

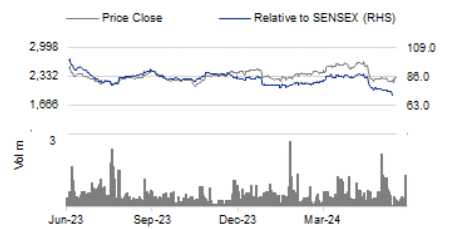
India

REDUCE (no change)

Consensus ratings*: Buy 19 Hold 7 Sell 7

| | |
|------------------------------|--------------------------|
| Current price: | Rs2,297 |
| Target price: | Rs1,540 |
| Previous target: | Rs1,540 |
| Up/downside: | -33.0% |
| InCred Research / Consensus: | -34.7% |
| Reuters: | SRFL.NS |
| Bloomberg: | SRF IN |
| Market cap: | US\$9,375m Rs680,754m |
| Average daily turnover: | US\$18.7m Rs1359.3m |
| Current shares o/s: | 296.4m |
| Free float: | 49.7% |

*Source: Bloomberg



Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|-------------------|--------|-------|--------|
| Absolute (%) | (11.2) | (4.8) | (9.3) |
| Relative (%) | (13.1) | (6.0) | (23.7) |

| Major shareholders | % held |
|-------------------------------------|--------|
| Promoter & Promoter Group | 50.3 |
| Kotak Mahindra AMC | 4.0 |
| Life Insurance Corporation Of India | 3.1 |

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SRF Limited

1Q FY25F to be worse YoY- EPS cut likely

- The much talked about recovery is nowhere to be seen, either in refrigerants or in chemicals. In 1QFY25F, the EPS is likely to be below Rs8.
- Top-down (based on capital employed) as well as bottom-up (molecule-wise) analysis indicates consensus EPS is higher by 40% for FY25F & FY26F.
- Despite repeated disappointments, the stock doesn't decline at all, but this phenomenon cannot continue in perpetuity. Retain REDUCE rating on SRF.

Headwinds galore as near-term earnings to disappoint

In the most likely case, the 2H recovery in FY25F will be pushed to FY26F. We don't see any recovery in HFC exports and prices – in fact, HFC-125 and HFC-134A volumes as well as prices are falling. On the other hand, a production ramp-up by its customers to fill the channel in the second half has not yet started. The same is visible in the sequentially declining chemicals export pattern of SRF. While Jan 2024 exports were the highest, but later in every subsequent month they were lower than the previous month. BOPP and BOPET film spreads collapsed in 1QFY25. 1QFY25F EPS is likely to be around Rs8 or 30% lower YoY.

A deep dive into SRF product portfolio shows lack of new winners

SRF's meteoric EPS growth in FY22 and FY23 was driven by: 1) Post-Covid supply chain crisis and hence, overstocking-led demand. 2) Anti-dumping duty by the US on Chinese refrigerant imports, which led to a 400% rise in the prices of HFC-125, and R-134A prices also doubled. A deep dive into the molecules, apart from refrigerants, indicates that SRF's revenue is highly dependent on 1) 3-difluoromethyl 1-methyl-1H-pyrazole-4-carboxylic acid, 2) topramezone, 3) 3-pyridine carboxylic acid 2- [(2-methoxy ethoxy), and 4) 1-(5-acetyl- [1,4,5] oxadiazepano-4-yl)-ethanone. These four molecules account for 35% of overall exports. 3-difluoromethyl 1-methyl-1H-pyrazole-4-carboxylic acid is used to make flupyroxad, whose sales are tapering off. Moreover, please see our earlier report: [IN: Chemicals - Overall - CRISPR reduces terminal value of agchems](#), which indicates the folly of giving any terminal value of traditional fungicides and insecticides. The new molecules have some potential such as a) 5-(1-methyl thio) ethyl)-2-(trifluoromethyl) pyridine, b) 1-(3,6-dibromo pyridin-2-yl)-2-(3,5-difluoro acetic acid, c) 2, 6-dichloro benzene-1-sulfonyl chloride, d) 2,2,2-trifluoro ethyl amine, and e) 2,5-dihydroxy-1,4-dithiane. Through these molecules, SRF is trying to break into the pharmaceutical portfolio of Bayer & Gilead Life Sciences.

Stock price too expensive; consensus EPS estimates to disappoint

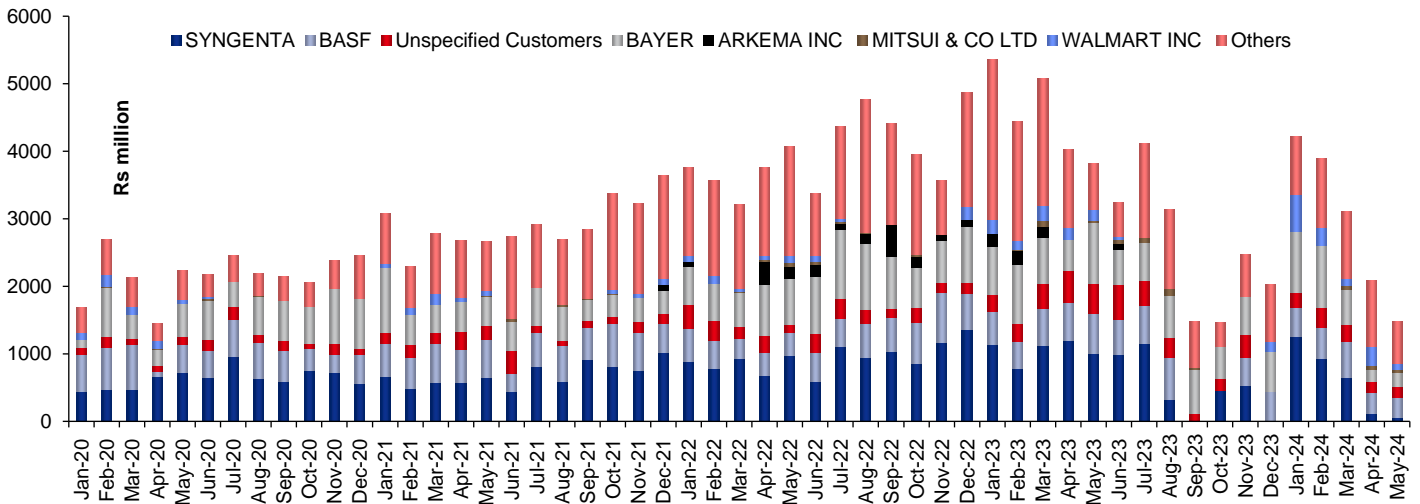
The expectation of capital efficiency in the chemical business is purely based on FY22 and FY23, which were clearly one-offs. Revenue/capital employed in the chemical business will fall below 60% (the last 15 years' average was 65%) in the coming quarters and RoCE at around 14-15%. We retain our REDUCE rating on SRF with a target price of Rs1,540. Upside risk: A surprise rise in the prices of refrigerant gases.

| Financial Summary | Mar-23A | Mar-24A | Mar-25F | Mar-26F | Mar-27F |
|-----------------------------------|---------|---------|---------|---------|---------|
| Revenue (Rsm) | 148,703 | 131,385 | 128,357 | 141,193 | 155,312 |
| Operating EBITDA (Rsm) | 35,292 | 25,841 | 27,668 | 30,119 | 33,037 |
| Net Profit (Rsm) | 21,623 | 13,357 | 13,790 | 15,509 | 17,285 |
| Core EPS (Rs) | 73.0 | 45.1 | 46.5 | 52.3 | 58.3 |
| Core EPS Growth | 14.5% | (38.2%) | 3.2% | 12.5% | 11.5% |
| FD Core P/E (x) | 31.48 | 50.96 | 49.36 | 43.89 | 39.38 |
| DPS (Rs) | 6.4 | 4.0 | 4.0 | 4.0 | 4.0 |
| Dividend Yield | 0.28% | 0.17% | 0.17% | 0.17% | 0.17% |
| EV/EBITDA (x) | 20.21 | 27.93 | 24.49 | 22.16 | 19.84 |
| P/FCFE (x) | 113.42 | 167.26 | 18.83 | 49.63 | 43.39 |
| Net Gearing | 31.4% | 35.8% | (2.5%) | (9.3%) | (16.0%) |
| P/BV (x) | 6.59 | 5.93 | 5.34 | 4.80 | 4.31 |
| ROE | 22.9% | 12.3% | 11.4% | 11.5% | 11.5% |
| % Change In Core EPS Estimates | | | (0.25%) | (0.16%) | (0.06%) |
| InCred Research/Consensus EPS (x) | | | | | |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

