

2009-10
annual
report





Contents

<i>2</i>	Chairman's Message
<i>6</i>	Company Information
<i>13</i>	Directors' Report
<i>24</i>	Management Discussion and Analysis
<i>33</i>	Corporate Governance Report
<i>46</i>	Auditors' Report
<i>50</i>	Financial Statements

Dear shareholders,

I am pleased to report that your company continues to achieve new milestones in its journey towards sustainable growth through total excellence. Your company closed the year 2009-10 with an all time high consolidated net profit after tax (PAT) of Rs 324 crore. During the year, your company earned the unique distinction of becoming the first and only producer of polyester tyre cord fabric in India. It commissioned two more important projects namely; the second Biaxially Oriented Polyester (BOPET) film line under the Packaging Films Business and the Laminated Fabric plant under the Technical Textiles Business. Most importantly, your company turned around both the acquired overseas units (one in Thailand and the other one in South Africa) within the first completed financial year after their acquisitions.

The Technical Textiles Business, which accounts for more than 50% of the Company's revenue, turned around during the year recording a significant jump in profit from operations at Rs 229 crore during the year. The resurgence of the Technical Textiles Business indeed provided robustness to the Company's strong performance. The Chemicals Business also returned strong margins riding on the robust demand for refrigerants both in the domestic and the international markets. Capitalising on the revival in the automotive and the construction sectors, the Company achieved its highest ever volumes in the Engineering Plastics Business. The Packaging Films Business ramped up capacity utilisation of its new line within the first couple of months of it coming on stream; a new global benchmark.

We continued to focus on augmenting our R&D capabilities by investing in our people, processes and equipment. I am particularly excited about the possibilities of cutting edge product development using our in-house capabilities in the area of fluorospecialities. We have the knowledge, the experience and the infrastructure to scale up our R&D activities. Today a number of products are in advanced stages of development. We also commenced the commercial supplies of the new variety of fluorospecialities from two new plants that were commissioned during the year. More heartening is to note that leading international pharma and agro companies continue to entrust us with process development for new products for them.

Your company remained focused on creating value for its customers using the basic tenets of TQM methodology which we have customised as the SRF Way of Management. For us, continuous improvement is an obsession. As always, we took a number of improvement initiatives to further sharpen our cost competitiveness. Simultaneously, we renewed our emphasis on working capital management in a stringent and rigorous manner. This not only freed up operating cash from the system but also made the organisation more resilient towards economic uncertainties.



Chairman's Message

Our people across the organisation worked relentlessly to improve internal efficiencies during the slowdown period of 2008-09 which prepared us to reap the benefits when things turned favourable during the year 2009-10. No doubt, the all round improvement in the Company's performance across the businesses is a testimony to the indomitable spirit of professionalism, dedication and commitment of our people.

Looking towards the future, your company will continue to invest in upgrading the capacity and technology in its quest for retaining its operational excellence and market leadership. The Company has implemented projects worth more than Rs 1200 crore in the last three years. Currently our focus is on setting up the multi-purpose Chemical Complex at Dahej in Gujarat. I believe that the fluorospeciality business has a tremendous potential to drive the future growth of the Company. We are equally excited about expanding the coated fabric business. The sheer range of applications of coated fabrics is both incredible and unexplored in India. Plans are on the anvil to develop the coated fabrics business into a sizeable and relevant segment over next few years. At the same time, we will continue to explore the opportunities for consolidating the businesses we are in through mergers and acquisitions both in India and abroad.

Today, your company is well poised to take the next steps for becoming a global leader. But we remain committed to grow responsibly. Every technology that we acquire or develop has to comply with our high standards of safety and environmental norms. We continue to reduce our carbon footprint through the CDM project for our

refrigerant business. We also expanded our efforts to reach out to the poorest of the poor in Tijara Tehsil of Alwar, Rajasthan, in the vicinity of our chemical plant. Our Natural Resource Management (NRM) project which aims at enhancing livelihood & sustainable environment conservation in this region entered its fourth year, helping around 6500 families to raise their incomes significantly. Needless to mention, these efforts go a long way in helping us gain all round recognition and appreciation from various quarters and most importantly the acceptance by the impacted community.

Our commitment to sustainable development was reaffirmed in the form of the prestigious CII-ITC Sustainability Award for 2009 which our Chemicals Business won for the second year in a row. The Chemicals Business won the 'Commendation Certificate for Significant Achievement' in the category of Independent Unit. This is a level higher than the award the Chemicals Business bagged last year for the 'Strong Commitment towards Sustainable Development'. I am also happy to inform you that our Chemicals Business celebrated 20 years of continuous operations during the period.

It is indeed a matter of pride for all of us in SRF that our social wing, SRF Foundation is working in collaboration with the Government of Haryana to make a holistic improvement in government schools. During the year we adopted 25 primary and 15 middle schools in the Nuh Block of Mewat District of Haryana. The focus is on imparting quality education for all with a holistic and value based approach through ongoing research and innovations and applying global best practices in education. SRF Foundation

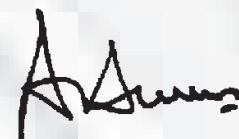
is also making efforts to improve the infrastructure facilities at the schools. Through this programme, the Foundation is engaging around 250 teachers in its effort to engage more than 16,000 children in the teaching-learning process.

Apart from other community development initiatives SRF Foundation also organised Vocational Skills Training programme for unemployed youth with a view to improving their employability. The results of this initiative have been very encouraging. Emboldened by the success, we plan to enlarge the scope of the programme in the days to come.

