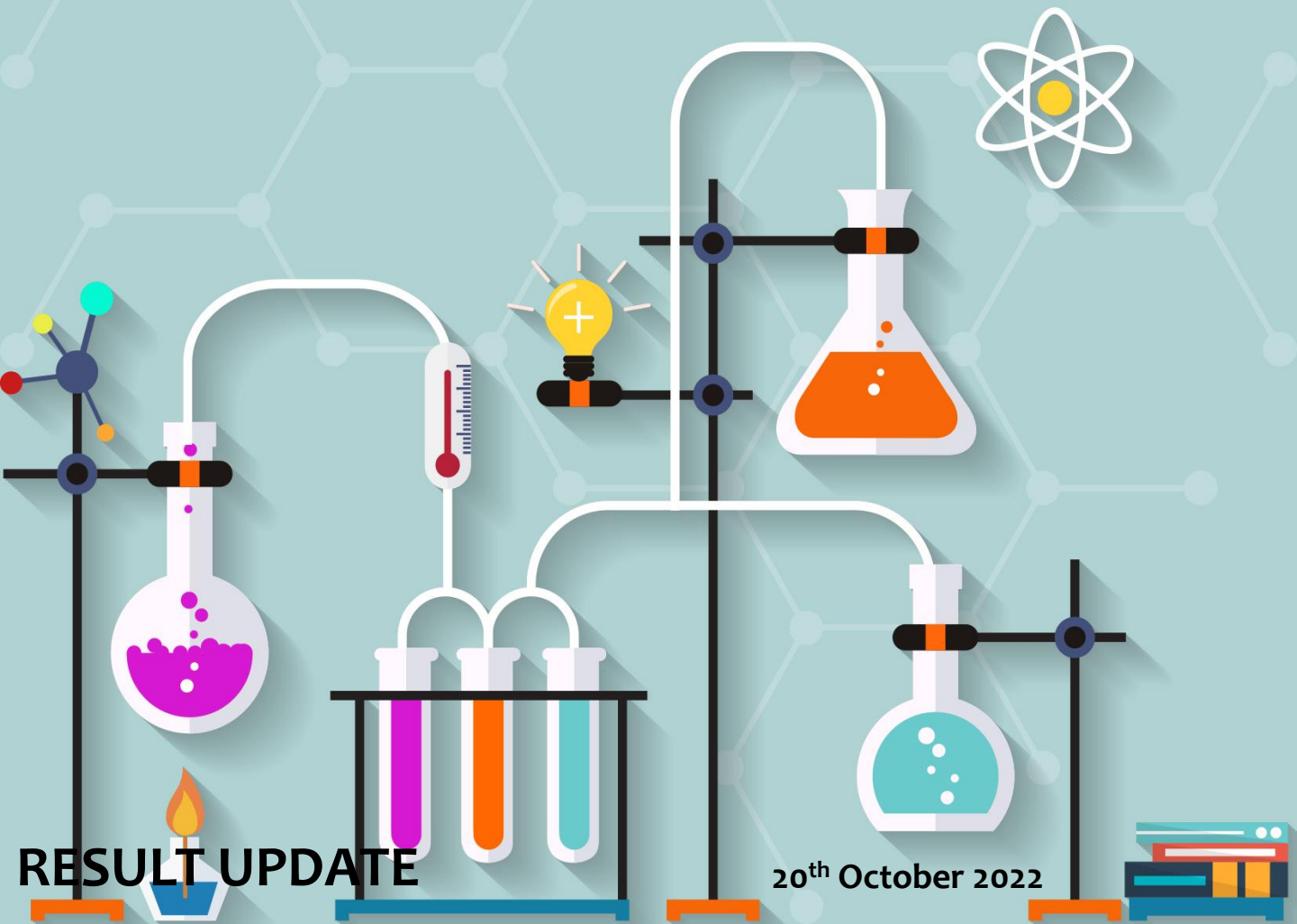


GUJARAT FLUOROCHEMICALS LTD.



RESULT UPDATE

20th October 2022



GUJARAT FLUOROCHEMICALS LTD.

Performance on upward trajectory

CMP INR 3,659	Target INR 4,045	Potential Upside 10.5%	Market Cap (INR Mn) INR 4,08,922	Recommendation ACCUMULATE	Sector Specialty Chemicals
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Result Highlights:

- During the quarter GFL's revenue came at INR 14,613 Mn (+51.59% YoY / +9.55% QoQ). Higher PTFE volumes supported the topline growth due to availability of additional TFE.
- On operational front EBITDA stood at INR 5,365 Mn (+81.26% YoY / +16.89% QoQ), with OPM at 36.71% (+601 bps YoY/+231 bps QoQ). Better realisation mix pushed the margins.
- Net Profit stood at INR 3,570 Mn against INR 2,050 (+74.15%) on YoY basis and (+17.82% QoQ), with NPM at 24.43% (+316 bps YoY/+172 bps QoQ).
- EPS during the quarter came at INR 32.52 vs 18.66 in the same period last year.
- The Board has declared an Interim Dividend of Rs. 2 per equity Share.

