Gujarat Fluorochemicals (GUJFLU)

CMP: ₹4,600 | Target ₹ 5,660 (23%) | Target Period: 12 months | BUY

November 4, 2026

Traction from existing strongholds continues; EV business shaping well...

About the stock Gujarat Fluorochemicals started as a refrigerants manufacturer and, thereafter, diversified into other areas like speciality chemicals, fluoropolymers, new fluoropolymers and recently into battery materials.

- Q2FY27 segmental mix: Bulk chemicals ~10%, Fluorochemicals ~29%, Fluoropolymers ~58% and others ~3%
- GFL has announced cumulative investment of ~₹6000 crore by FY28 for battery materials products such as Lipf6 Salt, LFP CAM, Cathode Binders: PVDF/PTFE, Electrolyte, High-Performance Additives.

Q2FY27 performance: Strong overall print- GFL reported revenues of ₹1,760 crore, up 45% YoY. Segment wise, Fluoropolymers (53% of revenues) reported a growth of 22% YoY, Fluorochemicals (34% of revenues), up 135% YoY, Bulk Chemicals (10% of revenues) reported a de-growth of 4% YoY; Others (4% of revenues) grew 137% YoY. GPM came in at 64.4%, down 678 bps YoY. EBITDA for the quarter stood at ₹473 crore, up 30% YoY, translating to margins of ~27%, down 321 bps YoY. PAT for the quarter stood at ₹240 crore, up 38% YoY.

Investment Rationale:

- **Strong growth runway in core fluoropolymers and fluorochemicals:** The company reported a strong overall quarter, supported by healthy volume growth and a significant traction from R32 refrigerant gas. Margins compression was attributable to change in product mix (higher fluorochemicals sales growth). Fluoropolymers growth was driven by healthy volumes offtake and an increasing focus on high-value products. Existing capacities for new-generation fluoropolymers are approaching full utilization, prompting GFL to invest in additional capacities, which are expected to cater predominantly to higher-end grades and support the management's targeted 17–20% annual growth in the fluoropolymers business going forward. On the fluorochemicals front, the incremental R32 capacity is expected to achieve full utilisation in Q3FY27 while the company is also setting up R134a capacity at an existing refrigerant manufacturing site, making it a brownfield expansion targeted for commissioning within FY27. The incremental capacities to continue drive growth in the segment. The management has earmarked capex of ~ ₹ 800 crore for the chemical businesses.
- **Battery Materials to be a significant growth catalyst:** The battery materials business is transitioning from the qualification phase toward commercial scale-up, with LiPF6 is now being supplied to five major global electrolyte players and PVDF nearing qualification, while LFP and cathode active materials are progressing toward commercialization. Management expects significant scale-up in FY28 as qualification and commercialization processes progress for electrolyte and salt, supported by the rapid growth of EVs and BESS and increasing localization of the battery supply chain. The relocation of the Oman project to India is expected to enable faster execution however has spilled over ₹2100 crore planed capex in FY27 by approximately 1–1.5 quarters. GFL has **maintained its cumulative capex target of ₹ 6000 crore in battery material space.** We maintain our positive stance on the company based on the existing firing growth engines and the battery material potential.
- **Rating and Target Price:** Our target is ₹5,660 based on a higher multiple of 30x FY28E EBITDA of ₹2,316.6 crore.

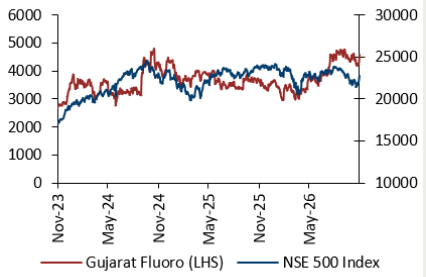
Particulars

Particular	₹ crore
Market Capitalization	50,600
Total Debt (FY26)	2,720
Cash & Invests (FY26)	2,148
EV	51,172
52-week H/L (₹)	4959/2917
Equity capital (₹)	11.0
Face value (₹)	1

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	61.4	61.4	61.4	61.4
FII	4.3	4.3	4.4	4.5
DII	12.8	13.5	13.3	13.3
Other	21.5	20.9	20.9	20.8

