



SRF Limited

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For immediate release

SRF Q4FY2006 revenues up 28% to Rs.3875 million (vs Q4 FY2005)

PAT up 164 % to Rs.555 million (Q4 FY 2006 vs Q4 FY 2005)

FY 2006 revenues at Rs.12976 million, PAT up 74 % to Rs.1048 million
(vs FY 2005)

Board recommends 30% dividend

New Delhi, 19 May 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 and year ended 31 March 2006.

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

“The full year revenues were up 22 per cent over the previous year, despite pressure on its sales realizations. The investments made by the company in the past two years are now beginning to bear fruit, and the company is even better positioned for higher growth & profitability in the coming years. During the year the company continued to retain its leadership position in its various businesses.

The quarter ended 31st March'2006 was marked by a major breakthrough for the company, as the company concluded its first sale of carbon credits. With this it is probably the world's first company to have completed such a transaction successfully with quality project participants, a major recognition for India”

PERFORMANCE OVERVIEW:

QUARTERLY PERSPECTIVE: Q4 FY 2006 v/s. Q4 FY 2005

Revenues increased 28% to Rs.3875 million. PBIDT was 192% higher at Rs.1171 million and PAT more than doubled to Rs.555 million. EPS for the quarter was Rs.8.61, while Cash EPS for the quarter was Rs.11.10.

YEARLY PERSPECTIVE: FY 2006 v/s FY 2005

For the full year, revenues were up 22% to Rs.12976 million. PBIDT improved by 61% to Rs.2590 million and PAT increased by 74% to Rs.1048 million. EPS for the year was better at Rs.16.24, and the Cash EPS was Rs. 26.95.

DIVIDEND

In view of the Company's encouraging performance, the Board of Directors has recommended a dividend of 30% (Rs.3.00 per share) for the year, which is subject to shareholder approval. This will result in a payout of Rs.221 million including dividend tax.

CDM PROJECT UPDATE

The implementation of SRF's CDM project for the incineration of HFC-23 by thermal oxidation is well ahead of its planned schedule. The company had initially planned to receive its first cash flows from the project during FY2006-07. However, following early commissioning and registration, it realised around Rs.94 crores during 2005-06. Recently, SRF has further signed four new contracts for sale of 2.5 million carbon credits from its HFC-23 thermal oxidation CDM project activity on 18.05.06. The latest contracts include sales to two new buyers, who are large European Utilities and to two existing buyers. These contracts have been finalized at fixed prices. The company expects to book around Rs.250 crores from the sales of carbon credits contracted so far for FY2006-07.

The CDM Executive Board under the United Nations Framework Convention on Climate Change (UNFCCC) approved the issuance of a further 1984947 carbon credits to the project on 15th May'06. A total of 3.8 million carbon credits have now been issued to the SRF project, accounting for more than 50% of all carbon credits issued globally by the CDM Executive Board to date.

- ENDS -

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 Tyre Cord Fabric (8th largest in the world & approx 32 per cent market share

in India), Belting Fabrics (3rd largest in the world & approx 60 per cent market share in India), Refrigerant Gases (approx 40 per cent market share in India) and Chloromethane. 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 for the erstwhile Industrial Synthetics Business of SRF (now integrated with Technical Textiles business), the first nylon tyre cord company outside Japan to be awarded this prize.

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

Q4 FY2006 AND FY2006 FINANCIAL RESULTS REVIEW

(All figures in Rs million unless otherwise mentioned)

Revenues

	FY2006	FY2005	Shift (%)	Q4FY2006	Q4FY2005	Shift (%)
Revenues	12975.6	10592.4	22.5	3875.3	3023.7	28.2

Revenues in Q4 FY2006 registered a 28.2% improvement to Rs.3875.3 million, enabled by the Company's existing businesses of Technical Textiles (Tyre Cord Fabrics, Belting and Coated Fabrics), Chemicals businesses (Refrigerant Gases, Chloromethanes and Pharmacchemicals) and Packaging Films business.

