GFCL: BRD: 2025

4th February, 2025

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 Wednesday, 29th January, 2025

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 23rd January, 2025 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 the Transcript of conference call held with Investors/Analysts of the Company on Wednesday, 29th January, 2025 at 15:30 (IST) to discuss the Financial Performance of Q3FY25.

The above information will also be made available on the website of the Company at 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: 2025.02.04 15:50:09 +05'30'

Bhavin Desai
Company Secretary
FCS 7952

Encl.: As above

"Gujarat Fluorochemicals Limited

3Q FY '25 Post Results Earnings Conference Call"

January 29, 2025

MANAGEMENT: **DR. BIR KAPOOR – CHIEF EXECUTIVE OFFICER AND DEPUTY MANAGING DIRECTOR – GUJARAT FLUOROCHEMICALS LIMITED**
MR. AKHIL JINDAL – GROUP CHIEF FINANCIAL OFFICER – GUJARAT FLUOROCHEMICALS LIMITED
MR. MANOJ AGRAWAL – CHIEF FINANCIAL OFFICER – GUJARAT FLUOROCHEMICALS LIMITED
MR. KAPIL MALHOTRA – BUSINESS HEAD, FLUOROPOLYMERS – GUJARAT FLUOROCHEMICALS LIMITED
MR. RAJIV RAO – BUSINESS HEAD, EV BATTERY CHEMICALS – GUJARAT FLUOROCHEMICALS LIMITED

MODERATOR: **MR. ROHIT NAGRAJ – B&K SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Gujarat Fluorochemicals Limited 3Q FY '25 Post Results Earnings Conference Call, hosted by B&K Securities. 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rohit Nagraj from B&K Securities. Thank you, and over to you, sir.

Rohit Nagraj: Thanks, Rico. Good afternoon, everyone, and we welcome you to Gujarat Fluorochemicals 3Q FY '25 Earnings Conference Call. We thank the management for providing us the opportunity to hold the conference call. Today, we have with us Dr. Bir Kapoor, CEO and Deputy Managing Director of Gujarat Fluorochemicals Limited, along with the senior members of the management team.

I now hand over the call to Dr. Bir Kapoor for his opening remarks, following which we can have Q&A session. Over to you, sir. Thank you.

Bir Kapoor: Yes. Thank you. Thank you very much. Good afternoon, everyone. A very warm welcome to all of you for GFL's quarter 3 FY '25 earnings call. For this call, I have with me my colleagues, Mr. Akhil Jindal, who's Group CFO; and Mr. Manoj Agrawal, who's CFO of GFL. I also have with me Mr. Kapil Malhotra, Business Head of Fluoropolymers; and Mr. Rajiv Rao, who is the Business Head of EV Chemicals.

The company announced its quarter 3 FY '25 results at its Board meeting held today. The results, along with earnings presentations, are already available on the stock exchange and on our website. I'll briefly highlight the key financials and then give you an update on business operations and outlook.

For quarter 3 FY '25, on a consolidated basis, GFL reported revenue from operations at INR1,148 crores, which was up 16% on a year-on-year basis. EBITDA stood at INR294 crores, up by 43% on a year-on-year basis. The EBITDA margin for the quarter stood at 26%, up from 21% in quarter 3 FY '24. Consolidated PAT for quarter 3 FY '25 was INR126 crores, registering a 58% increase on year-on-year basis.

Overall improvement in financial was largely driven by a sustained improvement in the fluoropolymers vertical and better product mix driving higher margins. As we continue to deploy high capex, primarily in our Battery Materials business, our profitability continues to be impacted by the associated higher depreciation and interest charges. However, we believe this will reverse once revenue contributions starts from this segment.

Now let me briefly take you through the performance of each business segment for the quarter. Fluoropolymer volumes declined on a quarter-on-quarter basis, primarily due to year-end holidays in key export market segments. While prices remained stable during the quarter, the commodity grade PTFE continued to face pricing pressures from low-cost suppliers from China. Looking ahead, the exit of a legacy player, combined with GFL's successful development and qualification of higher-grade fluoropolymers, it is expected to drive a significant increase in revenues and profitability in coming quarters.

Furthermore, industry dynamics in key sectors such as automotive, semiconductors and EVs present large-scale opportunities for value-added fluoropolymers. These developments are anticipated to translate into significantly higher revenues and margins for GFL in next financial year. Within fluorochemicals segment, refrigerant gas prices, particularly for R-22, improved during the quarter with further pickup expected going forward.

For R-125, which is primarily exported to U.S., Q3 is seasonally weak quarter, but both prices and volumes are expected to improve going forward. With improvement in the market dynamics and a positive outlook for R-32, we are going ahead with our capex for R-32, which we had temporarily withheld.

