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dividend policy at srf limited: buyback of shares[[1]](#footnote-1)

Kulbir Singh, David Sharp and S. Ramanna Vishwanath wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On April 5, 2012, Ritu Padma, a chartered accountant and financial analyst for SRF Limited (SRF), was asked by her chief financial officer (CFO) to analyze the company’s cash dividend and share repurchase policy and provide recommendations for the next 12 to 24 months. SRF was a ₹38 billion[[2]](#footnote-2) multi-business entity. Having completed its third round of share buybacks at ₹380 per share, SRF paid an interim and consistent dividend of ₹7 per share. The company had engaged in a series of share buybacks since 2006.

In light of India’s falling economic growth and pessimistic global economic outlook, Padma needed to analyze whether the company would be able to maintain its growth. Should the company go ahead with another round of share buybacks and increasing dividends? In order to conduct her analysis, Padma gathered the company’s financial statements (see Exhibits 1A, 1B, and 1C) and relevant data on various important ratios (see Exhibit 2), on dividend and earnings per share (EPS) (see Exhibit 3), and on stock prices (see Exhibit 4). She also needed to know what the analysts’ opinions were about SRF, but could find very few analyst reports. Based on these inputs and analyses, she had to give her recommendation to her CFO.

Company Background

Incorporated as Shri Ram Fibres in 1970, the company changed its name to SRF Limited in 1990, when it became a multi-business entity engaged in the manufacture and sale of chemical-based industrial intermediates in India and internationally. SRF operated in three broad business segments (see Exhibit 5). The technical textile business (TTB) comprised 52 per cent of fiscal year (FY) 2012’s sale of products, the chemicals and polymers business (CPB) comprised 29 per cent of FY 2012’s sale of products, and the packaging films business (PFB) comprised 19 per cent of FY 2012’s sale of products.[[3]](#footnote-3) Through these segments, SRF catered to various industries including automotive, infrastructure, consumer durables, pharmaceuticals, and agrochemicals. SRF exported its products to nearly 60 countries across the globe.[[4]](#footnote-4)

SRF was a global entity with operations in four countries: India, Dubai, South Africa, and Thailand. The company had eight manufacturing facilities in India and one each in Dubai, South Africa, and Thailand. The South Africa and Thailand facilities had been acquired the most recently and were fully integrated into the company’s overall business.[[5]](#footnote-5)

SRF was a market leader in India in technical textiles, refrigerants, engineering plastics, and industrial yarns. The company was controlled by Arun Bharat Ram Group, which consisted of various individuals and corporate bodies, with promoters holding 49.95 per cent of equity in the company.

Industry Profile[[6]](#footnote-6)

Technical Textile Business

The TTB segment was mainly diversified into tire cord fabrics, belting fabrics, coated fabrics, and industrial yarn. It accounted for the largest share of business for the company, with a contribution to the sales of the firm in FY 2012, down from 48 per cent in FY 2011. In actual terms, however, sales of the TTB segment had increased during 2011–12 to over ₹16.7 billion from ₹14.5 billion in FY 2011–10 (see Exhibit 6).

Revenue for the TTB segment was mainly driven by the sale of tires to the auto industry for trucks, buses, multi-utility vehicles, and two-wheelers.

Nylon Tire Cord Fabric and Polyester Tire Cord Fabric

Nylon tire cord fabric and polyester tire cord fabric were SRF’s main products. These two products were used as a reinforcement material in the bias tires for all major categories, from two-wheelers to light and heavy commercial vehicles. As the market leader in Asia, SRF was the second-largest tire manufacturer of Nylon 6 tire cord and the fifth-largest tire cord producer in the world. SRF began its operational journey in 1974 with 2,500 million tonnes per annum (MTPA) and currently stood at 70,000 MTPA, after continuous periodical expansions and acquisitions. SRF was the only company with a fully integrated polyester tire cord plant with a capacity of 6,000 MTPA, and had become the only company in India to produce polyester tire cord fabric. Having set up India’s only polyester industrial yarn plant in 2009–10, SRF had been the country’s market leader in nylon tire cord fabric for decades.

Demand for nylon tire cord fabric and polyester tire cord fabric depended on the growth of the auto industry and the demand for replacement parts from original equipment manufacturers (OEMs).

According to industry estimates, tire production was expected to grow by 9.3 per cent in 2012–13 and 13.4 per cent in 2013–14. The OEM demand for tires, which consisted of 45 per cent of total tire sales, was expected to increase by 10 to 14 per cent each year during 2012–14. However, this demand depended on the growth in automobile production. Replacement parts demand was expected to rise by 7 to 11 per cent each year during 2012–14 due to the increase in vehicle sales in recent years. The demand for replacement tires was considered healthy. In March 2011, nearly 80 million automobiles had been sold in the previous six years. Exports were also expected to rise by 19.4 per cent during 2012–14.

However, raw material costs had been rising steadily, especially the cost of natural rubber. In response, tire manufacturers had raised their prices during 2011–12.

Belting Fabric

Belting Fabric was used as reinforcement material for conveyor belts. SRF was the second-largest manufacturer of conveyer belting fabric in the world. It was also the market leader in several countries, with a market share of 60 per cent in belting fabrics, and had a presence in Europe, Asia, the United States, and Latin America. The overseas market accounted for 55 per cent of SRF’s belting fabric business.

This segment’s growth potential depended on growth in the domestic mining and infrastructure industry. However, this business segment was adversely affected in the second half of 2011–12 due to the fall in mining activity in the country and a freeze on key infrastructure and power projects.

During the previous five years, SRF had increased its belting fabric business at a compound annual growth rate of about 11 per cent.

Coated and Laminated Fabrics

Coated and laminated fabrics had a wide range of applications including protective covers, dynamic tarpaulins, static covers, auto canopies, and awnings.

As India experienced changing lifestyles, urbanization, and massive investments in infrastructure, products such as signage, awnings, and hangar covers were expected to see double-digit growth. Increased use of tensile structures with fabrics, as evidenced in stadiums, homes, and exhibition centres, was also expected to mean double-digit growth for SRF’s high-end product sales.

The company’s new state-of-the-art project was expected to produce 1.7 million square metres per year of coated fabric through a new coating line at its existing plant location in Gummidipoondi, in Tamil Nadu state. With a total investment of approximately ₹1.43 billion, work was progressing on schedule. Commercial production at the new plant had started in the second quarter of 2011–12. The new facility would offer a wide assortment of products, including hangar covers, auto canopies, awnings, lacquered tarpaulins, and fabrics for tensile structures. Polyurethane-coated fabrics for various applications were also expected to be introduced.

Industrial Yarn (Nylon and Polyester)

Industrial yarn was used for conveyor belts, transmission belts, hoses, ropes, geo-textile applications, fishing nets, and stitching threads. SRF continued to enjoy a substantial market share in this segment.

Chemicals and Polymers Business

The CPB segment included chloromethane, pharmaceuticals, certified emission reductions (CER) and allied products, refrigerant gases, and engineering plastics.

