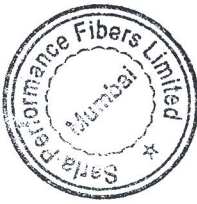
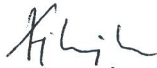

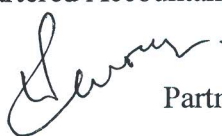
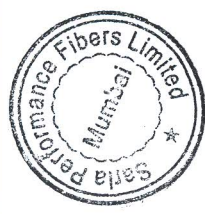
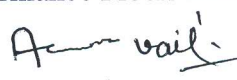


ANNEXURE

FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

1.	Name of the Company	Sala Performance Fibers Limited
2.	Annual financial statements for the year ended	31 st March 2014
3.	Type of Audit observation	Un-qualified / Matter of Emphasis
4.	Frequency of observation	Whether appeared first time ...N.A. / Repetitive ...N. A. / Since how long period ...N. A.
5.	To be signed by :- • CEO/Managing Director • CFO • Auditor of the Company • Audit Committee Chairman	<p>For Sarla Performance Fibers Limited</p> <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;">  </div> <div style="text-align: center;">  Managing Director </div> </div> <div style="display: flex; justify-content: space-around; align-items: flex-start; margin-top: 20px;"> <div style="text-align: center;">  </div> <div style="text-align: center;"> <p>For Sundarlal, Desai & Kanodia (Chartered Accountants)</p>  Partner </div> </div> <div style="display: flex; justify-content: space-around; align-items: flex-start; margin-top: 20px;"> <div style="text-align: center;">  </div> <div style="text-align: center;"> <p>For Sarla Performance Fibers Limited</p>  Chairman (Audit Committee) </div> </div>



WE HAVE TAKEN THE LEAP. WE ARE GROWING.

Building a business without the borders

21st
ANNUAL REPORT
2013-2014



'WE HAVE TAKEN THE LEAP. WE ARE GROWING.'

Sarla started its globalization journey, or in other words building of a business without borders in 2006 with its first JV in Honduras, Central America. Since then it has built JVs and subsidiaries in Europe and set up presence in Asia. Last year, it took a LEAP by setting up its own manufacturing facility in the heart of the US textile industry, in South Carolina. Sarla is now a global brand. One that has marked its presence across the world. With its interconnections between different countries of the world, it offers an unique promise of connected thinking- the export and import of ideas and concepts across the globe. We understand the client needs anywhere and everywhere. Being global means transferring experience and expertise across the globe, and also realising the distinctiveness that makes up each culture, every client and every interaction.

QUALITY CERTIFICATION



CORPORATE DETAILS



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 (upto 20th June 2013)
LALITA PERSAD AGGARWAL	Director (with effect from 1st November 2013)

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	BANK OF BAHRAIN & KUWAIT BSC	CITIBANK N. A.
COMMONWEALTH BANK OF AUSTRALIA	DBS BANK LTD.	INDUSIND 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.
- 4) Sarlaflex Inc, 1497, Industrial Road, Walterboro, South Carolina, USA - 29488

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.

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AT A GLANCE - Sarlaflex, USA Plant



Frontal view of Sarlaflex plant at South Carolina, USA



Texturising Solution Dyed POY



Trolley with POY Spools



Texturising Auto Doff Module



Doffing Robot



Two For One Twisters



POY Winders

DELIVERING VALUE OVER A DECADE

2002

Expanded product portfolio to sewing thread from commodity polyester yarns.

2004

Established 2nd manufacturing unit in Silvassa.

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.


PROFIT & LOSS AND BALANCE SHEET	Mar 2004	Mar 2005	Mar 2006	Mar 2007	Mar 2008
Equity Paid Up	6.95	6.95	6.95	6.95	6.95
Networth	25.78	33.92	42.93	51.34	63.84
Capital Employed	36.79	50.84	61.52	80.7	106.37
Gross Block	33.69	39.91	43.66	48.55	69.91
Net Working Capital (Incl. Def. Tax)	8.06	14.84	24.66	38.81	51.89
Net Sales	55.22	70.28	86.09	98.51	122.33
Profit before Interest, Depreciation, Tax	10.87	16.07	18.42	20.00	24.57
Profit after Tax	7.10	10.02	11.32	11.38	15.22
Book Value (Rs./Share)	37.09	48.81	61.77	73.87	91.85
Market Capitalisation	11.33	43.79	89.59	81.45	94.52
Earning Per Share	9.91	14.09	15.87	15.96	21.89
Dividend (%)	24.00	24.00	30.00	30.00	35.00
Payout	1.67	1.67	2.09	2.09	2.43
Payout (%)	24.24	17.06	18.95	18.85	15.98

KEY RATIOS	Mar 2004	Mar 2005	Mar 2006	Mar 2007	Mar 2008
Debt-Equity Ratio	0.43	0.47	0.46	0.51	0.67
Long Term Debt-Equity Ratio	0.05	0.05	0.03	0.00	0.01
Current Ratio	1.08	0.98	1.07	1.15	1.22
Turnover Ratios					
Fixed Assets Ratio	2.26	1.98	2.12	2.20	2.07
Inventory Ratio	7.60	7.35	7.06	6.54	5.09
Debtors Ratio	4.96	4.99	4.47	4.23	3.43
Interest Cover Ratio	9.55	11.32	9.54	7.58	10.36
PBIDTM (%)	18.40	22.01	20.80	19.76	17.68
PBITM (%)	16.17	18.77	17.87	16.85	14.03
PBDTM (%)	16.71	20.36	18.92	17.53	16.10
ROCE (%)	28.90	31.28	28.18	23.99	22.18
RONW (%)	30.66	33.57	29.46	24.14	26.43
Debtors Velocity (Days)	57.00	59.00	63.00	70.00	105.00
Creditors Velocity (Days)	36.00	52.00	49.00	57.00	49.00

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.

(Rs. in Crores)

Mar 2009	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014
6.95	6.95	6.95	6.95	6.95	6.95
74.47	89.17	108.24	124.41	146.48	169.15
113.44	126.10	155.84	192.63	258.22	402.41
76.85	90.83	113.11	125.07	153.23	258.16
60.13	62.82	77.54	97.99	113.86	114.58
135.59	155.33	193.02	233.6	258.69	261.82
24.89	29.57	35.95	34.52	47.61	57.52
12.72	16.91	22.53	18.90	27.98	32.15
107.15	128.30	155.73	178.99	210.75	243.37
23.87	61.92	78.54	69.29	100.78	117.63
18.30	24.34	32.42	27.22	40.25	46.26
35.00	35.00	45.00	50.00	60.00	75.00
2.43	2.43	3.13	3.48	41.7	52.13
19.12	14.38	13.88	18.40	14.90	16.21


17% 10 year sales CAGR
18% 10 year EBITDA CAGR
16% 10 year net profit CAGR
21% 10 year book value CAGR
26% 10 year MCAP CAGR

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

2010
Installed first windmill in Gujarat of 1.25 MW.

2011

- Started joint venture operations in Turkey.
- Installed windmill of 2 MW in Satara, Maharashtra. Total wind power generation capacity of 3.25 MW.

2012
2 more windmills of 2 MW each in Sangli, Maharashtra. Total wind power generation capacity of 7.25 MW.

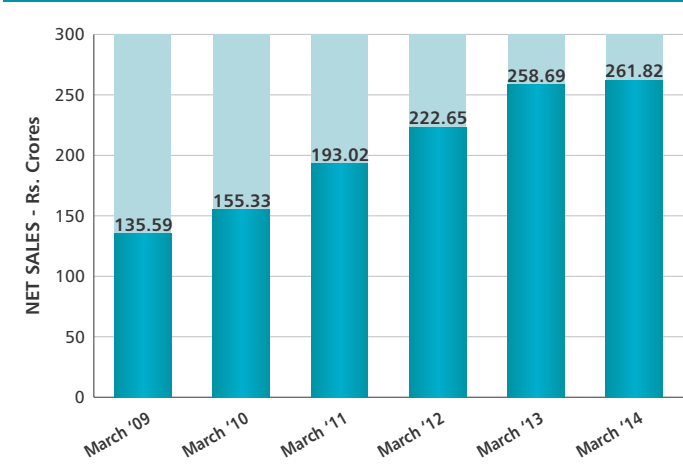
2013
Directly entered American POY Market through setting up wholly owned subsidiary Sarla flex Inc., at South Carolina

2014
Started commercial production of POY from a green field plant at South Carolina, USA in January 2014.

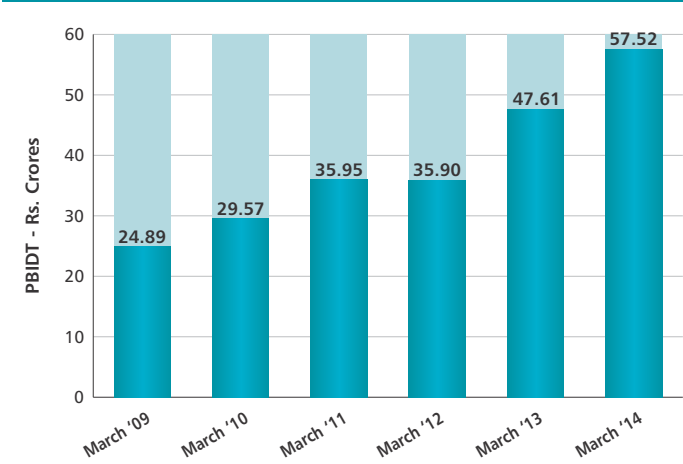
Mar 2009	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014
0.52	0.42	0.44	0.55	0.76	1.38
0.02	0.05	0.11	0.11	0.28	0.94
1.42	1.55	1.73	1.56	1.53	1.50
1.85	1.85	1.89	1.96	1.86	1.27
4.64	5.22	4.41	4.31	4.47	3.37
4.92	3.59	3.79	3.70	4.43	3.91
6.52	10.07	15.43	8.90	8.06	9.63
15.47	16.01	16.09	14.77	18.40	21.97
11.60	12.43	12.66	11.33	15.22	17.77
13.25	14.47	15.10	13.50	16.72	16.52
18.41	20.47	21.21	15.72	17.75	14.08
18.39	20.67	22.83	16.25	20.96	20.37
100.00	98.00	92.00	99.00	80.00	93.00
44.00	49.00	52.00	78.00	40.00	52.00

PERFORMANCE AT A GLANCE

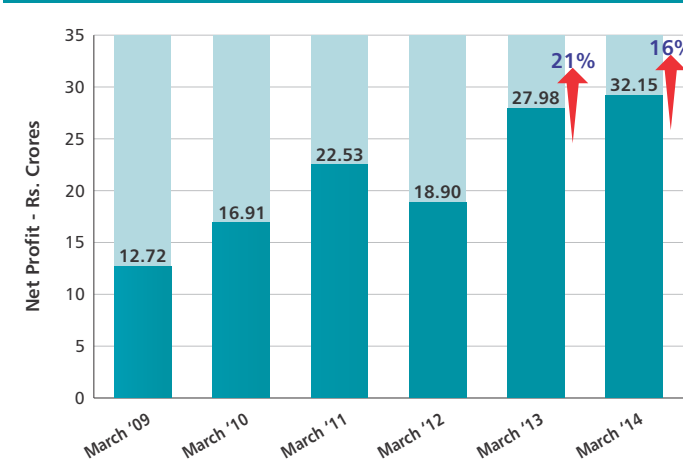
SALES



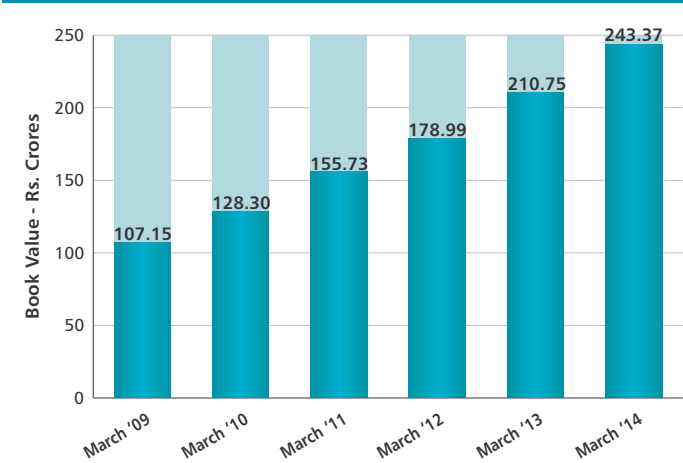
EBIDTA



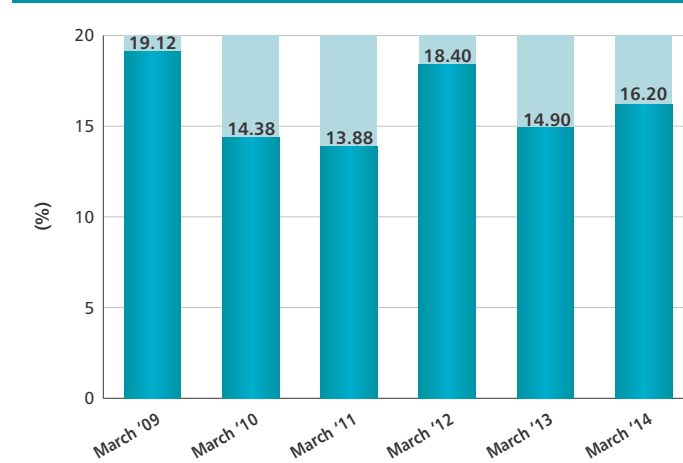
NET PROFIT



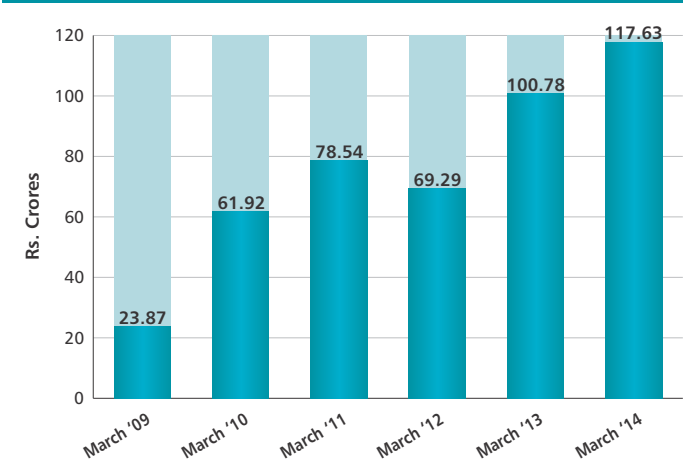
BOOK VALUE



DIVIDEND PAYOUT (%)



MARKET CAPITALISATION





I am pleased to write to you again. This time it seems that the year went by faster than ever before. We have been immersed with completing our maiden venture in the USA. You would be pleased to note that we started commercial production at South Carolina plant in January of 2014. It is no mean achievement for us

because it was the first new plant to start in POY manufacturing in the USA in the past 25 years. It is path-breaking in many ways because of the several impediments that we had to face including obtaining work permits for our people, working within budgets, achieving the right quality for the tougher standards set by US clients etc. And yes, we are not a big software company, so you can imagine how tough it must be to deal with the softer issues such as training the American workforce and getting them to produce what we want and at the right cost.

There is a sense of anxiety in our stakeholders relating to this new plant and I must share with them the latest developments. We are now operating close to 20% of our rated capacity of 30 tons per day. We have supplied trial quantities to at least 20 customers. We are beginning to attain the right quality across spinning, texturizing and twisting processes. We have hired senior managers to set right the quality standards demanded by large US textile companies. We have spent considerable time training the American workforce which is not exactly conversant with all the processes. Our top management team from India has spent considerable time to make sure this unit comes up to its expectations and charts our future course of growth as envisaged last year.

The good news is that since the time we started building this plant in 2013, the US apparel market is witnessing good demand. The CAFTA market where most US textile makers are located is witnessing decent increase even as overall US retail market remains soft. We as makers of compliant yarn, have an edge over the exporters from around the world and have started dispatching small quantities to a wide range of clients in sewing threads, hosiery, lingerie, and furnishing related applications. The made in USA movement is catching up and more corporations are joining the same, improving the prospects of yarn markets such as Sarlaflex. We were to the first to gauge the rising demand and now few

LEAP

**'WE HAVE TAKEN THE LEAP.
WE ARE GROWING.'**

competitors have announced capacity addition programmes.

Another good development is that we managed to secure a state sponsored incentive for operating in a backward area within the USA. Some of USA's largest banks are involved in financing of our project at concessional rates optimising our overall project cost and funding. Concerns over the trans pacific partnership agreement allowing cheaper imports to come into the US have not progressed and are unlikely to hurt the textile makers in CAFTA/NATFA regions for the next few years. This augurs well for us and will help us build a solid presence before any such threat becomes realistic. On the other hand, the trans atlantic partnership is beginning to take shape which may ease exports from USA to the Europe. We as a group based in US, Europe and India are already seeing benefits of multiple geographic presence. Many of our clients have evinced interest in buying nylon yarns from our India facility as well as polyester yarns from India and Europe. The impact of all this should be visible over the next 2-3 years, as we attain full utilization of our plant in the USA.

As clearly mentioned last year in my letter, FY14 was a moderate year for us due to capitalization of investment in the US subsidiary and resultant increase in operating expenditure, interest and depreciation. These investments are the growth drivers for next 2 years.

Our theme for this year is 'LEAP'. We have embarked on the path of positioning Sarla Performance Fibers as a global brand and building a business without the borders. I am confident from the 2nd half of FY15, we shall usher into a stronger growth phase.

As always, we seek your best wishes to fulfill the aspiration to be different, and better. In turn, we hope to create value for all stakeholders. I wish to thank all the stakeholders and most specifically our team at Sarla India and US for their spirited contribution and untiring zeal.

Sincerely,

KRISHNAKUMAR HUNJUNWALA
(MD and CEO)

Q & A WITH MANAGING DIRECTOR

Q.: What is the rationale for setting up a polyester fibre manufacturing unit in the USA?

- A.:**
- We became compliant yarn makers by having direct manufacturing facility in the US (can supply anywhere in the NAFTA, CAFTA region). The apparels, inner ware and hosiery made from compliant yarn does not attract any duty. This makes us a preferred supplier to large textile companies in the NAFTA and CAFTA region.
 - We found the cost of manufacturing to be very competitive in the US with India except in terms of labour. However, to a large extent this is offset by cheap cost of power and capital.
 - We are in proximity to world's largest textile companies and the largest markets, providing us greater scope for a value add. We can truly work with large corporations as partners and customize products to their need as well as cut down on logistics cost.

Table 1: Apparel Market Size Projection from 2012 to 2025 (US \$ Billion)

REGION	2012	2025	CAGR
China	150	540	10%
EU 27	350	440	2%
United States	225	285	2%
India	45	200	12%
Japan	110	150	2%
Brazil	55	100	5%
Russia	40	105	8%
Canada	30	50	4%
Australia	25	45	5%
Rest of World	75	195	8%
Global	1,105	2,110	5%

As can be observed from the above table, a large proportion of the apparel market will remain in the US, EU and Brazil even though the rate of growth will be higher in India and China. With the US facility, we are now truly a global supplier with already established manufacturing in India and distribution/marketing set up in Europe. We are comfortable with growing in the developed markets as compared to India or other emerging market and will stick to that strategy for at least the next few years.

