

Result Update

Q2 FY26

SRF Ltd.

Institutional
Research

Operational excellence and chemical business strength navigate through a challenging environment

Result Highlights:

The company reported revenue of Rs. 3,640 crores, up 6.3% YoY / down 4.7% QoQ, below our expectations. The Chemicals saw a 23% annual increase in revenue. Technical Textiles and Performance Films & Foil saw yearly declines of 11% and 1%, respectively. During the quarter, the Specialty Chemicals business reported increased volumes for some of its products, while the introduction of new products also generated positive momentum. EBITDA increased 43.9% YoY / down 6.7% QoQ to Rs. 774 crores, while EBITDA margin stood at 21.3% (up 555bps YoY / down 46bps QoQ) in Q2FY26. Operational efficiency measures were implemented across both the Fluorochemicals and Specialty Chemicals Business segments, contributing to an expanded margin profile. Profit after Tax stood at Rs. 388 crores (up 92.7% YoY / down 10.2% QoQ) in Q2FY26, above our expectations of Rs. 388 crores. The PAT margin was 10.7% compared to 11.3% in the previous quarter. During the quarter, the company has a strategic collaboration with Chemours for the manufacturing and supply of fluoropolymers and fluoroelastomers, leading to increased Capex of Rs. 745 crores. The company also announced plans to acquire 300 acres in Odisha for setting up large-scale chemical facilities. Despite currency headwinds, disciplined execution, robust R&D capabilities, and diversified operations, SRF sustained profitability and strengthened its market leadership across segments.

Valuation & Outlook:

SRF has reported healthy operating performance in Q2FY26, driven by improved performance in the Chemicals businesses, where operational efficiencies, along with record refrigerant sales volumes and positive pricing dynamics in the Fluorochemicals Business, propelled operating profit up during the quarter. Further cushioning the results, the Performance Films & Foil Business increase in operating profit through enhanced value-added product margins. However, significant headwinds in the Technical Textiles Business, which saw a decrease in operating profit due to aggressive import pricing from China and low demand. As we advance, the most critical factor contributing to future growth is the Chemicals Business, supported by a strategic collaboration entered with the Chemours Company concerning certain fluoropolymers. To execute this, the company has revised its sanctioned capital expenditure upwards to Rs. 745 crores for the manufacture and supply of fluoropolymers and fluoroelastomers, with the final phase of this project expected to be completed by December 2026. Furthermore, the Performance Films & Foil Business anticipates positive outcomes in the near future, following the GST reforms implemented during the quarter. Overall, management remains confident of a good finish to the year despite an uncertain global environment. SRF's outlook is characterized by strategic capital investments, a focus on high-margin and value-added products, and leveraging its R&D capabilities to drive growth across its diversified business segments, particularly in chemicals and fluorochemicals. **Thus, we expect SRF to generate stable revenues over the long term and is trading at a PE of 52.5x/39.0x on FY26e/27e EPS estimates. We value the company at 64x FY26e EPS and have revised the target price of SRF to Rs 3,520 (implying an upside of 17%).**

Key Highlights

Particulars (Rs. Crs.)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Net Sales	3,640	3,424	6.3%	3,819	-4.7%
Gross Profit	1,871	1,590	17.7%	1,908	-1.9%
Gross Margin (%)	51.4%	46.4%	496bps	50.0%	144bps
EBITDA	774	538	43.9%	830	-6.7%
OPM (%)	21.3%	15.7%	555bps	21.7%	-46bps
Net Profit	388	201	92.7%	432	-10.2%
Net Profit Margin (%)	10.7%	5.9%	478bps	11.3%	-66bps

Source: Company, BP Equities Research

Sector Outlook

Neutral

Stock

CMP (Rs.)	3,013
Target Price (Rs.)	3,520
BSE code	503806
NSE Symbol	SRF
Bloomberg	SRF IN
Reuters	SRFL.BO

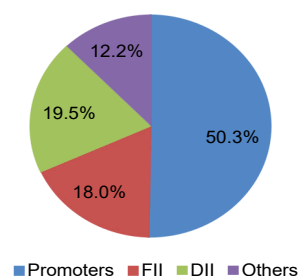
Key Data

Nifty	26,054
52 Week H/L (Rs.)	3,325 / 2,127
O/s Shares (Mn)	296
Market Cap (Rs. bn)	893
Face Value (Rs.)	10

