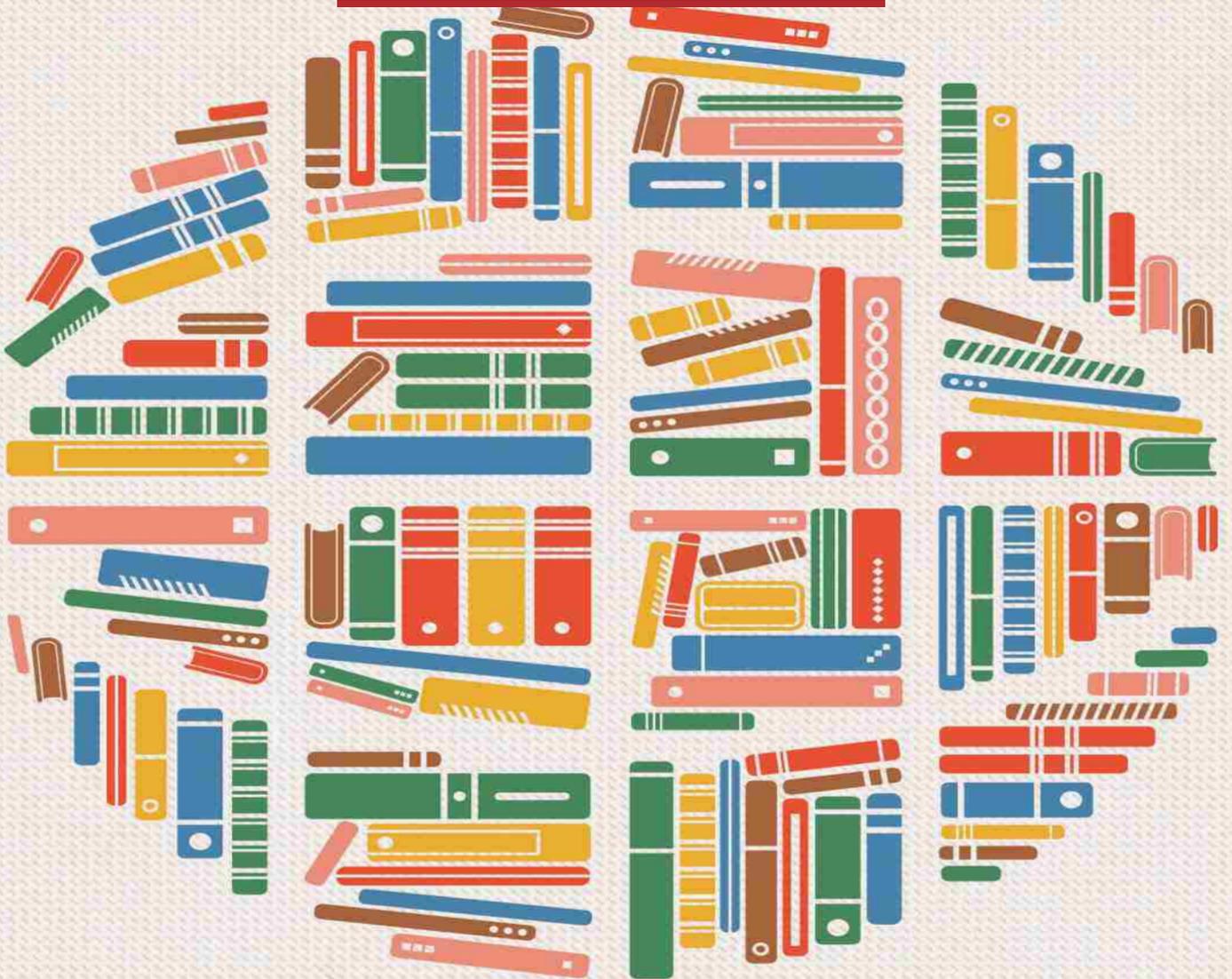


Stock TALES



Stock Tales are concise, holistic stock reports across wider spectrum of sectors. Updates will not be periodical but based on significant events or change in price.

Seasoned stalwart strengthening further...

About the stock: Incorporated in 1970, SRF started with nylon cord tyre and thereafter diversified into other areas such as refrigerant gases, speciality chemicals and packaging film among others.

- The chemical division accounts for 43% of overall revenues followed by packaging film (39%), technical textile (15%) and others (3%)
- Exports constitute 57% of overall revenues (90+ countries across the world) and the rest of revenues are derived from the domestic market

Key triggers for future price performance:

- Focused capex towards speciality chemicals keeping in mind higher consumption of fluoro-compounds across agrochemical and pharma besides general themes of vertical integration and higher operating leverage
- Maiden foray into polytetrafluoroethylene (PTFE) through backward integration of R22 to diversify business risk, to a certain extent. Prudent and measured strategy to increase presence across other fluoropolymers is likely to enhance revenue visibility over the medium to long run
- In packaging, the company has earmarked a capex of ₹ 425 crore towards aluminium foils to tap the import substitution theme (domestic import of aluminium foil ₹ ~4500 crore) with an expected asset turn of 1.75-2x. The company is targeting import market share of mid-teens initially. Going ahead, we expect strong incremental traction from existing customers
- Control over working capital along with better operational performance to improve FCF generation. Prudent capital allocation towards high RoCE generating businesses to improve return ratios further

What should investors do? SRF's share price has grown at 76% CAGR over the past three years. With sustained visibility capex (₹ 6000 crore in FY16-21 and another ₹ ~6000 crore earmarked in FY21-24E) we believe the company is well poised to expand into newer and more complex areas (such fluoro-chemicals) by leveraging on its strong pedigree.

- We initiate coverage under Stock Tales format with a **BUY** rating and target price of ₹ 3065

Target Price and Valuation: We value SRF on SOTP to arrive at a target price of ₹ 3065/share (refer exhibit 25 for further detail).

Alternate Stock Idea: We prefer Neogen Chemicals as an alternate idea.

- Trigger for Neogen Chemical's future revenue growth would be increasing CRAMS opportunity
- BUY with a target price of ₹ 2160



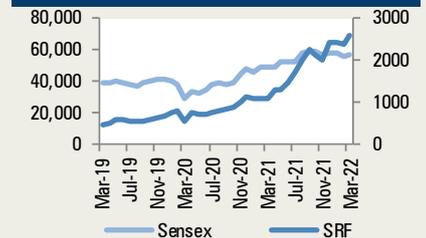
Particulars

Particular	Amount
Market cap (₹ Crore)	77,514
FY21 Total Debt (₹ Crore)	3,469
FY21 Cash & Inv (₹ Crore)	695
EV (₹ Crore)	80,288
52 Week H/L	2680/1057
Equity Capital (₹ Crore)	296.4
Face Value (₹)	10

Shareholding pattern

in %	Mar-21	Jun-21	Sept-21	Dec-21
Promoter	50.8	50.8	50.8	50.7
DII	11.2	11.9	10.4	9.2
FII	18.4	18.4	19.2	19.1
Others	19.6	18.9	19.6	21.0

Price Chart



Key risks

- Adverse agriculture season may impact speciality chemical growth
- Lower spread in packaging film to impact operational growth

