GUJARAT FLUOROCHEMICALS
VALUE THROUGH GREEN CHEMISTRY
CIN : L24304GJ2018PLC105479

Gujarat Fluorochemicals Limited

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GFCL: BRD: 2023 9th November, 2023

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 Earnings Conference Call with Investors / Analysts held on Friday, 3rd November, 2023**

**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 31st October, 2023 and pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ('Listing Obligations'), we are enclosing herewith transcript of the Earnings Conference Call held with Investors / Analysts of the Company on Friday, 3rd November, 2023 at 17:00 (IST) to discuss Q2FY24 Financial Performance of the Company.

The above information will also be made available on the website of the Company: 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: 2023.11.09 12:12:06 +05'30'

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

**Encl.: As above**

# "Gujarat Fluorochemicals Q2 FY '24 Earnings Conference Call"

**November 03, 2023**

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|---|---|
| **MANAGEMENT:** | **DR. BIR KAPOOR – CHIEF EXECUTIVE OFFICER.**<br>**MR. V.K. SONI – HEAD (PROJECTS & NEW INITIATIVE)**<br>**MR. MANOJ AGRAWAL – CHIEF FINANCIAL OFFICER**<br>**MR. VIBHU AGARWAL – HEAD (INVESTOR RELATIONS)**<br>**MR. KAPIL MALHOTRA – BUSINESS HEAD (GLOBAL FLUOROPOLYMER BUSINESS)** |
| **MODERATOR:** | **MR. NITIN AGARWAL – DAM CAPITAL ADVISORS LIMITED** |

**Moderator:** Ladies and gentlemen, good day and welcome to the Gujarat Fluorochemicals Q2 FY '24 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Nitin Agarwal from DAM Capital. Thank you and over to you, Mr. Nitin Agarwal.

**Nitin Agarwal:** Thanks, Dorwin. Hi. Good evening, everyone, and a very warm welcome to Gujarat Fluorochemicals Q2 FY '24 Post-Results Conference Call hosted by DAM Capital Advisors Limited.

On the call today, we have representing Gujarat Fluorochemical's Management, Dr. Bir Kapoor – Chief Executive Officer; Mr. V.K. Soni – Head (Projects and new Initiative); Mr. Manoj Agrawal – Chief Financial Officer; and Mr. Vibhu Agarwal – Head -Investor Relations.

I will hand over the call to the Gujarat Fluorochemicals Management team to make the opening comments and then we will open the floor for questions. Please go ahead, sir.

**Bir Kapoor:** Thanks, Nitin. Good evening, everyone, and a very warm welcome to all of you on this GFL's Quarter 2 FY '24 Earnings Call.

Nitin, I also have my senior colleague, Mr. Kapil Malhotra, who is the Business Head of our Global Fluoropolymer business, with me in addition to the name that you mentioned.

The Company announced its Quarter 2 Results at its Board meeting held today on 3rd of November 2023. The Results along with the "Earnings Presentations" are 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 the overall outlook:

The Company reported a consolidated revenue of Rs. 947 crores for the quarter ended in June '23, September '23, I am sorry, down by 35% on a year-on-year basis. Consolidated EBITDA for Q2 FY '24 was Rs. 163 crores, down by 70% on a year-on-year basis. EBITDA margin stood at 17% for the Q2 FY '24, and the consolidated PAT for this quarter was Rs. 53 crores down by 85% on year-on-year basis.

Let me briefly take you through the performance of each business segment for the quarter:

The last quarter has been unprecedented for us, where performance has got impacted in all the three business segments, namely, bulk chemicals, fluorochemicals, and fluoropolymers. And these were all for different reasons which got coincidently hit at the same time. This is how we are expected to reverse going forward.

On the bulk chemical vertical, while the revenues were almost flat on a quarter-on-quarter basis, the drop in prices of these commodities from the previous quarter led to the drop in profitability in this segment. We expect the prices to have bottomed out, and the second half of FY '24 to be better than the first half as we have seen before.

GFL's consolidated PAT was largely impacted by fluorochemical segment. The major impact was an account of drop in exports volume of R125 refrigerant. In the domestic market as well, the poor seasons also significantly impacted the volumes of refrigerant sales. Volumes are expected to improve going forward, though they are expected to remain subdued compared to FY '23 due to phase out in US.

Fluoropolymer performance majorly impacted due to commodity and lower-end grades of PTFE where prices saw a sharp decline due to Chinese dumping, due to continued destocking in higher end grades, and headwinds due to sluggishness in demand particularly in Europe.

H2 FY '24 is expected to be better as compared to H1, primarily due to expected phasing out of destocking, pickup in the demand in U.S., and positive impact of exit of legacy players.

GFL has been working on optimizing our product mix for the entire fluoropolymer segment to move towards higher end grades, and this is expected to yield better results starting H2 FY '24.

