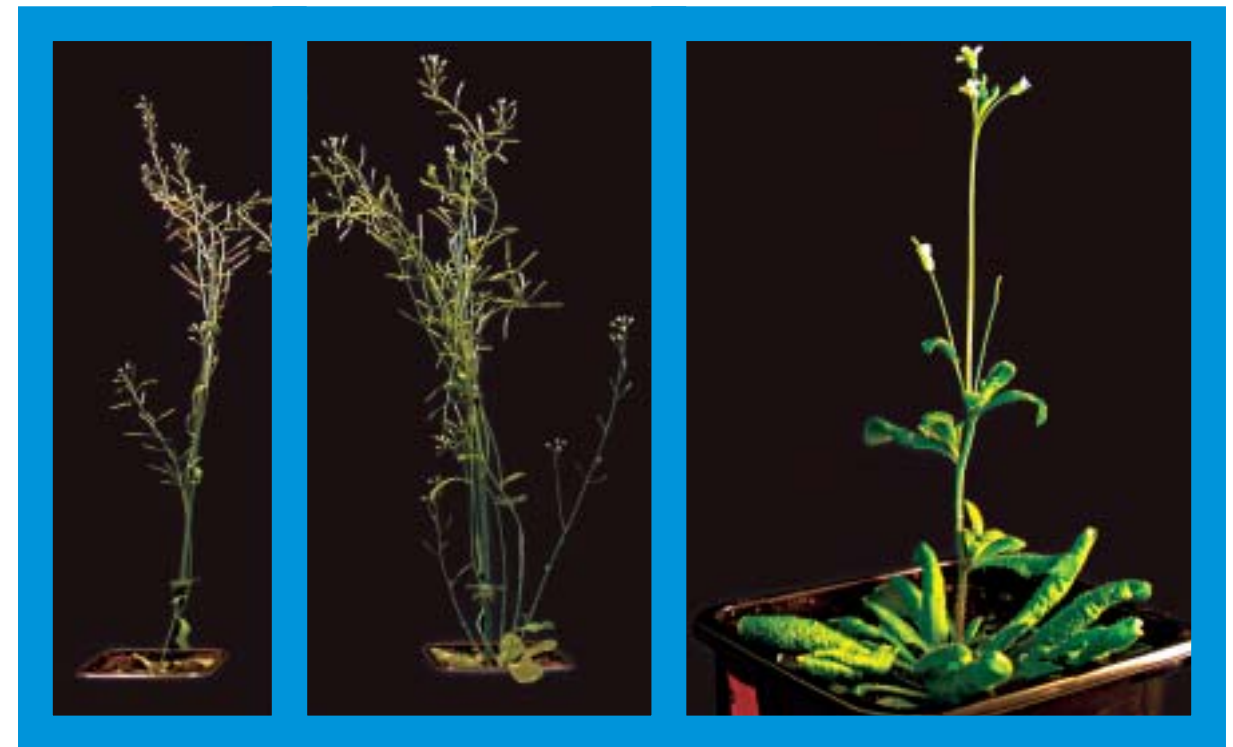




Evolution: Towards a New Future



SRF Limited

Regd. Office: A-16, Aruna Asaf Ali Marg, Qutab Institutional Area, New Delhi - 110067
w.e.f. 1st July, 2007: C-8, Safdarjung Development Area, New Delhi - 110016

Corporate Office: Block-C, Sector - 45, Gurgaon-122 003 (Haryana) India.
Tel: +91-124-4354 400 Fax: +91-124-4354 500 Website: www.srf.com

Design: Creative Inc. (www.creative-inc.biz) / Print: Thomson Press

Annual Report 2006-07



It is a well-known fact that change is the only constant and evolution is the only way forward. SRF acknowledges this and right from its inception has focused on innovation in its products and processes.

SRF has been built around values that are unique and aligned to the organisation's aims and goals. While stressing on profitable growth, it has kept its performance consistent. Raising the benchmark every time, it has strived for the highest quality and has been successful in delivering it.

But achieving success is a continuous process and a consistently improving performance is the key to it. While technology goes a long way in raising the bar, being self-sufficient in every aspect is equally important in the long run. Developing one's own people and technologies, and looking for incessant improvements in products and processes is the *mantra* today that will procure benefits in the future.

An organisation's growth can be compared to that of a plant, which needs to be nurtured in the beginning, and later when it branches out, provides fruits and benefits to those attached to it.



CONTENT

Message from the Chairman	5
Company Information	7
Directors' Report	9
Management Discussion and Analysis	21
Corporate Governance Report	33
Auditors' Report	45
Financials	51

At inception, when the seeds are sown, the organisation is most vulnerable. Hence, resources need to be identified and aligned in the right direction for it to grow tall and strong, and for long-term success.



MESSAGE FROM THE CHAIRMAN

Dear Shareholder,

I am as proud to be an Indian, as I am to be the chief fiduciary of your Company.

For two successive years, India has achieved real GDP growth in excess of 9 per cent. Over the last four years, despite erratic monsoons, the country's compound annual growth rate has been above 8.5 per cent.

There is no doubt in my mind that, thanks to exceptional entrepreneurship, India has decisively moved on to a higher growth path. If we can now focus on rapidly building the physical infrastructure which we so badly need, it is eminently possible to sustain growth rates in the region of 9 per cent to 10 per cent – and thus lift millions of our people out of poverty.

High growth of the last four years has been driven by the corporate sector, and let's make no mistake about it.

Here is some evidence from the fourth quarter results of 2006-07 drawn from a sample of 507 listed manufacturing companies. In the aggregate, these companies grew net sales by over 28 per cent compared to the fourth quarter of 2005-06; increased operating profits by over 36 per cent; earned operating profit margin of 16 per cent; and a net profit margin of 8 per cent. These phenomenal results have occurred despite rising raw material and intermediate goods prices, hardening interest rates and major infrastructure constraints. They conclusively prove that Indian entrepreneurship is now enjoying its golden age.

Your Company too has done well for the year. The Management Discussion and Analysis accompanying this Annual Report gives the details. Let me just touch upon some salient features.

Net sales from your Company's operations rose by 39.5 per cent to Rs.1,802 crore in 2006-07. Operating profits increased by 114 per cent to Rs.555 crore. The return on capital employed increased from 17.8 per cent in 2005-06 to 35.8 per cent in 2006-07. And the return on net worth today is in excess of 36 per cent.

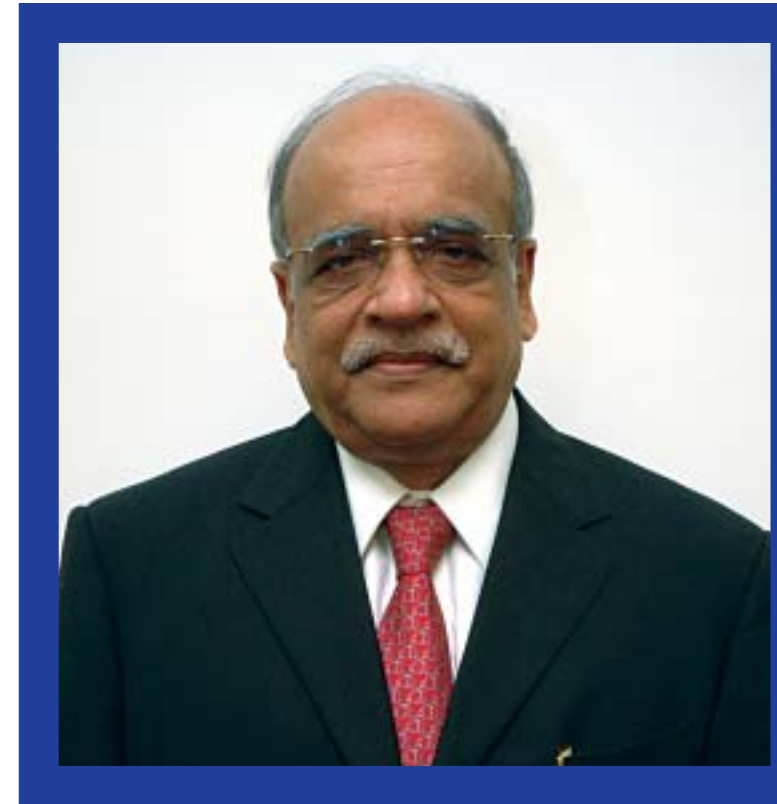
These are laudable results and I congratulate SRF management team and its employees for delivering such performance.

I would, however, be failing in my duties if I were to bask in the glory of such results, and not highlight the challenges ahead.

Great companies are not flashes in the pan. They overcome challenges to grow year after year and consistently deliver superior shareholder returns. To overcome challenges, one needs to know what these are; and then to design and implement strategies to get the better of them.

SRF has identified both the challenges and growth opportunities. Let me share some of these with you.

The biggest challenge facing some of the businesses of your Company is that of global commoditisation. Many of its products are not particularly difficult to manufacture. There are huge production capacities throughout the world, especially in China. And in order to utilise these capacities and bring down average fixed costs, global manufacturers often sell at cut-throat prices that barely, if at all, cover marginal costs.



The challenge, therefore, is how to profitably grow in such a fiercely competitive environment.

SRF has formulated four strategic elements to meet this competition and, simultaneously, carve out significant positions in higher value added segments.

First, for the existing businesses, to rapidly grow capacities, de-bottleneck operations and to use best-in-class manufacturing processes to become the lowest cost producer in the world. We are already doing so in your Company's nylon tyre cord fabric business and in the chemicals business. We are in the process of modernising and de-bottlenecking facilities for belting fabrics, chemicals and packaging films. In addition, your Company's unwavering emphasis on Total Quality Management (TQM) and Total Productive Maintenance (TPM) has allowed it to reap significant efficiency gains with relatively little incremental investments.

Second, even in the commoditised segments, SRF's quest is to move towards becoming a higher value player in the output chain. We have done so in coated fabrics, in chemicals and also in the highly competitive packaging films business.

Third, for each of your Company's business segments, SRF has to dynamically balance the product portfolio between domestic markets and exports – so that a possible down cycle in one is compensated by healthy growth in the other. This has been consciously done, and is continuously reviewed by the business heads.

Fourth, to develop knowledge intensive, high value added, high margin niche products backed by considerable R&D and intellectual property rights. Your Company is doing this in a concerted manner in its chemicals business. I am proud to inform you that SRF has indigenously developed the technology for the production of HFC-32, for which it has been granted a process patent by the US. Its locally developed HFC-134a / HFC-32 manufacturing facilities has undergone successful trials, and the products have been well received. And, having entered the fluoro-specialities business in 2003-04, your Company has now begun to successfully sell products developed in-house to major pharmaceutical and agro-chemical manufacturers in India. Going forward, you will see even more concerted action by SRF in rapidly developing its knowledge based, IPR protected chemicals businesses.

SRF is a company with a long history – not only of its businesses but also of its care and concern for society. Just as I am proud of your Company's business performance, I am equally so of what we do in the sphere of education.

The three Shriram Schools located in Delhi and Gurgaon with over 2,700 students have, over the years, built a reputation of being among the best in the National Capital Region. Your Company also has the SRF Vidhyalya – established 16 years ago – near its plant at Manali (Tamil Nadu), which imparts quality education to children coming from economically weaker sections of the society. We have decided to set up a second such Vidhyalya near the Bhiwadi facility in Rajasthan. SRF has also been involved in an education initiative with an NGO in Bhiwadi called Project Shiksha, which aims to bring children from acutely underprivileged communities on to the educational mainstream of India.

In the years to come, I expect SRF to further expand its social and community initiatives and to remain, as it always has been, a true corporate citizen of this nation.

Let me end by saying that I am confident of your Company's future.

SRF has a strong management team that is passionate about growth. It is rapidly building a formidable knowledge and R&D base for tomorrow's products. And it has employees whose dedication is second to none.

Over and above that, SRF is privileged to have loyal shareholders – such as you – who have always reposed their faith in the Company. I truly thank you for your support.

With kind regards,
Yours sincerely,

Arun Bharat Ram
Chairman

COMPANY INFORMATION

Board of Directors

Dr. Bharat Ram, Chairman Emeritus
Mr. Arun Bharat Ram, Chairman
Mr. Ashish Bharat Ram, Managing Director
Mr. Kartikeya Bharat Ram, Deputy Managing Director
Mr. SP Agarwala
Mr. K Ravichandra, Director (Safety & Environment)
Mr. MV Subbiah
Mr. Satish K Kaura
Mr. Vinayak Chatterjee
Mr. Subodh Bhargava
Dr. Omkar Goswami

Auditors

Thakur, Vaidyanath Aiyar & Co., New Delhi

Company Secretary

Anoop K. Joshi

Bankers

- ICICI Bank Ltd. • State Bank of India. • State Bank of Patiala
- Standard Chartered Bank • Citibank N. A.

Registered Office

A-16, Aruna Asaf Ali Marg, Qutab Institutional Area, New Delhi 110 067
w.e.f. 1st July, 2007: C-8, Safdarjung Development Area, New Delhi 110 016

Corporate Office

Block - C, Sector - 45, Gurgaon (Haryana) - 122003

Technical Textiles Business

- | | |
|--------|---|
| Plants | <ul style="list-style-type: none"> • Manali Industrial Area, Manali, Chennai (Tamil Nadu) - 600 068 • Industrial Area, Malanpur, Dist. - Bhind (M.P.) - 477 116 • Plot No 1, SIPCOT Industrial Area Complex, Gummidipoondi Dist. - Thiruvallur (Tamil Nadu) - 601 201 • Viralmalai, Dist. - Pudukottai (Tamil Nadu) - 621 316 |
|--------|---|

Chemicals Business

- | | |
|-------|---|
| Plant | <ul style="list-style-type: none"> • Village & PO - Jiwana, Tehsil - Tijara Dist. - Alwar (Rajasthan), 301 018 |
|-------|---|

Packaging Films Business

- | | |
|--------|---|
| Plants | <ul style="list-style-type: none"> • SEZ Indore, Sector - 3, Pithampur, Dist. Dhar (M. P.) • Plot No. 12, Rampura, Ramnagar Road, Kashipur Dist. - Udham Singh Nagar, (Uttarakhand) |
|--------|---|

Once the roots are fixed, the foundation is laid, and the core values are determined, the way ahead is much clearer. With feet firmly on the ground, the organisation can aspire for higher realms.



DIRECTORS' REPORT

Your Directors are pleased to present the 36th Annual Report for the year ended 31 March 2007.

Financial Results

Rs./Crore

	2006-07	2005-06
Net Sales	1802.5	1292.3
Profit Before Interest, Depreciation & Tax (PBIDT)	555.4	259.0
Less: Interest & Finance Charges (Net)	35.5	37.7
Gross Profit	519.9	221.3
Less: Depreciation	76.8	62.9
Profit Before Tax (PBT)	443.1	158.4
Less: Provision For Taxation including Deferred Tax Charge	154.0	53.7
Profit After Taxation (PAT)	289.1	104.7
Add: Profit Brought Forward	146.0	78.3
Surplus available for appropriation	435.1	183.0

Appropriation

Rs./Crore

	2006-07	2005-06
Interim dividend on Equity Shares	27.15	-
Final Dividend on Equity Shares	13.58	19.36
Corporate Tax on Dividend	6.12	2.71
Amount transferred to General Reserve	30.00	15.00
Profit carried to Balance Sheet	358.25	145.93
Total	435.1	183.0

Equity Dividend

The Board of Directors of the Company has recommended a final dividend of 20 per cent on the paid up share capital of the Company as on 31 March 2007, in addition to 40 per cent interim dividend already paid during the year.

With this the total dividend for the year works out to 60 per cent on the paid up share capital with a total sum of Rs.46.9 crore (including tax on dividend amounting to Rs.6.1 crore). Payment of final dividend is subject to the approval of the shareholders in the Annual General Meeting.

Operations Review

Net sales of the Company grew by 39.5 per cent from Rs.1,292 crore in 2005-06 to Rs.1,802 crore in 2006-07. Profit before interest, depreciation and tax (PBITD), including 'other income' increased from Rs.259 crore in 2005-06 to Rs.555 crore in 2006-07.

Profit before tax (PBT) increased by 180 per cent from Rs.158 crore in 2005-06 to Rs.443 crore in 2006-07. After accounting for the provision on taxation of Rs.154 crore, which includes both fringe benefit tax and deferred tax liability, profit after tax (PAT) grew by 176 per cent from Rs.105 crore in 2005-06 to Rs.289 crore in 2006-07.

Business-wise Review

A detailed business wise review is being given in the Management Discussion and Analysis section of the annual report.

Subsidiary Companies

SRF Overseas Ltd. (SRFO)

SRFO, a wholly owned subsidiary operating out of Dubai, is an arm of the Technical Textiles Business (TTB) targeted at the markets of Middle East, Europe and Africa. Turnover of the Company increased from AED 91.96 million in 2005-06 to AED 112.94 million in 2006-07. The Company earned a net profit of AED 1.70 million in 2006-07 as compared to the profit of AED 0.87 million in 2005-06.

There is no permanent diminution in the value of investment by SRF in SRFO considering that :

- SRFO has been making profits for the last three years; and
- NPV of future cash flows of SRFO is more than carrying amount of assets as per audited result as on 31.03.2007.

SRF Americas, Inc. (SRFA)

SRFA, a wholly owned subsidiary, has been the marketing arm of the coated fabrics segment of TTB in USA. Due to intense price competition in the US market for PVC coated fabrics, the business operations have been discontinued and, the Company will be dissolved in accordance with the US laws after approval of RBI to write off SRF's investment of USD 2.1 million in SRFA is obtained. Receivables amounting to USD 0.6 million fully provided earlier have been written off in accordance with RBI regulations.

Other Subsidiaries

SRF Transnational Holdings Ltd. (SRFTH)

SRFTH made a profit of Rs.48.10 lakh during the year 2006-07. This profit was mainly on account of interest income and realisation of certain old outstandings.

SRF Properties Ltd. earned a net profit of Rs.5.38 lakh during the year 2006-07.

The Central Government vide its letter No. 47/151/2007-CL-III dated 4 April 2007 has under section 212(8) of the Companies Act, 1956, exempted SRF from attaching a copy of balance sheet, profit and loss account, auditor's report and directors' report of its subsidiary companies and other documents required to be attached under Section 212(1) of the Act to the balance sheet of the Company.



Joint Ventures

During the year, your company entered into a Joint Venture Agreement for setting up a plant in China to manufacture anhydrous hydrogen fluoride which is one of the raw materials for the Chemical Business. A joint venture company has been incorporated for the purpose. Investment in the joint venture will be made either directly or through a special purpose company to be incorporated overseas.

Captive Power Company

Your company has invested an amount of Rs.3.99 crore in equity of a company incorporated for setting up a group captive power plant in Malanpur Industrial Area near Gwalior in the State of Madhya Pradesh for supply of power to the plant of the company located there.

Research and Development

SRF believes that research and development (R&D) initiatives are important to its future successes. With this conviction, your company will be making a capital expenditure of Rs.14.4 crore in the year 2007-08 to upgrade Chemicals R&D Centres at Bhiwadi and Chennai and set up a pilot plant. The R&D centre at Bhiwadi developed technology for HFC-134a and HFC-32 and several other fluoro speciality chemicals. The manufacturing facility for HFCs is undergoing pre-commissioning trial runs, from which the product has been well received by our major customers. The centre is now developing other new generation ozone friendly refrigerants and fluoro speciality chemicals.

SRF recognizes the importance of R&D in the Technical Textiles Business and has established state-of-the-art R&D centre at Manali (Tamil Nadu). This R&D centre is manned by highly qualified technical staff and consists of pilot plants and special testing laboratories. These pilot plants have been designed by SRF and are unique with many flexibilities built in for experimentation. The laboratories are being equipped with state-of-the-art testing equipments, which would not only enable high quality research but would also compress the time taken on research projects.

In house development has been initiated for new products and new processes in the field of Technical Textiles. Also many research projects have been initiated with six leading academic and research institutes in India.

Safety, Health and Environment

At SRF, safety, health and environment are woven into its management system. This has also been commended by international experts in environment. Few of the indicators of SRF's care for safety, health and environment are:

- Most of SRF's facilities have ISO 14001 certification for environment management.



- The chemical business plant at Bhiwadi has been certified for the Integrated Management System covering Quality Management (ISO-9001), Environment Management (ISO – 14001 : 2004), Safety & Health Management (OHSAS 18001). This plant is also certified for Social Accountability (SA – 8000).
- During the year, the chemical business plant was awarded the Greentech Platinum award in Chemical Sector Safety Management and Gold award for the Environment Management.
- SRF was awarded Responsible Care logo on 22nd Dec 2006. Indian Chemical Council (formerly known as ICMA, now ICC) had organized a programme on “Launch – Responsible Care” in Vadodara on 22nd Dec-2006. Mr. Arvind Aggarwal, IAS, Industries Commissioner – Government of Gujarat, presented the honour to SRF to use RC Logo.
- Various Projects on the water conservation in Chemicals Business undertaken in 2006-07 yielded a saving of about 450 m3/day of the ground water abstraction.
- The Tyre cord fabric plant at Dubai has been certified for the Integrated Management System covering Quality Management (ISO-9001), Environment Management (ISO – 14001), Safety & Health Management (OHSAS 18001).
- The TTB plant at Manali was awarded ‘Safety star’ by ‘National safety council- Tamil Nadu chapter’ for safety practices for the year 2005-06 announced in Dec 06.
- The TTB Plant at Gummidipoondi and Dubai recorded ‘Zero lost work day case’ during the year.

Directors

Mr. M.V. Subbiah, Mr. Satish K Kaura and Mr. Subodh Bhargava are retiring by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Brief resumes of the Directors offering themselves for re-appointment are furnished in the explanatory statement to the Notice of the ensuing Annual General Meeting.

During the year, Mr. Arun Bharat Ram has relinquished the charge of Managing Director. He will continue to be the Chairman of the Board with executive powers. Mr. Ashish Bharat Ram and Mr. Kartikeya Bharat Ram have been redesignated as Managing Director and Deputy Managing Director respectively.

Directors’ Responsibility Statement

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for the period under review;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts for the year ended 31st March 2007 on a ‘going concern’ basis.

The Company is controlled by Arun Bharat Ram Group (Promoter Group) being a group as defined under the Monopolies and Restrictive Trade Practices Act, 1969. The Promoter Group consists of various individuals and corporate bodies who are in a position to and who jointly exercise control over the company. A list of these individuals and corporate entities is as follows:

- Mr. Arun Bharat Ram;
- Dr. Bharat Ram;
- Mr. Ashish Bharat Ram;
- Mr. Kartikeya Bharat Ram;
- Mrs. Shiela Bharat Ram;
- Mrs. Manju Bharat Ram;
- Mrs. Vasvi Bharat Ram;
- Mrs. Radhika Bharat Ram;
- SRF Polymers Ltd.;
- SRF Polymers Investments Ltd. (formerly SRF International Ltd.);
- Skylark Investments & Trading Pvt. Ltd.;
- Narmada Farms Pvt. Ltd.;
- Bhairav Farms Pvt. Ltd.

Listing of Equity Shares

SRF’s equity shares are listed at the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd. During the year 33,75,000 fully paid equity shares at a price of Rs. 85 per share (premium of Rs. 75) were issued to one of the promoter group company on exercise of right attached to the warrants. These shares have also been listed on both the stock exchanges.

Buy-back of Shares

Pursuant to the decision of buy-back of shares taken by the Board on 24 June 2006, an aggregate of 16,084 equity shares at an average price of Rs. 194.29, were bought back absorbing a total amount of Rs. 31,24,934. As a result of the buy-back, the paid up capital of the Company was extinguished to an extent of Rs. 1.61 lakh and the general reserves were reduced by Rs. 29.64 lakh. An amount of Rs. 1.61 lakh was also transferred to capital redemption reserve.

Corporate Governance

Certificate of the auditors of your Company regarding compliance of the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement with the stock exchanges is attached to the report as annexure I.

In compliance with the requirements of Clause 49(V), a certificate from the Managing Director and the President & Chief Financial Officer was placed before the Board.

All Board members and Corporate Leadership Team (CLT) had affirmed compliance with the Code of Conduct for Board and Senior Management Personnel. A declaration to this effect duly signed by the Managing Director is enclosed as a part of the Corporate Governance Report. A copy of the Code is also placed at the website of the Company (www.srf.com).

Consolidated Financial Statement

In accordance with the accounting standard (AS-21) on consolidated financial statements, your Directors are pleased to attach the consolidated financial statements, which form part of the Annual Report and Accounts.

Accounts and Audit

The auditors, M/s Thakur, Vaidyanath, Aiyar & Company retire at the conclusion of the 36th Annual General Meeting and being eligible, offer themselves for re-appointment. The observations of the auditors are explained wherever necessary in appropriate notes to the accounts.

Cost Audit

Mr. Prakash Kumar Varma, Cost Accountant, has been reappointed to conduct cost audit of the accounts maintained by the Company in respect of its nylon products for the financial year 2007-08.

Internal Control System

The Company's internal control system includes audit and verification of compliance to defined policies and procedures by Internal Audit Function. The internal auditors independently evaluate the adequacy of internal controls and audit the sample of the transactions in value terms. Independence of the audit is ensured by the direct reporting of internal audit function to the Audit Committee of the Board.

Management Discussion and Analysis

A detailed section of the Management Discussion and Analysis forms part of the Annual Report.

Fixed Deposits

Your Company discontinued accepting/renewing fixed deposits since 14 August 2004. There have been no defaults in repayment of fixed deposits during the year. Deposits (including interest) worth Rs.19 lakh due for repayment on or before 31 March 2007 remained unclaimed by 100 depositors.

Personnel

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees), Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure 2 to the Directors' Report.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The details as required under the Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 are given as annexure 3 to the Directors' report.

Acknowledgements

Your Directors acknowledge with gratitude the co-operation and assistance received from various agencies of the Central Government and the Governments of Madhya Pradesh, Rajasthan, Tamil Nadu and Uttarakhand, financial institutions and banks. Your Directors thank the shareholders and depositors for their continued support. Your Directors also place on record their appreciation of the contribution made by employees at all levels.