1QFY25F to be worse YoY- EPS cut likely
The recovery is nowhere to be seen
Exports are heading downwards ➤

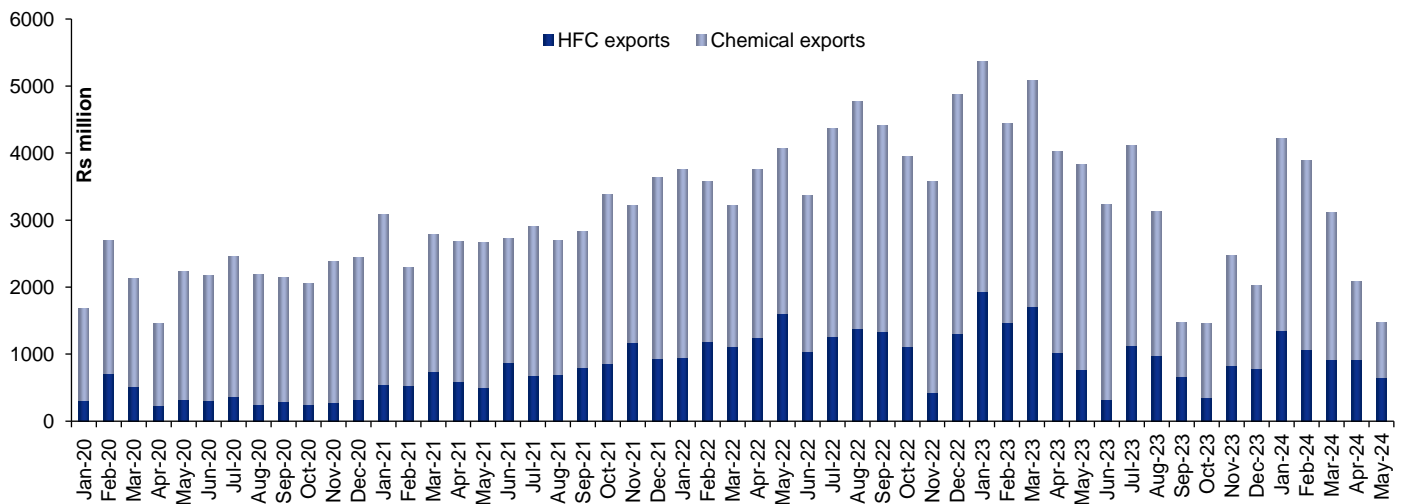
Figure 1: After a flash-in-the-pan kind of a rise in Jan 2024, SRF's exports are dwindling; key agrochemical companies are buying even less than what they did in CY23



SOURCE: INCRED RESEARCH, COMPANY REPORTS

The downtrend is led by both refrigerants and chemicals ➤

Figure 2: Both refrigerant and chemical exports are on a downtrend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

US imports of R-134A and HFC-125 are collapsing ➤

Figure 3: R-134A imports are falling drastically – this was bound to happen as the US government reduced GWP of HFC consumption by 33%

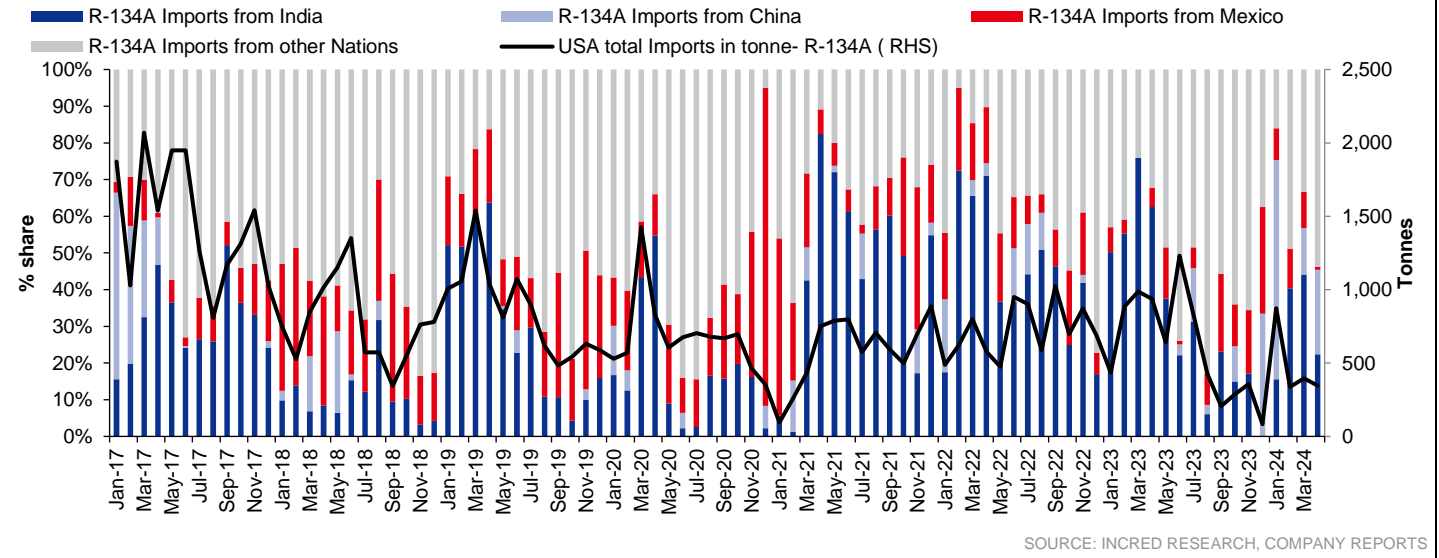
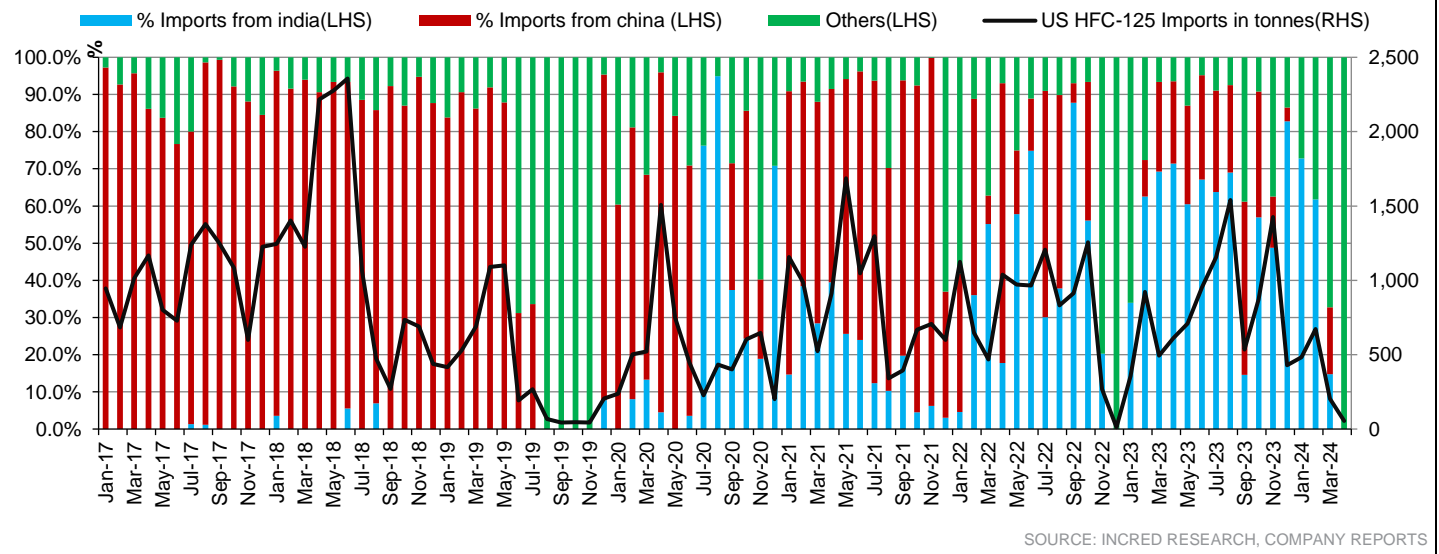
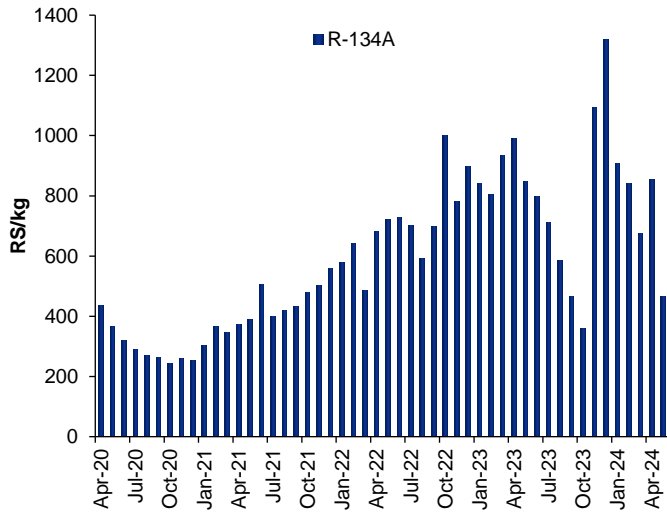


