SARLA
PERFORMANCE FIBERS

# CHANGE THE WAY WE CHANGE

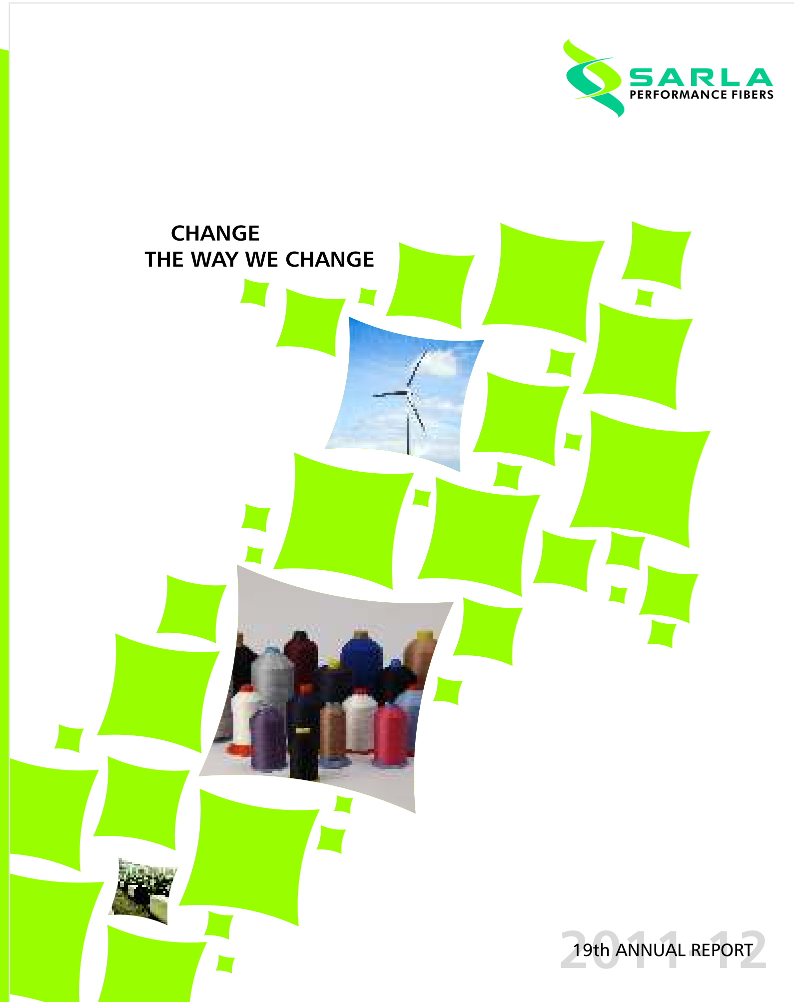
2011-12

19th ANNUAL REPORT

## TRULY,
## CHANGE HAS CHANGED.

We are surrounded by all sorts of things that are changing at an exponential pace: the number of mobile phones in the world, $CO_2$ emissions, data storage; the power of semiconductor chips, the number of devices connected to the internet, the number of genes that have been sequenced, world energy consumption, and knowledge itself.

We live in a world that seems to be all punctuations and no equilibrium, where the future is less and less an extrapolation of the past. Change is multifaceted, relentless, seditious, and occasionally shocking. In this maelstrom, long-lived political dynasties, venerable institutions, and hundred-year-old business models are all at risk.




Today, the most important question for any organization is this:

## ARE WE CHANGING AS FAST AS THE WORLD AROUND US ?

Most CEOs would have to answer ''No." In Industry after industry, it's the insurgents, not the incumbents, who've been surfing the ways of change.

Given all this, the only thing that can be safely predicted is that sometime soon your organization will be challenged to change in ways for which it has no precedent. Of course, change brings both promise and peril, but the proportion facing any particular organization depends on its capacity to adapt. And therein lies the problem : our organizations were never built to be adaptable. In large global companies, as in poorly governed dictatorships, deep change occurs belatedly and convulsively. They ultimately require regime change and turnaround. A turnaround is a poor substitute for a transformation.

## THAT'S WHY WE NEED TO CHANGE THE WAY WE CHANGE.

## CHANGING THE WAY WE CHANGE

We took our first steps to respond to the required pace of change in fiscal 2012. Among the key steps taken in both Silvassa and Vapi facilities - We automated our dye house, made changes to our yarn manufacturing, revised material movement and flow, installed equipments to reduce power consumption etc.

SARLA PERFORMANCE FIBERS

## Board of Directors:

| | |
|---|---|
| MADHUSUDAN JHUNJHUNWALA | Chairman & Whole-Time Director |
| KRISHNAKUMAR M. JHUNJHUNWALA | Managing Director |
| ARUN VAID | Director |
| JIGAR A SHAH | Director |
| ANIL KUMAR JAIN | Director |

## Chief Financial Officer & Company Secretary:

MAHENDRA SHETH

## Audit Committee:

| | |
|---|---|
| ARUN VAID | Chairman |
| MADHUSUDAN JHUNJHUNWALA | Member |
| JIGAR A SHAH | Member |

## Auditors:

M/s. Sundarlal, Desai & Kanodia, Chartered Accountants, Mumbai

## Bankers:

| | | |
|---|---|---|
| ANDHRA BANK | CITIBANK N. A. | DBS BANK LTD. |
| STANDARD CHARTERED BANK | YES BANK LTD. | |

## Registered Office:

Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230, U.T. of Dadra & Nagar Haveli

## Plants:

1) Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230, U.T. of Dadra & Nagar Haveli
2) Survey No. 64/2/3/4,61/2, 62/5,63/5,63/7, Amli Piparia Industrial Estate, Silvassa - 396 230, U.T. of Dadra & Nagar Haveli
3) Shed No. A1/48, 100 Sheds Area, GIDC, VAPI - 396 195.

## Corporate Office:

304, Arcadia, Nariman Point, Mumbai – 400 021.

## Website:

www.sarlafibers.com

## Investors services e-mail id:

investors@sarlafibers.com

## Registrars & Transfer Agents:

M/s. Sharex Dynamic (India) Pvt. Ltd.,
Unit - 1, Luthra Ind. Premises, Safed Pool, Andheri Kurla Road, Andheri (E), Mumbai - 400 072.

## CONTENTS:

## FY 2011-12

Some of the key changes
which we carried out in our operation are as under:

## AUTOMATED CHEMICAL WEIGHING AND DISPENSING SYSTEM

Each recipe has a bar code signifying which chemicals are to be weighed and delivered to the dye machine. The operator scans the barcode and the system will automatically weigh and send to the dye machine. This ensures the correct chemicals are weighed and sent to the machine for improved batch to batch repeatability. This will result in reduction in wastage, savings in cost of dyes & chemicals, less rejections by customers.

## COMPUTERIZED DYE WEIGHING SYSTEM

After the weighing and dispensing of the chemicals has been completed the barcode on the recipe is again scanned in the dye weighing kitchen. This assures that each dye is correctly weighed. If too much or too little dye is weighed the system will not go to the next dye or process. This ensures accuracy of the batch as well as batch to batch repeatability.

We now accept the fact that learning is a lifelong process of keeping abreast of change. And the most pressing task is to teach people how to learn.

# DYE HOUSE

## EXPANSION AND MACHINE REALIGNMENT

The dye house has undergone a major expansion with the addition of dyeing equipment increasing the dyeing capacity 50%. With the expansion now complete the operation is in a position to give our customers various dye lot sizes to meet their requirements. Because of this expansion the dye machines were repositioned to reduce movement of raw and dyed material to improve machine efficiencies and reduce the time for the movement of material in loading and unloading the machines.


## ADDITION OF RF DRYER

To improve the feel of the yarn a decision was taken to install an RF dryer for drying the yarn after the dyeing process. The yarn is hydro extracted and then dried in the RF dryer to ensure the product is properly dried.

## MATERIAL STORAGE AND MOVEMENT

With the renovation of the Vapi dyeing operations the movement and storage of material was reviewed with the intent to reduce movement and simplify the movement of material. Wheeled crates were designed in house using expended chemicals totes. Since the implementation, material movement and material storage has been reduced by 50% as compared to the previous handling system.

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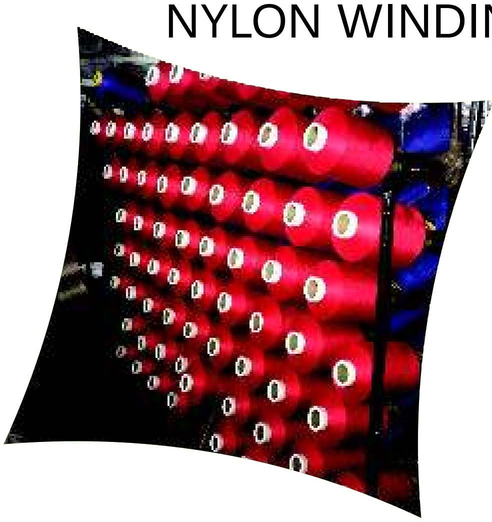
Innovation is the specific instrument
of entrepreneurship...
the act that endows resources with
a new capacity to create wealth.

## EXPANSION OF NYLON WINDING DEPARTMENT

A major expansion is now complete for segregating the winding of yarns by the products. Nylon and Polyester products are now wound in different locations ensuring proper winding of the various products supplied to customers.

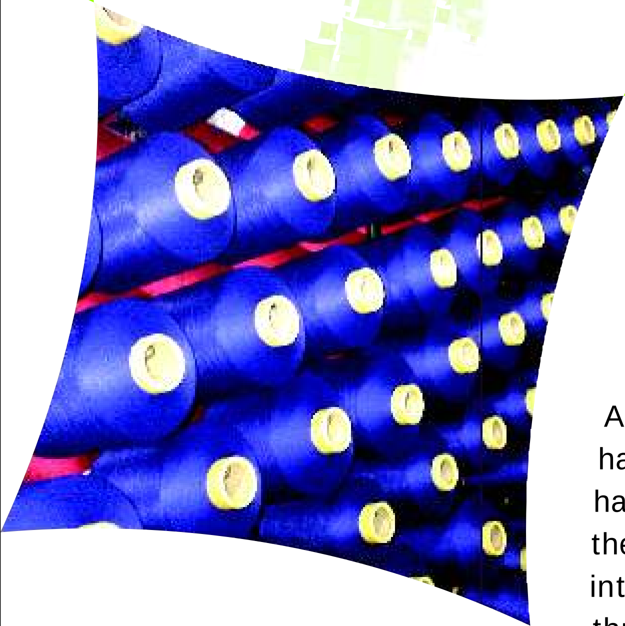
## NYLON WINDING



## POLYESTER WINDING

## INSPECTION, PACKING & AUTOMATED TAPEING MACHINE

Inspection and packaging has been realigned to segregate products by yarn type for inspecting and passing of the material. This ensures the quality of the products meets the customer requirements



## AUTOMATED SYSTEM FOR LOADING OF NYLON HANK (MUFF) MATERIAL

An automated conveyor system has been installed to reduce the handling of nylon muffs for loading of the dye basket. When the hank is put on the conveyor a sensor acknowledges and counts the hank thus ensuring the correct number of hanks are loaded into the dye basket for determining the weight of the dye basket thus ensuring the KDA dye weighing system will weigh the proper amount of dyes reducing if not eliminating the chance of any reworks.

## SHIFTING OF REELING MACHINES FROM SILVASSA OPERATION TO DYEHOUSE

To reduce the cost of transportation of nylon material from the factories in Silvassa to the Vapi dyehouse the machines for winding of nylon yarn were shifted to the Vapi operations. This implementation has reduced the number of trips required to move the nylon material by 50%.

## LOW TWIST HIGH SPEED TWISTING MACHINES FOR SEWING THREADS

With technology continuously changing twisters were installed to improve the performance and cost of our sewing thread twisted products. With commissioning of these machines the production capacity has increased by 100% while only installing half of the machines that would have been required by past technology.

## ECO FRIENDLY STEAM BOILER

Say to reduce the dependence on fossil fuels a new boiler has been installed and is being commisioned which will use a bio-degradable fuel source for supplying power for the vapi dyeing operations. With the start up of this boiler there will be no release of sulphers into the atmosphere as with the burning of fossil fuels.

SARLA PERFORMANCE FIBERS

# DELIVERING VALUE OVER A DECADE

2002
Expanded product portfolio to sewing thread from commodity polyester yarns.

2004
Established 2nd manufacturing unit in Silvassa.

2005
"BEST EXPORT UNIT AWARD"
By Export Promotion Council-2005.

2006
- A change in the company's name from Sarla Polyester Limited to Sarla Performance Fibers Limited (SPFL).
- Established its 1st joint venture overseas in Honduras, Central America under the name Savitex S.A. de C.V.
- Set up a spinning plant for conversion of nylon chips into high tenacity nylon 6 and nylon 66 industrial yarns.

2007
- Created Sarla Overseas Holdings Limited (SOHL), a wholly owned subsidiary as a separate investment arm for the company.
- The company's shares were listed on the National Stock Exchange of India Limited (NSE).
- Expanded production capacities in Silvassa.

(Rs. in Crores)

| PROFIT & LOSS AND BALANCE SHEET | 2002 03 | 2003 03 | 2004 03 | 2005 03 |
|---|---|---|---|---|
| Equity Paid Up | 6.95 | 6.95 | 6.95 | 6.95 |
| Networth | 16.25 | 20.53 | 25.78 | 33.92 |
| Capital Employed | 27.16 | 29.41 | 36.79 | 50.84 |
| Gross Block | 16.33 | 18.65 | 33.69 | 39.91 |
| Net Working Capital | 13.94 | 14.18 | 8.06 | 14.84 |
| Net Sales | 29.59 | 48.43 | 55.22 | 70.28 |
| Profit before Interest, Deprication, Tax | 3.58 | 7.94 | 10.87 | 16.07 |
| Profit after Tax | 1.06 | 4.33 | 7.10 | 10.02 |
| Book Value (Rs./Share) | 23.38 | 29.54 | 37.09 | 48.81 |
| Market Capitalisation | 4.87 | 6.29 | 11.33 | 43.79 |
| Earning Per Share (Rs.) | 1.53 | 6.23 | 9.91 | 14.09 |
| Dividend (%) | 0.00 | 0.00 | 24.00 | 24.00 |
| Payout | 0.00 | 0.00 | 1.67 | 1.67 |
| Payout (%) | 0.00 | 0.00 | 24.24 | 17.06 |

| KEY RATIOS | 2002 03 | 2003 03 | 2004 03 | 2005 03 |
|---|---|---|---|---|
| Debt-Equity Ratio | 0.71 | 0.54 | 0.43 | 0.47 |
| Long Term Debt-Equity Ratio | 0.17 | 0.11 | 0.05 | 0.05 |
| Current Ratio | 1.42 | 1.37 | 1.08 | 0.98 |
| Turnover Ratios | | | | |
| Fixed Assets Ratio | 1.83 | 2.78 | 2.26 | 1.98 |
| Inventory Ratio | 5.45 | 8.61 | 7.60 | 7.35 |
| Debtors Ratio | 2.82 | 4.79 | 4.96 | 4.99 |
| Interest Cover Ratio | 2.27 | 6.15 | 9.55 | 11.32 |
| PBIDTM (%) | 13.32 | 16.32 | 18.40 | 22.01 |
| PBITM (%) | 10.81 | 13.90 | 16.17 | 18.77 |
| PBDTM (%) | 8.55 | 14.06 | 16.71 | 20.36 |
| ROCE (%) | 11.17 | 23.97 | 28.90 | 31.28 |
| RONW (%) | 7.84 | 23.55 | 30.66 | 33.57 |
| Debtors Velocity (Days) | 57.00 | 55.00 | 57.00 | 59.00 |
| Creditors Velocity (Days) | 34.00 | 34.00 | 36.00 | 52.00 |

Actions speak louder than words. Last decade is one of action for us.
Achievements of last decade are humbling and install more responsibility on us to deliver.

| 2006 03 | 2007 03 | 2008 03 | 2009 03 | 2010 03 | 2011 03 | 2012 03 |
|---|---|---|---|---|---|---|
| 6.95 | 6.95 | 6.95 | 6.95 | 6.95 | 6.95 | 6.95 |
| 42.93 | 51.34 | 63.84 | 74.47 | 89.17 | 108.24 | 124.41 |
| 61.52 | 80.7 | 106.37 | 113.44 | 126.10 | 155.84 | 192.63 |
| 43.66 | 48.55 | 69.91 | 76.85 | 90.83 | 113.11 | 125.07 |
| 24.66 | 38.81 | 51.89 | 60.13 | 62.82 | 77.54 | 97.99 |
| 86.09 | 98.51 | 122.33 | 135.59 | 155.33 | 193.02 | 233.6 |
| 18.42 | 20.00 | 24.57 | 24.89 | 29.57 | 35.95 | 34.52 |
| 11.32 | 11.38 | 15.22 | 12.72 | 16.91 | 22.53 | 18.90 |
| 61.77 | 73.87 | 91.85 | 107.15 | 128.30 | 155.73 | 178.99 |
| 89.59 | 81.45 | 94.52 | 23.87 | 61.92 | 78.54 | 69.29 |
| 15.87 | 15.96 | 21.89 | 18.30 | 24.34 | 32.42 | 27.22 |
| 30.00 | 30.00 | 35.00 | 35.00 | 35.00 | 45.00 | 50.00 |
| 2.09 | 2.09 | 2.43 | 2.43 | 2.43 | 3.13 | 3.48 |
| 18.95 | 18.85 | 15.98 | 19.12 | 14.38 | 13.88 | 18.40 |

23% 10 year sales CAGR

25% 10 year EBIDTA CAGR

33% 10 year net profit CAGR

23% 10 year book value CAGR

30% 10 year MCAP CAGR

| 2006 03 | 2007 03 | 2008 03 | 2009 03 | 2010 03 | 2011 03 | 2012 03 |
|---|---|---|---|---|---|---|
| 0.46 | 0.51 | 0.67 | 0.52 | 0.42 | 0.44 | 0.55 |
| 0.03 | 0.00 | 0.01 | 0.02 | 0.05 | 0.11 | 0.11 |
| 1.07 | 1.15 | 1.22 | 1.42 | 1.55 | 1.73 | 1.56 |
| | | | | | | |
| 2.12 | 2.20 | 2.07 | 1.85 | 1.85 | 1.89 | 1.96 |
| 7.06 | 6.54 | 5.09 | 4.64 | 5.22 | 4.41 | 4.31 |
| 4.47 | 4.23 | 3.43 | 4.92 | 3.59 | 3.79 | 3.70 |
| 9.54 | 7.58 | 10.36 | 6.52 | 10.07 | 15.43 | 8.90 |
| 20.80 | 19.76 | 17.68 | 15.47 | 16.01 | 16.09 | 14.77 |
| 17.87 | 16.85 | 14.03 | 11.60 | 12.43 | 12.66 | 11.33 |
| 18.92 | 17.53 | 16.10 | 13.25 | 14.47 | 15.10 | 13.50 |
| 28.18 | 23.99 | 22.18 | 18.41 | 20.47 | 21.21 | 15.72 |
| 29.46 | 24.14 | 26.43 | 18.39 | 20.67 | 22.83 | 16.25 |
| 63.00 | 70.00 | 105.00 | 100.00 | 98.00 | 92.00 | 99.00 |
| 49.00 | 57.00 | 49.00 | 44.00 | 49.00 | 52.00 | 78.00 |

**2008**
"OEKO" - TEX CERTIFICATE, A Standard Certificate from Germany in the field of Textile Ecology - 2008.

**2009**
Established a joint venture in Portugal, Sarla Europe LDA,.

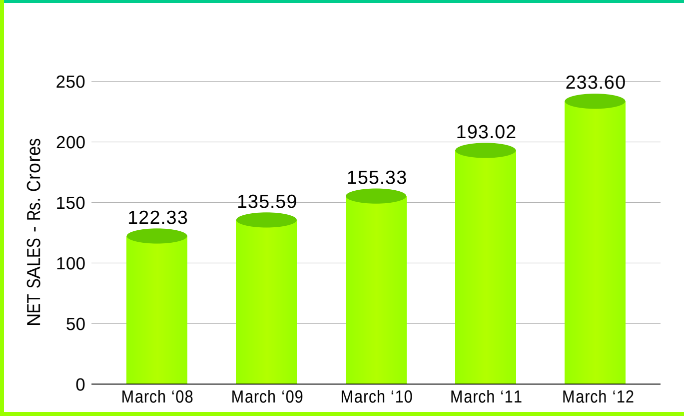
**2010**
Installed first windmill in Gujarat.

**2011**
- Started joint venture operations in Turkey.
- Installed windmills in Satara, Maharashtra. Total wind power generation capacity of 3.25 MW.

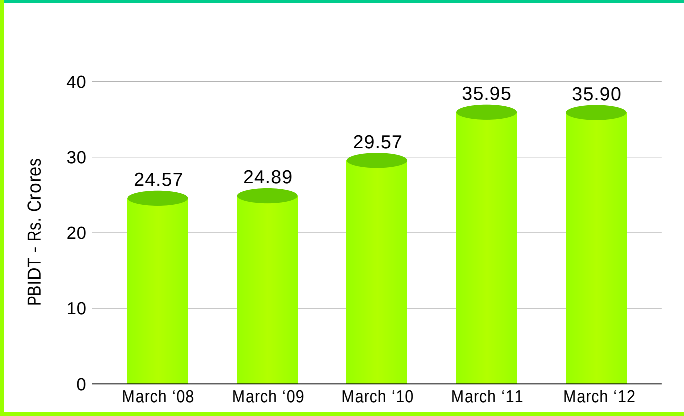
**2012**
2 more windmills of 2 MW each to start operation by September 2012.

