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India | Equity Research | Company Update

SRF Ltd

Speciality Chemicals

Upcycle across chemicals businesses; upside risk to consensus EPS

We remain sanguine on SRF's chemicals business, with performance potentially improving across ref-gas, specialty chemicals and fluoropolymers. Higher volumes and sustained prices present ~15–20% upside risk in ref-gas business' base-case revenues vs. a more plausible assessment. We remain optimistic on HFC prices – complemented by positive industry dynamics. Specialty chemicals should benefit from a favourable price base and greater volumes; new product commissioning (incl. AIs) may spur growth in H2FY26 vs. H1FY26 (low-single-digit revenue growth). Fluoropolymers business will likely ramp up to INR 9–10bn by FY28E. Our estimates and valuation multiples are unchanged; but we roll over valuations to FY28E (from Sep'27E); TP revised to INR 3,450 (vs. INR 3,250). Upgrade to **BUY** (from Add).

SRF's ref-gas revenues: ~15–20% upside plausible

We are enthused about the R32 market, and not overly concerned with upcoming capacity, as a few may not see commissioning. Globally, the R32 market is growing despite HFCs phasing down, as: 1) in US, R454B – which is replacing R410a – contains 70% mix of R32 (R410a had 50%) and new residential/light commercial ducted-AC systems cannot be imported/manufactured with higher Global Warming Potential (GWP) gas. Also, CY27 onwards, data centres are to use R32/R454B; this should boost R32 consumption while other capacities phase-out; and 2) The phase-down of R22 has ushered in a demand spike in China too.

Our workings suggest that India's R32 baseline would be <100ktpa; while new capacity announced plus aspired is 127kpa. Thus, only entire capacities of SRF, NFIL and GFL would qualify for quota, while others face challenges. R32 China prices are at USD 9/kg; and our estimates bake in INR 450/kg for FY27E.

For R134a, higher usage in India (auto demand + mandatory AC cabins in CVs) is spurring demand. Data centres in China too are attracting demand. R134a prices are escalating; but we bake in a 15% price dip to INR 550/kg in FY27E.

This report encapsulates our analysis on SRF's ref-gas volumes and prices (domestic + exports). A more plausible scenario points to 15–20% higher ref-gas revenues vs. our base case; a large portion of these revenues should flow into EBITDA/PBT; thus, we see higher upside risk to our EPS estimates for SRF.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	1,43,582	1,62,195	1,82,972	2,02,980
EBITDA	27,184	38,314	44,340	50,522
EBITDA Margin (%)	18.5	23.6	24.2	24.9
Net Profit	12,508	20,795	24,405	28,066
EPS (INR)	42.2	70.2	82.3	94.7
EPS % Chg YoY	(6.4)	66.3	17.4	15.0
P/E (x)	67.1	40.3	34.4	29.9
EV/EBITDA (x)	32.8	23.4	20.3	17.9
RoCE (%)	8.5	12.5	13.1	13.5
RoE (%)	10.4	15.4	15.9	16.2

Sanjesh Jain

sanjesh.jain@icicisecurities.com
+91 22 6807 7153

Mohit Mishra

mohit.mishra@icicisecurities.com

Aparajita Chakraborty

aparajita.chakraborty@icicisecurities.com

Market Data

Market Cap (INR)	839bn
Market Cap (USD)	9,310mn
Bloomberg Code	SRF IN
Reuters Code	SRFL.BO
52-week Range (INR)	3,325 /2,197
Free Float (%)	49.0
ADTV-3M (mn) (USD)	13.9

Price Performance (%)	3m	6m	12m
Absolute	(2.0)	(9.4)	23.3
Relative to Sensex	(7.3)	(12.9)	19.2

ESG Score	2024	2025	Change
ESG score	58.3	60.7	2.4
Environment	38.8	44.1	5.3
Social	63.1	64.1	1.0
Governance	72.7	73.5	0.8

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

29-10-2025: [Q2FY26 results review](#)

25-07-2025: [Q1FY26 results review](#)

Agro-chem cycle recovery patchy; hopes of better CY26

We see underlying demand for global agrochemicals (agro-chem) being steady for CY26. Agro-commodity prices have dropped in CY25; though, the stock-use ratio is not concerning. Thus, we believe, commodity prices' downside should be limited.

Innovator agro-chem companies have highlighted deterioration in LATAM's credit cycle, with increased default risk – this may partly dent demand. Inventories have corrected sharply, and is no more seen as a problem for agro-chem demand. Chinese competition is unlikely to recede, but it has not worsened.

A key factor to watch for, in agro-chem demand, is agro-commodity prices; any uptick could sharply drive demand for crop protection products, in our view.

SRF, in the past three years, was severely impacted from a deterioration of prices for its key products, particularly DFPA. H2FY26 should provide a favourable base alongside an uptick in volume growth. The company is in the process of commissioning new AIs and other intermediates, which should help augment growth in specialty chemicals' revenue – 20–25% YoY vs. low-single-digit in H1FY26. And, the momentum thereof should help revenue grow faster for the next two years at least.

Chemours contract to enable fluoropolymers scale-up

SRF commissioned a PTFE plant in FY24, with an estimated capacity of 5ktpa. The company is also in the process of building its facility for other fluoropolymers in a phased manner, including FKM, PFA and PVDF starting end-CY25. The final phase is expected by end-CY26. The ramp-up has been less than desired in the past two years.

SRF has signed a supply agreement with Chemours; wherein, SRF would support Chemours to meet the need for essential application from CY26. On the back of this agreement, SRF has enhanced its scope for capex for the upcoming plant – from INR 6bn to INR 7.5bn. Therefore, SRF's total gross block investment in the fluoropolymers business will likely climb to INR 12.5bn.

Further, India's Directorate General of Foreign Trade (DGFT) has recommended ADD of USD 2.8–5.9/kg. If implemented, this will likely boost SRF's domestic volumes and pricing. We expect SRF's fluoropolymers revenue to scale to INR 9–10bn by FY28E.

Expect chemical business EBIT CAGR at 25.4% over FY25-28E

We see SRF's chemical business' revenue growing to INR 111bn over FY25–28E, a CAGR of 18.3%, driven by a recovery in specialty chemicals and fluoropolymers ramping up. That said, our estimates for ref-gas appears 15–20% below realistic assumption. Thus, if ref-gas prices hold at current levels, then the figure may even surpass 20% during this time.

SRF's chemicals' EBITDA should see a CAGR of 23%, to INR 40bn over FY25–28E; EBITDA margin is assumed at 36–37%. We believe, margins may actually be higher due to better prices in HFCs, higher operating leverage with improved utilisation and own HF plant ramping up. We estimate FY28 EBIT of INR 33bn – a CAGR of 25.4%. And, EBIT margin is assumed at 30–31%.

Consensus/I-Sec estimates may see upside risks

Consensus' profit estimates for FY26/FY27 stand at INR 19bn/INR 24bn; this is 3–9% lower compared to I-Sec's profit estimates of INR 21bn/INR 24.4bn. We believe, if ref-gas prices sustain at current levels for the next 12 months – a high-probability scenario – then I-Sec's profit estimates have upside risks of over 10–15%.

We believe, Street is likely: 1) under-appreciating R32 prices' sustainability, and is overly concerned about the upcoming capacities in India; 2) lacking recognition of the gradual to no recovery in agro-chem cycles, a complete derailment of the cycle from weak grain prices and assigning no credit to the strong product pipeline; and 3) undervaluing operating leverage in business; such was the case for NFIL, where margins expanded sharply on utilisations.

HFC prognosis (R32 and R134a)

HFCs are third-generation refrigerant gases (CFC, HCFC and HFC – ref-gas generation in this order). These were introduced as part of the Montreal Protocol to gradually phase out refrigerant gases, which contained ozone depleting substances (CFC and HCFC). This was followed by the Kigali Amendment, which paved the way to the phasing out of refrigerant gases with higher GWP (global warming potential) – under which, HFCs are now getting phased down. These gases are being replaced with HFOs, which have no ozone depleting substances and have lower GWPs, close to CO₂.

The HFC phase-out mechanism remains broadly unchanged, with countries categorised in four groups, and each group have been assigned timelines for the: 1) determination of a baseline for production and consumption quota (both being same); and 2) reduction in production and consumption over the next two decades or so.

Exhibit 1: Categorisation of countries in four groups for phase-down of HFCs

Non-A5, earlier start	Most non-Article 5 countries
Non-A5, later start	Russia, Belarus, Kazakhstan, Tajikistan, Uzbekistan
A5, Group 1	Most Article 5 countries
A5, Group 2	Bahrain, India, Iran, Iraq, Kuwait, Oman, Pakistan, Qatar, Saudi Arabia, UAE

Source: I-Sec research, Industry. Note: China is in AS, Group-1

Baseline: Two components underpin the baseline calculation – 1) average annual HFC quantity consumed (or produced) during a three-year baseline determination period; 2) a proportion of the baseline for the control of HCFCs under the Montreal Protocol.

Exhibit 2: Baseline calculation working and timeline for different groups

	Non-A5, earlier start	Non-A5, later start	A5 Group 1	A5 Group 2
HFC component Average HFCs in period	2011 to 2013		2020 to 2022	2024 to 2026
HCFC component % of HCFC baseline	15%	25%	65%	

Source: I-Sec research, Industry

Based on the above, western countries (part of non-A5 earlier start) got very little R32 quota from their HCFC capacity, and they have relied partly on imports for HFCs. Other countries that are key for production of HFCs are China and India, which are benefiting from the applicability of converting their HCFC quota to HFC quota, unlike other groups.

Exhibit 3: HFC phase down schedule for different groups

	Non-A5 Countries		A5 Countries	
	Earlier start	Later start	Group 1	Group 2
Freeze	-	-	2024	2028
5% reduction	-	2020	-	-
10% reduction	2019	-	2029	2032
20% reduction	-	-	-	2037
30% reduction	-	-	2035	2042
35% reduction	-	2025	-	-
40% reduction	2024	-	-	-
50% reduction	-		2040	-
70% reduction	2029		-	-
80% reduction	2034		2045	-
85% reduction	2036		-	2047

Source: Company data, I-Sec research

- As per phase-down schedule, western markets have already started phasing down, and gradually adopting ref-gas with a much lower GWP. As a result, R410a is being replaced by R454B for stationary ACs; and R134a saw an accelerated shift towards HFO1234yf for auto ACs. In Non-A5 countries, HFC consumption and overall emission, in tandem, are declining; R125 is being replaced faster given its significantly higher GWP. The prognosis for R32 is very different, as it has the lowest GWP among HFCs, and new blends are generously using R32; consequently, demand remains robust for this gas, even during the phase-down of HFCs. Notably, R410a (existing product which is impacted from phase-down) has 50% mix of R32 while R454B (new blend along with HFOs) has 70% R32 mix.
- China has undergone a quota determination period from 2020 to 2022; during this time, competitive intensity was fierce, and prices had dropped to minimal levels (we understand under USD 1/kg in a few cases). However, the baseline froze in 2024; therefore, limiting supplies and driving prices up globally. As per regulation, China cannot add any new capacity in HFCs now; therefore, the only country globally adding new HFC capacities is India.
- India's quota determination period is from 2024 to 2026. The prices of HFCs have spiked, making them attractive for other players to evaluate participation in the HFC phase-down story. India has suddenly seen an increase in new capacity addition and announcements.

Unfolding China HFC...

The quota determination and allocation of HFC quotas are managed by China's Ministry of Ecology and Environment (MEE). China's baseline was frozen at 1.853 Gt CO₂eq production (read: gigatonnes of carbon dioxide equivalent) and 0.905 Gt CO₂eq consumption. For 2024, MEE set total HFC production at 1.853 Gt CO₂eq, and domestic use at 0.895 Gt CO₂eq. These quotas cover major HFCs (R32, R125, R134a), totalling 745kte, with over 50% quota for exports.

China's 2025–30 five-year National Plan targets 10% cuts from its baseline GT CO₂eq by 2029, with drafts adjusting specific refrigerants like adding 45kte for R32 production.

We understand China has maintained its aggregate levels of HFC production for 2026 while introducing a flexible adjustment mechanism, allowing up to two intra-year

revisions (by 30 April and 31 August), with inter-variety shifts capped at 30% of the prior year's quota.

R32: China's R32 production quota was at 280kte for 2025, which saw an increase of 41kte over 2024 to support the phase-out of R22 gas, which saw a cut of 32.5% from its baseline (146kte) in 2025. In 2025, the production quota for domestic use stood at 185kte (up 43kte).

R134a: China R134a production quota was at 208kte for 2025, which slipped 7kte over 2024. In 2025, the production quota for domestic use stood at 80kte (dipped 2kte).

Unfolding US HFC...

US has significantly adopted the R454B blend for stationary ACs. Also, demand for these blends have surged, post the 2024-effective 10% HFC phase down. US ref-gas prices have been favourable for Indian producers due to the significant anti-dumping duty (ADD) imposed on Chinese HFC supplies (170%-280%) even during Chinese quota determination period (where competitive intensity was very high).

Starting Jan'25, new residential and light commercial ducted-AC systems cannot be manufactured or imported if they use R410a. Instead, they should use alternatives like R32 or R454B.

