DEVEN CHOKSEY RESEARCH

Gujarat Fluorochemicals Ltd Q2FY26

Result update

26th Nov 2025

Gujarat Fluorochemical Ltd.

A muted quarter pressured by tariffs, with bottom-line growth supported by improved margins

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 3,397	**INR 3,798**	**11.8%**	**INR 373,680**	**ACCUMULATE**	**Specialty Chemicals**

Result Highlights

Revenue: Gujarat Fluorochemical Q2FY26 revenue grew by 1.9% YoY (-5.5% QoQ) to INR 12,100 Mn, missing our estimates by 11.7%. Topline performance reflected continued strength in fluoropolymers (+8% YoY, though -4% QoQ due to US tariff impact), partially offset by a sharp contraction in fluorochemicals (-15% YoY on lower R22/R125 volumes).

Margins and Profitability: EBITDA grew by 23.4% YoY in Q2FY26 to INR 3,640 Mn, supported by a superior product mix and continued cost optimization. EBITDA margin expanded sharply by 525 bps YoY to 30.1%, driven by higher-value fluoropolymer grades, improved operational efficiencies, lower power costs, and favorable currency movement. Management highlighted that these margin gains are sustainable, with further improvement expected as the share of value-added products rises in the long term.

The company reported a PAT of INR 1,790 Mn, reflecting 48% YoY growth, aided by stronger margins and better mix. Profitability trajectory remains firmly upward, supported by operating leverage and margin expansion.

Segmental Performance: The Fluoropolymers segment grew by 9.1% YoY (-4.3% QoQ) to INR 7,640 Mn, supported by resilient demand across high-value grades despite temporary softness from US tariff-related disruptions. The Fluorochemical segment declined 15.1% YoY (-14.6% QoQ) to INR 2,580 Mn, primarily due to lower sales of R-22 (quota reduction + seasonal weakness) and pricing/margin pressure in R-125 driven by US tariff impact. Specialty chemicals remained stable with early signs of improvement. Bulk Chemicals revenue declined 0.6% YoY (+8.0% QoQ) to INR 1,580 Mn, aided by higher chloromethane prices and sequential volume contribution.

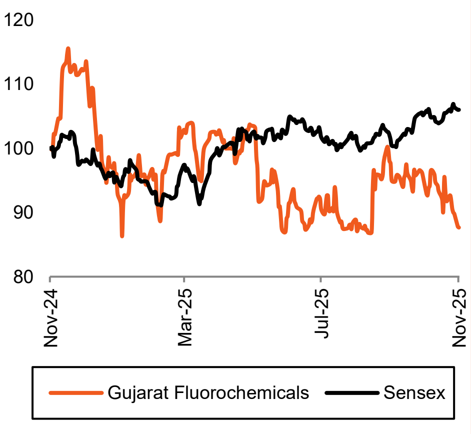
Growth Catalyst: Gujarat Fluorochemicals is poised for multi-year growth driven by ~25.0% YoY expansion in fluoropolymers, scale-up in battery chemicals by FY27E, early ramp-up of R32 production, and strategic capex across high-margin segments and renewables, supported by strong global positioning and customer traction in semicon, EVs, and energy storage.

Valuation and Outlook:

GFL's revenue growth is expected to be supported by sustained momentum in its fluoropolymer segment and a meaningful scale-up in the battery chemicals business by FY27E. The company remains focused on rapidly developing its Battery Materials vertical, having successfully commissioned integrated plants for LiPF6, LFP cathode active materials, and electrolytes. GFL reiterated its differentiated positioning as one of the few non-China integrated LiPF6 producers and indicated that initial revenues from this EV-oriented segment should begin in Q4 FY26. The company also has significant capex plans through FY27 to expand capacity and guided toward an EBIT break-even for the battery chemicals business in FY27.

We roll forward our valuation and value Gujarat Fluorochemicals at 37.0x Sep'27 EPS, implying a target price of INR 3,798. Accordingly, we maintain an **"ACCUMULATE"** rating on the stock.