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Key Financial Summary

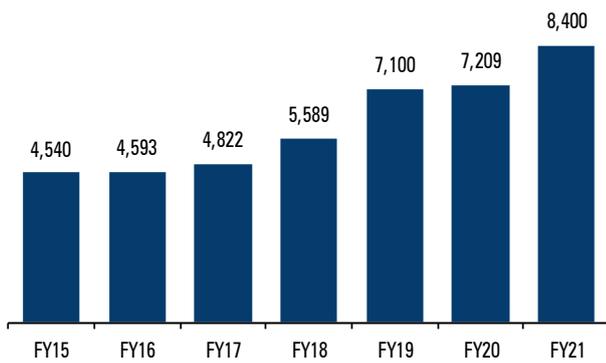
(₹ Crore)	FY19	FY20	FY21	5 year CAGR (FY16-21)	FY22E	FY23E	FY24E	3 year CAGR (FY21-24E)
Net Revenue	7,099.6	7,209.4	8,400.0	12.8%	12,144.6	14,130.5	17,024.7	26.6%
EBITDA	1,297.0	1,454.9	2,144.9	17.4%	3,092.8	3,575.8	4,316.3	26.3%
EBITDA Margins (%)	18.3%	20.2%	25.5%		25.5%	25.3%	25.4%	
Adj. PAT	641.6	1,019.1	1,197.9	22.7%	1,888.4	2,174.9	2,665.9	30.6%
Adj. EPS (₹)	21.6	34.4	40.4		63.7	73.4	89.9	
EV/EBITDA	62.1x	55.4x	37.2x		25.9x	22.5x	18.6x	
P/E	120.8x	76.1x	64.7x		41.0x	35.6x	29.1x	
ROE (%)	15.5	20.7	17.5		23.5	22.9	23.3	
ROCE (%)	15.2	16.1	18.7		24.3	24.0	25.4	

Company Background

Incorporated in 1970, SRF started with nylon cord tyre and, thereafter, diversified into refrigerant gases, speciality chemicals and packaging film to name a few in due course. Chemical division forms 43% of overall revenues followed by packaging film (39%), technical textile (15%) and others (3%). Anchored by a strong workforce of 7,000 employees from different nationalities working across eleven manufacturing plants in India and one each in Thailand, South Africa and Hungary, the company exports to more than 90+ countries. The revenues from overseas market constitutes 57% of the overall pie while rest are from the domestic market. Equipped with state-of-the-art R&D facilities, SRF has filed 351 patents for R&D and technology so far, of which 106 have been granted.

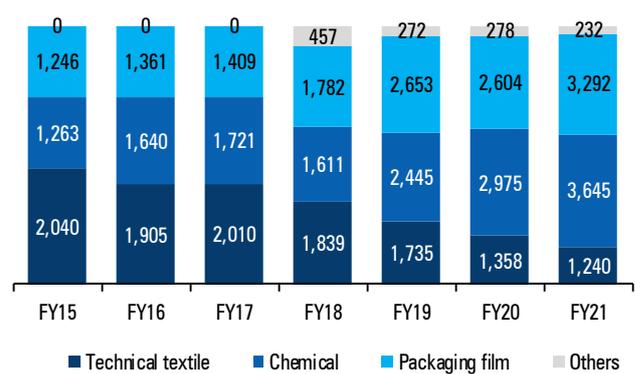
The group revenue grew at 10.8% CAGR over FY15-21 while EBITDA was up at ~20% CAGR primarily on account of expansion in the gross margins due to favourable product mix. The bottomline registered growth at 25.8% CAGR for the same period.

Exhibit 1: Revenues (₹ crore)



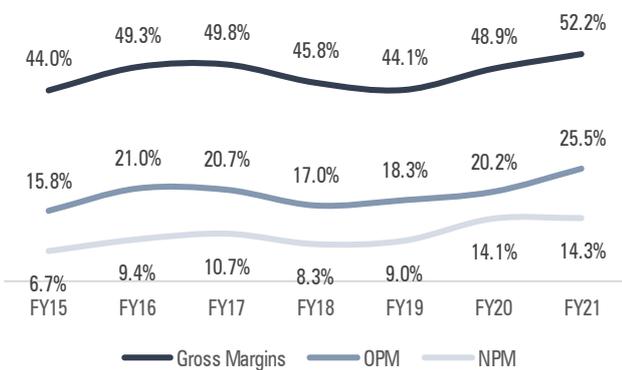
Source: Company, ICICI Direct Research

Exhibit 2: Segmental revenue breakup (₹ crore)



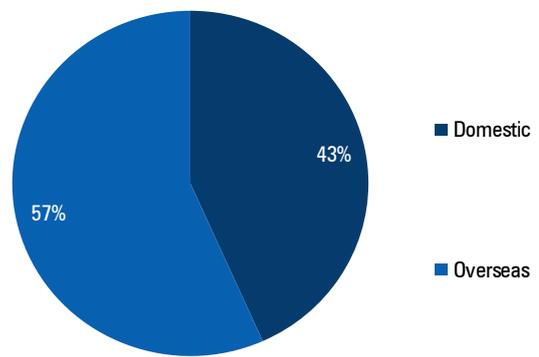
Source: Company, ICICI Direct Research

Exhibit 3: Margin trend over the years (%)



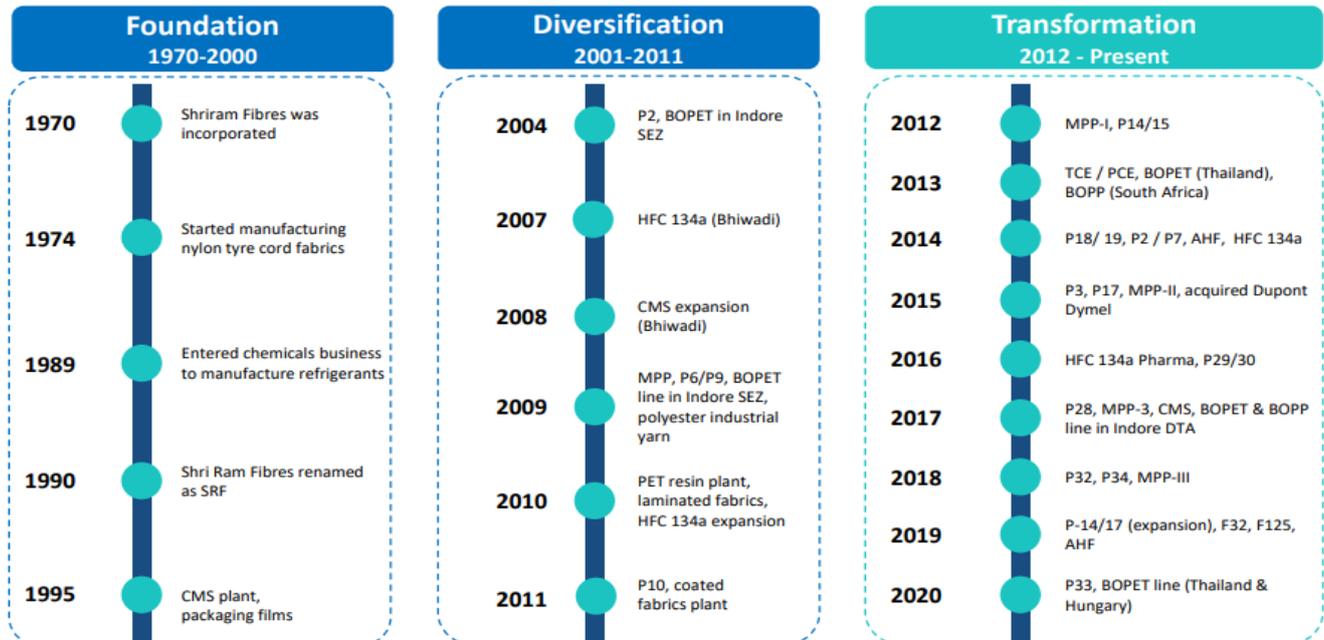
Source: Company, ICICI Direct Research

Exhibit 4: Geographical revenue break up (%)



