

GFL conducted an analyst meet, which was represented by Chairman Vivek Jain, Executive Director Devansh Jain, and Dy MD and CEO Dr Bir Kapoor. GFL highlighted its growth plans at the group level under InoxGFL group which include the chemicals and wind energy businesses. Management expects the group's EBITDA to quadruple over coming 3 years led by ramp up in both, battery chemicals and renewable energy businesses. GFL's fluoropolymers business is currently subdued due to macro challenges, with the mgmt working toward developing and establishing higher grades. In the battery chemicals vertical, GFL targets offering a broader portfolio of salts, additives, electrolytes, and binders. We await further updates on funding rounds in the GFCL EV entity. We keep our estimates unchanged, and maintain SELL with TP of Rs3,800.

### Gujarat Fluorochemicals: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	56,220	40,222	48,131	55,502	60,863
EBITDA	19,708	8,322	11,461	13,406	14,964
Adj. PAT	13,556	4,187	6,133	7,362	8,500
Adj. EPS (Rs)	123.4	38.1	55.8	67.0	77.3
EBITDA margin (%)	35.1	20.7	23.8	24.2	24.6
EBITDA growth (%)	69.5	(57.8)	37.7	17.0	11.6
Adj. EPS growth (%)	75.2	(69.1)	46.4	20.0	15.4
RoE (%)	27.8	7.3	9.9	10.7	11.1
RoIC (%)	24.2	7.2	9.4	9.8	10.4
P/E (x)	32.8	106.0	72.4	60.3	52.3
EV/EBITDA (x)	23.2	55.5	40.0	34.1	30.2
P/B (x)	8.0	7.5	6.8	6.1	5.5
FCFF yield (%)	(0.3)	(0.7)	0.8	0.5	1.0

Source: Company, Emkay Research

### Battery Chemicals – Valuation already in the price

Battery Chemicals vertical is likely to overtake Fluoropolymers in terms of revenue share, over the next few years (~55% by FY30E). The company focuses on being a partner with battery manufacturers outside the Chinese supply chain and to gain an early mover advantage for receiving long-term qualification for its products. GFF's EV business is bifurcated into 3 verticals, viz electrolytes (salts LiPF6, NaPF6; formulations, additives), binders (PVDF, PTFE), and cathode active material (LFP). This set of products shall cater to ~50% of the LFP cell cost. Except for CAM, all products are agnostic to LFP and NMC batteries. LFP batteries are relatively lower in cost vs NMC batteries. LFP remains the preferred choice in the energy storage segment. GFL's LFP plant would be commissioned by the end of Dec-24 and be ready for commercial production by Mar-25. The company plans adding 30KT of salt capacity and 200KT of LFP capacity by FY30 which is largely factored into the 2x asset turn, on capex guidance of Rs60bn by the company. We build in Rs180bn of valuation, adjusting for the 96% stake and 25% holdco discount.

### Fluoropolymers – GFL focusing on value-added grades

GFL re-affirmed its stance on significant the growth potential in Fluoropolymers, led by EVs, semi-conductor application, solar panel, hydrogen fuels, etc and by its focus on value-added grades where China neglects US/EU customers due to limited volume. GFL stressed on the FKM demand increasing, led by ethanol blending needs of 20% from CY25 onward, as NBR is unlikely to be able to meet related requirements. The management is confident of utilizing existing/debottlenecked capacities and garnering ~20% share of 3M's revenue (on its closure in CY25). Mgmt stated 3M's customers have built 3-4 months of inventory, with market share gains to start by FY26.

