

# SRF Ltd. (SRF)

Chemicals | Annual Report Analysis

**ACCUMULATE**

**CMP: Rs2,459 | Target Price (TP): Rs2,400 | Downside: 2%**

**June 23, 2024**

## Partial recovery in FY25; All eyes on Spec. Chem

### Key Points

- We present the Annual Report Analysis of SRF for FY24, wherein we have touched upon segment-wise performance & future outlook, progress on ESG parameters, subsidiary financials & peer comparison over last 5 years.
- The management has guided for 20% growth in Chemicals for FY25; but, a lot is dependent on the recovery in 2H in the context of overall demand sluggishness and pricing pressure due to Chinese competition.
- We continue to remain positive on the structural opportunity in SRF and believe that near-term global uncertainty could offer a better entry point. Maintain Acc with a revised TP of Rs2,400 (SoTP valuation on FY26E).

**FY24 performance update:** Consolidated Revenue/EBITDA/APAT declined by ~12%/~27%/~38% in FY24. Chemicals segment revenue and EBITDA declined by ~15% and ~31%, respectively, led by weakness in both Specialty Chemicals (down ~12% mainly led by volume) and Ref Gases (down ~19%). Despite the underperformance in Chemicals, profit share (EBIT) remained a tad higher at ~74% vs FY23. EBITDA margin declined by 400bps. Working capital in FY24 stood at 54 days (of sales), a tad higher, but significantly better than industry average. FY24 capex of Rs22bn (1HFY24 at Rs13.8bn) came in lower than initial expectation.

**Specialty Chemicals recovery tied to restocking and moderation of China competition:** Specialty Chemicals segment revenue declined by ~11% in FY24 after a 5x increase over FY18-FY23. While the Agrochemicals cycle is yet to turn positive, we believe that the CDMO space should recover quickly. Inventory rationalisation by select key customers and capacity addition in China for select products have made the overall environment even more competitive. Despite the tough environment, operating margin in FY24 was broadly similar to FY23. AI foray is also going to be a major driver from the medium-term perspective.

**Ref Gases recovery remains the key:** Ref Gas segment was impacted the most by Chinese dumping within the Chemicals segment. While the management expects USA volume to decline due to quota activation, it believes that the same should be more than offset by higher share from the ME, India, Africa etc. - both in terms of volume as well as pricing. FY25 volume for Ref Gases could be higher by ~10KTPA, per management. Domestic scenario for R32 is positive with Chinese inventory liquidated and better pricing. In FY25, the management expects India and the Middle East to drive volume growth in Ref Gases whereas USA is expected to remain subdued.

**Capex acceleration to be back-ended:** SRF capitalised Rs18bn worth of projects in Specialty Chemicals in FY24 and the total capex was Rs22bn. For FY25, the management has guided for Rs20bn capex, mainly in Specialty Chemicals with acceleration from 2HFY25. While the overall capex looks lower than average, Rs30bn capex planned earlier for the next five years, we don't see major cuts in capex related to Specialty Chemicals.

Est Change	Upward
TP Change	Upward
Rating Change	No Change

### Company Data and Valuation Summary

Reuters:	SRFL.BO
Bloomberg:	SRF IN Equity
Mkt Cap (Rsbn/US\$bn):	729.2 / 8.7
52 Wk H / L (Rs):	2,694 / 2,040
ADTV-3M (mn) (Rs/US\$):	1,532.4 / 18.5
Stock performance (%) 1M/6M/1yr:	7.6 / 2.7 / 2.9
Nifty 50 performance(%) 1M/6M/1yr:	4.4 / 7.6 / 25.2

Shareholding	2QFY24	3QFY24	4QFY24
Promoters	50.5	50.5	50.3
DILs	14.1	14.6	16.0
FILs	19.8	19.6	19.1
Others	15.6	15.4	14.7
Pro pledge	0.0	0.0	0.0

### Financial and Valuation Summary

Particulars(Rsmn)	FY23	FY24	FY25E	FY26E
Net Sales	148,703	131,385	150,441	184,301
Growth YoY%	19.6%	-11.6%	14.5%	22.5%
Gross margin %	50.3%	48.9%	49.9%	50.4%
EBITDA	35,292	25,841	34,738	46,774
EBITDA margin %	23.7%	19.7%	23.1%	25.4%
Adj PAT	21,623	13,357	18,664	26,822
Growth YoY%	14.5%	-38.2%	39.7%	43.7%
EPS	72.9	45.0	62.9	90.4
RoCE (pre-tax)	22.1%	12.3%	15.8%	19.3%
RoCE	16.9%	9.7%	12.2%	14.9%
RoE	22.9%	12.3%	15.3%	19.3%
P/E	33.7	54.6	39.1	27.2
EV/EBITDA	21.6	29.8	22.1	16.6
P/BV	7.1	6.4	5.7	4.9