Speciality Chemicals remained flat during the quarter, but are likely to see a pickup in volumes starting quarter 4 FY '25, driven by improving downstream demand. The Bulk Chemicals segment operated at full capacity during the quarter, reflecting strong operational efficiency.

Caustic soda prices improved after remaining weak for the past 5, 6 quarters, thereby improving the segment's performance. MDC prices have improved during the quarter. However, it is expected to be muted in near term because of additional capacities being commissioned in India.

Let me now give you an update on the battery chemicals business. We cater to EV, which caters to EV and ESS segments. We continue to take rapid strides in this business to position ourselves as an emerging battery material supplier globally outside of China.

The EV story continues to play out as per our expectations, and we see the segment emerging as a very large business for us. The demand for our products are going to be very robust, not only from the EV segments, but also from the rapidly growing ESS segment, which is a very essential piece in the entire energy transition space, be it renewable energy or green hydrogen.

The market is most promising with large-scale battery manufacturing capacities being set up. Based on our ongoing interaction with our U.S. customers, despite what we are hearing in the news, the U.S. market is continuing with its ambitious capacity additions.

The introduction of new models and ongoing technological advancements are likely to drive further growth. By 2025, it is projected that 1 in 4 cars sold in U.S. will be electric. Also, the U.S. market has evolved to a position where long-term vehicle ownership economics are gradually turning in favor of EVs.

Europe too is marching ahead with its ambitious EV plans and the battery production capacity in this geography is expected to grow significantly, reaching almost 800 gigawatt hours by 2030 with multiple gigafactories under construction.

While the global material story remains intact, the domestic market offers a wonderful opportunity, providing another large addressable market for our products. Recently, based on our estimates, the capacity, which has been announced are in excess of 300 gigawatt hour, providing an additional upside potential in the domestic markets for ESS and EV. As some of you may be knowing, just this week, the Maharashtra government has announced setting up of a panel to explore the banning of petrol and diesel cars in Mumbai City area.

Delhi government is also exploring transitioning all the last-mile delivery logistics away from fossil fuels to EV by 2027. All these developments augur well for the growth in demand for EV. GFCL EV has the first-mover advantage, as a non-Chinese global supplier in the battery materials space. Early qualifications of GFCL EV products at this stage, combined with high entry barriers, put GFCL EV at a unique position to grow with its customers in this region.

As our customers continue to invest large capacities or large capexes in EV and ESS, we remain committed on our battery material capex plans and expect a strong growth trajectory. We are committed to our cumulative capex plan of INR6,000 crores by FY '28, as we had indicated earlier. At optimal utilization level, this business is expected to achieve around 2x asset turnover and approximately 25% EBITDA margins. GFL is well positioned to capitalize on the opportunities across all segments.

The fluoropolymer segment will benefit from the adoption of high value-added products, while fluorochemicals will see improved pricing and demand from Q4 FY '25. The EV battery material business is expected to ramp up significantly going forward. We are confident of delivering sustained growth and create long-term value for all our stakeholders. Thank you very much.

With this, I close and open the session for question-and-answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: I have a few of them. First, on the fluoropolymer business, has the 3M plant shut down? And you have said in the presentation that we have received the approvals or a verification for the value-added grade, which I believe would have been sold by the legacy player. In this context, when should we start seeing the material offtake of fluoropolymer growth coming in? Will it be Q4 onwards? Or do you think it will be more like a second half of FY '26?

And second follow-up question on it is India was expected to increase the consumption of FKM on the back of ethanol-based vehicle or ethanol supportive vehicles coming into the market, which need FKM. Has that phenomenon started? This is first on the fluoropolymer business.

Bir Kapoor: Okay. Thanks, Sanjesh. Thanks for your question. The first question is about the plant shutdown. As we understand, the plant is shut down in December last year, which is December '24. So that is already shut. We have already gone through the qualifications on various grades. We have received qualifications, and we expect now that into commercial sales in quarter 4 onwards. So it's not very far away. So we have been waiting for this moment to be there. And I think it's now -- we will start seeing a ramp-up in our fluoropolymer sales.

The second question you had was about India ethanol blending. There is several grades which is going through the qualification. However, we are not seeing the impact of this in our number, and we expect that growth to come in next few quarters. So that also is one of the reasons for us to be so optimistic about fluoropolymers segment, Sanjesh.

Sanjesh Jain: Got it. And one on the -- this international sales of SKM. We had 21,000 metric tons of PTFE and including PVDF, we were, what, 18,000, 19,000 metric ton in the new fluoropolymer. Should we be reaching the peak utilization in FY '26?

