers business (up 11% YoY) and Fluorochemicals (up 8% YoY). Bulk Chemicals segment de-grew 9% YoY to ₹161 crore. EBITDA grew 29% YoY and margins stood at 25% (up 401 bps YoY) and GPM witnessed 94 bps improvement YoY to 66.3%. Fluoropolymers (58% of sales)- Prices for fluoropolymer remained stable and growth was primarily driven by volume growth in new fluoropolymers Fluorochemicals (26% of sales)- Overall refrigerant gas prices, mainly R-22, have marginally improved during the quarter and the company anticipates further pick up going forward. Specialty chemicals remained flat during the quarter. Bulk Chemicals ((14 % of sales)- Gas leakage incident at the CMS-1 plant in Dahej led to ~15% production loss during the quarter, which impacted performance.
- High end Fluoropolymers, RF gas to lead momentum; EV next- The company has invested heavily in high-grade Fluoropolymers capacity build up over the last few years. This, coupled with exit of some global legacy players is expected to improve the growth prospects of Fluoropolymers in FY25. RF gas sub-segment from Fluoropolymers is also in good stead with the changing RF gas quota dynamics globally and its benefits for trickling down to few players including GFL. Bulk chemicals segment on the other hand is expected to remain muted on account of Chinese dumping and excess capacity built-up. We expect Fluoropolymers and the newly inducted EV products segment to drive growth in the future. Potential for EV products segment remains upbeat as the company has the potential to manufacture ~40% of EV battery components. The traction for this segment is expected from H2FY26. The company remains a compelling bet in the Fluorochemicals space with its quest for high-end and differentiated products.

### Rating and Target price

- Our target price is ₹ 4350 based on SoTP valuation.

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

Key Financials (₹ Crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22-25E)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	3953.6	5684.7	4280.8	4737.0	6.2	5380.3	6218.6	14.6
EBITDA	1168.5	1965.3	907.4	1099.0	-2.0	1533.4	1834.5	29.2
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	711.5	893.4	27.9
EPS (₹)	70.6	120.4	39.6	49.6		64.7	81.2	
PE (x)	51.5	30.2	92.0	73.3		56.3	44.8	
EV to EBITDA (x)	35.5	21.1	46.4	38.0		27.0	22.3	
RoCE (%)	22.6	31.5	10.8	10.6		11.2	11.8	
ROE (%)	18.2	24.0	7.3	7.5		9.0	10.1	

Source: Company, ICICI Direct Research



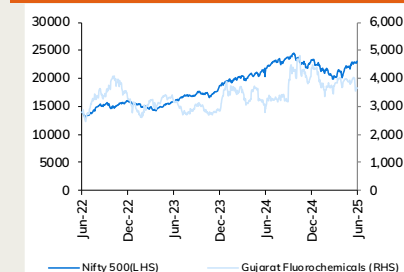
### Particulars

Particular	Amount
Market cap (₹ Crore)	40,004
FY25 Total Debt (₹ Crore)	2,080
FY25 Cash & Inv (₹ Crore)	1,875
EV (₹ Crore)	40,209
52 Week H/L	4880/2937
Equity Capital (₹ Crore)	11.0
Face Value (₹)	1

### Shareholding pattern

(in %)	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	62.6	62.6	62.6	62.6
FII's	5.2	4.9	4.6	4.6
DII's	9.6	9.6	10.1	10.7
Others	22.6	23.0	22.8	22.1

### Price Chart



### Key risks

- Heavy reliance on Fluoropolymers for overall performance improvement
- Weakness in agrochem fluorochemicals spilling beyond FY26.

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**Exhibit 1: Valuation Summary**

Particulars	FY27E (₹ crore)	Multiple	EV (₹ crore)
<b>Base Business FY27E EBITDA (Ex EV)</b>	1,834.5	18	<b>33021</b>
EV business latest deal value			25000
Holding company Discount			35%
Holding company stake			96%
<b>Attributable Enterprise value from EV business</b>			<b>15600</b>
<b>Total EV</b>			<b>48621</b>
Net Debt			798
<b>Targeted Mcap</b>			<b>47823</b>
No of shares			11
Per share Value			4350

Source: Company, ICICI Direct Research

## Q4FY25 Conference call highlights

### Fluoropolymers-

- Fluoropolymer segment continued to witness positive impact due to exit of legacy players.
- Management anticipates benefit from high-value product adoption in future.
- Management anticipates 25% growth in the segment.
- Management to spend part of ₹400 crore for capacity addition, re-balancing, debottlenecking in fluoropolymer segment.
- GFL is churning portfolio to go for higher value-added grades of PTFE.
- Volume and prices in FKM are stable.
- In PFA has it has also received approvals for some semiconductor applications.
- Relocation of another legacy player and stopping of production in Europe is likely to provide additional traction.

