

Gujarat Fluorochemicals Limited

Earnings Presentation

FY2020 Q4 & FY2021 Q1



DISCLAIMER



This presentation and the following discussion may contain “forward looking statements” by Gujarat Fluorochemicals Limited (“GFCL” or “the Company”) that are not historical in nature. These forward looking statements, which may include statements relating to future state of affairs, results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of GFCL about the business, industry and markets in which GFCL operates.

These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond GFCL’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements.

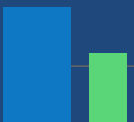
Such statements are not, and should not be construed, as a representation as to future performance or achievements of GFCL. In particular, such statements should not be regarded as a projection of future performance of GFCL. It should be noted that the actual performance or achievements of GFCL may vary significantly from such statements.

In the presentation, we have provided, in order to enable a meaningful comparison, figures for the chemical business for earlier periods, as culled out from the consolidated results of the then Gujarat Fluorochemicals Limited (now GFL Limited).

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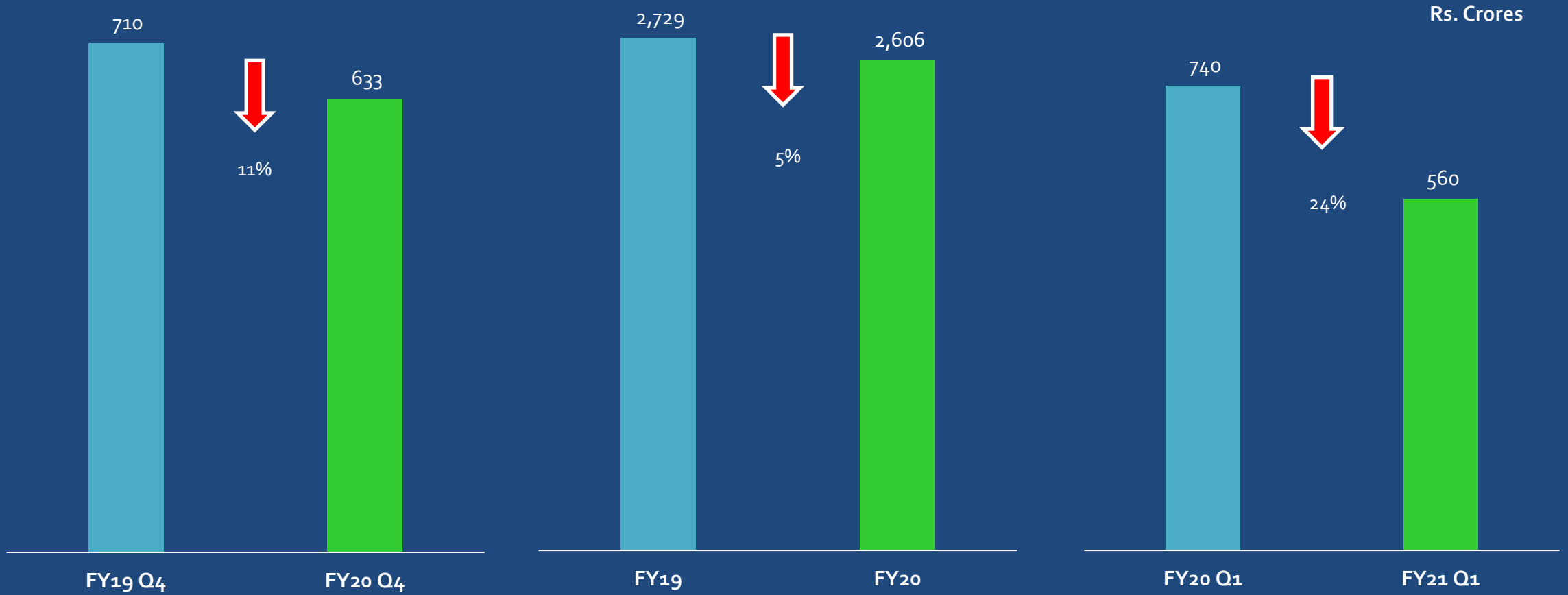
- Financial Results Overview
- Segmental Performance
- Segment-wise Outlook
- Company Overview
- Outlook



