

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	3,150
12 month price target (INR)	3,622
52 Week High/Low	3,325/2,127
Market cap (INR bn/USD bn)	934/10.8
Free float (%)	4.7
Avg. daily value traded (INR mn)	2,002.2

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	50.26%	50.26%	50.26%
FII	18.24%	18.28%	18.37%
DII	18.85%	18.42%	17.78%
Pledge	0%	0%	0%

FINANCIALS

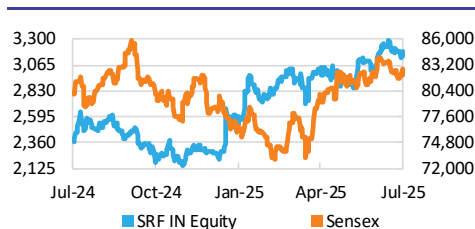
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	1,46,931	1,64,901	1,93,786	2,27,438
EBITDA	27,184	37,556	49,220	59,646
Adjusted profit	12,508	20,192	28,402	35,556
Diluted EPS (INR)	42.2	68.1	95.8	120.0
EPS growth (%)	(6.4)	61.4	40.7	25.2
RoAE (%)	10.4	14.9	18.1	19.1
P/E (x)	69.4	43.0	30.6	24.4
EV/EBITDA (x)	33.5	24.3	18.5	15.1
Dividend yield (%)	0.2	0.3	0.3	0.3

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	1,64,901	1,93,786	0.0%	0.0%
EBITDA	37,556	49,220	-1.3%	0.0%
Adjusted profit	20,192	28,402	1.0%	4.0%
Diluted EPS (INR)	68.1	95.8	1.0%	4.0%

PRICE PERFORMANCE



Capex returns; chemicals shine

SRF Limited reported a miss on our estimates in Q1FY26 led by weaker-than-expected profitability in the chemicals business. Our expectation of growth in the specialty chemicals business was a tad higher, which led to the letdown. Management maintained their 20% growth guidance for the chemicals business.

Sales expanded 9.9% YoY to INR37.3bn while EBITDA surged 37.5% YoY to INR8.29bn albeit on a weak base. PAT was largely in line with estimates due to lower-than-expected depreciation and interest cost, which soared 71.4% YoY. We roll-forward to FY28 estimates; maintain 'BUY' with a revised target price of INR3,622 (earlier INR3,393) valuing on SotP-based EV/EBITDA.

Specialty chemicals outlook gradually improving

The chemicals business posted 24.1% YoY growth to INR18.3bn on an all-round performance from specialty chemicals and refrigerant gases. EBIT surged 64.1% YoY to INR5.02bn, with a strong margin improvement of 670bp YoY to 27.3%. Specialty chemicals performed well with exports now 60% (40% domestic) of total specialty chemicals sales implying a significant ramp-up in domestic sales. SRF has received registration of one (out of six–seven) active ingredients. Refrigerant gases continued to outperform boosting margins. R-32 utilisation has been optimal despite muted demand in the domestic RAC market implying a solid catch-up in exports of R-32.

BOPP cycle in limelight

Following the fire incident in its competitor's plant in Nashik, which represented ~26% of Indian capacity of BOPP, BOPP realisations and subsequently margins have started improving. Observing these trends, SRF has also announced a INR4.9bn capex to set up a BOPP line in Indore. The aluminium foil business performed well on the back of anti-dumping duty imposed by the government on imports, which also led to highest-ever quarterly volumes. BOPET plant in Hungary benefited from lower energy costs. Thus, SRF reported a 61.6% YoY improvement in EBIT to INR1.4bn with a 340bp improvement in margins.