For and on Behalf of the Board

Arun Bharat Ram
Chairman

Date: 25 April, 2007
Place: Gurgaon



Annexure I

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of **SRF LIMITED**

We have examined the compliance of conditions of Corporate Governance by SRF Limited, for the year ended on 31st March 2007, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us:

We certify that the company has complied with the mandatory conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that there are no investor grievance(s) pending for a period exceeding one month against the company as per the records maintained by the Shareholders/ Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For and on behalf of

THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants

V. Rajaraman
Partner
M.No.2705

Place: New Delhi
Date: 25 April, 2007

Annexure 2

ANNEXURE TO DIRECTORS' REPORT (STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956)

Sno	Name	Age	Designation	Remuneration	Qualification	Exp.	Empl. Date	Last Employment
1	Arun Bharat Ram	66	Chairman	19,083,257	B.Sc.(Indl.Engg.)	40	1 May, 1972	Manager,Textile Divn,DCM Ltd.
2	Ashish Bharat Ram	38	Managing Director	6,317,330	MBA	12	2 Sept, 2002	MD,SRF Overseas Ltd.
3	Rajdeep Anand	55	President (Projects and R&D)	6,410,009	B.Tech (Hons.)	35	29 Mar, 1993	Chief Executive, Chem.Aides
4	Roop Salotra	56	President & CEO (CB & PFB)	16,029,766	B.E. (Mech.)	35	1 Jun, 1993	General Manager, SRF Nippondenso Ltd.
5	Sushil Kapoor	47	President & CEO (TTB)	17,147,506	B.Tech (Mech.)	24	1 Jul, 1982	General Manager, SRF Overseas Ltd.
6	Sushil Ramola	53	President (CSR)	6,382,622	B.Tech.,PGDBM (IIMA)	30	25 Mar, 1998	President, SRF Overseas Ltd.
7	Suresh Dutt Tripathi	46	President (Corp.HR)	4,007,106	M.SC.,PGDSW	24	11 Feb, 2002	Principal, Mgt.Consultancy, MASCON Global Ltd.
8	Rajendra Prasad	49	President & CFO	6,583,796	CA,DISA, CISA(USA)	25	20 Mar, 2006	Country Controller, American Express Bank
9	A K Joshi	47	Vice President & Company Secretary	2,712,573	FCA, FCS	24	10 Feb, 1986	Audit Manager, Dass Gupta & Co., Chartered Accountants
10	Ramesh Jha	50	Vice President & Chief Operating Officer - Power	1002617*	B.Tech (Electrical), MBA (Mktg)	26	22 Nov, 2006	Reliance Energy Limited
11	Aseem Mehrotra	47	Vice President & Business Head - CB	3,045,001	B.E.	25	16 Apr, 1990	Branch Manager, Indographics
12	Manoj Mehrotra	45	Vice President & Business Head - Fluoro Specialities	2,625,000	B.Tech, PGDM	20	11 Apr, 1989	Thermax Pvt. Ltd.
13	Sanjay Chatrath	44	Vice President - Operations	2,583,179	B.Tech	22	07 Jun, 1985	NA
14	M Venkataraman	45	Vice President - R & D	2,661,993	B.Tech	23	07 Jun, 1984	NA
15	Kannan Suresh	39	Vice President - Strategic Planning	2,672,441	B.Tech	18	05 Jun, 1989	NA
16	W J Samuel	58	Vice President	2,985,267	MBA (Marketing)	37	23 Jun, 1983	Marketing Manager, Modi Paints,

* Employed for a part of the year

Notes

- Remuneration comprise salary,allowances, perquisites, commission paid and Company's contribution to Provident Fund and Superannuation Fund.
- All appointments are contractual in nature.
- There are no Employees in the services of the Company within the category covered by sub section (2) (iii) of section 217 (2A) of the Companies Act , 1956
- None of the above employees other than Mr. Arun Bharat Ram and Mr. Ashish Bharat Ram who are relatives of Dr. Bharat Ram is a relative of any director of company.

Arun Bharat Ram
Chairman

Date: 25 April, 2007

Place: Guragon



Annexure 3

ANNEXURE TO THE DIRECTORS' REPORT

(PURSUANT TO SECTION 217(1) (e) OF THE COMPANIES ACT, 1956)

A. CONSERVATION OF ENERGY- Measures taken:

1. Technical Textiles Business, Manali

- Converted chilled water circulation in yarn plant from parallel to series thereby reducing requirement of chilled water by 75%, consequently saving energy.
- Cooling water spray system introduced for air conditioning in place of chilled water for newly erected DT machines, resulting in reduced chiller load by 300 TR
- Optimized condenser water temperature through efficient usage of cooling tower, resulting in enhanced VAM capacity by 50TR.
- Conventional spinning Dyno drives were replaced with AC inverter drives, thereby reducing the power transmission loss by 80 KWH.

2. Technical Textiles Business, Gwalior

- VAM Chiller (3 No.) installed using hot water for refrigeration, thus replacing energy inefficient centrifugal chillers.
- Twister motors resistance & losses reduced through redesigning gauge and pattern of motor winding.
- Optimized A/C Load (through Enthalpy control) in textiles
- Optimized Generation of Steam through waste heat recovery boiler route thereby reducing load on liquid fuel fired boilers

3. Technical Textiles Business, Viralimalai

- Power consumption of processing machines and weaving machines reduced by downsizing of motor ratings
- Fuel consumption of Cycle Tyre Cord Machine reduced by replacing the burner heating system from indirect to direct and change of fuel to LPG.
- Fuel consumption of Chafer Dipping Machine reduced by replacing the burner from 'on' / 'off' type to 'proportional' type.

4. Chemicals Business (CB)

- Coal Based Captive Power Plant stabilized during the year for optimum performance.
- Installed VFD in ID fan (90 kw) and FD fan (160 kw) in Captive Power Plant.
- Stopped DG cooling tower by automating Control room.
- Reduced bore well running by reducing ground water withdrawal, by using treated water at many places.

5. Packaging Films Business – Indore

- Electrical heaters replaced with thermic fluid heaters for FO preheating and Air dryer.
- Cooling water pumping system rationalized by trimming the pump impeller in one pump.
- Size of casting roll-cooling pump reduced from 30 KW to 22 KW.
- Installed the Harmonic control system to reduce the Harmonic losses.
- Power factor Increased from 0.95 to 0.98.
- Installed the Pressure control system (Air Savior) in Air Compressors.
- Installation of Air washer system in Air Handling Units

6. Packaging Films Business – Kashipur

- Temperature of cooling tower fans has been auto controlled.
- Impeller size of chill roll circulation pump reduced.
- Crystalliser dryer wear plate heights reduced.

Power and Fuel Consumption	2006-07	2005-06
1 Electricity		
a) Purchased		
- Total Units (000 KWH)	106,844.16	78,028.33
- Total Amount (Rs.Lakhs)	4,081.35	3,130.02
- Rate/Unit(Rs.)	3.82	4.01
b) Own Generation		
- Through Diesel (000 KWH)	11,071.39	23,477.83
- Units per KL of diesel oil	3,304.50	3,563.39
- Cost/Unit	9.08	7.41
- Through Furnace Oil (000 KWH)	96,709.49	93,096.69
- Units per KL of Furnace oil	8,531.59	7,859.40
- Cost/Unit (Rs.)	4.59	4.18
2 Others		
a) Fuel (for oil boiler)		
- Quantity(K.Litres)	12,546.24	10,746.24
- Total Cost(Rs.in Lakhs)	2,209.78	1,778.50
- Rate/Unit of KL(Rs.)	17,613.11	16,550.01
b) LPG		
- Quantity (MT)	1,984.60	1,351.26
- Total Cost(Rs.in Lakhs)	662.83	435.29
- Rate/MT(Rs.)	33,398.60	32,213.51
CONSUMPTION PER UNIT OF PRODUCTION		
1 Electricity(KWH/MT)		
- Yarn	2,502.90	2,403.63
- Fabric	2,782.34	2,943.74
- Fluorochemicals	613.88	524.94
- Chloromethanes	390.46	354.99
- Polyester Films	1,178.99	1,344.95
2 LPG(Kgs/MT)		
- Fabric	99.49	101.36

Power and Fuel Consumption	2006-07	2005-06
3 Steam (MT)		
- Yarn	3.44	3.49
- Fabric	3.27	2.33
- Fluorochemicals	0.83	0.61
- Chloromethanes	1.55	1.41

B. Technology Absorption**Research and Development**

SRF recognises the importance of research and development (R & D) in the Technical Textiles Business and has established state-of-the-art R & D centre at Manali(Chennai), Tamil Nadu. This R&D centre is manned by high quality technical staff with M.Tech, M.Sc qualifications in the field of Chemical Engineering, Polymer Science, Fibre Science and Rubber Technology from reputed Indian Universities. The R&D centre at Manali consists of state-of-the-art Pilot plants and special testing laboratories. These pilot plants have been designed by SRF and are unique with many flexibilities built in for experimentation. The laboratories are being equipped with state-of-the-art testing equipments like Universal Testing Machine, Differential Scanning Calorimeter, Thermo Gravimetric Analyser, Shrinkage Tester, Fatigue Tester, etc. Various in-house development work have been initiated for development of new products and new processes in the field of Technical Textiles. Also many research projects have been initiated with six leading academic and research institutes in India.

In continuation to SRF's focus on Research and Development (R&D), Chemicals Business is in the process of commercializing one more fluorinated specialty product, which has been developed by R&D Centre at Bhiwadi, Rajasthan. SRF has also created a strong Engineering Team, with engineers coming from reputed Indian Institutes, which takes up the scale-up and technology development work. SRF is also setting up a Pilot Plant for speeding up scale-up of processes, which are in pipeline.

The manufacturing facility of HFC 134a and HFC 32 (processes developed by R&D Centre at Bhiwadi) has been erected successfully. The trial runs are showing encouraging results.

Expenditure on R & D	2006-07	2005-06
	(Rs/lakhs)	(Rs/lakhs)
Capital	1,752.62	106.45
Recurring	401.10	158.70
Total	2,153.72	265.15
Total R & D expenditure as a percent of turnover(%)	1.19	0.21

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars	2006-07	2005-06
	(Rs/lakhs)	(Rs/lakhs)
Foreign Exchange Earnings	79,831.74	33,107.94
Foreign Exchange Outgo	36,377.96	45,334.12
Net Foreign Exchange Earnings	43,453.79	(12,226.18)

Arun Bharat Ram
Chairman

Date: 25 April, 2007

Place: Gurgaon

In the early stages, an organisation needs careful investments and a well-planned strategy for sustainable growth, just like a plant that needs careful nurturing for proper growth.



MANAGEMENT DISCUSSION AND ANALYSIS

The Indian economy embarked on a high growth path in 2003-04 with a GDP growth of 8.5 per cent. 2006-07 saw a growth of 9.2 per cent, and marked the fourth consecutive year of excellent economic performance – taking the compounded annual growth rate during this four year period to over 8.5 per cent.

There are two very important aspects of this growth. First, there has been a resurgence of manufacturing across all sectors, accompanied by an across-the-board buoyancy in investments. As a result of several quarters of consistent double-digit growth, the share of manufacturing has increased by over one percentage point to 26.4 per cent of GDP. Second, there has been a marked reduction in the impact of agricultural cycles on the overall growth of the economy. As an example, 2006-07 has been an extremely good year for the economy notwithstanding below-average performance of agriculture.

Recognising India's growth opportunities, SRF Limited ('SRF' or 'the Company') had started implementing a wide ranging investment programme since 2004-05 – some of which started to bear fruit in the previous year. As a result of these investments, SRF was well positioned to benefit from the favourable market situation in 2006-07, and consequently achieved even better results. Even as the Company continues to assess its needs for modernisation and expansion across businesses, SRF's improved capacities coupled with its commitment to Total Quality Management (TQM) have enabled it accomplish a much better performance for the year under review. The highlights of SRF's financial performance in 2006-07 are:

- Net sales from operations increased by 39.5 per cent – from Rs. 1,292 crore in 2005-06 to Rs. 1,802 crore in 2006-07.
- Profit before depreciation, interest and tax rose by 114 per cent – from Rs.259 crore in 2005-06 to Rs.555 crore in 2006-07.
- Profit before depreciation and tax (PBDT) grew by 135 per cent – from Rs.221 crore in 2005-06 to Rs.520 crore in 2006-07.
- Profit after tax (PAT) also increased by 176 per cent – from Rs. 105 crore in 2005-06 to Rs.289 crore in 2006-07.
- Return on capital employed (ROCE) increased from 17.8 per cent in 2005-06 to 35.8 per cent in 2006-07.
- Return on net worth (RONW) increased from 17.9 per cent in 2005-06 to 36.4 per cent in 2006-07.
- Earnings per share rose by 169.5 per cent from Rs. 16.2 in 2005-06 to Rs.43.8 in 2006-07.

In what follows, we will discuss the performance of SRF's business, initiatives taken and overall financial performance during the year under review and its outlook for the future.



Businesses

SRF has a portfolio of established businesses in industrial intermediates. In the last few years, the Company has also developed new businesses in packaging films and speciality chemicals as a part of its long-term strategy for growth. It classifies its main businesses as: Technical Textiles Business (TTB), Chemicals Business (CB) and Packaging Films Business (PFB).

Technical Textiles Business

Technical Textiles Business (TTB), which includes tyre reinforcements, belting fabrics and coated fabrics, continues to be SRF's largest business segment. Sales of the business grew by 9.4 per cent from Rs.795 crore in 2005-06 to Rs.870 crore in 2006-07. TTB contributes approximately 48 percent to the total sales of the Company.

Tyre Reinforcements

The main product of SRF in the TTB is nylon tyre cord fabric (NTCF), which is used as a reinforcement material in nylon tyres. With the buoyancy in both commercial vehicles and passenger car segments, the demand situation continued to be favourable during the year under review.

With this in mind, SRF embarked on a comprehensive expansion programme for the business in 2005-06, which was discussed in last year's Annual Report. As a result of the completion of this modernisation and expansion drive, total capacity of the Company (including its wholly owned subsidiary) has increased to 50,000 TPA of Nylon 6 yarn and 46,000 TPA of fabric. This positions SRF as the industry leader in the country, and the third largest Nylon 6 producer of NTCF in the world.

With the above expansions, the Company has been able to bridge the demand-supply gap for NTCF in the domestic market; and consequently increase its market share from 31 per cent in 2005-06 to 36 per cent 2006-07. SRF is also well placed to meet the growing demand of NTCF in the country arising out of continued high growth in the economy.

Nylon industrial yarn, which is an intermediate output in the production of NTCF, is also used in non-tyre applications – which are expected to increase with economic growth. This will also provide opportunity for SRF to grow and diversify its offerings in this business. Keeping this in mind, the Company is in the process of developing its competencies in these market segments. During 2007-08, SRF expects to make inroads into some of these markets, and to widen its portfolio in the nylon industrial sector.

Last year's Annual Report had also mentioned about setting-up of a R&D facility for this business. This is now in place for the entire value chain from polymerisation to spinning to dipping – and work has begun to develop new products and processes which will further enhance competitiveness. This R&D facility is one of its kinds in the globe, and SRF expects it to play a very important role to further strengthen its ability to grow the business.

Given the recent ramp-up of capacity in this business segment, the Company expects further gains accruing from full utilisation of additional capacities, improvements in operational efficiencies to global benchmark levels, and widening of the product portfolio through R&D efforts in the next year.

Belting Fabrics

Belting Fabrics are used as reinforcement material for conveyor belts, and have been witnessing robust growth in demand. During the last four years, volume in this segment has increased at a compounded annual growth rate of over 27 per cent. With a growth of 17 per cent in sales turnover during 2006-07, SRF continues to be the market leader in India with a share of over 50 per cent, and a significant force globally as the fourth largest producer of belting fabrics in the world.

Given the particularly favourable outlook for the mining and infrastructure sectors which are important end-user industries for such products, SRF expects this buoyancy in domestic demand to continue. The Company currently receives 63 per cent of its revenues from exports spread across approximately 30 countries, and is well positioned to make further inroads into international markets in the future.

Before launching the next round of expansion in this business, SRF plans to focus on modernisation and technological upgrading of its facilities to improve productivity and operational performance. In view of the increasing commoditisation of the business, the Company also plans to shift its focus to development of higher value added products with better margins in the coming years.

Coated Fabrics

Coated fabrics are used in a wide range of applications including protective dynamic tarpaulins, static covers, auto-canopies, signages and awnings. During 2006-07, the Company was able to bring about substantial improvements in the performance of this business through rationalisation of the existing product portfolio and development of new products. Consequently, sales turnover increased by 18 per cent in 2006-07. SRF continues to enjoy a leadership position in the sub-segments in which it operates. Approximately 22 per cent of the total sales came from new products introduced during the last two years.

In terms of target markets, the primary focus of this business continues to be India. And, despite the business being relatively small compared to other segments, the Company believes that there is a significant potential for it with higher economic growth. During the year under review, SRF undertook a study to identify new products segments which have good potential and synergies with its existing businesses, so as to build a strong growth plan for the future.

Outlook

Radialisation in the bus and truck segment, which accounts for over two-thirds of SRF's NTCF sales, has been at 2 per cent for quite a few years now. Based on the current assessment of the progress of radialisation, SRF expects that demand will continue to grow at least for the next decade. The Company is well placed to benefit from this growth. Even so, to de-risk itself from the impending increase in radialisation, SRF has started exploring opportunities to diversify its Technical Textiles Business by developing non-tyre applications of nylon industrial yarn.

In belting fabrics, the outlook is very positive given the expectation of high growth in the domestic mining industry and infrastructure sectors such as power and construction. In fact, expectation of the industry is that capacities may not be able to keep pace with this anticipated growth. This augurs well for SRF, which has over 50 per cent share of this business in the country.

Although coated fabrics continue to be relatively small in terms of its size, SRF is actively exploring possibilities of growing this business by diversifying its product portfolio. The Company also expects to benefit from high growth in this segment in the future.

Buoyed by the strong demand outlook and improvements in operational efficiencies as a result of modernisation and investment in cost-effective sources of energy, the outlook of the Technical Textiles Business is encouraging. During 2007-08, SRF will be drawing up its plans for the next round of investments in this segment.

Chemicals Business

The Chemicals Business of the Company comprises refrigerants, chloromethane and the newly developed fluoro specialties. It also includes receipts from transfer of CERs (Carbon Emission Reductions also known as Carbon Credits). The Company's initiative in this regard has been discussed in the section on Clean Development Mechanism. On the one hand, sales and profitability of the business came under pressure due to the time-bound phasing out of ozone-depleting emissions, as mandated by the Montreal Protocol. On the other, the global market for carbon credits continued to remain encouraging. SRF has taken concrete steps to counter the eventuality arising out of the Montreal Protocol, and is well poised to deal with it in the years to come.

Refrigerants

Refrigerants are primarily used by the air-conditioning and refrigerant industry as the cooling medium in compressors. SRF continues to be one of the largest and credible players in the industry globally. It is the market leader with around 40 per cent share in the domestic market. Exports of the business are spread across over 60 countries, and account for 80 per cent of the volume.

SRF's current refrigerants portfolio includes hydro-chlorofluorocarbons (HCFC-22), chlorofluorocarbons (CFC-11 and CFC-12) and HFC 134a. With CFCs and HCFCs being gradually phased out by 2010 and 2040 respectively, the market for refrigerant gases in India is moving away from CFCs to HCFCs and hydrofluorocarbons (HFCs).

SRF has been aligning its product-mix in line with the changing market trends. The Company has developed indigenous technology for the production of HFC, and holds a process patent for HFC-32 by the United States Patent and Trademark Office. The semi-commercial swing plant for manufacturing HFC (134a/32) has undergone successful trials, and the product has been well received by potential customers. SRF has been successful in getting its own manufactured HFC 134a approved by most automobile, air conditioner and refrigerator manufacturers in India, and has started receiving approvals from abroad.

The manufacturing operations of SRF's Chemicals Business are located at Bhiwadi in Rajasthan. During the year, the anhydrous hydro fluoric acid (AHF) capacity was de-bottlenecked from 23 metric tons (MT) per day to 35 MT per day to support the higher requirement arising out of the newly set-up HFC 134a plant, and the growth in the fluoro specialities business. The power plant commissioned during 2005-06 also stabilised during the year, and helped bring down energy costs.

SRF takes pride in the fact that the business was chosen as one of the first six corporate entities in India to be allowed to use the 'Responsible Care' logo in recognition of its commitment to international standards of safety, health and environment. During 2006-07, the Company was also awarded the 'Greentech Platinum Award for Safety'.

Chloromethanes

SRF's main products in the chloromethanes business are methylene chloride, chloroform and carbon tetrachloride (CTC). The Company entered these areas as a backward integration project for its fluorochemicals business. Today, it has a capacity of over 30,000 MT per annum. While most of the chloroform and CTC is internally consumed to produce HCFCs and CFCs respectively, methylene chloride is sold in the domestic market.

With new capacities coming up globally, especially in China, chloromethanes have entered the declining phase of the commodity cycle. During the year, sales of CTC to the solvent sector came down due to restrictions made under the Montreal Protocol. Demand from the agro-chemical sector also came down due to the same reason. As a result, there was a huge demand supply mismatch in the domestic market – which led to sharp fall in realisations. To reduce the impact of this development, the Company plans to implement technological changes in the plant during 2007-08, and thereby reduce the proportion of CTC in its product mix.

Fluoro Specialities

SRF entered into the fluoro specialities business in 2003-04 as a natural progression of its expertise in fluorochemicals, and strong knowledge of halogen chemistry. The focus is to leverage its expertise to produce intermediates and advanced intermediates required to manufacture active pharmaceutical ingredients (APIs) and agro-chemicals.

This business is in the process of being developed by targeting both pharmaceuticals and agro-chemicals sector. During 2006-07, this division sold products to major pharmaceutical companies in India and established long-term tie-ups with key players. Some of the products exhibited strong growth during the year, and the Company was constrained by its capacity to meet the demand; other products are in the process of being more widely demanded by the end users.

During 2007-08, the focus of this business will be to develop the market for existing products and build the momentum for new offerings. As R&D will be critical for the success of this business, the Company has established two fully equipped state-of-the-art R&D centres at Bhiwadi (Rajasthan) and Chennai (Tamil Nadu). Currently, these centres have close to 20 scientists. This number is expected to increase in the future.

Outlook

SRF has been working on a well thought out strategy to counter the complete phase-out of CFCs and CTC by 2010 and HCFCs by 2040, as mandated by the Montreal Protocol. There are two key elements of this strategy. First, compensate the loss of revenue from CFCs by increase in HCFCs and HFC 134a. Second, enter higher value added segments by introducing new generation products in the market, such as the development of the fluoro specialities business.



In terms of the demand, the Company expects refrigerants in India to grow at a much higher rate in the future, given the consistently high growth of consumer income, and huge growth in the consumer durables and passenger cars segments. Similarly, SRF considers fluoro specialties as a high opportunity area, and intends to add more products to its basket of offerings to drive future growth. Therefore, outlook of the Company's Chemicals Business continues to be optimistic.

Packaging Films Business

PET films are primarily used in packaging of food, cosmetics, personal and health care products. With the increase in disposable income of households in India, there has been substantial growth in the business over the last few years. SRF has also benefited from this growth. Revenues from the business grew by 37.2 per cent from Rs. 148 crore in 2005-06 to Rs. 203 crore in 2006-07.

The full benefit of downstream metallisation plant commissioned in the previous year also accrued to the Company during 2006-07, and the entire production was sold out. In the domestic market, SRF is an important player in the packaging films business with a market share of 10 per cent. However, with over 200 KTPA of capacities in India, domestic production continues to outstrip demand. As a result, the Company has been focusing on exports to ensure that there is no pressure on its realisations and margin.

In the export market, SRF has a significant presence in the SAARC region, Middle East, Africa, West Asia and Russia. During the year, the Company also initiated business in several new countries taking the number of countries to which it exports to over 40. In addition, it has secured approvals from global converting majors and has initiated long-term agreements with them. This is expected to smoothen the revenue streams and bring about improvements in inventory situation.

During the year, SRF exported 50 per cent of its PET films production.

Outlook

Buoyant demand for packaging films is expected to continue with its high double-digit growth rates – aided by large increases in household incomes and trends in favour of greater usage. SRF's strategy for the business is to diversify into more value added and specialty products, and establish a strong presence in lucrative global markets. In line with this strategy, the Company plans to expand the capacity of metallised films, and enter the specialty holography segment during the next year. Overall, the long-term prospects of this business are encouraging.

Research and Development

SRF believes that research and development (R&D) initiatives are important to its future successes. With this conviction, your Company will be making a capital expenditure of Rs. 14.4 crore in the year 2007-08 to upgrade Chemicals R&D Centres at Bhiwadi and Chennai and set up a pilot plant. The R&D centre at Bhiwadi developed technology for HFC-134a and HFC-32 and several other fluoro speciality chemicals. The manufacturing facility for HFCs is undergoing pre-commissioning trial runs, from which the product has been well received by our major customers. The centre is now developing other new generation ozone-friendly refrigerants and fluoro speciality chemicals.

SRF recognizes the importance of R&D in the Technical Textiles Business and has established state-of-the-art R&D centre at Manali (Tamil Nadu). This R&D centre is manned by highly qualified technical staff and consists of pilot plants and special testing laboratories. These pilot plants have been designed by SRF and are unique with many flexibilities built in for experimentation. The laboratories are being equipped with state-of-the-art testing equipments, which would not only enable high quality research but would also compress the time taken on research projects.

In house development has been initiated for development of new products and new processes in the field of Technical Textiles. Also many research projects have been initiated with six leading academic and research institutes in India.

Clean Development Mechanism (CDM)

SRF has been taking responsible initiatives to conserve the environment, and 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. Through its CDM project, the Company has been successfully reducing carbon emissions.

SRF's credentials regarding the CDM project can be gauged by the fact that it has a dozen well reputed project participants viz. Barclays Bank (UK), BNP Paribas, CER Investments I, Climate Change Capital Carbon Fund (UK), EDF Trading (UK), Enel Trading (Italy), Goldman Sachs (UK), ICECAP Limited (UK), KFW (Germany), Nuon (Netherlands), Shell Trading International Limited (UK), and Solvay Fluor (Germany).

