

20 January 2026

## Refrigerants deliver, specialty drags

SRF (SRF IN) has corrected 9% in the past three months, and underperformed the benchmark Nifty Index (down 2%) due to overall weakness in the chemicals sector amid trade war, continued Chinese oversupply, and demand softness in the EU. Fluorochemicals delivered a record quarter, despite a seasonally weak period due to strong global refrigerant prices (especially R32) given China's quota-led supply restrictions and domestic refrigerant demand recovering after weak H1.

However, Specialty Chemicals (SC) was muted due to aggressive Chinese pricing and deferred offtake by agro majors. So, SRF chose to defend volume and market share, accepting near-term margin strain. However, agrochemical demand is showing early signs of revival, and Q4 may benefit from deferred orders. China's anti-involution policy (discouraging uneconomic overproduction) reportedly mandated ~20% capacity curtailment, which would aid margin of Performance Films & Foils (PFF) over time. Based on weak demand environment for SC in 9MFY26, we cut EBITDA for FY26E by 14%, for FY27E by 13% and FY28E by 10%. So, we lower our DCF-TP to INR 3,258 (from INR 3,423). We reiterate **Accumulate**.

**Fluorochemicals offset weak PFF and Technical Textiles:** EBITDA was INR 7.8bn in Q3 (Elara estimates: INR 8.5bn), up 26% YoY (up 1% QoQ). The YoY growth came from Chemicals (mainly refrigerants). So, adjusted PAT was up 50% YoY (up 5% QoQ) to INR 4.1bn (Elara estimates: INR 4.4bn). SRF reported exceptional loss of INR 732mn from new labour code, offset by INR 991mn exceptional gain from write-back of tax provisions.

**Refrigerants drive Fluorochemicals growth:** Revenue from the Fluorochemicals segment (comprising 49% of revenue and 76% of EBIT) grew 22% YoY (up 9% QoQ) to INR 18.2bn due to strong refrigerant volume led by higher R32 prices. SC saw pricing pressure due to Chinese competition. Segmental EBIT margin was at 27.2% (24.3% in Q3FY25; 28.9% in Q2FY26).

**PFF – Domestic volume hit:** EBIT margin for Packaging Films & Foil (comprising 36% of revenue and 15% of EBIT) expanded by 54bps YoY (down 139bps QoQ) to 7.1%. However, the company saw some disruption post GST rate cut, while packaging films prices in China have seen some recovery post capacity rationalization in the country.

**Capex guidance intact:** FY26-27 capex is planned at INR 20-23bn. Moreover, Odisha site Phase-1 for next-generation refrigerants would cost INR 15-20bn. New pharma intermediates plant at Dahej would cost INR 1.8bn, with commissioning in eight months. SRF would continue to invest in specialty intermediates and complex chemistry CDMO.

**Reiterate Accumulate; TP cut to INR 3,258:** Based on weak demand environment for SC segment in 9MFY26, we cut EBITDA for FY26E by 14%, for FY27E by 13% and for FY28E by 10%. So, we lower our DCF-TP to INR 3,258 (from INR 3,423). We reiterate **Accumulate** due to resilient refrigerant demand. We value SRF on DCF, assuming a 5.0% terminal growth rate (unchanged), a 9.8% WACC (unchanged), and average EBITDA margin of 23.5% (from 23.7%) in FY26E-28E.

### Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	131,385	146,931	150,690	172,486	194,456
YoY (%)	(11.6)	11.8	2.6	14.5	12.7
EBITDA (INR mn)	25,841	27,184	32,351	41,642	48,580
EBITDA margin (%)	19.7	18.5	21.5	24.1	25.0
Adj PAT (INR mn)	13,357	12,508	16,839	23,331	27,648
YoY (%)	(38.2)	(6.4)	34.6	38.6	18.5
Fully DEPS (INR)	45.1	42.2	56.8	78.8	93.3
RoE (%)	12.3	10.4	12.6	15.4	15.9
RoCE (%)	12.2	11.5	13.2	16.6	18.7
P/E (x)	63.9	68.3	50.7	36.6	30.9
EV/EBITDA (x)	34.6	32.9	27.6	21.5	18.4

Note: Pricing as on 20 January 2026; Source: Company, Elara Securities Estimate

Rating: **Accumulate**

Target Price: **INR 3,258**

Upside/Downside: **13%**

CMP: **INR 2,883**

As on 20 January 2026

#### Key data

Bloomberg	SRF IN
Reuters Code	SRFLNS
Shares outstanding (mn)	296
Market cap (INR bn/USD mn)	855/9,394
EV (INR bn/USD mn)	894/9,831
ADTV 3M (INR mn/USD mn)	1,416/16
52 week high/low	3,325/2,487
Free float (%)	49