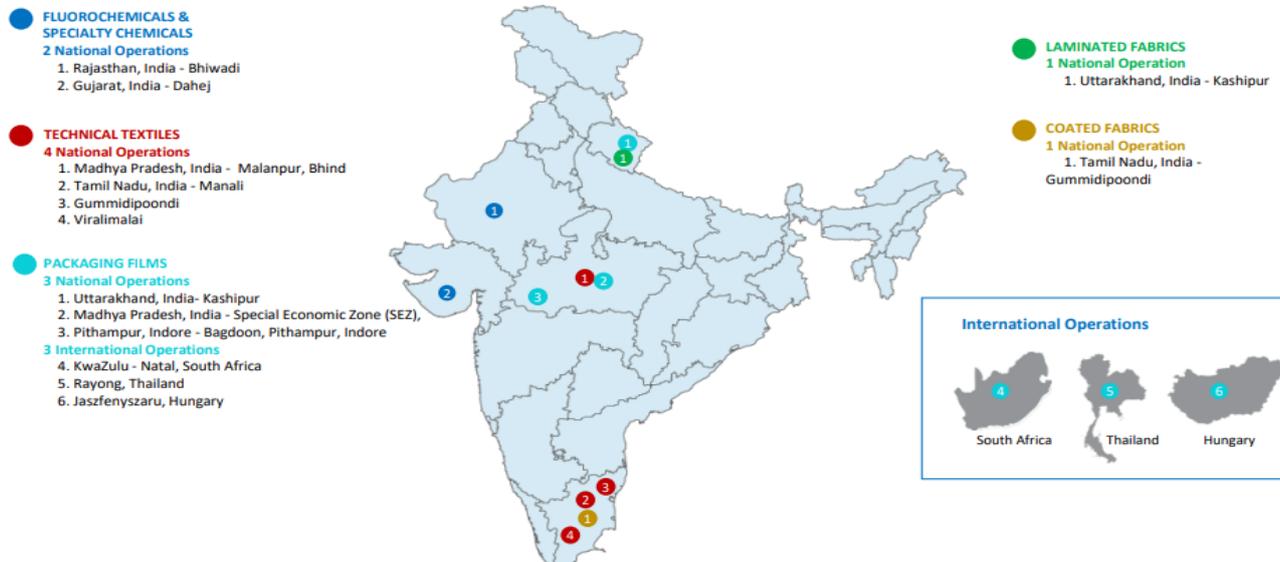
Source: Company, ICICI Direct Research

Exhibit 5: SRF's Journey till date



Source: Company, ICICI Direct Research

Exhibit 6: Manufacturing facilities



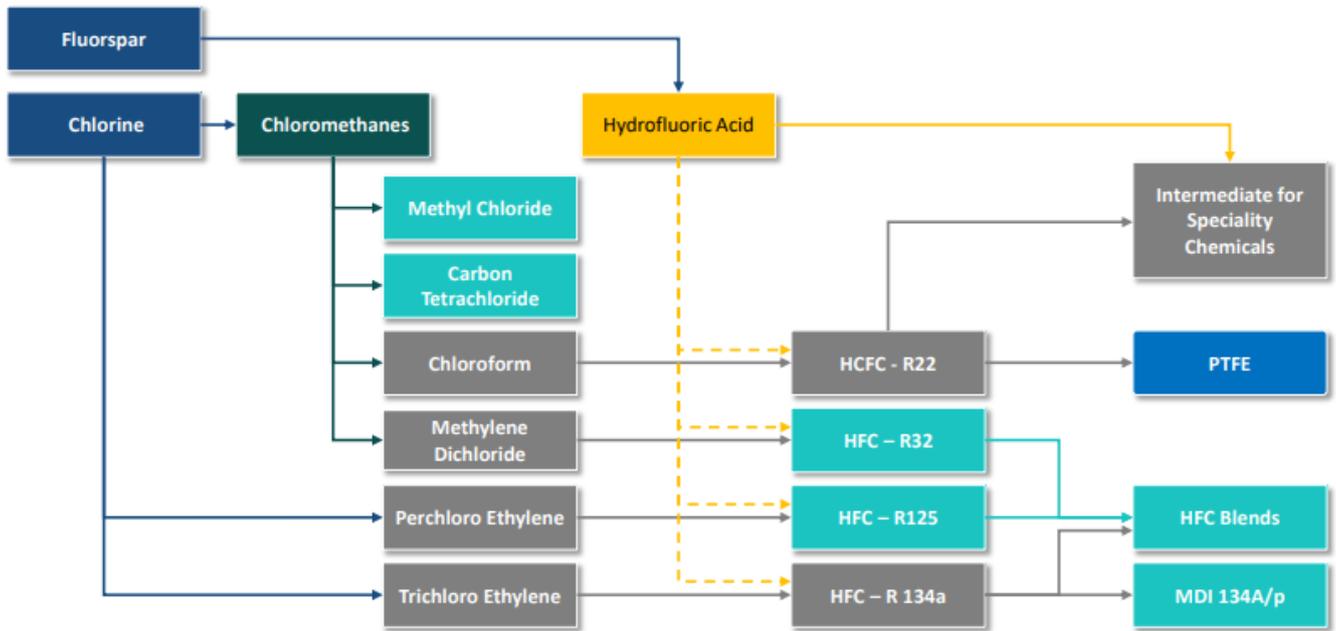
Source: Company, ICICI Direct Research

Exhibit 7: Market leadership across businesses



Source: Company, ICICI Direct Research

Exhibit 8: SRF operations remain largely integrated



Key Raw Material	External Sale & Captive Use	Intermediate Product	Future Products	External Sale
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Source: Company, ICICI Direct Research

Investment Rationale

Newer businesses to strengthen overall performance further

SRF announced its foray into Polytetrafluoroethylene (PTFE) during July 2020 with a capex outlay of ₹ 424 crore, which is expected to be commissioned by November 2022. The vertical integration (captive consumption of R22) would allow the company to capture potential market share in the fluoropolymers market. Polytetrafluoroethylene (PTFE) is a rapidly growing fluoropolymer formed by polymerisation of monomer tetrafluoroethylene (TFE) in the presence of an initiator. It is also combined with other materials such as glass fibre, carbon and graphite to improve its mechanical properties. PTFE can be characterised by distinguishing qualities like extreme chemical inertness, optimum dielectric properties, heat resistance capability and low frictional co-efficient. It is used in a wide range of applications such as semiconductors, automotive components, electrical appliances, and non-stick frying pans. Additionally, PTFE is also less costly compared to other types of HPF, which has resulted in driving its demand.