The transition to R454B (also known as A2L gases) has faced challenges – from the shortage of R454B gas, and the rise in demand due to the transition to low-GWP ref-gas. Lack of specialised A2L-rated cylinders, with pressure relief valves and left-handed threads has created severe distribution bottlenecks; thus, elongating lead times to as long as 10–12 weeks. Further, manufacturing capacity addition lagged demand shift to HFO gases.

In the interim, users have shifted to alternatives such as R32 due to the sharp jump in prices for R454b, and lack of availability.

Under the AIM Act, the EPA has mandated that new cooling equipment for data centres must use refrigerants with a GWP of less than 700 by Jan'27. Presently, commonly used ref-gas for data centres is R410a and R134a; however, these gases have GWP that is higher than 700. Thus, these have to be replaced with either R454B or R32. Either way, data centre cooling systems in US will likely attract greater demand for R32.

Prognosis on R32 – a critical aspect for SRF, Navin Fluorine and Gujarat Fluorochemicals

India is among last few countries where HFC phase down process has just started, and can make informed decision taking advantage of surge in global demand for R32. India is undergoing its quota determination period over 2024–26; and Indian producers are allowed to build new capacities until 2026 (next 12months). However, new capacities with no earlier exposure to HCFC (R22) will likely find it difficult to qualify for quota allocation.

For India, our workings suggest that the R22 baseline of 2010 makes the country eligible for R32 baseline quota of 70kte (in lieu of R22). We estimate, SRF should have average annual R32 sales of 15kte, NFIL's 7.5kte and GFL 4kte during quota determination period; accordingly, putting up total annual average R32 sales of 25–26kte. Therefore, India's eligible quota for R32 is likely to be under 100kte, as per our working. That said, total capacity addition (existing, announced and aspiration) is 127kte. Therefore, our view is that some of these new capacities in the aspiration list are unlikely to make it to commissioning or may not convert into quota. We believe, capacity addition done by SRF, NFIL and GFL are safest, and should see their entire capacities being approved for quota.

India (domestic) R32 demand is estimated at 16–18ktpa, and likely growing at ~15% CAGR, with added benefit arising out of the shift from R22 to R32. Domestic demand should reach 40kte by 2030. Companies estimate demand to reach ~70–100ktpa, including export opportunities.

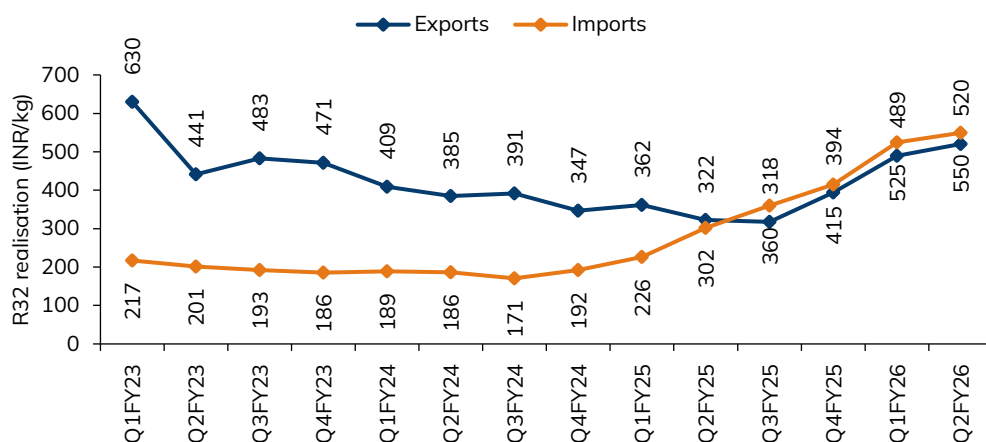
Exhibit 4: India potential R32 capacity – appears more than potential available quota

Company	Capacities (ktpa)				Comments
	Existing	Announced	Aspiration	Total	
SRF	29			29	SRF will likely use only part of R22 quota
Navin Fluorine	9	15		24	NFIL likely exhaust entire R22 quota
Gujarat Fluoro	10	10	10	30	GFL to likely exhaust entire R22 quota at 30ktpa
Chemplast		14		14	It has quota of 4–5ktpa from R22
Tanfac			20	20	No quota eligibility from R22
Stallion		10		10	No quota eligibility from R22
Total	48	49	30	127	

Source: Company data, I-Sec research

Our analysis of R32 export and import prices for India producers showed large differences in FY23 and FY24. R32 prices for India exports have benefited from ADD on Chinese imports into US (over 216%); while India imports from Chinese continued to be competitive. India imports prices have jumped, post 2024 (HFC freeze for Chinese), and it has matched prices of India exports. We believe, R32 prices have started escalating with tighter supplies, and as demand kept pace; also, it appears that prices still have some legs for improvement.

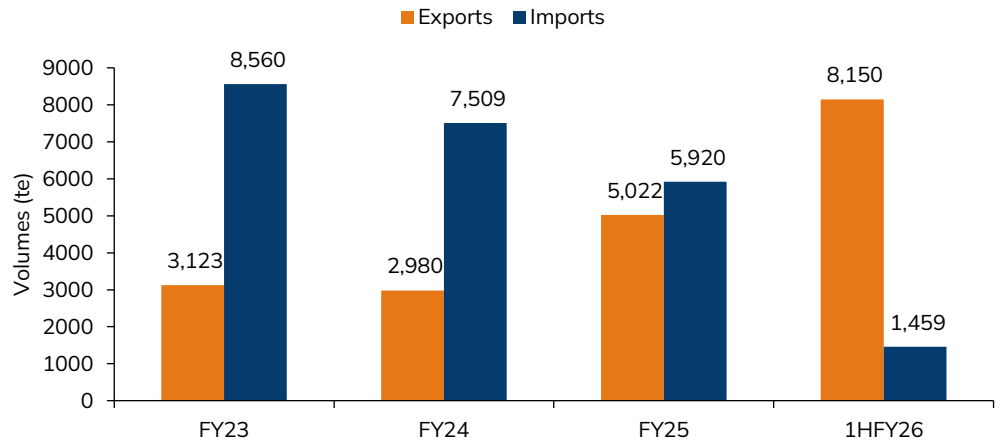
Exhibit 5: R32 export/import prices have improved post HFC freeze in China from 2024; and our belief is there is still legs for improvement



Source: Commerce ministry, I-Sec research

Chinese aggression reduced post 2024, and India started expanding global supplies, which has really helped India ramp-up production faster than the rise in domestic consumption. India imports have dropped from 8.6kte in FY23 to 1.5ktpa in H1FY26; at the same time India exports have jumped from 3ktpa in FY23 to 8kte in H1FY26. The annualised (H1FY26) delta in India production is estimated at ~20kte – this has helped Indian producers – SRF and NFIL ramp-up their facilities.

Exhibit 6: R32 production delta from lower imports and jump in exports was 20ktpa (H1FY20 annualised), which benefited SRF/NFIL most



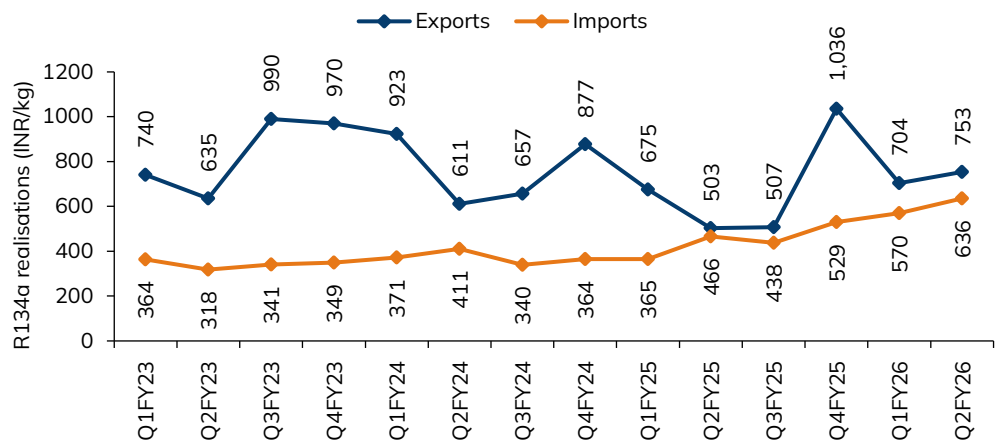
Source: Commerce ministry, I-Sec research

Prognosis on R134a – SRF is the sole producer

SRF is the sole producer in India for R134a, and the gas is used largely in auto AC, and is now also finding use in cooling solution for data centres. Unlike R32, no other India ref-gas manufacturer is planning to build R134a capacity before the HFC capacity addition freeze in 2026. Globally, R134a is getting replaced R1234yf.

Similar to R32, R134a export prices for India were higher to import due to – 1) ADD on Chinese imports into US at rate of 227%; and 2) SRF has been supplying to retailers such as Walmart and Auto Zone, where they do packaging of 350ml bottles. Again, post 2024, prices of R134a imports have increased, and are now close to India export prices. This would have benefited SRF with higher domestic R134a prices.

Exhibit 7: R134a prices have also increased similar to R32, but intensity is lower



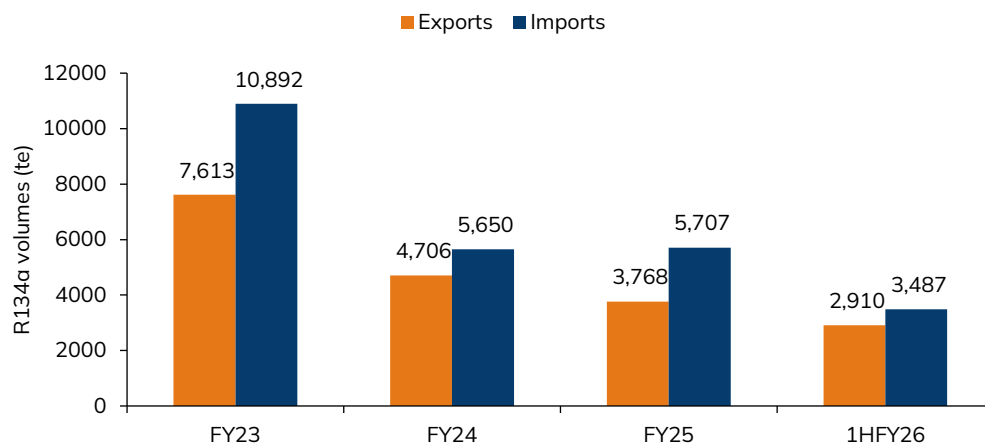
Source: Commerce ministry, I-Sec research

We see R134a partly benefitting from the rise in data centre footprint in India and China, which may drive higher demand for R134a. Further, domestic demand is anticipated to benefit from compulsory AC cabins for new medium and heavy trucks in N2 and N3 categories. This would add to demand for R134a, and PV is already seeing increased demand post GST cut.

Considering R134a has higher GWP, the phase-down of these gases is expected to happen fast, and producers from developing markets are likely to benefit from reduced competitive intensity.

India exports and imports have sharply dropped since FY23, probably indicating rising domestic market, and increasing market share for SRF. We believe, the domestic market is highly profitable, and unlikely to face much competition. Rising R134a prices globally bode well, and is underappreciated for SRF.

Exhibit 8: R134a exports and imports volumes have dipped – indicates rising domestic market and increasing market share for SRF



Source: Commerce ministry, I-Sec research

SRF offers play on HFO1234yf transition

R1234yf is a fourth-generation ref-gas, which is replacing HFC; and has nil ozone depleting substance and its GWP is just 4. This will likely be a key ref-gas, as HFC gets phased out globally (therefore, volumes may start to decline from 2030 for Indian HFC producers), and HFO would help offset the volume decline and drive growth. Currently, R1234yf is under patent – covered in US by multiple patents, spanning the molecule's production processes, compositions/mixtures, and handling. Majority of patents are held by Honeywell and Chemours.

SRF has announced INR 11bn capex for setting up facility for HFO, and is expected to be commissioned by end-CY27. Below are key management comments on HFO, while our estimates do not factor in any revenue from HFO for SRF yet.

'The HFO project gets commissioned somewhere in 2027. It will take time to ramp up, so FY28 is the first revenue position that we will start to see from the project. You can estimate the full revenue potential, on let's say, 10,000 tonnes basis, on your own...'

'...we are looking at the fourth-generation gases. We are a key player. We are doing it through our own technology.'

'...I can assure you of is that this is being done through our own technology. Second, by the time we launch it, the patent regime will be well taken care of. The third is that the quantities are of a fairly decent size. There are 2 products that we are looking to do, but as of now not disclosing the names of those.'

'Our strategy for the next-generation HFO Gas has shaped up well and we will share more on the project as soon as the groundwork is complete. We expect to have globally competitive non-infringing processes in our portfolio by the time these plants come up.'

