



Vision that redefines boundaries



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Annual Report 2008-09

# EXPANDING THE HORIZON

The success of an organisation is not quantified in monetary terms alone. One of the key measures of success is the respect and reputation the organisation earns over the years.

Determined not to rest on its laurels, SRF embarked on the journey to mark its presence across the waters. During the year 2008-09, it expanded its footprint in two more countries – South Africa and Thailand. The effort truly epitomises the essence of the sea – progressive, enduring, ceaseless, indomitable and vibrant.

Breaking boundaries and blurring borders, SRF is all set to expand its horizon.

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## Message from the Chairman

Dear shareholders,

It gives me immense pleasure in sharing with you my thoughts on the performance and prospect of your Company. The year 2008-09 was truly a watershed year for SRF – it not only faced the economic downturn with strength and resilience but also expanded its footprint in two more countries, increasing the number to four. As Indians, we feel proud to have created an impact at the global level.

It fills my heart with joy to inform you that the global journey we began with the setting up of the Dubai unit in 1996 has crossed new frontiers. We took confident steps forward during 2008-09 through two foreign acquisitions: one in Thailand where we acquired Thai Baroda Industries Limited (TBIL), and the second one in South Africa where we acquired the belting fabrics business of Industex Technical Textiles (Pty) Limited. These are both part of our core businesses.

More importantly, these acquisitions placed SRF firmly on the global map. Its world ranking improved from 3rd to 2nd in both the production of Nylon 6 Tyre cord as well as Belting Fabrics. While the Thai plant enabled SRF to get a foothold in the ASEAN market, the South African plant provided an opportunity to enter Africa, a continent of the future. Besides, your Company purchased two businesses of the holding Company, SRF Polymers Limited (SRFP), the Engineering Plastics Business (EPB) and the Industrial Yarn Business (IYB) during the year. These acquisitions were made to achieve consolidation through greater synergies between businesses.

The journey, however, was extremely challenging as the Company faced arguably one of the most turbulent global meltdowns ever witnessed, at least in my lifetime. Like most of the corporates, SRF too was hit hard by the slowdown which began unfolding in September 2008 after a high growth trajectory in the first half of the year. The demand for our goods declined and the prices fell precipitously. The fluctuating exchange rate did not help the cause either. Clearly, it was a free fall for the market.

Yet, we continued the journey towards our destination fuelled by our conviction and spurred by our confidence. The need of the hour was to match our ability with adaptability to be able to garner growth. We seized the opportunity to improve our internal efficiencies by way of making our systems lean. Simultaneously, we renewed our focus to improve our cost competitiveness through enhanced productivity and optimum resource utilisation.



Most importantly, we remained focused on delivering value to our customers using innovation as the key instrument. Put simply, we walked a tight and disciplined line to stay afloat. And, the strategy paid off. Even in a period of slowdown, your Company's PAT improved by 18 per cent to Rs 163 crore and net sales increased by 11 per cent to Rs 1,800 crore.

But what is more gratifying to see is the collective commitment of our colleagues across the Company to withstand such a difficult situation. The financial numbers do unmask the extraordinary efforts of the employees who not only remained resolute but also made the right moves to stay on course. Bolstered by its financial performance, the Company paid a dividend at the rate of 100 per cent amounting to Rs 10 per share, as against a dividend of Rs 5 per share paid last year. The Company had initiated buy-back of its shares aggregating to Rs 70 crore from the open market, which it completed in April this year. The average price of the buy-back shares works out to be Rs 94.83 per share as against the approved price of Rs 160 per share.

Overall, the Company's performance was satisfactory when viewed in the context of the prevailing scenario. To its credit, SRF continued to maintain its market leadership in Tyre Cord (38 per cent market share), Belting Fabrics (60 per cent market share) and Refrigerants (40 per cent market share). The Packaging Films Business not only achieved 100 per cent capacity utilisation but also managed to record an increase of 27.10 per cent in its revenue on YoY basis through a judicious mix of domestic and internal sales.

The Fluorospeciality Business segment, which is essentially driven by our R&D expertise in the area of fluorine chemistry, turned around during the year. The success of R&D is, therefore, critical. We do believe that going forward, fluorospecialties will provide us a competitive edge in the market. You will be happy to know that our

# PROGRESSIVE

The waves of the sea have redefined the horizon of SRF. Reaching out to Thailand and South Africa, SRF has become the Indian multinational in the true sense of the word. And that's not all, just like the sea knows no boundaries, at SRF we strive to reach, conquer and accomplish more of the world everyday. Embodying the progressive nature of the sea, SRF has begun globe-trotting, following the approach of continuous progression. This attitude of SRF has made it outreach its competitors and overcome the obstacles with a zest to win.

# Company Information



R&D team in Chemicals and Polymers Business is actively involved in developing new compounds for the pharma and agro industries.

Let me recount some of the other key business performance highlights.

Though the top line of the Chemicals and Polymers Business declined due to an accelerated phase out of CFCs during the year, the outlook is encouraging. Alongside, the focus on enhancing production of HFC 134a continued as a substitute for CFCs and HCFCs. HFC 134a is the in-house developed new generation of refrigerant, for use in automobile, air-conditioners and refrigerators.

Staying with its long-term growth story, your Company approved a proposal to set up a Laminated Fabric Project for expansion of TTB's Coated Fabric Business at a total cost of Rs 57 crore during the year. This is a part of the overall plan for de-risking the Company's Technical Textiles Business by reducing its dependence on the Tyre Cord business.

We persisted with our method of using TQM as a strategic tool of management for bringing improvement in every sphere of our activity spanning both operations and services. The success of TQM in SRF has inspired all of us to continue to strive towards achieving excellence in our business.

A global outlook requires a global mindset. We strongly believe that situations are temporary and institutions are permanent. We therefore did not resort to any knee-jerk reaction of downsizing during the year. Infact, drawing strength from our enduring value-systems of trust, dignity and respect for each other, we renewed our focus on people development during the turbulent year.

We also believe that sustainable development of our business is not a discretionary activity. In our scheme of things, the need for safety of employees or the concern for climate change does not become less pressing just because the industry is passing through a tough time. This is a commitment that was duly recognised during the year when our Chemicals Business was conferred with the prestigious CII-ITC Sustainability Award for the year 2008. SRF won the 'Commendation Certificate' in the independent category.

Similarly, we continued to contribute towards community development in tune with our commitment to the society. We intensified our efforts to reach out to the poorest of the poor in Tijara Tehsil of Alwar, Rajasthan, where our chemical plant is located. The idea was to improve their livelihood by harnessing under-utilised land and water resources under our Natural Resource Management (NRM) programme. The work on creating awareness on HIV/AIDS continued. Further, we carried forward our commitment to providing quality education to the children from both the privileged and the underprivileged sections of the society under the aegis of SRF Foundation.

You will be happy to know that The Shri Ram School, New Delhi, one of the schools run by SRF Foundation, has been rated as the country's most respected Day School in a survey conducted by Education World, a national human development magazine.

We do realise that our responsibility towards nation building transcends regional boundaries. Recently when Bihar was struck by terrible floods, your Company immediately responded by donating Coated Fabric rolls, its own product, for constructing Child Friendly Spaces, tents for flood affected children.

In conclusion, I want to reiterate our commitment to continue to create wealth for the Company's stakeholders. We will continue to conduct our business with values and ethics. We will continue to provide value to our customers. We will continue to build and enhance SRF's reputation of a professionally managed Company that is global in its ambition and outlook. And, we will continue to share our prosperity with the community at large.

I am sure we will continue to deliver on our promises.

And before I conclude, let me express my sincere gratitude to you and all other stakeholders including my colleagues in SRF for all their unstinted support towards our journey.

With kind regards,

Yours sincerely,

Arun Bharat Ram  
Chairman

## 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 Deloitte Haskins & Sells, Chartered Accountants



## Company Secretary

Mr Anoop K Joshi

## Bankers

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

## Registered Office

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

## Corporate Office

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

## Technical Textiles Business

- Plants
- Manali Industrial Area, Manali, Chennai – 600 068, Tamil Nadu
  - Industrial Area, Malanpur, Dist. Bhind – 477 116, MP
  - Plot No 1, SIPCOT Industrial Area Complex, Gummidipoondi, Dist. Thiruvallur – 601 201, Tamil Nadu
  - Viralimalai, Dist. Pudukkottai – 621 316, Tamil Nadu

## Chemicals and Polymers Business

- Plants
- Village & PO - Jhiwana, Tehsil Tijara, Dist. Alwar – 301 018, Rajasthan
  - Manali Industrial Area, Manali, Chennai – 600 068, Tamil Nadu
  - Plot No 14C, Sector 9, IIE Pantnagar, Dist. Udhampur, Uttarakhand

## Packaging Films Business

- Plants
- SEZ Indore, Sector-3, Pithampur, Dist. Dhar, MP
  - Plot No 12, Rampura, Ramnagar Road, Kashipur, Dist. Udhampur, Uttarakhand

# Directors' Report

# ENDURING

Several great leaders are known to have achieved great things because of their calm and composed approach wherever necessary. A firm and unwavering mind can achieve even the improbable. The seas also go quiet sometimes, as if it were planning for the next move. Similarly, SRF maintains a calm and enduring approach to not only delve deep into the past, but also envision what lies ahead. Sneaking into the success shoes, SRF has emerged as a global leader in its field of expertise. Like the stable, calm and composed sea, which takes a pause before a major move, SRF also takes judicious decisions before every significant step.



Your Directors are pleased to present the 38th Annual Report for the year ended 31 March 2009.

## Financial Results

	(Rs Crore)	2008-09	2007-08
Net Sales		1,800.82	1,615.30
Profit Before Interest, Depreciation & Tax (PBIDT)		394.34	333.80
Less: Interest & Finance Charges (Net)		49.00	34.61
Gross Profit		345.34	299.19
Less: Depreciation		99.40	96.72
Profit Before Tax (PBT)		245.96	202.47
Less: Provision For Taxation Including Deferred Tax Charge		82.68	63.74
Profit After Taxation (PAT)		163.28	138.73
Add: Profit Brought Forward		442.20	358.18
Surplus Available for Appropriation		605.48	496.91

## Appropriation

	(Rs Crore)	2008-09	2007-08
Interim Dividend on Equity Shares		62.54	20.36
Final Dividend on Equity Shares		-	13.58
Corporate Tax on Dividend		10.63	5.77
Amount Transferred to General Reserve		20.00	15.00
Amount Transferred to Debenture Redemption Reserve		30.25	-
Profit Carried to Balance Sheet		482.06	442.20
<b>Total</b>		<b>605.48</b>	<b>496.91</b>

## Equity Dividend

The Board of Directors of the Company has not recommended any final dividend.

Your Company has paid two interim dividends each of Rs 5 per share aggregating to Rs 10 per share for the year 2008-09.

Profit Before Tax (PBT) increased by 21.49 per cent from Rs 202.47 crore in 2007-08 to Rs 245.96 crore in 2008-09. After accounting for the Provision on Taxation of Rs 82.69 crore, which includes fringe benefit tax, deferred tax liability and provision relating to earlier years, Profit After Tax (PAT) grew by 17.70 per cent from Rs 138.73 crore in 2007-08 to Rs 163.28 crore in 2008-09.

## Operations Review

Net sales of the Company grew by 11.48 per cent from Rs 1,615 crore in 2007-08 to Rs 1,801 crore in 2008-09. Profit Before Interest (Net), Depreciation and Tax (PBIDT), including 'other income' increased from Rs 333.80 crore in 2007-08 to Rs 394.34 crore in 2008-09.

## Management Discussion and Analysis

A detailed Section on the Management Discussion and Analysis forms part of the Annual Report. A review of the businesses is also given in that Section.

## Subsidiary Companies

### SRF Overseas Limited (SRO)

SRO, a wholly-owned subsidiary with operations in Dubai, is an arm of the Technical Textiles Business (TTB) targeted at the markets of Middle East, Europe and Africa. Turnover of the company decreased from AED 120.65 million in 2007-08 to AED 108.14 million in 2008-09. The company incurred a net loss of AED 3.11 million in 2008-09 as compared to the profit of AED 0.88 million in 2007-08.

During the year, SRO has:

- i) Acquired SRF Technical Textiles (Thailand) Limited (formerly Thai Baroda Industries Limited) in Thailand in September 2008 which is engaged in the manufacture of Nylon Tyre Cord Fabric. The company has earned a profit of Thai Bhat 3,802 million for the period from 8 September 2008 to 31 March 2009.
- ii) Set up SRF Industex Belting (Pty) Ltd in South Africa in July 2008 which has acquired the business of manufacturing belting fabrics. The Company has incurred a net loss of South African Rand 18.81 million for the nine months ended 31 March 2009.

Both the entities have become wholly-owned subsidiaries of SRO and hence, subsidiaries of the Company.

### Other Subsidiaries

SRF Transnational Holdings Limited made a profit of Rs 51.95 lakhs during the year 2008-09. This profit was mainly on account of interest income and realisation of certain old outstandings, written-off earlier.

SRF Properties Limited earned a net profit of Rs 8.16 lakhs during the year 2008-09.

SRF Infrastructure Limited has not started any operations.

SRF Fluor Private Limited too has not yet started operations and has reported a loss of USD 6,212 during the year 2008-09. The loss is on account of administrative expenses.

SRF Global B V has been incorporated in the Netherlands to act as a holding Company for overseas investments. The reported loss of Euro 9,445 during the year 2008-09 is on account of administrative expenses.

The Central Government vide its letter No 47/313/2009-CL-III dated 13 May 2009 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. Details of subsidiary companies required to be

published in the Annual Report as per the said letter are given separately.

## Directors

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



## 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 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 2009 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; l) Bhairav Farms Private Limited; and m) Shri Educare Pvt Limited

## Buy-back of Shares

The Board of Directors at its meeting held on 25 April 2008 announced a buy-back of fully-paid up equity shares not exceeding Rs 70 crore at a maximum price of Rs 160/- per share from the open market through stock exchanges. The buy-back commenced on 2 July 2008 and closed on 16 April 2009 as per the terms of the Public Announcement. An aggregate of 73,81,425 equity shares at an average market price of Rs 94.83 per share were bought back absorbing a total amount of Rs 69.99 crore (Rs 70 crore approximately) i.e., the 100 per cent of the maximum buy-back size.

As on 31 March 2009, the premium paid over the face value of the shares bought back amounting to Rs 61.32 crore have been adjusted against Share Premium Account. In addition, as required under the provisions of the Companies Act, 1956, a Capital Redemption Reserve has been created to the extent of Rs 7.20 crore by adjustment to the Share Premium Account. Necessary adjustments for the shares bought back after 31 March, 2009 will be made during the year.



## 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 the Managing Director, and the President and the Chief Financial Officer was placed before the Board.

All Board members and Corporate Leadership Team (CLT) have 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 available on the website of the Company ([www.srf.com](http://www.srf.com)).

## Consolidated Financial Statement

In accordance with the Accounting Standard (AS-21), 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 Deloitte Haskins & Sells retire at the conclusion of the 38th Annual General Meeting and being eligible, offer themselves for re-appointment. The observations of the auditors are explained wherever necessary in appropriate notes to the accounts.

## Cost Audit

Mr Prakash Kumar Varma, Cost Accountant, has been re-appointed to conduct cost audit of the accounts

maintained by the Company in respect of its nylon products for the financial year 2009-10.

## Internal Control System

The Company's internal control system includes audit and verification of compliance with 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.

## Fixed Deposits

Your Company discontinued accepting renewing fixed deposits since 14 August 2004. Deposits accepted from public which have matured and are unclaimed are being reflected under 'Unclaimed fixed deposits (including interest)' in Current Liabilities and Provisions (Schedule 8 to the annual accounts).

## Personnel

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

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

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

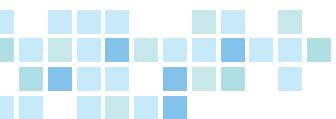
## Industrial Relations

The Company continued to generally maintain harmonious and cordial relations with its workers in all its businesses though some sporadic incidents occurred in one of the plants which were amicably resolved.

## 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 for their continued support. Your Directors also place on record their appreciation of the contribution made by employees at all levels.

For and on behalf of the Board



Annexure 1

Date: 9 May 2009  
Place: Gurgaon

**Arun Bharat Ram**  
**Chairman**

## 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 31 March 2009, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with stock exchange(s).

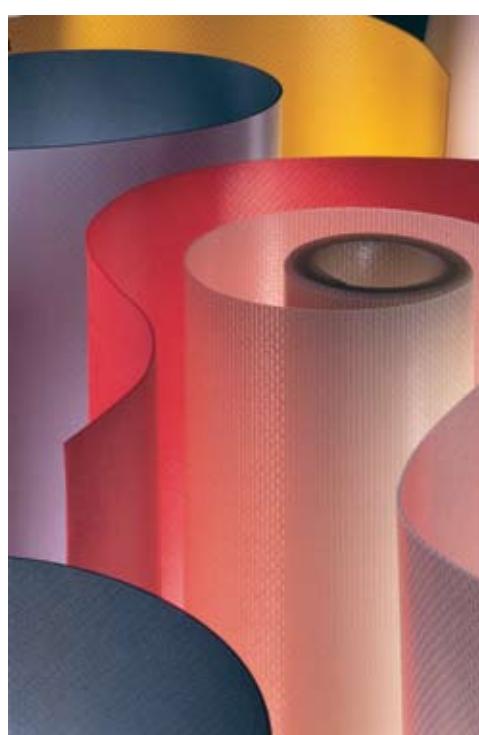
The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression 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 conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement(s).

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  
DELOITTE HASKINS & SELLS  
Chartered Accountants  
Manjula Banerji  
Partner  
Membership No 086423

Date: 9 May 2009  
Place: Gurgaon



**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 21,600 units per month by stoppage of one cooling tower pump for centac air compressor
- Saved 21,600 units per month through modification of WTP
- Saved 14,400 units per month by inverter provision for fumes exhaust system
- Saved 12,960 units per month by stoppage of air compressor cooling tower fan and pumps by interconnecting
- Saved 11,520 units per month by inverter provision for biomass boiler FD fan
- Saved 8,640 units per month due to provision of steam from husk boiler to canteen steam heater

### 2 Technical Textiles Business, Gwalior

#### Power Conservation

- Saved 13.5 lakhs KWh through optimisation of refrigeration system
- Saved 11,300 KWh by replacing the halogen fittings of 1,000/500 W with 150 W flood lights
- Saved 54,000 KWh in ETP plant by replacing the aeration system with the diffused aeration system
- Saved 29,130 KWh by replacing the Raw Water Pump from 30 KW to 9.3 KW system
- Saved 20,280 KWh by optimisation of neutralisation pit pump from 9.3 to 5.5 KW

#### Water Conservation

Installation of PTRO and diffused aeration system in the water treatment plant has resulted in saving of 438 m<sup>3</sup>/day of raw water since December 2008.

### 3 Technical Textiles Business, Viralimalai

- Power consumption of dipping machines reduced by 40 KWh/MT by
  - Downsizing the Deweber motor from 15 HP to 10 HP
  - Reducing power consumption in Deweber and recirculating motor by connecting the motor in 230 V (Star connection)
  - Installing the VFD drives for Pre-drier blower
- Saved 6,000 units in factory lighting by installing energy savers and replacing electronic ballast in place of conventional ballast

### 4 Technical Textiles Business, Gummidi poondi

- Saved 33,000 units per month by switching/shedding off luminaries in non-critical areas
- Saved 1.60 lakh units per month by shedding cooling tower fans and changing chillers running pattern according to the process heat load conditions
- Saved 1,900 m<sup>3</sup> of water per month by stringent usage and using recycled water for green belt

### 5 Chemicals & Polymers Business

- Saved 6,30,000 units of power per annum by optimisation of Ammonia cooling system in HFC and stopping one 125 KW compressor
- Modification in cooling water circuit in HFC and stopping one 90 KW pump. Total saving of 500 units per MT in HFC by optimising the utilities
- Installation of steam extraction system in turbine to save energy equivalent to 200 KW
- Replacing 90 KW pump by 55 KW by modifications in cooling water circuit in RG/HF plant
- Saved 63,000 units of power per annum by installation of FRP blades in 2 cells of CMS cooling tower
- Saved 45 KL per annum of LSHS by commissioning of HAG Economiser in HF plant
- Saved 2,94,000 units of power per annum by installation of energy saver panel for lighting
- Saved 2,48,000 units of power per annum by providing VFD at PA fan, CEP, raw water pumps in CPP and Brine pump in RG plant

### 6 Packaging Films Business, Indore

- Saved 26 KWh from air compressor by reducing empty feed cycles in feeding area
- Saved 11.5 KWh by providing AC frequency drive and replacement of 30 KW motor with 18.5 KW at Dehumidifier roots blower system
- Saved 11 KWh by stopping of cooling air supply fan for TDO cooling zone
- Saved 6 KWh by replacing of lamps in finished good area (from 250 W to 125 W)
- Saved 4 kWh in boiler by replacing 15 KW motor with 11 KW motor
- Saved 5.95 KWh in cooling tower fans by providing temperature control loop

### 7 Packaging Films Business, Kashipur

- Saved 12 KW by replacing two blowers (45 KW+37KW) with single blower 45KW
- Remote control system provided at winder area for trim conveying/cutting system, saving approximately 4,800 KWh per annum
- Auto relay provided for manual control capacitor to increase power factor from 0.99 to unity (one), saving 78,000 KWh per annum
- Replaced filament lamps with CFL in guest houses, saving 6,000 KWh per annum
- Auto stopping of secondary slitter trim conveying system, saving 24,000 KWh per annum
- Reducing the RPM of blowers in TDO cooling zone, saved 60,000 KWh per annum



Power and Fuel Consumption	2008-09	2007-08
<b>1 Electricity</b>		
<b>a) Purchased</b>		
- Total Units (000 KWh)	1,36,318.85	1,67,873.40
- Total Amount (Rs Lakhs)	5,767.72	6,416.07
- Rate/Unit (Rs)	4.23	3.82
b) Own Generation		
<b>Through Diesel (000 KWh)</b>	3,917.67	3,921.98
- Units per KL of Diesel Oil	3,277.63	3,489.97
- Cost/Unit (Rs)	11.29	8.41
<b>Through Furnace Oil (000 KWh)</b>	31,241.79	49,058.18
- Units per KL of Furnace Oil	4,255.22	8,180.57
- Cost/Unit (Rs)	7.20	4.75
<b>Through Coal</b>	33,482.30	29,569.79
- Unit per MT of Coal	777.19	746.95
- Cost/Unit (Rs)	4.06	3.67
<b>Through Windmill (000 KWh)</b>	25,664.60	-
- Total Amount (Rs Lakhs)	78.98	-
- Cost/Unit (Rs)	0.31	-
<b>Others</b>		
<b>a) Fuel (For Oil Boiler)</b>		
- Quantity (K Litres)	4,530.78	9,008.37
- Total Cost (Rs Lakhs)	1,156.93	1,894.71
- Rate/Unit of KL (Rs)	25,534.91	21,032.72
<b>b) LPG</b>		
- Quantity (K Litres)	1,855.77	2,088.94
- Total Cost (Rs Lakhs)	811.83	757.15
- Rate/MT (Rs)	43,746.09	36,245.76
<b>1 Electricity (KWh/MT)</b>		
- Yarn	2,105.20	2,287.85
- Fabric	3,215.66	2,788.19
- Fluorochemicals	813.16	879.08
- Chloromethanes	406.54	448.54
- Polyester Films	1,099.85	1,165.75
- Moulding Powder*	1,059.31	-
- Nylon Twine*	2,342.32	-
<b>2 LPG (Kgs/MT)</b>		
- Fabric	94.39	95.02
<b>3 Steam (MT)</b>		
- Yarn	3.08	3.05
- Fabric	3.08	2.97
- Fluorochemicals	1.37	1.35
- Chloromethanes	1.58	1.61

\* EP & IYB businesses acquired w.e.f. 1 January 2009

## B Technology Absorption

### Research & Development

SRF's Chemicals R&D is actively engaged in development of many new molecules at their Bhilwadi and Chennai R&D centers. The pilot plant which was set up last year is in operation now for development/scale-up of new fluorospecialties chemicals/molecules. The plant that was set up in the previous year has been successfully commissioned and the product delivered to a large multinational customer. One more plant has been set up to produce two Fluoro-organic molecules for the agro industry. The same is under commission at the moment. SRF's Chemicals R&D teams are 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-the-art facilities at Manali, is actively engaged in developing new products using latest technologies like Nano, Plasma and Microwave. It has also entered into a number of collaborations with external academic and research institutes. R&D during the year has also ventured into developments pertaining to the belting and coated fabric segments of Technical Textiles Business.