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

**Key Links – [FY24 Annual Report](#)**

*Please refer to the disclaimer towards the end of the document.*

## Segment-wise discussion in MD&A

- In FY24, the **Technical Textiles business** focussed on expanding product portfolio, broadening consumer base and strengthening market position in order to derisk from the flagship NTCF. NTCF witnessed moderate growth in FY24 despite higher domestic volume. During FY24, capacity expansion of Nylon Yarn manufacturing for captive consumption and external sales was completed. Performance of Belting Fabrics improved on account of strong demand from end-user industries like coal, steel and cement. Domestic margin of Belting Fabrics segment was impacted by China dumping. Similar to Belting Fabrics, the Polyester Yarn segment reported strong growth on the back of strong demand from Geotextiles, Seat Belts and Belting verticals. Overall, the management expects better utilisation to bring in some operating leverage, but the same could be offset by China dumping, leading to overall margin pressure in the Technical Textiles segment in FY25.
- After a stellar FY23, the **Ref Gases** business witnessed multiple challenges during FY24 such as: (1) Erratic rains in summer in the Domestic market (2) Pricing pressure in India due to China dumping (3) Competitive challenges after supply addition in India and the Middle east and (4) Destocking of HFC inventory by USA. As a result, overall Ref Gas prices remained under pressure, both in Domestic as well as International markets. Freight impact on account of Red Sea crisis and the Israel-Hamas war impacted margin further. In FY25, the management expects India and the Middle East to drive volume growth in Ref Gases whereas USA is expected to remain subdued. Pricing pressure in both Domestic as well as International markets is expected to abate, per management.
- The **Industrial Chemicals** segment faced competitive challenges on account of new capacity addition from a few domestic players as part of the forward integration strategy. Despite a challenging environment for Agrochemicals and Pharmaceuticals, SRF's market share has increased. Similarly, Dymel continues to gain market share in domestic as well as international markets by entering new geographies and broadening consumer base. In FY25, Industrial Chemicals business is expected to remain stable on the back of recovery in Agrochemicals and Pharmaceuticals segments.
- **PTFE** plant was commissioned during FY24. Approvals for various grades of the product are currently under process with major domestic and international players. SRF will focus more on ramping up new grades post commissioning of new Specialty Fluoropolymers units.
- The **Specialty Chemicals business** faced headwinds on account of excess system inventory and capacity addition in China. SRF has taken a lot of steps to manage the heightened competition issue. The business actively worked on customers' new products and their developmental projects while ensuring that the production capacities were optimally utilised for existing products. Apart from commissioning new facilities, SRF worked on cost structures, ensuring that plants run most efficiently. In FY24, both Bhiwadi as well as Dahej sites improved operational efficiency, managing an expanded portfolio of innovative products. Nine dedicated facilities were commissioned in Dahej during FY24. Also, the management received the BoD's approval for setting up an intermediate plant to cater to a new product, which is currently under implementation.
- The dedicated **R&D facilities, developmental labs and pilot plant facilities**, having many scientists & engineers are working together to achieve innovation & technology leadership. SRF continues to invest in R&D to create propositions for future while capital & revenue expenditure of Rs1.2bn was spent during FY24. R&D worked on 44+ molecules and many products were successfully taken up for process development. More than 34 molecules were taken up for scale-up studies and 70% were commercially produced in multipurpose and dedicated plants.
- Industry headwinds in the **Packaging Films business** continued to put pressure on both volume as well as margins in FY24 - both for BOPET and BOPP segments. SRF is focussing on intensive cost rationalisation and strengthening the VAP portfolio in order to outperform peers in this challenging environment. The business successfully commercialised many VAPs in BOPET and BOPP during FY24. Stabilisation of energy prices in Hungary should give some respite in FY25. BOPET cycle recovery is not expected in the near term and hence overall stress persists.

- In January'24, the management commissioned its **Aluminium Foil plant** at Jetapur, Madhya Pradesh. Work on Capacitor Grade BOPP Film in India is also running as per schedule. In FY25, SRF's primary focus will be on enhancing profitability by further strengthening VAPs, improving capacity utilisation and cost rationalisation.
- FY24 was a good year for the **Coated Fabrics Business**. Domestic demand, particularly for VAPs remained strong, which helped the business achieve its highest-ever domestic sales. Business made the highest-ever EBITDA during the year. In response to the growing demand, SRF expanded its Textile capacity by adding four new looms during the year. SRF continues to be the market leader in Coated Fabrics in the Domestic market. Business also continued its price and volume leadership in the **Laminated Fabrics Business** by selling at full capacity and achieving its highest-ever sales during the FY. However, margins remained under pressure in Laminated Fabrics as cost increases could not be passed on completely to the customers due to excess supply. FY25 outlook for both the segments - Coated and Laminated Fabrics - remains strong. In Coated Fabrics, the focus will be to enhance capacity, strengthen VAPs portfolio and increase sales. In Laminated Fabrics, SRF will commission new Hot Lamination machine, which will replace the existing Cold Lamination machine, to help cater to its customers with a better product offering. The business will also continue to work on various cost reduction initiatives for both the segments.