# PERFORMANCE AT A GLANCE

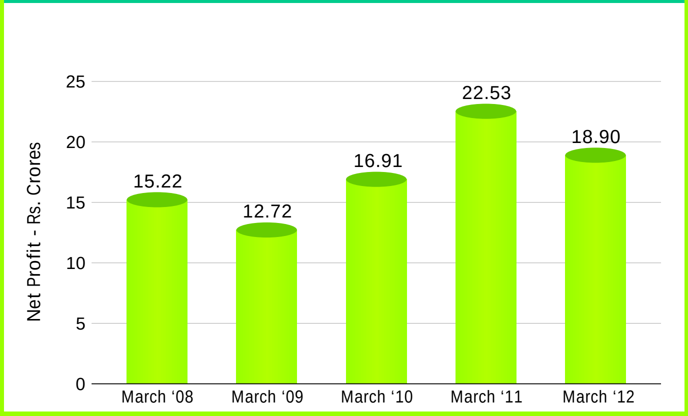
## SALES



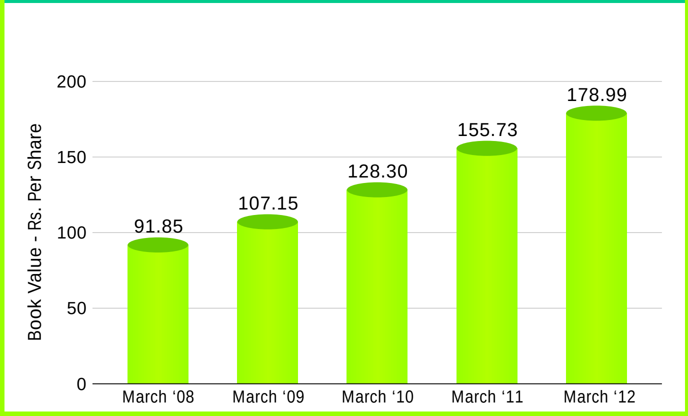

## EBIDTA



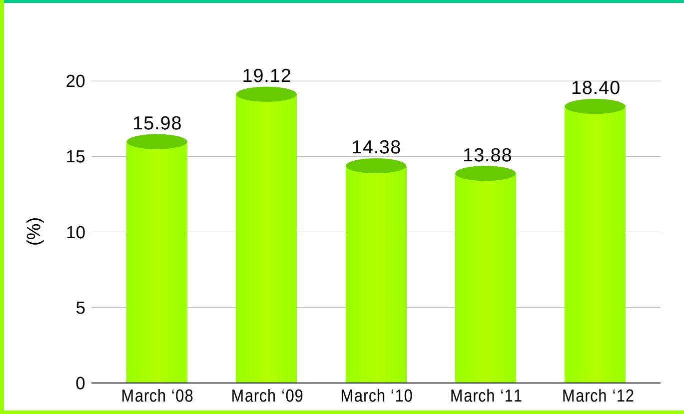

## NET PROFIT



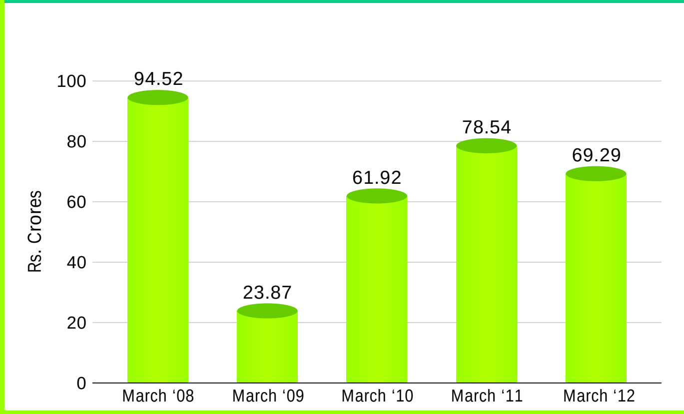

## BOOK VALUE




## DIVIDEND PAYOUT (%)

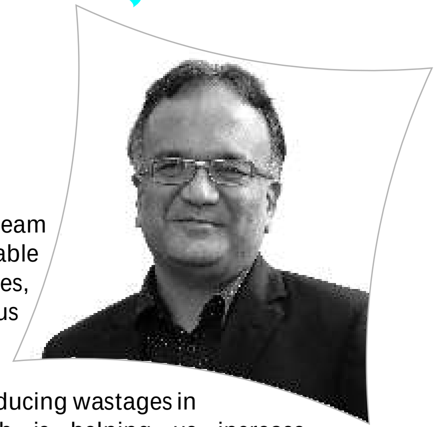



## MARKET CAPITALISATION



From The Desk of

# MANAGING DIRECTOR



Dear Shareholders,

"In our hearts, we know the future cannot be an extrapolation of the past. As the great-grandchildren of the industrial revolution, we have learned, at long last, that the heedless pursuit of more is unsustainable and ultimately unfulfilling. Our planet, our security, our sense of equanimity, and our very souls demand something better, something different."

This year's cover page theme of the annual report is nothing but thought provoking. I wish I had an answer in YES to the question 'are we changing as fast as the world around us' ! However, I am glad that we are at least moving in that direction. Throughout my communication and within this annual report we wish to convey how WE ARE 'DELIVERING VALUE' TO ALL STAKEHOLDERS.

Our value system is clear; focus on customer and rest will fall in place. Last year, I discussed about doing a 'sensible growth'. Before I discuss our company in specific for the year gone by I want to touch upon the issue of big debate globally which is - value deficit ! The worst economic crisis since the 1930s wasn't a banking crisis, a credit crisis, or a mortgage crisis - it was a moral crisis, willful negligence. And why blame the west alone, we saw it in India in past two years, more than at any other time ! Every institution rests on moral footings, and there is no force that can erode those foundations more rapidly than a cataract of self-interest.

Fortunately for us the happiness lies not in the mere possession of money; it lies in the joy of achievement, in the thrill of creative effort. This is our biggest strength as an organization which will help us in becoming adaptable to challenges posed by customers in the future because our attention is fully focused on them. We are not taking off our attention on long term goals to attain short term goals.

Satisfactory performance given global adversity. I am pleased to review the fiscal 2012 performance of your company. We delivered a 21% revenue growth and entered the Rs.2bn revenue club, in just 4 years after our first billion rupees of revenue. Our EBIDTA would have been higher than Rs.34 crores (slightly below Fiscal 2011) but for the exceptional FX loss and abnormal rise in the power and fuel cost. I draw your attention to per kg spread on product sold rather than focusing on the EBIDTA margin because EBIDTA margin percentage will fluctuate with change in RM prices. Our spread per kg has remained in the range of Rs.45 - Rs.48 per kg which is our constant area of focus. Overall, the return on capital employed at 16% still remains satisfactory. The lower net profit was mainly due to increased cost of interest, depreciation and tax. However, a robust underlying performance of your company prompted the board to consider a 5% higher dividend compared to last year. Our dividend pay-out will be now a healthy 36% vs 29% last year (on standalone basis).

Focus on repeat business from large customers; productivity led growth. Our growth in fiscal 2012 is attributable to focus towards repeat business from large customers. Some of our large customers reposed faith in us for supply of high quality raw white, dyed, and high tenacity nylon/polyester yarns. Most of the revenue growth came from volume increase and we expect it to remain that way in the current year too.

On the production front, our team has been doing a commendable job in improving efficiencies, though it is always a continuous process.

I am particularly glad about reducing wastages in the Nylon'6 product which is helping us increase production. By the end of this fiscal, we shall also put in place a higher quality product within our Nylon yarn segment due to installation of new equipments and processes. We have begun serious efforts to improve manpower productivity through training and processes which will help us in increasing both employee and customer satisfaction over the medium to long term (for more details on this please refer our special section - changing the way we change !).

Profitable wind power business. When we first invested in the wind power two years back, we remained skeptical if it was a good decision from a point of view of capital allocation. However, now our pay-off has begun. Our income from wind power increased by three times in fiscal 2012 vs fiscal 2011 due to increased utilization of our wind turbines and sale of renewable energy certificates. So far, our returns on investment in the wind power business are encouraging. We are evaluating more investment into this activity from the strong cash profits generated by yarn business where CAPEX requirements are not too challenging.

Encouraging start to FY13. The fiscal 2013 has begun on a good note for us. The sharp depreciation of INR vs the US$ is a positive for exporters like us. Notwithstanding the rupee depreciation, our volume growth too is robust due to strong demand from customers in US, Asia and Africa. Unlike the 2008 crisis period when we had sharp pressure on revenue and profitability, we believe the present European crisis period has not been troublesome for us.

Consistent growth in book value, dividends. The investor mood on textile sector and mid/small companies continued to remain sober and we are no exception. However, the growth in our book value over the past 5 years is noteworthy vis a vis our market value (178.99 vs 99.70). We have also been consistently one of the high yielding stocks, quoting between 4-5% yield (dividend yield on BSE Sensex stocks is 2%).

CHANGING THE WAY WE CHANGE will require a shift in aspirations, behaviors, and management systems. Building a truly adaptable company is a lot of work. I hope to return to you next year with an strongly affirmative reply to the cover page theme of this year " Are we changing as fast as the world around us" !

Till then, wish you all the very best.

KRISHNAKUMAR JHUNJHUNWALA
(MD and CEO)

# DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting their Nineteenth Annual Report on the business and operations of the Company together with Audited statement of Accounts for the year ended 31st March, 2012.

An adaptable company will be more proactive in responding to emerging customer needs. It will take the lead ion redefining customer expectations in positive ways. The result: higher levels of customer loyalty and better margins.

1. FINANCIAL RESULTS

(Rs. in Lacs)

| Particulars | | 2011-12 | | 2010-11 |
|---|---|---|---|---|
| Total Income | | 18,349.98 | | 15,993.54 |
| Profit before Financial Charges and Depreciation | | 2,523.52 | | 2,500.91 |
| Less: Financial Charges | 269.69 | | 184.66 | |
| Depreciation | 704.15 | 973.84 | 586.45 | 771.11 |
| Profit before Tax | | 1,549.68 | | 1,729.79 |
| Less: Provision for Tax | | 265.23 | | 220.00 |
| Provision for Deferred Tax | | 200.25 | | 269.12 |
| Profit after Tax | | 1,084.20 | | 1,240.67 |
| Prior period Adjustments | | — | | — |
| Balance brought forward | | 4,407.56 | | 3,831.60 |
| Excess Provision of Income Tax of earlier years | | 8.32 | | — |
| Surplus available for appropriation | | 5,500.08 | | 5,072.27 |
| APPROPRIATION | | | | |
| Transfer to the General Reserve | | 300.00 | | 300.00 |
| Dividend @ 50% (P.Y. 45%) | | 347.52 | | 312.76 |
| Dividend Tax | | 56.38 | | 51.95 |
| Balance carried forwarded to the Balance Sheet | | 4,796.18 | | 4,407.56 |

2. BUSINESS PERFORMANCE

Your directors are pleased to report performance of the Business operations as follows:

OPERATIONS

During the year under review the sales of the Company were Rs.18,205.72 Lacs as against Rs.15,868.70 Lacs in 2010-11 registering an annual growth of 14.73%. The FOB value of exports increased by 28.29% from Rs.8,106.11 Lacs to Rs.10,398.97 Lacs .

PROFITABILITY

The profit before Depreciation, Interest & Tax was Rs.2,523.52 Lacs as compared to Rs.2,500.91 Lacs in the previous year. After providing for depreciation of Rs.704.15 Lacs (Previous Year Rs.586.45 Lacs) & provision for taxation of Rs.465.48 Lacs (Previous Year Rs.489.37 Lacs), there was a net profit of Rs.1084.20 as compared to Rs.1,240.67 Lacs in the Previous Year.

DIVIDEND

Your Directors have pleasure in recommending dividend @ 50% for the year ended 31st March 2012. We have increased the rate of dividend and increased the pay out ratio to 36% from 29% in previous year as a result of our confidence on long term prospects of your company and shareholder value creation.

3. MANAGEMENT DISCUSSION & ANALYSIS

This section of the Directors' Report has been included in adherence to the spirit enunciated in the Code of Corporate Governance approved by the Securities and Exchange Board of India. Shareholders are cautioned that certain data and information external to the Company is included in this section. Though these data and information are based on sources believed to be reliable, no representation is made on their accuracy or comprehensiveness. Further, though utmost care has been taken to ensure that the opinions expressed by the management herein contain their perceptions on most of the important trends having a material impact on the Company's operations, no representation is made that the following presents an exhaustive coverage on and of all issues related to the same. The opinions expressed by the management may contain certain forward looking statements in the current scenario, which is extremely dynamic and increasingly fraught with risks and uncertainties. Actual results, performances, achievements or sequence of events may be materially different from the views expressed herein. Shareholders are hence cautioned not to place undue reliance on these statements, and are advised to conduct their own investigation and analysis of the information contained or referred to in this section before taking any action with regard to their own specific objectives. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this section, consequent to new information, future events, or otherwise.

A. Business at a Glance

Economy: The Indian economy is reeling under the pressure of twin deficits i.e. high current account deficit and fiscal deficit. The growth rate of GDP is down to 6.9% for FY12 and fell to the worst of 5.3% in the past 7 years during Q4FY12. There are many obvious and hidden factors causing this systematic deceleration of growth in the Indian economy. The myth of India & China's decoupling from the crisis in west has been busted. Globally, too, growth rate in US is just crawling near 2% and Europe is on the brink of a recession. However, time and again such a crisis results into increased out sourcing by global corporations as their focus shifts to cost savings. With the rupee depreciating by 20% in the past one year we are in a more competitive position as a country and as a company. Also, a loose monetary policy in India for the next one and a half to two years should be positive for our cost of funds.

Business Overview: Sarla Performance Fibers Limited, is one of the well established and niche companies exporting regular as well as High Tenacity Polyester and Nylon Yarns. It started its operations 18 years back as a commodity manufacturer of Man Made Fiber. However, in the last five years, it has successfully transformed its business strategy and implemented a niche business model. It has an installed capacity of 11900 tons per annum for manufacturing yarns in Silvassa and 3200 tons per annum for a Dyeing unit at Vapi. Besides this the company has a capacity of over 1200 tons through joint venture and subsidiary companies overseas. The company's emphasis has been to focus on niche end user applications, higher value added yarns to leading global apparel brands and companies. While it still manufactures some commodity yarns, the major focus has been in the area of Performance Fibers. The company exports to over 50 countries a wide range of yarns used in Innerwear, Narrow Fabrics, Hosiery and Sports wear. This segment contributes 44% of our revenue.

Two years back, we also started the business of wind power generation by installing 3.25 MW of wind turbines in Gujarat and Maharashtra. Our plant load factor for the fiscal year 2012 ranged between 21% and 23%. Apart from enjoying better selling price of power, we also benefitted from the sale of renewable energy certificates. We evaluate opportunity to set up more wind turbines from time to time.

Customer Segments and Growth: The company's customer segments can be divided into three parts.

1) Innerwear, Narrow Fabrics, Hosiery and Sportswear
2) Threads
3) Industrial Yarns

Of the above segments we witnessed higher demand in Threads and Industrial Yarns segments for the fiscal year 2012.

Segment Break-up (% of Total Sales)

| Particulars | FY 2011-12 | FY 2010-11 |
|---|---|---|
| Innerwear, Narrow Fabrics, Hosiery and Sportswear | 43.51 | 44.73 |
| Threads | 20.93 | 18.29 |
| Industrial Yarns | 13.30 | 10.52 |
| Commodities | 22.26 | 26.46 |
| | 100.00 | 100.00 |

Geographical Break-up (% of Total Sales)

| Region | FY 2011-12 | FY 2010-11 |
|---|---|---|
| South, North & Central America | 31.10 | 13.73 |
| Middle East & Europe | 51.82 | 32.81 |
| Africa | 4.80 | 2.22 |
| Asia Pacific | 12.28 | 51.24 |
| | 100.00 | 100.00 |

In all, we export to over 50 countries and about 100 customers. Our customer concentration is well distributed and no one customer exceeds more than 13.57% of our revenue.

B. Opportunities and Threats:

The textile sector exports amounted to approximately Rs1.6tn in FY12 , a growth of 12% per year for the past 5 years. Textile exports now form 11% of India's total exports.

For FY12, the growth in textile exports was driven ready made garment, and man made fibers. In case of cotton, it was more about the increase in demand for raw cotton. Growth in other segments like cotton, jute and handloom continued to suffer. Basically, India's textile exports lack cost competitiveness both in terms of labor and power/other infrastructure.

# DIRECTORS' REPORT

Textile sector has failed to attract foreign direct investment in India since the onset of liberalization. In 20 years, the FDI in textile has been a pathetic Rs34bn. This is because the gov't measures/policies are lacking in terms of attaining scalability in the sector. Gov't decision to remove tax benefits for Special economic zone and export oriented units does not augur well for attracting future investments. Most of the units are small and fragmented and suffer from lack of automation. Due to poor logistics and power supply their cost of production is very high and with these deficiencies one cannot expect this sector to achieve economies of scale like it has in China. Also, the emphasis on value addition is missing. There is no additional benefit to those who are focusing on value added production. Thus, structurally the sector will continue to suffer until these gaps are addressed.

The opportunity for SPFL continue to remain bright as it exports high value added nylon and polyester yarns to some of the largest apparel companies in the world. We have manufacturing and sourcing base around the world and a low cost of capital is allowing us to carry out regular expansion and grab opportunities. Apparently, there are no threats but we would like to strengthen our internal systems and processes, generate better productivity to attain a greater scale in time to come.

As regards, our wind power business, the health of state electricity boards is a concern. Ultimately, these state electricity units pay us our dues for selling them power. Media sources indicate that the power distribution sector has made an aggregate loss of Rs1.5trillion. This will be made good through gov't subsidy, bank waivers and increase in tariff to consumers. Fortunately, we deal with the Gujarat and Maharashtra electricity utilities which are in good health so far and we do not face any major issues on our collections, etc.

C Outlook: We are cautiously optimistic for FY13 because we have built strong engines of growth. Our new facilities in Turkey and Portugal as well as revamped dye house in India will drive volume. An increase in the proportion of nylon yarn in the total volume may boost gross spread. However, our key difficulty will be to absorb high raw material cost and get price increase with customers in time. A tight control over cost of finance and increased income from wind energy will help offset the pressure on our profitability this year.

D. Financial Performance:

Turnover: The company turnover grew by 10.46% in FY 11-12. (excluding trading sales). This increase can be attributed to 6.87% volume and 3.59% price growth.

Expenditure: The total expenditure increased by 14.35% in FY2011-12. Apart from rising cost of raw material, there was a sharp rise in cost of packaging and freight.

(Rs. in Lacs)

| Item | 2011-12 | 2010-11 | % Increase |
|---|---|---|---|
| Raw Material Cost | 10,888.71 | 9,191.56 | 18.46 |
| Expenditure | 5,691.36 | 4,794.63 | 18.70 |
| EBIDTA | 2,523.52 | 2,501.16 | 0.89 |
| Interest Cost and Debt | 269.69 | 184.66 | 46.05 |
| Fixed Assets (Gross Block) | 11,335.81 | 10,458.54 | 8.39 |
| Net Current Assets | 2,645.70 | 2,129.99 | 24.21 |
| Working Capital Finance | 5,249.70 | 3,473.79 | 51.13 |
| Cash & Bank Balances | 1,137.85 | 919.30 | 23.77 |

Note: standalone performance comparison.

Raw Material Cost: Our raw material mainly consists of polyester and nylon chips which are in turn made from PTA, MEG and Caprolactum. Prices of all these raw material rose very sharply last year. Our total raw material cost increased by 11.97% last year. As a percentage of total cost it increased to 60% from 59% in FY11.

EBIDTA: EBIDTA margin at 13.91% was down 189 bps compared to FY11.

Interest Cost and Debt: Total debt of the company increased by 36% to Rs. 62.9 Crores. Average cost of borrowings was below 7%.

Fixed Assets: The fixed assets during the year increased by Rs. 8.77 Crores for textiles machinery and factory building.

Working Capital: Our working capital requirements increased in tandem with the business. The average collection period remained below 99 days and inventory period below 78 days.

Cash Flow: We generated operating free Cash Flow of Rs. 1.66 Crores.

Expansion: During the year, the company has invested Rs. 6.77 Crores in Plant & Machinery and Building in the yarn segment.

To thrive in turbulent times, organizations must become a bit more disorganized and unmanaged - less structured, less hierarchical, and less routinized.

E. Risk and Concerns

Interest Rates: The company's present Debt equity Ratio is 0.55 Long Term D/E Ratio is 0.11. Interest costs to revenue is 1% and average cost of borrowings is 7%. All our borrowings are majorly for working capital in the core synthetic yarn business.

Exchange Rate: 59% of company revenue is in foreign currency and balance in local currency, deemed exports and domestic tariff area. Also, we import 34.37% of total turnover, i.e. including trading sales (63% of total raw material purchases) creating a natural hedge to that extent. Apart from this, from time to time forward cover is taken to hedge exposure in foreign currency.

Inflation: The company does not sell to retail customers. Its sales are to the business segment and hence it has been able to pass on inflationary pressures. It does not expect any major impact due to current high level of inflation.

Competition: The Company faces competition in India from Chinese products. In the export market, our main competition is with large global producers of high tenacity yarns. Our main advantage is multiple low cost locations for manufacturing and flexibility to offer customization. However, due to relatively small size we do not have an edge in procurement of raw material.

F. Internal Control System and Their Adequacy: The company has in place reasonable internal control system both from the business process and regulatory compliance point of view. The system is reviewed and updated on regular basis. The company is continuously upgrading its internal control systems by measures such as strengthening of Information Technology infrastructure and use of external management consultant services.

G. Human Resources/Industrial Relations: The company has always valued and nurtured its human resources, nonetheless, globalization, high growth of the Indian economy in recent times and its ambitious growth targets have made talent attraction and retention amongst the biggest challenges the company faces today.

The company has in place a good appraisal system to motivate all the employees of the company. The company believes in continuous development for all its employees and for that company is planning to frame a program wherein all the employees will be provided training into related areas of skill development.

H. Capital Expansion and Investment: For current year, we have outlined a CAPEX for new wind mills and balancing equipments in the dye house. We expect CAPEX to go down as compared to previous year. We do not envisage large CAPEX or investment unless a substantial new opportunity emerges.

