

Rating: REDUCE | CMP: Rs3,330 | TP: Rs2,907

August 14, 2024

Q1FY25 Result Update

■ Change in Estimates | Target | ■ Reco

Change in Estimates

	Current FY25E	Previous FY26E	Current FY25E	Previous FY26E
Rating	REDUCE	REDUCE		
Target Price	2,907	2,775		
Sales (Rs. m)	46,570	55,725	46,570	55,725
% Chng.	-	-		
EBITDA (Rs. m)	10,385	14,657	10,385	14,657
% Chng.	-	-		
EPS (Rs.)	40.9	66.1	40.9	66.1
% Chng.	-	-		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	56,847	42,808	46,570	55,725
EBITDA (Rs. m)	19,653	9,548	10,385	14,657
Margin (%)	34.6	22.3	22.3	26.3
PAT (Rs. m)	12,470	4,350	4,491	7,258
EPS (Rs.)	113.5	39.6	40.9	66.1
Gr. (%)	58.4	(65.1)	3.2	61.6
DPS (Rs.)	3.4	1.6	2.0	3.3
Yield (%)	0.1	0.0	0.1	0.1
RoE (%)	25.5	7.6	7.3	10.8
RoCE (%)	27.0	9.0	8.6	12.4
EV/Sales (x)	6.7	9.0	8.1	6.8
EV/EBITDA (x)	19.3	40.2	36.5	26.0
PE (x)	29.3	84.1	81.5	50.4
P/BV (x)	6.6	6.2	5.7	5.2

Key Data	GFLL.BO FLUOROCH IN
52-W High / Low	Rs.3,920 / Rs.2,476
Sensex / Nifty	78,956 / 24,139
Market Cap	Rs.366bn/ \$ 4,357m
Shares Outstanding	110m
3M Avg. Daily Value	Rs.443m

Shareholding Pattern (%)

Promoter's	62.58
Foreign	5.20
Domestic Institution	9.62
Public & Others	22.60
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.3	(6.8)	14.2
Relative	4.4	(15.6)	(5.5)

Swarnendu Bhushan

swarnendubhushan@plindia.com | 91-22-66322260

Saurabh Ahire

saurabhahire@plindia.com |

Fluoropolymers to be growth driver

Quick Pointers:

- Commercial supplies of LiPF6, Electrolyte and PVDF binders to start from Q4FY25; product sampling and validation in progress
- Volumes and prices for Specialty Chemicals remained sluggish in Q1FY25, due to Chinese competition

Gujarat Fluorochemicals (FLUOROCH) reported consolidated revenue from operations of Rs11.7bn, declining 2.8% YoY but increasing 3.8% QoQ. These numbers were in line with our estimates. The Fluoropolymers segment showed sequential growth, though revenue for the quarter was impacted by the Red Sea crisis. The segment's contribution is expected to increase QoQ, especially in the second half of FY25. Demand for refrigerants surged, leading to improved volumes and prices, particularly for R-22. However, continued dumping from China resulted in muted demand for the Specialty segment. Even though caustic soda prices improved slightly, the Bulk Chemicals segment saw a 4% sequential decline in revenue due to ongoing softness in MDC prices. On a positive note, progress in the Battery Chemicals vertical is promising. The LiPF6 plant has already been commissioned, with commercial sales expected to begin in Q4FY25, upon customer approval. The stock is trading at 50x FY26 EPS. We maintain "REDUCE" rating on the stock, with target price of Rs2,907, valuing it at 44x FY26 EPS.