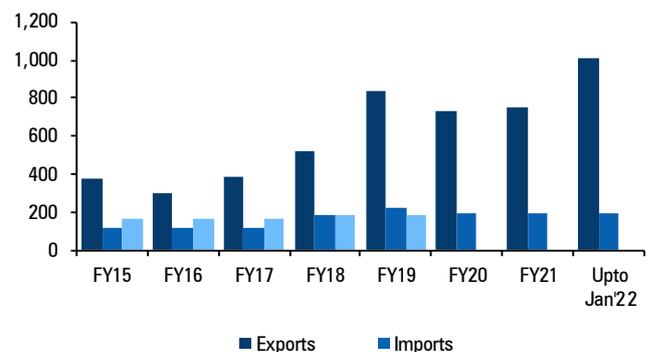
The global market of PTFE is expected to reach US\$2.95 billion, growing at a CAGR of 5% over 2019-24. India's PTFE exports is estimated to be ~13,000 MT, of which majority caters to the US, Germany and Italy. On the other hand, the country also imports around 3000 MT of PTFE, largely from China and Russia. We believe SRF being an integrated manufacturer, is well poised to capture PTFE import market share (SRF capacity estimated to be around 5000 MT) initially. Based on the past track record of SRF's management and its R&D team capabilities, we believe the company can become one of the largest players in the fluoropolymer market over the long run. Post achieving scale in the PTFE business, we expect the company to foray into other fluoropolymers largely from R22 value chain (see exhibit 13 to understand value chain). We expect an asset turn of around 1.2-1.3x at peak utilisation for this vertical, likely to be achieved by FY25E. We assume PTFE revenues of ₹ 250 crore in FY24E.

Exhibit 9: Global market size of PTFE (US\$ billion)



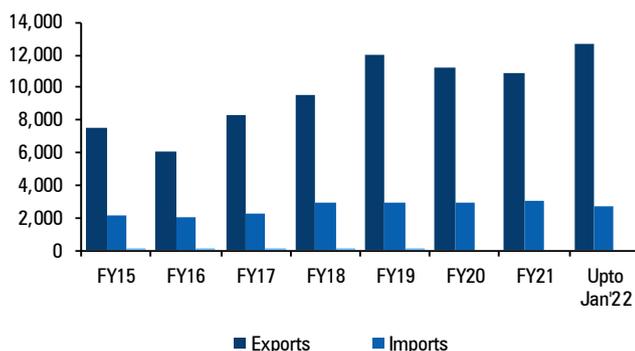
Source: Guj. fluoro AR, ICICI Direct Research

Exhibit 10: India's PTFE exports/imports (₹ crore)



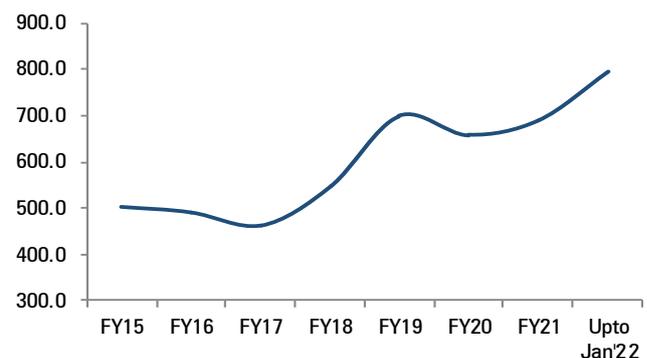
Source: Ministry of commerce, ICICI Direct Research

Exhibit 11: India's PTFE exports/imports (MT)



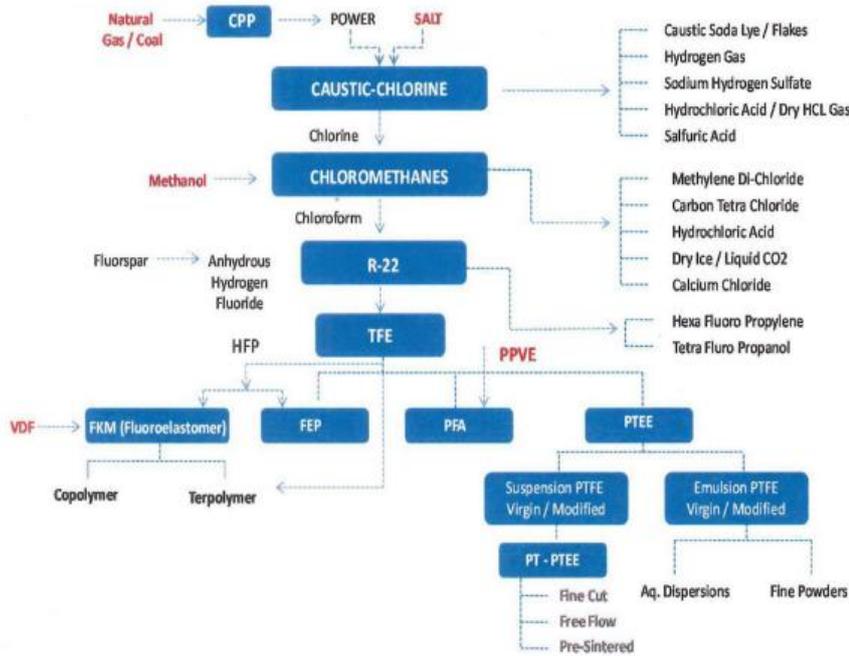
Source: Ministry of commerce, ICICI Direct Research

Exhibit 12: PTFE export realisation trend (₹/kg)



Source: Ministry of commerce, ICICI Direct Research

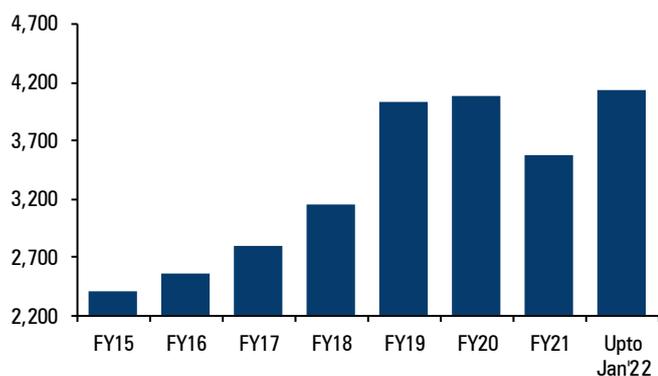
Exhibit 13: List of fluoropolymers to be manufactured from R22