D Value Added Statement (Rs. in Lacs)

| Particulars | FY 2011-12 | FY 2010-11 | FY 2009-10 | FY 2008-09 | FY 2007-08 |
|---|---|---|---|---|---|
| Income from Production/Operations | 18,979.62 | 16,362.51 | 13,058.64 | 12,455.81 | 11,150.33 |
| Add : Other Income | 144.26 | 124.84 | 83.50 | 20.63 | 89.36 |
| Corporate Output | 19,123.88 | 16,487.35 | 13,142.14 | 12,476.44 | 11,239.68 |
| Less :Cost of Raw Materials Consumed | 10,118.67 | 8,846.55 | 5,843.62 | 6,533.40 | 5,826.27 |
| Less : Cost of Traded Goods | 770.05 | 345.01 | 1,008.90 | 145.15 | 201.01 |
| Less : Other Manufacturing Expenses | 3,588.94 | 3,181.94 | 2,586.20 | 2,479.36 | 2,086.49 |
| Less : Administrative & Other Expenses | 1,705.23 | 1,321.45 | 1,109.35 | 1,093.37 | 843.74 |
| Equals Gross Value Added | 2,940.99 | 2,792.39 | 2,594.08 | 2,225.16 | 2,282.18 |
| Less : Depreciation & Amortisation | 704.15 | 586.46 | 512.52 | 476.15 | 384.91 |
| Less : Extra Ordinary/Prior Period Items | — | — | 5.62 | 12.22 | 73.22 |
| Equals Net Value Added | 2,236.84 | 2,205.94 | 2,075.94 | 1,736.79 | 1,824.05 |
| Allocation of Net Value Added | | | | | |
| To Personnel | 417.46 | 291.24 | 248.46 | 213.12 | 162.91 |
| To Taxes(including tax on proposed dividend.) | 521.86 | 489.38 | 510.65 | 432.68 | 335.95 |
| To Creditors (via interest) | 269.69 | 184.66 | 234.43 | 299.91 | 188.21 |
| To Investors (via dividend) | 347.52 | 364.71 | 243.26 | 243.26 | 243.26 |
| To The Company (via retained earnings) | 680.30 | 875.95 | 839.15 | 547.81 | 893.72 |
| | 2,236.84 | 2,205.94 | 2,075.94 | 1,736.78 | 1,824.05 |

4. SUBSIDIARY COMPANIES AND JOINT VENTURES

Sarla Overseas Holdings Limited

Sarla Overseas Holdings Limited, a 100% wholly owned subsidiary of the Company registered at British Virgin Islands during the year 2006-07. The parent company M/s Sarla Performance Fibers Limited has invested in the capital of M/s Sarla Overseas Holding Limited, a total of US$ 4,35,000 equivalent to Rs. 183.22 Lacs. The Subsidiary Company is holding 40% stake in M/s Savitex, SA De CV, a Joint Venture based at Honduras, holding 60% share in Sarla Europe based at Portugal, holding 45% shares in Sarla Tekstil based in Turkey and holding 33.33% shares in MRK SA De C.V., based at Honduras, Central America..

Sarla Overseas Holdings Limited has made a total turnover of Rs. 2,758.10 Lacs and earned a net profit of Rs. 604.90 Lacs. The Joint Venture M/s Savitex, SA De CV has made a total turnover of Rs 3,946.13 Lacs and earned a total net profit of Rs. 641.59 Lacs after depreciation in the financial year 2011-12. This joint venture of the company has established a strong presence in the growing market of Central America, the biggest market for high tenacity nylon and polyester products in the world.

Sarla Europe Lda

Sarla Europe Lda, a subsidiary of Sarla Overseas Holdings Limited has made a total turnover of Rs. 356.10 Lacs and incurred a loss of Rs. 33.98 Lacs. MRK SA De CV which has started the operations in the Financial Year 2010-11, company has made a turnover Rs. 672.48 Lacs and earned a net profit of Rs. 95.73 Lacs. In Sarla Europe Lda, Portugal, Sarla Overseas Holdings Limited is holding 60% share capital of its share capital.

Sarla Tekstil Filament Sanayi Ve Tic.

Sarla Tekstil Filament Sanayi Ve Tic., a joint venture company of Sarla Overseas Holdings Limited, has started the operations in the FY 2010-11, posted a turnover of Rs. 865.89 Lacs and incurred a loss of Rs.164.44 Lacs. In Sarla Tekstil Filament Sanayi Ve Tic, Turkey, Sarla Overseas Holdings Limited is holding 45% of its share capital. The Consolidated income from operations and consolidated net profit of Sarla Overseas Holdings Limited including its subsidiary viz. Sarla Europe LDA and its joint venture companies, viz., Savitex SA De C.V., MRK SA De C.V. and Sarla Tekstil Filament Sanayi, is Rs. 5164.02 Lacs and Rs. 799.59 Lacs respectively.

The Consolidated Income from Operations and consolidated net Profit of Sarla Performance Fibers Limited including its subsidiary of M/s Sarla Overseas Holding Limited, its share of profit in Joint Venture in M/s Savitex, SA De CV, Sarla Tekstil and MRK SA De C.V. and the Share of profit in Sarla Europe, a subsidiary of Sarla Overseas Holdings Limited, were Rs. 23358.84 Lacs and Rs. 1891.57 Lacs p.a. Local Laws do not have mandatory requirement of the Audit of the Accounts of Joint Venture Companies, viz. Savitex SA De C.V. and MRK SA De C.V., but the company has employed external auditor to give true and fair picture of the Accounts.

5. FIXED DEPOSIT:

The company has not accepted any fixed deposit from the public during the Financial year ended under review.

6. PERSONNEL :

Particulars of employees within the meaning of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended by the Companies Amendment Act, 1988, are not applicable since there was no employee who was in receipt of remuneration prescribed under the said Rules.

7. AUDITORS' & AUDITORS REPORT:

M/s. Sundarlal, Desai & Kanodia, Chartered Accountants, the Statutory Auditors of the company hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment.

The notes on Accounts referred to in the Auditors' Report are self explanatory and therefore, do not require any further comments.

8. CORPORATE GOVERNANCE:

As required by Clause 49 of the Listing Agreement with Stock Exchanges, Corporate Governance Report is attached as Annexure to this Report. Certificate of Auditors regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges is also attached and forms part of this Report.

9. DIRECTORS' RESPONSIBILITY STATEMENT:

A Directors' Responsibility Statement as required Under Section 217(2AA) of the Companies Act 1956 is given below:-

I. Directors have followed the applicable Accounting Standards in the preparation of the Annual Accounts and proper explanation relating to material departures have been given in Note no. 20 of Notes on Accounts forming part of the accompanying Accounts

II. Directors have selected the Accounting Policies as given in Note no. 26 on Accounts and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the company as at 31st March, 2012 and of the profits of the company for the year ended on that date.

III. Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the Asset of the company and for preventing and detecting fraud and other irregularities.

IV. Directors have prepared the Annual Accounts for the year ended 31st March, 2012 on a Going Concern basis.

10. CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the Accounting Standard 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the financial year. From the Consolidated Profit and Loss Account, it may be observed that the net profit after tax stands at Rs.1891.57Lacs.

11. SUBSIDIARY

As required under the provisions of Section 212 of the Companies Act, 1956, the statement giving the details under Section 212 is given for Sarla Overseas Holdings Limited, a wholly owned subsidiary of the Company and Salra Europe Lda, is a subsidiary of Sarla Overseas Holdings Limited, in which Sarla Overseas Holdings Limited holds 60% of its Share Capital.

The Ministry of Corporate Affairs, Government of India, vide its Circular dated 8th February, 2011, has granted a general exemption under 212 (8) of the Companies Act, 1956 from the requirement to attach detailed financial statements of each subsidiary. In compliance with the exemption granted, a statement containing brief financial details of the Company's' subsidiary (ies) for the financial year ended 31st March, 2012 is included in the Annual Report under Annexures to Directors' Report.

The detailed financial statements and audit reports of the subsidiary of the company is available for inspection at the registered office of the company during office hours and upon written request from a shareholder, your company will arrange to send the financial statements of subsidiary companies to the said shareholder.

12. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

As required under Section 217(1)(e) of the Companies Act, 1956 and the Rules made there under, the concerned particulars relating to Energy Conversation, technology absorption and foreign exchange earnings and outgo are given in Annexure, which is attached hereto and forms part of the Report.

FORM 'A'

(Rs. in Lacs)

| | Current Year 2011-12 | Previous Year 2010-11 |
|---|---|---|
| A. Electricity | | |
| a) Purchased | | |
| Unit | 2,27,13,666 | 2,27,33,040 |
| Total Amount (Rs.) | 9,64,39,553 | 7,65,89,009 |
| Rate/Unit (Rs.) | 4.25 | 3.37 |
| b) Own Generation | | |
| 1) Through diesel generator | 8,71,706 | 8,27,978 |
| Unit per ltr. Of diesel oil | 3.41 | 3.40 |
| Cost/Unit (Rs.) | 10.80 | 9.26 |
| 2) Through steam turbine generator | — | — |
| B. Coal (Specify quantity & where used) | — | — |
| C. Furnace Oil | | |
| For Generating steam for Boiler - Kgs. | 1,26,000 | 1,50,200 |
| Total Amount (Rs.) | 45,43,753 | 38,86,505 |
| Cost/Ltr. (Rs.) | 36.06 | 25.88 |
| D. Gas | | |
| For Generating steam for Boiler - SCM | 6,27,511 | 4,18,266 |
| Total Amount (Rs.) | 1,65,64,327 | 82,10,703 |
| Cost/SCM (Rs.) | 26.40 | 19.63 |
| E. Others/Internal generation | — | — |

F. Consumption per unit of production

| | Standard (if any) | Current Year 2011-12 | Previous Year 2010-11 |
|---|---|---|---|
| Product - Yarns (M.T.) | — | 11,165 | 11841 |
| Electricity - Units | — | 2,034 | 1920 |
| Furnace Oil - kgs. | — | 198 | 205 |
| Gas-scm | — | 194 | 181 |
| Coal (Specify quality) | — | — | — |
| Others (Specify) | — | — | — |

Building organizations that are as resilient as they are efficient may be the most fundamental business challenge of our time. Adaptability really matters now.

# DIRECTORS' REPORT

FORM 'B'
Form for disclosure of particulars with respect to Technology Absorption, Research and Development (R&D)

| | | |
|---|---|---|
| 1. | Specific areas in which R & D is Carried out by the company | New Product Development, process Development and optimising process parameters. |
| 2. | Benefits derived as a result of the above R & D | Introduction of several new types of Polyester and Nylon Yarns. |
| 3. | Future Plan of Action | To meet the increasing requirement of customers around the world and development of new products. |
| | Expenditure on R & D.<br>a) Capital<br>b) Recurring<br>c) Total | All machineries are dedicated for operational as well as R & D activities hence no separate accounts are maintained and as such expenditure on R & D is not separately ascertainable. |
| | d) Total R & D expenditure as per percentage of total Turnover. | N.A. |
| 4. | Technology absorption, adoption and innovation.<br>1. Efforts in brief, made towards Technology absorption, adoption and innovation products | Continuous efforts towards improvement of process equipment and are made out to suit market requirements and to achieve optimum operational efficiency. |
| | 2. Benefit derived as a result of the above efforts e.g product improvement, cost reduction, development, import substitution etc. | Introduction of several new products. |
| | 3. In case of Imported Technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.<br>a) Technology Imported<br>b) Year of Import<br>c) Has Technology been fully Absorbed ?<br>d) If not fully absorbed areas where this has not taken place, reasons therefore and future plans of action. | N.A. |

C) Export Plans & Foreign Exchange earnings and outgo:

The Company has now established a potential solid customer base in European countries especially Italy, Spain, Romania, Turkey, U. K.,etc., some countries in Central and North America and Asian Countries like China, Hong Kong etc.

Israel, Jordan, Canada & South America countries like Argentina and Brazil are the thrust areas for the future and a good beginning has been made towards this.

| FOREIGN EXCHANGE EARNED (Rs. in Lacs) | FOREIGN EXCHANGE USED (Rs. in Lacs) |
|---|---|
| Rs. 10,398.97 | Rs. 72,33.43 |

Place: Mumbai.
Date : 29th May, 2012

13. ACKNOWLEDGMENT:

The Directors take this opportunity to place on record their appreciation and sincere gratitude to the various Departments of the Central and State Governments, Andhra Bank, Citibank N.A., Standard Chartered Bank, DBS Bank and Yes Bank for their valuable assistance and support. The Management appreciates the enthusiasm and co-operation of all Contractors/Agencies for their continued support. The Directors also acknowledge the sincere contribution by the workers and staff of the Company at various levels and thank to Company's Shareholders for their continued support.

FOR & ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman & Whole Time Director

For success, like happiness, cannot be pursued; it must ensue, and it only does so as the unintended consequence of one's personal dedication to a cause greater than oneself.

SARLA PERFORMANCE FIBERS

1. PURSUANT TO THE EXEMPTION BY THE MINISTRY OF COMPANY AFFAIRS, GOVERNMENT OF INDIA THE COMPANY IS PRESENTING SUMMARY FINANCIAL INFORMATION ABOUT SUBSIDIARY AS AT 31ST MARCH, 2012.

| S. No. | Particulars | Company | |
|---|---|---|---|
| 1 | Name of the Subsidiary | Sarla Overseas Holdings Limited | Sarla Europe Lda (subsidiary of Sarla Overseas Holdings Limited) |
| 2 | Holding Company's Interest | 4,35,000 Shares | 3 Shares |
| 3 | Extent of Holding | 100% | 60% |
| 4 | Subsidiary Financial Year | 31st March, 2012 | 31st March, 2012 |
| 5 | Reporting Currency | USD | EURO |
| 6 | Exchange Rate as on 31-03-2012 | 50.01 | 66.36 |
| 7 | Share Capital (Rs. in Lacs) | 196.99 | 3.31 |
| 8 | Reserves & Surplus (Rs. in Lacs) | 1,860.35 | -75.17 |
| 9 | Total Assets (Rs. in Lacs) | 2,410.85 | 274.57 |
| 10 | Total Liabilities (Excl. 7&8) (Rs. in Lacs) | 552.88 | NIL |
| 11 | Investments (Other than in Subsidiary) (Rs. in Lacs) | 2,758.10 | 356.10 |
| 12 | Sales (Including Other Income) (Rs. in Lacs) | 604.90 | -33.08 |
| 13 | Profit before taxation (Rs. in Lacs) | NIL | -0.90 |
| 14 | Provision for Taxation (Rs. in Lacs) | 607.90 | -33.98 |
| 15 | Profit After Taxation (Rs. in Lacs) | NIL | NIL |
| 16 | Proposed Dividend (including dividend tax, if any) (Rs. in Lacs) | NIL | NIL |

2. STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

| S. No. | Particulars | Company | |
|---|---|---|---|
| 1 | Name of the Subsidiary | Sarla Overseas Holdings Limited | Sarla Europe Lda (subsidiary of Sarla Overseas Holdings Limited) |
| 2 | Holding Company's Interest | 4,35,000 Shares | 3 Shares |
| 3 | Extent of Holding | 100% | 60% |
| 4 | Subsidiary Financial Year | 31st March, 2012 | 31st March, 2012 |
| 5 | Net aggregate amount of subsidiary's Profit/(Loss) not dealt within the Holding Company's accounts: | | |
| | i) For the Financial Year of the Subsidiary (Rs. in lacs) | 604.90 | (20.39) |
| | ii) For the previous financial years of the subsidiaries since they become the holding company's subsidiaries (Rs. in lacs) | 1,105.96 | (23.59) |
| 6 | Net aggregate amount of subsidiary's Profit/(Loss) Dealt within the Holding Company's accounts: | | |
| | i) For the Financial Year of the Subsidiary (Rs. in lacs) | — | — |
| | ii) For the previous financial years of the subsidiaries since they become the holding company's subsidiaries (Rs. in lacs) | — | — |

FOR & ON BEHALF OF BOARD OF DIRECTORS

Place: Mumbai.
Date : 29th May, 2012

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MAHENDRA SHETH
Company Secretary

# CORPORATE GOVERNANCE REPORT

## Annexure

### INTRODUCTION

Sarla Performance Fibers Limited (SPFL) believes in fair business and corporate practices while dealing with the shareholders, employees, customers, creditors, lenders and others. The Company always aims to build trust with shareholders, employees, customers, suppliers and diverse stakeholders and to meet the expectation of various elements of corporate environment. The Company also believes in transparent and fair corporate actions with adequate disclosure and total accountability.

SPFL has been discharging its statutory obligations and duties and has always complied with the statutory and regulatory requirements. Given below are the company's corporate governance policies and practices in accordance with the provisions of Clause 49 of the Listing Agreement.

A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below :-

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Corporate Governance is the combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the organisation. Good Corporate Governance leads to long term shareholder value and enhances interest of other stakeholders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organisation towards creating wealth and shareholders value.

2. BOARD OF DIRECTORS:

The Composition of the Board meets with the stipulated requirements of the Corporate Governance Code under the Listing Agreement with the Stock Exchanges.

The Board of Directors as on 31st March, 2012 and as on the date of this report comprises Executive and Non Executive Directors. The present strength of the Boards is five Directors, consisting of Two Executive and three Non-Executive Directors. The Chairman & Whole-time Director and Managing Directors are Executive and Promoter Directors. The remaining three Directors are Non Executive and Independent Directors.

The information on composition of the Board, category of Directors, attendance at Board meetings held during the year and at the last Annual General Meeting, Directorships in other public companies and committees of other public companies of which the

| Name of Directors | Category | Financial Year 2011-12 | | Attendance at the Last AGM | No. of Directorship In other Public Companies Incorporated | Committee positions held in other Public Companies |
|---|---|---|---|---|---|---|
| | | Board Meetings held | Board Meetings Attended | | | |
| Mr. Madhusudan S. Jhunjhunwala | Chairman - Executive - Promoter | 5 | 5 | Yes | — | — |
| Mr. Krishnakumar M. Jhunjhunwala | Managing - Director - Promoter | 5 | 5 | No | — | — |
| Mr. Arun Vaid | Director Non-Executive Independent | 5 | 5 | Yes | — | — |
| Mr. Jigar A. Shah | Director Non-Executive Independent | 5 | 5 | No | — | — |
| Mr. Anil Kumar Jain | Director Non-Executive Independent | 5 | 4 | No | 4 | 8 |

During the year under review, 5 Board Meetings were held on 10th May, 2011, 11th August, 2011, 04th October, 2011, 9th November 2011 and 13th February, 2012.

Relationship among the Directors :-
Mr. Madhusudan S. Jhunjhunwala and Mr. Krishnakumar M. Jhunjhunwala, Directors are related to each other. Other Directors are not related to them or among each other.

3. CODE OF CONDUCT:

The Company has in place a Code of Conduct for all the Directors and all Employees of the Company. All the Directors and senior management personnel have confirmed Compliance of the same during the year. A declaration to the effect signed by the Managing Director forms part of this Report.

4. AUDIT COMMITTEE:

During the year under review, Four meetings of the Audit Committee were held on 10th May, 2011, 11th August, 2011, 9th November 2011, and 13th February, 2012. The composition of the committee and attendance at its meetings is given below :

| Name of Directors | Category | No. of Meetings Held | No. of Meetings Attented |
|---|---|---|---|
| Mr. Madhusudan S. Jhunjhunwala - Member | Executive | 4 | 4 |
| Mr. Arun Vaid - Chairman | Non-Executive | 4 | 4 |
| Mr.Jigar A.Shah - Member | Non-Executive | 4 | 4 |

Terms of reference of the Audit Committee, the Committee's powers, role and functions are as stipulated at the Clause 49 of the Listing Agreement and under Section 292A of the Companies Act, 1956. The role and functions of the Committee, inter-alia include overseeing the Company's financial reporting process, reviewing with the management and external auditors key issues and significant processes, statements and results before submission to the Board, reviewing the adequacy of the internal control systems and procedures, significant risk areas with the management, internal auditors and external auditors, review of significant related party transactions and internal audit reports, reviewing progress made in implementation of recommendations made by the Internal Audit Department, making recommendations for improvement in internal control systems and reviewing issue related to risk management and compliances, review of financial statements.

5. REMUNERATION COMMITTEE & REMUNERATION TO DIRECTORS

Remuneration Committee of Board of Directors consists of Mr. Arun Vaid, Mr. Jigar A. Shah and Mr. Anil Kumar Jain, Independent Directors as members of the Committee. During the year no meeting of Remuneration Committee was held because there was no matter took place which required consideration by Remuneration Committee during the year.

The details of sitting fees paid to the Directors during the year 2011-2012 are given below:-

| Name of Directors | Sitting Fees (Rs.) |
|---|---|
| Mr. Arun Vaid | 25,000/- |
| Mr. Jigar A. Shah | 25,000/- |
| Mr. Anil Kumar Jain | 20,000/- |

Company has paid a remuneration of Rs. 42,00,000.00 to Mr. Krishnakumar M. Jhunjhunwala, Managing Director and Rs. 34,00,000.00 to Mr. Madhusudan S. Jhunjhunwala, Chairman & Whole Time Director of the Company during the financial year 2011- 2012.

Service Contacts severance fees and Notice period with Managing Director and Chairman & Whole Time Director:

Managing Director:

| | |
|---|---|
| Period of Contract | : 5 Years from 01st October 2009 |
| Termination of Contract | : By either party giving 3 Months notice |
| Severance Fees | : Nil |

Chairman & Whole Time Director:

| | |
|---|---|
| Period of Contract | : 5 Years from 01st August 2010 |
| Termination of Contract | : By either party giving 3 Months notice |
| Severance Fees | : Nil |

6. INVESTORS' GRIEVANCE COMMITTEE

The Investors' Grievance Committee of the Board has been constituted to look into complaints of Shareholders. The Committee is headed by Mr. Arun Vaid, Independent and Non-Executive Director and other members are Mr. Madhusudan S. Jhunjhunwala and Mr. Anil Kumar Jain.

During the year one meeting of Investors' Grievances Committee was held on 13th February, 2012.

The Compliance Officer of the Company, Mr. Mahendra Sheth can be contacted on following address:

Sarla Performance Fibers Limited,
304, Arcadia, 195 Nariman Point, MUMBAI - 400 021

Tel: 2283 4116 / 4420 Fax: 2285 1728
E-mail: msheth@sarlafibers.com
Website: www.sarlafibers.com

During the year, 2 complaints were received from the shareholders, however, we have also received letters for re-validation of Dividend Warrants, Non-Receipt of Dividend Warrants etc. and the same have been attended within the stipulated time.

7. GENERAL BOARD MEETING - Location and time of last 3 Annual General Meetings:

| AGM for the Financial Year | Date | Time | Venue |
|---|---|---|---|
| 2008-2009 | 29th September, 2009 | 11.30 a.m. | Registered Office of the Company: Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230 U.T. OF D. & N. HAVELI. |
| 2009-2010 | 25th September, 2010 | 11.30 a.m. | |
| 2010-2011 | 29th September, 2011 | 11.30 a.m. | |

None of the Resolutions in above Annual General Meetings was required to be passed by postal ballot.

8. DISCLOSURES

- Disclosure on materially significant related party transactions. Please refer note 42 to the Accounts. These transactions do not have any potential conflict with the interest of the Company at large.

- CEO/CFO Certification
A certificate from the CEO and CFO, in terms of Clause 49(V) of the Listing Agreement was placed before the Board, at the Meeting held on 29th May, 2012 to approve the Audited Annual Accounts for the year ended March 31, 2012.

- Non-Mandatory Requirements:
The status of Compliance with non-mandatory requirements is as under:

A. The Chairman of the Board of Directors of the Company is an Executive Director and None of the Independent Directors of the Company has a tenure of exceeding nine years on the Board of the Company except one Independent Director.

B. As the financial Results of the Company are published in the leading Newspapers, Company is not sending half-yearly financial results to each Shareholder of the Company.

