

Annual Report
2012-13



Awards & Recognitions



SRF's Chemicals Business wins Deming Prize

The Chemicals Business of SRF won the coveted **Deming Prize** during the year. Roop Salotra, President & CEO, Chemicals Business received the medal and certificate from Hiromasa Yonekura, Chairman, Deming Prize Committee, at a ceremony held in Tokyo on November 14, 2012. Deming Prize is awarded by the Union of Japanese Scientists and Engineers (JUSE).



Key Milestones.....2012-13

- 🏆 The Packaging Films Business bagged the Best SEZ Award within the '**EPCES Export Award**' instituted by the Export Promotion Council for the 6th consecutive year
- 🏆 SRF set up the first **Hot Laminated Facility** in the country to be able to expand its product range for Laminated Fabrics and compete at the higher end of the market
- 🏆 SRF's Coated Fabrics Business added new products such as **Pagodas, Double Sided Striped Awnings and Lacquered Tarpaulins** (printable)
- 🏆 SRF's Fluorochemicals Business introduced two new products – **trichloroethylene** and **perchloroethylene**
- 🏆 SRF's Chemical Technology Group filed **7 new process patents** as intellectual property of the company taking the total number to 29
- 🏆 SRF's Engineering Plastics Business introduced **Halogen free environmental friendly products** for electrical segment and also made a significant headway in the international market
- 🏆 SRF Foundation was conferred with the reputed **12th Businessworld FICCI CSR Award 2011-12** for its Kidsmart Early Learning Programme under the category of 'Exemplary Innovation Promoting CSR'



Contents

Corporate Overview

Chairman's Message	02
Company Information	04

Management Reports

Notice	06
Directors' Report	10
Management Discussion and Analysis	20
Corporate Governance Report	28

Financial Statements

Standalone Financial Statements	40
Consolidated Financial Statements	87



Chairman's Message

Dear shareholders,

Let me begin by sharing with you some good news. Last year, the prestigious Deming Prize was conferred on our Chemicals Business for improving business performance through quality based management. The recognition came to SRF for the second time. Earlier in 2004, our tyre cord business bagged the same honour. My congratulations to the entire Chemical Business team which left no stone unturned to make this happen.

As you are all aware, we are facing challenging times. The global economy continues to remain uncertain and the scenario that is playing out in our domestic market is also not encouraging. Even a chance glance at the newspaper reports reveals the scale of prevailing economic crisis. The trend is ominous and the sentiment somber.

But at SRF, we have once again reported profit even during a turbulent year, albeit a decline over the previous year. We have continued to invest in our people, process

and technology to stay ahead of the pack. And more importantly, our confidence in the path trodden and faith in our ability to travel that path remains unshakable.

As stated earlier, we are progressing on our way to becoming predominantly a chemical company, which is known and respected globally for its R&D capabilities and quality of its produce. The transition that began a couple of years back crossed a major milestone last year with the commissioning of initial projects in our new Chemical Complex at Dahej in Gujarat. Today, the Dahej site is buzzing with activity with several projects in different stages of completion. The current focus on enhancing and enriching the basket of speciality chemicals will certainly make SRF a force to reckon with in this segment.

What is more heartening is to note that all our new plants in Dahej are being designed and executed with in-house technologies, a huge testimony to the R&D capability we have developed over the years.

“

As our global footprint expands, we are increasingly becoming more and more conscious of the challenges of operating in a multiple socio-cultural, political and regulatory environments. Greater challenge, however, is to foster a unified set of organisational values that we are proud of as a company.

”

As expected, the revenue stream from CERs will cease to accrue from the current year. But the income from new units in Dahej is expected to more than compensate the loss in the next couple of years.

A lot is also happening in our Packaging Films Business. We will not only enhance our capacity for BOPET films through our first overseas polyester film plant in Thailand but will also add a new category of product to the portfolio in the form of BOPP films through another overseas plant in South Africa. Both these green field overseas projects will be commissioned during the year. As regards Engineering Plastics Business, our efforts are on to make further inroads into the auto and electrical sector.