Note: as on 20 January 2026; Source: Bloomberg

#### Price chart



Source: Bloomberg

	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
Shareholding (%)				
Promoter	50.3	50.3	50.3	50.3
% Pledge	0.0	0.0	0.0	0.0
FII	18.3	18.2	18.2	18.0
DII	18.0	18.6	18.9	19.5
Others	13.4	12.9	12.7	12.2

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(2.4)	1.1	8.1
SRF	(9.3)	(9.5)	10.4
NSE Mid-cap	(2.6)	(0.9)	6.1
NSE Small-cap	(9.2)	(12.9)	(7.4)

Source: Bloomberg

#### Gagan Dixit

Aviation, Chemicals, Oil & Gas

+91 22 6164 8504  
gagan.dixit@elaracapital.com

Associates  
Amogh Deshpande  
amogh.deshpande@elaracapital.com

Kartik Bhandari  
kartik.bhandari@elaracapital.com



## Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	131,385	146,931	150,690	172,486	194,456
Gross Profit	64,297	69,939	76,262	91,261	104,464
EBITDA	25,841	27,184	32,351	41,642	48,580
EBIT	19,115	19,469	23,816	31,974	37,825
Interest expense	3,023	3,760	2,990	3,113	3,489
Other income	830	1,327	1,100	1,517	1,664
Exceptional/ Extra-ordinary items	-	-	-	-	-
PBT	16,922	17,037	21,926	30,379	36,000
Tax	3,565	4,529	5,087	7,048	8,352
Minority interest/Associates income	-	-	-	-	-
Reported PAT	13,357	12,508	16,839	23,331	27,648
Adjusted PAT	13,357	12,508	16,839	23,331	27,648

Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	114,790	126,262	140,749	161,611	186,667
Minority Interest	-	-	-	-	-
Trade Payables	21,978	23,316	23,912	27,371	30,857
Provisions & Other Current Liabilities	5,864	4,097	4,507	4,957	5,453
Total Borrowings	50,305	47,260	45,660	38,060	18,060
Other long term liabilities	11,882	14,636	14,636	14,636	14,636
<b>Total liabilities &amp; equity</b>	<b>204,819</b>	<b>215,571</b>	<b>229,465</b>	<b>246,636</b>	<b>255,674</b>
Net Fixed Assets	140,470	145,308	158,773	170,205	171,550
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	7,857	8,968	8,968	8,968	8,968
Cash, Bank Balances & treasury investments	4,075	3,538	3,233	2,669	4,208
Inventories	23,265	23,490	23,672	26,617	29,467
Sundry Debtors	19,428	21,695	21,831	24,510	27,091
Other Current Assets	9,725	12,574	12,989	13,668	14,390
<b>Total Assets</b>	<b>204,819</b>	<b>215,571</b>	<b>229,465</b>	<b>246,636</b>	<b>255,674</b>

Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
<b>Cashflow from Operations</b>	<b>20,939</b>	<b>24,875</b>	<b>27,537</b>	<b>32,201</b>	<b>38,056</b>
Capital expenditure	(22,169)	(12,315)	(22,000)	(21,100)	(12,100)
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	(104)	(2,525)	1,100	1,517	1,664
<b>Free Cash Flow</b>	<b>(1,335)</b>	<b>10,035</b>	<b>6,636</b>	<b>12,619</b>	<b>27,621</b>
Cashflow from Financing	(755)	(10,573)	(6,941)	(13,182)	(26,082)
Net Change in Cash / treasury investments	(2,089)	(538)	(305)	(563)	1,539

Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	7.2	7.6	7.9	8.3	8.8
Book value per share (INR)	387.5	426.2	475.1	545.6	630.1
RoCE (Pre-tax) (%)	12.2	11.5	13.2	16.6	18.7
ROIC (Pre-tax) (%)	12.6	11.8	13.5	16.8	19.0
ROE (%)	12.3	10.4	12.6	15.4	15.9
Asset Turnover (x)	1.0	1.0	1.0	1.0	1.1
Net Debt to Equity (x)	0.4	0.3	0.3	0.2	0.1
Net Debt to EBITDA (x)	1.8	1.6	1.3	0.8	0.3
Interest cover (x) (EBITDA/ int exp)	8.5	7.2	10.8	13.4	13.9
Total Working capital days (WC/rev)	74.7	88.9	81.7	79.4	77.3

Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	63.9	68.3	50.7	36.6	30.9
P/Sales (x)	6.5	5.8	5.7	5.0	4.4
EV/ EBITDA (x)	34.6	32.9	27.6	21.5	18.4
EV/ OCF (x)	42.7	36.0	32.5	27.8	23.5
FCF Yield	(0.1)	1.1	0.7	1.4	3.1
Price to BV (x)	7.4	6.8	6.1	5.3	4.6
Dividend yield (%)	0.2	0.3	0.3	0.3	0.3

Note: Pricing as on 20 January 2026; Source: Company, Elara Securities Estimate

**Exhibit 1: Quarterly financials**

Consolidated (INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Q3FY26E	Variance (%)
<b>Revenue</b>	<b>37,125</b>	<b>34,913</b>	<b>6.3</b>	<b>36,402</b>	<b>2.0</b>	<b>36,866</b>	<b>0.7</b>
<b>EBITDA</b>	<b>7,800</b>	<b>6,196</b>	<b>25.9</b>	<b>7,742</b>	<b>0.8</b>	<b>8,531</b>	<b>(8.6)</b>
Depr	(2,169)	(1,943)	11.6	(2,121)	2.2	(2,164)	0.2
Interest cost	(655)	(963)	(31.9)	(707)	(7.3)	(668)	(1.9)
Other income	273	396	(31.1)	257	6.3	206	32.6
<b>PBT</b>	<b>5,508</b>	<b>3,687</b>	<b>49.4</b>	<b>5,171</b>	<b>6.5</b>	<b>5,906</b>	<b>(6.7)</b>
Tax	(1,181)	(976)	21.0	(1,289)	(8.3)	(1,512)	(21.9)
Effective tax rate (%)	21%	26%		25%		26%	
<b>Adj. PAT</b>	<b>4,068</b>	<b>2,711</b>	<b>50.1</b>	<b>3,882</b>	<b>4.8</b>	<b>4,394</b>	<b>(7.4)</b>
EPS (INR)	13.7	9.2	50.1	13.1	4.8	14.8	(7.4)

Source: Company, Elara Securities Estimate

**Exhibit 2: Segment-wise quarterly performance**

Segment revenue (INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Technical textiles	4,536	5,098	(11.0)	4,743	(4.4)
Fluorochemicals	18,248	14,957	22.0	16,669	9.5
Performance Films & Foil	13,423	13,848	(3.1)	14,081	(4.7)
Other	919	1,011	(9.1)	908	1.2

Segment profit (INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Technical textiles	449	589	(23.7)	423	6.2
Fluorochemicals	4,960	3,638	36.4	4,813	3.1
Performance Films & Foil	948	904	4.9	1,190	(20.3)
Other	170	157	8.3	75	126.3

Segment margins (%)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Technical textiles	9.9	11.6	(165)	8.9	99
Fluorochemicals	27.2	24.3	286	28.9	(169)
Performance Films & Foil	7.1	6.5	54	8.4	(139)
Other	18.5	15.5	297	8.3	1,020

Source: Company, Elara Securities Research

**Earnings call highlights**
**Chemicals**

- ▶ Higher realization from refrigerants volume has driven segmental growth. Per management, operational efficiency in both fluorochemicals and specialty chemicals segments improved

**Specialty chemicals**

- ▶ Amid aggressive pricing by China, SRF decided to protect its market share and volume.
- ▶ Low prices are unviable in the long term, but it is difficult to predict the price recovery timeline.
- ▶ SRF will set up a pharma intermediate plant in eight months at INR 1.8bn cost.
- ▶ Deferred volumes from Q2 and Q3 are to be delivered in Q4, and SC performance in Q4 is likely to be significantly better QoQ. But pricing pressure from China may remain.
- ▶ The crop protection sub-segment is seeing a revival in agrochemicals.
- ▶ Revenue from the Pharma segment forms ~10% of total SC revenue and the company wants to increase it to 20%.

- ▶ Registration for one advanced intermediate has already happened and the launch is expected in FY27.

#### **Fluorochemicals**

- ▶ Refrigerants performance was led by firm R32 prices, supply restrictions by China and global demand. The domestic refrigerant market is witnessing recovery post prolonged monsoon.
- ▶ Refrigerant capacity utilization is at optimal level.
- ▶ Anti-dumping duty (ADD) on R134A refrigerant by India does not impact SRF as international prices are above the threshold.
- ▶ SRF is likely to invest INR 15-20bn in the first phase of next generation refrigerants project at its Odisha site.
- ▶ SRF said R134A refrigerant does not fall under US tariff ambit and the company has long-term contracts with the customers for the same. However, R32 refrigerant falls under US tariff ambit.
- ▶ Domestic demand for R32 refrigerant is in the range of 17,000-18,000 tonnes and domestic capacity is substantially more than that.
- ▶ Anti-dumping duty (ADD) on R32 has been there for past three years and it will be difficult to justify ADD during the review, going forward.
- ▶ It is difficult to state the exact capacity of R32 refrigerant in China as much of the capacity is fungible between R134A and R32 as well as between R125 and R134A.
- ▶ Import of R32 from China into India has been negligible in Q3.
- ▶ The high-end fluoropolymers plant is likely to be completed in CY26.
- ▶ Export of refrigerant gases to Europe is nil.

