

### Chemicals business to grow at 20%+ in FY24E

SRF's Q4 headline performance was largely in-line however the composition varied with outperformance from Chemicals Business (CB) while Packaging Films Business (PFB) reported substantially muted performance. For FY23 too, robust CB margins led to 11.1%/ 14.5% rise in YoY EBITDA/ PAT at Rs35.3bn/ Rs21.6bn while both PFB and Technical Textiles Business (TTB) deteriorated substantially. CB reported highest ever quarterly EBIT margins at 35.2% (FY23 average at 31.6%). However, management guided for some tapering of margins going ahead. Contrarily, PFB EBIT margins plummeted to the lowest ever quarterly at 3.6% (FY23 average at 10.7%). Management cited margins to remain under pressure in medium term however are expected to recover from hereon. SRF remained confident of robust 20%+ YoY growth in CB for FY24E propelled by scale up in existing projects and commercialisation of new projects. Based on management guidance, and better CB margins, we have upped our FY24E earnings estimates by 2.1% while lowering FY25E earnings by 4.0% considering margin normalisation. Since our last update the stock has moved up by ~18%. Rolling over our valuations to FY25E, using SOTP methodology, we downgrade the stock to Add with a revised TP of Rs2,895 (earlier Rs2,543).

#### CB margins at peak, PFB margins at nadir

CB drove overall Q4 performance with 19.6% QoQ surge in revenues coupled with highest ever EBIT margins at 35.2%. However, management cited that margins may taper going ahead and cautioning demand weakness for refigas in Q1FY24E. Contrarily, PFB faced strong headwinds with revenues declining 4.1% QoQ while EBIT margins plummeting to the lowest at 3.6%. Management guided margin recovery hereon however pressure to continue in medium term.

#### CB to drive momentum in FY24E, planning to enter pharma CDMO space

Despite substantial 41.4% YoY revenue growth in CB during FY23, management remained confident of 20%+ growth for FY24E. Company is witnessing growing demand for new products without any demand challenges from customers (80-85% innovators in CB). SRF is also working on a number of projects (7-8) for advanced intermediates with a good visibility of commercialisation over the next two years. Management also cited its plans to enter into pharma CDMO space through organic/ inorganic route.

#### PFB and TTB to remain subdued in near term

Weak demand coupled with capacity additions led to downfall in PFB margins which are expected to remain under pressure in near term. However, volumes may improve with debottlenecking in South Africa and Hungarian operations coming back to normalcy. TTB demand is recovering marginally.

#### CB margins peaked, while recovery expected in TTB/ PFB

Based on management guidance, we have upped CB EBIT margins while reducing PFB/ TTB margins for FY24E. The stock is trading at 30.7x/ 26.5x FY24E/ FY25E EPS of Rs83.8/ Rs97.0. We have valued SRF using SOTP methodology and downgrade our rating to ADD with a revised TP of Rs2,895 (earlier Rs2,543)

**Risks** – Sharp margin correction in CB, extended demand/ margin pressure in TTB/ PFB

#### Financial and valuation summary

YE Mar (Rs mn)	4QFY23A	4QFY22A	YoY (%)	3QFY23A	QoQ (%)	FY23A	FY24E	FY25E
Revenues	37,781	35,494	6.4	34,697	8.9	145,918	162,263	186,614
EBITDA	9,596	9,366	2.5	8,486	13.1	35,292	41,208	47,074
EBITDA margin (%)	25.4	26.4	(3.7)	24.5	3.9	23.7	25.3	25.1
Adj. Net profit	5,544	5,883	(5.8)	5,017	10.5	21,623	24,827	28,747
Adj. EPS (Rs)	18.7	19.8	(5.8)	16.9	10.5	72.9	83.8	97.0
EPS growth (%)						14.5	14.8	15.8
PE (x)						35.2	30.7	26.5
EV/EBITDA (x)						22.7	19.4	16.9
PBV (x)						7.4	6.1	5.1
RoE (%)						22.9	21.7	20.9
RoCE (%)						17.3	17.1	16.9

Source: Company, Centrum Broking

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#### Result Update

India I Chemicals

10 May, 2023

#### ADD

Price: Rs2,571

Target Price: Rs2,895

Forecast return: 13%

Institutional Research

#### Market Data

Bloomberg:	SRF IN
52 week H/L:	2,865/2,002
Market cap:	Rs762.2bn
Shares Outstanding:	296.4mn
Free float:	45.9%
Avg. daily vol. 3mth:	519,029

