

Date	Report / Update	Report Price (₹)	Buy Range (₹)	Target Price (₹)
15-Sep-23	Quick Insight	2,397	2,350 – 2,380	2,830 – 2,860
07-Nov-23	Q2FY24	2,338		2,830 – 2,860
05-Feb-24	Q3FY24	2,319		2,830 – 2,860


SRF Ltd.
Q4FY24 Performance Highlights

SRF Ltd. posted improved performance sequentially with consol. revenue from operations coming in at ₹3,570crs, down -6% YoY but up 17% QoQ. Pricing pressures led to cost of raw material fell -3% YoY, rose 18% QoQ at ₹1,834crs. This led to gross margin contraction of -138bps YoY/-44bps QoQ to 48.6% and gross profit of ₹1,736crs down -8% YoY/ up +16% QoQ. With commencement of various sites, the employee cost remains elevated, witnessing 15% YoY/ 1% QoQ increase to ₹247crs. Additionally, other operating expenses remained on the higher side rising by +7% YoY / +15% QoQ to ₹794crs.

Resultantly, EBITDA stood at ₹696crs down -25% YoY / up +23% QoQ leading to EBITDA margins of 19.5% falling -517bps YoY/ rising +96bps QoQ.

Capitalization of projects led to higher depreciation charge of ₹186crs (up +20% YoY / +10% QoQ). Resultantly, PAT decreased by -25% YoY/ increase +67% QoQ to ₹422crs.

Particulars	Q4FY24	Q4FY23	%YoY Chng	Q3FY24	%QoQ Chng	FY24	FY23	%YoY Chng
Chemicals Business								
Revenue	1,816	2,102	-14%	1,394	30%	6,297	7,411	-15%
Results	498	739	-33%	322	55%	1,627	2,341	-30%
Margins	27%	35%	-777 bps	23%	432 bps	26%	32%	-574 bps
Packaging Film Business								
Revenue	1,182	1,153	3%	1,091	8%	4,489	5,183	-13%
Results	33	41	-19%	45	-26%	207	556	-63%
Margins	3%	4%	-76 bps	4%	-132 bps	5%	11%	-613 bps
Technical Textile Business								
Revenue	469	431	9%	458	2%	1,898	1,894	0%
Results	70	48	44%	69	1%	274	262	5%
Margins	14.9%	11%	365 bps	15%	-12 bps	14%	14%	63 bps

Important Data

Nifty	22,104
Sensex	72,776
Key Stock Data	
CMP	₹2,226
Market Cap (₹ bn)	~660.00
52W High/Low	₹2,693.95/2,040.0
Shares o/s (crs)	29.6
Daily Vol. (3M NSE Avg.)	14,734
BSE Code	503806
NSE Code	SRF
Bloomberg Code	SRF:IN

Shareholding Pattern (%) – Mar'24

Promoter	50.30
DII's	19.09
FII's	15.98
Public	14.65

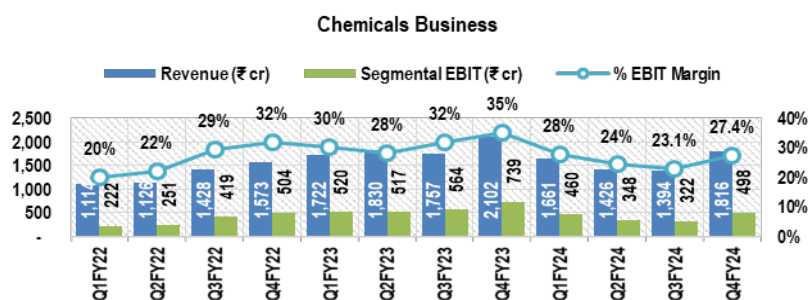
Financials

Particulars	FY23	FY24	FY25E
Revenue	14,870	13,139	15,278
EBITDA	3,529	2,584	3,376
EBITDA Margin	24%	20%	22%
Net Profit	2,162	1,336	1,771
EPS	73	45	60
RoE	23%	12%	14%
RoCE	23%	13%	16%
P/E (x)	31	49	37
P/B (x)	6	6	5
EV/EBITDA (x)	20	27	21

Source: Company Data, Way2Wealth

Segmental Performance – Chemicals Business

Amid increased competition due to Chinese dumping, revenue from Chemicals segment was up +30% QoQ (down 14% YoY) to ₹1,816crs. While it also pressured margins, focus on cost initiatives by the company led to 432bps QoQ expansion (-777bps YoY compression) in segmental margins to 27% during the quarter. **Specialty Chemicals Business:** New Chinese capacity additions contributed to the increase in competitive intensity in specialty chemicals segment. It launched 15 new products in this segment, consisting of 12 for Agrochemicals and 3 for Pharmaceuticals segment. **Fluoro-chemicals Business:** Owing the Chinese dumping both to Indian market and overseas markets, sales volumes witnessed pressure leading to sub-par margins. While Ref gas demand in US may decline owing to fall in quota, other markets can make up for it. Price improvement witnessed post implementation of Chinese HFC quota and higher consumption growth.



