

11 June 2024

India | Equity Research | Company Update

SRF Ltd

Speciality Chemicals

FY24 - Annual report analysis

SRF has reiterated 20% growth in chemical business revenue for FY25 with improvement across ref-gas, specialty chemicals and industrial chemicals. In FY24, ref-gas and specialty chemicals revenue dipped 19% and 12%, YoY, respectively. The company's confidence in growth is coming from strong R&D pipeline, including the ongoing work in AIs, and recently commissioned multiple large projects. Packaging films margin is likely to remain subdued even in FY25 but it remains excited for aluminium foil and capacitor grade BOPP films plants. It expects to resume higher capex intensity in chemicals business from H2FY25. Our estimates have slight variance post annual report update, but we maintain our valuation multiple. Our SoTP-based fair value has been raised to INR 2,580 (from INR 2,575). Maintain ADD. Key downside risk: Ref-gas prices and volumes to US.

SRF reiterates revenue growth guidance of 20% in chemical business for FY25

SRF has reiterated chemicals business will grow at ~20% in FY25 and build a strong momentum for years ahead. It has commissioned multiple projects in FY24 which will play key role in growing revenue. It started nine dedicated plants, R-32, and PTFE plant in FY24. The company has strong sales funnel, and product in AIs which it is working to bring on stream. It has guided for capex intensity to rise again from H2FY25 to support growth for coming years. In ref-gas segment, it expects an increase in demand for refrigerants, while US market to remain subdued. Pricing pressure on refrigerants is anticipated to reduce in FY25. The company expects to increase grades in PTFE, and commission a new fluoropolymers plant in FY25.

Packaging films margin may continue to be under-pressure in FY25 for both BOPET and BOPP. The company expects ramping-up of aluminium foil plant, and progress well to commission a dedicated capacitor grade BOPP film line.

R&D intensity maintained

SRF's key focus is on innovating intermediates that cater to huge demands of active ingredients (AI) and non-active ingredients for agrochemical and pharmaceutical sectors, and developing advanced refrigerants. It has made good inroads into pharmaceutical intermediates, which is exciting. SRF has launched 15 new products in agrochemical and pharma sectors in FY24 which have good long-term prospects.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	145,918	129,104	149,413	173,645
EBITDA	35,292	25,841	31,771	42,065
EBITDA Margin (%)	23.7	19.7	21.3	24.2
Net Profit	21,623	13,357	16,544	23,295
EPS (INR)	72.9	45.1	55.8	78.6
EPS % Chg YoY	14.5	(38.2)	23.9	40.8
P/E (x)	32.3	52.3	42.2	30.0
EV/EBITDA (x)	20.3	28.1	23.1	17.5
RoCE (%)	16.9	9.7	10.6	13.2
RoE (%)	22.9	12.3	13.6	16.9

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Market Data

Market Cap (INR)	698bn
Market Cap (USD)	8,357mn
Bloomberg Code	SRF IN
Reuters Code	SRFL.BO
52-week Range (INR)	2,697 / 2,040
Free Float (%)	49.0
ADTV-3M (mn) (USD)	17.6

Price Performance (%)	3m	6m	12m
Absolute	(3.9)	(2.8)	(3.1)
Relative to Sensex	(7.1)	(12.4)	(25.2)

Earnings Revisions (%)	FY25E	FY26E
Revenue	(0.4)	(0.4)
EBITDA	0.6	0.4
EPS	0.6	0.4

Previous Reports

10-05-2024: [Q4FY24 results review](#)

01-02-2024: [Q3FY24 results review](#)

It has worked on over 44 molecules and many products were taken up for process development. Additionally, it has taken up more than 34 molecules for scale-up studies of which 70% were commercially produced. Its FY24 R&D spend was 1.4% of revenue (at INR 1.5bn), which is slightly higher compared to FY23.

Chemical EBITDA dips 24% YoY to INR 20bn

Chemical business revenue dipped 15% YoY to INR 63bn as 1) ref-gas revenue was down 19.3% YoY to INR 20bn; and 2) specialty chemicals revenue dropped 12% YoY to INR 36.7bn. Chemical segment EBITDA dipped 24% YoY to INR 20bn. Chemical business asset turnover decreased to 0.65x, and post-tax RoCE was 18%. Packaging films EBITDA collapsed 44.5% YoY to INR 4bn, and post-tax RoCE was cyclically low at 4.4%. Technical textiles EBITDA increased 5.3% YoY to INR 3.2bn, and post-tax RoCE was 15.1%.

India revenue was flattish at INR 59.6bn, but exports reduced 19.2% YoY to INR 71.7bn. Each geography had declined in revenue with US revenue reduced by 35% YoY to INR 14bn.

Net debt increased by INR 8.6bn to INR 41bn, and net debt to EBITDA rose to 1.6x due to lower EBITDA. Cash conversion days increased to 82 (from 72days in FY23).

Risks

Upside: 1) Higher than expected revenue growth in specialty chemicals business; and 2) EBIT margin of >27% in chemical business.

Downside: 1) Sharp drop in HFC prices, particularly in the US; and 2) continued slump in specialty chemicals business with higher Chinese competition.

