

May 7, 2026

## Continues to invest in value-added products ...

**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 (37%), technical textile (12%) and others (2%).
- SRF has revised its capex for the next-generation refrigerants (HFO) project to ₹2,285 crore (vs ₹1,100 crore earlier). This will take the company's total HFC capacity to 65ktpa from the current 52ktpa.

### Investment Rationale

- Q4FY26- Slowdown in Chemicals impact revenues-** Revenues in Q4FY26 grew 7.5% YoY to ₹4,532 crore. Segment wise, Chemicals business (53% of the revenues) reported a growth of 4% YoY to ₹2,448.3 crore. Performance films (35% of revenues), was up 13% YoY to ₹1,595 crore and Technical Textiles (10% of revenues) reported an uptick of 5.3% to ₹482 crore. GPM, for the quarter stood at 50.5%, up 200 bps YoY. EBITDA stood at ₹1,026 crore, up 7% YoY, translating to margins of 22.2%, flat YoY. PAT for the quarter stood at ₹582 crore, up 11% YoY. For FY26, the revenues stood at ₹15,416 crore, up 7.4% YoY. GPM came at 50.6%, up ~300 bps YoY. EBITDA for the quarter stood at ₹3,410 crore, up 25% YoY, translating to margins of 21.6%, up ~300 bps YoY. PAT came at ₹1,835 crore, up 47% YoY.
- Robust Outlook for the Chemicals business:** Q4 slowdown notwithstanding, For FY26 the Chemicals segment reported strong ~16% growth despite apparent weakness in the Specialty Chemicals. Ref gas continues to exhibit strong momentum, driven by both favourable pricing and volume expansion. The Specialty Chemicals business is expected to recover, underpinned by a healthy and expanding project pipeline. Additionally, the partnership with Chemours is progressing well and is anticipated to contribute meaningfully with superior margins. Overall, management has guided for a healthy revenue growth of 15–20% for the segment.
- Significant capex recalibration towards high margin business:** The company has significantly increased its capex for the HFO project to ₹2,285 crore (from ₹1,100 crore earlier), expanding the planned capacity to 20ktpa (vs 10ktpa previously), alongside the addition of a 30ktpa AHF plant for captive use and further value-added HF derivatives. This project, targeted for completion by February 2028, is expected to enhance overall HFC capacity beyond 65ktpa. Notably, SRF has indefinitely deferred its ₹490 crore BOPP film capex at Indore, reallocating capital towards the HF value chain, reflecting a strategic pivot towards higher-margin segments.

### Rating and Target Price

- Our SoTP value is ₹3,235 based on 26x (Chemicals Business), 10x Performance films business and 5x Technical Textiles Business EBITDA.

### Key Financial Summary

(₹ Crore)	FY24	FY25	FY26	2 year CAGR (FY24-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
Net Revenue	13,138.5	12,433.7	15,786.5	9.6	17,416.7	19,733.0	11.8
EBITDA	2,584.1	2,718.4	3,409.6	14.9	3,697.6	4,547.1	15.5
EBITDA Margins (%)	19.7%	21.9%	21.6%		21.2%	23.0%	
Adj.PAT	1,335.7	1,250.8	1,750.2	14.5	1,833.3	2,364.8	16.2
Adj. EPS (₹)	44.9	42.1	58.8		61.6	79.5	
EV/EBITDA	33.0x	31.2x	24.9x		23.1x	18.6x	
P/E	60.7	64.8	44.2		44.2	34.3	
ROE (%)	11.6	9.9	12.5		11.9	13.7	
ROCE (%)	13.3	12.9	15.1		14.8	16.5	

Source: Company, ICICI Direct Research



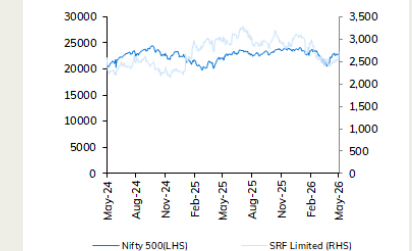
### Particulars

Particular	Amount
Market cap (₹ Crore)	77,217
FY26 Total Debt (₹ Crore)	5,083
FY26 Cash & Inv (₹ Crore)	611
EV (₹ Crore)	81,689
52 Week H/L	3325/2314
Equity Capital (₹ Crore)	297.4
Face Value (₹)	10

