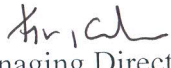

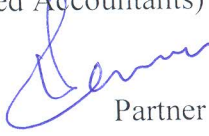


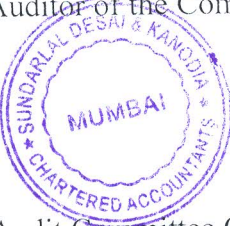

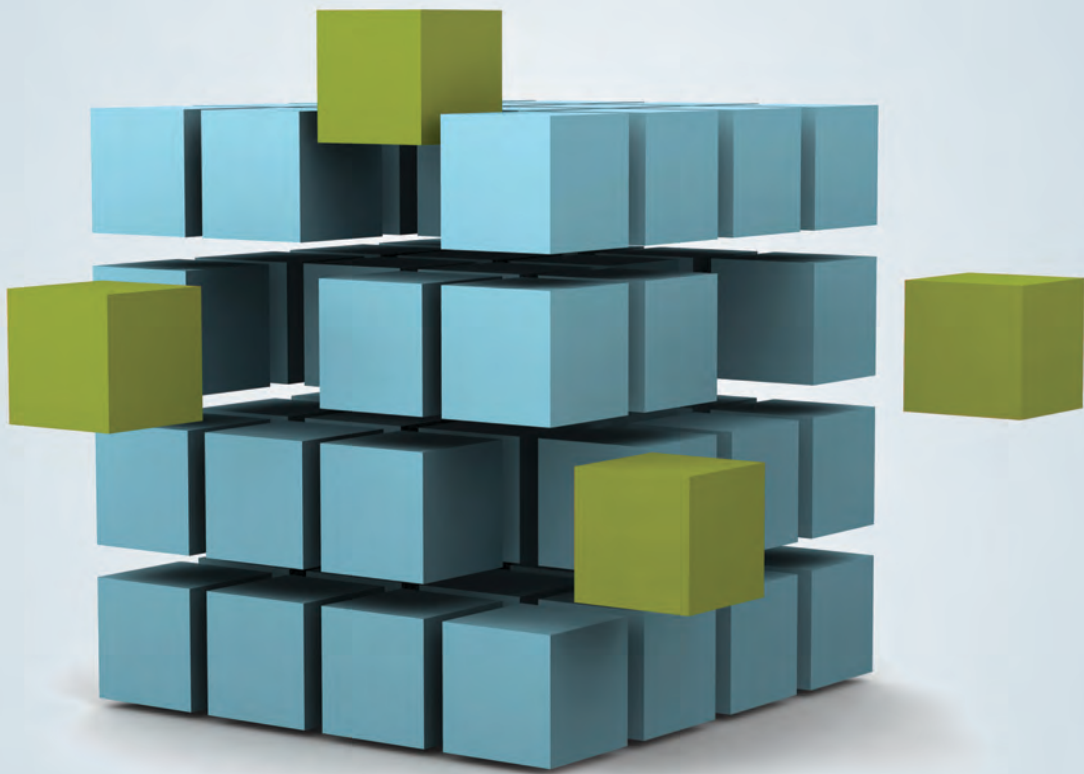


ANNEXURE

FORM A

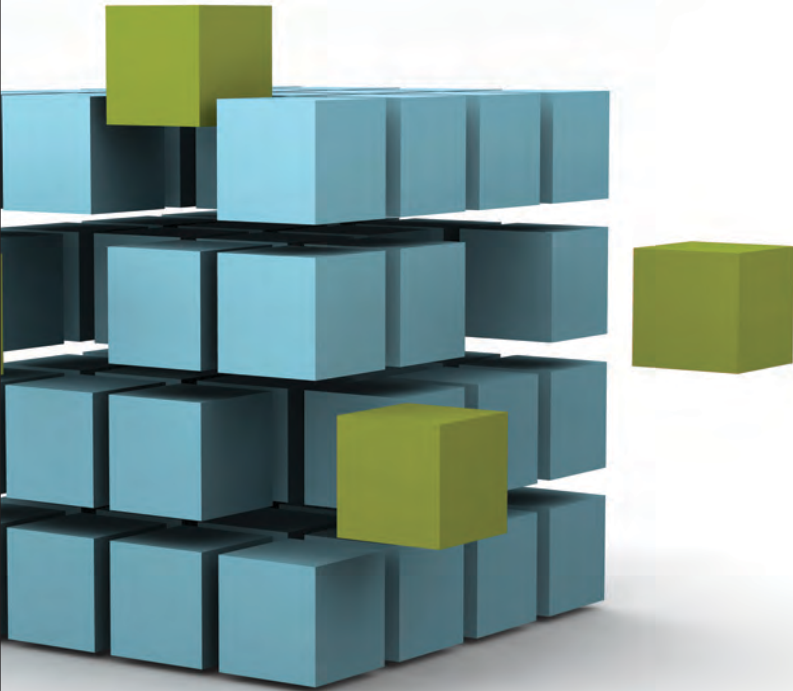
Format of covering letter of the annual audit report to be filed with the stock exchanges

| | | |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Name of the Company | Sarla Performance Fibers Limited |
| 2. | Annual financial statements for the year ended | 31 st March 2015 |
| 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 :- <ul style="list-style-type: none">• CEO/Managing Director• CFO• Auditor of the Company• Audit Committee Chairman | <p>For Sarla Performance Fibers Limited</p> <p> Managing Director</p> <p> C. F. O. / C. S.</p> <p>For Sundarlal, Desai & Kanodia (Chartered Accountants)</p> <p> Partner</p> <p>For Sarla Performance Fibers Limited</p> <p> Chairman (Audit Committee)</p> <p></p> <p></p> <p></p> |



CONSOLIDATION FOR EFFECTIVENESS

**22nd ANNUAL REPORT
2014-2015**



Cover Page Theme:
**CONSOLIDATION
FOR EFFECTIVENESS**

We have borrowed liberally for this year's cover page theme from Peter Drucker and Stephen Covey, two great thinkers.

After relentlessly pursuing growth through expanding geographies, product lines, assets, balance sheet and production capacities we are now planning a review of sorts to be more effective in terms of end results. It is our desire to make sure that we first get the best out of what we have invested in and then take up anything new.

Corporate Details

Board of Directors

Madhusudan Jhunjunwala - Chairman & Whole-time Director

Krishnakumar M. Jhunjunwala - Managing Director

Arun Vaid - Director

Jigar A Shah - Director

Parantap Dave - Director

Neha Jhunjunwala- Director (w.e.f. 31st March, 2015)

Chief Financial Officer & Company Secretary

Mahendra Sheth

Auditors

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

Bankers

Citibank N.A.

Standard Chartered Bank

DBS Bank Ltd.

IndusInd Bank Ltd.

Yes Bank Ltd.

Bank of Bahrain & Kuwait, B.S.C.

Allahabad Bank

Commonwealth Bank of Australia

First Rand Bank

Bank International Indonesia

Registered Office

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

Plants

- 1) **Survey No. 59/1/4, Amlipiparia 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,
Amlipiparia Industrial Estate, Silvassa - 396 230,
U.T. of Dadra & Nagar Haveli.**
- 3) **Shed No. A1/48, 100 Sheds Area, GIDC, Vapi - 396 195.**

Corporate Office

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

Website

www.sarlafibers.com

Investors services e-mail id:

investors@sarlafibers.com

Registrars & Transfer Agents:

M/s. Sharex Dynamic (India) Pvt. Ltd.,

**Unit - 1, Luthra Ind. Premises, Safed Pool, Andheri
Kurla Road, Andheri (E), Mumbai - 400 072.**



Inside this report

- 01 | Corporate Details
- 02 | At a Glance
- 04 | Delivering Value Over A Decade
- 06 | Performance at a Glance
- 08 | Achievements in F.Y. 2014-15
- 09 | Inspiring Testimonies
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At A Glance

NYLON 66 Pilot Plant
at Silvassa





Delivering Value Over A Decade

| Profit & Loss And Balance Sheet | 2006 03 | 2007 03 | 2008 03 | 2009 03 | 2010 03 | 2011 03 |
|--------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Equity Paid Up | 6.95 | 6.95 | 6.95 | 6.95 | 6.95 | 6.95 |
| Networth | 42.93 | 51.34 | 63.84 | 74.47 | 89.17 | 108.24 |
| Capital Employed | 61.52 | 80.7 | 106.37 | 113.44 | 126.10 | 155.84 |
| Gross Block | 43.66 | 48.55 | 69.91 | 76.85 | 90.83 | 113.11 |
| Net Working Capital (Incl. Def. Tax) | 24.66 | 38.81 | 51.89 | 60.13 | 62.82 | 77.54 |
| Net Sales | 86.09 | 98.51 | 122.33 | 135.59 | 155.33 | 193.02 |
| 10 year sales CAGR | | | | | | |
| PBIDT | 18.42 | 20.00 | 24.57 | 24.89 | 29.57 | 35.95 |
| 10 year EBIDTA CAGR | | | | | | |
| PAT | 11.32 | 11.38 | 15.22 | 12.72 | 16.91 | 22.53 |
| 10 year net profit CAGR | | | | | | |
| Book Value (Unit Curr) | 61.77 | 73.87 | 91.85 | 107.15 | 128.30 | 155.73 |
| 10 year book value CAGR | | | | | | |
| Market Capitalisation | 89.59 | 81.45 | 94.52 | 23.87 | 61.92 | 78.54 |
| 10 year MCAP CAGR | | | | | | |
| EPS (annualised) (Unit Curr) | 15.87 | 15.96 | 21.89 | 18.30 | 24.34 | 32.42 |
| Dividend (annualised%) | 30 | 30 | 35 | 35 | 35 | 45 |
| Payout | 2.085 | 2.085 | 2.43 | 2.43 | 2.43 | 3.13 |
| Payout (%) | 18.95 | 18.85 | 15.98 | 19.12 | 14.38 | 13.88 |

| Key Ratios | 2006 03 | 2007 03 | 2008 03 | 2009 03 | 2010 03 | 2011 03 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Debt-Equity Ratio | 0.46 | 0.51 | 0.67 | 0.52 | 0.42 | 0.44 |
| Long Term Debt-Equity Ratio | 0.03 | 0 | 0.01 | 0.02 | 0.05 | 0.11 |
| Current Ratio | 1.07 | 1.15 | 1.22 | 1.42 | 1.55 | 1.73 |
| Turnover Ratios | | | | | | |
| Fixed Assets Ratio | 2.12 | 2.2 | 2.07 | 1.85 | 1.85 | 1.89 |
| Inventory Ratio | 7.06 | 6.54 | 5.09 | 4.64 | 5.22 | 4.41 |
| Debtors Ratio | 4.47 | 4.23 | 3.43 | 4.92 | 3.59 | 3.79 |
| Interest Cover Ratio | 9.54 | 7.58 | 10.36 | 6.52 | 10.07 | 15.43 |
| PBIDTM (%) | 20.8 | 19.76 | 17.68 | 15.47 | 16.01 | 16.09 |
| PBITM (%) | 17.87 | 16.85 | 14.03 | 11.60 | 12.43 | 12.66 |
| PBDM (%) | 18.92 | 17.53 | 16.10 | 13.25 | 14.47 | 15.10 |
| ROCE (%) | 28.18 | 23.99 | 22.18 | 18.41 | 20.47 | 21.21 |
| RONW (%) | 29.46 | 24.14 | 26.43 | 18.39 | 20.67 | 22.83 |
| Debtors Velocity (Days) | 63 | 70 | 105 | 100 | 98 | 92 |
| Creditors Velocity (Days) | 49 | 57 | 49 | 44 | 49 | 52 |

(Rs. in Crores)

| 2012 03 | 2013 03 | 2014 03 | 2015 03 |
|---------|---------|---------|---------|
| 6.95 | 6.95 | 6.95 | 8.35 |
| 124.41 | 142.46 | 169.15 | 229.71 |
| | | 17% | 18% |
| 192.63 | 256.72 | 402.41 | 488.45 |
| 125.07 | 153.23 | 258.16 | 266.64 |
| 97.99 | 113.86 | 114.58 | 129.71 |
| 222.65 | 258.69 | 261.82 | 312.05 |
| 22% | 18% | 14% | 14% |
| 34.52 | 47.61 | 55.61 | 61.79 |
| 25% | 20% | 13% | 13% |
| 18.92 | 27.98 | 27.75 | 27.93 |
| 33% | 21% | 11% | 9% |
| 178.99 | 204.97 | 243.37 | 275.10 |
| 23% | 22% | 21% | 19% |
| 69.29 | 100.78 | 117.63 | 309.13 |
| 30% | 32% | 26% | 22% |
| 27.22 | 40.25 | 39.93 | 37.58 |
| 50 | 60 | 75 | 80 |
| 3.48 | 4.17 | 5.21 | 6.68 |
| 18.37 | 14.90 | 18.79 | 23.92 |
| 2012 03 | 2013 03 | 2014 03 | 2015 03 |
| 0.55 | 0.76 | 1.38 | 1.13 |
| 0.11 | 0.28 | 0.94 | 0.60 |
| 1.56 | 1.53 | 1.50 | 1.49 |
| 1.87 | 1.86 | 1.27 | 1.13 |
| 4.31 | 4.47 | 3.37 | 4.18 |
| 3.70 | 4.43 | 3.91 | 4.16 |
| 7.90 | 8.06 | 6.50 | 7.35 |
| 14.77 | 18.40 | 20.54 | 18.94 |
| 11.33 | 15.22 | 16.48 | 14.46 |
| 13.5 | 16.72 | 18.01 | 16.95 |
| 15.72 | 17.47 | 13.53 | 10.51 |
| 16.25 | 20.96 | 17.81 | 14.00 |
| 99 | 80 | 93 | 88 |
| 78 | 40 | 67 | 73 |

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.

2009

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

2010

Installed first windmill in Gujarat.

2011

Started joint venture operations in Turkey.

Installed windmills in Satara, Maharashtra. Total wind power generation capacity of 3.25 MW.

2012

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

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.

2015

Raised Rs. 46.69 Crores by placing Equity Shares at premium to Qualified Institutional Buyers (QIBs)



SALES

NET SALES - (Rs. crores)

| | |
|-----------|--------|
| March '15 | 312.06 |
| March '14 | 261.82 |
| March '13 | 258.69 |
| March '12 | 222.65 |
| March '11 | 193.02 |
| March '10 | 155.33 |
| March '09 | 135.59 |
| March '08 | 122.33 |
| March '07 | 98.51 |
| March '06 | 86.09 |

EBIDTA

PBIDT - (Rs. crores)

| | |
|-----------|-------|
| March '15 | 61.31 |
| March '14 | 55.61 |
| March '13 | 47.61 |
| March '12 | 34.52 |
| March '11 | 35.95 |
| March '10 | 29.57 |
| March '09 | 24.89 |
| March '08 | 24.57 |
| March '07 | 20 |
| March '06 | 18.42 |

Performance At A Glance

NET PROFIT

NET PROFIT - (Rs. crores)

| | | |
|-----------|-------|------|
| March '15 | 27.94 | ↑11% |
| March '14 | 27.75 | ↑15% |
| March '13 | 27.98 | ↑21% |
| March '12 | 18.9 | |
| March '11 | 22.53 | |
| March '10 | 16.91 | |
| March '09 | 12.72 | |
| March '08 | 15.22 | |
| March '07 | 11.38 | |
| March '06 | 11.32 | |

DIVIDEND PAYOUT

(%)

| | |
|-----------|-------|
| March '15 | 23.92 |
| March '14 | 18.79 |
| March '13 | 14.90 |
| March '12 | 18.40 |
| March '11 | 13.88 |
| March '10 | 14.38 |
| March '09 | 19.12 |
| March '08 | 15.98 |
| March '07 | 18.85 |
| March '06 | 18.95 |

BOOK VALUE

BOOK VALUE - (Rs. crores)

| | |
|-----------|--------|
| March '15 | 275.09 |
| March '14 | 243.37 |
| March '13 | 204.97 |
| March '12 | 178.99 |
| March '11 | 155.73 |
| March '10 | 128.3 |
| March '09 | 107.15 |
| March '08 | 91.85 |
| March '07 | 73.87 |
| March '06 | 61.77 |

MARKET CAPITALIZATION

(Rs. crores)

| | |
|-----------|--------|
| March '15 | 309.13 |
| March '14 | 117.63 |
| March '13 | 100.78 |
| March '12 | 69.29 |
| March '11 | 78.54 |
| March '10 | 61.92 |
| March '09 | 23.87 |
| March '08 | 94.52 |
| March '07 | 81.45 |
| March '06 | 89.59 |



Business Highlights

EXPORTS TO 45 COUNTRIES

Worldwide reach

NORTH AMERICA & INDIA

Manufacturing operations

THAILAND, VIETNAM, INDIA & US

Distribution set up

NYLON 66 MANUFACTURING

*One of the few Nylon 66 manufacturers
around the globe*

13%

EBIDTA CAGR

14%

Revenue CAGR for the last decade

22%

MCAP CAGR for the last decade

Inspiring Testimonies

It's been more than four years; Sarla Performance Fiber is with us as a business partner to support us continuously. It's my pleasure to agree with their quality approach towards our demand and supply planning. I strongly believe the relationship will be continuing and even be stronger in upcoming days.

- Polyester Thread Maker, Bangladesh

Sarla is good quality producer and we are associated with them over 10-12 years now. They supply the yarns in timely manners as per our requirement in specs and quality! We are happy to rank Sarla in first top 5 suppliers and we rely on Sarla for our needs. I am confident that our co-operation will continue to many more years.

- Hosiery Knitter, Israel

We have done business with Sarla for over eight years and developed a good working relationship. We consider Sarla to be a valued vendor and purchase a variety of products both raw materials and finished products.

- Industrial Yarns Maker, USA

Over the last 2 years, we have found Sarla Performance Fibers to be an exceptional supplier of covered and dyed yarns. The professional team at Sarla show a willingness to do whatever it takes to foster strong, long-term partnerships. Communications and requests are always responded to promptly and lead time from placement of orders to shipping is unsurpassed. The quality of the yarn and product presentation fulfills all the requirements for our markets. Sarla Performance Fibers deserves all of the accolades it achieves and we congratulate them on their global presence as a leading textile manufacturer.

- Thread Makers, Australia & New Zealand

For long-term cooperation with customers means to meet specific customer demands, as well as following world trends. Teamwork, good service, quick response also are very important. In general of view, it is easy to say, but difficult to implement, and Sarla knows how to do it.

- Thread Maker, Italy

Consolidation for Effectiveness

From The Desk of Managing Director

Dear Stakeholders,

Greetings. I am pleased to write to you after yet another good year of performance by your company. We increased our revenue by 19% and EBIDTA by 18% (excluding losses at the new US plant which is still in investment phase). The stabilization of new plant in the US and turning it around has been an enjoyable challenge so far with mixed results. The sheer potential of this market along with challenges has forced us to rethink so that we rise better, more effectively.

One of the best things to happen to us due to the US plant is servicing of hitherto unexplored clientele. Many new clients in the thread, hosiery, narrow fabrics and industrial products have seen our capability because of our presence in South Carolina, a hub for American textiles. Some of them have started working with us in the US while some others have placed orders on us in India. This has given a fillip to the India business which increased revenue by 8.48% and net profit by 33.30% last year. I am confident that this benefit of sourcing from India will continue to increase as more clients work with us in the US.

Another good though small success has been stabilization of the Nylon 66 facility in India. We have made a few shipments and hope to fully commission this plant by 3rd Quarter of this financial year.

The not so pleasant part of our last year's targets is missing out on turning around the US plant. Despite the meticulous product planning, cost effective set up etc. we have found it challenging to get the right productivity of labor and manage visa related issues. This is despite the best co-operation that we received from our vendors, local authorities and employees over there. We envisage need for a greater skill and also increase of management bandwidth at the US plant and have initiated actions to fill the gaps. For the year under review, we have managed to utilize the plant at 25-30% capacity, which is not enough to break-even despite our cutting costs. This year, we will be putting maximum focus on employee productivity so as to increase utilization and attain break-even by end of the year. It will be a big satisfaction when we get there despite a delay as compared to our internal target.

In terms of the broad strategy of going to the US market with direct presence, our stand is vindicated by the strong growth in the US economy and the return of US manufacturing. Many Indian and emerging market firms are investing in the manufacturing in US now due to the potential of its market and overall cost effectiveness. In fact, the threat of Chinese competition in synthetic yarn is reducing as more of Chinese companies are shipping their products from facilities in Vietnam and other ASEAN countries. We are in a strong position in the US market vis a vis the Chinese and the Vietnam companies due to preferred supplier position in the compliant yarn market. Moreover, the Trans Pacific Partnership (TPP) is going slow, not posing threat to the manufacturers in the NAFTA, CAFTA area.

Last but not the least; I want to thank all our stakeholders for their faith in the company. Our market capitalization has nearly doubled and we have managed to strengthen our net worth by placing equity to institutional shareholders at a premium. We are committed to turning around the US plant and generate strong profits over the next few years by following 'consolidation for effectiveness'.

Sincerely,

KRISHNAKUMAR JHUNJHUNWALA
(MD and CEO)



Directors' Report

Dear Members,

Your Directors are pleased to present the Twenty Second Annual Report on the business operations together with the Audited Financial Statements for the financial year ended 31st March, 2015 and on the state of affairs of the Company as on the date of this report.

FINANCIAL SUMMARY HIGHLIGHTS

The highlights of the performance of the Company for the year ended March 31, 2015 is summarized below:

(Rs. in Lacs)

| Particulars | Financial Year ended March 31, 2015 | Financial Year ended March 31, 2014 |
|-------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Sales & Operations | 27,762.72 | 25,558.27 |
| Less: Excise Duty | (1,069.91) | (952.38) |
| Net Sales | 26,692.80 | 24,605.91 |
| Add: Other Income | 1146.98 | 1,032.20 |
| TOTAL INCOME | 27,839.79 | 25,638.10 |
| Profit Before Interest, Depreciation & Tax | 5,646.31 | 4,798.84 |
| Less: Finance Cost | 514.48 | 637.20 |
| Less: Depreciation & amortization | 913.55 | 935.98 |
| PROFIT BEFORE TAX | 4,218.28 | 3,225.67 |
| Less: Provision for Taxation | | |
| - Current | (1,283.60) | (894.00) |
| - Deferred | 33.26 | (105.15) |
| - Earlier Years | - | - |
| - MAT credit Entitlement | - | - |
| NET PROFIT AFTER TAX | 2,967.94 | 2,226.52 |
| Balance bought forward | 6,143.42 | 5,959.12 |
| Excess provision for Dividend distribution tax written back | 88.59 | 67.65 |
| Effect of Change in Method of Depreciation | 61.74 | |
| AMOUNT AVAILABLE FOR APPROPRIATION | 9261.70 | 8253.29 |
| APPROPRIATION: | | |
| - Proposed Dividend | 668.02 | 521.27 |
| - Dividend Tax | 133.56 | 88.59 |
| - Transfer to General Reserve | 1,500.00 | 1,500.00 |
| BALANCE CARRIED FORWARD | 6,836.62 | 6,143.42 |

BUSINESS PERFORMANCE:

Operations: During the year under review the sales of the Company were Rs. 26,692.80 Lacs as against Rs. 24,605.90 Lacs in 2013-14 registering an annual growth of 8.48%. The FOB value of exports Rs. 15,693.58 Lacs compared to Rs 14,847.14 Lacs.

Profitability: The profit before Depreciation, Interest & Tax was Rs. 5,646.31 Lacs as compared to Rs. 4,798.34 Lacs in the previous year, after providing for depreciation of Rs. 913.55 Lacs (Previous Year Rs. 935.98 Lacs) & provision for taxation of Rs. 1,250.33 Lacs (Previous Year Rs. 999.15 Lacs), there was a net profit of

Corporate Overview

Sarla Performance Fibers Limited ("Your Company") is engaged in the business of Specialty Yarn from Last 21 Years having with 2 Manufacturing Plants at Silvassa, UT of Dadra & Nagar Haveli and 1 Dyeing Plant at Vapi, Gujarat and Wholly Owned Subsidiaries (WOS) at British Virgin Islands (BVI) and United States of America (USA) with Group's Corporate Office situated at Mumbai.

Rs. 2,967.94 Lacs as compared to Rs. 2,226.52 Lacs in the Previous Year.

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. Statements in this Management and Discussion Analysis describing the Company's objectives, projections, estimates and expectations, may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Although the expectations are based on reasonable assumptions, the actual results might differ.

Recording, managing and consolidating time is the foundation of executive effectiveness. - Peter Drucker

Directors' Report

A. Business Overview

Economy: As per the latest GDP growth estimates, Indian Economy grew by 7.4% in FY15 compared to 6.9% in FY14, mostly driven by improved economic fundamentals and revision of GDP methodology calculation. Even inflation showed signs of moderation, a welcome-sign wholesale price and consumer price inflation declined to 4.2% and 7.4% respectively, compared with last year's 6.3% and 10.1%. Reduced Inflation, falling crude oil prices, stable Rupee, improved purchasing power and consumer spending, higher capital inflows supported by the government policy reforms have already put India on an accelerating growth track and improved the business outlook.

The Government envisaged GDP Growth to accelerate to 8% in FY16 driven by strengthening macroeconomic fundamentals and implementation of policy reforms recently announced reforms like e-auctions of coal mines and telecom, FDI hike in insurance, speedier regulatory approvals etc. will be critical growth enables to de-bottleneck stalled projects, improve the investment outlook and the ease of doing business in the country. Reforms currently underway such as GST implementation, Amendment on Land Acquisition Bill, Labour Reforms, etc. are expected to provide the requisite thrust for growth in the medium term.

Turnover Break Up (Customer Segment-wise)

| Segments | FY 2014-15 (% of Total Sales) | FY 2013-14 (% of Total Sales) |
|---------------------------------------------------|----------------------------------|----------------------------------|
| Innerwear, Narrow Fabrics, Hosiery and Sportswear | 34.20 | 33.54 |
| Threads | 32.50 | 32.05 |
| Industrial Yarns | 10.31 | 9.91 |
| Regular Yarns | 22.99 | 24.50 |
| | 100.00 | 100.00 |

Turnover Break Up (Geographical)

| Regions | FY 2014-15 (% of Export Sales) | FY 2013-14 (% of Export Sales) |
|--------------------------------|-----------------------------------|-----------------------------------|
| South, North & Central America | 18.33 | 18.27 |
| Middle East & Europe | 35.21 | 38.20 |
| Africa | 3.84 | 6.35 |
| Asia Pacific | 42.62 | 37.18 |
| | 100.00 | 100.00 |

In all, we export to over 45 countries and to 127 customers. Our customer concentration is well distributed and no single customer exceeds more than 10% of our revenue.

B. Opportunities and Threats:

The textile sector exports (including readymade garments) amounted to USD 41.4 billion vs USD 40.80 billion last year. Textile exports now form 13.33% of India's total exports.

One of the positive factors in recent time is the increasing gap between cotton and polyester prices. Though, there was a glut in cotton and prices had fallen due to oversupply and less off take from China, the synthetic fiber prices also fell following the slump in crude

Business Overview: Sarla Performance Fibers Limited, is a leading exporter of Regular as well as High Tenacity Polyester and Nylon Yarns. It started operations 21 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. Its state of the art 30 tons per day POY plant in Walterboro, South Carolina in the US is now fully stabilized and operating at 30% plus capacity. The company's emphasis this year will be to focus on increased capacity utilization at its US plant, enhance the proportion of niche end user applications in India, higher value added yarns to leading global apparel brands and companies. The company exports to 45 countries.