Our expansion into chemicals and polyester films is perfectly aligned with our business strategy to reduce the company's dependence on Technical Textiles, which continues to be the flagship business. The growth in select areas of Technical Textiles Business will, however, continue. The newly commissioned laminated fabrics plant is stabilised and is now running at full capacity. The coated fabrics business where we have added new products in the last one year is presently under stabilisation and the efforts are on to explore new applications and penetrate new markets both in India and abroad.

As our global footprint expands, we are increasingly becoming more and more conscious of the challenges of operating in a multiple socio-cultural, political and regulatory environments. Greater challenge, however, is to foster a unified set of organisational values that we are proud of as a company. We plan to initiate a series

of synchronised actions to promote understanding of what we stand for amongst our colleagues. I am also pleased to inform you that we have recently successfully upgraded our ERP system with the latest version of R12 Oracle across the units in India and the plans are on the anvil to connect the same with the global units as well. These measures will, undoubtedly, improve our overall organisational efficiency and effectiveness.

We truly believe that the benefit of our business must be shared with the community. Building on its pioneering work, our social wing, SRF Foundation undertook several initiatives in the area of education, vocational skills, health, natural resource management and affirmative action during the year gone by. Let me reiterate that our work in these areas will continue unabated with full zeal and commitment. The FICCI CSR Award conferred on our organisation during the year reaffirms our concern and commitment to the cause of community.

I would like to express my gratitude to all the shareholders for reposing trust in the SRF management, our Board of Directors for their constant support and guidance and our colleagues in SRF for their commitment and contributions towards the organisational goals.

We believe in our dream. And, we remain committed to converting our dream into a reality.

With kind regards,



Arun Bharat Ram

Company Information

Board of Directors



- | | | | | |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | |
| 5 | 6 | 7 | 8 | 9 |

1. Arun Bharat Ram,

Chairman

2. Ashish Bharat Ram,

Managing Director

3. Kartikeya Bharat Ram,

Dy Managing Director

4. K Ravichandra,

Director (Safety & Environment)

5. Vellayan Subbiah

6. Vinayak Chatterjee

7. L Lakshman

8. Tejpreet S Chopra

9. Pramod Bhasin

Auditors

M/s Deloitte Haskins & Sells, Chartered Accountants

Company Secretary

Anoop K Joshi

Bankers

- ICICI Bank • State Bank of India • Standard Chartered Bank
- Citibank NA • Yes Bank Limited • HDFC Bank
- The Royal Bank of Scotland • Kotak Mahindra Bank
- Development Bank of Singapore

Registered Office

C - 8, Commercial Complex, Safdarjung Development Area,
New Delhi - 110016, India

Corporate Office

Block - C, Sector - 45, Gurgaon - 122003, Haryana, India



Chemicals and Polymers Business: plants

- Village & P.O. Jhiwana, Tehsil Tijara, Distt. Alwar - 301018, Rajasthan
- Manali Industrial Area, Manali, Chennai - 600068, Tamil Nadu
- Plot No. 14 C, Sector 9, IIE Pantnagar, Distt. Udham Singh Nagar - 263153, Uttarakhand
- D II/I GIDC, PCPIR, GIDC, Phase II, Tal Vagra, Village Dahej, Distt. Bharuch - 392130, Gujarat



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, Distt. Thiruvallur - 601201, Tamil Nadu
- Viralimalai, Distt. Pudukottai - 621 316, Tamil Nadu
- Plot No. 12, Rampura, Ramnagar Road, Kashipur, Distt. Udham Singh Nagar - 244713, Uttarakhand



Packaging Films Business: plants

- Plot No. 12, Rampura, Ramnagar Road, Kashipur, Distt. Udham Singh Nagar - 244713, Uttarakhand
- Plot No. C 1 - 8, C 21- 30, Sector 3, Indore Special Economic Zone, Pithampur, Distt. Dhar - 454775, Indore, MP

Notice

Notice is hereby given that the 42nd Annual General Meeting of SRF Limited will be held on Friday, the July 26, 2013 at 3.30 p.m. at the 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 March 31, 2013 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 Mr Vinayak Chatterjee, who retires by rotation and being eligible, offers himself for re-election.
3. To appoint a Director in place of Mr Tejpreet Singh Chopra 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:

To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and to pass the following resolution thereof :

"RESOLVED THAT M/s. Deloitte Haskins & Sells, Chartered Accountants, New Delhi (Registration No. 015125N) 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:**

Appointment of Mr Pramod Bhasin, as a Director, liable to retire by rotation :

"RESOLVED THAT Mr Pramod Bhasin, who by his co-option as an additional Director with effect from July 25, 2012, holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation."

