SRF
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Chemical biz uptick to boost SRF's H2 growth

Volumes, prices, new products to provide fillip, say analysts

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The stock of the country's largest listed specialty chemicals maker by market capitalisation, SRF, has gained about 6 per cent over the past week. While its performance in the second quarter (July-September) of 2025-26 (Q2FY26) was a mixed bag, brokerages expect upsides due to strong prospects for its core chemicals business.

They expect the second half of the current financial year (H2FY26) to be better than the first on better volumes, prices, and output of new products. At the current price, the stock, which has gained about 30 per cent over the past year, is trading at 36 times its FY26 earnings per share (EPS).

ICICI Securities is positive about the prospects of the chemicals business going ahead. The performance, according to analysts led by Sanjesh Jain of ICICI Securities, could improve across refrigerant gases, specialty chemicals and fluoropolymers.

Higher volumes and sustained prices present a 15-20 per cent upside risk in the refrigerant gas business. The brokerage remains optimistic about hydrofluorochemical (HFC) prices — complemented by positive industry dynamics. Specialty chemicals should benefit from a favourable price base and greater volumes, which, coupled with new product commissioning, may spur growth in H2FY26. H1FY26 saw a low single-digit revenue growth.

With channel inventory and oversupply issues behind JM Financial Research sees a pick-up in demand for non-generic agrochemicals and related specialty chemicals in calendar year 2026 (CY26), driven by a likely improvement in farmer profitability, especially in North America.

Non-generic agrochemicals may be preferred globally in CY27 on the back of a likely contraction in crop supplies in CY26, which bodes well for improvement in crop prices. Within its coverage universe, analysts led by Krishan Parwani of the brokerage believe that SRF should benefit from this phenomenon given a large part of its growth in FY27 is set to come from the ramp-up of new active ingredients.

In Q2FY26, it was the chemicals segment which helped the company offset the weakness in the packaging products. While the chemical business reported a growth of 23 per cent year-on-year (Y-o-Y), led by fluorochemical volumes and realisations, overall revenue growth at 6 per cent was lower than estimates.

On a sequential basis, however, both the chemicals and the packaging segments saw a decline. The chemical segment's quarter-on-quarter (Q-o-Q) was hampered by headwinds from Chinese competition and US tariff uncertainty, which led customers to defer their procurements. The chemicals business accounted for 46 per cent of revenue and 74 per cent of the profits at the operating level.

SRF reiterated its 20 per cent revenue growth guidance for the chemicals segment in FY26, led by strong R-32 demand, fluoropolymers growth, and a continued recovery in global agrochem demand. R-32 is a chemical compound known as difluoromethane, which is widely used as an environmentally friendlier refrigerant in air conditioning and heat pump systems.

Based on global chemical firms' outlook, Elara Securities expects SRF to continue to benefit from strong volume-led recovery in agrochem globally, resilient R-32 demand, and modest demand growth outlook for packaging. Ramp-up at the PTFE fluoropolymer plant (polytetrafluoroethylene) and continued agrochem demand recovery in specialty chemicals would be key earning growth drivers, it said.

A few hiccups in the near term due to persistent global headwinds in agrochemicals may defer demand, believes Nuvama Research, but would not derail the China +1 theme. Tailwinds in HFC gases will keep margins buoyant, it said.

While chemical business margin expanded to 28.9 per cent Y-O-Y in Q2FY26, the packaging business expanded to 8.4 per cent.

Source: Bloomberg; BSE