During 2011–12, SRF posted record performance in this segment (including CER income), with sales growth of 61 per cent and earnings before interest and taxes (EBIT) growth of 106 per cent. The fluoro-specialties business had continued to grow at a brisk pace, with sales growth of 48 per cent and earnings before interest, depreciation, and taxes growth of 99 per cent in this same period.

Chemicals—Refrigerant/Chloromethane/Fluoro-Specialties

Refrigerant/chloromethane/fluoro-specialties were primarily used as a cooling medium (refrigerants) in the air conditioning and refrigeration industry. The market for refrigerants was estimated to grow at about 20–25 per cent per year. SRF was the market leader in this area with about a 40 per cent share of the Indian domestic market. Exports accounted for 60 per cent of the volumes produced and were spread across 45 countries worldwide. In response to market concerns, the company had focused on producing and delivering new-generation hydrofluorocarbon (HFC) blends and HFCs in place of hydrochlorofluorocarbons and chlorofluorocarbons.

During 2012–13, the company planned to increase the production capacity of HFC-134a, an ozone-friendly refrigerant, and set up new production facilities for multi-purpose chemicals at Dahej, in Gujarat state. New projects were planned every year for the fluoro-specialties business.

Polymers—Engineering Plastics

Engineering plastics were used widely in the automotive and electrical industries. Performance in this area was mainly driven by those industries, which consisted of the user segments of engineering plastics.

Packaging Films

During 2011–12, the packaging films industry saw a drop in the domestic market of around 30 per cent. The drop in business was partly due to a ban on plastic laminates that were used in the packaging of gutka, an extremely harmful mixture of tobacco and other substances that was found to cause cancer.[[7]](#footnote-7) The ban was issued by the Supreme Court of India. SRF’s packaging films segment saw a decline of 92.91 per cent in EBIT, from almost ₹3.5 billion in 2010–11 to ₹245 million in 2011–12 (see Exhibit 6). SRF responded to this challenge by venturing into value-added product variants and two international projects at Thailand and South Africa to be commissioned in 2013–14.

SRF competed against several companies in major business segments (see Exhibit 7).

CAPITAL EXPENDITURES: GROWTH, EXPANSION, AND RESEARCH AND DEVELOPMENT[[8]](#footnote-8)

During 2006–2012, the company embarked on a journey of growth and expansion of its production facilities and market, both in India and overseas, through various organic and inorganic opportunities.

In 2008–09, SRF acquired Thai Baroda Industries Limited, a Thailand-based tire cord company, which enabled SRF to emerge as the third-largest tire cord fabric manufacturer in Asia, and fifth-largest in the world.

In 2008–09, SRF acquired the belting fabrics business of Industex Technical Textiles (Pty) Limited, in South Africa. The company was then renamed SRF Industex Belting (Pty) Ltd. The acquisition’s price was ₹200 million.

In 2009–10, SRF set up the first and only producer plant of polyester industrial yarn in technological collaboration with Toray Industries, Japan. It would serve the growing segment of polyester tire cord fabric used for radial tires for passenger cars and light commercial vehicles—a one-stop-shop for all kinds of fabric for tire manufacturers. It would also provide backward integration with the company’s belting fabric and coated fabric businesses.

In 2008–09, SRF purchased two businesses—an engineering plastics business and an industrial yarn business—from the holding company SRF Polymers Limited.

Two international packaging films projects were started at plants in Thailand and South Africa. The plant at South Africa was expected to have a production capacity of 25,000 in biaxially oriented polypropylene film, with an investment of ₹2.5 billion. The African plant would begin its production in July 2013. Both units were scheduled to be commissioned during 2013–14.

In October 2010, SRF’s board approved an 80:20 joint venture with Nitol-Niloy to establish a plant in Bangladesh for the production of biaxially oriented polyethylene terephthalate, a polyester film used for its high tensile strength. The plant had a capacity of 28,500 MTPA, with an estimated cost of ₹3.2 billion. The project was commissioned in 2012.

By the fourth quarter of 2011–12, production began at the multi-purpose chemical complex in Dahej, Gujarat state, for flourine-based specialty chemicals and hydrofluorocarbons, to be used as intermediates in the manufacture of drugs and pesticides for customers in Japan, Europe, and the United States. During 2012–13, this plant was expected to increase its production capacity of HFC-134a. SRF would have invested over ₹2 billion by that time.

The commissioning of a state-of-the-art coating line plant was expected at an existing site in Gummidipoondi, with a total investment of approximately ₹1.4 billion. The plant had the capacity to produce 17 million square metres per year of coated fabric, starting in the second quarter of FY 2011–12.

SRF had also actively invested in research and development centres at Chennai and Bhiwadi for chemicals, and at Manali for TTB (see Exhibit 8). The company planned to spend another ₹1.4 billion for acquisition, new projects, research and development facilities, and upgrading existing facilities.[[9]](#footnote-9)

Carbon Emission Reductions

SRF’s income also included receipts from the transfer of CER, also referred to as carbon credits, which were added to capital reserves (see Exhibits 9 and 10).

The United Nations Framework Convention on Climate Change, an international environmental treaty for stabilizing greenhouse gas in the atmosphere to prevent the deterioration of the earth’s ozone layer, provided SRF with approval in principle for 3,833,566 CERs per year. However, income from CERs would be generated only until June 2014 and the amount would depend on CER value, which had seen a fall in price.

Dividend History—Buyback of Shares[[10]](#footnote-10)

On June 24, 2006, the SRF board of directors decided to buy back the company’s equity shares from the open market through stock exchanges. During FY 2006–07, the company purchased 16,084 equity shares at an average price of ₹194.29, resulting in the disbursement of ₹3,124,934 to its shareholders (see Exhibit 11).

On April 25, 2008, the company again decided to buy back its equity shares from the open market through stock exchanges. The buyback started on July 2, 2008, and ended on April 16, 2009. During this period, the company was able to purchase a total of 7,381,425 equity shares at an average market price of ₹94.83 per share. This buyback of shares cost the company nearly ₹700 million, reaching the maximum allowed buyback amount of shares for that time.

On July 28, 2009, the SRF board of directors announced another buyback of fully paid-up equity shares for an amount not exceeding ₹650 million, at a maximum price of ₹160 per share, from the open market through stock exchanges. However, the company was not eligible to make a second buyback offer before the completion of 365 days from the date of the preceding offer of buyback, according to the Securities and Exchange Board of India’s Buyback of Shares Act. Consequently, SRF withdrew its buyback offer.

On February 26, 2011, SRF announced a buyback of fully paid-up equity shares for an amount not exceeding ₹900 million, at a maximum price of ₹380 per share, from the open market through stock exchanges. The buyback started on April 6, 2011, and remained open until February 25, 2012. A total of 3,083,080 equity shares, at an average market price of ₹291.89 per share, were bought back, for a total amount of approximately ₹900 million, by February 10, 2012. SRF’s share buyback history included several different buyback events from 2008 to 2012 (see Exhibits 12A and 12B).

