

SRF

07 May 2021

Reuters: SRFL.BO; Bloomberg: SRF IN

Another stellar quarter led by chemicals & packaging

SRF's 4QFY21 performance was significantly ahead of our and consensus estimates on the back of robust growth in Chemicals and Packaging segments. Consolidated Revenue/EBITDA/APAT grew by ~40%/~78%/~96% YoY in 4QFY21. Specialty Chemicals vertical grew by ~45% in FY21 as against management's guidance of ~25%. Strong demand from overseas markets and higher volume of key products from European clients aided this growth. While the management has guided for ~10-15% growth in Specialty Chemicals in FY22, we believe that the lower number is a function of base effect and we do not expect demand moderation. Over the last three years, the Specialty Chemicals segment has grown 3x for SRF and we expect ~18% CAGR over the next two years. We believe there could be potential upside to our numbers considering the disproportionate focus in terms of incremental capex. Capex guidance for FY22 is Rs16-19bn wherein ~70% would be allocated towards chemicals. Packaging growth would continue on the back of commissioning of new lines. However, we are building in >500bps moderation in EBIT margin on account of normalization of spread in the next two years. On an overall basis, we are building in Revenue/EBITDA/APAT CAGR of 16%/19%/17% over FY21-23E. The stock has rallied ~56% since our initiation ([India Specialty Chemicals- Giants in the making](#)) dated 16th Oct 2020. While we remain structurally positive on the long-term prospects of the company, the stupendous rise in the share price is making us downgrade the stock from a Buy to an Accumulate with an unchanged Target Price of Rs6,600.

Specialty Chemicals grew ~45% in FY21: While the Chemicals division of SRF grew by ~23% in FY21, the Specialty Chemicals pie grew by ~45% as against management's guidance of ~25%, led by strong demand from the overseas market. Management has guided for ~10-15% growth in FY22 on account of a higher base. As demand continues to be strong, there could be further upside to this growth, in our view. In the last three years, Specialty Chemicals has expanded by ~3x in size. We believe that there is a long runway for growth even on this base considering the opportunity size, mainly in the Agrochemicals space. With acceleration in capex (Rs16-19bn capex in FY22E, of which ~70% would be allocated for Chemicals as per management), SRF is gearing up for future growth. The Chemicals segment (ex-Specialty Chemicals), which includes Refrigerant Gases and Chloromethane, can grow at ~27% CAGR over FY21-23 on the back of capacity addition and import substitution opportunity. On the margin front, we have seen sequential improvement in the last few quarters on the back of rising share of Specialty Chemicals and higher utilisation. We are building in ~200bps EBIT margin expansion in the Chemicals segment over FY21-23E.

Packaging growth led by new lines; margin normalization likely: The Packaging business grew by ~26% in FY21 in revenue terms whereas its EBIT grew by ~62% on account of significant increase in BOPET and BOPP spreads. The same started to normalize from 2HFY21 on the back of upcoming capacity addition. On the revenue side, growth in FY22 would be largely a function of recently commissioned lines as the existing ones are already operating at peak utilisation. We are building in ~14% revenue CAGR in the Packaging Films business over FY21-23E. On the operating margin front, we are building in >500bps moderation in the next two years vis-a-vis FY21.

ACCUMULATE

Sector: Chemicals

CMP: Rs6,760

Target Price: Rs6,600

Downside: 2%

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Key Data

| | |
|--------------------------|-------------|
| Current Shares O/S (mn) | 59.2 |
| Mkt Cap (Rsbn/US\$bn) | 406.6/5.5 |
| 52 Wk H / L (Rs) | 6,999/3,306 |
| Daily Vol. (3M NSE Avg.) | 202,225 |

Price Performance (%)

| | 1 M | 6 M | 1 Yr |
|-------------|-------|------|------|
| SRF | 10.9 | 38.2 | 91.0 |
| Nifty Index | (0.6) | 20.1 | 60.1 |

Source: Bloomberg

Key Links:

[4QFY21 result update](#)
[4QFY21 press release](#)
[4QFY21 presentation](#)
[FY20 AR](#)

| Consolidated (Rsmn) | 4QFY20 | 3QFY21 | 4QFY21 | YoY % | QoQ % | FY20 | FY21 | YoY % |
|---------------------|--------|--------|--------|--------|---------|--------|--------|--------|
| Net Sales | 18,578 | 21,464 | 26,077 | 40.4% | 21.5% | 72,746 | 84,000 | 15.5% |
| Gross margin | 50.6% | 52.5% | 50.0% | -61bps | -254bps | 48.9% | 52.2% | 330bps |
| EBITDA | 3,613 | 5,661 | 6,433 | 78.1% | 13.6% | 14,327 | 21,452 | 49.7% |
| EBITDA margin | 19.4% | 26.4% | 24.7% | 522bps | -170bps | 19.7% | 25.5% | 584bps |
| EBIT | 2,599 | 4,496 | 5,249 | 101.9% | 16.7% | 10,424 | 16,921 | 62.3% |
| PBT | 2,196 | 4,428 | 5,117 | 133.0% | 15.6% | 9,183 | 16,127 | 75.6% |
| APAT | 1,942 | 3,243 | 3,815 | 96.5% | 17.6% | 7,251 | 11,983 | 65.3% |

