

SRF

22 January 2021

Reuters: SRFL.BO; Bloomberg: SRF IN

Tracking expectations

SRF's 3QFY21 performance was broadly in line with our & consensus estimates. Revenue/EBITDA/APAT grew by ~16%/~45%/~72% YoY in 3QFY21. Specialty Chemicals and Packaging were the key growth drivers for the quarter. Strong demand from global agrochemicals clients for the existing portfolio as well as new products aided growth for Specialty Chemicals. While Specialty Chemicals growth stood at ~25% YoY (our estimate), the remaining pie of the chemicals business was flat. The Packaging business grew by ~26% YoY, led by fast ramp-up of the Thailand BOPET line. The recently commissioned Hungary BOPET line will drive revenue growth from 1QFY22 whereas the new resin plant in Thailand would be positive for margins post ramp-up. Overall Packaging margins would be under pressure on account of oversupply in BOPET and BOPP. However, the same could be mitigated to a large extent through internal efficiency measures and higher salience of value-added products. The management expects recovery in refrigerant gases on account of increase in HFC prices and recovery of OEMs & replacement demand. We are positive on the potential opportunities in the agrochemicals space and expect Specialty Chemicals vertical to continue its high growth trajectory (2x revenue over FY20-23E), taking into account the management's aggressive capex plans. SRF is one of the top Buy ideas in our Specialty Chemicals coverage universe with a target price of Rs6,600 (unchanged) without revising earnings & valuation multiple.

Specialty Chemicals can grow 2x over FY20-23E: While SRF does not share Specialty Chemicals revenue on a quarterly basis, we expect 3QFY21 growth of this business at ~25% YoY, which is in line with the management's guidance. EBIT margin expansion of ~330bps YoY in the chemicals business was on account of the higher share of Specialty Chemicals. Demand from global agrochemicals majors remains robust for both existing as well as new products. Gross block of the Specialty Chemicals business is ~Rs21bn currently and has a revenue potential of ~Rs27bn at peak, as per our estimates. The management indicated that majority of the incremental capex would be apportioned to the Specialty Chemicals business, including the QIP proceeds. We expect the Specialty Chemicals business to grow 2x over FY20-23E.

Packaging business growth is sustainable: Packaging business' revenue grew by ~26% YoY in 3QFY21, led by the ramp-up of the newly commissioned Thailand BOPET line. Incremental growth drivers for the Packaging business are: Hungary BOPET line and the upcoming lines in Thailand (1QFY22) and Indore (1QFY23). The newly started resin plant in Thailand will support margins post ramp up. While the operating margin outlook remains stretched for the upcoming quarters on account of the oversupply situation, the management believes that the impact would be limited as the same would be offset by the higher share of value-added products and internal efficiencies.

Other segments in recovery mode: Refrigerant Gases business is expected to recover in the coming quarters. SRF witnessed better volumes and capacity utilisation throughout the Refrigerant Gas capacities. Rising HFC prices is also a positive. Inventory build-up currently would be utilized in the coming quarters. Demand recovery from AC and Auto segments will drive growth of this business. Technical Textiles business is operating at almost full capacity on account of the robust recovery of the Tyre sector.

BUY

Sector: Chemicals

CMP: Rs5,414

Target Price: Rs6,600

Upside: 22%

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Key Data

Current Shares O/S (mn)	59.2
Mkt Cap (Rsbn/US\$bn)	320.2/4.4
52 Wk H / L (Rs)	6,075/2,468
Daily Vol. (3M NSE Avg.)	244,246

Price Performance (%)

	1 M	6 M	1 Yr
SRF	(2.3)	40.7	48.6
Nifty Index	6.7	29.1	18.7

Source: Bloomberg

Key Links:

[3QFY21 result update](#)
[3QFY21 press release](#)
[3QFY21 presentation](#)
[FY20 AR](#)

Consolidated (Rsmn)	3QFY20	2QFY21	3QFY21	YoY	QoQ	9MFY20	9MFY21	YoY
Net Sales	18,505	21,008	21,464	16.0%	2.2%	54,167	57,924	6.9%
Gross margin	49.6%	54.5%	52.5%	295bps	-200bps	48.3%	53.1%	487bps
EBITDA	3,902	5,725	5,661	45.1%	-1.1%	10,713	15,019	40.2%
EBITDA margin	21.1%	27.3%	26.4%	529bps	-88bps	19.8%	25.9%	615bps
EBIT	2,883	4,585	4,496	55.9%	-1.9%	7,825	11,673	49.2%
PBT	2,591	4,321	4,428	70.9%	2.5%	6,987	11,010	57.6%
APAT	1,883	3,157	3,243	72.2%	2.7%	5,309	8,168	53.8%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 1: Financial summary

Y/E March (Rsmn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	70,996	72,094	80,277	94,748	1,11,404
Growth YoY%	27.0%	1.5%	11.3%	18.0%	17.6%
Gross margin %	44.1%	48.9%	49.3%	49.3%	49.3%
EBITDA	12,970	14,549	21,199	24,672	29,877
EBITDA margin %	18.3%	20.2%	26.4%	26.0%	26.8%
Adj PAT	5,916	6,892	11,423	14,032	16,809
Growth YoY%	28.1%	16.5%	65.7%	22.8%	19.8%
EPS	102.9	119.9	198.7	244.1	292.4
RoCE	13.7%	13.7%	18.2%	18.4%	20.1%
RoE	15.4%	15.2%	19.7%	19.3%	19.6%
P/E	52.6	45.2	27.2	22.2	18.5
EV/EBITDA	26.3	23.4	16.1	13.8	11.4
P/BV	7.5	6.3	4.7	4.0	3.4

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: 3QFY21 consolidated performance

