

May 29, 2026

Battery materials offtake, Fluoropolymers traction key future monitorable...

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

- FY26 segmental mix: Bulk chemicals ~13%, Fluorochemicals ~21%, Fluoropolymers ~63% and others ~3%
- GFL has chalked out aggressive plans for battery materials business with the incorporation of a subsidiary GFL EV Products Ltd (both LFP and NMC batteries), with an investment of ₹ 6000 crore by FY28.

Investment Rationale

- Q4FY26- Steady performance** – Revenues stood at ₹1,369 crore, up 12% YoY. Fluoropolymers (62% of revenues) reported a growth of 19%. Fluorochemicals (23% of revenues) declined by 2%. Bulk Chemicals (12% of revenues) reported a flat growth. In the Battery Materials space, the company reported revenues of ₹11 crore. GPM stood at 63.3%, down ~300 bps YoY. EBITDA stood at ₹308 crore, flat YoY, translating to margins of 22.5%, down ~250 bps. This was on account of initial losses of ₹ 45 crore in the newly commissioned Battery Materials business.
- Battery Materials execution remains key going ahead-** As per management, the company has already contracted the entire Phase-1 capacities for LiPF₆ and LFP. Further strengthening its integrated battery materials strategy, GFL has announced entry into natural graphite anode active materials, where it has synergies with its existing business. This move is expected to address ~70% of the value of an LFP battery cell. The management has guided for FY27 battery materials capex of ₹2,300 crore, while maintaining its cumulative FY28 investment target of ₹6,000 crore with targeted asset turnover of ~2x and EBITDA margins of >25%. It expects full potential of these investments to materialize by FY29.
- Capacity expansion and R32 scale up strengthen outlook-** In the fluoropolymers segment, the capacities commissioned over the past few years are nearing optimum utilization levels. Accordingly, the company has announced a fresh FY27 capex of ~₹250 crore focused on speciality fluoropolymers and new grades alongside ~15-20% volume growth guidance in FY27. Increasing contribution from high-value speciality fluoropolymers is expected to support margin expansion going forward. In fluorochemicals, commercial production and sales of R32 commenced in March'26, with current operational capacity standing at 10,000 ktpa and planned ramp-up to 20,000 ktpa during FY27. Given the strong demand visibility across both fluoropolymers and refrigerants, we remain positive on the growth outlook for these segments.

Rating and Target Price

- Our Target is ₹4,235 based on the SoTP valuation

Key Financial Summary (Base Business – Ex - EV)

Key Financials (₹ Crore)	FY24	FY25	FY26	2 year CAGR (FY24-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
Revenues	4280.8	4737.0	4996.0	8.0	5932.9	6673.3	15.6
EBITDA	907.4	1099.0	1202.0	15.1	1750.2	2035.4	30.1
EBITDA margins (%)	21.20	23.20	24.06		29.50	30.50	
Net Profit	435.0	546.0	574.0	14.9	703.5	772.4	16.0
EPS (₹)	39.6	49.6	54.0		64.0	70.2	
PE (x)	91.6	73.1	67.2		56.7	51.7	
EV to EBITDA (x)	46.2	37.9	35.1		25.6	22.2	
RoCE (%)	10.8	10.6	9.4		9.9	10.4	
ROE (%)	7.3	7.5	7.6		8.2	8.3	

Source: Company, ICICI Direct Research



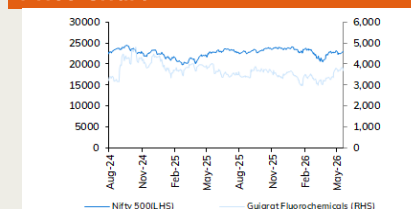
Particulars

Particular	Amount
Market cap (₹ Crore)	39,897
FY26 Total Debt (₹ Crore)	2,720
FY26 Cash & Inv (₹ Crore)	2,148
EV (₹ Crore)	40,469
52 Week H/L	4020/2917
Equity Capital (₹ Crore)	11.0
Face Value (₹)	1

Shareholding pattern

(in %)	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	62.6	61.4	61.4	61.4
Fils	4.2	4.4	4.3	4.3
Dils	11.5	12.7	12.8	13.5
Others	21.7	21.5	21.5	20.9

Price Chart



Key risks

- Delay in the offtake of the capex plans
- Better than expected performance in the fluoropolymer space.