Source: Bloomberg

#### Changes in the report

Rating:	ADD, changed from BUY earlier
Target price:	Rs2,895; Up 13.8% from Rs2,543
EPS:	FY24E: Rs83.8; up 2.1% FY25E: Rs97.0; down 4.0%

Source: Centrum Broking

#### Shareholding pattern

	Mar-23	Dec-22	Sep-22	Jun-22
Promoter	50.5	50.5	50.5	50.7
FII	18.5	18.3	19.2	19.2
DII	13.7	13.8	13.3	9.4
Public/other	17.3	17.3	16.9	20.7

Source: BSE

#### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q4FY23	Actual Q4FY23	Variance (%)
Revenue	37,296	37,781	1.3
EBITDA	9,294	9,316	0.2
EBITDA margin %	24.9	24.7	(20bps)
Adj. PAT	5,406	5,625	4.0

Source: Bloomberg, Centrum Broking



Rohit Nagraj

Research Analyst, Chemicals

+91-022-4215 9645

rohit.nagraj@centrum.co.in



Jay Bharat Trivedi

Research Associate, Chemicals

+91-022-4215 9201

jay.trivedi@centrum.co.in

Chemicals

# Thesis Snapshot

## Estimate revision

YE Mar (Rs mn)	FY24E New	FY24E Old	% chg	FY25E New	FY25E Old	% chg
Revenue	1,63,133	1,69,396	(3.7)	1,87,534	1,95,203	(3.9)
EBITDA	41,208	41,051	0.4	47,074	49,585	(5.1)
PBT	32,453	31,777	2.1	37,578	39,145	(4.0)
Adj. PAT	24,827	24,309	2.1	28,747	29,946	(4.0)

Source: Centrum Broking

## SRF versus NIFTY 50

	1m	6m	1 year
SRF IN	7.6	10.0	21.7
NIFTY 50	3.3	(0.2)	13.3

Source: Bloomberg, NSE

## Key assumptions

Y/E Mar	FY24E	FY25E
<b>Segment rev. growth</b>		
Technical textiles business (TTB)	(0.5)	0.7
Chemicals business (CB)	20.6	21.3
Packaging films business (PFB)	(3.4)	10.0
<b>Segment EBITDA margin (%)</b>		
Technical textiles business (TTB)	16.5	17.0
Chemicals business (CB)	35.0	32.0
Packaging films business (PFB)	14.0	17.0

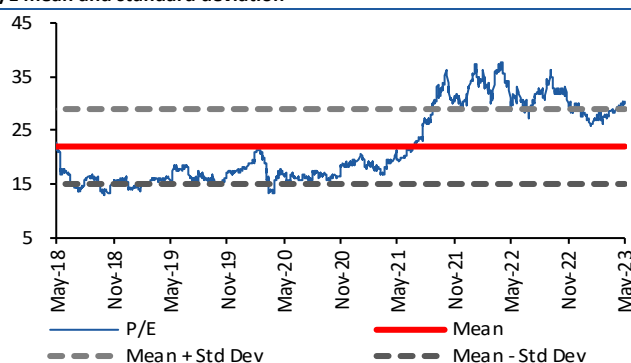
Source: Centrum Broking

## Valuations

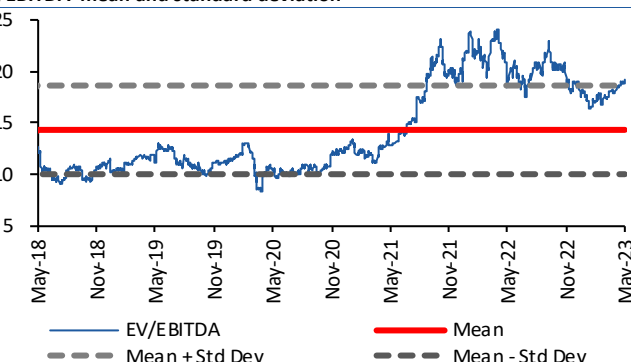
We estimate FY22-25E Revenue/ EBITDA/ PAT CAGR of 14.7%/ 14.9%/ 15.0%. The stock is trading at 30.7x/ 26.5x FY24E/ FY25E EPS of Rs83.8/ Rs97.0. Since our last update the stock has moved up by ~18%. We have valued SRF using SOTP methodology downgrade our rating to ADD with a revised TP of Rs2,895 (earlier Rs2,543)

