



“Gujarat Fluorochemicals Limited
Q3 FY2023 Earnings Conference Call”

February 07, 2023



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Moderator: Ladies and gentlemen, good day and welcome to the Gujarat Fluorochemicals Q3 FY2023 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions 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, and good evening everyone and thank you for joining Gujarat Fluorochemicals Third Quarter FY2023 Earnings Conference Call. I thank the Management on behalf of B&K Securities for giving us the opportunity to host this call. I would like to welcome the Management of Gujarat Fluorochemicals represented by Dr. Bir Kapoor, Chief Executive Officer; Mr. V.K. Soni, Head of Projects and New Initiatives; Mr. Manoj Agrawal, Chief Financial Officer; and Mr. Vibhu Agarwal, Head of Investor Relations. Without further ado I will request Dr. Bir Kapoor to begin with his opening remarks after which we can have the floor open for Q&A round. Thank you and over to you Sir. Thank you.

Bir Kapoor: Thank you very much Archit. Good evening everyone. This is Bir Kapoor. A very warm welcome to all of you on this GFL’s Q3 FY2023 Earning Call. The company has announced its Q3 results at its Board meeting held today. The results along with earnings presentation is available on the stock exchange and also on our website.

I will briefly talk about the numbers and then give you an update on the business operations and outlook. First of all I am pleased to report that for the quarter ended December 2022 the company has reported a consolidated revenue of Rs.1418 Crores, which is up by 41% year-on-year. The consolidated EBITDA for this period was Rs.523 Crores, which is up by 66% on year-on-year basis. The EBITDA margin continued to remain healthy and we were at 37% for this quarter. Consolidated PAT for this quarter was at Rs.331 Crores, which is up by 64% on year-on-year. Other key financial parameters like return ratios continue to remain strong. The ROCE and ROE improved to 35% and 28% respectively. The net-debt to equity ratio has reduced to 0.21.

GFL is continuing with its journey to deliver strong set of numbers and is building a strong foundation for future growth. We have been consistently delivering growth and value to all our stakeholders. GFL is going through an exciting phase where we are transitioning towards becoming a leading global player in wide range of new fluoropolymers, which are



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essentially high-end material for advanced applications. While these new range of fluoropolymers provide growth in near-term we are also positioning ourselves to capture the growth from sunrise industries like EV, green hydrogen, semiconductors and 5G networks and other new range applications where fluoropolymer applications are there. We believe these new drivers will ensure sustainable growth in the future.

Let me now take you through various business verticals and our performance in these last quarter. As you may have seen in the presentation for the reporting purposes, we have reclassified our business verticals to bring in more segmental focus on businesses. We have now structured our business along three verticals namely Bulk Chemicals, Fluorochemicals and Fluoropolymers. We believe these verticals capture the business complexities and cyclical patterns which are similar in nature. As you may have seen we have clubbed all our fluorochemicals including refrigerants in one vertical while commodities like caustic and MDC into a separate vertical. Due to fungibility of operations and similarity in market scenarios we have clubbed all fluoropolymers in one vertical. Going forward we will be sharing with you the performance and value drivers in each of these verticals.

To begin with let me talk about the Bulk Chemical vertical. This segment has seen a quarter-on-quarter revenue growth of 6%. The plants are running at full capacity and going forward the prices are likely to be under pressure due to additional suppliers which are coming into the market.

In the Fluorochemicals segment, the price and volumes have remained stable barring some seasonal impact in refrigerants. While we expect the refrigerants to remain stable we expect to see growth in this segment in next few quarters as the new Fluorochemical plants get stabilized and the production has ramped up post customer product qualifications.

The Fluoropolymer business has continued to remain stable with pricing remaining firm barring some minor impact on volume in the last quarter due to holiday season in our major markets. Our investment in Fluoropolymers has been progressing well except for some delays due to delay in equipment suppliers we expect these capacities to result into increased sales in next few quarters as capacity utilization is ramped up and additional qualifications takes place. We expect the demand for the Fluoropolymer to be stable as leading legacy players have not expanded and in some cases exiting the overall Fluoropolymer markets. The new Fluoropolymer market has a positive growth outlook due to emergence of new demands from segments like semiconductors and EV batteries.



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Let me quickly touch upon our New Age industry segment catering to battery chemicals. Our investment in this segment is moving as per the plan. As a first step we are setting up an initial commercial capacity for LiPF₆ to seed the market. This line is expected to come up in the first quarter of FY2024 and we expect that it may take few quarters to get through the qualification and approval processes. We have been in touch with major player in this segment and we see that LiPF₆ would continue to be the mainstay of the battery chemicals and would be a major part of the ecosystem for the foreseeable future. We intend to expand this portfolio to include other battery chemicals as well. Global automobile market is progressing fast forward towards EV ecosystem, and we are in dialogue with many of the potential battery manufacturer in India as well as overseas.