Expenditure on R&D	2008-09 (Rs Lakhs)	2007-08 (Rs Lakhs)
Capital	380.82	2,335.10
Recurring	1,156.54	896.86
Total	1,537.36	3,231.96
Total R&D Expenditure as per cent of Turnover	0.85%	2%

## C Foreign Exchange Earnings and Outgo

Particulars	2008-09 (Rs Lakhs)	2007-08 (Rs Lakhs)
Foreign Exchange Earnings	65,856.22	57,805.92
Foreign Exchange Outgo	55,140.14	39,234.21
Net Foreign Exchange Earnings	10,716.08	18,571.71

Date: 9 May 2009

Place: Gurgaon

**Arun Bharat Ram**  
**Chairman**



Annexure 3

Annexure to Directors' Report (Statement Pursuant to Section 217(2A) of the Companies Act, 1956)

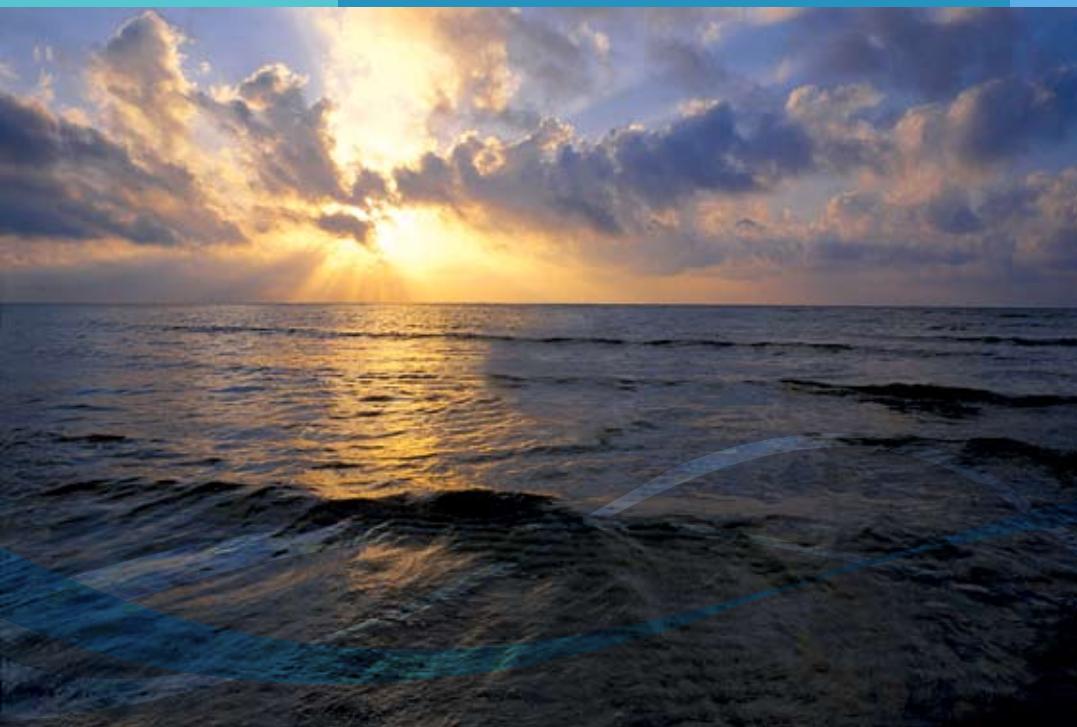
SN	Name	Age	Designation	Remuneration	Qualification	Exp.	DOJ	Last Employment
1	A D Thakre	46	Associate Vice President	2,417,887	B Tech, M Tech(Chem)	23	01-May-89	Hindustan Fluorocarbons Ltd
2	Amit Kaushik	45	Vice President	2,758,428	MA (Eco)	22	10-Dec-07	Moderator – Solution Exchange, UNESCO New Delhi
3	Anoop K Joshi	48	Vice President & Company Secretary	3,909,632	B Com, FCA, ACS	26	10-Feb-86	Audit Manager, Dass Gupta & Co. Chartered Accountants
4	Arun Bharat Ram	68	Chairman	30,875,370	BSc (Ind Engg)	42	01-May-72	Manager, Textile Div, DCM Ltd
5	Aseem Mehrotra	48	Vice President	3,910,618	BE	26	16-Apr-90	Branch Manager, Indographics
6	Ashish Bharat Ram	40	Managing Director	14,841,488	MBA	18	02-Sep-02	MD, SRF Overseas Ltd
7	D P Bhattacharrya	44	Vice President	3,391,843	B Tech.	22	18-Sep-95	Manager, Thapar DuPont Limited
8	Dr Rahul Saxena	45	Vice President	3,651,448	B Sc, M Sc, PhD	19	27-Dec-07	Sr General Manager- R&D, Ind Swift Laboratories
9	Dr Sarathy Iyenger	51	Associate Vice President	2,434,624	M Sc, PhD	25	17-Feb-90	Britannia Industry
10	H K Singh	38	Vice President	2,700,472	BE (Chemical)	15	07-Apr-94	NA
11	K Vaidyanathan*	49	Vice President	3,016,603	B Tech	27	20-Mar-06	Grasim Industries
12	K Suresh	41	Vice President	4,151,960	BE	20	05-Jun-89	NA
13	Kartikeya Bharat Ram	38	Deputy Managing Director	12,786,687	MBA	15	05-Jul-93	NA
14	Kishen Loival*	55	Vice President	945,950	MBA	34	01-Jan-09	VP, SRF Polymers Ltd
15	M Venkatraman	46	Vice President	3,458,960	B Tech	25	07-Jun-84	NA
16	Mukesh Kumar Sharma*	49	Associate Vice President	1,064,763	B.E.	27	24-Oct-08	Glenmark Pharmaceuticals
17	P Vishvanathan	52	Associate Vice President	2,626,287	MSc (Stat), MPhil, PG Dip in Op. Research	25	26-Oct-91	TVS Electronics
18	Prashant Mehra	36	Vice President	2,695,477	BE, MBA	13	07-Mar-96	NA
19	Prashant Yadav*	39	Vice President	636,528	BE	17	01-Jan-09	VP, SRF Polymers Ltd
20	R N Kaul	53	Vice President	2,736,841	B Sc, MLIS, PGD (Logistics)	29	30-Nov-81	Information Specialist, Technology Management Corp
21	Rahul Jain*	34	Associate Vice President	997,812	B Com, CA	10	01-Dec-08	DGM-Finance, Jubilant Organosys Ltd.
22	Rajdeep Anand	56	President (Projects & R&D)	10,477,240	B Tech	37	29-Mar-93	Chief Executive, Chem Aides
23	Rajeev Marwah	50	Vice President	2,628,476	B Tech, MBA	16	02-Aug-06	Unit Head, Siel Chemical Complex
24	Rajeev Narang	44	Associate Vice President	2,565,540	DIP & AMIE	25	21-Sep-95	Deputy Manager-Mechanical, CEAT Ltd.
25	Rajendra Prasad	51	President & CFO	8,769,844	CA, DISA, CISA (USA)	27	20-Mar-06	Country Controller, American Express Bank
26	Ravindra Joshi	55	Vice President	3,151,383	B Tech, PGDBM	31	02-Jan-89	Area Sales Manager, Garware Paints
27	Roop Salotra	58	President & CEO (CB & PFB)	11,463,964	BE	37	01-Jun-89	Fenner India Ltd.
28	S Ilango	43	Associate Vice President	2,603,000	BE, ME	20	12-Jun-95	Executive Planning, Crompton Greaves
29	Sanjay Chatrath	45	Vice President	3,860,006	BE	24	07-Jun-85	NA
30	Sanjay Rao	38	Vice President	2,639,370	B Tech (Chem)	16	27-Mar-95	DCM Shriram Consolidated (DSCL)
31	Suresh Dutt Tripathi	48	President (Corporate HR)	6,488,738	M Sc, PGDSW	26	11-Feb-02	Principal, Mgt Consultancy MASCON Global limited
32	Sushil Kapoor	49	President & CEO (TTB)	11,570,764	B Tech	26	01-Jul-82	NA
33	V Sekar	51	Vice President	3,138,903	B Tech	28	18-Jan-96	Sr Manager, Du Pont Fibre Ltd.
34	Viney Kumar Dua	52	Head - Special Projects	2,933,496	B Com	31	01-Sep-80	Assistant Accountant, DSIDC Ltd

\*Employed for a part of the year

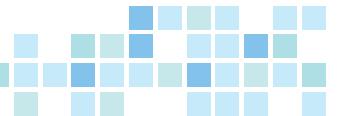
Notes: 1. Remuneration comprises salary, allowances, perquisites, commission paid and Company's contribution to Provident Fund and Superannuation Fund, 2. All appointments are contractual in nature, 3. There are no employee in the services of the Company within the category covered by sub section (a)(iii) of section 217(2A) of the Companies Act, 1956, 4. None of the above employees other than Mr Arun Bharat Ram who is a relative of Mr Ashish Bharat Ram and Mr Kartikeya Bharat Ram is a relative of any director of the Company

# CEASELESS

The mighty blues are unstoppable. They move forward continuously, unleashing, demolishing all the limits. SRF also follows the same strategy of letting loose and traversing across the boundaries. Reaching out to newer destinations lately, SRF is determined to explore the globe and creating history at every step. SRF derives inspiration from the ceaseless sea, which seems to have no end. SRF is also determined to move continuously up to the horizon.



# Management Discussion and Analysis



The year 2008-09 will go down in history as the year of unprecedent global economic meltdown in terms of both severity and reach. The turbulence that surfaced in September 2008 came close on the heels of a period of sustained economic boom. The extreme volatility exposed the vulnerabilities of industries worldwide leading to sagging sales and debilitating demand.

SRF was not unaffected. Thankfully, the impact for the Company, which has a wide portfolio of products, was felt differently by its different businesses. The growth story of the Company, however, remained intact. SRF made two foreign acquisitions: one in Thailand where it acquired Thai Baroda Industries Limited (TBIL), and the second one in South Africa where it acquired the belting fabrics business of Industex Technical Textiles (Pty) Limited. The Company also purchased two businesses of SRF Polymers Limited (SRFP), the Engineering Plastics Business (EPB) and the Industrial Yarn Business (IYB) during the year.

The highlights of SRF's financial performance in 2008-09 are:

- Net sales from operations up by 11.48 per cent from Rs 1,615.30 crore in 2007-08 to Rs 1800.81 crore in 2008-09
- Profit before depreciation, interest (net) and tax up by 18.14 per cent from Rs 333.79 crore in 2007-08 to Rs 394.35 crore in 2008-09
- Profit After Tax (PAT) up by 17.70 per cent from Rs 138.73 crore in 2007-08 to Rs 163.28 crore in 2008-09
- Return On Capital Employed (ROCE) up from 15.90 per cent in 2007-08 to 16.70 per cent in 2008-09
- Earnings per share up by 26.13 per cent from Rs 20.44 in 2007-08 to Rs 25.78 in 2008-09

In the following pages, we will discuss and analyse the performance of SRF's businesses, initiatives taken and the 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 and Polymers Business (CPB) and Packaging Films Business (PFB).

## Technical Textiles Business (TTB)

Technical Textiles Business, which includes Tyre Cord Fabrics, Belting Fabrics and Coated Fabrics, continues to be SRF's largest business segment. Sales of the business fell marginally from Rs 914.87 crore in 2007-08 to Rs 905.24 crore in 2008-09 principally on account of lower sales in H2 2008-09 due to global slowdown. TTB contributes approximately 50 per cent to the total sales of the Company. Effective from 1 January 2009, Industrial Yarn Business has become a part of the Technical Textiles Business, post its acquisition by SRF from SRF Polymers.

### Tyre Cord Reinforcements

The main product of TTB is Nylon Tyre Cord Fabric (NTCF), which is used as a reinforcement material in bias tyres. H1 2008-09 witnessed a buoyant growth in the market and the Business' fortunes. However, during the second half of 2008-09, the demand for Nylon Tyre Cord fell substantially on account of lower sales of tyres resulting from slowdown in the auto-sector, destocking by tyre companies, and fall in goods movements by trucks, affecting replacement tyre demand negatively.

The effect of downturn on tyre industry is, however, limited and the long-term demand for tyre cord fabric is expected to be robust. There are reasonable indications for the optimistic outlook. Firstly, the infrastructure sector is expected to experience buoyancy as a consequence of government announced packages. Secondly, the road transportation sector is expected to grow given that the economy would grow in 2009-10 by 5-6 per cent and that road transport remains the mainstay for movement of goods in India. And more importantly, the demand for the replacement tyres, which constitutes approximately 70 per cent of the total tyre consumption, is expected to remain robust. Principally, the Company believes that barring a few blips, the demand for TCF would remain firm as long as we have economic growth, even at a moderate level.

In line with SRF's long-term strategy of consolidation in this business segment, the Company acquired a tyre cord unit in Thailand with an aim to expand its customer and geographical base. This facility has provided SRF a presence in the coveted automobile manufacturing hub in South East Asia region. When leveraged, this would enable growth in tyre cord business with associated benefits in other segments of Technical Textiles. The acquisition not only positions SRF as a leader in the ASEAN region, but also makes it the second largest Nylon 6 Tyre

Cord producer and fifth largest textile Tyre Cord producer in the world.

The improved sales margin during the first half of 2008-09 could not be sustained in the second half due to the global slowdown. Having made the investments, SRF is expected to reap financial benefits in the rising trend of the cycle.

As reported in 2007-08 Annual Report, SRF is building India's first Polyester Industrial Yarn plant with the capability to manufacture High Modulus Low Shrinkage (HMLS) polyester yarn and an assortment of high tenacity and low shrinkage yarns for various industrial applications. It is expected that this project would be successfully commissioned during the first half of 2009-10. The state-of-the-art plant is being set up using world-renowned technology from Toray Industries, Japan and is poised to serve the growing segment of polyester tyre cord fabric used for radial tyres for passenger car and light commercial vehicle. Your Company would thus become the first and the only producer of polyester tyre cord fabric in India. SRF's presence in South East Asia, which is a larger and growing market for polyester, would also ensure growth potential for TCF. On completion of the project, SRF would become one of the few companies in Asia offering multiple textile reinforcement products to customers.

### Belting Fabrics

Belting Fabrics are used as reinforcement material for conveyor belts and have been witnessing stable growth in demand. During the last five years, volume in this segment has increased at a Compounded Annual Growth Rate (CAGR) of over 13 per cent. SRF continues to be the market leader in India in this segment with a domestic market share of over 60 per cent and having a significant presence in other regions, including Europe.

From a longer term perspective, the outlook is favourable for the mining and infrastructure sectors. On account of the growing demand for commodities due to growth in developing economies, it is expected that this sector will grow moderately. Given the norm of short lead times in the industry, the long-term strategy of this business is to attain global leadership by manufacturing products close to customers. The first step in this direction is the acquisition of a belting fabric manufacturing unit in South Africa located in Port Elizabeth. SRF has thus not only strengthened its position in the mining hub of South Africa, but is also positioned to expand its customer base with entry into new geographical markets such as

South America. With this acquisition, your Company has become the second largest belting fabric producer in the world. Today, SRF is a significant global player with 58 per cent of revenues from overseas business which has spread across 30 countries. Given the backward integration into Polyester Industrial Yarn (as discussed under Tyre Reinforcement Section), the Company would have an additional advantage over the competitors due to increased efficiencies, greater flexibility and higher competitiveness.

### Coated Fabrics

Coated Fabrics are used in a wide range of applications including protective covers, dynamic tarpaulins, static covers, auto canopies, signages and awnings. Coated Fabric business is one of the few businesses that remained resistant to recession and recorded a growth of 17 per cent on the YOY during 2008-09.

Recognising the opportunity in this product, SRF is investing Rs 57 crore in setting up a production facility for laminated products, which is scheduled to be commissioned by Q4 of 2009-10. SRF will then be in a position to offer innumerable products for covering and display solutions.

The Company believes that there is significant potential for this segment with growth rates in double digits. SRF is currently engaged in evolving a business plan to build it up as a sizeable business over the next few years.

### Industrial Yarn

The Industrial Yarn Business manufactures high tenacity Nylon 6 yarn with deniers ranging from 210 D to 1890 D. The major applications of this yarn (other than tyre cord) are mechanical rubber goods, fishing net, stitching threads, defense applications, luggage fabric, etc. In developed countries, use of industrial yarn for non-tire application is close to 50 per cent of the total consumption of industrial yarn. However, in India the current share of industrial yarn is 10-15 per cent. With the maturing of the economy, demand in this segment is expected to increase.

Following its acquisition by SRF, the twine conversion facility is now backward integrated with Nylon 6 yarn giving it a distinct competitive advantage of an extended value chain. In addition, with the Polyester Industrial Yarn project nearing completion and commissioning, going forward, SRF will be in a position to offer a basket of industrial yarn products to customers.

Over the next few years, the Business Plan would be evolved in such a manner that it would address both the tyre and non-tire industrial yarn segments leading to the introduction of the value-added products.

## Outlook

The bus and truck segment, which accounts for over two-thirds of SRF's NTCF sales, currently has 5 per cent radialisation. Based on the current assessment of the progress, SRF expects that demand for NTCF will continue to grow – at least for the next decade. With demand and supply matching perfectly and with only one other Indian producer of Nylon Tyre Cord fabric in the industry, the Company is well-poised to grow in the future. To take advantage of the potential on account of radialisation in the Passenger Car segment in India and open up possibilities at a global level in a growing segment, SRF is entering Polyester Tyre Cord fabric by setting up a facility to manufacture Polyester Industrial Yarn (for tyre and non-tire applications). This will open up many new business avenues apart from the entry into radial tyre fabrics.

In Belting Fabrics, given the expectation of high growth in the domestic mining industry and infrastructure sectors such as power and construction, the outlook is very positive in India. This augurs well for SRF, which has over 50 per cent share of this business in the domestic market. The overseas unit is also expected to see improvement and once the economies start recovering, it will grow significantly.

Although Coated Fabrics continue to be relatively small in terms of 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 future. It is expected that revenues would go up substantially in 2010-11 after the introduction of laminated products.

Buoyed by the improvements in operational efficiencies as a result of modernisation and investment in cost effective sources of energy and strong demand, the outlook of the Technical Textiles Business is encouraging. The focus will now be on utilising all assets efficiently and ensuring that the business generates adequate returns before the next round of investments.

## Chemicals and Polymers Business

The Chemicals and Polymers Business (CPB) of the Company derives its revenue from the sale of fluorine-based Refrigerants, Chloromethanes, the fast-growing speciality chemicals business space and Engineering Plastics. It also includes receipts from the sale of CERs generated by destruction of the greenhouse gas, Hydrofluorocarbon-23 (HFC-23) under the mechanism defined by the Kyoto Protocol (discussed in greater detail in the Section on the Clean Development Mechanism).

Revenues and profitability of the business have been under increasing pressure due to the complete phase out of ozone-depleting substances, the Chlorofluorocarbons (CFCs) under the Montreal Protocol by 31 July 2008. The business has developed and commercialised HFC-134a to plug this gap in the product portfolio. The global market for Carbon Credits continues to be encouraging. It was a watershed year for the fluorospecialty business segment, which is now generating operating profits.

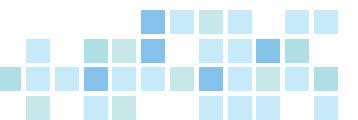
## Overview

The manufacturing operations of SRF's Chemicals Business are located at Bhiwadi, in Rajasthan, about 70 kilometres from New Delhi.

During 2008-09 the Chemicals Business saw wide variability in prices of both input and finished goods. Prices of relevant commodities fluctuated from historic highs in the first half to historic lows in the second half, in line with the global economy. The topline shrank due to an accelerated phase out of CFCs. Counter strategies have been in place for some time now. These include a joint venture in China ensuring access to fluorine, commercialisation of the HFC plant permitting the Company to substitute Chlorofluorocarbons (CFCs) with Hydrofluorocarbons (HFCs), and the addition of a new growth engine in the form of Fluorospecialties. HFCs and Fluorospecialties are expected to make up for the loss of earnings arising out of the CFC phase out in the days to come.

## Refrigerants

Refrigerants are primarily used as the cooling medium by the air-conditioning and refrigeration industry. SRF continues to be one of the larger and more credible players in the industry globally, and is also the domestic market



leader with about 40 per cent share. Exports of the business are spread across 45 countries worldwide, accounting for over 80 per cent of the volumes produced.

SRF's refrigerants portfolio included Hydrochlorofluorocarbon-22 (HCFC-22), Chlorofluorocarbons (CFC-11 and CFC-12), the new generation refrigerant, Hydrofluorocarbon 134a (HFC-134a), and the refrigerant blend R404a. During the year, the business worked with the government to accelerate and complete the phase out of CFCs. The CFC market is almost entirely shifting to HFCs.

SRF has been aligning its product mix in line with the changing market trends, and 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, with no control over quality. SRF's HFC-134a product has been approved by a large number of automobile, air-conditioner and refrigerator manufacturers, for whom SRF is a regular supplier. In what could be termed as a testimony to the success of SRF's strategic shift from CFCs to HFCs (the new generation ozone-friendly substitute), the Company has achieved about 40 per cent market share domestically in the new product, and continues to grow.

SRF believes that 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 leadership in the home market.

## 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 Chloroform is internally consumed for manufacturing HCFCs, Methylene Chloride and Carbon Tetrachloride are 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 improving overall profitability. The Chloromethanes business has been under pressure on account of rising input costs. However, fresh capacities of key raw materials, which are expected to be available around the beginning of H2-2009, will surely improve margins.

## Fluorospecialties

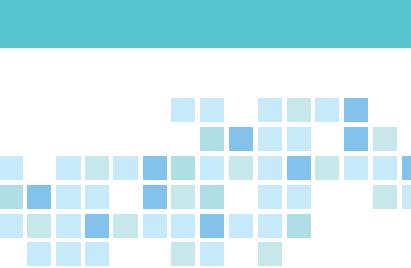
Fluorine-based speciality chemicals are finding increasing usage in the fields of agrochemicals, pharmaceuticals and performance products. Building on its almost two decade-long presence in the fluorine chemistry, SRF had entered the space of speciality fluorine chemistry in 2003-04. The focus has been to leverage the Company's expertise to produce intermediates and advanced intermediates, which are used to manufacture Active Pharmaceutical Ingredients (APIs) and agrochemicals by our customers.

Building on the strength of around 50 experienced project and research personnel and state-of-the-art equipment, the business made remarkable progress in R&D during 2008-09. Today a number of products are in advanced stages of development and the Company is closely engaged with buyers for most of these products. The product pipeline is full to capacity.

The Company has been investing in people, infrastructure and management bandwidth in the Fluorospecialties segment, which is now beginning to bear fruit. A pilot plant is in place, which enables quick testing of various products and production processes. A second plant for the production of a key ingredient for new generation mosquito repellants began delivering commercial quantities from mid-2008. Implementation of new production facilities is on track, and two new facilities that will generate three new products will go on stream in Q1 2009-10.

## Engineering Plastics

Engineering Plastics is essentially a group of polymers comprising Polyamides (N6 and N66), Polybutylene Terephthalates (PBT) and Poly Carbonates (PC). Compounded in more than 150 different grades having brand name of TUFNYL, TUFBET and TUFPC, these polymers are used by the moulders for catering to the needs of different sectors like automotive, electrical, engineering, electronics, industrial and telecom. The Engineering Plastics is poised to grow as the market improves. With the stabilisation of certain sections of Pantnagar plant, the Company will be able to increase volumes in the next year. There was a steep fall in the market demand mainly due to the external factors like automotive and construction industry witnessing a steep decline in the second half. This had a direct impact on the growth and profitability of the business. A new polymer, PBT, which is used by some of the high growth segments like Compact Fluorescent Lamp (CFL) was re-launched



during the year. The initial response from overseas buyers has been encouraging for Polyamides.

Engineering Plastics continues to enhance its skills in R&D and new product development, thereby reducing cost of processing and developing high-end grades. The Company has also undertaken the development work of Poly Carbonate-based Engineering Plastics.

#### Outlook

The Chemicals Business has been re-inventing itself over the last few years, and the results are beginning to show. From being a commodity player in the refrigerant gas space, the business is now expanding towards speciality fine chemicals, deriving value from leading-edge R&D and intellectual property rather than low cost production alone.

The commodity product portfolio is also evolving, and focusing on producing and delivering new generation HFCs and HFC blends to the market instead of CFCs and HCFCs. The business believes this evolution to be necessary and will position the Company optimally for the next stage of growth in both commodities and speciality fine chemicals.

The Company is cautiously optimistic about 2009-10, and believes its strategies will generate exceptional value in subsequent years.

Growth in the Engineering Plastics will continue to be driven by automobile and electrical sector. Although the prevailing economic condition has slowed down automobile and electrical segment growth, increased per capita consumption is expected to help industry overcome any market drop. The major raw materials are imported which are impacted negatively by exchange rate fluctuations. Besides, Engineering Plastics Business faces competition from the unorganised segment which at times can put pressure on margins. The Company is confident to retain its dominant position in the market by way of leveraging its customer-centric approach.

#### Packaging Films Business

Like every other business, Packaging Films Business (PFB) has also been impacted by the global meltdown. International markets took a deep plunge as credit dried up and consumption cut backs became significant especially in industrial applications. With developed markets showing no growth, overall the global

demand is estimated to have dropped from 8 per cent to 5.5 per cent during the year. However, the impact of appreciating dollar on exports revenue was positive.

On the domestic side, growth in demand is expected to be 12 per cent in spite of tight monetary conditions. Overall, PFB built resilience in the system through a judicious mix of international and domestic sales, thus ensuring complete capacity utilisation. As a result, revenues grew by 27.10 per cent in 2008-09 to Rs 290.06 crore while profitability grew by 186.39 per cent from Rs 15.65 crore in 2007-08 to Rs 44.82 crore in 2008-09.

The film plant also benefited from the completion of the de-bottlenecking projects at two of its locations. During the year, a second metalliser was also commissioned taking the metallised film capacity to 12,000 TPA. In addition, the projects of the second Polyester film line at Indore and backward integration into a resin plant are progressing on schedule.

#### Outlook

Next year will continue to witness a slow trend in the international market. On the domestic front demand growth rate is expected to remain at a healthy 12 per cent. However, with expected commissioning of three new lines in India in the second half of the year, the pressure on margins is expected to continue due to oversupply situation.

SRF's strategy for the year will be to ensure timely project implementation and complete booking of its capacities. Overall, the long-term prospects of this business are encouraging. SRF will continue to explore various organic and inorganic opportunities in this business to maximise shareholders returns.

#### Research & Development

SRF's Chemicals R&D is actively engaged in development of many new molecules at its Bhawali and Chennai R&D centers. The pilot plant which was set up last year is in operation now for development/scale-up of new fluorospecialities chemicals/molecules. The plant that was set up during the previous year has been successfully commissioned and the product delivered to a large multinational customer. One more plant has been set up to produce two Fluoroorganic molecules for the agro industry. The same is under commissioning at the moment. SRF Chemicals' R&D teams are actively developing many more compounds for the pharma and agro industry.

Located at Manali, Tamil Nadu, the R&D centre of the Technical Textiles Business, is equipped with state-of-the-art facilities including Pilot Plants and Testing Laboratories. It is manned by high quality technical staff having experience and expertise in the field of Chemical Engineering, Polymer Science, Fibre Science and Rubber Technology. Various in-house development works have been initiated for development of new products and new processes in the field of Technical Textiles. Four new products are at an advanced stage of development and one of the new products is likely to be commercialised in the coming year. Besides, several research projects are in progress with six leading academic and research institutes in India.

As a part of CDM project, SRF scaled up its initiatives to aid sustainable development in the backward region of Alwar, Rajasthan. In 2008-09, SRF increased the reach to more than 2,800 families in 25 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 to implement these initiatives effectively.

#### Human Resource

People development activities gathered momentum at SRF during the year even while the economic meltdown impacted the financial health of the organisations across the globe. As a strategic move, the Company renewed its commitment to improve operational efficiency and reduce costs at all levels. The focus was on preparing the people to face the new challenges.

In 2008-09, the human resource function at SRF identified three key areas for improvement; arresting the attrition rates, fostering employee engagement and building employee capabilities at all levels in the organisation. However, the key strategic priority for HR was how to ensure seamless integration of the two newly acquired overseas entities with the SRF family.

The HR function developed a detailed action plan for fostering employee engagement. This was based on the findings of the employee survey conducted by Grant Thornton, a world's leading HR consulting firm.

The Company also launched the Management Education Programme (MEP) for nurturing managerial skills among the Non-Management Staff (NMS). In due course, the MEP is expected to ensure steady stream of in-house developed managerial talent.

Driven by its aspiration to achieve global leadership, the Company launched an indigenously developed innovative training module for its senior management team to hone its leadership skill. For the Technologist Cadre workforce, a dedicated Sabbatical Policy was introduced. This would enable the people in the Technological Cadre to upgrade their domain skills in tune with the latest developments in their respective fields.

Some of the other key HR initiatives taken during the year included; Implementation of HRIS, a centralised IT-enabled Human Resource Information System (HRIS) and job revaluation across all levels by involving cross-functional teams.



#### Total Quality Management (TQM)

SRF's sustained practice of TQM over 15 years has enabled your Company to perform creditably even in the current challenging economic scenario.

The Company crossed a unique milestone of 2,50,000 cumulative implemented Kaizens during the year, which few Indian companies have attained. This is a testimony to widespread people participation by workmen and staff in improvement activities. SRF's QC circles continued to flourish, with many teams recognised at 'Par Excellence' and 'Excellence' levels at India's foremost QC circle conventions.

The Company's unique problem solving programme has grown to cumulatively cover over 750 people, with nearly 400 'certified problem solvers'. Last year, the Company celebrated the first ever Company-wide PSP convention to recognise, motivate and deepen the problem solving efforts of teams, giving a further fillip to TQM activities. The advanced problem solving 'PSP Silver' programme picked up momentum. With deep and rigorous application of methods and tools, high quality 'Silver' level projects have cumulatively contributed to over Rs 20 crore through quality and cost improvements, and in significantly raising the level of SRF's own technology.

Total Productive Maintenance (TPM) helped units of TTB and CB to improve more than 150 machines with a focus on 'zero breakdowns', and in systematically raising workmen skills in equipment and process.

Last year, highly regarded Japanese experts – Prof Hitoshi Kume and Dr S Seto visited operations of CB and R&D setups of Chemicals and Technical Textiles, for further raising the level of quality management and business practices. They commended the good work done and confirmed SRF's approach towards sustained capability building.

People participation and TQM activities have now been initiated in the newly acquired units in Thailand and South Africa. Quality-based management continues to be the foundation of the Company's new strategies for the coming three years as the Company looks to further consolidate its leadership position in its chosen businesses.

## Information Technology (IT)

During the year under review, SRF was faced with a major IT challenge when 3I-Infotech unilaterally decided to

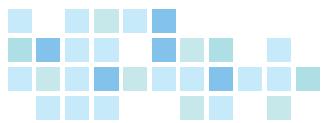
shut down this product in India and was not willing to support SRF beyond three months. SRF's IT team worked towards migrating this business from Orion to Oracle Applications which is considered a far superior ERP system. This was done successfully within three months with in-house team of Common Oracle Services. While this unexpected project delayed its other planned projects, the migration was done with élan. SRF implemented the manufacturing management applications across two business lines to improve manufacturing efficiencies. SRF improved its IT security by deploying a well-known solution 'Websense' to mitigate the risks emanating from the internet and to curb non-productive use of the internet.

SRF's Technology Centre team developed a Human Resources Information System that automated the Company's manpower processes like recruitments, transfers, exits, skill repository, training & development, resource utilisation, etc. During the year, the Company successfully rolled out the sales force management application system again to its Coated Fabrics business to improve interactions with customers.

The Company kept its IT costs in check by negotiating better rates from vendors while improving solutions. It also improved usage of Enterprise Asset Management system in Chemicals Business by re-implementing the solution. This would make the plant maintenance system more cost effective. In the coming year, the focus would be on developing Manufacturing Applications and Knowledge Management.

