

**Price:** 3,854

**Recommendation:** Buy

**Industry:** Specialty Chemicals

**Sector:** Commodities

**Report Date:** 03-Apr-2025

Gujarat Fluorochemicals Limited (GFL) is driving growth through strategic initiatives, reporting a 16% revenue increase in Q3 FY '25. The company focuses on fluoropolymers and battery materials, aiming for significant profitability. GFL targets the automotive, semiconductor, and EV sectors, with a capex plan of INR6,000 crores by FY '28. The company is poised for growth in the EV ecosystem, leveraging its first-mover advantage and high entry barriers.

Sales		Profit & Loss		Profitability Matrix	
Current Year	4450 Cr	Operating Profit(Year)	1051 Cr	Operating Profit Margin	23.6 %
Previous Year	5622 Cr	Operating Profit(Quarter)	307 Cr	EBITDA Margin	21.12 %
Current Quarter	1123 Cr	PAT (Year)	414 Cr	Net Profit Margin	10.3 %
Previous Quarter	1199 Cr	PAT (Quarter)	153 Cr	EPS	45.0
Revenue (QYoY)	908 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	86.0	Sales Growth	0.01 %	Sales Growth	-6.34 %
PEG Ratio	-4.33	PAT Growth	-69.42 %	Sales Growth QYoY	23.68 %
EV/EBITDA	40.0	EPS Growth	18.11 %	PAT Growth	6.25 %
P/B	6.89	Dividend Yield	0.08	PAT Growth QYoY	173.21 %
Capital Allocation		Holdings		Leverage	
RoE	7.23 %	Promoter	62.6 %	Debt/Equity	0.34
RoA	4.76 %	FII	4.61 %	Debt	2081 Cr
RoCE	9.14 %	DII	10.0 %	Market Cap	42482 Cr
RoIC	8.31 %	Public	22.8 %	Enterprise value	44353 Cr
		No of Shares	11.0 Cr	Cash Equivalents	210 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

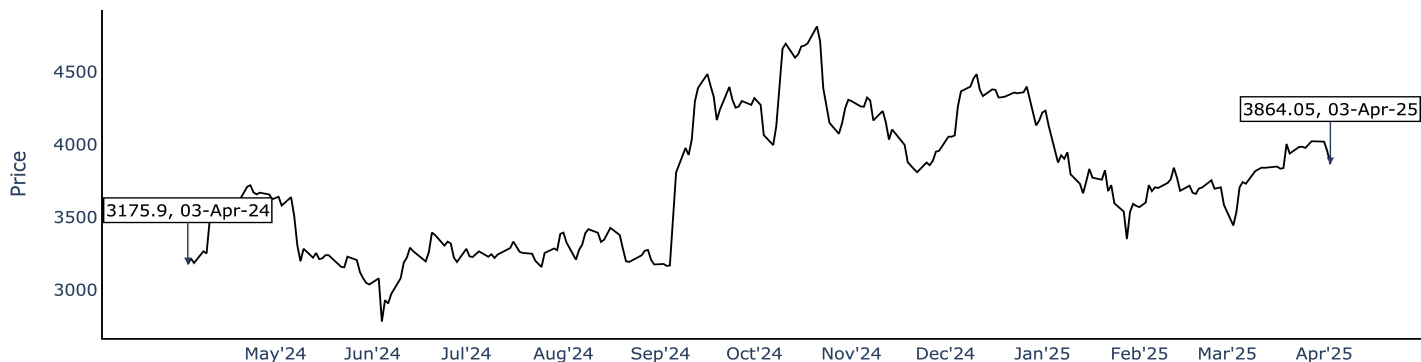
In the recent earnings call, Gujarat Fluorochemicals Limited (GFL) highlighted several strategic initiatives and business strategies aimed at driving growth and diversification. The company reported a 16% year-on-year increase in revenue for Q3 FY '25, reaching INR1,148 crores, with an EBITDA margin improvement to 26%. This financial performance was largely driven by the fluoropolymers vertical and a better product mix. GFL is investing heavily in its Battery Materials business, which is expected to reverse current profitability impacts from higher depreciation and interest charges once revenue contributions from this segment commence. The company is also focusing on the development and qualification of higher-grade fluoropolymers, anticipating significant revenue and profitability increases in the coming quarters.

GFL is actively pursuing opportunities in the automotive, semiconductor, and EV sectors, which present large-scale opportunities for value-added fluoropolymers. The company is committed to a cumulative capex plan of INR6,000 crores by FY '28, aiming for a 2x asset turnover and approximately 25% EBITDA margins. The fluoropolymer segment is expected to benefit from the adoption of high value-added products, while the fluorochemicals segment will see improved pricing and demand from Q4 FY '25. The EV battery material business is poised for significant ramp-up, with GFL positioned as a non-Chinese global supplier in the battery materials space. The company is leveraging its first-mover advantage and high entry barriers to grow with its customers in this region.

Looking ahead, GFL is optimistic about its growth and scaling perspectives. The company expects to achieve full capacity utilization in its fluoropolymer business by the end of FY '26. The EV segment is projected to emerge as a very large business, with robust demand from both EV and ESS segments. The U.S. market is expected to continue with its ambitious capacity additions, and Europe is also advancing with its EV plans. GFL's strategic focus on expanding its salt production capacity and electrolyte solutions for the domestic market further underscores its commitment to capturing growth opportunities in the EV ecosystem.