Source: Industry report, ICICI Direct Research

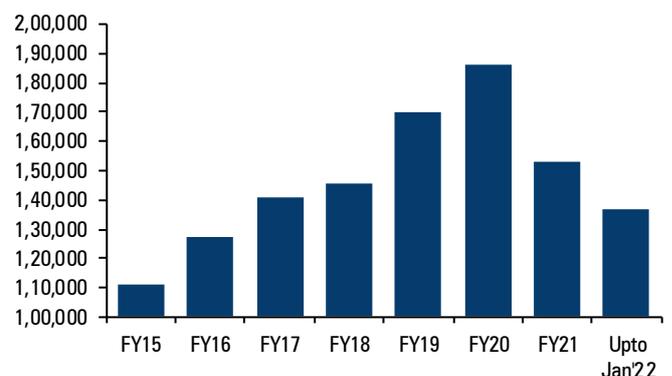
Aluminium foil: SRF also announced its maiden foray into aluminium foil last quarter with an investment outlay of ₹ 425 crore. The plant capacity is estimated to be ~21000 MT and will be commissioned by September 2023. Packaging in today’s world has emerged as an integral part of brand promotion. Owing to modern-day lifestyle coupled with today’s fast-paced life, customers’ inclination towards convenience packaging has increased. Aluminium foil packaging material is a part of the flexible packaging material and is generally formed using aluminium sheets. Aluminium foil can be utilised to wrap around any product for packaging functions. It is produced through the regular casting and cold calling. Aluminium foil packaging is a sort of packaging, which arranges a resistant barrier to safeguard food, beverage, cosmetics and pharmaceuticals and helps in waste reduction. It is estimated that India imports aluminium foil to the tune of 1.5-1.8 lakh tonnes annually, translating to an import value of ~₹ 5000 crore. Since the customer profile remains the same as of BOPP/BOPET, SRF’s management sounds confident on achieving a meaningful market share in the aluminium foil business over the long run. The asset turn of this business is estimated to be ~1.75-2x with an IRR of ~15-18%. Given the same set of customers in packaging film, we expect the company to achieve peak utilisation within a year from the date of commencement of a plant. We expect meaningful traction to likely come in FY25E. We anticipate ₹ 165 crore revenues for FY24E.

Exhibit 14: India’s aluminium foil imports (₹ crore)



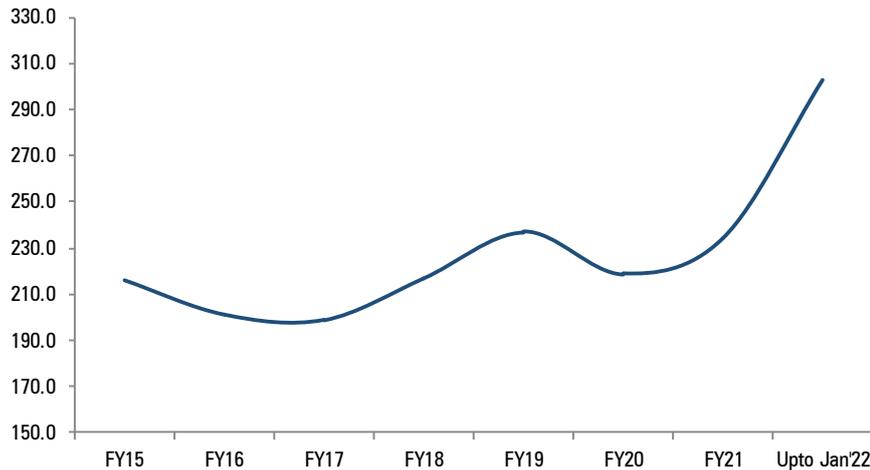
Source: Ministry of commerce, ICICI Direct Research

Exhibit 15: India’s aluminium foil imports (MT)



Source: Ministry of commerce, ICICI Direct Research

Exhibit 16: Aluminium foil prices (₹/kg)

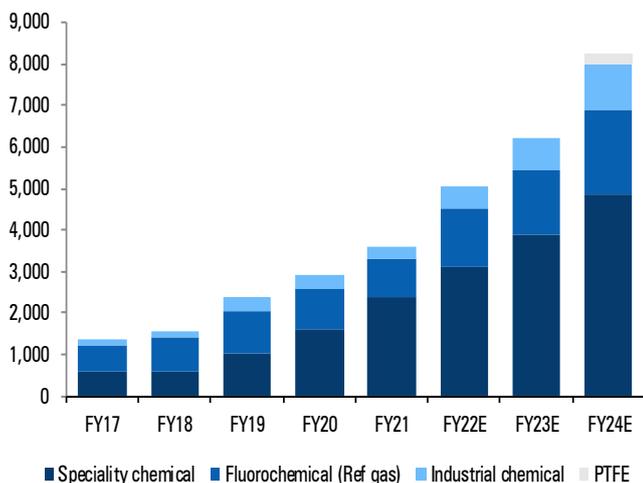


Source: Ministry of commerce, ICICI Direct Research

Base speciality chemicals business likely to maintain growth momentum ahead

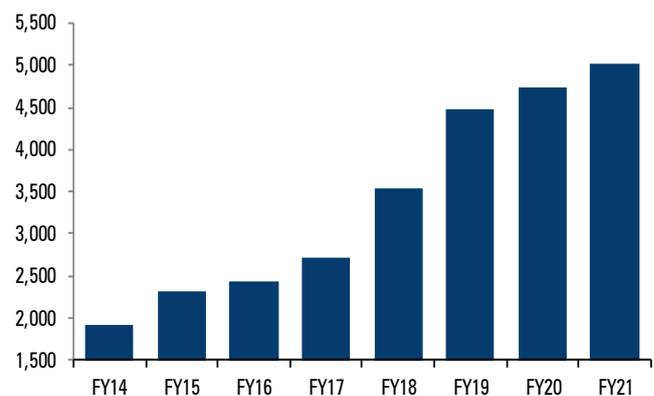
With continuous efforts by the SRF management towards increasing value added portfolio share in the overall mix, the capital allocation towards chemicals business was increased by 2.5x over FY14-21. This led to chemicals business revenue contribution to increase from 24% in FY14 to 43% in FY21. We believe a significant part of historical capex in chemical was spent towards speciality chemicals (catering to fluoro/non fluoro-compounds for agrochemical/pharma). With MPP4 and dedicated pharma intermediates plant likely to come on stream next fiscal, we expect speciality chemicals segment to continue to maintain same growth momentum over the foreseeable future. The company has been spending ₹ 600-700 crore annually towards speciality chemicals, which has an asset turn of ~1.2x with a visibility of achieving peak utilisation in two years. Thus, we expect growth capex to provide revenue visibility of around ~₹ 400 crore per year. Apart from this, increasing share of fluoro-compounds in both agrochemicals and pharma can translate into base business growth in mid-teens. Moreover, increasing chloromethane capacity by ~2x and higher HFC capacity by around 30-40% translates into fluoro-chemical & industrial chemical segments to report robust growth over FY21-24E. We expect aforementioned factors to result in chemical business registering 32% CAGR over FY21-24E to ₹ 8268 crore, leading to chemical business revenue contribution to inch up to 49% by FY24E against 43% in FY21.

Exhibit 17: Chemicals segmental revenue break up (₹ crore)



Source: Company, ICICI Direct Research

Exhibit 18: Chemical segment capital employed up by more than 2.5x over FY14-21

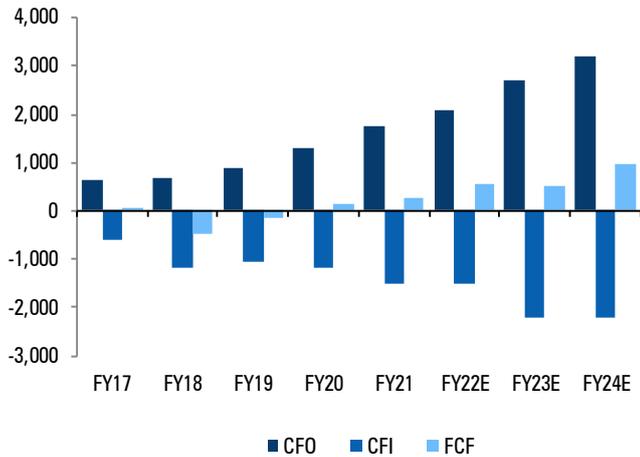


Source: Company, ICICI Direct Research

Allocation of incremental FCF towards value added businesses to aid return ratios

