

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
29-Jun-24	Q4FY24	2,226		2,830 – 2,860


SRF Ltd.
Q1FY25 Performance Highlights

SRF Ltd. posted muted performance primarily on account of weakness in its key specialty chemicals business. Revenue came in at ₹3,464crs, up +4% YoY but down -3% QoQ while raw material cost rose +7% YoY, flat QoQ at ₹1,827crs. Led by pricing pressures, gross margin for the quarter contracted -180bps YoY/ -138bps QoQ to 47.3% and gross profit stood at ₹1,637crs flat YoY/ down -6% QoQ.

For the quarter, employee cost remained elevated, witnessing +16% YoY/ +2% QoQ increase to ₹252crs. Additionally, other operating expenses remained on the higher side rising +8% YoY / -2% QoQ to ₹781crs.

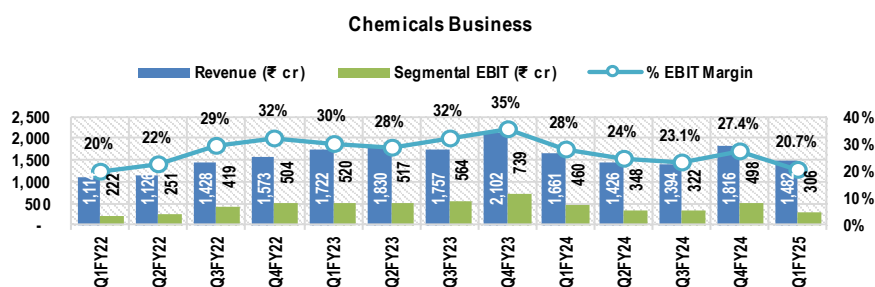
Resultantly, EBITDA stood at ₹603crs down -13% YoY / -13% QoQ leading to EBITDA margin contraction of -344bps YoY/ rising -207bps QoQ to 17.4%.

Capitalization of projects led to higher depreciation charge of ₹188crs (up +20% YoY / +1% QoQ). Finance costs also increased by +47% YoY/ +7% QoQ ₹97crs. Resultantly, PAT for the quarter decreased by -30% YoY/ -40% QoQ to ₹252crs.

Particulars	Q1FY25	Q1FY24	%YoY	Q4FY24	%QoQ	FY24	FY23	%YoY
Chemicals Business								
Revenue	1,482	1,661	-11%	1,816	-18%	6,297	7,411	-15%
Results	306	460	-33%	498	-38%	1,627	2,341	-30%
Margins	21%	28%	-703 bps	27%	-673 bps	26%	32%	-574 bps
Packaging Film Business								
Revenue	1,336	1,095	22%	1,182	13%	4,489	5,183	-13%
Results	87	51	69%	33	162%	207	556	-63%
Margins	6%	5%	181 bps	3%	369 bps	5%	11%	-613 bps
Technical Textile Business								
Revenue	525	465	13%	469	12%	1,898	1,894	0%
Results	68	61	12%	70	-3%	274	262	5%
Margins	12.9%	13%	-17 bps	15%	-200 bps	14%	14%	63 bps

Segmental Performance – Chemicals Business

Industry headwinds in terms of inventory rationalization in Agrochemical industry continued this quarter too, impacting Chemicals segment's revenue which were down -11% YoY / -18% QoQ to ₹1,482crs. Continuous supply of cheaper Agrochemical intermediates into the global markets by Chinese manufacturer pressured margins, resulting in contraction of -703bps YoY/ -673bps QoQ to 21%. **Specialty Chemicals Business:** Channel inventory and excess supply by Chinese players impacted the demand in Agrochemical and the situation would largely improve in 2HFY25. **Fluoro-chemicals Business:** Performance of the Fluoro-chemicals business was affected due to low margin in the Chloro-methane segment. However, the domestic refrigerant gases business improved during the quarter, which boosted the overall results.