**Exhibit 1: Consolidated segment information**

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Segment revenue</b>									
Technical Textiles	20,782	17,349	13,576	12,401	20,852	18,939	18,980	21,827	25,101
Chemicals	16,114	24,454	29,750	36,449	52,408	74,109	62,970	74,444	93,882
Packaging Film	17,802	26,533	26,040	32,917	47,792	51,828	44,893	48,466	58,159
Others		2,716	2,783	2,320	3,403	3,926	4,653	5,816	7,270
<b>Total segment revenue</b>	<b>54,698</b>	<b>71,053</b>	<b>72,148</b>	<b>84,087</b>	<b>124,456</b>	<b>148,801</b>	<b>131,497</b>	<b>150,553</b>	<b>184,413</b>
Less: Inter segmental	-	57	54	87	119	99	112	112	112
<b>Revenue from operations</b>	<b>54,698</b>	<b>71,109</b>	<b>72,094</b>	<b>84,000</b>	<b>124,337</b>	<b>148,703</b>	<b>131,385</b>	<b>150,441</b>	<b>184,301</b>
<b>Segment revenue growth (%)</b>									
Technical Textiles	3.5%	-16.5%	-21.7%	-8.7%	68.1%	-9.2%	0.2%	15.0%	15.0%
Chemicals	-6.4%	51.8%	21.7%	22.5%	43.8%	41.4%	-15.0%	18.2%	26.1%
Packaging Film	26.5%	49.0%	-1.9%	26.4%	45.2%	8.4%	-13.4%	8.0%	20.0%
Others				-16.6%	46.7%	15.4%	-	-	-
<b>Total segment revenue</b>	<b>6.5%</b>	<b>29.9%</b>	<b>1.5%</b>	<b>16.5%</b>	<b>48.0%</b>	<b>19.6%</b>	<b>-11.6%</b>	<b>14.5%</b>	<b>22.5%</b>
<b>Segment result (EBIT)</b>									
Technical Textiles	2,710	2,615	1,515	1,769	4,714	2,617	2,742	3,274	4,016
Chemicals	2,694	3,843	5,115	7,281	13,969	23,407	16,274	19,728	26,287
Packaging Film	2,298	4,115	5,556	8,977	9,463	5,562	2,065	3,150	5,816
Others	-	218	318	256	204	348	930	1,163	1,454
<b>Total EBIT</b>	<b>7,702</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>27,315</b>	<b>37,573</b>
<b>EBIT margin (%)</b>									
Technical Textiles	13.0%	15.1%	11.2%	14.3%	22.6%	13.8%	14.4%	15.0%	16.0%
Chemicals	16.7%	15.7%	17.2%	20.0%	26.7%	31.6%	25.8%	26.5%	28.0%
Packaging Film	12.9%	15.5%	21.3%	27.3%	19.8%	10.7%	4.6%	6.5%	10.0%
Others		8.0%	11.4%	11.0%	6.0%	8.9%	20.0%	20.0%	20.0%
<b>Total EBIT</b>	<b>14.1%</b>	<b>15.2%</b>	<b>17.3%</b>	<b>21.7%</b>	<b>22.8%</b>	<b>21.5%</b>	<b>16.7%</b>	<b>18.1%</b>	<b>20.4%</b>
<b>Segment EBIT share (%)</b>									
Technical Textiles	35.2%	24.2%	12.1%	9.7%	16.6%	8.2%	12.5%	12.0%	10.7%
Chemicals	35.0%	35.6%	40.9%	39.8%	49.3%	73.3%	73.9%	72.2%	70.0%
Packaging Film	29.8%	38.1%	44.4%	49.1%	33.4%	17.4%	9.4%	11.5%	15.5%
Others	0.0%	2.0%	2.5%	1.4%	0.7%	1.1%	4.2%	4.3%	3.9%
<b>Total EBIT</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Segment EBIT growth (%)</b>									
Technical Textiles	6.6%	-3.5%	-42.1%	16.8%	166.5%	-44.5%	4.8%	19.4%	22.7%
Chemicals	-17.7%	42.6%	33.1%	42.4%	91.8%	67.6%	-30.5%	21.2%	33.3%
Packaging Film	16.6%	79.1%	35.0%	61.6%	5.4%	-41.2%	-62.9%	52.5%	84.7%
Others									
<b>Total EBIT</b>	<b>-1.1%</b>	<b>40.1%</b>	<b>15.9%</b>	<b>46.2%</b>	<b>55.1%</b>	<b>12.6%</b>	<b>-31.1%</b>	<b>24.1%</b>	<b>37.6%</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 2: Revenue break-up of Chemicals segment**

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24
<b>Chemicals business</b>	<b>16,116</b>	<b>24,466</b>	<b>29,849</b>	<b>36,369</b>	<b>52,123</b>	<b>73,260</b>	<b>62,373</b>
Fluorospeciality chemicals	8,229	10,391	16,238	23,894	31,003	41,650	36,661
Fluorochemicals, Ref gases & allied products	5,717	9,915	9,391	8,860	16,955	25,570	20,728
Chlorinated solvents & Industrial chemicals	1,385	3,478	3,449	3,110	3,507	4,295	3,434
Others	784	682	771	505	658	1,746	1,551

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 3: RM consumed across segments**

Particulars (MT)	FY20	FY21	FY22	FY23	FY24	CAGR
<b>Chemicals Business</b>						
Fluorspar	60,599	67,325	76,765	92,668	92,668	11%
Liquid Chlorine	126,634	116,323	114,003	165,898	194,000	11%
Methanol	31,245	30,339	31,321	52,422	57,000	16%
Sulphuric Acid	68,719	85,596	84,878	123,646	117,000	14%
Ethylene Dichloride	19,276	16,736	15,509	19,723	21,000	2%
<b>Packaging Films Business</b>						
PET Chips	101,528	107,021	110,788	99,929	99,929	0%
PP Chips	32,474	35,012	35,245	57,419	69,000	21%
PTA	75,377	73,588	75,289	73,993	73,993	0%
MEG	29,324	29,512	29,438	28,832	28,832	0%
<b>Technical Textiles Business</b>						
Caprolactam	38,739	33,172	40,402	34,644	44,000	3%
Pet Chips	13,726	12,255	13,460	13,786	15,000	2%