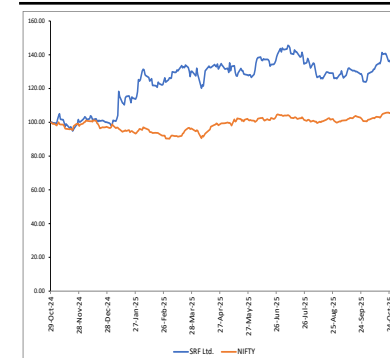
Average Volume

3 months	372,060
6 months	516,120
1 year	593,570

Share Holding (%)



Relative Price Chart



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Q2FY26 Concall Highlights**Specialty Chemicals Business:**

The Specialty Chemicals division delivered a strong quarter, supported by higher volumes, favorable product mix, and sustained cost optimization. Recently launched products continued to gain traction, aided by a robust R&D pipeline that introduced one new active ingredient, three new agrochemical products, and one new pharma intermediate during H1FY26. The business also benefited from improved operational efficiency and strong customer engagement, particularly with global innovators in complex molecule development. While some demand deferment was observed from global agrochemical majors, management remains confident of achieving over 20% growth for FY26, driven by the ramp-up of new products and strong visibility in the order pipeline.

Fluorochemicals Business:

The Fluorochemicals segment achieved record refrigerant sales volumes during the quarter, supported by favorable realizations and strong export demand despite domestic seasonality. The company has maintained leadership in the room and mobile air-conditioning segments and recorded improved volumes and margins in fluoropolymers. A key milestone was the strategic collaboration with The Chemours Company to manufacture and distribute select fluoropolymers and fluoroelastomers, aimed at expanding SRF's global footprint. Consequently, Capex for the fluoropolymers project was revised upward from Rs. 595 crores to Rs. 745 crores, with project completion targeted by December 2026. The business also anticipates stable pricing and higher volumes in H2FY26 as demand improves seasonally.

"The management has maintained the ~20% revenue guidance for Chemicals business for FY26 on the back of expected improved traction in Specialty Chemicals business and continued traction in Refrigerant gases segment."

Performance Films & Foil Business Outlook:

The Performance Films and Foil segment posted steady revenue but saw EBIT improve, driven by a better product mix and higher realizations in the BOPP and aluminium foil segments. The BOPET segment saw lower volumes and realizations due to short-term disruptions led by GST reforms and re-printing requirements. However, SRF maintained its position as India's largest BOPET exporter. The business remains focused on scaling value-added, sustainable products such as BioLamp, PCR, and Monofamily films to enhance differentiation. International operations in Thailand and Hungary performed well with higher margins. The Aluminium foil segment also delivered higher sales and profitability, supported by strong domestic demand, favourable trade measures, and continued focus on value-added, sustainable applications.

Technical Textiles Business Outlook:

The Technical Textiles segment posted steady revenue amid a challenging environment marked by aggressive Chinese import pricing in NTCF and belting fabrics. Despite volume growth in these products, realizations and margins remained under pressure. Demand for Polyester Industrial Yarn was impacted by a prolonged monsoon season. Going ahead, the business aims to focus on innovation-led, value-added products to drive recovery and sustainable growth in H2FY26.

"The Coated Fabric business maintained its leadership position, supported by strong domestic demand and the launch of tensile and value-engineered products. The Laminated Fabrics business retained its price leadership despite industry overcapacity."

Capex Plan:

