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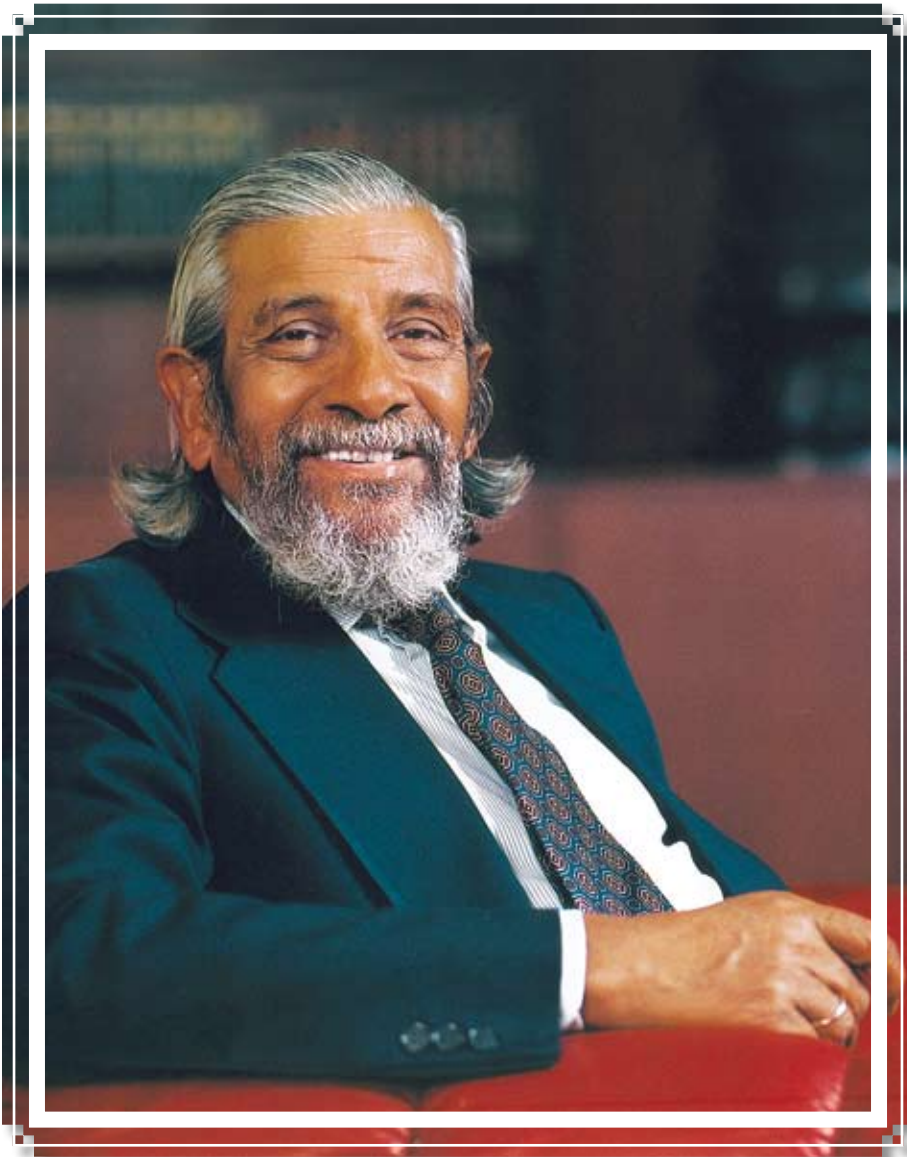
ANNUAL REPORT 2007-08

Care for the Environment



Regd. Office: C-8, Commercial Complex, Safdarjung Development Area, New Delhi – 110 016
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ॐ **Dr. Bharat Ram** ॐ
1914 - 2007

We pay homage to SRF's Founder and Chairman Emeritus Dr. Bharat Ram, who left us for heavenly abode on 10 July 2007. But his dream lives on in our hearts and minds.

From SRF Family





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Education is simply the soul of a society as it passes from one generation to another.

G K Chesterson

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

I am happy to share with you the performance and prospects of our Company. Let me begin by informing you that the Company has recently signed a definitive agreement for the acquisition of Thai Baroda Industries Limited (TBIL), a Thailand-based tyre cord Company. The acquisition is a strategic step taken by our Company to build better synergies for our growth leading to value-creation for our stakeholders. Besides, this acquisition will enable SRF to emerge as the third largest tyre cord fabric manufacturer in Asia and the fifth largest in the world.

The acquisition is indeed a major step in our efforts to become a global Company. In today's environment, we will have to be looking at creating capacities across the globe both organically and inorganically.

Clearly, 2007-08 remained a challenging year for the industry in general and SRF in particular. The Indian economy for the first time in three years experienced a slowdown during 2007-08. Only few manufacturing sectors recorded a growth above nine per cent which was less than the 12 per cent in 2006-07. Agricultural growth came down to 2.6 per cent in 2007-08 from 3.8 per cent in 2006-07 and inflation remained above four per cent during the year.

The challenges got accentuated with a sharp increase in power and fuel rates. Globally, while the raw materials costs increased in line with commodity prices, the prices of most of our key products remained low. The prolonged phase of rupee appreciation made a substantial dent in our earnings. In short, there was severe pressure on margin. Besides, it may be noted that the previous year 2006-07 was an exceptional year because it included higher sales of accumulated Carbon Emission Reductions (CERs). This also reflected in the Company's lower profitability during 2007-08.

As such, the key financial figures of our performance showed a decline. Our net sales from operations decreased by 10.4 per cent — from Rs 1,802 crore in 2006-07 to Rs 1,615 crore in 2007-08. Profit After Tax (PAT) decreased by 51.9 per cent from Rs 289 crore in 2006-07 to Rs 139 crore in 2007-08. Despite a drop in profitability, the Company paid a dividend at the rate of 50 per cent amounting to Rs 5 per share.

But what is more heartening is to know that the entire SRF family pulled together and not only survived the onslaught of a tough market scenario but also made creditable progress through internal efficiencies. Even in the face of such a fiercely competitive scenario, the Company retained its market leadership for most of its products in the domestic market. Most importantly the thrust on improving the cost structures of our plants continued during the year.

Let me provide you a glimpse of our performance that gives us confidence to chart our course in future.

SRF's market share for tyre cord fabrics improved from 36 per cent in 2006-07 to 40 per cent in 2007-08 on record net sales. In belting fabrics, the Company moved up the value chain recording 28 per cent of sales from value-added products. Continuing with its commitment to phase out CFCs, the Company realigned its product-mix and maximised the production of the new generation refrigerant gas HFC 134a, which has been indigenously developed by SRF with IICT supporting us in the initial phases. This enabled the Company to retain its market leadership for refrigerant gases with 40 per cent share in the domestic market. And finally, having established its turnaround, SRF's Packaging Film Business (PFB) re-oriented its strategy towards growth recording 12.3 per cent increase in revenue during the year. PFB further reinforced its significant presence in the exports market as well.

It is in challenging times like these when our capability and character are challenged in full measure. I firmly believe that a commendable performance like this has been possible only through complete cooperation and enthusiasm of my colleagues at all levels in the organisation.

But the task ahead is clearly cut out and we are getting ready to take off towards a new horizon.





COMPANY INFORMATION

Board of Directors

- Mr. Arun Bharat Ram, Chairman
- Mr. Ashish Bharat Ram, Managing Director
- Mr. Kartikeya Bharat Ram, Deputy Managing Director
- Mr. S P Agarwala
- Mr. K Ravichandra, Director (Safety & Environment)
- Mr. M V Subbiah
- Mr. Satish K Kaura
- Mr. Vinayak Chatterjee
- Mr. Subodh Bhargava
- Mr. Piyush G Mankad

Auditors

- M/s. Thakur, Vaidyanath Aiyar & Company, New Delhi

Company Secretary

- Mr. Anoop K Joshi

Bankers

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

Registered Office

- C-8, Commercial Complex, Safdarjung Development Area, New Delhi – 110 016

Corporate Office

- Block-C, Sector-45, Gurgaon (Haryana) – 122 003

Technical Textiles Business

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

Chemicals Business

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

Packaging Films Business

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

We are in the midst of implementing several projects that on commissioning will yield substantial benefits to the Company. I will only mention a few key ones here. To start with, the work on setting up a state-of-the-art polyester yarn plant is underway. The project being set up with world-renowned technology from Toray Industries, Japan will be commissioned by early 2009. The first of its type in India, the polyester plant that essentially cater to the requirements for radial tyres will position SRF strongly as a one-stop-shop for all kinds of fabrics for tyre manufacturers. The polyester plant will also provide backward integration with the Company's belting fabrics and coated fabrics businesses.

We have successfully set up a wind power facility, which would partly cater to the power requirement of its Chennai-based units under our Technical Textiles Business. The wind power mill will insulate the Company against global movement in fuel prices and also bring down the cost structure significantly. It is however important to note that the viability of this project is closely linked to it being a CDM project.

Looking at the prevailing buoyancy in the markets for our Packaging Films, we have decided to install a second metalliser and a second line for PET films that will raise our capacity to more than double in the next two years.

The prospects of our flagship product NTCF will continue to be good in India for at least a decade in view of slow progress of radialisation. We are actively exploring possibilities of diversifying our product portfolio under coated fabrics.

It gives me immense pleasure to inform you that leveraging SRF's expertise in fluorine chemistry, our scientists in R&D have made substantial progress in developing new molecules under our fluorospecialties business. Going forward this business segment will help us staying at the edge of the technological curve.

I firmly believe that in an organisation, we all have to work towards a common purpose. We continue to strive to ensure that all the different functions work in an integrated manner to achieve organisational success. At SRF, TQM remains a strategic tool of management for creating a conducive environment for improving the cost efficiency, quality and productivity across the businesses and functions. The TQM movement is well-established in SRF. It is heartening to know that the best practices of TQM already in place in our Technical Textile Business are now being adopted by other businesses as well.

As a Company, we are proud of our contributions to society and this legacy reposes great responsibility on us to carry on with the good work in community services. I am particularly happy to share with you that SRF is one of the companies in the private sector to have created opportunities for employability, entrepreneurship and education of SC/ST candidates as per its commitment to the CII Code of Conduct of Affirmative Actions.

Continuing with our Natural Resources Management project under our Sustainable Development Programme, we have identified 17 extremely arid villages in the vicinity of our plant in Alwar district for focused intervention in the areas of: Afforestation, Soil & Water Conservation and Water Harvesting.

Four of our schools, namely The Shri Ram Schools (two in Gurgaon and one in Delhi) and SRF Vidyalaya (located near our plant in Manali, Tamil Nadu) continue to enjoy a good reputation for the quality of education they provide. Continuing with our commitment to provide quality education to the students from both the privileged as well as unprivileged class under the SRF Foundation, we have obtained approval for adopting a government primary school near our plant in Bhiwadi. SRF Foundation also launched a teacher's development programme for the pre-primary segment, entitled 'Enhancing Early Education Programme' during the year.

I am confident that SRF is well-positioned to reach new heights in the days to come.

I would now like to conclude by expressing my gratitude to you and all other stakeholders including my colleagues in SRF for their continued support and encouragement.

With kind regards,

Yours sincerely,

Arun Bharat Ram
Chairman



DIRECTORS' REPORT

Your Directors are pleased to present the 37th Annual Report for the year ended 31 March 2008.

Financial Results

	(Rs. Crore)	
	2007-08	2006-07
Net Sales	1615.3	1802.5
Profit Before Interest, Depreciation and Tax (PBIDT)	333.9	555.4
Less: Interest & Finance Charges (Net)	34.7	35.5
Profit Before Depreciation and Tax (PBDT)	299.2	519.9
Less: Depreciation	96.8	76.8
Profit Before Tax (PBT)	202.4	443.1
Less: Provision for Taxation including Deferred Tax Charge	63.7	154.0
Profit After Taxation (PAT)	138.7	289.1
Add: Profit Brought Forward	358.2	146.0
Surplus available for Appropriation	496.9	435.1

Appropriation

	(Rs. Crore)	
	2007-08	2006-07
Interim Dividend on Equity Shares	20.37	27.15
Final Dividend on Equity Shares	13.58	13.58
Corporate Tax on Dividend	5.77	6.12
Amount transferred to General Reserve	15.00	30.00
Profit carried to Balance Sheet	442.20	358.25
Total	496.9	435.1

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 2008.

With this the total dividend for the year works out to 50 per cent on the paid up share capital with a total sum of Rs 39.72 crore (including tax on dividend amounting to Rs 5.77 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 decreased by 10.38 per cent from Rs 1,802 crore in 2006-07 to Rs 1,615 crore in 2007-08. Profit Before Interest, Depreciation and Tax (PBIDT), including 'other income' decreased from Rs 555 crore in 2006-07 to Rs 334 crore in 2007-08.

Profit Before Tax (PBT) decreased by 54 per cent from Rs 443 crore in 2006-07 to Rs 202 crore in 2007-08. After accounting for the provision on taxation of Rs 63 crore, which includes both fringe benefit tax and deferred tax liability, Profit After Tax (PAT) decreased by 52 per cent from Rs 289 crore in 2006-07 to Rs 139 crore in 2007-08.

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 Limited (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 112.94 million in 2006-07 to AED 120.65 million in 2007-08. The Company earned a net profit of AED 0.88 million in 2007-08 as compared to the profit of AED 1.70 million in 2006-07.

There is no permanent diminution in the value of investment by SRF in SRFO considering that net present value of future cash flows of SRFO is more than carrying amount of assets as per audited results as on 31 March 2008.

SRF Americas, Inc. (SRFA)

SRFA, a wholly-owned subsidiary, which has ceased operations in 2005-06 has been dissolved during the year and investment in the Company written off in accordance with RBI regulations.

Other Subsidiaries

SRF Transnational Holdings Limited made a profit of Rs 27.34 lakhs during the year 2007-08. This profit was mainly on account of interest income.

SRF Properties Limited earned a net profit of Rs 5.31 lakhs during the year 2007-08.

SRF Infrastructure Limited has become a wholly-owned subsidiary of the Company during the year. There are no operations in the Company.

SRF Fluor Private Limited has been incorporated in Mauritius to act as an intermediate holding Company for the purpose of making investments in overseas companies. The Company has reported a loss of USD 0.07 million during the year 2007-08.

The Central Government vide its letter No. 47/188/2007-CL-III dated 24 April 2008 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.

Directors

Mr. S P Agarwala and Mr Vinayak Chatterjee are retiring by rotation at the ensuing Annual General Meeting and are being eligible 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.

Directors' Responsibility Statement

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

- (i) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures
- (ii) 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



(iii) 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

(iv) That the Directors have prepared the annual accounts for the year ended 31 March 2008 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:

a) Mr. Arun Bharat Ram; b) Mr. Ashish Bharat Ram; c) Mr. Kartikeya Bharat Ram; d) Mrs. Shiela Bharat Ram; e) Mrs. Manju Bharat Ram; f) Mrs. Vasvi Bharat Ram; g) Mrs. Radhika Bharat Ram; h) SRF Polymers Limited; i) SRF Polymers Investments Limited (formerly SRF International Limited); j) Skylark Investments & Trading Private Limited; k) Narmada Farms Private Limited; and l) Bhairav Farms Private Limited.

Buy-back of Shares

Board of Directors at its meeting held on 25 April 2008 had approved buy-back of equity shares at a price not exceeding Rs 160 per share absorbing an aggregate amount not exceeding Rs 70 crore.

Listing of Equity Shares

SRF's equity shares are listed at the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

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 1.

In compliance with the requirements of Clause 49(V), a certificate from 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 37th Annual General Meeting and have expressed their unwillingness to seek reappointment. The observations of the auditors are explained wherever necessary in appropriate notes to the accounts.

The Company has received a notice under Section 225 of the Companies Act, 1956 proposing that Deloitte Haskins & Sells, Chartered Accountants, New Delhi be appointed as the Auditors of the Company.

Cost Audit

Mr. Prakash Kumar Varma, Cost Accountant, has been re-appointed to conduct cost audit of the accounts maintained by the Company in respect of its nylon products for the financial year 2008-09.

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 w.e.f. 14 August 2004. There have been no defaults in repayment of fixed deposits during the year. Deposits (including interest) worth Rs 10.75 lakh due for repayment on or before 31 March 2008 remained unclaimed by 65 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 separately enclosed.

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

The details as required under the Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988 are given as Annexure 2 to the Directors' report.

Acknowledgements

Your Directors acknowledge with gratitude the cooperation 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.

Date: 25 April 2008
Place: Gurgaon

For and on Behalf of the Board
Arun Bharat Ram
Chairman



Annexure to Directors' Report (Pursuant to Section 217(1)(e) of the Companies Act, 1956)

A Conservation of Energy – Measures taken:

1 Technical Textiles Business, Manali

- Saved 17,280 units/month by converting electrical heating of fuel (for the DG) to steam heating
- Saved 18,000 units/month by using the spray system cooled water for cooling dipping rollers instead of using cooling tower water
- Saved 2,304 units/month by installing solar powered street lights on a trial basis
- Reduced steam cost by Rs 121/MT by using groundnut shells as an alternate fuel for steam generation in addition to rice husk

2 Technical Textiles Business, Gwalior

- 2,496 kWh/day saved by:
Compressed air pressure reduction at 8.0 kg/sqcm for loom and instrument air;
Reduction in modulation band of air compressor;
Stopping one nitrogen plant.
- 1,068 kWh/day saved by:
Stoppage of one cooling tower by interconnecting the headers;
Installation of booster pump in DG cooling tower for pressurising the header;
Replacement of dyno drive with inverters.
- 2.26 KL/day of Furnace Oil saved by:
Increasing steam condensate recovery;
Excess steam of flash vessel used for tank form and DG area.
- 205 cubic metre/day of water saved by:
Recycling of vacuum pump's cooling water;
Recycling of low COD water.