## Community Partnerships

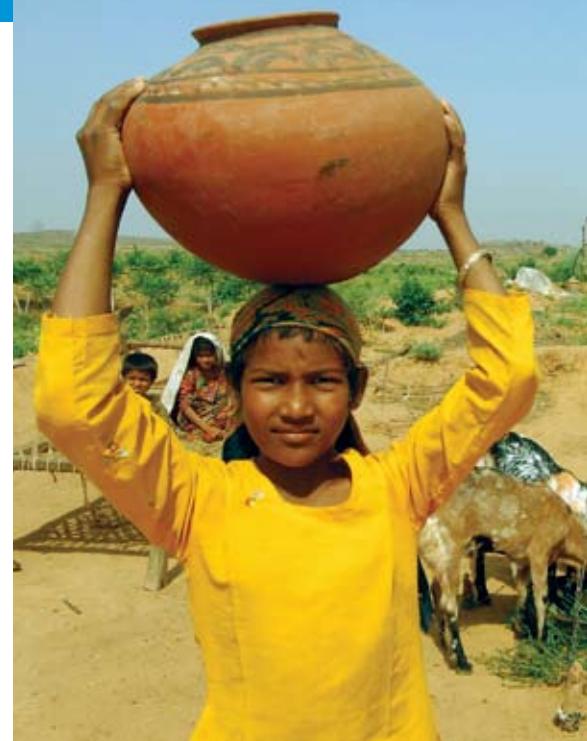
SRF tirelessly aspires to be a reasonable and conscientious corporate citizen, based on trust, transparency and accountability. To realise its aspiration, SRF is involved in social engagement beyond products and profitability. SRF has structured its social initiatives through 'SRF Community Partnerships'. The key focus areas in Community Partnerships have been Education, Health, and Natural Resource Management.



In partnership with local NGOs Partners, the SRF business units across eight locations have successfully implemented projects centering the said themes during the last year.

### Natural Resource Management (NRM) Initiatives

The Integrated Natural Resource Management (NRM) Project aims at improving livelihoods of the poorest by harnessing underutilised land and water resources. The project is being implemented by the Chemicals Business since 2006-07 around its factory locations in Tijara Tehsil of Alwar, Rajasthan.



During 2008-09 the project continued its focus on construction of earthen check dams called 'paals', loose stone check dams, land leveling, field bunding, large scale plantations, goat rearing and formation of community-based institutions, such as self-help groups and user groups. On cumulative basis, SRF has built 107 earthen check dams, leveled 350 hectares of land and planted more than 1,20,000 fruit/timber/fodder trees and plants touching more than 2,800 families directly and indirectly in 25 villages.

SRF has also partnered with NGO-SPACE, to independently assess impacts in terms of groundwater recharge, growth and bio-physical impacts of tree plantations as well as socio-economic impacts on community. From the catchments of 7,065 hectares, the earthen dams constructed so far have created 251 hectare metres of water holding capacity and harvested 149 hectare metres of rain water. The land leveling has reduced the land slope which helps in conserving the soil moisture. On an average 3 centimetre water was conserved per hectare of land.

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

### Health Initiatives

The Company, as a signatory to workplace HIV/AIDS Policy during 2005-06, continued with HIV/AIDS awareness programmes. During the financial year, different business units, in total, covered approximately 20,000 people. It includes employees, contract workers, truckers and communities residing in the nearby villages. This has been carried out with the support of master trainers and local NGO partners.

### Education Initiatives

SRF in partnership with SRF Foundation and SARD, a reputed NGO, improved facilities in the Government Primary School at Banban village, Tijara Block near its Bhiwadi plant in Rajasthan. The Company adopted the school last year with a view to improving the quality of learning in the school and reducing the dropout rate.

As a part of its ongoing Project *Shiksha*, SRF along with SARD continued to focus on mainstreaming school dropouts through Bridge Schools and six Remedial Centres, non-formal education centres. Most of these children belonged to the underprivileged Meo-Muslim community and SC categories living in the villages near its Chemicals Business Plant in Bhiwadi. The project aims at the accomplishment of three key objectives: i) Improving the quality of primary education; ii) Higher enrolment of girl child; and iii) Increasing the attendance level in each school through strong involvement with the community.

### 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 The Shri Ram Schools (two in Gurgaon and one New Delhi), Lady Shri Ram College for Women in Delhi and SRF Vidyalaya in Chennai. 'Enhancing Early Education Programme' (3EP), which is another initiative launched under the aegis of SRF Foundation, runs a teacher's development programme for the pre-primary segment. Incorporating the successful innovative methodology already in place in The 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.

### 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
- Protecting Company's assets
- Prevention and detection of fraud and error

There is a set of interrelated control systems, covering all financial and operating functions, which provide reasonable assurance that these objectives are achieved. Some significant features of these controls 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. A well-established internal audit system periodically reviews 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 with an objective of matching its processes and controls with global best practices. In addition to this, there is a well-established Code of Conduct and all employees of the Company are required to follow this Code of Conduct. All financial and audit control systems are also reviewed by the Audit Committee of the Board of Directors.

The Company is fully-committed towards ensuring an effective internal control environment. In an endeavour to enhance monitoring of internal controls, the Company successfully implemented Controls Self Assessment (CSA) in Technical Textiles Business, Chemicals Business, Packaging Films Business and Head Office, 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 businesses 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

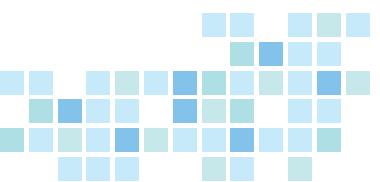
Strategic plans for the Company's businesses take into account likely risks in the industrial environment from competition, changing customer needs, obsolescence and technological changes. The annual plans that are drawn up consider the risks that are likely to impact the Company's objectives in that 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

Business operations necessarily involve opportunities and risks. Effective risk management is therefore a key factor in safeguarding a Company's value. The management of opportunities and risks at SRF is an integral part of the corporate governance system, not the task of one particular organisational unit. Key elements of the risk management system are the planning, budgeting, review and reporting and control processes. With a diverse business portfolio, SRF is exposed to numerous risks. These primarily emanate from foreign currency exchange risk from exports of its products, imports of raw material and capital goods and servicing of foreign currency debt.



SRF follows a conservative foreign exchange risk management policy to minimise or eliminate the risks associated with operating activities. The products used are mainly over-the-counter instruments at market quoted pricing, particularly forward exchange contracts, foreign currency options, interest-rate swaps which are concluded with banks of repute.

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 effective against the underlying contracts for sale of CERs, these have been classified as 'Effective Hedge'. At the year-end exchange rate, these hedges show a negative Marked-to-Market (MTM) of Rs 54.04 crore and accordingly Rs 28.17 crore has been transferred during the financial year 2008-09 to the 'Cash Flow hedge Reserve Account'.

The various risks associated with financial instruments are outlined below, together with the relevant risk management systems.

### Market Risks

Market risks relate to the possibility that the fair value or future cash flows of a financial instrument could fluctuate due to variations in market prices. Market risks include currency risk and interest-rate risk. Sensitivity analysis is used to understand risk exposures that may exist and allow our management to take the necessary steps to address such risks. In addition, we use market information and analytics to manage our risk exposure and mitigate the limitations of our sensitivity analysis, if any.

### Liquidity Risks

Liquidity risk, i.e., the risk of not being able to fulfill current or future payment obligations because of unavailability of adequate cash, is centrally managed at SRF. Sufficient current assets are held to meet all of the Company's short-term payment obligations as and when they fall due, thereby ensuring solvency at all times. Payment obligations result both from operating cash flows and from changes in current financial liabilities and are included in liquidity planning.

Liquid assets are kept mainly in the form of overnight and term deposits with banks and mutual funds. Credit facilities also exist with banks to support liquidity in the event of requirement.

### Credit Risks

Credit risk arises from the possibility of the value of receivables or other financial assets being impaired because counterparties cannot meet their payment or other performance obligations. Due to comprehensive credit management, SRF has so far not registered an increase in defaults on trade receivables despite the current economic situation.

Individual businesses conduct regular credit worthiness analysis in relation to exposures. Credit limits are set for customers.

### Information Technology (IT) Risks

The Company has set up adequate redundancy at the hardware and software levels in the mission critical information systems like the ERP to keep business going in the event of any disruption. As an additional precaution, regular backup of data is taken to prevent any data loss in these critical applications. Many security systems have been put up to address the threats emanating from the internet, network, email and other interfacing points. The internal threats are averted by good identity and access control mechanisms allowing only authorised users to work on the system.

### 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 2009, SRF's Board consisted of 10 Directors, of which four are executives of the Company (including the Chairman, who is an Executive Chairman) and six are independent. Table 1 gives the details of the Board during the year 2008-09.

Table 1: Composition of the Board of Directors of SRF

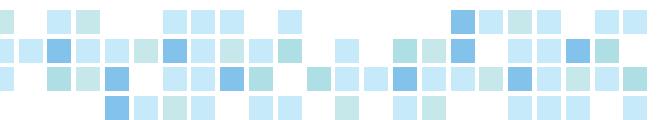
Sl. No.	Name of Director	Category of Director	No. of other Directorships*	No. of Board Level Committees where Chairperson or Member	
				Chairperson	Member
1	Mr Arun Bharat Ram	Executive Chairman, Promoter	10	-	4
2	Mr Ashish Bharat Ram	Executive, Promoter	4	1	1
3	Mr Kartikeya Bharat Ram	Executive, Promoter	3	-	1
4	Mr K Ravichandra	Executive	2	1	-
5	Mr S P Agarwala	Independent	1	1	3
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	5
10	Mr Piyush G Mankad	Independent	12	2	7

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

\* 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 are Non-Executive Directors who:

- Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management or its holding Company or its subsidiaries and associates which may affect the independence of the Director
- Are not related to promoters or persons occupying management positions at the Board level or at one level below the Board
- Have not been an executive of the Company in the immediately preceding three financial years



- Are not partner or executive or were not partner or an executive during the preceding three years of any of the following:
  - Statutory audit firm or the internal audit firm that is associated with the Company
  - Legal firm(s) and consulting firm(s) that have 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 2 per cent or more of the block of voting shares
- Are 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 2008-09, the Board of Directors met seven times on 25 April 2008, 25 July 2008, 26 September 2008, 23 October 2008, 12 December 2008, 30 January 2009 and 28 March 2009. The gap between any two Board Meetings did not exceed four months. Table 2 gives the details.

Table 2: Board Meeting Attendance Record of the Directors in 2008-09

Name of the Director	Number of Board Meetings Held Under Tenure	Number of Meetings Attended	Attended Last AGM?
Mr Arun Bharat Ram	7	7	Yes
Mr Ashish Bharat Ram	7	6	Yes
Mr Kartikeya Bharat Ram	7	5	Yes
Mr S P Agarwala	7	5	Yes
Mr K Ravichandra	7	2	Yes
Mr Vinayak Chatterjee	7	7	Yes
Mr Satish K Kaura	7	6	Yes
Mr M V Subbiah	7	6	Yes
Mr Subodh Bhargava	7	5	Yes
Mr Piyush G Mankad	7	5	No

## Remuneration of Directors

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

Table 3: Remuneration Paid or Payable and Table 4 gives details of Service Contracts (Rs/Lakhs)

Name of Director	Salary	Sitting Fees+	Perquisites#	PF and Superannuation@	Commission (Provided)	Total
Mr Arun Bharat Ram	108.00	-	46.59	29.16	125.00	<b>308.75</b>
Mr Ashish Bharat Ram	60.00	-	22.22	16.20	50.00	<b>148.42</b>
Mr Kartikeya Bharat Ram	50.00	-	14.37	13.50	50.00	<b>127.87</b>
Mr S P Agarwala	-	1.70	-	-	4.00	<b>5.70</b>
Mr K Ravichandra	4.80	-	1.20	-	-	<b>6.00</b>
Mr Vinayak Chatterjee	-	1.85	-	-	4.00	<b>5.85</b>
Mr Satish K Kaura	-	0.80	-	-	4.00	<b>4.80</b>
Mr M V Subbiah	-	1.10	-	-	4.00	<b>5.10</b>
Mr Subodh Bhargava	-	0.80	-	-	4.00	<b>4.80</b>
Mr Piyush G Mankad	-	0.80	-	-	4.00	<b>4.80</b>
Total	222.80	7.05	84.38	58.86	249.00	<b>622.09</b>

+Includes sitting fee for attending the meetings of the Board of Directors and Committee Meetings including non-statutory Committees of Directors

# Value of perquisites on actual basis

@ Having regard to the fact that there is global valuation for Company as a whole for compensated absences and for contribution to gratuity fund, the amount applicable to an individual is not ascertainable and hence not included above

Table 4: Details of Service Contracts

Name of Director	Tenure	Notice Period	Severance Fee
Mr Arun Bharat Ram	5 years w.e.f. 15.06.2008	6 months by either party	Nil
Mr Ashish Bharat Ram	5 years w.e.f. 23.05.2005	3 months by either party	Nil
Mr Kartikeya Bharat Ram	5 years w.e.f. 01.06.2006	3 months by either party	Nil
Mr K Ravichandra	3 years w.e.f. 01.10.2006	3 months by either party	Nil

## Shareholding of Non-Executive Directors

Table 5 gives details of the shares held by the non-executive Directors as on 31 March 2009.

Table 5: Equity Shares Held by Non-Executive Directors as on 31 March 2009

Name of Director	Category	Number 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	-
Mr Piyush G Mankad	Independent	-

The Company has not issued any convertible securities to any Director

## Information Supplied to the Board

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

- Annual operating plans and budgets, and any update thereof
- Capital budgets and any updates thereof
- Quarterly results for the Company and operating divisions and business segments
- Minutes of the meetings of the audit committee and other committees of the Board
- Information on recruitment and remuneration of senior officers just below the level of Board, including the appointment or removal of Chief Financial Officer and Company Secretary
- Materially important show cause, demand, prosecution notices and penalty notices
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order, which may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company

- Details of any joint venture or collaboration agreement
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- Significant labour problems and their proposed solutions. Any significant development in human resources/ industrial relations front like signing of wage agreement, implementation of voluntary retirement scheme, etc.
- Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc

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

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

## Code of Conduct

The Company's Board has laid down a Code of Conduct for all Board members and senior management of the Company. The Code of Conduct is available on the website of the Company, [www.srf.com](http://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 the management controls risk through means of a properly defined framework.

## Committees of the Board

### a) Audit Committee

As on 31 March 2009, the Audit Committee of SRF comprises five 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 2008-09, the Audit Committee of SRF met five times on 25 April 2008, 25 July 2008, 26 September 2008, 23 October 2008 and 30 January 2009. Table 6 gives the attendance record of Directors who are members of the Audit Committee.

Table 6: Attendance Record of Audit Committee Meetings During 2008-09			
Name of Director	Category	Number of Meetings Held Under Tenure	Number of Meetings Attended
Mr M V Subbiah	Independent	5	5
Mr Vinayak Chatterjee	Independent	5	5
Mr S P Agarwala	Independent	5	3
Mr Subodh Bhargava	Independent	5	3
Mr Piyush G Mankad*	Independent	5	3

\*w.e.f. of 25 April 2008

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 K Joshi, Company Secretary, is the Secretary to the Committee.

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

In addition, the Committee also reviews:

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

### b) Remuneration Committee

As on 31 March 2009, SRF's Remuneration Committee comprised three members all of whom are independent.

During 2008-09, the Remuneration Committee met two times on 14 April 2008 and 28 March 2009. Table 7 gives the attendance record of Directors who are members of the Remuneration Committee.

Table 7: Attendance Record of Remuneration Committee Meetings During 2008-09			
Name of Director	Category	Number of Meetings Held Under Tenure	Number of Meetings Attended
Mr Satish K Kaura (Chairman)	Independent	2	2
Mr S P Agarwala	Independent	2	2
Mr Vinayak Chatterjee	Independent	2	2

The terms of reference of 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 2009, 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 2009, no investor complaint was pending with the Registrar and Share Transfer Agent. Table 8 gives data on the shareholder/investor complaints received, and redressed, during the year 2008-09.

Table 8: Shareholder and Investor Complaints Received and Redressed During 2008-09

Total Complaints Received	Total Complaints Redressed	Pending as on 31 March 2009
356	356	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. 8 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

### Re-appointment/Appointment of Directors

Mr Subodh Bhargava and Mr Satish K Kaura, Directors are retiring by rotation and being eligible, offer themselves for re-appointment. Brief resumes of these Directors are given in the Notice of the 38th Annual General Meeting.

### Means of Communication with Shareholders

Quarterly and annual results of SRF are published in two major national dailies, generally Business Standard (in English) and Hindustan (in Hindi). In addition, these results are posted on the website of the Company, [www.srf.com](http://www.srf.com). The website also contains other information regarding SRF which is 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.sebiedifar.nic.in](http://www.sebiedifar.nic.in).

SRF communicates with its institutional shareholders through analysts briefing and individual discussions between the fund managers and the management team. The presentation, if any, 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 9.

Table 9: Last Three AGMs of the Company				
Year	Location	Date	Time	No. of Special Resolutions Passed
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	-
2007-08	Laxmipat Singhania Auditorium, PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi – 110 016	25 July 2008	3:30 pm	1

## 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 Clause 49 of the Listing Agreement.

### 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

### 38th Annual General Meeting

Date: 28 July 2009

Time: 2:30 pm

Venue: Laxmipat Singhania Auditorium, PHD House,

4/2, Siri Institutional Area, August Kranti Marg, New Delhi – 110 016

### Tentative Financial Calendar for Results, 2009-10

First Quarter	Fourth week of July 2009
Second Quarter	Third week of October 2009
Third Quarter	Third week of January 2010
Fourth Quarter and Annual	First week of May 2010

## Book Closure Date

The Share Transfer Register of SRF will remain closed from Tuesday, 7 July 2009 to Friday, 24 July 2009 (both days inclusive).

## Interim Dividend Payment Date

Two interim dividends each at the rate of Rs 5 per share (50 per cent) on the paid up capital of the Company absorbing Rs 73.16 crore (approximately) were paid on 10 November 2008 and 10 April 2009 respectively.

## 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 2009-10. The stock codes are:

Bombay Stock Exchange	503806
National Stock Exchange	SRF

## Stock Market Data

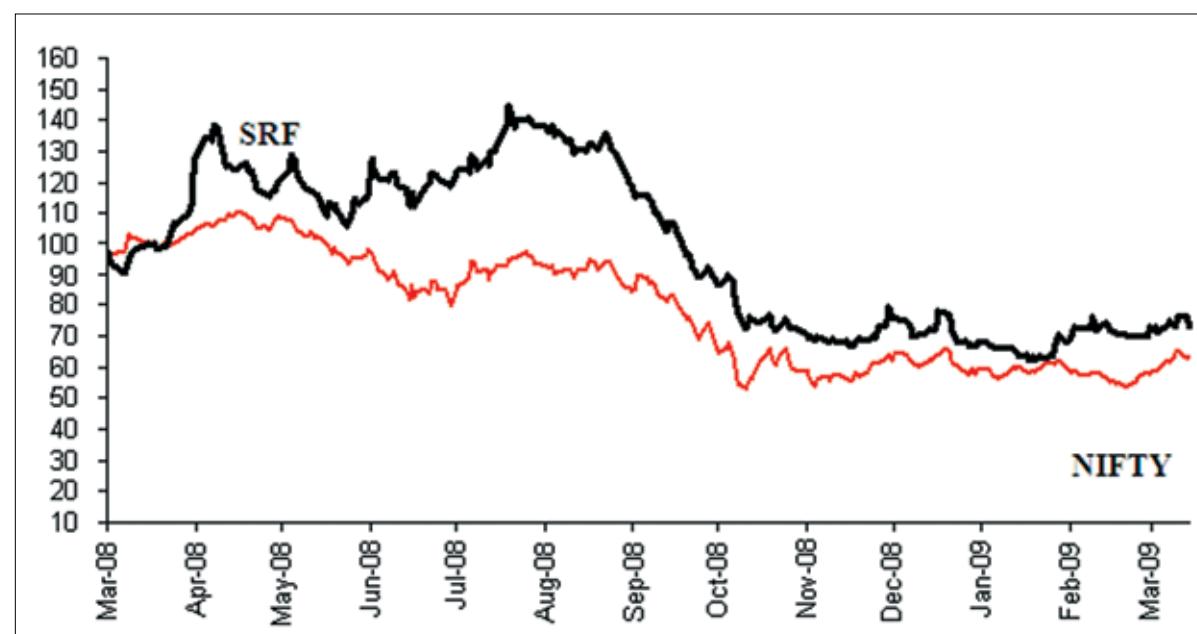
Table 10 gives the monthly high and low quotations as well as the volume of shares traded at BSE and NSE during 2008-09.

Table 10: Monthly Highs and Lows and Volumes Traded at the BSE and NSE, 2008-09

Year 2008-09	BSE			NSE		
	High (Rs)	Low (Rs)	Volume (Nos.)	High (Rs)	Low (Rs)	Volume (Nos.)
April	145.90	99.00	70,30,474	145.90	99.10	1,40,75,698
May	134.30	113.15	27,39,230	134.05	113.40	60,44,762
June	132.00	105.30	51,28,393	132.00	103.25	1,13,74,703
July	135.80	110.05	31,29,392	135.60	110.25	72,39,105
August	152.45	130.05	36,56,786	152.80	130.00	74,51,314
September	142.00	100.00	25,29,191	141.10	100.00	41,14,990
October	110.35	66.15	22,04,395	111.00	66.50	40,38,068
November	82.00	67.30	13,38,326	82.90	67.50	19,52,986
December	83.50	67.15	11,47,250	83.90	67.00	23,13,359
January	82.50	64.00	10,24,328	81.80	64.10	19,83,300
February	81.25	62.15	22,46,520	81.30	62.25	47,36,732
March	82.60	69.75	31,27,569	82.70	69.00	63,79,776



Chart 1: Share prices of SRF Limited versus Nifty for the year ended 31 March 2009



Note: Both Nifty and SRF share prices are indexed to 100 as on 1 April 2008

## Registrar and Share Transfer Agents

M/s Karyv Computershare Private Limited, Hyderabad are the Registrar and Share Transfer Agent of the Company w.e.f. 1 October 2008 for handling both electronic and physical shares.

## Share Transfer System in Physical Mode

Share certificates sent for transfer are received at the Registered Office/Corporate Office of the Company or the office of Karyv Computershare Private Limited. 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 of 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 2008 to 31 March 2009 were 37,341.

## Depository System

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

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

## De-materialisation of Shares as on 31 March 2009

There were 53,561 shareholders holding 5,94,57,542 shares in electronic form. This constitutes 96.07 per cent of the total paid-up share capital of the Company.

## Distribution of Shareholding as on 31 March 2009@

Table 11 gives the distribution of shares according to shareholding class, while Table 12 gives the distribution of shareholding by ownership.

Table 11: Pattern of Shareholding by Share Class as on 31 March 2009

No of Equity Shares Held	No of Shareholders	% of Shareholders	No of Shares	% of Shareholding
Up to 500	72,341	93.09	79,44,388	12.84
501-1,000	3,183	4.10	24,30,638	3.93
1,001-2,000	1,184	1.52	17,71,310	2.86
2,001-3,000	345	0.45	8,94,589	1.45
3,001-4,000	146	0.19	5,24,399	0.85
4,001-5,000	119	0.15	5,65,272	0.91
5,001-10,000	198	0.15	13,88,448	2.24
10,001 and above	198	0.25	4,63,65,356	74.92
<b>Total</b>	<b>77,714</b>	<b>100.00</b>	<b>6,18,84,400</b>	<b>100.00</b>

Table 12: Pattern of Shareholding by Ownership as on 31 March 2009

Category	Shareholding	
	Number of Shares Held	Shareholding %
Promoters	2,85,90,738	46.20
Mutual Funds & UTI	39,26,890	6.35
Banks, Financial Institutions, Insurance Companies	27,36,562	4.42
Central Government/State Government	5,84,000	0.94
Foreign Institutional Investors	31,22,051	5.04
Private Corporate Bodies*	66,61,799	10.77
Indian Public	1,56,04,024	25.22
NRIs/OCBs	3,26,706	0.53
Others (Including Shares in Transit)	3,31,630	0.53
<b>Total</b>	<b>6,18,84,400</b>	<b>100.00</b>

@ Including holdings by NSDL and CDSL

\* Includes 11,99,394 shares standing to the credit of Buy-back account of the Company bought back during the quarter ended 31 March 2009 and pending extinguishment on that date



## Outstanding GDRs/ADRs/Warrants or Any Convertible Instruments, Their Conversion Dates and Likely Impact on Equity

As on 31 March 2009, there were no outstanding GDRs/ADRs/Warrants or any convertible instruments

## Plant Locations

Technical Textiles Business	Manali Industrial Area, Manali, Chennai – 600 068, Tamil Nadu Industrial Area, Malanpur, Dist. Bhind – 477 116 MP Plot No 1, SIPCOT Industrial Area Complex, Gummidi poondi, Dist. Thiruvallur – 601 201, Tamil Nadu Viralimalai, Distt. Pudukkottai – 621 316, Tamil Nadu
Chemicals and Polymers Business	Village & P O Jhiwana, Tehsil Tijara, Dist. Alwar – 301 018, Rajasthan Manali Industrial Area, Manali, Chennai – 600 068, Tamil Nadu Plot No 14 C, Sector 9, IIE Pantnagar, Dist. Udhampur Singh Nagar, Uttarakhand
Packaging Films Business	Plot No 12, Rampura, Ramnagar Road, Kashipur Dist. Udhampur Singh Nagar, Uttarakhand Plot No C 1-8, C 21-30, Sector 3, Indore Special Economic Zone, Pitham Pur, Dhar, Indore, MP

## Address for Correspondence

Registered Office	Corporate Office	Registrar and 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: + 91 124 435 4400 Fax: + 91 124 435 4500 Email: ajoshi@srf.com	Mr K S Reddy (Assistant General Manager) Karvy Computershare Private Limited Plot No 17 to 24, Vittalrao Nagar Madhapur, Hyderabad – 500 081 Tel: 91 40 2344 0627(D) Fax: 91 40 2342 0814 Email: ksreddy@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 2009.

Date: 9 May 2009  
Place: Gurgaon

**Ashish Bharat Ram**  
Managing Director

# INDOMITABLE

Who can overlook the indomitable power of the mighty blues, which can take away whatever comes its way. SRF boasts of an age-old history, which makes it a trendsetter and one-of-its-kind. The unconquered attorney of SRF has remained unchallenged by far. The dominance in its field has made it an overt champion and honoured it with an icon status.

# Auditors' Report

To the Members of SRF Limited

1. We have audited the attached balance sheet of SRF Limited as at 31 March 2009, the profit and loss account and also the cash flow statement of the Company for the year ended on that date annexed thereto. 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
  - a) 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
  - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books
  - c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of accounts
  - d) 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
  - e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31 March, 2009 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956
  - f) In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) In the case of the balance sheet, of the state of affairs of the Company as at 31 March 2009
    - ii) In the case of the profit and loss account, of the profit of the Company for the year ended on that date
    - iii) In the case of the cash flow statement, of the cash flows for the year ended on that date

For and on behalf of  
DELOITTE HASKINS & SELLS  
Chartered Accountants  
Manjula Banerji  
Partner  
Membership No 086423

Date: 9 May 2009  
Place: Gurgaon

## Annexure Referred to in Paragraph '3' of the Auditors' Report to the Members of SRF Limited on the Accounts for the Year Ended 31 March 2009

- (i) (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) As explained to us, fixed assets are physically verified by the management in accordance with the phased programme designed to cover 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 nature of its fixed assets. In accordance with this programme, certain fixed assets have been physically verified by the management during the year. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of accounts.  
(c) In our opinion and according to the information and explanations given to us, the Company has not disposed off a substantial part of its fixed assets during the year.
- (ii) (a) During the year, the inventories have been physically verified by the management except for inventory lying with third-parties at the year-end for which confirmations have been obtained in most of the cases. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion and according to the information and explanations given to us, 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.  
(c) On the basis of our examination of the records of inventories, we are of the opinion that, the Company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of accounts.
- (iii) (a) According to the information and explanations given to us, the Company has, during the year, not granted any loan, secured or unsecured to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956, other than unsecured loans aggregating Rs 4,528.40 lakhs granted to a wholly-owned subsidiary and another Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount due during the year of the aforesaid loans was Rs 4,528.40 lakhs and the year-end balance of loans so granted was Rs 2,028.40 lakhs.  
(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loans granted by the Company are prima-facie not prejudicial to the interest of the Company.  
(c) According to the information and explanations given to us, the parties, to whom the loans have been granted by the Company, as referred to in paragraph 4(iii) (a) above, have been regular in repayment of principal amount as stipulated and have been regular in payment of interest.  
(d) According to the information and explanations given to us, there are no overdue amount in respect of loans granted as referred to in paragraph 4(iii) (a) above and interest thereon.  
(e) According to the information and explanations given to us, the Company has, during the year, not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to the purchase of inventories and fixed assets and with regard to sale of goods and services during the year. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any instance of major weaknesses in the aforesaid internal control system.
- (v) According to the information and explanations given to us and having regard to the view taken by the Company that the transactions, which are subjected to the provisions of Sub-Section (6) of Section 299 of the Companies Act, 1956 ('the Act'), are not required to be entered in the register maintained in pursuance of Section 301 of the Act, there were no transactions during the year that were required to be entered in this register. Notwithstanding the Company's view regarding the provisions of Sub-Section (6) of Section 299 of the Act in respect of certain transactions, exceeding the value of Rs 5 lakhs entered into during the year with parties

listed under the provisions of Sub-Section (3) of Section 301 of the Act, these have been made at prices which are reasonable having regard to prevailing market prices at the relevant time, except for items stated to be of specialised nature for which there are no alternate sources of supply to enable a comparison of prices.