- Revenue growth aided by 6% increase in Fluoropolymers:** Consolidated revenue stood at Rs11.7bn, -2.8% YoY/ 3.8% QoQ (PLe: Rs11.6bn, Consensus: Rs12.2bn); actual topline was 1% higher than our estimates. Gross profit margin was at 65.4% (vs 70.1% in Q1FY24 and 65.3% in Q4FY24), and actual gross profit was Rs7.7bn, in line with our estimates.
- EBITDAM declines 650bps YoY:** EBITDA stood at Rs2.6bn, -24.7% YoY/ 10.3% QoQ. EBITDA margin came in at 22.3% (PLe: 22.3%, Consensus: 22.3%) vs 28.8% in Q1FY24 and 21% in Q4FY24. Reported PAT was at Rs1bn (-46.3% YoY/ 7% QoQ), while margins were at 9% vs 17% in Q1FY24 & 9% in Q4FY24.
- Concall takeaways:** (1) EBITDA is expected to be Rs4-5bn every quarter for rest of FY25; based on validation from customers on improvement in volumes, buildup in revenue from Fluoropolymers will be visible in H2FY25. (2) Contracts are being finalized for LiPF6, Electrolyte and PVDF binders; commercial supplies are likely to commence from Q4FY25. (3) LFP plant commissioning is expected in Q3FY25. (4) Caustic soda prices have marginally increased, while MDC prices have softened further. (5) Refrigerant volumes and prices marginally improved during Q1FY25. (6) By Q4FY24, capacity utilization will be optimal for Fluoropolymers, and QoQ performance will improve. (7) PVDF film plant has been commissioned, and products are in the validation stage. (8) Chinese peers are not into high-value fluoropolymers; GFL is focusing on the value added segment.

Exhibit 1: Q1FY25 Result Overview - Consolidated (Rs mn)

Y/e March	Q1FY25	Q1FY24	YoY gr. (%)	Q1FY25E	% Var.	Q4FY24	QoQ gr. (%)	FY25E	FY24	YoY gr. (%)
Net Sales	11,760	12,093	(2.8)	11,642	1.0	11,330	3.8	46,570	42,808	8.8
Gross Profit	7,690	8,473	(9.2)	7,702	(0.2)	7,403	3.9	30,807	28,275	9.0
<i>Margin (%)</i>	<i>65.4</i>	<i>70.1</i>		<i>66.2</i>		<i>65.3</i>		<i>66.2</i>	<i>66.0</i>	<i>0.2</i>
EBITDA	2,620	3,479	(24.7)	2,596	0.9	2,376	10.3	10,385	9,548	8.8
<i>Margin (%)</i>	<i>22.3</i>	<i>28.8</i>		<i>22.3</i>		<i>21.0</i>		<i>22.3</i>	<i>22.3</i>	
Other Income	90	146	(38.2)	150	(40.1)	183	(50.8)	601	595	1.0
Depreciation	850	655	29.7	873	(2.6)	812	4.7	3,492	2,861	22.0
EBIT	1,860	2,970	(37.4)	1,874	(0.7)	1,747	6.5	7,495	7,282	2.9
Interest	370	280	32.1	333	11.0	337	9.9	1,334	1,331	0.2
PBT before exceptional items	1,490	2,690	(44.6)	1,540	(3.3)	1,410	5.7	6,161	5,951	3.5
Total Tax	410	678	(39.5)	418	(1.8)	401	2.4	1,670	1,601	4.3
<i>ETR (%)</i>	<i>27.5</i>	<i>25.2</i>		<i>27.1</i>		<i>28.4</i>		<i>27.1</i>	<i>26.9</i>	
Adj. PAT	1,080	2,012	(46.3)	1,123	(3.8)	1,010	7.0	4,491	4,349	3.2
Exceptional Items	0	0		0		0		0	0	
PAT	1,080	2,012	(46.3)	1,123	(3.8)	1,010	7.0	4,491	4,349	3.2