Source: Company, Way2Wealth Research

Important Data

Nifty 24,835
Sensex 81,356

Key Stock Data

CMP ₹2,509
Market Cap (₹ bn) ~744
52W High/Low ₹2,694/2,082
Shares o/s (crs) 29.6
Daily Vol. (3M NSE Avg.) 6,10,267
BSE Code 503806
NSE Code SRF
Bloomberg Code SRF:IN

Shareholding Pattern (%) – Jun'24

Promoter 50.26
DIIs 18.76
FIIIs 15.98
Public 14.43

Financials

Particulars	FY24	FY25E	FY26E
Revenue	13,139	15,152	17,852
EBITDA	2,584	3,061	4,035
EBITDA Margin	20%	20%	23%
Net Profit	1,336	1,498	2,275
EPS	45	51	77
RoE	12%	12%	16%
RoCE	13%	14%	18%
P/E (x)	56	50	33
P/B (x)	6	6	5
EV/EBITDA (x)	31	26	20

Source: Company Data, Way2Wealth

Relative Performance

Return (%)	1Yr	3Yr	5Yr
SRF	-1%	94%	348%
Nifty50	27%	58%	125%
Sensex	24%	55%	118%

Source: Company, Way2Wealth Research

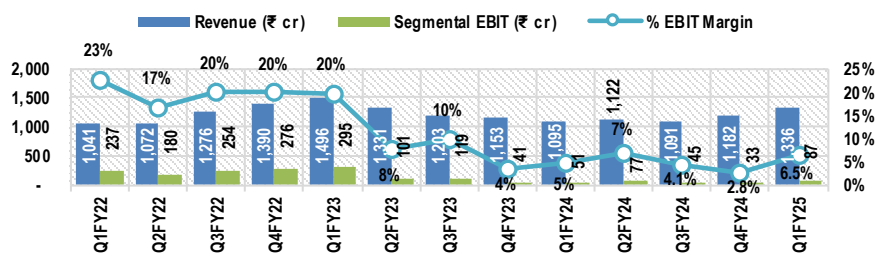
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Packaging Film Business

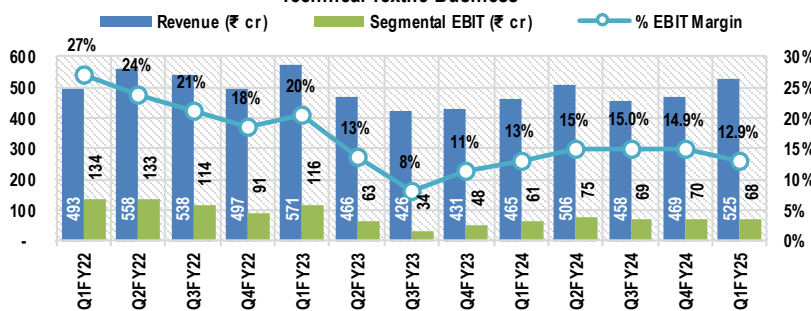
During 1QFY25, Packaging Film Business (PFB) posted robust performance with segmental revenue rising by +22% YoY/ +13% QoQ to ₹1,336crs. Better margin in BoPP segment due to balanced demand-supply scenario and increase in value added product mix led to margin improvement by +181bps YoY/ +369bps QoQ to 6%. From newly added Aluminum Foil capacity, sample ordering is under way to export markets with an anticipation of ramp-up towards 2HFY25. Although BoPET business witnessed some pricing improvement towards end of June month, supply far exceeds demand in the market owing to new lines being commissioned domestically as well as in overseas markets off-late.

Packaging Film Business


Source: Company, Way2Wealth Research

Technical Textile Business

Technical textile business continued its healthy growth trajectory with revenue rising by 13% YoY / +12% QoQ to ₹525crs. It was supported by sustained volume uptick in Nylon Tyre Cord Fabrics (NTCF) and Polyester Industrial Yarn along with management's continued focus on increasing value added product mix. During the quarter, belting fabric volume growth was muted. Segmental margins for the quarter moderated by -17bps YoY/ -200bps QoQ to 13%. NTCF segment continues to see robust demand especially coming from 2/3-wheeler vehicle segment. Capacity expansion projects on Dipping and Belting Fabrics business are progressing well.

