



SRF Limited

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For immediate release

SRF Q2 FY 2005 PAT at Rs 106 million, EPS at Rs 1.64

H1 FY 2005 revenues at Rs 4639 million, PAT at Rs 226 million

Commences commercial production of Pharma Chemicals, Polyester Films

New Delhi, 27 October 2004: SRF Limited, a leading Indian player with global positions in Tyre Cord Fabric, Refrigerant Gases and Belting Fabrics, today announced its financial performance for Q2 and H1 FY 2005.

Commenting on the financial performance, **Mr. Arun Bharat Ram, Chairman and Managing Director, SRF Limited**, said:

"We have delivered a stable operating performance in the second quarter, in light of the tough operating environment driven primarily by sustained rise of input costs in our key business.

The progress of our new initiatives, which will support growth over the longer term, is on plan. Our newly established pharma chemicals and polyester films businesses have successfully commenced commercial production. We will continue to focus on endeavours that enhance our efficiencies and size within our chosen areas, to maintain leadership positions especially where market dynamics are attractive."

FINANCIAL OVERVIEW:

Quarterly perspective: Q2 FY 2005 v/s. Q2 FY 2004

- Net revenues improved by 23% to Rs 2500 million from Rs 2037 million
- Raw material costs increased 38% to Rs 1609 million from Rs 1165 million, resultant to uptrend in the price of caprolactum – a key input for the Industrial Synthetics Business

- PBIDT stable at Rs 370 million compared with Rs 376 million
- Interest cost and financial charges lower by 16% to Rs. 54 million from Rs 64 million
- PAT at Rs 106 million compared to Rs 122 million
- Cash profit from operating activities of Rs 268 million compared with Rs 298 million
- EPS (not annualized) at Rs 1.64 compared with Rs 1.89
- Cash EPS (not annualized) at Rs 4.16 compared with Rs 4.63

Half-yearly perspective: H1 FY 2005 v/s H1 FY 2004

- Net revenues registered a 12% increase to Rs 4639 million from Rs 4132 million
- Raw material costs were 20% higher at Rs 2883 million compared with Rs 2405 million
- PBIDT declined to Rs 722 million from Rs 795 million
- Interest cost and financial charges decline by 27% to Rs. 98 million from Rs 135 million
- PAT at Rs 226 million compared to Rs 259 million
- Cash profit from operating activities of Rs 526 million compared with Rs 630 million
- EPS at Rs 3.51 and Cash EPS at Rs 8.17

Business-wise performance review (H1 FY 2005 v/s H1 FY 2004)

- Industrial synthetics business
 - This business comprises Nylon Tyre Cord Fabric (NTCF) and Industrial Yarns
 - Revenues were Rs. 2713 million in H1 FY 2005 compared with Rs.2667 million in H1 FY 2004
 - PBIT declined to Rs 177 million from Rs 357 million, primarily due to irrational pricing pressures by Chinese manufacturers and the increase in raw material costs, driven by caprolactum prices.
 - Caprolactum is a key input in the manufacture of NTCF and its price in the global market has witnessed a sharp uptrend.
 - Recent policy initiatives to promote a fair marketplace taken by the Government of India, may become effective only in the third quarter, and should help in creating a more level playing

field for domestic and international players in this business segment

- The Company plans to add 13,300 TPA of polymerization and spinning capacity at its Gwalior plant, in addition to de-bottlenecking at its Manali plant that will add another 6,000 TPA of dipping capacity. This, to be achieved with an investment of Rs 1.2 billion, will enable SRF to maintain its leadership position and derive greater value accrual throughout the manufacturing chain
- Demand outlook continues to remain strong, largely driven by growth in India, China and SE Asia. Radialisation level in bus & truck tyres is still at a nascent stage at only 2% in India. The demand for nylon tyres is therefore likely to maintain high level of market dominance over the foreseeable future
- SRF is the 8th largest manufacturer of Nylon Tyre Cord in the world and it intends to continue to strengthen its status given its competence in the business and an encouraging demand outlook
- Industrial fabrics business
 - This business comprises Belting and Coated Fabrics
 - Revenues higher by 36% to Rs 678 million compared with Rs 500 million
 - PBIT expanded by 89% to Rs 68 million compared with Rs 36 million, driven by significantly higher production and sales volumes
 - SRF is the 4th largest player in belting fabrics globally, and a dominant player with 85% share domestically. In coated fabrics too, SRF is a leading OEM player
 - The Company is enhancing its belting fabrics capacity by 2,500 TPA, expected to be completed by the end of the current fiscal year at a cost of Rs 170 million, in order to capitalise on improving demand outlook as global manufacturing shifts to cost-efficient countries
 - The outlook remains encouraging, with manufacturing in this sector shifting to countries like India and the efficiency-led strengths of SRF making it a natural beneficiary of favourable market dynamics
- Fluorochemicals business
 - This business comprises Refrigerant Gases and Chloromethanes
 - Revenues increased 11% to Rs 1127 million from Rs 1012 million
 - PBIT advanced by 33% to Rs 357 million from Rs 268 million
 - SRF plans to invest Rs 520 million in expanding its capacities in this business to manufacture 3,000 TPA of new generation gases HFC-

