

## Chemicals business: Many levers at play

We recently met SRF's president and CFO for insights on the company's growth plans and long-term opportunities. The key takeaways are: i) Domestic demand for HFCs will continue to rise, especially for R-134a and R32, ii) Over the next 8-10 years, India will become one of the largest consumers of HFCs, iii) Revenue contribution from HFO will be meaningful from FY28, iv) In FY26, overall volume of specialty chemicals (including new and legacy products) is likely to be better than in FY25, v) Pricing in specialty chemicals has stabilised, vi) Import tariffs by the US (if any) will have to be looked at in tandem with China; and vii) Packaging films margins are likely to be similar or better than what they have been over the last 2-3 quarters. We remain constructive on the company's long-term plans. We maintain BUY with an unchanged SoTP-based Mar'26 TP of INR 3,115/share.

- HFC demand outlook robust:** Due to the government's mandate to have air-conditioned cabins in all new manufactured medium and heavy trucks, starting Oct'25 (click [here](#)), there is likely to be pick up of domestic HFC-134a demand. In our view, this regulation could result in additional domestic demand of ~200-400MT of R-134a (considering ~0.5-1kg charge and domestic MHCV industry size of ~375K units). HFC-32 is anyway getting good demand traction in split air conditioners due to its low global warming potential. Further, over the next 8-10 years, as India phases out hydrochlorofluorocarbons (HCFCs) and completely transitions to HFCs (hydrofluorocarbons), it will become one of the largest consumers of HFCs. On the pricing front, it was indicated that the overall HFC pricing environment has been buoyant. Moreover, the company highlighted that since HFOs will not require stringent approvals, sales contribution could be swift from FY28.
- Stable pricing with volume growth bodes well for specialty chemicals:** The management indicated that, over the last couple of months, normalcy has returned in specialty chemicals pricing of Chinese players. The company remains confident of sales contribution from 2-3 active ingredients in FY26 and additional 2-3 active ingredients in FY27. Further, on overall basis (new and legacy products), volumes are likely to be better in FY26 compared to FY25. Moreover, since the company manufactures some of the raw materials in-house, margins on active ingredients are likely to be higher compared to that on legacy products. On pharma sales, the company maintained its target of ~15-20% of specialty chemicals from the pharma division, over the next 2-3 years.
- Maintain BUY with Mar'26 TP of INR 3,115:** The management believes that there will be positive demand traction for its PTFE grades in FY26. It has received product approvals from domestic and international customers for two specialty and one commodity grades, which it believes will drive volume pick-up in FY26. On packaging films, it indicated that margins were likely to be similar or better than those reported over the last 2-3 quarters with some positive traction from aluminium foil ramp-up. Our estimates are unchanged, and we expect ~30%/50% EBITDA/EPS CAGR over FY25E-27E. We maintain BUY with an unchanged SoTP-based Mar'26 TP of INR 3,115 as we see multiple positives lying ahead.

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**Recommendation and Price Target**

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	3,115
Upside/(Downside)	12.9%
Previous Price Target	3,115
Change	0.0%

**Key Data – SRF IN**

Current Market Price	INR2,758
Market cap (bn)	INR820.5/US\$9.4
Free Float	38%
Shares in issue (mn)	296.2
Diluted share (mn)	296.2
3-mon avg daily val (mn)	INR1,873.3/US\$21.5
52-week range	2,995/2,089
Sensex/Nifty	74,602/22,548
INR/US\$	87.2

**Price Performance**

%	1M	6M	12M
Absolute	7.1	11.1	16.0
Relative*	9.4	20.8	13.8

\* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	145,918	129,104	141,629	166,328	197,808
Sales Growth (%)	18.5	-11.5	9.7	17.4	18.9
EBITDA	35,292	25,841	26,813	35,504	45,619
EBITDA Margin (%)	23.7	19.7	18.9	21.3	23.1
Adjusted Net Profit	21,623	13,357	12,025	19,340	26,728
Diluted EPS (INR)	73.0	45.1	40.6	65.3	90.2
Diluted EPS Growth (%)	14.5	-38.2	-10.0	60.8	38.2
ROIC (%)	18.2	10.4	9.0	12.2	15.3
ROE (%)	22.9	12.3	10.0	14.6	17.6
P/E (x)	37.9	61.4	68.2	42.4	30.7
P/B (x)	7.9	7.1	6.6	5.8	5.0
EV/EBITDA (x)	24.1	33.3	32.0	24.1	18.5
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.6