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 4: Inventory break-up**

Particulars (Rsmn)	FY19	FY20	FY21	FY22	FY23	FY24
Raw material (including packing material)	6,081	5,126	6,834	10,582	11,026	10,676
Stock in progress	1,476	1,565	1,765	2,374	2,396	2,694
Finished goods	2,259	2,812	3,386	5,354	4,762	5,754
Stores and spares (including fuel)	2,382	2,439	2,631	2,806	3,602	3,732
Traded goods	50	70	43	274	957	409
<b>Share %</b>						
Raw material (including packing material)	50%	43%	47%	49%	48%	46%
Stock in progress	12%	13%	12%	11%	11%	12%
Finished goods	18%	23%	23%	25%	21%	25%
Stores and spares (including fuel)	19%	20%	18%	13%	16%	16%
Traded goods	0%	1%	0%	1%	4%	2%

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 5: Working capital - peer comparison**

<b>Working capitalcycle</b>					
<b>Particulars (days)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>
SRF	53	48	44	45	54
NFIL	85	98	104	110	121
GFL	142	152	111	100	162
ARTO	110	97	94	89	87
VO	93	109	96	96	116
CLEAN	62	48	55	61	81
ATLP	70	74	71	78	80
DN	50	56	51	63	72
AACL	57	51	45	50	60

<b>Receivable days</b>					
<b>Particulars (days)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>
SRF	49	47	45	44	52
NFIL	67	78	81	81	95
GFL	79	85	67	61	83
ARTO	67	63	63	56	51
VO	79	92	83	81	95
CLEAN	56	51	61	58	71
ATLP	63	71	62	62	68
DN	51	57	51	56	62
AACL	58	58	60	58	61

<b>Inventory days</b>					
<b>Particulars (days)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>
SRF	61	58	53	54	64
NFIL	46	52	55	64	74
GFL	114	115	84	78	130
ARTO	70	72	62	54	63
VO	33	41	34	36	41
CLEAN	31	31	38	38	54
ATLP	45	54	52	56	54
DN	35	33	26	34	39
AACL	35	30	34	38	45

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 6: Capex acceleration by SRF and peer comparison**

Particulars (Rsmn)	FY20	FY21	FY22	FY23	FY24
SRF	13,892	12,144	18,321	28,382	22,169
NFIL	1,077	987	5,789	7,577	7,324
GFL	11,961	2,737	6,740	6,750	9,556
ARTO	11,533	13,148	13,066	13,263	13,280
VO	1,379	822	1,739	3,435	4,037
CLEAN	503	844	1,297	1,834	2,323
ATLP	3,740	3,225	5,909	8,747	5,039
DN	3,984	2,125	1,865	3,581	7,424
AACL	773	1,562	2,470	3,034	1,223

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 7: Return ratios - peer comparison**

ROCE	FY20	FY21	FY22	FY23	FY24
Particulars	FY20	FY21	FY22	FY23	FY24
SRF	14%	18%	24%	22%	12%
NFIL	18%	17%	17%	20%	9%
GFL	12%	21%	28%	9%	9%
ARTO	17%	14%	14%	11%	7%
VO	33%	22%	23%	25%	17%
CLEAN	55%	55%	42%	50%	26%
ATLP	28%	22%	17%	13%	8%
DN	37%	40%	43%	29%	21%
AACL	42%	56%	32%	26%	15%

ROCE (n-2)	FY20	FY21	FY22	FY23	FY24
Particulars	FY20	FY21	FY22	FY23	FY24
SRF	17%	23%	32%	29%	16%
NFIL	23%	25%	22%	30%	16%
GFL	23%	32%	22%	37%	12%
ARTO	23%	16%	18%	13%	9%
VO	47%	29%	30%	33%	21%
CLEAN	91%	88%	80%	83%	37%
ATLP	38%	29%	23%	15%	9%
DN	49%	51%	55%	38%	26%
AACL	50%	79%	50%	36%	19%

Source: Company, Nirmal Bang Institutional Equities Research

**ESG and other parameters**
**Exhibit 8: ESG parameters**

Particulars	FY21	FY22	FY23	FY24
Energy Savings (in TJ)	28	20	38	44
Total Energy Consumption (in TJ)	8,615	10,755	12,912	12,680
Renewable Energy Consumption (in TJ)	792	914	1,201	1,236
%Renewable Energy Consumption	9%	8%	9%	10%
Recycled water consumption (mnLtrs)	675	1,696	1,837	1,641

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 9: HR parameters**

Particulars	FY20	FY21	FY22	FY23	FY24
Total Permanent Workforce	6,299	6,386	6,674	7,171	7372
Total Contractual Workforce	4,115	4,855	7,428	6,955	8184
Permanent Employee Turnover %	9.2%	7.3%	7.3%	9.7%	Na
Lost Time Injury Frequency Rates	0.6	0.5	0.7	0.2	0.2
<b>Average Remuneration Appraisal%</b>					
Employees (Other than Directors)	8.9%	10.6%	10.0%	11.4%	-6.0%
Management (Directors)	13.4%	33.3%	41.4%	14.1%	13.6%
<b>KMP Remuneration (In Mn)</b>					
Directors	239	277	391	446	419.5
Other KMP	142	186	223	275	Na
<b>KMP Remuneration (% of Employee Cost)</b>					
	7%	7%	8%	9%	Na
<b>Total Remuneration of Other Employees (In Mn)</b>	<b>5,039</b>	<b>5,751</b>	<b>7,186</b>	<b>7,417</b>	<b>9,350</b>
<b>Total Training hours</b>	<b>132,374</b>	<b>76,564</b>	<b>153,072</b>	<b>176,156</b>	<b>206,710</b>

