

# Gujarat Fluorochemicals

SELL

(Not Edited & Formatted)\*

## PTFE and PVDF is collpasing

1. The inevitable decline of PFAs is coming through hence sales of PTFE as well as PVDF is falling. We have maintained that terminal value of PFA business is ZERO. We will be first to admit that investor community doesn't buy this thesis but there are plenty of evidence for the same. ([IN: Chemicals - Others - PFAS - end of the road likely, capex is futile](#))
2. GFL will be lucky to post double digit EPS in Q4 FY24. We estimate that EPS of Q4 FY24 at ~11/share. Big cuts in FY25 numbers is required
3. In FY23 Gujarat fluoro was saved by high HFC-25 and R-22 prices however as pointed in our earlier reports the export market is drying hence volumes are negligible for GFL. Please see [IN: Chemicals - Overall - R-125 & R-134A bull run is closer to its end](#) and [IN: Chemicals - Overall - SRF and GFL- the day of reckoning is here.](#)

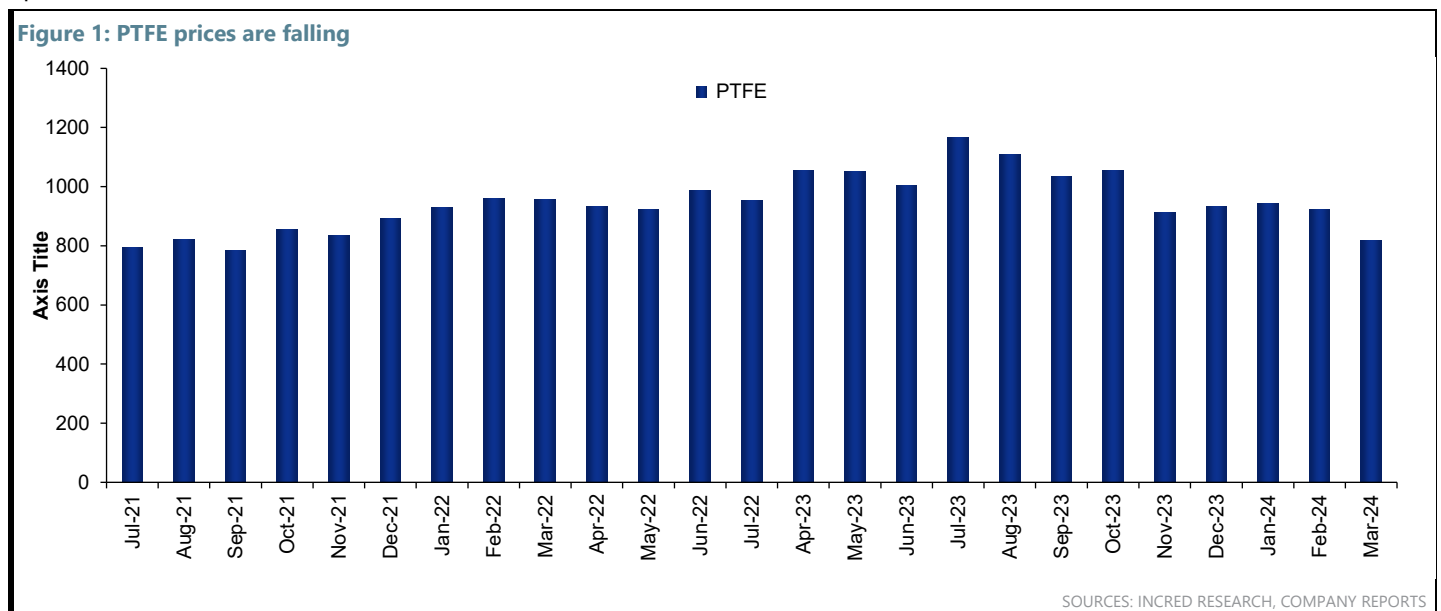
### At the cost of repetition, we are again pointing to European regulation on PFAs

<https://echa.europa.eu/-/next-steps-for-pfas-restriction-proposal>. On this page you will find how Europe ai going to restrict the usage of PFAs. Please note that all fluoropolymer made by

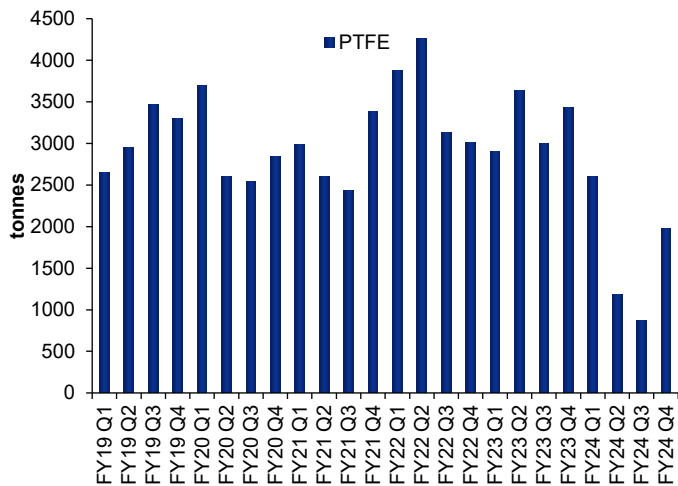
**Helsinki, 13 March 2024** – Following the screening of a large number of comments received during the consultation, ECHA is clarifying the next steps for the proposal to restrict PFAS under REACH, the EU's chemicals regulation.