Source: Company data, JM Financial. Note: Valuations as of 25/Feb/2025

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

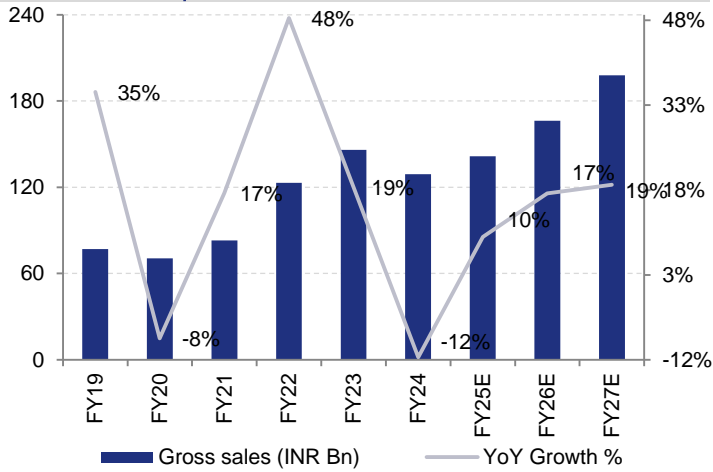
## Assumptions and Estimates

### Exhibit 1. Key assumptions

INR mn	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Segment revenues</b>										
Technical textiles	18,388	17,349	13,576	12,401	20,852	18,939	18,980	20,514	21,950	23,048
Chemicals	16,114	24,454	29,750	36,447	52,408	74,109	62,970	61,514	77,559	97,712
Packaging films	17,823	26,533	26,040	32,917	47,792	51,828	44,893	55,337	62,337	72,337
Others	4,573	2,716	2,783	2,320	3,403	3,926	4,653	4,375	4,594	4,823
Unallocated	49	57	54	87	119	99	112	112	112	112
<b>Total</b>	<b>56,849</b>	<b>70,996</b>	<b>72,094</b>	<b>83,998</b>	<b>124,337</b>	<b>148,703</b>	<b>131,385</b>	<b>141,629</b>	<b>166,328</b>	<b>197,808</b>
<b>YoY growth (%)</b>										
Technical textiles	-9%	-6%	-22%	-9%	68%	-9%	0%	8%	7%	5%
Chemicals	-6%	52%	22%	23%	44%	41%	-15%	-2%	26%	26%
Packaging films	26%	49%	-2%	26%	45%	8%	-13%	23%	13%	16%
Others	526%	-41%	2%	-17%	47%	15%	19%	-6%	5%	5%
<b>Total</b>	<b>9%</b>	<b>25%</b>	<b>2%</b>	<b>17%</b>	<b>48%</b>	<b>20%</b>	<b>-12%</b>	<b>8%</b>	<b>17%</b>	<b>19%</b>
<b>Revenue contribution (%)</b>										
Technical textiles	32%	24%	19%	15%	17%	13%	14%	14%	13%	12%
Chemicals	28%	34%	41%	43%	42%	50%	48%	43%	47%	49%
Packaging films	31%	37%	36%	39%	38%	35%	34%	39%	37%	37%
Others	8%	4%	4%	3%	3%	3%	4%	3%	3%	2%
Unallocated	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Segmental EBIT</b>										
Technical textiles	2,529	2,615	1,515	1,769	4,714	2,617	2,742	2,605	2,963	3,227
Chemicals	2,694	3,843	5,115	7,281	13,969	23,407	16,274	13,964	20,165	27,359
Packaging films	2,298	4,115	5,556	8,977	9,463	5,562	2,065	3,542	4,987	7,234
Others	444	218	318	256	204	348	930	656	689	723
<b>Total</b>	<b>7,964</b>	<b>10,790</b>	<b>12,504</b>	<b>18,283</b>	<b>28,350</b>	<b>31,934</b>	<b>22,011</b>	<b>20,767</b>	<b>28,805</b>	<b>38,543</b>
<b>EBIT margins (%)</b>										
Technical textiles	13.8%	15.1%	11.2%	14.3%	22.6%	13.8%	14.4%	12.7%	13.5%	14.0%
Chemicals	16.7%	15.7%	17.2%	20.0%	26.7%	31.6%	25.8%	22.7%	26.0%	28.0%
Packaging films	12.9%	15.5%	21.3%	27.3%	19.8%	10.7%	4.6%	6.4%	8.0%	10.0%
Others	9.7%	8.0%	11.4%	11.0%	6.0%	8.9%	20.0%	15.0%	15.0%	15.0%
<b>Total</b>	<b>14.0%</b>	<b>15.2%</b>	<b>17.3%</b>	<b>21.8%</b>	<b>22.8%</b>	<b>21.5%</b>	<b>16.8%</b>	<b>14.7%</b>	<b>17.3%</b>	<b>19.5%</b>

