

SRF Advantageously placed to maintain dominant position in the refrigerant space

**CMP: INR 2,876**

**Outlook: Positive**

**Stock Info**

BSE	503806
NSE	SRF
Bloomberg	SRF:IN
Sector	Commodity Chemicals
Face Value (INR)	10
Equity Capital (INR bn)	2.96
Mkt Cap (INR bn)	853
52w H/L (INR)	3,325/2,127
Avg Yearly Volume (in 000 <sup>3</sup> )	643

**Shareholding Pattern %**

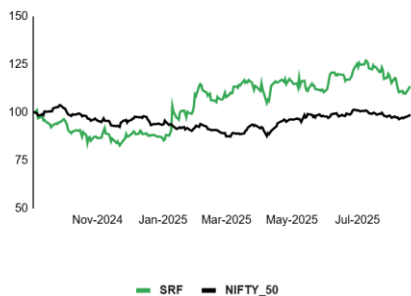
(As on June, 2025)

Promoters	50.26
DII	18.85
FII	18.24
Public & Others	12.65

**Stock Performance (%)** 1m 6m 12m

SRF	-4.16%	1.22%	-10.45%
NIFTY	-0.15%	10.9%	-2.96%

**SRF vs Nifty**



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SRF Ltd demonstrates a robust strategic positioning within the fluorochemicals space, emphasizing regulatory preparedness, supply chain strengths, and capacity for next-generation refrigerants. Medium- to long-term market expansion is anticipated in Asia, especially India, as HFC demand remains resilient amidst evolving environmental frameworks. While the Kigali Amendment introduces complexity around quota allocations and future growth, SRF's backward integration and technology edge bode well for Southeast Asia leadership and export opportunities. Overall, management guides for steady volume growth, secured market access post-2028 baseline formation, and agile regulatory compliance underpinning future value generation.

**SRF Advantageously placed**

- SRF Ltd is among the world's few fully backward-integrated refrigerant producers, with own technology, robust supply chain, and extensive brand/distribution reach not just in India, but across Thailand, Middle East and export destinations.
- Proven leadership in both HFCs and next-generation (fourth-gen) refrigerant technologies, with expansion plans underway for new capacities to fortify future positioning.
- SRF expects continued value creation through integrated operations, regulatory agility, and capital-efficient growth model aligned with evolving quota structures.

**Quota Formation and Allocation**

- Final HFC quotas will be determined post completion of India's baseline formation period (2024-26); currently 18 months remain for quota determination.
- Quotas in India likely to be set in GWP (Global Warming Potential) terms, offering product fungibility between different HFC molecules.
- Each company's entitlement will be mathematically derived based on production/consumption averages during baseline years plus HCFC conversion.
- Government discretion remains on allocating excess quotas, but historical precedent is towards rewarding incumbents who participated in baseline years.
- Separate quotas for production and consumption; export volumes are included in production quota, while domestic sales drive consumption quota accounting.

**Key Monitorables**

- Timely capacity additions and baseline-run rates directly impact long-term entitlements and growth opportunity for market incumbents.
- Regulatory clarity over quota fungibility (GWP vs product) to impact plant flexibility and market share evolution post-freeze.
- Asia market remains structurally attractive vs. flattish global demand – SRF's scale, backward integration and export capabilities position it well to benefit from ongoing phase-down and policy transitions.

### Strategic Advantages

- **Complete HFC portfolio:** Only Indian manufacturer of R32, R125, and R134a with integrated blending capability.
- **Backward integration:** Full control over critical intermediates including hydrofluoric acid, chloroform.
- **Global presence:** Established distribution in India, Thailand, Middle East with growing export markets.

### Recent Performance

- **Fluorochemicals revenue:** Strong performance driven by R467A commercialization.
- **Fourth-generation entry:** R467A represents in-house developed low-GWP solution.
- **Capacity utilization:** Running at optimal levels across HFC product lines.

### Regulatory Positioning

- **Baseline optimization:** Actively maximizing production during 2024-26 baseline formation.
- **Technology leadership:** Indigenous development capabilities reducing import dependency.
- **Pharmaceutical grade capability:** Dymel HFA 134a/P for medical propellants with FDA Drug Master File.

### Global Regulatory Landscape

- The refrigerant market regulation is centered around the Kigali Amendment to the Montreal Protocol, introducing phased reduction in HFCs (hydrofluorocarbons) across regions by established baselines.
- Distinct regulatory timelines and freeze years for quota establishment:
  - i) Non-A5 Countries (US, EU, Japan): Baseline avg. (2011-13), 15% forever allowed from 2045 onwards.
  - ii) A5 Group 1 (China, SE Asia, LatAm, South Africa): Baseline avg. (2020-22) plus 65% of HCFC baseline; freeze year 2024.
  - iii) A5 Group 2 (India, GCC, Pakistan): Baseline avg. (2024-26) plus 65% of HCFC; freeze year 2028.
- Only capacities set up before the start of baseline period are eligible for quota allocations, reinforcing early investments as strategic advantage.

### Market Dynamics and Growth Drivers

- Global HFC demand estimated at ~700,000 metric tons; Asia is the primary growth engine due to ongoing transitions from HCFC to HFC and increasing refrigeration demand.
- Marginal growth expected globally, but medium- to long-term prospects in India and Asia are stronger due to regulatory phase-ins and infrastructure expansion.
- Western markets are moving more rapidly to fourth-generation refrigerants (HFOs/HFC blends).
- SRF's anticipation of growth in Indian refrigerants segment remains positive, with expected healthy volume accretion, contingent on summer intensity and transition timeline.

### Regulatory Developments in India

- Mandatory import/export license regime now implemented for HFCs, reflecting increasing compliance sophistication and prelude to stricter quota regulation from 2028 onward.
- Ongoing discussions over allocation methodologies (GWP versus product-wise); management expects policy continuity aligned with historical HCFC frameworks.
- The entitlement post-baseline freeze will determine abilities to ramp up, diversify, or retrofit plants; absence of baseline participation severely limits future production rights.

### Risks and Policy Watch

- Quota assignment post-baseline formation carries uncertainty until final regulatory notifications; risk that late entrants will be significantly disadvantaged.
- Tight audit and regulatory oversight expected post-freeze year (2028), potentially impacting operational agility for producers with unclear entitlements.
- International trade restrictions remain relevant – US anti-dumping duties (ADD) on Chinese HFCs (including R32, 134A, 125) likely to persist, supporting SRF's export market prospects until at least early 2026.

### Summary Table – Key Regulatory Milestones (India)

Item	Timeline / Metric	Note
Baseline years	2024, 2025, 2026	Avg production/consumption + 65% HCFC GWP
Freeze year	2028	Quota cap implemented from this year
HCFC baseline years	2009, 2010	65% converted to HFC GWP quota
Licensing regime	Implemented (2025)	Both import/export need license
ADD US/China	Expiring early 2026	Decision awaited; currently offers

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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