

GFCL: BRD: 2023

12th May, 2023

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

Scrp Code: 542812

Symbol: FLUOROCHEM

Dear Sir/Madam,

Sub: Intimation under Regulation 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (Listing Regulations) – Transcript of Conference Call with Investors / Analysts held on Friday, 05th May, 2023

With reference to our letter dated 03rd May, 2023 and pursuant to Regulation 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Obligations), we are enclosing herewith transcript of the Conference Call held with Investors / Analysts of the Company on Friday, 05th May, 2023 at 16:00 (IST) to discuss 4QFY23 & FY23 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 Desai
Company Secretary
FCS: 7952

Encl.: As above



“Gujarat Fluorochemicals Limited
Q4 FY '23 Earnings Conference Call”
May 05, 2023



MANAGEMENT: **DR. BIR KAPOOR – CHIEF EXECUTIVE OFFICER –
GUJARAT FLUOROchemicals LIMITED
MR. V. K. SONI – HEAD, PROJECTS AND INITIATIVE –
GUJARAT FLUOROchemicals LIMITED
MR. MANOJ AGRAWAL – CHIEF FINANCIAL OFFICER –
GUJARAT FLUOROchemicals LIMITED
MR. VIBHU AGARWAL – HEAD, INVESTOR RELATIONS
– GUJARAT FLUOROchemicals LIMITED**

MODERATOR: **MR. ARCHIT JOSHI – BATLIWALA & KARANI
SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to Gujarat Fluorochemicals Limited Q4 FY '23 Earnings Conference Call hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Archit Joshi from Batlivala & Karani Securities India Private Limited. Thank you and over to you sir.

Archit Joshi: Thank you. Good evening everyone. And thank you for joining the 4Q FY '23 & FY '23 Earnings Conference Call of Gujarat Fluorochemicals. I thank the Management on behalf of B&K Securities for giving us the opportunity to host this call. We have with us today Dr. Bir Kapoor, CEO; Mr. V.K. Soni, Head of Projects and new Initiative; Mr. Manoj Agrawal, Chief Financial Officer; Mr. Vibhu Agarwal, Head of Investor Relations.

Without further ado, I'll request Dr. Bir Kapoor to begin with his opening remarks, after which we'll have the floor open for questions. Thank you, and over to you, sir.

Bir Kapoor: Thank you Archit. Good evening everyone. This is Bir Kapoor, a very warm welcome to all of you on this GFL's Q4 FY '23 & FY '23 Annual Earnings Call. The company announced its quarter four results at its board meeting held today. The results along with the earning presentation is available on the stock exchange and also on our website. I'll briefly touch upon the numbers and then give you an update on the business operations and future outlook. The company reported a consolidated revenue of INR5,685 crores for the year ended March '23 and rupees INR1,471 crores for the quarter ended March '23, which is up by 44% and 37% respectively on year-on-year basis.

Consolidated EBITDA for the FY '23 was INR2,047 crores and for quarter four FY '23 it was INR529 crores up by 71% and 60% respectively on year-on-year basis. The EBITDA margins continue to remain healthy and close to 36% for FY '23 and for quarter four FY '23 as well, quarter four FY '23 as well. Consolidated PAT for FY '23 was 1323 crores and for quarter four FY '23 this was INR332 crores up by 71% and 52% respectively on year-on-year basis.

ROC and ROE improved to 34% and 27% for the financial year '23 and 24.5% and 20.1% for FY '22 respectively. The net debt equity ratio has reduced to 0.23. It has been an extremely satisfying and a rewarding year for us. We are happy with our efforts and the same is showcased in the numbers. We have been investing in capacity building which has yielded rich dividend for us. In the recent years our focus has been on new Fluoropolymers where we are adding capacity to almost 1,300 to 1,500 tons by Q1 in the coming financial year.

As with most of the investments, the new capex that you put in takes almost a year post-commercialization to relive the full potential in revenue terms and these new capacity would give us the optimum revenue by FY '23 when it will be fully utilized. Similarly in the battery

chemicals capex what we are putting in now should relive the full revenue after almost a year when it is commercialized.

This year and the year after we expect the growth to be fueled by new Fluoropolymers and we are already in the process of commercializing our new growth driver which is battery chemical segment. This should help us maintain the healthy growth for the next few years. We are building this large chemical company from India which is competing with global giants and now primarily focusing on the sunrise industry sectors be it EV, solar, hydrogen, 5G in telecom, semiconductors and energy storage system among others. As we are export oriented especially in our Fluoropolymers segments the global macro environment play a major role in our business environment.

