GFCL: BRD: 2024

13th May, 2024

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001

Scrip Code: 542812

The Secretary
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai 400 051

Symbol: FLUOROCHEM

Dear Sir/Madam,

Sub: Transcript of Conference Call with Investors / Analysts held on Monday, 6th May, 2024

Ref.: Regulation 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 ('Listing Regulations')

With reference to our letter dated 1st May, 2024 and pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), we are enclosing herewith transcript of Conference Call held with Investors / Analysts of the Company on Monday, 6th May, 2024 at 17:00 (IST) to discuss the Q4FY24 Financial Performance.

The above information will also be made available on the website of the Company: www.gfl.co.in.

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,
For Gujarat Fluorochemicals Limited

BHAVIN VIPIN DESAI
Digitally signed by BHAVIN VIPIN DESAI
Date: 2024.05.13 17:59:55 +05'30'

Bhavin Desai
Company Secretary
FCS: 7952

Encl.: As above

"Gujarat Fluorochemicals Limited Q4 FY24 Earnings Conference Call"

May 06, 2024

MANAGEMENT:	**DR. BIR KAPOOR – CEO & DEPUTY MANAGING DIRECTOR, GUJARAT FLUOROCHEMICALS LIMITED**
	MR. MANOJ AGRAWAL - CFO, GUJARAT FLUOROCHEMICALS LIMITED
MODERATOR:	**MR. ARCHIT JOSHI – BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Gujarat Fluorochemicals Q4 FY24 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited.

As a reminder, all participant lines will be in the listen only more and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Archit Joshi from Batlivala & Karani Securities India Private Limited. Thank you and over to you, sir.

Archit Joshi: Thank you. Good evening, everyone. On behalf of B&K Securities, I welcome you all to the Q4 FY24 Earnings Conference Call of Gujarat Fluorochemicals Limited.

We have with us today Dr. Bir Kapoor - CEO and Deputy Managing Director of the Company - along with his team.

Without further ado, I would like to hand over the floor to Dr. Bir Kapoor for his "Initial Remarks" post which we can take questions from participants.

Thank you and over to you, sir.

Dr. Bir Kapoor: Thank you, Archit. Good evening, everyone and a very warm welcome to all of you on GFL's Earning Call for the Quarter and Full Year, which ended on March 31st, 2024.

The Company announces Quarter 4 and FY24 results at this board meeting held today on 6th of May 2024. The results along with the earning presentations are available on the stock exchanges and on our website.

I will briefly talk about the "Numbers" and then give you an update on the "Business Operations" and the "Outlook".

Financial Highlights:

The Company reported a consolidated revenue from operations for Quarter 4 FY24 of Rs. 1,133 crores which is up by 14% quarter-on-quarter. Consolidated EBITDA for this quarter was Rs. 238 crores which is up by 15% on a quarter-on-quarter basis. The EBITDA margins for Quarter 4 FY24 were 21%, which remained flat on a quarter-on-quarter basis. The consolidated PAT for this quarter was at Rs. 101 crores, which is up by 26% on a quarter-on-quarter basis.

On a full-year basis for FY24, the Company reported a consolidated revenue from operations of Rs. 4,281 crores, which is down by 25% on a year-on-year basis. Consolidated EBITDA was

Rs. 955 crores with EBITDA margins at 22%. The consolidated PAT was at Rs. 435 crore with PAT margin at 10% while the CAPEX for the year was at Rs. 1,050 crores.

Let me briefly take you through the "Performance" of each Business Segment for the Quarter:

Bulk Chemical Verticals:

The Bulk Chemical verticals saw improvement in volume from the previous quarter in which our plants ran at full capacity; however, the prices of caustic soda and MDC continue to remain subdued because of increased supplies due to excess capacity creation, but we believe these prices have bottomed out and we expect to see the improvements going forward in the subsequent quarters and perhaps in this financial year.

Fluorochemical Segments:

The Fluorochemical segments also witnessed a pickup in the volume of refrigerants. However, the prices remain sluggish. Overall, this business is expected to remain at similar levels for FY25. The Specialty Chemical volumes and prices continue to be sluggish due to dumping from overseas, which is from China, and which impacted revenue and margins.