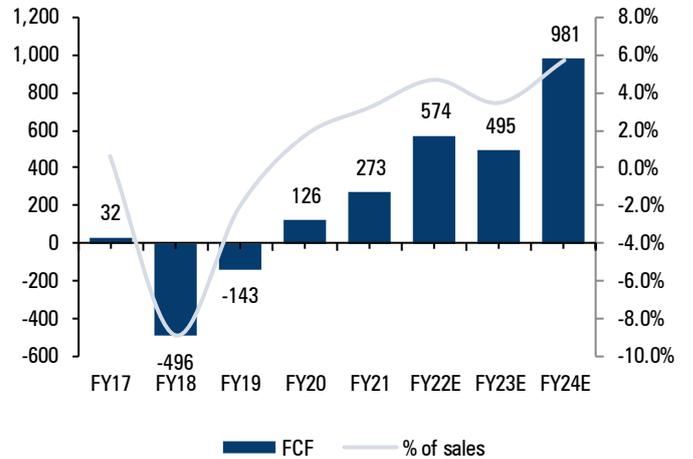
With prudent control over working capital (~50 days cash conversion) and allocation of FCF towards value added portfolio, we expect SRF to be well poised to generate strong cash flows over the coming future. The company has been generating CFO to the tune of 15-20% of sales, while it has been spending around ₹ 1500-2000 crore towards capex every year. This leaves aside FCF of ~5% of sales (~₹ 800 crore). We expect prudent capital allocation towards fluoropolymers and pharma speciality chemical to improve gross margins and thereby operational performance in the long run. In turn, this translates into better return ratios over the medium to long term.

Exhibit 19: FCF trend over the years (₹ crore)



Source: Company, ICICI Direct Research

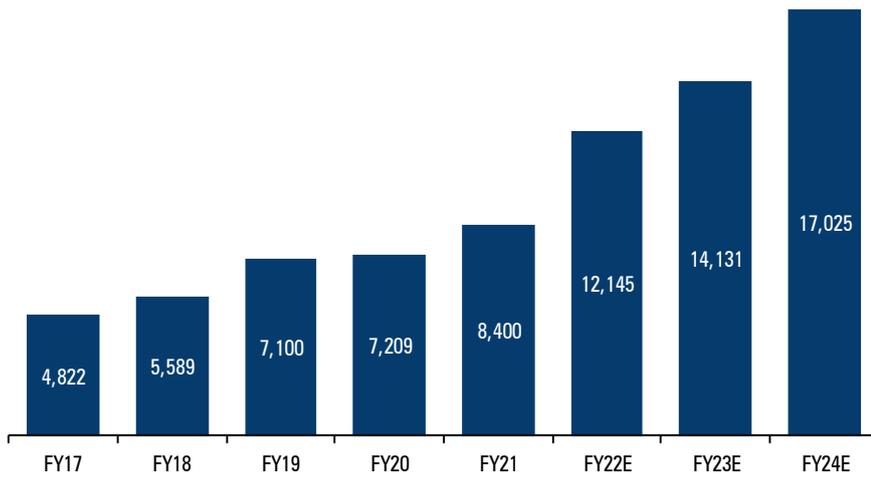
Exhibit 20: FCF generational likely to improve ahead (₹ crore)



Source: Company, ICICI Direct Research

Financial story in charts

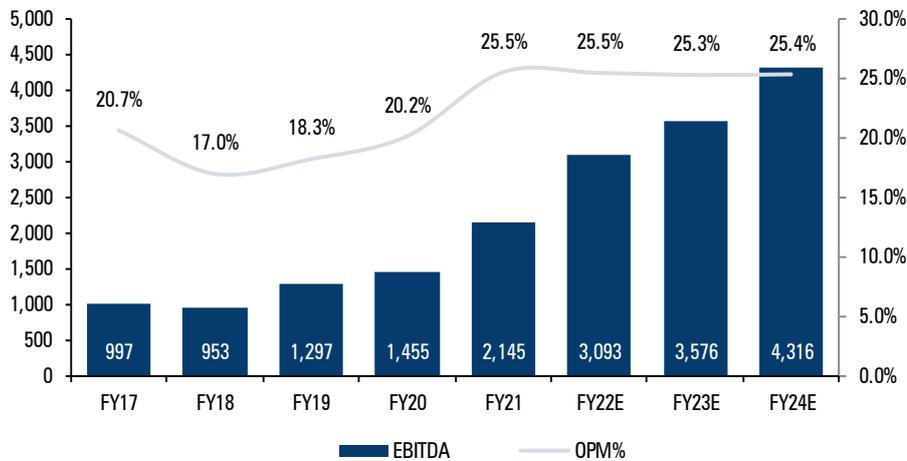
Exhibit 21: Revenues trend (₹ crore)



Revenues to grow at ~27% CAGR over FY21-24E on the back of better growth from chemical segment

Source: Company, ICICI Direct Research

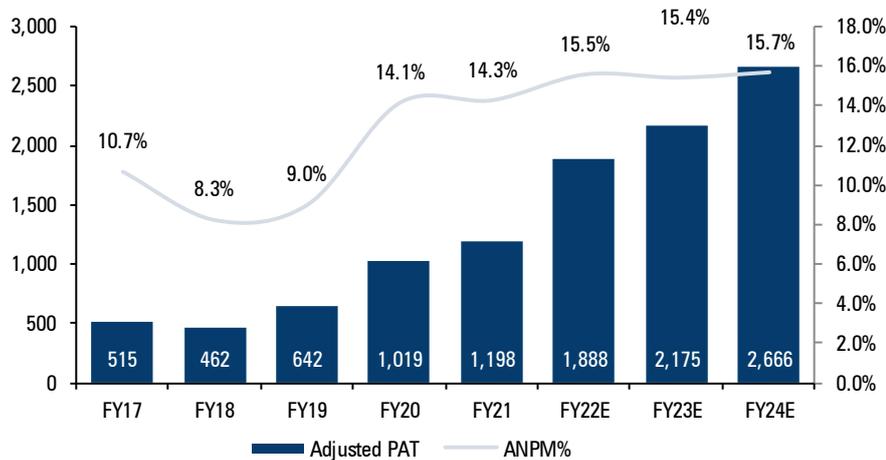
Exhibit 22: OPM trend over the years..



Operating leverage likely to aid operational performance. EBITDA is expected to grow at a CAGR of ~26% over the same period

Source: Company, ICICI Direct Research

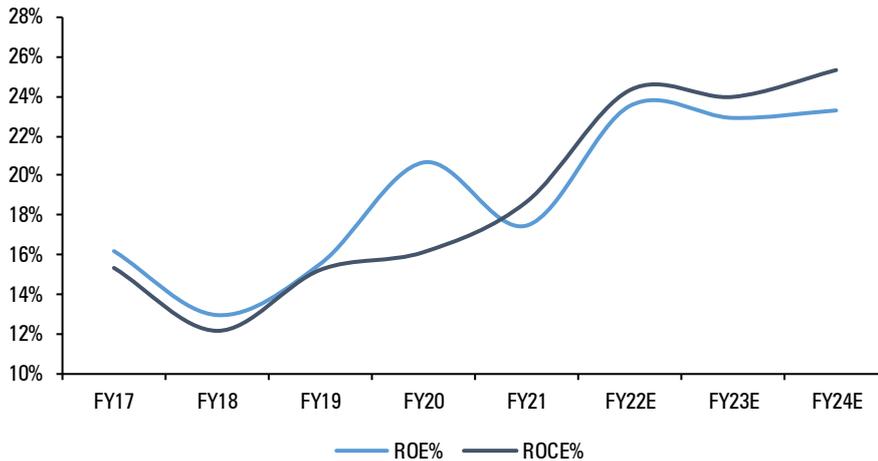
Exhibit 23: PAT trend



PAT expected to grow at ~31% CAGR over the same period

Source: Company, ICICI Direct Research

Exhibit 24: RoE & RoCE trend (%)



Source: Company, ICICI Direct Research

Key risks and concerns

Slowdown in global agrochemical industry may impact speciality chemical performance

SRF caters to the agrochemical and pharma sector under speciality chemicals segment. Any impact in the crop value chain for the global market can impact the order flows for this segments and thereby revenues. However, better growth from pharma can arrest the decline, to some extent.

