

**Price:** 2,990

**Recommendation:** Buy

**Industry:** Specialty Chemicals

**Sector:** Commodities

**Report Date:** 19-Apr-2025

SRF Limited reported a strong Q3 FY25 performance with a 14% Y-o-Y revenue growth, reaching INR 3,491 crore. The Chemicals business contributed significantly, with INR 1,496 crore in revenue. The Specialty Chemicals segment thrived on new product launches and agro intermediate demand. SRF is optimistic about future growth, focusing on new initiatives in Specialty Chemicals, Fluorochemicals, and Technical Textiles, while addressing challenges in PTFE and Packaging Films.

Sales		Profit & Loss		Profitability Matrix	
Current Year	11121 Cr	Operating Profit(Year)	2227 Cr	Operating Profit Margin	20.0 %
Previous Year	12074 Cr	Operating Profit(Quarter)	557 Cr	EBITDA Margin	22.52 %
Current Quarter	2762 Cr	PAT (Year)	1370 Cr	Net Profit Margin	12.7 %
Previous Quarter	2704 Cr	PAT (Quarter)	280 Cr	EPS	40.2
Revenue (QYoY)	2506 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	74.4	Sales Growth	1.01 %	Sales Growth	2.14 %
PEG Ratio	3.46	PAT Growth	-32.14 %	Sales Growth QYoY	10.22 %
EV/EBITDA	38.6	EPS Growth	-13.36 %	PAT Growth	24.44 %
P/B	8.14	Dividend Yield	0.24	PAT Growth QYoY	6.46 %
Capital Allocation		Holdings		Leverage	
RoE	13.9 %	Promoter	50.3 %	Debt/Equity	0.35
RoA	8.33 %	FII	18.4 %	Debt	3811 Cr
RoCE	14.6 %	DII	17.8 %	Market Cap	88643 Cr
RoIC	12.0 %	Public	13.6 %	Enterprise value	92332 Cr
		No of Shares	29.6 Cr	Cash Equivalents	122 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

In the recent conference call, SRF Limited reported a robust performance for Q3 FY25, with a 14% year-on-year growth in gross operating revenue, reaching INR 3,491 crore. The Chemicals business was a significant contributor, with revenues of INR 1,496 crore, marking a 7% Y-o-Y growth. The Specialty Chemicals segment showed strong performance, driven by new product launches and increased demand for agro intermediates. The company is optimistic about future growth, expecting to ramp up sales of newly registered active ingredients in FY26. The Fluorochemical business also saw strong domestic demand for refrigerants, although export realizations were softer. The Packaging Films business grew by 27% Y-o-Y, supported by value-added products, despite challenges in the BOPET segment.

SRF is focusing on several new initiatives and strategies to drive growth. The company is enhancing its Specialty Chemicals portfolio with new active ingredients, aiming to capitalize on customer demand. The Fluorochemical segment is expected to benefit from increased domestic demand and improved export volumes. The company is also expanding its Technical Textile business, with ongoing projects in Belting Fabric and dipping machines. These initiatives are expected to drive future growth and improve margins. The company is also exploring opportunities in the aluminum foil segment, with export sampling gaining momentum in the US and European markets.

Looking ahead, SRF is optimistic about its growth prospects. The company expects to finish the fiscal year on a strong note, with a positive outlook for the next fiscal. The Specialty Chemicals segment is anticipated to see further growth, supported by new product registrations and increased demand. The company is also focusing on maximizing HFC production to meet quota requirements between 2024-2026. The integration of a new hot lamination machine is expected to drive margin improvements in the Coated Fabric business. Additionally, SRF is committed to sustainable growth, with a focus on innovation and operational excellence.

While the company has shown strong performance, there are areas for improvement. The domestic market for PTFE is under pricing pressure, and the company is working on gaining export traction. The Packaging Films business faces challenges from lower-cost imports from China, impacting margins. However, the company is optimistic about future growth, with plans to expand its product offerings and improve capacity utilization. Overall, SRF is well-positioned to capitalize on emerging opportunities, with a focus on driving long-term value for stakeholders.

