

Chemicals business in good stead; new initiatives to tap sunrise sectors...

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

- During Q2FY27 Chemicals division accounted for (42%) of the overall revenues while packaging film (43%), technical textiles (12%) and others (~2%).
- SRF plans to set up 12000 MTPA Aluminium foil production facility for battery applications with total capex outlay of ₹600 crore in 2 phases.

Q2FY27 performance: Revenues growth solid but dent in margins - Revenues grew 36% YoY to ₹4803.3 crore driven by growth across segments, Chemicals business (42% of the revenues) saw growth of 25% YoY to ~₹2080 crore, Packaging films (43% of revenues) grew 51% YoY to ₹2,122.4 crore and Technical Textiles (12% of revenues) reported growth of 25% YoY to ₹595 crore. Consolidated EBITDA stood at ₹946 crore, up 22% YoY, translating to margins of 19.3%, down ~197 bps YoY mainly due to chemical business EBIT which stood at 25%, down ~350 bps YoY. PAT for the quarter stood at ₹509 crore, up 31% YoY. Overall margins were lower than expectations, pulled down by agrochemicals sub-segment (impacted by Chinese dumping) of specialty chemicals even as fluorochemicals business continued its strong momentum on the back of higher volumes and realizations of HFCs in the domestic and exports market.

Investment Rationale:

- Fluorochemicals continue to deliver; gradual recovery in Specialty Chemicals:** The HFC business delivered strong performance, driven by both volumes and realisations. This was despite apparent softness in the US market. In Fluoropolymers, PTFE ramp-up is progressing as planned, with the addition of value-added grades. 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. Margins experienced YoY / QoQ contraction due to elevated raw material costs, freight inflation. 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 now expects Chemicals business to deliver ~20% growth in FY27 to be supported by strong H2 with steady margins.
- Focusing on non-cyclical products and transition into sunrise sectors:** SRF is transforming its Performance Films & Foils (packaging) and Specialty portfolios away from commoditized cyclical businesses toward a targeted US\$1 Billion+ addressable opportunity across EVs, energy storage, semiconductors, and green packaging. The newly approved ₹600 crore battery-grade aluminium foil project at Jaitapur exemplifies this transformation. These initiatives suggest focus on differentiated products in future.

Rating and Target Price: Our SoTP target is ₹2,845 based on 20x (Chemicals Business), 9x (Performance films) and 4x (Technical Textile Business) FY29E respective EBITDA.

Key Financial Summary

Key Financials (₹ crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	FY29E	3-year CAGR (FY26-29E)
Net Sales	13,138.5	12,433.7	15,786.5	9.6	18,734.9	21,736.6	24,568.5	15.9
EBITDA	2,584.1	2,718.4	3,409.6	14.9	3,631.2	4,457.0	5,308.3	15.9
EBITDA Margins (%)	19.7%	21.9%	21.6%		19.4%	20.5%	21.6%	
Adj. PAT	1,335.7	1,250.8	1,750.2	14.5	1,772.3	2,279.5	2,880.9	18.1
Adj. EPS (₹)	44.9	42.1	58.8		59.6	76.6	96.9	
EV/EBITDA	28.7x	27.1x	21.7x		20.6x	16.7x	13.7x	
P/E	52.4	56.0	38.2		39.5	30.7	24.3	
RoE (%)	11.6	9.9	12.5		11.6	13.3	14.8	
RoCE (%)	13.3	12.9	15.1		14.4	16.5	18.7	

Source: Company, ICICI Direct Research



Particulars

Particular	₹ crore
Market Capitalization	70,047
Total Debt (FY26)	5,083
Cash & Invests (FY26)	611
EV	74,519
52-week H/L (₹)	3199/2181
Equity capital (₹)	297.4
Face value (₹)	10

Shareholding pattern

in %	Dec 25	Mar 26	Jun 26	Sep 26
Promoter	50.3	50.3	50.3	50.3
FII	17.4	16.6	15.4	15.2
DII	20.1	21.7	22.4	22.5
Others	12.1	11.9	11.8	12.0