### Fluorochemicals/ Bulk Chemicals-

- GFL saw improvement in R-22 prices during the quarter and further increase is expected as global production quotas reduce.
- Direct sales and blend of R125 also improved due to seasonality with management has positive outlook ahead.
- Management expects margin and volume improvements going forward in FY26.
- Company is evaluating multiple options to initiate the commissioning of R32 plant much ahead of the schedule and expect to commence the commercial sale starting during the second half of FY26.
- Bulk Chemicals segment faced challenges due to an incident at Dahej facility leading to approximately 15% production loss.
- Softening of MDC prices due to new capacity additions have negatively impacted our profitability of Bulk Drugs. Management anticipates
- Company is moving ahead with Phase 2 and Phase 3 capacity expansions planned in FY26 for LiPF6.
- LFP plant have achieved mechanical completion with commissioning and trial production set to begin June/July 25.
- Electrolyte and binder plants are also at advanced stage of customer validation with multiple successful global audits already completed.
- GFL's customer engagement has increased significantly with technical visits and audits from prospective clients in the US, EU, Korea, Japan and India.

### Battery Materials (GFCL EV)

- Company in EV segment has long-term projected demands by customers and hence company has built inventory for the same.
- Management anticipates revenue from EV business to start contributing towards the second half of FY26 and ramp up the pie in FY27.
- GFL has planned for capex of ₹1200 crore for EV business.

- Management anticipates much larger growth from US then EU.
- Apart from US and EU company also plans to cater Indian market.

**Other Aspects**

- GFL have increased production of Fluoropolymers and Vacuum materials to build up the pipeline.
- Management aims to achieve EBITDA of ₹2000 crore in FY26.
- Total saving of power and fuel is expected to be ~₹120-150 crore on annualized basis.

## Financial Tables

Exhibit 3: P&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>5,380.3</b>	<b>6,218.6</b>
Growth (%)	-24.7	10.7	13.6	15.6
Raw Material Expenses	1,453.3	1,513.0	1,667.9	1,927.8
<b>Gross Profit</b>	<b>2,827.5</b>	<b>3,224.0</b>	<b>3,712.4</b>	<b>4,290.8</b>
Employee Cost	350.4	433.0	484.2	559.7
Other Operating Expenses	1,569.7	1,692.0	1,694.8	1,896.7
<b>EBITDA</b>	<b>907.4</b>	<b>1,099.0</b>	<b>1,533.4</b>	<b>1,834.5</b>
Growth (%)	-53.8	21.1	39.5	19.6
Other Income	106.9	116.0	100.0	100.0
<b>EBITDA, including OI</b>	<b>1,014.3</b>	<b>1,215.0</b>	<b>1,633.4</b>	<b>1,934.5</b>
Depreciation	286.1	355.0	468.5	552.9
Net Interest Exp.	133.1	147.0	190.3	190.3
Other exceptional items	0.0	0.0	0.0	0.0
<b>PBT</b>	<b>595.1</b>	<b>713.0</b>	<b>974.6</b>	<b>1,191.3</b>
Total Tax	160.1	167.0	263.1	297.8
Tax Rate	26.9%	23.4%	27.0%	25.0%
<b>PAT</b>	<b>435.0</b>	<b>546.0</b>	<b>711.5</b>	<b>893.4</b>
Adj. PAT after Minority interest	435.0	546.0	711.5	893.4
Adj. EPS (₹)	39.6	49.6	64.7	81.2
Shares Outstanding	11.0	11.0	11.0	11.0

