

GFCL: BRD: 2024

1st October, 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: Disclosure pursuant to Regulation 30 and 56(1)(c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')

Ref: CRISIL Reaffirmed Ratings on enhanced Bank Loan facilities and Non-Convertible Debentures of Gujarat Fluorochemicals Limited

In terms of Regulation 30 and 56(1)(c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), we would like to inform that we have received reaffirmed Ratings on enhanced Bank Loan facilities from Rs. 2,000 Crore to Rs. 2,500 Crore and Non-Convertible Debentures from **CRISIL Ratings Limited** which is enclosed herewith, details of which are as under:

Total Bank Loan Facilities Rated	Rs. 2,500 Crore (Enhanced from Rs. 2,000 Crore)
Long – Term Rating	CRISIL AA+/Stable (Reaffirmed)
Short – Term Rating	CRISIL A1+ (Reaffirmed)
Rs. 50 Crore Non-Convertible Debentures	CRISIL AA+/Stable (Reaffirmed)

We request you to take the above on record.

Thanking you,

Yours faithfully,
For Gujarat Fluorochemicals Limited

Bhavin Desai
Company Secretary
FCS: 7952

Encl.: CRISIL Rating Rationale

Rating Rationale

October 01, 2024 | Mumbai

Gujarat Fluorochemicals Limited

Ratings reaffirmed at 'CRISIL AA+/Stable/CRISIL A1+'; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.2500 Crore (Enhanced from Rs.2000 Crore)
Long Term Rating	CRISIL AA+/Stable (Reaffirmed)
Short Term Rating	CRISIL A1+ (Reaffirmed)

Rs.50 Crore Non Convertible Debentures	CRISIL AA+/Stable (Reaffirmed)
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Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings.

The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AA+/Stable/CRISIL A1+' ratings on the bank facilities and Rs 50 crore non-convertible debentures of Gujarat Fluorochemicals Ltd (GFL).

The rating reaffirmation reflects the established market position of GFL in the chemicals business, its healthy operating efficiency driven by integrated operations, and strong financial risk profile. While GFL's operating performance remained weak in fiscal 2024, the reaffirmation reflects expectation of significant recovery in fiscal 2025. The ratings also reflect the company's strong financial risk profile emanating from healthy debt protection metrics and robust network.

GFL's operating performance was subdued in fiscal 2024 with operating revenue of Rs 4,281 crore and earnings before interest, tax, depreciation and amortisation (Ebitda) margin of 21% compared with Rs 5,685 crore and 36%, respectively, for fiscal 2023. This is due to significant moderation in realisations in the fluorochemicals and bulk chemicals segments compared with above-average realisations in fiscal 2023. Moreover, destocking of fluoropolymers (FPs) in the major markets of the US and Europe led to decline in both, volume and realisations, impacting the overall profitability. Furthermore, the company has invested ~Rs 1,200 crore for setting up capacities in new FPs, where commercialisation takes times due to the long customer qualification process, leading to slower-than-expected ramp-up and impacting profitability.

The rating reaffirmation reflects expectation of significant recovery in operating performance in fiscal 2025, this will be monitorable. GFL saw sequential recovery in operating performance as indicated by Ebitda margin of 21.6% in the first quarter of fiscal 2025 and over 20% in the fourth quarter of fiscal 2024 compared with ~16% in the second quarter of fiscal 2024. While the fluorochemicals and bulk chemicals segment are expected to remain flattish in fiscal 2025, CRISIL Ratings believes the recovery will be driven by the FP segment as the destocking bottoms out and the exit of a few legacy players leads to better demand. Furthermore, certain new FPs, including electric vehicle (EV) battery chemicals, are in sampling stages with customers with commercialisation expected from the second half of fiscal 2025.

The new FP segment includes salts such as Lipf6, binders such as polyvinylidene fluoride (PVDF) and electrolytes such as lithium iron phosphate (LFP), which have end-use applications in high-growth sectors such as EV batteries, hydrogen fuel cells and semiconductors. GFL is well positioned to cater to these segments with expertise in fluorine chemistry, significant investments already undertaken and the China+1 sourcing strategy of end users. Hence, this segment will drive revenue growth over the medium term. Plus, improvement in the product mix will lead to lower volatility and sustenance of strong operating margin. This ramp-up in new age FPs will remain monitorable.

The financial risk profile remains strong with external net debt of Rs 1,797 crore and robust debt protection metrics with interest coverage ratio expected to sustain over 7 times. Given the growth opportunity in the new FP segment, GFL plans significant capital expenditure (capex) of ~Rs 1,300 crore per annum in the next few fiscals. Majority of the capex is likely to be funded through internal accrual. Also, the promoters have healthy financial flexibility to raise equity funding for the substantial capex planned. Any significant debt-funded capex will remain monitorable.

