



SRF Limited

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For Immediate Release

SRF Q2 FY2007 revenues up 62% to Rs.4751.2 million (vs. Q2 FY2006)

PAT up 643% to Rs.892.2 million; EPS at Rs.13.83

New Delhi, 24 October 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 30th September 2006.

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

"The quarter was marked by strong cash flows generated from the transfer of Certified Emission Receipts (CERs). The revenues and profits improved significantly by 62% and 643% respectively in the second quarter compared to the same quarter last year. We continue to face pressure on realizations and margins in our businesses. Our focus will remain on cost efficiency and improving margins in our current businesses so that they revert back to providing better returns. However, our strategy on carbon credits has paid off. SRF has been able to carry out successful and remunerative deals on the carbon-trading front."

PERFORMANCE OVERVIEW: Q2 FY2007 v/s. Q2 FY2006

Revenues increased by 62% to Rs.4751.2 million from Rs.2928.4 million. EBIDT was higher by 349% at Rs.1624.9 million from Rs.362.1 million, whereas PAT went up by 643% to Rs.892.2 million from Rs.120.1 million. EPS for the quarter was Rs.13.83 (non-annualized), while cash EPS for the quarter was Rs.16.94.

CDM PROJECT UPDATE

While the Company has realised around Rs.1488.2 million during the quarter from the transfer of Certified Emission Reductions (CERs) units, cash flows from carbon credits are expected to vary & may not recur uniformly 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 34 per cent market share in India), Belting Fabrics (3rd largest in the world & approx 53 per cent market share in India), Refrigerant Gases (approx 40 per cent market share in India) and Chloromethanes. 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

Q2 FY2007 FINANCIAL RESULTS REVIEW

(All figures in Rs.millions unless otherwise mentioned)

Revenues

	Q2 FY2007	Q2 FY2006	Shift (%)	FY2006
Revenues	4751.2	2928.4	62	12922.9

Higher Q2 FY2007 revenues mainly resulted from increased cash flows from the CDM initiative and higher revenue generation from the technical textile and packaging films businesses.

EBIDT and PBT

	EBIDT	EBIDT Margin (%)	PBT
Q2 FY2007	1624.9	34.2	1348.1
Q2 FY2006	362.1	12.4	155.0
Shift %	349	176	770

The Company recorded a 349% increase in operating profits for Q2 FY2007 to Rs.1624.9 million.

Interest and Depreciation costs

Interest and finance costs increased by 46% to Rs.90.5 million in Q2 FY2007, and depreciation was higher by Rs.41.3 million on account of recent investments in various expansion projects.

PAT

	PAT	EPS
Q2 FY2007	892.2	13.83
Q2 FY2006	120.1	1.86
Shift %	643	

Profit after tax (PAT) for the quarter under review was higher at Rs.892.2 million, translating into an EPS (non-annualised) of Rs.13.83.

Cash Profit

	Cash Profit	CEPS
Q2 FY2007	1150.2	16.94
Q2 FY2006	264.3	4.10
Shift %	335	

The Company recorded strong cash earnings during the quarter under review. Cash profit and cash EPS for the quarter were Rs.1150.2 million and Rs.16.94, respectively

BUSINESS-WISE PERFORMANCE REVIEW

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

Technical Textiles	Revenues	PBIT
Q2 FY2007	2130.1	91.4
Q2 FY2006	1931.7	159.8
Shift %	10	(43)

This business comprises Nylon Tyre Cord Fabric (NTCF), Industrial Yarns and Industrial Fabrics. It is the Company's largest business segment and contributed about 45% of overall revenues for the quarter.

Revenues from this business improved 10% to Rs.2130.1 million in Q2 FY2007. PBIT for this segment decreased 43% to Rs.91.4 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 aggressive pricing by the overseas suppliers will continue to put pressure on the performance of this business.

Chemicals Business (Refrigerant Gases, Chloromethanes, Pharma Chemicals)

Chemicals	Revenues	PBIT
Q2 FY2007	587.8	76.3
Q2 FY2006	595.2	145.4
<i>Shift %</i>	<i>(1)</i>	<i>(48)</i>

PBIT from this business in Q2 FY2007 was lower by 48% due to contraction in CFC & CTC volumes (lower CFC sales in export market) on account of Montreal Protocol implementation both in Domestic and International markets. The consequent supply-demand imbalance also resulted in squeeze in the margins. Similarly, in HCFCs there was strong pressure on margins due to aggressive posture taken by other producers in International markets.

A. Refrigerant Gases and Chloromethanes

With the 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 and trial runs are underway.

Outlook

Demand in the refrigerant gases business from the air-conditioning and refrigeration segments and in chloromethanes from the pharma and the agrochemicals sectors is expected to remain strong. This demand combined with the expected commissioning of the 3,500 TPA facility for HFC-134a/HFC-32, we anticipate an encouraging outlook in this business over medium term. However, the pressure on margins and reduction in CFC & CTC volumes would continue in short term.

B. Pharma Chemicals

The division has recorded growth in Q2 FY2007 over Q2 FY2006. 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 at various stages.

Outlook

The business is now poised for growth in both revenue and profitability with the addition of new products and also through improvement in productivity at its manufacturing facility at Bhiwadi.

Packaging Films Business

Packaging Films	Revenues	PBIT
Q2 FY2007	537.0	17.3
Q2 FY2006	401.8	(19.6)
<i>Shift %</i>	<i>34</i>	<i>188</i>

Revenues from this business in Q2 FY2007 were Rs.537.0 million and it recorded a PBIT of Rs.17.3 million.

The performance of this business has improved with the change in the supply – demand situation during the Quarter.

Outlook

The prospects of this business are encouraging with Indian demand estimated to grow at 15% per annum and international demand at 7% per annum.

The near term outlook continues to be bearish as various players vie for greater market share. The tightening of supply is expected to override this factor by the end of Q4 FY2007 leading to improvement in margins.

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 gases plant continues to contribute to the cash flows of the Company by generation and transfers of Certified Emission Reductions (CERs) units. In Q2 FY2007, 2.09 million

CERs were issued to SRF. The accumulated issuances to the Company in H1 FY2007 has been 4.07 million CERs. While the sustainable and active steps to protect the environment through CDM project have fetched the Company Rs.1488.2 million from the transfer of 1.50 million CERs in Q2 FY2007, the aggregate realization for H1 FY2007 was Rs.2826.5 million by transfer of 2.50 million CERs.
