

GFCL: BRD: 2024

6<sup>th</sup> November, 2024

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

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

**Scrip Code: 542812**

**Symbol: FLUOROCHEM**

Dear Sir/Madam,

**Sub: Transcript of Conference Call with Investors/Analysts held on Tuesday, 29<sup>th</sup> October, 2024**

**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 24<sup>th</sup> October, 2024 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 Tuesday, 29<sup>th</sup> October, 2024 at 15:30 (IST) to discuss the Q2FY25 Financial Performance.

The above information will also be made available on the website of the Company: [www.gfl.co.in](http://www.gfl.co.in).

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,  
**For Gujarat Fluorochemicals Limited**

**Bhavin Desai**  
**Company Secretary**  
**FCS: 7952**

**Encl.: As above**



“Gujarat Fluorochemicals Limited  
Q2 FY '25 Earnings Conference Call”

October 29, 2024



**MANAGEMENT:** **MR. 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 OF  
FLUOROPOLYMERS**

**MODERATOR:** **MR. NITIN AGARWAL – DAM CAPITAL ADVISORS  
LIMITED**

**Moderator:**

Ladies and gentlemen, good day, and welcome to Gujarat Fluorochemicals Q2 FY '25 Earnings Conference Call, hosted by DAM Capital Advisors 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Agarwal. Thank you, and over to you, sir.

**Nitin Agarwal:**

Thanks, Haider. Good afternoon, everyone, and a very warm welcome to Gujarat Fluorochem's post results Q2 FY '25 earnings call, hosted by DAM Capital Advisors Limited. On the call today, we have representing Gujarat Fluorochemical Management, Dr. Bir Kapoor, Chief Executive Officer; and other senior members of the management team.

I will hand over the call to Dr. Kapoor to take it forward from here, and then we'll open the floor for questions after his opening comments. Please go ahead, sir.

**Bir Kapoor:**

Thank you, Nitin. Good afternoon, everyone. And a very warm welcome to all of you on GFL's earnings call for the quarter ended 30th September 2024. I have with me here management team, including Mr. Akhil Jindal, who is our Group CFO; Mr. Manoj Agrawal, CFO of GFL; and Mr. Kapil Malhotra, who is our Business Head of Fluoropolymers.

The Company announced its quarter 2 FY '25 results at its Board meeting held today on 29th of October 2024. The results, along with the earnings presentations, are already available on the stock exchanges and on our website. I will briefly talk about the numbers and then give you an update on the business operations and outlook.

The company reported a consolidated revenue from operations for Q2 FY '25 at INR1,188 crores, which is up by 1% on a quarter-on-quarter basis and up by 25% on a year-on-year basis. Consolidated EBITDA for this period was INR295 crores, which is up by 13% on quarter-on-quarter and up by 80% on a year-on-year basis. The EBITDA margin for this quarter was 25%, which is up from 22% in the previous quarter.

Consolidated PAT for quarter 2 FY '25 was INR121 crores, which is up by 12% on a quarter-on-quarter basis and up by 128% on year-on-year basis. The higher depreciation and interest expenses are on account of the higher capex incurred, primarily in the EV vertical. Once the revenue from this segment reaches optimal level, the overall profitability and return ratio will significantly improve.

We believe that going forward, with capacity utilization picking up, operating leverage will kick in and will drive profitability and improve our return ratios, once again, primarily from the battery chemicals verticals along with pickup in fluoropolymers, where we are continuously moving up in the value chain with higher value-added products.

Let me briefly take you through the performance of each business segment for the quarter. During the quarter, the production in the Bulk Chemicals segment was around at full capacity, barring few days losses due to planned maintenance. Caustic prices, which have remained

stagnant at lower level, have now started moving up, and now we expect to see a significant improvement by quarter 4 FY '25.

MDC prices have also improved marginally during the quarter, and we expect it to firm up going forward. Within the Fluorochemicals segment, refrigerant prices have marginally improved during the quarter and are expected to further improve going forward. Specialty Chemical remained muted during the quarter. However, margins and volumes are likely to improve from Q4 FY '25 onwards.

Let me talk about Fluoropolymers. Fluoropolymer segment has shown a healthy improvement on year-on-year basis. While on the quarter-on-quarter basis, the revenue remained flat, this segment witnessed significant improvement in margin as well as revenue mix, which has changed towards higher value-added grades of fluoropolymers.