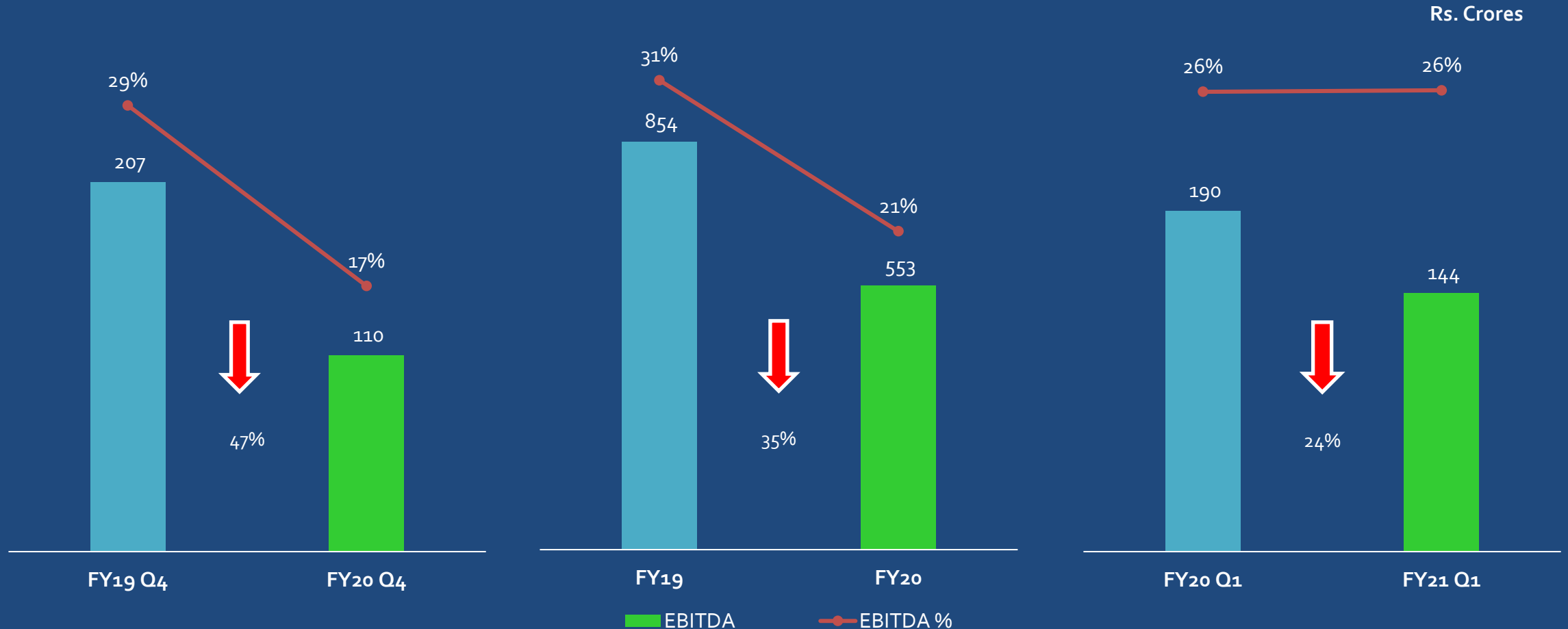
FINANCIAL RESULTS OVERVIEW



REVENUES

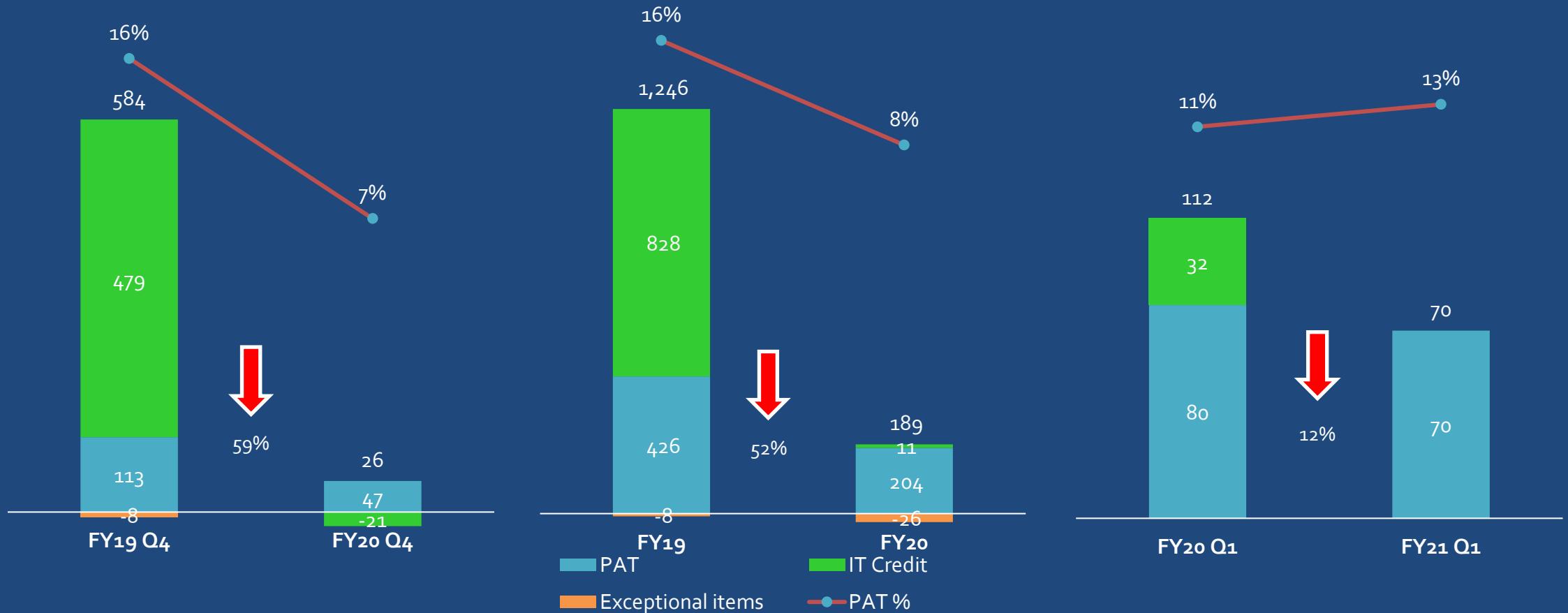


EBITDA AND EBITDA MARGIN



PAT AND PAT MARGIN

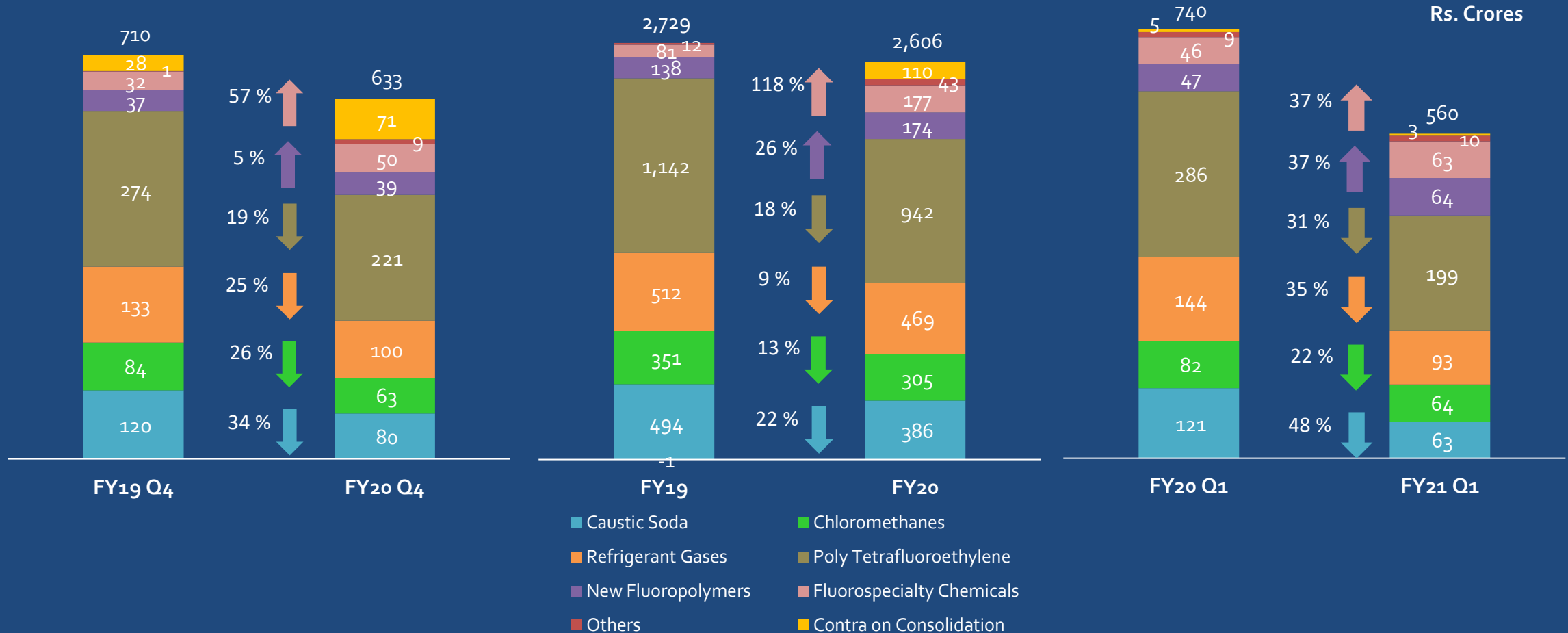
Rs. Crores



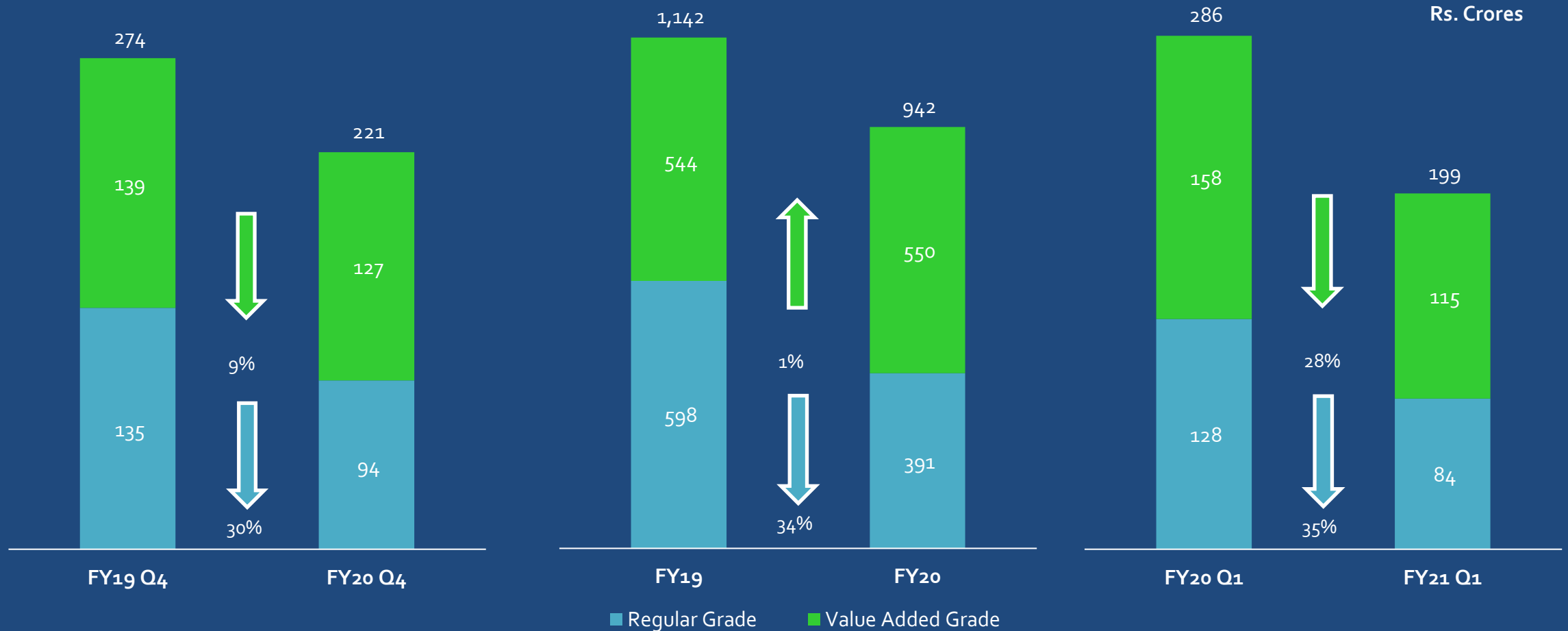
SEGMENTAL PERFORMANCE



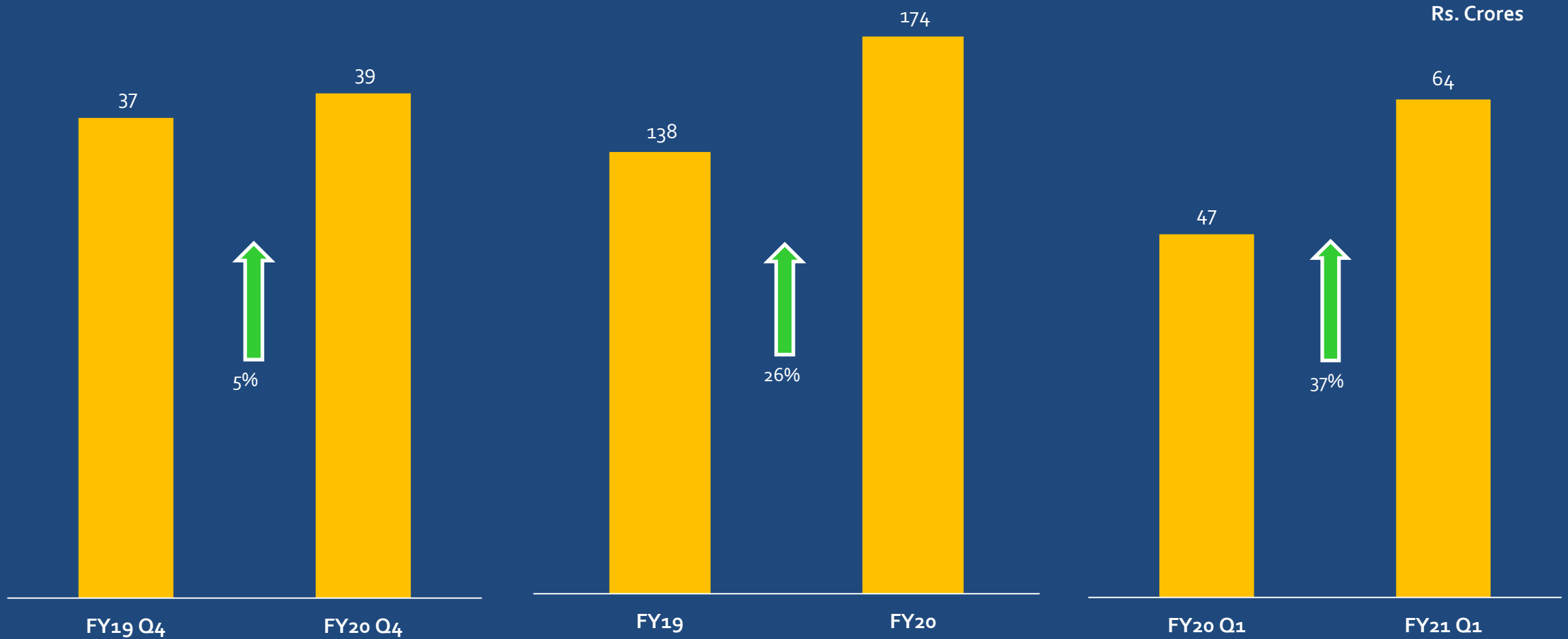
REVENUES BREAKUP



PTFE REVENUES BREAKUP



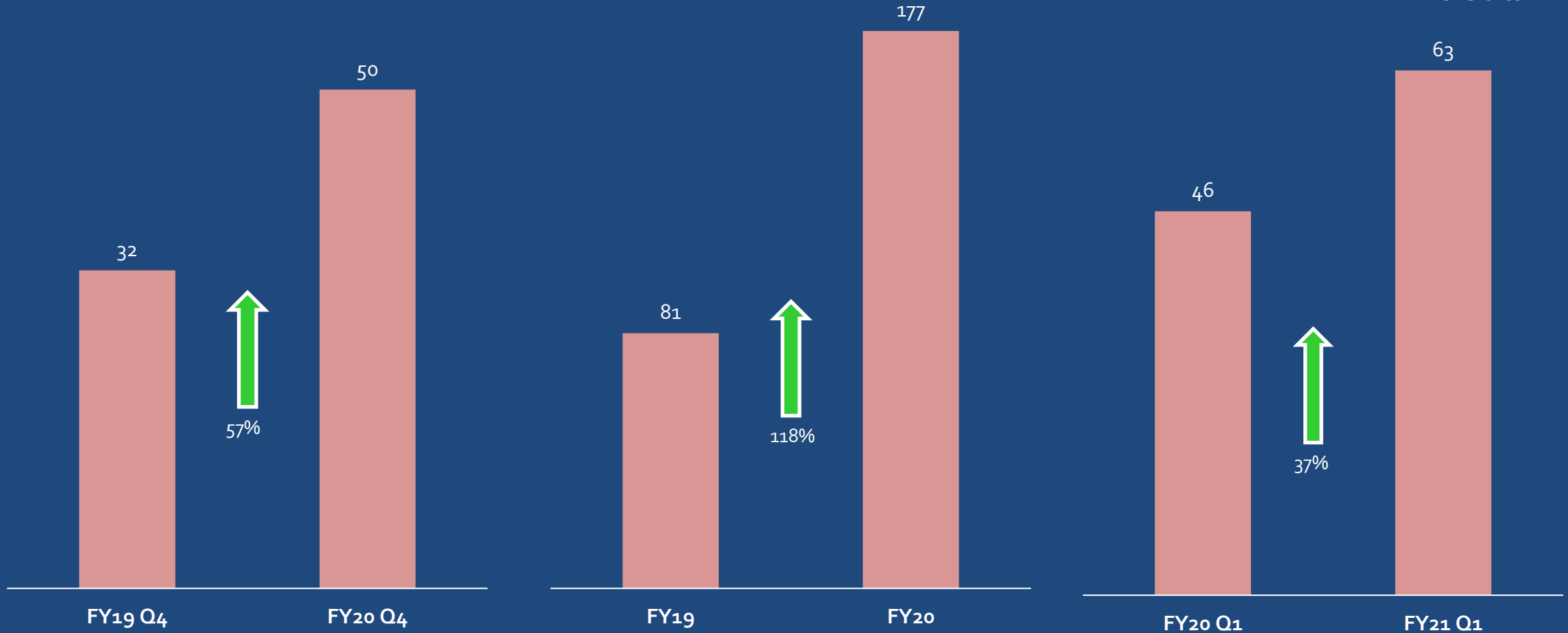