CRISIL Ratings also notes the steps by the GFL management to reduce debt in group companies by raising funds through various measures and the improvement in the operating performance of the wind business, leading to reduced support from GFL. The ratio of adjusted net debt (including guaranteed debt of Inox Wind Ltd [IWL]) to Ebitda weakened to over 3 times in

fiscal 2024 from ~1.5 times in fiscal 2023. CRISIL Ratings expects the operating profitability of GFL to recover and the guaranteed debt towards IWL to decline significantly, leading to adjusted net debt to Ebitda below 1.5 times over the medium term. This will remain a key rating sensitivity factor.

The ratings continue to reflect the established market position of GFL in the chemicals business, the company's healthy operating efficiency driven by integrated operations, and strong financial risk profile. These strengths are partially offset by the financial support extended to group companies and susceptibility to inherent volatility in the chemicals business.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of GFL and all its subsidiaries, as all the entities (collectively referred to as GFL) operate in similar businesses and are under a common management.

CRISIL Ratings has included the debt of IWL, which has been guaranteed by GFL, to arrive at the adjusted debt.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position:** GFL is the largest polytetrafluoroethylene (PTFE) manufacturer in India and among the top players globally. The company has a diversified product portfolio, comprising PTFE, new FPs, specialty chemicals, caustic soda, chloro-methane and refrigerant gases. The new FP products contributed to ~25% of the company's revenue in fiscal 2024, and will likely drive growth over the medium term. The market position here will benefit from the growing demand from industries such as EVs and semiconductors as well as from the China+1 sourcing strategy of end users. GFL's ability to grow revenue in this segment will remain monitorable.
- **Integrated operations driving operating efficiency:** The chemicals business is integrated forward into manufacturing PTFE and backward into hydrochlorofluorocarbons (HCFCs), anhydrous hydrogen fluoride, chloroform and chlorine. The new FP products such as PVDF, fluorocarbons (FKM) and phosphoric acid (PPA) fit seamlessly in the production cycle as these products are manufactured from the same raw materials, such as fluorspar and R-142b. This reduces dependence on external sources for raw materials and ensures healthy operating margin and capacity utilisation. While the Ebitda margin was subdued at ~21% for fiscal 2024, it is expected to recover and remain at 27-28% over the medium term driven by improved product mix.
- **Strong financial risk profile:** The financial risk profile is backed by strong network, comfortable gearing and robust debt protection metrics. The financial risk profile has improved as the management has brought down advances provided to group companies by infusing funds in these companies. Debt protection metrics should remain strong with interest coverage ratio expected over 8 times and with likely reduction in debt guaranteed by GFL. Adjusted gearing should remain below 0.6 time. Given the subdued operating performance in fiscal 2024 with high capex intensity, the return of capital employed was subdued at ~10% for the fiscal but is expected to recover in the near term.

GFL plans capex of ~Rs 1,300 crore per annum in the next few fiscals, mainly towards the new FP segment, particularly EV chemicals, which will be funded largely through internal accrual. Moreover, the promoters have healthy financial flexibility to raise equity funding to meet the capex requirement. Any significant debt-funded capex will remain monitorable.

Weaknesses:

- **Support to group companies, albeit expected to reduce materially:** GFL has supported group entities over the years through loans, advances, corporate guarantees and lien marking its own liquidity for loans of group entities, resulting in an increase in its own debt.

With focus on deleveraging and improvement in operating performance in group companies, this support from GFL has been reduced significantly and is likely to be negligible going forward, which remains monitorable.

- **Inherent volatility in the chemicals business:** The chemicals business is largely export-driven and is thus vulnerable to volatility in international markets. Addition of large capacity in overseas markets could constrain the performance of GFL. While the large scale and integrated operations drive operating efficiency, the business remains susceptible to fluctuations in global supply and price trends, especially in bulk chemicals and refrigerant gases. For instance, GFL's operating margin was significantly impacted in fiscal 2024 due to destocking in Europe because of economic slowdown. However, the higher mix of new FP products with increasing demand and higher margins should help reduce volatility in earnings over the medium term.

Despite prudent foreign exchange (forex) management policy, the company is vulnerable to significant fluctuations in currency exchange rates.

Liquidity: Strong

Liquidity is backed by expected annual cash accrual of over Rs 1,000 crore over the medium term, against annual term debt obligation of Rs 50 crore. Liquidity is also supported by unencumbered cash equivalent/liquid investment of about Rs 198 crore as on March 31, 2024. GFL plans combined annual capex of Rs 1,300 crore over the next few fiscals, which will be financed mainly by internal accrual. It has access to fund-based limits of Rs 2,000 crore, which were utilised 80% on average in the 12 months through March 2024.

Outlook: Stable

CRISIL Ratings believes GFL's business and financial risk profiles will remain healthy over the medium term, owing to strong demand across products.