134a/HFC-32. This is in line with the Company's focus on creating competencies in new environment friendly products, such as HFC-32 for which it has acquired US process patent

- Outlook continues to be robust, driven by greater demand in the refrigerant gases business from the air-conditioning and refrigeration segments and in chloromethanes from the pharma and the agrochemicals sectors.
- Polyester films business
 - This business registered revenues of Rs 174 million, which reflects only the Q2 FY 2005 operations of the 5,200 TPA plant
 - The Company has added an additional 20,500 TPA of PET film capacity by implementing a greenfield project at the Special Economic Zone (SEZ) in Indore, which has commenced operations in October 2004. This plant was established with an investment of Rs 1.6 billion.
 - This business has a local and global customer base, and allows SRF to build upon existing strengths to capitalize on attractive opportunities. The Company enjoys significant cost advantages, accruing from process efficiencies and location advantages, as well as an effective customer engagement strategy

KEY CORPORATE DEVELOPMENTS

- Commercial production begins at new Polyester Films manufacturing facility located in the Special Economic Zone (SEZ), Indore
 - The Company's new 20,500 TPA manufacturing facility, established at a competitive cost of Rs 1.6 billion, became operational during Q3 FY 2005
 - SRF already operates a 5,200 TPA plant which has customer approvals for its products and existing customer relationships that will considerably reduce the time-to-market and lead-time with regard to enhanced production capacities.
 - The Indore plant was commissioned on schedule and is equipped with state-of-the-art equipment and machinery, with technology from Dornier (Germany) and has the capability to manufacture application-specific polyester films of various types
 - The high quality and efficiency levels derived from this new plant will enable SRF to address both domestic and international markets
- New Pharma Chemicals multi-purpose plant commences commercial production
 - Commissioned at an investment of Rs 247 million, the new multi-purpose plant has the capability to produce various intermediates and

advanced intermediates required by pharma and agrochemical industries.

- This multi-purpose plant at Bhiwadi began commercial production during Q2 FY 2005
 - The plant is currently manufacturing 3 pharma intermediates which includes Trifluoro Acetic Acid (TFA) and some more are in the pipeline
 - Entry into this area of operations marks SRF's initiative to have higher value added products in its business portfolio
 - This business is a recent and natural ascension into the manufacture of basic intermediates and advanced intermediates required to manufacture Active Pharmaceutical Ingredients (APIs)
 - The Company enjoys well-established relationships with pharma and agrochem companies, who are also customers to its fluorochemicals business
 - Two new state-of-the-art R&D centers are being established at Bhiwadi and Chennai
 - This is a high opportunity area, where SRF can leverage upon its existing fluoro, chloro, and bromo chemistry expertise. It would take sometime to introduce and stabilise the product range and the outlook for this business is positive
- Captive power plant to be established
 - The Company is establishing a co-generation power plant to meet steam and power needs of fluorochemicals and pharma chemicals businesses
 - Implementation by Q3 FY 2006, contribution is expected from Q4 FY 2006
 - This plant will be established at an investment of Rs 230 million and will result in reliable, cost-efficient power supply which will add to the Company's competitive and earning capabilities
 - The plant will have a capacity of 7 MW of power and 12 TPH of steam
- SRF's Tyre Cord business awarded the Deming Application Prize for Total Quality Management (TQM)
 - Awarded by the Japanese Union of Scientists and Engineers to recognize high standards of application of TQM practices in support of business objectives
 - Result of over ten years of unstinting initiatives towards raising the operating capabilities of the organization through TQM

- SRF is the first Tyre Cord Company in the world to win the prestigious Deming Application Prize