Technical Textile Business


Source: Company, Way2Wealth Research

Q1FY25 Performance

(₹ Cr)

Particulars	Q1FY25	Q1FY24	%YoY Chng	Q4FY24	%QoQ Chng	FY24	FY23	%YoY Chng
Technical Textile Business	525	465	13%	469	12%	1,898	1,894	0%
Chemical Business	1,482	1,661	-11%	1,816	-18%	6,297	7,411	-15%
Packaging Film Business	1,336	1,095	22%	1,182	13%	4,489	5,183	-13%
Others	126	119	6%	106	19%	454	383	19%
Revenue from Operations	3,464	3,338	4%	3,570	-3%	13,139	14,870	-12%
Cost of Material	1,827	1,701	7%	1,834	0%	6,709	7,394	-9%
Gross Profit	1,637	1,638	0%	1,736	-6%	6,430	7,477	-14%
Gross Profit Margin	47.3%	49.1%	-180 bps	49%	-138 bps	48.9%	50.3%	-134 bps
Employee Expenses	252	218	16%	247	2%	935	814	15%
Other Expenses	781	724	8%	794	-2%	2,911	3,134	-7%
EBITDA	603	696	-13%	696	-13%	2,584	3,529	-27%
EBITDA Margin	17.4%	20.9%	-344 bps	19.5%	-207 bps	19.7%	23.7%	-407 bps
Depreciation	188	157	20%	186	1%	673	575	17%
EBIT	415	540	-23%	510	-19%	1,911	2,954	-35%
Finance Costs	97	66	47%	90	7%	302	205	48%
Other Income	25	12	115%	23	8%	83	75	11%
PBT	344	486	-29%	443	-22%	1,692	2,824	-40%
Tax Expense	92	126	-27%	21	335%	357	662	-46%
Profit after tax	252	359	-30%	422	-40%	1,336	2,162	-38%
PAT Margin	7.3%	10.8%	-348 bps	11.8%	-455 bps	10.2%	14.5%	-438 bps
EPS	8.5	12.1	-30%	14.2	-40%	45.1	73.0	-38%

Source: Company, Way2Wealth Research

View

Although SRF has started the year on a muted note with continuation of sectoral headwinds in Agrochemical segment impacting performance of specialty chemicals segment, management has reiterated its revenue growth guidance of 20% for this segment in FY25. Launch of new pharmaceutical intermediates and anticipation for commercialization of new products would support growth for specialty chemical in coming quarters. On fluoro-chemical segment, while demand from US markets may moderate a bit, it is likely to be offset by the recovery from domestic as well as the middle east markets, which would drive this segment's revenue in 2HFY25. In packaging films business, new capacity additions could have impact on demand trends over the medium term, however, technical textile business performance is likely to witness robust growth trajectory underpinned by healthy NTCF demand.

Thus, we continue to remain bullish on SRF in anticipation of sectoral headwinds to recede and recovery to make a comeback in 2HFY25 and recommend to HOLD the stock. Currently, SRF is trading at 33x times its FY26e P/E multiple.

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	2,358
Chemical Business	2,445	2,975	3,645	5,241	7,411	6,297	7,493	9,142
Packaging Film Business	2,653	2,604	3,292	4,779	5,183	4,489	5,095	5,809
Others	266	273	223	328	383	454	494	543
Revenue from Operations	7,100	7,209	8,400	12,434	14,870	13,139	15,152	17,852
Cost of Material	3,967	3,687	4,019	6,067	7,394	6,709	7,803	8,890
Gross Profit	3,132	3,522	4,381	6,367	7,477	6,430	7,349	8,962
Gross Profit Margin	44%	49%	52%	51%	50%	49%	49%	50%
Employee Expenses	461	542	621	780	814	935	1,030	1,214
Other Expenses	1,375	1,526	1,626	2,484	3,134	2,911	3,258	3,713
EBITDA	1,297	1,455	2,133	3,103	3,529	2,584	3,061	4,035
EBITDA Margin	18%	20%	25%	25%	24%	20%	20.2%	22.6%
Depreciation	358	389	453	517	575	673	826	858
EBIT	939	1,066	1,680	2,586	2,954	1,911	2,235	3,176
Finance Costs	198	201	134	116	205	302	367	310
Other Income	28	49	66	115	75	83	91	107
PBT	768	915	1,613	2,585	2,824	1,692	1,959	2,974
Tax Expense	177	-1	414	696	662	357	460	699
Profit after tax	592	916	1,198	1,889	2,162	1,336	1,498	2,275
PAT Margin	8%	13%	14%	15%	15%	10%	10%	13%
EPS	22	35	40	64	73	45	51	77
P/E Ratio	112	71	62	39	34	56	50	33

Source: Company, Way2Wealth Research

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Disclosure of Interest Statement SRF Ltd. as on 30th July 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
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