Now let me quickly take you through the performance of each of our business segment for the quarter. To begin with let me talk about the bulk chemicals. This segment has seen a quarter and quarter revenue decline of 17%, which is primarily led by the drop in the prices which is in line with our view of the prices to be under pressure due to additional supplies in the market. The Fluorochemicals segment has done well mainly on account of the refrigerants. Going forward we expect the refrigerant to be slightly subdued in quarter one FY '24 and the new fluorochemicals plants are gradually ramping up production and expected to contribute to increase revenue in the upcoming quarters.

In the Fluoropolymers business the volumes have remained stable during the quarters. However, the prices have corrected marginally. In addition to the debottlenecking of PTFE capacity, creation of new additional capacities of new Fluoropolymers are on course. We have some plant shutdowns during quarter 1 and we expect the demand fundamentals for Fluoropolymers to be continued to be robust because of growing demand from new and emerging sectors.

Let me now briefly touch upon the future growth drivers. The Fluoropolymers segments should keep providing us the growth momentum. Beyond the current capacity that we are in, we are optimistic on new Fluoropolymers like PVDF, PFA, FKM that are critical for the industries like EV, solar and semi-con. In battery chemical space we are looking at the entire bouquet of battery chemicals including electrolytes. We expect to get our electrolyte plant to get commercialized by quarter 2 of this financial year and we are working with major battery manufacturers to provide them with electrolyte matching to the requirement. And this segment is progressing well and as per our plans.

We are continuing to look forward and focus on potential long term growth drivers. As communicated earlier, we are progressing well on some of the new development areas like PEM for hydrogen fuel cells and electrolyzers. We expect to build the new business based on these developments in near future. With the growth opportunity before us, we are also strengthening our infrastructure for future growth including new site for future expansion.

At the end, I would like to emphasize that with emerging sunrise sectors in energy transition space and semi-con growth, we see a substantial opportunity for Fluoropolymers, Fluoromaterials and battery chemicals. We are well prepared in terms of the product portfolio as well as capacity building capability to capture this growth opportunity.

With this, I would like to thank you all and would like to open the floor for question-and-answer.

Moderator: Thank you very much. We take the first question from the line of Mr. Harsh Shah from HSBC Mutual Fund. Please go ahead, sir.

Harsh Shah: Thank you for the opportunity. Congratulations on a great quarter and a strong year end. First question is on the business mix. If you see your Fluoropolymers division earlier used to give the breakup between PTFE evaluated and the new Fluoropolymers. As on Q4, FY '20, it was almost 46% of the business. Anyone in this quarter and it is 49% of the business. So as a mix, it has not changed a lot.

But it means the Fluorochemicals as a business has grown quite rapidly from almost an 18%-20% business mix to now almost one third of the business. The last part of that has to do with the risk gas prices shooting up. So my first question is what is the visibility or what is the outlook on risk gases for next year? And like where do you see the business mix changing for next year?

Bir Kapoor: Yes, Harsh. Thanks for your question. The way we see it now is that we expect the red gas prices to remain stable and demand may appear to be a little bit subdued in Q1 FY '24. However, the prices we expect to remain stable going forward. So you are right, the revenue which is coming in the vertical of Fluoropolymers chemicals is timely contributed by the gas comparison of the previous quarters of the year that you are seeing.

Harsh Shah: And in terms of next year, right now as on Q4, 16% is bulk chemicals, one third is Fluorochemicals and 50% is Fluoropolymers of your business. How do you see the business mix shaping up for next year? It's okay if it moves here and there because of some pricing, but in general, where do you see the business mix going up?

Bir Kapoor: As I said in my opening statement, we are focusing in the coming years this year and as well as the next year. Our growth is going to come from Fluoropolymers primarily due to the investment that we have made in the sector. So we expect the Fluoropolymers revenue to go up. Okay, there's a marginal correction here and there which we said because of the pricing which has corrected marginally from its peak position in the earlier quarter. We expect the Fluoropolymer segment to grow as we go along.

Harsh Shah: Understood. And my second question is, can you just help us understand at the break up of your capex for next year? So how much of capex is going into what capacity and also the timeline of commissioning of the projects, that will be really helpful?

Bir Kapoor: Harsh, we would, difficult for me to answer the specific question and capacity. However, in the capex, this year, our capex plan is very close to INR1,300 crores, INR1,500 crores in the coming year. Out of which we are looking at close to INR1,000 crores in Fluoropolymers and battery chemical space. The capacities, what we are talking about, I will not comment on that, but these investment will lead to the capacity in new Fluoropolymers like FKM, PFA and PVDF. And we expect most of these capacities to come in line by Q1 and Q2.

However, the capacity utilization, which will reflect in revenue, will take several quarters from there on. Because it takes, it's a long cycle of product development and then eventually get the capacity utilized. So we expect to see that in FY '25 fully utilized.

Harsh Shah: That was very helpful. And just last thing in terms of margin, where do you see margins stabilizing for us going forward for full year FY '24? If I remove the seasonalities or quarter-to-quarter movement for full FY '24, where do you see the margins going from here?

