

Report  MRF

ANNUAL REPORT
2005 - 2006

T H E N o . 1 C H O I C E

1.	Chairman's Message	31.	Auditors' Report
2.	The Customer is Always Right	34.	Balance Sheet
4.	Products Par Excellence	35.	Profit and Loss Account
6.	Modern Machinery	36.	Cash Flow Statement
7.	The Ever Widening Horizons - Exports	37.	Schedules to Balance Sheet and Profit & Loss Account
8.	A Shade Better - Paints		
9.	MRF's Pace Battery - Pace Foundation	43.	Notes Forming Part of the Accounts
10.	Zippering Ahead	56.	Balance Sheet Abstract and Company's General Business Profile
12.	Board of Directors		
13.	Directors' Report	57.	Statement Pursuant to Sec. 212 of the Companies Act, 1956 Relating to Subsidiaries
20.	Management Discussion and Analysis		
23.	Corporate Governance	58.	Consolidated Financial Statements



Dear Shareholder,

MRF's growth in the last year has been phenomenal as we have clocked a 22% increase in the turnover, taking it to Rs.4,200 crores. Considering that this comes after the previous year's 14% growth, it is even more remarkable.

The superiority of MRF's products has been driving this growth though now there are positive indications of markets opening up consequent to the expansion plans of many motor car manufacturers. The challenges that we have been facing on the raw material front have been equally formidable, as at no point of time, has the tyre industry the world over been faced with such a steep increase in costs of both natural rubber and oil derivatives, major components in tyre manufacturing.

It is a matter of satisfaction that we have managed these cost increases fairly well, both by passing on a part of the increase to customers, as well as by improving productivity in our factories. However, the government should ensure a level playing field and address the issue of fluctuating rubber prices, a problem that has plagued tyre manufacturers in recent years.

It is heartening that in an era of tyre imports and the entry of multinationals, MRF Limited, a truly Indian company, has been winning international awards. Such recognition, which is based on the performance of tyres, testifies to our quality standards in relation to international brands.

Further opening-up of the economy in terms of FDIs, will give rise to keener competition, better products for consumers and a higher overall growth rate. The future is definitely promising, but the challenges are equally great and going by the track record of MRF, I am sure we will continue to make progress, as we have always done.

A handwritten signature in black ink, which appears to read 'K.M. Mammen'. The signature is stylized with a long horizontal line extending from the bottom of the name.

K.M.Mammen

Chairman and Managing Director

**Most trusted**
Indian Tyre**

The most trusted Indian tyre in the TNS Automotive
Global Corporate Social Responsibility Study.

MRF Limited - Most Trusted Company

According to a recent study by TNS Automotive, one of the world's largest automotive research companies, MRF was voted the most trusted Indian tyre company, across segments in the automotive category, for its contribution to bringing safe products to automotive users and being high on Corporate Social Responsibility.

CNBC-TV18 : AUTOCAR
AUTO AWARDS



Customer Satisfaction Award - For the Fourth Time

MRF has once again topped the chart in the J.D. Power Asia Pacific Study for "Highest Customer Satisfaction with Original Tyres". This is the fourth time in the last six years MRF has won this recognition, which is a unique record in itself. Overall tyre performance was assessed on 20 attributes grouped into five critical predefined factors – handling, traction, durability, appearance and ride quality – and MRF topped on all parameters.

This award is a manifestation of not only the commitment of MRF Limited to meet every demand and requirement of its customers while guaranteeing them total satisfaction, but also of its extensive and intensive research and development programme.



**Q1 certification
from Ford**



Q1 certification to supply tyres
to any Ford plant worldwide.

Certification for Universal Usage

In its quest for excellence MRF has been awarded the Q1 certification from Ford. This entitles MRF to supply tyres to any Ford factory in the world. The certification also reflects the high standards, quality and discipline that MRF adopts in its manufacturing processes.



Brian Lara at the launch of
V-rated Radial Tyres



Nylogrip Zapper Q for
new generation bikes



MRF SuperLug50-FS
Fuel efficient bias truck tyre



Brian Lara released MRF's V-Rated Radial Tyre at a glittering function in Chennai last year. The man with many world records unveiled this tyre of world-class standard. The tyre gives better handling and control at high speeds. It has a speed rating as high as 240 kmph. and fits best in a Ford Mondeo, a Mercedes S-Class or a Skoda Laura.

Built to withstand heavy riding and hard attitudes, MRF Nylogrip Zapper Q tyres are for the faster, bigger, new generation bikes. The SuperLug 50-FS has deeper treads, broader lugs and strong casing, resulting in higher mileage, cooler running and good retreadability.