Chairman's message

Specialty chemicals segment

- We underestimated the slowdown to a certain extent at the beginning of the fiscal year, which turned out to be a more protracted inventory destocking cycle from our customers' side and led to pressure on pricing for some of our products.
- We actively worked on our customers' new products and their developmental projects, while ensuring production capacities were optimally utilised for existing products. Apart from commissioning new facilities, we are working very diligently on our cost structures, ensuring we run our plants most efficiently.
- In order to seize future market opportunities, we commissioned nine dedicated facilities at Dahej site (in Gujarat) in FY24.
- Our funnel is very strong; all AIs that we are working on, are on stream.
- Over the last year, and specifically in the last six months, a large number of plants have been capitalised, to the tune of ~INR 1,800cr. Our focus will be to ramp them up now.
- We believe that from the second half of FY25, we will go back to higher capex intensity, in line with our aspirations for the future.
- I am also excited about our inroads into pharma segment. This requires a different skill set and together with our chemicals technology group, I believe, we are starting to see visible progress now.

Fluorocarbon

- At the beginning of the year, we witnessed a weak season in domestic market. There was stress on refrigerants' prices and volumes due to Chinese dumping in India and international markets.
- US continued to destock HFC inventory. Prices were softer, and so was demand.
- Despite the near-term impact on refrigerant gases, the underlying potential for global and domestic HFCs remains strong with significant traction from India, the Middle East, and Southeast Asia, which should play out in FY25. Additionally, we believe that pricing will be more rational.
- We capitalised ~INR 1,200cr of capex in fluorochemicals business in FY24 that includes PTFE and R32 plants along with capacity expansion of AHCI plant.

Packaging films

- Face significant headwinds due to cyclical downturn, due to huge capacity additions in India and overseas.
- Considering the uncertain environment, we anticipate that it may still take some time before demand-supply situation normalises, especially in BOPET film segment.
- Our state-of-the-art aluminium foil facility got commissioned in FY24, making SRF amongst the very few players globally who offer a wide portfolio of packaging substrates – BOPET, BOPP and aluminium foil under one roof.
- Work on the upcoming, dedicated capacitor grade BOPP film line, which is aimed at expanding in business adjacencies, is progressing as per schedule.

Technical textiles

- Supplying Tyre Cord Fabric (TCF) to all major tyre companies in India, which is a first for us.
- Our new investment in polyester industrial yarn got commissioned in FY24 and the progress in the expansion project for belting fabrics remains on track.

Outlook

- I estimate chemicals business to grow at ~20% in FY25 and build a strong momentum for years ahead.
- While chemicals business will show recovery, possibly more towards the 2nd half of FY25, the margin pressure on packaging films business will continue through the course of the year.

Award/ recognition

ESG continues to be recognised internationally, leading to our Dahej site being awarded a gold medal in FY24, in recognition of sustainability achievement by EcoVadis.

MDA

Technical textiles segment

- Business increased sales volumes of NTCF and nylon yarn in domestic market with heightened focus on value-added yarn portfolio. During FY24, the business also successfully commissioned the capacity expansion of nylon yarn manufacturing for captive consumption and external sales.
- Belting fabrics segment faced challenges due to cheap imports from China, leading to stress on domestic margins.
- **Outlook:** TTB is likely to deliver moderately improved results over FY24 with enhanced focus on fully utilising capacities, reducing costs, and enhancing the portfolio of high-end, VAPs in BF and PIY. While margins may continue to be under pressure in FY25, increased volumes are likely to support the performance.

Fluorocarbon

- Refrigerants segment saw an increase in competition from additional capacities that were put into use in India and the Middle East.
- US continued to destock HFC inventory. Prices were softer, and so was demand.
- Commissioned its PTFE plant during FY24. Approvals for various grades of the product are currently underway with major domestic and international customers. The business also commissioned F 32 plant, along with capacity expansion of AHCI plant.
- **Outlook** – we expect to see an increase in demand for refrigerants. US market is likely to be subdued; however, Middle East economy may do well over FY24, thereby, supporting demand. Pricing pressure on refrigerants is anticipated to go down.

Specialty Chemicals

- The business faced headwinds due to excess inventory in the market, forcing agrochemicals customers to initiate inventory rationalisation measures. In addition, a lot of capacity has come up in China, which makes the landscape more competitive.
- We enhanced our capabilities and cultivated expertise in novel chemistries. Our inroads in pharma are showing positive traction.
- **Outlook** - collaborating with global innovators to drive process development, commercialisation, and production of complex, innovative molecules. As we invest in emerging technologies, operational excellence remains our pillar of strength, propelling us towards sustainable growth and market leadership.

Packaging films

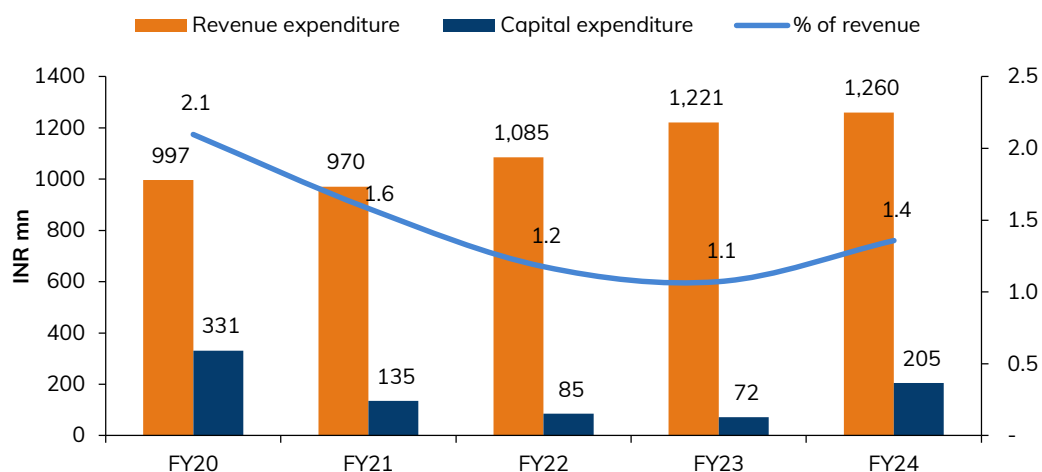
- Market conditions were extremely difficult, and margins continued to be under pressure for both BOPET and BOPP films.
- **Outlook** - margins in both BOPET and BOPP are likely to remain under pressure as new lines have been added and some more lines are in the pipeline. Ramping up of aluminium foil business will be an important focus area.