Bir Kapoor: Yes. I mean I won't comment on the number, but all I can tell you, Sanjesh, is that we expect our full capacity utilization to be there by the end of FY '26, yes.

Sanjesh Jain: Got it. Got it. That means a very material -- so what is the expectation of revenue and EBITDA for FY '26 in that case?

Bir Kapoor: We cannot provide the forward-looking statement, Sanjesh...

Sanjesh Jain: No, that's fine. That's fine. I understand that. See, the question on the refrigerant gas now. R-22, we have put a pause. Now why there is a sudden change in the R-32 capacity addition? And what kind of capex and capacity addition are we looking at? And when should it come? Because we are already at a fag end of quota determination period by the time you come up with the plan. Does it really make sense because the quota we get and what we can sell thereafter will be a fraction of the planned capacity?

Bir Kapoor: Okay. We had -- remember, we talked about R-32 earlier also and that kept our project on hold. And partly because at that time, the market conditions and pricing were not really conducive to making investments, okay? We had quota at that time. We still have quota and we still have time. We still have time up to FY '27. So it's not the fag end. And we can discuss it separately, but there is a significant potential in R-32.

And as the pricings have firmed up, as you may be knowing, so we are looking at investing in R-32 now because we see a business potential going forward. And our capacity plan, of course, will come into phases, but we are looking at almost setting up a capacity of 30,000 tons, okay? So -- and we have time in terms of till we can utilize this quota.

From a business perspective, it makes sense to invest because the pricing is right and the demand-supply situation today is conducive to making this investment and looking at a good return.

Sanjesh Jain: You said 30,000 metric tons?

Bir Kapoor: Yes, up to 30,000.

Sanjesh Jain: And the first phase will come by what time frame and how much?

Bir Kapoor: It will probably -- we had started this project earlier. So a lot of groundwork has already been done, Sanjesh. So we will probably take approximately by next year. By the end of maybe quarter 4 of next financial year, we'll probably be there.

Sanjesh Jain: That means March '26.

Bir Kapoor: Correct.

Sanjesh Jain: Got it. Got it. No, because it's been on and off for us. We have not been very confident with this business, and we thought that...

Bir Kapoor: For the prices, Sanjesh. So you tell me what were the prices when we talked last time and what is the prices today.

Sanjesh Jain: But some of your peers still went ahead, right?

Bir Kapoor: What's that?

Sanjesh Jain: Sir, some of our peers still went ahead.

Bir Kapoor: Of course. Of course, everyone has their own set of -- and most importantly for us, we had several other priorities, Sanjesh. We were investing in fluoropolymers at that time. And then we had a cycle on EV. This is the time I think -- now for GFL, our investment in fluoropolymers are not going to be there in the coming years. So it's mostly now GFL would focus more on to these areas with the opportunity which we had put on hold earlier.

Sanjesh Jain: So what is the capex for this entire capacity?

Bir Kapoor: Our capacity would be higher, but the -- initially, as I said, it will be in the phases. So it will probably be at the order of INR150 crores.

Sanjesh Jain: INR150 crores. Last question. U.S. is looking to scrap the IRA subsidy on the EV and other things, which clearly suggests that the encouragement, which government used to have on the EV side in the U.S. market that appears to be tapering off and they're pushing for more oil drilling, which supports the ICE vehicle. Do we still believe that we will be able to do this INR6,000 crores of capex? What gives us that confidence?

Bir Kapoor: Okay. First of all, what gives us this confidence is our continuous interaction with our customers, which we have been engaging very closely in the last several weeks. In fact, this announcement of IRA subsidy may go away or the considerations, it was under consideration for -- to be revoked. It's been there for quite some time. It's not new.

And we have been talking to our customers. And most of our customers' plan in terms of their investment and setting up the capacities is still there. So based on their investment and their capacities, we fairly -- we have a visibility that at least in the next 3 to 5 years, the plan that we had given is going to be intact, okay?

There might be some minor impact because, of course, the subsidy, we'll have to wait and see what happens to the policies because these -- there are several policies, which are intricately -- they are closely linked, okay? So if this goes away, then what else comes in, we'll have to look at that and then look at the opportunity that it brings in.

Moderator: The next question comes from the line of Aatur from ICICI Prudential AMC.

Aatur: Just on R-32, sir, I mean, I didn't clearly understand that based on today's -- just because pricing has improved, what if pricing drops after another 6 months, what happens to our capex decision? How can basically someone decide on current pricing? And how should one think on that?