Q.: What are the biggest challenges that you see in the US market? When will start making profits?

- A.:** We could set up a full fledged POY production unit in the US within 12 months of selecting a site. In terms of time to set up and cost, we benefitted immensely as compared to a similar Greenfield facility in India. Thus, our first hurdle was over when we started commercial production in Jan 2014. The second challenge is that the US customers have their norms for product trial and for the past few months, we supplied trial quantity to several of them. We even participated in trade fairs and have created a

reasonable awareness about our presence in that market. We believe, it will take not less than a year from the date of starting production for us to start shipping large quantities to customers. The third challenge is training of workers at the shop floor level to increase productivity. This is an ongoing process and we are putting our best effort to bring people from India who can train most of our local staff. In recent times, obtaining work permits in the US has been a lengthy and costly affair. We wish to start breaking even over the next few quarters. We have put up this plant with an optimum capital cost and tightly controlled recurring cost which should enable us to make profits within a 12-18 months time frame.

Q.: Over the past one year, Indian textile companies have performed well. What stops you from investing further in India?

A.: We have a strong set up in India which can continue to provide us growth of 8-10% p.a. in value terms. We keep doing maintenance CAPEX each year to strengthen our capability. However, we are not keen to incur large CAPEX in India due to less attractive infrastructure, overall rise in cost of land, construction and lack of ease in getting approvals. The Indian textile companies have done well in the aftermath of INR depreciation vs the USD but scalability remains an issue. Moreover, in case of polyester fibre companies there is still a struggle and many companies have stressed balance sheet and cash flow. While we may grow slowly in India in revenue terms, our focus has always been on profits and that will continue.

Q.: What is the optimal D/E structure for your company ? How are you going to manage the increased debt ?

A.: Our consolidated gross debt has risen to INR 2.03 billion for FY14 vs INR 1.07 billion for FY13. Our consolidated net debt is INR 1.49 billion. However, of this net debt INR 225 million is due to a 'new market tax credit' transaction that we have done in the US which allows us fiscal incentives. As per the terms of this transaction, this debt will be waived after 7 years. Hence, our actual payable net debt is INR 1.27 billion against a net worth of INR 1.7 billion. Our average cost of debt is 4% and interest coverage is 12-13x. We believe, this is a comfortable level of D/E and is manageable.

Q.: How do you intend to reward your shareholders ?

A.: As can be seen from our track record of past decade, we have been increasing the business growth steadily resulting in increased earnings per share. Also, we have been distributing 15-20% of our net profits. For FY14, despite large CAPEX and new unit in the US, we maintained dividend pay out at 16% (INR 7.5 per share vs INR 6.0 per share in FY13). Shareholder value will increase in coming years as ploughed back profits into new expansion will start reflecting in the earnings growth.

DIRECTORS' REPORT

To,
The Members,

Your Directors have pleasure in presenting their Twenty First Annual Report on the business and operations of the Company together with Audited Statement of Accounts for the year ended 31st March, 2014.

There are many talented people who haven't fulfilled their dreams because they over thought it, or they were too cautious, and were unwilling to make the leap of faith.

1. FINANCIAL RESULTS

(Rs. in Lacs)

Particulars	2013-14	2012-13
Total Income	25,558.27	24,142.12
Profit before Financial Charges and Depreciation	4,550.53	3,885.34
Less: Finance Charges	<u>388.89</u>	<u>431.08</u>
Depreciation	<u>935.97</u>	<u>802.72</u>
Profit before Tax	3,225.67	2,651.54
Less: Provision for Tax	894.00	446.82
Provision for Deferred Tax	105.15	277.09
Provision for Wealth Tax		
Profit after Tax	2,226.52	1,928.02
Prior period Adjustments		
Balance brought forward	5,959.12	4,796.18
Short Provision of Income Tax of earlier years	67.65	(19.59)
Surplus available for appropriation	8,253.29	6,743.79
APPROPRIATION		
Transfer to the General Reserve	1,500.00	300.00
Dividend @ 75% (P.Y. 60%)	521.27	417.02
Dividend Tax	88.59	67.65
Balance carried forwarded to the Balance Sheet	6,143.42	5,959.12

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. 24,605.91 Lacs as against Rs. 23,353.98 Lacs in 2012-13 registering an annual growth of 5.36%. The FOB value of exports Rs. 14,847.14 Lacs compared to Rs. 14,922.28 Lacs

PROFITABILITY

The profit before Depreciation, Interest & Tax was Rs. 4,550.23 Lacs as compared to Rs. 3,885.34 Lacs in the previous year. After providing for depreciation of Rs. 935.98 Lacs (Previous Year Rs. 802.72 Lacs) & provision for taxation of Rs. 999.15 Lacs (Previous Year Rs. 723.91 Lacs), there was a net profit of Rs. 2,226.52 Lacs as compared to Rs. 1,947.61 Lacs in the Previous Year.

DIVIDEND

Your Directors have pleasure in recommending dividend @ 75% for the year ended 31st March 2014.

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

DIRECTORS' REPORT

expressed in this section, consequent to new information, future events, or otherwise.

A. Business Overview

■ **Economy:** The Indian economy's growth rate of 4.7% for FY14 was the second successive year of below 5% growth. This is due to an aggregate of factors including slow pace of reforms, high interest rates and inflation, infrastructure bottlenecks and bureaucratic hurdles. The CAPEX cycle has bottomed out but the corporate sector is waiting for the new gov't to boost policies and implementation. After the general elections in May 2014, for the first time in 3 decades India is having a gov't with majority in the parliament which will enable it to take effective steps. As regards the global economy, China which was the growth engine driving world economy is now slowing down. Its growth rate is down to 7% from 9-10% p.a. earlier. Its growth may stabilize around the 6.5-7% level. Europe has improved slightly as compared to the past few years but other emerging markets such as Brazil, Russia etc are growing at slow rate as the golden era of commodity boom is witnessing a slowdown. The US economy is steadily improving and is likely to report incremental CAPEX, employment creation and manufacturing revival in the coming months.

■ **Business Overview:** Sarla Performance Fibers Limited (SPFL), is a leading exporter of Regular as well as High Tenacity Polyester and Nylon Yarns. It started operations 20 years ago as a commodity manufacturer of Man Made Fiber but transformed into a high value added yarn maker in the past decade. It has an installed capacity of 11,900 tons per annum for manufacturing yarns in Silvassa and 3200 tons per annum for a Dyeing unit at Vapi. In December 2013, SPFL launched its yarns in the US market through its 100% subsidiary Sarlaflex Inc., by setting up a 30 tons per day POY plant in Walterboro, South Carolina in the US. The company's emphasis has been to focus on niche end user applications, higher value added yarns to leading global apparel brands and companies. The company exports to over 50 countries. SPFL also owns 7.25 MW of wind turbines in Gujarat and Maharashtra. Our plant load factor for the fiscal year 2014 ranged between 23% and 25%.

■ **Customer Segments and Growth:** The company's customer segments can be divided into four parts:

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

Turnover Break Up (Customer Segment-wise)

Segment	FY 2013-14 (% of Total Sales)	FY 2012-13 (% of Total Sales)
Innerwear, Narrow Fabrics, Hosiery and Sportswear	33.54	38.33
Threads	32.05	29.81
Industrial Yarns	9.91	17.31
Regular Yarns	24.50	14.55
	100.00	100.00

Turnover Break Up (Geographical)

Region	FY 2013-14 (% of Total Sales)	FY 2012-13 (% of Total Sales)
South, North & Central America	18.27	33.89
Middle East & Europe	38.20	30.48
Africa	6.35	7.47
Asia Pacific	37.18	28.16
	100.00	100.00

In all, we export to over 48 countries and to 116 customers. Our customer concentration is well distributed and no single customer exceeds more than 15% of our revenue.

B. Opportunities and Threats:

The textile sector exports (including ready made garments) amounted to approximately USD155b in FY14, slightly better compared to that in FY13. Textile exports now form 11% of India's total exports. Until FY08 the textile exports formed 15-26% of India's total exports.

The textile exports registered slightly better growth due to the depreciation in INR vs the USD last year. The exports of man made fiber fell as compared to the previous year. This indicates that the cost of production of Indian companies is not competitive and that

the poor infrastructure, high cost of power and fuel and low labor productivity is hampering India's export growth in the textile sector.

We have been noticing this pressure on Indian textile units for quite some time now and that prompted us to set up a direct presence in the US. Our experience of setting up the POY unit in the US has been quite smooth so far. We managed to acquire land and building, secure local approvals and hire staff and start production etc within a period of 12-15 months.

Apart from our exports of yarn on worldwide basis, the new unit in US will enable us to cater to the 'compliant' yarn market. There is

DIRECTORS' REPORT

a growing preference for sourcing readymade garment and yarn for consumption in the US from the US, NAFTA and CAFTA area. A direct presence in the US puts us in a better position to capitalize on this opportunity. Currently, one local producer supplies almost 50% of the total demand for POY and DTY in the US, leaving room for new supplier like us. We also have a strong opportunity for growth in the nylon yarn segment with nylon 66 production starting this year.

As regards, our wind power business, though there is an attractive return on investment, we may not have urgency to expand. While many of the state power utilities are under duress, we deal with the Gujarat and Maharashtra electricity utilities and some large private companies which are in good health so far and we do not face any

major issues on our collections etc.)

C. Outlook: The prospects for outsourcing of polyester/nylon yarns remain healthy. This is because of

- 1) increased capacity in India and US locations and
- 2) stable INR vs USD.

While we remain optimistic about future growth, the revenue increase of 5.36% and earnings increase of 22% in FY14 were exceptional. We expect margin to remain flat at consolidated level in FY15, due to increase in operating expenditure, interest cost and depreciation on account of the new facility at US. The full reflection of the US plant will be felt in FY15 and FY16.

D. Financial Performance: Turnover: The company turnover grew by 5.65% per cent in FY13-14 (excluding trading sales). (Rs. in Lacs)

Item	2013-14	2012-13	% Increase
Raw Material Cost	12,718.59	11,584.96	9.78%
Purchase of Stock in trade	1,307.76	1,173.39	11.45%
Other Expenditure (including employees benefit expenses)	6,572.14	7,103.66	-7.48%
EBIDTA	4,550.54	3,885.34	17.12%
Interest Cost and Debt	388.89	431.08	-9.79%
Fixed Assets (Gross Block)	15,789.71	14,146.03	11.62%
Net Current Assets	3,516.85	3,779.05	-6.94%
Working Capital Finance	7,196.33	6,786.04	6.05%
Cash & Bank Balances	3,154.89	2,066.99	52.63%

Note: standalone performance comparison, Rupees in lacs.

Raw Material Cost: The increase in raw material cost relative to increase in sales was modest. Our total raw material cost increased by 9.78% last year. As a percentage of total cost it increased to 55% from 50% in FY14.

Other expenditure: The other expenditure consists of Rs. 5,952.95 Lacs and it fall sharply due to to better negotiation in the freight cost.

Interest Cost: The interest cost decreased due to effective management of funds.

Fixed Assets: The fixed assets increase was addition in plant & machinery of NYLON 66 Plant.

Short and long term borrowings: The short term borrowings increased mainly to fund increased working capital requirement.

Cash and Bank Balances: The increase in cash and bank balances is due to increase in term deposits with banks.

E. Risk and Concerns

Raw Material Sourcing: We source 42% of our RM requirements (nylon and polyester chips/fiber) from India and 58 % from imports. For our RM sources we have multiple suppliers. Last year, the price of our major RM Polyester Yarn ranged between

Rs 100 and 110 per kg and that of Nylon yarn ranged between Rs 230 and 245 per kg.

Interest Rates: The company's average gross interest cost in the last year was below 4.31 % as compared to 6% in the previous year. The company's present Debt equity Ratio is 0.83. The long term Debt equity Ratio is 0.67. Interest costs is 1.72% of total revenue.

Exchange Rate: 60% per cent of company revenue is in foreign currency (Dollar, Euro & GBP) and balance is in INR. Also, we import 34% per cent of turnover (84% of which consists of 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. For FY14, our average forward cover was for 3 months of our revenue. We realized INR 60.47 for 1 USD for FY14, 14% over FY13. Our mark-to-market FX gain for FY14 is Rs. 246.75 lacs.

Inflation: The company does not cater 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.

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

DIRECTORS' REPORT



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.

I. Value Added Statement

(Rs. in Lacs)

Particulars	FY 2013-14	FY 2012-13	FY 2011-12	FY 2010-11	FY 2009-10
Income from Production/Operations	24,365.14	23,668.86	18,979.62	16,362.51	13,058.64
Add : Other Income	783.89	78.50	144.26	124.84	83.50
Corporate Output	25,149.03	23,747.36	19,123.88	16,487.35	13,142.14
Less :Cost of Raw Materials Consumed	12,718.59	11,584.96	10,118.67	8,846.55	5,843.62
Less : Cost of Traded Goods	1,307.76	1,173.39	770.05	345.01	1,008.90
Less : Other Manufacturing Expenses	4,192.62	4,066.11	3,588.94	3,181.94	2,586.20
Less : Administrative & Other Expenses	1,760.33	2,543.43	1,705.23	1,321.45	1,109.35
Equals Gross Value Added	5,169.72	4,379.47	2,940.99	2,792.39	2,594.08
Less : Depreciation & Amortisation	935.98	802.72	704.15	586.46	512.52
Less : Extra Ordinary/Prior Period Items	—	—	—	—	5.62
Equals Net Value Added	4,233.75	3,576.75	2,236.84	2,205.94	2,075.94
Allocation of Net Value Added					
To Personnel	619.19	494.13	417.46	291.24	248.46
To Taxes(including tax on proposed dividend.)	1,087.74	791.17	521.86	489.38	510.65
To Creditors (via interest)	388.89	431.08	269.69	184.66	234.43
To Investors (via dividend)	521.27	417.02	347.52	364.71	243.26
To The Company (via retained earnings)	1,616.66	1,443.35	680.30	875.95	839.15
	4,233.75	3,576.75	2,236.83	2,205.94	2,075.94

4. SUBSIDIARY COMPANIES AND JOINT VENTURES

Sarlaflex, Inc.

Sarlaflex, Inc a 100% wholly owned subsidiary of the Company registered at South Carolina of United States of America during the year 2012-13.

Sarlaflex, Inc has made a total turnover of Rs. 912.63 Lacs (Jan 2014 to March 2014) and Incurred a net loss of Rs. 320.30 Lacs.

Sarla Overseas Holdings Limited

Sarla Overseas Holdings Limited (SOHL), 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, S.A. De C.V., 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 S.A. De C.V., based at Honduras, Central America. The company SOHL has commercial disputes with its JV partners Savitex S.A. De C.V. & MRK S.A. De C.V., resulting into the matter being referred to the appropriate judicial authority in Honduras.

The company has in place a good appraisal system to motivate all the employees. 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:

a. Last year, we incurred a CAPEX of Rs. 1,796.48 Lac. For fiscal 2015 we envisage CAPEX of Rs. 300.00 Lacs.

The matter being subjudice, the financial performance of both the JVs are not taken in to consideration while preparing the Consolidated Financial results for the year 2012-13 & 2013-14. All these accounts are considered herein in Indian Currencies.

Sarla Overseas Holdings Limited has made a total turnover of Rs. 3,274.68 Lacs and earned a net profit of Rs. 1,285.74 Lacs.

Sarla Europe Lda

Sarla Europe Lda, a subsidiary of Sarla Overseas Holdings Limited has made a total turnover of Rs. 372.55 Lacs and Incurred a net loss of Rs. 0.65 Lacs. In Sarla Europe Lda, Portugal, Sarla Overseas Holdings Limited is holding 60% 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 made a turnover of Rs. 66.17 Lacs and earned a net profit of Rs. 50.09 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 Sarla Tekstil Filament Sanayi, is Rs. 3,527.98 Lacs and Rs. 1,308.68 Lacs respectively.

DIRECTORS' REPORT

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 Sarla Tekstil and and the Share of profit in Sarla Europe, a subsidiary of Sarla Overseas Holdings Limited, were Rs. 26,182.38 Lacs and Rs. 3,214.90 Lacs p.a.

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 A 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 26 of Notes on Financial Statements accompanying Accounts.

II. Directors have selected the Accounting Policies as given in Note 26 of Notes on Financial Statements 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, 2014 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 Assets 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, 2014 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. 3,214.90 Lacs.

11. SUBSIDIARY

As required under the provisions of Section 212 of the Companies Act, 1956, the statement giving the details under Section 212 are given for Sarlaflex, Inc & Sarla Overseas Holdings Limited, The wholly owned subsidiaries 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 Sec. 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, 2014 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 Conservation, technology absorption and foreign exchange earnings and outgo are given in Annexure, which is

DIRECTORS' REPORT

FORM 'A': Form for Disclosure of Particulars with respect to Conservation of Energy.

	Current Year 2013-14	Previous Year 2012-13
A. Electricity		
a) Purchased		
Unit	2,35,97,940	2,48,85,248
Total Amount (Rs.)	10,13,24,693	10,85,04,134
Rate/Unit (Rs.)	4.29	4.36
b) Own Generation		
1) Through diesel generator	21,46,483	17,31,180
Unit per ltr. Of diesel oil	3.40	3.40
Cost/Unit (Rs.)	15.54	16.18
2) Through steam turbine generator	—	—
B. Coal		
For Boiler - Kgs.	17,74,155	14,71,299
Total Amount (Rs.)	97,93,338	76,87,025
Cost/Kgs. (Rs.)	5.52	5.22
C. Furnace Oil		
For Generating steam for Boiler - Ltr.	—	—
Total Amount (Rs.)	—	—
Cost/Ltr. (Rs.)	—	—
D. Diesel		
For Generating steam for Boiler - Ltrs.	—	—
Total Amount (Rs.)	—	—
Cost/Ltr. (Rs.)	—	—
E. Gas		
For Generating steam for Boiler - SCM	—	1,58,831
Total Amount (Rs.)	—	45,76,198
Cost/SCM (Rs.)	—	28.81
F. Others/Internal generation	—	—

G. Consumption per unit of production

	Standard (if any)	Current Year 2013-14	Previous Year 2012-13
Product - Yarns (M.T.)	—	12,426	12,806
Electricity - Units	—	2,527	2,526
Coal - Kgs.	—	575	17
Furnace Oil - Ltrs.	—	—	—
Gas-SCM	—	—	192
Coal (Specify quality)	—	—	—
Others (Specify)	—	—	—

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.	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.
	a) Capital	
	b) Recurring	
	c) Total	
	d) Total R & D expenditure as per percentage of total Turnover.	N.A.