In new fluoropolymers over the past few quarters, we have been focusing on high value-added grades and new fluoropolymers while exiting some of the fluoropolymers in the lower-end segments. Elaborating on the above, qualification for our high value-added-grade fluoropolymers, which is used in automotive sectors and which is being driven by the government's trust on increasing the proportion of ethanol blending, we have witnessed -- we have achieved a qualification in this segment. Further, the grade required for semiconductor and EV sectors have also been developed, and the qualification is in final stages.

Overall, these developments should result in incremental revenues and better margins going forward. The exit of one of the legacy players by December '24 will lead to substantial incremental business from quarter 1 FY '26 for the higher value-added fluoropolymers grades. There are encouraging signs of improvement in all 3 segments, Bulk Chemicals, Fluorochemicals and Fluoropolymers; which are expected to report growth and better margins from Q4 FY '25 onwards.

Let me give you a quick update on the Battery Materials business, which is catering to EV and ESS segments. As you may be aware that GFCL EV is one of the leading companies outside of China to have such a wide product range of battery materials and is close to commercial production stage. With IRA regulation in US, we expect good traction of our product in the US markets.

We have recently raised INR1,000 crores in our subsidiary GFCL EV at an equity valuation of INR25,000 crores, which is a validation of our capabilities and strong outlook in this segment. This fundraise is the first step towards meeting our capex requirements for the new business under GFCL EV.

In terms of the product portfolio, we are ready with our initial capacity for salt, which is LiPF<sub>6</sub>; electrolyte, PVDF binder and additive. Also, we expect our LFP plant to come online in quarter 4 FY '25. It is encouraging to note that our battery salt plant has reached the global quality benchmark and is currently undergoing the ramp-up phase.

As we are in the commercial ramp-up stage, the frequency of customer visits and audit from many of our customers have increased and product validations are underway. Initial validations

have achieved positive results and discussions with few customers are moving towards commercial agreement closures. We expect commercial supplies to commence from quarter 4 FY '25.

With the impending commercial agreements, we believe that the capex intensity is going to increase further, and we expect to complete the cumulative capex of INR5,000 crores by FY '27 and cumulative capex of INR6,000 crores by FY '28, which we had indicated earlier. For this, our guidance continues at 2x for the asset turnover and 25% EBITDA margins are at optimal utilization levels.

In conclusion, for GFL as a whole, we are seeing a continued improvement in our financials. The slowdown in Europe and adverse business cycles have, however, impacted H1 and delayed our recovery with respect to our earlier plans. However, in view of the initiatives which we have taken in the Fluoropolymer segment and expected favourable changes in the market, we are expecting a substantial improvement for Q4 FY '25 onwards.

With this, I would like to open the floor for questions. Thank you.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question comes from Rohit Nagraj from Centrum Broking. Please go ahead.

**Rohit Nagraj:**

Yeah. Thanks for the opportunity. So first question is regarding the 3 segments. You have given substantially positive and optimistic outlook across the 3 segments. So just talking about individual segments, on the commodity Bulk Chemicals, I think there is still overcapacity in domestic market. So why we are seeing that there will be improvement in pricing? On Fluoropolymers, as I suppose globally, auto is currently under slowdown.

So again, why there is a positive there? I mean it is only related to one of the global players shutting down capacity. And third, in terms of Fluorochemicals, again, on the ref gas, the prices are still benign, plus there is availability in the market. And fluorochemicals, I think there are supplies coming from China. So what gives us confidence that things will start improving from early '26? That's my first question.

**Bir Kapoor:**

Thanks, Rohit. Some of these points I touched upon in my opening statement, let's talk one by one. First is the bulk commodities, where we are seeing strengthening of caustic prices, partly because of the improvement in the downstream demand for it and also global caustic prices are firming up. And in our case, where we are fully utilized on chlorine, it's a positive when the caustic prices improves.

Coming to Fluorochemicals, the Fluorochemicals Specialty Chemical, of course, is a very small segment for us, where we have seen intense competition from China earlier. However, going forward, we are expecting some improvement in the demand in downstream in agrochemicals, which we expect to improve and see in next -- the quarter 4 and FY '26.

In refrigerant case, what our reading is right now is that, as you know that the quotas are being cut for R22 significantly from next year onwards and based on our past experience, with the

reduction of quota, there's always a significant hardening of prices. And based on our past experience, we expect to be a positive movement in terms of pricing as well as also the volume.

Coming back to Fluoropolymers, you talked about the automotive segments and you talked about the automotive segment -- when we look at our own product portfolio, we are looking at the specific product segments where we have a strength. And there are new application which is emerging, particularly what we talked about earlier, was the ethanol blending.

Now as the automotives are moving towards ethanol-blended fuel, there is a requirement for fluoropolymers as a new application, which is not there. So based on these things -- so our growth that we are projecting or what we're expecting the positive movement is with respect to the product portfolio and the grades and the new polymer segment in which we are playing together, okay.