As a part of the CDM project, SRF has embarked upon several initiatives to aid sustainable development in the backward region of Alwar, Rajasthan. Through these initiatives – which focus on natural resource management, education and health – the Company has been able to impact lives of 500 families in 17 arid villages of Rajasthan. Reputed non-governmental organisations such as PRADAN and SARD with relevant professional experience have been engaged to spearhead this effort. The specific projects have been discussed in greater detail in the following section.

Community Partnership

SRF's commitment to social and economic development of communities in the areas where it operates, and to the society at large, constitutes an integral part of its vision of 'Making our Nation Proud'. Its social initiatives are structured through 'SRF Community Partnerships'. The important areas of intervention are education, health and natural resource management. During 2006-07, the Company also set aside an additional corpus for its initiative – the SRF Foundation – to provide access to high quality education to students from all backgrounds.

Natural Resources Management Initiatives

During 2006-07, the Chemicals Business under its CDM and Corporate Social Responsibility Programme (CSR) implemented a natural resource management and afforestation project in barren Tijara tehsil (Alwar, Rajasthan) in partnership with PRADAN, a reputed NGO. The goal of the initiative is to improve the livelihood of the poorest of the poor.

Based on feasibility study, a pilot project for two years was implemented. In the first year itself, the project directly touched more than 500 families (and 500 indirectly), covering 1,750 hectares of land spread over 17 villages. The interventions included construction of earthen check dams called paals, loose stone check dams, land levelling, field bunding, large scale plantations, goat rearing and formation of community based institutions such as self help groups, user groups and watershed committees.

The second year of the pilot project to be implemented in year 2007-08 will focus on scaling up the existing initiatives taken as well as initiating impact assessment of the project interventions during 2006-07.

Health Initiatives

During 2005-06, SRF implemented a formal HIV/AIDS policy. 2006-07 saw a major expansion in its HIV/AIDS awareness campaigns undertaken at all its business locations. Employees volunteering as HIV/AIDS master trainers and peer educators were effective in spreading awareness beyond the factory premises to neighbouring facilities and the community at large.

During the year, refresher training programs were conducted in Gurgaon and Manali for master trainers and peer educators from all units. The Chemicals Business also organised an HIV/AIDS sensitisation workshop for senior management from the neighbouring industries in Bhiwadi. In addition, many Company locations organised awareness campaigns on 1st December to mark the World AIDS Day.

In 2006-07, eye camps were organised in Bhiwadi and Manali, and more than 350 people benefited from it. The Company also organised a health check-up camp in Bhiwadi for 66 physically challenged children. Another free medical camp was organised in Viralimalai with support from Holy Family Hansensorium, where over 1,000 students were tested for vision, vitamin deficiencies, heart, skin ailments, anaemia and ulcers.

Education Initiatives

SRF has been undertaking an education initiative with its NGO partner SARD (Society for All Round Development) in Bhiwadi called 'Project Shiksha'. During 2006-07, the focus was on bringing to the mainstream children of school-going age belonging to the acutely under-privileged Meo-Muslim community through the bridge schools (informal education centres) in villages near Bhiwadi. Performance of the project was satisfactory: 30 of the 75 children who had been enrolled in bridge schools got admitted in the government schools.

During the year, SRF also established remedial support centres in six government schools for students who are at risk of dropping out. These centres currently have approximately 200 students – and the hope is that the performance of these academically weak children will improve and, along with it, the school retention rate.

The Company also organised summer camps, athletic camps and cricket camps for school children and contributed for a full-time school teacher in Gumidipoondi. It has also introduced quality management in two schools by extending 5S practices.

Initiatives of SRF Foundation

The Shri Ram Schools – at three sites in Delhi and Gurgaon with over 2,700 students – strive to provide each student a diverse education in a safe supportive environment that promotes sound values, self discipline, motivation and excellence in learning. These schools have built upon 18 years of educational excellence and have earned the reputation of being among the best schools in National Capital Region. They have a separate Special Education Needs department for children who have difficulty in coping with the regular curriculum.

The SRF Vidyalaya, established in 1991 in Manali (Tamil Nadu) with the primary idea of imparting quality education to students from economically weaker sections of society, is a pioneer in applying Deming's Quality Principles. The school has English as its medium of instruction and an enrolment of 218 boys and 193 girls. Over 90 per cent of the students are first generation learners. The Company has decided to aid in the setting up of a second SRF Vidyalaya near its Bhiwadi plant in Rajasthan.

Shriram Educare came into being out of the commitment of the Shri Ram Schools to share their knowledge and constantly innovate in the field of education. Shriram Educare has developed into a dynamic knowledge hub that integrates innovative programmes in





education taking into account the evolving needs of all segments of society. During the year under review, Shriram Educare collaborated with other organisations to produce a series of progressive workbooks on phonic–methodology-based English language development and environmental education. It also organised more than 20 capacity building workshops for teachers besides, offering its expertise to two organisations on curriculum development and training of teachers.

Total Quality Management (TQM)

SRF continues to deploy very strong systems for operational excellence built on principles of TQM. The capabilities which the Company developed in winning the coveted Deming Prize have been extended to new Technical Textiles Business (TTB) projects such as the yarn plants, and textile capacity expansions at both Manali and Gwalior. The Chemical Business has also applied systematic methods to achieve high product quality from the HFC 134a plant.

TQM practices in SRF powerfully integrate concepts of Total Productive Maintenance (TPM). During 2006-07, all units of TTB raised the practice of autonomous maintenance to higher levels – by developing competencies of workers and making them masters of the equipment they handle. Autonomous maintenance has also taken roots in other businesses, bringing breakdowns to very low levels and increasing equipment life.

The Kaizen initiative is a cornerstone of the Company's TQM journey. During the year, employees contributed close to 40,000 improvements, taking the cumulative number of Kaizens in the company to over 160,000. The Company takes immense pride in the high level of people participation in this initiative.

In 2003, SRF had developed a unique six-month certification programme titled 'PSP Blue' for building problem solving skills. This programme gained momentum during the year with nearly 450 cumulative enrolments, and over 180 certified problem solvers. These projects are taken from the annual plans, and directly contribute to improvements in product quality and cost-competitiveness.

Building on the strengths of this programme, the Company launched a higher level certification programme in problem solving titled 'PSP Silver', to advance skills in areas of new product development, technology and manufacturing. This highly intensive curriculum combines extensive classroom inputs along with completion of two large projects. Significant results have been achieved in the areas of waste reduction, development of new products, technology and quality.

Our QC circles comprising workmen teams continue to earn accolades in various national and international arenas. There are a total of 117 QC circles in the Company, which includes our unique 'TIE' groups from the Chemical Business. TIE groups are workmen teams which carry out 5S activities, autonomous maintenance, Kaizen and problem solving activities under a single initiative. The Company's QC circle teams have participated in various conventions, winning the highest awards of 'Par Excellence' and 'Excellence'. One QC circle team called 'Dr. Edward Deming' from the Gummidipoondi plant won acclaim at International QC Convention in Indonesia.

The Dubai plant of TTB became the second unit within SRF to successfully integrate its management system across quality, safety, health and environment through a certification system. Integration of all certifications covering ISO 9001:2000, ISO 14001: 2004 and OSHAS 18000: 1999 into an IMS (Integrated Management System) has enabled the unit to further improve its planning, implementation and review systems to achieve better results.

Human Resources (HR)

SRF firmly believes that people are its most important asset, and it is the Company's constant endeavour to nurture and develop this talent towards achievement of its organisational objectives.

During the year, SRF worked on stabilisation of systems which were introduced in recent past. Most of these were IT-enabled to enhance efficiency, accuracy and speed. Leadership development continued to be an important HR activity with the creation of individual development plan for selected positions.

During 2006-07, a project was initiated to prepare comprehensive domain directories covering all roles. Once complete for all businesses, each of the directories will be linked to e-modules of training and education. SRF is one of the few companies in the country to have developed a comprehensive manpower planning system which will enhance its ability to have the right quality of skill in right numbers and at the right time.

The Company's efforts towards development of people through continuous learning were strengthened during the year. SRF's Learning, Education and Training (LET) system has been IT enabled, so as to allow individuals to take charge of their development needs. It is backed up by a comprehensive system to help facilitate identification of specific needs for development.

SRF is one of those organisations which believes in inclusivity of all sections of society in whatever it does. The Company has started working on 'Affirmative Action' in line with CII suggested concrete steps. Starting from the Top team, it has sensitised the leadership team and all those who are responsible for implementation of concrete steps towards "Affirmative Action". A core team lead by one of The Corporate Leadership Team member is spearheading these efforts.

SRF's approach towards implementation of 'Affirmative Action' in short term is "to create opportunity for talent" and in long term "create talent for the opportunity".

Information Technology (IT)

SRF effectively uses IT to improve the management of its diversified portfolio of businesses. The various locations, divisions and employees are fully connected on a wide area network (WAN) which has resulted in significant gains in productivity. This has also been extended to the Company's mobile workforce, which can securely connect to its network from anywhere in the world.

During the year under review, SRF deployed a business intelligence and analytical tools that sits through its vast transactional data sources, and provides crucial decision support information to its operational and strategic managers. This has helped in reducing the time taken in decision making, and in improving response time and consistency in dealing with customers. It has been initially deployed in the sales and finance domains, with plans to extend this to other areas of operations.

The Company has also developed a disaster recovery plan for all its IT assets. It provides alternate mechanisms and a pre-designed response to any disruptive event, and should help SRF to minimise the damages and downtime in the event of a disaster.

In an attempt to further increase the value of investments made in IT infrastructure, SRF conducted a thorough independent audit of its ERP systems during the year. This exercise has identified opportunities to use the system more powerfully. Implementation of the recommendations is under way, and is expected to yield considerable benefits in the future.

In its quest to improve people productivity, SRF has increased the number of self-service applications on its intranet system, called 'Sparsh'. The entire employee appraisal system, training system, employee grievance redressal system and travel booking system is now available on the intranet. The Company continues to explore more ways to leverage IT for cost, productivity, response time – and has clearly identified areas for further improvements in 2007-08.

Financials

Table 1 presents the summary of the financial performance of SRF during 2006-07 and compares it with 2005-06.

Net sales of the Company increased by 39.5 per cent from Rs.1,292 crore in 2005-06 to Rs.1,802 crore in

	2006-07	2005-06
Net Sales from operation	1,802.5	1,292.3
Other Income	12.6	10.1
Total Income	1,815.1	1,302.4
Material costs adjusted for change in stocks	846.4	738.8
Manufacturing and other expenses	413.3	304.6
Financial expenses	35.5	37.7
Depreciation	76.8	62.9
Total expenditure	1,372.0	1,144.0
PBDIT	555.4	259.0
PBDT	519.9	221.3
PBIT	478.6	196.1
PBT	443.1	158.5
Direct Tax	154.0	53.7
PAT	289.1	104.8

2006-07. This increase was driven by continued growth in all core businesses of the Company – Technical Textiles, Chemicals and Packaging Films.

During the year, the demand situation for key product segments was good and realisations remained firm. SRF also benefited from improvements in operational efficiencies, especially reduction in cost of energy due to its captive power plant going on-stream.

As a result, the Company registered a healthy growth in its operating profits (PBDIT) from Rs.259 crore in 2005-06 to Rs.555 crore in 2006-07. Depreciation costs increased on account of recent investments in expansion of capacities. However, interest cost came

Table 2: Indicators of profitability		
	2006-07	2005-06
PBDIT/Total Income	30.8%	20.0%
PBIT/Total Income	26.5%	15.2%
PBT/Total Income	24.6%	12.2%
PAT/Total Income	16.0%	8.1%
ROCE	35.8%	17.8%
RONW	36.4%	17.9%

down as a result of rationalisation of loans owing to good cash flows. Profit after tax almost tripled from Rs.105 crore in 2005-06 to Rs.289 crore in 2006-07.

As a result of this performance, all indicators of profitability have registered a considerable improvement during the year. As shown in Table 2 below, PBDIT margin increased by 10.8 percentage points from 20 per cent in 2005-06 to 30.8 per cent in 2006-07. ROCE and RONW also increased from 17.8 per cent and 17.9 per cent in 2005-06 to 35.8 per cent and 36.4 per cent in 2006-07, respectively.

Internal Control Systems and Adequacy

SRF has a robust internal control system in place, which assures the Board of Directors and the management that there is a structured system for:

- Business planning and achievement of goals.
- Evaluating risks.
- Ensuring reliability of financial and operational reporting.
- Ensuring legal and regulatory compliance.
- Adequate control against fraud and negligence.

There is a set of interrelated control systems, which provide adequate assurance that these objectives are achieved. These include the planning system, which ensures that challenging goals are drawn up, and detailed strategies and action plans formulated for achieving these goals; and the risk assessment system, which accounts for all likely threats to the achievement of the plans, and draws up contingencies to mitigate them.

The review systems track the progress of the plan and ensure that timely remedial measures are taken, to minimise deviations from the plan.

The Company is adopting TQM principles under which the daily management system incorporates the policies, procedures and control points for routine operations in different business domains. The integrated and computerised financial accounting system, which is supported by in-built controls, ensures reliable and timely financial reporting. The audit systems periodically review the controls and compliance of laws and regulations, and the environment under which the internal controls exist. The financial accounting and audit systems also provide controls over frauds and negligence.

The internal control system is being reviewed and documented in different areas by internal audit department. Internal audit also checks the internal controls for its effectiveness and the necessary changes arising out of inadequacies, if any, are incorporated into the system. All financial and audit control systems are also reviewed by the Audit Committee of the Board of Directors.

Risk Management

The objective of the SRF's risk management framework is to identify potential events that may affect the Company, and manage risks in order to provide reasonable assurance regarding achieving the organisation's objectives. The Board of Directors is apprised of the developments in risk management in the Company on a periodic basis.



Strategic Risks

Strategic plans for the Company's businesses take into account likely risks in the industrial environment from competition, changing customer needs, obsolescence and technological changes. As part of strategic planning, SRF carried out an exercise to define the portfolio strategy for the current businesses and its growth strategy jointly with McKinsey & Company. As part of this study, the strategic opportunities and risks for each of its current businesses were analysed. This was done both for the business as a standalone basis, as well as a part of the overall portfolio.

The annual plans that are drawn up consider the risks that are likely to impact the Company's objectives in that year, and the counter-measures put in place. All major new project proposals include a view on risks and counter-measures, at the time of evaluation.

Operational Risks

To manage operational risks, SRF has well documented policies and procedures, which are followed in its day-to-day working. The Company has a well-defined delegation of power and relies on a TQM system of control points, comprehensive budgetary controls and review systems to monitor its operations. In addition, internal audits verify compliance to defined policies and procedures.

Financial Risks

SRF's exposure to foreign currency risk comes from its imports of raw materials, exports, project imports, servicing of foreign currency debts and carbon credits received by it. The Company is also exposed to fluctuating interest rates both in India and currencies in which its foreign debts are denominated. However, these are well managed through prudent financial operations, innovative treasury risk management and effective use of hedge options. The financial risk management policies are documented and approved by the Audit Committee.

Information Technology (IT) Risks

To mitigate the risks associated with security of the system, the Company has adequate safety mechanisms such as anti-virus software and firewalls to prevent intrusion across the organisation. During the year, SRF put in place a Disaster Recovery Plan which provides a comprehensive plan for recovery of critical IT enablers of business processes with minimal impact in case of a disaster. As a part of this plan, back-ups of applications and data are being taken on daily, weekly and monthly basis.

CAUTIONARY STATEMENT

Statements in this document 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.

The organisation adapts to and grows in an atmosphere of radical changes in the business environment, like the leaves of a plant, which fight all odds to survive and grow.



CORPORATE GOVERNANCE REPORT

Philosophy of the Company on Corporate Governance

For SRF, good corporate governance means adoption of best practices to ensure that the Company operates not only within the regulatory framework, but is also guided by broader business ethics. The adoption of such corporate practices – based on transparency and proper disclosures – ensures accountability of the persons in charge of the Company and brings benefits to investors, customers, creditors, employees and the society at large.

Board of Directors

Composition of the Board

As on 31 March 2007, SRF's Board consisted of eleven Directors of which four are executives of the Company (including the Chairman who is an executive Chairman), six are independent and one is a non-executive Director. Table I gives the details of the Board during the year 2006-07.

Sl. No.	Name of Director	Category of Director	No. of other Directorships****	No. of Board-level Committees where chairperson or member	
				Chairperson	Member
1	Dr. Bharat Ram	Non-executive, Promoter	-	-	1
2	Mr. Arun Bharat Ram *	Executive, Promoter	8	1	3
3	Mr. Ashish Bharat Ram **	Executive, Promoter	3	-	-
4	Mr. Kartikeya Bharat Ram***	Executive, Promoter	2	-	-
5	Mr. K. Ravichandra	Executive	2	1	2
6	Mr. S. P. Agarwala	Independent	1	-	4
7	Mr. M. V. Subbiah	Independent	4	1	1
8	Mr. Satish K. Kaura	Independent	5	-	2
9	Mr. Vinayak Chatterjee	Independent	1	-	2
10	Mr. Subodh Bhargava	Independent	12	3	8
11	Dr. Omkar Goswami	Independent	8	2	7

* Re-designated as Chairman w.e.f. 20.01.2007

** Re-designated as Managing Director w.e.f. 20.01.2007

*** Appointed as President & Executive Director w.e.f. 1st June 2006 and re-designated as Deputy Managing Director w.e.f. 20.01.2007

**** Directorship in Foreign companies and the Indian private limited companies and companies under Section 25 of the Companies Act, 1956 are not included.

Independent Directors on the Board of SRF are non-executive directors who:

- Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the company, its promoters, its Directors, its senior management or its holding company or its subsidiaries and associates which may affect the independence of the Director
- Are not related to promoters or persons occupying management positions at the Board level or at one level below the Board
- Have not been an executive of the company in the immediately preceding three financial years
- Are not partner or executive or were not partner or an executive during the preceding three years of any of the following:-
 - a. Statutory audit firm or the internal audit firm that is associated with the company;
 - b. Legal firm(s) and consulting firm(s) that have a material association with the company;
- Are not material supplier, service provider or customer or lessor or lessee of the company, which may affect independence of the Director; and
- Are not a substantial shareholder of the company i.e. do not own two percent or more of the block of voting shares.

As mandated by Clause 49 of the Listing Agreement, none of the Directors is a member of more than ten Board level committees nor are they Chairman of more than five committees in which they are members.

Number of Board Meetings

During 2006-07, the Board of Directors met 8 times on 19th May, 2006, 23rd June, 2006, 25th July, 2006, 6th September, 2006, 24th October, 2006, 20th January, 2007, 7th March, 2007 and 15th March, 2007. The gap between any two Board meetings did not exceed four months.

Name of the Director	Number of Board meetings held under tenure	Number of meetings attended	Attended last AGM?
Dr. Bharat Ram	8	5	Yes
Mr. Arun Bharat Ram *	8	8	Yes
Mr. Ashish Bharat Ram **	8	8	Yes
Mr. Kartikeya Bharat Ram ***	8	8	Yes
Mr. S.P. Agarwala	8	7	Yes
Mr. K. Ravichandra	8	5	Yes
Mr. Vinayak Chatterjee	8	6	Yes
Mr. Satish K. Kaura	8	7	Yes
Mr. M. V. Subbiah	8	4	Yes
Mr. Subodh Bhargava	8	6	No
Dr. Omkar Goswami	8	5	Yes

* Re-designated as Chairman w.e.f. 20.01.2007

** Re-designated as Managing Director w.e.f. 20.01.2007

*** Appointed as President & Executive Director w.e.f. 1st June 2006 and re-designated as Deputy Managing Director w.e.f. 20.01.2007

Remuneration of Directors

Table 3 gives the remuneration paid or payable to the Directors of SRF Limited.

Name of Director	Salary	Sitting fees for Board and Committee meetings+	Perquisites#	Deferred Benefits (PF, superannuation and gratuity@)	Ex-gratia	Commission (Provided)	Total
Dr. Bharat Ram	-	1,50,000	-	-	-	4,00,000	5,50,000
Mr. Arun Bharat Ram *	75,00,000	-	15,23,285	20,25,000	-	1,75,00,000	2,85,48,285
Mr. Ashish Bharat Ram **	18,00,000	-	12,01,566	4,86,000	-	75,00,000	1,09,87,566
Mr. Kartikeya Bharat Ram ***	10,80,000	-	5,26,899	2,91,600	3,197	75,00,000	94,01,696
Mr. S.P. Agarwala	-	2,00,000	-	-	-	4,00,000	6,00,000
Mr. K. Ravichandra	3,36,000	-	67,806	-	3,091	-	4,06,897
Mr. Vinayak Chatterjee	-	1,55,000	-	-	-	4,00,000	5,55,000
Mr. Satish K. Kaura	-	80,000	-	-	-	4,00,000	4,80,000
Mr. M. V. Subbiah	-	80,000	-	-	-	4,00,000	4,80,000
Mr. Subodh Bhargava	-	1,00,000	-	-	-	4,00,000	5,00,000
Dr. Omkar Goswami	-	60,000	-	-	-	4,00,000	4,60,000
Total	1,07,16,000	8,25,000	33,19,556	28,02,600	6,288	3,53,00,000	5,29,69,444

* Re-designated as Chairman w.e.f. 20.01.2007

** Re-designated as Managing Director w.e.f. 20.01.2007

*** Appointed as President & Executive Director w.e.f. 1st June 2006 and re-designated as Deputy Managing Director w.e.f. 20.01.2007

+ Includes sitting fee for attending the meetings of other non statutory committees of Directors

Value of perquisites as per Income Tax Act, 1961

@ Having regard to the fact that there is a global contribution to gratuity fund, the amount applicable to an individual is not ascertainable and hence not indicated.

Remuneration to non-executive Directors is made on the basis of time spent by them in the deliberations of the Board/Committees of the Board or otherwise and practices prevalent in the similar companies.

As on 31st March, 2007, none of the employees was related to any of the Directors. Mr. Kartikeya Bharat Ram was re-designated as Deputy Managing Director w.e.f. 20.1.07. He is the son of Mr. Arun Bharat Ram, executive promoter Director, brother of Mr. Ashish Bharat Ram, executive promoter Director and grandson of Dr. Bharat Ram, Chairman (Emeritus). Prior to this re-designation, he was President & Executive Director w.e.f. 1.6.2006. He was an employee of the Company since 1.9.2001 with the approval of shareholders and Central Government. Gross remuneration paid to him for the period from 1.4.2006 to 31.5.06 was Rs. 1,59,436 which is included in the remuneration above.

Shareholding of Non-Executive Directors

Table 4 gives details of the shares* held by the non-executive Directors as on 31st March 2007.

Name of Director	Category	Number of equity shares held
Dr. Bharat Ram	Non-executive, Promoter	20,050
Mr. S. P. Agarwala	Independent	-
Mr. M. V. Subbiah	Independent	3,000

Name of Director	Category	Number of equity shares held
Mr. Satish K. Kaura	Independent	-
Mr. Vinayak Chatterjee	Independent	-
Mr. Subodh Bhargava	Independent	-
Dr. Omkar Goswami	Independent	-

* The Company has not issued any convertible securities to any director.

Information Supplied to the Board

The Board has complete access to all information with the Company. Inter-alia, the following information is regularly provided to the Board as a part of the agenda papers well in advance of the Board meetings or is tabled in the course of the Board meeting:

- Annual operating plans and budgets and any update thereof.
- Capital budgets and any updates thereof.
- Quarterly results for the Company and operating divisions and business segments.
- Minutes of the meetings of the audit committee and other committees of the Board.
- Information on recruitment and remuneration of senior officers just below the level of Board, including the appointment or removal of Chief Financial Officer and Company Secretary.
- Materially important show cause, demand, prosecution notices and penalty notices.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial non-payment for goods sold by the company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions. Any significant development in human resources / industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme, etc.
- Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

The Board periodically reviews compliance reports of all laws applicable to the company, prepared by the company as well as steps taken by the company to rectify instances of non-compliances.

In addition to the above, pursuant to the revised Clause 49, the minutes of the Board meetings of your company's unlisted subsidiary companies except the foreign subsidiaries and a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies are also placed before the Board.

Code of Conduct

The Company's Board has laid down a code of conduct for all Board members and senior management of the company. The code of conduct is available on the website of the company www.srf.com. All Board members and designated senior management personnel have affirmed compliance with the code of conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

Risk Management

The Company has laid down procedures to inform the Board members about the risk assessment and minimization procedures. These procedures are being periodically reviewed to ensure that management controls risk through means of a properly defined framework.



Committees of the Board

a) Audit Committee

As on 31 March 2007, the Audit Committee of SRF comprises of four Directors all of whom are independent. The constitution of the Committee meets the requirements of Section 292A of the Companies Act, 1956, as well as Clause 49 of the Listing Agreement.

During 2006-07, the Audit Committee of SRF met five times on 19th May 2006, 25th July 2006, 6th September 2006, 24th October 2006 and 20th January 2007. Table 5 gives the attendance record of Directors who are members of the Audit Committee.

Name of Director	Category	Number of meetings held under tenure	Number of meetings attended
Mr. M. V. Subbiah	Independent	5	4
Mr. Vinayak Chaterjee	Independent	5	5
Mr. S.P. Agarwala	Independent	5	3
Mr. Subodh Bhargava	Independent	5	4

All the members of the Audit Committee are financially literate while Mr. MV Subbiah, Chairman of the Audit committee, a known industrialist, is an accounting and financial management expert. Mr. Anoop K. Joshi, Company Secretary, is the Secretary to the Committee.

The terms of reference of the Audit Committee are as per the guidelines set out in the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956. These broadly include approval of annual internal audit plan, review of financial reporting systems, ensuring compliance with regulatory guidelines, discussions on quarterly, half yearly and annual financial results, interaction with statutory, internal and cost auditors, recommendation for appointment of statutory auditors and cost auditors and their remuneration.

