

GFCL: BRD: 2023

2nd August, 2023

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

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

Scrip Code: 542812

Symbol: FLUOROCHEM

Dear Sir/Madam,

Sub: Disclosure pursuant to Regulation 30 and 56(1)(c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations)

Ref: CRISIL Rating on Bank facilities and Non-Convertible Debentures of Gujarat Fluorochemicals Limited

In terms of Regulation 30 and 56(1)(c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), we would like to inform that we have received ratings on Bank facilities and Non-Convertible Debentures from **CRISIL Ratings Limited** which is enclosed herewith, details of which are as under:

Total Bank Loan facilities Rated	Rs. 2,000 crores
Long – Term Rating	CRISIL AA+/Stable (Rating upgraded)
Short – Term Rating	CRISIL A1+ (Reaffirmed)

Rs. 50 crore Non-Convertible Debentures	CRISIL AA+/Stable (Rating upgraded)
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We request you to take the above on record.

Thanking you,

Yours faithfully,
For Gujarat Fluorochemicals Limited

Bhavin Desai
Company Secretary
FCS: 7952

Encl.: Crisil Rating Letter

Rating Rationale

August 02, 2023 | Mumbai

Gujarat Fluorochemicals Limited

Long-term rating upgraded to 'CRISIL AA+/Stable'; Short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.2000 Crore
Long Term Rating	CRISIL AA+/Stable (Upgraded from 'CRISIL AA/Positive')
Short Term Rating	CRISIL A1+ (Reaffirmed)

Rs.50 Crore Non Convertible Debentures	CRISIL AA+/Stable (Upgraded from 'CRISIL AA/Positive')
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Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the Rs 50 crore non-convertible debentures and long-term bank loan facilities of Gujarat Fluorochemicals Ltd (GFL) to '**CRISIL AA+/Stable**' from 'CRISIL AA/Positive'. The short-term rating has been reaffirmed at 'CRISIL A1+'.

The rating upgrade reflects improvement in GFL's operating performance. The company reported operating revenue of ~Rs 5,685 crore for fiscal 2023, up from Rs 3,943 crore for fiscal 2022, driven by growth in new product segments such as new fluoropolymers (FP) as well as strong growth in realisations across product segments. Earnings before interest, taxes, depreciation and amortisation (Ebitda) rose to Rs 2,049 crore in fiscal 2023 (Ebitda margin of 36%) from Rs 1,209 crore (Ebitda margin of 30.7%) compared to fiscal 2022. CRISIL Ratings expects that substantial ramp-up in the new FP segment with end-use applications in growing sectors such as electric vehicles batteries, hydrogen fuel cells and semiconductors will be the additional revenue growth driver over the medium term. Hence, higher contribution in the product mix of the high-margin FP segment will lead to sustenance of strong operating margin.

The financial risk profile remains strong with external net debt of Rs 1343 crore (including trade finance debt of Rs.585 crores) and robust debt protection metrics with interest coverage ratio expected to sustain at over 15 times. GFL has brought forward some of its proposed capital expenditure (capex) given the significant growth opportunity in the new FP segment and plans to undertake capex of Rs 1,300-1,500 crore per annum in the next few fiscals. Majority of the capex is likely to be funded through internal accrual and net debt is not expected to increase materially.

The management has indicated steps to enhance liquidity in group companies by raising funds through various measures, which should reduce support provided to group companies. Furthermore, operating performance of the wind business is expected to improve, will lead to reduced support from GFL, thereby improving its financial risk profile. These will remain key monitorables.

The ratings continue to reflect the established market position of GFL in the chemicals business, healthy operating efficiency driven by integrated operations, and strong financial risk profile. These strengths are partially offset by the financial support extended to group companies and susceptibility to inherent volatility in the chemicals business.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of GFL and all its subsidiaries, as all the entities (collectively referred to as GFL) operate in similar businesses and are under a common management.

CRISIL Ratings has included the debt of Inox Wind Limited (rated by CRISIL Ratings), which has been guaranteed by GFL, to arrive at the adjusted debt.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Established market position

GFL is the largest polytetrafluoroethylene (PTFE) manufacturer in India and among the top four players globally. The company has a diversified product portfolio, comprising PTFE, new fluoropolymers, specialty chemicals, caustic soda, chloro-methane and refrigerant gases. The new fluoropolymer products and contributed to ~22% of the overall revenue in fiscal 2023. The PTFE, new fluoropolymer and specialty products are expected to drive growth over the medium term.

