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Performance continues to hinge on Chemicals...

About the stock: Incorporated in 1970, SRF started with Nylon Tyre Cord and thereafter diversified into refrigerant gas, speciality chemicals and packaging films.

- Chemical division accounts for 49% of the overall revenues followed by packaging film (36%), technical textile (12%) and others (3%).
- SRF will be incurring a capex of ~₹5,000 crore over the next 2-3 years to strengthen its fluorochemicals portfolio.

Investment Rationale

- Q3FY26- Chemicals Business drives growth-** Revenues grew 6% YoY to ₹3,611.5 crore driven by the Chemicals business (49% of the revenues) which reported a growth of 22% YoY to ₹1,825 crore. Meanwhile performance films (36% of revenues) declined by 3% YoY to ₹1,342 crore and Technical Textiles (12% of revenues) reported a decline of 11% YoY for the third consecutive quarter to ₹453 crore. Consolidated EBITDA stood at ₹780 crore, up 26% YoY, translating to margins of 21%, up ~330 bps YoY driven by the chemical business EBIT which stood at 27%, up ~300 bps YoY. PAT for the quarter stood at ₹432 crore, up 60% YoY.
- Robust Outlook for the fluorochemicals business** SRF's fluorochemicals business maintains a robust outlook, delivering decent volumes and healthy realizations even in a seasonally weak quarter, with its HFC plant operating at optimal utilization levels. Prices of R32 continued to hold firm with the quota driven economics (decreasing Chinese contribution) continued to favour prices. Looking ahead, the company is aggressively investing in the next-generation refrigerants, allocating ₹1,100 crore to add 10000 TPA of HFO (4th Gen refrigerant gas) capacity, with commercial revenue inflows expected to commence from FY28. Additionally, it plans an initial capex of ₹1,500-2,000 crore primarily targeted at further expanding HFO production capabilities in Odisha.
- Diversifying portfolio with Pharma and Advanced Fluoropolymers:** SRF is strategically diversifying its portfolio with a ₹180 crore capex to expand its pharma intermediates business, backed by a strong pipeline buildup, as the company targets doubling this segment's contribution from the current 10% to 20% of overall revenues over the next few years. Production under the Chemours partnership to supply value-added new fluoropolymers is likely to commence in CY26. These initiatives in pharma intermediates and advanced fluoropolymers are aimed at meaningfully reducing the company's dependency on the volatile agrochemicals business besides managing the weaknesses in Performance Films and Technical Textiles.

Rating and Target Price

- Our SoTP value is ₹3,315 based on 26x (Chemicals Business), 10x Performance films business and 5x Technical Textiles Business EBITDA.

Key Financial Summary

(₹ Crore)	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Revenue	13,138.5	12,433.7	11.5	15,783.1	17,516.6	20,234.0	17.6
EBITDA	2,584.1	2,718.4	13.3	3,509.7	4,016.4	4,823.1	21.1
EBITDA Margins (%)	19.7%	21.9%		22.2%	22.9%	23.8%	
Adj. PAT	1,335.7	1,250.8	4.2	1,767.5	2,068.8	2,592.2	27.5
Adj. EPS (₹)	44.9	42.1		59.4	69.6	87.2	
EV/EBITDA	33.3x	31.4x		24.5x	21.6x	18.0x	
P/E	61.2	65.4		14.8	15.0	16.8	
ROE (%)	11.64	9.91		12.72	13.38	14.76	
ROCE (%)	13.30	12.90		15.67	16.15	17.62	

Source: Company, ICICI Direct Research



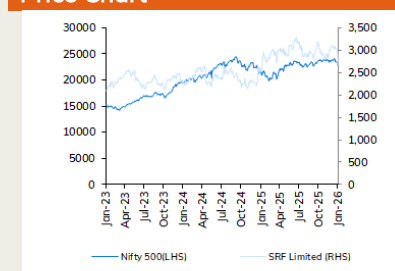
Particulars

Particular	Amount
Market cap (₹ Crore)	87,943
FY25 Total Debt (₹ Crore)	4,726
FY23 Cash & Inv (₹ Crore)	354
EV (₹ Crore)	92,315
52 Week H/L	3325/ 2487
Equity Capital (₹ Crore)	297.4
Face Value (₹)	10

Shareholding pattern

in %	Mar-25	Jun-25	Sept-25	Dec-25
Promoter	50.3	50.3	50.3	50.3
DII	18.4	18.8	19.5	20.2
FII	18.3	18.2	18.0	17.5
Others	13.0	12.7	12.2	12.1

Price Chart



Key risks

- Lower than expected revenue growth in Fluro speciality business
- Continued softness in the speciality chemical business

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Q3FY26 Earnings Release / Conference call highlights

Chemical Business-

- The segment performance improved on a YoY basis driven by higher volumes, despite deferment in demand by the Agro majors and continued pricing pressure from Chinese competitors.
- Fluorochemicals business delivered strong performance on account of higher volumes and realizations of HFCs in domestic and exports markets.
- Global prices for HFC remain firm due to China's quota- led supply restriction. Likewise, R32 export prices in China remain firm at USD 7/kg
- US markets remain cautious due to evolving tariff situation, resulting into lower annual contracts for HFCs.
- The management highlighted that it's unlikely to achieve FY26 revenue guidance of 20% for the speciality chemicals business.