SRF in 2012[[11]](#footnote-11)

During FY 2011–12, the company was affected by a multitude of factors and combined effects, including an adverse demand–supply situation, higher energy costs, and higher input costs, which resulted in a decline of 36 per cent in its net profit after tax of ₹870 million compared to ₹1.36 billion the previous year. SRF’s net sales also declined from ₹8.46 billion to ₹8.22 billion during the same period.

Unlike the CPB segment, both the TTP and PFB segments showed a decline in profitability.

The company’s performance, in light of the global economic crisis, European economic problems, the falling index of industrial production data, and falling gross domestic product figures (see Exhibits 13a and 13b), raised many questions. With healthy cash balance reserves, a consistent dividend payment history, and many capital expenditure projects in the pipeline, could SRF maintain robust growth in the coming years? What was the strategy behind the past three buybacks of shares? Would the firm engage in such an endeavour again in the future? With SRF’s zero share premium amount left in the reserves, Padma also had to determine if the company could reward its shareholders by paying a higher dividend in the coming years (see Exhibits 14 and 15), and understand why there were so few reports from analysts about the company. Based on her analyses, what should her recommendation be to the CFO for the next two years?

This case was prepared by Professor David Sharp, Ivey Business School, Canada; Professor Kulbir Singh, Institute of Management Technology-Nagpur, India: and Professor S. R. Vishwanath, School of Management and Entrepreneurship, Shiv Nadar University, Noida, India.

Exhibit 1a: Balance Sheet (in ₹10 million)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **SOURCES OF FUNDS** | **2003–2012** | **2003–2011** | **2003–2010** | **2003–2009** | **2003–2008** | **2003–2007** | **2003–2006** |
| Share Capital | 58.44 | 61.52 | 61.52 | 61.71 | 68.91 | 68.91 | 65.55 |
| Reserves Total | 1,788.26 | 1,578.48 | 1,206.48 | 914.77 | 902.65 | 804.88 | 531.22 |
| Total Shareholders’ Funds | 1,846.70 | 1,640.00 | 1,268.00 | 976.48 | 971.56 | 873.79 | 596.77 |
| Secured Loans | 532.99 | 460.53 | 750.20 | 750.15 | 425.5 | 483.41 | 602.46 |
| Unsecured Loans | 461.24 | 351.63 | 189.15 | 134.68 | 73.14 | 0.23 | 1.38 |
| Total Debt | 994.23 | 812.16 | 939.35 | 884.83 | 498.64 | 483.64 | 603.84 |
| Other Liabilities | 10.40 | 10.34 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Total Liabilities** | 2,851.33 | 2,462.5 | 2,207.35 | 1,861.31 | 1,470.20 | 1,357.43 | 1,200.61 |
| **APPLICATION OF FUNDS** |  | | | | | | |
| Gross Block | 3,094.31 | 2,886.99 | 2,707.22 | 2,187.97 | 1,865.86 | 1,691.99 | 1,418.66 |
| Less: Accumulated Depreciation | 1,233.53 | 1,080.62 | 935.48 | 808.32 | 719.49 | 644.05 | 566.92 |
| Net Block | 1,860.78 | 1,806.37 | 1,771.74 | 1,379.65 | 1,146.37 | 1,047.94 | 851.74 |
| Capital Work in Progress | 414.26 | 113.07 | 127.07 | 280.80 | 89.30 | 114.50 | 245.50 |
| Investments | 218.70 | 201.90 | 164.62 | 133.60 | 147.53 | 99.07 | 96.07 |
| Current Assets, Loans, and Advances |  | | | | | | |
| Inventories | 412.20 | 438.73 | 249.03 | 191.11 | 228.60 | 184.09 | 157.30 |
| Sundry Debtors | 408.03 | 441.78 | 340.23 | 230.24 | 233.00 | 204.93 | 120.07 |
| Cash and Bank | 129.21 | 63.86 | 65.35 | 3.10 | 7.23 | 17.91 | 8.43 |
| Loans and Advances | 82.91 | 114.16 | 167.30 | 147.64 | 93.87 | 96.95 | 92.28 |
| Total Current Assets | 1,032.35 | 1,058.53 | 821.91 | 572.09 | 562.70 | 503.88 | 378.08 |
| Less: Current Liabilities and Provisions |  | | | | | | |
| Current Liabilities | 542.48 | 559.33 | 447.39 | 316.40 | 297.82 | 233.36 | 217.94 |
| Provisions | 13.40 | 9.07 | 24.69 | 15.13 | 29.45 | 47.38 | 44.79 |
| Total Current Liabilities | 555.88 | 568.40 | 472.08 | 331.53 | 327.27 | 280.74 | 262.73 |
| Net Current Assets | 476.47 | 490.13 | 349.83 | 240.56 | 235.43 | 223.14 | 115.35 |
| Deferred Tax Assets | 8.42 | 6.27 | 5.01 | 2.63 | 4.14 | 3.30 | 5.13 |
| Deferred Tax Liability | 225.51 | 215.69 | 210.92 | 175.93 | 152.57 | 130.52 | 113.18 |
| Net Deferred Tax | −217.09 | −209.42 | −205.91 | −173.30 | −148.43 | −127.22 | −108.05 |
| Other Assets | 98.21 | 60.45 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Total Assets** | 2,851.33 | 2,462.5 | 2,207.35 | 1,861.31 | 1,470.2 | 1,357.43 | 1,200.61 |

Source: Prepared by the authors with information from the Capitaline Database, accessed July 8, 2015, www.capitaline.com.