There is no change in the capex plan as stated in the last quarter. We are looking at capex of around Rs.2500 Crores split between this financial year and the next financial year. We may see some upward revision on this plan. However, we will update you more on the next year's capex plan as and when these capexes get approved.

On the advances for the wind capacity GFL has received Rs.623 Crores from Inox Wind, during the quarter against the advances that GFL had given to IWL for setting up the wind power capacity. The advances have been paid adjusting for the wind power capacity that Inox Wind will be commissioning for GFL. We believe the Fluoropolymer will continue to provide a strong growth for next few years. This will be further aided by the growth from the battery chemicals segment starting FY2025. The work of several years, developing grades, getting customer approvals and qualifications is now paying rich dividend for us. We are well poised for strong growth going forward. The overall business environment is in our favor and I believe we are in a very good spot to be able to participate in the sunrise industries and deliver growth for the next several years. With this I close my opening statement and I would now like to open the floor 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 Sudarshan Padmanabhan with JM Financial Services. Please go ahead.

Sudarshan P: Yes, thank you for taking my question. Sir my question is to understand a bit more on the shutdown that is happening in Europe primarily with respect to the PFAS so in a way it is going to be something like Europe plus one for us, if you can elucidate do we have capabilities that is basically bid to capture that opportunity, do we have something which can do the polymerization without the PFAS if you can give some color on that Sir?



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Bir Kapoor: Sure. As I understand you are referring to one of the European manufacturer, which is planning to exit this market.

Sudarshan P: Yes, that is correct.

Bir Kapoor: What we believe is let me give you a little bit about the PFAS. PFAS is small, fluorinated molecule that tend to be bioaccumulative and it gets into the water stream and human tissues. Fluoropolymers per se, which are long chain molecules are absolutely safe as they neither dissolve in water and they are neither mobile nor bioaccumulative because of their large size. Having said that in the process of manufacturing it there are certain fluorinated surfactants which are used, and I am really proud to announce that GFL has developed technology for the entire portfolio of fluoropolymers without the use of fluorinated polymerization aid. So in that respect Sudarshan we are very well positioned to face the challenge and it is actually not an issue for the fluoropolymers that is manufactured by us.

Sudarshan P: Sure. Sir my question is while you have talked about some of the commodity prices coming down if I look at our business model we have one of the best supply chain right from we have a JV for fluorspar and if the caustic chlorine prices comes down we capture it as a lower cost in manufacturing of R22. If R22 price comes down we can do more of TFEs, if the TFE is lower you can probably make more of PTFE or PFA, so is that understanding right even if the commodity prices comes down you might have a momentary shift between one segment to another, but largely the price fall should be captured as an input cost benefit to another segment would that be a right understanding Sir?

Bir Kapoor: Yes. As you have rightly put we are completely backward integrated and for example for our PTFE fluoropolymer the raw material is salt, power and methanol so we are actually insulated from any kind of a commodity price variation in the intermediate part. So I think your understanding is fine, it is not going to have an impact either the price rise or price drop in any of the intermediate chemicals.

Sudarshan P: One final question from my side before I get back. So if I split it into two parts for the question the new capacities are coming in fluoropolymer currently we are doing about 55% plus or minus where do we see this business say in three years and second is with respect to the guarantees have the guarantees given to Inox Group basically been fixed or are we in the process on that?

Bir Kapoor: Regarding the guarantee I will request our CFO, Manoj.



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Manoj Agrawal: Yes, sure. See, as you have seen in the opening remarks we have already received two third of advances which we have paid to the Inox Wind and the balance we will be using for the capacities we will set for the Wind. As regards to guarantees we have also started pruning it down. We are well on track to have all the guarantees removed by end of next financial year and it will be also pertinent to note that none of the guarantees till date got triggered or invoked so that answers your question on the guarantees and advances.

Bir Kapoor: Coming back to your question on the future we normally do not give any projection for three years; however, all I can tell you right now that going forward we see growth from the Fluoropolymers where we have made investment in this year and we see these two result into a significant growth for the company.

Sudarshan P: Sure Sir. Thanks a lot. I will join back the queue.