C. During the financial year 2011-2012 there is no Audit qualification in the Company's financial Statements.

D. The Company has a Remuneration Committee which conforms all the requirement of Corporate Governance.

E. The Company does not have any formal system to evaluate the performance of non-executive Directors.

F. The Company has not established a whistle Blower Policy.

9. MEANS OF COMMUNICATION

The Quarterly and Half Yearly results are published in widely circulating National and Local Dailies such as Economic Times, in English (Mumbai & Ahmedabad,), Economic Times in Gujarati (Ahmedabad) and Navbharat Times in Hindi.(Mumbai). The results are not sent individually to the shareholders.

There were no presentations made to the Institutional investors or Analysts during the year.

The Management Discussion and Analysis Report forms part of the Annual Report and included in the Directors' Report.

10. GENERAL SHAREHOLDER INFORMATION

| Annual General Meeting | |
|---|---|
| Date and Time | Refer notice of Annual General Meeting. |
| Venue | Refer notice of Annual General Meeting. |
| Date of Book Closure | Refer notice of Annual General Meeting. |
| Financial Calendar | 1st April 2012 to 31st March 2013<br>The results will be published as under:<br>First Quarter — Before 14th of August, 2012<br>Second Quarter — Before 15th of November, 2012<br>Third Quarter — Before 15th February, 2013<br>Fourth Quarter/ Annual — Before 30th May, 2013. |
| Dividend payment date | Refer notice of Annual General Meeting. |
| Listing on Stock Exchanges and Stock-Code | - Bombay Stock Exchange Ltd.<br>Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI - 400 001.<br>- Stock Code No. 526885 and<br>- National Stock Exchange of India Ltd.<br>Exchange Plaza, Bandra Kurla Complex, Bandra East, MUMBAI - 400 051.<br>- Symbol SARLAPOLY |

The ISIN Number of Sarla Performance Fibers Limited on both NSDL and CDSL is INE 453D01017

In our topsy-turvy world, you're either going forward or going backwards - but you're never standing still- and, at the moment, a lot of organizations, are going backwards.

11. MARKET PRICE DATA

Monthly high/low during the year 2011-2012 on the Bombay Stock Exchange and National Stock Exchange:

| AGM for the Financial Year | BSE | | NSE | |
|---|---|---|---|---|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| April 2011 | 154.00 | 113.10 | 138.60 | 110.00 |
| May 2011 | 139.00 | 115.50 | 139.50 | 115.50 |
| June 2011 | 131.00 | 110.00 | 142.75 | 101.35 |
| July 2011 | 124.70 | 110.00 | 125.00 | 108.00 |
| August 2011 | 123.00 | 100.00 | 125.00 | 103.65 |
| September 2011 | 115.20 | 101.35 | 125.00 | 99.15 |
| October 2011 | 115.50 | 102.65 | 112.10 | 102.20 |
| November 2011 | 124.95 | 90.00 | 124.00 | 90.00 |
| December 2011 | 103.70 | 80.75 | 104.75 | 73.75 |
| January 2012 | 107.90 | 87.00 | 110.85 | 88.55 |
| February 2012 | 109.00 | 86.55 | 108.90 | 84.50 |
| March 2012 | 100.00 | 85.30 | 99.95 | 85.50 |

Chart of Company Share Prices compared to BSE Sensex.

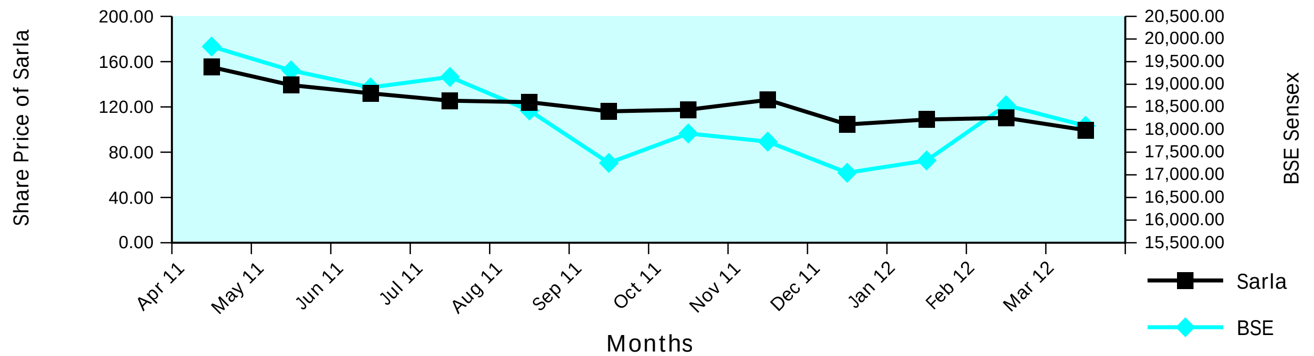
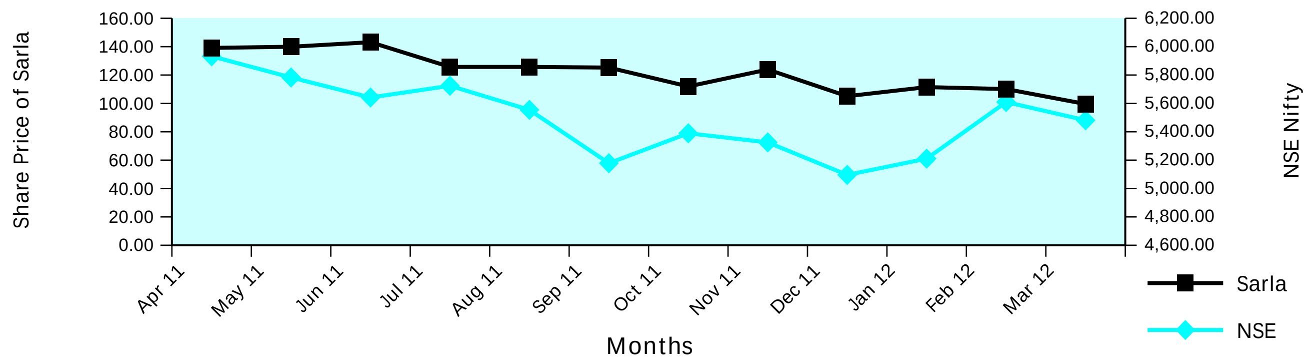



Chart of Company Share Prices compared to NSE Nifty Index.



12. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2012

| Shares of Nominal Value (Rs.) | | Shareholders | | Total Amount (Rs.) | |
|---|---|---|---|---|---|
| From | To | Number | % to Total | Number | % to Total |
| 1 | 5,000 | 2,291 | 87.48 | 38,15,050 | 5.49 |
| 5,001 | 10,000 | 116 | 4.43 | 9,27,120 | 1.33 |
| 10,001 | 20,000 | 78 | 2.98 | 11,72,480 | 1.69 |
| 20,001 | 30,000 | 36 | 1.37 | 9,19,250 | 1.32 |
| 30,001 | 40,000 | 11 | 0.42 | 3,84,630 | 0.55 |
| 40,001 | 50,000 | 10 | 0.38 | 4,82,380 | 0.70 |
| 50,001 | 1,00,000 | 28 | 1.07 | 20,46,650 | 2.94 |
| 1,00,001 and above | | 49 | 1.87 | 5,97,55,440 | 85.98 |
| TOTAL | | 2,619 | 100.00 | 6,95,03,000 | 100.00 |

13. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2012

| Category | No. of shares | % |
|---|---|---|
| Promoters | 44,18,276 | 63.570 |
| Mutual Funds & UTI | 2,000 | 0.029 |
| Fins / Banks | 50 | 0.001 |
| Venture Capital Funds | 4,000 | 0.058 |
| FII(S) | 29,083 | 0.418 |
| Private Corporate Bodies | 4,60,814 | 6.630 |
| Indian Public | 18,76,193 | 26.994 |
| NON RESIDENT INDIANS | 1,58,850 | 2.285 |
| Any other (Clearing Members) | 1,034 | 0.015 |
| Total | 69,50,300 | 100.000 |

14. DEMATERIALISATION OF SHARES:

96.23% of the total equity capital of the Company was held in dematerialised form as on 31st March, 2012.

15. SHARE TRANSFER SYSTEM:

All Share Transfer and other Correspondence regarding share Certificates, Change of Address, Dividends etc. should be addressed to Registrar & Transfer Agent. Request for transfer of Share transfer in physical form should also be lodged with the Registrar & Transfer Agent.

16. ADDRESS FOR INVESTORS/ANALYST CORRESPONDENCE:

With the Company:
Sarla Performance Fibers Limited,
304, Arcadia, 195 Nariman Point, MUMBAI - 400 021
Tel: 2283 4116 / 2283 4420 Fax: 2285 1728
E-mail: info@sarlafibers.com Website: www.sarlafibers.com

With the Registrar:
M/s. Sharex Dynamic (India) Pvt. Ltd.,
Unit - 1, Luthra Ind. Premises, Safed Pool, Andheri Kurla Road, Andheri (E), Mumbai - 400 072.
Tel: 2851 5606 / 2851 5644 Fax: 2851 2885
E-mail: sharexindia@vsnl.com Website: www.sharexindia.com

DECLARATION

I, Madhusudan Jhunjhunwala, Chairman & Whole-Time Director of the Company, hereby declare that all the Members of the Board of Directors and Senior Management personnel of the Company have affirmed Compliance with the Code of Conduct for the year ended 31st March, 2012.

For SARLA PERFORMANCE FIBERS LIMITED,

Place: Mumbai.
Date : 29th May, 2012

(MADHUSUDAN S. JHUNJHUNWALA)
Chairman & Whole Time Director

## CERTIFICATE OF THE AUDITORS IN RESPECT OF COMPLIANCE OF CORPORATE GOVERNANCE

To the Members of
SARLA PERFORMANCE FIBERS LIMITED

We have examined the compliance of conditions of corporate governance by Sarla Performance Fibers Limited, for the year ended 31st March, 2012 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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 explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

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 SUNDARLAL, DESAI & KANODIA
Chartered Accountants
Registration Number - 110560W

H. P. KANODIA
Partner
Membership No. 40617

Place: Mumbai.
Date : 29th May, 2012

# AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Sarla Performance Fibers Limited (the company), which comprise the balance sheet as at 31 March 2012, and the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting principles generally accepted in India, including accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

A. In the case of the balance sheet, of the state of affairs of the company as at 31 March 2012.

B. In the case of the statement of profit and loss, of the profit for the year ended on that date, and

C. In the case of the cash flow statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, 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 purpose of our audit.

B. In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books.

C. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account.

D. In our opinion, the balance sheet, statement of profit and loss, and cash flow statement 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 as on 31 March 2012, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2012, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For SUNDARLAL, DESAI & KANODIA
Chartered Accountants
Registration Number - 110560W

H. P. KANODIA
Partner
Membership No. 40617

Place: Mumbai.
Date : 29th May, 2012

# BALANCE SHEET AS AT 31ST MARCH, 2012

SARLA PERFORMANCE FIBERS

(Rs. in Lacs)

| | Note | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|---|
| EQUITY AND LIABILITIES: | | | |
| 1) SHARE HOLDERS FUNDS | | | |
| Share Capital | 1 | 695.03 | 695.03 |
| Reserves & Surplus | 2 | 8,464.64 | 7,764.34 |
| | | 9,159.67 | 8,459.37 |
| 2) NON-CURRENT LIABILITIES | | | |
| Long-Term Borrowings | 3 | 767.99 | 914.46 |
| Deferred Tax Liabilities (Net) | 4 | 1,122.64 | 922.39 |
| | | 1,890.63 | 1,836.84 |
| 3) CURRENT LIABILITIES | | | |
| Short-Term Borrowings | 5 | 5,249.90 | 3,473.79 |
| Trade Payables | 6 | 1,255.04 | 1,783.07 |
| Other Current Liabilities | 7 | 1,497.28 | 1,423.39 |
| Short-Term Provisions | 8 | 431.75 | 389.00 |
| | | 8,433.97 | 7,069.24 |
| TOTAL | | 19,484.27 | 17,365.45 |
| ASSETS: | | | |
| 1) NON-CURRENT ASSETS | | | |
| Fixed Assets | | | |
| i) Tangible Assets | 9 | 7,425.44 | 7,204.15 |
| ii) Intangible Assets | 10 | — | 1.41 |
| Non-Current Investments | 11 | 183.22 | 183.22 |
| Long Term Loans and Advances | 12 | 795.93 | 777.43 |
| | | 8,404.59 | 8,166.21 |
| 2) CURRENT ASSETS | | | |
| Current Investments | 13 | 146.32 | — |
| Inventories | 14 | 3,830.48 | 3,284.79 |
| Trade Receivables | 15 | 4,769.05 | 4,050.53 |
| Cash and Cash Equivalents | 16 | 1,161.41 | 1,036.36 |
| Short-term Loans and Advances | 17 | 988.11 | 634.86 |
| Other Current Assets | 18 | 184.31 | 192.71 |
| | | 11,079.68 | 9,199.24 |
| TOTAL | | 19,484.27 | 17,365.45 |
| Significant accounting policies and Notes to accounts | 1 to 47 | | |
| Notes referred above forms integral part of the balance sheet | | | |

As per our annexed report
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2012

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MAHENDRA SHETH
Company Secretary

# Statement of Profit and Loss for the YEAR ENDED 31ST MARCH, 2012

(Rs. in Lacs)

| | Note | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|---|
| INCOME: | | | |
| Revenue from operations | 19 | 18,739.53 | 16,591.71 |
| Less: Excise duty | | 533.81 | 723.01 |
| | | 18,205.72 | 15,868.70 |
| Other income | 20 | 144.26 | 124.84 |
| | | 18,349.98 | 15,993.54 |
| EXPENSES: | | | |
| Cost of materials consumed | 21 | 10,118.67 | 8,846.55 |
| Purchase of stock-in-trade | | 770.05 | 345.01 |
| Changes in inventories of finished goods and work-in-progress | 22 | -773.90 | -493.81 |
| Employee benefit expenses | 23 | 417.47 | 357.24 |
| Finance costs | 24 | 269.69 | 184.66 |
| Depreciation and amortization expenses | 9 & 10 | 704.15 | 586.46 |
| Other expenses | 25 | 5,294.17 | 4,437.65 |
| | | 16,800.29 | 14,263.75 |
| PROFIT BEFORE TAX | | 1,549.68 | 1,729.79 |
| TAX EXPENSE: | | | |
| Current tax (MAT) | | 308.00 | 220.00 |
| Less: MAT Credit | | 42.77 | — |
| Net Current Tax | | 265.23 | 220.00 |
| Deferred tax | | 200.25 | 269.12 |
| Tax adjustment of earlier years | | -8.32 | — |
| PROFIT FOR THE PERIOD | | 1092.52 | 1240.67 |
| EARNING PER EQUITY SHARE: | | | |
| Basic | | 15.72 | 17.85 |
| Diluted | | 15.72 | 17.85 |
| Significant accounting policies and Notes to accounts | 1 to 47 | | |
| Notes referred above forms integral part of the statement of profit and loss | | | |

As per our annexed report
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2012

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MAHENDRA SHETH
Company Secretary

# Cash Flow Statement for the YEAR ENDED 31ST MARCH, 2012

SARLA PERFORMANCE FIBERS

(Rs. in Lacs)

| | Current Year 31st March 2012 | | Previous Year 31st March 2011 | |
|---|---|---|---|---|
| CASH FLOW FROM THE OPERATING ACTIVITIES | | | | |
| Net Profit Before Tax and Extraordinary items | | 1,549.68 | | 1,730.04 |
| ADJUSTMENT FOR | | | | |
| Depreciation | 704.15 | | 586.46 | |
| Interest Paid | 361.74 | | 241.89 | |
| Interest Received | (92.05) | | (57.23) | |
| Capital Gain on Sale of Investment/Assets | (30.97) | | (26.79) | |
| Dividend Received | (3.14) | 939.73 | — | 744.32 |
| Operating Profit Before Working Capital Changes | | 2,489.41 | | 2,474.37 |
| ADJUSTMENT FOR CHANGES IN WORKING CAPITAL | | | | |
| Trade & Other Receivable | (718.53) | | (593.57) | |
| Inventories | (545.69) | | (926.63) | |
| Loans & Advances | (135.94) | | 235.12 | |
| Trade & Other Payable | (668.30) | (2,068.45) | 445.90 | (839.18) |
| Cash Generated From Operations | | 420.96 | | 1,635.19 |
| Prior Period Expenses/Extra Ordinary Items | — | | — | |
| Income Tax Paid | (254.92) | | (230.58) | |
| Deferred Tax Liabilities | — | (254.92) | — | (230.58) |
| Net Cash Flow from Operating Activities (1) | | 166.04 | | 1,404.61 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of Fixed Assets | (898.73) | | (1,886.70) | |
| Purchase of Investment | (146.32) | | — | |
| Dividend Received | 3.14 | | — | |
| Gain on Sale of Investment/Assets | 30.97 | | 26.79 | |
| Sale of Investment | 96.41 | | 88.46 | |
| Interest Received | 92.05 | (822.48) | 57.23 | (1,714.22) |
| Net Cash Flow from Investing Activities (2) | | (822.48) | | (1,714.22) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Preferential Warrants Issued | — | | — | |
| Net Fund Raised/(Repayment) | 1,507.95 | | 1,112.00 | |
| Dividend Paid | (312.76) | | (243.26) | |
| Dividend Tax Paid | (51.95) | | (40.40) | |
| Interest Paid | (361.74) | 781.50 | (241.89) | 586.45 |
| Net Cash Raised From Financing Activities (3) | | 781.50 | | 586.45 |
| Net Changes in Cash & Cash Equivalent (1+2+3) | | 125.06 | | 276.84 |
| Cash And Cash Equivalent - Opening Balance | | 1,036.35 | | 759.51 |
| Cash And Cash Equivalent - Closing Balance | | 1,161.41 | | 1,036.35 |

Notes :

1. The above Cash Flow Statement has been prepared under the "indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. Previous year's figures have been regrouped/rearranged wherever necessary to conform to the current year's presentations.

This is the Cash Flow statement referred to in our Report of even date
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2012

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MAHENDRA SHETH
Company Secretary

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 1: SHARE CAPITAL | | |
| AUTHORISED CAPITAL | | |
| 1,00,00,000 Equity Shares Of Rs. 10/- Each | 1,000.00 | 1,000.00 |
| ISSUED, SUBSCRIBED AND PAID UP | 695.03 | 695.03 |
| 69,50,300 (P.Y. 69,50,300) Equity Shares of Rs. 10/- each | | |
| TOTAL | 695.03 | 695.03 |

Terms/rights attached to Equity Shares: The company has only one class of equity shares having par value of Rs. 10. Each holder of equity shares is entitled to one vote per share. The compnay delcares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting.

During the year ended 31st March 2012, the amount of per share dividend recognised as distributions to equity shareholders was Rs. 5.00 (31st March 2011 Rs. 4.50)

In the event of liquidation of the company, the holders of the equity shares will be entitled to reecive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

| Reconciliation of Outstanding Shares | 31st March 2012 No of shares | 31st March 2011 No of shares |
|---|---|---|
| Opening as on 1st April | 69,50,300 | 69,50,300 |
| Add: Issued during the year | — | — |
| Less: Forfeited during the year | — | — |
| Closing as on 31st March | 69,50,300 | 69,50,300 |

Details of Shareholders Holding More Than 5% of the Total Share Capital:

| Name of the Shareholder | No. of shares as on 31st March 2012 | No. of shares as on 31st March 2011 |
|---|---|---|
| Sarladevi Jhunjhunwala | 3,88,400 | 3,88,400 |
| Satidham Industries Private Limited | 12,41,053 | 12,41,053 |
| Hindustan Cotton Company - Through its Partners | 21,16,479 | 21,16,479 |
| | 37,45,932 | 37,45,932 |

| | | |
|---|---|---|
| NOTE 2: RESERVES AND SURPLUS | | |
| CAPITAL RESERVES | | |
| Balance as per last balance sheet | 182.40 | 182.40 |
| Add: Capital subsidy | 11.68 | — |
| | 194.08 | 182.40 |
| GENERAL RESERVE | | |
| Balance as per last balance sheet | 3,174.38 | 2,874.38 |
| Add: Transferred from profit & loss account | 300.00 | 300.00 |
| | 3,474.38 | 3,174.38 |
| SURPLUS | | |
| Balance as per last balance sheet | 4,407.56 | 3,831.60 |
| Add: Profit for the period | 1,092.52 | 1,240.67 |
| Less: Appropriations: | | |
| Transferred to General reserve | 300.00 | 300.00 |
| Proposed Dividend | 347.52 | 312.76 |
| Tax on Dividend | 56.38 | 51.95 |
| Closing balance in statement of profit & loss | 4,796.18 | 4,407.56 |
| TOTAL | 8,464.64 | 7,764.34 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 3: LONG TERM BORROWING | | |
| TERM LOANS: | | |
| SECURED LOANS - FROM BANKS | | |
| From Andhra Bank Limited | — | 4.17 |
| (Exclusive charge on the machinery financed and 'personal guarantee of managing director) | | |
| From Standard Chartered Bank | | |
| Foreign Currency Loan | 760.20 | 891.90 |
| (Exclusive charge on wind turbine generator financed and charge on wind turbine generator situated at Baradia, Gujarat and personal guarantee of managing director) | | |
| (Total loan of USD 20,00,000) (Repayment to start from June 2012) | | |
| (Repayable in 16 equal quarterly installment of USD 1,25,000 each. Rate of interest is LIBOR plus 375 basis points. | | |
| Vehicle Loan - From HDFC Bank Limited | 7.79 | 18.39 |
| (Exclusive charge on vehicle financed) | | |
| TOTAL | 767.99 | 914.46 |
| NOTE 4: DEFERRED TAX LIABILITY (NET) | | |
| On account of depreciation | 1,122.64 | 922.39 |
| TOTAL | 1,122.64 | 922.39 |
| NOTE 5: SHORT TERM BORROWING | | |
| LOANS REPAYABLE ON DEMAND | | |
| Secured Loans | | |
| From Banks: | | |
| Packing Credit Loan | 2,754.89 | 1,627.56 |
| Post Shipment Credit | 30.60 | 113.10 |
| Foreign Documentary Bill Purchase/Bill Discounting | 1,881.67 | 919.45 |
| Buyers Credit | 582.75 | 813.68 |
| (All the above working capital facilities are secured against all the current assets (present and future) of the company). | | |
| (These facilities are further secured by first charge on the fixed assets of the company except the assets which are financed through term loan, on which the consortium working capital facilities lenders will have second charge, except Wind Turbine Generator and vehicles). | | |
| (These facilities are further secured by personal guarantee of Managing Director.) | | |
| TOTAL | 5,249.90 | 3,473.79 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 6: TRADE PAYABLES | | |
| TRADE PAYABLES | 1,255.04 | 1,783.07 |
| TOTAL | 1,255.04 | 1,783.07 |
| NOTE 7: OTHER CURRENT LIABILITIES | | |
| Current maturities of long-term debts | 268.29 | 226.47 |
| Unpaid dividend | 23.55 | 20.29 |
| Other Payables: | | |
| TDS payable | 11.75 | 18.73 |
| Sales tax payable | 62.44 | 215.45 |
| Other statutory dues payable | 0.95 | 0.94 |
| Excise duty payable | 170.00 | 95.27 |
| Sundry creditors | 534.01 | 466.96 |
| Advance from customers | 336.09 | 262.22 |
| Excess cheques drawn | 90.18 | 117.06 |
| TOTAL | 1,497.28 | 1,423.39 |
| NOTE 8: SHORT TERM PROVISIONS | | |
| FOR EMPLOYEE BENEFITS | | |
| Provision for gratuity (refer note 40) | 18.58 | 14.38 |
| Provision for leave encashment | 1.37 | 1.74 |
| Provision for bonus | 5.08 | 5.41 |
| Salaries and wages payable | 1.72 | 1.65 |
| | 26.74 | 23.18 |
| FOR OTHERS | | |
| Provision for dividend | 347.52 | 312.76 |
| Provision for tax on dividend | 56.38 | 51.95 |
| Provision for Fringe benefit tax (net) | 1.11 | 1.11 |
| | 405.01 | 365.82 |
| TOTAL | 431.75 | 389.00 |