Other highlights

- 19.8% of electricity from renewable sources.
- To seize future market opportunities in specialty chemicals, we commissioned nine dedicated facilities at our Dahej facility during the year. Our dedicated manufacturing facilities have the capabilities to manufacture products up to 250 MT and 3,000 MTPA for agrochemical and pharma sector, respectively.
- New investments have positioned us to penetrate unexplored markets, pursue novel opportunities for expansion, and propel growth that substantially enhances our value. Apart from commissioning new facilities, we worked on cost structures, ensuring we efficiently run our plants.

Research & development

- The team's key focus is on innovating intermediates that cater to huge demands of active ingredients (AI) and non-active ingredients for agrochemical and pharmaceutical sectors, as well as developing advanced refrigerants for future applications.
- CTG's (Chemical Technology Group) rigorous approach to IP creation has resulted in 443 patent applications filed to date.
- With the collective expertise of more than 450+ dedicated professionals stationed across various sites and specialised engineering centres, CTG is determined in its mission to elevate SRF's process development proficiency.
- We launched 15 new products catering to agrochemical and pharma sectors. These products have good long-term prospects and are at a different maturity level of market potential and have a future growth potential.
- Our R&D team worked on over 44 molecules and many products were successfully taken up for process development. Additionally, more than 34 molecules were taken up for scale-up studies and 70% were commercially produced in multipurpose and dedicated plants.

Exhibit 1: Absolute R&D spend was higher at 1.4% of revenue


Source: Company data, I-Sec research

Chemicals segment

- Revenue – **1)** ref-gas revenue declined 19.3% YoY to INR 20.6bn; **2)** specialty revenue dropped 12% YoY to INR 36.7bn; and **3)** industrial chemicals revenue was up 7.2% YoY to INR 4.6bn. Overall chemical business revenue dipped 15% YoY to INR 63bn. This compared to revenue CAGR of 20.6% over FY20-24.
- Ref-gas revenue dropped due to weaker domestic sales at the start of FY24, and lower sales to US where company had strong pricing due to ADD on Chinese import to US. Specialty chemicals revenue dipped due to channel destocking particularly in agro-chemicals.
- Chemical segment EBITDA fell 24.1% YoY to INR 20.3bn, and EBITDA margin contracted to 32.3%, down 575bps. Margin contraction was due to lower fixed cost absorption, and lower prices for ref-gas including reduction in sales to US. This compared to EBITDA CAGR of 28% over FY20-24.
- Segmental post-tax RoCE was 18%, and asset turnover was 0.65x. Asset turnover was lower due to new nine dedicated facilities, R-32 and PTFE plant commissioning; and reduction in pricing for ref-gas.
- Capex was INR 16.5bn (26.2% of the revenue), and capital employed increased 15.8% to INR 97bn.

Exhibit 2: Chemical business EBITDA dipped 24% in FY24

INR mn	FY20	FY21	FY22	FY23	FY24	Chg (%) YoY	FY20-24 CAGR (%)
Fluorocarbon (Ref-gas)	9,391	8,860	16,955	25,570	20,634	(19.3)	21.8
Specialty Chemicals	16,238	23,894	31,003	41,650	36,661	(12.0)	22.6
Chlorinated Solvents	3,449	3,118	3,507	4,295	4,605	7.2	7.5
Others	672	578	943	2,594	1,070	(58.7)	12.3
Total revenue	29,750	36,449	52,408	74,109	62,970	(15.0)	20.6
EBITDA	7,568	10,012	17,005	26,755	20,311	(24.1)	28.0
EBITDA margin (%)	25.4	27.5	32.4	36.1	32.3	-385bp	682bp
Depreciation	2,453	2,731	3,036	3,348	4,038	20.6	13.3
EBIT	5,115	7,281	13,969	23,407	16,274	(30.5)	33.6
EBIT margin (%)	17.2	20.0	26.7	31.6	25.8	-574bp	865bp
Capex	5,033	6,187	12,966	21,461	16,504		
Capex (% of revenue)	16.9	17.0	24.7	29.0	26.2		
FCF (EBITDA - capex)	2,535	3,826	4,039	5,294	3,807		
Segment asset ... (a)	52,475	57,420	71,937	97,343	1,07,459	10.4	19.6
Segment liabilities ... (b)	5,153	7,102	9,503	13,522	10,426		
Capital employed ... (a-b)	47,322	50,318	62,433	83,821	97,033	15.8	19.7
Based on capital employed							
Asset turnover (x)	0.63	0.72	0.84	0.88	0.65		
Inc asset turnover (x)	2.07	2.24	1.32	1.01	(0.84)		
post-tax ROCE (%)	11.3	10.5	17.3	32.0	18.0		

Source: Company data, I-Sec research

Exhibit 3: Specialty chemicals mix rose to 58%

%	FY20	FY21	FY22	FY23	FY24	Chg (%) YoY	FY20-24 CAGR (%)
Fluorocarbon (Ref-gas)	32	24	32	35	33	-174bp	120bp
Specialty Chemicals	55	66	59	56	58	202bp	364bp
Chlorinated Solvents	12	9	7	6	7	152bp	-428bp
Others	2	2	2	4	2	-180bp	-56bp

Source: Company data, I-Sec research

Packaging films segment

- Packaging films segment EBITDA dropped by 44.5% YoY to INR 4bn with margin contracting to 9.1% in FY24 (vs 14.2% in FY23).
- Company incurred capex of INR 4.6bn probably towards aluminium foil facility.
- Segmental post-tax RoCE was 4.4%, and asset turnover was 0.94x. Asset turnover was lower due to reduction in prices for packaging films.