- (vi) In our opinion, and according to the information and explanations given to us, the Company has complied with provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under, with regard to the deposits accepted from the public, which have matured and are being reflected under 'Unclaimed fixed deposits (including interest)'. As per information and explanations given to us, no order under the aforesaid sections has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company.
- (vii) In our opinion and according to the information and explanations given to us, the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) We have broadly reviewed the Books of Account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been 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 made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix)
  - (a) According to the information and explanations given to us and the records of the Company examined by us, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. We are informed that there are no undisputed statutory dues as at the year-end outstanding for a period of more than six months from the date they became payable.
  - (b) According to the information and explanations given to us and the records of the Company examined by us, there are no disputed dues of Wealth Tax, Customs Duty, Service Tax and Cess which have not been deposited.

The details of dues of Excise Duty, Sales Tax and Income Tax as at 31 March 2009, which have not been deposited by the Company on account of disputes are as follows:

Name of the Statute	Nature of the Dues	Amount* (Rs lakhs)	Period to Which the Amount Relates (Various Years Covering the Period)	Forum Where Dispute is Pending
Central Excise Laws	Excise Duty	345.20	1994-1999	High Court
		6536.70	1993-2008	Customs, Excise & Service Tax Appellate Tribunal
		375.78	1992-2005	Commissioner (Appeals)
Sales Tax Laws	Sales Tax	32.24	1993-2004	Sales Tax Appellate Tribunal
		28.74	2001-2008	Commissioner (Appeals)
Income Tax Laws	Income Tax	578.00	2004-2005	Commissioner (Appeals)
Others	Electricity Cess	6.00	2007-2008	High Court

\* Amount as per demand orders including interest and penalty wherever quantified in the Order

The following matters, which have been excluded from the table above, have been decided in favour of the Company but the department has preferred appeals at higher levels. The details are given below:

Name of the Statute	Nature of the Dues	Amount (Rs Lakhs)	Period to Which the Amount Relates (Various Years Covering the Period)	Forum Where Department has Preferred Appeal
Sales Tax Laws	Sales Tax	158.84	1995-1996	High Court
(x)	The Company does not have accumulated losses at the end of the financial year 31 March 2009. Further, the Company has not incurred any cash losses during the financial year ended 31 March 2009 and in the immediately preceding financial year ended 31 March 2008.			
(xi)	According to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks or debenture holders			
(xii)	As the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, paragraph 4(xii) of the Order is not applicable.			
(xiii)	As the Company is not a chit fund/nidhi/mutual benefit fund/society, to which the provisions of special statute relating to chit fund are applicable, paragraph 4(xiii) of the Order, is not applicable.			
(xiv)	As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order, is not applicable.			
(xv)	In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantee during the year for loans taken by a wholly-owned subsidiary from banks are prima-facie, not prejudicial to the interest of the Company.			
(xvi)	In our opinion and according to the information and explanations given to us, the term loans taken during the year have been applied for the purpose for which they were obtained.			
(xvii)	According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that short-term funds have not been used to finance long-term investments.			
(xviii)	As the Company has not made any preferential allotment of shares during the year, paragraph 4(xviii) of the Order, is not applicable.			
(xix)	According to the information and explanations given to us and the records of the Company examined by us, security/charges have been created for debentures issued during the year.			
(xx)	Since, the Company has not raised any money by way of public issue during the year, paragraph 4(xx) of the Order, is not applicable.			
(xxi)	During the course of our examination of the books of accounts and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.			

For Deloitte Haskins & Sells  
Chartered Accountants  
Manjula Banerji  
Partner  
Membership No. 086423

Date: 9 May 2009  
Place: Gurgaon

# Financials

## Balance Sheet as at 31 March 2009

	Schedule	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Sources of Funds</b>			
<b>Shareholders' Fund</b>			
Share capital	1	6170.55	6890.55
Reserves and surplus	2	91477.07	90265.49
		<b>97647.62</b>	<b>97156.04</b>
<b>Loan Funds</b>	3		
Secured		75014.68	42549.74
Unsecured		13467.73	7313.80
		<b>88482.41</b>	<b>49863.54</b>
<b>Deferred Tax Liabilities (Net)</b>	4		
<b>Total</b>		17330.11	14843.57
<b>Application of Funds</b>			
<b>Fixed assets</b>			
Gross block	5	218796.93	186585.57
Less: Depreciation		80832.20	71948.46
Net block		137964.73	114637.11
Capital work in progress		28080.29	8929.75
		<b>166045.02</b>	<b>123566.86</b>
<b>Investments</b>	6		
<b>Current Assets, Loans and Advances</b>	7		
Inventories		19110.57	22859.43
Sundry debtors		23024.15	23299.76
Cash and bank balances		310.04	723.05
Loans and advances		14763.82	9387.51
		<b>57208.58</b>	<b>56269.75</b>
<b>Less: Current Liabilities and Provision</b>	8		
Current liabilities		31124.52	29781.88
Provisions		2028.95	2944.54
		<b>33153.47</b>	<b>32726.42</b>
<b>Net current assets</b>		24055.11	23543.33
<b>Notes to the accounts</b>	14	<b>203460.14</b>	<b>161863.15</b>

Per our report attached

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Manjula Banerji**  
Partner  
Membership No. 086423  
Date: 9 May 2009  
Place: Gurgaon

**Arun Bharat Ram**  
Chairman  
**Satish K Kaura**  
Director

**Ashish Bharat Ram**  
Managing Director  
**Rajendra Prasad**  
President & Chief  
Financial Officer

**Kartikeya Bharat Ram**  
Deputy Managing Director  
**Anoop K Joshi**  
Vice President  
& Company Secretary

# VIBRANT

Velocity of the tide can be felt by the effervescent movement in the sea. The lively, dynamic and vivacious sea remains undeterred by any unsolicited element. SRF emulates the extravagant attitude of the sea and moves on with a 'come what may' approach. SRF has always adopted a welcoming outlook and come up with a thrust.



## Profit and Loss Account for the Year Ended 31 March 2009

	Schedule	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
<b>Income</b>			
Gross sales (including conversion income)*		195869.37	178500.24
Less: Excise duty		15787.48	16970.04
Net sales (including conversion income)		180081.89	161530.20
Other income	9	1827.10	1998.50
		181908.99	163528.70
*Includes tax deducted at source on conversion income Rs 17.37 lakhs (Previous Year - Rs 22.81 lakhs)			
<b>Expenditure</b>			
Raw materials consumed	10	92671.97	90541.10
(Increase)Decrease in stock	11	3295.63	853.03
Purchases of goods for resale		68.37	208.32
Manufacturing and other expenses	12	46225.17	38400.94
Interest and finance charges	13	5111.28	3606.85
Depreciation	5	10001.45	9751.78
Transfer from revaluation reserve		(60.60)	(80.05)
		157313.27	143281.97
<b>Profit Before Tax</b>		24595.72	20246.73
Provision for taxation			
Current tax		5404.56	4161.70
Deferred tax charge		2486.54	2121.00
Fringe benefit tax		175.00	139.00
Relating to earlier years		201.52	(47.95)
		16328.10	13872.98
<b>Profit After Tax</b>		44219.98	35818.10
Balance brought forward from the previous year		60548.08	49691.08
<b>Profit Available for Appropriation</b>			
<b>Appropriations</b>			
Proposed dividend		-	1357.70
Interim dividend		6253.50	2036.55
Corporate dividend tax		1062.78	576.85
Transfer to general reserve		2000.00	1500.00
Debenture redemption reserve		3025.00	-
<b>Balance Carried to Balance Sheet</b>		48206.80	44219.98
Earnings per share – basic/diluted (Rs) (Refer note 9 of Schedule 14)		25.78	20.44
Notes to the accounts	14		
Per our report attached			
<b>For Deloitte Haskins &amp; Sells</b>			
Chartered Accountants			
<b>Manjula Banerji</b>	Arun Bharat Ram	Ashish Bharat Ram	Kartikeya Bharat Ram
Partner	Chairman	Managing Director	Deputy Managing Director
Membership No. 086423			
Date: 9 May 2009	Satish K Kaura	Rajendra Prasad	Anoop K Joshi
Place: Gurgaon	Director	President & Chief Financial Officer	Vice President & Company Secretary

## SCHEDULE 1: Share Capital

	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Authorised</b>		
12,00,00,000 (Previous Year – 12,00,00,000)	12000.00	12000.00
Equity shares of Rs 10 each		
10,00,000 (Previous Year – 10,00,000)	1000.00	1000.00
Preference shares of Rs 100 each		
12,00,000 (Previous Year – 12,00,000)	600.00	600.00
Cumulative convertible preference shares of Rs 50 each		
2,00,00,000 (Previous Year – 2,00,00,000)	20000.00	20000.00
Cumulative preference shares of Rs 100 each		
<b>Issued</b>		
7,38,30,327 (Previous Year – 7,38,30,327)		
Equity shares of Rs 10 each	7383.03	7383.03
<b>Subscribed and Paid Up</b>		
6,06,85,005 (Previous Year – 6,78,85,005)	6068.50	6788.50
Equity shares of Rs 10 each fully-paid up		
Add: Forfeited shares – Amount originally paid up	101.51	101.51
Add: Share capital suspense	0.54	0.54
	6170.55	6890.55
Of the subscribed and paid up capital – 20,34,848 (Previous Year – 20,34,848) equity shares allotted as fully-paid up as bonus shares by capitalisation of reserves		
Share capital suspense represents 5,408 (Previous Year – 5,408) equity shares which are awaiting allotment to the erstwhile shareholders of Flowmore Polymers Limited (FPL) pending settlement of calls in arrears in respect of their shareholding in FPL		
72,00,000 (Previous Year – Nil) equity shares of Rs 10 each fully-paid up, bought back during the year and extinguished during the year/subsequent to the year-end in accordance with Section 77A of the Companies Act, 1956		

## SCHEDULE 2: Reserves and Surplus

	As at 31 March 2008 Rs Lakhs	Additions Rs Lakhs	Deductions Rs Lakhs	As at 31 March 2009 Rs Lakhs
Securities premium account	12527.11	-	6852.41 ##	5674.70
Capital reserve	18346.76	1218.69 *	-	19565.45
Revaluation reserve	5807.15	-	69.77 ###	5737.38
Capital redemption reserve	1.61	720.00 #	-	721.61
Debenture redemption reserve	-	3025.00 ***	-	3025.00
Cash flow hedge reserve	(2587.36)	(2816.75) **	-	(5404.11)
General reserve	11950.24	2,000.00	-	13950.24
Surplus in profit and loss account	44219.98	3986.82	-	48206.80
	90265.49	8133.76	6922.18	91477.07

\* Represents amount received pursuant to Montreal Protocol Phaseout Programme of Refrigerant Gases/capital subsidy

\*\* The cash flow hedging reserve represents loss on mark-to-market of foreign currency derivatives in the nature of cash flow hedge

\*\*\* Created during the year

# Transferred from securities premium account, pursuant to Section 77AA of the Companies Act, 1956

## Represents

- Rs 720.00 lakhs transferred to capital redemption reserve

- Rs 6,132.41 lakhs utilised towards premium paid on buy-back of shares

### Represents

- Rs 60.60 lakhs transferred to profit and loss account

- Rs 9.17 lakhs in respect of deletion of revalued assets

### SCHEDULE 3: Loan Funds

		As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Secured</b>			
Debentures	(1)	15000.00	-
Loans from banks			
On cash credit/ working capital demand loan	(2)	12190.27	3209.20
Term loans *	3(i) & (ii)	46774.41	37690.54
Loans from others *	3(iii)	<u>1050.00</u>	1650.00
		<u>75014.68</u>	42549.74
<b>Unsecured</b>			
Short-term loans and advances			
Banks		13467.73	4813.80
Others		-	2500.00
		<u>13467.73</u>	7313.80
		<b>88482.41</b>	49863.54

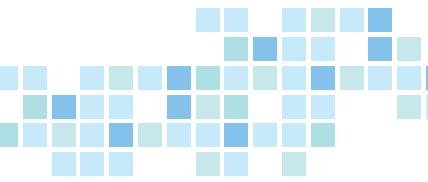
\* Includes Rs 1,3611.00 lakhs (Previous Year – Rs 11,245.00 lakhs) repayable within a year

#### Security Note/Clause

	Loan	Outstanding As at 31.03.2009 (Rs Lakhs)	Security
1.	1500, 13%, Listed, Secured Redeemable Non-Convertible Debentures of Rs 10 lakhs each  <b>Terms and conditions</b> a) Redeemable at face value in three annual installments in the ratio of 30%, 30% and 40% commencing from the end of the fourth year from the date of allotment  b) Call option at the end of the third year with step up of 0.5% p.a. if call option is not exercised	15000.00	Debentures are secured by legal mortgage in English form on certain immoveable properties of the Company situated in Gujarat. In addition these debentures are secured by hypothecation of the Company's moveable properties, both present and future, situated at Manali, Viralimalai and Gummidi poondi in Tamil Nadu, Jhiwana in Rajasthan, Malanpur and Indore in Madhya Pradesh and Kashipur in Uttarakhand and an equitable mortgage of the Company's immoveable properties, both present and future, situated at Viralimalai, Gummidi poondi in Tamil Nadu, Jhiwana in Rajasthan, Kashipur in Uttarakhand, Malanpur (save and except superstructures) and Indore in Madhya Pradesh  Loans as at 3(i) are to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Manali in Tamil Nadu and at Pantnagar in Uttarakhand  Out of the loans as at 3(i), the term loans aggregating to:  a) Rs 8,200 lakhs are to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Gummidi poondi (leasehold land) in Tamil Nadu, at Malanpur (save and except superstructures) and at Indore in Madhya Pradesh  b) Rs 3,225 lakhs are to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Malanpur in Madhya Pradesh (save and except superstructures)
2.	Cash credit/working capital demand loans	12190.27	Secured by hypothecation of stocks, stores and book debts, both present and future at Manali, Viralimalai and Gummidi poondi in Tamil Nadu, Jhiwana in Rajasthan, Malanpur and Indore in Madhya Pradesh, Kashipur and Pantnagar in Uttarakhand. A part of the working capital facilities secured by a second charge on some of the Company's immoveable properties, are pending vacation of such second charge in accordance with the revised terms and conditions of the working capital facilities

	Loan	Outstanding As at 31.03.2009 (Rs Lakhs)	Security
3.	(i) Term loan from banks	19601.86	Term loans from banks are secured by:  a) Hypothecation of the Company's moveable properties, both present and future, situated at Manali, Viralimalai and Gummidi poondi in Tamil Nadu, Jhiwana in Rajasthan, Malanpur and Indore in Madhya Pradesh.  Term loan of Rs 5,551.86 lakhs is additionally secured by hypothecation of the Company's moveable properties, both present and future, situated at Pantnagar in Uttarakhand  b) Equitable mortgage of the Company's immoveable properties, both present and future, situated at Viralimalai, Gummidi poondi (freehold land) in Tamil Nadu, Jhiwana in Rajasthan and Kashipur in Uttarakhand  Term loans aggregating to Rs 11,401.86 lakhs are additionally secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Indore in Madhya Pradesh  Term loans aggregating to Rs 8,776.86 lakhs is additionally secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Gummidi poondi (leasehold land) in Tamil Nadu  Term loan of Rs 5,551.86 lakhs is additionally secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Malanpur (save and except superstructure) in Madhya Pradesh  Loans as at 3(i) are to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Manali in Tamil Nadu and at Pantnagar in Uttarakhand  Out of the loans as at 3(i), the term loans aggregating to:  a) Rs 8,200 lakhs are to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Gummidi poondi (leasehold land) in Tamil Nadu, at Malanpur (save and except superstructures) and at Indore in Madhya Pradesh  b) Rs 3,225 lakhs are to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Malanpur in Madhya Pradesh (save and except superstructures)

	Loan	Outstanding As at 31.03.2009 (Rs lakhs)	Security
			c) Rs 2,625 lakhs is to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Gummidi poondi (leasehold land) in Tamil Nadu and at Malanpur in Madhya Pradesh (save and except superstructures)
(ii) Term loan from banks	27172.55		Term loans from banks are secured by hypothecation of the Company's moveable properties, both present and future, situated at Manali, Viralimalai and Gummidi poondi in Tamil Nadu, Jhiwana in Rajasthan, Malanpur in Madhya Pradesh, Kashipur and Pantnagar in Uttarakhand  Out of the loans as at 3(ii), term loans aggregating to Rs 10,710 lakhs are to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Manali, Viralimalai, Gummidi poondi in Tamil Nadu, Jhiwana in Rajasthan, Kashipur and Pantnagar in Uttarakhand, Malanpur (save and except superstructures) and Indore in Madhya Pradesh
(iii) Term loan from others	1050.00		Term loans from others are secured by hypothecation of the Company's moveable properties, both present and future situated at Manali, Viralimalai and Gummidi poondi in Tamil Nadu, Jhiwana in Rajasthan, Malanpur in Madhya Pradesh, Kashipur and Pantnagar in Uttarakhand  Such hypothecation and equitable mortgage ranking pari-passu 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 above
<b>Total</b>	<b>75014.68</b>		



## SCHEDULE 5: Fixed Assets (Rs Lakhs)

Description	Gross Block			Depreciation			Net Block		Revaluation Amount As at 31 March 2009	
	As at 1 April 2008	Additions	Deductions	As at 31 March 2009	Up to 31 March 2008	For the year*	On deductions	Up to 31 March 2009	As at 31 March 2009	As at 31 March 2008
<b>Tangible assets</b>										
Freehold land	9592.62	742.80	2.00	10333.42	-	-	-	10333.42	9592.62	5021.79
Leasehold land	1644.92	636.99	-	2281.91	-	-	-	2281.91	1644.92	223.52
Roads	330.34	77.42	-	407.76	83.44	5.27	-	88.71	319.05	246.90
Buildings	21130.99	3886.09	33.40	24983.68	4825.21	678.27	8.02	5495.46	19488.22	16305.78
Plant and machinery	148438.40	25523.18	729.89	173231.69	63647.48	8747.67	614.26	71780.89	101450.80	84790.92
Furniture, fixtures and office equipments	3813.84	432.77	240.37	4006.24	2401.96	253.30	203.14	2452.12	1554.12	1411.88
Vehicles	1160.70	489.85	255.36	1395.19	608.76	213.30	183.88	638.18	757.01	551.94
<b>Intangible Assets</b>										
Goodwill	-	368.94	-	368.94	-	-	-	368.94	-	-
Trademarks	-	1139.70	-	1139.70	-	28.49	-	28.49	1111.21	-
Technical knowhow	-	264.70	-	264.70	-	6.62	-	6.62	258.08	-
Software	473.76	18.35	108.41	383.70	381.61	68.53	108.41	341.73	41.97	92.15
<b>Total</b>	<b>186585.57</b>	<b>33580.79</b>	<b>1369.43</b>	<b>218796.93</b>	<b>71948.46</b>	<b>10001.45</b>	<b>1117.71</b>	<b>80832.20</b>	<b>137964.73</b>	<b>5737.38</b>
Previous year	169198.57	19907.52	2520.52	186585.57	64404.88	9751.78	2208.20	71948.46		114637.11
									<b>28080.29</b>	<b>8929.75</b>
Capital work in progress including capital advances of Rs 5,247.95 lakhs (Previous Year – Rs 899.12 lakhs)									<b>166045.02</b>	<b>123566.86</b>

1. Revaluation was done as on 31 March 2005

2. Amount of borrowing cost capitalised to fixed assets during the year Rs 1,937.54 lakhs (Previous Year – Rs 127.55 lakhs)

3. Additions to fixed assets (including intangibles) include Rs 14,184.36 lakhs pursuant to acquisition of Engineering Plastics Business and Industrial Yarn Business from SRF Polymers Limited (Refer note 4 of Schedule 14)

4. The deed of assignment in respect of freehold 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.

5. Conveyancing of buildings and other superstructures located at the Company's plant at Malanpur in Madhya Pradesh including immovable machinery is linked to the Stamp Duty matter (Refer note 3 (a) of Schedule 14).

6. Out of the industrial freehold land measuring 32.41 acres at the Company's plant in Gummidi poondi, 8.62 acres of land is under litigation.

7. Capital expenditure incurred during the year includes Rs 380.82 lakhs (Previous Year – Rs 2,335.10 lakhs) on account of research and development

\* Includes depreciation on assets deployed in research and development as per Schedule 12a

## SCHEDULE 4: Deferred Tax Liabilities and Assets

	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Deferred Tax Liabilities</b>		
Difference between book and tax depreciation	16249.48	14003.24
Research and development expenditure	1343.28	1254.07
	<b>17592.76</b>	<b>15257.31</b>
<b>Deferred Tax Assets</b>		
Provision for bad and doubtful debts	96.28	88.03
Accrued expenses deductible on payment basis	166.37	325.71
	<b>262.65</b>	<b>413.74</b>
Deferred tax liabilities (net)	<b>17330.11</b>	<b>14843.57</b>

## SCHEDULE 6: Investments

	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Long-term</b> (Valued at cost unless there is permanent fall in value thereof)				
<b>Trade Investments</b>				
<b>Unquoted</b>				
15,75,000 (Previous Year – 15,75,000) Equity shares of Rs 10 each fully-paid up of Arkay Energy (Rameshwaram) Limited	157.50	157.50		
42,21,535 (Previous Year – 39,91,650) Equity shares of Rs 10 each fully-paid up of Malanpur Captive Power Limited.	422.15	399.17		
2,11,885 equity shares purchased during the year and 18,000 shares allotted during the year				
<b>Non-Trade Investments</b>				
<b>Investment of Shares, Units, etc.</b>				
<b>Quoted</b>				
Nil (Previous Year – 2,45,452) Bonds of Unit Trust of India @ Rs 100 each, sold during the year	-	245.45		
<b>Unquoted</b>				
25,00,000 (Previous Year – 25,00,000) preference shares of Rs 10 each fully-paid up of SBL Industries Limited	250.00	250.00		
Less: Provision for diminution in value	(250.00)	(250.00)		
6,70,000 (Previous Year – 6,70,000) Equity shares of Rs 10 each fully-paid up of Sanghi Spinners Limited	11.69	11.69		
Less: Provision for diminution in value	(11.69)	(11.69)		
Equity investment in Jingde Yangtze - Ganga Fluorine Chemical Co. Limited (Joint Venture)	141.43	141.43		
<b>Investment in Subsidiaries</b>				
2,28,93,366 (Previous Year – 2,28,93,366) Equity shares of USD 1 each fully-paid up of SRF Overseas Limited (A wholly-owned subsidiary)	8514.85	8514.85		
32,54,184 (Previous Year – 32,54,184) Equity shares of Rs 100 each fully-paid up of SRF Transnational Holdings Limited (A wholly-owned subsidiary)	1472.57	1472.57		
Less: Amount written off	(1472.57)	(1472.57)		
8,000 (Previous Year – 8,000) Equity shares of Rs 100 each fully-paid up of SRF Properties Limited (A wholly-owned subsidiary)	589.56	589.56		
2 (Previous Year – 2) Equity shares of USD 1 each fully-paid up of SRF Fluor Private Limited (A wholly-owned subsidiary)* Rs 79	*	*		
50,000 (Previous Year – 50,000) Equity shares of Rs 10 each fully-paid up of SRF Infrastructure Limited (A wholly-owned subsidiary)	5.00	5.00		
360 (Previous Year – Nil) Equity shares of Euro 100 each fully-paid up of SRF Global BV (A wholly-owned subsidiary)	23.65	-		
<b>Current Investments</b> (Valued at lower of cost or fair value)				
<b>Non-Trade Investments</b>				
<b>Units of Mutual Funds</b>				
<b>Unquoted</b>				
Nil (Previous Year – 69,97,901) Units of Rs 10 each of Birla Sun Life Cash Manager IP Daily Dividend Reinvestment			-	700.00
Nil (Previous Year – 2,00,00,000) Units of Rs 10 each of Franklin Templeton Fixed Horizon Fund Series II Plan B			-	2000.00
Nil (Previous Year – 1,79,901) Units of Rs 1,001 each of DSP Merrill Lynch Liquidity Fund Daily Dividend Reimbursement			-	1800.00
1,00,15,685 (Previous Year – 19,99,380) Units of Rs 10 each of Reliance Liquidity Fund Daily Dividend Reinvestment Option			1001.57	200.00
2,50,42,958 (Previous Year – Nil) Units of Rs 10 each of ICICI Prudential Institutional Liquid Plan – Super Institutional Daily Dividend			2504.30	-
Aggregate book value of quoted investments			13360.01	14752.96
Aggregate book value of unquoted investments			-	245.45
- Units of mutual funds			3505.87	4700.00
- Others			9854.14	9807.51
Market value of quoted investments			13360.01	14752.96
<b>Net Asset Value/Repurchase Price of Units of Mutual Funds</b>			3505.87	4855.63
			<b>Purchase Units No.</b>	<b>Sold Units No.</b>
			<b>Amount Rs Lakhs</b>	<b>Amount Rs Lakhs</b>
<b>Details of Investments Purchased and Sold During the Year</b>				
<b>Mutual Funds</b>				
Birla Sun Life Cash Manager IP Daily Dividend Reinvestment			6997901	700.00
Birla Sun Life Cash Plus Daily Dividend Reinvestment*	48137897	5202.91	48137897	5202.91
Birla Sun Life Liquid Plus Daily Dividend Reinvestment*	34993136	3507.52	34993136	3507.52
DBS Chola Freedom Income STP – Daily Dividend Reinvestment*	17989721	1802.80	17989721	1802.80
DBS Chola Institutional – Daily Dividend Reinvestment*	4983902	500.00	4983902	500.00
DBS Chola Liquid Institutional – Daily Dividend Reinvestment*	7981668	800.70	7981668	800.70
DSP Merrill Lynch Liquidity Fund Daily Dividend Reimbursement*	1342350	13436.23	1522251	15236.24
Franklin Templeton Fixed Horizon Fund Series II-Plan -B			20000000	2000.00
Franklin Templeton Treasury Management- Daily Dividend Reinvestment*			270165	2703.35
ICICI Prudential Flexible Income Plan – Daily Dividend*	23679032	2503.70	23679032	2503.70
ICICI Prudential Institutional Liquid Plan – Super Institutional Daily Dividend*			35059841	3505.28
Principal Floating Rate Fund SMP – Daily Dividend Reinvestment*	14010099	1401.11	14010099	1401.11
Reliance Liquid Plus Daily Dividend Plan*			250887	2511.81
Reliance Liquidity Fund Daily Dividend Reinvestment Option*	87991412	8810.95	79975107	8009.38
SBI Mutual Fund Magnum Insta Cash Fund – Dividend Option*	7169018	1200.83	7169018	1200.83
<b>Equity Shares</b>				
Malanpur Captive Power Limited (Shares of face value of Rs 10 each)			229885	22.99
SRF Global BV (Shares of face value of Euro 100 each)			360	23.65
<b>Bonds</b>				
Bonds of Unit Trust of India @ Rs 100 each				245452
				245.45
			<b>47933.83</b>	<b>49326.78</b>

\*Units purchased includes dividend reinvested during the year

## SCHEDULE 7: Current Assets, Loans and Advances

	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Current Assets</b>		
<b>Inventories</b>		
Stores and spares (at cost or under)	2083.61	1746.97
Stock in trade (at cost or net realisable value, whichever is lower)		
Raw materials	9989.81	11914.60
Stock-in-process	3643.53	5147.62
Finished goods	3393.62	4050.24
	<b>19110.57</b>	<b>22859.43</b>
<b>Sundry Debtors#</b>		
Debts over six months		
Unsecured		
- Considered good	197.91	123.21
- Considered doubtful	469.96	259.00
Other debts		
Unsecured - Considered good	22826.24	23176.55
	<b>23494.11</b>	<b>23558.76</b>
Less: Provision for doubtful debts		
	<b>469.96</b>	<b>259.00</b>
	<b>23024.15</b>	<b>23299.76</b>
<b>Cash and Bank Balances</b>		
Cash in hand	24.59	24.25
Cheques in hand	-	115.00
With scheduled banks on		
Current accounts	38.75	232.58
Deposit accounts	92.61	-
Unclaimed dividend accounts	154.09	351.22
	<b>310.04</b>	<b>723.05</b>
<b>Loans and Advances</b>		
Advances recoverable in cash or in kind or for value to be received*		
Considered good	4312.57	1541.63
Considered doubtful	187.48	179.48
	<b>4500.05</b>	<b>1721.11</b>
Less: Provision for doubtful advances		
	<b>187.48</b>	<b>179.48</b>
	<b>4312.57</b>	<b>1541.63</b>
Balance with customs and excise authorities	402.72	246.26
Other deposits**	2093.43	1700.53
Claims recoverable	1239.50	605.53
Cenvat/Service Tax/VAT recoverable	6715.60	5293.56
	<b>14763.82</b>	<b>9387.51</b>
	<b>57208.58</b>	<b>56269.75</b>

# Sundry debtors include Rs 75.16 lakhs (Previous Year – Rs 397.21 lakhs) due from SRF Overseas Limited (a wholly-owned subsidiary), Rs 13.12 lakhs (Previous Year – Rs Nil) due from SRF Technical Textiles (Thailand) Limited and Rs 501.42 lakhs (Previous Year – Rs Nil) due from SRF Industex Belting (Pty) Limited, the chain subsidiaries of SRF Limited (i.e. wholly-owned subsidiaries of SRF Overseas Limited). The maximum amount outstanding during the year from SRF Overseas Limited is Rs 1,225.93 lakhs (Previous Year – Rs 605.00 lakhs), SRF Technical Textiles (Thailand) Limited is Rs 13.12 lakhs (Previous Year – Rs Nil) and SRF Industex Belting (Pty) Limited is Rs 536.80 lakhs (Previous Year – Rs Nil).

