



SRF Limited

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For Immediate Release

SRF Q1FY2007 revenues up 44% to Rs.4572.0 million (vs. Q1 FY2006)

PAT up 240% to Rs.806.5 million; EPS at Rs.12.50

New Delhi, 25 July 2006: SRF Limited, a leading Indian player in Technical Textiles, Refrigerant Gases and having operating interests in Packaging Films and Pharma Intermediates today announced its financial performance for the quarter ended 30 June 2006.

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

“The first quarter revenues and profits improved by 44% and 240% respectively. The quarter was marked by strong cash flows generated from the transfer of CERs. We continue to face pressure on realisations and margins, mainly due to rising input costs in our main businesses.”

PERFORMANCE OVERVIEW: Q1 FY 2007 v/s. Q1 FY 2006

Revenues increased 44% to Rs.4572.0 million. PBIDT was 145% higher at Rs.1455.1 million whereas PAT went up by 240% to Rs.806.5 million. EPS for the quarter was Rs.12.50 (not annualized), while Cash EPS for the quarter was Rs.16.33.

CDM PROJECT UPDATE

The company had realised around Rs.1340 million during the quarter from the transfer of Certified Emission Receipts (CERs). SRF had signed four new contracts for sale of 2.5 million carbon credits from its HFC-23 thermal oxidation CDM project activity earlier this year. Cash flows from carbon credits are expected to remain strong though they may vary from quarter to quarter.

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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 60 countries. 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.

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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

Q1 FY2007 FINANCIAL RESULTS REVIEW

(All figures in Rs.millions unless otherwise mentioned)

Revenues

	Q1 FY2007	Q1 FY2006	Shift (%)	FY2006
Revenues	4572.0	3183.8	44	12922.9

Revenues in Q1 FY2007 registered a 44% improvement to Rs.4572.0 million, encouraged by the cash flows from the CDM initiative and the higher revenue generation from the Packaging Films Business.

PBIDT and PBT

	PBIDT	PBIDT Margin (%)	PBT
Q1 FY2007	1455.1	31.8	1200.5
Q1 FY2006	593.1	18.6	352.5
Shift %	145	71	241

The Company recorded a 145% increase in operating profits for Q1 FY2007 to Rs.1455.1 million.

Interest and Depreciation costs

Interest and finance costs decreased by 16% to Rs.83.6 million in Q1 FY2007, and depreciation were higher at Rs.171.0 million on account of recent investments in various expansion projects.

PAT

	PAT	EPS
Q1 FY2007	806.5	12.50
Q1 FY2006	237.1	3.67
Shift %	240	

Profit after tax (PAT) for the quarter under review was significantly higher at Rs.806.5 million, translating into an EPS (non-annualised) of Rs.12.50.

Cash Profit

	Cash Profit	CEPS
Q1 FY2007	1053.5	16.33
Q1 FY2006	419.9	6.51
Shift %	151	

The Company recorded strong cash earnings during the period under review. Cash profit and cash EPS for the quarter was Rs.1053.5 million and Rs.16.33, respectively

BUSINESS-WISE PERFORMANCE REVIEW

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

Technical Textiles	Revenues	PBIT
Q1 FY2007	2080.4	102.3
Q1 FY2006	2145.1	324.6
Shift %	(3)	(68)

This business comprises Nylon Tyre Cord Fabric (NTCF), Industrial Yarns and Industrial Fabrics. It is the Company's largest business segment and contributed about 46% of overall revenues for the quarter.

Revenues from this business were lower at Rs.2080.4 million in Q1 FY2007 compared with Rs.2145.1 million in Q1 FY2006. PBIT were lower at Rs.102.3 million in the quarter.

The performance of this business during the quarter was impacted to a large extent due to escalating energy and chemical costs.

Outlook

While demand remains strong for this segment, the combination of unrealistic pricing by the Chinese coupled with increasing energy costs will continue to put pressure on the performance of this business.

Chemicals business (Refrigerant Gases, Chloromethanes, Pharmaceuticals)

Chemicals	Revenues	PBIT
Q1 FY2007	686.9	161.0
Q1 FY2006	685.2	225.4
Shift %	0	(29)

PBIT in Q1 FY2007 from this business were lower by 29% due to lower CFC sales in export market on account of Montreal Protocol quota constraint and the lower sales volume of Chloromethanes due to aggressive selling by global majors at lower prices. However, the segment has benefited from the lower energy cost due to the impact of the Captive Power Plant commissioned in FY'2006.

A. Refrigerant Gases and Chloromethanes

With the impressive growth in the air conditioner, cars and pharma industries, refrigerant off-take in the domestic market is also increasing.

Exports are also growing rapidly and currently account for about 80 per cent of the volumes in the refrigerant business. SRF exports refrigerants to over 60 countries.

Capex plans

Recognising the importance of HFCs in the long term, SRF had initiated development of technology for their production. The facilities for the manufacture of HFC-134a have been set up, trial runs are underway and the plant is expected to be commissioned by Q2 FY 2007.

Outlook

Demand in the refrigerant gases business from the air-conditioning and refrigeration segments and in Chloromethanes from the pharma and the agrochemicals sectors will remain strong, this combined with the impending commissioning of the 3,500 TPA facility for HFC-134a/HFC-32 by the first half of FY2006-07, indicates 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 quarter under review, this division has sold products to all major pharma companies in India and established long-term tie-up with key players.

The division has recorded healthy growth in Q1 FY'2007 over Q1 FY'2006. The business is now well recognized in the global market as a supplier of fluorinated fine chemicals. Many international companies have approached the business for developing customized intermediates and discussions are in various stages.

Outlook

The business is now poised for growth in both revenue and profitability by adding new products and also improving productivity at its manufacturing facility at Bhiwadi.

Packaging Films business

Packaging Films	Revenues	PBIT
Q1 FY2007	460.3	(42.5)
Q1 FY2006	353.9	(46.8)
Shift %	30	9

Revenues from this business in Q1 FY2007 were Rs.460.3 million and it recorded a negative PBIT of Rs.42.5 million.

The performance of this business was impacted by a steep increase in the PET chip prices and adverse exchange rate fluctuation.

Outlook

The long-term prospects for packaging film business are encouraging with Indian demand estimated to grow at 15% per annum and international demand at 5% per annum.

With demand-supply situation tightening, the prices in both domestic & exports are expected to improve. Early signal of the same were seen at the end of Q1 FY2007. The prices have thus begun to improve and the business is expected to start generating operating profits (EBIDT) from the second quarter of FY2007.

Clean Development Mechanism (CDM) Project

In continuation of its efforts to reduce polluting gases, Clean Development Mechanism (CDM) project for emission reduction at the refrigerant gas plant has started generating Certified Emission Reductions (CERs) units. During the first quarter of FY'2007, 2.77 million carbon credits were issued to SRF. The sustainable and active step to protect the environment through CDM project has fetched the company Rs.1340 million from the transfer of 1 million carbon credits in the quarter. This is a unique case of SRF contributing to sustainable development and, by doing so, earning steady revenues.