Source: Company, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

Exhibit 1: 4QFY21 consolidated performance

| Particulars (Rsm) | 4QFY20 | 3QFY21 | 4QFY21 | YoY | QoQ | FY20 | FY21 | YoY |
|---------------------------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
| Net Sales | 18,578 | 21,464 | 26,077 | 40.4% | 21.5% | 72,746 | 84,000 | 15.5% |
| COGS | 9,175 | 10,186 | 13,038 | 42.1% | 28.0% | 37,205 | 40,189 | 8.0% |
| Gross Profit | 9,404 | 11,278 | 13,039 | 38.7% | 15.6% | 35,541 | 43,811 | 23.3% |
| Staff costs | 1,470 | 1,579 | 1,753 | 19.3% | 11.1% | 5,535 | 6,214 | 12.3% |
| Other expenses | 4,321 | 4,038 | 4,852 | 12.3% | 20.2% | 15,679 | 16,145 | 3.0% |
| Total expenses | 14,965 | 15,803 | 19,643 | 31.3% | 24.3% | 58,419 | 62,549 | 7.1% |
| EBITDA | 3,613 | 5,661 | 6,433 | 78.1% | 13.6% | 14,327 | 21,452 | 49.7% |
| Depreciation | 1,014 | 1,166 | 1,185 | 16.9% | 1.6% | 3,903 | 4,531 | 16.1% |
| EBIT | 2,599 | 4,496 | 5,249 | 101.9% | 16.7% | 10,424 | 16,921 | 62.3% |
| Interest | 466 | 285 | 262 | -43.9% | -8.2% | 2,010 | 1,340 | -33.3% |
| Other income | 63 | 217 | 130 | 105.1% | -40.2% | 769 | 545 | -29.2% |
| PBT | 2,196 | 4,428 | 5,117 | 133.0% | 15.6% | 9,183 | 16,127 | 75.6% |
| Tax | 255 | 1,185 | 1,302 | 411.0% | 9.9% | -74 | 4,144 | -5730.4% |
| PAT | 1,942 | 3,243 | 3,815 | 96.5% | 17.6% | 9,257 | 11,983 | 29.4% |
| APAT | 1,942 | 3,243 | 3,815 | 96.5% | 17.6% | 7,251 | 11,983 | 65.3% |
| EPS | 33.8 | 56.4 | 66 | 96.5% | 17.6% | 126.1 | 208.5 | 65.3% |
| Discon. Ops (net of tax) | -84 | 5 | -5 | -93.7% | -210.4% | 934 | -3 | -100.3% |
| Total PAT | 1,858 | 3,247 | 3,809 | 105.1% | 17.3% | 8,185 | 11,979 | 46.4% |
| Margin (%) | 4QFY20 | 3QFY21 | 4QFY21 | YoY | QoQ | FY20 | FY21 | YoY |
| Gross margin | 50.6% | 52.5% | 50.0% | -61bps | -254bps | 48.9% | 52.2% | 330bps |
| EBITDA margin | 19.4% | 26.4% | 24.7% | 522bps | -170bps | 19.7% | 25.5% | 584bps |
| EBIT margin | 14.0% | 20.9% | 20.1% | 614bps | -82bps | 14.3% | 20.1% | 581bps |
| PBT margin | 11.8% | 20.4% | 19.5% | 774bps | -90bps | 12.5% | 19.1% | 658bps |
| PAT margin | 10.4% | 15.0% | 14.6% | 414bps | -40bps | 9.9% | 14.2% | 431bps |
| Common size (% of sales) | 4QFY20 | 3QFY21 | 4QFY21 | YoY | QoQ | FY20 | FY21 | YoY |
| COGS | 49.4% | 47.5% | 50.0% | 61bps | 254bps | 51.1% | 47.8% | -330bps |
| Staff costs | 7.9% | 7.4% | 6.7% | -119bps | -63bps | 7.6% | 7.4% | -21bps |
| Other expenses | 23.3% | 18.8% | 18.6% | -465bps | -20bps | 21.6% | 19.2% | -233bps |
| Depreciation | 5.5% | 5.4% | 4.5% | -91bps | -89bps | 5.4% | 5.4% | 3bps |
| Interest | 2.5% | 1.3% | 1.0% | -151bps | -32bps | 2.8% | 1.6% | -117bps |
| Other income | 0.3% | 1.0% | 0.5% | 16bps | -51bps | 1.1% | 0.6% | -41bps |
| ETR | 11.6% | 26.8% | 25.4% | 1385bps | -132bps | 3.9% | 25.7% | 2177bps |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: 4QFY21 consolidated segment performance