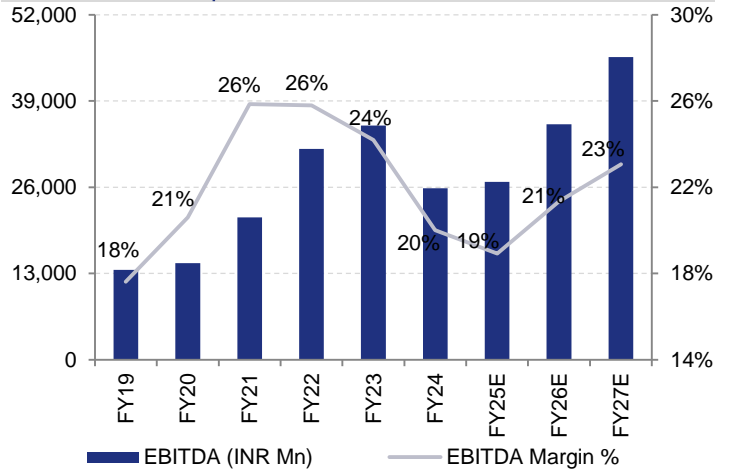
Source: Company, JM Financial

**Exhibit 2. Sales expected to see ~18% CAGR over FY25E-27E**



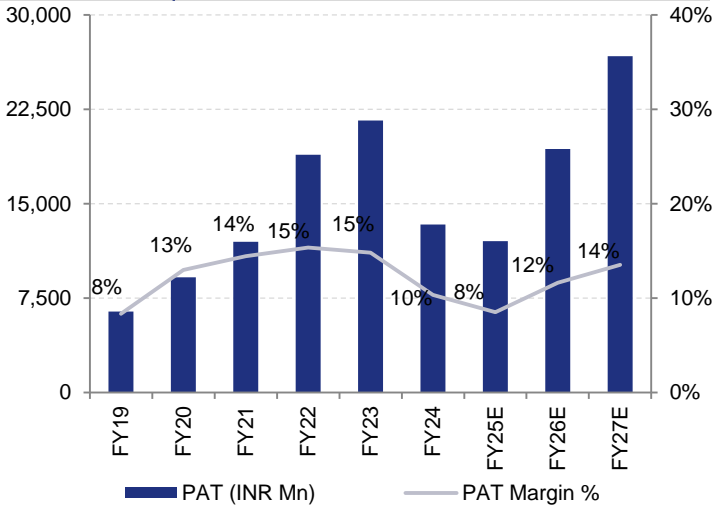
Source: Company, JM Financial

**Exhibit 3. EBITDA expected to see ~30% CAGR over FY25E-27E**



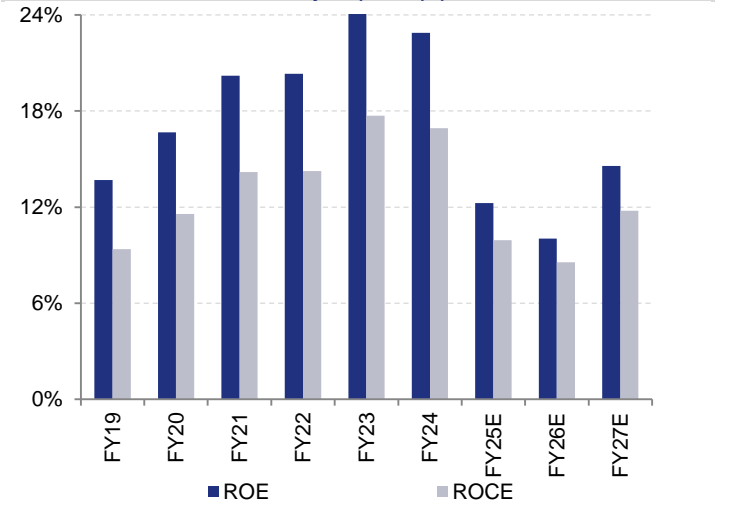
Source: Company, JM Financial

**Exhibit 4. PAT expected to see ~50% CAGR over FY25E-27E**



Source: Company, JM Financial

**Exhibit 5. SRF's RoE/RoCE likely to pick up post FY25E**



Source: Company, JM Financial

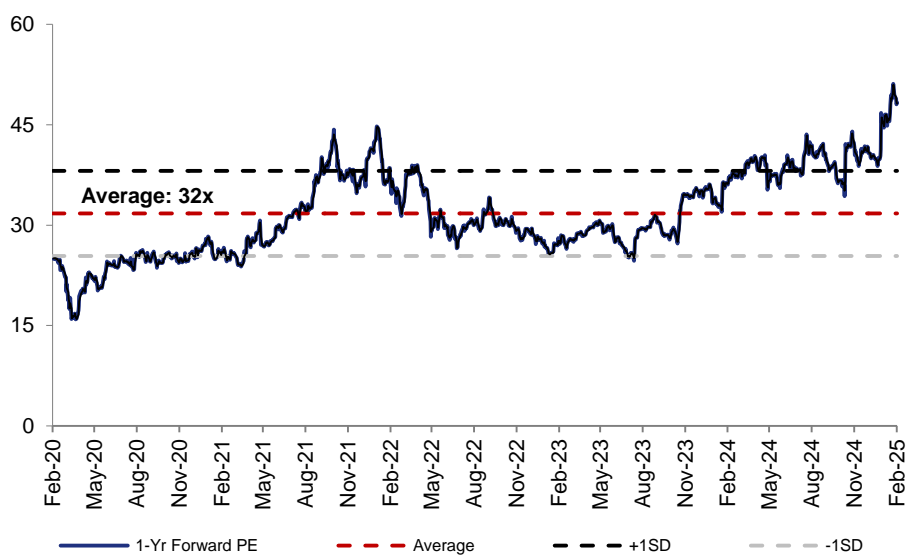
## Valuation

### Exhibit 6. Our Mar'26 TP for SRF stands at INR 3,115/share

			Value (INR bn)	Value (INR/share)
Segments	Mar'27 EBITDA (INR bn)	EV/EBITDA multiple (x)		
Technical Textile Business	4	7	27	91
Chemicals Business	33	25	843	2,845
Packaging Films Business	10	7	71	239
Others	1	7	7	25
<b>Total Business EBITDA</b>	<b>48</b>		<b>948</b>	<b>3,201</b>
Less: Gross Debt			32	109
Add: Cash & Cash Equivalents			6	20
<b>TP</b>			<b>922</b>	<b>3,115</b>
Mar'27E consolidated EPS				90
<b>Implied P/E multiple</b>				<b>35</b>
CMP				2,758

