

Below par performance but outlook promising...

About the stock: Gujarat Fluorochemicals Limited (GFCL) started as a refrigerants manufacturer and, thereafter, diversified into other areas like speciality chemicals, fluoropolymers, new fluoropolymers and bulk chemicals.

- Q3FY26 segmental mix: Bulk chemicals ~15%, Fluorochemicals ~17%, Fluoropolymers ~65% and others ~3%
- GFCL has chalked out aggressive plans for battery materials business with the incorporation of a subsidiary GFCL EV Products Ltd (both LFP and NMC batteries), with an investment of ₹ 6000 crore over the next 4- 5 years.

Investment Rationale

- Q3FY26- Weak quarterly print despite steady Fluoropolymers-** The company reported revenues of ₹1,136 crore, down 1% YoY. Segment wise, Fluoropolymers (67% of revenue), were up 14% YoY to ₹744 crore, Fluorochemicals (18% of revenue) were down 33% YoY, to ₹195 crore, Commoditized Bulk Chemicals (15% of revenue) were down 8% YoY to ₹168 crore. GPM for the quarter stood at 66.8%, down ~540 bps YoY. EBITDA for the quarter stood ₹275 crore, down 6% YoY, translating to margins of 24.2%, down ~140 bps YoY.
- Base business performance slated to improve; interesting developments in Battery Materials business-** The company delivered a muted performance, with headwinds across Fluorochemicals, Bulk Chemicals and below-par Fluoropolymers growth. Demand deferrals triggered by US tariffs related uncertainty, holiday induced slowdowns in Europe and the US besides non-occurrence of anticipated Anti-Dumping Duty (ADD) protection for certain Fluoropolymers impacted the overall performance. The Fluorochemicals segment faced muted demand from the ongoing R-22 phase-down under the Montreal Protocol, lower export realizations for R125 due to US tariffs and slower than expected readiness for R32. Looking ahead, the key monitorables remain the acceleration in Fluoropolymers growth (the management is expecting volumes growth especially in the backdrop of US-India trade deal, incremental demand from semiconductor players and new applications in elastomers), commissioning and ramp-up of the R32 plant (to ramp-up the full planned capacity of 20000 tonnes p.a. before H1FY27) and the performance of battery materials.
- The Battery Materials business continues to attract investors interest** with ₹ 430 crore investment commitment from IFC and another US\$ 82 million commitment from a Sovereign fund. The company is planning US\$ 216 million greenfield facility in Oman (part of the ₹6,000 crore investment) to produce battery materials for Lithium-Ion batteries. The company anticipates full utilization of current capacities by the end of FY28.

Rating and Target Price

- Our Target is ₹3,835 based on the SoTP valuation.

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Revenues	5684.7	4280.8	4737.0	12.7	5096.4	5964.1	6783.0	12.7
EBITDA	1965.3	907.4	1099.0	20.1	1452.5	1640.1	1865.3	19.3
EBITDA margins (%)	34.57	21.20	23.20		28.50	27.50	27.50	
Net Profit	1323.1	435.0	546.0	23.6	652.4	739.8	854.7	16.1
EPS (₹)	120.4	39.6	49.6		59.3	67.3	77.7	
PE (x)	27.3	83.1	66.3		55.5	48.9	42.3	
EV to EBITDA (x)	19.2	42.1	34.5		26.0	23.4	20.7	
RoCE (%)	31.5	10.8	10.6		10.3	10.5	11.0	
ROE (%)	24.0	7.3	7.5		7.2	7.6	8.0	

Source: Company, ICICI Direct Research



Particulars

Particular	Amount
Market cap (₹ Crore)	36,190
FY25 Total Debt (₹ Crore)	2,080
FY25 Cash & Inv (₹ Crore)	1,875
EV (₹ Crore)	36,395
52 Week H/L	4098/2197
Equity Capital (₹ Crore)	11.0
Face Value (₹)	1

Shareholding pattern

(in %)	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	62.6	62.6	61.4	61.4
FIIIs	4.6	4.3	4.4	4.3
DIIIs	10.7	11.5	12.7	12.8
Others	22.1	21.7	21.5	21.5

Price Chart



Key risks

- Delay in battery chemicals scale up
- Lower than expected performance in the fluoropolymer space.

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Q3FY26 Earnings Release / Conference call highlights

Fluoropolymers-

- The segment witnessed a challenging quarter owing to (i) non-approval of anti-dumping duty (ADD) on certain PTFE grade imports and (ii) US tariff led demand deferment by certain customers.
- Management is evaluating alternative markets to substitute domestic stock manufactured in anticipation of demand considering ADD recommended by DGTR in India.
- Dedicated trials for niche application orders are currently under process, expected to be margin accretive over medium term.
- The company is gaining market share in elastomers (used in semiconductors) due to exit of a legacy player.
- Going forward, recovery is expected in the segment on account of the increase in volumes and realizations, thanks to US- India trade deal.