3 Technical Textiles Business, Viralimalai

- Saved 2,000 units/month by introducing timer circuit in looms (PGW & Dornier) to switch off the main motor during gaiting
- Saved 4800 units/month by connecting lighting loads of plant-2 through clock switch and cutting off partial loads of lighting during day time
- Overall power factor of the incoming supply improved from 0.95 to 0.98
- Power consumption of twisting machine improved by improving the spindle utilization
- Saved 7500 units/month by installing VFD drives for additional dewebber of all processing machines

4 Chemical Business

- Optimisation of R-30 compressor system and stopping one 150 KW compressor
- Optimisation of cooling water system and stopping one 90 KW motor
- Commissioning of condensate recovery system for 100 TPD condensate
- Commissioning of automatic temperature control system for FSP cooling tower fan
- Optimisation of plant air requirement and stopping of 45 KW air compressor of HFC plant
- Redesigning of HCL condenser in CMS plant to achieve 102 TPD capacity as against 82 TPD with same energy consumption

5 Packaging Films Business, Indore

- 22 KW savings through installation of inverter in dryer area
- 30 KW savings through installation of inverter in TDO blowers
- Savings of 18 KW by automation of TDO ventilation system
- Savings of 5 KW by automation of canteen AHU

Annexure 1

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 31 March 2008, 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 2008



6 Packaging Films Business, Kashipur

- Savings of 8 KW by replacing dyno-drives with ac drive in secondary slitter and feed roll
- Trim cutter blower motor replaced with 4 KW motor in place of 11 KW motor
- Modified the AHU-2 chilled water coil (22 KW motor in place of 55 KW motor)
- Auto stopping system introduced in feeding root blower
- Re-use of Erema bath water in cooling tower. Saving of 40 cubic meter water per day
- Auto stopping of DM water pump system introduced
- Power factor increased to 0.99 from 0.97

Power and Fuel Consumption	2007-08	2006-07
1 Electricity		
a) Purchased		
- Total Units (000 KWH)	167873.40	106844.16
- Total Amount (Rs Lakhs)	6416.07	4081.35
- Rate/Unit (Rs)	3.82	3.82
b) Own Generation		
- Through Diesel (000 KWH)	3921.98	11071.39
- Units per KL of Diesel Oil	3489.97	3304.50
- Cost/Unit (Rs)	8.41	9.08
- Through Furnace Oil (000 KWH)	49058.18	96709.49
- Units per KL of Diesel Oil	8180.57	8531.59
- Cost/Unit (Rs)	4.75	4.59
- Through Coal	29569.79	20239.63
- Units per MT of Coal	746.95	665.32
- Cost/Unit (Rs)	3.67	4.05
2 Others		
a) Fuel (for oil boiler)		
- Quantity (K. Litres)	9008.37	12546.24
- Total Cost (Rs Lakhs)	1894.71	2209.78
- Rate/Unit of KL (Rs)	21032.72	17613.11
b) LPG		
- Quantity (K Litres)	2088.94	1984.60
- Total Cost (Rs in Lakhs)	757.15	662.83
- Rate/MT (Rs)	36245.76	33398.60

Consumption Per Unit of Production	2007-08	2006-07
1 Electricity (KWH/MT)		
- Yarn	2287.85	2502.90
- Fabric	2788.19	2782.34
- Fluorochemicals	879.08	613.88
- Chloromethanes	448.54	390.46
- Polyester Films	1165.75	1178.99
2 LPG (Kgs/MT)		
Fabric	95.02	99.46
3 Steam (MT)		
- Yarn	3.05	3.44
- Fabric	2.97	3.27
- Fluorochemicals	1.35	0.83
- Chloromethanes	1.61	1.55

B Technology Absorption

Research & Development

SRF's Chemicals R&D has set up pilot plant at a cost of Rs 11 crore. Development work on the pilot plant will begin shortly. The Company is actively working on some new fluorochemical molecules required by global pharma and agro giants for their new products to be introduced in the market. It has also set up a plant last year for production of a new fluorochemical compound for the agrochemical industry. The same is under commissioning at the moment. SRF's Chemicals R&D centre is actively developing many more compounds for the pharma and agro industry.

The Company's R&D centre for TTB, which was established with state-of-art facilities at Manali last year, is actively engaged in developing many new products using latest technologies like Nano, Plasma and Microwave. The unit has also entered into a number of collaborations with external academic and research institutes. Plans are on the anvil to expand its coverage for R&D from tyre cord fabrics to belting and coated fabric also during the current year.

Expenditure on R&D	2007-08 (Rs lakhs)	2006-07 (Rs lakhs)
Capital	2335.10	1752.62
Recurring	902.43	451.14
Total	3237.53	2203.76
Total R&D Expenditure as per cent of Turnover	2.00%	1.22%

C Foreign Exchange Earnings & Outgo

Particulars	2007-08 (Rs lakhs)	2006-07 (Rs lakhs)
Foreign Exchange Earnings	57805.92	79831.74
Foreign Exchange Outgo	41344.87	36377.96
Net Foreign Exchange Earning	16461.05	43453.79

Date: 25 April 2008
Place: Gurgaon

Arun Bharat Ram
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS

The year 2007-08 has been an extremely challenging for the Company. The demand supply equations in its core businesses were unfavourable which in turn led to extreme margin pressure. Having said that, the Company took this as an opportunity to continue working towards improved cost structures and efficiencies. More specifically, the cost structure of Technical Textile Business plants improved significantly during the year. The 134a plant under Chemicals Business stabilised further and the Packaging Films Business, having established its turnaround, reoriented its strategies towards growth.

On the growth front, the Company obtained approval for several projects worth around Rs 550 crore during the year. These projects are expected to start yielding benefits within the next two years.

The highlights of SRF's financial performance in 2007-08 are:

- Net sales from operations decreased by 10.4 per cent from Rs 1,802 crore in 2006-07 to Rs 1,615 crore in 2007-08
- Profit Before Depreciation, Interest and Tax (PBDIT) decreased by 39.8 per cent from Rs 555 crore in 2006-07 to Rs 334 crore in 2007-08
- Profit After Tax (PAT) decreased by 51.9 per cent from Rs 289 crore in 2006-07 to Rs 139 crore in 2007-08
- Return On Capital Employed (ROCE) decreased from 35.8 per cent in 2006-07 to 15.9 per cent in 2007-08
- Earnings per share decreased by 53.4 per cent from Rs 43.8 in 2006-07 to Rs 20.4 in 2007-08

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 Fluorospecialities 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 4.48 per cent from Rs 870 crore in 2006-07 to Rs 909 crore in 2007-08. TTB contributes approximately 56 per cent to the total sales of the Company.

Tyre Cord Reinforcements

The main product of TTB is Nylon Tyre Cord Fabric (NTCF), which is used as a reinforcement material in bias tyres. With the buoyancy in infrastructure and road transportation, the demand situation continued to be favourable during the year under review.

Through increase of productivity in its plants and effective utilisation, SRF has succeeded in establishing a capacity of 48,000 MT/A of fabric. This positions SRF as the industry leader in the country, and the third largest integrated Nylon 6 tyre cord producer in the world and the sixth largest textile tyre cord producer in the globe.

With the above expansions, the Company has been able to increase its market share from 36 per cent in 2006-07 to 40 per cent in 2007-08. This has been made possible by the business achieving all-time record higher sales in MT

terms. Even though the margins suffered considerably during 2007-08 affecting bottom-line adversely, this has led to restructuring of the industry in India. Currently, there are only two players left in this business, with SRF very well-positioned. Having made its investments during the down cycle, it will reap financial benefits with the up-trend of the cycle, signs of which are now visible.

With its leadership position in Nylon tyre cord, SRF has initiated steps towards building India's first Polyester industrial yarn plant at Gummidipoondi near Chennai. This plant, in addition to its capability of manufacturing High Modulus Low Shrinkage (HMLS) Polyester yarn, will have the capability to manufacture an assortment of high tenacity and low shrinkage yarns for various end-use applications such as; belting, coated, single cord, etc. The Polyester yarn plant will enable SRF to offer tyre reinforcements for radial tyres as well as provide backward integration for its Belting and Coated fabrics businesses. The state-of-the-art plant is being set up with world-renowned technology from Toray Industries, Japan and is expected to commence commercial production by the end of FY 2008-09. This plant will position SRF strongly for the growing segment of Polyester tyre cord fabric used in radial tyres.

Globally, year 2007-08 has witnessed a tremendous increase in power and fuel rates. In order to bring down the impact under such adverse circumstances, the business has put up a wind power facility, which would partly cater to the power requirement of its Chennai-based units. The project has been commissioned towards the end of 2007-08 and the impact of the same would be felt in the coming year. This project has been set up as a CDM initiative and it is important to state that the viability of this is directly co-related to its ability to generate carbon credits under the Kyoto Protocol. This would help stem the escalating power costs which had become an area of concern. Based on the success of this project (which would be tested and established in the coming year), the business hopes to add to the capacity of power being generated by this route, thereby insulating itself against global movement in fuel prices and bringing down the cost structure significantly in future for all of our its south-based units.

Belting Fabrics

Belting Fabrics are used as reinforcement material for conveyor belts, and have been witnessing robust growth in demand. During the last five years, volume in this segment has increased at a Compounded Annual Growth Rate of over 18 per cent. SRF continues to be the market leader in India with a domestic market share of over 50 per cent, and a significant force globally as the third largest producer of belting fabrics in the world.

Given the particularly favourable outlook for the mining and infrastructure sectors, coupled with the increasing prices of commodities, whereby closed mines may start operations or new explorations become viable, SRF expects the buoyancy in demand to continue. The Company is a significant global player with 57 per cent of revenues from exports spread across approximately 30 countries, and is well-positioned to make further inroads into international markets in the future.

SRF has initiated steps for capacity expansion of 2,500 TPA by the end of FY 2008-09 in addition to the backward integration through the Polyester industrial yarn, as discussed under tyre cord reinforcement section. Given the expected growth of infrastructure sector, this bodes well for SRF's future.

The year 2007-08 also saw a focus on moving up the value chain with 28 per cent of total sales coming from new and value-added products. Ability to design higher margin products would help improve profitability on a sustainable basis.

Coated Fabrics

Coated Fabrics are used in a wide range of applications including protective dynamic tarpaulins, static covers, auto-canopies, signages and awnings. During 2007-08, the Company continued to enjoy a leadership position in the sub-segments in which it operates.

Recognising the opportunity in the era of the escalating power costs, it has introduced the concept of biogas balloons for the rural sector. Pilot installations are underway to pave the way for the beginning of an exponential growth in this segment.

The Company believes that there is a significant potential for this segment with higher economic growth and is currently engaged in evolving a business plan to build this up.

Outlook

Radialisation in the bus and truck segment, which accounts for over two-thirds of SRF's NTCF sales, has been at three to four per cent. Based on the current assessment of the progress of radialisation, SRF expects that demand for NTCF 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 and take advantage of the potential, SRF has started exploring opportunities to enrich its Technical Textiles Business portfolio by setting up a facility to manufacture Polyester industrial yarn (for tyre and non-tyre applications). This will open up many new business segments apart from entry into radial tyre fabrics.



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 2008-09, SRF will be drawing up its plans for the next round of investments through organic and inorganic growth opportunities in this segment.

Chemicals Business

The Chemicals Business of the Company comprises refrigerants, chloromethanes and the fast-growing specialty fluorochemicals business space. 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. Sales and profitability of the business are under increasing pressure due to the time-bound phasing out of ozone-depleting substances, as mandated by the Montreal Protocol; however, the global market for Carbon Credits continues to remain encouraging. SRF has taken concrete steps to counter the impact of the Montreal Protocol, and is well-poised to deal with it in the years to come.

Overview

The manufacturing operations of SRF's Chemicals Business are located at Bhiwadi, in Rajasthan. During the 2007-08 period, the Chemicals Business withstood a margin squeeze, with increasing input costs driven by a global increase in commodity pricing. Simultaneously, the topline shrank due to a phased reduction in CFCs, where the Montreal Protocol mandated a 33 per cent reduction in production in one year. Counter-strategies were envisaged and have been in place for some time now. These include a joint venture in China ensuring access to HF, commercialisation of the HFC plant permitting the Company to move from CFCs to HFCs, and the addition of a new growth engine in the form of fluorospecialties.

Refrigerants

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

SRF's current refrigerants' portfolio includes Hydrochlorofluorocarbons (HCFC-22), Chlorofluorocarbons (CFC-11 and CFC-12), the new-generation refrigerant, Hydrofluorocarbon (HFC 134a), and the refrigerant blend R 404a. With CFCs and HCFCs being phased out by 2010 and 2040 respectively, the market for refrigerant gases in India is moving away from CFCs, towards HCFCs and Hydrofluorocarbons (HFCs).

SRF has been aligning its product mix in line with the changing market trends. SRF now has the only 'manufacturing plant' in India producing, HFC 134a, a quantum leap ahead of competitors who simply import the product in bulk and use 'refilling plants' for re-packaging and distribution. This manufacturing facility endows SRF with the ability to meet India's requirement for this new-generation refrigerant for the next five years or more, both in terms of quantity and quality. The product has been approved by most automobile, air-conditioner and refrigerator manufacturers in India, and has started receiving approvals for overseas markets. This success story completes SRF's strategic shift from CFCs (being phased out under the Montreal Protocol) to HFCs (the new-generation ozone-friendly substitute), having achieved about 40 per cent market share domestically and growing rapidly.

SRF believes future growth will be driven by HFCs. With its in-house production and strong distribution network, the Company believes that it is well-positioned to retain the home market leadership.

Chloromethanes

SRF's main products in the chloromethanes business are methylene chloride, chloroform and Carbon Tetrachloride (CTC). The Company had entered these areas as a backward integration project for its fluorochemicals business. While most of the chloroform and CTC is internally consumed to produce HCFCs and CFCs respectively, methylene chloride is sold in the domestic market.

Through in-house technical innovations, the Company has achieved a favourable market-oriented product mix in its manufacturing process to cope with declining market demand for CTC and increasing demand for methylene chloride. This will help the Company in optimising the production and improve overall profitability. The chloromethanes business has been under pressure on account of rising input costs. However, fresh capacities of key raw materials coming up during the year are expected to improve margins.

Fluorospecialties

Fluorine-based specialty chemicals are finding increasing usage in the fields of agrochemicals, pharmaceuticals and performance products. Having been in the fluorine-chemistry space for almost two decades, SRF had entered this space in 2003-04. The focus has been to leverage its expertise in producing intermediates and advanced intermediates required to manufacture Active Pharmaceutical Ingredients (APIs) and agrochemicals.

During 2007-08, the business made remarkable progress in R&D, and a number of molecules are in advanced stages of development. The Company is closely engaged with buyers for several of these products.

The Company had set up two R&D centres with 20 scientists in 2006-07; this number has now grown to 75, with a sharp increase in scientific equipments available and ability to work on simultaneous projects.

The Company believes this space to be the area of growth in the future, and is investing in people, infrastructure and management bandwidth to ensure rapid scale up. An upcoming pilot plant is near completion, which will enable quick testing of various products and production processes. A second plant for the production of a key ingredient for new-generation mosquito repellants will begin delivering commercial quantities from mid 2008. The Company is simultaneously exploring alternate avenues to grow exponentially in this space.

Outlook

A two-pronged strategy has been implemented to counter the implications of the Montreal Protocol. The lost revenues on account of CFCs are getting substituted with HFC 134a from the new production facility. Further growth is expected to be driven by the fluorospecialties initiative. As elaborated above, these strategies are working well, and positioning the Company optimally for the next stage of growth.

The Company is optimistic about 2008-09, and believes its strategies will generate exceptional value in the subsequent years.

Packaging Films Business

PET films are primarily used in packaging of food, cosmetics, personal and healthcare 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 12.3 per cent from Rs 203 crore in 2006-07 to Rs 228 crore in 2007-08.

The film plant was made capable of producing more through the debottlenecking process during the course of the year and the benefit of this will flow in the year 2008-09. The metallisation plant continued to operate to capacity and the entire production was sold out.

In the domestic market, prices remained volatile. SRF, in order to protect itself has continued to focus on export during the year.

In the export market, SRF has a significant presence in the SAARC region, Middle East, Africa, West Asia and Russia while continuing to service markets in Europe, Americas and Australia.



During 2007-08, the Chemicals Business for the first time published its Sustainability Report based on the Global Reporting Initiative (GRI-G3) guidelines. The report covers Chemicals Business's sustainability performance for the financial year 2006-07 and meets the requirements of 'A+' applicability level. The Company engaged the firm – Ernst & Young to review and provide independent assurance.

Natural Resources Management Initiatives

SRF Chemicals Business had initiated the Integrated Natural Resource Management Project for enhancing livelihoods and well-being of the poor in Tijara Tehsil (Alwar, Rajasthan) in the beginning of 2006-07, in partnership with NGO – PRADAN. The project adopted a three-phased approach – feasibility study, pilot and expansion. Till 2006-08, the pilot phase was implemented in 17 villages.

During 2007-08, which was the second year of pilot, the key interventions continued to be 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.

We have built more than 75 earthen check dams, levelled 250 hectares of land and planted nearly 1,00,000 fruit/timber/fodder trees and plants touching more than 2,500 families directly and indirectly.

SRF also partnered with NGO – SPACE, a consortium of experts with long and varied experience in the fields of environment, ecology, agriculture, forestry, animal husbandry, soil conservation and watershed management. The objective of the engagement was to critically assess impacts and benefits accrued/likely to accrue in terms of groundwater recharge, growth and bio-physical impacts of tree plantations as well as socio-economic impacts on community. A number of injection wells, water recharge structures and piezometers (to study the impact of artificial recharge on groundwater) were also installed in identified locations on the guidelines of Central Ground Water Authority.

The earthen dams constructed in 2006-07 have created a catchment area of 1,800 hectares and harvested about 26 hectare metres of water. The total rainfall during monsoon 2007 (June-September) was 452 millimetre.

These initiatives were undertaken as part of commitments under CDM and are fully aligned to the Corporate Social Responsibility programmes.

Health Initiatives

Continuing with its HIV/AIDS awareness programme that commenced in 2005-06, SRF implemented a formal HIV/AIDS policy during the year. The number of employees volunteering as HIV/AIDS master trainers and peer educators increased to 80. These employees have been effective in spreading awareness beyond the factory premises to neighbouring facilities and the community at large. About 14,000 people were covered by HIV/AIDS volunteers in 2007-08. Besides this, the Company also organised various health camps and blood donation camps.

Education Initiatives

'Project *Shiksha*', an ongoing initiative of SRF taken up in partnership with an NGO – SARD (Society for All Round Development) in Bhiwadi, continued to focus on mainstreaming school drop-out through bridge schools informal education centres). Most of these children belong to the acutely underprivileged Meo-Muslim community living in villages near Bhiwadi. Around 30 children who had been enrolled in bridge schools are expected to be mainstreamed in the government schools. The remedial support centres in six government schools are being run for students, who are at a risk of dropping out. These centres currently have approximately 150 students – and the hope is that the performance of these academically weak children will improve, and along with it, the school retention rate.

A government primary school has also been adopted in Tijara Tehsil of Alwar (Rajasthan) with the following primary objectives – improve the quality of learning in the school, reduce the student drop-out rate from school and impart education to the girl child, who is not even enrolling in schools at present.

SRF Foundation is being involved in designing the curriculum and initiate interventions to make this an example of Public Private Partnership model in the area of education, which can be replicated in other locations.

Initiatives of SRF Foundation

In keeping with its traditions, SRF Foundation continued to provide access to high quality education to students from both the privileged and less privileged backgrounds through Shri Ram Schools (two in Gurgaon and one in New Delhi),

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 change in lifestyle. SRF's strategy for the business is to grow by continuing to participate in the growth of its customers. Towards this end, SRF is investing in a second metalliser and a new film line, which would take the capacity of the business to more than 55,000 TPA over the next two years. Overall, the long-term prospects of this business are encouraging. It is also in the process of filing a number of patents for some key technologies.