| Particulars (Rsmn) | 4QFY20 | 3QFY21 | 4QFY21 | YoY | QoQ | FY20 | FY21 | YoY |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Segment revenue | | | | | | | | |
| Technical Textiles business | 3,168 | 3,670 | 4,006 | 26.5% | 9.2% | 14,227 | 12,401 | -12.8% |
| Chemicals business | 8,819 | 9,059 | 11,526 | 30.7% | 27.2% | 29,750 | 36,449 | 22.5% |
| Packaging Film business | 6,015 | 8,020 | 9,795 | 62.8% | 22.1% | 26,040 | 32,917 | 26.4% |
| Others | 577 | 738 | 777 | 34.6% | 5.2% | 2,783 | 2,320 | -16.6% |
| Total | 18,578 | 21,486 | 26,104 | 40.5% | 21.5% | 72,800 | 84,087 | 15.5% |
| Segment revenue share (%) | | | | | | | | |
| Technical Textiles business | 17.1% | 17.1% | 15% | -170bps | -173bps | 19.5% | 14.7% | -479bps |
| Chemicals business | 47.5% | 42.2% | 44% | -331bps | 199bps | 40.9% | 43.3% | 248bps |
| Packaging Film business | 32.4% | 37.3% | 38% | 515bps | 20bps | 35.8% | 39.1% | 338bps |
| Others | 3.1% | 3.4% | 3% | -13bps | -46bps | 3.8% | 2.8% | -106bps |
| Total | 100.0% | 100.0% | 100% | bps | bps | 100.0% | 100.0% | bps |
| Segment result (EBIT) | | | | | | | | |
| Technical Textiles business | 372 | 679 | 728 | 95.6% | 7.2% | 1,554 | 1,769 | 13.8% |
| Chemicals business | 1,589 | 1,899 | 2,752 | 73.2% | 44.9% | 5,115 | 7,281 | 42.4% |
| Packaging Film business | 1,307 | 2,124 | 2,186 | 67.2% | 2.9% | 5,556 | 8,979 | 61.6% |
| Others | 53 | 83 | 88 | 66.1% | 6.2% | 318 | 256 | -19.5% |
| Total | 3,321 | 4,785 | 5,753 | 73.2% | 20.2% | 12,543 | 18,285 | 45.8% |
| EBIT margin (%) | | | | | | | | |
| Technical Textiles business | 11.7% | 18.5% | 18.2% | 642bps | -34bps | 10.9% | 14.3% | 334bps |
| Chemicals business | 18.0% | 21.0% | 23.9% | 586bps | 291bps | 17.2% | 20.0% | 278bps |
| Packaging Film business | 21.7% | 26.5% | 22.3% | 58bps | -417bps | 21.3% | 27.3% | 594bps |
| Others | 9.2% | 11.2% | 11.3% | 214bps | 10bps | 11.4% | 11.0% | -38bps |
| Total | 17.9% | 22.3% | 22.0% | 416bps | -23bps | 17.2% | 21.7% | 452bps |
| Segment EBIT share (%) | | | | | | | | |
| Technical Textiles business | 11.2% | 14.2% | 12.7% | 145bps | -154bps | 12.4% | 9.7% | -272bps |
| Chemicals business | 47.8% | 39.7% | 47.8% | -1bps | 814bps | 40.8% | 39.8% | -96bps |
| Packaging Film business | 39.4% | 44.4% | 38.0% | -137bps | -639bps | 44.3% | 49.1% | 481bps |
| Others | 1.6% | 1.7% | 1.5% | -7bps | -20bps | 2.5% | 1.4% | -113bps |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Key assumptions