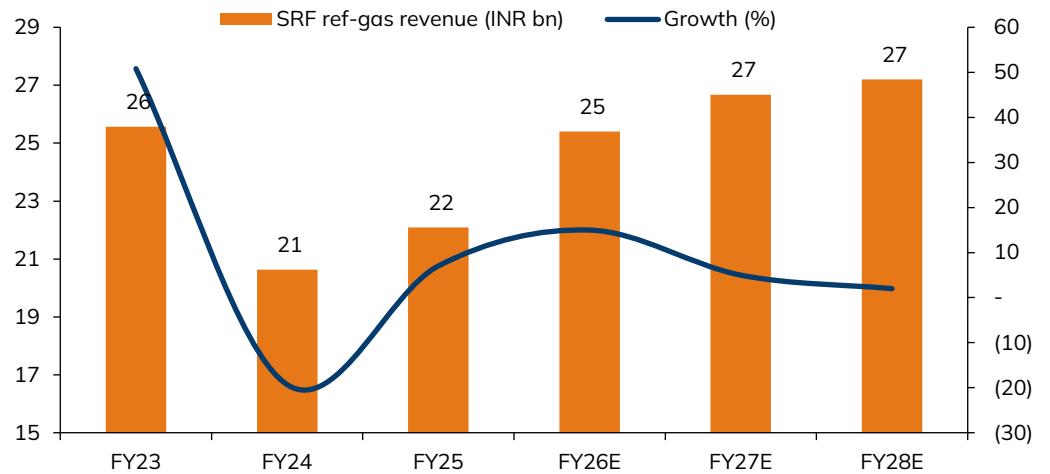
Our estimates are 15-20% lower vs. realistic assumption for SRF ref-gas revenue

SRF's ref-gas revenue has grown at a CAGR of 9.2% over FY22–25, where revenue growth was impacted by R125 prices normalisation. R125 prices in exports market have jumped to highs of USD 18/kg; and now stand at USD 6/kg. We conservatively estimate SRF ref-gas revenue to grow to INR 27.2bn, at a CAGR of 7.2%, over FY25–

28E despite a strong trajectory in volume growth, and pricing tailwind in R32 and R134a. Our estimate appears conservative and implies pricing pressure in R32 and R134a for FY27E which appears unrealistic. Therefore, we see upside risk to SRF's ref-gas revenue. More importantly, a significant proportion of revenue growth in ref-gas will likely flow down to PBT; therefore, there is upside risk to our EPS estimates.

Our estimates still do not factor any revenue from upcoming HFO facility as we await clarity on products, pricing and capacity.

Exhibit 9: Our SRF ref-gas revenue estimate factors in CAGR of 7.2% over FY25–28



Source: Company data, I-Sec research

Exhibit 10: Our backward working of SRF ref-gas revenue; and realistic case revenue for FY26-28E

INR mn	FY24	FY25	H1FY26	Remark	FY26E	FY27E	FY28E
Ref-gas revenue	20,634	22,088	12,395	1HFY26 is estimated	29,168	32,898	34,398
Volume (te)	35,700	37,650	19,000		44,050	48,850	50,850
Domestic							
R-22	1,300	1,200	300	32.5% phase down wef Jan'25	650	650	650
R-32	8,700	8,750	3,500	SRF ramp-up 15ktpa plant in FY26	8,000	9,000	9,000
R-134a	10,800	12,200	4,300		11,200	13,000	13,000
R-125	200	200	100	India has small base of R410a	200	200	200
Total	21,000	22,350	8,201		20,050	22,850	22,850
Exports							
R-22	5,100	3,500	2,000	Based on export data	3,000	3,000	3,000
R-32	2,500	4,300	4,500		11,000	13,000	15,000
R-134a	4,200	3,800	2,900		6,000	6,000	6,000
R-125	2,900	3,700	1,400	Estimate	4,000	4,000	4,000
Total	14,700	15,300	10,799		24,000	26,000	28,000
Realisation (INR/kg)							
Domestic							
R-22	500	500	550	Estimate, but cue from import prices	550	550	550
R-32	350	500	650		650	650	650
R-134a	500	600	650		650	650	650
R-125	1,000	700	700		750	800	800
Exports							
R-22	300	300	400	Prices based on export data	350	300	300
R-32	380	350	500		550	600	600
R-134a	800	725	725		750	800	850
R-125	900	520	520		520	520	520
Revenue							
Domestic							
R-22	650	600	165		358	358	358
R-32	3,045	4,375	2,275		5,200	5,850	5,850
R-134a	5,400	7,320	2,795		7,280	8,450	8,450
R-125	200	140	70		150	160	160
Domestic revenue	9,295	12,435	5,305		12,988	14,818	14,818
Exports							
R-22	1,530	1,050	800		1,050	900	900
R-32	950	1,505	2,250		6,050	7,800	9,000
R-134a	3,360	2,755	2,102		4,500	4,800	5,100
R-125	2,610	1,924	728		2,080	2,080	2,080
Export revenue	8,450	7,234	5,880		13,680	15,580	17,080
Total	17,745	19,669	11,186		26,668	30,398	31,898
Others	2,889	2,419	1,210	Difference, 1HFY26 estimate	2,500	2,500	2,500

Source: Company data, I-Sec research

Exhibit 11: Our estimates (base case) appear 15-20% lower vs realistic case

INR mn	Base (conservative)			Realistic			Best		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Ref-gas revenue	25,401	26,671	27,205	29,168	32,898	34,398	29,168	35,568	37,168
Volume (te)									
Domestic									
R-22	650	650	650	650	650	650	650	650	650
R-32	8,000	9,000	9,000	8,000	9,000	9,000	8,000	9,000	9,000
R-134a	11,200	13,000	13,000	11,200	13,000	13,000	11,200	13,000	13,000
R-125	200	200	200	200	200	200	200	200	200
Exports									
R-22	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
R-32	11,000	13,000	15,000	11,000	13,000	15,000	11,000	13,000	15,000
R-134a	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
R-125	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Realisation (INR/kg)									
Domestic									
R-22	450	400	400	550	550	550	550	550	550
R-32	550	450	450	650	650	650	650	700	700
R-134a	600	550	550	650	650	650	650	750	750
R-125	650	600	600	750	800	800	750	800	800
Exports									
R-22	350	250	250	350	300	300	350	350	350
R-32	550	450	450	550	600	600	550	650	650
R-134a	700	700	700	750	800	850	750	800	850
R-125	500	450	450	520	520	520	520	550	550
Revenue									
Domestic									
R-22	293	260	260	358	358	358	358	358	358
R-32	4,400	4,050	4,050	5,200	5,850	5,850	5,200	6,300	6,300
R-134a	6,720	7,150	7,150	7,280	8,450	8,450	7,280	9,750	9,750
R-125	130	120	120	150	160	160	150	160	160
Domestic revenue	11,543	11,580	11,580	12,988	14,818	14,818	12,988	16,568	16,568
Exports									
R-22	1,050	750	750	1,050	900	900	1,050	1,050	1,050
R-32	6,050	5,850	6,750	6,050	7,800	9,000	6,050	8,450	9,750
R-134a	4,200	4,200	4,200	4,500	4,800	5,100	4,500	4,800	5,100
R-125	2,000	1,800	1,800	2,080	2,080	2,080	2,080	2,200	2,200
Export revenue	13,300	12,600	13,500	13,680	15,580	17,080	13,680	16,500	18,100
Total	24,843	24,180	25,080	26,668	30,398	31,898	26,668	33,068	34,668
Others	559	2,491	2,125	2,500	2,500	2,500	2,500	2,500	2,500

Source: Company data, I-Sec research

Agro-chem cycle recovery gradual; but worst is behind

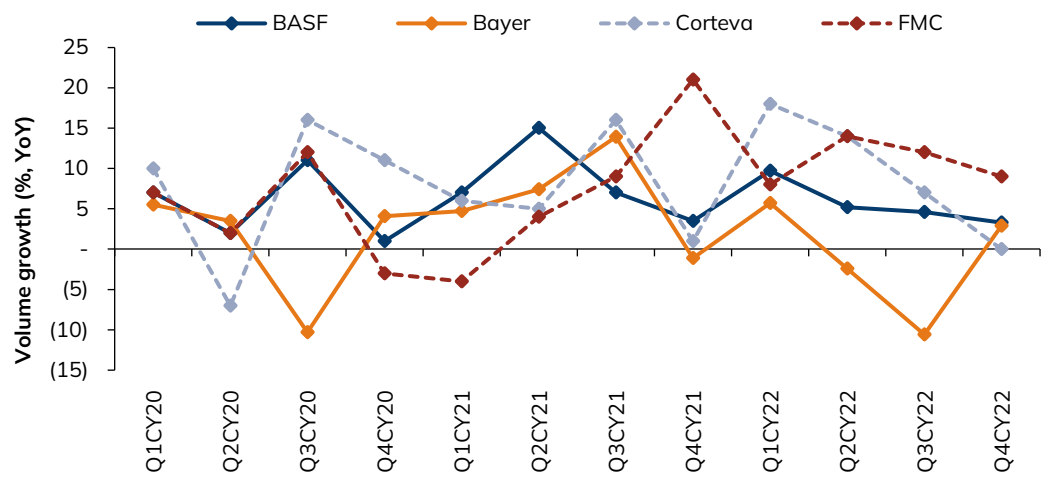
Agro-chems has faced multiple headwinds since CY22, and industry revenue has declined sharply. Agro-chem market expanded significantly in CY21 and CY22 led by various factors, including – 1) sharp run-up in prices for chemicals; 2) strong grain pricing and farmer income; and 3) supply-chain disruption and higher profitability led to channel inventory stocking. However, CY23 had reversal with a sharp drop in prices for chemicals, and supply-chain normalising. This accelerated de-stocking across channels. Further, China, which was severely hurt from Covid-19, normalised production, and significantly added capacities in agro-chem. Overcapacities in China have driven some generic agro-chem prices to drop by 70–90%, boosting volumes for generic and dragging destocking phenomenon, particularly in Latin American market for innovators.

India-based specialty chemical companies have derived demand from MNC innovators agro-chem companies; therefore, a turnaround in performance for innovators are early signs for better performance for India’s chemical companies. Notably, Indian chemical companies are behind innovators in the value chain; the recovery in performance generally lags by a quarter or two, and in many cases also needs supportive seasonality/good agro-commodity prices.

Agro-chem innovators’ volumes reduced in CY23 significantly due to de-stocking, while innovators have been highlighting steady underlying demand for agro-chem. Volume growth in CY24 and 9MCY25 recovery were much below expectation, in our view, and were impacted from various factors, including – 1) continued competitive intensity in LATAM markets with Chinese supplies remaining aggressive; 2) agro-commodity prices’ dip, taking a toll on farmer sentiment; 3) geopolitical uncertainty, and trade tariffs; and 4) rising interest rates, and credit/bankruptcy risk in LATAM slowing sales. Further, each of the innovator companies had its own unique challenges.

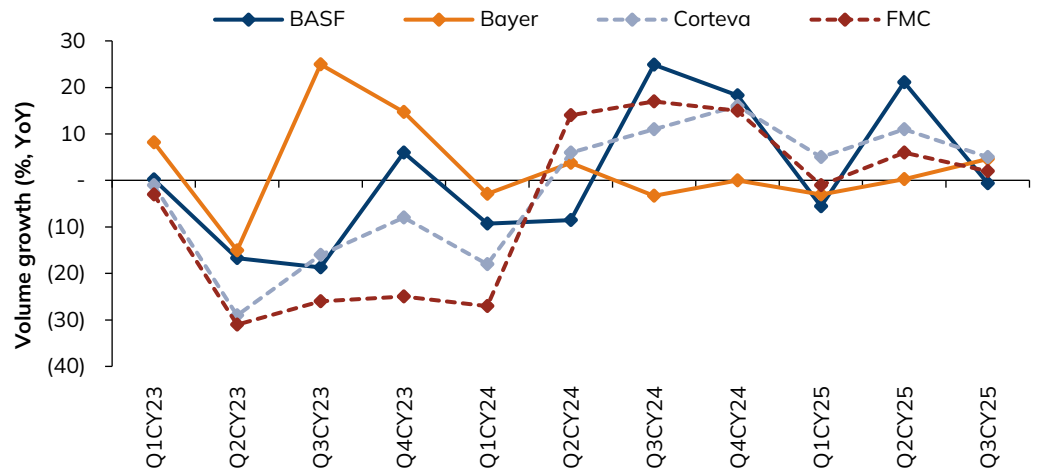
Even on a low base of CY23, volume growth for four key innovators, which contribute significantly to Indian chemical companies, has been underwhelming at ~3% each in CY24 and 9MCY25. The expectation is CY26 will likely see more normalised volume growth, and these companies would launch more newer molecules to fight generic competition.

