

## SRF Ltd.

### Company Overview

Incorporated in 1970, SRF started operations with a nylon tyre cord plant in Manali, Tamil Nadu. Today it is a ~ 70K crore diversified business operating in 3 verticals, namely, Chemicals Business (CB), Packaging Films Business (PFB) and Technical Textiles Business (TTB).

In the CB segment, it manufactures fluoro-chemicals, fluoro-speciality chemicals, and chloromethane.

In the PFB segment, company offers innovative solutions in BOPET and BOPP Films.

Under the TTB segment, the company manufactures nylon tyre cord fabrics, belting fabrics, and industrial yarn.

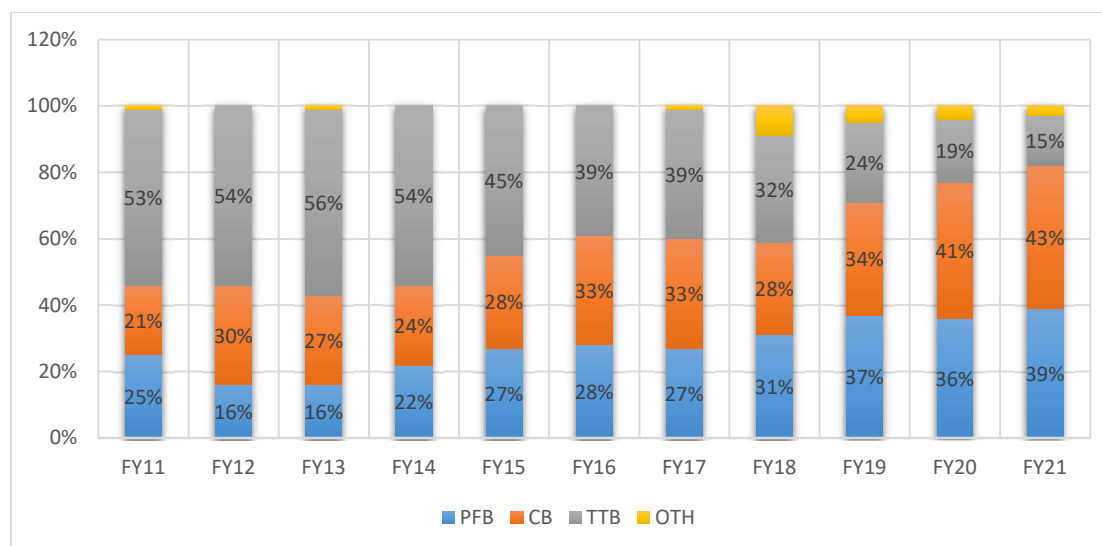
SRF has 11 manufacturing units in India, one each in South Africa Thailand and Hungary, an upcoming unit for PFB in Thailand. Its sales are spread across more than 75 countries, and it has a workforce of about 7,000 employees.

### Products/ Services

#### Reporting segments

SRF operates in four diverse segments i) chemical business (CB), ii) packaging films business (PFB), iii) technical textiles business (TTB), and iv) others.

As of FY21, segment-wise revenue break-up was approximately as follows: TTB (15% of revenue in fiscal 2021), CB (43%), and PFB (39%) segments. Others accounted for the rest.



SRF: Segmental sales mix, historical, FY11 – FY21

### **Chemicals Business (CB)**

Chemicals Business includes two segments, namely Speciality Chemicals and Fluorochemicals. Plants in Dahej and Bhiwadi located in Gujarat and Rajasthan respectively

#### **Speciality Chemicals (SCB)**

- Expertise in fluorine chemistry and deep knowledge in a variety of other organic chemistries.
- Capability to produce active, non-active advanced intermediaries used in agrochemical and pharmaceutical industries, custom research & synthesis for major players in agrochemicals and pharma space.
- Chloromethane

#### **Fluorochemicals**

- Global-scale fully integrated player in refrigerants & pharma propellants and industrial chemicals.
- Manufacturer of ozone-friendly refrigerants in India.
- Product application in room air-conditioners, pharma, automobile air-conditioners, refrigerators and chillers.

### **Technical Textiles Business (TTB)**

TTB have plants located in Manali, Gummidipoondi and Viralimalai in Tamil Nadu and Malanpur in Madhya Pradesh

- Largest manufacturer of technical textiles in India and also enjoys a global leadership for most of the products under this business.
- Technical textiles business offers a wide range of high-performance reinforcements, covering both nylon and polyester yarns and fabrics for diverse non-consumer and lifestyle applications.
- Product basket for technical textiles contains tyre cord fabrics, belting fabrics and industrial yarn.
- Used in varied applications, such as tyres, seat-belts, conveyer-belts and other industrial applications

### **Packaging Films Business (PFB)**

PFB has one plant in Kashipur, Uttarakhand and two plants in Indore, Madhya Pradesh (In addition, there are global plant facilities in Thailand, South Africa and Hungary)

- State-of-the-art facilities having capability to offer innovative solutions in BOPET and BOPP Films.
- Spectrum of product mix includes transparent, metalized, coated, and other value-added films finding various diverse applications in fast moving consumer goods, Food & Agro, confectionery, soaps & detergents, solar panels, labelling, overwraps, embossing, etc.

## Existing Capacity & Expansion Plans

### Expansion Plans

Management has given a guidance of INR 15-18bn Capex p.a. for the next 2-3 years, out of which 50-60% will be spent on Chemical business (SCB, PTFE, Chloromethanes, R22, R32). From the balance 30-40%, INR100-150cr will be used in TTB while the remaining will go towards the BOPP capex in Thailand and India.

The management has approved setting up of a second BOPP film line in India in Indore at a cost of INR 4bn. It also approved the setting up of a dedicated facility to produce 200 MT per year of P16 speciality product at Dahej for INR 175mn.

The company has outlined a capex of INR375cr for FY22 to set up its fourth multi-purpose plant at Dahej. The plant will be commissioned in 14 months and should benefit technically superior new products and augment capacity of existing products.

### Locations

SRF has 11 manufacturing units in India equipped with advanced technology.

Business	Plant Locations
TTB	<ul style="list-style-type: none"> <li>Manali Industrial Area, Manali, Chennai-600068, Tamil Nadu</li> <li>Industrial Area, Malanpur, Distt. Bhind-477116, MP</li> <li>Plot No. 1, SIPCOT Industrial Area Complex, Gummidipoondi, Dist. Thiruvallur- 601 201, Tamil Nadu</li> <li>Viralimalai, Distt. Pudukottai - 621 316, Tamil Nadu</li> <li>Plot No. 12, Rampura, Ramnagar Road, Kashipur, Dist. Udham Singh Nagar-244713, Uttarakhand</li> </ul>
CB & Others	<ul style="list-style-type: none"> <li>Village &amp; P.O. Jhiwana, Tehsil Tijara, Distt. Alwar - 301 018, Rajasthan</li> <li>DII / I GIDC. PCPIR, GIDC Phase II, Tal Vagra, Vill. Dahej, Dist Bharuch-392130, Gujarat</li> </ul>
PFB	<ul style="list-style-type: none"> <li>Plot No. 12, Rampura, Ramnagar Road, Kashipur, Dist. Udham Singh Nagar-244713, Uttarakhand</li> <li>Plot No. C 1-8, C 21-30, Sector 3, Indore Special Economic Zone, Pitam Pur, Dist. Dhar- 454775, Indore, MP</li> <li>Plot No. 675, Industrial Area, Sector 3, Village Bagdoon, Pithampur, Dist. Dhar - 454775, Indore MP</li> <li>Plot No 3-A, Industrial Growth Sector Kheda, Kheda, Dist-Dhar, Madhya Pradesh, 454775</li> </ul>




