

GFCL: BRD: 2024

21st August, 2024

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

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

Scrip Code: 542812

Symbol: FLUOROCHEM

Dear Sir/Madam,

Sub: Transcript of Conference Call with Investors/Analysts held on Tuesday, 13th August, 2024

Ref.: Regulation 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 ('Listing Regulations')

With reference to our letter dated 8th August, 2024 and pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), we are enclosing herewith the Transcript of Conference Call held with Investors/Analysts of the Company on Tuesday, 13th August, 2024 at 16:00 (IST) to discuss the Q1FY25 Financial Performance.

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
Q1 FY '25 Post Results Earnings Conference Call”
August 13, 2024



MANAGEMENT: **DR. BIR KAPOOR – CHIEF EXECUTIVE OFFICER –
GUJARAT FLUOROchemicals LIMITED
MR. KAPIL MALHOTRA – HEAD OF OUR
FLUOROPOLYMER BUSINESS – GUJARAT
FLUOROchemicals LIMITED**

MODERATOR: **MR. ARCHIT JOSHI – BATLIVALA & KARANI
SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '25 Post Results Earnings Conference Call of Gujarat Fluorochemicals, hosted by Batlivala & Karani Securities. 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. Thank you, and over to you, sir.

Archit Joshi: Thank you, Del, and welcome to all participants to the Q1 FY '25 Earnings Conference Call of Gujarat Fluorochemicals Limited. We have with us today Dr. Bir Kapoor, Chief Executive Officer of the company; and the senior management team members to discuss the quarterly performance.

Without further ado, I'd like to hand over the floor to the management for their opening remarks, post which we can have a Q&A session. Thank you, and over to you, sir.

Bir Kapoor: Thank you, Archit. Good evening, everyone. A very warm welcome to all of you on GFL's earnings call for the quarter ended 30th June 2024. The company announced its Q1 FY '25 results at its Board meeting held today on 13th of August 2024. The results, along with the earnings presentations, are available on the stock exchange and on our website.

I will briefly talk about the numbers, and then, give you an update on the business operations and the outlook. The company reported a consolidated revenue from operations for Q1 FY '25 of INR1,176 crores, up by 4% on a quarter-on-quarter basis. Consolidated EBITDA for Q1 '25 was INR262 crores, up by 10% on a quarter-on-quarter basis.

The EBITDA margin for this quarter was 22%, marginally up from 21% in the previous quarter. Consolidated PAT for Q1 FY '25 was INR108 crores, up by 7% on quarter-on-quarter basis. The profitability in this quarter was impacted by higher interest rates and depreciation, as we have incurred higher capex in previous quarters for future growth.

However, the commensurate revenues will ensue in future, once commercial supply is commenced subsequent to validation and approval process. In both EV and Fluoropolymers, the validation period is quite long, which results into a lag in business buildup. A consequence of this prolonged validation, however, is the stickiness of the business for a sustainable period.

We believe that, as the operating leverage improves, the profitability will increase sharply as the capacity gets fully utilized in FY '26 and '27. And this, again, I'm referring primarily to EV sector. While the Fluoropolymers will meaningfully add to our topline in this and the next financial year, the battery material vertical will provide substantial growth in future years.

Let me give you a quick update on the battery materials business catering to EV and ESS segments. We are actively engaged with 20-plus potential customers across the EV ecosystem

in U.S., EU, Japan, Korea and India. Many Indian and global customers have audited our LiPF₆, electrolyte and PVDF binder manufacturing facility and approved it. The product sampling and validation is in progress with over 50 samples shipped to customers globally.

Also, the contract for LiPF₆ electrolyte and PVDF binders are being finalized, and commercial supplies is expected to commence from Q4 FY '25. The LFP plant commissioning is expected in third quarter of this financial year. Let me briefly take you through the performance of each business segment for the quarter.

During the quarter, caustic soda prices have marginally increased. However, the MDC prices have softened further, and the production was close to the baseline operations during the quarter. The Fluorochemicals segments witnessed pickup both in volume and price of refrigerants. Specialty chemicals volumes and prices remained muted during the quarter and continue to face headwinds from Chinese competition.

Fluoropolymers continued to improve quarter-on-quarter. However, the revenue during this quarter have been impacted because of the logistic disruptions caused due to Red Sea crisis. New Fluoropolymers continue to witness market pull due to strong growth fundamentals in semicon industry and successful product developments in application related to emission control in auto industry.

Additionally, our post-processing facility has been commissioned to capture a larger share in the premium segments of very high priority products. Manufacturing plant for making PVDF film for solar application has also been commissioned and the products are under validation stage at this point.