Integrated operations driving operating efficiency

The chemicals business is integrated forward into manufacturing PTFE and backward into HCFC, anhydrous hydrogen fluoride, chloroform and chlorine. The new fluoropolymer products such as polyvinylidene fluoride (PVDF), fluorocarbons (FKM) and phosphoric acid (PPA) fit seamlessly in the production cycle as these products are manufactured from the same raw materials, such as fluorspar and R-142b. This reduces dependence on external sources for raw materials and ensures healthy operating margin and capacity utilisation. The Ebitda margin was ~36% for fiscal 2023 and is expected to remain strong over the medium term, driven by healthy realisations and improved product mix.

Strong financial risk profile

The financial risk profile is backed by strong network, comfortable gearing and robust debt protection metrics. The financial risk profile has improved as the management has brought down advances provided to group companies by infusing funds in these companies. Debt protection metrics should remain strong with interest coverage ratio expected at over 15 times and expected reduction in debt guaranteed by GFL. Adjusted gearing should remain below 0.6 time going forward.

GFL has brought forward some of its proposed capex given the significant growth opportunity in the new FP segment and plans to undertake capex of Rs 1,300-1,500 crore per annum in the next few fiscals, which will be funded largely through internal accrual. Hence, net debt should not increase materially, supporting the financial risk profile.

Weaknesses:

Support to group companies

GFL has supported group entities over the years through loans, advances, corporate guarantees and lien marking its own liquidity for loans of group entities, resulting in an increase in its own debt.

Supported by the management's efforts to improve the capital structure of group companies and the expected improvement in their performance, is likely to reduce support requirement from GFL in future, which remains a monitorable.

Inherent volatility in the chemicals business

The chemicals business is largely export-driven and is thus vulnerable to volatility in international markets. Addition of large capacity in overseas markets could constrain the performance of GFL. While the large scale of integrated operations drives operating efficiency, the business remains susceptible to fluctuations in global supply and price trends. CRISIL Ratings believes GFL's operating margin may moderate in the near term given increased competition from China and destocking in Europe because of economic slowdown. However, the higher mix of new fluoropolymer products with increasing demand and higher margins should help sustain profitability over the medium term.

Despite prudent foreign exchange (forex) management policy, the company is vulnerable to any large fluctuations in currency exchange rates.

Liquidity: Strong

Liquidity is backed by expected annual cash accrual of over Rs 1,400 crore over the medium term, against annual term debt obligation of Rs 50 crore. Liquidity is also supported by unencumbered cash equivalent/liquid investment of about Rs 144 crore as on March 31, 2023. GFL plans combined annual capex of Rs 1,300-1,500 crore over the next few fiscals, which will be financed mainly by internal accrual. It has access to fund-based limits of Rs 1,200 crore, which were utilised at 75% on average in the 12 months through April 2023.

Outlook: Stable

CRISIL Ratings believes GFL's business and financial risk profiles will remain healthy over the medium term, owing to strong demand across products.

Rating Sensitivity Factors

Upward factors

- Significant revenue growth from new products resulting in leading market position in those segments along with operating margin sustaining above 30%
- Material reduction in debt and support to group entities leading to improvement in the capital structure

Downward factors

- Slower volume ramp-up or decline in realisations leading to decline in operating revenue and operating profitability sustaining below 25%
- Significant, debt-funded capex or acquisitions or increase in support to group entities weakening the financial risk profile

About the Company

GFL houses the chemicals business of the INOXGFL group. The company has a diverse product portfolio which includes caustic soda, chloro-methane, PTFE, HCFC and value-added products. It is one of the largest chemicals players in India, with a combined installed capacity of 72,000 tonne per annum (TPA) of HCFC, 19,750 TPA of PTFE, 138,450 TPA of caustic soda, and 109,620 TPA of chloro-methane

Key Financial Indicators

As on/for the period ended March 31	Unit	2023	2022
Revenue	Rs.Crore	5,685.00	3,954
PAT	Rs.Crore	1323	776
PAT margin	%	23.3	19.6
Adjusted debt/adjusted networkth	Times	0.58	0.8
Interest coverage	Times	18.42	16.32