Price Chart



Key risks

- Delay in the offtake of fluoropolymer and battery material business
- Pricing pressure in HFC

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Key Financial Summary

Key Financials (₹ crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	4,280.8	4,737.0	4,996.0	8.0	6,403.3	7,698.1	24.1
EBITDA	907.4	1,099.0	1,202.0	15.1	1,889.0	2,347.9	39.8
EBITDA Margins (%)	21%	23%	24%		29.5%	30.5%	
Adj. PAT	435.0	546.0	486.0	5.7	435.0	546.0	6.0
Adj. EPS (₹)	39.6	49.6	54.0		88.7	108.9	
EV/EBITDA	58.0	47.6	44.0		29.4	24.0	
P/E	116.2	92.7	88.2		51.9	42.2	
RoE (%)	7.3x	7.5x	7.6x		11.1x	12.0x	
RoCE (%)	10.8	10.6	9.4		12.1	13.1	

Source: Company, ICICI Direct Research

Result Update

ICICI Securities – Retail Equity Research

Q2FY27 Earnings Conference Call Highlights

Fluoropolymers Business-

- Growth in the segment is being driven by both volume growth and improved realizations from a favourable product mix.
- Management reiterated its annual growth guidance of 17–20% and expects the growth momentum to sustain over the next few years.
- Demand remains strong across high-value applications, particularly FKM in automotive and PFA/modified PTFE in semiconductors and data centres. EVs, electronics, chemical processing, renewable energy and green hydrogen are additional growth drivers.
- Higher-value applications are increasingly contributing to revenue, with improved realizations from specialty grades supporting growth.
- Dry electrode technology is approaching commercialisation, with GFL's PTFE grades undergoing advanced customer trials. Management sees significant long-term upside as battery manufacturers adopt dry electrode processes.
- Capacity additions will continue to be aligned with demand to sustain the targeted 17–20% growth.

Fluorochemicals/ Refrigerant Gases-

- The demand during the quarter was primarily driven by strong growth in refrigerants, particularly R32.
- The initial planned R32 capacity is expected to reach full utilisation by the end of Q3 FY27. Management sees healthy demand visibility, supported by increasing adoption of lower-GWP refrigerants.
- Refrigerant demand and pricing remain stable in the near term, providing a supportive operating environment.
- The R134A project is progressing as planned, with production expected to commence in Q4 FY27. It will diversify the refrigerant portfolio and expand customer access.
- GFL continues to focus on building a comprehensive refrigerant portfolio, including R22, R32, R125, R410 and R134A.
- Bulk chemicals revenue declined 5% YoY to ₹151 crore, primarily due to lower caustic soda prices and higher captive consumption of chloromethanes for R32 production.
- Management is exploring opportunities in semiconductor and electronic chemicals, leveraging its fluorine chemistry expertise. However, product details and capex remain at an early conceptualisation stage and will be disclosed in subsequent quarters.