MODERNISATION AND EXPANSION INITIATIVES

- Ensuring that it always has a strong operating platform underlines SRF's growth strategy. In order to attain this goal, the Company intends to invest approximately Rs 2.85 billion over the next 4 years in the following initiatives:
 - Modernisation and capacity expansion for the Industrial Synthetics Business, where a capital expenditure of about Rs 2.65 billion (Rs. 2.41 billion in India & Rs 242.4 million in Dubai) is planned. This will follow the first phase of expansions and will include a new polymerization and spinning facility at the Manali plant, strengthening of twisting and weaving capacities, debottlenecking of dipping capacity, and establishment of a pilot plant facility for experimentation and knowledge-building in the area of industrial yarn
 - Participation in a group captive power plant at the Industrial Synthetics Business facility at Gwalior, for which a capital expenditure of approximately Rs 79.5 million is proposed
 - Installation of metallizer and slitter at the Company's newly established Polyester Films Business facility at SEZ Indore, where a capital expenditure of around Rs 125.5 million is planned
- The Company has a strong financial position and robust cash earnings to comfortably fund these expansion plans where investments will be staggered over the next 4 years
 - The Company's debt and networth as on 30 September 2004 is Rs 3516 million and Rs 4095 million, respectively
 - Its debt-to-equity ratio is 0.86:1
 - In H1 FY 2005 and FY 2004, the Company had a cash profit of Rs 526 million and Rs 1163 million respectively
- Each of these initiatives will contribute towards overall growth and global competitiveness objectives

OUTLOOK FOR FY 2005

The Company's performance in FY 2005 is expected to be better than FY 2004. Although irrational pricing by Chinese players and the increase in raw material costs in the Tyre Cord Fabric business remain key impact factors, the government has taken initiatives to promote a level playing field for domestic and international players in this segment.

SRF's expansion plans are progressing on schedule, and given its strong financial position and growth potential, the Company is comfortably placed to fund its plans through a combination of internal accruals, operating cash flows and additional debt. The outlook for the next year (FY 2006) remains positive, as commissioned expansions are expected to commence contributing to operations.

- ENDS -

Attached: Results table

About SRF Limited

SRF is the Indian market leader in Industrial Synthetic Fabrics and Refrigerant Gases. It is the 8th largest producer of Nylon Tyre Cord Fabrics, and the 5th largest producer of Belting Fabrics in the world. In Refrigerant Gases, it provides world-class products to its customers in 55 countries, including US. The Group has 6 manufacturing plants in India and abroad, with overseas operations at Dubai.

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Note:

Statements in this release relating to future status, events, or circumstances, including but not limited to statements about plans and objectives are forward-looking statements based on estimates and the anticipated effects of future events on current and developing circumstances. Such statements are subject to numerous risks and uncertainties and are not necessarily predictive of future results. Actual results may differ materially from those anticipated in the forward-looking statements. SRF cannot be held responsible in any way for such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.



SRF LIMITED

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED 30 SEPTEMBER 2004

Amount in Rs/Lakhs

SI. No.	Particulars	Notes	Quarter Ended		Half Year Ended		Year Ended 31.03.2004 Audited
			30.09.2004 Unaudited Note 2	30.09.2003 Unaudited	30.09.2004 Unaudited Note 2	30.09.2003 Unaudited	
1	Gross Sales/ Income from Operations		27268	23301	51587	47065	93524
2	Less: Excise Duty		2265	2933	5199	5749	11507
3	Net sales/ Income from Operations.		25003	20368	46388	41316	82017
4	Other Income		543	632	1377	765	1275
5	Total Income		25546	21000	47765	42081	83292
6	Total Expenditure		21843	17236	40549	34128	68962
	a. (Increase)/Decrease in stock		(163)	25	(164)	(321)	(272)
	b. Consumption of raw material		16085	11654	28831	24046	48617
	c. Staff Cost		1178	1410	2271	2522	4978
	d. Power & fuel		2398	2011	4446	3947	7688
	e. Other Expenditure	1	2345	2136	5165	3934	7951
7	Profit before Interest, Depreciation and Tax		3703	3764	7216	7953	14330
8	Interest and Finance Charges (Net)		543	640	982	1353	2184
9	Profit after Interest but before Depreciation and Tax		3160	3124	6234	6600	12146
10	Depreciation		1372	1168	2557	2387	4896
11	Profit before Tax		1788	1956	3677	4213	7250
12	Provision for tax -Current		482	144	977	301	521
	- Deferred Tax		250	591	438	1324	2568
13	Profit after Tax		1056	1221	2262	2588	4161
14	Paid up equity share capital		6555	6555	6555	6555	6555
15	Reserves excluding revaluation reserve						31440
16	Basic and diluted EPS for the period (Not annualised)		1.64	1.89	3.51	4.01	6.45
17	Aggregate of Non promoter share holding						
	- Number of shares		41825536	43974645	41825536	43974645	42265536
	-Percentage of shareholding		64.82%	68.15%	64.82%	68.15%	65.50%

Notes to Unaudited Financial Results for the Quarter and Half Year Ended 30 September 2004