Particulars (Rsm)	3QFY20	2QFY21	3QFY21	YoY	QoQ	9MFY20	9MFY21	YoY
Net Sales	18,505	21,008	21,464	16.0%	2.2%	54,167	57,924	6.9%
COGS	9,328	9,550	10,186	9.2%	6.7%	28,030	27,152	-3.1%
Gross Profit	9,177	11,458	11,278	22.9%	-1.6%	26,137	30,772	17.7%
Staff costs	1,368	1,507	1,579	15.4%	4.7%	4,065	4,461	9.7%
Other expenses	3,908	4,226	4,038	3.3%	-4.4%	11,358	11,293	-0.6%
Total expenses	14,603	15,283	15,803	8.2%	3.4%	43,454	42,905	-1.3%
EBITDA	3,902	5,725	5,661	45.1%	-1.1%	10,713	15,019	40.2%
Depreciation	1,019	1,140	1,166	14.4%	2.2%	2,889	3,346	15.8%
EBIT	2,883	4,585	4,496	55.9%	-1.9%	7,825	11,673	49.2%
Interest	475	362	285	-40.1%	-21.2%	1,544	1,078	-30.2%
Other income	183	98	217	18.5%	122.4%	706	415	-41.2%
PBT	2,591	4,321	4,428	70.9%	2.5%	6,987	11,010	57.6%
Tax	-864	1,164	1,185	-237.1%	1.8%	-328	2,842	-965.4%
PAT	3,455	3,157	3,243	-6.1%	2.7%	7,315	8,168	11.7%
APAT	1,883	3,157	3,243	72.2%	2.7%	5,309	8,168	53.8%
EPS	32.8	54.9	56	72.2%	2.7%	92.4	142.1	53.8%
Discon. Ops (net of tax)	-25	-5	5	-119.4%	-200.0%	1,018	2	-99.8%
Total PAT	1,859	3,152	3,247	74.7%	3.0%	6,328	8,170	29.1%
Margin (%)	3QFY20	2QFY21	3QFY21	YoY	QoQ	9MFY20	9MFY21	YoY
Gross margin	49.6%	54.5%	52.5%	295bps	-200bps	48.3%	53.1%	487bps
EBITDA margin	21.1%	27.3%	26.4%	529bps	-88bps	19.8%	25.9%	615bps
EBIT margin	15.6%	21.8%	20.9%	537bps	-88bps	14.4%	20.2%	571bps
PBT margin	13.9%	20.5%	20.4%	656bps	-5bps	12.7%	18.9%	614bps
PAT margin	10.1%	15.0%	15.0%	488bps	bps	9.7%	14.0%	433bps
Common size (% of sales)	3QFY20	2QFY21	3QFY21	YoY	QoQ	9MFY20	9MFY21	YoY
COGS	50.4%	45.5%	47.5%	-295bps	200bps	51.7%	46.9%	-487bps
Staff costs	7.4%	7.2%	7.4%	-4bps	18bps	7.5%	7.7%	20bps
Other expenses	21.1%	20.1%	18.8%	-231bps	-130bps	21.0%	19.5%	-147bps
Depreciation	5.5%	5.4%	5.4%	-7bps	bps	5.3%	5.8%	44bps
Interest	2.6%	1.7%	1.3%	-124bps	-39bps	2.8%	1.9%	-99bps
Other income	1.0%	0.5%	1.0%	2bps	55bps	1.3%	0.7%	-59bps
ETR	27.3%	26.9%	26.8%	-54bps	-17bps	1.5%	25.8%	2430bps

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: 3QFY21 consolidated segment performance

Particulars (Rsmn)	3QFY20	2QFY21	3QFY21	YoY	QoQ	9MFY20	9MFY21	YoY
Segment revenue								
Technical Textiles business	3,357	3,321	3,670	9.3%	10.5%	11,059	8,395	-24.1%
Chemicals business	8,119	8,812	9,059	11.6%	2.8%	20,931	24,923	19.1%
Packaging Film business	6,382	8,329	8,020	25.7%	-3.7%	20,025	23,122	15.5%
Others	691	569	738	6.9%	29.8%	2,207	1,544	-30.0%
Total	18,548	21,030	21,486	15.8%	2.2%	54,222	57,984	6.9%
Segment revenue share (%)								
Technical Textiles business	18.1%	15.8%	17%	-102bps	129bps	20.4%	14.5%	-592bps
Chemicals business	43.8%	41.9%	42%	-161bps	26bps	38.6%	43.0%	438bps
Packaging Film business	34.4%	39.6%	37%	292bps	-228bps	36.9%	39.9%	295bps
Others	3.7%	2.7%	3%	-29bps	73bps	4.1%	2.7%	-141bps
Total	100.0%	100.0%	100%	bps	bps	100.0%	100.0%	bps
Segment result (EBIT)								
Technical Textiles business	365	502	679	86.1%	35.3%	1,182	1,041	-11.9%
Chemicals business	1,431	1,744	1,899	32.8%	8.9%	3,526	4,529	28.5%
Packaging Film business	1,494	2,462	2,124	42.2%	-13.7%	4,249	6,793	59.9%
Others	83	88	83	-0.1%	-6.6%	265	168	-36.5%
Total	3,372	4,796	4,785	41.9%	-0.2%	9,222	12,532	35.9%
EBIT margin (%)								
Technical Textiles business	10.9%	15.1%	18.5%	764bps	340bps	10.7%	12.4%	171bps
Chemicals business	17.6%	19.8%	21.0%	334bps	117bps	16.8%	18.2%	133bps
Packaging Film business	23.4%	29.6%	26.5%	307bps	-307bps	21.2%	29.4%	816bps
Others	12.0%	15.5%	11.2%	-78bps	-435bps	12.0%	10.9%	-111bps
Total	18.2%	22.8%	22.3%	409bps	-54bps	17.0%	21.6%	461bps
Segment EBIT share (%)								
Technical Textiles business	10.8%	10.5%	14.2%	337bps	373bps	12.8%	8.3%	-451bps
Chemicals business	42.4%	36.4%	39.7%	-273bps	332bps	38.2%	36.1%	-209bps
Packaging Film business	44.3%	51.3%	44.4%	9bps	-693bps	46.1%	54.2%	813bps
Others	2.5%	1.8%	1.7%	-73bps	-12bps	2.9%	1.3%	-153bps

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: 3QFY21 consolidated segment performance