DIRECTORS' REPORT

<p>4. Technology absorption, adoption and innovation.</p> <p>1. Efforts in brief, made towards Technology absorption, adoption and innovation products</p>	<p>Continuous efforts towards improvement of process equipment and are made out to suit market requirements and to achieve optimum operational efficiency.</p>
<p>2. Benefit derived as a result of the above efforts e.g product improvement, cost reduction, development, import substitution etc.</p>	<p>Introduction of several new products.</p>
<p>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.</p> <p>a) Technology Imported</p> <p>b) Year of Import</p> <p>c) Has Technology been fully Absorbed ?</p> <p>d) If not fully absorbed areas where this has not taken place, reasons therefore and future plans of action.</p>	<p>N.A.</p>

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.14,847.17 Lacs

FOREIGN EXCHANGE USED
Rs. 9,118.49 Lacs

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., DBS Bank, Standard Chartered Bank and IndusInd 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 AND ON BEHALF OF BOARD OF DIRECTORS

Place : Mumbai.
Date : 29th May, 2014

MADHUSUDAN S. JHUNJHUNWALA
Chairman & Whole Time Director

A great accomplishment shouldn't be the end of the road, just
the starting point for the next leap forward.

Annexure To The DIRECTORS' REPORT



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, 2014.

S. No.	Particulars	Company		
1	Name of the Subsidiary	Sarlaflex Inc.	Sarla Overseas Holdings Ltd.	Sarla Europe Lda (subsidiary of Sarla Overseas Holdings Ltd)
2	Holding Company's Interest	989000 Shares	435000 Shares	3 Shares (Held by SOHL)
3	Extent of Holding	100%	100%	60%
4	Subsidiary Financial Year	31st March 2014	31st March, 2014	31st March, 2014
5	Reporting Currency	USD	USD	EURO
6	Exchange Rate as on 31-03-2013	60.09	60.09	82.58
7	Share Capital (Rs. in Lacs)	596.5	196.99	3.18
8	Reserves & Surplus (Rs. in Lacs)	(296.61)	3,486.17	(151.13)
9	Total Assets (Rs. in Lacs)	16,485.38	4,794.99	271.04
10	Total Liabilities (Excl. 7&8) (Rs. in Lacs)	16,185.50	1,111.83	418.99
11	Investments (Other than in Subsidiary) (Rs. in Lacs)	5,482.56	0	0
12	Sales (Including Other Income) (Rs. in Lacs)	1,065.63	3,383.19	380.89
13	Profit before taxation (Rs. in Lacs)	(320.33)	1,285.75	0.65
14	Provision for Taxation (Rs. in Lacs)	NIL	NIL	NIL
15	Profit After Taxation (Rs. in Lacs)	(320.33)	1,285.75	0.65
16	Proposed Dividend (including dividend tax, if any) (Rs. in Lacs)	NIL	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	Sarlaflex Inc.	Sarla Overseas Holdings Limited	Sarla Europe Lda (subsidiary of Sarla Overseas Holdings Ltd)
2	Holding Company's Interest	989000 Shares	435000 Shares	3 Shares
3	Extent of Holding	100%	100%	60%
4	Subsidiary Financial Year	31st March, 2014	31st March, 2014	31st March, 2014
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)	(320.33)	1,285.75	0.39
	ii) For the previous financial years of the subsidiaries since they become the holding company's subsidiaries (Rs. in lacs)	(0.47)	2,200.42	(67.63)
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 AND ON BEHALF OF BOARD OF DIRECTORS

Place : Mumbai.
Date : 29th May, 2014

MADHUSUDAN S. JHUNJHUNWALA
Chairman & Whole Time Director

CORPORATE GOVERNANCE REPORT

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, 2014 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 Director is a member/Chairman is as under :-

Name of Directors	Category	Financial Year 2013-14		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. Jhunjunwala	Chairman - Executive - Promoter	4	4	Yes	—	—
Mr. Krishnakumar M. Jhunjunwala	Managing Director - Promoter	4	4	No	—	—
Mr. Arun Vaid	Director Non-Executive Independent	4	4	Yes	—	—
Mr. Jigar A. Shah	Director Non-Executive Independent	4	4	No	—	—
Mr. Anil Kumar Jain Resigned w.e.f 21/06/13	Director Non-Executive Independent	4	1	No	3	6
Mr. Lalita P. Aggarwal Apptd. w.e.f. 01/11/13	Director Non-Executive Independent	4	1	No	2	7

During the year under review, 4 Board Meetings were held on 29th May, 2013, 27th July 2013, 01st November 2013 & 17th January 2014.

Relationship among the Directors :-

Mr. Madhusudan S. Jhunjunwala and Mr. Krishnakumar M. Jhunjunwala, 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.

CORPORATE GOVERNANCE REPORT



4. AUDIT COMMITTEE:

During the year under review, four meetings of the Audit

Committee were held on 29th May, 2013, 27th July 2013, 1st November 2013 & 17th January 2014. The composition of the committee and attendance at its meetings is given below :

Name of Directors	Category	No. of Meetings Held	No. of Meetings Attended
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 is consists of Mr. Arun Vaid, Mr. Jigar A. Shah and Mr. Anil Kumar Jain (Resigned w.e.f. 21.06.2013), Mr. Lalita P. Aggarwal (Appointed w.e.f. 01/11/2013) Independent Directors as members of the Committee. During the year one meeting of Remuneration Committee was held on 29th May 2013.

The details of sitting fees paid to the Directors during the year 2013-2014 are given below:-

Name of Directors	Sitting Fees (Rs.)
Mr. Arun Vaid	30,000/-
Mr. Jigar A. Shah	30,000/-
Mr. Anil Kumar Jain	5,000/-
Mr. Lalita P. Aggarwal	10,000/-

Company has paid a remuneration of Rs. 66,00,000.00 to Mr. Krishnakumar M. Jhunjhunwala, Managing Director and Rs. 62,00,000.00 to Mr. Madhusudan S. Jhunjhunwala, Chairman & Whole Time Director of the Company during the financial year 2013- 14.

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

AGM for the Financial Year	Date	Time	Venue
2010-2011	29th September, 2011	11.30 a.m.	Registered Office of the Company: Survey No. 59/1/4, Amla Piparia Industrial Estate, Silvassa - 396 230 U.T. OF D. & N. HAVELI.
2011-2012	20th September, 2012	11.30 a.m.	
2012-2013	13th September, 2013	11.30 a.m.	

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

CORPORATE GOVERNANCE REPORT

8. DISCLOSURES

- Disclosure on materially significant related party transactions. Please refer Note no. 42 of note on financial statement. 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, 2014 to approve the Audited Annual Accounts for the year ended March 31, 2014.
- 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.

Doing is a quantum leap from imagining.

- C. During the financial year 2013-2014 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	27th September 2014 at 9 a.m.								
Venue	Registered Office situated at 59/1/4, Amli Piparia Industrial Estate, Silvassa - 396 230 U.T. of Dadra & Nagar Haveli								
Date of Book Closure	23rd September 2014 to 27th September 2014 (both days inclusive)								
Financial Calendar	1st April 2014 to 31st March 2015 The results will be published as under: <table> <tr> <td>First Quarter</td><td>Before 14th of August, 2014</td></tr> <tr> <td>Second Quarter</td><td>Before 15th of November, 2014</td></tr> <tr> <td>Third Quarter</td><td>Before 15th February, 2015</td></tr> <tr> <td>Fourth Quarter/ Annual</td><td>Before 30th May, 2015</td></tr> </table>	First Quarter	Before 14th of August, 2014	Second Quarter	Before 15th of November, 2014	Third Quarter	Before 15th February, 2015	Fourth Quarter/ Annual	Before 30th May, 2015
First Quarter	Before 14th of August, 2014								
Second Quarter	Before 15th of November, 2014								
Third Quarter	Before 15th February, 2015								
Fourth Quarter/ Annual	Before 30th May, 2015								
Dividend payment date	The payment of Dividend will start from 27th September 2014								
Listing on Stock Exchanges and Stock-Code	<ul style="list-style-type: none"> ■ Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, MUMBAI - 400 001. - Stock Code No. 526885 and ■ National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra East, MUMBAI - 400 051. - Symbol SARLAPOLY 								

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

CORPORATE GOVERNANCE REPORT

11. MARKET PRICE DATA

Monthly high/low during the year 2013-2014 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 2013	169.00	145.00	177.55	141.60
May 2013	170.00	160.00	160.00	155.00
June 2013	198.00	163.00	163.00	155.00
July 2013	182.00	165.00	165.00	160.00
August 2013	180.00	166.50	166.50	155.00
September 2013	182.70	169.00	169.00	162.00
October 2013	178.00	165.05	165.05	162.00
November 2013	177.00	161.55	161.55	167.00
December 2013	184.00	169.00	169.00	165.00
January 2014	196.00	172.10	172.10	170.00
February 2014	188.60	169.00	169.00	172.00
March 2014	194.00	162.30	162.30	161.00

Chart of Company Share Prices compared to BSE Sensex.

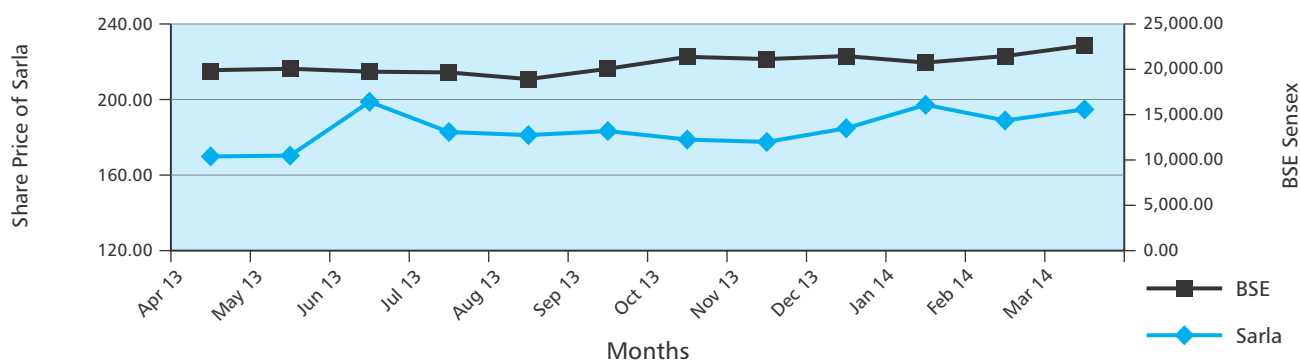
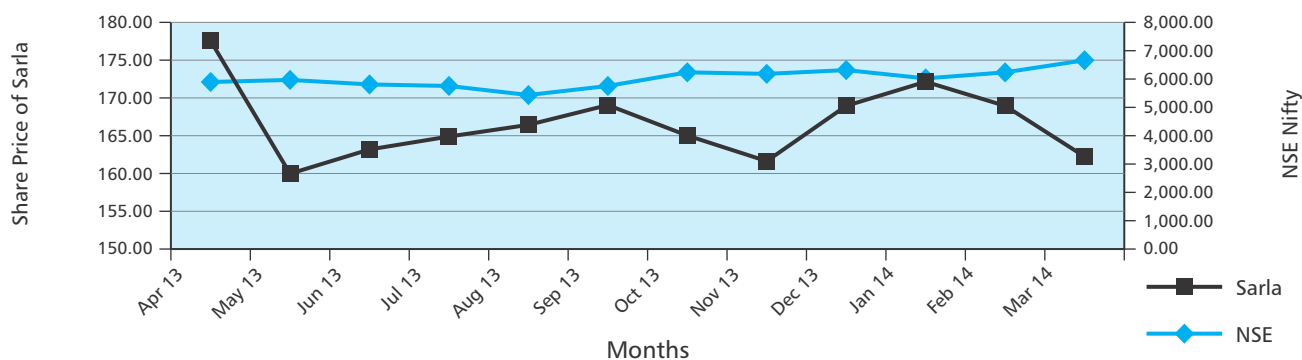


Chart of Company Share Prices compared to NSE Nifty Index.



CORPORATE GOVERNANCE REPORT

12. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2014

Shares of Nominal Value (Rs.)		Shareholders		Total Amount (Rs.)	
From	To	Number	% to Total	Amount	% to Total
1	5,000	2,111	88.11	33,93,550.00	4.88
5,001	10,000	97	4.05	7,78,900.00	1.12
10,001	20,000	74	3.09	10,78,050.00	1.55
20,001	30,000	28	1.17	7,23,610.00	1.04
30,001	40,000	11	0.46	3,98,460.00	0.57
40,001	50,000	7	0.29	3,32,460.00	0.48
50,001	1,00,000	30	1.25	21,32,010.00	3.07
1,00,001 and above		38	1.59	6,06,65,960.00	87.29
TOTAL		2,508	100.00	6,95,03,000.00	100.00

13. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2014

Category	No. of shares	%
Promoters	46,21,279	66.490
Mutual Funds & UTI	2,000	0.029
Fins / Banks	50	0.001
Venture Capital Funds	4,000	0.058
FII(S)	1,500	0.022
Private Corporate Bodies	3,69,642	5.318
Indian Public	17,97,376	25.861
NON RESIDENT INDIANS	1,53,027	2.202
Any other (Clearing Members)	1,426	0.021
Total	69,50,300	100.000

14. DEMATERIALISATION OF SHARES:

96.461% of the total equity capital of the Company was held in dematerialised form as on 31st March, 2014.

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 in physical form should also be lodged with the Registrar & Transfer Agent.

DECLARATION

I, **Madhusudan Jhunjunwala**, 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, 2014.

Place : **Mumbai.**
Date : **29th May, 2014**

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: 2270 2485 / 2264 1376 Fax: 2851 2885
E-mail: sharexindia@vsnl.com Website: www.sharexindia.com

For SARLA PERFORMANCE FIBERS LIMITED,

(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 2014 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, 2014

What draws me in is that a trip is a leap in the dark. It's like a metaphor for life. You set off from home, and in the classic travel book, you go to an unknown place. You discover a different world, and you discover yourself.

INDEPENDENT AUDITORS' REPORT

to the Members of Sarla Performance Fibers Limited

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 31st March 2014, 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") read with General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect Section 133 of the Companies Act, 2013. 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 31st March 2014.
- 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. read with General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect Section 133 of the Companies Act, 2013.
 - e. On the basis of written representations received from the directors as on 31st March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2014, 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, 2014

SARLA PERFORMANCE FIBERS LIMITED

INDEPENDENT AUDITORS' REPORT

to the Members of Sarla Performance Fibers Limited



Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Sarla Performance Fibers Limited (the company)

- i. a. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. All fixed assets have been physically verified by the management during the year. We are informed that the management on such verification has noticed no material discrepancies.
- c. The company has not disposed of any substantial part of fixed assets during the year so as to affect its going concern.
- ii. a. The management has conducted physical verification of inventory at reasonable intervals during the year.
- b. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c. The company is maintaining proper records of inventory. As explained to us, there is no material discrepancy noticed on physical verification of inventory as compared to book records.
- iii. a. According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the company and hence not commented upon.
- b. According to information and explanations given to us, the company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the company and hence not commented upon.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.

- v. a. According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and are exceeding the value of Rupees Five Lakhs in respect of any party during the year have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the company has not accepted any deposit from public.
- vii. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- ix. a. According to the records of the company, undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, custom duty, Excise duty, service tax, cess and other material statutory dues applicable to it have generally been regularly deposited with the appropriate authorities
- b. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- c. According to the information and explanation given to us, there are no dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute except as follows :

Name of the statute	Nature of dues	Amount in Rupees	Period to which the amount relate	Forum where dispute is pending
The Central Excise Act, 1944	Excise duty	19,35,62,222/-	F.Y. 1999-2000 to 2012-2013	High Courts of Ahmadabad and Bombay and Supreme Court of India.
The Central Excise Act, 1944	Custom Duty	4,75,000/-	F.Y. 1999-2000, 2000-2001	CESTAT
The Income Tax Act, 1961	Income Tax	13,16,645/-	A.Y. 2003-2004	Income Tax Appellate Tribunal
The Income Tax Act, 1961	Income Tax	3,967/-	A.Y. 2011-2012	Commissioner of Income Tax (Appeal)

INDEPENDENT AUDITORS' REPORT

to the Members of Sarla Performance Fibers Limited

- x. The company has no accumulated losses and the company has not incurred any cash losses during the financial year covered under audit or in the immediately preceding financial year.
- xi. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii. According to the information and explanations given to us and based on the documents and records produced before us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company.
- xiv. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the company.
- xv. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. According to the information and explanations given to us, during the year covered by our audit report, the company has not issued any debentures.
- xx. According to the information and explanations given to us the company has not raised any money by public issue during the period covered by our audit report.
- xxi. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the year.

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

H. P. KANODIA
Partner
Membership No. 40617

Place : Mumbai.
Date : 29th May, 2014

I advise you to say your dream is possible and then overcome all inconveniences, ignore all the hassles and take a running leap through the hoop, even if it is in flames.