1 Other Expenditure

a) for the quarter includes an adverse impact on account of Exchange Currency Fluctuation amounting to Rs 28 Lakhs (inclusive of Marked to Market Loss of Rs 56 Lakhs). (Corresponding quarter previous year there was a favourable impact of Rs 15 lakhs - inclusive of Marked to Market Gain of Rs 30 Lakhs)

b) for the half year includes an adverse impact on account of Exchange Currency Fluctuation amounting to Rs 854 Lakhs (inclusive of Marked to Market Loss of Rs 610 Lakhs). (Corresponding previous half year there was a favourable impact of Rs 176 Lakhs- inclusive of Marked to Market Gain of Rs 172 Lakhs)

2 The Company had signed an **agreement to purchase the Polyester Film undertaking** located at Kashipur from SRF Polymers Limited on 1 June 2004. Pending execution of the Sale deed the Profit/(Loss) of the said undertaking was not included in the results of the first quarter. The Sale Deed was executed on 6 August 2004 and the results of the undertaking from 1 June 2004 to 30 September 2004 have been incorporated in the current quarter. Hence, figures for the current quarter and half year ended 30 September 2004 are not comparable with those of the corresponding previous periods.

3 The **commercial production** of pharma chemicals commenced during the quarter.

4 There were no **investor complaints** outstanding at the beginning and at the end of the quarter. The company received 40 complaints during the quarter and all of them were resolved.

5 The Statutory Auditors have carried out the **Limited Review** of the above results.

6 Previous years figures have been **regrouped and rearranged** wherever necessary to conform to current year classification

7 The above results were reviewed by the Audit Committee and taken **on record by the Board of Directors** in the meeting held on October 27,2004

For and on behalf of the Board

**Arun Bharat Ram
Chairman & Managing Director**

Place : Delhi
Date : October 27, 2004



SRF Limited
Segmentwise Revenue , Results and Capital Employed under Clause 41 of the Listing Agreement
for the Quarter and Half Year Ended 30 September 2004

Amount in Rs/Lakhs					
Particulars	Quarter Ended		Half Year Ended		Year Ended
	30.09.2004 (Unaudited)	30.09.2003 (Unaudited)	30.09.2004 (Unaudited)	30.09.2003 (Unaudited)	31.03.2004 (Audited)
Segment Revenue					
a) Tyre cord fabric (TCF)	14649	13536	27129	26667	52983
b) Chemicals Business (CB)	5213	4420	11271	10122	18973
c) Industrial Fabric Business(IFB)	3620	2761	6778	4996	11236
d) Others	1755	5	1755	13	28
Total Segment revenue	25237	20722	46933	41798	83220
Less: Inter Segment revenue	234	354	545	482	1203
Net Sales / Income from Operations	25003	20368	46388	41316	82017
Segment Results					
(Profit / (Loss) before interest and tax from each segment)					
a) Tyre cord fabric (TCF)	1057	1933	1773	3573	6203
b) Chemicals Business (CB)	1524	983	3570	2683	4191
c) Industrial Fabric Business (IFB)	373	233	681	360	897
d) Others	(29)	(169)	(29)	(338)	(583)
Total Segment results	2925	2980	5995	6278	10708
Less: i) Interest	543	640	982	1353	2184
Less: ii) Other Unallocable expenses net of income	594	384	1336	712	1274
Total Profit before Tax	1788	1956	3677	4213	7250
Capital Employed (Segment assets less segment liabilities)					
a) Tyre cord fabric (TCF)	35134	38932	35134	38932	32754
b) Chemicals Business(CB)	7421	9295	7421	9295	9881
c) Industrial Fabric Business (IFB)	6025	4239	6025	4239	5154
d) Others	8461	253	8461	253	52
Total Capital employed in segments	57041	52719	57041	52719	47841
Add : Unallocable assets less liabilities	28454	16957	28454	16957	22887
Total capital employed in the company	85495	69676	85495	69676	70728

Notes :

1. Details of products and services included in the above segments are given below :
 TCF includes Nylon Tyre cord Fabric and Industrial Yarns.
 CB includes refrigerant gases and chloromethanes.
 IFB includes Belting fabrics and Coated fabrics.
 Others for the current quarter and half year includes Polyester Films, Pharma Chemicals and e- Procurement Services and for the previous quarter half year and year it includes Information Technology Business which was divested in March 2004.
2. Segment revenue , Results and Capital Employed include the respective amounts identifiable to each of the segments. Other unallocable expenditure includes expenses incurred on common services provided to the segments which are not directly identifiable. Unallocated corporate assets mainly relate to corporate investments and capital work in progress for new projects.