Bir Kapoor: Aatur, so what we are -- our position right now is the price of R-32 going up is closely linked to certain quota reductions, okay? And there's a demand-supply situation, and we expect it to continue. That's what our projections are internal. And that's how we are taking the business decisions to invest in capex for this.

Aatur: No, I mean, like you are not a new player in ref gas. I mean, it goes through its own cycle, pricing, etcetera. I mean, having clearly denied 3 months back and now suddenly setting up just because prices have gone up, doesn't make...

Bir Kapoor: We haven't put this on hold, Aatur, if you remember, almost 2 years back because we had too many things on us. And we had a plan of investment. We had gone ahead to some extent and then put on hold because of several other things...

Aatur: So for example, if 6 months -- 3 months, 6 months down the line pricing again dropped, you would still go out with the 30,000 tons, right?

Bir Kapoor: Based on our estimate, I think it's unlikely that we will see -- go back and see the number of $2.3, okay?

Aatur: Okay.

Moderator: The next question comes from the line of Ketan Gandhi from Gandhi Securities.

Ketan Gandhi: It's regarding the follow-up on the previous investor. According to Section 7 of the executive order, what they have freezed is the freeze of the fund for EV charging stations and nothing to do with the EV batteries or EV per se. And they are only talking about reduction in the IRA that $7,500. And I believe that has to be done only amended by the legislation or legislative action. And it requires a lot of effort.

So is my understanding correct in this? And even that for Biden's target for new electric vehicle sales by 50% by 2030, '35, it was only a guidance, and that has been knocked down by the new President. So basically, it's the neutral. And with that respect, what is your view on -- with respect to our company? I think we are neutral or still there is an issue in that?

Bir Kapoor: No. When you say Ketan, by neutral, you mean that if IRA revoked, the -- overall, there will be neutral impact on the market. Is that your suggestion or question?

Ketan Gandhi: No, basically, it doesn't change anything because law-wise, they have done for battery charging station, one end.

Bir Kapoor: Of course, it's not right for me to comment on other countries' policies and their decisions. But what we typically go by the assessments or customers who are more closely associated with the policies of their governments, okay? And based on what we hear from them and what we interact with them, it seems some of those plans are intact. So perhaps what you're saying may be correct.

Ketan Gandhi: Yes. And my second question is, I think first week of January, China has banned critical tech and mineral export for EV. I believe it will be much more beneficial for GFL's EV batteries. Any view on that, sir?

Bir Kapoor: First of all, any other companies or anyone who's looking for procuring technology, of course, may get difficult for us. But as far as we are concerned today, we have LiPF6 plant set up. Our LFP plant would be set up in another several few weeks, in fact, mechanical completion and then start up by the end of this financial year. So we have most of our basic, I would say, building blocks for our EV chemical plants are in place.

So we are not that much concerned about that. Of course, if you go and read the fine prints of the restrictions, that is typically on materials, which are a new developed or highly developed products, not on some of the product which is currently in the market. That's what our understanding is.

Ketan Gandhi: So in short, if that is to come in picture and new plants were sets up in India also, GFL is going to be benefiting because we are everything...

Bir Kapoor: We are -- we have a first-mover advantage. We are far ahead. We have almost all our basic modules of -- commercial modules of all the verticals, we have already set up.

Moderator: The next question comes from the line of Arun Prasath with Avendus Spark.

Arun Prasath: Sir, my first question is on the R-32 and related raw materials. So chloromethanes, I believe, currently, we are selling outside externally. So we will be post this plant -- R-32 commissioning, we will be completely captively consuming or we will be still exposed to the chloromethanes sales?

Bir Kapoor: Arun, it depends on, of course, what -- how we phase in our capacities, but we are expecting at least 50% of our MDCs will be utilized in-house.

Arun Prasath: Okay. All right. So still will be 50%...

Bir Kapoor: Still MDC would be available for merchant sales. .

Arun Prasath: Sir, if we are going for taking advantage of the quota availability and then if we have a very long-term view on the R-32 that it will be continuing to be higher, why don't we go full-fledge and -- completely with the plan to reduce chloromethanes because either way, if you see we are saying -- capex. 2 years before INR150 crores on our balance sheet, on our cash flow generating ability. It was not a very big amount. So is -- the capex is the only concern or something else has changed...

Moderator: Arun, there's a lot of disturbance. May we request you to use your handset please?

Bir Kapoor: Yes, there's a lot of disturbances. It's hard to hear, Arun, please.

Arun Prasath: All right, sir, sorry. I hope now it's very clear.

Bir Kapoor: It's better, please.

Arun Prasath: Yes. So I was asking, capex alone was the reason why we had a change of thought because INR150 crores 2 years before or even now on our balance sheet, it's not a very big mover. But given that the long-term positive outlook on the R-32 and however quota we can utilize, is there something else which has made us doing the shift or it's more about consuming chloromethanes? How should we look at...?