As we have been guiding, we continue to see growth quarter-on-quarter. The new Fluoropolymer continue to be on an upward journey, and we believe that we'll be able to substantially utilize the new Fluoropolymer's capacities set up earlier by fourth quarter of this financial year.

Post establishing ourselves as one of the credible global player in Fluoropolymers, we are now embarking to position ourselves as the global leader in the battery material sector. Let me give you a brief update on the battery materials sector. The global markets are moving towards EV adoption and penetration of ESS driven by the clean climate agenda.

There is a strong emphasis on stabilizing supply chain, which is independent of single-country exposure. In view of this situation, we present a very strong and dependable supply chain option, which not only presents a large bouquet of products, but is also fully backward integrated materials provider.

As more and more capacity is being set up globally for ESS and EV batteries, the quest for diversified supply chain, large OEM manufacturers are looking for viable partners who have experience with strong balance sheet and capability to be able to meet their requirements. We are seeing a strong traction in global markets for such product offerings.

As we had stated, we are currently engaged with some of the largest global auto and battery manufacturing companies. The nature of our discussion is primarily focused on long-term

formula-based contracts as the qualification and validation process is long and the auto OEM and battery manufacturers would like to restrict to maximum 2 or 3 suppliers to ensure consistency in quality and product performance, leading to long-lasting, sustainable partnerships.

At the end, on EV segment, I would like to reemphasize that a combination of first-mover advantage, along with robust backward integration and a supply chain, independent of China, is a strong strategic advantage for us. We are surely on a robust growth journey with all our fundamentals in place and the large global market available to us due to macroeconomic drivers like environment and sustainability.

With this, I would like to now leave the floor open for question-and-answer. Thank you.

Moderator: The first question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: Just first on the Fluoropolymer business, if I look at the performance of Chemours, where the volumes have grown 16% quarter-on-quarter, which indicates that the volumes in the developed market, at least on the Fluoropolymer side, are coming back, that means destocking is largely behind us. But that kind of an optimism, again, I don't see in our numbers. So what are we missing here?

Bir Kapoor: Yes. Sanjesh, I think, yes, destocking is behind us. And the numbers are typically as we expected to be driven by multiple factors. The first, of course, is growth in the new Fluoropolymer segments, which we expected driven by the capacity that we had put in place and also the validation process.

Second, of course, the exit of legacy players, which is taking place. So we are seeing a lift, okay? The growth rate you can debate is there or not there. This quarter, there's some amount of, of course, subduedness that we see because there were some of our shipments going to particularly U.S. markets got delayed almost by week, 1.5 weeks or little bit more, so -- but I think we will catch up.

The fundamentals, and -- we are seeing a pickup, at least driven by multiple sectors and primarily driven by semicon sectors, okay? So I think, yes, we would have loved to see a higher growth rate and -- but the fundamentals are in place, and I think we'll see some as we go along. There is -- it will continue. We will continue on our growth journey.

Sanjesh Jain: But semicon is largely PFA, so what's happening on the FKM, PTFE and PVDF? Where are we in terms of volume growth for these products? Even domestic was supposed to add because of the stringent norms, but again, none of these are really in the way we thought is still not visible on the numbers.

Bir Kapoor: It will be visible. I'm inviting my colleague, Kapil Malhotra, who is the Head of our Fluoropolymer business to talk about the specific segment that you asked about.

Kapil Malhotra: Yes. So to answer to one of your specific question that you are talking about some of the domestic business for, even FKM, if you're talking about, so we are going to see this fuel mix

happening and affecting us positively from the first quarter of the next calendar year, that is the last quarter of this year, financial year. And so we are absolutely geared up for that. Some of the grades which were to be parked in place are already under evaluation. Some of them have been approved, some of them are under the process of approval.

As it's a new journey in the Indian context, so we are absolutely gung-ho about it. And we are - - we have created capacities, we have created all the grades and we are just waiting for the event to happen now. So you will see that positive traction coming in, in the last quarter of this financial year.

Sanjesh Jain: And, Kapil, what will be the India demand in your sense for this? Because we will be replacing the traditional rubber with FKM, how much FKM capacity do you think India will require to do this transition?

Kapil Malhotra: See, right now, Sanjesh, it is very difficult to calculate and answer that because it's a gradual process. As I said, it is happening in India for the first time. We have created some kind of a momentum and capacities. But to go forward, it can be good, but how good we'll only come to know only 3 quarters down the line.

Sanjesh Jain: But any indication you are seeing there, it could be fairly large for us?

Kapil Malhotra: It's going to be how large we'll come to know later.