Research & Development

SRF's Chemicals R&D has set up pilot plant at a cost of Rs 11 crore. Development work on the pilot plant will begin shortly. The Company is actively working on some new fluorochemical molecules required by global pharma and agro giants for their new products to be introduced in the market. It has also set up a plant last year for production of a new fluorochemical compound for the agrochemical industry. The same is under commissioning at the moment. SRF's Chemicals R&D centre is actively developing many more compounds for the pharma and agro industry.

The Company's R&D centre for TTB, which was established with state-of-art facilities at Manali last year, is actively engaged in developing many new products using latest technologies like Nano, Plasma and Microwave. The unit has also entered into a number of collaborations with external academic and research institutes. Plans are on the anvil to expand its coverage for R&D from tyre cord fabrics to belting and coated fabric also during the current year.

Clean Development Mechanism

SRF has been successfully reducing carbon emissions under UNFCCC's (United Nations Framework for Climate Change and Control) Clean Development Mechanism (CDM). The CER generation through thermal oxidation of HFC 23 has been progressing as per the plan.

During this year, SRF added two more to its list of prestigious participants in the CDM project. These are Ixis Corporate & Investment Bank, France and Noble Carbon Credits Limited, UK.

The project has the following 14 participants as on 31 March 2008:

Barclays Bank PLC (UK), BNP Paribas S A (UK and France), CER Investments 1 (Netherlands), Climate Change Capital Carbon Fund (UK), EDF Trading (UK), ENEL Trade S p A (Italy), Goldman Sachs International (UK), ICECAP Trading Limited (UK), Ixis Corporate & Investment Bank (France), KfW (Germany), Noble Carbon Credits Limited (UK), Nuon Energy Trade and Wholesale (Netherlands), Shell Trading International Limited (UK) and Solvay Fluor GmbH (Germany).

The Company continues to lock in value through a strategy of a healthy mix of spot and advance sale.

As a part of CDM project, SRF embarked upon several initiatives to aid sustainable development in the backward region of Alwar, Rajasthan. In 2007-08, SRF scaled up its reach to more than 2,500 families in 17 villages through its sustainable development initiatives in the areas of Natural Resource Management, Primary Education and Health. The Company continued its engagement with reputed NGO partners – PRADAN and SARD to implement these initiatives.

Community Partnerships

SRF Limited has a firm belief that as a corporate citizen, it has a greater role to play in society's development than merely profit generation. In line with this belief, SRF has structured its social initiatives through 'SRF Community Partnerships'. The key focus areas at Community Partnerships have been Natural Resource Management, Education and Health. During 2007-08, the Company scaled up its initiatives in all the three focus areas. SRF Foundation, an initiative of SRF Limited, started 'Enhancing Early Education Programme' (3EP) – a teacher's development programme for the pre-primary segment.



Lady Shri Ram College for Women in Delhi and SRF Vidyalaya in Chennai. Shri Educare, which is another initiative launched under the aegis of SRF Foundation, expanded its activities and started 'Enhancing Early Education Programme' (3EP), a teacher's development programme for the pre-primary segment. Incorporating the successful innovative methodology already in place in Shri Ram Schools, the 3EP is especially designed to address the needs of preparatory schooling in a way that is current, global and yet rooted in Indian values.

Total Quality Management (TQM)

SRF continues to strengthen its quality management activities. The continued practice of Total Quality Management (TQM) in all areas has enabled the Company in further improving product and process quality, and in achieving better results.

The Technical Textiles Business (TTB) completed a quality diagnosis of its operations by a team from JUSE Japan, three years after winning the coveted Deming Application Prize. The examiners commended the efforts of the business into successfully raising the level of its management in meeting stringent challenges of quality and cost and strengthening its management systems. They also appreciated the efforts of the new R&D facility towards developing uniquely new products.

An integrated programme of equipment management, using principles of Total Productive Maintenance (TPM) has been further strengthened and expanded. Attaining higher levels in the elements of TPM has enabled many more workmen grasp engineering fundamentals, and raised their competence on both equipment as well as the process. This programme has helped units further reduce machine breakdowns, increase productivity and improve machine life.

SRF highly values its people participation activities and further promotes people's contribution towards improvement in all areas. The Kaizen activities in all plants as well as the corporate office continue to gain momentum. SRF today prides itself on running one of the most successful programmes in India, with over 2,00,000 Kaizens implemented over the years, and 40,000 of these done in the last year. The Kaizen movement – the bedrock of all improvements, has helped build innovation in the Company.

Another strong vehicle of people participation within the Company is 'Quality Control (QC) circles'. Of the currently active 44 QC circles, comprising workmen and staff, a large number participated across various chapters and in national conventions. In 2007-08, six QC circles were recognised at the highest levels 'Par Excellence and Excellence' and four in the 'Distinguished' category at India's foremost QC circle conventions. SRF's problem solving teams have also won recognition at national competitions.

The Company recognises problem solving as a key skill that its entire workforce and officers must have. To this end, the SRF problem solving programme has been designed and deployed as a long-term corporate strategic project of the Company. This certification programme is now getting institutionalised across the Company, with close to 600 enrollments and nearly 300 certifications. High quality projects chosen from annual plans are completed through a structured methodology with right application of tools and domain knowledge, and directly contributing to business results.

The advanced problem solving programme, titled PSP Silver was launched in 2006. This course has enabled people in developing advanced skills in solving complex problems in the areas of new product development, newer technology and raising quality to benchmark levels. This year saw the first three people getting the coveted 'Silver' tag. The Company aims to enhance everyone's capability in problem solving, and thereby improve organisational capability to remain competitive in the business.

SRF presented case studies on their product development and quality improvement journeys at national and international conventions. These together with the high quality feedback from senior delegations to the plants are a re-confirmation of level and depth of practice of quality-based management.

Planning systems have been refined further to deploy the strategic goals of the Company into annual plans in each business and functional area. As the Company expands capacities and sets up greenfield ventures, upstream improvements to plant and equipment design are being implemented, which will make future operations smoother and ensure vertical plant start-ups. Improvement methodologies have begun to be systematically applied in the R&D set ups of both Chemicals Business and Technical Textiles Business to constantly raise its product and process development activities.

The systematic application of TQM practices would continue to play an important role in the achievement of the Company's long-term goals.

Human Resource (HR)

In line with the aspiration 'To achieve global leadership by continuously enhancing organisational and people capability, developing innovative products and processes that satisfy customers and attaining challenging benchmarks in productivity', the Company further strengthened its people system to ensure higher organisational and people's capability.

Focus on creating a culture of training continues. The average number of training hours per person per year has gone up to 40 hours. Based on organisational needs, a number of programmes were organised with the help of internal as well as external faculties. The Company has developed a domain directory for another business this year, thus moving towards its goal of having a domain directory for each role within itself. These will be linked to e-modules for self-learning in future.

In this relation, SRF has been aided by a world-renowned consultancy organisation to look at its organisation culture and related issues. Based on the findings, the Company has reviewed its Performance Management System to bring in focus on performance and implement it during the year. The new system aligns the needs of employees for direct linkage of performance with rewards.

For enhancing employee engagement, SRF has introduced a mentoring system – 'Sahachar'. It has been piloted successfully and is now under deployment across the organisation. It has helped in enhancing retention of people in the initial years at SRF.

The Technologist Cadre has taken roots and has added a few PhD's in the cadre. Technologist Cadre is the future of technological strength and will provide an edge over competitors. Their efforts in R&D have already yielded results in terms of a number of processes and in-house design of plants.

As on 31 March 2008 the Company employed around 2,500 people. Industrial relations remained harmonious.

Corporate Communications

The visibility of the Company in the print and electronic media improved considerably during the year, which played its part in creating a buzz especially among the employees and the investors about its growth plans. The Company also participated in Vodafone Delhi Half Marathon 2007 for the third year in a row. Continuing with its tradition, the Company successfully organised the SRF All India Professional Golf Matchplay Championship 2008, the oldest on-going professional event on the local circuit in India, at Delhi Golf Club during the year, in which some of the leading International players from India and abroad took part. As a part of its business philosophy to work towards a cleaner environment, the Company this year made yet another novel effort towards creating awareness on global warming by distributing eco-friendly CFL bulbs among the employees and the external stakeholders. This was further reinforced through the depiction of relevant eco-friendly themes on the Company's calendars and notebooks.

Information Technology (IT)

IT is a key enabler at SRF, contributing to the process efficiencies of its core and non-core processes. The Company's diversified businesses, units, employees are fully connected over a redundant wide area network that provides a backbone for business applications to run ceaselessly. A network audit was conducted this year to ensure and improve upon the reliability of this vast network. A network management application that proactively alerts of any disruption in networks, servers and applications, any time of the day has been deployed by the Company for this purpose.

During the year under review, SRF implemented many of the recommendations of an independent ERP audit done the year before. A separate service cell called 'Common Oracle Services' was set up to centrally manage the ERP system. This has improved the administration and availability of the system. SRF has been able to transfer best practices across the Company in a uniform manner. A parallel ERP testing environment to test out its advanced features and improve its usage has also been set up. The Company is now well-placed to exploit the ERP system to further improve efficiencies.

SRF continued developing more business intelligence dashboards using data from underlying systems like the ERP. It has developed dashboards in the areas of expense analysis, tax information consolidation, pricing analysis, IT management. The sales and financials analysis dashboards have also been improved for this purpose. The time taken to collate information has diminished while the quality of analytical information has improved manifolds.



The Company set up redundant systems for critical applications like ERP, email as a part of adherence to the disaster recovery plans. This would help SRF minimise the damage and downtime in the event of an unforeseen disaster. A dry run was also successfully conducted to ensure efficacy of these systems.

SRF has also implemented a sales force management application to improve interactions with customers. This is currently being tested in two of the businesses before it is rolled out to other units. This will help in further reinforcing the professional and reliable image of the Company with its esteemed customers.

The Company continues to explore more ways to leverage IT for cost, productivity, response time improvements and has clearly identified areas for further improvements in 2008-09.

Internal Control Systems and Adequacy

The Company has a sound system of internal control 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 and prevention and detection of fraud and error.

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 uses Enterprise Resource Planning package (ERP) supported by in-built controls that 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. 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.

The Company is fully-committed to ensuring an effective internal control environment. In an endeavour to enhance monitoring of internal controls, the Company carried out pilot implementation of Controls Self Assessment (CSA) at Gummidipoondi unit of Technical Textiles Business successfully, during the year under review. CSA is a process through which internal control effectiveness is examined and assessed periodically by management, process owners and control owners to provide reasonable assurance that all business objectives will be met. The Company plans to extend this system to other units in future.

Risk Management

The objective of 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 Company'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. 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 arises from exports of its products, sale of CERs, import of raw material, imports related to expansion projects, and servicing of foreign currency debt. SRF also has exposure to floating interest rates on some of its term loans. The Company has a Board approved forex policy in place, which governs its hedging decisions. The policy emphasises on risk mitigation rather than profit seeking as a treasury management motive.

The Company has lately embarked upon multi-year capital expansion plans. Cash flow from sale of future CERs is a part of these plans and therefore these cash flows need to be stable and secure. To meet these objectives, the Company has entered into long-term contracts for sale of part of future CERs and has used various financial instruments to hedge these receivables.

The Company has entered into forward contracts with banks to part sell Euros to be earned out of its future CER sales. It has firm underlying contracts for sale of part of the future CERs against which these hedges have been undertaken. In terms of Accounting Standard – 30 (AS – 30), such hedges are classified as Cash Flow Hedges and since these have been found to be an effective hedge against the underlying contracts for sale of CERs, these have been classified as an 'Effective Hedge'. At the year-end exchange rate, these hedges show a negative Mark-to-Market (MTM) of Rs 25.87 crore which has been transferred to the 'Hedge Reserve Account'.

The Company has also done some currency swaps on foreign currency loans outstanding to create a natural hedge against future CER receivables. In line with AS – 30, these hedge transactions have been categorised as 'Fair Value Hedges' and the negative MTM has been charged to the profit and loss account resulting into a net loss of Rs 21.10 crore on account of exchange fluctuations. All the above mentioned transactions have been entered into purely from a long-term risk management perspective, and a negative MTM reflects only an opportunity loss.

Information Technology (IT) Risks

To mitigate the risks associated with the security of the information system, the Company has adequate safety mechanisms in terms of access controls, application controls and network security controls. Testing of comprehensive Disaster Recovery system was carried out successfully during the year under review.

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.

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 2008, SRF's Board consisted of 10 Directors, of which four are executives (including the Chairman, who is an executive Chairman) and six are independent. Table 1 gives the details of the Board during the year 2007-08.

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

Mr. Arun Bharat Ram is the father of Mr. Ashish Bharat Ram and Mr. Kartikeya Bharat Ram.

*Appointed as an additional director w.e.f. 25 October 2007

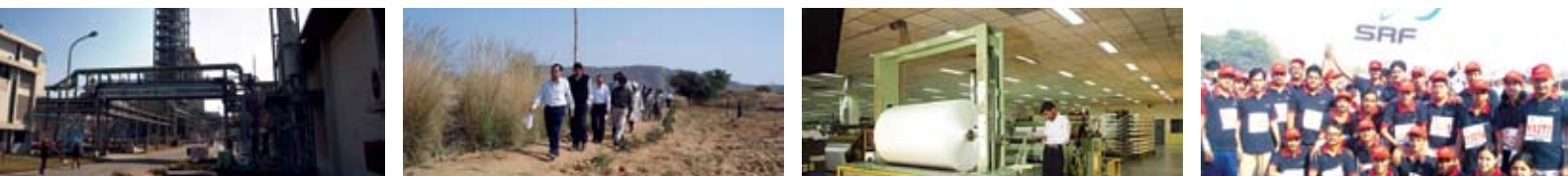
**Directorship in Foreign companies and the Indian private limited companies, and companies under Section 25 of the Companies Act, 1956 are not included.

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.



“It is one of the beautiful compensations of this life that no one can sincerely try to help another without helping himself”
Charles Dudley Warner



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*	-	-	-	-	-	-	-
Mr. Arun Bharat Ram	96.00	-	13.24	25.92	-	125.00	260.16
Mr. Ashish Bharat Ram	48.00	-	17.63	12.96	-	50.00	128.59
Mr. Kartikeya Bharat Ram	36.00	-	6.20	9.72	-	50.00	101.92
Mr. S P Agarwala	-	1.80	-	-	-	4.00	5.80
Mr. K Ravichandra	3.36	-	1.11	-	0.11	-	4.58
Mr. Vinayak Chatterjee	-	1.70	-	-	-	4.00	5.70
Mr. Satish K Kaura	-	0.70	-	-	-	4.00	4.70
Mr. M V Subbiah	-	0.80	-	-	-	4.00	4.80
Mr. Subodh Bhargava	-	1.20	-	-	-	4.00	5.20
Dr. Omkar Goswami**	-	0.10	-	-	-	1.50	1.60
Mr. Piyush G Mankad***	-	0.30	-	-	-	2.00	2.30
Total	183.36	6.60	38.18	48.60	0.11	248.50	525.35

*Ceased to be Director by death w.e.f. 10 July 2007

**Ceased to be Director by resignation w.e.f. 20 July 2007

***Appointed as an additional director w.e.f. 25 October 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 of non-executive Directors is paid 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.

- Are not partner or executive or were not partner or an executive during the preceding three years of any of the following:
 - Statutory audit firm or the internal audit firm that is associated with the Company;
 - 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.
- Are not a substantial shareholder of the Company, i.e. do not own two per cent or more of the block of voting shares.
- Is not less than 21 years of age.

As mandated by Clause 49 of the Listing Agreement, none of the Directors is a member of more than 10 Board-level Committees nor are they Chairman of more than five committees in which they are members.

Number of Board Meetings

During 2007-08, the Board of Directors met eight times on 25 April 2007, 20 July 2007, 26 September 2007, 25 October 2007, 29 November 2007, 17 December 2007, 23 January 2008 and 11 March 2008. The gap between any two Board meetings did not exceed four months. Table 2 gives the details.

Name of Director	No. of Board Meetings held	No. of Meetings Attended	Attended Last AGM?
Dr. Bharat Ram*	8	-	No
Mr. Arun Bharat Ram	8	8	Yes
Mr. Ashish Bharat Ram	8	7	Yes
Mr. Kartikeya Bharat Ram	8	8	Yes
Mr. S P Agarwala	8	4	Yes
Mr. K Ravichandra	8	6	Yes
Mr. Vinayak Chatterjee	8	7	Yes
Mr. Satish K Kaura	8	6	Yes
Mr. M V Subbiah	8	4	Yes
Mr. Subodh Bhargava	8	7	Yes
Dr. Omkar Goswami**	8	1	No
Mr. Piyush G Mankad***	8	3	No

* Ceased to be Director by death w.e.f. 10 July 2007

**Ceased to be Director by resignation w.e.f. 20 July 2007

***Appointed as an additional Director w.e.f. 25 October 2007



Shareholding of Non-Executive Directors

Table 4 gives details of the shares* held by the non-executive Directors as on 31 March 2008.

Name of Director	Category	No. of Equity Shares Held
Mr. S P Agarwala	Independent	-
Mr. M V Subbiah	Independent	3,000
Mr. Satish K Kaura	Independent	-
Mr. Vinayak Chatterjee	Independent	-
Mr. Subodh Bhargava	Independent	-
Dr. Omkar Goswami**	Independent	-
Mr. Piyush Mankad***	Independent	-

*The Company has not issued any convertible securities to any Director

**Ceased to be Director by resignation w.e.f. 20 July 2007

***Appointed as an additional director w.e.f. 25 October 2007

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 & 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 the 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, the 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 minimisation 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 2008, the Audit Committee of SRF comprised 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 2007-08, the Audit Committee of SRF met five times on 25 April 2007, 20 July 2007, 26 September, 2007, 25 October 2007 and 23 January 2008. Table 5 gives the attendance record of Directors, who are members of the Audit Committee.

Name of Director	Category	No. of Meetings Held under Tenure	No. of Meetings Attended
Mr. M V Subbiah	Independent	5	4
Mr. Vinayak Chatterjee	Independent	5	4
Mr. S P Agarwala	Independent	5	2
Mr. Subodh Bhargava	Independent	5	5

All the members of the Audit Committee are financially literate while Mr. M V Subbiah, Chairman of the Audit Committee, a known industrialist, is an accounting and financial management expert. Mr. Anoop 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) Remuneration Committee

As on 31 March 2008, SRF's Remuneration Committee comprised three Directors all of whom are independent.

During 2007-08, the Remuneration Committee met on 20 April 2007. Table 6 gives the attendance record of Directors who are members of the Remuneration Committee.