NEW FLUOROPOLYMERS REVENUES



FLUOROSPECIALTY CHEMICALS REVENUES



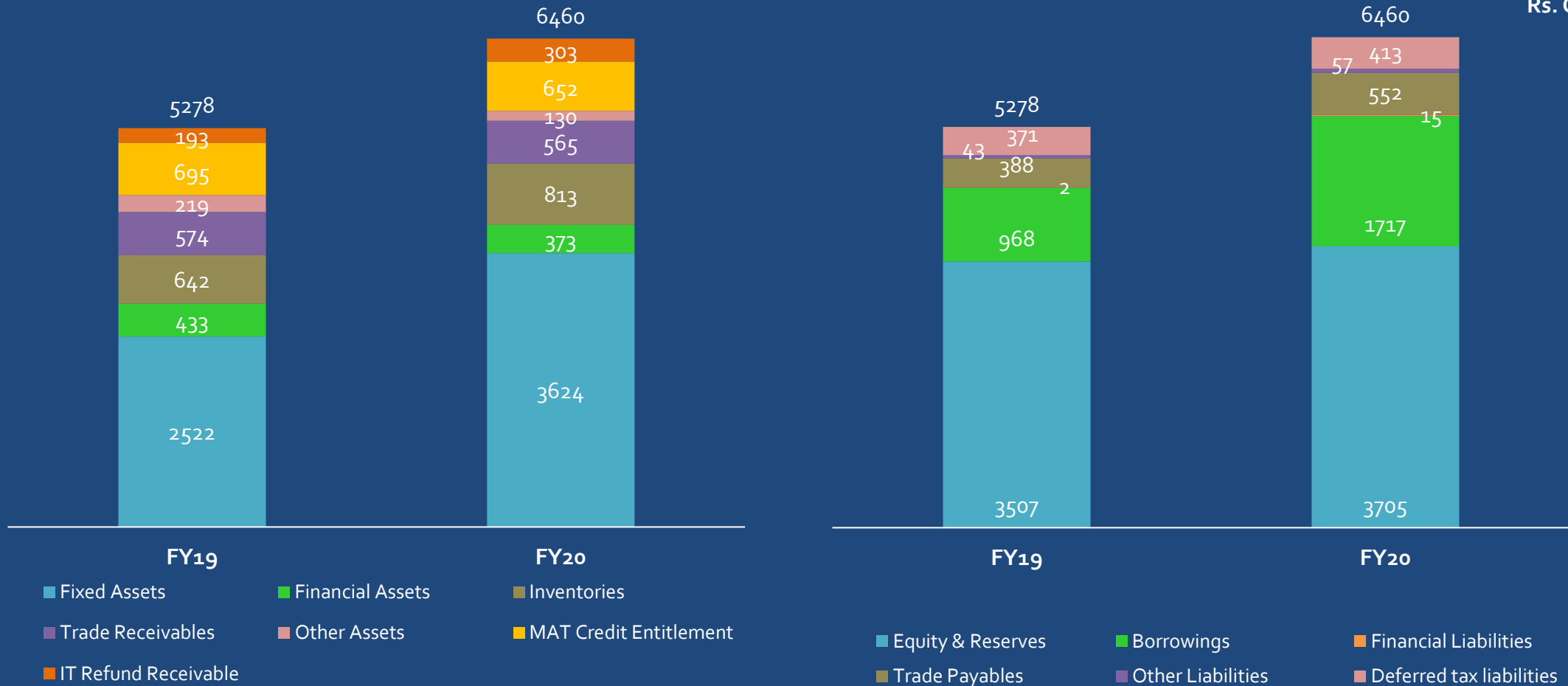
Rs. Crores



BALANCE SHEET BREAKUP



Rs. Crores



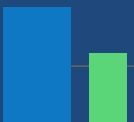
SEGMENT-WISE OUTLOOK



CHEMICALS – CAUSTIC SODA



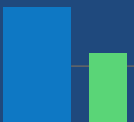
- Current position
 - Plants are currently running at 80% capacity
 - Caustic soda prices continue to be adversely impacted both because of curtailed demand because of Covid and surplus capacity which has been set up
- Future Outlook
 - Prices are expected to remain depressed for the next 2-3 quarters
 - Target is to reach full capacity utilization by end of the current quarter



CHEMICALS - CHLOROMETHANES



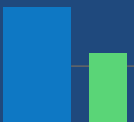
- Current position
 - Production was impacted in April – June quarter due to Covid lockdown
 - Plants are now running at full capacity
 - Demand for MDC, used mainly for pharma sector, remains strong
- Future Outlook
 - Prices and demand are expected to remain stable because of increased requirements in the pharma sector



CHEMICALS – REFRIGERANTS



- Current position
 - R22 is used as a feedstock to make fluoropolymers, pharma and agro products, and as a refrigerant
 - There was a curtailment in demand in all the 3 segments and refrigerant demand was significantly impacted
 - Demand is expected to reach the pre-covid levels during the current quarter
- Future Outlook
 - With the opening up of the economy, refrigerant sales are inching back to normalcy
 - Production will continue to increase due to the rising feedstock requirements
 - Prices of refrigerants expected to remain stable