### TECHNICAL TEXTILES BUSINESS

- Malanpur Industrial Area, Bhind, Madhya Pradesh, India - 477 116
- Manali Industrial Area, Manali, Chennai, Tamil Nadu, India - 600 068
- Plot No. K1, SIPCOT Industrial Complex, Gummidipoondi, Thiruvallur District, Tamil Nadu, India - 601 201
- Viralimalai, District - Pudukottai, Tamil Nadu, India - 621 316




### PACKAGING FILMS BUSINESS

- Plot No. 12, Rampura, Ramnagar Road, Kashipur, District Udham Singh Nagar, Uttarakhand, India - 244 713
- Sector 3, SEZ Indore, Pithampur, District - Dhar, Madhya Pradesh, India - 454 775
- Plot No. 675, Industrial Area, Sector 3, Village - Bagdoon, Pithampur, District - Dhar, Madhya Pradesh, India - 454 775
- SRF Industries (Thailand) Ltd. Hemraj Eastern Seaboard Industrial Estate, 112, Moo 3, Tambon Tasith, Amphur Pluakdaeng Rayong Province, Thailand - 21140
- SRF Flexipak (South Africa) (Pty) Ltd. 5 Eddie Hagen Dr, Cato Ridge 3680, Durban, South Africa
- SRF Europe KFT 05/219, Jaszfenyszaru Industrial Park, Jaszfenyszaru, 5126 Hungary



### CHEMICALS BUSINESS

- Village - Jhiwana, PO - Khijuriwas, Tehsil - Tijara, District - Alwar, Rajasthan, India - 301 019
- D - 2/1, GIDC Phase II, PCPIR, Village - Dahej, District - Bharuch Gujarat, India - 392 130

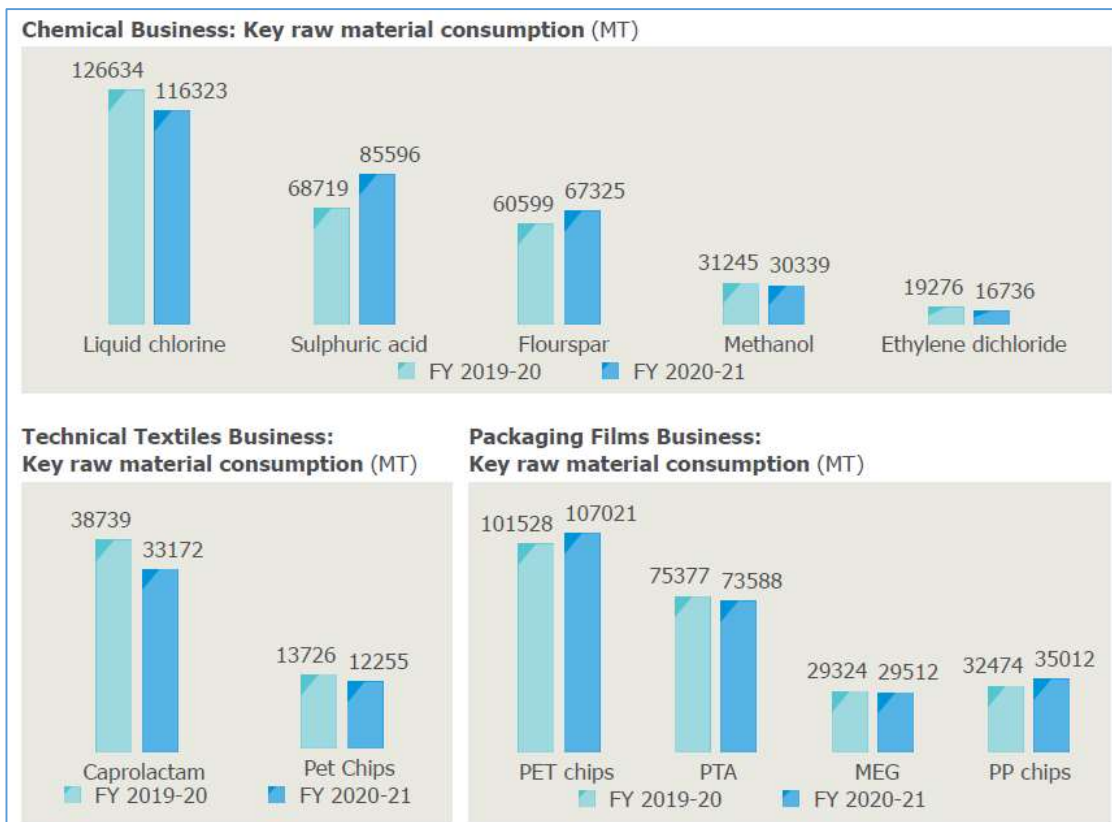


### OTHER BUSINESSES

- Plot No. K1, SIPCOT Industrial Complex, Gummidipoondi, Thiruvallur District, Tamil Nadu, India - 601 201
- Unit No. 2, Plot No. 12, Rampura, Ramnagar Road, Kashipur, District - Udham Singh Nagar, Uttarakhand, India - 244 713

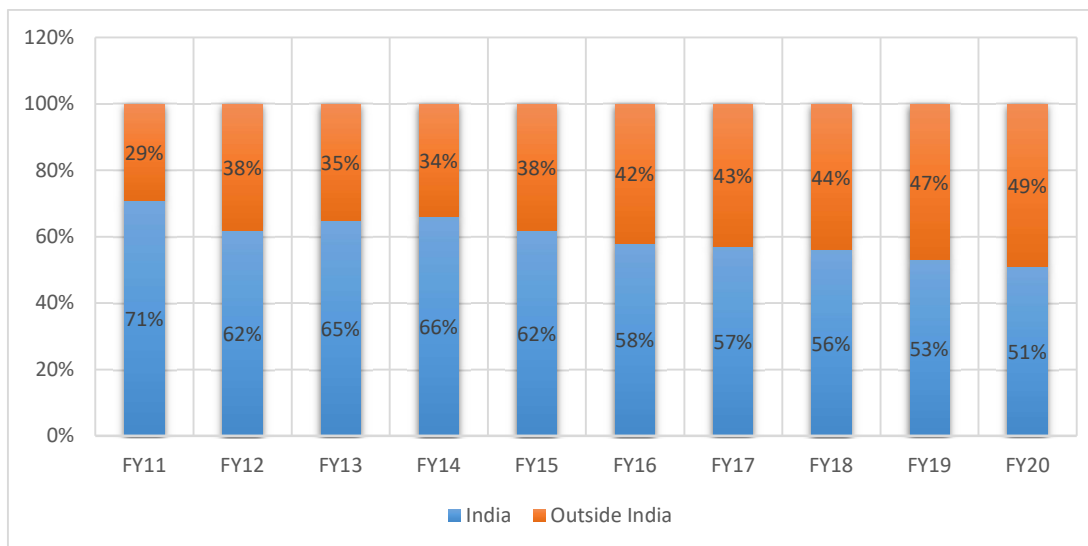
## Raw Materials

The detailed break-up of the major raw materials by consumption across the three businesses of SRF in the last two years is highlighted in the graphs below (source: AR 2021):



## Domestic / Exports

Revenue contribution from outside India has steadily increased over the years.



