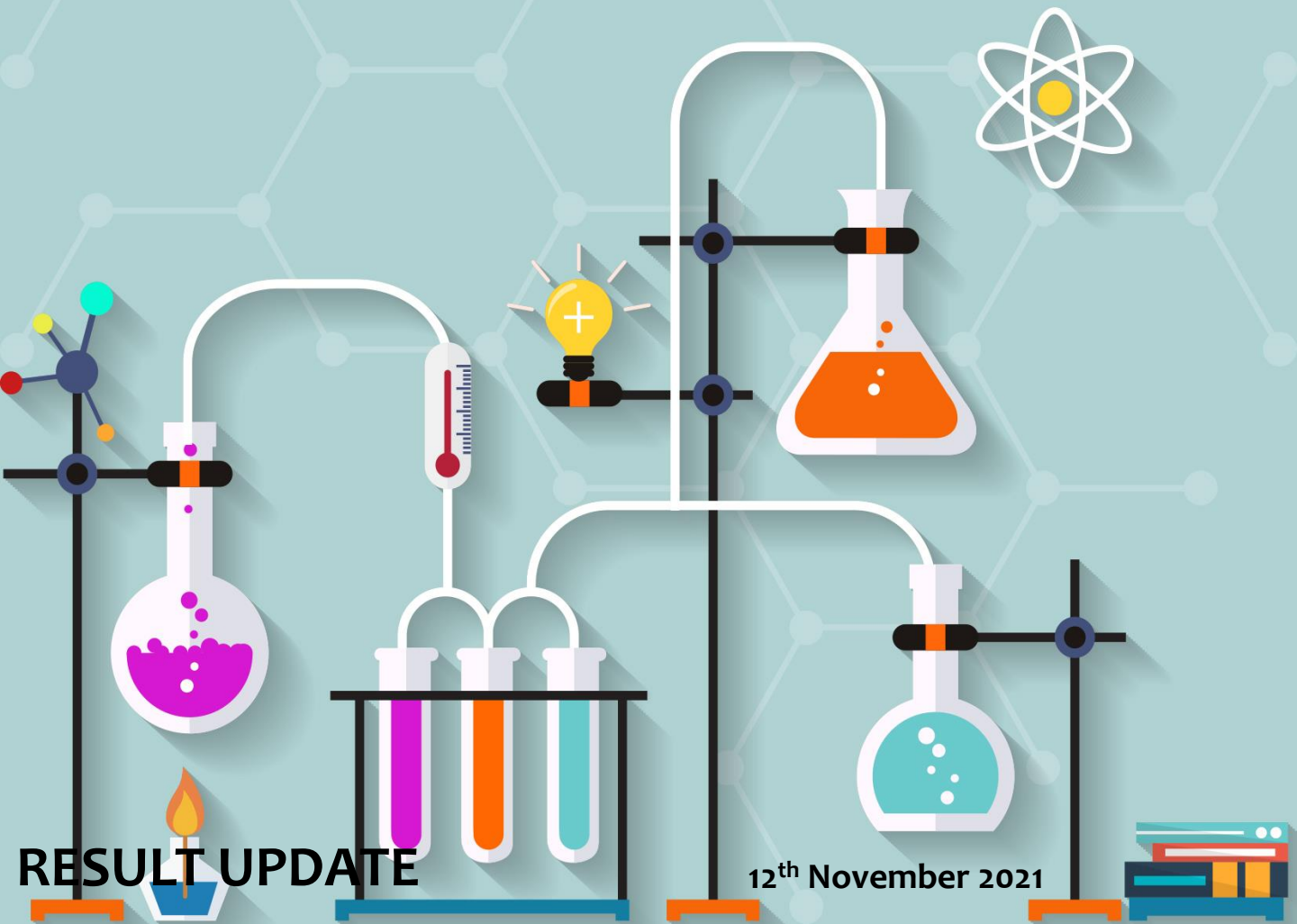


# GUJARAT FLUOROchemicals Ltd.



**RESULT UPDATE**

12<sup>th</sup> November 2021

# GUJARAT FLUORO CHEMICALS LTD.

Integration play helped to maximize value addition

CMP <b>INR 2,104</b>	Target <b>INR 2,346</b>	Potential Upside <b>11.50%</b>	Market Cap (INR Mn) <b>INR 2,31,110</b>	Recommendation <b>ACCUMULATE</b>	Sector <b>Specialty Chemicals</b>
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## Result Highlights of Q2FY22:

