SRF Limited (SRF)

ICICI Direct

CMP: ₹2,670 | Target ₹ 3,160 (18%) | Target Period: 12 months

BUY

July 24, 2026

Stronger Medium-Term Outlook...

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 (46%) of the overall revenues followed by packaging film (40%), 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 65000 TPA from the current 52000 TPA.

Q1FY27 performance: Growth across all parameters- Revenues grew 32% YoY to ₹4,939 crore driven by Chemicals (46% of revenues) which grew 26% YoY to ₹2,315 crore. Packaging Films (40% of revenues) grew by 42% YoY to ₹2,017 crore & Technical Textile (12% of revenues) grew by 28% YoY to ₹597 crore. Consolidated EBITDA stood at ₹1,237 crore, up 49% YoY, translating to margins of 24.6%, up ~280 bps YoY while Chemical Business EBIT came in at ₹638 crore, up 27% YoY.

Investment Rationale:

- **HFC business remains strong; gradual recovery in Specialty Chemicals:** The HFC business delivered strong performance, driven by traction in Refrigerants & Propellants and healthy demand for Chloromethanes & Fluoropolymers. The growth was driven by both volumes and realisations. In Fluoropolymers, PTFE ramp-up is progressing as planned, with the addition of value-added grades. Strategic investments across new fluoropolymers, focus on HFOs via greenfield expansion in Odisha fluorochemicals complex remain on track, thus providing more qualitative growth drivers. In Specialty Chemicals, the growth was steady in the backdrop of dynamic market environment impacted by evolving global pricing trends, industry overcapacity in China, and ongoing geopolitical developments. Beyond the near-term recovery, the company is strengthening its long-term growth platform by expanding its specialty molecule pipeline, increasing engagement with pharma customers and targeting pharma to contribute 20–30% of Specialty Chemicals revenues by FY30. The management has reiterated its FY27 Chemicals growth guidance of 15–20%.
- **Focusing on non-cyclical products in Packaging business:** While management acknowledged Q1 margins bump was due to temporary geopolitical supply disruptions & it expects QoQ normalization in Q2. That said, the margins trajectory has structurally improved due to sustained overseas turnaround at subsidiaries level & a deliberate shift toward specialty products. Reinforcing this strategy, the company has approved a ₹250 crore capex to set up a 25,000 MTPA BOPET thick film line in India, targeting high-end electrical and electronics applications where domestic capacity is limited, and pricing is structurally more stable than conventional thin films. Alongside, investments in capacitor-grade BOPP, metallizers, coatings and higher-value aluminium foil applications (including aseptic packaging), are some of the initiatives aimed at reducing exposure to volatile thin-film cycles while expanding margins through differentiated products. This shift should reduce cyclicality to a larger extent, even if quarterly profitability normalizes from Q1's exceptional levels.

Rating and Target Price: Our SoTP target is ₹3,160 based on 25x (Chemicals Business), 10x (Performance films) AND 5x (Technical Textile Business) FY28E respective EBITDA.

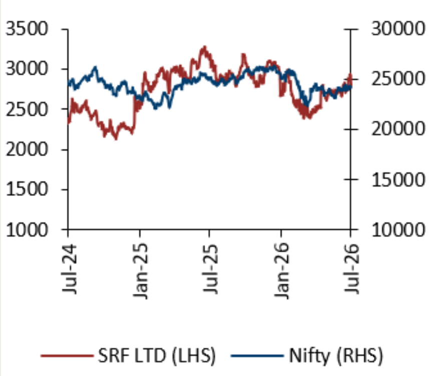
Particulars

Particular	₹ crore
Market Capitalization	79,845
Total Debt (FY26)	5,083
Cash & Invests (FY26)	611
EV	83,351
52-week H/L (₹)	3239/2314
Equity capital (₹)	297.4
Face value (₹)	10

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	50.3	50.3	50.3	50.3
FII	17.9	17.4	16.6	15.4
DII	19.5	20.1	21.7	22.4
Other	12.2	12.1	11.9	11.8

Price Chart



Key risks

- Continued pricing pressure in the speciality Chemicals business
- Dealy in HFC capex

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	13,138.5	12,433.7	15,786.5	9.6%	17,843.7	20,256.8	13.3%
EBITDA	2,584.1	2,718.4	3,409.6	14.9%	3,873.2	4,731.8	17.8%
EBITDA Margins (%)	19.7%	21.9%	21.6%		21.7%	23.4%	
Adj. PAT	1,335.7	1,250.8	1,750.2	14.5%	1,963.3	2,497.5	19.5%
Adj. EPS (₹)	44.9	42.1	58.8		66.0	84.0	
EV/EBITDA	32.4x	30.6x	24.4x		21.7x	17.6x	
P/E	59.5	63.5	43.3		40.4	31.8	
RoE (%)	11.6	9.9	12.5		12.7	14.3	
RoCE (%)	13.3	12.9	15.1		15.6	17.1	