Figure 4: HFC-125, whose GWP is 6.7t of CO₂ equivalent, is worse and its imports in the US are close to zero



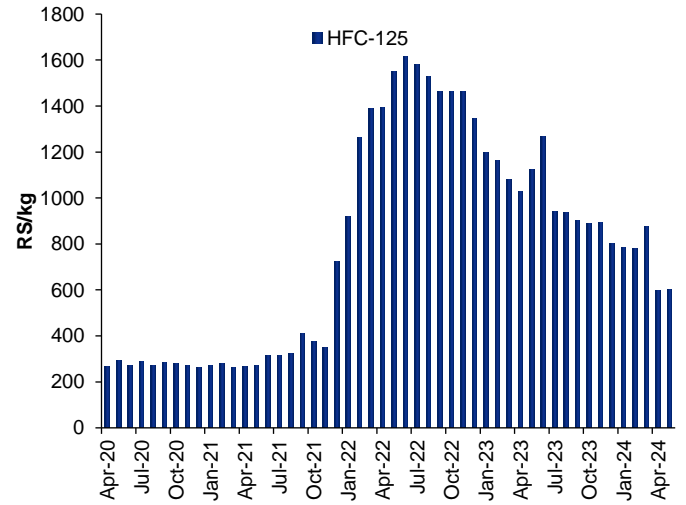
Consequently, international market prices of R-134A and HFC-125 are falling ➤

Figure 5: After a flash-in-the pan kind of a rise in export prices of R-134A, they have fallen again



SOURCE: INCRED RESEARCH, COMPANY REPORTS

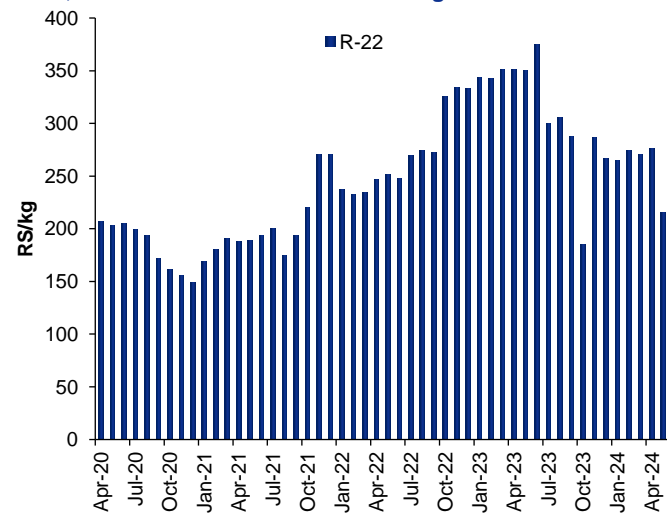
Figure 6: HFC-125 prices are consistently trending downwards



SOURCE: INCRED RESEARCH, COMPANY REPORTS

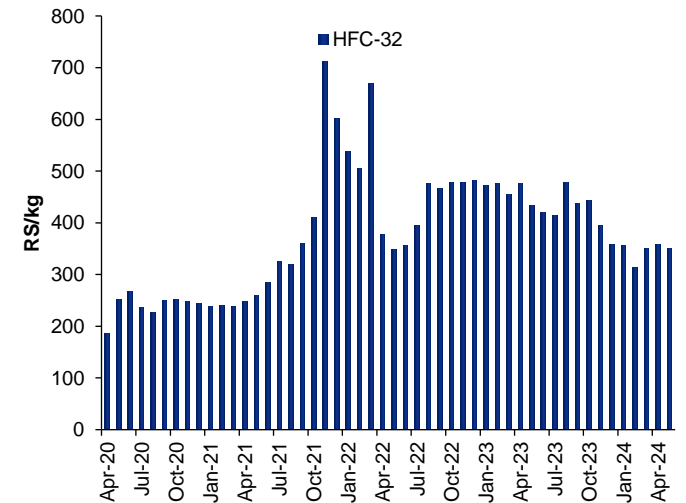
R-22 and R-32 are no better as their prices are also falling ➤

Figure 7: R-22 prices did rise during the great supply chain scare, but since then have started falling



SOURCE: INCRED RESEARCH, COMPANY REPORTS

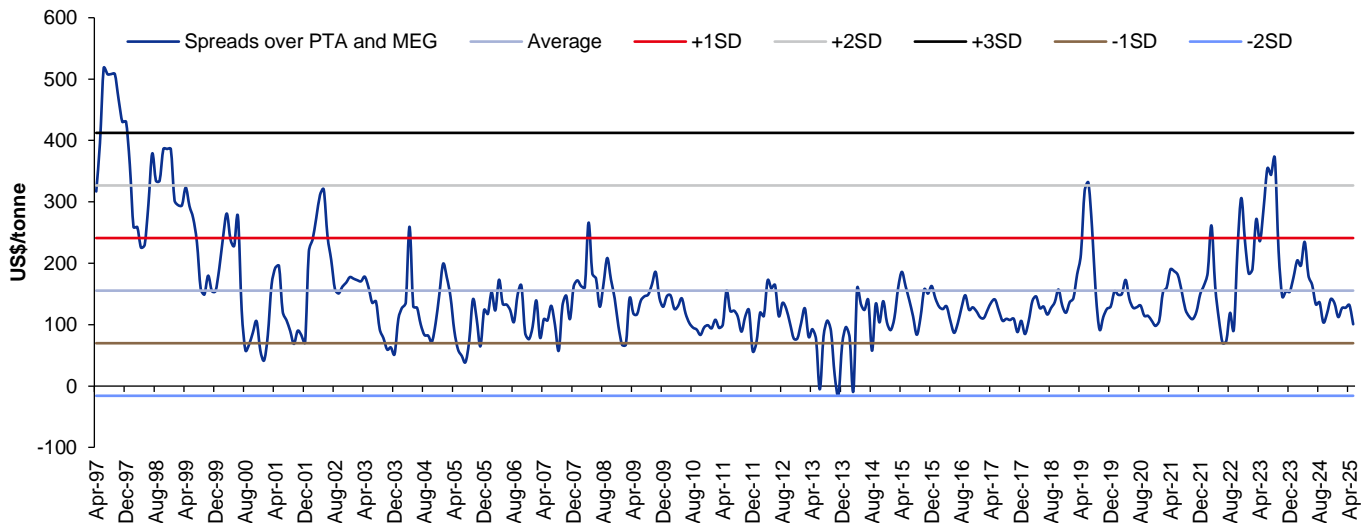
Figure 8: Even R-32 prices are trending downwards