### Capex funding to be a mix of equity and internal accruals

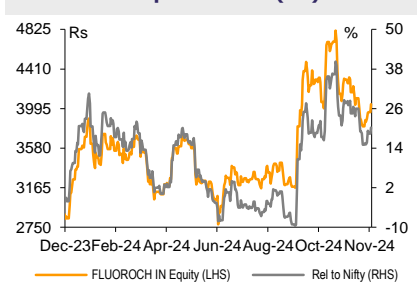
Mgmt guided to Rs60bn FY24-26 capex. GFL has sufficient land at Jolva, Gujarat; has purchased new land in Dahej-C; plans overseas manufacture of LFP, as it has FTA with USA. It is looking at next fundraise round, with investment from PE and sovereign funds.

Target Price – 12M	Sep-25
Change in TP (%)	-
Current Reco.	SELL
Previous Reco.	SELL
Upside/(Downside) (%)	(6.0)
CMP (02-Dec-24) (Rs)	4,042.0

Stock Data	Ticker
52-week High (Rs)	4,881
52-week Low (Rs)	2,476
Shares outstanding (mn)	109.9
Market-cap (Rs bn)	444
Market-cap (USD mn)	5,242
Net-debt, FY25E (Rs mn)	14,599
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	1,339.4
ADTV-3M (USD mn)	15.8
Free float (%)	-
Nifty-50	24,276
INR/USD	84.7
<b>Shareholding, Sep-24</b>	
Promoters (%)	62.6
FPIs/MFs (%)	4.9/9.6

Price Performance			
(%)	1M	3M	12M
Absolute	(6.0)	27.2	41.8
Rel. to Nifty	(5.9)	32.4	18.4

### 1-Year share price trend (Rs)



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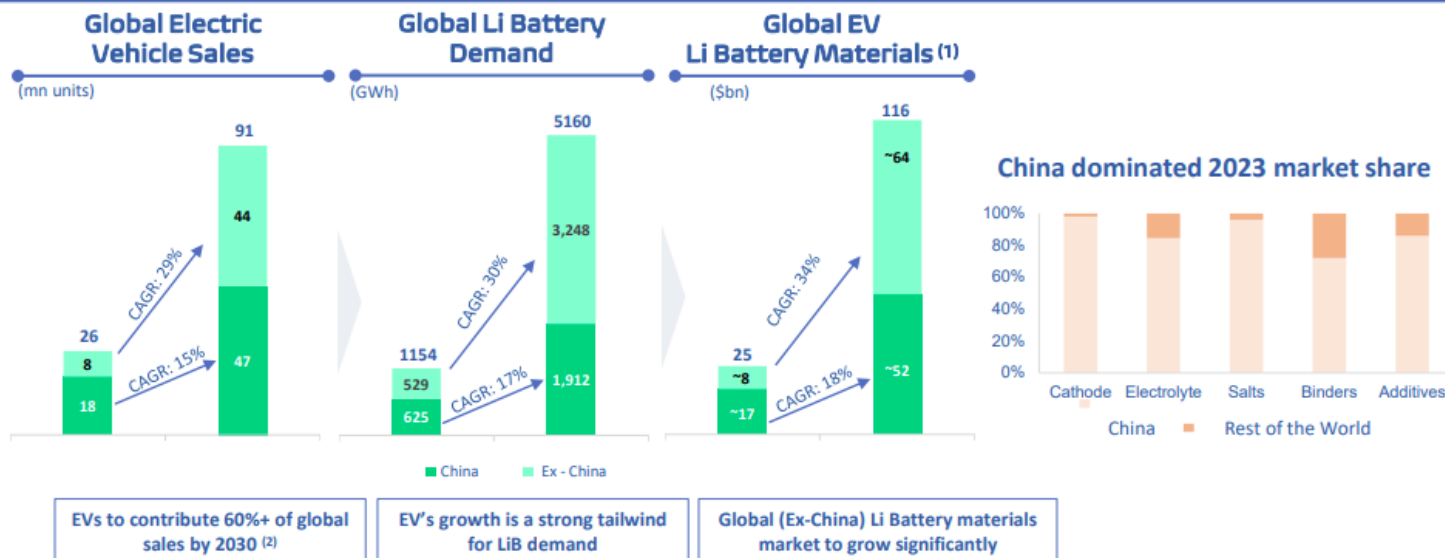
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Exhibit 1: Battery chemicals application – Market size