Name of Director	Category	No. of Meetings Held under Tenure	No. of Meetings Attended
Mr. Satish K Kaura (Chairman)	Independent	1	1
Mr. S P Agarwala	Independent	1	-
Mr. Vinayak Chatterjee	Independent	1	1
Dr. Omkar Goswami*	Independent	1	-

*Ceased to be Director by resignation w.e.f. 20 July 2007

The terms of reference of the Remuneration Committee is to approve/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 2008, SRF's Shareholders'/Investors' Grievance Committee comprised five Directors – three executive Directors and two non-executive Directors. 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 up to a limit of 1,000 shares/debentures in any one case.

As on 31 March 2008, 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.

Total Complaints Received	Total Complaints Redressed	Pending as on 31 March 2008
263	263	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 14 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. S P Agarwala and Mr. Vinayak Chatterjee, Directors are retiring by rotation and being eligible, offer themselves for reappointment. Brief resumes of these Directors are given in the Notice of the 37th 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 website, 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 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
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	25 July 2006	3:30 PM	2
2006-07	Air Force Auditorium, Subroto Park, New Delhi – 110 010	20 July 2007	3:30 PM	-

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

37th Annual General Meeting

Date: 25 July 2008

Time: 3:30 PM

Venue: Laxmipat Singhania Auditorium, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi – 110 016



Tentative Financial Calendar for Results, 2008-09

First Quarter: Third week of July 2008

Second Quarter: Third week of October 2008

Third Quarter: Third week of January 2009

Fourth Quarter and Annual: Third week of May 2009

Book Closure Date

The Share Transfer Register of SRF will remain closed from Wednesday, 2 July 2008 till Tuesday, 15 July 2008 (both days inclusive).

Interim Dividend Payment Date

Interim dividend at the rate of Rs 3 per share (30 per cent) on 6,78,85,005 fully-paid shares of Rs 10 each, absorbing approximately Rs 23.83 crore was paid out of the profits for the nine month period ending 31 December 2007 to those shareholders whose names appeared on the Register of Members as on the 'Record Date' i.e. 21 March 2008.

Listing on Stock Exchanges in India

SRF's shares are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The Company has paid the listing fees to both BSE and NSE for the year 2008-09. The Stock Codes are as follows:

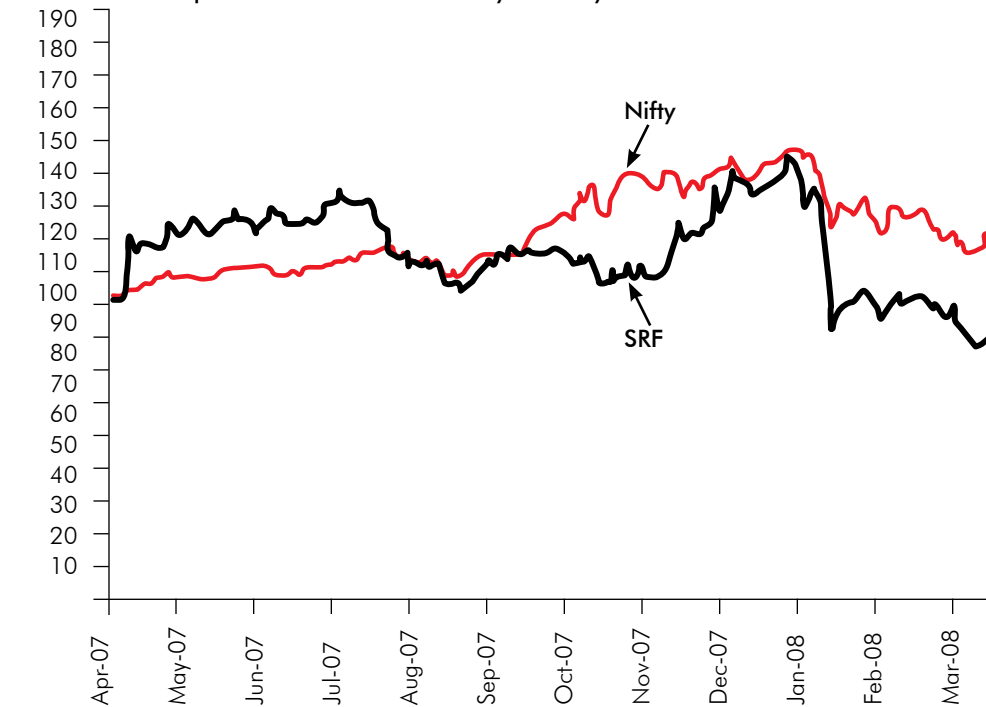
Bombay Stock Exchange	503806
National Stock Exchange	SRF

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 2007-08.

Year 2007-08	BSE			NSE		
	High (Rs)	Low (Rs)	Volume (Nos.)	High (Rs)	Low (Rs)	Volume (Nos.)
April	173.70	115.20	1,12,91,783	171.00	114.30	3,28,42,335
May	177.80	150.15	59,06,462	175.40	151.30	1,68,81,589
June	175.80	158.20	62,80,100	175.00	131.00	1,68,67,595
July	182.60	139.00	44,07,132	182.70	139.15	1,29,97,168
August	147.30	122.60	20,63,031	147.25	122.10	56,85,921
September	155.00	133.80	46,22,820	155.10	133.60	1,26,50,640
October	154.00	125.00	52,57,043	153.40	121.00	1,36,39,323
November	173.90	130.00	1,04,83,744	172.90	131.15	2,41,19,676
December	199.35	158.00	1,18,70,751	199.45	158.10	2,85,30,404
January	207.40	94.00	82,90,595	207.35	88.00	2,04,06,957
February	128.70	104.00	23,76,254	128.80	104.00	61,40,379
March	120.80	90.50	24,31,136	139.90	91.00	81,75,486

Chart 1: Share price of SRF Limited Vs. Nifty for the year ended 31 March 2008



Note: Both Nifty and SRF share price are indexed to 100 as on 1 April 2007

Registrar and Share Transfer Agents

Mas Services Limited, New Delhi are the Registrar and Share Transfer Agent of the Company for handling both electronic and physical shares (up to 30 September 2008).

Karvy Computershare Private Limited, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034 will be the Registrar and Share Transfer Agent of the Company for handling both electronic and physical shares (w.e.f. 1 October 2008).

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 Registrar and Share Transfer Agent. 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 up to 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 2007 to 31 March 2008 was 61,378.

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 share certificates 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)
- After processing the DRF, the RTA confirms or rejects the request to Depositories
- If confirmed by the RTA, Depositories give the credit to shareholder in his/her 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 2008

There were 57,727 shareholders holding 6,53,28,831 shares in electronic form. This constitutes 96.23 per cent of the total paid-up share capital of the Company.

Distribution of Shareholding as on 31 March 2008*

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
Up to 500	76,337	92.53	86,01,495	12.67
501-1,000	3,538	4.29	27,19,328	4.01
1,001-2,000	1,378	1.67	20,54,597	3.03
2,001-3,000	425	0.51	11,06,497	1.63
3,001-4,000	195	0.24	7,01,125	1.03
4,001-5,000	148	0.18	6,96,343	1.03
5,001-10,000	229	0.28	16,31,595	2.40
10,001 and Above	251	0.30	5,03,74,025	74.20
Total	82,501	100.00	6,78,85,005	100.00

Category	Shareholding	
	No. of Shares Held	% of Shareholding
Promoters	2,87,76,588	42.39
Mutual Funds & UTI	40,44,814	5.96
Banks, Financial Institutions, Insurance Companies	28,80,238	4.24
Central Government/State Government	5,84,024	0.86
Foreign Institutional Investors	61,63,853	9.08
Private Corporate Bodies	69,43,055	10.23
Indian Public	1,79,08,689	26.38
NRIs/OCBs	3,92,087	0.58
Others (including shares in transit)	1,91,657	0.28
Total	6,78,85,005	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 its right to subscribe to equal number of shares attached with the warrants, allotted to it on 16 October 2006. These shares were under lock-in till 20 April 2008.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, their Conversion Dates and Likely Impact on Equity

As on 31 March 2008, there were no outstanding GDRs/ADRs/Warrants or any convertible instruments Plant Locations

Plant Locations

Technical Textiles Business	Manali Industrial Area, Distt. Chingleput, Tamil Nadu – 600 068 Industrial Area, Malanpur, Distt. Bhind, Madhya Pradesh – 477 116 Plot No.1, SIPCOT Industrial Area Complex, Gummidipoondi, Dist. Thiruvallur, Tamil Nadu – 601 201 Viralimalai, Distt. Pudukottai, Tamil Nadu – 621 316
Chemicals Business	Jhiwana, Tehsil Tijara, Distt. Alwar, Rajasthan – 301 019
Packaging Films Business	Plot No. 12, Rampura, Ramnagar Road, Kashipur Dist. Udham Singh Nagar, Uttarakhand Plot No. C 1-8, C 21-30, Indore Special Economic Zone, Pitham Pur, Dhar, Indore, Madhya Pradesh

Address for Correspondence

Registered Office	Corporate Office	Registrar & Share Transfer Agent
C-8, Commercial Complex Safdarjung Development Area New Delhi – 110 016 Tel: + 91 11 2651 0428 Fax: +91 11 2685 7141	Block-C, Sector-45 Gurgaon – 122 003 Tel: + 91 0124 435 4400 Fax: + 91 0124 435 4500 email: ajoshi@srf.com	Up to 30 September 2008 Mas Services Limited AB-4, Safdarjung Enclave New Delhi – 110 029 Tel: +91 11 2610 4142, 2610 4326 Fax: +91 11 2618 1081 email: mas_serv@yahoo.com W.e.f 1 October 2008 Karvy Computershare Private Limited 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034 Tel: +91 040 2331 2454, 2332 0751-52 Fax: +91 040 2331 1968, 2332 3049 email: mailmanager@karvy.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 31 March 2008.

Date: 25 April 2008
Place: Gurgaon

Ashish Bharat Ram
Managing Director



“Energy conservation is the foundation of energy independence.”

Tom Allen

AUDITORS' REPORT

To the Members of **SRF LIMITED**

We have audited the attached balance sheet of SRF Limited, as on 31 March 2008, 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. 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 four and five 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 31 March 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2008 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 *subject to note 13 regarding micro, small and medium enterprises* 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 31 March 2008
 - (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 2008

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 & 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 three 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 were not material and have been properly dealt with in the books of account. *However, certain plant and machineries (whose written down value is estimated to be approximately Rs 2 crore) dismantled during the course of debottlenecking of capacities found surplus are being examined for future use and hence no write off action has been taken*
- 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 four and five 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 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) and (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 its subsidiary – SRF Overseas Limited, and hence, not prejudicial to the interest of the Company
- 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 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 of sundry debtors and creditors. 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 The Company had stopped accepting deposits from public from 14 August 2004 and as at 31 March 2008, all the deposits had matured and have been dealt with accordingly. 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 the Reserve Bank of India with regard to the deposits accepted from the public. During the period, in the current year, they were applicable

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 during the preceding financial year
- 20 The Company has not issued any fresh share capital and hence the question of neither the price at which shares were allotted being prejudicial nor making use of the capital raised 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 2008

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	Supreme Court	Excise Duty	1995-96 to 1996-97	0.82
The Central Excise Act, 1944	CESTAT	Excise Duty	1983-84	29.47
The Central Excise Act, 1944	CESTAT	Excise Duty	1885-86	4.13
The Central Excise Act, 1944	CESTAT	Excise Duty	1988-89 to 2003-04	86.87
The Central Excise Act, 1944	CESTAT	Excise Duty	1985-88	20.00
The Central Excise Act, 1944	CESTAT	Excise Duty	1994-95 to 2001-02	3,916.31
The Central Excise Act, 1944	CESTAT	Excise Duty	1996-97 to 1998-99	141.56
The Central Excise Act, 1944	Assistant Commissioner	Excise Duty	1992-93 to 1993-94	94.73
The Central Excise Act, 1944	Madras High Court	Excise Duty	1994-95 to 1995-96	58.69
The Central Excise Act, 1944	Madras High Court	Excise Duty	1996-97	213.79
The Central Excise Act, 1944	Commissioner of Central Excise	Excise Duty	1996-97	167.78
The Central Excise Act, 1944	Madras High Court	Excise Duty	1998-99	144.71
The Central Excise Act, 1944	CESTAT	Excise Duty	2002-03 to 2003-04	109.75
The Central Excise Act, 1944	Commissioner (Appeals)	Excise Duty	2005-06	0.55
The Central Excise Act, 1944	CESTAT	Excise Duty	1988-89 to 1995-96	223.61
The Central Excise Act, 1944	CESTAT	Excise Duty	1991-92 to 1992-93	70.65
The Central Excise Act, 1944	Madras High Court	Excise Duty	1993-94 to 1994-95	59.44
The Central Excise Act, 1944	Assistant Commissioner	Excise Duty	1991-92 to 1992-93	5.11
The Central Excise Act, 1944	Joint Commissioner	Excise Duty	1998-99 to 1999-00	22.62
The Central Excise Act, 1944	CESTAT	Excise Duty	2002-03 to 2003-04	144.33
The Central Excise Act, 1944	CESTAT	Excise Duty	2003-04 to 2004-05	126.25
The Central Excise Act, 1944	CESTAT	Excise Duty	1994-95 to 1996-97	20.99
The Central Excise Act, 1944	Madras High Court	Excise Duty	1998-99 to 1999-00	13.22
The Central Excise Act, 1944	Assistant Commissioner	Excise Duty	2001-02 to 2003-04	4.01
The Central Excise Act, 1944	Commissioner of Appeals	Excise Duty	2004-05	32.59
The Central Excise Act, 1944	Commissioner of Appeals	Excise Duty	2005-06	2.74
The Central Excise Act, 1944	CESTAT	Excise Duty	2002-03 to 2003-04	57.81
The Central Excise Act, 1944	Assistant Commissioner	Excise Duty	2006-07	0.03

Sub Total Excise Duty 5,772.56

Name of Statute	Forum where Case is Pending	Nature of Dues	Period of Dispute	Amount (Rs/Lakhs)
Central Sales Tax & TNGST	Appellate Tribunal	Sales Tax	1990-91 & 91-92	5.00
TNVAT	CTO	Sales Tax	2007-08	79.00
Central Sales Tax	Appellate Tribunal	Sales Tax	1993-94	1.67
Central Sales Tax	Appellate Tribunal	Sales Tax	1994-95	5.78
TNVAT	Assistant Appellate Commissioner	Sales Tax	2003-04	4.64

Sub Total Sales Tax 96.09

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

The Central Excise Act, 1944	Commissioner of Central Excise	Service Tax	2005-06 & 2006-07	9.60
The Central Excise Act, 1944	Commissioner of Appeals	Service Tax	2005-06 & 2006-07	2.49
The Central Excise Act, 1944	Assistant Commissioner of Central Excise	Service Tax	2002-03	4.35
	Excise			

Sub Total Service Tax 16.44

Grand Total 5,990.22



Intelligence plus character – that is the goal of true education.
Martin Luther King, Jr.

FINANCIALS

Balance Sheet as at 31 March 2008

	Schedule	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	6890.55	6890.55
Reserves & Surplus	2	90265.49	80488.05
		97156.04	87378.60
Loan Funds			
Secured Loans	3	42549.74	48341.22
Unsecured Loans	4	7313.80	22.72
		49863.54	48363.94
Deferred Tax Liability	5	14843.57	12722.57
TOTAL		161863.15	148465.11
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	186585.57	169198.57
Less: Depreciation		71948.46	64404.88
Net Block		114637.11	104793.69
Capital Work-in-Progress		8929.75	11449.84
		123566.86	116243.53
Investments			
	7	14752.96	9906.53
Current Assets, Loans & Advances			
Inventories	8	22859.43	18408.82
Sundry Debtors	9	23299.76	20493.36
Cash and Bank balances	10	723.05	1791.26
Loans and Advances	11	9387.51	9694.88
		56269.75	50388.32
Less: Current Liabilities & Provisions			
Current Liabilities	12	30012.62	23336.55
Provisions	13	2713.80	4736.72
		32726.42	28073.27
Net Current Asset		23543.33	22315.05
TOTAL		161863.15	148465.11

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

Gurgaon, Haryana
 25 April 2008



Profit & Loss Account For the Year Ended 31 March 2008

	Schedule	Year Ended 31.03.08 Rs/Lakhs	Year Ended 31.03.07 Rs/Lakhs
INCOME			
Gross Sales including conversion Income		178500.24	196337.02
Less: Excise Duty		16970.04	16092.47
Net Sales including Conversion Income		161530.20	180244.55
Other Income	14	1998.50	1350.39
Total Income		163528.70	181594.94
* Includes TDS on conversion income Rs 22.81 lakhs (Rs 21.33 lakhs)			
EXPENDITURE			
Raw material consumed	15	90749.42	88200.39
(Increase) \ Decrease in Stock	16	853.03	(2937.88)
Expenses	17	38393.47	40703.62
Interest and Finance Charges	18	3614.32	3640.04
Depreciation		9751.78	7859.14
Transfer from Revaluation Reserve		(80.05)	(181.50)
Total Expenditure		143281.97	137283.81
Profit Before Taxation		20246.73	44311.13
Less: Provision for Taxation (Current) Including FBT		4300.70	13164.00
Less: Deferred Tax Liability		2121.00	1917.20
Less: Provision for earlier Years		(47.95)	322.96
Profit After Taxation		13872.98	28906.97
Profit Available For Appropriation		13872.98	28906.97
Add: Profit Brought Forward		35818.10	14595.81
Less: Interim Dividend		2036.55	2715.40
Less: Proposed Final equity Dividend		1357.70	1357.70
Less: Tax on Dividends		576.85	611.58
Less: Transfer to General Reserve		1500.00	3000.00
PROFIT CARRIED TO BALANCE SHEET		44219.98	35818.10
Basic EPS (in Rupees) (Ref note no 15)		20.44	43.76
Diluted EPS (in Rupees)		-	-
Accounting Policies & Notes to Accounts	19		
Schedules 14 to 19 form an integral part of the Profit and Loss Account.			