Rating sensitivity factors

Upward factors

- Significant revenue growth from new products resulting in leading market position in those segments, with operating margin sustaining above 30%
- Material reduction in debt and support to group entities leading to improvement in the capital structure

Downward factors

- Slower-than-expected ramp-up in new segments leading to subdued operating profitability
- Significant, debt-funded capex or acquisitions or increase in support to group entities weakening the financial risk profile with adjusted net debt to Ebitda sustaining above 1.75 times

About the Company

GFL houses the chemicals business of the INOXGFL group. The company has a diverse product portfolio which includes caustic soda, chloro-methane, PTFE, HCFC and value-added products. It is one of the largest chemicals players in India, with a combined installed capacity of 72,000 tonne per annum (TPA) of HCFC, 19,750 TPA of PTFE, 138,450 TPA of caustic soda, and 109,620 TPA of chloro-methane.

The company reported revenues of Rs 1,176 crore and profit after tax of Rs 108 crore for the first quarter of fiscal 2025 compared to Rs 1,133 crore and Rs 101 crore respectively in the fourth quarter of the previous fiscal.

Key Financial Indicators

As on/for the period ended March 31	Unit	2024	2023
Revenue	Rs crore	4281	5685
PAT	Rs crore	435	1323
PAT margin	%	10.2	23.3
Adjusted debt/adjusted networkth	Times	0.51	0.58
Interest coverage	Times	7.62	18.42

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
INE09N307018	Non Convertible Debentures	21-Mar-23	8.52%	20-Mar-26	50.00	Simple	CRISIL AA+/Stable
NA	Working Capital Facility	NA	NA	NA	1875.00	NA	CRISIL A1+
NA	Rupee Term Loan	NA	NA	31-Jul-27	300.00	NA	CRISIL AA+/Stable
NA	Rupee Term Loan	NA	NA	15-Sep-27	325.00	NA	CRISIL AA+/Stable

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Gujarat Fluorochemicals Americas LLC, U.S.A	Full	Strong business and financial linkages

Gujarat Fluorochemicals GmbH, Germany	Full	Strong business and financial linkages
Gujarat Fluorochemicals Singapore Pte Ltd	Full	Strong business and financial linkages
Gujarat Fluorochemicals FZE	Full	Strong business and financial linkages
GFL GM Fluorspar SA	Full	Strong business and financial linkages
GFCL EV Products Ltd	Full	Strong business and financial linkages
GFCL Solar & Hydrogen Products Ltd	Full	Strong business and financial linkages

Annexure - Rating History for last 3 Years

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	2500.0	CRISIL AA+/Stable / CRISIL A1+	14-06-24	CRISIL AA+/Stable / CRISIL A1+	02-08-23	CRISIL AA+/Stable / CRISIL A1+	29-12-22	CRISIL AA/Positive / CRISIL A1+	27-08-21	CRISIL AA/Negative / CRISIL A1+	CRISIL AA/Negative / CRISIL A1+
			--	26-04-24	CRISIL AA+/Stable / CRISIL A1+	30-03-23	CRISIL AA/Positive / CRISIL A1+	02-06-22	CRISIL A1+ / CRISIL AA/Stable	03-08-21	CRISIL AA/Negative / CRISIL A1+	--
			--	15-03-24	CRISIL AA+/Stable / CRISIL A1+	08-03-23	CRISIL AA/Positive / CRISIL A1+		--		--	--
			--		--	14-02-23	CRISIL AA/Positive / CRISIL A1+		--		--	--
Commercial Paper	ST		--		--		--		--	27-08-21	Withdrawn	CRISIL A1+
			--		--		--		--	03-08-21	CRISIL A1+	--
Non Convertible Debentures	LT	50.0	CRISIL AA+/Stable	14-06-24	CRISIL AA+/Stable	02-08-23	CRISIL AA+/Stable		--		--	--
			--	26-04-24	CRISIL AA+/Stable	30-03-23	CRISIL AA/Positive		--		--	--
			--	15-03-24	CRISIL AA+/Stable	08-03-23	CRISIL AA/Positive		--		--	--
			--		--	14-02-23	CRISIL AA/Positive		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Rupee Term Loan	325	ICICI Bank Limited	CRISIL AA+/Stable
Rupee Term Loan	300	Bank of Baroda	CRISIL AA+/Stable
Working Capital Facility	500	Bank of Baroda	CRISIL A1+
Working Capital Facility	300	IDBI Bank Limited	CRISIL A1+
Working Capital Facility	500	State Bank of India	CRISIL A1+
Working Capital Facility	150	ICICI Bank Limited	CRISIL A1+
Working Capital Facility	75	Emirates NBD Bank PJSC	CRISIL A1+
Working Capital Facility	75	Axis Bank Limited	CRISIL A1+
Working Capital Facility	25	CTBC Bank Co Limited	CRISIL A1+
Working Capital Facility	250	YES Bank Limited	CRISIL A1+

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Chemical Industry
CRISILs Criteria for rating short term debt
CRISILs Criteria for Consolidation

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