Capex intensity back to pre-covid levels

SRF had moderated its capex spends in FY25 amid a challenging demand environment, having incurred only INR10.9bn capex last year. The company is now planning a capex of INR24–25bn in FY26E seeing a gradual improvement in demand sentiments. SRF also maintained growth guidance of 20% in the chemicals business.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	38,186	34,641	10.2	43,133	(11.5)
EBITDA	8,298	6,034	37.5	9,574	(13.3)
Adjusted Profit	4,323	2,522	71.4	5,242	(17.5)
Diluted EPS (INR)	14.6	8.5	71.4	17.7	(17.5)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	1,46,931	1,64,901	1,93,786	2,27,438
Gross profit	69,939	82,451	96,893	1,15,993
Employee costs	10,425	11,467	12,614	13,875
Other expenses	32,330	33,427	35,059	42,472
EBITDA	27,184	37,556	49,220	59,646
Depreciation	7,715	8,141	9,278	10,416
Less: Interest expense	3,760	3,932	3,592	3,422
Add: Other income	1,327	1,440	1,520	1,600
Profit before tax	17,037	26,923	37,869	47,408
Prov for tax	4,529	6,731	9,467	11,852
Less: Other adj	0	0	0	0
Reported profit	12,508	20,192	28,402	35,556
Less: Excp.item (net)	0	0	0	0
Adjusted profit	12,508	20,192	28,402	35,556
Diluted shares o/s	296	296	296	296
Adjusted diluted EPS	42.2	68.1	95.8	120.0
DPS (INR)	7.2	8.0	9.0	10.0
Tax rate (%)	26.6	25.0	25.0	25.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Tech. Textile grow (%)	6.9	3.0	3.0	3.0
Chemicals growth (%)	6.3	24.7	21.7	28.7
Pack. film growth (%)	23.7	9.1	16.7	5.4
EBITDA margin (%)	18.5	22.8	25.4	26.2
Net profit margin (%)	8.5	12.2	14.7	15.6
Revenue growth (% YoY)	11.8	12.2	17.5	17.4
EBITDA growth (% YoY)	5.2	38.2	31.1	21.2
Adj. profit growth (%)	(6.4)	61.4	40.7	25.2

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	86.0	87.0	88.0	88.0
Textile margins (%)	11.7	10.0	11.0	11.0
Chemicals margins (%)	24.9	25.6	28.3	28.6
Pack. film margins (%)	6.6	10.2	12.7	12.8
Capex (INR mn)	12,830.2	24,950.5	25,023.3	25,023.3

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	69.4	43.0	30.6	24.4
Price/BV (x)	6.9	6.0	5.1	4.3
EV/EBITDA (x)	33.5	24.3	18.5	15.1
Dividend yield (%)	0.2	0.3	0.3	0.3

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	2,974	2,974	2,974	2,974
Reserves	1,23,288	1,41,128	1,66,862	1,99,454
Shareholders funds	1,26,262	1,44,102	1,69,837	2,02,428
Minority interest	0	0	0	0
Borrowings	47,260	46,260	42,260	40,260
Trade payables	23,316	25,978	30,528	35,113
Other liabs & prov	15,476	15,595	15,725	15,869
Total liabilities	2,15,571	2,35,192	2,61,607	2,96,927
Net block	1,34,708	1,51,518	1,67,263	1,81,870
Intangible assets	0	0	0	0
Capital WIP	8,110	8,110	8,110	8,110
Total fixed assets	1,42,818	1,59,628	1,75,373	1,89,980
Non current inv	1,228	1,228	1,228	1,228
Cash/cash equivalent	3,538	30	1,147	8,011
Sundry debtors	21,695	24,396	29,201	34,271
Loans & advances	171	171	171	171
Other assets	36,249	39,867	44,615	53,393
Total assets	2,15,571	2,35,192	2,61,607	2,96,927

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	12,508	20,192	28,402	35,556
Add: Depreciation	7,715	8,141	9,278	10,416
Interest (net of tax)	3,760	3,932	3,592	3,422
Others	1,108	0	0	0
Less: Changes in WC	(2,780)	(3,539)	(4,872)	(9,120)
Operating cash flow	22,311	28,727	36,401	40,274
Less: Capex	(12,830)	(24,951)	(25,023)	(25,023)
Free cash flow	9,481	3,776	11,378	15,250

