

SRF

Refer to important disclosures at the end of this report

Superior margins across segments; growth outlook firm

CMP: Rs 4,868
as of (November 5, 2020)

TP: Rs 5,466 (▲)
12 months

Rating: BUY (■)

Upside: 12.3 %

- SRF reported 21% yoy sales growth, above estimates, led by better-than-expected growth in Technical Textiles (TT) and Packaging Films (PF) segments. The Chemicals segment came in line with our estimates, up 30% yoy, led by a healthy performance in Specialty Chemicals.
- The focus on valued-added product mix (+20%) and better operating levels at new capacities aided Packaging sales (up 25.7% yoy) and margins (up 995bps yoy). Similarly, TT reported ~25% volume growth yoy, led by a swift recovery in the domestic tyre industry.
- Management has revised its guidance of 20-25% growth in Specialty Chemicals to over 25% in FY21, and has guided for increased capex intensity in the segment. SRF has announced new capex of Rs4.24bn for a BOPP line and Rs175mn for P16 (SC) compound.
- Specialty Chemicals outlook has substantially improved on export demand, while a lift in the PF margin profile leads to an earnings upgrade. We increase revenue estimates by 21%/18.3% for FY22/23 and increase our TP to Rs5,466. Retain Buy and OW in EAP.

Upward revision in growth guidance in Specialty business, HFCs could make decent comeback in H2: SRF's **Chemicals business** (CB) delivered substantial 30% yoy growth at Rs8.8bn, in line with our estimates, led by ~50% yoy growth in Specialty Chemicals (*as per our estimates*). Management sees further headroom for margin growth in CB, led by operating leverage play in upcycle, and is evaluating complex chemistries in a bid to diversify away from fluorination chemistry. Pricing pressures and weak demand from downstream sectors resulted in overall muted performance in **Fluorochemicals**. The recent ban on imported pre-filled ACs and ongoing Anti-Dumping cases for R32 and HFC blends should be favourable and enable H2 to be relatively better for R-gas. SRF has announced capex plans to set up a facility for a P16 product (key intermediate; 200mtpa) for a total outlay of Rs175mn. A large part of Rs7.5bn raised in QIP (leading to ~3% earnings dilution) shall be directed toward Specialty Chemicals.

BOPP line to capitalize on demand supply mismatch, Textiles' impressive comeback: The **Packaging segment** reported its best quarterly sales ever at Rs8.3bn (up 25.7% yoy) on higher volumes from sustained demand for high-quality packaging with better operating levels at most plants. On the margin front, the focus on value-added product mix (+20%) helped deliver 29.6% margins (2nd best). In order to capitalize on emerging prospects and supply shortfall, SRF has announced new capex for a BOPP line (60kmpa) at the cost of Rs4.24bn. **Technical Textiles** business surprisingly, after two muted quarters, showed signs of a quick sequential recovery, led by pent-up demand in the tyre industry (including farm tyres) as volumes rose ~25% yoy.

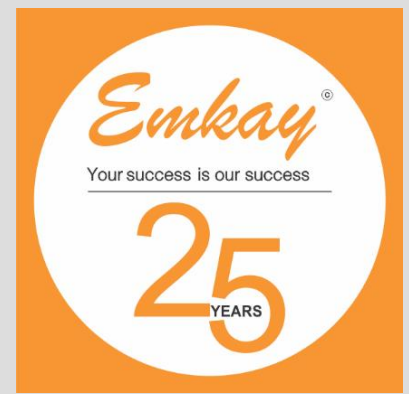
Growth outlook firm; maintain Buy: Specialty Chemicals outlook has substantially improved on export demand, while a lift in the PF margin profile leads to an earnings upgrade. We increase revenue estimates by 21%/18.3% in FY22/FY23 and increase our TP to Rs5,466 from Rs4,156. Retain with Buy and OW in EAP. Key risks to our call include underperformance in the Specialty Chemicals segment and a prolonged slowdown in the auto industry.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Specialty Chemicals \(Page 11\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	70,996	72,094	82,852	1,04,133	1,23,088
EBITDA	12,970	14,549	20,753	26,674	31,186
EBITDA Margin (%)	18.3	20.2	25.0	25.6	25.3
APAT	5,916	9,159	11,490	15,213	17,930
EPS (Rs)	101.1	156.6	190.7	252.4	297.5
EPS (% chg)	28.0	54.8	21.8	32.4	17.9
ROE (%)	15.4	20.2	19.7	20.4	19.8
P/E (x)	48.1	31.1	25.5	19.3	16.4
EV/EBITDA (x)	24.4	21.8	15.4	11.9	10.0
P/BV (x)	6.9	5.8	4.4	3.6	3.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	30.9/ 21
Target Price change (%)	31.5
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	190.7	252.4
Consensus	148.0	194.7
Mean Consensus TP (12M)	Rs 4,716	

Stock Details

Bloomberg Code	SRF IN
Face Value (Rs)	10
Shares outstanding (mn)	59
52 Week H/L	4,887 / 2,468
M Cap (Rs bn/USD bn)	288 / 3.88
Daily Avg Volume (nos.)	2,85,020
Daily Avg Turnover (US\$ mn)	16.3