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BOPET prices are collapsing and its spreads are also falling ➤

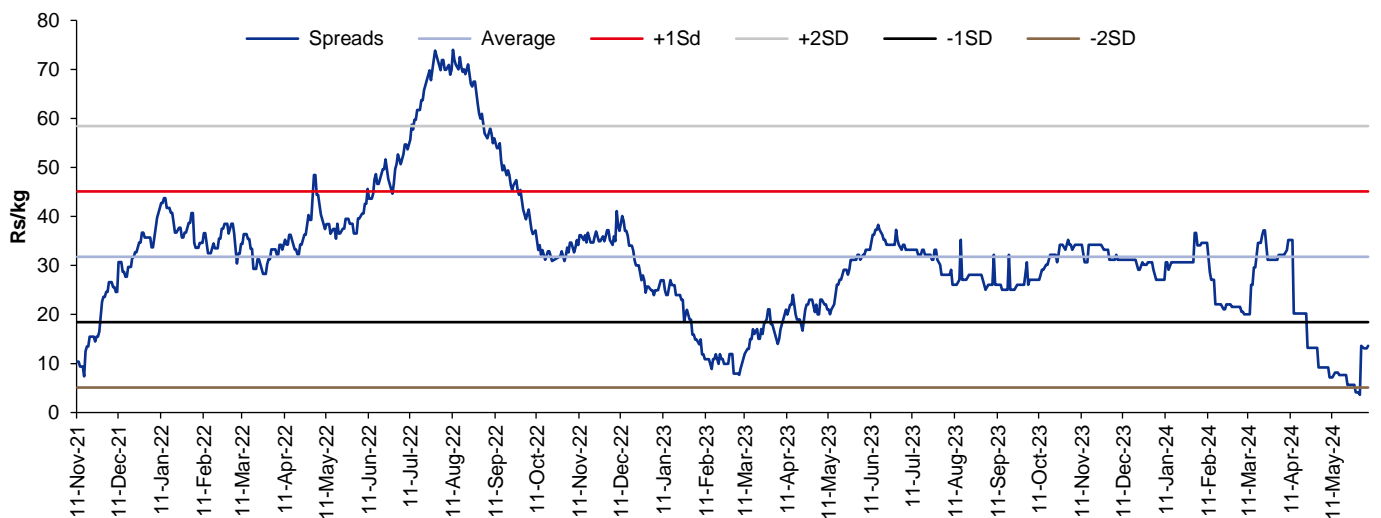
Figure 9: PET film's spreads over PTA and MEG peaked in 2023 and since then are on the decline - global overcapacity will not help much



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Indian BOPP spreads over polypropylene are no different – they are also falling ➤

Figure 10: BOPP spreads have simply collapsed in the last quarter, which is more negative news for SRF; however, we will be the first to admit that from -2SD levels they will bounce back but given the huge overcapacity, we cannot predict the exact timing



SOURCE: INCRED RESEARCH, COMPANY REPORTS

In the long run, we don't see any new molecule which can pull SRF out of its predicament – the situation is the same for the past several years

Top compounds contributing to SRF's export revenue are the same for the past several quarters like 1) 3-difluoromethyl 1-methyl-1H-pyrazole-4-carboxylic acid, 2) topramezone, 3) 3-pyridine carboxylic acid 2- [(2-methoxy ethoxy), 4) 1-(5-acetyl- [1,4,5] oxadiazepano-4-yl)-ethanone, 4) R-22, 5) R-134A, 6) R-125, 7) R-32, 8)R-410A, 9)R-404A, and 10) R-407C.

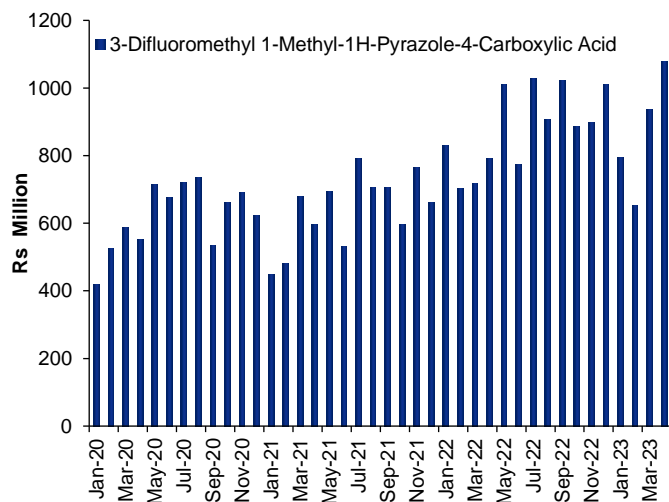
3-difluoromethyl 1-methyl-1H-pyrazole-4-carboxylic acid exports at Rs11bn ➤

1. Major buyers of this compound are Bayer, Syngenta and BASF.
2. The compound is used as an intermediate in the manufacture of insecticides (recent patent application) and fungicides by Syngenta. It is an intermediate of the fungicide **fluxapyroxad**.

- Fluxapyroxad is a broad-spectrum, pyrazole carboxamide fungicide registered for uses on a wide range of crops (cereal grains, legume vegetables, oil seed crops, peanuts, pome fruit, stone fruit, root and tuber vegetables, fruiting vegetables, and cotton).
- The raw materials used to make it are ethyl ester of difluoro acetoacetic acid, acetic anhydride, sodium hydroxide, triethyl orthoformate and methyl hydrazine.

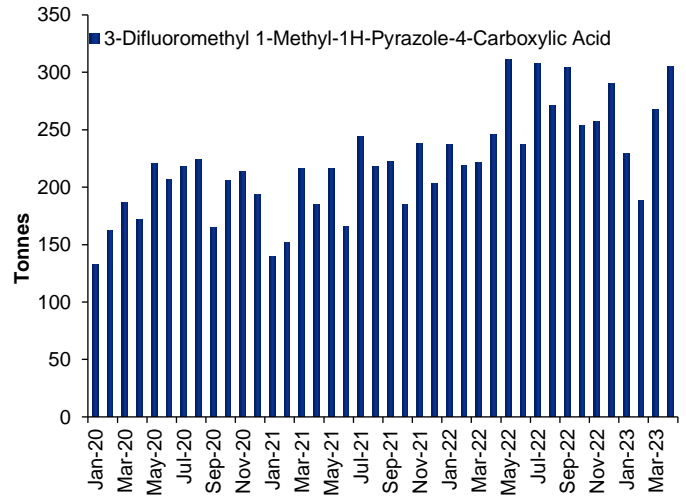
The sales of this molecule have not increased in any significant manner over the past few quarters.

Figure 11: It's a true CDMO commodity as value sales...



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: ...are driven only by volume; Syngenta is the sole buyer of the relatively slow-growing fungicide fluxapyroxad



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Topramezone's yearly revenue at ~Rs4.5bn ➤

- The buyers of this compound are BASF and Shanghai Milky Way Chemicals. The compound is used in herbicides and also to control harmful arthropods or harmful nematodes containing zoantamines. Topramezone is an aromatic ketone post-emergence herbicide used to control broadleaf and grass weeds in maize (corn) fields. Topramezone is available in commercial herbicide formulations under the brand name Tyner (BASF).
- The raw materials used in its manufacture are 2,3-dimethylbenzaldehyde oxime, 2,6-dinitrotoluene, and 1-methyl-5-hydroxypyrazole in the presence of a catalyst.