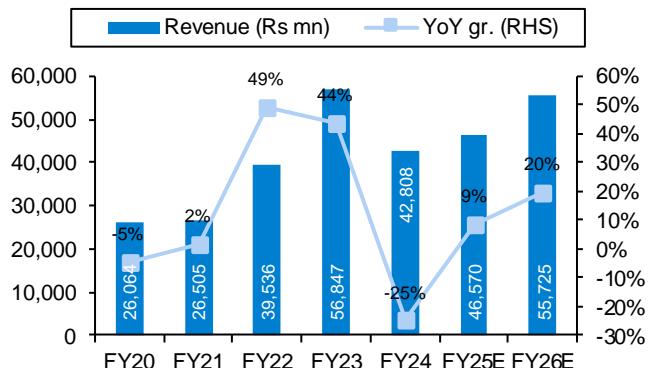
Source: Company, PL

Exhibit 2: Segmental Revenue (Rs mn)

Y/e March	Q1FY25	Q1FY24	YoY gr.	Q4FY24	QoQ gr.	FY25E	FY24	YoY gr.
Bulk Chemicals	1,690	1,670	1.2%	1,760	-4.0%	7,421	7,053	5.2%
Fluoro Chemicals	2,970	3,310	-10.3%	3,030	-2.0%	10,472	10,801	-3.0%
Fluoropolymers	6,850	6,740	1.6%	6,450	6.2%	27,059	23,280	16.2%
Others	250	373	-32.9%	90	176.9%	1,618	1,190	36.0%
Total Revenue	11,760	12,093	-2.8%	11,330	3.8%	46,570	42,324	10.0%