Exhibit 4: Packaging films margin drops to cyclical low

INR mn	FY20	FY21	FY22	FY23	FY24	Chg (%) YoY	FY20-24 CAGR (%)
Revenue	26,040	32,917	47,792	51,828	44,893	(13.4)	14.6
EBITDA	6,419	10,215	10,996	7,340	4,076	(44.5)	(10.7)
EBITDA margin (%)	24.6	31.0	23.0	14.2	9.1	-508bp	-1557bp
Depreciation	863	1,236	1,533	1,778	2,011	13.1	23.6
EBIT	5,556	8,979	9,463	5,562	2,065	(62.9)	(21.9)
EBIT margin (%)	21.3	27.3	19.8	10.7	4.6	-613bp	-1674bp
Capex	10,985	5,533	6,371	5,130	4,562		
Capex (% of revenue)	42.2	16.8	13.3	9.9	10.2		
FCF (EBITDA - capex)	(4,566)	4,682	4,626	2,210	(486)		
Segment asset ... (a)	35,828	45,433	56,331	58,005	61,812	6.6	14.6
Segment liabilities ... (b)	6,641	11,179	14,496	12,841	13,921		
Capital employed ... (a-b)	29,187	34,254	41,835	45,164	47,891	6.0	13.2
Based on capital employed							
Asset turnover (x)	0.89	0.96	1.14	1.15	0.94		
Inc asset turnover (x)	(0.06)	1.36	1.96	1.21	(2.54)		
post-tax ROCE (%)	22.3	28.3	24.9	12.8	4.4		

Source: Company data, I-Sec research

Technical textiles segment

- NTCF revenue grew 1.4% YoY to INR 16.5bn on higher volumes.
- Technical textiles segment EBITDA rose 5.3% YoY to INR 3.2bn with margin expanding to 16.8%, up 80bp in FY24.
- Company incurred capex of INR 2.6bn probably towards nylon cord yarn.
- Segmental post-tax RoCE was 15.1%, and asset turnover was 1.26x.

Exhibit 5: Technical textiles EBITDA rose 5.3% YoY

INR mn	FY20	FY21	FY22	FY23	FY24	Chg (%) YoY	FY20-24 CAGR (%)
Synthetic Filament Yarn	1,629	978	1,709	2,342	2,126	(9.2)	6.9
Nylon Tyre Cord Fabric	11,787	11,229	18,809	16,301	16,524	1.4	8.8
Others	160	193	334	296	331	11.7	20.0
Total revenue	13,576	12,401	20,852	18,939	18,980	0.2	8.7
EBITDA	1,862	2,123	5,114	3,028	3,189	5.3	14.4
EBITDA margin (%)	13.7	17.1	24.5	16.0	16.8	81bp	309bp
Depreciation	347	354	406	416	453	8.7	6.9
EBIT	1,515	1,769	4,708	2,612	2,737	4.8	15.9
EBIT margin (%)	11.2	14.3	22.6	13.8	14.4	63bp	326bp
Capex	632	779	634	1,340	2,156		
Capex (% of revenue)	4.7	6.3	3.0	7.1	11.4		
FCF (EBITDA - capex)	1,230	1,344	4,480	1,688	1,034		
Segment asset ... (a)	13,851	15,822	18,180	17,544	20,305	15.7	10.0
Segment liabilities ... (b)	3,037	3,371	4,170	3,918	5,254		
Capital employed ... (a-b)	10,814	12,450	14,011	13,627	15,051	10.4	8.6
Based on capital employed							
Asset turnover (x)	1.26	1.00	1.49	1.39	1.26		
post-tax ROCE (%)	13.6	11.3	26.0	14.5	15.1		

Source: Company data, I-Sec research

Geographical revenue break-up

- India revenue was flattish YoY probably on rising sales of specialty to India.
- Exports revenue declined 19.2% YoY with decline in most geographies. Key geographies – US revenue dropped 35% YoY; Germany revenue fell 15.8% YoY; Switzerland and Belgium revenue decreased 25% and 12%, respectively.