SOTP	FY25E EBITDA	EV/ EBITDA (x)	Value (Rs mn)
Technical textiles business (TTB)	3,226	10	32,261
Chemicals business (CB)	34,689	22	7,63,152
Packaging films business (PFB)	9,365	10	93,651
Others	539	8	4,312
Net Debt			35,274
Implied value (Rs mn)			8,58,102
No. of shares			296
Target price (Rs)			2,895

### P/E mean and standard deviation



### EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

## Peer comparison

Company	Mkt Cap	CAGR (FY22-25E)				P/E (x)		EV/EBITDA (x)				ROE (%)	
	(Rs bn)	Sales	EBITDA	EPS	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Aarti Industries	183.8	12.5	(0.9)	18.2	37.0	33.5	22.7	21.0	18.5	14.1	11.6	11.6	15.1
Anupam Rasayan	121.9	31.9	30.7	29.2	35.2	30.7	26.5	22.7	19.4	16.9	22.9	21.7	20.9
Atul	203.1	11.3	9.8	9.9	39.4	31.7	25.3	26.2	21.0	16.8	11.3	12.9	14.4
Deepak Nitrite	267.0	13.7	12.4	14.2	29.9	19.7	16.8	19.7	13.3	11.3	23.8	28.3	25.7
Dhanuka Agritech	30.1	13.1	12.3	10.3	14.7	13.0	11.4	11.4	9.4	8.1	21.3	21.8	21.6
Galaxy Surfactants	88.8	6.9	8.8	8.9	24.0	27.7	25.3	16.1	17.7	16.1	20.8	15.6	15.1
Gujarat Fluorochemicals	361.2	27.2	30.2	28.3	28.1	26.6	22.4	18.9	17.3	14.6	27.2	22.7	21.7
Navin Fluorine	236.4	33.0	40.2	34.3	66.0	47.3	36.4	45.1	30.5	24.6	17.8	21.2	23.1
PI Industries	523.3	20.5	23.6	25.3	36.8	33.4	28.0	28.1	25.2	20.8	19.0	17.9	18.3
<b>SRF</b>	<b>762.3</b>	<b>14.7</b>	<b>14.9</b>	<b>15.0</b>	<b>35.2</b>	<b>30.7</b>	<b>26.5</b>	<b>22.7</b>	<b>19.4</b>	<b>16.9</b>	<b>22.9</b>	<b>21.7</b>	<b>20.9</b>
UPL	519.3	15.3	12.4	19.3	15.0	13.0	10.6	6.9	6.1	5.2	13.1	13.1	14.4
Vinati Organics	205.0	27.2	26.3	25.6	40.6	35.2	28.0	31.0	27.1	21.6	23.5	22.5	23.5

Source: Company, Centrum Broking

## Q4FY23 concall highlights

**CB overall 20%+ growth in FY24E however margins to moderate, PFB margins to remain under pressure, marginal recovery in TTB margins**

### Financials – Depreciation and interest to go up in FY24E

- FY24E Capex – Rs25bn, Rs12-14bn cash capex on ongoing projects
- Debt – less than one EBITDA
- FY23 CB margins expansion – For both specchem and fluorochemicals
- No one-offs in PFB segment in Q4
- Average cost of debt by end-FY23 – 4.5%
- Looking for land for expansion, proximity to Dahej plant
- Depreciation and interest to grow substantially in FY24E

### FY23 operating rates – PFB and TTB affected in FY23

- SpecChem – Dedicated plants always full, always some capacity available in MPPs, new projects commissioned in FY23 currently in ramp up
- Fluorochemicals – 75-85% HFCs, new chloromethanes plant commissioned in October 2022 ramping up currently, older plant operating at full levels
- PFB – 92-95%, Hungary – 69-70%, exit at 65%
- TTB – 75-76%

### Chemicals (Specialty Chemicals) – 20%+ growth for FY24E for overall CB including SpecChem + Refgas

- FY23 revenues – ~Rs42bn, up ~35% YoY
- FY24E – 20%+ growth for FY24E
- RoCE may moderate from current levels of ~32% as new projects come in, happy with 25-27% RoCE projects
- Some moderation in margins going ahead based on Q4 perspective
- 80-85% innovator driven business
- Not seeing any demand reduction from any customers
- Focus on scale up of commissioned projects in FY24E
- New commissioning in FY24E – 7 plants in specialty, 3 in fluorochemicals
- Strong capex intensity to continue
- Growing demand for new products
- Capitalising on new AI opportunities, significant number of projects with innovators – 7-8 active intermediate in 2 years for agro market, largely for patented products, both fluorine/ non-fluorine based, in the process of getting contracted, very good visibility to commercialise in next two years
- Focus on pharma – To enter into CDMO space through organic or inorganic route, to become a large player in pharma, it can be capabilities/ R&D or capacities or market entry
- Dymel capacity – 2,000-2,200MT, can go up to 2,500MT, currently using at 1,400MT
- Pricing premium on Dymel over HFC134a – USD4-10
- AIs – 12-15% contribution
- Eyeing on import substitution products in next leg of chemicals