Additional fluoropolymer capacities that were added recently are also expected to result in a continued increase in sales over the subsequent quarters.

We also expect that sunrise sectors such as EV, Green Hydrogen, Semi-conductors and Solar amongst others to contribute to further increase in demand for various fluoropolymers.

Based on our interaction with our customers in various geographies and sectors, we expect the normalization of demand leading to full recovery by Q1 FY '25 (Inadvertently mentioned as Q1FY24 in call).

Let me also quickly touch base on our new vertical, which is the battery chemical vertical. The world is now moving towards EV. The global battery market is conservatively expected to reach 4 to 5 Terawatt hours by 2030.

Our battery chemicals play through salt-additive electrolytes, cathode active materials and cathode binders will help cater to close to 30% to 40% of wallet share of EV and ESS batteries.

This, aligned with the global outlook of the sector provides GFL with an opportunity to create substantial value for all of our stakeholders. GFL is positioned itself as a leading supplier in battery chemical space with global play, and this has been in line with our demonstrated play in fluoropolymers.

Our integrated LiPF6 plant and Electrolyte plants are in the advanced stage of commissioning, and we expect to start sampling for our customers very shortly. We have made good progress in this space and discussion with global as well as domestic buyers is progressing well. In view of geopolitical reasons and new regulations across U.S., Europe and domestic markets, we see substantial growth opportunities in these large markets.

On the optimum utilization of the assets and asset turnover from this segment is expected to be upwards of 2x, and we expect the EBITDA margins to be in line with our existing businesses. Our currently committed CAPEX in this segment is expected to provide complete asset utilization by FY '26.

In terms of CAPEX, some of the planned CAPEX that we had announced for FY '24 are online. However, in view of the markets, we expect these CAPEX to be staggered to earlier part of H1 FY '25, and CAPEX plan for the subsequent years to be remain unchanged.

As per our last interactions in several quarters, I felt that there are several questions on the business as well as market aspects of our advanced material segment which is fluoropolymers. So, I would like to take this opportunity to spend a few minutes giving an overall update on fluoropolymers and its market outlook.

This business has been a core segment for GFL which we have built at a global scale against various odds over the last decade. To give a summary of this, I have invited my colleague Mr. Kapil Malhotra, Business Head, Global Fluoropolymers, to give a brief overview, and with this I would request Kapil to please share the market updates and the business update.

**Kapil Malhotra:** Thanks, Dr. Kapoor. Good evening, everyone.

Well, the fluoropolymers market is experiencing a period of remarkable growth and innovation playing a pivotal role in the global materials industry. These polymers offer a unique set of properties that have rendered them indispensable in a wide range of traditional applications such as automotive, aerospace, semiconductors, electrical, pharma, chemicals, medical, wind and solar energy, as well as new age applications such as E-Mobility, Internet of Things, artificial intelligence, 5G networks.

We are present in a large number of fluoropolymers including PTFE, PVDF, FKM, and PFA. These highly versatile materials with a wide range of applications in diverse industries. GFL has gone through rigors of multiple grades development, customers qualifications and approval, statutory certifications process to reach to the current position.

Let me briefly summarize for you about the major fluoropolymers where we are well-positioned and have added capacities and grades.

First, let's talk about PTFE. PTFE is currently our largest fluoropolymer segment where we are present in wide range of products and grades. Today, we have a global market share of close to 10% in this segment. In the last few quarters, we have seen volumes in this segment being impacted primarily due to low-cost competition from China and Russia, especially in the lower-end applications.

In the higher-end applications, the volumes are marginally impacted by destocking and sluggishness in demand, which majorly emanated from the U.S. and the European regions.

Going forward, we expect to see recovery in these segments as the destocking seems to be phasing out, which should lead to gradual growth starting H2 of this financial year. We also expect to see the opportunities created by the announced exit of legacy players which got delayed due to uncertainty-driven stocking by the customers in earlier quarters to tide over the transition.

Our strategy has been to continuously upgrade our product mix towards higher value-added applications. On the medium to long-term, we expect to see significant growth in PTFE driven by new applications such as EV dry batteries, Green hydrogen, semiconductor amongst others. Our grades are well-developed to cater to these applications.

Coming to FKM now. FKM has reasonably been stable in the current financial year. We are continuously getting approvals for the new projects on a regular basis and we expect to see its positive impact on volumes gradually starting H2 current financial year.

Similar to PTFE, here also we expect to see significant impact due to the tail winds created from the void caused by the announced exit of a major legacy player. We are well positioned to capture this business opportunity. Thanks to the recently added capacities available along with full backward integration.

We also expect to see the positive impact of some of the new emerging applications such as ethanol blending and some of the high-end applications in automobiles and Semicon industry. We are in the process to develop the advanced grades to cater to such applications.