| Particulars | FY19 | FY20 | FY21 | FY22E | FY23E |
|---|---------------|---------------|---------------|---------------|-----------------|
| Segment revenue | | | | | |
| Technical Textiles | 17,349 | 13,576 | 12,401 | 13,641 | 15,005 |
| Chemicals | 24,454 | 29,750 | 36,449 | 43,238 | 53,124 |
| Packaging Film | 26,533 | 26,040 | 32,917 | 36,533 | 42,820 |
| Others | 2,716 | 2,783 | 2,320 | 2,436 | 2,558 |
| Total segment revenue from continuing operations | 71,053 | 72,148 | 84,087 | 95,849 | 1,13,508 |
| Less: Inter segmental revenue | 57 | 54 | 87 | 87 | 87 |
| Revenue from operations | 71,109 | 72,203 | 84,174 | 95,936 | 1,13,595 |
| Segment revenue share (%) | | | | | |
| Technical Textiles | 24% | 19% | 15% | 14% | 13% |
| Chemicals | 34% | 41% | 43% | 45% | 47% |
| Packaging Film | 37% | 36% | 39% | 38% | 38% |
| Others | 4% | 4% | 3% | 3% | 2% |
| Total segment revenue from continuing operations | 100% | 100% | 100% | 100% | 100% |
| Segment revenue growth (%) | | | | | |
| Technical Textiles | -16.5% | -21.7% | -8.7% | 10.0% | 10.0% |
| Chemicals | 51.8% | 21.7% | 22.5% | 18.6% | 22.9% |
| Packaging Film | 49.0% | -1.9% | 26.4% | 11.0% | 17.2% |
| Others | | | -16.6% | 5.0% | 5.0% |
| Total segment revenue from continuing operations | 29.9% | 1.5% | 16.5% | 14.0% | 18.4% |
| Segment result (EBIT) | | | | | |
| Technical Textiles | 2,615 | 1,515 | 1,769 | 2,046 | 2,251 |
| Chemicals | 3,843 | 5,115 | 7,281 | 8,950 | 11,687 |
| Packaging Film | 4,115 | 5,556 | 8,977 | 8,080 | 9,033 |
| Others | 218 | 318 | 256 | 273 | 307 |
| Total EBIT from continuing operations | 10,790 | 12,504 | 18,283 | 19,349 | 23,278 |
| EBIT margin (%) | | | | | |
| Technical Textiles | 15.1% | 11.2% | 14.3% | 15.0% | 15.0% |
| Chemicals | 15.7% | 17.2% | 20.0% | 20.7% | 22.0% |
| Packaging Film | 15.5% | 21.3% | 27.3% | 22.1% | 21.1% |
| Others | 8.0% | 11.4% | 11.0% | 11.2% | 12.0% |
| Total EBIT from continuing operations | 15.2% | 17.3% | 21.7% | 20.2% | 20.5% |
| Segment EBIT share (%) | | | | | |
| Technical Textiles | 24.2% | 12.1% | 9.7% | 10.6% | 9.7% |
| Chemicals | 35.6% | 40.9% | 39.8% | 46.3% | 50.2% |
| Packaging Film | 38.1% | 44.4% | 49.1% | 41.8% | 38.8% |
| Others | 2.0% | 2.5% | 1.4% | 1.4% | 1.3% |
| Total EBIT from continuing operations | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Segment EBIT growth (%) | | | | | |
| Technical Textiles | -3.5% | -42.1% | 16.8% | 15.7% | 10.0% |
| Chemicals | 42.6% | 33.1% | 42.4% | 22.9% | 30.6% |
| Packaging Film | 79.1% | 35.0% | 61.6% | -10.0% | 11.8% |
| Others | | | | | |
| Total EBIT from continuing operations | 40.1% | 15.9% | 46.2% | 5.8% | 20.3% |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Segment-wise quarterly details

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

Source: Company, Nirmal Bang Institutional Equities Research

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

| 2-yr CAGR | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| SRF (Consol) | 8% | 9% | 15% | 35% | 37% | 41% | 45% | 28% | 30% | 27% | 22% | 7% | 4% | 9% | 7% |
| SRF (Stand) | 15% | 18% | 28% | 51% | 56% | 62% | 62% | 36% | 37% | 35% | 31% | 6% | 2% | 4% | 0% |
| Polyplex (Consol) | 2% | 4% | 10% | 7% | 15% | 20% | 21% | 18% | 16% | 12% | 9% | 10% | 4% | 2% | 3% |
| Polyplex (Stand) | 7% | -1% | 10% | 11% | 13% | 19% | 20% | 15% | 10% | 13% | 7% | 1% | -8% | 0% | -2% |
| Cosmo Films | 5% | 4% | 9% | 14% | 13% | 11% | 20% | 8% | 10% | 9% | 12% | 2% | -4% | 3% | 1% |
| Jndal Poly (Consol) | -1% | -1% | 11% | -35% | -33% | -29% | -26% | -29% | -33% | -32% | -31% | 6% | -4% | 7% | 11% |
| Uflex (Consol) | 4% | 3% | 6% | 8% | 9% | 11% | 12% | 10% | 7% | 8% | 3% | -1% | 2% | 5% | 3% |
| Uflex (Stand) | 6% | 1% | 5% | 5% | 5% | 4% | 5% | 3% | 2% | 7% | 3% | -1% | -2% | 4% | 7% |
| Ester | -1% | -1% | 8% | 5% | 12% | 24% | 18% | 9% | 18% | 14% | 10% | 7% | -9% | -5% | -3% |
| EBIT margin | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21 |
| 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% | 26.5% |
| 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% | 28.3% |
| 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% | 20.9% |
| 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% | 12.7% |
| 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% | 14.6% |
| Jndal 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% | 24.9% |
| 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% | 14.0% |
| 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% | 11.6% |
| 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% | 18.2% |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: 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 |
| | May-21 | MPP4 in Dahej | 3,750 | 2QFY23 |
| 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

