

GFCL: BRD: 2022

29th December, 2022

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

Scrip Code: FLUOROCHEM

Dear Sir/Madam,

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

Ref: CRISIL rating on Bank facilities of Gujarat Fluorochemicals Limited

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

Total Bank Loan facilities Rated	Rs. 2000 crores
Long – Term Rating	CRISIL AA/Positive (Outlook revised from ‘Stable’; Ratings Reaffirmed)
Short – Term Rating	CRISIL A1+ (Reaffirmed)

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

December 29, 2022 | Mumbai

Gujarat Fluorochemicals Limited

Rating outlook revised to 'Positive'; ratings reaffirmed

Rating Action

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

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 revised its outlook on the long-term bank facilities of Gujarat Fluorochemicals Ltd (GFL) to 'Positive' from 'Stable' and reaffirmed the 'CRISIL AA' rating and has reaffirmed its 'CRISIL A1+' rating on the company's short-term facilities.

The revision in outlook reflects the expectation that GFL's credit risk profile may improve with sustained strong operating performance. The company reported operating revenue of ~Rs 2,795 crore for the first six months of fiscal 2023, up from Rs 1,876 crore for the corresponding period of fiscal 2022 driven by better capacity utilisation and healthy realisations across product segments. Earnings before interest, taxes, depreciation and amortisation (Ebitda) rose to Rs 995 crore (Ebitda margin of 35%) from Rs 551 crore (29%). Substantial ramp-up in the polytetrafluoroethylene (PTFE) and new fluoropolymers segments supported the strong operating performance.

Gross debt remained ~Rs 1,700 crore as on September 30, 2022, and is expected to reduce given that INOX Wind Ltd (IWL; 'CRISIL BBB+/Positive/CRISIL AA (CE)/Positive/CRISIL A2') has repaid capital advances of ~Rs 600 crore which will eventually be utilised to pare down debt. GFL has brought forward some of its proposed capital expenditure (capex) and will now undertake capex of Rs 2,100-2,300 crore over fiscals 2023 and 2024. A large part of the capex is likely to be funded through internal accrual and net debt is not expected to increase materially.

The management has taken steps to enhance liquidity in group companies by raising funds through various measures, which should reduce support provided to group companies. The expected improvement in the performance of the wind business should lead to reduced support from GFL, thereby improving its financial risk profile, and will remain a key monitorable.

The ratings continue to reflect the established market position of GFL in the chemicals business, healthy operating efficiency driven by integrated operations, and sound financial risk profile. These strengths are partially offset by the financial support extended to group companies, though diminishing, 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 herein as GFL) operate in similar businesses and are under a common management.

CRISIL Ratings has included the debt of IWL, which has been guaranteed by GFL, to arrive at the adjusted debt of GFL.

Please refer Annexure - List of entities consolidated, for details of the entities considered and their analytical treatment for consolidation

Key Rating Drivers & Detailed Description

Strengths:

- Established market position**

GFL is the largest PTFE manufacturer in India and among the top four players globally. It is also a leading manufacturer of hydro-chloro-fluoro-carbon (HCFC), which is used in refrigeration and air conditioning, among other industries. The company has a diversified product portfolio, comprising PTFE, new fluoropolymers, specialty chemicals, caustic soda,

chloro-methane, and refrigerant gases. The new fluoropolymer products saw compound annual growth rate of 57% in revenue in the five fiscals ended March 31, 2022. The new fluoropolymer and specialty products are expected to drive growth in future.

- **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 they 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 new fluoropolymer products have higher margins and should help improve profitability over the medium term. The Ebitda margin was ~35% in the first six months of fiscal 2023 and is expected at a similar level over the medium term driven by healthy realisations and better product mix.

- **Healthy financial risk profile**

The financial risk profile is backed by strong network, comfortable gearing and healthy debt protection metrics. The financial risk profile has improved as the management has brought down advances provided to group companies by infusing funds in group companies. Debt protection metrics should remain healthy with interest coverage expected over 20 times and expected reduction in debt guaranteed by GFL adjusted gearing should remain below 0.35 time for fiscal 2023.