Sanjesh Jain: Got it. Clear. So next, coming to the battery chemicals side. We are being -- we are expecting some amount of contracts to be executed from the end of this fiscal year. So is this domestic contract or these are international? And how large are these contracts? And these are for what, LiPF6 salt or electrolyte?

Bir Kapoor: These contracts that we are referring to are mostly global, okay? Because as we said that our focus on EV sector is primarily global. It would be difficult for me to specifically say which one, but of course, our 2 frontrunners are there in our products, one is LiPF6 and second is electrolyte, okay? And of course, the LFP, as I have indicated, the plant is very close to getting commissioned. We expect to get it commissioned by quarter 3 of this year. So I think most of it is global. Of course, electrolyte is primarily focused on for Indian markets.

Sanjesh Jain: So when you say global, it should be largely salt, right?

Bir Kapoor: Yes. Salt and LFP as well, LFP and PVDF.

Sanjesh Jain: Okay. No, I was just coming to the PVDF part of it. We were in the process of validation and certification from the western part of the world. Have we got the certification for battery-grade PVDF?

Bir Kapoor: It's quite close. It's almost in the final stage of certification right now. However, the way it works typically, Sanjesh, is then while the qualification is in progress, the contract discussions and the pricing discussions happen simultaneously. So typically, when we are engaging with a serious

customer, both of these things happen parallely. And with this go with a presumption that it will get qualified, and we are sure it will get qualified, absolutely no issue.

Sanjesh Jain: Got it. And 1 last question before I come back in the queue. Kapoor, sir, still we stand with our guidance that we will be able to do an EBITDA which we did in FY '23, which is around INR1,700 crores, INR1,800 crores of EBITDA.

Bir Kapoor: So we are -- I mean, as I indicated, we had -- we were hoping that we'll reach there, and we still think we'll reach there give or take a quarter here and there. We will definitely come to the run rate of that last FY '23 financial year or even beyond that. So probably give or take a quarter on a rolling basis, Sanjesh.

Moderator: The next question is from the line of Sudarshan Padmanabhan from JM Financial.

Sudarshan Padmanabhan: Sir, my question is to understand the impact of the Red Sea as you mentioned in the presentation. One is I would assume because of the transit time, there could be impact, as you mentioned, on the Fluoropolymer side, I mean if you can mention the quantum. And broadly, 2 things, as far as the cost is concerned because wherever we see, we see that the shipping cost has basically hit the roof.

And second is as far as imports are concerned, which would basically be a strength for us given that we are relatively more integrated. So putting all the 3 into perspective, if you can give some color on the Red Sea and the impact...

Bir Kapoor: Your voice was not very clear. It was coming out muffled.

Sudarshan Padmanabhan: Yes. Sir, I just wanted to understand the impact of the Red Sea, as you had mentioned in the presentation. One is the sales. I would understand because of the transit time, they would have been a spillover as far as sales are concerned. But apart from that as well, I mean, the cost, and is the Red Sea actually going to be a benefit for us, given that we are more integrated? I mean to that extent, our imports will be relatively less dependent as compared to peers. And because of our cost efficiency, does the Red Sea basically be a tailwind for us in terms of getting more visibility with customers?

Bir Kapoor: Yes. I think, of course, we are not importing, we are completely backward integrated, as you know, and our imports, of course, are not...

Sudarshan Padmanabhan: Yes, yes, which is why I'm asking whether that will be a benefit for us.

Bir Kapoor: So I think as far as Red Sea is concerned, for us, it's more of sale getting deferred because we have a model where we send our material to our warehouses in the U.S. and Europe and extra 15 days being added to shipping time because now it's going via Cape of Good Hope is causing some sort of a deferment.

And particularly, one more thing, Sudarshan, that our market is on a growth phase, as you know, that we have been building up volume from month-on-month. So in that case, I need to make

sure that more of my material reaches my warehouses in North America, and that's what is causing it.

Coming back to having an advantage, yes, I mean that's inherent advantage that we have, and that's why our customers are engaged with us because we are -- our intake or our raw materials are not really dependent on Red Sea crisis.

Sudarshan Padmanabhan: Sure. And I mean, what will be the quantum of the sales deferment, sir? Would it be quite large or it would basically be relatively lesser? Just trying to understand the magnitude.

Bir Kapoor: I would say probably 1 to 1.5 weeks because that's how roughly the -- my shipments are getting delayed almost by 2 weeks, which we try to push it and try to make it up, but 1, 1.5 weeks can be taken.