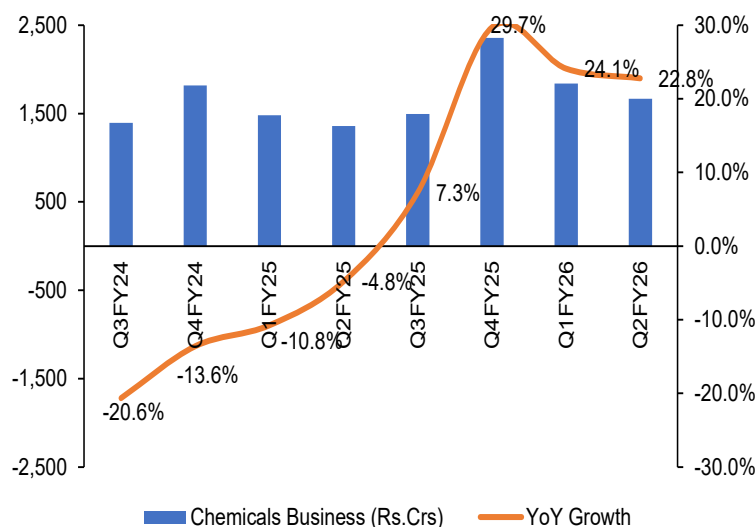
SRF has acquired a ~300-acre land parcel in Odisha through a sub-lease, valued at Rs 2.82 bn, to build large-scale facilities for its Chemicals business. The management has revised the capex guidance downwards to Rs. 22bn- Rs. 23bn for FY26, from Rs. 24bn- Rs. 25bn. This includes the land parcel in Odisha.

Other Key Highlights:

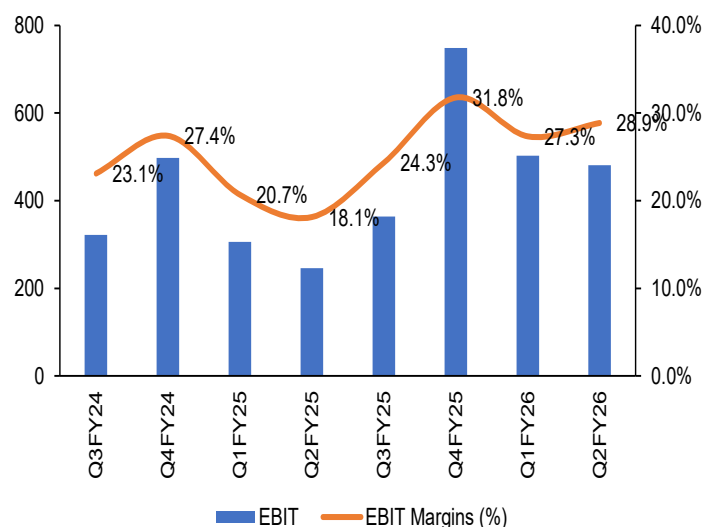
- Globally, BOPET continues to face excess supply. However, SRF has reported further improvement in utilization levels despite weak demand and BOPET prices on a sequential basis.
- On the HFO project, the management indicated ECOD during late 2027 and expects a gradual ramp-up.