Source: JM Financial

### Exhibit 7. SRF is currently trading at ~48 x 1-year forward consensus P/E multiple



Source: Company, JM Financial

## Exhibit 8. Chemical companies peer valuation

Company	Rating	CMP (INR)	TP (INR)	P/E (x)				P/B (x)				EV/EBITDA (x)				ROE (%)			
				FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
SRF	BUY	2,758	3,115	61.2	67.9	42.2	30.6	7.1	6.6	5.8	5.0	33.2	32.0	24.0	18.5	12.3	10.0	14.6	17.6
PI Industries	HOLD	3,073	3,860	28.0	27.9	26.8	23.5	5.3	4.5	3.8	3.3	21.3	19.0	17.0	14.6	21.0	17.5	15.5	15.1
Deepak Nitrite	BUY	1,923	2,305	32.4	41.1	31.4	25.1	5.4	4.9	4.3	3.7	23.3	26.9	21.1	16.7	18.2	12.5	14.5	15.9
Clean Science	BUY	1,284	1,670	55.9	51.6	39.4	30.7	11.3	9.3	7.6	6.1	40.1	34.1	27.6	21.2	22.1	19.8	21.3	22.0
Fine Organic	SELL	3,702	3,670	30.8	29.7	29.8	29.8	6.1	5.2	4.6	4.1	21.6	20.9	20.2	19.0	21.8	19.0	16.3	14.4
Galaxy Surfactants	HOLD	2,259	2,605	26.6	26.4	23.6	21.7	3.7	3.2	2.9	2.5	16.7	15.7	14.1	12.7	14.8	13.1	12.9	12.4
PCBL Chemical	BUY	386	500	30.0	33.0	24.1	18.2	4.5	4.2	3.8	3.3	18.5	14.0	12.2	10.4	16.2	13.3	16.6	19.3
Ami Organics	BUY	2,287	2,605	115.9	64.0	41.0	31.1	13.9	7.2	6.2	5.2	74.2	41.7	28.0	21.4	12.7	14.9	16.3	18.3
Anupam Rasayan	HOLD	626	685	53.5	77.3	44.0	27.5	2.5	2.4	2.2	2.0	20.4	20.2	15.5	12.2	5.0	3.1	5.2	7.7
Archean Chemicals	BUY	498	620	19.3	26.0	18.3	11.9	3.6	3.3	2.8	2.3	12.6	16.7	11.1	7.0	20.4	13.3	16.7	21.6
Tatva Chintan Pharma Chem	SELL	704	585	54.3	209.5	64.0	36.1	2.2	2.2	2.2	2.0	23.8	45.9	25.8	18.1	4.8	1.1	3.4	5.8
Paradeep Phosphates	BUY	96	145	78.5	18.1	13.7	9.8	2.2	2.0	1.7	1.5	18.1	10.4	8.6	6.7	2.8	11.5	13.3	16.1

Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement						(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	145,918	129,104	141,629	166,328	197,808	
Sales Growth	18.5%	-11.5%	9.7%	17.4%	18.9%	
Other Operating Income	2,784	2,282	0	0	0	
<b>Total Revenue</b>	<b>148,703</b>	<b>131,385</b>	<b>141,629</b>	<b>166,328</b>	<b>197,808</b>	
Cost of Goods Sold/Op. Exp	71,252	66,956	73,647	83,996	98,904	
Personnel Cost	8,138	9,350	10,313	11,345	12,479	
Other Expenses	34,020	29,238	30,855	35,484	40,806	
<b>EBITDA</b>	<b>35,292</b>	<b>25,841</b>	<b>26,813</b>	<b>35,504</b>	<b>45,619</b>	
EBITDA Margin	23.7%	19.7%	18.9%	21.3%	23.1%	
EBITDA Growth	11.1%	-26.8%	3.8%	32.4%	28.5%	
Depn. & Amort.	5,753	6,726	8,052	8,827	9,697	
EBIT	29,539	19,115	18,761	26,677	35,922	
Other Income	749	830	400	600	600	
Finance Cost	2,048	3,023	3,339	2,160	1,810	
PBT before Excep. & Forex	28,240	16,922	15,822	25,117	34,712	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	28,240	16,922	15,822	25,117	34,712	
Taxes	6,617	3,565	3,797	5,777	7,984	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	21,623	13,357	12,025	19,340	26,728	
<b>Adjusted Net Profit</b>	<b>21,623</b>	<b>13,357</b>	<b>12,025</b>	<b>19,340</b>	<b>26,728</b>	
Net Margin	14.5%	10.2%	8.5%	11.6%	13.5%	
Diluted Share Cap. (mn)	296.2	296.2	296.2	296.2	296.2	
<b>Diluted EPS (INR)</b>	<b>73.0</b>	<b>45.1</b>	<b>40.6</b>	<b>65.3</b>	<b>90.2</b>	
Diluted EPS Growth	14.5%	-38.2%	-10.0%	60.8%	38.2%	
Total Dividend + Tax	2,133	2,137	2,104	3,384	4,677	
Dividend Per Share (INR)	7.2	7.2	7.1	11.4	15.8	

