

SRF

BUY

Growth capex strengthens the story; Maintain BUY

### Summary

SRF delivered results which were surpassed our estimates. While Revenue grew by 7% YoY, EBITDA and Adjusted PAT grew by rates of 7% and 11% from a very strong base quarter in Q4FY25. The chemicals business continued to exhibit strong growth owing to higher HFC pricing and placement of higher volumes in domestic and export markets. SRF delivered on the guidance of a robust Q4FY26 performance on the back of conversion of pent up and deferred orders. Specialty Chemicals Business clocked in steady revenue growth of 16% for FY26 with margins coming in at healthy 29%. SRF is undertaking significant capex into manufacturing of HFO, AHF and expanding HFC capacity which will propel growth prospects in the medium term. We maintain our BUY rating on SRF with TP of Rs3,579 on SOTP basis as we believe the company is geared up well for growth.

### Key Highlights and Investment Rationale

- **Building blocks for Chemicals Business in FY27:** The management asserted that growth in the specialty chemicals business would mostly be volume led as most of the price erosion has already taken place. Strong efforts are being taken to protect market share in key products. Healthy demand and pricing environment is expected to continue for the Refgas business. Additionally, PTFE and the Chemours project also are expected to contribute meaningfully in the latter part of FY27.
- **Outlook:** SRF is guiding for healthy growth of 15-20% in the Chemicals Business in FY27. The company is undertaking a significant capex of ~Rs 23bn in setting up 20,000 MTPA HFO plant with in house developed technology and a 30,000 MTPA AHF Plant which will serve as critical input for the HFO plant and Value added Hydrogen Fluoride products.

TP **Rs3,579**CMP **Rs2,528**

Potential upside/downside 42%

Previous Rating BUY

### Price Performance (%)

	-1m	-3m	-12m
Absolute	4.6	(13.0)	(15.2)
Rel to Sensex	(0.4)	(5.4)	(10.5)

### V/s Consensus

EPS (Rs)	FY27E	FY28E
IDBI Capital	73	85
Consensus	92	109
% difference	(20.6)	(22.0)

### Key Stock Data

Bloomberg / Reuters	SRF IN / SRFL.BO
Sector	Specialty Chemicals
Shares o/s (mn)	296
Market cap. (Rs mn)	7,49,243
3-m daily avg. trd. value (Rs mn)	34.5
52-week high / low	Rs3,319 / 2,313
Sensex / Nifty	77,018 / 24,033

### Shareholding Pattern (%)

Promoters	50.3
FII	16.7
DII	19.3
Public	13.7

### Financial snapshot

Year	FY24	FY25	FY26	FY27E	FY28E
Revenue	1,29,104	1,46,931	1,57,865	1,76,284	1,99,301
Change (yoy, %)	(13)	14	7	12	13
EBITDA	25,841	27,184	34,096	39,009	44,037
Change (yoy, %)	(27)	5	25	14	13
EBITDA Margin(%)	20.0	18.5	21.6	22.1	22.1
Adj.PAT	13,357	12,508	19,201	21,520	25,245
EPS (Rs)	45	42	65	73	85
Change (yoy, %)	(38.2)	(6.4)	53.5	12.1	17.3
PE(x)	56.1	59.9	39.0	34.8	29.7
Dividend Yield (%)	0.3	0.3	0.4	0.4	0.4
P/B (x)	6.5	5.9	5.3	4.7	4.1
RoE (%)	12.3	10.4	14.4	14.4	15
RoCE (%)	13.3	13	15.2	16.3	17

Source: IDBI Capital Research

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**Exhibit 1: Quarterly Snapshot (Consolidated)**

