



# COMPANY ANALYSIS

Gujarat Fluorochemicals Limited



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Gujarat Fluorochemicals Limited (GFL) is an Indian company specializing in Fluorine Chemistry for over 30 years. GFL excels in Fluoropolymers, Fluorospecialities, Refrigerants, and Chemicals, providing materials for various modern applications catering to their demand worldwide. Headquartered in Noida, India, the company has maintained a significant international presence through their subsidiaries, sales and distribution channels and warehouses. It is a part of the INOXGFL group.

**Area of Expertise:** Fluorine chemistry

**Industry:** - Chemicals

**Gujarat Fluorochemicals Limited's presence around the world**



**Current Market Capitalization**



INR 31547 cr

**Current P/E**



34.47

**Current Market Price**



INR 2900

# Business Model

- Gujarat Fluorochemicals Limited (GFL) stands as a prominent player in the chemical industry, and a significant supplier of fluoropolymers to Europe and the USA. With over three decades of expertise, GFL excels in three key product verticals: Fluoropolymers, Fluorochemicals, bulk chemicals.
- In the realm of Fluoropolymers, GFL is a global leader, producing and marketing a diverse range, including PTFE, PFA, FEP, FKM, PVDF, and additives. The Fluorospeciality chemicals segment offers solutions for global agrochemical and pharmaceutical industries, featuring products like HF Based, TFE Based, and KF Based chemicals.
- GFL is also a major player in the Refrigerants sector, being the largest manufacturer of HCFC 22 in India. The company provides R22, R32, R407C, and R410A, serving as the preferred supplier for leading OEMs and service partners globally. In Bulk Chemicals, GFL is a leading producer of industrial chemicals, including Caustic Soda, Carbon Tetrachloride, Chlorine, Methylene Di Chloride, Hydrochloric Acid, Sodium Hydrogen Sulphate, Hydrogen Gas, Fluorspar, and Anhydrous Hydrogen Chloride.
- Venturing into New Age Industries, GFL has entered the realms of EV Batteries, Solar Panels, and Hydrogen Fuel Cells. The company is set to commission India's first PVDF solar film project in FY24, manufacturing PVDF Film and Back-Sheet for solar panels.
- End-user industries benefiting from GFL's products include Oil & Gas, Printing Inks, Semi-conductors, Chemical Processing, Automotive, Agrochemicals, Pharmaceuticals, Textiles, and Air-conditioning.
- In FY23, GFL's revenue breakdown revealed a robust performance, with approximately 40% generated from the domestic market and 60% from the foreign market. Geographically, Europe, the USA, and the rest of the world contributed 21%, 26%, and 12% to the revenue, respectively. GFL's commitment to quality, diverse product offerings, and strategic global presence position it as a key player in the ever-evolving chemical industry. In this quarter 2 of 2024, the revenue mix of the company is 20% from bulk chemicals, 24.2% from Fluorochemicals and 53.8% from Fluoropolymers.

# SWOT

## **S** Strengths

Market leader in fluoropolymers, diverse product portfolio, global presence and commitment to innovation exhibited through R&D.

## **W** Weakness

Cash cycle of 272 days which is significantly higher than the sector average of 77 days. This reflects the ongoing supply chain disruptions ultimately effecting the Q-o-Q falling Operating Profit Margins.

## **T** Threats

High production costs and capex, increased technological demands, forex fluctuations and raw material risks affect growth.

## **O** Opportunities

Global demand for the company's products will rise with the worldwide shift toward green progress. Anticipating a surge in demand, the GFL align with India's EV and renewable energy goals.

# Recent Highlights

**Over the next three or four years, the InoxGFL Group plans to invest nearly 1 billion USD across various segments, including battery chemicals, green hydrogen and wind energy services. A considerable amount of this will go into India's largest battery chemicals factory it plans to build in Gujarat.**

**CRISIL has upgraded the rating of Inox Wind, part of the INOX GFL Group, from CRISIL BBB+ to CRISIL A- (long-term rating) and from CRISIL A2 to CRISIL A2+ (short-term rating) with stable outlook.**

**Gujarat Fluorochemicals is planning to invest INR 5,000 crore in EV batteries, solar and green hydrogen supply chain.**



# Sector-wise Trend

## 01 GROWING SPECIALTY CHEMICALS MARKET

The specialty chemicals market in India is projected to grow at a CAGR of more than 12% from 2020 to 2025, driven by significant demand from end-user sectors such as food, automobile, real estate, clothing, and cosmetics, among others.

## 02 FLOURISHING EXPORTS

The specialty chemicals segment accounts for a major share of more than 50% of chemical exports, dominated by agrochemicals, dyes and pigments amongst other products. The exports of India's top 10 specialty chemical manufacturers have also grown at a CAGR of around 20% between FY15-FY20

## 03 GOVERNMENT INITIATIVES

Government initiatives such as the Policy on Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIR) and the PLI scheme have increased confidence for manufacturers to invest in the country. India also has strong process engineering capabilities, low-cost manufacturing capabilities and an abundant workforce.