Source: Company, ICICI Direct Research

Q1FY27 Earnings Conference Call Highlights

Chemicals Business-

- The Speciality Chemicals business is showing early signs of recovery after a prolonged downturn. Customer offtake has started improving, volumes have begun recovering and China-led price erosion appears to have bottomed, with prices across key products moving marginally higher.
- The Refrigerant business demand was supported by global demand, high plant utilisation, healthy domestic demand, strong exports and favourable pricing. While Q2FY27 and Q3FY27 are expected to be seasonally weaker than the strong Q1FY27, with sequential moderation in both volumes and pricing, YoY growth is expected to remain strong.
- The Chemours project is delayed by a few months due to design changes requested by the customer, and equipment needs to be shipped from Europe.
- Management highlighted that pricing of legacy refrigerants will remain cyclical, reinforcing its strategy of progressively increasing the contribution of value-added fluorochemicals, specialty intermediates and downstream products to improve earnings quality.
- Progress remains on track across PTFE, PVDF and specialty fluoropolymers. PTFE is transitioning towards higher-value grades to improve product mix and realizations, with meaningful contribution expected from FY28 end, while the PVDF plant is scheduled for commissioning by end Q2FY27, with meaningful volumes expected from FY28 onwards.
- Management highlighted that they continue to develop 6–7 innovator molecules. Regulatory registrations and innovator product launches remain the key bottlenecks before meaningful commercialisation and operating leverage can be achieved.
- The Chemicals Business maintains its full-year growth guidance of 15% to 20%, aiming for the higher end.
- Pharma remains a key long-term growth pillar, with the company targeting ~30% of Specialty Chemicals revenue from this segment by 2030. The pipeline continues to expand through a higher number of customers and molecules under development.

Performance Films Business-

- Market conditions remained challenging owing to continued industry-wide oversupply, particularly in BOPP films, which kept pricing under pressure despite stable demand.
- While industry utilization levels remain subdued, management believes the cycle has largely bottomed out and expects gradual recovery as incremental capacities are absorbed.
- The company reported record performance in the segment as Supply disruptions across competing facilities due to Middle East geopolitical issues enabled it to capture incremental demand, while panic buying supported pricing and volumes.
- The company believes normalised margins could be higher than pre-West Asia crisis levels.
- Aluminium foil operations continued to ramp up steadily, with increasing exports to Europe and the US supporting utilization improvements.
- Customer approvals for aseptic packaging applications are progressing well and could open a meaningful high-value growth opportunity from FY28.
- For Capacitor Grade BOPP Films, trial runs have been completed, and the customer approvals are progressing well. Commercial sales are expected during FY27, with near full utilisation targeted by Q1–Q2FY28.

Technical Textiles Business-

- The Nylon Tyre Cord Fabric (NTCF) business remained resilient despite muted demand from domestic tyre manufacturers.

- Industrial belting fabrics witnessed gradual recovery, aided by improving demand in overseas markets.
- The coated and laminated fabrics business continued to face demand softness in food grain liner applications; however, higher contribution from value added products helped partially offset the products

Capex & Growth Initiatives

- The company maintained its FY27 capex guidance of ~₹2,500 crore, with investments focused on fluorochemicals, specialty chemicals and packaging films.
- During the quarter, the Board also approved an additional ₹250 crore investment towards expanding capacity for specialty chemicals intermediates. Management indicated that the investment is aimed at catering to rising customer demand and strengthening the company's downstream specialty chemicals portfolio.
- Management reiterated that the Odisha chemical complex will remain its primary growth hub, with ample land available for future downstream chemical projects beyond those already announced.

Exhibit 1: Valuation Summary

Valuation - SoTP			
Particulars	FY28E EBITDA (₹ crore)	Multiple	EV
Chemical Business	3,480.5	25.0	87,012
Performance film	945.6	10.0	9,456.4
Technical Textiles	269.0	5.0	1,345.1
Net Debt (FY28E)			3,783.1
Implied Market Cap			94,029.9
No of Share (in crore)			29.7
Per share Value			3,160
Upside			18%