Exhibit 6: US revenue declined 35% YoY

INR mn	FY20	FY21	FY22	FY23	FY24	Chg (%) YoY	FY20-24 CAGR (%)
India	36,546	36,404	52,596	59,970	59,648	(0.5)	13.0
Export	35,548	47,596	71,741	88,733	71,738	(19.2)	19.2
South Africa	3,631	4,754	6,035	6,569	5,528	(15.9)	11.1
Singapore	130	55	-	-	-		
Germany	5,256	4,766	4,627	4,920	4,142	(15.8)	(5.8)
USA	4,269	5,762	14,409	21,706	14,124	(34.9)	34.9
Thailand	1,407	1,889	3,537	5,350	4,773	(10.8)	35.7
Hungary	-	136	277	297	284	(4.2)	
Switzerland	4,254	6,878	8,274	8,775	6,600	(24.8)	11.6
Belgium	2,936	6,355	5,283	8,719	7,678	(11.9)	27.2
Others	13,664	17,003	18,539	20,572	19,887	(3.3)	9.8
UK	-	-	3,576	4,482	2,627	(41.4)	
Italy	-	-	2,295	2,128	2,113	(0.7)	
Indonesia	-	-	2,172	1,894	1,172	(38.1)	
UAE	-	-	1,245	1,708	1,590	(6.9)	
South Korea	-	-	1,472	1,613	1,220	(24.4)	
Total	72,094	84,000	1,24,337	1,48,703	1,31,385	(11.6)	16.2

Source: Company data, I-Sec research

Profit & loss account

- Gross profit contracted 14% YoY to INR 64bn in FY24, but grew at CAGR of 16.2% over FY20-24.
- Power cost declined 8.7% YoY to INR 13.5bn on lower coal prices, and freight cost has dipped 28.9% to INR 4.3bn on decline in shipping prices and decline in exports revenue.
- Finance cost increased 47.6% YoY to INR 3bn on higher gross debt. Interest cost capitalised was INR 0.8bn (0.6% of revenue) in FY24.
- Effective income tax rate is lower due to favourable tax order on sale of Carbon Emission Reduction Certificates of INR 1bn.

Exhibit 7: Net profit declined 38.2% YoY to INR 13.4bn

INR mn	FY20	FY21	FY22	FY23	FY24	Chg (%) YoY	FY20-24 CAGR (%)
Revenue	72,094	84,000	1,24,337	1,48,703	1,31,385	(11.6)	16.2
Gross profit	35,224	43,811	63,667	74,767	64,297	(14.0)	16.2
Gross profit margin (%)	48.9	52.2	51.2	50.3	48.9	-134bp	8bp
Employee cost	4,871	5,341	6,585	6,842	7,903	15.5	12.9
No of employees	6,299	6,386	6,674	7,171	7,372		
Other expenses	13,867	14,019	20,693	25,594	24,409	(4.6)	15.2
Stores and Spares	665	665	818	850	942	10.7	9.1
Power and Fuel	6,726	7,173	11,356	14,723	13,448	(8.7)	18.9
Rent	148	179	304	397	418	5.3	29.7
Repairs and Maintenance	2,037	2,051	2,539	2,836	3,289	16.0	12.7
Freight	2,233	3,021	5,478	6,102	4,338	(28.9)	18.1
Others	3,447	3,174	4,342	6,429	6,671	3.8	17.9
Total operating cost	18,738	19,361	27,278	32,436	32,312	(0.4)	14.6
EBITDA	14,549	21,333	31,032	35,292	25,841	(26.8)	15.4
EBITDA margin (%)	20.2	25.4	25.0	23.7	19.7	-407bp	-51bp
Depreciation	3,886	4,531	5,172	5,753	6,726	16.9	14.7
EBIT	10,663	16,803	25,860	29,539	19,115	(35.3)	15.7
EBIT margin (%)	14.8	20.0	20.8	19.9	14.5	-532bp	-24bp
Other income	491	664	1,155	749	830	10.8	14.1
Finance cost	2,007	1,340	1,159	2,048	3,023	47.6	10.8
PBT	9,147	16,127	25,856	28,240	16,922	(40.1)	16.6
Tax	(12)	4,144	6,966	6,617	3,565	(46.1)	
ETR (%)	(0.1)	25.7	26.9	23.4	21.1		
PAT	10,191	11,983	18,889	21,623	13,357	(38.2)	7.0
Interest cost capitalised	243	131	184	535	846		
% of revenue	0.3	0.2	0.1	0.4	0.6		

Source: Company data, I-Sec research

Balance sheet

- Net debt increased by INR 8.6bn to INR 41bn, and net debt/EBITDA rose to 1.6x. COD was 8.3% in FY24.
- Despite decline in sales, working capital (defined as inventory + receivables + receivable sold – payables) was flattish YoY. Hence, cash conversion days increased to 82days (from 72days in FY23) on higher inventory and receivable days.

Exhibit 8: Balance sheet

INR mn	FY20	FY21	FY22	FY23	FY24
Fixed assets	77,609	85,992	1,00,969	1,24,553	1,40,470
Deferred tax assets	143	181	116	187	276
Non-current investments	42	42	42	42	1,211
Other non-current assets	1,913	3,690	4,096	5,014	6,370
Current assets	1,985	4,125	3,167	4,901	4,056
Inventories	12,012	14,658	21,385	22,743	23,265
Trade receivable	8,911	12,746	17,925	17,856	19,428
Cash	1,255	2,820	4,594	6,165	4,075
Other curren assets	4,899	5,040	5,473	6,085	5,669
Total Assets	1,08,768	1,29,294	1,57,766	1,87,545	2,04,819
Long term borrowings	23,116	19,650	17,533	23,115	22,511
Deferred tax liabilities	1,755	3,862	6,775	8,092	9,387
Other long-term liabilities	1,246	1,071	2,886	3,293	2,609
Long-term provisions	375	436	516	608	714
Borrowings	17,352	14,260	17,861	20,425	26,691
Trade payables	11,117	15,852	20,964	22,313	21,978
Other current liabilities	4,407	5,513	5,505	6,349	6,051
Short-term provisions	66	87	74	79	88
Equity	585	603	2,974	2,974	2,974
Reserves & surplus	48,748	67,962	82,679	1,00,296	1,11,816
Total Capital & Liabilities	1,08,768	1,29,294	1,57,766	1,87,545	2,04,819