Price Chart



Key risks

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

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Shubh Mehta
shubh.mehta@icicisecurities.com

Q2FY27 Earnings Conference Call Highlights

Chemicals Business-

- Margins experienced QoQ contraction due to elevated raw material costs, freight inflation (15-20%+ depending on routes/geopolitics), and supply chain disruptions.
- Ref gas pass-through remained stronger than Specialty Chemicals, where operational efficiencies helped partially offset cost pressures.
- Agrochemicals: Pockets of demand recovery driven by key customer registrations for active ingredients (AIs) in markets like Brazil. H2FY27 is expected to see a significant volume-driven ramp-up.
- Advanced traction with two major Western pharmaceutical innovators; one molecule in oncology is expected to start contributing meaningful volumes and revenues shortly.
- Company is benefiting from global innovator trends de-risking supply chains away from Europe and China towards India. Select products are being exported directly to China, highlighting cost competitiveness.
- Fluorochemicals & Refrigerants: HFC Strategy & Utilization: Plants running at maximum capacity to optimize quotas during the baseline period. Expanded geographically into newer markets (e.g., Middle East) at accretive prices, offsetting shifts in traditional US demand patterns.
- Dahej Expansion: Brownfield HFC capacity expansion at Dahej is progressing on schedule ahead of the baseline deadline.
- HFO Project (Gopalpur, Odisha): On track for commissioning in Q4FY28. Key regulatory approvals are secured; ramp-up will take 10-12 months post-commissioning. Initial focus will target Western export markets utilizing proprietary non-infringing technology. Post-commissioning, SRF expects to rank among the top 3-4 global refrigerant manufacturers.
- PTFE: Moving up the value chain into fine-cut grades and commercial micro powder sales, de-emphasizing bulk commodity grades.
- PVDF: On track for capitalization; initial application inroads in chemical processing, fluid handling, and architectural coatings before gradually qualifying for solar and battery binder applications.
- Chemours Partnership: First plant for FEP/FKM to come online in Q4FY27, second in Q1FY28. Full revenue ramp-up (10-12-month cycle) expected by FY29.

Performance Films Business-

- Continuing the transition from pure packaging films to high-end engineering substrates and value-added solutions.
- Commercialized 16 products across BOPET, BOPP, and CPP (including 13 offline coatings); 35+ products currently in the R&D pipeline.
- SRF is developing sustainable mono-material solutions (BOPE, BOPLA, BOPA) supported by 17 active R&D collaborations with global brand owners.
- Expanding into higher-value applications like energy storage to create a new growth platform.
- Commercialization of the hybrid BOPP/BOPPE line expected in Q3FY27.
- Capacitor-Grade Films: Successfully scaled up with commercial sales progressing ahead of schedule into electrical and electronics sectors. Board approval is already in place for a potential second line in the future.
- Existing Foil Plant: Approaching profitability by FY27 exit; qualified audits with global aseptic packaging leaders (e.g., Tetra Pak tier), fetching a 30-40% premium over plain foil.
- New Battery Foil Capex (Jaitapur, MP): SRF approved outlay of ₹600 crore for 12,000 MTPA capacity catering to Li-ion and Na-ion battery applications as well as high-end packaging in two phases of ₹300 crore. Phase 1 capacity will be added by 30th September, 2028 while Phase 2 capacity will be added by 30th September 2030. Realizations are estimated at ~1.5x+ over standard packaging foil.

Technical Textiles Business-

- Q2 had clean operating margin profile with no one-off inventory fluctuations from Q1.
- Tyre Cord Fabrics: Steady scale-up and new customer approvals in Nylon 6,6 (N66) and Polyester tyre cord fabrics.
- Upcoming dipping capacity expansion is expected to enhance product mix and boost overall capacity utilization in subsequent quarters.
- Belting & Industrial Fabrics: Belting fabrics delivered strong growth driven by robust export demand, wallet-share gains, and ongoing customer additions in high-value industrial applications.
- Coated & Laminated Fabrics: Coated fabrics defended its domestic market leadership position through specialized, value-added grades and cost-optimization initiatives.
- Laminated fabrics maintained steady operational performance supported by stable demand in baseline target applications.

