

GFCL: BRD: 2024

14th February, 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 Wednesday, 7th February, 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 2nd February, 2024 and pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Obligations'), we are enclosing herewith transcript of Conference Call held with Investors / Analysts of the Company on Wednesday, 7th February, 2024 at 17:00 (IST) to discuss the Q3FY24 Financial Results and EV Business Update.

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
Q3 FY'24 Results Followed EV Business Update
Conference Call”

February 07, 2024



MANAGEMENT: **DR. BIR KAPOOR – CHIEF EXECUTIVE OFFICER AND
DEPUTY MANAGING DIRECTOR – GUJARAT
FLUOROchemicals LIMITED**
**MR. VIVEK JAIN – MANAGING DIRECTOR – GUJARAT
FLUOROchemicals LIMITED**
**MR. AKHIL JINDAL – GROUP CHIEF FINANCIAL
OFFICER – GUJARAT FLUOROchemicals LIMITED**
**MR. MANOJ AGRAWAL – CHIEF FINANCIAL OFFICER –
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**MR. RAJIV RAO – HEAD, BATTERY MATERIALS
BUSINESS – GUJARAT FLUOROchemicals LIMITED**
**MR. VIBHU AGARWAL - HEAD, INVESTOR RELATIONS
– GUJARAT FLUOROchemicals LIMITED**

MODERATOR: **MR. ASHVIK JAIN – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Gujarat Fluorochemicals Limited Q3 FY'24 Results, followed by EV Business Update Conference Call hosted by ICICI 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashvik Jain from ICICI Securities. Thank you, and over to you, sir.

Ashvik Jain: Thank you. Good evening, everyone. Thank you for joining on Gujarat Fluorochemicals Limited Q3 FY '24 Results, followed by EV Business Update Conference Call. We have Gujarat Fluorochemicals Limited management on call represented by Dr. Bir Kapoor sir, CEO and DMD, and other members of the senior management team.

I would like to invite GFL management to initiate with opening remarks, post which we will have a Q&A session. Over to you.

Bir Kapoor: Good evening, everyone. A very warm welcome to all of you on this GFL Quarter 3 FY'24 Earnings Call. I have with me here our Group CFO, Mr. Akhil Jindal; our CFO, Mr. Manoj Agrawal; and also our Investment Relations Head...

Moderator: Sir, can you speak louder? Can you take the device closer to you? Your voice is not clear.

Bir Kapoor: Okay, I'm sorry. Okay. So good evening, everyone. A very warm welcome to all of you on the GFL's Quarter 3 FY'24 Earnings Call. I have with me here Mr. Akhil Jindal, our Group CFO; also, Mr. Manoj Agrawal, our CFO of GFL; and Mr. Vibhu Agarwal, who is our Head of Investor Relations.

The company announced its quarter 3 results at its Board meeting held today. That is on 7th February, 2024. The results, along with 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 quarter 3 FY'24 of INR992 crores, up by 5% on quarter-on-quarter. Consolidated EBITDA for this period was INR206 crores, which is up by 26% on quarter-on-quarter basis. The EBITDA margin stood at 21% for quarter 3 FY'24, which is up by 400 basis points on a quarter-on-quarter basis. Consolidated PAT for this quarter was INR80 crores, which is up by 51% on quarter-on-quarter basis.

Let me briefly take you through the performance of each business segments for this quarter. As we had guided in the previous call, we have started witnessing the signs of bottoming out and a growth from hereon. All three segments, which is fluoropolymers, bulk chemicals and fluorochemicals, have performed in line with our expectations.

The bulk chemical vertical saw a marginal lift from the previous quarter, and the prices are at nearly the same level as previous quarter, which we believe have bottomed out. The

fluorochemicals segment also witnessed marginal growth compared to previous quarter, primarily driven by refrigerant business, which had been its all-time low in the previous quarter. The refrigerant business is expected to improve marginally from the next quarter. Specialty chemicals continue to be at the same level due to dumping from China.

The fluoropolymer segment saw a marginal decline from the previous quarter. The prices remained stable. However, the volumes were marginally impacted due to the quarter -- due to holiday season in U.S.A. and Europe, which is a seasonality impact.

We are seeing signs of growth in this segment in the current quarter, and we believe the destocking phenomenon, which we had seen in previous quarter, seem to have been largely over, and we expect to see volume picking up from here on.

As we had indicated in the last quarter, our endeavour is to move on to higher grades. It is continuing. And this, along with the exit of legacy player, should yield better results for GFL in this segment going forward.

Additional fluoropolymer capacities that were recently set up are expected to result in continued increase in sales over the subsequent quarters. EV, green hydrogen and semiconductor and solar, among other emerging businesses, should contribute to further increase in demand going forward.

We are definitely seeing green shoots of recovery and expect FY'25 to be far better as compared to FY'24 for this segment. We hope to come back to normal levels in next few quarters.

On our new vertical, the battery chemical, we have scheduled a detailed call immediately after this, where we elaborate our plans and outlook for this segment. This segment would be a major growth driver for us starting FY'26.

Of the INR1,500 crores capex that we had announced in the beginning of the quarter, we'll be spending close to INR1,000 crores to INR1,100 crores this year, and rest will be staggered to the next year. With capex already incurred and some additional in the next financial year, we believe that we have built enough capacity in the fluoropolymers to be able to deliver growth for the next couple of years. Going forward, we expect our major capexes to be incurred in our battery chemicals verticals.

On the balance sheet front, our return ratios have reduced during the financial year on account of higher capital expenditure towards setting up of additional capacities. And at the same time, the revenues have been affected majorly on account of destocking.

We believe that this should reverse going forward. And currently, non-revenue-generating assets will start contributing to the top line. A large part of the current capex is incurred in the Battery Materials segments and also the expenditure in the form of CWIP for various fluoropolymers, which is currently not contributing to the revenue and bottom line. As we had indicated, revenue from this segment will start trickling in from second half of FY'25 onwards.

The working capital days have also increased primarily on account of reduced sales. This is expected to reverse and improve significantly going forward as the overall revenue improves. I can assure you all that the growth fundamental of our core business is intact.

And this phase is temporary, leading primarily due to the global destocking and low demand in some of the geographies. We have already started seeing signs of recovery, and we can assure you that from here on, we expect to see quarter-on-quarter growth going forward.

With this, I'll let this now open for -- open the floor for question and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: I got a few of them. First, on the fluoropolymer business. Last quarter, we said that we have pushed some of the capex to FY '25. And now that we are gaining confidence, when do we expect to resume that capex for fluoropolymer?

And earlier, we said that we are in the process to expand the new fluoropolymer capacity from 700 metric ton to 1,800 metric ton, when should be able to reach that 1,800 metric ton capacity? And what is the ramp-up time we are anticipating now? And that's my first one.

Bir Kapoor: As we had said in the last quarter that we are staggering our capex in view of the market situation. So clearly, we had anticipated overall capex of INR1,500 crores, which is now going to be INR1,000 to INR1,100. So the rest we intend to complete in next two quarters of the financial year.