Revenue share	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21
Technical Textiles	29%	28%	28%	23%	24%	19%	18%	17%	9%	16%	17%
Chemicals	27%	28%	30%	41%	33%	39%	44%	47%	46%	42%	42%
Packaging Film	36%	36%	36%	30%	38%	38%	34%	32%	44%	40%	37%
Others	8%	7%	7%	6%	4%	4%	4%	3%	2%	3%	3%
Revenue growth											
Technical Textiles	-11%	14%	6%	-8%	-11%	-41%	-39%	-34%	-69%	3%	9%
Chemicals	16%	35%	29%	50%	26%	25%	39%	5%	17%	30%	12%
Packaging Film	53%	69%	63%	18%	11%	-5%	-9%	-3%	-3%	26%	26%
Others	na	na	na	na	-42%	-45%	-47%	-55%	-69%	-24%	7%
EBIT share											
Technical Textiles	28%	31%	32%	17%	21%	7%	11%	11%	-5%	10%	14%
Chemicals	30%	22%	30%	49%	27%	45%	42%	48%	30%	36%	40%
Packaging Film	37%	42%	34%	31%	49%	45%	44%	39%	75%	51%	44%
Others	5%	4%	5%	3%	3%	3%	2%	2%	0%	2%	2%
EBIT margin											
Technical Textiles	14%	16%	15%	12%	14%	6%	11%	12%	-10%	15%	19%
Chemicals	16%	12%	13%	20%	13%	19%	18%	18%	13%	20%	21%
Packaging Film	15%	17%	13%	17%	21%	20%	23%	22%	33%	30%	26%
Others	9%	9%	9%	8%	13%	11%	12%	9%	-1%	16%	11%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: SRF's packaging segment has consistently outperformed listed peers

Revenue Growth YoY	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
SRF (Consol)	24%	18%	28%	39%	53%	69%	63%	18%	11%	-5%	-9%	-3%	-3%	26%
SRF (Stand)	43%	37%	41%	53%	69%	92%	87%	21%	11%	-5%	-9%	-6%	-7%	14%
Polyplex (Consol)	4%	7%	14%	17%	28%	36%	28%	19%	5%	-7%	-7%	2%	4%	13%
Polyplex (Stand)	11%	2%	15%	16%	14%	37%	25%	14%	5%	-8%	-8%	-11%	-20%	7%
Cosmo Films	10%	8%	19%	7%	15%	14%	22%	10%	5%	5%	4%	-5%	-11%	1%
Jindal Poly (Consol)	2%	-6%	28%	-59%	-55%	-47%	-57%	24%	0%	-12%	12%	-9%	-8%	30%
Uflex (Consol)	8%	-2%	6%	6%	11%	26%	18%	13%	4%	-7%	-9%	-14%	1%	19%
Uflex (Stand)	9%	-12%	3%	0%	0%	23%	8%	6%	3%	-7%	-1%	-8%	-6%	17%
Ester	13%	11%	4%	2%	11%	40%	33%	16%	25%	-8%	-9%	0%	-34%	-2%

2-yr Revenue CAGR	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
SRF (Consol)	8%	9%	15%	35%	37%	41%	45%	28%	30%	27%	22%	7%	4%	9%
SRF (Stand)	15%	18%	28%	51%	56%	62%	62%	36%	37%	35%	31%	6%	2%	4%
Polyplex (Consol)	2%	4%	10%	7%	15%	20%	21%	18%	16%	12%	9%	10%	4%	2%
Polyplex (Stand)	7%	-1%	10%	11%	13%	19%	20%	15%	10%	13%	7%	1%	-8%	0%
Cosmo Films	5%	4%	9%	14%	13%	11%	20%	8%	10%	9%	12%	2%	-4%	3%
Jindal Poly (Consol)	-1%	-1%	11%	-35%	-33%	-29%	-26%	-29%	-33%	-32%	-31%	6%	-4%	7%
Uflex (Consol)	4%	3%	6%	8%	9%	11%	12%	10%	7%	8%	3%	-1%	2%	5%
Uflex (Stand)	6%	1%	5%	5%	5%	4%	5%	3%	2%	7%	3%	-1%	-2%	4%
Ester	-1%	-1%	8%	5%	12%	24%	18%	9%	18%	14%	10%	7%	-9%	-5%

EBIT margin	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
SRF (Consol)	10.5%	12.1%	14.1%	13.7%	15.4%	17.3%	12.5%	17.0%	20.7%	19.6%	23.4%	21.7%	32.6%	29.6%
SRF (Stand)	9.8%	11.5%	13.0%	14.9%	15.5%	18.0%	11.4%	18.2%	21.8%	20.4%	24.8%	25.6%	32.8%	33.5%
Polyplex (Consol)	3.9%	8.6%	10.1%	11.1%	10.5%	13.4%	10.8%	11.0%	15.2%	13.0%	14.0%	0.6%	21.0%	9.0%
Polyplex (Stand)	1.1%	2.4%	4.4%	3.3%	8.4%	4.6%	8.2%	7.0%	8.7%	5.3%	8.7%	7.3%	9.3%	16.8%
Cosmo Films	4.8%	4.8%	3.7%	4.0%	5.3%	5.2%	2.1%	7.3%	8.1%	8.4%	10.1%	9.0%	15.2%	13.9%
Jindal Poly	6.2%	5.0%	4.6%	8.5%	10.4%	9.7%	4.5%	6.8%	11.5%	11.3%	18.2%	20.1%	23.3%	27.6%
Uflex (Consol)	8.7%	9.1%	6.2%	7.2%	8.2%	8.1%	6.5%	7.8%	8.7%	9.5%	9.3%	9.2%	15.6%	15.8%
Uflex (Stand)	7.1%	7.4%	5.3%	5.0%	5.3%	5.8%	4.4%	5.3%	6.0%	5.8%	6.9%	8.2%	10.0%	10.8%
Ester	3.5%	2.9%	3.2%	6.8%	7.8%	6.4%	7.3%	8.0%	15.1%	14.0%	13.6%	16.5%	22.1%	24.9%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Change in earnings estimates

Consolidated (Rsmn)	Old Estimates			New estimates			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	80,277	94,748	1,11,404	80,277	94,748	1,11,404	-	-	-
EBITDA	21,199	24,672	29,877	21,199	24,672	29,877	-	-	-
APAT	11,423	14,032	16,809	11,423	14,032	16,809	-	-	-