HFC-134A (hydro fluoro carbon- 1 1 1 2 tetrafluoro ethane) exports in FY24 stood at ~Rs3.6bn ➤

Some major buyers of this refrigerant are A-Gas, Autozone and Aspen Refrigerant. HFC-134A is a colourless gas with a faint ethereal odour that may go unnoticed by most individuals. It is used in refrigeration and air-conditioning systems, as a blowing agent for polyurethane foams, and as a propellant for medical aerosols.

The refrigerant is a potent greenhouse gas with a high GWP (Global Warming Potential of >150). R134A has a relevant direct global warming effect stemming from its absorption power of long-wave radiations, that depend on its GWP and on the fraction of refrigerant charge released into the atmosphere. As a part of AIM Act, EPA has now banned the use of 134A in aerosol products from 1/1/2025 and slowly phasing out the other products as well. As most of the buyers are from the Middle East, it will take some time for the decline to happen, but it is advisable to decrease the reliance on HFCs (134-A specifically, as it is on the higher side of GWPs) as HFOs are less harmful to the environment than HFCs.

The revenue generated by the compound is US\$142m. The raw materials used in its manufacture are trichloroethylene, 1-chloro-1,1,1-trifluoro ethane and hydrogen fluoride.

Hydro fluoro carbon - 410A (HFC-410A OR R410A) exports in FY24 stood at ~Rs2.7bn ➤

The major buyers of this compound are Altair Partners LP and Aspen Refrigerant. It is a blend of difluoromethane, known as HFC-32, and pentafluoro ethane, known as HFC-125. It is most used in air-conditioning systems, heat pumps, and refrigeration units. It can provide efficient cooling in both residential and commercial applications. R-410A has higher efficiency than R-22.

In May 2023, the EPA introduced a series of regulations to reduce the use of high-GWP refrigerants, including R-410A, in HVAC systems. The goal of these regulations is to reduce the total amount of HFCs released into the atmosphere, thus slowing the rate of global warming. Beginning in 2025, EPA has prohibited using R410 refrigerant in HVAC systems across the US. The compound has a high GWP (2088) and high atmospheric lifetime of nearly 30 years.

The revenue generated by this compound is US\$93m. It is better to decrease the reliance on HFCs and HCFCs in the future due to their high global warming potential and the possibility of future bans in other countries as well. The raw materials used in its manufacture are pentafluoro ethane and difluoromethane, and both these compounds are produced by SRF.

HFC-125 (1 1 1 2 2 – pentafluoro ethane) exports in FY24 stood at Rs1.65bn ➤

The major buyers of this compound are Arkema Inc, Daikin and Honeywell International. HFC-125 is a colourless gas that is used as a refrigerant, fire extinguishing agent, plastic foam blowing agent, and a solvent in special applications. More than 99% of the HFC-125 produced worldwide by the reporting companies is used as a blend component for commercial refrigeration and air-conditioning systems. It is not ozone depleting but due to its global warming potential (GWP) of 3,500 and atmospheric lifetime of 29 years, it is included in the list of controlled substances of the Montreal Protocol. It is already banned in some states of the US.

The revenue generated by this compound is US\$83m. The raw materials used for its manufacture are hydrogen fluoride and tetrachloroethene.

3-pyridine carboxylic acid 2- [(2-methoxy ethoxy) exports in FY24 stood at Rs1.6bn ➤

The major buyer of this compound is Syngenta, an agrochemical company with its focus on seeds and pesticides. It is used by Syngenta as an intermediate in making **pydiflumetofen**. Pydiflumetofen (Miravis) is a relatively new SDHI fungicide developed by Syngenta and registered by the EPA in 2018. Miravis can control leaf spots in peanuts, powdery mildew in pome and stone fruit. It is used for the control of various fungal pathogens of vegetables, row crops, and turfgrass. It is harmful to some beneficial insects.

It is also abbreviated as 2-MECPA and is used as an intermediate in some fungicides. Fungicides derived from 2- MECPA belong to the class of SDHI (succinate dehydrogenase inhibitor) fungicides. They work by inhibiting an enzyme (succinate dehydrogenase) essential for fungal respiration, thereby stopping their growth.

It has been recently found that it is useful in the synthesis of compounds for treating pain, cancer, inflammation, neurodegenerative disease or typanosoma cruzi infection in a mammal. It has potential in the pharmaceutical industry with many recent patents, but pharmaceutical companies don't generally change vendors and hence, this may not be a possibility for SRF. But the cost leader strategy may work.

The revenue generated by this compound is US\$77m. The CAGR of the compound is 7% and it is expected to touch US\$108m in the markets that it is in. The raw materials used in its manufacture are nicotinic acid and monochloro acetic acid.

Monochloro difluoro methane (R-22) FY24 exports at Rs1.5bn ➤

The major buyers of this compound are Almul Him Cooling Company and Al Sweer Trading. It is a refrigerant, which is a chloro fluoro carbon (CFC), which has a high GWP and high ozone depletion potential. It is banned in the US. It is used in heat pumps and air-conditioners in both residential and industrial segments.

It is also called R-22 (Mafron). It is banned in a lot of countries. The phase-out of R-22 is mandated by the Montreal Protocol, an international treaty signed in 1987 to protect the ozone layer.

The revenue of this compound is US\$77m. The phase-out is expected at a CAGR of -5.1% and hence, it is expected to fall to US\$59m by 2028F. It is better to decrease the reliance on this compound in the long run as it is extremely harmful to the environment. The raw materials used in its manufacture are acetone, chlorine gas, hydrogen fluoride and lime slurry. The gross margin of the compound is 48%.

1-(5-acetyl- [1,4,5] oxadiazepano-4-yl)-ethanone FY24 exports at Rs2.2bn ➤

Syngenta is the buyer of this compound. The compound is used by Syngenta to synthesize pinoxaden. Pinoxaden is a highly selective systemic herbicide used to control monocotyledonous grass weeds in crops such as wild oats, ryegrass and black grass in winter and spring wheat and winter and spring barley. Pinoxaden is a synthetic compound, belonging to the phenylpyrazolin group of chemicals. It is slightly toxic to rats.

The revenue generated by this compound is US\$57.8m. It is a research chemical as well. So, it is difficult to predict the CAGR. But considering that it is only used in pinoxaden by SRF, the revenue is expected to touch US\$84m. The raw materials used in its manufacture are acetyl chloride, ethylene diamine and glyoxylic acid.

HFC - 32 (difluoro methane) exports in FY24 at ~Rs1bn ➤

The major buyers of this compound are Arkema Inc and A-Gas. HFC-32 is a colourless gas and is slightly soluble in water. It is also a refrigerant that is used for refrigeration and air-conditioning. Difluoromethane has a GWP of 675 (in a 100-year timeline window) but has a shorter life time of five years. It is used in air-conditioning and as a blowing agent. Due to its relatively lower GWP, it is not banned yet, but there is a possibility that it will be banned in the future due to many advancements in refrigerants, with chances of a much lower GWP.

The revenue generated by this compound is US\$42m. The raw materials used in this refrigerant are dichloromethane, liquid hydrogen fluoride, with antimony pentafluoride as a catalyst.

There are compounds with high potential for SRF, but they are in a nascent stage

5-(1- methyl thio) ethyl)2-(trifluoromethyl) pyridine ►

It is an intermediate in the synthesis of Sulfoxaflor, a novel pesticide of the sulfoximine group and the only sulfoximine class of pesticide that acts on the central nervous system. It is manufactured by Dow DuPont, which is now a part of Corteva Agrisciences. It is banned due to unreasonable adverse effects on the environment. It was reported to be toxic to bees. But there have been views recently that it is not toxic. So, there could be new developments regarding the compound. It is banned in the US and is in the process of being banned in many EU countries.