- In Q2FY22, GFL reported revenue of INR 9,640 Mn showing a robust growth of 56.16% on YoY basis and 5.71% on QoQ basis. Such strong performance was mainly driven by higher realisations and volume growth.
- On operational front EBITDA in Q2FY22 stood at INR 2,955 Mn which was up by 88.22% YoY and 15.84% QoQ. EBITDA margins increased by 522bps YoY, and 268 bps QoQ to 30.65% in Q2FY22. Margins improved on account of lower raw material costs and power & fuel costs.
- Net Profit in 2QFY22 came at INR 2,049 Mn (+159.04% YoY / +35.52% QoQ), with NPM at 21.26% (+844 bps YoY / +467 bps QoQ). Lower finance costs helped the company deliver better margins during the quarter. EPS during the quarter came at 18.66 against 7.21 in the same quarter last year.
- Cash Flow from Operations doubled to INR 4,678 in 1HY22 against INR 2,184 in 1HY21.

## MARKET DATA

Shares outs (Mn)	110
Mkt Cap (INR Mn)	2,31,110
52 Wk H/L (INR)	2,205/486.5
Volume Avg (3m K)	169.4
Face Value (INR)	1
Bloomberg Code	FLUOROCH IN Equity

## KEY FINANCIALS

INR Mn	FY20	FY21	FY22E	FY23E	FY24E
Revenue	26,063	26,505	29,587	33,729	39,126
EBITDA	5,211	5,959	8,080	9,380	10,881
Adj. PAT	1,899	-2,216	5,394	6,170	7,162
EBITDA Margin (%)	19.99%	22.48%	27.31%	27.81%	27.81%
Adj. NPM (%)	7.29%	-	18.23%	18.29%	18.30%

Source: Company, KRChoksey Research

## Sustained business growth over the foreseeable future:

Ramp up of volumes, capacity utilisation and higher realisations helped GFL's topline to beat our estimates in Q2FY22. During the quarter it reported robust revenue of INR 9,640 Mn showing a jump of 56.16% YoY and 5.71% QoQ. Strong performance was observed across all its business verticals mainly driven by New fluoropolymers (+185% YoY/ +25% QoQ), followed by growth in PTFE (+75.60% YoY / +12.50% QoQ) and Bulk chemical segment which was up by 30.04% YoY and 14.91% QoQ. Overall we believe Fluorine molecules are gaining traction over the conventional molecules due to increased biological activity of agrochemicals and pharmaceuticals creating more market demand.

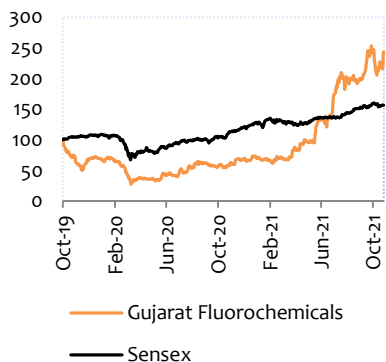
## Healthy operational efficiencies:

EBITDA during the quarter was higher than our estimates which stood at INR 2,955 Mn (+88.22% YoY / 15.84% QoQ), OPM improved by 522 bps YoY, and 268 bps QoQ to 30.65% in Q2FY22. The input costs of some key raw material came down with support of lower power & fuel costs helped deliver higher margins during the quarter. Net Profit in 2QFY22 came at INR 2,049 Mn up 159.04% on YoY basis and 35.52% on QoQ basis beating our estimates, NPM came at 21.26% (+844 bps YoY / +467 bps QoQ). We expect new products to participate in each of the industries it caters to having huge potential and offering higher margins in the coming quarters.

## New age products and expansion plans:

GFL is in the process of expanding its existing as well as adding new capacities in Specialty Chemicals and New Fluoropolymers. The same are expected to reach full utilization in the next 2-3 quarters leading to higher revenues and profits. We believe its New Age products will see substantial growth in next few years and with higher margins it will lead to further improvement in its financial return ratios.