Exhibit 12: Innovator agro-chem’ volume growth was healthy over CY20–22



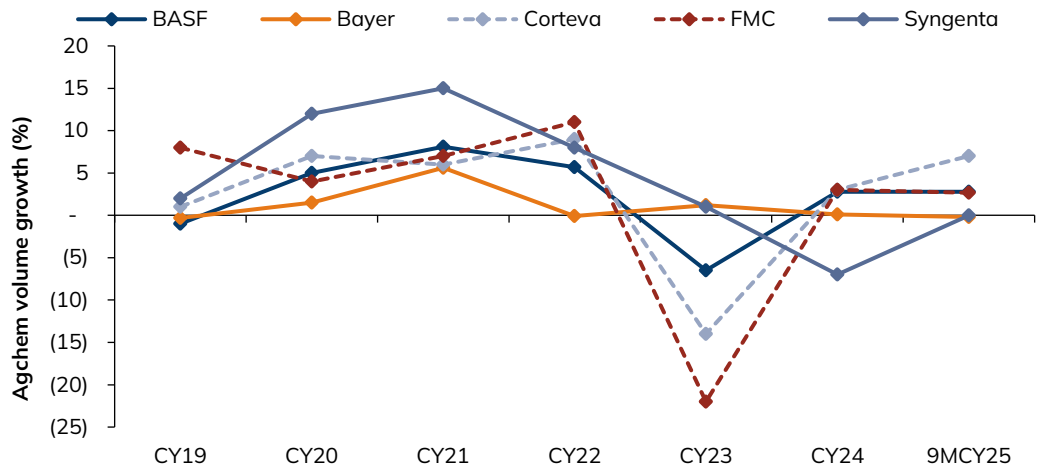
Source: Company data, I-Sec research

Exhibit 13: After a wash-out CY23, volume recovery has been gradual than expected



Source: Company data, I-Sec research

Exhibit 14: Agro-chem companies' annual volume growth trajectory

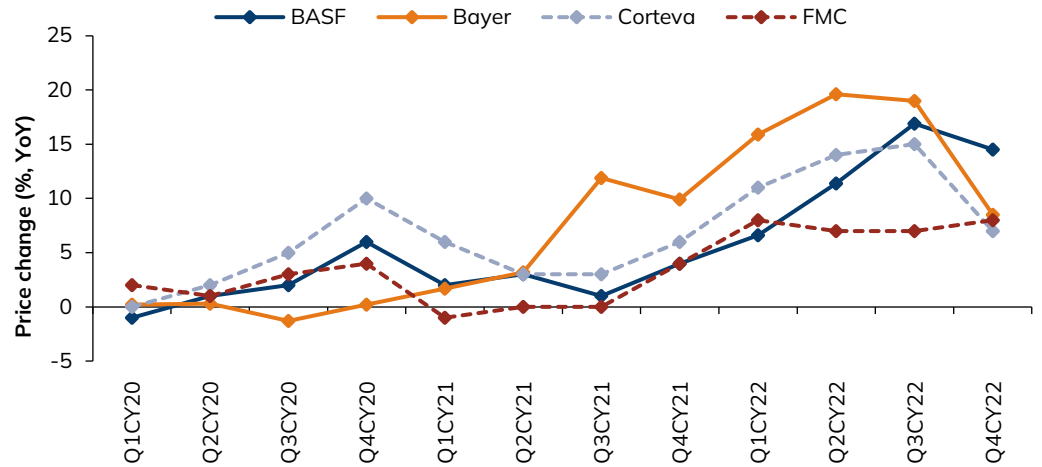


Source: Company data, I-Sec research

Pricing pressure for innovators has been relatively low vs. volumes in CY23 despite prices seeing a sharp jump in CY22 due to inflation in chemical prices. However, agro-chem companies are now facing pressure on pricing, as the Chinese are aggressive in generic market, and innovators are fighting in market for their share. Further, input chemicals' prices have seen significant deflation, and innovators are passing on some benefits to consumers. Innovators' prices have dipped higher in CY24; even in 9MCY25, prices have declined low-to-mid-single digit. Agro-chem innovators expect stable prices in CY26, though at lower levels.

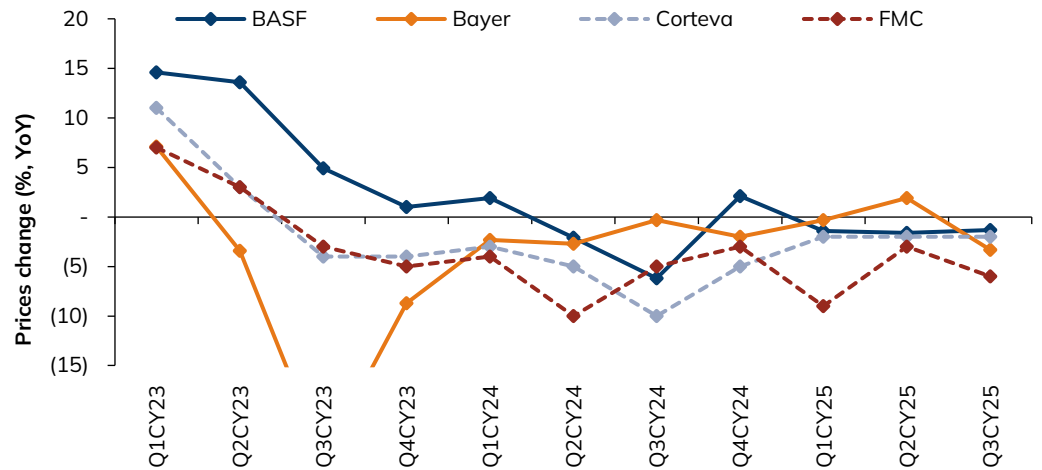
Many patented AIs are also coming for expiry, and the Chinese may sell at a lower cost to grab market share. This could particularly impact a few specialty chemical companies in India, as they may also face pressure on pricing and margins. Indian chemical companies are investing in process; thereby, reducing cost of production, which could help both innovators and chemical companies to fight effectively against Chinese competition.

Exhibit 15: Agro-chem companies have favourable pricing over CY20-22



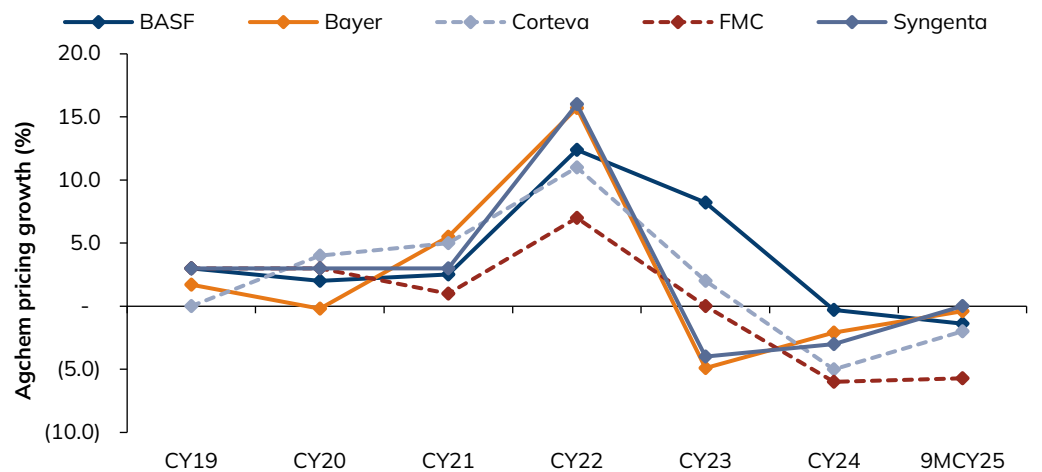
Source: Company data, I-Sec research

Exhibit 16: Pricing pressure has been sticky unlike volumes since CY22



Source: Company data, I-Sec research

Exhibit 17: CY25 is expected to end with low-to-mid single-digit pricing drop



Source: Company data, I-Sec research

Exhibit 18: Key comments (quotes) from innovators on Q4CY25

Company	Topic	Comments on CY25
BASF Group	Volumes	As I said, we are expecting Q4 to stay more or less similar to Q3 in dynamics, plus the normal seasonality that we have in our businesses. So in Ag, of course, an uptick in activity
	Inventory	I would say we have healthy channel inventories. So substantially, we see demand for our products. This is also why we are optimistic for the rest of the year that the Ag Solutions segment will deliver on its plans.
Bayer AG	Revenue	For Crop Science, growth in the fourth quarter is driven by glyphosate, which is now anticipated at the upper end of our full year sales guidance range but will have a dilutive impact on margin in Q4. In addition, growth is anticipated for Latin America recovering from a weak prior year period.
FMC Corp	Volumes	Higher volume driven by growth portfolio
	Price	Mid-to-high-single digit price decline due to diamide partner contract adjustments, competitive pricing
	Others	Negative impact of 6% due to removal of India
Corteva	Volumes	Volume gains driven by Crop Protection new products and biologicals and additional North America and Latin America corn acres in Seed
	Price	LSD price/mix gains in Seed to capture value for technology, partially offset by additional Crop Protection market price pressure
	Inventory	Typically, in Q4, we will end up building some inventory, and we expect that to be again this year

Source: Company data, I-Sec research

Exhibit 19: Key preliminary comments (quotes) from innovators on CY26 – indicates the worst is behind

Company	Topic	Comments on CY26
BASF Group	Prices	So, I would say that we feel good about the business, also going into next year, despite the low price levels that we are currently still seeing. It would certainly be helpful if the soft commodity cycle gains momentum to the upside
Bayer AG	Volumes	Even though the markets are going to recover, especially US and China, it's not going to be a significant recovery. Right now, we're thinking about low single-digit growth for both markets more around, let's say 1% for both of them. The market overall, we're thinking about somewhere around 3% to 5%.
	Currency	We expect significant currency headwinds to continue in 2026
FMC Corp	Tariffs	However, as we look ahead to 2026, there are still a number of uncertainties, not the least of which are tariffs for China and India.
Corteva	Volumes	Overall, though, for the crop protection market for 2026, we think it's going to be better than 2025, and it's really going to be driven by volume growth
	Prices	With the exception of Latin America where we expect competitive pressure to keep prices flat to modestly down, we see overall CP market pricing stabilizing in 2026.
	Industry	It's a reasonable assumption to say that in 2026, the global crop protection industry will return to low-single-digit growth.

Source: Company data, I-Sec research

Agro-chem' underlying demand drivers

Agro-chem innovators have been highlighting that underlying demand had some pressure due to trade uncertainty (Chinese buying lower soybean from US), tariffs and farmer margins under pressure.

Exhibit 20: Corteva's presentation under CEO message on global demand scenario

Overall Ag Market Outlook	▪ Record consumption of grain, oilseeds, feed, and biofuels continues in 2025
	▪ On-farm demand strong as farmers prioritize premium crop input technologies
	▪ Uncertainty remains on global trade policy; farmer margins pressured

Source: Company data, I-Sec research

Exhibit 21: Corteva preliminary view on CY26

Market Backdrop	Corteva Expectations
<ul style="list-style-type: none"> ▪ Strong global consumption of grains and oilseeds ▪ On-farm product demand continues to grow ▪ LSD organic growth in Crop Protection industry ▪ Logical shift in U.S. planted area from corn to soy ▪ Farmers prioritize seed selection while managing tight margins and global trade uncertainty 	<ul style="list-style-type: none"> ▪ Seed gains driven by new hybrids and varieties ▪ CP New Product / Biologicals volume gains ▪ Ongoing productivity and cost benefits ▪ Manageable level of separation dis-synergies ▪ Continued growth in R&D investment ▪ Currency tailwind from stronger BRL

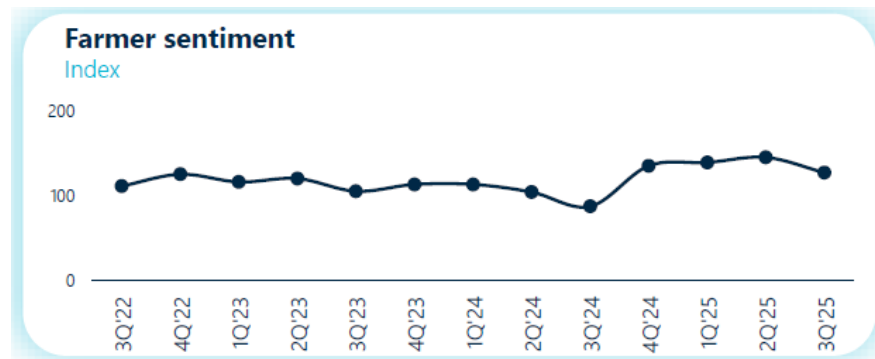
Source: Company data, I-Sec research

We have outlined a few key factors impacting the underlying demand sentiment for agro-chem. These key indicators include farmer sentiment, and farmer income; grain prices which directly affect farmer’s income, and stock-to-use ratio which indicates stock pile, and has implication of grain pricing.

1. Farmer sentiment and farmer income

Farmer sentiment is slightly better than median, as per the chart shared by ICL group; but it has shown some decline in Q3CY25 levels, where sentiment appears to be weakening. Clearly, a few factors such as lower farmer income (declining agro-commodity prices) have dented sentiment.

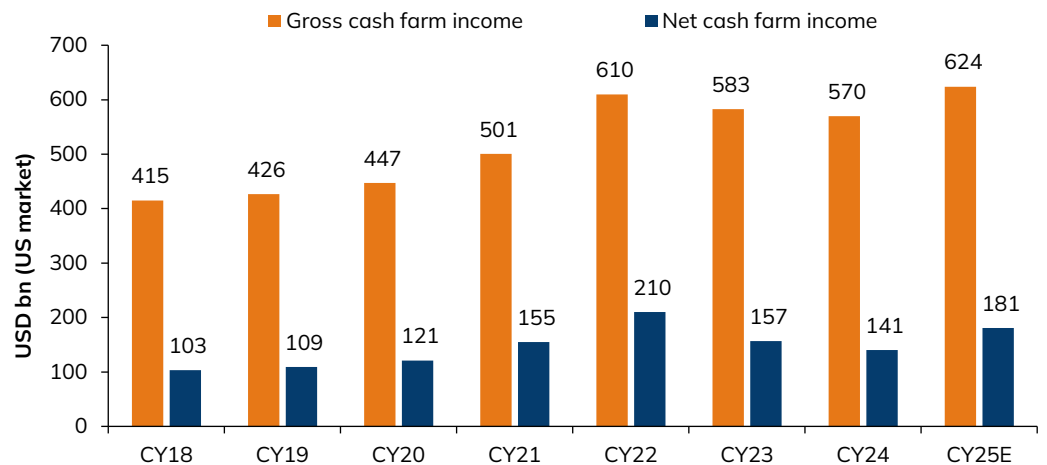
Exhibit 22: Farmer sentiment – dipped in Q3CY25, probably on weakening agro-commodity prices; but still above median



Source: Company data, I-Sec research

USDA (United States Department of Agriculture) shares gross cash farm income for US market, which we are using as a proxy for the globe. US cash farm income had reduced in CY23, and CY24. However, CY25 is expected to see modest growth in gross cash farm income and net farm income.