Source: Company data, I-Sec research

Exhibit 9: Net debt/ EBITDA increased to 1.6x

INR mn	FY20	FY21	FY22	FY23	FY24
Gross debt	40,468	33,910	35,394	43,541	49,202
Less: Cash & equivalent	3,240	6,945	7,761	11,065	8,131
Net debt	37,229	26,964	27,633	32,476	41,071
Net debt/EBITDA (x)	2.56	1.26	0.89	0.92	1.59
Finance cost (incl capitalisation)	2,250	1,470	1,343	2,583	3,869
Cost of debt (%)	5.8	4.0	3.9	6.5	8.3

Source: Company data, I-Sec research

Exhibit 10: Cash conversion days increased to 82 (from 72days in FY23)

INR mn	FY20	FY21	FY22	FY23	FY24
Payables	11,117	15,852	20,964	22,313	21,978
Inventories	12,012	14,658	21,385	22,743	23,265
Receivable	8,911	12,746	17,925	17,856	19,428
Add: Receivables traded	5,026	3,691	7,570	11,052	8,837
Working capital	14,832	15,243	25,915	29,339	29,552
% of total assets	16.2	14.3	20.3	18.9	17.0
In days					
Payables	56	69	62	55	61
Inventories	61	64	63	56	65
Receivable (incl traded)	71	71	75	71	79
Working capital	75	66	76	72	82

Source: Company data, I-Sec research

Cashflow statement

- Cash income tax was 107% of P&L tax expenses.
- Operating cashflow was healthy at 81% of EBITDA despite higher working capital consumption.
- Cash capex was INR 22bn in FY24 and FCF was negative INR 1.2bn on lower absolute operating cashflow.

Exhibit 11: Cashflow from operation conversion was healthy, but FCF was negative in FY24

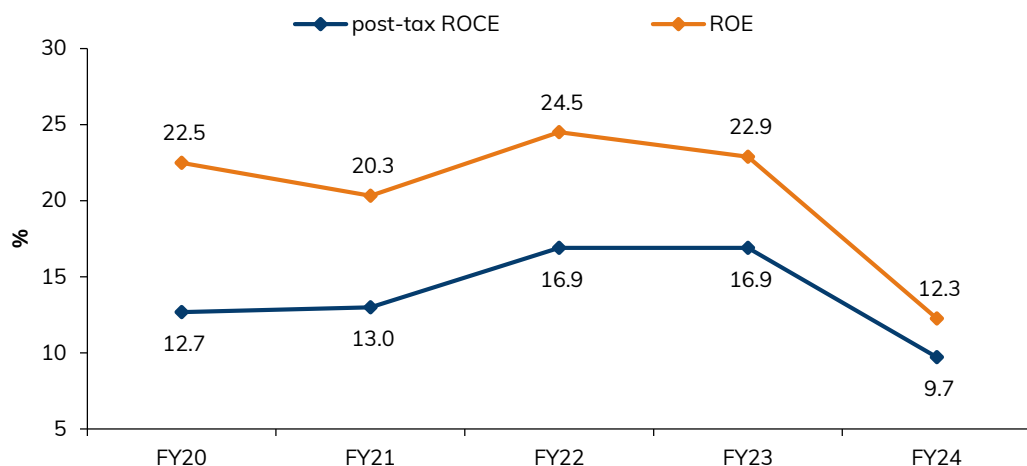
INR mn	FY20	FY21	FY22	FY23	FY24
PBT	10,706	16,099	25,856	28,240	16,922
Tax	(1,427)	(2,553)	(4,016)	(5,077)	(3,826)
% of P&L tax	NA	61.6	57.6	76.7	107.3
Depreciation	3,929	4,531	5,172	5,753	6,726
Interest expenses	2,016	1,340	1,159	2,048	3,023
Other	(1,940)	(464)	(469)	(1,343)	(779)
Operating cashflow b/f WC	13,284	18,953	27,702	29,621	22,066
Change in working capital	(239)	(1,236)	(6,645)	(604)	(1,128)
Cashflow from operating activities	13,044	17,717	21,057	29,017	20,939
% of EBITDA	89.7	83.0	67.9	82.2	81.0
Purchased of fixed assets	(13,892)	(12,144)	(18,321)	(28,382)	(22,169)
Change in marketable securities	(927)	(1,887)	2,077	(1,368)	(271)
Others	3,015	-966	466	136	167
Cashflow from investing activities	(11,803)	(14,997)	(15,778)	(29,614)	(22,274)
Free cashflow	(847)	5,573	2,737	635	(1,231)
Change in borrowings	1,207	(6,708)	1,472	6,599	5,404
Dividend	(969)	(1,408)	(2,117)	(2,133)	(2,137)
Interest cost	(2,040)	(1,574)	(1,173)	(1,945)	(3,612)
Cashflow from financing activities	(1,801)	(9,689)	(1,818)	2,521	(346)