Source: Company, Way2Wealth Research

Relative Performance

Return (%)	1Yr	3Yr	5Yr
SRF	-12%	73%	298%
Nifty50	21%	51%	98%
Sensex	18%	50%	96%

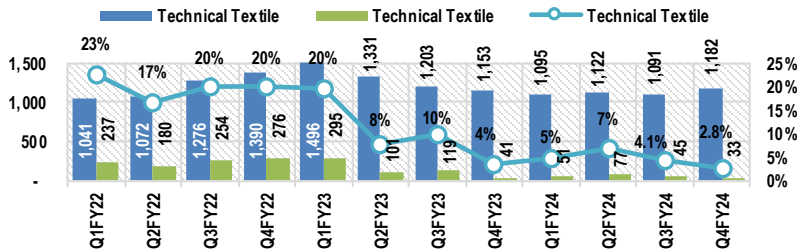
Source: Company, Way2Wealth Research

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Packaging Film Business

During Q4FY24, performance of Packaging Film Business (PFB) remained impacted by capacity additions across India as well as globally, resulting in segmental revenue coming in at ₹1,182crs +3% YoY / +8% QoQ. While increased supply pressured margins, coming in at 3% -76bps YoY / -132bps QoQ, management is focusing on improving the operational performance through cost optimization measures. Focus also remains on strengthening of the Value-Add-Product portfolio. Operations at Hungary plant which were impacted on account of elevated energy costs, which have started easing out. Operations at Aluminum Foil were commenced on 1st January 2024 and domestic sales have been initiated at the plant with total revenue potential of ~900-1000cr.

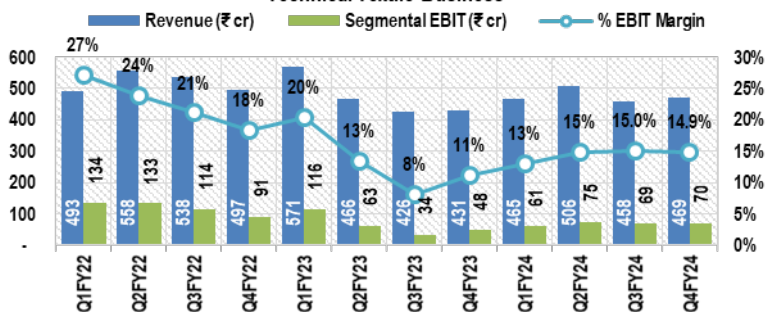
Packaging Film Business


Source: Company, Way2Wealth Research

Technical Textile Business

Technical textile business posted stable performance in 4QFY24 with segment revenue coming in at ₹469crs up 9% YoY / +2% QoQ. While domestic demand for NTCF remained stable, segments such as Belting Fabrics (BF) and Polyester Industrial Yarn (PIY) witnessed improvement in performance. Additionally, PIY business saw successful commissioning of additional capacity during the quarter. Owing to the stable demand scenario, the company was able to maintain its margins at ~15% sequentially although it fell ~365bps YoY.

Management remains upbeat on near term outlook as the government's emphasis on infrastructure development likely to drive increased demand for belting fabrics and polyester industrial yarn.

Technical Textile Business


Source: Company, Way2Wealth Research

Q4FY24 Performance

(₹ Cr)