Exhibit 23: Farmer gross cash income – reduced in CY23/CY24, but should see modest growth in CY25; however, dip in agro-commodity prices clouds CY26 farmer income

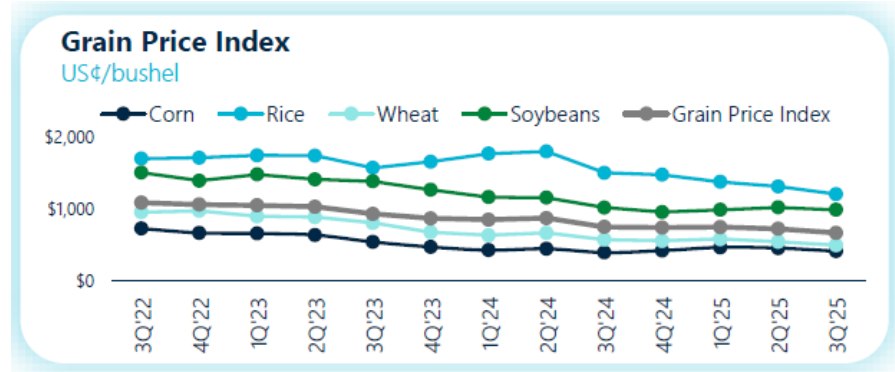


Source: USDA

2. Grain prices

We have again used data shared by the ICL group, where key grain prices have dropped from its peak. CY25 has seen a steady drop in grain prices despite record consumption, which is dampening farmer sentiment. Low grain prices would reflect in weak farmer income for CY26, and modest recovery in agro-chem' demand significantly depends on recovery in agro-commodity prices.

Exhibit 24: Grain prices steadily declined in CY25, dampening farmer sentiment

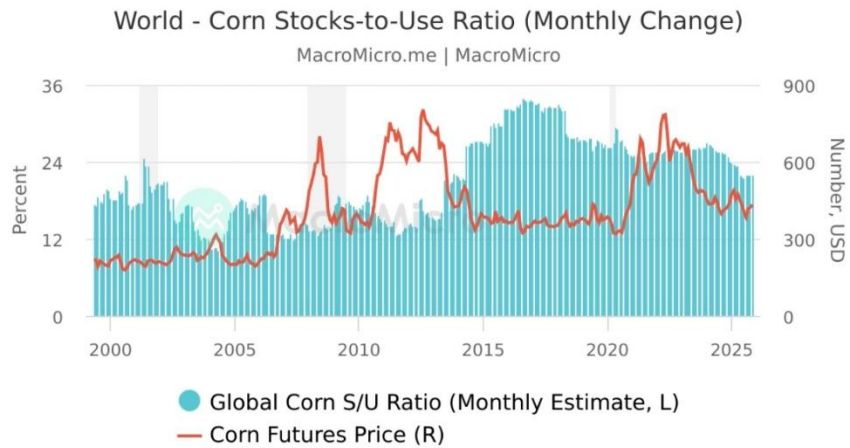


Source: ICL

3. Stock-to-use ratio

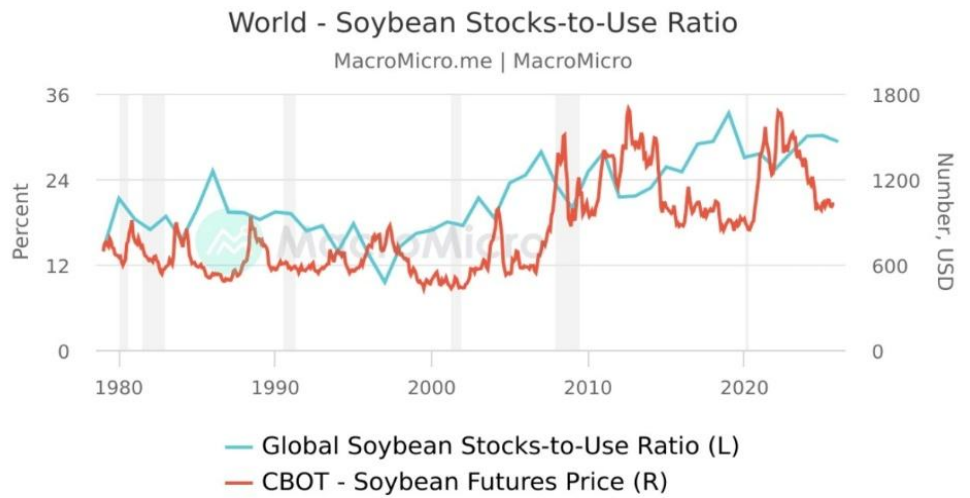
We lay out the stock-to-use ratio for key crops – corn, soybean, wheat and cotton. The previous agro-chem downcycle was majorly caused due to an elevated stock-to-use ratio of key crops, and drop in crop prices, which triggered destocking during CY15–17, particularly in LATAM markets. Unlike the previous cycle, the stock-to-use ratio was much lower, and has been stable or declining, except for soybean. Soybean had lower acreage during the current sowing season, which should support an improvement in the stock-to-use ratio.

Exhibit 25: Global corn stock-to-use ratio lowest since 2015



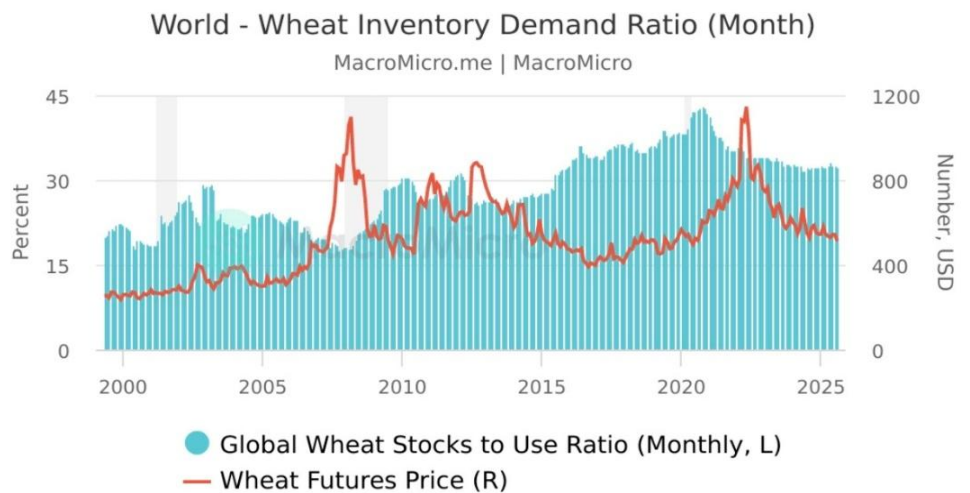
Source: Macromicro

Exhibit 26: Global soy stock-to-use ratio increased in past two years; however, soy acreage is likely to dip sharply in CY25 – would help normalise the ratio



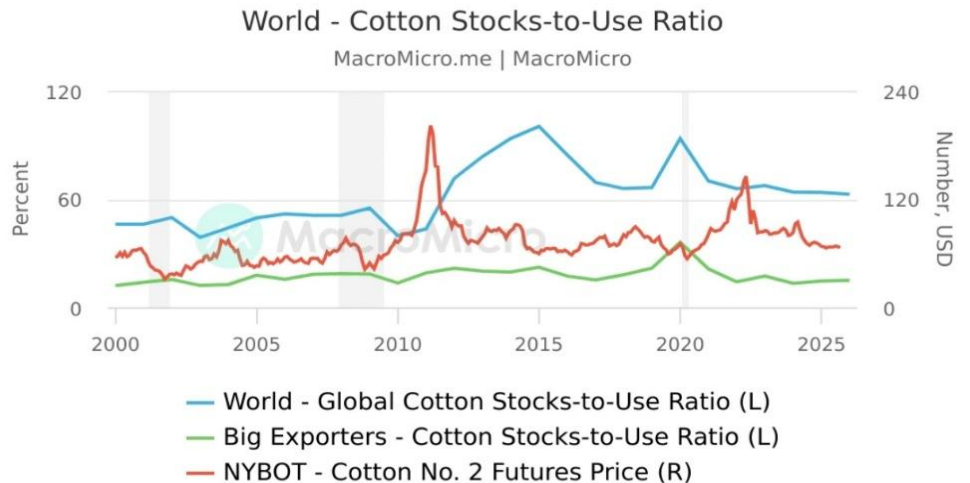
Source: Macromicro

Exhibit 27: Global wheat stock-to-use ratio again lowest since 2015



Source: Macromicro

Exhibit 28: Global cotton stock-to-use ratio lowest since 2012



Source: Macromicro

Summarily, we see underlying demand for agro-chem being steady for CY26. The agro-commodity prices have dropped in CY25, though the stock-use ratio is not concerning; therefore, we believe commodity prices' downside should be limited. Innovator agro-chem companies have highlighted deterioration in LATAM's credit cycle, with increased default risk – this could partly dent demand. Inventories have corrected sharply, and is no more seen as a problem for agro-chem demand. Chinese competition is unlikely to recede, but it has not worsened.

We believe the key to watch for, in agro-chem demand, is agro-commodity prices; and, any uptick could sharply drive demand for crop protection products, in our view.

SRF's specialty chemicals to see uptick from H2FY25

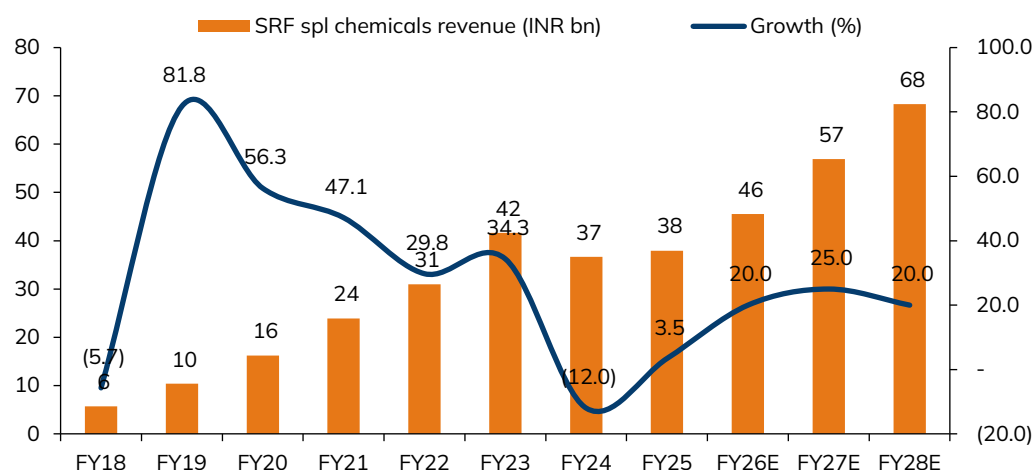
SRF's specialty chemicals' revenue dipped 9% in FY25 to INR 38bn vs. FY23 (INR 42bn). We ascertain that volumes have held broadly while realisation has slipped sharply, impacting SRF's specialty chemicals' revenue. The key product that contributed over 20% revenue was DFPA.

DFPA: DFPA is a pyrazole carboxylic acid with a difluoromethyl and methyl substituent, used as an intermediate in crop protection synthesis. It is high-value fungicide actives used in cereals, soy, fruits and vegetables. The intermediate is used by multiple innovators such as BASF, Syngenta and Bayer through technicals like fluxapyroxad, sedaxane, isopyrazam and bixafen. DFPA market has faced price erosion and increased competition due to new players entering the market and the off-patenting of the final fungicides. Prices have dip from USD 40–45/kg to a range of USD 20–29/kg. Chinese producers like Yongtai and Keylab have entered the market with large capacities, contributing to the commoditisation of DFPA.

SRF volumes have not shown much weakness while pricing has been a drag on revenue. The company has been vocal on its ability to retain volumes, and pricing pressure has been absorbed through cost efficiency and optimisation of manufacturing process. We believe, the worst is behind pricing for SRF, and H2FY26 should have much lower pricing erosion (hitting softer base).

SRF specialty chemicals' revenue has grown in low single digit in H1FY26; and the company has guided for 20% revenue growth in FY26. It believes, improving agro-chem cycle, higher volumes, lower price erosion effect and new products should drive much stronger growth in H2FY26. We believe, if SRF achieves even 15% revenue growth in specialty chemicals for FY26, then a potentially much stronger FY27 is in sight.