Strategic Direction: Sunrise Sectors –

- Management highlighted an addressable US\$1B+ pipeline across targeted sunrise verticals:
 - Energy Storage & EVs (Battery foil, PVDF binders)
 - Electricals & Electronics (Capacitor films & foils)
 - Semiconductors (Electronic-grade HF, advanced fluoropolymers)
 - Next-Gen Cooling (HFOs)
 - Aerospace & Defence (Recyclable mono-materials, specialty fluoro-elastomers)

Exhibit 1: Valuation Summary

Valuation - SoTP			
Particulars	FY29E EBITDA (₹ crore)	Multiple	EV
Chemical Business	3,750.7	20.0	75,014
Performance film	1,202.2	9.0	10,819.8
Technical Textiles	318.8	4.0	1,275.1
Net Debt (FY29E)			2,533.5
Implied Market Cap			84,575.4
No of Share (in ₹ crore)			29.7
Per share Value			2,845
Upside			21%

Source: ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement					₹ crore
Year end March	FY26	FY27E	FY28E	FY29E	
Total Operating Income	15,786.5	18,734.9	21,736.6	24,568.5	
Growth (%)	7.4	18.7	16.0	13.0	
Raw Material Expenses	7,797.7	9,367.5	10,650.9	11,792.9	
Gross Profit	7,988.8	9,367.5	11,085.7	12,775.6	
Employee Cost	1,148.3	1,362.8	1,581.2	1,787.2	
Other Operating Expenses	3,430.9	4,373.5	5,047.5	5,680.1	
EBITDA	3409.6	3631.2	4457.0	5308.3	
Growth (%)	25.4	6.5	22.7	19.1	
Other Income	107.1	57.1	93.3	93.3	
EBITDA, including OI	3,516.7	3,688.3	4,550.3	5,401.6	
Depreciation	852.1	937.9	1,071.1	1,145.1	
Net Interest Exp.	278.0	387.3	439.8	415.3	
Other exceptional items	85.0	0.0	0.0	0.0	
PBT	2,471.5	2,363.1	3,039.4	3,841.3	
Total Tax	466.5	590.8	759.8	960.3	
Tax Rate	18.9%	25.0%	25.0%	25.0%	
PAT	2005.1	1772.3	2279.5	2880.9	
Adj. PAT after Minority interest	1,750.2	1,772.3	2,279.5	2,880.9	
Adj. EPS (₹)	58.8	59.6	76.6	96.9	
Shares Outstanding	29.7	29.7	29.7	29.7	

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement					₹ crore
Year end March	FY26	FY27E	FY28E	FY29E	
PBT & Extraordinary	2,301.6	2,363.1	3,039.4	3,841.3	
Depreciation	852.1	937.9	1,071.1	1,145.1	
After other adjustments					
(Inc) / Dec in Working Capital	-399.5	-411.6	-543.2	-512.5	
Taxes	-506.3	-590.8	-759.8	-960.3	
Others	305.6	387.3	439.8	415.3	
CF from operating activities	2553.6	2686.0	3247.3	3928.8	
Purchase of Fixed Assets	1,806.5	2,800.0	1,750.0	1,200.0	
Others	208.7	0.0	0.0	0.0	
CF from investing activities	-1597.8	-2800.0	-1750.0	-1200.0	
Proceeds from issue of shares	0.0	0.0	0.0	0.0	
Borrowings (Net)	-110.1	900.0	600.0	-1,300	
Others	-598.2	-885.5	-938.0	-913.5	
CF from financing activities	-708.3	14.5	-338.0	-2213.5	
Net cash flow	247.4	-99.5	1,159.3	515.3	
Effects of foreign currency translation	0.0	0.0	0.0	0.0	
Opening Cash	353.8	611.0	511.4	1,670.7	
Closing Cash	611.0	511.4	1670.7	2186.0	