Exhibit 7: Financial summary

| Y/E March (Rsmn) | FY19 | FY20 | FY21 | FY22E | FY23E |
|------------------|--------|--------|--------|--------|----------|
| Net Sales | 70,996 | 72,094 | 84,000 | 95,936 | 1,13,595 |
| Growth YoY% | 27.0% | 1.5% | 16.5% | 14.2% | 18.4% |
| Gross margin % | 44.1% | 48.9% | 52.2% | 51.1% | 50.9% |
| EBITDA | 12,970 | 14,549 | 21,452 | 25,161 | 30,231 |
| EBITDA margin % | 18.3% | 20.2% | 25.5% | 26.2% | 26.6% |
| Adj PAT | 5,916 | 6,892 | 11,983 | 13,535 | 16,468 |
| Growth YoY% | 28.1% | 16.5% | 73.9% | 13.0% | 21.7% |
| EPS | 102.9 | 119.9 | 202.2 | 228.4 | 277.9 |
| RoCE | 13.7% | 13.7% | 18.8% | 18.8% | 20.3% |
| RoE | 15.4% | 15.2% | 20.3% | 18.3% | 19.0% |
| P/E | 65.7 | 56.4 | 33.4 | 29.6 | 24.3 |
| EV/EBITDA | 32.3 | 28.8 | 20.1 | 17.1 | 14.2 |
| P/BV | 9.4 | 7.9 | 5.8 | 5.0 | 4.3 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Change in earnings estimates

| Consolidated (Rsmn) | Old Estimates | | New estimates | | Change (%) | |
|---------------------|---------------|----------|---------------|----------|------------|-------|
| | FY22E | FY23E | FY22E | FY23E | FY22E | FY23E |
| Revenue | 94,748 | 1,11,404 | 95,936 | 1,13,595 | 1% | 2% |
| EBITDA | 24,672 | 29,877 | 25,161 | 30,231 | 2% | 1% |
| APAT | 14,032 | 16,809 | 13,535 | 16,468 | -4% | -2% |

Source: Nirmal Bang Institutional Equities Research

Exhibit 9: 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

We are building in ~17% earnings CAGR over FY21-23E

Exhibit 10: Revenue growth- we are building in ~16% CAGR over FY21-23E

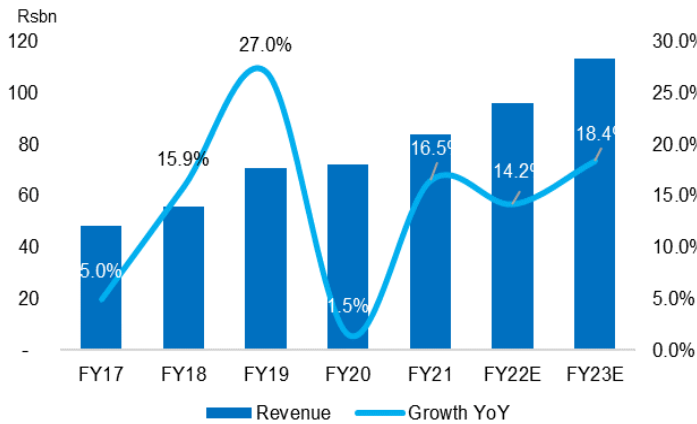
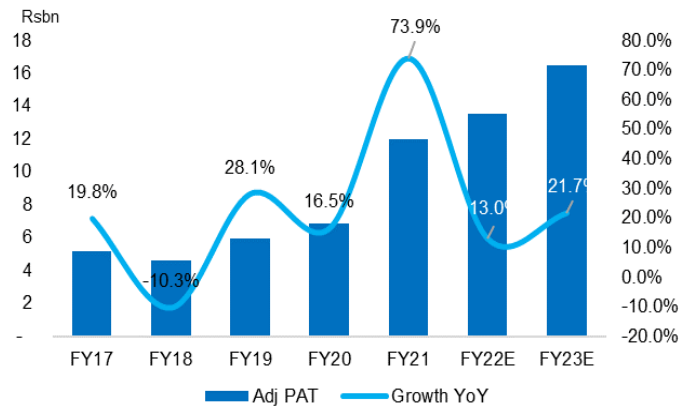