So this is what we have. And I would request Kapil, if he would like to add any point. Kapil Malhotra is our Business Head, Fluoropolymers. He is with me.

**Kapil Malhotra:**

Yeah. Thanks, Dr. Kapoor. Rohit, in fact, whatever Dr. Kapoor has said, is absolutely true in the in my segment. And even in automotive segment, the demands are pretty steady. And as the ethanol blending takes away from 1st April next year in 2025, so we expect the demand to come forward from January itself onwards.

And most of the grades which we are talking about, we've already got qualifications from our customers, Tier 1, Tier 2 and even the OEMs over there. So that's a positive statement which we have made, and we're looking forward towards the increased business.

**Bir Kapoor:**

And one more thing that you asked about, Rohit, is about the legacy player going out. So while we have been saying the legacy player -- but what we expect the full impact of that to be visible in FY '26 because the production of this legacy player is actually going to end only in December '24. So while we were expecting impact of debts to be visible several quarters back, but unfortunately, it has slowed down, and now we expect to see it ramping up.

And also, in the last several quarters, we have had our qualifications of our products approved with those customer segments. And we are fully ready right now to capture the demand that is being -- that is going to be created by the production cut or the lack of volume availability from this legacy player.

**Rohit Nagraj:**

Sure. This is helpful, sir. Sir, second question is on the GFCL EV business. So we currently have invested INR700 crores. Again, one clarification. So effectively, considering the 2x asset turnover, it should yield us about INR1,400 crores of revenue at 25% EBITDA margin. Is that understanding correct on this business?

**Bir Kapoor:**

Broadly it is correct, Rohit. Let me give you a slight clarification on this. First of all, there is a period within which the qualification happens. And once the asset comes in line, the optimal volume which gets utilization volume, which takes -- typically in the beginning, it takes longer, I would say, 4 to 6 quarters. However, at the later stage, this process actually is more rapid. So

we are still maintaining asset turnover, two. However, it has to be -- there's a lag period between the time when we make these investments and the full optimal utilization is achieved.

**Rohit Nagraj:** Right. And just one clarification on this. So the existing Fluoropolymers business which we are reporting, it does not form part of GFCL EV, right?

**Bir Kapoor:** No, no, it does not.

**Rohit Nagraj:** That's all from my side. Thank you. And all the best.

**Bir Kapoor:** Thank you, Rohit. Thank you.

**Moderator:** Thank you. The next question comes from Ketan Gandhi from Gandhi Securities. Please ahead.

**Ketan Gandhi:** Sir thank you so much for restructuring of the holding company of the GFL Group, whereby after 20 years, you are unlocking the value, the huge value creation for the minority shareholder of the holding company. I think very few managements takes care of their loyal shareholders by this kind of a demerger.

So thank you so much for that. So sir, while demerging this, we are doing some structuring regarding the Wind business of the fluoro. So GFL will have any positive impact while they're doing this restructuring?

**Bir Kapoor:** Thanks, Mr. Gandhi. I'll let Akhil take this question, Akhil please.

**Akhil Jindal:** Yes. By virtue of this demerger, this is our effort to make it a clean structure, where the ownership of GFCL will go directly to the -- in the hand of the ultimate shareholders, which is the promoters. And to that effect, I guess, the structure will become much more clear. And to that effect, the holding company of GFCL will be just holding the GFCL assets rather than the combined and the mixed assets.

I believe that going forward, this would enable us to have a better distribution policy, it would enable us to have more front flow in the hand of all the shareholders because as and when the company becomes more and more cash positive, the intent is to move on to a distribution and a much firm dividend policy. So this is the positive effect that the shareholders of GFCL will see on a day-to-day basis.

And this is our effort to clean up the structure without affecting the shareholders of GFL directly.

**Ketan Gandhi:** I understand that, sir. But my question is not pertaining to this. My question is, does GFL has any asset which will be merged into the holding company, whereby we can get some kind of a cash...

**Akhil Jindal:** No, no, that's not the case because the holding company was a pure-play holding company, and it was having investments of 2 different companies, which is now being cleaned.