Bir Kapoor: As we have always said that our target is to have margin around 30% and we expect it to continue at 30% plus. This is what we are probably doing.

Moderator: Thank you. We'll take the next question from the line of Sanjesh Jain from ICIC Securities. Please go ahead.

Sanjesh Jain: Thanks for taking my questions. I got few of them. First, on the ramp up of the new Fluoropolymer, I think we added few capacity in Q3 and Q4. And we are planning to add few more capacity over next quarter if I understand right from your previous statement. And if I look at the Fluoropolymer revenue brought over last three quarters, it has broad remaining stable. I understand there is some amount of price decline.

But how should one build a ramp up and considering the capacity we have added at the peak, what should be the Fluoropolymer revenue assuming that the prices remain stable at these levels? I know we cannot take a call on sizes. Assuming the prices remain where they are today, what will be the peak revenue from the capacity which we have put up and which we are putting in the next two quarters all put together? What should the revenue be? That's my first question.

Bir Kapoor: Thanks, Sanjesh. Thanks for your question. As you follow, it's difficult to give the number of the revenue because it depends on prices. However, as you said that if I take the same pricing as in now, what do we see? Where is it going? So we see it almost, as you said, our growth is going to come from Fluoropolymers, which is approximately 20% from where we are. That's where we see INR1,000 crores plus going in Fluoropolymers when these capacity get fully utilized.

Sanjesh Jain: INR1,000 crores plus per quarter.

Bir Kapoor: This is for the annual, I said, not per quarter.

Sanjesh Jain: No, no, we are already at INR700 crores for the Fluoropolymer as we think in this quarter. INR720 odd crores of Fluoropolymer revenue in this quarter?

Bir Kapoor: Yes, sorry, I misunderstood, Sanjesh. It's going to be, from the quarter perspective, it will at least cross INR1,000 crores. INR1,000 crores to INR1,200 crores in Fluoropolymers.

Sanjesh Jain: INR1,000 to INR1,200 crores of quarterly revenue will be able to cross it with all the capacity which we intend. And this will be visible in the FY '25 as the ramp up will take the time. That's the right understanding.

- Vibhu Agarwal:** Sanjesh, also what you should look at is the current capacity that we have today. Today we are almost at 1,100 odd tons per month. This will go up to, as we have guided earlier, to 1,300 to 1,500 by Q1. There's further additions happening throughout the year. Accordingly, next year the ramp up would happen and the revenues would go up. We cannot guide anything further than that. So you can build up as 1,100 today, going up to 1,300 to 1,500 by Q1. By end of the year, you should be in a ballpark figure of 1,700 to 1,900 tons per month.
- Sanjesh Jain:** Fair enough. So polymers. On the polymer side. And the PTFE capacity addition of 3,000 metric ton of the de-bottle netting which we were planning, when should that come?
- Bir Kapoor:** That should come probably by the end of mid of this year, probably third quarter of this financial year.
- Sanjesh Jain:** Third quarter of this financial year. Do we plan to add more on the PTFE because 3M opportunity still remains there and..
- Bir Kapoor:** What's happening in 3M Sanjesh is that, as you know, they will remain in operation till the end of '24. Beginning of '25. So actual capacity of volumes going out of the market is still almost one and a half year away. So what our expectation is that although we are seeing some tailwinds in terms of, customer approach and product qualification level, but we'll see its impact on our volume probably from the beginning of next year.
- Sanjesh Jain:** Are we planning to add more capacity on the PTFE to cater this?
- Bir Kapoor:** It depends. Sanjesh, we can always add, but we'll see how the business progresses. That's all we can say.
- Sanjesh Jain:** Got it. On the battery chemical side, one of your peer has announced a partnership with a Japanese company on making solution. And it looks like they're progressing to add a very large capacity on electrolyte solution. How are we looking at on the battery chemical business both from the electrolyte salt as well as solution business? How prepared are we to capitalize on this opportunity?
- Bir Kapoor:** As I said in my, again, in my opening statement that we are very well poised. In fact, we are very well prepared. Our electrolyte plant would be ready in Q2. And also we are the final stages of commissioning of our salt plant. So I think we are very well positioned to capture that. We'll have our own electrolyte plant and we will be engaging with customers and fulfilling the requirement based on the formulation provided by them.
- Sanjesh Jain:** When should we see the revenues coming for battery chemical? Will it be in '24 or will it be in '25?
- Bir Kapoor:** We expect the revenue mostly to come in '25 because the qualification time in battery chemicals is very long Sanjesh. Sometime it could be almost four to six months because it's a sector where qualification times are very long. So in terms of impact on the revenue of battery chemical, I'll probably start seeing it from the next financial year.