Regarding the utilization of this capacity, we had already mentioned that utilization of this capacity will take several quarters, particularly in fluoropolymers, which is in the new fluoropolymer segment particularly. So we would see this utilization becoming probably next over 1-year period, probably 4 quarters or so.

And this will happen over a period of time because capacity utilization requires the grade development, grade approval process, which goes in a sequence and a stepwise manner. So it will take some time after capex is incurred. The capacity is put in place. As of now, we have capacity in place and the plan to cater to whatever the growth that we expect to see in the fluoropolymer segment.

Sanjesh Jain: Got it. One follow-up. Again, what you said last quarter that the legacy players have built a large inventory in the market for business continuity. How is our discussion with the customer indicating when should they really start picking up a material from us? Is it second half? It is in first half of '25? And we were also in the process of developing FKM, which is one of the large products from the exiting player. Where are we in that process?

Bir Kapoor: Yes, Sanjay, first of all, legacy player, we are already seeing inquiries. We are already engaged with some of our customers. And we expect that their existing stock to be depleted in the next 1 to 2 quarters.

So we are most likely, I would say, next year beginning or I mean, middle of next year's financial year is what we expect to see the revenue stream or the impact of that showing up. Now coming back to FKM that you asked, this is, again, a part of our strategy to go up high up in the value chain.

We are at the advanced stage of product development. And this will, again, being a very high-end product, it will require some sort of approval process and the testing at the customer end, which we expect to see in probably, I would say, 2 quarters from now.

Sanjesh Jain: But we are ready with the product on the FKM side?

Bir Kapoor: Almost there.

Sanjesh Jain: Almost there. Got it. One...

Bir Kapoor: These are strategic initiatives, Sanjesh. I cannot share much on this.

Sanjesh Jain: No, no, no. I appreciate it. One on the gross profit side, though, EBITDA margin has seen a good improvement sequentially, gross profit has remained largely stable at around 64%. With the rise in fluoropolymer business, we should be, again, inching back to that 66%, 67% kind of a gross profit margin? Will that be a fair assumption?

Bir Kapoor: Yes. We expect that. I mean with the fluoropolymer; we probably be getting back to the same levels of profitability in the gross margin.

Sanjesh Jain: Got it. Got it. One last question before I join back in the queue. On the capex side, I see the presentation, the capex for next year has been reduced to INR500 crores. Any particular reason for cut in the capex?

Bir Kapoor: Let's not misinterpret it. Let me really clarify it here. INR500 crores is probably more like an ongoing business that we are talking. But what we have done this time now, Sanjesh, is going forward since we are having a separate call on EV later today. This does not include the capex that we'll be incurring on the EV side.

Sanjesh Jain: So this is for the non-EV side of the business, INR500 crores?

Bir Kapoor: Absolutely. Which is right because we already have put in a significant amount of capex now in the fluoropolymer with capacity has been built in. Now we will take some time to utilize it. So our capex in the existing businesses in the fluoropolymer would probably start later on. But as of now, we are looking at the next year around INR500 crores, which is, again, is staggered from the last few quarters. You know that.

Sanjesh Jain: So what will be the capex in the Battery Chemical in that sense? Did the overall capex does the overall capex enveloped changes for us or it's just segregation?

Bir Kapoor: Not really. Overall capex does not impact you will hear the EV story later on. Maybe they go up totality.

Moderator: And the next question is from the line of Hansal from Lalkar Securities Pvt Ltd. Please go ahead.

Hansal: So obviously, it's encouraging to observe the positive developments, particularly with the growth in volumes and some sort of resolution to this destocking phenomenon. And we're hopeful that we probably see price rationalization to follow through. Just taking it ahead from the previous question on the capex, slide 13 of the presentation has a footnote regarding the FY '25 capex, which excludes the GFCL EV capex.

Now I'm not sure if I should ask this question here on the EV side, but I'll ask it anyway since it's part of the GFL presentation. This capex, which we plan to do apart from the INR500 crores, ideally, you mentioned that it will obviously be funded through its own SPV.

So -- I mean is there some dilution involved over there? Or will it be debt? So I'm not really clear on that. And the follow through on that, you said that it seems to be without any recourse sort of parent GFCL. So exactly what would that kind of -- what is the company emphasizing when it says no recourse to the parent GFCL?

Bir Kapoor: My request to you is that we'll answer this at our EV call separately because the EV business has its own capex. And right now, we have separated it out. And I would...

Hansal: Sure, sure, sir. I completely understand. I was just not sure whether I should ask it here or there given that it was a part of the GFL presentation. I'll take this question up on the EV side.

Bir Kapoor: And we will discuss and share our plans in the EV call separately.

Moderator: And the next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead.

Rohit Nagraj: Congrats on recovery in third quarter. So first question is on our guidance, which we had indicated during the last call. And we had given that in the next couple of quarters, we'll see some improvement in margins, which has actually been delivered in Q3. And full recovery in terms of margins, etcetera, should be in Q1 FY '25. Even we had guided that FY '25 should be better than FY '23.

I just want a little more you know probably if you can give us some granular details in terms of how things are likely to change from FY '23 to '25. Now just to give a colour on this, FY '23, the Bulk Chemicals had a significantly high margin, which is normalized. So FY '25 will be normalized margin scenario.

In fluorochemicals, again, we were significantly benefited from the ref gas pricing, which has again normalized and probably should be normalizing going forward. And in fluoropolymers, also, we had a favourable pricing environment, plus the current higher stocking by one of the players who is exiting was also not there. So if you can just give us a little more understanding how things will percolate over FY '25 to be better than FY '23. That would be helpful.

Bir Kapoor: Yes. I think the way we are right now, we are seeing a sign of growth and green shoots emerging. Looking at the current situation, yes, our margins will improve going forward in the subsequent quarters.

Coming back to how FY '25 would look like, it will probably be approaching towards '23 better, but it will probably be delayed by a few quarters, Rohit. Not exactly may happen, but we started seeing going beyond '23.

Let me tell you why I was saying beyond '23. Because you mentioned that the bulk chemicals and the upside on the refrigerant will not be there. However, on the fluoropolymer, if you look at it, that we are expecting significant growth, partly because of the investment that we have made. And we expect the growth to come from a new fluoropolymer segment, which is a higher-end segment, okay? Compared to the baseline fluoropolymer that we had earlier.

So in a way, our growth story now in FY '25, we are not accounting for the similar kind of uplift in refrigerants, but a lot of it will come from the fluoropolymer segment.

Rohit Nagraj:

Sure. Sure, sir. And I understand that this should be driven by both in terms of higher grades, which will entail higher margins and the volume growth that we are targeting. Is that a fair assumption?

Bir Kapoor:

Yes, because we have added capacities. And also, there is one more reason we would like to mention here, that in fluoropolymer, our investment is also on the backward integration to some cases, our own to have better margins.

So all combination of all of these will probably result in a better margin in the fluoropolymer segment than what we have seen in the past, the top line and the bottom line both.