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

Gurgaon, Haryana
25 April 2008

Schedules

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 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 Cumulative Preference Shares of Rs 100 each	20000.00	20000.00
	33600.00	33600.00
ISSUED		
7,38,30,327 (Previous Year 7,38,30,327) Equity Shares of Rs 10 each	7383.03	7383.03
	7383.03	7383.03
SUBSCRIBED & PAID UP		
6,78,85,005 (Previous Year 6,78,85,005) Equity Shares of Rs 10 each fully paid-up	6788.50	6788.50
	6788.50	6788.50
Add: Amount paid up on Forfeited Shares	101.51	101.51
	6890.01	6890.01
Add: Share Capital Suspense	0.54	0.54
	6890.55	6890.55

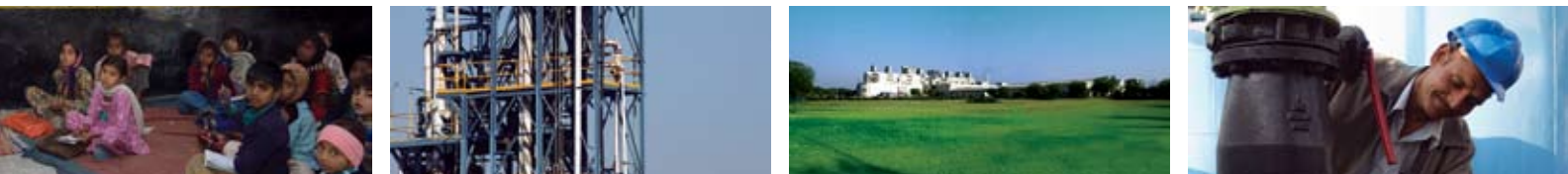
SCHEDULE 2: RESERVES AND SURPLUS

	OPENING BALANCE AS AT 01.04.07	ADDITIONS DURING THE YEAR	WITHDRAWALS DURING THE YEAR	CLOSING BALANCE AS AT 31.03.08
Securities Premium Account	12527.11	-	-	12527.11
Capital Reserve	15797.62	*2549.14	-	18346.76
Revaluation Reserve (Fixed Assets)	5893.37	-	86.22	5807.15
Capital Redemption Reserve	1.61	-	-	1.61
Cash Flow Hedge Reserve	-	-	**2587.36	(2587.36)
General Reserve	10450.24	1500.00	-	11950.24
	44669.95	4049.14	2673.58	46045.51
Profit & Loss Account	35818.10	9901.88	1500.00	44219.98
Total	80488.05	13951.02	4173.58	90265.49
PREVIOUS YEAR	53121.45	27953.57	586.97	80488.05

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

**The cash flow hedging reserve is created towards loss on mark to market of foreign currency derivatives in the nature of cash flow hedge (refer note 6(c) of the accounting policies)

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
SCHEDULE 3: SECURED LOANS		
Short-Term Loans from Banks	3209.20	1156.05
Long-Term Loans from:		
- Banks	37690.54	45010.17
- Others	1650.00	2175.00
	42549.74	48341.22



	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
SCHEDULE 4: UNSECURED LOANS		
Fixed Deposits	-	22.72
From Banks	4813.80	-
From Others	2500.00	-
	7313.80	22.72

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
SCHEDULE 5: DEFERRED TAX LIABILITY		
Deferred Tax Liability	15257.31	13052.11
Less: Deferred Tax Asset	413.74	329.54
	14843.57	12722.57

SCHEDULE 6: FIXED ASSETS										'(Rs/Lakhs)	
Description	Gross Block			Accumulated Depreciation				Net Block		Revaluation Amount*	
	AS AT 01.04.07	**Additions	Deletions	AS AT 31.03.08	AS AT 01.04.07	For The Year	Withd-rawal	AS AT 31.03.08	AS AT 31.03.08		AS AT 31.03.07
Freehold Land	9169.06	0.10	-	9169.16	-	-	-	-	9169.16	9169.06	5021.83
Leasehold Land	1956.63	111.75	-	2068.38	-	-	-	-	2068.38	1956.63	223.52
Road	300.04	21.68	-	321.72	87.52	5.60	-	93.12	228.60	212.52	5.60
Buildings	20420.91	631.93	-	21052.84	4193.28	636.57	-	4829.85	16222.99	16227.63	314.91
Plant & Machinery	131897.15	18749.37	2105.74	148540.78	57622.24	7967.12	1973.78	63615.58	84925.20	74274.91	241.29
Furniture & Fixture, Office Equipments, etc.	3763.12	250.17	174.67	3838.62	1980.18	642.90	142.33	2480.75	1357.87	1782.94	-
Vehicles	1258.29	142.52	240.11	1160.70	268.92	411.54	92.09	588.37	572.33	989.37	-
Intangible Assets	433.37	-	-	433.37	252.74	88.05	-	340.79	92.58	180.63	-
TOTAL	169198.57	19907.52	2520.52	186585.57	64404.88	9751.78	2208.20	71948.46	114637.11	104793.69	5807.15
Previous Year	141866.13	27697.18	364.74	169198.57	56692.50	7859.14	146.76	64404.88	104793.69	85173.63	5893.37

*Revaluation was done as on 31 March 2005

**Includes Rs Nil (Rs 896.26 lakhs) as exchange currency fluctuation gain

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
SCHEDULE 7: INVESTMENTS		
Non-Trade Investments (at cost)		
- Quoted (*) (#)	4945.45	245.45
- Unquoted	9512.53	9608.10
	14457.98	9853.55
Less: Provision for diminution in value of long-term investment	261.69	503.69
	14196.29	9349.86
Trade Investment - Unquoted	556.67	556.67
	14752.96	9906.53
* Market Value of Quoted Investments	5102.55	249.60

Includes Investments earmarked Under Rule 3A of the Companies (Acceptance of Deposits) Rules, 1975

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
SCHEDULE 8: INVENTORIES		
Raw Material	11914.60	7248.97
Stores & Spares	1746.97	1108.96
Finished Goods	4050.24	3921.21
Stock-in-Process	5147.62	6129.68
	22859.43	18408.82

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
SCHEDULE 9: SUNDRY DEBTORS		
Unsecured Considered Good for Recovery by the Management (Unless Otherwise Stated) Debts over six months		
Considered Good	123.21	423.97
Considered Doubtful	259.00	146.60
Other Debts		
Considered Good	23176.55	20069.39
Considered Doubtful	259.00	146.60
Less: Provision for Doubtful Debts	23299.76	20493.36

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
SCHEDULE 10: CASH AND BANK BALANCES		
Cash-in-Hand	24.25	20.79
Cheques-in-Hand	115.00	106.02
Balances with Scheduled Banks		
Current Accounts	232.58	1417.30
Unclaimed Dividend	98.61	85.62
Unclaimed Interim Dividend	252.61	161.34
Remittances in Transit	-	0.20
	723.05	1791.26

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 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	1541.63	1797.40
Considered Doubtful	179.48	169.03
Sub Total	1721.11	1966.43
Less : Provision for Doubtful Advances	179.48	169.03
Sub Total	1541.63	1797.40
Deposit with Excise and Customs	246.26	152.48
Other Deposits	1700.53	1651.06
Claims Recoverable	605.53	64.67
Cenvat/Service Tax/VAT recoverable	5293.56	6029.27
	9387.51	9694.88



	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
SCHEDULE 12: CURRENT LIABILITIES		
Acceptances	8627.14	8406.31
Sundry creditors :		
Dues to MSME's	176.62	331.30
Dues to others	20236.23	13695.95
Security Deposits	356.32	340.37
Unclaimed Dividends*	98.61	85.62
Interim Dividends Payable*	252.61	161.34
Unclaimed Fixed Deposits (Including Interest)*	14.10	19.22
Interest and commitment charges accrued but not due	250.99	296.44
	30012.62	23336.55

*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.

	Year Ended 31.03.08 Rs/Lakhs	Year Ended 31.03.07 Rs/Lakhs
SCHEDULE 13: PROVISIONS		
Provision for Taxation (net)	730.32	2868.58
Proposed Dividends	1,357.70	1357.70
Provision for Leave Encashment	625.78	510.44
	2713.80	4736.72

	Year Ended 31.03.08 Rs/Lakhs	Year Ended 31.03.07 Rs/Lakhs
SCHEDULE 14: OTHER INCOME		
Claims	28.14	47.55
Export Incentives	469.95	14.25
Dividend on Units (Non-Trade)	257.76	149.07
Provision no longer required	318.50	418.12
Scrap sales	487.81	447.65
Profit on Sale of Investments	14.54	-
Interest Income		
From Customers*	6.17	27.24
On Loans and Deposits*	22.58	44.49
From Others**	117.17	17.38
Others	275.88	184.64
	1998.50	1350.39
* Includes Income-tax deducted at source	7.22	7.44
** Includes Interest on Income Tax Refunds	48.14	15.75

	YEAR ENDED 31.03.08 Rs/Lakhs	YEAR ENDED 31.03.07 Rs/Lakhs
SCHEDULE 15: RAW MATERIALS CONSUMED		
Opening stock of Raw Material	7248.97	7580.42
Add : Purchases of Raw Materials	95415.05	87868.94
	102664.02	95449.36
Less : Closing Stock of Raw Material	11914.60	7248.97
Raw Materials consumed	90749.42	88200.39

	Year Ended 31.03.08 Rs/Lakhs	Year Ended 31.03.07 Rs/Lakhs
SCHEDULE 16: (INCREASE)\DECREASE IN STOCK		
Opening Stock : Work in progress	6129.68	2990.68
Finished goods	3921.21	4122.33
	10050.89	7113.01
Closing Stock : Work in progress	5147.62	6129.68
Finished goods	4050.24	3921.21
	9197.86	10050.89
(Increase)\Decrease in Stock	853.03	2937.88

	Year Ended 31.03.08 Rs/Lakhs	Year Ended 31.03.07 Rs/Lakhs
SCHEDULE 17: EXPENSES		
Stores & Spares Consumed	1480.12	1396.26
Power & Fuel	13999.43	14399.05
Rent	341.22	379.28
Repairs & Maintenance		
Buildings	148.05	165.65
Plant & Machinery	2121.37	1815.87
Other Maintenance	889.76	773.86
Freight	3013.64	3119.46
Professional & Legal charges	1678.02	5062.98
Salaries,Wages,Bonus, etc.	6523.20	5772.45
Contribution to PF, Gratuity, Supperannuation ,ESI and other funds.	682.66	564.67
Workmen & Staff Welfare Expenses	902.56	835.73
Insurance	452.83	534.89
Rates & Taxes	145.09	166.54
Contract Conversion Charges	487.56	535.75
Travel	679.65	677.19
Auditors Remuneration & Expenses		
Audit Fee	18.00	18.00
Interim audit fee	9.00	9.00
Tax Matters	5.50	5.50
Certification Work	3.86	1.56
Expenses Reimbursement	-	0.20
Directors Sitting Fees	6.60	8.25
Selling Commission	411.56	339.67
Wealth Tax	6.61	10.61
Exchange currency fluctuation (Net)	2110.66	1673.84
Miscellaneous Expenses (*) (**)(**)(****)	2276.52	2437.37
	38393.47	40703.62

* Includes Provision for Doubtful Debts and Advances

** Includes assets/debts/inventory written off/Loss on sale of assets

***Includes difference in excise duty provision

****Includes Prior Period Expenses including

Research & Development of Nil (Previous year Rs 109.31 Lakhs).



	YEAR ENDED 31.03.08 Rs/Lakhs	YEAR ENDED 31.03.07 Rs/Lakhs
SCHEDULE 18: INTEREST & FINANCE CHARGES		
Term Loans & Fixed Deposits	2156.00	1545.89
Cash Credit & Others	732.30	1419.80
Lease Rentals	7.47	1.33
Financial Charges	718.55	673.02
	3614.32	3640.04

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 up to 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 cenvatable Customs/ Excise duty) or the revalued value as the case may be.

4.2 Depreciation is provided on:

- All assets (*including plant and machinery) costing less than Rs 5,000/- for the full value thereof.
*Provided such assets are less than 10 per cent of the aggregate value of plant and machinery in each division
- Furniture & fixtures, office equipments, and cylinders on straight line method at rates specified in Schedule XIV to the Companies Act, 1956

c. Management estimates the useful lives for the other fixed assets as follows:-

Mobile Phone	1 year
Data Processing Equipment	3 years
Vehicles	4.5 years

d. Roads, buildings and plant and 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

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 19 per cent

e. Intangible assets are being amortised 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: -

- 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
- 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 the product line as Cash Generating Units (CGU). Where there is no interdependency, 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 and loss account. The loss so recognised 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

- Transactions in foreign currencies are recorded at the rate prevalent on the date of transactions
- 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 and loss account as exchange fluctuation loss or gain
- Pursuant to ICAI Announcement for adoption of AS – 30 Financial Instruments: Recognition and Measurement, the Company has accounted for the hedge accounting of all the hedging instruments including derivatives in accordance with paragraph 99 and 106 of the said standard, affecting either the profit and loss account or hedging reserve (equity segment) as the case may be. The debit balance, if any, in the hedging reserve is being shown as a deduction from free reserves
- The Company discloses the open and hedged foreign exchange exposure as note to the accounts

7. RESEARCH & 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

- 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
Reprocessible 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 recognised 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. Company provides for gratuity, a defined benefit retirement plan (the 'Gratuity Plan') covering eligible employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the Company contributes all the ascertained liabilities to the SRF Employees Gratuity Trust (the 'Trust') and SRF Officers Gratuity Trust (the 'Trust'). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law

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 recognised 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 recognised 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 paragraph 4.3 above
- b. Capital receipts are credited to Capital Reserve
- c. Hedging reserve represents the possible gain or loss arising out of adjusting the hedging instruments to mark to market

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 (including difference in exchange rate on the principal to the extent it represents interest cost) attributable to the acquisition or construction of qualifying assets is capitalised 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

1. Share Capital

- a. Subscribed Equity Shares include 20,34,848 shares (Previous Year 20,34,848) allotted as fully-paid by way of bonus shares by capitalisation of reserves
- b. Share capital suspense represents 5,408 (Previous Year 5,408) Equity shares which are awaiting allotment to the erstwhile shareholders of Flowmore Polyesters Limited (FPL) pending settlement of calls in arrears in respect of their shareholding in FPL



2. Details of Security

The borrowings of the Company made before the effective date (18 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 Limited.

Loan	Outstanding Amount (Rs. Lakhs)	Security
1. (i) Term loan from Banks	17587.50	<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 8187.50 lakhs 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 5125 lakhs 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	20103.04	<p>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</p>
(iii) Term loan from Others	1650.00	<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 moveable assets for working capital facilities mentioned in 2 below</p> <p>Out of the loans as at 1(i), the term loans aggregating to:</p> <p>a) Rs 9400 lakhs 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 5125 lakhs 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 3062.50 lakhs 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>
2.	Cash credit/ working capital demand loans	3209.20	<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	42549.74	

Out of (I) above, a sum of Rs 11245.00 lakhs (Previous Year Rs 7259.00 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 3791.41 lakhs (Previous Year Rs 792.62 lakhs).

Further the Company is to make investment in the joint venture JINGDE YANGTZE - GANGA FLUORINE CHEMICAL COMPANY LIMITED up to 2.65 Million US Dollar.

The Company is to make investment in following companies

- i) SRF Fluorochemicals Limited - Rs 5 lakhs
- ii) SRF Energy Limited - Rs 5 lakhs

4. Contingent Liabilities

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

	31.03.08 (Rs lakhs)	31.03.07 (Rs lakhs)
Excise Duty*	3884.53	3998.54
Sales Tax**	43.74	75.58
Income Tax	171.00	171.00
Stamp Duty****	2881.55	2881.55
Others ***	44.17	44.17

*Amount deposited Rs 27.92 lakhs (Previous Year Rs 38.42 lakhs)

**Amount deposited Rs 13.55 lakhs (Previous Year Rs 13.52 lakhs)

***Amount deposited Rs 8.00 lakhs (Previous Year Rs Nil)

****In the matter of acquisition of the Tyre cord Division at Malanpur from Ceat Limited the Collector of Stamps, Bhand has by his order dated 7 November 2001 assessed the value of the subject matter of the Deed of Conveyance dated 13 June 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 June 1996 is only the superstructures valued at Rs 2776.18 lakhs and not the entire undertaking valued at Rs 30300 lakhs 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 29 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 4167.35 lakhs (Previous Year – Rs 6211 lakhs)

c. Liability on account of corporate guarantee on behalf of SRF Overseas Limited for USD 0.6 million

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 Government land

(ii) The Company has been served with show cause notices regarding certain transactions as to why additional Customs/ Excise Duty amounting to Rs 19.62 lakhs (Previous Year Rs 63.45 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 135.70 acres). In addition to aforesaid extent, 0.79 acres were handed over to SRF Limited 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 Limited and another extent of 1.29 acres with a factory building on it, is jointly owned and enjoyed by the Company and SRF Polymers Limited in ratio of 25.33 per cent and 74.67 per cent 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 freehold land measuring 32.41 acres at Company's plant in Gummidipoondi, 8.62 acres of land is under litigation

e) The Chemicals Business is in process of acquiring land at Village Jhiwana, Tehsil Tijara Alwar district, in the State of Rajasthan. Registry has been done for 1.75 acres and in respect of 2.25 acres Memorandum of Understanding has been signed, which is yet to be registered

f) The Company intends to sell its residential properties situated at various places

g) The cyclical nature of Packaging Films 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

h) During the year the depreciation rates of the following fixed assets have been revised as under:

Item	Old Rate	New Rate
Mobile Phone	6.33%	100%
Data Processing Equipment	16.21%	31.67%
Vehicles	9.5%	20%

The impact of the above changes in the lives is that depreciation is higher by Rs 485.00 lakhs

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

S. No.	Name of the Security/ Name of the Company	No. of Units	Nominal value per unit	Book value/ Cost 31.03.08	Book value/ Cost 31.03.07
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)			246.92	249.60
(B)	Unquoted Equity Shares: -				
(i)	SRF Overseas Limited (A Wholly Owned Subsidiary)	22893366	USD1 fully paid	8514.85	8514.85
(ii)	SRF Americas Inc (A Wholly Owned Subsidiary) *	21000	USD100 fully paid	-	242.00
(iii)	SRF Transnational Holdings Limited (A Wholly Owned Subsidiary)	3254184	Rs 100 fully paid	-	-
(iv)	SRF Properties Limited (A Wholly Owned Subsidiary)	8000	Rs 100 fully paid	589.56	589.56
(v)	SBL Industries Limited – Preference shares ***	2500000	Rs 10 fully paid	250.00	250.00
(vi)	Sanghi Spinners Limited***	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 Limited (Trade Investment)	3991650	Rs 10 fully paid	399.17	399.17
(ix)	SRF Infrastructure Limited	50000	Rs 10 fully paid	5.0	-
(x)	JINGDE YANGTZE – GANGA FLUORINE CHEMICAL CO Limited (Joint Venture)	-	-	141.43	-
** (xi)	SRF Fluor Private Limited	2	USD 1 fully paid	-	-
	Sub Total			10069.20	10164.77
	*** Less: Provision for investment			261.69	503.69
	Total (B)			9807.51	9661.08
(II)	Short Term Investments at Cost:				
(C)	Quoted – Units of Mutual Funds				
(i)	Unquoted Mutual Fund Investment			4700.00	-
	Total (C)			4700.00	-
	Market Value of (C)			4855.63	-

* SRF Americas Inc. ceased operation from 2005-2006 and further has been dissolved in accordance with US laws vide dissolution approval letter dated 27 February 2008.

** Rs 79 omitted in rounding off.

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 31 March 2008, there is no permanent diminution in value of investments made by Company.



7. Sundry Debtors

Sundry debtors include Rs 399.59 lakhs from SRF Overseas Limited also a wholly-owned subsidiary (Previous year Rs 214.63 lakhs).