Bir Kapoor: No, it's -- typically, these business decisions are taken with several factors in mind. Of course, capex is one part. But of course, with the pricing, the market scenario, the future of market scenarios, what the competition is doing, what is the situation in our -- one of the largest suppliers in the world, what is the pricing there, what is the quota, what is their capacity to supply, all those factors get into these kind of decision-making.

So I would not say that it was purely INR150 crores that was -- that had held back. It's multiple reasons. And today, we are seeing a business potentials. And of course, we had quota at that time. We still have quota and we would like to utilize going ahead.

Moderator: The next question comes from the line of Dhruv Muchhal with HDFC AMC.

Dhruv Muchhal: Sir, in the presentation, you say that we are going ahead with the expansion of the salt production capacity. So if you can please help us what is the quantum that you're trying -- that you're planning to put, say, in the next 2, 3 years and the visibility probably that you have in from your customers?

Bir Kapoor: Yes. Dhruv, we have not given any capacities, but what we are doing, what we meant when we said we are going for the expansion because we initially started set up our salt plant, which is the minimum commercial scale capacity to establish the proof-of-concept, the quality, everything. So everything is fine now. So we are adding multiples of that. And that is again based on the -- our business requirements and the contracts that we have with our customers to supply in the near future. So it's based on that, now we have started work to expand.

Dhruv Muchhal: Got it. So if I understand it right, in the EV ecosystem, the first set of growth will probably come from the salt followed by probably the LFPs. And then as the domestic market ramps up the electrolyte solution also. Is that a fair understanding? And because if you're going ahead with the salt plant, is that you're seeing a larger visibility from your U.S. customers?

Bir Kapoor: Yes. I think the -- you're right. Initially, we started with salt and of course, parallelly continued with electrolyte. The electrolyte is mostly for domestic market. And domestic markets, we are seeing -- but as in case of any new technology, new emerging industry, there is a hiccup to start up, but that's what we are seeing at our customers' end.

And some of the plans have been shifted. So clearly, the salt and electrolyte in my view, probably will go almost parallelly and electrolyte for domestic markets, okay? And of course, one point that I think you missed is the binder. That will also be another one, which will come.

Dhruv Muchhal: Sure. Sir, the second question was on the FKM opportunity because of the ethanol blending program. Is it possible to give us some sense of the size that the India market can be for these kind of products? And how soon can that ramp-up happen? I believe it changes -- the changes in the engines where the product gets used. So what can be potential demand?

Bir Kapoor: Yes, I will request our Fluoropolymer Business Head, Kapil, to take that question. Kapil, please, can you take this?

Kapil Malhotra: Yes, Kapil this side. Yes. So for the ethanol blending, as Dr. Kapoor said, that the qualifications for some of it -- because you see they are all very critical items. So qualifications have been done. And now we are just waiting for the OEMs and Tier 1 to start placing the commercial orders. So we'll start seeing the ramp-ups from the next quarter onwards, and it will keep on happening for quarter-to-quarter probably for the whole financial year and when the market gets stabilized totally after that. Once they have consumed all the qualification, which has happened and a couple of other modifications which has happened.

Dhruv Muchhal: But what is your sense of the overall demand in tonnage or probably tonnage would be a reasonable sense to -- for us. So some sense of the demand potential?

Kapil Malhotra: See, it is going to significantly higher from the current volumes. But right now to assess that demand is slightly tough because each vehicle will have its own grammage. So it's very difficult to calculate.

Dhruv Muchhal: Okay. Sure. Probably I'll come back later on that. And sir, just last quick question is on the R-32 expansion, given it will be about 30,000. Would you need to also expand your AHF? And is that factored in your capex plans? Because I think your AHF, you also will require for your other programs, say, PTFE and a lot of other programs, as there will be growth even there. So just some thoughts there, please, sir.

Bir Kapoor: Yes, we have a plan for AHF as well, Dhruv. Of course, in next quarter, I think we'll share our capex plan for the next year, and then we'll talk about it. But yes, you're right, eventually -- because we'll have AHF requirements on several fronts. So looking at that, we'll be adding AHF capacities as well. And then that's not included in INR150 crores.

Dhruv Muchhal: That's not included so -- and what is the quantum in Phase 1 that you're planning to do for the R-32? So 30,000 is the overall number. Phase 1 will be how much?

Bir Kapoor: Initially, around 20,000 tons.