Rohit Nagraj:

So this is really helpful. Sir, second question is on Slide #13, where we have given the RoCE, RoE and there is a footnote regarding the capital employed, and CWIP has been excluded.

I believe that we will I mean, generally, whenever we'll be providing capital employed, it will include the CWIP because that's an ongoing process at any point in time. So any specific reason of giving this particular ratio without using that?

And an allied question to this. I'm not too sure whether it will be taken in the second call or not. But just to mention it over here, incrementally, whenever we are providing our financials, so would we be clubbing the financials of the EV business as well? Because on a consolidated basis, the consolidation, since it's a 100% subsidiary, the consolidation will happen, and the ratios should actually reflect the investment in both the businesses. So just your colour on this.

Bir Kapoor:

Yes. Thanks, Rohit. I would request Akhil to take your question.

Akhil Jindal:

So what you think is right. From an absolutely accounting perspective, I'm not disputing what you said. But I think from a real business operating practices, if you see the EV business are now being -- it's a subsidiary. All our investments in the subsidiary will have its own ratios and its own financials.

Although in the consolidation, it would -- any way, it will come. But from a RoCE/RoE perspective, our intention was to explain to the Street two things. One, that on an operating basis, what are our ratios, number one. Number two, if you separate out the EV business, which has

just started, I mean, we have just announced some commercial production now. How the EV business will shape up in the future will be handled in a separate call.

So from a market perspective, we thought that operating numbers of what it is for the operating capacities is the right indicator of our profitability. And as we go along, as the capital work in progress will become a part of our operating capacities, that would also be reflected in that manner.

So there's attempt that we have done to explain to the market on our operating capacity what are the ratios.

Rohit Nagraj: Just a clarification, sir. In terms of now once the EV part of the business gets capitalized, the LiPF₆, etcetera, so how will we then show the ratio? So will it be including the EV and excluding the EV? I mean, we would whether we will be bifurcating it or whether that will that time it will be again consolidation or separation?

Akhil Jindal: Yes. So on a consolidated basis, obviously, the EV capex will be a part of our overall GFL balance sheet. But from a stand-alone perspective, from a financial ratio perspective, you will see the EV ratio there in a separate manner.

So naturally, it's a subsidiary of GFL. So in our overall consolidation, line by line consolidation, everything, you will see the impact. But however, as a matter of abundant caution, we thought the operating capacity should be highlighted separately, and the returns from that operating capacity be highlighted separately so that people can understand what are the real ratios on our capacities will be going forward.

Moderator: And the next question is from the line of Archit Joshi from B&K Securities. Please go ahead.

Archit Joshi: So first one on the HFC-32 project that sort of shelved off earlier, I think our competitor is leasing up their capex to almost double the capacity in R32. Do we have any plans to sort of resume that or put it under consideration?

Bir Kapoor: No, Archit, we do not have any plan of in R32 at the moment. We had some plans you know that, and we shelved it because we are getting into other areas. And for a long-term sustainable growth, we thought of other opportunity, which are available to us to invest our capex.

Archit Joshi: Sure, sir. No problem. Sir, second one, not sure if I heard you -- if you already answered this question, but if we could provide an update on the solar-grade PVDF, the battery winder-grade PVDF and the semiconductor grade PFA, where are we in the scheme of things towards development and commercial launches of these products? And what the expected timeline of introducing these products in the market?

Bir Kapoor: Yes, Archit. The solar grade PVDF, we had a plan of setting up at the film plant, which is the PVDF fluoropolymer film plant, which is under commissioning as we speak right now. We will soon announce its commercial production. It's at the advanced stages right now, okay?

On PVDF, which is for a battery grade, we have developed several grades, which is, again, going through the it has gone through the lab phase. Lab testing has been over, even at the some of the outside labs. And now this is we are in touch with the OEMs to get that validated and certified. So that's already moving.

Coming back to the semicon-grade PFA, we are already supplying. In fact, I had indicated that since some quarters back that PFA semicon has several levels. So we are already supplying to some semicon application PFA. And we are continuing in that direction to going to the next level of PFA for semicon application, okay? So that process is on, and we are already in that market segment.

Archit Joshi: Great, sir. Great. Sir, the PVDF, the grade the first 2 grades that you spoke of, can we expect sales to begin FY '25, maybe in the first half? Or is it still quite late in realizing sales at least?

Bir Kapoor: We expect to see the sales probably in the second half of next year, this next financial year because part of the right now, the battery capacities outside China are very, very limited, okay?

While our samples are already at the valuation stage, but the real growth we expect to happen in the non-China territory. And there we expect to see probably in the '26, '27. However, as far as our own sales and the revenue, we probably would expect to see it from the second half of next financial year.

Archit Joshi: Got it, sir. Sir, and would this also be a part of the staggered increase in capacity that you're planning in new fluoropolymer? So just trying to clear the air, what would be the concentration of the incremental jump that we have seen on a per month basis with respect to the ramp up? I think we were at 1,100 ppm, and our plan was to go to 1,800 ppm, 1,900 ppm in a staggered manner.

So are these new grades of PVDF or PFA a part of that? Or this is completely different? And how do we see that part of the ramp-up in the new fluoropolymer with respect to the capacity expansion?

Bir Kapoor: Okay. No, these are part of the same capacity that we talked about earlier. So this ramp-up has come over a period of time because once this PVDF grades get qualified, this capacity will get utilized, okay? So this will happen over a period of time.

Archit Joshi: Sure, sir. I saw...

Bir Kapoor: One more very quick thing, Archit. When I said next financial, I meant '25, '26, I'm sorry. I just may not have clarified it at that time.

Archit Joshi: Sure, sir.

Bir Kapoor: Okay. All right.

Archit Joshi: Sir, also on the ramp-up that I was asking about, where are we in terms of the capacity that we might have added already in FY '24? And what would be the balance that might spill over to FY

'25, whereas we would have already ramped up from 1,100-odd tonnes to 1,800 tonnes, 1,900 tonnes per month. That would be my last, sir.

Bir Kapoor: In the battery chemicals space, particularly, if we, first of all, we cannot give you exactly the capacity utilization and the capacity number. However, all I can tell you is a lot of our investment when we said that we have made in the new polymer, it was done primarily a lot in the backward integration space, okay? For example, in case of PVDF, a lot has happened in setting up the capacities for monomer and the VDF.

So as the market builds up, okay? We already have added capacity for PVDF reactor. And if the market builds up, we'll keep on adding reactors to capture that, okay? So as we see a growth progressing, which we have said will happen in over the next year or so.

Archit Joshi: Sir, so would it be safe to assume that all new this expansion, wherein we are actually anticipating the fact that FY '25 would see growth over FY '23 or be at least at par with respect to EBITDA that we generated in FY '23, I think that was largely a function of this new capex in the new fluoropolymer, my just limited question is which I'm a bit confused about is, when do we see this capacity being added? Sir, that's the only question that I have.

Bir Kapoor: Yes, I think there's let me clarify here. The capacity that we're talking about, which we had said earlier about 1,500 tonnes or so, that capacity will come in place probably in next quarter or so. And then it will get utilized over a period of time.