The Agency's scientific committees for Risk Assessment (RAC) and for Socio-Economic Analysis (SEAC) will evaluate the proposed restriction together with the comments from the consultation in batches, focusing on the different sectors that may be affected.

In tandem, the five national authorities who prepared the proposal, are updating their initial report to address the consultation comments. This updated report will be assessed by the committees and will serve as the foundation for their opinions.

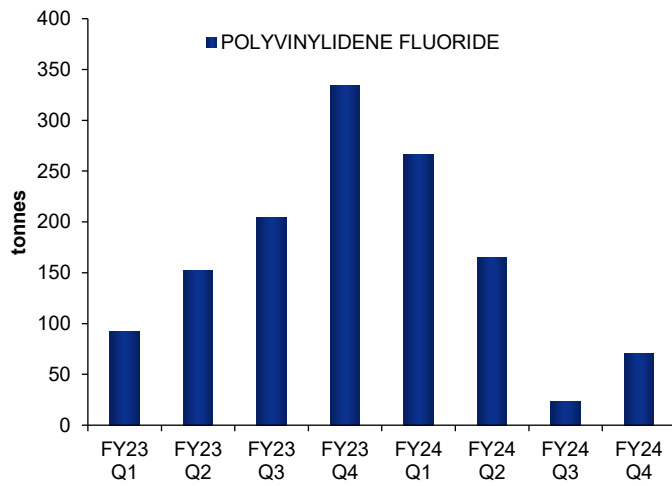


**Figure 2: PTFE exports volumes are going down**



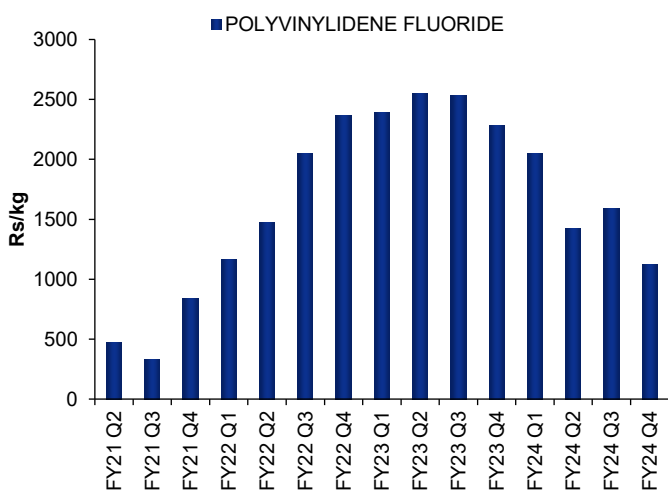
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Similarly PVDF exports volumes are also collapsing**



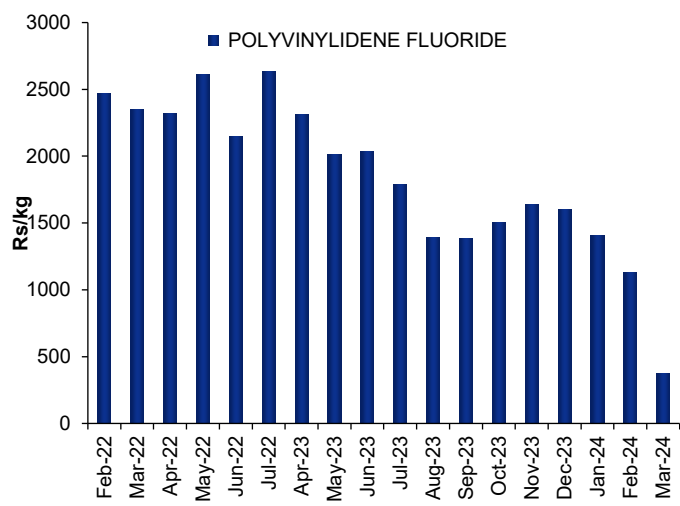
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: PVDF prices appear to have crashed in March 2024. Q4 prices are still respectable however monthly prices in March is below 400**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: March -24 prices of PVDF is exactly what is was in June 22**