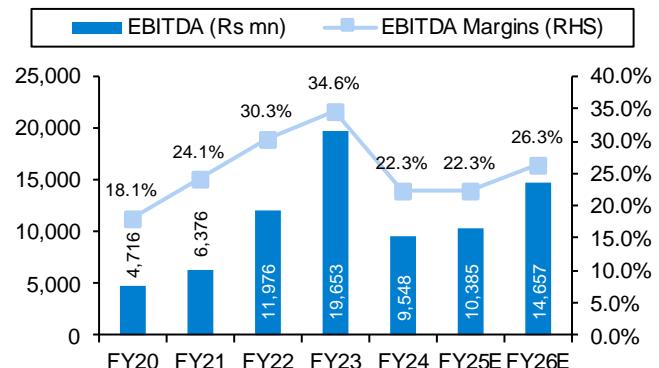
Source: Company, PL

Exhibit 3: Rev to grow at 9% in FY25



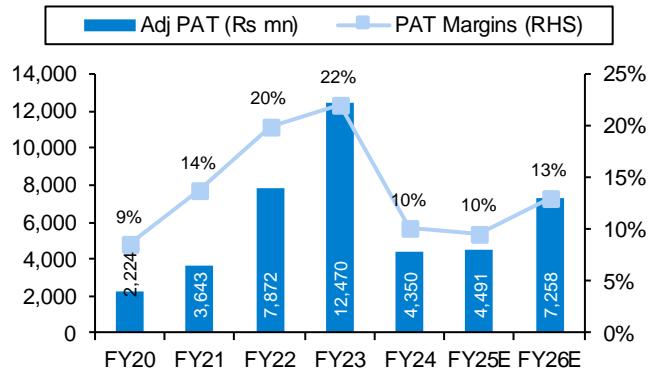
Source: Company, PL

Exhibit 4: EBITDAM improvement expected in FY24-26E



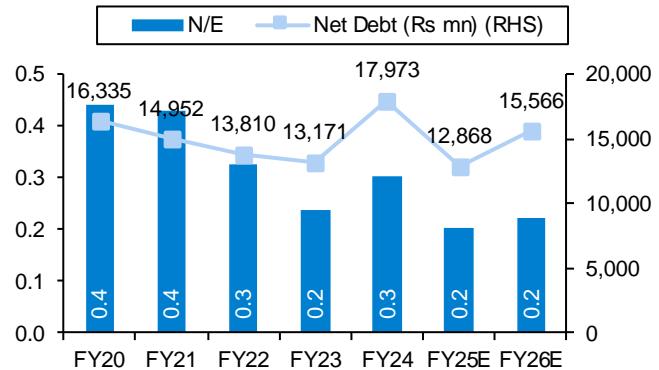
Source: Company, PL

Exhibit 5: PAT margins to rise to 13%



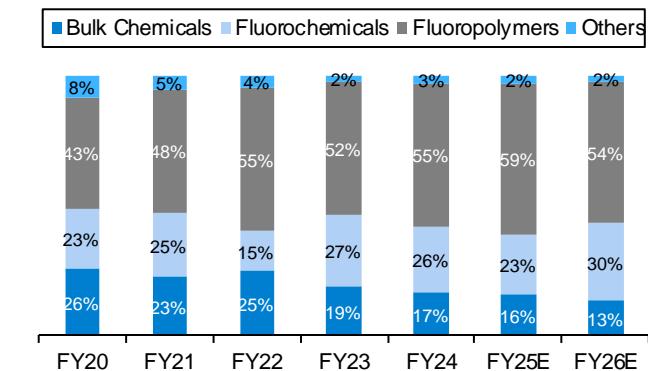
Source: Company, PL

Exhibit 6: D/E to be at 0.2x



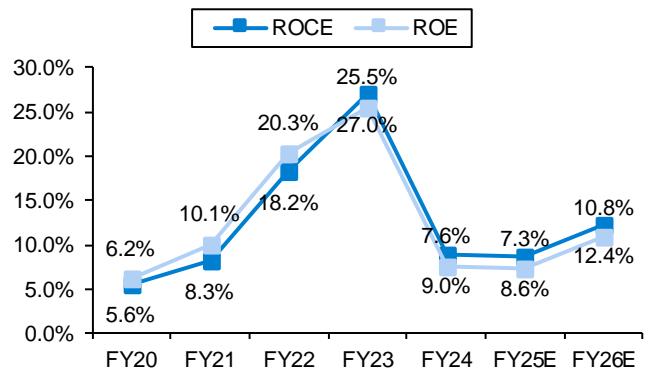
Source: Company, PL

Exhibit 7: Fluoropolymers contribution strong

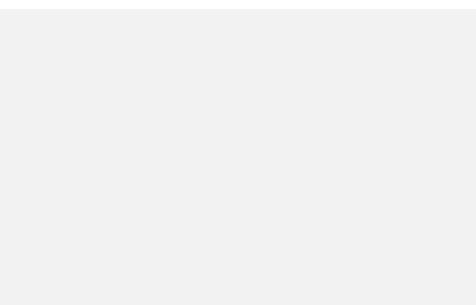


Source: Company, PL

Exhibit 8: Return ratios to stay around 11-13%



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	56,847	42,808	46,570	55,725
YoY gr. (%)	43.8	(24.7)	8.8	19.7
Cost of Goods Sold	15,705	14,533	15,763	17,843
Gross Profit	41,141	28,275	30,807	37,882
Margin (%)	72.4	66.0	66.2	68.0
Employee Cost	3,221	3,504	3,889	4,278
Other Expenses	18,267	15,223	16,532	18,946
EBITDA	19,653	9,548	10,385	14,657
YoY gr. (%)	64.1	(51.4)	8.8	41.1
Margin (%)	34.6	22.3	22.3	26.3
Depreciation and Amortization	2,361	2,861	3,492	4,052
EBIT	17,293	6,686	6,894	10,606
Margin (%)	30.4	15.6	14.8	19.0
Net Interest	1,168	1,331	1,334	1,309
Other Income	904	595	601	661
Profit Before Tax	17,029	5,951	6,161	9,958
Margin (%)	30.0	13.9	13.2	17.9
Total Tax	4,617	1,601	1,670	2,700
Effective tax rate (%)	27.1	26.9	27.1	27.1
Profit after tax	12,412	4,349	4,491	7,258
Minority interest	(58)	-	-	-
Share Profit from Associate	0	0	0	0
Adjusted PAT	12,470	4,350	4,491	7,258
YoY gr. (%)	58.4	(65.1)	3.2	61.6
Margin (%)	21.9	10.2	9.6	13.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,470	4,350	4,491	7,258
YoY gr. (%)	58.4	(65.1)	3.2	61.6
Margin (%)	21.9	10.2	9.6	13.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,470	4,350	4,491	7,258
Equity Shares O/s (m)	110	110	110	110
EPS (Rs)	113.5	39.6	40.9	66.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	45,361	57,350	67,350	77,350
Tangibles	43,099	55,088	65,088	75,088
Intangibles	2,262	2,262	2,262	2,262
Acc: Dep / Amortization	14,095	16,956	20,448	24,499
Tangibles	13,438	16,299	19,791	23,842
Intangibles	657	657	657	657
Net fixed assets	31,266	40,394	46,902	52,850
Tangibles	29,661	38,789	45,297	51,246
Intangibles	1,605	1,605	1,605	1,605
Capital Work In Progress	11,424	10,913	10,913	10,913
Goodwill	-	-	-	-
Non-Current Investments	6,043	4,369	4,369	4,369
Net Deferred tax assets	(2,410)	(2,654)	(2,654)	(2,654)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	2	-	-	-
Inventories	14,854	15,713	11,228	13,435
Trade receivables	11,068	8,446	8,931	10,687
Cash & Bank Balance	1,610	1,985	5,280	3,692
Other Current Assets	-	-	-	-
Total Assets	83,714	89,721	94,650	1,04,353
Equity				
Equity Share Capital	110	110	110	110
Other Equity	55,097	59,254	63,542	70,438
Total Networth	55,207	59,363	63,651	70,548
Non-Current Liabilities				
Long Term borrowings	1,832	3,731	3,731	3,731