Fluoropolymer Segment:

The Fluoropolymer segment witnessed an improvement in volumes during the quarter and the prices remain stable. As we had guided in the previous call, we believe our core business segment, which is Fluoropolymer, has already bottomed out and we will see continuous growth in the subsequent quarters. The exit of legacy players and the improvement in the utilization levels of new Fluoropolymer capacities that were set up in FY24 are expected to result in a continued increase in sales. We have built sufficient capacity in the Fluoropolymers to be able to deliver growth for the next year and perhaps in next couple of years. The green shoots that were visible have started translating into numbers now, and I would reemphasize that we expect FY25 to be far better as compared to FY24 for this segment.

Battery Chemical Vertical:

In our new Battery Chemical vertical, the details for which we had shared alongside our quarter 3 results, we are progressing well, and it is going on as per our plans. We had commissioned our $LiPF_6$ plant and are now in the process of sampling and customer engagements. We expect to achieve commercial sales from this segment in the second-half of FY25. We have a CAPEX target of Rs. 800 crores in this vertical in FY25 and this segment is expected to be a major growth driver for GFL from FY26 onwards. Our return ratios have been affected this year on account of drop in revenues and profitability. Also, we have incurred high CAPEX particularly in the

EV battery material space. We should start contributing meaningfully to the topline only after FY26 onwards. This year has been a challenging year for us. However, I can assure you that the growth fundamentals are firmly in place. We have continued to incur growth CAPEX despite the macro headwind as we believed that these headwinds are temporary and we are very well placed to return to our growth journey very soon. As I have already communicated in the previous calls, our financial performance has been bottoming out and we are seeing a constant signs of improvement. This should continue going forward as we will see continuous growth over the quarters.

Before I close, let me also update you on the "Sustainability Related Initiatives":

In 2023, S&P Global Corporate Sustainability Assessment, GFL ESG score at 49 was significantly higher than the industry means.

With this, I let the floor open for question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: My first question is, sir you mentioned in terms of Fluorochemicals there has been dumping from China, so what is your assessment in terms of whether there are new capacities which have come in Fluorochemicals and the same is applicable even for Fluoropolymers, so just your views on the same?

Dr. Bir Kapoor: Yes, I think at least in my opening statement when I mentioned about the dumping, I was referring primarily into the Fluorochemical space. In Fluoropolymers, which I had always stated is advanced material segments and the grades that we are offering and the entire book grades that we have, it is not impacted from the Chinese dumping at all. That statement of Chinese dumping was in context of the Fluorochemicals and the Specialty Fluorochemicals particularly.

Rohit Nagraj: My second question is, sir, in terms of $LiPF_6$, where are we currently in the validation process? And when do we expect actual commercial supplies starting to international customers and in terms of the domestic market also, if we have any kind of timelines as to when the domestic manufacturing is likely to come up and whether we will be starting serving them immediately once those facilities are commercialized?

Dr. Bir Kapoor: We had indicated earlier in our February call that the revenue and the sales of Battery Chemical would start trickling in from the second-half of this financial year. We are still on track with that. Samples are at the testing stages, and it takes a certain time because Battery Chemicals are dependent a lot on very extensive and rigorous testing. And we expect to see revenue from this coming, trickling in, I would say, and it will take almost year and a half for the revenue stream to become meaningful as stated in my opening comment. So, this is referring primarily to $LiPF_6$.

Moderator: Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: I want to start with the EV segment following up with what we said in the previous call. We anticipated a funding date, so our balance sheet today is almost 1.8 times metric to EBITDA, and we are expecting another Rs. 1,300 crores of CAPEX in FY25 and we want to do a total CAPEX of Rs. 6,000 crores in the EV segment, where are we in the funding because I think that remains a critical element to watch in a time where our standalone balance sheet now looks like doesn't have too much headroom to fund that?

Dr. Bir Kapoor: If you look at our CAPEX plan, so we have always stated that going forward, the funding for the EV business which we have shown as Rs. 800 crore will come from the external funding, and we have already initiated that process. We had said that it takes 4 to 6 months and we have appointed an investment banker and are moving ahead with that. So, it is going as per plan. And in addition to that, we have also shared in our presentation GFL CAPEX, which is Rs. 500 crores will continue as per plan, which is essentially on the new Fluoropolymers capacity addition that we had indicated earlier.

Sanjesh Jain: I got that we are looking at that Rs. 800 crores to come from external, is that the CAPEX dependent on that we get the funding, or we have any other plans for it?

Dr. Bir Kapoor: Not really. I think the business fundamentals are very strong on EV, Sanjesh, we had indicated that. So, definitely one of the options we had indicated is this funding. But other than that, we will look for an alternate option if it doesn't come, but we will continue with our plan.