Advanced Battery Materials

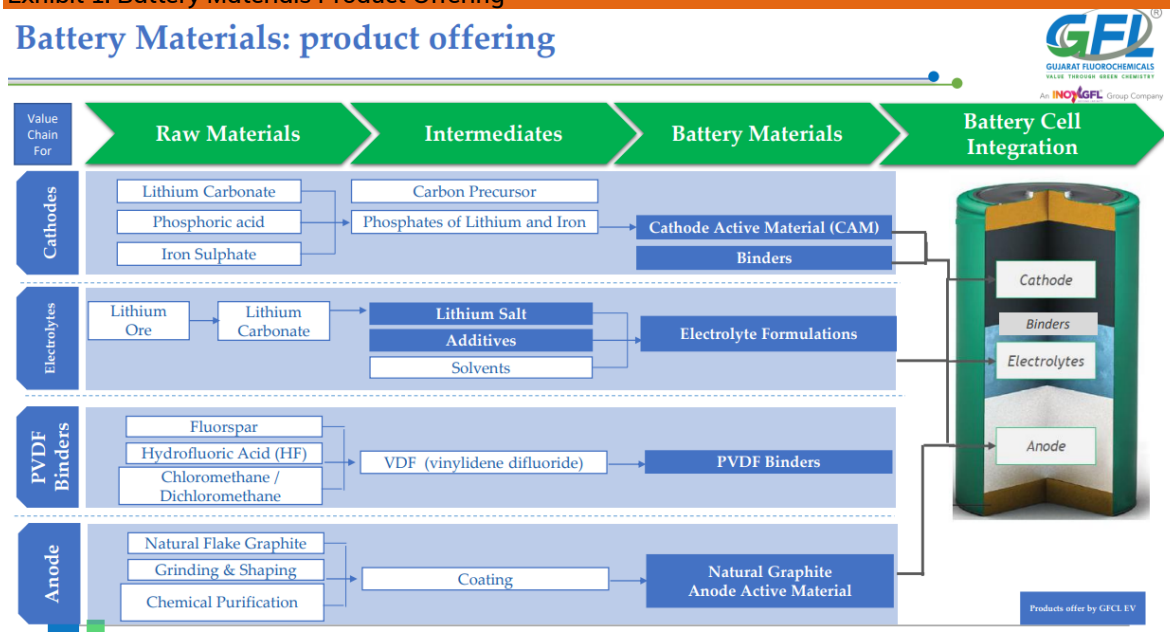
- LiPF6: Sales are ramping up, with supplies to five major global electrolyte players and multi-year order visibility. Most volumes are covered under annual or longer-term contracts with formula-based pricing linked to lithium prices, limiting exposure to spot pricing.
- Existing and expanded LiPF6 capacity is expected to reach near-full utilisation by Q1 FY28, supported by strong order visibility and ongoing capacity additions.
- LFP: Customer qualification programmes are progressing globally, including India. GFL is developing higher-end LFP grades and shifting planned capacity from Oman to India. The expanded capacity is expected to commence around Q3 FY28, with revenue impact likely towards FY28-end or FY29.
- PVDF/PTFE: Multiple grades are at advanced stages of qualification for wet and next-generation dry electrode applications. Commercial supplies under long-term agreements are expected to begin from Q4 FY27.
- Electrolytes: Customer-specific formulations are being developed and supplied for evaluation. GFL is engaged with three domestic battery manufacturers, currently at early evaluation stages. Domestic electrolyte demand is expected to ramp up from mid-FY28, with revenue contribution likely in H2 FY28.

- Anode: Development remains slower as management prioritises LFP, electrolyte and salt qualifications. The anode project will progress subsequently.
- The overall battery materials investment plan remains at ₹6,000 crore. FY27 capex of around ₹2,100 crore is expected to spill over by approximately 1–1.5 quarters due to the shift of certain projects from Oman to India.
- The company continues to target 2x asset turnover and 25% EBITDA margin for the battery materials business.
- Revenue ramp-up is expected to be led initially by LiPF6 exports, followed by electrolytes and larger-scale LFP production. Management highlighted that customer qualification and end-market battery plant ramp-up remain key dependencies.