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

Sanjesh Jain: Yes, good afternoon Sir. Thanks for taking my question. First on the fluoropolymer side you touched upon the 3M exit and PFAS regulation I just wanted to understand to capture this opportunity, which is opening up in the TFE market are we planning to add more PTFE because it is only 3000 metric ton of capacity of PTFE what we are talking the industry of 200000 metric ton is growing at 6% that need to be feeded and the certain European guys who are exiting obviously we have enough upscaling opportunity, but we do not want to leave the opportunity of volume growth so how are we looking at PTFE expansion apart from the debottleneck what we have already announced that is number one? Number two is on the LiPF₆ now the prices of LiPF₆ have sharply corrected does it impact the economical ROCE with which we have embarked on this capex and do we really want to restrict ourselves as an LiPF₆ player or we are looking at more holistic electrolyte solution player how are we placing ourselves in the battery chemicals? So these are two of my initial questions. Thank you.

Bir Kapoor: Thanks Sanjesh. Let me come to the first question regarding the exit of the large fluoropolymer producer in Europe and PTFE. We have already announced debottlenecking of PTFE capacity, Sanjesh you know that and what our plan right now is to get the full capacity utilization on PTFE first what we already have on the plate and then subsequently look at further debottlenecking or adding more reactor as the demand comes up in these segments and as far as the TFE availability is concerned we already have TFEs available we do not see any issue in ramping up our capacity. Coming back to the second question that



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was related to battery chemicals and I have stated that LiPF₆ is a starting point for us to get into this segment. Eventually we would like to get into more chemicals related to battery, which have synergies with whatever we plan to do and eventually get into electrolyte and solutions like what we talked about because that market is still evolving Sanjesh and as you know the Indian market will come probably by FY2025 and global market is still evolving so we certainly have plans to have a larger play in this segment.

Sanjesh Jain: Fair enough Sir. One followup on the fluoropolymer, in the new fluoropolymer we were in a process to expand the capacity from 8000 metric tons to 18000 metric ton one where are we in that expansion plan, have we completed the expansion of the entire 18000 metric ton what we thought? Number two what is the utilization rate of the existing fluoropolymer that will help us understand what is an upside potential from the fluoropolymer business from the existing capacity? Thank you.

Bir Kapoor: In terms of the capacity we had given a plan of investment and ramping up our capacities on new fluoropolymers. Our plan is progressing well as I indicated earlier. We are well poised to go to 1400 or 1500 tons per month as we have indicated earlier and currently I can say that we are probably around 12000 ton plus capacity and again in these things there are two parts Sanjesh one is capacity in place and second thing is the capacity utilization so I think both are being progressed and I expect that in the next couple of quarters in the next financial year we will be able to get the full benefits of this capacity addition.

Sanjesh Jain: Can you help us understand in Q3 what was the utilization rate in the new fluoropolymer?

Bir Kapoor: It would be difficult for me to give that utilization rate Sanjesh because these are depends, one more thing I would like to highlight is that we have been talking about capacity rather loosely in these calls in the past because as you know the capacity goes up and down depending upon the grade we make and for example if I make a very highly specialized grade my capacity can drop as much as by 65%, 60% so it would be difficult for me to give the capacity utilization, but all I can tell you is that in next financial year two quarters we expect this capacity to be fully utilized.

Sanjesh Jain: Sorry, I am harping on the same thing but what do you anticipate in terms of when we are running at a full utilization, what is the revenue potential from this new fluoropolymer at the peak of the production capacity?

Bir Kapoor: Let me put it in another way Sanjesh because to get the revenue potential in the right way, I would rather talk about the asset turnover and see in these capacities where we have no



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backward integration you can take asset turnover anywhere between 1.5 to 2.0 that is the number I would like to leave with you to get the full revenue from these capacities because we are already backward integrated in most of the cases and these are primarily the front-end additions so I expect the asset turnover to be the range of 1.5 to 2.0.

Sanjesh Jain: What is the capital employed here?

Bir Kapoor: We already mentioned that this current financial year it is around Rs.500 odd Crores.

Sanjesh Jain: Thank you, I got it. Thank you, and best of luck for the coming quarters.

Moderator: Thank you. Our next question is from the line of Rohan Gupta with Nuvama. Please go ahead.

Rohan Gupta: Hi, Sir, good evening and thanks for the opportunity. Congratulations on good set of numbers. Sir, just few numbers if you can just run us through so this year we have added significant capacities in PVDF and also in FKM range as well if you do not mind in sharing the current running rate of all these PVDF and FKM and with the current utilization levels it will be helpful.

Bir Kapoor: It will be difficult for me to give the capacity number and running numbers for obvious reasons because these are particularly for the product segment these are sensitive numbers for us, particularly for PVDF and FKM.

Rohan Gupta: I will not ask further specific, but if you can just give us some sense that adding PTFE, FKM and PFA, all this put together what is the monthly production run rate right now and what was the number when we started the year, so we can just say that how the benefit will be coming in FY2024 if you can just share those numbers at least?

