

INDO RAMA

Indo Rama Synthetics (India) Ltd.

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Press Release

For Immediate Publication

Indo Rama Synthetics (India) Ltd. - Sales zoom by 45% in Q1 '08

- Q1 PBT up by 51.46% as compared to the last quarter
- Q1 EBIDTA also up by 65.72%

New Delhi, July 16, 2007: Indo Rama Synthetics (I) Ltd., India's largest dedicated Polyester manufacturer, today announced its Q1 results for the quarter ending June 30th, 2007.

The company's net sales registered an increase of 45% touching Rs.679.68 crore as compared to Rs.468.38 crore in the corresponding period last year. PAT for the quarter stood at Rs.2.27 crore against Rs.2.18 crore last year. PBT for the quarter at Rs.4.15 crores was up by 51.46% as compared to Rs.2.74 crore the in corresponding quarter last year. EBIDTA for the quarter has increased from Rs.34.54 crore to Rs.57.24 crores showing an increase of 65.72%.

Commenting on the Results, Mr. O.P. Lohia, Chairman and Managing Director, IRSL said, "Our performance during the quarter under review was encouraging. The results of our capacity doubling project are already visible. We have increased our market share to 16% and have been able to place the incremental production in the market place. We are confident of taking our market share further from 16% to 20% by the end of the year utilising the entire additional capacity fully."

The Company also registered an increase both in its Domestic Sales as well as in Export Sales; while the domestic market sales were higher by 29% compared to Q1 last year, the export sales were substantially higher by 199%. In volume terms the total export sales were 15.36% of the total sales in this quarter while it constituted 5.11% of the total sales in the same quarter last year. The appreciation of the Indian Rupee somewhat affected the export margins during the quarter. However, with the recent announcement of the export package by the Government, the export margins should improve in the coming quarters.

The profitability of this quarter was also affected by the total impact of interest of Rs.18.68 crore and depreciation of Rs.34.41 crore for the capitalization of full capacity while the full production from the new plant has not yet fully been achieved. As the production volume goes up in the

coming quarters and depreciation continues to remain the same and interest cost comes down due to repayments, the profitability of the company will improve substantially in the coming quarters.

The new capacity addition in the Polyester Raw Materials like PTA and MEG will keep the Raw Material prices under control. However, for alternative fibres like cotton, the demand will exceed the supply in the coming few years because of lower production the world over and with reduction of acreage in US in cotton, the prices of cotton has gone up by 25 to 30% internationally in the last 6 months and is close to 3 year high and very close to 12 year high. This will help in increasing the margins in Polyester from the current quarter and hopefully the company shall be out from the period of 3 years of low margin due to lower cotton prices and higher petrochemical prices. The coming years will be healthier for the polyester industry as there is demand supply balance and there is no new capacity coming up in Polyester industry which shall keep the industry margins healthier for the next few years.