Provisions	395	545	545	545
Other non current liabilities	477	1,009	1,009	1,009
Current Liabilities				
ST Debt / Current of LT Debt	12,950	16,227	14,417	15,527
Trade payables	6,910	5,189	5,741	6,870
Other current liabilities	3,529	3,612	2,891	3,459
Total Equity & Liabilities	83,714	92,341	94,650	1,04,353

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	17,847	5,951	6,161	9,958
Add. Depreciation	2,361	2,861	3,492	4,052
Add. Interest	1,168	1,331	1,334	1,309
Less Financial Other Income	904	595	601	661
Add. Other	(461)	(491)	2,039	(661)
Op. profit before WC changes	20,915	9,652	13,025	14,657
Net Changes-WC	(8,827)	(1,440)	4,494	(3,800)
Direct tax	(4,700)	(1,949)	(1,458)	(2,545)
Net cash from Op. activities	7,389	6,263	16,061	8,312
Capital expenditures	(6,700)	(9,410)	(10,000)	(10,000)
Interest / Dividend Income	351	191	601	661
Others	1,586	(445)	-	-
Net Cash from Invt. activities	(4,764)	(9,665)	(9,399)	(9,339)
Issue of share cap. / premium	(37)	0	-	-
Debt changes	(796)	5,191	(1,810)	1,109
Dividend paid	(439)	(220)	(225)	(363)
Interest paid	(1,336)	(1,406)	(1,334)	(1,309)
Others	(33)	(90)	1	1
Net cash from Fin. activities	(2,641)	3,476	(3,367)	(562)
Net change in cash	(16)	74	3,295	(1,588)
Free Cash Flow	639	(3,293)	6,061	(1,688)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	113.5	39.6	40.9	66.1
CEPS	135.0	65.6	72.7	103.0
BVPS	502.6	540.4	579.4	642.2
FCF	5.8	(30.0)	55.2	(15.4)
DPS	3.4	1.6	2.0	3.3
Return Ratio(%)				
RoCE	27.0	9.0	8.6	12.4
ROIC	20.2	6.7	6.5	9.5
RoE	25.5	7.6	7.3	10.8
Balance Sheet				
Net Debt : Equity (x)	0.2	0.3	0.2	0.2
Net Working Capital (Days)	122	162	113	113
Valuation(x)				
PER	29.3	84.1	81.5	50.4
P/B	6.6	6.2	5.7	5.2
P/CEPS	24.7	50.7	45.8	32.3
EV/EBITDA	19.3	40.2	36.5	26.0
EV/Sales	6.7	9.0	8.1	6.8
Dividend Yield (%)	0.1	0.0	0.1	0.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	9,468	9,917	11,330	11,760
YoY gr. (%)	(35.2)	(30.1)	(23.0)	(2.8)
Raw Material Expenses	3,418	3,569	3,927	4,070
Gross Profit	6,050	6,348	7,403	7,690
Margin (%)	63.9	64.0	65.3	65.4
EBITDA	1,631	2,062	2,376	2,620
YoY gr. (%)	(69.6)	(60.6)	(55.1)	(24.7)
Margin (%)	17.2	20.8	21.0	22.3
Depreciation / Depletion	676	719	812	850
EBIT	955	1,343	1,564	1,770
Margin (%)	10.1	13.5	13.8	15.1
Net Interest	342	372	337	370
Other Income	135	132	183	90
Profit before Tax	749	1,103	1,410	1,490
Margin (%)	7.9	11.1	12.4	12.7
Total Tax	221	302	401	410
Effective tax rate (%)	29.5	27.4	28.4	27.5
Profit after Tax	527	801	1,010	1,080
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	527	801	1,010	1,080
YoY gr. (%)	(85.4)	(75.7)	(69.6)	(46.3)
Margin (%)	5.6	8.1	8.9	9.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	527	801	1,010	1,080
YoY gr. (%)	(85.4)	(75.7)	(69.6)	(46.3)
Margin (%)	5.6	8.1	8.9	9.2
Other Comprehensive Income	(2)	(2)	(2)	-
Total Comprehensive Income	525	799	1,008	1,080
Avg. Shares O/s (m)	110	-	110	110
EPS (Rs)	4.8	-	9.2	9.8