SRF: Sales mix by geography, historical, FY11 – FY20

## Industry Overview

### Flurochemical Industry

#### Size

Global flurochemical market size is estimated to be \$21 billion in 2018 and is expected to grow at a CAGR of 4.6% to \$30 billion by 2026.

#### Growth rates & drivers

Presently, Pharmaceuticals and Agrochemicals are the key end users of fluorine chemistry

#### Pharmaceuticals

Since the FDA approval of its first fluorocorticosteroid drug in 1956, over 140 drugs have been introduced that contain at least one fluorine atom, according to estimates by ICICI Direct Research.

Fluorine containing drugs are used for the treatment of various diseases, including cancer, HIV, malaria and smallpox infections. Additionally, usage of fluorinated anaesthetics has increased.

In 2019, 29% of the novel drugs approved by the USFDA contained fluorine. This ratio was ~20% in 2011. 50% of the blockbuster drugs (most successful drugs) have at least one fluorine item.

Prescription drug sales are expected to grow at ~7% CAGR over 2019-24 globally. Fluorine, being an essential constituent in modern pharmaceutical drugs, related chemistry is expected to see significant traction in demand.

#### Agrochemicals

In terms of the agrochemicals, industry reports suggest that over 1998-June 2020, around 126 fluoro-agrochemicals were registered, which accounts for 53% of all active agrochemical ingredients registrations (237 compounds).

The ratio of fluorine-containing pesticides is increasing along with the progress of fluorine chemistry.

According to ICICI Direct Research estimates, in the insecticide and acaricide categories, the contributions of fluorinated compounds are extraordinarily high (70% and 77%, respectively). In the other three main categories they make up ~50% of the compounds (fungicides: 49%; herbicides: 50%; nematocides: 57%).

Global agrochemicals industry is expected to grow at ~3% till 2027 while the Indian crop protection industry is expected to grow at ~8% CAGR over 2019-25. This is expected to pave the way for the growth of fluorine compounds over the long run.

API name	Brand name	Developer	Therapeutic area
Fluticasone propionate	Advair/Seretide (combination with salmeterol xinafoate))	GSK	Respiratory
Moxifloxacin	Avelox	Bayer	Antibiotic
Atorvastatin	Lipitor	Pfizer	Cardiovascular
Voriconazole	Vfend	Pfizer	Anti-fungal
Capecitabine	Xeloda	Roche	Anti-cancer
Sofosbuvir	Sovaldi	Gilead	Antiviral

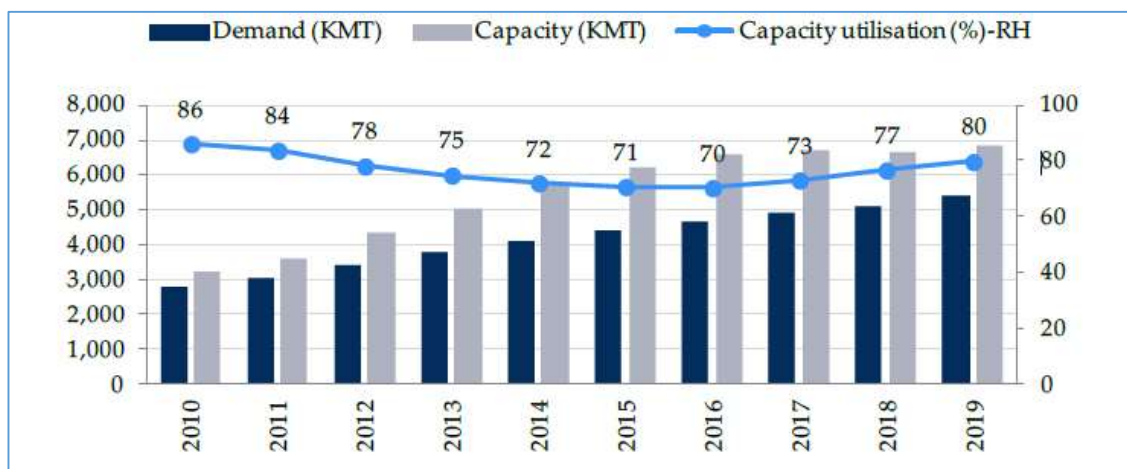
Name	Brand name	Developer	Application
Fluroxypyr methylheptyl	Starane®	Dow	Post emergence herbicide
Benfluralin	Balan®, Team®	Dow	Herbicide
Tefluthrin	Force®	Syngenta	Insecticide (seed treatment)
Teflubenzuron	Nomolt®, Nomax®	BASF	Insecticide
Fluazifop butyl	Fusliade®	Syngenta	Post-emergence herbicide
Trifloxystrobin	Flint®	Bayer Crop science	Fungicide

List of fluorinated pharmaceutical and agrochemical formulations, source: NFIL, ICICI Direct Research

## Packaging Films Industry

Global flexible packaging industry is expected to grow at ~6-7% CAGR over the next 5 years whereas domestic growth would be ~12-13%, led by high demand from packaged foods and other industries. Capacity utilisation of global BOPET capacity has been increasing, which suggests the narrowing of supply-demand gap. On the other hand, BOPP is facing oversupply situation on account of huge capacity additions in China over the years. Flexible packaging solutions have been experiencing positive demand across the end-user industries such as food, retail, consumer goods, pharmaceuticals etc.

Demand has been catalysed by the continued rise in the level of urbanization, a large expatriate population and changing dietary habits of the resident citizens. Increasing penetration of organized retail formats such as hypermarkets, supermarkets and e-commerce, apart from processed and packaged food market is currently exhibiting strong growth.



Global demand supply of BOPET films

BOPET packaging films are oriented films that are used predominantly in the packaging of products in multiple consumer industries, like food & beverage, pharmaceuticals, cosmetic and personal care



products. These films remain stable through printing and laminating processes, making them ideal for high-quality graphic packaging applications. Long-term prospects for BOPET films remain strong, as it has superior technical properties and is being used in flexible packaging, which is growing at a steady rate across the world. BOPP films offer excellent moisture barrier and the metallized variant provides better oxygen barrier.



Global demand supply of BOPP films.