## SHARE PRICE PERFORMANCE



## MARKET INFO

SENSEX	59,919
NIFTY	17,874

## SHARE HOLDING PATTERN (%)

Particulars	Sep-21	Jun-21	Mar-21
Promoters	68.37	68.37	68.37
FIIIs	2.20	2.30	2.36
DIIIs	4.90	5.73	5.83
Others	24.53	23.60	23.44
Total	100	100	100

13.86%

Revenue CAGR  
between FY21 - FY24E

22.23%

EBITDA CAGR  
between FY21 - FY24E

# GUJARAT FLUOROCHEMICALS LTD.

## Valuation and view:

We believe GFL's core competency in its manufacturing facilities, global presence and integrated plant operations makes it one of the most reliable producers of a wide range of Fluoropolymers. At a CMP of INR 2,104 GFL is trading at a P/E multiple of 42.87x/37.48x/32.29x FY22E/23E/24E to its earnings. We expect the company to keep the momentum of its financial performance intact, aided by larger operational cash flows and working capital efficiency. **We continue with our 'ACCUMULATE' recommendation and apply P/E multiple of 36x to its FY24E earnings, which yields an increased revised target price of INR 2,346 per share (old target price – INR 2,201).**

## Key Concall Highlights:

### Business verticals:

- Demand-Supply situation is expected to remain favourable for the next several quarters thus prices of caustic soda are expected to further move up.
- PTFE - Plants are running at a full capacity. Demand is robust across all geographies.
- New Fluoropolymer - Capacity utilization in Q2FY22 is around 65%.
- Specialty chemical - 11 products have been fully commercialized. 3 new plants for manufacturing of 8 additional products are expected to be commissioned by Q4FY22.

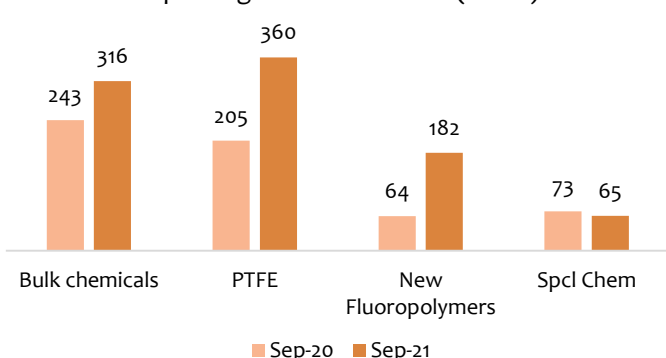
### Capex programme:

- GFL is currently investing / has planned capex towards expanding its capacities for Bulk & Specialty Chemicals, Fluoropolymers and New Age Products.
- Capex planned/announced for FY22E 6,000 Mn, FY23E 9,000 Mn, FY24E 10,000 Mn.

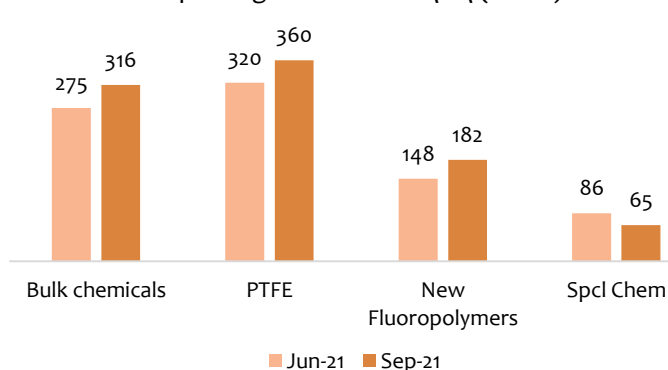
### Other highlights:

- Refrigerants production will continue to increase due to the rising feedstock requirements.
- Higher margins from incremental sales will improve return ratios.
- Once new products go successful, there is huge potential for growth in EV space. Battery demand for EVs by 2030 for electric mobility, energy storage and consumer electronics is estimated at 2633 GWH with EV battery chain providing revenue opportunities of 300 Billion US\$ by 2030.
- Asset turnover for newer capacities to be 1.5x.
- New polymers segment will be in forefront in terms of growth.