Source: Nirmal Bang Institutional Equities Research

Exhibit 7: Change in valuation and TP

Old		New		Change	
Implied PE	TP	Implied PE	TP	Target PE	TP
23	6,600	23	6,600	-	-

Source: Nirmal Bang Institutional Equities Research

Key charts

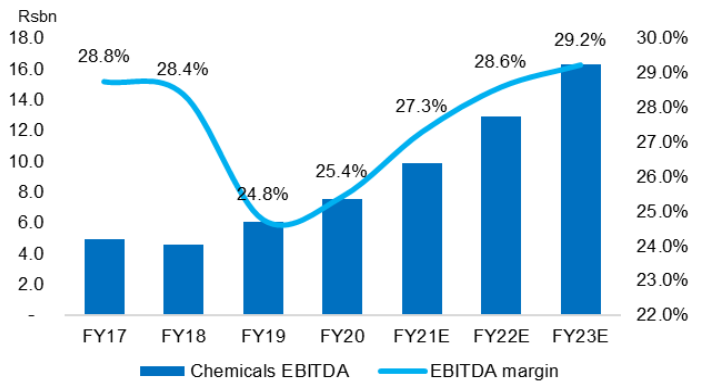
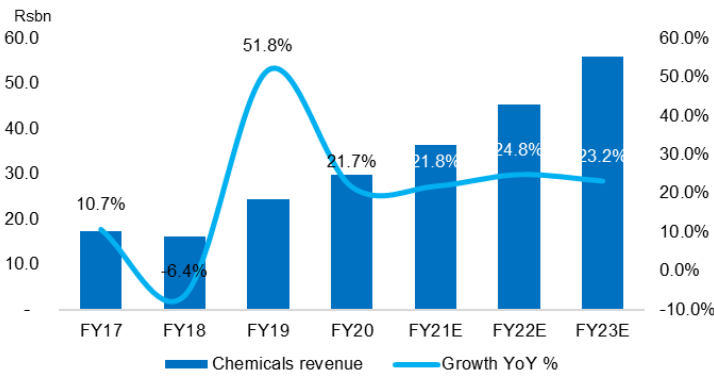
Exhibit 8: Product grid

Particulars	Technical textiles	Chemicals	Packaging films
Revenue share (FY11)	53%	21%	25%
Revenue share (FY20)	19%	41%	36%
Revenue share (FY23E)	10%	50%	37%
Revenue CAGR FY10-20	1%	16%	23%
Revenue CAGR FY20-23E	-7%	23%	17%
EBITDA margin (FY20)	14%	25%	25%
EBIT share (FY11)	22%	36%	42%
EBIT share (FY20)	12%	41%	44%
EBIT share (FY23E)	7%	51%	40%
Future capex intensity	Low	Very high	High
Competitive positioning	Strong	Strong (in fluorine segment)	Moderate
Market share	Domestic market leader (>50% share)	One of the key players in fluorine segment, >40% domestic market share in refrigerants	NA
Applications	Construction, Tyres	Agrochemicals, Pharma, HVAC etc	FMCG, Pharma
Key clients	NA	Bayer, BASF, Syngenta, Pfizer	NA
Peers	Century Enka, Supreme Industries	NFIL, PI, GFL	Jindal Poly, Polyplex, Cosmo Films, Uflex etc

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Chemicals revenue growth- we are building in ~23% CAGR over FY20-23E

Exhibit 10: Chemicals EBITDA growth- we are building in ~29% CAGR over FY20-23E

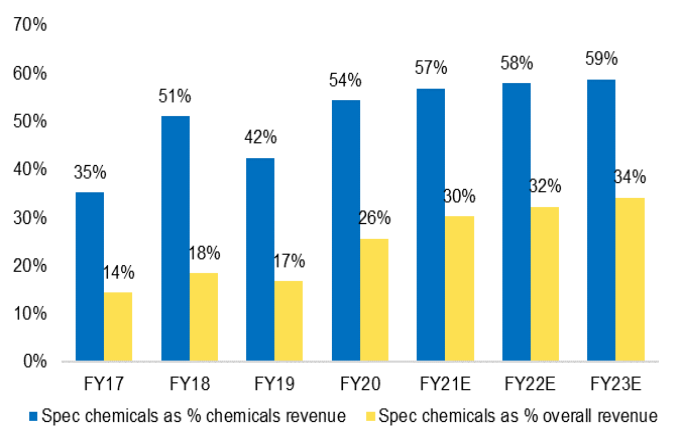
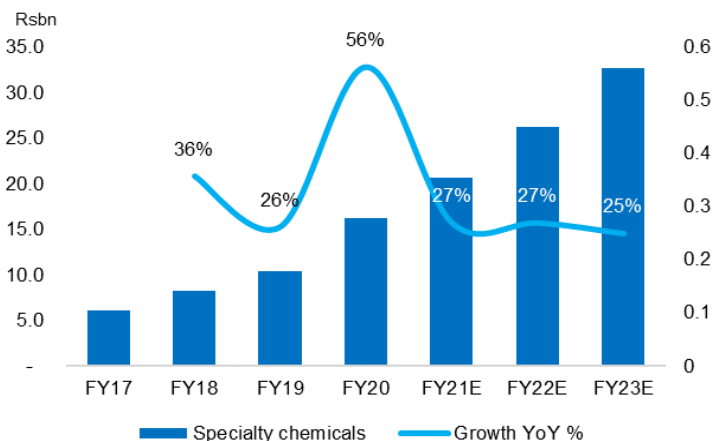


Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Specialty Chemicals revenue growth- we are building in ~26% CAGR over FY20-23E