Consolidated (Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ%
<b>Net Sales</b>	<b>46,152</b>	<b>43,133</b>	<b>7.0%</b>	<b>37,125</b>	<b>24.3%</b>
<b>Expenditure</b>	<b>-31,162</b>	<b>-29,768</b>	<b>4.7%</b>	<b>-25,666</b>	<b>21.4%</b>
<i>as % of sales</i>	-68%	-69%	-2.2%	-69%	-2.3%
Consumption of RM	-22,824	-22,324	2.2%	-18,356	24.3%
<i>as % of sales</i>	-49%	-52%	-4.5%	-49%	0.0%
Employee Cost	-3,131	-2,762	13.4%	-2,808	11.5%
<i>as % of sales</i>	-7%	-6%	6.0%	-8%	-10.3%
Other expenditure	-5,207	-4,682	11.2%	-4,501	15.7%
<i>as % of sales</i>	-11%	-11%	3.9%	-12%	-6.9%
<b>EBITDA</b>	<b>10,257</b>	<b>9,574</b>	<b>7.1%</b>	<b>7,800</b>	<b>31.5%</b>
Depreciation	-2,198	-1,952	12.6%	-2,169	1.3%
<b>EBIT</b>	<b>8,059</b>	<b>7,623</b>	<b>5.7%</b>	<b>5,631</b>	<b>43.1%</b>
Other Income	249	345	-27.8%	273	-8.9%
Interest	-620	-894	-30.7%	-655	-5.4%
Exceptional	-117	0	-	-732	-84.0%
PBT	7,571	7,074	7.0%	4,517	67.6%
Total Tax	-1,751	-1,813	-3.4%	-190	821.0%
<b>Reported PAT</b>	<b>5,820</b>	<b>5,261</b>	<b>10.6%</b>	<b>4,327</b>	<b>34.5%</b>
Discontinued Ops	0	0	-	0	NA
<b>Adjusted PAT</b>	<b>5,820</b>	<b>5,261</b>	<b>10.6%</b>	<b>5,028</b>	<b>15.8%</b>
<b>Adjusted EPS</b>	<b>20</b>	<b>18</b>	<b>10.6%</b>	<b>17</b>	<b>15.8%</b>
<b>Margins (%)</b>			<b>YoY (bps)</b>		<b>QoQ (bps)</b>
EBIDTA	22.2%	22.2%	3	21.0%	121
EBIT	17.5%	17.7%	(21)	15.2%	229
EBT	16.4%	16.4%	1	12.2%	424
PAT	12.6%	12.2%	41	11.7%	96
Effective Tax rate	-23.1%	-25.6%	251	-4.2%	(1,892)

Source: Company, IDBI Capital

**Exhibit 2: Quarterly Segmental Snapshot (Consolidated)**

Segment Revenue( Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ%
Technical Textile Business	4,825	4,584	5%	4,536	6%
Chemical Business	24,483	23,553	4%	18,248	34%
Packaging Film Business	15,956	14,122	13%	13,423	19%
Others	887	874	1%	919	-3%
Less: Inter Segment Revenue	0	0	-	0	-
<b>Total</b>	<b>46,152</b>	<b>43,133</b>		<b>37,126</b>	
EBIT Margins (%)	Q4FY26	Q4FY25	YoY (bps)	Q3FY26	QoQ (bps)
Technical Textile Business	13.5%	8.7%	476.5	9.9%	360
Chemical Business	32.0%	31.8%	18.8	27.2%	479
Packaging Film Business	9.6%	7.4%	221.9	7.1%	257
Others	10.3%	14.2%	(389.1)	18.5%	(817)

Source: Company, IDBI Capital

**Exhibit 3: Change in estimates**

	FY27E			FY28E		
	Old	New	(%) Chg	Old	New	(%) Chg
Revenue (Rs mn)	1,76,657	1,76,284	-0.2%	1,99,797	1,99,301	-0.2%
EBITDA (Rs mn)	39,192	39,009	-0.5%	44,642	44,037	-1.4%
<i>EBITDA margin (%)</i>	<i>22.2%</i>	<i>22.1%</i>	<i>-5.7</i>	<i>22.3%</i>	<i>22.1%</i>	<i>-24.8</i>
Net profit (Rs mn)	20,986	21,520	2.5%	24,608	25,245	2.6%
EPS (Rs)	71	72.6	2.3%	83	85.2	2.6%

Source: Company; IDBI Capital Research

### Conference call highlights:

#### Demand:

- Fluorochemicals: The segment delivered a record year with driven by higher volumes and realizations for HFCs in both domestic and export markets. The pricing continues to firm up.
- Specialty Chemicals: This segment faced stress in the agro value chain due to muted offtake. Also, there was aggressive pricing pressure from Chinese players as well.
- Performance Films: The segment experienced a recovery across all geographies in Q4; BOPET and BOPP margins began showing early signs of improvement.
- Technical Textiles: The belting fabrics demand is gaining traction post-rationalization of U.S. tariffs