Coming to PFA, PFA has been doing well as there is a significant demand from semiconductor industry led by recent developments in geopolitical situation and also demand emanating from new age applications like AI and 5G. GFL, with its already developed grades in this segment is well-positioned to capture this opportunity. We have finalized couple of contracts with some of the global players in this segment.

PVDF is one of the fluoropolymers that we are most excited about given the growth opportunity in this space. We have been building our capabilities in terms of grades and capacities to be able to capture this growth.

The EV approvals are underway. After a lot of tweaking and customizations moving towards qualification, our approval process is in line with the front-end battery EV applications coming stream. EV to be a major driver.

Some reports estimate PVDF industry at upwards of 300,000 tons per year by FY2030 from currently around 75,000 tons. This along with the solar film demand should augur well for future growth.

In the near term, we expect to see growth from traditional industrial and construction sector driven by recently received statutory certifications. These certifications have taken close to one-and-a-half year due to stringent testing and qualifying procedures.

So, with this, I would like to hand it over back to Dr. Kapoor. It's all yours.

**Bir Kapoor:** Thanks, Kapil. And we plan to have a similar session where we give you a detailed outlook on our battery segments later this year.

So, before I open up the floor for question and answer, let me reemphasize on our business outlook. While the last two quarters have been primarily impacted by external conditions, we are very positive on the opportunities in our core business segments, be it fluoropolymer or the battery chemicals. There are large opportunities before us, and we have all the building blocks in place to seize this large opportunity.

On the market side, as we stated earlier, the destocking has started to wane. We are also seeing signs of positive impact due to the exit of legacy players and are in the process of getting customer approvals. The same is expected to gradually add to our top line in the subsequent quarters. We are confident of delivering growth from the next few quarters, and we are hopeful that FY '25 will be better as compared to FY '23.

So, thank you all of you, and let's have a question-and-answer session, Nitin. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Harsh Shah from HSBC Asset Management. Please go ahead.

**Harsh Shah:** So, firstly on the business side, I understand on the revenue, there has been a lower offtake and on top of that, there have been declining prices. But if I look at the margins, can you just help us understand where we are taking such a higher margin hit versus our peers? Is it safe to say that the incremental margins that we were making all this time was because of the Ref Gas only?

**Bir Kapoor:** Well, Ref Gas actually contributed significantly to the overall top line as well as the bottom line, but I would not really say because now if you look at it since the reporting is on consolidated terms, so it would be difficult to say or identify segmental margins. However, at this point of time, the margins in other areas are not hit, not particularly as I indicated earlier, particularly our high-end fluoropolymers where we have seen a very, very minor impact in the pricing as well as volumes.

**Harsh Shah:** So, for the full year, earlier it was a constant commentary that 38% also you did not say that you will achieve it ever, but there was a constant commentary that 30% is a very sustainable number, and that is where the focus remains. Taking apart this one-off overall situation, are you still confident of achieving that 30%? And for this year, what is the margin guidance or outlook, if you can give? If you cannot give a specific figure, it's fine, but just a guidance of where exactly you will land up for this year and next year.

**Bir Kapoor:** Harsh, for this year at least we can say that we will achieve the 30% margin. We expect to catch up going forward. However, for the next year, I think we normally don't give any guidance in terms of what our numbers will be. However, as we have stated again and again that we expect our margins to remain around 30%. That position we are still holding on to.

**Harsh Shah:** So, H2 you will catch up significantly faster to achieve that consolidated full-year 30% margin. Correct? So, for H2 you will pick up significantly faster in terms of margin, which will lead to consolidated FY '24 margin to be hovering around 30%. Am I correct?

**Bir Kapoor:** I think I misspoken there. I think what we are saying is that that FY '25, we expect to come back to our stated 30%. This year, of course, so far has been severely impacted by a number of parameters as you know. So, we expect the margins as well as the top line also to be lower. We expect, to see, of course, the coming quarters to be better than what we have seen in the last two quarters. That's what we are stating.

**Harsh Shah:** And the second question is on the balance sheet. Overall, our working capital days have short quite a bit and a large part of that incremental is because of inventory. So, how is our inventory situation right now? And once we enter the H2, now we will directly see the balance sheet now towards the end of the year, but from now to till the end of financial year, how will our overall working capital and inventory position look like? And what led to also such a spike in overal inventory days?

**Bir Kapoor:** The working capital has increased primarily because of the finished goods inventory and because you know that since our volumes have come down. However, most of our sales actually is in overseas market where we have stock and sell. So, our stocks overall based on our planning have gone up in our depos overseas. However, going forward, we expect to see it come down, and by the end of the year, we expect this to be.

