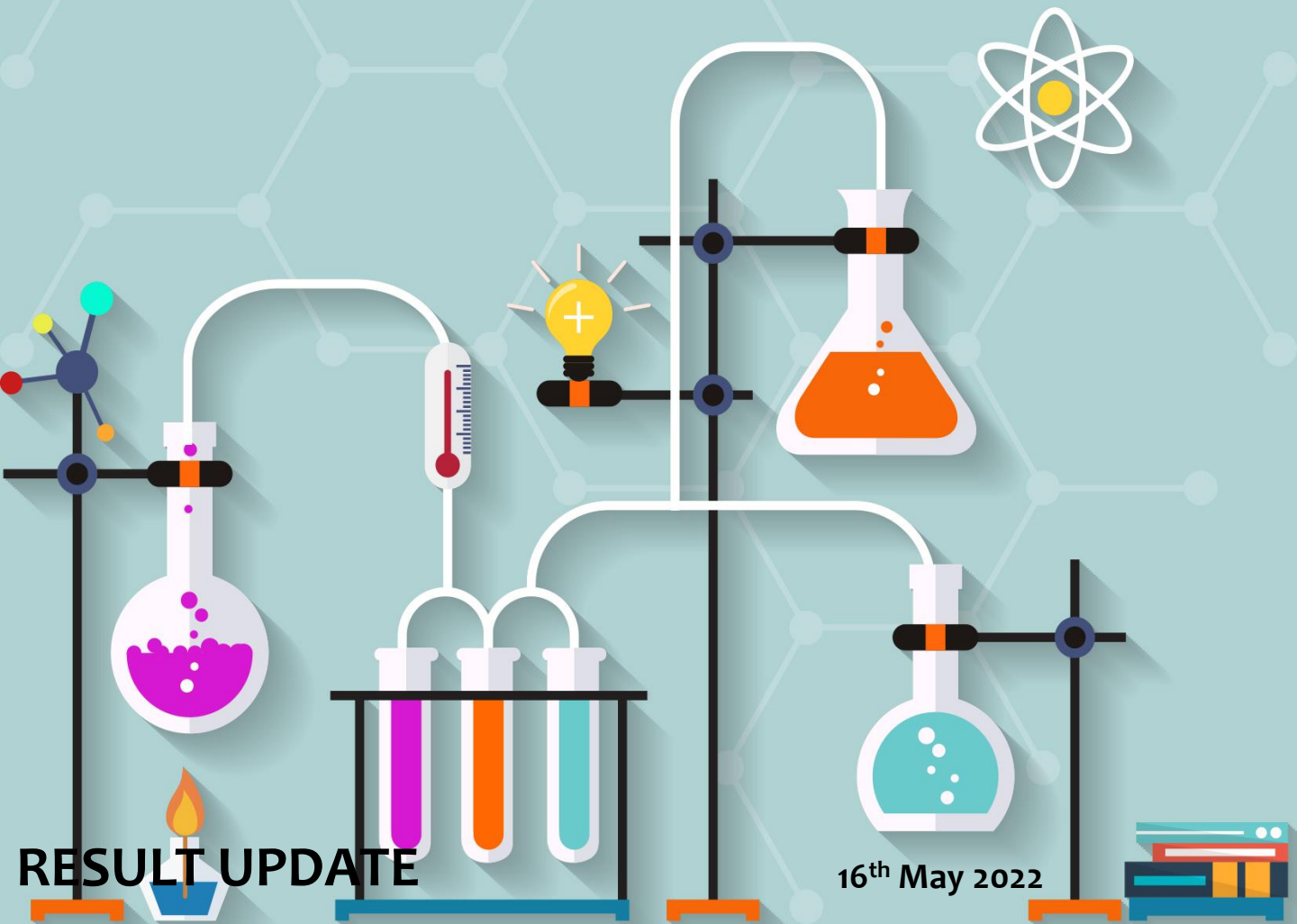


# GUJARAT FLUOROCHEMICALS LTD.



**RESULT UPDATE**

16<sup>th</sup> May 2022



# GUJARAT FLUOROCHEMICALS LTD.

**Pick up in utilization and prices supported growth**

|                         |                            |                                   |  |                              |                                      |
|-------------------------|----------------------------|-----------------------------------|--|------------------------------|--------------------------------------|
| CMP<br><b>INR 2,495</b> | Target<br><b>INR 3,215</b> | Potential Upside<br><b>28.90%</b> | Market Cap (INR Mn)<br><b>INR 2,74,273</b> | Recommendation<br><b>BUY</b> | Sector<br><b>Specialty Chemicals</b> |
|-------------------------|----------------------------|-----------------------------------|--|------------------------------|--------------------------------------|

## Result Highlights of Q4FY22:

- During the quarter GFL's revenue came at INR 10,738 Mn (+27.78% YoY / +6.87% QoQ). The growth was mainly led by robust demand for its fluoropolymers (PTFE), followed by volumes and prices of Ref gas which has marginally improved during the quarter. For FY22, the consolidated revenue stood at INR 39,536 (+49.16% YoY).
- On operational front EBITDA stood at INR 3,315 Mn (+70% YoY / +5.10% QoQ), with OPM at 30.87% (+767 bps YoY/-55 bps QoQ). Elevated energy prices dented the margins QoQ.
- Net Profit stood at INR 2,185 Mn against INR 1,102 (+98%) on YoY basis and (+8.54% QoQ), with NPM at 20.35% (+723 bps YoY/+29bps QoQ).
- The company has declared a final dividend of INR 2 per share.

## MARKET DATA

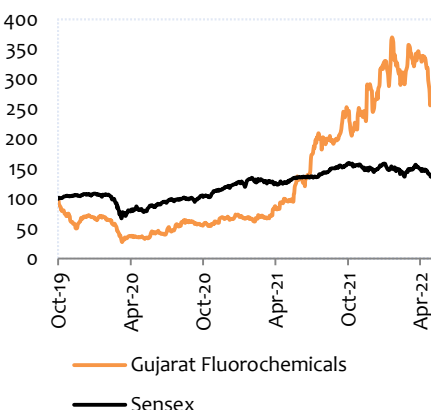