Sanjesh Jain: Two bookkeeping questions, last from myself. One on acoustic chloromethine, we had a 17% sequential decline. Did we have any long-term contract benefit and the full impact of the lower prices? We will see in the next quarter. And if you are, or you can just help us understand what is the exit month revenue annualized? Do you think there is scope for another INR50 crores kind of a decline from these levels adjusting for the current prices? That's number one.

Number two on the net debt, sequentially despite as receiving INR650 crores from the related party, the net debt seems to be a flattish on a Y-o-Y basis. The working capital looks like has again inched up a little bit. We have improved from the back to previous year, but this quarter it again looks like we have inched up. So how should one look at the deliberation of the balance sheet from the net debt perspective? These are two questions.

Bir Kapoor: Let me answer Sanjesh, the first part of your question, which is related to the bulk chemical, caustic etcetera. As far the pricing are concerned, we believe that the pricing is pretty much at the bottom level and don't expect it to go down further. We don't have any long-term contracts so we do not see any impact in terms of, so we will probably be following the market, however it goes, but we do not expect it to go down further.

Coming back to your second question regarding, for the deleveraging the balance sheet and the question on the working capital, I'll invite Manoj Agrawal to answer that question.

Manoj Agrawal: Hi Sanjesh. This on the working capital side, if you remember, we were coming at around 155 days of working capital, which we have brought it down to 120 days, which has not got inched up by around eight days, again to 128 days. This is essentially because of lag effect of the inventories which we are building up for the new capacities and certain new sales in the new regions and new customers, so that is because of that only. So we expect that it will, as the sales pickups from all these new product profile and new customer profile, it will be able to contain it again at the same level. Our target remains at 128 days, 120 days.

Sanjesh Jain: Got it. One last question, sorry, I forgot on the pricing side on the Fluoropolymer, we have seen slight decline. This is more to do with lower demand in the Europe, so the prices are falling down or it's more of a lower power price and the input cost falling, what has driven the sequential drop in the Fluoropolymer prices?

Bir Kapoor: I will think of that if you look at the history, Fluoropolymers were at the peak at the very high prices and there is some marginal correction that is going on. From the volume perspective, we do not see much of an impact, which is again since there are some regional issues also, maybe they are here and there, but other than that, we don't see much of a change.

Sanjesh Jain: So you expect more price of the current level or how is it? Because we talk about this price is very high?

Bir Kapoor: I see there might be a minor correction, but we don't see a very significant deviation from where they are. And again, it depends from product to product. It's a Fluoropolymer itself is a very large bouquet and there are polymers which are for very high end applications and versus

polymer which are, it depends on that, but overall as a bouquet, we do not see it changing very much. Maybe marginal correction going forward, not much.

Moderator: Thank you sir. We take the next question from the line of Mr. Rohit Nagaraj from Centrum Broking. Please go ahead sir.

Rohit Nagaraj: So my first question is on the guarantees part. So we have received the advances. How about the guarantees and a similar aspect from the balance sheet perspective. The other current assets have gone down from about INR1000 crores to INR600 crores. So I believe that since we have received the money probably it would have gone down. So what are the leftover non-current assets of about INR600 crores? Thank you.

Manoj Agarwal: Yes, see as we got to guarantees, corporate guarantees are concerned. We have already started pulling it down, reducing it down on quarter-on-quarter basis. See we are well on track and we see that reduction continues basis as we go along. And as regard to even quality of guarantees also it has never got invoked or triggered. So that is one more point you need to note before much worrying about the quantum of the corporate guarantees. So that is one. As regard to your other current assets, there is a bouquet of actually items, a number of items so that I can tell you afterwards once we go to work out separately.

Rohit Nagaraj: Sure. Thank you. The second question is on the electrolytes, salt and electrolytes. So based on current capacity and pricing, what is the kind of peak revenue potential that to be envisaged from the electrolyte salts?

Bir Kapoor: See Rohit it's again, it's sort of difficult to answer because we already indicated capacities on the salt earlier. But revenue because if you look at today the lithium prices because the salt prices are linked to lithium prices. Okay, and there has been a very significant change and there's a lot of volatility in salt prices. It's anywhere from \$13 to \$45 and it was almost at the peak, you know, \$60. So it's a very large volatility. So it would be very difficult for me to answer the future, revenue expectation from this. It all depends on the lithium prices and what demand.

Moderator: Thank you very much. We take the next question from the line of Mr. Viral Shah from Enam Holdings. Please go ahead.

Viral Shah: Yes, thank you for the opportunity. So my question was if I look at the consolidated cash flow statement, the capital expenditure comes out to INR675 crores, whereas in the presentation that number is close to INR1,350 crores. So is this differential of INR675 crores largely the transfer from advances to CWIP for the wind project or is there something else? How should we look at that?