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 10: Loans & Investment in subsidiaries**

Particulars (In Mn)	FY19	FY20	FY21	FY22	FY23	FY24
Investment in Subsidiaries	836	836	836	887	887	5,087
SRF Global BV	796	796	796	796	796	796
SRF Holiday Home	40	40	40	40	40	40
SRF Altech	-	-	-	50	50	4,250
Others	0	0	0	1	1	1
<b>Loans Given to Subsidiaries</b>						
Non-Current	-	-	3,361	3,953	2,466	-
Current	-	-	2,743	1,704	2,337	3,102

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 11: Subsidiary financials**

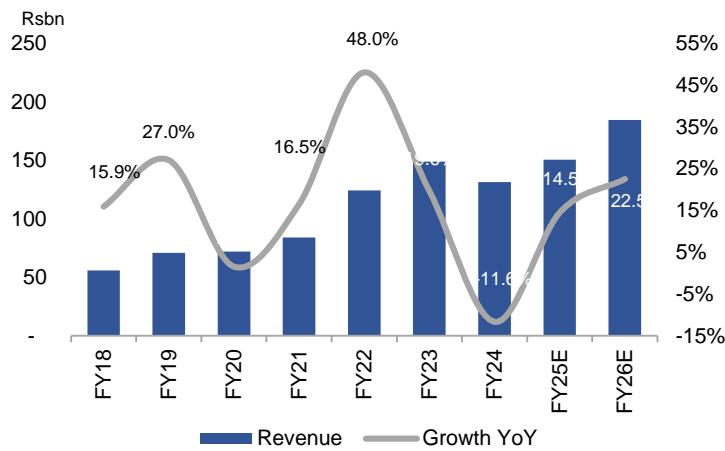
SRF Global BV (subsidiary of SRF Ltd.)						
Particulars (In Mn)	FY19	FY20	FY21	FY22	FY23	FY24
<b>Income Statement</b>						
Revenue from Operations	-	-	-	-	-	-
PBT	-119	-108	-53	-26	-9	1,292
PAT	-119	-108	-53	-26	-9	1,292
<b>Balance Sheet</b>						
Share Capital	1,266	1,384	1,340	1,387	1,153	1,162
Reserves and Surplus	-1,503	-1,751	-1,749	-1,837	-1,733	-291
Total Assets	4,659	6,499	6,441	6,065	5,551	5,478
Total Liabilities	4,896	6,867	6,850	6,515	6,132	4,607
SRF Flexipack (South Africa- Subsidiary of SRF Global BV)						
Particulars (In Mn)	FY19	FY20	FY21	FY22	FY23	FY24
<b>Income Statement</b>						
Revenue from Operations	3,940	3,943	5,266	6,359	6,113	5,045
PBT	-72	237	1,475	1,645	1,284	864
PAT	-53	170	1,061	1,196	938	631
<b>Balance Sheet</b>						
Share Capital	-	-	-	-	-	-
Reserves and Surplus	312	449	1,585	2,867	3,475	2,388
Total Assets	3,610	3,434	4,204	4,856	4,750	4,263
Total Liabilities	3,298	2,986	2,620	1,988	1,274	1,875
SRF Industries (Thailand- Subsidiary of SRF Global BV)						
Particulars (In Mn)	FY19	FY20	FY21	FY22	FY23	FY24
<b>Income Statement</b>						
Revenue from Operations	8,464	5,941	7,523	13,711	17,950	13,620
PBT	1,023	-209	2,075	2,311	1,264	2
PAT	1,016	-6	2,078	2,262	1,245	62
<b>Balance Sheet</b>						
Share Capital	218	230	234	456	480	458
Reserves and Surplus	2,641	2,818	4,970	7,069	8,699	8,362
Total Assets	7,612	9,942	15,209	18,352	19,458	17,668
Total Liabilities	4,753	6,894	10,005	10,826	10,279	8,848
SRF Industex Belting ( Subsidiary of SRF Global BV)						
Particulars (In Mn)	FY19	FY20	FY21	FY22	FY23	FY24
<b>Income Statement</b>						
Revenue from Operations	22	34	32	116	1,375	1,169
PBT	17	-79	49	15	-56	-14
PAT	17	-79	49	15	27	-12
<b>Balance Sheet</b>						
Share Capital	63	57	66	70	62	58
Reserves and Surplus	-195	-253	-246	-244	-189	-189
Total Assets	6	63	61	557	672	606
Total Liabilities	138	260	241	731	799	737
SRF Europe Kft ( Subsidiary of SRF Global BV)						
Particulars (In Mn)	FY19	FY20	FY21	FY22	FY23	FY24
<b>Income Statement</b>						
Revenue from Operations	-	-	1,916	6,092	5,802	4,612
PBT	-13	-43	-85	426	-735	-609
PAT	-13	-43	-86	420	-737	-609
<b>Balance Sheet</b>						
Share Capital	78	83	87	85	90	91
Reserves and Surplus	-13	-57	-12	408	10	-14
Total Assets	972	6,930	8,575	9,866	9,047	9,030
Total Liabilities	907	6,904	8,500	9,373	8,947	8,953