Business Snapshots

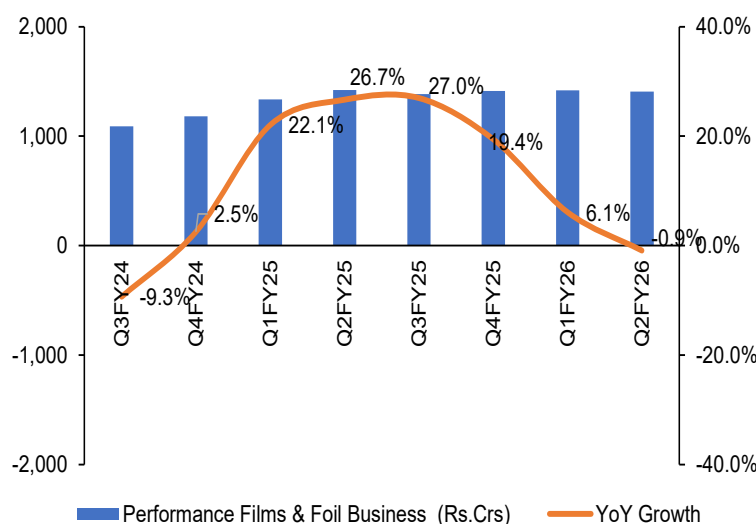
Chemicals Business revenue growth



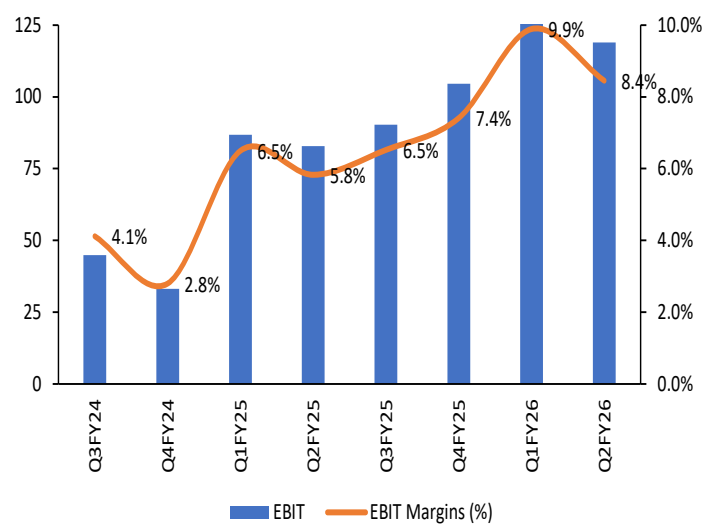
Chemicals Business margin performance



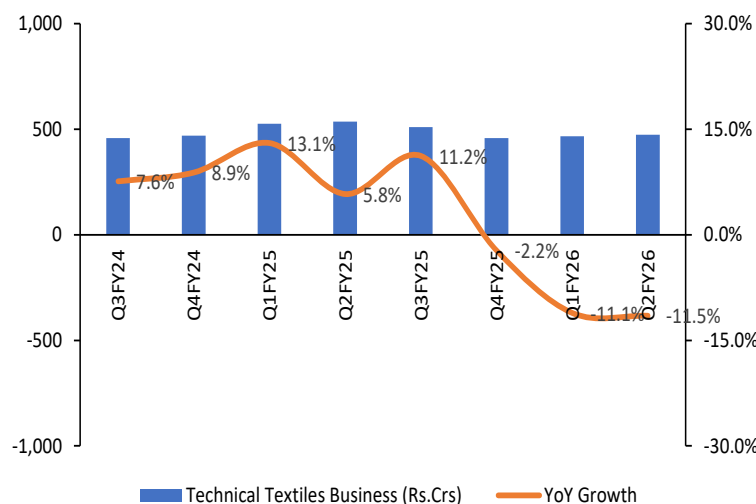
Performance Films & Foil Business revenue growth



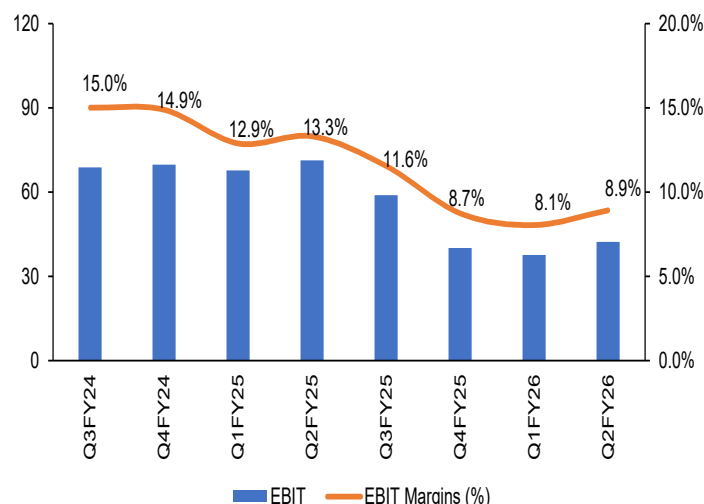
Performance Films & Foil Business margin performance



Technical Textiles Business revenue growth



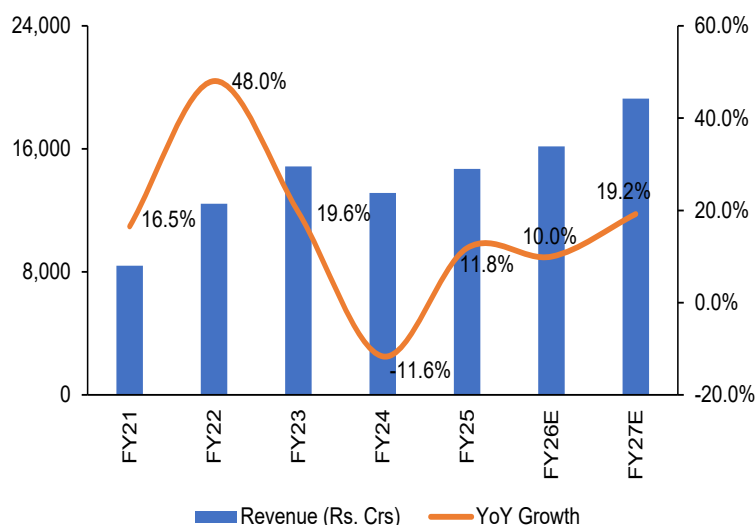
Technical Textiles Business margin performance



