

SRF to invest ₹1,400 cr in diversification

NAYANIMA BASU

New Delhi, 4 December

THE \$760-million SRF Ltd is planning on a major restructuring of all portfolios, by significantly reducing dependence on tyre cord production, their core business, as the company aims to become a \$1-billion conglomerate by 2013-2014.

Tyre cord accounts for half the company's total revenue. The plan is to reduce this to 25 per cent within three to four years, within the plan to consolidate and expand its other businesses by investing around ₹1,400 crore in a phased manner till March 2013.

"Not that we are going to reduce this (tyre cord) business. We will use it more as a cash cow and use the cash to develop our other businesses. In other words, we will now invest heavily in our other business portfolios such as speciality chemicals, packaging films, laminated plastics and coated fabrics," Ashish Bharat Ram, managing director, told *Business Standard*.

The company is also facing considerable margin pressure in the tyre cord business, a highly commoditised product catering to a huge customer base. It is expanding production of coated and laminated fabrics and developing a vast chemical complex at Dahej in Gujarat.

"Over the next three-four years, once this round of investments are over, I imagine the majority of investments of SRF would go into the chemical complex of Dahej," Bharat Ram said. It has already commissioned seven multipurpose speciality chemicals plants there, with a total capex of ₹900 crore.

For its packaging films

business, the company is opening two manufacturing units, with an annual capacity of 25,000 tonnes and 28,500 tonnes in South Africa and Thailand, respectively. However, plans to open a plant in Bangladesh seem to have run into troubled waters.

"We are not driven only by revenue. If there are opportunities to do backward integration, we will. I am more focused on profitable investments rather than just looking on growth. Our investments plans are still very much on; delivery plans are coming. With the growth plans we have, I think we will cross the \$1-billion mark by 2014," Bharat Ram added.

SRF also commissioned a

SRF IS REDUCING DEPENDENCE ON TRADITIONAL TYRE CORD BUSINESS, with an aim of creating a \$1-billion conglomerate in three years

laminated fabrics plant at Kashiipur in 2009. It is also planning a 10, used for making signages and hoardings. All these initiatives were aimed at reducing dependence on the

tyre cord business. Nylon tyre cord has been the group's traditional business, essentially used in trucks and buses. Two years earlier, SRF also went into making polyester tyre cord, for passenger cars.

"We believe the customer space in this is attractive for us. Flexible packaging is used in all sorts of things of daily need and use. The demand for packaging material remains high all over the world and this is one product which is recession-proof," said the MD.

SRF has also stepped up research to discover and develop molecules for some of the world's leading pharmaceutical and agro-chemicals manufacturers. It posted a 49 per cent growth in net profit for 2010-11 at ₹484 crore; net sales grew 36 per cent to ₹3,391 crore.