### GFL – EV/ESS BATTERY MATERIALS VERTICAL

Market share of ex-China players to increase significantly over the next few years with regulations and China+1 strategy across the globe



EVs to contribute 60%+ of global sales by 2030 <sup>(2)</sup>

EV's growth is a strong tailwind for LiB demand

Global (Ex-China) Li Battery materials market to grow significantly

Strong double digit CAGR growth in battery materials demand buoyed by EV sales growth over the next decade

Source: Secondary research, KPMG analysis. Note: 1. The global EV battery materials market includes the following products – LFP CAM, LMPF CAM, LiPF<sub>6</sub>, LiFSI, Binders, VC, FEC & HPMSM. 2. For US, Europe and China.

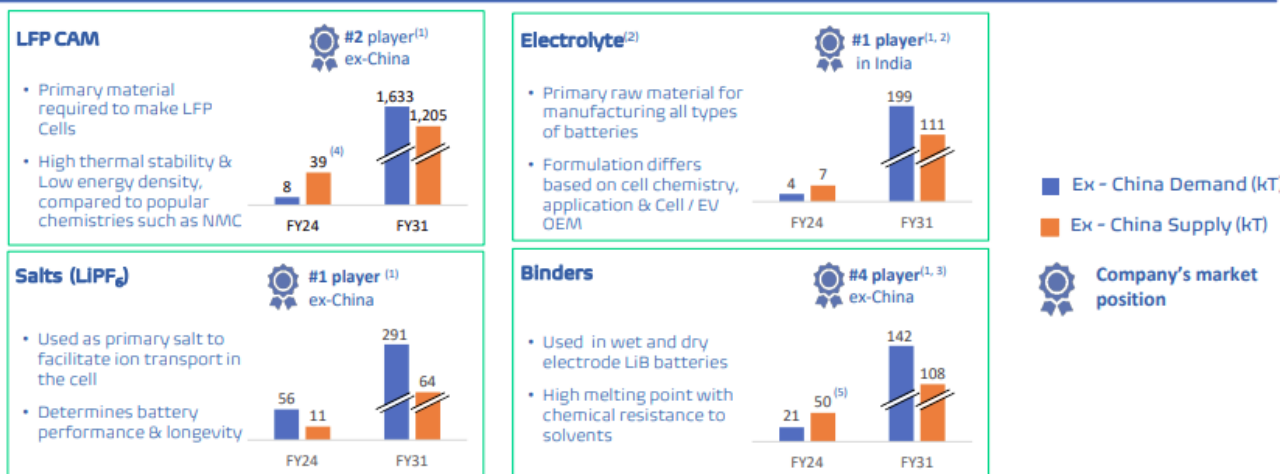


Source: Company Presentation, Emkay Research

Exhibit 2: Battery chemicals, ex-China demand-supply

### GFL – EV/ESS BATTERY MATERIALS VERTICAL

#### POTENTIAL TO BE A LEADER AROSS SEGMENTS



#### Barriers to Entry

- ✓ Extended development lead times & customer qualification & testing periods
- ✓ Significant upfront Capex as OEMs only qualify samples from commercial plants
- ✓ Backward integration is essential to avoid dependence on Chinese supply chain
- ✓ Long lead time to obtain regulatory approvals to manufacture AHF (A key raw material)

Source: KPMG analysis. Note: 1. For FY26E. 2. India is the serviceable market for electrolytes due to limited shelf life. 3. For PVDF, the demand and capacity include non-battery grade PVDF. 4. Includes 30kT of Chinese player's (Lopal) capacity in Indonesia. Excluding Lopal, demand and supply will be similar 5. Include Non Battery Grade supply



Source: Company Presentation, Emkay Research

## Valuation Methodology

We have changed our valuation method, from relative valuation to sum-of-the-parts method, as we now have visibility on the valuation of the GFCL EV business entity. GFL raised Rs10bn at a market valuation of Rs250bn (4% dilution). We value the core business (standalone) at 30x Sep-26E, and the GFCL EV business entity at 96% after providing 25% holding company discount. We believe that the core business is overvalued at 35x Sep-26E EPS owing to reduced growth visibility after FY26E, sub-par RoCEs (12-14%), and shift in focus to EV business.