Sanjesh Jain: So, it is not dependent on that we do the funding, at least for FY25 not beyond that?

Dr. Bir Kapoor: Right because the growth fundamental of the business is very strong, Sanjesh and as you know and we have always said it, it is an upcoming business, and we will continue with our plan.

Sanjesh Jain: And where are we spending this Rs. 800 crore? Can you elaborate what are the trajectories that we are capacities that we are adding?

Dr. Bir Kapoor: Essentially, on the Battery Chemical and the product range that I had described it, it is not really, I cannot give you the specific names, but clearly what we had indicated earlier was electrolyte salts, and cathode active materials and also the cathode binders. These are the broad categories in which we have been investing.

Sanjesh Jain: A related question again is that where are we in the approval cycle for the battery grade PVDF and the semiconductor grade PFA?

Dr. Bir Kapoor: The battery grade PVDF is already, as I said, that it is already in the process. It has gone to the level of the next level of approval that has gone to the electrochemical testing. All I can say it is at the final stages of getting approved. And we are engaged with multiple OEMs and as far as PFA is concerned for semicon, I had indicated that earlier as well that we are already supplying PFA to semiconductor applications, but we have been trying to upgrade into higher and higher segments within the same sector, and that journey is on as we speak right now.

Sanjesh Jain: You made a very interesting comment, sir during your opening remarks that you are looking at the green shoots in the Fluoropolymer, is it across the category, PTFE, PFA, FKM and PVDF or it is more for the performance solution which is PFA and FKM and less for PTFE?

Dr. Bir Kapoor: The green shoot when I said it was with respect to, you saw several quarters, our performances were subdued, particularly because of destocking. So, the green shoot was in context that the destocking is phasing out and there has been a pull in terms of demand and those were the green shoot that I mentioned and that is all across. So, that was definitely for PTFE as well as all our new Fluoropolymers.

Sanjesh Jain: And how has been the domestic market? It still continues to remain challenging for us?

Dr. Bir Kapoor: It remained challenged in certain segments, partly because of the imports in certain lower end rates from China, which is been a challenge. Otherwise in higher end rates, yes, it is fine, but in certain grades, particularly the granular, it has been a challenge, yes.

Sanjesh Jain: Couple of bookkeeping questions. One is on the operating cost rate, quarter-on-quarter appears to be gone up very sharply, why such a sharp jump in the operating cost for a Company which largely run continuous manufacturing? And the number is in the working capital, we are now at 167 days, we were targeting below 120 days. It is a huge gap which we bridged in the last 2-3 years, but again built up on that so more clarity will be helpful?

Dr. Bir Kapoor: I will let Manoj answer that. But the broad answer for that is that we have added capacities and these are in the process of getting utilized. So, that is where some of the higher cost is coming up. But let me hand it over to Mr. Manoj Agrawal who will answer it with lot more details.

Manoj Agrawal: The operating costs are particularly higher at the yearend on account of year end provisioning, one; second, on account of discharge of the CSR obligations; third, some of the CAPEXs which have gone on streams and also operating expenses relating to those CAPEXs have gone as the P&L expenses now. So, these are the three essential reasons and fourth was the Red Sea crisis has increased our movement expenses, so that is on other additional impact which has happened. So, these are four reasons because of which operating expenses have gone up in this quarter.

Sanjesh Jain: And working capital?

Manoj Agrawal: And working capital is essentially as such, absolutely it has not gone up, but because the sales were down, so it is a numerator and denominator impact. So, number of days is particularly higher in those finished goods areas because sales were down. As soon as sales picks up, it will improve.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Nuvama Institutional Equities. Please go ahead.

Rohan Gupta: Sir, first question is on Fluoropolymer, I mean if you refer to your last concall, you mentioned that this year FY25, you see a significant growth in Fluoropolymers which will be primarily led by volume and almost taking us to previous year profitability. Sir, do you see that kind of pickup in Fluoropolymer has already happened? And overall, for this year, we can achieve those numbers which you were guiding for last quarter?

Dr. Bir Kapoor: Yes, Rohan, we absolutely see that. And in fact, that is where when I mentioned in my opening comment, green shoots, that is where we say that we expect it to give us the results that we are looking for. So, Fluoropolymers, not only volume, but we are also as we have added capacity with new Fluoropolymers. The volume coming into new fluoropolymers and some of them are advanced grades. So, it is a combination of the two, the volume plus value added grade which is coming in the new Fluoropolymers. Combination of the two will give us what we are looking at and give or take a quarter here and there, which I have stated last time also. But the fundamentals are strong, and we are well within that range that we are targeting right now.