**Moderator:** Thank you. The next question is from the line of Archit Joshi from B&K Securities. Please go ahead.

**Archit Joshi:** Wishing you a very Happy Diwali in advance. And Kapil sir, thanks a lot for giving your brief remarks on the fluoropolymers business. So, my question is to you, if you can share a few moments on the PFAS issue. While there is a lot of literature available to read, it's still quite an undiscovered topic. So, if you can share what's exactly happening across the globe, and if there is any impact, we see in the business going forward?

**Bir Kapoor:** First of all, Happy Diwali to you as well. As far as PFAS is concerned, we have already stated that PFAS primarily the concerning area is the small molecules and molecules which are mobile, and in case of fluoropolymer, which are very long chain molecules with very little or no mobility at all, we do not see this issue going forward, and it's not the impact of PFAS what we have seen lately in the volumes. See that, and we don't see PFAS significantly impacting or at all impacting our fluoropolymer business.

**Archit Joshi:** Would this also be the case for the other, I know that we have discovered a route to make PFAS-free PTFE and PFA, but what about the other molecules? I just wanted some more elaborate understanding of this, the way we see it going forward. Because I think the EPAs and five countries in Europe are still kind of hell-bent with respect to taking this issue a bit ahead, which just comes out quite negative. So, just wanted to check your understanding on this.

**Bir Kapoor:** Our position in this again is the same, Archit, that fluoropolymer will not be impacted, and as we had stated earlier, that also have processes developed using non-fluorinated surfactant, which we have, in fact, in almost all fluoropolymer where we are present. So, we do not see PFAS to be an issue going forward in impacting fluoropolymers business.

**Archit Joshi:** Sir, just one more question on PTFE. Firstly, if you can share where are we on the debottlenecking that we are planning to take it to close to 21,000 tons of capacity, and if you can also share where are we with respect to the increase in other fluoropolymers capacity? Just one supplementary thing on the PTFE. The clarification that I was seeking was more from the understanding of prices. I know that we have seen quite a good or rather a healthy pricing in PTFE in the last two years, and probably in the current state, the commodity grades have coupled with the inventory situation have dragged the per Kg realization which used to hover somewhere between $10 to $11 earlier. I just wanted to get your understanding on where pricing can be going ahead in FY '25? Where do you see it heading to? Would the specialty mix be so high that it can take up or rather offset the lower grade commodity PTFE that we are selling currently?

**Bir Kapoor:** I think you asked multiple questions in the same question, Archit. Let me go one by one. First about the debottlenecking. As I stated earlier that we have staggered our CAPEX plan, and based on the market right now, our capacity debottlenecking plan has been slowed down, and however, we are probably slowed down by a couple of quarters which should come back online. We have all the pieces and plans in place to achieve that as soon as we see an uplift in the market.

Coming back to the pricing side, it's been a continuous effort of us, as Kapil stated, to go to higher end value grades and sort of upgrade ourselves in the product mix in PTFE. So, although we don't give the pricing for the individual polymers, but what you have stated, we expect to remain there or even do better going forward in next year, as the product mix is going to be more skewed towards higher value-added grade. Kapil, you want to add anything.

**Kapil Malhotra:** No, I think you are absolutely right. We are constantly churning our grades to see to it that we go into higher valuated application as the way I have stated to you earlier, and that process keeps on going on.

**Archit Joshi:** Sir, can I squeeze in one more, sir? Sir, actually, we were given to sort of understand that when the chip shortage happened, the TFE monomer was rather diverted towards manufacturing more PFA than PTFE, which also had some ramifications on PTFE prices, which we also enjoyed.

Now do you see this issue kind of normalizing that the availability of PFA and PTFE both has more or less become a level playing field for not just us, but the competition also? And would that also take away some of the pricing benefit that we enjoyed in the past?

**Bir Kapoor:** I am not really clear about your question, but what I understand from you is that you are saying that the TFE is going to PFA versus PTFE. Is that correct?

**Archit Joshi:** Yes. We are made to by speaking to some of the industry guys, we kind of understood that PTFE prices went up because there was some unavailability of the TFE monomer as, like I said, it was used more in making PFA because there was an inherent shortage of chips and since it finds applications in semiconductors, PFA had a higher demand than that of PTFE. Correct me if I am wrong? I could be absolutely wrong about it.

**Bir Kapoor:** We are not seeing that, but as Kapil has indicated in his overview, obviously, PFA has a good potential and primarily driven by the semiconductor segment. As far as we are concerned with respect to our own availability of TFE, we have a fairly high capacity of TFE available. All our TFE plants are geared towards meeting the demands not only of PTFE but also of our PFA.

**Moderator:** Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

**Sanjesh Jain:** First question again on the margins. I am just looking at the gross profit margin, which is your revenue minus cost of goods sold, which in this quarter came in at around 64%. If I go back into FY '22, FY '21 where it was only R22, we didn't have R125, we used to do 67%, 68% or close to 70% as well in few quarters. So, can you help us understand why there is a drop? And even in last quarter, I don't think refrigerant was big for us. We had a 70% gross profit margin. What has changed in this quarter for our gross margin to drop by 700 basis points?