SPFL also owns 7.25 MW of wind turbines in Gujarat and Maharashtra. Our plant load factor for the fiscal year 2015 was about 22%.

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.

oil and its derivatives. We believe, the demand for synthetic fiber will continue to outpace that of cotton due to the inherent price advantage and quality improvements.

One of our big market is the NAFTA and CAFTA market comprising of North American customers. Due to the growing preference for locally sourced products, the demand for synthetic yarn in this geography is increasing by 5-6% p.a. We are beneficiaries of this due to our direct presence in South Carolina, US through our manufacturing facility. Moreover, there are substantial cost

Directors' Report

advantage of manufacturing in the US making us reasonably cost competitive vis a vis suppliers from China, ASEAN and India.

We also have a strong opportunity for growth in the nylon yarn segment with nylon 66 production to ramp up this year.

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 8.48% and earnings increase of 33.30% in FY15 were exceptional. We expect margin to remain flat at consolidated level in FY16, 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 FY16.

D. Financial Performance: Turnover: The company turnover grew by 8.48% per cent in FY 14-15

(Rs. in Lacs)

| Item | 2014-2015 | 2013-2014 | % increase |
|-----------------------------------------------|-----------|-----------|------------|
| Raw Material Cost& Purchase of Stock in trade | 14,986.31 | 14,026.35 | 6.84% |
| Expenditure | 7,744.32 | 6,572.14 | 17.84% |
| EBIDTA | 5,646.31 | 4,798.84 | 17.66% |
| Interest Cost and Debt | 514.48 | 637.2 | -19.26% |
| Fixed Assets (Gross Block) | 16,430.91 | 15,773.16 | 4.17% |
| Net Current Assets | 5,546.12 | 3,516.85 | 57.70% |
| Working Capital Finance | 10,086.86 | 7,196.33 | 40.17% |
| Cash & Bank Balances | 8,558.47 | 3,154.89 | 171.28% |

(Note: standalone performance comparison, Rupees in lacs)

Raw Material Cost: The cost of Raw Material decreased due to decrease in purchase price of raw materials. Our total raw material cost decreased by 5.46% last year. As a percentage of total cost it decreased to 51% from 55% in FY14.

Other expenditure: The other expenditure consists of Rs. 6,966.03 Lacs and it increased by 17.01% due to increase in operations.

Interest Cost: The interest cost decreased by 19.26% due to better working capital management and better negotiation with bankers.

Fixed Assets: The increase in Gross Block of Fixed Asset is due to normal up gradation.

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 POY ranged between Rs 75 and 85 per kg and that of Nylon yarn ranged between Rs 175 and 220 per kg.

Interest Rates: The Company's average gross interest cost in the last year decreased by 19.26 % as compared to 4.31 % in the previous year. The company's present Debt equity Ratio is 0.64. The long term Debt equity Ratio is 0.58. Interest costs are 1.84% of total revenue.

Exchange Rate: 51% per cent of company revenue is in foreign currency (Dollar, Euro & GBP) and balance is in INR. Also, we import 33.68% per cent of turnover (83% 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 FY15, our average forward cover was for 3 months of our revenue.

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 is continuously upgrading its internal control systems by measures such as strengthening of Information Technology infrastructure and use of external management consultant services.

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

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

Directors' Report



H. Capital Expansion and Investment:

a. Last year, we incurred a CAPEX of Rs 657.75 Lac. For fiscal 2015 we envisage CAPEX of Rs 500.00 Lacs.

*You will never find time for anything.
If you want time, you must make it.*

I. Value Added Statement

(Rs. in Lacs)

| Particulars | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 |
|-------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Income from Production/Operations | 27,229.95 | 24,365.14 | 23,668.86 | 18,979.62 | 16,362.51 |
| Add : Other Income | 1,146.98 | 783.89 | 78.50 | 144.26 | 124.84 |
| CORPORATE OUTPUT | 28,376.94 | 25,149.03 | 23,747.36 | 19,123.88 | 16,487.35 |
| Less : Cost of Raw Materials Consumed | 12,023.68 | 12,718.59 | 11,584.96 | 10,118.67 | 8,846.55 |
| Less : Cost of Traded Goods | 2,962.63 | 1,307.76 | 1,173.39 | 770.05 | 345.01 |
| Less : Other Manufacturing Expenses | 4,792.65 | 4,192.62 | 4,066.11 | 3,588.94 | 3,181.94 |
| Less : Administrative & Other Expenses | 2,173.37 | 1,760.33 | 2,543.43 | 1,705.23 | 1,321.45 |
| EQUALS GROSS VALUE ADDED | 6,424.61 | 5,169.72 | 4,379.47 | 2,940.99 | 2,792.39 |
| Less : Depreciation & Amortization | 913.55 | 935.98 | 802.72 | 704.15 | 586.46 |
| Less : Extra Ordinary/Prior Period Items | - | - | - | - | - |
| EQUALS NET VALUE ADDED | 5,511.06 | 4,233.75 | 3,576.75 | 2,236.84 | 2,205.94 |
| ALLOCATION OF NET VALUE ADDED | | | | | |
| To Personnel | 778.28 | 619.19 | 494.13 | 417.46 | 291.24 |
| To Taxes (including tax on proposed div.) | 1,383.90 | 1,087.74 | 791.17 | 521.86 | 489.38 |
| To Creditors (via interest) | 514.48 | 388.89 | 431.08 | 269.69 | 184.66 |
| To Investors (via dividend) | 668.02 | 521.27 | 417.02 | 347.52 | 364.71 |
| To The Company (via retained earnings) | 2,166.38 | 1,616.66 | 1,443.35 | 680.30 | 875.95 |
| | 5,511.06 | 4,233.75 | 3,576.75 | 2,236.83 | 2,205.94 |

DIVIDEND:

Based on the Company's performance, the Directors are pleased to recommend which is subject to approval of the members at the forthcoming AGM a dividend of Rs. 8.00 per share (80%) on the face value of Rs 10/- each for the financial year ended 31st March, 2015 [Previous Year Rs 7.50 per share (75%)]. The dividend payout will aggregate Rs. 668.02 lacs (Previous year: Rs. 521.27 lacs) and the tax on distributed profits payable by the Company would amount to Rs 133.56 lacs (Previous year Rs. 88.59 lacs). The dividend shall be paid to members, whose names appear in the Register of Members as on 23rd September, 2015.

TRANSFER TO RESERVE:

The Company proposes to transfer of an amount of Rs 1,500 Lacs to General Reserves (Previous year Rs. 1,500 Lacs).

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under the Act, are provided in 'Annexure A' to this Report.

BOARD MEETINGS:

Pursuant to Section 173 of the Companies Act, 2013 the Board

Meetings are to be held at least four times in a year and the gap between two Board Meetings should not be more than 120 days. During 2014-15, the Board met nine (9) times on 29th May, 2014, 1st August, 2014, 30th September, 2014, 20th October, 2014, 21st October, 2014, 22nd October, 2014, 5th November, 2014, 10th January, 2015 and 10th February, 2015 and in no case the gap between two Board Meetings was more than 120 days.

The meetings of the Board are generally held in Mumbai where Company's Corporate Office is situated unless otherwise decided by the Board. The minutes of the meetings are finalized by the Chairman and confirmed by the Board.

A detailed agenda of the meeting is being prepared and is being provided to the Directors. The details about attendance of directors at board meetings are given in the Corporate Governance Report.

SHARE CAPITAL:

The paid up Equity Share Capital as on March 31, 2015 was Rs. 835.03 Lacs. During the year under review, the Company has not issued shares with differential voting rights nor granted stock options nor sweat equity. The Company has allotted 14,00,000 equity shares of Rs. 10/- each fully paid up under Qualified Institutional Placement (QIP) to Qualified Institutional Buyers (QIBs) on 22nd October, 2014 at a premium of Rs. 323.50 Per Share.

The Proceeds of Issue are kept in Fixed Deposits with Banks.

CONSOLIDATION FOR EFFECTIVENESS

Directors' Report

As on March 31, 2015 other than:

1. Mr. Madhusudan Jhunjhunwala
2. Mr. Krishnakumar Jhunjhunwala

None of the Directors of the Company held shares of the Company.

FINANCE AND ACCOUNTS:

Cash and cash equivalent as at 31st March, 2015 was Rs. 8,558.47 Lacs. There was a significant increase of 171% in Cash and Cash equivalent in the F.Y. 2014-15 which mainly belongs to funds of Rs. 4,669.00 Lacs received on account of Issue of 14,00,000 equity shares to Qualified Institutional Buyers (as mentioned in Share Capital above) and kept in fixed deposits. The Company further continues to focus on judicious management of its working capital. Receivables, inventories and other working capital parameters were kept under strict check through continuous monitoring.

Your Company prepares its financial statements in compliance with the requirements of the Companies Act, 2013 and the Generally Accepted Accounting Principles (GAAP) in India. The financial statements have been prepared on historical cost basis. The estimates and judgements relating to the financial statements are made on a prudent basis, so as to reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs, profit and cash flow for the year ended 31st March, 2015.

DEPOSITS:

The Company has not accepted any Deposit covered under Section 73 of the Companies Act, 2013 and The Companies (Acceptance of Deposit) Rules, 2014

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS:

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements. The interest free loans have been given to wholly owned subsidiary of the company for business purposes.

CORPORATE SOCIAL RESPONSIBILITY:

As required u/s 135 of the Companies Act, 2013, the Board in its meeting held on September 30, 2014 formed CSR Committee for formulating the CSR Policy and implementing the Corporate Social Responsibility (CSR) activities of the Company.

The CSR Committee had met on 10th February, 2015 where at the Committee adopted a formal policy to implement and monitor CSR activities of the company. The Company was required to make CSR contribution aggregating to 2% of average net profits of preceding three financial years. The Committee earmarked Rs. 49.51 Lacs towards company's CSR activities for financial year under review.

However, the Committee was by then in process of identifying areas where it could contribute money. Hence, the company could not contribute to CSR in time. Efforts would be made to contribute more in the coming years as we feel the sense of social security. The CSR Policy is available on the Company Website at www.sarlafibers.com.

The Annual Report on CSR activities is attached with this report as 'Annexure B'.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has an Internal Control System, commensurate with the size of its operations. The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiaries. Based on the report, significant audit observations and corrective actions thereon are regularly presented to the Audit Committee of the Board.

The Company's Internal Auditor also monitors and evaluates the internal control system and submits Quarterly Reports which are placed before the Audit Committee of the Board.

The Board in its meeting held on September 30, 2014 constituted the Risk Management Committee in compliance with clauses of the Listing Agreement. The Committee has approved a Risk Management Policy, wherein efforts have been made to identify elements of risks attached to company's business operations. The policy is available on the Company Website at www.sarlafibers.com.

WHISTLE BLOWER POLICY:

The Company has a Whistle Blower Policy to deal with instance of fraud and mismanagement. The Board in its meeting held on September 30, 2014 adopted the Whistle Blower policy. The Policy is available at www.sarlafibers.com.

Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.

Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and disposed off during the year 2014-15

- No of complaints received: Nil
- No of complaints disposed off: Nil

Directors' Report



SUBSIDIARIES:

The Company will make available, the Annual Accounts of the subsidiary Companies to any Member of the Company who may be interested in obtaining the same.

No Company has become or ceased to be a Subsidiary during the year under consideration.

The Company is not having any Holding Company or Joint Venture or any Associates Company.

The Company does not have any Indian Company as Subsidiary.

The salient features of the financial statements of the subsidiaries in pursuance of Section 129 (3) of the Companies Act, 2013, read with Rule 5 of The Companies (Accounts) Rules, 2014 are given herein below in prescribed form AOC-1: (Rs. in Lacs)

| Name of the Subsidiary | Sarla Overseas Holdings Ltd (SOHL) | Sarlaflex Inc | Sarla Europe LDA (Subsidiary of SOHL) |
|-------------------------------------|------------------------------------|--------------------------|---------------------------------------|
| Reporting period for the subsidiary | April to March | April to March | April to March |
| Reporting Currency | USD | USD | EURO |
| Conversion Rate | 62.59 | 62.59 | 67.65 |
| Number of Shares | 4,35,000 | 9,89,000 | 3 |
| Share Capital | 196.99 | 596.49 | 3.18 |
| Reserve and Surplus | 6,095.38 | (2,307.01) | (83.26) |
| Total Assets | 8,849.36 | 17,398.79 | 216.67 |
| Total Liabilities | 2,556.98 | 19,109.30 | 296.76 |
| Investments | - | 5,710.66 | - |
| Turnover | 3,964.29 | 4,164.76 | 304.06 |
| Profit before Taxation | 1,700.10 | (1350.55) | 13.98 |
| Provision for Taxation | - | - | (19.29) |
| Profit after Taxation | 1,700.10 | (1350.55) | 33.28 |
| Proposed Dividend | 522.78 | - | - |
| % of shareholding | 100% | 100% | 60% |
| Country | British Virgin Island | United States of America | Portugal |

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company prepared in accordance with relevant Accounting Standards (AS) viz. AS 21, AS 23 and AS 27 issued by the Institute of Chartered Accountants of India form part of this Annual Report.

The audited financial statements for the year ended 31st March, 2015 for each of the company's subsidiary are available on the company website www.sarlafibers.com

DIRECTORS & KMP:

On the recommendation of Nomination and Remuneration Committee, Board of Directors had re-appointed Shri Krishnakumar Jhunjhunwala as Managing Director of the Company for a period of five years effective from 1st October, 2014 to 30th September, 2019 and approved variation in remuneration for the period of five years.

During the year under review, pursuant to the provisions of Section 149 of the Act, Shri. Jigar Shah (DIN: 00191165), Shri Arun Vaid

There are two wholly owned overseas subsidiaries viz. Sarla Overseas Holdings Ltd (BVI) and Sarlaflex Inc. (USA) and one Step down subsidiary viz. Sarla Europe (LDA) as on 31st March, 2015. There has been no material change in the nature of the business of the subsidiaries. The Policy for determining material subsidiaries as approved may be accessed on the Company's website at www.sarlafibers.com.

Pursuant to the provisions of Section 136 of the Act, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiaries, are available on the website of the Company at the link: www.sarlafibers.com.

(DIN: 00351464) and Shri. Parantap Dave (DIN: 00019742) were appointed as Independent Directors of the Company for a period of five years at the Annual General Meeting held on 27th September, 2014. The terms and conditions of appointment of independent directors are as per Schedule IV of the Act. They have submitted a declaration that each of them meets the criteria of independence as provided in Section 149(6) of the Act and Clause 49 of the Listing Agreement, there has been no change in the circumstances which may affect their status as Independent Director during the year.

Pursuant to provisions of Section 196(3)(a) of the Companies Act, 2013, continuation of appointment of Shri Madhusudan Jhunjhunwala as Whole Time Director of the Company was consented by the members at the Annual General Meeting held on 27th September, 2014 for his remaining term upto 31st July, 2015. Thereafter, at the Board Meeting held on 1st August, 2015 on the recommendation of Nomination and Remuneration Committee he was re-appointed for a period of Five years from 1st August, 2015 to 31st July, 2020.

CONSOLIDATION FOR EFFECTIVENESS

Directors' Report

Shri. Lalita P. Aggarwal, Independent Director of the Company appointed on 1st November, 2013, did not seek re-appointment at the previous AGM held on 27th September, 2014 and he ceased to be Director of the Company at that AGM.

During the year under review, in compliance of provisions of Section 149 of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board of Directors on 31st March, 2015 appointed women director viz. Ms. Neha Jhunjhunwala as Additional (non-executive non-independent) Director of the Company, who is liable to retire by rotation. She holds office till the conclusion of the ensuing Annual General Meeting. A notice has been received from a member of the Company proposing her candidature for the post of Director. In view of the same, she offers herself for re-appointment at the forthcoming Annual General Meeting.

In terms of provisions of the Section 152 (6) of the Companies Act, 2013, Mr. Madhusudan Jhunjhunwala retires by rotation at the forthcoming Annual General Meeting, and being eligible to offer himself for re-appointment. The profile of director seeking reappointment pursuant to Clause 49(IV)(G)(I) of the Listing Agreement with the Stock Exchanges is included in the annual report.

Mr. Mahendra V. Sheth was appointed as CFO & Company Secretary of the Company w.e.f. 28th January, 2012 and In terms of provisions of the Section 203 (1) of the Companies Act, 2013, Mr. Mahendra V Sheth, was appointed as Chief Financial Officer of the Company w.e.f. 29th May, 2014.

Other than this No Director or Key Managerial Personnel was appointed or has resigned during the year under consideration.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

ANNUAL PERFORMANCE EVALUATION:

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Audit Committee, CSR Committee, Nomination & Remuneration Committee, Risk Management Committee and Stakeholder Relationship Committee. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

NOMINATION AND REMUNERATION POLICY

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. This Policy also lays down criteria for selection, independence and appointment of Board Members. The details of this policy are briefly

explained in the Corporate Governance Report.

Particulars of Employees drawing remuneration exceeding Rs. 5 Lacs per month or Rs. 60 Lacs per annum:

During the year under review, there was no employee drawing remuneration in excess of what is prescribed under Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Information required pursuant to Section 197 read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees:

1. The Ratio of the remuneration paid to each Director to the median remuneration of the employees of the Company during the year under consideration:

| Name of Director | Remuneration Paid | Median Remuneration | Ratio |
|---------------------------------------------------------------------|-------------------|---------------------|--------|
| Mr. Madhusudan S. Jhunjhunwala (Chairman, Executive Director) | 80,00,000 | 1,22,400 | 65.36x |
| Mr. Krishnakumar M. Jhunjhunwala (Managing Director) | 96,00,000 | 1,22,400 | 78.43x |

Independent directors are paid sitting fees for attending board meetings which are not considered.

2. The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary in the financial year:

| Name of Director | Remuneration paid | Percentage Increase in current financial year |
|------------------------------------------------------------------|-------------------|-----------------------------------------------|
| Mr. Madhusudan S. Jhunjhunwala (Chairman, Executive Director) | 80,00,000 | 29.03% |
| Mr. Krishnakumar M. Jhunjhunwala (Managing Director) | 96,00,000 | 45.45% |
| Mr. Mahendra Sheth (CFO & Company Secretary) | 13,91,000 | 24.53% |

3. The Average percentage increase in the median remuneration of employees in the financial year: 8-10%

4. The number of permanent employees on the rolls of company: 157

5. Average percentage increase in salaries of non-managerial employees was 8 % as compared to average percentage increase in managerial remuneration which was 15 %

Directors' Report

6. Comparison of remuneration of the Key Managerial Personnel against the performance of the Company:

- i) Change in sales of the Company: 8.48 % increase
- ii) Change in the PAT of the Company: 33.29 % increase
- iii) Change in the remuneration of Mr. Madhusudan Jhunjunwala, Mr, Krishnakumar Jhunjunwala and Mr. Mahendra Sheth (KMPs) (as mentioned in Sr. No. 2)

| Name of Director | Remuneration Paid | Percentage Increase in current financial year |
|-----------------------------------------------------------------|-------------------|-----------------------------------------------|
| Mr. Madhusudan S. Jhunjunwala (Chairman, Executive Director) | 80,00,000 | 29.03% |
| Mr. Krishnakumar M. Jhunjunwala (Managing Director) | 96,00,000 | 45.45% |
| Mr. Mahendra Sheth (CFO & Company Secretary) | 13,91,000 | 24.53% |

7. Increase in the remuneration paid to the Executive Directors (As mentioned above)

Three is no Increase in sitting fees paid to the Independent Directors and Non Executive Directors:

During the year there has been an increase in Gross Revenue from operations by 8.48 % and increase in PAT by 33.29 %. Taking into consideration the above increase as well as performance of individual employees, the average increase in remuneration for the year is 10 %.

8. Variations in the market capitalisation*
2014 - Rs. 117.63 Cr
2015 - Rs. 309.13 Cr

9. Price Earning Ratio* as on 31st March 2015: 5.28
Price Earning Ratio* as on 31st March 2014: 9.43

10. Percentage Increase in market quotation in the shares of the Company in comparison to the rate at which the Company came out with the last public issue: Not Applicable.

11. Percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer: Not Applicable,

The Board affirms that the remuneration paid is as per the Remuneration Policy of the Company.

Neither Managing Director nor Whole Time Director of the Company receives any remuneration or commission from any Subsidiary of the Company.

*Market Capitalisation and Price Earning Ratio are calculated based on the Stock Price on BSE Ltd

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 134(3)(c) of the Companies Act, 2013:

- i. that in the preparation of annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- ii. that they have selected such accounting policies 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 at the end of the financial year and of the profits of the Company for that year;
- iii. that the Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the annual accounts have been prepared on a 'going concern' basis.
- v. that the Directors have laid down internal financial controls and such internal financial controls are adequate and operating effectively
- vi. that proper systems have been devised to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively

RELATED PARTY TRANSACTIONS

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business except one transaction details of which is mentioned in Form AOC-2 attached as Annexure C of this Report. There are no materially significant related party transactions made by the Company with Promoters, Directors or Key Managerial Personnel which may have a potential conflict with the interest of the Company at large.

All Related Party Transactions are placed before the Audit Committee and also the Board for approval. The particulars of contracts or arrangements with related parties referred to in sub-section 1 of Section 188 of the Companies Act, 2013 are furnished in Form AOC-2 in 'Annexure C' to this report.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link: www.sarlafibers.com.

Directors' Report

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

AUDITORS AND AUDITORS' REPORT

STATUTORY AUDITORS:

The Members at the Twenty-first Annual General Meeting approved the appointment of M/s. Sundarlal, Desai & Kanodia, Chartered Accountants, (Firm Registration No. 110560W), as Statutory Auditors of the Company pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules framed thereunder to hold office for a period of 3 years till the conclusion of the Twenty Forth Annual General Meeting of the Company, subject to ratification of their appointment at every AGM.

M/s. Sundarlal, Desai & Kanodia have confirmed that they continue to be eligible under Section 141 of the Companies Act, 2013 and the Rules framed thereunder for continuing as Auditors of the Company. As required by the Companies Act, 2013, the Members are requested to ratify their appointment as Auditors for the FY 2015-2016.

AUDITORS' QUALIFICATION:

There is no Audit qualification in the standalone or consolidated financial statements by the Statutory Auditors for the year under review,

SECRETARIAL AUDIT:

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed CS Ajit Sathe- Proprietor of M/s A. Y Sathe & Co. Company Secretaries in Practice (Registration No.:FCS2899/COP738) to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed herewith as "Annexure D".

The Secretarial Auditor has made following observations.

I) Under the Companies Act, 2013:

- a) The Company has given Interest free Unsecured Loans to its Wholly Owned Foreign Subsidiary Company viz. Sarlaflex Inc., USA.
- b) Form MGT - 15 being Form for filing report on Annual General Meeting held on 27th September, 2014 was filed late on 5th June, 2015 by paying prescribed additional fee.
- c) Form CHG - 4 for Satisfaction of Charge amounting to Rs. 3.50 Crore created in favour of Andhra Bank, Mumbai

satisfied on 28th March, 2014 was filed on 30th April, 2014 with a delay of four days. Form RD-2 seeking Condonation of the said delay has been filed on 14th July, 2015 under Section 87 of the Companies Act, 2013.

d) The Company has not spent 2% of average net profit of last three financial years to CSR activities pursuant to Section 135 of the Companies Act, 2013. The reason for not spending the same is provided in the Directors' Report.

II) Under the Listing Agreement:

a) The Company submitted Annual Report for the FY ended 31st March, 2014 to the Stock Exchanges late resulting in non-compliance of Clause 31. For this delay Rs. 1,124/- late fee has been levied by the BSE Limited and the same has been paid by the Company.

Board's Reply to Secretarial Auditors' observations.

Under the Companies Act, 2013:

1. As a part of project funding the Company had agreed to give interest free loan to its wholly owned subsidiary and the said commitment continuous to make the project financially viable. Even provisions under FEMA Regulations permit giving of interest free loans to wholly owned subsidiary Company.
2. Due to oversight report on Annual General Meeting held on 27th September, 2014 in Form MGT-15 was filed late on 5th June, 2015 by paying prescribed additional fee.
3. Form CHG - 4 for Satisfaction of Charge was filed late because the said Form was not available MCA Website, resulting into a delay of 4 Days. Form RD-2 seeking Condonation of the said delay has been filed on 14th July, 2015 by paying prescribed fees.
4. The Corporate Social Responsibility Committee earmarked ` 49.51 Lacs towards Company's CSR activities for year 2014-15. However, the Committee was by then in process of identifying areas where it could contribute money. Hence, the Company could not contribute to CSR in time. Efforts would be made to contribute more in the coming years.

II) Under the Listing Agreement:

a) Due to oversight there was delay in submission of Annual Report to the stock exchanges for the FY ended 31st March, 2014. For this delay Rs. 1,124/- late fee has been levied by the BSE Limited and the same has been paid by the Company.

COST AUDIT:

Cost Audit was not applicable to the Company for Financial year 2014-15.

Directors' Report

DISCLOSURES:

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as "Annexure E".

AUDIT COMMITTEE:

The details pertaining to composition of audit committee are included in the Corporate Governance Report, which forms part of this report.

VIGIL MECHANISM:

The details pertaining to Vigil Mechanism are included in the Corporate Governance Report, which forms part of this report.

CORPORATE GOVERNANCE:

In compliance with the provisions of Clause 49 of the Listing Agreement, the Report on the Corporate Governance is annexed and forms an integral part of this Report. The requisite certificate from the Statutory Auditors of the Company confirming compliance with the conditions of Corporate Governance is attached to the report of Corporate Governance.

EXTRACT OF THE ANNUAL RETURN:

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS:

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

EMPLOYEES RELATIONS:

The employees' relation at all levels and at all units continued to be cordial during the year.

ACKNOWLEDGMENT:

Your Directors wish to place on record their appreciation of the dedicated efforts by employees at all levels. The Directors also wish to place on record their word of sincere appreciation to the bankers, the investors, the vendors, the customers, and all other business associates for their continued support.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place: Mumbai

Date: August 12, 2015

Chairman and Whole Time Director
MADHUSUDAN S. JHUNJHUNWALA
DIN: 00097254

Directors' Report

ANNEXURE-A

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

Particulars required under Section 134(3)(m) of the Companies Act, 1956 read with the Rules 8(3) of the Companies (Account) Rules, 2014.

a) Steps taken or impact of conservation of energy during 2014-2015: In line with Companies Commitment towards conservation of energy, all units have made continuous efforts aimed at improving energy efficiency through improved operational and maintenance practices. The Company have taken following steps during the year under review:

- Replacement of inefficient motors with energy efficient motors

- Overhauling of Machines for effective energy utilization
- Replacement of HPMV lightings with LED lights

b) Steps taken by the Company for utilizing alternative sources of energy: The Company have wind turbine generators of 1.25 MW capacity installed at Baradiya, Gujarat. Energy generated from the said turbine is captively used at Dyeing Plant (Vapi) of the company.

c) The Capital investment on energy conservation equipment's during the year is about Rs. 30 Lacs.