I thought when I answered about adding more reactor, that was more related to the battery chemicals and the PVDF related to battery, okay? That was because if we look at what we have added in new polymer, we have added FKM, we have added PFA, we have added micro powders and PVDF, okay? So it was a combination of these 4.

Okay. So what I had answered to you probably it may have been a little bit confusing, but what I answered to you earlier was only in context of PVDF, which is for EV segment because you were asking about how the growth will happen on the EV, okay? Is that clear, Archit?

Archit Joshi: Sir, I'll probably take it up offline with you later.

Moderator: And the next question is from the line of Meet Vora from Emkay Global. Please go ahead.

Meet Vora: Just wanted to, sorry for hopping on this again, just wanted to clarify on our guidance for growth over FY'23, in FY'25 or either flattish number. So if I look at our historic numbers, our FY'23 EBITDA of INR1,900 crores, nearly half of that would have come because of three reasons. One is higher realization in bulk chemicals, higher pricing in ref gas, and at the same time, higher pricing in fluoropolymers.

Now when we say that we are freezing our capex at this juncture for fluoropolymers, because this is a long gestation business and capacities will get utilized over a period of time, what gives us the confidence that at least half of our EBITDA of FY'23 can be compensated in FY'25?

So ideally, I think that we should see at least 100% growth in our fluoropolymer business for the erstwhile dip in the business growth. So just wanted to understand, how will we see that at least flattish or growth numbers in FY '25 versus '23?

Bir Kapoor:

I think, Meet, I have already said that in the previous call, that there was if I look at FY'23 numbers, that EBITDA was partly contributed because of the high pricing in bulk as well as refrigerant.

So going forward, this will be met primarily by the fluoropolymers and because that high EBITDA number that you saw, because fluoropolymers, multiple things are happening. As I said, that we are adding the fluoropolymers, the volume as well as the type of fluoropolymer, which are being added are high-end polymers, which are the new polymer segments. So this will be made up by growth in fluoropolymers, particularly, okay?

Again, you need to look at sort of the, from the baseline to the increase due to the ref gas and also because of the partly because of 125, if you recall at that time, okay? So that will be taken care of partly by, and obviously, when we look at this year or the earlier quarter, a lot of it because in all the segment market has completely bottomed out, okay?

So as we see, there's already a sign and some marginal improvement in the ref gas that you saw this quarter. Again, it will probably be marginally better than next year. Plus, even in the bulk chemical stays where it is, a lot of it will be made up by fluoropolymer.

Meet Vora:

Sure. So that means that we are expecting at least 80%, 90% growth in fluoropolymers over FY'23 for that to get compensated. Obviously, because the realizations of fluoropolymers have also gone down versus FY'23, in terms of volumes basically?

Bir Kapoor:

Yes, that's what our expectation is, partly because of the new fluoropolymers. And the higher volume and the higher margins, both.

Meet Vora:

Sure. And just one last question from my side. So whatever sales you will be doing for PVDF battery grade, going forward will be registered, I mean, in terms of the revenue under the EV subsidiary or it will be under our GFL entity itself?

Bir Kapoor:

It will be under EV subsidiary.

Moderator:

And the next question is from the line of Sanjay Kular from ACME Private Limited. Please go ahead.

Sanjay Kular:

Sir, again, my question is on the same topic, which is FY'25 EBITDA will be greater than FY'23. So sir, are you confirming the guidance again in this con call?

Bir Kapoor:

Sanjay, let me clarify here. Our position right now is that it will probably be at par with FY'23, not really greater than FY '23.

It probably will be a quarter here and there based on what we are seeing as the traction is coming up, but the growth rate could be plus/minus 1 quarter or so. So it will be at similar levels of FY '23 going forward in FY '25, last give or take, a quarter.

Sanjay Kular: Okay. Thanks.

[Next Session]

Moderator: Thank you. Now, we move to the next session, which is the EV Business Update.

Ashvik Jain: Thank you, everyone. Now we will have an update on the EV business. We have Gujarat Fluorochemicals Limited management on call represented by Mr. Vivek Jain sir, MD; Dr. Bir Kapoor sir, CEO and DMD; Mr. Akhil Jindal sir, Group CFO and other members of the senior management team.

I would like to invite GFL management to initiate with opening remarks, post which we will have Q&A session. Over to you. Thank you.

Bir Kapoor: Yes. Good evening, everyone. This is Bir Kapoor, again. I have with me our MD, Mr. Vivek Jain, accompanied by Mr. Akhil Jindal, our Group CFO. Mr. Manoj Agrawal, who's our CFO; and Mr. Rajiv Rao, who is Head of our EV Battery Materials Business segment. He is here with us.

So I would now like to request our MD, Mr. Vivek Jain, to give us an opening comment.

Vivek Jain: Hello. Good evening, everyone. I welcome you all to the business update of GFL's EV business. We thought about getting into this business way back in 2021, as we saw significant potential in this segment driven by the environment sustainability and clean climate agenda worldwide.

Over the last two years, we have seen this segment unfolding rapidly, with significant activities in domestic as well as global markets. Several market leaders on the global space have emerged, and the current projections for this space is expected to be 5 to 6 terawatt hours with a business opportunity of over \$300 billion by 2030.

Looking at this opportunity, we started our EV initiatives in 2021 under a wholly-owned subsidiary of GFL. And today, I'm happy to announce the recent commencement of production at commercial scale of one of our initial capacities. Through our wholly-owned subsidiary, we intend to participate in the large global energy transition opportunity, particularly in the EV and ESS ecosystems.

We are well positioned to capture a sizable value share in global battery materials industry, and we are a preferred partner to EV, ESS, battery and cell manufacturers in their quest to secure a sustainable and reliable supply chain outside China. Our plans are strongly supported by GFL's track record of commercializing complex performance based products.

Today, we have announced a broad long-term plan for GFCL EV, which entails a cumulative capex outlay of almost INR6,000 crores over the next four to five years. Out of this, INR3,200 crores is planned to be spent in the next three years and with asset turnover expectation of 2x and EBITDA margin expectation of over 25% at full capacity utilization of these capexes.

GFL's visionary investment and unwavering commitment to innovation highlights our pivotal role in shaping the future of the EV and ESS battery industry. The significant investment in the

EV, ESS battery chemical supply chain underscores our dedication to driving innovation in the electric mobility sector and energy transition.

As a pioneer in the green segment, our objective extends beyond mere market prominence. We aspire to be pioneers in sculpting a cleaner, environmentally sustainable tomorrow, which resonates with the ethos of being a green group with expanding business in the renewable sector also.

I will now like to hand it over to Dr. Bir Kapoor for his comments.

Bir Kapoor:

Thanks, Mr. Jain for a very warm once again, a very warm welcome to all of you. Details of our plan has already been uploaded on the stock exchanges. I would like to add at this point that GFCL EV's current product portfolio includes LiPF₆, which is electrolyte salt, additives, electrolyte formulations, cathode binder, such as which are essentially fluoropolymers, PVDF and PTFE, along with the specialized offerings of NaPF₆ for sodium ion batteries and cathode active materials such as LFP.