**Ketan Gandhi:** Okay. Thank you. I have some more question. I'll join back in the queue.

- Akhil Jindal:** Thank you.
- Moderator:** Thank you. The next question comes from Arun Prasath from Avendus Spark. Please go ahead.
- Arun Prasath:** First question is on this production stoppage of this large customer, where we are confident that the fluoropolymer segment will grow. My question is how do you get this confidence that -- so we have other competition also will be running. So do you think that the redistribution of this volume to the remaining players will be in a fairer manner? And what kind of a fair share that you are expecting from this stoppage?
- Bir Kapoor:** Thank you so much, Arun, for asking. And I'll make one comment and then let Mr. Malhotra answer this. I think the confidence that we have is coming from the fact that we have already been qualified in a number of customers who are currently taking product from this player that we are talking about.
- Kapil Malhotra:** So in fact, in the last investor call also, I had mentioned that we are moving towards the higher value-added grades, and also the legacy player who is exiting, is also in the higher value-added grades.
- The benefit which we get is that we are moving into those applications where the space vacated by this legacy player is also fulfilled by us. And we expect a very good market share as a lot of our products which were dropping have already been approved, we have already started getting the businesses. And the other products, which were being evaluated have either qualified or are under the advanced production qualifications.
- So by Q4 2025, we are expecting the incremental business to start coming much more rapidly, and we expect that market share is going to be good as the other 2 players, and these people are forming the 3 major segments where we are going to compete with. So we are going to expect a very good market share over here.
- Arun Prasath:** So going by what you said, we are expecting a fair share of 33 percentage on this player's volume, is the right target?
- Kapil Malhotra:** Yes, that's the fair share. But it can be even better also because we are definitely trying to go for applications to the level best.
- Arun Prasath:** Is there any chance where we could be getting less than the fair share because we are probably from the different regions and the local players would get preferential treatment from the customers?
- Kapil Malhotra:** No, I don't think so. And we have a pretty good place in the market with the customers, pretty well placed with.
- Arun Prasath:** Secondly, we spoke about this R22 price increase after the quota getting reset next year. When the R22 price increases, typically, does the downstream fluoropolymer price also goes up or it remains same and indirectly, the spreads become contracted? How does this happen usually when the quota resets and the price goes up?



**Bir Kapoor:** So in our case, Arun, the situation is that it's possible that there may be a -- see, R22 is linked to one of the fluoropolymers. You cannot put all the fluoropolymers because a lot of fluoropolymers have a different -- it's only the PTFE part.

So it's possible that with firming with us, there might be a change. However, for us, as we are backward integrated and also the R22 is a small part of the cost, overall, for us; so I don't think there will be a significant impact on that overall margin squeeze, going forward.

**Arun Prasath:** The reason why I'm asking is, when there is a volume decline that is usually compensated by the price increase of the end ref gas. But in case of an integrated player, this is unlikely to play because -- unless and until the end product price also goes up. So we will -- as an integrated player, we stand to lose, is a fair assumption?

**Bir Kapoor:** Let me just clarify one more point here because the R22 again, has -- it's used as a feedstock and also used as a refrigerant. So price increase that we are talking about is in the refrigerant segments only, okay, because feedstock segment typically is also under controlled segments, and it may not have...

**Arun Prasath:** Okay. So we will be diverting our ref gas volumes to the feedstock segment when this quota gets implemented?

**Bir Kapoor:** Sorry, Arun, we missed the last sentence that you said. I'm sorry.

**Arun Prasath:** Sorry. I was asking, so when this quota gets implemented, we will be shifting the volumes from the ref gas segment to the feedstock segment, right?

**Bir Kapoor:** Not really because the ref gas allocated quota for us is, is anyway fixed. And we were separate because of our feedstock, it's coming from our different plants. So it's -- I don't think it impacts.

**Arun Prasath:** Understood, sir. So finally, on the battery side, you said on the salt side, the commercial agreements are in the stages of closing stage. So can you just give us some understanding, how many of these customers have a live operating plan where they can take this salt and ramp up their facility? And same as on the LFP cathode side, you said Q4, you'll be starting. But how many of your customers have a plant which can start consuming these products of ours?

**Bir Kapoor:** So Arun, most of the customers that we are talking to today has an operating plant. Again, this we are talking about a global set of customers. These are customers who already have ongoing plant, and a lot of it is somehow looking at de-risking their supply chain. So that's one of the key parts which I stated earlier. So they would like to de-risk it from a dependence on one country.

So I cannot really give you much detail on the customers. However, I can tell you that the most of the discussion that we are having today are with the customers who are already using salts. And also in case of LFP, they are starting to ramp up their requirements. However, the LFP will take some time because there will be a qualification period involved in LFP, it just being a CAM material.