## **Chemicals (Fluorochemicals) – Refgas demand pressure in Q1, to pick up from Q2**

- FY23 revenues – ~Rs32bnr, up ~54% YoY
- FY24E – 20%+ growth for FY24E
- Refgas – Focus on domestic market in Q1, to remain under pressure due to cool summer, however temporary, to make up for loss in subsequent year, US focus in subsequent 2 quarters
- Eyeing refgas exports to Middle-East markets in Q2
- PTFE – Commissioning by end-May/ June, confident of PFOA free process/ capacity, expect to operate at 50% capacity utilisation in Q3/ Q4, initial focus on ramping up the capacity, 12 months to start specialty grade post capacity ramp up
- HFO – More details post ground work is complete, non-infringing process, remain confident
- HFCs in US – 30% cut from January 2024 GWP equivalent based for the next five years, production to be cut too, US to remain net importer of HFCs
- 15,000MT R32 plant – To commercialise in Jun/ Jul, product availability from Aug/ Sept., to be ramped up to 70% utilisation in 12 months post commissioning and subsequent year 100%, eyeing ME markets
- PVDF, FEP, FKM – Battery, solar, auto, aerospace applications (rest as per earlier concall)
- Specialty fluoropolymers – Capacity 4,500MT, PFOA free technology, 0.8-1.2x asset turns, four years payback

## **Packaging Film Business (BOPET and BOPP Films) – Margins to remain under pressure in medium term**

- Some capacity closures due to cash losses
- Margins bottomed out, to improve from hereon
- Hungary – Operating issues in FY23 due to energy, moderation in energy index, expect better performance in FY24E
- South Africa – 10-15% capacity enhancement through debottlenecking
- VAP sales came to rescue
- Aluminium foil – Project cost increase to improve quality and capacity, IRR still healthy despite project cost increase
- New lines have been ordered, however getting delayed, to put pressure
- Confident and cautiously optimistic on the segment

## **Technical Textiles Business (Tyre Cord Fabrics, Industrial Yarns, Belting Fabrics) – Flattish demand**

- Slight improvement in NTCF demand, sustainable
- Focus on ramping up capacity in FY24E
- Focus on high end VAPs in belting fabrics
- Moderate growth in FY23

## Q4FY23 snippets from presentation

Focus on new product launches in SpecChem, reagas demand to remain strong, PFB margins to remain under pressure in near term, flat demand in TTB

### Chemicals (Specialty Chemicals) – Volume led growth from new products

- New products commercialized in FY23, SRF launched 6 new products, 4 in Agro and 2 in the Pharma segment
- Key products and their derivatives witnessed increased YoY sales in Q4
- Commissioned new plants during the year which will aid future volumes
- Several ongoing projects on track and likely to be commissioned in the near future
- Witnessed increased downstream customer demand for complex and advanced products, multiple AIs under discussion with various customers.
- **Market Trends** – Global agrochemical market witnessed healthy growth, leading to better sales of top agrochemical companies, prices for certain key RMs remained high, resulting in elevated production costs of some end products, however, some softening witnessed during the latter part of the year, usage of Fungicides and Herbicides is on the rise, resulting in overall healthy growth
- **Outlook specialty chemicals** – Recently capitalised PIP plant ramp up likely to be strong, Complex products and AIs witnessing significant traction with customers, Fungicides and Herbicides continue to show growth, continued focus on launch of new products, continue expanding portfolio of RM suppliers to de risk availability

### Chemicals (Fluorochemicals) – Some impact on HFC volumes in Q1FY24E likely due to a weak summer season, likely to be transitory

