

GFL's Q4 EBITDA fell 54% YoY to Rs2.4bn (+15% QoQ) on sluggish performance in the bulk and fluorochemicals businesses. Fluoropolymers business is seeing sequential recovery in volumes on a lower base. Management expects to report FY25E EBITDA at Rs18-19bn, which we believe is farfetched; we factor-in ~Rs14bn in our estimates. FY25 outlook too remains subdued on flattish guidance for the bulk and fluorochemicals businesses YoY, driven by steady realizations in bulk chemicals and duty cuts in ref gases in US. Though the fluoropolymers business is recovering, contribution from battery chemicals is still some time away. We believe possible ramp-up in the battery chemicals business has already been factored into the CMP. We cut FY25E/26E earnings by 10%/9% to factor in the sluggish fluorochemicals business outlook. We retain SELL and TP of Rs2,800 (rollover basis, at 30x Mar-26E EPS).

Gujarat Fluorochemicals: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	39,536	56,847	42,808	53,492	72,285
EBITDA	11,685	19,653	9,548	13,659	19,925
Adj. PAT	7,759	13,230	4,349	6,479	10,282
Adj. EPS (Rs)	70.6	120.4	39.6	59.0	93.6
EBITDA margin (%)	29.6	34.6	22.3	25.5	27.6
EBITDA growth (%)	96.1	68.2	(51.4)	43.1	45.9
Adj. EPS growth (%)	0.0	70.5	(67.1)	49.0	58.7
RoE (%)	20.0	27.1	7.6	10.4	14.6
RoIC (%)	13.9	22.5	7.4	9.6	12.7
P/E (x)	51.5	30.2	91.9	61.7	38.9
EV/EBITDA (x)	35.5	21.1	43.9	31.1	21.6
P/B (x)	9.4	7.2	6.7	6.1	5.3
FCFF yield (%)	0.3	(1.4)	(1.9)	(1.0)	(0.9)

Source: Company, Emkay Research

Fluoropolymers business headwinds are passing by, with green shoots in sight

GFL's fluoropolymers business declined 11% YoY to Rs6.5bn (+18% QoQ) on improved volumes in advanced grades, whereas pricing was stable. Management expects to fare better in FY25, on gradual unwinding of the destocking phenomena, and expects positive effect from the exit of legacy players in FY25. GFL has planned capex of Rs5bn in new fluoropolymers in FY25, to create sufficient capacities for growth over the next few quarters. We believe ramp-up in this capacity will take 1.5-2 years to be completely utilized, depending on the grades getting qualified at the customer-end. VCM to VDC plan is kept on hold due to subdued R142b prices.

Fluorochemicals and bulk chemicals businesses to uphold FY24 levels

GFL's fluorochemicals business fell 37% YoY to Rs3bn (+23% QoQ on a lower base). Ref gas volumes picked up in Q4, on higher R410a export sales; however, pricing is still under pressure. Duty cuts on ref gases in US are likely to further pressurize prices. The specialty chemical vertical remained subdued in Q4 due to low-cost imports from China which are impacting both, revenue and margins (products are commoditized building blocks). The bulk chemicals segment declined 26% YoY to Rs1.8bn (flat QoQ) due to lower realizations and higher volumes (plant running at full capacity). Caustic soda/MDC prices witnessed an upmove in early April, while remaining subdued in Q4.

Battery chemicals still a FY27 & beyond story

GFL's EV subsidiary announced capex plan of Rs60bn over the next 4-5 years, of which Rs8bn has been invested till date; Company has planned capex of another Rs8bn in FY25. The company targets raising Rs8bn in coming months, and has appointed an investment banker to identify potential investors, also keeping open other alternatives. GFL expects 2x asset turns along with 25% EBITDA margin in this business. Commercial sales of LiPF6 will start from H2FY25, following customer approvals. However, we have modelled-in capex to be funded through debt, till we get clear visibility and guidance.