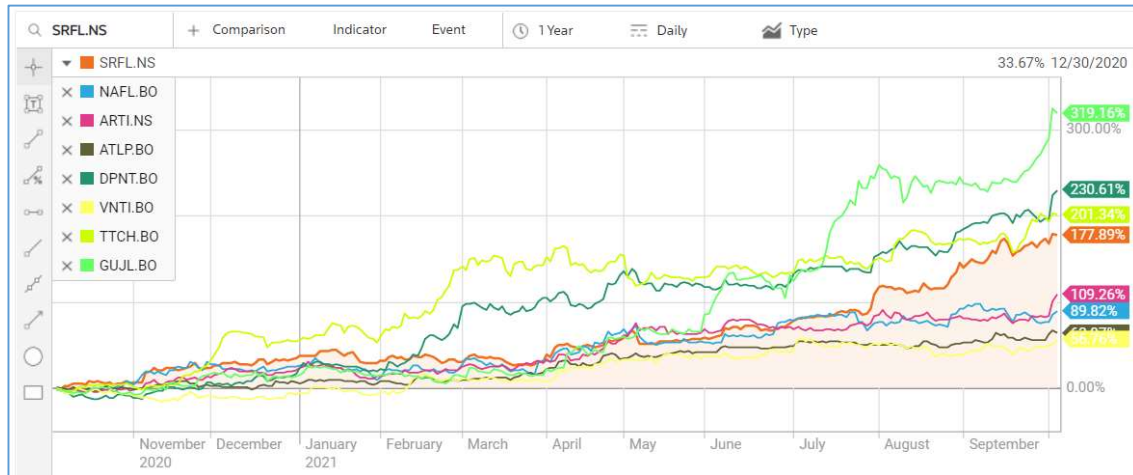
## Competitors

	SRF	Navin Fluor. Intl	Gujarat Fluoroch	Aarti Industries	Vinati Organics	Atul	Deepak Nitrite	Tata Chemicals
Mcap	65701.15	19625.10	22956.41	38633.16	20825.36	29366.41	32494.96	23711.82
PER	26.74	52.96	-28.87	43.85	53.43	31.97	29.12	74.72
PSR	7.82	16.64	8.66	8.57	21.82	7.87	7.45	2.32
PBR	9.59	12.01	6.57	11.03	13.49	7.67	13.85	1.66
Dividend Yield	0.22%	0.28%	0.00%	0.14%	0.30%	0.20%	0.23%	1.07%
1Y Sales Gro. Rate	16.51%	11.10%	13.32%	8.42%	16.22%	11.25%	19.54%	6.17%
3Y Sales Gro. Rate	14.55%	8.92%		5.79%	9.36%	2.02%	38.21%	-0.23%
5Y Sales Gro. Rate	12.83%	11.65%		8.43%	8.63%	7.54%	26.00%	-7.27%
10Y Sales Gro. Rate	8.58%	5.56%		11.69%	8.78%	8.61%		-3.31%
1Y NP Gro. Rate	17.55%	-36.97%	-211.40%	-2.35%	-19.32%	-1.61%	26.97%	-96.34%
3Y NP Gro. Rate	37.41%	12.73%	-	16.28%	23.24%	33.36%	114.13%	-52.77%
5Y NP Gro. Rate	22.75%	25.26%	-	15.30%	15.41%	19.05%	65.37%	-19.76%
9Y NP Gro. Rate	13.65%	1.89%	-	19.76%	19.35%	24.52%	-	-12.33%
1Y OPM	25.67%	25.71%	25.69%	22.79%	32.18%	23.96%	29.11%	16.09%
3Y OPM	21.51%	24.60%	22.86%	22.74%	38.35%	21.82%	23.99%	16.99%
5Y OPM	20.41%	24.03%	22.86%	21.57%	35.91%	19.79%	21.33%	20.76%
10Y OPM	19.23%	22.40%	22.86%	19.71%	31.34%	17.80%	19.76%	15.07%
1Y NPM	14.26%	21.84%	-8.25%	11.62%	28.23%	17.57%	17.79%	2.51%
RoE	17.48%	15.76%	-6.26%	14.94%	17.45%	17.14%	33.06%	1.79%
RoA	9.28%	13.57%	-3.66%	6.85%	15.54%	13.29%	21.75%	0.90%
RoCE	18.01%	23.58%	11.32%	13.15%	23.80%	24.69%	39.86%	4.79%
D/E	0.51	0.00	0.45	0.81	0.00	0.03	0.25	0.49
Interest Cover	15.92	168.17	5.32	11.36	371.85	98.19	16.19	4.10
Receivable Days	55.38	87.93	91.87	64.29	106.03	71.72	63.32	49.99
Inventory Days	63.69	55.82	118.97	75.79	46.64	58.12	32.57	60.35
WC Cycle	56.77	279.26	305.56	112.81	170.31	92.01	55.50	-33.92
Tax Rate	25.70%	30.96%	145.93%	19.46%	19.66%	25.14%	25.53%	31.19%
5Y (OCF - PAT)	1459.82	-385.77	718.44	1315.92	-65.86	396.46	320.15	-1045.1
5Y FCF	-873.18	327.49	-1380.95	-663.53	550.73	1437.68	130.68	5050.83
10Y FCF	-1159.49	374.19	-1380.95	-618.66	787.23	1827.52	-299.25	6892.88
Issued Capital GR	0.34%	0.17%	-	9.17%	0.45%	-0.03%	-	0.00%

SRF is a diversified business comprising of CB, PFB & TTB segments. However, CB contributed to maximum sales over the past two years, also, fresh capital spending has been heavily skewed towards the CB segment. Therefore, we have compared SRF with chemical stocks.

- SRF has been one of the fastest growing companies other than Deepak Nitrite.
- Consistent 20% plus operating margins, despite being a diversified player, with more than half of the sales coming from commodity business
- However, FCF generation is weaker when compared to Atul or Navin Fluorine, as part of the growth is funded by raising external capital

## Comparison of stock-price performance



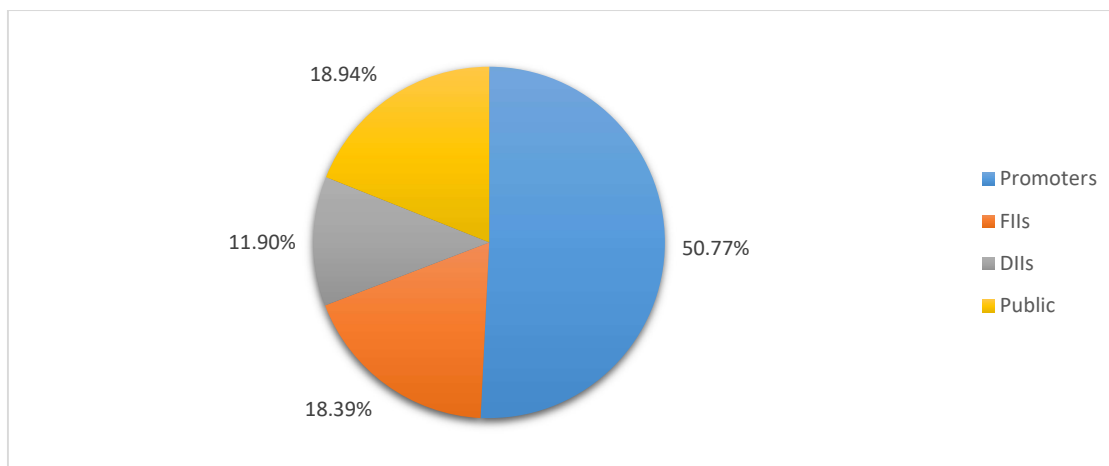
Source: Reuters

Compared to peers, SRF had a steady run over the last one year generating close to 180%. Deepak Nitrite & Gujarat Fluro-chemicals did even better. While Gujarat Flurochemicals is currently loss making, Deepak Nitrite has been riding on the back of inflated phenolics prices, and therefore runs the risk of margin contraction once phenolics prices normalize.