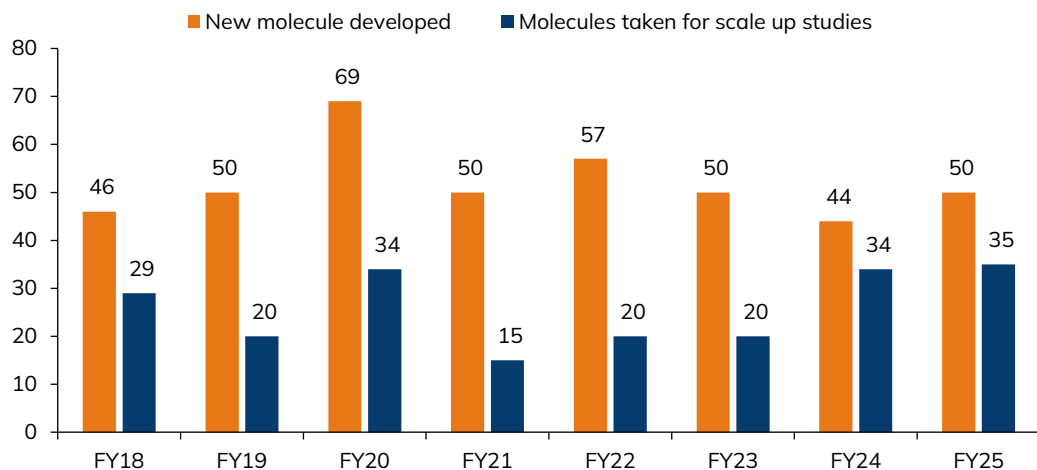
Exhibit 29: We factor in 20% revenue growth for SRF for FY26; while SRF achieves momentum the next two years appear much strong



Source: Company data, I-Sec research

SRF's R&D efforts on specialty chemicals remain strong, and steady. This should help the company when agro-chem companies become aggressive with new launches. SRF has highlighted that it is working on 5–6 new AIs, of which one is expected to go for commercial production in H2FY26 itself. These AIs provide good visibility for sustaining strong growth in agro-chem for the next few years.

Exhibit 30: SRF's product pipeline remains strong despite weak cycle; indicates turnaround in cycle to help accelerate revenue growth



Source: Company data, I-Sec research

Key comments by management on AI during the past four earnings calls – provides some understanding on new AI potential.

Q2FY26 earnings call

'Our product pipeline remains strong with the successful launch of 1 new active ingredient, 3 new agro products and 1 new pharma product in H1 FY26. The development pipeline continues to be healthy with multiple new pharmaceutical intermediates and agrochemical AI opportunities under development.'

'The work on AI piece is going on well. We've always said that it will take some time to see larger commercial sales on these AIs. The good news is that some of these are now starting to see traction. Hopefully, we will start to see some revenue during H2, and over the next 12 to 18 months, this should become a larger piece from a Specialty Chemicals business perspective.'

Q1FY26 earnings call

'There are 4 or 5 AIs in commercial batching situation. Because these are dependent on customer registration and customer positions on it, we don't know the exact timing of it, but likely to witness some traction in FY26.'

Q4FY25 earnings call

'We have always said that in FY26 we will see at least two to three AI, more towards H2 is when they will come through. We will give you an update on some of these as we start to see a pickup on volumes. When we look at it from an FY25 perspective, the key AI still remains as P32 only. We have seen some new AIs come through over the financial year, there have been some positive developments that have come through. The ramp up will continuously depend on the customer requirements going forward. Some of these are patented products, and as they launch in various geographies, we will start to see a pickup in volume of these. Very difficult to judge the exact timing, but we are fairly confident that in H2 there will be some positive traction going forward.'

'From an AI capacity perspective, as of now we are doing it from our multipurpose plants. Various blocks have been created within those multipurpose plants to manage the requirements. We have a fair sense of how those AI requirements will pan out, and we should be able to meet them up from our existing multipurpose plants, from the agrochemical or the AI intermediate plant that we have put up. As we see larger demands, as we see higher volumes, we will look to put up newer capacities, and obviously those will get announced.'

Chemours contract to accelerate fluoropolymers growth

SRF commissioned a PTFE plant in FY24, with estimated capacity of 5ktpa. The facility is an integrated plant, with the company producing its own R22, and TFE. SRF also is in the process of building its facility for other fluoropolymers including FKM, PFA and PVDF starting end-CY25 in a phased manner; final phase expected by end-CY26. These products cover major fluoropolymer categories while it is in the process of developing various grades within the category.

SRF's fluoropolymers' business has faced multiple delays in commissioning the facility; and its ramp-up has been underwhelming. However, we see the fluoropolymers business potentially accelerating revenue growth given that –

- SRF has signed a supply agreement with Chemours (spin-off DuPont, pioneer for fluoropolymers); wherein, SRF would support Chemours to meet the need for essential application from CY26.

Some of the points for release on agreement are –

'This collaboration strengthens Chemours' global supply chain footprint, bolsters operational flexibility, and provides access to capacity for fluoropolymers and fluoroelastomers—essential materials used across industries such as semiconductor, automotive, aerospace, chemical processing, oil and gas, and more.'

'The agreements will supplement Chemours' existing global operations, allowing Chemours to efficiently bring supply flexibility while requiring no upfront capital investment.'

SRF, in its recent earnings call, provided more understanding on fluoropolymer contract with Chemours. Below are the excerpts –

'The rationale for the Chemours contract is one, getting associated with a global player; two, thinking about our technology versus their technology, thinking about how can he make our fluoropolymer play a bigger fluoropolymer play; and to a certain extent, it is a position to be created from an outsourcing as well as a global play perspective for Chemours as well. So the rationale for the contract for us is probably expanding our footprint in products which are global plays rather than localized plays.'

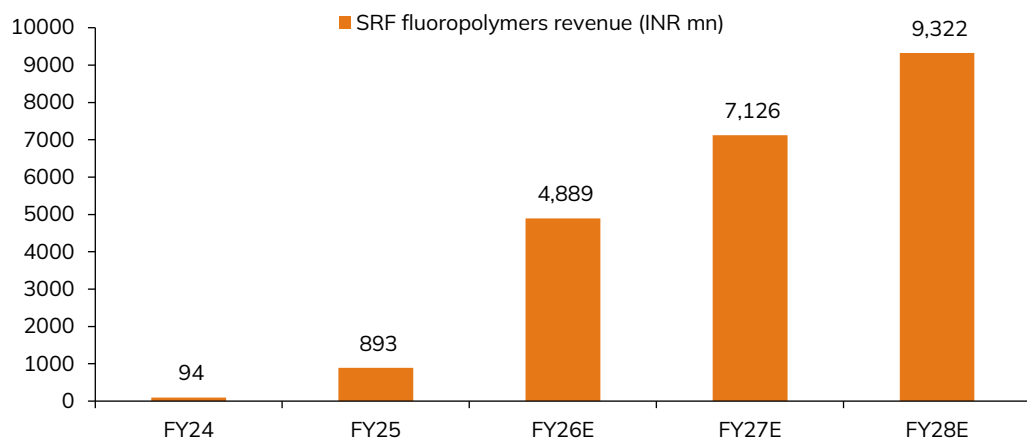
'These are for 2 basic fluoropolymers, which is, a fluoropolymer and another, a fluoroelastomer. The large grades that we will be manufacturing under this contract will be sold to Chemours for their global play. It is a fairly decent ROI based contract. And it does not restrict SRF from making its own other fluoropolymers with its own technology.'

On back of this agreement, SRF has increased its scope for capex for upcoming plant from INR 6bn to INR 7.5bn. Therefore, SRF's total gross block investment in the fluoropolymers business will likely jump to INR 12.5bn. This provides visibility towards SRF potentially achieving revenue of INR 10bn in FY28.

Further, DGFT has recommended ADD on Chinese and Russian PTFE. DGFT has proposed ADD of USD 2.8–5.9/kg. If implemented, this would benefit SRF – uplifting volumes, and realisation. India imported PTFE 2.5te in H1FY26. Average import price for PTFE in the same period was USD 8.2/kg.

We expect SRF fluoropolymers' revenue to come in at INR 4.9bn. We believe, this may appear aggressive, considering the company was running capacity utilisation at 50–55%, and new fluoropolymers commissioning seems to be delayed amid capacity upscaling. However, our FY28 estimate of fluoropolymers' revenue at INR 9.3bn seems to be the base case, and if Chemours' supply contract ramp-up is as projected, and India implements **ADD**, then we see upside risks to these estimates.

Exhibit 31: SRF fluoropolymers revenue estimate for FY26E appears aggressive, but FY28E forecast is achievable



Source: Company data, I-Sec research

Chemical business EBIT to grow at CAGR of 25.4% over FY25-28E

We peg chemical business' revenue growing to INR 111bn over FY25-28E, a CAGR of 18.3%, driven by recovery in specialty chemicals and ramp-up in fluoropolymers. That said, our estimates for ref-gas appears 15–20% below realistic assumption. Thus, if ref-gas prices hold at current levels, then CAGR may easily cross 20% during this time.

EBITDA expansion in FY26E is largely due to operating leverage, and better plant utilisation. We believe H2FY26 should see significant benefit of operating leverage + strong seasonality. And, our margin estimates factor in ref-gas prices to remain below H1FY26 levels, which is rather conservative. SRF's chemicals' EBITDA to see a CAGR of 23%, to INR 40bn, over FY25–28E; and EBITDA margin is assumed at 36–37%.

Our EBIT estimate is at INR 33bn for FY28 – a CAGR of 25.4%. And, EBIT margin is assumed at 30–31%. This, in comparison, SRF has achieved 28% EBIT margin in H1FY26, which is seasonally its weakest. In FY25, the chemicals business' EBIT margin was 19% in H1FY25, and 29% in H2FY25.

Clearly, our chemicals business revenue and EBIT have upside risks.

Exhibit 32: Chemical business' estimates are conservative; has upside risks, in our view

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR (% FY25-28E)
Ref-gas	16,955	25,570	20,634	22,088	25,401	26,671	27,205	7.2
Spl chemicals	31,003	41,650	36,661	37,932	45,518	56,898	68,277	21.6
Fluoropolymers	-	-	94	893	4,889	7,126	9,322	118.6
Others	4,449	6,889	5,581	5,995	5,816	5,922	6,031	0.2
Total revenue	52,408	74,109	62,970	66,908	81,625	96,617	1,10,835	18.3
Growth (%)		41.4	(15.0)	6.3	22.0	18.4	14.7	
EBITDA	17,005	26,755	20,311	21,334	30,465	35,359	39,684	23.0
EBITDA (%)	32.4	36.1	32.3	31.9	37.3	36.6	35.8	
Growth (%)		57.3	(24.1)	5.0	42.8	16.1	12.2	
EBIT	13,969	23,407	16,274	16,648	25,577	29,464	32,848	25.4
EBIT (%)	26.7	31.6	25.8	24.9	31.3	30.5	29.6	
Growth (%)		67.6	(30.5)	2.3	53.6	15.2	11.5	

Source: Company data, I-Sec research

Packaging films continues to limp

SRF's packaging film business seems to be limping, with below-median spreads in case of BOPET; while BOPP had some green shoots, post the unfortunate event at the Jindal Poly plant. However, even that was short lived. China continues to provide huge supply, keeping spreads under pressure. FY26 will likely be the fourth straight year where packaging films' EBITDA margin remains below its long-term median; and the worst appears to be behind, though the recovery is more gradual.

SRF has commissioned an aluminium foil business; however, even that has failed to create momentum due to dumping from China. The ADD was implemented in Mar'25 and is applicable on Chinese imports up to thickness of 80microns. The rates vary from USD 479/te to 721/te for various suppliers. This is expected to provide some protection against competition.

Further, SRF is in the process of commissioning capacitor-grade BOPP, which would find multiple industrial applications, including li-ion batteries. These films are characterised by its high dielectric strength, low dielectric loss, and excellent mechanical properties. This should open up new high value business within packaging films for SRF.

Further, SRF has announced capex for two lines – one BOPP/BOPE hybrid at Indore, with installed capacity of 60ktpa; and another BOPP at Indore with capacity of 60ktpa, salted to be commissioned in H2FY27 and FY28.

We expect SRF's packaging films' revenue to expand at a CAGR of 7.3% to INR 69bn over FY25–28E, largely driven by volumes, while prices remain depressed. Capacity ramp-up in Hungary, and aluminium foil will likely be major contributors to incremental growth; and new capacity in Indore from FY27.

EBIT margins should gradually improve with cost optimisation, along with some support from spreads and operating leverage. We expect packaging films' EBIT margin to improve from 6.6% in FY25 (depressed) to 12.4% in FY28E (still below median). Therefore, we expect SRF's packaging films' EBIT to see a CAGR of 32.5% to INR 8.5bn over FY25–28E given a low base.