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet					₹ crore
Year end March	FY26	FY27E	FY28E	FY29E	
Liabilities					
Share Capital	297.4	297.4	297.4	297.4	
Reserves	13,745.3	15,019.4	16,800.8	19,183.5	
Total Share. Funds	14042.8	15316.9	17098.2	19480.9	
Minority Interest	0.0	0.0	0.0	0.0	
Long Term Borrowings	2,001.9	2,501.9	2,701.9	1,901.9	
Net Deferred Tax liability	1,034.8	1,034.8	1,034.8	1,034.8	
Other long-term liabilities	448.4	118.3	137.2	155.1	
Long term provisions	96.0	117.4	136.2	154.0	
Current Liab. and Provi.					
Short term borrowings	3,080.9	3,480.9	3,880.9	3,380.9	
Trade Payables	2,585.0	3,336.4	3,870.9	4,375.2	
Other Current Liabilities	842.1	1,023.3	1,187.3	1,342.0	
Short Term Provisions	14.9	18.1	21.0	23.7	
Total Current Liabilities	6,522.8	7,858.7	8,960.1	9,121.8	
Total Liabilities	24146.7	26947.9	30068.4	31848.5	
Assets					
Net Block	13,925.7	16,877.2	17,956.0	18,011.0	
Capital Work in Progress	1,889.4	800.0	400.0	400.0	
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	124.1	124.1	124.1	124.1	
Deferred tax assets	50.1	50.1	50.1	50.1	
Long term loans and advances	275.6	167.4	194.2	219.5	
Other Non Current Assets	684.2	624.3	724.4	818.7	
Current Assets, Loans & Advances					
Current Investments	563.3	563.3	563.3	563.3	
Inventories	2,788.6	3,593.0	4,168.7	4,711.8	
Sundry Debtors	2,561.6	2,823.1	3,275.4	3,702.1	
Cash and Bank	611.0	511.4	1,670.7	2,186.0	
Loans and Advances	18.1	18.1	18.1	18.1	
Other Current assets	655.0	796.0	923.6	1,043.9	
Current Assets	7,197.6	8,304.9	10,619.7	12,225.1	
Total Assets	24146.7	26947.9	30068.4	31848.5	

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios					
Year end March	FY26	FY27E	FY28E	FY29E	
Per share data (₹)					
Adj. EPS	61.7	59.6	76.6	96.9	
Adj. Cash EPS	90.3	91.1	112.7	135.4	
BV	472.1	515.0	574.8	655.0	
DPS	16.8	16.8	16.8	16.8	
Operating Ratios (%)					
Gross Margin (%)	50.6	50.0	51.0	52.0	
EBITDA Margin (%)	21.6	19.4	20.5	21.6	
PAT Margin (%)	11.1	9.5	10.5	11.7	
Asset Turnover	1.2	1.2	1.2	1.1	
Debtor Days	61	55	55	55	
Inventory Days	66	70	70	70	
Creditor Days	61	65	65	65	
Cash Conversion Cycle	65	60	60	60	
Return Ratios (%)					
Return on Assets (%)	7.2	6.6	7.6	9.0	
RoCE (%)	15.1	14.4	16.5	18.7	
Core RoC (%)	14.2	13.3	15.8	18.9	
RoE (%)	12.5	11.6	13.3	14.8	
Solvency Ratios					
Total Debt / Equity	0.4	0.4	0.4	0.3	
Interest Coverage	9.6	7.1	7.9	10.2	
Current Ratio	1.1	1.1	1.2	1.3	
Quick Ratio	0.7	0.6	0.7	0.8	
Debt/EBITDA	1.5	1.6	1.5	1.0	
Valuation Ratios (x)					
EV/EBITDA	21.7	20.6	16.7	13.7	
P/E	38.2	39.5	30.7	24.3	
P/B	5.0	4.6	4.1	3.6	
EV/Sales	4.7	4.0	3.4	3.0	

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research
Desk,
ICICI Securities Limited,
Third Floor, Brillanto
House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Siddhant Khandekar, Inter CA; Shubh Mehta, MBA (Tech); Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report