Exhibit 1b: Income Statement (in ₹10 million)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2012** | **2011** | **2010** | **2009** | **2008** | **2007** | **2006** |
| **INCOME** |  | | | | | | |
| Sales Turnover | 3,790.73 | 3,344.57 | 2,344.32 | 1,958.69 | 1,785 | 1,963.37 | 1,433.33 |
| Excise Duty | 260.48 | 281.30 | 163.24 | 153.46 | 169.67 | 161.38 | 141.06 |
| Net Sales | 3,530.25 | 3,063.27 | 2,181.08 | 1,805.23 | 1,615.33 | 1,801.99 | 1,292.27 |
| Other Income | 28.02 | 43.37 | 68.16 | 18.27 | 19.99 | 13.50 | 11.72 |
| Stock Adjustments | 6.52 | 44.80 | 26.17 | –32.96 | –8.53 | 29.38 | 11.62 |
| **Total Income** | 3,564.79 | 3,151.44 | 2,275.41 | 1,790.54 | 1,626.79 | 1,844.87 | 1,315.61 |
| **EXPENDITURE** |  | | | | | | |
| Raw Materials | 2,027.56 | 1,650.54 | 1,163.52 | 927.40 | 907.49 | 882.00 | 750.44 |
| Power and Fuel Cost | 267.00 | 213.23 | 166.33 | 137.95 | 139.99 | 143.99 | 121.42 |
| Employee Cost | 153.40 | 140.73 | 104.82 | 86.43 | 75.55 | 66.37 | 53.18 |
| Other Manufacturing Expenses | 86.77 | 75.82 | 63.49 | 51.73 | 50.17 | 46.88 | 41.70 |
| Selling and Administrative Expenses | 139.55 | 113.01 | 104.94 | 94.95 | 82.30 | 113.19 | 58.03 |
| Miscellaneous Expenses | 58.88 | 51.23 | 19.09 | 95.60 | 36.03 | 36.16 | 30.28 |
| **Total Expenditure** | 2,733.16 | 2,244.56 | 1,622.19 | 1,394.06 | 1,291.53 | 1,288.59 | 1,055.05 |
| **Operating Profit** | 831.63 | 906.88 | 653.22 | 396.48 | 335.26 | 556.28 | 260.56 |
| Interest | 104.09 | 77.69 | 68.05 | 51.11 | 36.07 | 36.40 | 39.28 |
| Gross Profit | 727.54 | 829.19 | 585.17 | 345.37 | 299.19 | 519.88 | 221.28 |
| Depreciation | 161.68 | 151.71 | 131.26 | 99.40 | 96.72 | 76.77 | 62.85 |
| Profit Before Tax | 565.86 | 677.48 | 453.91 | 245.97 | 202.47 | 443.11 | 158.43 |
| Tax | 168.47 | 184.04 | 119.65 | 56.07 | 41.14 | 134.87 | 47.41 |
| Fringe Benefit Tax | 0.00 | 0.00 | 0.00 | 1.75 | 1.39 | 0.00 | 0.00 |
| Deferred Tax | 10.01 | 10.00 | 24.84 | 24.87 | 21.21 | 19.17 | 6.25 |
| Net Profit | 387.38 | 483.44 | 309.42 | 163.28 | 138.73 | 289.07 | 104.77 |
| Extraordinary Items | 3.39 | 2.07 | 0.40 | –53.23 | –15.64 | 0.00 | 0.00 |
| Adjusted Net Profit | 383.99 | 481.37 | 309.02 | 216.51 | 154.37 | 289.07 | 104.77 |
| Profit and Loss Balance Brought Forward | 931.56 | 627.14 | 482.07 | 442.20 | 358.18 | 145.96 | 78.26 |
| Appropriations | 214.91 | 179.02 | 164.35 | 123.41 | 54.71 | 76.85 | 37.07 |
| Profit and Loss Balance Carried Down | 1,104.03 | 931.56 | 627.14 | 482.07 | 442.20 | 358.18 | 145.96 |

Source: Prepared by the authors with information from the Capitaline Database, accessed July 8, 2015, www.capitaline.com.

Exhibit 1c: Cash Flow Statement (in ₹10 million)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2012** | **2011** | **2010** | **2009** | **2008** | **2007** | **2006** |
| Cash and Cash Equivalents at Beginning of Year | 56.65 | 18.40 | 3.10 | 7.74 | 17.91 | 8.43 | 9.08 |
| **Cash Flow from Operating Activities** |  |  |  |  |  |  |  |
| Net Profit Before Tax and Extraordinary Items | 565.86 | 677.48 | 453.91 | 245.96 | 202.47 | 443.11 | 158.43 |
| Adjustment for |  |  |  |  |  |  |  |
| Depreciation | 161.68 | 151.71 | 132.13 | 99.40 | 96.72 | 78.59 | 64.76 |
| Interest (Net) | 102.08 | 76.79 | 64.24 | 48.99 | 34.61 | 35.51 | 37.66 |
| Dividend Received | (13.48) | (4.73) | (0.84) | (0.85) | (2.58) | (1.49) | (0.11) |
| P/L on Sales of Assets | (4.80) | (0.05) | (0.58) | (0.70) | 0.38 | 0.49 | 0.23 |
| P/L on Sales of Invest | (0.10) | (2.85) | 0.00 | (2.01) | (0.15) | 0.00 | 0.00 |
| Provisions (Net) | 0.81 | 6.13 | 0.66 | 0.65 | 1.31 | 2.01 | 9.97 |
| P/L in Forex | (5.68) | (10.23) | (46.32) | 81.10 | 21.11 | 16.74 | 4.02 |
| Others | 0.00 | 0.00 | (0.87) | 0.00 | 0.00 | (1.81) | (1.91) |
| Total Adjustments (PBT and Extraordinary Items) | 240.51 | 216.77 | 148.42 | 226.58 | 151.40 | 130.04 | 114.62 |
| Operating Profit Before WC Changes | 806.37 | 894.25 | 602.33 | 472.54 | 353.87 | 573.15 | 273.05 |
| Adjustment for |  |  |  |  |  |  |  |
| Trade and Other Receivables | 33.44 | (113.05) | (111.09) | (6.74) | (27.09) | (90.62) | (50.95) |
| Inventories | 26.34 | (190.96) | (57.93) | 61.50 | (44.51) | (27.44) | 17.13 |
| Trade Payables | (39.15) | 160.96 | 173.69 | (73.24) | 9.65 | 16.42 | (10.68) |
| Loans and Advances | 1.87 | 9.68 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Others | 1.76 | 2.11 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total (OP Before WC Changes) | 24.26 | (131.26) | 4.67 | (18.48) | (61.95) | (101.64) | (44.50) |
| Cash Generated from/(Used in) Operations | 830.63 | 762.99 | 607.00 | 454.06 | 291.92 | 471.51 | 228.55 |
| Interest Paid (Net) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (35.51) | (37.66) |
| Direct Taxes Paid | (165.18) | (192.71) | (112.55) | (57.16) | (63.69) | (127.74) | (45.31) |
| Others | 0.00 | 0.00 | 16.02 | (12.46) | (0.37) | (16.74) | (4.02) |
| Total Others | (165.18) | (192.71) | (96.53) | (69.62) | (64.06) | (179.99) | (86.99) |
| Cash Flow Before Extraordinary Items | 665.45 | 570.28 | 510.47 | 384.44 | 227.86 | 291.52 | 141.56 |
| Extraordinary Items |  |  |  |  |  |  |  |
| **Net Cash from Operating Activities** | 665.45 | 570.28 | 510.47 | 384.44 | 227.86 | 291.52 | 141.56 |