The maximum outstanding during the year from SRF Americas Inc. was Rs Nil (Previous Year Rs 280.07 lakhs) and from SRF Overseas Limited Rs 605 lakhs (Previous Year Rs 319.74 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:

a. Loans to Officers of the Company:

Interest bearing loans carrying interest of 9 per cent p.a. or more to senior officers of the Company (repayable beyond seven years) Rs 1.27 lakhs (Previous Year – Rs 1.79 lakhs). maximum balance Rs1.79 lakhs (Previous Year Rs 2.26 lakhs)

b. Rs 921.80 lakhs as interest-free security deposit for accommodation, for various offices and officers, taken on lease. (Previous Year Rs 923.44 lakhs)

9. Research & Development Expenditure

The details of the research & development expenditure of Rs 3237.53 lakhs (Previous Year Rs 2203.76 lakhs) are as under:-

Particulars	31.03.08 Rs Lakhs	31.03.07 Rs Lakhs	31.03.06 Rs Lakhs
Capital Expenditure	2335.10	1752.62	106.45
Revenue	902.43	451.14	158.70
Total	3237.53	2203.76	265.15

10. Repairs & Maintenance

Repairs and Maintenance to plant and machinery and buildings include stores and spares consumed of Rs 1581.68 lakhs and Rs 38.35 lakhs respectively (Previous Year Rs 1977.55 lakhs and Rs 62.90 lakhs respectively).

11. Provisions for Taxation

The details of the net Deferred Tax Liability of Rs 14843.57 lakhs (Previous Year Rs 12722.57 lakhs) are as under: -

Deferred Tax Liability on Account of:-	31.03.08 Rs Lakhs	31.03.07 Rs Lakhs
Difference between Book & Tax Depreciation	14003.24	12456.60
Research & Development Expenditure	1254.07	595.50
Total	15257.31	13052.10
Deferred Tax Assets on Account of: -		
Provision for bad and Doubtful Debts	88.03	49.82
Claim Allowable U/s 43B	325.71	279.71
Total	413.74	329.53
Net Deferred Tax Liability	14843.57	12722.57

12. Directors Remuneration

(i) Chairman/ Managing Director/ Deputy Managing Director/ Whole time Director's	31.03.08 Rs Lakhs	31.03.07 Rs Lakhs
Salary	183.36	108.01
Contribution to Provident and Superannuation Funds	57.60	28.43
Value of Perquisites*	38.29	46.35
Commission (Provided)	225.00	325.00
SUB-TOTAL	504.25	507.79
(ii) Non Executive Directors		
Commission (Provided)	23.50	28.00
SUB-TOTAL	23.50	28.00
TOTAL	527.75	535.79

* 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 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	31.03.2008 (Rs Lakhs)	31.03.2007 (Rs Lakhs)
Profit Before Taxation	20246.73	44311.13
Add:		
Managerial Remuneration including commission	527.75	535.79
Loss on sale/write off of assets as per Books of Accounts	283.02	162.30
Provision for Doubtful Debts/Advances	168.79	88.06
Sub Total	979.56	786.15
Less:		
Profit on Sale of Investment	14.54	-
Excess Provision written back	318.50	418.12
Sub Total	333.04	418.12
Profit as per section 349 of the Companies Act, 1956	20893.25	44679.16
Maximum remuneration as commission and/or salary including perquisites @ 10% of net profit of Rs 20893.25 lakhs (Previous Year@ 10% of Rs. 44679.16 lakhs) which can be paid to Managing Directors/Whole time Directors u/s 309 of the Companies Act 1956	2089.32	4467.91
Remuneration paid to Managing Directors/Whole Time Directors	504.25	507.79
Maximum commission payable to Non Executive Directors @ 1% of net profit of Rs 20893.25 lakhs (Previous Year Rs. 44679.16 lakhs) u/s 309 of the Companies Act 1956	208.93	446.79
Commission payable/paid to Non Executive Directors	23.50	28.00

13. Dues to Micro, Small and Medium Enterprises

This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. Accordingly, there were no interest due on the principal amount not there was necessity to pay interest for delayed payment in terms of section 16 of the Micro, Small and Medium Enterprises Development Act.



14. 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			
Subsidiaries (a)	Joint Venture (b)	Key Management Personnel (c)	Enterprises over which (c) have significant influence (d)
SRF Overseas Limited SRF Americas Inc. SRF Transnational Holdings Limited SRF Properties Limited SRF Fluor Private Limited SRF Infrastructure Limited	Jingde Yangtze-Ganga Fluorine Chemical Company Limited	Mr. Arun Bharat Ram, Chairman Mr. Ashish Bharat Ram, Managing Director Mr. Kartikeya Bharat Ram, Deputy Managing Director Mr. K Ravichandra, Whole Time Director	SRF Polymers Limited Bhairav Farms Private Limited Narmada Farms Private Limited SRF Polymers Investment Limited SRF Foundation (formerly Society for Education & Welfare)

Transactions with Related Parties							(Rs in Lakhs)	
Nature of Transaction	(a)		(b)		(c)		(d)	
	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07	31.03.08	31.03.07
Purchase of Goods	2090.65	350.71	-	-	-	-	-	-
Sale of goods	4611.56	4192.43	-	-	-	-	2159.70	1962.95
Purchase of Fixed Assets	-	-	-	-	-	-	-	56.30
Sale of Fixed Assets	-	3.67	-	-	-	-	8.92	-
Rendering of Services	2.38	2.35	-	-	-	-	72.72	49.58
Management contracts including for deputation of employees	18.50	-	-	-	-	-	9.10	8.56
Rental Paid	7.20	7.20	-	-	-	-	219.52	219.0
Rental Received	-	-	-	-	-	-	6.28	6.27
Remuneration Paid	-	-	-	-	504.25	507.79	-	-
Interest received on ICDs/ Loans	16.44	-	-	-	-	-	10.12	25.71
Reimbursement of expenses	7.51	3.96	-	-	-	-	46.84	82.09
Loans/Deposits received back	500.00	88.38	-	-	-	-	-	-
Donations	-	-	-	-	-	-	4.0	150.0
Receivable O/s	415.71	306.72	-	-	-	-	128.04	345.92
Loans /Securities O/s	-	-	-	-	-	-	-	328.88
Investments made	5.00	-	141.43	-	-	-	-	-
Investments Write off	242.00	-	-	-	-	-	-	-

15. Earning Per Equity Share

Annualised earnings per equity share have been calculated based on the net profit after taxation of Rs 13872.98 lakhs (Previous Year Rs 28906.97 lakhs) and the weighted average number of equity shares of 67,885,005 (Previous Year 66,062,247)

16. Employee Benefits

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 HDFC Standard Life Insurance Company Limited for this purpose. Under this plan the settlement obligation remains with the Gratuity trust. HDFC Standard Life Insurance Company Limited 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 (01-04-2007)	1288.22
Service cost	84.26
Interest cost	103.06
Benefits paid	(85.32)
Actuarial loss/(gain)	51.83
PBO at the end of the year (31.03.08)	1442.05

Change in plan assets	
Fair value of plan assets at the beginning of the year	1005.00
Estimated return on plan assets	80.40
Employer contributions	415.34
Benefits paid	-
Actuarial gain/(Loss) on plan assets	(32.65)
Plan assets at the end of the year	1468.09

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.

Leave encashment Liability: Defined Benefit Plan which is unfunded

A provision of Rs 211.87 lakhs has been created towards Leave salary provision 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 ICICI Prudential Life Insurance Company Limited

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 1 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 recognised 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.

17. 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 and its research and development
- Chemicals Business includes refrigerant gases, chloromethanes, pharmaceuticals, CER's & Allied products, and its research and development
- Packaging Films 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	31.03.08 Rs Lakhs	31.03.07 Rs Lakhs
Segment Revenue		
a) Technical Textiles Business (TTB)	90880	86999
b) Chemicals Business (CB)	47894	72944
c) Packaging Films Business (PFB)	22757	20310
Total Segment revenue	161531	180253
Less: Inter Segment revenue	1	8
Net Sales / Income from Operations	161530	180245
Segment Results		
(Profit / (Loss) before interest and tax from each segment)		
a) Technical Textiles Business (TTB)	1991	4668
b) Chemicals Business (CB)	25528	48342
c) Packaging Films Business (PFB)	2136	(534)
Total Segment results before additional depreciation	29655	52476
Less: Additional Depreciation due to change in rates (on the assets belonging to above segments)	287	-
Total Segment results after additional depreciation	29368	52476
Less: i) Interest & Finance Charges (Net)	3468	3551
Less: ii) Other Unallocable expenses net of income	5653	4614
Total Profit before Tax	20247	44311
Capital Employed (Segment assets less segment liabilities)		
a) Technical Textiles Business (TTB)	91037	88632
b) Chemicals Business (CB)	29052	15801
c) Packaging Films Business (PFB)	18154	18917
Segment Revenue, Results and Capital Employed		
d) Capital Work in Progress	8709	11282
Total Capital employed in segments	146952	134632
Add : Unallocable assets less liabilities	9104	7940
Total capital employed in the Company	156056	142572

18. Forex Exposure

SRF has entered into long-term contracts for the transfer/sale of Carbon Emission Reductions (CER) with reputable global buyers. The cash flow from these sales forms the mainstay of SRF's multi-year capital expansion plan, and as such these cash flows need to be both stable and secure. To ensure stability of revenues in foreign currency from the transfer/sale of CERs, the Company has entered into forward contracts with the banks to part sell Euros to be earned out of future CER sales.

The details of the forex exposure of the Company as on 31 March 2008 are as under:

Amt. Mln.

	Euro	USD	JPY	CHF
Inflows	102.3	83.8	-	-
Outflows	17.9	38.6	41.6	15.9
Net Exposures	84.4	45.2	(41.6)	(15.9)
Hedging status				
Hedged	82.2	57.3	(13.3)	(9.4)
Open	2.2	(12.1)	(28.3)	(6.5)



The Company has not entered into any hedging transactions in the nature of speculation in 2007-08 (Previous year Nil).

Figures in () indicate hedged outflow

* This includes positions arising out of cross currency hedges

19. Statement of Additional Information

a. Registered & Installed capacity per annum:

	UNIT	2008	2007
Synthetic Filament Yarn including Industrial Yarn/ Tyre Cord	MT	49400	49400
Nylon Tyre Cord Fabric/Industrial Yarn Fabric	MT	52880	52280
Fluorocarbon Refrigerant Gases	MT	25000	25000
HFC 134a	MT	3000	-
Hydrofluoric Acid (Anhydrous)	MT	11550	11500
Gypsum (By product)	MT	44550	44550
Hydrochloric Acid (By Product)	MT	77220	77220
Chloromethanes	MT	32000	32000
Packaging Films	MT	28150	25350

b. Actual production:

	UNIT	2008	2007
Synthetic Filament Yarn including Industrial Yarn/ Tyre Cord @	MT	21510.56	6434.54
Nylon Tyre Cord Fabric/Industrial Yarn Fabric*	MT	37228.71	43183.03
Fluorocarbon Refrigerant Gases	MT	12113.26	12432.01
HFC 134a	MT	1060.83	-
Hydrofluoric Acid (Anhydrous) @	MT	7036.12	6136.47
Gypsum (By Product)	MT	28498.59	23580.66
Hydrochloric Acid (By Product)	MT	52353.49	54821.49
Chloromethanes @	MT	25197.11	29716.74
Packaging Films	MT	26340.54	25075.41

Installed capacity is as certified by management.

@ Excludes captive consumption

*(i) Excludes 151 MT of nylon tyre cord fabric/industrial yarn/industrial fabric produced by the Company on conversion contract (Previous Year 548.0 MT)

(ii) Includes 1072.05 MT of nylon tyre cord fabric/industrial yarn fabric produced outside the Company by the Company's conversion contractors (Previous Year 1432.99 MT)

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

	Closing Quantity (MT) 31.03.08	Stock Value (Rs lakhs) 31.03.08	Opening Quantity (MT) 31.03.07	Stock Value (Rs Lakhs) 31.03.07
Synthetic Filament Yarn including Industrial Yarn/ Tyre Cords	344.30	572.76	419.60	660.25
Nylon Tyre Cord Fabric/ Industrial Yarn Fabric*	643.56	1264.51	746.58	1504.46
Fluorocarbon Refrigerant Gases	885.54	862.03	644.16	558.21
HFC 134a	219.20	443.12	-	-
Hydrofluoric Acid (Anhydrous)	52.14	25.95	36.62	14.77
Gypsum (By Product)	42.50	0.17	80.00	0.22
Hydrochloric Acid (By Product)	506.69	6.96	219.45	1.77
Chloromethanes**	1527.30	289.08	1981.22	437.38
Packaging Films	551.88	416.80	670.90	503.95
Others ***		168.86		240.20
TOTAL		4050.24		3921.21

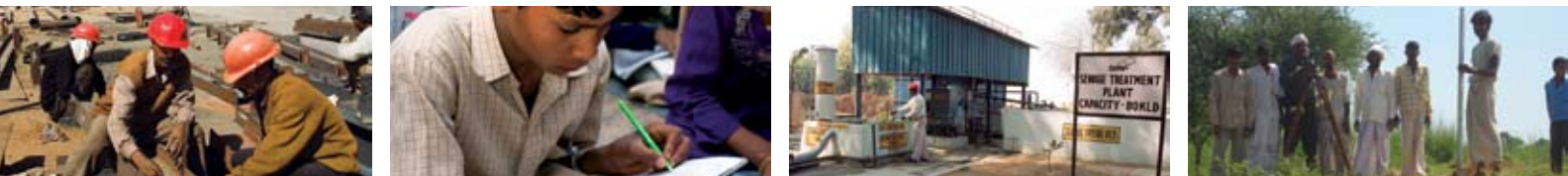
(*) Includes Yarn in Process of conversion into fabric

(**) Includes chloromethanes in process of conversion into refrigerant gases.

(***) Figures of Others include traded goods.

d. Turnover

	2008		2007	
	Quantity (MT)	Value (RS lakhs)	Quantity (MT)	Value (MT)
Synthetic Filament Yarn including Industrial Yarn/Tyre Cord	3794.05	5143.23	3468.94	4853.65
Nylon Tyre Cord Fabric/	48247.89	95695.65	52468.20	90668.78
Fluorochemicals & Allied Products	11945.67	40435.94	12973.68	64779.65
HFC 134a	912.67	2077.51	-	-
Gypsum (By Product)	28536.09	117.37	23560.66	78.53
Hydrochloric Acid (By Product)	52066.24	718.37	52371.27	840.86
Chloromethanes	15834.97	4701.30	17275.03	5884.34
Polyester Films	26333.40	25166.12	24995.99	22975.39
Conversion Income		855.12		403.31
Traded Goods		18.30		1409.83
Waste/Others		3571.33		4442.68
Gross Sales		178500.24		196337.02
Less: Excise Duty		16970.04		16092.47
Net Sales		161530.20		180244.55



e. Raw Material Consumption:

	2008		2007	
	Quantity (MT)	Value (Rs Lakhs)	Quantity (MT)	Value (Rs Lakhs)
Caprolactam	41002.69	49327.06	38963.68	46304.42
Fluorospaer	16259.24	2207.39	13992.97	1503.70
Chloromethanes	8701.11	2106.41	7113.27	1919.64
Sulphuric Acid	18038.15	971.69	15395.10	394.54
Chlorine	27490.00	1432.08	32670.01	1548.27
Methanol	8809.75	1756.36	9605.76	2322.46
Caustic Soda	1770.28	196.87	1817.04	196.76
Nylon yarn/Fabric		12761.01		18593.64
Polyester Chips	27899.61	16883.07	25093.16	14771.87
Others		14314.64		14779.99
Sub-Total		101956.58		102335.29
LESS: CENVAT Credit Availed		11207.16		14134.90
Total		90749.42		88200.39

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:

	2008		2007	
	%	(Rs Lakhs)	%	(Rs Lakhs)
Raw Materials				
Imported	40.03	36328.27	35.78	31559.41
Indigenous	59.97	54421.15	64.22	56640.98
	100	90749.42	100	88200.39
Stores and Spares				
Imported	12.59	307.14	7.27	147.77
Indigenous	87.41	2131.85	92.73	1885.63
	100	2438.99	100	2033.40

h. Value of Imports on CIF basis:

	2008 (Rs Lakhs)	2007 (Rs Lakhs)
Raw Materials	34237.25	29454.17
Stores and Spares	454.05	313.20
Capital Goods	1433.52	1582.40

i. Expenditure in Foreign Currency:

	2008 (Rs Lakhs)	2007 (Rs Lakhs)
Interest	1488.46	2016.97
Technical know-how & Technician's fees	16.19	14.80
Exchange fluctuation difference (Net)	2110.66	1673.84
Others	1604.74	1322.57

j. Earnings in Foreign Exchange:

	2008 (Rs Lakhs)	2007 (Rs Lakhs)
Export of goods calculated on FOB Value	57805.92	79829.93
Commission	-	1.81

20. Information pursuant to part IV of Schedule VI of the Companies Act, 1956

REGISTRATION DETAILS`			
Registration No.	5197	State Code	55
Balance Sheet Date	31.03.2008		
CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS '000)			
Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS '000)			
Total Liabilities	16186315	Total Assets	16186315
Sources of Funds		Application of Funds	
Paid-up Capital (Including amount paid up on forfeited shares and shares suspense account)	689055	Net Fixed Assets	12356686
Reserves and Surplus	9026549	Investments	1475296
Secured Loans	4254974	Net Current Assets**	2354333
Unsecured Loans	731380		
Deferred Tax liability	1484357		
		**Net of Current Liabilities and Provisions	



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	31.03.2008	(Rs/Lakhs) 31.03.2007
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax and extra-ordinary items	20246.73	44311.13
Adjustments for		
Depreciation	9751.78	7859.14
Interest Paid (Net)	3614.32	3550.93
Exchange Fluctuation	2110.66	1673.84
Provision for Doubtful Debts/Advances(Net of written off)	168.79	108.30
Inventory Written Off	101.88	65.22
Fixed Assets Written Off	130.91	28.7
Withdrawal from Revaluation Reserve	(80.05)	(181.50)
Income from Dividend on Shares/Units	(257.76)	(149.07)
Loss/(Profit) on Sale of Assets/Investments	23.76	48.58
Operating Profit before working capital changes	35811.02	57314.83
Adjustments for Change in Working Capital		
Trade and Other Receivables	(2667.81)	(9061.78)
Inventories	(4552.49)	(2743.87)
Trade Payables and Provisions	4151.72	1641.95
Cash Generated from operations	32742.44	47151.13
Interest Paid (Net)	(3614.32)	(3550.93)
Exchange Fluctuation	(2110.66)	(1673.84)
Taxation	(6338.68)	(12774.00)
Net Cash from operating activities (A)	20678.78	29152.36
B CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(17387.43)	(14597.02)
Proceeds from sale of Fixed Assets	136.92	102.24
Sale/Maturities of Investments	43486.13	32815.84
Purchase of Investments	(48318.01)	(33099.17)
Income from Dividend on shares/units	257.76	149.07
Net Cash used in Investing Activities (B)	(21824.62)	(14629.04)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	-	50.62
Proceeds from Share Premium on issue of Equity Shares	-	2531.25
Buy Back of equity shares	-	(31.25)
Repayment of long term borrowings	(5791.49)	(4027.99)
Net proceeds from short term borrowings	7291.08	(7992.36)
Dividends on Equity Share Capital	(3394.26)	(4651.18)
Dividend Tax	(576.85)	(652.32)
Amount received pursuant of Montreal Phaseout Programme	2549.14	1198.42
Net cash used in/from financing activities (C)	77.63	(13574.81)
Net increase in Cash and Cash Equivalents D=(A+B+C)	(1068.21)	948.50
Cash & Cash equivalents at the beginning of the year (E)	1791.26	842.75
Cash & Cash equivalents at the close of the year F =(D+E)	723.05	1791.26

PERFORMANCE OF THE COMPANY (AMOUNT RS '000)			
Total Income			16352870
Total Expenditure			14328197
Profit before Tax			2024673
Profit after Tax			1387298
Earnings per equity share in Rs			20.44
Dividend Rate – Equity (Proposed)			20%
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)	29.03	Product Description	Halogenated derivatives of Hydrocarbons
Item Code No. (ITC Code)	39.20	Product Description	Polyster Films

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

Gurgaon, Haryana
25 April 2008

Rajendra Prasad
President & Chief
Financial Officer

Anoop K Joshi
Company Secretary

Arun Bharat Ram
Chairman

Ashish Bharat Ram
Managing Director

Vinayak Chatterjee
Director

Kartikeya Bharat Ram
Deputy Managing Director

Rajendra Prasad
President & Chief Financial Officer
Gurgaon, Haryana, 25 April 2008

Anoop K Joshi
Company Secretary

Arun Bharat Ram
Chairman

We have certified the above Consolidated Cash flow statement of SRF Limited derived from the audited Statements for the year ended 31 March 2008 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
NEW DELHI



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 31 March 2008, 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 assets of Rs 4,974.91 lakhs as at 31 March 2008 (Previous Year Rs 4,189.98 lakhs) and total revenues of Rs 13,542.05 lakhs for the year then ended (Previous Year Rs 13,635.74 lakhs) and net cash inflow of Rs 1,359.38 lakhs (Previous Year net cash inflow of Rs 33.28 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 Limited and its subsidiaries included in the consolidated financial statements.