Performance Films and Foils Business

- This segment reported a subdued quarter due to reduced volumes and rangebound pricing for BOPET and BOPP.
- GST 2.0 continued to impact the business as the companies were required to repack and reprint their products.
- The management highlighted that certain Chinese capacities in packaging films have shut which has started pushing up prices. Moreover, the company anticipates that more capacities may shut post Chinese New Year therefore, likely aiding recovery for the margins.
- Projects for capacitor grade film and BOPP lines are progressing as planned wherein the company had planned three projects: capacitor-grade film, PPPE film, and a new polypropylene film, with an aggregate capacity of 100,000-110,000 MT. The PP film for the capacitor grade under PLI scheme is the same as the previously announced capacitor-grade BOPP.

Technical Textiles

- This segment reported a weak performance due to Margin pressure in Belting Fabric (BF) due to Chinese imports
- Demand for Polyester Industrial Yarn (PIY) was soft due to prolonged monsoon.
- US import tariffs negatively impacted Belting Fabric, leading to increased imports from China at significantly lower prices.

Guidance:

- FY26 capital expenditure is expected to be ₹2,200-2,300 crore, including the Odisha land acquisition of ₹282 crore, which will cater to the entire chemicals business.
- SRF is adding 10000 tons capacity of HFO with total capex outlay of ₹1,100 crore; and expects the project to be commissioned in FY27 and revenue inflow from FY28.
- The company is adding a second pharma intermediate plant at an investment of ₹180 crore in Dahej. SRF aims to double contribution from pharma intermediate from 10% to 20% in next few years and eventually reduce its exposure to the agrochem business.
- The first stage of capex for the Odisha site will probably be in the range of ₹1,500- ₹2,000 crore.

Exhibit 1: Valuation Summary

Valuation - SoTP			
Particulars	FY28E EBITDA(₹ crore)	Multiple	EV
Chemical Business	3,571.0	26.0	92,847
Performance film	925.9	10.0	9,259.5
Technical Textiles	283.4	5.0	1,416.8
Net Debt (FY28E)			4,908.4
Implied Market Cap			98,614.5
No of Share (in crore)			29.7
Per share Value			3,315
Upside			21%

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

Year end March	FY25	FY26E	FY27E	FY28E
Total Operating Income	14,693.1	15,783.1	17,516.6	20,234.0
Growth (%)	11.8	7.4	11.0	15.5
Raw Material Expenses	7,699.2	7,575.9	8,320.4	9,510.0
Gross Profit	6,993.9	8,207.2	9,196.2	10,724.0
Employee Cost	1,042.5	1,104.8	1,226.2	1,416.4
Other Operating Expenses	3,233.0	3,592.7	3,953.6	4,484.5
EBITDA	2,718.4	3,509.7	4,016.4	4,823.1
Growth (%)	5.2	29.1	14.4	20.1
Other Income	132.7	50.8	57.1	93.3
EBITDA, including OI	2,851.2	3,560.5	4,073.5	4,916.4
Depreciation	771.5	820.3	928.4	1,038.3
Net Interest Exp.	376.0	383.5	386.8	421.8
Other exceptional items	0.0	0.0	0.0	0.0
PBT	1,703.7	2,356.6	2,758.4	3,456.3
Total Tax	452.9	589.2	689.6	864.1
Tax Rate	26.6%	25.0%	25.0%	25.0%
PAT	1,250.8	1,767.5	2,068.8	2,592.2
Adj. PAT after Minority interest	1,250.8	1,767.5	2,068.8	2,592.2
Adj. EPS (₹)	42.1	59.4	69.6	87.2
Shares Outstanding	29.7	29.7	29.7	29.7