Fluorochemicals

- In Refrigerant gas segment, R22 and R125 witnessed softness due to adverse pricing conditions, quota cut and seasonally subdued demand given the holiday season in the US and Europe. The announced tariff reduction is expected to support recovery in volumes.
- R32 Phase 1 plant is expected to be commissioned in 1QFY27 with marginal delay, taking the total capacity to 20000 tonnes p.a. which will be ramped up gradually. Management will evaluate Phase 2 expansion of another 10000 tonnes p.a. on the basis of demand-supply scenario before end of CY27 (Quota has to be confirmed by end of CY26 but plant can be commissioned in CY27 once quota is confirmed).

Battery Materials

- LFP CAM plant has stabilized and customer samples have commenced. Accordingly, the plant is expecting approvals over the next few quarters.
- Commercial supplies for LiPF6 have begun in Dec'25 with repeat orders for 4QFY26. Product has been audited and approved by leading global electrolyte manufacturers.
- On the pricing front, the management highlighted that the pricing is Lithium carbonate-based pricing contracts with customers to aid in keeping margins intact.
- Qualification process for PVDF binders (PTFE binders undergoing testing) is progressing well, with commercial operations to begin in 1HFY27.
- LiPF6, Salts will contribute to the revenue from early FY27 and binders from 2HFY27, LFP CAM from FY28 and Electrolyte when domestic demand picks up.

Base Business:

- Bulk chemicals declined by 7% YoY on account of lower prices in Chloromethanes and Caustic Soda.

Battery Business Fundraising Plans

- International Finance Corporation (IFC) has committed for investments worth US\$50mn (₹430 crore) through subscription of compulsorily convertible instruments.
- Another sovereign fund has approved investment of US\$ 82mn, of which agreement is in-process.
- The management announced a Greenfield expansion of US\$ 216 million in Oman for production of Advanced Materials (Lithium-Ion batteries), expected to be commissioned within the next one and half year (Likely to be Phase 1, further capacity addition under evaluation).
- Oman is advantageous due to FTA with both the US as well as India and is expected to provide procurement and other advantages. Oman Govt has invested in convertible instruments of GFCL EV (SFZ) LLC in Oman (with no put or buyback options), with returns linked to completion of certain milestones.

Exhibit 1: Valuation Summary

Valuation Summary			
Particulars	FY28E (₹ crore)	Multiple	EV (₹ crore)
Base Business FY28E EBITDA (Ex EV)	1,865.3	16	29845
EV business latest deal value			25000
Holding company Discount			35%
Holding company stake (*assuming fresh infusion at same valuation)			91%
Attributable Enterprise value from EV business			14821.625
Total EV			44667
Net Debt			2,497
Targeted Mcap			42170
No of shares			11
Per share Value			3835
CMP			3290
Up/Down			17%

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement

Year end March	₹ crore			
	FY25	FY26E	FY27E	FY28E
Total Operating Income	4,737.0	5,096.4	5,964.1	6,783.0
Growth (%)	10.7	7.6	17.0	13.7
Raw Material Expenses	1,513.0	1,579.9	1,848.9	2,102.7
Gross Profit	3,224.0	3,516.5	4,115.2	4,680.3
Employee Cost	433.0	458.7	536.8	610.5
Other Operating Expenses	1,692.0	1,605.4	1,938.3	2,204.5
EBITDA	1,099.0	1,452.5	1,640.1	1,865.3
Growth (%)	21.1	32.2	12.9	13.7
Other Income	116.0	100.0	100.0	100.0
EBITDA, including OI	1,215.0	1,552.5	1,740.1	1,965.3
Depreciation	355.0	468.5	563.4	635.4
Net Interest Exp.	147.0	190.3	190.3	190.3
Other exceptional items	0.0	0.0	0.0	0.0
PBT	713.0	893.7	986.4	1,139.6
Total Tax	167.0	241.3	246.6	284.9
Tax Rate	23.4%	27.0%	25.0%	25.0%
PAT	546.0	652.4	739.8	854.7
Adj.PAT after Minority interest	546.0	652.4	739.8	854.7
Adj. EPS (₹)	49.6	59.3	67.3	77.7
Shares Outstanding	11.0	11.0	11.0	11.0