**Manoj Agrawal:** Yes, Sanjesh, essentially gross margin got impacted due to the volumes are down not only because of quantities but because of prices, softening of prices also in both lower-end polymers and as well as the bulk chemicals, and our refrigerant also. So, all this put together has reduced the gross margins.

**Sanjesh Jain:** No, Manoj, again our raw material prices would have also fallen equally, right, because entire chemical has fallen. In fact, when the raw material prices fall and the finish prices fall, mathematically margins go up. They don't come down, if we are protecting from the spreads.

**Manoj Agrawal:** Finished goods prices fall acceleration is higher than the raw material prices fall because you always keep the inventories of the raw materials and even finished goods inventory so that there is always a lag effect between the catching of the raw material prices with the finished goods prices. So, that effect will play out in the next quarter or so once the inventories are level out at both raw materials and finished goods.

**Sanjesh Jain:** So, there is some inventory impact which is dragging this. So, this is not a representative margin or it's a representative margin?

**Manoj Agrawal:** No, this is not a representative margin because both finished goods prices at the bottom rock prices are there. Raw material and finished goods inventories are the high valued inventories based on the earlier procurements. So, once these things get level out, definitely margin will be better going forward.

**Sanjesh Jain:** Second to Kapil. Kapil, can you help us understand the competitive landscape in the European market for the fluoropolymer space? That's number one. Number two, how does the exit of Dyneon is going to help us in FKM, FFKM and all those things? Can you just help us, how this market is going to restructure? And how are we looking ourselves to position in that scenario?

**Kapil Malhotra:** See, as I have already indicated that some of these legacy suppliers, either they have, one of them has exited and the other one is exiting. Definitely, the landscape is going to change. As GFL has constantly striven to reach to the higher value-added segments always going away from the commodity kind of grade, so this is going to help us because a lot of market share from that exit should be captured by GFL too, and we are positioning ourselves to do that.

**Sanjesh Jain:** And can you help us with the competitive landscape? Because Chinese will also looking for the same market as well, right, at the same time? They are already sitting on a huge capacity.

**Kapil Malhotra:** Fortunately, for us, they are mostly in the commodity grades. They don't come into the specialty grades. Neither do they have the grades to qualify for those applications which take a lot of time. The other landscape of the competition is that most of our legacy competitors have also not increased any capacity in the last couple of years and neither do have any announcement to increase the capacities. So, that should help definitely us in capturing more market share.

**Bir Kapoor:** One more thing I would like to add here, Sanjesh, is that the exit of the player that we are talking about was present all in the very high end of segments. Okay. And what happened is that these were not a commodity segment, and there some of the segments were actually developed and created by these players or this player. So, developing and meeting that is also has been a challenge, which we have been able to overcome very successfully, and we have been able to develop those grades.

**Sanjesh Jain:** So, are we getting approval for a similar grade? So, because they need the supplies before the exits, right? Are we are in the approval stream, we have approved by some of them and when is the supply going to start, if we are approved with them?

**Bir Kapoor:** Let me add one more point for clarification for you, just to make you understand the whole situation because we mentioned this exit of legacy players earlier. But this process actually have been delayed because of what happened when these exit was announced, due to uncertainties, the customers have stocked up materials, because these were some of the difficult grade. They were not sure who could supply, who could come up and reach up to that. So, in that uncertainty, the customers have already stocked these materials quite a lot from these players, and that is also added to a destocking. While we had started developing those products, getting approvals, they were not reflecting that much in terms of the orders or the volume. But we expect to see that now in this current quarter, end of this current quarter and more from the Q4 of the financial year.

**Kapil Malhotra:** So, I think now in sync with what Dr. Kapoor said and absolutely in the same way, and as I had said that, and you are talking about the approvals. In fact, lot of the grades are already approved. We already started seeing the tailwinds coming up and the process will hasten further from next quarter onwards. As Dr. Kapoor is saying, destocking also ends with those customers.

**Sanjesh Jain:** So, are we already approved in many parts of it or it is still under the process, Kapil?

**Kapil Malhotra:** Majority of the grades, yes. Some of the other grades which we were earlier not really going and competing, but now we are competing, and the approvals are under place, because these announcements were made around three quarters back. So, the grades were given for approval. The approvals have started coming in or some of the approvals will come by this quarter end.

**Moderator:** Thank you. The next question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead.

**Ketan Gandhi:** Dr. Bir Kapoor, I have a question for you. In your opening remark, the last statement you said next year would be better than FY '23, that is the previous year, which we shown the highest profit in life. So, it is FY '23 or FY '24?