- Arun Prasath:** Understood. So can you give the combined capacity, manufacturing capacity of these customers? I'm not asking for the individual customer level, but the combined capacity battery capacity of these players, customers with whom you are talking right now.
- Bir Kapoor:** It would be difficult for me to give because when we talk about the market, we talk about the US market, which is at several hundred gigawatt hour at the moment.
- Moderator:** The next question comes from Sanjesh Jain from ICICI Securities. Please go ahead.
- Sanjesh Jain:** First of all, I apologize I got into the call late. Some of the questions may be repeated in nature. You can choose not to answer it, I will read the transcript. First, on the gross profit margin side there is a good 300 basis point improvement in quarter-on-quarter. If I look at the revenue mix, that really hasn't changed much. And absolute revenue growth has also been not to an extent which can drive a 300 basis points margin improvement. What has really led to this sudden sharp improvement in the margin? That's number one. Number two, whether it is sustainable and are there more headrooms to improve?
- Bir Kapoor:** What was the last statement? Sorry, Sanjesh, the last sentence that you said. Can you come closer to the mic?
- Sanjesh Jain:** Is this margin sustainable? Are there more scopes to improve it?
- Bir Kapoor:** Any more questions? Shall I answer?
- Sanjesh Jain:** I will take one by one because probably I came late, so I have a little bit more...
- Bir Kapoor:** So as we had indicated that a lot of it is as we are -- as we are moving into the new fluoropolymers, our effort has always been to go up the high value-added product grades, where the margins are higher. So what we are seeing today is the result of what we have been talking about earlier and moving towards higher value-added fluoropolymers and also, which is in the new fluoropolymers grade. So that's the change of the product mix.
- And coming out of some of the lower value-add segments is what is resulting into a jump in this overall margin that we talked about. And we believe it is sustainable because of the sticky nature of the business. And as we are getting more and more into these high value-add segments, we expect these margins to be stable and sustainable.
- Sanjesh Jain:** And just now that we are at this calendar year, however your discussion with your customers for next calendar year for fluoropolymers say have an ambition to reach INR2,000 crores of EBITDA by end of this fiscal year. On an exit run rate, are we on course for that and the growth from there is possible? That's one.
- Bir Kapoor:** Yes. I think that one of the reasons why we have been talking positively about fluoropolymers is because the ongoing discussion with our customers is quite positive, and that's where our confidence is emanating from. So I'll let Kapil also add on to this point.
- Kapil Malhotra:** Yes, you are absolutely right and we have been also maintaining the same statements throughout. And we have started seeing the results of that. And from the next quarter, we'll start seeing

results further on, as the opening up of the new sectors, new applications in the semicon business also keeps on getting added.

And as we said that we are under advanced stage of qualification and have already got some qualifications with the customers, and whatever discussions we have been having on the business front with the customers, it is going in a very, very positive direction.

**Sanjesh Jain:** Very clear. A related point, we did push back the capex last year when things were softer. How does the capex pipeline look like? Have we completed the new fluoropolymer capacity expansion from 700 to 1,700 metric per month? We were looking at debottlenecking PTFE by 3,000 metric ton per annum. And again, backward integration, we do see -- where are we in all these capex cycles? And what is the plan for next year?

**Bir Kapoor:** See, we are more or less completed those capex that we are talking about, except some of them, which I had mentioned earlier, we had delayed or staggered particularly, Sanjesh, in PVDF, for example, where we have some capacity, but we have not added the full capacity there because we are waiting for the market to pick up and then add.

So we are prepared in terms of the monomer capacity being in place. However, on the downstream side, we have held back yet. However, more or less if the new polymer capacity that we had projected, we are more or less there, except for PVDF.

**Sanjesh Jain:** And next year capex will be?

**Bir Kapoor:** It's -- I would give us a quarter, we'll tell you more about next year capex. Right now, of course, the focus is to build the EV business and add the capex is there and rapidly take it up. However, in fluoropolymers, we are prepared with respect to our complete backward integration. And as we see market requirement coming up, I think we are well prepared to add capacity. However, these capacities are now going to be incremental, looking at the market conditions.

**Sanjesh Jain:** Fair enough. Now talking about the battery chemical and the restructuring, I really didn't get the restructuring part of it. Can you help us understand what exactly restructuring are we doing? That's number one. Number two, now that we have raised INR1,000 crores in battery chemical which allows us to further do the capex in electric subsidiary side; how do we look that part of the fundraise? And what is the objective of the fundraise?

**Bir Kapoor:** I'll let Akhil answer the structuring part first, and then we'll talk about the funding and the fundraise.

**Akhil Jindal:** I think as I explained in one of the previous questions, it's a simplification of the structure rather than anything complex around it. So it's just the alignment of shareholdings of GFL directly in the hand of the ultimate shareholder is what our ultimate objective is. Also, we want the simplification of the structure that the holding company currently is having different businesses, different holdings, which is also being simplified in this whole process.