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

FOREIGN EXCHANGE EARNINGS AND OUTGO

a) Activities relating to exports:

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.

b) Total foreign exchange expended and earned:

| Sr. No. | Particulars | Current Year (Rs Lacs) | Previous Year (Rs Lacs) |
|---------|-------------------------------------|------------------------|-------------------------|
| 1. | Total foreign exchange earned (FOB) | 15,693.58 | 14,847.17 |
| 2. | Total foreign exchange used | 9,732.66 | 9,118.49 |

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Chairman and Whole Time Director
MADHUSUDAN S. JHUNJHUNWALA
 DIN: 00097254

SARLA PERFORMANCE FIBERS LIMITED

Place: Mumbai

Date: August 12, 2015

Directors' Report

ANNEXURE-B

Annual Report on Corporate Social Responsibility (CSR) Activities

A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.

CSR Policy is stated herein below:

The detailed policy is available on the Company Website at: www.sarlafibers.com

Composition of the CSR Committee:

Mr. Madhusudan Jhunjhunwala - Chairman
Mr. Jigar Shah- Member
Mr. Parantap Dave - Member

Average net profit of the Company for last three financial years:

Rs. 2,475.62 Lacs

Prescribed CSR Expenditure (two percent of the Average Net Profit as detailed above) : Rs. 49.51 Lacs

Details of CSR spend for the financial year:

A **Total amount spent for the financial year:** Nil

Place: Mumbai

Date: August 12, 2015

B **Amount unspent, if any:** Rs. 49.51 Lacs

Manner in which the amount spent during the financial year is detailed below:

In case Company has failed to spend the two percent of the average Net Profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report:

The Company was required to contribute to CSR during the year. However, the Company has not made CSR contribution. Reasons for not contributing to CSR have been mentioned in the main Report.

Responsibility Statement:

A responsibility statement of CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR Objectives and Policy of the Company

The CSR Committee hereby confirms that the implementation and monitoring of CSR Policy will be in compliance with CSR objectives and Policy of the Company.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Chairman and Whole Time Director
MADHUSUDAN S. JHUNJHUNWALA
DIN: 00097254

...in most circumstances, the more time pressure workers experienced, the less creative both they and the authors judged them to be. On the other hand, there was a set of conditions in which creativity did flourish, even under extreme time pressures: ...[when] they could remain focused on the task for significant periods of time without interruption."

Directors' Report

ANNEXURE-C

Form No. AOC-2: (Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto:

1. Details of contracts or arrangements or transactions not at arm's length basis

| Sr. No. | Particulars | Details |
|---------|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| a | Name of the related party & nature of relationship | Hindustan Cotton Company (Director of the Company is partners) |
| b | Nature of Contract/ transaction | Payment of Rent |
| c | Duration of contract | Three Years (1st Oct, 2014 to 30th Sep, 2017) |
| d | Salient terms of contract | Deposit of Rs. 2.25 Crores and Rent of Rs. 6.00 Lacs Per Annum |
| e | Justification for Entering into contract | Business Requirement |
| f | Date of Approval of Board | 30th September, 2014. |
| g | Amount paid as advance, if any | - |
| h | Date on which the special resolution was passed in General Meeting as required under first proviso to Section 188 | Not Applicable |

2. Details of material contracts or arrangement or transactions at arm's length basis:

| Name of Related Party | Nature of Relationship | Duration of Contract | Terms of Contract | Amount (Rs In Lacs) |
|----------------------------------|-------------------------|----------------------|--------------------|---------------------|
| SALE OF GOODS | | | | |
| Sarla Overseas Holdings Ltd, BVI | Wholly Owned Subsidiary | Ongoing | Arm's Length basis | 2,559.90 |
| Sarlaflex Inc, USA | Wholly Owned Subsidiary | Ongoing | Arm's Length basis | 1,150.25 |

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place: Mumbai
Date: August 12, 2015

Chairman and Whole Time Director
MADHUSUDAN S. JHUNJHUNWALA
DIN: 00097254

Directors' Report

ANNEXURE-D

Form No. MR-3: SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2015

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

**To,
The Members,
Sarla Performance Fibers Limited**

Survey No. 59/1/4, Amli Piparia Industrial Estate,
Silvassa - 396230, U.T. of Dadra & Nagar Haveli

I, Ajit Y. Sathe, Proprietor of A. Y. Sathe & Co., Practicing Company Secretary have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Sarla Performance Fibers Limited (CIN - L31909DN1993PLC000056)** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2015 ('Audit Period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on **31st March, 2015** according to the provisions of:

- i) The Companies Act, 2013 (the Act) and the Companies Act, 1956 (to the extent applicable) and the rules made thereunder;
- ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (**Not Applicable to the Company during the Audit Period**);

e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (**Not Applicable to the Company during the Audit Period**);

f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (**Not Applicable to the Company during the Audit Period**); and

h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (**Not Applicable to the Company during the Audit Period**);

vi) As informed to me; **there are no other specifically applicable laws to the Company.**

I have also examined compliance with the applicable clauses of the following:

i) Secretarial Standards issued by The Institute of Company Secretaries of India (**applicable w.e.f. 1st July, 2015 hence not applicable to the Company during the audit period**).

ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc mentioned above subject to the following

Directors' Report

observations/ non - compliances:

I. Companies Act, 2013:

- a) The Company has given Interest free Unsecured Loans to its Wholly - Owned Foreign Subsidiary Company viz. Sarlaflex Inc., USA.
- b) Form MGT - 15 being Form for filing report on Annual General Meeting held on 27th September, 2014 was filed late on 5th June, 2015 by paying prescribed additional fee.
- c) Form CHG - 4 for Satisfaction of Charge amounting to Rs. 3.50 Crore created in favour of Andhra Bank, Mumbai satisfied on 28th March, 2014 was filed on 30th April, 2014 with a delay of Four days. Form RD-2 seeking Condonation of the said delay has been filed on 14th July, 2015 under Section 87 of the Companies Act, 2013.
- d) The Company has not spent 2% of average net profit of last three financial years to CSR activities pursuant to Section 135 of the Companies Act, 2013. The reason for not spending the same is provided in the Directors' Report.

II. Listing Agreement:

- a) The Company submitted Annual Report for the FY ended 31st March, 2014 to the Stock Exchanges late resulting in non-compliance of Clause 31. For this delay Rs. 1,124/- late fee has been levied by the BSE Limited and the same has been paid by the Company.

In respect of other laws specifically applicable to the Company, I am informed that there are no other specifically applicable laws to the Company.

I have relied on information / records produced by the Company during the course of my audit and the reporting is limited to that extent.

I further report that -

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors

**For A. Y. Sathe & Co.
Company Secretaries**

**Ajit Yeshwant Sathe
(Proprietor)**

FCS No. 2899
COP No. 738

and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report during the audit period the Company has issued 14,00,000 Equity Shares of Rs. 10 /- each at a Premium of Rs. 323.50/- per Share through Qualified Institutional Placement, the offer for which was made on 20th October, 2014 pursuant to Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and pursuant to provisions of Section 42 of the Companies Act, 2013. Allotment of the same was made on 22nd October, 2014.

I further report that during the audit period the Company has passed Special Resolution at the Annual General Meeting held on 27th September, 2014 under Section 180(1) (c) of the Companies Act, 2013 for enhancing the borrowing limits upto Rs. 350 Crores over and above the aggregate of the paid-up share capital and free reserves of the Company.

I further report that during the audit period there were no instances of:

- i) Redemption / buy-back of securities
- ii) Merger / amalgamation / reconstruction, etc.
- iii) Foreign technical collaborations

Date: August 12, 2015

Place: Mumbai

This report is to be read with our letter of even date which is annexed as Annexure I and forms an integral part of this report.

*If there is one 'secret' of effectiveness, it is concentration,
and effective executives do first things first and they do one thing at a time". - Peter Drucker*

Directors' Report

Annexure-I

To,
The Members,
Sarla Performance Fibers Limited,
Survey No. 59/1/4,
Amli Piparia Industrial Estate,
Silvassa - 396230
U.T. of Dadra & Nagar Haveli

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial Records. The verification was done on the test basis to ensure that correct facts are reflected in

For A. Y. Sathe & Co.
Company Secretaries

Ajit Yeshwant Sathe
(Proprietor)
FCS No. 2899
COP No. 738

secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Date: August 12, 2015
Place: Mumbai

Directors' Report

ANNEXURE-E

EXTRACT OF ANNUAL RETURN
AS ON THE FINANCIAL YEAR ENDED ON MARCH 31, 2015

{Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014}
FORM MGT-9

I. REGISTRATION AND OTHER DETAILS :

| | |
|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i. CIN | L31909DN1993PLC000056 |
| ii. Registration Date | 23rd November, 1993 |
| iii. Name of the Company | Sarla Performance Fibers Limited |
| iv. Category/sub Category of Company | Public Company Limited by Shares/Indian Non-government company |
| v. Address of the Registered Office and Contact Details | Survey No. 59/1/4, Amli Piparia Indl Estate, Silvassa, UT of Dadra & Nagar Haveli Tel: (0260) 3290467, Fax: (0260) 2631356 |
| vi. Whether Listed Company | Yes |
| vii. Name, Address and contact details of Registrar and Transfer Agent | Sharex Dynamic (India) Pvt Ltd Unit 1, Luthra Ind. Premises, Safed pool, Andheri Kurla Road, Andheri (E), Mumbai - 400 072 Tel: 022 2851 5606, Fax: 022 2851 2885. Email: sharexindia@vsnl.com, Website: www.sharexindia.com |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

| Sr. Name and Description of main No. products/services | NIC Code of the Product/service | %to total turnover of the company |
|--------------------------------------------------------|---------------------------------|-----------------------------------|
| 1. Manufacturing of Yarn | 20301-20304 | 97.81% |

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Sr. Name and address of No. the Company | CIN/GLN | Holding/Subsidiary /Associate | % of shares held | Applicable Section |
|--------------------------------------------------------------------------|---------|-------------------------------|------------------|--------------------|
| Foreign Subsidiaries | | | | |
| 1. Sarla Overseas Holding Ltd, British Virgin Islands | - | Subsidiary Company | 100% | 2(87) |
| 2. Sarlaflex Inc, 1497, Industrial Road, Walterboro, SC 29488, USA | - | Subsidiary Company | 100% | 2(87) |
| 3. Sarla Europe LDA, Portugal | - | Subsidiary Company | 60%** | 2(87) |

** Sarla Europe LDA, Portugal is a step down subsidiary of the company. The 60% holding in Sarla Europe LDA is held by Sarla Overseas Holding Ltd, BVI.

Directors' Report

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

| Category of Shareholders | No. Of shares held at the beginning of the year (As on April 1, 2014) | | | | No. Of shares held at the end of the year (As on March 31, 2015) | | | | % change during the year |
|---------------------------------------|-----------------------------------------------------------------------|--------------|------------------|-------------------|------------------------------------------------------------------|----------|------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| 1) Indian | | | | | | | | | |
| a) Individual/HUF | 33,33,107 | 0 | 33,33,107 | 47.96% | 33,13,105 | 0 | 33,13,105 | 39.68% | -8.28% |
| b) Central Govt | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| c) State Govt (s) | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| d) Bodies Corp | 12,88,172 | 0 | 12,88,172 | 18.53% | 12,96,649 | 0 | 12,96,649 | 15.53% | -3.01% |
| e) Banks/FI | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| f) Any Other (PAC) | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| Sub-Total (A)(1) | 46,21,279 | 0 | 46,21,279 | 66.49% | 46,09,754 | 0 | 46,09,754 | 55.20% | -11.29% |
| 2) Foreign | | | | | | | | | |
| a) NRIs - Individuals | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| b) Other - Individuals | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| c) Bodies Corp | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| d) Banks/FI | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| e) Any Other | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| Sub-total | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| Sub-Total (A)(2) | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| Total Shareholding of Promoter | | | | | | | | | |
| (A) = (A)(1)+(A)(2) | 46,21,279 | 0 | 46,21,279 | 66.49% | 46,09,754 | 0 | 46,09,754 | 55.20% | -11.29% |
| Public Shareholding | | | | | | | | | |
| 1) Institutions | | | | | | | | | |
| a) Mutual Funds | 0 | 2,000 | 2,000 | 0.03% | 14,25,697 | 0 | 14,25,697 | 17.07% | 17.04% |
| b) Banks/FI | 50 | 0 | 50 | 0.00% | 50 | 0 | 50 | 0.00% | 0.00% |
| c) Central Govt | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| d) State Govt(s) | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| e) Venture Capital Funds | 4,000 | 0 | 4,000 | 0.06% | 4,000 | 0 | 4,000 | 0.05% | -0.01% |
| f) Insurance Co. | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| g) FIs | 1,500 | 0 | 1,500 | 0.02% | 0 | 0 | 0 | 0.00% | -0.02% |
| h) Foreign Venture Capital Fund | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| l) Others (Specify) | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | 0.00% |
| Sub-Total (B)(1) | 5,550 | 2,000 | 7,550 | 0.11% | 14,29,747 | 0 | 14,29,747 | 17.12% | 17.01% |

Directors' Report

| Category of Shareholders | No. Of shares held at the beginning of the year (As on April 1, 2014) | | | | No. Of shares held at the end of the year (As on March 31, 2015) | | | | % change during the year |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------|-----------------|------------------|-------------------|------------------------------------------------------------------|-----------------|------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| 2. Non Institutional | | | | | | | | | |
| a) Bodies Corp. | | | | | | | | | |
| i) Indian | 3,61,642 | 8,000 | 3,69,642 | 5.32% | 1,41,707 | 8,000 | 1,49,707 | 1.79% | -3.53% |
| ii) Overseas | 0 | 0 | 0 | 0.00% | 0 | 0 | 0 | 0.00% | |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto Rs.1 L | 5,62,688 | 1,88,071 | 7,50,759 | 10.80% | 6,39,699 | 1,79,671 | 8,19,370 | 9.81% | -0.99% |
| ii) Individuals shareholders holding nominal share capital in excess of Rs. 1L | 10,46,617 | 0 | 10,46,617 | 15.06% | 9,07,552 | 0 | 9,07,552 | 10.87% | -4.19% |
| c) Others | | | | | | | | | |
| Clearing Member | 1,426 | 0 | 1,426 | 0.02% | 3,05,795 | 0 | 3,05,795 | 3.66% | 3.64% |
| Foreign Nationals | | | | | | | | | |
| NRI (Repat) | 1,05,127 | 47,900 | 1,53,027 | 2.20% | 80,875 | 47,500 | 1,28,375 | 1.54% | -0.66% |
| NRI(Non Repat) Trust | | | | | | | | | |
| Sub-Total (B)(2) | 20,77,500 | 2,43,971 | 23,21,471 | 33.40% | 20,75,628 | 2,35,171 | 23,10,799 | 27.67% | -5.73% |
| Total Public Shareholding (B) = (B)(1)+(B)(2) | 20,83,050 | 2,45,971 | 23,29,021 | 33.51% | 35,05,375 | 2,35,171 | 37,40,546 | 44.80% | 11.29% |
| C. Shares held by Custodian for GDRs & ADRs | 0 | 0 | 0 | - | 0 | 0 | 0 | - | - |
| Grand Total (A+B+C) | 67,04,329 | 2,45,971 | 69,50,300 | 100.00% | 81,15,129 | 2,35,171 | 83,50,300 | 100.00% | 11.29% |

"You have to decide what your highest priorities are and have the courage-pleasantly, smilingly, non-apologetically - to say 'no' to other things. And the way you do that is by having a bigger 'yes' burning inside".

Directors' Report

ii) Shareholding of Promoters & Promoter Group

| Sr. No. | Shareholder's name | Share holding at the beginning of the year | | | Share holding at the end of the year | | | % change in share holding during the year |
|---------|------------------------------------------------|--------------------------------------------|----------------------------------|------------------------------------------------|--------------------------------------|----------------------------------|------------------------------------------------|-------------------------------------------|
| | | No. of Shares | % of total shares of the company | % of shares pledged/encumbered to total shares | No. of Shares | % of total shares of the company | % of shares pledged/encumbered to total shares | |
| 1. | Madhusudan Jhunjunwala | 1,94,500 | 2.80% | – | 1,94,500 | 2.33% | – | -0.47% |
| 2. | Krishnakumar Jhunjunwala | 1,30,000 | 1.87% | – | 1,30,000 | 1.56% | – | -0.31% |
| 3. | Vrinda K. Jhunjunwala | 64,700 | 0.93% | – | 64,700 | 0.77% | – | -0.16% |
| 4. | Sarladevi M. Jhunjunwala | 3,88,400 | 5.59% | – | 3,88,400 | 4.65% | – | -0.94% |
| 5. | Satidham Industries Pvt. Ltd. | 12,69,814 | 18.27% | – | 12,72,791 | 15.24% | – | -3.03% |
| 6. | Hindustan Cotton Co. - Through its partner | 21,16,479 | 30.45% | – | 21,16,479 | 25.35% | – | -5.11% |
| 7. | Krishnakumar & Sons (HUF) Through its Karta | 32,500 | 0.47% | – | 32,500 | 0.39% | – | -0.08% |
| 8. | Madhusudan Jhunjunwala (HUF) | 4,06,526 | 5.85% | – | 3,86,526 | 4.63% | – | -1.22% |
| 9. | Sarla Estate Developers Pvt. Ltd. | 18,358 | 0.26% | – | 18,358 | 0.22% | – | -0.04% |
| 10. | Harmony Estates Pvt. Ltd. | 0 | 0.00% | – | 5,500 | 0.07% | – | 0.07% |

* The change constitute change due to purchase/sale of shares and also due to increase in paid-up share capital of the company.

iii) Change in Promoters' Shareholding (please specify, if there is no change)

| Sr. No. | Shareholder's name | Share holding at the beginning of the year | | Share holding at the end of the year | | % change in share holding during the year* |
|--------------|-------------------------------------|--------------------------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------------|
| | | No. of Shares | % of total shares of the company | No. of Shares | % of total shares of the company | |
| 1. | Madhusudan Jhunjunwala & Sons (HUF) | 4,06,852 | 5.85% | 3,86,526 | 4.63% | -1.22% |
| 2. | Satidham Industries Pvt Ltd | 12,69,814 | 18.27% | 12,72,791 | 15.24% | -3.03% |
| 3. | Harmony Estates Pvt Ltd | 0 | 0.00% | 5,500 | 0.07% | 0.07% |
| 4. | Madhusudan Jhunjunwala | 1,94,500 | 2.80% | 1,94,500 | 2.33% | -0.47% |
| 5. | Krishnakumar Jhunjunwala | 1,30,000 | 1.87% | 1,30,000 | 1.56% | -0.31% |
| 6. | Krishnakumar & Sons (HUF) | 32,500 | 0.47% | 32,500 | 0.39% | -0.08% |
| 7. | Vrinda Jhunjunwala | 64,700 | 0.93% | 64,700 | 0.77% | -0.16% |
| 8. | Sarladevi Jhunjunwala | 3,88,400 | 5.59% | 3,88,400 | 4.65% | -0.94% |
| 9. | Hindustan Cotton Company | 21,16,479 | 30.45% | 21,16,479 | 25.35% | -5.11% |
| 10. | Sarla Estate Developers Pvt Ltd | 18,358 | 0.26% | 18,358 | 0.22% | -0.04% |
| TOTAL | | 46,21,603 | | 46,09,754 | | |

* The change constitute change due to purchase/sale of shares and also due to increase in paid-up share capital of the company.

Directors' Report

iv) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

| Sr. No. | Shareholder's name | Share holding at the beginning of the year | | Share holding at the end of the year | | % change in share holding during the year* |
|---------|-------------------------------------|--------------------------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------------|
| | | No. of Shares | % of total shares of the company | No. of Shares | % of total shares of the company | |
| 1. | HDFC Small & Mid-Cap Fund | 0 | 0.00% | 7,43,817 | 8.90% | 8.90% |
| 2. | DSP Blackrock Dual Advantage Fund | 0 | 0.00% | 3,70,000 | 4.43% | 4.43% |
| 3. | Anil Kumar Goel | 3,40,000 | 4.89% | 3,40,000 | 4.07% | -0.82% |
| 4. | Dalal Broacha Stock Broking Pvt Ltd | 3,30,000 | 4.75% | 2,71,385 | 3.25% | -1.50% |
| 5. | Canara Robeco Mutual Fund | 0 | 0.00% | 1,59,880 | 1.91% | 1.91% |
| 6. | TATA Balanced Fund | 0 | 0.00% | 1,50,000 | 1.80% | 1.80% |
| 7. | Seema Goel | 1,00,000 | 1.44% | 1,00,000 | 1.20% | -0.24% |
| 8. | Vipul P Dalal | 85,050 | 1.22% | 85,050 | 1.02% | -0.21% |
| 9. | Alka Somani | 52,500 | 0.76% | 54,000 | 0.65% | -0.11% |
| 10. | Bang Equity Broking Pvt Ltd | 0 | 0.00% | 48,883 | 0.59% | 0.59% |

* The change constitute change due to purchase/sale of shares and also due to increase in paid-up share capital of the company.

v) Shareholding of Directors and Key Managerial Personnel:

| Sr. No. | For Each of the Directors/KMP | Share holding at the beginning of the year | | Cumulative share holding during the year | |
|------------------|------------------------------------|--------------------------------------------|----------------------------------|------------------------------------------|----------------------------------|
| | | No. of Shares | % of total shares of the company | No. of Shares | % of total shares of the company |
| Directors | | | | | |
| 1. | Madhusudan S. Jhunjunwala | | | | |
| | At the beginning of the Year | 1,94,500 | 2.79% | 1,94,500 | 2.79% |
| | Purchase / Sales | 0 | 0 | 0 | 0 |
| | At the end of the year | 1,94,500 | 2.79% | 1,94,500 | 2.79% |
| 2. | Krishnakumar M. Jhunjunwala | | | | |
| | At the beginning of the Year | 1,30,000 | 1.87% | 1,30,000 | 1.87% |
| | Purchase / Sales | 0 | 0 | 0 | 0 |
| | At the end of the year | 1,30,000 | 1.87% | 1,30,000 | 1.87% |
| Other KMP | | | | | |
| 1. | Mahendra Sheth | | | | |
| | At the beginning of the Year | 80 | 0.00% | 80 | 0.00% |
| | Purchase / Sales | 0 | 0 | 0 | 0 |
| | At the end of the year | 80 | 0.00% | 80 | 0.00% |

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(based on Consolidated Financial Statement)

(Rs. in Lacs)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|------------------------------------------------------------|----------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the financial year | | | | |
| i) Principal Amount | | | | |
| Working Capital | 10,194.06 | 225.08 | 0 | 10,419.14 |
| Term Loan (ECB) | 12,577.79 | 328.94 | 0 | 12,906.73 |
| ii) Interest due but not paid | | | | |
| iii) Interest accrue but not due | | | | |
| Total (i+ii+iii) | 22,771.85 | 554.02 | 0 | 23,325.87 |

Directors' Report



(Rs. in Lacs)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---------------------------------------------------------|-------------------------------------|--------------------|----------|-----------------------|
| Change in Indebtedness during the financial year | | | | |
| Additional (Net change) | 2,446.76 | 100.83 | 0 | 2,547.59 |
| Reduction | | | | |
| Net Charges | 2,446.76 | 100.83 | 0 | 2,547.59 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | | | | |
| Working Capital | 14,074.96 | 225.24 | 0 | 14,300.20 |
| Term Loan | 11,143.65 | 429.61 | 0 | 11,573.26 |
| ii) Interest due but not paid | | | | |
| iii) Interest accrue but not due | | | | |
| Total (i+ii+iii) | 25,218.61 | 654.85 | 0 | 25,873.46 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole time Directors and /or Manager:

(Rs. in Lacs)

| Sr. No. | Particulars of Remuneration | Shri. Krishnakumar Jhunjunwala | Shri. Madhusudan Jhunjunwala | Total Amount |
|---------|------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------|---------------|
| | | MD | WTD | |
| 1 | Salary as per provisions contained in section 17 (1) of the Income Tax Act, 1961 | 96.00 | 80.00 | 176.00 |
| | Value of perquisites u/s 17(2) Income Tax Act, 1961 | 0.00 | 0.00 | 0.00 |
| | Profits in lieu of salary under section 17(3) Income Tax Act, 1961 | 0.00 | 0.00 | 0.00 |
| 2. | Stock Option | 0.00 | 0.00 | 0.00 |
| 3. | Sweat Equity | 0.00 | 0.00 | 0.00 |
| 4. | Commission/Performance Linked Incentive As % of profit Others specify (performance Linked Incentive) | 0.00 | 0.00 | 0.00 |
| 5. | Others, please specify | 0.00 | 0.00 | 0.00 |
| | Total (A) | 96.00 | 80.00 | 176.00 |

B. Remuneration to other directors:

(Rs. in Lacs)

| Sr. No. | Particulars of Remuneration | Name of Directors | | | | Total Amount |
|---------|--------------------------------------------|-------------------|------------------|---------------------|--------------------------|--------------|
| | | Shri. Arun Vaid | Shri. Jigar Shah | Shri. Parantap Dave | Shri. Lalitha P. Aggrwal | |
| 1. | Independent Directors | | | | | |
| | Fee for attending board committee meetings | 0.60 | 0.60 | 0.70 | 0.10 | 2.00 |
| | Commission | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Others, please specify | | | | | |
| | Total | 0.60 | 0.60 | 0.70 | 0.10 | 2.00 |

Directors' Report

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(Rs. in Lacs)

| Sr. No. | Particulars of Remuneration | Key Managerial Personnel | |
|---------|------------------------------------------------------------------------------------|--------------------------|--------------|
| | | CFO & Company Secretary | Total |
| 1 | Gross salary | | |
| | a) Salary as per provisions contained in section 17(1) of the Income tax Act, 1961 | 13.91 | 13.91 |
| | b) Value of perquisites u/s 17(2) Income Tax Act, 1961 | 0 | 0 |
| | c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961 | 0 | 0 |
| 2. | Stock Option | 0 | 0 |
| 3. | Sweat Equity | 0 | 0 |
| 4. | Commission | 0 | 0 |
| | - As % of profit | | |
| | - Others, specify | | |
| 5. | Others, please specify | 0 | 0 |
| | Total: | 13.91 | 13.91 |

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

| Type | Section of the Companies Act | Brief Description | Details of penalty/punishment/compounding fees imposed | Authority (RD/NCLT/COURT) | Appeal made, if any (give details) |
|------|-------------------------------------|-------------------|--------------------------------------------------------|---------------------------|------------------------------------|
| | A. COMPANY | | | | |
| | | | NA | NA | NA |
| | | | NA | NA | NA |
| | | | NA | NA | NA |
| | B. DIRECTORS | | | | |
| | | | NA | NA | NA |
| | | | NA | NA | NA |
| | | | NA | NA | NA |
| | C. OTHER OFFICERS IN DEFAULT | | | | |
| | | | NA | NA | NA |
| | | | NA | NA | NA |
| | | | NA | NA | NA |

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place: Mumbai

Date: August 12, 2015

Chairman and Whole Time Director
MADHUSUDAN S. JHUNJHUNWALA
 DIN: 00097254

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:

A. Composition of Board:

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, 2015 and as on the date of this report comprises optimum combination of Executive and Non-Executive Directors. The present strength of the Board is Six Directors, consisting of the Managing Director, a regular Executive Chairman,, and four other Non-Executive Directors, out of which three are Independent Directors and one is a Woman Director who is not Independent.