Bir Kapoor: One of the things that we had already indicated in the past that after the full utilization of this capacity we will be at the 1500 tons numbers approximately of the new polymers.

Rohan Gupta: 1500 tons we will be achieving that number?

Bir Kapoor: Right and we have capacities in place, right now there are two things happening at the same time one is we are adding capacity and second is utilization of these capacities, when we add the capacity we also have to qualify the grades and add customers because these are not commodities like caustic where I add capacity and I start selling next day. So there is a time lag between putting up that physical capacity and doing the capacity utilization as we go



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along. As I had indicated that we expect this whatever the investment that we are making this year, which is this financial year, which is essentially approximately in the range of what we had indicated 1500 in new fluoropolymers I expect to see this capacity getting fully utilized by next two quarters so in the next financial year two to three quarters.

Rohan Gupta: Just to clarify you mentioned the fluoropolymers capacity is 1500 tons per month that we are aiming to achieve and that will be available for next year right?

Bir Kapoor: Correct. This is what has already been announced. We have indicated that in our earlier calls.

Rohan Gupta: Right Sir.

Bir Kapoor: If you recall...

Rohan Gupta: Yes, so this will be achieved with the current capex of Rs.1500 Crores which we have planned to invest, right?

Bir Kapoor: Correct. The total capex that was the plan. However, for the new fluoropolymers this number was not Rs.1600 Crores it was around Rs.550 odd Crores as I indicated earlier.

Rohan Gupta: Right Sir. Second is on our fluorochemical business though you have changed the grouping and fluorochemicals I believe that include both the fluorospeciality chemicals and also the ref gases business, right?

Bir Kapoor: Yes.

Rohan Gupta: Just wanted to check that in terms of the speciality chemical business, flourospeciality how has been the ramp up because, I think, that was something which was still struggling in terms of the growth so how has been the growth there?

Bir Kapoor: Yes, we had a capex plan, capacities have been added the plants are commissioned and now they are in the process of being ramped up, so we had two set of investments there, one setup was more towards the backward integration and second was for the new products and the new product part is now getting qualified so I expect is, maybe another quarter or two quarters or so we should be able to get them on board completely. Coming back to the grouping the grouping is because these are all falling into the fluorochemicals range, they are very distinct in the nature, and also in terms of the location and capacity they are within a certain unit so it makes sense for us to have them put into one category.



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- Rohan Gupta:** Sir, just last one and I will get back in queue. When this power plant will be available for use in terms of commissioning line?
- Bir Kapoor:** Yes.
- Manoj Agrawal:** This wind capacity, the policy been already announced an extension up to 30 June 2023 and we are also in process of getting that EU approval so once that is in place we expect that by first quarter of the next financial year we should put up these capacities.
- Rohan Gupta:** You will be 20 MW power plant?
- Bir Kapoor:** Yes.
- Rohan Gupta:** What will be the wheeling rate here sir?
- Manoj Agrawal:** The PLF factor we assume around 25%.
- Rohan Gupta:** If you could just share the cost to us in terms of what will be our expected cost?
- Manoj Agrawal:** So we cannot divulge you to the cost because it is our factoring because of the PLF factor and other O&M cost and the location, wheeling losses, banking regulations and other things, but it will be still cheaper than your conventional energy, lot cheaper than the conventional energy, either from coal or gas.
- Bir Kapoor:** So, it is cheaper than the normal grid power.
- Rohan Gupta:** What about the guarantees, which we have given to the subsidiary is that also cancelled or that stands still and will be only over by end of the year?
- Manoj Agrawal:** Yes. Next financial year end. That I have already answered in one of the questions which was asked earlier.
- Rohan Gupta:** So that will be this financial year end, FY2023 end, right?
- Bir Kapoor:** Next financial year.
- Manoj Agrawal:** We have started pruning it down and it will be fully off by the end of next financial year.
- Rohan Gupta:** Thank you Sir. Thank you so much.



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Moderator: Thank you very much. Our next question is from the line of Rohit Nagraj with Centrum Broking. Please go ahead.

Rohit Nagraj: Yes, thanks for the opportunity. The first question is again on the Wind power project. So I understand when we had envisaged 125 MW of project we are expecting about Rs.150 Crores to Rs.175 Crores of savings per annum so with this 20 MW power plant next year on a yearly basis what will be the savings that we are expecting now?

Manoj Agrawal: Savings will be around Rs.4 per unit.

Bir Kapoor: Yes.

Rohit Nagraj: In terms of capital if you can give us the number?

Manoj Agrawal: Around Rs.40 Crores.

Rohit Nagraj: Rs.40 Crores per annum?

Manoj Agrawal: Yes.