#### Capex Plans:

- Odisha Site: Revised investment to Rs23Bn for a 20,000 MTPA HFO facility, 30,000 MTPA HF plant, and value-added derivatives. There will still be area available at this site for further capex.
- The management approved a Rs880Mn for debottlenecking efforts to take HFC capacity beyond 65,000 MTPA.
- SRF indefinitely deferred the proposed ₹490 crore BOPP facility in Indore. Instead they will be investing Rs1.8Bn in a new simultaneous-stretching Polyamide line.
- FY27 Guidance: The total planned capital expenditure for the coming year is approximately Rs25Bn.

#### Future Guidance:

- The management indicated that the chemicals business is projected to deliver 15%-20% growth in FY27.
- Entry into high-value technical films with the commercialization of Capacitor Grade BOPP; and high-margin project for Chemours is on track for Q4 completion.
- SRF indicated they will focus on scaling the Pharma segment faster and moving up the value chain into regulatory starting materials.

- The management believes the worst phase for the packaging industry is largely over, though competitive pressures persist.

**Others:**

- Sharp Rupee depreciation led to Mark-to-Market losses on long-term forward export hedges.

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26	FY27E	FY28E
<b>Net sales</b>	<b>1,48,703</b>	<b>1,29,104</b>	<b>1,46,931</b>	<b>1,57,865</b>	<b>1,76,284</b>	<b>1,99,301</b>
<i>Change (yoy, %)</i>	20	(13.2)	13.8	7	12	13
Operating expenses	(1,13,411)	(1,05,544)	(1,19,746)	(1,23,769)	(1,37,275)	(1,55,264)
<b>EBITDA</b>	<b>35,292</b>	<b>25,841</b>	<b>27,184</b>	<b>34,096</b>	<b>39,009</b>	<b>44,037</b>
<i>Change (yoy, %)</i>	11	(27)	5	25	14	13
<i>Margin (%)</i>	23.7	20.0	18.5	21.6	22.1	22.1
Depreciation	(5,753)	(6,726)	(7,715)	(8,521)	(8,680)	(9,468)
<b>EBIT</b>	<b>29,539</b>	<b>19,115</b>	<b>19,469</b>	<b>25,576</b>	<b>30,328</b>	<b>34,569</b>
Interest paid	(2,048)	(3,023)	(3,760)	(2,780)	(3,060)	(2,850)
Other income	749	830	1,327	1,071	952	1,392
<b>Pre-tax profit</b>	<b>28,240</b>	<b>16,922</b>	<b>17,037</b>	<b>23,016</b>	<b>28,220</b>	<b>33,112</b>
Tax	(6,617)	(3,565)	(4,529)	(4,665)	(6,700)	(7,867)
<i>Effective tax rate (%)</i>	23.4	21.1	26.6	20.3	23.7	23.8
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>21,623</b>	<b>13,357</b>	<b>12,508</b>	<b>18,352</b>	<b>21,520</b>	<b>25,245</b>
Exceptional items	-	-	-	(850)	-	-
<b>Adjusted net profit</b>	<b>21,623</b>	<b>13,357</b>	<b>12,508</b>	<b>19,201</b>	<b>21,520</b>	<b>25,245</b>
<i>Change (yoy, %)</i>	14	(38)	(6)	54	12	17
EPS	72.9	45.1	42.2	64.8	72.6	85.2
Dividend per sh	7.2	7.2	7.2	9.0	9.0	9.0
<i>Dividend Payout (%)</i>	10	16	17	14	12	11