The first commercial plant of LFP is anticipated to be operational by quarter 3 of this calendar year. With this, our portfolio will cater to almost 40% value of LFP battery costs, making us one of the few companies globally to provide such a comprehensive range of EV, ESS batteries under one roof. And strengthen our position or solidify our position as an industry front runner. With world taking stride towards electrification of mobility and ESS, the global world battery market is conservatively expected to reach approximately 6 terawatt hour by FY'31.

We believe these are very big opportunities and investing at the right time and right scale to garner significant market share in this space is very, very important for us. We have already invested close to INR650 crores up to December, and our future capex plans are aligned with the expected scale up of product demand as per our estimate, internal estimates.

To give a brief overview of the overall market opportunity in this segment, I would now like to invite Mr. Rajiv Rao, our Business Head of Battery Materials. Rajiv.

Rajiv Rao:

Thanks, Dr. Kapoor. Good day, everyone. I appreciate your time today as we discuss the exciting future of GFCL EV, a venture of Gujarat Fluorochemicals. Our focus today is on the growing battery materials market and our strategic position within it. International research reports and our own estimates project that by financial year '31, the battery market globally will expand to over 6 terawatt hours. Concurrently, the global demand of battery materials like LiPF₆ electrolyte salt, LFP cathode active material, PVDF cathode binders is projected to grow at a CAGR of 25% to 30% over the next five to six years.

Gujarat Fluorochemicals has a longstanding experience in handling complex fluorine chemistry and our significant global market share form the bedrock of our venture into the battery materials space. Battery materials require extremely high purity. GFL has a history of adherence to stringent purity specifications for our global fluoropolymer and chemical customers. This is a key differentiator as few global players can achieve such purity standards at an industrial scale.

At GFCL EV, we are constructing a fully integrated manufacturing complex. Our initial capacity of LiPF₆ at Jolva has already been commissioned. Not only will we manufacture battery material intermediates like battery grade anhydrous hydrofluoric acid and lithium fluoride, we are also back integrated to captive fluorspar mines in Morocco.

We believe we are investing in a sunrise industry at the right time and scale. As one of the first movers outside of China supplying to India, the U.S.A. and Europe, we aim to capitalize on the demand opportunities arising from the U.S. market driven by the Inflation Reduction Act, capture the European markets by the China plus One strategy and PLI-driven demand from the Indian market.

GFCL EV is in a unique position offering a wide range of battery materials such as electrolyte salts, formulated electrolytes, cathode-active materials and binders. Consequently, we are engaging with marquee global customers for long-term tie-ups with a bouquet of products. So in conclusion, GFCL EV is well positioned to leverage the growing demand in the global battery material market. Our strategic advantages, coupled with our ambitious plans makes us a compelling investment opportunity.

Thanks for your time, and we'll now open the floor for question and answers.

Moderator: Thank you very much.

Bir Kapoor: Thank you, Rajiv.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Ketan Gandhi from Gandhi Securities. Please go ahead, sir.

Ketan Gandhi: Hi, sir, very excited about the GFL EV bouquet of the battery materials. Basically, only anode material is pending, otherwise everything mostly everything is given by us. That's a very long term and fantastic reason, sir. My understanding regarding the type of the batteries regarding lithium battery, sodium batteries and the solid-state dry batteries, which is now one or two large players are announced.

For that, you require for a solid-state dry battery, you require dry electrolyte. And for making that you require PTFE. So is my understanding correct that a high-end PTFE will be required for dry battery. And that can drive the PTFE demand very largely. And in a couple of about three years, PTFE of this grade could be on short supply. And a very fantastic strategy of derisking the battery model, like whether it is lithium is working or sodium is working or the dry battery working. Can you please throw some light on that, sir?

Bir Kapoor: Thanks a lot, Mr. Gandhi. Thank you for your question. Coming back to your question about the solid electrolyte. There are PTFE is used right now. The solid electrolyte is still not part of the existing industrially developed or industrially operating battery plant right now. However, there have been significant effort, which is being done right now in making a dry cathode.

There is a wet cathode and there is a dry cathode. Dry cathode does not require any solvent. And in dry cathode, PTFE is used and the specialized PTFE grades has a big application. So you are

right. So we expect to see our PTFE business also to get a boost by this new development, which is emerging, particularly in the dry cathode space.

Ketan Gandhi: And sir, I think a very fantastic move by derisking the business model, whether lithium or sodium or solid-state dry battery, we are there. Our skin is in the game. Is my understanding correct?

Bir Kapoor: Yes. I think, in fact, because what we believe is currently, there are a certain set of batteries, which is working, which is the core. And new development will keep on coming, and there will be market, these new technology will emerge, coexist. So we want to make sure that we prepare ourselves to cater to whichever segment which emerge over a period of time.

Moderator: The next question is from the line of Sanjesh Jain from ICIC Securities. Please go ahead, sir.

Sanjesh Jain: A couple of questions here. First, can you help us explain the technology part of the piece in the entire EV space, where are we getting these technologies, how proven these technologies, which we are putting the capex for and what is the capacity for each of this product we are starting, if that will be my issue questions?

Bir Kapoor: Yes. first of all, today's call and the announcement, Sanjesh is because that we have already commercially produced the material. And obviously, we have all the right elements in place to do that. So as far as the technology is concerned, yes, we have a good understanding internal developments plus through international experts, we have been able to do it. And we are confident this will happen continue to happen in all the products which are on the end, so today, we already have commercially produced LiPF₆ with us LIF high-purity-grade HF with us.

Sanjesh Jain: So we are starting with the three products right now where we have gone commercial LiPF₆, LIF and high-grade HF?

Bir Kapoor: Correct. And also it electrolyte plant is also ready, which will which, I think, of course, it's a validation and customer engagement is starting to, but our plant is ready for the electrolyte as well. Electrolyte, as you know, is a customer dependent. There's no particular standard grades there.

Coming back to the fourth product, which is LFP. Our plan is in place and our plan would be up and running, as you said, in the second quarter of the next financial year. Which is the third quarter of this calendar year.

Sanjesh Jain: No, no. Just like to understand, have we supplied the samples with the customers are there any agreements we are anticipating? Are there any late stage discussions we are doing for all of these products because we are now commercially ready probably ahead of the competition within India. Where are we in terms of customer discussion on all these products?

Bir Kapoor: Sanjesh, it's not really appropriate for me to name any customer here. However, we have been in touch with several set of customers. But let me tell you in this space, typically, the customer discussion engagement, etcetera, happens. But the actual game start when there is a product in hand from a commercial plant, okay, which is where we are today.

So I think we expect this product to go for a testing and validation, and that's how we start. But yes, we are in touch with several global customers, on the battery space, yes.

Sanjesh Jain: No, no. We earlier mentioned, sir, that this business will be more like a long-term contract basis with probably we may look at cost is based. In that backdrop, and when should we see revenues being booked in this particular segment?