BALANCE SHEET AS AT 31ST MARCH, 2014



(Rs. in Lacs)

	Note no.	Current Year 31st March 2014	Previous Year 31st March 2013
EQUITY AND LIABILITIES:			
1) <u>SHARE HOLDERS FUNDS</u>			
Share Capital	1	695.03	695.03
Reserves & Surplus	2	11,611.88	9,927.57
		12,306.91	10,622.60
2) <u>NON-CURRENT LIABILITIES</u>			
Long-Term Borrowings	3	1,936.47	2,807.06
Deferred Tax Liabilities (Net)	4	1,504.88	1,399.73
		3,441.35	4,206.79
3) <u>CURRENT LIABILITIES</u>			
Short-Term Borrowings	5	7,196.33	6,786.04
Trade Payables	6	862.76	536.60
Other Current Liabilities	7	2,211.82	1,963.62
Short-Term Provisions	8	651.76	522.46
		10,922.68	9,808.72
TOTAL		26,670.95	24,638.11
ASSETS:			
1) <u>NON-CURRENT ASSETS</u>			
Fixed Assets			
i) Tangible Assets	9	10,150.97	9,432.94
ii) Intangible Assets	10	—	—
iii) Capital Work-in-Progress		87.82	975.25
Non-Current Investments	11	779.72	238.13
Long Term Loans and Advances	12	966.14	365.09
		11,984.66	11,011.41
2) Foreign Currency Monetary Item Translation Difference Account		246.74	38.93
3) <u>CURRENT ASSETS</u>			
Current Investments	13	—	281.87
Inventories	14	4,086.38	4,553.20
Trade Receivables	15	6,135.74	5,372.47
Cash and Cash Equivalents	16	3,154.89	2,066.99
Short-term Loans and Advances	17	728.19	975.81
Other Current Assets	18	334.33	337.43
		14,439.54	13,587.77
TOTAL		26,670.95	24,638.11
Significant accounting policies and Notes of financial statement	1 to 47		
Notes referred above forms integral part of the balance sheet			

As per our report of even date attached
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2014

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman & Whole Time Director

MAHENDRA SHETH
CFO & Company Secretary

Statement of Profit and Loss for the YEAR ENDED 31ST MARCH, 2014

(Rs. in Lacs)

	Note no.	Current Year 31st March 2014	Previous Year 31st March 2013
INCOME:			
Revenue from operations	19	25,558.27	24,142.12
Less: Excise duty		952.36	788.14
		24,605.90	23,353.98
Other income	20	783.89	79.03
		25,389.80	23,433.01
EXPENSES:			
Cost of materials consumed	21	12,718.59	11,584.96
Purchase of stock-in-trade		1,307.76	1,173.39
Changes in inventories of finished goods and work-in-progress	22	240.77	(314.88)
Employee benefit expenses	23	619.19	494.13
Finance costs	24	388.89	431.08
Depreciation and amortization expenses	9 & 10	935.98	802.72
Other expenses	25	5,952.94	6,610.06
		22,164.13	20,781.47
PROFIT BEFORE TAX		3,225.66	2,651.54
TAX EXPENSE:			
Current tax (MAT)		894.00	529.00
Less: MAT Credit		—	82.58
Net Current Tax		894.00	446.42
Deferred tax		105.15	277.09
Tax adjustment of earlier years		—	(19.59)
PROFIT FOR THE PERIOD		2,226.52	1,947.61
EARNING PER EQUITY SHARE:			
Basic		32.03	28.02
Diluted		32.03	28.02
Significant accounting policies and Notes of financial statement	1 to 47		
Notes referred above forms integral part of the statement of profit and loss			

As per our report of even date attached.
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2014

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman & Whole Time Director

MAHENDRA SHETH
CFO & Company Secretary

Notes on Financial Statement for the YEAR ENDED 31ST MARCH, 2014



(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 1: <u>SHARE CAPITAL</u>		
<u>AUTHORISED CAPITAL</u>		
1,00,00,000 Equity Shares Of Rs. 10/- Each	1,000.00	1,000.00
<u>ISSUED, SUBSCRIBED AND PAID UP</u>		
69,50,300 (P.Y. 69,50,300) Equity Shares of Rs. 10/- each	695.03	695.03
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 company declares 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 2014, the amount of per share dividend recognised as distributions to equity shareholders was Rs. 7.50 (31st March 2013 Rs. 6.00)

In the event of liquidation of the company, the holders of the equity shares will be entitled to receive 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 2014 No of shares	31st March 2013 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 2014	No. of shares as on 31st March 2013
Hindustan Cotton Company - Through its partners	2,116,479	2,116,479
Satidham Industries Private Limited	1,269,814	1,241,053
Sarladevi Jhunjhunwala	388,400	388,400
Madhusudan Jhunjhunwala (HUF)	406,528	326,622

NOTE 2: <u>RESERVES AND SURPLUS</u>		
<u>CAPITAL RESERVES</u>		
Balance as per last balance sheet	194.08	182.40
Add: Capital subsidy	—	11.68
	194.08	194.08
<u>GENERAL RESERVE</u>		
Balance as per last balance sheet	3,774.38	3,474.38
Add: Transferred from statement of profit & loss	1,500.00	300.00
	5,274.38	3,774.38
<u>SURPLUS</u>		
Balance as per last balance sheet	5,959.12	4,796.18
Add: Profit for the period	2,226.52	1,947.61
Add: Excess provision for Dividend distribution tax written back	67.65	—
Less: Appropriations:		
Transferred to General reserve	1,500.00	300.00
Proposed Dividend	521.27	417.02
Tax on Dividend	88.59	67.65
Closing balance in statement of profit & loss	6,143.42	5,959.12
TOTAL	11,611.88	9,927.57

Notes on Financial Statement for the YEAR ENDED 31ST MARCH, 2014

(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 3: LONG TERM BORROWING		
TERM LOANS:		
SECURED LOANS - FROM BANKS		
From Standard Chartered Bank Foreign Currency Loan (Exclusive charge on wind turbine generator financed and situated at Satara & Sangli Dist. at Maharashtra & exclusive charge on wind turbine generator situated at Baradia, Gujarat and personal guarantee of managing director) (Total loan of USD 39,00,000) (Term loan of USD 2000000 Repayable in 16 equal quarterly installment of USD 1,25,000 each till March 2016) (Term loan of USD 1900000 Repayable in 16 equal quarterly installment of USD 1,18,750 each till June 2017)	873.32	1,382.15
From DBS Bank Foreign Currency Loan (Exclusive charge on wind turbine generator financed and situated at Sangli Dist. At Maharashtra & and personal guarantee of managing director) (Term loan of USD 3000000 Repayable in 15 equal quarterly installment of USD 2,00,000 each till June 2017)	1,063.15	1,424.91
Vehicle Loan (Exclusive charge on vehicle financed)		
TOTAL	1,936.47	2,807.06
NOTE 4: DEFERRED TAX LIABILITY (NET)		
On account of depreciation	1,504.88	1,399.73
TOTAL	1,504.88	1,399.73
NOTE 5: SHORT TERM BORROWING		
LOANS REPAYABLE ON DEMAND		
Secured Loans		
From Banks:		
Packing Credit Loan	4,680.52	4,702.61
Post Shipment Credit	—	—
Foreign Documentary Bill Purchase/Bill Discounting	2,046.84	944.14
Buyers Credit	26.90	1,139.28
Working Capital Demand Loan	442.07	—
(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 Wind Turbine Generator). (These facilities are further secured by personal guarantee of Managing Director.)		
TOTAL	7,196.33	6,786.04

Notes on Financial Statement for the
YEAR ENDED 31ST MARCH, 2014



(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 6: <u>TRADE PAYABLES</u>		
TRADE PAYABLES	862.76	536.60
TOTAL	862.76	536.60
NOTE 7: <u>OTHER CURRENT LIABILITIES</u>		
Current maturities of long-term debts	1,072.90	703.87
Unpaid dividend	32.35	29.48
Other Payables:		
TDS payable	0.04	7.97
Sales tax payable	8.37	76.76
Other statutory dues payable	2.58	0.96
Excise duty payable	136.12	185.69
Sundry creditors	652.41	705.24
Advance from customers	56.59	139.60
Excess cheques drawn	250.47	114.05
TOTAL	2,211.82	1,963.62
NOTE 8: <u>SHORT TERM PROVISIONS</u>		
<u>FOR EMPLOYEE BENEFITS</u>		
- Provision for gratuity (refer note 40)	33.19	27.40
- Provision for leave encashment	2.42	2.08
- Provision for bonus	6.30	6.14
- Salaries and wages payable	—	2.17
	41.90	37.79
<u>FOR OTHERS</u>		
Provision for dividend	521.27	417.02
Provision for tax on dividend	88.59	67.65
	609.86	484.67
TOTAL	651.76	522.46

Notes on Financial Statement for the
YEAR ENDED 31ST MARCH, 2014

NOTE 9: TANGIBLE ASSETS

(Rs. in Lacs)

PARTICULARS	GROSS CARRYING AMOUNT			DEPRECIATION				NET CARRYING AMOUNT		
	As on 01-04-2013	Addition/ adjustment	Deduction/ adjustment	As on 31-03-2014	Upto 31-03-2013	For the Year	Deduction	Upto 31-03-2014	As on 31-03-2014	As on 31-03-2013
Land	91.17	—	—	91.17	—	—	—	—	91.17	91.17
Factory Building	1,869.75	53.79	—	1,923.54	343.47	63.26	—	406.73	1,516.80	1,526.27
Plant and Machinery (#)	7,269.21	1,423.07	72.60	8,619.68	3,697.25	599.41	2.81	4,293.85	4,325.83	3,571.96
Electrical Installations	385.11	0.74	—	385.85	204.88	25.94	—	230.82	155.03	180.23
Office Equipment	32.28	5.29	—	37.57	11.94	1.68	—	13.62	23.95	20.34
Computers	59.79	5.67	—	65.46	56.29	6.02	—	62.31	3.14	3.50
Vehicles	143.22	—	1.25	141.97	51.48	13.54	—	65.02	76.94	91.74
Furniture & Fixture	45.86	6.42	—	52.27	15.17	3.08	—	18.26	34.02	30.68
Wind Turbine Generator (#)	4,163.85	301.50	71.30	4,394.06	296.34	217.24	—	513.58	3,880.48	3,867.51
Other Fixed Assets	78.26	—	0.12	78.14	28.74	5.80	—	34.53	43.60	49.52
	14,138.51	1,796.48	145.27	15,789.71	4,705.57	935.98	2.81	5,638.74	10,150.97	9,432.94

(#) Addition is net of loss of Rs 30,150,328/- (PY gain of Rs 46,27,036/-) 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 01-04-2013	Addition/ adjustment	Deduction/ adjustment	As on 31-03-2014	Upto 31-03-2013	For the Year	Deduction	Upto 31-03-2014	As on 31-03-2014	As on 31-03-2013
Computer Software	7.52	0.00	0.00	7.52	7.52	0.00	0.00	7.52	0.00	0.00
TOTAL	7.52	0.00	0.00	7.52	7.52	0.00	0.00	7.52	0.00	0.00

Notes on Financial Statement for the YEAR ENDED 31ST MARCH, 2014



(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 11: <u>NON -CURRENT INVESTMENT</u> (Valued at cost unless otherwise stated)		
Trade:		
Investment in equity shares:	—	—
In subsidiary companies:	183.22	183.22
Sarla Overseas Holdings Limited (4,35,000 Shares of USD 1.00 each)		
Sarlaflex Inc USA (9,89,000 Shares of USD 1.00 each, PY NIL 1,00,200 Shares of USD 1.00 each)	596.50	54.91
	779.72	238.13
(Aggregate amount of Unquoted investment)	779.72	238.13
(Provision made for diminution of investment)	—	—
NOTE 12: <u>LONG-TERM LOANS AND ADVANCE</u> (Unsecured, considered good)		
Capital advances	16.01	16.01
Security deposits (#)	352.65	337.53
Other loans and advance	597.49	11.55
	966.14	365.09
(#) Includes deposit given to concerns in which directors are interested. Refer Note No. 42		
NOTE 13: <u>CURRENT INVESTMENT</u> (Valued at cost or market value, whichever is lower)		
Investment in mutual funds		
HDFC Cash Management Fund - Treasury Advantage Plan - Weekly Dividend - Reinvestment (CY NIL, PY 14,14,460.22 units)	—	141.87
LIC Nomura FMP series - Growth Plan (CY NIL, PY 4,00,000 Units)	—	40.00
SBI Magnum Income Plan - Growth (CY NIL, PY 10,00,000 Units)	—	100.00
	—	281.87
(Aggregate amount of Unquoted investment)	—	281.87
(Provision made for diminution in value of investment)	—	—
NOTE 14: <u>INVENTORIES</u> (As taken, valued and certified by the Management)		
Raw Materials	1,594.18	1,853.73
Work-In -Progress	1,229.29	1,179.53
Finished goods	1,100.76	1,391.28
Stores and Spares	34.99	39.95
Oil & lubricant	60.91	24.60
Power & Fuel	3.81	10.87
Packing Materials	62.43	53.21
	4,086.38	4,553.20

Notes on Financial Statement for the YEAR ENDED 31ST MARCH, 2014

(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 15: <u>TRADE RECEIVABLE</u> (Unsecured, considered good)		
Outstanding for more than 6 months from due date (#)	476.80	571.99
Outstanding for less than 6 months form due date (#)	5,658.95	4,800.48
	6,135.74	5,372.47
(#) Includes Receivable from Subsidiary Company. Refer Note No. 42		
NOTE 16: <u>CASH AND BANK BALANCES</u>		
<u>CASH AND CASH EQUIVALENTS:</u>		
Balance with banks	54.97	374.56
Cash on hand	11.42	12.30
	66.39	386.86
<u>OTHER BANK BALANCES:</u>		
Balance in unpaid dividend account	32.35	29.48
Fixed deposits [Fixed deposits of Rs. 7,46,13,968 (P.Y. Rs. 5,46,16,622) pledged as margin money deposit]	3,056.15	1,650.65
	3,088.51	1,680.13
	3,154.89	2,066.99
NOTE 17: <u>SHORT TERM LOANS AND ADVANCES</u>		
Others		
Unsecured, considered good	519.75	812.77
Advance Income Tax (Net of Provisions)	208.44	163.05
	728.19	975.81
	728.19	975.81
NOTE 18: <u>OTHER CURRENT ASSETS</u>		
Other receivable	125.01	279.78
Interest receivables	209.32	57.64
	334.33	337.43

Notes on Financial Statement for the YEAR ENDED 31ST MARCH, 2014



(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 19: REVENUE FROM OPERATIONS		
A) <u>Sale of Products/ Services:</u>		
Local Sales	8,396.54	7,590.77
Export Sales	14,052.25	14,217.56
Deemed Export Sales	769.16	564.01
Trading Sales	1,332.40	1,212.15
Sale of Wind Power	582.62	380.21
	25,132.98	23,964.71
B) <u>Other Operating Revenues:</u>		
Export benefits	73.72	92.92
Export Incentives(Focus License)	327.88	—
Sale of Waste yarn	23.69	13.12
REC income	—	71.36
	425.29	177.41
	25,558.27	24,142.12
NOTE 20: OTHER INCOME		
Dividend Income on Current investments	2.02	13.52
Dividend Income from Subsidiary	439.71	—
Profit on sale of fixed assets	64.27	—
Exchange rate difference (Net)	155.46	64.89
Duty drawback received	74.97	—
Miscellaneous Income	0.10	0.62
Credit balance written back	47.35	—
	783.89	79.03
NOTE 21: COST OF MATERIALS CONSUMED		
Inventory at the beginning of the year	1,853.73	1,451.64
Add: Purchase	12,459.04	11,987.05
Add: interunit transfer purchases	2,960.89	2,470.65
	17,273.67	15,909.34
Less: interunit transfer sales	2,960.89	2,470.65
Less: Inventory at the end of the year	1,594.18	1,853.73
Cost of materials consumed	12,718.59	11,584.96
NOTE 22: (INCREASE)/ DECREASE IN INVENTORIES		
<u>Inventories at the end of the year:</u>		
Work-in-progress	1,229.29	1,179.53
Finished goods	1,100.76	1,391.28
	2,330.05	2,570.82
<u>Inventories at the beginning of the year:</u>		
Work-in-progress	1,179.53	969.64
Finished goods	1,391.28	1,286.30
	2,570.82	2,255.94
	240.77	(314.88)

Notes on Financial Statement for the YEAR ENDED 31ST MARCH, 2014

(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 23: <u>EMPLOYEE BENEFIT EXPENSES</u>		
Salaries, wages and bonus	511.94	389.11
Contribution to provident and other funds	43.90	52.09
Staff welfare expenses	63.35	52.92
	619.19	494.13
NOTE 24: <u>FINANCE COSTS</u>		
Interest expenses	441.83	375.52
Less: Interest income on bank deposits	248.31	134.76
Net interest expenses	193.53	240.75
Bank charges	195.36	190.32
	388.89	431.08
NOTE 25: <u>OTHER EXPENSES</u>		
<u>Manufacturing expenses:</u>		
Consumption of stores and spare parts	301.77	241.58
Power and fuel	1,336.57	1,266.00
Consumption of packing materials	943.90	937.19
Consumption of oils and chemicals	374.76	358.70
Labour charges	984.78	886.41
Clearing and forwarding charges	202.91	162.42
Repairs and Maintenance:		
Building	15.83	14.60
Machinery	38.21	40.41
Excise duty expenses (#)	(49.56)	110.69
Water, waste and effluent treatment charges	43.45	48.09
<u>Administrative and selling expenses:</u>		
Rent	—	44.09
Repairs and Maintenance - Others	44.32	54.06
Insurance	22.82	41.54
Rates and taxes	16.09	12.16
Director sitting fees	0.75	0.62
Legal and professional fees	82.28	66.16
Miscellaneous expenses	542.44	393.61
Payment to auditor:		
<u>As auditors:</u>		
Audit fee	8.50	7.50
Limited review	0.20	0.20
<u>In other capacity:</u>		
Other services (certification fees)	0.16	0.16
Freight and forwarding charges	728.35	1,141.33
Commission on sales	294.86	203.05
Bad debts written off	—	17.00
Transmission charges	13.55	24.71
Exchange difference (Net)	—	—
Duty drawback Written off	—	537.23
Net loss on sale of long term investments	6.00	0.53
	5,952.94	6,610.06

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

Cash Flow Statement for the YEAR ENDED 31ST MARCH, 2014



(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
CASH FLOW FROM THE OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary items	3,225.67	2,651.54
ADJUSTMENT FOR		
Depreciation	935.98	802.72
Interest Paid	637.20	565.84
Interest Received	(248.31)	(134.76)
Capital Gain on Sale of Investment/Assets	(58.27)	0.53
Dividend Received	(441.73)	(13.52)
Operating Profit Before Working Capital Changes	4,050.53	3,872.35
ADJUSTMENT FOR CHANGES IN WORKING CAPITAL		
Trade & Other Receivable	(763.27)	(603.42)
Inventories	466.81	(722.71)
Loans & Advances	(304.94)	862.34
Trade & Other Payable	209.44	(718.44)
Foreign exchange fluctuation	(207.82)	—
Cash Generated From Operations	3,450.76	2,690.11
Prior Period Expenses/Extra Ordinary Items	—	—
Income Tax Paid	(939.39)	(507.60)
Deferred Tax Liabilities	—	—
Net Cash Flow from Operating Activities (1)	2,511.37	2,182.51
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(837.75)	(3,785.47)
Purchase Of Investment	(259.72)	(190.46)
Dividend Received	441.73	13.52
Gain on Sale of Investment/Assets	—	(0.53)
Sale of Assets	129.44	—
Interest Received	248.31	134.76
Net Cash Flow from Investing Activities (2)	(277.99)	(3,828.17)
CASH FLOW FROM FINANCING ACTIVITIES		
Net Fund Raised/(Repayment)	(91.26)	3,542.58
Dividend Paid	(417.02)	(347.51)
Dividend Tax Paid	—	(56.38)
Interest Paid	(637.20)	(565.84)
Net Cash Raised From Financing Activities (3)	(1,145.48)	2,572.84
Net Changes in Cash & Cash Equivalent (1+2+3)	1,087.90	927.18
Cash And Cash Equivalent - Opening Balance	2,066.99	1,139.82
Cash And Cash Equivalent - Closing Balance	3,154.89	2,066.99

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, 2014

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman & Whole Time Director

MAHENDRA SHETH
CFO & Company Secretary

Notes on Financial Statement for the YEAR ENDED 31ST MARCH, 2014

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. These financial statements have been prepared to comply in all material aspects with the account standards notified under section 211(3C) [Companies (Accounting Standards) Rules 2006, as amended] and the other 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 statement of Profit & Loss.

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.

SARLA PERFORMANCE FIBERS LIMITED

Notes on Financial Statement for the YEAR ENDED 31ST MARCH, 2014



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 crystallise, as deferred tax charge/benefit in the statement of Profit & Loss 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.

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 statement of Profit & Loss 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 Statement of Profit and Loss.

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 statement of profit & loss 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: CONTINGENT LIABILITIES NOT PROVIDED FOR

A. CONTINGENT LIABILITIES

1. Letter of credit: Letter of Credit issued by Banks on behalf of the Company Rs. 1873.46 Lacs (P.Y. Rs. 1115.26 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.

Stand-by Letter of credit issued by Banks on behalf of Sarlaflex, Inc, WOS for USD. 8.34 million (P.Y. USD 3.00 millions) equivalent to Rs. 5,013.91 lacs (P.Y. Rs. 1,630.05 lacs).

2. Guarantees: Bank Guarantees issued by Banks on behalf of the company Rs. 431.90 Lacs (P.Y. Rs. 359.90 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. 2,771.66 Lac (P.Y. Rs. 2,325.53 Lacs).