### Shareholding pattern

in %	Jun-25	Sept-25	Dec-25	Mar-26
Promoter	50.3	50.3	50.3	50.3
DII	18.8	19.5	20.2	21.2
FII	18.2	18.0	17.5	16.7
Others	12.7	12.2	12.1	11.9

### Price Chart



### Key risks

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

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## Q4FY26 Earnings Release / Conference call highlights

### Chemical Business-

- The Speciality Chemicals segment faced pricing pressure across the markets due to aggressive Chinese participation.
- Fluorochemicals business delivered robust performance due to higher volumes and realizations of HFCs in domestic & exports market
- The proposed HFO facility is expected to produce key HFOs such as HFO1234yf, HFO1234ze and HFO1233zd among others. The facility is likely to be commissioned by the end of FY28.
- The management highlighted that the pricing of a specialty product over time will always move to more commoditized level. The key for this business is to ensure a strong pipeline of intermediates and Ais.
- The management expects the chemicals business to achieve 15-20% revenue in FY27E.
- The company indicated that despite temporary disruption in Middle East shipments during Q4FY26, volumes were successfully redirected to alternate geographies without meaningful business loss.
- Management reiterated its focus on increasing pharma contribution faster than agrochemicals and highlighted that several molecules are currently at advanced stages with customers.
- The second pharma intermediates plant at Dahej is progressing as planned and commercialization benefits are expected to start accruing during FY27.
- In the Fluoropolymers business, The Chemours partnership project is progressing as scheduled and management expects this high-margin project to commence by late FY27, while also indicating potential for deeper long-term collaboration with Chemours

### Performance Films and Foils Business

- This segment reported a 4% growth despite continued industry-wide oversupply and volatile raw material dynamics.
- BOPET margins have started showing early signs of recovery, particularly in Southeast Asian markets, supported by anti-dumping and anti-involution measures undertaken by China.
- Management reiterated that the industry cycle appears to have largely bottomed out, although competitive intensity continues to remain elevated.
- Given the current industry demand-supply outlook, SRF has indefinitely deferred the second BOPP line that was earlier planned for 2027. Instead, the company will invest ₹180 crore in India's first simultaneous stretching polyamide (BOPA) film line, expected to be operational by September 2027.
- Aluminium foil operations continued to ramp up steadily with increasing focus on exports to Europe and the US markets.

### Technical Textiles

- Within the segment, Nylon Tyre Cord Fabric (NTCF) continued to remain a stable cash-generating business for the company.
- Belting fabric business started witnessing gradual traction recovery following rationalization of US tariffs. Management expects the improving demand environment to support better performance going ahead
- US import tariffs negatively impacted Belting Fabric, leading to increased imports from China at significantly lower prices.
- Coated and laminated fabrics business reported revenues of ₹366 crore during FY26. While softness in food grain liner demand impacted performance, the company offset the weakness through increased sales of value-added products and continued price leadership in the domestic coated fabrics market.

### Guidance:

- Planned FY27 capex stands at ~₹2,500 crore aligned towards long-term growth opportunities across fluorochemicals, specialty chemicals and packaging films.

- SRF significantly scaled up its HFO ambitions during the quarter. The company revised its previously announced HFO capex and will now invest ~₹2,300 crore over the next two years at its Odisha facility (v/s ₹1,100 crore previously) to establish 20,000 MTPA capacity for fourth-generation refrigerant gases.
- The project also includes backward integration into 30,000 MTPA hydrofluoric acid (HF) capacity along with electronic-grade HF investments.
- The Odisha chemicals site remains a major strategic focus area for future expansion. Management indicated that the ~300-acre Odisha site will primarily cater to future chemicals investments, although additional projects beyond HFO are yet to be finalized.
- Several key projects are expected to get capitalized during FY27 including the capacitor-grade BOPP film project, BOPP line, fluoropolymer projects.