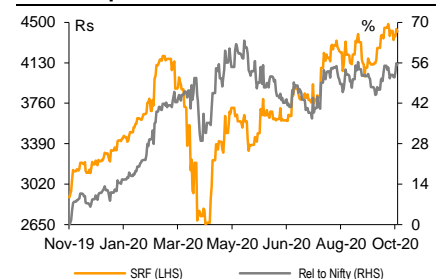
Shareholding Pattern Sep '20

Promoters	52.3%
FIIIs	17.1%
DIIIs	11.3%
Public and Others	19.2%

Price Performance

(%)	1M	3M	6M	12M
Absolute	18	27	33	65
Rel. to Nifty	12	17	1	62

Relative price chart



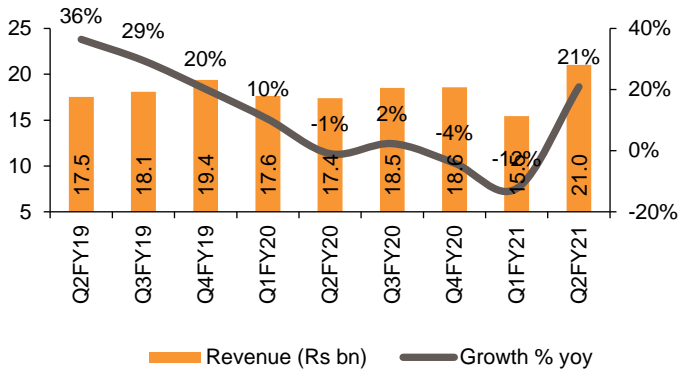
Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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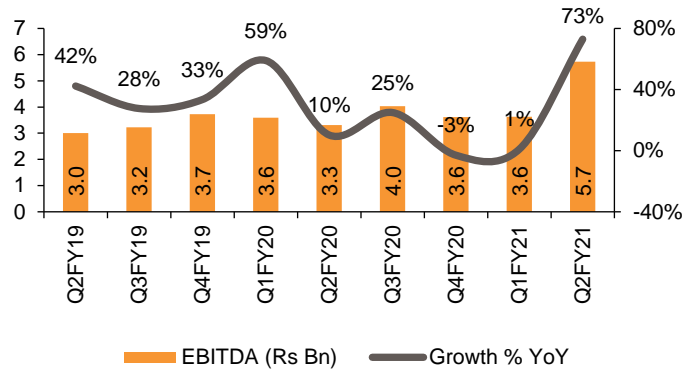
Story in Charts

Exhibit 1: PFB, CB and TT post yoy and sequential growth



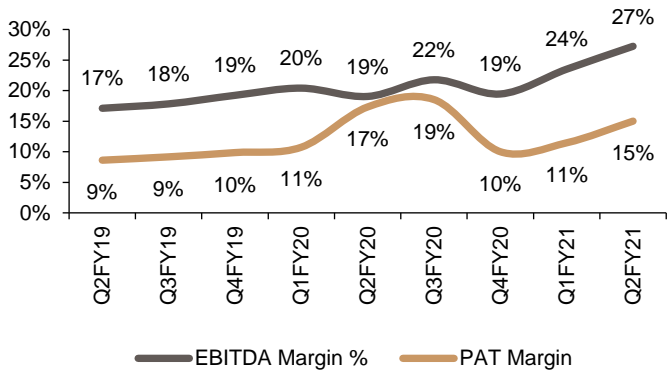
Source: Company, Emkay Research

Exhibit 2: EBITDA boost driven by gross margin wins (up 575bps yoy)



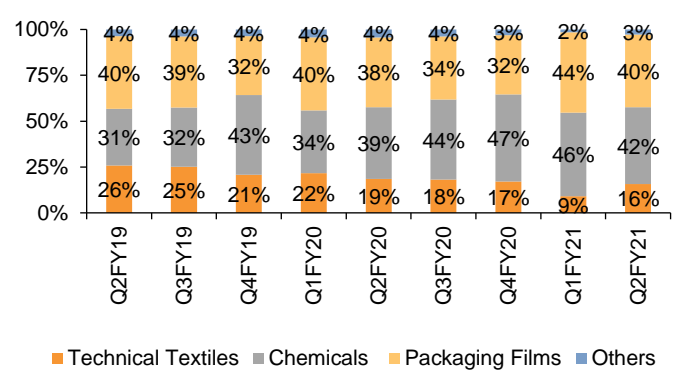
Source: Company, Emkay Research

Exhibit 3: Technical Textiles and Packaging Films' margins improvement superior than expected