Rohan Gupta: Questions on the approvals, which you mentioned in the PVDF for the battery grades, those you give answered the previous question, Sir, if it will be possible for you to share some more timelines related to that in terms of where we are in approval cycle? I am sure that you are dealing with the multiple customers, but what kind of volume do you think that your customers are having started giving you indication that we can build up for the current year and for the next year more in PVDF high grade battery for the battery usage and also if you can give some sense on a like LiPF and PFA?

Dr. Bir Kapoor: Yes, Rohan, first of all, the approval cycle or approval process of PVDF is a complex process. It has multiple stages. It is because since we are dependent on customers to do these testings and respond back to us, it will be difficult for me to give any specific timelines on this. However, typically this process takes a long time depending upon the customer. It can take definitely over 6 to 8 months and sometime beyond a year as well. But from our side, I think we are almost in the final stages, which is the electrochemical test which is going on with our customers. Volume indications with respect to customer would be difficult for me to provide right now, but whatever we have planned, or we have indicated the capacities in new Fluoropolymer, I think we should be able to achieve that going forward.

Rohan Gupta: So, just further on this, in last 3 months, a lot of work has been done with the battery manufacturers in India under the PLI schemes and many battery manufacturers have come forward, are we in the process of also working with the very advanced stage with any of these domestic battery manufacturer or still the focus is on export markets only?

Dr. Bir Kapoor: We are working with almost all the battery manufacturers who are coming up in India. And we are well entrenched with their plans and as and when because those capacities have not been set up yet. And some of them are starting now and it is at very early stages for Indian market. We expect Indian market, particularly the battery capacities to come from 25 mid onwards, so it is almost still some time away. However, we are engaged with almost all of them in terms of all the three product categories that we talked about and most importantly on the electrolyte chemicals and binders.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: Sir. Just to get a couple of numbers, just reiterate those numbers with you, sir, on Fluorochemicals, did you just reconfirm your guidance that you said we will have a flat year on Fluorochemical this year?

Dr. Bir Kapoor: Yes. In fact, Fluorochemicals going forward in FY25, we expect to be on a similar level, maybe soften a little bit because Fluorochemical for us includes refrigerants and specialty chemicals. In refrigerants, there have been certain headwinds, you may be knowing about it particularly the duty cut that has been there in U.S. market and second is the phasing out of R22 quotas over a period of time, so both actually is expected to impact that. And the Fluoro Specialty to some extent is stable for us, more or less because it is relatively small vertical for us and the prices have been subdued because of the Chinese order imports, low cost imports. So, we expect it to remain at the similar level or slightly lower not expecting any growth in that sector, that verticals particularly.

Nitin Agarwal: Sir, then given this sort of softening of outlook on this part of the business, we had earlier guided that FY25 EBITDA would be similar or higher than FY23 EBITDA, do we still hold by this guidance, sir?

Dr. Bir Kapoor: Yes, to some extent, because I have answered in the previous question that it will be driven primarily by our Fluoropolymer business. And we have stated that earlier also because the earlier numbers, let us say if we go back and look at FY23 numbers on refrigerants, in a way, it was inflated or higher because of R125 and R125, there was a sudden pickup in the market, and the demand in the US because of the high duty. So, but those were, in my view, opportunistic, and those are no more available. So, the growth that we are seeing in Fluoropolymers now or the overall growth, which will be led by Fluoropolymers, will be much more stable because this is led by now the newer capacity that we have already added over the last one year or year and a half. And so this is correct that whatever we have seen going down with respect to the FY23 in refrigerant Fluorochemicals or the bulk chemical segment, which is because of the subdued prices would be made up by growth in Fluoropolymers.

Nitin Agarwal: If I again last, on the Fluoropolymer, now since there is so much growth expectation which is there on the Fluoropolymers our capacities, I mean you mentioned that your current capacities will take care of the growth for this year and at what stage do we need to meaningfully start putting up capacities to meet our Fluoropolymer demand going from here on?