- **Strong Q4** – Strong demand for Ref Gases; NPR's of major HFC's remained strong, record sales achieved for Dymel® HFA 134a/P, with an expanded geographical footprint across 20+ countries
- Commissioned several new plants during the year – CMS2, CPP, and CaCl<sub>2</sub>
- Continued focus on ramping up operations in FY24E and commissioning of ongoing projects – PTFE facility commissioning expected in Q1FY23, samples being produced for the market, PX-1/PX-2 progressing as per plan
- Business to focus on building export portfolio in CMS to offset margin pressure due to domestic market slow down and oversupply situation
- **Market Trends** – Global demand outlook for refrigerant gas remains strong and sustainable, healthy opportunities in key markets of India, USA, and Middle East, RM prices and supply chain restrictions continue to be challenges, **some impact on HFC volumes in Q1FY24E likely due to a weak summer season, likely to be transitory**
- **Outlook Fluorochemicals** – Positive trend is likely to continue - demand in the refrigerants segment is expected to remain healthy in the near to medium term, focus on expanding in new markets / geographies and product offerings, ramping up sales from refrigerants, blends and industrial solvents, commissioning of PTFE and getting product approvals in place to remain in focus, strong focus on effective resource utilization

## Packaging Film Business (BOPET and BOPP Films) – Margin pressure to continue in medium term, aluminium foil project on track

- Business continued to face headwinds including margin pressure due to significant supply addition, global demand slowdown, and steep energy costs in Europe
- To navigate through the uncertain times, SRF expanded its customer footprint and focused on VAP sales
- Aluminium Foil project progressing as per plan, albeit with some cost increase; higher output, quality and product portfolio being key reasons. SRF to become a solution provider of the three major substrates—BOPET, BOPP and Aluminium Foil
- 10 new products commercialised during the year (4 in BOPET and 6 in BOPP)
- Volume gains from debottlenecked South African unit capacity likely to aid operational efficiencies
- **Market Trends** – FY24E expected to see continued pressure on margins, energy costs moderating in Europe, global suppliers with multi locational facilities and customer relationships likely to witness positive traction
- **Outlook** – Aluminium foil project progressing as per plan, focus on value-added products both in BOPP and BOPET, Hungary expected to perform better in the ensuing quarters, demand supply mismatch and pressure on margins expected to continue at least in the medium term, some industry players witnessing cash losses, delay / cancellations of ordered lines likely to play out, continued focus on increasing pace of R&D efforts, sustainability initiatives and cost optimisation

## Technical Textiles Business (Tyre Cord Fabrics, Industrial Yarns, Belting Fabrics) – NTCF witnessing revival

- Demand for Nylon Tyre Cord Fabric remained subdued during Q4
- Belting Fabric delivered higher YoY sales
- Improvement in demand for Polyester Industrial Yarn with key drivers being geo-textiles and seat belts
- Focus on high-end VAP sales giving positive results
- Enhanced focus on renewable energy, with a significant percentage of the energy requirements being met by green sources
- **Market Trends** – Trends showing slight improvement in demand for Nylon Tyre Cord Fabric, Demand for Belting Fabrics is expected to remain healthy with enhanced focus on infrastructural development
- **Outlook** – Higher operating leverage and cost optimization by capacity rationalization across various plants, demand in NTCF witnessing revival, augurs well for the near future, PIY and NIY sales witnessing positive trends, other sub-segments of TTB expected to make a significant contribution to the overall performance

## Others (Coated and Laminated Fabrics) – Margins to remain under pressure

- **Coated fabrics** – Recorded its highest ever domestic sales and EBITDA due to steady demand and a robust order book, witnessed improved demand in all categories, with healthy contribution from VAPs
- **Laminated fabrics** – SRF maintained its price leadership in Q4 by selling full capacity, margins in mass signage application were subdued and expected to remain under pressure due to oversupply in the market