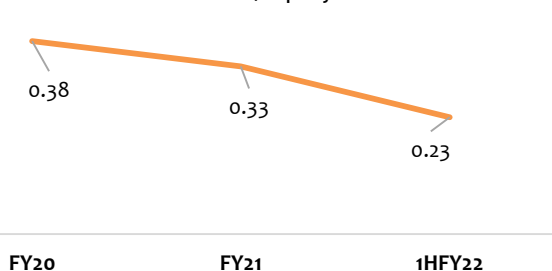
Improving revenue mix YoY (in Mn)



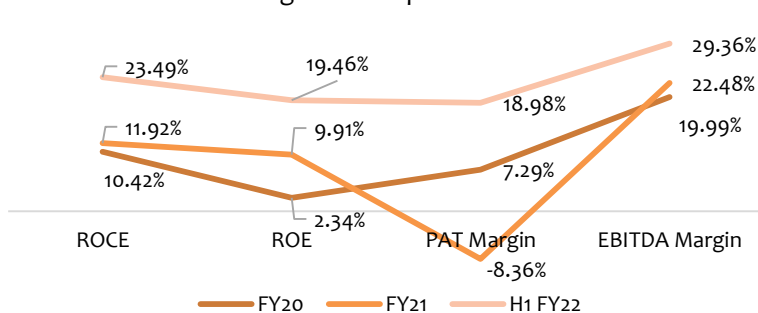
Improving revenue mix QoQ (in Mn)



Net Debt/Equity



Strong Financial performance



Source: Company, KRChoksey Research

# GUJARAT FLUOROCHEMICALS LTD.

## KEY FINANCIALS

### Exhibit 1: Profit & Loss Statement

Income Statement (INR Mn)	FY 20	FY 21	FY 22E	FY 23E	FY 24E
<b>Revenues</b>	<b>26,063</b>	<b>26,505</b>	<b>29,587</b>	<b>33,729</b>	<b>39,126</b>
COGS	9,539	8,976	8,580	9,781	11,346
<b>Gross profit</b>	<b>17,558</b>	<b>17,948</b>	<b>21,007</b>	<b>23,948</b>	<b>27,779</b>
Employee cost	2,049	2,179	2,367	2,698	3,130
Other expenses	5,096	5,065	5,326	5,903	6,847
Power & fuel	4,813	4,420	4,938	5,629	6,530
Material extraction	389	325	296	337	391
<b>EBITDA</b>	<b>5,211</b>	<b>5,959</b>	<b>8,080</b>	<b>9,380</b>	<b>10,881</b>
Depreciation & amortization	1,924	2,021	2,160	2,462	2,856
<b>EBIT</b>	<b>5,450</b>	<b>5,949</b>	<b>8,158</b>	<b>9,148</b>	<b>10,295</b>
Interest expense	1,048	1,126	967	921	746
Other income	2,163	2,011	2,238	2,230	2,270
<b>PBT</b>	<b>4,402</b>	<b>4,823</b>	<b>7,191</b>	<b>8,227</b>	<b>9,549</b>
Tax	1,428	7,039	1,798	2,057	2,387
Exceptional item	-1,075	0	0	0	0
<b>PAT</b>	<b>1,899</b>	<b>-2,216</b>	<b>5,394</b>	<b>6,170</b>	<b>7,162</b>
<b>EPS (INR)</b>	<b>17.3</b>	<b>-20.2</b>	<b>49.10</b>	<b>56.10</b>	<b>65.20</b>

Source: Company, KRChoksey Research

### Exhibit 2: Cash Flow Statement

Cash Flow statement (INR Mn)	FY20	FY 21	FY 22E	FY 23E	FY 24E
Operating Cash Flow	5,471	6,165	10,812	12,159	13,125
Investing Cash Flow	(11,923)	(3,734)	(2,220)	(5,774)	(6,290)
Financing Cash Flow	6,217	(2,480)	(2,287)	(2,287)	(2,287)
Net Inc/Dec in cash equivalents	(235)	(49)	6,305	4,098	4,548
Opening Balance	0	172	123	6,428	10,526
Closing Balance Cash & Cash Equiv.	172	123	6,428	10,526	15,074