Particulars	Q4FY24	Q4FY23	%YoY Chng	Q3FY24	%QoQ Chng	FY24	FY23	%YoY Chng
Technical Textile Business	469	431	9%	458	2%	1,898	1,894	0%
Chemical Business	1,816	2,102	-14%	1,394	30%	6,297	7,411	-15%
Packaging Film Business	1,182	1,153	3%	1,091	8%	4,489	5,183	-13%
Others	106	94	13%	114	-7%	454	383	19%
Revenue from Operations	3,570	3,778	-6%	3,053	17%	13,139	14,870	-12%
Cost of Material	1,834	1,888	-3%	1,555	18%	6,709	7,394	-9%
Gross Profit	1,736	1,890	-8%	1,498	16%	6,430	7,477	-14%
Gross Profit Margin	48.6%	50%	-138 bps	49%	-44 bps	48.94%	50.28%	-134 bps
Employee Expenses	247	214	15%	244	1%	935	814	15%
Other Expenses	794	744	7%	689	15%	2,911	3,134	-7%
EBITDA	696	932	-25%	566	23%	2,584	3,529	-27%
EBITDA Margin	19.5%	25%	-517 bps	19%	96 bps	20%	24%	-407 bps
Depreciation	186	155	20%	169	10%	673	575	17%
EBIT	510	777	-34%	397	28%	1,911	2,954	-35%
Finance Costs	90	66	37%	67	34%	302	205	48%
Other Income	23	22	5%	19	25%	83	75	11%
PBT	443	733	-40%	348	27%	1,692	2,824	-40%
Tax Expense	21	171	-88%	95	-78%	357	662	-46%
Profit after tax	422	562	-25%	253	67%	1,336	2,162	-38%
PAT Margin	12%	15%	-306 bps	8%	353 bps	10%	15%	-438 bps
EPS	14.2	19.0	-25%	8.6	67%	45.1	73.0	-38%

Source: Company, Way2Wealth Research

View

In Q4FY24, SRF Ltd. posted resilient performance despite facing multiple external challenges, albeit of temporary nature. Specialty chemical business segment continued to face headwinds due to inventory rationalization in Agrochemicals as well as new capacity additions in intermediate product markets led to pricing pressure. In Fluoro-chemical segment, pricing pressure in Ref gases impacted profitability. However, the management anticipates recovery by 2HFY25 and expects chemicals business as a whole to post ~20% growth in FY25. While Packaging Films Business continues to witness margin pressures due to capacity additions globally, resumption of work at Hungary plant supports performance improvement. Management expects the pressure to continue for next 1-1.5 yrs, however, focus remains on increasing value-add-product mix to drive sales growth for FY25. Technical Textile Business continues to witness robust performance on the back of healthy demand for belting fabrics amid increased spend on infrastructure projects by the Government of India. Going forward as well, management believes Belting Fabric and Polyester Industrial Yarn segment to drive growth for this segment.

At CMP ₹2,226, the stock is trading at 28x its FY26e P/E multiple, thus providing a valuation comfort. Although SRF's performance was impacted by external challenges which are transitory in nature, the long term story remains intact. Early signs of recovery in key end-user industries such as Agrochemical and overseas HVAC markets are visible, which would improve company's performance notably by 2HFY25. Thus, **we continue to remain bullish on SRF given its strong capex pipeline and operating leverage to kick in once demand comes back going forward and recommend to BUY for a good potential upside over the medium term.**

FINANCIALS & VALUATION

(₹ Cr)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Technical Textile Business	1,735	1,358	1,240	2,085	1,894	1,898	2,069	2,317
Chemical Business	2,445	2,975	3,645	5,241	7,411	6,297	7,808	9,370
Packaging Film Business	2,653	2,604	3,292	4,779	5,183	4,489	4,893	5,481
Others	266	273	223	328	383	454	507	584
Revenue from Operations	7,100	7,209	8,400	12,434	14,870	13,139	15,278	17,752
Cost of Material	3,967	3,687	4,019	6,067	7,394	6,709	7,578	9,053
Gross Profit	3,132	3,522	4,381	6,367	7,477	6,430	7,700	8,698
Gross Profit Margin	44%	49%	52%	51%	50%	49%	50%	51%
Employee Expenses	461	542	621	780	814	935	1,039	1,136
Other Expenses	1,375	1,526	1,626	2,484	3,134	2,911	3,285	3,550
EBITDA	1,297	1,455	2,133	3,103	3,529	2,584	3,376	4,012
EBITDA Margin	18%	20%	25%	25%	24%	20%	22%	23%
Depreciation	358	389	453	517	575	673	826	790
EBIT	939	1,066	1,680	2,586	2,954	1,911	2,550	3,222
Finance Costs	198	201	134	116	205	302	341	260
Other Income	28	49	66	115	75	83	92	107
PBT	768	915	1,613	2,585	2,824	1,692	2,300	3,069
Tax Expense	177	-1	414	696	662	357	529	706
Profit after tax	592	916	1,198	1,889	2,162	1,336	1,771	2,363
PAT Margin	8%	13%	14%	15%	15%	10%	12%	13%
EPS	22	35	40	64	73	45	60	80
P/E Ratio	100	63	55	35	31	49	37	28

Source: Company, Way2Wealth Research

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Disclosure of Interest Statement SRF Ltd. as on 14 May 2024

Name of the Security	SRF Ltd.
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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