The compound is being sent to Corteva in samples. So, it is probably being used to improve on Sulfoxaflor. The possible raw materials used in its manufacture are 2-trifluoromethyl pyridine, 1- methylthioethane and strong base catalyst.

(4R)-2-oxo-1,3-oxazolidine-4-carboxylic acid ►

The compound is being sold to Syngenta in a very small quantity. Syngenta received a patent in Dec 2023 for the preparation process of 4-substituted 2-oxazolidinones. Oxazolidinones are used in many antibiotics including Linezolid. It is probably being used to develop a new pesticide or fungicide by Syngenta as it is able to interact with biological systems. The specific use for which Syngenta is buying is not known yet. If the agrochemical succeeds, this could be a compound with a huge potential for SRF, as Syngenta already has a process patent. The likely raw materials used in its manufacture are d-serine, and glyoxylic acid in the presence of a catalyst.

1-(3, 5-dichloro-4-fluoro-phenyl)-2,2,2-trifluoro ethanone ►

The compound is being sold to Syngenta in very small quantity. Syngenta received a patent in Dec 2023 for the preparation process of 4-substituted 2-oxazolidinones. This compound is also used in the preparation process and is mentioned in the patent. Bayer also has a recent patent for its use as a pesticide for invertebrate pests. So, if Syngenta manages to develop the agrochemical, it could be a high potential compound. The possible raw materials used in its manufacture are 3,5-difluoroaniline, trifluoroacetyl chloride and fluorine in the presence of a catalyst.

1-(3,6-dibromo pyridin-2-yl)-2-(3,5-difluoro acetic acid) ►

It is being sent to Gilead Life Sciences in a small quantity. It is used by Gilead Life Sciences for preparing the intermediates useful in therapeutic methods for treating a Retroviridae viral infection, including an infection caused by the HIV virus. The patent has been granted in 2019. Gilead Life Sciences could be looking for a new partnership (as the company has 11 HIV medications) and as there are many years for patent expiration, this could be beneficial for SRF. The possible raw materials used in its manufacture are 2,3,6-tribromopyridine, 2-amino pyridine, 3,5-dichloro acetic acid and bromine.

1-(3-chloropyridin-2-yl)-3-(trifluoromethyl)-1H-pyrazole-5-carboxylic acid ►

Syngenta received a patent for this compound's use as insecticide in Jun 2023. It is used to control diamide-resistant insects and protect plant propagation material. As it is a recent patent, a new agrochemical can be introduced by Syngenta soon. It could be an improvement on Minecto Pro. The possible raw materials used in its manufacture are pyrazole-5-carboxylic acid, trifluoromethyl ester and 2-amino-3-chloropyridine.

2 – chloro-5-(trifluoromethyl)pyridine ➤

It is sent to Syngenta in a small quantity, but it has potential pharmaceutical and agricultural uses. It is an intermediate for many drugs, which are useful in the treatment or prevention of neurological, psychiatric, cardiovascular and cancer disorders and diseases in which orexin and kappa-opioid receptors are involved or implicated. There have been many recent patent filings for the same. Big giants like AstraZeneca, Pfizer, Novartis and Janssen have patent filings for many possible intermediates with this compound. Syngenta held a patent for its preparation previously. The company could be using it to produce fungicides. The raw materials used in its manufacture are 3-nitropyridine, tetrachlorophenol, chlorine gas and ferric chloride catalyst.

2- (trifluoromethyl) pyridine -3-carboxylic acid ➤

It is sent to Syngenta in a small quantity. Currently, the major use of TFMP derivatives is in the protection of crops from pests. It is an intermediate in the manufacture of **cyclobutrifluram**, a new succinate dehydrogenase inhibitor (SDHI) fungicide, which is currently being registered by Syngenta for controlling fusarium crown rot (FCR) of wheat in China. The possible raw materials used in its manufacture are 2-bromo pyridine, trifluoroacetic anhydride and malonic acid.

2, 6-dichloro benzene-1-sulfonyl chloride ➤

It is sent to Seqens, an API company in France. The compound is useful in therapy, e.g. for the treatment of a condition or disorder associated with nicotinamide adenine dinucleotide phosphate oxidase 4 or 2 (Nox4 or Nox2) activity. A derivative of the compound shows a good proliferation inhibition effect on a plurality of tumour cell lines and suggests the potential of the compound as a broad-spectrum anti-tumour drug. It has uses as an anti-cancer agent. The raw materials used in its manufacture are 2,6- dichloro benzene and chloro sulphuric acid.

2,2,2-trifluoro ethyl amine ➤

It is sent to Bayer in a small quantity. It has many pharmaceutical uses. Bayer Pharma uses its derivative to effectively and selectively inhibit the Ras-Sos interaction without significantly targeting the EGFR receptor. It is therefore useful for the treatment or prophylaxis of diseases, of hyperproliferative disorders, such as cancer as a sole agent or in combination with other active ingredients. The company has a patent filed for it. The raw materials used in its manufacture are 1,1,1-trifluoro ethane, ammonia and hydrogen in the presence of a catalyst.

2 5-dihydroxy-1 4-dithiane ➤

It is sent to Gilead Life Sciences in a small quantity. It is used as an intermediate in the manufacture of anti-convulsants and useful in the treatment of pain. It has many other potential pharma and agricultural uses (phytostatin inhibitor, so has potential in herbicides). Gilead Life Sciences could be using it to develop antiviral drugs as the company specializes in that. The raw materials used in its manufacture are 1,4-butanedithiol, formaldehyde and aluminium chloride catalyst.

2-methoxy-3-(propylthio)-4-(trifluoromethyl) pyridine ➤

It is sent to Corteva Agrisciences in a small quantity. It helps in the manufacture of important intermediates in the preparation of pyroxulam herbicide. Pyroxulam is a new post-emergence herbicide developed for selective control of economically important annual grass and broadleaf weeds in winter and spring wheat. Corteva received regulatory approval for XtendiMax with VaporGrip technology for pre-harvest use on fallow ground in the fall of 2023. This new application allows growers to control winter weeds before the next season's crop. Corteva is also collaborating with Valent U.S.A. LLC to develop a new pre-mix herbicide containing pyroxulam and saflufenacil. This combination product is expected to offer broader weed control and improved residual control. The possible raw materials used in its manufacture are propanethiol, trifluoromethyl benzene and 3-methoxy-2-bromopyridine.

Earnings and valuation

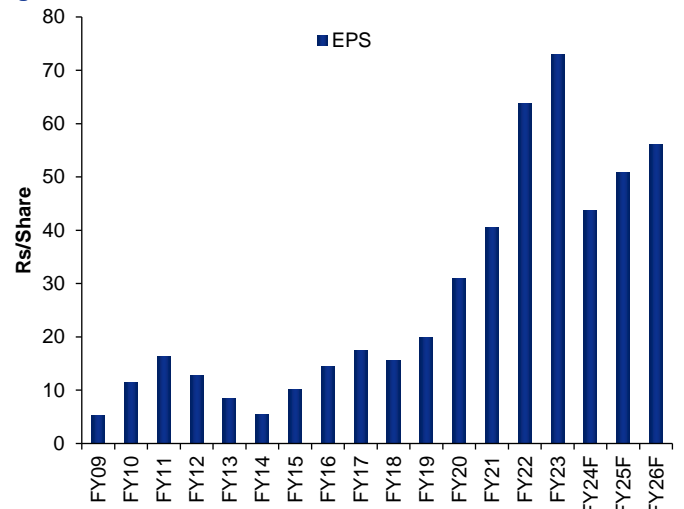
We project an 13% EPS CAGR for the company over FY24F-26F. Our EPS estimates are way below consensus estimates.