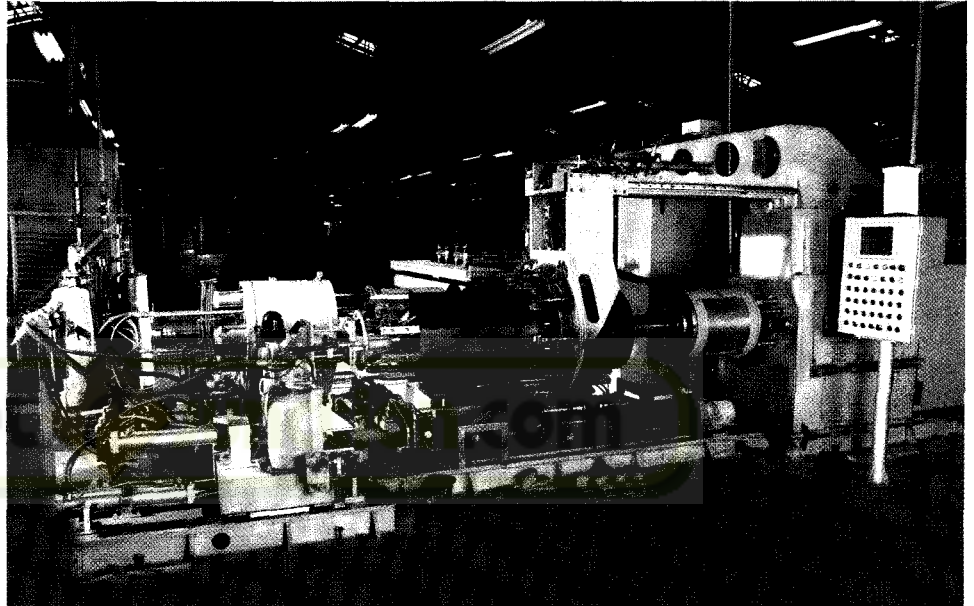
Hi-Tech MRF's T&S Showroom at Mumbai



MRF tyres – popular in Malaysian Karting Circuits



The MRF challenge continues in the field of rallying, karting and motocross. Our karting tyres, which are homologated by FIA-CIK for international competitions, have become exceedingly popular in Malaysia, where MRF tyres are being used for three of the foremost International championships.



Light truck high-capacity tyre building machine at the Tiruvottiyur plant



The expansion work in our factories continues. Machinery is being upgraded and replaced by the latest and the most sophisticated available. Our ISO/TS-16949:2002 certified plants have ultra modern equipment that ensure the highest level of quality.



MRF display at an exhibition in Canada



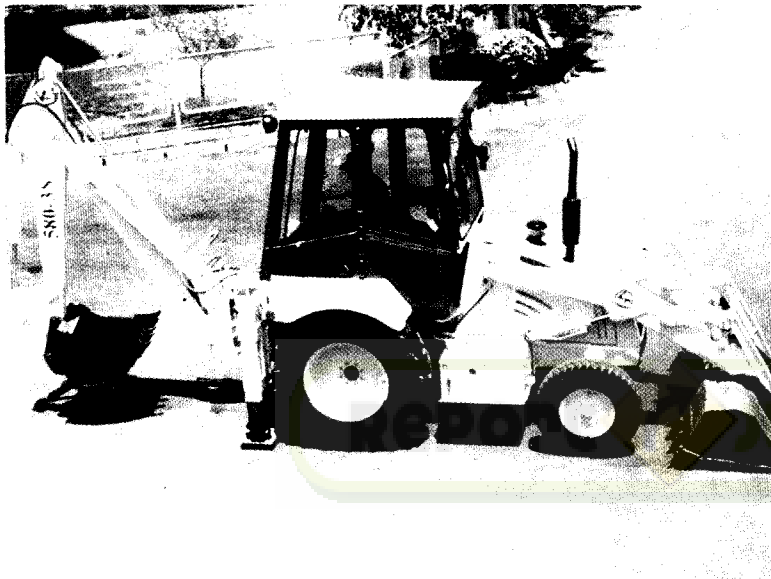
MRF's Muscle Rock tyres for mining operations, plying in Australia



West Bengal Chief Minister, Buddhadeb Bhattacharjee, presenting the CAPEXIL, Highest Export Award to Mr. Arun Mammen, MD, MRF Limited, in Kolkata



Even in exports, MRF proved to be at the top of the charts being the preferred choice of customers. MRF won the prestigious CAPEXIL Award for excelling in exports of automobile tyres, tubes and flaps in 2005-06.



L&T - Loader Backhoe Machine painted with MRF Uniccoat Paint



MRF Epidec-Epoxy flooring at a modern workshop in Bangalore



MRF – Speciality Coating Division manufactures speciality coatings for a wide range of applications. The revolutionary 100% polyurethane finishes are available in formulations for application on metal, wood, plastics, concrete surfaces, walls and glass. The coatings have been developed for colour and gloss retention, excellent adhesion and durability. They guard against abrasion, corrosion, bad weather and ultra-violet radiation and are virtually maintenance free.