Bir Kapoor: As we said that the revenue would start trickling down probably after the second quarter, so more of the second half of the next financial year. And the contract would be done by then. Yes. It's the nature of the business is that this is part of the long-term contract, which eventually gets signed. And it's I would not like to say cost-plus, Sanjesh. It's not cost, it's a long-term contract, but of course, with all sets of protections for the buyer as well as sellers.

Sanjesh Jain: Fair enough, sir. On the LFP, what kind of initial capacity we are looking at because there is one of the peer who has announced a very large capex of 200,000 metric tons over a period of time, starting with 40,000 metric tons. So where are we in that journey in terms of capacity for each of this product? Can you help us? What is the kind of capacity we are starting with for all the four, five products?

Bir Kapoor: Sanjesh. In this, we are starting with the LFP starting with the first commercial scale line. Now I cannot really give you capacity numbers because those are confidential. But yes, our plan, long-term plan when we look at show the capex number, it is in line with the market requirements, etcetera. But the first line that we are looking at is the commercial line commercial scale. And I cannot give you the exact numbers, Sanjesh.

Sanjesh Jain: No, no, that's fine. That's fine. One last question before I jump back into the queue. Can you help us understand where are we in the additives? I think we also had an intention to start certain edits for the electrolyte, which are the additives, we are looking at it and when are they getting commercialized?

Bir Kapoor: Yes, there are several additives we are working. I'm not sure whether we have announced the additive, particularly, but we are in the advanced stages of building up the commercial facilities for these additives probably within a after a quarter or so, we'll announce more development in that area as we initiate the commercial production.

As far as the additives are concerned, I'm not sure whether we have announced the name of the additive. We have not announced the name of the additives Sanjesh, because some of it may actually be proprietary between us and our customers.

Sanjesh Jain: Got it. Got it.

Bir Kapoor: These are electrolyte additives with the broad category, which there are several of them that you would probably know.

Sanjesh Jain: Yes, yes. So we intend to manufacture all of them or few of them?

Bir Kapoor: The bulk one. Again, as I said, that electrolyte formulations are depends on the customer. But there are certain additive, which are like a base which goes into multiple formulations. So we will probably be starting with that first.

Sanjesh Jain And we will not have any solvents, right? It would be.

Bir Kapoor: Not as of now, not as of now, Sanjesh. Solvent is a different ball game. And also it's a different type of business. It's a relatively high volume, low margin, low value business.

Sanjesh Jain: Yes. Got it. Got it.

Moderator: And the next question is from the line of Hansal from Lalkar Securities Private Limited. Please go ahead, sir.

Hansal: Thank you, first of all, for giving such an insightful and comprehensive long-term vision for the GFCL EV business. It is truly encouraging to see that we are planning products, which are virtually timeless and adaptable to diverse technology landscapes even with reference to these additives like LiPF₆ and lithium borate, it's very encouraging and exciting to see this. Sir, my question remains the same as I had asked before.

I think on the previous presentation, we had indicated that the capex that we were doing in GFCL, I'm sorry, GFL was virtually exclusive of the capex is just announced in the EV business of approximately INR6,000 crores on. So my question is that how will we essentially raise this funding? Are we talking about some sort of a dilution or something and can you throw some light on the statement that was made saying that without the cost to the parent in GFCL, if I get if you could throw some light on this, it would be very encouraging?

Bir Kapoor: Sure. I mean, we deferred discussion in our previous call, so we definitely take it and share our thoughts on that. I would request Akhil to please take this up.

Akhil Jindal: So basically, as you all know, GFCL EV is a separate company. And in this company, GFCL has already invested close to INR650 crores till December 2023. And we expect that by that time, this financial year ends in March, it would be approximately INR800 crores. So what we really want to do going forward is that GFCL raised its own fund. Now there are multiple ways of raising the funds and some of the stuff that we are going to take is that it would be either by way of a debt.

If it's a debt where it would be on a completely nonrecourse basis to GFCL EV. My apologies to the GFCL. What it means is that even if the debts are there and we would refrain from giving any comfort letter, any corporate guarantee any kind of lateral support for the debt. But more particularly, that would be our last option. We would rather be looking at some external private equity, which can easily be raised through some of the large global offerings.

As you would realize and recognize that this business got us to the renewable sector. It has been, I would say, a focal point of many, many climate focus funds and given the high-growth EV and the ESS solutions, they're also extremely keen to partner in this growth story. So our endeavour would be to raise external private equity and that would be sufficient to fund the EV business

for the period of next 2 to 3 years until the business starts throwing its own cash flows, and the further growth would be self-propelled and will be funded by its own cash flow. So this is our endeavour to isolate the cash flow of GFCL at a parent level.

To the extent of INR800 crores, that cumulatively, they would be spending till March '24. Beyond that, it would be self-funded by way of private equity. Or in a worst case, even debt, which would be on a non-recourse basis to the parent company.

Hansal: Great. Sir, are we seeing any interest in this, which is why we are confident that we will be able to raise this through the private equity? Or are we in talks or anything?

Akhil Jindal: Yes. so we have just initiated that discussion. Obviously, such processes take nearly 4 to 6 months. But the initial reaction that we have got from some of these large investment bankers. And the global investment bankers that we have reached out is very encouraging. And we believe that over the period of next 4 to 6 months, we would be in a position to raise substantial capital for the growth of this business.

And obviously, as I mentioned to you, there are a number of climate focus funds which are looking for such opportunity, and they would be very keen to partner with us.

Hansal: And if I have questions, I'll get back in the queue.

Moderator: And the next question is from the line of Rohit Nagraj from Centrum Broking. Please go ahead, sir.

Rohit Nagraj: My first question is in terms of the technology for all the products that we have developed. So is it in-house technology and whether it is pride or tested? And a live question to that is in terms of product when we are selling to customers. Is it going to be a peaking basis? Or is it going to be a complete solution, which accounts for, say, 40% of the battery. So how are we trying to engage with the customers from this?

Bir Kapoor: Yes. first of all, regarding technology, Rohit as we had already answered and I think in this call, that technology, of course, is some part of it is in-house developed and in combination with international or global experts. And we already have approved because we our product is already being produced as of now. Coming back to your next question, how the customer engagement, whether it will happen on the 40%. At this point of time, we are phasing in products step by step.

So obviously, our engagement with the customer will start perhaps with one product and then it will go on. What you said is right, eventually, our target would be to offer an entire bouquet of products, which includes our new battery chemicals and materials and also fluoropolymers, which is already part of our portfolio, including PTFE and PVDF. So it will be what he said is exactly is going to be that's the intent that we would like to target in the long term when we have the entire bouquet is developed and available with us. So it will ramp up to that level absolutely.

Rohit Nagraj: All right. Got it. That's helpful. Sir, my second question in terms of the financial numbers. So one thing to clarify for FY '24 for the capex that we have indicated INR1,100 crores, does this include the INR800 crores, which is supposed to be invested by FY '24. And then question to

that. In terms of the I mean, the plant getting commissioned during FY '25, what is the kind of revenues that we expect in FY '26 from the EV initiative? Just a ballpark number would also do. Thank you.

