



SRF Limited

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For Immediate Release

SRF Q2FY2006 revenues up 15% to Rs 2946.9 Millions

PAT up 14% to Rs 120.1 Million; EPS at Rs 1.86

New Delhi, 27 Oct 2005: SRF Limited, a leading Indian player in Tyre Cord Fabric, Refrigerant Gases, Belting Fabrics, and having operating interests in Packaging Films and Pharma Intermediates sectors today announced its financial performance for the quarter ended 30 Sep 2005.

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

"We are pleased to report a good operating quarter and an overall strong topline growth though there has been pressure on margins, mainly due to the continuing oil price escalation leading to higher power and fuel costs. Whilst, this being an area of concern, we remain confident of maintaining our margin trend due to our ongoing efforts to mitigate this impact."

PERFORMANCE OVERVIEW: Q2 FY 2006 v/s. Q2 FY 2005

Revenues increased 15.35% to Rs 2946.9 Million. PBIDT was 2.2% lower at Rs 362.1 Million whereas PAT went up by 13.73% to Rs 120.1 Million. EPS for the quarter was Rs 1.86 (not annualized), while Cash EPS for the quarter was Rs 4.10.

All the Company's business segments reported improved revenues during the quarter. The Company's Technical Textile Business showed reasonable growth in both sales and earnings, with revenues of 7.18% higher at Rs 1933.2 Million and PBIT up substantially at Rs 159.8 Millions compared with Rs 143.0 Millions. The Chemicals and Packaging Films businesses however registered strong revenues growth of 13.82% and 131.45% respectively.

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Attached: Details to the Announcement and Results table

About SRF Limited

SRF Ltd, a leading industrial group, manufactures Industrial Synthetics, Fluorochemicals, Industrial Fabrics, Packaging Films and Pharma Chemicals. Commencing operations in 1974, SRF today operates from eight plant locations in India and abroad and has attained market leadership position in Nylon Tire Cord Fabric (8th largest in the world & approx 36 per cent market share in India), Refrigerant Gases and Chloromethane (approx 40 per cent market share in India), Belting Fabrics (2nd largest in the world & approx 60 per cent market share in India). Currently, SRF's products cater to industrial customers in more than 55 countries globally. SRF's relentless focus on TQM techniques has resulted in the company winning the prestigious Deming Application Prize in 2004 (the first nylon tyre cord company outside Japan to be awarded this prize).

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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.

DETAILS TO THE ANNOUNCEMENT

Q2 FY2006 FINANCIAL RESULTS REVIEW

(All figures in Rs millions unless otherwise mentioned)

Revenues

	Q2 FY2006	Q2 FY2005	Shift (%)	FY2005
Revenues	2946.9	2554.6	15.3	10552.4

Revenues in Q2 FY2006 improved to Rs 2946.9 million, increasing by 15.3%. This was driven by better revenues from all businesses and revenue contribution from newly established businesses. The Company's Technical Textile Business delivered revenues of Rs 1933.2 million, translating to a 7.18% increase over last year. The Chemicals business also reported higher revenues, while the Packaging Films Business grew at a healthy 131.45%.

	PBIDT	PBIDT Margin (%)	PBT
Q2 FY2006	362.1	12.36	155.0
Q2 FY2005	370.3	14.81	178.8
Shift %	-2.26%		-13.31%

PBIDT and PBT

The Company recorded a 2.2% decrease in operating profits for Q2 FY2006 to Rs 362.1 million. Since Power cost is a major component across all the business, the higher power & fuel costs due to high LSHS & FO rates, has had an adverse impact on the margins across all the businesses.

Interest and Depreciation costs

Interest and finance costs, at Rs 62.1 million, showed a marginal increase during the quarter, while depreciation went up marginally by 5.68% at Rs 145 million reflecting the negative margins from the new businesses primarily packaging films and pharma chemicals due to fixed cost, depreciation, interest and R&D expenses.

PAT

During Q2 FY2006, PAT increased by 13.73% to Rs 120.1 million, translating into an EPS (diluted, non-annualised) of Rs 1.86.

	PAT	EPS
Q2 FY2006	120.1	1.86
Q2 FY2005	105.6	1.64
Shift %	13.73%	

Cash Profit

	Cash Profit	CEPS
Q2 FY2006	264.3	4.10
Q2 FY2005	267.8	4.15
Shift %	-1.3%	

Cash earnings during the quarter were slightly lower by 1.3% at Rs 264.3 million. Resultantly, cash EPS for the quarter was Rs 4.10.