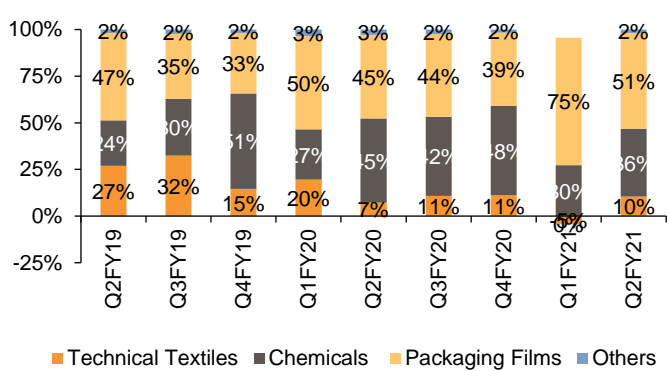
Source: Company, Emkay Research

Exhibit 4: Technical Textiles gains on revenue proportion; revenue contribution



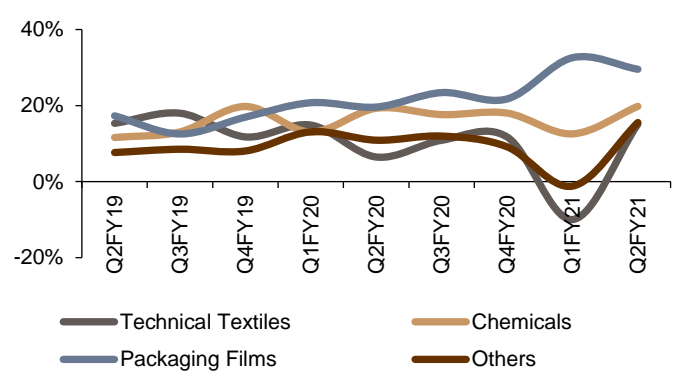
Source: Company, Emkay Research

Exhibit 5: Sequentially, PFB decline paves way for CB and TT contribution; EBIT contribution



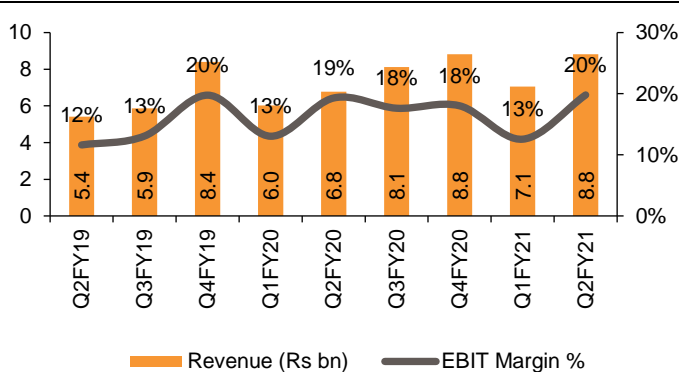
Source: Company, Emkay Research

Exhibit 6: Upgrade across the board from last year; EBIT margins



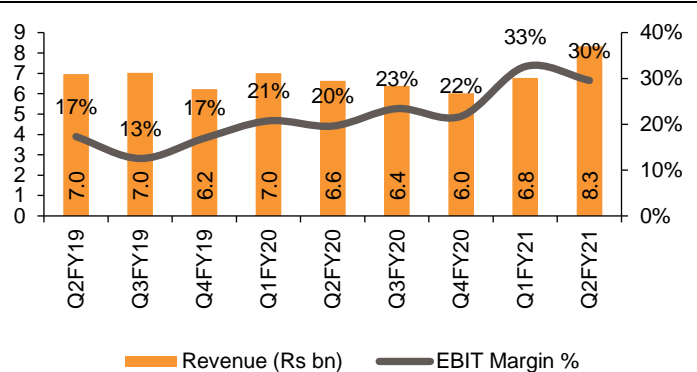
Source: Company, Emkay Research

Exhibit 7: Chemicals business grows from Specialty; R-gas under pressure from subdued demand in end-user industries



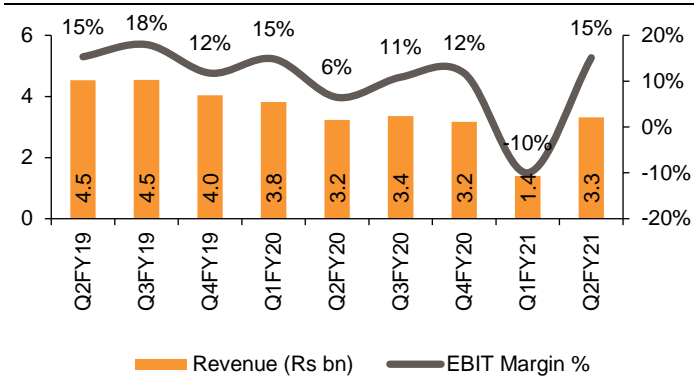
Source: Company, Emkay Research

Exhibit 8: Improved value-added product mix and higher utilization levels helped overall PFB margins and topline



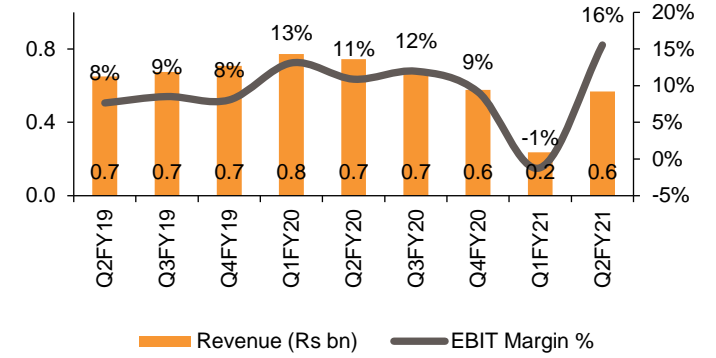
Source: Company, Emkay Research

Exhibit 9: Quicker than expected recovery in Technical Textiles led by underlying demand form tyre industry



Source: Company, Emkay Research

Exhibit 10: Others segment sales decline on low Tarpaulin offtake on muted CV movement and reduced gatherings, huge capacity oversupply at present



Source: Company, Emkay Research

Exhibit 11: Actual vs Estimates (Q2FY21)