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	10.4	14.9	18.1	19.1
RoCE (%)	12.3	17.0	20.6	22.4
Inventory days	111	112	111	115
Receivable days	51	51	50	51
Payable days	107	109	106	107
Working cap (% sales)	20.1	20.0	19.6	20.7
Gross debt/equity (x)	0.4	0.3	0.2	0.2
Net debt/equity (x)	0.3	0.3	0.2	0.2
Interest coverage (x)	5.2	7.5	11.1	14.4

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(6.4)	61.4	40.7	25.2
RoE (%)	10.4	14.9	18.1	19.1
EBITDA growth (%)	5.2	38.2	31.1	21.2
Payout ratio (%)	17.1	11.7	9.4	8.3

Exhibit 1: Quarterly financial snapshot (INR mn)

Financial snapshot (Consolidated)								(INR mn)
Year to March (INR mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY26E	FY27E	FY28E
Net revenues	38,186	34,641	10.2	43,133	(11)	1,64,901	1,93,786	2,27,438
Direct costs	19,107	18,271	4.6	22,324	(14)	82,451	96,893	1,11,444
Employee expenses	2,773	2,522	9.9	2,762	0	11,467	12,614	13,875
Other expenses	8,008	7,815	2.5	8,473	(5)	33,427	35,059	42,472
EBIDTA	8,298	6,034	37.5	9,574	(13.3)	37,556	49,220	59,646
Depreciation & Amortisation	2,032	1,882	8.0	1,952	4	8,141	9,278	10,416
EBIT	6,266	4,153	50.9	7,623	(18)	29,415	39,942	49,230
Less: Interest Expense	799	965	(17.2)	894	(11)	3,932	3,592	3,422
Add: Other income	291	253	15.3	345	(15.6)	1,440	1,520	1,600
Add: Exceptional items								
Profit before Tax	5,758	3,440	67.4	7,074	(19)	26,923	37,869	47,408
Less: Provision for Tax	1,435	918	56.4	1,813	(21)	6,731	9,467	11,852
Reported Profit	4,323	2,522	71.4	5,261	(18)	20,192	28,402	35,556
Adjusted Profit	4,323	2,522	71.4	5,261	(18)	20,192	28,402	35,556
No. of Diluted shares outstanding (mn)	296	296		296		296	296	296
Adjusted Diluted EPS	14.6	8.5	71.4	17.7	(18)	68.1	95.8	120.0
As % of net revenue			BPS		BPS			
Direct costs	50.0	52.7	(270.6)	51.8	(172.0)	50.0	50.0	49.0
Employee expenses	7.3	7.3	(1.9)	6.4	85.9	7.0	6.5	6.1
Other expenses	21.0	22.6	(158.7)	19.6	132.7	20.3	18.1	18.7
EBIDTA	21.7	17.4	431.2	22.2	(46.5)	22.8	25.4	26.2
Adj. profit	11.3	7.3	404.0	12.2	(87.5)	12.2	14.7	15.6
Tax rate	24.9	26.7	(175.5)	25.6	(71.0)	25.0	25.0	25.0

Source: Company, Nuvama Research

Q1FY26 conference call: Key takeaways

Chemicals business

A. Specialty chemicals

- **Strong revenue and margin performance:** Growth led by healthy demand for newly launched products.
- **New product launches:** New pharma intermediate launched; new agrochemical intermediates and AIs under development.
- **Agrochemical demand:** Volume recovery visible post FY25 inventory rationalisation. Some pricing pressure persists, but demand remains favourable.
- **DFPA - Strategic Pricing Decisions** in some segments, SRF is prioritizing market share retention even at the cost of margins.
- **Export mix:** 60% export, 40% domestic for specialty chemicals, which has changed significantly over last 4-5 years.
- **FY26 outlook:** Continued momentum with one AI registration expected; 4–5 in pipeline. FY26 expected to be better than FY25.