**Bir Kapoor:** Definitely better than FY '24, but we were sort of benchmarking FY '23. So, we expect FY '25 to be on the same line and better than FY '25. You heard it right, Mr. Gandhi.

**Ketan Gandhi:** So, I am just repeating. Next year will be better than FY '23.

**Bir Kapoor:** Yes.

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

**Rohan Gupta:** Sir, first question is on our PTFE where you have mentioned in presentation and your opening remark as well, that there has been significant pressure in a low grade of PTFE commodity in nature. So, what I understand is that we have a probably high share of PTFE in a high end of the product portfolio. So, why our product basket and margins has been getting impacted in a current scenario with the Chinese dumping, if we were already in a high grade and value added?

**Kapil Malhotra:** Yes, Rohan, in fact, as earlier calls, Dr. Kapoor has mentioned that we have somewhere around 25% to 30% of the portfolio, which still we compete with the Chinese and Russian players in the commodity segment. So, those prices definitely went down, and they were competing. We had to compete with them in the Indian as well as the global markets. So, that has impacted to some extent.

However, as already stated, that it's a constant endeavor for us to move on to the next value-added chain, and that process is on, and probably subsequent quarters, we will still move away from that 30% difference to even much smaller minuscule difference in terms of going to the share of the high value-added grades. That impact will be seen in subsequent quarters.

**Rohan Gupta:** Sir, second question is on our margin. What we are trying to achieve is roughly 30% EBITDA margin. Sir, we have definitely seen a very high extraordinary margin and even you have earlier mentioned a 35% to 40% kind of margins in the fluoropolymer high end is likely to continue.

We have seen a significant correction in the prices in the end product realization across the product basket in fluoropolymer as well, which is into the tune of almost 30% to 40%.

With this kind of price reduction, we are still talking about only kind of 30% margin. So, it means that these spreads which we have enjoyed earlier, there is almost 50% kind of reduction in those spreads. So, even in terms of percentage, we may talk about a 30% margin, but in terms of the contribution to the profitability from the fluoropolymer segment is going to remain significantly lower than what we have achieved in FY '23 or probably earlier until unless that we are looking the new product chain, the new product introduction is going to have very, very high margin and that can compensate these kinds of losses.

**Bir Kapoor:** Rohit, we have always stated that upwards of 30% margin on overall, because our endeavor has always been to as the prices are hit at a very low end of product, we are upgrading our product mix continuously to go to the higher and higher margin products, and our endeavor has been to maintain that.

**Rohan Gupta:** So, just to clarify that on average realization, you still aim to achieve that what average realization we were working earlier by improving the product mix and on them you are talking about these kinds of margins, right? Not on the lower commodity prices and lower end of the realization.

**Bir Kapoor:** I am not really clear, Rohit, what you are asking, because the thing is that the overall product mix of fluoropolymer is changing.

**Rohan Gupta:** But what I meant to say is that our average blender realization earlier a year back was close to $35 to $40, $40 plus, which has corrected significantly, and on that we were talking about 30%, 35% kind of margins. Now that product basket you still aim to achieve a $35 to $40 with the introduction of new fluoropolymers and battery grade fluoropolymers going forward, and on them you are talking about 30% plus margin because right now our basket realization has come down very sharply. That is also visible in your presentation. So, just needed some clarification on that.

**Bir Kapoor:** Rohit, I don't think we ever stated that our average pricing is $35 to $40. Some products in the price range that you stated. Some are on the lower side. So, realization is different than what you state. So, it's never stated that the overall realization is in the range of $35 to $40.

**Rohan Gupta:** I will seek further clarification later.

**Bir Kapoor:** PTF as earlier stated in the call was $11, $12 kind of range.

**Rohan Gupta:** Sir, I was more referring to fluoropolymer ex PTFE in a high-end value added, which included FKM, and PVDF and more importantly catering to the battery chemicals and all.

**Bir Kapoor:** High end fluoropolymers with the new end fluoropolymer, it's going up. Yes, you are right, but on an average taking up to $35, $40, I am not so sure. I don't think we indicated that number ever.

**Moderator:** Thank you. The next question is from the line of Rohit Nagraj from Centrum Broking. Go ahead.

**Rohit Nagraj:** Sir, first question is on the EV and new energy space. So, what is the kind of revenues at peak utilization levels based on the current investments that you are looking at? And when it will start flowing? So, FY '25, do we expect any revenues to come in or it will be starting from FY '26?

**Bir Kapoor:** On battery chemical, as I stated earlier that we will give you a separate brief. What I have stated today is that the investment that we have made so far, the asset turnover for that is 2x, and we expect to see the capacity utilization of these assets by FY '26. That's what we have stated. And we will have a separate call to update the business outlook and overview on battery chemicals.