(in Rs Mn)	Actual	Estimate (Emkay)	Estimate (Consensus)	% Variation		Comment
				Emkay	Consensus	
Sales	21,008	18,415	18,391	14.1	14.2	Ahead of estimates on better than expected performance in Technical Textiles and PFB
EBITDA	5,725	3,752	3,979	52.6	43.9	Ahead of estimates on improvement in TT and PFB business margins
EBITDA margin %	27.3	20.4	21.6	688bps	562bps	
APAT	3,152	1,760	2,001	79.1	57.5	Ahead of our estimates on higher operating income base

Source: Company, Emkay Research

Exhibit 12: Quarterly performance (Consolidated)

Rs Mn	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (%)	QoQ (%)	H1FY21	H1FY20	YoY %
Revenue	17,378	18,505	18,578	15,452	21,008	20.9	36.0	36,460	35,011	4.1
CoGS	10,469	11,148	10,891	8,648	11,448	9.3	32.4	20,096	21,556	-6.8
Gross Profit	6,909	7,357	7,688	6,804	9,561	38.4	40.5	16,364	13,455	21.6
as % of sales	39.8	39.8	41.4	44.0	45.5			45	38	
SG&A expenses	3,599	3,328	4,075	3,171	3,836	6.6	21.0	7,007	6,547	7.0
as % of sales	20.7	18.0	21.9	20.5	18.3			19	19	
EBITDA	3,310	4,029	3,613	3,633	5,725	73.0	57.6	9,357	6,908	35.5
Depreciation	929	1,019	1,014	1,040	1,140	22.7	9.6	2,180	1,854	17.6
EBIT	2,381	3,010	2,599	2,592	4,585	92.6	76.9	7,177	5,054	42.0
Other Income	220	56	63	101	98	(55.7)	(3.5)	199	372	-46.7
Interest Expenses	550	475	466	432	362	(34.3)	(16.2)	793	1,065	(25.6)
PBT	2,051	2,591	2,196	2,262	4,321	110.7	91.0	6,582	4,361	50.9
Total Tax	41	(864)	255	493	1,164	2,725.0	136.1	1,657	597	177.4
Reported PAT	2,009	3,454	1,942	1,769	3,157	57.1	78.5	4,926	3,763	30.9
Profit from discontinued business	1,002	25	84	2	(5)			(3)	1,141	-100.2
Adjusted PAT	3,011	3,429	1,858	1,771	3,152	4.7	78.0	4,928	2,623	87.9
Reported EPS (Rs)	35.0	60.1	33.8	30.8	54.9	57.1	78.5	86	65	30.9

Margins (%)						(bps)	(bps)				(bps)
EBITDA	19.0	21.8	19.4	23.5	27.3	820	374	25.7	19.7	594	
EBIT	13.7	16.3	14.0	16.8	21.8	812	505	19.7	14.4	525	
EBT	11.8	14.0	11.8	14.6	20.6	877	593	18.1	12.5	560	
PAT	17.3	18.5	10.0	11.5	15.0	-232	354	13.5	7.5	603	
Effective Tax Rate	2.0	-33.3	11.6	21.8	26.9	2,493	514	25.2	13.7	1,147	

Segment Revenue	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (%)	QoQ (%)	H1FY21	H1FY20	YoY %
Technical Textiles	3,230	3,357	3,168	1,404	3,321	2.8	136.5	4,726	7,050	-33.0
Chemicals	6,780	8,119	8,819	7,052	8,812	30.0	24.9	15,864	12,812	23.8
Packaging Films	6,627	6,382	6,015	6,774	8,329	25.7	23.0	15,102	13,643	10.7
Others	744	691	577	237	569	(23.6)	139.9	806	1,516	-46.9

EBIT Segment wise	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY (%)	QoQ (%)	H1FY21	H1FY20	YoY %
Technical Textiles	209	365	372	-140	502	140.2	Nm	362	777	-53.4
Chemicals	1308	1431	1589	886	1744	33.3	97.0	2630	2095	26
Packaging Films	1299	1494	1307	2207	2462	89.5	11.5	4669	2755	69
Others	81	83	53	-3	88	9.1	(3,257.1)	86	182	-53

EBIT Margin %						(bps)	(bps)				(bps)
Technical Textiles	6.5	10.9	11.7	-10.0	15.1	865	2,510	7.7	11.0	-336	
Chemicals	19.3	17.6	18.0	12.6	19.8	50	724	16.6	16.4	23	
Packaging Films	19.6	23.4	21.7	32.6	29.6	995	-303	30.9	20.2	1,072	
Others	10.9	12.0	9.2	-1.2	15.5	466	1,673	10.6	12.0	-139	

Source: Company, Emkay Research

Conference call highlights

Chemicals

- SRF has launched one product each in pharma and agro during the quarter. New P16 product capex (Rs175mn) is a key building block for some end products in high demand currently.
- Revised guidance for Specialty Chemicals is over 25% (earlier 20-25%) for the entire year. Management expects to see no significant change in next 3 to 5 years in export sales proportion.
- Visible growth opportunities are pretty huge in agrochemicals. Chemistries such as Bromination, Iodination, Chlorination and Grignard have done pretty well in recent period. Additionally, management is evaluating 4 to 5 new therapies in the pharmaceuticals and healthcare space but this remains undisclosed.
- SRF expects a gradual recovery going ahead in Fluorochemicals. Anti-Dumping Duty on R32 and blends, in addition to ban on imports of ACs, should support demand and pricing. R467a commercial supplies have commenced to customers. Management sees Rs25bn sales possible from the HFCs segment in the next 3-5 years, with some moderate capex undertaking.
- Utilization levels for R-Gas remains below pre-Covid levels. R32 is running at full capacity, while R134a should ramp up gradually. H21FY21 should be relatively better on favorable pricing and demand. R467a is mostly a drop in substitute to R22 subjective to equipment. OEMs are mostly using R32 or blends in India.

