



India

**REDUCE** (no change)

Consensus ratings\*: Buy 7 Hold 0 Sell 6

Current price: Rs2,930  
 Target price: Rs1,946  
 Previous target: Rs1,946  
 Up/downside: -33.6%  
 InCred Research / Consensus: -44.4%

Reuters: GFLL.NS  
 Bloomberg: FLUOROCH IN  
 Market cap: US\$4,433m  
 Rs321,866m  
 Average daily turnover: US\$5.9m  
 Rs428.4m  
 Current shares o/s: 109.9m  
 Free float: 36.2%

\*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(18.2)	(18.6)	(8.2)
Relative (%)	(18.7)	(18.9)	(22.5)

Major shareholders	% held
Promoter & Promoter Group	63.8
HDFC Asset Management Co Ltd	2.1
DSF MF	1.9

## Research Analyst(s)

**Satish KUMAR**

T (91) 22 4161 1562

E satish.kumar@incredresearch.com

**Abbas PUNJANI**

T (91) 22 4161 1598

E abbas.punjani@incredresearch.com

# Gujarat Fluorochemicals Ltd

## Writing on the wall – 1QFY25F will be worse

- PFAS (almost 100% of GFL's product portfolio) is facing global headwinds, thereby resulting in reduced exports and lower prices.
- Falling demand and prices will hit the margins in FY25F/26F. In this regard, consensus earnings appear to be highly inflated.
- Stock trades at 70x FY25F EPS, with the terminal growth nearing zero. 1QFY25F EPS may be ~Rs8/share. GFL is our high conviction REDUCE.

### PFAs are facing the heat globally

We have written multiple reports on how PFAs are facing global headwinds. Please see some of the recent reports on the same: 1) [IN: Chemicals - Others - Are PFAS replaceable? The answer is Yes](#), and 2) [IN: Gujarat Fluorochemicals Ltd - 30% margin in FY25F is unlikely - REDUCE \(REDUCE - Maintained\)](#). All the chemicals manufactured by Gujarat Fluorochemicals or GFL fall under the category of PFAs. In the recent past, The New York Times reported that big law firms are advising their US clients to prepare for class action suits for PFAS usage. ([Link](#)) We have also written multiple times on the European Chemicals Agency or ECHA inquiry that is going on PFAS. Please see [IN: Gujarat Fluorochemicals Ltd - HFC falling & PFAS face regulatory risk \(REDUCE - Maintained\)](#). The LiPF6 venture of GFL won't make any PAT as it is oversupplied globally. [Please see IN: Chemicals - Overall - Battery chemical firms are stuck in the past](#). At the same time, BYD and CATL Innovation will lead to a fall in lithium-ion battery demand. While perfluoroalkyl and polyfluoroalkyl substances (PFAS) have zero terminal value, the battery chemicals business, which is yet to come online, also doesn't have any value (zero PAT).

### Near-term earnings are highly inflated

Against the backdrop of regulatory headwinds, it is natural that the demand for the base products will start falling and the same is happening in export markets. We always believe that it's oxymoronic to think that GFL can take away the market share of 3M, etc. who are closing their PFAS business because of environmental concerns. The prices of PVDF have corrected by more than 50% in the past 12 months and the export volume is also down by 60%. PTFE export volume is down by 50-60% and the price correction is 50%. FY23 was also saved by high HFC exports, which have completely dried up. Please see [IN: Gujarat Fluorochemicals Ltd - HFC falling & PFAS face regulatory risk \(REDUCE - Maintained\)](#).