**Rohit Nagraj:** Just to get a perspective, what is the number in terms of the investment that we have made right now?

**Bir Kapoor:** We have already started. I think it's around 800, 600 to 800 crores that we have invested in our battery chemicals business so far, particularly in the integrated $LiPF_6$ plant and also electrolyte plant.

**Rohit Nagraj:** That answers. And the second question again, unfortunately harping upon the margins part. So, in 2018, when we had actually started working on the fluoropolymer front, in one of the presentations, we had indicated that the investments that we were going to make that time, the revenue potential was about 600 crores and EBITDA of about 300 crores indicating probably 50% margin. Just to get a broader perspective, what would be a broad margin range for the fluoropolymers and the fluorochemical segment?

I am not talking about the current environment or the last year's environment, but in a normalized environment, what would be a broader range? Again, I mean, it may not be a small range of say 30% plus minus 1% or so. Just a broader range, and this will help in terms of modeling what could be the broader consolidated margins at a business level.

**Bir Kapoor:** We have stated, Rohit, that under normal condition, our average margin to be around 30%. Obviously, in this average, the fluoropolymer is at the top where contribute maximum and followed by specialty and Ref Gas and finally the bulk chemicals, because we have a spread from bulk chemicals to fluoropolymers. So, we do not give guidance on individual segments. However, we have stated that under normal conditions, we expect to get 30% margin.

**Moderator:** Thank you. The next question is from the line of Mithun Soni from GC Investment. Please go ahead.

**Mithun Soni:** Just, sir, I want some clarification, understanding. So, let's say if you were to benchmark on a index of 100 all the prices for Q1 or Q2 last year, whatever way you like it, how, which products is where you have seen the maximum decline, and if you can give some percentages as to what has been the decline?

**Bir Kapoor:** It's difficult to give, but let me start in the commodity segments, you know where the prices are on CMS and Caustic. There is a significant erosion in terms of the pricing in this segment. There is also in the case of Ref Gas also, there is an impact more on the volume side and marginally on the price side as well. Fluoropolymer, if I look at it as Kapil has stated and I said earlier that the major impact has been on a low-end PTFE commodity segment, which got impacted more than anything. So, this is the situation.

**Mithun Soni:** Can you give like a percentage form on base of like in the lower end PTFE, the percentage decline in pricing would be about, this is for us or for the industry. Would it be about 10%, 15% or is in mid-20s? And similarly in the ref gas.

**Bir Kapoor:** Again, I am struggling to how to give product because there is a very large number of product mix and the product.

**Mithun Soni:** Just trying to, I mean, a broad indication.

**Bir Kapoor:** Low end, which is impacted significantly by Chinese and Russian, the drop has been very, very significant. Probably 25%, 30% almost.

**Manoj Agrawal:** (+/-25).

**Mithun Soni:** So, that would be the impact which you would have seen in the low end PTFE grade where the competition was high.

**Bir Kapoor:** And you know the number for the other commodity segments.

**Mithun Soni:** Correct, correct. And so, you are saying if you were to exclude these three categories, the fluoropolymers, the specialty and everywhere, the impact of pricing is not material in the sense it will be marginal plus minus 3%, 5%.

**Bir Kapoor:** I am sorry, impact of what did you say?

**Mithun Soni:** Impact of pricing in the specialty fluoropolymers or specialty chemicals, other than this low-end PTFE, the high-end PTFE, the PVDF, the PFA, the impact of pricing.

**Bir Kapoor:** No, not being impacted as I stated earlier.

**Mithun Soni:** So, basically, this is the only impact which has affected us to some extent, and given that the raw material, we had this higher price raw material, we have also seen the gross margin impact, which should go back to normal in the subsequent quarters. Is it a fair…?

**Bir Kapoor:** Yes, I think once the volume picks up and we see a tailwind from the factor that we stated, we expect to get back to numbers in fluoropolymers what we had achieved earlier.

**Mithun Soni:** And you said that recovery of destocking coming to completion, competition is also sort of normalizing from China. Are you seeing things start improving at the ground level in this quarter itself or do you feel it has still to catch up in terms of the improvement?

**Kapil Malhotra:** See, the headwind from China still remains in this quarter also. However as stated earlier, at least I am seeing in the business prospect from all the global arena that for our fluoropolymers, the green shoots have started coming in, and the number of inquiries are going up, and I expect that momentum now to continue. And as we stated for the reasons earlier, the subsequent quarters should start seeing those uptrends quarter-by-quarter.

**Mithun Soni:** And one last clarification. As we indicated that FY '25 should be, we would like to surpass FY '23, should we look at it as an absolute basis surpass both in terms of the revenue as well as operating profit? Because margins I understand lot of volatility 30%, 32%, 35% but on an absolute top line revenue and absolute operating profit what we did, you think we can surpass that in FY '25?