Source: Company data, I-Sec research

Other highlights

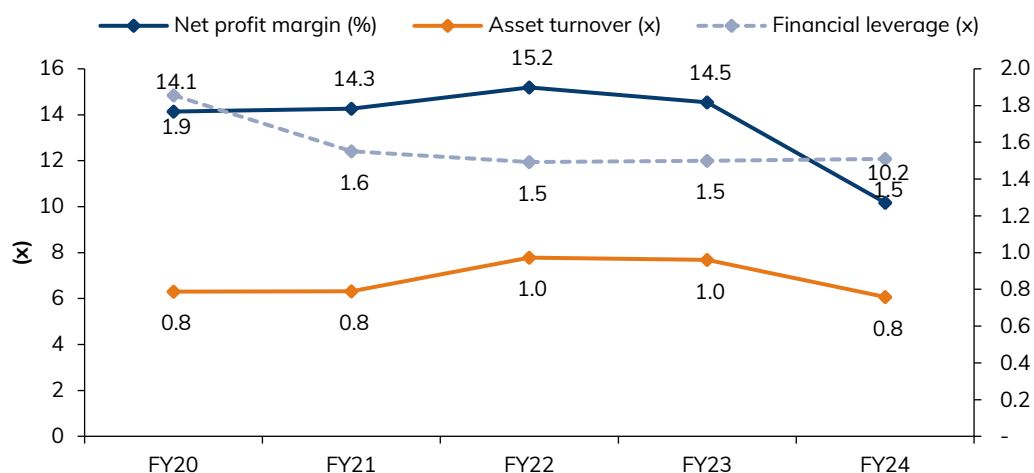
- Post-tax RoCE was at cyclical low of 9.7%, and RoE was 12.3%.
- Return was hurt from lower net profit margin.

Exhibit 12: Post-tax RoCE was at cyclical low



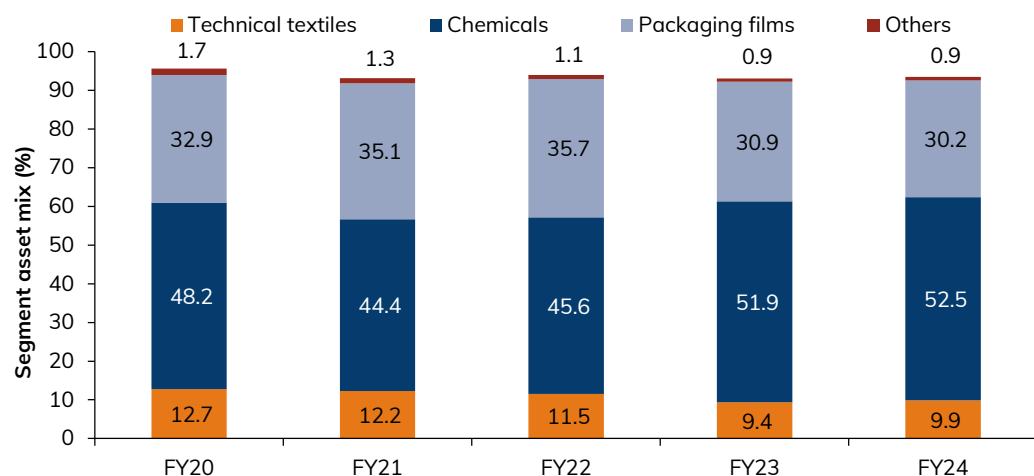
Source: Company data, I-Sec research

Exhibit 13: Dupont analysis



Source: Company data, I-Sec research

Exhibit 14: Chemical business asset contribution stood at 52.5%



Source: Company data, I-Sec research

Exhibit 15: Earnings revision

Consolidated	Revised		Earlier		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Segmental revenue						
Technical Textile	19,678	19,746	19,686	19,764	(0.0)	(0.1)
Chemical & Polymers	75,491	95,073	75,409	95,023	0.1	0.1
Packaging Film	49,478	53,839	50,104	54,485	(1.2)	(1.2)
Others	4,886	5,130	4,886	5,130	(0.0)	-
Segmental EBIT						
Technical Textile	3,086	3,211	3,084	3,212	0.0	(0.0)
Chemical & Polymers	19,274	26,488	19,164	26,369	0.6	0.5
Packaging Film	3,778	5,479	3,773	5,506	0.1	(0.5)
Others	738	781	737	778	0.2	0.4
Financial						
Revenue	1,49,413	1,73,645	1,49,964	1,74,259	(0.4)	(0.4)
EBITDA	31,771	42,065	31,589	41,909	0.6	0.4
EBITDA margin (%)	21.3	24.2	21.1	24.0	-	-
PAT	16,544	23,295	16,440	23,209	0.6	0.4
EPS (INR)	56	79	55	78	0.6	0.4

Source: Company data, I-Sec research

Exhibit 16: SoTP-based valuation

Business units (INR mn)	Methodology	Multiple (x)	FY26E
Technical Textiles	EV/EBITDA	6.0	27,023
Chemical & Polymers	EV/EBITDA	24.0	7,84,375
Packaging films	EV/EBITDA	8.0	62,005
Less: Unallocated	Weighted avg EV/EBITDA	19.4	55,821
Enterprise value			8,17,582
Net debt			52,801
Equity value			7,64,781
No of outstanding shares (mn)			296
Equity value (INR/sh)			2,580

Source: Company data, I-Sec research

Exhibit 17: Implied valuations

	FY25E	FY26E
Target price (INR)	2,580	2,580
EPS	56	79
Implied PE (x)	46.2	32.8
Enterprise Value (INR bn)	818	818
EBITDA (INR bn)	32	42
Implied EV/EBITDA (x)	25.7	19.4

Source: Company data, I-Sec research

Exhibit 18: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	50.5	50.5	50.3
Institutional investors	34.0	34.1	35.1
MFs and others	7.4	7.8	8.4
Banks / Insurance	5.4	5.4	6.3
FII's	21.2	20.9	20.4
Others	15.5	15.3	14.6