Sudarshan Padmanabhan: Sure, sir. My next question is to understand on the refrigerant gases. We've seen that last year, the refrigerant gases went through a pretty bad phase in terms of pricing as well as volumes. But it was good to see that the light there, end of the tunnel, and we are seeing some kind of an upward traction in the prices and the volumes. Can you give some color, as we move forward, is the worst over? What are we looking at as far as things are concerned in this aspect going forward?

Bir Kapoor: Yes. Again, Sudarshan, your voice was a little bit muffled, but as I understand you are asking question on refrigerant gases. Is it right?

Sudarshan Padmanabhan: Yes, sir.

Bir Kapoor: Refrigerant gases, of course, the last quarter was normally -- since it's a seasonal thing, last quarter was supposed to be a good quarter. So in terms of -- if we talk about R-22, yes, we had a good volume in R-22. Going forward, I think that based on the seasonality, I am not expecting much in next 2 quarters. However, in the third or fourth quarter, we expect, again, the volumes to pick up.

As far as the pricing is concerned, from January onwards next year, R-22 quota will get reduced, and then, there might be some firming up the prices because of that. So we look forward to perhaps slightly better refrigerants in Q4, okay? But our business focus and our product range in this refrigerant business is very limited. We are primarily in R-22.

Sudarshan Padmanabhan: Sure, sir. Sir, 1 final question before I join back the queue is we do see a huge opportunity on the EV side, on the battery chemical side, which we are investing in, and there is also a huge growth ahead of us, specifically in newer application of Fluoropolymers. Sir, with the capex ahead, and I'm sure that we would also be funding it from growth from the cash flows. What is the kind of EV to EBITDA or debt to EBITDA that we would be comfortable with as far as the balance sheet is concerned to fund this growth?

Bir Kapoor: So right now, as we have indicated, Sudarshan, that -- I mean we have made certain investments, which we have announced already in EV segment. And our subsequent growth in this segment, we will be funding it, not from internal accruals, but from external fundings. And we talked a

lot in detail about it when we had a call in February on EV segment. So we are still holding on to that. And we have -- there, we had also given a very -- guidance in terms of what our asset turnover ratios is going to be, what our expected EBITDA margins is going to be. So I think we are holding on to those numbers.

Moderator:

The next question is from the line of Rohit Nagraj from Centrum Broking.

Rohit Nagraj:

Congrats on potential improvement in operating performance. Sir, the first question is on the capex front. So on Slide 13, we had given capex. I think last quarter, the EV capex was slated at INR800 crores, now we have reduced it to INR700 crores, so is there any recalibration which we are doing in terms of capex given the current circumstances and where the industry is obviously grappling with overcapacity from China, so your thoughts on this?

And just second question also, probably more or less alike to this, given that there has been a lot of capacity addition in China happening across Fluorochemicals, fluoro-intermediates as well as Fluoropolymers, what is the sense that we are getting in terms of the future, mainly in terms of pricing and whether our project dynamic also will change based on these new pricing and the return ratios probably will be lesser than what we are expecting now?

Bir Kapoor:

Thanks, Rohit. Let me first take up your first question regarding the capex. See, capex fine-tuning is a normal process, okay, when we look at that. So our -- I mean, medium-term or long-term capex plans are all intact. This is -- just in this year, we thought that probably we will be able to do INR700 crores in EV and some of it actually gets rolled over to the next year, so that was then.

Otherwise, fundamentals are very strong. We have not -- in the EV, we have not cut any projects. As we have indicated, we had 4 or 5 product lines, which we are pushing, and our plans to set up capacities on all these verticals are still there, okay? Coming back to the issue of Chinese versus non-China, let me take up in 2 parts.

The first is EV segments. EV segments, I think we have indicated many times that the market and the segment that we are targeting primarily is a U.S. market. And these markets are not accessible to Chinese players because of the IRA compliance. In addition to that, even the markets where Chinese players are allowed to enter, there is a very, very strong drive to develop alternate supply chain, and that's where we come in.

So as far as the Chinese capacities are there, I think we need to look at what are the capacities which are outside China. And that exactly is where our playfield, and that's exactly is where we are competing with. And there, if you look at the players, we are one of the strongest for multiple reasons. One, of course, is that he presents a very strong bouquet of products; and second, that we have a propensity to grow, and we are fully backward integrated.

We are one of the few players outside China where we are integrated all the way up to Fluorspar. And if you look at the entire EV product player or the manufacturer, you won't find -- in fact, not more than 1 or 2 who have this capability. In fact, probably not even 1, okay? So I think if you look at in the proper segmentation, I think you would understand that the Chinese capacities may not really impact us on our growth plans.