4. Bill discounted not matured Rs. 2,046.85 Lacs (P.Y. Rs. 944.14 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. 2,144.50 Lacs (P.Y. Rs. 4,304.85) 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 appeal pending before CIT (A) amounting to Rs. 0.04 Lacs for A.Y. 2011-12.

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

Notes on Financial Statement for the YEAR ENDED 31ST MARCH, 2014

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. 301.50 lacs (P.Y. gain of Rs. 46.27 lacs) is adjusted in Fixed Assets 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 basis 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.

The company has invested USD 1,00,200 equivalent to Rs. 54.91 lacs in the year ended 31.03.2013 for 100% share being 1,00,200 shares of Sarlaflex, Inc registered at USA. During the year capital of Sarlaflex, Inc was increased to USD 9,89,000 and the company has further invested USD 8,88,800 equivalent to Rs. 541.59 Lacs for holding 100% shares of Sarlaflex, Inc registered at USA and as a result the said company is also 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	7,363.73	57.90	5,868.35	50.65
Indigenous	5,354.86	42.10	5,716.61	49.35
TOTAL	12,718.59	100.00	11,584.96	100.00

NOTE 32: STORES AND SPARES CONSUMED

(Rs. in Lacs)

	Current Year		Previous Year	
	Amount	% of Consumption	Amount	% of Consumption
Imported	35.16	11.54	15.85	6.56
Indigenous	266.61	88.46	225.73	93.44
TOTAL	301.77	100.00	241.58	100.00

NOTE 33: C.I.F. VALUE OF IMPORTS

(Rs. in Lacs)

	Current Year	Previous Year
Capital Goods	43.277	832.52
Raw Materials	7,254.24	6,113.21
Trading Goods	998.95	1,156.24
Stores, packing materials and consumables	350.49	328.98

NOTE 34: EXPENDITURE IN FOREIGN CURRENCY

(Rs. in Lacs)

	Current Year	Previous Year
Travelling	102.52	101.83
Commission on export sales	130.38	66.97
Interest	238.63	84.40

NOTE 35: EARNINGS IN FOREIGN CURRENCY

(Rs. in Lacs)

	Current Year	Previous Year
F.O.B. value of exports	14,847.17	14,922.28

NOTE 36:

Managing Director's remuneration is Rs. 66.00 Lacs (P.Y. Rs. 54.00 Lacs) & the whole time Director's remuneration is Rs. 62.00 Lacs (P.Y. Rs. 40.00 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.

Notes on Financial Statement for the YEAR ENDED 31ST MARCH, 2014



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. 105.15 lacs (P.Y. Rs. 277.09 lacs) which is charged to statement of profit and loss.

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)	2,226.52	1,947.61
C) Basic and diluted earnings per equity share of Rs.10/- each (in Rupees)	32.03	28.02

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"

Defined Benefit Plans:	Current Year Gratuity	Previous Year Gratuity
i) Changes in the present value of Obligations		
Present value of Defined Benefit Obligation on 01-04-2013	9,719,427	7,170,937
Interest Cost	801,853	627,457
Current Service Cost	880,795	767,988
Benefit Paid during the year	—	(384,641)
Actuarial (Gain)/Loss on Defined Benefit Obligation	104,774	1,537,686
Present value of Defined Benefit Obligation as on 31-03-2014	11,506,849	9,719,427
ii) Changes in the Fair Value of Plan Assets		
Fair Value of Plans Assets as on 01-04-2013	6,979,741	5,313,256
Excess Provision	-	—
Expected Return on Plan Assets for the year ending 31-3-2014	646,736	563,184
Contribution made by the employer	561,535	1,487,942
Benefit paid during the year	—	(384,641)
Actuarial gain (Loss) on plan assets	—	—
Fair Value of Plans Assets as on 31-03-2014	8,188,012	6,979,741
iii) Amount to be recognised in the Balance Sheet as on 31-03-2014		
Present Value of the Defined Gratuity Benefits Obligation 31-03-2014	11,506,849	9,719,427
Fair Value of Plans Assets as on 31-03-2014	(8,188,012)	(8,646,226)
Liability Recognised in the Balance Sheet as on 31-03-2014	3,318,837	1,073,201
iv) Expenses recognised in the Statement of Profit and Loss		
Current Service Cost	880,795	767,988
Interest Cost on Obligation	801,853	627,457
Expected Return on Plan Assets	(646,736)	(563,184)
Actuarial (Gain)/Loss on Defined Benefit Obligation	104,774	1,537,686
Expenses recognised in the Statement of Profit and Loss	1,140,686	2,369,947
v) Actual Return on Plan Assets		
Expected Return on Plan Assets	646,736	563,184
Actuarial gain (Loss) on plan assets	—	—
Actual Return on Plan Assets	646,736	563,184
vi) Actuarial Assumptions		
Rate of interest	9.25%	8.25%
Salary growth	8.0%	8%
Withdrawal rate	1%	1%

Notes on Financial Statement for the YEAR ENDED 31ST MARCH, 2014

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	2013-14			2012-13		
	In India	Outside India	Total	In India	Outside India	Total
Segment Revenue (Net of Excise Duty)						
Yarn:	8,638.64	14,052.25	22,690.89	7,472.69	14,217.56	21,690.25
Manufacturing:	1,332.40		1,332.40	1,212.15		1,212.15
Trading:*	582.62		582.62	451.58		451.58
Generation of Wind Power	10,553.66	14,052.25	24,605.91	9,136.42	14,217.56	23,353.98
Segment Results						
Yarn:						
Manufacturing:			3,645.64			2,811.42
Trading: *			24.64			38.76
Wind Power			(55.72)			232.44
Less: Finance cost (Unallocable)			388.89			431.08
Profit before tax			3,225.67			2,651.54
Segment Assets						
Yarn	22,768.68		22,768.68	20,191.89		20,191.89
Generation of Wind Power	3,902.27		3,902.27	4,446.22		4,446.22
Segment Liabilities						
Yarn	11,429.24		11,429.24	9,218.04		9,218.04
Generation of Wind Power	2,934.80		2,934.80	4,312.82		4,312.82
Capital Expenditure						
Yarn	1,494.98		1,494.98	612.09		612.09
Generation of Wind Power	301.50		301.50	2,198.13		2,198.13

* Trading Sales is High Seas Sales & Local Trading.

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.

2) Key Management Personnel & their Relatives

Madhusudan Jhunjhunwala - Chairman
Krishna Jhunjhunwala - Managing Director
Neha Jhunjhunwala- Relative

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 and step down subsidiary Companies

M/s Sarla Overseas Holding Ltd. - Subsidiary company
M/s SarlaFlex Inc - Subsidiary company
M/s Sarla Europe, Lda - Step down subsidiary company

Notes on Financial Statement for the YEAR ENDED 31ST MARCH, 2014



Details of transactions with above related parties:

(Rs. in Lacs)

	Associates Enterprises		Key Management Personnel & Relatives		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	—	—	—	—	—	—
Investment In Shares	—	—	—	—	—	—	779.71	238.13
Unsecured Loan Repaid	—	—	—	—	—	—	585.94	—
Remuneration	—	—	135.00	101.42	—	—	—	—
Advance Received	—	—	—	—	—	—	4.25	0.71
Security Deposit	225.00	225.00	—	—	—	—	—	—
Interest / Comission paid	—	—	—	—	—	—	67.30	32.00
Sale of Goods	—	—	—	—	—	—	3,101.79	1,812.90
Debtors	—	—	—	—	15.37	15.37	1,202.75	1,271.99
Purchase of Machine	—	—	—	—	—	53.19	—	—
Dividend Received	—	—	—	—	—	—	439.71	—
Sale of Machinery	—	—	—	—	—	—	317.30	1,005.36

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.

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

As per our annexed report

For SUNDARLAL, DESAI & KANODIA

Chartered Accountants

H. P. KANODIA

Partner

Membership No. 40617

Place : Mumbai

Date : 29th May, 2014

The forward exchange contracts outstanding as at 31st March, 2014 are as under:

Sr. No.	Currency Exchange	USD/INR	EURO/INR
1	Number of 'Buy' Contracts	NIL	NIL
2	Aggregate Currency Amount (In Rs. Lacs)	NIL	NIL
3	Number of 'Sell' Contracts	12	17
4	Aggregate Currency Amount (In Rs. Lacs)	1,143.42	1,519.41

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:

The company has reclassified/rearranged/regrouped previous year figures to conform to this year's classification.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA

Chairman & Whole Time Director

MAHENDRA SHETH

CFO & Company Secretary

**All growth is a leap in the dark, a spontaneous
unpremeditated act without benefit of experience.**

INDEPENDENT AUDITORS' REPORT

to the Board of Directors of Sarla Performance Fibers Limited

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Sarla Performance Fibers Limited (the company) & its Wholly owned subsidiary company (collectively referred as "group") which comprise the consolidated balance sheet as at 31st March 2014, and the consolidated statement of profit and loss and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the group 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") read with General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 and based on consideration of the report of other Auditor on the financial statement of step-down subsidiary and results of subsidiary and Joint-ventures as noted below, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view, **subject to note no. 37 regarding non consideration of financial statement of two joint venture companies situated at Honduras**, in conformity with the accounting principles generally accepted in India:

- a. In the case of the consolidated balance sheet, of the state of affairs of the company as at 31st March 2014.
- b. In the case of the consolidated statement of profit and loss, of the profit for the year ended on that date, and
- c. In the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

OTHER MATTERS

1. Financial statements of Wholly Owned Subsidiary Company M/s Sarla Overseas Holdings Limited which reflects total assets of Rs. 3,346.09 lacs as at 31.03.2014 and total revenue of Rs. 3,613.18 lacs for the year then ended have been audited by us.
2. We did not audit the financial statements of one step-down subsidiary company M/s Sarla Europe LDA which reflects total assets of Rs. 159.42 lacs as at 31.03.2014 and total revenue of Rs. 151.31 lacs for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, is based solely on the report of the other auditor.
3. We have relied on the unaudited financial statements of one wholly owned subsidiary company M/s Sarla Flex Inc., and one joint-venture Company M/s Sarla Tekstil Sanayi which reflects total assets of Rs. 2,756.59 lacs as at 31.03.2014 and total revenue of Rs. 566.22 lacs for the year then ended. These unaudited financial statements as approved by Board of Directors of these companies have been furnished to us by the management and our report in so far as it relates to the amounts included in respect of these companies is based solely on such approved unaudited financial statements.

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

H. P. KANODIA
Partner
Membership No. 40617

Place: Mumbai.
Date : 29th May, 2014

Consolidated
BALANCE SHEET AS AT 31ST MARCH, 2014



(Rs. in Lacs)

	Note no.	Current Year 31st March 2014	Previous Year 31st March 2013
EQUITY AND LIABILITIES:			
1) SHARE HOLDERS' FUNDS			
Share Capital	1	695.03	695.03
Reserves & Surplus	2	16,220.07	13,551.32
		16,915.10	14,246.35
2) NON-CURRENT LIABILITIES			
Long-Term Borrowings	3	12,906.73	3,710.75
Deferred Tax Liabilities (Net)	4	1,504.88	1,399.73
Other Non Current Liabilities	5	340.51	369.48
		14,752.11	5,479.96
3) CURRENT LIABILITIES			
Short-Term Borrowings	6	7,421.42	7,011.13
Trade Payables	7	1,893.20	1,148.50
Other Current Liabilities	8	4,698.78	2,278.47
Short-Term Provisions	9	651.76	924.26
		14,665.16	11,362.37
TOTAL		46,332.38	31,088.68
ASSETS:			
1) NON-CURRENT ASSETS			
Fixed Assets			
i) Tangible Assets	10	19,608.38	10,215.81
ii) Intangible Assets	11	1.89	1.70
iii) Capital Work-in-Progress		87.82	2,655.16
Long Term Loans and Advances	12	698.15	1,135.16
Non-Current Investments	13	5,482.56	—
		25,878.81	14,007.84
2) Foreign Currency Monetray Item Translation Difference Account		246.74	38.93
3) CURRENT ASSETS			
Current Investments	14	—	281.87
Inventories	15	7,080.64	6,069.93
Trade Receivables	16	7,554.55	5,835.05
Cash and Cash Equivalents	17	3,684.93	2,184.37
Short-term Loans and Advances	18	1,502.75	2,085.63
Other Current Assets	19	383.94	585.05
		20,206.82	17,041.91
TOTAL		46,332.38	31,088.68
Significant accounting policies and Notes on Financial Statement Notes referred above forms integral part of the balance sheet	1 to 40		

As per our report of even date attached
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2014

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman & Whole Time Director

MAHENDRA SHETH
CFO & Company Secretary

Consolidated Statement of Profit and Loss for the YEAR ENDED 31ST MARCH, 2014

(Rs. in Lacs)

	Note no.	Current Year 31st March 2014	Previous Year 31st March 2013
INCOME:			
Revenue from operations	20	27,134.74	26,657.60
Less: Excise duty		952.36	788.14
		26,182.38	25,869.46
Other income	21	1,078.57	81.37
		27,260.95	25,950.83
EXPENSES:			
Cost of materials consumed	22	12,920.13	12,154.68
Purchase of stock-in-trade		1,454.28	1,910.26
Changes in inventories of finished goods and work-in-progress	23	(582.52)	(305.54)
Employee benefit expenses	24	1,216.88	526.51
Finance costs	25	437.75	434.67
Depreciation and amortization expenses	10 & 11	1,100.68	822.44
Other expenses	26	6,499.71	6,904.05
		23,046.91	22,446.30
PROFIT BEFORE TAX		4,214.04	3,503.74
TAX EXPENSE:			
Current tax (MAT)		894.00	529.00
Less: MAT Credit		—	82.58
Net Current Tax		894.00	448.45
Deferred tax		105.15	277.09
Tax adjustment of earlier years		—	(19.59)
PROFIT FOR THE PERIOD		3,214.90	2,797.78
EARNING PER EQUITY SHARE:			
Basic		46.26	40.25
Diluted		46.26	40.25
Significant accounting policies and Notes on Financial Statements	1 to 40		
Notes referred above forms integral part of the statement of profit and loss			

As per our report of even date attached
For SUNDARLAL, DESAI & KANODIA
Chartered Accountants

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2014

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman & Whole Time Director

MAHENDRA SHETH
CFO & Company Secretary

Consolidated Cash Flow Statement for the YEAR ENDED 31ST MARCH, 2014



(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
CASH FLOW FROM THE OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary items	4,214.05	3,503.77
ADJUSTMENT FOR		
Depreciation	1,100.69	822.44
Interest Paid	686.06	569.43
Interest Received	(248.30)	(134.76)
Capital Gain/Loss on Sale of Investment/Assets	(58.27)	0.53
Dividend Received	(441.73)	(13.52)
Operating Profit Before Working Capital Changes	5,252.50	4,747.89
ADJUSTMENT FOR CHANGES IN WORKING CAPITAL		
Trade & Other Receivable	(1,719.50)	617.78
Inventories	(1,010.71)	(651.18)
Loans & Advances	1,266.38	(1,531.52)
Trade & Other Payable	846.29	56.82
Foreign exchange fluctuation	(207.82)	—
Cash Generated From Operations	4,427.14	3,239.79
Prior Period Expenses/Extra Ordinary Items	—	—
Income Tax Paid	(939.39)	(507.60)
Deferred Tax Liabilities	—	—
Net Cash Flow from Operating Activities (1)	3,487.75	2,732.19
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(8,001.20)	(5,462.58)
Purchase Of Investment	(5,200.70)	(135.55)
Dividend Received	441.73	13.52
Gain on Sale of Investment/Assets	129.44	0.53
Sale of Investment	—	—
Interest Received	248.31	134.76
Net Cash Flow from Investing Activities (2)	(12,382.42)	(5,450.37)
CASH FLOW FROM FINANCING ACTIVITIES		
Preferential Warrants Issued	—	—
Net Fund Raised/(Repayment)	11,900.12	4,623.19
Dividend Paid	(818.83)	(347.51)
Dividend Tax Paid	—	(56.38)
Interest Paid	(686.06)	(569.43)
Net Cash Raised From Financing Activities (3)	10,395.24	3,649.87
Net Changes in Cash & Cash Equivalent (1+2+3)	1,500.57	931.69
Cash And Cash Equivalent - Opening Balance	2,184.37	1,252.69
Cash And Cash Equivalent - Closing Balance	3,684.93	2,184.37

Notes:

- 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.
- 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

FOR AND ON BEHALF OF BOARD OF DIRECTORS

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2014

MADHUSUDAN S. JHUNJHUNWALA
Chairman & Whole Time Director

MAHENDRA SHETH
CFO & Company Secretary

Notes on Consolidated Financial Statement for the YEAR ENDED 31ST MARCH, 2014

(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 1: SHARE CAPITAL		
<u>AUTHORISED CAPITAL</u>		
1,00,00,000 Equity Shares Of Rs. 10/- Each	1,000.00	1,000.00
<u>ISSUED, SUBSCRIBED AND PAID UP</u>		
69,50,300 (P.Y. 69,50,300) Equity Shares of Rs. 10/- each	695.03	695.03
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 company declares 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 2014, the amount of per share dividend recognised as distributions to equity shareholders was Rs. 7.50 (31st March 2013 Rs. 6.00)		
In the event of liquidation of the company, the holders of the equity shares will be entitled to receive 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 2014 No of shares	31st March 2013 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 2014	No. of shares as on 31st March 2013
Hindustan Cotton Company - Through its partners	2,116,479	2,116,479
Satidham Industries Private Limited	1,269,814	1,241,053
Sarladevi Jhunjhunwala	388,400	388,400
Madhusudan Jhunjhunwala (HUF)	406,528	326,622
NOTE 2: RESERVES AND SURPLUS		
<u>CAPITAL RESERVES</u>		
Balance as per last balance sheet	237.73	226.05
Add: Capital subsidy	—	11.68
	237.73	237.73
<u>GENERAL RESERVE</u>		
Balance as per last balance sheet	3,774.38	3,474.38
Add: Transferred from statement of profit & loss	1,500.00	300.00
	5,274.38	3,774.38
<u>SURPLUS</u>		
Balance as per last balance sheet	9,543.39	7,932.05
Add: Profit for the period	3,214.41	2,797.81
Add: Excess provision for Dividend distribution tax written back	67.65	—
Less: Appropriations:		
Transferred to General reserve	1,500.00	300.00
Proposed Dividend	521.27	818.82
Tax on Dividend	88.59	67.65
Closing balance in statement of profit & loss	10,715.58	9,543.39
Foreign Currency translation reserve	(10.68)	(7.24)
Profit on Consolidation	3.06	3.06
TOTAL	16,220.07	13,551.32