Manoj Agarwal: So look at the final competition of the cash flow. It has to be net of capital advances. So any decrease in capital advances is an actual capex outlay. Actual capex outlay is 1350 roughly. Net of capital advances which got reduced because of receipt of refund from wind on INR625 crores. So that is net is reflected in the cash flow statement.

- Viral Shah:** Okay. So would it be fair to say that INR675 crores were towards the wind and INR675 crores was towards all of the fluorochemical and fluoropolymers. Is that the right assumption?
- Manoj Agarwal:** Correct.
- Viral Shah:** Okay. So in the coming year out of this INR1,500 crores of capex that we've guided, how much would be towards wind and how much would be towards the chemical business?
- Bir Kapoor:** No wind in this.
- Viral Shah:** So out of the advances I meant.
- Manoj Agrawal:** No, out of the advances which wind has repaid us around INR675 crores. So the residual advances which we have already taken in our earlier capex plan, the capex plan which we have guided for the future financial years is mostly on the chemical side.
- Viral Shah:** Okay, sure. Thank you so much.
- Moderator:** Thank you. We take the next question from the line of Mr. Ansal Thakker from Lalkaar Securities. Please go ahead, sir.
- Ansal Thakker:** Hi sir, congratulations on another spectacular quarter and finishing of the year so well. So my first question is that the media had recently commented on a path breaking invention in membrane technology which is expected to reduce the production cost of green hydrogen. This was at the CSM-CRI at Bhavnagar. I just wanted to know what role will GFCL solar and green hydrogen products play in this?
- Bir Kapoor:** Yes, I would request Mr. Soni to answer this, please.
- V. K. SoniV. K. Soni:** See, we have, our GFCL is working on two types of Proton Exchange Membranes, PEM. One is for electrolyzers which is a sulfuric acid membrane and the other one is for a fuel cell. So the effort is to reduce the cost of the electrolyzer membrane because that contributes largely to green hydrogen output. So there we are working very actively with another Indian institute to develop it.
- Ansal Thakker:** So I understand that there has been some transfer of technology for whatever transacted amount. So does that mean that essentially now this technology belongs to us?
- V. K. Soni:** Yes, actually we have a transfer of technology from ONGC and that is on the lab scale. And we are now developing it further on pilot scale and thereafter on prototype commercial scale. And we have the full rights for it.
- Ansal Thakker:** So that means we will be now present in two of the four forms of green hydrogen manufacturing, am I right?
- V. K. Soni:** Which are the four ones you said?

- Ansal Thakker:** So I understand there is PEM, fuel cell and there are two other forms of green hydrogen manufacturing. But essentially this particular technology transfer is for green hydrogen through fuel cell and as well as how we already exist in the PEM.
- V. K. Soni:** No, actually I will explain again. There are only two applications of PEM. One is for electrolyzer for making green hydrogen and other is for mobility sector for converting the hydrogen by using fuel cell for creating electricity. So we are in both the sectors. In one sector we have tied up with ONGC. The other sector we are developing -- developed our own technology.
- Ansal Thakker:** Got it sir. So my second question was particularly for the LIPF-6. So is it possible to give us some timeline with respect to where we are on the lab trials, where we are on the validation with customers and I think the out of commercial output you mentioned in the introduction.
- Bir Kapoor:** Ansal. In battery chemicals in salt, we had stated earlier that we are going to build the fully commercial salt plant which is at the final stages of commissioning. In fact the mechanical completion is almost done. So which we expect the salt will come out in the next few months essentially by quarter 2.
- And then after that the salt will go for validation and qualification stage. So we are not going through the lab stage first of all. We have gone and decided to go ahead and straight away go for the commercial scale and build up the commercial scale plant, get it qualified and start getting into the mode of supplying it. So that has been our approach and depending upon the qualification period how it gets ramped-up we will see. But we expect the commercial sales probably will happen by the third or fourth quarter of this year essentially.
- Ansal Thakker:** All right. That's very encouraging sir. And sir just a little bit of similar detail maybe on the solar PVDF back panels and the PFA semi-con products.
- Bir Kapoor:** We are already going to the sort of a qualification stage on both of them. And in terms of the PVDF film which is for the solar, we expect to get our plant again get commissioned by quarter 2. And then we will be making a commercial level sheet for this application. Anything you want to add?
- V. K. Soni:** PFA.
- Bir Kapoor:** PFA semi-con is we have already developed the product and it's again going through the various stages of qualifications.
- Ansal Thakker:** So sir solar you said Q2 of the current year right?
- Bir Kapoor:** Financial year, Q2, yes.
- Ansal Thakker:** Yes, the current financial year. Great sir. Thank you so much. All the best and look forward to the next interaction sir.