### Exhibit 3: Gujarat Fluorochemicals – Sum-of-the-parts valuation

(Rs mn)	FY26E	FY27E
Standalone Business PAT	7,362	8,500
Target PER (x)	30	30
Market Value Capitalization	220,874	254,988
<b>Attributable Market Value (A)</b>		<b>237,931</b>
GFCL EV business enterprise value		<b>250,000</b>
Less: Holding Company Discount		25%
Stake of holding company		96%
<b>Attributable Market Value (B)</b>		<b>180,000</b>
<b>Total Market Capitalization (A) + (B)</b>		<b>417,931</b>
No of shares outstanding (mn)		109.9
<b>Target Price for Sep-25E (Rs)</b>		<b>3,800</b>

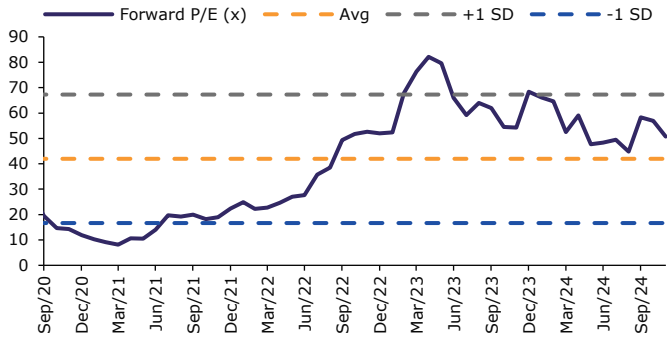
Source: Emkay Research

### Exhibit 4: Specialty Chemicals companies – A comparison of peer valuations

Peers (Domestic)	Ratings	P/E (x)			EV/E (x)			RoE (%)		
		FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
SRF	ADD	51	33	26	26	20	16	11	15	17
PI Industries	REDUCE	34	33	30	24	22	20	19	17	16
Deepak Nitrite	REDUCE	72	60	52	41	35	31	10	11	11
Gujarat Fluorochemicals*	SELL	47	36	33	32	32	25	16	18	17
Aarti Industries	BUY	45	32	21	19	15	11	7	9	12
Navin Fluorine International	REDUCE	56	40	34	36	26	22	13	16	16
Clean Science & Technology	BUY	71	40	24	29	20	14	4	7	11
Anupam Rasayan India*	ADD	28	22	17	14	12	9	23	23	24
Epigral	BUY	9	9	8	6	6	7	19	17	16
GHCL	NR	38	26	23	15	12	11	3	5	6
Tata Chemicals	NR	42	32	27	22	18	16	10	11	13
Atul	NR	49	38	33	33	26	22	16	18	18
Vinati Organics	NR	48	37	28	33	26	20	21	24	25
Fine Organic Industries	NR	35	33	29	26	24	21	21	20	19
Aether Industries	NR	N/A	54	34	45	32	21	7	10	13
Jubilant Ingrevia	NR	49	36	29	24	19	16	9	11	13
Archean Chemical Industries	NR	29	19	13	18	12	9	16	21	23
Deepak Fertilisers & Petrochem	NR	19	17	13	10	9	8	15	15	17
Laxmi Organic Industries	NR	48	37	27	23	18	14	9	10	12
Sudarshan Chemical Industries	NR	39	29	21	19	14	12	15	20	21
Neogen Chemicals	NR	97	61	38	41	27	16	7	11	15