Notes on Consolidated Financial Statement for the YEAR ENDED 31ST MARCH, 2014



(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 3: LONG TERM BORROWING		
TERM LOANS:		
SECURED LOANS - FROM BANKS		
From Standard Chartered Bank	873.32	1,382.15
Foreign Currency Loan		
(Exclusive charge on wind turbine generator financed and situated at Satara & Sangli Dist. at Maharashtra & exclusive charge on wind turbine generator situated at Baradia, Gujarat and personal guarantee of managing director)		
(Total loan of USD 39,00,000)		
(Term loan of USD 2000000 Repayable in 16 equal quarterly installment of USD 1,25,000 each till March 2016)		
(Term loan of USD 1900000 Repayable in 16 equal quarterly installment of USD 1,18,750 each till June 2017)		
From DBS Bank	1,063.15	1,424.91
Foreign Currency Loan		
(Exclusive charge on wind turbine generator financed and situated at Sangli Dist. At Maharashtra & and personal guarantee of managing director)		
(Term loan of USD 3000000 Repayable in 15 equal quarterly installment of USD 2,00,000 each till June 2017)		
From CITI BANK NA, USA	2,062.71	651.34
From Bank of America	845.01	—
(Above loans are secured by Stand By Letter of Credit given by Sarla Performance Fibers Limited)		
SECURED LOANS - NNMF		
NNMF Sub-CDE XXIII, LLC LOAN "A"	5,482.56	—
(investment in USBCDC investment fund 8, LLC)		
NNMF Sub-CDE XXIII, LLC LOAN "B"	2,251.02	—
(Above loans are secured against the Fixed Assets of Sarlaflex LLC)		
UNSECURED LOANS		
Other loans and advances	328.94	252.34
TOTAL	12,906.73	3,710.75
NOTE 4: DEFERRED TAX LIABILITY (NET)		
On account of depreciation	1,504.88	1,399.73
TOTAL	1,504.88	1,399.73
NOTE 5: OTHER NON CURRENT LIABILITIES		
Creditors for Capital goods	340.51	369.48
	340.51	369.48

Notes on Consolidated Financial Statement for the YEAR ENDED 31ST MARCH, 2014

(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 6: <u>SHORT TERM BORROWING</u>		
<u>LOANS REPAYABLE ON DEMAND</u>		
Secured Loans		
From Banks:		
Packing Credit Loan	4,680.52	4,702.61
Foreign Documentary Bill Purchase/Bill Discounting	2,046.84	944.14
Buyers Credit	26.90	1,139.28
Working Capital Demand Loan	442.07	—
(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 Related concerns	225.09	225.09
TOTAL	7,421.42	7,011.13
NOTE 7: <u>TRADE PAYABLES</u>		
TRADE PAYABLES	1,893.20	1,148.50
TOTAL	1,893.20	1,148.50
NOTE 8: <u>OTHER CURRENT LIABILITIES</u>		
Current maturities of long-term debts	2,997.72	703.87
Unpaid dividend	32.35	29.48
<u>Other Payables:</u>		
TDS payable	0.13	8.06
Sales tax payable	8.37	79.76
Other statutory dues payable	7.26	8.00
Excise duty payable	136.12	185.69
Sundry creditors	1,059.21	802.70
Advance from customers	56.59	139.60
Excess cheques drawn	262.98	114.05
Other liabilities	138.05	207.24
TOTAL	4,698.78	2,278.47
NOTE 9: <u>SHORT TERM PROVISIONS</u>		
<u>FOR EMPLOYEE BENEFITS</u>		
Provision for gratuity (refer note 40)	33.19	27.40
Provision for leave encashment	2.42	2.08
Provision for bonus	6.30	6.14
Salaries and wages payable	—	2.17
	41.90	37.79
<u>FOR OTHERS</u>		
Provision for dividend	521.27	818.82
Provision for tax on dividend	88.59	67.65
	609.86	886.47
TOTAL	651.76	924.26

(Rs. in Lacs)

(Rs. in Lacs)

NOTE 11: INTANGIBLE ASSETS

PARTICULARS	GROSS CARRYING AMOUNT				DEPRECIATION			NET CARRYING AMOUNT	
	As on 01-04-2013	Addition/ adjustment	Deduction/ adjustment	As on 31-03-2014	Upto 31-03-2013	For the Year	Upto 31-03-2014	As on 31-03-2014	As on 31-03-2013
Computer Software	9.23	0.18	0.00	9.41	7.52	0.00	7.52	1.89	1.70
TOTAL	9.23	0.18	0.00	9.41	7.52	0.00	7.52	1.89	1.70

Notes on Consolidated Financial Statement for the YEAR ENDED 31ST MARCH, 2014

(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 12: LONG-TERM LOANS AND ADVANCE (Unsecured, considered good)		
Capital advances	16.01	16.01
Security deposits (#)	352.65	337.53
Other loans and advance (#)	329.50	781.61
	698.15	1,135.16
(#) Includes deposit advances given to concerns in which directors are interested. Refer Note No. 42 of Notes on Standalone financial statements		
NOTE 13: NON-CURRENT INVESTMENT		
Investment in USBCDC Investment Fund 8, LLC	5,482.56	—
	5,482.56	—
NOTE 14: 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 (CY Nil, PY 14,14,460.22 units)	—	141.87
LIC Nomura FMP series - Growth Plan (CY Nil, PY 4,00,000 units)	—	40.00
SBI Magnum Income Plan - Growth (CY Nil, PY 10,00,000 units)	—	100.00
	—	281.87
(Aggregate amount of Unquoted investment) (Provision made for diminution in value of investment)	—	281.87
NOTE 15: INVENTORIES (As taken, valued and certified by the Management)		
Raw Materials	2,419.73	2,152.52
Work-In -Progress	1,529.50	1,214.51
Finished goods	2,841.79	2,574.25
Stores and Spares	47.84	39.95
Oil & lubricant	134.15	24.60
Power & Fuel	3.81	10.87
Packing Materials	103.81	53.21
Other Inventories		
	7,080.64	6,069.93

Notes on Consolidated Financial Statement for the YEAR ENDED 31ST MARCH, 2014



(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 16: <u>TRADE RECEIVABLE</u> (Unsecured, considered good)		
Outstanding for more than 6 months from due date	476.80	571.99
Outstanding for less than 6 months from due date	7,077.76	5,263.06
	7,554.55	5,835.05
NOTE 17: <u>CASH AND BANK BALANCES</u>		
<u>CASH AND CASH EQUIVALENTS:</u>		
Balance with banks	581.00	491.83
Cash on hand	15.42	12.39
	596.42	504.23
<u>OTHER BANK BALANCES:</u>		
Balance in unpaid dividend account	32.35	29.48
Fixed deposits [Fixed deposits of Rs. 7,46,13,968 (P.Y. Rs. 5,46,16,622) pledged as margin money deposit]	3,056.15	1,650.66
	3,088.51	1,680.14
	3,684.93	2,184.37
NOTE 18: <u>SHORT TERM LOANS AND ADVANCES</u>		
To Others		
Unsecured, considered good	1,294.31	1,922.58
Advance Income Tax (Net of Provisions)	208.44	163.05
	1,502.75	2,085.63
	1,502.75	2,085.63
NOTE 19: <u>OTHER CURRENT ASSETS</u>		
Other receivable	174.62	329.39
Interest receivables	209.32	57.64
Pre-operative expenses	—	198.02
	383.94	585.05

Notes on Consolidated Financial Statement for the YEAR ENDED 31ST MARCH, 2014

(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 20: REVENUE FROM OPERATIONS		
A) Sale of Products/ Services:		
Local Sales	8,661.43	8,305.97
Export Sales	12,679.23	12,404.66
Deemed Export Sales	769.16	564.01
Trading Sales	4,017.01	4,825.33
Sale of Wind Power	582.62	380.21
	26,709.45	26,480.18
B) Other Operating Revenues:		
Export benefits	73.72	92.92
Export Incentives(Focus License)	327.88	—
Sale of Waste yarn	23.69	13.12
REC income	—	71.36
	425.29	177.41
	27,134.74	26,657.60
NOTE 21: OTHER INCOME		
Dividend Income on Current investments	2.02	13.52
Dividend Income from Subsidiary	439.71	—
Profit on sale of fixed assets	64.27	—
Exchange rate difference (Net)	155.46	64.89
Duty drawback	74.97	—
Miscellaneous Income	294.78	2.96
Credit balance written back	47.35	—
	1,078.57	81.37
NOTE 22: COST OF MATERIALS CONSUMED		
Inventory at the beginning of the year	2,152.52	1,812.93
Add: Purchase	13,187.34	12,494.27
Add: interunit transfer purchases	2,960.89	2,470.65
	18,300.75	16,777.85
Less: interunit transfer sales	2,960.89	2,470.65
Less: Inventory at the end of the year	2,419.73	2,152.52
Cost of materials consumed	12,920.13	12,154.68
NOTE 23: (INCREASE)/ DECREASE IN INVENTORIES		
<u>Inventories at the end of the year:</u>		
Work-in-progress	1,529.50	1,214.51
Finished goods	2,841.79	2,574.25
	4,371.29	3,788.76
<u>Inventories at the beginning of the year:</u>		
Work-in-progress	1,214.51	1,004.63
Finished goods	2,574.25	2,478.60
	3,788.77	3,483.23
	(582.52)	(305.54)

Notes on Consolidated Financial Statement for the YEAR ENDED 31ST MARCH, 2014



(Rs. in Lacs)

	Current Year 31st March 2014	Previous Year 31st March 2013
NOTE 24: EMPLOYEE BENEFIT EXPENSES		
Salaries, wages and bonus	974.45	421.49
Contribution to provident and other funds	179.08	52.09
Staff welfare expenses	63.35	52.92
	1,216.88	526.51
NOTE 25: FINANCE COSTS		
Interest expenses	484.55	375.57
Less: Interest income on bank deposits	248.31	134.76
Net interest expenses	236.25	240.81
Bank charges	201.50	193.86
	437.75	434.67
NOTE 26: OTHER EXPENSES		
<u>Manufacturing expenses:</u>		
Consumption of stores and spare parts	301.77	241.58
Power and fuel	1,402.16	1,266.00
Consumption of packing materials	1,058.49	937.19
Consumption of oils and chemicals	388.80	358.70
Labour charges	1,056.72	942.54
Clearing and forwarding charges	321.16	322.19
Repairs and Maintenance:		
Building	15.83	14.60
Machinery	38.21	40.41
Excise duty expenses #	(49.56)	110.69
Water, waste and effluent treatment charges	46.81	48.09
<u>Administrative and selling expenses:</u>		
Rent	15.63	44.09
Repairs and Maintenance - Others	44.32	54.06
Insurance	57.13	41.54
Rates and taxes	24.12	12.37
Director sitting fees	0.75	0.62
Legal and professional fees	230.56	96.36
Miscellaneous expenses	547.89	428.37
Payment to auditor:		
<u>As auditors:</u>		
Audit fee	10.52	9.33
Limited review	0.20	0.20
<u>In other capacity:</u>		
Other services (certification fees)	0.16	0.16
Freight and forwarding charges	728.35	1,141.33
Commission on sales	228.21	213.92
Bad debts written off	11.97	17.00
Transmission charges	13.55	24.71
Duty drawback Written off	—	537.23
Exchange difference (Net)	(0.07)	0.23
Other direct expenses	6.00	0.53
	6,499.71	6,904.05

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

Notes on Consolidated Financial Statement for the YEAR ENDED 31ST MARCH, 2014

NOTE 27: 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 companies i.e. Sarla Overseas Holdings Limited & Sarlaflex, Inc., USA The consolidated financial statements have been prepared on the following basis:

A. The financial statements of the Company and its subsidiary companies 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 i.e. Sarla Overseas Holdings Limited (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 statement represents those of Sarla Performance Fibers Limited and its wholly owned subsidiaries, SarlaFlex Inc, USA & Sarla Overseas Holdings Ltd., BVI (SOHL). Financial statements of SOHL includes, Sarla Europe, LDA in which SOHL holds 60% of its Share Capital, Savitex in which SOHL holds 40% of its Share Capital, Sarla Tekstil in which SOHL holds 45% of its Share Capital and MRK SA De C.V. in which SOHL hold 33.33% of its Share Capital. The company SOHL has commercial disputes with its JV partners in joint ventures namely Savitex S.A. De C.V. & MRK S.A. De C.V., resulting into the matter being referred to the appropriate judicial authority in Honduras. The matter being subjudice, the financial performance of both the JV's are not taken in to consideration while preparing the Consolidated Financial results for the year 2013-14.

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.

Notes on Consolidated Financial Statement for the YEAR ENDED 31ST MARCH, 2014



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 statement of 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 recognized 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 crystallise, as deferred tax charge / benefit in the statement of Profit & Loss 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 is 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 28: CONTINGENT LIABILITIES NOT PROVIDED FOR

A. CONTINGENT LIABILITIES

- 1. **Letter of credit:** Letter of Credit issued by Banks on behalf of the Company Rs. 1,873.46 Lacs (P.Y. Rs. 1,115.26 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.

Stand-by Letter of credit issued by Banks on behalf of Sarlaflex, Inc, WOS of USD. 8.34 million (P.Y. UDS 3.00 millions) equivalent to Rs. 5,013.91 lacs (P.Y. Rs. 1,630.05 lacs).

Notes on Consolidated Financial Statement for the YEAR ENDED 31ST MARCH, 2014

2. **Guarantees:** Bank Guarantees issued by Banks on behalf of the company Rs. 431.90 Lacs (P.Y. Rs. 359.90 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. 2,771.66 Lacs (P.Y. Rs. 2,325.53 Lacs).

4. Bill discounted not matured Rs. 2,046.85 Lacs (P.Y. Rs. 944.14 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. 2,144.50 Lacs (P.Y. Rs. 4,304.85) for which C-Form are yet to be collected from the customers.

B. 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 appeal pending before CIT (A) amounting to Rs. 0.04 Lacs for A.Y. 2011-12.

NOTE 29:

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. 301.50 lacs (P.Y. gain of Rs. 46.27 lacs) is adjusted in Fixed Assets during the year.

NOTE 30: 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 basis 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 31:

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. The company has invested USD 1,00,200 equivalent to Rs. 54.91 lacs in the year ended 31.03.2013 for 100% share being 1,00,200 shares of Sarlaflex, Inc registered at USA. During the year capital of Sarlaflex, Inc was increased to USD 9,89,000 and the company has further invested USD 8,88,800 equivalent to Rs. 541.59 Lacs for holding 100% shares of Sarlaflex, Inc registered at USA and as a result the said company is also Wholly Owned Subsidiary of the Company.

C. 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., Honduras, out of the total capital of 40,000 shares in Savitex SA De C.V. Honduras, 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 32:

Managing Director's remuneration is Rs. 66.00 Lacs (P.Y. Rs. 54.00 Lacs) & the whole time Director's remuneration is Rs. 62.00 Lacs (P.Y. Rs. 40.00 Lacs) is in accordance with section 198 schedule XIII of the Companies Act, 1956.

NOTE 33: 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. 105.15 lacs (P.Y. Rs. 277.09 lacs) which is charged to statement profit and loss account.

NOTE 34:

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 35: 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.

Notes on Consolidated Financial Statement for the YEAR ENDED 31ST MARCH, 2014



The forward exchange contracts outstanding as at 31st March, 2014 are as under:

The forward exchange contracts outstanding as at 31st March, 2014 are as under:

Sr. No.	Currency Exchange	USD/INR	EURO/INR
1	Number of 'Buy' Contracts	NIL	NIL
2	Aggregate Currency Amount (In Rs. Lacs)	NIL	NIL
3	Number of 'Sell' Contracts	12	17
4	Aggregate Currency Amount (In Rs. Lacs)	1,143.42	1,519.41

NOTE 36:

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 37:

Sarla Overseas Holdings Limited has commercial disputes with its JV partners in joint ventures namely Savitex S.A. De C.V. & MRK S.A. De C.V., resulting into the matter being referred to the appropriate

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

H. P. KANODIA
Partner
Membership No. 40617
Place : Mumbai
Date : 29th May, 2014

Leap, and the net will appear.

judicial authority in Honduras. The matter being subjudice, the financial performance of both the JV's are not taken in to consideration while preparing the Consolidated Financial Results for the year 2013-14 & 2012-13.

NOTE 38:

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 39:

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 40:

The company has reclassified/rearranged/regrouped previous year figures to conform to this year's classification.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA
Chairman & Whole Time Director

MAHENDRA SHETH
CFO & Company Secretary

NOTICE

NOTICE is hereby given that the **21st Annual General Meeting of the Members of SARLA PERFORMANCE FIBERS LIMITED** will be held on Saturday, the **27th September, 2014** at the Registered office of the Company at Survey No.59/1/4, Amla Piparia Industrial Estate, Silvassa - 396 230, U.T. of Dadra & Nagar Haveli, at **9.00 a.m.** to transact the following businesses:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March, 2014, 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. Madhusudan Jhunjhunwala, 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 pursuant to the provisions of Section 139 of the Companies Act, 2013 M/s Sundarlal, Desai & Kanodia, Chartered Accountants (Registration No.110560W) be and are hereby appointed as Auditors of the Company for a term of 3 years, to hold office from the conclusion of this Annual General Meeting until the conclusion of the 24th Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors of the Company.

SPECIAL BUSINESS:

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

“RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any Statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013 and Clause 49 of the Listing Agreement, Mr. Arun Vaid (holding DIN 00351464), Director of the Company whose period of office is liable to determination by retirement of Directors by rotation, be and is hereby appointed as an Independent Director of the Company with effect from. 27th September, 2014 to hold office for five consecutive years for a term up to the conclusion of the 26th Annual General Meeting of the Company in the calendar year 2019.”

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

“RESOLVED that pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any Statutory

modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013 and Clause 49 of the Listing Agreement, Mr. Jigar Shah (holding DIN 00191165), Director of the Company whose period of office is liable to determination by retirement of Directors by rotation, be and is hereby appointed as an Independent Director of the Company with effect from. 27th September, 2014 to hold office for five consecutive years for a term up to the conclusion of the 26th Annual General Meeting of the Company in the calendar year 2019.”

7. 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 196(3)(a) and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any Statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule V to the Companies Act, 2013, consent of the members of the company be and is hereby given to the continuing of holding of the office of Whole Time Director in the company by Mr. Madhusudan S Jhunjhunwala from 1st April, 2014 to the remaining period of his term viz 31st July, 2015 on the same terms and conditions and remuneration as specified in the explanatory statement attached to the notice of the meeting.”

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

“RESOLVED that in supersession of the Ordinary Resolution adopted at the 20th Annual General Meeting held on 13th September, 2013 and pursuant to Section 180(1)(c) and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the Board of Directors to borrow moneys in excess of the aggregate of the paid up share capital and free reserves of the Company, provided that the total amount borrowed and outstanding at any point of time, apart from temporary loans obtained/to be obtained from the Company's Bankers in the ordinary course of business, so however that the total amount up to which the monies may be borrowed shall not exceed the sum of Rs. 350 crores (Rupees Three Hundred and Fifty Crores) exclusive of interest and that the Board of Directors be and is hereby further authorized to execute such deeds of debentures and debentures trust deeds or mortgage, charge, hypothecation, lien, promissory notes, deposit, receipts, and other deeds and instruments or writings as they may consider proper and containing such conditions and covenants as the Board of Directors may think fit.”