**Exhibit 1: Quarterly Financials**

Quarterly (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)
<b>Revenues</b>	<b>26,077</b>	<b>26,994</b>	<b>28,390</b>	<b>33,459</b>	<b>35,494</b>	<b>38,947</b>	<b>37,278</b>	<b>34,697</b>	<b>37,781</b>	<b>6.4</b>	<b>8.9</b>
Q-o-Q gr. (%)	21.5	3.5	5.2	17.9	6.1	9.7	(4.3)	(6.9)	8.9		
Raw Mat. Cons.	12,849	13,023	14,157	15,965	15,769	17,826	18,904	15,616	18,817	19.3	20.5
% of net sales	49.3	48.2	49.9	47.7	44.4	45.8	50.7	45.0	49.8		
Purchase of prod.	189	294	144	450	868	751	626	1,328	67	(92.3)	(95.0)
% of net sales	0.7	1.1	0.5	1.3	2.4	1.9	1.7	3.8	0.2		
Power, fuel, and water	2,097	2,318	2,638	3,002	3,398	4,103	3,737	3,443	3,440	1.2	(0.1)
% of net sales	16.3	17.8	18.6	18.8	21.5	23.0	19.8	22.0	18.3		
Employee Costs	1,753	1,820	1,777	2,068	2,135	1,942	1,953	2,102	2,142	0.3	1.9
% of net sales	6.7	6.7	6.3	6.2	6.0	5.0	5.2	6.1	5.7		
Exchange currency fluctuation loss / (gain)	-91	-72	-206	-335	-114	249	361	150	280	(345.7)	86.2
% of net sales	(0.7)	(0.6)	(1.5)	(2.1)	(0.7)	1.4	1.9	1.0	1.5		
Others	2,846	2,895	3,130	3,496	3,958	4,126	4,007	3,723	3,719	(6.1)	(0.1)
% of net sales	10.9	10.7	11.0	10.4	11.2	10.6	10.7	10.7	9.8		
<b>EBITDA</b>	<b>6,433</b>	<b>6,716</b>	<b>6,750</b>	<b>8,814</b>	<b>9,480</b>	<b>9,950</b>	<b>7,691</b>	<b>8,335</b>	<b>9,316</b>	<b>(1.7)</b>	<b>11.8</b>
Q-o-Q growth (%)	13.6	4.4	0.5	30.6	7.6	5.0	(22.7)	8.4	11.8		
EBITDA Margin (%)	24.7	24.9	23.8	26.3	26.7	25.5	20.6	24.0	24.7		
Dep. & Amor.	1,185	1,230	1,303	1,324	1,316	1,307	1,393	1,507	1,546	17.5	2.6
<b>EBIT</b>	<b>5,249</b>	<b>5,486</b>	<b>5,447</b>	<b>7,490</b>	<b>8,164</b>	<b>8,642</b>	<b>6,298</b>	<b>6,829</b>	<b>7,770</b>	<b>(4.8)</b>	<b>13.8</b>
Interest exp.	262	275	234	294	357	325	445	620	659	84.6	6.4
Other Income	130	138	111	107	72	99	327	100	223	208.9	123.1
<b>EBT</b>	<b>5,117</b>	<b>5,349</b>	<b>5,324</b>	<b>7,303</b>	<b>7,879</b>	<b>8,416</b>	<b>6,181</b>	<b>6,309</b>	<b>7,334</b>	<b>(6.9)</b>	<b>16.2</b>
Provision for tax	1,302	1,396	1,500	2,247	1,996	2,336	1,693	1,293	1,790	(10.3)	38.5
Eff. tax rate (%)	25.4	26.1	28.2	30.8	25.3	27.8	27.4	20.5	24.4		
<b>Net Profit</b>	<b>3,815</b>	<b>3,953</b>	<b>3,825</b>	<b>5,055</b>	<b>5,883</b>	<b>6,080</b>	<b>4,488</b>	<b>5,017</b>	<b>5,544</b>	<b>(5.8)</b>	<b>10.5</b>
Q-o-Q gr. (%)	18.0	3.6	(3.2)	32.2	16.4	3.3	(26.2)	11.8	10.5		
PAT Margin (%)	14.6	14.6	13.4	15.1	16.5	15.6	11.9	14.4	14.6		
<b>Segments revenue (₹ mn)</b>											
Technical textile business (TTB)	4,006	4,929	5,579	5,378	4,967	5,710	4,662	4,259	4,307	(13.3)	1.1
Chemicals Business (CB)	11,526	11,137	11,264	14,283	15,725	17,224	18,302	17,566	21,017	33.7	19.6
Packaging film business (PFB)	9,795	10,413	10,717	12,760	13,902	14,960	13,310	12,027	11,531	(17.1)	(4.1)
Others	777	536	863	900	934	1,056	1,004	923	943	1.0	2.1
<b>Total</b>	<b>26,104</b>	<b>27,015</b>	<b>28,423</b>	<b>33,321</b>	<b>35,527</b>	<b>38,951</b>	<b>37,278</b>	<b>34,776</b>	<b>37,797</b>	<b>6.4</b>	<b>8.7</b>
<b>EBIT</b>											
Technical textile business EBIT	728	1,337	1,328	1,135	914	1,162	629	342	484	(47.1)	41.5
% EBIT	18.2	27.1	23.8	21.1	18.4	20.4	13.5	8.0	11.2		
Chemicals Business EBIT	2,752	2,223	2,511	4,192	5,043	5,202	5,173	5,639	7,393	46.6	31.1
% EBIT	23.9	20.0	22.3	29.4	32.1	30.2	28.3	32.1	35.2		
Packaging film business EBIT	2,186	2,368	1,795	2,542	2,758	2,952	1,014	1,186	410	(85.2)	(65.5)
% EBIT	22.3	22.7	16.7	19.9	19.8	19.7	7.6	9.9	3.6		
Others EBIT	88	19	58	86	41	68	76	91	113	177.0	24.0
% EBIT	11.3	3.5	6.7	9.5	4.4	6.4	7.6	9.9	12.0		
<b>Total EBIT</b>	<b>5,753</b>	<b>5,947</b>	<b>5,692</b>	<b>7,955</b>	<b>8,757</b>	<b>9,384</b>	<b>6,892</b>	<b>7,259</b>	<b>8,399</b>	<b>(4.1)</b>	<b>15.7</b>
% EBIT	22.0	22.0	20.0	23.9	24.6	24.1	18.5	20.9	22.2		