MARKET DATA

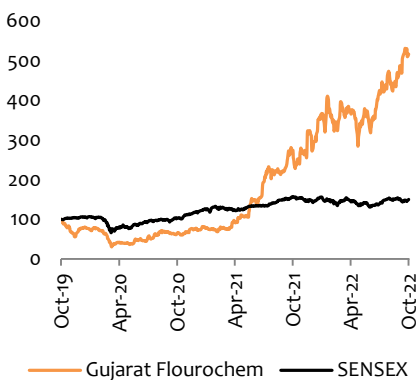
Shares outs (Mn)	110
Mkt Cap (INR Mn)	4,08,922
52 Wk H/L (INR)	4,173/1,711
Volume Avg (3m K)	180.3
Face Value (INR)	1
Bloomberg Code	FLUROCH IN

KEY FINANCIALS

INR Mn	Q2FY23	Q2FY22	YoY	Q1FY22	QoQ
Revenue	14,613	9,640	51.59%	13334	9.55%
EBITDA	5,096	2,957	81.26%	4441	16.89%
PAT	3,529	2,051	74.15%	3029	17.82%
EBITDA Margin (%)	34.87%	30.67%	420bps	33.30%	157bps
NPM (%)	24.15%	21.28%	287bps	22.71%	143bps

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



Spur in the volume supported growth:

During Q2FY23 the performance was mainly led by PTFE fluoropolymer, followed by bulk chemicals (Ref gas and caustic soda) both on YoY and QoQ basis. Such performance made GFL achieve topline of INR 14,613 Mn (+51.59% YoY / +9.55% QoQ). The availability of additional TFE capacities in Q2FY23 pushed the sales for PTFE. Higher volumes in Ref gas segment was supported by increase in contribution from R125 gas. The demand supply situation is expected to remain strong in the near future. The contribution from new fluoropolymers was marginally up on QoQ basis, the newer capacities are expected to ramp up the sales.

Healthy operational performance:

GFL could manage to deliver robust performance in Q2FY23. On operational front EBITDA stood at INR 5,365 Mn (+81.26% YoY / +16.89% QoQ), with OPM at 36.71% (+601 bps YoY/+231 bps QoQ). Elevated fuel costs was offset by improved realisations which led to spike in the margins. Net Profit stood at INR 3,570 Mn against INR 2,050 (+74.15%) on YoY basis and (+17.82% QoQ), with NPM at 24.43% (+316 bps YoY/+172 bps QoQ). Its focus on developing new age industry products and stable pricing scenario overall are expected to offer favourable margins in the coming quarters.

MARKET INFO

SENSEX	59,107
NIFTY	17,512

Commissioning of capacities to ramp up revenue:

The growth in volumes for all fluoropolymers across geographies has been a result of the development of newer grades. GFL has added capacities to cater such continued increase in demand for new fluoropolymers. Sales should begin to pick up in Q3FY23 from new fluoropolymer segment with the stabilisation of additional capacity for FKM, PVDF, and PFA that were commissioned during the quarter.

SHARE HOLDING PATTERN (%)

Particulars	Sept-22	Jun-22	Mar-22
Promoters	66.08	66.08	66.08
FIIIs	4.99	4.10	4.19
DIIIs	3.90	4.25	4.30
Others	25.04	25.57	25.43
Total	100	100	100

18.25%

Revenue CAGR
between FY22 - FY24E

20.62%

EBITDA CAGR
between FY22 - FY24E

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Valuation and view:

We believe GFL’s ambitious capital expenditure plan for the coming years highlights its extensive development potential. Its plan to debottleneck PTFE capacities would add fuel to the growth story. We expect full benefit of additional capacities to come in from Q4FY23 and thus should hold the momentum. **Currently the stock is trading with a P/E multiple of 35.28x/31.66x FY23E/24E to its earnings. We maintain ‘ACCUMULATE’ rating on the stock and apply P/E multiple of 39x to its FY24E earnings, which yields an increased revised target price of INR 4,045 per share.**

Key Concall Highlights:

Business verticals:

- Caustic soda prices remained stable during the quarter.
- GFL was able to execute pending orders of Ref gas R125 which pushed the volumes in Q2FY23. Utilisation levels for R125 stood at 75%.
- The company remains confident on the growth prospects of specialty chemicals biz.
- There is an increase in demand for new fluoropolymers namely FKM, PVDF, PFA which the company intends to meet with further additional capacities.