Target Price – 12M	Mar-25
Change in TP (%)	-
Current Reco.	SELL
Previous Reco.	SELL
Upside/(Downside) (%)	(23.0)
CMP (06-May-24) (Rs)	3,638.1

Stock Data	Ticker
52-week High (Rs)	3,920
52-week Low (Rs)	2,537
Shares outstanding (mn)	109.9
Market-cap (Rs bn)	400
Market-cap (USD mn)	4,786
Net-debt, FY25E (Rs mn)	25,220
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	395.4
ADTV-3M (USD mn)	4.7
Free float (%)	-
Nifty-50	22,443
INR/USD	83.5
Shareholding, Mar-24	
Promoters (%)	63.8
FPIs/MFs (%)	4.5/8.8

Price Performance

(%)	1M	3M	12M
Absolute	14.2	(0.3)	7.2
Rel. to Nifty	14.6	(2.5)	(13.7)

1-Year share price trend (Rs)



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Other Highlights

Fluoropolymers business

- GFL witnessed improved volumes in advanced material segments and grades, as they were not impacted by Chinese dumping. This resulted in a better QoQ performance. However, granular grade still faces pricing pressure on Chinese dumping.
- Legacy players have not added additional fluoropolymer capacities, and they plan to exit by CY25 which shall provide an additional tailwind to non-Chinese entities.
- Several grades of battery PVDF films (largely emulsion grade) have been developed and will be a part of the subsidiary. The samples have been sent for electrochemical testing and the company is engaging with multiple customers. Product qualification will require multiple stages of approval, which may take 6-12 months.
- GFL is supplying PFA to various customers into semi-conductor applications. Also, the company is doing R&D to upgrade its product to higher grades and segments.
- The company is optimistic about better volumes going forward, with completion and phasing out of the destocking phenomena. Green shoots have been largely identified in PTFE and PFA in their new age applications.

Fluorochemicals business

- Prices for all ref. gases have corrected sharply after the upcycle, and have been relatively stable as of end-Q4. Moreover, volumes have picked up during the quarter, but pricing is still subdued.
- GFL expects the FY25 performance to be similar to that in FY24, and duty cuts could lead to further pricing correction.
- The refrigerant gas segment is facing multiple headwinds like duty cut in the US market and phasing out of the R22 quota over time, with quota determination overhang for Indian manufacturers.
- Fluorospecialties segment continues to be sluggish and facing lower cost imports, and would continue to face pressure in revenue and margin.

Bulk Chemicals

- Plant was running at optimum utilization during Q4 and is expected to run at the current utilization rate in FY25. Though prices remained subdued, GFL believes these have bottomed out and there is only room for improvement in realizations over subsequent quarters, on the back of demand recovery.
- Prices for caustic soda saw a short blip in early April and have now subsided. Q4 prices were at almost similar levels as in Q3.

Battery Chemicals

- GFL has already invested Rs8bn in its subsidiary as of Mar-24, and has further guided for capex of Rs8bn in FY25, Rs1.5bn in FY26, and Rs2.8bn in subsequent years (total Rs6.0bn).
- Management has appointed an investment banker to raise Rs8bn and is inviting climate/ESG-focused private equity on board. This would take a couple of months to be finalized, although Mgmt is open to other alternatives too, to fund capex.
- LiPF6 is in the sampling phase, with revenue set to flow in from H2FY25. It will be sold to electrolyte manufacturers initially. Management is in touch with domestic as well as international beneficiaries for sampling and product qualification, and will have a validation period of 3-6 months.
- Management has reiterated its guidance of 2x asset turnover, with EBITDA margin of 25%, in line with the business.