NOTE 9: TANGIBLE ASSETS

(Rs. in Lacs)

| PARTICULARS | GROSS CARRYING AMOUNT | | | | DEPRECIATION | | | | NET CARRYING AMOUNT | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As on 01-04-2011 | Addition/ adjustment | Deduction/ adjustment | As on 31-03-2012 | Upto 01-04-2011 | For the Year | Deduction | Upto 31-03-2012 | As on 31-03-2012 | As on 31-03-2011 |
| Freehold Land | 76.73 | 0.00 | 0.00 | 76.73 | 0.00 | 0.00 | 0.00 | 0.00 | 76.73 | 76.73 |
| Factory Building | 1,497.61 | 278.21 | 0.00 | 1,775.83 | 226.10 | 55.78 | 0.00 | 281.88 | 1,493.94 | 1,271.51 |
| Plant and Machinery | 6,405.87 | 542.48 | 143.18 | 6,805.17 | 2,719.97 | 501.07 | 46.77 | 3,174.28 | 3,630.88 | 3,685.89 |
| Electrical Installations | 342.64 | 27.59 | 0.00 | 370.22 | 149.78 | 26.87 | 0.00 | 176.65 | 193.58 | 192.86 |
| Office Equipment | 25.29 | 3.18 | 0.00 | 28.48 | 9.14 | 1.30 | 0.00 | 10.43 | 18.04 | 16.16 |
| Computers | 54.38 | 1.59 | 0.00 | 55.97 | 49.40 | 2.34 | 0.00 | 51.73 | 4.24 | 4.98 |
| Vehicles | 106.19 | 13.48 | 0.00 | 119.67 | 27.97 | 10.60 | 0.00 | 38.58 | 81.09 | 78.21 |
| Furniture & Fixture | 26.81 | 14.86 | 0.00 | 41.67 | 10.21 | 2.17 | 0.00 | 12.38 | 29.29 | 16.60 |
| Wind Turbine Generator (#) | 1,858.46 | 121.70 | 0.00 | 1,980.16 | 33.88 | 98.13 | 0.00 | 132.01 | 1,848.15 | 1,824.58 |
| Other Fixed Assets | 57.05 | 17.35 | 0.00 | 74.40 | 20.41 | 4.49 | 0.00 | 24.90 | 49.49 | 36.63 |
| TOTAL | 10,451.02 | 1,020.44 | 143.18 | 11,328.29 | 3,246.87 | 702.74 | 46.77 | 3,902.85 | 7,425.44 | 7,204.15 |

(#) Addition includes loss of Rs. 121.70 Lacs on reinstatement of foreign currency loan taken to acquire the asset. For details refer note 28

NOTE 10: INTANGIBLE ASSETS

(Rs. in Lacs)

| PARTICULARS | GROSS CARRYING AMOUNT | | | | DEPRECIATION | | | | NET CARRYING AMOUNT | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As on 01-04-2011 | Addition/ adjustment | Deduction/ adjustment | As on 31-03-2012 | Upto 01-04-2011 | For the Year | Deduction | Upto 31-03-2012 | As on 31-03-2012 | As on 31-03-2011 |
| Computer Software | 7.52 | 0.00 | 0.00 | 7.52 | 6.12 | 1.41 | 0.00 | 7.52 | 0.00 | 1.41 |
| TOTAL | 7.52 | 0.00 | 0.00 | 7.52 | 6.12 | 1.41 | 0.00 | 7.52 | 0.00 | 1.41 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 11: NON-CURRENT INVESTMENT | | |
| (Valued at cost unless otherwise stated) | | |
| TRADE: | | |
| INVESTMENT IN EQUITY SHARES: | | |
| In susidiary company: | 183.22 | 183.22 |
| Sarla Overseas Holdings Limited (4,35,000 Shares of USD 1.00 each) | | |
| | 183.22 | 183.22 |
| (Aggregate amount of Unquoted investment) | 183.22 | 183.22 |
| (Provision made for diminution of investment) | — | — |
| NOTE 12: LONG-TERM LOANS AND ADVANCE | | |
| (Unsecured, considered good) | | |
| Capital advances | 18.15 | 223.94 |
| Security deposits (#) | 325.24 | 109.25 |
| Other loans and advance | 452.54 | 444.24 |
| | 795.93 | 777.43 |
| (#) Includes deposit of Rs. 2,25,00,000 given to Hindustan Cotton Company) | | |
| NOTE 13: CURRENT INVESTMENT | | |
| (Valued at cost or market value, whichever is lower) | | |
| Investment in mutual funds | | |
| HDFC Cash Management Fund - Treasury Advantage Plan - Weekly Dividend - Reinvestment | 106.32 | — |
| (10,60,488.11 units, NAV as on 31.03.2012 Rs. 10.0396, PY Rs. Nil) | | |
| LIC Nomura FMP series - Growth Plan | 40.00 | — |
| (4,00,000 units, NAV as on 31.03.2012 Rs. 10.00, PY Rs. Nil) | | |
| | 146.32 | — |
| (Aggregate amount of Unquoted investment) | 146.32 | — |
| (Provision made for diminution in value of investment) | | |
| NOTE 14: INVENTORIES | | |
| (As taken, valued and certified by the Management) | | |
| Raw Materials | 1,451.64 | 1,687.87 |
| Work-In -Progress | 969.64 | 585.27 |
| Finished Goods | 1,286.30 | 896.76 |
| Stores and Spares | 53.25 | 23.13 |
| Oil & Lubricant | 12.32 | 33.80 |
| Power & Fuel | 1.16 | 3.97 |
| Packing Materials | 56.18 | 53.98 |
| | 3,830.48 | 3,284.79 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 15: TRADE RECEIVABLES | | |
| (Unsecured, considered good) | | |
| Outstanding for more than 6 months | 674.17 | 500.89 |
| Outstanding for less than 6 months | 4,094.88 | 3,549.64 |
| | 4,769.05 | 4,050.53 |
| NOTE 16: CASH AND BANK BALANCES | | |
| CASH AND CASH EQUIVALENTS: | | |
| Balance with banks | 59.25 | 181.35 |
| Cash on hand | 15.00 | 10.95 |
| | 74.25 | 192.30 |
| OTHER BANK BALANCES: | | |
| Balance in unpaid dividend account | 23.55 | 20.30 |
| Fixed deposits | 1,063.60 | 823.76 |
| [Fixed deposits of Rs. 5,47,94,289 (P.Y. Rs. 5,87,55,900) pledged as margin money deposit] | | |
| | 1,087.16 | 844.06 |
| | 1,161.41 | 1,036.36 |
| NOTE 17: SHORT TERM LOANS AND ADVANCES | | |
| Loans and advances to related parties | | |
| Unsecured, considered good | -0.73 | 1.37 |
| | — | — |
| | -0.73 | 1.37 |
| Others | | |
| Unsecured, considered good | 861.61 | 465.56 |
| Advance Income Tax (Net of Provisions) | 127.23 | 167.93 |
| | 988.84 | 633.49 |
| | 988.11 | 634.86 |
| NOTE 18: OTHER CURRENT ASSETS | | |
| Entry tax receivable | 108.26 | 160.42 |
| Interest receivables | 76.05 | 32.29 |
| | 184.31 | 192.71 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 19: REVENUE FROM OPERATIONS | | |
| A) Sale of Products/ Services: | | |
| Local Sales | 5,703.02 | 6,599.89 |
| Export Sales | 11,106.67 | 8,759.64 |
| Deemed Export Sales | 713.65 | 688.32 |
| Trading Sales | 791.86 | 358.47 |
| Sale of Wind Power | 303.66 | 91.78 |
| | 18,618.86 | 16,498.10 |
| B) Other Operating Revenues: | | |
| Export benefits | 63.17 | 52.50 |
| Sale of Waste yarn | 21.71 | 41.11 |
| REC income | 35.79 | — |
| | 120.67 | 93.61 |
| | 18,739.53 | 16,591.71 |
| Details of products sold: | | |
| Polyester, Polyamide (Nylon), Texturised, Twisted, Dyed, Medium/ High Tenacity Nylon /Flat Yarns, Nylon /Monofilament Yarns, Polyester /Nylon, Spandex /Lycra Yarn & Dyed Synthetics Yarn. | 17,523.34 | 16,047.85 |
| Plastic scrap and Prime Propylene | 791.86 | 358.47 |
| Wind Power | 303.66 | 91.78 |
| TOTAL | 18,618.86 | 16,498.10 |
| NOTE 20: OTHER INCOME | | |
| Dividend Income on Current investments | 3.14 | — |
| Net gain on sale of long term investments | — | 25.38 |
| Profit on sale of fixed assets | 30.97 | 1.57 |
| Exchange rate difference (Net) | — | 76.30 |
| Rent received | — | 21.60 |
| Duty drawbak | 96.24 | — |
| Miscellaneous Income | 13.91 | -0.01 |
| | — | — |
| | 144.26 | 124.84 |
| NOTE 21: COST OF MATERIALS CONSUMED | | |
| Inventory at the begnining of the year | 1,687.87 | 1,267.30 |
| Add: Purchase | 9,882.44 | 9,267.12 |
| | 11,570.31 | 10,534.42 |
| Less: Inventory at the end of the year | 1,451.64 | 1,687.87 |
| Cost of materials consumed | 10,118.67 | 8,846.55 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| Details of materials consumed: | | |
| Polyester partially Oriented Yarn (POY), Nylon/ Polyester Filament/ Textured/ Twisted/ Nylon Chips/ Spandex/ Rubber/ Lycra. | 9,906.21 | 8,541.68 |
| Dyed & Chemical Consumed | 212.46 | 304.87 |
| TOTAL | 10,118.67 | 8,846.55 |
| Details of inventory: | | |
| Raw materials | | |
| Inventory at the begining of the year: | | |
| Nylon/ polyester/ lycra/ spandex/ rubber and chips | 1,652.08 | 1,235.26 |
| Dyed & chemicals | 35.79 | 32.04 |
| | 1,687.87 | 1,267.30 |
| Inventory at the end of the year: | | |
| Nylon/ polyester/ lycra/ spandex/ rubber and chips | 1,312.96 | 1,652.08 |
| Dyed & chemicals | 138.68 | 35.79 |
| | 1,451.64 | 1,687.87 |
| NOTE 22: (INCREASE)/ DECREASE IN INVENTORIES | | |
| Inventories at the end of the year: | | |
| Work-in-progress | 969.64 | 585.27 |
| Finished goods | 1,286.30 | 896.76 |
| | 2,255.94 | 1,482.03 |
| Inventories at the beginning of the year: | | |
| Work-in-progress | 585.27 | 377.03 |
| Finished goods | 896.76 | 611.19 |
| | 1,482.03 | 9,88.22 |
| | -773.90 | -493.81 |
| Details of purchase of traded goods: | | |
| Prime Propylene | 381.13 | — |
| Plastic Scrap | 388.92 | 345.01 |
| | 770.05 | 345.01 |
| Details of inventory at the end: | | |
| Work-in-progress | | |
| Nylon | 456.59 | 361.01 |
| Polyster | 513.05 | 224.26 |
| | 969.64 | 585.27 |
| Finished goods | | |
| Polyester | 574.76 | 258.18 |
| Nylon | 422.05 | 357.07 |
| Covered Yarn | 200.19 | 181.19 |
| RNC | 22.88 | 5.57 |
| NFY | 55.03 | 93.50 |
| Others | 11.38 | 1.25 |
| | 1,286.30 | 896.76 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 23: EMPLOYEE BENEFIT EXPENSES | | |
| Salaries, wages and bonus | 344.13 | 303.13 |
| Contribution to provident and other funds | 31.97 | 25.05 |
| Staff welfare expenses | 41.36 | 29.06 |
| | 417.47 | 357.24 |
| NOTE 24: FINANCE COSTS | | |
| Interest expenses | 185.08 | 128.31 |
| Less: Interest income on bank deposits | 92.05 | 57.23 |
| Net interest expenses | 93.03 | 71.08 |
| Bank charges | 176.67 | 113.58 |
| | 269.69 | 184.66 |
| NOTE 25: OTHER EXPENSES | | |
| Manufacturing expenses: | | |
| Consumption of stores and spare parts | 218.21 | 281.29 |
| Power and fuel | 1,163.88 | 935.52 |
| Consumption of packing materials | 772.98 | 755.72 |
| Consumption of oils and chemicals | 280.14 | 219.07 |
| Labour charges | 773.16 | 615.41 |
| Clearing and forwarding charges | 187.61 | 212.43 |
| Repairs and Maintenance: | | |
| Building | 12.96 | 26.60 |
| Machinery | 34.08 | 73.49 |
| Excise duty expenses (#) | 110.36 | 28.12 |
| Water, waste and effulient treatment charges | 35.56 | 34.29 |
| Administrative and selling expenses: | | |
| Rent | 8.25 | 5.00 |
| Repairs and Maintenance - Others | 30.03 | 29.48 |
| Insurance | 24.08 | 26.08 |
| Rates and taxes | 5.30 | 38.06 |
| Director sitting fees | 0.65 | 0.24 |
| Legal and professional fees | 41.75 | 29.57 |
| Miscellaneous expenses | 307.66 | 219.54 |
| Excahnge difference (net) | 167.38 | — |
| Payment to auditor: | | |
| As auditors: | | |
| Audit fee | 6.75 | 5.75 |
| Limited review | 0.30 | 0.30 |
| In other capacity: | | |
| Other services (certification fees) | 0.30 | 0.20 |
| Freight and forwarding charges | 840.85 | 710.78 |
| Commission on sales | 221.17 | 142.98 |
| Bad debts written off | 20.31 | 33.47 |
| Transmission charges | 13.52 | 14.27 |
| Sales tax assessment dues | 16.92 | — |
| | 5,294.17 | 4,437.65 |

# Excise duty expenses includes excise duty borne by the company and variation in excise duty on closing stock of finished goods

NOTE 26: SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION: The Accounts are prepared on accrual basis under the historical cost convention except for certain fixed assets which are revalued in accordance with applicable accounting standards and relevant provisions of the Companies Act, 1956.

USE OF ESTIMATES: The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialized.

FIXED ASSETS: Fixed Assets including intangible assets are stated at cost net of cenvat / value added tax and includes amount added on revaluation less accumulated depreciation and impairment loss, if any. All Cost is inclusive of Freight, Duties, (net of tax credits as applicable) levies and any directly attributable cost till commencement of commercial production. Adjustments arising from Exchange Rate variations attributable to the Fixed Assets are capitalised.

IMPAIRMENT OF ASSETS: Impairment is ascertained at each balance sheet date in respect of Cash Generating Units. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the 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.

DEPRECIATION & AMORTISATION: Depreciation on fixed assets is provided as per the straight line method (SLM) at the rate and in the manner prescribed in schedule XIV of the Companies act, 1956 on prorata basis. Fixed Assets are capitalized at cost inclusive of expenses and interest wherever applicable.

Intangible Assets are amortized over their respective individual estimated useful life on a straight line basis commencing from the year the asset is available to the company for its use, not exceeding five years.

INVESTMENTS: Non current investments are stated at cost. Provision for diminution in the value of non current investment is made only if, such a decline is other than temporary in the opinion of management. Current Investments are carried at lower of cost and fair value.

INVENTORIES:

A. Raw Materials and General Stores are valued at cost or realisable value, whichever is less, excluding Cenvat and VAT credit, by FIFO method.

B. Work in Process is valued at raw-material cost or realisable value, whichever is less plus estimated overheads, but excluding Cenvat and VAT.

C. Finished Goods are valued at cost including estimated overheads or net realisable value, whichever is less. The value includes excise duty paid/payable on such goods.

EXCISE DUTY & CENVAT CREDIT: Excise Duties wherever recovered are included in Sales and shown separately in financial statement as deduction from sales. Excise duty provision made in respect of finished goods lying at factory premises are shown separately as an item of manufacturing and other expenses and included in the valuation of finished goods. Cenvat credit available on purchases of service / materials / capital goods is accounted by reducing cost of services / materials / capital goods. Cenvat credit availed of is accounted by way of adjustment against excise duty payable on dispatch of finished goods.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS: A provision is recognized when an enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. Contingent Assets are neither recognised nor disclosed in the financial statements. Contingent liabilities are not recognised but are disclosed by way of note on the balance sheet. Provision is made in the accounts for those liabilities which are likely to materialise after the year end till the finalisation of accounts and having effect on the position stated in the balance sheet as at the year end.

FOREIGN EXCHANGE TRANSACTION:

A: Transactions entered into and those settled during the year in foreign currency are recorded at the actual exchange rates prevailing at the time of the transactions.

B: Foreign currency transactions remaining unsettled at the year end and not covered by forward contract are translated at the exchange rates prevailing at the year end.

C: In case of item which are covered by forward exchange contract, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contract is recognised over the life of the contracts. Forward exchange contracts outstanding as at year end are calculated at the year end rate and mark to market profit/loss is dealt in the Profit & Loss Account.

REVENUE RECOGNITION:

A: Sales are recognized, net of returns and trade discounts, on dispatch of goods to customers and are reflected in the accounts at gross realizable value i.e. inclusive of excise duty. Inter-unit sales/ purchases have been eliminated during the year. In case of export sales, revenue is recognised when the risk and reward on the goods is transferred to the customers.

B: In appropriate circumstances, Revenue (Income) is recognised when no significant uncertainty as to Measurability or collectability exists. Export benefits/incentives are accounted on accrual basis.

C: Interest income is recognised on time proportionate method.

D: Dividend is accrued in the year in which it is declared whereby a right to receive is established.

TAXATION:

A: Provision for current taxation is made for the current accounting period (reporting period) on the basis of the taxable profits computed in accordance with Income Tax Act 1961 for the relevant assessment year.

B: Deferred Tax resulting from "timing differences" between book and tax profits is accounted for under the liability method, at the current rate of tax and tax laws that have been enacted or substantively enacted at the Balance Sheet date, to the extent that the timing differences are expected to crystalise, as deferred tax charge / benefit in the Profit and Loss Account and as deferred tax asset or liabilities in the Balance Sheet. The deferred tax assets is recognised and carried forward only to the extent that there is a virtual certainity that the assets will be realised in the future.

EMPLOYEE RETIREMENT BENEFITS:

A: Defined Contribution Plans: The company has defined contribution plan for Post -employment benefits in the form of Provident fund for all eligible employees; which is administered by the Regional Provident Fund Commissioner. Provident Fund is classified as defined contribution plan as the Company has no further obligation beyond making contribution. The Company's contribution to Defined Contribution Plan is charged to the Profit and Loss Account as and when incurred.

B: Defined Benefits Plans: Funded Plan: The company has a Defined Benefits Plan for Post employment benefits in the form of gratuity for all employees and the liability for the defined benefit plan of Gratuity is determined on the basis of actuarial valuation by an independent actuary at the year end, which is calculated using projected unit credit method. Actuarial gains and losses which comprise experience adjustment and the effect of changes in actuarial assumptions are recognised in the Profit and Loss Account.

C: Leave Liability (Long Term Employee Benefits) : The Employees of the company are entitled to leave encashment which is encashed annually as per the leave policy of the company. Liability for compensated absences (Unutilised leave benefit) is provided on the basis of valuation, as at the Balance Sheet date, carried out by an independent actuary.

D: Termination Benefit are recognized as an expenses as and when incurred.

E: The actuarial gain and losses arising during the year are recognized in the profit and loss account of the year without restoring to any amortization.

BORROWING COST: Borrowing cost that attributes to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to set ready for intended use. All other borrowing cost are charged to revenue.

PROPOSED DIVIDEND: Dividend proposed by the Board of Directors is provided for in the accounts pending approval at the Annual General Meeting.

NOTE 27: <u>CONTINGENT LIABILITIES NOT PROVIDED FOR AND CAPITAL COMMITMENTS</u>

A. CONTINGENT LIABILITIES

1. Letter of credit: Letter of Credit issued by Banks on behalf of the Company Rs. 2,493.31 Lacs (P.Y. Rs. 3,345.71 Lacs), these are covered by the Charge created in favour of the Company's Bankers by way of Hypothecation of Stocks, Receivable & Machineries/Assets of the Company.

2. Guarantees: Bank Guarantees issued by Banks on behalf of the company Rs. 371.68 Lacs (P.Y. Rs. 361.69 Lacs). These are secured by the charge created in favour of the company's bankers by way of pledge of Fixed Deposit Receipts.

3. The claim against Company not acknowledged as debt, comprises of excise duty & Custom duty disputed by company relating to issue of applicability of duty and classification of goods aggregating to Rs. 2,201.97 Lacs (P.Y. Rs. 1,891.72 Lacs).

4. Bill discounted not matured Rs. 2007.36 Lacs (P.Y. Rs. 1022.5 Lacs).

The contingent liabilities in respect of Bank Guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

5. CST liability in respect of invoice amount of Rs. 3069.57 Lacs (P.Y. Rs. 2518.59) for which C-Form are yet to be collected from the customers.

6. Liability of Income Tax with respect to which appeal is pending before ITAT amounting to Rs. 13.17 Lacs for A.Y. 2003-04, and appeals pending before CIT Appeal for Rs. 6.28 Lacs for A.Y. 2009-10

B. CAPITAL COMMITMENTS

Estimated amounts of contracts remained to be executed on capital account net of advance at the end of the year Rs. 18.14 Lacs (P.Y. Rs. 59.91 Lacs).