Exhibit 1c (continued)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Cash Flow from Investing Activities** |  |  |  |  |  |  |  |
| **Investment in Assets** |  |  |  |  |  |  |  |
| Purchased of Fixed Assets | (495.37) | (202.02) | (356.39) | (385.47) | (173.87) | (145.97) | (334.33) |
| Sale of Fixed Assets | 7.34 | 1.00 | 1.69 | 2.47 | 1.37 | 1.02 | 0.50 |
| Financial/Capital Investment |  |  |  |  |  |  |  |
| Purchase of Investments | (1,040.60) | (882.76) | (611.49) | (479.10) | (483.18) | (330.99) | (2.58) |
| Sale of Investments | 1024.24 | 861.25 | 646.55 | 495.28 | 434.86 | 328.16 | 5.01 |
| Interest Received | 2.23 | 3.11 | 3.81 | 1.41 | 1.46 | 0.00 | 0.00 |
| Dividend Received | 13.48 | 4.73 | 0.84 | 0.85 | 2.58 | 1.49 | 0.11 |
| Investment in Subsidiaries | (0.44) | (14.56) | (65.41) | 0.00 | 0.00 | 0.00 | 0.00 |
| Others | 1.86 | 46.24 | 27.45 | (71.57) | 25.46 | 0.00 | 0.00 |
| **Net Cash Used in Investing Activities** | (487.26) | (183.01) | (352.95) | (436.13) | (191.32) | (146.29) | (331.29) |
| **Cash Flow from Financing Activity Proceeds** |  |  |  |  |  |  |  |
| Proceeds from Issue of Shares (Including Share Premium) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 25.82 | 2.87 |
| Proceeds from Other Long-Term Borrowings | 416.34 | 144.90 | 261.40 | 200.00 | 0.00 | 0.00 | 223.22 |
| Proceeds from Short-Term Borrowings | 163.63 | 0.00 | 44.83 | 118.32 | 84.09 | 0.00 | 25.52 |
| Payments |  |  |  |  |  |  |  |
| Of Long-Term Borrowings | (419.61) | (75.59) | 0.00 | (106.69) | (57.91) | (40.28) | (71.67) |
| Of Short-Term Borrowings | 0.00 | (192.91) | (231.65) | 0.00 | 0.00 | (79.92) | 0.00 |
| Dividend Paid | (80.87) | (125.27) | (12.35) | (47.74) | (33.94) | (46.51) | (16.13) |
| Interest Paid | (88.81) | (78.88) | (84.44) | (40.53) | (33.64) | 0.00 | 0.00 |
| Others | (103.26) | (21.27) | (73.06) | (76.31) | (5.82) | 5.14 | 25.27 |
| **Net Cash Used in Financing Activities** | (112.58) | (349.02) | (95.27) | 47.05 | (47.22) | (135.75) | 189.08 |
| Net Income (December) in Cash and Cash Equivalent | 65.61 | 38.25 | 62.25 | (4.64) | (10.68) | 9.48 | (0.65) |
| **Cash and Cash Equivalents at End of Year** | 122.26 | 56.65 | 65.35 | 3.10 | 7.23 | 17.91 | 8.43 |

Note: P/L = profit/loss; PBT = profit before taxes; WC = working capital; OP = operating profit

Source: Prepared by the authors with information from the Capitaline Database, accessed July 8, 2015, www.capitaline.com.

Exhibit 2: Key Ratios and Miscellaneous Information

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2012** | **2011** | **2010** | **2009** | **2008** | **2007** | **2006** |
| **Key Ratios** |  | | | | | | |
| Debt-to-Equity Ratio | 0.54 | 0.63 | 0.86 | 0.75 | 0.57 | 0.81 | 1.07 |
| Long-Term Debt-to-Equity Ratio | 0.30 | 0.38 | 0.59 | 0.56 | 0.50 | 0.73 | 0.98 |
| Current Ratio | 0.89 | 0.88 | 0.80 | 0.85 | 1.07 | 1.00 | 0.89 |
| **Turnover Ratios** |  |  |  |  |  |  |  |
| Fixed Assets | 1.29 | 1.22 | 0.98 | 0.99 | 1.04 | 1.31 | 1.14 |
| Inventory | 8.91 | 9.73 | 10.65 | 9.33 | 8.65 | 11.50 | 8.59 |
| Debtors | 8.92 | 8.55 | 8.22 | 8.46 | 8.15 | 12.08 | 13.58 |
| Total Asset Turnover Ratio | 1.43 | 1.43 | 1.15 | 1.18 | 1.26 | 1.54 | 1.35 |
| Interest Cover Ratio | 6.44 | 9.72 | 7.67 | 7.35 | 7.24 | 13.17 | 5.03 |
| **Growth Ratios** |  |  |  |  |  |  |  |
| PBIDTM (%) | 21.94 | 27.12 | 27.86 | 24.24 | 20.05 | 28.33 | 18.18 |
| PBITM (%) | 17.67 | 22.58 | 22.26 | 19.17 | 14.63 | 24.42 | 13.79 |
| PBDTM (%) | 19.19 | 24.79 | 24.96 | 21.63 | 18.03 | 26.48 | 15.44 |
| CPM (%) | 14.48 | 18.99 | 18.80 | 16.13 | 14.07 | 18.63 | 11.69 |
| APATM (%) | 10.22 | 14.45 | 13.20 | 11.05 | 8.65 | 14.72 | 7.31 |
| ROE (%) | 22.96 | 34.59 | 29.05 | 23.63 | 17.86 | 42.81 | 21.80 |
| ROCE (%) | 25.76 | 33.14 | 26.40 | 23.35 | 19.27 | 39.33 | 19.85 |
| RONW (%) | 22.96 | 34.59 | 29.05 | 23.63 | 17.86 | 42.81 | 21.80 |
| Payout (%) | 21.71 | 18.05 | 28.71 | 40.96 | 25.53 | 14.39 | 18.97 |
| **Valuation Ratios** |  |  |  |  |  |  |  |
| Shares Outstanding (in Million) | 57.42 | 60.50 | 60.50 | 60.69 | 67.89 | 67.89 | 64.53 |
| EPS | 75.86 | 79.72 | 50.21 | 26.76 | 19.88 | 43.63 | 16.35 |
| Price-to-Earnings Ratio | 3.97 | 4.16 | 3.92 | 3.56 | 5.39 | 2.96 | 21.72 |
| **Stock Market** |  |  |  |  |  |  |  |
| Beta | 1.18 | 1.18 | 1.16 | 1.10 | 1.33 | 0.95 | 0.95 |
| Standard Deviation Returns (%) | 1.7 | 2.7 | 3.1 | 2.9 | 3.7 | 4.1 | 3.6 |
| **Standard & Poor’s BSE Sensex** |  |  |  |  |  |  |  |
| Beta | 0.93 | 0.93 | 0.93 | 0.93 | 0.93 | 0.93 | 0.93 |
| Standard Deviation Returns (%) | 1.25 | 1.10 | 1.91 | 2.78 | 1.92 | 1.74 | 1.02 |

Note: PBIDTM = profit before interest, depreciation, and tax margin; PBITM = profit before interest and tax margin; PBDTM = profit before depreciation and tax margin × 100; ROE = return on equity; ROCE = return on capital employed; RONW = return on net worth; EPS = earnings per share; BSE Sensex = Bombay Stock Exchange Sensitive Index (the oldest and most widely followed stock index in India, comprising 30 of the most actively traded and largest stocks on the BSE)

Source: Prepared by the authors with information from the Capitaline Database, accessed July 8, 2015, www.capitaline.com, and from the CMIE Prowess database, https://prowess.cmie.com.

Exhibit 3: SRF Limited Dividend Per Share (DPS) and Earnings Per Share (EPs)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Dividend  Amount (₹)** | **DPS**  **(₹)** | **Dividend Yield  (%)** | **EPS (₹)** |
| 2012 | 81.23 | 14 | 5.50 | 64.03 |
| 2011 | 84.71 | 14 | 4.40 | 76.31 |
| 2010 | 84.71 | 14 | 7.09 | 47.96 |
| 2009 | 62.53 | 10 | 13.56 | 24.74 |
| 2008 | 33.94 | 5 | 4.96 | 19.30 |
| 2007 | 40.73 | 6 | 4.95 | 41.07 |
| 2006 | 19.36 | 3 | 0.91 | 15.57 |

Source: Prepared by the authors with information from the Capitaline Database, accessed July 8, 2015, [www.capitaline.com](http://www.capitaline.com).