In addition, the Committee also reviews:

- Management's Discussion and Analysis of Company's operations,
- Periodical internal audit reports,
- Letters of statutory auditors to management on internal control weakness, if any,
- Statement of significant related party transactions,
- Financial statements, in particular, investments made by the subsidiary companies,
- Risk framework.

b) Managerial Remuneration Committee

As on 31 March 2007, SRF's Managerial Remuneration Committee comprised four members all of whom were independent.

During 2006-07, the Managerial Remuneration Committee met on 7th May 2006. Table 6 gives the attendance record of Directors who are members of the Managerial Remuneration Committee.

Name of Director	Category	Number of meetings held under tenure	Number of meetings attended
Mr. Satish K Kaura (Chairman)	Independent	1	1
Mr. S P Agarwala	Independent	1	1
Mr. Vinayak Chaterjee	Independent	1	-
Dr. Omkar Goswami	Independent	1	1

The terms of reference of Remuneration Committee is to recommend to the Board the amount of salary, perquisites and commission to be paid to the Directors (within the overall ceiling fixed by the shareholders).

c) Shareholders'/Investors' Grievance Committee

As on 31 March 2007, SRF's Shareholders'/Investors' Grievance Committee comprised five members—two executive Directors and three non-executive Directors, of whom two were independent. The Chairman of the Committee is Mr. S.P. Agarwala, an independent Director.

Mr. Anoop K. Joshi, Company Secretary, is the Compliance Officer. To expedite the process of transfer, Mr. Anoop K. Joshi, Company Secretary has been authorised by the Board to consider and approve the registration of transfer and transmission of shares/debentures upto a limit of 1,000 shares/debentures in any one case.

As on 31 March 2007, no investor complaint was pending with the Registrar and Share Transfer Agent. Table 7 gives data on the shareholder/investor complaints received and redressed, during the year 2006-07.

Total Complaints received	Total complaints redressed	Pending as on 31.03.2007
140	140	Nil

Management**Management Discussion and Analysis**

This is given as a separate chapter in this Annual Report.

Disclosure Requirements

- Disclosures on materially significant related party transactions are given at point no. 13 in the Notes to Accounts.
- The Company has followed the Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

- The Company has complied with the regulations issued by SEBI and terms and conditions of Listing Agreement with the Stock Exchanges.
- In compliance with the SEBI regulations on prevention of insider trading, the Company has laid down a comprehensive code of conduct for its management and staff. The code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with the shares of the Company, and cautioning them of the consequences of violations.

CEO/CFO certification

The Certificate in compliance with Clause 49(V) of the Listing Agreement was placed before the Board of Directors.

Shareholders**Reappointment/Appointment of Directors**

Mr.M.V. Subbiah, Mr. Satish K. Kaura and Mr. Subodh Bhargava, Directors are retiring by rotation and being eligible, offer themselves for re-appointment. Brief resumes of these Directors are given in the Notice of the 36th Annual General Meeting.

Means of Communication with Shareholders

Quarterly and annual results of SRF are normally published in two major national dailies, namely Business Standard (in English) and Hindustan (in Hindi). In addition, these results are posted on the website of the Company www.srf.com. The website also contains other information regarding SRF available in the public domain.

Further, the Company has also been complying with SEBI regulations for filing of its financial results under the EDIFAR system. These are available on the SEBI web-site www.sebidifar.nic.in.

SRF communicates with its institutional shareholders through analysts briefing and individual discussions between the fund managers and the management team. The presentation made to analysts and funds managers, if any, is posted on the Company's website.

Last three Annual General Body Meetings

The details of the last three AGMs are given in Table 8.

Year	Location	Date	Time	No. of special resolutions passed
2003-04	FICCI Auditorium, Federation House, Tansen Marg, New Delhi 110001	13 August, 2004	3.30 PM	2
2004-05	Air Force Auditorium, Subroto Park, New Delhi 110 010	27 July, 2005	3.30 PM	-
2005-06	Air Force Auditorium, Subroto Park, New Delhi 110 010	25th July, 2006	3.30 PM	2

Postal Ballot

During the year, no resolution was passed through Postal Ballot.

Compliance**Mandatory Requirements**

The company is fully compliant with the applicable mandatory requirements of the revised Clause 49.

Adoption of Non-Mandatory Requirements

A Remuneration Committee has been constituted in accordance with the requirements of the Listing Agreement. The Committee decides / recommends to the board the amount of salary, perquisites and commission to be paid to the Directors (within the overall ceiling fixed by the shareholders).

Additional Shareholder Information

36th Annual General Meeting

Date 20 July 2007
Time 3.30 PM.
Venue Air Force Auditorium, Subroto Park, New Delhi 110 010

Tentative Financial Calendar for Results, 2007-08

First Quarter Third week of July 2007
Second Quarter Third week of October 2007
Third Quarter Third week of January 2008
Fourth Quarter and Annual Fourth week of May 2008

Book Closure Date

The Share Transfer Register of SRF will remain closed from Wednesday, 4th July, 2007 to Thursday, 12th July, 2007 (both days inclusive).

Interim Dividend Payment Date

Interim dividend at the rate of Rs. 4 per share (40%) on 6,78,85,005 fully paid shares of Rs 10/ each, absorbing Rs. 31 crores (approx.) was paid out of the profits for the nine months period ended 31.12.2006 to those shareholders whose names appeared on the Register of Members as on the "Record Date" i.e. 23rd March, 2007.

Listing on Stock Exchanges in India

SRF's shares are listed on The Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd. The Company has paid the listing fees to both BSE and NSE for the year 2007-08. The Stock Codes are:

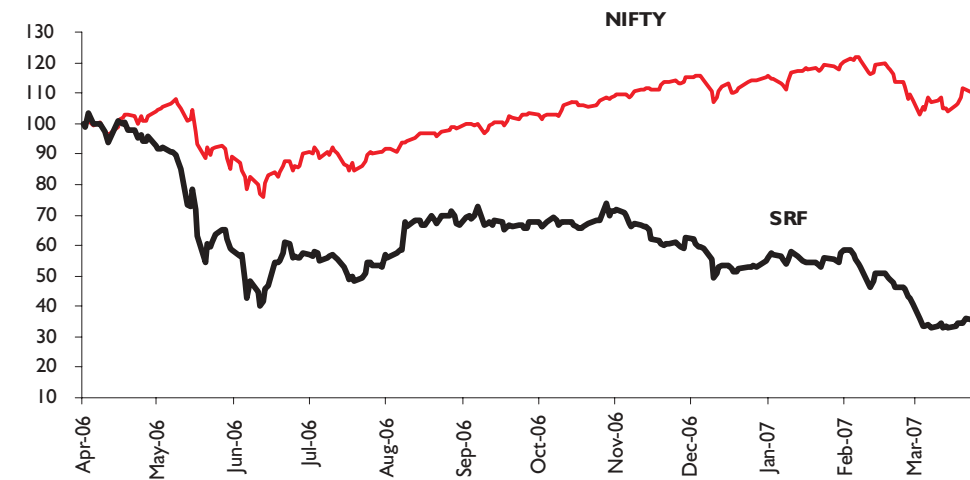
Bombay Stock Exchange 503806
National Stock Exchange SRF

Stock Market Data

Table 9 gives the monthly high and low quotations as well as the volume of shares traded at BSE and NSE during 2006-07.

Table 9: Monthly Highs and Lows and Volumes Traded at the BSE and NSE, 2006-07						
Year 2006-07	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
April	373.00	300.00	83,16,476	372.70	300.00	2,67,59,814
May	337.00	173.05	54,57,086	334.00	175.10	2,27,60,129
June	225.85	136.00	1,03,88,716	224.90	136.50	3,60,81,574
July	206.50	162.30	30,71,671	206.60	162.30	1,18,61,336
August	254.50	181.00	98,93,228	253.40	184.05	3,49,97,992
September	260.60	222.55	86,67,812	260.75	222.75	2,73,77,896
October	264.00	225.60	59,30,090	264.35	227.25	1,87,21,538
November	259.00	206.00	74,50,877	258.70	204.25	2,34,75,282
December	225.50	165.00	48,19,627	224.90	165.00	1,49,09,433
January	206.90	183.85	40,62,863	207.00	183.60	1,36,51,303
February	211.55	144.00	47,78,216	222.00	145.30	1,65,03,261
March	155.80	110.00	82,67,044	159.80	110.15	2,41,84,909

Chart 1: Share price of SRF Ltd. versus Nifty for the year ended 31 March 2007



Note: Both Nifty and SRF share price are indexed to 100 as on 1 April 2006

Registrar and Share Transfer Agents

M/s Mas Services Ltd., New Delhi are the Registrar and Share Transfer Agent of the Company for handling both electronic and physical shares.

Share Transfer System in Physical Mode

Share certificates sent for transfer are received at the Registered Office/ the Corporate Office of the Company or the office of Mas Services Ltd. All valid transfer requests are processed. To expedite the process of share transfer, Mr. Anoop K. Joshi, Company Secretary has been authorised to consider and approve the registration of transfer and transmission of shares/debentures upto a limit of 1,000 shares/debentures in any one case. For the cases for shares above 1,000, the Shareholders'/ Investors' Grievance Committee meets to approve valid transfer requests. After transfer, the physical shares are sent to the shareholders.

The total number of shares transferred in physical form during the period from 1 April 2006 to 31 March 2007 was 85,467.

Depository System

Shareholders can trade in the Company's shares only in electronic form. The process for getting the shares dematerialised is as follows:

- Shareholder submits the shares certificate along with Dematerialisation Request Form (DRF) to Depository Participant (DP).
- DP processes the DRF and generates a unique Dematerialisation Request No.
- DP forwards the DRF and share certificates to the Registrar and Share Transfer Agent (RTA).
- RTA after processing the DRF confirms or rejects the request to Depositories.
- If confirmed by the RTA, depositories give the credit to shareholder in his account maintained with DP.

This process takes approximately 10-15 days from the date of receipt of DRF.

As the trading in the shares of the Company can be done only in the electronic form, it is advisable that the shareholders who have the shares in physical form get their shares dematerialised.

Dematerialisation of shares as on 31 March 2007

There were 59,057 shareholders holding 6,17,09,906 shares in electronic form. This constitutes 90.90 per cent of the total paid-up share capital of the Company.

Distribution of shareholding as on 31 March 2007*

Table 10 gives the distribution of shares according to shareholding class, while Table 11 gives the distribution of shareholding by ownership.

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares**	% of shareholding
Upto 500	79315	92.88	8804456	12.97
501 – 1000	3472	4.07	2649881	3.90
1001-2000	1411	1.65	2106772	3.10
2001-3000	431	0.51	1105020	1.63
3001-4000	182	0.21	654877	0.97
4001-5000	121	0.14	568215	0.84
5001-10000	223	0.26	1591744	2.34
10001 and above	242	0.28	5040404	74.25
Total	85397	100.00	67885005	100.00

Category	Shareholding	
	Number of shares held	Shareholding %
Promoters	28796638	42.42
Mutual Funds & UTI	3908584	5.76
Banks, Financial Institutions, Insurance Companies	2887998	4.25
Central Government/State Government	584024	0.86
Foreign Institutional Investors	5798959	8.54
Private Corporate Bodies	8350293	12.30
Indian Public	16961081	24.98
NRIs / OCBs	333119	0.49
Other (including shares in transit)	264309	0.40
Total	67885005	100.00

* including holdings by NSDL and CDSL

** includes 33,75,000 fully paid equity shares of Rs.10/- each allotted to one of the promoters at a price of Rs.85/- per share on exercising their right to subscribe to equal number of shares attached with the warrants, allotted to them on 16.10.2006. These shares are under lock-in till 20.4.2008.

Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, their conversion dates and likely impact on equity

As on 31st March, 2007, there were no outstanding GDRs/ ADRs/ warrants or any convertible instruments

Plant Locations

Technical Textiles Business	Manali Industrial Area, Distt. Chingleput, (Tamilnadu) - 600068 Industrial Area, Malanpur, Distt. Bhand (MP)-477116 Plot No. 1, SIPCOT Industrial Area Complex, Gummidipoondi, Dist. Tiruvallur, (Tamilnadu) – 601 201 Viralimalai, Distt. Pudukottai (Tamilnadu) - 621 316
Chemicals Business	Jhiwana, Tehsil Tijara, Distt. Alwar, (Rajasthan) - 301 019
Packing Films Business	Plot No. 12, Rampura, Ramnagar Road, Kashipur Dist. Udham Singh Nagar, Uttarakhand Plot No. C I-8, C 21-30, Indore Special Economic Zone, Pitam Pur, Dhar, Indore

Address for Correspondence

Regd. Office	Corporate Office:	Registrar & Share Transfer Agent
A-16, Aruna Asaf Ali Marg, Qutab Institutional Area, New Delhi 110 067 Tel.No. + 91 011-26857141 w.e.f. 1 st July, 2007, C-8 Safdarjung Development Area, New Delhi-110016	Block – C, Sector –45 Gurgaon 122 003 Tel No. + 91 0124-4354400 Fax No. + 91 0124-4354500 e-mail : ajoshi@srf.com	N.K. Rastogi, Director Mas Services Limited AB-4, Safdarjung Enclave, New Delhi 110 017, India Tel. No. +91 011-26104142, 26104326 Fax No. +91 011-26181081 e-mail:mas-serv@yahoo.com

Declaration regarding Code of Conduct

I, Ashish Bharat Ram, Managing Director of SRF Limited declare that all Board members and senior management personnel have affirmed compliance with the Code of Conduct for Board and Senior Management Personnel for the year ended 31st March, 2007.

Date: 25 April, 2007

Place: Gurgaon

Ashish Bharat Ram

Managing Director

CEO and CFO certification

We, Ashish Bharat Ram, Managing Director and Rajendra Prasad, President & Chief Financial Officer (responsible for finance function), of SRF Limited, to the best of our knowledge and belief, certify that :-

- We have reviewed the balance sheet and profit and loss account (both consolidated and unconsolidated), and all its schedules and notes on accounts, as well as the cash flow statements and the Directors' Report and annexures thereto.
- Based on our knowledge and information, these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
- Based on our knowledge and information, these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's Code of Conduct.
- The Company's other certifying officers and we, are responsible for establishing and maintaining disclosure controls and procedures for the Company, and we have :-
 - designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - evaluated the effectiveness of the Company's disclosure, controls and procedures.
- The Company's other certifying officers and we, have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and audit committee of the Company's Board of Directors (and persons performing the equivalent functions):
 - all significant deficiencies in the design or operation of internal controls;
 - all significant changes in internal control during the year;
 - all significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements; and
 - instances of significant fraud, if any, of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.
- We further declare that all Board members and senior management personnel have affirmed compliance with the Code of Conduct for Board and Senior Management Personnel for the current year.

Place: Gurgaon

Date: 25 April, 2007

Rajendra Prasad

President & Chief Financial Officer

Ashish Bharat Ram

Managing Director

Once a certain height is achieved, the time is right for branching out. The organisation can then look towards consolidating its strengths, expanding its capacities and venturing into other streams of business.



AUDITORS' REPORT

To The Members of **SRF LIMITED**

We have audited the attached balance sheet of SRF Ltd., as at 31st March 2007, and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto.

Responsibilities of management and auditors

These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- i We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books and proper returns from the branches adequate for the purposes of our audit, have been received from branches.



- iii The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches;
- iv In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a in the case of the balance sheet, of the state of affairs of the company as at 31st March 2007;
 - b in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c in the case of the cash flow statement, of the cash flows for the year ended on that date.

Place: New Delhi
Date: 25 April, 2007

For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants

V. Rajaraman
Partner
M.No.2705

The Annexure referred to in the main Auditors' Report of even date: The company is not carrying on the business of chit fund, nidhi, or mutual benefit, or dealing or trading in shares / securities, hence the clauses applicable to these businesses have not been considered below.

Fixed Assets

1. a. The company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. However in respect of certain fixed assets like furniture and fixtures, office equipment and data processing equipment record in terms of values are only kept.
- b. The company has a programme of verifying all the fixed assets over a period of 3 years which in our opinion is reasonable having regard to the size of the company and the nature of the assets. Discrepancies noticed on physical verification of the Fixed Assets conducted by the management during the year are not serious and have been properly dealt with in the books of account.
2. The company has not disposed off any substantial part of its fixed assets during the year, which may have any impact on the going concern nature of the company.

Inventories

3. a. The Stock of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals.
- b. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The discrepancies, noticed on the aforesaid verification, between the physical stocks and stocks as per the books have been properly dealt with in the books of account.
- c. The company has maintained proper records of inventory showing full details regarding quantity of receipts, issues, balances and dates of transactions.

Transactions with parties' u/s 301 of the Companies Act, 1956

4. The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act.
5. The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.
6. In view of what has been stated in 4 & 5 above, the question of rate of interest and other terms & conditions thereof being prima facie prejudicial to the interest of the company or receipt / repayment of principal amount and the interest thereof regularly does not arise.
7. There are no other transactions that need to be entered into the register in pursuance of section 301 of the Act.

Loans, Advances and Guarantees

8. a. The company has not given any interest free loan except the amounts of security deposits for accommodation taken on lease, either for office use or for employees. Hence it is not considered as prejudicial to the interest of the company.
- b. The company has taken loans from banks and financial institutions only on terms generally followed by such banks and institutions. Hence they are not prima facie prejudicial to the interest of the company.
- c. The payment of principal and interest are regular in respect of loans taken.
- d. In view of what is stated in (a), (b), (c) above, there are no overdue amounts.
9. The company has not defaulted in repayment of dues to financial institutions or banks. The company has no outstanding debenture issued.
10. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

11. The company has stood guarantee on behalf of SRF Overseas Limited.
12. The term loans taken by the company have been applied for the purpose for which they were obtained.
13. The funds raised on short-term basis from the banks have not been used for long-term investment and vice versa.

Internal Control

14. a. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, with regard to purchase of inventory, fixed assets and sale of goods and services. There has been some improvement in obtaining confirmation letter of balances. However there is still room for further improvements.
- b. There are no continuing failures to correct matters in respect of lack of adequacy of internal controls brought to notice.
15. The company has an adequate internal audit system commensurate with its size and nature of its business.

Fixed Deposit

16. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58A and 58AA of the companies Act, 1956 the companies (Acceptances of Deposits) Rules, 1975 and directives issued by Reserve Bank of India with regard to the deposits accepted from the public. The company has stopped accepting deposits from public from 14th August 2004.

Cost Records

17. We have, broadly, reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records as prescribed under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been maintained. We have, however, not made a detailed examination of the records, with a view to determining whether they are accurate or complete.

Statutory Dues

18. a. According to the records of the Company, undisputed dues including provident fund, Investors education and protection fund, employees' state insurance, income tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and any other statutory dues have generally been regularly deposited with the concerned authorities.
- b. Details of dues of sales tax / income tax / wealth tax / service tax/ excise duty / cess which have not been deposited on account of dispute are annexed.

OTHERS

19. The company has no accumulated losses at the end of the financial year. It has also not incurred cash losses either during the year or immediately preceding financial year.
20. The company has issued share capital during the year to one of its Promoter Company, which is not in the nature of preferential allotment. Since it is not a fresh issue, hence the question of end use of money raised by public issue does not arise.
21. The company has not issued any secured debentures and hence the question of creation of charge does not arise.
22. No fraud on or by the company has been noticed or reported during the year.

Place: New Delhi
Date: 25 April, 2007

For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants

V. Rajaraman
Partner
M.No.2705

Annexure

Name of Statute	Forum where case is pending	Nature of Dues	Period of Dispute	Amount (Rs/lakhs)
The Central Excise Act, 1944	CESTAT	Excise Duty	1983-84	29.47
The Central Excise Act, 1944	CESTAT	Excise Duty	1985-86	4.23
The Central Excise Act, 1944	CESTAT	Excise Duty	1988-89 to 2003-04	86.87
The Central Excise Act, 1944	Assistant Commissioner, Chennai	Excise Duty	2002-03 to 2005-06	82.33
The Central Excise Act, 1944	CESTAT	Excise Duty	2002-03 to 2004-05	254.08
The Central Excise Act, 1944	CESTAT	Excise Duty	1994-95 to 2002-03	3916.31
The Central Excise Act, 1944	CESTAT	Excise Duty	1989-90 to 1996-97	305.25
The Central Excise Act, 1944	Commissioner of Central Excise	Excise Duty	1996-97 to 1997-98	311.57
The Central Excise Act, 1944	Commissioner of Central Excise	Excise Duty	2003-04 to 2006-07	126.25
The Central Excise Act, 1944	Assistant Commissioner	Excise Duty	1991-92 to 1992-93	99.84
The Central Excise Act, 1944	Madras High Court	Excise Duty	1993-94 to 1999-00	430.81
The Central Excise Act, 1944	Madras High Cour	Excise Duty	2003-04 to 2006-07	1.56
The Central Excise Act, 1944	Commissioner of Central Excise (Appeals)	Excise Duty	2005-06	0.55
The Central Excise Act, 1944	Commissioner of Central Excise (Appeals)	Excise Duty	1996-97 to 1998-99	166.74
Sub Total Excise Duty				5815.86

Delhi Sales Tax Act, 1975	Addl. Commissioner - III, Deptt of Trade & Taxes, Delhi	Sales Tax	2002-03	58.92
Central Sales Tax & TNGST	Appellate Tribunal	Sales Tax	1990-91 to 1991-92	5.00
Central Sales Tax, 1956	Tribunal	Sales Tax	1993-94 to 1994-95	7.45
Sub Total Sales Tax				71.37

Income Tax Act, 1961	CIT(Appeals)-XII	Income Tax	2003-04	105.13
Sub Total Income Tax				105.13

Finance Act, 1994 (Chapter-5)	Asst. Commissioner, Gwalior	Service Tax	2004-05	2.00
Finance Act, 1994 (Chapter-5)	Joint Commissioner, Indore	Service Tax	2004-05	11.50
Sub Total Service Tax				13.50

Grand Total **6005.86**

Prior investments now begin to yield results. Profits soar as the organisation streamlines its activities, building and capitalising on its strengths, and sets higher goals for itself.

FINANCIALS

BALANCE SHEET AS AT 31 MARCH 2007

	Schedule	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	6890.55	6841.54
Reserves & Surplus	2	80488.05	53121.45
		87378.60	59962.99
Loan Funds			
Secured Loans	3	48341.22	60246.61
Unsecured Loans	4	22.72	137.68
		48363.94	60384.29
Deferred Tax Liability	5	12722.57	10805.41
TOTAL		148465.11	131152.69
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	169198.57	141866.13
Less: Depreciation		64404.88	56692.50
Net Block		104793.69	85173.63
Capital Work-in-Progress		11449.84	24550.01
		116243.53	109723.64
Investments	7	9906.53	9607.37
Current Assets, Loans & Advances			
Inventories	8	18408.82	15730.18
Sundry Debtors	9	20493.36	12006.65
Cash and Bank balances	10	1791.26	842.75
Loans and Advances	11	9694.88	9228.07
		50388.32	37807.65
Less: Current Liabilities & Provisions			
Current Liabilities	12	23336.55	21507.46
Provisions	13	4736.72	4478.51
		28073.27	25985.97
Net Current Asset		22315.05	11821.68
TOTAL		148465.11	131152.69
Accounting Policies & Notes to Accounts	19		
Schedules 1 to 13 and 19 form an integral part of the Balance Sheet			

As per our report of even date
For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants

V. Rajaraman
Partner
M. No. - 2705

Ashish Bharat Ram
Managing Director

Vinayak Chatterjee
Director

Kartikya Bharat Ram
Deputy Managing Director

Rajendra Prasad
President & Chief
Financial Officer

Anoop K Joshi
Company Secretary

Arun Bharat Ram
Chairman

Place: Gurgaon, Haryana
Date: 25 April, 2007

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

		Year Ended 31.03.07 Rs/Lakhs	Year Ended 31.03.06 Rs/Lakhs
INCOME			
Gross Sales including conversion Income		196337.02	143333.19
Less: Excise Duty		16092.47	14104.01
Net Sales including Conversion Income		180244.55	129229.18
Other Income	14	1350.39	1171.97
Total Income		181594.94	130401.15
EXPENDITURE			
Raw material consumed	15	87574.93	75043.98
(Increase) \ Decrease in Stock	16	(2937.88)	(1161.80)
Expenses	17	41329.08	30462.58
Interest and Finance Charges	18	3640.04	3928.43
Depreciation		7859.14	6476.40
Transfer from Revaluation Reserve		(181.50)	(191.28)
Total Expenditure		137283.81	114558.31
Profit Before Taxation		44311.13	15842.84
Less: Provision for Taxation (Current) Including FBT		13164.00	4531.00
Less: Deferred Tax Liability		1917.20	625.00
Less: Provision for earlier Years		322.96	209.60
Profit After Taxation		28906.97	10477.24
Profit Available For Appropriation		28906.97	10477.24
Add: Profit Brought Forward		14595.81	7825.84
Less: Interim Dividend		2715.40	-
Proposed Final equity Dividend		1357.70	1935.78
Tax on Dividends		611.58	271.49
Transfer to General Reserve		3000.00	1500.00
PROFIT CARRIED TO BALANCE SHEET		35818.10	14595.81
Basic EPS (in Rupees) (Ref note no 16)		43.76	16.24
Diluted EPS (in Rupees)		-	15.43
Accounting Policies & Notes to Accounts	19		
Schedules 14 to 19 form an integral part of the Profit and Loss Account.			

