

Price: 2,899

Recommendation: Buy

Industry: Specialty Chemicals

Sector: Commodities

Report Date: 03-Apr-2025

SRF Limited, a leading player in the chemicals and packaging industry, reported a 14% year-on-year growth in Q3 FY25, with revenues reaching INR 3,491 crore. The Chemicals business, particularly Specialty Chemicals, drove this growth through new product launches and increased agro intermediate demand. The company is expanding its Specialty Chemicals portfolio and enhancing its Packaging Films business, focusing on value-added products and new markets. Despite challenges, SRF is poised for future growth through innovation and strategic initiatives.

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	72.1	Sales Growth	1.01 %	Sales Growth	2.14 %
PEG Ratio	3.35	PAT Growth	-32.14 %	Sales Growth QYoY	10.22 %
EV/EBITDA	37.5	EPS Growth	-13.36 %	PAT Growth	24.44 %
P/B	7.88	Dividend Yield	0.25	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	85939 Cr
RoIC	12.0 %	Public	13.6 %	Enterprise value	89628 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 new 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 expanding its Specialty Chemicals portfolio, with registrations for new active ingredients expected to boost sales. The Fluorochemical segment is targeting increased domestic sales, leveraging strong demand for refrigerants. The company is also enhancing its Packaging Films business by focusing on value-added products and exploring new markets in the US and Europe. Additionally, SRF is investing in its Technical Textile business, with ongoing projects in Belting Fabric and dipping machines expected to drive future growth.

Looking ahead, SRF is optimistic about its growth prospects. The company anticipates improved performance in Q4 FY25, driven by sustained demand in the Chemicals and Packaging Films segments. The integration of new technologies and expansion of production capacities are expected to enhance operational efficiency and support long-term growth. SRF is also focusing on innovation and sustainability, aiming to create long-term value for stakeholders. The company is well-positioned to capitalize on emerging opportunities as market conditions improve.

While SRF's performance is commendable, there are areas for improvement. The company faces pricing pressures in some segments, particularly in the Specialty Chemicals and Fluorochemical businesses. Addressing these challenges through cost optimization and strategic pricing could enhance profitability. Additionally, the company could benefit from further diversification of its product portfolio to mitigate risks associated with market fluctuations. Overall, SRF's strategic initiatives and focus on innovation position it well for future growth, but continued vigilance and adaptability will be key to sustaining its competitive edge.

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
SRF	85939.12	72.10	13.86%	2.15%	10.19%	24.32%	6.49%
Linde India	52473.72	120.84	12.88%	-4.50%	-14.21%	9.20%	-2.70%
Gujarat Fluoroch	42482.27	93.16	7.69%	-3.37%	15.73%	4.13%	57.50%
Godrej Industrie	37134.47	48.04	0.65%	0.41%	34.39%	-34.57%	76.86%
Deepak Nitrite	27340.00	39.59	16.38%	-6.33%	-5.27%	-49.49%	-51.45%

Aspect	Commentary
Revenue	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 year-over-year quarterly revenue growth of 2506 Cr highlights resilience in the face of adversity.
Profit & Loss	Operating profit for the year was 2227 Cr, with a quarterly figure of 557 Cr, reflecting stable operational efficiency. However, the annual PAT of 1370 Cr and quarterly PAT of 280 Cr indicate a need for improved cost management to enhance profitability.
Profitability Matrix	The company maintains a healthy operating profit margin of 20% and an EBITDA margin of 22.52%, showcasing strong operational performance. A net profit margin of 12.7% and EPS of 40.2 suggest effective cost control and shareholder value creation.
Valuation Matrix	With a trailing P/E of 72.1 and PEG ratio of 3.35, the company appears overvalued, indicating high growth expectations. An EV/EBITDA of 37.5 and P/B of 7.88 suggest premium market valuation, necessitating sustained performance to justify these metrics.
Growth (YoY)	Sales growth of 1.01% indicates stagnation, while a PAT decline of 32.14% and EPS drop of 13.36% highlight profitability challenges. A dividend yield of 0.25 suggests limited shareholder returns, emphasizing the need for strategic growth initiatives.
Growth (QoQ)	Quarterly sales growth of 2.14% and QYoQ growth of 10.22% reflect positive momentum. A PAT increase of 24.44% and QYoY growth of 6.46% indicate improving profitability, suggesting effective cost management and operational efficiency.
Capital Allocation	The company demonstrates efficient capital allocation with RoE of 13.9%, RoA of 8.33%, RoCE of 14.6%, and RoIC of 12.0%. These metrics reflect strong returns on investment, indicating effective use of capital to generate shareholder value.
Holdings	Promoter holding at 50.3% indicates strong control, while FII at 18.4% and DII at 17.8% reflect institutional confidence. Public holding of 13.6% suggests limited retail participation, highlighting potential for increased market engagement.
Leverage	A debt/equity ratio of 0.35 indicates prudent financial management, with manageable debt levels of 3811 Cr. A market cap of 85939 Cr and enterprise value of 89628 Cr reflect strong market positioning, supported by cash equivalents of 122 Cr.

Analyst viewpoint: SRF Limited has demonstrated impressive resilience and growth, bolstered by a solid 14% year-on-year increase in quarterly revenue, reaching INR 3,491 crore. The robust performance was largely driven by the Specialty Chemicals segment, which showed strong results from new product launches and heightened agro intermediate demand. The company's strategic investments in expanding its Specialty Chemicals portfolio and capitalizing on domestic fluorochemical demand underpin our bullish outlook. Furthermore, SRF's entry into new markets and emphasis on value-added products in the Packaging Films business have resulted in a remarkable 27% year-on-year growth, underscoring its commitment to innovation and market expansion. These efforts, combined with its healthy quarterly growth metrics such as a 24.44% increase in PAT paint a promising growth trajectory for the company.

Despite these positive indicators, a cautious note is observed in the form of pricing pressures in specific segments that could affect profitability. However, SRF's effective capital management, characterized by a prudent debt-equity ratio of 0.35 and strong institutional confidence with an 18.4% FII, reinforces our confidence in its operational robustness and future profitability. The company's leadership in innovation, along with its strategic initiatives, positions it well for sustained growth, making it an attractive investment opportunity for those seeking exposure in the specialty chemicals and packaging industries, while remaining vigilant of market challenges.

Please read detailed disclosure on next page.