Exhibit 33: Packaging films business' margins to remain below long-term median even in FY28E

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR (% FY25-28E)
Capacity (ktpa)								
BOPET	2,03,500	2,03,500	2,03,500	2,03,500	2,03,500	2,03,500	2,03,500	-
BOPP	1,09,000	1,69,000	1,69,000	1,69,000	1,69,000	2,29,000	2,89,000	19.6
Aluminium foil			21,000	21,000	21,000	21,000	21,000	-
Total capacity	3,12,500	3,72,500	3,93,500	3,93,500	3,93,500	4,53,500	5,13,500	9.3
Total revenue	47,792	51,828	44,893	55,538	57,619	63,238	68,665	7.3
Growth (%)		8.4	(13.4)	23.7	3.7	9.8	8.6	
EBITDA	10,996	7,340	4,076	5,908	7,955	9,272	11,261	24.0
EBITDA (%)	23.0	14.2	9.1	10.6	13.8	14.7	16.4	
Growth (%)		(33.3)	(44.5)	45.0	34.7	16.6	21.4	
EBIT	9,463	5,562	2,065	3,645	5,510	6,723	8,482	32.5
EBIT (%)	19.8	10.7	4.6	6.6	9.6	10.6	12.4	
Growth (%)		(41.2)	(62.9)	76.5	51.2	22.0	26.2	

Source: Company data, I-Sec research

Consensus/ I-Sec estimates may see upside risks

Consensus' profit estimates for FY26/FY27 stands at INR 19bn/24bn; and these are 3–9% lower compared to I-Sec's profit estimates of INR 21bn/INR 24.4bn. We believe, if ref-gas prices sustain at current levels for the next 12 months, which is a high-probability scenario, then I-Sec's profit estimates have upside risks of over 10–15%.

What is consensus under-appreciating?

- 1) Consensus is concerned on capacity addition in R32; which, in our view, has high risk of slippage. Some of these new ref-gas producers who have no presence in R32 will likely face a risk of not getting eligible for quota.
- 2) Fall in R32 prices, which we believe is possible in 12–18 months; and USD 9/kg is difficult to assume sustainable. However, even if we factor in USD 7/kg than our number, we will likely see 15–20% upgrade for ref-gas revenue, and significant proportion of this may flow into PBT.
- 3) Gradual recovery in agro-chem, as highlighted earlier. We believe, in H2FY26, SRF may hit base where the impact from a decline in prices would reduce. Consensus is under-appreciating new product pipeline.
- 4) Operating leverage. We have seen this even in case of Navin Fluorine – operating leverage could surprise positively. SRF's capex intensity has moderated, and the benefit of own HF is yet to completely get baked in.

Exhibit 34: Consensus profit estimates are 3–9% below I-Sec; and, we believe, our estimates have upside risk

Consolidated	Consensus			I-Sec estimates			% change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Financial									
Revenue	1,63,793	1,87,511	2,13,848	1,62,195	1,82,972	2,02,980	1.0	2.5	5.4
EBITDA	35,532	42,756	50,849	38,314	44,340	50,522	(7.3)	(3.6)	0.6
EBITDA margin (%)				23.6	24.2	24.9			
EBIT	27,265	33,304	41,446	30,437	35,278	40,207	(10.4)	(5.6)	3.1
PAT	18,974	23,691	29,210	20,795	24,405	28,066	(8.8)	(2.9)	4.1
EPS (INR)	65.0	81.4	101.1	70.2	82.3	94.7	(7.3)	(1.2)	6.7

Source: Bloomberg, I-Sec research

Risks

Upside risks

- Higher-than-expected prices for ref-gas particularly R32 and R134a.
- Better-than-expected revenues in specialty chemicals, and ramp-up in pharma intermediate business.
- Higher-than-expected EBITDA margin for chemical business.
- Recovery in spreads for packaging films.

Downside risks

- Higher-than-expected R32 capacities; and government re-distribute R22 quota to R32 among new players as well.
- Weaker global demand for R32, particularly in China, and sharp drop in prices.
- Continued downcycle in agro-chem market; and further drop in grain prices. Chinese competition worsens.
- Lower-than-expected margins for Chemical business.

Exhibit 35: SoTP-based valuation

Business units (INR mn)	Methodology	Multiple (x)	FY28E
Technical Textiles	EV/EBITDA	7.0	19,742
Chemical & Polymers	EV/EBITDA	26.0	10,31,792
Packaging films	EV/EBITDA	8.0	90,087
Less: Unallocated	Weighted avg. EV/EBITDA	21.3	68,868
Enterprise value			10,72,754
Net debt			49,009
Equity value			10,23,745
No of outstanding shares (mn)			296
Equity value (INR/sh)			3,450

Source: Company data, I-Sec research

Financials

Exhibit 36: Segment information

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR (% FY25-28E)
Revenue								
Technical textiles	20,852	18,939	18,980	20,291	19,224	19,215	19,394	(1.5)
Chemical business	52,408	74,109	62,970	66,908	81,625	96,617	1,10,835	18.3
<i>Ref-gas</i>	16,955	25,570	20,634	22,088	25,401	26,671	27,205	7.2
<i>Spl chemicals</i>	31,003	41,650	36,661	37,932	45,518	56,898	68,277	21.6
<i>Others</i>	4,164	6,041	5,078	6,476	10,705	13,048	15,353	33.3
Packaging films	47,792	51,828	44,893	55,538	57,619	63,238	68,665	7.3
Others	3,403	3,926	4,653	4,275	3,855	4,047	4,250	(0.2)
Total	1,24,337	1,48,703	1,31,385	1,46,931	1,62,195	1,82,972	2,02,980	11.4
EBITDA								
Technical textiles	5,114	3,028	3,189	2,918	2,281	2,170	2,112	(10.2)
Chemical business	17,005	26,755	20,311	21,334	30,465	35,359	39,684	23.0
Packaging films	10,996	7,340	4,076	5,908	7,955	9,272	11,261	24.0
Others	279	418	1,014	766	642	674	708	(2.6)
<i>Other unallocated expenses</i>	2,362	2,248	2,749	3,742	3,030	3,136	3,243	(4.7)
Total	33,394	37,540	28,590	30,927	41,344	47,476	53,766	20.2
EBIT								
Technical textiles	4,714	2,617	2,742	2,381	1,646	1,435	1,270	(18.9)
Chemical business	13,969	23,407	16,274	16,648	25,577	29,464	32,848	25.4
Packaging films	9,463	5,562	2,065	3,645	5,510	6,723	8,482	32.5
Others	204	348	930	688	566	599	634	(2.7)
<i>Other unallocated expenses</i>	1,335	1,646	2,066	2,566	2,861	2,943	3,027	5.7
Total	27,015	30,288	19,945	20,797	30,437	35,278	40,207	24.6
EBIT (%)								
Technical textiles	22.6	13.8	14.4	11.7	8.6	7.5	6.5	
Chemical business	26.7	31.6	25.8	24.9	31.3	30.5	29.6	
Packaging films	19.8	10.7	4.6	6.6	9.6	10.6	12.4	
Others	6.0	8.9	20.0	16.1	14.7	14.8	14.9	
Total	21.7	20.4	15.2	14.2	18.8	19.3	19.8	

Source: I-Sec research, Company data

Exhibit 37: Consolidated P&L

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR (% FY25-28E)
Revenue	1,24,337	1,48,703	1,31,385	1,46,931	1,62,195	1,82,972	2,02,980	11.4
COGS	60,669	73,935	67,088	76,992	77,857	88,259	96,942	
Gross profit	63,667	74,767	64,297	69,939	84,338	94,713	1,06,038	14.9
GMP (%)	51.2	50.3	48.9	47.6	52.0	51.8	52.2	
Growth (%)	45.3	17.4	(14.0)	8.8	20.6	12.3	12.0	
Employee cost	7,800	8,138	9,350	10,425	11,189	12,012	12,696	6.8
% of revenue	6.3	5.5	7.1	7.1	6.9	6.6	6.3	
Other expenses	24,835	31,337	29,106	32,330	34,835	38,361	42,820	9.8
% of revenue	20.0	21.1	22.2	22.0	21.5	21.0	21.1	
Total expenses	32,635	39,475	38,456	42,755	46,024	50,373	55,516	9.1
EBITDA	31,032	35,292	25,841	27,184	38,314	44,340	50,522	22.9
EBITDA (%)	25.0	23.7	19.7	18.5	23.6	24.2	24.9	
Growth (%)	45.5	13.7	(26.8)	5.2	40.9	15.7	13.9	
D&A	5,172	5,753	6,726	7,715	7,876	9,061	10,315	10.2
EBIT	25,860	29,539	19,115	19,469	30,437	35,278	40,207	27.3
Growth (%)	53.9	14.2	(35.3)	1.9	56.3	15.9	14.0	
Other income	1,155	749	830	1,327	977	1,047	1,121	(5.5)
Finance cost	1,159	2,048	3,023	3,760	3,735	3,907	4,080	
PBT	25,856	28,240	16,922	17,037	27,680	32,418	37,248	29.8
Growth (%)	60.3	9.2	(40.1)	0.7	62.5	17.1	14.9	
Tax expenses	6,966	6,617	3,565	4,529	6,885	8,013	9,182	26.6
ETR (%)	26.9	23.4	21.1	26.6	24.9	24.7	24.7	
PAT	18,889	21,623	13,357	12,508	20,795	24,405	28,066	30.9
Growth (%)	57.6	14.5	(38.2)	(6.4)	66.3	17.4	15.0	
EPS (INR)	63.7	72.9	45.1	42.2	70.2	82.3	94.7	30.9

Source: I-Sec research, Company data

Exhibit 38: Balance sheet parameters

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR (%) FY25-28E
Capital productivity								
Gross block	1,05,975	1,27,108	1,64,981	1,77,641	2,05,157	2,31,911	2,61,928	13.8
Revenue/GB (x)	1.17	1.17	0.80	0.83	0.79	0.79	0.77	
EBITDA/GB (x)	0.29	0.28	0.16	0.15	0.19	0.19	0.19	
Capex								
Capex	18,321	28,382	22,169	12,315	27,516	26,754	30,017	
Intensity (% of revenue)	14.7	19.1	16.9	8.4	17.0	14.6	14.8	
D&A/capex (x)	0.3	0.2	0.3	0.6	0.3	0.3	0.3	
Capital employed								
Capital employed	1,21,047	1,46,811	1,63,993	1,72,674	1,92,708	2,12,757	2,36,513	11.1
pre-tax ROCE (%)	23.1	22.1	12.3	11.6	16.7	17.4	17.9	
Leverage								
Net debt	27,633	32,476	41,071	35,830	42,311	45,571	49,009	
ND/EBITDA (x)	0.9	0.9	1.6	1.3	1.1	1.0	1.0	
Cash conversion								
Inventory days	63	56	65	58	60	60	60	
Debtor days	53	44	54	54	54	54	54	
Creditor days	62	55	61	58	57	56	54	
Cash conversion	54	45	58	54	57	58	59	
WC as % of revenue	15.2	12.5	12.6	12.7	13.1	13.7	13.9	

Source: I-Sec research, Company data

Exhibit 39: Concise cashflow statement

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR (%) FY25-28E
Ops CF (after tax & lease)	27,445	29,296	21,695	24,700	31,428	36,326	41,340	18.7
% of EBITDA	88.4	83.0	84.0	90.9	82.0	81.9	81.8	
Chg. of WC	(6,645)	(604)	(1,128)	(176)	(4,290)	(4,990)	(4,828)	
CFO	20,800	28,692	20,567	24,523	27,138	31,337	36,513	14.2
% of revenue	16.7	19.3	15.7	16.7	16.7	17.1	18.0	
Capex (incl. acquisition)	(18,420)	(28,382)	(22,169)	(12,315)	(27,516)	(26,754)	(30,017)	
FCF	2,380	311	(1,602)	12,209	(377)	4,582	6,496	
% of revenue	1.9	0.2	(1.2)	8.3	(0.2)	2.5	3.2	
Finance cost	(1,173)	(1,945)	(3,612)	(3,931)	(3,735)	(3,907)	(4,080)	
FCFE	1,208	(1,634)	(5,215)	8,278	(4,112)	675	2,416	

Source: I-Sec research, Company data

Peer Comparison

Exhibit 40: Specialty chemicals coverage valuation snapshot

INR mn	CMP (INR)	Mcap (INR bn)	Revenue (INR mn)			CAGR (%) FY26-28E	EPS (INR)			CAGR (%) FY26-28E
			FY26E	FY27E	FY28E		FY26E	FY27E	FY28E	
SRF	2,830	839	1,62,195	1,82,972	2,02,980	12%	70.2	82.3	94.7	16%
Navin Fluorine	5,563	276	31,534	37,888	46,647	22%	115.2	143.1	180.9	25%
Gujarat Fluoro	3,316	364	56,480	67,011	77,487	17%	83.9	100.7	126.2	23%
Atul Ltd	5,731	169	67,380	75,774	83,226	11%	216.4	263.8	301.6	18%
Deepak Nitrite	1,545	211	82,639	96,268	1,02,513	11%	44.2	62.3	65.9	22%
Chemplast	258	41	50,651	53,364	57,734	7%	(4.4)	9.1	13.2	
Galaxy	2,005	71	52,065	50,093	54,266	2%	83.2	110.7	120.4	20%
Rossari	604	33	24,030	28,059	31,405	14%	28.4	37.9	42.8	23%
EPL	196	63	46,471	51,365	55,395	9%	13.5	15.8	17.8	15%
Tatva Chintan	1,385	32	5,221	6,549	8,218	25%	23.7	35.5	50.0	45%
Clean Science	893	95	11,084	14,022	17,053	24%	25.9	30.8	38.2	22%
BlueJet Healthcare	549	95	11,280	13,547	15,538	17%	17.4	20.5	22.8	14%
Archean Chemical	493	61	16,101	18,669	21,739	16%	30.7	40.2	48.9	26%
PCBL	310	117	86,307	92,973	1,03,100	9%	9.1	17.0	23.9	62%
Himadri	462	228	55,990	69,027	87,641	25%	14.3	16.5	17.2	10%
Median						13%				22%