**Balance Sheet**

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26	FY27E	FY28E
<b>Shareholders' funds</b>	<b>1,03,271</b>	<b>1,14,790</b>	<b>1,26,262</b>	<b>1,40,428</b>	<b>1,59,285</b>	<b>1,81,867</b>
Share capital	2,974	2,974	2,974	2,974	2,974	2,974
Reserves & surplus	1,00,296	1,11,816	1,23,288	1,37,453	1,56,311	1,78,893
<b>Total Debt</b>	<b>43,541</b>	<b>49,202</b>	<b>46,412</b>	<b>50,043</b>	<b>19,533</b>	<b>19,533</b>
Other liabilities	(8,432)	(13,981)	(11,403)	(14,233)	16,278	16,278
<b>Curr Liab &amp; prov</b>	<b>49,166</b>	<b>54,808</b>	<b>54,299</b>	<b>65,228</b>	<b>65,862</b>	<b>66,595</b>
Current liabilities	49,087	54,720	54,201	65,080	65,714	66,447
Provisions	79	88	98	149	149	149
<b>Total liabilities</b>	<b>84,275</b>	<b>90,029</b>	<b>89,309</b>	<b>1,01,039</b>	<b>1,01,673</b>	<b>1,02,406</b>
<b>Total equity &amp; liabilities</b>	<b>1,87,545</b>	<b>2,04,819</b>	<b>2,15,571</b>	<b>2,41,467</b>	<b>2,60,958</b>	<b>2,84,273</b>
Net fixed assets	1,20,534	1,36,508	1,41,694	1,54,670	1,68,989	1,71,522
Investments	490	1,712	1,752	1,720	1,720	1,720
Other non-curr assets	8,772	10,107	10,830	13,101	13,101	13,101
<b>Current assets</b>	<b>57,750</b>	<b>56,493</b>	<b>61,296</b>	<b>71,976</b>	<b>77,148</b>	<b>97,931</b>
Inventories	22,743	23,265	23,490	27,886	32,143	36,320
Sundry Debtors	17,856	19,428	21,695	25,616	28,548	32,255
Cash & Liquid	11,065	8,131	10,583	11,743	9,726	22,625
Loans and advances	6,085	5,669	5,528	6,731	6,731	6,731
<b>Total assets</b>	<b>1,87,545</b>	<b>2,04,819</b>	<b>2,15,571</b>	<b>2,41,467</b>	<b>2,60,958</b>	<b>2,84,273</b>

**Cash Flow Statement**

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26	FY27E	FY28E
Pre-tax profit	28,240	16,922	17,037	23,016	28,220	33,112
Depreciation	5,753	6,726	7,715	8,521	8,680	9,468
Tax paid	(5,077)	(3,826)	(3,339)	(5,063)	(6,700)	(7,867)
Chg in working capital	(604)	(1,825)	(176)	(4,172)	(3,554)	(4,151)
Other operating activities	705	2,941	3,638	3,233	3,060	2,850
<b>Cash flow from operations (a)</b>	<b>29,017</b>	<b>20,939</b>	<b>24,875</b>	<b>25,536</b>	<b>29,706</b>	<b>33,411</b>
Capital expenditure	(28,519)	(22,017)	(12,223)	(18,065)	(23,000)	(12,000)
Chg in investments	(1,368)	(240)	(2,692)	1,661	-	-
Other investing activities	273	(16)	75	426	-	-
<b>Cash flow from investing (b)</b>	<b>(29,614)</b>	<b>(22,273)</b>	<b>(14,840)</b>	<b>(15,978)</b>	<b>(23,000)</b>	<b>(12,000)</b>
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	-	-	-	-	-	-
Dividend (incl. tax)	(2,133)	(2,137)	(2,132)	(2,663)	(2,663)	(2,663)
Chg in minorities	-	-	-	-	-	-
Other financing activities	4,329	1,420	(8,573)	(4,421)	(6,060)	(5,850)
<b>Cash flow from financing (c)</b>	<b>2,196</b>	<b>(717)</b>	<b>(10,705)</b>	<b>(7,083)</b>	<b>(8,722)</b>	<b>(8,512)</b>
<b>Net chg in cash (a+b+c)</b>	<b>1,599</b>	<b>(2,052)</b>	<b>(670)</b>	<b>2,474</b>	<b>(2,016)</b>	<b>12,899</b>