Dhruv Muchhal: Okay. Sure. That's all. And sir, just -- sorry one request is, sir, a lot of your businesses that you have stopped giving capacity numbers or volume numbers, it has become to become difficult to build your growth forecast. For example, the salt capacity or the FKM capacity. So probably if there is some other better way to make it more transparent, it will be very helpful. That's a request.

Bir Kapoor: One of the ways that we have now started guiding just like we did in EV is we give capexes and then the asset turnover number and indication of the margins because capacity numbers often --

of course, we provided in the past and -- but unfortunately, sometimes it also goes to certain areas where we do not want it to go.

Moderator: The next question comes from the line of Archit Joshi with Nuvama Institutional Equities.

Archit Joshi: A lot of questions on R-32. I have a couple of them. Sir, the capacity that you've planned, so 20,000 maybe in the first phase and 10,000 in the second, basis the quota that we have, will all the capacity that we'll be putting up be available for sales or there's a capping on that with respect to available capacity for sales?

Bir Kapoor: No, our intention is to utilize the quota that we have available with us.

Archit Joshi: Okay. So that would be 30,000 tons in totality?

Bir Kapoor: Yes, or whatever the number comes out to be, it's around that.

Archit Joshi: Right, sure. Sir, second one, 30,000 tons in terms of capacity, I was just doing a few calculations. I think the total HFC market is roughly around 1 million tons. And with the current quota reduction that we have seen, especially a lot of higher GWP gases being reduced and more focus coming on R-32 having a lower GWP. This market roughly seems to be somewhere around 2.5 lakh to 3 lakh tons. And 30,000 tons seems to be almost 10% of that basis the calculation that I've done.

And in the past, you must have seen that IGas had announced a 40,000 ton capacity in Abu Dhabi. That also seems to be a fairly large number. Sir, what has been our internal calculation, while deciding this 30,000 ton plant? Is it fair to assume that it will be completely subsumed in the demand ecosystem?

Bir Kapoor: Yes. In -- I think we also expect the demand growth to come and -- going forward. And this, we are, of course, looking at globally because India is one of the few countries which has capacity to expand and has quotas, okay? And we will have that propensity to add capacity till '27. So I think when we look at our potential growth and the potential that is available globally, I think we think that this can probably be able to meet the -- we'll be able to meet the targets of demand.

Moderator: The next question is from the line of Siddharth Gadekar with Equirus.

Siddharth Gadekar: Sir, just one question on the R-32. When you said that we will be able to utilize our entire capacity given the quota, these quotas are mainly due to the R-125 quotas also that we have that we are assuming that we'll be able to use for R-32?

Bir Kapoor: Yes, correct, because the quotas are HFCs.

Siddharth Gadekar: Okay. Got it. So basically, even if we produce lower in CY '26, we will be able to produce the entire 30,000 tons in CY '27 and beyond that that is a fair understanding, right?

Bir Kapoor: Correct. Correct. You're right. .

Moderator: The next question comes from the line of Yash Shah from TCG AMC.

Yash Shah: Sir, my first question is with regards to our EV business. We've mentioned till the last quarter that we've incurred capex of around INR1,000 crores. And cumulatively, we'll be incurring INR6,000 crores in FY '28. Just wanted to understand your point of view of what kind of capacity utilization are we targeting on a year-by-year basis till FY '28, assuming that we will be reaching peak utilization by FY '30 of the INR6,000 crores of capex which you will be incurring. So just wanted some kind of an idea on that part.

Bir Kapoor: So typically, of course, capacity utilization number is another number which we cannot provide quarter-on-quarter. And -- but our understanding is that these businesses, particularly EV is qualification based. So there is certain qualification time. So there will be certain time period in which the capacities get utilized, okay?

Initially, that time may be slightly higher. And then subsequently, if I go closer to FY '28 and beyond, that time would come shorten because our growth then for capacity additions gets closely linked to customers' capacity addition because then our plant becomes a qualified plant for -- as a part of their supply chain.

So initially, it can be anywhere probably, I would say, a year to 2 years in terms of fully utilizing and then it will shorten up as we go to FY '28. And in terms of -- I've already given you the approximate asset turnover ratio, which is 2.

Yash Shah: And just a continuation of the previous question. The capex which you are increasing of our salt plant, will it also be included in the INR6,000 crores? Or -- and are we basically planning to reduce capex on some other constituents of the EV business? Or how does it work?

Bir Kapoor: No. The -- our intent of giving the statement about salt was it's not an additional capex. Our capex plan is still what we had indicated INR6,000 crores. However, so the intent was to say that we are now reached a point where we feel the capacity addition has to be done. So that was sort of a -- kind of a milestone. But whatever the capex that is involved is all part of what we have indicated. There's no additional capexes, which are going to be done.