NOTE 28:
The company has exercised option given in Companies (Accounting Standard) Amendment Rules 2009 on Accounting Standard 11 issued by ICAI which was notified by MCA regarding accounting of exchange rate difference related to foreign currency loan utilised for acquisition of fixed assets by way of notification no. GSR 225(E) dated 31.03.2009 read with notification no. GSR 913(E) dated 29.12.2011. On exercise of option referred above, foreign exchange loss of Rs. 121.70 lacs is capitalised during the year.

NOTE 29: DEPRECIATION

A: The depreciation for the year has been provided on "straight line method"as per Section 205 (2) of the Companies Act, 1956 at the rates prescribed in schedule XIV thereto.

B: Depreciation on additions / disposals of the fixed assets during the year is provided on pro-rata basic according to the period during which assets are put to use.

C: Intangible assets represents the cost of computer software acquired for internal use, to be amortized equally over five years based upon their estimated useful lives.

NOTE 30:
The company has invested USD 4,35,000 equivalent to Rs. 183.22 Lacs for 100% share being 4,35,000 shares of Sarla Overseas Holding Limited registered at British Virgin Islands as a result the said company is Wholly Owned Subsidiary of the Company.

NOTE 31: RAW MATERIALS CONSUMED (Rs. in Lacs)

| | Current Year | | Previous Year | |
|---|---|---|---|---|
| | Amount | % of Consumption | Amount | % of Consumption |
| Imported | 6,554.76 | 64.78 | 6,163.17 | 69.67 |
| Indigenous | 3,563.90 | 35.22 | 2,683.38 | 30.33 |
| TOTAL | 10,118.66 | 100.00 | 8,846.55 | 100.00 |

NOTE 32: STORES AND SPARES CONSUMED (Rs. in Lacs)

| | Current Year | | Previous Year | |
|---|---|---|---|---|
| | Amount | % of Consumption | Amount | % of Consumption |
| Imported | 28.90 | 13.24 | 43.88 | 15.60 |
| Indigenous | 189.31 | 86.76 | 237.41 | 84.40 |
| TOTAL | 218.21 | 100.00 | 281.29 | 100.00 |

NOTE 33: C.I.F. VALUE OF IMPORTS (Rs. in Lacs)

| | Current Year | Previous Year |
|---|---|---|
| Capital Goods | 309.90 | 48.11 |
| Raw Materials | 6,158.59 | 6,537.01 |
| Trading Goods | 388.92 | 345.01 |
| Stores, packing materials and consumables | 191.22 | 194.11 |

NOTE 34: EXPENDITURE IN FOREIGN CURRENCY (Rs. in Lacs)

| | Current Year | Previous Year |
|---|---|---|
| Travelling | 45.83 | 42.50 |
| Commission on export sales | 67.81 | 59.88 |
| Interest | 71.16 | — |

NOTE 35: EARNINGS IN FOREIGN CURRENCY (Rs. in Lacs)

| | Current Year | Previous Year |
|---|---|---|
| F.O.B. value of exports | 10,398.97 | 8,106.11 |

NOTE 36:
Managing Director's remuneration is Rs. 42.00 Lacs (P.Y. Rs. 39.00 Lacs) & the whole time Director's remuneration is Rs. 34.00 Lacs ( P.Y. Rs.27.00 Lacs) is in accordance with section 198 schedule XIII of the Companies Act. 1956.

NOTE 37: TAXATION

Provision for taxation for the current year has been made, taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

In accordance with AS-22 issued by the Institute of Chartered Accountants of India on 'Accounting of Taxes on Income' net deferred tax expenses on account of timing difference for current year is Rs. 200.25 lacs (P.Y. Rs. 269.12 lacs) which is charged to profit and loss account.

NOTE 38: EARNING PER SHARE

| | Current Year | Previous Year |
|---|---|---|
| A) Number of shares considered weighted average shares outstanding | 69,50,300 | 69,50,300 |
| B) Net profit after tax attributable to equity share-holders (Rs. in Lacs) | 1,092.52 | 1,240.66 |
| C) Basic and diluted earnings per equity share of Rs.10/- each (in Rupees) | 15.72 | 17.85 |

NOTE 39:

Company does not have complete information to determine Micro, Small and Medium Enterprises as specified in MIcro, Small and Medium Enterprises Development Act, 2006, hence it is not possible for us to verify the amount due to such enterprises.

NOTE 40: DISCLOSURE IN ACCORDANCE WITH REVISED AS - 15 ON "EMPLOYEE BENEFITS

| | | |
|---|---|---|
| A) Defined Contribution Plans:<br>The company has recognised the following amounts in the profit and loss account for the year | | |
| Contribution to Employees' Provident Fund (Employers') | 13,70,472 | |
| **B) Defined Benefit Plans:** | **Current Year Gratuity** | **Previous Year Gratuity** |
| i) Changes in the present value of Obligations | | |
| Present value of Defined Benefit Obligation on 01-04-2011 | 5,573,480 | 4,415,398 |
| Interest Cost | 459,812 | 364,270 |
| Current Service Cost | 576,045 | 537,295 |
| Benefit Paid during the year | (345,360) | (145,911) |
| Actuarial (Gain)/Loss on Defined Benefit Obligation | 906,960 | 402,428 |
| Present value of Defined Benefit Obligation as on 31-03-2012 | 7,170,937 | 5,573,480 |
| ii) Changes in the Fair Value of Plan Assets | | |
| Fair Value of Plans Assets as on 01-04-2011 | 4,135,486 | 3,704,649 |
| Excess Provision | — | — |
| Expected Return on Plan Assets for the year ending 31-3-2012 | 427,556 | 343,322 |
| Contribution made by the employer | 1,095,574 | 233,426 |
| Benefit paid during the year | (345,360) | (145,911) |
| Acturial gain (Loss) on plan assets | — | — |
| Fair Value of Plans Assets as on 31-03-2012 | 5,313,256 | 4,135,486 |
| iii) Amount to be recognised in the Balance Sheet as on 31-03-2012 | | |
| Present Value of the Defined Gratuity Benefits Obligation 31-03-2012 | 7,170,937 | 5,573,480 |
| Fair Value of Plans Assets as on 31-03-2012 | 5,313,256 | 4,135,486 |
| Liability Recognised in the Balance Sheet as on 31-03-2012 | 1,857,681 | 1,437,994 |
| iv) Expenses recognised in the Statement of Profit and Loss Account | | |
| Current Service Cost | 576,045 | 537,295 |
| Interest Cost on Obligation | 459,812 | 364,270 |
| Expected Return on Plan Assets | (427,556) | (343,322) |
| Actuarial (Gain)/Loss on Defined Benefit Obligation | 906,960 | 402,428 |
| Expenses recognised in the Statement of Profit and Loss Account | 1,515,261 | 960,671 |
| v) Actual Return on Plan Assets | | |
| Expected Return on Plan Assets | 427,556 | 343,322 |
| Acturial gain (Loss) on plan assets | — | — |
| Actual Return on Plan Assets | 427,556 | 343,322 |

NOTE 41: SEGMENT REPORT

A) Information about Primary Business Segment: Based on the guiding principles given in the Accounting Standards on Segment Reporting (AS-17) the company is primarily in the business of manufacturing and processing of synthetic yarn which mainly having similar risk and returns. The Company has diversified its activities into Wind Power Generation, hence the company's business activity now falls under two business segments, viz. (i) Manufacturing of Yarn and (ii) Generation of Wind Power.

B) Information about Secondary Geographical Segment: The secondary segment is based on geographical demarcation i.e. in India and out side India.

C) Information about primary and secondary segments are follows: (Rs. in Lacs)

| Particulars | Current Year | | | Previous Year | | |
|---|---|---|---|---|---|---|
| | In India | Outside India | Total | In India | Outside India | Total |
| Segment Revenue (Gross) | | | | | | |
| Yarn: | | | | | | |
| Manufacturing: | 5,904.56 | 11,169.84 | 17,074.40 | 6,606.30 | 8,812.14 | 15,418.44 |
| Trading:* | 791.86 | | 791.86 | 358.47 | — | 358.47 |
| Generation of Wind Power | 339.44 | | 339.44 | 91.78 | — | 91.78 |
| | 7,035.86 | 11,169.84 | 18,205.70 | 7,056.56 | 8,812.14 | 15,868.70 |
| Segment Assets | | | | | | |
| Yarn | 19,484.27 | — | 19,484.27 | 17,365.45 | — | 17,365.45 |
| Generation of Wind Power | 1,644.83 | — | 1,644.83 | 1,426.24 | — | 1,426.24 |
| Segment Liabilities | | | | | | |
| Yarn | 8,758.86 | — | 8,758.86 | 7,495.44 | — | 7,495.44 |
| Generation of Wind Power | 1,565.75 | — | 1,565.75 | 1,410.65 | — | 1,410.65 |
| Capital Expenditure | | | | | | |
| Yarn | 1,020.44 | — | 1,020.44 | 727.69 | — | 727.69 |
| Generation of Wind Power # | 121.70 | — | 121.70 | 1,225.00 | — | 1,225.00 |

* Trading Sales is High Seas Sales # Capital expenditure is on account of foreign currency fluctuation

NOTE 42: RELATED PARTY TRANSACTIONS

The Company has identified following related parties with whom transactions have taken place during the year:

1) Associates
   M/s Satidham Industries Private Ltd.
   M/s Hindustan Cotton Co.
   M/s. Shivchandrai Jhunjhunwala & Co.

2) Key Management Personnel
   Madhusudan Jhunjhunwala - Chairman
   Krishna Jhunjhunwala - Managing Director

3) Joint Ventures of Subsidiary Company
   Savitex SA De C.V., Honduras
   MRK SA De C.V., Honduras
   Sarla Tekstil Filament Sanayi Ticaret A.S.

4) Subsidiary Companies
   M/s Sarla Overseas Holding Ltd.

5) Subsidiary of subsidiary Company
   M/s Sarla Europe, Lda

Details of transactions with above related parties: (Rs. in Lacs)

| | Associates Enterprises | | Key Management Personnel | | Joint Ventures | | Subsidiary Co. | |
|---|---|---|---|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Rent paid | 5.00 | 5.00 | — | — | — | — | — | — |
| Unsecured Loan Received Back | — | — | — | — | — | — | — | 149.85 |
| Investment In Shares | — | — | — | — | — | — | 183.22 | 183.22 |
| Unsecured Loan Taken | 112.70 | — | — | — | — | — | — | — |
| Unsecured Loan Repaid | 112.70 | — | — | — | — | — | — | — |
| Managerial Remuneration | — | — | 76.00 | 66.00 | — | — | — | — |
| Advance Received | — | — | — | — | — | — | 29.58 | — |
| Security Deposit | 225.00 | — | — | — | — | — | — | — |
| Sale of Goods | — | — | — | — | 156.01 | 201.98 | 1,094.06 | 866.83 |
| Debtors | — | — | — | — | 75.96 | 43.80 | 154.49 | 278.73 |

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

NOTE 43: DERIVATIVE INSTRUMENTS

The Company uses forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitments. The Company does not enter into any derivative instruments for trading or speculative purposes.

The forward exchange contracts outstanding as at 31st March, 2012 are as under:

| Sr. No. | Currency Exchange | |
|---|---|---|
| 1 | Number of 'Buy' Contracts | NIL |
| 2 | Aggregate Currency Amount (In Rs. Lacs) | NIL |
| 3 | Number of 'Sell' Contracts | 28 |
| 4 | Aggregate Currency Amount (In Rs. Lacs) | 2,483.32 |

NOTE 44:
The company is of the view that there are no indications of material impairment and the carrying amount of its fixed assets or where applicable, the cash generating unit to which these assets belong, do not exceed their recoverable amounts (i.e., the higher of the assets' net selling price and value in use). Hence, no impairment had arisen during the year as per the recommendations of the Accounting Standard - 28 on Impairment of Assets.

NOTE 45:
In the opinion of the Management, the Current Assets and Loans and Advances as shown in the books are expected to realise at their Book Value in the normal course of business and adequate provision have been made in respect of all known liabilities.

NOTE 46:
Certain balances under the heads Sundry Debtors, Loans & Advances and Sundry Creditors are subject to confirmations from the respective parties and consequential reconciliation, if any.

NOTE 47:
Till the year ended 31st March 2011, the company was using pre-revised schedule VI to the Companies Act, 1956, for preparation and presentation of its financial statements. During the year ended 31st March 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification.

As per our annexed report
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2012

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MAHENDRA SHETH
Company Secretary

# CONSOLIDATED AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF SARLA PERFORMANCE FIBERS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SARLA PERFORMANCE FIBERS LIMITED

1) We have audited the attached consolidated Balance Sheet of M/s. Sarla Performance Fibers Limited, Mumbai along-with its wholly owned subsidiary company (the company) as at 31st March, 2012 and also related Consolidated Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date.

2) These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

3) We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amount 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.

4) We have carried out audit of standalone financial statements of the company and standalone financial statements of its wholly owned subsidiary company. Consolidated financial statements of the wholly owned subsidiary company which are considered in consolidated financial statement of the Sarla Group include financial statements of its subsidiary and joint venture companies whose financial statements are unaudited. These financial statements and other financial information are unaudited and certified by the management, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on such unaudited financial statements received from the companies and certified by the management.

5) We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements' and Accounting Standard 27 on 'Financial Reporting of Interest in Joint Ventures' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the company included in the consolidated financial statements.

6) We report that on the basis of the information and according to the explanations given to us, and on the consideration of the separate audit report on individual audited financial statements of the Sarla Group, we are of the opinion that the attached Consolidated Financial Statement, read together with significant accounting policies and notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India.

A. In case of the Consolidated Balance Sheet, of the consolidated state of affairs of the company as at 31st March, 2012.

B. In the case of the Consolidated Statement of Profit and Loss, of the consolidated results of operations of the company for the year then ended; and

C. In the case of Consolidated Cash flow statements of the consolidated cash flows of the company for the year then ended on that date.

For SUNDARLAL, DESAI & KANODIA
Chartered Accountants
Registration Number - 110560W

H. P. KANODIA
Partner
Membership No. 40617

Place: Mumbai.
Date : 29th May, 2012

Consolidated

# BALANCE SHEET AS AT 31ST MARCH, 2012

SARLA PERFORMANCE FIBERS

(Rs. in Lacs)

| | Note | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|---|
| EQUITY AND LIABILITIES: | | | |
| 1) SHARE HOLDERS FUNDS | | | |
| Share Capital | 1 | 695.03 | 695.03 |
| Reserves & Surplus | 2 | 11,746.19 | 10,132.01 |
| | | 12,441.22 | 10,827.04 |
| 2) NON-CURRENT LIABILITIES | | | |
| Long-Term Borrowings | 3 | 1,079.84 | 1,059.97 |
| Deferred Tax Liabilities (Net) | 4 | 1,122.64 | 922.39 |
| | | 2,202.47 | 1,982.36 |
| 3) CURRENT LIABILITIES | | | |
| Short-Term Borrowings | 5 | 5,474.99 | 3,510.02 |
| Trade Payables | 6 | 2,194.81 | 2,323.95 |
| Other Current Liabilities | 7 | 1,623.35 | 1,450.77 |
| Short-Term Provisions | 8 | 431.75 | 389.00 |
| | | 9,724.90 | 7,673.74 |
| TOTAL | | 24,368.60 | 20,483.14 |
| ASSETS: | | | |
| 1) NON-CURRENT ASSETS | | | |
| Fixed Assets | | | |
| i) Tangible Assets | 9 | 8,232.55 | 7,784.47 |
| ii) Intangible Assets | 10 | — | 1.41 |
| Long Term Loans and Advances | 11 | 964.43 | 881.31 |
| | | 9,196.98 | 8,667.19 |
| 2) CURRENT ASSETS | | | |
| Current Investments | 12 | 146.32 | — |
| Inventories | 13 | 5,418.76 | 4,377.29 |
| Trade Receivables | 14 | 6,452.83 | 5,080.54 |
| Cash and Cash Equivalents | 15 | 1,274.27 | 1,351.43 |
| Short-term Loans and Advances | 16 | 1,645.44 | 765.49 |
| Other Current Assets | 17 | 234.00 | 241.20 |
| | | 15,171.62 | 11,815.95 |
| TOTAL | | 24,368.60 | 20,483.14 |
| Significant accounting policies and Notes to accounts | 1 to 38 | | |
| Notes referred above forms integral part of the balance sheet | | | |

As per our annexed report
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2012

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MAHENDRA SHETH
Company Secretary

Consolidated Statement of Profit and Loss for the

# YEAR ENDED 31ST MARCH, 2012

(Rs. in Lacs)

| | Note | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|---|
| INCOME: | | | |
| Revenue from operations | 18 | 23,892.66 | 20,024.54 |
| Less: Excise duty | | 533.81 | 723.01 |
| | | 23,358.85 | 19,301.53 |
| Other income | 19 | 155.14 | 175.31 |
| | | 23,513.99 | 19,476.83 |
| EXPENSES: | | | |
| Cost of materials consumed | 20 | 11,682.48 | 9,758.14 |
| Purchase of stock-in-trade | | 2,797.12 | 1,499.63 |
| Changes in inventories of finished goods and work-in- | 21 | -1,273.76 | -889.12 |
| progress | | 486.02 | 396.76 |
| Employee benefit expenses | 22 | 297.21 | 189.83 |
| Finance costs | 23 | 804.53 | 662.28 |
| Depreciation and amortization expenses | 9 & 10 | 6,371.11 | 5,117.04 |
| Other expenses | 24 | | |
| | | 21,164.72 | 16,734.56 |
| PROFIT BEFORE TAX | | 2,349.27 | 2,742.27 |
| TAX EXPENSE: | | | |
| Current tax (MAT) | | 308.54 | 220.09 |
| Less: MAT Credit | | 42.77 | — |
| Net Current Tax | | 265.77 | 220.09 |
| Deferred tax | | 200.25 | 269.12 |
| Tax adjustment of earlier years | | -8.32 | — |
| PROFIT FOR THE PERIOD | | 1,891.57 | 2,253.07 |
| EARNING PER EQUITY SHARE: | | | |
| Basic | | 27.22 | 32.42 |
| Diluted | | — | — |
| Significant accounting policies and Notes to accounts | 1 to 38 | | |
| Notes referred above forms integral part of the statement of profit and loss | | | |

As per our annexed report
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2012

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MAHENDRA SHETH
Company Secretary

# Consolidated Cash Flow Statement for the YEAR ENDED 31ST MARCH, 2012

(Rs. in Lacs)

| | Current Year 31st March 2012 | | Previous Year 31st March 2011 | |
|---|---|---|---|---|
| CASH FLOW FROM THE OPERATING ACTIVITIES | | | | |
| Net Profit Before Tax and Extraordinary items | | 2,349.27 | | 2,742.53 |
| ADJUSTMENT FOR | | | | |
| Depreciation | 804.53 | | 662.28 | |
| Interest Paid | 389.27 | | 247.07 | |
| Interest Received | (92.06) | | (57.23) | |
| Capital Gain on Sale of Investment/Assets | (30.97) | | (26.79) | |
| Dividend Received | (3.14) | 1,067.63 | — | 825.33 |
| Operating Profit Before Working Capital Changes | | 3,416.90 | | 3,567.86 |
| ADJUSTMENT FOR CHANGES IN WORKING CAPITAL | | | | |
| Trade & Other Receivable | (1,372.29) | | (777.52) | |
| Inventories | (1,041.46) | | (1,404.29) | |
| Loans & Advances | (660.40) | | 79.75 | |
| Trade & Other Payable | (171.26) | (3,245.41) | 631.13 | (1,470.93) |
| Cash Generated From Operations | | 171.49 | | 2,096.93 |
| Prior Period Expenses/Extra Ordinary Items | — | | — | |
| Income Tax Paid | (254.92) | | (230.58) | |
| Deferred Tax Liabilities | — | (254.92) | — | (230.58) |
| Net Cash Flow from Operating Activities (1) | | (83.43) | | 1,866.35 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of Fixed Assets | (1,179.14) | | (2,228.24) | |
| Purchase Of Investment | (146.32) | | — | |
| Dividend Received | 3.14 | | — | |
| Gain on Sale of Investment/Assets | 30.97 | | 133.74 | |
| Sale of Investment | 96.41 | | 26.79 | |
| Foreign Exchange Reserve | — | | — | |
| Interest Received | 92.05 | (1,102.89) | 57.23 | (2,010.48) |
| Net Cash Flow from Investing Activities (2) | | (1,102.89) | | (2,010.48) |
| Net Cash Flow on Consolidation | — | | | 3.06 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Preferential Warrants Issued | — | | — | |
| Net Fund Raised/(Repayment) | 1,863.14 | | 1,066.82 | |
| Dividend Paid | (312.76) | | (243.26) | |
| Dividend Tax Paid | (51.95) | | (40.40) | |
| Interest Paid | (389.27) | 1,109.16 | (247.07) | 536.09 |
| Net Cash Raised From Financing Activities (3) | | 1,109.16 | | 536.09 |
| Net Changes in Cash & Cash Equivalent (1+2+3) | | (77.16) | | 395.02 |
| Cash And Cash Equivalent - Opening Balance | | 1,351.43 | | 956.41 |
| Cash And Cash Equivalent - Closing Balance | | 1,274.27 | | 1,351.43 |

Notes :

1. The above Cash Flow Statement has been prepared under the “indirect Method” as set out in Accounting Standard - 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. Previous year’s figures have been regrouped/rearranged wherever necessary to conform to the current year’s presentations.

This is the Cash Flow statement referred to in our Report of even date
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2012

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MAHENDRA SHETH
Company Secretary

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 1: SHARE CAPITAL | | |
| AUTHORISED CAPITAL | | |
| 1,00,00,000 Equity Shares Of Rs. 10/- Each | 1,000.00 | 1,000.00 |
| ISSUED, SUBSCRIBED AND PAID UP | 695.03 | 695.03 |
| 69,50,300 (P.Y. 69,50,300) Equity Shares of Rs. 10/- each | | |
| TOTAL | 695.03 | 695.03 |

Terms/rights attached to Equity Shares: The company has only one class of equity shares having par value of Rs. 10. Each holder of equity shares is entitled to one vote per share. The compnay delcares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing annual general meeting.