SHARE PRICE PERFORMANCE



MARKET DATA	
Shares outs (Mn.)	110
Mkt Cap (INR Mn.)	373,680
52-Week H/L (INR)	4,535/3,221

*Based on previous closing
Note: All the market data is as of previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sep-25	Jun-25	Mar-25
Promoters	61.4	62.6	62.6
FIIs	4.4	4.2	4.6
DIIs	12.7	11.5	10.7
Others	21.5	21.7	22.1
Total	100	100	100

15.3%
Revenue CAGR between FY25-27E

40.4%
Adj. PAT CAGR between FY25-27E

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	42,810	47,370	52,344	62,933	68,270
EBITDA	9,080	10,990	15,413	19,318	20,956
EBITDA Margin	21.2%	23.2%	29.4%	30.7%	30.7%
Adj. PAT	4,350	5,460	8,408	10,759	11,575
Adj. EPS	39.6	49.7	76.5	97.9	105.4

Source: Company, DevenChoksey Research

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Gujarat Fluorochemical Ltd.

Key Concall Highlights:

Battery Materials

- Gujarat Fluorochemicals' battery materials segment entered a defining phase in Q2FY26, with all three product verticals—LiPF6 salts, LFP cathode materials, and binders—progressing from commissioning to commercial validation stages. The LiPF6 commercial plant is operational, with products achieving benchmark quality and undergoing customer qualification.
- The newly commissioned LFP CAM facility, one of the first non-China commercial plants globally, has completed stabilization and is now preparing to send commercial-grade samples for approvals. Binder products are also advancing through qualification, with commercial sales expected in the second half of CY26. Global demand dynamics remain supportive, highlighted by a sharp increase in benchmark LiPF6 prices (USD 10 → USD 17/kg), providing a favourable environment for long-term scale-up.
- While domestic cell manufacturing has witnessed delays, the company remains focused on export markets—primarily the US, Korea, and Japan—until Indian gigafactories ramp up. Importantly, the business is structured to benefit from policy incentives in the US, where GFL qualifies as a non-prohibited foreign entity under the O3B bill, enabling customers to claim IRA-linked subsidies.
- Early-stage reliance on Chinese intermediates does not impact compliance in the near term, given the progressive phasing of value-addition thresholds. The segment is in an investment and qualification phase and has not yet meaningfully contributed to revenue. Management reiterated confidence that the business should achieve EBIT break-even in FY27, with meaningful revenue traction expected from FY28 as product approvals and capacity ramps converge.

Capex Plans

- Management indicated that capex intensity will increase further in FY27, with an estimated requirement of ~INR 15 billion or more, aligning to the broader INR 60 billion EV investment roadmap over 4–5 years..
- Fluoropolymers and refrigerants capex guidance for FY27 will be communicated in the next quarterly call, while R32 expansion to 20,000 TPA by FY26-end and a potential scale-up to 30,000 TPA remain key medium-term priorities.

Fluoropolymers Segment

- The fluoropolymers segment delivered a resilient performance in Q2FY26 despite near-term tariff-related disruptions. Segment revenue grew 8% YoY, although sequential performance was modest due to delays in US customer procurement following the imposition of higher tariffs on new fluoropolymers.
- Management expects demand to normalise from Q4FY26 onwards, aided by the release of deferred orders and improved traction in semiconductor-grade fluoropolymers.
- Domestically, the recently recommended anti-dumping duty on PTFE is expected to materially strengthen the competitive position of GFL. With its wide grade portfolio and backward integration, the company believes it can capture 50–60% of the PTFE import substitution opportunity once ADD is implemented.
- Capacity availability in both monomers and polymers ensures readiness to meet demand from domestic and international customers.

Other Highlights

- The fluorochemicals business reported a YoY revenue decline of 15%, primarily reflecting lower R22 offtake due to quota reductions and the typical seasonal lull in demand. Additional pressure came from weaker R125 volumes, which were affected by a combination of global market softness and tariff-related headwinds in key export geographies.
- The R32 refrigerant expansion programme continues to progress as planned, with capacity scheduled to ramp up to 20,000 TPA by FY26-end. Following an isolated operational incident, the company undertook a comprehensive review of plant operations, enhancing both process safety and operational robustness. This included strengthening internal protocols and reinforcing preventive measures to ensure safe and reliable operations ahead of the ramp-up. Management expects the plant to restart by end-November, after which throughput will be progressively increased to achieve full targeted capacity. GFL reiterated that the long-term expansion roadmap for R32 remains intact, with demand visibility driven by the widening demand–supply gap in global markets.
- The recent tariff-related delays in customer decision cycles have temporarily amplified inventory buildup, and management expects this to unwind as procurement normalises.
- Margin performance remained strong, supported by a richer product mix, cost optimisation—particularly through increased renewable power usage—and favourable currency trends. Management reiterated confidence in sustaining EBITDA margins above 30%, with further improvement expected as high-value grades scale up.
- Overall, Gujarat Fluorochemicals maintains a constructive multi-year outlook, underpinned by accelerating demand in fluoropolymers, battery materials, and the R32 refrigerant portfolio. With continuing mix upgrades, operational efficiencies, and scaling of new chemistries, the company expects incremental expansion in margins and strengthening of its long-term growth trajectory.