Packaging Film

- Healthy volume was seen in this quarter for the packaging division. SRF has launched four new products during the quarter. The contribution from BOPET value-added products increased 20% during the period. Majority of the packaging lines are running at full capacity.
- BOPP capex in Indore when capitalized should see 40-50% exports and the balance would be supplied to the domestic market. Management is anticipating a shortfall in supply for the BOPP segment and aims to capitalize on this with a new project.
- Hygienic packaging demand shall remain strong in the medium term from consumer and food packaging. All plants/lines are running at full utilization levels, except Hungary.

Technical Textiles

- Belting fabric demand was in line with management's expectations. Polyesters yarn is seeing pressure from Chinese competition. Utilization was at peak at the quarter end.

Capex

- QIP – Rs7.5bn raise will be used to further ramp up the capex intensity, mainly in Specialty Chemical segments as management sees an increasing number of opportunities from large innovator companies. SRF is seeing new opportunities in multiple complex chemistries in a bid to diversify away from fluorination.
- Planned capex of Rs15-18bn will be undertaken in the next 2-3 years with QIP and internal accruals, and would be split accordingly, with 50-60% in CB, 30% PFB and balance in maintenance capex and TT.
- Two projects for future water security and thermal oxidation will be done in the next three years, and both shall be ROI accretive by reducing external dependency and costs in turn.
- Net debt stood at Rs35.5bn at the end of Q2FY21.

Exhibit 13: Capex announcements

Date	Segment	Description	Amount (Rs mn)
April 1, 2016	Refrigeration	To set up a pilot plant for new generation HFO 1234yf	400
May 10, 2016	Packaging Films	Setting up of a Bi-axially Oriented Polypropylene (BOPP) Film Line & Metallizer in existing packaging film business Domestic Tariff Area campus at Indore - 35000 MT	2690
August 8, 2016	Chemicals	Expanding Chloromethane capacity by 40,000 TPA (existing capacity is 40,000 TPA running at 100% capacity utilization)	1650
August 8, 2016	Chemicals	Setting up Multi-purpose plant	1800
August 8, 2016	Chemicals	'Electrochemical Research Facility' at Bhiwadi	68
November 11, 2016	Chemicals	New facilities and production of new products in existing multi-purpose plant and setting up of cGMP plant	1280
May 22, 2017	Chemicals	250 MTPA joint agrochemical plant for production of active ingredients	1800
August 08, 2017	Chemicals	Setting up 800-1000 TPA plant for producing specialty chemical for agrochemical industry	850
November 02, 2017	Chemicals	Acquisition of HFC 125 asset from global major: Mexichem (\$10mn)	650
November 10, 2017	Chemicals	Setting up new facility for R 125(adjusted)	660
November 10, 2017	Chemicals	New R32 capacity, R134a (debottlenecking), R32 conversion to R134a (Bhiwadi), AHF capacity expansion	2250
November 10, 2017	Packaging	Modernization of Belting fabric at TTB, Viralimalai site	169
February 07, 2018	Packaging	BOPET film line and a Metallizer in Eastern Europe (Eur58mn)	4570
February 07, 2018	Chemicals	Augmenting existing product lines and cost management measures	810
February 07, 2018	Textile	Installation of a dipping line brought over from SRF's Overseas	320
July 09, 2018	Packaging	BOPET film line at Thailand subsidiary with 40000 MTPA capacity (\$60mn)	4100
February 05, 2019	Chemicals	Agrochemical products	1400
August 06, 2019	Chemicals	PTFE plant of 5000MTPA and R-gas Plant	4240
October 31, 2019	Chemicals	1600MTPA capacity addition in Specialty chem (for agro, pharma & Others)	400
October 31, 2019	Packaging	45,000 MTPA BOPP film line in Thailand (\$50mn)	3500
October 31, 2019	Textile	Capacity expansion cum modernization of TCF value chain	1250
February 4, 2020	Chemicals	Specialty Chemical plant in Dahej (capacity - 2150 MTPA)	2380
February 4, 2020	Chemicals	HFC Phase 1 for future incremental capacities	655
July 30, 2020	Chemicals	Chloromethane plant 100ktpa for industrial chemicals (existing 95ktpa)	3150
November 04, 2020	Packaging	60,000 MTPA BOPP film line in Indore (existing 45ktpa running at 100%)	4240
November 04, 2020	Chemicals	Dedicated facility to produce P16 specialty product for 200mtpa at Dahej	175

