

Result Update: Q3-FY23

- ❑ Gujarat Fluorochemicals Ltd. (FLUOROCHEM) has reported a growth of 41.2% in its revenues at ₹14,179 million in Q3-FY23 as against ₹10,039 million in Q3-FY22. The growth was mainly driven by strong performance in Fluorochemicals and Fluoropolymers business growing by 195% 40.8% YoY respectively. The Bulk chemicals business reported a de-growth of 12% in the quarter.
- ❑ On profitability front, the company has reported operating margins of 34.7% at ₹4,922 million in Q3-FY23 as against 31.2% at ₹3,133 million in Q3-FY22, an increase of ~350 basis points. The increase in margins was due to better overall performance led by both volume and realisation. The company's profit after tax (PAT) margins for the quarter stood 24.5% at ₹3,478 million as against 20.3% at ₹2,036 million in Q3-FY22.
- ❑ On segment basis, the company has reclassified its business segments into three from earlier five segments. The new segments are Bulk chemicals including caustic soda, MDC and CMS, Fluorochemicals and Fluoropolymers. The Bulk chemicals segment posted de-growth of 12% YoY basis due to lower realisation on back of excess supply. The Fluorochemicals segment posted strong growth of 196% YoY. The performance was on back of stable price and volume and gradual ramp of new capacity to continue to augment growth in future.
- ❑ The Fluoropolymers segment, Volumes and prices remained stable during the quarter. In addition to de-bottlenecking of PTFE capacity, additional capacities for new fluoropolymers are being set-up and revenues are expected to ramp up, from Q4-FY23 onwards, over the next few quarters.
- ❑ On capex front, the company's planned capex of ₹25,000 million in two years FY23 & FY24 towards expanding its capacities for Chemicals for backward integration, Fluoropolymers and New Age Products is progressing well and company has started adding incremental capacities in both Fluorochemicals and Fluoropolymers segment. The revenues from new capacities are expected to gradually pick-up starting Q4-FY23. Also, the company's new 20Mw wind power project is also scheduled to start by Q1-FY24 which could result in power cost savings for the company. On New age products, the company's investment in battery chemicals is progressing as per plan and initial commercial capacity is expected to start by Q1-FY24.
- ❑ We believe FLUOROCHEM has created a niche for itself in its fluoro-chemicals business and is better poised to explore markets for more value added products including in sunrise sectors like electric vehicles, advanced Fluoropolymers while continue to gain from its backwards integrated and diversified businesses. We continue to remain positive on the stock and maintain our **BUY** rating on the stock with a target price of **₹3,910 per share**.

Q3-FY23 Results

(In ₹ mn)	Q3-FY23	Q3-FY22	Chg	9M-FY23	9M-FY22	Chg
Net Sales	14,179	10,039	41.2%	42,132	28,798	46.3%
Operating Expense	9,257	6,905	34.1%	27,625	20,325	35.9%
EBITDA	4,922	3,133	57.1%	14,507	8,473	71.2%
Other Income	525	341		1,390	1,233	
Depreciation	601	518		1,723	1,531	
EBIT	4,845	2,957	63.9%	14,175	8,175	73.4%
Interest	381	202		820	650	
PBT	4,464	2,755	62.0%	13,355	7,525	77.5%
Tax	1,159	742		3,443	1,951	
Exceptional Items	-	-		-	-	
PAT	3,305	2,013	64.2%	9,912	5,574	77.8%
Minority /Other Adj.	173	24		214	88	
Consolidated PAT	3,478	2,036	70.8%	10,126	5,662	78.9%

Margins	Q3-FY23	Q3-FY22	Chg BPS	9M-FY23	9M-FY22	Chg BPS
Operating Margin %	34.7%	31.2%	350	34.4%	29.4%	501
Net Margin %	24.5%	20.3%	425	24.0%	19.7%	437

Financials:

(In ₹ Mn.)	FY-21	FY-22	FY-23E	FY-24E
Net Sales	26,505	39,536	54,880	64,369
Operating Expense	20,610	27,862	37,331	43,464
EBITDA	5,895	11,674	17,549	20,905
Other Income	2,075	1,616	2,195	2,575
Depreciation	2,021	2,054	2,322	2,723
EBIT	5,949	11,236	17,422	20,757
Interest	1,126	784	980	801
Misc. items	-	-	-	-
PBT	4,823	10,452	16,442	19,956
Tax	7,039	2,693	4,111	4,989
Minority Interest	28	113	-	-
PAT	(2,187)	7,872	12,332	14,967

Margins	FY-21	FY-22	FY-23E	FY-24E
Sales Growth %	1.7%	49.2%	38.8%	17.3%
Operating Margin %	22.2%	29.5%	32.0%	32.5%
Net Margin %	-8.3%	19.9%	22.5%	23.3%

Source: Company, Anand Rathi Research

(In ₹ Mn.)	FY-21	FY-22	FY-23E	FY-24E
Liabilities				
Equity Share Capital	110	110	110	110
Reserves & Surplus	34,818	42,441	54,773	69,740
Total Shareholder's Funds	34,928	42,551	54,883	69,850
Minority Interest	(139)	(248)	(248)	(248)
Long-Term Liabilities	3,921	4,354	2,854	2,604
Other Long-term Liabilities	451	465	465	465
Deferred Tax Liability	2,637	2,592	2,592	2,592
Short-term Liabilities	17,888	19,064	26,463	25,970
Total	59,686	68,778	87,008	1,01,232
Assets				
Net Fixed Assets	27,667	31,935	35,031	39,607
Long-Term L&A	9,537	9,986	9,986	9,986
Non Current Investments	195	9	9	9
Other Non-Current Assets	3,250	2,467	2,467	2,467
Current Asset	19,037	24,381	39,515	49,163
Total	59,686	68,778	87,008	1,01,232

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	-19.9	71.7	112.3	136.2
P/E (x)	-153.8	42.7	27.3	22.5
P/B (x)	9.6	7.9	6.1	4.8
ROE	-6.3%	18.5%	22.5%	21.4%
ROCE	14.2%	22.6%	28.8%	27.6%

Key Risks:

- The company's business is exposed to currency risks.



Rating and Target Price history:

FLUOROCHEM rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 9 February 2023 close.

FLUOROCHEM rating details

Date	Rating	Target Price (₹)	Share Price (₹)
27-Dec-17	BUY	1,133	896
10-Feb-18	BUY	1,133	777
30-May-18	BUY	1,133	783
20-Feb-19	BUY	1,133	852
*19-Jul-21	BUY	1,840	1,495
*15-Nov-21	BUY	2,524	2,090
*22-Dec-22	BUY	3,910	3,225
*09-Feb-23	BUY	3,910	3,062

Source: Bloomberg, Anand Rathi Research

NOTE: *Post Demerger rating and price

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