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the `Annexure - Details of Instrument` in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
INE09N307018	Non-convertible debentures	21-Mar-23	8.52	20-Mar-26	50	Simple	CRISIL AA+/Stable
NA	Proposed Rupee Term Loan	NA	NA	NA	70	NA	CRISIL AA+/Stable
NA	Rupee term loan	NA	NA	Jun-27	48.5	NA	CRISIL AA+/Stable
NA	Rupee term loan	NA	NA	May-27	64	NA	CRISIL AA+/Stable
NA	Rupee term loan	NA	NA	May-27	50	NA	CRISIL AA+/Stable
NA	Working capital facility	NA	NA	NA	1767.5	NA	CRISIL A1+

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Gujarat Fluorochemicals Americas LLC, U.S.A	Full	Strong business and financial linkages
Gujarat Fluorochemicals GmbH, Germany	Full	Strong business and financial linkages
Gujarat Fluorochemicals Singapore Pte Ltd	Full	Strong business and financial linkages
Gujarat Fluorochemicals FZE	Full	Strong business and financial linkages
GFL GM Fluorspar SA	Full	Strong business and financial linkages
GFCL EV Products Ltd	Full	Strong business and financial linkages
GFCL Solar & Hydrogen Products Ltd	Full	Strong business and financial linkages

Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	2000.0	CRISIL AA+/Stable / CRISIL A1+	30-03-23	CRISIL AA/Positive / CRISIL A1+	29-12-22	CRISIL AA/Positive / CRISIL A1+	27-08-21	CRISIL AA/Negative / CRISIL A1+	29-09-20	CRISIL AA/Negative / CRISIL A1+	CRISIL A1+ / CRISIL AA/Stable
			--	08-03-23	CRISIL AA/Positive / CRISIL A1+	02-06-22	CRISIL A1+ / CRISIL AA/Stable	03-08-21	CRISIL AA/Negative / CRISIL A1+	27-05-20	CRISIL AA/Negative / CRISIL A1+	--
			--	14-02-23	CRISIL AA/Positive / CRISIL A1+	--	--	--	--	--		
Commercial Paper	ST		--	--	--	--	27-08-21	Withdrawn	29-09-20	CRISIL A1+	CRISIL A1+	
			--	--	--	03-08-21	CRISIL A1+	27-05-20	CRISIL A1+	--		
Non Convertible Debentures	LT	50.0	CRISIL AA+/Stable	30-03-23	CRISIL AA/Positive	--	--	--	--	--	--	
			--	08-03-23	CRISIL AA/Positive	--	--	--	--	--		
			--	14-02-23	CRISIL AA/Positive	--	--	--	--			

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Rupee Term Loan	70	Not Applicable	CRISIL AA+/Stable
Rupee Term Loan	48.5	Kotak Mahindra Bank Limited	CRISIL AA+/Stable
Rupee Term Loan	64	HDFC Bank Limited	CRISIL AA+/Stable
Rupee Term Loan	50	ICICI Bank Limited	CRISIL AA+/Stable
Working Capital Facility	280	Bank of Baroda	CRISIL A1+
Working Capital Facility	50	The Federal Bank Limited	CRISIL A1+

Working Capital Facility	125	Kotak Mahindra Bank Limited	CRISIL A1+
Working Capital Facility	250	IDBI Bank Limited	CRISIL A1+
Working Capital Facility	250	Emirates Bank International	CRISIL A1+
Working Capital Facility	50	DBS Bank Limited	CRISIL A1+
Working Capital Facility	50	RBL Bank Limited	CRISIL A1+
Working Capital Facility	50	HDFC Bank Limited	CRISIL A1+
Working Capital Facility	200	ICICI Bank Limited	CRISIL A1+
Working Capital Facility	170	YES Bank Limited	CRISIL A1+
Working Capital Facility	42.5	IndusInd Bank Limited	CRISIL A1+
Working Capital Facility	150	Axis Bank Limited	CRISIL A1+
Working Capital Facility	100	CTBC Bank Co Limited	CRISIL A1+

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Chemical Industry
CRISILs Criteria for rating short term debt
CRISILs Criteria for Consolidation

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