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore				
Year end March	FY24E	FY25	FY26E	FY27E
PBT & Extraordinary	435.0	546.0	974.6	1,191.3
Depreciation	286.1	355.0	468.5	552.9
After other adjustments				
(Inc) / Dec in Working Capital	-144.0	-415.0	860.0	-47.5
Taxes	-34.8	-188.0	-263.1	-297.8
Others	84.1	247.0	190.3	190.3
<b>CF from operating activities</b>	<b>626.4</b>	<b>545.0</b>	<b>2,230.2</b>	<b>1,589.2</b>
Purchase of Fixed Assets	-970.6	-881.0	-1,596.9	-850.0
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>-850.0</b>
Proceeds from issue of shares	0.0	838.0	0.0	0.0
Borrowings (Net)	628.6	158.0	638.1	0.0
Others	-171.5	-230.0	-212.3	-212.3
<b>CF from financing activities</b>	<b>457.1</b>	<b>766.0</b>	<b>425.9</b>	<b>-212.3</b>
Net cash flow	102.4	189.0	1,059.2	526.9
Effects of foreign currency translati	0.0	0.0	0.0	0.0
Opening Cash	24.0	31.5	55.0	1,114.7
<b>Closing Cash</b>	<b>31.5</b>	<b>55.0</b>	<b>1,114.7</b>	<b>1,641.6</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	7,931.5	8,802.9
<b>Total Shareholders Funds</b>	<b>5,936.3</b>	<b>7,253.0</b>	<b>7,942.5</b>	<b>8,813.9</b>
Minority Interest	0.0	46.0	46.0	46.0
Long Term Borrowings	462.9	478.0	1,085.1	1,085.1
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	38.6	44.7
<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	884.4	1,022.2
Other Current Liabilities	331.1	290.0	329.4	380.7
Short Term Provisions	19.7	25.0	28.4	32.8
Total Current Liabilities	2,502.8	2,523.0	2,875.3	3,068.8
<b>Total Liabilities</b>	<b>9,234.1</b>	<b>10,609.0</b>	<b>13,235.5</b>	<b>14,806.5</b>
<b>Assets</b>				
Net Block	4,105.6	4,136.0	6,338.4	6,635.4
Capital Work in Progress	1,091.3	1,524.0	450.0	450.0
Intangible assets under devel.	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	1,261.8	1,457.9
<b>Current Assets, Loans &amp; Advances</b>				
Current Investments	0.0	279.0	279.0	279.0
Inventories	1,571.3	1,820.0	1,474.1	1,703.7
Sundry Debtors	844.6	1,197.0	1,031.8	1,192.6
Cash and Bank	31.5	55.0	1,114.7	1,641.6
Loans and Advances	27.3	25.0	25.0	25.0
Other Current assets	928.9	907.0	1,030.2	1,190.7
Current Assets	3,403.6	4,283.0	4,954.7	6,032.6
<b>Total Assets</b>	<b>9,234.1</b>	<b>10,609.0</b>	<b>13,235.9</b>	<b>14,806.9</b>

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios				
Year end March	FY24E	FY25E	FY26E	FY27E
<b>Per share data (₹)</b>				
Adj. EPS	39.6	47.5	68.1	85.1
Adj. Cash EPS	65.6	81.8	110.0	134.6
BV	540.2	558.1	624.2	707.3
DPS	2.0	2.0	2.0	2.0
<b>Operating Ratios (%)</b>				
Gross Margin (%)	66.0	68.0	69.0	69.0
EBITDA Margin (%)	21.2	24.0	28.5	29.5
PAT Margin (%)	10.2	10.8	13.5	14.7
Debtor Days	72	70	70	70
Inventory Days	134	115	100	100
Creditor Days	44	50	60	60
Cash Conversion Cycle	162	135	110	110
<b>Return Ratios (%)</b>				
Return on Assets (%)	4.7	5.2	6.1	6.7
RoCE (%)	10.8	11.7	13.1	13.5
Core RoIC (%)	7.8	8.9	12.2	13.8
RoE (%)	7.3	8.5	10.9	12.0
<b>Solvency Ratios</b>				
Total Debt / Equity	0.4	0.4	0.4	0.3
Net Debt / EBITDA	2.3	2.3	1.5	1.0
Interest Coverage	5.5	5.3	6.4	7.6
Current Ratio	1.4	1.4	1.4	1.6
Quick Ratio	0.7	0.8	0.9	1.1
<b>Valuation Ratios (x)</b>				
EV/EBITDA	45.3	35.9	26.2	21.8
P/E	89.7	74.7	52.1	41.7
P/B	6.6	6.4	5.7	5.0
EV/Sales	9.6	8.6	7.5	6.4

Source: Company, ICICI Direct Research

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