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 companies and committees of other companies of which the Director is a member/Chairman is as under :

| Name of Directors | Category | Financial Year 2014-15 | | Attendance at the Last AGM | No. of other directorships and committee Memberships / Chairmanships in other Companies* Incorporated in India | | |
|----------------------------------------------------------------|------------------------------------|---------------------------|-------------------------------|-------------------------------|----------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------|
| | | Board Meetings held | Board Meetings Attended | | Directorship | Committee Membership** | Committee Chairmanships** |
| | | | | | | | |
| Mr. Madhusudan S. Jhunjhunwala | Chairman - Executive - Promoter | 9 | 9 | Yes | - | - | - |
| Mr. Krishnakumar M. Jhunjhunwala | Managing Director - Promoter | 9 | 7 | Yes | - | - | - |
| Mr. Arun Vaid | Director Non-Executive Independent | 9 | 6 | Yes | - | - | - |
| Mr. Jigar A. Shah | Director Non-Executive Independent | 9 | 6 | No | - | - | - |
| Mr. Parantap Dave (Appointed w.e.f. 27th September, 2014) | Director Non-Executive Independent | 9 | 7 | No | 2 | 1 | 1 |
| Mr. Lalitha P. Aggarwal (Resigned w.e.f. 27th September, 2014) | Director Non-Executive Independent | 9 | 1 | No | 2 | - | - |
| Ms. Neha Jhunjhunwala (Appointed w.e.f 31st March, 2015) | Director Non-Executive | 9 | - | N.A. | - | - | - |

* Does not include Directorship in Private Limited / Section 8 Companies.

** In counting committee memberships and chairmanships, only Audit Committee and Stakeholder Relationship Committee are counted.

CONSOLIDATION FOR EFFECTIVENESS

Corporate Governance Report

None of the Directors of the Board is a member of more than 10 Committees and no Director is a Chairman of more than 5 Committees across all the public limited companies in which he is a Director. All the Directors have made the requisite disclosures regarding committee positions held by them in other companies.

During the year under review, 9 Board Meetings were held on 29th May, 2014, 1st August, 2014, 30th September, 2014, 20th October, 2014, 21st October, 2014, 22nd October, 2014, 5th November, 2014, 10th January, 2015 and 10th February, 2015.

Relationship among the Directors:

Mr. Madhusudan S. Jhunjunwala, Mr. Krishnakumar M. Jhunjunwala and Ms. Neha Jhunjunwala, Directors are directly related to each other. Other Directors are not related to them or among each other.

B. INDEPENDENT DIRECTORS:

The Non- Executive Independent Directors fulfill the conditions of independence specified in Section 149 (6) of the Companies Act, 2013 and Rules made thereunder and meet with the requirements of Clause 49 of the Listing Agreement entered into with the Stock Exchanges. A formal letter of appointment to the Independent Director as provided in Companies Act, 2013 and the Listing Agreement has been issued and terms and conditions of the letter of appointment along with their detailed profile is uploaded on the website of the Company viz. www.sarlafibers.com.

Independent Directors, have an independent standing in their respective field/profession, and who effectively contribute to the Company's business and policy decisions of the Company. Every Independent Director, at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year, gives a declaration that he meets with the criteria of independence as provided under the law. Independent Directors meet at least once in every financial year without the presence of Executive Directors or Management Personnel. Such meetings are conducted informally to enable Independent Directors to discuss, review and assess performance of executive directors, chairman and that of the Board as a whole. It also enables to ascertain communication and coordination processes being

followed at Board and management levels so that any lapses can be rectified.

C. FAMILIARIZATION PROGRAMMES FOR BOARD MEMBERS:

The Board members are provided with necessary documents/ brochures, reports to enable them to familiarise with the Company's procedures and practices. Quarterly updates on the relevant statutory changes are regularly circulated to the Directors. At the time of appointing a Director, a formal letter of appointment is given to him, which inter alia explains the role, functions, duties and responsibilities expected from him as a Director of the Company. The Director is explained in detail the Compliance required from him under the Companies Act, 2013, Clause 49 of the Listing Agreement and other relevant regulations. The Managing Director personally interacts with the newly appointed Director to familiarise him with the Company's operations. Further Company has put in place a system to familiarise the Independent Directors about the Company, its business and the on-going events relating to the Company. The familiarization Programme formulated for Board is put up on the website of the company www.sarlafibers.com.

D. CODE OF CONDUCT:

The Company has laid down a Code of Conduct for all the Board Members and Senior Management of the Company. All the Directors and senior management personnel have affirmed Compliance of the same during the year. A declaration to the effect signed by the whole time director forms part of the Annual Report 2014-15 of the Company. The code has been posted on the website of the Company at www.sarlafibers.com.

3. AUDIT COMMITTEE:

During the year under review, four meetings of the Audit Committee were held on 29th May, 2014, 1st August, 2014, 5th November, 2014 & 10th February, 2015. The Committee was reconstituted as per the provisions of Section 177 of the Companies Act, 2013 in the Meeting of Board of Directors held on 30th September, 2014. The composition of the committee is also in accordance with requirements of the Listing Agreement. The attendance of members of committee at its meetings is given below:

| Name of the Directors/Committee Members | Category | No. of Meetings Held | No. of Meetings Attended |
|------------------------------------------------------------------------|---------------------------|----------------------|--------------------------|
| Mr. Madhusudan S. Jhunjunwala - Member | Executive | 4 | 4 |
| Mr. Jigar A Shah - Chairman | Non-Executive Independent | 4 | 4 |
| Mr. Parantap P Dave (Appointed w.e.f 30th September, 2014) - Member | Non-Executive Independent | 4 | 2 |
| Mr. Arun Vaid (upto 30th September, 2014) - Member | Non-Executive Independent | 4 | 2 |

All the members of the Audit Committee are financially literate and have expertise in the fields of Finance, Taxation and Economics etc.

The Company Secretary cum Chief Financial Officer and the Statutory Auditors also remain present as invitees for the meetings of the Audit Committee. The Company Secretary acts as Secretary

Corporate Governance Report

of the Committee.

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 177 of the Companies Act, 2013. 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, quarterly and yearly financial results before submission to the Board, recommending appointment/ re-appointment/ replacement/ removal of the statutory auditors and/ or their fees, reviewing the adequacy of the internal control systems and procedures, significant risk areas with the management, 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, reviewing the findings of any internal investigations into any suspected fraud, irregularity or internal control and to determine the reasons for any substantial defaults in the payment of depositors, debenture holders, shareholders (in case of non payment of declared dividend) and creditors.

4. NOMINATION AND REMUNERATION COMMITTEE

Remuneration Committee was reconstituted as per the provisions of Section 178 (1) of the Companies Act, 2013 in the Meeting of Board of Directors held on 30th September, 2014 and renamed as Nomination and Remuneration Committee, it consists of three independent directors of the company viz. Mr. Jigar A. Shah, Mr. Arun Vaid, and Mr. Parantap Dave. During the year two meetings of Nomination and Remuneration Committee were held on 30th September, 2014 and 5th November, 2014. The table below provides the attendance of Nomination and Remuneration committee members:

| Name of the Directors/Committee Members | Category | No. of Meetings Held | No. of Meetings Attended |
|------------------------------------------------------------------------|---------------------------|----------------------|--------------------------|
| Mr. Jigar A Shah - Chairman | Non-Executive Independent | 2 | 2 |
| Mr. Parantap P Dave (Appointed w.e.f 30th September, 2014) - Member | Non-Executive Independent | 2 | 2 |
| Mr. Arun Vaid - Member | Non-Executive Independent | 2 | 2 |

The terms of reference of the Nomination and Remuneration Committee are:

The Policy on Board Diversity has been formulated and has been posted on the website of the company www.sarlafibers.com

1. Reviewing the overall compensation policy, service agreements and other employment conditions of Managing/Whole-time Director(s) and Senior Management (one level below the Board);
2. To help in determining the appropriate size, diversity and composition of the Board;
3. To recommend to the Board appointment / re-appointment and independence of Directors;
4. To recommend to the Board remuneration payable to the Directors;
5. To create an evaluation framework for Independent Directors and the Board;
6. To provide necessary reports to the Chairman of the Board after the evaluation process is completed by the Committee Members;
7. To assist in developing a succession plan for the Board;
8. To assist the Board in fulfilling responsibilities entrusted from time-to-time;
9. Delegation of any of its powers to any Members of the Committee or the Compliance Officer.

The details of sitting fees paid to the Directors during the year 2014-2015 are given below:

| Name of Non-Executive Directors | Sitting Fees (Rs.) |
|---------------------------------|--------------------|
| Mr. Arun Vaid | 60,000/- |
| Mr. Jigar A. Shah | 60,000/- |
| Mr. Parantap Dave | 70,000/- |
| Mr. Lalita P. Aggarwal | 10,000/- |

None of the Non-Executive Directors of the company had any pecuniary relationship of transaction with the company during the financial year 2014-15.

Company has paid a remuneration of Rs. 96,00,000.00 to Mr. Krishnakumar M. Jhunjunwala, Managing Director and Rs. 80,00,000.00 to Mr. Madhusudan S. Jhunjunwala, Chairman & Whole Time Director of the Company during the financial year 2014-2015, as per below details: (Rs. in Lacs)

| Break-up of remuneration | Mr. Krishnakumar Jhunjunwala | Mr. Madhusudan Jhunjunwala |
|-------------------------------|------------------------------|----------------------------|
| Salary | 96.00 | 80.00 |
| Benefits and Perquisites | Nil | Nil |
| Allowances | Nil | Nil |
| Performance linked incentives | Nil | Nil |
| Stock options | Nil | Nil |

CONSOLIDATION FOR EFFECTIVENESS

Corporate Governance Report

Service Contacts, severance fees and Notice period with Managing Director and Chairman & Whole Time Director are as per below details:

MANAGING DIRECTOR:

Period of Contract : 5 Years from 01st October 2014 to 30th September, 2019
Termination of Contract : By either party giving 3 Months notice
Severance Fees : Nil

CHAIRMAN & WHOLE TIME DIRECTOR:

Period of Contract : 5 Years from 01st August, 2015 to 31s July, 2020
Termination of Contract : By either party giving 3 Months notice
Severance Fees : Nil

PERFORMANCE EVALUATION CRITERION:

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees. Structures, questionnaires were prepared after circulating the draft forms, covering various aspects of the Board's functioning such as

adequacy of the composition of the Board and its Committees, Board's culture, level of contribution in board processes, safeguarding and promoting interests of company and shareholders, execution and performance of specific duties, obligations and governance.

The performance evaluation of the Chairman and Managing Director and the Non-Independent Directors was carried out by the Independent Directors. The Directors expressed their satisfaction with the evaluation process.

"Remuneration Policy" of the company is posted on website of the company viz www.sarlafibers.com.

5. STAKEHOLDERS RELATIONSHIP COMMITTEE:

The Investors' Grievance Committee was reconstituted as per the provisions of Section 178(6) of the Companies Act, 2013 in the Meeting of Board of Directors held on 30th September, 2014 and renamed as Stakeholders Relationship Committee, and it consists of Mr. Madhusudan Jhunjunwala, Mr. Arun Vaid, and Mr. Parantap Dave. During the year one meeting of Stakeholders Relationship Committee was held on 10th February, 2015.

The Board of directors in its meeting held on 5th November, 2014 reconstituted the committee as under:

| Name of the Directors/Committee Members | Category | No. of Meetings Held | No. of Meetings Attended |
|----------------------------------------------------------------------|---------------------------|----------------------|--------------------------|
| Mr. Arun Vaid (w.e.f. 5th November, 2015) - Chairman | Non-Executive Independent | 1 | 1 |
| Mr. Parantap P Dave (Appointed w.e.f. 30th September, 2014) - Member | Non-Executive Independent | 1 | 1 |
| Mr. Madhusudan Jhunjunwala - Member | Non-Executive Independent | 1 | 1 |

The Company has appointed M/s. Sharex Dynamic (India) Private Limited as its Registrar and Share Transfer Agent (RTA). The Company Secretary acts as a Compliance Officer of the Company and oversees the functioning of the RTA.

During the year, 2 complaints were received from the shareholders and both have been resolved. However, we have also received letters for re-validation of Dividend Warrants, Non-Receipt of Dividend Warrants etc. and the same have been attended within the stipulated time. There were no pending requests for the financial year ended March 31, 2015.

6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

Pursuant to the provisions of Section 135 of the Companies Act, 2013 the Board of Directors in its Meeting held on 30th September, 2014 formed a committee to be known as Corporate Social Responsibility committee consisting of Mr. Madhusudan Jhunjunwala as Chairman, Mr. Jigar Shah and Mr. Parantap Dave as members of the committee. Committee met once on 10th February, 2015. The Committee shall look after company's CSR

activities and shall monitor CSR Plan.

7. RISK MANAGEMENT COMMITTEE:

In terms of provisions of Clause 49 (VI) (C) of the Listing Agreement, the Board of Directors in its Meeting held on 30th September, 2014 constituted a committee to be known as Risk Management Committee consisting of Mr. Krishnakumar Jhunjunwala as Chairman, Mr. Jigar Shah and Mr. Arun Vaid as members of the committee. No meeting of the Committee was held during the year. The committee is entrusted with power, authority and function to formulate, monitor and review the risk management plan for the company. The committee shall carry out such other functions as may be delegated to it by the Board of Directors.

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

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

Corporate Governance Report



Tel: 2283 4116
22834420
Fax: 2285 1728
E-mail: msheth@sarlafibers.com
Website: www.sarlafibers.com

Drucker writes that there are almost no people, who can effectively manage more than two important tasks simultaneously and even this requires much effort if the tasks are complex.

8. GENERAL BODY MEETINGS - LOCATION AND TIME OF LAST 3 ANNUAL GENERAL MEETINGS:

| AGM for the Financial Year | Date | Time | Venue |
|----------------------------|----------------------|------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| 2011-2012 | 20th September, 2012 | 11.30 a.m. | Registered Office of the Company Survey No. 59/1/4, Amlī Piparia Industrial Estate, Silvassa - 396 230 U.T. OF D. & N. HAVELI. |
| 2012-2013 | 13th September, 2013 | 11.30 a.m. | |
| 2013-2014 | 27th September, 2014 | 09.00 a.m. | |

During last 3 AGMs following special resolutions were passed

| Date of AGM | Section | Resolution Matter |
|----------------------|----------------------------------------------|-----------------------------------------------------------------------|
| 20th September, 2012 | 314 of Companies Act, 1956 | Appointment relative of director to hold an office or place of profit |
| 13th September, 2013 | No Special Resolution | N.A. |
| 27th September, 2014 | 196(3)(a) of Companies Act, 2013 | Consent of Members for Continuing holding of office for WTD |
| 27th September, 2014 | 180(1)(c) of Companies Act, 2013 | Borrowing Powers of Board of Directors |
| 27th September, 2014 | 62(1)(c) of Companies Act, 2013 | Consent of Members for increase in capital base |
| 27th September, 2014 | 149, 150, 152 and 160 of Companies Act, 2013 | Appointment of Independent director for term of five years |

No special resolution was passed through postal ballot during last year. No resolution is proposed to be passed through postal ballot.

9. DISCLOSURES:

Disclosure on materially significant related party transactions:

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business except one transaction details of which is mentioned in Form AOC-2 attached as Annexure C of Directors' Report. There are no materially significant related party transactions made by the Company with Promoters, Directors or Key Managerial Personnel which may have a potential conflict with the interest of the Company at large.

Please refer note 42 of notes on financial statement. These transactions do not have any potential conflict with the interest of the Company at large. As required under Clause 49 of the Listing Agreement the Company has formulated a policy on dealing with Related Party Transactions. The Policy is available on the website of the Company www.sarlafibers.com.

The Company has complied with all requirements of the Listing Agreements entered into with the Stock-Exchanges as well as the regulations and guidelines of SEBI. Consequently, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets during the last three years.

10. WHISTLE BLOWER POLICY:

Pursuant to Section 177(9) and (10) of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Company has formulated

Whistle Blower Policy for vigil mechanism for Directors and employees to report to the management about the unethical behavior, fraud or violation of Company's code of conduct. The mechanism provides for adequate safeguards against victimization of employees and Directors who use such mechanism and makes provision for direct access to the Chairperson of the Audit Committee in exceptional cases. None of the personnel of the Company has been denied access to the Audit Committee. The details policy of the company is posted on website of the company viz. www.sarlafibers.com.

11. INSIDER TRADING:

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, as amended from time to time, the Company has formulated a code of fair disclosure and conduct for prevention of insider trading. Details of the shareholdings of the Non-Executive Directors as on March 31, 2015 are as under:

| Name | No. of Shares of Rs. 10 each |
|-------------------------------|------------------------------|
| Mr. Parantap Priyakant Dave | Nil |
| Mr. Arunkumar Shivprasad Vaid | Nil |
| Mr. Jigar Arvindkumar Shah | Nil |
| Ms. Neha Krishna Jhunjhunwala | Nil |

12. OUTSTANDING GDRS /ADRS: NIL

13. 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

Corporate Governance Report

on 29th May, 2015 to approve the Audited Annual Accounts for the year ended 31st March, 2015.

14. 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.

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

C. During the financial year 2014-2015 there is no Audit qualification in the Company's financial Statements.

16. GENERAL SHAREHOLDER INFORMATION:

| Annual General Meeting | |
|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date and Time | Monday, 28th September, 2015 at 09:00 am. |
| Venue | Survey No. 59/1/4, Amlī Piparia Industrial Estate, Silvassa - 396230 U.T. Dadra & Nagar Haveli |
| Date of Book Closure | 24th September, 2015 to 28th September, 2015 (Both days inclusive) |
| Financial Calendar | 1st April 2015 to 31st March 2016 The results will be published as under : First Quarter Before 14th of August, 2015 Second Quarter Before 15th of November, 2015 Third Quarter Before 15th February, 2016 Fourth Quarter/Annual Before 30th May, 2016. |
| Dividend payment date | Dividend Payment will start from 28th September, 2015. |
| Listing on Stock Exchanges and Stock-Code | BSE Ltd. PhirozeJeejeebhoy 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

17. MARKET PRICE DATA

Monthly high/low during the year 2014-2015 on the BSE and National Stock Exchange:

| AGM For the Financial year | BSE | | NSE | |
|----------------------------|------------|-----------|------------|-----------|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| April 2014 | 229.00 | 182.35 | 231.75 | 180.00 |
| May 2014 | 245.10 | 195.40 | 249.00 | 177.65 |
| June 2014 | 253.80 | 213.00 | 250.00 | 215.85 |
| July 2014 | 354.00 | 232.15 | 351.00 | 232.25 |
| August 2014 | 371.00 | 302.20 | 369.85 | 316.00 |
| September 2014 | 398.35 | 316.00 | 399.00 | 296.15 |
| October 2014 | 421.00 | 300.10 | 425.00 | 303.70 |
| November 2014 | 465.00 | 387.50 | 469.00 | 381.15 |
| December 2014 | 450.00 | 360.00 | 450.00 | 355.10 |
| January 2015 | 475.00 | 409.10 | 475.00 | 410.00 |
| February 2015 | 435.00 | 363.70 | 434.55 | 364.00 |
| March 2015 | 420.00 | 360.00 | 420.00 | 358.00 |

Chart of Company Share Prices compared to BSE Sensex.

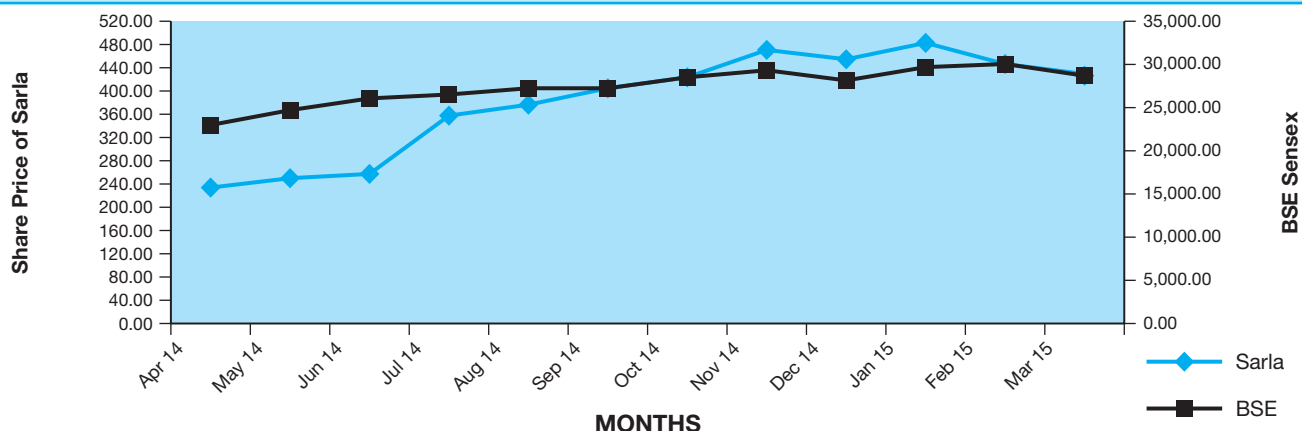
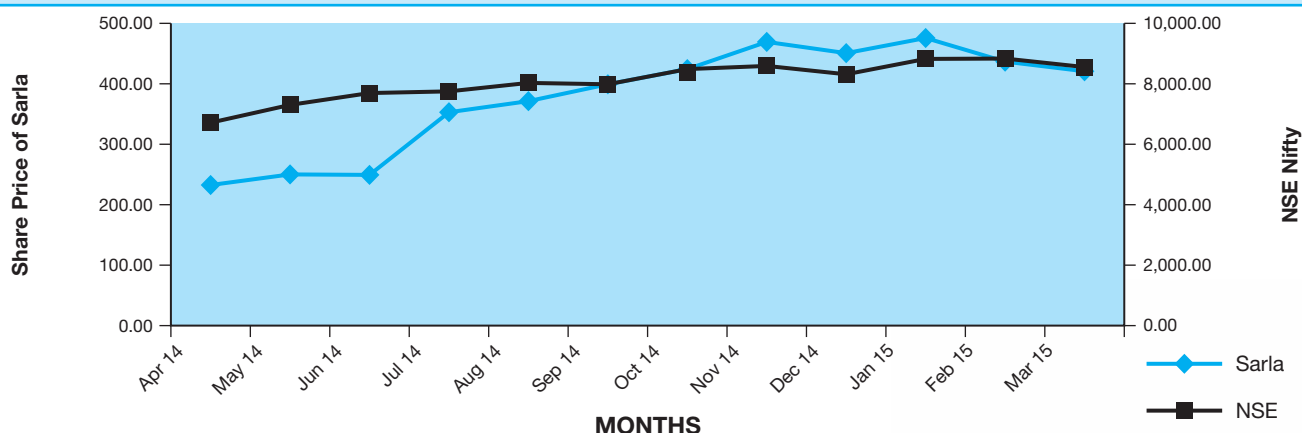


Chart of Company Share Prices compared to NSE Nifty Index.



18. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2015

| Shares of Nominal Value (Rs.) | | Shareholders | | Total Amount (Rs.) | |
|-------------------------------|----------|--------------|---------------|--------------------|---------------|
| From | To | Number | % to Total | Amount | % to Total |
| 1 | 5000 | 2,549 | 88.45 | 3,752,610 | 4.49 |
| 5,001 | 10,000 | 136 | 4.72 | 1,080,920 | 1.29 |
| 10,001 | 20,000 | 71 | 2.46 | 1,081,280 | 1.29 |
| 20,001 | 30,000 | 31 | 1.08 | 807,430 | 0.97 |
| 30,001 | 40,000 | 15 | 0.52 | 542,680 | 0.65 |
| 40,001 | 50,000 | 8 | 0.28 | 381,690 | 0.46 |
| 50,001 | 1,00,000 | 32 | 1.11 | 2,307,390 | 2.76 |
| 1,00,001 and above | | 40 | 1.39 | 73,549,000 | 88.08 |
| TOTAL | | 2,882 | 100.00 | 83,503,000 | 100.00 |

Corporate Governance Report

19. SHAREHOLDING PATTERN AS ON 31ST MARCH 2015

| Category | No. of Share | % |
|------------------------------|------------------|---------------|
| Promoters | 4,609,754 | 55.20 |
| Mutual Funds & UTI | 1,425,697 | 17.07 |
| Fins / Banks | 50 | 0.00 |
| Venture Capital Funds | 4,000 | 0.05 |
| FII(S) | - | 0.00 |
| Private Corporate Bodies | 149,707 | 1.79 |
| Indian Public | 1,726,922 | 20.68 |
| Non Resident Indians | 128,375 | 1.54 |
| Any other (Clearing Members) | 305,795 | 3.66 |
| Total | 8,350,300 | 100.00 |

20. DEMATERIALISATION OF SHARES AND LIQUIDITY:

97.184 % of the total equity capital of the Company was held in dematerialised form as on 31st March, 2015. The Company has entered into an agreement with NSDL and CDSL whereby shareholders have an option to dematerialise their shares with the depositories.

21. PLANT LOCATIONS:

Silvassa:

- i) 59/1/4, Amli Piparia Industrial Estates, Silvassa, U T of Dadra & Nagar Haveli, 396 230
- ii) 62/3/4/5 Amli Piparia Industrial Estates, Silvassa, U T of Dadra & Nagar Haveli, 396 230

Vapi:

Dying Division

A1/48, 100 Shed Area, GIDC, Vapi, Gujarat, 396 195

22. 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.

23. ADDRESS FOR INVESTORS/ANALYST CORRESPONDENCE:

1. 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

2. 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 24 85 / 2264 1376 Fax: 2851 2885
E-mail: sharexindia@vsnl.com
Website: www.sharexindia.com

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, 2015 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
Firm Registration No. 110560W

H. P. Kanodia
Partner
Membership No. 40617

Place: Mumbai
Date: 12th August, 2015

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, 2015.

For **SARLA PERFORMANCE FIBERS LIMITED**,

(MADHUSUDAN S. JHUNJHUNWALA)
Chairman and Whole Time Director
(DIN: 00097254)

Place: Mumbai
Date: 12th August, 2015

Independent Auditors' Report to The Members of Sarla Performance Fibers Limited

REPORT ON THE STANDALONE FINANCIAL STATEMENTS

We have audited the accompanying standalone financial statements of Sarla Performance Fibers Limited (the company), which comprise the balance sheet as at 31 March 2015, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE STANDALONE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone 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 the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and applications of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial control relevant to the Company's preparation and presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the standalone financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at 31st March, 2015 and its profit and its 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, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable
2. As required by section 143(3) of the Act, we report that:
 - a. We have sought and 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 the cash flow statement dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the aforesaid financial statements comply with the accounting standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.

Independent Auditors' Report to The Members of Sarla Performance Fibers Limited

e. On the basis of written representations received from the directors as on 31 March 2015, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015, from being appointed as a director in terms of section 164(2) of the Companies Act 2013.

f. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to explanation given to us:

i. The Company has disclosed the impact of

pending litigations on its financial position in its financial statements-refer note to the financial statements.