#### **Performance films**

- ▶ Lower BOPET and BOPP volume in the domestic market affected the performance in Q3 but recovery was seen from December 2025.
- ▶ China BOPET price has improved in recent weeks, which will benefit SRF.
- ▶ The performance of Thailand and Hungary plants was affected by cheap imports.
- ▶ In BOPET, Chinese producers have reduced capacity by 20% in December, which has resulted in higher pricing. Chinese companies are also mandated to cut further capacity after Lunar holidays.
- ▶ Per management, EU carbon tax implementation may have potential impact on aluminium foil business but it does not see it as a risk due to manufacturing cost in Europe

#### **Others**

- ▶ Coated fabrics may see subdued demand and in laminated fabrics, margin is likely to be lower due to pricing pressure
- ▶ Forex hedging position saw negative impact from INR depreciation.

**Exhibit 3: Valuation**

<b>(INR/share)</b>	
WACC	9.8%
Terminal growth rate	5.0%
Present value of FCF (FY27-47E)	1,755
PV of terminal value	1,606
<b>Enterprise value</b>	<b>3,361</b>
Net debt/(cash)	103
<b>Equity value</b>	<b>3,258</b>

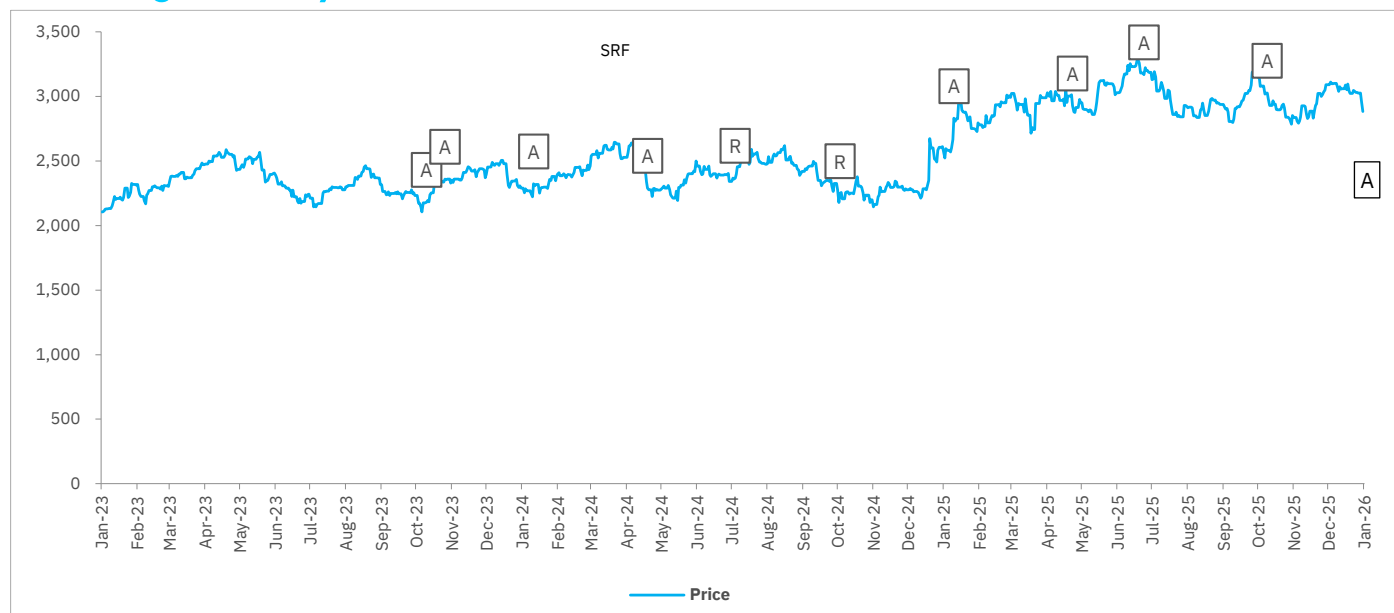
Source: Elara Securities Estimate

**Exhibit 4: Change in estimate**

<b>(INR mn)</b>	<b>Earlier</b>			<b>Revised</b>			<b>% Change</b>		
	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>	<b>FY26E</b>	<b>FY27E</b>	<b>FY28E</b>
Revenue	164,886	197,382	223,640	150,690	172,486	194,456	(8.6)	(12.6)	(13.0)
EBITDA	37,432	48,045	53,928	32,351	41,642	48,580	(13.6)	(13.3)	(9.9)
EBITDA margin (%)	22.7	24.3	24.1	21.5	24.1	25.0	(123)	(20)	87
PAT	21,289	29,194	33,893	16,839	23,331	27,648	(20.9)	(20.1)	(18.4)
EPS (INR)	71.9	98.6	114.4	56.8	78.8	93.3	(20.9)	(20.1)	(18.4)
<b>TP (INR)</b>			<b>3,423</b>			<b>3,258</b>			<b>(5)</b>

Source: Elara Securities Estimate

## Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
30-Oct-2023	Accumulate	2,282	2,164
15-Nov-2023	Accumulate	2,672	2,361
31-Jan-2024	Accumulate	2,538	2,325
09-May-2024	Accumulate	2,473	2,291
24-Jul-2024	Reduce	2,349	2,368
23-Oct-2024	Reduce	2,232	2,248
30-Jan-2025	Accumulate	3,071	2,831
13-May-2025	Accumulate	3,461	2,928
14-Jul-2025	Accumulate	3,620	3,169
29-Oct-2025	Accumulate	3,423	3,028
20-Jan-2026	Accumulate	3,258	2,883

## Guide to Research Rating

<b>BUY (B)</b>	Absolute Return >+20%
<b>ACCUMULATE (A)</b>	Absolute Return +5% to +20%
