Chemicals

Manthan

In between mothball to mouthful

Since a couple of years, companies like 3M, Chemours, Solvay etc have been facing multi-billion litigations on account of PFAS/PFOA/PFOS. As a result, several companies announced closures. For example, ICIG announced closure of its Miteni plant. Similarly, 3M announced closure of its Germany plant in Dec'22. While PFOA/PFOS have been effectively banned in the EU, their usage is prohibited in most cases even in the US. However, regulations against PFAS are still evolving. It appears that due to lack of substitutes, it may be allowed in certain industries. As a result, several of these so-called mothballed plants are being reincarnated in new avatars.

Miteni found a buyer in Laxmi Organics. The plant started its commercial operations in FY26. Similarly, just recently, Capmont, a Swiss private equity firm appears to have bought over 3M's German capacity and expects to bring it to production in next few months. Simultaneously, closures continue with AGS Chemicals announcing closure of its 4tmtpa plant in the UK just a few days back.

However, will this also find a buyer ultimately, only time will tell. Revivals also would not be in the same product baskets as the closed plants used to operate in earlier. There would be a deliberate shift towards higher value specialty grades which are likely to get exemptions. Capmont is targeting a revenue of EUR300mn from 18ktpa capacity. Even if we take assume ~85% as optimal utilisation, it translates to an average realisation of $24/kg compared to PTFE resin prices of ~$10/kg.

However, we have also seen companies like Gujarat Fluoro focussing more on value added segments. With revival of these plants, especially, 3M's Germany plant, a stress on prices is likely to be seen going forward.

Exhibit 1: Recent closures

Company	Plant closed	Products	Capacity (tmtpa)	Closure announced in	Revived by
ICIG	Miteni, Italy	Intermediates		2018	Laxmi Organics
AGC Chemicals	UK		~4	2026	
3M	Burgkirchen/Gendorf, Germany	PTFE, FEP, PFA, FKM	~18	2022	Capmont
	Decatur, Albama, US	PVDF		2022	
	Minnesotta, US	Fluoroelastomers/fluorochemicals		2022	
	Zwijndrecht, Belgium	PFAS intermediates		2022	
Solvay/Syensqo	Italy	PFA, FEP, PTFE		2023	

Source: Company, PL

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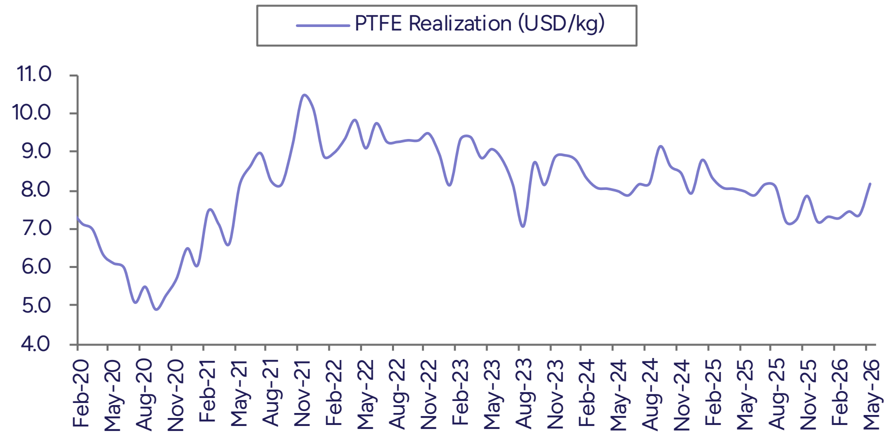
Exhibit 2: PTFE prices (USD/kg)



Source: Company, PL

Our View:

GFL's fluoropolymers business has been the primary growth driver to date. However, with the revival of global capacities, increased competitive intensity is likely to exert pricing pressure on the fluoropolymers segment in the near term. Additionally, the Battery Chemicals business may take longer than anticipated to make a meaningful contribution to topline, with $LiPF_6$ and PVDF expected to be the only significant revenue contributors in FY27. The stock is currently trading at a premium valuation of 51x FY28E EPS (vs. consensus at 37x), and we therefore remain cautious on the stock.

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Aarti Industries	Accumulate	529	478
2	Bharat Petroleum Corporation	REDUCE	270	314
3	Bharti Airtel	BUY	2226	1884
4	Clean Science and Technology	HOLD	804	804
5	Deepak Nitrite	REDUCE	1514	1613
6	Fine Organic Industries	BUY	6001	5000
7	GAIL (India)	BUY	206	174
8	Gujarat Energy	Hold	293	286
9	Gujarat Fluorochemicals	HOLD	3772	3961
10	Gujarat State Petronet	Hold	242	236
11	Hindustan Petroleum Corporation	Hold	386	406
12	Indian Oil Corporation	REDUCE	125	142
13	Indraprastha Gas	BUY	181	152
14	Jubilant Ingrevia	HOLD	705	683
15	Laxmi Organic Industries	REDUCE	143	155
16	Mahanagar Gas	Accumulate	1283	1134
17	Mangalore Refinery & Petrochemicals	Hold	142	146
18	Navin Fluorine International	Accumulate	8200	7547
19	NOCIL	HOLD	176	176
20	Oil & Natural Gas Corporation	Accumulate	266	244
21	Oil India	Accumulate	455	423
22	P.I. Industries	Hold	2792	2648
23	PCBL Chemical	HOLD	310	315
24	Petronet LNG	Accumulate	300	280
25	Reliance Industries	BUY	1650	1308
26	SRF	REDUCE	2603	2811
27	Sudeep Pharma	REDUCE	760	811
28	Vinati Organics	Accumulate	1475	1355

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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