Exhibit 1: Result update

P&L (Rs mn)	Reported					Emkay Est.		Full Year		
	Q4FY23	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	Q4FY24 vs. Est. (%)		FY24	FY23	YoY (%)
Net revenue	14,714	9,917	11,330	-23	14	10,276	10	42,808	56,847	-25
Raw Material cost	(4,109)	(3,569)	(3,927)	-4	10	(3,700)	6	(14,533)	(15,705)	-7
Gross Profit	10,606	6,348	7,403	-30	17	6,577	13	28,275	41,141	-31
Gross margin (%)	72.1	64.0	65.3	-674 bps	132 bps	64.0	133 bps	66.0	72.4	-633 bps
Employee cost	(847)	(833)	(880)	4	6	(853)	3	(3,504)	(3,221)	9
Other overheads	(4,613)	(3,453)	(4,148)	-10	20	(3,597)	15	(15,223)	(18,267)	-17
Total expenses	(9,568)	(7,855)	(8,955)	-6	14	(8,149)	10	(33,261)	(37,194)	-11
EBITDA	5,146	2,062	2,376	-54	15	2,127	12	9,548	19,653	-51
EBITDA margin (%)	35.0	20.8	21.0	-1401 bps	17 bps	20.7	26 bps	22.3	34.6	-1227 bps
Other income	333	132	183	-45	39	160	14	595	1,723	-65
Interest	(348)	(372)	(337)	-3	-10	(380)	-11	(1,331)	(1,168)	14
Depreciation	(638)	(719)	(812)	27	13	(733)	11	(2,861)	(2,361)	21
Exceptional Items	-	-	-	-	-	-	-	-	-	-
PBT	4,493	1,103	1,410	-69	28	1,174	20	5,951	17,848	-67
Tax	(1,174)	(302)	(401)	-66	33	(323)	24	(1,601)	(4,617)	-65
Share of Associates Profit	-	-	-	-	-	-	-	-	-	-
Adj. PAT	3,319	801	1,010	-70	26	851	19	4,350	13,231	-67
Exceptional Items	-	-	-	-	-	-	-	-	-	-
Reported PAT	3,319	801	1,010	-70	26	851	19	4,350	13,231	-67
EPS (Rs)	30.2	7.3	9.2	-70	26	7.7	19	39.6	120.9	-67
Costs as a % of sales (%)										
Material cost	27.9	36.0	34.7	673 bps	-133 bps	36.0	-134 bps	34.0	27.6	632 bps
Employee cost	5.8	8.4	7.8	200 bps	-64 bps	8.3	-54 bps	8.2	5.7	251 bps
Other overheads	31.3	34.8	36.6	526 bps	179 bps	35.0	160 bps	35.6	32.1	342 bps
Income tax rate	26.1	27.4	28.4	227 bps	103 bps	27.5	90 bps	26.9	25.9	103 bps

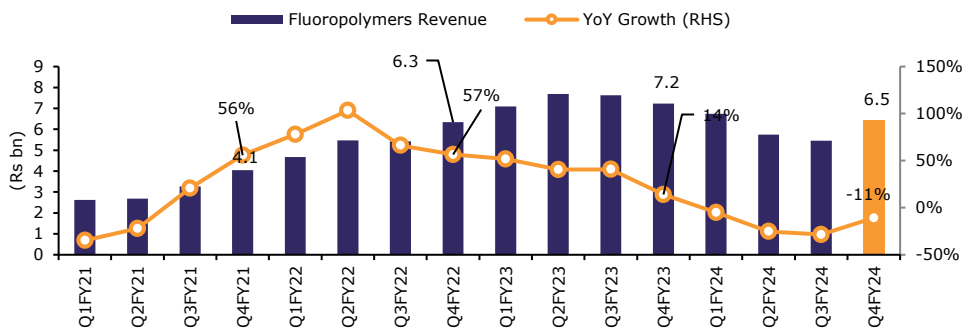
Source: Company, Emkay Research

Exhibit 2: Segmental highlights

Segmental Highlights (Rs mn)	Quarter ended					Full Year		
	Q4FY23	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Segmental Revenue								
Bulk Chemicals	2,370	1,780	1,760	-26	-1	6,910	10,870	-36
Fluorochemicals	4,760	2,460	3,020	-37	23	10,640	15,320	-31
Fluoropolymers	7,230	5,450	6,450	-11	18	24,380	29,650	-18
Others	354	227	100	-72	-56	878	1,007	-13
Total	14,714	9,917	11,330	-23	14	42,808	56,847	-25
Segmental mix								
Bulk Chemicals	16%	18%	16%			16%	19%	
Fluorochemicals	32%	25%	27%			25%	27%	
Fluoropolymers	49%	55%	57%			57%	52%	
Others	2%	2%	1%			2%	2%	
Total	100%	100%	100%			100%	100%	