Other Aspects

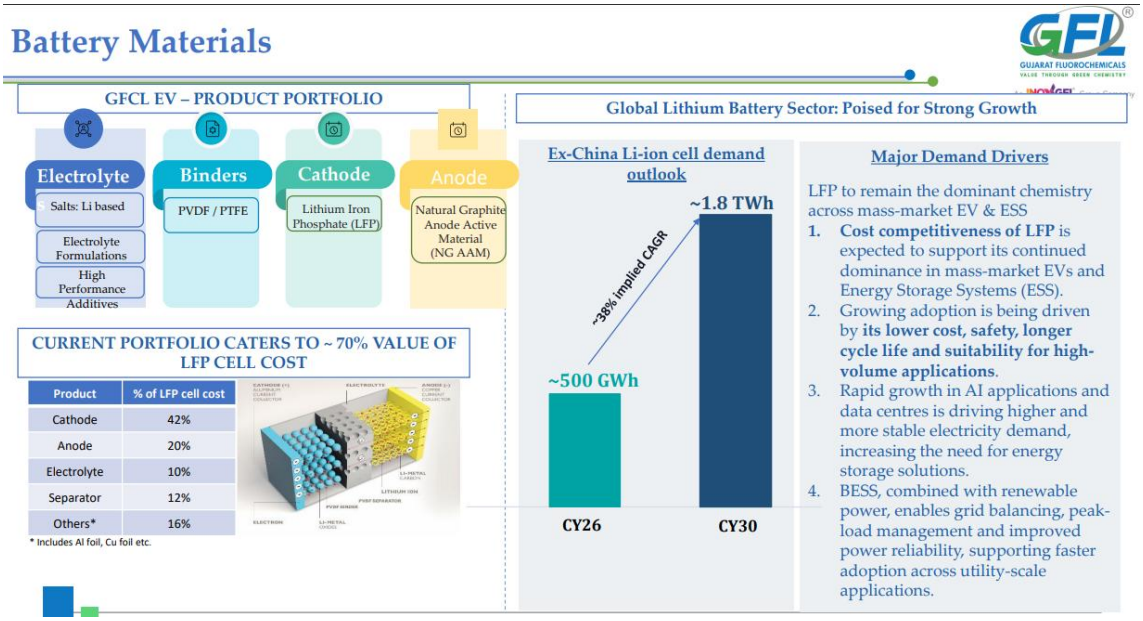
- **Battery materials funding:** Around ₹2,300 crore of equity has been raised, including approximately ₹800 crore from GFL, ₹1,000 crore from other investors and ₹500 crore from IFC. Additionally, ₹900 crore of debt has been raised from Sumitomo and ICICI Bank.
- Management expects to raise an additional ₹500–700 crore from external investors over the next 3–4 months. The broader ₹6,000 crore battery investment is expected to be funded through approximately ₹3,500 crore equity, ₹1,500 crore debt and ₹1,000 crore internal accruals.
- Management reiterated a positive bias on margins, supported by favourable product mix, higher-value fluoropolymers and continued growth in the core businesses.

Exhibit 1: Battery Materials Product Offering



Source: Company, ICICI Direct Research

Exhibit 2: Battery Materials Outlook



Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

Year end March	FY25	FY26E	FY27E	FY28E
Total Operating Income	**4,737.0**	**4,996.0**	**6,403.3**	**7,698.1**
Growth (%)	10.7	5.5	28.2	20.2
Raw Material Expenses	1,513.0	1,675.0	1,857.0	2,155.5
Gross Profit	3,224.0	3,321.0	4,546.4	5,542.6
Employee Cost	433.0	486.0	576.3	692.8
Other Operating Expenses	1,692.0	1,633.0	2,081.1	2,501.9
EBITDA	**1,099.0**	**1,202.0**	**1,889.0**	**2,347.9**
Growth (%)	21.1	9.4	57.2	24.3
Other Income	116.0	42.0	100.0	100.0
EBITDA, including OI	1,215.0	1,244.0	1,989.0	2,447.9
Depreciation	355.0	367.0	450.7	547.5
Net Interest Exp.	147.0	138.0	237.5	303.5
Other exceptional items	0.0	-20.0	0.0	0.0
PBT	713.0	719.0	1,300.8	1,597.0
Total Tax	167.0	233.0	325.2	399.2
Tax Rate	23.4%	32.4%	25.0%	25.0%
PAT	**546.0**	**486.0**	**975.6**	**1,197.7**
Adj.PAT after Minority interest	546.0	594.0	975.6	1,197.7
Adj. EPS (₹)	**49.6**	**54.0**	**88.7**	**108.9**
Shares Outstanding	11.0	11.0	11.0	11.0

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

Year end March	FY25	FY26E	FY27E	FY28E
PBT & Extraordinary	546.0	574.0	1,300.8	1,597.0
Depreciation	355.0	367.0	450.7	547.5
After other adjustments				
(Inc) / Dec in Working Capital	-415.0	-110.0	-1,187.0	-866.5
Taxes	-188.0	-248.0	-325.2	-399.2
Others	247.0	378.0	237.5	303.5
CF from operating activities	**545.0**	**961.0**	**476.8**	**1,182.2**
Purchase of Fixed Assets	-881.0	-1,252.0	-2,801.9	-1,850.0
Others	-241.0	84.0	0.0	0.0
CF from investing activities	**-1,122.0**	**-1,168.0**	**-2,801.9**	**-1,850.0**
Proceeds from issue of shares	838.0	430.0	0.0	0.0
Borrowings (Net)	158.0	420.0	2,498.1	600.0
Others	-230.0	-227.0	-259.5	-325.5
CF from financing activities	**766.0**	**623.0**	**2,238.6**	**274.5**
Net cash flow	189.0	416.0	-86.4	-393.3
Effects of foreign currency translation	0.0	0.0	0.0	0.0
Opening Cash	31.5	55.0	215.0	129.1
Closing Cash	**55.0**	**215.0**	**129.1**	**-264.3**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