While the company's strategies are promising, there are areas for improvement. GFL could enhance transparency by providing more detailed capacity and volume numbers, which would aid in building growth forecasts. Additionally, the company should continue to monitor market dynamics closely, especially in the context of potential policy changes affecting the EV sector. Overall, GFL's strategic initiatives and business strategies position it well for sustained growth and long-term value creation for stakeholders.

FLUOROCHEM Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
SRF	85939.12	74.93	12.22%	1.96%	14.36%	34.58%	6.96%
Linde India	52435.43	120.75	12.88%	-4.50%	-14.21%	9.20%	-2.70%
Gujarat Fluoroch	42482.27	85.99	7.23%	-6.34%	23.68%	6.25%	173.21%
Godrej Industrie	37168.03	48.08	0.65%	0.41%	34.39%	-34.57%	76.86%
Deepak Nitrite	27451.15	39.75	16.38%	-6.33%	-5.27%	-49.49%	-51.45%

Aspect	Commentary
Revenue	The company experienced a decline in annual revenue from 5622 Cr to 4450 Cr, indicating a challenging year. However, quarterly revenue showed resilience with a slight decrease from 1199 Cr to 1123 Cr, suggesting potential stabilization. The QYoY growth of 908 Cr highlights a positive trend, possibly due to strategic initiatives.
Profit & Loss	Annual operating profit stood at 1051 Cr, with a quarterly figure of 307 Cr, reflecting operational efficiency. Despite a PAT decline to 414 Cr annually, the quarterly PAT of 153 Cr suggests recovery. The figures indicate a need for cost management to enhance profitability.
Profitability Matrix	Operating profit margin at 23.6% and EBITDA margin at 21.12% demonstrate strong operational performance. A net profit margin of 10.3% and EPS of 45.0 indicate profitability, though improvements in cost control could enhance margins further.
Valuation Matrix	A high trailing P/E of 86.0 suggests market optimism, but the negative PEG ratio of -4.33 indicates potential growth concerns. EV/EBITDA at 40.0 and P/B at 6.89 reflect a premium valuation, necessitating careful growth strategy execution.
Growth (YoY)	Sales growth was minimal at 0.01%, while PAT declined by 69.42%, highlighting profitability challenges. EPS growth of 18.11% and a low dividend yield of 0.08 suggest reinvestment focus, requiring strategic initiatives to drive future growth.
Growth (QoQ)	Sales growth declined by 6.34%, yet QYoY growth was robust at 23.68%, indicating recovery. PAT growth of 6.25% and QYoY growth of 173.21% reflect strong quarterly performance, suggesting effective short-term strategies.
Capital Allocation	RoE at 7.23%, RoA at 4.76%, RoCE at 9.14%, and RoIC at 8.31% indicate efficient capital use. These metrics suggest a balanced approach to capital allocation, though improvements in return metrics could enhance shareholder value.
Holdings	Promoter holding at 62.6% indicates strong control, while FII at 4.61% and DII at 10.0% show moderate institutional interest. Public holding at 22.8% suggests a balanced ownership structure, supporting stability and potential for growth.
Leverage	A debt/equity ratio of 0.34 indicates low leverage, with debt at 2081 Cr. Market cap of 42482 Cr and enterprise value of 44353 Cr reflect strong market positioning. Cash equivalents of 210 Cr suggest liquidity, supporting strategic investments.

**Analyst viewpoint:** Gujarat Fluorochemicals Limited (GFL) has shown remarkable growth and strategic foresight, fueled by a robust 16% increase in Q3 FY '25 revenue, driven primarily by advancements in their fluoropolymers business. The company's strategic investments in the battery materials segment are poised to substantially enhance profitability upon completing current capex plans of INR6,000 crores by FY '28. Valuation metrics like a high trailing P/E ratio of 86.0 underscore market optimism and affirm the company's potential to capitalize on its first-mover advantage in promising sectors such as EVs and semiconductors. A solid quarterly PAT growth of 6.25% coupled with an impressive QYoY growth of 173.21% demonstrates effective short-term strategies, reinforcing our bullish stance from a short to mid-term perspective. Despite a slight dip in quarterly sales, the QYoY sales growth of 23.68% highlights stabilization and recovery prospects amidst a challenging year.

In the competitive landscape, GFL stands strong, leveraging high entry barriers and a non-Chinese supplier advantage in battery materials, aiming to capture a substantial market share in the expanding EV ecosystem. Their strategic focus on increasing capacity utilization by FY '26 and ramping up their EV battery material business further solidifies growth prospects. Capital allocation efficiency is evident with a healthy return on equity and capital (RoE at 7.23%, RoCE at 9.14%), suggesting balanced investment strategies that enhance shareholder value. While GFL's initiatives are robust, fine-tuning transparency with detailed capacity numbers can further bolster investor confidence. Overall, the company is well-positioned for sustainable growth and value creation in the dynamic specialty chemicals industry, making it a compelling investment in the short to medium term.

Please read detailed disclosure on next page.

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BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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**Research Analyst Details:**

Name: Robin Arya

Email: [smallcase@goalfi.in](mailto:smallcase@goalfi.in)

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – [support@goalfi.in](mailto:support@goalfi.in)

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