Rohit Nagraj: Thank you. The second question is on the PVDF film. So I understand last time we had indicated that the plant will be commissioned by sometimes July 2023 and commercial supplies will start maybe four, six months post that if you can just tell us what is the status for the same?

Bir Kapoor: Yes, we are on track with that plan. We are still holding on to that date. Our plan would be mechanically complete by that timeframe and start production.

Rohit Nagraj: Sure. Thanks a lot and best of luck Sir. I will come back in the queue.

Moderator: Thank you very much. Our next question is from the line of Ketan Gandhi with Gandhi Securities. Please go ahead.

Ketan Gandhi: Sir, I have two questions. One is in last concall VivekJi said something about saving a lot of cost in the power, but he did not divulge us details any concrete plan has happened on that?

Bir Kapoor: Yes, we are already working on it. Still it is not finalized yet. We expect to finalize in next few months. We will let you know where we expect to have a saving in the power cost. Not finalized yet. We are still working on that.



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Ketan Gandhi: I believe there are only a few, very few, total there were four players as far as semiconductor grade PFA is concerned 3M is out so another three player so how we are geared up to take that forward in terms of PFA in our semiconductor grade because we have a lot of markets in Japan and USA both. Japan we are getting the premium valuation?

V.K. Soni: Yes, so you are very right. PFA is an excellent opportunity. Semiconductor is a requirement of each country because of strategic reasons and we are also gearing ourselves. First of all the monomer TFE we have adequate availability. We are also expanding our capacity by adding a couple of more PFA reactors and we are also going to develop these new grades for the high purity semi applications.

Ketan Gandhi: Sir, in terms of timeline how we can see the first batch out for the commercial sales?

V.K. Soni: So I think in three quarters we should be seeing the start of semis. Actually in semis also there are different grades high purity, ultra high purity so depending on that we will be steadily moving towards the ultra high purity grades.

Ketan Gandhi: PVDF back-sheet panel we were to commercialize that in coming financial year are we on track on that or there is some delay?

V.K. Soni: No, as we just mentioned the PVDF film will be commissioned in July in this year, 2023.

Ketan Gandhi: That PVDF film capacity is part of that 1500 per annum new fluoropolymer capacity or we have to account it separately?

V.K. Soni: Yes, it is part of that.

Ketan Gandhi: Alright Sir. I have some more questions. I will come back in the queue.

Moderator: Thank you. Our next question is from the line of Anant Jain, individual investor. Please go ahead.

Anant Jain: Thanks for the opportunity Sir and congratulations on a very good set of numbers. My question is more in terms of what we see on PVDF and LiPF₆ in China currently LiPF₆ prices have fallen significantly and similar thing is happening in PVDF battery grade prices so my question is that if you can give the number of grades roughly per fluoropolymer wise which kind of tells us that these are not commoditized and secondly when I look at Tinci, what Tinci has done is that it has actually contracted out a lot of capacity of LiPF₆ and other battery chemicals and they use lithium carbonate as a base price and then they have



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some kind of formula on top of that so how are we looking to work through these kind of grades where large capacities have come up and the prices fluctuate significantly?

V.K.Soni: So basically you are right. The LiPF₆ prices were higher earlier and now they have corrected, but actually our margins will not get impacted because we already started with a lower capacities after reasonable studies lower prices in fact the prices we considered are much lower than even the corrected prices so our margins will not get impacted at all. About the issue of Tinci you mentioned yes of course it is a new age chemical and there are different technologies and one of the technology Tinci is using they are still we understand working on this. According to our information there are some issues and while we are going for the process, which is adopted by bulk of the LiPF₆ manufacturers globally.

Anant Jain: My question was more in terms of contracting out capacities with lithium carbonate acting as a pass through kind of a pricing mechanism so that we are not exposed to the vagaries of the market?

V.K.Soni: There are different arrangements for tying up the lithium so we are working on all these arrangements and very soon we will be having a long term strategic arrangement in place.

Anant Jain: Great Sir. My second question is we were supposed to get FKM capacities in the last quarter are those capacities on stream and when can we see numbers coming out from those capacities?

Bir Kapoor: As I indicated earlier the capacities are coming up as of now, but we cannot give the exact capacities as of now whatever that is come up, and the ramp up of the capacity utilization is in place. So as far as the investment and setting up the reactor I think we are on track, and we are ramping up the capacities as I had indicated earlier.

Anant Jain: Great Sir. One last question if I can squeeze in for R142b is the only application is like getting into fluoropolymers or is that R142b has any other applications on the refrigerant gas type?

Bir Kapoor: I do not think there is any refrigerant application. R142b is mainly used as raw material for VDF and then that range of polymers.

Anant Jain: Great Sir. Thank you. I will come back in the queue.