Dr. Bir Kapoor: See, Fluoropolymers have a natural growth level of, I would say anywhere from 5% to 7% depending upon Fluoropolymer to Fluoropolymers. Some Fluoropolymers have a higher demand driven by certain sectors which is either for example PVDF by EV or certain other Fluoropolymers which are going into semiconductor industry. So, Fluoropolymer as a sector has a very strong fundamental and growth rate. So, we have put in capacities and as I have said earlier that we have invested a lot on the back end, which is the monomer capacities. So, our current capacity addition that we have done will probably last for a year or maybe a year and a half and then further additions I think will depend on the how the market unfolds, particularly in the rising segments of EV as well as Semicon. So, we will make investments there. Perhaps we will keep you updated towards the second-half of this year as the market situation evolves.

Moderator: Thank you. The next question is from the line of Divy Agrawal from Ficom Family Office. Please go ahead.

Divy Agrawal: So, I had a couple of questions. So, first is regarding the capacity. So, it would be helpful if you could give us the capacities of commodity product as well as the specialty products grade wise, it would be helpful for us?

Dr. Bir Kapoor: Normally, we don't provide these details of the capacity for obvious reasons along with the grades. I suggest this can be taken up offline and whatever we can provide, but otherwise normally we don't provide very specific grade wise capacities. In fact, the way we have been guiding lately is more with respect to the investment and the asset turnovers.

Divy Agrawal: It would be helpful, sir, if you could give us the, help us with the utilization levels of maybe the commodity products or specialty polymers.

Dr. Bir Kapoor: I said Divy that this question can be taken offline if that is fine with you.

Moderator: Thank you. The next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

Ketan Gandhi: Sir, you have mentioned about the legacy player being going out and we may fill in the gap, I believe after the exit of PM, there is a vacuum as far as PFA is concerned because Chemours is unable to increase the capacity of the PFA for semiconductor grade, is there any chance or are we looking at getting into the that tools and go to the North American market as far as PFA is concerned so that we can fill that gap which is unable to fill by the Chemours?

Dr. Bir Kapoor: Yes, certainly that is one of the growth driver for us as we have indicated, and we are already supplying PFA to US in certain markets and we have capability as well as capacity to fill that gap and take over from whatever the market demand is available because of this leaving or the exit of legacy players. We are certainly moving in that direction, and we have all the elements in place.

Ketan Gandhi: Sir, how soon it can happen within the next 9 months or after the exit of the PM?

Dr. Bir Kapoor: See, it has already started happening because what happens is that the exact exit is still some time away. It is probably January 25. So, overall, what we are seeing is there is a pull from the customer side, PFA being a polymer which is the high-end polymer, there the qualification periods are long. So, we are already seeing a pickup in demand and interest from customers to qualify our material. So, this is already happening as we speak. So, we will probably see results of that probably in the next few quarters. And it will ramp up and that is where when we talk about our Fluoropolymer story that we expect significant growth quarter by quarter in next 3 quarters or 4 quarters. This is one of the drivers for that is what you stated.

Moderator: Thank you. The next question is from the line of Anshal Thakkar from Lalkar Securities. Please go ahead.

Anshal Thakkar: Very encouraging to see the sequential turnaround in the Company. So, the question that I want to ask is partially answered with respect to operational expenses, but just wanted some clarity on the other expenses particularly, they seem to be elevated above normal, so is there a one off in this or this is something that we can now continue to expect?

Manoj Agrawal: Actually, I have explained this in the earlier question. There are a few items which have come in this quarter. One is the certain year end provisioning of the expenses, second is the CSR obligation discharge and third is because of the Red Sea crisis our logistic cost has gone up. So, these are the few major reasons because of increase in the operating expenses and apart from this, because we have done the capitalization of our LiPF businesses now the operating expenses which was otherwise would have charged to the capital is now coming to the P&L. So, these are the four essential reasons because of this has gone up.

Anshal Thakkar: Sir, I thought you had already explained operational expenses, my question was more towards the other expenses, but I get the point.

Moderator: Thank you. The next question is from the line of Meet Vora from Emkay Global. Please go ahead.

Meet Vora: Sir, first question was, if you can guide CAPEX and asset turn, year wise for FY25, FY26, FY27 for the Battery Chemicals business that would be helpful?

Dr. Bir Kapoor: Last time when we had a call on Battery Chemicals, we had stated that we would be investing close to Rs. 6,000 crores in next 4-5 years and this is with the asset turnover of 2. That is what we had indicated, so again that there is some time to be given for the capacity to be utilized. So, whatever we are investing now, we will probably see the impact of that coming after a year, year and a half after the investment and then slowly it will start adding up or building up. So, this is I think that if you are asking for what eventually those CAPEX will result into asset turnover, it is approximately 2 for Battery Chemical. That is what we had guided. Does that answer your question, Meet?