Exhibit 4: SRF Limited Stock Price Chart, 2006–2012 (₹)

Source: Created by case writers using data from BSE, India, accessed April 18, 2017.

Exhibit 5: Business Segments of SRF Limited

**SRF Limited**

**Packaging Films Business (PFB)**

**Chemicals and Polymers Business (CPB)**

**Technical Textile Business (TTB)**

* PET Films for Packaging of Foods, Cosmetics, Personal, and Healthcare Products
* Refrigerants
* Chloromethane
* Fluorospecialties
* Engineering Plastics
* Tire Cord Fabric
* Belting Fabric
* Coated Fabric
* Laminated Fabric
* Fishnet Twine
* Industrial Yarn

Note: PET = polyethylene terephthalate

Source: Prepared by the authors with information from SRF Limited annual reports.

Exhibit 6: Segment Revenue (in ₹ million)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2012** | | | **2011** | | | **2010** | | | **2009** | | | **2008** | | | **2007** | | | **2006** |
| **REVENUES** |  | | | | | | | | | | | | | | | | | | |
| Technical Textiles Business | 16,743.98 | | | 14,512.00 | | | 12,034.88 | | | 9,052.36 | | | 9,088.00 | | | 8,699.90 | | | 8,757.40 |
| Chemical Business + CER | 12,052.45 | | | 7,466.71 | | | 6,577.60 | | | 6,176.74 | | | 4,789.40 | | | 7,294.40 | | | 3,490.50 |
| Packaging Film Business | 6,606.66 | | | 8,713.13 | | | 3,364.82 | | | 2,900.58 | | | 2,275.70 | | | 2,031.00 | | | 1,480.10 |
| Less: Inter-Segment Revenues | (100.56) | | | (590.69) | | | (38.80) | | | (2.66) | | | (0.10) | | | (0.80) | | | (0.90) |
| **Net Revenues from Operations** | 35,302.53 | | | 30,101.15 | | | 21,938.50 | | | 18,127.02 | | | 16,153.00 | | | 18,024.50 | | | 13,727.10 |
| **EBIT** |  | | | | | | | | | | | | | | | | | | |
| Technical Textiles Business | 1,061.63 | | 1,550.97 | | | 1,958.23 | | | 375.41 | | | 199.10 | | | 466.80 | | | 750.00 | |
| Chemical Business | 5,941.34 | | 2,888.08 | | | 2,768.07 | | | 3,238.43 | | | 2,552.80 | | | 4,834.20 | | | 1,546.60 | |
| Packaging Film Business | 245.03 | | 3,456.51 | | | 406.88 | | | 448.16 | | | 213.60 | | | (53.40) | | | (193.20) | |
| **Total EBIT** | 7,248.00 | | 7,895.56 | | | 5,133.18 | | | 4,062.00 | | | 2,965.50 | | | 5,247.60 | | | 2,103.40 | |
| Less: Interest | (1,040.93) | | (776.92) | | | (680.48) | | | (511.13) | | | (346.80) | | | (355.10) | | | (388.80) | |
| Other Unallocatable Expenditure | (548.43) | | 343.85 | | | 863.95 | | | (1,091.30) | | | (565.30) | | | (461.40) | | | (160.50) | |
| **PBT** | 5,658.64 | | 7,462.49 | | | 5,316.65 | | | 2,459.57 | | | 2,053.40 | | | 4,431.10 | | | 1,554.10 | |
| **EBIT MARGIN (%)** |  | | | | | | | | | | | | | | | | | | |
| Technical Textiles Business | 6.34 | 10.69 | | | 16.27 | | | 4.15 | | | 2.19 | | | 5.37 | | | 8.56 | | |
| Chemical Business | 49.30 | 38.68 | | | 42.08 | | | 52.43 | | | 53.30 | | | 66.27 | | | 44.31 | | |
| Packaging Film Business | 3.71 | 39.67 | | | 12.09 | | | 15.45 | | | 9.39 | | | (2.63) | | | (13.05) | | |

Note: CER = certified emissions reduction; EBIT = earnings before interest and taxes; PBT = profit before taxes

Source: Various annual reports of SRF Ltd., accessed July 8, 2015, www.srf.com/investor-relations/investors.html#reports.

Exhibit 7: SRF Limited and Competitors’ Data

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Company** | **Share Closing Price on the Bombay Stock Exchange (₹)** | **Market Capitalization**  **(in ₹ Million)** | **Sales Revenue**  **(in ₹ Million)** | **Profit After Tax**  **(in ₹ Million)** | **Total Assets**  **(in ₹ Million)** |
| Aditya Birla Nuvo Ltd. | 858.60 | 97,464.16 | 88,679.50 | 3,453.90 | 122,569.90 |
| Century Enka Ltd. | 120.85 | 2,640.64 | 18,256.30 | 87.80 | 13,321.50 |
| Filatex India Ltd. | 40.15 | 963.60 | 5,193.30 | 137.00 | 4,626.10 |
| J B F Industries Ltd. | 114.95 | 8,270.36 | 47,820.80 | 486.70 | 34,224.90 |
| N R C Ltd. | 3.95 | 147.09 | 0.10 | (570.10) | 3,789.50 |
| Paras Petrofils Ltd. | 0.48 | 160.43 | 1,209.90 | (60.00) | 692.90 |
| SRF Ltd. | 270.35 | 15,523.63 | 33,470.30 | 3,873.80 | 36,354.60 |
| Shekhawati Poly-Yarn Ltd. | 26.80 | 589.90 | 2,143.40 | 44.20 | 1,800.10 |
| Sumeet Industries Ltd. | 27.10 | 1,579.65 | 8,934.40 | 174.70 | 6,261.70 |
| Vardhman Acrylics Ltd. |  |  | 4,212.20 | 244.90 | 3,549.70 |

Note: Share closing price and market capitalization as on February 15, 2012; others as on December 31, 2011.

Source: Prepared by the authors with information from the Capitaline Database, accessed July 8, 2015, www.capitaline.com.

Exhibit 8: SRF limited Capital expenditures (in ₹ million)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2012** | **2011** | **2010** | **2009** | **2008** | **2007** | **2006** |
| Capital Expenditure | 618 | 767 | 536 | 381 | 2,335 | 1,753 | 106 |
| Recurring Expenditure | 2,099 | 1,846 | 1,375 | 1,156 | 897 | 401 | 159 |
| Total Expenditure | 2,717 | 2,613 | 1,911 | 1,537 | 3,232 | 2,154 | 265 |
| Total R&D Expenditure (% of Net Turnover) | 0.77 | 0.88 | 0.88 | 0.85 | 2.00 | 11.90 | 0.21 |

Note: R&D = research and development

Source: Prepared by the authors with information from the Capitaline Database.