Exhibit 11: Earnings growth- we are building in ~17% CAGR over FY21-23E



Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: SOTP valuation

| Particulars | Mar'23 EBITDA | EV/EBITDA multiple | EV |
|-------------------------------|---------------|--------------------|-----------------|
| Technical Textiles business | 2,880 | 5 | 14,978 |
| Chemicals business | 16,279 | 18 | 3,00,992 |
| Packaging Film business | 10,743 | 9 | 1,00,986 |
| Others | 329 | 5 | 1,778 |
| Total | | | 4,18,734 |
| Less: Net debt | | | 29,431 |
| Equity value | | | 3,89,303 |
| Total number of shares | | | 59 |
| Target price per share | | | 6,600 |
| CMP | | | 6,760 |
| Downside | | | -2% |

Source: Nirmal Bang Institutional Equities Research

Exhibit 13: 1-yr Forward PE

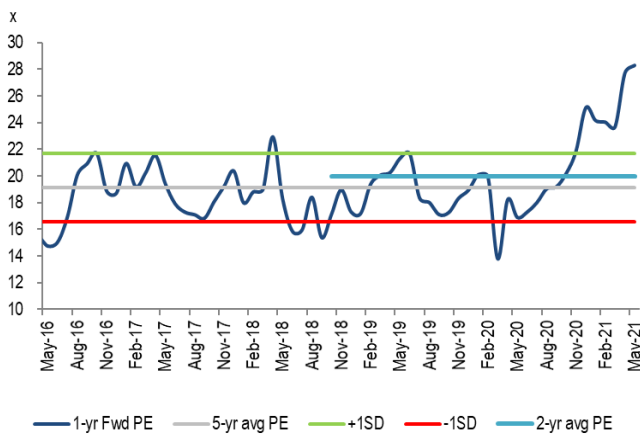
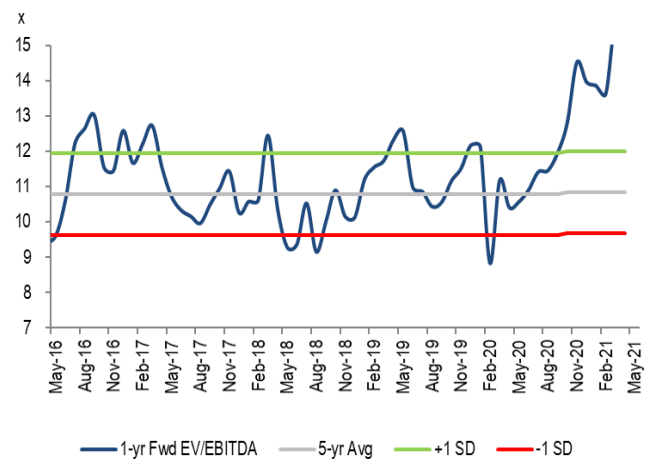


Exhibit 14: 1-yr Forward EV/EBITDA



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Source: Bloomberg, Nirmal Bang Institutional Equities Research

Financials (Consolidated)
Exhibit 15: Income statement

| Y/E March (Rsm) | FY19 | FY20 | FY21 | FY22E | FY23E |
|------------------------|---------------|---------------|---------------|---------------|-----------------|
| Net Sales | 70,996 | 72,094 | 84,000 | 95,936 | 1,13,595 |
| Growth YoY% | 27.0 | 1.5 | 16.5 | 14.2 | 18.4 |
| COGS | 39,671 | 36,870 | 40,189 | 46,934 | 55,798 |
| Gross margin % | 44.1 | 48.9 | 52.2 | 51.1 | 50.9 |
| Staff costs | 4,608 | 5,419 | 6,214 | 6,940 | 8,103 |
| Other expenses | 13,747 | 15,256 | 16,145 | 16,900 | 19,463 |
| EBITDA | 12,970 | 14,549 | 21,452 | 25,161 | 30,231 |
| Growth YoY% | 43.1 | 12.2 | 47.4 | 17.3 | 20.2 |
| EBITDA margin % | 18.3 | 20.2 | 25.5 | 26.2 | 26.6 |
| Depreciation | 3,582 | 3,886 | 4,531 | 5,812 | 6,953 |
| EBIT | 9,388 | 10,663 | 16,921 | 19,349 | 23,278 |
| Interest | 1,984 | 2,007 | 1,340 | 1,372 | 1,333 |
| Other income | 280 | 491 | 545 | 346 | 399 |
| PBT (bei) | 7,684 | 9,147 | 16,127 | 18,323 | 22,344 |
| PBT | 7,684 | 9,147 | 16,127 | 18,323 | 22,344 |
| ETR | 23.0 | 2.9 | 25.7 | 26.1 | 26.3 |
| PAT | 5,916 | 9,159 | 11,983 | 13,535 | 16,468 |
| Adj PAT | 5,916 | 6,892 | 11,983 | 13,535 | 16,468 |
| Growth YoY% | 28.1 | 16.5 | 73.9 | 13.0 | 21.7 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Balance sheet

