

MIDCAP *Mantra*Guj Fluoro on a Roll,
to Post Solid Earnings

Valuations take on shine as all business verticals fire; IPO for wind arm may help

Ramkrishna.Kashelkar
@timesgroup.com

ET Intelligence Group: The Inox Group's flagship company Gujarat Fluorochemicals (GFL) has strongly gained in valuations of late as its future outlook has turned bright. The company's four business verticals – chemicals, wind power, wind turbines and entertainment – are expected to grow rapidly supported by margin expansion. The company is expected to post robust earnings growth in coming quarters fuelled by past capital investments and strong cash flows. A proposed initial public offer (IPO) of its subsidiary Inox Wind should further add to its valuations.

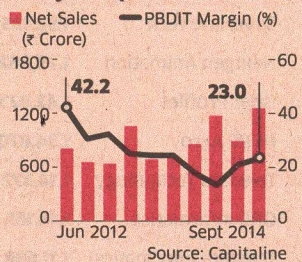
Traditionally a refrigerant gas manufacturer, GFL was forced to innovate when these ozone-depleting gases had to be phased out. As a result, the company entered manufacturing of a specialty high-value resin Poly Tetra Fluoro Ethylene (PTFE) – originally invented by Du Pont and popularised globally by its brand name 'Teflon' – which is produced using the refrigerant gas. "PTFE is a specialty polymer with unique properties and hence, used in a variety of industries. Western players are not expanding while Chinese manufacturers have restricted number of grades of this product, which offers a significant growth opportunity for us," said Vivek Jain, managing director, GFL.

After setting up a 16,000 tonne per annum capacity to manufacture PTFE in 2008, the company was able to use only half of it till FY14 as it was developing different product grades and seeking customer approvals. "For us, the product development cycle is over and customer approvals have started coming, which is resulting in higher PTFE sales," said Jain. "By end June 2015 quarter, our PTFE capacity utilisation should reach 100%," he added. PTFE contributed half of the com-



Vivek Jain, MD, GFL

Gujarat Fluorochemicals: Profitability to Improve from Hereon



pany's ₹1,185 crore revenue from the chemical business in FY14.

The company's subsidiary Inox Wind, which was set up in 2010 to manufacture wind mills suitable to Indian conditions, is also finding a spurt in sales and orders. Its revenue shot up 90% to ₹594 crore in the half year ended September 2014, and net profit grew 3-fold to ₹56.5

Teflon contributed half of the company's ₹1,185 crore revenue from the chemical business in FY14

crore. The company, which executed 330 mw of projects in FY14, is carrying an order book of 1 gw of projects and is planning to launch an IPO to fund expansion.

GFL's other subsidiary Inox Renewables, which runs 213 mw windmill farms, posted 2.4 times jump in FY14 net profit at ₹157 crore on a turnover of ₹175 crore. The business will be an annuity earning business, with no incremental investments from GFL.

GFL's capex cycle is almost over as it recently commissioned a 40,000 tonne per annum plant to produce HCFC refrigerant gas to feed its PTFE unit. The future capex will be mostly on debottlenecking. With strong cash flows and expected revenue growth, the company can soon wipe off net debt from its balance sheet.