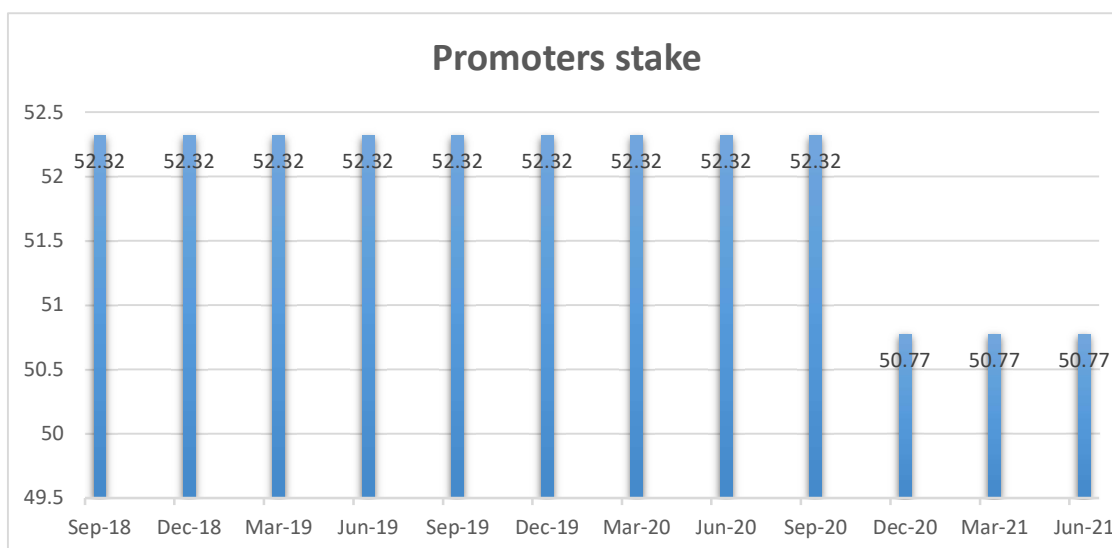
## Shareholding

### Promoter holding & recent changes

As of June 2021, Indian Promoter owns 50.77%. FII & DII holdings are 18.39% and 11.90% respectively. Public holding is 18.94%.



### Historical changes in promoter holdings



In October 2020, SRF issued 1.76 million equity shares to qualified institutional buyers (QIB) at the issue price of Rs 4,250 per share, aggregating to approximately Rs 750 crore. Consequently, promoter holding was diluted from 52.32% to 50.77%.

ICICI Prudential Mutual Fund, HDFC Life Insurance Company, ICICI Prudential Life Insurance Company, Nippon Life India Asset Management, and SBI Mutual Fund have allotted shares in QIP.

## Management Analysis

### Key Managerial Personnel (KMP)

#### Remuneration

KMP remuneration is modest for a 70K crore company.

	Year ended March 31, 2021	Year ended March 31, 2020
<b>(i) (a) Remuneration to Chairman/ Managing Director/ Deputy Managing Director/ Whole time Director</b>		
Salary and contribution to provident and other funds	12.04	11.05
Value of perquisites	2.36	2.26
Commission	12.00	9.50
<b>SUB-TOTAL</b>	<b>26.40</b>	<b>22.81</b>
<b>(b) Remuneration to Non Executive Directors</b>		
Commission	0.84	0.72
Directors' sitting fees	0.27	0.21
Other fees	0.14	0.12
<b>SUB-TOTAL</b>	<b>1.25</b>	<b>1.05</b>
<b>TOTAL</b>	<b>27.65</b>	<b>23.86</b>

#### Employee feedback

Good number of employee reviews. SRF appears to be an employee friendly company and feedback is quite positive.

Platform	Score	No. of reviews
Indeed.co.in	4	110
Ambitionbox.com	4.3	815
Glassdoor.co.in	3.9	202
Jobbuzz.timesjobs.com	3.8	113

#### Scuttlebutt

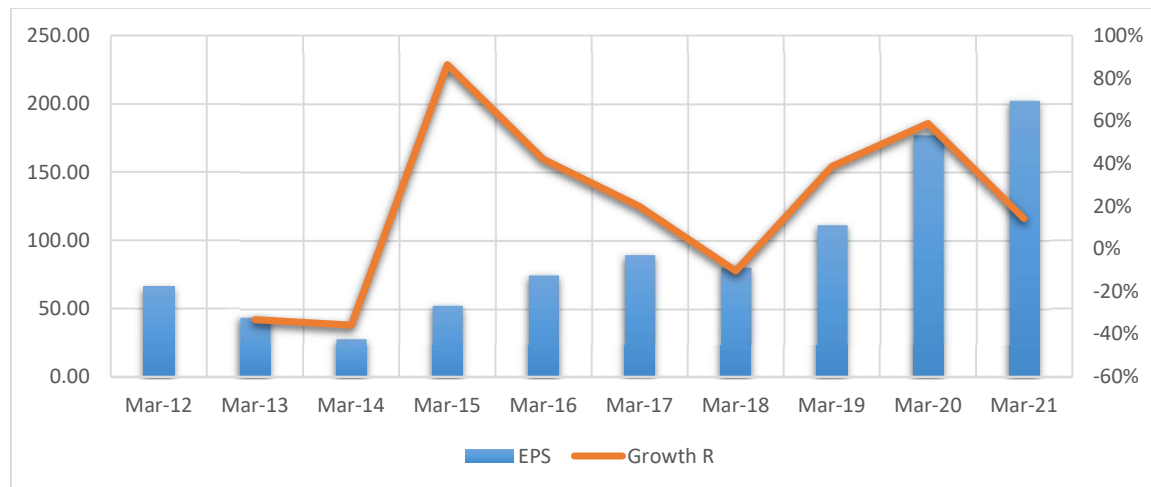
Nothing negative could be found about the promoters in public domain.