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jul-24	Reduce	2,775	3,250
2	07-May-24	Reduce	3,120	3,638
3	09-Apr-24	Hold	3,313	3,270
4	07-Feb-24	Hold	3,727	3,616
5	08-Jan-24	Reduce	3,342	3,626
6	06-Nov-23	Reduce	2,413	2,780
7	09-Oct-23	Accumulate	3,230	2,846
8	15-Sep-23	Accumulate	3,230	3,125

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	635	735
2	Ashok Leyland	Accumulate	261	246
3	Bajaj Auto	Accumulate	10,326	9,718
4	Bharat Forge	Accumulate	1,701	1,605
5	Bharat Petroleum Corporation	Reduce	269	302
6	Bharti Airtel	Accumulate	1,593	1,444
7	CEAT	Accumulate	2,992	2,667
8	Clean Science and Technology	Hold	1,516	1,562
9	Deepak Nitrite	Reduce	2,780	3,055
10	Divgi Torqtransfer Systems	Accumulate	734	665
11	Eicher Motors	BUY	5,335	4,577
12	Endurance Technologies	Hold	2,664	2,735
13	Exide Industries	Hold	559	532
14	Fine Organic Industries	Accumulate	6,172	5,535
15	GAIL (India)	Reduce	211	241
16	Gujarat Fluorochemicals	Reduce	2,775	3,250
17	Gujarat Gas	Accumulate	666	622
18	Gujarat State Petronet	BUY	417	336
19	Hero Motocorp	Accumulate	5,914	5,558
20	Hindustan Petroleum Corporation	Sell	340	396
21	Indian Oil Corporation	Sell	151	183
22	Indraprastha Gas	Sell	374	541
23	Jubilant Ingrevia	Hold	592	586
24	Laxmi Organic Industries	Sell	206	257
25	Mahanagar Gas	Sell	1,492	1,846
26	Mahindra & Mahindra	BUY	3,330	2,908
27	Mangalore Refinery & Petrochemicals	Sell	135	218
28	Maruti Suzuki	BUY	15,145	13,116
29	Navin Fluorine International	Accumulate	4,144	3,771

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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