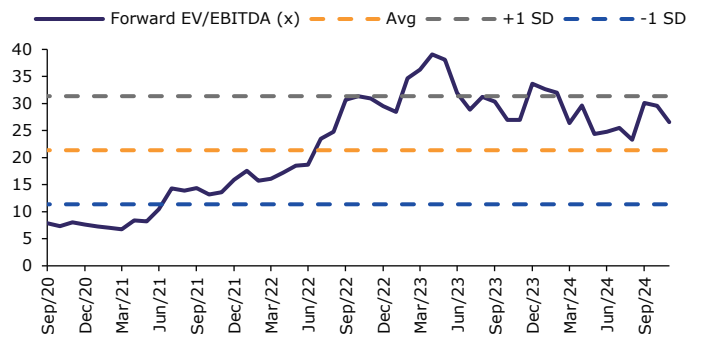
Source: Bloomberg, Emkay Research; Note: \*Standalone

Exhibit 5: One-year forward P/E



Source: Bloomberg, Emkay Research

Exhibit 6: One-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

## Gujarat Fluorochemicals: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>56,220</b>	<b>40,222</b>	<b>48,131</b>	<b>55,502</b>	<b>60,863</b>
Revenue growth (%)	47.4	(28.5)	19.7	15.3	9.7
<b>EBITDA</b>	<b>19,708</b>	<b>8,322</b>	<b>11,461</b>	<b>13,406</b>	<b>14,964</b>
EBITDA growth (%)	69.5	(57.8)	37.7	17.0	11.6
Depreciation & Amortization	2,181	2,592	3,174	3,686	3,992
<b>EBIT</b>	<b>17,527</b>	<b>5,730</b>	<b>8,287</b>	<b>9,720</b>	<b>10,972</b>
EBIT growth (%)	79.9	(67.3)	44.6	17.3	12.9
Other operating income	0	0	0	0	0
Other income	1,811	1,139	1,253	1,253	1,253
Financial expense	1,150	1,284	1,361	1,154	889
<b>PBT</b>	<b>18,188</b>	<b>5,585</b>	<b>8,179</b>	<b>9,819</b>	<b>11,336</b>
Extraordinary items	0	0	0	0	0
Taxes	4,632	1,397	2,046	2,457	2,836
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>13,556</b>	<b>4,187</b>	<b>6,133</b>	<b>7,362</b>	<b>8,500</b>
PAT growth (%)	75.1	(69.1)	46.5	20.0	15.4
<b>Adjusted PAT</b>	<b>13,556</b>	<b>4,187</b>	<b>6,133</b>	<b>7,362</b>	<b>8,500</b>
<b>Diluted EPS (Rs)</b>	<b>123.4</b>	<b>38.1</b>	<b>55.8</b>	<b>67.0</b>	<b>77.3</b>
Diluted EPS growth (%)	75.2	(69.1)	46.4	20.0	15.4
<b>DPS (Rs)</b>	<b>4.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
<b>Dividend payout (%)</b>	<b>3.2</b>	<b>5.2</b>	<b>3.6</b>	<b>3.0</b>	<b>2.6</b>
EBITDA margin (%)	35.1	20.7	23.8	24.2	24.6
EBIT margin (%)	31.2	14.2	17.2	17.5	18.0
Effective tax rate (%)	25.5	25.0	25.0	25.0	25.0
<b>NOPLAT (pre-IndAS)</b>	<b>13,064</b>	<b>4,296</b>	<b>6,214</b>	<b>7,288</b>	<b>8,227</b>
Shares outstanding (mn)	109.9	109.9	109.9	109.9	109.9