B. Refrigerants (HFCs)

- **HFC-32:** Operating at full capacity; exports performed better due to weak RAC production in India.
- **Export share:** 60% domestic, 40% export for HFC-32.
- **R-467A:** Commercial sales initiated. It is a low GWP, non-toxic retrofit for R-22. Long-term potential over 5–10 years.
- **R-134A:** SRF is the sole domestic producer, expected to see demand from FY26. SRF holds 60-70% market share with balance being met by imports. HFC-134A benefit from MHCV norms can kick in CY26.
- **Pricing trend:** R-32 pricing remains strong due to global demand, expected to stay firm.

C. Chloromethanes

- **Muted trend:** Prices remained range-bound.
- **MDC:** No major change in price dynamics.

D. Aluminium foil & PTFE

- **Best ever quarter for AF:** Benefited from anti-dumping duty; capacity utilization at 50–60%.
- **PTFE outlook:** FY26 expected to be better than FY25.

Packaging films business

BOPP segment

- Higher volumes and better realisation.
- Favourable supply situation due to Jindal Polyfilm Nashik plant closure.

- Supply demand situation has completely turned around post fire incident, now more favourable towards demand.

BOPET

- Overcapacity remains, but no new additions expected – improving balance in future.
1. **Hungary:** Benefitted from lower energy costs.
 2. **Thailand:** Pressured by high input costs and Chinese competition.
 3. **Capex of INR4.9bn for BOPP:** Indore facility under development with 24-month timeline.

Technical textile

Nylon tyre cord fabric (NTCF): Weak demand; utilisation lower YoY.

Belting fabric

- New line commissioned.
- Still facing aggressive price competition from Chinese imports.
- **Polyester fabric:** Better pricing helped offset challenges.
- **Overall commentary:** Weak demand trend continued; pricing pressure evident.

Coated and laminated fabrics (Miscellaneous)

- **Laminated fabrics:** Margins under pressure due to overcapacity.
- **Coated fabrics:** Subdued performance; industry facing slack demand.
- **Maintained operations:** Despite weak demand, kept operations stable.

Guidance, capex and financial commentary

- **FY26 capex:** INR24-25bn.
- **Capex philosophy:** Shifted from cautious to expansionary due to improving visibility in core markets.
- **Utilisation targets**
 1. HFC-32 at full capacity now and expected through FY26.
 2. Exit FY26 PTFE utilization: 75–80%.
- **Interest costs:** Witnessed softening due to macro easing in domestic and global interest rates.

Company Description

SRF is a multi-business entity manufacturing chemical-based industrial intermediates. It commenced operations as Shri Ram Fibres in 1970 when its parent company DCM decided to set up a separate entity to manufacture nylon tyre cord fibres. Its business portfolio covers technical textiles, fluorochemicals, chloromethanes, specialty chemicals, engineering plastics and packaging films. SRF does business with 75 countries and has 9 facilities in India and 2 each in Thailand and South Africa. The company's business is divided into 3 divisions: (1) technical textiles, (2) chemical & polymers; and (3) packaging films.

Investment Theme

Car/refrigerator sales to spur fluorochemicals; R&D to drive specialty: Capacity utilisation in SRF's fluorochemicals business is anticipated to surge, riding spurt in sales of refrigerators & cars and import substitution. Moreover, R&D investments, cornerstone of SRF's commendable success in high entry barrier specialty chemicals, have yielded handsome dividends—filed 309 patents so far for R&D and technology, of which 93 have been granted. With a strong products pipeline and focused capex (INR30bn to be incurred over next three years), we expect the division to post strong revenue CAGR of 25% over FY21-23E, and catapult its revenue/EBITDA share going forward. Technical textiles: Cash cow; Packaging: Consumption growth play - SRF has been channelising technical textiles' ~INR2bn/year FCF to finance incremental capex in other divisions. Its profitability in packaging film business has seen significant ramp up with EBIT margins of 27% in FY21 driven by higher realisation and value addition.

Key Risks

Limited product life cycle: There is a risk of early phase out of the molecule due to availability of a substitute or development of some other molecule in the other market.