|                   |                   |
|-------------------|-------------------|
| Shares outs (Mn)  | 110               |
| Mkt Cap (INR Mn)  | 2,74,273          |
| 52 Wk H/L (INR)   | 3,205/808         |
| Volume Avg (3m K) | 50.2              |
| Face Value (INR)  | 1                 |
| Bloomberg Code    | FLUROCH IN Equity |

## KEY FINANCIALS

| INR Mn            | FY20   | FY21   | FY22    | FY23E  | FY24E  |
|-------------------|--------|--------|---------|--------|--------|
| Revenue           | 26,063 | 26,505 | 39,536  | 46,652 | 55,283 |
| EBITDA            | 5,211  | 5,959  | 1,16,84 | 14,229 | 17,000 |
| PAT               | 1,899  | -2,216 | 7,747   | 9,392  | 11,399 |
| EBITDA Margin (%) | 19.99% | 22.48% | 29.55%  | 30.50% | 30.75% |
| NPM (%)           | 7.29%  | -      | 19.59%  | 20.13% | 20.62% |

Source: Company, KRChoksey Research

## SHARE PRICE PERFORMANCE



## Strengthening of demand improved the performance:

During the Q4FY22, GFL delivered topline of INR 10,738 Mn (+27.78% YoY / +6.87% QoQ) beating our estimates. For FY22, the consolidated revenue stood at INR 39,536 (+49.16% YoY). The growth was mainly led by robust demand for its fluoropolymer (PTFE) and higher price realisation from caustic soda and Ref gas. Demand continued to remain strong across geographies & applications thus supporting the topline. Revenue from Bulk chemical business came at INR 3,380 Mn (+27% YoY) however on a sequential basis the segment witnessed a dip of 14% due to prices of MDC moderating in Q4. PTFE business performed well (+56% YoY / +17% QoQ). The new fluoropolymers witness growth of (59% YoY/17% QoQ). Capacity utilisation in new fluoropolymers is expected to reach full capacity by Q1FY23.