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

Re-appointment of Mr Arun Bharat Ram as Chairman with Executive Powers:

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and 317 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and all guidelines for managerial remuneration issued by the Central Government from time to time, and such other consents and approvals as may be required including any statutory amendment or re-enactment thereof, approval of the Company be and is hereby accorded to the re-appointment of Mr Arun Bharat Ram as Chairman in executive capacity with authority to the Board to revise his designation at its discretion and other terms and conditions of the appointment including as to remuneration as are set out hereunder:-

1. **Tenure**

Five years with effect from 15.6.2013

2. **Functions**

Subject to the direction, control and superintendence of the Board of Directors, Mr Arun Bharat Ram shall provide pro-active guidance to the Management Team and participate in all critical decisions.

3. **Remuneration**

Subject to the overall limit on remuneration payable to all the managerial personnel taken together, the remuneration payable to Mr Arun 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 Chairman shall be ₹2 lakhs per month or such higher amount as may be permitted under the Companies Act, 1956 subject to such approval, if any, as may be required.

Sitting Fee

If permissible by law, Mr Arun Bharat Ram shall be entitled to sitting fee in addition to the components of remuneration mentioned above, for attending meetings of the Board of Directors or Committees thereof.

4. Termination

The appointment of Mr Arun Bharat Ram as Chairman in executive capacity may be terminated by either party giving to the other six calendar months notice in writing.

In the event of termination of this appointment of Mr Arun Bharat Ram by the Company, he shall be entitled to receive compensation in accordance with the provisions of the Companies Act, 1956 or any statutory amendment or re-enactment thereof.

RESOLVED FURTHER that in the event of any further authorisation/ revision in the levels of permissible managerial remuneration, the Board of Directors/ Remuneration Committee be and is hereby authorised to alter, vary and increase the remuneration of Mr Arun Bharat Ram, notwithstanding the overall remuneration set out above, as may then be prescribed / permissible without requiring any further resolution or consent of or reference to the general meeting."

Regd. office

C-8, Commercial Complex,
Safdarjung Development Area,
New Delhi-110016
Gurgaon, May 3, 2013

By Order of the Board
for **SRF LIMITED**
Sd/-
(Anoop K Joshi)
Sr. Vice President &
Company Secretary

NOTES

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE RETURNED, DULY COMPLETED, TO THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the July 19, 2013 to Friday, the July 26, 2013 (both days inclusive) for the purposes of holding the Annual General Meeting.
4. Members holding shares in physical form are requested to notify change in address and bank mandate, bank particulars, if any, under their signatures to Karvy Computershare Private Limited, 17-24, Vittal Rao Nagar, Madhapur, Hyderabad 500 081, the Registrar & Share Transfer Agent, quoting folio Nos. Members holding shares in electronic form may update such details with their respective Depository Participants.

In terms of SEBI Circular dated May 20, 2009 and January 7, 2010 pertaining to (i) transfer of physical shares (ii) deletion of name of the deceased shareholder(s) where the shares are held in the name of two or more shareholders (iii) transmission of shares to the legal heir(s), where deceased shareholder was the sole holder of shares; and (iv) transposition of shares- when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders, of the listed companies, the transferee(s) are requested to furnish copy of their Permanent Account Number (PAN) Card along with the other documents to the RTA for the above mentioned purpose, irrespective of the value of the transaction.
5. Members seeking any information regarding accounts to be given at the meeting are requested to write to the Company at its Corporate Office at Block C, Sector – 45, Gurgaon- 122 003 (Haryana) at least seven days before the date of the meeting so as to enable the management to keep the information ready.
6. All amounts of unclaimed dividend declared up to the financial year ended March 31, 2005 have been transferred to the General Revenue Account of the Central Government/Investor Education and Protection Fund as required by the Companies Act, 1956.
7. Pursuant to Section 205A of the Companies Act, 1956, dividends which remain unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account are required to be transferred to the Investor Education and Protection Fund of the Central Government.