BUSINESS-WISE PERFORMANCE REVIEW

Technical Textiles Business (Tyre Cord Fabric)

Technical Textiles	Revenues	PBIT
Q2 FY2006	1933.2	159.8
Q2 FY2005	1803.6	143.0
<i>Shift %</i>	<i>7.18%</i>	<i>11.7%</i>

This business, comprising Nylon Tyre Cord Fabric (NTCF) & Industrial Yarns and Industrial Fabrics delivered reasonable revenue and earnings performance during the quarter. Revenues increased 7.18% to Rs. 1933.2 million while PBIT also nudged upwards marginally at Rs 159.8 million compared to Rs 143.0 million last year.

The performance during the quarter was impacted to a large extent due to escalating power and fuel cost coupled with higher LSHS and FO rates. There has also been time overruns in the commissioning of the Yarn project in Gwalior by almost a quarter. However, with the commissioning of this project, the margins are expected to improve from next quarter.

Outlook

Given the strong demand outlook and stabilizing raw material prices, the outlook for this business is encouraging.

Nylon tyres are expected to maintain a high level of market dominance in India over the foreseeable future, as radialisation levels in the bus and truck tyre segment is still very low at 2%. SRF, with its strong global customer relationships and capacity balancing-cum-expansion initiatives, is well poised to benefit from these encouraging market trends.

Chemicals business

A. Refrigerant Gases and Chloromethanes

Fluorochemicals	Revenues	PBIT
Q2 FY2006	595.2	145.4
Q2 FY2005	522.9	137.0
<i>Shift %</i>	<i>13.82%</i>	<i>6.13%</i>

The financial performance of this business appears under "Chemicals business" in the Company's segment reporting.

This business registered a 13.8% increase in revenues to Rs 595.2 million, and PBIT from this business was better by 6.13% to Rs 145.4 million.

Performance of this business echoes overall economic and industrial growth. The Air conditioner market (including car Acs) in the domestic market had a healthy growth resulting in an increased refrigerant off take of 15-20% over the same period last year. It is also pertinent to mention that the pharmaceutical industry, where products from this business find application, also registered healthy growth.

CTC phase out mandated by Montreal Protocol, has commenced in the solvent segment in the domestic market, but the total volumes were unaffected due to increased sales in the agro segment. The Methylene Chloride demand also continues to be good, though we are witnessing softening trend in prices.

Outlook

Demand in the refrigerant gases business from the air-conditioning and refrigeration segments and in chloromethanes from the pharma and the agrochemicals sectors, combined with SRF's expansion initiatives, indicate an encouraging outlook in this business.

B. Pharma Chemicals Business

In this quarter, this division has sold products to all the major pharma companies in India. We have also developed derivatives for three new products and have established a long-term tie-up with leading pharma companies in India ensuring that our capacities for this product have been fully booked for H2.

Outlook

This is a high opportunity area, where SRF can leverage upon its halogen chemistry expertise built over several years. The Company intends to add some more products to its basket of offerings during the year and increase the revenue contribution from this business. This business holds promising potential for growth in the future.

Packaging Films business

Revenues from this business in Q2 FY2006 were Rs 402.5 million. Continuous tough market conditions resulted in a negative PBIT of Rs 19.6 million. The performance of this business was affected by a steep drop in PET film prices in the domestic market leading to continuous losses in this division. Coupled with fixed costs, depreciation and interest, this business continues to remain under pressure.

Capex plans

The Company's plan of installing a metallizer and slitter at this new plant in Indore to address a wider market and compete more effectively in the export markets is expected to be on stream in Oct-Dec quarter.

Outlook

The Packaging Films business is in the establishment phase. While current market conditions remain challenging, the long-term prospects for this business are encouraging, and with demand estimated to grow at 15% per annum.

With the commissioning of the metallizer, the business expects to deliver a better performance in future. The margins are expected to remain under pressure due to adverse demand supply. With the demand growth continues to be strong and no additional capacities coming up, domestic market is expected to improve.

Clean Development Mechanism (CDM) Project

In the current quarter, we recorded substantial commercial development in the CDM project. We have successfully finalized large scale contracts to sell Certified Emission Reductions to ICECAP Trading UK, Shell Trading International Ltd, UK, KfW Germany and EDF Trading Limited.

Current Status Of The Project:

- HFC 23 is being stored since April 2004
- Environment Impact Assessment has been completed
- Thermal Oxidation facility has been commissioned by end Aug'2005
- The project has received host government approval from Ministry of Environment and Forest, India, the designated national authority of Government of India
- The project has received letter of approval from the DNA of Federal Republic Of Germany for participation by Solvay Fluor GmbH..

The project has received letter of approval from the DNA of the following:

- 1. Federal Republic of Germany for participation by KfW
- 2. UK for participation by ICECAP Ltd
- 3. UK for participation of Climate Change Carbon Fund
- 4. UK for participation by EDF Trading
- 5. UK for participation by Barcap Bank

A detailed discussion on project's contribution to sustainable development has been included in the PDD which can be viewed at www.unfccc.org