I am indeed proud of your company's contributions towards community development. Let me assure you that our effort in this direction will continue in the future. I am equally confident about the growth story of the Company. The future of the organisation holds new promises. To be sure, I reiterate my colleagues' determination to develop SRF into a world class entity.

Before I conclude, let me assure you of our commitment to create value for our stakeholders. I take this opportunity to thank our board of directors for their constant guidance and SRF employees for their commitment and contributions. We value the trust that you repose on us and look forward to your continued support and encouragement.

With kind regards,



ARUN BHARAT RAM
Chairman

2009-10 Highpoints



CII-ITC Sustainability Award

SRF Chemicals Business won the 'Commendation Certificate for Significant Achievement'

ILO Recognition

International Labour Organisation (ILO) acknowledged SRF's relentless contribution in the area of creating awareness on HIV AIDS since 2005



First Polyester Industrial Yarn Plant

SRF commissioned the country's first Polyester Industrial Yarn plant at Gummidipoondi, Tamil Nadu

Award for Supplier Sustainability Programme

Bayer Crop Science (BCS), a premier customer for fluorospecialty business has honoured SRF Chemicals Business with a highly coveted Award for Supplier Sustainability Programme



Best Day School

The Shri Ram School was rated as the Best Day School in India for the second consecutive year in 2009 in a survey conducted by Education World Magazine



Rural Education Programme

SRF Foundation adopted 40 schools in Mewat District of Haryana in its efforts to reach quality education to the deprived children under its ongoing Rural Education Programme. The initiative is impacting the lives of 16,000 children and 250 teachers in the region

20 years of Chemicals Business

SRF celebrated 20th Anniversary of Chemicals Business in its work premises at Bhiwadi, Rajasthan



Airtel Delhi Half Marathon

A team of 60 employees from SRF joined hands to celebrate the spirit of humanism in the Airtel Delhi Half Marathon in November 2009

Company Information



Auditors: M/s Deloitte Haskins & Sells, Chartered Accountants

Company Secretary: Anoop K Joshi

Bankers: ICICI Bank • State Bank of India • State Bank of Patiala • Standard Chartered Bank • Citibank NA • Yes Bank Limited • HDFC Bank • ABN Amro Bank N.V.

Registered Office: C-8, Commercial Complex, Safdarjung Development Area, New Delhi-110016

Corporate Office: Block-C, Sector-45, Gurgaon-122003, Haryana

Board of Directors

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



Technical Textiles Business: Plants

- Manali Industrial Area, Manali, Chennai-600068 ,Tamil Nadu
- Industrial Area, Malanpur, Distt. Bhind-477116 ,MP
- Plot No. 1, SIPCOT Industrial Area Complex, Gummidipoondi, Dist. Thiruvallur, 601 201, Tamil Nadu
- Viralimalai, Distt. Pudukottai - 621 316, Tamil Nadu
- Plot No. 12, Rampura, Ramnagar Road, Kashipur , Dist. Udham Singh Nagar, Uttarakhand
- Villages Navaneethakrishnapuram, Melakalangal, Thiruvambalapuram, Dist. Tirunelveli, Tamil Nadu



Chemicals and Polymers Business: Plants

- Village & P.O. Jhiwana, Tehsil Tijara, Distt. Alwar - 301 018, Rajasthan
- Manali Industrial Area, Manali, Chennai – 600068, Tamil Nadu
- Plot No. 14 C, Sector 9, IIE Pantnagar, Distt. Udham Singh Nagar, Uttarakhand



Packaging Films Business: Plants

- Plot No. 12, Rampura, Ramnagar Road, Kashipur , Dist. Udham Singh Nagar, Uttarakhand
- Plot No. C 1-8, C 21-30, Sector 3, Indore Special Economic Zone, Pithampur, Dist. Dhar, Indore, MP

Notice

Notice is hereby given that the 39th Annual general meeting of SRF Limited will be held on Friday, the 23rd July, 2010 at 3.30 pm at Laxmipat Singhania Auditorium, PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi-110 016 to transact the following businesses: -

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date together with the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of M V Subbiah, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Piyush G Mankad, who retires by rotation and being eligible, offers himself for re-election.
4. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED that M/s. Deloitte Haskins & Sells, Chartered Accountants, New Delhi be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual general meeting at a remuneration to be fixed by the Audit Committee/ Board of Directors and service tax thereon and re-imbursement of travelling and other incidental expenses, if any, incurred in connection with the audit.”

5. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:**

“RESOLVED that subject to such consents and permissions, if any, as may be necessary, approval of the Company be and is hereby accorded in terms of Sections 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 and the Schedule(s) thereto,

including any statutory amendment or re-enactment thereof, to the re-appointment of Ashish Bharat Ram as Managing Director for a fresh tenure of five years effective from 23.05.2010 on the terms, conditions and remuneration, including minimum remuneration as are hereinafter specifically given:-

Tenure

Five years with effect from 23.05.2010

Functions

Subject to the direction, control and superintendence of the Board of Directors, Ashish Bharat Ram shall have the overall responsibility for looking after the day to day management of the Company.

Remuneration

Subject to the overall limit on remuneration payable to all the managerial personnel taken together, the remuneration payable to Ashish Bharat Ram shall comprise salary, perquisites and commission, as may be decided by the Board/ Remuneration Committee within an overall ceiling of 5% of the net profits of the Company, computed in the manner laid down in Section 349 of the Companies Act, 1956.

Remuneration for a part of the Year

Remuneration for a part of the year shall be computed on pro-rata basis.

Minimum Remuneration

In the event of absence or inadequacy of profits in any financial year, the remuneration payable to Ashish Bharat Ram shall be decided by the Remuneration Committee subject to the provisions of the Companies Act, 1956 and such approval, if any, as may be required.