Meet Vora: Actually, it was more like how can I model the yearly numbers? Because obviously we know that there will be some revenue which will come in H2 FY25 as per your guidance. So, directionally maybe we would do Rs. 800 crores of CAPEX in FY25 and that would create revenues in 27, so I was more asking from FY26 or 27 point of view?

Dr. Bir Kapoor: See, we have invested already. I am sorry the presentation may not have stated it clearly, but we have already invested Rs. 800 crores in Battery Chemicals till now, which is up to FY24. So, FY25, we have indicated Rs. 800 crores which is now we are showing the investment on battery chemicals separately in our presentation. But that doesn't mean that is the total investment. The total we have already invested Rs. 800 crore, which is going to give us revenue which is in the second-half of this year and then it will continue to build up in FY26. So, if what you are asking is that impact of CAPEX on revenue and EV, the first part of the Rs. 800 which we have invested, which is going to result partially in this year and partially in FY26 and the 800 which is going to be invested now will again after few quarters will get impacted in the FY27. So, slowly it builds up over a period of time. So, this is how this will unfold again with certain junctions you can build up your model.

Meet Vora: Sir, secondly on when we say that our FY25 guidance will be more or less within that FY23 EBITDA range of say Rs. 1,800-Rs. 1,900 crores, that means directionally every quarter we will have to do roughly Rs. 450 crores of EBITDA. In Q4, we have done around Rs. 230 crores of EBITDA. That means we are expecting at least a doubling of our EBITDA in Q1 or we are seeing higher growth in the second-half and directionally if you can give some how are you seeing that ramp up in that Rs. 1,800 or Rs. 1,900 crores of number for FY25?

Dr. Bir Kapoor: See, it will not jump, it will not be a situation where it will jump from 236 to 450 and then remain 450 for left of the four quarters. So, it will build up from 236 where we are and then slowly keep on increasing till the Quarter 4 of FY25.

Meet Vora: That means, we would either see very good growth in H2, maybe Q3 and Q4 will be very high in terms of run rate?

Dr. Bir Kapoor: Indeed.

Moderator: Thank you. The next question is from the line of Aalok B, who is an Individual Investor. Please go ahead.

Aalok B: Sir, there are three basic questions. The first one is that in your presentation, VCM to VDC integration, when do you expect that to be completed?

Dr. Bir Kapoor: Yes, Aalok, I think the VCM to VDC, that project has been deferred slightly because that was primarily more to do our backward integration. At this point of time, the VDC and R142b prices are still low, so we have a plan. We expect to have this project implemented in due course, perhaps in next middle of next year or probably end of next year, something like that. We have all the elements in place. We have, in fact, initiated the work, but because of the lowering of the prices we have staggered it a little, but that can be quickly executed as and when the market picks up.

Aalok B: So, secondly is, even the HSP monomer, I believe it can be made using KSM, but I think in your presentation you are procuring that externally, so is there any reason for that?

Dr. Bir Kapoor: The quantity that we are procuring is quite small. See our philosophy look has been to go for backward integration whenever it reaches a certain quantity or certain size, we normally go for backward integration and that will continue, this approach will continue. Right now, at least it is not qualifying into the criteria that we have, but as soon as we see a jump in volume we will certainly do that what you are saying.

Aalok B: So, I think you have guided that FY25 would be comparable or slightly lower than FY23 and I think the margins were delivered in FY23, the EBITDA margin is about 30%. So, again, if I am just doing the rough math, 30% seems a bit tough considering that you will see quarter-on-quarter improvement. So, do you think the 25%-26% is what you would be internally targeting or what we could assume?

Dr. Bir Kapoor: No, we are targeting what we have stated absolutely, and we have planned for that and certainly because that the multiple routes to achieve that and we are doing that.

Aalok B: And just one last question, coming to the PVDF battery binder rate, there seem to be two technology suspension and emulsion, any comment on where what we are working on or what we are getting qualified?

Dr. Bir Kapoor: We are in emulsion, and we have stated that and that is where there are many application in which this is accepted and this is undergoing approvals and testing by customer illustrated. So, we are only in emulsion grade PVDF.

Moderator: Thank you. The next question is from the line of Kunal Tokas from Fair Value Capital. Please go ahead.

Kunal Tokas: Just two quick questions. First, how has been the realization trend in PTFE and the new age polymer?

Dr. Bir Kapoor: As I stated in our presentation, I think the realization has been stable except for a very low-end Fluoropolymer and the granular where we were under pressure because of the dumping. Other than at the higher end, polymers, it is more or less stable.