## Better realisations due to integrated facilities:

GFL's delivered robust operational performance with EBITDA at INR 3,315 Mn (+70% YoY / +5.10% QoQ). Operating margins came at 30.87% (+767 bps YoY/-55 bps QoQ). Elevated energy prices dented the margins but was offset by higher realisations on QoQ basis. Prices for FKM and PVDF also remained strong during the quarter. Net Profit stood at INR 2,185 Mn against INR 1,102 (+98%) on YoY basis and (+8.54% QoQ), with NPM at 20.35% (+723 bps YoY/+29bps QoQ).

## Incremental revenues on cards with new plants getting operational:

GFL's planned capex towards expanding its capacities for fluoropolymers, new age products and battery chemicals is progressing well as per the schedule. It intends to commission 3 new plants by Q1FY23 which got delayed due to supply chain issue in Q4FY22. Increasing in demand for FKM, PVDF and Micro Powders is expected to be met with additional capacities expected to be commissioned over next 2 quarters.

## MARKET INFO

|        |        |
|--------|--------|
| SENSEX | 53,043 |
| NIFTY  | 15,842 |

## SHARE HOLDING PATTERN (%)

| Particulars | Mar-22 | Dec-21 | Sep-21 |
|-------------|--------|--------|--------|
| Promoters   | 66.08  | 66.35  | 67.65  |
| FIIs        | 4.19   | 3.78   | 3.37   |
| DIIIs       | 4.30   | 4.05   | 4.11   |
| Others      | 25.43  | 25.82  | 24.87  |
| Total       | 100    | 100    | 100    |

**27.77%**
**Revenue CAGR  
between FY21 - FY24E**
**41.82%**
**EBITDA CAGR  
between FY21 - FY24E**

# GUJARAT FLUOROCHEMICALS LTD.

## Valuation and view:

We believe GFL is poised for growth in the coming quarters backed by expansion in capacity of its new fluoropolymer business in addition with increasing utilisation levels and revenues from R125 and R142B. Also robust demand for its PTFE product supported by its integrated plant operations should offer better realisations in the coming quarters thus improving the return ratios and keep the momentum of its financial performance intact. **Since our last recommendation the stock has already achieved our target price (INR 3,167). At present it provides a good opportunity to re-enter the stock as it is trading at INR 2,495 with a P/E multiple of 29.19x/24.06x FY23E/24E to its earnings. We continue to maintain 'BUY' recommendation on the stock and apply P/E multiple of 31x to its FY24E earnings, which yields an increased revised target price of INR 3,215 per share.**

## Key Concall Highlights:

### Business verticals:

- Volumes and prices for Ref gas marginally improved during the quarter. Demand for the same is expected to shoot up from Q1FY23.
- Demand-supply situation is expected to even out for caustic soda in the coming quarters.
- PTFE – Demand improving across geographies. Expect to remain robust for the next several quarters.
- Shutdown in one of its TFE plant during the quarter resulted in lower production of Fluoropolymers than expected.
- Capacity utilisation for New fluoropolymers remained low at 65% due to limited availability of R42B.
- The company intends to commence exports of R125 (4-5k tpa) and R142B (6ktpa).