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts- refer note to the financial statements

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **SUNDARLAL, DESAI & KANODIA**
Chartered Accountants
Firm Registration No. 110560W

H. P. Kanodia
Partner
Membership No. 40617

Place: Mumbai
Date: May 29, 2015

*"Keep in mind that you are always saying "no" to something.
If it isn't to the apparent, urgent things in your life,
it is probably to the most fundamental, highly important things.
Even when the urgent is good, the good can keep you from your best,
keep you from your unique contribution, if you let it".*

Annexure to the Independent Auditors' Report

The Annexure referred to in our Independent Auditors' Report to the members of the Company on the Standalone Financial Statements for the year ended 31st March, 2015, we report that:

- i. a. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. The company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- 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. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. (the Act).
- 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. In our opinion and according to the information and explanations given to us, the company has not accepted any deposit from public.
- vi. 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 148 of the Companies Act, 2013, 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.
- vii. a. According to the information and explanation given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, service tax, wealth tax, duty of customs, value added tax, cess and other material statutory dues applicable have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of employees' state insurance and duty of excise.
- b. According to information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, sales tax, wealth tax, service tax, duty of customs, value added tax, cess and other material statutory dues were in arrears as at balance sheet date for a period of more than six months from the date they became payable.
- c. According to the information and explanations given to us, there are no material dues of Income tax, sales tax, service tax, wealth tax, duty of customs and cess which have not been deposited with the appropriate authorities on account of any dispute. However, according to explanations given to us, the following dues of excise duty, custom duty and income tax have not been deposited by the Company on account of disputes.

| Name of the statute | Nature of dues | Amount in Rs. | Period to which the amount relate | Forum where dispute is pending |
|------------------------------|----------------|----------------|-----------------------------------|---------------------------------------------------------------|
| The Central Excise Act, 1944 | Excise duty | 18,60,62,222/- | F.Y. 1999-2000 to 2012-2013 | High Courts of Gujarat 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 | Order giving appeal effect is pending before AO |
| The Income Tax Act, 1961 | Income Tax | 51,04,560/- | A.Y. 2012-2013 | Rectification application is pending before AO |

- d. According to the information and explanation given to us the amounts which were required to be transferred to the investor education and protection fund in accordance with the relevant provisions of the Companies Act, 2013 and rules there under has been transferred to such fund within time.
- viii. The Company does not have any accumulated losses at the end of the financial year and has not incurred any cash losses during the financial year covered under audit or in the immediately preceding financial year.
- ix. The Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders during the year.

Annexure to the Independent Auditors' Report



x. In our opinion and according to the information and the explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

xi. Based on the information and explanation given to us by the management, term loans were applied for the purpose for which the

loans were obtained.

xii. According to information and explanations given to us, no material fraud on or by company has been noticed or reported during the course of our audit.

For **SUNDARLAL, DESAI & KANODIA**
Chartered Accountants
Firm Registration No. 110560W

Place: Mumbai
Date: May 29, 2015

H. P. Kanodia
Partner
Membership No. 40617

Balance Sheet as at 31st March, 2015

(Rs. in Lacs)

| | Note No. | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|---------------------------------------------------------------------|----------|---------------------------------|----------------------------------|
| EQUITY AND LIABILITIES: | | | |
| 1) SHAREHOLDER'S FUNDS | | | |
| - Share Capital | 1 | 835.03 | 695.03 |
| - Reserves and Surplus | 2 | 18,334.08 | 11,611.88 |
| | | 19,169.11 | 12,306.91 |
| 2) NON-CURRENT LIABILITIES | | | |
| - Long-Term Borrowings | 3 | 997.53 | 1,936.47 |
| - Deferred Tax Liabilities (Net) | 4 | 1,439.82 | 1,504.88 |
| | | 2,437.35 | 3,441.35 |
| 3) CURRENT LIABILITIES | | | |
| - Short-Term Borrowings | 5 | 10,086.87 | 7,196.33 |
| - Trade Payables | 6 | 734.68 | 862.76 |
| - Other Current Liabilities | 7 | 2,459.84 | 2,211.82 |
| - Short-Term Provisions | 8 | 890.14 | 651.77 |
| | | 14,171.53 | 10,922.69 |
| TOTAL | | 35,777.99 | 26,670.95 |
| ASSETS: | | | |
| 1) NON-CURRENT ASSETS | | | |
| - Fixed Assets | | | |
| i) Fixed Assets | 9 | 9,801.64 | 10,150.98 |
| ii) Capital Work-in-Progress | | - | 87.82 |
| - Non-Current Investments | 10 | 779.72 | 779.72 |
| - Long Term Loans and Advances | 11 | 5,257.88 | 966.14 |
| | | 15,839.24 | 11,984.66 |
| 2) FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT | | | |
| | | 221.09 | 246.75 |
| 3) CURRENT ASSETS | | | |
| - Current Investments | 12 | 46.24 | - |
| - Inventories | 13 | 4,875.72 | 4,086.38 |
| - Trade Receivables | 14 | 5,010.43 | 6,135.74 |
| - Cash and Cash Equivalents | 15 | 8,558.48 | 3,154.89 |
| - Short-term Loans and Advances | 16 | 825.38 | 728.19 |
| - Other Current Assets | 17 | 401.40 | 334.33 |
| | | 19,717.66 | 14,439.54 |
| TOTAL | | 35,777.99 | 26,670.95 |
| Significant accounting policies and Notes on financial statements | 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, 2015

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 2015

(Rs. in Lacs)

| | Note No. | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|-------------------------------------------------------------------------------------|----------|---------------------------------|----------------------------------|
| INCOME: | | | |
| Revenue from operations | 18 | 27,762.72 | 25,558.27 |
| - Less: Excise duty | | 1,069.91 | 952.36 |
| | | 26,692.80 | 24,605.91 |
| Other income | 19 | 1,146.98 | 1,032.20 |
| | | 27,839.79 | 25,638.10 |
| EXPENSES: | | | |
| Cost of materials consumed | 20 | 12,023.68 | 12,718.59 |
| Purchase of stock-in-trade | | 2,962.63 | 1,307.76 |
| Changes in inventories of finished goods and work-in-progress | 21 | (537.16) | 240.77 |
| Employee benefit expenses | 22 | 778.29 | 619.19 |
| Finance costs | 23 | 514.48 | 637.20 |
| Depreciation and amortization expenses | 9 | 913.55 | 935.98 |
| Other expenses | 24 | 6,966.03 | 5,952.95 |
| | | 23,621.51 | 22,412.44 |
| | | 4,218.28 | 3,225.67 |
| PROFIT BEFORE TAX: | | | |
| Tax expense: | | | |
| - Current tax (MAT) | | 1,283.60 | 894.00 |
| - Less: MAT Credit | | - | - |
| - Net Current Tax | | 1,283.60 | 894.00 |
| - Deferred tax | | (33.26) | 105.15 |
| - Tax adjustment of earlier years | | | |
| Profit for the period | | 2,967.94 | 2,226.52 |
| Earning per equity share: | | | |
| - Basic | | 39.24 | 32.03 |
| - Diluted | | 39.24 | 32.03 |
| | 1 to 47 | | |
| Significant accounting policies and Notes on financial statements | | | |
| 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, 2015**

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 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|-----------------------------------------------------------|---------------------------------|----------------------------------|
| NOTE 1: SHARE CAPITAL: | | |
| AUTHORISED CAPITAL: | | |
| 1,00,00,000 Equity Shares Of Rs. 10/- Each | 1,000.00 | 1,000.00 |
| ISSUED, SUBSCRIBED AND PAID UP: | | |
| 83,50,300 (P.Y. 69,50,300) Equity Shares of Rs. 10/- each | 835.03 | 695.03 |
| TOTAL | 835.03 | 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 2015, the amount of per share dividend recognised as distributions to equity shareholders was Rs. 8.00 (31st March 2014 Rs. 7.50)

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 2015 No. of Shares | 31st March 2014 No. of Shares |
|---------------------------------------|----------------------------------|----------------------------------|
| Opening as on 1st April | 69,50,300 | 69,50,300 |
| Add: Issued during the year | 14,00,000 | - |
| Less: Forfeited during the year | | |
| Closing as on 31st March | 83,50,300 | 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 2015 | No. of shares as on 31st March 2014 |
|-------------------------------------------------|----------------------------------------|----------------------------------------|
| Hindustan Cotton Company - Through its partners | 2,116,479 | 2,116,479 |
| Satidham Industries Private Limited | 1,272,791 | 1,269,814 |
| HDFC Small & Midcap Fund | 743,817 | - |
| Sarladevi Jhunjhunwala | 388,400 | 388,400 |
| Madhusudan Jhunjhunwala (HUF) | 386,526 | 406,528 |

NOTE 2: RESERVES AND SURPLUS:

| | | |
|----------------------------------------------------|----------|----------|
| CAPITAL RESERVES: | | |
| Balance as per last balance sheet | 194.08 | 194.08 |
| SECURITIES PREMIUM: | | |
| Balance as per last balance sheet | | |
| - Add: Addition during the year | 4,529.00 | - |
| | 4,529.00 | - |
| GENERAL RESERVE: | | |
| Balance as per last balance sheet | 5,274.38 | 3,774.38 |
| - Add: Transferred from statement of profit & loss | 1,500.00 | 1,500.00 |
| | 6,774.38 | 5,274.38 |

Notes on Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|
| SURPLUS: | | |
| Balance as per last balance sheet | 6,143.42 | 5,959.12 |
| Add: Profit for the period | 2,967.94 | 2,226.52 |
| Add: Excess provision for Dividend distribution tax written back | 88.59 | 67.65 |
| Less: Adjustment relating to Fixed Assets (Refer note No. 28) | 61.74 | - |
| Less: Appropriations: | | |
| - Transferred to General reserve | 1,500.00 | 1,500.00 |
| - Proposed Dividend | 668.02 | 521.27 |
| - Tax on Dividend | 133.56 | 88.59 |
| Closing balance in statement of profit & loss | 6,836.62 | 6,143.42 |
| TOTAL | 18,334.08 | 11,611.88 |
| NOTE 3: LONG TERM BORROWING: | | |
| TERM LOANS: | | |
| SECURED LOANS - FROM BANKS | | |
| From Standard Chartered Bank | 371.63 | 873.32 |
| - 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 | 625.90 | 1,063.15 |
| - 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) | | |
| TOTAL | 997.53 | 1,936.47 |
| NOTE 4: DEFERRED TAX LIABILITY (NET): | | |
| On account of depreciation | 1,439.82 | 1,504.88 |
| TOTAL | 1,439.82 | 1,504.88 |

Notes on Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|
| NOTE 5: SHORT TERM BORROWING: | | |
| LOANS REPAYABLE ON DEMAND | | |
| - Secured Loans | | |
| - From Banks: | | |
| - Packing Credit Loan | 8,526.85 | 4,680.52 |
| - Foreign Bill Discounting | 1,560.02 | 2,046.85 |
| - Buyers Credit | - | 26.90 |
| - 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 | 10,086.87 | 7,196.33 |
| NOTE 6: TRADE PAYABLES: | | |
| TRADE PAYABLES | 734.68 | 862.76 |
| TOTAL | 734.68 | 862.76 |
| NOTE 7: OTHER CURRENT LIABILITIES: | | |
| Current maturities of long-term debts | 1,112.15 | 1,072.90 |
| Unpaid dividend (#) | 35.43 | 32.35 |
| Other Payables: | - | - |
| TDS payable | 0.95 | 0.04 |
| Sales tax payable | 3.40 | 8.37 |
| Other statutory dues payable | 0.90 | 2.58 |
| Excise duty payable | 169.33 | 136.12 |
| Sundry creditors | 795.68 | 652.41 |
| Advance from customers | 342.01 | 56.59 |
| Excess cheques drawn | - | 250.47 |
| TOTAL | 2,459.84 | 2,211.82 |
| (#) Amount of Rs. 2.69 lacs is transferred to Investor Education and Protection Fund | | |
| NOTE 8: SHORT TERM PROVISIONS: | | |
| For Employee benefits: | | |
| - Provision for gratuity (refer note 39) | 70.09 | 33.19 |
| - Provision for leave encashment | 3.89 | 2.42 |
| - Provision for bonus | 9.59 | 6.30 |
| - Salaries and wages payable | 4.98 | - |
| | 88.56 | 41.90 |
| For others: | | |
| Provision for dividend | 668.02 | 521.27 |
| Provision for tax on dividend | 133.56 | 88.59 |
| | - | - |
| | 801.59 | 609.86 |
| | - | - |
| TOTAL | 890.14 | 651.77 |

Notes on Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

NOTE 9: TANGIBLE ASSETS:

| Particulars | Gross Carrying Amount | | | | Depreciation | | | | Net Carrying Amount | | | |
|----------------------------|-----------------------|-------------------------|--------------------------|---------------------|--------------------|-----------------|-------------|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | As on 01-04-2014 | Addition/ adjustment | Deduction/ adjustment | As on 31-03-2015 | Upto 31-03-2014 | For the Year | Deduction | Adjustment (Refer Note No. 28) | Upto 31-03-2015 | As on 31-03-2015 | As on 31-03-2014 | As on 31-03-2014 |
| Land | 91.17 | - | - | 91.17 | - | - | - | - | - | 91.17 | 91.17 | 91.17 |
| Factory Building | 1,923.54 | 22.34 | - | 1,945.88 | 406.73 | 60.02 | - | 2.14 | 468.90 | 1,476.98 | 1,516.80 | 1,516.80 |
| Plant and Machinery (#) | 8,603.13 | 395.58 | - | 8,998.72 | 4,277.30 | 610.25 | - | 102.16 | 4,989.71 | 4,009.01 | 4,325.83 | 4,325.83 |
| Electrical Installations | 385.86 | 9.28 | - | 395.13 | 230.82 | 16.92 | - | (12.78) | 234.96 | 160.17 | 155.03 | 155.03 |
| Office Equipment | 37.57 | 3.09 | - | 40.66 | 13.62 | 6.13 | - | 8.52 | 28.27 | 12.39 | 23.95 | 23.95 |
| Computers and Software | 65.46 | 22.61 | - | 88.07 | 62.31 | 5.04 | - | (11.78) | 55.57 | 32.50 | 3.14 | 3.14 |
| Vehicles | 141.97 | 7.61 | - | 149.58 | 65.02 | 17.94 | - | 0.09 | 83.06 | 66.52 | 76.95 | 76.95 |
| Furniture & Fixture | 52.27 | 1.66 | - | 53.94 | 18.26 | 6.39 | - | (0.33) | 24.32 | 29.62 | 34.02 | 34.02 |
| Wind Turbine Generator (#) | 4,394.06 | 195.45 | - | 4,589.50 | 513.58 | 187.40 | - | - | 700.98 | 3,888.52 | 3,880.48 | 3,880.48 |
| Other Fixed Assets | 78.14 | 0.13 | - | 78.27 | 34.54 | 3.47 | - | 5.51 | 43.51 | 34.76 | 43.60 | 43.60 |
| Total | 15,773.17 | 657.75 | - | 16,430.92 | 5,622.19 | 913.55 | - | 93.54 | 6,629.28 | 9,801.64 | 10,150.98 | 10,150.98 |
| Previous Year | 14,121.96 | 1,796.48 | 145.27 | 15,773.17 | 4,689.02 | 935.98 | 2.81 | - | 5,622.19 | 10,150.98 | 9,432.94 | 9,432.94 |

(#) Addition is net of loss of Rs 195.4 Lacs (PY loss of Rs 301.50 Lacs) on reinstatement of foreign currency loan taken to acquire the asset. For details refer note 28

Notes on Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|--------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|
| NOTE 10: NON -CURRENT INVESTMENT: | | |
| (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 9,89,000 Shares of USD 1.00 each) | 596.50 | 596.50 |
| TOTAL | 779.72 | 779.72 |
| (Aggregate amount of Unquoted investment) | 779.72 | 779.72 |
| (Provision made for diminution of investment) | - | - |
| NOTE 11: LONG -TERM LOANS AND ADVANCE: | | |
| (Unsecured, considered good) | | |
| Capital advances | 89.65 | 16.01 |
| Security deposits (#) | 380.10 | 352.65 |
| Advance paid for Property at Dadra | 1,630.00 | - |
| Other loans and advance (##) | 3,158.13 | 597.49 |
| TOTAL | 5,257.88 | 966.14 |
| (#)Includes deposit given to concerns in which directors are interested. Refer Note No. 41 | | |
| (##)Includes unsecured loan granted to Wholly Owned Subsidiary company. Refer Note No. 41 | | |
| NOTE 12: CURRENT INVESTMENT: | | |
| (Valued at cost or market value, whichever is lower) | | |
| Non-trade investments: | | |
| In Equity Shares - Quoted, fully paid up | | |
| 3,000 (PY Nil) shares Arvind Mills Limited of Rs. 10 each | 8.84 | - |
| 500 (PY Nil) shares Balkrishna Industries Limited of Rs. 2 each | 3.02 | - |
| 500 (PY Nil) shares Larsen & Toubro Limited of Rs. 2 each | 8.97 | - |
| 500 (PY Nil) shares LIC Housing Finance Limited of Rs. 2 each | 2.41 | - |
| 3,500 (PY Nil) shares Punjab National Bank Limited of Rs. 2 each | 7.26 | - |
| 69 (PY Nil) shares Siyaram Silk Mills Limited of Rs. 10 each | 0.55 | - |
| 15,000 (PY Nil) shares Tata Coffee Limited of Rs. 1 each | 15.19 | - |
| | - | - |
| TOTAL | 46.24 | - |
| (Aggregate amount of quoted investment) | 46.24 | - |
| (Provision made for diminution in value of investment) | - | - |

Notes on Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|---------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|
| NOTE 13: INVENTORIES: | | |
| (As taken, valued and certified by the Management) | | |
| Raw Materials | 1,775.44 | 1,594.18 |
| Work-In-Progress | 1,356.08 | 1,229.29 |
| Finished goods | 1,511.12 | 1,100.76 |
| Stores and Spares | 65.08 | 35.00 |
| Oil & lubricant | 90.70 | 60.91 |
| Power & Fuel | 9.84 | 3.81 |
| Packing Materials | 67.45 | 62.43 |
| TOTAL | 4,875.72 | 4,086.38 |
| NOTE 14: TRADE RECEIVABLE: | | |
| (Unsecured, considered good) | | |
| Outstanding for more than 6 months from due date | 279.15 | 476.80 |
| Outstanding for less than 6 months form due date | 4,731.28 | 5,658.95 |
| TOTAL | 5,010.43 | 6,135.74 |
| (#) Includes Receivable from Subsidiary Company. Refer Note No. 41 | | |
| NOTE 15: CASH AND BANK BALANCES: | | |
| CASH AND CASH EQUIVALENTS: | | |
| Balance with banks | 2,038.55 | 54.97 |
| Cash on hand | 14.15 | 11.42 |
| TOTAL | 2,052.70 | 66.39 |
| OTHER BANK BALANCES: | | |
| Balance in unpaid dividend account | 35.43 | 32.35 |
| Fixed deposits | 6,470.35 | 3,056.16 |
| [Fixed deposits of Rs. 10,78,46,841 (P.Y. Rs. 5,46,16,622) pledged as margin money deposit] | | |
| [All Fixed deposits are with maturity of More than 12 months] | | |
| | 6,505.78 | 3,088.51 |
| TOTAL | 8,558.48 | 3,154.89 |
| NOTE 16: SHORT TERM LOANS AND ADVANCES: | | |
| OTHERS | | |
| Unsecured, considered good | 672.14 | 519.75 |
| Advance Income Tax (Net of Provisions) | 153.24 | 208.44 |
| TOTAL | 825.38 | 728.19 |

Notes on Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|---------------------------------------------|---------------------------------|----------------------------------|
| NOTE 17: OTHER CURRENT ASSETS: | | |
| Other receivable | 109.31 | 125.01 |
| Interest receivables | 292.09 | 209.32 |
| TOTAL | 401.40 | 334.33 |
| NOTE 18: REVENUE FROM OPERATIONS: | | |
| (a) Sale of Products/ Services: | | |
| - Local Sales | 9,007.79 | 8,396.54 |
| - Export Sales | 14,219.26 | 14,052.25 |
| - Deemed Export Sales | 550.09 | 769.16 |
| - Trading Sales | 3,043.77 | 1,332.40 |
| - Sale of Wind Power | 582.80 | 582.62 |
| TOTAL | 27,403.70 | 25,132.98 |
| (b) Other Operating Revenues: | | |
| - Export benefits | 82.34 | 73.72 |
| - Export Incentives(Focus License) | 239.04 | 327.88 |
| - Sale of Waste yarn | 24.52 | 23.69 |
| - Renewable Energy Certificate income | 13.12 | - |
| | 359.01 | 425.29 |
| TOTAL | 27,762.72 | 25,558.27 |
| NOTE 19: OTHER INCOME: | | |
| - Dividend Income on Current investments | 2.61 | 2.03 |
| - Dividend Income from Subsidiary | 529.77 | 439.71 |
| - Profit on sale of fixed assets | - | 64.28 |
| - Profit on sale of investment | 5.04 | - |
| - Exchange rate difference (Net) | 188.46 | 155.46 |
| - Duty drawback received | - | 74.97 |
| - Miscellaneous Income | 1.05 | 0.10 |
| - Interest Income | 420.05 | 248.31 |
| - Credit balance written back | - | 47.35 |
| TOTAL | 1,146.98 | 1,032.20 |
| NOTE 20: COST OF MATERIALS CONSUMED: | | |
| Inventory at the beginning of the year | 1,594.18 | 1,853.74 |
| Add: Purchase | 12,204.94 | 12,459.04 |
| | 13,799.12 | 14,312.77 |
| Less: Inventory at the end of the year | 1,775.44 | 1,594.18 |
| Cost of materials consumed | 12,023.68 | 12,718.59 |

Notes on Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|-------------------------------------------------------------|---------------------------------|----------------------------------|
| NOTE 21: <u>(INCREASE)/ DECREASE IN INVENTORIES:</u> | | |
| INVENTORIES AT THE END OF THE YEAR | | |
| Work-in-progress | 1,356.08 | 1,229.29 |
| Finished goods | 1,511.12 | 1,100.76 |
| | 2,867.20 | 2,330.05 |
| INVENTORIES AT THE BEGINNING OF THE YEAR | | |
| Work-in-progress | 1,229.29 | 1,179.53 |
| Finished goods | 1,100.76 | 1,391.29 |
| | 2,330.05 | 2,570.82 |
| TOTAL | (537.16) | 240.77 |
| NOTE 22: <u>EMPLOYEE BENEFIT EXPENSES:</u> | | |
| Salaries, wages and bonus | 618.88 | 511.94 |
| Contribution to provident and other funds | 88.96 | 43.90 |
| Staff welfare expenses | 70.44 | 63.35 |
| TOTAL | 778.29 | 619.19 |
| NOTE 23: <u>FINANCE COSTS:</u> | | |
| Interest expenses | 360.17 | 441.83 |
| Bank charges | 154.31 | 195.36 |
| TOTAL | 514.48 | 637.20 |
| NOTE 24: <u>OTHER EXPENSES:</u> | | |
| MANUFACTURING EXPENSES: | | |
| Consumption of stores and spare parts | 409.08 | 301.77 |
| Power and fuel | 1,454.05 | 1,336.57 |
| Consumption of packing materials | 1,022.89 | 943.90 |
| Consumption of oils and chemicals | 445.75 | 374.76 |
| Labour charges | 1,071.09 | 984.78 |
| Clearing and forwarding charges | 194.63 | 202.91 |
| Repairs and Maintenance: | - | - |
| - Building | 23.34 | 15.83 |
| - Machinery | 82.01 | 38.21 |
| Excise duty expenses (#) | 33.87 | (49.57) |
| Water, waste and effluent treatment charges | 55.94 | 43.46 |

Notes on Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|---------------------------------------------|---------------------------------|----------------------------------|
| ADMINISTRATIVE AND SELLING EXPENSES: | | |
| Rent | 6.00 | 5.00 |
| Repairs and Maintenance - Others | 55.03 | 44.32 |
| Insurance | 38.19 | 22.82 |
| Rates and taxes | 11.66 | 16.09 |
| Director sitting fees | 2.10 | 0.75 |
| Legal and professional fees | 243.66 | 82.28 |
| Miscellaneous expenses | 490.87 | 537.45 |
| Payment to auditor: | | |
| As auditors: | | |
| - Audit fee | 9.50 | 8.50 |
| - Limited review | 0.20 | 0.20 |
| In other capacity: | | |
| - Other services (certification fees) | 1.00 | 0.16 |
| Freight and forwarding charges | 768.88 | 728.35 |
| Commission on sales | 370.35 | 294.86 |
| Bad debts written off | 159.56 | - |
| Transmission charges | 16.38 | 13.55 |
| Net loss on sale of long term investments | - | 6.00 |
| | | |
| TOTAL | 6,966.03 | 5,952.95 |

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

"If you haven't got the time to do it right, when will you find the time to do it over?"

Cash Flow Statement for the Year Ended 31st March, 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|----------------------------------------------------------|---------------------------------|----------------------------------|
| CASH FLOW FROM THE OPERATING ACTIVITIES | | |
| Net Profit Before Tax and Extraordinary items | 4,218.28 | 3,225.67 |
| ADJUSTMENT FOR | | |
| Depreciation | 913.55 | 935.98 |
| Interest Paid | 514.48 | 637.20 |
| Interest Received | (420.05) | (248.31) |
| Capital Gain on Sale of Investment | (5.04) | (58.27) |
| Dividend Received | (532.38) 470.57 | (441.73) 824.87 |
| Operating Profit Before Working Capital Changes | 4,688.84 | 4,050.53 |
| ADJUSTMENT FOR CHANGES IN WORKING CAPITAL | | |
| Trade & Other Receivable | 1,125.31 | (763.27) |
| Inventories | (789.34) | 466.81 |
| Loans & Advances | (4,511.19) | (304.94) |
| Trade & Other Payable | 127.34 | 209.44 |
| Foreign exchange fluctuation | 25.66 (4,022.22) | (207.82) (599.78) |
| Cash Generated From Operations | 666.62 | 3,450.76 |
| Prior Period Expenses/Extra Ordinary Items | - | - |
| Income Tax Paid | (1,228.41) | (939.39) |
| Deferred Tax Liabilities | - (1,228.41) | - (939.39) |
| Net Cash Flow from Operating Activities (1) | (561.79) | 2,511.36 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (569.92) | (837.75) |
| Purchase Of Investment | (46.24) | (259.72) |
| Dividend Received | 532.38 | 441.73 |
| Gain on Sale of Investment | 5.03 | - |
| Sale of Assets | - | 129.43 |
| Interest Received | 420.05 341.30 | 248.31 (277.99) |
| Net Cash Flow from Investing Activities (2) | 341.30 | (277.99) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Issue of Share Capital | 4,669.00 | - |
| Net Proceeds from Bank Borrowings | 1,990.83 | (91.26) |
| Dividend Paid | (521.27) | (417.02) |
| Dividend Tax Paid | - | - |
| Interest Paid | (514.48) 5,624.08 | (637.20) (1,145.49) |
| Net Cash Raised From Financing Activities (3) | 5,624.08 | (1,145.49) |
| Net Changes in Cash & Cash Equivalent (1+2+3) | 5,403.58 | 1,087.88 |
| Cash And Cash Equivalent - Opening Balance | 3,154.89 | 2,066.99 |
| Cash And Cash Equivalent - Closing Balance | 8,558.48 | 3,154.89 |

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, 2015**

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, 2015

NOTE 25: SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING CONVENTION: These financial statements have been prepared to comply with the Generally Accepted Accounting Principles in India (Indian GAAP), including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013.

The financial statements are prepared on accrual basis under the historical cost convention.

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 tangible assets is provided on straight-line method over the useful lives of assets as prescribed in Schedule II of Companies Act, 2013. Depreciation for assets purchased/ sold during a period is proportionately charged. Intangible assets are amortised over their respective individual estimated useful lives on a straight line basis, commencing from the date the asset is available to the Company for its use.