Yash Shah: Got it. Just last one question from my side. Sir, on the gross margin front, we've seen expansion on a quarter-on-quarter basis. And you mentioned in your opening comments that we saw improvement in the product mix. Whereas in the presentation, you said that there have been lower volume pickup in fluoropolymers business. So just wanted some clarification on that. In which particular segment did we see improvement in the product mix? And what has led to the improvement in gross margin?

Bir Kapoor: So let me tell you first is that the volume that we talked about is typically the seasonal impact because quarter 3, if you go back and look, always been slightly lower because there is a holiday season in U.S., almost a week to 10 days during Thanksgiving and Christmas and then similarly in Europe. So because of that, there is always a dip and then -- so it's a seasonal impact.

And when coming back to margin improvement, margin improvement is purely by product mix, as our overall fraction of our value-added products and the new polymers are increasing, the margins would keep on going up.

Moderator: The next question comes from the line of Arun Prasath with Avendus Spark.

Arun Prasath: Sir, last year, we used to guide about reduction in the power and fuel costs. Is it now fully reflected in our numbers? Or still there is a potential to reduce from the current levels?

Bir Kapoor: I'm sorry, I couldn't get your question, Arun. What is this regarding reduction in?

Arun Prasath: Power and fuel.

Bir Kapoor: Reduction in power and fuel costs? Okay. Manoj, can you take that question?

Manoj Agrawal: Yes. This -- we are aggregating all our wind assets in one platform, the power cost will reduce from the next financial year. And currently, our power cost stood at around INR800 crores. So we expect a reduction of 10% to 12% -- 10% to 12% reduction. That is around INR100 crores.

Arun Prasath: INR100 crores. So that we will completely see in '26 at the current volume?

Manoj Agrawal: Yes. Yes.

Arun Prasath: So if the corresponding volume growth happens, what kind of -- in the new set of procurement, what is your weighted average power cost, sir, on a per unit basis?

Akhil Jindal: Yes. So if I may answer? The current prices are certainly higher because we are buying on the grid and other things. The power purchase agreement that we are -- we have signed for the new energy -- renewable energy is at INR4. So that would constitute more than 80% of our total requirement. So to that extent, the power -- the weighted average will be in the range of around INR4.5.

Arun Prasath: Okay. Understood. And my second question is on the EV side. We have said that we have kind of stabilized the plant -- most of the plants. This will be at the very pilot stage or like at what stage because when the utilization goes up, we once again needs to prove the stabilized operations. Is that the right understanding?

Bir Kapoor: No. All our plants are on commercial scale. There's no pilot scale we are talking about, okay? And these are typically a modular plants. So this is the small commercial module and then this will be the repeated units. And these are fully commercial plants. There's no pilot plants.

Moderator: Our next question comes from the line of Rohit Nagraj with B&K Securities.

Rohit Nagraj: Sir, first question is you mentioned that fluoropolymers optimal capacity utilization by end FY '26 and probably you will give us what will be the capex for FY '26 and FY '27. How much gestation period will it take for the capex to fructify in case those capacities are being completely utilized in FY '26?

Bir Kapoor: Rohit, are you referring to fluoropolymers?

Rohit Nagraj: Yes, sir, fluoropolymers. Right.

Bir Kapoor: Fluoropolymers, the capex has already been incurred, as you know, we have been saying and now the capacity utilization is going through. So we expect, as I said, that by end of the next financial year, we will have the capacity, which is available to us fully utilized. So if you go back and look at, you can say that how much time we have taken is probably 1.5 years to 2 years to have the capacities set up and then utilized. Does it answer your question?

Rohit Nagraj: Yes, my apologies. My question was for the next leg of growth, if we were to put up capacity because those capacities will get consumed in the next 1 year, what is the time frame that we are looking at for either debottlenecking or adding the new capacity?

Bir Kapoor: See, what happens is that -- I think this I had indicated several earlier that typically, our capexes are high for setting up the monomer plants, okay? And once we have monomer plants there, then adding capacities through reactors is normally incremental capexes. Those capexes are not very high. So coming back to addition of -- I think the future capacity additions will primarily be on reactors because both of the monomer that we have 2 value chains, one is 142B and other is a TFE or R-22 and TFE. Both we have monomer capacities available. So going forward, adding further capacities and reactors is incremental costs.

Moderator: The next question comes from the line of Hansal Thacker from Lalkar Securities.

Hansal Thacker: Congratulations on an encouraging and steady quarter. Sir, just a quick comment on the disclosure that the company made on the 27th of December, wherein we signed power purchase agreements at INR4 a unit. My understanding is that this could generate approximately INR400 crores to INR450 crores savings in power costs. So firstly, is that an accurate figure?