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

“RESOLVED THAT pursuant to the provisions of Section 62(1)(c) and other applicable provisions, if any, of the Companies Act, 2013(the “Companies Act”) and rules made thereunder, to the extent notified and in effect, the extant Foreign Exchange Management Act, 1999, the extant Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India)

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Regulations, 2000, the Issue of extant Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and the applicable statutes, policies, schemes, rules, regulations, guidelines, notifications, press notes and circulars, if any, issued by the Government of India, the Reserve Bank of India, the Securities and Exchange Board of India including the extant Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "SEBI (ICDR) Regulations") or any other competent authority, whether in India or abroad, from time to time, to the extent applicable including the enabling provisions of the listing agreements entered into with the stock exchanges on which the Company's equity shares are listed (the "Listing Agreements"), the Memorandum of Association and Articles of Association of the "Company" and subject to approvals, consents, permissions and sanctions as might be required of relevant statutory, regulatory, governmental authorities, (including any court, tribunal or any other judicial and/or quasi-judicial authority), ("Concerned Authorities") in this regard, as may be required and applicable and further subject to such conditions and modifications as might be prescribed while granting such approvals, consents, permissions and sanctions and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall be deemed to include any Committee(s) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution), the Board is hereby authorised on behalf of the Company, to create, offer, issue and allot (including with provisions for reservation on firm and/or competitive basis, of such part of issue and for such categories of persons (including employees of the Company as may be permitted), with or without a green shoe option, in one or more tranches, in the course of domestic and/or international offering(s) in one or more foreign markets and/or domestic market, by way of a further public issue, qualified institutions placement in accordance with the provisions of Chapter VIII of the SEBI (ICDR) Regulations ("Qualified Institutions Placement"), preferential issue in accordance with the provisions of Chapter VII of the SEBI (ICDR) Regulations, private placement or a combination thereof, such number of equity shares of the Company (the "Equity Shares") or the global depository receipts ("GDRs"), the American depository receipts ("ADRs"), the foreign currency convertible bonds ("FCCBs"), non-convertible debentures, fully convertible debentures/partly convertible debentures, preference shares convertible into Equity Shares, and/or any other financial instruments or securities representing either equity shares, secured premium notes, and/or any other financial instruments which would be converted into/ exchanged with equity shares at a later date, financial instruments or securities convertible into Equity Shares with or without detachable warrants with a right exercisable by the warrant holders to convert or subscribe to the Equity Shares or otherwise, in registered or bearer form, whether rupee denominated or denominated in foreign currency (hereinafter collectively referred to as the "Securities") or any combination of such Securities, to all eligible investors, including residents and/or non-residents and/or institutions/banks and/or incorporated bodies and/or individuals and/or trustees and/or stabilizing agent or any other category of investors, and whether or not such investors are members of the Company (collectively the "Investors"), through one or more prospectus or letter of offer or placement document or

offering circular or offer document, at such time or times, at such price or prices, at market price(s) or at a discount or premium to market price(s) in terms of applicable regulations, aggregating up to Rs.1,000,000,000 (Rupees one billion only) or equivalent thereof, and on such terms and conditions considering the prevailing market conditions and other relevant factors wherever necessary, at the Board's discretion including the discretion to determine the category of Investors to whom the offer, issue and allotment of Securities shall be made, in such manner, including allotment to stabilizing agent in terms of green shoe option, if any, exercised by the Company, and where necessary in consultation with the book running lead managers and/or underwriters and/or stabilizing agent and/or financial advisors or legal advisors or other advisors or otherwise on such terms and conditions, including issue of Securities as fully or partly paid, making of calls and manner of appropriation of application money or call money, in respect of different class(es) of investor(s) and/or in respect of different Securities.

RESOLVED FURTHER THAT in case of a qualified institutions placement pursuant to Chapter VIII of the SEBI (ICDR) Regulations, the allotment shall be of equity shares, non-convertible debt instruments along with warrants and convertible securities other than warrants (or any combination of other securities as decided by the Board and permissible under applicable law) and shall be offered only to Qualified Institutional Buyers within the meaning of Chapter VIII of the SEBI (ICDR) Regulations, such Securities shall be fully paid-up and the allotment of such Securities shall be completed within 12 months from the date of this resolution at such price being not less than the price determined in accordance with the pricing formula provided under Chapter VIII of the SEBI (ICDR) Regulations and that the Company may, in accordance with applicable law, also offer a discount of not more than 5% or such percentage as permitted under applicable law on the price calculated in accordance with the pricing formula provided under the SEBI (ICDR) Regulations. The qualified institutional placement shall not exceed five times the net worth of the company as per the audited balance sheet of the previous financial year.

RESOLVED FURTHER THAT in the event the Equity Shares are issued to qualified institutional buyers under Chapter VIII of the SEBI (ICDR) Regulations, the Relevant Date for determination of the price of the Equity Shares to be issued to QIBs shall be the date of the Meeting in which the Board of Directors of the Company or the Committee of Directors duly authorised by the Board of Directors of the Company, decide to open the Issue.

RESOLVED FURTHER THAT in the event that convertible securities eligible to be issued under the SEBI (ICDR) Regulations of the Company are issued to qualified institutional buyers under Chapter VIII of the SEBI (ICDR) Regulations, the relevant date for the purpose of pricing of such securities, shall be the date on which the holders of such eligible securities become entitled to apply for the Equity Shares and at such price being not less than the price determined in accordance with the pricing formula provided under Chapter VIII of the SEBI (ICDR) Regulations.

RESOLVED FURTHER THAT in the event the Securities proposed

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to be issued as ADRs or GDRs or FCCBs, pursuant to the provisions of the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and other applicable pricing provisions issued by the Ministry of Finance, the relevant date for the purpose of pricing the Securities to be issued pursuant to such issue shall be the date of the meeting in which the Board or duly authorised committee of directors decides to open such issue.

RESOLVED FURTHER THAT the issue to the holders of the Securities, which are convertible into or exchangeable with equity shares at a later date shall be, inter alia, subject to the following terms and conditions:

(a) in the event the Company is making a bonus issue by way of capitalization of its profits or reserves prior to the allotment of the Equity Shares to be allotted upon conversion, the number of Equity Shares to be allotted upon conversion shall stand augmented in the same proportion in which the equity share capital increases as a consequence of such bonus issue and the premium, if any, shall stand reduced pro tan to;

(b) in the event of the Company making a rights offer by issue of Equity Shares prior to the allotment of the Equity Shares, the entitlement to the Equity Shares will stand increased in the same proportion as that of the rights offer and such additional Equity Shares shall be offered to the holders of the Securities at the same price at which they are offered to the existing shareholders;

(c) in the event of merger, amalgamation, takeover or any other re-organization or restructuring or any such corporate action, the number of Equity Shares, the price and the time period as aforesaid shall be suitably adjusted; and

(d) in the event of consolidation and/or division of outstanding Equity Shares into smaller number of Equity Shares (including by way of stock split) or re-classification of the Securities into other securities and/or involvement in such other event or circumstances which in the opinion of concerned stock exchange requires such adjustments, necessary adjustments will be made.

RESOLVED FURTHER THAT the Equity Shares to be issued and allotted in terms of this Resolution, shall rank pari-passu in all respects with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT these Equity Shares and/or other Securities shall be listed with the National Stock Exchange and the Bombay Stock Exchange, where the existing Equity Shares of the Company are listed and at the discretion of the Board, at one or more stock exchanges outside India.

RESOLVED FURTHER THAT without prejudice to the generality of the above, subject to applicable laws and subject to approval, consents, permissions, if any of any governmental body, authority or regulatory institution including any conditions as may be prescribed in granting such approval or permissions by such governmental authority or regulatory institution, the aforesaid Securities may have such features and attributes or any terms or

combination of terms in accordance with international practices to provide for the tradability and free transferability thereof as per the prevailing practices and regulations in the capital markets including but not limited to the terms and conditions in relation to payment of dividend, issue of additional Equity Shares, variation of the conversion price of the Securities or period of conversion of Securities into Equity Shares during the duration of the Securities and the Board be and is hereby authorised in its absolute discretion in such manner as it may deem fit, to dispose off such of the Securities that are not subscribed.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and any offer, issue and allotment of Securities, a merchant banker be appointed to act as an Advisor and/or the Lead Manager and the Board be and is hereby authorized to take all such actions, give such directions and to do all such acts, deeds and things as may be necessary, desirable or incidental thereto and matters connected therewith including without limitation the entering into of arrangements in consultation with the Advisor including arrangements for underwriting, marketing, listing, trading, appointment of other lead manager(s)/merchant banker(s), underwriter(s), guarantor(s), depository(ies), custodian(s), stabilising agent(s), banker(s), advisor(s), registrar(s), paying and conversion agent(s), trustee(s), and other agents as may be required in order to facilitate or consummate the Issue, and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient for the Issue and allotment of the aforesaid Equity Shares and listing thereof with the Stock Exchanges and to approve and execute all deeds, documents, instruments and writings and to pay any fees, commission, costs, charges and other outgoings in relation thereto and to settle all questions and difficulties that may arise in the Issue, offer and allotment of any of the Equity Shares whether in India or abroad, for the Issue including finalization of the timing of the Issue/offering(s), identification of the Investors to whom Equity Shares are to be offered, utilization of the Issue proceeds and to do all requisite filings with SEBI, the stock exchanges, FIPB, the Government of India, the Reserve Bank of India, if required and any other concerned authority in India or outside, and to agree to such conditions or modifications that may be imposed by SEBI, RBI, Stock Exchanges, FIPB or other authorities while granting the requisite approvals or that may otherwise be deemed fit or proper by the Board and to do all acts, deeds, matters and things in connection therewith and incidental thereto as the Board in its absolute discretion deems fit, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this Resolution and to do all such acts and things as may be necessary and expedient for, and incidental and ancillary to the Issue, and to give such directions that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of Securities and utilization of the issue proceeds, as it may, in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all shareholders.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred, to any Committee or a person or persons, as it may deem fit in its

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absolute discretion, in order to give effect to this Resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorized to open one or more bank accounts in the name of the Company in Indian currency or foreign currency (ies) with such bank or banks in India as may be required in connection with the aforesaid issue, subject to requisite approvals from Reserve Bank of India, if any, and the director or directors of the Company or other officer or officers of the Company authorized by the Board be and is or are hereby authorized to sign and execute the application form and other documents required for opening the account, to operate the said account, and to give such instructions including closure thereof as may be required and deemed appropriate by these signatories, and that the said bank/s be and is/are hereby authorized to honor all cheques and other negotiable instruments drawn, accepted or endorsed and instructions given by the aforesaid signatories on behalf of the Company.

RESOLVED FURTHER THAT the common seal of the Company, if required to be affixed in India on any agreement, undertaking, deed or other document, the same be affixed in the presence of anyone or more of the directors of the company or anyone or more of the officers of the company as may be authorized by the Board in accordance with the Articles of the Association of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do such acts, deeds and things as the Board in its absolute discretion deems necessary or desirable in connection with the issue of the Securities, including, without limitation, the following:

- i. finalization of the allotment of the Securities on the basis of the bids/applications received;
- ii. finalization of and arrangement for the submission of the preliminary and final offer document(s), and any amendments supplements thereto, with any applicable statutory and/or regulatory authorities, institutions or bodies, as may be required;
- iii. approval of the preliminary and final offer document (including amending, varying or modifying the same, as may be considered desirable or expedient) as finalized in consultation with the lead manager(s)/underwriter(s)/advisor(s), in accordance with all applicable statutory and/or regulatory requirements;
- iv. finalization of the basis of allotment in the event of over-subscription;
- v. acceptance and appropriation of the proceeds of the issue of the Securities;
- vi. authorization of the maintenance of a register of holders of the Securities;
- vii. authorization of any director or directors of the Company or other officer or officers of the Company, including by the grant of

power of attorneys, to do such acts, deeds and things as authorized person in its absolute discretion may deem necessary or desirable in connection with the issue and allotment of the Securities;

viii. seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India, and any other consents that may be required in connection with the issue and allotment of the Securities;

ix. seeking the listing of the Securities on any Indian stock exchange, submitting the listing application to such stock exchange and taking all actions that may be necessary in connection with obtaining such listing;

x. giving or authorizing the giving by concerned persons of such declarations, affidavits, certificates, consents and authorities as may be required from time to time; and

xi. deciding the pricing and terms of the Securities in accordance with the extant laws, and all other related matters,

RESOLVED FURTHER THAT the acts, deeds and things already done by the Board or any designated officer of the Company in this regard be and are hereby conformed, approved and ratified."

RESOLVED FURTHER THAT any director or directors of the Company or any other officer or officers of the Company as may be authorized by the Board, be and is or are hereby authorized to sign, execute and issue consolidated receipt/s for the Securities, listing, application, various agreements (including but limited to subscription agreement, depository agreement, trustee agreement), undertaking, deeds, declarations and all other documents and to do all such things, deeds and acts and to comply with all the formalities as may, in the opinion of such authorized person, be required in connection with or incidental to the aforesaid offering of Securities, including post Issue formalities.

10. 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 149, 150, 152 and 160 and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any Statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013 and Clause 49 of the Listing Agreement, Mr. Parantap Dave (holding DIN00019742), in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company with effect from 27th September, 2014 to hold office for five consecutive years for a term up to the conclusion of the 26th Annual General Meeting of the Company in the calendar year 2019."

For and on Behalf of Board of Directors

(MADHUSUDAN S. JHUNJHUNWALA)
Chairman & Whole Time Director

Place: **Mumbai.**

Date: **1st August, 2014**

LEAP

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. THE PROXY FORM MUST BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE ATLEAST 48 HOURS BEFORE THE TIME OF ANNUAL GENERAL MEETING.

2. An Explanatory Statement as required under the provision of Section 102 of the Companies Act, 2013 is attached herewith.

3. The Company has fixed Closure of Register of Members and Share Transfer Books from Tuesday, the 23rd September, 2014 to Saturday, the 27th September, 2014 (both days inclusive) for determining the names of members eligible for dividend, if

approved, on Equity Shares for the year ended 31st March 2014. The dividend if declared at the Annual General Meeting will be paid from 27th September, 2014, 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 hour 22nd September, 2014 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 22nd September, 2014. The payment of Dividend will start from 27th September, 2014.

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

Name of Director	Mr. Madhusudan Jhunjhunwala	Mr. Parantap Dave	Mr. Arun Vaid	Mr. Jigar Arvind Shah
Date of Birth	12.02.1941	29.04.1961	05.11.1944	08.06.1974
Date of Appointment	28.09.1994		01.11.2000	01.07.2006
Expertise in specific functional areas	Experience in finance and office Administration	Corporate Advisor	Rich expertise in trading of machineries	Financial Analysis and fund management
Qualifications	B.com	Chartered Accountant	B.Com	B.Com. DCP
List of Public Companies in which outside Directorships held as on 31st March, 2014	Nil	2	Nil	Nil
Chairman/ Member of the Committees of the Board of companies on which he is Director as on 31st March, 2014	Nil	Nil	Nil	Nil
No. of Equity Shares held in the Company as on 31st March, 2014	194500	Nil	Nil	Nil

5. The Members are requested to inform their email address to the Company or to the Share Transfer Agents of the Company or to their Demat Account operator (Depository Participant) enabling the

Company to send Annual Reports and other correspondence by email as per the compliance of green initiative steps taken by the Government of India.

If you have the guts to keep making mistakes, your wisdom and intelligence leap forward with huge momentum.

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 102 of the Companies Act, 2013.

Item No.5: Mr. Arun Vaid is a Non-Executive Independent Director of the Company appointed as per the requirement of Clause 49 of the Listing Agreement. He joined the Board of Directors of the Company on 1st November, 2000. Mr. Arun Vaid is also a Member of the Audit Committee, Remuneration Committee and Investors' Grievances Committee of the Board of Directors of the Company.

Mr. Arun Vaid is a director whose period of office is liable to determination by retirement of directors by rotation under the erstwhile applicable provisions of Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, Mr. Arun Vaid being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director with effect from 27th September, 2014 for five consecutive years for a term up to the conclusion of the 26th Annual General Meeting of the Company in the calendar year 2019.

The Company has received a declaration from Mr. Arun Vaid that he meet with the criteria of independence as prescribed under Section 149(6) of the Companies Act, 1956.

In the opinion of the Board, Mr. Arun Vaid fulfils the conditions specified in the Companies Act, 2013 and rules made there under for his appointment as an Independent Director of the Company and is independent of the Management. Copy of the draft letter for appointment of Mr. Arun Vaid as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Friday.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. Arun Vaid as an Independent Director looking into his rich experience in marketing. Accordingly, the Board recommends the Resolution in relation to appointment of Mr. Arun Vaid as an Independent Director for the approval by the Members of the Company. Except Mr. Arun Vaid, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the Resolution set out at Item No.5. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Item No.6: Mr. Jigar Shah is a Non-Executive Independent Director of the Company appointed as per the requirement of Clause 49 of the Listing Agreement. He joined the Board of Directors of the Company on 1st July, 2006. Mr. Jigar Shah is also a Member of the Audit Committee and Remuneration Committee of the Board of Directors of the Company.

Mr. Jigar Shah is a director whose period of office is liable to determination by retirement of directors by rotation under the erstwhile applicable provisions of Companies Act, 1956. In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, Mr. Jigar Shah being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director with effect from 27th September, 2014 for five consecutive years for a term up to the conclusion of the 26th Annual General Meeting of the Company in the calendar year 2019.

The Company has received a declaration from Mr. Jigar Shah that he meet with the criteria of independence as prescribed under Section 149(6) of the Companies Act, 1956.

In the opinion of the Board, Mr Jigar Shah fulfils the conditions specified in the Companies Act, 2013 and rules made there under for his appointment as an Independent Director of the Company and is independent of the Management. Copy of the draft letter for appointment of Mr. Jigar Shah as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Friday.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. Jigar Shah as an Independent Director looking into its experience in finance. Accordingly, the Board recommends the Resolution in relation to appointment of Mr. Jigar Shah as an Independent Director, for the approval by the Members of the Company. Except Mr. Jigar Shah, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the Resolution set out at Item No.6. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Item No.7: Mr. Madhusudan S. Jhunjhunwala was appointed as a Whole Time Director of the company in the 17th Annual General Meeting held on 25th September, 2010 for a period of five years from 1st August, 2010 to 31st July, 2015 on following terms and conditions and remuneration:-

1. Salary	:	Rs.2,50,000/- per month with Annual increment of Rs.50,000/- every year.
2. Medical Expenses	:	Reimbursement of Medical Expenses incurred for him and his family subject to a ceiling of one month salary in a year.
3. Club Fees	:	Club Fees Subject to a Maximum of 2 Clubs. This will not include admission and life membership fees.
4. Gratuity	:	Gratuity not exceeding half a month salary for every completed years of service.

ANNEXURE TO NOTICE

5. Car	:	Provision of a chauffeur driven Car for use of Company's business. Use of Car for private purpose shall be billed by Company to the Whole time Director.
6. Telephones	:	Provision of a telephone at his residence and a Mobile phone for Company's business. However personnel STD calls shall be billed by the Company to the Wholetime Director.
7. Reimbursement of other expenses	:	The Whole time Director shall be entitled to be reimbursed in respect of all expenses incurred by him including traveling, entertainment etc. for and on behalf of the Company. However, no sitting fees will be paid to the Whole time Director for attending the Meetings of the Board of Directors or Committees thereof.
Explanation	:	Family means the spouse, dependent children and parents of the Whole time Director.

Other Terms and Conditions:-

8) Minimum Remuneration:- In the subsequent years if profits of the Company remains inadequate or Company incurs losses then the Whole time Director shall be paid Remuneration within the ceiling prescribed under Schedule XIII to the Companies Act, 1956.