So in fact, there is no direct impact on the shareholders of GFL directly. Where I mean shareholder, I mean, the outside shareholders other than the promoter family. And obviously, it

will lead us to a better distribution policy as we go along. On the second part, which is fundraising, this has been done for the GFL EV, and this all is being put to use for the capex plan for GFL EV business, as Dr. Kapoor mentioned.

We have roughly around INR5,000 crores of investment plan up till FY '27, out of which almost INR1,000 crores is already invested. So this INR1,000 crores will enable us to be funded for the period of next say 12 months to 18 months. And then cash -- internal accruals and other things will also start. So I guess this is the main objective that EV should start standing on its own feet in terms of the capex planning and funding its own investment. And this is the first initiative that we have taken in this company to fund from the outside sources rather than the GFCL internally.

**Sanjesh Jain:**

And what is the INR1,000 crores capex plan for in next 12 months to 18 months?

**Management:**

INR1,000 crores is what we have raised right now. And that capex plan is, Sanjesh, we had given a broad number, that INR5,000 crores by FY '27 and INR6,000 by '28. So it will be spread. And it would be difficult for me to say that what exactly -- where exactly I will be spending INR1,000 crores or INR500 crores in next quarter or next four, five quarters. But the broad plan is what we have indicated. So INR1,000 crores raise is a step in that direction, it's the first step as we mentioned in our opening statement. And capacity expansions applying in to be mostly in the same product line that we talked about which is salt and LFP CAM and also electrolyte.

**Sanjesh Jain:**

Got it. So basically, we have put up initial capacity. And wherever we tie up for the larger capacity, that's where the capex will be deployed. Will that be a right way to think?

**Bir Kapoor:**

Exactly. That's right. So basically, we have commercial scale -- our plan is to have all the products, the commercial scale plant ready and operating for qualifications, close the commercial deals and then expand or add capacities along with the customer requirements. This is the plan that we'll be doing in.

**Sanjesh Jain:**

And you mentioned about certain incidents being put out in the previous quarter. You did mention that Q3 onwards will start.

**Bir Kapoor:**

Sorry, once again, I lost the last sentence, Sanjesh, please. Could you repeat that?

**Moderator:**

Sir, the line for Sanjesh has been dropped. We will move on to the next question comes from Aditya R from Sowilo Investment Managers. Please go ahead.

**Aditya R:**

My question was a little more on the macro. So we've been facing pressures from China, and you also spoke about the situation in Europe. So can you throw a little more colour on like how that has panned out and -- because the commentary was positive. So I just wanted to get an idea on that?

**Bir Kapoor:**

Very difficult to -- I mean, I'm sorry, could you come up again, please? And come closer to your microphone, please?

**Aditya R:**

So my question was more on the Chinese situation. So we've been chasing a lot of pressure, especially because of the overcapacity there. And then you also mentioned today about the

European market. So I just wanted to know, how the situation has panned out and how is it right now? Like some colour on how it is currently to get some idea of what we can expect.

**Bir Kapoor:** Yes. So the way it is, yes, you're right. And I presume you're asking in context of battery chemicals. Is that right?

**Aditya R:** No, no. The Fluorochemicals.

**Bir Kapoor:** See, in Fluoropolymers, obviously -- are you talking about Fluorochemicals?

**Aditya R:** No, Fluoropolymers.

**Bir Kapoor:** Okay. So in Fluoropolymers, in most of the markets and the grade that we operate, we do not really have a direct competition with Chinese products. I think we have stated that earlier also. Clearly, having said that, we have competition with the legacy players, established players. And our efforts in that segment has been primarily to go up the value chain going -- and add higher and higher-value products.

And we have been progressing in this journey for quite some time. And we believe that with the specialized material portfolio that we have in fluoropolymer is essentially -- we are trying to capture the market, which is very, very high end, whether it is the high end of automotive segments or it's the high end of semicon or EV.

So from that perspective, having a very high overcapacity on the fluoropolymer is not really the right reason for any kind of concern in the high value-added grades.

**Aditya R:** So then my next question would be there was, I mean, talk on the Polyfluoroalkyl substances, PFAS, them being banned. So what kind of effect that would have?

**Bir Kapoor:** I presume you're talking about the PFAS substances?

**Aditya R:** Yes, PFAS.

**Bir Kapoor:** So I think we have already given our view earlier also in the PFAS that PFAS is -- it's an area of concern, however, that most of the legality authorities globally have taken a view that the fluoropolymers are not really -- the PFAS of concern because these are very long-chain molecules, which do not actually migrate or not go into the aqueous medium. So fluoropolymers, in a way, are -- as a product, is not really an area of concern related to PFAS.