PTFE



- Current position
 - PTFE sales were adversely impacted as demand fell both in the domestic and overseas markets because of Covid related lockdowns
 - In June domestic demand came back to about 80% and overseas demand to about 75% of pre-covid levels
- Future Outlook
 - A very wide range of PTFE grades have been developed and qualified by users across a wide range of industries
 - By end of this quarter, it is expected that domestic demand should reach 100% of pre-covid levels and overseas demand around 90% of pre-covid levels
 - With demand growth coming back, our target is to take current levels of capacity utilization (75%) to full capacity utilization by early next financial year
 - Prices are also expected to remain stable going forward

NEW FLUOROPOLYMERS



- Current position
 - Capacity of about 700 MT has been set up for 6 new fluoropolymers (FKM, PFA, FEP, PVDF, PPA, and micropowders)
 - Various grades under each have been established and are in the process of customer qualifications and commercial ramp up
 - There has been delay in getting final customer approvals for a few of the grades as many overseas customers are grappling with start up issues and limited manpower due to Covid
 - Sales of established products were also impacted because of Covid related demand erosion
 - Current capacity utilization is around 30%
- Future Outlook
 - As most grades are now developed, our target is to reach 50% capacity utilization by end of this financial year and 100% by end of next financial year



FLUOROSPECIALTY CHEMICALS



- Current position

- 7 products have been fully commercialized, current capacity utilization is at around 35%
- The last quarter saw relatively low capacity utilization due to inadequate raw material and manpower availability due to Covid lockdowns
- Demand for all these products remains strong and we expect to achieve full capacity utilization by the end of this quarter
- Plants for additional 6 products are under final stages of implementation and will be fully commissioned by end of this financial year

- Future Outlook

- Because of increasing demand and also a strategic need of both domestic and overseas customers to de-risk from China, there is increasing demand for new molecules by the agro and pharma industry
- Several new products have been developed inhouse by our R&D teams based on which additional capex of Rs 300-350 crores is planned for implementation
- Besides there is a rich pipeline of additional products being developed based on chemistries which are already established