As per our report of even date
For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants

V. Rajaraman Partner M. No. - 2705	Ashish Bharat Ram Managing Director	Vinayak Chatterjee Director	Kartikeya Bharat Ram Deputy Managing Director
	Rajendra Prasad President & Chief Financial Officer	Anoop K Joshi Company Secretary	Arun Bharat Ram Chairman

Place: Gurgaon, Haryana
Date: 25 April, 2007

SCHEDULE

SCHEDULE 1: SHARE CAPITAL

	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
AUTHORISED		
12,00,00,000 Equity Shares of Rs. 10 each	12000.00	12000.00
10,00,00,000 Preference Shares of Rs. 100 each	1000.00	1000.00
12,00,00,000 Cumulative Convertible Preference Shares of Rs.50 each	600.00	600.00
2,00,00,000 Cumulative Preference Shares of Rs 100 each	20000.00	20000.00
	33600.00	33600.00
ISSUED		
7,38,30,327 (Previous Year 7,04,71,411) Equity Shares of Rs.10 each	7383.03	7047.14
	7383.03	7047.14
SUBSCRIBED & PAID UP		
67885005 (Previous Year 6,45,26,089) Equity Shares of Rs.10 each fully paid up	6788.50	6452.61
	6788.50	6452.61
Add: Amount paid up on Forfeited Shares	101.51	101.51
	6890.01	6554.12
Add : Share Capital Suspense	0.54	0.54
Add : Part cash received against share warrants issued (to promoters)	-	286.88
	6890.55	6841.54

SCHEDULE 2: RESERVES AND SURPLUS

	OPENING BALANCE AS AT 01.04.06	ADDITIONS DURING THE YEAR	WITHDRAWALS DURING THE YEAR	CLOSING BALANCE AS AT 31.03.07
Securities premium account	9995.86	2531.25	-	12527.11
Capital reserve	14599.20	*1198.42	-	15797.62
Revaluation reserve (Fixed Assets)	6097.92	-	****204.55	5893.37
Capital Redemption Reserve	-	**1.61	-	1.61
General reserve	7832.66	3000.00	***382.42	10450.24
	38525.64	6731.28	586.97	44669.95
Profit & Loss account	14595.81	21222.29	-	35818.10
Total	53121.45	27953.57	586.97	80488.05
PREVIOUS YEAR	42288.84	11023.89	191.28	53121.45

* Represents amount received pursuant to Montreal Protocol Phaseout Programme of Refrigerant Gases.

** During the year, the company has made buy back of 16084 Equity Shares, against which an amount of Rs. 1.61 lakhs has been transferred from General Reserve to Capital Redemption Reserve. Further the amount of Rs. 31.25 lacs has been withdrawn from General Reserve against buy back of the said number of equity shares.

*** In order to comply with revised AS-15, the company has provided an amount of Rs. 267.57 lacs and Rs. 83.60 lacs for gratuity and leave Encashment respectively relating to the period prior to 1st April, 2006 by withdrawal from General Reserve.

**** During the year, a part of the leasehold land of the company at Industrial Area Malanpur in the state of Madhya Pradesh admeasuring 5.26 Acres was surrendered to the lessor for lease to Malanpur Captive Power Ltd. for setting up a group captive power plant for supply of power to the company under a Power Consumption Agreement. Consequently an amount of Rs. 22.47 lakhs has been withdrawn from Revaluation Reserve.

	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SCHEDULE 3: SECURED LOANS		
Short Term Loans from Banks	1156.05	9033.45
Long Term Loans from:		
- Banks	45010.17	48663.16
- Others	2175.00	2550.00
	48341.22	60246.61
SCHEDULE 4: UNSECURED LOANS		
Fixed deposits	22.72	137.68
	22.72	137.68
SCHEDULE 5: DEFERRED TAX LIABILITY		
Deferred Tax Liability	13052.11	11318.26
Less :Deferred Tax Asset	329.54	512.85
12722.57	10805.41	

SCHEDULE 6: FIXED ASSETS										(Rs/Lakhs)	
DESCRIPTION	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK		"REVALUATION Amount"
	AS AT 01.04.06	Additions	Deletions	AS AT 31.03.07	AS AT 01.04.06	For The Year	Withdrawal	AS AT 31.03.07	AS AT 31.03.07	AS AT 31.03.06	
Freehold Land	9122.76	46.30	-	9169.06	-	-	-	-	9169.06	9122.76	4282.62
Leasehold Land	1989.81	-	***33.18	1956.63	-	-	-	-	1956.63	1989.81	962.87
Road	289.84	10.20	-	300.04	80.86	6.66	-	87.52	212.52	208.98	6.00
Buildings	15737.34	4695.37	11.80	20420.91	3662.47	540.47	9.66	4193.28	16227.63	12074.87	328.51
Plant & Machinery	110256.15	*21702.38	61.38	131897.15	50920.55	6745.30	43.61	57622.24	74274.91	59335.60	313.37
Furniture & Fixture, Office Equipments etc.	3066.37	727.08	30.33	3763.12	1656.38	345.77	21.97	1980.18	1782.94	1409.99	-
Vehicles	1096.08	390.26	228.05	1258.29	232.07	108.37	71.52	268.92	989.37	864.01	-
Intangible Assets	307.78	125.59	-	433.37	140.17	112.57	-	252.74	180.63	167.61	-
TOTAL	141866.13	27697.18	364.74	169198.57	56692.50	7859.14	146.76	64404.88	104793.69	85173.63	5893.37
Previous Year	121697.86	20362.24	193.97	141866.13	50298.25	6478.68	84.43	56692.50	85173.63	71399.61	6097.92

* Includes Rs. 896.26 Lakhs as exchange currency fluctuation Gain

** Revaluation was done as on 31.03.2005

*** During the year, a part of the leasehold land of the company at Industrial Area Malanpur in the state of Madhya Pradesh admeasuring 5.26 Acres was surrendered to the lessor for lease to Malanpur Captive Power Ltd. for setting up a group captive power plant for supply of power to the company under a Power Consumption Agreement.

	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SCHEDULE 7: INVESTMENTS		
Non-trade investments(at cost)		
-quoted (*)/(#)	245.45	345.45
-unquoted	9608.10	9608.11
	9853.55	9953.56
Less:Provision for diminution in value of long term investment	503.69	503.69
	9349.86	9449.87
Trade Investment - Unquoted	556.67	157.50
	9906.53	9607.37
* Market value of quoted investments	249.60	349.60
# Includes Investments earmarked Under Rule 3 A of the Companies (Acceptance of Deposits) Rules, 1975	245.45	245.45

	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SCHEDULE 8: INVENTORIES		
Raw Material	7248.97	7580.42
Stores & spares	1108.96	1036.75
Finished Goods	3921.21	4122.33
Stock-in-Process	6129.68	2990.68
	18408.82	15730.18
SCHEDULE 9: SUNDRY DEBTORS		
Unsecured considered good for recovery by the Management (unless otherwise stated)		
Debts over six months		
Considered good	423.97	620.63
Considered doubtful	146.60	584.16
Other debts		
Considered good	20069.39	11386.02
Less: Provision for doubtful debts	146.60	584.16
	20493.36	12006.65
SCHEDULE 10: CASH AND BANK BALANCES		
Cash in hand	126.80	22.28
Cheques in hand	-	0.45
Balances with Scheduled Banks		
Current Accounts	1417.30	739.20
Unclaimed Dividend	85.62	74.65
Unclaimed Interim Dividend	161.34	-
Fixed Deposit *	-	6.17
Remittances in transit	0.20	-
	1791.26	842.75
* Includes margin money	0.32	4.04
SCHEDULE 11: LOANS AND ADVANCES		
Unsecured considered good for recovery by the management (unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
Considered good	1797.40	2287.82
Considered doubtful	169.03	223.66
Sub total	1966.43	2511.48
Less: Provision for doubtful advances	169.03	223.66
Sub total	1797.40	2287.82
Deposit with Excise and Customs	152.48	423.49
Other Deposits	1651.06	1617.42
Claims Recoverable	64.67	432.09
Cenvat/Service Tax/VAT recoverable	6029.27	4467.25
	9694.88	9228.07
SCHEDULE 12: CURRENT LIABILITIES		
Acceptances	8406.31	6764.14
Sundry creditors:		
Dues to SSI units	331.30	62.09
Dues to others	13695.95	13834.15
Security Deposits	340.37	416.33
Unclaimed Dividends*	85.62	74.65
Interim Dividends Payable*	161.34	-
Unclaimed Fixed Deposits (Including Interest)*	19.22	37.35
Interest and commitment charges accrued but not due	296.44	318.75
* Will be credited to Investor Education and Protection Fund if not claimed within seven years from the date of issue of dividend/Interest Warrant, and the date of matured Fixed Deposits.		
	23336.55	21507.46

	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SCHEDULE 13: PROVISIONS		
Provision for Taxation (net)	2868.58	2236.39
Proposed Dividends	1357.70	1935.78
Provision for Leave Encashment	510.44	306.34
	4736.72	4478.51
	YEAR ENDED 31.03.07 Rs/Lakhs	YEAR ENDED 31.03.06 Rs/Lakhs
SCHEDULE 14: OTHER INCOME		
Claims	47.55	7.61
Export Incentives	14.25	-
Dividend on Units (Non-Trade)	149.07	11.33
Provision no longer required	418.12	148.76
Scrap sales	447.65	526.39
Recovery Of Amount Written Off	-	0.04
Interest Income		
From Customers*	27.24	129.01
On Loans and Deposits	44.49	10.71
From Others**	17.38	22.69
Others	184.64	315.43
	1350.39	1171.97
* Includes Income-tax deducted at source	20.33	18.24
** Includes Interest on Income Tax Refunds	15.75	14.11
SCHEDULE 15: RAW MATERIALS CONSUMED		
Opening stock of Raw Material	7580.42	11053.54
Add : Purchases of Raw Materials	87243.48	71570.86
	94823.90	82624.40
Less : Closing Stock of Raw Material	7248.97	7580.42
Raw Materials consumed	87574.93	75043.98
SCHEDULE 16: (INCREASE) \ DECREASE IN STOCK		
Opening Stock : Work in progress	2990.68	2686.16
Finished goods	4122.33	3265.05
	7113.01	5951.21
Closing Stock : Work in progress	6129.68	2990.68
Finished goods	3921.21	4122.33
	10050.89	7113.01
(Increase) \ Decrease in Stock	(2937.88)	(1161.80)
SCHEDULE 17: EXPENSES		
Stores & Spares Consumed	1396.26	1002.14
Power & Fuel	14399.05	12141.48
Rent	379.28	326.60
Repairs & Maintenance		
Buildings	165.65	199.23
Plant & Machinery	1815.87	1935.54
Other Maintenance	773.86	643.36
Freight	3119.46	2525.37
Professional & Legal charges	5062.98	1150.90
Salaries,Wages,Bonus, etc.	5772.45	4396.05
Contribution to PF, Gratuity, Supperannuation ,ESI and other funds.	564.67	402.81
Workmen & Staff Welfare Expenses	835.73	763.45
Insurance	534.89	428.19
Rates & Taxes	177.15	175.08



	YEAR ENDED 31.03.07 Rs/Lakhs	YEAR ENDED 31.03.06 Rs/Lakhs
Contract Conversion Charges	1161.21	389.66
Travel	677.19	699.31
Auditors Remuneration & Expenses		
Audit Fee	18.00	14.50
Interim audit fee	9.00	7.50
Tax Matters	5.50	5.50
Certification Work	1.56	1.65
Expenses Reimbursement	0.20	0.15
Directors Sitting Fees	8.25	9.05
Selling Commission	339.67	215.02
Exchange currency fluctuation (Net)	1673.84	402.00
Miscellaneous Expenses (*) (**)(**)(****)	2437.36	2628.04
	41329.08	30462.58
* Includes Provision for Doubtful Debts and Advances	88.06	65.49
** Includes assets/debts/inventory written off/Loss on sale of assets	162.30	954.77
*** Includes difference in excise duty provision between opening and closing stock of finished goods	45.37	2.27
****Includes Prior Period Expenses including Research & Development of Rs. 109.31 Lacs.	112.21	-
SCHEDULE 18: INTEREST & FINANCE CHARGES		
Term Loans & Fixed Deposits	1545.89	1232.10
Cash Credit & Others	1419.80	1631.84
Lease Rentals	1.33	26.58
Financial Charges	673.02	1037.91
	3640.04	3928.43



Schedule 19: ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A) ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the historical cost convention basis (except for revaluation of certain fixed assets and providing for depreciation on revalued amounts). The generally accepted accounting principles and the Accounting Standards referred under section 211(3C) of the Companies Act 1956 have been adopted by the Company and disclosures made in accordance with the requirements of Schedule VI of the Companies Act 1956 and the Indian Accounting Standards.

2. FIXED ASSETS

Gross block of Fixed Assets, which are revalued, are stated at the amounts revalued; the base for revaluation being the current cost of depreciated assets at the time of revaluation.

If the revaluation shows an increase in the value of a category of assets, the same is added to the historical value net of any decline in value of any asset of that category; any such decrease is expensed. The decline in value of any individual asset in a category is charged to revenue over the remaining useful life of that asset and corresponding adjustment made on the amount withdrawn from the revaluation reserve.

3. EXPENDITURE DURING CONSTRUCTION

In respect of new projects, all expenses including interest incurred upto the date of commencement of commercial production / date when asset is put to use, are capitalised. In respect of substantial expansion of businesses, at existing locations, only direct costs are capitalised together with interest on the funds related to them upto the date of commercial production.

4. DEPRECIATION

4.1 Depreciation is provided on fixed assets with reference to their historical cost (exclusive of leviable Customs/Excise duty) or the revalued value as the case may be.

4.2 Depreciation is provided on:

- a. All assets (*including plant and machinery) costing less than Rs.5,000/- for the full value thereof.
- * Provided such assets are less than 10% of the aggregate value of plant and machinery in each division.

- b. Furniture & Fixtures, Office Equipments, Data Processing Equipment, Cylinders and Vehicles on Straightline method at rates specified in Schedule XIV to the Companies Act, 1956.
- c. Roads, Buildings and Plant & Machinery on straight line method at rates based on useful life prescribed by valuers periodically on revalued value or at rates specified for similar method in Schedule XIV to the Companies Act, 1956 on the historical cost, whichever amount of depreciation is higher.
- d. In respect of additions between two valuation dates, on the basis of useful life as determined by the Management based upon similar assets; The depreciation rates based on useful life varies between 3.17 per cent and 11.31 per cent.
- e. Intangible assets are being amortized over their useful life of three years.

4.3 Where assets have been revalued a transfer is made from the Revaluation Reserve to the Profit and Loss Account for the sum of the differences as below: -

- a. In respect of revalued Assets, the difference between the amounts of depreciation on revalued value at rates based on useful life prescribed by valuers and on the historical cost at rates prescribed in Schedule XIV if the former is higher.
- b. Where assets are discarded or disposed off, the difference between the written down value as per revalued value and historical cost.

4.4 In case where plants are inter-dependent for production of final end-product the management has identified Cash Generating Units (CGU) as a product line. Where there is no inter-dependency, individual plant is to be recognised as CGU

Where the carrying amount of a CGU is more than the higher of its Net Realisable Value or Value in Use, the loss is recognized in profit & loss account. The loss so recognized is distributed amongst the various items of assets, which in the opinion of management have impaired, in proportion to the carrying amount of the amounts concerned. Unserviceable assets on physical verification are written-off/provided for.

5. AMORTISATION

No expenditure is treated as Deferred Revenue.

6. FOREIGN CURRENCY TRANSACTION: TRANSLATION AND CONVERSION

- a. Transactions in foreign currencies are recorded at the rate prevalent on the date of transactions.
- b. All Foreign Currency liabilities and monetary assets are stated at the exchange rate prevailing as at the date of Balance Sheet and the difference taken to Profit & Loss account as Exchange Fluctuation loss or gain.
- c. Foreign Currency fluctuations on liabilities relating to imported fixed assets are considered as additions to or deletions from the gross block in the year in which such fluctuations occur; depreciation on such addition/deletion is provided or adjusted over the remaining useful life of the asset. Such fluctuations on non imported items are expensed or taken as income.
- d. The company discloses the open and hedged foreign exchange exposure as note to the accounts.

7. RESEARCH AND DEVELOPMENT

Revenue expenditure on Research & Development is included under the natural heads of expenditure. Capital expenditure on Research & Development is treated in the same manner as expenditure on other fixed assets.

8. VALUATION OF INVENTORY

- a. Closing stock of finished goods is valued at the lower of cost or estimated realisable value. For this purpose, cost is being reckoned as full cost (exclusive of interest and administrative overheads) net of Excise Duty and includes excise duty/customs duty on the finished goods, where applicable.
- b. Closing stock of work in-progress is valued at the lower of the cost or estimated realisable value; for this purpose cost does not include Excise duty.

- c. Inventory of raw material is valued at weighted average cost or net realisable value whichever is lower; cost being net of Excise duty. Reprocessable waste is grouped under raw material and is valued at notional value.
- d. By products are valued at net selling price.
- e. Inventory of Stores and spares is valued at cost, exclusive of Excise duty.
- f. In respect of slow moving inventories, the diminution in value is provided and shown net of the inventory concerned.

9. INVESTMENTS

- a. Long term quoted investments are valued at cost unless, in the opinion of the management, there is a permanent fall in their value as at the date of Balance Sheet.
- b. Unquoted investments in subsidiaries being of long-term nature are valued at cost and no loss is recognised in the fall in their net worth, if any, unless there is a permanent fall in their value. The fluctuations in exchange rates in respect of investments held in foreign currencies in the subsidiary are also not recognised for the same reason.

10. RETIREMENT BENEFITS

Retirement benefits have been recognized in accordance with Revised AS-15. Accordingly:

- a. Liability for accrued leave salary is fully provided for on actuarial basis.
- b. The liability on account of retirement benefits such as provident fund and superannuation are administered through separate funds. Contributions to Provident and Superannuation funds are accounted at respective specified rates.
- c. Gratuity is accrued on actuarial valuation basis and funded through Trusts, which have taken out policies with Life Insurance Corporation of India.

11. CONTINGENT LIABILITY

Liabilities, though contingent, are provided for if there are reasonable prospects of such liabilities maturing. Other contingent liabilities, barring frivolous claims, not acknowledged as debt, are disclosed by way of note.

12. REVENUE RECOGNITION

- a. Sales are inclusive of excise duty/customs duty and net of trade discounts. Export sales are recognized on the date the company ships the exported goods as evidenced by their Bill of Lading / Air-way Bill.
- b. Sale of Certified Emission Reduction (CER) is recognized as income on the delivery of the CER to the customer's account as evidenced by the receipt of confirmation of execution of delivery instructions.
- c. Export entitlements under the duty entitlement pass book (DEBP) scheme are recognized in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of the exports made. Obligation/entitlements on account of advance license scheme for imports of raw materials are accounted for at the time of purchase of raw materials.
- d. Other items of revenue are recognised in accordance with the Accounting Standard (AS-9). Accordingly, wherever there are uncertainties in the ascertainment/realisation of income such as interest from customers (including the financial condition of the person from whom the same is to be realised), the same is not accounted for.
- e. Profit/loss on sale of revalued fixed assets are stated with reference to the written down value determined on the basis of their historical cost

13. RESERVES

- a. Revaluation reserve represents the difference between the revalued amount of the assets and the written down value of the assets on the date of revaluation net of withdrawals therefrom as stated in para 4.3 above.
- b. Capital receipts are credited to Capital Reserve.



14. TAXATION

- a. Tax provision is made, in accordance with the Income Tax Act 1961 including the provisions regarding Minimum Alternate Tax and the contentions of the Company and also the fact that certain expenditure becoming allowable on payment being made before filing of the return of income.
- b. Deferred tax assets and liabilities are accounted for on the basis of Accounting Standard AS-22. Deferred tax liabilities and assets are recognised at substantively enacted tax rates, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

15. BORROWING COST

Borrowing cost attributable to the acquisition or construction of qualifying assets is capitalized as a part of the cost of those assets. Other borrowing costs are recognised as an expense in the period to which they relate.

16. EARNING PER SHARE

The earnings considered in ascertaining the Company's Earnings per Share ('EPS') comprise the net profit after tax. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year.

The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares.

B) NOTES

I. Share Capital

- a. Subscribed Equity Shares include 20,34,848 (Previous Year 20,34,848) shares allotted as fully paid by way of Bonus Shares by capitalisation of reserves.
- b. Share capital suspense represents 5408 (Previous Year 5408) Equity shares which are awaiting allotment to the erstwhile shareholders of Flowmore Polyesters Ltd. (FPL) pending settlement of calls in arrears in respect of their shareholding in FPL
- c. During the Previous Year, the Company bought back and extinguished 16084 equity shares and the nominal value thereof credited to capital redemption reserve account.

2. Details of Security

The borrowings of the Company made before the effective date (18th March 2002) of de-merger of the Engineering Plastics and Fishnet Business of the Company to SRF Polymers Limited was secured by the composite assets of the Company before de-merger. The Company is in the process of getting the release of the charge over the immovable properties pertaining to the Engineering Plastics Business and Fishnet Business vested with SRF Polymers Ltd.

Loan		Outstanding Amount (Rs. Lakhs)	Security
I.	(i) Term loan From Banks	20525.00	<p>Term loans from banks are secured by:-</p> <p>a) Hypothecation of Company's moveable properties, both present and future (with certain exclusions) situated at Manali, Viralimalai and Gummidipoondi in the State of Tamil Nadu, Jhiwana in the State of Rajasthan, Malanpur and Indore in the State of Madhya Pradesh.</p> <p>b) Equitable Mortgage of Company's immovable properties situated at Viralimalai and freehold land at Gummidipoondi in the State of Tamil Nadu, Jhiwana in the State of Rajasthan and Kashipur in the State of Uttarakhand.</p> <p>Term Loans aggregating to Rs. 10,525 lacs are additionally secured by equitable mortgage of Company's immovable properties situated on leasehold land at Indore in the State of Madhya Pradesh.</p> <p>Term Loan of Rs. 7,025 lacs is additionally secured by equitable mortgage of Company's immovable properties situated on leasehold land at Gummidipoondi in the State of Tamil Nadu.</p>
	(ii) Term loan From banks	24485.17	Term loans from Banks are secured by hypothecation of Company's moveable properties, both present and future (with certain exclusions) situated at Manali, Viralimalai and Gummidipoondi in the State of Tamil Nadu, Jhiwana in the State of Rajasthan, Malanpur in the State of Madhya Pradesh and Kashipur in the state of Uttarakhand.
	(iii) Term loan From Others	2175.00	<p>Term loans from others are secured by hypothecation of Company's moveable properties, both present and future (with certain exclusions) situated at Manali, Viralimalai and Gummidipoondi in the State of Tamil Nadu, Jhiwana in the State of Rajasthan, Malanpur in the State of Madhya Pradesh and Kashipur in the State of Uttarakhand.</p> <p>Such hypothecation and equitable mortgage ranking paripassu between term loans from banks/others and subject to prior charges created/to be created on certain specified movable assets for working capital facilities mentioned in II below.</p> <p>Out of the loans as at I(i), the term loans aggregating to:</p> <p>a) Rs. 10000 lacs is to be further secured by equitable mortgage of Company's immovable properties situated at Manali and on leasehold land at Gummidipoondi in the State of Tamil Nadu, on Leasehold land at Malanpur and leasehold land at Indore in the State of Madhya Pradesh.</p> <p>b) Rs. 7025 lacs are to be further secured by equitable mortgage of Company's immovable properties situated at Manali and on leasehold land at Malanpur in the State of Madhya Pradesh(save and except superstructures).</p> <p>c) Rs. 3500 lacs is to be further secured by equitable mortgage of Company's immovable properties situated at Manali and on leasehold land at Gummidipoondi in the State of Tamil Nadu and on leasehold land at Malanpur in the State of Madhya Pradesh(save and except superstructures).</p>
II.	Cash credit/ working capital demand loans	1156.05	<p>Secured by hypothecation of stocks, stores and book debts and a part of the loan is also secured by a second charge on Company's immovable properties situated at Manali and Viralimalai, in the State of Tamil Nadu, Jhiwana in the State of Rajasthan and Malanpur in the State of Madhya Pradesh(except superstructures).</p> <p>It is to be further secured by a second charge on Company's immovable properties situated at Gummidipoondi (both leasehold and freehold) in the State of Tamil Nadu, leasehold land at Indore in the State of Madhya Pradesh and Kashipur in the State of Uttarakhand.</p>
	Total	48341.22	

Out of (I) above, a sum of Rs. 7259.00 Lakhs (Previous Year Rs. 2126.00 Lakhs) would become due for payment within a year.

3. Capital Commitments

The estimated amount of contracts remaining to be executed on capital account and not provided for amounts to Rs. 792.62 Lakhs (Previous Year Rs. 4933.81 Lakhs).

Further the company is to make investment in a proposed joint venture WUHU YANGTZE GANGA FLUORINE CHEMICAL CO LTD up to 3 Million US Dollar.

4. Contingent Liabilities

a. Claims against the Company not acknowledged as debts on account of:

	31/03/07 (Rs. Lakhs)	31/03/06 (Rs. Lakhs)
Excise Duty *	3998.54	4144.75
Sales Tax **	75.58	58.90
Income Tax	171.00	-
Stamp Duty ***	2881.55	2881.55
Other	44.17	45.32

* Amount deposited Rs. 38.42 lakhs (Previous year Rs. 82.87 lakhs)

** Amount deposited Rs. 13.52 lakhs (Previous Year Rs. 11.92 lakhs)

*** In the matter of acquisition of the Tyrecord Division at Malanpur from Ceat Limited the Collector of Stamps, Bhind has by his order dated 07.11.2001 assessed the value of the subject matter of the Deed of Conveyance dated 13.06.1996 at Rs. 30300 lakhs and levied a stamp duty of Rs. 2372.50 Lakhs and imposed a penalty of Rs.509.05 lakhs. The said demand was challenged before the High Court of Madhya Pradesh Bench at Gwalior. The High Court accepted the case of the Company that the subject matter of the Deed of Conveyance dated 13.06.1996 is only the superstructures valued at Rs. 2776.18 Lakhs and not the entire undertaking valued at Rs.30300 lacs as claimed by the State. Consequently, the High Court of Madhya Pradesh quashed the order and demands issued by the Collector of Stamps, Bhind (Madhya Pradesh) and allowed the writ petition by an order dated 29th November 2004. Against the said order, the State of Madhya Pradesh has preferred a Special Leave Petition before the Hon'ble Supreme Court, which is pending admission.

b. Liability on account of Bills Discounted Rs 6,211 Lakhs (Previous Year – Rs 10,575 Lakhs)

c. Liability on account of corporate guarantee on behalf of SRF Overseas Ltd. for US\$ 0.6 Million (well within the limits)

d. (i) The Company has received a notice from Officer on Special Duty, Diversion Tax, Bhind, imposing Diversion Tax of Rs. 197 lakhs for converting the agricultural land into Industrial land. The Company has been advised that the above notice will not be sustained since the land has been acquired from Government Authority and no Diversion Tax is payable on Govt. land.