Source: Bloomberg, I-Sec research

Exhibit 19: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 20: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	145,918	129,104	149,413	173,645
Operating Expenses	113,411	105,544	117,642	131,581
EBITDA	35,292	25,841	31,771	42,065
EBITDA Margin (%)	23.7	19.7	21.3	24.2
Depreciation & Amortization	5,753	6,726	7,494	8,775
EBIT	29,539	19,115	24,277	33,290
Interest expenditure	2,048	3,023	3,111	3,276
Other Non-operating Income	749	830	890	953
Recurring PBT	28,240	16,922	22,056	30,967
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	6,617	3,565	5,512	7,671
PAT	21,623	13,357	16,544	23,295
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	21,623	13,357	16,544	23,295
Net Income (Adjusted)	21,623	13,357	16,544	23,295

Source Company data, I-Sec research

Exhibit 21: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	52,849	52,437	58,902	65,828
of which cash & cash eqv.	6,165	4,075	3,111	282
Total Current Liabilities & Provisions	28,741	28,117	31,417	35,824
Net Current Assets	24,108	24,320	27,485	30,004
Investments	4,942	5,267	1,211	1,211
Net Fixed Assets	124,553	140,470	155,837	174,442
ROU Assets	2,872	2,766	2,766	2,766
Capital Work-in-Progress	24,055	8,053	8,053	8,053
Total Intangible Assets	1,147	1,195	-	-
Other assets	3,884	3,894	4,031	4,176
Deferred Tax Assets	187	276	276	276
Total Assets	187,545	204,819	223,549	250,264
Liabilities				
Borrowings	43,541	49,202	50,613	53,083
Deferred Tax Liability	8,092	9,387	9,387	9,387
Provisions	608	714	714	714
Other Liabilities	3,293	2,609	2,937	3,371
Equity Share Capital	2,964	2,964	2,964	2,964
Reserves & Surplus	100,296	111,816	125,506	144,910
Total Net Worth	103,271	114,790	128,480	147,884
Minority Interest	-	-	-	-
Total Liabilities	187,545	204,819	223,549	250,264

Source Company data, I-Sec research

Exhibit 22: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	33,384	31,774	30,530	35,697
% growth (YOY)	(14.3)	(14.8)	(12)	(5.5)
EBITDA	6,963	6,262	5,658	6,958
Margin %	20.9	19.7	18.5	19.5
Other Income	118	291	188	234
Extraordinaries	-	-	-	0
Adjusted Net Profit	3,593	3,008	2,534	4,222

Source Company data, I-Sec research

Exhibit 23: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	29,621	22,066	26,259	34,394
Working Capital Changes	(604)	(1,128)	(4,754)	(6,098)
Capital Commitments	(28,382)	(22,169)	(22,862)	(27,379)
Free Cashflow	635	(1,231)	(1,357)	916
Other investing cashflow	(1,232)	(104)	4,946	953
Cashflow from Investing Activities	(1,232)	(104)	4,946	953
Issue of Share Capital	-	-	-	-
Interest Cost	(1,945)	(3,612)	(3,111)	(3,276)
Inc (Dec) in Borrowings	6,599	5,404	1,411	2,470
Dividend paid	(2,133)	(2,137)	(2,854)	(3,891)
Others	(325)	(372)	-	-
Cash flow from Financing Activities	2,196	(717)	(4,554)	(4,697)
Chg. in Cash & Bank balance	1,599	(2,052)	(965)	(2,828)
Closing cash & balance	6,080	3,994	3,111	282

Source Company data, I-Sec research

Exhibit 24: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	72.9	45.1	55.8	78.6
Adjusted EPS (Diluted)	72.9	45.1	55.8	78.6
Cash EPS	92.4	67.8	81.1	108.2
Dividend per share (DPS)	7.2	3.6	9.6	13.1
Book Value per share (BV)	348.4	387.3	433.4	498.9
Dividend Payout (%)	9.9	8.0	17.3	16.7
Growth (%)				
Net Sales	18.5	(11.5)	15.7	16.2
EBITDA	13.7	(26.8)	22.9	32.4
EPS (INR)	14.5	(38.2)	23.9	40.8
Valuation Ratios (x)				
P/E	32.3	52.3	42.2	30.0
P/CEPS	25.5	34.8	29.0	21.8
P/BV	6.8	6.1	5.4	4.7
EV / EBITDA	20.3	28.1	23.1	17.5
EV/SALES	4.8	5.5	4.9	4.3
Dividend Yield (%)	0.3	0.2	0.4	0.6
Operating Ratios				
Gross Profit Margins (%)	50.3	48.9	48.8	49.9
EBITDA Margins (%)	23.7	19.7	21.3	24.2
Effective Tax Rate (%)	23.4	21.1	25.0	24.8
Net Profit Margins (%)	14.5	10.2	11.1	13.4
NWC / Total Assets (%)	12.3	13.4	14.9	16.2
Net Debt / Equity (x)	0.3	0.4	0.4	0.4
Net Debt / EBITDA (x)	0.9	1.6	1.5	1.3
Profitability Ratios				
RoCE (%)	16.9	9.7	10.6	13.2
RoE (%)	22.9	12.3	13.6	16.9
RoIC (%)	18.2	10.3	11.0	13.3
Fixed Asset Turnover (x)	1.2	0.8	0.8	0.8
Inventory Turnover Days	55.8	64.6	64.5	64.4
Receivables Days	43.8	54.0	54.0	53.7
Payables Days	54.8	61.1	59.5	57.9

Source Company data, I-Sec research

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