Kunal Tokas: And the outlook is stable as well?

Dr. Bir Kapoor: Yes, whatever we have seen in the last few quarters, we expect it to continue.

Kunal Tokas: And the second question is like to Fluorochemicals, how do you see the current demand and pricing scenario for refrigerant gases and any improvement that you foresee in the second-half of this year?

Dr. Bir Kapoor: Unfortunately, we don't see much improvement at least in the segment that we are in because some of wherever, in export market to some extent except non-US market it is stable, but because of the duty cuts in US on refrigerants and sort of cutting down of quotas, we do not see these prices going back or recovering for refrigerants for us.

Moderator: Thank you. The next question is from the line of Deepak, who is an Individual Investor. Please go ahead.

Deepak: I have a couple of question, how much the EV chemical business will contribute in your basket and FY25 and FY26? Also, how much margin you are expecting for the same in particular EV chemical and lower revenue number as a whole?

Dr. Bir Kapoor: See, we have already given guidance, Deepak that our margin expectation and the target is 25% in the EV business and as in one of the previous questions, we had said that as we are adding CAPEXs, see the market is slowly building up, and it is growing. And our approach has been primarily to cater to geographical areas where there is advantage from us being a supplier from India and one of the USB that we are offering is that our supply chain is quite independent, and we are IRA qualified supplier. So, with that kind of proposition, as the market is building up, we will start seeing a buildup in our businesses. And actually, this business is expected to have a very high growth in FY27 onwards. So, this is what our plan has been. So, our investments are also tuned as per the market growth expectations.

Deepak: Sir, where we see as the EV chemical sector in the next 2-3 years if we compare the Chinese market contribution to the globe?

Dr. Bir Kapoor: Let me see if I understand your question. You are asking is that where do we see the EV sector in view of the Chinese?

Deepak: Yes, EV chemical sector.

Dr. Bir Kapoor: So, in China, the EV has excess capacity, everybody knows that all the battery, chemical etc., has excess capacities. However, if you look at the capacities outside China, it is still not there. It is at a very early stage. And so Chinese and because of the new geopolitical situation, there is alternate is being looked at. That is where all the supply is going to come from. And if we look elsewhere globally, their battery capacities are slowly coming up, whether it is in Europe or North America. So, a supply chain is being established to cater to this large jump in the EV demand that is expected to pick up from 27 onwards. So, we want to be part of that global supply chain which is outside China.

Moderator: Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain: I got a couple of them. First, on the R125, now that the pricing doesn't look so lucrative and we are seeing Fluoropolymer taking off, does it make sense for us to shut down R125 and put all the TFE to make the Fluoropolymers, is that option available with us?

Dr. Bir Kapoor: Yes, Sanjesh, that option is available with us, but we have still the contribution margins in R125 as long as it is good. We have TFE capacities available.

Sanjesh Jain: So, we are not short of TFE capacity?

Dr. Bir Kapoor: No, so whenever situation like this come up, we do optimize with respect to the product mix which maximizes our overall margins and contributions.

Sanjesh Jain: And second, more clarity on the CAPEX for the Gujarat Fluoro business, that is non-EV business, you are anticipating Rs. 500 crores of CAPEX, where are we planning to spend this?

Dr. Bir Kapoor: This is Sanjesh, we indicated that part of it is the tail end of our new Fluoropolymer expansion, which we had deferred if you remember. Part of it is going to come for it. And part of it is going to be in the backward integration and some of the cost effectiveness programs that we are pushing now to ensure higher contribution margin Fluoropolymers.

Sanjesh Jain: One last quick question on the bulk chemical, we have at least Bloomberg suggests that there is a good jump in the caustic prices, are we seeing that on the ground, and will that effects will be visible from Q1?

Dr. Bir Kapoor: We are not seeing that on the ground, unfortunately. We are looking forward to it. We are waiting because it has been a very long cycle of low prices in caustic. So, we are still waiting for that to happen, but right now the caustic prices are still quite subdued.

Sanjesh Jain: But it hasn't improved sequentially a bit because we are here?

Dr. Bir Kapoor: If I look at my quarter 3 versus Quarter 4, it is almost at the same level. There was a little bit improvement, but again at the same level I would say.

Sanjesh Jain: Say if the quarter 1 because I think this price increases have happened in the month of April?

Dr. Bir Kapoor: For a very short time.