### Capex programme:

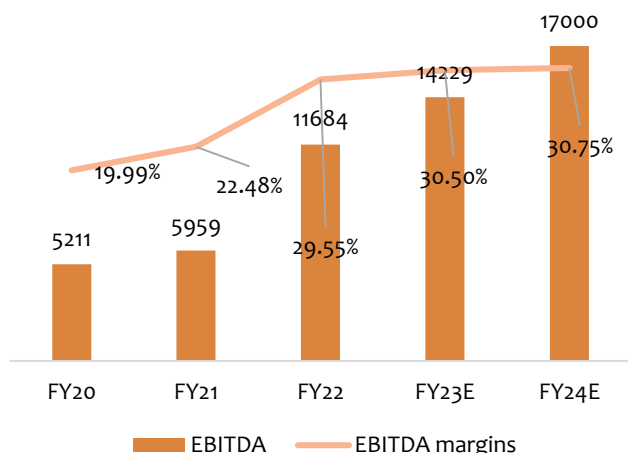
- GFL is in the process of setting up an integrated battery chemicals complex.
- Capex planned/announced of INR 22,500 Mn over FY23-24 remains on track.
- It will be mainly for setting up new fluoropolymers & new age fluoropolymers, backward integration, debottlenecking of PTFE(20% of the capacity) and some for Ref gas and wind power.

### Other highlights:

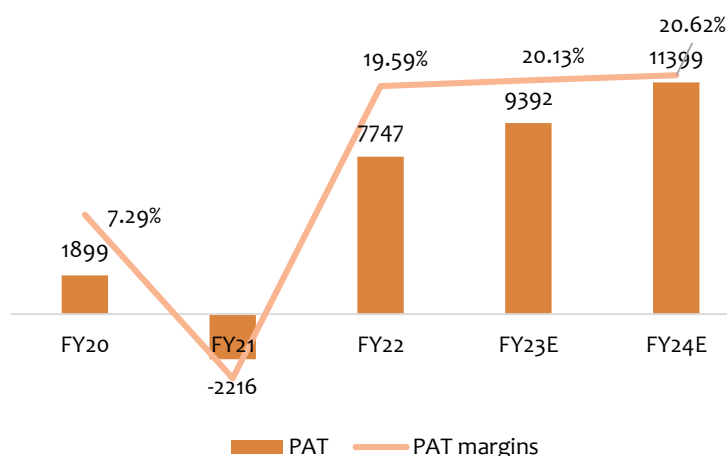
- Lithium ion battery chemical projects are under construction and as per schedule.
- Intends to reduce the debt further so as to be a zero debt company in the near future.
- Expects to be dividend paying company from FY23.

## Sustainable Performance

Operational trend (INR in Mn)



Profitability trend (INR in Mn)



Source: Company, KRChoksey Research

# GUJARAT FLUOROCHEMICALS LTD.

## KEY FINANCIALS

### Exhibit 1: Profit & Loss Statement

| Income Statement (INR Mn)   | FY 20         | FY 21         | FY 22         | FY 23E        | FY 24E        |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenues</b>             | <b>26,063</b> | <b>26,505</b> | <b>39,536</b> | <b>46,652</b> | <b>55,283</b> |
| COGS                        | 9,539         | 8,976         | 11,957        | 14,229        | 16,861        |
| <b>Gross profit</b>         | <b>17,558</b> | <b>17,948</b> | <b>27,665</b> | <b>32,423</b> | <b>38,422</b> |
| Employee cost               | 2,049         | 2,179         | 2,655         | 3,266         | 3,870         |
| Other expenses              | 5,096         | 5,065         | 6,311         | 6,998         | 8,292         |
| Power & fuel                | 4,813         | 4,420         | 6,740         | 7,464         | 8,845         |
| Material extraction         | 389           | 325           | 275           | 467           | 415           |
| <b>EBITDA</b>               | <b>5,211</b>  | <b>5,959</b>  | <b>11,684</b> | <b>14,229</b> | <b>17,000</b> |
| Depreciation & amortization | 1,924         | 2,021         | 2,054         | 2,916         | 3,150         |
| <b>EBIT</b>                 | <b>5,450</b>  | <b>5,949</b>  | <b>10,944</b> | <b>13,613</b> | <b>16,150</b> |
| Interest expense            | 1,048         | 1,126         | 784           | 921           | 746           |
| Other income                | 2,163         | 2,011         | 1,314         | 2,300         | 2,300         |
| <b>PBT</b>                  | <b>4,402</b>  | <b>4,823</b>  | <b>10,160</b> | <b>12,692</b> | <b>15,404</b> |
| Tax                         | 1,428         | 7,039         | 2,704         | 3,300         | 4,005         |
| Exceptional item            | -1,075        | 0             | -291          | 0             | 0             |
| <b>PAT</b>                  | <b>1,899</b>  | <b>-2,216</b> | <b>7,747</b>  | <b>9,392</b>  | <b>11,399</b> |
| <b>EPS (INR)</b>            | <b>17.3</b>   | <b>-20.2</b>  | <b>70.63</b>  | <b>85.46</b>  | <b>103.72</b> |