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 12: Other expenses break-down**

Particulars (Rsmn)	FY19	FY20	FY21	FY22	FY23	FY24
Stores and spares consumed	589	665	665	818	850	942
Power and fuel	5,851	6,726	7,173	11,356	14,723	13,448
Labour production	391	449	524	706	718	831
Freight charges	2,099	2,233	3,021	5,478	6,102	4,338
Effluent disposal expenses	494	775	771	1,220	1,818	1,589
Others	4,323	4,408	3,990	4,531	7,126	7,958
<b>Total</b>	<b>13,747</b>	<b>15,256</b>	<b>16,145</b>	<b>24,108</b>	<b>31,337</b>	<b>29,106</b>
<hr/>						
As % of Revenue	FY19	FY20	FY21	FY22	FY23	FY24
Stores and spares consumed	1%	1%	1%	1%	1%	1%
Power and fuel	8%	9%	9%	9%	10%	10%
Labour production	1%	1%	1%	1%	0%	1%
Freight charges	3%	3%	4%	4%	4%	3%
Effluent disposal expenses	1%	1%	1%	1%	1%	1%
Others	6%	6%	5%	4%	5%	6%

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 13: Revenue growth - we are building in ~18% CAGR over FY24-FY26E**


Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 14: Earnings growth - we are building in ~42% CAGR over FY24-FY26E**


Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 15: Change in earnings estimates**

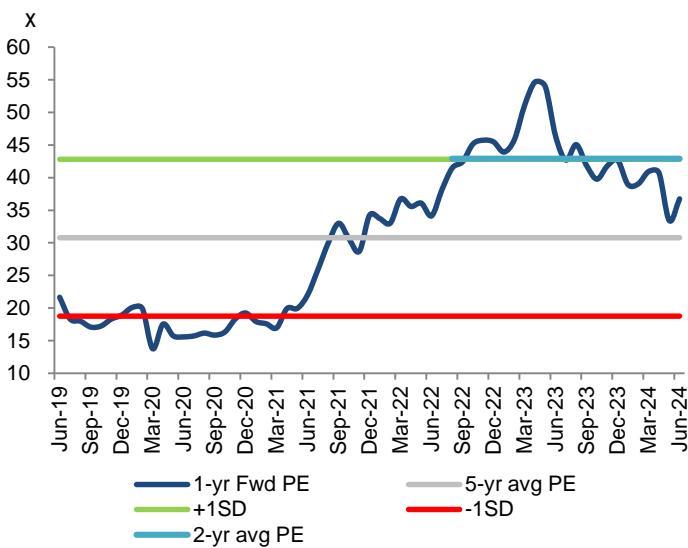
Consolidated (Rsmn)	Old Estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	149,809	177,352	150,441	184,301	0.4%	3.9%
EBITDA	34,782	44,550	34,738	46,774	-0.1%	5.0%
EBITDA Margin%	23.2%	25.1%	23.1%	25.4%	-13bps	26bps
APAT	18,685	25,314	18,664	26,822	-0.1%	6.0%

Source: Nirmal Bang Institutional Equities Research

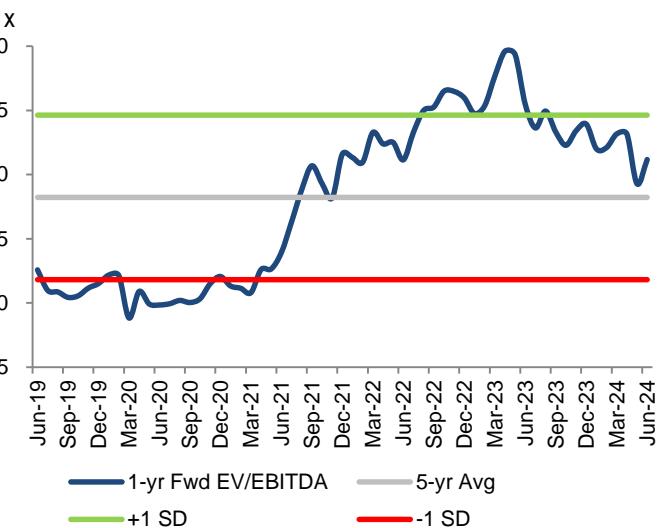
**Exhibit 16: SOTP valuation**

Particulars	FY26E EBITDA	EV/EBITDA multiple	EV
Technical Textiles business	4,721	5	23,605
Fluorospecialty chemicals	24,158	23	565,626
Chemicals (ex- fluorospecialty)	6,579	14	92,100
Packaging Film business	8,504	6	51,025
Others	2,813	5	14,063
<b>Total</b>			<b>746,419</b>
Less: Net debt			45,779
Equity value			700,639
Total number of shares			296
<b>Target price per share</b>			<b>2,400</b>
CMP			2,459
<b>Upside</b>			<b>-2%</b>