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Bir Kapoor: It used to be there earlier because essentially it is a refrigerant, but now because of it is a ODS, it is part of the banned substance now. So it is only used as a raw material right now not as a refrigerant.

Moderator: Thank you Sir. Our next question is from the line of Nikhil with JM Family Office. Please go ahead.

Nikhil: This was regarding your comment which you made that you will be gradually transitioning to the new non-fluorinated surfactant technology which takes away the risk of any kind of regulatory action I just wanted to understand for the entire capacity by when will this transition happen and will this be only for some part of the capacity or the entire production will move to the new technology?

Bir Kapoor: Yes, we already have technology in place, and we are slowly going to change and we expect this transition to be complete by the end of this calendar year and next four quarter so December 2023. It is around that time because these are changed step-by-step and the grades are qualified as we go along, but we have the technology, we have the know-how, how to do it.

Nikhil: Understood and just to be sure would this technology be unique to you?

Bir Kapoor: It is proprietary to us and it is a patented technology for us, and I will request Mr. Soni to add to this.

V.K. Soni: You see actually as Dr. Kapoor mentioned we are the first company globally to announce this technology and after lot of in-house development we have perfected this technology. Almost five year time it took us.

Bir Kapoor: We have been working on it for quite some time now and now we have reached a point where we have started implementing it and rolling it out.

Nikhil: Once you transition to this that takes away any kind of risk of any if at all the regulatory authorities ban any of these products that it takes away that entire risk is that right?

V.K. Soni: Yes, 100%, entirely it takes away because these are non-fluorinated.

Nikhil: Okay, great. Thank you so much.



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- Moderator:** Thank you. Our next question is from the line of Garvit Goyal with Nvest Research. Please go ahead.
- Garvit Goyal:** My question is on what are your current development from this PEM membrane side that is going into the hydrogen so is there any development?
- V.K. Soni:** Yes we are developing the Proton Exchange Membrane PEM for both the application, that is fuel cell as well as electrolyzers, and it will take us about one year to have the product out and the progress at the moment I must mention is quite satisfactory and we should have the initial samples ready for sampling quite soon in maybe one or two quarters.
- Garvit Goyal:** You are not giving guidance for long time, but is there any estimated topline for FY2023 that you are targeting internally?
- V.K. Soni:** As you know the focus is presently on EV and hydrogen, green hydrogen although in the news it is still yet to see actual capacity on the ground, but in any case we are getting ready for it.
- Garvit Goyal:** No, actually I was asking what is your internal target for topline for FY2023?
- V.K. Soni:** In any case, it is difficult, it is little early in India.
- Garvit Goyal:** Sorry, actually, I think there is some confusion. I am asking for the overall topline for GFL by the end of FY2023.
- Bir Kapoor:** Normally we do not give top line guidance, but we have been saying all along that we are looking at 20% to 25% growth every year that is what we have been taking as a target going forward.
- Garvit Goyal:** That is all from my side Sir. Thank you very much and all the best for future.
- Moderator:** Thank you. Our next question is from the line of Nitin Agarwal with DAM Capital. Please go ahead.
- Nitin Agarwal:** Thanks for taking my question Sir. Just continuing on the PFAS free PTFE business that we talked about in your assessment as this market transitions to PFAS free market and with our capabilities on making this product how do you see that in terms of qualitatively how can the market in your assessment change does it become a more value added market, does the realization per ton overall for the marketing changes meaningfully versus where it is right



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now and even from a competitive perspective do you see a significant reduction, even further fall in the number of players who are out there?

Bir Kapoor: We have to see how this market evolves and how regulatory systems restrictions come in place, but we are very well positioned and the way we see our differentiation is both in volume as well as the price because as some of the players who do not have this capability may fall out, so there will be an opportunity for others to come in obviously and we are very well positioned at this point of time.

Nitin Agarwal: The point is absolutely taken. I was just trying to understand does this transition means that the overall value per ton for the PTFE market goes up in the future from a realization perspective and from a profitability perspective?

Bir Kapoor: In the short term as we are transitioning it is sort of an old platform, which is on the environment and sustainability it will, as the more pressure is built in I think it will see a differentiation, but not at this point of time, but eventually we expect the pricing to go up as the players are phased out because of the pressures. At this point of time it is beginning to happen as you see, but on the ground when these capacity go out then you will see a bigger impact on the pricing.

Nitin Agarwal: Secondly in terms of the demand scenario that you are seeing for FKM and PVDF does the demand-supply dynamics if you can just give some qualitative thoughts on how you are seeing the demand and supply dynamics in both of these products, is supply catching up in both of them or is there a marked difference in the demand-supply dynamics in either of the two categories at this point of time or you see it happening over the next couple of years?