Figure 13: Consensus expects an earnings revival soon...

| 12 Months Ending | FY 2023 Act | FY 2024 Est | FY 2025 Est | FY 2026 Est | FY 2027 Est |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| 10 EPS, Adj+ | 72,950 | 45,647 | 64,614 | 85,044 | 96,018 |
| 10 EPS, GAAP | 72,949 | 46,613 | 65,633 | 85,736 | 95,242 |
| 10 Revenue | 148,703B | 132,408B | 154,564B | 179,835B | 204,488B |
| 10 Gross Margin % | 52.080 | 48.617 | 49.663 | 50.652 | 49.631 |
| 10 Operating Profit | 29,539B | 20,267B | 27,354B | 34,718B | 39,460B |
| 10 EBIT | 29,539B | 20,125B | 27,321B | 34,838B | 39,460B |
| 10 EBITDA | 35,297B | 27,094B | 35,213B | 44,072B | 49,565B |
| 10 Pre-Tax Profit | 28,240B | 18,287B | 25,147B | 32,882B | 37,573B |
| 10 Net Income Adj+ | 21,623B | 13,683B | 19,267B | 25,265B | 28,498B |
| 10 Net Income, GAAP | 21,623B | 13,675B | 19,265B | 24,982B | 28,401B |
| 10 Net Debt | 33,710B | 40,204B | 42,558B | 40,813B | 40,151B |
| 10 BPS | 348.387 | 384.802 | 439.725 | 512.972 | 584.620 |
| 10 CPS | 92.249 | 68.208 | 91.877 | 114.585 | 129.640 |
| 10 DPS | 7.200 | 7.031 | 8.344 | 9.641 | 8.375 |
| 10 Return on Equity % | 22.891 | 12.531 | 15.496 | 17.701 | 28.178 |
| 10 Return on Assets % | 12.524 | 7.412 | 9.292 | 11.028 | 4.038 |
| 10 Depreciation | 5,387B | 6,777B | 7,917B | 8,955B | 10,090B |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

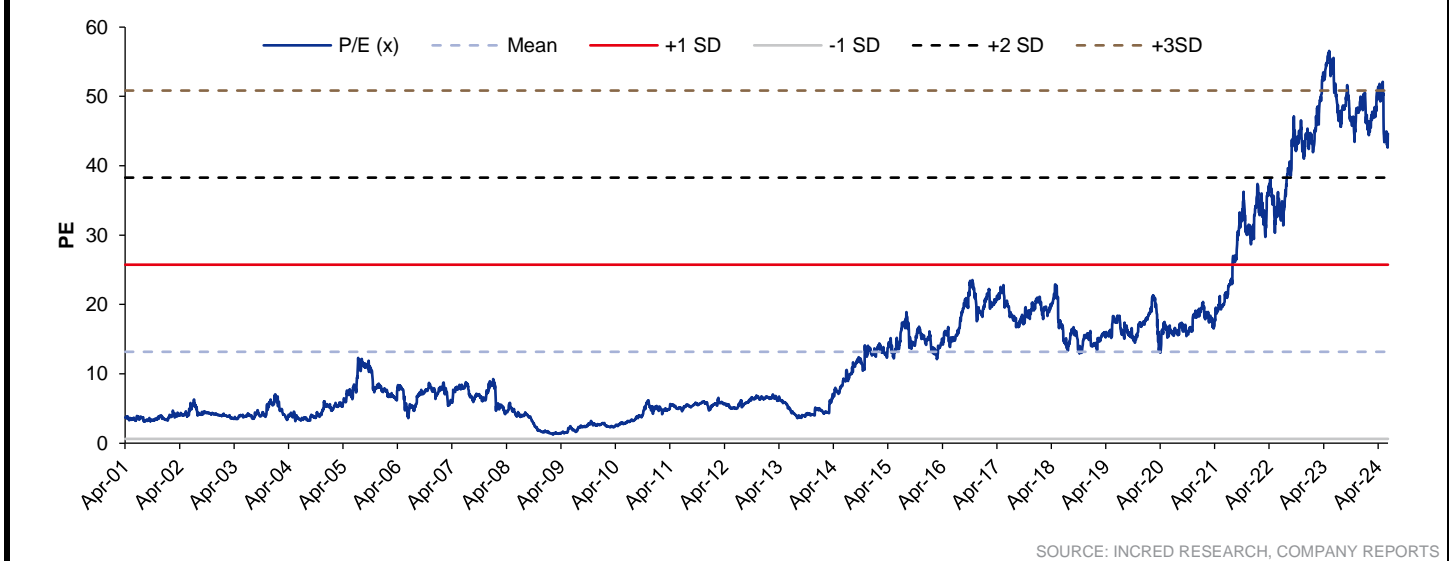
Figure 14: ...but we don't believe in it



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Stock too costly based on our earnings estimates

Figure 15: SRF trades at +3SD of the last 25 years' mean P/E; normally, making money from these levels is impossible



SOURCE: INCRED RESEARCH, COMPANY REPORTS

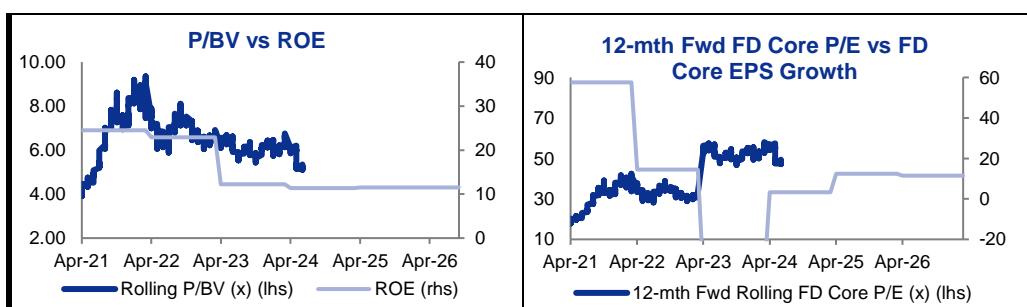
1QFY25F earnings are likely to be a big disappointment ➤

Figure 16: 1QFY25F EPS is likely to be around Rs7.7

| | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25F |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Revenue | 37,781 | 33,384 | 31,774 | 30,530 | 35,697 | 31,932 |
| Expenses | | | | | | |
| Total Cost of Goods Sold | 18,884 | 17,005 | 16,201 | 15,547 | 18,335 | 16,605 |
| Employee Benefit Expenses | 2,142 | 2,180 | 2,266 | 2,438 | 2,466 | 2,466 |
| Power & Fuel Expenses | 3,440 | 3,528 | 3,438 | 3,194 | 3,288 | 3,288 |
| Other Expenses | 3,719 | 3,471 | 3,416 | 3,512 | 4,492 | 4,000 |
| Total Expenses | 28,185 | 26,184 | 25,320 | 24,691 | 28,581 | 26,359 |
| EBITDA | 9,596 | 7,200 | 6,453 | 5,839 | 7,116 | 5,574 |
| Depreciation | 1,546 | 1,566 | 1,612 | 1,689 | 1,859 | 1,859 |
| EBIT | 8,050 | 5,634 | 4,841 | 4,150 | 5,257 | 3,715 |
| Other Income | 223 | 118 | 291 | 188 | 234 | 234 |
| Forex (Gain) /Loss | 280 | 237 | 191 | 181 | 158 | 0 |
| Interest Expense | 659 | 656 | 793 | 674 | 900 | 900 |
| Profit Before Tax | 7,334 | 4,858 | 4,148 | 3,483 | 4,433 | 3,049 |
| Total Tax Expenses | 1,709 | 1,265 | 1,140 | 949 | 211 | 768 |
| Profit After Tax | 5,625 | 3,593 | 3,008 | 2,534 | 4,222 | 2,280 |
| EPS | 19.0 | 12.1 | 10.2 | 8.6 | 14.3 | 7.7 |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