**Exhibit 9: CERtified Emissions reduction Receipts**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2011** | **2010** | **2009** | **2008** |
| CER Receipts (in Million ₹) | 1,369.80 | 2,595.60 | 3,483.74 | 2,677.11 |
| % of Profit Before Tax | 20% | 57% | 142% | 132% |

CER = certified emissions reduction

Source: Prepared by the authors with information from the Capitaline Database and SRF annual reports.

Exhibit 10: Generation and Receipt of CERtified Emissions reductions from HFC2

|  |  |  |
| --- | --- | --- |
| **YEAR** | **GENERATED** | **RECEIVED** |
| 2005–06 | 3,823,225 | 2,510,549 |
| 2006–07 | 4,828,337 | 5,369,088 |
| 2007–08 | 3,906,220 | 1,744,265 |
| 2008–09 | 3,950,689 | 3,903,416 |
| 2009–10 | 4,706,063 | 2,981,153 |
| 2010–11 | 2,861,580 | 871,079 |
| 2011–12 | 1,472,078 | 8,168,642 |
| **TOTAL** | **25,548,192** | **25,548,192** |

Source: “Project 0115: GHG Emission Reduction by Thermal Oxidation of HFC 23 at Refrigerant (HCFC-22) Manufacturing Facility of SRF Ltd,” accessed July 8, 2015, https://cdm.unfccc.int/Projects/DB/DNV-CUK1129901204.48/view.

Exhibit 11a: SRF Limited Shareholding Information (as on March 31)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Shareholding (%)** | | | | | |
|  | **2012** | **2011** | **2010** | **2009** | **2008** | **2007** |
| Promoters | 49.95 | 47.44 | 47.25 | 46.20 | 42.39 | 42.42 |
| Mutual Funds and UTI | 8.80 | 8.35 | 7.04 | 6.35 | 5.96 | 5.76 |
| Banks, FIs, Insurance Companies | 4.07 | 3.87 | 4.18 | 4.42 | 4.24 | 4.25 |
| Central Government/State Government | 0.00 | 0.00 | 0.00 | 0.94 | 0.86 | 0.86 |
| Foreign Institutional Investors | 10.47 | 13.23 | 4.62 | 5.04 | 9.08 | 8.54 |
| Private Corporate Bodies | 4.42 | 5.02 | 9.31 | 10.77 | 10.23 | 12.30 |
| Indian Public | 20.78 | 21.37 | 26.41 | 25.22 | 26.38 | 24.98 |
| NRIs/OCBs | 0.61 | 0.65 | 0.74 | 0.53 | 0.58 | 0.49 |
| Others | 0.89 | 0.09 | 0.45 | 0.53 | 0.28 | 0.40 |

Note: UTI = Unit Trust of India (a mutual fund co. owned by the government of India); FI = financial institution; NRI = Non-Resident Indians; OCB = overseas corporate bodies

Source: Prepared by the authors with information from various of SRF Ltd.’s annual reports, accessed July 8, 2015, www.srf.com/investor-relations/investors.html#reports; National Stock Exchange, Mumbai; www.nseindia.com.

Exhibit 11b: Pattern of Shareholding by Share Class

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Number of Equity Shares Held** | **March 31, 2012** | | **March 31, 2011** | | **March 31, 2010** | | **March 31, 2009** | | **March 31, 2008** | | **March 31, 2007** | |
| **Number of Shareholders (%)** | **Number of Shares (%)** | **Number of Shareholders (%)** | **Number of Shares (%)** | **Number of Shareholders (%)** | **Number of Shares**  **(%)** | **Number of Shareholders (%)** | **Number of Shares (%)** | **Number of Shareholders (%)** | **Number of Shares (%)** | **Number of Shareholders (%)** | **Number of Shares (%)** |
| Up to 500 | 93.08 | 10.27 | 92.95 | 9.98 | 92.65 | 12.11 | 93.09 | 12.84 | 92.53 | 12.67 | 92.88 | 12.97 |
| 501–1,000 | 3.95 | 3.24 | 3.96 | 3.15 | 4.13 | 3.83 | 4.10 | 3.93 | 4.29 | 4.01 | 4.07 | 3.90 |
| 1,001–2,000 | 1.53 | 2.47 | 1.57 | 2.48 | 1.67 | 3.02 | 1.52 | 2.86 | 1.67 | 3.03 | 1.65 | 3.10 |
| 2,001–3,000 | 0.46 | 1.30 | 0.45 | 1.21 | 0.49 | 1.54 | 0.45 | 1.45 | 0.51 | 1.63 | 0.51 | 1.63 |
| 3,001–4,000 | 0.24 | 0.94 | 0.25 | 0.93 | 0.21 | 0.90 | 0.19 | 0.85 | 0.24 | 1.03 | 0.21 | 0.97 |
| 4,001–5,000 | 0.16 | 0.82 | 0.19 | 0.93 | 0.21 | 1.17 | 0.15 | 0.91 | 0.18 | 1.03 | 0.14 | 0.84 |
| 5,001–10,000 | 0.29 | 2.20 | 0.30 | 2.27 | 0.32 | 2.84 | 0.15 | 2.24 | 0.28 | 2.40 | 0.26 | 2.34 |
| 10,001 & above | 0.29 | 78.76 | 0.33 | 79.06 | 0.32 | 74.59 | 0.25 | 74.92 | 0.30 | 74.20 | 0.28 | 74.25 |

Source: Prepared by the authors with company information (annual reports).

Exhibit 12a: Share Buyback Details

**(**₹**)**

Source: Prepared by authors using data from accessed July 8, 2015, ProwessIO, https://prowessiq.cmie.com; National Stock Exchange, Mumbai, www.nseindia.com/live\_market/dynaContent/live\_watch/get\_quote/GetQuote.jsp?symbol=SRF&

illiquid=0&smeFlag=0&itpFlag=0#); Bombay Stock Exchange, www.bseindia.com/markets/equity/EQReports/StockPrc

Histori.aspx?expandable=7&scripcode=503806&flag=sp&Submit=G.

**exhibit 12b: Share Buyback Details**

**(**₹**)**

Source: Prepared by authors using data from accessed July 8, 2015, ProwessIO, https://prowessiq.cmie.com; National Stock Exchange, Mumbai, www.nseindia.com/live\_market/dynaContent/live\_watch/get\_quote/GetQuote.jsp?symbol=SRF&

illiquid=0&smeFlag=0&itpFlag=0#); Bombay Stock Exchange, www.bseindia.com/markets/equity/EQReports/StockPrc

Histori.aspx?expandable=7&scripcode=503806&flag=sp&Submit=G.

Exhibit 13a: Index of Industrial Production in India

|  |  |  |
| --- | --- | --- |
| **Month** | **Manufacturing** | **Mining and Quarrying** |
| January 2012 | 188.60 | 138.00 |
| February 2012 | 186.80 | 135.00 |
| March 2012 | 198.70 | 149.60 |
| April 2012 | 173.00 | 124.80 |
| May 2012E | 178.30 | 128.40 |
| June 2012E | 177.10 | 121.20 |
| July 2012E | 174.30 | 114.00 |
| August 2012E | 173.90 | 110.10 |

Note: E = estimate

Source: “Database on Indian Economy,” Reserve Bank of India, accessed July 8, 2015, https://dbie.rbi.org.in/DBIE/dbie.rbi?site=home.