Source: I-Sec research, Company data

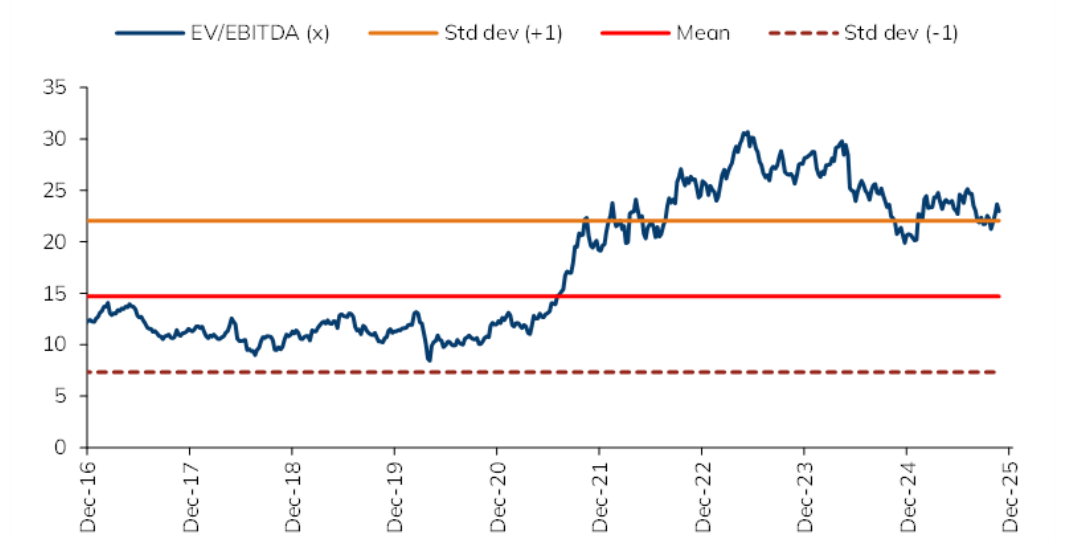
Exhibit 41: Specialty chemicals coverage valuation snapshot

INR mn	PE (x)		EV/EBITDA (x)		ROCE (pre-tax, %)		GB turnover (x)		Capex (INR mn)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
SRF	34.4	29.9	19.9	17.6	17.4	17.9	0.8	0.8	26,754	30,017
Navin Fluorine	38.9	30.8	24.7	20.0	20.2	22.3	0.9	1.0	5,250	5,513
Gujarat Fluoro	32.9	26.3	18.8	15.5	13.8	15.6	0.8	0.9	7,597	3,799
Atul Ltd	21.7	19.0	11.6	9.9	14.7	15.2	1.5	1.5	2,700	2,835
Deepak Nitrite	24.8	23.4	18.8	20.0	11.4	8.7	2.3	2.3	33,214	39,375
Chemplast	28.4	19.5	9.9	8.8	8.8	10.4	1.0	1.1	2,940	3,350
Galaxy	18.1	16.7	10.6	9.5	16.1	15.9	2.5	2.4	1,650	1,815
Rossari	15.9	14.1	9.3	8.3	17.8	18.4	2.4	2.5	953	850
EPL	12.5	11.0	5.8	5.1	20.3	20.8	1.0	1.0	3,500	3,500
Tatva Chintan	39.0	27.7	22.9	17.0	10.2	13.1	0.8	0.9	1,534	1,037
Clean Science	29.0	23.3	19.1	15.7	22.4	24.5	1.0	1.2	1,100	1,210
BlueJet Healthcare	26.8	24.1	19.8	17.4	29.8	28.9	2.0	2.1	1,000	800
Archean Chemical	12.2	10.1	7.6	5.8	23.9	24.3	1.0	1.0	1,100	1,210
PCBL	18.2	13.0	10.0	8.1	13.3	16.1	1.6	1.6	7,000	4,200
Himadri	28.1	26.8	20.2	18.5	20.5	18.3	1.7	1.9	11,500	6,800
Median	25.8	22.0	15.3	12.9	17.6	18.1	1.3	1.3		

Source: I-Sec research, Company data

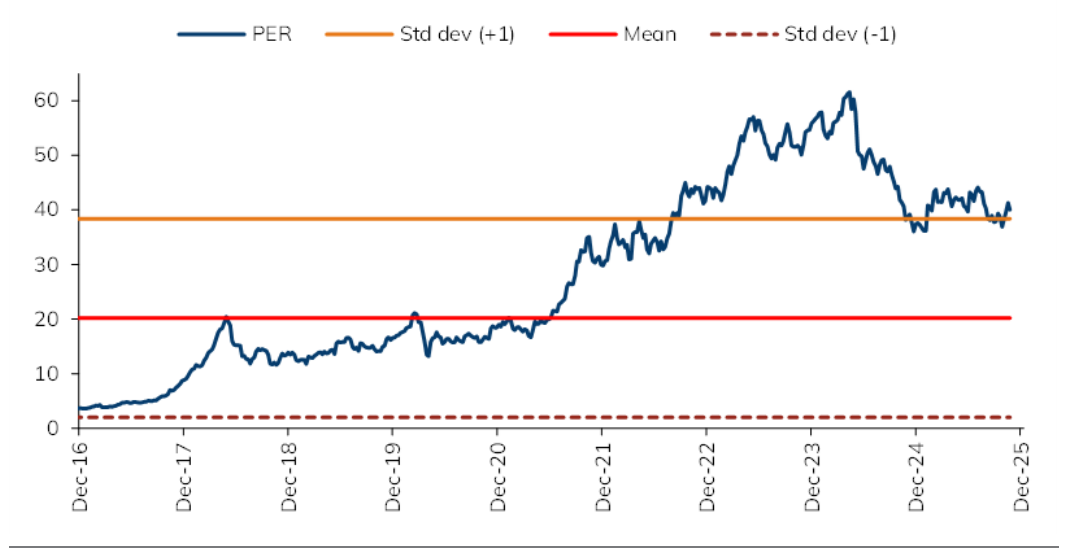
Band Charts

Exhibit 42: SRF's one-year forward EV/EBITDA



Source: I-Sec research, Bloomberg

Exhibit 43: SRF's one-year forward PE



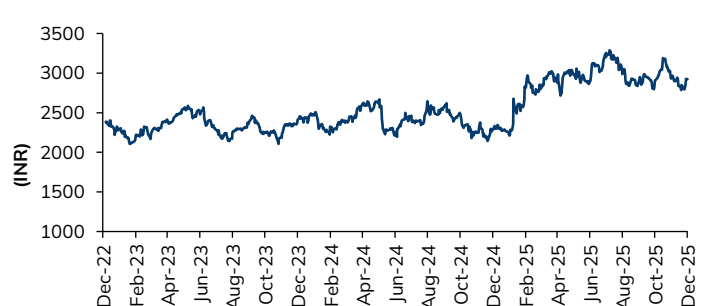
Source: I-Sec research, Bloomberg

Exhibit 44: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	50.3	50.3	50.3
Institutional investors	35.7	36.6	37.5
MFs and others	9.1	10.4	11.0
Banks / Insurance	8.4	8.0	8.0
FII's	18.3	18.2	18.5
Others	14.0	13.1	12.2

Source: Bloomberg, I-Sec research

Exhibit 45: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 46: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	1,43,582	1,62,195	1,82,972	2,02,980
Operating Expenses	1,19,746	1,23,881	1,38,632	1,52,458
EBITDA	27,184	38,314	44,340	50,522
EBITDA Margin (%)	18.5	23.6	24.2	24.9
Depreciation & Amortization	7,715	7,876	9,061	10,315
EBIT	19,469	30,437	35,278	40,207
Interest expenditure	3,760	3,735	3,907	4,080
Other Non-operating Income	1,327	977	1,047	1,121
Recurring PBT	17,037	27,680	32,418	37,248
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	4,529	6,885	8,013	9,182
PAT	12,508	20,795	24,405	28,066
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	12,508	20,795	24,405	28,066
Net Income (Adjusted)	12,508	20,795	24,405	28,066

Source Company data, I-Sec research

Exhibit 47: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	54,250	64,056	69,114	75,731
of which cash & cash eqv.	3,538	6,687	4,053	3,280
Total Current Liabilities & Provisions	27,700	30,445	33,600	36,604
Net Current Assets	26,550	33,610	35,515	39,127
Investments	8,273	1,228	1,228	1,228
Net Fixed Assets	1,45,308	1,64,947	1,82,640	2,02,342
ROU Assets	2,490	2,490	2,490	2,490
Capital Work-in-Progress	8,110	8,110	8,110	8,110
Total Intangible Assets	1,125	-	-	-
Other assets	4,021	4,129	4,243	4,362
Deferred Tax Assets	357	357	357	357
Total Assets	2,15,571	2,38,604	2,62,133	2,89,203
Liabilities				
Borrowings	46,412	48,998	49,624	52,288
Deferred Tax Liability	10,553	10,553	10,553	10,553
Provisions	826	826	826	826
Other Liabilities	3,818	4,072	4,397	4,707
Equity Share Capital	2,964	2,964	2,964	2,964
Reserves & Surplus	1,23,288	1,40,736	1,60,158	1,81,250
Total Net Worth	1,26,262	1,43,710	1,63,133	1,84,225
Minority Interest	-	-	-	-
Total Liabilities	2,15,571	2,38,604	2,62,133	2,89,203

Source Company data, I-Sec research

Exhibit 48: Quarterly trend

(INR mn, year ending March)

	Dec-24	Mar-25	Jun-25	Sep-25
Net Sales	34,913	43,133	38,186	36,402
% growth (YOY)	14.4	20.8	10.2	6.3
EBITDA	6,196	9,574	8,298	7,742
Margin %	17.7	22.2	21.7	21.3
Other Income	396	345	291	257
Extraordinaries	0	0	0	0
Adjusted Net Profit	2,711	5,261	4,323	3,882

Source Company data, I-Sec research

Exhibit 49: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	25,051	31,428	36,326	41,340
Working Capital Changes	(176)	(4,290)	(4,990)	(4,828)
Capital Commitments	(12,315)	(27,516)	(26,754)	(30,017)
Free Cashflow	12,560	(377)	4,582	6,496
Other investing cashflow	(2,525)	8,023	1,047	1,121
Cashflow from Investing Activities	(2,525)	8,023	1,047	1,121
Issue of Share Capital	-	-	-	-
Interest Cost	(3,931)	(3,735)	(3,907)	(4,080)
Inc (Dec) in Borrowings	(4,291)	2,585	627	2,664
Dividend paid	(2,132)	(3,346)	(4,983)	(6,974)
Others	(352)	-	-	-
Cash flow from Financing Activities	(10,705)	(4,496)	(8,263)	(8,390)
Chg. in Cash & Bank balance	(670)	3,149	(2,634)	(773)
Closing cash & balance	3,340	6,687	4,053	3,280

Source Company data, I-Sec research

Exhibit 50: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	42.2	70.2	82.3	94.7
Adjusted EPS (Diluted)	42.2	70.2	82.3	94.7
Cash EPS	68.2	96.7	112.9	129.5
Dividend per share (DPS)	7.2	11.3	16.8	23.5
Book Value per share (BV)	426.0	484.8	550.3	621.5
Dividend Payout (%)	17.1	16.1	20.4	24.8
Growth (%)				
Net Sales	11.2	13.0	12.8	10.9
EBITDA	5.2	40.9	15.7	13.9
EPS (INR)	(6.4)	66.3	17.4	15.0
Valuation Ratios (x)				
P/E	67.1	40.3	34.4	29.9
P/CEPS	41.5	29.3	25.1	21.9
P/BV	6.6	5.8	5.1	4.6
EV / EBITDA	32.8	23.4	20.3	17.9
EV/SALES	6.1	5.5	4.9	4.5
Dividend Yield (%)	0.3	0.4	0.6	0.8
Operating Ratios				
Gross Profit Margins (%)	47.6	52.0	51.8	52.2
EBITDA Margins (%)	18.5	23.6	24.2	24.9
Effective Tax Rate (%)	26.6	24.9	24.7	24.7
Net Profit Margins (%)	8.5	12.8	13.3	13.8
NWC / Total Assets (%)	14.1	14.8	15.7	16.1
Net Debt / Equity (x)	0.3	0.3	0.3	0.3
Net Debt / EBITDA (x)	1.3	1.1	1.0	1.0
Profitability Ratios				
RoCE (%)	8.5	12.5	13.1	13.5
RoE (%)	10.4	15.4	15.9	16.2
RoC (%)	9.0	13.1	13.5	13.7
Fixed Asset Turnover (x)	0.8	0.8	0.8	0.8
Inventory Turnover Days	58.4	60.0	59.7	59.6
Receivables Days	53.9	54.3	54.3	54.2
Payables Days	57.9	57.4	55.8	54.5

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Jeetu Jawrani](#) Email address: headservicequality@icidirect.com Contact Number: 18601231122