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
Total Operating Income	**14,693.1**	**15,786.5**	**17,843.7**	**20,256.8**
Growth (%)	11.8	7.4	13.0	13.5
Raw Material Expenses	7,699.2	7,797.7	8,743.4	9,723.2
Gross Profit	**6,993.9**	**7,988.8**	**9,100.3**	**10,533.5**
Employee Cost	1,042.5	1,148.3	1,249.1	1,418.0
Other Operating Expenses	3,233.0	3,430.9	3,978.1	4,383.8
EBITDA	**2718.4**	**3409.6**	**3873.2**	**4731.8**
Growth (%)	5.2	25.4	13.6	22.2
Other Income	132.7	107.1	57.1	93.3
EBITDA, including OI	**2,851.2**	**3,516.7**	**3,930.3**	**4,825.1**
Depreciation	771.5	852.1	935.7	1,062.3
Net Interest Exp.	376.0	278.0	376.8	432.8
Other exceptional items	0.0	85.0	0.0	0.0
PBT	**1,703.7**	**2,471.5**	**2,617.8**	**3,329.9**
Total Tax	452.9	466.5	654.4	832.5
Tax Rate	26.6%	18.9%	25.0%	25.0%
PAT	**1250.8**	**2005.1**	**1963.3**	**2497.5**
Adj.PAT after Minority interest	1,250.8	1,750.2	1,963.3	2,497.5
Adj. EPS (₹)	**42.1**	**58.8**	**66.0**	**84.0**
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
PBT & Extraordinary	1,703.7	2,301.6	2,617.8	3,329.9
Depreciation	771.5	852.1	935.7	1,062.3
After other adjustments				
(Inc) / Dec in Working Capital	0.0	-399.5	-250.3	-436.7
Taxes	-333.9	-506.3	-654.4	-832.5
Others	346.2	305.6	376.8	432.8
CF from operating activities	**2487.5**	**2553.6**	**3025.5**	**3555.9**
Purchase of Fixed Assets	-1,222.3	-1,806.5	-2,700.0	-1,950.0
Others	-261.7	208.7	0.0	0.0
CF from investing activities	**-1484.0**	**-1597.8**	**-2700.0**	**-1950.0**
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
CF from financing activities	**-1070.5**	**-708.3**	**-275.0**	**69.0**
Net cash flow	-67.0	247.4	50.5	1,674.9
Effects of foreign currency translation	0.0	0.0	0.0	0.0
Opening Cash	407.5	353.8	611.0	661.5
Closing Cash	**353.8**	**611.0**	**661.5**	**2336.4**

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
Liabilities				
Share Capital	297.4	297.4	297.4	297.4
Reserves	12,328.8	13,745.3	15,210.4	17,209.7
Total Shareholders Funds	**12626.2**	**14042.8**	**15507.9**	**17507.1**
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	112.6	127.9
Long term provisions	82.6	96.0	111.8	126.9
Current Liabilities and Provisions				
Short term borrowings	2,688.7	3,080.9	3,280.9	3,480.9
Trade Payables	2,331.6	2,585.0	3,177.6	3,607.4
Other Current Liabilities	399.9	842.1	974.6	1,106.4
Short Term Provisions	9.8	14.9	17.2	19.5
Total Current Liabilities	5,429.9	6,522.8	7,450.4	8,214.3
Total Liabilities	**21557.1**	**24146.7**	**26619.4**	**30212.9**
Assets				
Net Block	13,719.8	13,925.7	16,779.4	17,667.1
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	159.4	181.0
Other Non-Current Assets	402.1	684.2	594.6	675.1
Current Assets, Loans & Advances				
Current Investments	704.5	563.3	563.3	563.3
Inventories	2,349.0	2,788.6	3,422.1	3,884.9
Sundry Debtors	2,169.5	2,561.6	2,688.8	3,052.4
Cash and bank	353.8	611.0	661.5	2,336.4
Loans and Advances	17.1	18.1	18.1	18.1
Other Current assets	535.7	655.0	758.2	860.7
Current Assets	6,129.6	7,197.6	8,111.9	10,715.7
Total Assets	**21557.1**	**24146.7**	**26619.4**	**30212.9**

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

Year end March	FY25	FY26	FY27E	FY28E
Per share data (₹)				
Adj. EPS	42.1	61.7	66.0	84.0
Adj. Cash EPS	68.0	90.3	97.5	119.7
BV	424.5	472.1	521.4	588.6
DPS	16.8	16.8	16.8	16.8
Operating Ratios (%)				
Gross Margin (%)	47.6	50.6	51.0	52.0
EBITDA Margin (%)	18.5	21.6	21.7	23.4
PAT Margin (%)	8.5	11.1	11.0	12.3
Asset Turnover	1.2	1.2	1.3	1.2
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
Return Ratios (%)				
Return on Assets (%)	5.8	7.2	7.4	8.3
RoCE (%)	12.9	15.1	15.6	17.1
Core RoIC (%)	11.9	14.2	14.7	17.2
RoE (%)	9.9	12.5	12.7	14.3
Solvency Ratios				
Total Debt / Equity	0.4	0.4	0.4	0.4
Interest Coverage	5.5	9.6	7.9	8.7
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	1.4
Valuation Ratios (x)				
EV/EBITDA	30.6	24.4	21.7	17.6
P/E	63.5	43.3	40.4	31.8
P/B	6.3	5.7	5.1	4.5
EV/Sales	5.7	5.3	4.7	4.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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