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	103,271	114,790	124,710	140,666	162,717	
Share Capital	2,974	2,974	2,974	2,974	2,974	
Reserves & Surplus	100,296	111,816	121,736	137,692	159,743	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	43,541	49,202	46,202	40,202	32,202	
Def. Tax Liab. / Assets (-)	7,906	9,112	9,201	9,201	9,201	
<b>Total - Equity &amp; Liab.</b>	<b>154,717</b>	<b>173,104</b>	<b>180,114</b>	<b>190,069</b>	<b>204,120</b>	
Net Fixed Assets	121,681	137,703	144,299	153,049	161,906	
Gross Fixed Assets	125,108	163,810	178,810	196,810	215,810	
Intangible Assets	1,147	1,195	1,195	1,195	1,195	
Less: Depn. & Amort.	28,630	35,356	43,760	53,010	63,153	
Capital WIP	24,055	8,053	8,053	8,053	8,053	
Investments	5,027	5,349	5,352	5,352	5,352	
Current Assets	60,651	61,492	64,035	69,445	79,998	
Inventories	22,743	23,265	25,522	29,164	34,684	
Sundry Debtors	17,856	19,428	21,313	24,152	28,723	
Cash & Bank Balances	6,080	3,994	2,398	1,327	1,789	
Loans & Advances	2,459	2,111	2,111	2,111	2,111	
Other Current Assets	11,513	12,694	12,691	12,691	12,691	
Current Liab. & Prov.	32,642	31,440	33,572	37,776	43,135	
Current Liabilities	25,606	24,587	26,719	30,923	36,282	
Provisions & Others	7,036	6,853	6,853	6,853	6,853	
Net Current Assets	28,009	30,052	30,463	31,669	36,863	
<b>Total - Assets</b>	<b>154,717</b>	<b>173,104</b>	<b>180,114</b>	<b>190,069</b>	<b>204,120</b>	