The Consolidated Balance Sheet and the Consolidated Profit and 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 31 March 2008
- 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 2008

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008

Schedule	YEAR ENDED	YEAR ENDED	
	31.03.08 Rs/Lakhs	31.03.07 Rs/Lakhs	
SOURCES OF FUNDS			
Shareholders' Funds			
	1	6890.55	6890.55
Share Capital			
	2	85877.18	76590.26
Reserves & Surplus			
		92767.73	83480.81
Loan Funds			
	3	44416.98	48907.15
Secured Loans			
	4	7313.80	22.72
Unsecured Loans			
		51730.78	48929.87
	5	14843.57	12722.57
Deferred Tax Liability			
TOTAL		159342.08	145133.25
APPLICATION OF FUNDS			
Fixed Assets			
	6	195774.75	178382.87
Gross Block			
		79198.16	70871.43
Less: Depreciation			
Net Block		116576.59	107511.44
Capital Work-in-Progress		8934.83	11449.85
		125511.42	118961.29
	7	5711.23	869.15
Investments			
Current Assets, Loans & Advances			
	8	25050.18	20047.71
Inventories			
	9	24499.22	21554.84
Sundry Debtors			
	10	2256.41	2043.67
Cash and Bank balances			
	11	10352.23	10366.08
Loans and Advances			
		62158.04	54012.30
Less: Current Liabilities & Provisions			
	12	31302.92	24081.94
Current Liabilities			
	13	2736.10	4627.55
Provisions			
		34039.02	28709.49
Net Current Asset			
		28119.02	25302.81
Miscellaneous expenditure to the extent of not written off		0.41	-
TOTAL		159342.08	145133.25

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

Gurgaon, Haryana

25 April 2008

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



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

	YE 31.03.08 Rs/Lakhs	YE 31.03.07 Rs/Lakhs
INCOME		
Gross Sales including conversion Income*	185322.81	204743.95
Less: Excise Duty	16970.04	16092.47
Net Sales	168352.77	188651.48
Other Income	14 2105.75	1517.39
TOTAL	170458.52	190168.87
*Includes TDS on conversion income Rs. 22.81 lakhs (Rs 21.33 lakhs)		
EXPENDITURE		
Raw material consumed	15 94767.91	92823.00
(Increase) \ Decrease in Stock	16 870.14	(2070.35)
Expenses	17 40722.95	42846.83
Interest and Finance Charges	18 3798.07	3852.83
Depreciation	10534.93	8641.37
Less: Transfer from Revaluation Reserves	(80.05)	(181.50)
SUB TOTAL	150613.95	145912.19
Total Expenditure	150613.95	145912.19
Profit before Taxation	19844.57	44256.68
Less: Provision for Taxation (Current) Including FBT	4305.79	13182.35
Less: Deferred Tax Liability	2121.00	1917.20
Less: Provision for Tax for earlier years	(47.95)	322.96
Profit after Taxation	13465.73	28834.18
Profit Available For Appropriation	13465.73	28834.18
Less: Interim Dividend	2036.55	2715.40
Less: Proposed Final Equity Dividend	1357.70	1357.70
Less: Tax on Corporate Dividend	576.85	611.58
Less: Transfer to General Reserve	1500.00	3000.00
Add: Profit/(Loss) Brought Forward (Net of Loss of Subsidiaries)	31324.34	9267.03
Add: Profit/(Loss) On translation of Foreign Currencies of Subsidiaries	(337.15)	(169.39)
PROFIT/(Loss) CARRIED TO BALANCE SHEET	38981.82	30247.16
Basic EPS (in Rupees) (Refer Note No. 12)	19.84	43.65
Diluted EPS (in Rupees)	-	-
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

Gurgaon, Haryana
25 April 2008

SCHEDULES

SCHEDULE 1: SHARE CAPITAL

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
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 (Previous Year 73830327) Equity Shares of Rs 10 each	7383.03	7383.03
	7383.03	7383.03
SUBSCRIBED & PAID UP		
67885005 (Previous Year 67885005) Equity Shares of Rs 10 each fully-paid up	6788.50	6788.50
	6788.50	6788.50
Add: Amount paid up on Forfeited Shares	101.51	101.51
	6890.01	6890.01
Share Capital Suspense	0.54	0.54
	6890.55	6890.55

SCHEDULE 2: RESERVES AND SURPLUS

	OPENING BALANCE AS AT 01.04.07	ADDITIONS DURING THE YEAR	WITHDRAWALS DURING THE YEAR	CLOSING BALANCE AS AT 31.03.08
Capital Redemption Reserve	1.63	-	-	1.63
Securities premium account	12527.11	-	-	12527.11
Capital reserve	17435.76	*2549.14	***577.69	19407.21
Revaluation reserve (Fixed Assets)	5893.37	-	86.22	5807.15
General reserve	10485.24	1500.00	-	11985.24
Cash flow hedging reserve	-	-	**2832.97	(2832.97)
Foreign Currency Translation Reserve	(169.39)	(167.76)	-	(337.15)
	46173.72	3881.38	3496.88	46558.22
Profit & Loss account	30416.54	10644.42	1,742.00	39318.97
Total	76590.26	14525.81	5238.88	85877.18
PREVIOUS YEAR	49239.43	27937.80	586.97	76590.26

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

**The cash flow hedging reserve is created towards loss on mark to market of foreign currency derivatives in the nature of cash flow hedge (refer note 6(c) of the accounting policies)

***SRF Americas Inc. ceased operation from 2005-06 and further has been dissolved in accordance with the US laws vide dissolution approval letter dated 27 February 2008. Consequently Investment of Rs 242 lakhs in SRF Americas Inc. has been written off and withdrawal of Rs 577.69 lakhs from capital reserve has been made.



SCHEDULE 3: SECURED LOANS

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
Short Term Loans from Banks	5076.44	1721.98
Long Term Loans from:		
- Banks	37690.54	45010.17
- Others	1650.00	2175.00
Total	44416.98	48907.15

SCHEDULE 4: UNSECURED LOANS

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
Fixed deposits	-	22.72
From Banks	4813.80	-
From others	2500.00	-
Total	7313.80	22.72

SCHEDULE 5: DEFERRED TAX LIABILITY

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
Deferred Tax Liability	15257.31	13052.11
Less : Deferred Tax Asset	413.74	329.54
Total	14843.57	12722.57

SCHEDULE 6: FIXED ASSETS

Description	(Rs/Lakhs)										
	Gross Block			Accumulated Depreciation					Net Block		Revaluation Amount*
	AS AT 01.04.07	**Additions	Deletions	AS AT 31.03.08	AS AT 01.04.07	For The Year	Withd-rawal	AS AT 31.03.08	AS AT 31.03.08	AS AT 31.03.07	AS AT 31.03.08
Goodwill	581.56	-	-	581.56	-	-	-	-	581.56	581.56	-
Freehold Land	9169.06	0.10	-	9169.16	-	-	-	-	9169.16	9169.06	5021.82
Leasehold Land	1956.63	111.75	-	2068.38	-	-	-	-	2068.38	1956.63	223.52
Road	300.04	21.68	-	321.72	87.53	5.60	-	93.13	228.59	212.51	5.60
Buildings	22112.72	631.93	-	22744.65	4,930.00	703.44	-	5633.44	17111.21	17182.72	314.91
Plant & Machinery	138706.09	18752.53	2105.74	155352.88	63280.46	8671.36	1973.78	69978.04	85374.84	75425.63	241.28
Furniture & Fixture Office Equipments etc.	3865.62	251.89	174.67	3942.84	2,052.30	654.94	142.33	2564.91	1377.93	1813.32	-
Vehicles	1257.78	142.52	240.11	1160.19	268.40	411.54	92.09	587.85	572.34	989.38	-
Intangible Assets	433.37	-	-	433.37	252.74	88.05	-	340.79	92.58	180.63	-
TOTAL	178382.87	19912.40	2520.52	195774.75	70871.43	10534.93	2208.20	79198.16	116576.59	107511.44	5807.13
Previous Year	151036.30	27713.65	367.08	178382.87	62378.28	8641.40	148.25	70871.43	107511.44	88658.02	5893.37

*Revaluation was done as on 31 March 2005

**Includes Rs Nil (Rs 896.26 lakhs) as exchange currency fluctuation gain

SCHEDULE 7: INVESTMENTS

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
Non-trade investments(at cost)		
-quoted (*) (#)	4963.16	262.52
-unquoted	453.09	311.65
	5416.25	574.17
Less:Provision for diminution in value of long term investment	261.69	261.69
	5154.56	312.48
Trade Investment - Unquoted	556.67	556.67
	5711.23	869.15
*Market value of quoted investments	5121.12	268.96
# Includes Deposits earmarked Under Rule 3 A of the Companies (Acceptance of Deposits) Rules, 1975	-	245.45

SCHEDULE 8: INVENTORIES

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
Raw Material	13921.69	8687.09
Stores & spares	1746.97	1108.96
Finished Goods	4114.60	3990.35
Stock-in-Process	5266.92	6261.31
Total	25050.18	20047.71

SCHEDULE 9: SUNDRY DEBTORS

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
Unsecured considered good for recovery by the Management (unless otherwise stated)		
Debts over six months		
Considered good	123.20	423.97
Considered doubtful	259.00	146.60
Other debts		
Considered good	24376.02	21130.86
Less: Provision for doubtful debts	259.00	146.60
Total	24499.22	21554.84

SCHEDULE 10: CASH AND BANK BALANCES

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
Cash in hand	27.69	23.73
Cheques in hand	115.00	106.01
Balances with Scheduled Banks		
Current Accounts	1681.41	1591.06
Unclaimed Dividend	98.61	85.62
Unclaimed Interim Dividend	252.61	161.34
Fixed Deposit *	81.09	75.71
Remittances in transit	-	0.20
Total	2256.41	2043.67
* Includes margin money	81.09	75.71



SCHEDULE 11: LOANS AND ADVANCES

	AS AT 31.03.08 Rs/Lakhs	AS AT 31.03.07 Rs/Lakhs
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	2506.33	2468.56
Considered doubtful	179.48	169.03
Sub total	2685.81	2637.59
Less: Provision for doubtful advances	179.48	169.03
Sub total	2506.33	2468.56
Deposit with Excise and Customs	246.29	152.48
Other Deposits	1700.53	1651.09
Claims Recoverable	605.53	64.67
Cenvat recoverable	5293.55	6029.28
	10352.23	10366.08

SCHEDULE 12: CURRENT LIABILITIES

Acceptances	8627.14	8406.31
Sundry creditors:		
Dues to MSME''s	176.62	331.30
Dues to others	21519.69	14434.13
Security Deposits	363.17	347.57
Unclaimed Dividends *	98.61	85.62
Interim Dividends Payable*	252.61	161.34
Unclaimed Fixed Deposit (Including Interest)*	14.10	19.22
Interest and commitment charges accrued but not due	250.99	296.44
*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.		
	31302.93	24081.94

SCHEDULE 13: PROVISIONS

Provision for Taxation(net)	730.32	2735.02
Proposed Dividends	1,357.70	1357.70
Provision for Leave Encashment	648.08	534.83
	2736.10	4627.55

SCHEDULE 14: OTHER INCOME

	YEAR ENDED 31.03.08 Rs/Lakhs	YEAR ENDED 31.03.07 Rs/Lakhs
Claims	28.14	47.55
Export Incentives	469.95	14.25
Dividend on shares / Units (Non Trade)	259.20	151.94
Provision no longer required	318.50	418.17
Scrap sales	487.82	447.66
Profit on Sale of Investment	17.22	-
Recovery of Amounts Written Off	5.00	50.00
Interest Income		
From Customers*	6.17	27.24
On Loans and Deposits*	103.05	94.44
On Others**	117.17	70.59
Others	293.53	195.55
	2105.75	1517.39
* Includes Income-tax deducted at source		
	7.22	20.26
** Includes Interest on Income Tax Refunds		
	48.14	15.75

SCHEDULE 15: RAW MATERIALS CONSUMED

Opening stock of Raw Material	8687.09	8353.34
Add: Purchases of Raw Materials	100002.51	93156.75
	108689.60	101510.09
Less: Closing Stock of Raw Material	13921.69	8687.09
Raw Materials consumed	94767.91	92823.00

SCHEDULE 16: (INCREASE) \ DECREASE IN STOCK

Opening Stock: Work in progress	6261.31	3162.91
Finished goods	3990.35	5018.40
	10251.66	8181.31
	10251.66	8181.31
Closing Stock: Work in progress	5266.92	6261.31
Finished goods	4114.60	3990.35
	9381.52	10251.66
(Increase)\Decrease in Stock	870.14	(2070.35)



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 up to 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 per cent of the aggregate value of plant and machinery in each division

b. Furniture & fixtures, office equipment, cylinders on straight line method at rates specified in Schedule XIV to the Companies Act, 1956

c. Management estimates the useful lives for the other fixed assets as follows:-

Mobile Phone	1 year
Data Processing Equipment	3 years
Vehicles	4.5 years

The Company's subsidiary SRF Overseas Limited depreciates Data Processing Equipment at rates specified in Schedule XIV to the Companies Act, 1956

d. Roads, buildings and plant and 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

e. 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 19 per cent

f. Intangible assets are being amortized over their useful life of three years

SCHEDULE 17: EXPENSES

	YEAR ENDED 31.03.08 Rs/Lakhs	YEAR ENDED 31.03.07 Rs/Lakhs
Stores & Spares Consumed	1533.74	1453.11
Power & Fuel	14704.52	15039.58
Rent	451.00	420.09
Repairs & Maintenance		
Buildings	151.59	171.61
Plant & Machinery	2215.65	1926.14
Other Maintenance	896.42	781.12
Freight	3322.08	3448.04
Professional & Legal Charges	1703.29	5068.99
Salaries, Wages, Bonus, etc.	7110.85	6381.60
Contribution to PF, Gratuity, Supperannuation, ESI and other funds.	682.66	564.67
Workmen & Staff Welfare Expenses	902.56	835.73
Insurance	463.97	546.73
Rates & Taxes	145.51	166.62
Contract Conversion Charges	487.56	535.75
Travel	726.82	716.90
Auditors Remuneration & Expenses		
Audit Fee	20.93	20.84
Interim audit fee	9.00	9.00
Tax Matters	5.50	5.50
Certification Work	3.86	1.55
Expenses Reimbursement	-	0.20
Directors Sitting Fees	6.60	8.49
Wealth Tax	6.61	10.61
Selling Commission	526.95	476.09
Exchange Currency Fluctuation	2099.92	1668.35
Miscellaneous Expenses (*) (**)(**)(****)	2545.36	2589.54
	40722.95	42846.83
* Includes Provision for Doubtful Debts and Advances	168.79	88.06
** Includes assets/debts/inventory written off/Loss on sale of assets	525.02	234.45
*** Includes difference in excise duty provision between opening and closing stock of finished goods	(2.90)	45.37
****Includes Prior Period Expenses including Research & Development of Rs Nil (Rs 109.31 lakhs)	-	112.21

SCHEDULE 18: INTEREST & FINANCE CHARGES

Term Loans and Fixed Deposit	2156.00	1545.89
Cash Credit and Others	815.41	1516.76
Lease Rentals	7.47	1.33
Financial Charges	819.19	788.85
	3798.07	3852.83



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 the product line as Cash Generating Units (CGU). 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 recognised in profit and 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 and loss account as exchange fluctuation loss or gain
- c. Pursuant to ICAI Announcement for adoption of AS – 30 Financial Instruments: Recognition and Measurement, the Company has accounted for the hedge accounting of all the hedging instruments including derivatives in accordance with paragraph 99 and 106 of the said standard, affecting either the profit and loss account or hedging reserve (equity segment) as the case may be. The debit balance, if any, in the hedging reserve is being shown as a deduction from free reserves
- d. The Company discloses the open and hedged foreign exchange exposure as note to the accounts

8. RESEARCH & 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

- 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
Reprocessible 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

10. 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

11. RETIREMENT BENEFITS

- 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. Company provides for gratuity, a defined benefit retirement plan (the 'Gratuity Plan') covering eligible employees. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the Company contributes all the ascertained liabilities to the SRF Employees Gratuity Trust (the 'Trust') and SRF Officers Gratuity Trust (the 'Trust'). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law
- d. In case of Company's subsidiary SRF Overseas Limited the provision is made for Gratuity and Leave salary as per the labour rules of Jabel Ali Free Zone Authority, for the accumulated period of service at the balance sheet date

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

- a. Sales are inclusive of Excise Duty/Customs Duty and net of trade discounts. Export sales are recognised 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 recognised as income on the delivery of the CER to the customers' 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 recognised 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
- 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



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 paragraph 5.3 above
- Capital receipts are credited to Capital Reserve
- Hedging reserve represents the possible gain or loss arising out of adjusting the hedging instruments to mark to market

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 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

16. BORROWING COST

Borrowing cost (including difference in exchange rate on the principal to the extent it represents interest cost) attributable to the acquisition or construction of qualifying assets is capitalised as a part of the cost of those assets. Other borrowing costs are recognised 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 31.03.08	Proportion of ownership as at 31.03.08	Remarks
Indian Subsidiaries			
SRF Transnational Holdings Limited	100%	100%	Consolidated
SRF Properties Limited	100%	100%	Consolidated
SRF Infrastructure Limited	100%	-	Consolidated
SRF Flour (P) Limited	100%	-	Consolidated
Foreign Subsidiaries			
SRF Americas, Inc.*	-	100%	Consolidated
SRF Overseas Limited	100%	100%	Consolidated

*Ceased operation from 2005-06 and further has been dissolved in accordance with the US laws vide dissolution approval letter dated 27 February 2008.