Source: Company, Emkay Research

Exhibit 14: Key segment assumptions

Key Assumptions	FY19	FY20	FY21E	FY22E	FY23E
Technical Textile Revenue	17,344	13,575	11,735	15,565	17,122
Revenue Growth	-6%	-22%	-14%	33%	10%
EBIT Margins	15%	11%	11%	14%	14%
Chemicals Revenue	24,454	29,750	36,807	46,669	57,419
Revenue Growth	54%	22%	24%	27%	23%
EBIT Margins	16%	17%	19%	21%	21%
Packaging Films Revenue	26,533	26,040	32,192	39,340	45,605
Revenue Growth	51%	-2%	24%	22%	16%
EBIT Margins	15.5%	21.3%	26.8%	23.2%	21.7%
Others	2,716	2,783	2,225	2,559	2,943
Revenue Growth	-41%	2%	-20%	15%	15%
EBIT Margins	8.0%	11.4%	9.6%	9.3%	10.0%
Total Sales	71,047	72,148	82,959	1,04,133	1,23,088
Total EBIT	10,788	12,503	16,965	21,310	24,734

Source: Company, Emkay Research

Exhibit 15: Revision is estimates

Rs mn	FY21E			FY22E			FY23E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenues	80,734	82,852	2.6	1,02,090	1,04,133	2.0	1,13,938	1,23,088	8.0
EBITDA	17,108	20,753	21.3	23,044	26,674	15.8	26,875	31,186	16.0
EBITDA margins %	21.2	25.0	386bps	22.6	25.6	304bps	23.6	25.3	175bps
Net profits	8,374	11,490	37.2	11,994	15,213	26.8	14,455	17,930	24.0
EPS (Rs)	145.7	190.7	30.9	208.7	252.4	21.0	251.5	297.5	18.3

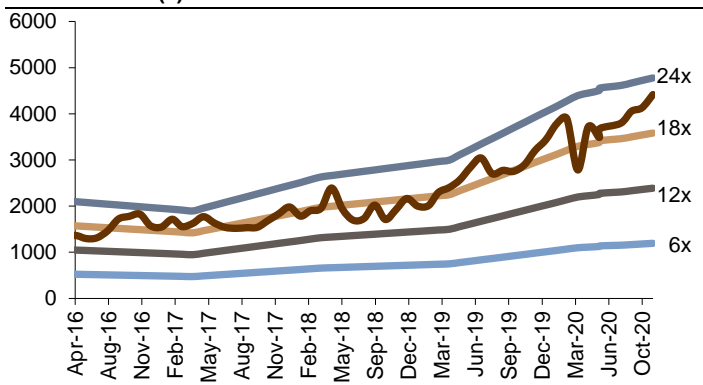
Source: Company, Emkay Research

Exhibit 16: SoTP-based valuation (FY23 earnings)

Segments	EV/EBITDA	FY23E EBITDA (Rs Mn)	EV (Rs Mn)
Chemicals Revenue	13.3x	15,584	2,07,787
R-Gas	12.0x	3,141	37,697
Specialty Chemicals	18.0x	10,535	1,89,628
Chlorinated Chemicals	10.0x	1,908	19,077
Total Chemicals	15.8x	15,584	2,46,403
Technical Textile	5.0x	3,756	18,780
Packaging	6.5x	12,109	78,708
Others	5.0x	437	2,187
Total	10.9x	31,886	3,46,078
Debt (net)			26,320
Mcap			3,19,758
TP			5,466

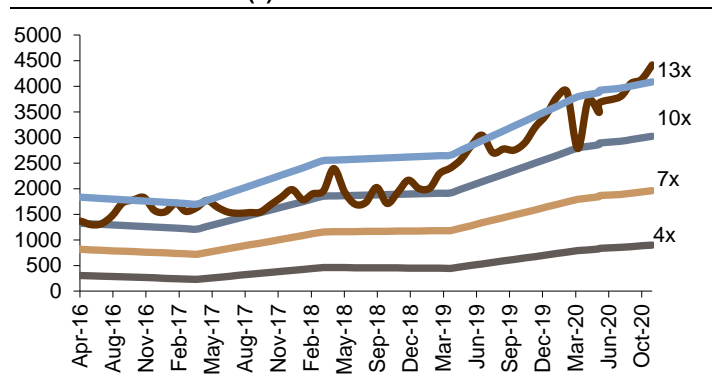
Source: Company, Emkay Research

Exhibit 17: PE (x) Band



Source: Company, Emkay Research

Exhibit 18: EV/EBITDA (x) Band



Source: Company, Emkay Research

Exhibit 19: Peer comparison

Company Name	Price (Rs)	Mkt Cap (Rs bn)	Reco	TP (Rs)	PE			PB (x)			EV/EBITDA		
					FY20	FY21e	FY22e	FY20	FY21e	FY22e	FY20	FY21e	FY22e
Advanced Enzyme Tech	284	32	Buy	238	24.6	24.1	20.2	3.8	3.3	2.8	15.4	14.8	12.2
Apcotex Industries	148	8	Hold	140	46.4	45.8	25.0	3.1	3.0	2.8	24.2	21.1	13.9
BASF India	1351	58	Hold	1484	114.8	81.4	36.1	4.2	4.0	3.7	23.7	22.5	16.2
Camlin Fine Sciences	101	12	Buy	115	40.3	23.3	15.8	3.0	2.4	2.1	12.7	11.4	8.8
GHCL	148	14	Buy	186	3.6	4.6	3.4	0.7	0.6	0.5	3.5	3.4	2.5
Navin Fluorine	2429	120	Buy	2350	29.4	53.2	43.7	8.5	7.6	6.7	44.7	36.8	31.2
SRF	4868	263	Buy	5466	31.1	25.5	19.3	5.8	4.4	3.6	21.8	15.4	11.9
Tata Chemicals	306	78	Hold	324	1.1	14.3	10.3	0.6	0.6	0.6	7.9	8.7	7.3
Vinati Organics	1155	119	Buy	1206	35.5	39.6	31.0	9.3	7.9	6.5	28.5	29.7	22.8