Sanjesh Jain: It didn't sustain is what we are telling?

Dr. Bir Kapoor: Yes, I think there was a slight blimp, but I think it again subsided, but we are expecting this caustic soda prices to pick up, but it is not yet appeared in a sustained way, Sanjesh.

Moderator: Thank you. The next question is from the line of Yash Shah from Investec. Please go ahead.

Yash Shah: Sir, I just had one clarification question, if you can please share the volume degrowth which you've had in the Fluoropolymer segment for the whole year of FY24, I just wanted clarification on that?

Dr. Bir Kapoor: Yash, you are looking for volume numbers?

Yash Shah: As compared to FY23 on the Fluoropolymer segment, what kind of degrowth, what we have witnessed just in the Fluoropolymer segment?

Dr. Bir Kapoor: Yes, there was a degrowth and we mentioned that earlier that the degrowth primarily was driven by slowdown, two reasons, one of course the prices on a very low-end grades, particularly in the granular and the second was because the destocking phenomena which happened in global markets. Because of that, the customer has stopped buying it because in 22 and 23, a lot of stock was built up in order to ensure the sustainability of the supplies and that part sort of resulted in destocking in FY24. So, that has impacted our volumes to some extent.

Yash Shah: Will you be able to share the numbers, sir of the degrowth in volumes?

Dr. Bir Kapoor: Normally, we don't share numbers, particularly for the sales, Yash but you can take it up offline with we put to understand this in more detail if you would like to.

Moderator: Thank you. The next question is from the line of Dhavan Shah from Alfaccurate Advisors. Please go ahead.

Dhavan Shah: Sir, my question is on the EBITDA, we are running at roughly Rs. 1,000 crores annual run rate of the EBITDA and we are expecting roughly Rs. 2,000 crores in FY25 and given that the basic chemical and the Fluorochemical more or less will remain at the same level as you guided in the opening remarks. So, this largely Rs. 1,000 crores incremental EBITDA you were expecting that this will come from Fluoropolymers only?

Dr. Bir Kapoor: Yes, Dhavan, that is what we indicated because we said for two reasons. Of course, one is to get back our normal level of sales and the second is because we added capacities in several new polymers and those were going through the qualification process. So, this new Fluoropolymers, we are expected to see is providing impetus to the volume growth. So, this is indeed correct what you said.

Dhavan Shah: So, what kind of margins are we operating in these Fluoropolymers is it 25%-30%. So, logically I think these Rs. 3,000 to Rs. 4,000 crore incremental revenue you are looking at in FY25 from this incremental capacity of Fluoropolymers?

Dr. Bir Kapoor: Yes, in fact, margin expectation we have already, we have not ever given the segmental margin, but we have said that on overall basis it is around 25% to 30%.

Dhavan Shah: And in terms of the revenue, let us say, if you want to have Rs. 1,000 crores incremental EBITDA, you should do at least Rs. 3,000 crores incremental revenues, this Rs. 3,000 incremental revenues would come from which Fluoropolymers in terms of the different PTFE, PFA, PVDF, what kind of numbers are you expecting?

Dr. Bir Kapoor: Lot of it will come mostly from new Fluoropolymers as you said which is the collection of what you stated. So, I think it is a product mix Dhavan, which is difficult for me to give you in this short call. However, it will probably be driven, not probably, it will be driven by the new Fluoropolymer segments.

Dhavan Shah: So, demand wise any outlook, in terms of any order book or anything can you highlight in the other Fluoropolymers for which you have already expanded the capacity, how is the order book right now versus the last year? What is the visibility from the customer side? And any ballpark number or any?

Dr. Bir Kapoor: See, we have added capacities in Fluoropolymers like FKM, PFA, PVDF were the three and also Micro Powders. So, we had stated this much earlier capacity than it is primarily driven by these 4 segments where the market demand is and we are present and we are slowly capturing the market share in this. So, what I can suggest again that one is due to lack of time, perhaps you can connect with us offline. I am sure we can share more details.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I now have the conference over to the management for closing remark.

Dr. Bir Kapoor: So, thank you very much and I really appreciate and thank each one of you for showing interest in GFL and we look forward to a growth journey and we expect to see the results going up quarter-on-quarter and achieve the target that we already stated. So, I would like to thank you all for the interest shown in GFL and in case of any questions, request you to please connect with Mr. Vibhu Agarwal who looks after our Investor Relations. So, thank you very much and have a good day. Bye.

Moderator: On behalf of Batlivala & Karani Securities India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.