The Company owns 25 per cent ownership in the Malanpur Captive Power Limited and the same has not been considered for consolidation purpose, since the Company does not exercise significant influence over Malanpur Captive Power Limited

2. Share Capital

- Subscribed Equity Shares include 20,34,848 shares (Previous Year 20,34,848) 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 Limited (FPL) pending settlement of calls in arrears in respect of their shareholding in FPL

3. Details of Security

The borrowings of the Company made before the effective date (18 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 Limited.

Loan	Outstanding Amount (Rs Lakhs)	Security
1. (i) Term loan from Banks	17587.50	<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 lakhs 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 lakhs 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	20103.04	<p>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.</p>
(iii) Term loan from Others	1650.00	<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 moveable assets for working capital facilities mentioned in 2 below.</p> <p>Out of the loans as at 1 (i), the term loans aggregating to:</p> <p>a) Rs 10,000 lakhs 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 7,025 lakhs 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 3,500 lakhs 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>



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 29 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. i) Liability on account of Bills Discounted Rs 4167.35 lakhs (Previous Year – Rs 6211 lakhs) ii) Liability on account of Letter of Credit Discounted (Debtors) Rs 238.24 lakhs (Previous Year – Rs 282.60 lakhs) iii) Liability on account of Letter of Credit (Creditors) Rs 79.68 lakhs (Previous Year – Rs 76.29 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 Government land
- (ii) The Company has been served with show cause notices regarding certain transactions as to why additional Customs/Excise Duty amounting to Rs 19.62 lakhs (Previous Year Rs 63.45 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 135.70 acres). In addition to aforesaid extent, 0.79 acres were handed over to SRF Limited 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 Limited and another extent of 1.29 acres with a factory building on it, is jointly owned and enjoyed by the Company and SRF Polymers Limited in ratio of 25.33 per cent and 74.67 per cent 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 5(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 Chemicals Business is in process of acquiring land at Village Jhiwana, Tehsil Tijara Alwar district, in the State of Rajasthan. Registry has been done for 1.75 acres and in respect of 2.25 acres Memorandum of Understanding has been signed, which is yet to be registered
- f) The Company intends to sell its residential properties situated at various places
- g) The cyclical nature of Packaging Films 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
- h) During the year the depreciation rates of the following fixed assets have been revised as under:

Item	Old Rate	New Rate
Mobile Phone	6.33%	100%
Data Processing Equipment	16.21%	31.67%
Vehicles	9.5%	20%

The impact of the above changes in the lives is that depreciation is higher by Rs 485.00 lakhs.

Loan	Outstanding Amount (Rs Lakhs)	Security
2 Cash credit/ working capital demand loans	3209.20	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). 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.
	1867.24	Bank loans and overdrafts in SRF Overseas Limited are secured by the assignment of insurance policies on inventories on pari passu basis and trade receivables are subject to a floating charge for working capital facilities granted to the Company on pari passu basis.
Total	44416.98	

Out of (I) above, a sum of Rs 11245.00 lakhs (Previous Year Rs 7259.00.00 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 4002.87 lakhs (Previous Year Rs 793.34 lakhs).

Further the Company is to make investment in the joint venture Jingde Yangtze - Ganga Fluorine Chemical Company Limited up to 2.65 million US Dollar.

5. Contingent Liabilities

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

	31.03.08 (Rs Lakhs)	31.03.07 (Rs Lakhs)
Excise Duty*	3884.53	3998.54
Sales Tax**	43.74	75.58
Income Tax	171.00	171.00
Stamp Duty****	2881.55	2881.55
Others***	44.17	44.17

*Amount deposited Rs 27.92 lakhs (Previous Year Rs 38.42 lakhs)

** Amount deposited Rs 13.55 lakhs (Previous Year Rs 13.52 lakhs)

*** Amount deposited Rs 8.00 lakhs (Previous Year Rs Nil)

**** In the matter of acquisition of the Tyre cord Division at Malanpur from Ceat Limited the Collector of Stamps, Bhind has by his order dated 7 November 2001 assessed the value of the subject matter of the Deed of Conveyance dated 13 June 1996 at Rs 30,300 lakhs and levied a stamp duty of Rs 2,372.50 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 June 1996 is only the superstructures valued at Rs 2,776.18 lakhs and not the entire undertaking valued at Rs 30,300 lakhs as claimed by



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

S. No.	Name of the Security / Name of the Company	No. of Units	Nominal value per unit	Book value/Cost 31.03.08	Book value/Cost 31.03.07
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)	SIEL Limited(fully paid)#	2901	Rs 10	.48	.48
(iii)	Chemplast Sanmar Limited##	220	Rs 1	-	-
(iv)	DCM Shriram Consolidated Limited##	280	Rs 10	-	-
	Sub Total			248.01	248.01
	Market Value of (A)			250.09	254.1
(B)	Unquoted Equity Shares: -				
(i)	SB Packagaing Limited	119000	Rs 10 fully paid	49.98	49.98
(ii)	SBL Industries Limited – Preference shares*	2500000	Rs 10 fully paid	250.00	250.00
(iii)	Sanghi Spinners Limited*	670000	Rs 10 fully paid	11.69	11.69
(iv)	Arkay Energy (Rameswaram) Limited (Trade Investment)	1575000	Rs 10 fully paid	157.50	157.50
(v)	Malanpur Capitive Power Limited (Trade Investment)	3991650	Rs 10 fully paid	399.17	399.17
(vi)	SRF Aman Agron Private Limited	300	Rs 100 fully paid	-	-
(vii)	Jingde Yangtze – Ganga Fluorine Chemical Company Limited (Joint Venture)	-	-	141.43	-
	Sub Total			1009.76	868.33
	*Less: Provision for investment			261.69	261.69
	Total (B)			748.07	606.64
(II)	Short Term Investments at Cost:				
(C)	Quoted – Units of Mutual Funds				
(i)	Sundaram BNP Paribus Floter LT Regula	147,426 (141,239)	Rs 10 fully paid	15.16	14.51
(ii)	Unquoted Mutual Fund Investment			4700.00	-
	Total (C)			4715.16	14.51
	Market Value of (C)			4871.03	14.86

#As per Scheme of Arrangement for Amalgamation of Mawana Sugars Limited with SIEL Limited and reduction of share capital of SIEL Limited, the Company was allotted 8,418 equity shares of SIEL Limited in exchange for 5,612 equity shares of Mawana Sugars Limited. Thereafter, the share capital of SIEL Limited was reduced to one-third.

These investments have no cost value as these represents split shares issued by the companies concerned. These were sold by the Company in physical form and the buyer had not got the shares transferred in his name.

SRF Americas Inc. ceased operation from 2005-06 and further has been dissolved in accordance with the US laws vide dissolution approval letter dated 27 February 2008.

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 31 March 2008, there is no permanent diminution in value of investments made by Company.

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 per cent p.a. or more to senior officers of the Company (repayable beyond seven years) Rs 1.27 lakhs (Previous Year - Rs 1.79 lakhs). Maximum balance Rs 1.79 lakhs (Previous Year Rs 2.26 lakhs).

b. Rs 921.80 lakhs as interest free security deposit for accommodation, for various offices and officers, taken on lease (Previous Year Rs 923.44 lakhs).

9 Repairs & Maintenance

Repairs and Maintenance to plant and machinery and buildings include stores and spares consumed of Rs 1581.68 lakhs and Rs 38.35 lakhs respectively (Previous Year Rs 1977.55 lakhs and Rs 62.90 lakhs respectively).

10 Provisions for Taxation

The details of the net Deferred Tax Liability of Rs 14843.57 lakhs (Previous Year Rs 12722.57 lakhs) are as under:

Deferred Tax Liability on Account of: -	31.03.08 Rs Lakhs	31.03.07 Rs Lakhs
Difference between Book & Tax Depreciation	14003.24	12456.60
Research & Development Expenditure	1254.07	595.50
Total	15257.31	13052.10
Deferred Tax Assets on account of: -		
Provision for bad and Doubtful Debts	88.03	49.82
Claim Allowable U/s 43B	325.71	279.71
Total	413.74	329.53
Net Deferred Tax Liability	14843.57	12722.57

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)	Enterprises over which (a) have significant influence (b)
Mr. Arun Bharat Ram, Chairman	SRF Polymers Limited
Mr. Ashish Bharat Ram, Managing Director	Bhairav Farms Private Limited
Mr. Kartikeya Bharat Ram, Deputy Managing Director	Narmada Farms Private Limited
Mr. K Ravichandra, Whole Time Director	SRF Polymers Investment Limited
	SRF Foundation (formerly Society for Education & Welfare)



Transactions with Related Parties

Nature of Transaction	(a)		(b)	
	31.03.08	31.03.07	31.03.08	31.03.07
Sale of goods	-	-	2159.70	1962.95
Purchase of Fixed Assets	-	-	-	56.30
Sale of Fixed Assets	-	-	8.92	-
Rendering of Services	-	-	72.72	49.58
Management contracts including for deputation of employees	-	-	9.10	8.56
Rental Paid	-	-	219.52	219.00
Rental Received	-	-	6.28	6.27
Remuneration Paid	504.25	507.79	-	-
Interest received on ICDs/ Loans	-	-	10.12	25.71
Reimbursement of expenses	-	-	46.84	82.09
Donations	-	-	4.00	150.00
Receivable O/s	-	-	128.04	345.92
Loans /Securities O/s	-	-	-	328.88

12. Earning Per Equity Share

Annualised earnings per equity share have been calculated based on the net profit after taxation of Rs 13465.73 lakhs (Previous Year Rs 28834.17 lakhs) and the weighted average number of equity shares of 67,885,005 (Previous Year 66,062,247).

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 organization 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, and its research and development
- Chemical Business: Includes refrigerant gases, chloromethanes, pharmaceuticals, CER's & Allied products, and its research and development
- Packaging Films 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	31.03.08 Rs Lakhs	31.03.07 Rs Lakhs
Segment Revenue		
a) Technical Textiles Business (TTB)	97703	95406
b) Chemicals Business (CB)	47894	72944
c) Packaging Films Business (PFB)	22757	20309
Total Segment revenue	168354	188659
Less: Inter Segment revenue	1	8
Net Sales/Income from Operations	168353	188651
Segment Results		
(Profit/(Loss) before interest and tax from each segment)		
a) Technical Textiles Business (TTB)	1964	4748
b) Chemicals Business (CB)	25528	48342
c) Packaging Films Business (PFB)	2136	(534)
Total Segment results	29628	52556
Less: Additional Depreciation due to change in rates (on the assets belonging to above segments)	(287)	-
Total Segment results after additional depreciation	29341	52556
Less: i) Interest & Finance Charges (Net)	3572	3758
Less: ii) Other Unallocable expenses net of income	5924	4541
Total Profit before Tax	19845	44257
Capital Employed (Segment assets less segment liabilities)		
a) Technical Textiles Business (TTB)	95610	92487
b) Chemicals Business (CB)	29052	15801
d) Packaging Films Business (PFB)	18154	18917
e) Capital Work-in-Progress	8709	11282
Total Capital employed in segments	151525	138487
Add : Unallocable assets less liabilities	2009	754
Total capital employed in the Company	153534	139241

i. Secondary Segment (Geographical Segment):

Particulars	31.03.08 Amount Rs Lakhs	31.03.07 Amount Rs Lakhs
Revenue		
India	103724	100416
Outside India	64629	88236
Total	168353	188651
Carrying Amount of Segment Assets		
India	169752	156341
Outside India	6679	5293
Total	176431	161634
Addition to Fixed Assets and Intangible Assets		
India	19908	27698
Outside India	5	16
Total	19913	27714



CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

(Rs Lakhs)
31.03.2008
31.03.2007

	31.03.2008	31.03.2007
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax and extra-ordinary items	19844.57	44256.68
Adjustments for		
Depreciation	10534.93	8641.37
Investment (written off)	242.00	-
Interest Paid (Net)	3798.07	3660.57
Exchange Fluctuation	2099.92	1668.35
Provision for Doubtful Debts/Advances (Net of written off)	168.79	108.30
Inventory Written Off	101.88	65.23
Fixed Assets/Investment Written Off	372.91	29.12
Withdrawal from Revaluation Reserve	(80.05)	(181.50)
Income from Dividend on Shares/Units	259.20	(151.94)
Loss/(Profit) on Sale of Assets/Investments	21.08	119.86
Operating Profit before working capital changes	37363.30	58216.04
Adjustments for		
Trade and Other Receivables	(3099.33)	(9382.24)
Inventories	(5104.37)	(2541.54)
Deferred Revenue Expenditure	(0.41)	-
Cash Flow Hedge Reserve	2832.97	-
Trade Payables and Provisions	7415.93	1509.33
Cash Generated from operations	33742.16	47801.59
Interest Paid (Net)	(3798.07)	(3660.57)
Exchange Fluctuation	(2099.92)	(1668.35)
Taxation	(6344.25)	(12774.12)
Net Cash from operating activities (A)	21420.31	29755.59
B CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(17397.38)	(14612.52)
Proceeds from sale of Fixed Assets	136.92	30.98
Sale/Maturities of Investments	43488.80	32815.83
Purchase of Investments	(48555.68)	(32962.44)
Income from Dividend on shares/units	(259.20)	151.94
Net Cash used in Investing Activities (B)	(22586.54)	(14576.21)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	-	50.62
Proceeds from Share Premium on issue of Equity Shares	-	2531.25
Buy Back of equity shares	-	(31.25)
Repayment of long term borrowings	(7844.63)	(4027.99)
Net proceeds from short term borrowings	10645.54	(8568.22)
Dividends on Equity Share Capital	(3394.26)	(4651.18)
Dividend Tax	(576.85)	(652.33)
Amount received pursuant of Montreal Phaseout Programme	2549.14	1198.42
Net cash used in/from financing activities (C)	1378.94	(14950.68)
Net increase in Cash and Cash Equivalents D=(A+B+C)	212.72	1028.71
Cash & Cash equivalents at the beginning of the year (E)	2043.69	1014.98
Cash & Cash equivalents at the close of the year F =(D+E)	2256.41	2043.69

Ashish Bharat Ram Managing Director	Vinayak Chatterjee Director	Kartikeya Bharat Ram Deputy Managing Director
Rajendra Prasad President & Chief Financial Officer Gurgaon, Haryana 25 April 2008	Anoop K Joshi Company Secretary	Arun Bharat Ram Chairman

We have certified the above Consolidated Cash flow statement of SRF Limited derived from the audited statements for the year ended 31 March 2008 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
New Delhi

14. Forex Exposure

SRF has entered into long term contracts for the transfer/sale of Carbon Emission Reductions (CER) with reputable global buyers. The cash flow from these sales forms the mainstay of SRF's multi-year capital expansion plan, and as such these cash flows need to be both stable and secure. To ensure stability of revenues in foreign currency from the transfer/sale of CERs, the Company has entered into forward contracts with the banks to part sell Euros to be earned out of future CER sales.

The details of the forex exposure of the Company as on 31 March 2008 are as under:

	Euro	USD	JPY	CHF
Inflows	108.9	83.8	-	-
Outflows	17.9	38.6	41.6	15.9
Net Exposures	91.0	45.2	(41.6)	(15.9)
Hedging status				
• Hedged	88.9	57.3	(13.3)	(9.4)
• Open	2.1	(12.1)	(28.3)	(6.5)

The Company has not entered into any hedging transactions in the nature of speculation in 2007-08 (Previous Year Nil).

Figures in () indicate hedged outflow

*This includes positions arising out of cross currency hedges

**US Dollar exposure for SRF Overseas Limited is not considered, since their local currency i.e. AED is pegged to US Dollar.

15. Operating Leases

As at 31 March 2008, the future minimum lease payments under non-cancellable leases as set out below:

Particulars	31.03.08 Amount Rs Lakhs	31.03.07 Amount Rs Lakhs
Not later than one year	43.72	45.96
Later than one year and not later than five years	12.46	59.06

16. 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

Gurgaon, Haryana
25 April 2008

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



DETAILS OF SUBSIDIARY COMPANIES

		SRF Overseas Limited#		SRF Fluor Private Limited #		SRF Infrastru- cture Limited	SRF Transnat- ional Holdings Limited	SRF Properties Limited
		AED	Rs/Lakhs	USD	Rs/ Lakhs	Rs/Lakhs	Rs/Lakhs	Rs/Lakhs
a	Capital	84049966	8514.85	2	*-	5.00	3,254.18	8.00
b	Reserves & Surplus (adjusted for debit balance in P&L Account where applicable)	(27,505,236.00)	(3,191.14)	(7,195.00)	(2.89)	-	(2,284.19)	55.73
c	Total Assets (Fixed Assets+ Current Assets)	89,252,969.00	8,898.71	775.00	0.31	5.05	936.63	48.96
d	Total Liabilities (Debts +Current Liabilities)	32,708,239.00	3,575.01	7,968.00	3.20	0.05	19.18	0.40
e	Details of Investment (except in case of investment in subsidiaries)	-	-	-	-	-	52.54	15.16
f	Turnover (Including Other Income)	120,808,693.00	13,542.05	-	-	-	89.34	7.84
g	Profit Before Taxation	884,217.00	96.42	(7,195.00)	(3.01)	-	30.69	7.05
h	Provision for Taxation	-	-	-	-	-	3.35	1.74
i	Profit After Taxation	884,217.00	96.42	(7,195.00)	(3.01)	-	27.34	5.31
j	Proposed Dividend	-	-	-	-	-	-	-

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

*Rs 79 omitted in rounding off.

Note :

1. The Ministry of Company Affairs, Government of India vide its letter dated 24 April 2008 has granted approval under Section 212 (8) of the Companies Act, 1956 for the financial year ended on 31 March 2008 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.

2. 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 1PM on all working days.