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 TRANSACTIONS:

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.

Notes on Financial Statement for the Year Ended 31st March, 2015

Inter-unit sales/ purchases have been eliminated during the year. In case of export sales, revenue is recognised when the risk and reward on the goods is transferred to the customers.

B: In appropriate circumstances, Revenue (Income) is recognised when no significant uncertainty as to Measurability or collect ability exists. Export benefits/incentives are accounted on accrual basis except focus license income which is recognized on cash basis.

C: Interest income is recognized on time proportionate method.

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

E: Renewable Energy Certificate (REC) income is recognized on cash basis.

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 and 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 costs are charged to revenue.

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

NOTE 26: CONTINGENT LIABILITIES NOT PROVIDED FOR:

A: CONTINGENT LIABILITIES

1. Letter of credit: Letter of Credit issued by Banks on behalf of the Company Rs. 1,949.95 Lacs (P.Y. Rs. 1,873.46 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 9.00 millions (P.Y. USD 8.34 millions) equivalent to Rs. 5,633.10 lacs (P.Y. Rs. 5,013.91 lacs).

2. Guarantees: Bank Guarantees issued by Banks on behalf of the company Rs. 523.40 Lacs (P.Y. Rs. 431.90 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. 2,771.66 Lacs).

4. Bill discounted not matured Rs. 1,560.01 Lacs (P.Y. Rs. 2,046.85 Lacs).

5. CST liability in respect of invoice amount of Rs. 2,105.47 Lacs (P.Y. Rs. 2,144.50) for which C-Form are yet to be collected from the customers.

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 and 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 and 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.

Notes on Financial Statement for the Year Ended 31st March, 2015

6. Liability of Income Tax amounting to Rs. 13.17 Lacs for A.Y. 2003-04 for which part relief is granted by Honb'le ITAT, Mumbai but appeal effect is not given by assessing officer.

Liability of Income Tax amounting to Rs. 51.05 Lacs for A.Y. 2012-13 is mainly due to mistake by AO while passing order wherein credit for Dividend Distribution Tax was not granted and for which rectification application is filed by company for granting tax credit paid before assessing officer and same is not yet rectified.

NOTE 27:

The company has exercised option given in Companies (Accounting Standard) Amendment Rules 2009 on Accounting Standard 11 issued by ICAI which was notified by MCA regarding accounting of exchange rate difference related to foreign currency loan utilised for acquisition of fixed assets by way of notification no. GSR 225(E) dated 31.03.2009 read with notification no. GSR 913(E) dated 29.12.2011. On exercise of option referred above, foreign exchange gain of Rs. 194.55 lacs (P.Y. loss of Rs. 301.50 lacs) is adjusted in Fixed Assets during the year.

NOTE 30: RAW MATERIALS CONSUMED:

(Rs. in Lacs)

| | Current Year | | Previous Year | |
|--------------|------------------|------------------|------------------|------------------|
| | Amount | % of Consumption | Amount | % of Consumption |
| Imported | 7,415.15 | 61.67 | 7363.73 | 57.90 |
| Indigenous | 4,608.53 | 38.33 | 5354.86 | 42.10 |
| TOTAL | 12,023.68 | 100.00 | 12,718.59 | 100.00 |

NOTE 31: STORES AND SPARES CONSUMED:

(Rs. in Lacs)

| | Current Year | | Previous Year | |
|--------------|---------------|------------------|---------------|------------------|
| | Amount | % of Consumption | Amount | % of Consumption |
| Imported | 14.44 | 3.53 | 35.16 | 11.54 |
| Indigenous | 394.64 | 96.47 | 266.61 | 88.46 |
| TOTAL | 409.08 | 100.00 | 301.77 | 100.00 |

NOTE 32: C.I.F. VALUE OF IMPORTS:

(Rs. in Lacs)

| | Current Year | Previous Year |
|-------------------------------------------|--------------|---------------|
| Capital Goods | 93.90 | 43.277 |
| Raw Materials | 7,746.64 | 7,254.24 |
| Trading Goods | 1,138.83 | 998.95 |
| Stores, packing materials and consumables | 370.62 | 350.49 |

NOTE 33: EXPENDITURE IN FOREIGN CURRENCY:

(Rs. in Lacs)

| | Current Year | Previous Year |
|----------------------------|--------------|---------------|
| Traveling | 13.06 | 102.52 |
| Commission on export sales | 191.61 | 130.38 |
| Interest | 178.00 | 238.68 |

NOTE 34: EARNINGS IN FOREIGN CURRENCY:

(Rs. in Lacs)

| | Current Year | Previous Year |
|-------------------------|--------------|---------------|
| F.O.B. value of exports | 15,693.58 | 14,847.17 |

NOTE 28: DEPRECIATION:

Pursuant to the enactment of the Companies Act, 2013, the Company has applied the estimated useful lives as specified in Schedule II. Accordingly the unamortized carrying value is being depreciated/ unamortized over the revised/ remaining useful lives. The written down value of fixed assets whose lives have expired as at 1st April 2014 have been adjusted net of tax, in the opening balance of Reserves & Surplus amounting to 61.74 lacs.

NOTE 29:

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 also invested USD 9,89,000 equivalent to Rs. 596.50 Lacs for 100% share being 989000 shares of Sarlalex, Inc registered at USA as a result the said company is Wholly Owned Subsidiary of the Company.

Notes on Financial Statement for the Year Ended 31st March, 2015

NOTE 35:

Managing Director's remuneration is Rs. 96.00 Lacs (P.Y. Rs. 66.00 Lacs) & the whole time Director's remuneration is Rs. 80.00 Lacs (P.Y. Rs. 62.00 Lacs) is in accordance with section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

NOTE 36: 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 income on account of timing difference for current year is Rs. 33.26 lacs (P.Y. expense of Rs. 105.15 lacs) which is credited to statement of profit and loss.

NOTE 37: EARNING PER SHARE:

| | Current Year | Previous Year |
|-------------------------------------------------------------------------------------------------------------|--------------|---------------|
| A) Number of Equity shares considered as basic weighted average shares outstanding at beginning of the year | 69,50,300 | 69,50,300 |
| Add: Number of Equity shares issued during the year | 14,00,000 | - |
| Number of Equity shares considered as weighted average shares used as denominator | 75,63,999 | 69,50,300 |
| B) Net profit after tax attributable to equity share-holders (Rs. in Lacs) | 2967.91 | 2226.52 |
| C) Basic and diluted earnings per equity share of Rs. 10/- each (in Rupees) | 39.24 | 32.03 |

NOTE 38:

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

(Rs. in Lacs)

| Defined Benefit Plans: | Current Year Gratuity | Previous Year Gratuity |
|-------------------------------------------------------------------------------|-----------------------|------------------------|
| i) Changes in the present value of Obligations | | |
| Present value of Defined Benefit Obligation on 01-04-2014 | 11,506,849 | 9,719,427 |
| Interest Cost | 1,064,384 | 801,853 |
| Current Service Cost | 1,289,531 | 880,795 |
| Benefit Paid during the year | (552,808) | - |
| Actuarial (Gain)/Loss on Defined Benefit Obligation | 3,254,107 | 104,774 |
| Present value of Defined Benefit Obligation as on 31-03-2015 | 16,562,063 | 11,506,849 |
| ii) Changes in the Fair Value of Plan Assets | | |
| Fair Value of Plans Assets as on 01-04-2014 | 8,188,012 | 6,979,741 |
| Expected Return on Plan Assets for the year ending 31-3-2015 | 815,934 | 646,736 |
| Contribution made by the employer | 1,101,824 | 561,535 |
| Benefit paid during the year | (552,808) | - |
| Actuarial gain (Loss) on plan assets | - | - |
| Fair Value of Plans Assets as on 31-03-2015 | 9,552,962 | 8,188,012 |
| iii) Amount to be recognised in the Balance Sheet as on 31-03-2015 | | |
| Present Value of the Defined Gratuity Benefits Obligation 31-03-2015 | 16,562,063 | 11,506,849 |
| Fair Value of Plans Assets as on 31-03-2015 | (9,552,962) | (8,188,012) |
| Liability Recognised in the Balance Sheet as on 31-03-2015 | 7,009,101 | 3,318,837 |
| iv) Expenses recognised in the Statement of Profit & Loss and Loss | | |
| Current Service Cost | 1,289,531 | 880,795 |
| Interest Cost on Obligation | 1,064,384 | 801,853 |
| Expected Return on Plan Assets | (815,934) | (646,736) |
| Actuarial (Gain)/Loss on Defined Benefit Obligation | 3,254,107 | 104,774 |
| Expenses recognised in the Statement of Profit & Loss and Loss | 4,792,088 | 1,140,686 |

Notes on Financial Statement for the Year Ended 31st March, 2015

NOTE 39: DISCLOSURE IN ACCORDANCE WITH REVISED AS - 15 ON "EMPLOYEE BENEFITS":

(Rs. in Lacs)

| Defined Benefit Plans: | Current Year Gratuity | Previous Year Gratuity |
|----------------------------------------|-----------------------|------------------------|
| v) Actual Return on Plan Assets | | |
| Expected Return on Plan Assets | 815,934 | 646,736 |
| Actuarial gain (Loss) on plan assets | - | - |
| Actual Return on Plan Assets | 815,934 | 646,736 |
| vi) Actuarial Assumptions | | |
| Rate of interest | 7.75% | 9.25% |
| Salary growth | 8.5% | 8.0% |
| Withdrawal rate | 1% | 1% |

NOTE 40: SEGMENT REPORTING:

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 | 2014-15 | | | 2013-14 | | |
|------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | In India | Outside India | Total | In India | Outside India | Total |
| Segment Revenue (Net of excise duty) | | | | | | |
| Yarn: | 8,833.86 | 14,219.23 | 23,053.09 | 8,638.64 | 14,052.25 | 22,690.89 |
| Manufacturing : | 3,043.77 | | 3,043.77 | 1,332.40 | | 1,332.40 |
| Trading : * | 595.92 | | 595.92 | 582.62 | | 582.62 |
| Generation of Wind Power | 12,473.55 | 14,219.23 | 26,692.78 | 10,553.66 | 14,052.25 | 24,605.91 |
| Segment Results | | | | | | |
| Yarn: | | | | | | |
| Manufacturing : | | | 4,568.75 | | | 3,645.64 |
| Trading: * | | | 81.13 | | | 24.64 |
| Wind Power | | | 82.84 | | | (55.72) |
| Less: Finance cost (Unallocable) | | | 514.48 | | | 388.89 |
| Profit before tax | | | 4,218.24 | | | 3,225.67 |
| Segment Assets | | | | | | |
| Yarn | 32,528.86 | | 32,528.86 | 22,768.68 | | 22,768.68 |
| Generation of Wind Power | 3,248.79 | | 3,248.79 | 3,902.27 | | 3,902.27 |
| Segment Liabilities | | | | | | |
| Yarn | 13,773.68 | | 13,773.68 | 11,429.24 | | 11,429.24 |
| Generation of Wind Power | 2,032.33 | | 2,032.33 | 2,934.80 | | 2,934.80 |
| Capital Expenditure | | | | | | |
| Yarn | 456.58 | | 456.58 | 1,494.98 | | 1,494.98 |
| Generation of Wind Power | 195.44 | | 195.44 | 301.50 | | 301.50 |

Notes on Financial Statement for the Year Ended 31st March, 2015

NOTE 41: RELATED PARTY TRANSACTIONS:

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

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1) Associates M/s Satidham Industries Private Ltd. M/s Hindustan Cotton Co.</p> <p>2) Key Management Personnel & their Relatives Madhusudan Jhunjunwala - Chairman Krishna Jhunjunwala - Managing Director Neha Jhunjunwala - Relative (Appointed as woman director w.e.f. 31st March 2015)</p> | <p>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.</p> <p>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</p> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

"Between stimulus and response is our greatest power - the freedom to choose".

Details of transactions with above related parties:

(Rs. in Lacs)

| | Associates Enterprises | | Key Management personnel & Relatives | | Joint Ventures | | Subsidiary and step down subsidiary Co. | |
|---------------------------|------------------------|---------------|--------------------------------------|---------------|----------------|---------------|-----------------------------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Rent paid | 6.00 | 5.00 | - | - | - | - | - | - |
| Investment In Shares | - | - | - | - | - | - | 779.71 | 779.71 |
| Unsecured Loan Given | - | - | - | - | - | - | 3,146.48 | 585.94 |
| Remuneration | - | - | 182.00 | 135.00 | - | - | - | - |
| Advance Received | - | - | - | - | - | - | 0.96 | 4.25 |
| Security Deposit | 250.00 | 225.00 | - | - | - | - | - | - |
| Interest / Comission paid | - | - | - | - | - | - | 74.10 | 67.30 |
| Sale of Goods | - | - | - | - | - | - | 3,811.16 | 3,101.79 |
| Debtors | - | - | - | - | - | 15.37 | 934.68 | 1,202.75 |
| Dividend Received | - | - | - | - | - | - | 529.77 | 439.71 |
| Sale of Machinery | - | - | - | - | - | - | - | 317.30 |

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

NOTE 42: DERIVATIVE INSTRUMENTS:

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

The forward exchange contracts outstanding as at 31st March, 2015 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 | 40 | 8 |
| 4. | Aggregate Currency Amount (In Rs. Lacs) | 3,427.05 | 704.85 |

NOTE 43:

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 44:

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 45:

During the year, Company has paid Rs. 16,30,00,000/- to the official liquidator for purchase of property at Dadra as per order of Hon'ble High Court of Bombay. However the conveyance deed is not executed till the year end and therefore aforesaid amount is disclosed as advance paid for property at Dadra under the head "Long Term Loans & Advances" in note no 11.

Notes on Financial Statement for the Year Ended 31st March, 2015

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.

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, 2015**

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

Independent Auditors' Report to the Members 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 31 March 2015, 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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of the appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 misstatements.

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 financial control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the consolidated financial statements.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, and based on the 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 36 regarding non consideration of financial statement of three joint venture companies situated at Honduras and Turkey, in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31st March, 2015 and its consolidated profit and its consolidated cash flows for the year ended on that date.

OTHER MATTERS:

1. Financial statements of Wholly Owned Subsidiary Company which reflects total assets of Rs. 6,318.84 lacs as at 31.03.2015 and total revenue of Rs. 4,183.88 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 which reflects total assets of Rs. 216.67 lacs as at 31.03.2015 and total revenue of Rs. 314.39 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 which reflects total assets of Rs. 17,398.79 lacs as at 31.03.2015 and total revenue of Rs. 4,180.23 lacs for the year then ended. These unaudited financial statements as approved by Board of Directors of this

Independent Auditors' Report to the Members of Sarla Performance Fibers Limited

company has been furnished to us by the management and our report in so far as it relates to the amounts included in respect of this company is based solely on such approved unaudited financial statements.

4. The consolidated financial statements for the year ended 31.03.2015 does not include financial statements of Savitex SA. De.C.V., M/s. MRK SA. De.C.V. and Sarla Tekstil Filament Sanayi, Turkey which are joint venture companies of wholly owned subsidiary company as the same has not been received.

For **SUNDARLAL, DESAI & KANODIA**
Chartered Accountants
Firm Registration No. 110560W

H. P. Kanodia
Partner
Membership No. 40617

Place: Mumbai
Date: May 29, 2015

Consolidated Balance Sheet as at 31st March, 2015

(Rs. in Lacs)

| | Note No. | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|---------------------------------------------------------------------|----------|---------------------------------|----------------------------------|
| EQUITY AND LIABILITIES: | | | |
| 1) SHAREHOLDER'S FUNDS | | | |
| - Share Capital | 1 | 835.03 | 695.03 |
| - Reserves and Surplus | 2 | 22,136.22 | 16,220.07 |
| | | 22,971.25 | 16,915.10 |
| 2) NON-CURRENT LIABILITIES | | | |
| - Long-Term Borrowings | 3 | 11,573.26 | 12,906.73 |
| - Deferred Tax Liabilities (Net) | 4 | 1,418.96 | 1,504.88 |
| - Other Non Current Liabilities | 5 | 367.82 | 340.51 |
| | | 13,360.05 | 14,752.11 |
| 3) CURRENT LIABILITIES | | | |
| - Short-Term Borrowings | 6 | 12,181.90 | 7,421.42 |
| - Trade Payables | 7 | 2,734.56 | 1,893.20 |
| - Other Current Liabilities | 8 | 3,623.89 | 4,698.78 |
| - Short-Term Provisions | 9 | 890.14 | 651.77 |
| | | 19,430.50 | 14,665.17 |
| TOTAL | | 55,761.80 | 46,332.38 |
| ASSETS: | | | |
| 1) NON-CURRENT ASSETS | | | |
| - Fixed Assets | | | |
| i) Fixed Assets | 10 & 11 | 18,928.23 | 19,610.27 |
| ii) Capital Work-in-Progress | | - | 87.82 |
| - Long Term Loans and Advances | 12 | 2,226.01 | 698.16 |
| - Non-Current Investments | 13 | 5,710.66 | 5,482.57 |
| | | 26,864.91 | 25,878.81 |
| 2) FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT | | | |
| | | 221.09 | 246.75 |
| 3) MINORITY INTEREST | | | |
| | | 33.05 | - |
| 4) CURRENT ASSETS | | | |
| - Current Investments | 14 | 46.24 | - |
| - Inventories | 15 | 8,627.24 | 7,080.64 |
| - Trade Receivables | 16 | 7,963.62 | 7,554.55 |
| - Cash and Cash Equivalents | 17 | 9,410.94 | 3,684.93 |
| - Short-term Loans and Advances | 18 | 2,134.62 | 1,502.75 |
| - Other Current Assets | 19 | 460.08 | 383.94 |
| | | 28,642.75 | 20,206.82 |
| TOTAL | 1 to 41 | 55,761.80 | 46,332.38 |

Significant accounting policies and Notes on financial statements

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, 2015**

CONSOLIDATION FOR EFFECTIVENESS

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 2015

(Rs. in Lacs)

| | Note No. | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|-------------------------------------------------------------------------------------|----------|---------------------------------|----------------------------------|
| INCOME: | | | |
| Revenue from operations | 20 | 32,275.74 | 27,134.74 |
| - Less: Excise duty | | 1,069.91 | 952.36 |
| | | 31,205.83 | 26,182.38 |
| Other income | 21 | 1,168.59 | 887.17 |
| | | 32,374.42 | 27,069.56 |
| EXPENSES: | | | |
| Cost of materials consumed | 22 | 13,668.31 | 12,920.13 |
| Purchase of stock-in-trade | | 2,833.51 | 1,454.28 |
| Changes in inventories of finished goods and work-in-progress | 23 | (1,578.26) | (582.52) |
| Employee benefit expenses | 24 | 2,712.43 | 1,216.88 |
| Finance costs | 25 | 643.91 | 686.06 |
| Depreciation and amortization expenses | 10 & 11 | 1,448.73 | 1,100.69 |
| Other expenses | 26 | 8,607.72 | 6,499.71 |
| | | 28,336.36 | 23,295.22 |
| PROFIT BEFORE TAX: | | 4,038.06 | 3,774.34 |
| Tax expense: | | - | - |
| - Current tax (MAT) | | 1,264.30 | 894.00 |
| - Less: MAT Credit | | - | - |
| - Net Current Tax | | 1,264.30 | 894.00 |
| - Deferred tax | | (33.26) | 105.15 |
| - Tax adjustment of earlier years | | - | - |
| Profit for the period (before adjustment of Minority Interest) | | 2,807.02 | 2,775.19 |
| Less: share of Profit transferred to Minority Interest | | 13.31 | - |
| Profit for the period (after adjustment of Minority Interest) | | 2,793.71 | 2,775.19 |
| Significant accounting policies and Notes on financial statements | 1 to 41 | | |
| 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, 2015**

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, 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|----------------------------------------------------------|---------------------------------|----------------------------------|
| CASH FLOW FROM THE OPERATING ACTIVITIES | | |
| Net Profit Before Tax and Extraordinary items | 4,038.06 | 3,774.34 |
| ADJUSTMENT FOR | | |
| Depreciation | 1,448.73 | 1,100.69 |
| Interest Paid | 643.91 | 686.06 |
| Interest Received | (420.05) | (248.31) |
| Gain on Sale of Fixed Assets | 0.00 | (58.27) |
| Capital Gain on Sale of Investment | (5.04) | 0.00 |
| Dividend Received | (51.25) | (2.03) |
| Operating Profit Before Working Capital Changes | 5,654.36 | 5,252.48 |
| ADJUSTMENT FOR CHANGES IN WORKING CAPITAL | | |
| Trade & Other Receivable | (409.07) | (1,719.50) |
| Inventories | (1,546.60) | (1,010.71) |
| Loans & Advances | (2,291.06) | 1,266.38 |
| Trade & Other Payable | 719.86 | 846.29 |
| Foreign exchange fluctuation | (697.43) | (207.82) |
| Cash Generated From Operations | 1,430.07 | 4,427.14 |
| Prior Period Expenses/Extra Ordinary Items | 0.00 | 0.00 |
| Income Tax Paid | (1,209.11) | (939.39) |
| Deferred Tax Liabilities | 0.00 | 0.00 |
| Net Cash Flow from Operating Activities (1) | 220.96 | 3,487.74 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (755.35) | (8,001.20) |
| Purchase of Investment | (274.34) | (5,200.70) |
| Dividend Received | 51.25 | 2.03 |
| Gain on Sale of Investment | 5.04 | 0.00 |
| Sale of Assets | 0.00 | 129.44 |
| Interest Received | 420.05 | 248.31 |
| Net Cash Flow from Investing Activities (2) | (553.35) | (12,822.12) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Issue of Share Capital | 4669.00 | |
| Net Proceeds from Bank Borrowings | 2547.60 | (11,900.12) |
| Dividend Paid | (514.29) | (379.12) |
| Interest Paid | (643.91) | (686.06) |
| Net Cash Raised From Financing Activities (3) | 6,058.40 | (10,834.95) |
| Net Changes in Cash & Cash Equivalent (1+2+3) | 5,726.01 | 1,500.57 |
| Cash And Cash Equivalent - Opening Balance | 3,684.93 | 2,184.36 |
| Cash And Cash Equivalent - Closing Balance | 9,410.94 | 3,684.93 |

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

H. P. KANODIA - Partner
Membership No. 40617

CONSOLIDATION FOR EFFECTIVENESS

Place : Mumbai
Date : 29th May, 2015

Notes on Consolidated Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|-----------------------------------------------------------|---------------------------------|----------------------------------|
| NOTE 1: SHARE CAPITAL: | | |
| AUTHORISED CAPITAL: | | |
| 1,00,00,000 Equity Shares Of Rs. 10/- Each | 1,000.00 | 1,000.00 |
| ISSUED, SUBSCRIBED AND PAID UP: | | |
| 83,50,300 (P.Y. 69,50,300) Equity Shares of Rs. 10/- each | 835.03 | 695.03 |
| TOTAL | 835.03 | 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 2015, the amount of per share dividend recognised as distributions to equity shareholders was Rs. 8.00 (31st March 2014 Rs. 7.50)

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 2015 No. of Shares | 31st March 2014 No. of Shares |
|---------------------------------------|----------------------------------|----------------------------------|
| Opening as on 1st April | 69,50,300 | 69,50,300 |
| Add: Issued during the year | 14,00,000 | - |
| Less: Forfeited during the year | | |
| Closing as on 31st March | 83,50,300 | 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 2015 | No. of shares as on 31st March 2014 |
|-------------------------------------------------|----------------------------------------|----------------------------------------|
| Hindustan Cotton Company - Through its partners | 2,116,479 | 2,116,479 |
| Satidham Industries Private Limited | 1,272,791 | 1,269,814 |
| HDFC Small & Midcap Fund | 743,817 | - |
| Sarladevi Jhunjhunwala | 388,400 | 326,632 |
| Madhusudan Jhunjhunwala (HUF) | 386,526 | 326,632 |

NOTE 2: RESERVES AND SURPLUS:

| CAPITAL RESERVES: | | |
|----------------------------------------------------|----------|----------|
| Balance as per last balance sheet | 237.73 | 237.73 |
| SECURITIES PREMIUM: | | |
| Balance as per last balance sheet | | |
| - Add: Addition during the year | 4,529.00 | - |
| | 4,529.00 | - |
| GENERAL RESERVE: | | |
| Balance as per last balance sheet | 5,274.38 | 3,774.38 |
| - Add: Transferred from statement of profit & loss | 1,500.00 | 1,500.00 |
| | 6,774.38 | 5,274.38 |

Notes on Consolidated Financial Statement for the Year Ended 31st March 2015



(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|
| SURPLUS: | | |
| Balance as per last balance sheet | 10,712.88 | 9,543.39 |
| Add: Profit for the period | 3,314.40 | 3,214.90 |
| Add: Excess provision for Dividend distribution tax written back | 88.59 | 67.65 |
| Less: Adjustment relating to Fixed Assets (Refer note No. 28) | | |
| Less: Appropriations: | | |
| - Transferred to General reserve | 1,500.00 | 1,500.00 |
| - Proposed Dividend | 1,190.81 | 521.27 |
| - Tax on Dividend | 133.56 | 88.59 |
| Closing balance in statement of profit & loss | 11,291.50 | 10,716.07 |
| Foreign Currency translation reserve | (590.68) | (11.18) |
| Profit on Consolidation | (43.97) | 3.06 |
| TOTAL | 22,832.61 | 16,228.18 |
| NOTE 3: LONG TERM BORROWING: | | |
| TERM LOANS: | | |
| SECURED LOANS - FROM BANKS | | |
| From Standard Chartered Bank | | |
| - Foreign Currency Loan | 371.63 | 873.32 |
| (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 20,00,000 Repayable in 16 equal quarterly installment of USD 1,25,000 each till March 2016) | | |
| (Term loan of USD 19,00,000 Repayable in 16 equal quarterly installment of USD 1,18,750 each till June 2017) | | |
| From DBS Bank | | |
| - Foreign Currency Loan | 625.90 | 1,063.15 |
| (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 | | |
| From Bank of America | 1,445.33 | 2,062.71 |
| | 645.46 | 845.02 |
| (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"(Investment in USBCDC Investment Fund 8. LLC) | 5,710.66 | 5,482.57 |
| NNMF Sub-CDE XXIII, LLC LOAN "B" | 2,344.67 | 2,251.02 |
| (Above loans are secured against the Fixed Assets of Sarlafle LLC) | | |
| UNSECURED LOANS | | |
| Other loans and advances | 429.62 | 328.94 |
| TOTAL | 11,573.26 | 12,906.73 |