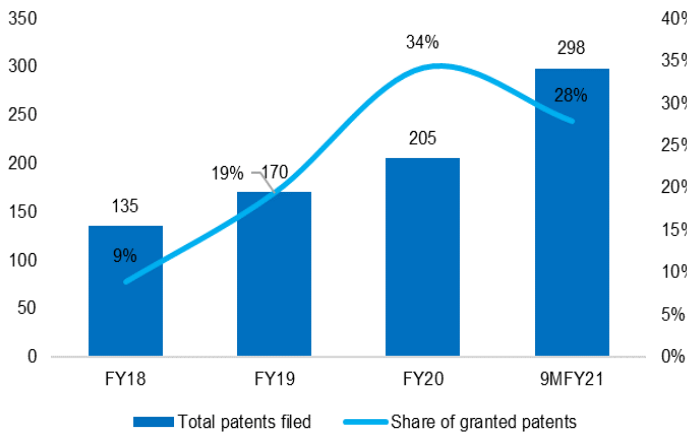
Exhibit 12: Specialty Chemicals segments to gain revenue share meaningfully over FY20-23E



Source: Company, Nirmal Bang Institutional Equities Research

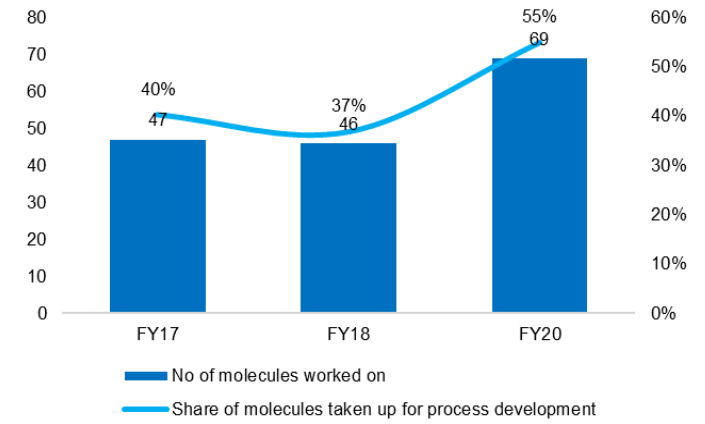
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: Total patents filed- significant increase in share of granted patents over last 2 years



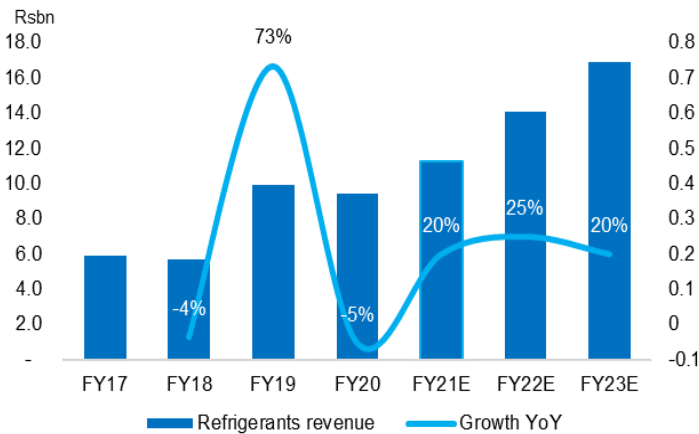
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: Share of molecules taken up for process development has gone up significantly



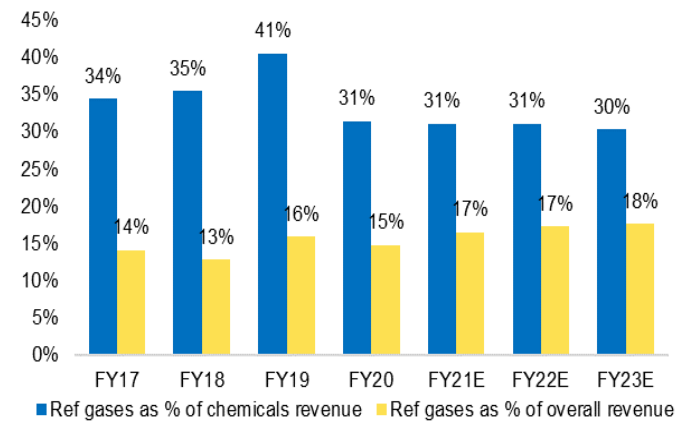
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: Refrigerant gases revenue- we are building in ~22% CAGR over FY20-23E



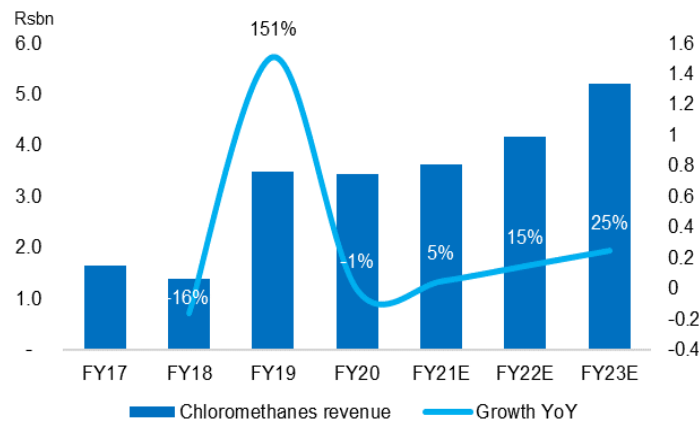
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: Refrigerant gases formed ~15% of the overall revenue in FY20



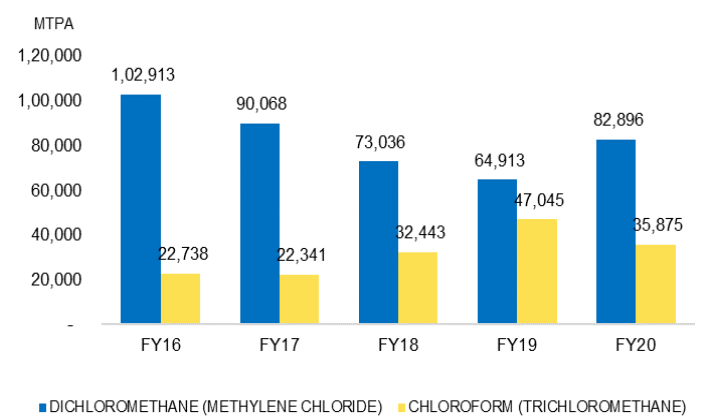
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Chloromethanes revenue growth- we are building in ~15% CAGR over FY20-23E