- Bir Kapoor:** Very quickly, Ansal that with PFA with semi-conductor qualification happening we are also it's part of our new polymer portfolio where we are adding capacity in PFA as well in the next few quarters.
- Ansal Thakker:** That's great to know sir. Thanks. Great. Thanks.
- Bir Kapoor:** Thanks.
- Moderator:** Thank you sir. We take the next question from the line of Mr. Aman Vij from Astute Investment Management. Please go ahead sir.
- Aman Vij:** Yes, good afternoon sir. My first set of questions is on the new fluoropolymer side. So we have added almost 300 tons to 400 tons per month capacity in the last one year. But in terms of utilization I think, it's still lacking. It's maybe at 60%, 70% utilization only. So if you can talk about if there's some kind of little slowdown in the last three quarters that we have not ramped-up because we have enough capacity compared to what we are doing.
- As well as the questions also on the PFA Semiconductor and PVDF-EV. So when can we see some revenues coming in from these two products? Is it this year or next year only, FY '25?
- Bir Kapoor:** Going back to fluoropolymer capacities again these are capacity addition has been in the new fluoropolymers. And as we had stated earlier that the revenue potential of these new capacities will take some time as it gets qualified. Again the process is little bit complicated because there are -- these are sort of very specific application where products are developed and qualified by customers and then orders are placed. So we expect these capacities probably to get fully utilized by the end of this financial year.
- Now coming back to your second question was related to PVDF. Now PVDF you said which application? Are you asking about battery application?
- Aman Vij:** Yes, PVDF EV grade as well as PFA Semiconductor. When will we see them contributing to our revenue and which quarter?
- Bir Kapoor:** We have a product which are developed and again we are going through the qualification stage because in PVDF for EV sector also there are multiple grades. It's not one single grade. There are different types of PVDF polymer and we have capability to develop both. We have developed it and it's going through the qualification process. Unfortunately the qualification period is very long. For one cycle it's almost six months. That's the situation.
- Aman Vij:** So do you expect this to contribute in FY '24 or FY '25 only, these two products?
- Bir Kapoor:** No, I think the qualification will complete by this financial years in both of these products. In fact PFA it might happen much earlier. In PVDF I think, particularly in the EV application six months approximately from now and subsequently ramp-up.

- Aman Vij:** My second question is on the two parts. You talked about there will be a shutdown in Q1. So if you can quantify is it in PTFE or new fluoropolymer and is it like 10%-20% shutdown or is it like major capacity won't be there? And for how many months also if you can talk about that?
- Bir Kapoor:** Not a major few months. It's purely in PTFE and because it's like annual shutdown that we do for TFEs. So we just wanted to sort of issue a guidance that there will be a TFE shutdown in this and there is some PTFE only, not new fluoropolymers.
- Aman Vij:** Yes, and on refrigerant gas you have talked about little subdued demand in Q1. So again is it like 5%-10% kind of subdued or is it 20%-30%-40% kind of subdued demand?
- Bir Kapoor:** You know as refrigerant gases are a cyclical business problem and it depends a lot on the weather condition looking at you saw the temperatures in Delhi lately and even all over India. So I think overall the demand depends a lot on the weather conditions. So we expect the demand to be slightly subdued. Now it is difficult for me to comment but possibly I can say 10% maybe I did not know this is something difficult for us to estimate. It depends on more over the weather conditions.
- Aman Vij:** So sir, you are talking mostly on domestic front, export front the demand is still okay on refrigerants?
- Bir Kapoor:** And also demand is slightly subdued, not significantly and that I think is partly going to be seasonal also.
- Aman Vij:** Sure sir, these are my question. Thank you.
- Moderator:** Thank you. We take the next question from the line of Mr. Nitesh Dhoot from Prabhudas Liladher. Please go ahead sir.
- Nitesh Dhoot:** Hi team, thank you for this opportunity. So my question is that in Arkema's results declared today, they've indicated a rapid normalization of PTEF prices in battery from last year's exceptional prices. Also another large global player. Dongyue said that prices of PVDF are unable to maintain at the elevated level. So there's the size of Arkema etcetera, renting it by specials. I presume they would be taking into consideration the various grades and applications of the polymers. However, what I gather is, we are not seeing any sharp decline in PVDF prices going forward. I was just wondering if that were to happen, whether our profitability could be lower than what we are indicating. I mean could the 30% margin guidance get challenged is what my question is.
- Bir Kapoor:** See, the thing is that right now globally the EV chemicals as well as the PVDF prices are pretty much dependent on the China market. China is today the world's largest market of battery chemicals and EV batteries. So China demand has been subdued and there's been a slowdown in the EV sales in China and that essentially have reflected in terms of the overall price situation that you see.

In our case we are not significantly affected at the moment because our EV capacity in PVDF is expected to come up after the qualification by end of this year and the early first quarter next year. So coming back to the pricing, we see that this could be a momentary because there is long value chain and the industry may have -- because the EV is on a growth path and it depends on which part of the value chain comes faster versus later. So I think this is maybe a short term phenomena which is expected to get picked-up as demand improves of EV in China and EV capacities come every other places.