\*Includes:  
- Interest bearing loans carrying interest of 9% p.a. or more to a Officer of the Company (repayable beyond seven years) – Rs 0.73 lakhs (Previous Year – Rs 1.27 lakhs). Maximum balance Rs 1.27 lakhs (Previous Year – Rs 1.79 lakhs)

- Rs 2,309.38 lakhs (Previous Year – Rs Nil) loan given to SRF Overseas Limited (a wholly-owned subsidiary of the Company). Maximum amount outstanding during the year Rs 2,309.38 lakhs (Previous Year – Rs Nil)

\*\*includes Rs 1,024.82 lakhs (Previous Year – Rs 921.80 lakhs) as interest-free security deposits for accommodation taken on lease for the Company's officers/directors and various offices taken on lease by the Company

## SCHEDULE 8: Current Liabilities and Provisions

	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Current Liabilities</b>		
Acceptances	3585.89	8627.14
Sundry creditors:		
Total outstanding dues of Micro and Small enterprises	57.87	176.62
Total outstanding dues to creditors other than Micro and Small enterprises	22819.93	20005.49
Security deposits	400.69	356.32
Unclaimed dividend*	154.09	98.61
Interim dividend payable	3034.25	252.61
Unclaimed fixed deposits (including interest)*	13.30	14.10
Interest accrued but not due on loans	1058.50	250.99
	<b>31124.52</b>	<b>29781.88</b>
<b>Provisions</b>		
Provision for taxation (net of payments)	781.24	730.32
Proposed dividend	-	1357.70
Corporate dividend tax	515.67	230.74
Provision for compensated absences	732.04	625.78
	<b>2028.95</b>	<b>2944.54</b>
	<b>33153.47</b>	<b>32726.42</b>

\* 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 the Fixed Deposits have matured

## SCHEDULE 9: Other Income

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
Claims	197.06	28.14
Export incentives	382.32	469.95
Dividend on current non-trade investments	84.91	257.76
Profit on sale of current non-trade investments	201.18	14.54
Provision no longer required written back	221.48	318.50
Scrap sales	414.14	487.81
Profit on sale of fixed assets	69.86	-
Interest		
- from customers*	13.58	6.17
- on loans and deposits*	118.20	22.5
- on income tax refunds	-	48.14
- from others	80.82	69.03
Miscellaneous	43.55	275.88
	<b>1827.10</b>	<b>1998.50</b>

\* Includes income tax deducted at source Rs 13.34 lakhs (Previous Year – Rs 7.22 lakhs)

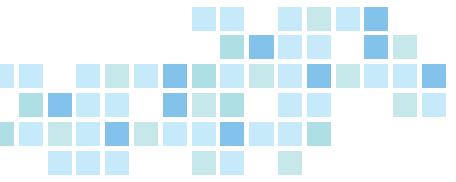
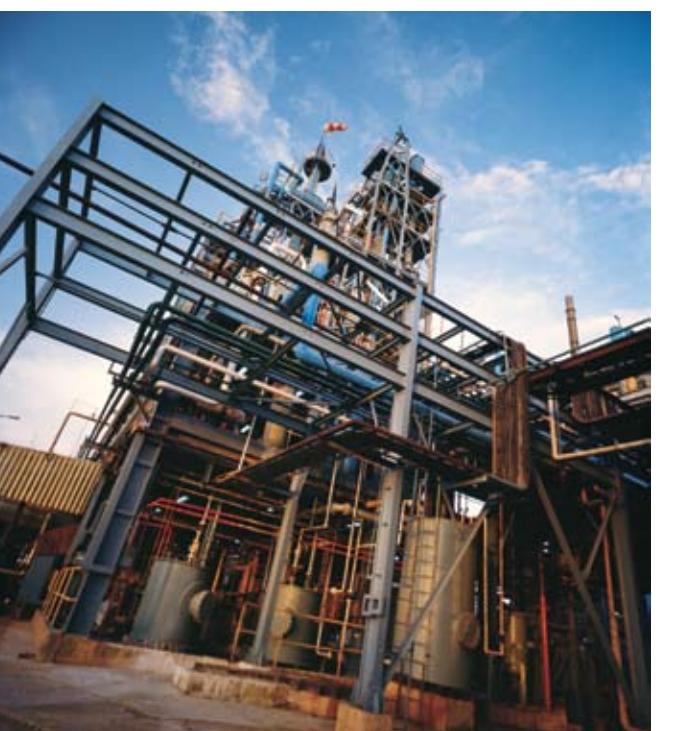
## SCHEDULE 10: Raw Materials Consumed

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
Opening stock of Raw Materials	<b>11914.60</b>	7248.97
Add: Purchase of Raw Materials	<b>90747.18</b>	95206.73
	<b>102661.78</b>	102455.70
Less: Closing Stock of Raw Materials	<b>9989.81</b>	11914.60
Raw Materials consumed *	<b>92671.97</b>	90541.10

\* Includes research and development expenses as per schedule 12a

## SCHEDULE 11: (Increase)\Decrease in Stock

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
Opening Stock		
Stock-in-process	<b>5147.62</b>	6129.68
Finished goods	<b>4050.24</b>	3921.21
	<b>9197.86</b>	10050.89
Stock-in-process and finished goods acquired pursuant to the acquisition of business from SRF Polymers Limited (Refer note 4 of Schedule 14)		
Stock-in-process	<b>299.64</b>	-
Finished goods	<b>835.28</b>	-
	<b>1134.92</b>	-
Closing Stock		
Stock-in-process	<b>3643.53</b>	5147.62
Finished goods	<b>3393.62</b>	4050.24
	<b>7037.15</b>	9197.86
(Increase)\Decrease in Stock	<b>3295.63</b>	853.03



## SCHEDULE 12: Manufacturing and Other Expenses\*

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
Stores and Spares consumed (excluding Rs 1,296.68 lakhs (Previous Year – Rs 1,614.22 lakhs) charged to repairs and maintenance)	<b>1847.16</b>	1371.0
Power and fuel	<b>13795.29</b>	13999.43
Rent	<b>537.02</b>	348.69
Repairs and maintenance		
- Buildings	<b>112.31</b>	148.05
- Plant and machinery	<b>2013.04</b>	2121.37
- Other maintenance	<b>832.91</b>	889.76
Freight	<b>3017.63</b>	3013.64
Professional and legal charges	<b>2240.23</b>	1678.02
Salaries, wages, bonus, etc.	<b>7136.34</b>	6523.20
Contribution to provident fund, superannuation, employees' state insurance, gratuity and other funds	<b>1057.45</b>	682.66
Workmen and staff welfare expenses	<b>1064.26</b>	902.56
Insurance	<b>453.49</b>	452.83
Rates and taxes	<b>198.08</b>	151.70
Contract conversion charges	<b>367.83</b>	487.56
Travel	<b>753.20</b>	679.65
Auditors' remuneration		
- Audit fees	<b>30.00</b>	18.00
In other capacity		
- For limited review of unaudited financial results	<b>17.00</b>	9.00
- For corporate governance, consolidated financial statements and other certificates	<b>4.35</b>	3.86
- For tax audit	<b>-</b>	5.50
Directors sitting fees	<b>7.05</b>	6.60
Selling commission	<b>465.31</b>	411.56
Exchange fluctuation	<b>8109.59</b>	2110.66
Provision for doubtful debts/advances	<b>82.56</b>	168.79
Bad debts written off	<b>2.12</b>	11.93
Fixed assets/inventory written off	<b>81.81</b>	232.79
Loss on sale of fixed assets	<b>-</b>	38.30
Increase/(decrease) in excise duty on closing stock	<b>(440.82)</b>	(2.90)
Miscellaneous expenses	<b>2439.96</b>	1936.73
	<b>46225.17</b>	38400.94

\* Includes research and development expenses as per schedule 12a



## SCHEDULE 14: Notes to the Accounts

### 1. Significant Accounting Policies

#### (i) Accounting Convention

The financial statements are prepared under the historical cost convention, as modified to include the revaluation of certain fixed assets, and have been prepared in accordance with applicable mandatory Accounting Standards and relevant presentational requirements of the Companies Act, 1956.

#### (ii) Fixed Assets

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation except for certain fixed assets which are revalued and are therefore, stated at their revalued book values. Cost of acquisition or construction is inclusive of freight, duties, taxes, incidental expenses and interest on loans attributable to the acquisition of qualifying assets, up to the date of commissioning of the assets.

The basis for revaluation is 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.

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

#### (iii) Depreciation

a) Depreciation on all fixed assets is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 or at rates arrived at on the basis of the balance useful lives of the assets based on technical evaluation/revaluation of the related assets, whichever is higher, except in case of the following assets where depreciation is provided at rates indicated against each assets:

Vehicles	-	21%
Data Processing Equipments	-	31.67%
Mobile Phones	-	95%

b) Depreciation is calculated on a pro rata basis except that, assets costing upto Rs 5,000 each are fully- depreciated in the year of purchase.

c) On assets sold, discarded, etc. during the year, depreciation is provided up to the date of sale/discard.

d) In respect of revalued assets, a transfer is made from the revaluation reserve to the profit and loss account for the sum of the differences as below:

- 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/disposed off, the difference between the written down value as per the revalued value and historical cost

e) No write-off is made in respect of leasehold land as the lease is a perpetual lease.

f) Depreciation (amortisation) on intangibles is provided on straight line method as follows:

- Trademark and technical knowhow over a period of 10 years
- Software over a period of three years

## SCHEDULE 12a: Research and Development Expenses\*

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
Raw material consumed	26.00	10.75
Salaries, wages, bonus, etc.	385.05	285.68
Contribution to provident fund, superannuation, employees' state insurance, gratuity and other funds	28.61	28.59
Workmen and staff welfare expenses	31.14	19.64
Power	41.09	30.19
Rent	6.72	14.11
Stores, spares and components consumed	129.83	98.17
Repairs and maintenance		
- Building	1.27	0.65
- Plant and machinery	59.60	8.05
- Other maintenance	49.88	85.18
Insurance	3.88	1.43
Rates and taxes	2.91	2.70
Travel	34.92	31.22
Professional and legal charges	53.22	66.01
Depreciation	203.02	136.44
Miscellaneous	99.39	78.05
	1156.54	896.86

## SCHEDULE 13: Interest and Finance Charges

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
On:		
Debentures and loans for fixed period	2252.13	2156.00
Cash credit and others	1683.48	732.30
Finance charges	1175.67	718.55
	5111.28	3606.85

#### (iv) Foreign Currency Transactions

Transactions in foreign currencies are recorded on initial recognition at the exchange rate prevailing on the date of the transaction.

All foreign currency liabilities and monetary assets are stated at the exchange rate prevailing as at the date of the balance sheet and the loss or gain is taken to the profit and loss account as exchange fluctuation.

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.

#### (v) Research and Development

Revenue expenditure on research and development is included under the natural heads of expenditure. Capital expenditure on research and development is treated in the same manner as expenditure on other fixed assets.

#### (vi) Inventories

Stores and spares are valued at cost or under. Stock in trade is valued at cost or net realisable value, whichever is lower. The basis of determining the cost for various categories of inventory are as follows:

Stores, spares and raw materials	-	Weighted average rate
Stock in trade		
Process stocks and finished goods	-	Direct cost plus appropriate share of overheads and excise duty, wherever applicable
By products	-	At estimated realisable value

#### (vii) Investments

Long-term investments are valued at cost unless there is a permanent fall in the value thereof. Current investments are stated at lower of cost or fair value.

#### (viii) Employee Benefits

Company's contributions paid/payable during the year to Provident Fund, Superannuation Fund and Employees' State Insurance Corporation are recognised in the profit and loss account.

Provision for gratuity and compensated absences are determined on an actuarial basis at the end of the year and charged to revenue each year.

#### (ix) Provisions and Contingent Liabilities

The Company recognises a provision when there is a present obligation as a result of past events and it is more likely than not that an outflow of revenues would be required to settle the obligation and a reliable estimate can be made. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

#### (x) Revenue Recognition

Sale of goods is recognised at the point of dispatch of goods to customers. Gross sales are inclusive of excise duty and net of value added tax/sales tax.

Sale of Certified Emission Reductions (CERs) is recognised as income on the delivery of the CERs to the customer's account as evidenced by the receipt of confirmation of execution of delivery instructions.

#### (xi) 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 there from.
- b. Capital receipts are credited to Capital reserve.
- c. Cash flow hedge reserve represents the gain or loss arising out of adjusting the hedging instruments to mark-to-market.

#### (xii) Taxation

- a. The income tax liability is provided in accordance with the provisions of the Income Tax Act, 1961.
- b. Deferred tax is recognised, subject to the consideration of prudence, on timing differences, 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.

### 2. Capital Commitments

The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to Rs 16,608.87 lakhs (Previous Year – Rs 3,791.41 lakhs).

Further, the Company is to make investments in the joint venture Jingde Yangtze – Ganga Fluorine Chemical Co Limited up to USD 2.65 million (Previous Year – USD 2.65 million).

The Company is to make investments in the following companies:

- i) SRF Fluorochemicals Limited – Rs 5 lakhs (Previous Year – Rs 5 lakhs)
- ii) SRF Energy Limited – Rs 5 lakhs (Previous Year – Rs 5 lakhs)

### 3. Contingent Liabilities not Provided for

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

	As at 31 March 2009 Rs Lakhs	As At 31 March 2008 Rs Lakhs
Excise Duty* @	5713.25	3884.53
Sales Tax** @	231.57	43.74
Income Tax	749.00	171.00
Stamp Duty****	2881.55	2881.55
Others***	94.43	44.17

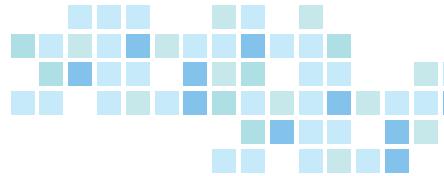
\* Amount deposited Rs 240.35 lakhs (Previous Year – Rs 27.92 lakhs)

\*\* Amount deposited Rs 52.00 lakhs (Previous Year – Rs 13.55 lakhs)

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

\*\*\*\* In the matter of acquisition of the Tyrecord Division at Malanpur from Ceat Limited, the Collector of Stamps, Bhind has by his order dated 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 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 preferred a Special Leave Petition before the Hon'ble Supreme Court which the State of Madhya Pradesh has withdrawn to enable it to approach the Hon'ble High Court of Madhya Pradesh at Gwalior in view of the change in law in the State of Madhya Pradesh relating to Letters Patent Appeal.

@ As per Business Transfer Agreement with SRF Polymers Limited, the liabilities of Rs 1,821.93 lakhs (Previous Year – Rs Nil) and Rs 28.10 lakhs (Previous Year – Rs Nil) respectively towards Excise Duty and Sales Tax are covered under Representations and Warranties.



All the above matters are subject to legal proceedings in the ordinary course of business. In the opinion of the management, the legal proceedings, when ultimately concluded, will not have a material effect on the results of the operations or financial position of the Company.

- b. Bills discounted – Rs Nil (Previous Year – Rs 4,167.35 lakhs)
- c. Liability on account of bank guarantees Rs 625.75 lakhs (Previous Year – Rs 77.03 lakhs)
- d. Guarantee given to a bank for repayment of financial facilities availed by a wholly-owned subsidiary USD 45.00 million (Previous Year – USD 0.60 million)
- e. (i) The Company has received a notice from Officer on Special Duty, Diversion Tax, Bhind, imposing Diversion Tax of Rs 197.00 lakhs (Previous Year – Rs 197.00 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 a 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 297.59 lakhs (Previous Year – Rs 19.62 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.

- 4.** The Company has acquired the Engineering Plastics Business and Industrial Yarn Business from SRF Polymers Limited on a going concern basis with effect from 1 January 2009 under a Business Transfer Agreement (BTA) at a consideration of Rs 15,031.26 lakhs.

The consideration has been allocated as given below:

- i) Fixed assets are taken at fair market value on the basis of valuation reports of a registered valuer.
- ii) Trademarks/technical knowhow acquired has been valued on the basis of valuation report of a registered valuer.
- iii) Net current assets are taken at their respective book values less adjustments for allowances/write downs, etc. arising out of due diligence carried out.
- iv) The excess of the consideration over the value of the total assets acquired as aforesaid amounting to Rs 368.94 lakhs has been accounted for as 'Goodwill' in Schedule 5.

The net assets transferred pursuant to the BTA on the basis of the above allocation are as follows:

Particulars	Rs in Lakhs
A: Fixed assets, capital work in progress (including trademarks and technical knowhow)	13815.42
B: Net current assets	846.90
C: Total assets (A+B)	14662.32

In addition to the above, following litigation matters with all rights and obligations stand transferred to the Company under representations and warranties by SRF Polymers Limited:

Particulars	Rs in Lakhs
In respect of demands contested by the Company	
- Excise duty matters	1821.93
- Sales tax matters	28.10

## 5. Research and Development Expenditure

The details of the research and development expenditure of Rs 1,537.36 lakhs (Previous Year – Rs 3,231.96 lakhs) are as under:

Particulars	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
Capital expenditure	380.82	2335.10
Revenue	1156.54	896.86
<b>Total</b>	<b>1537.36</b>	<b>3231.96</b>

## 6. Managerial Remuneration

(i) Chairman/Managing Director/Deputy Managing Director/Whole-time Director	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
Salary	222.80	184.80
Contribution to provident and superannuation funds	58.86	48.60
Value of perquisites	84.38	71.55
Commission (provided)	225.00	225.00
<b>Sub-Total</b>	<b>591.04</b>	<b>529.95</b>
(ii) Non-Executive Directors		
Commission (provided)	24.00	23.50
Directors' sitting fees	7.05	6.60
<b>Sub-Total</b>	<b>31.05</b>	<b>30.10</b>
<b>Total</b>	<b>622.09</b>	<b>560.05</b>

As there is a global contribution to gratuity fund, the amount applicable to an individual employee is not ascertainable and accordingly, contribution to gratuity fund in respect of directors has not been considered in the above computation. Further, compensated absences for the current year in respect of directors has not been considered above, since the provision is based on an actuarial basis for the Company as a whole.

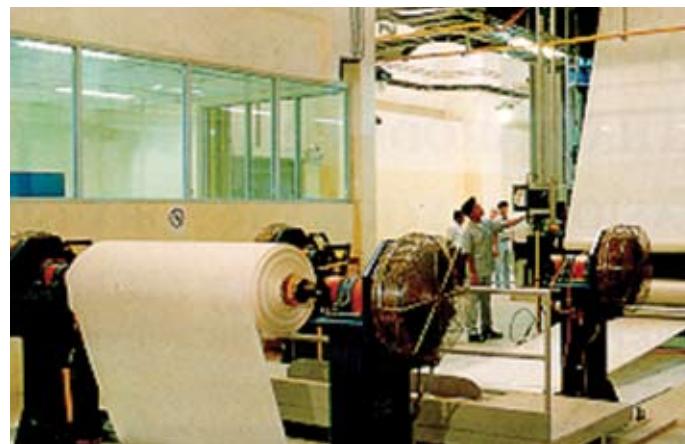


(ii) Computation of managerial remuneration in accordance with Section 198 of the Companies Act, 1956

Particulars	For the Year Ended 31 March 2009 Rs Lakhs	For the Year Ended 31 March 2008 Rs Lakhs
Profit before taxation	24595.72	20246.73
<b>Add:</b>		
Wealth tax	8.50	6.61
Managerial remuneration including commission	622.09	560.05
Loss on sale/write-off of assets as per accounts	83.93	283.02
Provision for doubtful debts/advances	82.56	168.79
<b>Sub Total</b>	<b>797.08</b>	<b>1018.47</b>
<b>Less:</b>		
Profit on sale of assets as per accounts	69.86	-
Dividend on current, non-trade investments	84.91	257.76
Profit on sale of current, non-trade investments	201.18	14.54
Excess provision written back	221.48	318.50
<b>Sub Total</b>	<b>577.43</b>	<b>590.80</b>
<b>Profit as Per Section 349 of the Companies Act, 1956</b>	<b>24815.37</b>	<b>20674.40</b>
Maximum remuneration as commission and/or salary including perquisites @ 10% of net profit of Rs 24,815.37 lakhs (Previous Year@ 10% of Rs 20,674.40 lakhs) which can be paid to Managing Directors/Whole-time Directors u/s 309 of the Companies Act, 1956	2481.53	2067.44
Remuneration paid to Managing Directors/ Whole-time Directors	591.04	529.95
Maximum commission payable to Non-Executive Directors @ 1% of net profit of Rs 24,815.37 lakhs (Previous Year – Rs 20,674.40 lakhs) u/s 309 of the Companies Act, 1956	248.15	206.74
Commission payable/paid to Non-Executive Directors	24.00	23.50

## 7. Dues to Micro, Small and Medium Enterprises

Sundry creditors include Rs 57.87 lakhs (Previous Year – Rs 176.62 lakhs) due to micro and small enterprises covered under 'The Micro, Small and Medium Enterprises Development Act, 2006' to the extent such parties have been identified from the available information. The Company has not received any claim for interest from any party covered under the said Act.



## 8. Related Party Disclosures Under AS-18 'Related Party Disclosures'

As per Accounting Standard, AS-18 'Related Party Disclosures' the Company's related parties and transactions with them are disclosed below:

### A Name of Related Party and Nature of Related Party Relationship

By Virtue of Control (Subsidiaries)	Joint Venture	Key Management Personnel	Enterprises Over Which (c) Have Significant Influence
(a)	(b)	(c)	(d)
SRF Overseas Limited	Jingde Yangtze-Ganga Fluorine Chemical Co. Limited	Mr Arun Bharat Ram Chairman	SRF Polymers Limited
SRF Transnational Holdings Limited		Mr Ashish Bharat Ram Managing Director	Bhairav Farms Private Limited
SRF Properties Limited		Mr Kartikeya Bharat Ram Deputy Managing Director	Narmada Farms Private Limited
SRF Infrastructure Limited		Mr K Ravichandra Whole-time Director	SRF Polymers Investment Limited
SRF Energy Limited			Ennore Energy Limited
SRF Fluorochemicals Limited			Sri Educare Private Limited
SRF Fluor Private Limited			SRF Foundation (formerly Society for Education & Welfare)
SRF Global BV			
SRF Technical Textiles (Thailand) Limited			
SRF Industex Belting (Pty) Limited			

### B Transactions with Related Parties Referred to in Note 8A Above

Nature of Transactions	(a) Year Ended		(b) Year Ended		(c) Year Ended		(d) Year Ended	
	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008
Purchase of business (EP and IYB) from								
- SRF Polymers Limited								15031.26
Purchase of goods from								
- SRF Overseas Limited	282.56	2090.65						
- SRF Technical Textiles (Thailand) Limited	704.63	-						
Sale of goods to								
- SRF Overseas Limited	2013.90	4611.56						
- SRF Polymers Limited								1097.61
- SRF Industex Belting (Pty) Limited	786.02	-						2159.70
- Others	13.12	-						
Sale of fixed assets to								
- SRF Overseas Limited	10.01	-						
- SRF Polymers Limited								8.92

Nature of Transactions	(Rs in Lakhs)							
	(a) Year Ended		(b) Year Ended		(c) Year Ended		(d) Year Ended	
	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008
Rendering of services to								
- SRF Polymers Limited						952.32	72.72	
- Others	-	2.38				8.52	-	
Receiving of services from								
- SRF Foundation						1.20	-	
Management contracts including for deputation of employees to								
- SRF Transnational Holdings Limited	6.80	18.50						
- SRF Polymers Limited						6.85	9.10	
Rent paid to								
- SRF Polymers Investments Limited						376.63	213.00	
- Others	11.20	7.20				38.50	6.52	
Rent received from								
- SRF Polymers Limited						3.29	6.28	
Managerial remuneration paid to (Refer note 6(i) of Schedule 14)			591.04	529.95				
Interest received on ICDs/ loans from								
- SRF Overseas Limited	71.15	-						
- SRF Polymers Investments Limited						39.76	-	
- SRF Polymers Limited						39.11	10.12	
- SRF Transnational Holdings Limited	-	16.44						
- Others	2.09	-						
Reimbursement of expenses from								
- SRF Overseas Limited	205.45	7.51						
- SRF Polymers Limited						110.34	-	
- SRF Foundation						6.65	46.84	
Loans/deposits given to								
- SRF Overseas Limited	2028.40	-						
- SRF Polymers Investments Limited						2500.00	-	
Loans/deposits received back from								
- SRF Polymers Investments Limited						2500.00	-	

Nature of Transactions	(Rs in Lakhs)							
	(a) Year Ended		(b) Year Ended		(c) Year Ended		(d) Year Ended	
	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008
- SRF Transnational Holdings Limited	-	500.00						
Increase in security deposit to								
- SRF Polymers Investments Limited								90.00
Donations to								
- SRF Foundation								100.00
Investments made in								
- SRF Global BV	23.65	-						
- Jingde Yangtze-Ganga Fluorine Chemical Co. Limited						-	141.43	
- Others	-	5.00						
Balances outstanding as at the year-end:								
Receivables								
- SRF Overseas Limited	356.14	397.21						
- SRF Polymers Limited								- 128.04
- SRF Foundation								13.55
- SRF Transnational Holdings Limited	6.80	18.50						
- SRF Technical Textiles (Thailand) Limited	13.12	-						
- SRF Industex Belting (Pty) Limited	501.42	-						
Payables								
- SRF Overseas Limited	161.67	-						
- SRF Technical Textiles (Thailand) Limited	645.36	-						
- SRF Polymers Limited	-	-						85.92
- Others	2.38	-						- -
Loans given outstanding								
- SRF Overseas Limited	2028.40	-						
Security deposits outstanding								
- SRF Polymers Investments Limited								300.00
- Bhairav Farms Private Limited								210.00
- Narmada Farms Private Limited								310.00
- SRF Polymers Investments Limited								310.00
- SRF Polymers Investments Limited								310.00

## 9. Earnings Per Share

	Year Ended 31 March 2009	Year Ended 31 March 2008
Profit after tax	16328.10	13872.98
Weighted average number of equity shares outstanding	<b>63330344</b>	67885005
Basic and diluted earnings per share in rupees (Face value – Rs 10 per share)	<b>25.78</b>	20.44

## 10. Employee Benefits

The Company has classified various benefits provided to employees as under:

### i) Defined Contribution Plans

- a) Superannuation fund
- b) Provident fund
- c) Employees' State Insurance Corporation

The expenses incurred on account of the above benefits have been included in Schedule 12 'Manufacturing and other expenses' under the head 'Contribution to provident fund, superannuation, employees' state insurance, gratuity and other funds'

### ii) Defined Benefit Plans

- a) Gratuity
- b) Compensated absences – Earned leaves

In accordance with Accounting Standard (AS)-15 (Revised 2005), actuarial valuation was obtained from the actuary in respect of the aforesaid defined benefit plans using Projected Unit Credit Method. The details of the same are as follows:

	Gratuity (Funded)		Leave Encashment (Unfunded)	
	Year Ended 31.03.2009	Year Ended 31.03.2008	Year Ended 31.03.2009	Year Ended 31.03.2008
Discount rate (per annum)	7%	8%	7%	8%
Future salary increase	6%	7%	6%	7%
Expected rate of return on plan assets	8%	8%	-	-
In service mortality	LIC (1994-96) duly modified	LIC (1994-96) duly modified	LIC (1994-96) duly modified	LIC (1994-96) Duly modified
Retirement age	58 years	58 years	58 years	58 years
Withdrawal rates				
- up to 30 years	3.00	3.00	3.00	3.00
- up to 44 years	2.00	2.00	2.00	2.00
- above 44 years	1.00	1.00	1.00	1.00

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

## Reconciliation of Opening and Closing Balances of Defined Benefit Obligations (Rs in Lakhs)

	Gratuity (Funded)		Leave Encashment (Unfunded)	
	Year Ended 31.03.2009	Year Ended 31.03.2008	Year Ended 31.03.2009	Year Ended 31.03.2008
Present value of obligation as at the beginning of the year	1442.05	1288.22	625.78	455.75
Service cost	121.67	84.26	78.79	71.56
Interest cost	100.94	103.06	43.80	36.46
Benefits paid	(475.50)	(85.32)	(95.04)	(111.40)
Actuarial loss/(gain)	551.77	51.83	76.85	173.41
Present value of obligation as at the end of the year	1740.93	1442.05	730.18	625.78

## Reconciliation of Opening and Closing Balances of Fair Value of Plan Assets (Rs in Lakhs)

	Gratuity (Funded)	
	Year Ended 31.03.2009	Year Ended 31.03.2008
Fair value of plan assets at the beginning of the year	1468.09	1005.00
Estimated return on plan assets	117.45	80.40
Employers' contribution	256.70	415.34
Benefits paid	(344.34)	-
Actuarial gain/(loss) on plan assets	(39.30)	(32.65)
<b>Plan Assets at the End of the Year</b>	<b>1458.60</b>	1468.09
<b>Composition of Plan Asset:</b>		
HDFC Group Unit Linked Plan Fund	95.00%	96.50%
Others including bank balances	2.60%	1.10%
Government of India securities	2.40%	2.40%
<b>Total</b>	<b>100.00%</b>	100.00%

## Reconciliation of Fair Value of Assets and Obligations (Rs in Lakhs)

	Gratuity (Funded)		Leave Encashment (Unfunded)	
	Year Ended 31.03.2009	Year Ended 31.03.2008	Year Ended 31.03.2009	Year Ended 31.03.2008
Present value of obligation as at the year-end	1740.93	1442.05	730.18	625.78
Fair value of plan assets	1458.60	1468.09	-	-
Net assets/(liability) recognised in the balance sheet	(282.53)	-	(730.18)	(625.78)

### Expenses Recognised in the Profit and Loss Account (Rs in Lakhs)

	Gratuity (Funded)		Leave Encashment (Unfunded)	
	Year Ended 31.03.2009	Year Ended 31.03.2008	Year Ended 31.03.2009	Year Ended 31.03.2008
Current service cost	121.67	84.26	78.79	71.56
Interest cost	100.94	103.06	43.80	36.46
Expected return on planned assets	(117.45)	(80.40)	-	
Actuarial loss/(gain)	591.07	84.48	76.85	173.41
Total expense	696.23	191.40	199.44	281.43

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.