(ii) The Company has been served with show cause notices regarding certain transactions as to why additional customs/ excise duty amounting to Rs. 63.45 Lakhs (Previous year Rs. 13.53 lakhs) should not be levied. The Company has been advised that the contention of the department is not tenable and hence the show cause notice may not be sustainable.

5. Fixed Assets

a) The Deed of Assignment in respect of free hold land at Manali, Chennai has been executed in respect of 135.70 acres. (Previous year 136.49 acres). In addition to aforesaid extent, 0.79 acres were handed over to SRF Ltd. under a land delivery receipt. Thus the Company is in possession of 136.49 acres of industrial land at Manali, Chennai.

b) Out of the above, 2.16 acres, vested exclusively in SRF Polymers Ltd. and another extent of 1.29 acres with a factory building on it, is jointly owned and enjoyed by the Company and SRF Polymers Ltd. in ratio of 25.33% and 74.67% respectively pursuant to Scheme of Amalgamation Arrangement and Reconstruction. The provisional payment made for land is in respect of 150.38 acres amounting to Rs. 18.44 lakhs.

c) Conveyancing of buildings and other superstructures located at Company's plant at Malanpur in the state of Madhya Pradesh including immovable machinery is linked to the Stamp Duty matter referred in 4(a) above.

d) Out of the Industrial Free hold land measuring 32.41 acres at company's plant in Gummidipoondi, 8.62 acres of land is under litigation.

- e) The cyclical nature of Packaging Film Business has affected its performance in the short-run. However in the opinion of the management the net realizable value is not lower than the carrying costs of the assets of the business considered as Cash Generating Unit, and hence there is no impairment loss.

6. Statement of Investments (Non-Trade unless otherwise stated)

(Rs. Lakhs)

S. No.	Name of the Security / Name of the Company	Number of Units	Nominal value per unit	Book value/Cost 31.03.07	Book value/Cost 31.03.06
I	Long Term Investments at Cost:				
(A)	Quoted Equity Shares/Bonds:				
(i)	Bonds of Unit Trust of India #	245452	Rs 100/-	245.45	245.45
	Sub Total			245.45	245.45
	Market Value of (A)			249.60	249.60
(B)	Unquoted Equity Shares: -				
(i)	SRF Overseas Ltd. (A Wholly Owned Subsidiary)	22893366	US\$1 fully paid.	8514.85	8514.85
(ii)	SRF Americas Inc (A Wholly Owned Subsidiary) *	21000	US\$100 fully paid.	242.00	242.00
(iii)	SRF Transnational Holdings Ltd (A Wholly Owned Subsidiary)	3254184	Rs 100/- fully paid	-	-
(iv)	SRF Properties Ltd (A Wholly Owned Subsidiary)	8000	Rs. 100 fully paid	589.56	589.56
(v)	SBL Industries Ltd – Preference shares *	2500000	Rs.10 fully paid	250.00	250.00
(vi)	Sanghi Spinners Ltd*	670000	Rs.10 fully paid	11.69	11.69
(vii)	Arkay Energy (Rameswaram) Limited (Trade Investment)	1575000	Rs.10 fully paid	157.50	157.50
(viii)	Malanpur Captive Power Ltd. (Trade Investment)	3991650	Rs.10 fully paid	399.17	-
	Sub Total			10164.77	9765.60
	* Less: Provision for investment			503.69	503.69
	Total (B)			9661.08	9261.91
(II)	Short Term Investments at Cost:				
(C)	Quoted – Units of Mutual Funds				
(i)	Principal Mutual fund	999820	Rs 10/-	-	100.00
	Total (C)			-	100.00
	Market Value of (C)			-	100.00

Represents liquid investments earmarked for Fixed Deposits.

Considering that NPV of future cash-flows of SRF Overseas Limited (Wholly owned subsidiary of company) is more than carrying amount of assets as per audited results as on 31st March, 2007, there is no permanent diminution in value of investments made by company.

A Joint Venture Agreement has been signed with Centralfluor Group Company Limited on 13th March, 2007 to set up a joint venture company in China to manufacture Anhydrous Hydrogen Fluoride. The company will invest upto US\$ 3 million in the said joint venture. Pursuant to the said joint venture agreement, a separate company "WUHU YANGTZE GANGA FLUORINE CHEMICAL CO LTD." has been incorporated in China on 15th March, 2007. There have been no financial transactions between the companies concerned.

7. Sundry Debtors

Sundry debtors include Rs. Nil due from SRF Americas Inc. a wholly owned subsidiary (Previous year Rs. 280.07 Lakhs) and Rs 214.63 Lakhs from SRF Overseas Limited also a wholly owned subsidiary (Previous year Rs 394.95 Lakhs).

The Maximum outstanding during the year from SRF Americas Inc. was Rs. 280.07 Lakhs (Previous Year Rs. 593.57 Lakhs) and from SRF Overseas Limited Rs. 319.74 Lakhs (Previous Year Rs. 551.28 Lakhs).

8. Loans and Advances

Advances, recoverable in cash or kind or for value to be received included under the head Loans and Advances include:

- Loans to Officers of the Company:
Interest bearing loans carrying interest of 9% p.a. or more to senior officers of the company (repayable beyond seven years) Rs 1.79 Lakhs (Previous Year – Rs 2.26 Lakhs). Maximum balance Rs 2.26 Lakhs.
- Rs. 923.44 Lakhs as interest free security deposit for accommodation, for various offices and officers, taken on lease. (Previous year Rs. 938.82 Lakhs)

9. Repairs and Maintenance

Repairs and Maintenance to Plant & Machinery and Buildings include Stores and Spares consumed of Rs. 1977.55 lakhs and Rs. 62.90 lakhs respectively (Previous Year Rs. 1463.99 lakhs and Rs. 78.78 lakhs respectively).

10. Provisions for Taxation

The details of the net Deferred Tax Liability of Rs. 12722.57 lakhs (Previous Year Rs 10805.41 Lakhs) are as under: -

Deferred Tax Liability on account of:	31/03/07 Rs. Lakhs	31/03/06 Rs. Lakhs
Difference between Book & Tax Depreciation	12456.60	11318.26
Research & Development Expenditure	595.50	-
Total	13052.10	11318.26
Deferred Tax Assets on account of:		
Provision for bad and Doubtful Debts	49.83	212.74
Claim Allowable U/s 43B	279.71	300.11
Total	329.54	512.85
Net Deferred Tax Liability	12722.57	10805.41

11. Directors Remuneration

(i) Chairman/ Managing Director/ Deputy Managing Director/ Whole time Director's	31/03/07 Rs. Lakhs	31/03/06 Rs. Lakhs
Salary	108.01	83.47
Contribution to Provident and Superannuation Funds	28.43	21.68
Value of Perquisites	46.35	20.13
Commission (Provided)	325.00	100.00
Sub-Total	507.79	225.28
(ii) Non Executive Directors		
Commission (Provided)	28.00	18.96
Sub-Total	28.00	18.96
Total	535.79	244.24

- Having regard to the fact that there is a global contribution to gratuity fund, the amount applicable to an individual employee is not ascertainable and accordingly, contribution to gratuity fund has not been considered in the above computation.

(ii) Computation of net profit in accordance with section 349 of the Companies Act, 1956

Particulars	31.03.2007 (Rs Lakhs)	31.03.2006 (Rs Lakhs)
Profit Before Taxation	44311.13	15842.84
Add:		
Managerial Remuneration including commission	535.79	244.24
Loss on sale/write off of assets as per Books of Accounts	162.30	61.66
Provision for Doubtful Debts/Advances	88.06	65.49
Sub Total	786.15	371.39
Less:		
Profit on sale of Assets as per Books of Accounts	-	0.04
Recovery of amounts written off	-	-
Profit on Sale of Investment	-	-
Excess Provision written back (Doubtful Debts)	418.12	103.28
Sub Total	418.12	103.32
Profit as per section 349 of the Companies Act, 1956	44679.16	16110.91
Maximum remuneration as commission and/or salary including perquisites @ 10% of net profit of Rs 44679.16 lakhs (Previous Year@ 10% of Rs. 16110.91 lakhs) which can be paid to Managing Directors/Whole time Directors u/s 309 of the Companies Act 1956	4467.91	1611.09
Remuneration paid to Managing Directors/Whole Time Directors	507.79	225.28
Maximum commission payable to Non Executive Directors @ 1% of net profit of Rs 44679.16 lakhs (Previous Year Rs. 16110.91 lakhs) u/s 309 of the Companies Act 1956	446.79	161.10
Commission payable/paid to Non Executive Directors	28.00	18.96

12. Over dues to S.S.I. Units

Overdues to SSI Units outstanding for more than 30 days Current Year – Nil (Previous Year – Nil) as per the information available with the Company

13. Related Party Transactions

As per AS – 18 issued by the Institute of Chartered Accountants of India, the Company's related parties and transactions with them are disclosed below:

Related Parties			
By virtue of Control (a)	Key Management Personnel (b)	Relatives of Key Management Personnel (c)	Enterprises over which (b) & (c) have significant influence (d)
SRF Overseas Ltd. SRF Americas Inc. SRF Transnational Holdings Ltd. SRF Properties Ltd.	Shri Arun Bharat Ram, Chairman Mr. Ashish Bharat Ram* Managing Director Mr. Kartikeya Bharat Ram*** Deputy Managing Director Shri K. Ravichandra, Whole Time Director	Mr. Kartikeya Bharat Ram**	SRF Polymers Ltd. Bhairav Farms Pvt. Ltd Narmada Farms Pvt Ltd SRF Polymers Investment Ltd. SRF Foundation (formerly Society for Education & Welfare)

* Executive Director up to 19.01.07 and Managing Director w.e.f. 20.01.07

** up to 19.01.07

*** w.e.f. 20.01.07

Transactions with Related Parties								
Nature of Transaction	(a)		(b)		(c)		(d)	
	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06
Purchase of Goods	350.71	166.94	-	-	-	-	-	52.92
Sale of goods	4192.43	2928.43	-	-	-	-	1962.95	2605.67
Purchase of Fixed Assets	-	-	-	-	-	-	56.30	-
Sale of Fixed Assets	3.67	-	-	-	-	-	-	-
Rendering of Services	2.35	-	-	-	-	-	49.58	45.65
Receiving of Services	-	-	9.82	-	-	-	-	13.22
Management contracts including for deputation of employees	-	-	-	-	-	-	8.56	4.54
Rental Paid	7.20	7.20	-	-	-	-	219.00	94.75
Rental Received	-	-	-	-	-	-	6.27	4.69
Remuneration Paid	-	-	507.79	225.28	-	12.46	-	-
Interest received on ICDs/ Loans	-	-	-	-	-	-	25.71	2.33
Reimbursement of expenses	3.96	2.90	-	-	-	-	82.09	92.43
Loans/Deposits received back	88.38	-	-	-	-	-	-	3.90
Donations	-	-	-	-	-	-	150.00	100.00
Receivable O/s	306.72	675.02	-	-	-	-	345.92	724.86
Loans /Securities O/s	-	-	-	-	-	-	328.88	210.00

14. Earning Per Equity Share

Annualised earnings per equity share have been calculated based on the net profit after taxation of Rs. 28906.97 lakhs (Previous Year Rs. 10477.24 lakhs) and the weighted average number of equity shares of 6,60,62,247 (Previous Year 6,45,26,089)

15. Employee Benefits

The Institute of Chartered Accountants of India has deferred the applicability of Accounting Standard (AS) 15, Employee Benefits (revised 2005) to accounting period commencing on or before 7th December, 2006 instead of 1st April, 2006 as stated in aforesaid accounting standard. As a prudent accounting policy, the company has implemented Revised AS-15 and made the provisions accordingly. The disclosure as per Revised AS-15 produced below:-

Gratuity - In accordance with applicable laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan) covering all staff, workers and officers. The Gratuity Plan provides for, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company. The Company provides the gratuity benefit through annual contributions to a Gratuity trust which in turn mainly contributes to Life Insurance Corporation of India (LIC) for this purpose. Under this plan the settlement obligation remains with the Gratuity trust. Life Insurance Corporation of India administers the plan and determines the contribution premium required to be paid by the trust. The Company has also obtained an independent actuarial valuation of the Trust's assets and liabilities, and accordingly, the difference has been provided for by the Company.

The gratuity liability is been paid by the company in the case of employees, who left during the current period.

Change in the benefit obligation	Amt. (Rs. Lakhs)
Projected Benefit Obligation (PBO) at the beginning of the year (01-04-2006)	1,123.91
Service cost	80.94
Interest cost	89.91
Benefits paid	(104.25)
Actuarial loss/(gain)	97.71
PBO at the end of the year (31-03-07)	1,288.22



Change in plan assets	
Fair value of plan assets at the beginning of the year	842.79
Estimated return on plan assets	67.42
Employer contributions	52.09
Benefits paid	-
Plan assets at the end of the year	962.30

As per actuarial report the company has unfunded gratuity liability of Rs.325.92 lacs as on 31st March'07.

Assumptions

Discount rate	8%
Rate of increase in compensation levels	7%
Rate of return on plan assets	8%

The Company assesses these assumptions with its projected long-term plans of growth and prevalent industry standards.

Impact on Reserve & Surplus and Profit & Loss Account

In order to comply with revised AS-15, the company has debited Rs. 267.57 lacs to General Reserve for opening liability, as recommended by the Revised AS-15 issued by the Institute of Chartered Accountants of India. Further the Company has charged Rs. 164.31 lacs to Profit & Loss Account for the current year charge and included under Contribution to PF, Gratuity, Superannuation, ESI & other funds.

Leave encashment Liability: Defined Benefit Plan which is unfunded

In order to comply with revised AS-15, the company has made a provision of Rs. 83.60 Lacs for opening liability as on 31st March, 2006 towards Leave encashment and corresponding PF liability on the same, by withdrawal from General Reserve. Further a provision of Rs. 120.50 lacs has been created towards Leave salary provision and corresponding PF liability on the same, by charge to current year's profit included under Salaries.

Superannuation - Defined Contribution Plan where contributions are made to a Trust which in turn contributes to LIC.

Apart from being covered under the Gratuity Plan described above, the employees of the Company also participate in a defined contribution Superannuation plan maintained by the Company. The Company has no further obligations under the plan except making annual contributions based on a specified percentage of each covered employee's salary. From 1st November, 2006, the Company provided an option to the employees to receive the said benefit as cash compensation along with salary in lieu of the superannuation benefit. Thus, no contribution is required to be made for the category of employees who opted to receive the benefit in cash.

Provident Fund - Defined Contribution Plan

In addition to the above benefits, all employees are entitled to Provident Fund benefits as per the law. For certain category of employees the Company administers the benefits through a recognized Provident Fund trust. For other employees contributions

are made to the regional Provident Fund Commissioners as per law. The Government mandates the annual yield to be provided to the employees on their corpus. For the first category of employees (covered by the Trust), the Company has an obligation to make good the shortfall, if any, between the yield on the investments of the trust and the yield mandated by the Government.

16. Segment Reporting

The segments of the company have been identified in line with the Accounting Standard on segment reporting (AS-17) taking into account the organisation structure as well as the differential risks and returns of these segments.

The company's reportable operating segments consist of the following business groups:

- Technical Textiles business: includes nylon tyre cord fabric, belting fabric, coated fabric and industrial yarns
- Chemical business: includes refrigerant gases, chloromethanes, pharmaceuticals, CER's & Allied products.
- Packaging Film Business includes Polyester Films.

Segment revenue, Results and Capital Employed include the respective amounts identifiable to each of the segments. Other unallocable expenditure includes expenses incurred on common services provided to the segments, which are not directly identifiable.

The company has no operations outside India and hence secondary segment namely geographical segment is not applicable.

Segment Revenue, Results and Capital Employed		
Particulars	31.03.07 Rs. Lakhs	31.03.06 Rs. Lakhs
Segment Revenue		
a) Technical Textiles Business (TTB)	86999	79532
b) Chemicals Business (CB)	72944	34905
c) Packaging Films Business (PFB)	20310	14801
d) Others		
Total Segment revenue	180253	129238
Less: Inter Segment revenue	8	9
Net Sales / Income from Operations	180245	129229
Segment Results		
(Profit / (Loss) before interest and tax from each segment)		
a) Technical Textiles Business (TTB)	4668	7518
b) Chemicals Business (CB)	48342	15466
c) Packaging Films Business (PFB)	(534)	(1932)
d) Others	43	93
Total Segment results	52519	21145
Less: i) Interest & Finance Charges (Net)	3551	3766
Less: ii) Other Unallocable expenses net of income	4657	1536
Total Profit before Tax	44311	15843
Capital Employed (Segment assets less segment liabilities)		
a) Technical Textiles Business (TTB)	90902	75509
b) Chemicals Business (CB)	24600	24503
c) Packaging Films Business (PFB)	19130	18050
d) Others	47	40
Total Capital employed in segments	134679	118102
Add : Unallocable assets less liabilities	7893	6953
Total capital employed in the company	142572	125055

17. Forex Exposure

The details of the forex exposure of the company as on 31-03-07 are as under:

Amt. Mln.

	Euro	USD	JPY	CHF
Inflows	16	22	0	0
Outflows	2	40	88	56
Net Exposures	14	(18)	(88)	(56)
Hedging status				
• Hedged	13	5.961*	0	0
• Open	1	(24)	(88)	(56)

The company has not entered into any hedging transactions in the nature of speculation in 2006-07 (Previous year Nil).

Figures in () indicate hedged outflow

* This includes positions arising out of cross currency hedges

18. Statement of Additional Information

a. Registered & Installed capacity per annum

	UNIT	2007	2006
Synthetic Filament Yarn including Industrial Yarn/Tyre Cord	MT	49400	34800
Nylon Tyre Cord Fabric/Industrial Yarn Fabric	MT	52280	39730
Fluorocarbon Refrigerant Gases	MT	25000	25000
Hydrofluoric Acid (Anhydrous)	MT	11500	8300
Gypsum (By product)	MT	44550	33300
Hydrochloric Acid (By Product)	MT	77220	70000
Chloromethanes	MT	32000	32000
Packaging Films	MT	25350	25650

b. Actual production

	UNIT	2007	2006
Synthetic Filament Yarn including Industrial Yarn/Tyre Cord @	MT	6434.54	2447.86
Nylon Tyre Cord Fabric/Industrial Yarn Fabric*	MT	43183.03	35237.41
Fluorocarbon Refrigerant Gases	MT	12432.01	12790.51
Hydrofluoric Acid (Anhydrous) @	MT	6136.47	10.89
Gypsum (By Product)	MT	23580.66	23987.67
Hydrochloric Acid (By Product)	MT	54821.49	57757.18
Chloromethanes @	MT	29716.74	17669.83
Packaging Films	MT	25075.41	21062.12

Installed capacity is as certified by management.

@ Excludes captive consumption

- * (i) Excludes 548.0 MT of nylon tyre cord fabric/industrial yarn/industrial fabric produced by the Company on conversion contract (Previous Year 65.00 MT)
- (ii) Includes 1432.99 MT of nylon tyre cord fabric/industrial yarn fabric produced outside the Company by the Company's conversion contractors (Previous Year 1150.24 MT)



c. Opening and Closing Stock of Finished Goods (manufactured)

	Closing Quantity (MT) 31.03.07	Stock Value (Rs.Lakhs) 31.03.07	Opening Quantity (MT) 31.03.06	Stock Value (Rs.Lakhs) 31.03.06
Synthetic Filament Yarn including Industrial Yarn/ Tyre Cords	419.60	660.25	292.72	400.34
Nylon Tyre Cord Fabric/ Industrial Yarn Fabric*	746.58	1504.46	443.90	814.72
Fluorocarbon Refrigerant Gases	644.16	558.21	1139.65	1069.65
Hydrofluoric Acid (Anhydrous)	36.62	14.77	66.46	24.98
Gypsum (By Product)	80.00	0.22	60.00	-
Hydrochloric Acid (By Product)	219.45	1.77	434.35	8.50
Chloromethanes**	1981.22	437.38	944.72	229.20
Packaging Films	670.90	503.95	591.48	434.60
Others ***		240.20		1140.34
TOTAL		3921.21		4122.33

(*) Includes Yarn in Process of conversion into Fabric,
(**) Includes chloromethanes in process of conversion into refrigerant gases.
(***) Figures of Others include Traded Goods.

d. Turnover

	2007		2006	
	Quantity (MT)	Value (RS. lakhs)	Quantity (MT)	Value (RS. lakhs)
Synthetic Filament Yarn including Industrial Yarn/Tyre Cord	3468.94	4853.65	2521.84	3553.01
Nylon Tyre Cord Fabric/Industrial Yarn Fabric	52468.20	90668.78	36822.38	82035.49
Fluorochemicals & Allied Products	12973.68	64779.65	12217.79	25675.94
Gypsum (By Product)	23560.66	78.53	24070.97	55.76
Hydrochloric Acid (By Product)	52371.27	840.86	57725.83	964.28
Chloromethanes	17275.03	5884.34	18584.19	7247.21
Polyester Films	24995.99	22975.39	21016.13	16930.46
Conversion Income		403.31		568.43
Traded Goods		1409.83		1951.40
Waste/Others		4442.68		4351.21
Gross Sales		196337.02		143333.19
Less: Excise Duty		16092.47		14104.01
Net Sales		180244.55		129229.18



e. Raw Material Consumption

	2007		2006	
	Quantity (MT)	Value (RS. lakhs)	Quantity (MT)	Value (RS. lakhs)
Caprolactam	38963.68	46304.42	28575.08	34994.95
Fluorospar	13992.97	1503.70	14118.30	1410.80
Chloromethanes	7113.27	1919.64	2602.92	742.07
Sulphuric Acid	15395.10	394.54	15558.96	558.51
Chlorine	32670.01	1548.27	37403.26	3107.27
Methanol	9605.76	2322.46	10151.27	1790.52
Caustic Soda	1817.04	196.76	1872.75	201.58
Nylon yarn/Fabric		18593.64		14812.83
Polyester Chips	25093.16	14771.87	21164.92	11616.70
Others		14154.53		18896.35
Sub-Total		101709.83		88131.58
LESS: CENVAT Credit Availed		14134.90		13087.60
Total		87574.93		75043.98



f. Traded Goods

Quantitative particulars have not been given as the goods traded are assorted.

g. Value of Imported/Indigenous Raw Materials, Stores and Spares Consumed

	2007		2006	
	%	(Rs. Lakhs)	%	(Rs. Lakhs)
Raw Materials				
Imported	36.04	31559.41	43.59	32711.02
Indigenous	63.96	56015.52	56.41	42332.96
	100.00	87574.93	100.00	75043.98
Stores and Spares				
Imported	7.27	147.77	6.85	174.41
Indigenous	92.73	1885.63	93.15	2370.84
	100.00	2033.40	100.00	2545.25

h. Value of Imports on CIF basis

	2007 (Rs. Lakhs)	2006 (Rs. Lakhs)
Raw Materials	29454.17	29771.60
Stores and Spares	313.20	424.19
Capital Goods	1582.40	11619.56

i. Expenditure in Foreign Currency

	2007 (Rs. Lakhs)	2006 (Rs. Lakhs)
Interest	2016.97	2019.00
Technical know-how & Technician's fees	14.80	337.86
Exchange fluctuation difference (Net)	1673.84	402.00
Others	1322.57	583.04

j. Earnings in Foreign Exchange

	2007 (Rs. Lakhs)	2006 (Rs. Lakhs)
Export of goods calculated on FOB Value	79829.93	32885.86
Commission	1.81	-

19. Information pursuant to part IV of schedule VI of the Companies Act, 1956

REGISTRATION DETAILS			
Registration No.	5197	State Code	55
Balance Sheet Date	31.3.2007		
CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. '000)			
Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	258188*
POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMT. IN RS. '000)			
Total Liabilities	14846511	Total Assets	14846511
Sources of Funds		Application of Funds	
Paid-up Capital (Including amount paid up on forfeited shares and shares suspense account)	689055	Net Fixed Assets	11624353
Reserves and Surplus	8048805	Investments	990653
Secured Loans	4834122	Net Current Assets**	2231505
Unsecured Loans	2272		
Deferred Tax liability	1272257		
		**Net of Current Liabilities and Provisions	
PERFORMANCE OF THE COMPANY (AMOUNT RS. '000)			
Total Income			18159494
Total Expenditure			13728381
Profit before Tax			4431113
Profit after Tax			2890697
Earnings per equity share in Rs.			43.76
Dividend Rate -Equity (Proposed)			-
GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)			
Item Code No. (ITC Code)	59.02	Product Description	Tyre Cord Fabric
Item Code No. (ITC Code)	54.02	Product Description	Synthetic Filament Yarn
Item Code No. (ITC Code)	29.03	Product Description	Halogenated derivatives of Hydrocarbons

* 33,75,000 warrants of Rs.85 each were issued to a promoter group company with a right to subscribe equal number of equity shares in the financial year 2005-06 on receipt of 10% value. Balance 90% of the face value of warrants was received during the year which has been utilized by the Company for the capital expenditure purpose.

20. Previous year figures have been regrouped /recast/rearranged wherever necessary to conform to current years classifications.