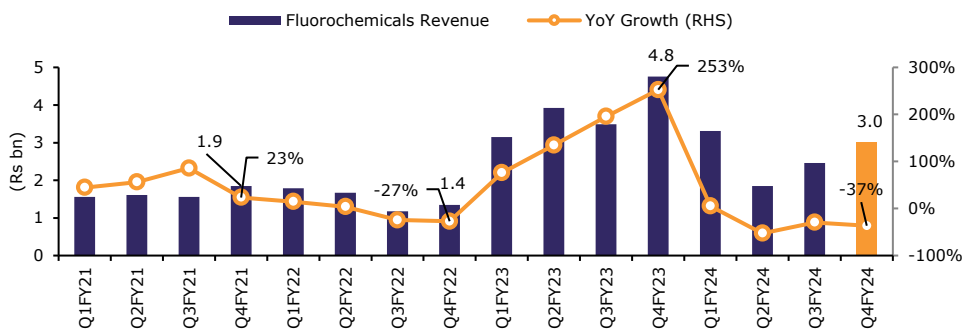
Source: Company, Emkay Research

Exhibit 3: Fluoropolymers business revenue declined 11% YoY to Rs6.5bn, on lower realizations



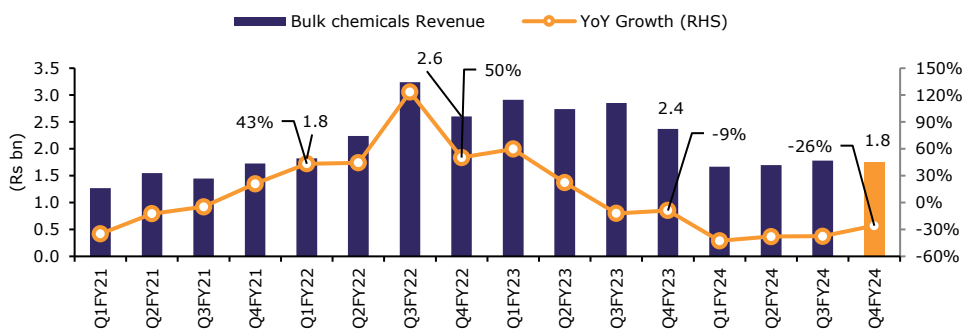
Source: Company, Emkay Research

Exhibit 4: Fluorochemicals business revenue declined 37% YoY to Rs3bn, on muted Rs125 sales



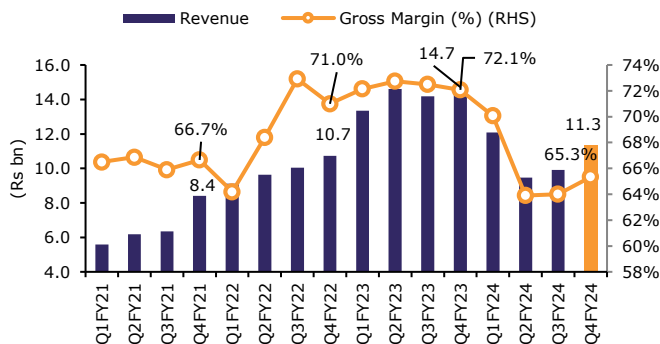
Source: Company, Emkay Research

Exhibit 5: Bulk Chemicals revenue declined 26% YoY due to normalization in pricing