For the full fiscal year 2006, revenues increased by 22.5% to Rs.12976 million. This increase was driven by continued growth in contribution from the existing core businesses (i.e., Technical Textiles, Chemicals and Packaging Films).

PBIDT and PBT

	PBIDT	PBIDT Margin (%)	PBT
FY2006	2589.4	20.0	1584.3
FY2005	1609.8	15.2	843.1
Shift %	60.9	31.3	87.9
Q4 FY2006	1171.1	30.2	869.4
Q4 FY2005	401.3	13.3	214.3
Shift %	191.8	127.7	305.7

The Company recorded a 191.8% increase in operating profits for Q4 FY2006 to Rs.1171.1 million.

The PBIDT for FY2006 was 60.9% higher at Rs.2589.4 million.

Interest and Depreciation costs

Interest and finance costs increased by 61.5% to Rs.122.6 million in Q4 FY2006, and depreciation were higher at Rs.179.1 million. For the full year, interest and finance costs were higher at Rs.376.6 million compared to Rs.247.4 million last year and depreciation increased to Rs.628.5 million from Rs.519.3 million last year.

The higher finance and depreciation charges are on account of recent investments in various expansion projects.

PAT

	PAT	EPS
FY2006	1047.7	16.24
FY2005	600.5	9.31
Shift %	74.5	
Q4 FY2006	555.1	8.61
Q4 FY2005	210.5	3.26
Shift %	163.7	

Profit after tax (PAT) for the quarter under review was significantly higher at Rs.555.1 million, translating into an EPS (non-annualised) of Rs.8.61. Net profit for the year increased by 74.5% to Rs.1047.7 million, resulting in an EPS of Rs.16.24.

Cash Profit

	Cash Profit	CEPS
FY2006	1738.7	26.95
FY2005	1242.0	19.25
Shift %	40.0	
Q4 FY2006	716.2	11.10
Q4 FY2005	313.6	4.86
Shift %	128.4	

The Company recorded strong cash earnings during the period under review. Cash profit and cash EPS for the quarter was Rs.716.2 million and Rs.11.10, respectively. For the year, Cash profit was Rs.1738.7 million, implying a Cash EPS of Rs.26.95.

BUSINESS-WISE PERFORMANCE REVIEW

Technical Textiles Business (Tyre Cord Fabric, Belting Fabric, Coated Fabric)

Technical Textiles	Revenues	PBIT
FY2006	7993.7	751.8
FY2005	7662.0	829.9
Shift %	4.3	-9.4
Q4 FY2006	1947.9	61.2
Q4 FY2005	2204.2	346.5
Shift %	-11.6	-82.3

This business comprises Nylon Tyre Cord Fabric (NTCF), Industrial Yarns and Industrial Fabrics. It is the Company's largest business segment and contributed about 62% of overall revenues for the year FY2006.

Revenues from this business were lower at Rs.1948 million in Q4 FY2006 compared with Rs.2204 million in Q4 FY2005. PBIT were lower to Rs.61 million in the quarter.

For the full year, revenues from this business improved 4% to Rs.7994 million. PBIT decreased 9% to Rs.752 million.

The performance of this business during the year was impacted to a large extent due to escalating energy and chemical costs. There were also time overruns in the commissioning of the yarn project in Gwalior by almost a quarter.

Capex

SRF is the 8th largest manufacturer of Nylon Tyre Cord in the world and it intends to continue its leadership status given its competence in the business and an encouraging demand outlook.

The capex initiatives in this business will enable SRF to maintain its leadership position and derive greater value accrual throughout the manufacturing chain.

During 2005-06 the Company has added 13,300 TPA of polymerization and spinning capacity at its Gwalior plant, in addition to the earlier de-bottlenecking at its Manali plant to add another 6,000 TPA of dipping capacity. The textile capacity at Gwalior is

also in the process of being increased by 2500 TPA and expected to be completed in the first half of FY2006-07.