#### Others

- During FY26, R&D activities covered over 50 molecules, with more than 35 molecules progressing to scale-up studies and over half being commercialized
- The company incurred ₹160 crore towards R&D investments during FY26 and filed 40 new patents, taking cumulative patents filed to 521.

#### Exhibit 1: Valuation Summary

Particulars	FY28E EBITDA(₹ crore)	Multiple	EV
Chemical Business	3,511.0	26.0	91,287
Performance film	743.1	10.0	7,430.7
Technical Textiles	256.4	5.0	1,281.8
Net Debt (FY28E)			3,711.0
Implied Market Cap			96,288.3
No of Share (in crore)			29.7
Per share Value			3,235
Upside			19%

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 2: Profit and loss statement ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
<b>Total Operating Income</b>	<b>14,693.1</b>	<b>15,786.5</b>	<b>17,416.7</b>	<b>19,733.0</b>
Growth (%)	11.8	7.4	10.3	13.3
Raw Material Expenses	7,699.2	7,797.7	8,534.2	9,471.9
<b>Gross Profit</b>	<b>6,993.9</b>	<b>7,988.8</b>	<b>8,882.5</b>	<b>10,261.2</b>
Employee Cost	1,042.5	1,148.3	1,219.2	1,381.3
Other Operating Expenses	3,233.0	3,430.9	3,965.8	4,332.8
<b>EBITDA</b>	<b>2,718.4</b>	<b>3,409.6</b>	<b>3,697.6</b>	<b>4,547.1</b>
Growth (%)	5.2	25.4	8.4	23.0
Other Income	132.7	107.1	57.1	93.3
<b>EBITDA, including OI</b>	<b>2,851.2</b>	<b>3,516.7</b>	<b>3,754.7</b>	<b>4,640.4</b>
Depreciation	771.5	852.1	933.5	1,054.6
Net Interest Exp.	376.0	278.0	376.8	432.8
Other exceptional items	0.0	85.0	0.0	0.0
<b>PBT</b>	<b>1,703.7</b>	<b>2,471.5</b>	<b>2,444.4</b>	<b>3,153.0</b>
Total Tax	452.9	466.5	611.1	788.3
Tax Rate	26.6%	18.9%	25.0%	25.0%
<b>PAT</b>	<b>1,250.8</b>	<b>2,005.1</b>	<b>1,833.3</b>	<b>2,364.8</b>
Adj.PAT after Minority interest	1,250.8	1,750.2	1,833.3	2,364.8
Adj. EPS (₹)	42.1	58.8	61.6	79.5
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	FY26	FY27E	FY28E
<b>PBT &amp; Extraordinary</b>	<b>1,703.7</b>	<b>2,301.6</b>	<b>2,444.4</b>	<b>3,153.0</b>
Depreciation	771.5	852.1	933.5	1,054.6
After other adjustments (Inc) / Dec in Working Capital	0.0	-399.5	-173.0	-419.2
Taxes	-333.9	-506.3	-611.1	-788.3
Others	346.2	305.6	376.8	432.8
<b>CF from operating activities</b>	<b>2,487.5</b>	<b>2,553.6</b>	<b>2,970.6</b>	<b>3,433.0</b>
Purchase of Fixed Assets	-1,222.3	-1,806.5	-2,600.0	-1,800.0
Others	-261.7	208.7	0.0	0.0
<b>CF from investing activities</b>	<b>-1,484.0</b>	<b>-1,597.8</b>	<b>-2,600.0</b>	<b>-1,800.0</b>
Proceeds from issue of shares	0.0	0.0	0.0	0.0
Borrowings (Net)	-429.1	-110.1	600.0	1,000.0
Others	-641.4	-598.2	-875.0	-931.0
<b>CF from financing activities</b>	<b>-1,070.5</b>	<b>-708.3</b>	<b>-275.0</b>	<b>69.0</b>
Net cash flow	-67.0	247.4	95.6	1,702.0
Effects of foreign currency translati	0.0	0.0	0.0	0.0
Opening Cash	407.5	353.8	611.0	706.5
<b>Closing Cash</b>	<b>353.8</b>	<b>611.0</b>	<b>706.5</b>	<b>2,408.5</b>