## 11. Segment Reporting

### A Business Segments

Based on the guiding principles laid down in Accounting Standard (AS)-17 'Segment Reporting', the Company's business segments include:

- Technical Textiles Business: Includes nylon tyre cord fabric, belting fabric, coated fabric and industrial yarns and its research and development
- Chemicals and Polymers Business: Includes refrigerant gases, chloromethanes, pharmaceuticals, Certified Emissions Reductions and Allied products, Engineering Plastics Business 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.

In addition to the significant accounting policies applicable to the business segments as set out in note 1 above, the accounting policies in relation to segment accounting are as under:

#### a) Segment Revenue and Expenses

Joint revenue and expenses of segments are allocated amongst them on a reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

### b) Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, debtors, inventories and fixed assets, net of allowances and provisions, which are reported as direct offsets in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities and do not include deferred income taxes. While most of the assets/liabilities can be directly attributed to individual segments, the carrying amount of certain assets/liabilities pertaining to two or more segments are allocated to the segments on a reasonable basis.

#### Information about Business Segments

##### Segment Revenue, Results and Capital Employed

Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
<b>Segment Revenue</b>		
a) Technical Textiles Business (TTB)	90524	91487
b) Chemicals and Polymers Business (CPB)	61767	48523
c) Packaging Films Business (PFB)	29006	22822
<b>Total Segment Revenue</b>	<b>181297</b>	<b>162832</b>
Less: Inter segment revenue	27	1
<b>Net Sales/Income from Operations</b>	<b>181270</b>	<b>162831</b>
Add: Unallocable Income	639	698
<b>Total Revenue</b>	<b>181909</b>	<b>163529</b>
<b>Segment Results</b>		
(Profit/(Loss) before interest and tax from each segment)		
a) Technical Textiles Business (TTB)	3754	1991
b) Chemicals and Polymers Business (CPB)	32384	25528
c) Packaging Films Business (PFB)	4482	1565
<b>Total Segment Results Before Additional Depreciation</b>	<b>40620</b>	<b>29084</b>
Less: Additional depreciation due to change in rates (on the assets belonging to above segments)	-	287
Total segment results after additional depreciation	40620	28797
Less: i) Interest & finance charges	5111	3607
Less: ii) Other unallocable expenses net of income	10913	4943
<b>Total Profit Before Tax</b>	<b>24596</b>	<b>20247</b>
<b>Other Information</b>		
<b>Segment Assets</b>		
a) Technical Textiles Business (TTB)	131935	113165
b) Chemicals and Polymers Business (CPB)	52404	35196
c) Packaging Films Business (PFB)	26143	21787
<b>Total</b>	<b>210482</b>	<b>170148</b>
Add: Unallocable Assets	20394	18634
<b>Total Assets</b>	<b>230876</b>	<b>188782</b>
<b>Segment Liabilities</b>		
a) Technical Textiles Business (TTB)	11684	16356
b) Chemicals and Polymers Business (CPB)	4254	3593

Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
c) Packaging Films Business (PFB)	3117	3247
<b>Total</b>	<b>19055</b>	<b>23196</b>
Add: Unallocable Liabilities	14098	9530
<b>Total Liabilities</b>	<b>33153</b>	<b>32726</b>
<b>Segment Capital Employed</b>	<b>191427</b>	<b>146952</b>
(Segment Assets Less Segment Liabilities)		
Add: Unallocable Assets Less Liabilities	6296	9104
<b>Total Capital Employed</b>	<b>197723</b>	<b>156056</b>
Depreciation		
a) Technical Textiles Business (TTB)	6175	6030
b) Chemicals and Polymers Business (CPB)	2069	1815
c) Packaging Films Business (PFB)	1473	1392
d) Unallocated	224	435
<b>Total</b>	<b>9941</b>	<b>9672</b>

#### B. Geographical Segments

Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
<b>Revenue</b>		
- Within India	116053	105723
- Outside India	65856	57806
<b>Total Revenue</b>	<b>181909</b>	<b>163529</b>

#### 12. Disclosures in Respect of Joint Ventures Under Accounting Standard 27

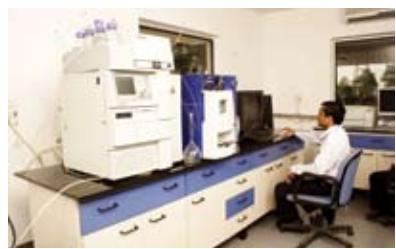
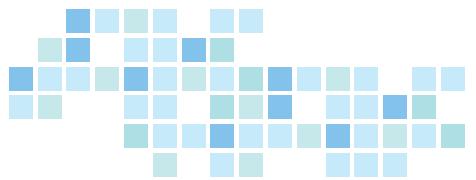
	As at 31.03.2009 (Rs Lakhs)
a) Jointly controlled entities	
In China Jingde Yangtze – Ganga Fluorine Chemicals Co. Limited	
b) Share of interest	50%
c) Aggregate amount of assets, liabilities, income and expenditure related to interest in jointly controlled entities:	
i) Assets	
Fixed assets (including capital work in progress)	127.71
Cash and bank balances	79.68
ii) Current Liabilities	13.18
iii) Income	52.78
iv) Expenditure	-

#### 13. Foreign Currency Exposure

SRF has entered into long-term contracts for the transfer/sale of Certified Emission Reductions (CERs) 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 category-wise quantitative data about derivative instruments as at 31 March 2009 are as under:

Nature of Derivative	No. of Deals As at		Purpose As at		Foreign Currency (In millions) As at		Amount (Rs Lakhs) As at	
	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008
EUR/INR Option Strips	6	3	Hedging	Hedging	69.25	51.75	43552	30527
USD/INR Option Strips	1	1	Hedging	Hedging	19.00	12.50	8563	5634
Principal Only Swap	1	1	Conversion of INR denominated liabilities to USD	Conversion of INR denominated liabilities to USD	9.40	14.23	3700	5600
Currency Swap		4	Conversion of USD denominated liabilities to CHF	Conversion of USD denominated liabilities to CHF	-	21.81	-	8750
Currency Swap		2	Conversion of JPY denominated liabilities to CHF	Conversion of JPY denominated liabilities to CHF	-	770.5	-	3094
Interest Rate Swap	1		Conversion of fixed INR denominated interest liability to floating INR denominated liability		-	-	10000	-
Interest Rate Swap	1	1	Conversion of Floating JPY denominated interest liability to fixed INR denominated interest liability	Conversion of Floating JPY denominated interest liability to fixed INR denominated interest liability	-	-	5000	5000



Nature of Derivative	No. of Deals As at		Purpose As at		Foreign Currency (In millions) As at		Amount (Rs Lakhs) As at	
	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008
USD/INR Sell Forwards	4	8	Forward sell contracts		32.50	56.07	15009	22543
EUR/USD Sell Forwards	3	3	Forward sell contracts		25.00	40.00	16748	25309
EUR/CHF Sell Forwards		5	Forward sell contracts		-	6.00	-	3793
USD/INR Buy Forwards		1		USD/INR Buy for hedging of imports	-	11.25	-	4658
EUR/INR Sell Forwards	3		Forward sell contracts		1.13	-	758	-
EUR/INR Buy Forwards	5	2	Forward buy contracts		18.12	15.60	10889	9116
JPY/USD Buy Forwards	1	1	Jpy forward buy contracts		576.50	20.16	3234	76

Foreign Currency Exposures that are not Hedged by Derivative Instruments or Otherwise are as Follows:

Particulars	As at 31.03.2009		As at 31.03.2008	
	Foreign Currency (in millions)	Amount Rs Lakhs	Foreign Currency (in millions)	Amount Rs Lakhs
Term Loans – USD	37.55	19040.12	38.52	15452.26
Term Loans – JPY	-	-	576.50	2326.00
PCFC – USD	22.00	11156.20	20.00	8023.00
Buyer's Credits – USD	18.75	9508.01	-	-

14. There are no disputed dues of wealth tax, customs duty, service tax which have not been deposited by the Company. The details of disputed Excise Duty, Sales Tax, Income Tax and Cess dues as at 31 March 2009 are as follows:

Name of the Statute	Nature of the Dues	Amount* (Rs Lakhs)	Period to Which the Amount Relates (Various Years Covering the Period)	Forum Where Dispute is Pending
Central Excise Laws	Excise Duty	345.20	1994-1999	High Court
		6536.70	1993-2008	Customs, Excise & Service Tax Appellate Tribunal
		375.78	1992-2005	Commissioner (Appeals)
Sales Tax Laws	Sales Tax	32.24	1993-2004	Sales Tax Appellate Tribunal
		28.74	2001-2008	Commissioner (Appeals)
Income Tax Laws	Income Tax	578.00	2004-2005	Commissioner of Income Tax (Appeals)
Others	Electricity Cess	6.00	2007-2008	High Court

\*Amount as per demand orders including interest and penalty wherever quantified in the Order

The following matters, which have been excluded from the table above, have been decided in favour of the Company but the department has preferred appeals at higher levels. The details are given below:

Name of the Statute	Nature of the Dues	Amount* (Rs Lakhs)	Period to Which the Amount Relates (Various Years Covering the Period)	Forum Where Department has Preferred Appeal
Sales Tax Laws	Sales Tax	158.84	1995-1996	High Court

## 15. Operating Leases

The Company has entered into operating lease agreements for various premises taken for accommodation of Company's officers/directors and various offices of the Company. These arrangements are both cancellable and non-cancellable in nature and range between three to five years as at 31 March 2009, the future minimum lease payments under non-cancellable operating leases as set out below:

Particulars	As at 31.03.2009 Rs Lakhs	As at 31.03.2008 Rs Lakhs
Total of future minimum lease payments under non-cancellable operating leases for each of the following periods		
- Not later than one year	605.64*	213.00
- Later than one year and not later than five years	353.29*	337.25
- Later than five years	-	-
Lease rent recognised in the profit and loss account	537.02*	348.69

\* Lease rentals revised to Rs 50.47 lakhs from earlier of Rs 17.75 lakhs with effect from 1 November 2008

## 16. Statement of Additional Information

### a. Installed capacity Per Annum

	Unit	As at 31.03.2009	As at 31.03.2008
Synthetic filament yarn including industrial yarn/tyre cord/twine	MT	54740	49400
Nylon tyre cord fabric/industrial yarn fabric/twine	MT	56680	52880
Nylon compounding chips	MT	14500	-
Fluorocarbon refrigerant gases	MT	25000	25000
HFC-134a	MT	3000	3000
Hydrofluoric acid (anhydrous)	MT	12000	11550
Gypsum (By product)	MT	44550	44550
Hydrochloric acid (By product)	MT	77220	77220
Chloromethanes	MT	35000	32000
Packaging films	MT	28150	28150

### b. Actual Production

	Unit	As at 31.03.2009	As at 31.03.2008
Synthetic filament yarn including industrial yarn/tyre cord @/twine@@	MT	8027.54	12038.49
Nylon tyre cord fabric/industrial yarn fabric*	MT	46194.33	46700.78
Nylon compounding chips@@	MT	1310.95	-
Fluorocarbon refrigerant gases	MT	11798.85	12113.26
HFC-134a	MT	1343.16	1060.83
Hydrofluoric acid (anhydrous) @	MT	137.38	15.52
Gypsum (By product)	MT	32087.11	28498.59
Hydrochloric acid (By product)	MT	57054.35	52353.49
Chloromethanes @	MT	18680.04	15381.05
Packaging films	MT	29500.61	26340.54

Installed capacity is as certified by management

@ Excludes captive consumption

\* Excludes 152.91 MT (Previous Year – 151.00 MT) of nylon tyre cord fabric/industrial yarn/industrial fabric produced by the Company on conversion contract

\* Includes 2,452.44 MT (Previous Year – 1,072.05 MT) of nylon tyre cord fabric/industrial yarn fabric produced outside the Company by the Company's conversion contractors

@@ The production is for the period 1 January 2009 to 31 March 2009



### c. Opening and Closing Stock of Finished Goods (Manufactured)

Particulars	As at 31.03.2009		As at 31.03.2008	
	Closing Quantity (MT)	Value (Rs Lakhs)	Opening Quantity (MT)	Stock Value (Rs Lakhs)
Synthetic filament yarn including industrial yarn/tyre cord/twine	248.68	305.05	344.30	572.76
Nylon tyre cord fabric/industrial yarn fabric*	747.33	1285.79	643.56	1264.51
Nylon compounding chips	295.73	422.99	-	-
Fluorocarbon refrigerant gases	716.22	535.96	885.54	862.03
HFC-134a	54.43	103.87	219.20	443.12
Hydrofluoric acid (anhydrous)	189.48	116.94	52.14	25.95
Gypsum (By product)	25.50	0.14	42.50	0.17
Hydrochloric acid (By product)	188.32	2.09	506.69	6.96
Chloromethanes**	572.76	61.31	1527.30	289.08
Packaging films	354.97	283.84	551.88	416.80
Others***		275.64		168.86
<b>Total</b>		<b>3393.62</b>		<b>4050.24</b>

\* 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\*

	Year Ended 31.03.2009		Year Ended 31.03.2008	
	Quantity (MT)	Value (Rs Lakhs)	Quantity (MT)	Value (Rs Lakhs)
Synthetic filament yarn including industrial yarn/tyre cord	2049.93	3061.38	3794.05	5143.23
Nylon tyre cord fabric/industrial yarn fabric	40969.29	94214.81	48247.89	95695.65
Nylon compounding chips	1263.60	1696.63	-	-
Fluorochemicals and allied products**	11952.71	49590.11	11945.67	40435.94
HFC-134a	1507.83	3135.72	912.67	2077.51
Gypsum (By product)	32104.11	186.14	28536.09	117.37
Hydrochloric acid (By product)	57372.49	713.88	52066.24	718.37
Chloromethanes	19634.58	4278.80	15834.97	4701.30
Polyester films	29683.23	32126.64	26333.40	25166.12
Conversion income		962.55		855.12
Traded goods		231.02		18.30
Waste/others		5671.69		3571.33

	Year Ended 31.03.2009		Year Ended 31.03.2008	
	Quantity (MT)	Value (Rs Lakhs)	Quantity (MT)	Value (Rs Lakhs)
Gross Sales		195869.37		178500.24
Less: Excise duty		15787.48		16970.04
<b>Net Sales</b>		<b>180081.89</b>		<b>161530.20</b>

\* Net of sales returns and damaged stocks, etc

\*\* Includes sales of Certified Emission Reductions of Rs 34,837.39 lakhs (Previous Year – Rs 26,771.10 lakhs)

#### e. Raw Material Consumption

	Year Ended 31.03.2009		Year Ended 31.03.2008	
	Quantity (MT)	Value (Rs Lakhs)	Quantity (MT)	Value (Rs Lakhs)
Caprolactam	36075.47	42405.62	41002.69	43054.00
Fluorospar	20040.14	3260.16	16259.24	2099.19
Chloromethanes	4629.73	884.44	8701.11	1939.05
Sulphuric acid	20126.89	1311.10	18038.15	851.01
Chlorine	34414.15	1289.65	27490.00	1334.25
Methanol	10888.31	1870.66	8809.75	1676.27
Caustic soda	2270.56	260.37	1770.28	173.51
Nylon yarn/fabric		10500.16		9679.62
Polyester chips	29501.24	16550.70	27899.61	16454.19
Others*		14407.48		13488.33
<b>Total</b>		<b>92740.34</b>		<b>90749.42</b>

\* Includes consumption of goods purchased for resale of Rs 68.37 lakhs (Previous Year – Rs 208.32 lakhs)

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

	Year Ended 31.03.2009		Year Ended 31.03.2008	
	%	(Rs Lakhs)	%	(Rs Lakhs)
Raw materials				
Imported	47.77	44304.62	40.03	36328.27
Indigenous	52.23	48435.72	59.97	54421.15
	100.00	92740.34	100.00	90749.42
Stores and spares				
Imported	17.18	540.01	13.56	404.92
Indigenous	82.82	2603.83	86.44	2580.30
	100.00	3143.84	100.0	2985.22

#### g. Value of Imports on CIF Basis

	Year Ended 31.03.2009 (Rs Lakhs)	Year ended 31.03.2008 (Rs Lakhs)
Raw materials	39137.21	34237.25
Stores and spares	914.31	454.05
Capital goods	12173.68	1433.52

#### h. Expenditure in Foreign Currency

	Year Ended 31.03.2009 (Rs Lakhs)	Year Ended 31.03.2008 (Rs Lakhs)
Interest	1419.08	1488.46
Technical knowhow and technician's fees	398.09	16.19
Others	1097.77	1604.74

#### i. Earnings in Foreign Exchange

	Year Ended 31.03.2009 (Rs Lakhs)	Year Ended 31.03.2008 (Rs Lakhs)
Export of goods calculated on FOB value	65856.22	57805.92

17. Schedules 1 to 14 and the statement of additional information form an integral part of the financial statements.

18. Previous year figures have been re-grouped/re-cast/re-arranged, wherever necessary, to confirm to current year classifications. The figures for the current year are inclusive of the Engineering Plastics Business and Industrial Yarn Business for the period from 1 January 2009 to 31 March 2009 acquired from SRF Polymers Limited, whereas the previous year figures do not include the same. Therefore, the corresponding figures of the previous year are not comparable with those of the current year

Date: 9 May 2009	Arun Bharat Ram Chairman	Ashish Bharat Ram Managing Director	Kartikeya Bharat Ram Dy Managing Director
Place: Gurgaon	Satish K Kaura Director	Rajendra Prasad President & Chief Financial Officer	Anoop K Joshi Vice President & Company Secretary



19. Information Pursuant to Part IV of Schedule VI of the Companies Act, 1956

Registration Details*			
Registration No	5197	State Code	55
Balance Sheet Date	31.03.2009		
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 (Amt. in Rs'000)			
Total Liabilities		Total Assets	
Sources of Funds	20346014	Application of Funds	20346014
Paid up Capital (Including amount paid up on forfeited shares and shares suspense account)	617055	Net Fixed Assets	16604502
Reserves and Surplus	9147707	Investments	1336001
Secured Loans	7501468	Net Current Assets	2405511
Unsecured Loans	1346773		
Deferred Tax Liability	1733011		
		**Net of Current Liabilities and Provisions	
Performance of the Company (Amount Rs '000)			
Total income		18190899	
Total expenditure		15731327	
Profit before Tax		2459572	
Profit after Tax		1632810	
Earnings per equity share in Rs		25.78	
Dividend Rate – Equity (Proposed)		Nil	
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	Polyester Films
Date: 9 May 2009	Arun Bharat Ram Chairman	Ashish Bharat Ram Managing Director	Kartikeya Bharat Ram Dy Managing Director
Place: Gurgaon	Satish K Kaura Director	Rajendra Prasad President & Chief Financial Officer	Anoop K Joshi Vice President & Company Secretary

Cash Flow Statement for the Year Ended 31 March 2009

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	24595.72	20246.73
Adjustments for		
Depreciation	10001.45	9751.78
Interest and finance charges	5111.28	3606.85
Exchange fluctuation	8109.59	2110.66
Fixed assets written off	65.01	130.91
Withdrawal from revaluation reserve	(60.60)	(80.05)
Dividend on current non-trade investment	(84.91)	(257.76)
Loss/(profit) on sale of fixed assets	(69.86)	38.30
Interest income	(212.60)	(145.92)
Loss/(profit) on sale of current non-trade investments	(201.18)	(14.54)
<b>Operating Profit Before Working Capital Changes</b>	<b>47253.90</b>	<b>35386.96</b>
Adjustments for Changes in Working Capital		
Trade and other receivables	(673.85)	(2709.18)
Inventories	6150.68	(4450.60)
Trade payables and provisions	(7324.20)	964.84
<b>Cash Generated from Operations</b>	<b>45406.53</b>	<b>29192.02</b>
Exchange fluctuation	(1246.18)	(37.16)
Taxation	(5716.11)	(6368.70)
<b>Net Cash from Operating Activities (A)</b>	<b>38444.24</b>	<b>22786.16</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(38546.96)	(17387.43)
Proceeds from sale of fixed assets	247.38	136.92
Sale/maturity of investments	49527.96	43486.13
Purchase of investments	(47910.18)	(48318.01)
Purchase of share capital in srf global bv (a wholly-owned subsidiary)	(23.65)	-
Loans and advances given	(4733.15)	(2.38)
Loans and advances received back	2500.00	-
Purchase of business units	(6089.49)	-
Amount received pursuant of montreal phaseout programme	1188.69	2549.14
Interest income	141.45	145.92
Dividend on current non-trade investment	84.91	257.76
<b>Net cash used in investing activities (b)</b>	<b>(43613.03)</b>	<b>(19131.95)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Buy back of equity shares	(6852.40)	-
Proceeds from long-term borrowings	20000.00	-
Repayment of long-term borrowings	(10669.43)	(5791.49)
Net proceeds from short-term borrowings	11832.15	8409.58
Dividends on equity share capital	(4774.07)	(3394.26)
Dividend tax	(777.85)	(576.85)
Repayment of fixed deposit	(0.81)	(5.12)
Interest and financial charges paid	(4052.78)	(3364.28)
<b>Net cash used in / from financing activities (C)</b>	<b>4704.81</b>	<b>(4722.42)</b>
<b>Net increase in cash and cash equivalents D=(A+B+C)</b>	<b>(463.98)</b>	<b>(1068.22)</b>
<b>Cash and cash equivalents at the beginning of the year (E)</b>	<b>723.05</b>	<b>1791.26</b>
<b>Cash and cash equivalents acquired through business acquisition (F)</b>	<b>50.97</b>	<b>-</b>
<b>Cash and cash equivalents at the close of the year G=(D+E+F)</b>	<b>310.04</b>	<b>723.05</b>

Per our report attached to the balance sheet

For Deloitte Haskins & Sells  
Chartered Accountants

Manjula Banerji  
Partner  
Membership No. 086423  
Date: 9 May 2009  
Place: Gurgaon

Arun Bharat Ram  
Chairman  
Satish K Kaura  
Director

Ashish Bharat Ram  
Managing Director  
Rajendra Prasad  
President & Chief  
Financial Officer

Kartikeya Bharat Ram  
Deputy Managing Director  
Anoop K Joshi  
Vice President  
& Company Secretary

## Details of Subsidiary Companies

		SRF Overseas Limited#	SRF Fluor Private Limited #	SRF Infrastructure Limited	SRF Global B V	SRF Transnational Holdings Ltd	SRF Properties Limited	SRF Technical Textiles (Thailand) Limited	SRF Industex Belting (Pty) Limited		
	AED	Rs/Lakhs	USD	Rs/Lakhs	Euro	Rs/Lakhs	Rs/Lakhs	Baht	Rs/Lakhs	Rand	Rs/Lakhs
a Capital	84,049,966.00	11,615.71	2	* 0.00	5.00	36,000.00	24.29	3,254.18	8.00	100,000,300.00	1429.00
b Reserves and surplus (adjusted for debit balance in P&L account where applicable)	(28,427,210.00)	(3,928.64)	(13,607.00)	(6.90)	(0.47)	(9,445.00)	(6.37)	(2,232.25)	63.89	956,748,743.00	13671.94
c Total assets (Fixed assets+ current assets)	201,112,950.00	27,793.81	2,762.00	1.40	4.56	41,631.00	28.08	883.48	56.64	2,048,401,743.00	29271.66
d Total liabilities (Debtors+Current liabilities)	145,490,194.00	20,106.74	16,367.00	8.30	0.03	15,076.00	10.17	7.48	0.39	991,652,700.00	14170.72
e Details of Investment (except in case of investment in subsidiaries)	-	-	-	-	-	-	-	145.93	15.64	-	0.00
f Turnover (including other income)	108,141,352.00	14,945.13	-	-	-	-	-	80.69	11.68	4,461,324,141.00	63752.32
g Profit before taxation	(3,113,085.00)	(430.23)	(6,212.00)	(3.15)	-	(9,445.00)	(6.37)	71.45	10.90	3,801,734,406.00	54326.78
h Provision for taxation	-	-	-	-	-	-	-	19.50	2.74	-	0.00
i Profit after taxation	(3,113,085.00)	(430.23)	(6,212.00)	(3.15)	-	(9,445.00)	(6.37)	51.95	8.16	3,801,734,406.00	54326.78
j Proposed dividend	-	-	-	-	-	-	-	-	-	-	-

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

\*Rs101 omitted in rounding off  
Note: 1. The Ministry of Company Affairs, Government of India vide its letter dated 13 May 2009 has granted approval under Section 212 (8) of the Companies Act, 1956 for the financial year ended on 31 March 2009 whereby the Balance Sheet, Profit and Loss Account, Directors' Report and Auditors' Report of the subsidiaries and other documents required to be attached us 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 1 pm on all working days.