The Company also has plans to implement a modernization-cum-expansion plan in this business to capitalize upon long-term opportunities unfolding in the marketplace. These plans entail yarns capacity expansion by 14000 TPA at Manali (Chennai) and 4500 TPA of textiles capacity at Gwalior in FY2006-07. This would enable the company to become the third largest Nylon 6 producer in the world and at the same time retain its number one position in the domestic market for NTCF.

Outlook

The growth prospect for the tyre cord fabric is closely linked to the development in the tyre industry and with a buoyant economy, the demand for tyre cord fabric will continue to grow significantly. The bus and truck tyres segment accounts for 68 per cent of total tyre cord consumption and a possible risk to the NTCF business comes from radialisation of this segment. The current radialisation level in this segment is only 2 per cent in India. Although radialisation in this segment is expected to increase with economic growth, most conservative estimates suggest that domestic demand for NTCF will continue to grow at least for the next 10 years. This places the company in a good position to leverage this opportunity. Therefore, SRF does not see radialisation as a problem in the next 10-12 years; and demand for its products should continue to grow in the medium-term.

Even so, SRF is exploring opportunities to diversify its technical textiles business into other product segments to de-risk itself from an eventual reduction in demand of NTCF. In the belting fabrics, the company is now focusing on developing more value added products, which will enable the company to widen its product portfolio and make it more attractive for its customers to expand their business with us.

Currently, India has a very low per capita consumption of technical textiles. As the economy continues to grow, the company expects India's per capita consumption of technical textiles to grow several folds in the coming years. The company is actively evaluating possibilities of entering into new segments in the years to come to tap these opportunities.

With the strong demand outlook and measures to improve our cost structures by investing in more cost-effective sources of energy, the long-term outlook of the business is encouraging.

Chemicals business (Refrigerant Gases, Chloromethanes, Pharmaceuticals)

Chemicals	Revenues	PBIT
FY2006	2558.7	660.6
FY2005	2144.3	547.1
Shift %	19.3%	20.7%
Q4 FY2006	658.4	161.7
Q4 FY2005	494.2	78.4
Shift %	33.2%	106.3%

Revenues and PBIT in Q4 FY2006 from this business were better by 33% and 106% respectively. For FY 2006, revenues were 19% higher at Rs.2559 million and PBIT increased 20% to Rs.661 million driven by better realizations and shift in product profile.

A. Refrigerant Gases and Chloromethanes

Growth in this business is driven by economic expansion and industrial activity, which has been healthy during the year under review. With domestic incomes growing at fast rate, 2005-06 was yet another year of extremely good growth in consumer demand and this is mirrored in the performance of the business. With impressive double-digit growth in the air conditioner market and cars during FY2006, refrigerant off-take in the domestic market increased by close to 20%. It is also pertinent to mention that the pharmaceutical industry, where products from this business find application, also registered healthy growth.

Exports are also growing rapidly and currently account for 80 per cent of the volumes in the refrigerant business. SRF exports refrigerants to over 55 countries. During the year, SRF made major breakthroughs in key Latin American countries, Turkey and Israel. The company also obtained approval and started first ever supplies to a large overseas OEM.

SRF's main products in the chloromethanes segment are methylene chloride, chloroform and carbon tetra-chloride (CTC). While most of the chloroform and CTC is internally consumed to produce HCFCs and CFCs respectively, methylene chloride — which is used as a solvent for various products, especially in pharmaceuticals and agro-chemicals sector — is sold in the domestic market.

The market for CTCs has been shrinking as they are also slated to be phased-out under the Montreal Protocol. However due to better realisation, SRF was able to increase the margins. SRF has also entered into a performance agreement with the

Government of India for obtaining compensation aggregating to a total of US\$ 9.37 million for reducing and eventually phasing out the production of CTC for non-feedstock use. The agreement is effective 24 June 2005 and the company will receive the total compensation over a period of five years.