Section 205C of the Act states that no claims shall lie against the Fund or the Company in respect of individual amounts which were unclaimed and unpaid for seven years as aforesaid and transferred to the Fund.

The details of unpaid/unclaimed equity dividend are available on Company's website www.srf.com

Shareholders are advised that those who have not encashed their dividend warrant(s) so far for the financial years ended March 31, 2006 and thereafter may send their outdated dividend warrants to the Company at its Corporate Office or to the Registrar and Share Transfer Agent, M/s Karvy Computershare Private Limited for issue of demand drafts in lieu thereof

8. Members are requested

- To bring copies of Annual Report, Notice and Attendance Slip duly completed and signed at the meeting.
- To quote their folio/identification Nos. in all correspondence.
- To note that no gifts will be distributed at the meeting.
- In case of Joint holders attending the meeting, only such Joint holder who is higher in the order of names will be entitled to vote.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item Nos. 2 and 3

Mr Vinayak Chatterjee and Mr Tejpreet Singh Chopra shall retire by rotation and being eligible, offer themselves for re-appointment.

The information required by the Listing Agreement with the Stock Exchanges is given below:

Mr Vinayak Chatterjee

Mr Vinayak Chatterjee (53) is a graduate in Economics from St. Stephen's College, Delhi and a Post-graduate in Management from the Indian Institute of Management, Ahmedabad.

He is strategic advisor to leading corporates and Government agencies in the areas of economic policy and infrastructure planning and implementation.

He is currently the Chairman of CII-National Committee on Urban Infrastructure (India's largest industry association) and was the Chairman of CII (Northern Region) for the year 2000-01. He is also a member of the Task Force on Reforms in Housing & Urban Development of the Government of India.

Mr Vinayak Chatterjee is a member of the Shareholders'/Investors' Grievance Committee, Special Committee and Chairman of Remuneration Committee and Audit Committee of the Board and has no shareholding in the Company.

Directorships in other public companies	Committee Membership
Avantha Power & Infrastructure Limited	- Audit Committee* - Remuneration Committee*

*Chairman

No Director other than Mr Vinayak Chatterjee is concerned or interested in the Resolution. The Board of Directors recommends the resolution for approval of the members.

Mr Tejpreet Singh Chopra

Mr Tejpreet Singh Chopra (43) did his B.A. (Hons) in Economics from St. Stephen's College, Delhi University and MBA from Cornell University, U.S.A.

Mr Tejpreet Singh Chopra is the Founder, President & CEO of Bharat Light & Power. Bharat Light & Power is a clean power generation company utilizing a variety of advanced technologies. Mr Chopra's 18 years of global management and finance experience was gained in various business roles held in France, England, Hong Kong, India and USA, of which over 14 years were at General Electric. Mr Chopra's is involved in various industry associations. He was a member of National Council of the Confederation of Indian Industry (CII), The Chairman of American Chamber of Commerce in India (AMCHAM), and Board of Directors of the U.S. - India Business Council (USIBC).

Mr Chopra is Chairman of the Shareholders'/Investors' Grievance Committee and Member of Remuneration Committee and Special Committee and has no shareholding in the Company.

Directorships in other public companies	Committee Membership
Gujarat Pipavav Port Limited	Remuneration Committee

None of the Directors of the Company other than Mr Chopra is concerned or interested in the Resolution. The Board of Directors recommends the resolution for approval of the members.

Item No.5

Mr Pramod Bhasin (61) was co-opted as an additional director on the board of directors of the company on July 25, 2012. In terms of articles of association of the company and section 260 of the companies act, 1956 he holds office upto the date of forthcoming annual general meeting.

Mr Pramod Bhasin is a Chartered Accountant from Thomson McLintock & Co., London, and holds a Bachelor of Commerce degree from Delhi University.

Mr Bhasin started Genpact (formerly GE Capital International Services) in 1997. He was the President & CEO till June 2011 and is currently the Vice Chairman. Under his leadership,