## Financials

## Summary of 10-year financials of SRF Ltd.

SRF LTD											Reuters			MCAP			65701-15			CAP			11089-7			# Shares			5.92			FV			10					
10 YR	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Ratio	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21		Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21								
OP \$PLN	4,004.38	3,782.95	4,018.26	4,539.85	4,992.72	4,821.80	5,589.04	7,099.59	7,209.41	8,400.04	PSR	0.36	0.26	0.52	1.28	1.66	1.97	2.04	1.96	2.26	3.86		0.375	0.34	0.26	0.52	1.28	1.66	1.97	2.04	1.96	2.26	3.86							
ROA	834.84	614.25	209.05	477.76	762.76	967.39	906.24	1,297.00	1,454.94	2,133.02	PEV	0.78	0.49	1.02	2.52	2.77	2.99	3.21	3.40	3.30	4.76		0.78	0.49	1.02	2.52	2.77	2.99	3.21	3.40	3.30	4.76								
OPM	20.85%	16.24%	12.58%	15.80%	20.90%	20.10%	16.21%	18.27%	20.18%	25.39%	PBV	1.17	0.98	1.26	3.06	6.69	7.01	14.73	16.85	15.70	12.48	18.41		1.17	0.98	1.26	3.06	6.69	7.01	14.73	16.85	15.70	12.48	18.41						
Interest	117.17	99.80	96.12	137.58	130.61	170.77	123.89	198.37	200.68	133.95	FD																													
Depreciation	183.68	208.88	224.75	245.03	274.96	283.44	315.58	388.61	388.61	453.08	FD																													
PBT	561.73	347.57	207.97	399.43	584.94	657.19	581.67	818.48	1,017.89	1,612.34	RoE	20.46%	12.85%	7.86%	13.19%	15.56%	16.18%	12.95%	15.54%	20.66%	17.48%		20.46%	12.85%	7.86%	13.19%	15.56%	16.18%	12.95%	15.54%	20.66%	17.48%								
Tax	182.91	94.62	45.51	66.46	155.05	142.20	119.96	176.85	1.10	414.40	RoA	9.55%	5.53%	2.97%	5.15%	6.69%	7.39%	5.52%	6.49%	9.38%	9.28%		9.55%	5.53%	2.97%	5.15%	6.69%	7.39%	5.52%	6.49%	9.38%	9.28%								
PAT	378.82	252.95	162.46	302.81	429.89	514.99	461.71	641.63	1,019.09	1,197.94	Asset Turn	1.93	1.62	1.13	1.16	1.12	1.09	1.09	1.27	1.13	1.07		1.93	1.62	1.13	1.16	1.12	1.09	1.09	1.27	1.13	1.07								
EPS	9.46%	6.69%	4.04%	6.67%	9.36%	10.68%	8.26%	9.04%	14.14%	14.26%	Interest Cover	7.12	6.15	5.26	5.21	7.38	9.53	7.31	6.54	7.25	15.92		7.12	6.15	5.26	5.21	7.38	9.53	7.31	6.54	7.25	15.92								
Paym R	66.20	44.07	38.52	52.35	59.72	69.78	89.72	101.17	177.22	222.02	D/E	0.10	0.08	0.07	0.08	0.09	0.10	0.08	0.09	0.04	0.04		0.10	0.08	0.07	0.08	0.09	0.10	0.08	0.09	0.04	0.04								
NPGR	21.60%	23.10%	35.97%	19.33%	13.96%	13.62%	15.11%	10.94%	8.04%	12.07%	Cost of Funds	9.5%	9.9%	4.4%	5.7%	5.2%	4.2%	3.9%	5.3%	4.9%	3.9%		9.5%	9.9%	4.4%	5.7%	5.2%	4.2%	3.9%	5.3%	4.9%	3.9%								
Dividend	81.82	58.44	58.44	58.44	58.44	58.44	70.13	70.13	70.20	81.90	144.62	Receivable days	44.1	49.1	62.8	49.1	40.9	49.7	45.4	52.9	45.1	55.4		44.1	49.1	62.8	49.1	40.9	49.7	45.4	52.9	45.1	55.4							
10Y CF	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Inventory/Sales	12.18%	14.89%	18.58%	16.82%	14.61%	17.38%	17.45%	17.25%	16.66%	17.45%		12.18%	14.89%	18.58%	16.82%	14.61%	17.38%	17.45%	17.25%	16.66%	17.45%								
CAPX	664.79	422.70	346.72	542.35	1,090.05	645.44	637.97	895.64	1,304.44	1,771.68	# Shares	5.84	5.74	5.84	5.84	5.84	5.84	5.85	5.85	5.85	6.03		5.84	5.74	5.84	5.84	5.84	5.84	5.84	5.85	5.85	6.03								
OCF	618.64	618.64	982.42	608.60	478.47	716.97	1,332.71	1,040.77	1,786.49	1,291.42	FV	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00		10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00							
FCF	-195.94	-635.70	-66.25	61.18	61.58	-71.53	-654.73	-145.13	-482.05	480.26	Valuation	PSR	PEV	PBV	CF	PDD	MarketEPTS	Growth	Sales	Growth			PSR	PEV	PBV	CF	PDD	MarketEPTS	Growth	Sales	Growth									
10Y BS	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Current	6.88	4.66	9.39	9.59	37.08	0.22%	FY19E	-	-	-		Current	6.88	4.66	9.39	9.59	37.08	0.22%	FY19E	-	-	-							
Total Assets	3,968.03	4,574.54	5,068.74	5,883.13	6,423.94	6,968.33	8,363.01	9,887.90	10,862.50	12,911.27	Historical	1.96	1.30	2.30	2.52	10.00	10.00	10.00	10.00	10.00	10.00		Historical	1.96	1.30	2.30	2.52	10.00	10.00	10.00	10.00	10.00	10.00							
Liabilities	2,116.50	2,605.61	3,402.30	4,066.66	4,226.34	4,762.98	5,785.47	6,759.42	7,530.74	8,657.37	10 Y Results	1.96	1.30	2.30	2.52	10.00	10.00	10.00	10.00	10.00	10.00		10 Y Results	1.96	1.30	2.30	2.52	10.00	10.00	10.00	10.00	10.00	10.00							
Equity (BV)	1,851.53	1,968.93	2,466.44	2,296.24	2,762.98	3,205.35	2,577.54	3,128.49	3,331.76	4,253.90	ROE	19.62%	17.63%	23.99%	17.77%	18.50%	14.95%	15.14%	21.00%	21.43%	26.07%		19.62%	17.63%	23.99%	17.77%	18.50%	14.95%	15.14%	21.00%	21.43%	26.07%								
Borrowing	1228.42	1704	2175	2133	2434.89	2815.25	2396.21	3144.84	3730.19	4134.51	Y Growth	190.89	189.22	301.13	342.99	186.75	177.09	315.20	324.73	380.92	395.28		190.89	189.22	301.13	342.99	186.75	177.09	315.20	324.73	380.92	395.28								
Cash	140.08	190.97	82.46	107.3	299.23	92.12	96.74	198.88	125.87	282	Y Growth	100Y	5Y	3Y	1Y	Q Growth	5Y	4Q	3Q	2Q	1Q		100Y	100Y	5Y	3Y	1Y	Q Growth	5Y	4Q	3Q	2Q	1Q							
Receivables	483.73	508.69	614.99	610.66	614.08	659.80	680.65	1,028.75	891.07	1,245.56	Sales	8.6%	12.8%	14.5%	16.5%	Sales	-12.37%	20.9%	16.0%	40.4%	74.7%		8.6%	12.8%	14.5%	16.5%	Sales	-12.37%	20.9%	16.0%	40.4%	74.7%								
Inventory	487.66	563.23	746.4	763.5	617.05	838.14	958.18	1,274.74	1,201.23	1,476.58	EBITDA	11.0%	12.8%	14.3%	46.6%	NP	-6.41%	4.7%	5.3%	10.5%	123.2%		11.0%	12.8%	14.3%	46.6%	NP	-6.41%	4.7%	5.3%	10.5%	123.2%								
Fixed Assets	2,077.97	2,339.83	3,550.76	3,922.33	4,112.52	4,404.91	5,121.59	5,609.39	6,367.59	7,826.96	NP	13.6%	22.7%	34.7	17.5%								NP	13.6%	22.7%	34.7	17.5%													
CWIP	417.48	565.38	112.12	104.12	117.44	258.58	558.71	753.61	1393.29	772.26	Price	24.77	16.93	39.6	99.2	1308.5	1627.2	1955.2	2400.0	2783.3	5410.8		24.77	16.93	39.6	99.2	1308.5	1627.2	1955.2	2400.0	2783.3	5410.8								
Tax Rate	32.56%	27.22%	21.88%	24.19%	26.51%	21.4%	20.82%	21.61%	12.2%	25.70%	Price	24.77	16.93	39.6	99.2	1308.5	1627.2	1955.2	2400.0	2783.3	5410.8		24.77	16.93	39.6	99.2	1308.5	1627.2	1955.2	2400.0	2783.3	5410.8								
Investments	140.51	51.23	36.61	24.67	16.34	195.88	121.62	100.60	-0.26%	416.68	SSOR	5.45%	-0.61%	-3.40%	-0.92%	2.35%	3.66%	1.48%	3.80%	8.62%	7.6%		5.45%	-0.61%	-3.40%	-0.92%	2.35%	3.66%	1.48%	3.80%	8.62%	7.6%								