**Bir Kapoor:** Yes, that's exactly what I stated earlier. Yes.

**Moderator:** Thank you. The next question is from the line of Yash Shah from Investec. Please go ahead.

**Yash Shah:** Sir, first question was regarding on the Ref Gas side. We mentioned during our opening comments that the business was impacted majorly because of phasing out in U.S. Just wanted to understand from you, sir, wasn't this supposed to be helpful for us that we would have been able to send the U.S. producers won't be like cutting down on the production that would have given us an advantage? I just wanted some clarification on that front, first.

**Bir Kapoor:** I think you are asking about the U.S. market, the ref gas.

**Yash Shah:** Yes, with the US phasing out. Yes, with the U.S. phasing out, sir, was that not supposed to benefit us is what my question is, sir, on the Ref Gas front.

**Bir Kapoor:** Yes, actually the thing is that the phasing out is of particular, as you said, of R125 because of high GWP potential, and the thing is that that this time it got impacted from domestic as well as U.S. both, and there has also been some other issues in U.S., which I would like to point here, that there has been some circumvention has happened in U.S. imports and because of that, some of the volumes to U.S. have been impacted, because some of the blend got reported avoiding or circumventing the duty structure.

**Yash Shah:** So, sir, is this not structural in nature? Like, what can lead this to for this tend to change locally? Are there any duties coming up that you are aware of? Can you throw some light on that?

**Bir Kapoor:** I think this is what we understand from the market space, that this is not structural in nature. It happened, and now it's normalizing. So, we stated that our Ref gas volume is expected to improve from what we have seen. However, it may not be as big or as high as what we have seen in FY '23.

**Yash Shah:** So, the next question was regarding our new age verticals which we are targeting, the likes of EV and solar. Can you provide some kind of an idea, when do we plan to launch PVDF in battery and solar and PFA in semicon? Also, if you can basically give some idea of how many customers we are interacting with on the electrolyte and electrolyte solid side? Some kind of a qualitative answer on this new age vertical, sir?

**Bir Kapoor:** See, in the EV segments, our plants are already at the final stages of commissioning. We expect to do the sampling of these commercial plants very soon. Some of the samples created at the lab scale have already been with the customers. So, we are engaged with a large number of not only domestic but also global customer on EV. And as I said earlier that once we have these plants fully commissioned and commercialized, we will have a special call and separate call to give you all a complete overview of the battery chemicals and our plan and going forward in that.

**Yash Shah:** Also, sir, one last small clarification question, sir. We have seen PFA demand to have picked up significantly in this quarter. Is there any specific reason for that, sir?

**Kapil Malhotra:** Yes, Yash, so the semicon industry is doing well and because of the already mentioned that demand is going to come from AI and 5G segments too. So, because of that expansions are happening in the semicon industry, you have also seen that in India also PLI has been announced. So, in anticipation of that, the investments are coming, and the demand for PFA is coming up quite nicely for us. And we are also making our expansions and debottlenecking just to suit that demand also.

**Yash Shah:** One last small question from my side, sir. How much capacity have you added in the fluoropolymer side in Q1?

**Bir Kapoor:** We had already stated earlier that there is certain name plate capacity because when we add when actual products are made, different product grades have different productivity. But we already had stated earlier that the new fluoropolymer capacity addition was I think around 1,400 or 1,500 tons something like that what we stated earlier several quarters back. So, we are in the phase of ramping up those as we speak, and these all will get utilized over a period of next year.

**Moderator:** Thank you. The last question is from the line of Resham Jain from DSP Asset Managers. Please go ahead.

**Resham Jain:** Sir, I have just one question on the price fall. So, one is that whatever you have sold, there will be a lower gross margin, and that's a part of P&L. And the second is whatever raw material and finished goods inventory you might be carrying. And has there been any provision element also in your numbers this quarter?

**Bir Kapoor:** Yes, I will invite Manoj. I don't think we have any provision.

**Manoj Agrawal:** No, no, there is no provision element. This is all actuals.

**Moderator:** Thank you. I would now like to hand the conference over to the management for the closing comments.

**Bir Kapoor:** Yes. Thanks a lot. Let me close this call by reassuring all of you on the positive outlook that beholds before us and the work that we have done behind the curtains to be able to tide over this tough phase and embark on the growth journey. We have all the building blocks in place and in our major business segments, be it fluoropolymers or family chemicals. We are poised for very strong growth going forward.

There are also some questions on margin, and I would like to assure you that going forward in FY '25, we expect to get back to our normal business margin which is 30%, and looking at the current business scenario, I would not be able to provide much guidance on FY '24.

So, to close it, we are confident of delivering growth in FY '25, and for the remaining quarters of H2, we expect to be better than what we have seen in H1. We are seeing some green shoots also. And with this, I would like to close this call and thank you all for your interest in GFL and would like to wish you and all your families a very, very happy Deepavali. Okay. Thank you. Thanks, Nitin.

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