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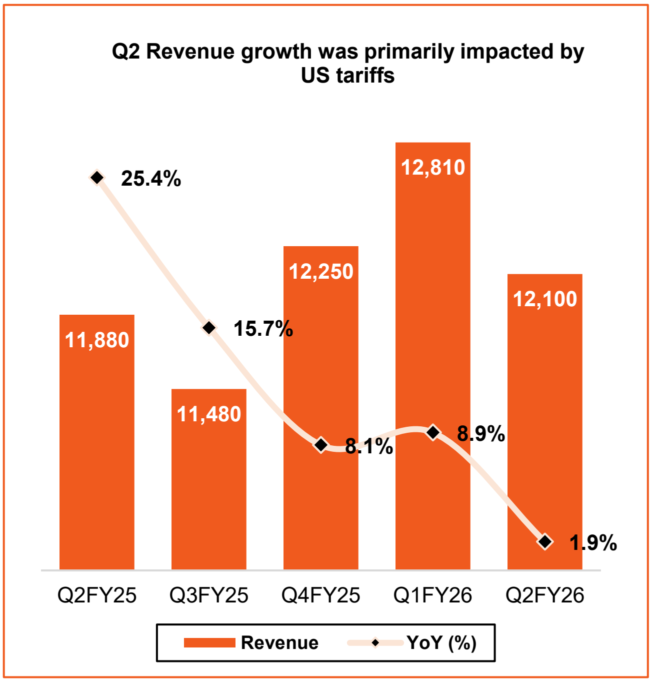
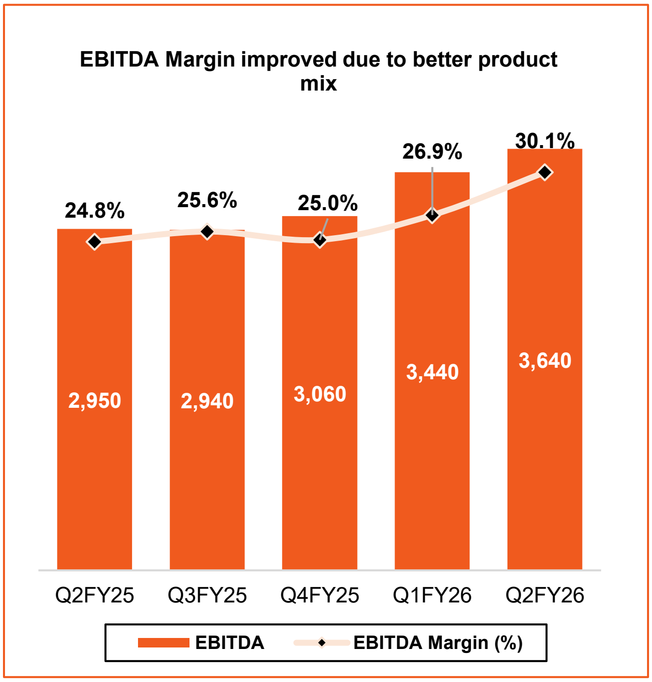
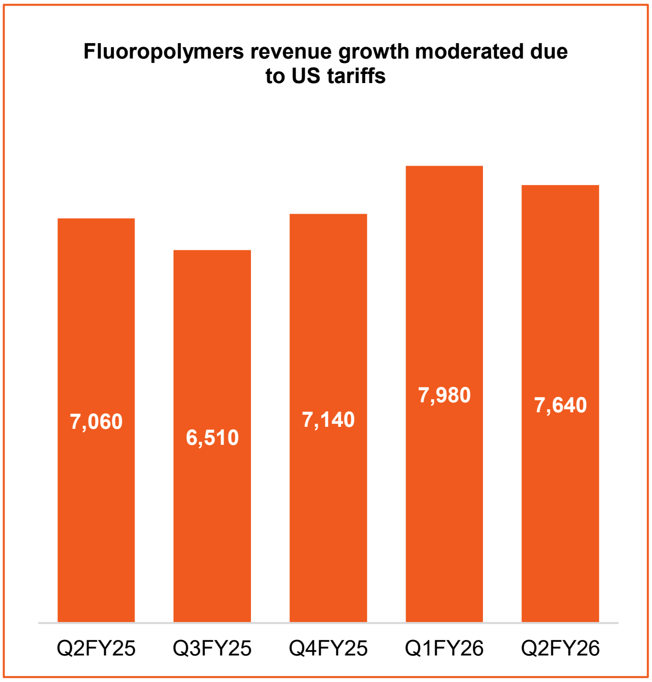
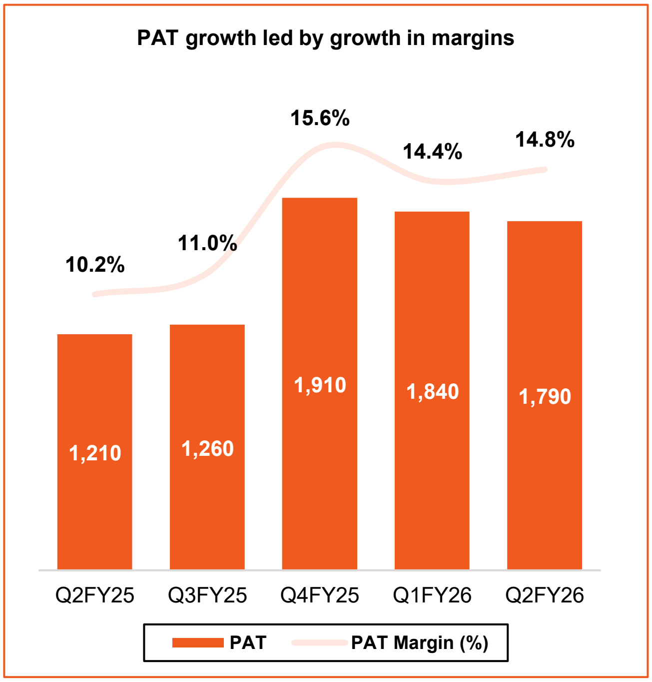
Gujarat Fluorochemical Ltd.