Archit Joshi: Which categories are you referring to?

Nitin Agarwal: FKM and PVDF.

Bir Kapoor: In terms of the demand-supply as of now the market again are segmented because in PVDF there is batteries market and there is a non-batteries market so they have their own set of dynamics, but we see the overall market sentiments to be positive in these because again these are not commodities, these are very specialized product which are grade wise, and supply also we need to look at from that perspective because we have to see China versus non-China etc.

Nitin Agarwal: Last question on your battery chemical business what are the milestones that we should be sort of tracking in the business over the next say two, three years from GFL perspective?



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- V.K. Soni:** The first milestone is the commissioning the LiPF₆ and then the next milestone is having it validated so we hope to achieve both these milestones by the last quarter of this calendar year and after that the next milestones are of course to keep pace with the growing market as well as to add more battery chemicals these are the broad milestones.
- Nitin Agarwal:** For PVDF for the battery grade which was there what is the milestone we should track for that?
- V.K. Soni:** PVDF battery grade we are much more advanced because the product is under advanced stages of approvals maybe in one or two quarters we would have the business starting.
- Nitin Agarwal:** Do we need to create specific capacity for this battery grade PVDF or we have got our current capacities we can use them for commercial manufacturing when the approvals come through?
- V.K. Soni:** No, actually we have a very limited capacity, which was for basically non-battery grades and for battery grades we would be adding capacities. As the market builds up we have planned to keep on substantially adding reactors, but the monomer side we have adequate capacities considering the market already we expect to come in.
- Bir Kapoor:** We have taken some capacities, out of 1500 that we talked about into the battery grade as well and as the market evolves for the EV batteries we can add in more reactors going forward because on the backward side we have adequate capacities. As the market goes up we only need to do the front-ending.
- Nitin Agarwal:** Thank you very much.
- Bir Kapoor:** We are there actually completely.
- Moderator:** Thank you. Our next question is from the line of Aman Vij with Astute Investment Management. Please go ahead.
- Aman Vij:** Good evening Sir. My first question is on the refrigerant side so if you can talk about we have both Class II refrigerants and Class III refrigerants and with these protocols coming in so are we allowed to add capacities or is it dependent on some kind of quotas if you can explain that and also per se R22 are the companies allowed to add capacity if they do not sell it in the market, but if they want to backward integrate if you can just explain all these things that is happening in both Class II and Class III refrigerants?



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- V.K. Soni:** So for R22 the Class II refrigerants we are allowed to add capacity only for feedstock use and not for emissive use at all and for Class III we have like HFCs we are allowed to put up capacity only up to a certain time, which is the first quarter of 2024.
- Aman Vij:** Till that time any player can...
- Bir Kapoor:** For the raw material used I think this is allowed to be there is no restriction per se.
- V.K. Soni:** Yes, for feedstock use, there is no restriction.
- Aman Vij:** Even in developed countries?
- V.K. Soni:** No actually the Ozone rules are varying from country-to-country, but according to us it is the same, it should be the same.
- Aman Vij:** You talked about till first quarter of I think CY2024 or is it FY2024?
- V.K. Soni:** R32, our come up well before that.
- Aman Vij:** There is no limit to what companies can add?
- V.K. Soni:** Yes.
- Aman Vij:** Sure Sir. My next question is on the fluoropolymer side so if you can talk about the number of grades we have in total and say PVDF, FKM and PTFE specifically because this helps in understanding how much grade we have to cater to the market, number of grades?
- Bir Kapoor:** It is difficult to say that number, but the number can be 100 or over a 100 number because grades keep evolving based on the customer, so it is over 100.
- Aman Vij:** 100 is combined including everything?
- Bir Kapoor:** Yes, exactly.
- Aman Vij:** For new fluoropolymers roughly I am okay with the rough number also, what is this number?
- Bir Kapoor:** We have put all the fluoropolymer in one vertical so that is the number or maybe even higher, somewhere around, give or take 15%, 20%.



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Aman Vij: Sure Sir and just one clarification you mentioned by Q2 FY2024, so that means in the next three quarters we expect full ramp up of 1500 tons per month capacity is my understanding correct?

Bir Kapoor: What will happen is that our capacity would be completely in place by then. The full utilization in terms of the sales coming from them, I think will probably be, we are looking at maybe, by the March 2024, so we will be seeing a growth in the coming financial year, which is primarily coming from these capacities that have been added.

Aman Vij: Out of the Rs.1250 Crore of capex, which we have lined up for FY2024 how much is for this new fluoropolymer in that?

Bir Kapoor: Rs.550 Crores roughly.