### Financial Ratios

Year-end: March	FY23	FY24	FY25	FY26	FY27E	FY28E
Book Value (Rs)	348	387	426	474	537	614
Adj EPS (Rs)	72.9	45.1	42.2	64.8	72.6	85.2
Adj EPS growth (%)	14	-38	-6	54	12	17
EBITDA margin (%)	23.7	20.0	18.5	21.6	22.1	22.1
Pre-tax margin (%)	19.0	13.1	11.6	14.6	16.0	16.6
Net Debt/Equity (x)	0.3	0.4	0.3	0.3	0.1	0.0
ROCE (%)	23.5	13.3	12.5	15.2	16.3	16.7
ROE (%)	22.9	12.3	10.4	14.4	14.4	14.8

### DuPont Analysis

Asset turnover (x)	0.9	0.7	0.7	0.7	0.7	0.7
Leverage factor (x)	1.8	1.8	1.7	1.7	1.7	1.6
Net margin (%)	14.5	10.3	8.5	12.2	12.2	12.7

### Working Capital & Liquidity ratio

Inventory days	56	66	58	64	67	67
Receivable days	44	55	54	59	59	59
Payable days	72	76	71	76	78	78

### Valuations

Year-end: March	FY23	FY24	FY25	FY26	FY27E	FY28E
PER (x)	34.7	56.1	59.9	48.3	34.8	29.7
Price/Book value (x)	7.3	6.5	5.9	5.3	4.7	4.1
EV/Net sales (x)	5.3	6.1	5.3	5.1	4.3	3.7
EV/EBITDA (x)	22.2	30.6	28.9	25.9	19.5	16.9
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.4	0.4

Source: Company; IDBI Capital Research

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**Key to Ratings Stocks:****BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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1. These terms and conditions, and consent thereon are for the research services provided by the Research Analyst (RA) and RA cannot execute/carry out any trade (purchase/sell transaction) on behalf of, the client. Thus, the clients are advised not to permit RA to execute any trade on their behalf.
2. The fee charged by RA to the client will be subject to the maximum of amount prescribed by SEBI/ Research Analyst Administration and Supervisory Body (RAASB) from time to time (applicable only for Individual and HUF Clients).  
Note:
  - 2.1. The current fee limit is Rs 1,51,000/- per annum per family of client for all research services of the RA.
  - 2.2. The fee limit does not include statutory charges.
  - 2.3. The fee limits do not apply to a non-individual client / accredited investor.
3. RA may charge fees in advance if agreed by the client. Such advance shall not exceed the period stipulated by SEBI; presently it is one quarter. In case of pre-mature termination of the RA services by either the client or the RA, the client shall be entitled to seek refund of proportionate fees only for unexpired period.
4. Fees to RA may be paid by the client through any of the specified modes like cheque, online bank transfer, UPI, etc. Cash payment is not allowed. Optionally the client can make payments through Centralized Fee Collection Mechanism (CeFCoM) managed by BSE Limited (i.e. currently recognized RAASB).
5. The RA is required to abide by the applicable regulations/ circulars/ directions specified by SEBI and RAASB from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. The RA will endeavor to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.
6. Any assured/guaranteed/fixed returns schemes or any other schemes of similar nature are prohibited by law. No scheme of this nature shall be offered to the client by the RA.
7. The RA cannot guarantee returns, profits, accuracy, or risk-free investments from the use of the RA's research services. All opinions, projections, estimates of the RA are based on the analysis of available data under certain assumptions as of the date of preparation/publication of research report.
8. Any investment made based on recommendations in research reports are subject to market risks, and recommendations do not provide any assurance of returns. There is no recourse to claim any losses incurred on the investments made based on the recommendations in the research report. Any reliance placed on the research report provided by the RA shall be as per the client's own judgement and assessment of the conclusions contained in the research report.
9. The SEBI registration, Enlistment with RAASB, and NISM certification do not guarantee the performance of the RA or assure any returns to the client.
10. For any grievances,  
Step 1: the client should first contact the RA using the details on its website or following contact details:  
(RA to provide details as per 'Grievance Redressal / Escalation Matrix')  
Step 2: If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at [www.scores.sebi.gov.in](http://www.scores.sebi.gov.in)  
Step 3: The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at <https://smartodr.in>
11. Clients are required to keep contact details, including email id and mobile number/s updated with the RA at all times.
12. The RA shall never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. Never share such information with anyone including RA.