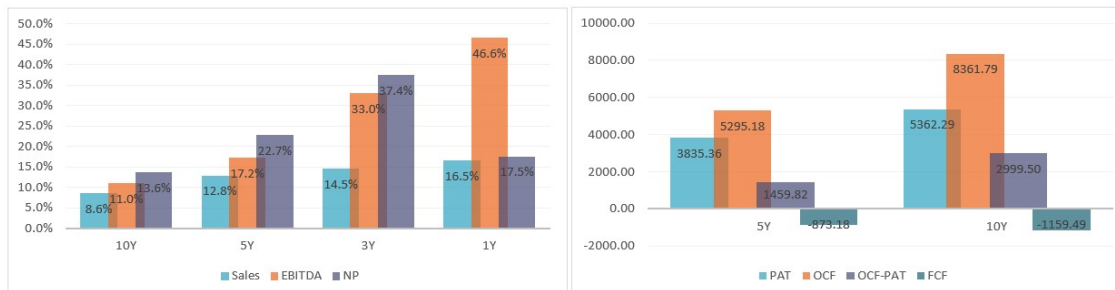
## Growth rates



Y Growth	10Y	5Y	3Y	1Y	Q Growth	5Q	4Q	3Q	2Q	1Q
Sales	8.6%	12.8%	14.5%	16.5%	Sales	12.37%	20.9%	16.0%	40.4%	74.7%
EBITDA	11.0%	17.2%	33.0%	46.6%	NP	-6.41%	4.7%	-5.3%	105.1%	123.2%
NP	13.6%	22.7%	37.4%	17.5%						

Sales growth has been in the 12-17% range for the last 5 years top. Bottom-line growth however has been over 17.5% and EPS growth around 22.5% CAGR over the same period.

## Cash Flow

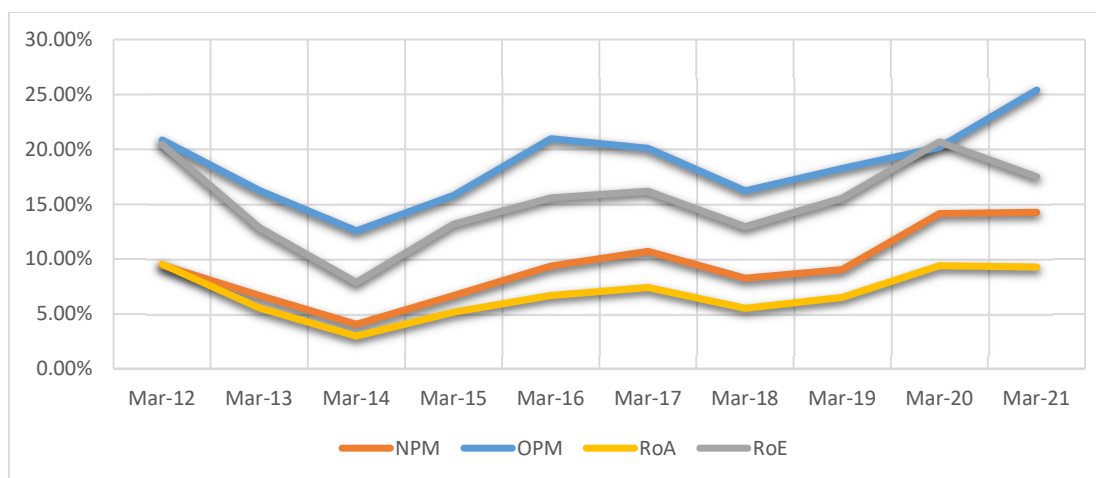


OCF-PAT is positive for both 5 and 10 years cumulative. However, FCF generation is inadequate due to capital intensive nature of the business. SRF had to raise capital of Rs 750 crores through QIP in 2020.

## Profitability

10 Y PNL	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
OPM	20.85%	16.24%	12.58%	15.80%	20.96%	20.10%	16.21%	18.27%	20.18%	25.39%
NPM	9.46%	6.69%	4.04%	6.67%	9.36%	10.68%	8.26%	9.04%	14.14%	14.26%

Operating & Net margins have been steadily improving over the past 10 years. OPM has expanded from 20.9% to 25.4%, while NPM has grown from 9.5% to 14.3%.



Returns have been generally witnessing uptrend. FY21 RoE stood at around 17.5%

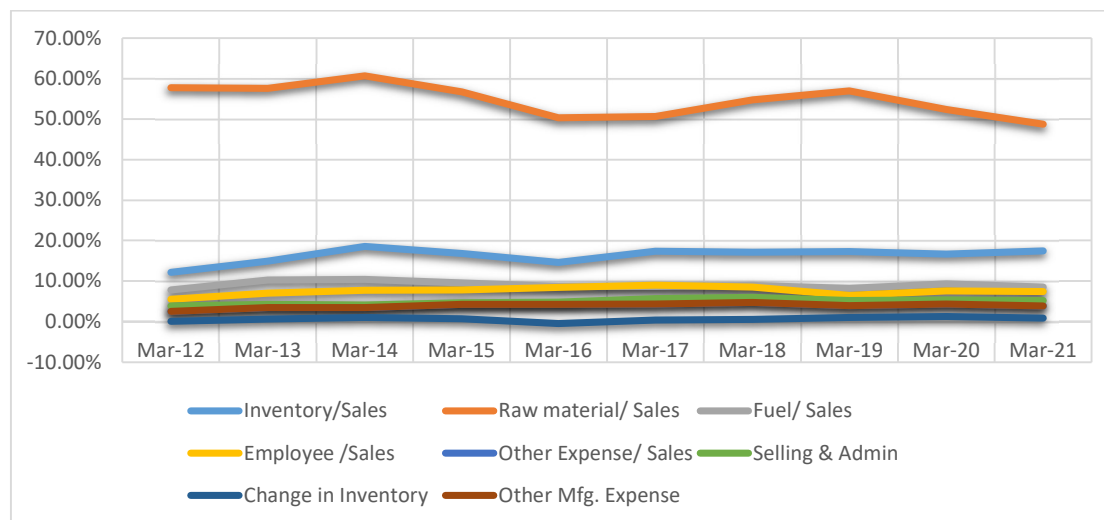
## Leverage & Liquidity, debt outlook

Interest cover is around 20x as of FY21 while DE is 0.51.