Source: Company, KRChoksey Research

### Exhibit 2: Cash Flow Statement

| Cash Flow statement (INR Mn)       | FY20     | FY 21   | FY 22   | FY 23E  | FY 24E   |
|------------------------------------|----------|---------|---------|---------|----------|
| Operating Cash Flow                | 5,471    | 6,165   | 7,413   | 13,361  | 13,786   |
| Investing Cash Flow                | (11,923) | (3,734) | (5,838) | (7,917) | (10,899) |
| Financing Cash Flow                | 6,217    | (2,480) | 1,435   | 1,838   | 1,795    |
| Net Inc/Dec in cash equivalents    | (235)    | (49)    | 140     | 3,606   | 1,092    |
| Opening Balance                    | 0        | 166     | 116     | 256     | 3,862    |
| Closing Balance Cash & Cash Equiv. | 166      | 116     | 256     | 3,862   | 4,954    |

Source: Company, KRChoksey Research

### Exhibit 3: Key Ratios

| Key Ratio             | FY20   | FY21   | FY22   | FY23E  | FY24E  |
|-----------------------|--------|--------|--------|--------|--------|
| EBITDA Margins (%)    | 19.99% | 22.48% | 29.55% | 30.50% | 30.75% |
| Net Profit Margin (%) | 7.29%  | -      | 19.59% | 20.13% | 20.62% |
| RoE (%)               | 5.11%  | -      | 18.21% | 18.08% | 18.00% |
| RoCE (%)              | 12.99% | 15.31% | 23.33% | 24.37% | 24.15% |
| RoA (%)               | 3.13%  | -      | 11.26% | 12.01% | 12.66% |
| Debt/Equity           | 0.13X  | 0.11X  | 0.10X  | 0.07X  | 0.05X  |