Nitesh Dhoot:

Yes, thank you so much.

Bir Kapoor:

Thanks, Nitesh. Thank you.

Moderator:

Thank you, sir. We take the next question from the line of Mr. Rohan Gupta from Nuvama. Please go ahead sir.

Rohan Gupta:

Hi sir, good evening and congratulations on a strong set of number. Sir, first is that our understanding is generally, what we have seen is that from the product development then you go to qualification and then you go towards the ramp-up phase and finally commercialization. Generally the timeline here involved including qualifications and a product development and ramp-up and commercialization finally takes two to three years and even sometimes we take more`. Even you have seen in your journey also in case of PVDF it has taken a long time.

However, in case of battery sort we're talking about that we are almost skipping or develop and we have already probably developed the product but we are skipping the ramp-up part and directly going for the commercialization. Even from the qualification point of view also we are talking about the customer qualification will be as small as maybe four to six months and we are expecting the revenues to ramp-up by end of this year. After the plant commercialization happening by Q2 or Q3, what is giving us this confidence that we will be able to ramp-up this battery chemicals and will be so fast. I mean, given our learning curve what has changed if you can just give some insights on that, sir.

Bir Kapoor:

Rohan, these applications are very different. Because if I look at let's say, our fluoropolymer experience of fluoropolymers they are very small applications and each of these applications has a certain volume, limited volume. In contrast, lithium salt or the battery salt is different. It's a chemical. Once it's qualified the requirement for each plant is very large. The customer's intake is very, very large. If somebody is having a battery capacity let's say of 5 gigawatt hour or 2 gigawatt hour and the requirements are very large. Overall it's a different kind of application, different set of requirements. For example the kind of one customer can take certain quantities say 5,000 ton of battery chemicals. You would not find any customer taking 5,000 ton of very specialized fluoropolymer.

Rohan Gupta:

So you are saying that basically the confidence is coming even if you are able to crack one customer. Then from himself his requirement will be pretty large. Have you got any such kind of indication because you are still in a qualification round only? So have you been getting the earlier, I mean initiating in earlier signs of the product getting approved? And that's what that as

soon as you commercialize your plant and you will you have to ramp-up the production, is it the case?

Bir Kapoor: The situation -- Rohan, is that yes we are talking to all the player but unfortunately we still do not have a material or sample with us. And obviously the question of the volumes come from once we have a material with us and also it gets qualified. Our confidence primarily is coming from the growth in this sector. If you look at our capacity which is very, very small compared to the growth number that we are talking about and either globally or even domestic numbers. So there's going to be significant growth in the sector and that's where our confidence is coming from. And here even after commercialization and full capacity utilization our volumes and the capacity are going to be significantly small compared to the overall market potential.

Rohan Gupta: Okay so thank you so much.

Moderator: Thank you sir. We take the next question from the line of Mr. Ravi Naredi from Naredi Investments. Please go ahead sir.

Ravi Naredi: Thank you to give me this opportunity. Sir can we think there's good time for fluora industries going to end? There's too much new plants and capacity are coming?

Bir Kapoor: I'm sorry. I did not get your question Ravi. What do you say fluoropolymers, fluorachemicals?

Ravi Naredi: Fluorochemical industries going to -- good time for fluoro chemical industries going to end. There's too much new plants are coming?

Bir Kapoor: I don't think so because as I said earlier, there are entire space of energy transition that we are talking about. Whether it's a hydrogen economy, EV, solar cells, fuel cells, each of these applications have requirements for fluoro materials. Okay so I do not see if you look at the numbers and compare the projections for the transition is very, very high. We do not see that happening at all.

Ravi Naredi: Okay. And sir, new age vertical electric vehicle battery plant are we are going to install. How much capex need? This vertical electric vehicle battery plant. How much capex we need?

Bir Kapoor: No. I cannot answer that question about the batteries what capex is required. But right now for battery chemicals it depends on what chemical, what capacity we go. For the capacity that we have announced we have already indicated for fluoro polymers and battery chemicals are capex is going to be close to INR1,000 crores this year.

Ravi Naredi: Thank you, all the best.

Bir Kapoor: Thanks, thanks Ravi.

Moderator: Thank you. Yes sir please go ahead.

Analyst: Yes sir. So as you mentioned in earlier conversation it seems majority of our projects likely to contribute from FY '25 right, and considering that the plants are down in Q1, FY '24 and some

price corrections which likely to be in subdue. So can we assume like, FY '24 likely to be muted or pulling one from the levels of FY '23 like our base is quite high now as compared to earlier years, sir?