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	18,188	5,585	8,179	9,819	11,336
Others (non-cash items)	0	0	0	0	0
Taxes paid	(4,462)	(1,786)	(2,046)	(2,457)	(2,836)
Change in NWC	(719)	1,974	(592)	(3,707)	(2,696)
<b>Operating cash flow</b>	<b>7,865</b>	<b>6,579</b>	<b>8,822</b>	<b>7,243</b>	<b>9,432</b>
Capital expenditure	(9,331)	(9,870)	(5,000)	(5,000)	(5,000)
Acquisition of business	(4,105)	(3,932)	0	0	0
Interest & dividend income	1,811	1,139	1,253	1,253	1,253
<b>Investing cash flow</b>	<b>(5,335)</b>	<b>(10,287)</b>	<b>(3,747)</b>	<b>(3,747)</b>	<b>(3,747)</b>
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(832)	5,328	(3,262)	(2,279)	(4,808)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(1,150)	(1,284)	(1,361)	(1,154)	(889)
Dividend paid (incl tax)	(439)	(220)	(220)	(220)	(220)
Others	(176)	(106)	0	0	0
<b>Financing cash flow</b>	<b>(2,597)</b>	<b>3,718</b>	<b>(4,843)</b>	<b>(3,653)</b>	<b>(5,917)</b>
Net chg in Cash	(67)	10	232	(157)	(232)
OCF	7,865	6,579	8,822	7,243	9,432
Adj. OCF (w/o NWC chg.)	7,146	8,552	8,230	3,536	6,736
FCFF	(1,466)	(3,292)	3,822	2,243	4,432
FCFE	(806)	(3,437)	3,714	2,341	4,795
OCF/EBITDA (%)	39.9	79.1	77.0	54.0	63.0
FCFE/PAT (%)	(5.9)	(82.1)	60.6	31.8	56.4
<b>FCFF/NOPLAT (%)</b>	<b>(11.2)</b>	<b>(76.6)</b>	<b>61.5</b>	<b>30.8</b>	<b>53.9</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	110	110	110	110	110
Reserves & Surplus	55,167	59,117	65,030	72,173	80,453
<b>Net worth</b>	<b>55,276</b>	<b>59,227</b>	<b>65,140</b>	<b>72,283</b>	<b>80,563</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	2,763	2,952	2,952	2,952	2,952
<b>Total debt</b>	<b>14,525</b>	<b>19,854</b>	<b>16,592</b>	<b>14,313</b>	<b>9,505</b>
<b>Total liabilities &amp; equity</b>	<b>72,565</b>	<b>82,033</b>	<b>84,684</b>	<b>89,548</b>	<b>93,020</b>
Net tangible fixed assets	29,097	35,026	44,245	46,559	47,567
Net intangible assets	0	0	0	0	0
Net ROU assets	971	999	999	999	999
Capital WIP	8,071	9,393	2,000	1,000	1,000
Goodwill	0	0	0	0	0
Investments [JV/Associates]	5,572	9,503	9,503	9,503	9,503
<b>Cash &amp; equivalents</b>	<b>1,450</b>	<b>1,760</b>	<b>1,993</b>	<b>1,836</b>	<b>1,603</b>
Current assets (ex-cash)	37,328	34,683	36,897	42,193	46,044
Current Liab. & Prov.	10,191	9,331	10,952	12,541	13,697
<b>NWC (ex-cash)</b>	<b>27,136</b>	<b>25,352</b>	<b>25,945</b>	<b>29,651</b>	<b>32,347</b>
<b>Total assets</b>	<b>72,298</b>	<b>82,033</b>	<b>84,684</b>	<b>89,548</b>	<b>93,020</b>
Net debt	13,075	18,093	14,599	12,477	7,902
Capital employed	72,565	82,033	84,684	89,548	93,020
<b>Invested capital</b>	<b>57,205</b>	<b>61,377</b>	<b>71,188</b>	<b>77,209</b>	<b>80,914</b>
BVPS (Rs)	503.2	539.2	592.7	657.7	733.1
Net Debt/Equity (x)	0.2	0.3	0.2	0.2	0.1
Net Debt/EBITDA (x)	0.7	2.2	1.3	0.9	0.5
Interest coverage (x)	0.1	0.2	0.1	0.1	0.1
<b>RoCE (%)</b>	<b>29.1</b>	<b>8.9</b>	<b>11.4</b>	<b>12.6</b>	<b>13.4</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	32.8	106.0	72.4	60.3	52.3
P/CE(x)	28.9	67.2	49.0	41.2	36.5
P/B (x)	8.0	7.5	6.8	6.1	5.5
EV/Sales (x)	8.1	11.5	9.5	8.2	7.4
EV/EBITDA (x)	23.2	55.5	40.0	34.1	30.2
EV/EBIT(x)	26.7	82.6	56.7	48.2	42.2
EV/IC (x)	8.2	7.7	6.6	6.1	5.7
FCFF yield (%)	(0.3)	(0.7)	0.8	0.5	1.0
FCFE yield (%)	(0.2)	(0.8)	0.8	0.5	1.1
Dividend yield (%)	0.1	0.0	0.0	0.0	0.0
<b>DuPont-RoE split</b>					
Net profit margin (%)	24.1	10.4	12.7	13.3	14.0
Total asset turnover (x)	0.8	0.5	0.6	0.6	0.7
Assets/Equity (x)	1.4	1.4	1.3	1.3	1.2
<b>RoE (%)</b>	<b>27.8</b>	<b>7.3</b>	<b>9.9</b>	<b>10.7</b>	<b>11.1</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	23.2	10.7	12.9	13.1	13.5
IC turnover (x)	1.0	0.7	0.7	0.7	0.8
<b>RoIC (%)</b>	<b>24.2</b>	<b>7.2</b>	<b>9.4</b>	<b>9.8</b>	<b>10.4</b>
<b>Operating metrics</b>					
Core NWC days	176.2	230.1	196.8	195.0	194.0
<b>Total NWC days</b>	<b>176.2</b>	<b>230.1</b>	<b>196.8</b>	<b>195.0</b>	<b>194.0</b>
Fixed asset turnover	1.4	0.8	0.8	0.8	0.8
Opex-to-revenue (%)	36.6	44.3	42.2	42.2	42.6