Capex plans

Recognising the importance of new generation refrigeration gases viz. HFCs in the long term, SRF had initiated development of technology for their production and a semi commercial (3500 TPA) swing HFC plant (134a/32) is expected to be commissioned by the Q1 FY2006-07. The manufacturing process for this plant was entirely developed in-house by the SRF R&D team. The company holds a process patent by the United States Patent and Trademark Office for the production of HFC-32. The company has already gained expertise in marketing HFC134a in India by seeding the market through imported products.

Outlook

SRF's strategy for the fluorochemicals business segments — refrigerant gases and chloromethanes — is to enter higher value added segments by introducing new generation products in the market.

The company expects the overall demand for refrigerants in India to grow at a much higher rate in the future given the consistently high increase in income levels of consumers and huge growth in the consumer durables and passenger cars segments. The recent rationalisation of the excise duties for small cars is expected to further fuel this growth.

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 the new 3,500 TPA facility for HFC-134a/HFC-32 becoming operational in FY2006-07, indicate an encouraging outlook in this business.

B. Pharma Chemicals

SRF entered into the pharma chemicals in 2003-04 as a natural progression of the company's expertise in fluorochemicals and strong knowledge of halogen chemistry. During the year under review, this division has sold products to all major pharma companies in India and established long-term tie-up with key players. We have also developed value added derivatives for three new products and received approvals after supplying trial quantities to a few domestic customers. Three of our products received international acceptance and the company successfully exported its products to Europe, China and Israel.

R&D is crucial for a successful knowledge driven pharma business. To that end, the company has established two state-of-the-art R&D centres at Bhiwadi (Rajasthan)

and Chennai (Tamil Nadu). These centres have advanced equipment and infrastructure, and are expected to have over 50 scientists on their rolls. The Bhiwadi centre currently focuses on development of fluorinated intermediates to be commercialised whereas the Chennai centre works on custom synthesis/manufacturing for customer requirements. The function has already started yielding results with a strong pipeline of new products.

Outlook

The company considers Pharma chemicals a high opportunity area, where SRF can leverage its expertise in fluorination chemistry built over several years. Fluorinated intermediates are finding increasing applications in pharmaceutical and agrochemicals and are set to grow at a rapid phase. The business is also now poised to leverage its R&D capabilities through custom synthesis and contract manufacturing of these chemicals for global pharma and speciality companies.

Packaging Films business

Packaging Films	Revenues	PBIT
FY2006	1485.6	(193.2)
FY2005	786.8	(116.8)
Shift %	88.8%	(65.3%)
Q4 FY2006	330.7	(74.1)
Q4 FY2005	325.4	(64.9)
Shift %	1.6%	(14.2%)

Revenues from this business in Q4 FY2006 were Rs.330.7 million and it recorded a negative PBIT of Rs.74 million. For FY2006, revenues were Rs.1485.6 million, while PBIT was negative Rs.193 million.

The performance of this business was impacted by a steep drop in PET film prices in the domestic market due to huge overcapacities. This was further accentuated with fixed costs related to recent expansion, depreciation, interest and the business registered a loss from operations.

Outlook

With the unprecedented increase in incomes, there has been an increase in the demand for the products of our end-users. At the same time, there is an increasing trend in usage of polyester films for most applications as a result of which demand is expected to increase substantially in the future. The domestic market is estimated to

grow by more than 15 per cent this year. Apart from this basic driver, there is an ever-increasing usage of speciality value added films to differentiate the packaged products in the market. Therefore, in spite of the challenging circumstances the company faces today, the long-term prospects of this business are encouraging.

The company also commissioned a downstream metallisation facility at its existing location in SEZ Indore. The plant was successfully commissioned in November 2005 and its products have been accepted in many international markets.