Coming back to Fluoropolymers. Fluoropolymer, Chinese capacities are always there, okay, even when we started a long time back, even today. So I'm not so sure that there is a new Chinese capacities, which is getting added in Fluoropolymers in China. However, I would like -- Kapil, do you want to add anything there?

Kapil Malhotra:

Yes. In fact, I would say that most of the growth which we have been talking about Fluoropolymers is going to come into the high value-added segments, and China is not into those high value-added segments, as also we have discussed in the last calls also. So we are investing in those products in new Fluoropolymers, which -- where we are going to head for the high purity segments and the high value-added segments. Hence, the competition is with the legacy players and has already been indicated to you earlier and also by Dr. Kapoor that some of these legacy players, either some of them have gone out or some of them are on the way out. So there, the position for us becomes very clear that we become one of the key preferred suppliers in these high value-added segments, and that's where the opportunity for us is there to grow further as we have indicated to you.

Bir Kapoor:

Yes. So -- I mean, once again, I would like to reiterate, Rohit, that the fine-tuning of capex is not too much to be read in terms of market, and that number that we are talking about is hardly INR100 crores, which is nothing but a deferment of some of the cash flow into the following financial year.

Moderator:

The next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal:

Sir, I'll just go back to the Fluoropolymer comments that you were making earlier. I mean, 2 parts. One is, a, the comment that you made with respect to the legacy players moving out. I mean this is a commentary that we've heard for some time, have been waiting for this event to play out.

Sir, if you can just help us understand more from a 2-, 3-year perspective, I mean how is it withdrawal -- I mean how is the market right now? Where is the market right now, rather, in terms of the legacy players withdrawing from this market? And at what stage does it start to benefit us, start get reflected in our volume gains for Fluoropolymers?

Bir Kapoor:

Very good, Nitin, good question. I think we had always said about legacy player, but I think we'll have to look at the entire thing in a perspective that when are they actually exiting the market, what's the rate, what are they doing. And I'll request Kapil to quickly add here. Kapil, go ahead.

Kapil Malhotra:

Yes, Nitin. So one of the main legacy player has already announced that they will be moving out by end of 2025. So what has happened is that since they were also into the high segment -- high value-added segment, we already had some drop in products where we started getting some business and we are already going into that market.

But some of the other grades are under evaluation. So we expect that probably from the beginning of next year, we should start seeing those as customers have also promised us that the moment we start getting the approvals, they will start giving us more market shares, and we expect that process to start probably on a speedy way from end of the quarter of this financial

year and start gaining quarter-by-quarter in the next year. And by the time they exit, we will also have a good market share in that segment.

Nitin Agarwal:

And sir, on that, if you were to just not to look at numbers, but qualitatively versus -- I mean, how should we think about the size of the opportunity? I mean both in -- I mean maybe in value terms or value or volume terms, how should -- what really opens up for us because of this development, which is going to happen over, say, next 2- to 3-year period?

Bir Kapoor:

Okay. So I think exact opportunity is, of course, would be difficult for us to highlight. However, we were looking at it from the perspective of the capacities that we have in place. And that's also the legacy player that Kapil was mentioning, particularly 3M. So our plan is to develop the products. Some of the products are crop-in like Kapil said and some, of course, are being developed.

So we are -- there we have structured our capacities, and the plan is to capture that opportunity. It's difficult for me to say what size of global opportunity are there. Typically, I think you can - - the entire -- if 3M goes away, that entire volume actually gets available, okay? And Kapil, you can add anything.

Kapil Malhotra:

And one more point, see, one is that we are talking about the replacement of the void which is going to be created. The second, we are also talking about the growth coming in this segment. So both are opportunities for us. Wherever the opportunity is coming first, we are trying to capture it. The legacy player going out and also along with the growth coming in these particular sectors. So it's coupled together.

Nitin Agarwal:

Got it, sir. So sir, if I were to just think about this, when you look at the Fluoropolymer business for this year, for the next 2 to 3 quarters, it probably scales from the levels where it is and then it probably begins to inflect somewhere in FY '26 and where the pace really takes off. Is that the way to think about our Fluoropolymer business?

Bir Kapoor:

Not really. I think what, Nitin, we are saying is that, that pace is going to pick up in this financial year itself, okay? We expect the Fluoropolymer business to grow. And quarter-on-quarter, you will see our Fluoropolymer business' performance improving or going up. And that actually will -- in quarter 4, we expect it to reach, and it will continue to reach. But the growth, of course, in the next financial year will be -- will come down. So most of the growth in Fluoropolymer, we would expect to see during the next 3 to 4 quarters.