During the year ended 31st March 2012, the amount of per share dividend recognised as distributions to equity shareholders was Rs. 5.00 (31st March 2011 Rs. 4.50)

In the event of liquidation of the company, the holders of the equity shares will be entitled to reecive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

| Reconciliation of Outstanding Shares | 31st March 2012 No of shares | 31st March 2011 No of shares |
|---|---|---|
| Opening as on 1st April | 69,50,300 | 69,50,300 |
| Add: Issued during the year | — | — |
| Less: Forfeited during the year | — | — |
| Closing as on 31st March | 69,50,300 | 69,50,300 |

Details of Shareholders Holding More Than 5% of the Total Share Capital:

| Name of the Shareholder | No. of shares as on 31st March 2012 | No. of shares as on 31st March 2011 |
|---|---|---|
| Sarladevi Jhunjhunwala | 3,88,400 | 3,88,400 |
| Satidham Industries Private Limited | 12,41,053 | 12,41,053 |
| Hindustan Cotton Company - Throurgh its partners | 21,16,479 | 21,16,479 |
| | 37,45,932 | 37,45,932 |

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 2: RESERVES AND SURPLUS | | |
| CAPITAL RESERVES | | |
| Balance as per last balance sheet | 226.05 | 226.05 |
| Add: Capital subsidy | 11.68 | 0.00 |
| | 237.73 | 226.05 |
| GENERAL RESERVE | | |
| Balance as per last balance sheet | 3,174.38 | 2,874.38 |
| Add: Transferred from profit & loss account | 300.00 | 300.00 |
| | 3,474.38 | 3,174.38 |
| SURPLUS | | |
| Balance as per last balance sheet | 6,744.38 | 5,156.03 |
| Add: Profit for the period | 1,891.57 | 2,253.07 |
| Less: Appropriations: | | |
| Transferred to General reserve | 300.00 | 300.00 |
| Proposed Dividend | 347.52 | 312.76 |
| Tax on Dividend | 56.38 | 51.95 |
| Closing balance in statement of profit & loss | 7,932.05 | 6,744.38 |
| Foreign curreny transalation reserve | 98.97 | -15.87 |
| Profit on consolidation | 3.06 | 3.06 |
| TOTAL | 11,746.19 | 10,132.01 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 3: LONG TERM BORROWING | | |
| TERM LOANS: | | |
| SECURED LOANS - FROM BANKS | | |
| From Andhra Bank Limited | — | 4.17 |
| (Exclusive charge on the machinery financed and 'personal guarantee of managing director) | | |
| From Standard Chartered Bank | | |
| Foreign Currency Loan | 760.20 | 891.90 |
| (Exclusive charge on wind turbine generator financed and charge on wind turbine generator situated at Baradia, Gujarat and personal guarantee of managing director) | | |
| (Total loan of USD 20,00,000) (Repayment to start form June 2012) | | |
| (Repayable in 16 equal quarterly installment of USD 1,25,000 each. Rate of interest is LIBOR plus 375 basis points. | | |
| Vehicle Loan - From HDFC Bank Limited | 7.79 | 18.39 |
| (Exclusive charge on vehicle financed) | | |
| Unsecured Loans - From others | 311.84 | 145.52 |
| TOTAL | 1,079.84 | 1,059.97 |
| NOTE 4: DEFERRED TAX LIABILITY (NET) | | |
| On account of depreciation | 1,122.64 | 922.39 |
| TOTAL | 1,122.64 | 922.39 |
| NOTE 5: SHORT TERM BORROWING | | |
| LOANS REPAYABLE ON DEMAND | | |
| Secured Loans | | |
| From Banks: | | |
| Packing Credit Loan | 2,754.89 | 1,627.56 |
| Post Shipment Credit | 30.60 | 113.10 |
| Foreign Documentary Bill Purchase/Bill Discounting | 1,881.67 | 919.45 |
| Buyers Credit | 582.75 | 813.68 |
| (All the above working capital facilities are secured against all the current assets (present and future) of the company). | | |
| (These facilities are further secured by first charge on the fixed assets of the company except the assets which are financed through term loan, on which the consortium working capital facilities lenders will have second charge, except Wind Turbine Generator and vehicles). | | |
| (These facilities are further secured by personal guarantee of Managing Director.) | | |
| Unsecured Loans - From others | 225.09 | 36.23 |
| TOTAL | 5,474.99 | 3,510.02 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 6: TRADE PAYABLES | | |
| TRADE PAYABLES | 2,194.81 | 2,323.95 |
| TOTAL | 2,194.81 | 2,323.95 |
| NOTE 7: OTHER CURRENT LIABILITIES | | |
| Current maturities of long-term debts | 268.29 | 226.47 |
| Unpaid dividend | 23.55 | 20.29 |
| Other Payables: | | |
| TDS payable | 11.75 | 18.73 |
| Sales tax payable | 62.44 | 215.45 |
| Other statutory dues payable | 0.95 | 0.94 |
| Excise duty payable | 170.00 | 95.27 |
| Sundry creditors | 660.09 | 494.35 |
| Advance from customers | 336.09 | 262.22 |
| Excess cheques drawn | 90.18 | 117.06 |
| TOTAL | 1,623.34 | 1,450.77 |
| NOTE 8: SHORT TERM PROVISIONS | | |
| FOR EMPLOYEE BENEFITS | | |
| Provision for gratuity (refer note 40) | 18.58 | 14.38 |
| Provision for leave encashment | 1.37 | 1.74 |
| Provision for bonus | 5.08 | 5.41 |
| Salaries and wages payable | 1.72 | 1.65 |
| | 26.74 | 23.18 |
| FOR OTHERS | | |
| Provision for dividend | 347.52 | 312.76 |
| Provision for tax on dividend | 56.38 | 51.95 |
| Provision for Fringe benefit tax (net) | 1.11 | 1.11 |
| | 405.01 | 365.82 |
| TOTAL | 431.75 | 389.00 |

NOTE 9: TANGIBLE ASSETS

(Rs. in Lacs)

| PARTICULARS | GROSS CARRYING AMOUNT | | | | DEPRECIATION | | | | NET CARRYING AMOUNT | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As on 01-04-2011 | Addition/ adjustment | Deduction/ adjustment | As on 31-03-2012 | Upto 01-04-2011 | For the Year | Deduction | Upto 31-03-2012 | As on 31-03-2012 | As on 31-03-2011 |
| Freehold Land | 81.62 | 0.00 | 0.00 | 81.62 | 0.41 | 0.00 | 0.00 | 0.41 | 81.21 | 81.21 |
| Factory Building | 1,497.61 | 554.76 | 0.00 | 2,052.37 | 226.10 | 55.78 | 0.00 | 281.88 | 1,770.49 | 1,271.51 |
| Plant and Machinery | 7,180.52 | 590.41 | 143.18 | 7,627.75 | 2,955.74 | 591.35 | 46.77 | 3,500.32 | 4,127.43 | 4,224.78 |
| Electrical Installations | 356.30 | 27.59 | 0.00 | 383.89 | 158.37 | 29.27 | 0.00 | 187.64 | 196.25 | 197.93 |
| Office Equipment | 25.29 | 3.18 | 0.00 | 28.48 | 9.14 | 1.30 | 0.00 | 10.43 | 18.04 | 16.16 |
| Computers | 54.38 | 1.80 | 0.00 | 56.18 | 49.40 | 2.34 | 0.00 | 51.73 | 4.44 | 4.98 |
| Vehicles | 115.20 | 13.67 | 0.00 | 128.87 | 33.75 | 12.55 | 0.00 | 46.31 | 82.57 | 81.45 |
| Furniture & Fixture | 75.95 | 15.23 | 0.00 | 91.18 | 32.36 | 6.33 | 0.00 | 38.70 | 52.49 | 43.59 |
| Wind Turbine Generator (#) | 1,858.46 | 121.70 | 0.00 | 1,980.16 | 33.88 | 98.13 | 0.00 | 132.01 | 1,848.15 | 1,824.58 |
| Other Fixed Assets | 58.69 | 17.57 | 0.00 | 76.27 | 20.41 | 6.08 | 0.00 | 26.50 | 49.77 | 38.28 |
| TOTAL | 11,304.05 | 1,345.90 | 143.18 | 12,506.77 | 3,519.57 | 803.12 | 46.77 | 4,275.93 | 8,230.85 | 7,784.47 |

(#) Addition includes loss of Rs. 121.70 Lacs on reinstatement of foreign currency loan taken to acquire the asset.

NOTE 10: INTANGIBLE ASSETS

(Rs. in Lacs)

| PARTICULARS | GROSS CARRYING AMOUNT | | | | DEPRECIATION | | | | NET CARRYING AMOUNT | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As on 01-04-2011 | Addition/ adjustment | Deduction/ adjustment | As on 31-03-2012 | Upto 01-04-2011 | For the Year | Deduction | Upto 31-03-2012 | As on 31-03-2012 | As on 31-03-2011 |
| Computer Software | 7.52 | 1.70 | 0.00 | 9.23 | 6.12 | 1.41 | 0.00 | 7.52 | 1.70 | 1.41 |
| TOTAL | 7.52 | 1.70 | 0.00 | 9.23 | 6.12 | 1.41 | 0.00 | 7.52 | 1.70 | 1.41 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 11: LONG-TERM LOANS AND ADVANCE | | |
| (Unsecured, considered good) | | |
| Capital advances | 18.15 | 223.94 |
| Security deposits (#) | 325.24 | 109.25 |
| Other loans and advance | 621.04 | 548.12 |
| | 964.43 | 881.31 |
| (#) Includes deposit of Rs. 2,25,00,000 given to Hindustan Cotton Company) | | |
| NOTE 12: CURRENT INVESTMENT | | |
| (Valued at cost or market value, whichever is lower) | | |
| Investment in mutual funds | | |
| HDFC Cash Management Fund - Treasury Advantage Plan - Weekly Dividend - Reinvestment | 106.32 | — |
| (10,60,488.11 units, NAV as on 31.03.2012 Rs. 10.0396, PY Rs. Nil) | | |
| LIC Nomura FMP series - Growth Plan | 40.00 | — |
| (4,00,000 units, NAV as on 31.03.2012 Rs. 10.00, PY Rs. Nil) | | |
| | 146.32 | — |
| (Aggregate amount of Unquoted investment) | | |
| (Provision made for diminution in value of investment) | | |
| NOTE 13: INVENTORIES | | |
| (As taken, valued and certified by the Management) | | |
| Raw Materials | 1,658.06 | 1,970.48 |
| Work-In -Progress | 1,004.63 | 631.90 |
| Finished goods | 2,478.57 | 1,577.57 |
| Stores and Spares | 82.73 | 40.00 |
| Oil & lubricant | 12.32 | 33.80 |
| Power & Fuel | 23.77 | 18.55 |
| Packing Materials | 59.19 | 56.89 |
| Other inventory | 99.50 | 48.10 |
| | 5,418.76 | 4,377.29 |
| NOTE 14: TRADE RECEIVABLE | | |
| (Unsecured, considered good) | | |
| Outstanding for more than 6 months | 674.17 | 500.89 |
| Outstanding for less than 6 months | 5,778.66 | 4,579.65 |
| | 6,452.83 | 5,080.54 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 15: CASH AND BANK BALANCES | | |
| CASH AND CASH EQUIVALENTS: | | |
| Balance with banks | 172.05 | 496.32 |
| Cash on hand | 15.06 | 11.05 |
| | 187.10 | 507.37 |
| OTHER BANK BALANCES: | | |
| Balance in unpaid dividend account | 23.55 | 20.30 |
| Fixed deposits | 1,063.61 | 823.76 |
| [Fixed deposits of Rs. 5,47,94,289 (P.Y. Rs. 5,87,55,900) pledged as margin money deposit] | | |
| | 1,087.17 | 844.06 |
| | 1,274.27 | 1,351.43 |
| NOTE 16: SHORT TERM LOANS AND ADVANCES | | |
| Loans and advances to related parties | | |
| Unsecured, considered good | -0.73 | 1.37 |
| | -0.73 | 1.37 |
| Others | | |
| Unsecured, considered good | 1,518.94 | 596.19 |
| Advance Income Tax (Net of Provisions) | 127.23 | 167.93 |
| | 1,646.17 | 764.12 |
| | 1,645.44 | 765.49 |
| NOTE 17: OTHER CURRENT ASSETS | | |
| Entry tax receivable | 108.26 | 160.42 |
| Interest receivables | 76.05 | 32.29 |
| Pre-operative expenses | 47.44 | 47.44 |
| Other receivables | 2.25 | 1.04 |
| | 234.00 | 241.20 |
| NOTE 18: REVENUE FROM OPERATIONS | | |
| A) Sale of Products/ Services: | | |
| Local Sales | 8,098.05 | 8,105.83 |
| Export Sales | 11,106.67 | 8,759.64 |
| Deemed Export Sales | 713.65 | 688.32 |
| Trading Sales | 3,549.95 | 2,285.36 |
| Sale of Wind Power | 303.66 | 91.78 |
| | 23,771.99 | 19,930.93 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 18: REVENUE FROM OPERATIONS | | |
| B) Other Operating Revenues: | | |
| Export benefits | 63.17 | 52.50 |
| Sale of Waste yarn | 21.71 | 41.11 |
| REC income | 35.79 | — |
| | 120.67 | 93.61 |
| | 23,892.66 | 20,024.54 |
| NOTE 19: OTHER INCOME | | |
| Dividend Income on Current investments | 3.14 | — |
| Net gain on sale of long term investments | — | 25.38 |
| Profit on sale of fixed assets | 30.97 | 1.57 |
| Exchange rate difference (Net) | — | 76.30 |
| Rent received | — | 21.60 |
| Duty drawbak | 96.24 | — |
| Miscellaneous Income | 24.79 | 50.45 |
| | 155.14 | 175.31 |
| NOTE 20: COST OF MATERIALS CONSUMED | | |
| Inventory at the begnining of the year | 2,052.94 | 1,572.23 |
| Add: Purchase | 11,442.47 | 10,238.85 |
| | 13,495.41 | 11,811.08 |
| Less: Inventory at the end of the year | 1,812.93 | 2,052.94 |
| Cost of materials consumed | 11,682.48 | 9,758.14 |
| NOTE 21: (INCREASE)/ DECREASE IN INVENTORIES | | |
| Inventories at the end of the year: | | |
| Work-in-progress | 1,004.63 | 631.90 |
| Finished goods | 2,478.60 | 1,577.57 |
| | 3,483.23 | 2,209.47 |
| Inventories at the beginning of the year: | | |
| Work-in-progress | 631.90 | 434.10 |
| Finished goods | 1,577.57 | 886.26 |
| | 2,209.47 | 1,320.36 |
| | -1,273.76 | -889.12 |
| NOTE 22: EMPLOYEE BENEFIT EXPENSES | | |
| Salaries, wages and bonus | 412.69 | 342.65 |
| Contribution to provident and other funds | 31.97 | 25.05 |
| Staff welfare expenses | 41.36 | 29.06 |
| | 486.02 | 396.76 |

(Rs. in Lacs)

| | Current Year 31st March 2012 | Previous Year 31st March 2011 |
|---|---|---|
| NOTE 23: FINANCE COSTS | | |
| Interest expenses | 210.65 | 132.49 |
| Less: Interest income on bank deposits | 92.06 | 57.24 |
| Net interest expenses | 118.59 | 75.26 |
| Bank charges | 178.62 | 114.58 |
| | 297.21 | 189.83 |
| NOTE 24: OTHER EXPENSES | | |
| Manufacturing expenses: | | |
| Consumption of stores and spare parts | 218.21 | 281.29 |
| Power and fuel | 1,171.72 | 936.02 |
| Consumption of packing materials | 772.98 | 755.72 |
| Consumption of oils and chemicals | 283.81 | 219.07 |
| Labour charges | 899.33 | 647.08 |
| Clearing and forwarding charges | 312.77 | 286.16 |
| Repairs and Maintenance: | | |
| Building | 12.96 | 26.60 |
| Machinery | 35.68 | 73.49 |
| Excise duty expenses # | 110.36 | 28.12 |
| Water, waste and effulient treatment charges | 35.56 | 34.29 |
| Other direct expenses | 482.90 | 392.89 |
| Administrative and selling expenses: | | |
| Rent | 25.95 | 19.74 |
| Repairs and Maintenance - Others | 31.41 | 51.31 |
| Insurance | 30.36 | 33.10 |
| Rates and taxes | 5.69 | 38.06 |
| Director sitting fees | 0.65 | 0.24 |
| Legal and professional fees | 68.89 | 38.64 |
| Miscellaneous expenses | 480.98 | 309.47 |
| Excahnge difference (net) | 171.78 | — |
| Payment to auditor: | | |
| As auditors: | | |
| Audit fee | 9.57 | 8.86 |
| Limited review | 0.30 | 0.30 |
| In other capacity: | | |
| Other services (certification fees) | 0.30 | 0.20 |
| Freight and forwarding charges | 930.28 | 739.72 |
| Commission on sales | 227.93 | 148.93 |
| Bad debts written off | 20.31 | 33.47 |
| Transmission charges | 13.52 | 14.27 |
| Sales tax assessment dues | 16.92 | 0.00 |
| | 6,371.11 | 5,117.04 |

# Excise duty expenses includes excise duty borne by the company and variation in excise duty on closing stock of finished goods

NOTE 25: SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION: The Accounts are prepared on accrual basis under the historical cost convention except for certain fixed assets which are revalued in accordance with applicable accounting standards and relevant provisions of the Companies Act, 1956.

BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS: The consolidated financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI') and relevant provisions of the Companies Act, 1956 to the extent applicable.

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements relate to Sarla Performance Fibers Limited ('the Company') and its subsidiary company i.e. Sarla Overseas Holdings Limited. The consolidated financial statements have been prepared on the following basis:

A. The financial statements of the Company and its subsidiary company are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra group transactions in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements

B. In case of foreign subsidiary, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the exchange fluctuation reserve.

C. The financial statement of the subsidiary company (consolidated with the Company) includes financial statements of its subsidiary company i.e. step down subsidiary and its interest in joint venture companies. Financial statements of subsidiary company is combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra group transactions in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements". Interest in joint venture have been accounted by using proportionate consolidation method as per Accounting Standard (AS) 27 - "Financial Reporting of Interest in Joint Ventures".

D. As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

E. The consolidated Financial Statements of M/s Sarla Overseas Holdings Ltd, a wholly owned subsidiary company incorporated in Hongkong, B.V.I. is considered in the consolidated financial statement of parent company which includes 60% share of Subsidiary, Sarla Europe, LDA, Portugal,a share in joint ventures to the extent of 40% in M/s Savitex SA De C.V., Honduras, 45% in Sarla Tekstil Sanayi and 33.33% in MRK SA De CV, Honduras.

USE OF ESTIMATES: The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialized.

FIXED ASSETS: Fixed Assets including intangible assets are stated at cost net of cenvat / value added tax and includes amount added on revaluation less accumulated depreciation and impairment loss, if any. All Cost is inclusive of Freight, Duties, (net of tax credits as applicable) levies and any directly attributable cost till commencement of commercial production. Adjustments arising from Exchange Rate variations attributable to the Fixed Assets are capitalised.

IMPAIRMENT OF ASSETS: Impairment is ascertained at each balance sheet date in respect of Cash Generating Units. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the 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.

DEPRECIATION & AMORTISATION: Depreciation on fixed assets is provided as per the straight line method (SLM) at the rate and in the manner prescribed in schedule XIV of the Companies act, 1956 on prorata basis. Fixed Assets are capitalized at cost inclusive of expenses and interest wherever applicable.

Intangible Assets are amortized over their respective individual estimated useful life on a straight line basis commencing from the year the asset is available to the company for its use, not exceeding five years.

INVESTMENTS: Non current investments are stated at cost. Provision for diminution in the value of non current investment is made only if, such a decline is other than temporary in the opinion of management. Current Investments are carried at lower of cost and fair value.

INVENTORIES:

A. Raw Materials and General Stores are valued at cost or realisable value, whichever is less, excluding Cenvat and VAT credit, by FIFO method.

B. Work in Process is valued at raw-material cost or realisable value, whichever is less plus estimated overheads, but excluding Cenvat and VAT.

C. Finished Goods are valued at cost including estimated overheads or net realisable value, whichever is less. The value includes excise duty paid/payable on such goods.

EXCISE DUTY & CENVAT CREDIT: Excise Duties wherever recovered are included in Sales and shown separately in financial statement as deduction from sales. Excise duty provision made in respect of finished goods lying at factory premises are shown separately as an item of manufacturing and other expenses and included in the valuation of finished goods. Cenvat credit available on purchases of service / materials / capital goods is accounted by reducing cost of services/ materials/ capital goods. Cenvat credit availed of is accounted by way of adjustment against excise duty payable on dispatch of finished goods.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS: A provision is recognized when an enterprise has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. Contingent Assets are neither recognised nor disclosed in the financial statements. Contingent liabilities are not recognised but are disclosed by way of note on the balance sheet. Provision is made in the accounts for those liabilities which are likely to materialise after the year end till the finalisation of accounts and having effect on the position stated in the balance sheet as at the year end.

FOREIGN EXCHANGE TRANSACTION:

A: Transactions entered into and those settled during the year in foreign currency are recorded at the actual exchange rates prevailing at the time of the transactions.

B: Foreign currency transactions remaining unsettled at the year end and not covered by forward contract are translated at the exchange rates prevailing at the year end.

C: In case of item which are covered by forward exchange contract, the difference between the year end rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contract is recognised over the life of the contracts. Forward exchange contracts outstanding as at year end are calculated at the year end rate and mark to market profit/loss is dealt in the Profit & Loss Account.

REVENUE RECOGNITION:

A: Sales are recognized, net of returns and trade discounts, on dispatch of goods to customers and are reflected in the accounts at gross realizable value i.e. inclusive of excise duty. Inter-unit sales/ purchases have been eliminated during the year. In case of export sales, revenue is recognised when the risk and reward on the goods is transferred to the customers.

B: In appropriate circumstances, Revenue (Income) is recognised when no significant uncertainty as to Measurability or collectability exists. Export benefits/incentives are accounted on accrual basis.

C: Interest income is recognised on time proportionate method.

D: Dividend is accrued in the year in which it is declared whereby a right to receive is established.

TAXATION:

A: Provision for current taxation is made for the current accounting period (reporting period) on the basis of the taxable profits computed in accordance with Income Tax Act 1961 for the relevant assessment year.

B: Deferred Tax resulting from "timing differences" between book and tax profits is accounted for under the liability method, at the current rate of tax and tax laws that have been enacted or substantively enacted at the Balance Sheet date, to the extent that the timing differences are expected to crystalise, as deferred tax charge / benefit in the Profit and Loss Account and as deferred tax asset or liabilities in the Balance Sheet. The deferred tax assets is recognised and carried forward only to the extent that there is a virtual certainty that the assets will be realised in the future.

BORROWING COST: Borrowing cost that attributes to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to set ready for intended use. All other borrowing cost are charged to revenue.

PROPOSED DIVIDEND: Dividend proposed by the Board of Directors is provided for in the accounts pending approval at the Annual General Meeting.