Bir Kapoor: Yes I think somewhere it has been misinterpreted. I think we never said that our FY '24 is going to be. We have always maintained that our top line is expected to grow by 20%. So I expect that the number as we indicated earlier for example these capacity eventually to reflect INR1,000 crores to INR1,200 crores to top line will continue.

Analyst: No, I was talking about the bottom line perspective.

Bir Kapoor: Bottom line also, we have been maintaining fairly healthy margin and we have said that it will probably be around 30% which we expect to continue.

Analyst: Okay understood. And second thing sir do you people witnessing any kind of lack of demand from lithium-ion chemical site like, I think in earlier con call, we would expect to get some revenues from our battery plants from FY '24, right?

Bir Kapoor: Probably, as we said earlier that we have indicated that our capacities would come which is on course and which we expect to get for the salt as well as electrolyte. Our capacity will come on line in basically in Q2 and then there's a qualification period. So by the end of this financial year or probably by Q4, we started seeing the battery chemicals.

Analyst: Okay. I mean top line and bottom line both will continue to grow in FY '24 onwards right?

Bir Kapoor: Yes.

Analyst: That's it from my side, sir. Thank you for your time.

Bir Kapoor: Thank you.

Moderator: Thank you sir. We take the next question from the line of Mr. Yash Shah from Investec. Please go ahead.

Yash Shah: Hi sir. Thank you for the opportunity. Sir my first question was regarding the PFAS. We had earlier mentioned that we are going to completely transition by the end of calendar year '23. So wanted to understand what is the current status right now? And how many products have been accepted by the customers.

Bir Kapoor: Yes. I'll let Mr. Soni answer that. Soni sir, please.

V. K. Soni: So regarding the transition from fluorinated polymerization aids to non-fluorinated polymerization aids, we have already converted almost more than 80% of all our fluoropolymers into non fluorinated polymerization aids. And we expect by end of this financial year, we should be achieving almost complete conversion.

Yash Shah: Have the products been accepted by the customers?

- V. K. Soni:** Yes, already few products which have been converted have been in the market for several months now.
- Yash Shah:** Got it, sir. Sir, my second question was regarding our electrolyte business or battery chemical business. You mentioned earlier that we will say, we will ramp-up instead of we will commercialize instead of the lab scale and skip the lab scale part. So for commercialization we will require a significant quantity of lithium carbonate. And we had earlier mentioned that we had a tie up with sorry, we had basically appointed E&Y as a consultant. So what is the status on that at this point of time? Because we will -- as we understand we will require a significant amount of lithium carbonate. Some light on that sir.
- Bir Kapoor:** So I think, when we talk about the lithium carbonate procurement there is a short term versus a long term. In the short term, of course, our capacities are not much and our requirements are not much and we have been already discussing with E&Y and connecting with some of the global suppliers for tie up in the long term. So that has not yet completely closed. But in terms of short term, we have the required volumes or our short term requirement has already been tied up. We do not see any issue with that.
- Yash Shah:** So it is safe to assume that the short term supply will be enough to ramp-up your electrolyte sold business right?
- Bir Kapoor:** We do not see that an issue.
- Yash Shah:** Okay, got it. Sir last one clarification question from my end. I am sorry if I missed it earlier. What is the quantum of guarantee left from Inox Wind?
- Bir Kapoor:** Yes, I will let Manoj answer that. Quantum of guarantee.
- Manoj Agrawal:** I don't have that number for readily available with me. We will after the call we will.
- Bir Kapoor:** You can connect with me.
- Manoj Agrawal:** We do. We'll tell you.
- Yash Shah:** Perfect sir. Thank you very much.
- Bir Kapoor:** Thanks a lot, Yash. Thank you.
- Moderator:** Thank you sir. We take the next question from the line of Mr. Rahul Veera from Abakkus. Please go ahead sir.
- Rahul Veera:** Hi, sir. In our notes to accounts, there has been one of the points which mentioned that there will be an INR18 crores commission which is supposed to be put up during our AGM for some executive -- non-executive directors. So may we know, what exactly the commission is for and who is the Non-Executive Director?

- Manoj Agrawal:** This is part of our -- which is part of the remuneration which is paid to the MD and Chairman, but as the part of the secretarial procedure that has to be put up for the approval at AGM also. That is what that note is given.
- Rahul Veera:** Okay. Fair point sir. Thank you.
- Bir Kapoor:** Thanks Rahul. Thank you.
- Rahul Veera:** Thank you sir.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for the day. I would now like to hand the conference over to the management for closing comments.
- Bir Kapoor:** Thanks a lot. I would like to thank all of you for showing interest in GFL and asking questions. So any further questions, I would request all of you to please be in touch with our communication person Mr. Vibhu Agarwal. And I would like to thank you all once again. And thanks Archit.
- Moderator:** Thank you. On behalf of Batlivala and Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.