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Q4FY26 Earnings Release / Conference call highlights

Fluoropolymers-

- The segment reported strong performance, driven by higher volumes and improved mix of value-added products.
- Management highlighted that existing fluoropolymer capacities commissioned over the last few years are nearing optimum utilization levels, prompting a fresh round of capacity expansion.
- Incremental fluoropolymer capex of ~₹250 crore in FY27 will largely be directed towards new fluoropolymers and specialty grades rather than conventional PTFE expansion.
- The company continues to witness healthy demand traction from structurally growing sectors including semiconductors, EVs, battery energy storage systems (BESS), hydrogen, fuel cells, electrolyzers and solar applications
- Management indicated that qualification cycles for high-end fluoropolymers remain long, especially for semiconductor-related applications. However, most approvals are now coming through, supporting stronger commercialization.
- GFL continues to focus on high value-added fluoropolymers such as PFA, FKM and other specialty grades, which carry materially superior margins versus commodity fluoropolymers.
- Management has guided for a volume growth of ~15%-20% in FY27.
- Global fluoropolymer players have implemented price hikes and GFL has also undertaken price increases to offset higher raw material and logistics costs.

Fluorochemicals-

- Current R32 operational capacity stands at over 10,000ktpa which will be gradually ramped up to 20,000ktpa over FY27.
- Management expects full 20,000 ktpa capacity to be available during FY27, likely by H2FY27.
- FY27 capex of ~₹150 crore has been earmarked towards refrigerant gas capacity expansion and related infrastructure.
- Management reiterated its intention to fully utilize allocated HFC quota over time and may evaluate further capacity additions depending on market dynamics and demand visibility.
- Refrigerant business sales are expected to be driven by a combination of domestic and export markets, with some customer contracts already in place.

Battery Materials-

- The initial capacities planned under Phase 1 have now been commissioned and contracted for with anchor customers across battery material products.
- LiPF6 salt has received approvals from most major global electrolyte manufacturers and commercial sales are scaling up in line with management expectations.
- Orders for LiPF6 are already in place for FY27 and beyond, with production expected to ramp up steadily on a QoQ basis.
- LFP CAM plant has been commissioned and initial customer sample approvals have been received; final qualification is expected by end-Q3FY27.
- PVDF binders have been fully qualified by major customers.
- Revenue contribution from binders is expected over the next few quarters, while LiPF6 revenues are expected to scale meaningfully through FY27.
- Management announced entry into natural graphite anode active materials, completing GFL's presence across cathode, electrolyte and anode ecosystems.
- With addition of natural graphite anode materials, GFL expects to address nearly 70% of the value of an LFP battery cell.
- FY27 battery materials capex is guided at ~₹2,300 crore, largely towards capacity expansions and the new anode active material project.

- **Total planned cumulative battery materials capex remains unchanged at ~₹6,000 crore by FY28, with an 2x asset turnover and >25% EBITDA margins. Notably, the company has already invested ₹1,900-2,000 crore in the business.**
- Full earnings potential of battery material investments is expected to be realized by FY29 after utilization ramps up across facilities.
- Oman battery materials project remains on track with no impact from ongoing Middle East geopolitical tensions.

Bulk Chemicals-

- Caustic soda demand outlook remains stable for FY27; however, pricing is expected to remain range-bound owing to domestic capacity additions and balanced supply-demand dynamics.
- Chloromethane business performance is expected to remain range-bound amid moderate demand conditions and competitive market environment.