Story in Charts









Source: Company, DevenChoksey Research

Gujarat Fluorochemical Ltd.

RESULT SNAPSHOT

Particulars (INR Mn)	Q2FY26	Q1FY26	Q2FY25	QoQ	YoY
Revenue from operations	**12,100**	**12,810**	**11,880**	**(5.5%)**	**1.9%**
Total Expenditure	8,460	9,370	8,930	(9.7%)	(5.3%)
COGS	3,400	4,400	3,670	(22.7%)	(7.4%)
Material extraction	90	70	70	28.6%	28.6%
Power & Fuel	1,910	1,920	2,090	(0.5%)	(8.6%)
Employee cost	1,280	1,060	1,100	20.8%	16.4%
Other Expenses	1,780	1,920	2,000	(7.3%)	(11.0%)
EBITDA	**3,640**	**3,440**	**2,950**	**5.8%**	**23.4%**
EBITDA Margin (%)	**30.1%**	**26.9%**	**24.8%**	**323bps**	**525bps**
Depreciation & amortization	910	900	900	1.1%	1.1%
EBIT	**2,730**	**2,540**	**2,050**	**7.5%**	**33.2%**
EBIT Margin (%)	**22.6%**	**19.8%**	**17.3%**	**273bps**	**531bps**
Finance Cost	330	300	420	10.0%	(21.4%)
Other Income	60	230	90	(73.9%)	(33.3%)
Profit before tax	**2,460**	**2,470**	**1,720**	**(0.4%)**	**43.0%**
Tax expense	**670**	**630**	**510**	6.3%	31.4%
Net profit	**1,790**	**1,840**	**1,210**	**(2.7%)**	**47.9%**
Diluted EPS (INR)	16.3	16.8	11.0	(2.7%)	47.9%