Lower spread from packaging film to curb operational growth

The packaging film segment witnessed an operating margin of 35% during H1FY21 (*peak since FY15*), which declined to 22% in Q3FY22. Any increase in the supply of BOPP/BOPET globally against a fall in the demand outlook or rise in RM prices and inability to pass on RM inflation, can adversely affect the spread of the packaging film and thereby operational growth.

Large volatility in key RM prices, inability to pass on entire cost inflation to impact margins

Caprolactam, fluorspar, nylon yarn fabric remains one of the key RMs for SRF. Although SRF passes on cost inflation with a quarter lag, any unforeseen surge in these RM prices can impede the performance for a quarter.

Valuation and outlook

Starting its operations with nylon tyre cord, the company ventured into other businesses such as ref gas, speciality chemicals, packaging films over a period of time. Since the management's endeavour has persisted to efficiently use the cash flows towards the value added product portfolio, it has been able to generate decent return ratios over the last few years. Going ahead, with foray into PTFE along with aluminium foil and higher allocation towards speciality chemical, we expect group return ratios to eventually improve in the foreseeable future. We expect better FCF generation and thereby allocation towards high RoCE generating business to assist the company to demand better valuations in the long run. We expect the topline to grow at a CAGR of 27% over FY21-24E, while bottomline likely to be aided by 31% CAGR for the same period.

We value the company on SOTP basis to arrive at a target price of ₹ 3065/share, with a potential upside of 17%. We have a **BUY** recommendation on the stock.

Exhibit 25: SOTP valuation

In ₹ Crore unless other mentioned	Revenue		EBITDA		EV/EBITDA	EV
	FY23E	FY24E	FY23E	FY24E	FY24E	FY24E
Technical textile	2,247	2,359	517	543	12.0x	6,512
Chemical Business	6,203	8,268	1,861	2,481	30.0x	74,416
Packaging film	5,313	6,010	1,169	1,262	10.0x	12,621
Other business	368	387	29	31	5.0x	155
Consolidated EV						93,704
Less: Net debt						2,748
Target MCAP						90,956
No. of shares						29.6
Target price/share						3,065
CMP						2,615
Upside/downside						17%

Source: ICICI Direct Research

Exhibit 26: Valuation matrix

Company	MCAP	Revenue				EBITDA				Adj. PAT				ROE			EV/EBITDA				P/E				
		FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E				
SRF	77,514	8,400	12,145	14,131	17,025	2,145	3,093	3,576	4,316	1,198	1,888	2,175	2,666	17.5%	23.5%	22.9%	23.3%	37.2x	25.9x	22.5x	18.6x	64.7x	41.0x	35.6x	29.1x
Navin fluorine	19,427	1,179	1,438	1,920	2,429	309	371	557	729	223	265	380	497	13.6%	14.4%	17.7%	19.5%	60.8x	51.6x	34.4x	25.9x	87.1x	73.2x	51.1x	39.1x
Gujarat fluorochemical	31,103	26,219	39,387	43,475	48,232	6,729	12,381	16,544	18,979	3,643	7,923	10,548	12,295	10.1%	20.5%	22.5%	22.2%	43.2x	23.5x	17.1x	14.8x	76.5x	35.2x	26.4x	22.7x
PI Industries	41,800	4,577	5,275	6,154	7,198	1,012	1,139	1,422	1,692	738	842	1,065	1,282	13.8%	13.8%	15.0%	15.4%	39.3x	34.4x	27.6x	22.7x	56.6x	49.7x	39.3x	32.6x

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 27: Profit & Loss statement (₹ crore)

Year end March	FY20	FY21	FY22E	FY23E	FY24E
Total Operating Income	7,209.4	8,400.0	12,144.6	14,130.5	17,024.7
Growth (%)	1.5	16.5	44.6	16.4	20.5
Raw Material Expenses	3,687.0	4,018.9	5,999.4	6,923.9	8,342.1
Gross Profit	3,522.4	4,381.1	6,145.2	7,206.6	8,682.6
Employee Cost	541.9	621.4	789.4	904.4	1,072.6
Other Operating Expenses	1,525.6	1,614.8	2,263.0	2,726.4	3,293.8
EBITDA	1,454.9	2,144.9	3,092.8	3,575.8	4,316.3
Growth (%)	12.2	47.4	44.2	15.6	20.7
Other Income	152.2	54.5	54.2	62.6	72.3
EBITDA, including OI	1,607.2	2,199.4	3,147.0	3,638.4	4,388.5
Depreciation	388.6	453.1	518.5	617.5	716.5
Net Interest Exp.	200.7	134.0	110.7	121.0	117.6
Other exceptional items	0.0	0.0	0.0	0.0	0.0
PBT	1,017.9	1,612.3	2,517.8	2,899.9	3,554.5
Total Tax	-1.2	414.4	629.5	725.0	888.6
Tax Rate	-0.1%	25.7%	25.0%	25.0%	25.0%
PAT	1,019.1	1,197.9	1,888.4	2,174.9	2,665.9
Adj. PAT after Minority interest	1,019.1	1,197.9	1,888.4	2,174.9	2,665.9
Adj. EPS (₹)	34.4	40.4	63.7	73.4	89.9
Shares Outstanding	5.9	6.0	29.6	29.6	29.6

Source: Company, ICICI Direct Research

Exhibit 28: Cash flow statement (₹ crore)

Year end March	FY20	FY21	FY22E	FY23E	FY24E
PBT & Extraordinary	1,070.6	1,609.9	2,517.8	2,899.9	3,554.5
Depreciation	392.9	453.1	518.5	617.5	716.5
After other adjustments					
(Inc) / Dec in Working Capital	-23.9	-123.6	-416.0	-218.9	-319.0
Taxes	-142.7	-255.3	-629.5	-725.0	-888.6
Others	7.6	87.6	110.7	121.0	117.6
CF from operating activities	1,304.4	1,771.7	2,101.5	2,694.5	3,180.9
Purchase of Fixed Assets	-1,373.0	-1,204.7	-1,527.7	-2,200.0	-2,200.0
Others	194.4	-294.0	0.0	0.0	0.0
CF from investing activities	-1,178.6	-1,498.7	-1,527.7	-2,200.0	-2,200.0
Proceeds from issue of shares	0.0	750.0	0.0	0.0	0.0
Borrowings (Net)	101.8	-691.0	200.0	300.0	-100.0
Others	-300.8	-310.1	-822.1	-832.4	-829.0
CF from financing activities	-199.0	-251.1	-622.1	-532.4	-929.0
Net cash flow	-73.1	21.8	-48.3	-37.9	51.9
Effects of foreign currency translation	0.0	0.0	0.0	0.0	0.0
Opening Cash	198.9	125.5	282.0	233.7	195.8
Closing Cash	125.5	282.0	233.7	195.8	247.7