## 04 COMPETITIVE ADVANTAGE

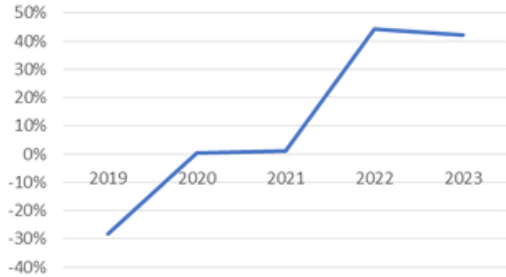
India has emerged as a viable option for global manufacturers looking to diversify their production capacity due to strict environmental regulations in other countries and rising labor costs. The nation has competitive advantages in 16 sub-segments of specialty chemicals including pesticides, dyes and pigments.

# Financial Highlights

PARTICULARS	FY20-21	FY21-22	FY22-23	COMMENTS
Revenue (INR in Crores)	2650	3954	5,685	Revenue has almost doubled in the past three years.
EBITDA Margin(%)	1.86	5.05	5.84	The inventory turnover ratio has increased due to increasing demand and reduced costs.
Working cap to sales(%)	28	32	36	EBITDA Margin has also surged significantly.
RoNW(%)	13.95	22.28	34.07	The RoCE ratio has remarkably improved due to the expanded capacities of new fluorospecialties.
Order Book (INR in crores)	-3.89	11.38	16.38	The overall operational efficiency improved and in turn the return of assets.

# Ratio Analysis

## REVENUE GROWTH



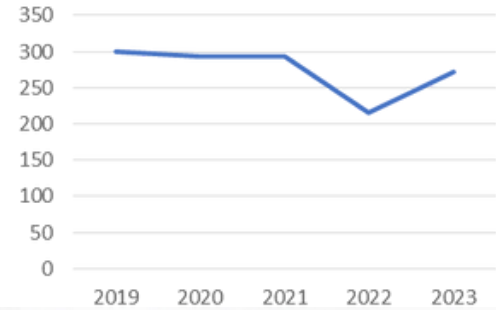
The total income of the company has just doubled over the past 3 years. This is mainly due to higher volumes and prices of refrigerants which is the key driver for demand, improved performance of fluoropolymer, and increased contribution from subsidiaries.

## PROFIT GROWTH



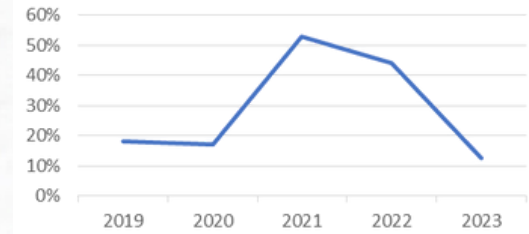
The profit rose by nearly 460% in 2022 majorly due to tight supplies which raised the prices for fluorochemicals. Also, GFC went through capacity expansion and cost control measures to boost profitability leading to constant growth.

## CASH CONVERSION CYCLE



The cash conversion cycle was declining in the post covid period but has started increasing in FY 2022-23. The reasons behind are the recent supply chain disruptions & rising interest rate environment which is making borrowings costly.

## INTEREST COVERAGE RATIO



Rising inflation led to slowdown in demand for fluorochemicals. Established fluorochemical players are currently expanding capacity, putting pressure on the earnings of the companies, leading to lower interest coverage.



# Future Outlook

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## FOR THE INDUSTRY

Specialty chemicals in India are expected to rise at a solid 12% CAGR between 2020 and 2025, driven by increased demand from a variety of industries, including food, cars, and cosmetics. The country has a competitive advantage owing to its affordable manufacturing, plentiful workforce, strong engineering, and encouraging government regulations. With environmental worries elsewhere, India has positioned itself as a desirable global manufacturing option and hopes to become a center for specialty chemicals. Profitable opportunities can be found in important subsegments such as agrochemicals, dyes, and substances for personal care. Investing more in R&D, innovation, quality, safety requirements, and reaching new domestic and international markets are some of the challenges.

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## FOR THE COMPANY

Gujarat Fluorochemicals is well-positioned for expansion, functioning within a robust global economy. The company is expected to grow at a small but consistent rate of 2.8% in 2023, so it stands to gain from the expected global economic recovery. Global inflationary pressures are predicted to decline, which could create advantageous circumstances for Gujarat Fluorochemicals to maintain commercial operations. Strong labor markets, high household consumption, and rising corporate investment seen in the global economy may be very beneficial to the firm's performance. All things considered, Gujarat Fluorochemicals' future seems bright, following the more generally upbeat trend of the world economy.