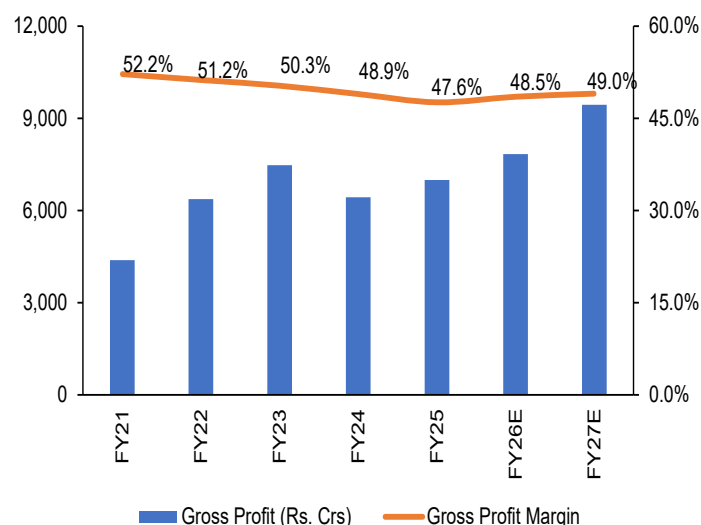
Source: Company, Bpwealth Research

Financial Snapshots

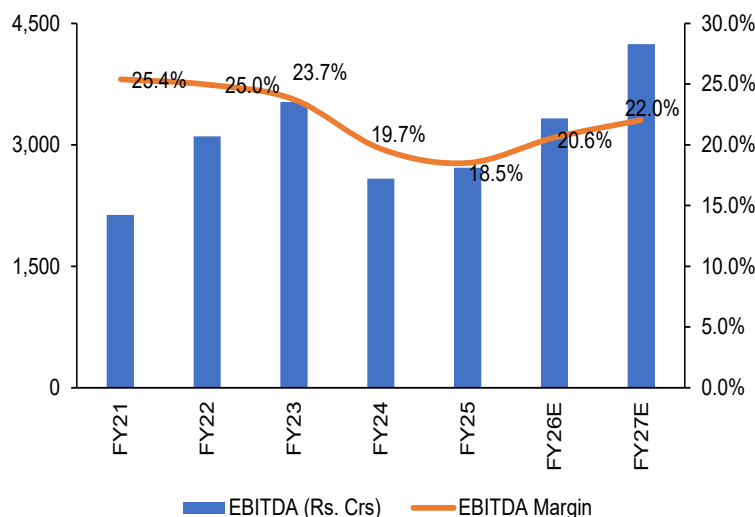
Revenues to Grow at a healthy Pace



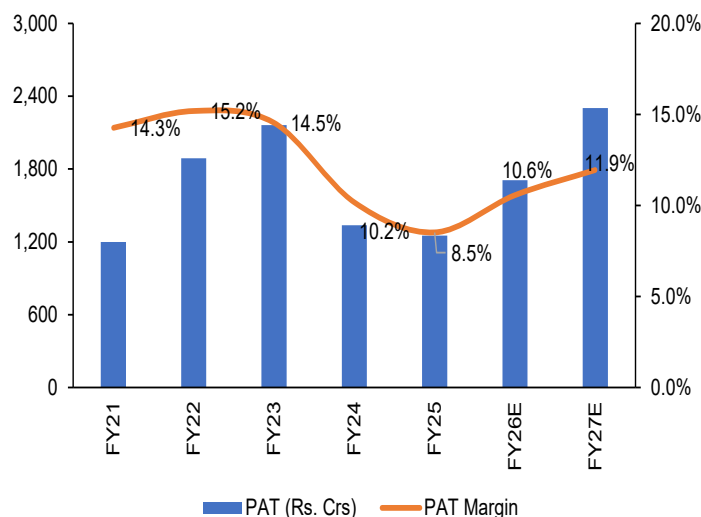
Gross Margin to Remains Stable



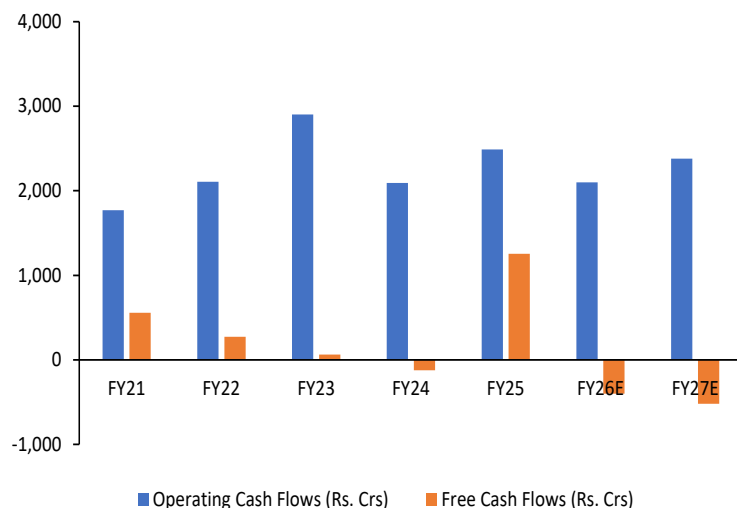
Operating Margin to Witness Recovery



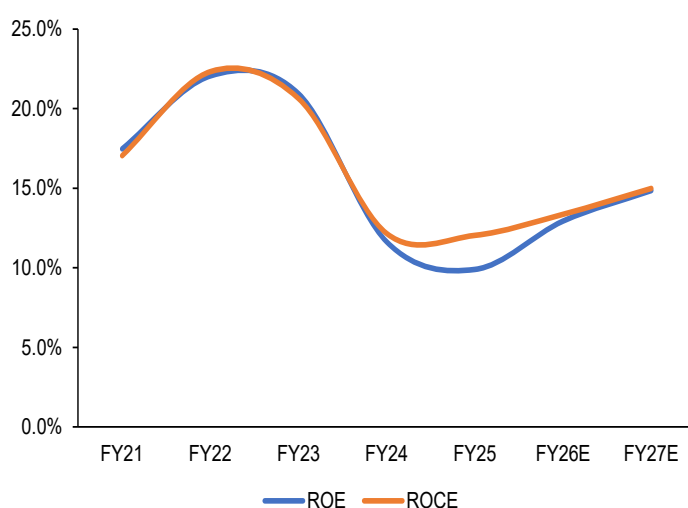
PAT Margin to Improve Going Ahead



OCF/FCF



Improved return ratios



Source: Company, Bpwealth Research

Financials

Profit & Loss A/c (Consolidated)

YE March (Rs. Crs.)	FY23	FY24	FY25	FY26E	FY27E
Revenue from Operations	14,870	13,139	14,693	16,159	19,263
% YoY growth	19.6%	-11.6%	11.8%	8.7%	19.2%
Cost Of Revenues (incl Stock Adj)	7,394	6,709	7,699	8,322	9,824
Gross Profit	7,477	6,430	6,994	7,837	9,439
Gross margins	50.3%	48.9%	47.6%	48.5%	49.0%
Employee Cost	814	935	1,042	1,180	1,387
Other Operating Expenses	3,134	2,911	3,233	3,330	3,806
EBITDA	3,529	2,584	2,719	3,328	4,246
EBITDA margins	23.7%	19.7%	18.5%	20.6%	22.0%
Other Income	75	83	133	112	120
Net Interest Exp.	205	302	376	326	320
Depreciation	575	673	772	883	1,019
Exceptional Items	0	0	0	0	0
PBT	2,824	1,692	1,704	2,231	3,028
Tax	662	357	453	524	727
Profit After Tax	2,162	1,336	1,251	1,707	2,301
PAT margin (%)	14.5%	10.2%	8.5%	10.6%	11.9%
EPS	72.7	44.9	42.1	57.4	77.4

Source: Company, BP Equities Research

Balance Sheet (Consolidated)