Nitin Agarwal:

Okay. And sir, the last one. Sir, in terms of the current capacities, which are there for Fluoropolymers with all of the opportunities that we see in the space, I mean, are our current capacities enough to take care of that or do we need to step up capex or probably plan for some incremental capex for this business?

Bir Kapoor:

See, what happened, Nitin, is that, that we have put sufficient capacities in terms of monomer, okay? And right now that the capacity that we have, we expect to get it utilized by fourth quarter of this year or probably early next year. I think we will have to revisit the potential opportunity as it emerges probably later on during this year, and we may decide to add reactors, okay, certainly.

- Moderator:** The next question is from the line of Utkarsh Somaiya, an individual investor.
- Utkarsh Somaiya:** Can you please provide details on the specific products and the application that the new subsidiary in Oman plans to manufacture? Also which market segments will the products cater to? And how will they integrate into the EV ecosystem...
- Moderator:** Sorry to interrupt, Mr. Utkarsh, could you come a bit close to the handset and speak?
- Utkarsh Somaiya:** Yes. Could you please provide details on the specific products and their application that the Oman subsidiary plans to manufacture?
- Bir Kapoor:** Yes, Utkarsh, the Oman being an FTA country to U.S. as -- and we have always indicated that our -- one of our focused market area is U.S., so it will be focused on battery chemicals, primarily, and catering to U.S. market. At this point of time, I cannot give you more details about the product, but it's primarily the -- for EV segment and catering to the U.S. markets. That's what the plan is right now.
- Utkarsh Somaiya:** Okay. Any more comments as to how it might integrate into the broader EV ecosystem, if you can comment? I mean, if you can't, it's okay, but in case you can give any details.
- Bir Kapoor:** No, in terms of integrate means, it will probably be the similar product lines that we already have. So it will be -- we'll probably be manufacturing these products from another site, which is located in an FTA country to cater to U.S. markets. And this is, again, primary to ensure the IRA compliance and giving us strength to access to those markets.
- Utkarsh Somaiya:** Is this a product extension or just a plant to manufacture the same products?
- Bir Kapoor:** It's going to be the similar product lines. If you look at the battery segment, what we had already indicated, there are a few product lines and which we will continue in those. And again, it will more be on the chemical segments.
- Moderator:** The next question is from the line of Ketan Gandhi from Gandhi Securities.
- Ketan Gandhi:** Sir, is it possible for you to quantify the revenue not booked due to the Red Sea?
- Bir Kapoor:** Just a rough number could be INR70 crores to INR80 crores, Ketanji, that's what number is.
- Ketan Gandhi:** Yes. Fair enough. And sir, any plan to reduce the cost of energy? It is, I think, biggest and the largest line item in the expenses. I believe we had thought that we should be buying wind or solar power from the C&I segment. So how can we save on cost of the energy going forward, and if you can quantify that amount?
- Bir Kapoor:** That's already in our plan, Ketanji, that we are looking at beginning of next year, getting into the renewable energy and putting long-term contracts in place for the same. So probably next year onward, you will see improvement in our energy cost and also have both advantages, not only the cost, but also the environmental footprints, okay?

- Ketan Gandhi:** Any ballpark figure, sir, how much we can save in next 2 to 3 years, broader idea? If you couldn't share, otherwise, it's okay, I mean, if you can't share.
- Bir Kapoor:** Around INR100 crores, you can take. I mean, we'll probably be more specific when we talk to you maybe later in this year. In that order, okay, INR100-plus crores.
- Moderator:** The next question is from the line of Sanjesh Jain from ICICI Securities.
- Sanjesh Jain:** Sir, just 1 question on this capex of INR500 crores and INR700 crores which we intend to do in FY '25, can you give us more detail where are these capex spent, particularly in the parent entity?
- Bir Kapoor:** See, parent entity, I think we had already indicated earlier, some of it is ongoing capex that we had started last year in Fluoropolymer capacity expansions. We have also, as we have indicated that we are -- we have set up a post-processing facility also to get into the premium end segments. So most of it is actually in Fluoropolymer, Sanjesh, okay? And that we started last year. Some of it is capacity building, some of it is post-processing. So it's primarily the Fluoropolymer segments only, okay?
- Sanjesh Jain:** And what is expected capex for FY '26 assuming that we achieve the target for this year? How should it look like for FY '26? Will it be to the tune of INR500 crores to INR1,000 crores, again, for the Fluoropolymer segment?
- Bir Kapoor:** Sanjesh, give us a little bit more time because I think we'll probably have it by the next 2 quarters. So we'll have a firmer plan, and we'll guide you on that. But, of course, a lot of it depends how it takes up, and then, our plan to add more capacity as we get these capacities utilized, okay?
- Sanjesh Jain:** So what we were thinking in terms of Fluoropolymer capacity, say, 2 years back, are we there or we are still short of it?
- Bir Kapoor:** No, which -- when? Fluoropolymer capacity, when? You're talking about 2 years from now or - I didn't get your question.
- Sanjesh Jain:** No, no. Sir, 2 years back, we were planning to go from 700 metric tonne per month capacity to 1,600 to 1,800 metric tonne per month kind of a capacity. Are we there now with this year or you think there is still some headroom from the previous capacity expansion?
- Bir Kapoor:** We are almost there, Sanjesh, except in some of the Fluoropolymers, we have held back our reactors because we have put up the capacities for monomers, okay, but we are more or less there, what we had planned.
- Sanjesh Jain:** Okay. So, sir, next year, it would be a capex plan that will be beyond that what we were -- we had in our earlier projections?
- Bir Kapoor:** I'm only -- I can -- if I have to -- as I said, that we'll give you a firm answer maybe by the end of this year, but nevertheless, if you want to look at the direction, the first direction would be to add more reactors where we have monomer capacities, whether that monomer is in the -- on the TFE side or on the 142B side. So we'll have capacity first to exhaust it and then look for additional capacity later on.