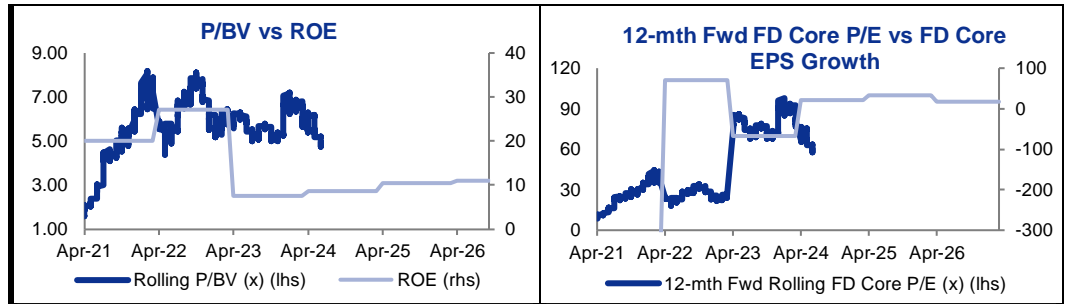
### EPS is highly inflated; REDUCE

Consensus EPS numbers for FY25F and FY26F are highly inflated. GFL will be lucky to achieve even 60% of Bloomberg EPS estimates. GFL is another stock which trades on price/dreams and not on price/earnings. As always, we leave the right multiple to the asset allocator. Our limited point is that earnings will disappoint. If you have 1x multiple based on consensus EPS, then its 2x. We expect 1QFY25F EPS to be around Rs8-9/share, which is well below consensus EPS. FY25F EPS is unlikely to exceed Rs45/share. Upside risk: A sustained rally in equity markets.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	56,847	42,808	40,668	44,735	46,971
Operating EBITDA (Rsm)	20,472	9,548	9,389	11,711	13,084
Net Profit (Rsm)	13,231	4,350	5,310	7,085	8,289
Core EPS (Rs)	120.4	39.6	48.3	64.5	75.5
Core EPS Growth	70.8%	(67.1%)	22.1%	33.4%	17.0%
FD Core P/E (x)	24.33	74.00	60.61	45.43	38.83
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	16.36	35.59	35.07	27.33	23.64
P/FCFE (x)	243.80	189.33	46.54	68.01	52.75
Net Gearing	23.9%	30.3%	11.7%	(2.3%)	(15.6%)
P/BV (x)	5.83	5.42	4.98	4.49	4.02
ROE	27.1%	7.6%	8.6%	10.4%	10.9%
% Change In Core EPS Estimates			(10.06%)	(4.71%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	56,847	42,808	40,668	44,735	46,971
<b>Gross Profit</b>	41,423	28,602	26,434	29,077	30,531
<b>Operating EBITDA</b>	20,472	9,548	9,389	11,711	13,084
Depreciation And Amortisation	(2,361)	(2,861)	(2,960)	(3,202)	(3,216)
<b>Operating EBIT</b>	18,111	6,687	6,429	8,508	9,868
Financial Income/(Expense)	(1,168)	(1,331)	(830)	(536)	(286)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	904	595	1,500	1,500	1,500
<b>Profit Before Tax (pre-EI)</b>	17,848	5,951	7,099	9,472	11,082
Exceptional Items					
<b>Pre-tax Profit</b>	17,848	5,951	7,099	9,472	11,082
Taxation	(4,617)	(1,601)	(1,789)	(2,387)	(2,793)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	13,231	4,350	5,310	7,085	8,289
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	13,231	4,350	5,310	7,085	8,289
Recurring Net Profit	13,231	4,350	5,310	7,085	8,289
<b>Fully Diluted Recurring Net Profit</b>	13,231	4,350	5,310	7,085	8,289

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	20,472	9,548	9,389	11,711	13,084
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(8,827)	(1,440)	10,057	(891)	(490)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	4,156	1,111			
Other Operating Cashflow	(2,545)	325	2,330	2,036	1,786
Net Interest (Paid)/Received	(1,168)	(1,331)	(830)	(536)	(286)
Tax Paid	(4,700)	(1,949)	(1,789)	(2,387)	(2,793)
<b>Cashflow From Operations</b>	7,389	6,264	19,158	9,932	11,301
Capex	(6,750)	(9,556)	(5,511)	(200)	(200)
Disposals Of FAs/subsidiaries	49	146			
Acq. Of Subsidiaries/investments	191	2			
Other Investing Cashflow	1,745	(256)			
<b>Cash Flow From Investing</b>	(4,764)	(9,665)	(5,511)	(200)	(200)
Debt Raised/(repaid)	(1,305)	5,101	(6,731)	(5,000)	(5,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid		(220)			
Preferred Dividends					
Other Financing Cashflow	(1,336)	(1,406)			
<b>Cash Flow From Financing</b>	(2,641)	3,476	(6,731)	(5,000)	(5,000)
Total Cash Generated	(16)	75	6,916	4,733	6,102
<b>Free Cashflow To Equity</b>	1,320	1,700	6,916	4,733	6,102
<b>Free Cashflow To Firm</b>	3,793	(2,070)	14,477	10,269	11,388