As per our report of even date

For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants

V. Rajaraman
Partner
M. No. - 2705

Ashish Bharat Ram
Managing Director

Vinayak Chatterjee
Director

Kartikeya Bharat Ram
Deputy Managing Director

Rajendra Prasad
President & Chief
Financial Officer

Anoop K Joshi
Company Secretary

Arun Bharat Ram
Chairman

Place: Gurgaon, Haryana
Date: 25 April, 2007

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2007

(Rs/Lakhs)

	March 31, 2007	March 31, 2006
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax and extra-ordinary items	44311.13	15842.84
Adjustments for		
Depreciation	7859.14	6476.40
Interest Paid (Net)	3550.93	3766.02
Exchange Fluctuation	1673.84	402.00
Provision for Doubtful Debts/Advances(Net of written off)	108.29	775.38
Inventory Written Off	65.22	183.22
Fixed Assets Written Off	28.27	38.76
Withdrawal from Revaluation Reserve	(181.50)	(191.28)
Income from Dividend on Shares/Units	(149.07)	(11.33)
Loss/(Profit) on Sale of Assets/Investments	48.58	22.90
Operating Profit before working capital changes	57314.83	27304.91
Adjustments for Changes in Working Capital		
Trade and Other Receivables	(9061.78)	(5094.88)
Inventories	(2743.87)	1712.95
Trade Payables and Provisions	2031.95	(1067.76)
Cash Generated from operations	47541.13	22855.22
Interest Paid (Net)	(3550.93)	(3766.02)
Exchange Fluctuation	(1673.84)	(402.00)
Taxation	(13164.00)	(4531.00)
Net Cash from operating activities (A)	29152.36	14156.20
B CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(14597.02)	(33433.42)
Sale of Fixed Assets	102.24	49.70
Sale of Investments	32815.84	500.51
Purchase of Investments	(33099.17)	(257.50)
Income from Dividend on shares/units	149.07	11.33
Net Cash used in Investing Activities (B)	(14629.04)	(33129.38)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	50.62	286.88
Proceeds from Share Premium on issue of Equity Shares	2531.25	
Buy Back of Equity Shares	(31.25)	
Proceeds from long term borrowings		22321.74
Repayment of long term borrowings	(4027.99)	(7166.96)
Net Proceeds from short term borrowings	(7992.36)	2551.82
Dividends on Equity Share Capital	(4651.18)	(1613.15)
Dividend Tax	(652.32)	(226.24)
Transfers to Capital Reserve	0.00	1.10
Amount received pursuant of Montreal Phaseout Programme	1198.42	2752.82
Net cash used in/ from financing activities (C)	(13574.81)	18908.01
Net increase in Cash and Cash Equivalents D=(A+B+C)	948.51	(65.17)
Cash & Cash equivalents at the beginning of the year (E)	842.75	907.92
Cash & Cash equivalents at the close of the year F=(D+E)	1791.26	842.75

Ashish Bharat Ram
Managing Director

Vinayak Chatterjee
Director

Kartikeya Bharat Ram
Deputy Managing Director

Rajendra Prasad
President & Chief
Financial Officer

Anoop K Joshi
Company Secretary

Arun Bharat Ram
Chairman

We have certified the above cash flow statement of SRF Limited derived from the audited financial statements for the year ended March 31, 2007 and other records and found the same to be drawn in accordance there with and also with the requirements of clause 32 of the listing agreements with the Stock Exchanges.

for THAKUR VAIDYANATH AIYAR & CO
Chartered Accountants

V RAJARAMAN
PARTNER
M. No. - 2705

Place: Gurgaon, Haryana
Date: 25 April, 2007

AUDITORS' REPORT ON CFS

TO THE BOARD OF DIRECTORS OF SRF LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SRF LIMITED AND ITS SUBSIDIARIES

We have examined the attached Consolidated Balance Sheet of SRF Limited and its subsidiaries as at 31st March 2007, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the SRF Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework generally accepted in India and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total net assets of Rs. 4,189.98 lakhs as at 31st March, 2007 (Previous year Rs. 4,623.08 lakhs) and total revenues of Rs. 13,635.74 lakhs for the year then ended (Previous year Rs. 11,156.23 lakhs) and net cash inflow of Rs.33.28 lakhs (Previous year net cash inflow of Rs. 16.36 lakhs). These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of SRF Ltd. and its subsidiaries included in the consolidated financial statements.

The Consolidated Balance Sheet and the Consolidated Profit & Loss Account, dealt with by the report, are in agreement with the books of accounts and returns.

In our opinion and to the best of our information and according to explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of SRF Limited and its subsidiaries, the said accounts read together with the accounting policies and notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Consolidated Balance Sheet, of the state of affairs of SRF Limited and its subsidiaries as at 31st March 2007;
- in the case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
- in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants

V. Rajaraman
Partner
M.No.2705

Place: New Delhi
Date: 25 April, 2007

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007

		AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SOURCES OF FUNDS	Schedule		
Shareholders' Funds			
Share Capital	1	6890.55	6841.54
Reserves & Surplus	2	76590.26	49239.43
		83480.81	56080.97
Loan Funds			
Secured Loans	3	48907.15	61388.40
Unsecured Loans	4	22.72	137.68
		48929.87	61526.08
Deferred Tax Liability	5	12722.57	10805.41
TOTAL		145133.25	128412.46
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	178382.87	151036.30
Less: Depreciation		70871.43	62378.28
Net Block		107511.44	88658.02
Capital Work-in-Progress		11449.85	24550.98
		118961.29	113209.00
Investments	7	869.15	706.71
Current Assets, Loans & Advances			
Inventories	8	20047.71	17571.40
Sundry Debtors	9	21554.84	12896.99
Cash and Bank balances	10	2043.67	1014.98
Loans and Advances	11	10366.08	9750.00
		54012.30	41233.37
Less: Current Liabilities & Provisions			
Current Liabilities	12	24106.33	22397.08
Provisions	13	4603.16	4339.54
		28709.49	26736.62
Net Current Asset		25302.81	14496.75
TOTAL		145133.25	128412.46

Accounting Policies & Notes to Accounts 19
Schedules 1 to 13 and 19 form an integral part of the Balance Sheet

As per our report of even date
For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants

V. Rajaraman
Partner
M. No. - 2705

Ashish Bharat Ram
Managing Director

Vinayak Chatterjee
Director

Kartikeya Bharat Ram
Deputy Managing Director

Rajendra Prasad
President & Chief
Financial Officer

Anoop K Joshi
Company Secretary

Arun Bharat Ram
Chairman

Place: Gurgaon, Haryana
Date: 25 April, 2007

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

		YE 31.03.07 Rs/Lakhs	YE 31.03.06 Rs/Lakhs
INCOME			
Gross Sales		204743.95	151374.55
Less: Excise Duty		16092.47	14104.01
Net Sales		188651.48	137270.54
Other Income	14	1517.39	1238.57
TOTAL		190168.87	138509.11
EXPENDITURE			
Raw material consumed	15	92423.32	80957.83
(Increase) \ Decrease in Stock	16	(2070.35)	(1435.88)
Expenses	17	43252.01	32200.04
Interest and Finance Charges	18	3847.34	4093.70
Depreciation		8641.37	7250.73
Less: Transfer from Revaluation Reserves		(181.50)	(191.28)
Total Expenditure		145912.19	122875.14
Profit before Taxation		44256.68	15633.97
Less: Provision for Taxation (Current) Including FBT		13182.35	4532.80
Less: Deferred Tax Liability		1917.20	625.00
Less: Provision for Tax for earlier years		322.96	209.60
Profit after Taxation		28834.17	10266.57
Profit Available For Appropriation		28834.17	10266.57
Less: Interim Dividend		2715.40	-
Less: Proposed Final Equity Dividend		1357.70	1935.78
Less: Tax on Corporate Dividend		611.58	271.49
Less: Transfer to General Reserve		3000.00	1500.00
Add: Profit/(Loss) Brought Forward (Net of Loss of Subsidiaries)		9267.05	2707.75
Add: Profit/(Loss) On translation of Foreign Currencies of Subsidiaries		(307.47)	(364.50)
PROFIT/(LOSS) CARRIED TO BALANCE SHEET		30109.07	8902.55
Basic EPS (in Rupees) (Refer Note No.17)		43.65	15.91
Diluted EPS (in Rupees)		-	15.12

Accounting Policies & Notes to Accounts 19
Schedules 14 to 19 form an integral part of the Profit and Loss Account.

As per our report of even date

For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants

V. Rajaraman
Partner
M. No. - 2705

Ashish Bharat Ram
Managing Director

Vinayak Chatterjee
Director

Kartikeya Bharat Ram
Deputy Managing Director

Rajendra Prasad
President & Chief Financial Officer

Anoop K Joshi
Company Secretary

Arun Bharat Ram
Chairman

Place: Gurgaon, Haryana
Date: 25 April, 2007

SCHEDULES

	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SCHEDULE 1: SHARE CAPITAL		
AUTHORISED		
12,00,00,000 Equity Shares of Rs. 10 each	12000.00	12000.00
10,00,000 Preference Shares of Rs. 100 each	1000.00	1000.00
12,00,000 Cumulative Convertible Preference Shares of Rs.50 each	600.00	600.00
2,00,00,000 Preference Shares of Rs 100 each	20000.00	20000.00
	33600.00	33600.00
ISSUED		
73830327 Equity Shares of Rs.10 each	7383.03	7047.14
	7383.03	7047.14
SUBSCRIBED & PAID UP		
67885005 Equity Shares of Rs.10 each fully paid up	6788.50	6452.61
	6788.50	6452.61
Add: Amount paid up on Forfeited Shares	101.51	101.51
	6890.01	6554.12
Share Capital Suspense	0.54	0.54
Part cash received against share warrant issued (to promoters)	-	286.88
	6890.55	6841.54

SCHEDULE 2: RESERVES AND SURPLUS

	OPENING BALANCE AS AT 01.04.06	ADDITIONS DURING THE YEAR	WITHDRAWALS DURING THE YEAR	CLOSING BALANCE AS AT 31.03.07
Capital Redemption Reserve	0.02	**1.61	-	1.63
Securities premium account	9995.86	2531.25	-	12527.11
Capital reserve	16375.42	*1198.42	-	17573.84
Revaluation reserve (Fixed Assets)	6097.92	-	****204.55	5893.37
General reserve (Refer Note 3)	7867.66	3000.00	***382.42	10485.24
Foreign Currency Translation Reserve	(364.50)	57.03	-	(307.47)
	39972.38	6788.31	586.97	46173.72
Profit & Loss account	9267.05	21149.49	-	30416.54
Total	49239.43	27937.80	586.97	76590.26
PREVIOUS YEAR	38634.33	10796.38	191.28	49239.43

* Represents amount received pursuant to Montreal Protocol Phaseout Programme of Refrigerant Gases.

** During the year, the company has made buy back of 16084 Equity Shares, against which an amount of Rs. 1.61 lacs has been transferred from General Reserve to Capital Redemption Reserve. Further the amount of Rs. 31.25 lacs has been withdrawn from General Reserve against buy back of the said number of equity shares.

*** In order to comply with revised AS-15, the company has provided an amount of Rs. 267.57 lacs and Rs. 83.60 lacs for gratuity and leave Encashment respectively relating to the period prior to 1st April, 2006 by withdrawal from General Reserve.

**** During the year, a part of the leasehold land of the company at Industrial Area Malanpur in the state of Madhya Pradesh admeasuring 5.26 Acres was surrendered to the lessor for lease to Malanpur Captive Power Ltd. for setting up a group captive power plant for supply of power to the company under a Power Consumption Agreement. Consequently an amount of Rs. 22.47 lakhs has been withdrawn from Revaluation Reserve.

	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SCHEDULE 3: SECURED LOANS		
Short Term Loans from Banks	1721.98	10175.24
Long Term Loans from:		
- Banks	45010.17	48663.16
- Others	2175.00	2550.00
	48907.15	61388.40
SCHEDULE 4: UNSECURED LOANS		
Fixed deposits	22.72	137.68
	22.72	137.68
SCHEDULE 5: DEFERRED TAX LIABILITY		
Deferred Tax Liability	13052.11	11318.26
Less : Deferred Tax Asset	329.54	512.85
	12722.57	10805.41

SCHEDULE 6: FIXED ASSETS											(Rs/Lakhs)
DESCRIPTION	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK		"REVALUATION Amount"
	AS AT 01.04.06	Additions	Deletions	AS AT 31.03.07	AS AT 01.04.06	For The Year	Withdrawal	AS AT 31.03.07	AS AT 31.03.07	AS AT 31.03.06	** AS AT 31.03.07
Goodwill	581.56	-	-	581.56	-	-	-	-	581.56	581.56	-
Freehold Land	9,122.76	46.30	-	9169.06	-	-	-	-	9169.06	9122.76	4,282.62
Leasehold Land	1,989.81	-	***33.18	1956.63	-	-	-	-	1956.63	1989.81	962.87
Road	289.84	10.20	-	300.04	80.86	6.67	-	87.53	212.51	208.98	6.00
Buildings	17,429.15	4,695.37	11.80	22112.72	4,332.33	607.33	9.66	4930.00	17182.72	13096.82	328.51
Plant & Machinery	117,060.20	21,707.87*	61.98	138706.09	55,875.26	7,449.12	43.92	63280.46	75425.63	61184.94	313.37
Furniture & Fixture, Office Equipments etc.	3,159.62	738.06	32.06	3865.62	1,718.11	357.34	23.15	2052.30	1813.32	1441.51	-
Vehicles	1,095.58	390.26	228.06	1257.78	231.55	108.37	71.52	268.40	989.38	864.03	-
Intangible Assets	307.78	125.59	-	433.37	140.17	112.57	-	252.74	180.63	167.61	-
TOTAL	151036.30	27713.65	367.08	178382.87	62378.28	8641.40	148.25	70871.43	107511.44	88658.02	5893.37
Previous Year	130,737.02	20521.81	222.53	151036.30	55231.96	7253.01	106.69	62378.28	88658.02	75505.05	6097.92

* Includes Rs. 896.26 Lakhs as exchange currency fluctuation Gain

** Revaluation was done as on 31.03.2005

*** During the year, a part of the leasehold land of the company at Industrial Area Malanpur in the state of Madhya Pradesh admeasuring 5.26 Acres was surrendered to the lessor for lease to Malanpur Captive Power Ltd. For setting up a group captive power plant for supply of power to the company under a Power Consumption Agreement.

	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SCHEDULE 7: INVESTMENTS		
Non-trade investments(at cost)		
- quoted (*) (#)	262.52	381.97
- unquoted	311.65	428.93
	574.17	810.90
Less: Provision for diminution in value of long term investment	261.69	261.69
	312.48	549.21
Trade Investment - Unquoted	556.67	157.50
	869.15	706.71
* Market value of quoted investments	268.96	393.09
# Includes Deposits earmarked Under Rule 3 A of the Companies (Acceptance of Deposits) Rules, 1975	245.45	245.45

	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SCHEDULE 8: INVENTORIES		
Raw Material	8687.09	8353.34
Stores & spares	1108.96	1036.75
Finished Goods	3990.35	5018.40
Stock-in-Process	6261.31	3162.91
	20047.71	17571.40
SCHEDULE 9: SUNDRY DEBTORS		
Unsecured considered good for recovery by the Management (unless otherwise stated)		
Debts over six months		
Considered good	423.97	832.56
Considered doubtful	146.60	372.23
Other debts		
Considered good	21130.87	12064.43
Considered doubtful		
Less: Provision for doubtful debts	146.60	372.23
	21554.84	12896.99

	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SCHEDULE 10: CASH AND BANK BALANCES		
Cash in hand	129.74	24.96
Cheques in hand	-	0.45
Balances with Scheduled Banks		
Current Accounts	1591.06	907.66
Unclaimed Dividend	85.62	74.65
Unclaimed Interim Dividend	161.34	-
Fixed Deposit *	75.71	7.26
Remittances in transit	0.20	-
	2043.67	1014.98
* Includes margin money	76.03	5.13

	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SCHEDULE 11: LOANS AND ADVANCES		
Unsecured considered good for recovery by the management (unless otherwise stated)		
Advances recoverable in cash or in 'kind or for value to be received		
Considered good *	2468.56	2809.72
Considered doubtful	169.03	223.66
Sub total	2637.59	3033.38
Less : Provision for doubtful advances	169.03	223.66
Sub total	2468.56	2809.72
Deposit with Excise and Customs	152.48	423.49
Other Deposits	1651.09	1617.45
Claims Recoverable	64.67	432.09
Cenvat recoverable	6029.28	4467.25
	10366.08	9750.00
* Includes Intercompany Deposits Given	-	450.00

	AS AT 31.03.07 Rs/Lakhs	AS AT 31.03.06 Rs/Lakhs
SCHEDULE 12: CURRENT LIABILITIES		
Acceptances	8406.31	6764.14
Sundry creditors :		
Dues to SSI units	331.30	62.09
Dues to others	14458.53	14716.14
Security Deposits	347.57	423.96
Unclaimed Dividends *	85.62	74.65
Interim Dividends Payable*	161.34	
Unclaimed Fixed Deposit (Including Interest)*	19.22	37.35
Interest and commitment charges accrued but not due	296.44	318.75
** Will be credited to Investor Education and Protection Fund if not claimed within seven years from the issue of Dividend/Interest Warrant, maturing of Fixed Deposits and Debentures. No interest have accrued on them."		
	24106.33	22397.08
SCHEDULE 13: PROVISIONS		
Provision for Taxation(net)	2735.02	2097.42
Proposed Dividends	1357.70	1935.78
Provision for Leave Encashment	510.44	306.34
	4603.16	4339.54
	YEAR ENDED 31.03.07 Rs/Lakhs	YEAR ENDED 31.03.06 Rs/Lakhs
SCHEDULE 14: OTHER INCOME		
Claims	47.55	7.61
Export Incentives	14.25	-
Dividend on shares / Units (Non Trade)	151.94	13.54
Provision no longer required	418.17	150.59
Scrap sales	447.66	526.39
Recovery of Amounts Written Off	50.00	1.58
Interest Income		
From Customers*	27.24	129.01
On Loans and Deposits*	94.44	53.76
On Others**	70.59	22.81
Others	195.55	333.28
	1517.39	1238.57
* Includes Income-tax deducted at source	33.15	18.24
** Includes Interest on Income Tax Refunds	15.75	14.11
SCHEDULE 15: RAW MATERIALS CONSUMED		
Opening stock of Raw Material	8353.34	12763.55
Add : Purchases of Raw Materials	92757.07	76547.62
	101110.41	89311.17
Less : Closing Stock of Raw Material	8687.09	8353.34
Raw Materials consumed	92423.32	80957.83

	YEAR ENDED 31.03.07 Rs/Lakhs	YEAR ENDED 31.03.06 Rs/Lakhs
SCHEDULE - 16: (INCREASE) \ DECREASE IN STOCK		
Opening Stock : Work in progress	3162.91	2851.20
Finished goods	5018.40	3894.23
	8181.31	6745.43
Closing Stock : Work in progress	6261.31	3162.91
Finished goods	3990.35	5018.40
	10251.66	8181.31
(Increase) \ Decrease in Stock	(2070.35)	(1435.88)
SCHEDULE 17: EXPENSES		
Stores & Spares Consumed	1396.26	1002.14
Power & Fuel	14870.65	12573.09
Rent	420.09	368.52
Repairs & Maintenance		
Buildings	171.61	205.97
Plant & Machinery	1926.14	2044.65
Other Maintenance	781.12	649.64
Freight	3119.46	2525.37
Professional & Legal Charges	5066.15	1161.39
Salaries,Wages,Bonus, etc.	6381.60	4966.61
Contribution to PF, Gratuity, Supperannuation ,ESI and other funds.	564.67	402.81
Workmen & Staff Welfare Expenses	835.73	763.45
Insurance	546.73	440.73
Rates & Taxes	177.22	175.35
Contract Conversion Charges	1161.21	389.66
Travel	716.90	743.51
Auditors Remuneration & Expenses		
Audit Fee	18.48	14.98
Interim audit fee	9.00	7.50
Tax Matters	5.50	5.53
Certification Work	1.55	1.65
Expenses Reimbursement	0.20	0.15
Directors Sitting Fees	8.49	9.05
Selling Commission	804.67	500.77
Exchange Currency Fluctuation	1673.84	402.00
Miscellaneous Expenses (*) (**)(***)(****)	2594.74	2845.52
	43252.01	32200.04
* Includes Provision for Doubtful Debts and Advances	88.06	65.49
** Includes assets/debts/inventory written off/Loss on sale of assets	234.45	1101.33
*** Includes difference in excise duty provision between opening and closing stock of finished goods	45.37	2.27
**** Includes Prior Period Expenses including Research & Development of Rs. 109.31 Lacs.	112.21	-
SCHEDULE 18: INTEREST & FINANCE CHARGES		
Term Loans and Fixed Deposit	1545.89	1232.10
Cash Credit and Others	1516.76	1747.03
Lease Rentals	1.33	26.58
Financial Charges	783.36	1087.99
	3847.34	4093.70

Schedule 19: ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A) ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the historical cost convention basis (except for revaluation of certain fixed assets and providing for depreciation on revalued amounts). The generally accepted accounting principles and the Accounting Standards referred under section 211(3C) of the Companies Act 1956 have been adopted by the Company and disclosures made in accordance with the requirements of Schedule VI of the Companies Act 1956 and the Indian Accounting Standards.

2. The Consolidated Financial Statement has been prepared in accordance with the procedures and disclosures laid down in the Accounting Standard 21 read with Accounting Standard 11.

3. FIXED ASSETS

Gross block of Fixed Assets, which are revalued, are stated at the amounts revalued; the base for revaluation being the current cost of depreciated assets at the time of revaluation.

If the revaluation shows an increase in the value of a category of assets, the same is added to the historical value net of any decline in value of any asset of that category; any such decrease is expensed. The decline in value of any individual asset in a category is charged to revenue over the remaining useful life of that asset and corresponding adjustment made on the amount withdrawn from the revaluation reserve.

4. EXPENDITURE DURING CONSTRUCTION

In respect of new projects, all expenses including interest incurred upto the date of commencement of commercial production / date when asset is put to use, are capitalised. In respect of substantial expansion of businesses, at existing locations, only direct costs are capitalised together with interest on the funds related to them upto the date of commercial production.

5. DEPRECIATION

- 5.1 Depreciation is provided on fixed assets with reference to their historical cost (exclusive of cenvatable Customs/Excise duty) or the revalued value as the case may be.
- 5.2 Depreciation is provided on:
 - a. All assets (*including plant and machinery) costing less than Rs.5,000/- for the full value thereof.
*Provided such assets are less than 10% of the aggregate value of plant and machinery in each division.
 - b. Furniture & Fixtures, Office Equipments, Data Processing Equipment, Cylinders and Vehicles on Straightline method at rates specified in Schedule XIV to the Companies Act, 1956.
 - c. Roads, Buildings and Plant & Machinery on straight line method at rates based on useful life prescribed by valuers periodically on revalued value or at rates specified for similar method in Schedule XIV to the Companies Act, 1956 on the historical cost, whichever amount of depreciation is higher.
 - d. In respect of additions between two valuation dates, on the basis of useful life as determined by the Management based upon similar assets; The depreciation rates based on useful life varies between 3.17% and 11.31%.
 - e. Intangible assets are being amortized over their useful life of three years.
- 5.3 Where assets have been revalued a transfer is made from the Revaluation Reserve to the Profit and Loss Account for the sum of the differences as below
 - a. In respect of revalued Assets, the difference between the amounts of depreciation on revalued value at rates based on useful life prescribed by valuers and on the historical cost at rates prescribed in Schedule XIV if the former is higher.



- b. Where assets are discarded or disposed off, the difference between the written down value as per revalued value and historical cost.

- 5.4 In case where plants are inter-dependent for production of final end-product the management has identified Cash Generating Units (CGU) as a product line. Where there is no inter-dependency, individual plant is to be recognised as CGU. Where the carrying amount of a CGU is more than the higher of its Net Realisable Value or Value in Use, the loss is recognized in profit & loss account. The loss so recognized is distributed amongst the various items of assets, which in the opinion of management have impaired, in proportion to the carrying amount of the amounts concerned. Unserviceable assets on physical verification are written-off/provided for.

6. AMORTISATION

No expenditure is treated as Deferred Revenue.

7. FOREIGN CURRENCY TRANSACTION: TRANSLATION AND CONVERSION

- a. Transactions in foreign currencies are recorded at the rate prevalent on the date of transactions.
- b. All Foreign Currency liabilities and monetary assets are stated at the exchange rate prevailing as at the date of Balance Sheet and the difference taken to Profit & Loss account as Exchange Fluctuation loss or gain.
- c. Foreign Currency fluctuations on liabilities relating to imported fixed assets are considered as additions to or deletions from the gross block in the year in which such fluctuations occur; depreciation on such addition/deletion is provided or adjusted over the remaining useful life of the asset. Such fluctuations on non imported items are expensed or taken as income.
- d. The company discloses the open and hedged foreign exchange exposure as note to the accounts.

8. RESEARCH AND DEVELOPMENT

Revenue expenditure on Research & Development is included under the natural heads of expenditure. Capital expenditure on Research & Development is treated in the same manner as expenditure on other fixed assets.

9. VALUATION OF INVENTORY

- Closing stock of finished goods is valued at the lower of cost or estimated realisable value. For this purpose, cost is being reckoned as full cost (exclusive of interest and administrative overheads) net of Excise Duty and includes excise duty/customs duty on the finished goods, where applicable.
- Closing stock of work in-progress is valued at the lower of the cost or estimated realisable value; for this purpose cost does not include Excise duty.
- Inventory of raw material is valued at weighted average cost or net realisable value whichever is lower; cost being net of Excise duty. Reprocessable waste is grouped under raw material and is valued at notional value.
- By products are valued at net selling price.
- Inventory of Stores and spares is valued at cost, exclusive of Excise duty.
- In respect of slow moving inventories, the diminution in value is provided and shown net of the inventory concerned.

10. INVESTMENTS

- Long term quoted investments are valued at cost unless, in the opinion of the management, there is a permanent fall in their value as at the date of Balance Sheet.
- Unquoted investments in subsidiaries being of long-term nature are valued at cost and no loss is recognised in the fall in their net worth, if any, unless there is a permanent fall in their value. The fluctuations in exchange rates in respect of investments held in foreign currencies in the subsidiary are also not recognised for the same reason.

11. RETIREMENT BENEFITS

- Liability for accrued leave salary is fully provided for on actuarial basis.
- The liability on account of retirement benefits such as provident fund and superannuation are administered through separate funds. Contributions to Provident and Superannuation funds are accounted at respective specified rates.
- Gratuity is accrued on actuarial valuation basis and funded through Trusts, which have taken out policies with Life Insurance Corporation of India.