YE March (Rs. Crs.)	FY23	FY24	FY25	FY26E	FY27E
Assets					
Net Block	9,648	12,845	13,358	15,182	17,063
Capital WIP	2,406	805	811	811	811
Intangible Assets under development	0	0	0	0	0
Other Non current Assets	926	1,182	1,258	1,342	1,463
Current Assets					
Current Investment	490	406	705	705	705
Inventories	2,274	2,326	2,349	2,698	3,107
Trade receivables	1,786	1,943	2,169	2,346	2,931
Cash and Bank Balances	616	408	354	323	210
Short-term loans and advances	11	13	17	12	14
Other Current Assets	598	554	536	664	950
Total Current Assets	5,775	5,649	6,130	6,748	7,918
Current Liabilities & Provisions					
Trade payables	2,231	2,198	2,332	2,361	2,494
Other current liabilities	635	605	429	691	659
Short-term provisions	8	9	10	10	10
Total Current Liabilities	2,874	2,812	2,770	3,062	3,163
Net Current Assets	2,901	2,838	3,360	3,686	4,755
Capital Applied	15,880	17,670	18,787	21,022	24,092
Liabilities					
Equity Capital	297	297	297	297	297
Reserves & Surplus	10,030	11,182	12,329	12,888	15,189
Equity	10,327	11,479	12,626	13,186	15,487
Total Debt	4,354	4,920	4,641	5,941	6,841
Long Term Provisions	61	71	83	86	88
Other Long Term Liabilities	329	261	382	479	447
Net Deferred Tax Liability	809	939	1,055	1,330	1,230
Capital Employed	15,880	17,670	18,787	21,022	24,092

Source: Company, BP Equities Research

Cash Flows (Consolidated)

YE March (Rs. Crs.)	FY23	FY24	FY25	FY26E	FY27E
PBT	2,824	1,692	1,704	2,231	3,028
Depreciation & Amortization	575	673	772	883	1,019
Other Adjustments	70	226	397	214	199
(Inc) / Dec in Working Capital	-60	-114	-51	-704	-1,140
Taxes	-508	-383	-334	-524	-727
Cash from Ops.	2,902	2,094	2,487	2,099	2,380
Capital Expenditure & investments	-2,961	-2,227	-1,484	-2,898	-3,093
Cash from Investing	-2,961	-2,227	-1,484	-2,898	-3,093
Cash from Financing	220	-72	-1,071	695	580
Extraordinary receipts/payment	2	3	3	4	5
Net Inc/Dec in cash equivalents	160	-205	-67	-104	-133
Opening Balance	450	616	399	408	323
Forex & Others	8	-3	0	0	0
Closing Balance Cash & Cash Equivalents	616	408	354	323	210

Key Ratios (Consolidated)

YE March	FY23	FY24	FY25	FY26E	FY27E
Profitability					
Return on Assets	11.5%	6.5%	5.8%	7.1%	8.4%
Return on Capital Employed	20.6%	12.2%	12.0%	13.4%	15.0%
Return on Equity	20.9%	11.6%	9.9%	12.9%	14.9%
Margin Analysis					
Gross Margin	50.3%	48.9%	47.6%	48.5%	49.0%
EBITDA Margin	23.7%	19.7%	18.5%	20.6%	22.0%
Net Income Margin	14.5%	10.2%	18.5%	10.6%	11.9%
Short-Term Liquidity					
Current Ratio	1.2x	1.0x	1.1x	1.1x	1.2x
Quick Ratio	0.7x	0.6x	0.7x	0.7x	0.7x
Avg. Days Sales Outstanding	44	54	54	54	56
Avg. Days Inventory Outstanding	56	65	58	61	65
Avg. Days Payables	55	61	58	45	45
Fixed Asset Turnover	1.3x	2.1x	0.9x	0.9x	1.0x
Debt-service Coverage	17.2x	8.5x	7.2x	10.2x	13.3x
Long-Term Solvency					
Total Debt / Equity	0.4x	0.4x	0.4x	0.5x	0.4x
EBITDA / Interest Expense	14.8x	6.6x	5.5x	7.8x	10.5x
Valuation Ratios					
EV/EBITDA	26.3x	36.3x	34.8x	28.4x	22.5x
PER	41.4x	67.1x	71.6x	52.5x	39.0x
P/B	8.7x	7.8x	6.8x	6.8x	5.8x

Source: Company, BP Equities Research



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