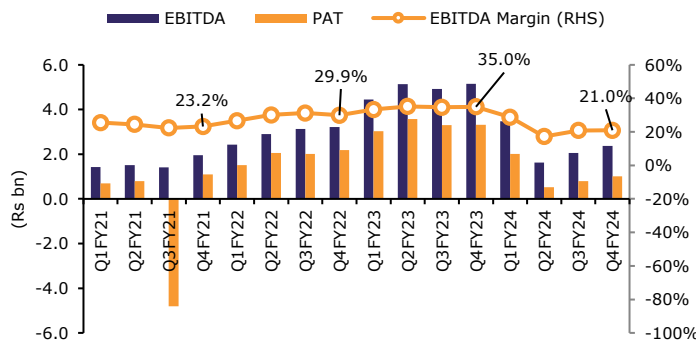
Source: Company, Emkay Research

Exhibit 6: Gross margin declined to 65.3% (72% YoY; 64% QoQ)



Source: Company, Emkay Research

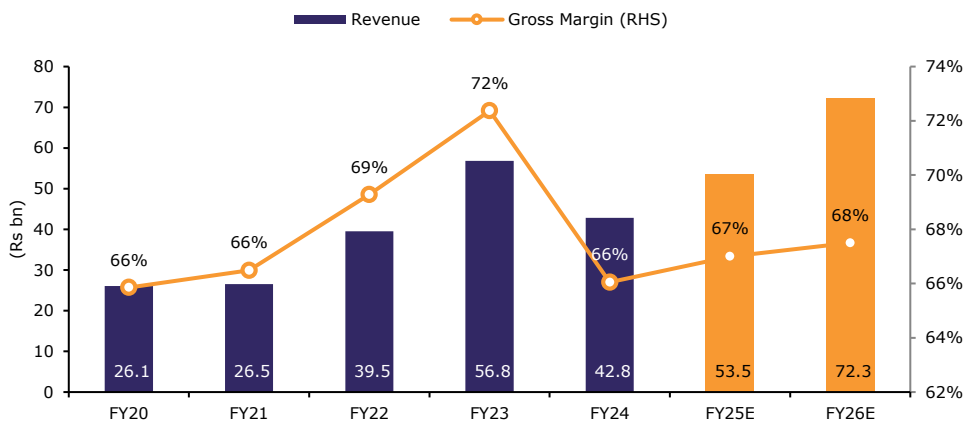
Exhibit 7: EBITDA margin declined to 21% (35% YoY; 21% QoQ)



Source: Company, Emkay Research

Exhibit 8: Revenue to gradually recover FY25 onward, on recovery in fluoropolymers

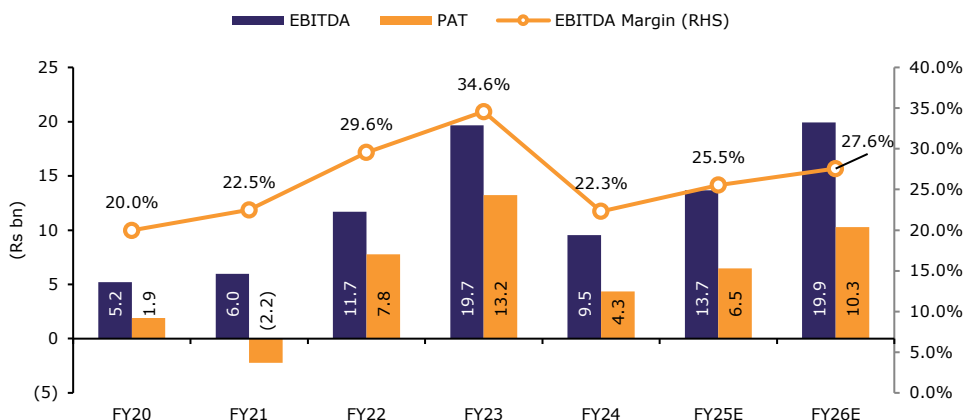
Overall business growth will be dependent on ramping up of new fluoropolymer capacities and commercial sales of the LiPF6 plant in H2FY25