Source: Nirmal Bang Institutional Equities Research

**Exhibit 17: 1-yr Forward PE**


Source: Bloomberg, Nirmal Bang Institutional Equities Research

**Exhibit 18: 1-yr Forward EV/EBITDA**


Source: Bloomberg, Nirmal Bang Institutional Equities Research

## Financials

### Exhibit 19: Income statement

Y/E March (Rsmn)	FY22	FY23	FY24	FY25E	FY26E
<b>Net Sales</b>	<b>124,337</b>	<b>148,703</b>	<b>131,385</b>	<b>150,441</b>	<b>184,301</b>
Growth YoY%	48.0	19.6	-11.6	14.5	22.5
COGS	60,669	73,935	67,088	75,324	91,489
<b>Gross margin %</b>	<b>51.2</b>	<b>50.3</b>	<b>48.9</b>	<b>49.9</b>	<b>50.4</b>
Staff costs	7,800	8,138	9,350	10,749	12,713
Other expenses	24,108	31,337	29,106	29,630	33,326
<b>EBITDA</b>	<b>31,759</b>	<b>35,292</b>	<b>25,841</b>	<b>34,738</b>	<b>46,774</b>
Growth YoY%	48.0	11.1	-26.8	34.4	34.6
<b>EBITDA margin %</b>	<b>25.5</b>	<b>23.7</b>	<b>19.7</b>	<b>23.1</b>	<b>25.4</b>
Depreciation	5,172	5,753	6,726	7,424	9,201
<b>EBIT</b>	<b>26,587</b>	<b>29,539</b>	<b>19,115</b>	<b>27,315</b>	<b>37,573</b>
Interest	1,159	2,048	3,023	3,443	3,632
Other income	428	749	830	376	939
PBT (bei)	25,856	28,240	16,922	24,247	34,880
PBT	25,856	28,240	16,922	24,247	34,880
ETR	26.9	23.4	21.1	23.0	23.1
PAT	18,889	21,623	13,357	18,664	26,822
<b>Adj PAT</b>	<b>18,889</b>	<b>21,623</b>	<b>13,357</b>	<b>18,664</b>	<b>26,822</b>
Growth YoY%	57.6	14.5	-38.2	39.7	43.7

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 20: Cash flow

Y/E March (Rsmn)	FY22	FY23	FY24	FY25E	FY26E
<b>PBT</b>	<b>25,856</b>	<b>28,240</b>	<b>16,922</b>	<b>24,247</b>	<b>34,880</b>
Depreciation	5,172	5,753	6,726	7,424	9,201
Interest	1,159	2,048	3,023	3,443	3,632
Other adjustments	-469	-1,343	-762	-376	-939
Change in Working capital	-6,645	-604	-1,145	-29	-4,831
Tax paid	-4,016	-5,077	-3,826	-5,583	-8,058
<b>Operating cash flow</b>	<b>21,057</b>	<b>29,017</b>	<b>20,939</b>	<b>29,126</b>	<b>33,885</b>
Capex	-18,321	-28,382	-22,169	-20,000	-30,000
<b>Free cash flow</b>	<b>2,737</b>	<b>635</b>	<b>-1,231</b>	<b>9,126</b>	<b>3,885</b>
Other investing activities	2,443	-1,232	-104	2,445	939
<b>Investing cash flow</b>	<b>-15,877</b>	<b>-29,614</b>	<b>-22,273</b>	<b>-17,555</b>	<b>-29,061</b>
Issuance of share capital	2	-	-	-	-
Movement of Debt	1,472	6,599	5,404	4,004	4,604
Dividend paid (incl DDT)	-2,117	-2,133	-2,137	-4,675	-6,532
Other financing activities	-1,430	-2,270	-3,984	-3,825	-4,002
<b>Financing cash flow</b>	<b>-2,073</b>	<b>2,196</b>	<b>-717</b>	<b>-4,496</b>	<b>-5,930</b>
<b>Net change in cash flow</b>	<b>3,107</b>	<b>1,599</b>	<b>-2,052</b>	<b>7,075</b>	<b>-1,106</b>
Opening C&CE	1,383	4,505	6,080	3,993	11,068
Closing C&CE	4,505	6,080	3,993	11,068	9,962

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 21: Balance sheet

Y/E March (Rsmn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	2,974	2,974	2,974	2,974	2,974
Reserves	82,679	100,296	111,816	125,805	146,094
<b>Net worth</b>	<b>85,654</b>	<b>103,271</b>	<b>114,790</b>	<b>128,779</b>	<b>149,069</b>
Long term debt	17,533	23,115	22,511	22,511	22,511
Short term debt	17,861	20,425	26,691	30,695	35,299
<b>Total debt</b>	<b>35,394</b>	<b>43,541</b>	<b>49,202</b>	<b>53,206</b>	<b>57,810</b>
Other non-current liabilities	10,176	11,994	12,710	12,329	11,959
<b>Total Equity &amp; Liabilities</b>	<b>131,224</b>	<b>158,805</b>	<b>176,703</b>	<b>194,314</b>	<b>218,838</b>
Gross block	104,017	125,108	163,810	183,810	213,810
Accumulated depreciation	23,512	28,630	35,356	42,779	51,980
<b>Net Block</b>	<b>80,505</b>	<b>96,479</b>	<b>128,455</b>	<b>141,031</b>	<b>161,830</b>
CWIP	16,716	24,055	8,053	8,053	8,053
Intangible and others	1,194	1,147	1,195	1,195	1,195
Other non-current assets	6,766	8,073	9,412	9,412	9,412
Investments	42	42	1,211	1,211	1,211
Trade receivables	17,925	17,856	19,428	22,246	27,253
Inventories	21,385	22,743	23,265	26,639	32,635
C&CE and other current inv	7,761	11,065	8,131	13,137	12,031
Other current assets	5,473	6,085	5,669	4,535	3,628
<b>Total current assets</b>	<b>52,543</b>	<b>57,750</b>	<b>56,493</b>	<b>66,557</b>	<b>75,547</b>
Trade payables	20,964	22,313	21,978	25,165	30,829
Other current liabilities	5,579	6,428	6,139	7,981	7,582
<b>Total current liabilities</b>	<b>26,543</b>	<b>28,741</b>	<b>28,117</b>	<b>33,146</b>	<b>38,411</b>
<b>Total Assets</b>	<b>131,224</b>	<b>158,805</b>	<b>176,703</b>	<b>194,314</b>	<b>218,838</b>