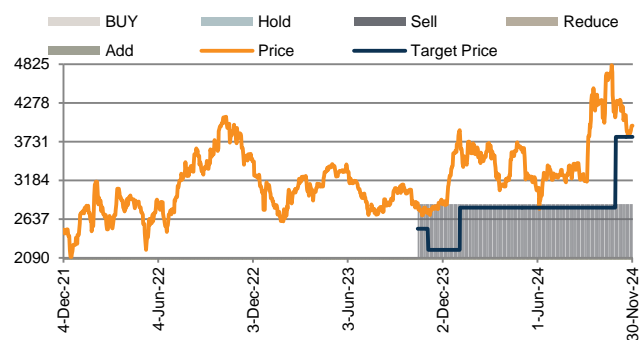
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
29-Oct-24	4,145	3,800	Sell	Meet Vora
27-Aug-24	3,270	2,800	Sell	Meet Vora
13-Aug-24	3,330	2,800	Sell	Meet Vora
14-Jul-24	3,255	2,800	Sell	Meet Vora
07-Jun-24	2,973	2,800	Sell	Meet Vora
07-May-24	3,509	2,800	Sell	Meet Vora
07-Apr-24	3,186	2,800	Sell	Meet Vora
26-Feb-24	3,698	2,800	Sell	Meet Vora
08-Feb-24	3,508	2,800	Sell	Meet Vora
04-Jan-24	3,825	2,800	Sell	Meet Vora
30-Nov-23	2,851	2,200	Sell	Meet Vora
22-Nov-23	2,785	2,200	Sell	Meet Vora
04-Nov-23	2,765	2,200	Sell	Meet Vora
15-Oct-23	2,861	2,500	Sell	Meet Vora

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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