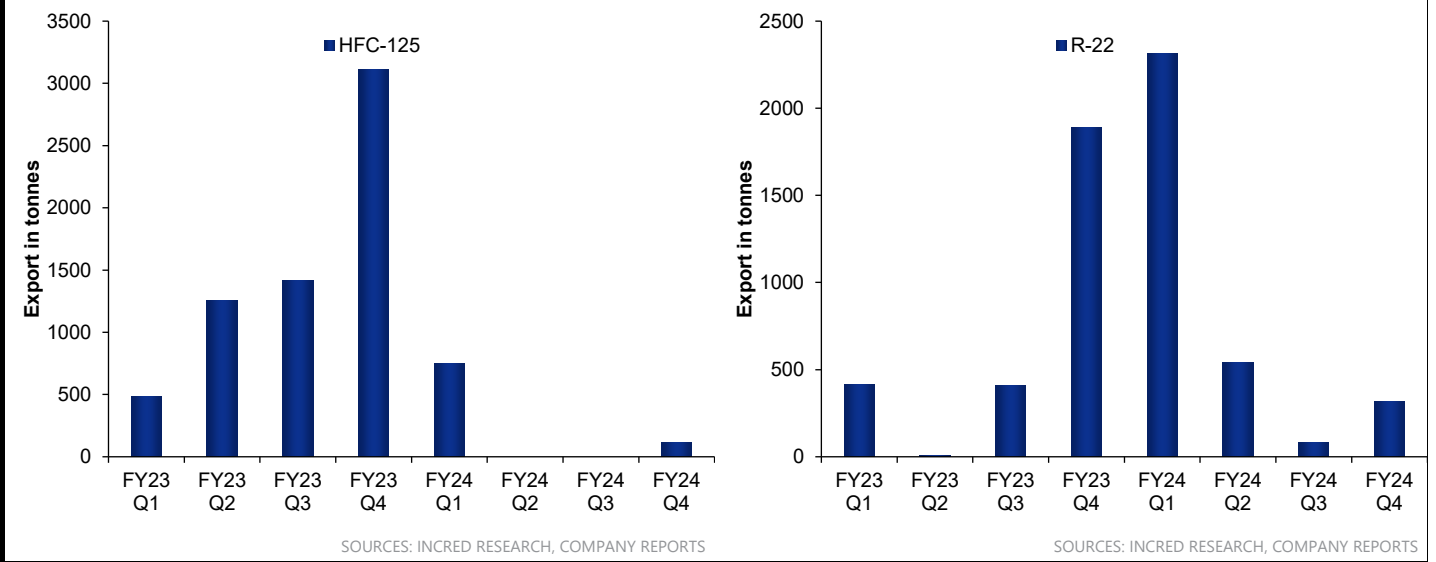
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Company will be lucky to post double digit EPS in Q4 FY24**

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
<b>Net Revenue</b>	<b>13,340</b>	<b>14,613</b>	<b>14,179</b>	<b>14,714</b>	<b>12,093</b>	<b>9,468</b>	<b>9,917</b>	<b>11,101</b>
<b>Total Cost of Goods Sold</b>	<b>3,646</b>	<b>3,913</b>	<b>3,829</b>	<b>4,038</b>	<b>3,461</b>	<b>3,379</b>	<b>3,521</b>	<b>4,107</b>
Employee Benefit Expenses	779	800	795	847	918	874	833	833
Power & Fuel	2,344	2,465	2,380	2,365	2,215	1,832	1,773	1,800
Material extraction and processing cost	70	69	71	71	158	39	49	49
Other Expenses	1,912	2,009	1,873	2,101	1,861	1,714	1,680	1,680
<b>Total Expenses</b>	<b>8,751</b>	<b>9,256</b>	<b>8,947</b>	<b>9,422</b>	<b>8,614</b>	<b>7,837</b>	<b>7,855</b>	<b>8,469</b>
<b>EBITDA</b>	<b>4,589</b>	<b>5,358</b>	<b>5,232</b>	<b>5,293</b>	<b>3,479</b>	<b>1,631</b>	<b>2,062</b>	<b>2,632</b>
Depreciation	550	572	601	638	655	676	719	719
<b>EBIT</b>	<b>4,039</b>	<b>4,786</b>	<b>4,631</b>	<b>4,655</b>	<b>2,824</b>	<b>955</b>	<b>1,343</b>	<b>1,913</b>
Other Income	262	243	214	186	146	135	132	132
Interest Expense	209	230	381	348	280	342	372	372
<b>Profit Before Tax</b>	<b>4,092</b>	<b>4,799</b>	<b>4,464</b>	<b>4,493</b>	<b>2,690</b>	<b>749</b>	<b>1,103</b>	<b>1,673</b>
Total Tax Expenses	1,058	1,226	1,159	1,173	678	221	302	422
<b>Profit After Tax</b>	<b>3,034</b>	<b>3,572</b>	<b>3,305</b>	<b>3,319</b>	<b>2,012</b>	<b>527</b>	<b>801</b>	<b>1,251</b>
<b>EPS</b>	<b>27.6</b>	<b>32.5</b>	<b>30.1</b>	<b>30.2</b>	<b>18.3</b>	<b>4.8</b>	<b>7.3</b>	<b>11.4</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 7: Saving grace in FY23 was high sales of HFC-25 however that has vanished in FY24** **Figure 8: Same in the fate of R-22**



\*P.S. As it's a Quick Take, the document is not edited/formatted.

Thanks and Regards,

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