Source: Company, ICICI Direct Research

### Exhibit 4: Balance Sheet ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
<b>Liabilities</b>				
Share Capital	297.4	297.4	297.4	297.4
Reserves	12,328.8	13,745.3	15,080.4	16,947.0
<b>Total Shareholders Funds</b>	<b>12,626.2</b>	<b>14,042.8</b>	<b>15,377.9</b>	<b>17,244.4</b>
Minority Interest	0.0	0.0	0.0	0.0
Long Term Borrowings	2,037.4	2,001.9	2,401.9	3,201.9
Net Deferred Tax liability	1,055.3	1,034.8	1,034.8	1,034.8
Other long term liabilities	325.7	448.4	110.0	124.6
Long term provisions	82.6	96.0	109.1	123.7
<b>Current Liabilities and Provisions</b>				
Short term borrowings	2,688.7	3,080.9	3,280.9	3,480.9
Trade Payables	2,331.6	2,585.0	3,101.6	3,514.1
Other Current Liabilities	399.9	842.1	951.3	1,077.8
Short Term Provisions	9.8	14.9	16.8	19.0
Total Current Liabilities	5,429.9	6,522.8	7,350.7	8,091.9
<b>Total Liabilities</b>	<b>21,557.1</b>	<b>24,146.7</b>	<b>26,384.3</b>	<b>29,821.2</b>
<b>Assets</b>				
Net Block	13,719.8	13,925.7	16,681.6	17,427.0
Capital Work in Progress	811.0	1,889.4	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	124.1	124.1	124.1
Deferred tax assets	35.7	50.1	50.1	50.1
Long term loans and advances	336.2	275.6	155.6	176.3
Other Non Current Assets	402.1	684.2	580.4	657.6
<b>Current Assets, Loans &amp; Advances</b>				
Current Investments	704.5	563.3	563.3	563.3
Inventories	2,349.0	2,788.6	3,340.2	3,784.4
Sundry Debtors	2,169.5	2,561.6	2,624.4	2,973.5
Cash and Bank	353.8	611.0	706.5	2,408.5
Loans and Advances	17.1	18.1	18.1	18.1
Other Current assets	535.7	655.0	740.0	838.4
Current Assets	6,129.6	7,197.6	7,992.6	10,586.2
<b>Total Assets</b>	<b>21,557.1</b>	<b>24,146.7</b>	<b>26,384.3</b>	<b>29,821.2</b>

Source: Company, ICICI Direct Research

### Exhibit 5: Key ratios

Year end March	FY25	FY26	FY27E	FY28E
<b>Per share data (₹)</b>				
Adj. EPS	42.1	61.7	61.6	79.5
Adj. Cash EPS	68.0	90.3	93.0	115.0
BV	424.5	472.1	517.0	579.8
DPS	16.8	16.8	16.8	16.8
<b>Operating Ratios (%)</b>				
Gross Margin (%)	47.6	50.6	51.0	52.0
EBITDA Margin (%)	18.5	21.6	21.2	23.0
PAT Margin (%)	8.5	11.1	10.5	12.0
Asset Turnover	1.2	1.2	1.3	1.3
Debtor Days	55	61	55	55
Inventory Days	60	66	70	70
Creditor Days	59	61	65	65
Cash Conversion Cycle	56	65	60	60
<b>Return Ratios (%)</b>				
Return on Assets (%)	5.8	7.2	6.9	7.9
RoCE (%)	12.9	15.1	14.8	16.5
Core RoC (%)	11.9	14.2	14.0	16.7
RoE (%)	9.9	12.5	11.9	13.7
<b>Solvency Ratios</b>				
Total Debt / Equity	0.4	0.4	0.4	0.4
Interest Coverage	5.5	9.6	7.5	8.3
Current Ratio	1.1	1.1	1.1	1.3
Quick Ratio	0.7	0.7	0.6	0.8
Debt/EBITDA	1.7	1.5	1.5	1.5
<b>Valuation Ratios (x)</b>				
EV/EBITDA	31.2	24.9	23.1	18.6
P/E	64.8	44.2	44.2	34.3
P/B	6.4	5.8	5.3	4.7
EV/Sales	5.8	5.4	4.9	4.3

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

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