Exhibit 1: FY27 Capex Plans

FY27 Capex Plans	
Segment	Capex
GFL Chemicals	₹850 crore
GFL EV	₹2,300 crore
Total	₹3,150 crore

Source: Company, ICICI Direct Research

Exhibit 2: Chemicals Capex Breakup

Chemicals Capex Breakup	
Area	Capex
Refrigerant gases/R32	₹150 crore
Electronic specialty chemicals (Semiconductor)	₹222 crore
New fluoropolymers	₹250 crore
Backward integration + maintenance	~₹230 crore

Source: Company, ICICI Direct Research

Exhibit 3: Battery Materials Revenue Timeline

Battery Materials Revenue Timeline	
Product	Revenue Ramp-up
LiPF6	FY27 onwards
Binders	Next couple of quarters
LFP CAM	Final qualification expected post Q3FY27

Source: Company, ICICI Direct Research

Exhibit 4: Valuation Summary

Valuation Summary			
Particulars	FY28E (₹ crore)	Multiple	EV (₹ crore)
Base Business FY28E EBITDA (Ex EV)	2,035.4	16	32566
EV business latest deal value			25000
Holding company Discount			20%
Holding company stake			96%
Attributable Enterprise value from EV business			19200
Total EV			51766
Net Debt			5,189
Targeted Mcap			46576
No of shares			11
Per share Value			4235
CMP			3627
Up/Down			17%

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

Year end March	FY24	FY25	FY26E	FY27E	FY28E
Total Operating Income	4,280.8	4,737.0	4,996.0	5,932.9	6,673.3
Growth (%)	-24.7	10.7	5.5	18.8	12.5
Raw Material Expenses	1,453.3	1,513.0	1,675.0	1,720.5	1,868.5
Gross Profit	2,827.5	3,224.0	3,321.0	4,212.3	4,804.8
Employee Cost	350.4	433.0	486.0	534.0	600.6
Other Operating Expenses	1,569.7	1,692.0	1,633.0	1,928.2	2,168.8
EBITDA	907.4	1,099.0	1,202.0	1,750.2	2,035.4
Growth (%)	-53.8	21.1	9.4	45.6	16.3
Other Income	106.9	116.0	42.0	100.0	100.0
EBITDA, including OI	1,014.3	1,215.0	1,244.0	1,850.2	2,135.4
Depreciation	286.1	355.0	367.0	609.9	731.4
Net Interest Exp.	133.1	147.0	138.0	302.3	374.0
Other exceptional items	0.0	0.0	-20.0	0.0	0.0
PBT	595.1	713.0	719.0	938.0	1,029.9
Total Tax	160.1	167.0	233.0	234.5	257.5
Tax Rate	26.9%	23.4%	32.4%	25.0%	25.0%
PAT	435.0	546.0	486.0	703.5	772.4
Adj.PAT after Minority interest	435.0	546.0	594.0	703.5	772.4
Adj. EPS (₹)	39.6	49.6	54.0	64.0	70.2
Shares Outstanding	11.0	11.0	11.0	11.0	11.0

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

Year end March	FY25	FY26E	FY27E	FY28E
PBT & Extraordinary	546.0	574.0	938.0	1,029.9
Depreciation	355.0	367.0	609.9	731.4
After other adjustments				
(Inc) / Dec in Working Capital	-415.0	-110.0	-833.8	-464.4
Taxes	-188.0	-248.0	-234.5	-257.5
Others	247.0	378.0	302.3	374.0
CF from operating activities	545.0	961.0	781.9	1,413.5
Purchase of Fixed Assets	-881.0	-1,252.0	-3,101.9	-1,300.0
Others	-241.0	84.0	0.0	0.0
CF from investing activities	-1,122.0	-1,168.0	-3,101.9	-1,300.0
Proceeds from issue of shares	838.0	430.0	0.0	0.0
Borrowings (Net)	158.0	420.0	2,498.1	250.0
Others	-230.0	-227.0	-324.3	-396.0
CF from financing activities	766.0	623.0	2,173.9	-146.0
Net cash flow	189.0	416.0	-146.1	-32.6
Effects of foreign currency translation	0.0	0.0	0.0	0.0
Opening Cash	31.5	55.0	215.0	69.4
Closing Cash	55.0	215.0	69.4	36.8