Source: Company, Emkay Research

Exhibit 9: Focus will be on achieving higher operating leverage

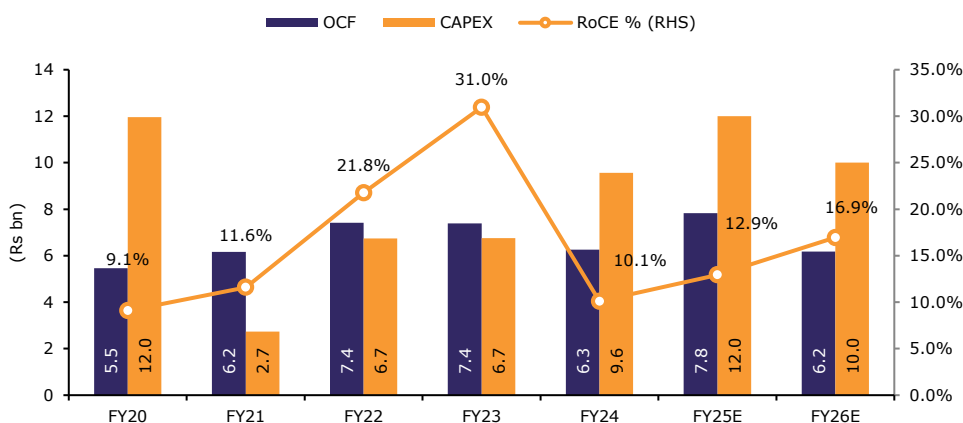
We have built in higher margins on possibly higher share of value-added fluoropolymers and battery chemicals in FY25/26E; however, it appears difficult to garner such margins based on the current run-rate



Source: Company, Emkay Research

Exhibit 10: Return ratios to remain subdued with moderate improvement due to a lower base

OCF generation to be insufficient for subsequent capex plans and debt repayments; Management guides to fund-raise through SPV in the battery chemicals business



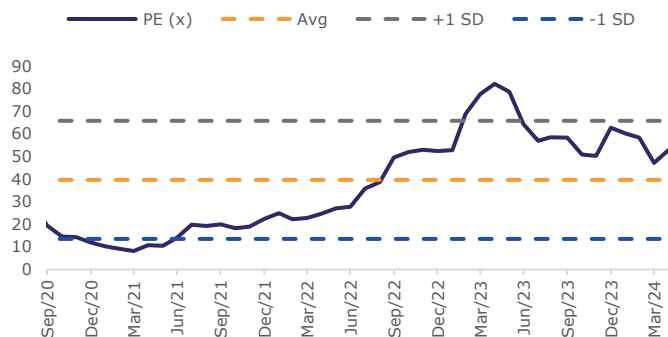
Source: Company, Emkay Research

Exhibit 11: We cut FY25E/FY26E EPS 10%/9%, respectively, on sluggish outlook for the fluorochemicals business

Particulars (Rs mn)	FY24E			FY25E			FY26E		
	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)	Revised	Earlier	Chg (%)
Revenues	42,808	42,571	1	53,492	54,120	-1	72,285	71,968	0
EBITDA	9,548	9,441	1	13,659	13,691	0	19,925	19,822	1
EBITDA margin (%)	22.3	22.2	12 bps	25.5	25.3	23 bps	27.6	27.5	2 bps
PAT	4,349	4,283	2	6,479	7,214	-10	10,282	11,291	-9
EPS (Rs)	40	39	2	59	66	-10	94	103	-9