| (Rs mn) | Mar-23A | Mar-24A | Mar-25F | Mar-26F | Mar-27F |
|---|----------------|----------------|----------------|----------------|----------------|
| Total Net Revenues | 148,703 | 131,385 | 128,357 | 141,193 | 155,312 |
| Gross Profit | 148,703 | 131,385 | 128,357 | 141,193 | 155,312 |
| Operating EBITDA | 35,292 | 25,841 | 27,668 | 30,119 | 33,037 |
| Depreciation And Amortisation | (5,753) | (6,726) | (7,221) | (7,742) | (8,284) |
| Operating EBIT | 29,539 | 19,115 | 20,447 | 22,378 | 24,753 |
| Financial Income/(Expense) | (2,048) | (3,023) | (2,841) | (2,474) | (2,474) |
| Pretax Income/(Loss) from Assoc. | | | | | |
| Non-Operating Income/(Expense) | 749 | 830 | 830 | 830 | 830 |
| Profit Before Tax (pre-EI) | 28,240 | 16,922 | 18,436 | 20,733 | 23,109 |
| Exceptional Items | | | | | |
| Pre-tax Profit | 28,240 | 16,922 | 18,436 | 20,733 | 23,109 |
| Taxation | (6,617) | (3,565) | (4,646) | (5,225) | (5,823) |
| Exceptional Income - post-tax | | | | | |
| Profit After Tax | 21,623 | 13,357 | 13,790 | 15,509 | 17,285 |
| Minority Interests | | | | | |
| Preferred Dividends | | | | | |
| FX Gain/(Loss) - post tax | | | | | |
| Other Adjustments - post-tax | | | | | |
| Net Profit | 21,623 | 13,357 | 13,790 | 15,509 | 17,285 |
| Recurring Net Profit | 21,623 | 13,357 | 13,790 | 15,509 | 17,285 |
| Fully Diluted Recurring Net Profit | 21,623 | 13,357 | 13,790 | 15,509 | 17,285 |

Cash Flow

| (Rs mn) | Mar-23A | Mar-24A | Mar-25F | Mar-26F | Mar-27F |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| EBITDA | 35,292 | 25,841 | 27,668 | 30,119 | 33,037 |
| Cash Flow from Invt. & Assoc. | | | | | |
| Change In Working Capital | (604) | (1,145) | (2,080) | (2,172) | (2,390) |
| (Incr)/Decr in Total Provisions | | | | | |
| Other Non-Cash (Income)/Expense | (1,343) | (762) | 36,447 | 163 | 33 |
| Other Operating Cashflow | (7,357) | (3,798) | (5,621) | (7,145) | (8,342) |
| Net Interest (Paid)/Received | (2,048) | (3,023) | (2,841) | (2,474) | (2,474) |
| Tax Paid | 5,077 | 3,826 | 4,646 | 5,225 | 5,823 |
| Cashflow From Operations | 29,017 | 20,939 | 58,219 | 23,715 | 25,688 |
| Capex | (28,243) | (22,017) | (11,147) | (10,000) | (10,000) |
| Disposals Of FAs/subsidiaries | | | | | |
| Acq. Of Subsidiaries/investments | | | | | |
| Other Investing Cashflow | (1,371) | (256) | 325 | | |
| Cash Flow From Investing | (29,614) | (22,273) | (10,822) | (10,000) | (10,000) |
| Debt Raised/(repaid) | 6,599 | 5,404 | (11,244) | | |
| Proceeds From Issue Of Shares | | | | | |
| Shares Repurchased | | | | | |
| Dividends Paid | (2,133) | (2,137) | (1,173) | (1,173) | (1,173) |
| Preferred Dividends | | | | | |
| Other Financing Cashflow | (2,270) | (3,984) | (2,841) | (2,474) | (2,474) |
| Cash Flow From Financing | 2,196 | (717) | (15,258) | (3,648) | (3,648) |
| Total Cash Generated | 1,599 | (2,052) | 32,138 | 10,068 | 12,040 |
| Free Cashflow To Equity | 6,002 | 4,070 | 36,152 | 13,715 | 15,688 |
| Free Cashflow To Firm | 1,451 | 1,688 | 50,237 | 16,190 | 18,162 |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

| Balance Sheet | | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| (Rs mn) | Mar-23A | Mar-24A | Mar-25F | Mar-26F | Mar-27F |
| Total Cash And Equivalents | 11,065 | 8,131 | 41,114 | 51,182 | 63,222 |
| Total Debtors | 17,856 | 19,428 | 18,980 | 20,879 | 22,966 |
| Inventories | 22,743 | 23,265 | 22,729 | 25,001 | 27,502 |
| Total Other Current Assets | 8,957 | 5,669 | 4,921 | 5,084 | 5,265 |
| Total Current Assets | 60,622 | 56,493 | 87,744 | 102,146 | 118,955 |
| Fixed Assets | 121,681 | 107,472 | 111,399 | 113,657 | 115,373 |
| Total Investments | 42 | 1,211 | 42 | 42 | 42 |
| Intangible Assets | | | | | |
| Total Other Non-Current Assets | 5,201 | 39,643 | 3,877 | 3,820 | 3,908 |
| Total Non-current Assets | 126,924 | 148,327 | 115,318 | 117,519 | 119,323 |
| Short-term Debt | 20,425 | 26,691 | 20,425 | 20,425 | 20,425 |
| Current Portion of Long-Term Debt | | | | | |
| Total Creditors | 22,313 | 21,978 | 21,471 | 23,618 | 25,980 |
| Other Current Liabilities | 6,428 | 6,139 | 2,834 | 2,849 | 2,866 |
| Total Current Liabilities | 49,166 | 54,808 | 44,730 | 46,892 | 49,272 |
| Total Long-term Debt | 23,115 | 22,511 | 17,533 | 17,533 | 17,533 |
| Hybrid Debt - Debt Component | | | | | |
| Total Other Non-Current Liabilities | 3,293 | 2,609 | 3,293 | 3,293 | 3,293 |
| Total Non-current Liabilities | 26,409 | 25,120 | 20,826 | 20,826 | 20,826 |
| Total Provisions | 8,700 | 10,101 | 10,098 | 10,203 | 10,325 |
| Total Liabilities | 84,275 | 90,029 | 75,654 | 77,922 | 80,423 |
| Shareholders Equity | 103,271 | 114,790 | 127,407 | 141,743 | 157,855 |
| Minority Interests | | | | | |
| Total Equity | 103,271 | 114,790 | 127,407 | 141,743 | 157,855 |

| Key Ratios | | | | | |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| | Mar-23A | Mar-24A | Mar-25F | Mar-26F | Mar-27F |
| Revenue Growth | 19.6% | (11.6%) | (2.3%) | 10.0% | 10.0% |
| Operating EBITDA Growth | 11.1% | (26.8%) | 7.1% | 8.9% | 9.7% |
| Operating EBITDA Margin | 23.7% | 19.7% | 21.6% | 21.3% | 21.3% |
| Net Cash Per Share (Rs) | (109.57) | (138.57) | 10.65 | 44.61 | 85.23 |
| BVPS (Rs) | 348.42 | 387.28 | 429.85 | 478.21 | 532.57 |
| Gross Interest Cover | 14.42 | 6.32 | 7.20 | 9.04 | 10.00 |
| Effective Tax Rate | 23.4% | 21.1% | 25.2% | 25.2% | 25.2% |
| Net Dividend Payout Ratio | 8.8% | 8.8% | 8.5% | 7.6% | 6.8% |
| Accounts Receivables Days | 43.91 | 51.79 | 54.61 | 51.52 | 51.52 |
| Inventory Days | nm | nm | nm | nm | nm |
| Accounts Payables Days | nm | nm | nm | nm | nm |
| ROIC (%) | 20.0% | 11.4% | 14.9% | 15.8% | 16.9% |
| ROCE (%) | 20.9% | 11.6% | 11.7% | 12.3% | 12.6% |
| Return On Average Assets | 13.7% | 8.3% | 8.2% | 8.5% | 8.6% |

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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