| Y/E March (Rsm) | FY19 | FY20 | FY21 | FY22E | FY23E |
|---------------------------------------|---------------|---------------|-----------------|-----------------|-----------------|
| Share capital | 591 | 585 | 603 | 603 | 603 |
| Reserves | 40,702 | 48,748 | 67,962 | 79,100 | 92,861 |
| Net worth | 41,293 | 49,333 | 68,564 | 79,703 | 93,464 |
| Long term debt | 21,613 | 23,116 | 19,650 | 18,668 | 18,668 |
| Short term debt | 11,274 | 9,554 | 9,657 | 9,657 | 9,657 |
| Total debt | 32,887 | 32,671 | 29,307 | 28,325 | 28,325 |
| Other non-current liabilities | 3,986 | 3,239 | 5,369 | 6,979 | 8,375 |
| Total Equity & Liabilities | 78,166 | 85,243 | 1,03,240 | 1,15,006 | 1,30,163 |
| Gross block | 68,371 | 78,668 | 97,834 | 1,15,834 | 1,29,834 |
| Accumulated depreciation | 12,277 | 16,163 | 20,694 | 26,506 | 33,459 |
| Net Block | 56,094 | 62,505 | 77,140 | 89,328 | 96,374 |
| CWIP | 7,536 | 13,933 | 7,723 | 7,723 | 7,723 |
| Intangible and others | - | 1,171 | 1,130 | 1,130 | 1,130 |
| Other non-current assets | 3,525 | 2,055 | 3,871 | 3,097 | 4,026 |
| Investments | 1 | 42 | 42 | 42 | 42 |
| Trade receivables | 10,288 | 8,911 | 12,746 | 14,557 | 17,236 |
| Inventories | 12,247 | 12,012 | 14,658 | 16,741 | 19,822 |
| C&CE and other bank bal | 2,994 | 3,240 | 6,946 | 5,153 | 7,732 |
| Other current assets | 6,194 | 4,899 | 5,040 | 5,544 | 7,207 |
| Total current assets | 31,723 | 29,062 | 39,390 | 41,995 | 51,998 |
| Trade payables | 13,824 | 11,117 | 15,852 | 18,104 | 21,437 |
| Other current liabilities | 6,889 | 12,408 | 10,202 | 10,202 | 9,692 |
| Total current liabilities | 20,713 | 23,525 | 26,054 | 28,307 | 31,129 |
| Total Assets | 78,166 | 85,243 | 1,03,240 | 1,15,006 | 1,30,163 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: Cash flow

| Y/E March (Rsm) | FY19 | FY20 | FY21 | FY22E | FY23E |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| PBT | 8,269 | 10,706 | 16,099 | 18,323 | 22,344 |
| Depreciation | 3,669 | 3,929 | 4,531 | 5,812 | 6,953 |
| Interest | 2,016 | 2,016 | 1,340 | 1,372 | 1,333 |
| Other adjustments | -330 | -1,940 | -464 | -346 | -399 |
| Change in Working capital | -3,165 | -239 | -1,236 | -2,145 | -4,602 |
| Tax paid | -1,502 | -1,427 | -2,553 | -4,788 | -5,875 |
| Operating cash flow | 8,956 | 13,044 | 17,717 | 18,228 | 19,754 |
| Capex | -10,564 | -13,892 | -12,144 | -18,000 | -14,000 |
| Free cash flow | -1,607 | -847 | 5,573 | 228 | 5,754 |
| Other investing activities | 422 | 2,088 | -2,853 | 2,788 | -2,088 |
| Investing cash flow | -10,142 | -11,803 | -14,997 | -15,212 | -16,088 |
| Issuance of share capital | 1 | - | 7,500 | - | - |
| Movement of Debt | 5,534 | 1,019 | -6,708 | -983 | - |
| Dividend paid (incl DDT) | -694 | -803 | -1,408 | -2,397 | -2,707 |
| Other financing activities | -2,383 | -2,205 | -1,895 | 239 | 62 |
| Financing cash flow | 2,458 | -1,990 | -2,511 | -3,140 | -2,645 |
| Net change in cash flow | 1,272 | -748 | 209 | -124 | 1,022 |
| Opening C&CE | 870 | 1,896 | 1,165 | 1,383 | 1,259 |
| Closing C&CE | 1,896 | 1,165 | 1,383 | 1,259 | 2,281 |