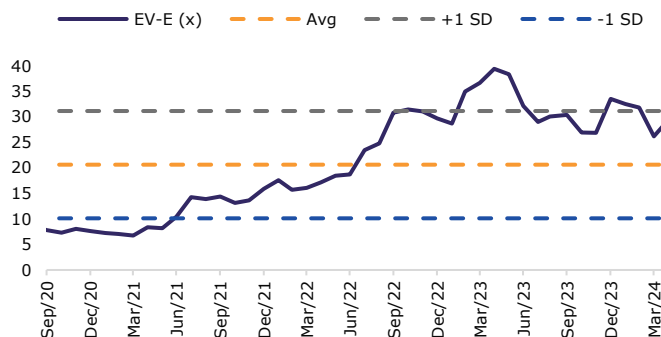
Source: Emkay Research

Exhibit 12: One-year forward P/E



Source: Bloomberg, Emkay Research

Exhibit 13: One-year forward EV/EBITDA



Source: Bloomberg, Emkay Research

Gujarat Fluorochemicals: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	39,536	56,847	42,808	53,492	72,285
Revenue growth (%)	49.2	43.8	(24.7)	25.0	35.1
EBITDA	11,685	19,653	9,548	13,659	19,925
EBITDA growth (%)	96.1	68.2	(51.4)	43.1	45.9
Depreciation & Amortization	2,054	2,361	2,861	3,602	4,234
EBIT	9,630	17,292	6,687	10,057	15,691
EBIT growth (%)	144.5	79.6	(61.3)	50.4	56.0
Other operating income	0	0	0	0	0
Other income	1,606	1,723	595	625	656
Financial expense	784	1,168	1,331	1,817	2,280
PBT	10,452	17,847	5,951	8,865	14,067
Extraordinary items	0	0	0	0	0
Taxes	2,693	4,617	1,601	2,386	3,786
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	7,759	13,230	4,349	6,479	10,282
PAT growth (%)	0.0	70.5	(67.1)	49.0	58.7
Adjusted PAT	7,759	13,230	4,349	6,479	10,282
Diluted EPS (Rs)	70.6	120.4	39.6	59.0	93.6
Diluted EPS growth (%)	0.0	70.5	(67.1)	49.0	58.7
DPS (Rs)	2.0	4.0	2.0	2.0	2.0
Dividend payout (%)	2.8	3.3	5.1	3.4	2.1
EBITDA margin (%)	29.6	34.6	22.3	25.5	27.6
EBIT margin (%)	24.4	30.4	15.6	18.8	21.7
Effective tax rate (%)	25.8	25.9	26.9	26.9	26.9
NOPLAT (pre-IndAS)	7,149	12,819	4,887	7,351	11,468
Shares outstanding (mn)	109.9	109.9	109.9	109.9	109.9

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	10,452	17,847	5,951	8,865	14,067
Others (non-cash items)	0	0	0	0	0
Taxes paid	(2,320)	(4,700)	(1,949)	(2,386)	(3,786)
Change in NWC	(2,744)	(1,390)	1,980	(3,438)	(9,962)
Operating cash flow	7,414	7,389	6,264	7,835	6,177
Capital expenditure	(6,357)	(13,146)	(14,098)	(12,000)	(10,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	1,606	1,723	595	625	656
Investing cash flow	(5,839)	(4,764)	(9,665)	(11,375)	(9,344)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(327)	(745)	5,175	5,512	6,053
Payment of lease liabilities	0	0	0	0	0
Interest paid	(784)	(1,168)	(1,331)	(1,817)	(2,280)
Dividend paid (incl tax)	(220)	(439)	(220)	(220)	(220)
Others	(104)	(289)	(149)	0	0
Financing cash flow	(1,435)	(2,641)	3,476	3,475	3,554
Net chg in Cash	140	(16)	75	(65)	387
OCF	7,414	7,389	6,264	7,835	6,177
Adj. OCF (w/o NWC chg.)	4,669	5,999	8,244	4,397	(3,786)
FCFF	1,057	(5,757)	(7,835)	(4,165)	(3,823)
FCFE	1,879	(5,202)	(8,570)	(5,357)	(5,447)
OCF/EBITDA (%)	63.4	37.6	65.6	57.4	31.0
FCFE/PAT (%)	24.2	(39.3)	(197.0)	(82.7)	(53.0)
FCFF/NOPLAT (%)	14.8	(44.9)	(160.3)	(56.7)	(33.3)