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	70,996	72,094	82,852	1,04,133	1,23,088
Expenditure	58,026	57,545	62,098	77,459	91,901
EBITDA	12,970	14,549	20,753	26,674	31,186
Depreciation	3,582	3,886	4,857	6,064	7,153
EBIT	9,388	10,663	15,896	20,610	24,034
Other Income	280	491	319	300	300
Interest expenses	1,984	2,007	1,521	1,456	1,405
PBT	7,684	9,147	14,693	19,454	22,929
Tax	1,769	(12)	3,203	4,241	4,998
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	5,916	9,159	11,490	15,213	17,930
Adjusted PAT	5,916	9,159	11,490	15,213	17,930

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	585	585	603	603	603
Reserves & surplus	40,708	48,748	66,835	81,325	98,532
Net worth	41,293	49,333	67,438	81,928	99,135
Minority Interest	0	0	0	0	0
Loan Funds	33,454	33,916	28,916	27,916	23,916
Net deferred tax liability	0	0	0	0	0
Total Liabilities	74,746	83,249	96,354	1,09,843	1,23,050
Net block	63,630	77,609	80,751	89,687	97,535
Investment	8,222	7,990	7,990	7,990	7,990
Current Assets	27,027	23,027	31,231	39,897	48,245
Cash & bank balance	1,989	1,506	2,227	3,443	5,155
Other Current Assets	0	0	0	0	0
Current liabilities & Provision	24,133	25,376	23,618	27,730	30,718
Net current assets	2,894	(2,349)	7,613	12,167	17,526
Misc. exp	0	0	0	0	0
Total Assets	74,746	83,249	96,354	1,09,843	1,23,050

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	7,405	8,656	14,375	19,154	22,629
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(2,310)	4,761	(9,241)	(3,337)	(3,648)
Operating Cashflow	7,609	17,492	7,107	17,939	21,435
Capital expenditure	(10,408)	(17,865)	(8,000)	(15,000)	(15,000)
Free Cash Flow	(2,799)	(373)	(893)	2,939	6,435
Investments	(687)	233	0	0	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(11,095)	(17,632)	(8,000)	(15,000)	(15,000)
Equity Capital Raised	1	0	18	0	0
Loans Taken / (Repaid)	5,197	463	(5,000)	(1,000)	(4,000)
Dividend paid (incl tax)	690	805	723	723	723
Other Financing Cash Flow	3,818	(1,147)	891	(2,446)	(5,446)
Financing Cashflow	4,508	(342)	1,614	(1,723)	(4,723)
Net chg in cash	1,022	(483)	721	1,216	1,712
Opening cash position	967	1,989	1,506	2,227	3,443
Closing cash position	1,989	1,506	2,228	3,443	5,155

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	18.3	20.2	25.0	25.6	25.3
EBIT Margin	13.2	14.8	19.2	19.8	19.5
Effective Tax Rate	23.0	(0.1)	21.8	21.8	21.8
Net Margin	8.3	12.7	13.9	14.6	14.6
ROCE	13.9	14.1	18.1	20.3	20.9
ROE	15.4	20.2	19.7	20.4	19.8
RoIC	15.7	15.4	19.9	22.3	23.1

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	101.1	156.6	190.7	252.4	297.5
CEPS	162.4	223.0	271.3	353.1	416.2
BVPS	705.9	843.3	1,119.0	1,359.5	1,645.0
DPS	11.8	13.8	12.0	12.0	12.0

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	48.1	31.1	25.5	19.3	16.4
P/CEPS	30.0	21.8	17.9	13.8	11.7
P/BV	6.9	5.8	4.4	3.6	3.0
EV / Sales	4.5	4.4	3.9	3.1	2.5
EV / EBITDA	24.4	21.8	15.4	11.9	10.0
Dividend Yield (%)	0.2	0.3	0.2	0.2	0.2

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	0.8	0.7	0.4	0.3	0.2
Net Debt/EBIDTA	2.4	2.2	1.3	0.9	0.6
Working Cap Cycle (days)	4.7	(19.5)	23.7	30.6	36.7

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	27.0	1.5	14.9	25.7	18.2
EBITDA	36.2	12.2	42.6	28.5	16.9
EBIT	47.4	13.6	49.1	29.7	16.6
PAT	28.1	54.8	25.5	32.4	17.9

Quarterly (Rs mn)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Revenue	17,378	18,505	18,578	15,452	21,008
EBITDA	3,310	4,029	3,613	3,633	5,725
EBITDA Margin (%)	19.0	21.8	19.4	23.5	27.3
PAT	3,011	3,405	1,773	1,773	3,147
EPS (Rs)	52.4	59.2	30.9	30.8	54.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Promoters	52.3	52.3	52.3	52.3	52.3
FIs	18.5	18.4	18.3	17.1	17.1
DIs	11.9	11.6	11.3	11.3	11.3
Public and Others	17.3	17.7	18.1	19.3	19.2