## Tax rates & benefits if any

10-year average tax rate is 22.18%, while 3-year average rate is 15.73%.

## Cost analysis



Raw materials (~50%) constitute the biggest cost for SRF

## Cash + Investments

Company has around 5.4% of its assets in cash and investments.

Cash + Investments	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
Assets	3,968.03	4,574.54	5,468.74	5,883.13	6,423.94	6,968.33	8,363.01	9,887.90	10,862.50	12,911.27
Cash + Investments	280.59	342.20	119.06	201.57	554.16	292.00	218.56	299.48	328.13	698.68
As % of assets	7.1%	7.5%	2.2%	3.4%	8.6%	4.2%	2.6%	3.0%	3.0%	5.4%



## Credit rating

Rating history for past 3 years from CRISIL is as follows. Credit profile has been strong for the company.

Instrument	Current			2021 (History)		2020		2019		2018		Start of 2018
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT/ST	1000.0	CRISIL AA+/Stable / CRISIL A1+		--	09-09-20	CRISIL AA+/Stable / CRISIL A1+	01-10-19	CRISIL AA+/Stable / CRISIL A1+		--	--
			--		--	21-04-20	CRISIL AA+/Stable / CRISIL A1+	04-07-19	CRISIL AA+/Stable		--	--
Commercial Paper	ST	600.0	CRISIL A1+		--	09-09-20	CRISIL A1+	01-10-19	CRISIL A1+	06-07-18	CRISIL A1+	CRISIL A1+
			--		--	21-04-20	CRISIL A1+	04-07-19	CRISIL A1+		--	--
Non Convertible Debentures	LT	250.0	CRISIL AA+/Stable		--	09-09-20	CRISIL AA+/Stable	01-10-19	CRISIL AA+/Stable	06-07-18	CRISIL AA+/Stable	CRISIL AA+/Stable
			--		--	21-04-20	CRISIL AA+/Stable	04-07-19	CRISIL AA+/Stable		--	--

All amounts are in Rs. Cr.

## Corporate structure

### Subsidiaries, Associates & JVs

Name of subsidiary	Country of incorporation	Proportion of ownership as at March 31, 2021	Proportion of ownership as at March 31, 2020
<b>Indian Subsidiaries</b>			
SRF Holiday Home Limited	India	100%	100%
SRF Employees Welfare Trust (Controlled Trust)	India	*	*
<b>Foreign Subsidiaries</b>			
SRF Global BV	Netherlands	100%	100%
SRF Europe Kft (100% subsidiary of SRF Global BV)	Hungary	100%	100%
SRF Industries (Thailand) Limited (100% subsidiary of SRF Global BV)	Thailand	100%	100%
SRF Industex Belting (Pty) Limited (100% subsidiary of SRF Global BV)	Republic of South Africa	100%	100%
SRF Flexipak (South Africa) (Pty) Limited (100% subsidiary of SRF Global BV)	Republic of South Africa	100%	100%

### Contribution of subsidiaries, JVs & associates to consolidated financials

As of FY21, subsidiaries contributed to around 17% sales and 23% PAT.

Subs. Cont.	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
Topline	474.38	459.95	601.06	925.85	953.72	938.80	1,007.04	893.59	878.41	1,412.04
EBITDA	30.81	36.25	-1.71	60.46	152.76	148.39	121.24	171.00	191.94	392.02
Bottomline	-8.18	-6.05	-54.54	-5.19	57.89	95.99	55.71	124.63	45.09	272.94

## Valuation, earnings estimates

### Relative valuations



Valuation	PSR	PER	PBV	PCF	PDY
Current	6.88	46.39	9.59	37.08	0.22%
Historical	1.62	16.30	2.52	10.64	0.92%

Stock is currently trading at 46x trailing earnings which is higher than the historical averages. Nifty 50 is trading at a trailing PE of 27x (as of October 2021), which is around 35% higher than the 10Y historical averages. Valuations are rich in general and so is the case with SRF. This is a risk, particularly if the growth rates/ projections and margins are not sustained.

## Risk Analysis

### Capital intensive nature of business

SRF's operations are capital intensive in nature. Capex was Rs 1,214 crore during fiscal 2021. The company is continuously incurring capex mostly towards specialty chemicals in the CB segment while also expanding manufacturing facilities in the PFB segment abroad. During the period from fiscals 2018 to 2021, company has done a combined capex of over Rs 5500 crore, in fiscal 2022, as well company has a capex plan of Rs 1800-2000 crore. However, profitability of a molecule in the CB segment depends on successful commercialisation and acceptability, while cyclicity is inherent in the PFB segment. Therefore, the ability to maintain healthy revenue growth and sustain the operating margin remains a key monitorable for investors.

### Fluctuation in foreign exchange

The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports. There is no direct hedgeable commodity risk that the Company has on any of its raw materials or finished products. Thus, the Risk Management Policy covers only net forex exposure on account of its imports and exports.

## Historical price chart

Free Float market cap is around 33,350 crores in value terms, as on October 2021. Total market cap is around 68.470 crores.

### 1 Year chart



Duration	1 Year	3 Years	5 Years	10 Years
Stock Price CAGR	180%	89%	44%	44%

## Conclusion

SRF started as Technical Textiles player, but over the years it has successfully transformed itself into a leading chemical company in India. Company's capital allocation strategy has been disproportionately focused on Chemicals Business followed by the Packaging Films business. Driven by the increasing efforts of global supply chain majors towards 'Plus One' strategy as well as domestic demand, SRF has raised its capex intensity significantly over the last 5 years. Over the next 2-3 years, SRF plans to invest INR 15-18bn p.a., out of which 50-60% will be spent on Chemical business.

Consistent capex, supplemented by strong product pipeline are expected to deliver robust growth going forward.

## Disclosure:

ViniyogIndia.com is managed by Biswarup Sinha Ray (hereafter referred to as 'I'), along with employees and partners of B. Sinha Ray Research & Advisory (hereafter referred to as 'We'); collectively, referred to as 'Us'.

I, Biswarup Sinha Ray, am a SEBI registered Investment Adviser & CFA(ICFAI) with SEBI registration number INA300008614.

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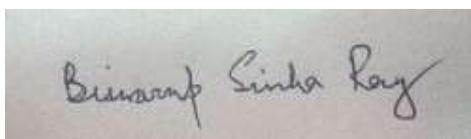
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Biswarup Sinha Ray, 07-OCT-2021.

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