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	110	110	110	110	110
Reserves & Surplus	42,441	55,097	59,254	65,513	75,575
Net worth	42,551	55,207	59,363	65,623	75,685
Minority interests	0	0	0	0	0
Deferred tax liability (net)	2,592	2,410	2,654	2,654	2,654
Total debt	15,527	14,782	19,958	25,470	31,523
Total liabilities & equity	60,670	72,400	81,976	93,747	1,09,862
Net tangible fixed assets	24,474	29,627	40,545	48,943	54,709
Net intangible assets	0	0	0	0	0
Net ROU assets	599	1,605	2,435	2,435	2,435
Capital WIP	6,798	11,424	10,913	10,913	10,913
Goodwill	0	0	0	0	0
Investments [JV/Associates]	9	9	9	9	9
Cash & equivalents	255	240	315	250	636
Current assets (ex-cash)	36,643	40,807	38,114	43,749	57,575
Current Liab. & Prov.	8,356	11,311	10,355	12,552	16,415
NWC (ex-cash)	28,287	29,495	27,760	31,198	41,160
Total assets	60,422	72,400	81,976	93,747	1,09,862
Net debt	15,272	14,543	19,643	25,220	30,886
Capital employed	60,670	72,400	81,976	93,747	1,09,862
Invested capital	53,360	60,727	70,740	82,576	98,304
BVPS (Rs)	387.4	502.6	540.2	597.1	688.7
Net Debt/Equity (x)	0.4	0.3	0.3	0.4	0.4
Net Debt/EBITDA (x)	1.3	0.7	2.1	1.8	1.6
Interest coverage (x)	0.1	0.1	0.2	0.2	0.1
RoCE (%)	19.7	28.6	9.4	12.2	16.1

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	51.5	30.2	91.9	61.7	38.9
P/CE(x)	40.7	25.6	55.5	39.7	27.5
P/B (x)	9.4	7.2	6.7	6.1	5.3
EV/Sales (x)	10.5	7.3	9.8	7.9	6.0
EV/EBITDA (x)	35.5	21.1	43.9	31.1	21.6
EV/EBIT(x)	43.1	24.0	62.7	42.3	27.5
EV/IC (x)	7.8	6.8	5.9	5.1	4.4
FCFF yield (%)	0.3	(1.4)	(1.9)	(1.0)	(0.9)
FCFE yield (%)	0.5	(1.3)	(2.1)	(1.3)	(1.4)
Dividend yield (%)	0.1	0.1	0.1	0.1	0.1
DuPont-RoE split					
Net profit margin (%)	19.6	23.3	10.2	12.1	14.2
Total asset turnover (x)	0.7	0.9	0.6	0.6	0.7
Assets/Equity (x)	1.5	1.4	1.3	1.4	1.4
RoE (%)	20.0	27.1	7.6	10.4	14.6
DuPont-RoIC					
NOPLAT margin (%)	18.1	22.6	11.4	13.7	15.9
IC turnover (x)	0.8	1.0	0.7	0.7	0.8
RoIC (%)	13.9	22.5	7.4	9.6	12.7
Operating metrics					
Core NWC days	261.2	189.4	236.7	212.9	207.8
Total NWC days	261.2	189.4	236.7	212.9	207.8
Fixed asset turnover	1.1	1.4	0.8	0.8	0.9
Opex-to-revenue (%)	39.7	37.8	43.7	41.5	39.9

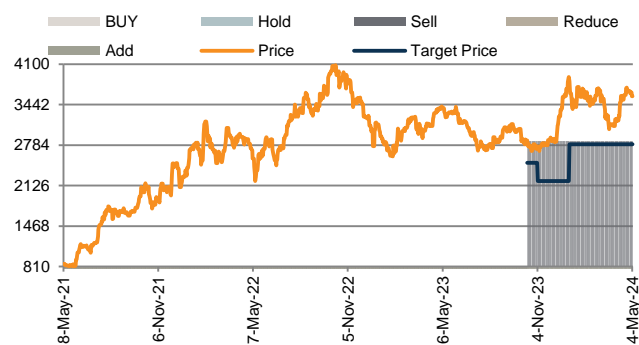
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
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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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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