NOTE 26: CONTINGENT LIABILITIES NOT PROVIDED FOR AND CAPITAL COMMITMENTS

A. CONTINGENT LIABILITIES

1. Letter of credit: Letter of Credit issued by Banks on behalf of the Company Rs. 2,493.31 Lacs (P.Y. Rs. 3,345.71 Lacs), these are covered by the Charge created in favour of the Company's Bankers by way of Hypothecation of Stocks, Receivable & Machineries/Assets of the Company.

2. Guarantees: Bank Guarantees issued by Banks on behalf of the company Rs. 371.68 Lacs (P.Y. Rs. 361.69 Lacs). These are secured by the charge created in favour of the company's bankers by way of pledge of Fixed Deposit Receipts.

3. The claim against Company not acknowledged as debt, comprises of excise duty & Custom duty disputed by company relating to issue of applicability of duty and classification of goods aggregating to Rs. 2,201.97 Lacs (P.Y. Rs. 1,891.72 Lacs).

4. Bill discounted not matured Rs. 2,007.36 Lacs (P.Y. Rs. 1,022.5 Lacs).

The contingent liabilities in respect of Bank Guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

5. CST liability in respect of invoice amount of Rs. 3,069.57 Lacs (P.Y. Rs. 2,518.59) for which C-Form are yet to be collected from the customers.

6. Liability of Income Tax with respect to which appeal is pending before ITAT amounting to Rs. 13.17 Lacs for A.Y. 2003-04, and appeals pending before CIT Appeal for Rs. 6.28 Lacs for A.Y. 2009-10

B. CAPITAL COMMITMENTS

Estimated amounts of contracts remained to be executed on capital account net of advance at the end of the year Rs. 18.14 Lacs (P.Y. Rs. 59.91 Lacs).

NOTE 27:

The company has exercised option given in Companies (Accounting Standard) Amendment Rules 2009 on Accounting Standard 11 issued by ICAI which was notified by MCA regarding accounting of exchange rate difference related to foreign currency loan utilised for acquisition of fixed assets by way of notification no. GSR 225(E) dated 31.03.2009 read with notification no. GSR 913(E) dated 29.12.2011. On exercise of option referred above, foreign exchange loss of Rs. 121.70 lacs is capitalised during the year.

NOTE 28: DEPRECIATION

A: The depreciation for the year has been provided on "straight line method"as per Section 205 (2) of the Companies Act, 1956 at the rates prescribed in schedule XIV thereto.

B: Depreciation on additions / disposals of the fixed assets during the year is provided on pro-rata basic according to the period during which assets are put to use.

C: Intangible assets represents the cost of computer software acquired for internal use, to be amortized equally over five years based upon their estimated useful lives.

NOTE 29:

A. The company has invested USD 4,35,000 equivalent to Rs. 183.22 Lacs for 100% share being 4,35,000 shares of Sarla Overseas Holding Limited registered at British Virgin Islands as a result the said company is Wholly Owned Subsidiary of the Company.

B. Sarla Overseas Holdings Limited has an investment of USD 840,888 (equivalent to Rs. 380.80 lacs) for 16,000 shares of Savitex SA De C.V., Hunduras, out of the total capital of 40,000 shares in Savitex SA De C.V. Hunduras,, and EURO 3,000 (equivalent to 1.95 lacs) for 3 shares in Sarla Europe LDA, Portugal out of total capital of 5 Shares of Sarla Europe LDA and USD 280,000 in Sarla Tekstil Sanayi, Turkey towards 45% share capital of the company and USD 100,000 in MRK SA De C.V. towards 33.33% share capital of the company.

NOTE 30:

Managing Director's remuneration is Rs. 42.00 Lacs (P.Y. Rs. 39.00 Lacs) & the whole time Director's remuneration is Rs. 34.00 Lacs ( P.Y.Rs.27.00 Lacs) is in accordance with section 198 schedule XIII of the Companies Act. 1956.

NOTE 31: RELATED PARTY TRANSACTIONS

The Company has identified following related parties with whom transactions have taken place during the year:

1) Associates
   M/s Satidham Industries Private Ltd.
   M/s Hindustan Cotton Co.
   M/s. Shivchandrai Jhunjhunwala & Co.

2) Key Management Personnel
   Madhusudan Jhunjhunwala - Chairman
   Krishna Jhunjhunwala - Managing Director

3) Joint Ventures of Subsidiary Company
   Savitex SA De C.V., Honduras
   MRK SA De C.V., Honduras
   Sarla Tekstil Filament Sanayi Ticaret A.S.

4) Subsidiary Companies
   M/s Sarla Overseas Holding Ltd.

5) Subsidiary of subsidiary Company
   M/s Sarla Europe, Lda

Details of transactions with above related parties: (Rs. in Lacs)

| | Associates Enterprises | | Key Management Personnel | | Joint Ventures | | Subsidiary Co. | |
|---|---|---|---|---|---|---|---|---|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Rent paid | 5.00 | 5.00 | — | — | — | — | — | — |
| Unsecured Loan Received Back | — | — | — | — | — | — | — | 149.85 |
| Investment In Shares | — | — | — | — | — | — | 183.22 | 183.22 |
| Unsecured Loan Taken | 112.70 | — | — | — | — | — | — | — |
| Unsecured Loan Repaid | 112.70 | — | — | — | — | — | — | — |
| Managerial Remuneration | — | — | 76.00 | 66.00 | — | — | — | — |
| Advance Received | — | — | — | — | — | — | 29.58 | — |
| Security Deposit | 225.00 | — | — | — | — | — | — | — |
| Sale of Goods | — | — | — | — | 156.01 | 201.98 | 1,094.06 | 866.83 |
| Debtors | — | — | — | — | 75.96 | 43.80 | 154.49 | 278.73 |

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

NOTE 32: TAXATION

Provision for taxation for the current year has been made, taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961.

In accordance with AS-22 issued by the Institute of Chartered Accountants of India on 'Accounting of Taxes on Income' net deferred tax expenses on account of timing difference for current year is Rs. 200.25 lacs (P.Y. Rs. 269.12 lacs) which is charged to profit and loss account.

NOTE 33:
Company does not have complete information to determine Micro, Small and Medium Enterprises as specified in MIcro, Small and Medium Enterprises Development Act, 2006, hence it is not possible for us to verify the amount due to such enterprises.

NOTE 34: DERIVATIVE INSTRUMENTS

The Company uses forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitments. The Company does not enter into any derivative instruments for trading or speculative purposes.

The forward exchange contracts outstanding as at 31st March, 2012 are as under:

| Sr. No. | Currency Exchange | |
|---|---|---|
| 1 | Number of 'Buy' Contracts | NIL |
| 2 | Aggregate Currency Amount (In Rs. Lacs) | NIL |
| 3 | Number of 'Sell' Contracts | 28 |
| 4 | Aggregate Currency Amount (In Rs. Lacs) | 2,483.32 |

NOTE 35:
The company is of the view that there are no indications of material impairment and the carrying amount of its fixed assets or where applicable, the cash generating unit to which these assets belong, do not exceed their recoverable amounts (i.e., the higher of the assets' net selling price and value in use). Hence, no impairment had arisen during the year as per the recommendations of the Accounting Standard - 28 on Impairment of Assets.

NOTE 36:
In the opinion of the Management, the Current Assets and Loans and Advances as shown in the books are expected to realise at their Book Value in the normal course of business and adequate provision have been made in respect of all known liabilities.

NOTE 37:
Certain balances under the heads Sundry Debtors, Loans & Advances and Sundry Creditors are subject to confirmations from the respective parties and consequential reconciliation, if any.

NOTE 38:
Till the year ended 31st March 2011, the company was using pre-revised schedule VI to the Companies Act, 1956, for preparation and presentation of its financial statements. During the year ended 31st March 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification.

As per our annexed report
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2012

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman

KRISHNAKUMAR M. JHUNJHUNWALA
Managing Director

MAHENDRA SHETH
Company Secretary

# NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the Members of SARLA PERFORMANCE FIBERS LIMITED will be held on Thursday, the 20th September, 2012 at the Registered office of the Company at Survey No.59/1/4, Amli Piparia Industrial Estate, Silvassa – 396 230, U.T. of Dadra & Nagar Haveli, at 11.30 A.M. to transact the following businesses:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2012, the Statement of Profit & Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.

2. To declare a dividend on equity shares.

3. To appoint a Director in place of Mr. Jigar Shah, who retires by rotation and being eligible offers himself for re-appointment.

4. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

" RESOLVED THAT M/s Sundarlal, Desai & Kanodia, Chartered Accountants (Registration No.110560W) be and are hereby appointed as Auditors of the Company,to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Section 314 of the Companies Act, 1956, consent of the Company be and is hereby accorded to Ms. Neha Jhunjhunwala, a relative of Mr. Madhusudan Jhunjhunwala and Mr. Krishnakumar Jhunjhunwala, Directors of the Company to hold an office or place of Profit as Vice President (Operations) of the Company with effect from 1st June, 2011 on following Remuneration:

1. Basic Salary: Rs.50,000 p.m.

2. Bonus: As per Company Rules

3. Contribution to Provident Fund:- As applicable

4. Entitled to be reimbursed in respect of all the expenses incurred by her including travelling, entertainment etc., for and on behalf of the company.

5. Such increments as may be decided from time to time by the Board of Directors of the Company provided that the total monthly remuneration shall not exceed Rs.2,50,000/- per month without obtaining prior approval of the Central Government "

For & on behalf of Board of Directors

(MADHUSUDAN S. JHUNJHUNWALA)
Chairman & Whole Time Director

Place: Mumbai.
Date : 29th May, 2012

# NOTES

1. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.

2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

3. The Company has fixed Closure of Register of Members and Share Transfer Books from Thursday the 13th September 2012 to Thursday the 20th September 2012 (both days inclusive) for determining the names of members eligible for dividend, if approved, on Equity Shares for the year ended 31st March 2012. The dividend if declared at the Annual General Meeting will be paid from 29th September 2012, in respect of Shares held in physical form to those members whose names appear on the Register of Members of the Company after giving effect to all valid Share Transfers lodged with the Company on or before the end of business hours on 12th September 2012 and in respect of shares held in the Electronic Form to those "deemed members" whose names appear in the statement of beneficial ownership furnished by the NSDL & CDSL as at the end of the business hours on 12th September 2012.

4. Details of Director seeking re-appointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement):

| | |
|---|---|
| Name of Director | Mr. Jigar Arvind Shah |
| Date of Birth | 8.6.1974 |
| Date of Appointment | 1.7.2006 |
| Expertise in specific functional | Financial analysis and fund management |
| Qualifications | B. Com. DCP |
| List of Public Companies in which outside Directorships held as on 31st March, 2012 | NIL |
| Chairman/ Member of the Committees of the Board of companies on which he is Director as on 31st March, 2012 | NIL |
| No. of Equity Shares held in the Company as on 31st March, 2012 | NIL |

5. An Explanatory Statement pursuant to Section 173(2) relating to the Special Business to be transacted at the meeting is annexed hereto.

# ANNEXURE TO NOTICE

Item No. 5:
As required by Section 173 of the Companies Act, 1956, the following Explanatory Statements set out all material facts relating to the Special Business mentioned under Item No. 5 of the accompanying Notice.

The Board of Directors of the Company has , subject to the approval of members, appointed Ms. Neha Jhunjhunwala as Vice President (Operations) of the Company w.e.f 1st June, 2011 on the remuneration as mentioned in the proposed Resolution set out at item no.5 of the Agenda.

Ms. Neha Jhunjhunwala has done her Graduation as Bachelors in Management Studies from University of Mumbai. She also studied Msc Marketing and Strategy with a focus on Marketing at Warwick Business School , UK.

She has worked in Merchandising & Sourcing Department of Pantaloon Retail, India during her internship. She is working as Manager, Operations with the company since June, 2011. The operations of Vapi Plant and overall Human Resource Management is driven by her. Ms Jhunjhunwala has given significant contribution for bringing productivity related changes in the Company. Her current salary was not commensurate with the role and responsibility carried out by her as the Vice President, Operations. Accordingly, the board of directors in the their meeting held on May 29, 2012 unanimously approved the revision in the remuneration package of Ms Neha Jhunjhunwala and re-designated her as the Vice President, Operations of the company.

As Ms. Neha Jhunjhunwala is a relative of Mr. Madhusudan Jhunjhunwala and Mr. Krishnakumar Jhunjhunwala, Directors of the Company, consent of the Members of the Company is required for her appointment and payment of remuneration by a Special Resolution as per the provisions of Section 314 of the Companies Act, 1956.

The Resolution at Item No. 5 of the Notice is meant for this purpose.

Mr. Madhusudan Jhunjhunwala and Mr. Krishnakumar Jhunjhunwala are deemed to be concerned or interested in the said resolution as relatives of Ms Neha Jhunjhunwala. None of the other directors of the company is deemed to be concerned or interested in the said resolution.

The Board of Directors commends this Resolution for your approval.

For & on behalf of Board of Directors

(MADHUSUDAN S. JHUNJHUNWALA)
Chairman & Whole Time Director

Place: Mumbai.
Date : 29th May, 2012

Business has only two basic functions-marketing and innovation.

# NOTES

# SARLA PERFORMANCE FIBERS LIMITED

Registered Office: Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa – 396 230.
U.T. of Dadra & Nagar Haveli

## PROXY FORM

*DP ID ____________________

*Client ID ____________________ Regd. Folio No. ____________________

I/We__________________________________________________________________________________

of______________________________________________________in the district of______________________________

being member/members of SARLA PERFORMANCE FIBERS LIMITED hereby appoint____________________________________

_______________________________________________________of___________________in the district of_________________

or failing him___________________________________of______________________in the district of__________________

________________________________________________________as my/our proxy to vote for me/us and on my/or behalf at the Nineteenth Annual General Meeting of the Company to be held on Thursday, the 20th September, 2012 at 11.30 a.m. and at any adjournment thereof.

Signed this________________day of________________2012.

Affix
Re. 1/-
Revenue
Stamp

Signature of Shareholder

NOTE: This form duly completed should be deposited at the Registered Office of the Company before 48 hours of the meeting.
* Applicable for members holding shares in dematerialised form.

SARLA PERFORMANCE FIBERS LIMITED

Registered Office: Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa – 396 230.
U.T. of Dadra & Nagar Haveli

## ATTENDANCE SLIP

(Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand over at the entrance of the Meeting hall.)

I hereby record my presence at the Nineteenth Annual General Meeting of the Company at the Registered Office situated at 59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230 U.T. of Dadra & Nagar Haveli, on Thursday, the 20th September, 2012 at 11.30 a.m

Full name of the Shareholder/Proxy__________________________________________________________________

(in block letters)

Regd. Folio No. ____________________

*DP ID ____________________

*Client ID ____________________

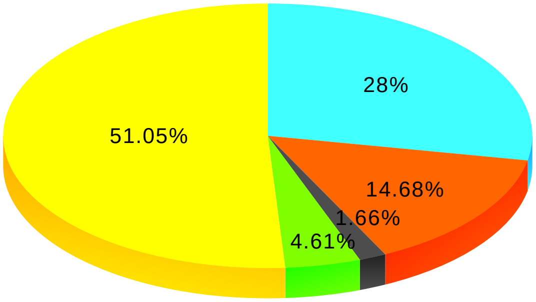
No. of Share Hold ____________________

____________________________
Signature of Shareholder

(PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING)

*Applicable for members holding shares in dematerialised form.

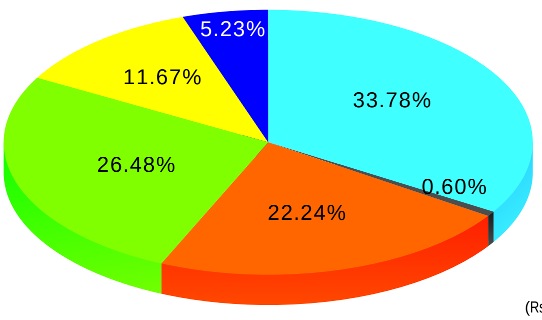
## SOURCES OF FUNDS 2011 - 2012




(Rs. in Lacs)

| | |
|---|---|
| Money borrowed from bank & others | 6,823.12 |
| Payable for goods & other liabilities | 3,577.71 |
| Proposed dividend | 403.9 |
| Deffered tax liability | 1,122.63 |
| Share Holders fund | 12,441.22 |
| | 24,368.58 |

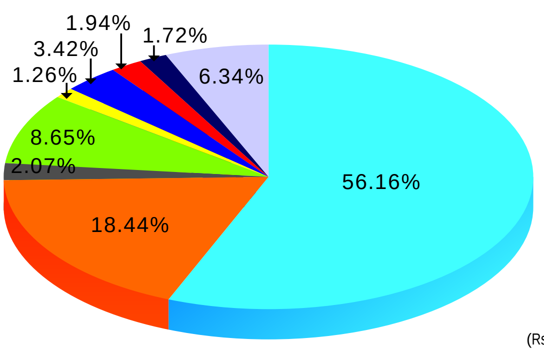
## APPLICATION OF FUNDS 2011 - 2012




(Rs. in Lacs)

| | |
|---|---|
| Fixed Asset | 8,232.55 |
| Investment | 146.31 |
| Inventories | 5,418.76 |
| Receivable | 6,452.83 |
| Loans and Advances | 2,843.87 |
| Cash & Bank balance | 1,274.27 |
| | 24,368.59 |

## DISTRIBUTION OF REVENUE 2011 - 2012

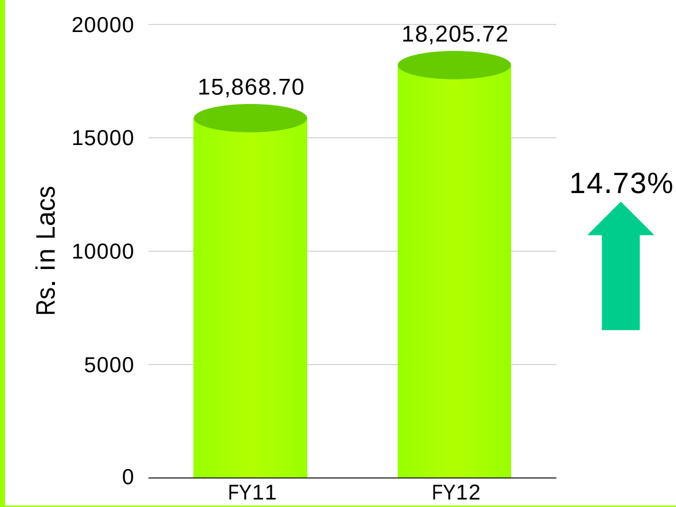



(Rs. in Lacs)

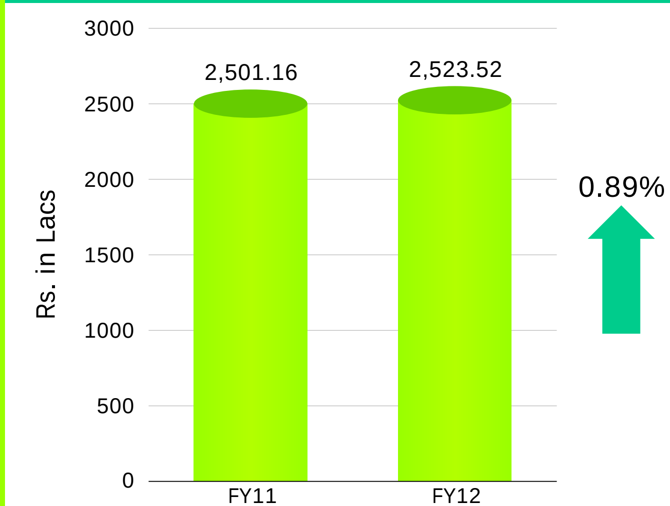
| | |
|---|---|
| Material | 13,205.85 |
| Manufacturing expenses | 4,336.28 |
| Employees remuneration & Benefits | 486.02 |
| Administrative & other expenses | 2,034.83 |
| Interest & Finance Charges | 297.2 |
| Depreciation | 804.53 |
| Tax | 457.7 |
| Dividend(including tax) | 403.9 |
| Other | 0.00 |
| Retained Earnings | 1,487.69 |
| | 23,514.00 |

# HIGHLIGHTS OF THE YEAR

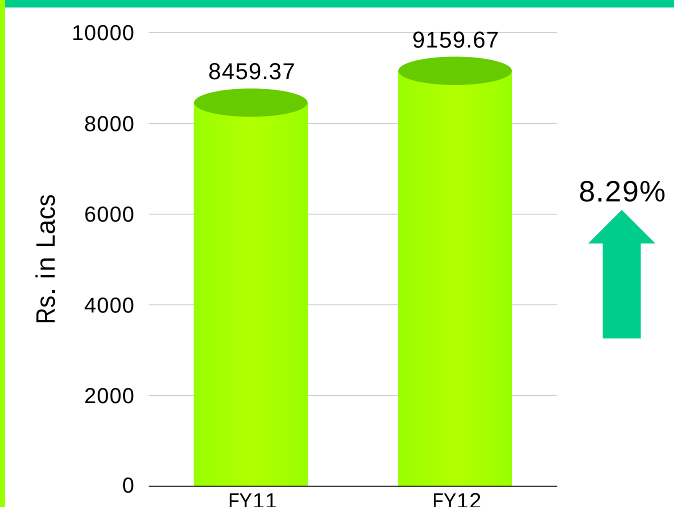
### REVENUE




### EBIDTA




### NET WORTH




(standalone)

# PRODUCTS AT GLANCE

## TEXTURED NYLON YARN

SPFL Textured Nylon Yarn caters to end applications such as Active & Swim Wear, Narrow Fabrics and Tapes, Hosiery, Under Garments.

## TEXTURED POLYESTER YARN

SPFL Textured Polyester Yarn finds applications in Sewing Thread, Furniture & Automotive Upholstery, Narrow Fabrics and Tapes, Circular and Flat Knitted products

## TEXTURED SEWING THREAD

SPFL Sewing Threads caters to end applications such as Apparels, Swim Wear, Lingerie, Fleece Goods, Towels and Wash Clothes, Table Cloths and Placemats, Sheets and Pillow Cases.

## HIGH TENACITY YARN

SPFL High Tenacity Yarn has niche end applications such as Automotive Seat Belts, Trims & Air Bags, Dress, Casual & Athletic Footwear, Leather Goods & Soft Luggage.

## COVERED YARN

Narrow Tapes, Hosiery, Lingerie, Seamless Knitwear, Medical, Bandages, Knitted and Denim Facbrics are the primary end applications of SPFL's range of Covered Yarn.

SARLA
PERFORMANCE FIBERS

Registered Office: Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230, U. T. of Dadra & Nagar Haveli
Corporate Office: 304, Arcadia, Nariman Point, Mumbai - 400 021 Phone No: + 91-22-2283 4116 Fax No: + 91-22-2285 1728
Website: www.sarlafibers.com
Investors services e-mail id: investors@sarlafibers.com