Notes on Consolidated Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|
| NOTE 4: DEFERRED TAX LIABILITY (NET): | | |
| On account of depreciation | 1,439.82 | 1,504.88 |
| TOTAL | 1,439.82 | 1,504.88 |
| NOTE 5: OTHER NON CURRENT LIABILITIES: | | |
| Creditors for Capital goods | 367.82 | 340.51 |
| TOTAL | 367.82 | 340.51 |
| NOTE 6: SHORT TERM BORROWING: | | |
| LOANS REPAYABLE ON DEMAND | | |
| - Secured Loans | | |
| - From Banks: | | |
| - Packing Credit Loan | 8,526.85 | 4,680.52 |
| - Foreign Bill Discounting | 1,560.02 | 2,046.85 |
| - Working Capital Demand Loan | 1,869.79 | 26.90 |
| (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.) | - | 442.07 |
| Unsecured Loans from Related Concerns | 225.24 | 225.09 |
| TOTAL | 12,181.90 | 7,421.42 |
| NOTE 7: TRADE PAYABLES: | | |
| TRADE PAYABLES | 2,734.56 | 1,893.20 |
| TOTAL | 2,734.56 | 1,893.20 |
| NOTE 8: OTHER CURRENT LIABILITIES: | | |
| Current maturities of long-term debts | 2,118.31 | 2,997.73 |
| Unpaid dividend | 35.43 | 32.35 |
| Other Payables: | - | - |
| TDS payable | 1.04 | 0.13 |
| Sales tax payable | 3.40 | 8.37 |
| Other statutory dues payable | 5.89 | 7.26 |
| Excise duty payable | 169.33 | 136.12 |
| Sundry creditors | 793.34 | 1,059.21 |
| Advance from customers | 341.05 | 56.59 |
| Excess cheques drawn | - | 262.98 |
| Other liabilities | 156.12 | 138.06 |
| TOTAL | 3,623.89 | 4,698.78 |

Notes on Consolidated Financial Statement for the Year Ended 31st March 2015



(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|---------------------------------------|---------------------------------|----------------------------------|
| NOTE 9: SHORT TERM PROVISIONS: | | |
| For Employee benefits: | | |
| - Provision for gratuity | 70.09 | 33.19 |
| - Provision for leave encashment | 3.89 | 2.42 |
| - Provision for bonus | 9.59 | 6.30 |
| - Salaries and wages payable | 4.98 | - |
| | 88.56 | 41.90 |
| For others: | | |
| Provision for dividend | 668.02 | 521.27 |
| Provision for tax on dividend | 133.56 | 88.59 |
| | 801.59 | 609.86 |
| TOTAL | 890.14 | 651.77 |

"To choose time is to save time"

Notes on Consolidated Financial Statement for the Year Ended 31st March 2015

NOTE 10: TANGIBLE ASSETS:

(Rs. in Lacs)

| Particulars | Gross Carrying Amount | | | Depreciation | | | Net Carrying Amount | | | |
|----------------------------|-----------------------|-------------------------|--------------------------|---------------------|--------------------|-----------------|--------------------------------------|--------------------|---------------------|---------------------|
| | As on 01-04-2014 | Addition/ adjustment | Deduction/ adjustment | As on 31-03-2015 | Upto 31-03-2014 | For the Year | Adjustment (Refer Note No. 30) | Upto 31-03-2015 | As on 31-03-2015 | As on 31-03-2014 |
| Land | 153.15 | - | - | 153.15 | 0.41 | 1.42 | - | 1.83 | 151.31 | 152.73 |
| Factory Building | 3,904.09 | 23.81 | - | 3,927.90 | 420.77 | 115.30 | - | 538.22 | 3,389.69 | 3,483.33 |
| Plant and Machinery (#) | 16,471.75 | 596.89 | 20.55 | 17,048.09 | 4,790.07 | 1,078.20 | 3.73 | 5,966.70 | 11,081.39 | 11,669.38 |
| Electrical Installations | 399.52 | 9.28 | - | 408.80 | 241.82 | 16.92 | - | 245.96 | 162.84 | 157.70 |
| Office Equipment | 43.06 | 3.89 | - | 46.95 | 16.00 | 7.27 | - | 31.80 | 15.15 | 26.50 |
| Computers | 95.74 | 24.51 | - | 120.24 | 63.52 | 10.34 | - | 62.08 | 58.17 | 32.22 |
| Vehicles | 170.05 | 7.92 | - | 177.97 | 73.51 | 20.33 | - | 93.93 | 84.04 | 96.54 |
| Furniture & Fixture | 110.33 | 1.66 | - | 111.99 | 44.70 | 7.24 | - | 51.61 | 60.39 | 65.63 |
| Wind Turbine Generator (#) | 4,394.06 | 195.45 | - | 4,589.50 | 513.58 | 187.40 | - | 700.98 | 3,888.52 | 3,880.48 |
| Other Fixed Assets | 80.01 | 0.13 | - | 80.14 | 36.13 | 3.47 | - | 45.11 | 35.03 | 43.88 |
| TOTAL | 25,821.74 | 863.54 | 20.55 | 26,664.74 | 6,200.51 | 1,447.90 | 3.73 | 7,738.21 | 18,926.52 | 19,608.38 |

(#) Addition is net of loss of Rs 195.45 Lacs (PY Loss of Rs 301.50 Lacs) on reinstatement of foreign currency loan taken to acquire the asset. For details refer Note 29.

NOTE 11: INTANGIBLE ASSETS:

(Rs. in Lacs)

| Particulars | Gross Carrying Amount | | | Depreciation | | | Net Carrying Amount | | | |
|-------------------|-----------------------|-------------------------|--------------------------|---------------------|--------------------|-----------------|---------------------|---------------------|---------------------|-------------|
| | As on 01-04-2014 | Addition/ adjustment | Deduction/ adjustment | As on 31-03-2015 | Upto 31-03-2014 | For the Year | Upto 31-03-2015 | As on 31-03-2015 | As on 31-03-2014 | |
| Computer Software | 9.23 | 0.18 | - | 9.41 | 7.52 | 0.18 | - | 7.70 | 1.70 | 1.70 |
| TOTAL | 9.23 | 0.18 | - | 9.41 | 7.52 | 0.18 | - | 7.70 | 1.70 | 1.70 |

Notes on Consolidated Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|------------------------------------------------------------------|---------------------------------|----------------------------------|
| NOTE 12: LONG - TERM LOANS AND ADVANCE: | | |
| (Unsecured, considered good) | | |
| Capital advances | 89.65 | 16.01 |
| Security deposits | 380.10 | 352.65 |
| Advance paid for Property at Dadra | - | - |
| Other loans and advance | 126.26 | 329.50 |
| TOTAL | 596.01 | 698.16 |
| NOTE 13: NON-CURRENT INVESTMENT: | | |
| Investment in USBCDC Investment Fund 8, LLC | 5,710.66 | 5,482.57 |
| TOTAL | 5,710.66 | 5,482.57 |
| NOTE 14: CURRENT INVESTMENT: | | |
| (Valued at cost or market value, whichever is lower) | | |
| Non-trade investments: | | |
| In Equity Shares - Quoted, fully paid up | | |
| 3,000 (PY Nil) shares Arvind Mills Limited of Rs. 10 each | 8.84 | - |
| 500 (PY Nil) shares Balkrishna Industries Limited of Rs. 2 each | 3.02 | - |
| 500 (PY Nil) shares Larsen & Toubro Limited of Rs. 2 each | 8.97 | - |
| 500 (PY Nil) shares LIC Housing Finance Limited of Rs. 2 each | 2.41 | - |
| 3,500 (PY Nil) shares Punjab National Bank Limited of Rs. 2 each | 7.26 | - |
| 69 (PY Nil) shares Siyaram Silk Mills Limited of Rs. 10 each | 0.55 | - |
| 15,000 (PY Nil) shares Tata Coffee Limited of Rs. 1 each | 15.19 | - |
| TOTAL | 46.24 | - |
| (Aggregate amount of Unquoted investment) | 46.24 | - |
| (Provision made for diminution in value of investment) | - | - |
| NOTE 15: INVENTORIES: | | |
| (As taken, valued and certified by the Management) | | |
| Raw Materials | 2,030.30 | 2,268.15 |
| Work-In -Progress | 1,826.58 | 1,529.50 |
| Finished goods | 4,157.86 | 2,841.79 |
| Stores and Spares | 107.95 | 77.32 |
| Oil & lubricant | 173.13 | 134.15 |
| Power & Fuel | 32.45 | 26.42 |
| Packing Materials | 199.48 | 103.81 |
| Other Inventories | 99.49 | 99.49 |
| TOTAL | 8,627.23 | 7,080.64 |
| NOTE 16: TRADE RECEIVABLE: | | |
| (Unsecured, considered good) | | |
| Outstanding for more than 6 months from due date | 279.15 | 476.80 |
| Outstanding for less than 6 months form due date | 7,684.47 | 7,077.76 |
| TOTAL | 7,963.62 | 7,554.55 |

Notes on Consolidated Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|---------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|
| NOTE 17: CASH AND BANK BALANCES: | | |
| CASH AND CASH EQUIVALENTS: | | |
| Balance with banks | 2,887.35 | 581.00 |
| Cash on hand | 17.81 | 15.42 |
| | 2,905.16 | 596.42 |
| OTHER BANK BALANCES: | | |
| Balance in unpaid dividend account | 35.43 | 32.35 |
| Fixed deposits | 6,470.35 | 3,056.16 |
| [Fixed deposits of Rs. 10,78,46,841 (P.Y. Rs. 5,46,16,622) pledged as margin money deposit] | | |
| * (All fixed deposits are with maturity of more than 12 months) | 6,505.78 | 3,088.51 |
| TOTAL | 9,410.94 | 3,684.93 |
| NOTE 18: SHORT TERM LOANS AND ADVANCES: | | |
| Loans and advances to related parties | | |
| To Others | | |
| Unsecured, considered good | 1,981.38 | 1,294.31 |
| Advance Income Tax (Net of Provisions) | 153.24 | 208.44 |
| TOTAL | 2,134.62 | 1,502.75 |
| NOTE 19: OTHER CURRENT ASSETS: | | |
| Other receivable | 167.99 | 174.62 |
| Interest receivables | 292.09 | 209.32 |
| Pre-operative expenses | - | - |
| TOTAL | 460.08 | 383.94 |
| NOTE 20: REVENUE FROM OPERATIONS: | | |
| (a) Sale of Products/ Services: | | |
| - Local Sales | 9,733.76 | 8,661.43 |
| - Export Sales | 14,941.11 | 12,679.23 |
| - Deemed Export Sales | 550.09 | 769.16 |
| - Trading Sales | 6,108.97 | 4,017.01 |
| - Sale of Wind Power | 582.80 | 582.62 |
| TOTAL | 31,916.72 | 26,709.45 |
| (b) Other Operating Revenues: | | |
| - Export benefits | 82.34 | 73.72 |
| - Export Incentives(Focus License) | 239.04 | 327.88 |
| - Sale of Waste yarn | 24.52 | 23.69 |
| - Renewable Energy Certificate income | 13.12 | - |
| | 359.01 | 425.29 |
| TOTAL | 32,275.74 | 27,134.74 |

Notes on Consolidated Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|------------------------------------------------------|---------------------------------|----------------------------------|
| NOTE 21: OTHER INCOME: | | |
| - Dividend Income on Current investments | 2.61 | 2.03 |
| - Dividend Income from Subsidiary | 48.64 | - |
| - Profit on sale of fixed assets | - | 64.28 |
| - Profit on sale of investment | 5.04 | - |
| - Exchange rate difference (Net) | 188.46 | 155.46 |
| - Duty drawback received | - | 74.97 |
| - Miscellaneous Income | 503.79 | 294.78 |
| - Interest Income | 420.05 | 248.31 |
| - Credit balance written back | - | 47.35 |
| | - | - |
| TOTAL | 1,168.59 | 887.17 |
| NOTE 22: COST OF MATERIALS CONSUMED: | | |
| Inventory at the beginning of the year | 2,429.26 | 2,152.52 |
| Add: Purchase | 13,417.84 | 13,187.34 |
| Add: interunit transfer purchases | - | - |
| | 15,847.10 | 15,339.86 |
| Less: interunit transfer sales | - | - |
| Less: Inventory at the end of the year | 2,178.79 | 2,419.73 |
| Cost of materials consumed | TOTAL 13,668.31 | 12,920.13 |
| NOTE 23: (INCREASE)/ DECREASE IN INVENTORIES: | | |
| INVENTORIES AT THE END OF THE YEAR | | |
| Work-in-progress | 1,815.87 | 1,529.50 |
| Finished goods | 4,133.68 | 2,841.79 |
| TOTAL | 5,949.55 | 4,371.29 |
| INVENTORIES AT THE BEGINNING OF THE YEAR | | |
| Work-in-progress | 1,529.50 | 1,214.52 |
| Finished goods | 2,841.79 | 2,574.25 |
| | 4,371.29 | 3,788.77 |
| TOTAL | (1,578.26) | (582.52) |
| NOTE 24: EMPLOYEE BENEFIT EXPENSES: | | |
| Salaries, wages and bonus | 2,279.96 | 974.45 |
| Contribution to provident and other funds | 362.03 | 179.08 |
| Staff welfare expenses | 70.44 | 63.35 |
| TOTAL | 2,712.43 | 1,216.88 |

Notes on Consolidated Financial Statement for the Year Ended 31st March 2015

(Rs. in Lacs)

| | Current Year 31st March 2015 | Previous Year 31st March 2014 |
|---------------------------------------------|---------------------------------|----------------------------------|
| NOTE 25: FINANCE COSTS: | | |
| Interest expenses | 478.02 | 484.55 |
| Bank charges | 165.89 | 201.50 |
| | 643.91 | 686.06 |
| NOTE 26: OTHER EXPENSES: | | |
| MANUFACTURING EXPENSES: | | |
| Consumption of stores and spare parts | 409.08 | 301.77 |
| Power and fuel | 2,016.67 | 1,402.17 |
| Consumption of packing materials | 1,298.02 | 1,058.49 |
| Consumption of oils and chemicals | 571.77 | 388.80 |
| Labour charges | 1,219.33 | 1,056.73 |
| Clearing and forwarding charges | 419.39 | 321.17 |
| Repairs and Maintenance: | | |
| - Building | 24.34 | 15.83 |
| - Machinery | 88.03 | 38.21 |
| Excise duty expenses (#) | 33.87 | (49.57) |
| Water, waste and effluent treatment charges | 70.58 | 46.81 |
| ADMINISTRATIVE AND SELLING EXPENSES: | | |
| Rent | 45.88 | 20.63 |
| Repairs and Maintenance - Others | 57.60 | 44.32 |
| Insurance | 122.57 | 57.13 |
| Rates and taxes | 15.91 | 24.12 |
| Director sitting fees | 2.10 | 0.75 |
| Legal and professional fees | 294.19 | 230.56 |
| Miscellaneous expenses | 585.97 | 542.89 |
| Payment to auditor: | | |
| As auditors: | | |
| - Audit fee | 11.56 | 10.53 |
| - Limited review | 0.20 | 0.20 |
| In other capacity: | | |
| - Other services (certification fees) | 1.00 | 0.16 |
| Freight and forwarding charges | 845.52 | 728.35 |
| Commission on sales | 298.21 | 228.21 |
| Bad debts written off | 159.56 | 11.97 |
| Transmission charges | 16.38 | 13.55 |
| Net loss on sale of long term investments | - | 6.00 |
| | 8,607.72 | 6,499.71 |

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 2015

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 at revalued amounts.

BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS: The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles ('Indian GAAP') including the Accounting Standards notified under the relevant provisions of the Companies Act, 2013.

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. 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 subsidiary, 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 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 2014-15 & Financial results of Sarla Tekstil have also not been considered as same has not been received.

F: Minority interest's share of net profit of Consolidated Subsidiary for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the company.

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 tangible assets is provided on straight-line method over the useful lives of assets as prescribed in Schedule II of Companies Act, 2013. Depreciation for assets purchased/sold during a period is proportionately charged. Intangible assets are amortised over their respective individual estimated useful lives on a straight line basis, commencing from the date the asset is available to the Company for its use.

Notes on Consolidated Financial Statement for the Year Ended 31st March 2015

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 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 except focus license income which is recognized on cash 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.

E: Renewable Energy Certificate (REC) income is recognized on cash basis.

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 Profit and Loss Account and as deferred tax asset or liabilities in the Balance Sheet. The deferred tax assets is recognised and carried forward only to the extent that there is a virtual certainty that the assets will be realised in the future.

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

Notes on Consolidated Financial Statement for the Year Ended 31st March 2015

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. 1,949.95 Lacs (P.Y. Rs. 1,873.46 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 9.00 million (P.Y. UDS 8.34 millions) equivalent to Rs. 5,633.10 (P.Y. Rs. 5,5013.91 lacs).

2. Guarantees: Bank Guarantees issued by Banks on behalf of the company Rs. 523.4 Lacs (P.Y. Rs. 431.90 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. 2,771.66 Lacs).

4. Bill discounted not matured Rs. 1,560.01 Lacs (P.Y. Rs. 2,046.85 Lacs).

5. CST liability in respect of invoice amount of Rs. 2,105.47 Lacs (P.Y. Rs. 2,144.50 Lacs) for which C-Form are yet to be collected from the customers.

6. Liability of Income Tax amounting to Rs. 13.17 Lacs for A.Y. 2003-04 for which part relief is granted by Honb'le ITAT, Mumbai but appeal effect is not given by assessing officer.

Liability of Income Tax amounting to Rs. 51.05 Lacs for A.Y. 2012-13 mainly due to mistake by AO while passing order wherein credit for Dividend Distribution Tax was not granted and for which rectification application is filed by company for granting tax credit paid before assessing officer and same is not yet rectified.

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

NOTE 30: DEPRECIATION:

Pursuant to the enactment of the Companies Act, 2013, the Company has applied the estimated useful lives as specified in Schedule II. Accordingly the unamortized carrying value is being depreciated/ unamortized over the revised/ remaining useful lives. The written down value of fixed assets whose lives have expired as at 1st April 2014 have been adjusted net of tax, in the opening balance of Reserves & Surplus amounting to 61.74 lacs.

NOTE 31:

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 9,89,000 equivalent to Rs. 596.50 Lacs for 100% share being 9,89,000 shares of Sarla Flex, Inc registered at USA as a result the said company is Wholly Owned Subsidiary of the Company.

NOTE 32:

Managing Director's remuneration is 96.00 Rs. Lacs (P.Y. Rs. 66.00 Lacs) & the whole time Director's remuneration is Rs.80.00 Lacs (P.Y. Rs. 62.00 Lacs) is in accordance with section 197(12) of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

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 income on account of timing difference for current year is Rs. 33.26 lacs (P.Y. expense of Rs. 105.15 lacs) which is credited/ debited to statement of profit and loss.

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.

Notes on Consolidated Financial Statement for the Year Ended 31st March 2015

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.

*The forward exchange contract outstanding as at 31st March, 2015 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 | 40 | 8 |
| 4. | Aggregate Currency Amount (In Rs. Lacs) | 3,427.05 | 704.85 |

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 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

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, 2015**

both the JV's are not taken into consideration while preparing the Consolidated Financial Results for the year 2014-15 & 2013-14 & Financial results of Sarla Tekstil have also not been considered as same has not been received.

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:

During the year, Company has paid Rs. 16,30,00,000/- to the official liquidator for purchase of property at Dadra as per order of Hon'ble High Court of Bombay. However the conveyance deed is not executed till the year end and therefore aforesaid amount is disclosed as advance paid for property at Dadra under the head "Long Term Loans & Advances" in note no 12.

NOTE 41:

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 Twenty Second Annual General Meeting of the members of Sarla Performance Fibers Limited will be held on Monday, 28th September, 2015, at 09.00 a.m., at the Registered Office of the Company at Survey No. 59/1/4, Amlipiparia Industrial Estate, Silvassa – 396230, U.T. of Dadra & Nagar Haveli to transact the following businesses:

ORDINARY BUSINESS:

Item No. 1 - Adoption of Financial Statements

To receive, consider and adopt the Standalone and Consolidated Audited financial statements of the Company for the financial year ended 31st March, 2015, including the Statement of Profit and Loss for the year ended on that date together with the Reports of the Board of Directors and Auditors thereon.

Item No. 2 - Declaration of Dividend

To declare dividend of Rs. 8 per Equity Shares for the financial year ended 31st March, 2015.

Item No. 3 - Appointment of Director

To appoint a Director in place of Mr. Madhusudan S. Jhunjhunwala [DIN: 00097254], who retires by rotation as per the provisions of Section 152 of the Companies Act, 2013 and being eligible, offers himself, for re-appointment.

Item No. 4 - Ratification of Appointment of Auditor

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

“RESOLVED THAT pursuant to Section 139, 142 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, M/s Sundarlal, Desai & Kanodia, Chartered Accountants (Firm Registration No. 110560W) be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the Twenty Forth Annual General Meeting of the Company, subject to ratification at each AGM at such remuneration as may be fixed by the Board of Directors of the Company.”

SPECIAL BUSINESS:

Item No. 5 - Re-appointment of Mr. Madhusudan S. Jhunjhunwala, Chairman & Whole-time Director of the Company for a period of Five Years

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

“RESOLVED THAT pursuant to the provisions of Section 196, 197, 203 and all other applicable provisions, if any, of the Companies Act, 2013 read with Schedule V of the said Act and Companies

(Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), Mr. Madhusudan S. Jhunjhunwala [DIN: 00097254] be and is hereby reappointed as Whole Time Director designated as Executive Director of the Company with remuneration payable to him of Rs. 10,00,000/- per month with an annual increment of Rs. 1,50,000/- for a period of Five years from 1st August, 2015 to 31st July, 2020, upon the terms and conditions as specified in the explanatory statement attached to the notice of the meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

Item No. 6 - Re-appointment of Mr. Krishnakumar M. Jhunjhunwala, Managing Director of the Company for a period of Five Years

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 196, 197, 203 and all other applicable provisions, if any, of the Companies Act, 2013 read with Schedule V of the said Act and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), Mr. Krishnakumar M. Jhunjhunwala [DIN: 00097175] be and is hereby reappointed as Managing Director designated as Executive Director of the Company with remuneration payable to him of Rs. 10,00,000/- per month with an annual increment of Rs. 1,50,000/- for a period of Five years from 1st October, 2014 to 30th September, 2019, upon the terms and conditions as specified in the explanatory statement attached to the notice of the meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

Item No. 7 - Appointment of Ms. Neha K. Jhunjhunwala as a Director of the Company

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

“RESOLVED THAT Ms. Neha K. Jhunjhunwala [DIN: 07144529], who was appointed as an Additional Director (Non Independent Non - Executive) of the Company with effect from 31st March, 2015 by the Board of Directors under the provisions of Section 161 of the Companies Act, 2013 and who holds office up to the date of this Annual General Meeting of the Company and in respect of whom the Company has received a Notice in writing from a Member pursuant

Notice

to Section 160 of the Companies Act, 2013 proposing her candidature for the office of Director be and is hereby appointed a Director (Non Independent Non-Executive) of the Company, liable to retire by rotation.”

Item No. 8 - Sub-division / Stock Split of Equity Shares of the Company from Rs 10/- (Rupees Ten Only) each to Re 1/- (Rupee One Only) each

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 61, 64 and other applicable provisions, if any, of the Companies Act, 2013, (including any statutory modification or re-enactment thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and subject to the approval(s), consent(s), permission(s), sanction(s), if any, as may be necessary from the appropriate statutory authority(ies), the consent of the shareholders be and is hereby accorded for sub-dividing the equity shares of the Company having nominal value of Rs. 10/- (Rupees Ten Only) each into equity shares of Re 1/- (Rupee One Only) each.

“**RESOLVED FURTHER THAT** pursuant to the Sub-division of equity shares of the Company as afore-said, 83,50,300 Issued Equity Shares having a face value of Rs. 10/- each, shall stand sub-divided into 8,35,03,000 equity shares of the face value of Re. 1/- each.

“**RESOLVED FURTHER THAT** upon sub-division of equity shares as aforesaid, the existing share certificates of the equity shares of the face value of Rs. 10/- (Rupees Ten Only) each both in the electronic form and in the physical form shall be deemed to have been automatically cancelled and be of no effect on and from the record date fixed by the Board of Directors and the Company may without requiring the surrender of the existing share certificate(s), issue new certificates in lieu thereof, with regard to sub-divided equity shares in accordance with the provisions of the Companies (Share Capital and Debentures) Rules, 2014 and in case of Members who hold the Equity Shares in dematerialized form, appropriate number of the sub-divided Equity Shares shall be credited to the respective beneficiary account of the Members, with their respective Depository Participants and the Company shall undertake such corporate actions as may be necessary in relation to the existing Equity Shares.

“**RESOLVED FURTHER THAT** the Board be and is hereby authorised to fix the Record date and take such steps as may be necessary including delegation of all or any of its powers herein conferred to any Director(s), Committees, the Company Secretary or any other officer(s) of the Company and to do all such acts, deeds, matters and things and give such directions as may be necessary, in the best interest of the Company, for giving effect to the aforesaid resolution, including but not limited to signing and execution of

necessary forms, papers, writings, agreements and documents, giving customary representations and warranties, together with such indemnities as may be deemed necessary and expedient in its discretion and settling any question, difficulty or doubt that may arise in this regard as the Board in its absolute discretion may deem necessary or desirable and its decision shall be final and binding on all the Members.”

Item No. 9 - Alteration of Memorandum of Association

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

“**RESOLVED THAT** subject to Section 13, 61 and other applicable provisions of the Companies Act, 2013 (including any statutory modification or re-enactment thereof) and subject to such other approval(s) as may be required, Clause V of the Memorandum of Association of the Company relating to Capital be substituted by the following Clause:

V. The Authorized Share Capital of the Company is Rs. 10,00,00,000/- (Rupees Ten Crore only) divided into 10,00,00,000 (Ten Crore) Equity Shares of Re. 1/- (Rupee One Only) each. The Company shall have power from time to time, to increase, reduce, its capital and to divide all or any of the shares in the capital of the Company for the time being, classify and reclassify such shares from shares of one class into shares of other class or classes and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions, or restrictions as may be determined by the Company in accordance with the Articles of Association of the Company and to vary, modify, abrogate any such rights, privileges, conditions, restrictions in such manner and by such person as may, for the time being, be permitted under the provisions of the Articles of Association of the Company or legislative provisions, for the time being, enforced in that behalf.

“**RESOLVED FURTHER THAT** the Board be and is hereby authorized to do, perform and execute all such acts, matters, deeds and things as it may consider necessary, expedient, usual or proper to give effect to this resolution, including but not limited to filling of necessary forms with the Registrar of the Companies, Ahmadabad and to comply with all other requirements in this regards and for any matter connected herewith or incidental hereto.”

Item No. 10 - Alteration of Articles of Association

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

“**RESOLVED THAT** pursuant to provisions of Section 14 and other applicable provisions of the Companies Act, 2013 (including any statutory modification or re-enactment thereof) and subject to such other approval(s) as may be required, Article 3 of the Articles of Association of the Company be altered by substituting the following in place of the existing Article 3:

Notice

The Authorised Share Capital of the Company is Rs 10,00,00,000/- (Rupees Ten Crore Only) divided into 10,00,00,000 (Ten Crore) Equity Shares of Re 1/- (Rupee One Only) each with power to increase, reduce and to divide all or any of the shares in the capital of the Company from time to time in accordance with the regulations of the Company and the legislative provisions for the time being in this behalf and with power to divide the share capital for the time being into Equity Share Capital or Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions and to vary, modify or abrogate the same in such manner as may be determined by or in accordance with these presents.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution;

“RESOLVED FURTHER THAT the Board be and is hereby authorized to do, perform and execute all such acts, matters, deeds

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA

Chairman & Whole Time Director
(DIN: 00097254)

Registered Office:

SARLA PERFORMANCE FIBERS LIMITED

[CIN: L31909DN1993PLC000056]

Survey No. 59/1/4,

Amlii Piparia Industrial Estate,

Silvassa,

U.T. of Dadra & Nagar Haveli - 396230,

Email: investors@sarlafibes.com

and things as it may consider necessary, expedient, usual or proper to give effect to this resolution, including but not limited to filling of necessary forms with the Registrar of the Companies, Ahmadabad and to comply with all other requirements in this regards and for any matter connected herewith or incidental hereto.”