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 18: Key ratios

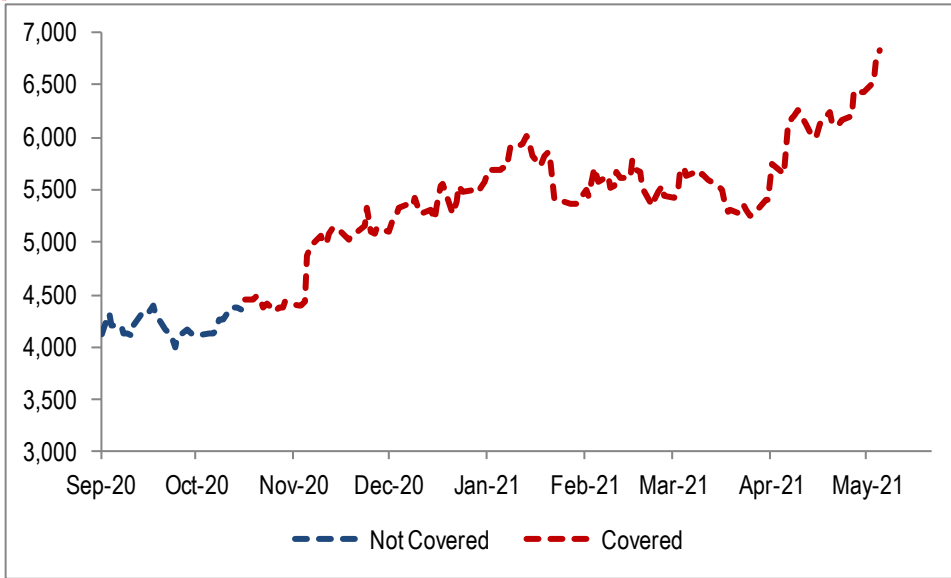
| Y/E March (Rsm) | FY19 | FY20 | FY21 | FY22E | FY23E |
|---------------------------------|-------|-------|---------|---------|---------|
| Per share (Rs) | | | | | |
| Adj EPS | 102.9 | 119.9 | 202.2 | 228.4 | 277.9 |
| Book value | 718.4 | 858.3 | 1,157.2 | 1,345.2 | 1,577.4 |
| Valuation (x) | | | | | |
| EV/EBITDA | 32.3 | 28.8 | 20.1 | 17.1 | 14.2 |
| P/E | 65.7 | 56.4 | 33.4 | 29.6 | 24.3 |
| P/BV | 9.4 | 7.9 | 5.8 | 5.0 | 4.3 |
| Return ratios (%) | | | | | |
| RoCE | 13.7 | 13.7 | 18.8 | 18.8 | 20.3 |
| RoE | 15.4 | 15.2 | 20.3 | 18.3 | 19.0 |
| Profitability ratios (%) | | | | | |
| Gross margin | 44.1 | 48.9 | 52.2 | 51.1 | 50.9 |
| EBITDA margin | 18.3 | 20.2 | 25.5 | 26.2 | 26.6 |
| PAT margin | 8.3 | 9.5 | 14.2 | 14.1 | 14.4 |
| Liquidity ratios (%) | | | | | |
| Current ratio | 1.0 | 0.9 | 1.1 | 1.1 | 1.3 |
| Quick ratio | 0.6 | 0.5 | 0.7 | 0.7 | 0.8 |
| Solvency ratio (%) | | | | | |
| Debt to Equity ratio | 0.8 | 0.7 | 0.4 | 0.4 | 0.3 |
| Turnover ratios | | | | | |
| Fixed asset turnover ratio (x) | 1.0 | 0.9 | 0.9 | 0.8 | 0.9 |
| Debtor days | 53 | 45 | 55 | 55 | 55 |
| Inventory days | 63 | 61 | 64 | 64 | 64 |
| Creditor days | 71 | 56 | 69 | 69 | 69 |
| 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 |
| 7 May 2021 | ACCUMULATE | 6,760 | 6,600 |

Rating Chart



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