9) Job Responsibility:- The Whole-time Director shall look after all the Finance, Accounts and Administration work of the Company subject to the superintendence and control of the Board of Directors of the Company and shall carry out such other work as may be entrusted to him by the Board of Directors of the Company.

10) Devotion of full time:- During the employment with the Company the Whole-time Director shall devote full time and attention to the business of the Company as may necessary or required and shall use his best endeavors to promote the interest and welfare of the Company.

11) Ceasing of Office:- If any time the Whole-time Directors ceases to be Director of the Company for any cause whatsoever, he will ceases to be Whole time Director in terms of this appointment forthwith.

12) Notice period:- The appointment of the Whole-time Director can be terminated by either party giving 3 months notice and no severance fees will be payable to the Whole-time Director."

His remuneration was increased to Rs. 600000/- per month with an annual increment of Rs. 100000/- with effect from 1st August, 2013.

As per the provisions of Section 196(3)(a) of the Companies Act, 2013 which has become effective from 1st April, 2014, no company shall continue the employment of any person as a Whole Time Director who has attained the age of 70 years. Mr. Madhusudan S Jhunjhunwala has already reached the age of 73 years so consent of

the members of the company is required by a special Resolution for continuing the office of Whole Time Director of the company from 1st April, 2014 to the remaining period of his term of appointment viz 31st July, 2015. The resolution set out at item no.7 of the notice of the meeting is for the purpose

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Mr. Madhusudan S Jhunjhunwala as a Whole Time Director looking into its vast over all experience in Accounts, Finance, Administration and Marketing. Accordingly, the Board recommends the Resolution in relation to continuing the appointment of Mr. Madhusudan S Jhunjhunwala as a Whole Time Director, for the consent of the Members of the Company. Except Mr. Madhusudan S Jhunjhunwala, being an appointee and Mr. Krishna Kumar Jhunjhunwala, Managing Director being his relative none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the Resolution set out at Item No.7.

Item No. 8: The Members of the Company at their 20th Annual General Meeting held on 13th September, 2013 approved by way of an Ordinary Resolution under Section 293(1)(d) of the Companies Act, 1956 borrowings over and above the aggregate of paid up share capital and free reserves of the Company provided that the total amount of such borrowings together with the amounts already borrowed and outstanding at any point of time shall not be in excess of 350 Crores (Rupees Three Hundred and fifty crores).

Section 180(1)(c) of the Companies Act, 2013 effective from 12th September, 2013 requires that the Board of Directors shall not borrow money in excess of the company's paid up share capital and free reserves, apart from temporary loans obtained from the company's bankers in the ordinary course of business, except with the consent of the company accorded by way of a special resolution. It is, therefore, necessary for the members to pass a Special Resolution under Section 180(1)(c) of the Companies Act, 2013 as set out at Item No. 8 of the Notice, to enable to the Board of Directors to borrow money in excess of the aggregate of the paid up share capital and free reserves of the Company. Approval of members is being sought to borrow money upto 350 Crores (Rupees Three hundred and fifty crores). No increase in the borrowing power of the Directors are sought but the proposed Resolution is only meant to comply with the provisions of New Companies Act. None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 8.

Item No. 9: The Company proposes to increase its capital base by way of infusion of further capital for its existing and new projects, augment the working capital, repayment of loans, acquisition of new businesses and projects and for other general corporate purposes.

Section 62(1)(a) of the Companies Act, 2013, provides, inter alia,

SARLA PERFORMANCE FIBERS LIMITED

ANNEXURE TO NOTICE

that whenever a public company proposes to increase its subscribed capital by further issue/ offer and allotment of shares to any person other than its existing shareholders in the manner laid down in the said Section, approval of the shareholders shall be required by way of a special resolution passed under 62(1)(c) of the Companies Act, 2013. Accordingly, the consent of the shareholders is being sought pursuant to the provisions of Section 62(1)(c) of the Companies Act, 2013 and all other applicable provisions of the Act, for authorizing the Board to issue Securities for the purpose of increasing its capital base for its existing and new projects, augmenting working capital, repayment of loans, acquisition of new business and projects and for other general corporate purposes, by creating, offering, issuing and allotting securities to persons other than the existing shareholders of the Company as stated in the Resolution and including:

- a) equity shares through depository receipts including American Depository Receipts, Global Depository Receipts; and/or
- b) convertible bonds, convertible debentures, fully or partly, and/or;
- c) other securities convertible into equity shares at the option of the Company and/or the holder(s) of such securities; and/or
- d) securities linked to equity shares; and/or
- e) securities with or without detachable/non-detachable warrants and/or warrants with a right exercisable by the warrant-holder to subscribe for equity shares; and/or
- g) any instruments or securities representing either equity shares, secured premium notes, and/or any other financial instruments which would be converted into/ exchanged with equity shares at a later date, (collectively referred to as "Securities"), at such price, at a discount or premium to market price or prices in such manner and on such terms and conditions including security, rate of interest etc. as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of investors to whom the offer, issue and allotment shall be made at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with lead managers, either in foreign currency or equivalent Indian Rupees inclusive of such premium as may be determined by the Board, in any convertible foreign currency, as the Board at its absolute discretion may deem fit and appropriate. The Company intends to issue Securities for a value of up to Rs. 1,000,000,000 (Rupees one billion only). The Special Resolution seeks to give the Board powers to issue Securities in one or more tranche or tranches, at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies and/or individuals or otherwise as the Board in its absolute discretion deem fit. The detailed terms and conditions for the offer will be determined by the Board in consultation with

the advisors, lead managers, underwriters and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and in accordance with the applicable provisions of law, and other relevant factors.

As and when the Board does take a decision on matters on which it has the discretion, necessary disclosures will be made to the stock exchanges under the provisions of the Listing Agreement.

Section 62(1)(a) of the Companies Act, 2013 and the relevant clauses of the Listing Agreement with the Stock Exchanges where the Equity Shares of the Company are listed provides, inter alia, that when it is proposed to increase the issued capital of a Company by offering, issuance and allotment of further Securities, such further shares shall be offered to the existing shareholders of such Company in the manner laid down in Section 62 unless the shareholders in a General Meeting decide otherwise. Since, the Special Resolution proposed in the business of the Notice results in the issue of shares of the Company otherwise than to the shareholders of the Company, consent of the shareholders is being sought pursuant to the provisions of Section 62(1)(c) and other applicable provisions of the Companies Act, 2013 and the Listing Agreement.

The consent of the shareholders is being sought pursuant to the provisions of Section 62(1)(c) of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 and in terms of the provisions of the Listing Agreement executed by the Company with the Stock Exchanges where the Equity Shares of the Company are listed.

The Special Resolution, if passed, will have the effect of allowing the Board to issue and allot Securities to the investors who may or may not be the existing shareholders of the Company.

Pursuant to Section 102 of the Companies Act, 2013 the Board of the Company do and hereby confirm that none of its Directors, Key Managerial Personnel and relatives thereof are interested, financially or otherwise in the foresaid resolutions.

The Board recommends the Special Resolution set out at Item No. 9 for approval by the shareholders.

Item No. 10: Mr. Parantap Dave is proposed to be appointed as an independent Director of the Company.

As required under Section 160 of the Companies Act, 2013 a Notice along with a deposit of one lakh rupees have been received from a Member proposing Mr. Parantap Dave as a candidate for the office of Director of the Company.

Mr. Parantap Dave does not hold by himself or for any other person on a beneficial basis, any shares in the Company. He is a director in 7 other companies registered in India.

ANNEXURE TO NOTICE

In terms of Section 149 and any other applicable provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, Mr. Parantap P. Dave being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director with effect from 27th September, 2014 for a term of 5 years up to the conclusion of the 26th Annual General Meeting of the Company in the calendar year 2019.

The Company has received a declaration from Mr. Parantap Dave that he meets with the criteria of independence as prescribed under Section 149(6) of the Companies Act, 1956

In the opinion of the Board, Mr. Parantap Dave fulfils the conditions specified in the Companies Act, 2013 and rules made there under for his appointment as an Independent Director of the Company and is independent of the Management. Copy of the draft letter for appointment of Mr. Parantap Dave as an Independent Director setting out the terms and conditions would be available for

inspection without any fee by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Friday.

The Board considers that his association would be of immense benefit to the Company and it is desirable to avail services of Mr. Parantap Dave as an Independent Director looking into his rich experience in Corporate Finance, including Debt Instruments, Private Equity, Merger & Acquisitions and Cross Boarder Transactions. Accordingly, the Board recommends the Resolution in relation to appointment of Mr. Parantap Dave as an Independent Director for the approval by the Members of the Company. Except Mr. Parantap Dave being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the Resolution set out at Item No. 10. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

For and on Behalf of Board of Directors

(MADHUSUDAN S. JHUNJHUNWALA)
Chairman & Whole Time Director

Place: **Mumbai.**

Date : **1st August, 2014**



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
Twenty First Annual General Meeting of the Company to be held on Saturday, the 27th September, 2014 at 9.00 a.m. and at any
adjournment thereof.

Signed this _____ day of _____ 2014.

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 Twenty First 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 Saturday, the 27th September, 2014 at 9.00 a.m.

Full name of the Shareholder/Proxy _____

(in block letters)

Regd. Folio No. _____

*DP ID _____

*Client ID _____

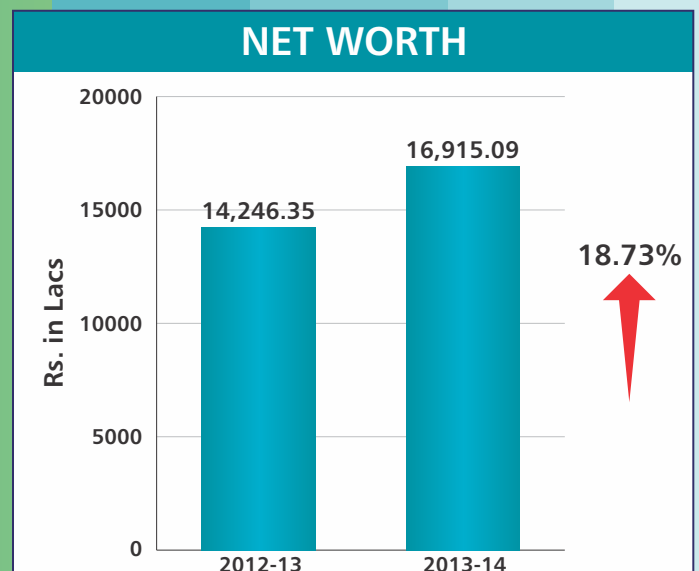
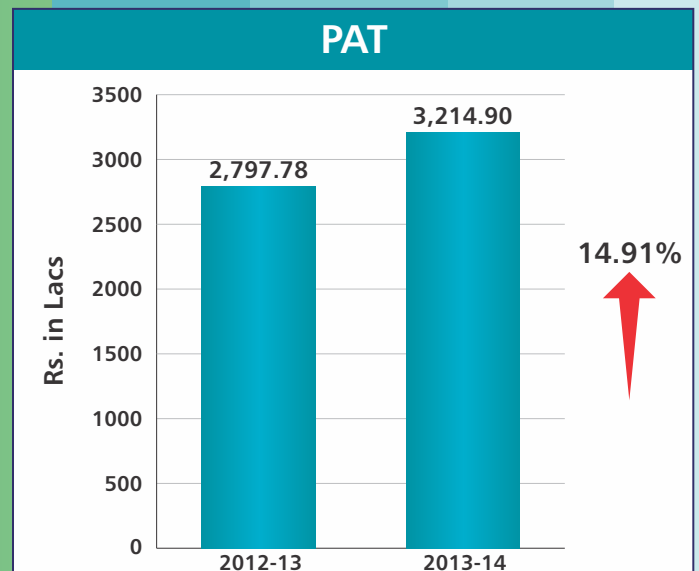
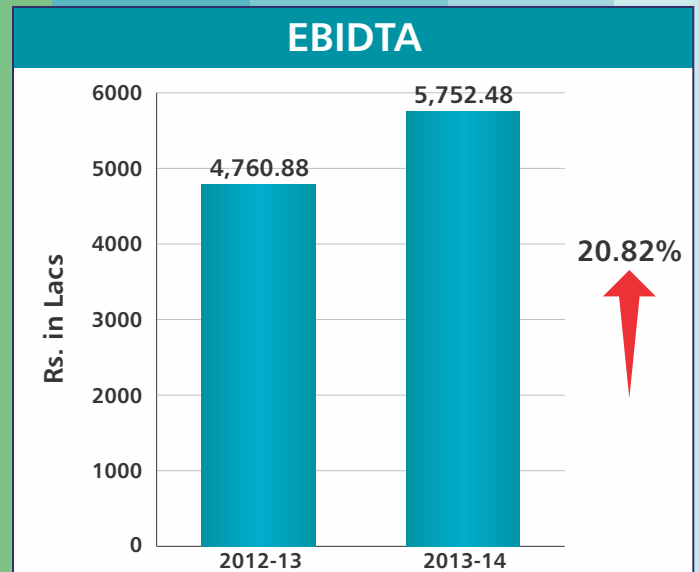
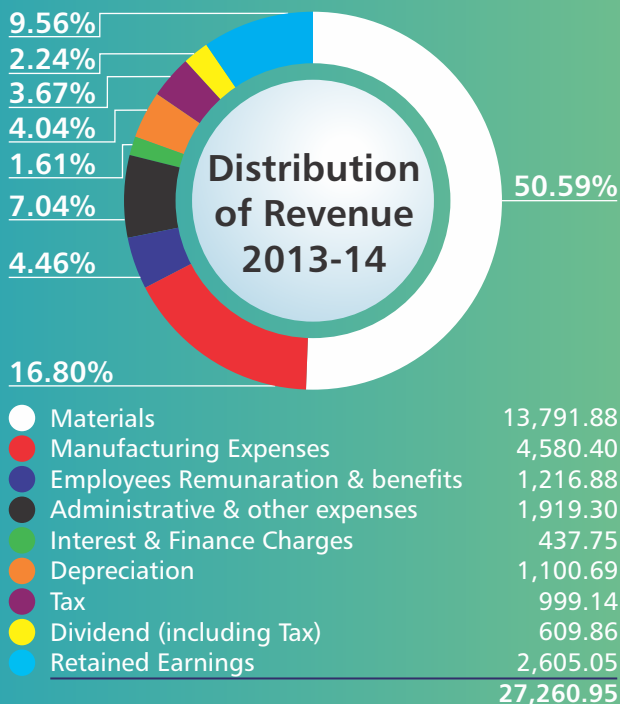
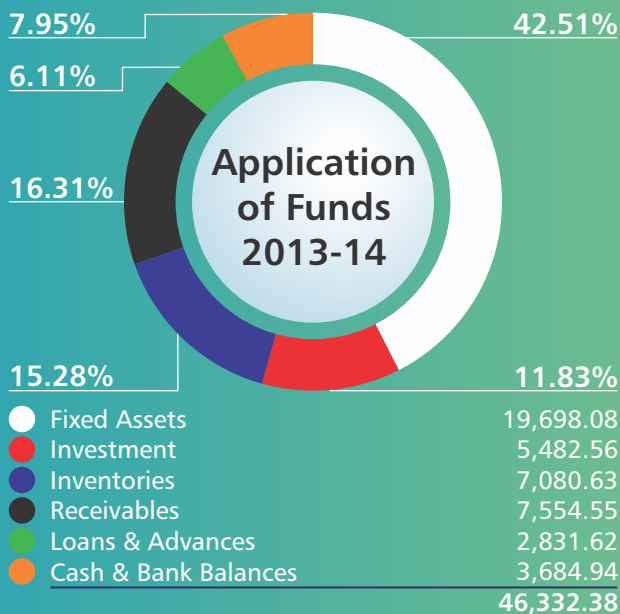
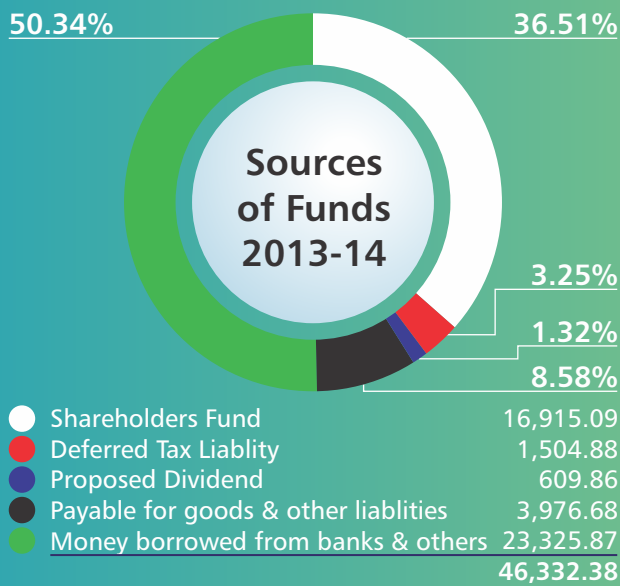
No. of Share Hold _____

Signature of Shareholder

(PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING)

*Applicable for members holding shares in dematerialised form.

HIGHLIGHTS OF THE YEAR



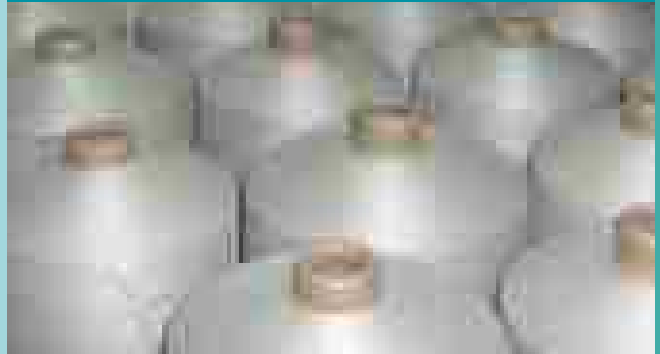
PRODUCTS AT GLANCE

TEXTURED NYLON YARN



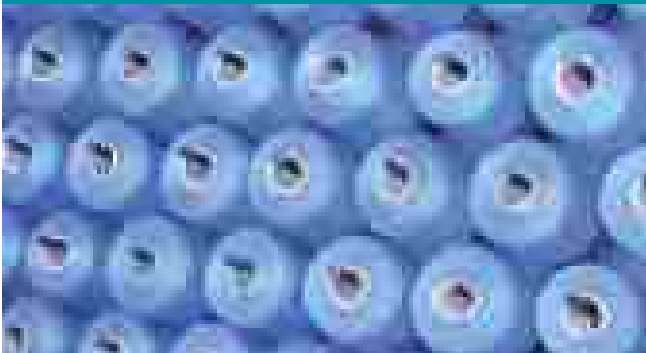
SPFL Textured Nylon Yarn caters to end applications such as Active & Swim Wear, Narrow Fabrics and Tapes, Hosiery, Under Garments

TEXTURED POLYESTER YARN



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



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

COVERED YARN



Narrow Tapes, Hosiery, Lingerie, Seamless Knitwear, Medical, Bandages, Knitted and Denim Fabrics are the primary end applications of SPFL's range of covered yarns.