Clean Development Mechanism (CDM)

SRF has been working under the guidelines of UNFCCC (United Nations Framework Convention on Climate Change) as a part of its Clean Development Mechanism (CDM) initiative. The Kyoto Protocol was ratified on 16 February 2005, and imposes limits on the quantum of green house gases (GHGs) that can be emitted by various developed countries into the environment. Certified Emission Reduction (CERs), also called Carbon Credits, can be acquired under CDM by the projects based in developing countries through emission reductions. CERs can be traded with countries having a deficit in terms of its commitments under the Kyoto Protocol. SRF through its CDM project has successfully been reducing carbon emissions and helping out developed nations who are short of their target.

SRF's Bhiwadi plant manufactures HFC-23, a GHG, as a by-product of its manufacturing process for HCFC-22. Instead of sending this GHG into the atmosphere, the company has been capturing and storing this gas since July 2004. The company commissioned a plant to incinerate HFC-23 through thermal oxidation in August 2005. This plant is the second in the world and the first in India under the CDM initiative. The plant has the potential to generate 38 lakh Carbon Credits per annum. This can be higher when the HFC23 stored in the previous periods is also incinerated. The company expects to leverage this opportunity while contributing to protect the environment and ensuring sustainable development.

As part of the CDM project, the company has embarked upon several initiatives to aid sustainability development in the backward region of Alwar, Rajasthan. These initiatives, which focus on natural resource management, education and health, involve several non-governmental organisations such as PRADAN and SARD. The credentials of the project can be gauged by the fact that the company's CDM project has seven well reputed project participants viz. Barclays Bank (UK), Climate Change Capital Carbon Fund (UK), EDF Trading (UK) ICECAP Limited (UK), KFW (Germany), Shell Trading International Limited (UK), and Solvay Fluor (Germany).

During 2005-06 18.3 lakh carbon credits were issued to SRF. The sustainable and active steps to protect the environment through CDM project has fetched the company around Rs.94 crore from the transfer of 14 lakh Carbon Credits in the last quarter of 2005-06.

With the further signing of four new contracts for sale of a further 2.5 million carbon credits from its HFC-23 thermal oxidation CDM project activity on 18.05.06 which includes sales to two new buyers, who are large European Utilities and to two existing buyers the company expects to book around Rs.250 crores from the sales of carbon credits contracted so far for FY2006-07.

Balance sheet review

Particulars	As on 31 March 2006	As on 31 March 2005
Debt	6038.4	4267.8
Net worth	5386.5	4255.4
Debt-to-Equity ratio	1.12	1.00

The Company's financial status is robust, with a net worth of Rs.5386.5 million at the end of FY2006. The long-term debt increased during the year under review to finance capacity expansions and growth initiatives, which will reflect in improved performance FY2007 onwards. The debt: equity ratio has been maintained at a healthy 1.12:1.

OUTLOOK FOR FY 2007

The outlook for FY 2007 remains positive. The Company's established businesses have dominant market positions on a global scale while the new businesses derive strength from the Company's existing strengths and customer relationships.

The Technical Textile Business is expected to fare well on the back of continued growth in demand for NTCF and measures to improve cost structure. In the belting fabrics, the company has already achieved a dominant position in the domestic market and is in a position to leverage the current upswing in the global demand situation. Therefore, belting fabric is expected to deliver progressive performance. In the Chemicals Business, sustained growth in economic and industrial activity, and R&D-led new products are expected to drive growth in the fluorochemicals business. In the Pharma Chemicals Business, the company intends to add more products to its basket of offerings during the next few years, which will drive future growth. The Packaging Films Business is expected to post a better performance in FY2007 compared with FY2006, although the market conditions in that business are likely to remain challenging.

SRF enjoys a strong financial position and operates in areas with attractive growth potential. With all its expansion and modernization plans progressing -- and in some cases already completed, the Company's operational performance in FY 2007 should be better, barring any unanticipated challenges.