Item No. 11 - Adoption of new set of Articles of Association of the Company

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 14 and other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder, a new set of Articles of Association, placed before the Members, be and is hereby adopted and substituted in place of the existing Articles of Association of the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to perform and execute all such acts, deeds, matters and things, as may be deemed necessary, proper or expedient to give effect to this resolution and for the matters connected herewith or incidental hereto.”

Place : **Mumbai**

Date : **12th August, 2015**

Notes

1. The Statement setting out the material facts relating to Special Business at the meeting pursuant to Section 102 (1) of the Companies Act, 2013 is annexed hereto.

2. A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the company.

A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten (10) percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

The Instrument appointing the Proxy must be filled, stamped, duly signed and deposited at the Registered Office of the Company not less than Forty Eight Hours before the commencement of the Meeting i.e. by 09.00 A.M. on Saturday, 26th September, 2015.

In case of joint holders attending the Meeting, joint holder ranked higher in the order of names will be entitled to vote at the meeting.

3. Bodies Corporate who are members of the Company are requested to send duly certified copy of the Board resolution authorising their representatives to attend and vote on their behalf at the Meeting.

4. Members / Proxies / Authorised Representative are requested to bring the duly filled Attendance Slip (enclosed herewith) along with their copy of Annual Report to attend the Meeting.

Members holding shares in demat form are requested to write their DP ID and Client ID and those holding shares in physical form are requested to write their Folio Numbers on the attendance slip for attending the meeting.

5. The Register of Directors and Key Managerial Personnel and their Shareholding, maintained under Section 170 of the Companies Act, 2013 will be available for inspection by the members at the AGM.

6. The Register of Contracts or arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available for inspection by the members at the AGM.

7. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, 24th September, 2015 to Monday, 28th September, 2015 (both days inclusive) for the purpose of payment of Dividend for the financial year ended 31st March, 2015 and the AGM.

8. Subject to the provisions of the Companies Act, 2013, the

dividend for the financial year ended 31st March, 2015 as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid within a period of 30 days from the date of declaration to those members whose names appear on the Company's Register of Members as on 23rd September, 2015. In respect of shares held in demat form; the dividend will be paid to the beneficial owners of shares as per details furnished by the Depositories for the purpose. The dividend will be paid on and from 28th September, 2015.

Members holding shares in electronic form may note that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars and Transfer Agents, Sharex Dynamic (India) Private Limited ("Sharex") cannot act on any request received directly from the members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant by the members.

9. Government of India in Ministry of Corporate Affairs has announced "Green initiative in the Corporate Governance" by permitting the Companies to send the Balance Sheet, Statement of Profit & Loss, Directors' Report, Auditor's Report etc. to their members through email instead of mailing physical copies.

Members are requested to support the Green Initiative by the Government and get their email addresses registered with their Depository Participants in case of shares held in demat form or with Sharex Dynamic (India) Private Limited (Registrars & Share Transfer Agents) in case of shares held in physical form.

10. Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change in their address or bank mandates immediately to the Company / Sharex.

11. The Company has transferred the unpaid or unclaimed dividends declared up to financial years 2006-07, from time to time on due dates, to the Investor Education and Protection Fund (the IEPF) established by the Central Government. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 27th September, 2014 (date of last Annual General Meeting) on the website of the Company (www.sarlafibers.com), as also on the website of the Ministry of Corporate Affairs (www.mca.gov.in).

12. a) In order to provide protection against fraudulent encashment of dividend warrants, members who hold shares in physical form are requested to intimate to the Company's Registrars the following information to be incorporated on the dividend warrants duly signed by the sole or first joint holder:

- i) Name of the Sole/First joint holder and the Folio Number
- ii) Particulars of Bank Account, viz:
 Name of the Bank
 Name of the Branch
 Complete address of the Bank with Pin Code Number
 Account Type whether saving or current
 Bank Account Number
 MICR Code
 IFSC Code

b) Members holding shares in demat form may please note that their bank account details, as furnished by their depositories to the Company, shall be printed on their dividend warrants as per the applicable regulation of the depositories and the Company shall not entertain any direct request from the members for deletion of or change in bank account details. Further, instructions, if any, already given by them in respect of shares held in physical form shall not be automatically applicable to shares held in demat form. Members who wish to change their bank details or particulars are requested to contact their depository participants.

c) To avoid loss of dividend warrants in transit and undue delay in receipt of dividend warrants, the Company has provided facility to the members for remittance through Electronic Clearing System (ECS). The ECS facility is available at locations designated by Reserve Bank of India. Members holding shares in physical form and desirous of availing the facility are

requested to contact the Registrars.

13. Facility of nomination is now available and members are requested to make use of the same by contacting the Registrars in case of physical holding and DPs in case of demat holdings.

14. For any assistance or information about shares, dividend, etc., members may contact the Company or the registrars.

15. Members are requested to quote their Folio Number / Demat Account Number and contact details such as email address, contact number and complete address in all correspondences with the Company or its registrars.

16. Members who hold shares in multiple folios and in identical names are requested to contact the Registrars for consolidating their holdings into a single folio.

17. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company / Sharex.

18. Details of Directors seeking appointment/re-appointments in the Annual General Meeting scheduled on Monday, 28th September, 2015 (Pursuant to Clause 49 (IV) (G) (i) of the Listing Agreement)

| Name of Director | Mr. Madhusudan S. Jhunjhunwala | Mr. Krishnakumar M. Jhunjhunwala | Ms. Neha K. Jhunjhunwala |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------|
| Date of Birth | 12.02.1941 | 15.02.1962 | 22.02.1989 |
| Date of Appointment | 28.09.1994 | 14.06.1994 | 31.03.2015 |
| Expertise in Specific Functional area | Experience in Finance and Office Administration | Experience in Textile Manufacturing , Exports and Marketing | Experience in Human Resource Management and Marketing |
| Qualifications | B.Com | B.Com | BMS & Master of Science in Marketing and Strategy |
| Board Membership of other Public Companies as on 31st March, 2015 | NIL | NIL | NIL |
| Chairman / Member of the Committee of the Board of Directors of the Company as on 31st March, 2015 | Three (3) | One (1) | One (1) |
| Chairman / Member of the Committee of Directors of the other companies in which he/ she is a Director as on 31st March, 2015 | | | |
| a. Audit Committee | NIL | NIL | NIL |
| b. Stakeholders Relationship Committee | NIL | NIL | NIL |
| c. Other Committees | NIL | NIL | NIL |
| Number of Shares held on 31st March, 2015 | 194500 | 130000 | NIL |

19. E- Voting:

i. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies

(Management and Administration) Amendment Rules, 2015 and Clause 35B of the Listing Agreement, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the Annual General

Notes

Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).

II. The facility for voting through of Ballot Paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.

III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

IV. The remote e-voting period commences on 25th September, 2015 (9:00 am IST) and ends on 27th September, 2015 (5:00 pm IST). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 21st September, 2015, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

V. The process and manner for remote e-voting are as under:

A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)]:

i) Open email and open PDF file viz; "remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password.

ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>

iii) Click on Shareholder - Login

iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.

v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.

vii) Select "EVEN" of "SARLA PERFORMANCE FIBERS LIMITED".

viii) Now you are ready for remote e-voting as Cast Vote page opens.

ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.

x) Upon confirmation, the message "Vote cast successfully" will be displayed.

xi) Once you have voted on the resolution, you will not be allowed to modify your vote.

xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to mail@csajitsathe.com with a copy marked to evoting@nsdl.co.in

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy]:

i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM:

**EVEN (Remote e-voting Event Number) USER ID
PASSWORD/PIN**

ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.

VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990.

VII. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.

VIII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

IX. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 21st September, 2015.

Notes

X. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 21st September, 2015, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or evoting@sharexindia.com.

However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.

XI. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.

XII. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.

XIII. CS Ajit Sathe - Proprietor of M/s A. Y Sathe & Co., Company Secretaries in Practice (Registration No.: FCS: 2899/COP: 738) have been appointed for as the Scrutinizer for providing facility to the members of the Company to scrutinize

the voting and remote e-voting process in a fair and transparent manner.

XIV. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of Ballot Paper for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.

XV. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

XVI. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company www.sarlafibers.com and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the Stock Exchanges where the Company's shares are listed.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA

Chairman & Whole Time Director
(DIN: 00097254)

Registered Office:

SARLA PERFORMANCE FIBERS LIMITED

[CIN: L31909DN1993PLC000056]

Survey No. 59/1/4,
Amlī Piparia Industrial Estate,
Silvassa,
U.T. of Dadra & Nagar Haveli - 396230,
Email: investors@sarlafibers.com

Place : **Mumbai**

Date : **12th August, 2015**

Annexure to Notice

Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013

Item No. 5: On the recommendation of Nomination and Remuneration Committee, Board of Director in its meeting held on 1st August, 2015 have appointed and fixed remuneration of Mr. Madhusudan S. Jhunjhunwala as Whole-time Director of the Company for a period of 5 years from 1st August, 2015 to 31st July, 2020, subject to the consent of the Members of the Company. Board considered the trend in the Industry, appointee's experience, his past performance, his past remuneration etc. Details of terms and conditions of appointment are as under:

- 1) Salary : Rs. 10,00,000/- per month with Annual Increment of Rs. 1,50,000/- 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) Car : Provision of chauffeur driven Car for use of Company's business. Use of Car for private purpose shall be billed by the company to the Whole Time Director.
- 5) Gratuity : Gratuity not exceeding half a month salary for Completed years of service.
- 6) Telephone : Provision of Telephone at his residence a Mobile Phone for Company's business. However, personal STD calls shall be billed by the company to the Whole Time Director.
- 7) Reimbursement of Other : The Whole Time Director shall be entitled to be Expenses reimbursed in respect of all expenses incurred by him including travelling, entertainment etc. for and behalf of the Company. However, no sitting fees will be paid to the Whole Time Director for attending the meeting of Board of Directors or Committee Thereof.
- 8) Explanations: Family means the spouse, dependent children, and parents of the Whole Time Director.
- 9) Minimum : If the Subsequent years if profit of the Company Remuneration remains Inadequate or Company incurs losses then the Whole Time Director shall be paid Remuneration within the ceiling prescribed under Companies Act, 2013.

- 10) Job Responsibility : The Whole Time Director shall look after all the affairs 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.
- 11) 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.
- 12) Cessation of Office : If any time the Whole Time Director ceases to be Director of the Company for any cause whatsoever, he will cease to be Managing Director in terms of this appointment forthwith.
- 13) Notice Period : The appointment of Whole Time Director can be terminated by either party by giving 3 months notice and no severance fees will be payable to the Whole Time Director.

The Resolution set out at Item No. 5 of the Notice of the Meeting is meant for obtaining consent of the Members for his appointment and payment of above stated remuneration. The Directors recommend the Resolution for your approval.

None of the Directors, key managerial personnel of the Company and their relatives are, concerned or interested, in this resolution, except Mr. Madhusudan S. Jhunjhunwala himself, Mr. Krishnakumar M. Jhunjhunwala and Ms. Neha K. Jhunjhunwala, relatives of Mr. Madhusudan S. Jhunjhunwala.

Item No. 6: At the Board Meeting of the Company held on 30th September, 2014, the Board Members had approved the terms of re-appointment including increase in remuneration of Mr. Krishnakumar M. Jhunjhunwala as Managing Director for a period of five years from 1st October, 2014 to 30th September, 2019.

A brief profile of Mr. Krishnakumar M. Jhunjhunwala is given below:

Mr. Krishnakumar Jhunjhunwala holds a Bachelor Degree in Commerce from University of Mumbai and has more than twenty five years of experience in the textile industry.

He is engaged in the production, planning, marketing and other day to day operations relating to our business. He actively participates in the key financial decisions of our Company. He has a sharp commercial acumen and possesses in-depth knowledge of various segments of business in the textile industry. His vision for focusing

Annexure to Notice

on sale of value added yarn to global players has been instrumental in transforming our Company to its present position of strength.

The main terms and conditions of appointment of Mr. Krishnakumar are given below:

- 1) Salary : Rs. 10,00,000/- per month with Annual Increment of Rs. 1,50,000/- 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) Car : Provision of chauffeur driven Car for use of Company's business. Use of Car for private purpose shall be billed by the company to the Managing Director.
- 5) Gratuity : Gratuity not exceeding half a month salary for Completed years of service.
- 6) Telephone : Provision of Telephone at his residence a Mobile Phone for Company's business. However, personal STD calls shall be billed by the company to the Managing Director.
- 7) Reimbursement of Other : The Managing Director shall be entitled to be Expenses reimbursed in respect of all expenses incurred by him including travelling, entertainment etc. for and behalf of the Company. However, no sitting fees will be paid to the Managing Director for attending the meeting of Board of Directors or Committee Thereof.
- 8) Explanations : Family means the spouse, dependent children, and parents of the Managing Director.
- 9) Minimum : If the Subsequent years if profit of the Company remains Inadequate or Company incurs losses then the Managing Director shall be paid Remuneration within the ceiling prescribed under Companies Act, 2013.
- 10) Job Responsibility : The Managing Director shall look after all the affairs of the Company subject to the superintendence and control of the Board of Directors of the Company and shall carryout such other work as may be entrusted to him by the Board of Directors of the Company.

- 11) Devotion of Full Time : During the employment with the Company the Managing 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.
- 12) Cessation of Office : If any time the Managing Director ceases to be Director of the Company for any cause whatsoever, he will cease to be Managing Director in terms of this appointment forthwith.
- 13) Notice Period : The appointment of Managing Director can be terminated by either party by giving 3 months notice and no severance fees will be payable to the Managing Director.

As per the provisions of Section 197 of the Companies Act, 2013, consent of the Members is required for appointment and payment of remuneration to Managing Director. The Resolution set out at Item No. 6 of the Notice of the Meeting is meant for obtaining consent of the Members for increase in his remuneration. The Directors recommend the Resolution for your approval.

None of the Directors, key managerial personnel of the Company and their relatives are, concerned or interested, in this resolution, except Mr. Krishnakumar M. Jhunjunwala himself, Mr. Madhusudan S. Jhunjunwala and Ms. Neha K. Jhunjunwala, relatives of Mr. Krishnakumar M. Jhunjunwala.

Item No. 7: The Board of Directors of the Company had appointed Ms. Neha K. Jhunjunwala as an Additional Director of the Company vide Circular Resolution with effect from 31st March, 2015. Pursuant to the provisions of Section 161 of Companies Act, 2013, Ms. Neha K. Jhunjunwala will hold office up to the date of the forthcoming Annual General Meeting. The Company has received notice in writing under Section 160 of the Companies Act, 2013 from a member, along with a deposit of Rs 1,00,000/- proposing her candidature as a Director (Non Independent and Non-Executive) of the Company.

The Company has received from Ms. Neha Jhunjunwala (i) Consent in writing to act as Director in Form DIR-2; (ii) Intimation in Form DIR-8 to the effect that she is not disqualified under Section 164(2) of the Act.

A brief profile of Ms. Neha K. Jhunjunwala is given below

Ms. Neha Jhunjunwala holds a bachelor degree in management studies from University of Mumbai and a master degree in marketing and strategy from University of Warwick, London. She was working as Vice President (Operations) of our Company from 1st June, 2011 and has experience in managing operations and human resource management.

The Resolution seeks the approval of members for the appointment

Annexure to Notice

of Ms. Neha Jhunjunwala as a Director of the Company and she will be liable to retire by rotation.

None of the Directors, key managerial personnel of the Company and their relatives are, concerned or interested, in this resolution, except Ms. Neha K. Jhunjunwala herself, Mr. Madhusudan S. Jhunjunwala and Mr. Krishnakumar M. Jhunjunwala, relatives of Ms. Neha K. Jhunjunwala.

The Board commends the Ordinary Resolution set out at Item no. 7 for approval of the Members.

Item No. 8, 9 & 10: The Equity Shares of your Company are listed and actively traded on the BSE Limited and National Stock Exchange of India Limited. In order to improve the liquidity of the Company's shares at the stock exchange with higher floating stock in absolute numbers and to make it more affordable for the small retail investors having interest, able to invest in the Company's equity shares, the Board of Directors of the Company (the Board) at its meeting held 12th August, 2015 recommended to sub-divide (split) the nominal value of each Equity Share having a present face value of Rs 10/- (Rupees Ten Only) each into Re 1/- (Rupee One Only) each, subject to the approval of the Members and all concerned Statutory Authority(ies). The Board is of the opinion that the Share Sub-division is in the interests of the Company and the Shareholders as a whole. The shareholders may please note that presently the nominal value of each equity share of the Company is Rs 10/- (Rupees Ten Only) per share and consequent upon the sub-division it will be equity shares of Re 1/- (Rupee One Only) each. The date on which this sub-division would become effective, will be decided by the Board after obtaining the shareholder's approval, which will be notified through the Stock Exchanges. As per the provisions of Section 61 of the Companies Act 2013, approval of the Shareholders is required for sub-division of shares. Therefore, the said resolution is being put up before you for your approval.

Presently, the Authorised Share Capital of the Company is Rs 10,00,00,000 (Rupees Ten Crore Only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs 10/- (Rupees Ten Only). Upon the sub-division in the nominal value of the equity shares from Rs 10/- (Rupees Ten Only) per share to Re 1/- (Rupee One Only) per share, the Authorised Share Capital shall stand changed to Rs 10,00,00,000 (Rupees Ten Crore Only) divided into 10,00,00,000 (Ten Crore) Equity Shares of Re 1/- (Rupee One Only).

FOR AND ON BEHALF OF BOARD OF DIRECTORS

MADHUSUDAN S. JHUNJHUNWALA

Chairman & Whole Time Director
(DIN: 00097254)

Registered Office:

SARLA PERFORMANCE FIBERS LIMITED
[CIN: L31909DN1993PLC000056]

Survey No. 59/1/4,
Amlī Piparia Industrial Estate,
Silvassa,
U.T. of Dadra & Nagar Haveli - 396230,
Email: investors@sarlafibers.com

The Sub-division as aforesaid would consequential require amendments to existing Clause V of the Memorandum of Association and Article 3 of Articles of Association as set out in Item No. 9 & 10 respectively of the Notice to reflect the change in face value of each Equity Share from Rs. 10 each to Re. 1 each.

The draft amended copies of Memorandum of Association and Articles of Association is being uploaded on the Company's website for perusal by the Shareholders and is available for inspection by the members at the Registered Office of the Company on any working day excluding Public holidays, Saturdays and Sundays, during 11.00 a.m. and 1.00 p.m.

No Director, Key Managerial Personnel and their relatives are in any way concerned or interested in the Resolution at Item Nos. 9, 10 and 11 of the Notice except to the extent of their shareholding, if any, in the company.

Item No. 11: The Articles of Association ("AoA") of the Company as presently in force were framed under the relevant provisions of the Companies Act, 1956. Several regulations in the existing AoA contain reference to specific Sections of the Companies Act, 1956 and some regulations in the existing AoA are no longer in conformity with the Companies Act, 2013. Hence, with the new Companies Act, 2013 coming into force and considering most of the sections under the Companies Act, 2013 have been notified by the Ministry of Corporate Affairs, it is considered expedient to replace existing AoA by adopting new AoA. The Board of Directors of the Company at their meeting held on 1st August, 2015 proposed adoption of new set of AoA, subject to approval of member.

The Copy of draft of new AoA is available for inspection by the members at the Registered Office of the Company on all working days (except Saturdays, Sundays and Public Holidays) during 11:00 a.m. and 1:00 p.m.

The Board recommends the resolution at Item No. 8 for your approval.

None of the directors, key managerial personnel of the Company and their relatives are, concerned or interested, in this resolution, except to the extent of their respective shareholding, if any, in the Company.

Place : Mumbai
Date : 12th August, 2015



SARLA PERFORMANCE FIBERS LIMITED

CIN: L31909DN1993PLC000056

Registered Office: Survey No. 59/1/4, Amli Piparia Industrial Estate,
Silvassa, U.T. of Dadra & Nagar Haveli - 396230

Tel: 0260 3290467, Fax: 0260 2631356

Website: www.sarlafibers.com

ATTENDANCE SLIP 22nd ANNUAL GENERAL MEETING

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE AUDITORIUM

Folio No./DP ID No./
Client ID No. :

Name and address of
the registered member :

Name of Joint Holder(s),
If any (in Block Letters) :

No. of Shares :

I/ We hereby record my/our presence at the 22nd Annual General Meeting of the Company to be held at registered office on Monday, 28th September, 2015 at 09.00 a.m.

Signature of the Member/
Joint Member/Proxy attending the Meeting

Electronic Voting
Event Number (EVEN)

User ID

Password

Note:

1. Person attending the Meeting is requested to bring this Attendance Slip and Annual Report with him/her. Duplicate Attendance Slip and Annual Report will not be issued at the Annual General Meeting.
2. Please read the complete instructions given under the note no. 19 to the Notice of Annual General Meeting. The voting time starts from Friday, September 25, 2015 from 9:00 A.M. and ends on Sunday, September 27, 2015 at 5:00 P.M. The voting module shall be disabled by NSDL for voting thereafter.



SARLA PERFORMANCE FIBERS LIMITED

Form No. MGT-11 PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN: **L31909DN1993PLC000056**
Name of the Company: **Sarla Performance Fibers Limited**
Registered office: **Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa, U.T. of Dadra & Nagar Haveli - 396230**

Name of the Member : _____
Registered Address : _____
E-mail Id : _____
Folio No. / Client Id : _____
DP Id : _____

I/We, being the member(s) of shares of the above named company, hereby appoint:

Name _____

Address _____

E-mail Id _____

1) _____ or failing him;

2) _____ or failing him;

3) _____

Signature of first proxy holder

Signature of second proxy holder

Signature of third proxy holder

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the **22nd Annual General Meeting** of the Company, to be held on **Monday, 28th September, 2015, at 09.00 a.m.**, at the Registered Office of the Company at Survey No. 59/1/4, Amli Piparia Industrial Estate, Silvassa, U.T. of Dadra & Nagar Haveli – 396230, India and at any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution No. | Resolution No. | For | Against |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------|-----|---------|
| 1. | Adoption of Financial Statements | | |
| 2. | Declaration of Dividend | | |
| 3. | Appointment of Director, who retires by rotation | | |
| 4. | Ratification of Appointment of Auditor | | |
| 5. | Re-appointment of Mr. Madhusudan S. Jhunjunwala, Chairman & Whole-time Director of the Company for a period of Five Years | | |
| 6. | Re-appointment of Mr. Krishnakumar M. Jhunjunwala, Managing Director of the Company for a period of Five Years | | |
| 7. | Appointment of Ms. Neha K. Jhunjunwala as a Director of the Company | | |
| 8. | Sub-division / Stock Split of Equity Shares of the Company from Rs. 10 /- (Rupees Ten Only) each to Re. 1/- (Rupee One Only) each | | |
| 9. | Alteration of Memorandum of Association | | |
| 10. | Alteration of Articles of Association | | |
| 11. | Adoption of new set of Articles of Association of the Company | | |

Signed _____ day of _____, 2015

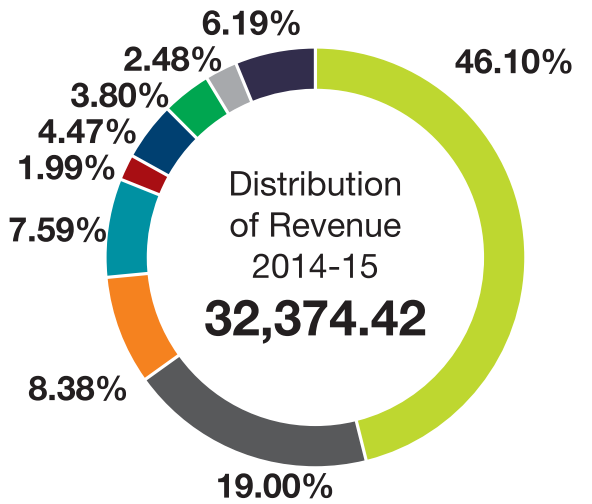
Signature of shareholder: _____

Signature of Proxy holder(s): _____

Affix Re. 1
Revenue
Stamp

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

Highlights of the Year



| | |
|-----------------------------------|-----------|
| Materials | 14,923.57 |
| Manufacturing Expenses | 6,151.07 |
| Employees Remuneration & Benefits | 2,712.43 |
| Administrative & Other Expenses | 2,456.64 |
| Interest & Finance Charges | 643.9 |
| Depreciation | 1,448.73 |
| Tax | 1,231.04 |
| Dividend (including Tax) | 801.58 |
| Retained Earnings | 2,005.46 |

GROSS REVENUE

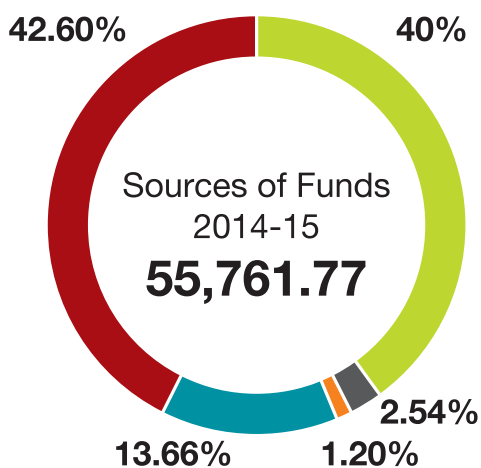
| | |
|---------|-----------|
| 2014-15 | 32,374.42 |
| 2013-14 | 27,069.55 |

PBT

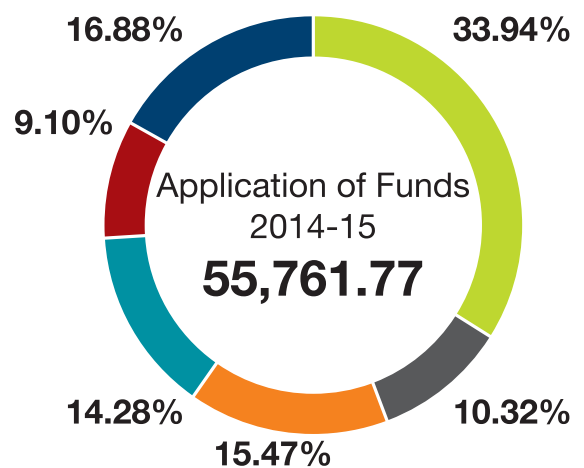
| | |
|---------|----------|
| 2014-15 | 4,038.06 |
| 2013-14 | 3,774.33 |

NET WORTH

| | |
|---------|-----------|
| 2014-15 | 22,971.24 |
| 2013-14 | 16,915.09 |



| | |
|---------------------------------------|-----------|
| Shareholders Fund | 22,303.22 |
| Deferred Tax Liability | 1,418.96 |
| Proposed Dividend | 668.02 |
| Payable for goods & other liabilities | 7,616.41 |
| Money borrowed from banks & others | 23,755.16 |



| | |
|----------------------|-----------|
| Fixed Assets | 18,928.22 |
| Investment | 5,756.90 |
| Inventories | 8,627.23 |
| Receivables | 7,963.62 |
| Loans & Advances | 5,074.85 |
| Cash & Bank Balances | 9,410.95 |

Products at a 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 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.



Textured Polyester Yarn

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



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.



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.



Registered Office:

**Survey No. 59/1/4, Amlti Piparia Industrial Estate,
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