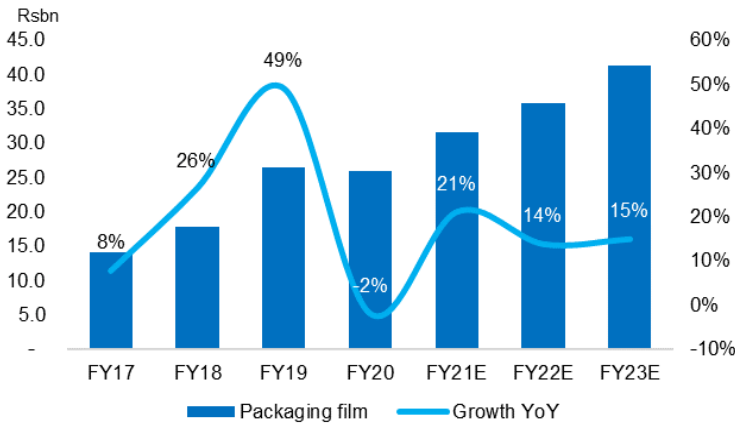
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Chloromethanes is an import substitution play; addition of capacity by SRF would drive growth



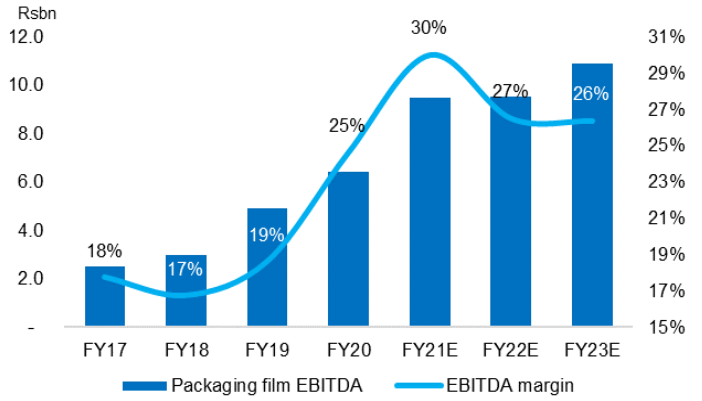
Source: Import Export Bank of India, Nirmal Bang Institutional Equities Research

Exhibit 19: Packaging films revenue- we are building in ~17% CAGR over FY20-23E



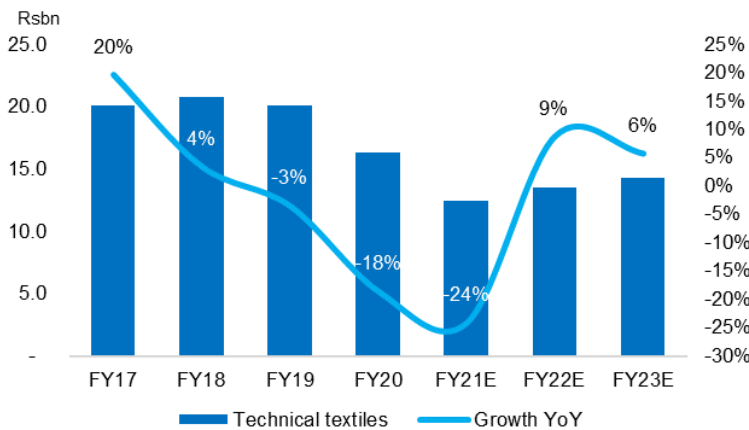
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 20: Packaging films EBITDA- we believe improved margins are sustainable



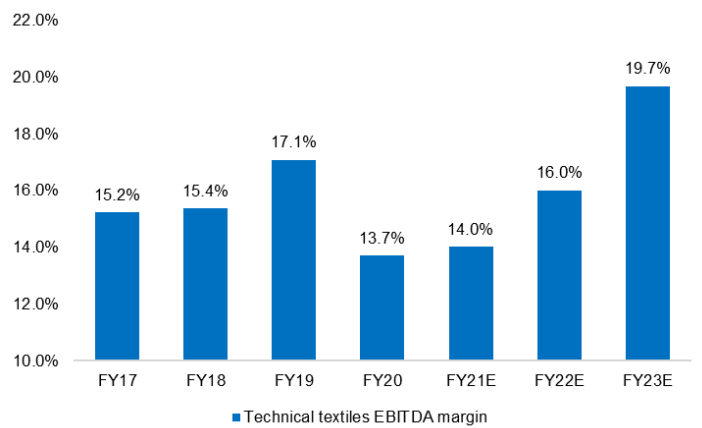
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 21: Technical textiles revenue- we are building in ~7% CAGR decline over FY20-23E on account of decline in FY21



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 22: Technical textiles EBITDA margin improvement led by leadership and cost management



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 23: Key recent capex announcements

Segment	Announcement	Details	Capex (Rsmn)	COD/ECOD
Chemicals	Aug-17	P33 for agrochemicals	850	2QFY21
	Nov-17	HFC doubling of capacity	4,770	3QFY20
	Feb-19	Agrochemicals intermediates plant	1,660	3QFY20
	Aug-19	Entry in fluoropolymers (5000 MTPA)	4,240	NA
	Jul-20	Doubling of Chloromethane	3,150	4QFY22
	Jul-20	Agrochemicals intermediates plant	2,380	4QFY21
Packaging	Feb-18	BOPET Hungary	3,800	3QFY21
	Jul-18	BOPET Thailand	4,100	1QFY21
	Nov-19	BOPP Line in Thailand (45,000 MTPA)	3,500	2QFY22
	Nov-20	BOPP Line in Indore (65,000 MTPA)	4,240	2QFY23
Technical textiles	Nov-19	Modernisation of tyre cord fabric	1,250	4QFY23