12. CONTINGENT LIABILITY

Liabilities, though contingent, are provided for if there are reasonable prospects of such liabilities maturing. Other contingent liabilities, barring frivolous claims, not acknowledged as debt, are disclosed by way of note.

13. REVENUE RECOGNITION

- Sales are inclusive of excise duty/customs duty and net of trade discounts. Export sales are recognized on the date the company ships the exported goods as evidenced by their Bill of Lading / Air-way Bill.
- Sale of Certified Emission Reduction (CER) is recognized as income on the delivery of the CER to the customer's account as evidenced by the receipt of confirmation of execution of delivery instructions.
- Export entitlements under the duty entitlement pass book (DEBP) scheme are recognized in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of the exports made. Obligation/entitlements on account of advance license scheme for imports of raw materials are accounted for on purchase of raw materials.
- Other items of revenue are recognised in accordance with the Accounting Standard (AS-9). Accordingly, wherever there are uncertainties in the ascertainment/realisation of income such as interest from customers (including the financial condition of the person from whom the same is to be realised), the same is not accounted for.

- Profit/loss on sale of revalued fixed assets are stated with reference to the written down value determined on the basis of their historical cost.

14. RESERVES

- Revaluation reserve represents the difference between the revalued amount of the assets and the written down value of the assets on the date of revaluation net of withdrawals there from as stated in para 5.3 above.
- Capital receipts are credited to Capital Reserve.

15. TAXATION

- Tax provision is made, in accordance with the Income Tax Act 1961 including the provisions regarding Minimum Alternate Tax and the contentions of the Company and also the fact that certain expenditure becoming allowable on payment being made before filing of the return of income.
- Deferred tax assets and liabilities are accounted for on the basis of Accounting Standard AS-22. Deferred tax liabilities and assets are recognized at substantively enacted tax rates, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

16. BORROWING COST

Borrowing cost attributable to the acquisition or construction of qualifying assets is capitalized as a part of the cost of those assets. Other borrowing costs are recognized as an expense in the period to which they relate.

17. EARNING PER SHARE

The earnings considered in ascertaining the Company's Earnings per Share ('EPS') comprise the net profit after tax. The number of shares used in computing basic EPS is the weighted average number of shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares.

B) NOTES

1. Basis of preparation

The Consolidated Financial Statements (CFS) are prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India (ICAI). The CFS comprises the financial statements of SRF Limited and its following subsidiaries.

Name of the Subsidiary	Proportion of ownership as at 31st March 2007	Proportion of ownership as at 31st March 2006	Remarks
Indian Subsidiaries			
SRF Transnational Holdings Limited	100%	100%	Consolidated
SRF Properties Ltd.	100%	100%	Consolidated
Foreign Subsidiaries			
SRF Americas, Inc.*	100%	100%	Consolidated
SRF Overseas Limited	100%	100%	Consolidated

* Ceased operation from 2005-06 and will be dissolved in accordance with the US laws after approval of RBI to write off investment of USD 2.1 million is obtained

2. Share Capital

- Subscribed Equity Shares include 20,34,848 (Previous Year 20,34,848) shares allotted as fully paid by way of Bonus Shares by capitalisation of reserves.
- Share capital suspense represents 5408 (Previous Year 5408) Equity shares which are awaiting allotment to the erstwhile shareholders of Flowmore Polyesters Ltd. (FPL) pending settlement of calls in arrears in respect of their shareholding in FPL.

- c. During the Previous Year, the Company bought back and extinguished 16084 equity shares and the nominal value thereof credited to capital redemption reserve account.

3. Details of Security

The borrowings of the Company made before the effective date (18th March 2002) of de-merger of the Engineering Plastics and Fishnet Business of the Company to SRF Polymers Limited was secured by the composite assets of the Company before de-merger. The Company is in the process of getting the release of the charge over the immovable properties pertaining to the Engineering Plastics Business and Fishnet Business vested with SRF Polymers Ltd.

Loan	Outstanding Amount (Rs. Lakhs)	Security
I. (i) Term Loan From Banks	20525.00	<p>Term loans from banks are secured by:-</p> <p>a) Hypothecation of Company's moveable properties, both present and future (with certain exclusions) situated at Manali, Viralimalai and Gummidipoondi in the State of Tamil Nadu, Jhiwana in the State of Rajasthan, Malanpur and Indore in the State of Madhya Pradesh.</p> <p>b) Equitable Mortgage of Company's immovable properties situated at Viralimalai and freehold land at Gummidipoondi in the State of Tamil Nadu, Jhiwana in the State of Rajasthan and Kashipur in the State of Uttarakhand.</p> <p>Term Loans aggregating to Rs. 10,525 lacs are additionally secured by equitable mortgage of Company's immovable properties situated on leasehold land at Indore in the State of Madhya Pradesh.</p> <p>Term Loan of Rs. 7,025 lacs is additionally secured by equitable mortgage of Company's immovable properties situated on leasehold land at Gummidipoondi in the State of Tamil Nadu.</p>
(ii) Term Loan From Banks	24485.17	Term loans from Banks are secured by hypothecation of Company's moveable properties, both present and future (with certain exclusions) situated at Manali, Viralimalai and Gummidipoondi in the State of Tamil Nadu, Jhiwana in the State of Rajasthan, Malanpur in the State of Madhya Pradesh and Kashipur in the state of Uttarakhand.
(iii) Term Loan From Others	2175.00	<p>Term loans from others are secured by hypothecation of Company's moveable properties, both present and future (with certain exclusions) situated at Manali, Viralimalai and Gummidipoondi in the State of Tamil Nadu, Jhiwana in the State of Rajasthan, Malanpur in the State of Madhya Pradesh and Kashipur in the State of Uttarakhand.</p> <p>Such hypothecation and equitable mortgage ranking paripassu between term loans from banks/others and subject to prior charges created/to be created on certain specified movable assets for working capital facilities mentioned in II below.</p> <p>Out of the loans as at I(i), the term loans aggregating to:</p> <p>a) Rs. 10000 lacs is to be further secured by equitable mortgage of Company's immovable properties situated at Manali and on leasehold land at Gummidipoondi in the State of Tamil Nadu, on Leasehold land at Malanpur and leasehold land at Indore in the State of Madhya Pradesh.</p> <p>b) Rs. 7025 lacs are to be further secured by equitable mortgage of Company's immovable properties situated at Manali and on leasehold land at Malanpur in the State of Madhya Pradesh(save and except superstructures).</p> <p>c) Rs. 3500 lacs is to be further secured by equitable mortgage of Company's immovable properties situated at Manali and on leasehold land at Gummidipoondi in the State of Tamil Nadu and on leasehold land at Malanpur in the State of Madhya Pradesh(save and except superstructures).</p>
II. Cash credit/working capital demand loans	1156.05	<p>Secured by hypothecation of stocks, stores and book debts and a part of the loan is also secured by a second charge on Company's immovable properties situated at Manali and Viralimalai, in the State of Tamil Nadu, Jhiwana in the State of Rajasthan and Malanpur in the State of Madhya Pradesh(except superstructures).</p> <p>It is to be further secured by a second charge on Company's immovable properties situated at Gummidipoondi (both leasehold and freehold) in the State of Tamil Nadu, leasehold land at Indore in the State of Madhya Pradesh and Kashipur in the State of Uttarakhand.</p>
	565.93	Bank loans and overdrafts in SRF Overseas Limited are secured by the assignment of insurance policies on inventories on paripassu basis and trade receivables are subject to a floating charge for working capital facilities granted to the company on pari passu basis.
Total	48907.15	

Out of (I) above, a sum of Rs. 7259.00 Lakhs (Previous Year Rs. 2126.00 Lakhs) would become due for payment within a year.

4. Capital Commitments

The estimated amount of contracts remaining to be executed on capital account and not provided for amounts to Rs. 792.62 Lakhs (Previous Year Rs. 4933.81 Lakhs).

Further the company is to make investment in a proposed joint venture WUHU YANGTZE GANGA FLUORINE CHEMICAL CO LTD up to 3 Million US Dollar.

5. Contingent Liabilities

- a. Claims against the Company not acknowledged as debts on account of:

	31/03/07 (Rs. Lakhs)	31/03/06 (Rs. Lakhs)
Excise Duty *	3998.54	4144.75
Sales Tax **	75.58	58.90
Income Tax	171.00	-
Stamp Duty***	2881.55	2881.55
Other	44.17	45.32

* Amount deposited Rs. 38.42 lakhs (Previous year Rs. 82.87 lakhs)

** Amount deposited Rs. 13.52 lakhs (Previous Year Rs. 11.92 lakhs)

*** In the matter of acquisition of the Tyrecord Division at Malanpur from Ceat Limited the Collector of Stamps, Bhind has by his order dated 07.11.2001 assessed the value of the subject matter of the Deed of Conveyance dated 13.06.1996 at Rs. 30300 lakhs and levied a stamp duty of Rs. 2372.50 Lakhs and imposed a penalty of Rs.509.05 lakhs. The said demand was challenged before the High Court of Madhya Pradesh Bench at Gwalior. The High Court accepted the case of the Company that the subject matter of the Deed of Conveyance dated 13.06.1996 is only the superstructures valued at Rs. 2776.18 Lakhs and not the entire undertaking valued at Rs.30300 lacs as claimed by the State. Consequently, the High Court of Madhya Pradesh quashed the order and demands issued by the Collector of Stamps, Bhind (Madhya Pradesh) and allowed the writ petition by an order dated 29th November 2004. Against the said order, the State of Madhya Pradesh has preferred a Special Leave Petition before the Hon'ble Supreme Court, which is pending admission.

- b. Liability on account of Bills Discounted Rs 6,211 Lakhs (Previous Year – Rs 10,575 Lakhs)

- c. (i) The Company has received a notice from Officer on Special Duty, Diversion Tax, Bhind, imposing Diversion Tax of Rs. 197 lakhs for converting the agricultural land into Industrial land. The Company has been advised that the above notice will not be sustained since the land has been acquired from Government Authority and no Diversion Tax is payable on Govt. land.
- (ii) The Company has been served with show cause notices regarding certain transactions as to why additional customs/excise duty amounting to Rs. 63.45 Lakhs (Previous year Rs. 13.53 lakhs) should not be levied. The Company has been advised that the contention of the department is not tenable and hence the show cause notice may not be sustainable.

6. Fixed Assets

- a. The Deed of Assignment in respect of free hold land at Manali, Chennai has been executed in respect of 135.70 acres. (Previous year 136.49 acres). In addition to aforesaid extent, 0.79 acres were handed over to SRF Ltd. under a land delivery receipt. Thus the Company is in possession of 136.49 acres of industrial land at Manali, Chennai.
- b. Out of the above, 2.16 acres, vested exclusively in SRF Polymers Ltd. and another extent of 1.29 acres with a factory building on it, is jointly owned and enjoyed by the Company and SRF Polymers Ltd. in ratio of 25.33% and 74.67% respectively pursuant to Scheme of Amalgamation Arrangement and Reconstruction. The provisional payment made for land is in respect of 150.38 acres amounting to Rs. 18.44 lakhs.
- c. Conveyancing of buildings and other superstructures located at Company's plant at Malanpur in the state of Madhya Pradesh including immovable machinery is linked to the Stamp Duty matter referred in 4(a) above.
- d. Out of the Industrial Free hold land measuring 32.41 acres at company's plant in Gummidipoondi, 8.62 acres of land is under litigation.

- e) The cyclical nature of Packaging Film Business has affected its performance in the short-run. However in the opinion of the management the net realisable value is not lower than the carrying costs of the assets of the business considered as Cash Generating Unit, and hence there is no impairment loss.

7. Statement of Investments (Non-Trade unless otherwise stated)

S. No	Name of the Security / Name of the Company	Number of Units	Nominal value per unit	Book value/Cost 31.03.07	Book value/Cost 31.03.06
I	Long Term Investments at Cost:				
(A)	Quoted Equity Shares/Bonds:				
(i)	Bonds of Unit Trust of India #	247532	Rs 100/-	247.53	247.53
(ii)	Mawana Sugar Ltd.(fully paid)	5612	Rs. 10/-	.48	.48
	Sub Total			248.01	248.01
	Market Value of (A)			254.10	249.60
(B)	Unquoted Equity Shares: -				
(i)	Globus Agronics Ltd.	631096	Rs.10 fully paid	-	117.26
(ii)	SB Packagaing Ltd.	119000	Rs.10 fully paid	49.98	49.98
(iii)	SBL Industries Ltd – Preference shares *	2500000	Rs.10 fully paid	250.00	250.00
(iv)	Sanghi Spinners Ltd*	670000	Rs.10 fully paid	11.69	11.69
(v)	Arkay Energy (Rameswaram) Limited (Trade Investment)	1575000	Rs.10 fully paid	157.50	157.50
(vi)	Malanpur Captive Power Ltd. (Trade Investment)	3991650	Rs.10 fully paid	399.17	-
	Sub Total			868.33	586.43
	* Less: Provision for investment			261.69	261.69
	Total (B)			606.64	324.74
(II)	Short Term Investments at Cost:				
(C)	Quoted – Units of Mutual Funds				
(i)	Units of Tata Floating Rate Fund		Rs 10/-	-	20.16
(ii)	Principal Mutual Fund	999820	Rs.10/-	-	100.00
(iii)	Sundaram BNP Paribus Floter LT Regular	141,239 (134,265)	Rs.10 fully paid	14.51	13.80
	Total (C)			14.51	133.96
	Market Value of (C)			14.86	143.49

Represents liquid investments earmarked for Fixed Deposits.

Considering that NPV of future cash-flows of SRF Overseas Limited (Wholly owned subsidiary of company) is more than carrying amount of assets as per audited results as on 31st March, 2007, there is no permanent diminution in value of investments made by company.

A Joint Venture Agreement has been signed with Centralfluor Group Company Limited on 13th March, 2007 to set up a joint venture company in China to manufacture Anhydrous Hydrogen Fluoride. The company will invest upto US\$ 3 million in the said joint venture. Pursuant to the said joint venture agreement, a separate company “WUHU YANGTZE GANGA FLUORINE CHEMICAL CO LTD.” has been incorporated in China on 15th March, 2007. There has been no financial transactions between the companies concerned.

8. Loans and Advances

Advances, recoverable in cash or kind or for value to be received included under the head Loans and Advances include:

- a. Loans to Officers of the Company: Interest bearing loans carrying interest of 9% p.a. or more to senior officers of the company (repayable beyond seven years) Rs 1.79 Lakhs (Previous Year – Rs 2.26 Lakhs). Maximum balance Rs 2.26 Lakhs
- b. Rs. 923.44 Lakhs as interest free security deposit for accommodation, for various offices and officers, taken on lease. (Previous year Rs. 938.82 Lakhs)



9. Repairs and Maintenance

Repairs and Maintenance to Plant & Machinery and Buildings include Stores and Spares consumed of Rs. 1977.55 lakhs and Rs. 62.90 lakhs respectively (Previous Year Rs. 1463.99 lakhs and Rs. 78.78 lakhs respectively).

10. Provisions for Taxation

The details of the net Deferred Tax Liability of Rs. 12722.57 lakhs (Previous Year Rs 10805.41 Lakhs) are as under: -

Deferred Tax Liability on account of: -		
	31/03/07 Rs. Lakhs	31/03/06 Rs. Lakhs
Difference between Book & Tax Depreciation	12456.60	11318.26
Research & Development Expenditure	595.50	
Total	13052.10	11318.26
Deferred Tax Assets on account of: -		
Provision for bad and Doubtful Debts	49.83	212.74
Claim Allowable U/s 43B	279.71	300.11
Total	329.54	512.85
Net Deferred Tax Liability	12722.57	10805.41

11. Related Party Transactions

As per AS – 18 issued by the Institute of Chartered Accountants of India, the Company’s related parties and transactions with them are disclosed below:

Related Parties

Key Management Personnel (a)	Relatives of Key Management Personnel (b)	Enterprises over which (a) & (b) have significant influence (c)
Shri Arun Bharat Ram, Chairman Mr. Ashish Bharat Ram* Managing Director Mr. Kartikeya Bharat Ram*** Deputy Managing Director Shri K. Ravichandra, Whole Time Director	Mr. Kartikeya Bharat Ram**	SRF Polymers Ltd. Bhairav Farms Pvt. Ltd Narmada Farms Pvt Ltd SRF Polymers Investment Ltd. SRF Foundation (formerly Society for Education & Welfare)

* Executive Director up to 19.01.07 and Managing director w.e.f. 20.01.07

** up to 19.01.07

*** w.e.f. 20.01.07

Transactions with Related Parties

Rs. in Lakhs

Nature of Transaction	(a)		(b)		(c)	
	31.03.07	31.03.06	31.03.07	31.03.06	31.03.07	31.03.06
Purchase of Goods	-	-	-	-	-	52.92
Sale of goods	-	-	-	-	1962.95	2605.67
Purchase of Fixed Assets	-	-	-	-	56.30	-
Sale of Fixed Assets	-	-	-	-	-	-
Rendering of Services	-	-	-	-	49.58	45.65
Receiving of Services	9.82	-	-	-	-	13.22
Management contracts including for deputation of employees	-	-	-	-	8.56	4.54
Rental Paid	-	-	-	-	219.00	94.75
Rental Received	-	-	-	-	6.27	4.69
Remuneration Paid	507.79	225.28	-	12.46	-	-
Interest received on ICDs/ Loans	-	-	-	-	25.71	2.33
Reimbursement of expenses	-	-	-	-	82.09	92.43
Loans/Deposits received back	-	-	-	-	-	3.90
Donations	-	-	-	-	150.00	100.00
Receivable O/s	-	-	-	-	345.92	724.86
Loans /Securities O/s	-	-	-	-	328.88	210.00

12. Earning Per Equity Share

Annualised earnings per equity share have been calculated based on the net profit after taxation of Rs. 28834.17 lakhs (Previous Year Rs. 10266.57 lakhs) and the weighted average number of equity shares of 66,062,247 (Previous Year 64,526,089).

13. Segment Reporting

The segments of the company have been identified in line with the Accounting Standard on segment reporting (AS-17) taking into account the organisation structure as well as the differential risks and returns of these segments. The company's reportable operating segments consist of the following business groups:

- Technical Textiles business: includes nylon tyre cord fabric, belting fabric, coated fabric and industrial yarns
- Chemical business: includes refrigerant gases, chloromethanes, pharmaceuticals, CER's & Allied products.
- Packaging Film Business includes Polyester Films.

Segment revenue, Results and Capital Employed include the respective amounts identifiable to each of the segments. Other unallocable expenditure includes expenses incurred on common services provided to the segments, which are not directly identifiable.

Segment Revenue, Results and Capital Employed

Particulars	31.03.07 Rs. Lakhs	31.03.06 Rs. Lakhs
Segment Revenue		
a) Technical Textiles Business (TTB)	95406	87574
b) Chemicals Business (CB)	72944	34905
c) Packaging Films Business (PFB)	20309	14801
d) Others		
Total Segment revenue	188659	137280
Less: Inter Segment revenue	8	9
Net Sales / Income from Operations	188651	137271

Particulars	31.03.07 Rs. Lakhs	31.03.06 Rs. Lakhs
Segment Results		
(Profit / (Loss) before interest and tax from each segment)		
a) Technical Textiles Business (TTB)	4748	7500
b) Chemicals Business (CB)	48342	15466
c) Packaging Films Business (PFB)	(534)	(1932)
d) Others	43	93
Total Segment results	52599	21127
Less: i) Interest & Finance Charges (Net)	3758	3888
Less: ii) Other Unallocable expenses net of income	4584	1605
Total Profit before Tax	44257	15634
Capital Employed (Segment assets less segment liabilities)		
a) Technical Textiles Business (TTB)	94757	80132
b) Chemicals Business (CB)	24600	24503
d) Packaging Films Business (PFB)	19130	18050
e) Others	48	40
Total Capital employed in segments	138535	122725
Add : Unallocable assets less liabilities	706	(410)
Total Capital employed in the company	139241	122315

i. Secondary Segment (Geographical Segment):

Particulars	31/03/07 Amount Rs Lakhs	31/03/06 Amount Rs Lakhs
Revenue		
India	100416	97029
Outside India	88236	40768
Total	188651	137797
Carrying Amount Of Segment Assets		
India	156341	138718
Outside India	5293	6187
Total	161634	144905
Addition to Fixed Assets and Intangible Assets		
India	27698	20362
Outside India	16	160
Total	27714	20522

14. Previous year figures have been regrouped /recast/rearranged wherever necessary to conform to current years classifications.

As per our report of even date
For THAKUR, VAIDYANATH AIYAR & CO.
Chartered Accountants

V. Rajaraman
Partner
M. No. - 2705

Ashish Bharat Ram
Managing Director

Vinayak Chatterjee
Director

Kartikeya Bharat Ram
Deputy Managing Director

Rajendra Prasad
President & Chief
Financial Officer

Anoop K Joshi
Company Secretary

Arun Bharat Ram
Chairman

Place: Gurgaon, Haryana
Date: 25 April, 2007

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2007

(Rs/Lakhs)

	March 31,2007	March 31,2006
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax and extra-ordinary items	44256.68	15633.97
Adjustments for		
Depreciation	8641.37	7250.73
Interest Paid (Net)	3655.07	3888.12
Exchange Fluctuation	1673.84	402.00
Provision for Doubtful Debts/Advances(Net of written off)	108.31	832.98
Inventory Written Off	65.23	183.22
Fixed Assets/Investment Written Off	29.12	60.36
Withdrawal from Revaluation Reserve	(181.50)	(191.28)
Income from Dividend on Shares/Units	(151.94)	(13.54)
Loss/(Profit) on Sale of Assets/Investments	119.85	90.26
Operating Profit before working capital changes	58216.03	28136.82
Adjustments for		
Trade and Other Receivables	(9382.24)	(4964.29)
Inventories	(2541.54)	2375.96
Trade Payables and Provisions	1917.56	(826.28)
Cash Generated from operations	48209.81	24722.21
Interest Paid (Net)	(3655.07)	(3888.12)
Exchange Fluctuation	(1673.84)	(402.00)
Taxation	(13182.35)	(4532.80)
Net Cash from operating activities (A)	29698.55	15899.29
B CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(14612.52)	(33552.98)
Sale of Fixed Assets	30.98	48.86
Sale of Investments	32815.83	612.44
Purchase of Investments	(32962.44)	(363.32)
Income from Dividend on shares/units	151.94	13.54
Net Cash used in Investing Activities (B)	(14576.21)	(33241.46)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	50.62	286.88
Proceeds from equity share premium	2531.25	0.00
Buy Back of equity shares	(31.25)	
Proceeds from long term borrowings	0.00	22321.74
Repayment of long term borrowings	(4027.99)	(7166.96)
Net proceeds/repayment of short term borrowings	(8568.22)	932.82
Dividends on Equity Share Capital	(4651.18)	(1613.15)
Dividend Tax	(652.33)	(226.24)
Exchange Gain on Translation	57.03	(16.84)
Increase in Capital Reserve	0.00	1.10
Amount received pursuant of Montreal Phaseout Programme	1198.42	2752.82
Net cash used in/ from financing activities (C)	(14093.65)	17272.16
Net increase in Cash and Cash Equivalents D=(A+B+C)	1028.69	(70.01)
Cash & Cash equivalents at the beginning of the year (E)	1014.98	1084.99
Cash & Cash equivalents at the close of the year F=(D+E)	2043.67	1014.98

Ashish Bharat Ram
Managing Director

Rajendra Prasad
President & Chief Financial Officer

Vinayak Chatterjee
Director

Anoop K Joshi
Company Secretary

Kartikeya Bharat Ram
Deputy Managing Director

Arun Bharat Ram
Chairman

We have certified the above Consolidated Cash flow statement of SRF Limited derived from the audited financial Statements for the year ended March 31,2007 and other records and found the same to be drawn in accordance there with and also with the requirements of clause 32 of the listing agreements with the Stock Exchanges

for **THAKUR VAIDYANATH AIYAR & CO**
Chartered Accountants

V RAJARAMAN
Partner
M. No. - 2705

Place: Gurgaon, Haryana
Date: 25 April, 2007

DETAILS OF SUBSIDIARY COMPANIES

		SRF Overseas Ltd.#		SRF Americas,Inc.#		SRF	SRF
		AED	Rs/Lakhs	US\$	Rs/Lakhs	Transnational Holdings Ltd	Properties Ltd
						Rs/Lakhs	Rs/Lakhs
a	Capital	84,049,966.00	8,652.92	2,100,000.00	819.69	3254.18	8.00
b	Reserves & Surplus (adjusted for debit balance in P&L Account where applicable)	(26,198,342.00)	(3100.29)	(2,100,000.00)	(819.69)	(2,311.53)	50.41
c	Total Assets (Fixed Assets + Current Assets)	72,383,128.00	7,222.15	-	-	758.42	42.76
d	Total Liabilities (Debts + Current Liabilities)	14,531,504.00	1,669.52	-	-	(131.70)	(1.14)
e	Details of Investment (except in case of investment in subsidiaries)	-	-	-	-	52.54	14.51
f	Turnover (Including Other Income)	113,022,879.00	13,365.24	613,388.00	270.50	155.38	7.90
g	Profit Before Taxation	1,700,535.00	137.19	613,388.00	270.50	64.75	7.07
h	Provision for Taxation	-	-	-	-	16.65	1.70
i	Profit After Taxation	1,700,535.00	137.19	613,388.00	270.50	48.10	5.37
j	Proposed Dividend	-	-	-	-	-	-

The financial statements of these foreign subsidiaries have been converted into Indian Rupees on the basis of appropriate exchange rates.

Note :

- The Ministry of Company Affairs, Government of India vide its letter dated 04.04.2007 has granted approval under section 212 (8) of the Companies Act, 1956 for the financial year ended on 31.03.2007 whereby the Balance Sheet, Profit and Loss Account, Director's Report and Auditors' Report of the subsidiaries and other documents required to be attached u/s 212 (1) of the Act are not required to be attached to the Company's Accounts.
- The Annual Accounts of the subsidiary companies and the related detailed information will be made available to the members of the holding and subsidiary company seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any investor in its registered office between 11 AM to 1 PM on all working days.