Source: Company, Centrum Broking



P&L					
YE Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Revenues</b>	<b>82,954</b>	<b>123,128</b>	<b>145,918</b>	<b>162,263</b>	<b>186,614</b>
Operating Expense	40,189	60,669	73,935	79,124	92,191
Employee cost	6,214	7,800	8,138	9,359	10,763
Others	16,264	24,835	31,337	33,442	37,507
<b>EBITDA</b>	<b>21,333</b>	<b>31,032</b>	<b>35,292</b>	<b>41,208</b>	<b>47,074</b>
Depreciation & Amortisation	4,531	5,172	5,753	6,732	7,970
<b>EBIT</b>	<b>16,803</b>	<b>25,860</b>	<b>29,539</b>	<b>34,476</b>	<b>39,103</b>
Interest expenses	1,340	1,159	2,048	2,832	2,537
Other income	664	1,155	749	809	1,012
<b>PBT</b>	<b>16,127</b>	<b>25,856</b>	<b>28,240</b>	<b>32,453</b>	<b>37,578</b>
Taxes	4,144	6,966	6,617	7,627	8,831
Effective tax rate (%)	25.7	26.9	23.4	23.5	23.5
<b>PAT</b>	<b>11,983</b>	<b>18,889</b>	<b>21,623</b>	<b>24,827</b>	<b>28,747</b>
Minority/Associates	0	0	0	0	0
<b>Recurring PAT</b>	<b>11,983</b>	<b>18,889</b>	<b>21,623</b>	<b>24,827</b>	<b>28,747</b>
Extraordinary items	0	0	0	0	0
<b>Reported PAT</b>	<b>11,983</b>	<b>18,889</b>	<b>21,623</b>	<b>24,827</b>	<b>28,747</b>
Ratios					
YE Mar	FY21A	FY22A	FY23A	FY24E	FY25E
<b>Growth (%)</b>					
Revenue	17.5	48.4	18.5	11.2	15.0
EBITDA	46.6	45.5	13.7	16.8	14.2
Adj. EPS	30.8	57.6	14.5	14.8	15.8
<b>Margins (%)</b>					
Gross	52.8	51.7	51.2	51.8	51.1
EBITDA	25.4	25.0	23.7	25.3	25.1
EBIT	20.0	20.8	19.9	21.1	20.9
Adjusted PAT	14.3	15.2	14.5	15.2	15.3
<b>Returns (%)</b>					
ROE	20.3	24.5	22.9	21.7	20.9
ROCE	14.4	18.0	17.3	17.1	16.9
ROIC	12.4	14.9	14.8	15.3	15.4
<b>Turnover (days)</b>					
Gross block turnover ratio (x)	0.9	1.2	1.2	1.1	1.1
Debtors	47	45	44	43	43
Inventory	121	108	109	108	104
Creditors	122	111	107	109	106
Net working capital	59	77	73	73	77
<b>Solvency (x)</b>					
Net debt-equity	0.4	0.4	0.4	0.3	0.2
Interest coverage ratio	15.9	26.8	17.2	14.6	18.6
Net debt/EBITDA	1.2	1.0	1.1	0.9	0.7
<b>Per share (Rs)</b>					
Adjusted EPS	40.4	63.7	72.9	83.8	97.0
BVPS	231.3	289.0	348.4	422.1	507.4
CEPS	278.8	81.2	92.4	106.5	123.9
DPS	23.9	7.1	7.2	10.1	11.6
Dividend payout (%)	11.8	11.2	9.9	12.0	12.0
<b>Valuation (x)</b>					
P/E	63.6	40.3	35.2	30.7	26.5
P/BV	11.1	8.9	7.4	6.1	5.1
EV/EBITDA	37.0	25.6	22.7	19.4	16.9
Dividend yield (%)	0.9	0.3	0.3	0.4	0.5