Year end March	FY25	FY26E	FY27E	FY28E
Liabilities				
Share Capital	11.0	11.0	11.0	11.0
Reserves	7,242.0	7,855.0	8,808.6	9,984.3
Total Shareholders Funds	**7,253.0**	**7,866.0**	**8,819.6**	**9,995.3**
Minority Interest	46.0	47.0	47.0	47.0
Long Term Borrowings	478.0	1,073.0	3,585.1	4,185.1
Net Deferred Tax liability	240.0	249.0	249.0	249.0
Other long term liabilities	8.0	0.0	0.0	0.0
Long term provisions	61.0	88.0	46.0	55.3
Current Liabilities and Provisions				
Short term borrowings	1,602.0	1,647.0	1,633.1	1,633.1
Trade Payables	606.0	552.0	1,052.6	1,265.4
Other Current Liabilities	290.0	340.0	435.8	523.9
Short Term Provisions	25.0	21.0	26.9	32.4
Total Current Liabilities	2,523.0	2,560.0	3,148.4	3,454.8
Total Liabilities	**10,609.0**	**11,883.0**	**15,895.0**	**17,986.4**
Assets				
Net Block	4,136.0	4,648.0	8,439.2	9,741.7
Capital Work in Progress	1,524.0	1,890.0	450.0	450.0
Intangible assets under devl.	190.0	183.0	183.0	183.0
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Non-current investments	35.0	44.0	44.0	44.0
Deferred tax assets	6.0	24.0	23.5	23.5
Long term loans and advances	0.0	0.0	0.0	0.0
Other Non Current Assets	435.0	686.0	1,498.2	1,801.1
Current Assets, Loans & Advances				
Current Investments	279.0	242.0	242.0	242.0
Inventories	1,820.0	1,933.0	2,368.4	2,741.8
Sundry Debtors	1,197.0	1,282.0	1,578.9	1,898.2
Cash and Bank	55.0	215.0	129.1	-264.3
Loans and Advances	25.0	16.0	16.0	16.0
Other Current assets	907.0	720.0	922.8	1,109.4
Current Assets	4,283.0	4,408.0	5,257.1	5,743.1
Total Assets	**10,609.0**	**11,883.0**	**15,895.0**	**17,986.4**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

Year end March	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Adj. EPS	49.6	52.2	88.7	108.9
Adj. Cash EPS	81.9	85.5	129.7	158.7
BV	659.4	715.1	801.8	908.7
DPS	2.0	2.0	2.0	2.0
Operating Ratios (%)				
Gross Margin (%)	68.1	66.5	71.0	72.0
EBITDA Margin (%)	23.2	24.1	29.5	30.5
PAT Margin (%)	11.5	11.9	15.2	15.6
Debtor Days	92	94	90	90
Inventory Days	140	141	135	130
Creditor Days	47	40	60	60
Cash Conversion Cycle	186	195	165	160
Return Ratios (%)				
Return on Assets (%)	5.1	5.0	6.1	6.7
RoCE (%)	10.6	9.4	12.1	13.1
Core RoIC (%)	8.3	8.2	10.5	11.4
RoE (%)	7.5	7.6	11.1	12.0
Solvency Ratios				
Total Debt / Equity	0.3	0.3	0.6	0.6
Net Debt / EBITDA	1.8	2.1	2.7	2.6
Interest Coverage	5.9	6.4	6.5	6.3
Current Ratio	1.7	1.7	1.7	1.7
Quick Ratio	1.0	1.0	0.9	0.9
Valuation Ratios (x)				
EV/EBITDA	47.6	44.0	29.4	24.0
P/E	92.7	88.2	51.9	42.2
P/B	7.0	6.4	5.7	5.1
EV/Sales	11.1	10.6	8.7	7.3

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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