



Evolution: Towards a New Future



SRF Limited

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

Annual Report 2006-07



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

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

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

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



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

MESSAGE FROM THE CHAIRMAN

Dear Shareholder,

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

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

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

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

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

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

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

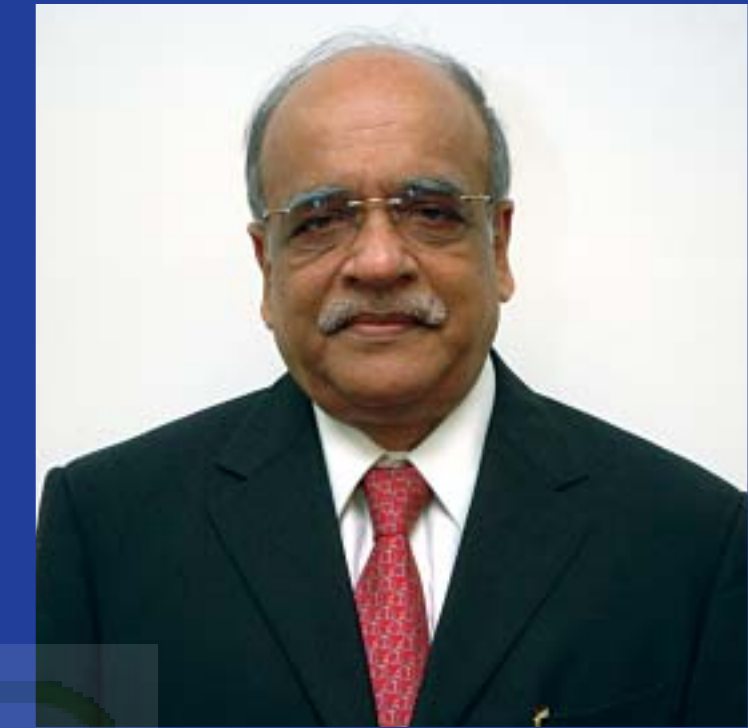
These are laudable results and I congratulate SRF management team and its employees for delivering such performance.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

With kind regards,
Yours sincerely,

Arun Bharat Ram
Chairman

COMPANY INFORMATION

Board of Directors

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

Auditors

Thakur, Vaidyanath Aiyar & Co., New Delhi

Company Secretary

Anoop K. Joshi

Bankers

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

Registered Office

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

Corporate Office

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

Technical Textiles Business

Plants	• Manali Industrial Area, Manali, Chennai (Tamil Nadu) - 600 068
	• Industrial Area, Malanpur, Dist. - Bhind (M.P.) - 477 116
	• Plot No 1, SIPCOT Industrial Area Complex, Gummidipoondi Dist. - Thiruvallur (Tamil Nadu) - 601 201
	• Viralmalai, Dist. - Pudukottai (Tamil Nadu) - 621 316

Chemicals Business

Plant	• Village & PO - Jiwana, Tehsil - Tijara Dist. - Alwar (Rajasthan), 301 018
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Packaging Films Business

Plants	• SEZ Indore, Sector - 3, Pithampur, Dist. Dhar (M. P.)
	• Plot No. 12, Rampura, Ramnagar Road, Kashipur Dist. - Udham Singh Nagar, (Uttarakhand)

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



DIRECTORS' REPORT

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

Financial Results

Rs./Crore

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

Appropriation

Rs./Crore

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

Equity Dividend

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

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

Operations Review

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

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

Business-wise Review

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

Subsidiary Companies

SRF Overseas Ltd. (SRFO)

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

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

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

SRF Americas, Inc. (SRFA)

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

Other Subsidiaries

SRF Transnational Holdings Ltd. (SRFTH)

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

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

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



Joint Ventures

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

Captive Power Company

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

Research and Development

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

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

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

Safety, Health and Environment

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

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



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

Directors

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

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

Directors’ Responsibility Statement

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

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

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

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

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

Listing of Equity Shares

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

Buy-back of Shares

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

Corporate Governance

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

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

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

Consolidated Financial Statement

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

Accounts and Audit

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

Cost Audit

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

Internal Control System

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

Management Discussion and Analysis

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

Fixed Deposits

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

Personnel

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

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

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

Acknowledgements

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

For and on Behalf of the Board

Arun Bharat Ram

Chairman

Date: 25 April, 2007

Place: Gurgaon



Annexure I

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of **SRF LIMITED**

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

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

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

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

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

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

For and on behalf of

THAKUR, VAIDYANATH AIYAR & CO.

Chartered Accountants

V. Rajaraman

Partner

M.No.2705

Place: New Delhi

Date: 25 April, 2007

Annexure 2

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

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

* Employed for a part of the year

Notes

- 1
- Remuneration comprise 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 Employees in the services of the Company within the category covered by sub section (2) (iii) of section 217 (2A) of the Companies Act , 1956
- 4
- None of the above employees other than Mr. Arun Bharat Ram and Mr. Ashish Bharat Ram who are relatives of Dr. Bharat Ram is a relative of any director of company.

Arun Bharat Ram
Chairman

Date: 25 April, 2007

Place: Guragon



Annexure 3

ANNEXURE TO THE DIRECTORS' REPORT
(PURSUANT TO SECTION 217(1) (e) OF THE COMPANIES ACT,1956)

A. CONSERVATION OF ENERGY- Measures taken:

1. Technical Textiles Business, Manali
- Converted chilled water circulation in yarn plant from parallel to series thereby reducing requirement of chilled water by 75%, consequently saving energy.
- Cooling water spray system introduced for air conditioning in place of chilled water for newly erected DT machines, resulting in reduced chiller load by 300 TR
- Optimized condenser water temperature through efficient usage of cooling tower, resulting in enhanced VAM capacity by 50TR.
- Conventional spinning Dyno drives were replaced with AC inverter drives, thereby reducing the power transmission loss by 80 KWH.
2. Technical Textiles Business, Gwalior
- VAM Chiller (3 No.) installed using hot water for refrigeration, thus replacing energy inefficient centrifugal chillers.
- Twister motors resistance & losses reduced through redesigning gauge and pattern of motor winding.
- Optimized A/C Load (through Enthalpy control) in textiles
- Optimized Generation of Steam through waste heat recovery boiler route thereby reducing load on liquid fuel fired boilers
3. Technical Textiles Business, Viralimalai
- Power consumption of processing machines and weaving machines reduced by downsizing of motor ratings
- Fuel consumption of Cycle Tyre Cord Machine reduced by replacing the burner heating system from indirect to direct and change of fuel to LPG.
- Fuel consumption of Chafer Dipping Machine reduced by replacing the burner from 'on' / 'off' type to 'proportional' type.

4. Chemicals Business (CB)

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

5. Packaging Films Business – Indore

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

6. Packaging Films Business – Kashipur

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

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

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

B. Technology Absorption**Research and Development**

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

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

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

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

Arun Bharat Ram
Chairman

Date: 25 April, 2007

Place: Gurgaon