COMPANY OVERVIEW



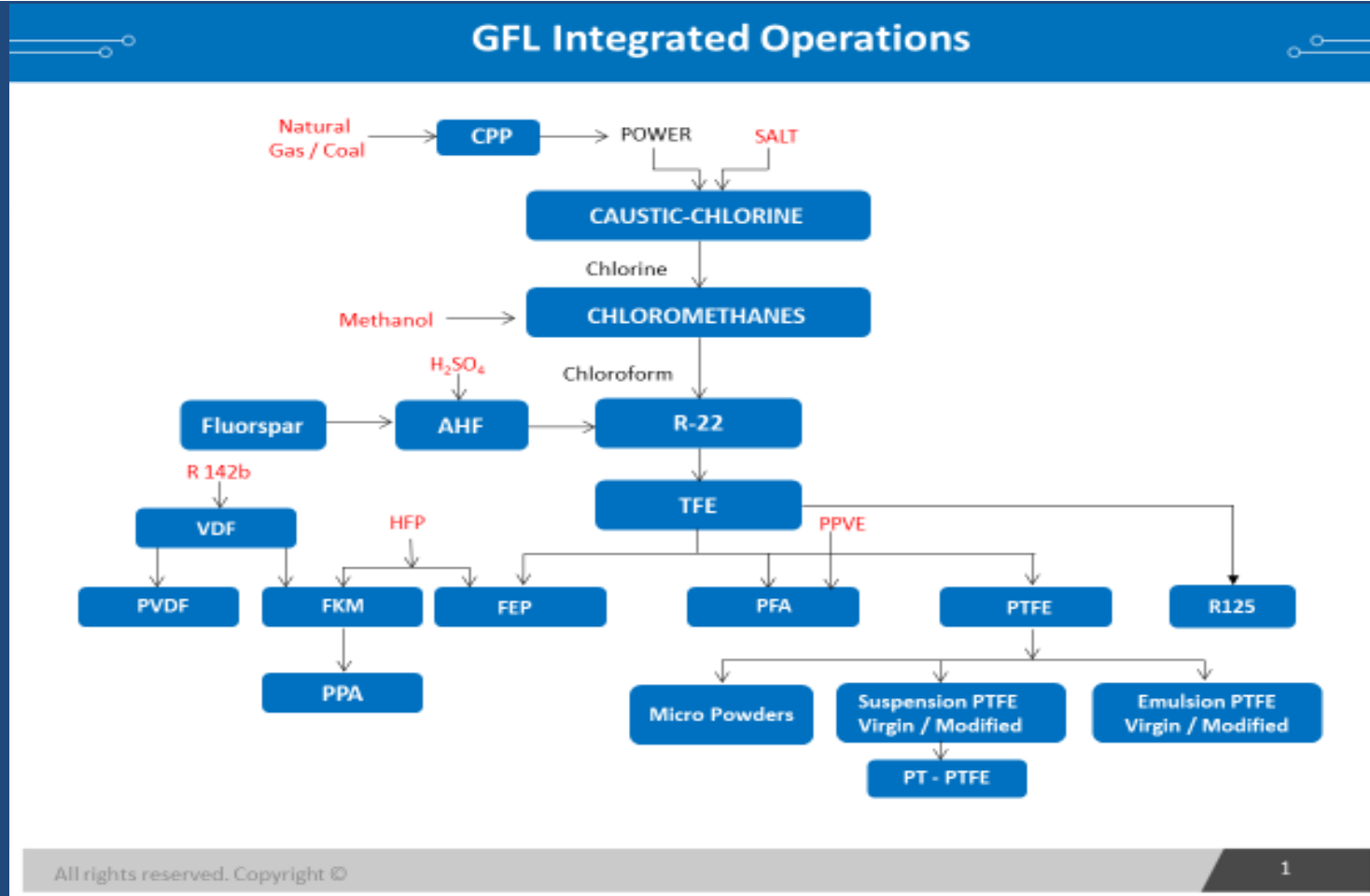
KEY STRENGTHS



- 30 years' experience in safely handling F molecules
- Most cost-competitive producer of fluoropolymers due to its fully integrated manufacturing operations
- In house availability and adequate capacity of a host of key building blocks for F molecules
- R&D and product development capabilities - cutting edge R&D center and analytical labs for new product development
- Entry barriers for new competition due to complexity of business, limited availability of feedstock, extremely stringent and time consuming customer qualification and approval process
- Company is a category leader in most of the segments that it operates in
- Focus on higher value added products in each of its segments reduces competitive concerns from China



UNPARALLELED INTEGRATION

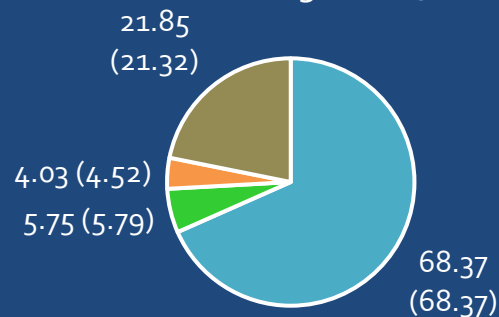


SHAREHOLDING STRUCTURE

Share Price Performance



% Shareholding - June, 2020



■ Promoter & Promoter Group,
 ■ DII
 ■ FII
 ■ Public / Others

Key Investors –March 2020	As on 30.06.2020 (BSE)
Market capitalization (Rs .Cr)	3908.46
Price (Rs.)	355.80
Face Value (Rs.)	1
52 week High-Low (Rs.)	900-219

Key Investors –March 2020	% Holding
HDFC Mid Cap Opportunities Fund	2.41%
HDFC Small Cap Fund	1.84%
FIL Investments (Mauritius) Ltd	0.89%
Aditya Birla Sun Life Trustee Private Limited A/c Aditya Birla Sun Life Midcap Fund	0.86%
Aditya Birla Sun Life Trustee Private Limited A/c Aditya Birla Sun Life small cap Fund	0.57%
Dimensional Emerging Markets Value Fund	0.36%
Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	0.29%
India Opportunities Growth Fund Ltd - Pinewood Strategy	0.26%
DFA Investment Dimensions Equity Portfolio	0.24%
Vanguard Total International Stock Index Fund	0.23%

OUTLOOK



MAJOR INITIATIVES



R&D

- R&D capabilities have been considerably strengthened in terms of manpower and developing state-of-the-art analytical and testing labs
- Through our inhouse expertise, we have been able to develop a wide range of Fluorospecialty chemicals for increasing Agro and Pharma applications
- For Fluoropolymers , we have developed new grades and products for meeting requirements in
 - existing diverse applications, in the automotive, aerospace, semiconductors, electricals and electronics, pharma and chemicals, medical, etc sectors
 - as well as emerging new high growth applications like E mobility, clean environment drive, high purity water, 5G data transmission, internet of things, solar PV modules, lithium batteries, high temperature auto wires and fuel cells which are expected to ensure a robust global growth

COST SAVINGS

- During the past few quarters a company wide cost optimizing drive has been launched
- Major cost areas have been identified and strategies have been developed to achieve sustained reduction in operational costs
- Significant cost reductions have been achieved through tighter operational controls, waste reduction, and improving energy efficiency and manpower productivity
- The single largest cost center for the company is energy. We are in the process of setting up captive wind power capacity which will substantially bring down our power cost across all our 3 manufacturing sites and result in significant cost savings

COMPANY LEVEL OUTLOOK



- Company's performance in coming quarters is expected to be driven by improved capacity utilisation in PTFE, New Fluoropolymers and Fluorospecialty Chemicals
- All growth is expected to come from products / segments that have a higher profit margin, thus improving the margin profile of the Company
- Most of the capex required for above capacity is already incurred, and no significant additional capex expected for present product lines
- Debt levels are expected to be pared down, improving leverage, from:
 - Operating cash flows
 - Working capital optimization
 - Income tax refunds received

Thank You