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement

Year end March	₹ crore			
	FY25	FY26E	FY27E	FY28E
PBT & Extraordinary	546.0	893.7	986.4	1,139.6
Depreciation	355.0	468.5	563.4	635.4
After other adjustments				
(Inc) / Dec in Working Capital	-415.0	-513.1	-661.8	-624.7
Taxes	-188.0	-241.3	-246.6	-284.9
Others	247.0	190.3	190.3	190.3
CF from operating activities	545.0	798.1	831.8	1,055.8
Purchase of Fixed Assets	-881.0	-1,596.9	-1,200.0	-1,200.0
Others	-241.0	0.0	0.0	0.0
CF from investing activities	-1,122.0	-1,596.9	-1,200.0	-1,200.0
Proceeds from issue of shares	838.0	1,197.0	0.0	0.0
Borrowings (Net)	158.0	638.1	0.0	70.0
Others	-230.0	-212.3	-212.3	-212.3
CF from financing activities	766.0	1,622.9	-212.3	-142.3
Net cash flow	189.0	824.1	-580.5	-286.5
Effects of foreign currency translation	0.0	0.0	0.0	0.0
Opening Cash	31.5	55.0	879.5	299.0
Closing Cash	55.0	879.5	299.0	12.5

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet

Year end March	₹ crore			
	FY25	FY26E	FY27E	FY28E
Liabilities				
Share Capital	11.0	11.0	11.0	11.0
Reserves	7,242.0	9,069.4	9,787.2	10,619.9
Total Shareholders Funds	7,253.0	9,080.4	9,798.2	10,630.9
Minority Interest	46.0	46.0	46.0	46.0
Long Term Borrowings	478.0	1,085.1	1,085.1	1,155.1
Net Deferred Tax liability	240.0	240.0	240.0	240.0
Other long term liabilities	8.0	8.0	8.0	8.0
Long term provisions	61.0	36.6	42.8	48.7
Current Liabilities and Provisions				
Short term borrowings	1,602.0	1,633.1	1,633.1	1,633.1
Trade Payables	606.0	837.8	980.4	1,115.0
Other Current Liabilities	290.0	312.0	365.1	415.3
Short Term Provisions	25.0	26.9	31.5	35.8
Total Current Liabilities	2,523.0	2,809.7	3,010.1	3,199.2
Total Liabilities	10,609.0	13,305.8	14,230.2	15,327.9
Assets				
Net Block	4,136.0	6,338.4	6,974.9	7,539.5
Capital Work in Progress	1,524.0	450.0	450.0	450.0
Intangible assets under devl.	190.0	190.0	190.0	190.0
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Non-current investments	35.0	35.0	35.0	35.0
Deferred tax assets	6.0	6.0	6.0	6.0
Long term loans and advances	0.0	0.0	0.0	0.0
Other Non Current Assets	435.0	1,195.4	1,398.4	1,590.0
Current Assets, Loans & Advances				
Current Investments	279.0	279.0	279.0	279.0
Inventories	1,820.0	1,815.2	2,124.2	2,415.9
Sundry Debtors	1,197.0	1,117.0	1,307.2	1,486.7
Cash and Bank	55.0	879.5	299.0	12.5
Loans and Advances	25.0	25.0	25.0	25.0
Other Current assets	907.0	975.8	1,141.9	1,298.8
Current Assets	4,283.0	5,091.5	5,176.3	5,517.8
Total Assets	10,609.0	13,306.3	14,230.6	15,328.3

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

Year end March	₹ crore			
	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Adj. EPS	49.6	59.3	67.3	77.7
Adj. Cash EPS	81.9	101.9	118.5	135.5
BV	659.4	825.5	890.7	966.4
DPS	2.0	2.0	2.0	2.0
Operating Ratios (%)				
Gross Margin (%)	68.1	69.0	69.0	69.0
EBITDA Margin (%)	23.2	28.5	27.5	27.5
PAT Margin (%)	11.5	12.8	12.4	12.6
Debtor Days	92	80	80	80
Inventory Days	140	130	130	130
Creditor Days	47	60	60	60
Cash Conversion Cycle	186	150	150	150
Return Ratios (%)				
Return on Assets (%)	5.1	4.9	5.2	5.6
RoCE (%)	10.6	10.3	10.5	11.0
Core RoIC (%)	8.3	9.2	9.0	9.4
RoE (%)	7.5	7.2	7.6	8.0
Solvency Ratios				
Total Debt / Equity	0.3	0.3	0.3	0.3
Net Debt / EBITDA	1.8	1.3	1.5	1.5
Interest Coverage	5.9	5.7	6.2	7.0
Current Ratio	1.7	1.8	1.7	1.7
Quick Ratio	1.0	1.2	1.0	1.0
Valuation Ratios (x)				
EV/EBITDA	34.5	26.0	23.4	20.7
P/E	66.3	55.5	48.9	42.3
P/B	5.0	4.0	3.7	3.4
EV/Sales	8.0	7.4	6.4	5.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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