## Auditors' Report on CFS

TO THE BOARD OF DIRECTORS OF SRF LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SRF LIMITED, ITS SUBSIDIARIES AND A JOINT VENTURE

We have audited the attached consolidated balance sheet of SRF Limited and its subsidiaries and a joint venture, as at 31 March 2009, the consolidated profit and loss account and also the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of SRF Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. We did not audit the financial statements of subsidiaries viz., SRF Overseas Limited, SRF Technical Textiles (Thailand) Limited, SRF Industex Belting (Pty) Limited, SRF Transnational Holdings Limited, SRF Properties Limited, SRF Flour Private Limited, SRF Infrastructure Limited, SRF Global BV, and a joint venture viz. Jingde Yangtze Ganga Fluorine Chemical Co. Limited whose financial statements reflect total assets of Rs 30,335.31 lakhs as at 31 March 2009 and total revenues of Rs 26,373.04 lakhs for the year ended on that date (these figures include intra group balances and intra group transactions eliminated on consolidation) and in respect of Jingde Yangtze Ganga Fluorine Chemical Co. Limited the financial statements considered is for the calendar year ended 31 December 2008. These financial statements have been audited by other auditors whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Interests in Joint Ventures notified under Rule 3 of the Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of SRF Limited, its subsidiaries and a joint venture included in the consolidated financial statements.
4. In our opinion and on the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of SRF Limited and its subsidiaries and a joint venture, we are of the opinion that:
  - (a) The consolidated balance sheet gives a true and fair view of the consolidated state of affairs of SRF Limited, its subsidiaries and a joint venture as at 31 March 2009
  - (b) The consolidated profit and loss account gives a true and fair view of the consolidated results of operations of SRF Limited, its subsidiaries and a joint venture for the year ended on that date; and
  - (c) The consolidated cash flow statement gives a true and fair view of the cash flows of SRF Limited, its subsidiaries and a joint venture for the year ended on that date.

For Deloitte Haskins & Sells  
Chartered Accountants  
Manjula Banerji  
Partner  
Membership No. 086423

Date: 9 May 2009  
Place: Gurgaon

## Consolidated Balance Sheet as at 31 March 2009

	Schedule	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Sources of Funds</b>			
Shareholders' Fund			
Share capital	1	6170.55	6890.55
Reserves and surplus	2	91354.88	85877.19
		97525.43	92767.74
Loan Funds	3		
Secured		91945.93	44416.98
Unsecured		13471.34	7313.80
		105417.27	51730.78
Deferred Tax Liabilities	4		
		17592.76	15257.31
		220535.46	159755.83
<b>Application of Funds</b>			
Fixed Assets			
Gross block	5	296348.30	195774.75
Less: Depreciation		138718.98	79198.16
Net block		157629.32	116576.59
Capital work in progress		28258.86	8934.83
		185888.18	125511.42
Investments	6		
		4247.10	5711.23
Deferred Tax Assets	7		
		2467.36	413.74
Current Assets, Loans and Advances	8		
Inventories		24868.55	25050.18
Sundry debtors		24859.61	24499.22
Cash and bank balances		895.89	2256.41
Loans and advances		13749.42	10352.64
		64373.47	62158.45
Less: Current Liabilities and Provision	9		
Current liabilities		34335.47	31072.17
Provisions		2105.18	2966.84
		36440.65	34039.01
Net Current Assets			
		27932.82	28119.44
		220535.46	159755.83
Notes to the Consolidated Accounts	15		

Per our report attached

**For Deloitte Haskins & Sells**

Chartered Accountants

**Manjula Banerji**

Partner

Membership No. 086423

Date: 9 May 2009

Place: Gurgaon

**Arun Bharat Ram**

Chairman

Managing Director

**Ashish Bharat Ram**

Deputy Managing Director

**Kartikeya Bharat Ram**

Managing Director

**Rajendra Prasad**

President & Chief Financial Officer

**Anoop K Joshi**

Vice President & Company Secretary

## Consolidated Profit and Loss Account for the Year Ended 31 March 2009

	Schedule	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
<b>Income</b>			
Gross sales (including conversion income)*		218088.02	185322.81
Less: Excise duty		15787.48	16970.04
Net sales (including conversion income)		202300.54	168352.77
Other income	10	2156.07	2105.75
		204456.61	170458.52
*Includes tax deducted at source on conversion income Rs 17.37 lakhs (Previous Year – Rs 22.81 lakhs)			
<b>Expenditure</b>			
Raw materials consumed	11	106606.48	94559.59
(Increase)Decrease in stock	12	2936.15	870.14
Purchases of goods for resale		68.37	208.32
Manufacturing and other expenses	13	55562.20	40730.42
Interest and finance charges	14	5980.93	3790.60
Depreciation	6	12383.78	10534.93
Transfer from revaluation reserve		(848.08)	(80.05)
		182689.83	150613.95
Profit before tax		21766.78	19844.57
Provision for taxation			
Current tax		5426.80	4166.79
Deferred tax charge		1982.72	2121.00
Fringe benefit tax		175.00	139.00
Relating to earlier years		201.52	(47.95)
<b>Profit After Tax</b>		13980.74	13465.73
Balance brought forward from the previous year		39318.97	31324.34
<b>Profit Available for Appropriation</b>		53299.71	44790.07
<b>Appropriations</b>			
Proposed dividend		-	1357.70
Interim dividend		6253.50	2036.55
Corporate dividend tax		1062.78	576.85
Transfer to general reserve		2000.00	1500.00
Debenture redemption reserve		3025.00	-
<b>Balance Carried to Balance Sheet</b>		40958.43	39318.97
<b>Earnings Per Share – Basic/Diluted (Rs)</b>		22.08	19.84
(Refer note 7 of Schedule 15)			
Notes to the Consolidated Accounts	15		

Per our report attached

**For Deloitte Haskins & Sells**

Chartered Accountants

**Manjula Banerji**

Partner

Membership No. 086423

Date: 9 May 2009

Place: Gurgaon

**Arun Bharat Ram**

Chairman

Membership No. 086423

Date: 9 May 2009

Place: Gurgaon

**Ashish Bharat Ram**

Managing Director

Membership No. 086423

Date: 9 May 2009

Place: Gurgaon

**Kartikeya Bharat Ram**

Deputy Managing Director

Membership No. 086423

Date: 9 May 2009

Place: Gurgaon

## SCHEDULE 1: Share Capital

	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Authorised</b>		
12,00,00,000 (Previous Year – 12,00,00,000) Equity shares of Rs 10 each	12000.00	12000.00
10,00,000 (Previous Year – 10,00,000) Preference shares of Rs 100 each	1000.00	1000.00
12,00,000 (Previous Year – 12,00,000) Cumulative convertible preference shares of Rs 50 each	600.00	600.00
2,00,00,000 (Previous Year – 2,00,00,000) Cumulative preference shares of Rs 100 each	20000.00	20000.00
	<b>33600.00</b>	<b>33600.00</b>
<b>Issued</b>		
7,38,30,327 (Previous Year – 7,38,30,327) Equity shares of Rs 10 each	7383.03	7383.03
<b>Subscribed and paid up</b>		
6,06,85,005 (Previous Year – 6,78,85,005) Equity shares of Rs 10 each fully-paid up	6068.50	6788.50
Add: Forfeited shares – Amount originally paid up	101.51	101.51
Add: Share capital suspense	0.54	0.54
	<b>6170.55</b>	<b>6890.55</b>

Of the subscribed and paid up capital – 20,34,848 (Previous Year – 20,34,848) equity shares allotted as fully-paid up as bonus shares by capitalisation of reserves

Share capital suspense represents 5,408 (Previous Year – 5,408) equity shares which are awaiting allotment to the erstwhile shareholders of Flowmore Polysters Limited (FPL) pending settlement of calls in arrears in respect of their shareholding in FPL

72,00,000 (Previous Year – Nil) equity shares of Rs 10 each fully-paid up, bought back during the year and extinguished during the year/subsequent to the year-end in accordance with Section 77A of the Companies Act, 1956

## SCHEDULE 2: Reserves and Surplus

	As at 31 March 2008 Rs Lakhs	Additions Rs Lakhs	Deductions Rs Lakhs	As at 31 March 2009 Rs Lakhs
Securities premium account	12527.11	-	6852.41 ##	5674.70
Capital reserve	19407.21	1218.69 *	-	20625.90
Revaluation reserve	5807.15	7533.30 @	857.26 ###	12483.19
Capital redemption reserve	1.63	720.00 #	-	721.63
Debenture redemption reserve	-	3025.00 ***	-	3025.00
Cash flow hedge reserve	(2832.97)	(2571.14) **	-	(5404.11)
Foreign currency translation reserve	(337.15)	(377.95)	-	(715.10)
General reserve	11985.24	2,000.00	-	13985.24
Surplus in profit and loss account	39318.97	1639.46	-	40958.43
	<b>85877.19</b>	<b>13187.36</b>	<b>7709.67</b>	<b>91354.88</b>

\* Represents amount received pursuant to Montreal Protocol Phaseout Programme of Refrigerant Gases/capital subsidy.

\*\* The cash flow hedging reserve represents loss on mark-to-market of foreign currency derivatives in the nature of cash flow hedge

\*\*\* Created during the year

# Transferred from securities premium account, pursuant to Section 77AA of the Companies Act, 1956

## Represents

- Rs 720.00 lakhs transferred to capital redemption reserve

- Rs 6,132.41 lakhs utilised towards premium paid on buy-back of shares

### Represents

- Rs 848.08 lakhs transferred to profit and loss account

- Rs 9.18 lakhs in respect of deletion of revalued assets

@ Represents revaluation reserve taken over from SRF Technical Textiles (Thailand) Limited

## SCHEDULE 3: Loan Funds

		As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Secured</b>			
Debentures		(1)	15000.00
Loans from banks			
On cash credit/ working capital demand loan		(2)	12957.07
Term loans*		3(i), (ii) & (iv)	62938.86
Loans from others*		3(iii)	1050.00
			91945.93
<b>Unsecured</b>			
Short-term loans and advances			
Banks		13467.73	4813.80
Others		3.61	2500.00
		13471.34	7313.80
		<b>105417.27</b>	<b>51730.78</b>

\*Includes Rs 29,775.44.00 lakhs (Previous Year – Rs 11,245.00 lakhs) repayable within a year.

## Security Note/Clause

	Loan	Outstanding As at 31.03.2009 (Rs Lakhs)	Security
1.	1500, 13%, Listed, Secured Redeemable Non-Convertible Debentures of Rs 10 lakhs each	15000.00	Debentures are secured by legal mortgage in English form on certain immoveable properties of the Company situated in Gujarat. In addition, these debentures are secured by hypothecation of the Company's moveable properties, both present and future, situated at Manali, Viralimalai and Gummidipoondi in Tamil Nadu, Jhiwana in Rajasthan, Malanpur and Indore in Madhya Pradesh and Kashipur in Uttarakhand and an equitable mortgage of the Company's immoveable properties, both present and future, situated at Viralimalai, Gummidipoondi in Tamil Nadu, Jhiwana in Rajasthan, Kashipur in Uttarakhand, Malanpur (save and except superstructures) and Indore in Madhya Pradesh
2.	i) Cash credit/working capital demand loans	12190.27	Secured by hypothecation of stocks, stores and book debts, both present and future at Manali, Viralimalai and Gummidipoondi in Tamil Nadu, Jhiwana in Rajasthan, Malanpur and Indore in Madhya Pradesh, Kashipur and Panthagar in Uttarakhand. A part of the working capital facilities secured by a second charge on some of the Company's immoveable properties, are pending vacation of such second charge in accordance with the revised terms and conditions of the working capital facilities

	Loan	Outstanding As at 31.03.2009 (Rs Lakhs)	Security
	ii) Cash credit/working capital demand loans	766.80	Bank loans and overdrafts in SRF Overseas Limited and its subsidiary SRF Technical Textiles (Thailand) Limited are secured by the assignment of insurance policies on inventories on pari-passu basis and trade receivables are subjects to a floating charge for working capital facilities granted to the Company on pari-passu basis
3.	(i) Term loan from banks	19601.86	<p>Term loans from banks are secured by:</p> <p>a) Hypothecation of the Company's moveable properties, both present and future, situated at Manali, Viralimalai and Gummidi poondi in Tamil Nadu, Jhiwana in Rajasthan, Malanpur and Indore in Madhya Pradesh</p> <p>Term loan of Rs 5,551.86 lakhs is additionally secured by hypothecation of the Company's moveable properties, both present and future, situated at Pantnagar in Uttarakhand</p> <p>b) Equitable mortgage of the Company's immoveable properties, both present and future, situated at Viralimalai, Gummidi poondi (freehold land) in Tamil Nadu, Jhiwana in Rajasthan and Kashipur in Uttarakhand</p> <p>Term loans aggregating to Rs 11,401.86 lakhs are additionally secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Indore in Madhya Pradesh</p> <p>Term loans aggregating to Rs 8,776.86 lakhs is additionally secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Gummidi poondi (leasehold land) in Tamil Nadu</p> <p>Term loan of Rs 5,551.86 lakhs is additionally secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Malanpur (save and except superstructure) in Madhya Pradesh</p> <p>Loans as at 3(i) are to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Manali in Tamil Nadu and at Pantnagar in Uttarakhand</p> <p>Out of the loans as at 3(i), the term loans aggregating to:</p> <p>a) Rs 8,200 lakhs are to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Gummidi poondi (leasehold land) in Tamil Nadu, at Malanpur (save and except superstructures) and at Indore in Madhya Pradesh</p> <p>b) Rs 3,225 lakhs are to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Malanpur in Madhya Pradesh (save and except superstructures)</p>

	Loan	Outstanding As at 31.03.2009 (Rs Lakhs)	Security
			c) Rs 2,625 lakhs is to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Gummidi poondi (leasehold land) in Tamil Nadu and at Malanpur in the State of Madhya Pradesh (save and except superstructures)
	(ii) Term loan from banks	27172.56	<p>Term loans from banks are secured by hypothecation of the Company's moveable properties, both present and future, situated at Manali, Viralimalai and Gummidi poondi in Tamil Nadu, Jhiwana in Rajasthan, Malanpur in Madhya Pradesh, Kashipur and Pantnagar in Uttarakhand</p> <p>Out of the loans as at 3(ii), term loans aggregating to Rs 10,710 lakhs are to be further secured by equitable mortgage of the Company's immoveable properties, both present and future, situated at Manali, Viralimalai, Gummidi poondi in Tamil Nadu, Jhiwana in Rajasthan, Kashipur and Pantnagar in Uttarakhand, Malanpur (save and except superstructures) and Indore in Madhya Pradesh</p>
	(iii) Term loan from others	1050.00	<p>Term loans from others are secured by hypothecation of the Company's moveable properties, both present and future situated at Manali, Viralimalai and Gummidi poondi in Tamil Nadu, Jhiwana in Rajasthan, Malanpur in Madhya Pradesh, Kashipur and Pantnagar in Uttarakhand</p> <p>Such hypothecation and equitable mortgage ranking pari-passu 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 above</p>
	(iv) Term loan from banks	16164.45	Bank loan in SRF Overseas Limited amounting to approximately USD 32 million from Standard Chartered Bank, London is secured by corporate guarantee of the holding Company
	<b>Total</b>	<b>91945.93</b>	

#### SCHEDULE 4: Deferred Tax Liabilities

	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Deferred Tax Liabilities</b>		
Difference between book and tax depreciation	16249.48	14003.24
Research and development expenditure	1343.28	1254.07
	<b>17592.76</b>	<b>15257.31</b>

## SCHEDULE 5: Fixed Assets

Description	Gross Block			Depreciation				Net Block	(Rs Lakhs)
	As at 1 April 2008	Additions	Deductions	As at 31 March 2009	Up to 31 March 2008	For the Year	Transfers		
									Revaluation Amount As at 31 March 2009
<b>Tangible assets</b>									
Land - Freehold - Leasehold	9592.62 1644.92	742.80 636.99	2.00	10333.42 2281.91	-	-	-	-	9592.62 1644.92
Roads	330.34	655.52	-	985.86	83.44	13.20	393.30	-	10333.42 2281.91
Buildings	22822.80	11485.46	33.40	34274.86	5628.79	878.08	3497.74	8.02	489.94 9,996.49
Plant and machinery	155250.50	84485.27	729.89	239005.88	70009.96	10887.50	43631.30	614.26	123,914.50 115091.38
Furniture, fixtures and office equipments	3918.06	1095.61	240.37	4773.30	2486.12	270.91	596.10	203.14	3,149.99 1623.31
Vehicles	1160.19	744.30	299.96	1604.54	608.24	230.45	170.65	218.22	791.12 1431.94
<b>Intangible Assets</b>									
Goodwill	581.56	718.88	-	1300.44	-	-	-	-	1300.44 581.56
Trademarks	-	1139.70	-	1139.70	-	28.49	-	-	28.49 1111.21
Technical knowhow	-	264.70	-	264.70	-	6.62	-	-	6.62 258.08
Software	473.76	18.35	108.41	383.70	381.61	68.53	-	108.41	341.73 41.97
Total	195774.75	101987.58	1414.03	296348.30	79198.16	12383.78	48289.09	1152.05	138718.98 157629.32
Previous year	178382.87	1912.40	2520.52	195774.75	70871.43	10534.93	-	2208.20	79198.16 116576.59
									28258.86 89348.83
									185888.18 125511.42
Capital work in progress including capital advances of Rs 5,247.95 lakhs (Previous Year – Rs 899.12 lakhs)									

1. Revaluation was done as on 31 March 2005

2. Amount of borrowing cost capitalised to fixed assets during the year Rs 1,937.54 lakhs (Previous Year – Rs 127.55 lakhs)

3. Additions to Gross block of fixed assets include

'Rs 14,184.36 lakhs pursuant to acquisition of Engineering Plastics and Industrial Yarn Businesses from SRF Polymers Limited (Refer note 4 of Schedule 15)

'Rs 443.3 lakhs pursuant to acquisition of SRF Induster Belting (Pty) Limited

'The fixed asset have been taken over at the gross book value aggregating to Rs 66,703 lakhs along with accumulated depreciation aggregating to Rs 48,289 lakhs pursuant to acquisition of SRF Technical Textiles (Thailand) Limited

4. The deed of assignment in respect of freehold 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.

5. Conveyancing of buildings and other superstructures located at the Company's plant at Malanpur in Madhya Pradesh including immovable machinery is linked to the Stamp Duty matter (Refer note 3 (a) of Schedule 15).

6. Out of the industrial freehold land measuring 32.41 acres at the Company's plant in Gummidi poondi, 8.62 acres of land is under litigation.

## SCHEDULE 6: Investments

	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Long-term Non-trade Investments</b> (Valued at cost unless there is permanent fall in value thereof)		
Quoted		
Nil (Previous Year – 2,45,452) Bonds of Rs 100 each of Unit Trust of India	-	245.45
Nil (Previous Year – 2,080) 6.75% tax-free US 64 Bonds of Rs 100 each of Unit Trust of India	-	2.08
2,901 (Previous Year – 2,901) Shares of Rs 10 each fully-paid up of Mawana Sugars Limited (Formerly known as SIEL Limited)	0.48	0.48
Trade Investments		
Unquoted		
15,75,000 (Previous Year – 15,75,000) Equity shares of Rs 10 each fully-paid up of Arkay Energy (Rameshwaram) Limited	157.50	157.50
42,21,535 (Previous Year – 39,91,650) Equity shares of Rs 10 each fully-paid up of Malanpur Captive Power Limited. 2,11,885 equity shares purchased during the year and 18,000 shares allotted during the year	422.15	399.17
Investments in Joint Venture		
Equity investment in Jingde Yangtze – Ganga Fluorine Chemical Co Limited*	-	141.43
Non-Trade Investments		
Investment of Shares, Units, etc.		
Unquoted		
25,00,000 (Previous Year – 25,00,000) preference shares of Rs 10 each fully-paid up of SBL Industries Limited	250.00	250.00
Less: Provision for diminution in value	(250.00)	(250.00)
6,70,000 (Previous Year – 6,70,000) Equity shares of Rs 10 each fully-paid up of Sanghi Spinners Limited	11.69	11.69
Less: Provision for diminution in value	(11.69)	(11.69)
1,19,000 (Previous Year – 1,19,000) Equity shares of Rs 10 each fully-paid up of SB Packaging Limited	49.98	49.98
Current Investments		
(Valued at lower of cost or fair value)		
Non-Trade Investments		
Units of Mutual Funds		
Unquoted		
Nil (Previous Year – 69,97,901) Units of Rs 10 each of Birla Cash Plus Liquid Fund Daily Dividend Reinvestment	-	700.00
Nil (Previous Year – 2,00,00,000) Units of Rs 10 each of Templeton Fixed Horizon Fund Series II Plan B	-	2000.00
Nil (Previous Year – 1,79,901) Units of Rs 1,000.55 each of DSPML Liquid Fund Daily Dividend Reinvestment	-	1800.00
Nil (Previous Year – 19,99,380) Units of Rs 10 each of Reliance Liquidity Fund Daily Dividend Reinvestment	-	200.00
1,00,15,685 (Previous Year – Nil) Units of Rs 10 each of Reliance Mutual Fund Daily Dividend Reinvestment option	1001.57	-
2,50,42,958 (Previous Year – Nil) Units of Rs 10 each of ICICI Prudential Institutional Liquid Plan – Super Institutional Daily Dividend	2504.30	-

	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
1,51,951 (Previous Year – 1,47,426) Units of Rs 10 each of Sundaram BNP Paribus Floter LT Regular	15.64	15.16
9,537 (Previous Year – Nil) Units of Rs 1000 each of DSP BlackRock Cash management Fund Units	95.48	-
	<b>4247.10</b>	<b>5711.25</b>
Aggregate book value of quoted investments	0.48	248.01
Aggregate book value of unquoted investments		
- Units of mutual funds	3616.99	4715.16
- Others	629.63	748.08
	<b>4247.10</b>	<b>5711.25</b>
Market value of quoted investments	1.02	250.09
Net asset value/repurchase price of units of mutual funds	<b>3618.36</b>	4871.03

\* The joint venture has been proportionately consolidated in financial statements as on 31 March 2009.

	Purchase	Sold	
	Units No., Rs Lakhs	Amount No., Rs Lakhs	
<b>Details of Investments Purchased and Sold During the Year</b>			
<b>Mutual Funds</b>			
Birla Sun Life Cash Manager IP Daily Dividend Reinvestment		6997901	700.00
Birla Sun Life Cash Plus Daily Dividend Reinvestment*	48137897	5202.91	48137897
Birla Sun Life Liquid Plus Daily Dividend Reinvestment*	34993136	3507.52	34993136
DBS Chola Freedom Income STP – Daily Dividend Reinvestment*	17989721	1802.80	17989721
DBS Chola Institutional – Daily Dividend Reinvestment*	4983902	500.00	4983902
DBS Chola Liquid Institutional – Daily Dividend Reinvestment*	7981668	800.70	7981668
DSP Merrill Lynch Liquidity Fund Daily Dividend Reimbursement*	1342350	13436.23	1522251
Franklin Templeton Fixed Horizon Fund Series II-Plan -B		20000000	2000.00
Franklin Templeton Treasury Management – Daily Dividend Reinvestment*	270165	2703.35	270165
ICICI Prudential Flexible Income Plan – Daily Dividend*	23679032	2503.70	23679032
ICICI Prudential Institutional Liquid Plan – Super Institutional Daily Dividend*	35059841	3505.28	10016883
Principal Floating Rate Fund SMP – Daily Dividend Reinvestment*	14010099	1401.11	14010099
Reliance Liquid Plus Daily Dividend Plan *	250887	2511.81	250887
Reliance Liquidity Fund Daily Dividend Reinvestment Option*	87991412	8810.95	79975107
SBI Mutual Fund Magnum Insta Cash Fund – Dividend Option*	7169018	1200.83	7169018
Sundram BNP Paribus Floter LT Regular *	4525	0.48	
DSP Black Rock Cash Management Fund *	9537	95.48	
<b>Equity Shares</b>			
Shares of face value of Rs 10 each			
Malanpur Captive Power Limited	229885	22.99	
<b>Bonds</b>			
Bonds of Unit Trust of India @ Rs 100 each		245452	245.45
6.75% Tax-free US 64 Bonds of Rs 100 each of Unit Trust of India		2080	2.08
	<b>48006.14</b>	<b>49328.86</b>	

\*Units purchased includes dividend reinvested during the year

## SCHEDULE 7: Deferred Tax Assets

	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Deferred Tax Assets</b>		
Provision for bad and doubtful debts	96.28	88.03
Accrued expenses deductible on payment	197.81	325.71
Long-term employee benefits	68.70	-
Brought forward business losses*	2104.57	-
	<b>2467.36</b>	<b>413.74</b>

\* The deferred tax assets have been recognised keeping in view the concept of prudence and on the basis of virtual certainty that sufficient future taxable income will be available against which deferred tax assets will be realised.

## SCHEDULE 8: Current Assets, Loans and Advances

	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Current Assets</b>		
<b>Inventories</b>		
Stores and spares (at cost or under)	3088.18	1746.97
Stock in trade (at cost or net realisable value, whichever is lower)		
Raw materials	11826.83	13921.69
Stock-in-process	4874.81	5266.92
Finished goods	5078.73	4114.60
	<b>24868.55</b>	<b>25050.18</b>
<b>Sundry Debtors#</b>		
Debts over six months		
Unsecured - Considered good	197.91	123.20
- Considered doubtful	469.96	259.00
Other debts		
Unsecured - Considered good	24661.70	24376.02
Less: Provision for doubtful debts	25329.57	24758.22
	469.96	259.00
	<b>24859.61</b>	<b>24499.22</b>
<b>Cash and Bank Balances</b>		
Cash in hand	52.76	27.69
Cheques in hand	-	115.00
With scheduled banks on		
Current accounts	389.08	1681.41
Deposit accounts	299.96	81.09
Unclaimed dividend accounts	154.09	351.22
	<b>895.89</b>	<b>2256.41</b>
<b>Loans and Advances</b>		
Advances recoverable in cash or in kind or for value to be received*		
Considered good	3146.44	2506.74
Considered doubtful	187.48	179.48
Less: Provision for doubtful advances	3333.92	2686.22
	187.48	179.48
	<b>3146.44</b>	<b>2506.74</b>
Balance with customs and excise authorities	445.29	246.29
Other deposits **	2163.70	1700.53
Claims recoverable	1240.73	605.53
Cenvat/Service Tax/VAT recoverable	6753.26	5293.55
	<b>13749.42</b>	<b>10352.64</b>
	<b>64373.47</b>	<b>62158.45</b>

\* Includes interest bearing loans carrying interest of 9% p.a. or more to a Officer of the Company (repayable beyond seven years) – Rs 0.73 lakhs (Previous Year – Rs 1.27 lakhs). Maximum balance Rs 1.27 lakhs (Previous Year – Rs 1.79 lakhs)

\*\* Includes Rs 1,029.80 lakhs (Previous Year – Rs 921.80 lakhs) as interest-free security deposits for accommodation taken on lease by the Company's officers/directors and various offices taken on lease by the Company

## SCHEDULE 9: Current Liabilities and Provisions

	As at 31 March 2009 Rs Lakhs	As at 31 March 2008 Rs Lakhs
<b>Current Liabilities</b>		
Acceptances	3585.89	8627.14
Sundry creditors:		
Total outstanding dues of Micro and Small enterprises	57.87	176.62
Total outstanding dues to creditors other than Micro and Small enterprises	25907.98	21288.95
Security deposits	413.07	363.17
Unclaimed dividend*	154.09	98.61
Interim dividend payable	3034.25	252.61
Unclaimed fixed deposits (including interest)*	13.30	14.10
Interest accrued but not due on loans	1169.06	250.99
	<b>34335.51</b>	31072.19
<b>Provisions</b>		
Provision for taxation (net of payments)	781.24	730.32
Proposed dividend	0.00	1357.70
Corporate dividend tax	515.67	230.74
Provision for compensated absences	808.27	648.08
	<b>2105.18</b>	2966.84
	<b>36440.69</b>	34039.03

\* 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 the fixed deposits have matured

## SCHEDULE 10: Other Income

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
<b>Claims</b>		
Export incentives	146.24	28.14
Dividend on current non-trade investments	382.32	469.95
Profit on sale of current non-trade investments	85.90	259.20
Profit on sale of fixed assets	201.18	17.22
Recovery of amounts written-off	231.48	318.50
Interest		
- From customers*	614.05	487.82
- On loans and deposits*	69.86	-
- On income tax refunds	68.98	5.00
- From others	15.72	6.17
Miscellaneous	48.30	103.05
	96.50	48.14
	<b>195.54</b>	69.03
	<b>2156.07</b>	293.53
	<b>2105.75</b>	

\*Includes income tax deducted at source Rs 29.86 lakhs (Previous Year – Rs 25.27 lakhs)

## SCHEDULE 11: Raw Materials Consumed

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
<b>Opening Stock of Raw Materials</b>		
Add: Purchase of Raw Materials	13921.69	8687.09
	<b>104511.62</b>	99794.19
	<b>118433.32</b>	108481.28
Less: Closing Stock of Raw Materials	11826.83	13921.69
<b>Raw Materials Consumed</b>	<b>106606.48</b>	94559.59

## SCHEDULE 12: (Increase)\Decrease in Stock

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
<b>Opening Stock</b>		
Stock-in-process	5266.92	6261.31
Finished goods	4114.60	3990.35
	<b>9381.52</b>	10251.66
Stock-in-process and finished goods acquired pursuant to the acquisition of subsidiaries/business		
Stock-in-process	1829.22	-
Finished goods	1678.95	-
	<b>3508.17</b>	-
<b>Closing Stock</b>		
Stock-in-process	4874.81	5266.92
Finished goods	5078.73	4114.60
	<b>9953.54</b>	9381.52
(Increase)\Decrease in Stock	<b>2936.15</b>	870.14

## SCHEDULE 13: Manufacturing and Other Expenses

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
Stores and Spares consumed (excluding Rs 1296.68 lakhs (Previous Year - Rs 1614.22 lakhs) charged to repairs and maintenance)		
	2479.04	1424.62
Power and fuel	16708.80	14704.52
Rent	1142.63	458.47
Repairs and maintenance		
- Buildings	120.48	151.59
- Plant and machinery	2017.94	2215.65
- Other maintenance	1070.61	896.42
Freight	3651.11	3322.08
Professional and legal charges	2379.15	1704.99
Salaries, wages, bonus, etc.	9945.40	7110.85
Contribution to provident fund, superannuation, employees' state insurance, gratuity and other funds	1292.61	682.66
Workmen and staff welfare expenses	1176.56	902.56
Insurance	569.01	463.97
Rates and taxes	215.96	152.12
Contract conversion charges	367.83	487.56
Travel	784.72	726.82
Auditors' remuneration		
- Audit fees	40.61	20.93
In other capacity		
- For limited review of unaudited financial results	21.00	9.00
- For corporate governance, consolidated financial statements and other certificates	4.35	3.86
- For tax audit	-	5.50
Directors sitting fees	7.05	6.60
Selling commission	559.10	526.95
Exchange fluctuation	8487.69	2099.92
Provision for doubtful debts /advances	82.56	168.79
Bad debts written-off	2.12	11.93
Fixed assets written-off	81.81	474.79
Loss on sale of fixed assets	0.03	38.30
Increase/(decrease) in excise duty on closing stock	(440.82)	(2.90)
Miscellaneous expenses	2794.85	1961.87
	<b>55562.20</b>	40730.42

## SCHEDULE 14: Interest and Finance Charges

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
On:		
Debentures and loans for fixed period	2817.56	2156.00
Cash credit and others	1779.70	815.41
Finance charges	<b>1383.67</b>	819.19
	<b>5980.93</b>	3790.60

b) Joint Venture considered in the preparation of these consolidated financial statement is:

Joint Venture	Proportion of Ownership as at 31.3.09	Proportion of Ownership as at 31.3.08
Jingde Yangtze- Ganga Fluorine Chemical Co. Limited	50%	50%

In respect of the financial statements of the Joint Venture for the calendar year ended 31 December 2008 has been considered for the purpose of consolidation. These consolidated financial statements are based, in so far as they relate to amounts included in respect of subsidiaries and a joint venture, on the audited financial statements prepared for consolidation in accordance with the requirements of AS 21 and AS 27 by each of the aforesaid entities.

