



# SRF Limited

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**For Immediate Release**

**SRF Q3FY2006 revenues up 1.6% to Rs 2962.7 millions**

**PAT down 17.3% to Rs 135.4 millions; EPS at Rs 2.10**

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**New Delhi, 23 Jan 2006:** SRF Limited, a leading Indian player in Technical Textiles Refrigerant Gases, and having operating interests in Packaging Films and Pharma Intermediates sectors today announced its financial performance for the quarter ended 31 Dec 2005.

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

*"Delay in the yarn project and a steep decline in the Rupee resulted in a lower PAT. Though NTCF volumes were under pressure, our pro- active steps ensured that our PBIDT was stable.*

*With the commissioning of the yarn project, our established businesses expected to show steady performance, and the CDM project being on schedule, I am confident of closing the year with improved results".*

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## **PERFORMANCE OVERVIEW: Q3 FY 2006 v/s. Q3 FY 2005**

Revenues increased 1.6% to Rs 2962.7 millions. PBIDT was 4.9% lower at Rs 463.1 millions and PAT by 17.3% to Rs 135.4 millions. EPS for the quarter was Rs 2.10 (not annualized), while Cash EPS for the quarter was Rs 5.24.

All the Company's business segments reported improved revenues during the quarter with the exception of Technical Textile Business. The Company's Technical Textile Business showed a decline in sales and earnings, with revenues lower by 7.6% at Rs 1948.7 millions and PBIT at Rs 206.2 millions compared with Rs 238.0 millions, primarily due to drop in volumes. The Chemicals and Packaging Films businesses however registered strong revenue growth of 18.6% and 38.4% respectively. Steep

fall in Rupee has also impacted the quarterly performance. The ECF loss of in Q3 FY2006 is Rs 39.1 millions as against gain of Rs 83.1 millions Q3 FY2005.

## **CDM PROJECT UPDATE**

SRF has been issued their first lot of 5,42,829 CERs, the largest issuance globally, so far. This completes the full process upto issuance of CERs, subsequent to registration of its CDM project on December 24, 2005.

**Attached: Details to the Announcement and Results table**

### **About SRF Limited**

SRF Ltd, a leading industrial group, manufactures Technical Textiles, Fluorochemicals, 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), Belting Fabrics (2nd largest in the world & approx 60 per cent market share in India) Refrigerant Gases and Chloromethane (approx 40 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

### Q 3 FY2006 FINANCIAL RESULTS REVIEW

*(All figures in Rs millions unless otherwise mentioned)*

#### Revenues

	Q3 FY2006	Q3 FY2005	Shift (%)	FY2005
<b>Revenues</b>	2962.7	2915.2	1.6	10592.4

Revenues in Q3 FY2006 improved to Rs 2962.7 millions, increasing by 1.6%. While The Company's Chemicals and Packaging businesses reported higher revenues, Technical Textile Business was lower.

	PBIDT	PBIDT Margin (%)	PBT
<b>Q3 FY2006</b>	463.1	15.63	207.4
<b>Q3 FY2005</b>	486.9	16.70	261.1
<b>Shift %</b>	- 4.9%	-6.41%	-20.6%

#### PBIDT and PBT

The Company recorded a 4.9% decrease in operating profits for Q3 FY2006 to Rs 463.1 millions. The major contributing reasons are

- drop in volumes of Technical Textiles Business.
- steep fall in rupee resulted ECF loss of Rs 39.1 millions in Q3 FY2006 against ECF gain of Rs 83.1 millions Q3 FY2005.
- delay in commissioning of Yarn Project at Gwalior.

### Interest and Depreciation costs

Interest and finance costs, at Rs 92.2 millions, against Rs 73.3 millions of the previous period and depreciation at Rs 163.5 millions, against Rs 152.5 millions of previous period are the effects of additional investments made in various projects.

### PAT

During Q3 FY2006, PAT decreased by 17.3% to Rs 135.4 millions, translating into an EPS (diluted, non-annualised) of Rs 2.10.

	PAT	EPS
Q3 FY2006	135.4	2.10
Q3 FY2005	163.8	2.54
<i>Shift %</i>	<i>-17.3%</i>	<i>- 17.3%</i>

### Cash Profit

	Cash Profit	CEPS
Q3 FY2006	338.3	5.24
Q3 FY2005	402.7	6.24
<i>Shift %</i>	<i>- 16.0%</i>	<i>-16.0%</i>

Cash earnings during the quarter were slightly lower by 16.0% at Rs 338.3 millions. Resultantly, cash EPS for the quarter was Rs 5.24.

## **BUSINESS-WISE PERFORMANCE REVIEW**

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### **Technical Textiles Business (Tyre Cord Fabric)**

<b>Technical Textiles</b>	<b>Revenues</b>	<b>PBIT</b>
<b>Q3 FY2006</b>	1948.7	206.2
<b>Q3 FY2005</b>	2108.1	238.0
<b>Shift %</b>	-7.6%	-13.3%

This business, comprising Nylon Tyre Cord Fabric (NTCF) & Industrial Yarns and Industrial Fabrics had a marginal decline in revenue and earnings performance during the quarter. Revenues decreased by 7.6% to Rs 1948.7 millions while PBIT was lower by 13.3% at Rs 206.2 millions compared to Rs 238.0 millions last year.

The performance during the quarter was impacted to a large extent due to drop in volumes and higher power and fuel prices.

#### Outlook

Given the strong demand outlook and stabilizing raw material prices, the outlook for this business is encouraging. Further during the quarter the company has commissioned 4 spinning lines in Technical Textiles Business at Gwalior. With the commissioning of yarn plant, the company expects to deliver improved performance.

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
Q3 FY2006	616.9	128.1
Q3 FY2005	520.0	127.1
<i>Shift %</i>	<i>18.6%</i>	<i>0.8%</i>

This business registered a 18.6% increase in revenues to Rs 616.9 millions, and PBIT from this business was marginally better by 0.8% at Rs 128.1 millions.

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**

<b>Packaging films</b>	<b>Revenues</b>	<b>PBIT</b>
<b>Q3 FY2006</b>	397.2	(52.8)
<b>Q3 FY2005</b>	287.1	(62.9)
<b>Shift %</b>	38.4%	16.1%

This business registered a 38.4% increase in revenues to Rs 397.2 millions, and the negative PBIT from this business was better by 16.1% at Rs 52.8 millions.

Continuous tough market conditions resulted in a negative PBIT of Rs 52.8 millions. 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.

### 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.

The Company had commissioned metallizer and slitter facility at their new plant in Indore during the quarter. With the commissioning of the metallizer, the business expects to deliver a better performance in future. Though the margins are expected to remain under pressure in the near term 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.