- Moderator:** The next question is from the line of Rohit Nagraj from Centrum Broking.
- Rohit Nagraj:** Again, apologies for harping on the China side. So on the Fluoropolymers, we are primarily going for value addition. However, the base capacities -- I mean, base polymer capacities are there in China. Effectively, the base polymer, Fluoropolymer pricing, will it be more or less determined by China and our value addition will certainly dictate the prices of what the high-end polymers are? So just your perspective on this, sir.
- Bir Kapoor:** Yes. Thanks, Rohit. I'll again -- once again invite Kapil to take your question. Please, Kapil.
- Kapil Malhotra:** Yes, Rohit. In fact, 2 quarters back when we had the investor call, there I had mentioned that our plan is to move away from the Chinese competition and go into those applications where we are going into aerospace, automotive, semiconductor, EV applications, where the Chinese are not present because the nature of these applications as such, they require high purity products. Secondly, the gestation period in terms of the approval cycle is pretty long. And that's where we score.
- And so hence, there, the prices are not dictated by the Chinese. There, the prices are just there where you can get your best prices from the customers on the value addition you are giving to the customers. So this is a segment where we have kept ourselves going from strength to strength. And despite the headwinds from China, we still are trying to see to it that we grow strength to strength every quarter, and that is why we constantly talk about it.
- Rohit Nagraj:** Sure. This is really helpful. Sir, just second question. Again, apologies for harping on the guidance part of FY '25 in terms of EBITDA. So we are looking at a quarterly EBITDA run rate of about INR400 crores to INR500 crores. And given that first quarter we have done about INR260 crores, INR270 crores, it's slightly probably a longer way to go.
- What gives us confidence that we will reach that level of INR400 crores, INR500 crores over the next maybe 2 to 4 quarters? Is it backed by certain firm orders from our customers or the other way that you had indicated about the competition going out of the system? So are there some capacity of the competition, which is going out of the system in near term? And later on, again, incremental capacities will go out of the system? So just your thoughts on this.
- Bir Kapoor:** Yes. Once again, Rohit, I think the confidence that we are getting, part of it is it's both because we have certain approvals in place, and there has been an indication from our customers that it will -- the volume will pick up. And we have all the elements in place today. We have the capacities, we have validation, and it's a natural growth process in some of the products that we expect. And this is once again driven, primarily by the legacy players and also by the natural growth that we are seeing.
- Clearly, we had indicated earlier about the semicon. We are seeing a very strong tailwind in this sector in one of our product lines where the demand is -- there's a pull from the customer side. And we are gearing up to meet that pull. And that's where our confidence is coming from because we have volumes, which has been indicated by the customers.

In some cases, when we talked about the domestic segments, Kapil mentioned about FKM, and there is a potential upside that we are expecting in this, okay? It will come, Rohit, in the second half as -- okay, you'll see a buildup coming up in Fluoropolymers, okay? So today, we are on inflection point. We are very close to where we were in the quarter 1 last year, which was actually the end of the FY '23, okay? So now the reverse process will start from here onwards.

Moderator: The next question is from the line of Yash Shah from Investec India.

Yash Shah: My first question was regarding the EV battery capacity, what we have in LFP, LiPF6 and the electrolyte, just wanted to understand how much we are going to be able to use captively versus selling it outside. So will you be able to provide some color how much of the capacities do we have across the value chain?