**Moderator:** The next question comes from Sanjesh Jain from ICICI Securities.

**Sanjesh Jain:** Yes. Sorry, I got dropped off previously. I was asking on the battery chemical side. You mentioned in the previous call and you also highlighted even in the previous responses that you are looking to get certain approvals in the next one, two quarters. And in the previous call, you mentioned that there is a possibility of a commercial supply starting from Q3. Are we on course for that?

**Bir Kapoor:** We, I think, said that we -- our supply or the revenue from the battery chemicals will start trickling in from Q4 onwards, and we are still maintaining. Our products are at qualification stage, still. We have -- because there are several steps in qualifications. At this point of time, in some of our products, we are in the final stages of qualification, which is actually in the battery testing. That's where we are.

So as soon as we get the qualification, we expect our suppliers to start because on the commercial front, Sanjesh, we are ready in terms of supplies.

**Sanjesh Jain:** And how has been the product so far? What has been the response? What has been the area of improvement? Where are we exactly in the product life cycle of commercialization? That's number one. Number two, on the LFP, how is that progressing? Are we on course again in the Q4 to commercialize the plant?

**Bir Kapoor:** See, let me answer the first question that in terms of qualification, there are several stages. We are in the final stages of qualification. We are getting a very good traction. And as you know that we started our plant several quarters back, and we then have been working on getting the benchmark quality, and we have achieved that now in terms of having a global benchmark and also very close to getting qualified. We are the final stages of qualifications.

So from that perspective, I think we are getting a good traction because once we have a commercial plant, which is operating, we have a sample in our hand; the customer traction is very, very different, Sanjesh. And we are getting a very, very good response from customers, and we have engaged with a very large set of customers on this.

Coming back to your question on LFP, LFP -- our plant would be mechanically complete very close to the end of the year. So we are probably maybe 2 months behind, I would say. We'll be having -- but we'll still have our production being there in the quarter 4 of this financial year. LFP, however, being a CAM material has a longer qualification cycle compared to salt. So that process we have already started with the lab samples. And as our commercial plant starts producing, the final stage of sample will go from the commercial plan for qualification.

**Sanjesh Jain:** And plant performance in terms of yield rising, profitability are we able to achieve what we would have envisaged? And how it is versus say Chinese peers?

**Bir Kapoor:** It's a little bit too premature for me to talk about that, but I'll definitely give you an update once we ramp up the full capacity and start our suppliers. But we are going step by step. The first thing is to get the benchmark quality, then ramp up the capacity and then look at them. But we have no doubt in our mind, not meeting any of the global benchmarks, either in terms of operating -- quality, operability or the efficiency parameters.

**Moderator:** Thank you. The next question comes from Yash Shah from Investec. Please go ahead.

**Yash Shah:** I just had one clarification question. Earlier in the call, you said that we would like to self-fund our capex for the EV business and -- which will require capex of about INR5,000 crores by '27 crores and INR6,000 crores by '28. Does it mean that we'll be raising more INR4,000 crores and

INR5,000 crores, respectively, for the EV business? And if so, through what mediums have we planned on that? That's all, sir.

**Akhil Jindal:** So as we mentioned, we have already invested close to INR1,000 crores in this business from the parent. INR1,000 crores is what we have raised in the market as we declared a few weeks back and also on this call. We are in advanced discussion with a sovereign fund to invest around \$100 million, so that's going to be our another source. Plus, as and when required, we will go for another round of INR800 to INR1,000 crores in term through this initiative.

What it would mean is that close to INR3,000 -- I mean, INR3,500 crores will be invested through these sources. And the rest will be by way of an internal accrual, as Dr. Kapoor mentioned that most of these capacities will start coming in and will start contributing and having a free cash flow to fund the further capex.

So our overall plan is to raise up to INR3,000 crores -- INR3,000 crore to INR3,500 crores including the INR1,000 crores that we have already invested. So that means additional INR2,500 crores and the balance should be through the internal accruals.

**Yash Shah:** Sir, do we expect to have internal accruals of INR1,500 crores to INR2,000 crores by FY '26 to incur capex in '27?

**Akhil Jindal:** Possible because we are giving the guidance until FY '27 of total INR5,000 crores. And if we have already raised at INR3,500 crores through internal -- including the GFCL contribution, INR1,500 crores should be possible through the internal accruals in the -- over the next 2, 2.5 years.