The Company owns 22.60 per cent (Previous Year – 25 per cent) in the Malanpur Captive Power Limited and the same has not been considered for the purposes of consolidation, since the Company does not exercise significant influence over Malanpur Captive Power Limited.

### (ii) Fixed Assets

Fixed assets are stated at cost of acquisition or construction less accumulated depreciation except for certain fixed assets which are revalued and are therefore, stated at their revalued book values. Cost of acquisition or construction is inclusive of freight, duties, taxes, incidental expenses and interest on loans attributable to the acquisition of qualifying assets, up to the date of commissioning of the assets.

The basis for revaluation is 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.

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

### (iii) Depreciation

a) Depreciation on all fixed assets is provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 or at rates arrived at on the basis of the balance useful lives of the assets based on technical evaluation/revaluation of the related assets, whichever is higher, except in case of the following assets where depreciation is provided at rates indicated against each assets:

Vehicles	-	21%
Data Processing Equipments	-	31.67%
Mobile Phones	-	95%

b) Depreciation is calculated on a pro rata basis except that, assets costing up to Rs 5,000 each are fully-depreciated in the year of purchase.

c) On assets sold, discarded, etc. during the year, depreciation is provided up to the date of sale/discard.

d) In respect of revalued assets, a transfer is made from the revaluation reserve to the profit and loss account for the sum of the differences as below:

- 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/disposed off, the difference between the written down value as per the revalued value and historical cost

e) No write-off is made in respect of leasehold land as the lease is a perpetual lease.

# Subsidiary from current year

f) Depreciation (amortisation) on intangibles is provided on straight line method as follows:

- Trademark and technical knowhow over a period of 10 years
- Software over a period of three years

#### **(iv) Foreign Currency Transactions**

Transactions in foreign currencies are recorded on initial recognition at the exchange rate prevailing on the date of the transaction.

All foreign currency liabilities and monetary assets are stated at the exchange rate prevailing as at the date of the balance sheet and the loss or gain is taken to the profit and loss account as exchange fluctuation.

Pursuant to ICAI Announcement for adoption of AS-30 Financial Instruments: Recognition and Measurement, the Company has accounted for 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.

#### **(v) Research and Development**

Revenue expenditure on research and development is included under the natural heads of expenditure. Capital expenditure on research and development is treated in the same manner as expenditure on other fixed assets.

#### **(vi) Inventories**

Stores and spares are valued at cost or under. Stock in trade is valued at cost or net realisable value, whichever is lower. The bases of determining the cost for various categories of inventory are as follows:

Stores, spares and raw materials stock in trade	-	Weighted average rate
Process stocks and finished goods	-	Direct cost plus appropriate share of overheads and excise duty, wherever applicable
By products	-	At estimated realisable value

#### **(vii) Investments**

Long-term investments are valued at cost unless there is a permanent fall in the value thereof. Current investments are stated at lower of cost or fair value.

#### **(viii) Employee Benefits**

Company's contributions paid/payable during the year to Provident Fund, Superannuation Fund and Employees' State Insurance Corporation are recognised in the profit and loss account.

Provision for gratuity and compensated absences are determined on an actuarial basis at the end of the year and charged to revenue each year.

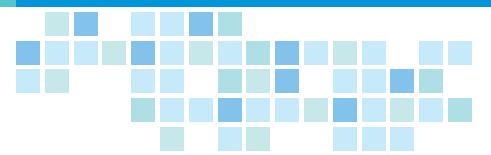
#### **(ix) Provisions and Contingent Liabilities**

The Company recognises a provision when there is a present obligation as a result of past events and it is more likely than not that an outflow of revenues would be required to settle the obligation and a reliable estimate can be made. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

#### **(x) Revenue Recognition**

Sale of goods is recognised at the point of dispatch of goods to customers Gross sales are inclusive of excise duty and net of value added tax/sales tax.

Sale of Certified Emission Reductions (CERs) is recognised as income on the delivery of the CERs to the customer's account as evidenced by the receipt of confirmation of execution of delivery instructions.



#### **(xi) 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 there from.
- b. Capital receipts are credited to capital reserve.
- c. Hedging reserve represents the gain or loss arising out of adjusting the hedging instruments to mark-to- market.

#### **(xii) Taxation**

- a. The income tax liability is provided in accordance with the provisions of the Income Tax Act, 1961.
- b. Deferred tax is recognised, subject to the consideration of prudence, on timing differences, 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. Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### **2. Capital Commitments**

The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) amounts to Rs 16,608.87 lakhs (Previous Year – Rs 4002.87 lakhs).

### **3. Contingent Liabilities not Provided for**

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

	As At 31.03.2009 Rs Lakhs	As At 31.03.2008 Rs Lakhs
Excise Duty*@	5713.25	3884.53
Sales Tax**@	231.57	43.74
Income Tax	749.00	171.00
Stamp Duty****	2881.55	2881.55
Others***	94.43	44.17

\* Amount deposited Rs 240.35 lakhs (Previous Year – Rs 27.92 lakhs)

\*\* Amount deposited Rs 52.00 lakhs (Previous Year – Rs 13.55 lakhs)

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

\*\*\*\* In the matter of acquisition of the Tyrecord Division at Malanpur from Ceat Limited, the Collector of Stamps, Bhind has by his order dated 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 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 preferred a Special Leave Petition before the Hon'ble Supreme Court which the State of Madhya Pradesh has withdrawn to enable it to approach the Hon'ble High Court of Madhya Pradesh at Gwalior in view of the change in law in the State of Madhya Pradesh relating to Letters Patent Appeal.

@ As per Business Transfer Agreement with SRF Polymers Limited, the liabilities of Rs 1,821.93 lakhs (Previous Year – Rs Nil) and Rs 28.10 lakhs (Previous Year – Rs Nil) respectively towards Excise Duty and Sales Tax are covered under Representations and Warranties.

All the above matters are subject to legal proceedings in the ordinary course of business. In the opinion of the management, the legal proceedings, when ultimately concluded, will not have a material effect on the results of the operations or financial position of the Company.

- b. Bills discounted – Rs 269.25 (Previous Year – Rs 4,167.35 lakhs)
- c. Liability on account of bank guarantees – Rs 996.30 lakhs (Previous Year – Rs 77.03 lakhs)
- d. Guarantee given to a bank for repayment of financial facilities availed by a wholly-owned subsidiary USD 45.00 million (Previous Year – USD 0.60 million)
- e. (i) The Company has received a notice from the Officer on Special Duty, Diversion Tax, Bhind, imposing Diversion Tax of Rs 197.00 lakhs (Previous Year – Rs 197.00 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 a 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 297.59 lakhs (Previous Year – Rs 19.62 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.

4. The Company has acquired the Engineering Plastics Business and Industrial Yarn Business from SRF Polymers Limited on a going concern basis with effect from 1 January 2009 under a Business Transfer Agreement (BTA) at a consideration of Rs 15,031.26 lakhs.

The consideration has been allocated as given below:

- i) Fixed assets are taken at fair market value on the basis of valuation reports of a registered valuer.
- ii) Trademarks/technical knowhow acquired has been valued on the basis of valuation report of a registered valuer.
- iii) Net current assets are taken at their respective book values less adjustments for allowances/write downs, etc., arising out of due diligence carried out.
- iv) The excess of the consideration over the value of the total assets acquired as aforesaid amounting to Rs 368.94 lakhs has been accounted for as 'Goodwill' in Schedule 5.

The net assets transferred pursuant to the BTA on the basis of the above allocation are as follows:

Particulars	Rs Lakhs
A: Fixed assets, capital work in progress (Including trademarks and technical knowhow)	13815.42
B: Net current assets	846.90
C: Total Assets (A+B)	14662.32

In addition to the above, following litigation matters with all rights and obligations stand transferred to the Company under representations and warranties by SRF Polymers Limited:

Particulars	Rs Lakhs
In respect of demands contested by the Company	
- Excise duty matters	1821.93
- Sales tax matters	28.10

## 5. Managerial Remuneration

(i) Chairman/Managing Director/Deputy Managing Director/Whole-time Director	Year Ended 31.03.2009 Rs Lakhs	Year Ended 31.03.2008 Rs Lakhs
Salary	222.80	184.80
Contribution to provident and superannuation funds	58.86	48.60
Value of perquisites	84.38	71.55
Commission	225.00	225.00
<b>Sub Total</b>	<b>591.04</b>	<b>529.95</b>
<b>(ii) Non-Executive Directors</b>		
Commission	24.00	23.50
Directors' sitting fees	7.05	6.60
<b>Sub Total</b>	<b>31.05</b>	<b>30.10</b>
<b>Total</b>	<b>622.09</b>	<b>560.05</b>

As there is a global contribution to gratuity fund, the amount applicable to an individual employee is not ascertainable and accordingly, contribution to gratuity fund in respect of directors has not been considered in the above computation. Further, compensated absences for the current year in respect of directors has not been considered above, since the provision is based on an actuarial basis for the Company as a whole.

## 6. Related Party Disclosures Under AS-18 'Related Party Disclosures'

As per Accounting Standard AS –18 'Related Party Disclosures' the Company's related parties and transactions with them are disclosed below:

### A. Name of Related Party and Nature of Related Party Relationship

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
	Ennore Energy Limited
	Sri Educare Private Limited
	SRF Foundation
	(formerly Society for Education & Welfare)



**B Transactions with Related Parties Referred to in Note 6A Above**

Nature of Transactions	(a) Year Ended		(b) Year Ended		(Rs in Lakhs)
	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	
Purchase of business (EP and IYB) from					
- SRF Polymers Limited	-	-	15031.26	-	
Sale of goods to					
- SRF Polymers Limited	-	-	1141.77	2159.70	
Sale of fixed assets to					
- SRF Polymers Limited	-	-	-	8.92	
Rendering of services to					
- SRF Polymers Limited	-	-	952.32	72.72	
- Others	-	-	8.52	-	
Receiving of services from					
- SRF Foundation	-	-	1.20	-	
Management contracts including for deputation of employees to					
- SRF Polymers Limited	-	-	6.85	9.10	
Rent paid to					
- SRF Polymers Investments Limited	-	-	376.63	213.00	
- Others	-	-	38.50	6.52	
Rent received from					
- SRF Polymers Limited	-	-	3.29	6.28	
Remuneration paid to (Refer note 5 of Schedule 15)	591.04	529.95	-	-	
Interest received on ICDs/loans from					
- SRF Polymers Investments Limited	-	-	39.76	-	
- SRF Polymers Limited	-	-	43.55	10.12	
Reimbursement of expenses from					
- SRF Polymers Limited	-	-	110.34	46.84	
- SRF Foundation	-	-	6.65	-	
Loans/deposits given to					
- SRF Polymers Limited	-	-	130.00	-	
- SRF Polymers Investments Limited	-	-	2500.00	-	
Loans/deposits received back from					
- SRF Polymers Investments Limited	-	-	2500.00	-	
Increase in security deposit to					
- SRF Polymers Investments Limited	-	-	90.00	-	
Donations to					
- SRF Foundation	-	-	100.00	-	



Nature of Transactions	(a) Year Ended		(b) Year Ended		(Rs in Lakhs)
	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	
Balances outstanding as at the year-end:					
Receivables	-	-	-	-	
- SRF Polymers Limited	-	-	-	-	128.04
- SRF Foundation	-	-	-	-	13.55
Payables	-	-	-	-	
- SRF Polymers Limited	-	-	-	-	85.92
Security deposits/loan outstanding	-	-	-	-	
- SRF Polymers Investments Limited	-	-	-	-	300.00
- Bhairav Farms Private Limited	-	-	-	-	310.00
- Narmada Farms Private Limited	-	-	-	-	310.00
- SRF Polymers Limited	-	-	-	-	130.00

## 7. Earnings Per Share

	Year Ended 31.03.2009	Year Ended 31.03.2009
Profit after tax (Rs Lakhs)	13980.74	13465.73
Weighted average number of equity shares outstanding	63330344	67885005
Basic and diluted earnings per share in rupees (Face value – Rs 10 per share)	22.08	19.84

## 8. Segment Reporting

### A. Business Segments

Based on the guiding principles laid down in Accounting Standard (AS)-17 'Segment Reporting', the Company's business segments include:

- Technical Textiles Business: Includes nylon tyre cord fabric, belting fabric, coated fabric and industrial yarns and its research and development
- Chemicals and Polymers Business: Includes refrigerant gases, chloromethanes, pharmaceuticals, Certified Emissions Reductions and allied products, engineering plastics 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.

In addition to the significant accounting policies applicable to the business segments as set out in note 1 above, the accounting policies in relation to segment accounting are as under:

#### a) Segment Revenue and Expenses

Joint revenue and expenses of segments are allocated amongst them on a reasonable basis. All other segment revenue and expenses are directly attributable to the segments.

#### b) Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, debtors, inventories and fixed assets, net of allowances and provisions, which are reported as direct offsets in the balance sheet. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities and do not include deferred income taxes. While most of the assets/liabilities can be directly attributed to individual segments, the carrying amount of certain assets/liabilities pertaining to two or more segments are allocated to the segments on a reasonable basis.

### Information About Business Segments

#### Segment Revenue, Results and Capital Employed

(Rs in Lakhs)

Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
<b>Segment Revenue</b>		
a) Technical Textiles Business (TTB)	112943	98310
b) Chemicals and Polymers Business (CPB)	61767	48523
c) Packaging Films Business (PFB)	29006	22822
<b>Total Segment Revenue</b>	<b>203716</b>	<b>169655</b>
Less: Inter segment revenue	27	1
<b>Net Sales/Income from Operations</b>	<b>203689</b>	<b>169654</b>
Add: Unallocable Income	768	805
<b>Total Revenue</b>	<b>204457</b>	<b>170459</b>
<b>Segment Results</b>		
(Profit/(Loss) before interest and tax from each segment)		
a) Technical Textiles Business (TTB)	1792	1964
b) Chemicals and Polymers Business (CPB)	32384	25528
c) Packaging Films Business (PFB)	4482	2136
<b>Total Segment Results</b>	<b>38658</b>	<b>29628</b>
Less: Additional depreciation due to change in rates (on the assets belonging to above segments)	-	(287)
<b>Total Segment Results After Additional Depreciation</b>	<b>38658</b>	<b>29341</b>
Less: i) Interest and finance charges	5981	3790
Less: ii) Other unallocable expenses net of income	10910	6142
<b>Total Profit Before Tax</b>	<b>21767</b>	<b>19845</b>
<b>Other Information</b>		
<b>Segment Assets</b>		
a) Technical Textiles Business (TTB)	150178	119446
b) Chemicals and Polymers Business (CPB)	52404	35196
c) Packaging Films Business (PFB)	26143	21787
<b>Total Segment Assets</b>	<b>228725</b>	<b>176429</b>
Add: Unallocable assets	13300	11144
<b>Total Assets</b>	<b>242025</b>	<b>187573</b>
<b>Segment Liabilities</b>		
a) Technical Textiles Business (TTB)	16304	18064
b) Chemicals and Polymers Business (CPB)	4254	3593
c) Packaging Films Business (PFB)	3116	3247
<b>Total Segment Liabilities</b>	<b>23674</b>	<b>24904</b>
Unallocable liabilities	12766	9135
<b>Total Liabilities</b>	<b>36440</b>	<b>34039</b>
<b>Segment Capital Employed (Segment Assets Less Segment Liabilities)</b>		
a) Technical Textiles Business (TTB)	133874	101382

Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
b) Chemicals and Polymers Business (CPB)	48150	31602
d) Packaging Films Business (PFB)	23027	18541
<b>Total Capital Employed in Segments</b>	<b>205051</b>	<b>151525</b>
Add: Unallocable assets less liabilities	534	2009
<b>Total Capital Employed in the Company</b>	<b>205585</b>	<b>153534</b>
<b>Segment Depreciation</b>		
a) Technical Textiles Business (TTB)	7770	6812
b) Chemicals and Polymers Business (CPB)	2069	1815
c) Packaging Films Business (PFB)	1473	1392
d) Unallocated	223	435
<b>Total Segment Depreciation</b>	<b>11535</b>	<b>10454</b>

#### B. Geographical Segments

Particulars	Year Ended 31.03.2009	Year Ended 31.03.2008
<b>Segment Revenue</b>		
India	124794	105830
Outside India	79663	64629
<b>Total</b>	<b>204457</b>	<b>170459</b>
<b>Carrying Amount of Segment Assets</b>		
India	212800	180894
Outside India	29225	6679
<b>Total</b>	<b>242025</b>	<b>187573</b>
<b>Addition to Fixed Assets and Intangible Assets</b>		
India	33581	19908
Outside India	68407	5
<b>Total</b>	<b>101988</b>	<b>19913</b>

#### 9. Disclosures in Respect of Joint Venture Under Accounting Standard 27

	As at 31.03.2009 (Rs Lakhs)
a) Jointly controlled entities	
In China Jingde Yangtze – Ganga Fluorine Chemicals Co. Limited	
b) Share of interest	50%
c) Aggregate amount of assets, liabilities, income and expenditure related to interest in jointly controlled entities:	
i) Assets	
Fixed assets (including capital work in progress)	127.71
Cash and bank balances	79.68
ii) Current Liabilities	13.18
iii) Income	52.78
iv) Expenditure	-

## 10. Foreign Currency Exposure

SRF has entered into long-term contracts for the transfer/sale of Certified Emission Reductions (CERs) 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 category-wise quantitative data about derivative instruments as at 31 March 2009 are as under:

Nature of Derivative	No. of Deals As at		Purpose As at		Foreign Currency (In millions) As at		Amount (Rs Lakhs) As at	
	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008
EUR/INR Option Strips	6	3	Hedging	Hedging	69.25	51.75	43552	30527
USD/INR Option Strips	1	1	Hedging	Hedging	19.00	12.50	8563	5634
Principal Only Swap	1	1	Conversion of INR denominated liabilities to USD	Conversion of INR denominated liabilities to USD	9.40	14.23	3700	5600
Currency Swap		4	Conversion of USD denominated liabilities to CHF	Conversion of USD denominated liabilities to CHF	-	21.81	-	8750
Currency Swap		2	Conversion of JPY denominated liabilities to CHF	Conversion of JPY denominated liabilities to CHF	-	770.5	-	3094
Interest Rate Swap	1		Conversion of fixed INR denominated Interest liability to floating INR denominated liability		-	-	10000	-
Interest Rate Swap	1	1	Conversion of Floating JPY denominated interest liability to fixed INR denominated interest liability	Conversion of floating JPY denominated interest liability to fixed INR denominated interest liability	-	-	5000	5000
USD/INR Sell Forwards	4	8	Forward sell contracts		32.50	56.07	15009	22543
EUR/USD Sell Forwards	3	3	Forward sell contracts		25.00	40.00	16748	25309
EUR/CHF Sell Forwards		5	Forward sell contracts		-	6.00	-	3793
USD/INR Buy Forwards		1		USD/INR buy for hedging of imports	-	11.25	-	4658

Nature of Derivative	No. of Deals As at		Purpose As at		Foreign Currency (In millions) As at		Amount (Rs Lakhs) As at	
	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008	31.03. 2009	31.03. 2008
EUR/INR Sell Forwards	3		Forward sell contracts				1.13	-
EUR/INR Buy Forwards	5	2	Forward buy contracts				18.12	15.60
JPY/USD Buy Forwards	1	1	JPY forward buy contracts				576.50	20.16
							3234	76

### Foreign Currency Exposures that are not Hedged by Derivative Instruments

Particulars	31.03.2009		31.03.2008	
	Foreign Currency (In millions)	Amount Rs Lakhs	Foreign Currency (In millions)	Amount Rs Lakhs
Term Loans – USD	70.79	35,894.33	38.52	15452.26
Term Loans – JPY	-	-	576.50	2326.00
PCFC – USD	22.00	11,156.20	20.00	8023.00
Buyer's Credits – USD	18.75	9,508.01	-	-

## 11. Operating Leases

The Company has entered into operating lease agreements for various premises taken for accommodation of Company's officers/directors and various offices of the Company. These arrangements are both cancellable and non-cancellable in nature and range between three to five years. As at 31 March 2009, the future minimum lease payments under non-cancellable operating leases as set out below:

Particulars	As at 31.03.2009 Rs Lakhs	As at 31.03.2008 Rs Lakhs
Total of future minimum lease payments under non-cancellable operating leases for each of the following periods		
- Not later than one year	1070.83*	256.72
- Later than one year and not later than five years	2323.77*	349.71
- Later than five years	2987.12	-
Lease rent recognised in the profit and loss account	1142.63*	458.47

\* Lease rentals revised to Rs 50.47 lakhs from earlier of Rs 17.75 lakhs with effect from 1 November 2008

12. Schedules 1 to 15 form an integral part of the financial statements.

13. Figures pertaining to subsidiaries and joint ventures have been reclassified wherever considered necessary to bring them in line with the Holding Company's financial statements. The figures for the current year are inclusive of the Engineering Plastics Business and Industrial Yarn Business for the period from 1 January 2009 to 31 March 2009 acquired from SRF Polymers Limited and subsidiaries acquired during the year, whereas the previous year figures do not include the same. Therefore, the corresponding figures of the previous year are not comparable with those of the current year.

Date: 9 May 2009 Place: Gurgaon	Arun Bharat Ram Chairman	Ashish Bharat Ram Managing Director	Kartikeya Bharat Ram Deputy Managing Director
	Satish K Kaura Director	Rajendra Prasad President & Chief Financial Officer	Anoop K Joshi Vice President & Company Secretary

## Consolidated Cash Flow Statement for the Year Ended 31 March 2009

	Year Ended 31 March 2009 Rs Lakhs	Year Ended 31 March 2008 Rs Lakhs
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax	21766.78	19844.57
Adjustments for		
Depreciation	12383.79	10534.93
Investment Written Off	-	242.00
Interest and Finance charges	5980.92	3790.60
Exchange Fluctuation	8487.69	2099.92
Fixed Assets Written Off	65.01	372.91
Withdrawal from Revaluation Reserve	(848.08)	(80.05)
Dividend on current non-trade investment	(85.90)	(259.20)
Loss/(Profit) on Sale of Fixed Assets	(69.83)	38.30
Interest Income	(160.52)	(226.40)
Loss/(Profit) on Sale of Current Non-Trade Investments	(201.18)	(17.22)
<b>Operating Profit before working capital changes</b>	<b>47318.68</b>	<b>36340.36</b>
Adjustments for Changes in Working Capital		
Trade and Other Receivables	1,133.57	(2882.87)
Inventories	8380.31	(5002.48)
Trade Payables and Provisions	(13883.38)	1153.51
Cash Generated from operations	42949.19	29608.52
Exchange Fluctuation	(2002.23)	22.41
Taxation	(5732.62)	(6392.33)
<b>Net Cash from operating activities (A)</b>	<b>35214.34</b>	<b>23238.60</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(42366.89)	(17397.38)
Proceeds from sale of Fixed Assets	257.62	136.92
Sale/Maturities of Investments	49527.96	43488.80
Purchase of Investments	(47862.66)	(48555.68)
Purchase of Businesses	(16697.66)	-
Loan & Advances Given	(2630.00)	-
Loans & Advances Received Back	2,500.00	-
Amount received pursuant of Montreal Phaseout Programme	1188.69	2549.14
Interest Income	160.55	226.40
Dividend on current non-trade investment	85.90	259.20
<b>Net Cash used in Investing Activities (B)</b>	<b>(55836.47)</b>	<b>(19292.60)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Buy Back of Equity Shares	(6852.40)	-
Proceeds from long term borrowings	36164.44	-
Repayment of long term borrowings	(10669.42)	(6790.35)
Net Proceeds from short term borrowings	10735.32	10581.32
Dividends on Equity Share Capital	(4774.07)	(3394.26)
Dividend Tax	(777.85)	(576.85)
Repayment of fixed deposit	(0.81)	(5.12)
Interest and Financial charges Paid	(4692.19)	(3548.02)
<b>Net cash used in / from financing activities (C)</b>	<b>19133.02</b>	<b>(3733.28)</b>
<b>Net increase in Cash and Cash Equivalents D=(A+B+C)</b>	<b>(1489.11)</b>	<b>212.72</b>
<b>Cash and Cash equivalents at the beginning of the year (E)</b>	<b>2256.41</b>	<b>2043.69</b>
<b>Cash and Cash equivalents acquired during the year (F)</b>	<b>128.60</b>	<b>-</b>
<b>Cash and Cash equivalents at the close of the year G=(D+E+F)</b>	<b>895.89</b>	<b>2256.41</b>

Per our report attached to the balance sheet

For Deloitte Haskins & Sells

Chartered Accountants

Manjula Banerji

Partner

Membership No. 086423

Date: 9 May 2009

Place: Gurgaon

Arun Bharat Ram  
Chairman

Ashish Bharat Ram  
Managing Director

Kartikeya Bharat Ram  
Deputy Managing Director

Satish K Kaura  
Director

Rajendra Prasad  
President & Chief  
Financial Officer

Anoop K Joshi  
Vice President  
& Company Secretary



## FULFILLING COMMITMENTS

SRF has a long history of making meaningful contributions to society as part of its business ethos. The Company has identified three areas under community partnership programme, namely 1) Education, 2) Health Care – HIV AIDS and 3) Natural Resource Management. This has been done to bring more focus on the inclusive growth of the community around SRF plants. As an ardent advocate of the cause of providing quality education in India for the students from both the privileged as well as underprivileged class, the Company through its social arm, SRF FOUNDATION has been involved in providing holistic and value based approach to education in all its schools.