Bir Kapoor: Yash, we have not provided any numbers in terms of values and also details like that because that's -- we believe at this point of time when we are building up the business, some of it is we need to keep it confidential for the competitive edge, okay? So it will not be possible for us to give you the precise numbers.

Yash Shah: All right, sir. No, that is fine. But if you can provide basically broadly to help us understand how much will you be using it captively? Like what are your plans regarding using them captively versus selling them outside, some kind of a proportion or a ratio which you have -- which you might have like basically drawn at this point?

Bir Kapoor: See, the captive will primarily be used for electrolytes, okay? And electrolyte will be mostly for domestic sectors. So our LiPF6 for domestic sector will primarily go as electrolytes, okay? Now -- so the ratio, if I have to give you any indication, it will not be possible for me to give you exact, but to directionally, whatever LiPF6 that I'll be targeting for domestic sector will be the captive consumption, okay?

And whatever is going out to global would be the -- going as a salt. So long-term growth plan when India market fully develops, probably it can be a significant split, perhaps 50-50 of that order. However, in the short term, it will be dominated primarily by the global side, okay? All right?

Yash Shah: Yes, sir. This is helpful.

Bir Kapoor: Thank you so much. Thank you.

Moderator: The next question is from the line of Abhiseck Jain, an Individual Investor.

Abhiseck Jain: So recently, I was going through a report from one of the broker, where they are saying that GFL's most product is mostly on the PFA side and which is facing the issue due to environment concerns and the reason that players like 3M is exiting is because of the environmental action. And in future, there may be a product which may be PFAS-free. So in line with that, just wanted a view on that, how do you think this happening, whether India and other economies will stop taking PFAS and there will be alternative to it? How is the landscape going to be?

Bir Kapoor: Yes, Abhishek, I think we have talked a lot in detail about this in some of my previous calls. One of the reasons for exit was not really related to Fluoropolymer because the PFAS issue is - - primarily is for fluoro compounds, which are mobile and toxic, which essentially gets into the -- which has a mobility getting into the cell mechanisms, okay?

So the thing is that -- so they have to have mobility in the ecosystems. So typically, Fluoropolymers are a very inert compound and not that much falling into the category which may pose any kind of a threat because of the PFAS. And this has been recognized, and there has been -- now if looking at the new regulations or the direction in which regulatory authorities are going, they are trying to exclude the Fluoropolymers out of it.

However, in the process of making Fluoropolymers, there is sometimes fluorinated aids are used, and that can potentially create some issue, but that is highly contained now and that also is not an issue at this point of time. So I think we are -- it's not that, that we are concerned. We are not really concerned about it because Fluoropolymer as products are high-performance material going into the sunrise sectors, whether it's solar or EV or hydrogen. So they are all getting into these new sectors, and they are being -- they are required for the growth of this new-age segments. So I think it has been well recognized right now, Abhishek, and there's no that way pressure in terms of phasing any of the Fluoropolymers out because of the -- and it has been well recognized globally.

Abhiseck Jain: And what about the -- also news of the Clariant developing a product, which is PFAS-free? Will that be a competition?

Bir Kapoor: Which free? I'm sorry, I didn't get your point.

Abhiseck Jain: PFAS-free product by Clariant.

Bir Kapoor: Clariant is not into Fluoropolymers. I'm not sure what you're talking about because they could be talking about -- because they are into paints and coatings and additives, so maybe there may be some specific products, which they may be talking about, but I'm sorry, I cannot comment on that.

Moderator: Ladies and gentlemen, that was the last question for today. We have reached the end of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Bir Kapoor: Thank you very much. Archit, thanks for -- and I would like to thank all the participants and the investors for taking interest in us. Clearly, as we had indicated earlier, that we are seeing a turnaround, and we continue to maintain that position. The growth rate, however, may not appear to be as high as we would like to see; however, it's firm in place. And the quality of this growth that now we are seeing, driven by Fluoropolymers, we expect it to be more robust and stable, and we expect to see and continue to see this growth quarter-on-quarter.

As I had indicated in between our call that we expect to see more in the second half of this quarter. So clearly, I think, yes, there are always minor headwinds here and there, but

fundamentals are very, very strong. And I think we are on the growth journey. So this is for Fluoropolymers.

And for EV, of course, our fundamentals are very, very strong. We are -- our positioning in EV is also very strong. We are one of the highly credible partner, which has capability to execute battery chemicals and deliver battery chemicals globally across all our customers. So -- and also driven by the supply chain, which is independent of China, okay?

So with this, I would like to thank all of you and look forward to connecting with you again next quarter. Thank you.

Moderator:

Thank you. On behalf of B&K Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.