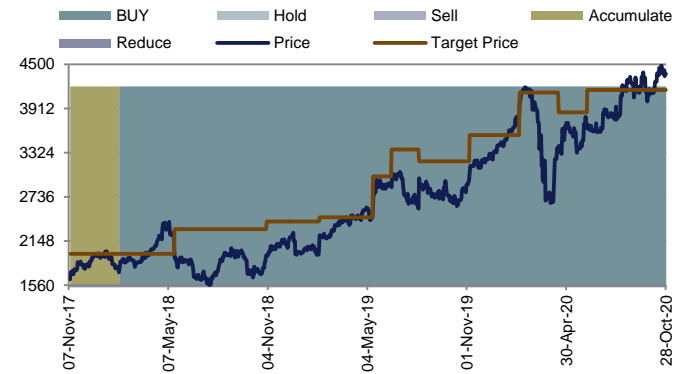
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
02-Aug-20	3,793	4,156	12m	Buy	Rohit Sinha
07-Jun-20	3,650	4,156	12m	Buy	Rohit Sinha
16-Apr-20	3,414	3,860	12m	Buy	Rohit Sinha
07-Feb-20	4,110	4,122	12m	Buy	Rohit Sinha
05-Feb-20	3,987	4,122	12m	Buy	Rohit Sinha
06-Jan-20	3,409	3,558	12m	Buy	Rohit Sinha
06-Nov-19	3,067	3,558	12m	Buy	Rohit Sinha
23-Sep-19	2,949	3,210	12m	Buy	Rohit Sinha
18-Sep-19	2,740	3,210	12m	Buy	Rohit Sinha
06-Aug-19	2,981	3,210	12m	Buy	Amar Mourya
17-Jun-19	2,863	3,367	12m	Buy	Amar Mourya
14-May-19	2,600	3,008	12m	Buy	Amar Mourya
01-Apr-19	2,361	2,464	12m	Buy	Amar Mourya
06-Feb-19	2,223	2,464	12m	Buy	Amar Mourya
02-Nov-18	1,959	2,409	12m	Buy	Amar Mourya
08-Aug-18	1,853	2,305	12m	Buy	Amar Mourya
09-Jul-18	1,727	2,305	12m	Buy	Amar Mourya
18-May-18	1,924	2,305	12m	Buy	Amar Mourya
07-Feb-18	1,776	1,978	12m	Buy	Amar Mourya
10-Nov-17	1,733	1,978	12m	Accumulate	Amar Mourya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Speciality Chemicals



Analyst: Rohit Sinha

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Sector

Speciality Chemicals

Analyst bio

Rohit Sinha holds a CFA degree and comes with total four years of experience in the Specialty Chemicals sector. He currently covers nine stocks in the Specialty Chemicals space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Speciality Chemicals	0.19	0.19	0%	0	100.00
Advanced Enzyme Tech	0.00	0.00	NA	0	2.50
Apcotex Industries	0.00	0.00	NA	0	2.00
BASF India	0.00	0.00	NA	0	0.86
Camlin Fine Sciences	0.00	0.02	NA	2	8.60
GHCL	0.00	0.01	NA	1	3.63
Navin Fluorine	0.00	0.05	NA	5	26.56
Orient Refractories	0.00	0.01	NA	1	3.78
SRF	0.19	0.09	-54%	-10	45.78
Tata Chemicals	0.00	0.01	NA	1	2.96
Vinati Organics	0.00	0.01	NA	1	3.33
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

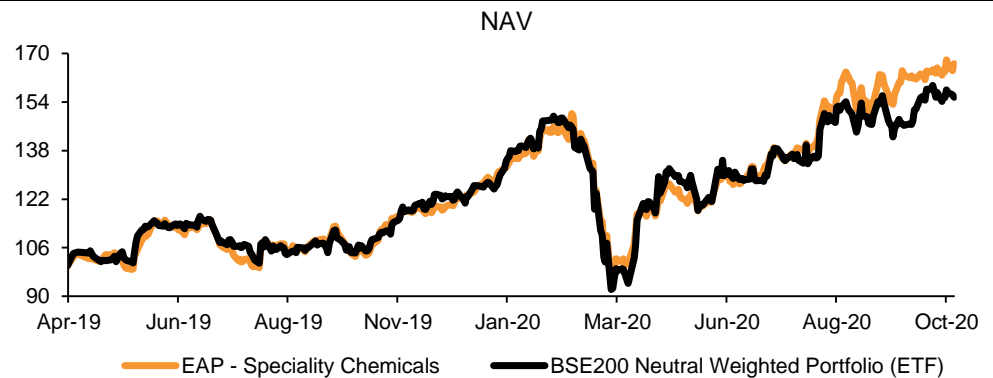
Sector portfolio NAV

	Base					Latest
	1-Apr-19	5-Feb-20	6-May-20	5-Aug-20	5-Oct-20	4-Nov-20
EAP - Speciality Chemicals	100.0	142.0	125.3	141.4	162.0	169.8
BSE200 Neutral Weighted Portfolio (ETF)	100.0	144.4	129.8	135.7	146.8	157.9

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 06 Nov 2020 03:49:37 (SGT)

Dissemination Date: 06 Nov 2020 03:50:37 (SGT)

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