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

Year end March	FY24	FY25	FY26E	FY27E	FY28E
Liabilities					
Share Capital	11.0	11.0	11.0	11.0	11.0
Reserves	5,925.4	7,242.0	7,855.0	8,536.5	9,286.9
Total Shareholders Funds	5,936.3	7,253.0	7,866.0	8,547.5	9,297.9
Minority Interest	0.0	46.0	47.0	47.0	47.0
Long Term Borrowings	462.9	478.0	1,073.0	3,585.1	3,835.1
Net Deferred Tax liability	266.5	240.0	249.0	249.0	249.0
Other long term liabilities	11.1	8.0	0.0	0.0	0.0
Long term provisions	54.5	61.0	88.0	42.6	47.9
Current Liabilities and Provisions					
Short term borrowings	1,633.1	1,602.0	1,647.0	1,633.1	1,633.1
Trade Payables	518.9	606.0	552.0	975.3	1,097.0
Other Current Liabilities	331.1	290.0	340.0	403.8	454.1
Short Term Provisions	19.7	25.0	21.0	24.9	28.1
Total Current Liabilities	2,502.8	2,523.0	2,560.0	3,037.0	3,212.3
Total Liabilities	9,234.1	10,609.0	11,883.0	15,508.2	16,689.1
Assets					
Net Block	4,105.6	4,136.0	4,648.0	8,579.9	9,148.5
Capital Work in Progress	1,091.3	1,524.0	1,890.0	450.0	450.0
Intangible assets under devl.	192.4	190.0	183.0	183.0	183.0
Goodwill on Consolidation	0.0	0.0	0.0	0.0	0.0
Non-current investments	16.1	35.0	44.0	44.0	44.0
Deferred tax assets	1.0	6.0	24.0	23.5	23.5
Long term loans and advances	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	424.1	435.0	686.0	1,388.1	1,561.3
Current Assets, Loans & Advances					
Current Investments	0.0	279.0	242.0	242.0	242.0
Inventories	1,571.3	1,820.0	1,933.0	2,194.3	2,376.8
Sundry Debtors	844.6	1,197.0	1,282.0	1,462.9	1,645.5
Cash and Bank	31.5	55.0	215.0	69.4	36.8
Loans and Advances	27.3	25.0	16.0	16.0	16.0
Other Current assets	928.9	907.0	720.0	855.0	961.7
Current Assets	3,403.6	4,283.0	4,408.0	4,839.6	5,278.8
Total Assets	9,234.1	10,609.0	11,883.0	15,508.2	16,689.1

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

Year end March	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Adj. EPS	49.6	52.2	64.0	70.2
Adj. Cash EPS	81.9	85.5	119.4	136.7
BV	659.4	715.1	777.0	845.3
DPS	2.0	2.0	2.0	2.0
Operating Ratios (%)				
Gross Margin (%)	68.1	66.5	71.0	72.0
EBITDA Margin (%)	23.2	24.1	29.5	30.5
PAT Margin (%)	11.5	11.9	11.9	11.6
Debtor Days	92	94	90	90
Inventory Days	140	141	135	130
Creditor Days	47	40	60	60
Cash Conversion Cycle	186	195	165	160
Return Ratios (%)				
Return on Assets (%)	5.1	5.0	4.5	4.6
RoCE (%)	10.6	9.4	9.9	10.4
Core RoIC (%)	8.3	8.2	8.5	9.0
RoE (%)	7.5	7.6	8.2	8.3
Solvency Ratios				
Total Debt / Equity	0.3	0.3	0.6	0.6
Net Debt / EBITDA	1.8	2.1	2.9	2.7
Interest Coverage	5.9	6.4	4.1	3.8
Current Ratio	1.7	1.7	1.6	1.6
Quick Ratio	1.0	1.0	0.9	0.9
Valuation Ratios (x)				
EV/EBITDA	37.9	35.1	25.6	22.2
P/E	73.1	69.5	56.7	51.7
P/B	5.5	5.1	4.7	4.3
EV/Sales	8.8	8.4	7.6	6.8

Source: Company, ICICI Direct Research

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