Bir Kapoor: Yes, I'll request, Akhil to take. Akhil, please?

Akhil Jindal: So 400 megawatt, obviously, it's a renewable energy. So it can't be compared with the thermal energy where the PLFs are 90% plus. This is a hybrid PLF -- hybrid project. So the PLFs are in the range of between around 30% as a good estimate. So you can imagine when we are setting up a 400 megawatt, it's roughly around 100, 130 megawatt as a net generatable power. To that extent, there will be savings.

Hansal Thacker: So if I take a 30% PLF, then we are looking roughly...?

Akhil Jindal: Yes. Yes. So say...

Hansal Thacker: 457 megawatts at 30 PLF is working out to around that figure only, right, sir, INR400 crores, INR450 crores?

Akhil Jindal: Because obviously -- today also, we have some renewal sources and everything. We have worked out the net savings. I think just as a first cut, it would be in the range of around INR150 crores per year roughly.

Hansal Thacker: Okay. So the net saving is about INR150 crores a year?

Akhil Jindal: Yes. All in all, put together, yes.

Hansal Thacker: Okay, okay. And for my question, sir, I mean, much has been deliberated on this refrigerant gas. I just want to know that whether these price increases of refrigerant gas actually reflect in this quarter? Or they're likely to reflect in Q4 and thereafter?

Bir Kapoor: I think Q4 and thereafter, there's a marginal impact, not much at this quarter.

Hansal Thacker: Okay. So this quarter really does not show any major impact on the ref gas margins, but it will continue going forward?

Bir Kapoor: Yes. Yes.

Hansal Thacker: Right. And sir, my last question. So taking from one question prior. So as we understand that China periodically plays around with these export controls, etcetera, and to some extent, would it be right to assume that going forward, manufacturers will try to diversify their suppliers outside China? And to that effect, we might benefit from this?

Bir Kapoor: Yes, that's one of the factor that has already been considered because I think India as a country, of course, has an advantage there.

Moderator: The next question comes from the line of Vimox Shah from Goyamlabdhi Fintech Private Limited.

Vimox Shah: I have a question in the battery materials side, like what is the capex plan for the next 12 to 18 months, how will it be funded?

Bir Kapoor: Next 12 to 18 months, I think we already -- of course, as you know, we have already raised funds and that process of raising fund is already on...

Akhil Jindal: Just to add on to what Dr. Kapoor said, if you remember in the last quarter, we have told everyone about the INR1,000 crores raise that we have already done. So that money is very much available for, say, our capex for the period of next 12 months. We are also in the advanced stage of discussion with various large international sovereign funds.

So hopefully, by the end of this quarter, we will be in a position to share concrete names and other things, once we have completed the full exercise with them. But I can only say -- tell you that most of this growth is only coming from equity. We are not borrowing anything at the EV level for any of these capex. And we are well funded without really dependent upon the GFL cash flows to fund this EV for the foreseeable future. So to that extent, the INR1,000 crores is in the bank, plus the new discussion happening with the sovereign fund, that would be good enough for us -- for our future programs.

Vimox Shah: Given the IRA regulations, what kind of opportunities we see in the U.S. market? And what is the expected time line for this growth?

Bir Kapoor: Of course, as we had said earlier that we are seeing it as a large opportunity, but it's a very, very large market for us. And as an alternate supply chain, or a supply chain, which is alternate to China, I think we have a tremendous opportunity, which is available to us, okay?

And of course, IRA has created a tailwind. But fundamentally, also, we see that this opportunity is very, very large. And GFCL EV can play a very large role as a credible alternate supply chain, alternative.

Moderator: The next question comes from the line of Deepak Sharma, who is an investor.

Deepak Sharma: My first question is, what is the long-term EBITDA margin, which is sustainable for the next 1 or 2 years?

Bir Kapoor: Thanks, Deepak. I think it's a forward-looking statement, which, of course, we cannot provide. But whatever our expectation, etcetera, from our business, that EBITDA margin, etcetera, expectation we have already provided.

Moderator: Ladies and gentlemen, that was the last question for the question-and-answer session. I now hand the conference over to the management for closing comments.

Bir Kapoor: Yes. First of all, I would like to thank all of you for being part of this con-call. Clearly, as I said earlier in my opening statement that today, GFL, we are very well positioned to capitalize various opportunities that are there in all segments, whether it's fluoropolymers or refrigerants or battery material, which is an emerging business for us. So we look forward to continue to interact and share our plan with you. So thank you very much for your interest, and have a wonderful evening.

Moderator: Thank you. On behalf of B&K Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.