Bir Kapoor: See, it's our, again, revenue guidance that we had given is the asset turnover based on our capital investment. And out of the INR1,100 crores that we talked about, the INR800 crores that we are talking about is over a period of the last couple of years. So it's not exactly everything is part of the INR1,100 crores that we are incurring this year.

So coming back to the revenue guidance that if we can presume that if the entire capex that has been added by the end of this or the middle of next financial year, that would probably reflect in totality a year later as a part of two times the asset turnover. That's all I can say. It will ramp up over a period of time. But the full potential of this capex is two times the asset turnover.

That's the guidance that we had given.

Rohit Nagraj: Just one clarification on FY26. What could be the capex on the EV front? So would it get clubbed in our consolidated financial, even if we take the external funding through private equity or through debt?

Bir Kapoor: See, we had given that the cumulative capex's by FY26 is INR3,200 crores. Okay, this is what we had given FY26. Obviously, this total cumulative capex to result into revenue probably would take some time. So you are asking about the FY26 revenue?

Rohit Nagraj: Capex numbers.

Bir Kapoor: So capex number by FY26 is INR3,200 crores. Is that what you had given? It's already part of the presentation, out of which 800 is already being incurred in this financial year. So you can say that in next two financial years, which is FY25 and FY26, so there'll be roughly INR2,400 crores which will be coming in. So at the rate of maybe INR1200 crores per year.

Rohit Nagraj: Fair enough. That's really helpful. Thanks a lot and all the best. Thank you.

Bir Kapoor: Thank you. Thank you so much.

Moderator: Thank you. And the next question is from the line of Rohan from Nuvama. Please go ahead, sir.

Rohan: Hi, sir. Good evening and thanks for the opportunity. Sir, if I just get this supply chain right in this EV chain, first, we need to get our samples approval from the customers in terms of grades development and which is suitable for their battery grade, batteries which they are developing. And then after the commercialization of the plant, then we need further approval from the customers and then only we can supply to them. Just getting my understanding right on this part.

Bir Kapoor: Rajiv, take that.

Rajiv Rao: Yes, the validation process of a product says that from our commercial plant, it goes to the customer and they test it in actual cell performance based on which they start procuring the product. So depending on what product it is, it goes to a different part of the value chain. So as

far as the LIPF6 salt is concerned, it goes to the electrolyte manufacturer who put it in their electrolytes and test out the product in an electrolyte which is put in a cell. Does that answer your question?

Rohan: So, sir, right now we have already started supplying after the commercialization of LIPF plant to the end customers and they are already putting it to the electrolyte salt and making the formulation by themselves and putting in the final batteries, right?

Rajiv Rao: We have just started sampling a product from the commercial plant and our customers are currently validating that.

Rohan: What is the validation period, sir?

Rajiv Rao: Validation period takes three to six months, typically.

Rohan: And, sir, it is coming after, I mean, first we would have given them the initial samples, right?

Moderator: Sorry to interrupt, sir. Sir, can you join the queue for the follow-up questions?

Rohan: I have yet not asked my question, sir.

Moderator: Okay, fine.

Rajiv Rao: Yes, Rohan go ahead.

Rohan: So, sir, I was asking, sir, this is happening again, I mean, after the commercialization, while we have already got our samples approved, right, from these customers and then also it is going to take another three to six months after the commercialization of the plant, right?

Rajiv Rao: So let me clarify, it was mentioned earlier that the customers validate the product from a commercial plant only. So sending samples from a lab or a pilot plant has no meaning in the end. They would like to validate the commercial product only. So that's where we are right now. Our commercial plant is up, and we are in the process of sending samples and getting it validated from the commercial plant.

Rohan Gupta: Okay. That's very helpful. Sir, any numbers you will share that how many customers we are working with right now and in what region domestic Europe, US, if any, any colour you can share on that?

Rajiv Rao: Yes, we are working globally. This EV market is a global market. So we have customers in all regions, and we are validating the product, both Indian as well as global customers and the developed economies.

Rohan Gupta: And you expect that the LIPF revenue will start flowing from these customers from Q2 FY25.

Rajiv Rao: Yes. So the validation period is three to six months thereafter second half of '24.

- Rohan Gupta:** And sir, how the utilization will change? I mean, how quickly we can ramp up the plant and reach up to the full potential of LIPF existing capacities?
- Rajiv Rao:** The plant is we currently already commercialized. So at the moment the customers validate it, we can ramp it up in no time.
- Rohan Gupta:** Okay. Yes. So that's it on my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Paras from Enam Holdings. Please go ahead sir.
- Paras:** Hello. Can you hear me, sir?
- Bir Kapoor:** Yes, Paras, I can hear you.
- Paras:** Thank you very much for the presentation sir. Sir, I wanted to understand, particularly on slide 5 of your presentation on EV you mentioned that the LIPF6 global demand in FY26 will drop by around 30% odd. Is there anything that we are missing? Or is there anything that we have to understand.
- Bir Kapoor:** In Both.
- Paras:** So it says that from 150 EBITDA, it will go down to 102 EBITDA. So is there anything that we have to understand in this? Why is the demand dropping?
- Rajiv Rao:** Yes. So, one of the things that we need to be in this business is to be very agile in being close to customers. And earlier, we talked about innovation in battery chemistries and how the formulations for electrolyte are being developed. So based on our interactions with our customers, we understand that there is some changes in the electrolyte formulations, which we have factored into this on that particular year.
- Paras:** Okay. So you mean to say that there can be non LIPF6 kind of a usage in battery, which can drive the sense which can drive up the demand and the demand for LIPF6 can come down in a year's time, at least for one year?
- Rajiv Rao:** See, electrolyte formulation is a blend of seven to eight different chemicals like LIPF6 being one of them. And LIPF6 is the base, and that will continue for the next decade or so. So we don't see we expect LIPF6 to continue growing. There are shifts from time to time that happen. And based on that, we have made this prediction, but LIPF6 will continue to grow over the next 10 years.
- Paras:** Got it. Thank you, sir.
- Moderator:** Thank you. And the next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.
- Nitin Agarwal:** Thanks for taking my question. Sir, my question is on the export opportunity perspective. What is the can you give us some colour on the competitive dynamics with the IRA act and the China

plus one which you mentioned from a European company sourcing perspective, I mean who on the guys that you are competing with and how tight in the supply market for some of these chemicals which sort of puts us in a favourable position. If you can just provide some perspectives on that.

Bir Kapoor: [inaudible] let me get your question right. You are asking that in view of the IRA and China plus one strategy, whom are we competing with? Is that right?

Nitin Agarwal: Yes. And how is there a from a demand-supply perspective, is there a challenge of some of the other non-chinese players being able to scale up to meet the requirements and it put us in a.

Bir Kapoor: The way it stands right now, the battery chemical capacities outside China is only there in some part in Korea and Japan, which is very, very small, okay. And there's some capacities which has been announced due to IRA in US, which will come much, much later. So if I look at the space, competition space, outside China. I believe that we are we'll be very competitive, both in terms of ramping our volumes up and also in terms of cost competitiveness.