Pace of launch of new molecules: SRF faces inventory risk as the timing of launch of a molecule is determined by client campaign. Also, this leads to volatility risk on quarterly basis as when a molecule is launched profitability shoots up significantly. Valuations at current level has gone up significantly factoring higher earnings growth for the company. However, any delay in capex commissioning, slower revenue growth and plant related risk are key concern at higher valuations.

Additional Data

Management

Chairman	Arun Bharat Ram
MD	Ashish Bharat Ram
Deputy MD.	Kartik Bharat Ram
CFO	Rahul Jain
Auditor	M/s B S R & Co. LLP

Holdings – Top 10*

	% Holding		% Holding
Kotak mahindra	4.71	HDFC AMC	0.77
Vanguard Group	2.06	HDFC Life Insu	0.69
Norges Ban k	2.04	Aditya Birla Su	0.64
Black rock	1.59	Mirae Asset Fin	0.62
FundRock Manage	1.33	ICICI Prudentia	0.60

*Latest public data

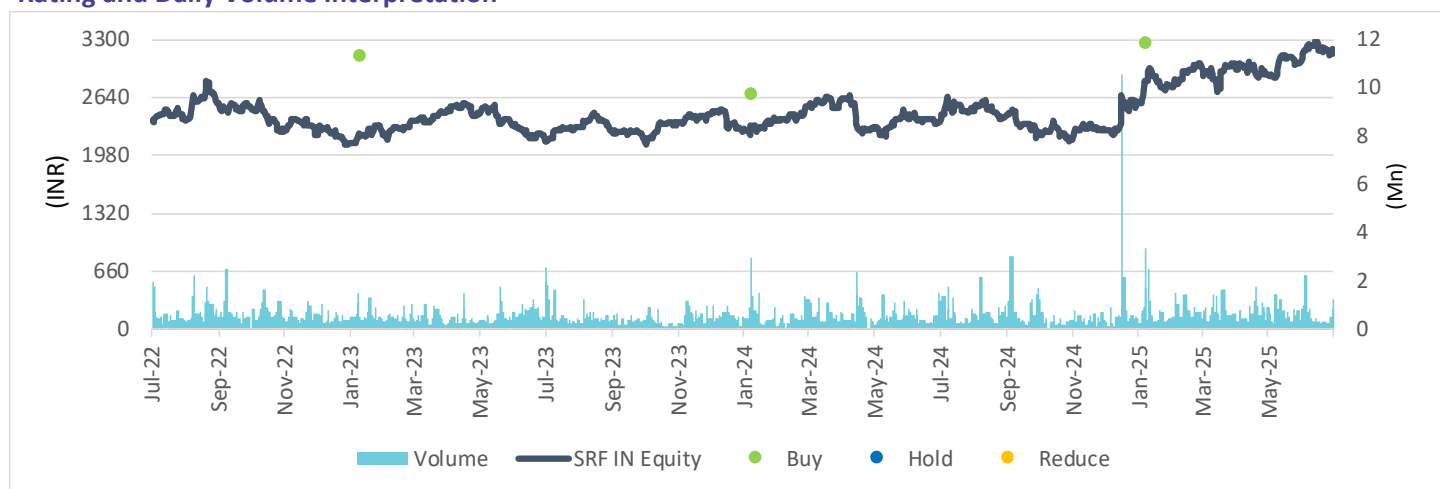
Recent Company Research

Date	Title	Price	Reco
13-May-25	Recovery real; challenges closer; <i>Result Update</i>	2,928	Buy
30-Jan-25	Momentum in chemicals business to contin; <i>Result Update</i>	2,492	Buy
19-Dec-24	Growth sabbatical nearing its end; <i>Visit Note</i>	2,281	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
04-Jul-25	Specialty Chemicals	Some sprint, others stumble; <i>Sector Update</i>
30-Jun-25	Specialty Chemicals	Agri-inputs in focus; <i>Sector Update</i>
26-Jun-25	Specialty Chemicals	Early green shoots of recovery; <i>Sector Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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