Source: Company, JM Financial

Cash Flow Statement						(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	28,240	16,922	15,822	25,117	34,712	
Depn. & Amort.	5,753	6,726	8,404	9,250	10,143	
Net Interest Exp. / Inc. (-)	2,048	3,023	3,339	2,160	1,810	
Inc (-) / Dec in WCcap.	-559	-1,145	-1,921	-2,277	-4,732	
Others	-1,388	-762	0	0	0	
Taxes Paid	-5,077	-3,826	-3,797	-5,777	-7,984	
<b>Operating Cash Flow</b>	<b>29,017</b>	<b>20,939</b>	<b>21,848</b>	<b>28,473</b>	<b>33,950</b>	
Capex	-28,382	-22,169	-15,000	-18,000	-19,000	
Free Cash Flow	635	-1,231	6,848	10,473	14,950	
Inc (-) / Dec in Investments	-1,642	1,073	0	0	0	
Others	410	-1,177	0	0	0	
<b>Investing Cash Flow</b>	<b>-29,614</b>	<b>-22,273</b>	<b>-15,000</b>	<b>-18,000</b>	<b>-19,000</b>	
Inc / Dec (-) in Capital	0	300	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	1,736	5,055	-3,000	-6,000	-8,000	
Others	459	-6,072	-5,444	-5,545	-6,488	
<b>Financing Cash Flow</b>	<b>2,196</b>	<b>-717</b>	<b>-8,444</b>	<b>-11,545</b>	<b>-14,488</b>	
<b>Inc / Dec (-) in Cash</b>	<b>1,599</b>	<b>-2,052</b>	<b>-1,596</b>	<b>-1,071</b>	<b>462</b>	
Opening Cash Balance	4,481	6,045	3,994	2,398	1,327	
Closing Cash Balance	6,080	3,994	2,398	1,327	1,789	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin	14.5%	10.2%	8.5%	11.6%	13.5%
Asset Turnover (x)	1.0	0.8	0.8	0.9	1.0
Leverage Factor (x)	1.5	1.5	1.5	1.4	1.3
RoE	22.9%	12.3%	10.0%	14.6%	17.6%

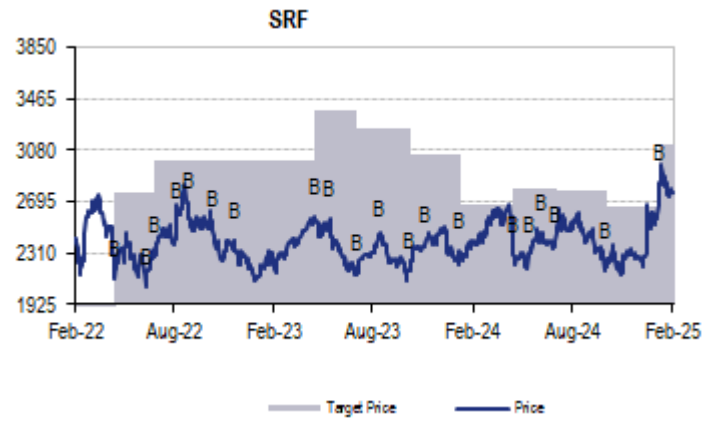
Key Ratios					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)	348.6	387.5	421.0	474.9	549.3
ROIC	18.2%	10.4%	9.0%	12.2%	15.3%
ROE	22.9%	12.3%	10.0%	14.6%	17.6%
Net Debt/Equity (x)	0.3	0.4	0.3	0.2	0.2
P/E (x)	37.9	61.4	68.2	42.4	30.7
P/B (x)	7.9	7.1	6.6	5.8	5.0
EV/EBITDA (x)	24.1	33.3	32.0	24.1	18.5
EV/Sales (x)	5.7	6.5	6.1	5.1	4.3
Debtor days	44	54	55	53	53
Inventory days	56	65	66	64	64
Creditor days	72	76	77	79	81

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
10-May-22	Buy	2,765	
5-Jul-22	Buy	2,765	0.0
22-Jul-22	Buy	3,000	8.5
30-Aug-22	Buy	3,000	0.0
21-Sep-22	Buy	3,000	0.0
6-Nov-22	Buy	3,000	0.0
14-Dec-22	Buy	3,000	0.0
10-May-23	Buy	3,380	12.7
7-Jun-23	Buy	3,380	0.0
25-Jul-23	Buy	3,245	-4.0
5-Sep-23	Buy	3,245	0.0
30-Oct-23	Buy	3,040	-6.3
30-Nov-23	Buy	3,040	0.0
31-Jan-24	Buy	2,665	-12.3
9-May-24	Buy	2,795	4.9
6-Jun-24	Buy	2,795	0.0
27-Jun-24	Buy	2,795	0.0
24-Jul-24	Buy	2,780	-0.6
23-Oct-24	Buy	2,660	-4.3
30-Jan-25	Buy	3,115	17.1

Recommendation History



## APPENDIX I

### JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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\* REITs refers to Real Estate Investment Trusts.

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