So outside China, I think the competition is limited to the geographies that I mentioned. Okay. And if I look at those geographies and competitiveness with respect to India, it is much it's going to much, much better.

Moderator: Thank you. And the next question is from the line of Resham Jain from DSP Asset Managers. Please go ahead.

Resham Jain: Yes, hi. Good evening. Sir I have just one question. Just on the structuring part of this separate entity, if one looks at the cash flow, let's say, over the next two, three, four years, does this mean that your cash flows will be insufficient to fund this particular business line? Because again, when you will raise money through private equity, this will have a separate kind of entity, different structure, you have to give exit to them.

And then this whole holding company structure will again come into picture. Similar to what we used to have five, six years back, three, four years back? And that has its own implication in terms of how people value the company. So how are you thinking about this whole structuring and from a cash flow perspective.

Akhil Jindal: Yes, hi Resham. This is Akhil Jindal, once again. So basically, look, firstly, to answer your first question, if you feel that the cash flows of the main business is not enough to fund this business. That's not correct. We have enough cash flows coming over several years, I mean, over the next few years to fund this business as we have done it so far. The idea of bringing in the global fund are two-fold.

One, we are looking at a single-digit dilution, not like a massive dilution, a single-digit dilution to the extent possible and to raise the fund for the future growth. The second is the market name that will get associated through this association will also enable us to be a real thought leader in the EV space and the ESS space, and which is whatever endeavour is. So in that sense, it would be a very simplistic private equity participation.

We are not expecting any complications arising out of it. And in that sense, the funding that would be done from private equity, would be good enough for us to be able to fund our initial two to three years funding plan. And then this business will be in a self-propelling mode for the future growth. So this is a cautious decision that the company and the Board has taken in interest of the preserving the cash flows of the main company also for its own future growth for its all future potential, while the EV can be funded separately through external growth.

Resham Jain:

And the second part of the question, if you can answer, how will you think about giving an exit to private equity? Will it be a separate IPO? Will this be a subsidiary of Gujarat Fluoro itself because there will be still some kind of related party transaction, if it will be a separate company, which will still be there between parent and the subsidiary. So how are you thinking about on those lines?

Akhil Jindal:

Yes. I mean, Resham, you're right. In the entire group, you would have seen the company is maturing to the reasonable level and going through a public market route. So given that this business has reached to a certain level. And with the new investment that we are proposing, it will reach to a threshold where it can attract the public market capital as well.

So the idea would be to go to an IPF rotation at a later date. But clearly, there is no commitment. There's no, I would say, assurance that we are giving to the private equity players or they are seeking from us. This would be a natural process. As and when the business gets developed and when the business cash flows get established and at an appropriate valuation at an appropriate time, we will go to the public market.

I mean, we are not putting any pressure on the management or ourselves for promising any exit within 2 years, 3 years. That's not our endeavour. It would be a natural process that as other group companies in this have got listed at an appropriate time, they would also see the public market listing I can't put a timeline to it. But once the cash flows and everything gets sustainable, it would cease natural course.

Resham Jain:

Okay. Great. All the best. Thank you.

Akhil Jindal:

Thank you.

Moderator:

Thank you. And the next question is from the line of Yash Shah from Investec. Please go ahead.

Yash Shah:

Hi sir, Thank you for this opportunity. Sir, my first question was regarding sourcing of the lithium. We were in basically trying to source the lithium and had had appointed ENY as well in the last for the last 6 quarters. And as we've also mentioned in the past that how pertinent is to source for the EV business. Can you provide some update on that? Now where are we and basically given that in the past it was only limited to the LIPF 6 business. But right now, we are also catering to the LFP along with the additive as well. So given that the lithium supply will, demand would increase, so where are we right now?

Bir Kapoor:

So we looked at the lithium sourcing opportunity, and we are continuing to look at that space. However, as you know, the current situation, market situations are very different, Lithium is no

longer where it used to be at least at that point of time now. There is a lithium prices soft enough, and there's a lot more new mine than the new refining has come up.

So there is a continuous that area is very, very dynamic, and we have been looking through it through experts and consultants. At this point of time, what we believe is that the visibility that we have from next 2 to 3 years, we are covered with respect to lithium. And this whole market space, again, the way the industry works, often is that the lithium security, to some extent, is provided by OEMs. And as you may have read and seen, that the lithium, for example, the large OEMs have captured or have control on the lithium supply to make sure that this is does not impact the overall growth plans and the growth strategy.

So it's going to be a combination for us. Yes, some part of it is through our customer and some part of it even if we procure is typically on the pass-through model okay?

Yash Shah:

Got it, sir. Sir, one other last small question. Regarding the new product segments which we are entering into can you basically give a broad idea of the segment wise of which is going to be a binary market? Is it going to be domestic market? Or is it going to be the export market? Like in the case of electrolyte pollination, you obviously can't export it. So the domestic market is going to be a key. But whereas in terms of the other segments, can you give some broad idea? If we are targeting more towards export or the domestic market?

Bir Kapoor:

We are the size of market that we talked about and if you look at that we are looking at it at a global market size. And again, as China plus one kind of strategy, which is driven primarily by the changes that is being seen in the several regulatory framework of U.S. as well as EU for dependencies on particularly with one dominant player. So in view of that, we are looking primarily at the export market.

Yes, in case of products like electrolyte, which cannot be transported, we'll be looking at the domestic market only. But overall, in all the set of products that we talked about, we will be looking at the global market. And overall size of this global market is very big. I mean this is estimated to be in 2030, for example, this market is around 100 billion. That time that we are looking at.

Yash Shah:

Understood sir. Thank you for answering all my questions and all the best sir.

Moderator:

Thank you. That was the last question. I would now like to hand the conference over to management for closing comments.

Bir Kapoor:

First of all, thank you very much to all of you for showing interest in GFL and GFCL EV. For us, as we have mentioned that this is a momentous occasion for us, where we are embarking on a new horizon, a new journey for GFL as a group and also particularly in the battery material space where we are entering. It's a very large opportunity, as you can see from our presentation that if you look at the battery growth rate, it's almost close to 20%, 30%, which is predicted.

Now a combination of EV plus ESS, which both require battery and where both battery material goes, it's a very, very big, large opportunity for us. Clearly, in view of that, we are very, very excited about this. And the total value of the battery that we are planning to target is almost 40%,

so which is a very big market for us. So and we believe that we are very well positioned to capture it. In view of our past experience in view of our expertise in Fluorine and Fluorine chemistry NHF handling and in terms of taking high-performance product to market.

So I think we have all the right elements and capability in place. With today's announcement, we are one of the first players in this area who has come up with a commercial plant. And we would like to leverage this. And the last point is that, as I mentioned in between the call, that we are one of the very few companies in the world who has such a large bouquet of products for battery materials, starting from electrolyte salts CAM to fluoropolymers.

So with this, we look forward to an exciting journey for GFCL EV. So thank you very much for showing all your interest, and I appreciate your time. Thank you.

Moderator:

On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.