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Equity share capital	603	2,974	2,974	2,974	2,974
Reserves & surplus	67,962	82,679	100,296	122,144	147,441
Shareholders fund	68,564	85,654	103,271	125,118	150,416
Minority Interest	0	0	0	0	0
Total debt	29,307	35,394	43,541	43,541	43,541
Non Current Liabilities	1,507	3,402	3,901	3,901	3,901
Def tax liab. (net)	3,862	6,775	8,092	8,092	8,092
<b>Total liabilities</b>	<b>103,240</b>	<b>131,224</b>	<b>158,805</b>	<b>180,652</b>	<b>205,950</b>
Gross block	94,172	104,017	125,744	150,744	177,244
Less: acc. Depreciation	(19,200)	(23,512)	(29,265)	(35,901)	(43,772)
Net block	74,972	80,505	96,479	114,843	133,471
Capital WIP	7,723	16,716	24,055	24,055	24,055
Net fixed assets	83,825	98,416	121,681	140,000	158,579
Non Current Assets	5,857	6,650	7,886	7,886	7,886
Investments	42	42	42	42	42
Inventories	14,658	21,385	22,743	24,177	28,170
Sundry debtors	12,746	17,925	17,856	20,392	23,442
Cash & Cash Equivalents	2,820	4,594	6,165	8,267	11,934
Loans & advances	112	88	110	110	110
Other current assets	9,053	8,553	10,876	10,876	10,876
Trade payables	15,852	20,964	22,313	24,855	28,847
Other current liab.	10,116	5,505	6,349	6,349	6,349
Provisions	87	74	79	79	79
Net current assets	13,335	26,001	29,009	32,538	39,256
<b>Total assets</b>	<b>103,240</b>	<b>131,224</b>	<b>158,805</b>	<b>180,652</b>	<b>205,950</b>
Cashflow					
YE Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Profit Before Tax	16,127	25,856	28,240	32,453	37,578
Depreciation & Amortisation	4,531	5,172	5,753	6,732	7,970
Net Interest	1,340	1,159	2,048	2,832	2,537
Net Change – WC	(3,911)	(12,067)	515	(1,427)	(3,050)
Direct taxes	(3,526)	(6,323)	(6,617)	(7,627)	(8,831)
<b>Net cash from operations</b>	<b>13,896</b>	<b>12,643</b>	<b>29,190</b>	<b>32,154</b>	<b>35,192</b>
Capital expenditure	(12,898)	(18,885)	(29,019)	(25,050)	(26,550)
Acquisitions, net	0	0	0	0	0
Investments	(2,140)	958	(1,733)	0	0
Others	664	1,155	749	809	1,012
<b>Net cash from investing</b>	<b>(14,375)</b>	<b>(16,772)</b>	<b>(30,003)</b>	<b>(24,241)</b>	<b>(25,538)</b>
<b>FCF</b>	<b>(479)</b>	<b>(4,129)</b>	<b>(812)</b>	<b>7,913</b>	<b>9,654</b>
Issue of share capital	7	0	0	0	0
Increase/(decrease) in debt	(3,364)	6,086	8,147	0	0
Dividend paid	(1,413)	(2,119)	(2,134)	(2,979)	(3,450)
Interest paid	(1,340)	(1,159)	(2,048)	(2,832)	(2,537)
Others	6,716	3,006	(1,666)	0	0
<b>Net cash from financing</b>	<b>607</b>	<b>5,814</b>	<b>2,299</b>	<b>(5,811)</b>	<b>(5,986)</b>
Net change in Cash	128	1,685	1,486	2,102	3,668

Source: Company, Centrum Broking



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#### SRF Ltd



Source: Bloomberg

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PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

Research Analyst

SEBI Registration No. INH000001469

Mutual Fund Distributor

AMFI REGN No. ARN- 147569

**Website:** www.centrumbroking.com**Investor Grievance Email ID:** investor.grievances@centrum.co.in**Compliance Officer Details:**

Ajay S Bendkhale

(022) 4215 9000/9023; Email ID: compliance@centrum.co.in

**Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)****Registered and Corporate Office:**

Level -9, Centrum House, C.S.T. Road,  
Vidyanagari Marg, Kalina,  
Santacruz (East) Mumbai – 400098  
Tel.: - +91 22 4215 9000