Source: Company, DevenChoksey Research

Gujarat Fluorochemical Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY25	FY26E	FY27E	FY28E
Revenue	**47,370**	**52,344**	**62,933**	**68,270**
COGS	16,670	18,401	22,496	24,577
Gross profit	**32,570**	**36,104**	**43,187**	**46,508**
Employee cost	4,330	4,430	4,521	4,563
Other expenses	8,990	7,815	9,125	9,899
Power & fuel	7,930	8,082	9,755	10,582
Material extraction	330	364	468	508
EBITDA	**10,990**	**15,413**	**19,318**	**20,956**
EBITDA Margin	**23.2%**	**29.4%**	**30.7%**	**30.7%**
Depreciation	3,550	3,659	4,411	4,881
EBIT	**7,440**	**11,754**	**14,907**	**16,075**
Interest expense	1,470	1,397	1,606	1,686
Other income	1,160	1,044	1,044	1,044
PBT	**7,130**	**11,401**	**14,345**	**15,433**
Tax	1,670	2,993	3,586	3,858
Adj. PAT	**5,460**	**8,408**	**10,759**	**11,575**
Adj. EPS (INR)	49.7	76.5	97.9	105.4

Exhibit 3: Cash Flow Statement

INR Millions	FY25	FY26E	FY27E	FY28E
CFFO	5,450	15,417	16,423	19,361
Capex	(8,190)	(13,000)	(16,000)	(10,000)
Dividend Paid	(330)	0	0	0
Change in Capital	8,120	1,540	(281)	(182)
Closing Cash	550	3,454	1,984	9,469
FCF	(2,740)	2,417	423	9,361

Exhibit 4: Key Ratios

Key Ratios	FY25	FY26E	FY27E	FY28E
Gross Margin (%)	68.8%	69.0%	68.6%	68.1%
EBITDA Margin (%)	23.2%	29.4%	30.7%	30.7%
ROE%	5.1%	7.2%	8.3%	8.1%
ROCE%	9.2%	13.0%	14.7%	14.2%
P/E	80.9x	44.4x	34.7x	32.2x
EV/EBITDA	41.9x	25.3x	20.3x	18.3x

INR Millions	FY25	FY26E	FY27E	FY28E
Equity Capital	110	110	110	110
Other Equity	71,920	80,328	91,087	1,02,661
Money recd against share warrants	500	500	500	500
Non controlling interest	460	460	460	460
Total Equity	**72,990**	**81,398**	**92,157**	**1,03,731**
Non-Current Liabilities				
Borrowings	3,970	5,558	4,724	4,016
Deferred Tax Liability	2,400	2,880	3,456	4,147
Other Liability	1,500	643	809	953
Total Non-Current Liabilities	**7,870**	**9,081**	**8,990**	**9,116**
Current Liabilities				
Borrowings	16,020	16,520	17,020	17,520
Trade Payables	6,060	7,170	8,621	9,352
Other financial liabilities	2,070	2,094	2,517	2,731
Other current liabilities	1,080	998	1,056	1,085
Total Current Liabilities	**25,230**	**26,782**	**29,214**	**30,688**
Total Liabilities	**1,06,090**	**1,17,262**	**1,30,361**	**1,43,535**
Non-Current Assets				
Property Plants & Equipment's	40,400	49,741	61,330	66,449
CWIP	15,240	15,240	15,240	15,240
Right of use assets	1,900	1,900	1,900	1,900
Other current assets	5,720	5,376	5,383	5,390
Total Non-Current Assets	**63,260**	**72,257**	**83,853**	**88,979**
Current Assets				
Inventories	18,200	18,643	20,690	20,575
Trade Receivables	11,970	11,473	12,932	14,028
Cash and Bank	550	3,454	1,984	9,469
Bank Balance	1,670	1,670	1,670	1,670
Oher current assets	10,440	9,765	9,233	8,815
Total Current Assets	**42,830**	**45,005**	**46,508**	**54,556**
Total Assets	**1,06,090**	**1,17,262**	**1,30,361**	**1,43,535**

Source: Company, DevenChoksey Research

Gujarat Fluorochemical Ltd.

Gujarat Fluorochemicals Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
26-Nov-25	3,397	3,798	ACCUMUILATE
06-Aug-25	3,640	4,155	ACCUMULATE
30-May-25	3,553	3,927	ACCUMULATE
30-Jan-25	3,592	3,931	ACCUMULATE
30-Oct-24	4,250	4,550	ACCUMULATE
17-Aug-24	3,427	3,675	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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