Exhibit 13b: Median Forecasts of Selected Macroeconomics Indicators

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Actual** | **Annual Forecasts** | |
| **2011–12** | **2012–13** |
| Real GDP Growth Rate at Factor Cost (%) | 8.4 | 6.9 | 7.2 |
| Treasury Bill, 91 Days’ Yield (% at Year-End) | 8.2 | 8.8 | 7.9 |
| 10-Year Guaranteed Security Yield (%) | 8.4 | 8.4 | 8.2 |

Note: GDP = gross domestic product

Source: “Macroeconomic Outlook April 2012,” Reserve Bank of India, accessed July 8, 2015, https://dbie.rbi.org.in/DBIE/dbie.rbi?site=home.

Exhibit 14: Taxation Brackets for Individuals in India

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Income Brackets (in ₹ Million)**  **(as per Age and Gender)** | | | | **Tax Rates**  **2012** | |
| **Less than 60 Years** | **60–80 Years** | **More than 80 Years** | **Women** | **Ordinary**  **Citizen** | **Senior Citizen** |
| 0–0.18 | 0–0.25 | 0–0.50 | 0–0.19 | NIL | NIL |
| 0.18–0.49 | 0.25–0.50 | 0.50–0.80 | 0.16–0.49 | 10% | 20% |
| 0.50–0.79 | 0.50–0.80 | More than 0.80 | 0.50–0.79 | 20% | 30% |
| More than 0.80 | More than 0.80 |  | More than 0.80 | 30% |  |
|  |  |  |  |  |  |
| **Income Brackets (in ₹ Million)** | | | | **2011** | |
| **Less than 60 Years** | **65–80 Years** | **More than 80 Years** | **Women** | **Ordinary**  **Citizen** |  |
| 0–0.16 | 0–0.24 | Same | 0–0.19 | NIL |  |
| 0.16–0.50 | 0.24–0.50 | Same | 0.16–0.50 | 10% |  |
| 0.50–0.80 | 0.50–0.80 | Same | 0.50–0.80 | 20% |  |
| More than 0.80 | More than 0.80 | Same | More than 0.80 | 30% |  |
|  |  |  |  |  |  |
| **Income Brackets (in ₹ Million)** | | | | **2010** | |
| **Less than 60 Years** | **65–80 Years** | **More than 80 Years** | **Women** | **Ordinary**  **Citizen** |  |
| 0–0.15 | 0–0.225 | Same | 0–0.18 | NIL |  |
| 0.15–0.30 | 0.225–0.30 | Same | 0.18–0.30 | 10% |  |
| 0.30–0.50 | 0.30–0.50 | Same | 0.30–0.50 | 20% |  |
| More than 0.50 | More than 0.50 | Same | More than 0.50 | 30% |  |

Note: Any individual age 80 years and above is classified as a senior citizen as per the government of India’s Income Tax Act. This concept came into existence in 2012.

Source: Prepared by the authors with information accessed July 8, 2015 from Ministry of Finance, http://finmin.nic.in, and Income Tax Department, www.incometaxindia.gov.in/Pages/default.aspx.

Exhibit 15: Tax Rate on Dividend Income and Capital Gains in Sale of Equity Shares (India)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Cash Dividend Income Received by** | **Tax Rate** | | | |
| **2012** | **2011** | | **2010** |
| Individuals and Firms (Less than or Equal to ₹1 Million) | NIL | NIL | | NIL |
| Individuals and Firms (More than ₹1 Million) | 10% | 10% | | 10% |
|  | | | | |
| **Tax on Cash Dividend Paid by Firms**  (Dividend Distribution Tax) | 16.608% | 16.995% | | 16.995% |
|  | | | | |
| **Short-Term Capital Gains Effective Tax (Equity Shares)**  Individuals and Firms (Less than or Equal to ₹1 Million)  Individuals and Firms (More than ₹1 Million) | 15.450%  16.950% | 15.450%  16.950% | 15.450%  16.575% | |
| **Long-Term Capital Gains Tax (Equity Shares)** | NIL | NIL | | NIL |

Source: Prepared by the authors with information accessed July 8, 2015, Ministry of Finance, [http://finmin.nic.in](http://finmin.nic.in/); Income Tax Department, www.incometaxindia.gov.in/Pages/default.aspx; and Raja Babu, “Special Income Tax Rates on Long Term-Short Term Capital Gain,” [www.itaxindia.org/2011/10/special-income-tax-rates-on-long-term.html](http://www.itaxindia.org/2011/10/special-income-tax-rates-on-long-term.html).

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of SRF Limited or any of its employees. [↑](#footnote-ref-1)
2. ₹ = INR = Indian rupee; all currency amounts are in ₹ unless otherwise specified; US$1 = ₹51 on April 5, 2012. [↑](#footnote-ref-2)
3. SRF Ltd. Annual Report 2011–12, Schedule 19, p. 62 (excluding excise duty). [↑](#footnote-ref-3)
4. Various SRF Ltd. annual reports, accessed July 8, 2015, www.srf.com/investor-relations/investors.html#reports. [↑](#footnote-ref-4)
5. Various SRF Ltd. annual reports, accessed July 8, 2015, www.srf.com/investor-relations/investors.html#reports. [↑](#footnote-ref-5)
6. Various facts and figures related to production, factories, and products are taken from the Management Discussion and Analysis (MDA) section of various annual reports of SRF Ltd., accessed July 8, 2015, www.srf.com/investor-relations/investors.html#reports. [↑](#footnote-ref-6)
7. Afshan Yasmeen, “Gutka More Harmful than Other Forms of Tobacco,” The Hindu, June 7, 2016, accessed February 23, 2017, www.thehindu.com/news/national/karnataka/gutka-more-harmful-than-other-forms-of-tobacco/article4769653.ece. [↑](#footnote-ref-7)
8. Details related to product, processes, production, plant locations, etc. are based on the Management Discussion and Analysis (MDA) sections of various annual reports of SRF Ltd., accessed July 8, 2015, www.srf.com/investor-relations/investors.html#reports. [↑](#footnote-ref-8)
9. “India Ratings Affirms SRF at ‘IND AA’/Stable,” money control, September 26, 2012, accessed February 23, 2017, www.moneycontrol.com/news/fitch-research/india-ratings-affirms-srf-at-%60ind-aa%60-stable\_761993.html. [↑](#footnote-ref-9)
10. Details related to stocks (such as number of buybacks, date of announcement, and price) mentioned here are based on various annual reports, accessed July 8, 2015, www.srf.com/investor-relations/investors.html#reports. [↑](#footnote-ref-10)
11. Some details mentioned here are based on various annual reports, accessed July 8, 2015, www.srf.com/investor-relations/investors.html#reports. [↑](#footnote-ref-11)