**Yash Shah:** Got it, sir. And one more question, sir. Incremental to this capex, what will be -- what is the capex guidance for our base business by chemicals, fluorochemicals and fluoropolymers?

**Bir Kapoor:** Yes. Right now, I think as we had indicated in this year, INR500 crores is what we had planned, 500 in GFL and 700 in EV. I think we will give you a guidance probably in the next to next quarter, probably sometime in January about the plans for the GFL because which will again will be primarily on the fluoropolymer focussed.

**Yash Shah:** Okay sir. Perfect. Thank you very much.

**Moderator:** Thank you. The next question comes from Rohit Nagraj from Centrum Broking. Please go ahead.

**Rohit Nagraj:** Sir, just again, talking on the capex front. You just mentioned that we have -- the GFL has invested INR1,000 crores. But this year's capex plan is INR700 crores. So why there is the disparity?

**Akhil Jindal:** When we said INR1,000, it's up in the total for the EV business, which includes the amount of money invested in the previous year also. So I said up to date, the investment in GFCL EV business by the parent is INR1,000 crores.

**Rohit Nagraj:** Okay. And this will remain static? There would not be any incremental investment?

**Akhil Jindal:** I mean we hope to fund it from external sources that we have done it now. And that's where, I guess, most of the fundraising activities that are going on, which we also mentioned in our previous quarterly calls that we have got a lot of traction coming from various investors to fund the EV business. And in that direction, we have already raised INR1,000 crores in this quarter. And as and when there would be fund requirement, we will be further tapping the market on that count.

**Rohit Nagraj:** Sir, just second clarification. Now historically, we have the consolidated margins of closer to 30% for the GFL business. Incrementally for the EV business, it will be about 25%, as you have indicated. So going forward, do we see margins in the range of 25% to 30% for the consolidated entity, including the EV business?

**Bir Kapoor:** Yes, I think consolidated guidance that we had given was -- so what you are asking is I understand is that GFCL EV we are saying 25%. And in GFL, we have been talking about 30% to 35%. Is that right?

**Rohit Nagraj:** Correct.

**Bir Kapoor:** Correct. That's we have been saying. Although in the current scenario, the margins are standing at around 25% for GFL as well. But with increase in the high value-add fluoropolymer, we expect it to go up.

**Moderator:** Thank you. The next follow-up question is from Aditya R from Sowilo Investment Managers. Please go ahead.

**Aditya R:** So like was this regulation on the Inflation Reduction Act from the U.S. And there, they spoke about how they want to phase out a particular company from the whole supply chain, at least attempt to do that. So I just wanted to get a sense of how quickly is that transition -- I mean now that it's passed, how quickly do you expect that transition will happen?

**Bir Kapoor:** You mean transition in battery chemicals because of the IRA, one of the key requirements of the IRA is that the subsidies which is being given on EV products by U.S. government, that subsidies, the components and the battery components, the material which goes into making those batteries, should not really come from FEOC countries. That's the main reason. And so it should be.

So there are two parts to it. One is related to components and assembly of battery components. And second is with respect to the critical minerals, should not be from any of the FEOC countries, which is Foreign Entity Of Concern, which they have indicated, name of the several countries there.

So we expect, as it's evolving for some part, it's -- basically, IRA Act is started from January '25. And then it will slowly kick in terms of percentages of the non-FEOC components. And also in critical minerals, there should not be any component from FEOC countries. And these critical components mean fluorine and lithium at the moment. So it will phase it in.



But the way we see it is all the growth, which is going to come in U.S. markets, primarily is none of that growth or even some of the existing businesses will come from any of the companies which are associated with FEOC. So this will have a very significant and a rapid impact in next 2 to 3 years, as the IRA fully kicks in.

**Aditya R:** Do you see the timeline to be 2 to 3 years for the transition?

**Bir Kapoor:** So in some cases, it has already started. And in some cases, for example, like salt; they had given a 2-year time frame, which will actually fully kick in from January '27.

**Moderator:** As there are no further questions, I would now like to hand the conference over to the management for closing comments.

**Bir Kapoor:** So thank you very much, Nitin, and I would like to thank each and every one of you for being part of this call. As I had mentioned in my opening statement, we are -- although in last 2 quarters, because of several reasons, the growth was not as we expected it to be, however, going forward, the traction that we are seeing in the market, particularly driven by the fluoropolymers market segment, we expect to see a significant improvement and we expect from the FY '26 to be significantly better.

And I think that from now onwards, we are seeing a continuous improvement, and we expect this journey to continue. And certainly, FY '26 will be a lot better than the FY '25.

So with this, I would like to thank you all, and thanks for your interest in GFL. Thank you.

**Moderator:** Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.