SRF Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
<b>SRF</b>	88642.88	74.36	13.86%	2.15%	10.19%	24.32%	6.49%
<b>Linde India</b>	53244.57	122.61	12.88%	-4.50%	-14.21%	9.20%	-2.70%
<b>Gujarat Fluoroch</b>	43588.48	95.59	7.69%	-3.37%	15.73%	4.13%	57.50%
<b>Godrej Industrie</b>	38042.88	49.22	0.65%	0.41%	34.39%	-34.57%	76.86%
<b>Deepak Nitrite</b>	26730.31	38.70	16.38%	-6.33%	-5.27%	-49.49%	-51.45%

Aspect	Commentary
<b>Revenue</b>	The company experienced a decline in annual revenue from 12074 Cr to 11121 Cr, indicating a challenging year. However, quarterly revenue showed a slight increase from 2704 Cr to 2762 Cr, suggesting potential recovery. The QYoY revenue growth of 2506 Cr highlights a positive trend in recent quarters.
<b>Profit &amp; Loss</b>	Annual operating profit was 2227 Cr, with a quarterly figure of 557 Cr. The PAT for the year was 1370 Cr, while the quarterly PAT was 280 Cr. These figures suggest stable profitability, though the annual PAT indicates a need for strategic improvements to enhance year-end results.
<b>Profitability Matrix</b>	The company maintains a healthy operating profit margin of 20.0% and an EBITDA margin of 22.52%. The net profit margin stands at 12.7%, reflecting efficient cost management. An EPS of 40.2 indicates strong earnings per share, supporting investor confidence.
<b>Valuation Matrix</b>	The trailing P/E ratio of 74.4 suggests high market expectations. A PEG ratio of 3.46 indicates potential overvaluation relative to growth. The EV/EBITDA of 38.6 and P/B of 8.14 reflect a premium valuation, necessitating careful investment consideration.
<b>Growth (YoY)</b>	Sales growth was modest at 1.01%, while PAT declined by 32.14%, indicating profitability challenges. EPS growth was negative at -13.36%, suggesting earnings pressure. A dividend yield of 0.24 provides limited income for shareholders, highlighting growth concerns.
<b>Growth (QoQ)</b>	Quarterly sales growth of 2.14% and QYoY growth of 10.22% indicate positive momentum. PAT growth of 24.44% and QYoY growth of 6.46% reflect improving profitability. These trends suggest effective short-term strategies, though long-term sustainability needs focus.
<b>Capital Allocation</b>	The company demonstrates efficient capital allocation with RoE at 13.9%, RoA at 8.33%, RoCE at 14.6%, and RoIC at 12.0%. These metrics indicate effective use of equity and assets, supporting sustainable growth and shareholder value creation.
<b>Holdings</b>	Promoter holding is strong at 50.3%, indicating confidence in the company's prospects. FII and DII holdings are 18.4% and 17.8%, respectively, reflecting institutional interest. Public holding is 13.6%, suggesting a balanced ownership structure.
<b>Leverage</b>	With a debt/equity ratio of 0.35, the company maintains a conservative leverage position. Total debt is 3811 Cr, while market cap is 88643 Cr, indicating strong market valuation. Cash equivalents of 122 Cr provide liquidity, supporting financial stability.

**Analyst viewpoint:** SRF Limited has demonstrated commendable short to mid-term growth potential, driven by a robust performance in the recent quarter. The company reported a 2.14% QoQ sales growth, enhancing its revenue base with new initiatives in the Specialty and Fluorochemicals segments. Valuation metrics suggest high market expectations with a trailing P/E of 74.4, underlining investor confidence. Notably, SRF's strategic capital allocation is evident with RoE at 13.9% and a conservative debt/equity ratio of 0.35, reflecting financial prudence amidst expansion efforts. In peer comparison, SRF's performance is bolstered by its strategic focus on Specialty Chemicals, with a promising pipeline of new active ingredients, setting it apart from competitors.

The company's roadmap involves aggressive expansion into new markets, particularly in Technical Textiles and innovative initiatives such as aluminum foil exports, which are expected to sustain its growth trajectory. However, potential margin pressures from low-cost imports in the Packaging Films sector warrant attention. Despite this, SRF anticipates future growth by capitalizing on value-added product segments and improving capacity utilization. The positive quarterly and yearly sales trends enhance our outlook, making SRF a compelling buy recommendation for clients seeking a rewarding investment in the Specialty Chemicals sector.

Please read detailed disclosure on next page.

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BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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