<b>REDUCE (R)</b>	Absolute Return -5% to +5%
<b>SELL (S)</b>	Absolute Return < -5%

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**India**  
**Elara Securities (India) Private Limited**  
 One International Center, Tower 3,  
 21st Floor, Senapati Bapat Marg,  
 Elphinstone Road (West)  
 Mumbai – 400 013, India  
 Tel : +91 22 6164 8500

**Europe**  
**Elara Capital Plc.**  
 6th Floor, The Grove,  
 248A Marylebone Road,  
 London, NW1 6JZ,  
 United Kingdom  
 Tel : +44 20 7486 9733

**USA**  
**Elara Securities Inc.**  
 230 Park Avenue, Suite 2415,  
 New York, NY 10169, USA  
 Tel: +1 212 430 5870  
 Fax: +1 212 208 2501

**Asia / Pacific**  
**Elara Capital (Asia) Pte.Ltd.**  
 One Marina Boulevard,  
 Level 20,  
 Singapore 018989  
 Tel : +65 6978 4047



**Managing  
 Director**

**Harendra Kumar** | harendra.kumar@elaracapital.com | +91 22 6164 8571



**Head of  
 Research**

**Dr Bino Pathiparampil** | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

## Sales Team



**India**

**Hitesh Danak** - hitesh.danak@elaracapital.com - +91 22 6164 8543  
**Ashok Agarwal** - ashok.agarwal@elaracapital.com - +91 22 6164 8558  
**Himani Sanghavi** - himani.sanghavi@elaracapital.com - +91 22 6164 8586



**India, APAC &  
 Australia**

**Sudhanshu Rajpal** - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508  
**Joshua Saldanha** - joshua.saldanha@elaracapital.com - +91 22 6164 8541  
**Shraddha Shrikhande** - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567  
**Suyash Maheshwari** - suyash.maheshwari@elaracapital.com - +91 22 4204 8698



**India & UK**

**Prashin Lalvani** - prashin.lalvani@elaracapital.com - +91 22 6164 8544



**India & US**

**Karan Rathod** - karan.rathod@elaracapital.com - +91 22 6164 8570



**Corporate  
 Access,  
 Conference &  
 Events**

**Anita Nazareth** - anita.nazareth@elaracapital.com - +91 22 6164 8520  
**Tina D'souza** - tina.dsouza@elaracapital.com - +91 22 6164 8595

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### Elara Securities (India) Private Limited

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 Investor Grievance Email ID: [investor.grievances@elaracapital.com](mailto:investor.grievances@elaracapital.com) - Tel. +91 22 6164 8509  
 Compliance Officer: Mr. Anand Rao - Email ID: [anand.rao@elaracapital.com](mailto:anand.rao@elaracapital.com) - Tel. +91 22 6164 8509