Source: Company, KRChoksey Research

# GUJARAT FLUOROCHEMICALS LTD.

## Exhibit 4: Balance Sheet

| Balance Sheet (INR Mn)                  | FY20          | FY 21         | FY 22         | FY 23E        | FY 24E        |
|---|---------------|---------------|---------------|---------------|---------------|
| Property, plant and equipment (PPE)     | 23,270        | 22,888        | 24,474        | 26,515        | 27,205        |
| Capital work-in-progress                | 3,184         | 4,000         | 6,798         | 3,750         | 6,500         |
| Right of use assets                     | 510           | 490           | 466           | 130           | 631           |
| Investment property and other           | 2014          | 293           | 65            | 65            | 65            |
| Intangible assets                       | 257           | 188           | 133           | 0             | 0             |
| Loans                                   | 82            | 115           | 4             | 0             | 0             |
| Other non current financial assets      | 89            | 3,051         | 2,557         | 3,017         | 3,575         |
| Deferred / income tax assets (net)      | 2,551         | 0             | 3             | 0             | 0             |
| Other non current assets                | 9,442         | 9,423         | 9,892         | 12,960        | 15,358        |
| <b>Total non current assets</b>         | <b>41,399</b> | <b>40,448</b> | <b>44,400</b> | <b>46,444</b> | <b>53,341</b> |
| Inventories                             | 8,128         | 8,639         | 9,473         | 11,503        | 12,874        |
| Investments                             | 674           | 685           | 188           | 511           | 511           |
| Trade receivables                       | 5,647         | 6,671         | 7,781         | 10,225        | 12,117        |
| Cash and cash equivalents               | 166           | 116           | 255           | 3,862         | 4,954         |
| Bank balances other than (iii) above    | 0             | 101           | 1,274         | 1,274         | 1,274         |
| Loans                                   | 419           | 495           | 370           | 408           | 408           |
| Other current financial assets          | 483           | 1,641         | 3,176         | 2,878         | 3,411         |
| Current tax / other current assets      | 3,752         | 688           | 1,862         | 1,129         | 1,129         |
| <b>Total current assets</b>             | <b>19,269</b> | <b>19,036</b> | <b>24,380</b> | <b>31,791</b> | <b>36,678</b> |
| <b>TOTAL ASSETS</b>                     | <b>60,668</b> | <b>59,484</b> | <b>68,780</b> | <b>78,235</b> | <b>90,019</b> |
| Equity share capital                    | 110           | 110           | 110           | 110           | 110           |
| Other equity                            | 37,046        | 34,818        | 42,442        | 51,834        | 63,232        |
| Non-controlling interests               | -107          | -139          | -248          | 0             | 0             |
| <b>Total equity</b>                     | <b>37,049</b> | <b>34,789</b> | <b>42,303</b> | <b>51,944</b> | <b>63,342</b> |
| Borrowings                              | 4,787         | 3,921         | 4,354         | 3,919         | 3,527         |
| Other non current financial liabilities | 147           | 64            | 13            | 467           | 553           |
| Provisions                              | 252           | 286           | 329           | 1,291         | 1,350         |
| Deferred / income tax liabilities (Net) | 0             | 2,738         | 2,595         | 0             | 0             |
| <b>Total non-current liabilities</b>    | <b>5,186</b>  | <b>7,009</b>  | <b>7,414</b>  | <b>5,676</b>  | <b>5,430</b>  |
| Borrowings                              | 10,416        | 10,183        | 11,173        | 9,497         | 8,072         |
| Trade payables                          | 3,671         | 3,386         | 5,135         | 6,135         | 7,270         |
| Other financial liabilities             | 3,823         | 3,729         | 1,676         | 4,665         | 5,528         |
| Other current liabilities               | 178           | 202           | 269           | 317           | 376           |
| Provisions                              | 139           | 158           | 161           | 0             | 0             |
| Current tax liabilities (Net)           | 204           | 229           | 650           | 0             | 0             |
| <b>Total current liabilities</b>        | <b>18,431</b> | <b>17,887</b> | <b>19,064</b> | <b>20,615</b> | <b>21,246</b> |
| <b>Total liabilities</b>                | <b>23,617</b> | <b>24,896</b> | <b>26,477</b> | <b>26,291</b> | <b>26,676</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>     | <b>60,666</b> | <b>59,685</b> | <b>68,780</b> | <b>78,235</b> | <b>90,018</b> |

Source: Company, KRChoksey Research

# GUJARAT FLUORO CHEMICALS LTD.

| Gujarat Fluorochemicals Ltd. |           |          |                | Rating Legend (Expected over a 12-month period) |                |
|------------------------------|-----------|----------|----------------|---|----------------|
| Date                         | CMP (INR) | TP (INR) | Recommendation | Our Rating                                      | Upside         |
| 16-May-22                    | 2,495     | 3,215    | BUY            | Buy   | More than 15%  |
| 31-Jan-22                    | 2,620     | 3,167    | BUY            |   |                |
| 12-Nov-21                    | 2,104     | 2,346    | ACCUMULATE     | Accumulate                                      | 5% – 15%       |
| 1-Oct-21                     | 1,954     | 2,201    | ACCUMULATE     |   |                |
|                              |           |          |                | Hold  | 0 – 5%         |
|                              |           |          |                | Reduce  | -5% – 0        |
|                              |           |          |                | Sell  | Less than – 5% |

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