Source: Company, Nirmal Bang Institutional Equities Research

### Exhibit 22: Key ratios

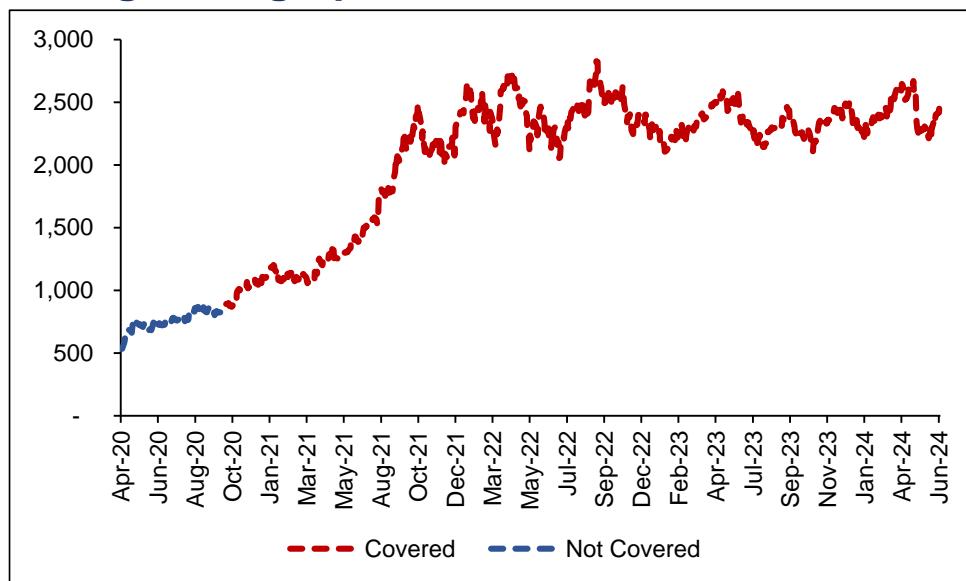
Y/E March	FY22	FY23	FY24	FY25E	FY26E
<b>Per share (Rs)</b>					
Adj EPS	63.8	72.9	45.0	62.9	90.4
Book value	289.1	348.4	387.0	434.2	502.6
<b>Valuation (x)</b>					
EV/EBITDA	23.8	21.6	29.8	22.1	16.6
P/E	38.6	33.7	54.6	39.1	27.2
P/BV	8.5	7.1	6.4	5.7	4.9
<b>Return ratios (%)</b>					
RoCE	17.7	16.9	9.7	12.2	14.9
RoCE (pre-tax)	24.3	22.1	12.3	15.8	19.3
RoE	24.5	22.9	12.3	15.3	19.3
<b>Profitability ratios (%)</b>					
Gross margin	51.2	50.3	48.9	49.9	50.4
EBITDA margin	25.5	23.7	19.7	23.1	25.4
PAT margin	15.1	14.5	10.1	12.4	14.5
<b>Liquidity ratios (%)</b>					
Current ratio	1.2	1.2	1.0	1.0	1.0
Quick ratio	0.7	0.7	0.6	0.6	0.6
<b>Solvency ratio (%)</b>					
Debt to Equity ratio	0.4	0.4	0.4	0.4	0.4
Net Debt to Equity ratio	0.3	0.3	0.4	0.3	0.3
<b>Turnover ratios</b>					
Fixed asset turnover ratio (x)	1.2	1.2	0.8	0.8	0.9
Debtor days	53	44	54	54	54
Inventory days	63	56	65	65	65
Creditor days	62	55	61	61	61
Net Working capital days	54	45	58	58	58

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
16 October 2020	BUY	867	1,080
5 November 2020	BUY	974	1,120
7 January 2021	BUY	1,142	1,320
22 January 2021	BUY	1,083	1,320
7 May 2021	ACCUMULATE	1,352	1,320
29 July 2021	ACCUMULATE	1,587	1,520
23 September 2021	ACCUMULATE	2,199	2,160
26 October 2021	ACCUMULATE	2,110	2,200
27 January 2022	ACCUMULATE	2,349	2,500
10 May 2022	BUY	2,113	2,700
22 July 2022	BUY	2,292	2,700
19 September 2022	BUY	2,700	3,100
5 November 2022	BUY	2,485	3,100
14 December 2022	BUY	2,365	3,100
31 January 2023	BUY	2,182	3,000
22 March 2023	BUY	2,303	3,000
10 May 2023	BUY	2,570	3,000
07 June 2023	BUY	2,567	3,000
20 June 2023	BUY	2,407	3,000
25 July 2023	BUY	2,164	2,800
30 October 2023	ACCUMULATE	2,186	2,400
31 January 2024	ACCUMULATE	2,319	2,400
09 May 2024	ACCUMULATE	2,287	2,200
23 June 2024	ACCUMULATE	2,459	2,400

## Rating track graph



## DISCLOSURES

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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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