Capex programme:

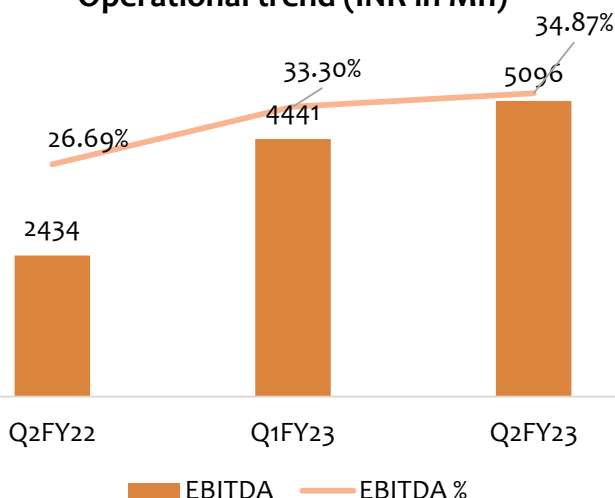
- New fluoropolymer – 2 new additional reactors for FKM to get commissioned in Q3FY23 whose sales would be reflected from Q4FY23.
- Capacity addition plans for FKM to be at 200 tpm and for PVDF is 100 tpm.
- It intends to do capex for R32 with 10,000tpa of capacity to the tune of INR 1,250 Mn. R32 will act as a replacement to R22 gas.
- PFA will see additional capacities by March 24 upto 2400tpa.

Other highlights:

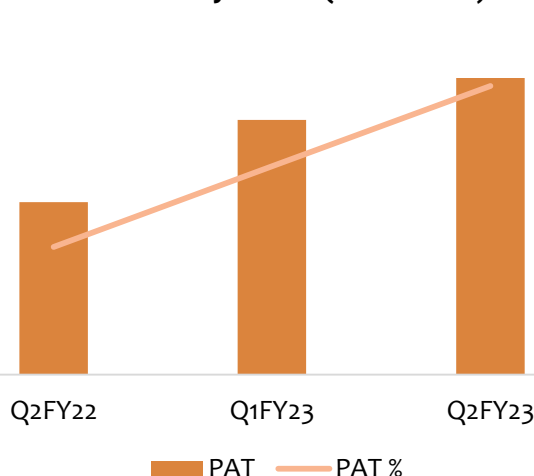
- Price and volumes evenly supported the revenues during the quarter.
- Debottlenecking of capacities to help grow sales in the range of 10-15%.
- The company is confident of pushing more quantities in varied regions mainly due to diversified product and customer needs.
- It expects to be net debt free by FY24 and we believe FCF to get fully utilised in working capital requirement or for further capex.

Spike in financial performance

Operational trend (INR in Mn)



Profitability trend (INR in Mn)



Source: Company, KRChoksey Research

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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Income Statement (INR Mn)	FY 20	FY 21	FY 22	FY 23E	FY 24E
Revenues	26,063	26,505	39,536	46,652	55,283
COGS	9,539	8,976	11,957	14,229	16,861
Gross profit	17,558	17,948	27,665	32,423	38,422
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
EBITDA	5,211	5,959	11,684	14,229	17,000
Depreciation & amortization	1,924	2,021	2,054	2,916	3,150
EBIT	5,450	5,949	10,944	13,613	16,150
Interest expense	1,048	1,126	784	921	746
Other income	2,163	2,011	1,314	2,300	2,300
PBT	4,402	4,823	10,160	12,692	15,404
Tax	1,428	7,039	2,704	3,300	4,005
Exceptional item	-1,075	0	-291	0	0
PAT	1,899	-2,216	7,747	9,392	11,399
EPS (INR)	17.3	-20.2	70.63	85.46	103.72

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
Total non current assets	41,399	40,448	44,400	46,444	53,341
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
Total current assets	19,269	19,036	24,380	31,791	36,678
TOTAL ASSETS	60,668	59,484	68,780	78,235	90,019
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
Total equity	37,049	34,789	42,303	51,944	63,342
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
Total non-current liabilities	5,186	7,009	7,414	5,676	5,430
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
Total current liabilities	18,431	17,887	19,064	20,615	21,246
Total liabilities	23,617	24,896	26,477	26,291	26,676
TOTAL EQUITY AND LIABILITIES	60,666	59,685	68,780	78,235	90,018

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
20-Oct-22	3,659	4,045	ACCUMULATE	Buy	More than 15%
28-July-22	3,270	3,578	ACCUMULATE		
16-May-22	2,495	3,215	BUY	Accumulate	5% – 15%
31-Jan-22	2,620	3,167	BUY		
12-Nov-21	2,104	2,346	ACCUMULATE	Hold	0 – 5%
1-Oct-21	1,954	2,201	ACCUMULATE	Reduce	-5% – 0
				Sell	Less than – 5%

ANALYST CERTIFICATION:

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KRChoksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.

ANALYST

Kushal Shah, research3@krchoksey.com, +91-22-6696 5502

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is also available on Bloomberg KRCS<GO>
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Phone: +91-22-6696 5555, Fax: +91-22-6691 9576
www.krchoksey.com