Source: Company, Nirmal Bang Institutional Equities Research

We are building in ~35% earnings CAGR over FY20-23E

Exhibit 24: Revenue growth- we are building in ~16% CAGR over FY20-23E

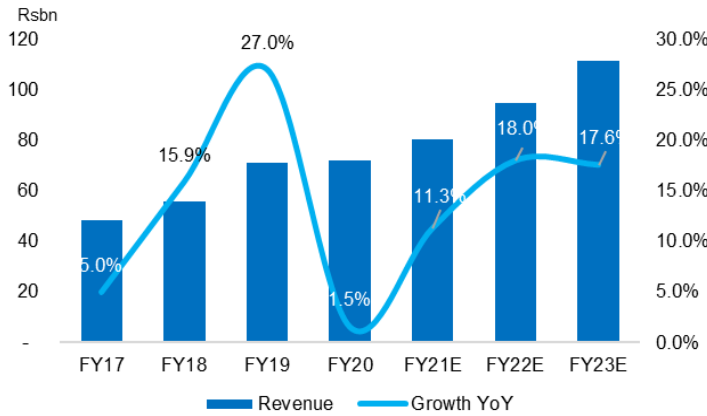
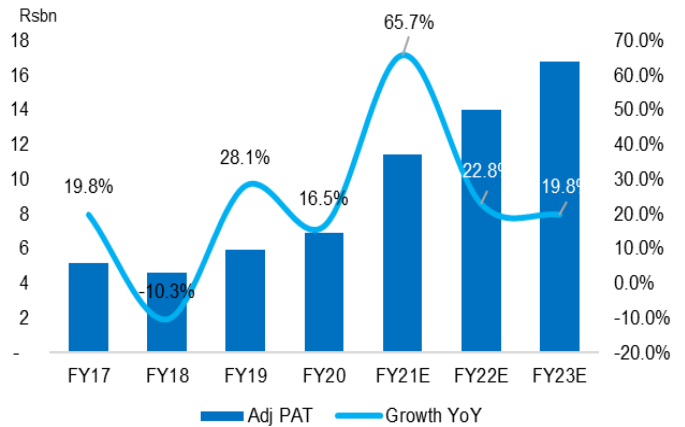


Exhibit 25: Earnings growth- we are building in ~35% CAGR over FY20-23E



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Source: Bloomberg, Nirmal Bang Institutional Equities Research

We maintain Buy rating on SRF with a potential upside of ~22% from CMP

Exhibit 26: SOTP valuation

Particulars	Mar'23 EBITDA	EV/EBITDA multiple	EV
Technical Textiles	2,181	5	10,904
Chemicals	16,295	20	3,20,940
Packaging Film	10,903	8	87,225
Others	498	5	2,488
Total			4,21,557
Less: Net debt			29,431
Equity value			3,92,126
Total number of shares			59
Target price per share			6,600
CMP			5,414
Upside			22%

Source: Nirmal Bang Institutional Equities Research

Exhibit 27: 1-yr Forward PE

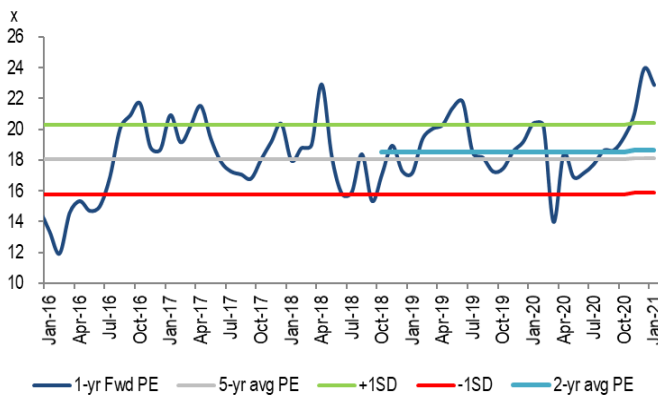
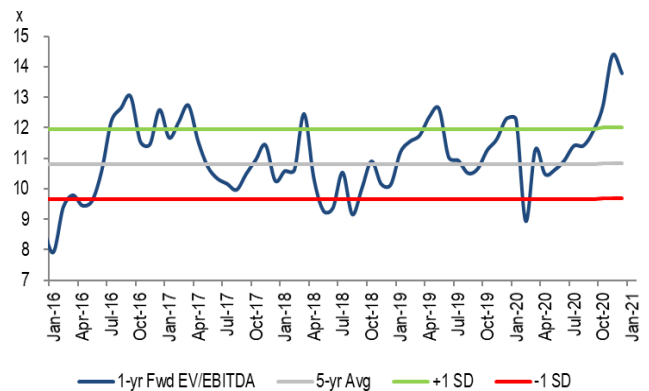


Exhibit 28: 1-yr Forward EV/EBITDA



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Source: Bloomberg, Nirmal Bang Institutional Equities Research

Financials (Consolidated)
Exhibit 29: Income statement

Y/E March (Rsm)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	70,996	72,094	80,277	94,748	1,11,404
Growth YoY%	27.0	1.5	11.3	18.0	17.6
COGS	39,671	36,870	40,738	48,017	56,514
Gross margin %	44.1	48.9	49.3	49.3	49.3
Staff costs	4,608	5,419	6,266	7,378	8,489
Other expenses	13,747	15,256	12,073	14,680	16,524
EBITDA	12,970	14,549	21,199	24,672	29,877
Growth YoY%	43.1	12.2	45.7	16.4	21.1
EBITDA margin %	18.3	20.2	26.4	26.0	26.8
Depreciation	3,582	3,886	4,897	5,896	7,042
EBIT	9,388	10,663	16,303	18,776	22,835
Interest	1,984	2,007	1,634	1,509	1,473
Other income	280	491	358	1,316	958
PBT (bei)	7,684	9,147	15,026	18,583	22,319
PBT	7,684	9,147	15,026	18,583	22,319
ETR	23.0	2.9	24.0	24.5	24.7
PAT	5,916	9,159	11,423	14,032	16,809
Adj PAT	5,916	6,892	11,423	14,032	16,809
Growth YoY%	28.1	16.5	65.7	22.8	19.8