Source: Company, KRChoksey Research

### Exhibit 3: Key Ratios

Key Ratio	FY20	FY21	FY22E	FY23E	FY24E
EBITDA Margins (%)	19.99%	22.48%	27.31%	27.81%	27.81%
Net Profit Margin (%)	7.29%	-	18.23%	18.29%	18.30%
RoE (%)	5.11%	-	13.38%	13.27%	13.35%
RoCE (%)	4.53%	-	12.30%	12.42%	12.67%
RoA (%)	3.13%	-	8.65%	9.03%	9.47%
Debt/Equity	0.13X	0.11X	0.09X	0.07X	0.05X

Source: Company, KRChoksey Research

# GUJARAT FLUOROCHEMICALS LTD.

## Exhibit 4: Balance Sheet

Balance Sheet (INR Mn)	FY20	FY 21	FY 22E	FY 23E	FY 24E
Property, plant and equipment (PPE)	23,270	22,888	23,560	23,675	23,632
Capital work-in-progress	3,184	4,000	2,804	2,568	2,265
Right of use assets	510	490	500	500	500
Investment property and other	2014	293	286	286	286
Intangible assets	257	188	0	0	0
Loans	82	115	115	115	115
Other non current financial assets	89	3,051	148	169	196
Deferred / income tax assets (net)	2,551	0	0	0	0
Other non current assets	9,442	9,423	10,355	11,805	13,694
<b>Total non current assets</b>	<b>41,399</b>	<b>40,448</b>	<b>37,768</b>	<b>39,118</b>	<b>40,668</b>
Inventories	8,128	8,639	9,322	8,779	9,111
Investments	674	685	0	0	0
Trade receivables	5,647	6,671	6,890	7,855	8,576
Cash and cash equivalents	166	116	6,428	10,526	15,074
Bank balances other than (iii) above	0	101	101	101	101
Loans	419	495	495	495	495
Other current financial assets	483	1,641	550	550	550
Current tax / other current assets	3,752	688	769	877	1,017
<b>Total current assets</b>	<b>19,269</b>	<b>19,036</b>	<b>24,555</b>	<b>9,182</b>	<b>34,924</b>
<b>TOTAL ASSETS</b>	<b>60,668</b>	<b>59,484</b>	<b>62,323</b>	<b>68,301</b>	<b>75,612</b>
Equity share capital	110	110	110	110	110
Other equity	37,046	34,818	40,212	46,492	53,653
Non-controlling interests	-107	-139	0	0	0
<b>Total equity</b>	<b>37,049</b>	<b>34,789</b>	<b>40,321</b>	<b>46,492</b>	<b>53,653</b>
Borrowings	4,787	3,921	3,529	3,176	2,858
Other non current financial liabilities	147	64	296	337	391
Provisions	252	286	296	337	391
Deferred / income tax liabilities (Net)	0	2,738	0	0	0
<b>Total non-current liabilities</b>	<b>5,186</b>	<b>7,009</b>	<b>4,121</b>	<b>3,851</b>	<b>3,641</b>
Borrowings	10,416	10,183	9,216	8,295	7,465
Trade payables	3,671	3,386	3,810	4,158	4,502
Other financial liabilities	3,823	3,729	4,261	4,857	5,634
Other current liabilities	178	202	201	229	266
Provisions	139	158	178	202	235
Current tax liabilities (Net)	204	229	216	216	216
<b>Total current liabilities</b>	<b>18,431</b>	<b>17,887</b>	<b>17,881</b>	<b>17,958</b>	<b>18,318</b>
<b>Total liabilities</b>	<b>23,617</b>	<b>24,896</b>	<b>22,002</b>	<b>21,809</b>	<b>21,959</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>60,666</b>	<b>59,685</b>	<b>62,323</b>	<b>68,301</b>	<b>75,612</b>

Source: Company, KRChoksey Research

# GUJARAT FLUOROCHEMICALS LTD.

Gujarat Fluorochemicals Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
12-Nov-21	2,104	2,346	ACCUMULATE	Buy	More than 15%
1-Oct-21	1,954	2,201	ACCUMULATE		
				Accumulate	5% – 15%
				Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

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