Source: Company, ICICI Direct Research

Exhibit 29: Balance Sheet Statement (₹ crore)

Year end March	FY20	FY21	FY22E	FY23E	FY24E
Liabilities					
Share Capital	58.5	60.3	296.4	296.4	296.4
Reserves	4,874.8	6,796.2	7,735.9	9,199.4	11,153.9
Total Shareholders Funds	4,933.3	6,856.4	8,032.4	9,495.9	11,450.3
Minority Interest	0.0	0.0	0.0	0.0	0.0
Long Term Borrowings	2,385.6	2,028.8	2,228.8	2,528.8	2,428.8
Net Deferred Tax liability	175.5	386.2	386.2	386.2	386.2
Other long term liabilities	36.9	43.3	76.7	89.2	107.5
Long term provisions	37.5	43.6	76.1	88.6	106.7
Current Liabilities and Provisions					
Short term borrowings	969.2	979.5	979.5	979.5	979.5
Trade Payables	1,111.7	1,585.2	2,229.3	2,593.8	3,125.1
Other Current Liabilities	1,220.5	997.8	1,460.7	1,699.6	2,047.7
Short Term Provisions	6.6	8.7	12.7	14.8	17.8
Total Current Liabilities	3,307.9	3,571.1	4,682.2	5,287.7	6,170.1
Total Liabilities	10,876.8	12,929.4	15,482.4	17,876.3	20,649.6
Assets					
Net Block	6,367.6	7,827.0	9,008.5	10,591.0	12,074.5
Capital Work in Progress	1,393.3	772.3	600.0	600.0	600.0
Intangible assets under devl.	0.0	0.0	0.0	0.0	0.0
Goodwill on Consolidation	0.0	0.0	0.0	0.0	0.0
Non-current investments	4.2	4.2	4.2	4.2	4.2
Deferred tax assets	14.3	18.1	18.1	18.1	18.1
Long term loans and advances	59.7	91.1	108.5	126.2	152.1
Other Non Current Assets	131.5	277.8	404.7	470.9	567.3
Current Assets, Loans & Advances					
Current Investments	198.5	412.5	412.5	412.5	412.5
Inventories	1,201.2	1,465.8	2,129.5	2,477.7	2,985.2
Sundry Debtors	891.1	1,274.6	1,830.0	2,129.3	2,565.4
Cash and Bank	125.5	282.0	233.7	195.8	247.7
Loans and Advances	25.2	11.2	11.2	11.2	11.2
Other Current assets	464.8	492.8	721.5	839.5	1,011.4
Current Assets	2,906.2	3,938.9	5,338.4	6,065.9	7,233.3
Total Assets	10,876.8	12,929.4	15,482.4	17,876.3	20,649.6

Source: Company, ICICI Direct Research

Exhibit 30: Key Ratios

Year end March	FY20	FY21	FY22E	FY23E	FY24E
Per share data (₹)					
Adj. EPS	34.4	40.4	63.7	73.4	89.9
Adj. Cash EPS	47.5	55.7	81.2	94.2	114.1
BV	166.4	231.3	271.0	320.4	386.3
DPS	14.0	24.0	24.0	24.0	24.0
Operating Ratios (%)					
Gross Margin (%)	48.9	52.2	50.6	51.0	51.0
EBITDA Margin (%)	20.2	25.5	25.5	25.3	25.4
PAT Margin (%)	14.1	14.3	15.5	15.4	15.7
Debtor Days	46	56	55	55	55
Inventory Days	62	64	64	64	64
Creditor Days	57	70	67	67	67
Cash Conversion Cycle	51	51	52	52	52
Return Ratios (%)					
Return on Assets (%)	9.4	9.3	12.2	12.2	12.9
RoCE (%)	16.1	18.7	24.3	24.0	25.4
Core RoIC (%)	13.4	18.4	24.3	23.9	25.4
RoE (%)	20.7	17.5	23.5	22.9	23.3
Solvency Ratios					
Total Debt / Equity	0.7	0.4	0.4	0.4	0.3
Interest Coverage	6.1	13.0	23.7	25.0	31.2
Current Ratio	0.9	1.1	1.1	1.1	1.2
Quick Ratio	0.5	0.7	0.7	0.7	0.7
Valuation Ratios (x)					
EV/EBITDA	55.4	37.2	25.9	22.5	18.6
P/E	76.1	64.7	41.0	35.6	29.1
P/B	15.7	11.3	9.7	8.2	6.8
EV/Sales	11.2	9.5	6.6	5.7	4.7

Source: Company, ICICI Direct Research

Exhibit 31: ICICI Direct coverage universe (Chemicals)

Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
SRF	2615	3,065	Buy	77,514	40.4	63.7	73.4	64.7	41.0	35.6	37.2	25.9	22.5	18.7	24.3	24.0	17.5	23.5	22.9
PI Industries	2750	3,375	Buy	41,800	48.6	55.4	70.1	56.6	49.7	39.3	39.3	34.4	27.6	17.2	17.2	18.8	13.8	13.8	15.0
Aarti Industries	908	1,175	Buy	32,899	14.5	37.1	35.1	62.6	24.5	25.9	39.6	19.3	18.8	10.7	17.7	16.0	15.0	22.8	18.0
Tata Chemical	957	1,035	Hold	24,372	10.1	42.0	54.9	95.1	22.8	17.4	17.3	11.4	9.0	4.1	6.5	8.1	1.8	7.1	8.6
Vinati Organics	1960	2,320	Buy	20,149	26.2	31.5	41.8	74.8	62.3	46.9	56.3	49.4	35.2	21.7	23.3	26.0	17.4	18.0	20.0
Sumitomo Chemical	417	520	Buy	20,834	6.9	8.7	10.3	60.3	47.7	40.5	41.8	33.4	28.0	29.8	30.0	28.5	22.4	22.6	21.4
Navin Fluorine	3925	4,520	Hold	19,449	45.0	53.6	76.8	87.1	73.2	51.1	60.8	51.6	34.4	21.0	19.2	23.6	13.6	14.4	17.7
Rallis India	232	305	Hold	4,518	11.4	9.7	13.8	20.4	24.0	16.8	15.9	18.5	12.8	18.0	13.9	18.2	13.9	10.9	13.9
Sudarshan chemical	531	695	Buy	3,675	20.4	19.7	25.7	26.0	27.0	20.7	15.7	15.9	12.7	19.0	16.1	18.2	15.2	13.6	16.2
Neogen Chemicals	1647	2,160	Buy	4,107	13.4	16.5	33.5	122.7	99.8	49.2	63.3	47.4	30.6	15.1	11.2	16.9	17.1	9.3	16.0
Astec Lifesciences	1721	2,120	Buy	3,373	33.2	43.1	55.0	51.8	40.0	31.3	32.0	23.9	19.3	18.9	21.6	22.4	21.0	21.6	21.9

Source: Bloomberg, ICICI Direct Research

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