Aman Vij: No, so for that for this year FY2023 I am talking about next year is it same Rs.500 Crores, Rs.600 Crores or will it be a bigger chunk next year?

Bir Kapoor: We have still not given yet how our capex is going to be in the next financial year, but what we expect is that this will be lower than this year going forward. I do not think we have given a breakup yet of next year's capex yet.

Aman Vij: Talked about the pricing of couple of products as of today what are the pricing for PFA, FKM, PVDF?

Bir Kapoor: Sorry we cannot give the pricing of individual products. However, all I can tell you is they are stable from last few quarters. We are not seeing any significant change or drop in these prices.

Aman Vij: PVDF has corrected right significantly?

Bir Kapoor: PVDF has corrected again, in different segments so again that is why one of the reason I am hesitating to talk about prices because there is a grade-to-grade variations, but as far as we are concerned we are not seeing a very significant drop in PVDF prices yet. There are some particular grades in particular segment where these corrections have happened, which you may be referring to.

Aman Vij: But on portfolio level wise for next quarter?

Bir Kapoor: For us it has not changed much quarter-on-quarter.



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- Aman Vij:** We are not seeing it today also, any correction?
- Bir Kapoor:** Not much.
- Aman Vij:** Sure Sir. Thank you.
- Moderator:** Thank you. Our next question is from the line of with Vikas Mistry with Moonshot Ventures. Please go ahead.
- Vikas Mistry:** Thank you for giving the opportunity. Sir my question is on lithium hexafluoride we see that the chemistry used is not so complex, but sourcing is the main competitive advantage can you elaborate in that key, what will be our competitive advantage in better chemicals and electrolytes?
- V.K. Soni:** Competitive advantage is first of all the market we would have a good market in the domestic in India, and the second advantage would be the backward integration so most of the materials other than lithium carbonate, which unfortunately is not mined in India, everything else we would be making in-house so that would give us cost benefit.
- Vikas Mistry:** If some chemistry that change in this direction then our capacities will be fungible or not?
- V.K. Soni:** For one or two salts the capacity is fungible like there is a different chemistry for EV and different chemistry for energy storage system so the capacities can be fungible, because it is a new age chemical so we have to add one or two other salts or additives considering the future in mind, but LiPF₆ would continue to be the main dominant salt in the years to come.
- Vikas Mistry:** Can I understand what is the possible market we are trying to address that electrolyte side of it?
- V.K. Soni:** The addressable market depends upon the gigawatt hour of EV transition which happens in any country and overall in the globe. There are many estimates, it range from 3500 gigawatt hour to 7000 gigawatt hour so depending on that and roughly depending on the chemistry because chemistry wise also there is a wide variation in LiPF₆ requirement so broadly if you take a number ranging from 100 to 120 metric ton per gigawatt hour and depending on what you assume for gigawatt hours you can work out the market.
- Aman Vij:** My next question is slightly big, but I want to understand about the grades in PVDF and FKM. How many grades which have industry structure this is more of oligopolistic kind of infrastructure where value addition is quite high can you give me the number, our



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assessment seems like that over 70% of the grades are having more value added material where competition is quite less?

Bir Kapoor: I am sorry I did not really understand your question, but I think as far as the grades are concerned it will be difficult for us to give grades, number of grades because there are large number of grades in each of these segments, depending upon applications, and these grades are sort of tailor made to a particular application in particular processing systems.

Vikas Mistry: Sir, sorry to interrupt. My question is that how many grades we have the industry structure is more oligopolistic, we have less competition I want to infer that how many of the grades percentage of grades we sell, which has very less competition?

Bir Kapoor: In most of the cases where we operate, we are operating in a very specialized grades, and we are not having competition per se, because one thing happens in fluoropolymers is once, let us say talk about FKM used for a fuel and once it is qualified and accepted then there is a lot of stickiness because these grades are not change quickly plus qualification time is high and also at the same time there is a stickiness to it, and so there is a long drawn process of qualification and then slowly the volumes are ramped up as OEM gains more confidence in our grade and then they remain sticky to us that is the process actually. So it is not that I go to a customer with list of my grades and they may give an offer to us. That is why you may see certain volumes in China or outside wherever, but those volumes are very little meaning because it depends on the kind of grade and kind of the customer base and applications they are present in.

Vikas Mistry: Thank you Sir. That is good to hear.

Moderator: Thank you. I now hand the conference over to the management for closing remarks. Over to you Sir!

Bir Kapoor: First of all thank you very much. Thanks for participating in this call and thanks for showing interest in GFL. We really appreciate your question and your areas in which you are interested in. In case of any further questions if some of you have not been able to ask questions I would request you to connect with our Investment Relations and we will try to answer your questions to the best of our capability. With this I would like to thank you all. Thank you.

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