

Gujarat Fluoro

Fluoropolymers (FPs)

One of the leading producers of FPs in the world.

Electronics and electrical is the largest end-user industry for Fluoropolymers, where they are preferred for usage in cable and wire insulation, jacketing, lithium ion batteries, and semi fabrication. Technological advancement has led to the demand for products with superior tensile strength and high thermal stability and Fluoropolymers are therefore preferred around the world due to its useful properties.

Fluoropolymers are also used in coatings for all weather apparel and non-stick cookware. It is widely used in chemical plants and semiconductor parts due to its ability to withstand severe conditions without the need for regular maintenance. It therefore, helps to improve productivity of things. The excellent performance of Fluoropolymers in extreme conditions and its usage in demanding applications act as a major driver for the Indian as well as global Fluoropolymer market.

The global high performance fluoropolymer market size is forecast to reach \$5 billion by 2025, growing at a CAGR of 7% during 2020-20252

Have set-up capacity of about 700 tonnes on six FPs. Expecting to reach 100% utilization by end of FY22

FPs can generate 750cr of revenue with CAPEX of 400cr.

Not competing with China in FPs

Fluorospecialty (FSPs)

FSPs intermediates address growing needs of agrochem and pharma industry

Expect to reach full utilization by end of Q2FY21. Additional six products are under final stages of implementation, and will be fully commissioned by the end of the FY21. Planning for capex of Rs. 400cr (Q1FY21) which can generate 700cr of revenue.

Refrigerants

Largest manufacturer of HCFC 22 in India since inception.

Address growing demands of pharma, air conditioning, and cold warehousing industry

PTFE

The PTFE global market is expected to reach US\$ 2953.6 million, growing at a CAGR of 5% from 2019-20243. Increased preference for non-stick cookware and rising demand for PTFE in electrical and electronics industry is likely to augur growth in this segment.

Key Points

Roughly 11% of the global PTFE capacity is accounted by PTFE facility

Significant investments to build multipurpose fluoro specialty intermediates plants aimed at increasing manufacturing capacity 4x in comparison to FY 2018-19

India's largest refrigerant manufacturing unit at 3148cr gross block.

With current capacity (Q1FY21) at full utilization, topline of 4200-4400cr is possible with EBITDA of 1200cr

Triggers

800cr of CAPEX in FPs and FSPs done which shall generate topline of 1400cr after March '22. Both are doing about 200cr topline and have capacity to reach 700cr each in next 2 years.

30% EBITDA possible from FPs and SPs on sustainable basis

Targeting net debt of 400cr by end of FY21 and Net Zero Debt company by FY22

Captive wind power plant of 125MW. Significant cost savings in absolute terms of Rs. 200-230cr per annum. Spending 850cr on this with payback period of 4 years. Full CAPEX amount of 850cr is paid for. Full benefits shall start from FY23.

Power cost is roughly 19.5% of total cost and also roughly 18.5% of their Rev from Ops. So if power goes down by say 70%, we are looking at roughly 300cr straight addition to PBT.

Company performance in coming quarters to be driven by improved capacity utilization in PTFE, FPs, and New FSPs. All growth to come from high margin product segments, hence margin profile expected to improve significantly. Most of the CAPEX is done and no significant CAPEX is expected at present levels.

With new capacity addition of FPs and FSPs - company doesn't expect any significant price competition because these products are exclusively manufactured by the company at client's request (in some cases - client is wanting to de-risk itself from China)

Backward Integration

Captive Fluorspar mine in Morocco is a joint venture between Gujarat Fluorochemicals Limited, India, and Global Mines Sari, Morocco. The plant's strategic location in Morocco allows it to connect with EU markets and serve the rising demand in EU countries. Product from this plant is sold in Europe and is used in GFCL's plant in India as well. This plant produces Chemical grade Fluorspar used in manufacturing of Hydrofluoric Acid which is a key requirement for many pharmaceuticals and chemical products.