

**Rationale:**

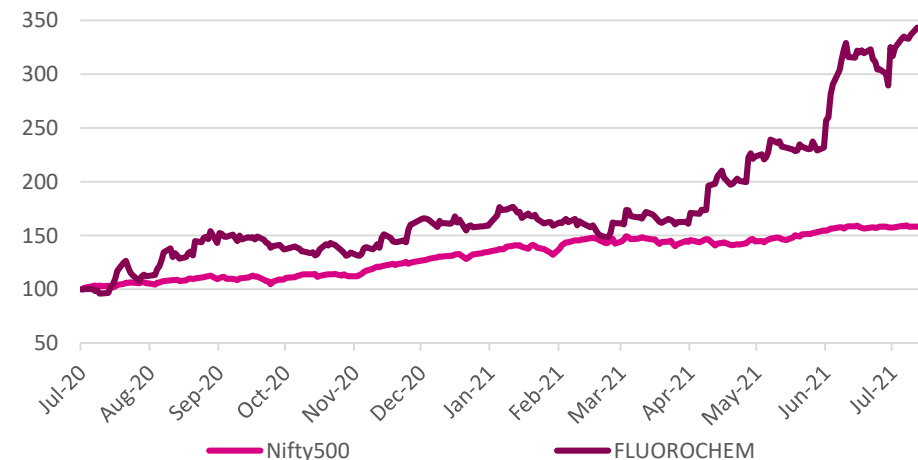
- Gujarat Fluorochemicals Limited is a specialty chemicals company with over 30 years of expertise in Fluorine Chemistry and is a part of the INOX group of companies. It holds domain expertise in Fluoropolymers, Fluorospecialties, Refrigerants and Chemicals.
- The company has three manufacturing facilities in India, a captive fluorspar mine in Morocco, warehouses in Europe and USA, and an extensive marketing network across the world. Its products are used in diverse end use markets and its clients belong to sectors such as automotive, aerospace, semiconductors, electronics, common household appliances, telecommunications, healthcare and architecture.
- The company has set up capacity of around 700 tons of six new Fluoropolymers which are FKM, PFA, FEP, PVDF, PPA and micro powders. PVDF is used in applications which can withstand harsh chemicals and is one of the highest radiation resistance plastics which also finds application in manufacture of polymer batteries used widely in electronics and electric vehicles.
- The company has launched new products in fluorospecialty chemicals segment and is witnessing increasing demand from domestic as well as overseas customers to de-risk from China. The company is also witnessing increasing demand for new molecules by agro as well as pharma industry. The company is envisaging a Capex of ₹350 crores for additional capacity.
- The company is also adding various new products and has filed for Lithium Hexafluoro Phosphate (LiPF<sub>6</sub>) as one of the products, LiPF<sub>6</sub> is a commonly used electrolyte material in lithium batteries. Due to rising emphasis on Electronic Vehicles, demand for LiPF<sub>6</sub> is expected to rise.
- Given the company's strong business model, high margins, improving balance sheet, strong promoter group, We initiate our coverage on FLUOROCHEM with **BUY** rating and a target price of **₹1,840 per share**.

**Research Team**

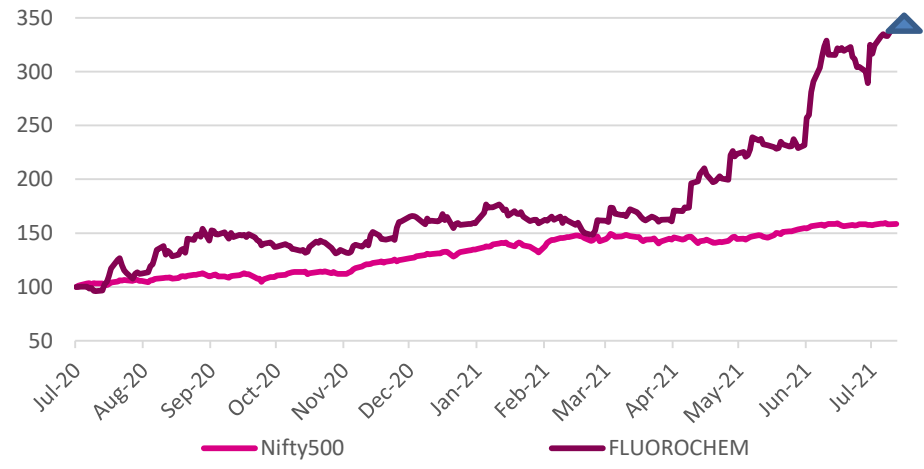
52 Week Low / High	367.1 / 1493
Avg. Daily Volume (3M) ('000)	263
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	109.85 / 1,63,270
Shareholding (Promoters/Institutional/Others)	68.4% / 7.1% / 24.5%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	26,064	26,505	27,435	31,473
EBITDA	4,715	6,729	7,616	8,514
EBITDA Margin	18.1%	25.4%	27.8%	27.1%
PAT	1,963	-2,187	4,723	4,964
PAT Margin	7.5%	-8.3%	17.2%	15.8%
EPS (₹)	17.9	-19.9	43.0	45.2
P/E (x)	83.2	-	34.6	32.9

Source: Company, Estimates. Note: Prices are as on 19-Jul-21

**Price Performance (July'20=100)**

FLUOROCHEM rating history & price chart



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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
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