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 31: Balance sheet

Y/E March (Rsm)	FY19	FY20	FY21E	FY22E	FY23E
Share capital	591	585	603	603	603
Reserves	40,702	48,748	66,275	78,022	92,025
Net worth	41,293	49,333	66,878	78,625	92,628
Long term debt	21,613	23,116	20,805	18,724	17,788
Short term debt	11,274	9,554	9,554	9,554	9,554
Total debt	32,887	32,671	30,359	28,279	27,342
Other non-current liabilities	3,986	3,239	3,077	3,077	2,985
Total Equity & Liabilities	78,166	85,243	1,00,314	1,09,981	1,22,955
Gross block	68,371	78,668	88,668	1,02,668	1,16,668
Accumulated depreciation	12,277	16,163	21,060	26,956	33,998
Net Block	56,094	62,505	67,608	75,712	82,671
CWIP	7,536	13,933	13,933	13,933	13,933
Intangible and others	-	1,171	1,171	1,171	1,171
Other non-current assets	3,525	2,055	3,083	4,624	6,936
Investments	1	42	42	42	42
Trade receivables	10,288	8,911	9,922	11,711	13,769
Inventories	12,247	12,012	13,376	15,787	18,562
Cash & Cash equivalents	11,292	10,896	13,297	15,760	17,819
Other current assets	6,194	4,899	4,899	6,369	5,732
Total current assets	31,723	29,062	39,264	41,517	47,169
Trade payables	13,824	11,117	12,379	14,610	17,178
Other current liabilities	6,889	12,408	12,408	12,408	11,788
Total current liabilities	20,713	23,525	24,787	27,018	28,966
Total Assets	78,166	85,243	1,00,314	1,09,981	1,22,955

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 30: Cash flow

Y/E March (Rsm)	FY19	FY20	FY21E	FY22E	FY23E
PBT	8,269	10,706	15,026	18,583	22,319
Depreciation	3,669	3,929	4,897	5,896	7,042
Interest	2,016	2,016	1,634	1,509	1,473
Other adjustments	(330)	(1,940)	(358)	(1,316)	(958)
Change in Working capital	(3,165)	(239)	(1,113)	(3,438)	(2,249)
Tax paid	(1,502)	(1,427)	(3,603)	(4,550)	(5,510)
Operating cash flow	8,956	13,044	16,483	16,683	22,118
Capex	(10,564)	(13,892)	(10,000)	(14,000)	(14,000)
Free cash flow	(1,607)	(847)	6,483	2,683	8,118
Other investing activities	422	2,088	(2,059)	(901)	(1,355)
Investing cash flow	(10,142)	(11,803)	(12,059)	(14,901)	(15,355)
Issuance of share capital	1	-	7,500	-	-
Movement of Debt	5,534	1,019	(2,312)	(2,080)	(936)
Dividend paid (incl DDT)	(694)	(803)	(1,378)	(2,285)	(2,806)
Other financing activities	(2,383)	(2,205)	(1,796)	(1,509)	(1,565)
Financing cash flow	2,458	(1,990)	2,014	(5,874)	(5,308)
Net change in cash flow	1,272	(748)	6,438	(4,091)	1,455
Opening C&CE	870	1,896	1,255	7,693	3,601
Closing C&CE	1,896	1,255	7,693	3,601	5,056

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 32: Key ratios

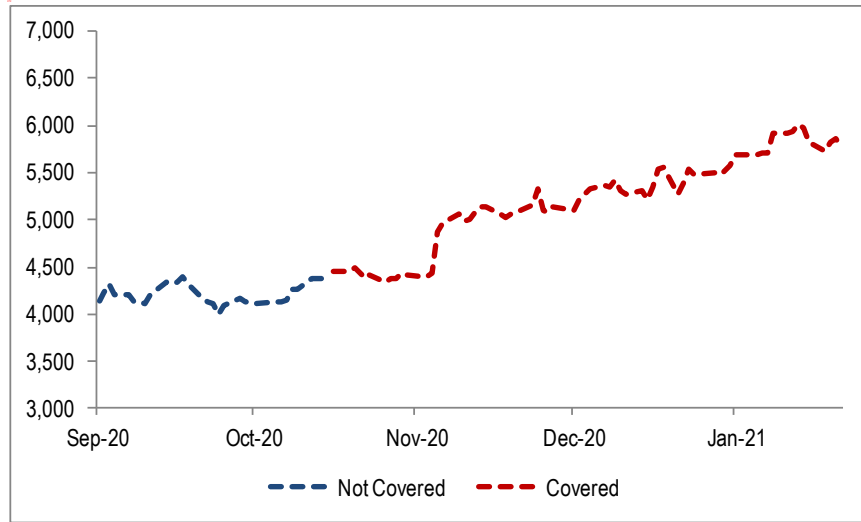
Y/E March (Rsm)	FY19	FY20	FY21E	FY22E	FY23E
Per share (Rs)					
Adj EPS	102.9	119.9	198.7	244.1	292.4
Book value	718.4	858.3	1,163.5	1,367.9	1,611.5
Valuation (x)					
EV/EBITDA	26.3	23.4	16.1	13.8	11.4
P/E	52.6	45.2	27.2	22.2	18.5
P/BV	7.5	6.3	4.7	4.0	3.4
Return ratios (%)					
RoCE	13.7	13.7	18.2	18.4	20.1
RoE	15.4	15.2	19.7	19.3	19.6
Profitability ratios (%)					
Gross margin	44.1	48.9	49.3	49.3	49.3
EBITDA margin	18.3	20.2	26.4	26.0	26.8
PAT margin	8.3	9.5	14.2	14.6	15.0
Liquidity ratios (%)					
Current ratio	1.0	0.9	1.1	1.1	1.2
Quick ratio	0.6	0.5	0.8	0.7	0.7
Solvency ratio (%)					
Debt to Equity ratio	0.8	0.7	0.5	0.4	0.3
Turnover ratios					
Fixed asset turnover ratio (x)	1.0	0.9	0.9	0.9	1.0
Debtor days	53	45	45	45	45
Inventory days	63	61	61	61	61
Creditor days	71	56	56	56	56
Net Working capital days	45	50	50	50	50

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
16 October 2020	BUY	4,337	5,400
5 November 2020	BUY	4,868	5,600
7 January 2021	BUY	5,708	6,600
22 January 2021	BUY	5,414	6,600

Rating Chart



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