GFL has brought forward some of its proposed capex and will now undertake capex of Rs 2,100-2,300 crore over fiscals 2023 and 2024, which will be funded largely through internal accrual. Hence, net debt should not increase materially keeping the financial risk profile healthy.

Weakness:

- **Support to group companies, though diminishing**

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, they may need less support from GFL in future, which remains a monitorable.

- **Inherent volatility in the chemicals business**

The chemicals business is largely export-driven, and thus is 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, business remains susceptible to fluctuations in global supply and price trends.

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

Liquidity: Strong

Liquidity is strong, backed by expected annual cash accrual of over Rs 1,350 crore over the medium term against annual term debt obligation of Rs 140-150 crore. Liquidity is supported by unencumbered cash equivalent/liquid investment of about Rs 14 crore as on September 30, 2022. GFL plans combined capex of Rs 2,100 – 2,300 crore over fiscals 2023 and 2024 to be financed through internal accrual. It has access to fund-based limits of Rs 1,200 crore, which were utilised 80% on average in the 12 months through September 2022.

Outlook Positive

CRISIL Ratings believes the business risk profile of GFL will improve with sustained revenue growth across products while the financial risk profile will benefit from debt reduction and strong accrual.

Rating Sensitivity factors

Upward factors

- Sustained revenue growth from new products and sustained improvement in operating margin leading to cash accrual sustaining above Rs 1,350 crore
- Strong revenue build-up from newer products leading to operating margin sustaining above 30%

Downward factors

- Slower volume ramp-up, leading to lower-than-expected operating revenue, profitability and cash accrual below 1,000 crore
- Significant, debt-funded capex or acquisitions, 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, 17,820 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	2022	2021
Revenue	Rs crore	3954	2650
PAT	Rs crore	776	-222
PAT margin	%	19.6	-8.4
Adjusted debt/adjusted networkth	Times	0.60	0.60
Interest coverage	Times	11.35	7.08

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	Rating assigned with outlook
NA	Foreign currency term loan	NA	NA	Mar-23	6.71	NA	CRISIL AA/Positive
NA	Working capital facility	NA	NA	NA	1457.00	NA	CRISIL A1+
NA	Rupee term loan	NA	NA	Jun-27	481.71	NA	CRISIL AA/Positive
NA	Rupee term loan	NA	NA	May-27	54.58	NA	CRISIL AA/Positive

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	Type	Current		2022 (Hlstory)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	
Fund Based Facilities	LT/ST	2000.0	CRISIL AA/Positive / CRISIL A1+	02-06-22	CRISIL A1+ / CRISIL AA/Stable	27-08-21	CRISIL AA/Negative / CRISIL A1+	29-09-20	CRISIL AA/Negative / CRISIL A1+	23-08-19	CRISIL A1+ / CRISIL AA/Stable	--
			--	--	03-08-21	CRISIL AA/Negative / CRISIL A1+	27-05-20	CRISIL AA/Negative / CRISIL A1+	--	--		
Commercial Paper	ST		--	--	27-08-21	Withdrawn	29-09-20	CRISIL A1+	23-08-19	CRISIL A1+	--	
			--	--	03-08-21	CRISIL A1+	27-05-20	CRISIL A1+	--	--		

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating

Foreign Currency Term Loan	6.71	CRISIL AA/Positive
Rupee Term Loan	54.58	CRISIL AA/Positive
Rupee Term Loan	481.71	CRISIL AA/Positive
Working Capital Facility	127	CRISIL A1+
Working Capital Facility	160	CRISIL A1+
Working Capital Facility	110	CRISIL A1+
Working Capital Facility	80	CRISIL A1+
Working Capital Facility	50	CRISIL A1+
Working Capital Facility	130	CRISIL A1+
Working Capital Facility	150	CRISIL A1+
Working Capital Facility	30	CRISIL A1+
Working Capital Facility	20	CRISIL A1+
Working Capital Facility	270	CRISIL A1+
Working Capital Facility	75	CRISIL A1+
Working Capital Facility	225	CRISIL A1+
Working Capital Facility	30	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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