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	1,612	1,985	5,645	9,843	15,658
Total Debtors	11,068	8,446	8,024	8,826	9,267
Inventories	14,854	15,713	15,744	17,318	18,184
Total Other Current Assets	8,469	7,892	7,892	7,892	7,892
<b>Total Current Assets</b>	<b>36,003</b>	<b>34,036</b>	<b>37,304</b>	<b>43,878</b>	<b>51,001</b>
Fixed Assets	41,051	51,458	54,008	51,006	47,990
Total Investments	42	42	42	42	42
Intangible Assets	314	511	257	257	257
Total Other Non-Current Assets	6,304	6,295	8,868	8,868	8,868
<b>Total Non-current Assets</b>	<b>47,711</b>	<b>58,305</b>	<b>63,175</b>	<b>60,173</b>	<b>57,157</b>
Short-term Debt	12,950	16,227	13,227	8,227	3,227
Current Portion of Long-Term Debt					
Total Creditors	6,910	5,189	14,855	16,340	17,157
Other Current Liabilities	3,529	3,612	3,612	3,612	3,612
<b>Total Current Liabilities</b>	<b>23,389</b>	<b>25,028</b>	<b>31,694</b>	<b>28,179</b>	<b>23,996</b>
Total Long-term Debt	1,832	3,731			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	477	1,443	1,443	1,443	1,443
<b>Total Non-current Liabilities</b>	<b>2,309</b>	<b>5,174</b>	<b>1,443</b>	<b>1,443</b>	<b>1,443</b>
Total Provisions	2,808	2,776	2,776	2,776	2,776
<b>Total Liabilities</b>	<b>28,507</b>	<b>32,977</b>	<b>35,912</b>	<b>32,397</b>	<b>28,214</b>
Shareholders Equity	55,207	59,363	64,675	71,761	80,051
Minority Interests			(107)	(107)	(107)
<b>Total Equity</b>	<b>55,207</b>	<b>59,363</b>	<b>64,568</b>	<b>71,654</b>	<b>79,944</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	43.8%	(24.7%)	(5.0%)	10.0%	5.0%
Operating EBITDA Growth	70.9%	(53.4%)	(1.7%)	24.7%	11.7%
Operating EBITDA Margin	36.0%	22.3%	23.1%	26.2%	27.9%
Net Cash Per Share (Rs)	(119.90)	(163.62)	(69.02)	14.71	113.17
BVPS (Rs)	502.57	540.40	588.75	653.26	728.73
Gross Interest Cover	15.51	5.02	7.75	15.86	34.46
Effective Tax Rate	25.9%	26.9%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio					
Accounts Receivables Days	60.51	83.19	73.91	68.74	70.30
Inventory Days	287.83	392.68	403.33	385.37	394.11
Accounts Payables Days	142.52	155.43	256.99	363.60	371.85
ROIC (%)	22.7%	6.8%	5.9%	8.3%	9.9%
ROCE (%)	27.3%	8.7%	7.9%	10.4%	11.7%
Return On Average Assets	18.5%	6.0%	6.2%	7.3%	8.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

---

## DISCLAIMER

---

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which are believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made. (Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short term views etc.) that are inconsistent with and reach different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

	Analyst/ Relative	Entity/ Associates
any financial interests in the company covered in this report (subject company) and nature of such financial interest	NO	NO
actual/beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;	NO	NO
any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
served as an officer, director or employee of the subject company	NO	NO
been engaged in market making activity for the subject company	NO	NO

#### Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.