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

Year end March	FY25	FY26E	FY27E	FY28E
PBT & Extraordinary	1,703.7	2,356.6	2,758.4	3,456.3
Depreciation	771.5	820.3	928.4	1,038.3
After other adjustments				
(Inc) / Dec in Working Capital	0.0	-342.4	-567.8	-551.2
Taxes	-333.9	-589.2	-689.6	-864.1
Others	346.2	383.5	386.8	421.8
CF from operating activities	2,487.5	2,628.9	2,816.1	3,501.1
Purchase of Fixed Assets	-1,222.3	-2,300.0	-2,800.0	-2,400.0
Others	-261.7	0.0	0.0	0.0
CF from investing activities	-1,484.0	-2,300.0	-2,800.0	-2,400.0
Proceeds from issue of shares	0.0	0.0	0.0	0.0
Borrowings (Net)	-429.1	500.0	600.0	400.0
Others	-641.4	-881.7	-885.0	-920.0
CF from financing activities	-1,070.5	-381.7	-285.0	-520.0
Net cash flow	-67.0	-52.8	-268.9	581.1
Effects of foreign currency translati	0.0	0.0	0.0	0.0
Opening Cash	407.5	353.8	300.9	32.0
Closing Cash	353.8	300.9	32.0	613.1

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet ₹ crore

Year end March	FY25	FY26E	FY27E	FY28E
Liabilities				
Share Capital	297.4	297.4	297.4	297.4
Reserves	12,328.8	13,598.0	15,168.6	17,262.6
Total Shareholders Funds	12,626.2	13,895.5	15,466.0	17,560.0
Minority Interest	0.0	0.0	0.0	0.0
Long Term Borrowings	2,037.4	2,337.4	2,737.4	3,137.4
Net Deferred Tax liability	1,055.3	1,055.3	1,055.3	1,055.3
Other long term liabilities	325.7	99.6	110.6	127.7
Long term provisions	82.6	98.9	109.8	126.8
Current Liabilities and Provisions				
Short term borrowings	2,688.7	2,888.7	3,088.7	3,088.7
Trade Payables	2,331.6	2,810.7	3,119.4	3,603.3
Other Current Liabilities	399.9	439.6	487.8	563.5
Short Term Provisions	9.8	10.8	12.0	13.8
Total Current Liabilities	5,429.9	6,149.7	6,707.8	7,269.3
Total Liabilities	21,557.1	23,636.4	26,186.9	29,276.5
Assets				
Net Block	13,719.8	15,210.5	17,082.1	18,443.8
Capital Work in Progress	811.0	800.0	800.0	800.0
Intangible assets under devl.	0.0	0.0	0.0	0.0
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Non-current investments	122.8	122.8	122.8	122.8
Deferred tax assets	35.7	35.7	35.7	35.7
Long term loans and advances	336.2	141.0	156.5	180.8
Other Non Current Assets	402.1	526.0	583.7	674.3
Current Assets, Loans & Advances				
Current Investments	704.5	704.5	704.5	704.5
Inventories	2,349.0	2,810.7	3,359.3	3,880.5
Sundry Debtors	2,169.5	2,378.3	2,639.5	3,049.0
Cash and Bank	353.8	300.9	32.0	613.1
Loans and Advances	17.1	17.1	17.1	17.1
Other Current assets	535.7	588.9	653.6	754.9
Current Assets	6,129.6	6,800.4	7,406.1	9,019.1
Total Assets	21,557.1	23,636.4	26,186.9	29,276.5

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

Year end March	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Adj. EPS	42.1	59.4	69.6	87.2
Adj. Cash EPS	68.0	87.0	100.8	122.1
BV	424.5	467.2	520.0	590.4
DPS	16.8	16.8	16.8	16.8
Operating Ratios (%)				
Gross Margin (%)	47.6	52.0	52.5	53.0
EBITDA Margin (%)	18.5	22.2	22.9	23.8
PAT Margin (%)	8.5	11.2	11.8	12.8
Asset Turnover	1.2	1.3	1.3	1.3
Debtor Days	55	55	55	55
Inventory Days	60	65	70	70
Creditor Days	59	65	65	65
Cash Conversion Cycle	56	55	60	60
Return Ratios (%)				
Return on Assets (%)	5.8	7.5	7.9	8.9
RoCE (%)	12.9	15.7	16.1	17.6
Core RoIC (%)	11.9	14.8	15.0	16.8
RoE (%)	9.9	12.7	13.4	14.8
Solvency Ratios				
Total Debt / Equity	0.4	0.4	0.4	0.4
Interest Coverage	5.5	7.1	8.1	9.2
Current Ratio	1.1	1.1	1.1	1.2
Quick Ratio	0.7	0.6	0.6	0.7
Debt/EBITDA	1.7	1.5	1.5	1.3
Valuation Ratios (x)				
EV/EBITDA	31.4	24.5	21.6	18.0
P/E	65.4	46.3	39.5	31.6
P/B	6.5	5.9	5.3	4.7
EV/Sales	5.8	5.4	5.0	4.3

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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